



Capital Economics SME Growth Tracker Finds Small Businesses that Use E-commerce and Export are Most Confident and Expect Fastest Revenue and Job Growth

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Report commissioned by Enterprise Nation and Amazon UK examines British SME sentiment on economic growth, exports and the digital economy; key findings include:

SMEs using e-commerce and exporting forecast strongest growth in coming year: the 45% of SMEs that use e-commerce expect revenue growth of +1.8%, compared to +1.3% for the 55% who don't; the 46% of SMEs that export predict revenue growth of +1.8%, compared to +1.2% for the 54% that don't; 46% of SMEs export, generating 36% of their revenue from exports

SMEs overall project accelerating revenue growth in the year ahead: SMEs expect +1.5% revenue growth, up from +1.2% the past 12 months, with SMEs in manufacturing and in the East Midlands and East of England most bullish

SMEs say it's largely business as usual since Brexit vote: 77% of SMEs say Brexit vote has had no impact on business decisions, while 23% report putting off business decisions, including 12% delaying hiring

LONDON – 2 October 2016 - Capital Economics, one of the world's leading independent economic research companies, today announced findings from its *SME Growth Tracker*, a new report commissioned by Enterprise Nation and Amazon UK, based on a YouGov survey of more than 1,000 British small and medium sized enterprises (SMEs). The report, which examines SME sentiment on economic growth, exports and the digital economy, found that the majority of British SMEs expect to grow revenue and jobs over the coming 12 months, with those investing in exporting and e-commerce more confident about their business prospects and anticipating faster growth than those businesses that do not.

Mark Pragnell, Chief Project Economist, Capital Economics, commented: "Most small businesses are saying they expect to grow revenue in the coming twelve months, particularly those in manufacturing, financial services and professionals services. Small businesses from Yorkshire and the Humber, the East Midlands and the East of England, through to London and the South East are most positive, while only those in Wales are expecting revenues to decline in the year ahead. Companies who export and use e-commerce say they are expecting faster revenue growth than those who don't sell online or only sell domestically."

Key findings from the report include:

SMEs that use e-commerce are more positive on revenue and job growth prospects, with significant growth planned in use of mobile apps to serve customers

- 45% of British SMEs use e-commerce to serve customers, and they expect 48% of revenues to come via e-commerce in the coming twelve months – up from 46% over the past 12 months.
- SMEs that use e-commerce expect revenue growth of +1.8% over the coming year compared to +1.3% for those who don't. Those who use e-commerce also expect job growth of +0.9% compared to +0.6% for those who do not.
- The popularity of mobile apps is increasing, with use of own company mobile apps expected to double to around 20% of SMEs in the coming year. Fax is more popular as a sales channel (29%) than a third party social media website/mobile app (18%) or an own company mobile app (11%).

SMEs project export revenue growth and prioritise EU, US, China, Australia/New Zealand and Canada for post-Brexit trade negotiations

- 46% of British SMEs export, generating 36% of their revenue from exports. They expect export revenues to grow by +0.8% in the coming twelve months compared to +0.4% over the past twelve months.
- SMEs who export are more optimistic, predicting revenue growth of +1.8% compared to +1.2% for the 54% that don't. Exporters also expect job creation of +1.1%, compared to +0.5% for those who don't.
- Looking ahead to post-Brexit Britain, SMEs believe that Government should prioritise negotiating new trade deals with the EU over any other region or country. The rest of Europe, North America, China, India and Asia are also among highest priority areas for future trade negotiations, while the Middle East, Russia, Central and South America, and Africa are less so.

SMEs expect growth in revenue, jobs, capital expenditure – as well as supply costs and prices:

- SMEs expect revenue growth of +1.5%, jobs growth of +0.7% and capital expenditure growth of +0.9%; while supply costs are expected to jump by 1.8% and prices to increase by 1.2% over the coming twelve months.
- The report finds significant regional variations, with revenue growth expectations highest across the east and south: +2.7% in the East of England, +2.3% in the East Midlands, and +2.1% in London; but weaker expectations in northern and

western areas, ranging from +1.2% in Scotland, +0.9% in the North West and -0.7% in Wales.

- 43% of SMEs believe that the wider UK economy will deteriorate over the next 12 months, compared to 33% who think it will stay the same, and 24% who expect an improvement.
- 77% of SMEs say Brexit has had no impact on business decisions; while 23% report they have put off business decisions due to Brexit, with 12% delaying hiring and 7% delaying additional investment in marketing, and 7% putting off improving business tools.

"At Amazon, we strive to support a thriving SME sector in the UK, which is why we hope this report helps to provide insight on how they're performing and their views on the economy, e-commerce and exports," said Doug Gurr, UK Country Manager, Amazon. "Small businesses play a big role in helping us to serve our millions of customers, and through Amazon Marketplace, Amazon Payments and Amazon Web Services, we empower hundreds of thousands of UK businesses.

"The results show the increased confidence of those small businesses who are using e-commerce to reach new customers in Britain and of those who are exporting abroad. These businesses are demonstrating real leadership and helping to ensure the UK's continued prominence on the global economic stage. We believe technology has a big role to play in helping to foster small businesses across Britain."

Emma Jones, founder of Enterprise Nation and HM Government's Crown Representative for Small Business, added: "This report underscores how important small businesses are to the UK and the number of jobs they help support up and down the country. We are pleased to see the confidence in manufacturing and across the east and south of the UK, while it's clear there is an opportunity to do more to support businesses particularly in Wales and the South West."

Capital Economics SME Growth Tracker: Confidence Index

As part of the research, Capital Economics has created index scores, which are designed to give a snapshot of the economic sentiment of British SMEs. The scores are calculated by, for example, for the "Confidence Index" score, summing answers to the question: For your company, "Do you think overall business conditions (e.g. economic growth, customer demand, employment etc.) will have improved, deteriorated or will have stayed about the same?" The Index score ranges from -100 to +100.

Using this scoring, Capital Economics found SMEs are marginally upbeat, with an overall *SME Growth Tracker* Confidence Index score of +5. However, despite SMEs feeling upbeat about their own business, this view changes depending on whether they use e-commerce, whether they export, the size of the business and where they are based in the country.

SMEs that use e-commerce have a Confidence Index Score of +7 compared to +3 for those that don't use digital tools. SMEs that export have a Confidence Index Score of +6 compared to SMEs that only sell domestically who have a score of +4.

Businesses with five employees or fewer are less confident than all SMEs, having a Confidence Index score of +1. SMEs in London (-1), the South West (-2), Scotland (-3) and Wales (-3) foresee conditions deteriorating for their company over the next 12 months.

When asked about prospects for the UK economy, the overall Confidence Index score fell to -13, and the view that business conditions will deteriorate for the UK economy was shared across all sectors, and all sizes of SMEs by employment.

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Notes to Editors

- The full report can be downloaded at www.amazon.co.uk/blog
- This report has been commissioned by Enterprise Nation and Amazon UK. However the views expressed remain those of Capital Economics and are not necessarily shared by Enterprise Nation and Amazon UK.
- While every effort has been made to ensure that the data quoted and used for the research behind this document is reliable, there is no guarantee that it is correct, and Capital Economics Limited, Enterprise Nation, Amazon UK, their subsidiaries and affiliates can accept no liability whatsoever in respect of any errors or omissions. This document is a piece of economic research and is not intended to constitute investment advice, nor to solicit dealing in securities or investments.
- All figures, unless otherwise stated, are from YouGov Plc. or are calculated by Capital Economics using figures from YouGov Plc. Total sample size was 1,073 senior decision makers in SMEs. Fieldwork was undertaken between 19th August and 2nd September 2016. The survey was carried out online. The figures have been weighted and are representative of all Great Britain businesses in terms of size (i.e. number of employees). Numbers may not add up due to rounding.

For more information, please contact:

Amazon UK Press Office

E: pressoffice@amazon.co.uk

T: 020 3680 0888

Capital Economics SME Growth Tracker: Confidence Index

The Capital Economics SME Growth Tracker Confidence Index for September 2016 is +5. The Confidence Index score is calculated on the basis of responses to the question: "Do you think overall business conditions (e.g. economic growth, customer demand, employment etc.) will have improved, deteriorated or will have stayed about the same for my company?" The Confidence Index score would be +100 if every SME expected business conditions for their company to improve significantly and -100 if every SME expected them to deteriorate significantly. The scores allocated to each answer were: +100 for "significantly improved", +50 for "somewhat improved", 0 for "stayed about the same", -50 for "somewhat deteriorated" and -100 for "significantly deteriorated".

Capital Economics

Capital Economics is one of the leading independent economic research companies in the world. They provide country and regional research on the US, Canada, UK, Western Europe, Japan, China, India, Latin America, Emerging Europe, the Middle East, Africa, Emerging Asia and Australia and New Zealand. They also provide overview services covering the global economy and financial markets, and have dedicated services providing research on commodities and on the property sector.

Founded in 1999, Capital Economics has gained an enviable reputation for original and insightful analysis and have built up a diverse and distinguished client base. Overall, more than 1,500 institutions around the world subscribe to Capital Economics publications.