



Press release

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Subject **Small and mid-cap companies unprepared for interest rate rise**

Small and mid-cap companies unprepared for interest rate rise

More than half (55%) of the UK's small and mid-cap quoted companies have not planned for an interest rate rise, even though three quarters (77%) expect rates to rise by March 2015, according to the latest QCA/BDO Small & Mid-Cap Sentiment Index.

This lack of preparation suggests that small and mid-cap companies are taking a short-term and narrow view towards business planning. In addition, the latest report reveals that nearly half (48%) of companies think that an interest rate rise would have no impact on their businesses.

Scott Knight, Partner, BDO LLP, explains: "Indications point to the Bank of England raising interest rates in the near future. However, the lack of planning among companies suggests that they are only considering the primary impact this would have on their own working capital. Despite the likelihood of small incremental rate changes, companies cannot be complacent. The compound impact will be far greater. It is imperative companies consider the secondary and tertiary effect a rise in rates would have on their consumers' customers, suppliers and the health of their markets."

Encouragingly meanwhile, the report reveals that while over half (55%) of small and mid-cap companies have not run any scenario testing for an interest rate rise, around a fifth (22%) do intend to undertake some form of scenario testing in future.

When considering business prospects more generally, small and mid-cap quoted companies appear to be taking a pragmatic approach. Overall, companies' confidence regarding their business prospects has faltered this quarter. Net optimism fell to 28%; down 25% from its January 2014 peak (53%). This suggests that optimism in market conditions may have peaked.

Tim Ward, Chief Executive of the Quoted Companies Alliance, said: "Low interest rates have supported an impressive run of recent economic growth. The confidence dip in the sector points to a healthy dose of pragmatism, which is to be welcomed. Companies now need to take a longer-term, realistic approach to planning for interest rate rises. They also need to consider other external factors, such as exchange rates and energy costs. Investors need reassurance that external factors are being actively reviewed, whilst companies must prepare well to ensure steady and consistent business growth."

- Ends -

Methodological notes

The QCA/BDO Small & Mid-Cap Sentiment Index by BDO and the Quoted Companies Alliance (QCA) powered by YouGov 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 197 online interviews (119 small mid-cap quoted companies, 78 advisory companies). It was conducted between 24 June and 10 July 2014 by research company YouGov.

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

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