

UK SMALL BUSINESSES NAVIGATE AN UNCERTAIN FUTURE

Small business owners in the UK continue to grapple with inflationary pressures, workforce challenges, and market volatility amid a slowing economy.

Economic Conditions

Small businesses are struggling with the impact of broader economic trends, such as rising interest rates, inflation, and market volatility.

- 45% of small business owners have been negatively impacted by the volatility of the pound
- 45% have been negatively impacted by rising interest rates
- 80% have seen their energy bills increase in 2022, with 20% seeing a twofold increase
- 37% think the recent rise in energy costs will restrict their ability to grow their business in future
- Only 17% of businesses believe the Energy Price Guarantee for businesses up until March 2023 is sufficient

Workforce Challenges

The current economic climate is compounding the severe skills crisis in the UK.

Has your business been negatively impacted by challenges to recruit and retain staff?

Yes: 76%

No: 24%

- 73% of small business owners expect workforce challenges to restrict their ability to grow in future
- 96% have increased their employees' wages in 2022 to help them retain and recruit staff
- 80% have seen overheads increase above the rate of inflation

Navigating the Challenges

To cope with the current economic climate, small business owners are raising prices, adapting their offerings, and attempting to reduce overheads.

- 65% of small business owners have increased their prices
- 42% have adapted their range of products/services
- 15% have implemented a freeze on hiring new employees
- 10% have already been forced to lay people off

Government Support

Small businesses require support in order to navigate the current economic climate.

What one further action would you like the to see the Government prioritise to address the challenges that you face in your business?

Expand R&D tax credits to fuel innovation: 25%

Reduce corporation tax: 18%

Reform the business rates system: 15%

Guarantee energy prices for at least one to two years: 15%

Further reform national insurance: 4%

Other: 23%

When asked how they want government to support their areas, 61% of small business owners said they would prioritise place-based infrastructure spending, compared with only 39% who would prioritise place-based tax relief.

Looking Ahead

Despite the challenges they face, small business owners remain confident in their ability to succeed.

Given the economic challenges you are facing, do you expect to make a profit, loss, or break even this year?

Profit: 65%

Break even: 21%

Loss: 14%

- 62% are confident in their businesses ability to grow in 2023
- But, looking ahead to 2023, only 16% have confidence in the broader economy
- 68% believe the current situation is comparable to the height of the pandemic or worse

Source: The data in this infographic was collected between 4th and 14th October 2022 from a survey completed by 345 small business owners who participated in the 10,000 Small Businesses UK program.