



Small Business Barometer

Q4 2022



Executive summary

More than half of small business founders expect to expand in 2023, a 12% leap in ambition on the previous quarter, the latest Barometer has shown.

Despite 77% feeling the impact of rising costs and 42% admitting profitability will take a hit due to cost pressures, 54% of founders said they expected to expand their business in 2023, following months of challenging conditions.

The Barometer – a survey that analysed responses from more than 1,000 start-ups, micro and small businesses across the country – found that London was the growth outlier, with 63% of business owners expecting to expand this year. Those operating in business services and education, and food and drink businesses under three years old, all stood out for their expansion plans.

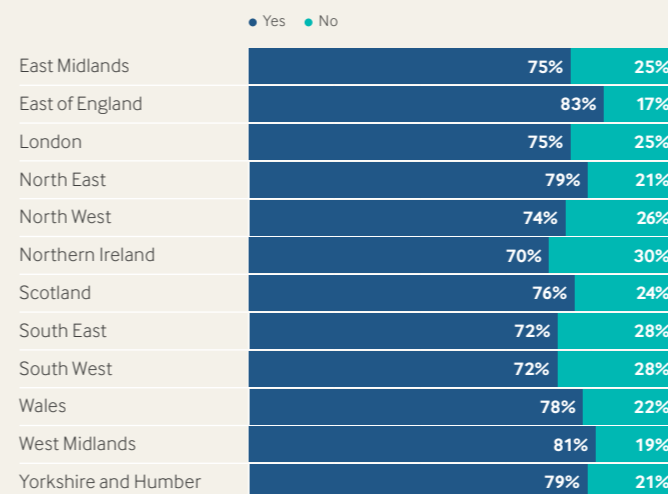
Half are planning to take on staff (50%), while 57% plan to invest by taking finance on board. The average amount of funding has also gone up too. Businesses expect to take on an average of £55,972 in investment, a 16% increase and 6% above the top rate of inflation.

That figure rises to £79,595 in London, followed by £68,250 in the South West. Businesses in the East Midlands expected to invest the least, with an average of £17,159, 22% lower than in the capital.

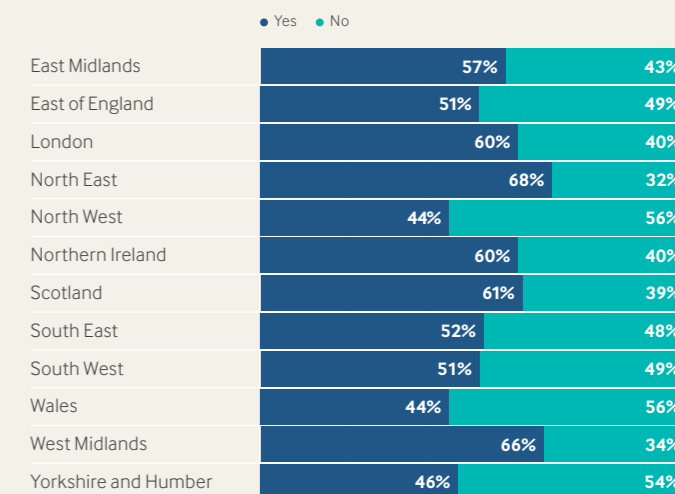
Research findings

Regional statistics

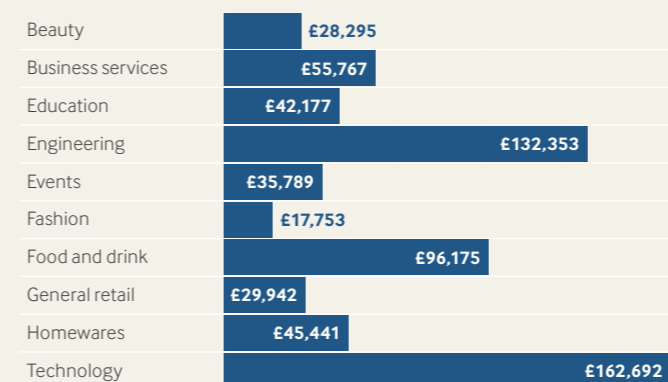
Businesses affected by the cost of doing business



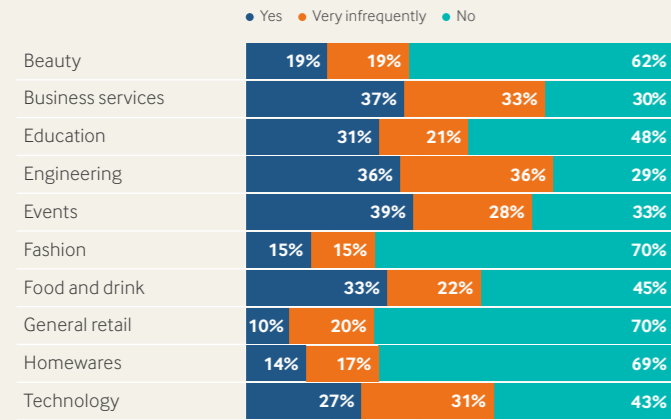
Appetite for investment



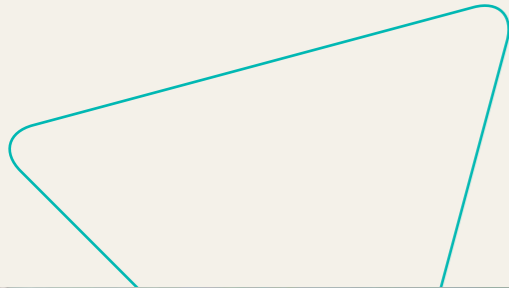
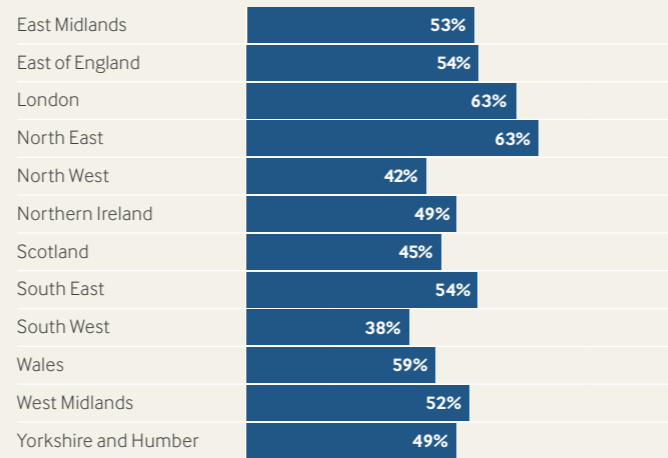
Amount of investment



Businesses experiencing late payments



Regional expansion plans



London investment plans higher than rest of UK

Overall, 57% of businesses expect to invest in 2023, with the West Midlands (66%), Northern Ireland (61%) and Scotland (60%) leading the rest of the UK. But London is ahead of the rest of the UK by a significant margin when it comes to the size of investment plans.

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Top sectors looking for investment were food and drink (74%), technology (71%) and education. Technology expected to take on the highest value in investment at £162,692.

Cost of doing business

A drop in profitability was seen across the board, put down to the increasing cost of doing business. On average, 42% of business owners were expecting to see a drop in profit, down three percentage points from the last quarter. Businesses in the West Midlands spoke of the biggest impact (53%), but only 12% in the region expected that impact to be severe, lower than the national average (21%).

Side hustlers

One-third (34%) of founders said they worked a full-time or part-time job alongside running the business, a two percentage point increase on last time. This suggests people are building their ventures as a side hustle to increase their income. This was most likely to be the case in the East of England, where half (51%) of businesses polled said they had another form of income.

Founders aged between 25 and 34 were most likely to be operating a side hustle (42%).

Demographic

The small businesses that responded to this survey are 63% female entrepreneurs, while 52% of businesses were launched less than three years ago. A third of founders (34%) also have a full-time or part-time job.

Analysis



Emma Jones
Founder of business support platform and provider Enterprise Nation

Optimism is growing again. The final quarter of 2022 saw businesses digging in and developing strategies to support their survival and growth for 2023. While not downplaying the serious challenges businesses face, the Q4 Barometer shows that resilience is high and that founders aren't put off by the challenges ahead. Coping with the uncertainty of energy costs is still a big concern.

Small business optimism is back! As we head deeper into 2023, it's clear small businesses are beginning to redesign the future and planning for growth again. They're grasping technology, they're innovating and they're planning to invest.

What needs to happen now is for the government to catch up with this ambition to make sure the infrastructure is in place, the funding is accessible and affordable, and the skilled workforce is ready to go.

We must also make sure SMEs have the skills in leadership and are finance-ready to be able to succeed, and offer targeted support to regions and sectors that are falling behind.

Enterprise Nation is a pioneer in small business support.

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