



FSB East of England Quarterly Small Business Index

Q3 2022

fsb⁰⁸



Foreword

In Q3 2022, business confidence across the East of England plummeted, mirroring the national trend. However, the region did show some resilience in revenue performance compared to other areas of England, with investment intentions standing at net 9% compared to the weaker UK average of 4%.

There are signs that low business confidence is filtering through to employment levels, with a modest net change of -1%. However, looking forward the picture is more positive with nearly one in five business owners stating that they plan to increase headcount in Q4 2022. Alongside this, just under half of businesses surveyed expect to grow their business in the coming month. The question, however, is whether current economic conditions will enable business owners to make their aspirations a reality, to deliver their plans for growth.

Firms in the East of England report that their greatest perceived barriers to growth over the coming year are general domestic economic conditions (47%) and labour costs (40%). This is followed by consumer demand and a lack of appropriately skilled staff (both at 35%).

Small business entrepreneurs are resilient and innovative, but they are facing some of the toughest trading conditions they have ever seen. For small firms to drive economic recovery and future prosperity, they need a pro-small business environment in which to operate and grow.

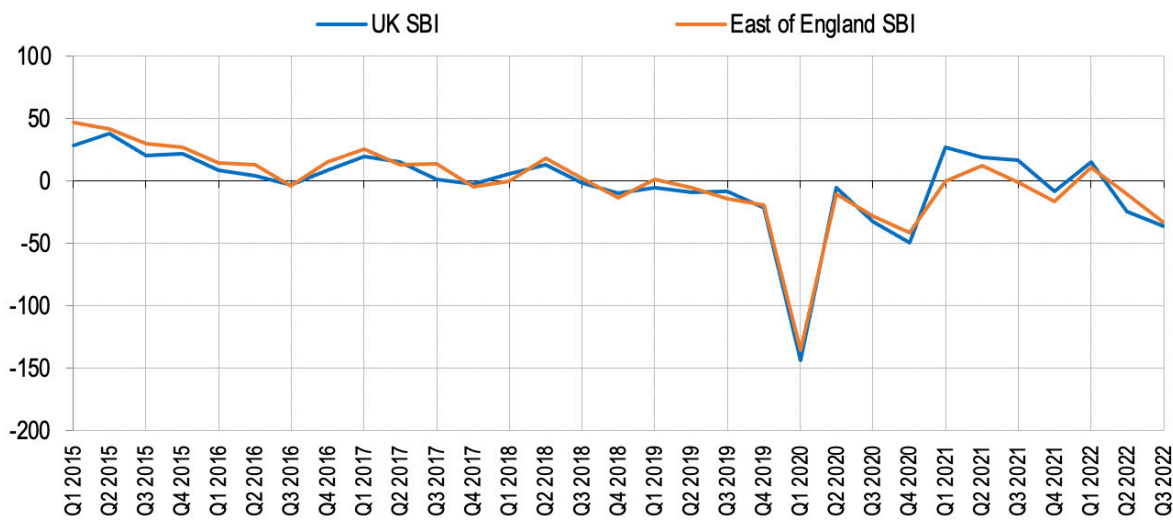
The East of England Small Business Index (EESBI)¹, which measures confidence amongst businesses, has fallen in the last quarter. It now stands at -33, dropping from a score of -10 in the previous quarter.

Confidence in the East of England has become increasingly unsteady, as nationwide and global economic uncertainties present a sizeable challenge. Inflationary pressures and cost of living concerns are widespread and seem to be a particular issue for small businesses.

The uncertainty shown amongst East of England small businesses reflects a similar drop in confidence seen across the UK; all regions are recording negative confidence scores in Q3 2022. The East of England confidence level (-33) is marginally above the nationwide average (-36).

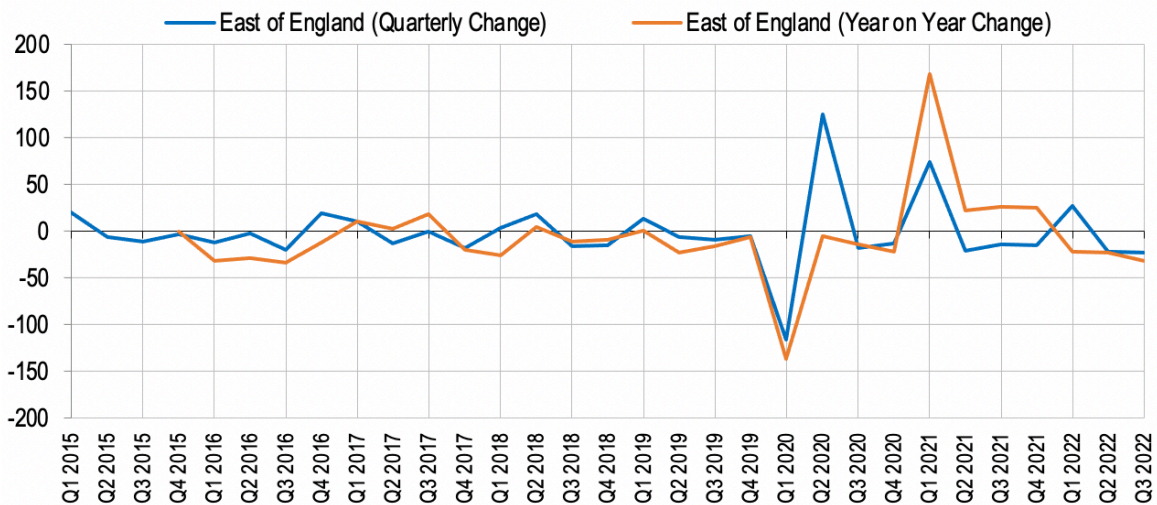
Confidence in business performance for the next 3 months continues to fall as East of England small businesses face the impact of widespread economic uncertainties.

Fig.1 FSB Small Business Index: regional variation in small business prospects/confidence over coming three months



East of England small business confidence levels continue to show negative changes in Q3 – both by quarterly and year-on-year metrics.

Fig.2 FSB East of England Small Business Index: small business confidence levels



¹ The East of England 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.

Business Conditions

East of England small businesses fare more positively than other UK regions when considering revenue performance in Q3.

In Q3, 39% of East of England small businesses reported an increase in revenue. 37% of the region's small businesses outlined a decrease.

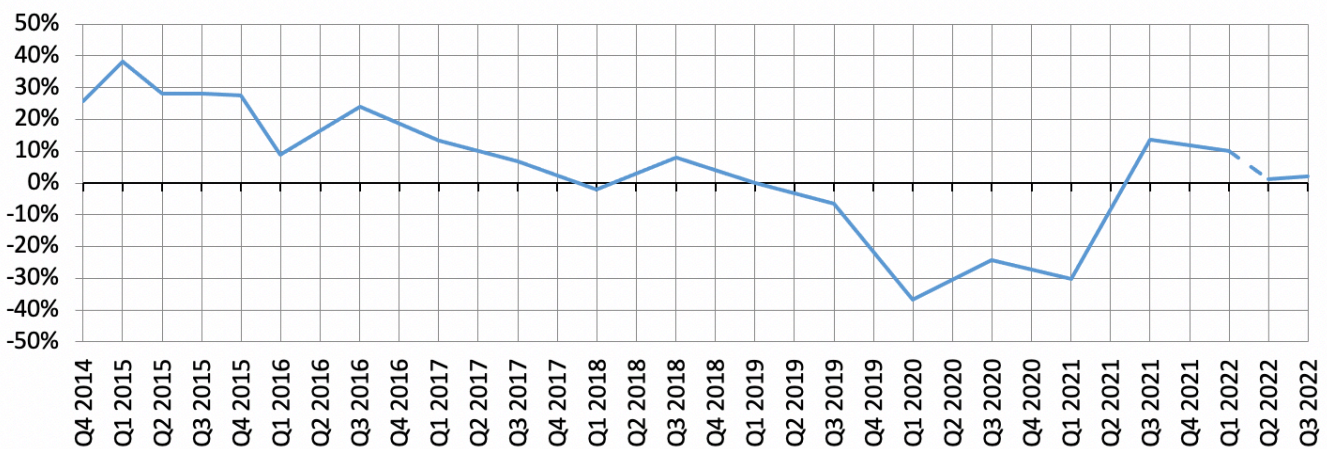
With a net balance figure of 2%, the East of England displays more resilience in revenue than other UK regions. For example, significant falls in net revenue have been displayed in Q3 within the East Midlands (-32%), the North West and South West (both -23%).

The outlook for future revenue remains in negative territory in the East of England, with a net balance of -11% anticipating profit growth within the upcoming quarter. This reflects the nationwide sentiment, with a countrywide average of -10%. The East of England does not perform as negatively as some other regions; for example, the South West has an outlook of -19% net anticipated revenue.

42% of East of England businesses anticipate decreased revenue, echoing the nationwide figure of 41% predicting falls in revenue.

East of England small businesses are seeing marginally positive revenue growth in Q3 2022.

Fig.3 FSB Small Business Index: net balance of small firms in East of England reporting revenue



Employment and Wage growth

East of England continues to record modest falls in employment levels during Q3.

The employment picture amongst East of England FSB members over the preceding three months showed that 17% had decreased staff numbers and 16% had increased employment levels. This compares with the nationwide average of 12% increasing staffing, and 16% decreasing. The East of England net change in employment levels stands at -1% in Q3, echoing the -1% figure recorded in Q2.

For the next quarter the intention is for 18% of businesses to increase headcount and 10% to decrease staff numbers.

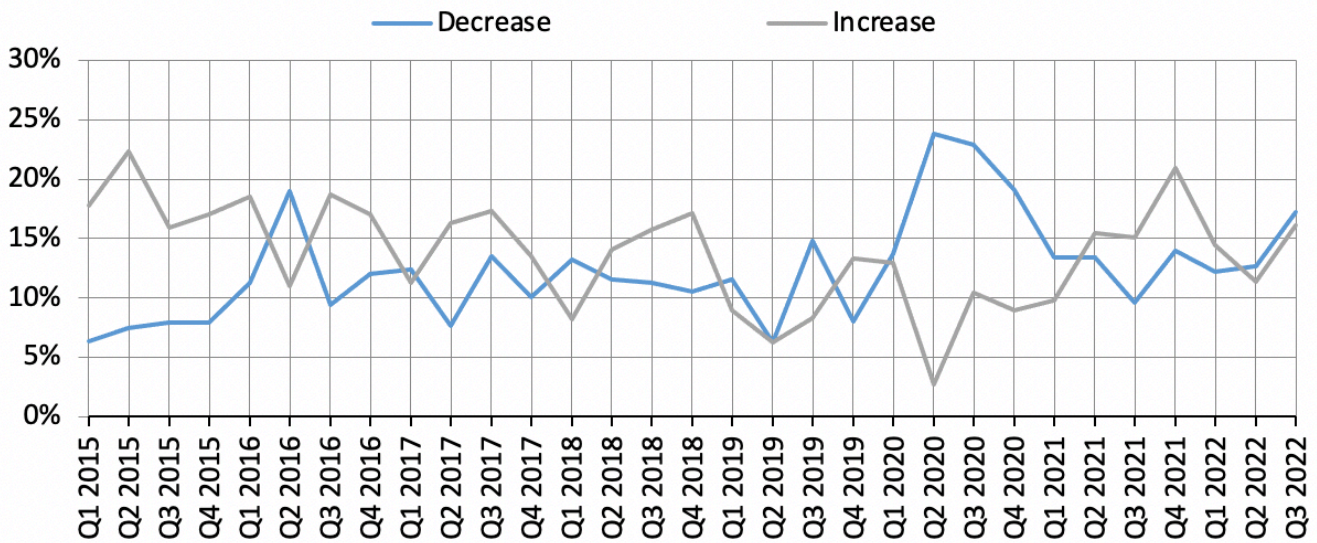
Wage Growth

In the East of England, 71% saw salary increases over the previous 12 months. The number of businesses with decreasing wages fell marginally from 10% in Q2, to 8% in Q3. The net change in wages during Q3 (64%) is greater than that seen during Q1 (55%).

Predicted net wage changes for the upcoming 12 months are more positive than a year ago; this was 49% in Q3 2021, increasing to 64% in Q3 2022.

Continuing from Q2, the number of East of England small businesses decreasing staff levels continues to marginally outpace those increasing levels.

Fig.4 FSB Small Business Index: change in people employed in East of England over last three months



Growth and Investment aspirations

In Q3 2022, 47% of small businesses in the East of England said that their growth aspirations in the next 12 months were to grow either rapidly (increase turnover/sales by over 20%) or moderately (up to 20%). Those expressing an intention to downsize their business stands at 13% in Q3, holding steady from the 13% expressing the same intention at this point last year (Q3 2021).

The investment intentions for East of England small businesses stands at net 9%, compared to the weaker UK average of 4%. The situation in the East of England has shown a rebound after a fall to -5% net investment intentions in Q2 2022. The net average of 9% in Q3 2022 is on par with the net average of 10% recorded in Q3 2021.

Regarding the expected value of capital investment in the coming quarter, the East of England (9%) performs better than other regions with negative expectations such as the South West (-12%), and the East Midlands (-5%). London leads the UK regions with a net score of 17%.


In the East of England, the general domestic economic conditions (47%) and labour costs (40%) are the greatest perceived barriers to growth over the coming twelve months, followed by consumer demand and appropriately skilled staff (both 35%). Labour costs have seen a significant growth as a worry for East of England small businesses, with only 15% recording them as a major concern in Q2 2022.

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