

London Business Leaders Panel

Online Business Survey Results

October 2010

RECESSION SURVEY

- **Less than one-third of London businesses have tried to access credit over the past three months, but at 28 per cent this figure is at its highest since the beginning of the recession.**
- **Almost three-fifths (58 per cent) of those companies who have not tried to access credit have done so because their business model does not rely on it.**
- **Firms reporting an increase in the charges and/or conditions attached to their company's credit streams rose to 40 per cent, an 11 point rise on the last time this question was asked in May.**
- **And of those companies that have experienced increased charges or conditions, 69 per cent have faced increased overdraft charges, which is an alarming 23 per cent rise on May's figures.**
- **64 per cent of firms say they are either fairly or very unlikely to need to access credit in the next three months.**

The number of London business leaders reporting an increase in the charges and/or conditions attached to their company's credit streams has risen to 40 per cent, an 11 per cent rise on the last time this question was asked in May. This is according to the latest London Business Leaders Panel survey results, conducted by the **London Chamber of Commerce and Industry (LCCI)** in partnership with pollsters **ComRes**.

Demand for Credit

Throughout the economic downturn, the LCCI Recession Survey has shown that demand for credit has remained relatively low amongst London firms. These latest figures continue that trend with less than one-third of the capital's businesses reporting that they have tried to access credit over the previous three months. However, at 28 per cent this figure is at its highest since the beginning of the recession and represents a 10 per cent increase on May's figures.

When those businesses who have not tried to access credit were asked for the reasons for this, well over half (58 per cent) said it was because their business model does not rely on it. This figure increases to 65 per cent when just the smallest businesses, with only 1 to 19 employees, are taken

into account. 37 per cent of firms had not tried to access credit because they were relying on cashflow and reserves to get through the economic turmoil.

Looking ahead, the figure for those who thought they would be fairly or very unlikely to need to access credit in the next three months (64 per cent) also remained consistent with the previous figure from May 2010 (65 per cent), suggesting businesses will continue to rely on other sources of finance when it is required.

Access to Credit

The number of businesses experiencing difficulty accessing credit rose by 11 points when compared to last May's figures to 28 per cent. Other than in January 2009 when this stood at 30 per cent, this is the highest this figure has been since the beginning of the recession.

Perhaps more of a concern is the rise in the number of companies who have reported an increase in the charges and/or conditions attached to their companies' credit streams. This figure now stands at 40 per cent, which is the highest it has been since January 2009 when it also stood at 40 per cent. When only considering firms with 20 to 199 employees this figure rises further to 52 per cent.

When those companies who had experienced increased charges and/or conditions to their credit streams were asked to specify what changes in particular they had suffered, 69 per cent reported increased overdraft charges. This represents an alarming rise of 23 per cent compared to last May's figure, which already then was at a recession-high. Previously, the highest this figure had been was 36 per cent back in May 2009. For firms with only 1 to 19 employees it rises further to 76 per cent, which is particularly worrying as this is a common credit source for smaller firms.

Late payments

The number of businesses reporting a rise in late payments from their customers has risen to 56 per cent, a 9 per cent increase compared to last May when this figure had reached a recession-low of 47 per cent. This brings this figure almost back into line with peak-recession levels when it had consistently hovered around the 60 per cent mark. Hardest hit have been firms with 20 to 199 employees, 68 per cent of which have suffered late payments, and the manufacturing sector, where 65 per cent of businesses have experienced this problem.

Conclusion

The increase in charges and/or conditions to existing credit streams is a concern. While demand for new streams of credit still remains relatively low, if businesses are going to have the confidence to invest (vital given the government's determination for a private sector-led recovery) then they will need to have confidence in their existing credit streams. Increases in charges and conditions on these sources of finance could discourage investment by placing further burdens on business leaders at a crucial time.

To end on a positive note, even though demand for credit remains relatively low (as already discussed) the fact that it has risen to its highest level since the beginning of the economic downturn is potential evidence that confidence is returning to London's firms and that they are

increasingly looking for financial options to invest in their business. Such investment will be essential if there is to be a sustained private-sector led recovery and for a second dip into recession to be avoided.

Recession Survey Tables September 2010

Has your business tried to access credit in the last three months?					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	28 %	28 %	33 %	22 %	0 %
No	65 %	68 %	59 %	44 %	25 %
Don't know	8 %	3 %	7 %	33 %	75 %

If you have not tried to access credit, why is this?					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
My company's business model does not rely on credit	58 %	65 %	44 %	25 %	0 %
My company does not plan to expand/invest at present	10 %	12 %	0 %	0 %	0 %
My company is relying on cash flow and reserves to get through the recession	37 %	34 %	56 %	25 %	0 %
Lack of confidence that banks would lend	12 %	14 %	6 %	0 %	0 %
My company's credit provision is sufficient	16 %	12 %	19 %	50 %	100 %
Other	2 %	2 %	6 %	0 %	0 %

How likely or unlikely is your company to need to access credit in the next 3 months?					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Very likely	11 %	11 %	11 %	11 %	0 %
Fairly likely	20 %	17 %	30 %	33 %	25 %
Fairly unlikely	19 %	20 %	19 %	11 %	0 %
Very unlikely	45 %	49 %	33 %	44 %	25 %
Don't know	5 %	3 %	7 %	0 %	50 %

Do you agree or disagree with the following statements about your business's access to credit? – My business is currently experiencing difficulty accessing credit.

	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Agree	28 %	32 %	26 %	11 %	0 %
Disagree	37 %	30 %	48 %	67 %	25 %
Don't know	36 %	38 %	26 %	22 %	75 %

Do you agree or disagree with the following statements about your business's access to credit? – There has been an increase in the charges and/or conditions attached to my company's credit streams.

	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Agree	40 %	36 %	52 %	44 %	50 %
Disagree	24 %	24 %	24 %	22 %	0 %
Don't know	36 %	40 %	24 %	33 %	50 %

If your company has experienced increased charges or conditions, do they include any of the following?

	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ Employees
Increased overdraft charges	69 %	76 %	54 %	50 %	100 %
Overdraft has been withdrawn	4 %	3 %	0 %	0 %	0 %
Other business loans have been called in	4 %	6 %	0 %	0 %	0 %
Increased charges on loans	43 %	33 %	62 %	75 %	0 %
Other (please specify)	13 %	15 %	0 %	50 %	0 %

Has your business seen an increase in late payments from your customers?

	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	56 %	57 %	68 %	11 %	25 %
No	39 %	42 %	25 %	67 %	25 %
Don't know	5 %	1 %	7 %	22 %	50 %

Notes

1. A total of 142 companies responded to the Recession Survey.
2. All sectors of the London economy were represented including financial and business services (27 per cent); professions (22 per cent); manufacturing/transport/logistics (14 per cent); retail/wholesale (4 per cent); and other services (33 per cent).
3. For a full set of the questions and results, please contact Iain Smith, Policy & Public Affairs Executive at ismith@londonchamber.co.uk.

The LCCI London Business Leaders' Panel is conducted in association with **ComRes Ltd**, the leading name in political and policy related market research. They have a unique set of research tools, including the largest panel of Members of Parliament ever assembled, as well as specially designed panels of professionals - including dentists, academics, defence experts, and MEPs. They provide a range of research services that give their clients access to public opinion polling and bespoke research on almost any scale.

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