

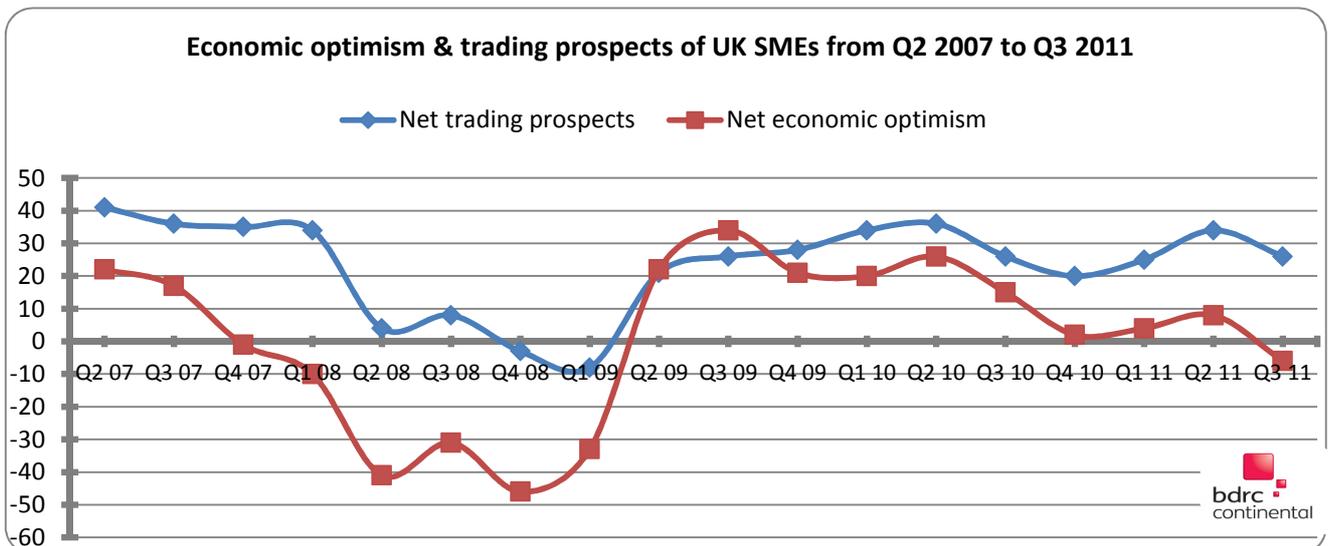
SME Optimism tracker quarterly review – 3rd quarter 2011

***SMEs optimism in the economy fell significantly this quarter
prompting fears of a double-dip recession***

London 12th October 2011: The latest 2011 quarterly results from the BDRC Continental SME tracker, which monitors SME's confidence in their own trading prospects and also their optimism in the economy generally, saw both falling in Q3. Economic optimism in particular fell significantly this quarter, from a net balance of +8% in Q2, to -6% in Q3 – the lowest reported figure since the recession ratings of Q4 2008. SMEs own trading prospects were comparatively buoyant, but like the economic tracker have declined since last quarter, falling 8 points to +26% in Q3.

The gap between SMEs optimism in the economy and how they viewed their own trading prospects increased further this quarter to a 32 point difference, an indication that SMEs hold far more belief in their own abilities compared to the economy generally.

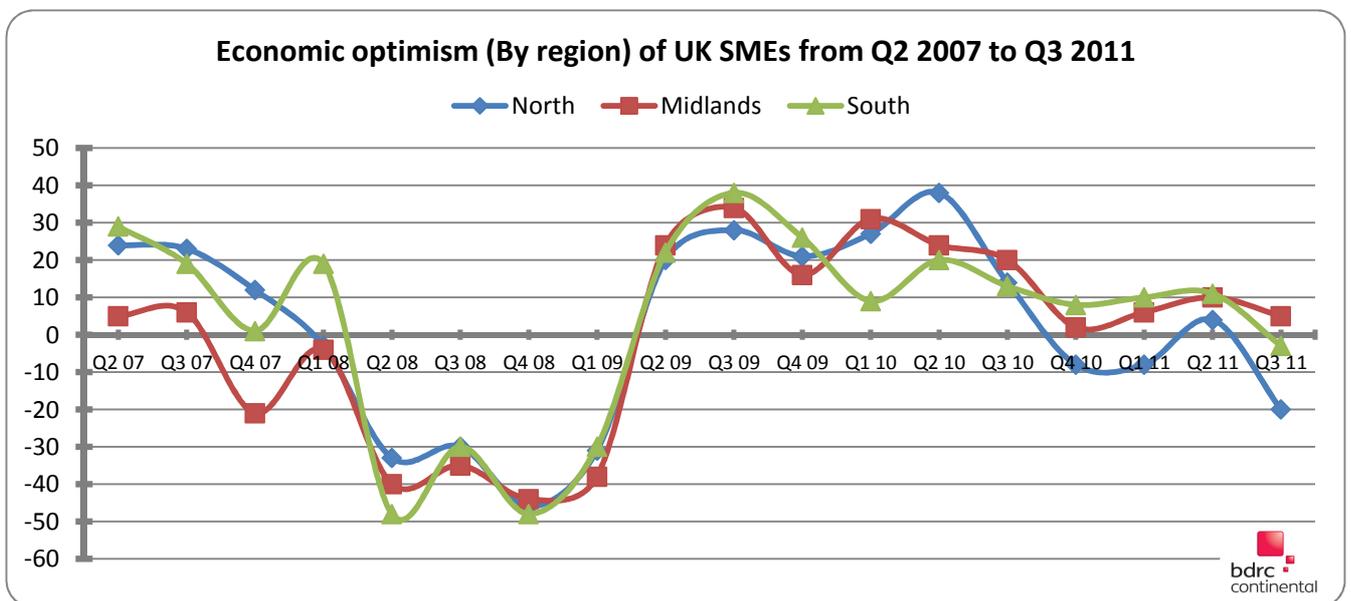
Chart 1



SMEs in the North driving current pessimism in the economy

3rd quarter results showed a drop in economic optimism for SMEs in *all* regions (see chart 2), but the North led this decline falling 24 points from +4% in Q2 to -20% in Q3. Optimism in the South region also dropped into the negative (-3%) for the first time since Q1 2009, whilst the Midlands proved the most optimistic area at +5% net balance. Since the same period last year, the North has consistently proved the least optimistic region, although not by such a large gap as latest figures indicate.

Chart 2



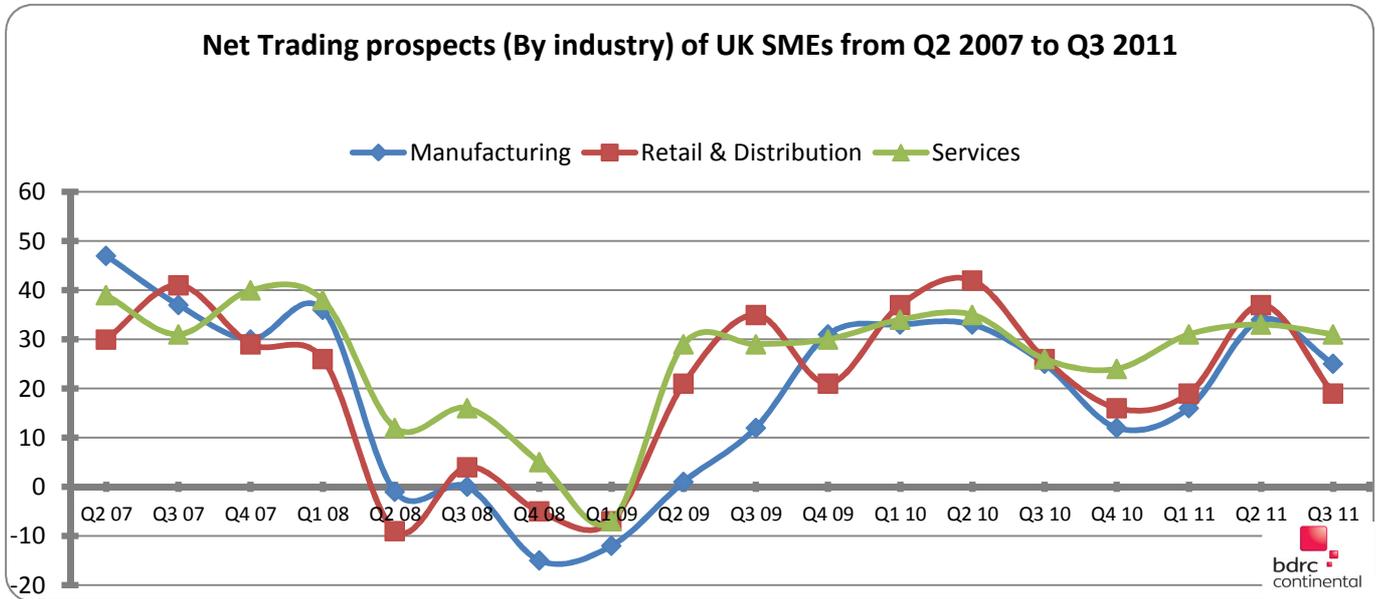
Base: Q3 2011 – 363 / 385 / 606

All industries experiencing a dip in confidence

In Q2, all sectors reported similar levels of confidence in their own prospects, but this is no longer the case (see chart 3). Retail and Distribution experienced the greatest decline; with a significant fall from +37% to +19%. The Manufacturing industry also fell significantly moving from +34% to +25%. The Services sector saw the smallest decline, dropping just 2 points to +31% this quarter, maintaining its stable performance over time in contrast to other sectors. The Services sector was *not* however, as consistent in economic optimism, having experienced a sharp fall from +4% in Q2 to -4% in Q3. Despite the decline in SME trading prospects across all sectors this quarter, net confidence levels remained

relatively high with each sector reported in and around the +20's, this is in stark contrast to their net economic optimism levels, all of which were in the negative.

Chart 3



Base: Q3 2011 – 332 / 396 / 626

Shiona Davies, Director of Financial and Business to Business Research at BDRC Continental says: “The latest quarterly results highlight the concern SMEs currently have with regards to the economy. These are the lowest economic optimism figures since the recession in early 2009 which is likely to fuel claims that SMEs are fearful of a double-dip recession in the coming months. Yet despite this pessimism, businesses are maintaining a confidence in their own trading prospects with this tracker reporting 32 points higher than that of the economy. This belief in SMEs own prospects rather than the economy has become a long running trend, but with the economic optimism figures dropping into the negative this quarter, concerns with how the economy will fare are becoming more evident amongst SMEs.

Additional information:

The BDRC Continental Business Opinion Omnibus has been tracking the economic optimism of small and medium sized enterprises (SMEs) since 1998. Every month the BDRC Continental Business Opinion Omnibus surveys approximately 450 senior financial decision makers at businesses with up to and

including 250 employees. In Quarter 3 2011, BDRC Continental polled 1354 SMEs from Monday 4th July to Friday 16th September 2011 across three separate monthly waves. Data was weighted to be nationally representative of the 1.721 million small businesses in the UK according to size, region and industry based on the latest BIS and ONS data.

Net balance

Note that the net balance is the percentage of respondents replying 'increase' minus the percentage replying 'decrease' and we ignore, for this purpose, the percentage replying 'the same'

*Q1- Thinking about the trading prospects for your company in the next year, do you expect business activity to increase, decrease or stay the same as the past year?
Q2- And thinking about the economy generally, would you say you are more optimistic than three months ago, or more pessimistic?*

Return to this page for regular updates during 2011. If you would like to know more, please contact **Anna** (anna.barker@bdrc-continental.com) or **Alex** (alex.lunn@bdrc-continental.com).

About BDRC Continental

BDRC Continental is the UK's largest independent market research agency. Established in 1991, the company has built an unrivalled reputation as a full service consultancy with specialist expertise across a number of sectors including business to business; financial services; travel & transport; culture, tourism & leisure; hotels, meetings & hospitality; media & advertising; internet & telecoms; Government & not for profit.

BDRC Continental is staffed by highly experienced researchers with great reputations in their individual fields as well as in the market research industry. The company is renowned for its consultative approach and ability to add value to clients' businesses by bringing insights from multiple markets to the research. This cross-disciplinary approach enables BDRC Continental to provide intelligence that is informed by a deep understanding of the client's issues and the wider market context. As well as undertaking bespoke research for a wide variety of clients, the company conducts a number of syndicated studies and has developed proprietary techniques including Tracktion, Grapevine, Service Intensity, the Business Opinion Omnibus, SME Finance Monitor and ZMET Visionary Thinking. www.bdrc-continental.com