

# Sage small business tracker - Q2 2023

A Sage report in partnership with  
Smart Data Foundry and Cebr

April – June 2023

Sage

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FOUNDRY

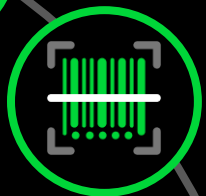
Cebr



# TABLE OF CONTENTS



**1:** Headline Findings



**2:** Prices



**3:** Resiliency – (Time to Pay)



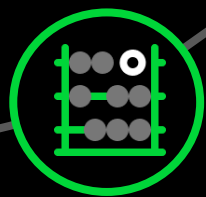
**4:** Growth



**5:** Profitability



**6:** Methodology



**7:** Glossary



# Headline Q2 findings

In Q2, the Sage small business tracker revealed that small business profits returned to growth in annual terms, reversing the trend of annual declines recorded in previous quarters. This was largely driven by falling expenditure and capital expenditure, while overheads were broadly flat.

Annual revenue growth also turned positive in Q2 but by the thinnest of margins. A stagnating economy, marred by a cost-of-living crisis and rising interest rates, is dampening broader UK business activity. Further economic headwinds, such as accelerating wage costs amid declining productivity, will test small business resilience across the upcoming quarters.

- i. Profitability returned to growth in Q2** – Given the annual declines observed in expenditure amidst higher revenues and easing energy cost pressures, the average real EBITDA of small businesses grew by 12.2% in the year to Q2, following a 1.3% decline in Q1 2023.
- ii. Small business revenues were up by 0.1% on an annual basis in Q2** – Average real revenues for small businesses grew by 0.1% on a year-on-year basis in Q2 2023. Although this is a weak gain, it represents a return to real revenue growth for small businesses, signalling they remain resilient in the face of the UK's economic headwinds.
- iii. Nominal wage growth continues to accelerate** – The latest Sage data indicates a 12.9% annual growth in nominal wages in Q2 2023. The current tight labour market in the UK has afforded employees more bargaining power, thereby exerting upward pressure on wage growth.
- iv. Small business productivity falls on an annual basis for the first time since Q2 2020** – Annual real productivity for the average small business declined by 0.6% in Q2 2023, following 5.9% growth in Q1 2023. This is attributable to growth in employee headcounts outpacing growth in real revenue.
- v. Expenditure falls for a fourth consecutive quarter** – On an annual basis, real expenditure for the average small business fell by 3.3% in Q2 2023. The four-quarter trend of declining expenditure on an annual basis reflects several factors, including weak output growth and falling capital expenditure.
- vi. Upward pressure in overheads begins to ease** – Overheads grew by just 0.1% on an annual basis in Q2 2023, according to Sage data. Meanwhile, compared to the previous quarter, they fell by 4.2%, their largest quarter-on-quarter fall in the post-pandemic era. The recent easing in cost pressure is partially attributable to lower energy costs, which are gradually impacting the supply chain.
- vii. Capital expenditure by small businesses declines annually for the seventh consecutive quarter** – On an annual basis, capital expenditure fell by 23.3% in Q2 2023, following a decline of 28.3% in the previous quarter. Following the Bank of England's decision to raise key interest rates, borrowing costs have now risen for small businesses. This has significantly impacted the decision-making process of small businesses concerning long-term investments.



Headline Findings



Prices



Resiliency



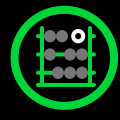
Growth



Profitability



Methodology



Glossary



Headline Findings



Prices



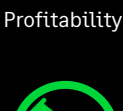
Resiliency



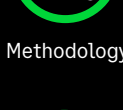
Growth



Profitability



Methodology

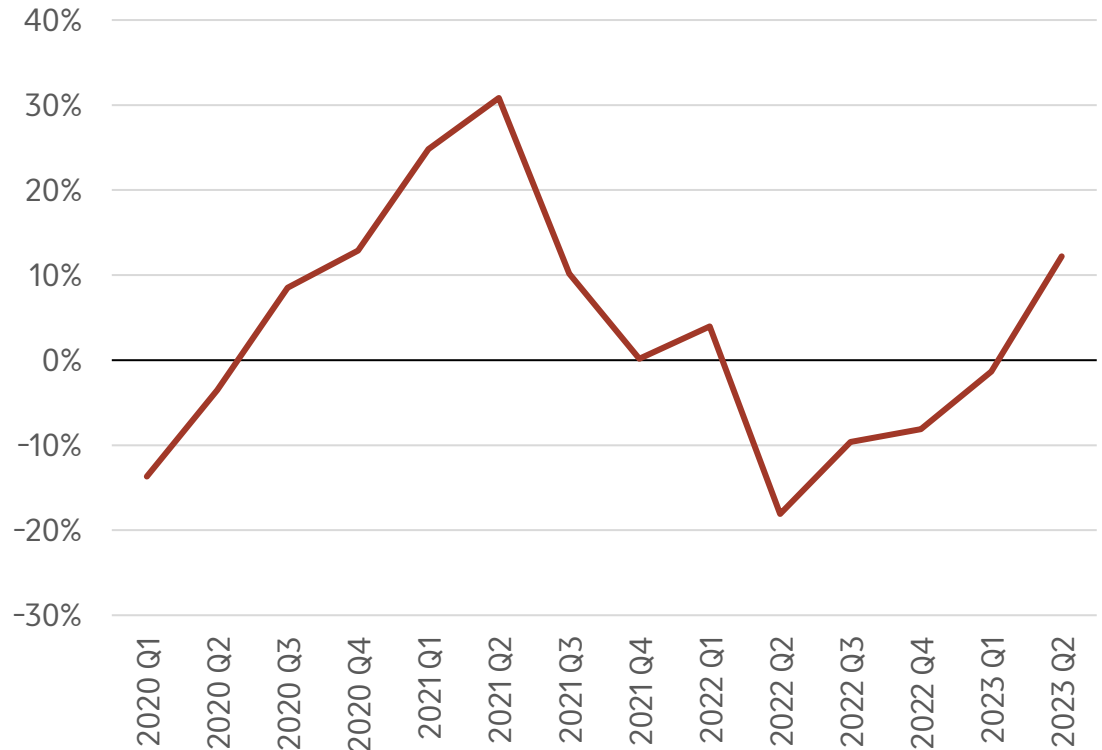


Glossary



# Average small business profit returns to growth in Q2 amidst easing cost pressure and falling expenditure

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



Source: Sage, Smart Data Foundry, ONS, Cebr

- Profit for the average small business is estimated to have increased by 12.2% on an annual basis in Q2 2023. This marks a strong recovery from a string of four consecutive annual falls. The upward movement has been primarily supported by lower expenditure, in addition to easing upward pressure on costs. It is also worth noting that due to poor profit performance in Q2 2022, this growth is coming from a weak base.
- Small business profits also received a welcome boost from the return of real annual revenue growth in Q2 2023 despite the modest growth of just 0.1% annually.
- Our data measures small business profit using EBITDA (Earnings before interest, taxes, depreciation, and amortization). This measure is derived as  $EBITDA = Revenue - Expenditure - Overheads$  and helps us understand profitability in our sample.
- On a quarterly basis, EBITDA for the average small business grew by 24.4% in Q2 2023.



# Small business revenue returns to annual growth in Q2, offering a modest boost to profits



Headline Findings



Prices



Resiliency



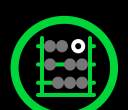
Growth



Profitability

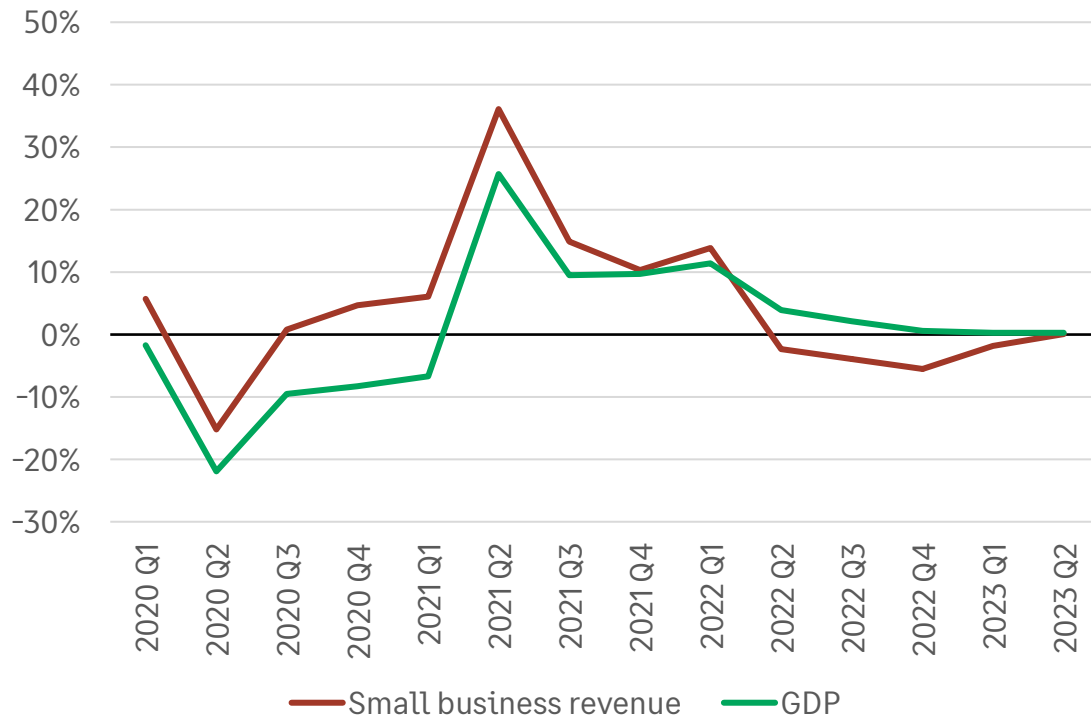


Methodology



Glossary

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 grew by 0.1% on a year-on-year basis in Q2 2023. This follows an annual decline of 1.8% in Q1 2023.
- Small business revenue growth in the UK has faced significant headwinds since mid-2022, mirroring the broader UK economic slowdown. The UK economy grew by just 0.3% in Q2 2023, marking the joint weakest annual rate of output growth since Q1 2021. Although supply pressures have eased since the start of the year, stubbornly high inflation and rises in the cost of borrowing remain the main headwinds to activity, with both factors likely to suppress activity for the rest of this year.
- Nevertheless, small businesses have showcased economic resilience amid challenging conditions, achieving average real revenue growth in the second quarter despite the prevailing economic headwinds in the UK.
- Looking ahead, tough economic conditions can largely be expected to continue. Forecasts by Cebr anticipate the UK economy to fall into recession at the end of this year. This outlook is chiefly driven by the continued impact of higher-than-expected interest rates from the Bank of England after inflation has proven more persistent than markets expected.



# First annual decline in productivity in post-pandemic era amidst rising nominal wages



Headline Findings



Prices



Resiliency



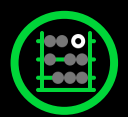
Growth



Profitability

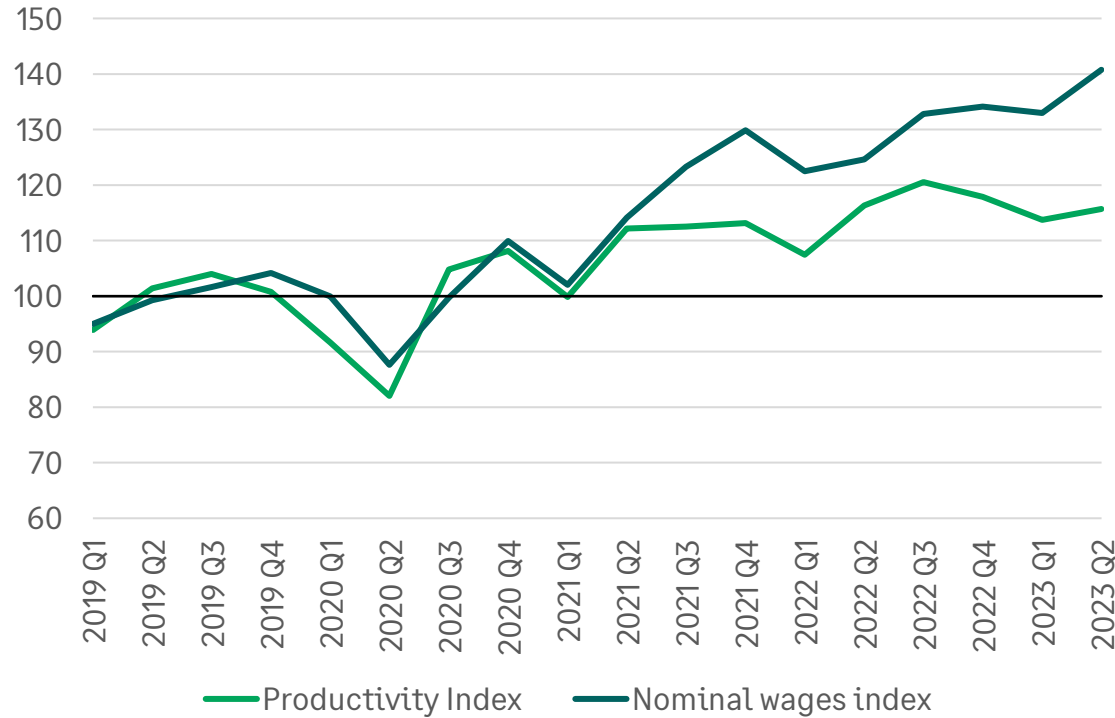


Methodology



Glossary

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



Source: Sage, Smart Data Foundry, ONS, Cebr

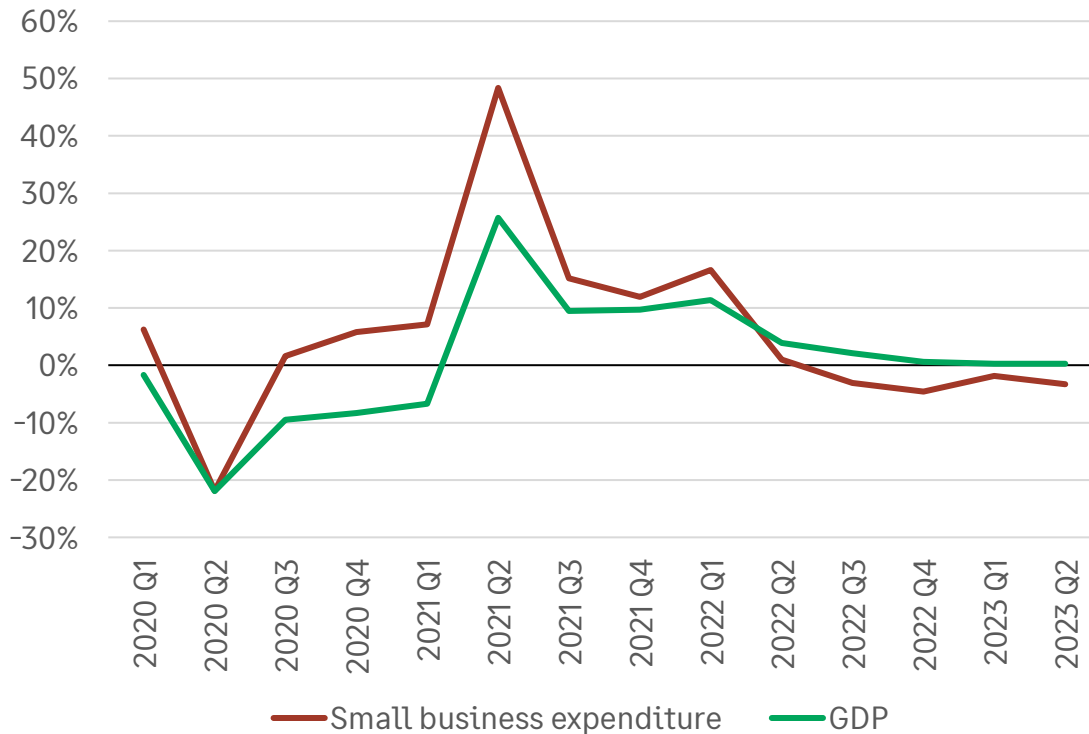
- Productivity in our large sample of small businesses is measured by revenue in real terms divided by the number of employees.
- Productivity for the average small business declined by 0.6% in the year to Q2 2023, marking the first annual fall in the measure since Q2 2020 amid the onset of the pandemic.
- The decline in productivity growth can be attributed to a confluence of factors, including a rising average employee count amid recently weak average revenue performance. Notably, the average number of employees has gradually increased within Sage's dataset, reaching a record high of 5.3 in Q2 2023. This trend suggests that, despite challenging economic conditions, small businesses are steadfast in retaining their workforce.
- Post-pandemic wage growth within small businesses has been notable, mirroring the trend observed across the broader economy. This trend highlights the sustained tightness in the UK labour market, granting workers enhanced bargaining power.
- The latest Sage data shows nominal wages grew by 12.9% in Q2 2023, up from 8.6% in Q1.
- Official ONS data shows that average total pay grew by 8.4% in Q2 2023. Sage's data proves to be more volatile than the ONS data, indicating that small businesses experience more wage growth variability than the broader UK economy.



# Continued decline in small business expenditure contributes to profit uptick



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 3.3% in Q2 2023.
- The ongoing four-quarter trend of decreasing annual expenditure likely results from various factors, such as easing cost pressures, subdued output growth, and a reduction in capital expenditure.
- The persistent decline in spending, amidst several other factors, has resulted in small businesses recording robust real profit growth in Q2 2023.
- The prolonged pattern in real average expenditure by small businesses annually closely mirrors the growth figures for the broader UK economy. Since mid-2022, UK GDP growth has been sluggish, characterised by subdued demand and activity. Trends in small business expenditure reflect this.

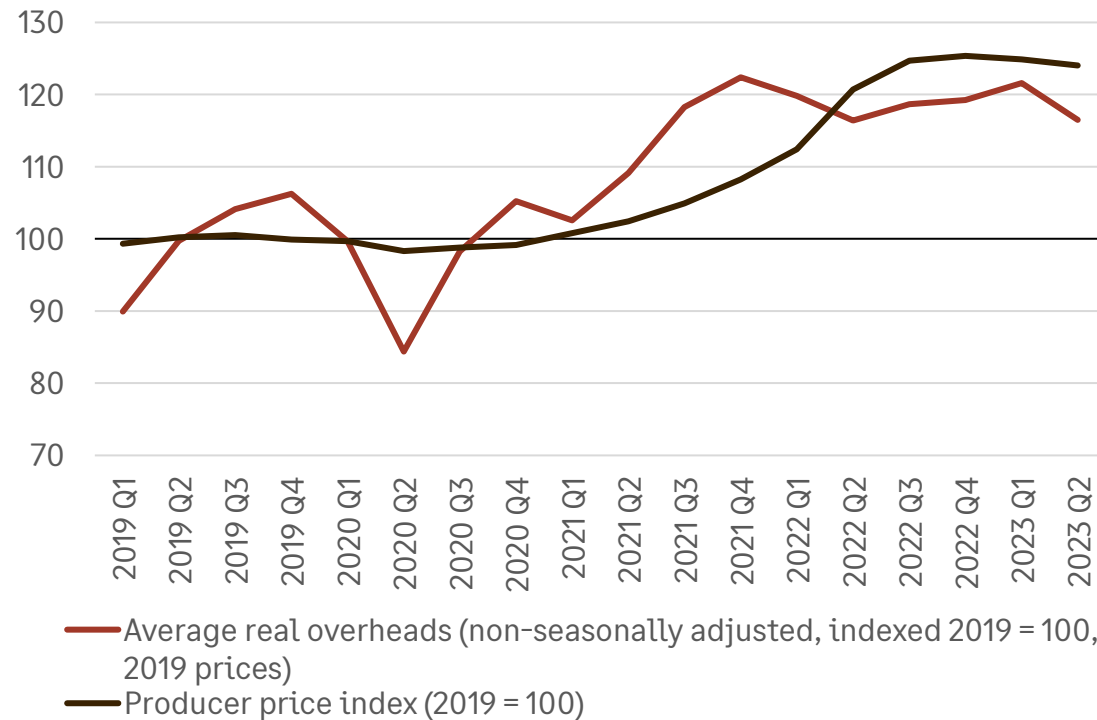
Source: Sage, Smart Data Foundry, ONS, Cebr



# Real overheads for small businesses continue to ease

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Methodology
- Glossary

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

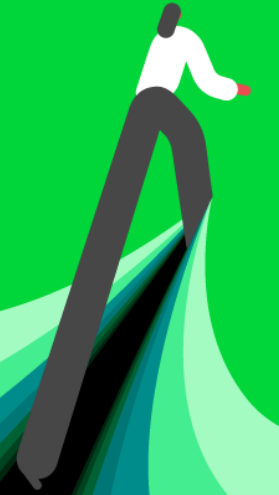


Source: Sage, Smart Data Foundry, ONS, Cebr

- 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, which would affect factors such as rent or utilities.
- Overheads grew by just 0.1% on an annual basis in Q2 2023, according to Sage data. Meanwhile, compared to the previous quarter they fell by 4.2%, their largest quarter-on-quarter fall in the post-pandemic era.
- This is in line with official data from the ONS on producer prices, which have shown a 0.7% quarter-on-quarter fall in output costs in the UK in Q2 2023. Meanwhile, similar to Sage’s dataset of small businesses, the ONS producer price index rose on an annual basis.
- The recent easing in cost pressures is partially attributable to lower energy costs gradually impacting the supply chain, alleviating price pressures for businesses across sectors. Indeed, throughout 2021 and 2022, overheads significantly increased. Initially, this rise was triggered by global supply chain issues when met with the surge in demand following the easing of lockdowns, resulting in higher costs. Additionally, the European dependence on Russia for energy became a significant factor when the country invaded Ukraine at the beginning of 2022. This caused a substantial spike in the price of oil and gas, which significantly affected energy costs for small businesses. However, these upward pressures have started to ease in recent quarters.



# Sage small business tracker: Indicators by key themes

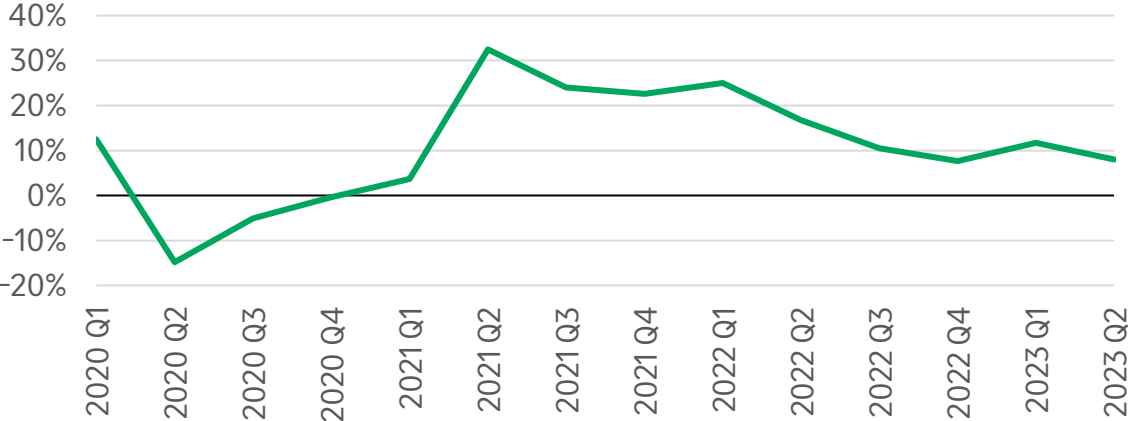




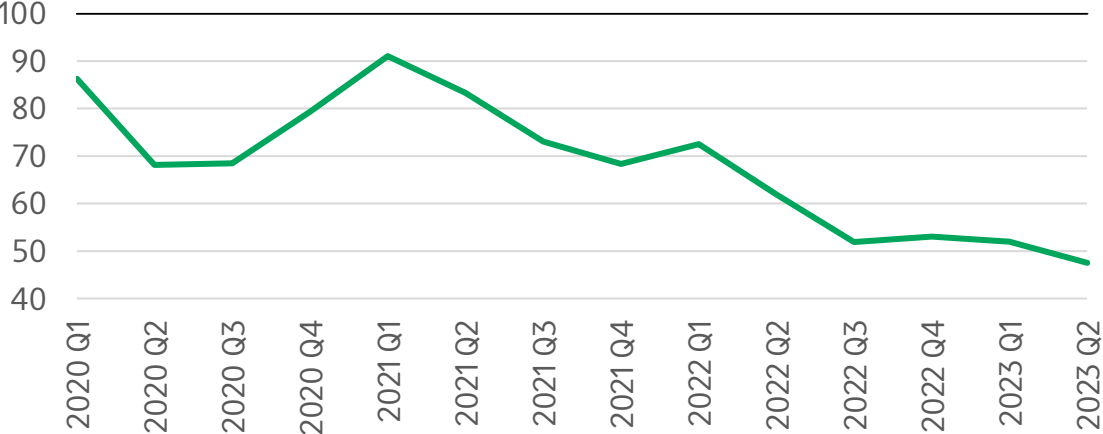
# Prices and spending

-  Headline Findings
-  Prices
-  Resiliency
-  Growth
-  Profitability
-  Methodology
-  Glossary

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

Overheads growth continues to slow from its peak annual rate in Q2 2021. Meanwhile, capital expenditure falls further amidst elevated borrowing costs.

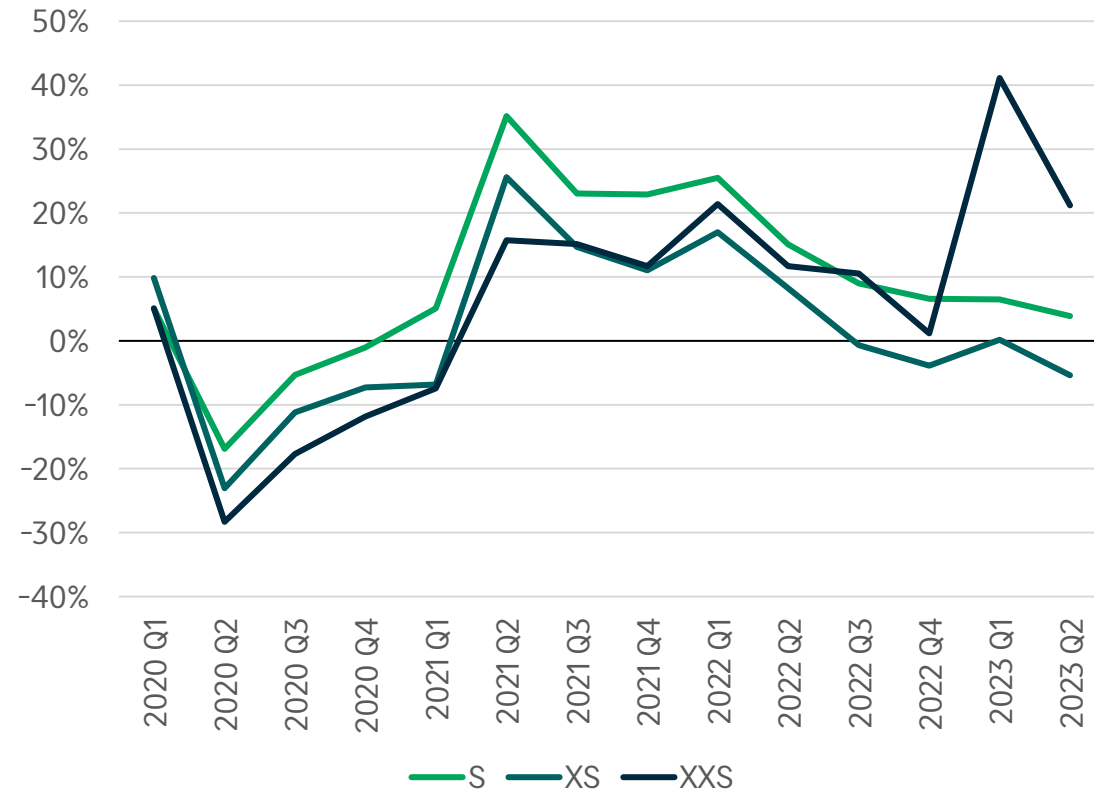
- Over the past three years, small businesses have experienced a significant increase in average overheads, with average cost growth reaching its peak in Q2 2021 during the height of the Ukraine invasion-related energy price shock. Since then, cost pressures have gradually alleviated.
- The latest Sage data indicates a continuation of this trend, with average nominal overheads rising by 8.0% in the year to Q2 2023 for small businesses.
- The downward trend is partially attributable to lower wholesale energy prices, while the decline in general price pressures has likely had indirect impacts for overhead costs.
- Small business capital expenditure refers to the acquisition or upgrading of long-term assets, such as equipment or property. 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 23.3% in Q2 2023, easing slightly from a decline of 28.3% in the previous quarter.
- The Bank of England’s decision to raise key interest rates to tackle inflation has led to a rise in borrowing costs, significantly impacting small businesses’ decision-making process regarding long-term investments. Moreover, the present course of the UK economy could be eroding confidence among small businesses, potentially resulting in a decrease in investment.



# Prices: overheads by business size

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Methodology
- Glossary

Annual growth in nominal average overheads, by business size



The smallest businesses in our sample experienced notable annual increases in overheads in Q2, while larger small businesses saw falls.

- Breaking down overhead 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.
- During the first two quarters of 2023, the smallest businesses experienced the fastest growth in overheads. In Q2, nano businesses (XXS) reported overheads were 21.2% higher than the previous year, while small businesses (S) experienced a 5.4% annual fall in overheads.
- 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.

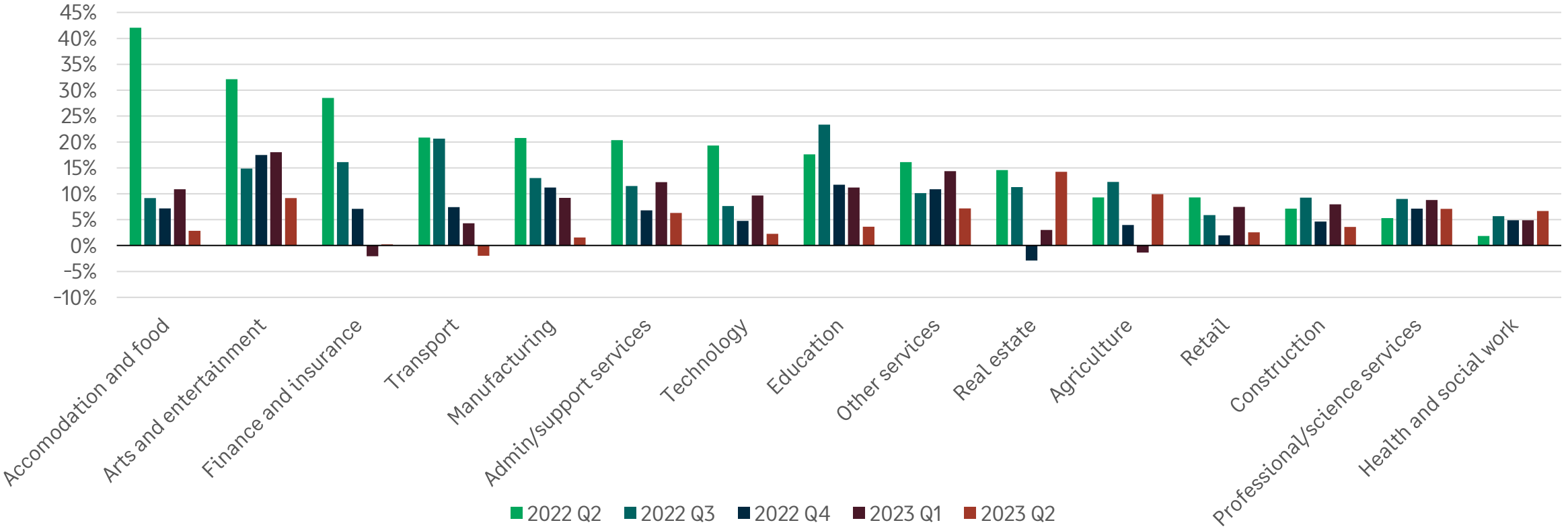
Source: Sage, Smart Data Foundry, ONS, Cebr



# Prices - Annual growth in nominal overheads by industry

- Transport represented the only industry in which small businesses experienced an annual fall in overheads in Q2 2023, declining by 2.0%. Transport has benefitted significantly from fuel prices recently falling on an annual basis. According to the ONS, motor fuel prices fell by 22.7% annually in June 2023.
- At the other end of the scale, real estate saw the largest annual rise in overheads at 14.2%. Meanwhile, agriculture and arts & entertainment also saw notably fast annual growth in overheads, at 9.9% and 9.2%, respectively.

Annual growth in nominal average overheads, by industry



Source: Sage, Smart Data Foundry, Cebr

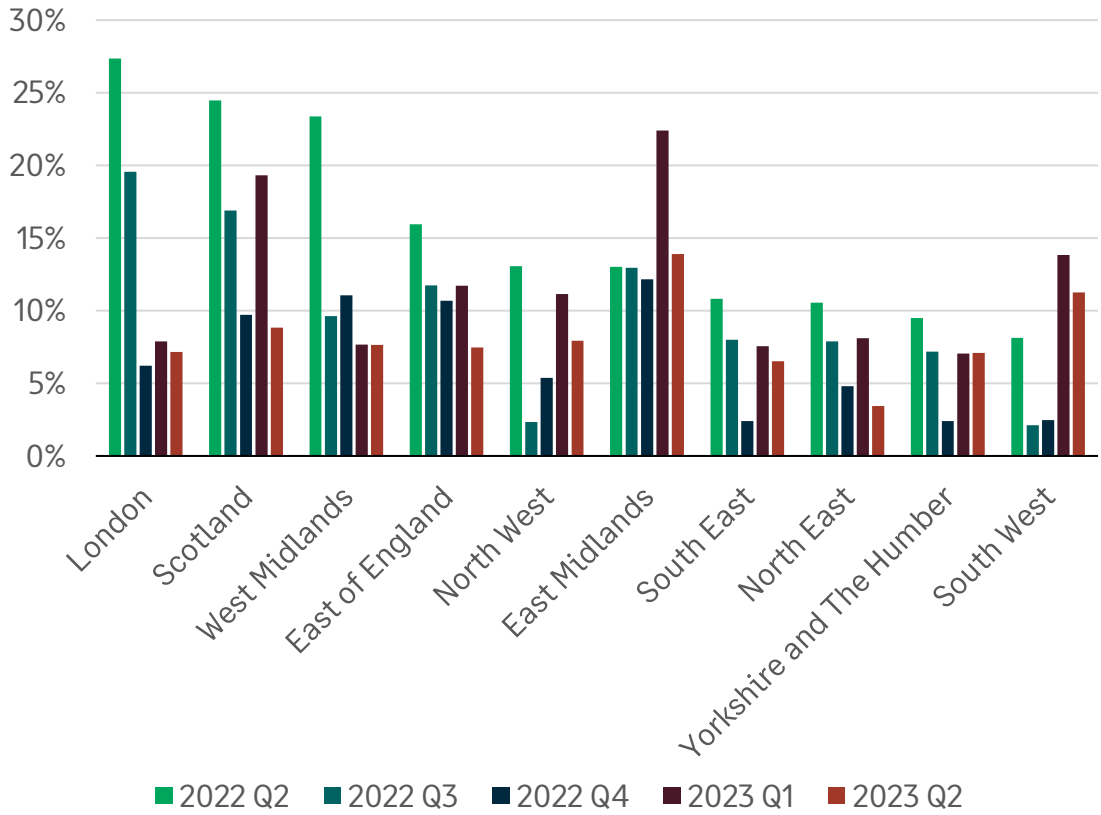
- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Methodology
- Glossary



# Prices: overheads by region

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Methodology
- Glossary

Average overheads growth by UK region between 2022 Q2 and 2023 Q2 (nominal, year-on-year %)



\*Northern Ireland and Wales omitted due to sample size

Source: Sage, Smart Data Foundry, ONS, Cebr

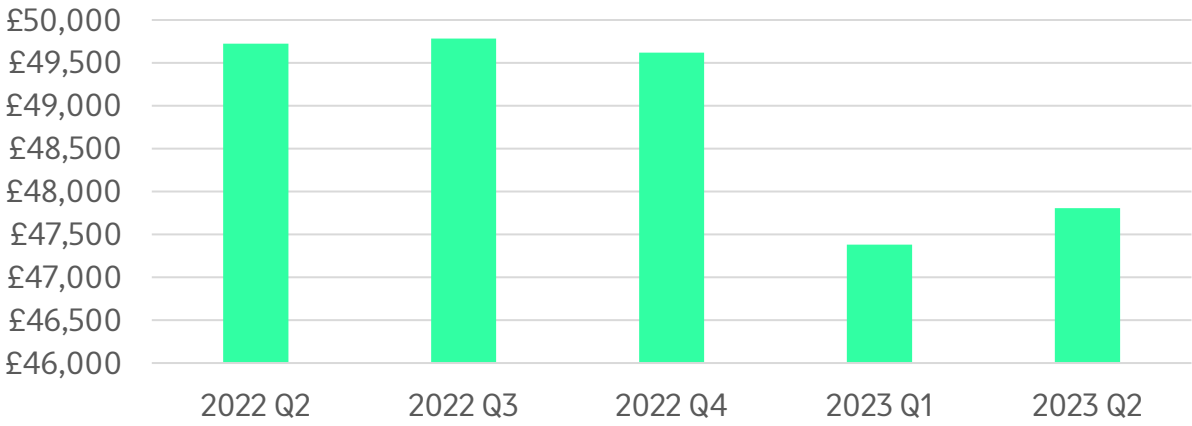
- Businesses across the UK nations and regions have seen overheads grow at different rates over the past year. All regions saw particularly high rates of overhead growth in 2022 and early 2023. This growth has eased across several regions, although it has accelerated amongst others.
- Overhead growth eased in six of the ten regions of the UK for which we have a representative sample in the year to Q2, compared to the previous quarter.
- The North East saw the weakest annual growth in overheads, at 3.4%. Meanwhile, London and Yorkshire & The Humber also experienced slower-than-average annual growth in average overheads, both at 7.1%.
- Small businesses in the East Midlands and the South West saw the most significant increases in overheads in the year to Q2 2023, at 13.9% and 11.2%, respectively. However, both regions saw a deceleration in annual overhead growth compared to the previous quarter.
- On a quarterly basis, for six out of the ten UK regions, average nominal overheads had fallen compared to the previous quarter.



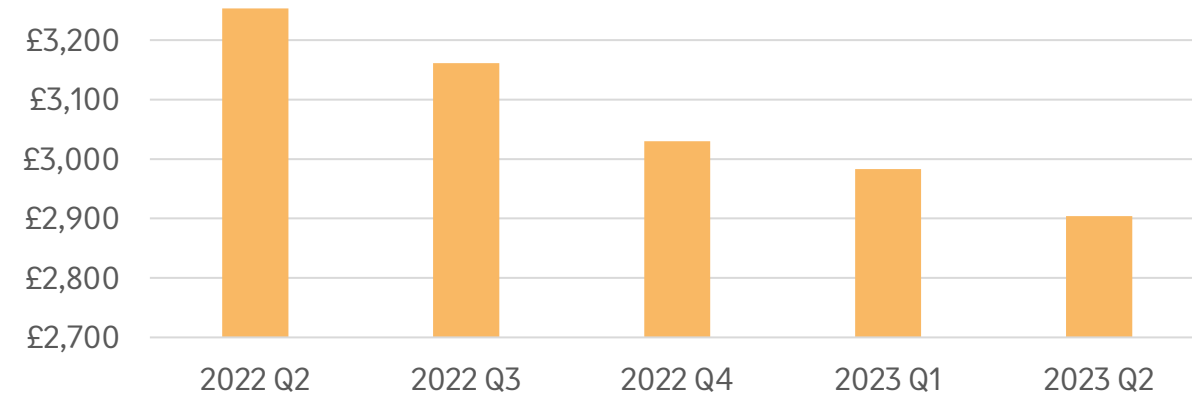
# Resiliency: cash and debt

-  Headline Findings
-  Prices
-  Resiliency
-  Growth
-  Profitability
-  Methodology
-  Glossary

Real cash balances for average small business (2019 prices, non-seasonally adjusted)



Real debt position for average small business (2019 prices, non-seasonally adjusted)



Source: Sage, Smart Data Foundry, ONS, Cebr

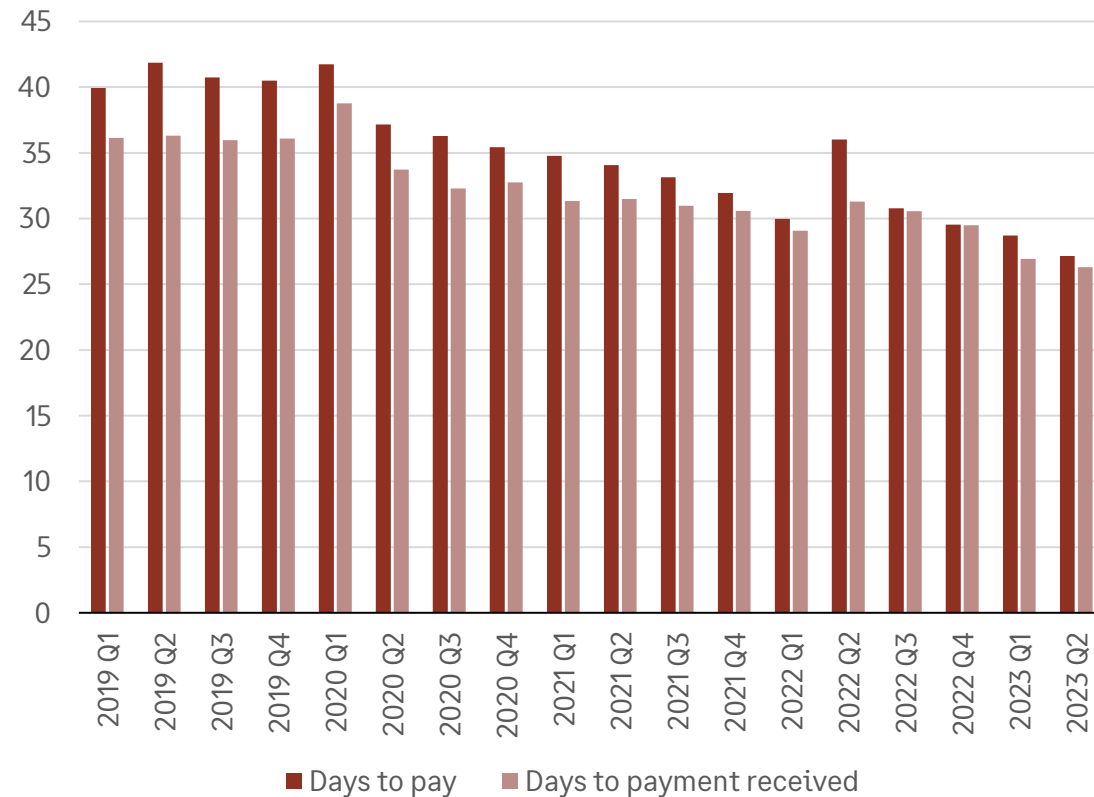
- Small business cash balances reflect the sum of their current account balance and the amount they have in savings. If they are struggling with clients paying late or with difficult trading conditions leading to lower demand, they are likely to see lower cash balances. On the other hand, a difficult economic environment may also lead businesses to hold some precautionary savings.
- The latest data for Q2 2023 shows that cash balances in real terms increased slightly from their level in Q1 2023 but were down by 3.9% compared to a year earlier in Q2 2022. The average small business had a cash balance of £47,807 in Q2 2023, up from £47,382 in Q1 2023.
- 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 Q2 2023 to £2904. Indeed, in real terms, debt is down 10.7% compared to a year earlier. Compared to the previous quarter, the average small business’s real debt position fell by 2.7%.
- The elevated interest rate environment resulting from the Bank of England’s tightening campaign has significantly increased borrowing costs for small businesses. Consequently, they seem to have opted to reduce their debt position.



# Resiliency: time to pay

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Methodology
- Glossary

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



Source: Sage, Smart Data Foundry, ONS, Cebr

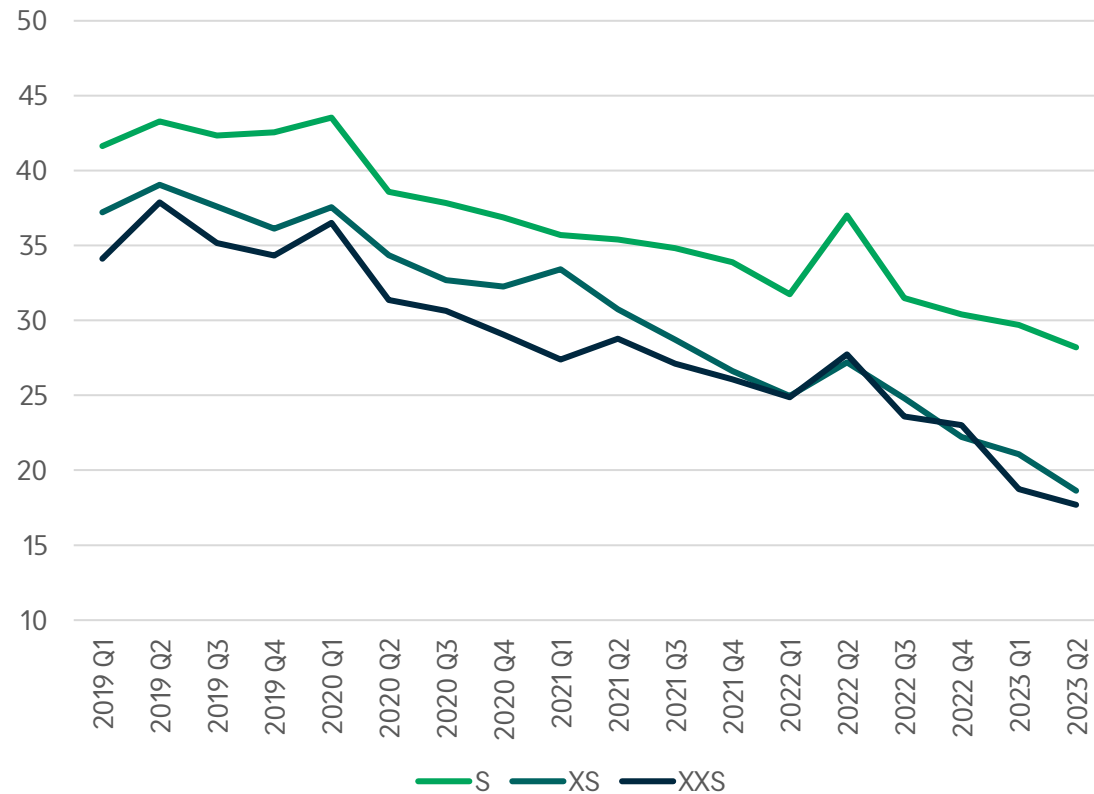
- Small businesses, on average, received payment on invoices after 26.3 days in Q2 2023, down by 5.0 days compared to the same quarter a year prior.
- This data continues to be great news for small businesses, as late payments can present a huge strain on cash flows, given that many small firms have little credit or cash balances, and such invoices can often represent a large proportion of their revenues.
- The average number of days small businesses took to pay an invoice was 27.2 in Q2 2023. This marked an improvement of 8.9 compared to the same quarter a year prior.
- These trends indicate that small businesses are proactively improving their payment processes, seeking increased efficiency in invoice settlement. Timely bill payments not only enable small businesses to establish favourable credit histories but also cultivate robust relationships with suppliers, mitigating the risk of late fees or penalties. This strategic approach may ultimately pave the way for enhanced stability and growth within small businesses.



# Deep dive – time to pay by business size

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Methodology
- Glossary

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



Source: Sage, Smart Data Foundry, ONS, Cebr

- Data regarding the average time to pay an invoice by business size shows that the smallest businesses have seen the largest improvement in the time they took to pay an invoice.
- The average nano business (XXS) took 17.7 days to pay an invoice in Q2 2023. This marks a strong improvement from an average of 27.7 days recorded in the same quarter a year earlier.
- The small (S) grouping had the highest average days to pay in Q2 2023. At 28.2 days, however, this was a notable improvement from one year earlier when these businesses took an average of 37.0 days to pay an invoice.
- Meanwhile, extra-small (XS) businesses took 18.6 days to pay an invoice in Q2 2023, an improvement of 8.6 days compared to the same quarter a year prior.
- Among the businesses in our sample, smaller firms consistently demonstrate quicker payment times compared to their larger counterparts. This tendency may stem from their smaller team sizes, enabling enhanced agility in handling invoices. Furthermore, smaller firms may prioritise prompt payment, given their frequent exposure to acute cash flow concerns.

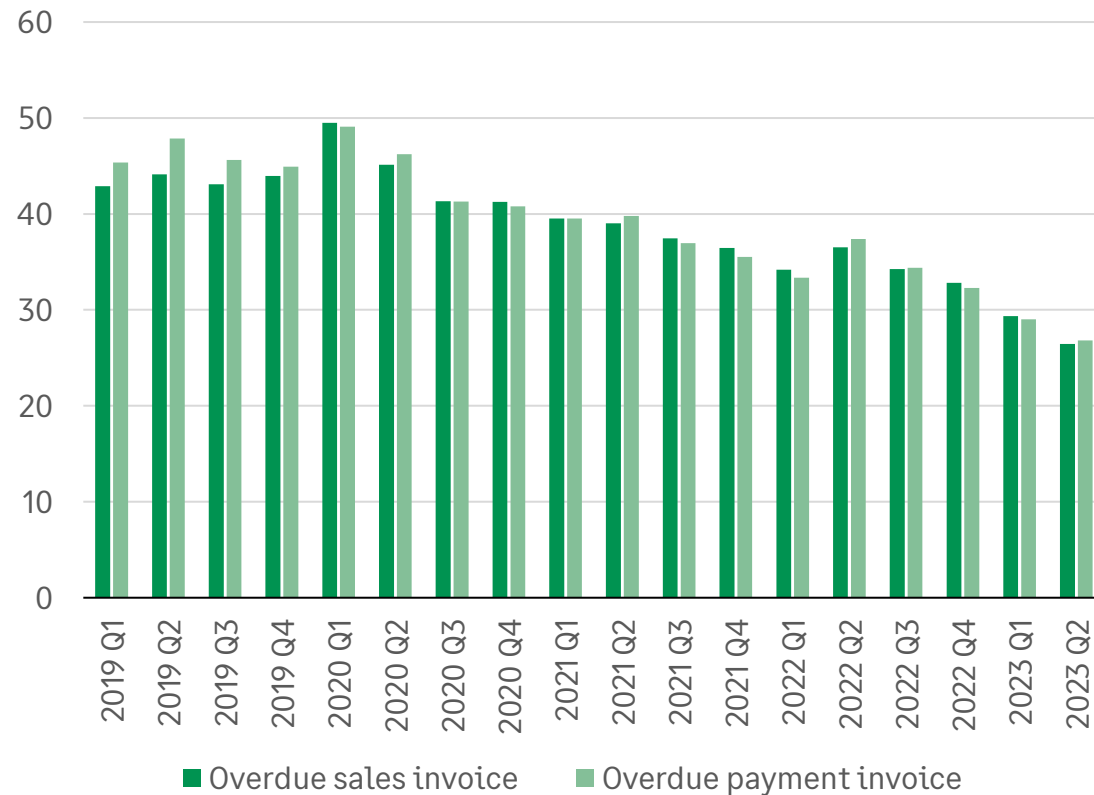




# Overdue invoice payment times fall markedly

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Methodology
- Glossary

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 26.5 days in Q2 2023.
- The average number of days small businesses were late to pay an invoice for those that were overdue was 26.8 days in Q2 2023.
- This marked an improvement from a year earlier, which saw an average of 37.4 days in Q2 2022, 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 late invoices was 44.8% in Q2 2023. For context, this measure averaged 45.0% between 2018 and 2022. Despite payment times improving markedly, the share of late invoices remains at a high level.

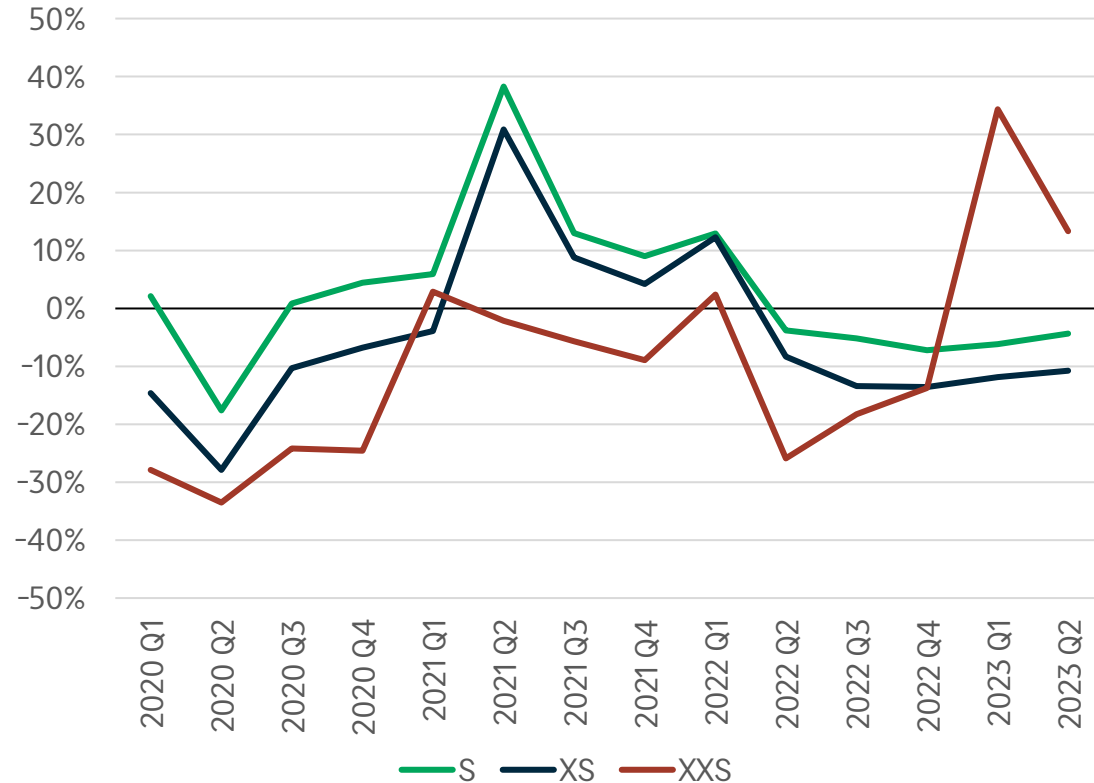
Source: Sage, Smart Data Foundry, ONS, Cebr



# Deep dive – revenue growth by business size

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Methodology
- Glossary

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



Source: Sage, Smart Data Foundry, ONS, Cebr

For two consecutive quarters, the smallest businesses in our sample have exhibited the strongest annual growth in real revenue. However, these businesses have also experienced the most substantial increases in overheads.

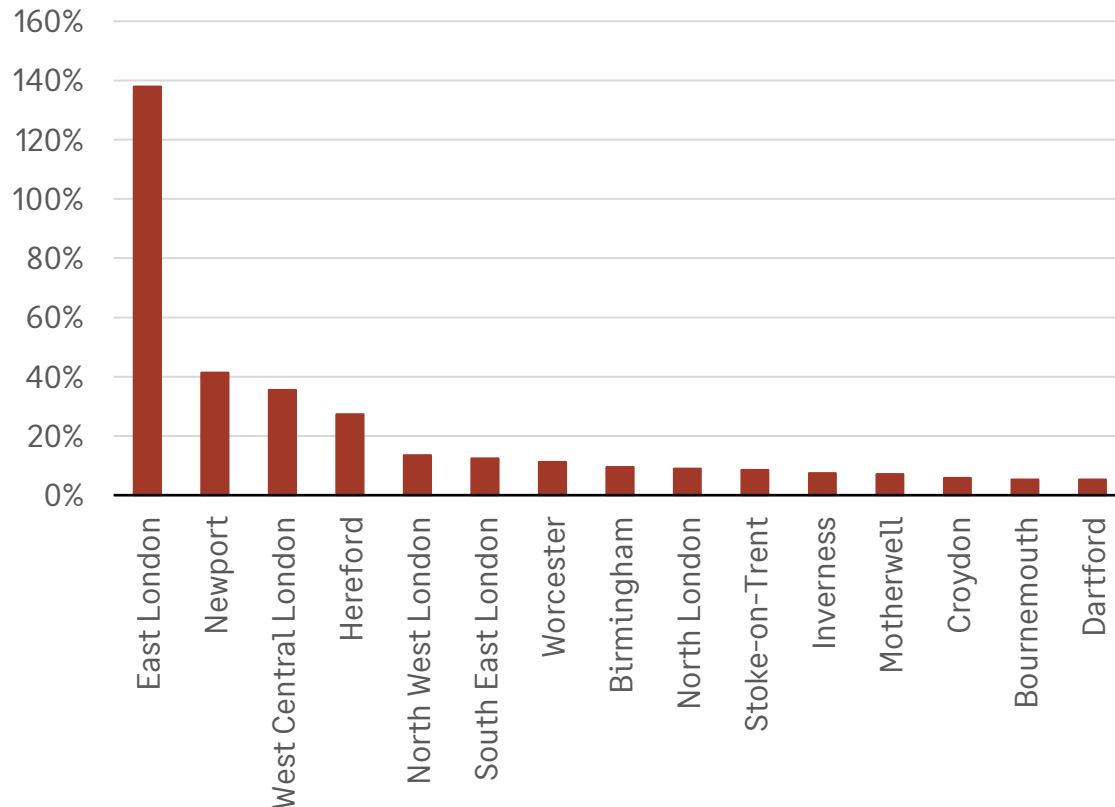
- Looking at business revenue across our three subgroups of size shows that small (S) and extra small (XS) sized businesses have exhibited very similar trends across the whole history of our data. The trend of these businesses has broadly followed that of the broader economy, exhibiting a strong recovery post-pandemic and then tailing off during the sluggish economic growth witnessed over the past two years.
- However, 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 13.3% on an annual basis in Q2 2023. Although it is worth noting that real revenue for nano-businesses (XXS) was particularly weak in 2022, hence the strong growth is coming from a weak base.
- Extra small (XS) and small businesses (S) continue to experience annual falls in average real revenue in Q2 2023. The two business sizes saw revenue fall by 10.8% and 4.4%, respectively.



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

-  Headline Findings
-  Prices
-  Resiliency
-  Growth
-  Profitability
-  Methodology
-  Glossary

Growth in average business revenue between Q2 2021 and Q2 2023 (2019 prices, top 15 cities)



Minimum sample size: 1500 businesses  
Source: Sage, Smart Data Foundry, ONS, Cebr

Over the two years between Q2 2021 and Q2 2023, revenue growth varied greatly by postcode region. From over 100 areas across the UK, 31.5% saw average real small business revenue increase.

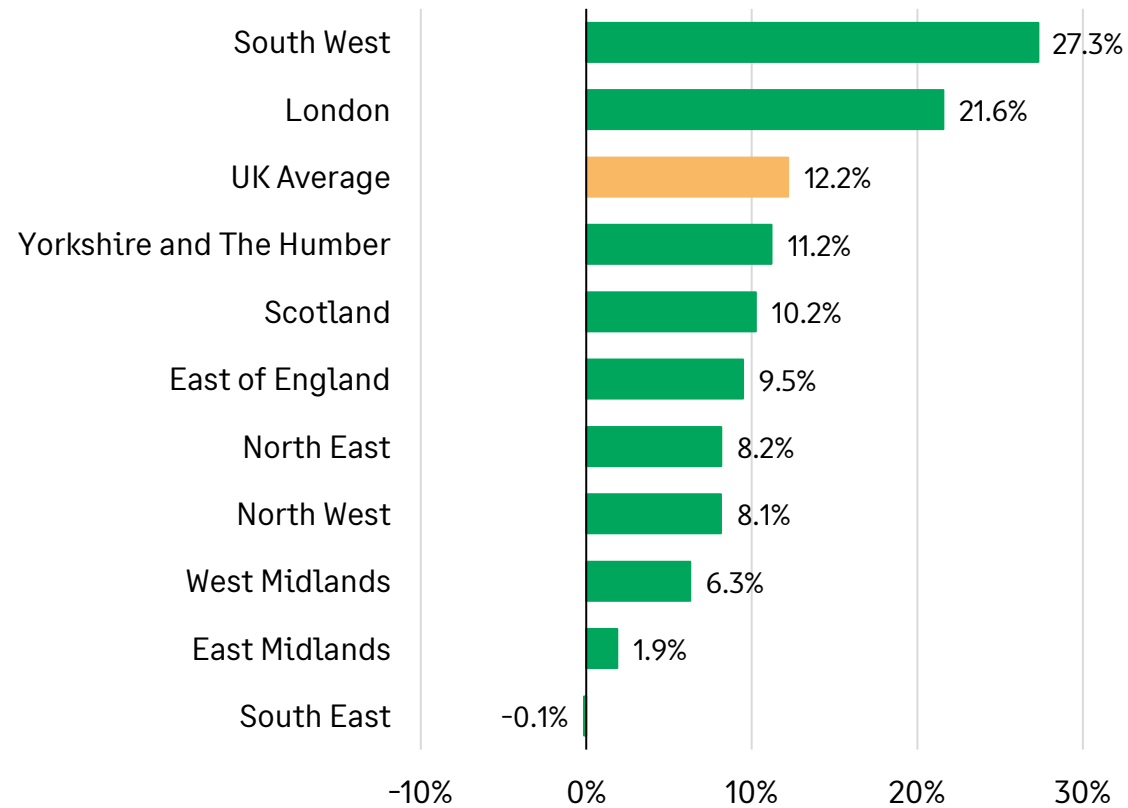
- In the two years to Q2 2023, small businesses in East London achieved the highest real revenue growth, reaching an impressive 137.9%. This is likely linked to the COVID restrictions and the recovery period thereafter, given that East London heavily relies on hospitality and entertainment venues. The relatively younger demographic these venues attract compared to West London may also play a role in its relatively faster bounce back.
- London as a region has performed strongly over the past two years, with West Central London, North West London, South East London, and North London also featuring amongst the UK's top 15 fastest-growing cities.
- Meanwhile, small businesses in Newport saw the second strongest real revenue growth in the two years to Q2 2023, at 41.3%. Newport has notably strong transport links and infrastructure and, across recent years, has experienced strong growth in the size of its economically active population. These factors, amongst others, likely contributed towards strong real average small business growth over the past two years.



# Profitability

- Headline Findings
- Prices
- Resiliency
- Growth
- Profitability
- Methodology
- Glossary

Growth in average real EBITDA between Q2 2022 and Q2 2023 (2019 prices, by UK regions)



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

The average small business saw EBITDA rise by 12.2% in the year to Q2 2023, with the South West recording the strongest growth of any UK region

- EBITDA (earnings before interest, taxes, depreciation, and amortization) is a leading measure of profitability and business performance. Sage’s data shows that the average small business saw a 12.2% rise in EBITDA in the year to Q2 2023.
- Small business profitability over the past two years has diverged across the UK regions. Despite all but one region recording profit growth during this period, there are regional disparities amongst these figures.
- Of the regions in England, the South West saw the largest annual increase in profitability, up by 27.3%. Cities located in the South West, such as Bournemouth, recorded particularly strong growth throughout this period.
- Meanwhile, London recorded the second-largest annual increase in profits, up 21.6%. Various London areas contributed to four of the fifteen fastest-growing UK cities in the past two years, measured by average real business revenue growth. The gradual resurgence of activity in cities and offices has bolstered consumer spending in the region.
- The South East saw the only fall in real profits in the year to Q2 2023, recording a small decline of 0.1%. It’s worth noting that small businesses in this region experienced a smaller decline in expenditure over the period; additionally, profits came from a strong base.



# Methodology



# Methodology and data



Headline Findings



Prices



Resiliency



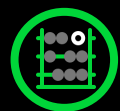
Growth



Profitability



Methodology



Glossary

- 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 Q2 2023, our sample of over 146,000 businesses contained the following demographics.

## Size

- 56% were small (S) businesses (average annual revenue greater than £200,000).
- 25% were extra-small (XS) businesses (average annual revenue greater than £50,000 and less than or equal to £200,000)
- 19% were nano (XXS) businesses (average annual revenue less than or equal to £50,000)

## Region

- Within the sample, over 135,000 of businesses identified their region.

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

## Sector (of the over 67,000 of businesses for which we know the sector)

- 27% were in heavy industry
- 20% 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



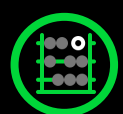
Growth



Profitability



Methodology



Glossary



# Glossary



Headline Findings



Prices



Resiliency



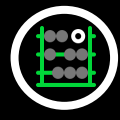
Growth



Profitability



Methodology



Glossary

**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.

**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.



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