BARNES ROFFE LLP
CHARTERED ACCOUNTANTS

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TT175 Is It Getting Any Better Out There?

The answer according to Barnes Roffe's Voice - and whisper it carefully - is yes.

Business confidence is rising, even if only slightly.

Our second Voice survey, a measure of sentiment from polling more than 1,000 small and medium businesses in Greater London and the Home Counties, suggests the worst could be over. There is certainly more money going into capital improvements, which is always a good sign.

A view from two in three owners that sales will match or exceed forecasts over the next six months cements a sense that things might at last be changing for the better.

More companies said that actual sales for the last six months exceeded expectations than said so for our first survey last year.

In fact, only one in six of respondents report expecting sales to be lower in the next six months compared with the same period last year.

But as Alice found when she stepped through the looking glass, things are not always what they seem. It could be that the improvements over the past six months owe more to undue pessimism earlier in the year than a robust recovery taking place now.

Time alone will tell. Fortunately there are other indicators for optimists to point to in support of arguments that the worst may be over.

Perhaps the most striking news for those who prefer to see their glass half full is that forecast capital expenditure has moved from an expected reduction to an expected rise, a rather remarkable turnaround

as we battle through a second round of official recession. All of this comes despite still very limited support from banks, suggesting that many companies are being either inventive about funding, or feeling confident enough to draw on reserves.

The investment is not translating into jobs, at least not yet, but anticipates a sunnier day that, like our summer, is probably going to be slower to arrive than most would like.

Employee numbers are likely to fall over the next six months, albeit slightly, as firms try to prepare for leaner economic times ahead. But this needs to be seen in perspective. There is not likely to be jobs rout unless some unpredictable disaster heads our way. So we might consider the current stabilisation of the fall some improvement, a steadying of the employment ship, if nothing else.

Closer examination of responses suggests that this is not yet a universal recovery carrying along everyone equally. High-tech manufacturing is the most optimistic sector, boosted by strong sales over the past six months to be confident about the next.

By contrast, the most pessimistic area is retail. It seems still to be uniformally dire for anyone on the high street as consumers remain worried about their own jobs and levels of debt, tightening their expenditure.

It is in retail where more significant job losses are likely, and also here where there was least sense that the March Budget unveiled by Chancellor George Osborne, would be of any help. In fact, quite the reverse. The wholesale sector was also underwhelmed by the Budget, seeing no particular help heading their way and predicting further job losses.

The construction sector perhaps has more reasons to be cheerful, a Budget winner with infrastructure investment firmly on the political agenda, even if nobody is clear yet quite how. But once again, a sense that construction sales were rising was not matched by any jobs boost. The sector actually expects to shed more labour, matching the patterns elsewhere.

The verdict? Our clients are getting there. But times are still very tough as they prepare for the future.

We may not be out of the woods, but our clients are finding their way there.

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