

Q2

FSB VOICE OF SMALL BUSINESS INDEX

QUARTER 2, 2017

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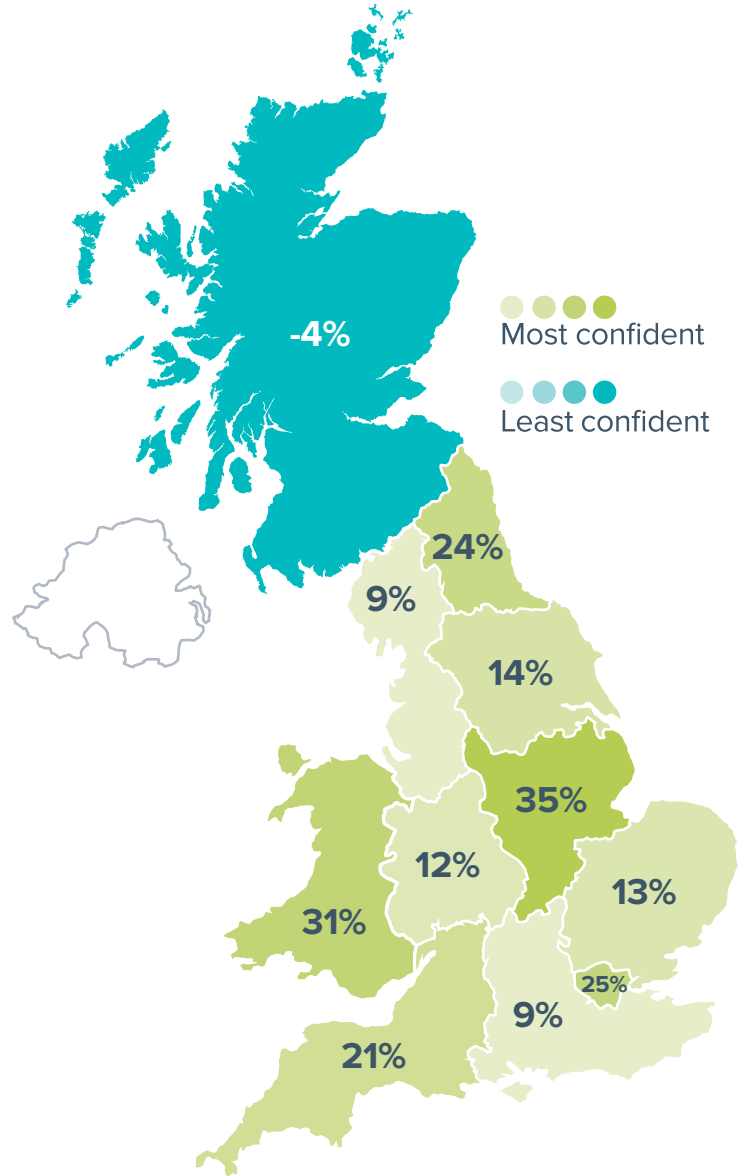
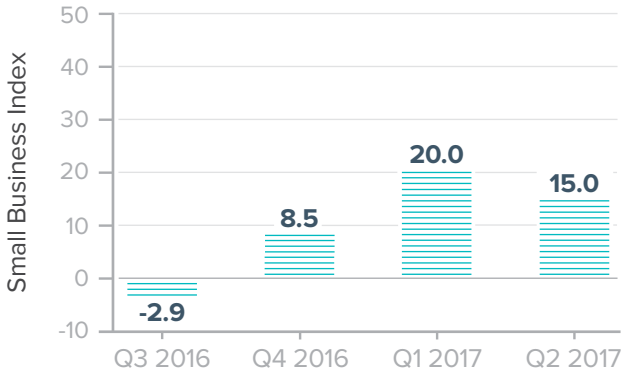
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Experts in Business

SBI Q2 2017

“ Small business **confidence drops** for the first time since wake of EU referendum with **optimism imbalanced** across regions and sectors ”

Small business confidence falls



Domestic economy biggest barrier to growth



52%

See it as a **threat to expansion** plans

Wage growth stagnates



1.9%

Average increase for small business employees

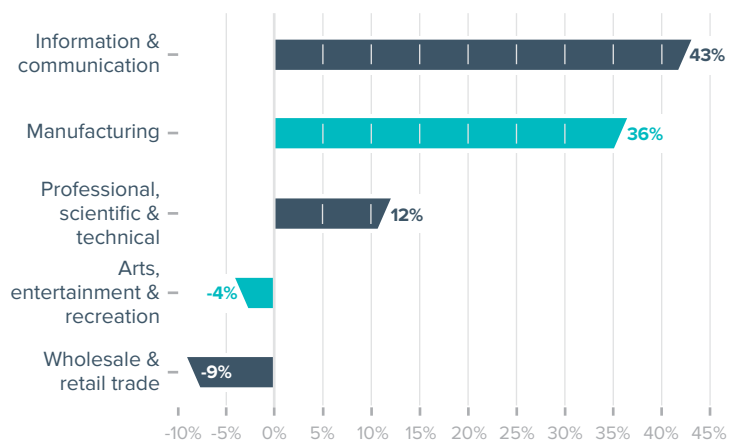
Operating costs hit highest since summer 2013



66%

Net balance reporting an **increase**

Confidence concentrated in certain industries



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FSB FOREWORD

Now that the election campaign is over, and with Ministers in place, small businesses will be looking for the new minority Government to take action to support the growth ambitions of small businesses in all regions of the UK.

FSB called for the new Government to make a series of policy commitments in our manifesto, and many of these were taken on by all parties in their own manifestos. The new Government made a series of promises on these to the small business community during the campaign, which FSB will now be pressing to be delivered well and as soon as possible. In particular, small businesses will be looking for action on a series of key areas to back economic growth and productivity, such as continuing investment in transport and digital infrastructure, in skills, in fostering innovation among small businesses and wider simplification of the tax system.

Given that we are faced with a minority Government and the imminent launch of Brexit talks, it's more crucial than ever that the voices of small businesses are heard by policymakers. Helping them to achieve their ambitions will be critical to economic growth in this period of unprecedented uncertainty.

Many small business owners are looking for the Government to avoid increasing the tax burden on small businesses and the genuinely self-employed at the next Budget. As the Brexit negotiations begin, small businesses want to see their interests reflected in the UK Government's strategy and also in the EU27's – commitments on trade, talent and transition are the only way to achieve a pro-business Brexit.

The headline confidence measure in the Small Business Index remains firmly in positive territory, at +15.0, but it has dipped since the steep rises we saw towards the end of 2016 and early 2017. The dip shows that momentum has slowed, and reflects a slight correction now that price rises driven by inflation have begun to be felt by small businesses and consumers. There are, however, substantial regional variations in confidence this quarter. This is evidence of the need for investment to be made which supports growth and productivity across the UK. Delivering an effective Industrial Strategy which supports regional growth will be critical in this regard.

As has been the case over the last four consecutive quarters, businesses are particularly concerned about the rising costs of doing business, with a net balance of 66.1 per cent reporting an increase in the overall cost of operations during the past quarter. This figure is the highest it has been since Q2 2013.

Compared to last year, significantly higher number of businesses now report that utilities, inputs, fuel and the exchange rate are increasing the costs of doing business. When taken alongside the likely squeeze on consumer spending as inflationary pressures rise and wage growth remains sluggish, these rising costs will make it more and more difficult for businesses to maintain profitability.

While the exchange rate is posing problems for businesses which are reliant on imports, our data demonstrates that exports are continuing to rise. One in five (20%) exporting businesses reports that the value of their exports has risen in the past quarter, which is an increase of 4.4 percentage points from the last quarter, with 25.8 per cent hopeful that the value of their exports will rise in the next quarter.

Access to finance remains an important component of helping small businesses to invest, grow and become more productive. Positively, the number of firms which report that they have been successful in their credit applications is the second highest it has been – with 74 per cent reporting positive results. After a politically volatile 12 months, the election marks a moment to draw a line and focus on delivering Brexit while protecting and promoting economic growth. The new Government now has the opportunity to make meaningful long term investments and reforms to help all small businesses achieve their full growth potential. The small business community is a critical component of the UK economy, and FSB looks forward to working with the Government and all political parties in a constructive manner to help unlock its full potential.



Mike Cherry,
National Chairman



Martin McTague,
Policy Director

ECONOMIST'S VIEW

This quarter's Small Business Index shows significant differences in small business confidence across the UK, with notable variances in trends across regions and sectors of the economy.

The UK is currently at a turning point. Over the past three years, strong consumer spending growth has supported a resilient economy, with households benefitting from low unemployment, low inflation and rising earnings. Now, with inflation pushed up by the sustained weakness of sterling, a new squeeze on household incomes is starting to bite. Employee earnings growth is struggling to pick up, meaning that the rising cost of living in the UK is curbing the ability of households to purchase more discretionary goods and services.

Already, this appears to be having a notable material negative impact on the consumer side of the UK economy. Official figures showed the first decline in retail sales in three years in Q1 2017. Small business confidence this quarter is lowest in the retail & wholesale sector where price based competition is at its most fierce.

The squeeze on household finances in 2017 will create challenges for small businesses, but there are also opportunities, as this quarter's report shows. In particular, businesses continue to report a more positive picture for exports in the latest survey, suggesting the weakness of the pound and an improving global economy are starting to feed through into discernibly greater overseas demand for British goods and services.

In addition, small business confidence in the tech sector, which is of growing importance to the UK economy, remains strong. Of all industries, confidence is highest in the information & communication sector this quarter, and confidence has increased strongly over the past year. ONS data saw economic output in the computer programming, consultancy & related activities sector rising by 11.4% in the UK last year, close to four times the 2.9% seen across all services industries.

At a regional level, confidence remains mixed, with Scotland a particular cause for concern. This quarter, small business confidence is lower in Scotland than any other part of the UK, probably reflecting in part the poor performance of the Scottish economy in recent months. Scottish GDP saw zero growth in the year to Q4 2016, according to Scottish Government statistics.

The details of this quarter's Small Business Index demonstrate the need to be nuanced in terms of describing the UK economy. While small businesses in some sectors, such as retail, seem to be facing a challenging environment at present, others such as tech are optimistic about the future. Exporters, too, report an improving picture for overseas sales. On balance, while the household income squeeze looks set to cool growth this year, growth in exports and non-consumer sectors mean that any economic slowdown in 2017 should be fairly modest.



Nina Skero,
Managing Economist,
Cebr

FSB EXECUTIVE SUMMARY

Key findings this quarter:

- **The Small Business Index fell back in Q2 2017.** This quarter, the SBI stands at +15.0, down from the +20.0 seen in Q1 2017. However, small business confidence remains higher than a year ago.
- **The squeeze on household spending power appears to be denting confidence in the retail sector.** Compared with a year ago, small business confidence in the wholesale & retail sector remains in negative territory. Although the UK unemployment rate is low, household spending power has been squeezed by higher inflation and fairly stagnant earnings growth, which is curtailing expenditure on discretionary retail purchases.
- **The outlook for exports continues to improve, offsetting weaknesses in the domestic economy.** A net balance of 20.0% of small businesses reported that the value of exports had increased over the past three months, a marked turnaround from a year ago when a net balance of 4.2% were reporting declining export revenue. The weak pound and an improving global economy appear to be boosting demand for UK exports.
- **Company hiring intentions remain positive.** This quarter, a net balance of 5.3% of small businesses report increasing headcount, over double the 2.1% seen last quarter. A year ago, in Q2 2016, a net balance of small businesses reported declining headcounts.
- **Small businesses appear to be exercising wage restraint to contain costs.** Average small business employee wage growth ticked down to 1.9% in Q2 2017, compared with 2.0% in Q1 2017. Furthermore, wage growth is expected to slow further to just 1.6% over the next 12 months.
- **Scottish small business confidence remains weak.** Compared with a year ago, small business confidence in Scotland remains in negative territory in the latest data. This is likely to reflect the poor economic performance of the country in recent months. Scottish GDP as a whole saw zero growth in the year to Q4 2016.
- **Credit availability and affordability have improved.** The share of small businesses successful in their credit applications stood at 74% this quarter, slightly up from the 71% seen in the same quarter a year ago and much higher than the 54% seen in Q2 2015. Furthermore, the share of businesses being offered relatively low interest rates has increased. The proportion being offered a rate of less than 4% rose from 40% in Q2 2016 to 47% in Q2 2017. Higher acceptance rates and lower interest rates should help support investment by small businesses.

UK MACROECONOMIC OVERVIEW

Squeeze on consumers creates challenges

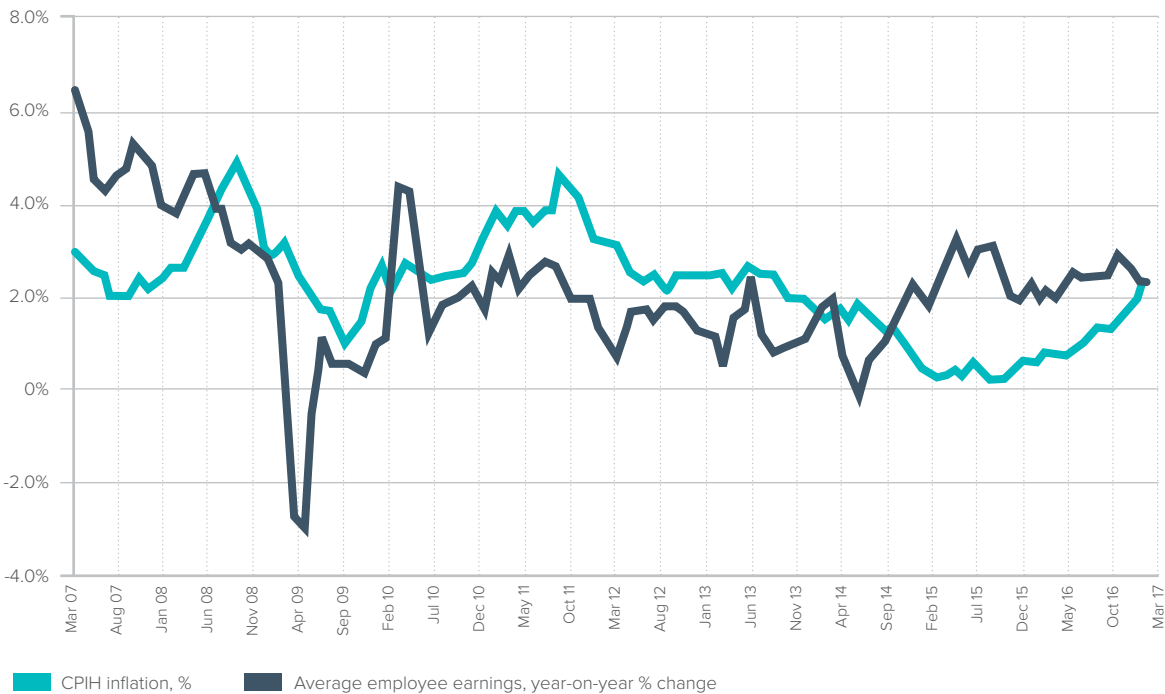
A key determinant of the UK’s economic performance in 2017 will be what happens to household incomes and spending power. Consumer spending has been the most important driver of economic growth in recent years, with household finances boosted by low unemployment, rising earnings and near-zero inflation in late 2014, 2015 and much of 2016.

Since the depreciation of the pound which followed the referendum, inflation has risen as the price of imported goods and services has gone up. At the same time, wage growth has failed to pick up discernibly, in part reflecting low rates of worker productivity growth across the UK economy. With the cost of living now rising broadly in line with wages, household spending power is stagnant.

Already, this squeeze on spending power seems to be having a negative impact on economic performance. Retail sales volumes declined in the first quarter of the year and the rest of 2017 looks set to be challenging for businesses in the UK’s consumer-facing sectors.

On the upside, the outlook for exports in 2017 looks more encouraging, which is good news for firms that are selling overseas. The weakness of the pound has boosted the price competitiveness of UK exports, and demand for goods and services has been boosted by an improvement in the European economies compared with a year ago.

Figure one: Average employee earnings growth and CPIH inflation.
Source: Office for National Statistics.



SMALL BUSINESS INDEX

Business confidence dips as economy loses momentum

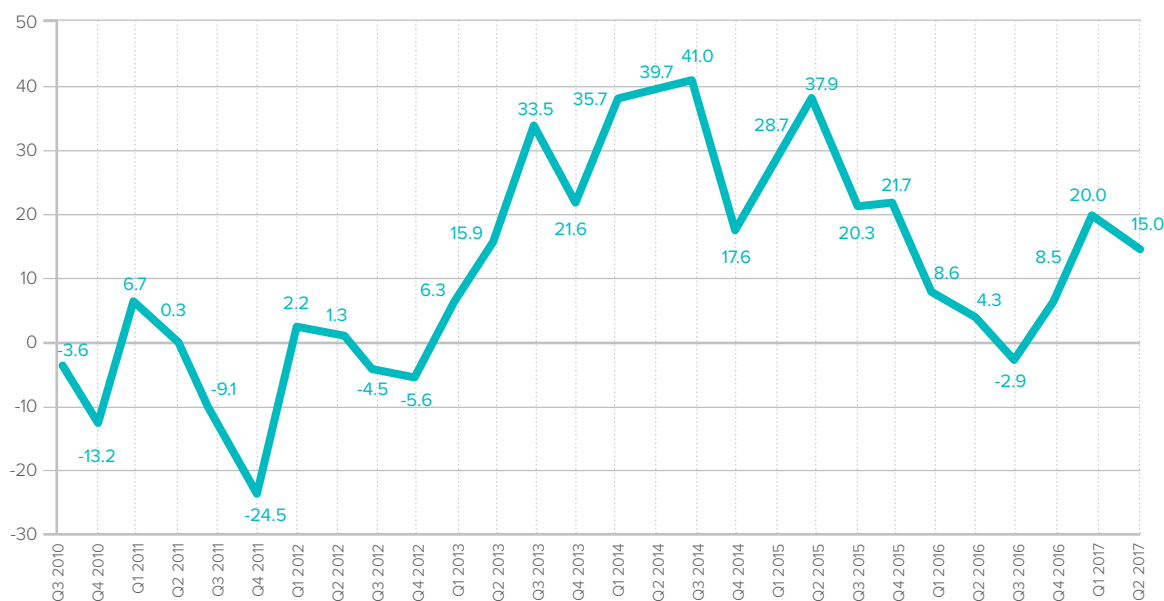
This quarter, the Small Business Index stands at +15.0, down from the +20.0 seen in Q1 2017. However, small business confidence remains higher than a year ago.

As Figure four shows, the Small Business Index is a leading indicator for economic growth in the UK. As such, the latest decline in small business confidence points to a slowdown in economic performance over the coming months.

The latest estimate of economic growth in Q1 2017, released by the ONS, showed GDP expanding by 0.2% compared with the previous quarter. This was

sharply down from the 0.7% growth seen in Q4 2016 and the weakest quarter since Q1 2016. Critically, the slowdown in growth was driven by the services sector, which accounts for over three quarters of the economy. Services sector growth slowed from 0.8% in Q4 2016 to 0.3% in Q1 2017. There were falls in economic output in several important consumer-focused industries, such as retail sales and accommodation. The latest Small Business Index findings show particularly low confidence among retailers, suggesting a continued squeeze on consumer spending in the second quarter of the year.

Figure two: The FSB Small Business Index.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



1. The Small Business Index is a weighted index of the responses to the question: 'Considering your overall business performance, and ignoring any normal seasonal variations at this time of the year, how do you view business prospects over the next three months, compared with the previous three months?' The share of firms reporting 'much improved' are given the following weightings: +2, slightly improved +1, approximately the same 0, slightly worse -1 and much worse -2; the Small Business Index is derived from the sum of these factors.

Figure three: Year-on-year change in the FSB Small Business Index.
 Source: FSB - Verve 'Voice of Small Business' Panel Survey.

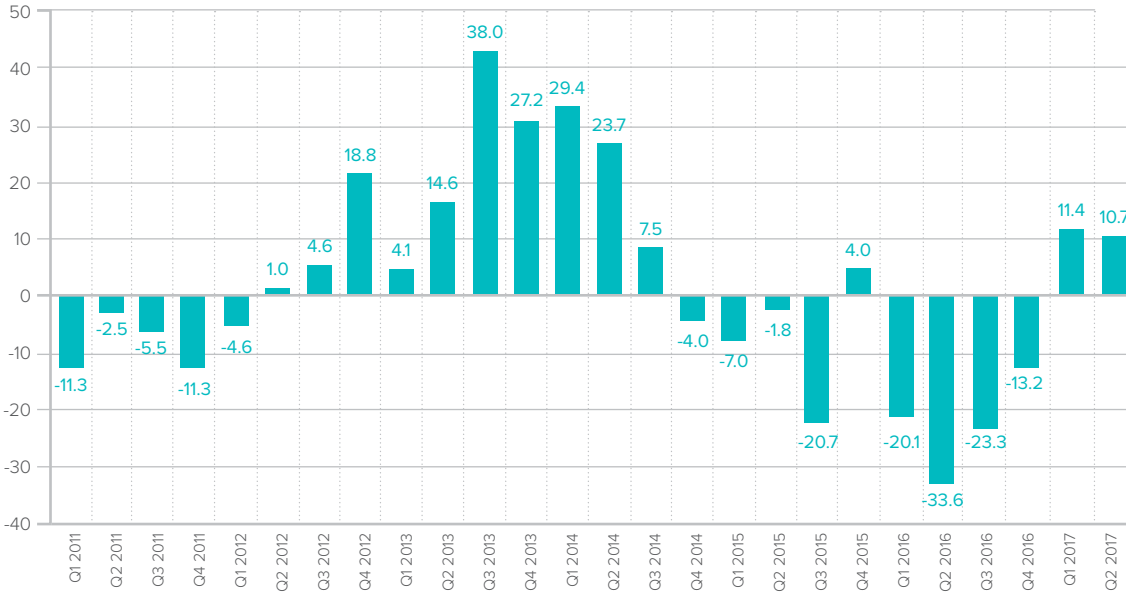
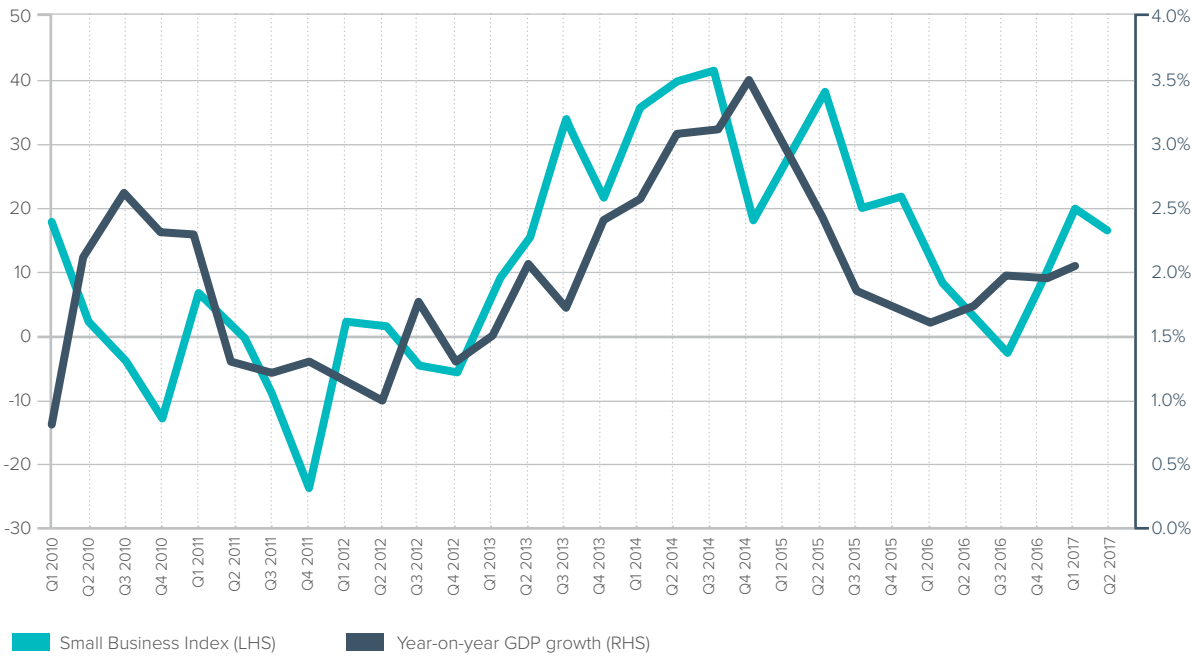


Figure four: FSB Small Business Index against year-on-year UK GDP growth.
 Source: FSB - Verve 'Voice of Small Business' Panel Survey.



REGIONAL SMALL BUSINESS INDICES

Confidence boost in London

SCOTLAND REMAINS PESSIMISTIC WHILE LONDON REBOUNDS

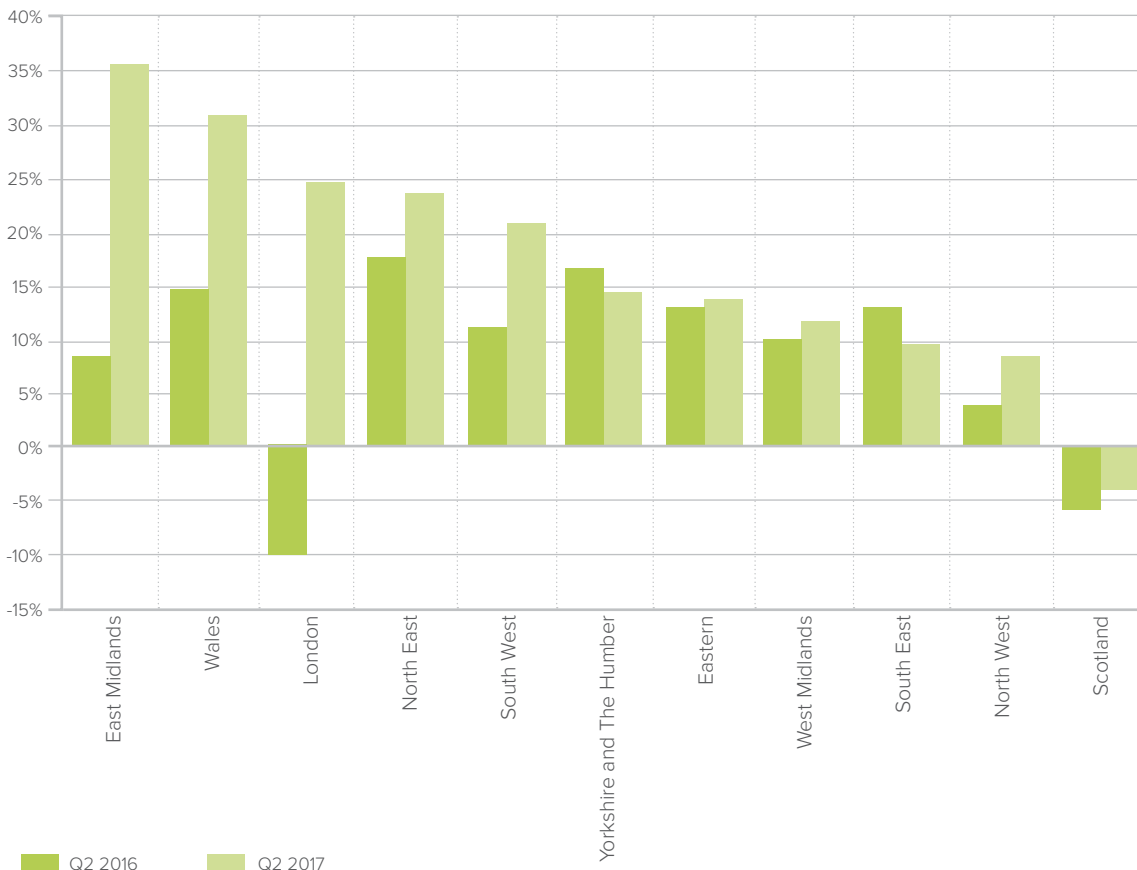
Small business confidence in Scotland remains in negative territory. This is likely to reflect the poor economic performance of the country in recent months. In part, this reflects the persistence of low oil prices on North Sea production, but Scotland’s economic weakness at present extends beyond this. Figures for Q4 2016 released by the Scottish Government showed economic output declining in the production and construction sectors, and zero growth in the services sector, compared with Q3 2016. Scottish GDP as a whole saw zero growth in the year to Q4 2016.

In contrast, small business confidence has improved sharply in Wales compared with a year ago. Official regional trade statistics suggest that the weakness of the pound is translating into stronger demand for Welsh exports, as goods have become much more

price competitive overseas. The value of Welsh goods exports was 20.4% higher than a year ago in the final quarter of 2016, according to the data released by HM Revenue and Customs. This was greater than the 15.7% and 15.9% growth seen in England and Scotland respectively. Qatar Airways has recently announced plans for long haul flights departing from Cardiff Airport, taking passengers to the Middle East and beyond – something which could further boost the ability of Wales to trade with other parts of the world.

Confidence has also increased sharply in London over the past year, returning to positive territory. The region, where most voters wanted to remain in the EU in last year’s referendum, may have seen confidence recover as the economy has performed much more strongly than the Government and Bank of England had predicted following a ‘leave’ vote.

Figure five: FSB Small Business Index by region.
Source: FSB - Verve ‘Voice of Small Business’ Panel Survey.



SMALL BUSINESS SECTOR INDICES

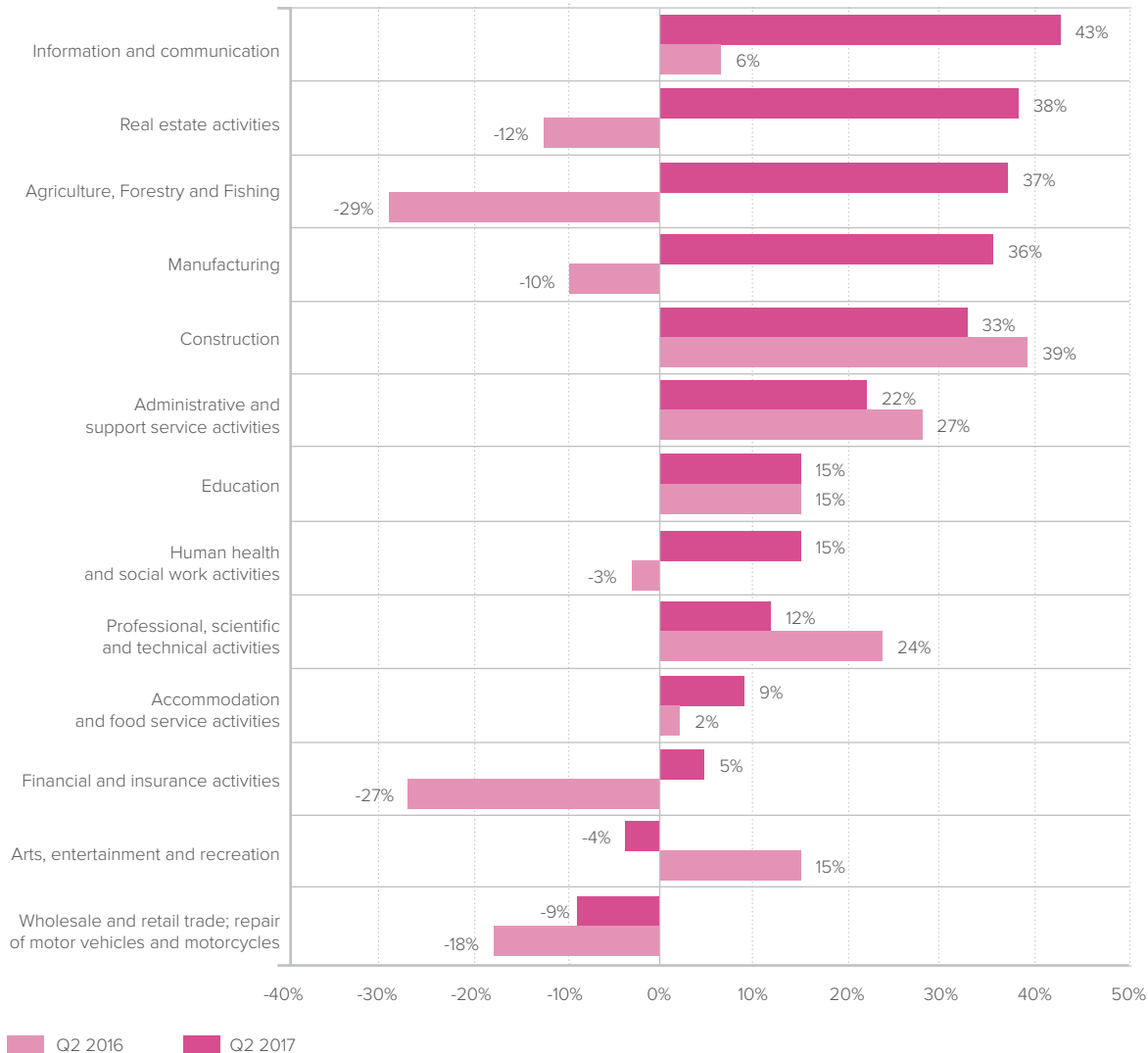
Substantial variation
in sector confidence

RETAILERS GLOOMY AS CONSUMER SQUEEZE BITES

Small business confidence in the wholesale & retail sector remains in negative territory. Although the UK unemployment rate is low at less than 5%, household spending power has been squeezed by higher inflation and fairly stagnant earnings growth. This appears to be filtering through into a weaker outlook for retail sales. ONS figures showed that retail sales volumes fell 1.4% in the first quarter of 2017, down from 0.8% growth in the final quarter of 2016, and the weakest quarterly performance since 2010. It was also the first quarterly decline in over three years.

Small business confidence is highest in the information & communication sector this quarter, and confidence has increased strongly over the past year. These tech industries, which are widely thought to be a key determinant of future economic growth, have seen a strong performance in recent years. ONS data showed economic output in the computer programming, consultancy & related activities sector rising by 11.4% in the UK last year, close to four times the 2.9% seen across all services industries.

Figure six: FSB Small Business Index by sector.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



FINANCIAL PERFORMANCE

Profitability stable after
earlier falls

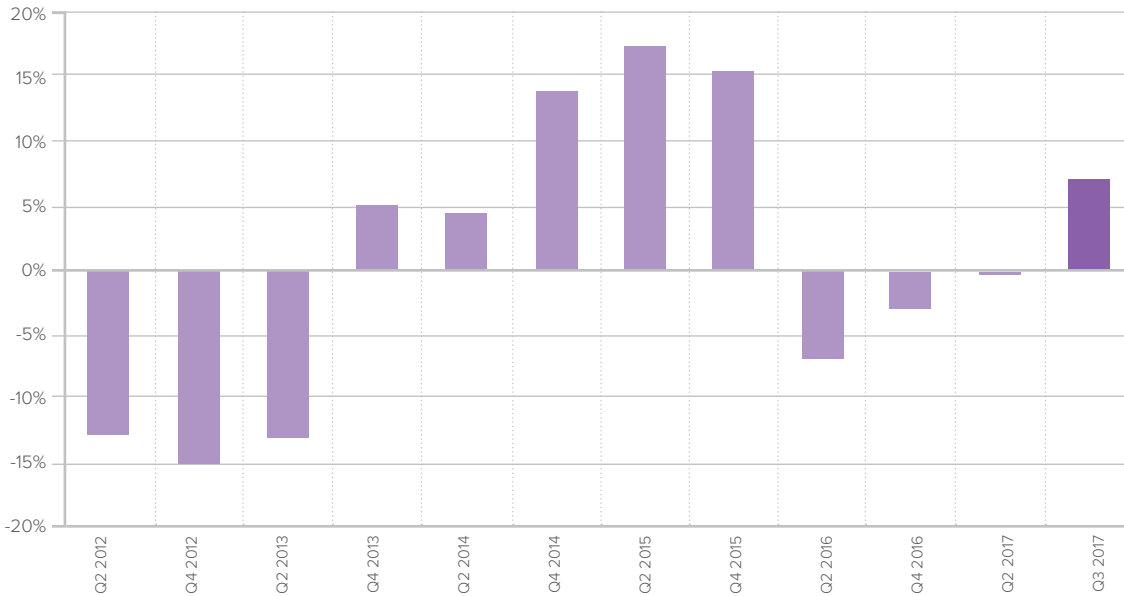
PROFITS START TO STABILISE

This quarter, the proportion of businesses reporting rising and falling profits over the past three months was largely the same, suggesting fairly stable profit levels across the small business community. While profit growth would be a more desirable outcome, stabilisation is welcome after the declines in profits that were reported in 2016, as rising import prices and labour costs placed pressures on margins.

Over the next three months, a net balance of 7.0% of businesses expect profits to increase. There are a number of challenges to achieving this. Increases in the National Living Wage and National Minimum Wage in April place upward pressure on labour costs. The wage hike comes at the same time as an increase in business rates for many small firms across the UK, creating a further squeeze on profit margins. The continued weakness of sterling, which has increased import costs, also poses problems for businesses. According to the ONS, prices of imported materials and fuels for producers increased 17.1% in the year to March 2017.

Figure seven: Gross profits, net percentage balance – proportion reporting increase less proportion reporting decrease.

Source: FSB – Verve ‘Voice of Small Business’ Panel Survey.



EXPORTS

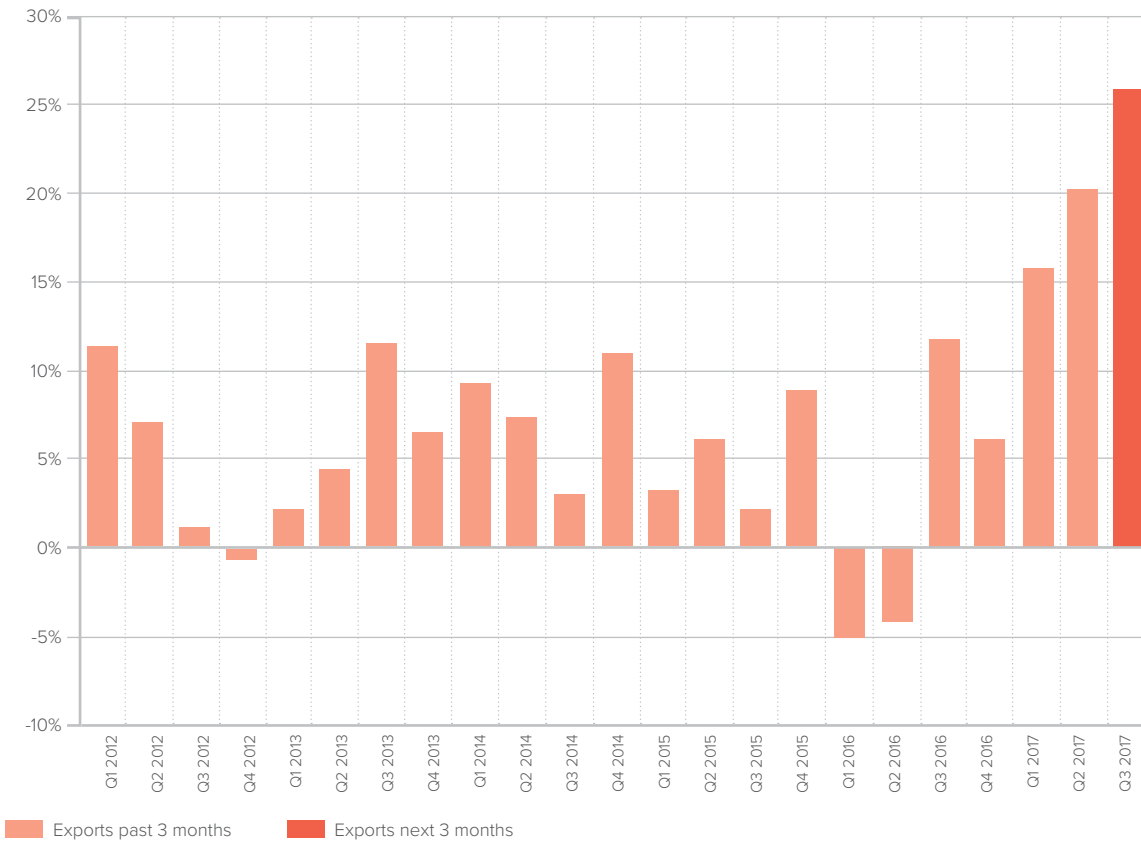
Record high export intentions

EXPORT PERFORMANCE CONTINUES TO IMPROVE

A net balance of 20.0% of small businesses reported that the value of exports had increased over the past three months, a marked turnaround from a year ago when a net balance of 4.2% were reporting declining exports. Furthermore, small businesses expect a strong third quarter of 2017, with a net balance of over a quarter (25.8%) expecting export values to rise over the next three months.

The improved picture for exports is likely to reflect two key factors. Firstly, the sustained decline in the value of sterling following the Brexit referendum has made British exports significantly more price competitive. In addition, exports have been supported by more resilient global economic growth. For example, the Eurozone economy grew by 0.5% in the first quarter of 2017 and has expanded every quarter since Q2 2013. The Eurozone unemployment rate stood at 9.5% in March, down from 10.2% a year ago and the peak of above 12% seen in 2013, highlighting the improved economic picture.

Figure eight: Value of exports – previous three months and expectations for coming three months – net percentage balance, proportion reporting increase less proportion reporting decrease.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



COSTS AND INFLATION

Business costs continue
to increase

COST PRESSURES AT HIGHEST LEVEL SINCE Q2 2013

This quarter, a net balance of 66.1% of small businesses report an increase in their overall cost of operation during the past three months, compared with the same period a year ago. This is the highest net balance since Q2 2013.

The weakness of sterling has filtered through into higher import prices, something which is apparent in the Small Business Index survey. Compared with a year ago, significantly more businesses report input, fuel and exchange rate factors to be a main cause of rising costs.

Despite further increases in the National Minimum Wage and National Living Wage in April, the share of small businesses reporting labour bills as a main cause of rising prices has fallen from 46.7% in Q2 2016 to 39.2% this quarter. This may reflect wage restraint further up the pay scale, and indeed the findings in this quarter's Small Business Index suggest that companies in the UK are curbing pay growth in general.

Figure nine: Cost of operation compared with same period last year – net percentage balance, proportion reporting increase less proportion reporting decrease.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.

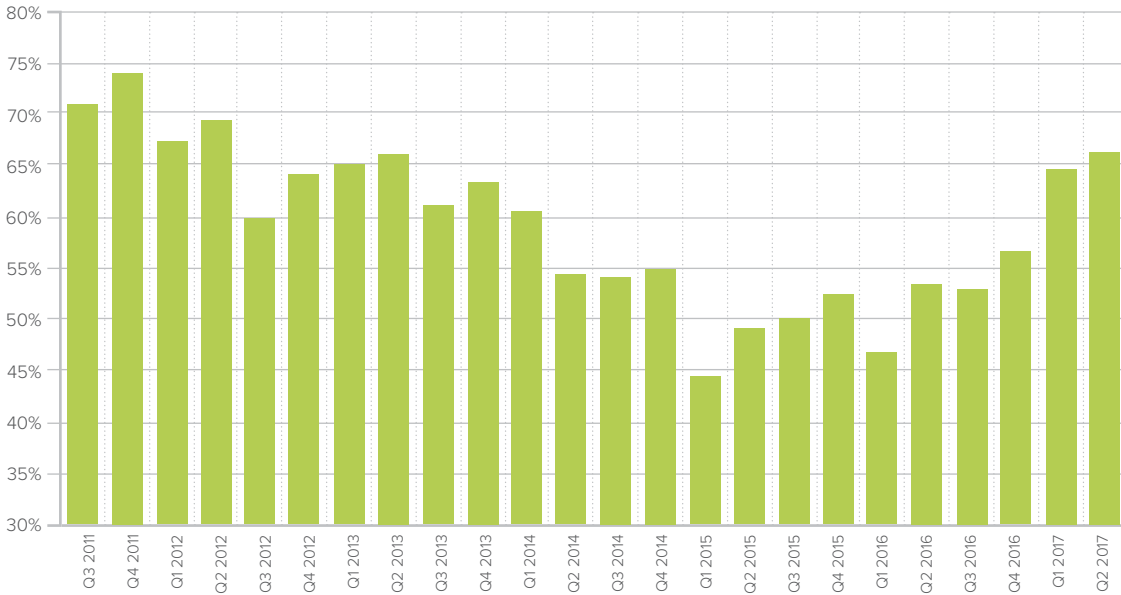
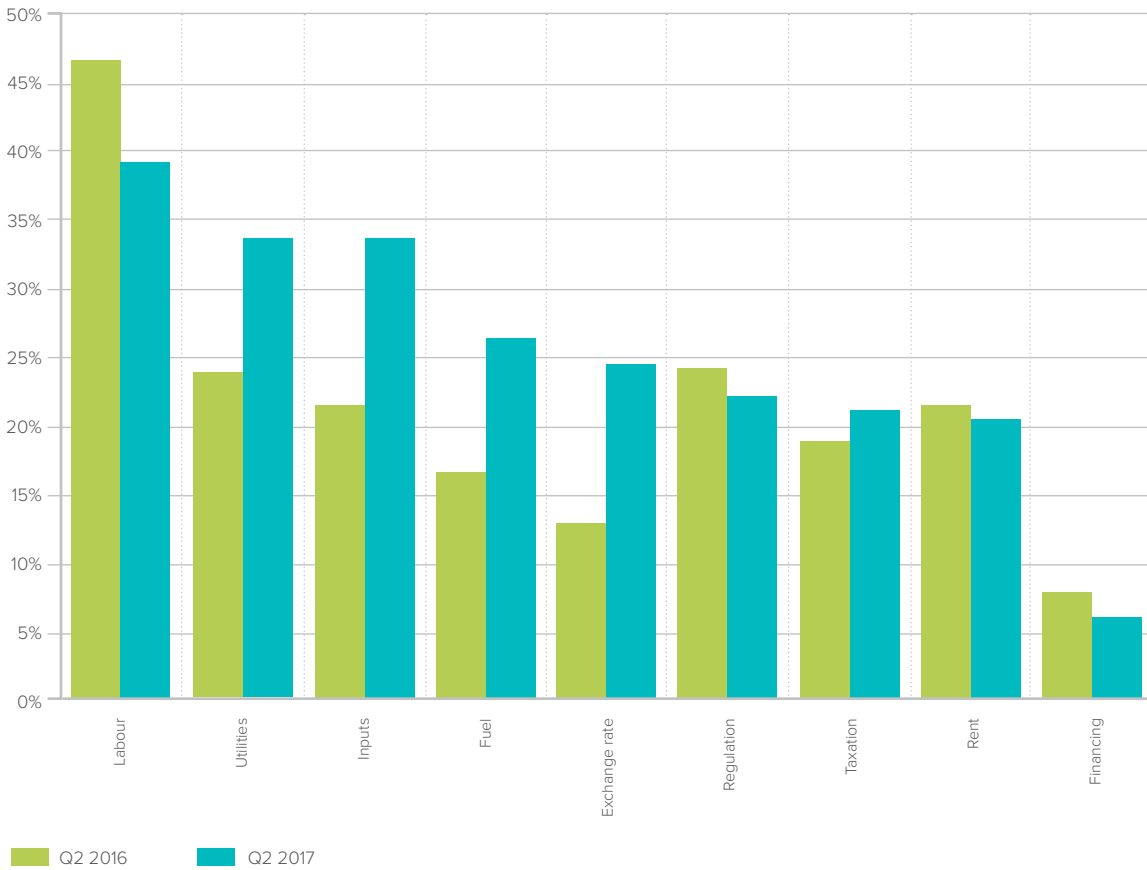


Figure 10: Main causes for changing business costs - multiple answers possible.
 Source: FSB - Verve 'Voice of Small Business' Panel Survey.



CAPACITY

Spare capacity dips

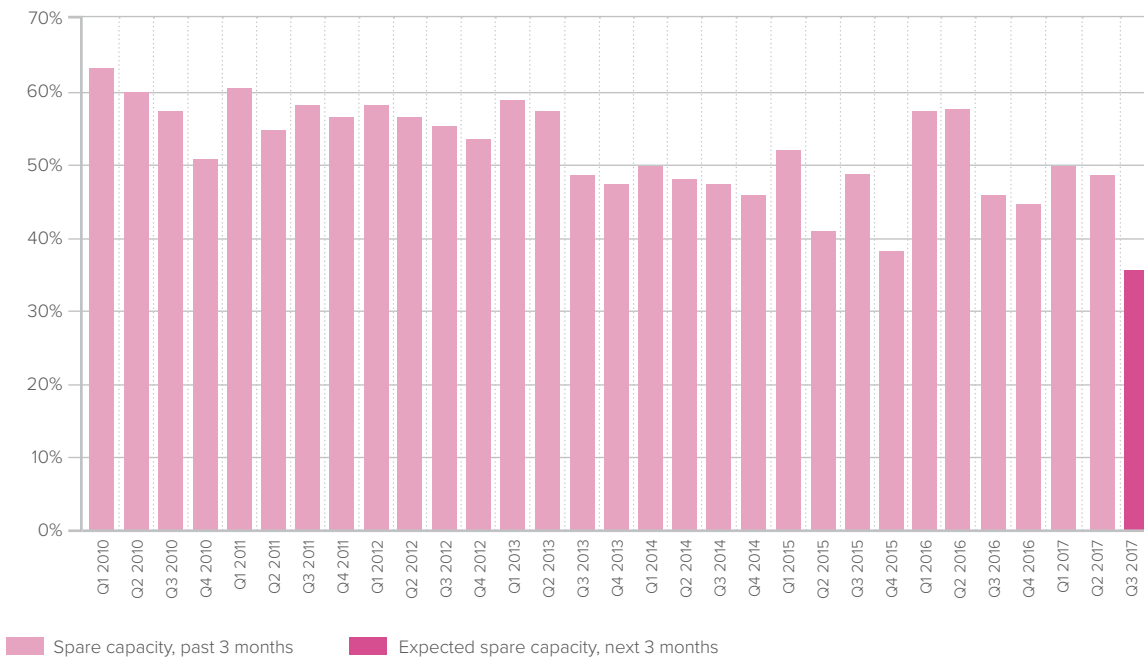
FEWER SMALL BUSINESSES REPORT SPARE CAPACITY

A net balance 47.9% of small businesses report operating below capacity in Q2 2017, down from the 57.4% seen a year ago. Spare capacity is expected to diminish further over the next three months, with a net balance of 35.5% of businesses expected to be running below capacity.

Spare capacity is in theory a key determinant of the future path of interest rates as set by the Bank of England.

If the decline in space capacity expected by small businesses over the next three months is realised, then this would support the case for the Bank of England to start normalising interest rates – especially given recent rate rises by the Federal Reserve in the US. On the other hand, the slowdown in economic growth seen in the latest data and uncertainty over Brexit mean that the Bank of England may maintain a cautious monetary policy stance – keeping interest rates on hold until sound economic prospects are more certain.

Figure 11: Capacity - net percentage balance, proportion running below less proportion running above.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



EMPLOYMENT

Headcount continues to increase

SMALL BUSINESSES CONTINUE TO HIRE

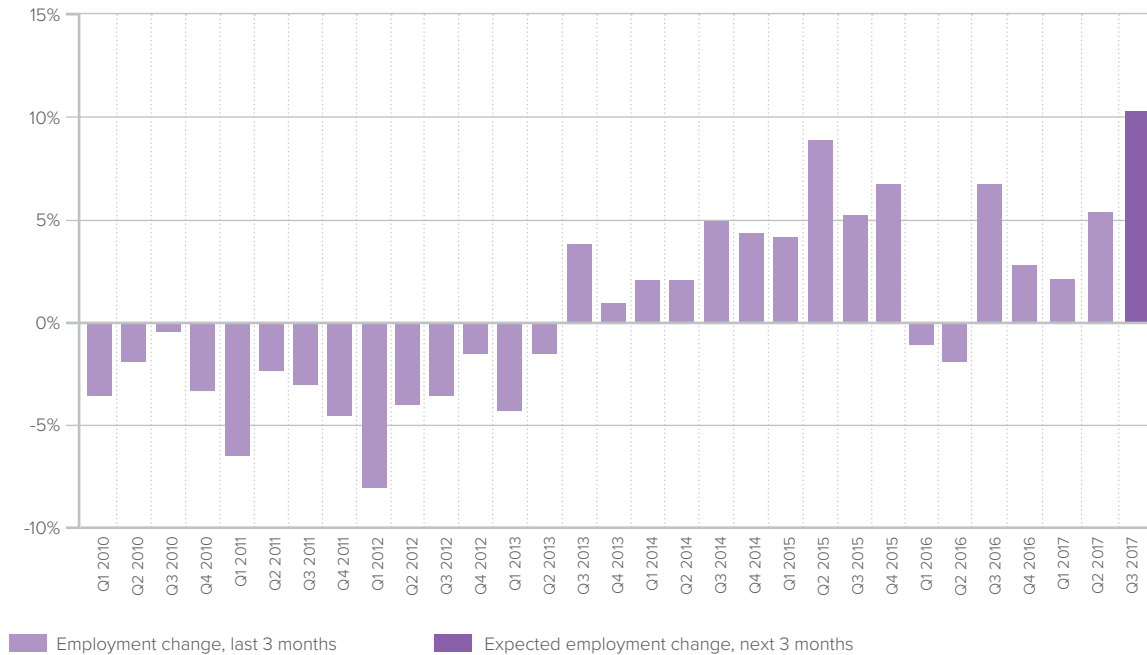
This quarter, a net balance of 5.3% of small businesses report increasing headcount, over double the 2.1% seen last quarter. A year ago, in Q2 2016, a net balance of small businesses reported declining headcounts.

Despite signs that the UK economy has lost momentum in the first half of 2017, unemployment remains low and the latest Small Business Index suggests that this will remain the case, in the short term at least. According to the ONS, the UK unemployment rate stood at 4.6% over the three months to March 2017. The last time it was lower than this was over four decades ago, in 1975.

However, while job creation and low unemployment are generally welcome, the employee-intensive nature of company growth in recent years has contributed to the UK's relatively poor productivity performance compared to economies such as the US, Germany and France. Rather than growing through investing in productivity-enhancing technologies, many companies have relied on simply expanding the size of their workforce. This can be bad for existing employees as subdued productivity tends to translate into lower rates of pay growth, which have been a major feature of the UK economy since the financial crisis.

Figure 12: Employment – net percentage balance, proportion reporting increase less proportion reporting decrease.

Source: FSB - Verve 'Voice of Small Business' Panel Survey.



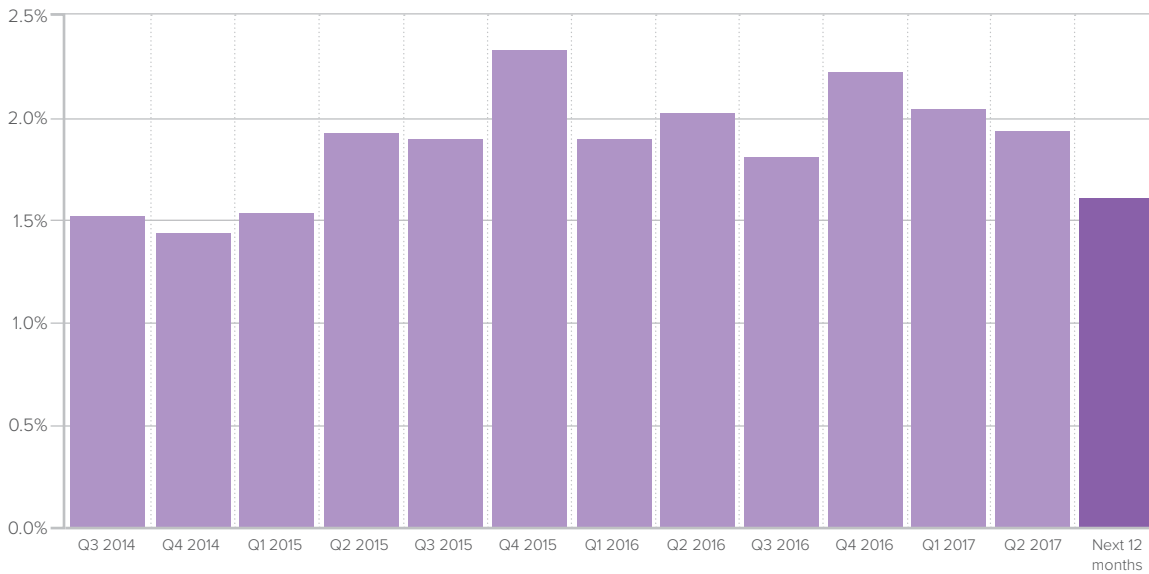
WAGE RESTRAINT REMAINS THE ORDER OF THE DAY

Average small business employee wage growth ticked down to 1.9% in Q2 2017, compared with 2.0% in Q1 2017. Furthermore, wage growth is expected to slow further to just 1.6% over the next 12 months.

The Small Business Index data suggest that companies are aiming to contain labour costs through wage restraint rather than reining in hiring intentions or shedding staff. Such wage moderation comes at a time when consumer price inflation has increased compared with a year ago. The headline CPIH measure of inflation showed price growth of 2.6% in April compared with a year ago.

The implied squeeze on household spending power, with earnings struggling to keep pace with the rising cost of living, creates challenges for small businesses in consumer-facing sectors such as retail and hospitality, as households become less able to spend money on discretionary goods and services.

Figure 13: Average salary increase awarded compared with same period a year before.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



GROWTH ASPIRATIONS AND CHALLENGES

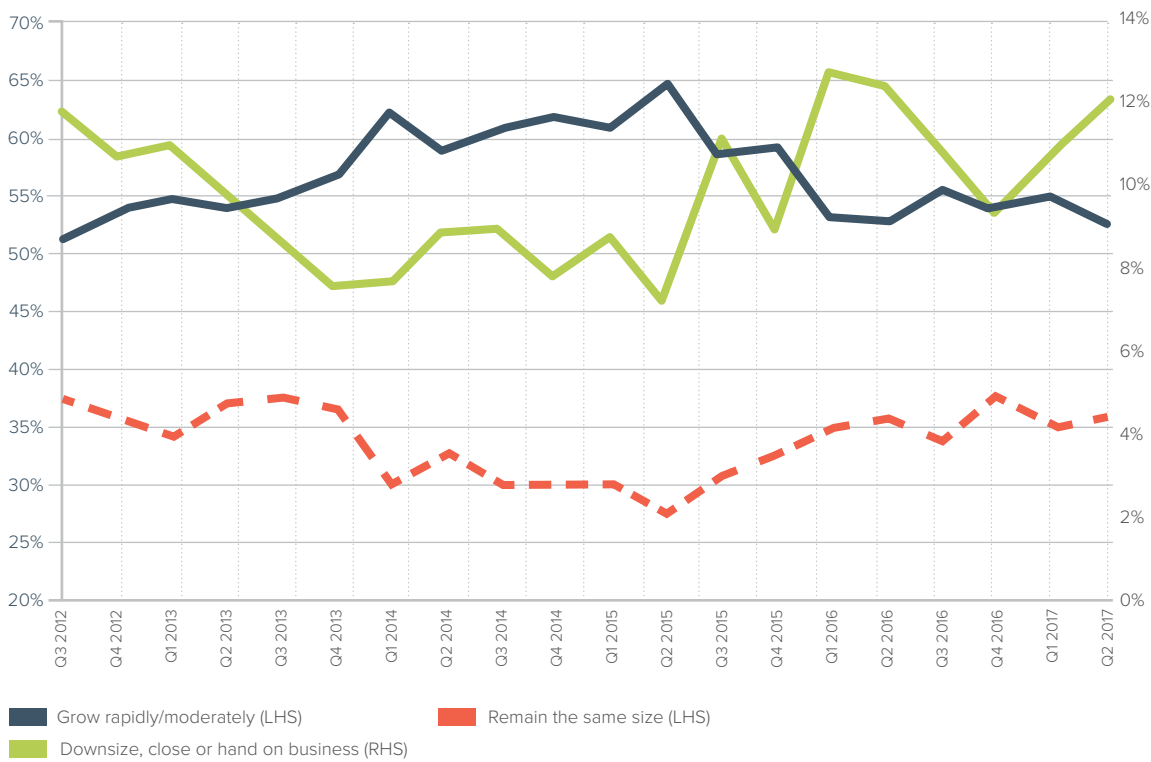
Fewer businesses expect
to grow

SHARE OF BUSINESSES EXPECTED TO DOWNSIZE TICKS UP

The share of small firms expecting to downsize, close or hand on the business over the next 12 months has increased for a second consecutive quarter, standing at 12.0% in Q2 2017. The share of businesses expecting to grow has remained fairly constant since the start of 2016, with just over half of firms believing this will be the case.

The share of firms expecting to grow has diminished since Q2 2015, when close to two thirds of small businesses expected to expand over the coming year. This is likely to reflect cooling economic growth – GDP growth stood at 3.1% in 2014 and fell to 2.2% in 2015 and 1.8% in 2016. The renewed squeeze on household spending power in 2017 will create challenges for small businesses reliant on domestic consumer demand.

Figure 14: Growth aspirations for next 12 months.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.

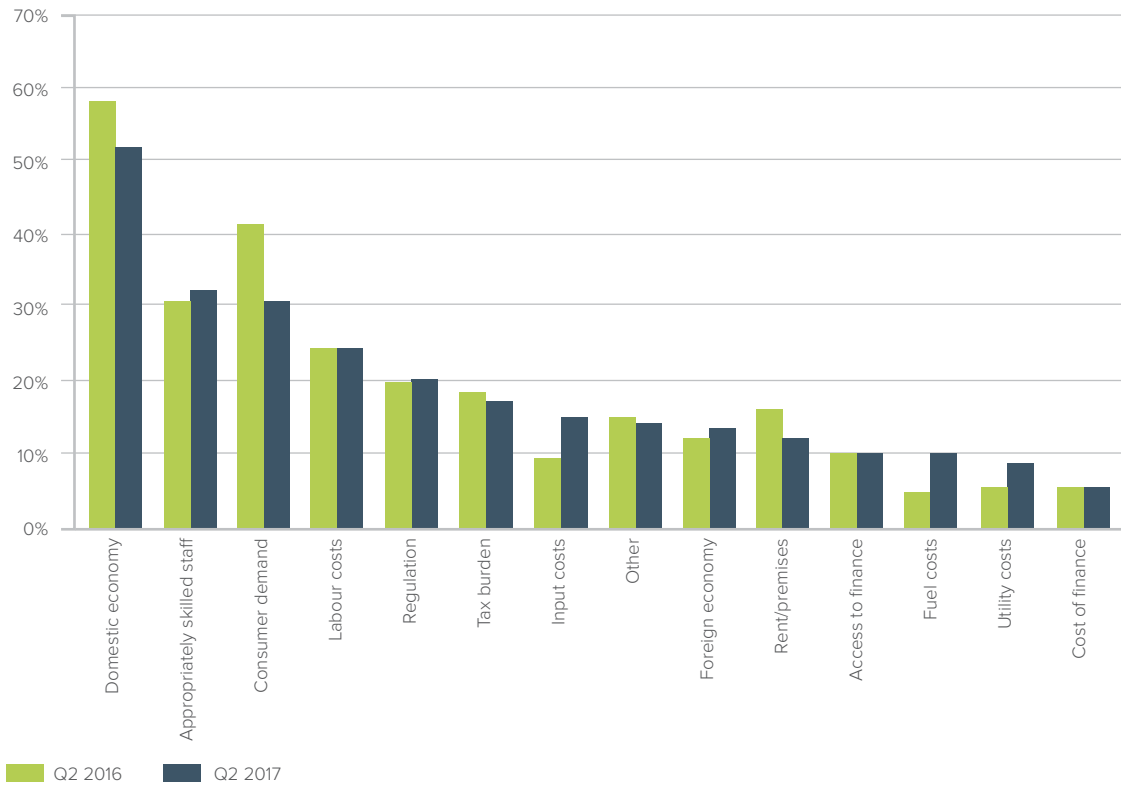


WEAK STERLING CREATES CHALLENGES AS WELL AS OPPORTUNITIES

The percentage of businesses who view the domestic economy as a barrier to growth has fallen to the lowest level since Q4 2015 but remains high at 51.8%. The share of businesses reporting that input costs are a barrier to their growth aspirations, has increased compared to last year, which is unsurprising in light of the sustained depreciation of sterling and rising inflation.

Higher fuel costs are also predicted to be an obstacle to growth in 2017, as reported by 11.4% of small businesses, a figure which has more than doubled from 5.0% in the previous quarter to the highest level in two and a half years.

Figure 15: Potential barriers to achieving growth aspirations – multiple answers possible.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.

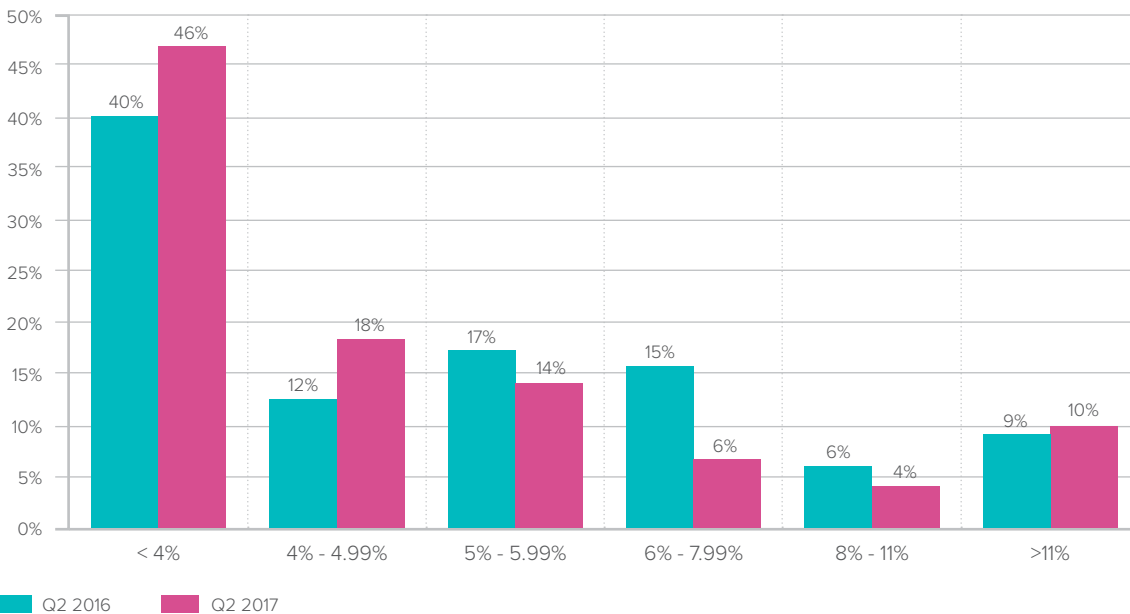
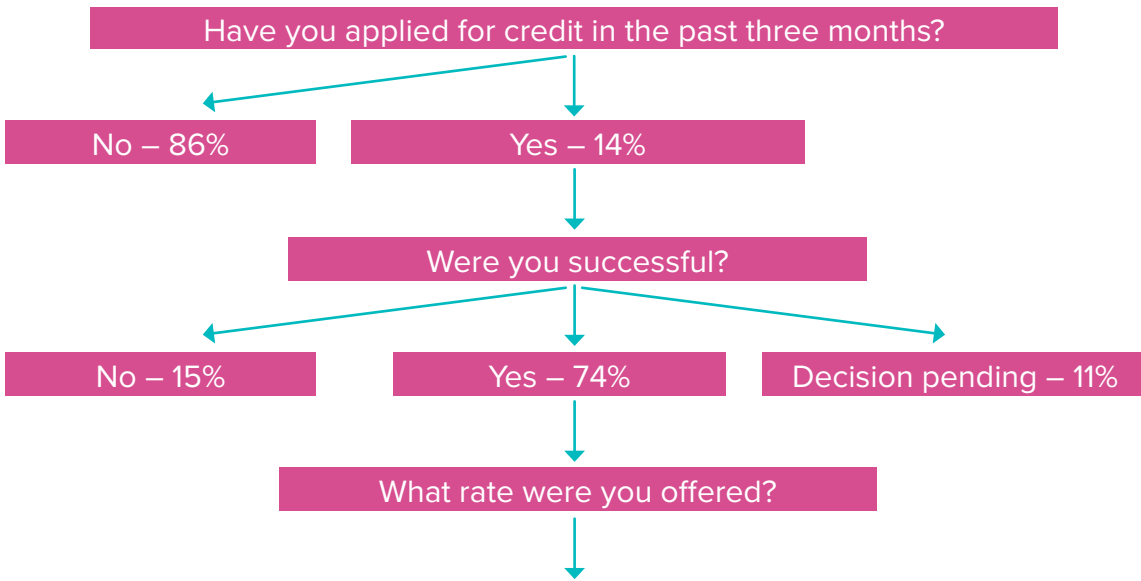


CREDIT

Improvements seen
in credit conditions

CREDIT CONDITIONS IMPROVE OVER THE PAST YEAR

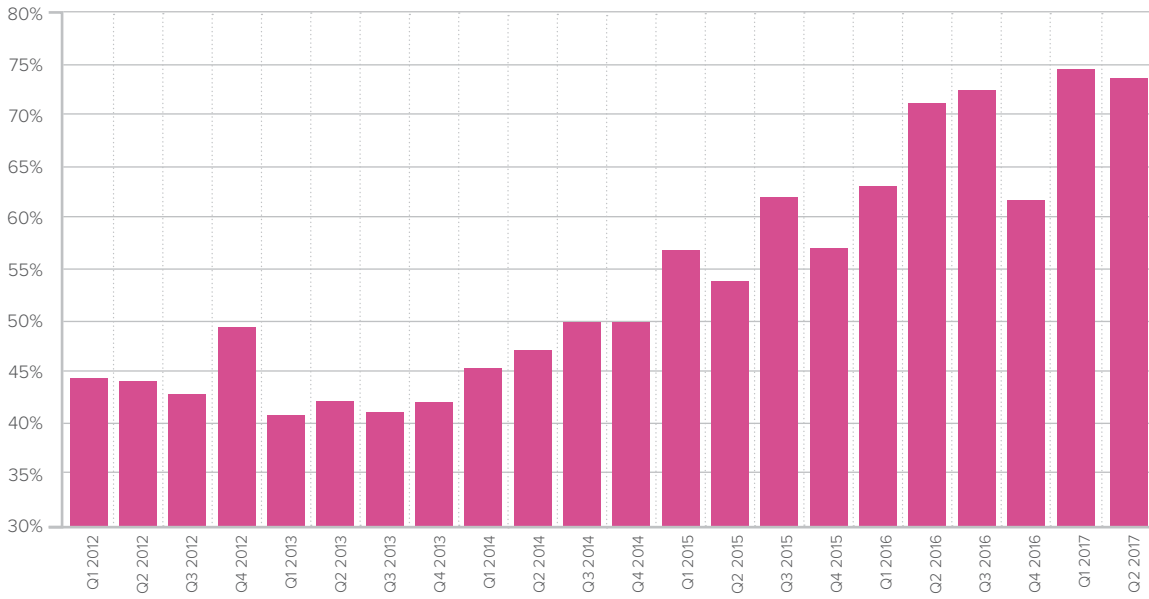
Figure 16: Credit applications and interest rates offered.
 Source: FSB - Verve 'Voice of Small Business' Panel Survey. Respondents were able to give multiple answers to this question.



The share of small businesses successful in their credit applications stood at 74% this quarter, slightly up from the 71% seen in the same quarter a year ago and much higher than the 54% seen in Q2 2015. Furthermore, the share of businesses being offered relatively low interest rates has increased. The proportion being offered a rate of less than 4% rose from 40% in Q2 2016 to 47% in Q2 2017. Higher acceptance rates and lower interest rates should help support investment by small businesses.

The lending landscape continues to show signs of diversification away from traditional bank lending. Among small businesses that had applied for credit, the share applying for bank loans declined from 39% in Q2 2016 to 23% in Q2 2017. In contrast, the proportion using asset-based finance, such as invoice financing, doubled from 17% to 34%.

Figure 17: Proportion of small businesses successful in their credit applications in the past three months.
 Source: FSB - Verve 'Voice of Small Business' Panel Survey.



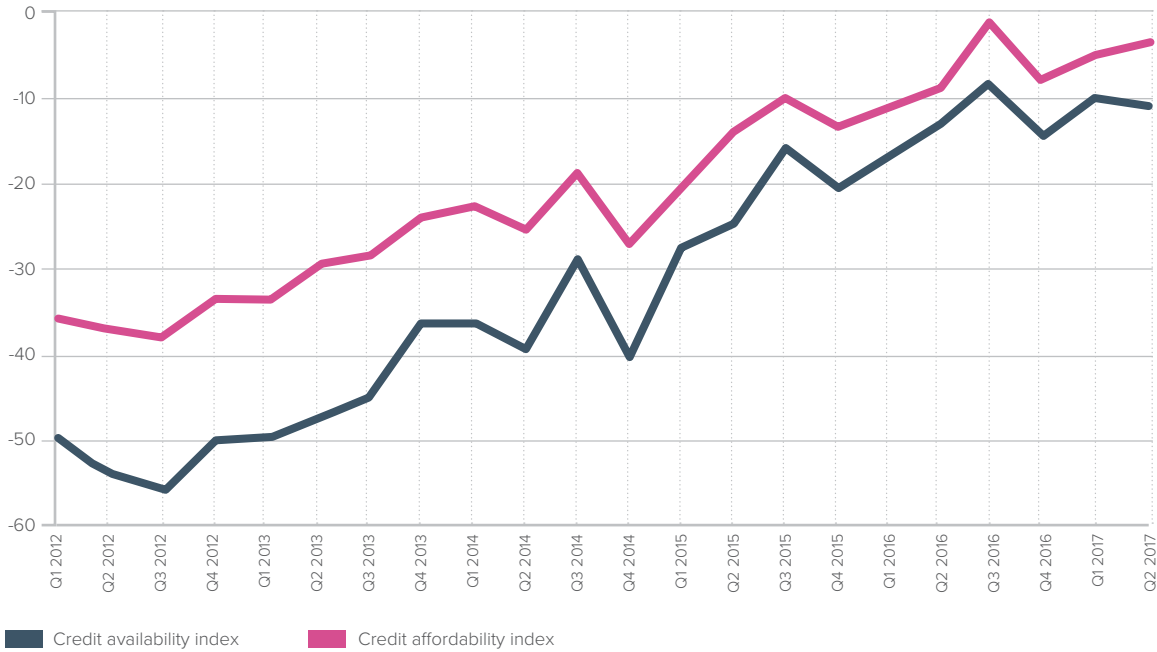
CREDIT AFFORDABILITY IMPROVES

Small businesses report that credit availability and affordability have improved following a dip in the final quarter of 2016. FSB credit availability and affordability indices are now close to their peaks seen in Q3 2016.

A more diversified lending market, with a greater number of finance options available to businesses, is likely to be playing a key role in supporting credit availability. The persistence of low central bank interest rates is contributing to continued credit affordability. The base rate of interest, which has

a bearing on rates charged in the wider economy, remains at a record low of 0.25%. In the Bank of England's May Monetary Policy Committee (MPC) meeting, eight of the nine members thought that the current of monetary policy stance remained appropriate to balance the demands of the Committee's remit. Kristin Forbes voted to increase the Bank Rate by 25 basis points for the second time.

Figure 18: Indices of credit affordability & availability perceptions over time, a weighted net balance of those with negative responses subtracted from those with positive responses.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



INVESTMENT AND PRODUCTIVITY

Investment intentions
reflect cautiousness

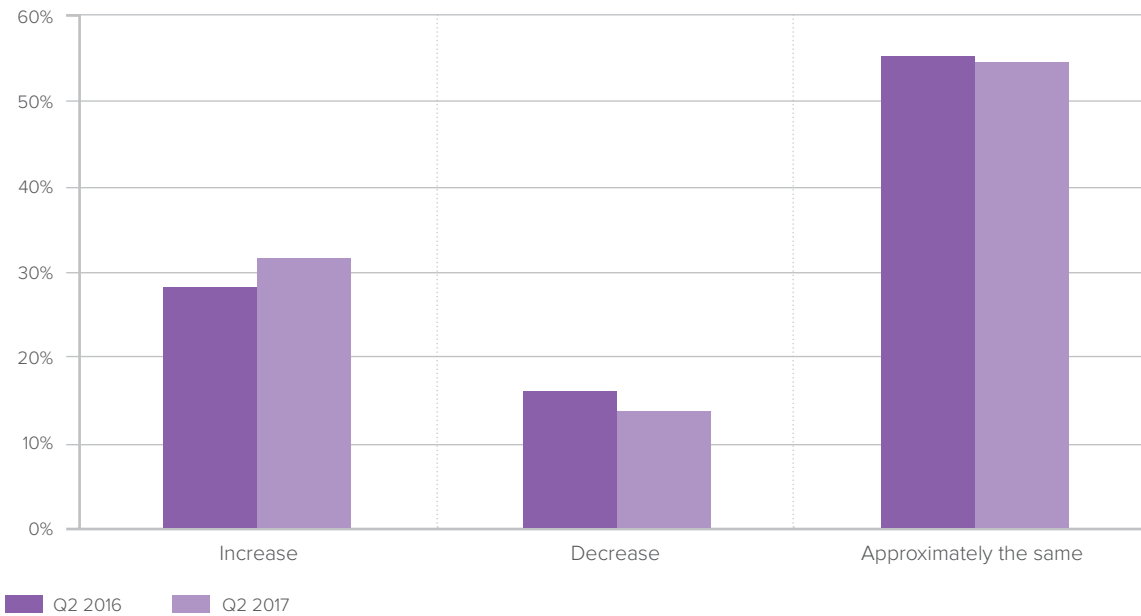
INVESTMENT INTENTIONS IMPROVE

This quarter, over half (54.6%) of small businesses expect capital investment to be about the same over the next three months, compared with the previous three months. This share is broadly unchanged compared with a year ago. Between Q2 2016 and Q2 2017, the proportion of businesses expecting to increase investment over the next quarter has risen slightly from 28.5% to 31.8%, while the proportion expecting a decrease has fallen from 16.3% to 13.7%.

The fact that most businesses expect investment to hold steady suggests some degree of cautiousness among small companies. However, more firms continue to expect to increase than to decrease investment, which is in line with the latest small business confidence reading which remains in positive territory despite a recent decline. Despite a high degree of economic uncertainty at present, small businesses on balance do not seem to be so concerned that they want to slash capital spending en masse.

Figure 19: Capital investment – net percentage balance, percentage expecting increase and decrease over next quarter compared with previous quarter.

Source: FSB – Verve ‘Voice of Small Business’ Panel Survey.



METHODOLOGY

This report is based on the April 2017 research survey of FSB members carried out by Verve. Panel members (3,812) were invited to take part in an online survey. Reminders were sent to all non-respondents. 1,346 responses were received, a response rate of 28%. The data are weighted by regional gross value added to match the profile of small businesses across the UK. The survey was undertaken between 10 April and 26 April 2017.

SUMMARY DATA TABLE

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Small Business Index	+37.9%	+20.3%	+21.7%	+8.6%	+4.3%	-2.9%	+8.5%	+20.0%	+15.0%
Employment - previous three months	+8.9%	+5.3%	+6.7%	-1.0%	-1.9%	+6.8%	+2.9%	+2.1%	+5.3%
Employment - coming three months	+14.2%	+8.2%	+7.3%	+7.1%	+6.6%	+4.9%	+9.6%	+11.3%	+10.3%
Exports - previous three months	+6.1%	+2.2%	+8.8%	-5.1%	-4.2%	+11.7%	+6.1%	+15.6%	+20.0%
Exports - coming three months	+20.7%	+16.1%	+21.0%	+15.9%	+12.0%	+17.9%	+18.6%	+30.4%	+25.8%
Credit availability - rated good or very good	16.6%	23.5%	18.2%	20.8%	26.0%	26.3%	23.7%	25.8%	28.0%
Credit availability - rated poor or very poor	47.3%	41.6%	43.6%	39.1%	39.6%	36.5%	39.1%	36.4%	37.9%
Credit affordability - rated good or very good	26.2%	27.6%	23.3%	24.9%	25.3%	32.3%	27.5%	29.1%	30.4%
Credit affordability - rated poor or very poor	42.4%	38.8%	40.7%	37.7%	37.4%	34.2%	36.9%	36.1%	33.2%

The Small Business Index weights strong responses (much improved or much deteriorated conditions) double and subtracts the weighted proportion of firms reporting deterioration in business prospects over the coming three months from the weighted proportion expecting an improvement.

The Employment and Revenue indicators are net percentage balances, with the proportion of firms reporting a decrease subtracted from the proportion reporting an increase.

Responses are also weighted according to regional gross value added.

Q2

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