

Isle of Wight Barometer Business Report

SURVEY 2 - APRIL 2009



Methodology - The second Barometer Business online survey took place between 8th and 22nd April 2009. Whilst the Barometer Business survey is still expanding, it is broadly representative of both small and large businesses across the main industry sectors of the island's economy. 52 businesses completed the survey and we are actively seeking to increase the number of participants, so please get in touch if you are interested in becoming a Barometer Business.

HEADLINES

- **Most businesses, including those with international customers, reported a decline in performance between January and April 2009. All measures of business performance are down on the previous quarter.**
- **Barometer respondents are more optimistic about their own business prospects than for those of the national economy.**
- **The levels of optimism are born out in that, on average, most respondents consider business performance over the next six months will improve. The situation is different however for businesses with international customers whose prospects are mostly forecast to remain the same.**
- **Unsurprisingly, given the prevailing economic conditions low demand remains the key challenge to businesses.**
- **The level of constraint felt by business in the last quarter has eased, particularly in respect of those caused by governmental regulations, the availability of quality employees and Local Authority policies.**
- **A greater number of businesses are operating at full capacity however 65% still operate at less than full capacity.**
- **A significant number of respondents (85%) stated that the level of support from their banks was unchanged.**
- **Telecommunication and broadband infrastructure provision is considered to be the most important to business operations.**

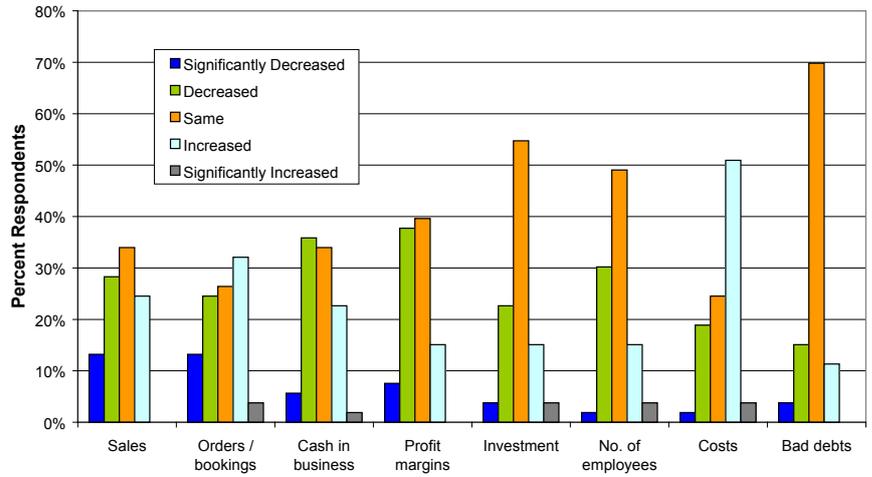
Recent Business Performance

Compared to the last quarter (Oct 08 – Jan 09) measures of performance have decreased including sales and investment, although costs and bad debts are also down. As such average business performance is slightly down on a year ago, whereas in the last quarter performance was marginally up.

Costs still remain an issue as for 50% of businesses, the cost base has increased.

Our last survey reported that for 50% of respondents, sales were up, however in this past quarter 62% reported the same or a decreased level of sales.

Last Quarter v. Same Quarter A Year Ago

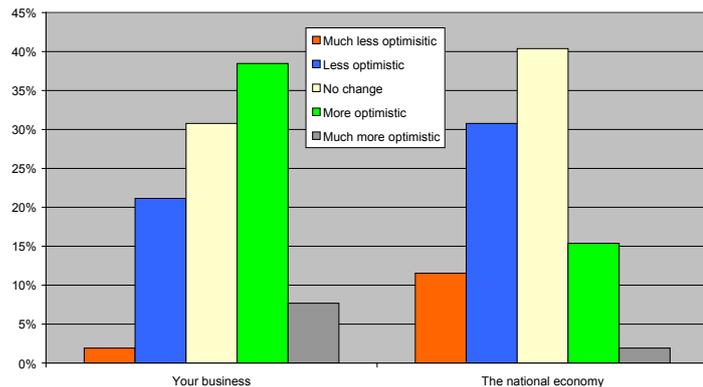


Optimism

Our participants are by no means optimistic about the national economic picture, however they have become more optimistic in the last quarter.

Generally respondents are more positive about their own business prospects.

Optimism - Compared to 3 Months Ago

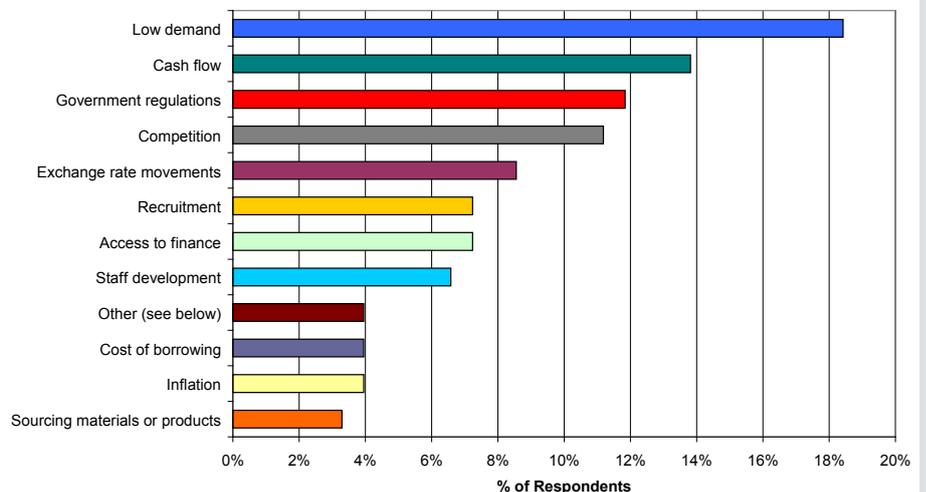


Challenges

The key challenges facing our Barometer Businesses remain largely the same. 18.5% of businesses reported low demand as the main challenge up from 17% on the last quarter. Cash flow, Government regulations, competition, exchange rate movements and recruitment are also a significant challenge.

Interestingly the cost of borrowing is not so much of an issue for some businesses.

Key Challenges - Next 3 Months



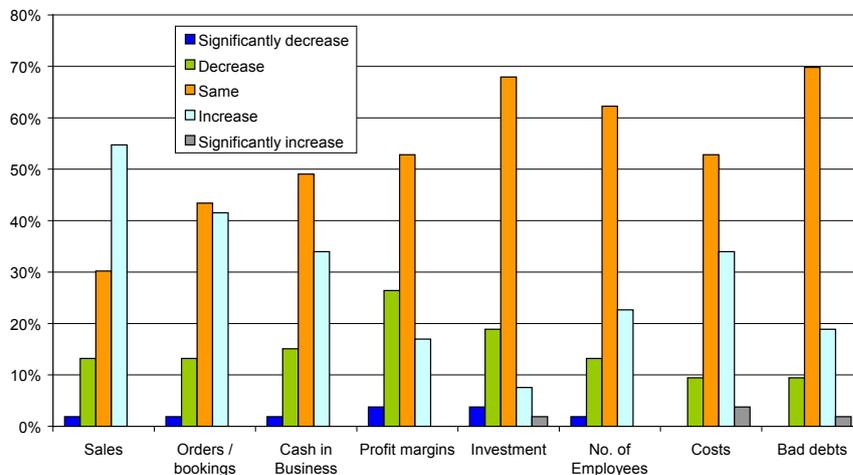
Forecast - business performance over the next six months

The optimism being felt about business prospects is reflected in forecasts for business performance in the next six months. Whilst recent business performance has not been as good as past performance, prospects for the next six months are for a marginally improving position.

On average our respondents indicate that sales and orders will increase. 85% of businesses forecast sales and orders will stay the same or increase. For 83% increases in sales and orders will support or improve their cash position.

On the other hand for 87% of our respondents, cost pressures and bad debts will either remain the same or increase which could lead to a decrease in profit margins, levels of investment and employment.

How do you think your business will perform in the next 6 months?



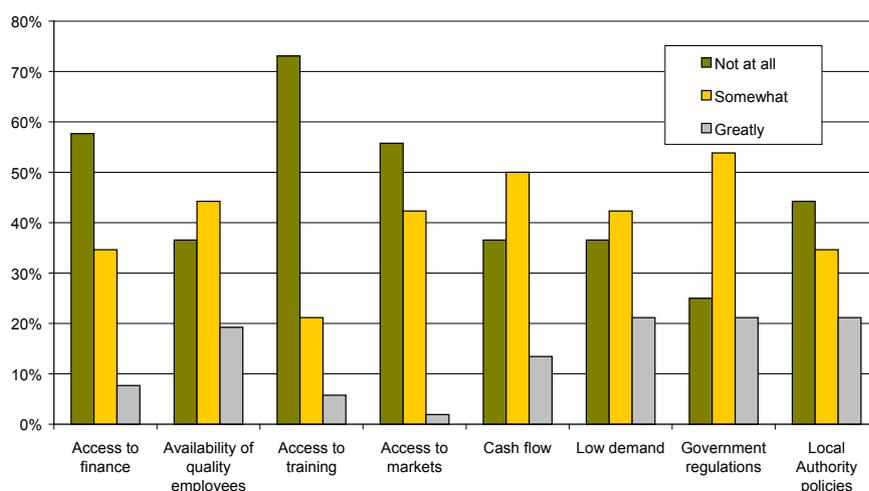
Constraints

Businesses have felt marginally less constrained in this quarter, their views seem to have moderated.

As per our last report (Jan 09), by combining "somewhat" and "greatly" responses, we produced a constraint hierarchy of: Government Regulations (85%), Availability of Quality Employees (74%) and Local Authority Policies (68%). These have now fallen to 75%, 63% and 56% respectively.

Interestingly our last report (Jan 09) noted that 61% of businesses felt access to finance was an issue, where as in the last quarter this position had eased to 42%. Again this suggests financial support is becoming more easily accessible.

Business Constraints



International Businesses

The number of businesses with international customers now makes up 32% of the overall sample.

In the last report (Jan 09), over 50% of our international businesses reported an increase in business performance in the last quarter compared to a year ago, this has now fallen to 30%. Despite this fall, on average, businesses operating internationally still outperform other businesses.

Looking forward to the next six months the expectations of our international businesses have moderated with 53% stating that business will stay the same.

Capacity

In the last survey we asked businesses if they were operating at full capacity. The majority (74%) indicated they were not, where as for the last quarter this has fallen to 65%. This improvement in overall capacity is slightly incongruous as overall business performance has decreased. We will need to monitor further how capacity is linked to other measures.

Banking

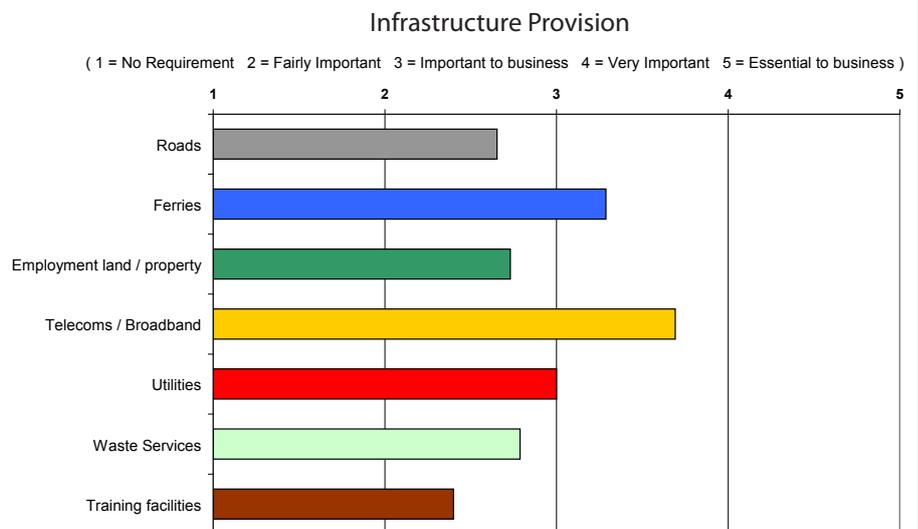
In our last survey (Jan 09) 77% of businesses reported no change in levels of bank support and the situation has not improved over the past three months with 85% reporting no change in bank support.

Other measures suggest that the situation relating to the 'credit crunch' or access to finance is easing slightly and whilst more businesses report no change fewer businesses report a weakening position 9.6% v. 20%. Only 5.8% report an improving position compared to 2.5% last time round.

Infrastructure

Our question relating to infrastructure provision produced some important results. 61.5% identified telecommunications and broadband as being essential or important to their business compared to 55.7% for ferry services.

For the most part infrastructure provision is seen as being fairly important or important to business operations in particular utilities, employment land, waste and roads.



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