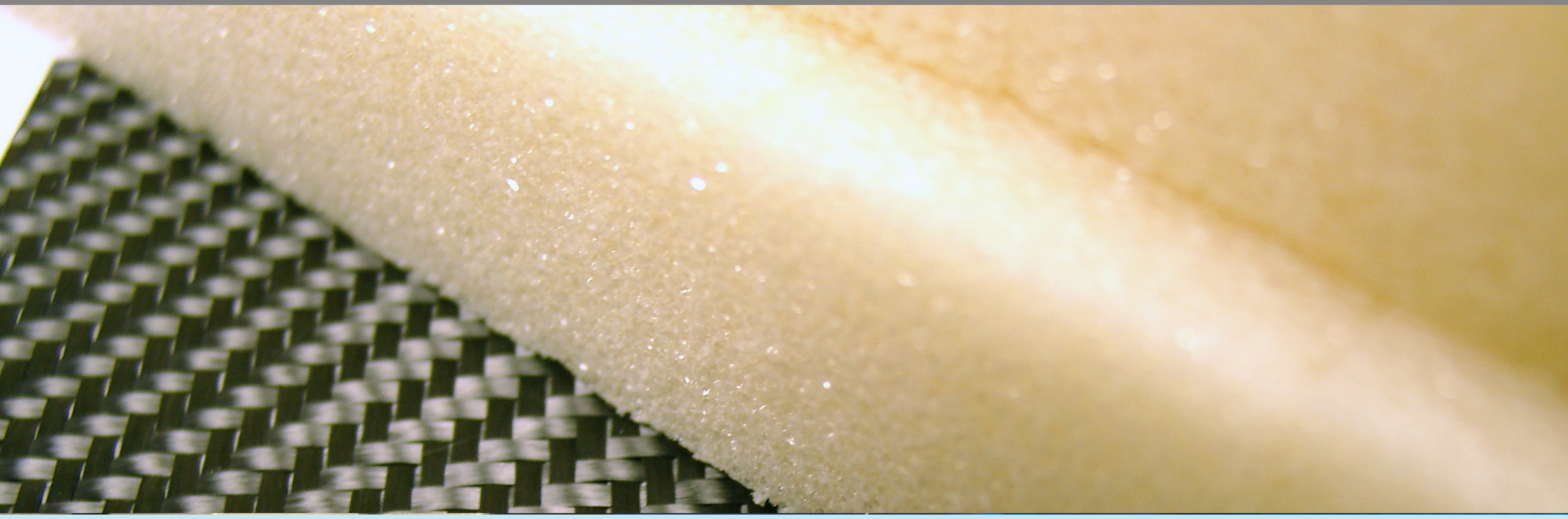
Isle of Wight Barometer Business Report

SURVEY 10 - JULY 2011



Methodology - The tenth Barometer Business online survey took place between 7 and 21 July 2011 reporting on the quarter ending in June 2011. The Barometer Business Survey has been established to be broadly representative of the Island's economy with both large and small businesses taking part across all the main industry sectors.

The Survey is your opportunity to contribute to a better understanding of how the Island's economy is operating and to register the issues affecting your business. If you are not already involved and would be interested in taking part, then please get in touch using the contact details on the final page.

HEADLINES

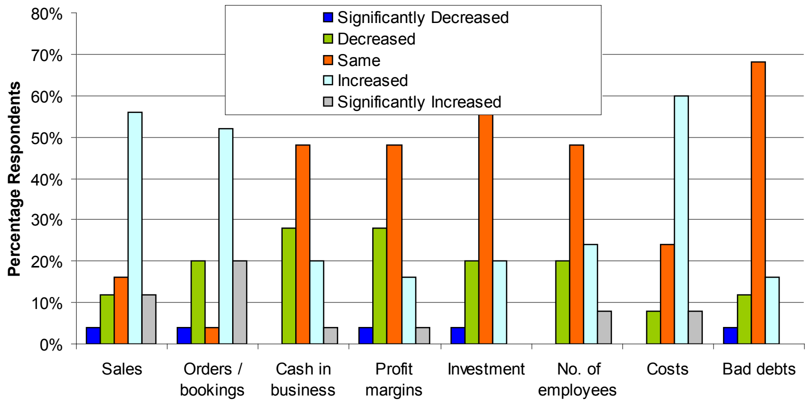
- 50% of respondents report an increase in sales, up 15% compared to the same quarter one year ago
- Optimism in businesses has increased compared to the same time last year and the survey also found that 39% of respondents were more optimistic about their own business than the national economy.
- For the first time since the Barometer Business Survey started, Cash Flow has been identified as a key challenge
- 80% of respondents feel government regulations are greatly and somewhat restrictive
- 68% of respondents expect their costs to increase which, although high, is less than the 81% who felt the same just six months ago
- Access to training is still not seen as a major constraint by Island businesses

Recent Business Performance

Nearly 50% of respondents have indicated an increase in sales performance compared to one year ago when the figure was much lower at 35%. This positivity is also reflected in an increase in orders/bookings where in 2011, more than 50% of respondents saw an increase in orders compared to less than 40% in 2010.

Encouragingly, the number of respondents reporting an increase and significantly increased position in the number of employees outways those who have reported a decrease. 48% of respondents report no change in employee numbers.

Consistency remains when it comes to bad debts, with nearly 70% of respondents recording no change in their current status.

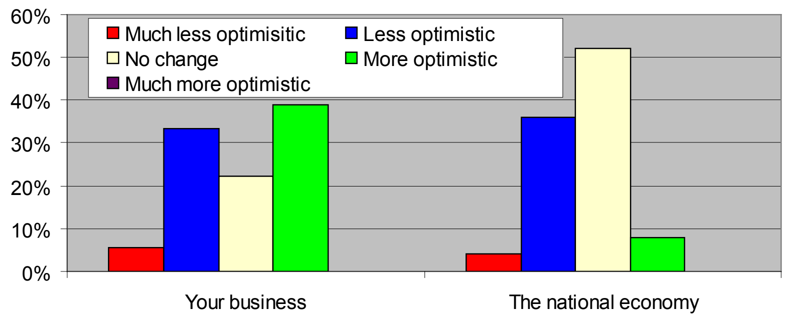


Optimism

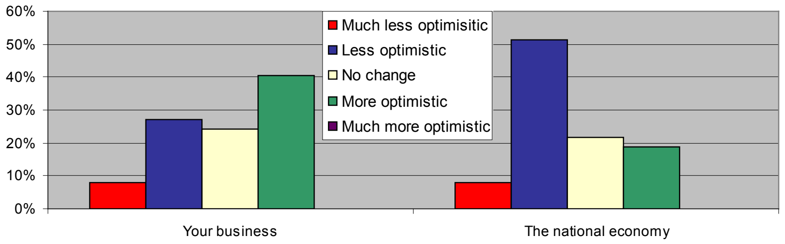
Compared to one year ago optimism in your own business and the national economy has increased however there continues to be a divergence between these two as reported back in January 2011. This is illustrated this quarter with 39% of respondents more optimistic about their own business with just 8 % optimistic in the national economy.

Perhaps there is justification with this lack of optimism in the national economy, especially when it was recently reported that the UK economy grew just 0.2% in this same quarter which is hugely disappointing.

Optimism compared with 3 months ago - July 2011



Same period one year ago - July 2010

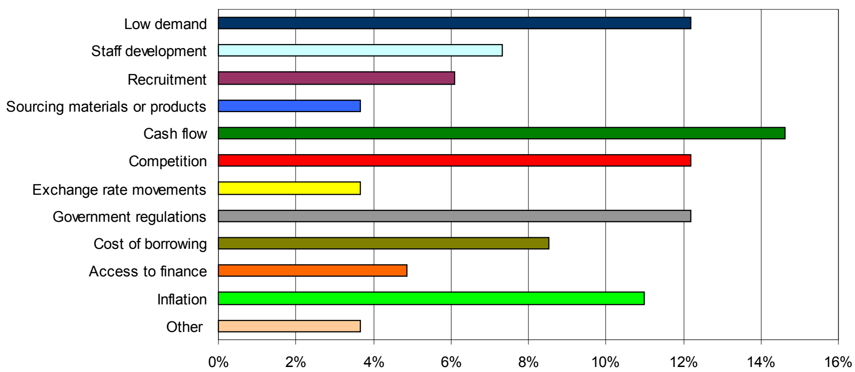


Key Challenges

For the first time in the history of this survey, respondents have identified cash flow as the key challenge to their business. The next key challenges; low demand, government regulations and competition follow closely on a level pegging.

Sourcing products and materials has remained level since the start of this survey in 2008, unlike competition which has seen peaks and troughs regularly each quarter, dipping this quarter to being a challenge to 12% of respondents.

Key challenges - next 3 months

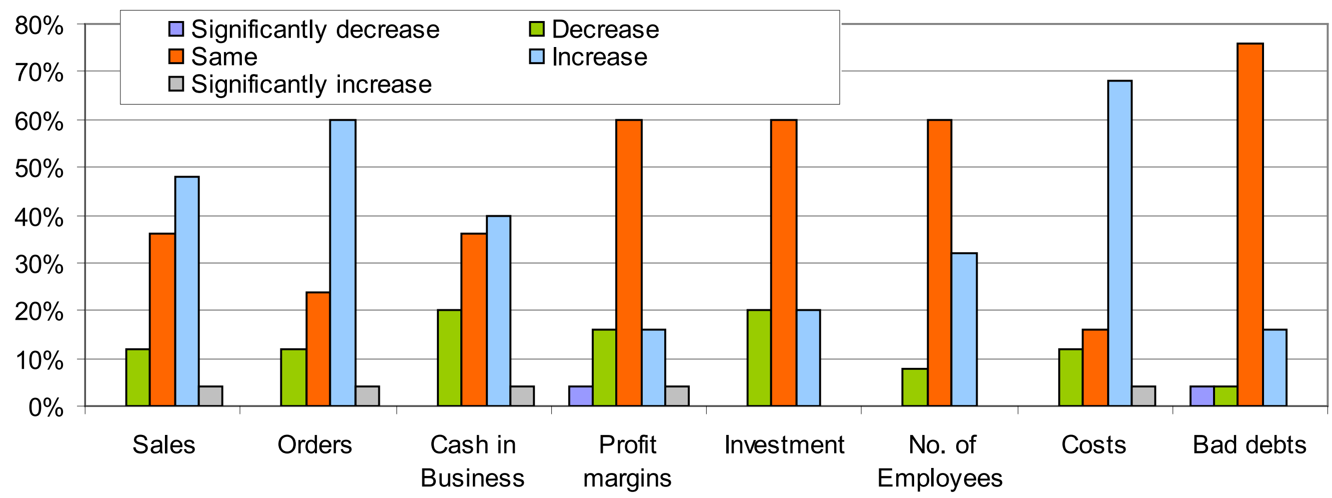


Forecast business performance over the next six months

68% of respondents expect costs to increase, which although a high proportion is less than the 81% who anticipated concern about costs just six months ago.

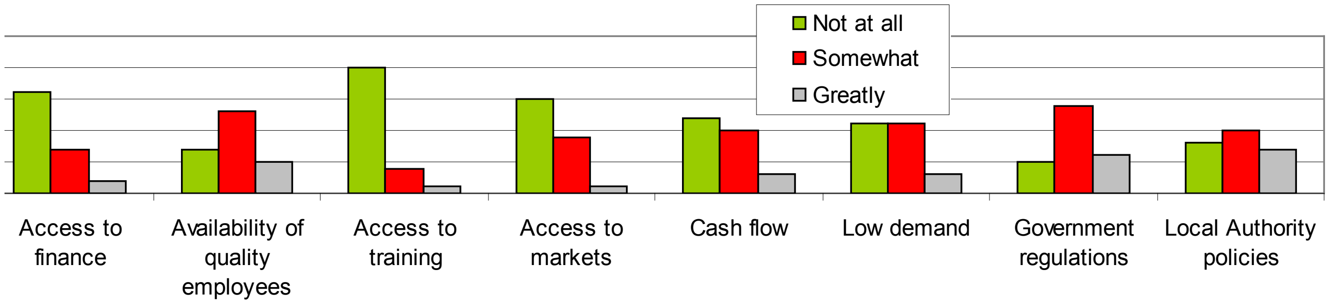
60% of businesses expect profit margins, investment and their number of employees to remain the same but encouragingly expect their orders to increase along with sales to a lesser extent at just under 50%.

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

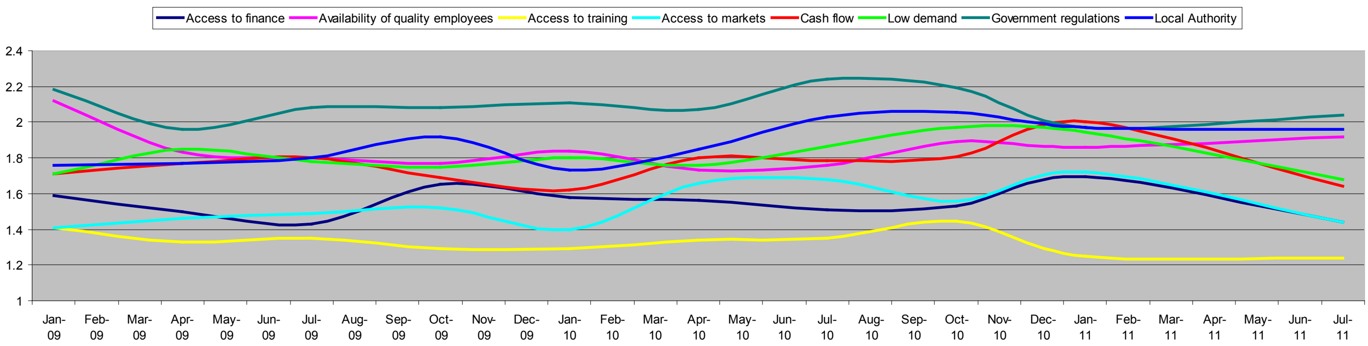


Business Constraints

Training is still not regarded as a major constraint by Island businesses, consistently holding this low position for the past 2.5 years. This could be attributed to the high standard of training provision on the Island on the doorstep of employers.
80% + of respondents feel government regulations are greatly and somewhat restrictive and since January 2011, an additional 25% of businesses do not see access to finance as a constraint.



Extent of business constraint



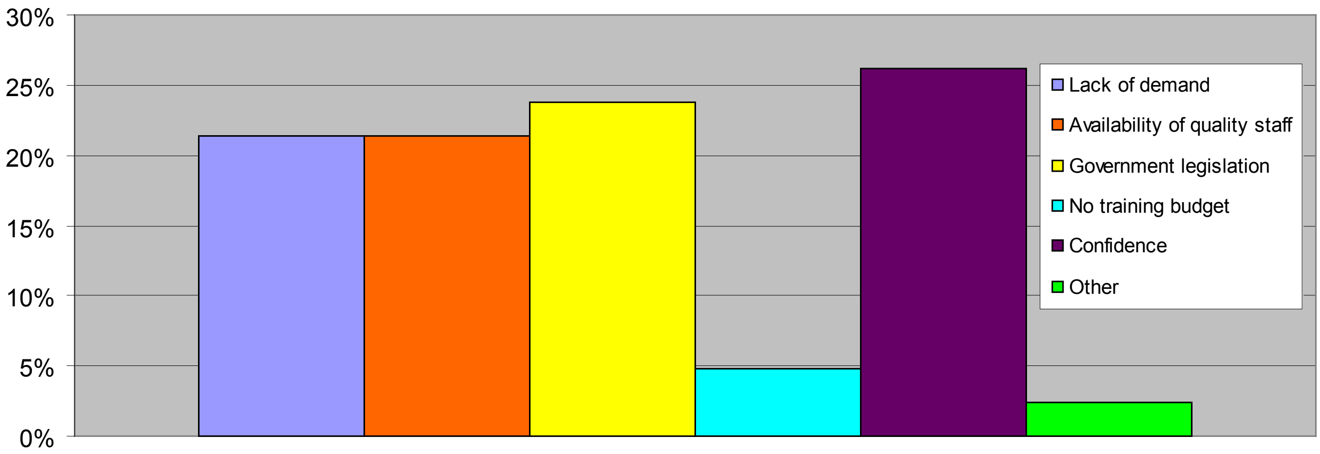
Capacity

24% of respondents said their business was operating at full capacity., 5% lower than the same time last year in 2010.

What are the barriers to your business which prevent you from increasing staff numbers?

More than 26% of respondents reported that confidence in their business was the main restricting element to increasing employee numbers, this is down 2% since the Barometer report at the beginning of the year. Lack of demand, in January was identified as the main barrier but encouragingly this fallen from 28% to 21% in the past six months. Lack of training continues to remain at the bottom of the barriers which is also illustrated in our Business Constraints where Access to Training was not highlighted as a concern. The other significant change in the last six months is the increase that Government Legislation, as a barrier, is having on businesses which is up from 16% in January to 24% in July.

Barriers in July 2011



Barriers six months ago (January 2011)

natural enterprise

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If you would like your company to become a Barometer Business please contact:
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