

Sage small business tracker

A Sage report in partnership with
Smart Data Foundry and Cebr

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Sage

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Headline Q4 findings

In Q4 2022 the Sage small business tracker revealed revenue growth declined in small businesses as the impact of the cost-of-living crisis likely hit demand activity. The average EBITDA grew on a quarterly basis, however, showing profits are growing despite slowing growth. Indeed, data on average overheads show a quarterly contraction in costs for businesses, these reduced costs are likely supporting profit growth.

Some of the key findings of this report by topic are:

i. Profitability grows in double-digits despite falls in revenue – the average real EBITDA of small businesses grew by 19.7% year-on-year in Q4. This followed a 9.3% YoY increase in Q3. Across all twelve UK regions, London saw the largest annual increase in profitability in Q4 2022, up 34.1%.

ii. Revenue moderately contracts in Q4 – average real revenues for small businesses contracted by 2.4% on a year-on-year basis in Q4 2022. Businesses were likely impacted by the wider economic slowdown in activity induced by high inflationary pressure on both the supply and demand side of the economy. Despite a contraction for the UK average, small businesses in Newport saw strong revenue growth in Q4 2022 at 23.3%.

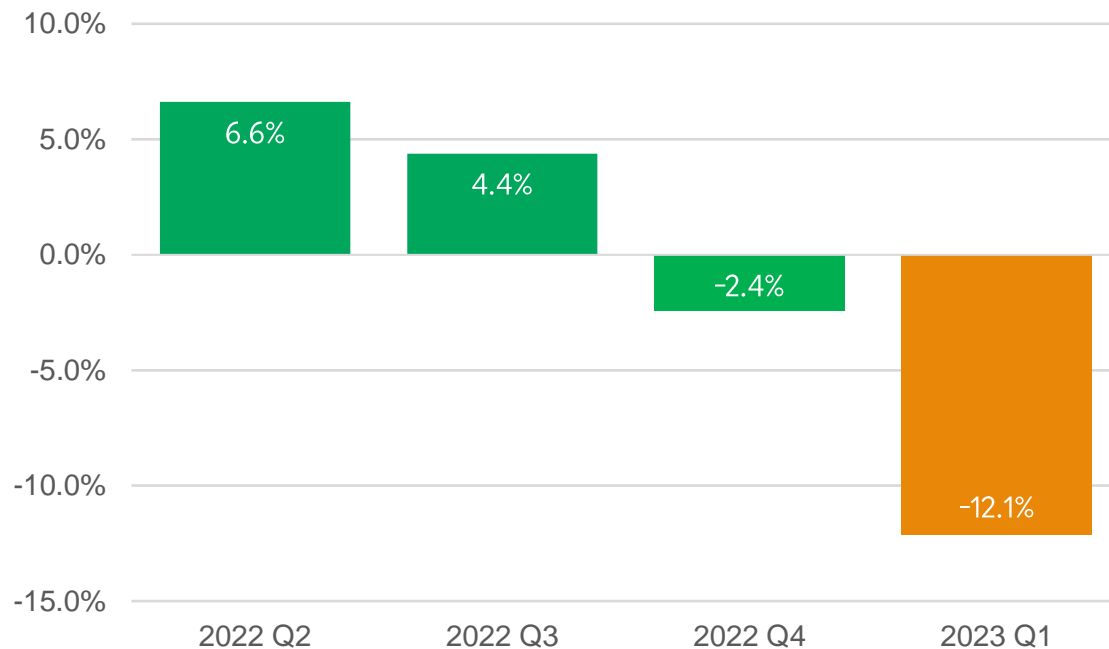
iii. Overheads at small businesses start to decline – average overheads for small businesses saw a dramatic rise in 2021 and early 2022. However, in Q4 2022, they started to fall, with an annual decline of 1.9%.

iv. Small businesses have dramatically improved late payment times since the pandemic – the average number of days small businesses were late to pay an invoice, for those which were overdue, dropped by 28.4 days between the start of 2018 and the end of 2022. Moreover, over the past five quarters, average days overdue has been falling at an increasing rate.

v. Q1 2023 estimates expect revenue to fall but contraction in overheads should support profit growth – more timely data from a smaller subset of businesses allows Cebr to estimate small business performance in Q1 2023. Results show average revenue growth is projected to contract at the start of the year, likely due to struggling consumer sentiment amid a cost-of-living crisis. However, overheads are anticipated fall as price pressures on businesses come down from very high levels.

Small businesses estimated to see strong profit growth in Q1 2023 despite lower revenue

Year-on-year change in real revenue for small businesses in 2015 prices (Quarterly)

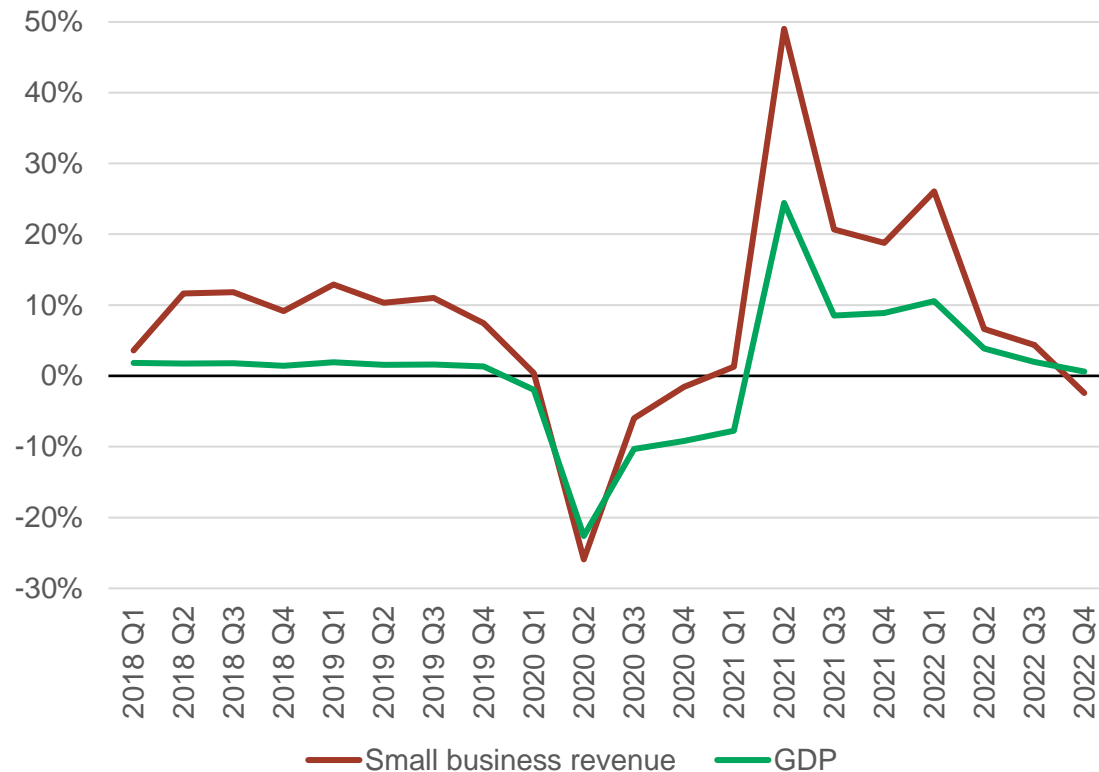


Source: Sage, Smart Data Foundry, ONS, Cebr

- Cebr has estimated the quarterly growth rate of financial variables using a subsection of only VAT-registered companies, which provide data up to Q1 2023, assuming growth rates of the larger business sample will follow a similar trend.
- Small business revenue is estimated to have fallen by 12.1% on a year-on-year basis in Q1 2023. This would mark a second quarter of negative revenue growth. This is likely resultant of the cost-of-living crisis in the UK which has led to a slowdown in demand in the economy.
- The latest data on the UK economy shows GDP grew by just 0.1% in the three months to February 2023. This was partly due to the withdrawal of consumer activity due to the cost-of-living crisis, with inflation eroding away disposable income, while higher interest rates are also having a dampening effect on demand.
- The average real EBITDA in small businesses is estimated to see double-digit growth on an annual basis in Q1 2023. Estimates of strong profitability despite lower revenue suggest businesses are cutting expenditures and benefiting from lower overhead costs.
- Seasonally adjusted overheads are estimated to have contracted by 7.5% in Q1 2023. This would follow the substantial fall in energy prices since the start of the year.

Small business revenue contracts in Q4 amid wider economic pressure

Year-on-year change in real revenue for the average small businesses and UK GDP, in 2015 prices (Quarterly)

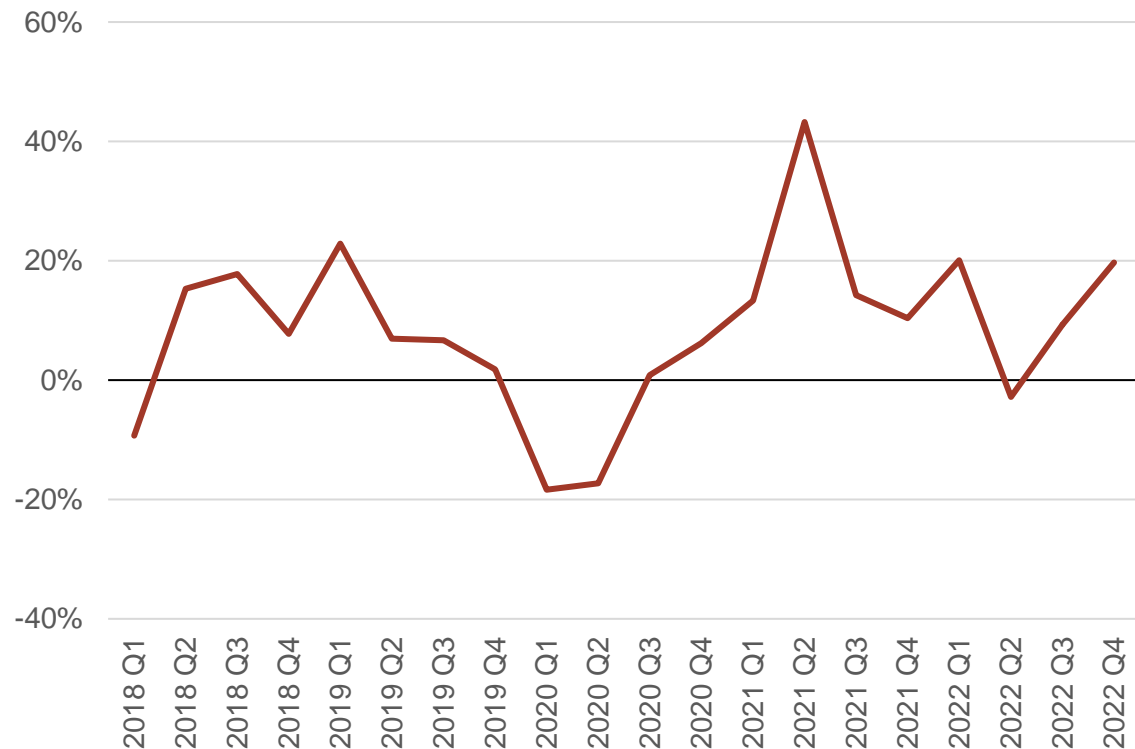


Source: Sage, Smart Data Foundry, ONS, Cebr

- Average real revenues for small businesses contracted by 2.4% on a year-on-year basis in Q4 2022. This marked the first annual negative growth since 2020 and was the third consecutive quarter of a slowdown in the rate of growth. Looking ahead to our estimate for Q1 2023, revenue is expected to have fallen for the second quarter in a row.
- The UK economy grew by 0.6% in Q4 2022, marking yet another slowdown from the quarter before. Lower GDP growth is resultant of the cost-of-living crisis, with households experiencing the largest fall in wages since the financial crisis, thereby cutting back on spending. On the supply side, soaring input costs and other sources of supply chain disruption also put downward pressure on output generally.
- Though revenue was resilient during Q3, Q4's contraction shows small businesses are being impacted by reduced activity in the wider economy.
- With price pressure still significantly elevated and interest rates high, Cebr expects the UK economy to grow by just 0.2% over 2023. This is improved on our view a few months earlier, however, owing to significant falls in energy prices and improved consumer sentiment relative to recent lows.
- For small businesses specifically, demand will remain a key concern as consumer price inflation is expected to remain elevated throughout 2023, with Cebr expecting price pressure to record 4.0% by December 2023. Moreover, with interest rates at their highest level in over thirteen years, this higher cost of borrowing will reduce both consumer and business activity.

Small business profitability stays in strong positive territory

Year-on-year change in real EBITDA for the average small business, in 2015 prices (quarterly)

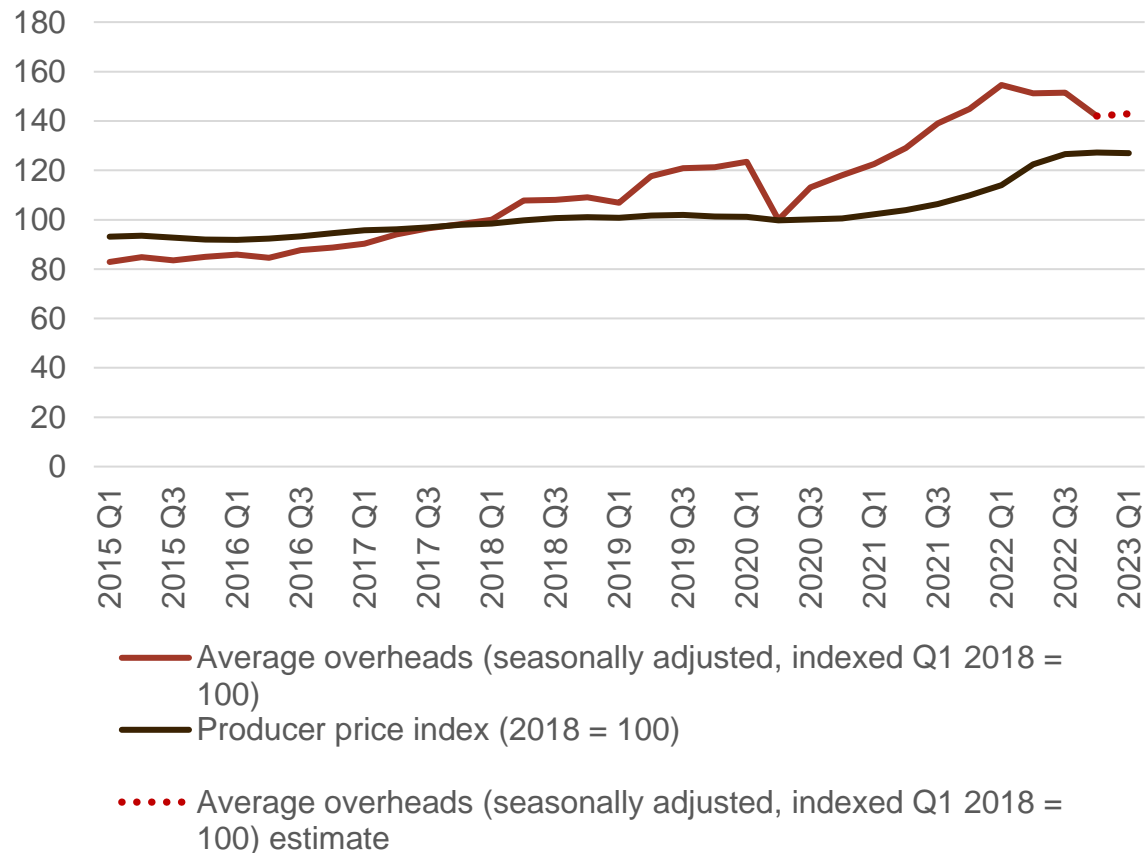


Source: Sage, Smart Data Foundry, ONS, Cebr

- On an annual basis, the real EBITDA for the average small business grew by 19.7% in Q4, signalling strength in the profitability of small businesses despite a slowing economy and falling revenues.
- Small business profitability has remained in positive territory in every quarter since the pandemic, with the exception of the 2.5% contraction in Q2 2022. This contraction was likely a result of the initial spike in costs, particularly in energy, after the fallout from Russia's invasion of Ukraine.
- Since then, rises in profitability in the second half of 2022 point to small businesses adapting to the new high-price-pressure environment.
- The rise in profits suggests that in response to soaring input costs, businesses have themselves been increasing prices, passing this cost over to consumers, and/or cutting their own operational costs.
- Another factor which likely supported profits during Q4 was the Government's Energy Bills Relief Scheme, which effectively capped energy prices for firms, shielding them from experiencing the full rise in wholesale energy prices.
- In Q1 2023, Cebr estimates a further annual acceleration in small business profitability, based on initial estimates for VAT-registered businesses.
- ONS data allow us to compare small business performance to that of all businesses in the UK. The latest data point from the ONS shows that the net rate of return for all businesses, a common measure of company profitability, fell by 0.1 percentage points in Q3 2022. This was the second consecutive quarter of falling rates of return, with the profitability measure now 0.6 percentage points below its near-term peak observed in Q1 2022.
- This compares to a positive EBITDA reading within our small business sample during Q3, suggesting smaller businesses are proving more effective at protecting profits.

Overheads start to decline amid falling energy costs

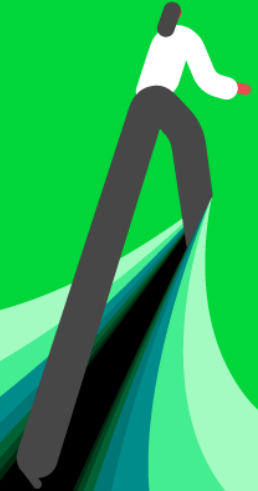
Seasonally adjusted overheads (nominal, indexed values, Q1 2018 = 100) and input producer price index



Source: Sage, Smart Data Foundry, ONS, Cebr

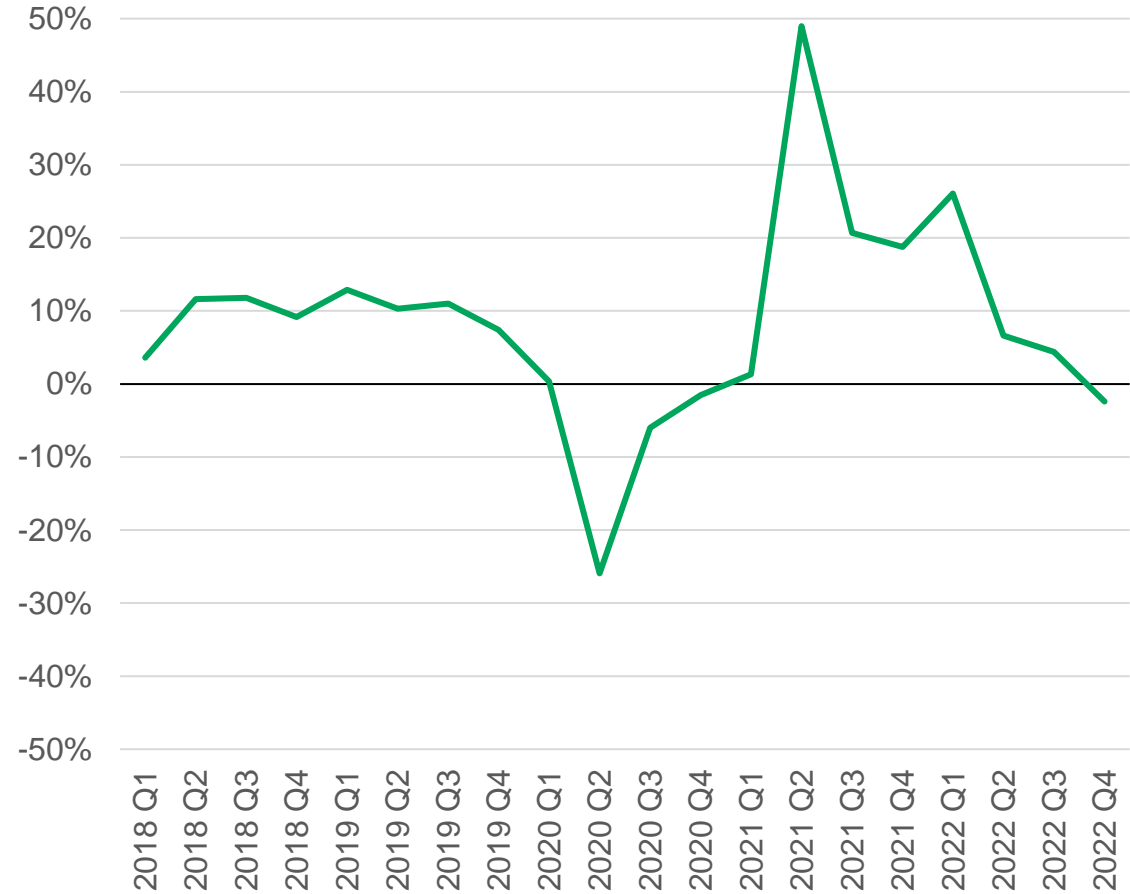
- In this report, data on overheads is studied which includes fixed and semi-variable overheads such as rent, energy and utility bills. Therefore, overheads can be driven by changes in prices and any shifts in production which would affect factors such as employee numbers, rent and utilities.
- In the UK and across the world, supply chain issues and input costs, in particular energy costs have driven up inflation. This has had a considerable impact on business costs. Looking at the input producer price index measure of inflation from the ONS, there was a 15.9% increase in the cost of production in the UK on an annual basis in Q4 2022, and an 11.3% rise in Q1 2023.
- While official measures of inflation have started to slow, small businesses have started to see fixed and semi-variable overheads costs start to fall. Following 8.9% growth in Q3 2022, our evaluations point to a fall of 1.9% in Q4 2022, and initial estimates based on a small sample suggest a 7.5% contraction in Q1 2023. However, even after these declines, the seasonally adjusted level of overheads spending is still above Q3 2021 levels. Indeed, very high rates of growth in 2021 and 2022 mean that base effects affect the latest growth readings.
- Many businesses are likely to have seen overheads start to fall as wholesale energy prices have started to decline. Though the impact of this decline is yet to have been passed on to consumers' household bills, many energy intensive businesses will have started to benefit.
- Cebr is forecasting inflation to fall over the course of 2023. After CPI inflation stood at 10.2% in Q1 2023, we are expecting it to fall below 5% by Q4 2023. Therefore, there will be continued downward pressure on overheads growth.

Sage small business tracker: Indicators by key themes



Growth

Year-on-year change in real revenue for the average small business, in 2015 prices



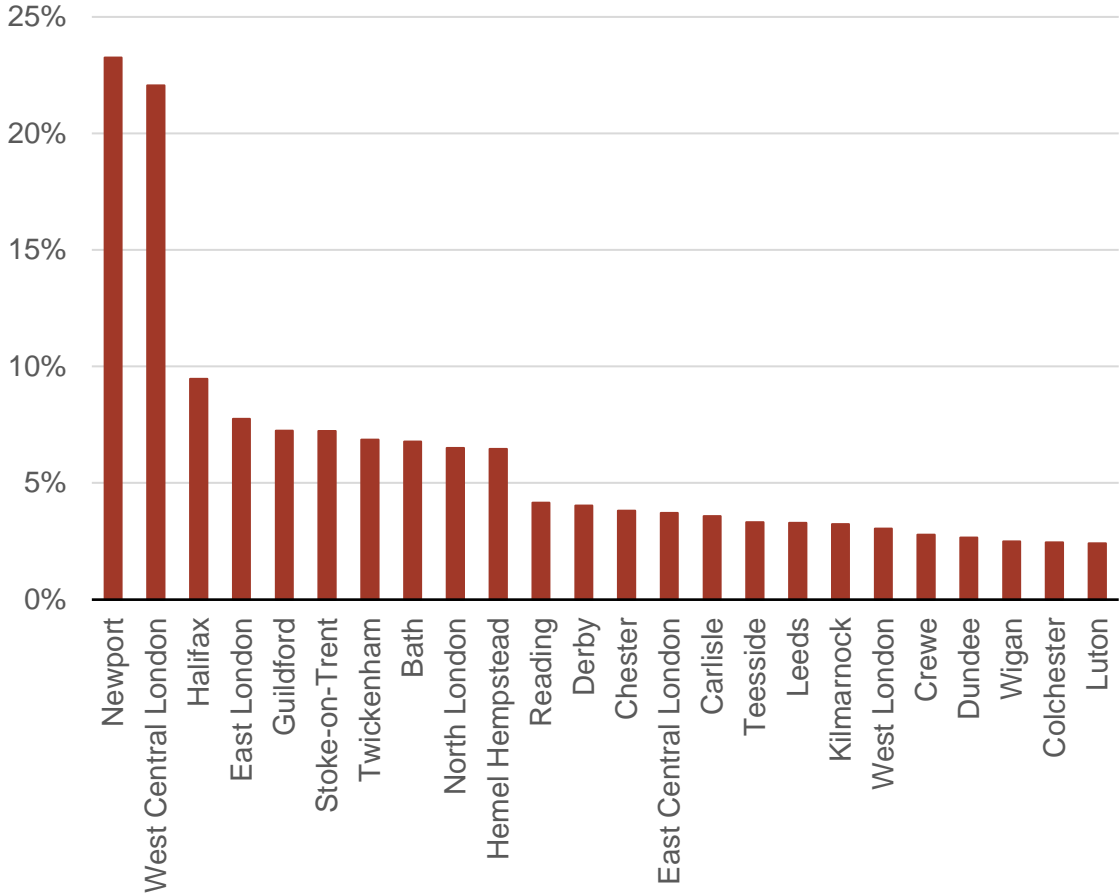
Source: Sage, Smart Data Foundry, ONS, Cebr

Average revenue fell by 2.4% YoY in Q4 2022, with output likely impacted by the inflationary crisis

- On an annual basis, real revenue for the average small business fell by 2.4% in Q4 2022. This marked the first contraction in revenue growth on this measure since Q4 2020.
- Growth in average real revenue has been slowing in 2022, after the strong recovery seen in 2021 following the impact of the pandemic on business activity.
- The pandemic had a profound impact on average small business revenue, particularly during Q2 2020, with the measure falling by 26.0% YoY, and was then followed by two successive quarters of negative growth. The novel nature of events meant many business operations were halted and this is reflected in Sage’s data.
- Revenue data shows subsequent national lockdowns had a less significant impact on average revenue in small businesses, as some businesses adapted to the new climate and found innovative ways to keep operations running. In total, 2021 saw strong recovery from the low base in 2020, growing by 22.4% on an annual basis in 2021.

Deep dive – fastest growing cities and towns for small business revenue

Annual growth in average business revenue in Q4 2022, 2015 prices, top 25 cities



Source: Sage, Smart Data Foundry, ONS, Cebr
Minimum sample size: 850 businesses

Revenue growth varied greatly by postcode region. From over 100 areas across the UK, 31% saw average small business revenue increase in Q4.

- Small businesses in Newport saw the strongest revenue growth in Q4 2022, at 23.3%, after 14.9% annual growth in Q3.
- Several London postcode groupings fell into the top 25 fastest growing cities in Q4. West Central London saw the second highest growth for any postcode, up 22.1% after 22.3% growth in Q3.
- After experiencing the highest growth in Q3, small businesses in East London saw a 7.8% rise in revenue in Q4, keeping the area within the top five fastest growing cities.
- Official ONS data shows London has had the highest productivity level of any UK region since 1998. This structural feature in the capital is likely one of the reasons behind strong small business performance in certain post-code areas.
- Elsewhere, small businesses in Halifax were the third strongest performer in terms of annual revenue growth in Q4 2022.
- At the other end of the spectrum, Southampton saw the largest contraction in revenue in Q4, down 28.9%.

Profitability

Year-on-year growth in real EBITDA for average small business in Q4 2022 in 2015 prices, by UK region



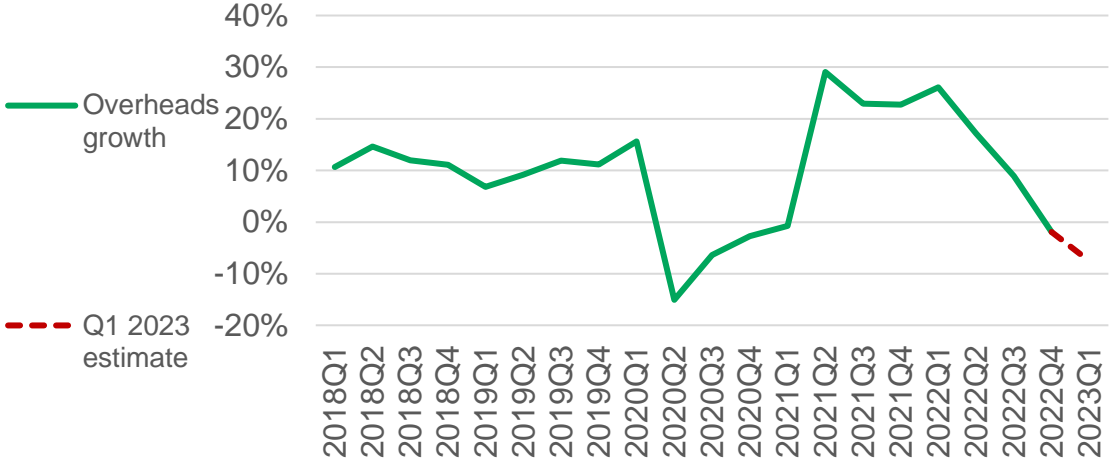
Source: Sage, Smart Data Foundry, ONS, Cebr

The average small business EBITDA grew by 19.7% YoY in Q4 2022 showing small business profitability remains resilient.

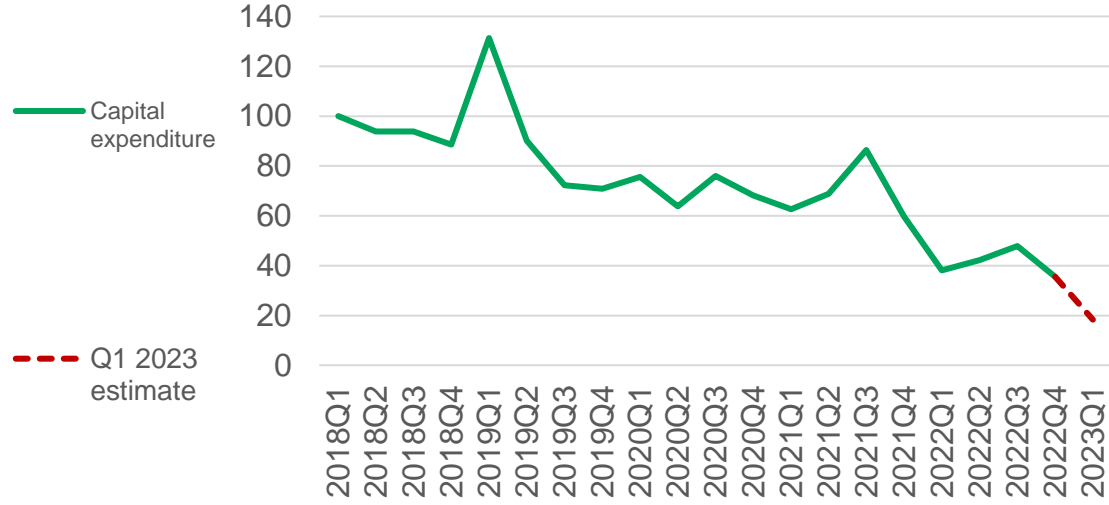
- The EBITDA (earnings before interest, taxes, depreciation, and amortization) is a leading measure of profitability and business performance. Sage's data shows the average small business saw 19.7% annual growth in the EBITDA in Q4 2022 (adjusted for inflation). This followed 9.3% growth in Q3 2022.
- Looking back, profitability fell by 18.4% and 17.4% in Q1 and Q2 2020, due to the pandemic but has remained in positive territory since then, showing positive YoY growth in every quarter up to the most recent data bar Q2 2022.
- Profitability shows different results across all twelve UK regions, though is in positive territory for all.
- London saw the largest annual increase in profitability in Q4 2022, up 34.1%. The strength of profitability in small businesses in London is likely supported by the fact that large portion of financial services and technology-based businesses are found here, which have been a key source of growth in the past decade.
- This is corroborated by official data and Cebr's in-house forecast. Economic output in London, as measured by gross value added (GVA), is expected to have grown by 4.5% across 2022, marking the highest growth of all twelve nations and regions in the UK.
- The North West of England and Scotland saw profitability increase by 27.0% and 25.2%, respectively, on an annual basis which was significantly above the sample average of 19.7%.
- Other than London, Scotland was the only other region to experience revenue growth in the year to Q4, though this only showed a 0.1% annual rise.

Prices and spending

Year-on-year change in cost of nominal overheads per small business



Real, seasonally adjusted capital expenditure, indexed Q1 2018 = 100



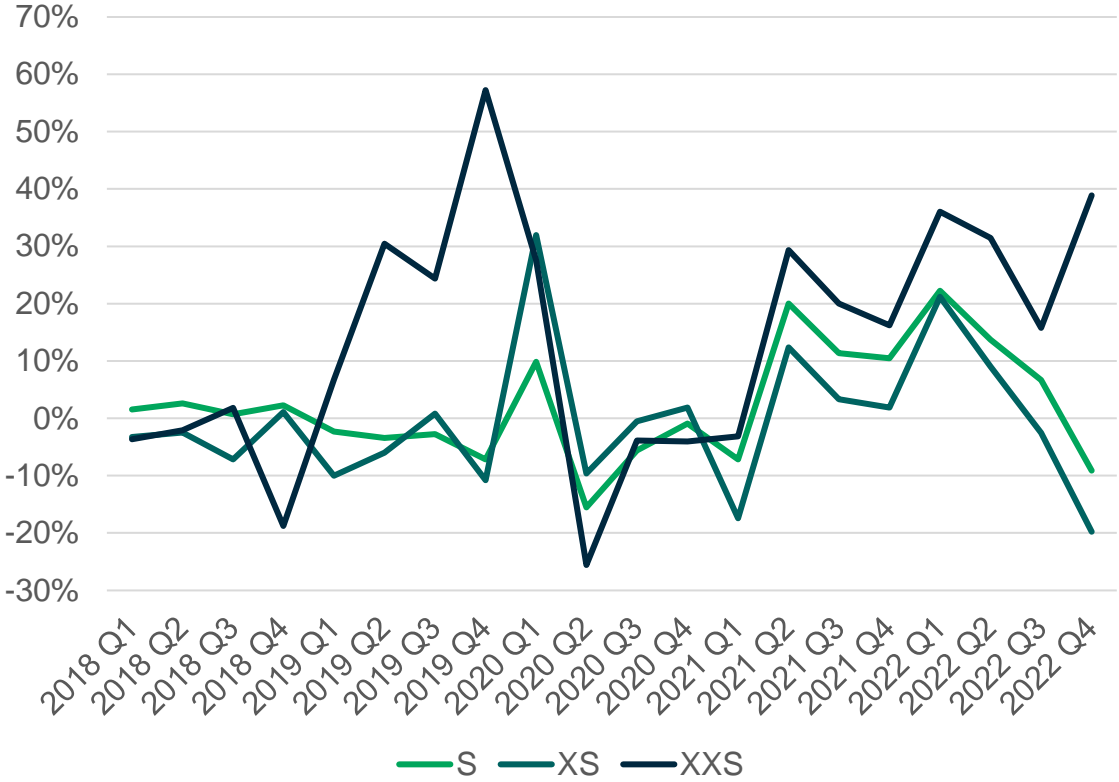
Source: Sage, Smart Data Foundry, ONS, Cebr

Overheads and capital expenditure fall as energy costs decline but borrowing costs rise

- Average overheads for small businesses have seen a dramatic rise over the past two years. Overheads spending peaked in Q1 2022, but has since started to decline, with a 1.9% annual fall coming through in the data for Q4 2022.
- The inflationary crisis in the UK has put significant pressure on business input prices. Rent, energy prices and other non-variable costs all stand at a level far higher than prior to 2021.
- Yet, in Q4 2022 and the early, partial, data we have for Q1 2023, annual prices have started to contract. This is likely to have been particularly driven by falling wholesale energy prices, however, reduced business activity in these quarters may also have led to some of the decline in fixed and semi-variable spending. As GDP growth in Q4 2022 stood at just 0.1%, some businesses may have cut back production, which could have some impact on semi-variable costs.
- The difficult trading environment due to high inflation, high interest rates and weak economic output growth is likely to have led to lower capital expenditure in 2022 and early 2023. In particular, the Bank of England has raised interest rates several times over the course of 2022 and 2023, meaning that borrowing to invest in capital has become much more expensive. Real, seasonally adjusted capital expenditure fell by 44.4% in Q4 2022 compared to a year earlier and a small sample estimate suggests a further annual fall in Q1 2023 of 52.0%.

Prices: overheads by sector and business size

Annual growth in nominal average overheads by business size

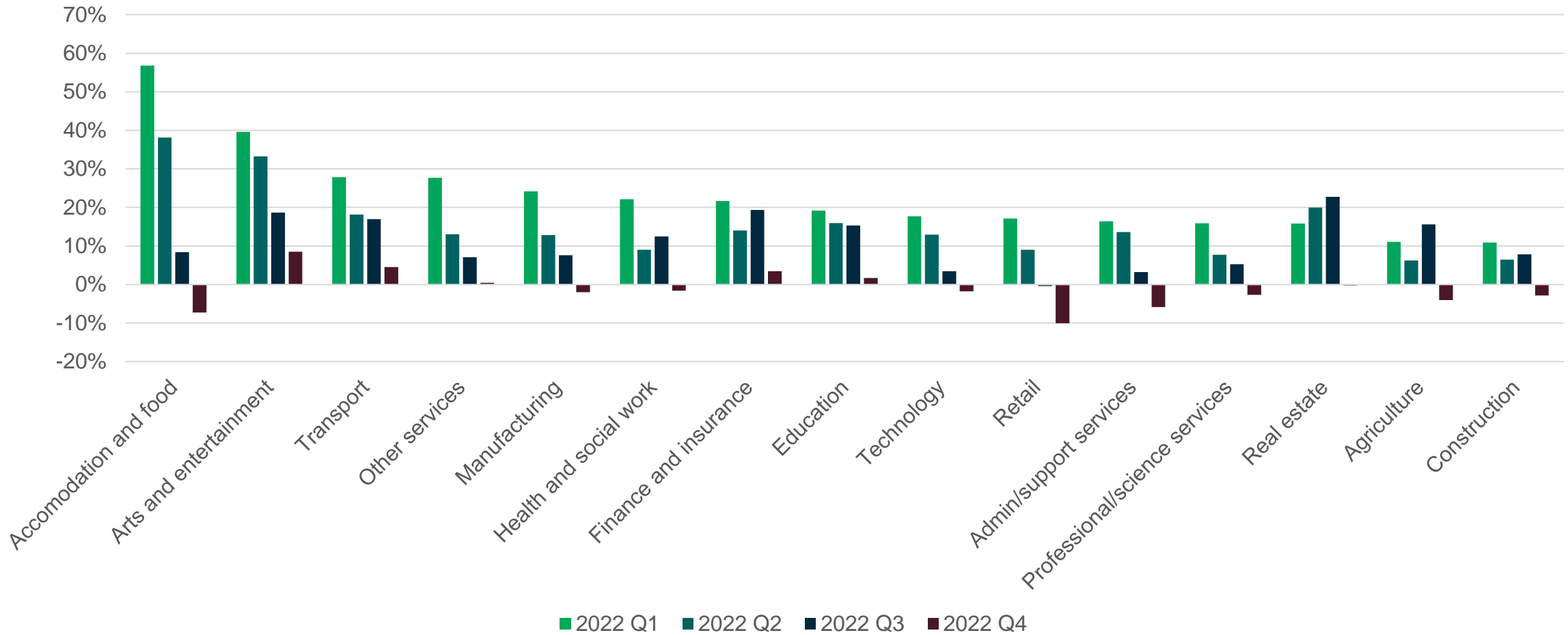


Source: Sage, Smart Data Foundry, Cebr

Smallest businesses continue to see rising overheads

- Breaking down overheads data by business size shows how different types of businesses have been affected by rising prices. Businesses across all sizes saw overheads rise over the course of 2021 and early 2022 as input prices rose.
- Looking at overheads by business size shows that the smallest businesses have tended to see the fastest overheads growth in 2022. In Q4 2022, nano businesses (XXS) reported overheads standing 38.9% higher than a year earlier, however, extra small and small businesses saw overheads fall in Q4 2022, by 19.8% and 9.1%, respectively. Very small businesses may be more exposed to inflation as they may have less bargaining power with their suppliers. Furthermore, very small businesses may not yet have been able to take advantage of falling wholesale energy prices, needing to wait for energy companies to pass them on.
- On the next slide, annual overheads growth by sector is shown. Accommodation and food services, which saw the fastest growth in overheads in the year to Q1 2022, saw the second largest contraction in Q4 2022, showing some of the price pressures in this industry have started to fall back. Meanwhile, the arts and entertainment and transport industries continued to see annual overheads growth in Q4.

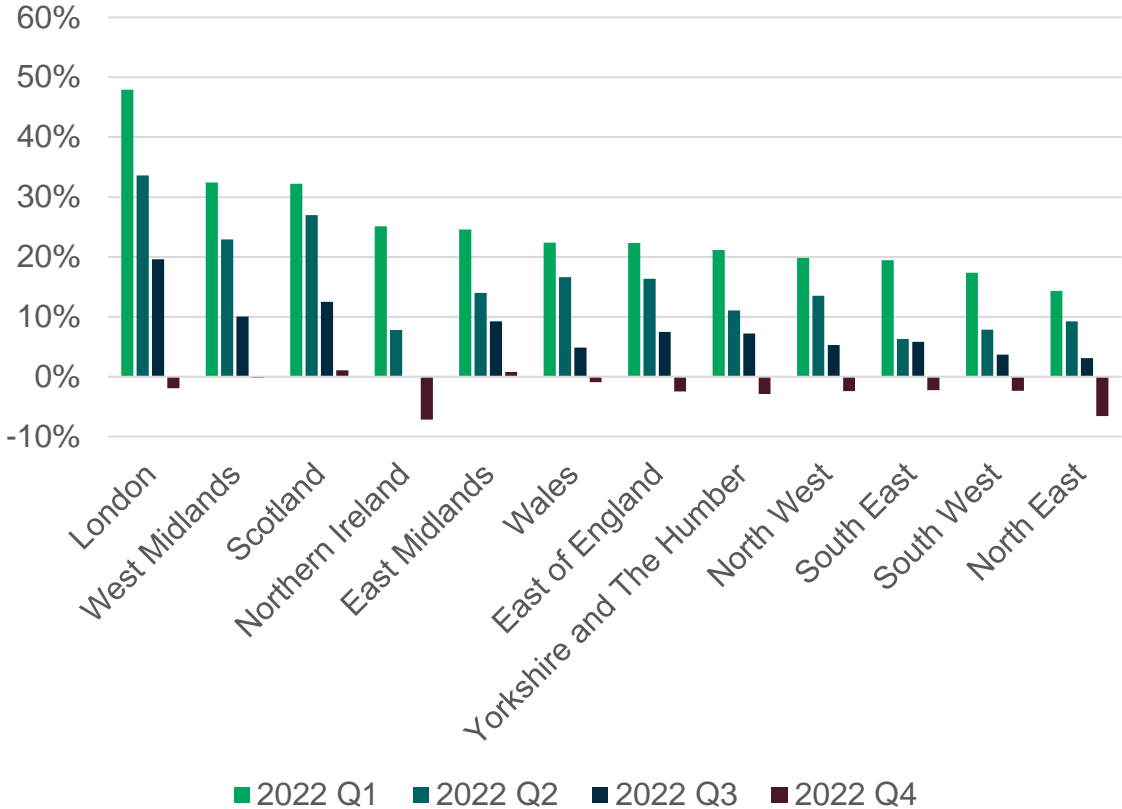
Annual growth in nominal average overheads by industry



Source: Sage, Smart Data Foundry, Cebr

Prices: overheads by region

Annual growth in average nominal overheads by UK region between 2022 Q1 and 2022 Q4



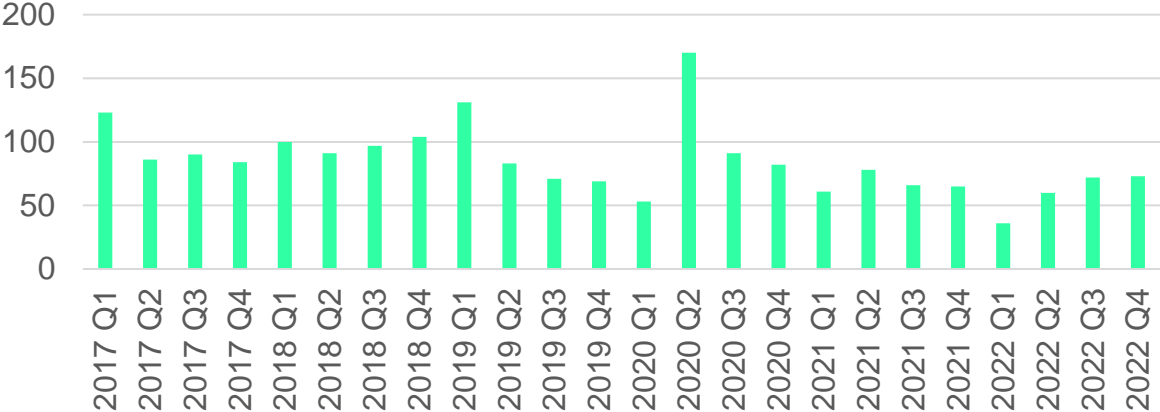
Source: Sage, Smart Data Foundry, Cebr

London businesses see fastest rise in overheads

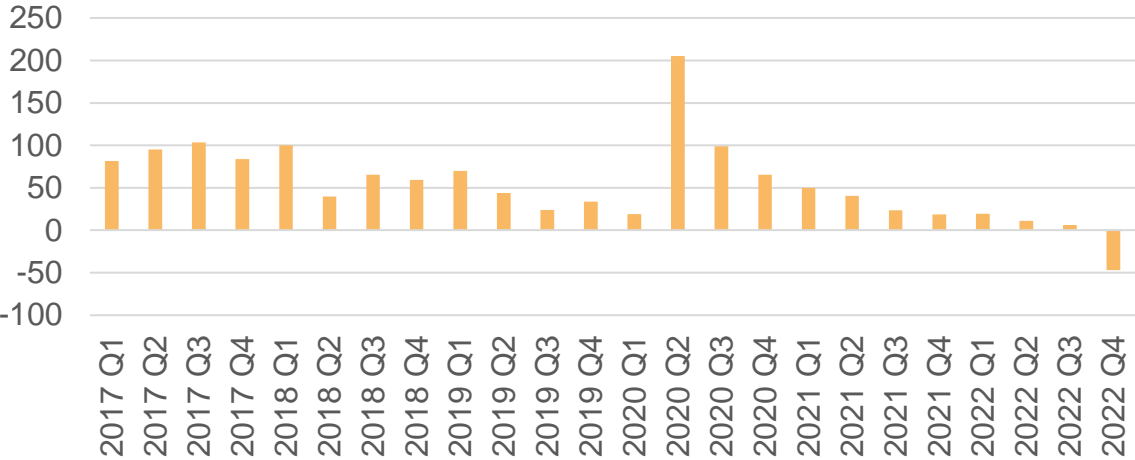
- Businesses across regions have seen overheads growing at different rates in 2022. Annual growth in overheads across all regions was particularly high in Q1 2022, while it contracted across all but two regions in Q4.
- In Q4 2022, businesses in Northern Ireland and the North East saw the biggest declines in overheads, at 7.2% and 6.6% respectively.
- Meanwhile, businesses in Scotland and the East Midlands saw small annual increases in overheads in Q4 2022, at 1.1% and 0.8%, respectively.
- Though most small businesses across regions have started to see overheads costs fall, they still stand above Q4 2020 levels. The region to have seen the greatest two-year cumulative growth is London, where overheads are 30.0% above Q4 2020 levels. Meanwhile, in the North East, the difference is just 6.5%.
- In London, office rental prices have grown at a faster pace than in other regions, meanwhile, in the North East, overheads spending may have seen a smaller rise due to weaker economic growth. The region saw a 1.6% quarterly contraction in Q2 2022. Though prices predominantly affect overheads, lower economic activity is also likely to have an effect.

Resiliency: cash and debt

Real cash balances (seasonally adjusted, 2015 prices) index (Q1 2018 = 100)



Real debt position (seasonally adjusted, 2015 prices) index (Q1 2018 = 100)

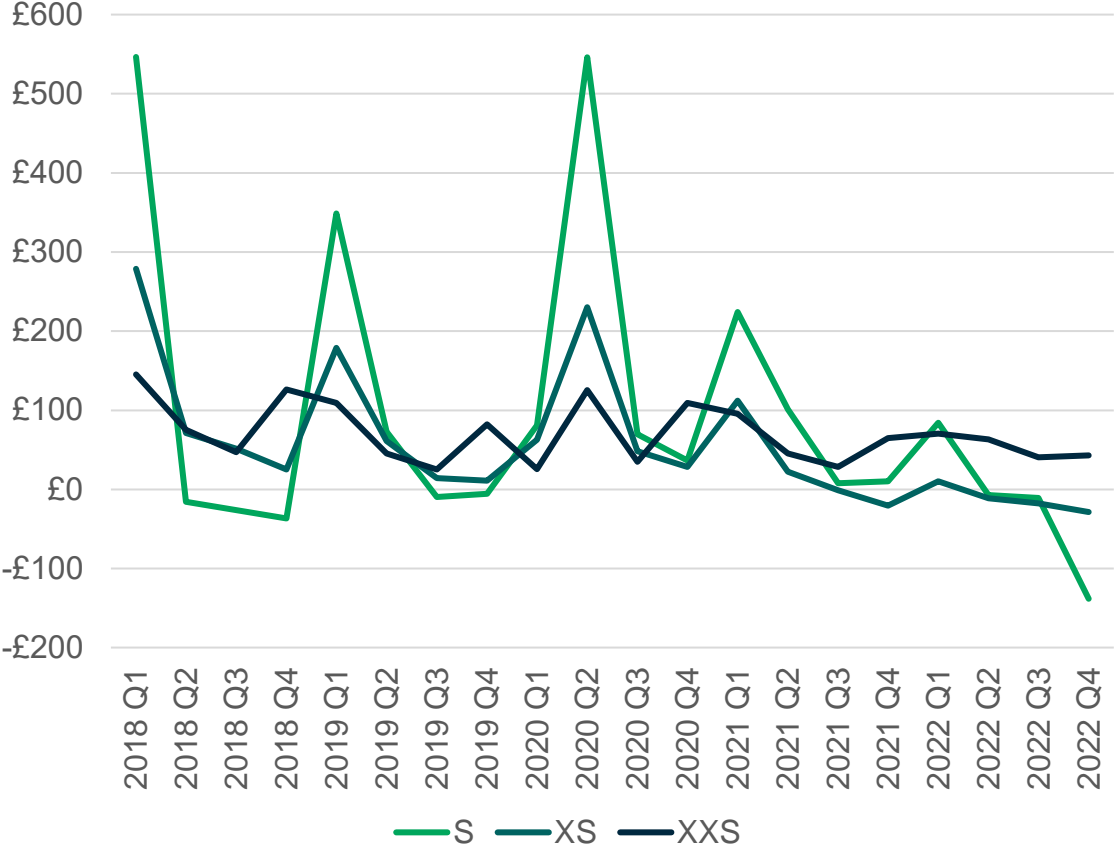


Source: Sage, Smart Data Foundry, ONS, Cebr

- Small business cash balances reflect their current account balance and the amount they have in savings. If they are struggling with clients paying late, or with difficult trading conditions leading to lower demand, they are likely to see lower cash balances. However, a difficult economic environment may also lead businesses to hold some precautionary savings. Furthermore, recent interest rate rises have made saving more attractive.
- The latest data for Q4 2022 shows that real cash balances stood at roughly the same level as in Q3 2022, and up by 12.7% compared to a year earlier. This shows that most small businesses are managing to maintain healthy finances despite economic headwinds. Indeed, many may be choosing to keep more in the bank in case they experience a fall in demand for their products in the future.
- The data for real debt position in Q4 2022 shows that debt actually turned negative in 2022 Q4, suggesting that many businesses are in credit.
- The high interest rate environment in 2022 has made borrowing much more expensive for businesses. Though it is unhealthy for businesses to have to borrow to fund day-to-day spending, in normal trading conditions, businesses typically borrow to invest in capital such as technology or machinery that will help grow their business. The fact that businesses are so reluctant to borrow highlights the level of uncertainty in the UK macroeconomy.

Resiliency: debt by business size

Average real debt position (seasonally adjusted, 2015 prices) by business size

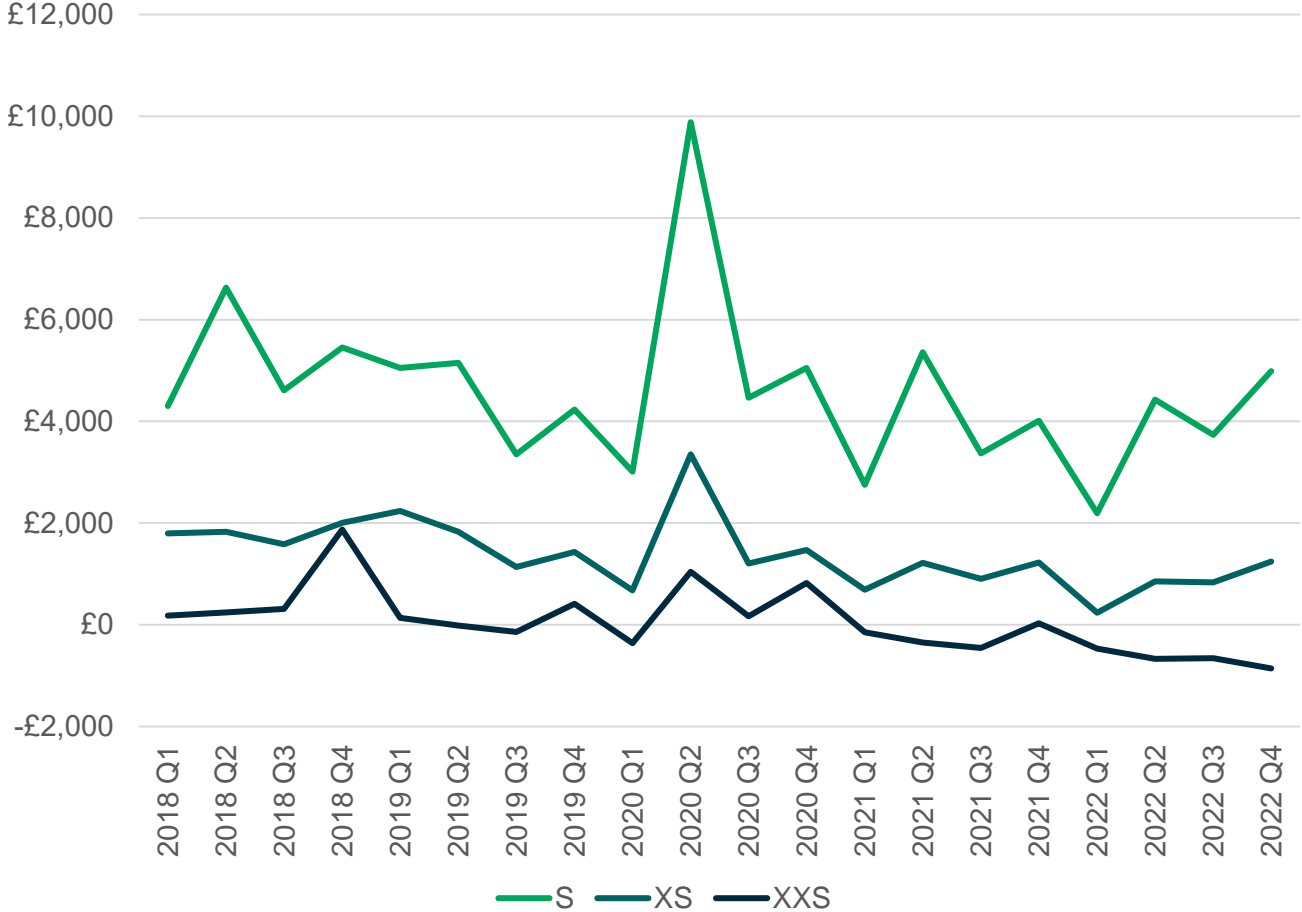


- Debt position data by business size data highlights how the smallest businesses still have debt in Q4 2022, but small (S) businesses saw their average debt position turn negative in Q4 2022.
- The average nano business (XXS) in the dataset had -£43 in credit card and other forms of debt in Q4. This average hasn't stood above £100 since 2020, when the Bank of England base rate stood at just 0.1% for most of the year.
- Meanwhile, the real debt position of small (S) businesses has been more volatile over the past four years, and fell to an average of -£138 in Q4. As interest rates have risen, businesses may have sought to avoid borrowing, and indeed may have ended up with positive balances on accounts such as credit cards.

Source: Sage, Smart Data Foundry, ONS, Cebr

Resiliency: cash by business size

Average real cash balances (seasonally adjusted, 2015 prices) by business size

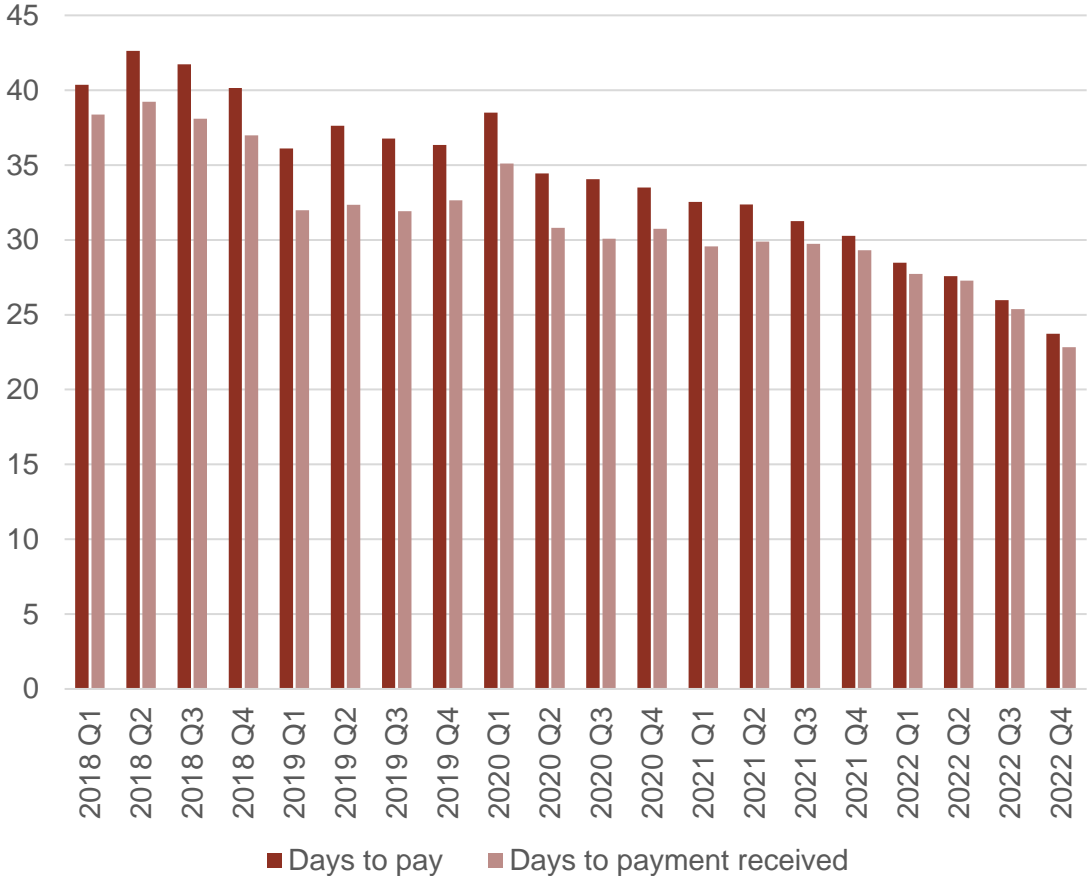


- Cash balances by business size data highlights how the smallest businesses often struggle to maintain a healthy level of cash in their accounts.
- The average nano business (XXS) in the dataset had -£860 in their bank accounts in Q4 2022 (after adjusting for seasonality and 2015 prices). This highlights how the finances of these businesses have become more fragile in recent years.
- Meanwhile, real cash balances of small (S) businesses stood at £4,991 (after adjusting for seasonality and 2015 prices) in Q4 2022, up by 34% on the previous quarter.

Source: Sage, Smart Data Foundry, ONS, Cebr

Resiliency: time to pay

Average number of days taken to either pay invoice or be paid per small business, by quarter



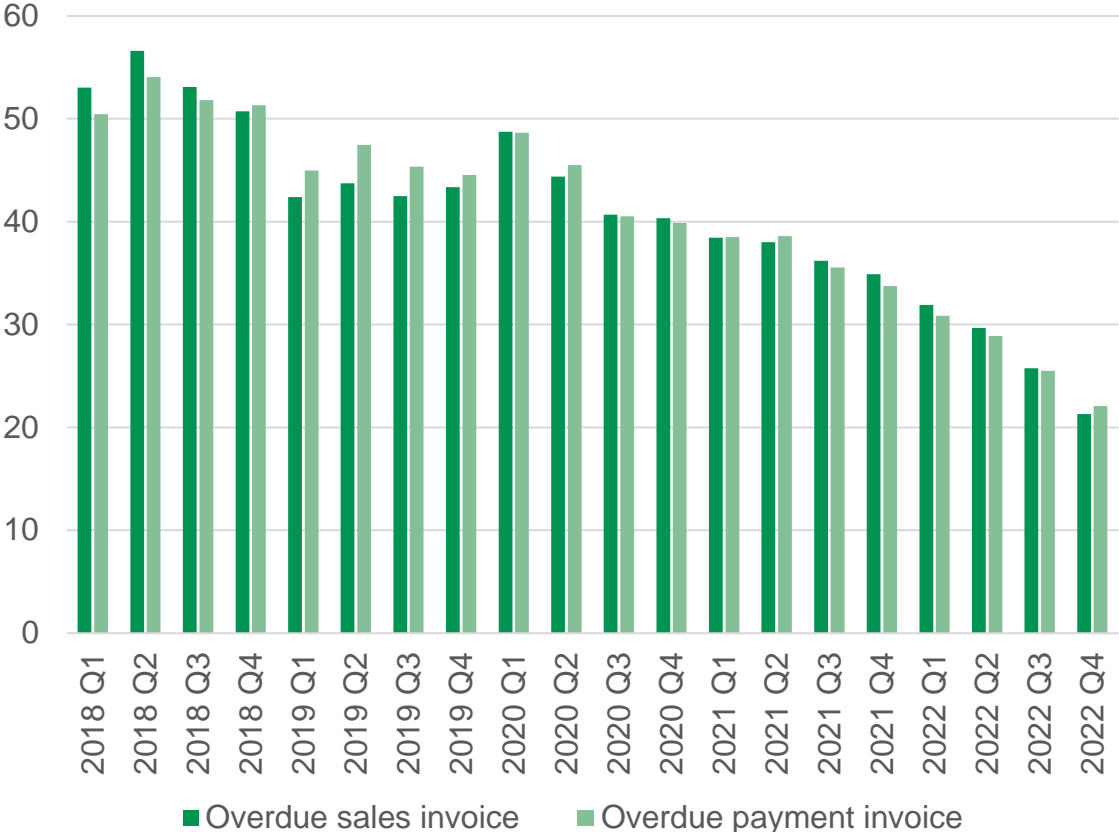
Small businesses show a sustained period of increased resilience between Q1 2018 to Q4 2022, with the average number of days to pay an invoice dropping by 16.6 days.

- The average number of days small businesses took to pay an invoice was 26.0 in Q4 2022 while the average days to a payment being received was 22.8 days. This marked an improvement of 2.2 and 2.5 days, respectively, from the preceding quarter. In fact, since Q1 2020 the average days to pay has decreased in every quarter.
- This data series shows small businesses are making a concerted effort to streamline their payment processes and become more efficient in paying invoices.
- By paying their bills on time, small businesses can establish a good credit history, build strong relationships with suppliers, and avoid late fees or penalties. This could ultimately lead to greater stability and growth for small businesses over time.
- Despite the difficult circumstances that businesses have faced during the pandemic and the subsequent high inflation environment, there have been improvements in the time it takes to make payments. It is possible that these recent crises have motivated small businesses to prioritise enhancing their payment processes in order to boost their overall resilience during difficult economic circumstances.

Source: Sage, Smart Data Foundry, ONS, Cebr

Resiliency: late payments

Average number of days overdue to either pay invoice (payment) or be paid (sales) per small business, by quarter



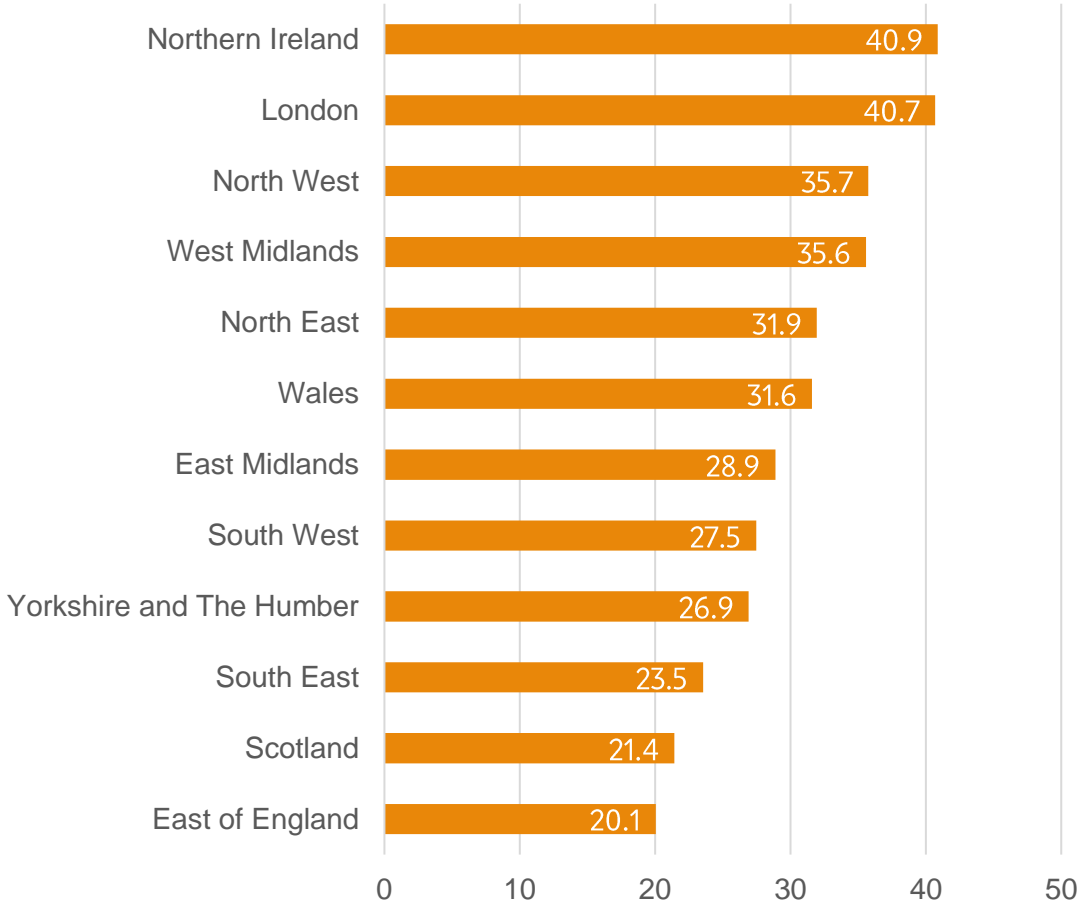
Small businesses have demonstrated a consistent improvement in the average number of days an invoice is overdue since the initial impact of the pandemic. The overall share of invoices which are late has stayed stable between 2018 and 2022 at roughly 45%.

- The average number of days small businesses were late to pay an invoice, for those which were overdue, was 22.1 days in Q4 2022.
- This marked an improvement on the beginning of the year, which saw an average of 30.8 days in Q1 2022, as well as a much better result when compared to Q1 2018, which saw an average value of 50.5 days.
- In every quarter since the initial impact of the pandemic in Q2 2020, the average number of days a small business is overdue on their invoice when they are overdue, has improved consistently.
- Over the past five quarters, the average time to pay has been falling at an increasing rate. Indeed, Q4 2022 saw the largest quarterly improvement for two years showing businesses are greatly improving their ability to both collect payments and manage outgoings more effectively.
- Improved credit control practices and strengthened relationships between businesses and their customers could be driving this positive trend. Additionally, during periods of economic uncertainty, businesses may be putting in extra effort to collect their outstanding payments

Source: Sage, Smart Data Foundry, ONS, Cebr

Deep dive – late purchases by region

Fall in average number of days overdue to pay invoice per small business (Q4 2018 vs Q4 2022), by UK region



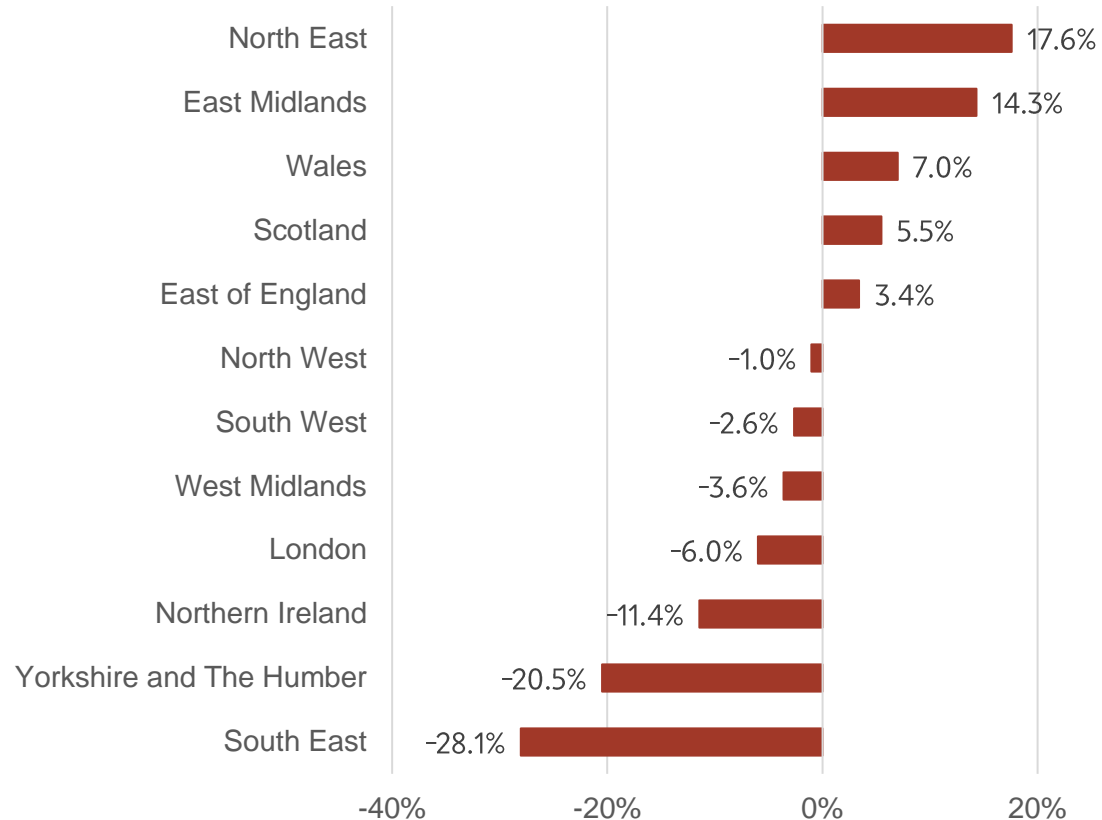
Source: Sage, Smart Data Foundry, ONS, Cebr

Northern Ireland and London show the greatest improvement in the average number of days small businesses were late to payment between Q4 2018 and Q4 2022.

- In all UK nations and regions, small businesses have seen significant improvements in the average number of days to pay an overdue invoice over the past four years.
- The average days to pay an overdue invoice have fallen by 40.9 and 40.7, respectively, in Northern Ireland and London in the four years leading up to Q4 2022.
- Since Q4 2018, the average number of days to pay an overdue invoice by small businesses in the North East reduced by 31.9 days, to an average of 22.3 days in Q4 2022.
- The smallest fall in average days is observed in small businesses in the East of England. However, at 42.4, this region saw the lowest regional result recorded in Q4 2018.
- Consistent cash flow is vital for performance and profitability. Improvements in the overdue period will enable small businesses to invest in growth opportunities as well as ensure they meet financial obligations such as paying their own bills and workers' salaries on time.

Wages and Productivity

Year-on-year change in productivity in the average small business in Q4 2022, by region



Source: Sage, Smart Data Foundry, ONS, Cebr

Average labour productivity in small businesses fell on an annual basis in Q4 2022. At 5.4%, this was the largest annual fall in the measure for just under two years.

- Productivity in our large sample of small businesses is measured by revenue divided by the number of employees within a business. The average number of employees has been slowly rising in Sage's data set, averaging 5.1 in 2022 compared to 4.1 in 2018.
- Annual productivity growth for the average small business has been slowing in each of the past four quarters, moving from 19.9% recorded in Q1 to -4.8% in Q4 2022.
- By region, there is a large disparity between changes in productivity. In the North East, productivity has grown by an average annual rate of 21.4% over the past eight quarters.
- Productivity growth was lowest in the South East in Q4, down 28.1% on a year earlier. The Yorkshire and Humber saw the second-lowest productivity growth.
- Wages within small businesses have seen significant rises in nominal terms through 2022 and 2021. The latest result for Q4 2022 shows nominal wages were up by 12.0% on an annual basis.
- This follows official ONS data which showed total earnings (including bonuses) in the private sector were up by 6.5% in Q4. Sage's data, therefore, points to a stronger increase in wages for workers within our business sample.



Methodology

Methodology and data

- Seasonally adjusted data is calculated using a central moving average, which adjusts quarterly data based on a quarter's historical strength/weakness to allow for a better quarter-on-quarter comparison.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) is a common measure of business performance. It was derived as $EBITDA = \text{Revenue} - \text{Expenditure} - \text{Overheads}$
- Within Sage's data around a third reported their net margin position. A positive net margin is defined as 10%+, while a negative net margin is defined as less than -10%, a firm breaking even falls within the -10% to 10% net margin cohort.
- Net rate of return is used as the measurement of company profitability for total businesses. The rate of return is calculated as the economic gain (profit) shown as a percentage of the capital used in production, obtained from the ONS.
- Small businesses are classified by size groupings via their average annual revenue within Sage's data. The categories are as follows: nano/extra-extra small (average annual revenue less than or equal to £50,000), extra-small (average annual revenue greater than £50,000 and less than or equal to £200,000) and small (average annual revenue greater than £200,000).
- The Q4 financial data has been restricted to VAT-registered companies, using SAGE for VAT, who have up-to-date VAT returns to the end of Q4 2022 (just under 10% of all companies).
- In estimating Q4 2022 data for all small businesses, Cebr has forecasted the quarterly growth rate using our subsection of VAT-registered companies, assuming growth rates of the larger business sample will follow a similar trend.

Our small business sample

- In Q4 2022, our sample of over 100,000 businesses contained the following demographics.

Size

- 31% were small (S) businesses (average annual revenue greater than £200,000).
- 35% were extra-small (XS) businesses (average annual revenue greater than £50,000 and less than or equal to £200,000)
- 35% were nano (XXS) businesses (average annual revenue less than or equal to £50,000)

Region

Region	South East	London	Yorkshire and The Humber	North West	South West	West Midlands	East of England	Scotland	East Midlands	North East	Wales	Northern Ireland
Share	14%	11%	10%	10%	10%	9%	9%	9%	7%	5%	4%	3%

Sector (of the 45% of businesses for which we know the sector)

- 27% were in heavy industry
- 20% were in light industry
- 53% were in services

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