



IMPROVEMENT ON THE AGENDA

In order to assess how the past quarter has been for businesses, SME Advisor Middle East, in conjunction with Tickbox Surveys Middle East, conducted a survey of its readers.

The SME sector does not appear to be out of the woods according to the latest SME Performance Survey which shows that for the last quarter fewer companies reported an improvement in overall performance. It appears that a slowdown in the growth of existing sales and lower new orders have hampered the growth of the SME sector in the country. At the same time input costs seem to have increased, which has had a significant impact on the sector.

The SME Performance Survey shows that in the third quarter of 2011 there was a 6% drop in the number of companies reporting a significant improvement in their overall business performance. In the case of sales and new orders, there was a 2% and 3% drop in the number of firms reporting a significant increase in sales and new orders respectively. An increase in sales and new orders are vital, if the SME sector is to grow and contribute to the development of the economy. The survey also found that there was a 5% increase in the number of firms reporting a worsening in input costs. Operating costs have also seemed to worsened, with a 5% increase in the number of firms reporting a significant considerably worse situation.

The difficult operating environment faced by the SME sector has meant that there has been increased competition for business and according to the SME survey a 12% drop in the number of firms, that reported a significant improvement in competition.

The results of the current survey, which are discussed below show a very interesting

quarter. Of particular concern to SMEs are of course sales with less number of companies reporting an expected improvement. In fact there has been an increase in the number of SMEs expecting a significant worsening in sales in the final three months of the year.

New orders are also expected to fall, with 10% of firms expecting deterioration

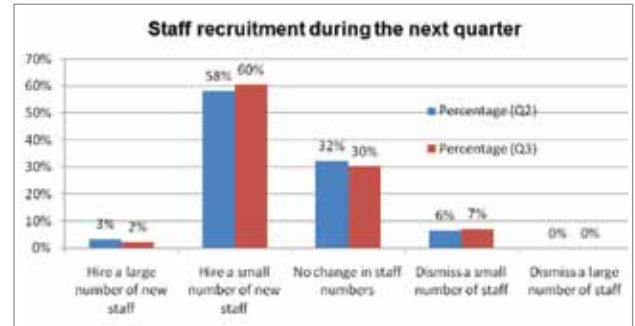
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picture of how the average SME firm within the UAE has fared over the last three months and their expectations of the next quarter.

Expectations for the next quarter

The poor performance in the last quarter has impacted on the SME sector's expectation for the next three months. The Survey shows that fewer firms expect overall business performance to improve in the final three months of the year compared to the last

in their order books compared with only 3% in the previous period. On the positive front, operating costs are expected to stabilise in the next quarter with no real change foreseen. Unfortunately, the same cannot be said for input costs which are expected to increase for the majority of SMEs. All of this points to a difficult next three months for SMEs in the country however no real difference in the level of competition is expected by firms.



Selling price

The selling prices for firms in the last quarter have not changed significantly, implying that the difficult conditions have largely been limited to the level of sales and costs. Of course, if firms are not able to pass on the increased costs to their customers it will reduce their profits. It appears that the difficult business conditions has forced the SME sector to absorb the increased operating and input costs instead of passing them onto the customers and threaten their sales and order book.

The survey indicates that the competitive business climate will not allow firms to increase their prices in the next quarter. According to survey, 35% of firms expect not to increase their prices in the next quarter even though they expect costs to increase. Firms in this category tend to be in the business services, education and training and retailing sectors. However, the end of year period also gives opportunity for at least half the number of firms in the sample to increase their prices to reflect the increase in costs and that trading firms are most likely to increase their prices in the forthcoming quarter. The remaining 14% of firms expect their prices to fall in the next quarter and they tend to be in contracting or related services.

firms looking to dismiss a small number of employees. On the positive front 60% of SMEs report looking to hire a small number of new staff. It appears from the survey that there will be no real large hiring by the sector and this is reflective of the current business conditions. The fact that SMEs are

on their profits. Expectations for the next quarter tend to be constrained with firms reporting a general decline in the growth of sales as well as expected increase in input costs. Although, some firms will continue to absorb the increase in costs, about half expect to increase their prices in the last

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Staff recruitment

The survey indicates that there is still some movement in this sector, with 7% of

looking to hire new staff, albeit in small numbers, gives confidence to the sector. In the long term firms expect business conditions to improve and hence are looking to recruit staff. However, firms are being extremely cautious in their staff recruitment due to the current short term situation. To a certain extent any large scale hiring of new staff may be impacted by the inability to increase prices and the need to restrict the rise in operating costs.

three months of the year. Generally, firms are very cautious and are careful not to increase their operating costs. The survey does expect new hiring of staff, but it will be in small numbers at best. ■

The survey for the third quarter of 2011 shows that it has been a very difficult quarter for the SME sector, with a fall in reported improvement in overall business performance.

At the same time companies have had to deal with increased costs with little ability to increase their prices, which has impacted

Note:
The figures may not add up to 100% due to rounding up.

About
Tickbox Surveys Middle East specialises in market research surveys for the consumer, B2B, investor, community and employee segments. It also specialises in helping companies to identify appropriate interventions for improving customer and employee satisfaction as well as loyalty through using surveys and statistical analysis. For more information visit www.tickboxsurveys.com.