



# Small Business Barometer

Q1 2023



# Executive summary

The number of small businesses planning to increase prices to their customers is set to rise dramatically this quarter, further fuelling inflationary pressures.

In Enterprise Nation's latest quarterly Small Business Barometer, the number of small firms that say they must raise their prices has gone up by 11% since the last survey in 2022.

The barometer's findings clearly demonstrate the growing financial pressures that businesses are experiencing. That's in contrast to previous barometer reports, which showed businesses were expecting to swallow the extra costs, such as the increase in energy bills.

It also suggests businesses had not expected inflation to continue for so long, and had hoped they could make it to the other side without increasing prices.

Overall, 52% of businesses said they planned to put up prices. However, firms in the North East are most at risk of price inflation, with 65% saying they intended to raise prices in the second quarter of the year.

Across the various business sectors, general retail, fashion, and food and drink are the most likely to say they'll be increasing prices. Most claim they'll charge up to 10% more, though in some instances businesses plan to raise prices by up to 20%.

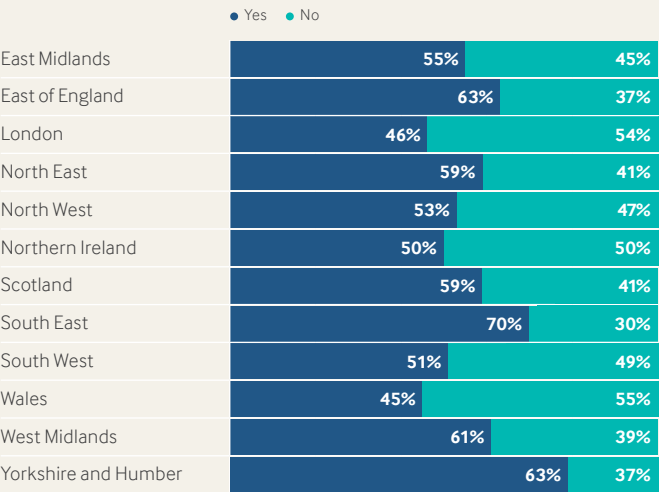
As well as increasing costs, businesses say they're also seeing their sales fall at the same time. Around a third are working part-time or even full-time to make the numbers work for them.

Despite all of that, one-third of businesses are being launched with a strong purpose, and they continue to support their communities through profit-sharing or by giving to charity.

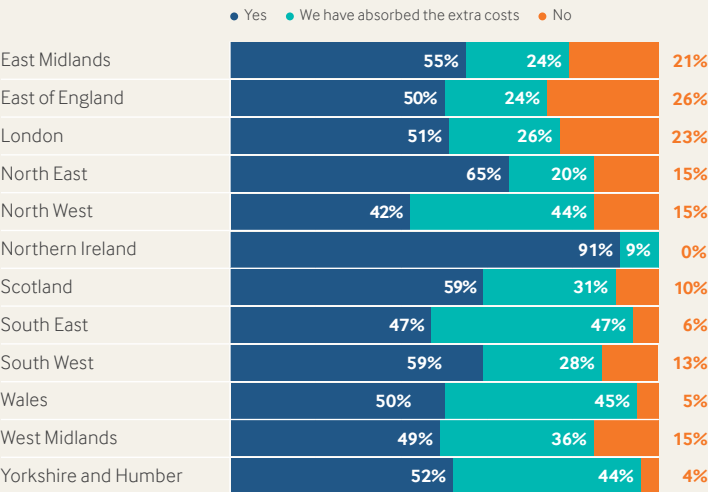
# Research findings

## Regional statistics

### Businesses started as a side-hustle

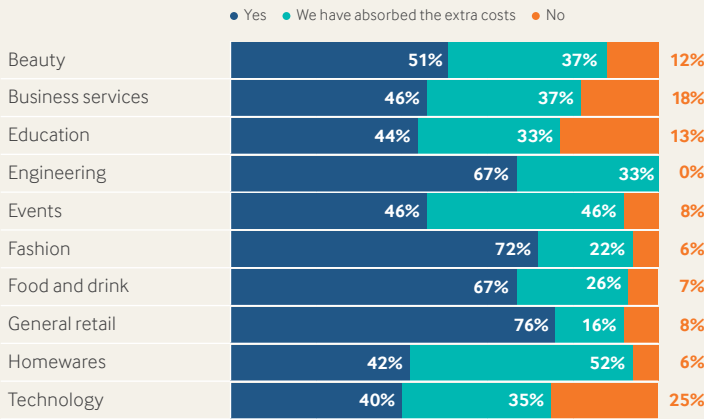


### Businesses passing on costs to customers by region



## Sector statistics

### Businesses passing on costs to customers by sector





Businesses' expectations of growth

	Shrink	Stay the same	Grow
East Midlands	20%	51%	29%
East of England	26%	46%	28%
London	27%	36%	37%
North East	22%	56%	22%
North West	31%	41%	28%
Northern Ireland	25%	50%	25%
Scotland	28%	51%	21%
South East	28%	44%	28%
South West	36%	41%	23%
Wales	28%	52%	21%
West Midlands	19%	52%	28%
Yorkshire and Humber	14%	56%	31%
Grand total	26%	44%	30%



## Sales are falling

More than a third (39%) of businesses said sales had fallen due to the cost-of-living crisis. Again, according to the research, businesses in the North East were hardest-hit, with 56% saying sales had dipped – the highest in the UK.

## Growth plans

That had a knock-on effect on growth plans for this year, which were downgraded by nine percentage points to 30% over the last quarter. At the same time, the number of businesses expecting things to stay the same increased by 11% to 44%.

Small firms in Yorkshire and Humber and the North East were most likely to say they were shelving growth plans for 2023 (both 56%).

## Generational crisis

Every quarter, we ask businesses to name the most significant challenge they've encountered. Right now, more and more firms are citing the cost-of-living crisis as their biggest ever challenge (up eight percentage points to 41%), despite having faced major events like Brexit and the coronavirus pandemic in recent years.

## Giving back

The research shows that more than a third (36%) of businesses were started because the people involved want to 'give back' to their community. That figure was highest in London, where 44% of businesses were founded by purpose-driven entrepreneurs. In the North West, 39% said they started up to help the community, with similar figures in the South West too (37%).

## Side hustlers

A third of small business owners are also holding down another job. The barometer found that 45% of businesses were started as a side hustle. In Wales, that figure rose to 55%, the highest in the UK. Also, one-third (32%) of business owners currently have a full-time or part-time job. Business founders in the education sector (37%) and beauty industry (36%) were most likely to say they held other employment alongside their role running their company.

# Analysis



**Emma Jones CBE**  
Founder of business  
support platform and provider  
Enterprise Nation

At the end of 2022, businesses were beginning to feel more optimistic about the future and could see an end in sight for energy price hikes.

But once the first quarter of 2023 had passed, that optimism had given way to the realisation that, for now, inflation is going nowhere. Businesses were recognising that they had to adjust their own costs in order to survive the next few months.

While this isn't great news for the economy, it shows businesses are aware of what's happening and are prepared to take the steps needed to ensure their future survival.

Small businesses have been holding back since energy costs started to bite last year. Now the competing pressures of inflation, rising energy bills and growing staff costs have proved too much, and they've had to make the difficult decision to increase prices.

Many small businesses told us they felt costs would have stopped rising by now and had hung on as long as they could. Despite all of that, they're still supporting their communities. Today, more entrepreneurs are being driven by purpose and are giving back through profit-sharing or social enterprises. That's so brilliant to see, especially in these straitened times.

### Enterprise Nation is a pioneer in small business support.

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