



Latest SME Growth Tracker reveals UK SMEs expect accelerating revenue growth in the New Year despite dimming confidence

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- Q4 report finds that small and medium-sized enterprises (SMEs) predict revenue and hiring will accelerate in 2017, with 3 in 4 saying it is business as usual since the Brexit vote
- SME confidence weakens in Q4, with SME Confidence Index scores down from +5 to -4 for their own companies, from -2 to -9 for their respective industries, and from -13 to -15 for the broader UK economy
- SMEs that use e-commerce are most positive about revenue growth, with a quarter expecting e-commerce to boost Christmas sales

Friday 16th December 2016 - The fourth quarter *SME Growth Tracker*, a report by Capital Economics commissioned by Amazon UK and Enterprise Nation that assesses growth prospects and views on the broader UK economy from small and medium-sized enterprises (SME), finds that SMEs have increased their growth expectations for the coming 12 months, despite losing some confidence in their business prospects and the broader UK economy. The report is based on a YouGov survey of more than 1,000 SMEs across the UK.

SMEs project revenue and jobs growth despite concerns over business conditions in 2017

SMEs forecast revenue growth of +1.8% and employment growth of +0.8% over the coming year, compared with a prediction of +1.5% for revenue growth and +0.7% in employment growth in the Q3 tracker. SMEs around the country also predict their profits will rise by +1.1% over the coming year compared with 0.2% over the last 12 months. In particular, SMEs in the East of England, South East, and West Midlands, and those in the financial sector, professional services, and IT & Telecoms sector, are forecasting the highest revenue growth.

This is amidst the confidence of SMEs dimming as they head into 2017. The SME Confidence Index score has fallen from +5 in Q3 to -4 in Q4 for their own companies, -2 to -9 for their respective industries, and -13 in Q3 to -15 for the wider UK economy. SMEs in London, the North West and the South West expect business conditions to deteriorate the most for their business in the coming year, with the SME Confidence Index scores for their business of -10, -10 and -11 respectively in Q4.

Emma Jones MBE, founder of Enterprise Nation and HM Government's Crown Representative for Small Business, said: *"Britain's small businesses play a crucial role in driving our economy, and are the most driven, adaptable, and resilient you will ever meet. With the right support, like lower rates, easy access to finance, and digital opportunities which boost exports and productivity, you'll continue to see them grow year-on-year."*

Limited Brexit impact, but SMEs think it could hurt growth over the next 12 months

Almost three quarters (74%) of SMEs have not delayed any business decisions as a result of Brexit, showing only a marginal change since SMEs were polled in the Q3 tracker (77%). Twenty-six per cent of SMEs said they had delayed business decisions as a result of Brexit, up slightly from 23% in the Q3 tracker.

Mark Pragnell, Chief Project Economist, Capital Economics, commented: *"Although a majority of SMEs see the consequences of Brexit as a risk over the next twelve months, Brexit isn't everything. A bigger number of SMEs see euro-zone instability, a fall in domestic demand, higher price inflation and a global recession as greater risks to their business."*

E-commerce users more confident and expecting stronger revenue growth

SMEs that use e-commerce have an SME Confidence Index score for their own business of -2 compared to non-e-commerce users who have a score of -7. They expect overall revenue to increase by +2.1%, compared to SMEs who do not use e-commerce who predict lower revenue growth of +1.2% in 2017.

One-in-four SMEs also believe e-commerce will boost their sales at Christmas, whilst one-in-five also believe it will allow their employees to spend more time with their families during the holidays.

"What we're hearing is that SMEs see a lot of opportunity in the year ahead, but equally some hurdles as they navigate potential changes in the economic landscape," said Doug Gurr, UK Country Manager, Amazon. "Investment in proven growth drivers like e-commerce and exports and a focus on boosting productivity, help best position SMEs for the future, and at Amazon, we'll be working hard to support and champion their success."

-ENDS-

Notes to Editors

An infographic with more information is available [here](#).

- The SME Growth Tracker is 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.

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- All figures, unless otherwise stated, are from YouGov Plc. or are calculated by Capital Economics using figures from You Gov Plc. Total sample size was 1,022 senior decision makers in SMEs. Fieldwork was undertaken between 14th November and 1st December 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.

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Capital Economics SME Growth Tracker: Confidence Index scores

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

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