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Travelex
Confidence
Index

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SME confidence at an all time low

Travelex Confidence Index dropped to 91 this autumn, the lowest score on record.

Global economic uncertainty leading cause for worry among UK SMEs:

- 84% of small and medium sized businesses (SMEs) are concerned about the health of the global economy.
- 68% believe a 'double-dip' recession is likely, an increase of 80% compared to November 2010.
- Confidence in the future also falls to all time low as faith in Europe's ability to solve the debt crisis dissolves.

Government efforts to support SMEs failing to make an impact amidst global economic troubles:

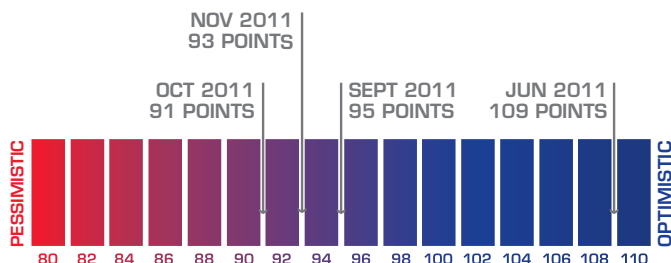
- 66% see no effect from policy efforts to drive an export-led recovery.
- 48% think efforts to depreciate sterling unlikely to lead to an export-led recovery.
- 62% of SMEs have not heard of Project Merlin, the agreement between the government and the UK's leading banks to increase credit availability to British SMEs.
- Of those who have, only one in 20 believe it has helped them obtain credit.
- Credit availability ranks 6th in top ten concerns:
 1. Overall health of the global economy (84%)
 2. Cheaper overseas competition (70%)
 3. Currency volatility (65%)
 4. Reduced budgets (64%)
 5. International regulation/compliance (44%)
 6. Credit availability (43%)
 7. Efficiency of international payments (39%)
 8. Political landscape (36%)
 9. Reduced sales (30%)
 10. Customer loss (27%)

Paddy Earnshaw, Customer Director of Travelex Global Business Payments, says:

"It is not surprising SMEs are pessimistic about the health of the global economy given Eurozone woes. Survival is paramount in the current climate; British businesses are worried about the basics of simply staying afloat.

Lower consumer confidence and inflationary pressures in the UK have also taken a toll, with SMEs worried about losing sales and customers as people continue to watch expenditure. Access to credit remains a concern, and it is worrying that nearly two thirds of SMEs don't know what Project Merlin is. The extreme uncertainty of the current economic and political environment in the US and Europe is also affecting confidence, as importers and exporters struggle to deal with fluctuations in the market.

There seems to be little expectation of better times ahead, and the focus for SMEs heading into the Christmas period is likely to remain on simply surviving the current downturn."



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Confidence falls across the board

Confidence in UK economy falls as global recovery falters

Overall confidence in the UK economy hit an all-time low this autumn, dropping to 91 from 109 in June. Both importers and exporters were affected, with importer confidence at 102 and exporter confidence at 84.

The drop in confidence reflects concerns that Eurozone troubles are denting the UK's nascent recovery. With contagion spreading from Greece to Italy and now Spain and no plausible solution in sight, British SMEs are more worried about the health of the global economy than anything else, with 84% citing it as a cause for concern.

The European debt crisis, the unprecedented loss of the United States' highly prized triple-A credit rating, and a slowdown in Chinese economic growth has also hurt UK confidence. Efforts by the governments of Japan and Switzerland to intervene in markets to protect their currencies as investor seek safe havens have also affected UK SMEs, with 65% worried about the effects of currency volatility on their businesses.

Exporter trading mainly in Europe

"Inflation has a double effect – [it] increases the cost of materials and also increases labour costs. By doing this it absolves any advantage we may gain through a more competitive currency."

Exporter trading mainly in Europe

"People are afraid and they want to be given confidence that [spending] is a wise move. Purchasing is not as sharp and aggressive and as clean as it used to be."

Confidence in trade conditions in South American economies higher than Asia and North America

International trade conditions are not expected to improve, with 63% of importers and exporters not confident that the situation will get better over the next 12 months. 77% of SMEs who trade with South America, however, are confident that the international part of their business will grow over the next year. This figure falls to 51% when looking at SMEs who do not trade with South America in any part of their business. Brazil, Argentina, and other South American countries seem to have weathered the current economic crisis better than other emerging and established economies.

The future looks uncertain

With concerns about the global economy so high, it is no surprise that confidence in the future is low. 61% of SMEs are not confident in the UK economy, a 32% drop from June 2011 and the lowest level of confidence since the TCI began in March 2010.

This is unlikely to change in the near future as the coalition government prepares markets for the publication of the Office of Budget Responsibility's report on the state of the country's public finances. Weaker UK growth has made Chancellor George Osborne's plans to eliminate the country's public debt by 2014-15 look increasingly unlikely, with the target now expected to be 2016-17. Rising inflation and low consumer confidence are also likely to have reduced faith in the UK economy.

	Jun	Sep	Oct	Nov
Confidence Index (TCI)	109	95	91	93
Current Situation Index	106	95	94	95
International Trade Index	106	97	94	95
Expectations Index	103	93	93	92



Travelex Confidence Index (TCI)

Research took place between the 12th September – 4th November 2011

Sub-indices

The Travelex Confidence Index measures the views and sentiments of the UK's importers and exporters across three sub-indices: the Current Situation Index, International Trade Index and Expectations Index.

The Current Situation Index

The Current Situation Index monitors importers' and exporters' views on current economic conditions and availability of business credit. The index dropped to 95, down 11 points since June 2011. The Eurozone crisis has hurt SME confidence as global economic uncertainty grows and the future of the UK's biggest trading partner looks increasingly unsure.

Manufacturing SMEs are more likely to have confidence in the current UK economic climate with 44% of manufacturers indicating confidence compared to 33% of retailers and 27% of business service providers.

The International Trade Index

The International Trade Index measures importers' and exporters' views on trading conditions. This index also fell 11 points, from 106 to 95, between June and November 2011 as the global economic outlook grew increasingly bleak, with the US downgrade and concerns about political deadlock in Washington adding to Eurozone fears. China recorded a slowdown in growth and emerging markets look increasingly fragile as investors seek safe havens to protect assets. Currency interventions by Japan, Switzerland, and Australia have hurt SMEs, with currency volatility a concern with 65% of those surveyed.

The Expectations Index

The Expectations Index measures importers' and exporters' views on whether international trade conditions will improve over the next 6-12 months, and whether their business will see growth in its international activity. This Index fell to 92 points in November, representing yet another 11 point drop since June 2011.

"We are in a competitive market; banks aren't lending that much and our costs are higher. Trying to maintain stability in a non-stable environment is a concern."

Importer and Exporter, trading mainly in Europe

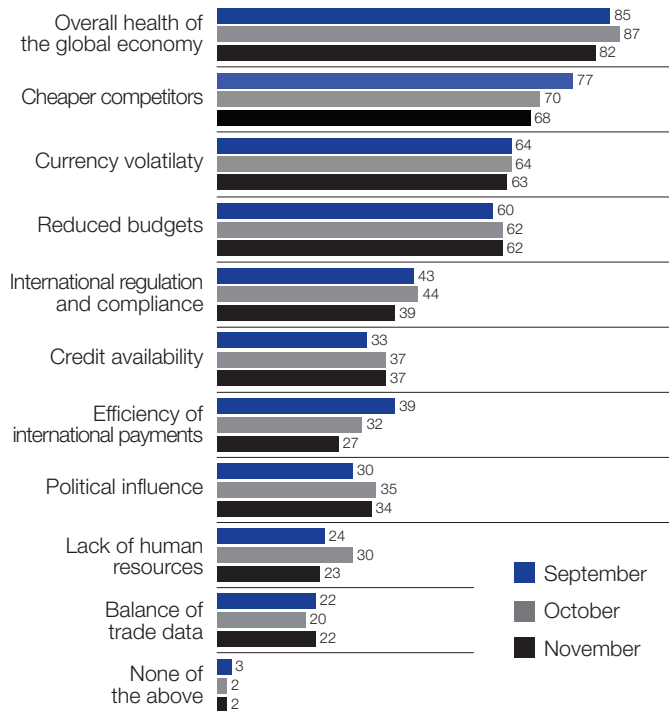
"I want stability and (...) a strong currency. Inflation seems to weaken it and therefore people won't invest in this country because they can't plan for the future, so give me a strong currency and low inflation."

Importer and Exporter, trading mainly in Europe

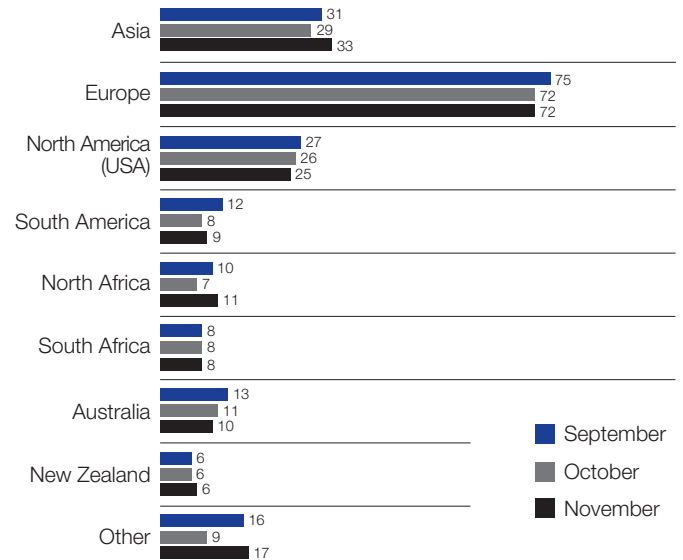


Demographics

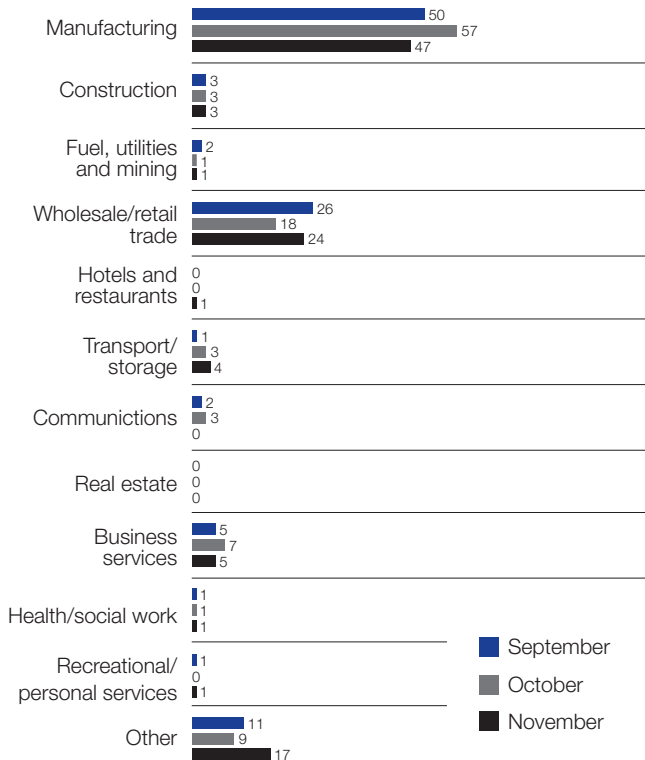
Issues affecting growth



Overseas customers and suppliers



Industry sector



Business location

