



SME Growth Tracker - Small British Businesses Raise Revenue Growth Projections for 3rd Consecutive Quarter but Brace for Higher Costs and Inflation

March 31, 2017

Small business confidence strengthens, with SME Confidence Index scores improving for their own companies, their respective industries, and for the wider UK economy

However majority of SMEs cite higher price inflation as a risk to their business in the year ahead, with SMEs on average expecting to increase prices by +2% over the next 12 months, following a +1.5% increase over the past 12 months

SMEs in financial services predict fastest revenue growth, whilst manufacturing SMEs show the strongest confidence

LONDON - 31st March 2017 – The first *SME Growth Tracker* of 2017, a quarterly 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), has found that SMEs have raised their revenue growth projections for the third quarter in a row – and are now forecasting +2.3% revenue growth for the coming 12 months. The research, based on a YouGov survey of over 1,000 UK SMEs, was announced at the Amazon Academy in Manchester today, attended by hundreds of small business leaders. A summary of key findings are available [here](#).

"We are seeing a big rebound in confidence amongst British SMEs after a significant decline in December, but small businesses leaders remain concerned about the impact of rising supply costs and higher price inflation," said Simon Johnson, UK Director of Seller Services, Amazon. "Small businesses are optimistic but do see potential risks, and that's one of the reasons we're running the Amazon Academy programme – with an event in Manchester today – to help them boost growth, productivity and exports by using digital tools and services to better serve customers."

The report revealed today that the SME Confidence Index score for business leaders' own companies has turned positive, up to +3 in Q1 from -4 in Q4 last year. However broader sentiment remains negative, with SME Confidence Index scores for their respective industries at -2 (compared to -9 in Q4 last year), and for the wider UK economy, at -11 (compared to -15 in Q4 last year).

SME confidence in their own companies strong across the UK, except in Wales

Across the regions, North East SMEs expect the sharpest improvement in business conditions for their own companies in the coming twelve months, with an SME Confidence Index score of +11, well above the national average. In contrast, Welsh SMEs are the only businesses, on average, expecting conditions for their own company to deteriorate in the coming year, with an SME Confidence Index score of -2.

SMEs brace for higher supply costs and price inflation

More than three-in-four SMEs (78%) believe higher price inflation is a risk to their business in the year ahead, with SMEs on average expecting to raise prices +2% in the coming 12 months. This reflects SME perceptions of steadily increasing supply costs, up +2.0% in the past twelve months and expected to increase by a further +2.5% in the year ahead.

Financial services SMEs predict largest growth, whilst manufacturing SMEs show the strongest confidence

Manufacturing SMEs show the greatest turnaround in confidence since the end of last year and have the strongest confidence across all SME Confidence Index scores. In particular, manufacturing is the only sector to expect the wider UK economy to improve in the year ahead. However, SMEs in the financial services sector predict the largest revenue growth in the coming year (+3.1%), with hospitality & transport SMEs coming second (+2.7%), and health & education third (+2.6%).

Emma Jones MBE, founder of Enterprise Nation and HM Government's Crown Representative for Small Business, added: "The SME community powers Britain's economy and continues to show resilience in the face of uncertain times, but the Government must take heed of increasing concerns about the negative impact of rising supply costs on small business. This year in particular, they are facing increasing responsibility for a number of issues including auto enrolment for pensions. We want to make sure the Government understands the important role they play in the British economy and listens with conviction to their opportunities and challenges."

-ENDS-

Notes to Editors

- 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 1,082 senior decision makers in SMEs. Fieldwork was undertaken between 9th February 2017 and 1st March 2017. The survey was carried out online. The figures have been weighted and are representative of all UK 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 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".

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