

UK SAGE SMALL BUSINESS TRACKER - Q1 2024

A Sage report in partnership with
Smart Data Foundry and Cebr

January - March 2024

Sage

SMART
DATA
FOUNDRY

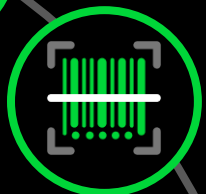
Cebr



TABLE OF CONTENTS



1: Headline Findings



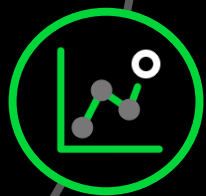
2: Prices



3: Resiliency – (Time to Pay)



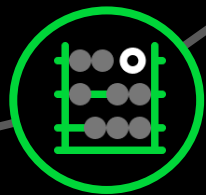
4: Growth



5: Profitability



6: Deep dive – North East



7: Methodology



Headline Q1 findings

The Sage small business tracker indicates that small businesses are seeing financial pressures ease as costs have fallen sharply in the past year. This has more than offset a small decline in revenues, leading to stronger profits. However, it is concerning that small businesses saw falling revenues despite the economy coming out of recession in Q1. Further, productivity fell by 11.4% on an annual basis. The 0.6% UK economic growth figure in Q1 conceals persistent weakness in consumer prospects, with broader consumption and household spending still somewhat subdued.

FORECAST: Looking ahead, broader economic headwinds suggest that small business revenue performance may remain subdued in the upcoming quarters.

- i. Small business profits continued to grow robustly in Q1** – Given the annual declines observed in expenditure and overheads, the average real profit of small businesses grew by 6.5% in the year to Q1, largely in line with the 6.4% increase in Q4 2023. This comes despite a real-terms downtick in revenue.
- ii. Small business revenues were down by 1.7% on an annual basis in Q1** – Small businesses demonstrated economic resilience in the face of a tough economic climate at the end of 2023, recording real-terms revenue growth in the final quarter despite the UK's recession. However, according to the latest Sage data, this trend of annual real revenue growth has not continued into Q1 2024. Indeed, average real revenues for small businesses declined by 1.7% year-on-year in Q1 2024. Weak revenue performance likely reflects subdued consumer spending in the wider UK economy, which has negatively impacted demand for small business goods and services.
- iii. Expenditure falls for a seventh consecutive quarter** – On an annual basis, real expenditure for the average small business fell by 8.8% in Q1 2024. The seven-quarter trend of declining expenditure on an annual basis reflects several factors, including falling overheads, weak output growth and falling capital expenditure.
- iv. Overheads continue to fall** – Real overheads fell by 8.1% in the year to Q1, marking the largest annual decline in the post-pandemic era. This is a positive development for small businesses amid broader economic challenges and likely reflects the recent easing in energy and fuel costs.
- v. Capital expenditure by small businesses continues to fall amid the high-interest rate environment** – On an annual basis, capital expenditure fell by 16.1% in Q1 2024, following a decline of 15.4% in the previous quarter. Capital expenditure has now declined on an annual basis for ten consecutive quarters and is reflective of heightened borrowing costs.
- vi. Small business payment times improve markedly** – The average number of days small businesses took to pay an invoice was 15.1 in Q1 2024. This marked an improvement of 8.9 days from last quarter.



Headline Findings



Prices



Resiliency



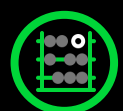
Growth



Profitability



Deep dive North East



Methodology



Small business profit remains robust in Q1 amidst a continued easing in costs



Headline Findings



Prices



Resiliency



Growth



Profitability

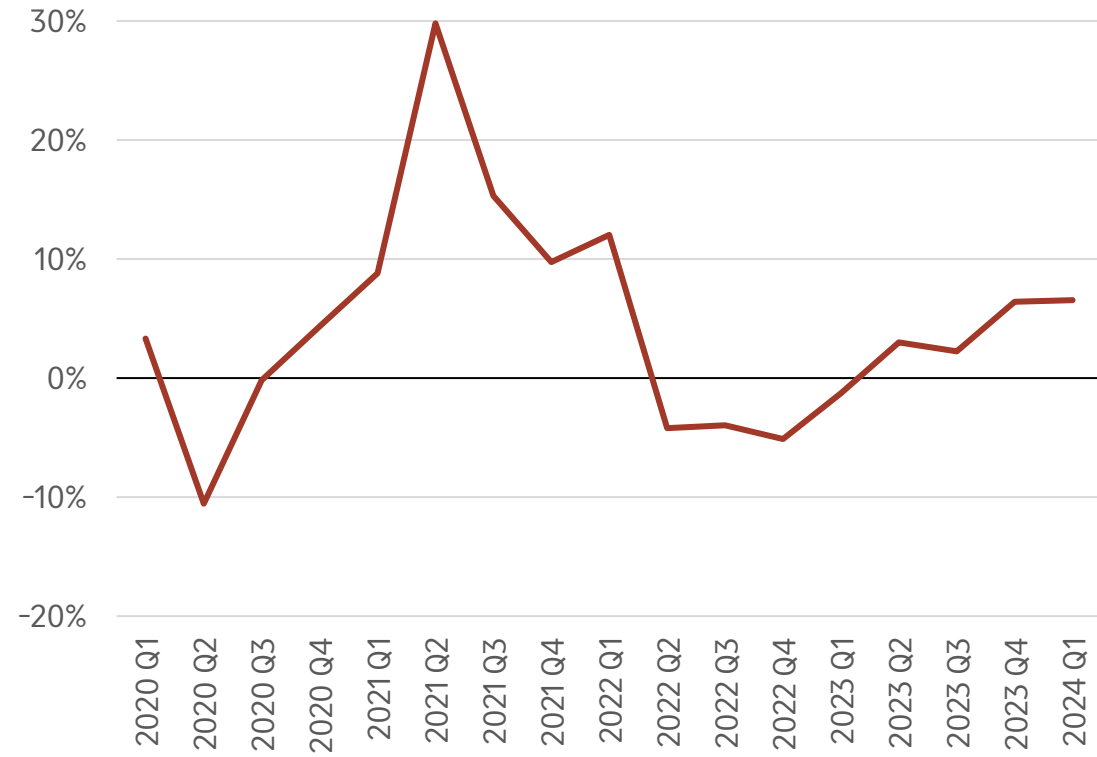


Deep dive North East



Methodology

Profit growth for the average small business (2019 prices, year-on-year %)



- The Sage small business tracker provides timely insights into the growth of UK small businesses, given that official quarterly estimates of GDP are not broken down by company size.
- Profits grew by 6.5% for the average small business in the year to Q1 2024. This is largely unchanged from the 6.4% annual growth figure witnessed in the previous quarter. Profits continue to be helped by falling real average overheads and easing cost pressures. Additionally, expenditure by small businesses also fell in Q1 2024 on an annual basis.
- Small business profits have now grown on an annual basis for four consecutive quarters. The robust growth shown in Q1 2024 is particularly impressive, given real annual revenue declined slightly on an annual basis in Q1 2024.

Source: Sage, Smart Data Foundry, ONS, Cebr



Small business revenue returns to annual decline in Q1 following growth in previous quarter



Headline Findings



Prices



Resiliency



Growth



Profitability

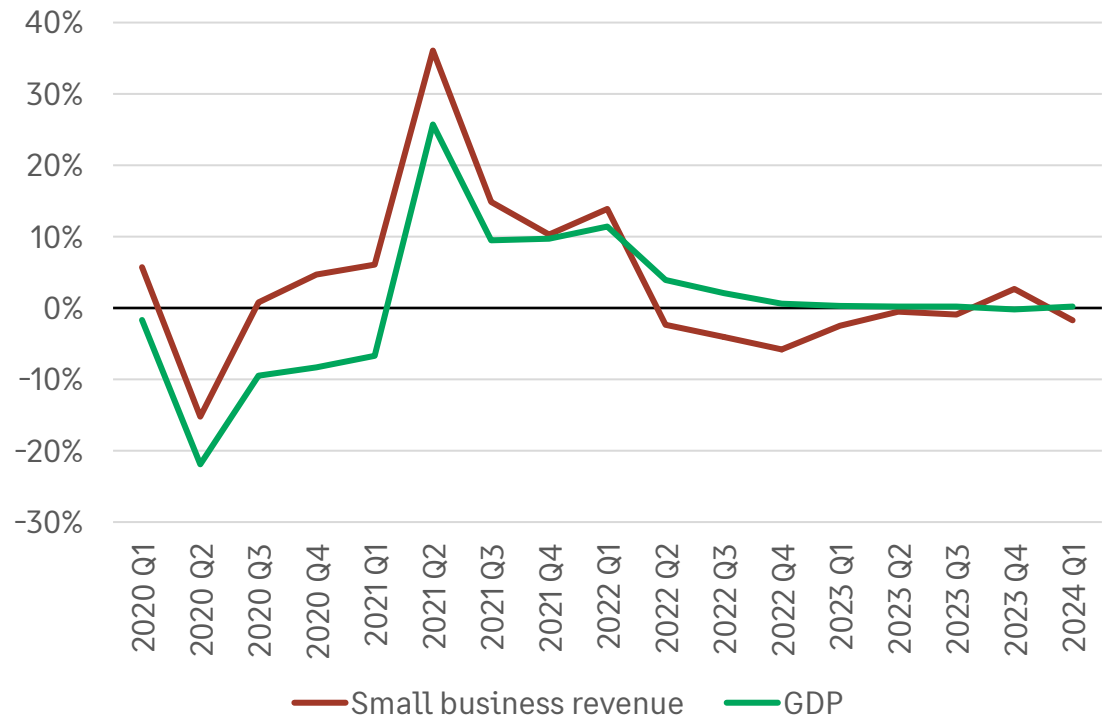


Deep dive North East



Methodology

Revenue growth for the average small business and UK GDP (2019 prices, year-on-year %)



Source: Sage, Smart Data Foundry, ONS, Cebr

- Average real revenues for small businesses declined by 1.7% year-on-year in Q1 2024. This follows annual growth of 2.7% in Q4 2023.
- Small business revenue growth in the UK has faced significant headwinds since mid-2022, mirroring the broader economic slowdown. The UK economy recorded weak growth of 0.2% on a year-on-year basis in Q1 2024.
- Small businesses demonstrated economic resilience in the face of a tough economic climate at the end of 2023, recording average real revenue growth in the final quarter despite the UK's recessionary period. However, according to the latest Sage data this trend of annual real revenue growth has not continued into Q1 2024.
- The UK economy has now exited the technical recession experienced in the second half of 2023, experiencing growth of 0.6% in Q1. However, it is worth noting that consumption growth was weaker, at 0.2%, while the main driver of economic growth came from net trade as imports fell sharply amidst a rise in exports. The ongoing weaknesses in consumer prospects and household spending may partially explain why real average small business revenues returned to an annual decline in the first quarter of 2024.
- Despite elevated wage growth the discretionary income of consumers has been significantly hit by the cost-of-living crisis, and for many households has not yet returned to previous levels. This has negatively impacted consumer spending and the demand for small business output, and in turn small business revenue.



Wages and Productivity



Headline Findings



Prices



Resiliency



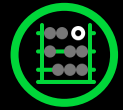
Growth



Profitability

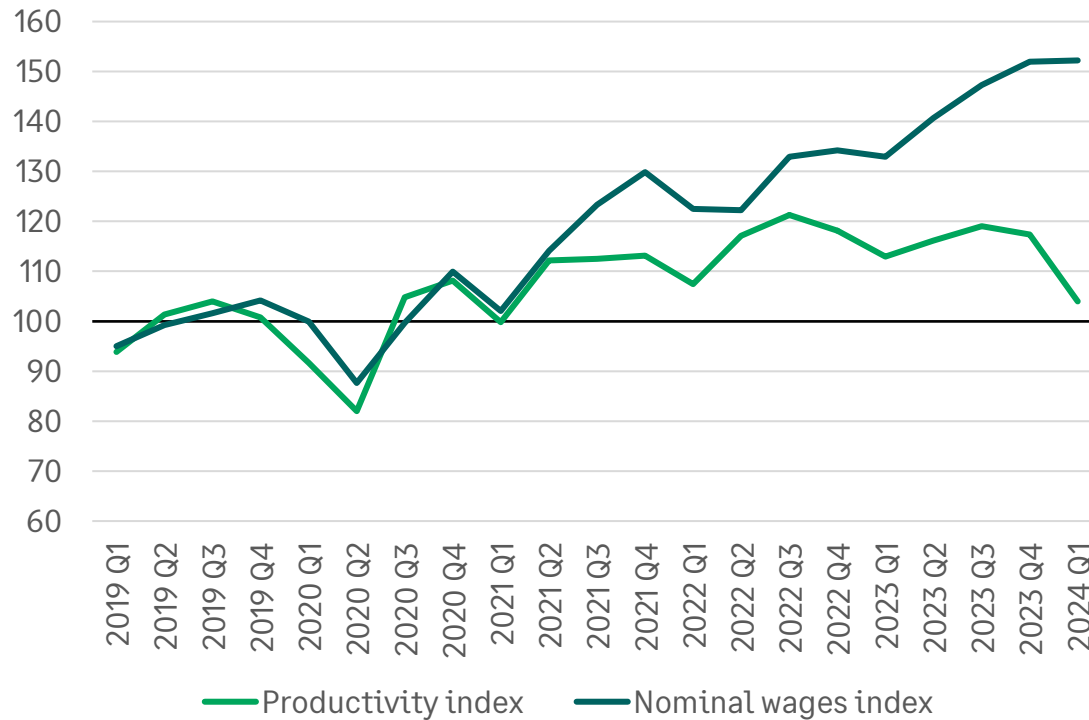


Deep dive North East



Methodology

Nominal wages and real productivity (index 2019 = 100, non-seasonally adjusted)



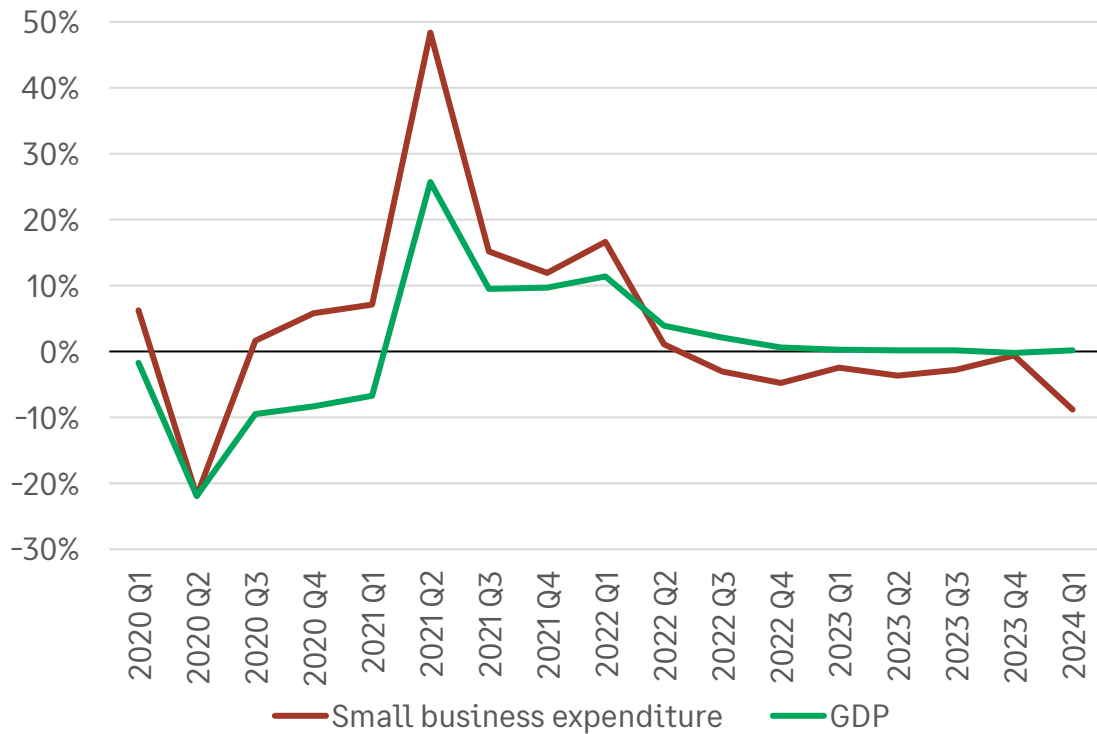
Source: Sage, Smart Data Foundry, ONS, Cebr

- Annual wage growth for small businesses has been accelerating. According to the latest Sage data, nominal wages increased by 14.5% in Q1 2024, up from 13.2% in Q4 2023.
- Comparatively, official ONS data shows that average total pay across the broader UK economy grew by 5.7% on an annual basis in Q1 2024. The greater volatility in Sage's data suggests that small businesses experience more significant fluctuations in wage growth than the wider UK economy.
- Productivity in our large sample of small businesses is measured by revenue in real terms divided by the number of employees within a business.
- In Q1 2024, productivity for the average small business declined by 11.4% on an annual basis, following a 1.4% decline in Q4 2023. This marks the fourth consecutive quarter of annual decline.
- The downward trend in productivity over the past two years can be attributed to weak revenue performance and an increase in the average number of employees. Sage's data indicates that the average number of employees in small businesses rose, averaging 5.3 in 2023 compared to 4.3 in 2019. This trend shows that despite challenging economic conditions, small businesses are maintaining their workforce.



Small business expenditure falls again in Q1, aiding annual growth in profits

Expenditure growth for the average small business and UK GDP (2019 prices, year-on-year %)



- On an annual basis, real expenditure for the average small business fell by 8.8% in Q1 2024.
- The seven-quarter trend of declining expenditure on an annual basis will likely reflect several factors, including falling overheads, weak or no revenue growth and falling capital expenditure.
- Despite weak revenue performance, the continued reduction in expenditure and the easing of cost pressures have allowed small businesses to experience robust real profit growth over several consecutive quarters.
- From Q4 2023 to Q1 2024, real expenditure for the average small business dropped by 11.3%. This represents the largest quarter-on-quarter decline in the post-pandemic era.
- The long-term trend in real average expenditure by small businesses mirrors the growth patterns of the broader economy. Since mid-2022, the UK's GDP growth has been sluggish. This is reflected in the Q1 2024 data, where the average small business saw a decrease in real expenditure, indicative of the weak demand and consumer spending currently in the UK economy.

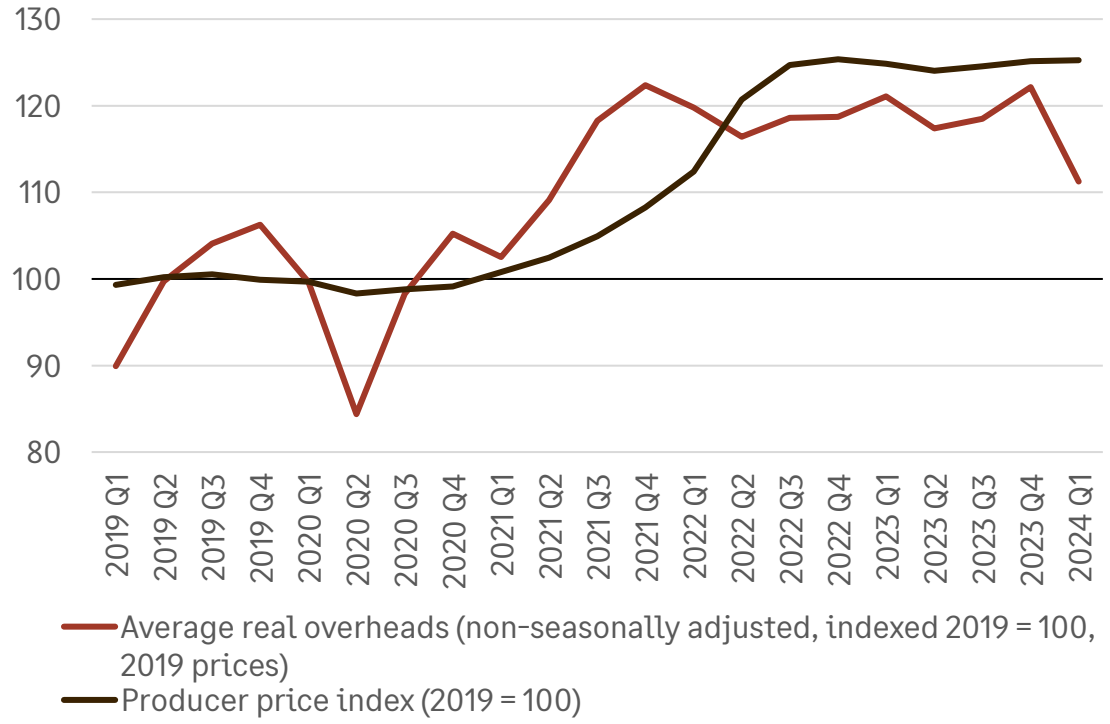
Source: Sage, Smart Data Foundry, ONS, Cebr



Cost pressures for small businesses ease in Q1



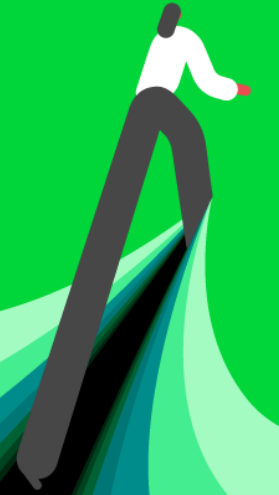
Overheads (2019 prices, indexed values, 2019 = 100) and input producer price index



- In this report, we look at overheads, which include 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
- According to Sage data, overheads decreased annually in Q1 2024. In real terms, they are estimated to have dropped by 8.1% over the year to Q1, marking the largest annual decline since the post-pandemic period began. This is a positive development for small businesses amid broader economic challenges.
- The trend in overheads for the average small business mirrors broader cost trends in the UK economy, as measured by the Office for National Statistics (ONS) producer price index. Since the second half of 2022, the producer price index has shown similar trends of easing annual changes.
- The ONS producer input price index fell by 2.5% in the year to March. This recent easing in cost pressures can be partly attributed to lower energy costs gradually impacting the supply chain, reducing price pressures for businesses across sectors. Indeed, fuel costs fell by 13% in the year to April, according to ONS Producer Input Price data.

Source: Sage, Smart Data Foundry, ONS, Cebr

Sage small business tracker: Indicators by key themes

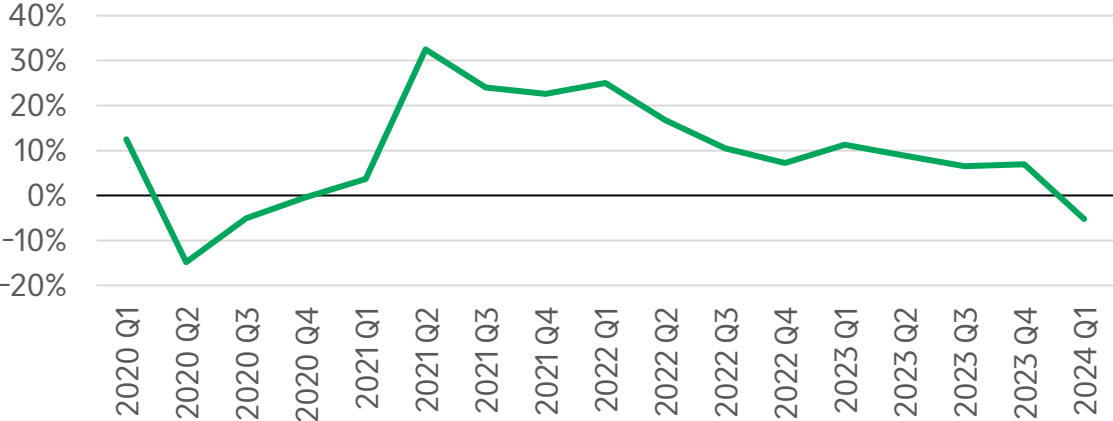




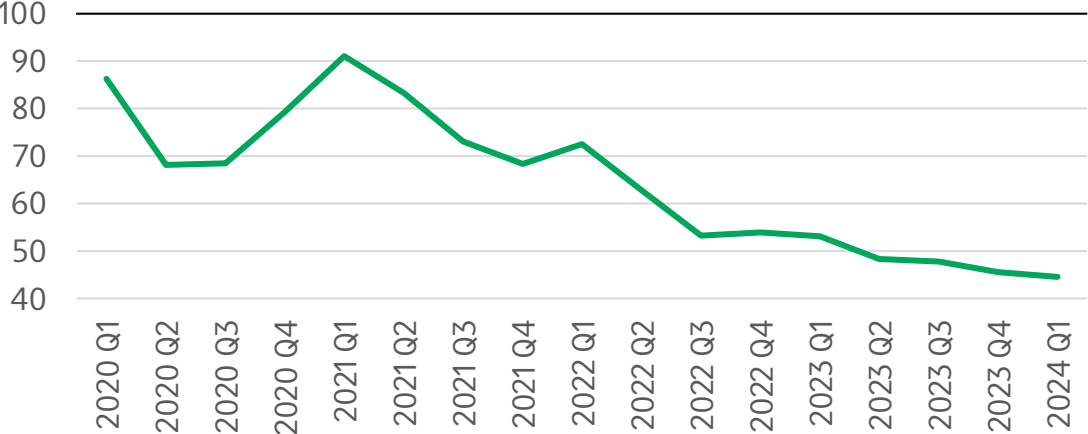
Prices and spending

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Deep dive North East
- Methodology

Growth in small business overheads (nominal, year-on-year %)



Capital expenditure (indexed 2019 = 100, 2019 prices, non-seasonally adjusted)



Source: Sage, Smart Data Foundry, ONS, Cebr

In nominal terms, overheads fell on an annual basis for the first time since Q4 2020. Meanwhile, capital expenditure continued to fall amidst elevated borrowing costs.

- The latest Sage data indicates average nominal overheads fell by 5.2% in the year to Q1 2024 for small businesses. This is the first annual fall in overheads since Q4 2020. The easing is partially attributable to lower wholesale energy prices, which have fallen significantly since their peak, easing cost pressures across the supply chain.
- Small business capital expenditure refers to the acquisition or upgrading of tangible assets, such as equipment or property. It doesn't include other forms of investment like training and development of staff or many forms of digitisation. This measure has been adversely affected by the challenging trading environment caused by high inflation, interest rates, and weak economic output growth.
- On an annual basis, capital expenditure fell by 16.1% in Q1 2024, following a decline of 15.4% in the previous quarter. Capital expenditure is now 39.1% lower than it was pre-pandemic (Q4 2019).
- The Bank of England's monetary policy tightening campaign has made borrowing more expensive. This has significantly impacted small business's decision-making over long-term investments. Although the Bank of England is expected to begin cutting interest rates before year-end, they are anticipated to remain elevated in the near term. Consequently, the trend of weak small business capital expenditure may largely be expected to continue.



Prices: overheads by business size



Headline Findings



Prices



Resiliency



Growth



Profitability

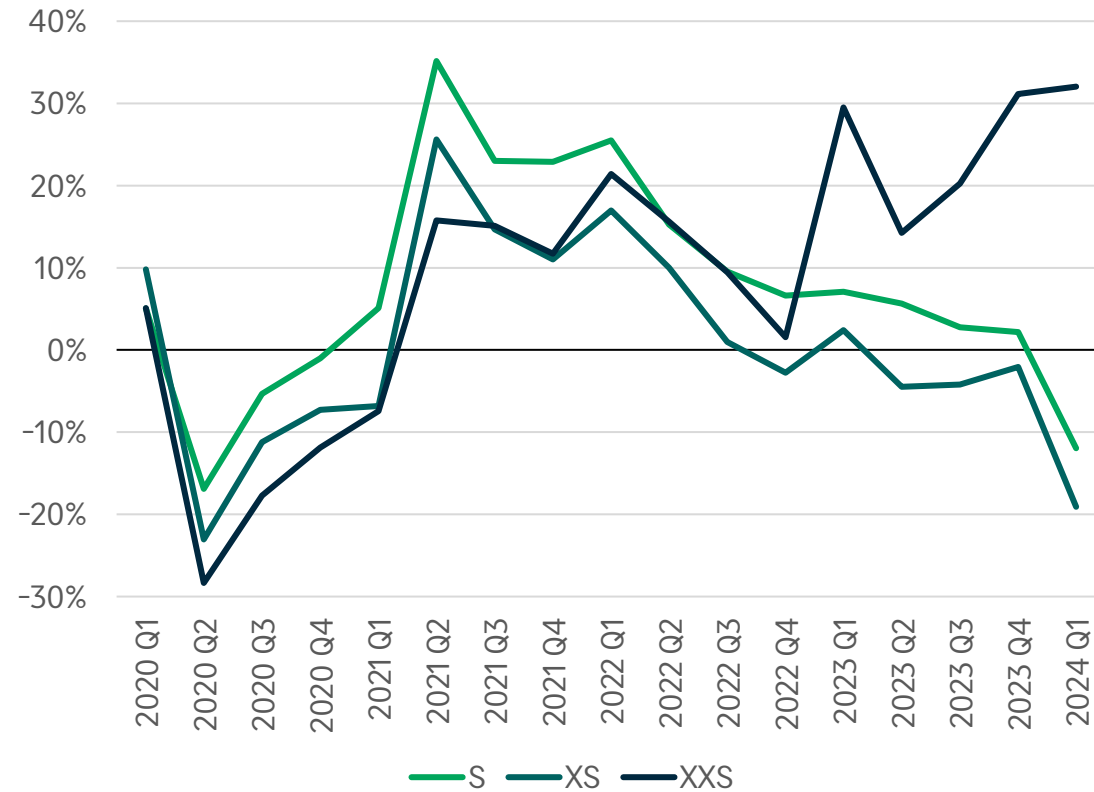


Deep dive North East



Methodology

Annual growth in nominal average overheads, by business size



The smallest businesses have now experienced the fastest growth in nominal overheads for five consecutive quarters. Meanwhile, larger small businesses saw annual falls in Q1 2024.

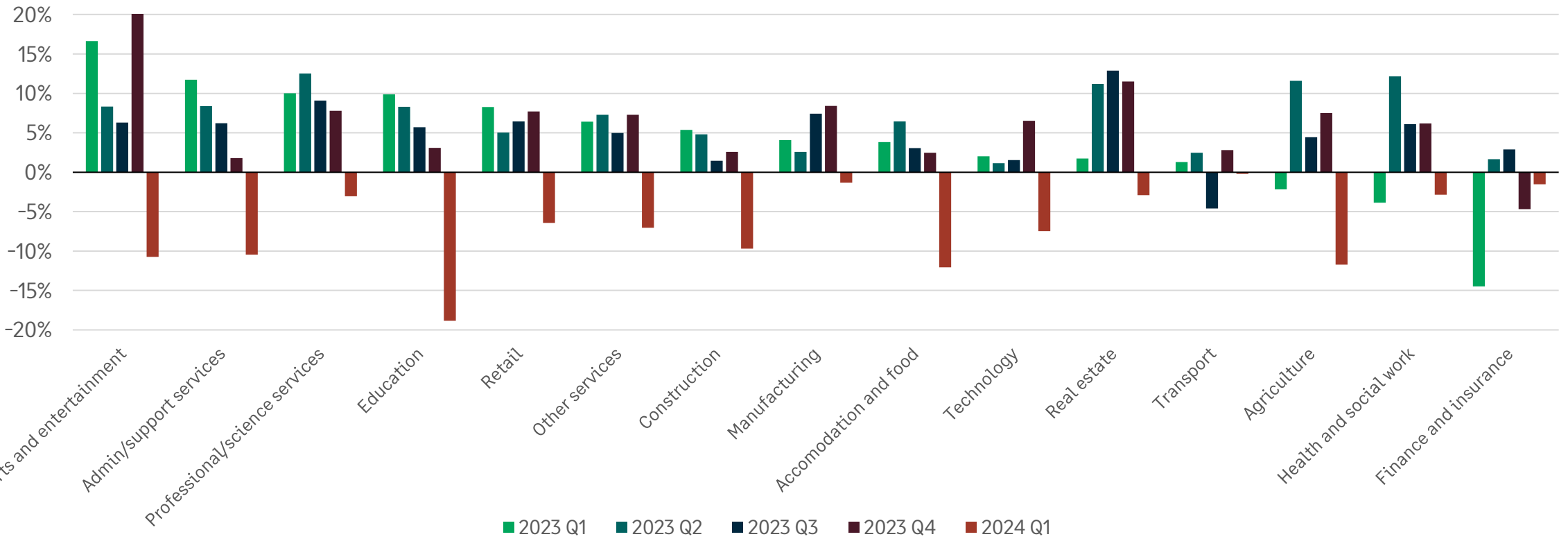
- Breaking down overhead data by business size shows how different types of businesses have been affected by rising prices.
- The smallest businesses have now experienced the fastest growth in nominal overheads for five consecutive quarters. In Q1 2024, nano businesses (XXS) reported overheads standing 32.1% higher than a year earlier. Meanwhile, extra small (XS) and small businesses (S) saw overheads fall in Q1 2024 by 19.1% and 12.0%, respectively.
- Please note that overheads for the smallest businesses should be treated with caution. There is a higher percentage of self-employed amongst these businesses who are more likely to have little or no overheads. Consequently, smaller changes can have larger impacts.

Source: Sage, Smart Data Foundry, ONS, Cebr



Prices - Annual change in nominal overheads by industry

- Small businesses in education and the accommodation & food industry witnessed the largest annual falls in nominal overheads, falling by 18.9% and 12.1%, respectively. The accommodation and food industry may have been partially helped by an easing in food price growth. Indeed, according to ONS, producer prices, both domestic and imported prices, fell on an annual basis in March 2024 (the final month of Q1) by magnitudes of 2.2% and 1.7%, respectively.
- It is worth noting that all industries captured in our sample experienced annual falls in nominal overheads in Q1 2024, in line with the broader decline for all average small businesses.



Source: Sage, Smart Data Foundry, Cebr

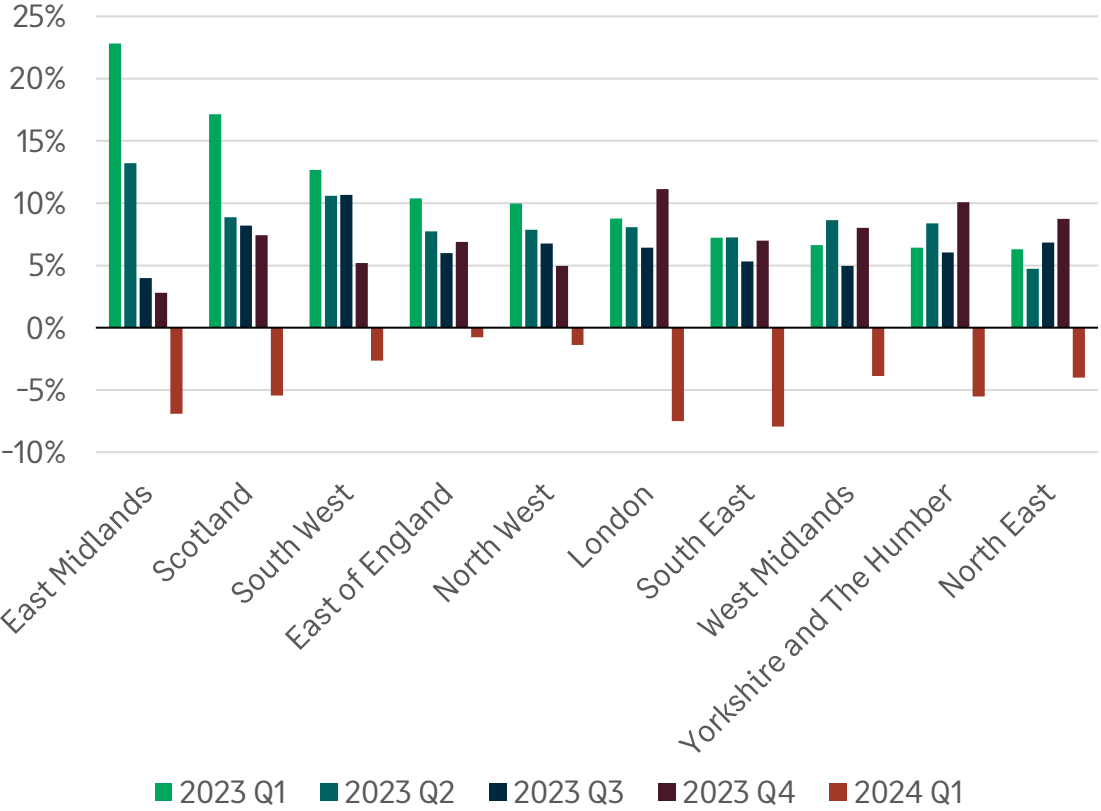
- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Deep dive North East
- Methodology



Prices: overheads by region

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Deep dive North East
- Methodology

Average overheads growth by UK region between 2023 Q1 and 2024 Q1 (nominal, year-on-year %)



*Northern Ireland and Wales omitted due to sample size
Source: Sage, Smart Data Foundry, ONS, Cebr

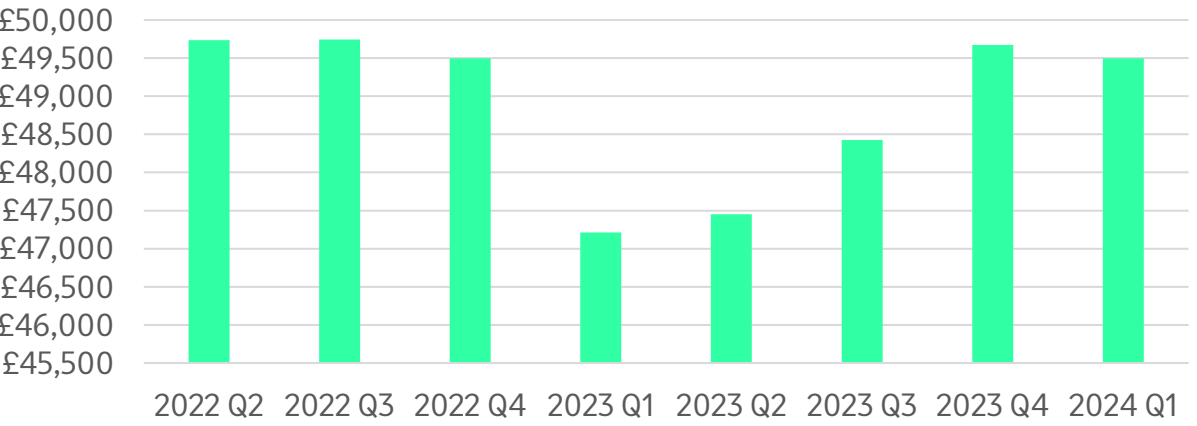
- All regions and nations across the UK saw overheads grow across 2023, followed by all regions seeing overheads decline in annual terms in Q1 2024. However, there have been regional variances in the rates of growth and decline.
- Overheads declined on an annual basis in all ten regions of the UK, for which we have a representative sample in the year Q1. This represents a significant easing compared to the previous quarter, when all regions reported an annual rise in nominal overheads.
- The South East saw the largest annual decline in Q1, down 7.9%. This was closely followed by London and the East Midlands, with annual falls of 7.5% and 6.9%, respectively.
- Businesses in the East of England and the North West saw the smallest annual falls in overheads in the year to Q1 2024, at 0.8% and 1.4%, respectively. This still represents a significant easing in overhead growth compared to the previous quarter.
- Differences in overheads growth between regions likely partially reflect differences in sectoral compositions. As a result, the broader easing in overheads has not been felt evenly across the UK.



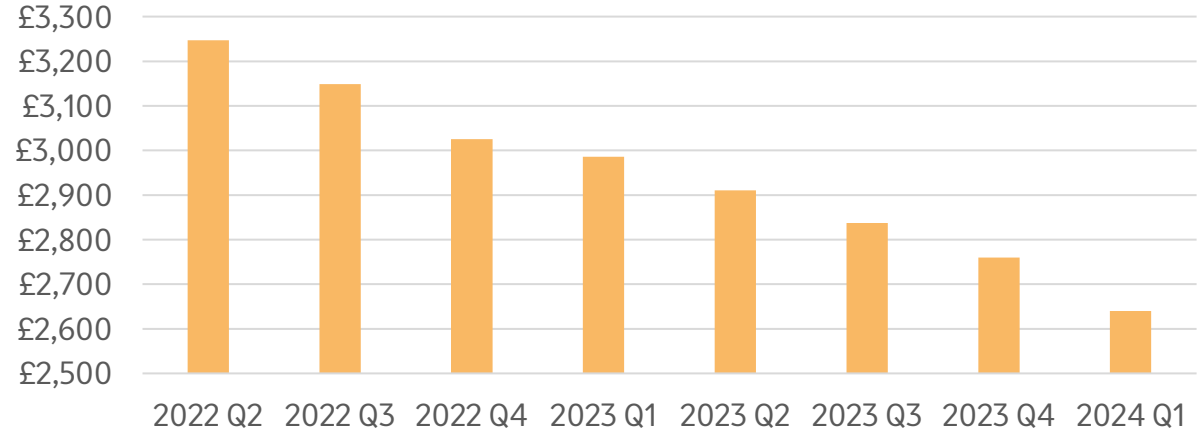
Resiliency: cash and debt

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Deep dive North East
- Methodology

Real cash balances for average small business (non-seasonally adjusted)



Real debt position for average small business (non-seasonally adjusted)



Source: Sage, Smart Data Foundry, ONS, Cebr

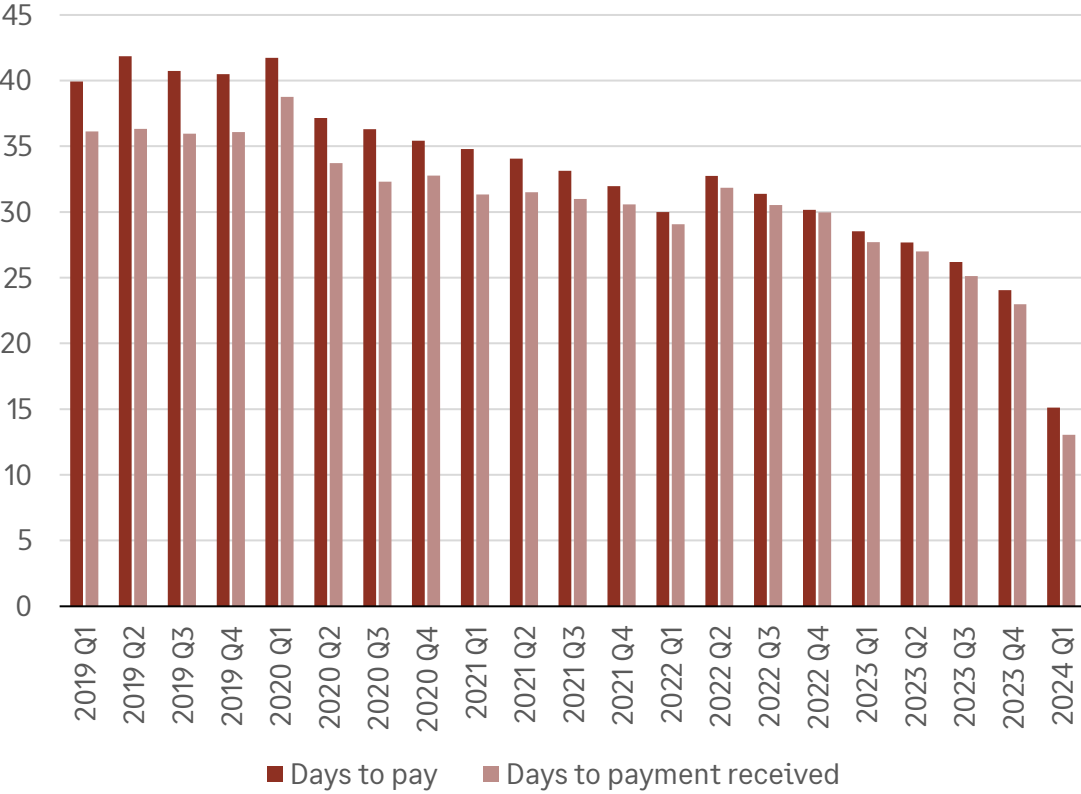
- Small business cash balances reflect the sum of their current account balance and the amount they have in savings. If they are struggling with clients paying late, investing heavily or experiencing difficult trading conditions leading to lower demand, they will likely see lower cash balances. On the other hand, a difficult economic environment may also lead businesses to hold some precautionary savings. Furthermore, the recent high interest rate environment has made saving more attractive.
- The latest data for Q1 2024 shows that cash balances in real terms fell marginally from their levels in Q4 2023 but were up by 4.8% compared to a year earlier in Q1 2024. The average small business had a cash balance of £49,495 in Q1 2024. This demonstrates that the average small business is happy to continue holding more savings amid the current high-interest rate environment.
- Small business debt positions reflect loan utilisation, which is the sum of credit card balances and other credit available. The average debt position fell in Q1 2024 to £2640. Indeed, in real terms, debt is down 11.6% compared to a year earlier. Compared to the previous quarter, the average small business’s real debt position fell by 4.4%. This may partially reflect that robust profit levels over previous quarters have allowed firms to use self-financing rather than loans.
- Additionally, the high-interest rate environment resulting from the Bank of England’s tightening campaign has made borrowing more expensive for small businesses. As a result, these businesses have reduced their debt levels.
- Although small businesses do continue to utilise loans to a certain degree, their level investment remains low.



Resiliency: time to pay

-  Headline Findings
-  Prices
-  Resiliency
-  Growth
-  Profitability
-  Deep dive North East
-  Methodology

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



Source: Sage, Smart Data Foundry, ONS, Cebr

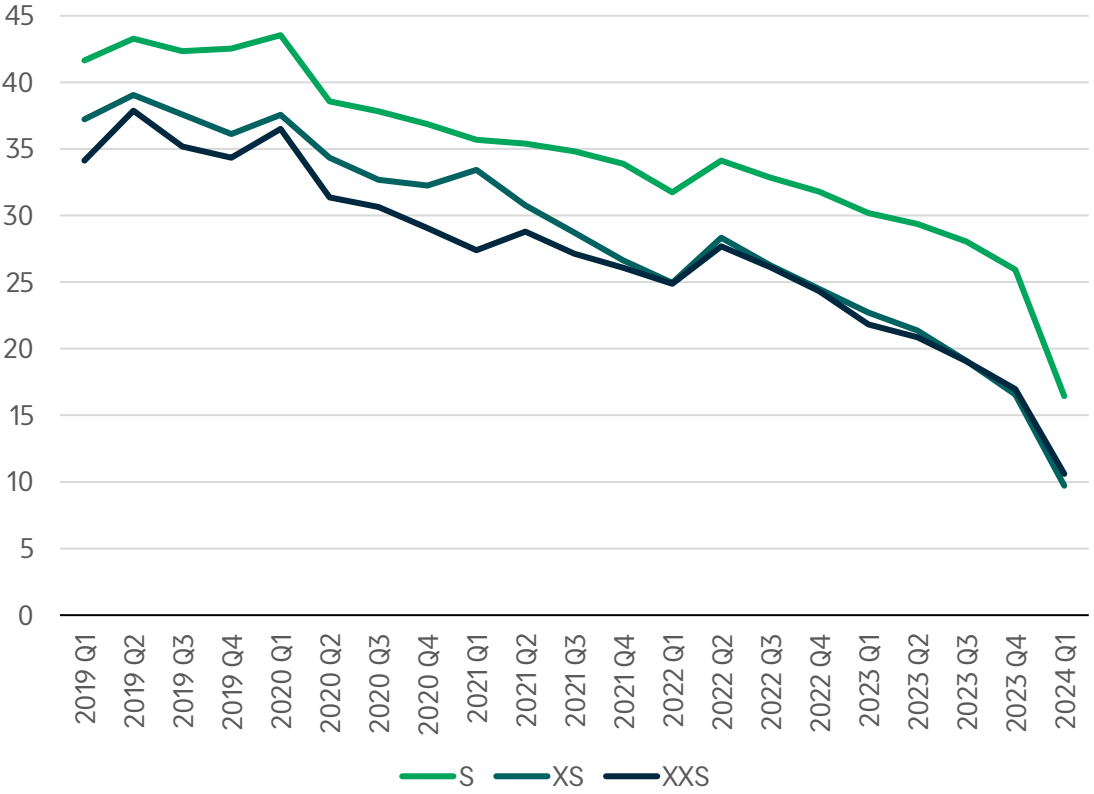
- Small businesses, on average, received payment on invoices after 13.1 days, down by 9.9 days compared to the last quarter.
- Meanwhile, the average number of days small businesses took to pay an invoice was 15.1 in Q1 2024. This marked an improvement of 8.9 days from last quarter.
- This data is highly encouraging for small businesses, as late payments can significantly strain cash flows. Many small firms have limited credit or cash reserves, and outstanding invoices often constitute a large portion of their revenues.
- 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 can ultimately lead to greater stability and growth for these businesses.
- Despite the challenges posed by the pandemic and subsequent high inflation, there have been improvements in the time taken to make payments. These recent crises may have motivated small businesses to prioritise enhancing their payment processes to boost their overall resilience during tough economic times. It is also positive that the time taken to receive payments has decreased, supporting cash flow resilience.



Deep dive – time to pay by business size

-  Headline Findings
-  Prices
-  Resiliency
-  Growth
-  Profitability
-  Deep dive North East
-  Methodology

Average number of days taken to pay an invoice per small business by business size



- Average time to pay an invoice by business size data shows that the smaller businesses in our sample have seen the largest improvement in the time they took to pay an invoice.
- The average extra-small (XS) business took 9.7 days to pay an invoice in Q1 2024, an improvement of 13.0 days compared to the same quarter a year prior. This was the fastest invoice payment time amongst the business sizes in our sample.
- Meanwhile, the average nano business (XXS) took 10.6 days to pay an invoice in Q1 2024. This marks a strong improvement from an average of 21.8 days recorded in the same quarter a year earlier.
- The small (S) grouping had the highest average days to pay in Q1 2024, a trend that has persisted across Sage’s data series. At 16.4 days, however, this was a notable improvement from one year earlier when these businesses took an average of 30.2 days to pay an invoice.
- The smaller firms in our sample consistently have shorter payment times than larger firms. This may be due to smaller teams, which can handle invoices more quickly. Additionally, smaller firms might place a higher value on prompt payment, as they often face more acute cash flow concerns. However, the divergence between the different sizes of firms reduced markedly this quarter.

Source: Sage, Smart Data Foundry, ONS, Cebr



Overdue invoice payment times fall markedly



Headline Findings



Prices



Resiliency



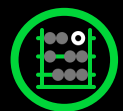
Growth



Profitability

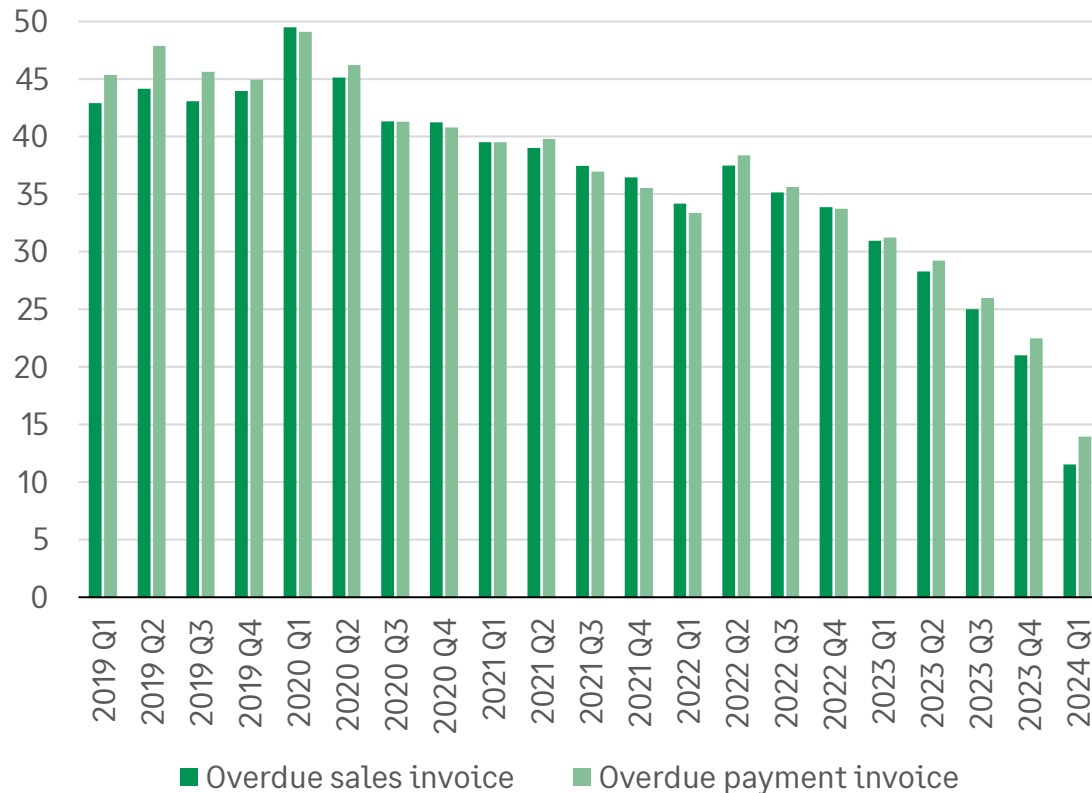


Deep dive North East



Methodology

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



The average number of days for small businesses to be paid a sales invoice once it was overdue was 11.5 days. This represents a significant improvement compared to the previous quarter it took 21.0 days for small businesses to be paid a sales invoice once it was overdue.

- The average number of days small businesses were late to pay an invoice for those that were overdue was 13.9 days in Q1 2023.
- This marked an improvement from a year earlier, which saw an average of 31.2 days in Q1 2023, as well as a much better result when compared to before the pandemic. Indeed, in 2019, the average number of days a small business is overdue on their invoice when they are overdue was 45.9 days.
- 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.
- The overall share of invoices which were late was 31.0% in Q1 2024, which represents a significant improvement between 2018 and 2022 when this measure averaged 45.0%. Nonetheless, this still represents a very high share of invoices.

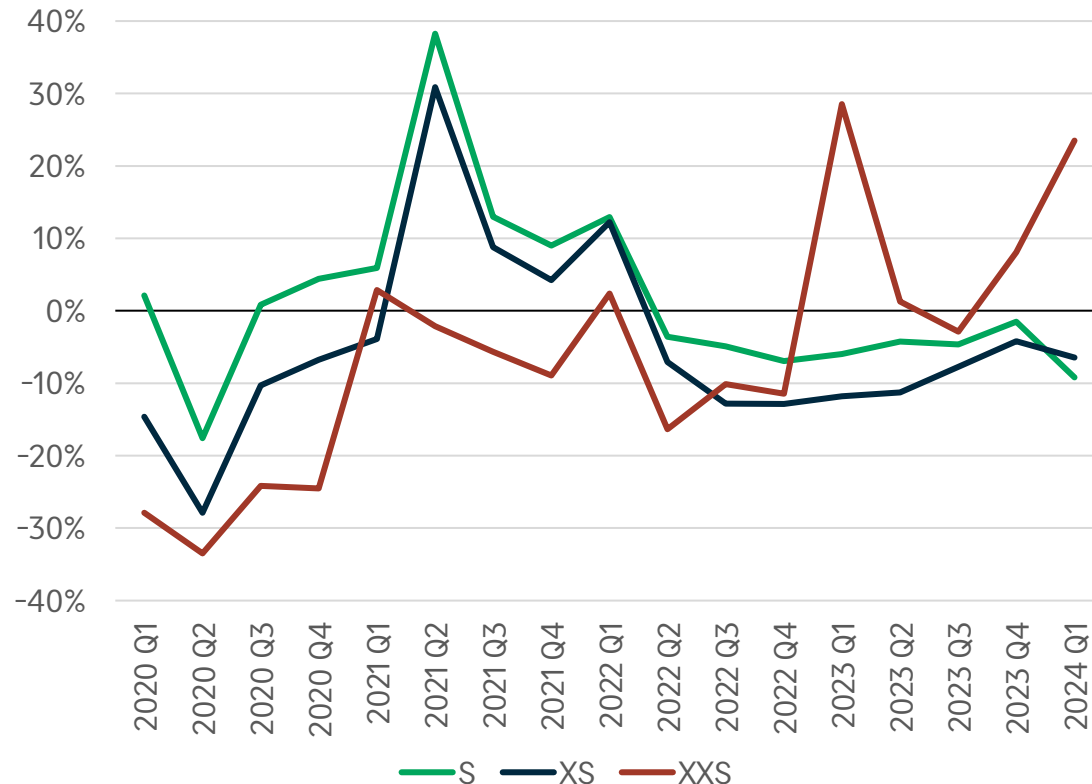
Source: Sage, Smart Data Foundry, ONS, Cebr



Deep dive – revenue growth by business size

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Deep dive North East
- Methodology

Year-on-year change in real revenue for the average small business, in 2019 prices



Source: Sage, Smart Data Foundry, ONS, Cebr

For a fifth consecutive quarter, the smallest businesses in our sample recorded the strongest real revenue change on an annual basis. Although, these businesses have also faced the largest increases in overheads.

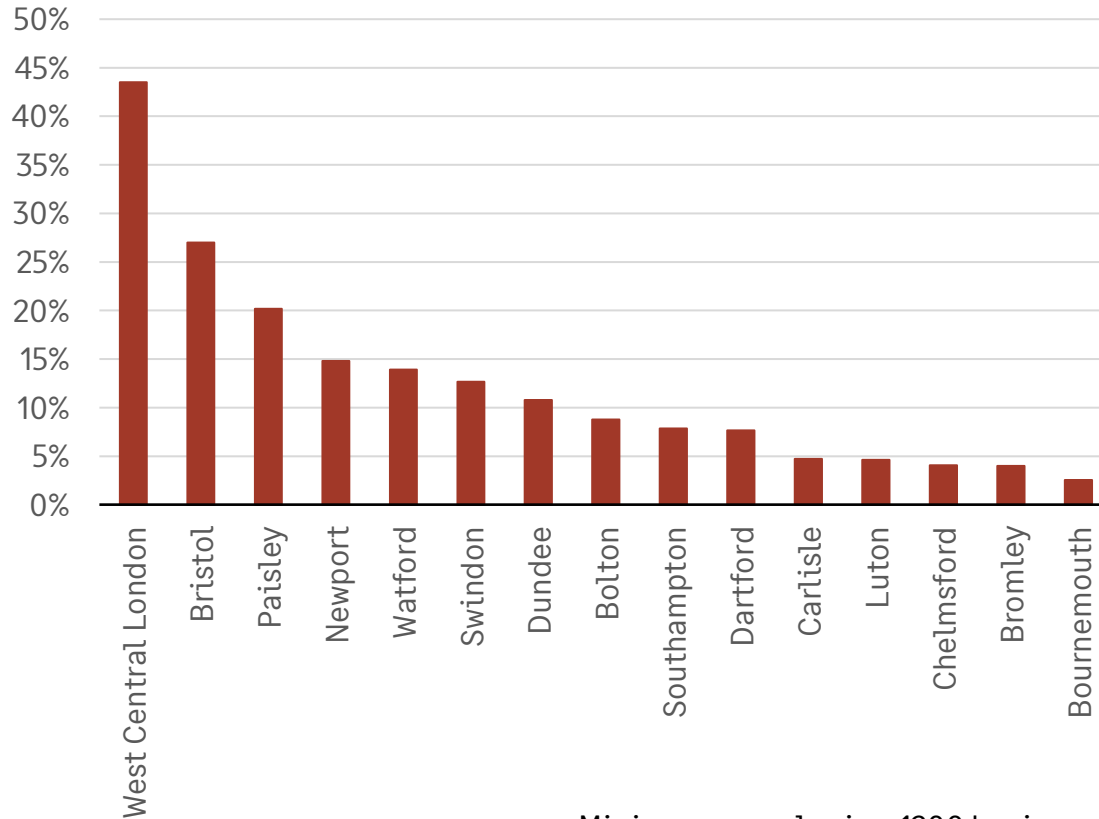
- Looking at business revenue across our three subgroups of size shows that small (S) and extra small (XS) sized businesses have exhibited very similar trends across the whole history of our data. The trend of these businesses has broadly followed that of the wider economy, exhibiting a strong recovery post-pandemic and then tailing off during the period of sluggish economic growth witnessed over the past two years.
- Meanwhile, nano-businesses (XXS), the smallest businesses in our sample, have exhibited a different trend. Over the past two years their average real revenue growth has been notably more volatile than their larger counterparts. More recently, they have bucked the trend of falling real revenues experienced by larger small businesses, recording average real revenue growth of 23.5% on an annual basis in Q1 2024.
- However, nano-businesses have also experienced the largest increases in annual overheads. In Q1, nano businesses (XXS) reported nominal overheads standing 32.1% higher than a year earlier. Meanwhile, extra small (XS) and small businesses (S) saw overheads fall in Q1 2024 by 19.1% and 12.0%, respectively.



Deep dive – the fastest growing cities and towns over the past two years

-  Headline Findings
-  Prices
-  Resiliency
-  Growth
-  Profitability
-  Deep dive North East
-  Methodology

Growth in average business revenue between Q1 2022 and Q1 2024 (2019 prices, top 15 cities)



Minimum sample size: 1200 businesses
Source: Sage, Smart Data Foundry, ONS, Cebr

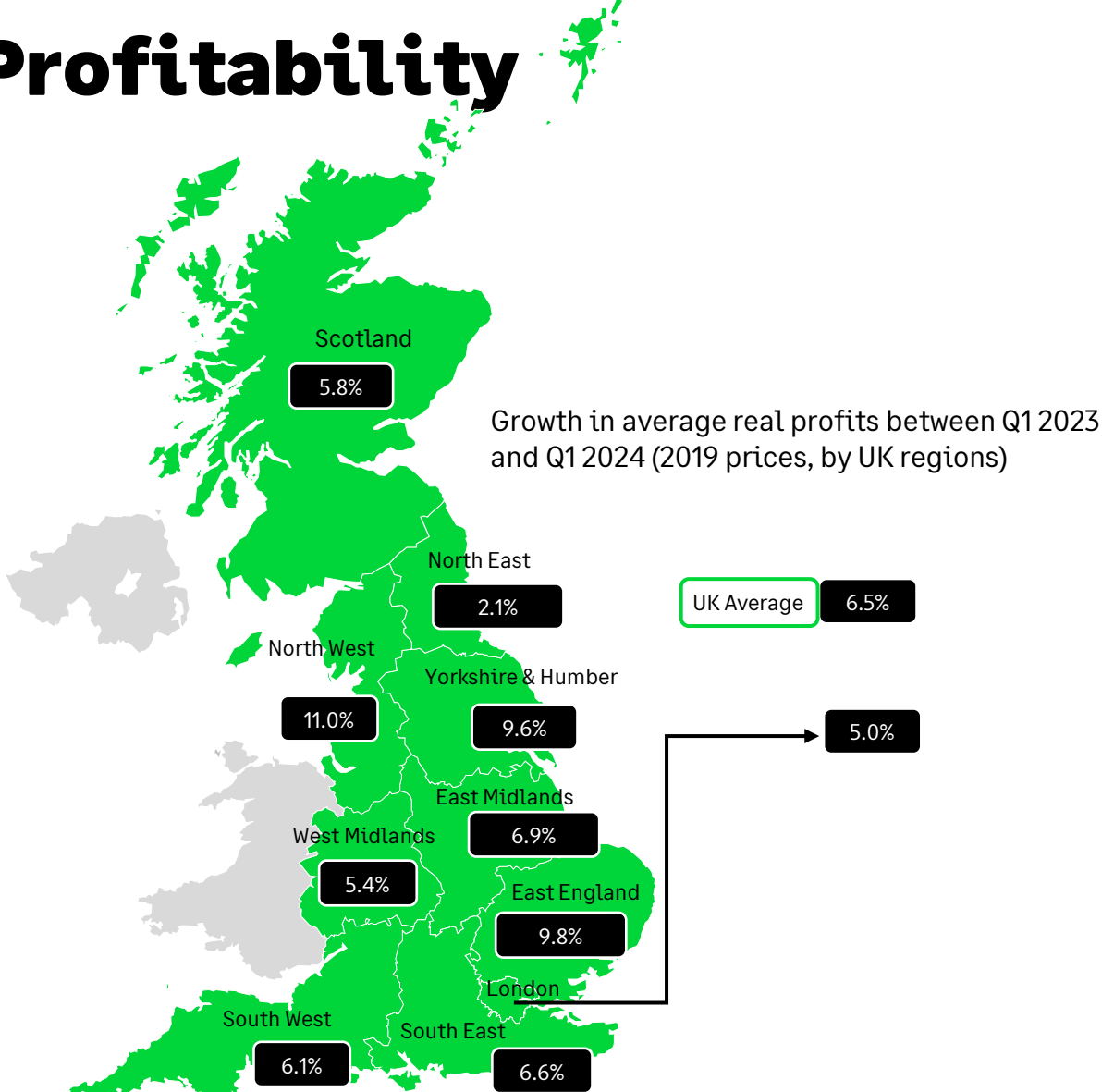
Over the two years between Q1 2022 and Q1 2024, revenue growth varied greatly by postcode region, with West Central London performing best.

- Small businesses in West Central London experienced the strongest real revenue growth in the two years leading up to Q1 2024, at 43.5%. This area has a high concentration of hospitality and entertainment businesses, as well as food and restaurant services. Consequently, it has likely benefitted from the robust growth in these industries following the pandemic.
- Bristol saw the second-strongest revenue growth at 27.0%. Indeed, small businesses in the South West have performed particularly well in revenue growth over the past two years, representing three of the top fifteen fastest-growing towns and cities (Bristol, Swindon, and Bournemouth).
- Businesses in the East of England also represented three of the fifteen fastest growing towns and cities (Watford, Luton, and Chelmsford). This has fed through to average small business profits in the region, which were the second fastest growing on an annual basis amongst UK regions in Q1 2024.



Profitability

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Deep dive North East
- Methodology



Growth in average real profits between Q1 2023 and Q1 2024 (2019 prices, by UK regions)

*Northern Ireland and Wales omitted due to sample size Source: Sage, Smart Data Foundry,

The average small business saw profits rise by 6.5% in the year to Q1 2024, with the North West recording the strongest growth of any UK region.

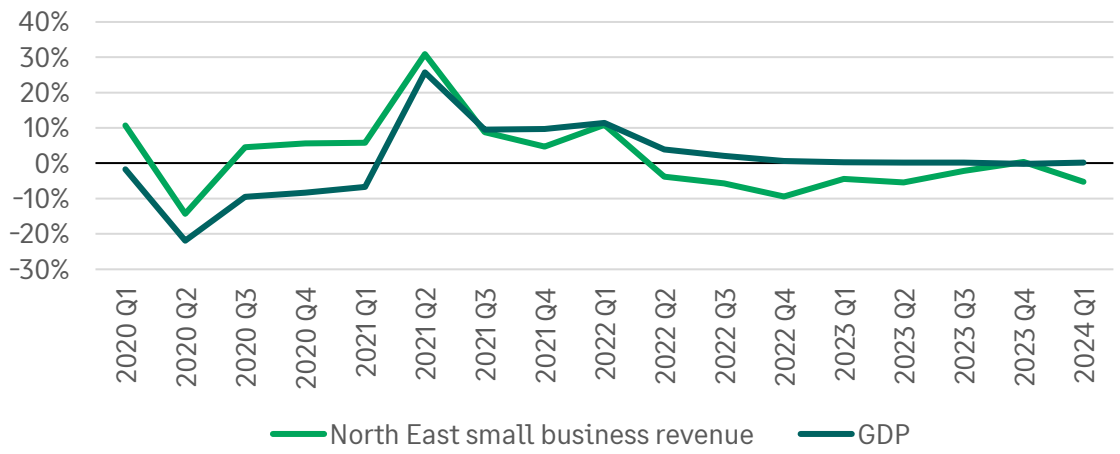
- The Sage small business tracker provides timely insights into regional growth figures, with official regional GDP statistics produced with a long lag.
- Sage’s data shows that the average small business saw a 6.5% rise in profits in the year to Q1 2024.
- Small business profitability over the past year shows different results across the UK regions, however. Looking at regions in England, the North West saw the largest annual increase in profitability, up by 11.0%. Areas of the North West accounted for two of the fifteen fastest-growing UK cities over the past two years in terms of average real business revenue growth (Bolton and Carlisle).
- Meanwhile, the East of England and the Yorkshire and Humber also performed strongly, with real profit growth of 9.8% and 9.6%, respectively, over the past year.
- The North East saw the slowest growth, although it remained positive. Profits in this region grew by 2.1% annually in Q1 2024.



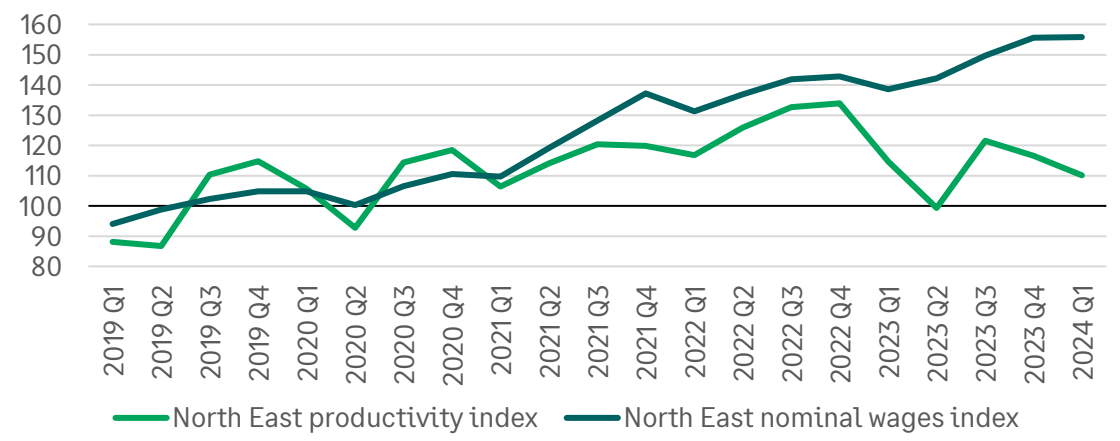
Deep dive – North East

-  Headline Findings
-  Prices
-  Resiliency
-  Growth
-  Profitability
-  Deep dive North East
-  Methodology

Revenue growth for the average North East small business and GDP (2019 prices, year-on-year %)



Nominal wages and real productivity for the average North East small business (index 2019 = 100, non-seasonally adjusted)



Source: Sage, Smart Data Foundry, ONS, Cebr

The average North East small business saw real revenue fall by 5.2% in the year to Q1 2024. Meanwhile, average small business productivity in the North East fell by 4.0% on an annual basis.

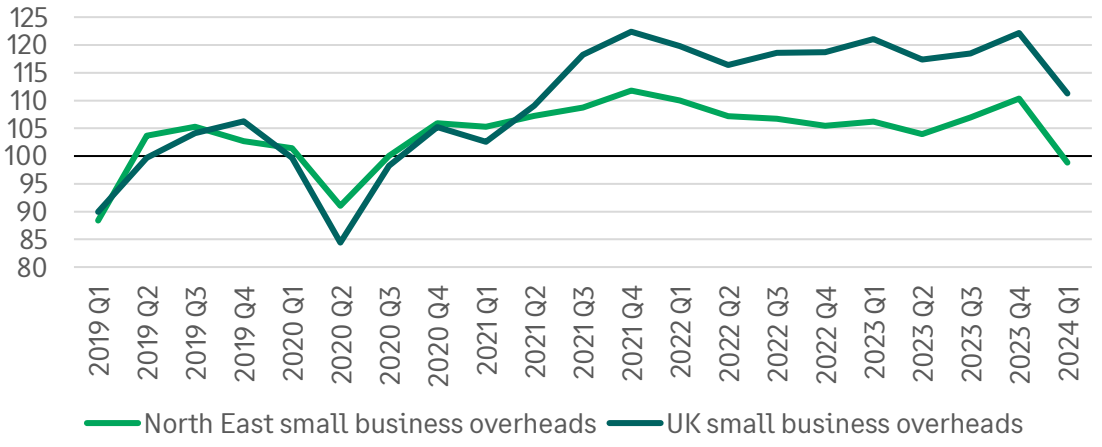
- Small business revenue fell by 5.2% in the North East in the year to Q1 2024, in real terms. Meanwhile, it declined by a slightly weaker 1.7% for the UK-wide average small business.
- Like UK-wide data, North East small business revenue closely follows the broader trend of UK GDP growth. Consequently, North East small business revenue growth mirrors the broader economic slowdown the UK has faced since mid-2022.
- In level terms, average small business revenue in the North East was 12.7% below that of the UK average in Q1 2024.
- Productivity in our sample of North East small businesses is measured by revenue divided by the number of employees within a business.
- Like the UK-wide trend, productivity in the North East has faltered over the previous year, falling by 4.0% on an annual basis. This is in line with the weak real revenue growth observed across the same period.
- Meanwhile, nominal wages for the average small business in the North East grew by 12.4% on an annual basis in Q1 2024. This is slightly softer than the 14.5% growth observed by the UK-wide sample.



Deep dive – North East

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Deep dive North East
- Methodology

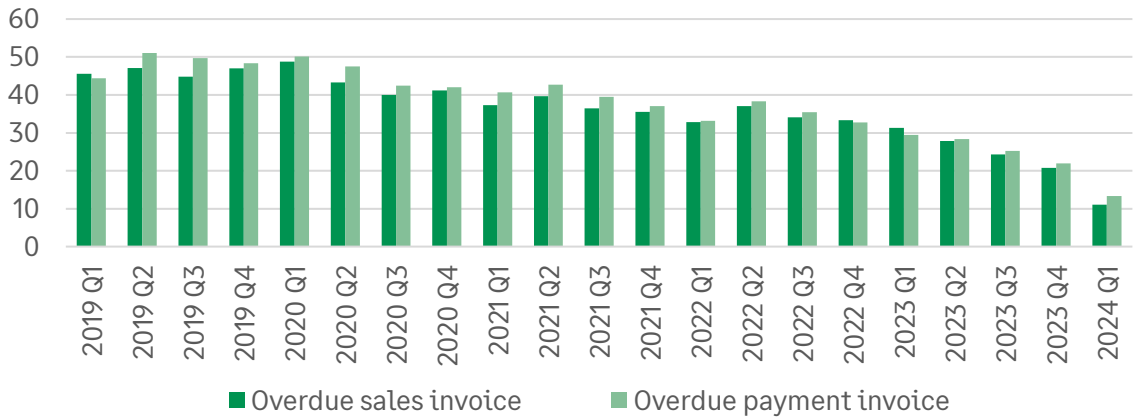
Overheads for the average North East small business (2019 prices, indexed values, 2019 = 100)



The average North East small business saw real overheads fall by 7.0% in the year to Q1 2024. Meanwhile, the average number of days for North East small businesses to be paid continued on a downward trend.

- In this report, overheads include fixed and semi-variable costs such as rent, energy and utility bills. Therefore, overheads can be driven by price changes and any shifts in production.
- Like the UK-wide trend, overheads in the North East fell on an annual basis in Q1 2024 by 7.0%. This was slightly more subdued than the 8.1% fall experienced by UK-wide average small businesses.
- In level terms, overheads of North East small businesses did not climb as high as those observed by UK-wide small businesses from mid-2022 onwards when the energy crisis and further disruptions impacted supply chains. This likely reflects the difference in sectoral composition between the North East and other UK regions.
- The average number of days for North East small businesses to be paid a sales invoice for those that were overdue was 11.1 days. This was better than the UK average of 11.5 days.
- The average number of days small businesses were late to pay an invoice for those that were overdue was 13.4 days in Q1 2024. This was also better than the UK-wide average, which was 13.9 days.

Average number of days overdue to either pay invoice (payment) or be paid (sales) per North East small business



Source: Sage, Smart Data Foundry, ONS, Cebr



Methodology



Methodology and data



Headline Findings



Prices



Resiliency



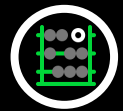
Growth



Profitability



Deep dive North East



Methodology

- The Sage Small Business Tracker uses data from Sage’s accounting and payroll software. The Smart Data Foundry aggregates and cleans the data, before Cebr deflates and analyses the data ahead of its publication. The data is not currently seasonally adjusted due to the length of back history available for analysis.
- Filters are applied to the data to ensure it is not impacted by outliers. This includes a maximum monthly revenue figure of £1m and a maximum annual payroll figure of £1.1m.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) is a common measure of business performance. It is derived as $EBITDA = Revenue - Expenditure - Overheads$
- 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).



Our small business sample

- In Q1 2024, our sample of over 129,000 businesses contained the following demographics.

Size

- 39% 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)
- 26% were nano (XXS) businesses (average annual revenue less than or equal to £50,000)

Region

- Within the sample, over 120,000 of businesses identified their region.

Region	South East	London	Yorkshire and The Humber	North West	East of England	West Midlands	South West	Scotland	East Midlands	North East	Wales	Northern Ireland
Share	14%	11%	10%	10%	10%	9%	9%	9%	8%	4%	3%	3%

Sector (of the over 62,000 of businesses for which we know the sector)

- 27% were in heavy industry
- 21% were in light industry
- 53% were in services

Payroll (our data for productivity and workforce-related variables are based on a smaller sub-sample of 23k small businesses)

- The overall sample size changes between reports due to changes in Sage's customer base and the removal of outliers.

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Deep dive North East
- Methodology



Glossary



Headline Findings



Prices



Resiliency



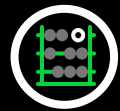
Growth



Profitability



Deep dive North East



Methodology

EBITDA - Earnings before interest, taxes, depreciation and amortization (EBITDA) is a common measure of business performance. It is derived as $EBITDA = Revenue - Expenditure - Overheads$.

Net rate of return - 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.

Overheads - In this report overheads include both fixed and semi-variable overheads such as rent, energy and utility bills.

Productivity - In our large sample of small businesses productivity is measured by revenue in real terms divided by the number of employees within a business.

Capital expenditure - Small business capital expenditure refers to the acquisition or upgrading of long-term assets, such as equipment or property.

Cash balance - Small business cash balances reflect the sum of their current account balance and the amount they have in savings.

Debt position - Small business debt positions reflect loan utilisation, which is the sum of credit card balances and other credit available.

Days to pay - Sale payment time in days.

Days to payment received - Purchase payment time in days.

Nominal - The nominal value of an economic variable is the value expressed in current prices.

Real - The real value of an economic variable is the nominal value adjusted for inflation.

Technical recession - Two consecutive quarters of negative quarterly growth in real GDP.

Monetary policy - Action a central bank can take to influence how much money is in a country's economy and what the cost of borrowing is. This can include raising or lowering the base interest rate.

Contact

Christopher Breen

cbreen@cebr.com

020 7324 2866

Cameron Misson

cmisson@cebr.com

020 7324 2873

