



# Press release

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**Date**            **EMBARGOED UNTIL 00:01 Monday 25<sup>th</sup> November 2013**

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**Subject**            **Increased confidence could create over 200,000 new jobs among small and mid-cap companies**

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## **Increased confidence could create over 200,000 new jobs among small and mid-cap companies**

**Report reveals record-level confidence and hiring intentions in the sector**

Increased confidence in the economy could create thousands of new jobs among small and mid-cap companies in the UK, according to the latest quarterly QCA/BDO Small & Mid-Cap Sentiment Index. Nearly three quarters (72%) of companies now expect to increase their workforce over the next 12 months, compared with just 43% a year ago. This equates to the creation of over 200,000<sup>1</sup> jobs in the UK and comes as the sector's confidence in the UK economy increased from 58.2 in July to 64.1 this quarter - a huge 5.9 points.

Echoing these buoyant figures, companies' confidence in their own business prospects jumped to 70.4, from 65.5 in July - the report's highest-ever reading - supported by expectations of strong turnover growth, where the mean expected change for the year ahead rose to 14.8 from 12.5. Continued improvement at this rate points to robust recovery in just two quarters' time.

Yet despite their broad-based optimism, small and mid-cap companies have also revealed that the growth they point to can only be realised if the right conditions are created. As the Autumn Statement approaches, more than a third (34%) of companies said that they support additional employers' national insurance contribution (NIC) reductions or rebates for businesses that take on new workers or export<sup>2</sup>. This measure was chosen by the sector as having the greatest potential positive impact on their business.

Scott Knight, Partner, BDO LLP commented: "Sentiment has skyrocketed and small and mid-cap companies now need the right conditions to grow - National Insurance Contribution reductions and rebates would facilitate that growth, both here and abroad."

In addition to calls for reform around NIC, many companies and their advisors would also welcome simplification of the tax regime, such as the abolition of numerous tax reliefs in exchange for a lower overall corporation tax rate. This was selected by a third (33%) of companies and 35% of advisors as the fiscal policy that would have the greatest positive impact on their business or the sector.

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<sup>1</sup> Based on a Quoted Companies Alliance calculation of 4.6m people employed by small and mid-cap quoted companies (defined as companies with market capitalisations below £1bn) and a mean expected growth in employment of 5.8%

<sup>2</sup> When asked which fiscal policies they would like to see in the 2014 Chancellor's Budget

Tim Ward, Chief Executive of the Quoted Companies Alliance, said: “We are seeing a new energy in the small and mid-cap sector which has the potential to be converted into real jobs. The Quoted Companies Alliance supports simplifying the tax system and rewarding job creation.”

Despite these aspirations and in the face of improving prospects, the QCA/BDO Index reveals that only slightly more companies (3%) expect to raise capital in the coming year, and that the ease of raising capital has improved only slightly<sup>3</sup>. Worryingly, more than a third (35%) of small and mid-cap companies feel that the City of London serves them either poorly or very poorly and cite a lack of risk appetite as the top reason for this.

Tim Ward, Chief Executive of the Quoted Companies Alliance, comments: “The City favours investment in lower-risk, cash generative companies. This rules out pre-revenue small and mid-cap companies, such as many in the high tech sector, that are clearly gearing-up to grow. The City needs to recognise and support those companies that are post-seed funding and pre-positive cash generation. They are a key potential contributor to our future growth.”

Scott Knight continued: “Small and mid-cap companies have sound growth plans. The opportunities are there for both those investors who are prepared to focus on longer term growth and the City, that has historically supported small and mid-cap quoted companies, to demonstrate the value it brings.”

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**Methodological notes**

The QCA/BDO Small & Mid-Cap Sentiment Index by BDO and the Quoted Companies Alliance (QCA) is an online quarterly survey across the small and mid-cap quoted sector.

**Methodology:** This survey has been conducted using an online interview administered to members and associates of the QCA. The sample definition is "small and mid-cap UK quoted companies and advisory companies". The responding sample is weighted by industry to be representative of small and mid-cap UK quoted companies, as derived from London Stock Exchange data.

The report is based upon 222 online interviews (133 small mid-cap quoted companies, 89 advisory companies) with members and associates of the QCA. The survey respondents included 85% of small and mid-cap company employees in a board level position and 55% of advisors in a senior management position. It was conducted between 02 October and 21 October 2013 by research company YouGov.

Please note that not all scores in this report add up to exactly 100% due to rounding. The margin of error for the survey is +/- 8%.

**Note to editors**

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The combined fee income of all the BDO Member Firms, including the members of their exclusive alliances, was \$6.015 billion in 2012. The global network provides business advisory services in 144 countries, with almost 55,000 people working out of 1,204 offices worldwide.

BDO LLP has a clear ambition to be the firm known in the market for exceptional service delivered by empowered people. The 2013 Mid Market Monitor analysis shows that BDO is the market leader for client satisfaction for the second year running -

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<sup>3</sup> The ease of raising bank finance across all companies surveyed rose from 5.58 in July to 5.88 this quarter, with 1 = impossible and 10 = extremely easy

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outperforming all its major competitors and the only organisation to see an improvement over the past four years.

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The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. We campaign, we inform and we interact to help our members keep their businesses ahead. Through our activities, we ensure that our influence always creates impact for our members. For more information, please visit [www.theqca.com](http://www.theqca.com).

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**Contacts**

Laura Gainsford or John Davies at  
Blue Rubicon on behalf of BDO LLP

Tel: 0207 260 2700  
Fax: 0207 260 2701  
Email: [bdo@bluerubicon.com](mailto:bdo@bluerubicon.com)

<http://bdoqcasentimentindex.co.uk/>  
<http://www.bdo.uk.com/>  
<https://twitter.com/QCAandBDO>

Kate Jalbert at the Quoted Companies  
Alliance

Tel: 020 7600 3745  
Email: [kate.jalbert@theqca.com](mailto:kate.jalbert@theqca.com)  
[www.theqca.com](http://www.theqca.com)

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