

# UK SAGE SMALL BUSINESS TRACKER - Q2 2024

A Sage report in partnership with  
Smart Data Foundry and Cebr

April - June 2024

Sage

SMART  
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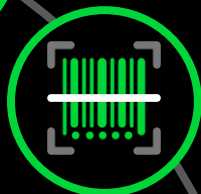
Cebr



# TABLE OF CONTENTS



**1:** Headline Findings



**2:** Prices



**3:** Resiliency – (Time to Pay)



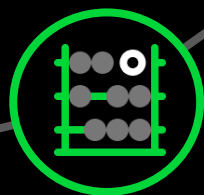
**4:** Growth



**5:** Profitability



**6:** Deep dive – North East



**7:** Methodology



# Headline Q2 findings

The Sage small business tracker reveals that small businesses are gaining strength as revenues increase and the growth in overheads slows to a halt. This led to annual profit growth reaching a two-year high. Stronger performance amongst small businesses aligns with the wider UK economy, which has continued to expand in Q2 after coming out of technical recession in the beginning of the year. All UK regions saw profits grow in Q2 2024, with the West Midlands leading the way.

**FORECAST:** Looking ahead, small business performance is expected to strengthen further in upcoming quarters, supported by reduced interest rates and strong real wage growth.

- i. Profit growth accelerated in Q2** – Average real small business profits grew by 9.5% in Q2 on an annual basis. This was an acceleration from the 5.5% increase in Q1 2024 and the fastest growth rate since Q1 2022. This was driven by a combination of increasing revenue growth and falling costs.
- ii. Small business revenue growth fastest in over two years** – Small business revenues grew by 4.4% in the year to Q2 2024, the fastest rate since Q1 2022. This marks the third consecutive quarter of positive revenue growth and aligns with two-quarters of strong growth across the wider economy.
- iii. Overhead growth slowed to a standstill** – Real overheads remained unchanged in the year to Q2 on an annual basis, the first time since Q4 2022 that overheads didn't grow. On a quarterly basis, overheads have fallen for two consecutive quarters. This is a positive development for small businesses and likely reflects the recent easing in fuel costs.
- iv. Expenditure growth returned to negative territory** – On an annual basis, real expenditure for the average small business fell by 0.4% in Q2 2024. The broad trend of declining expenditure over the past two years may reflect ongoing weakness in small business demand for goods and services.
- v. Capital expenditure by small businesses fell amid the high-interest rate environment** – On an annual basis, capital expenditure fell by 12.1% in Q2 2024 against a backdrop of heightened borrowing costs.
- vi. Small business payment times improve sharply** – The average number of days small businesses took to pay an invoice was 15.6 in Q2 2024. This marked an improvement of 8.3 days from last quarter.



Headline Findings



Prices



Resiliency



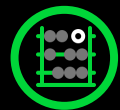
Growth



Profitability



Deep dive North East



Methodology



# Small business profit accelerated further in Q2 amidst a continued easing in costs



Headline Findings



Prices



Resiliency



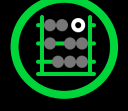
Growth



Profitability

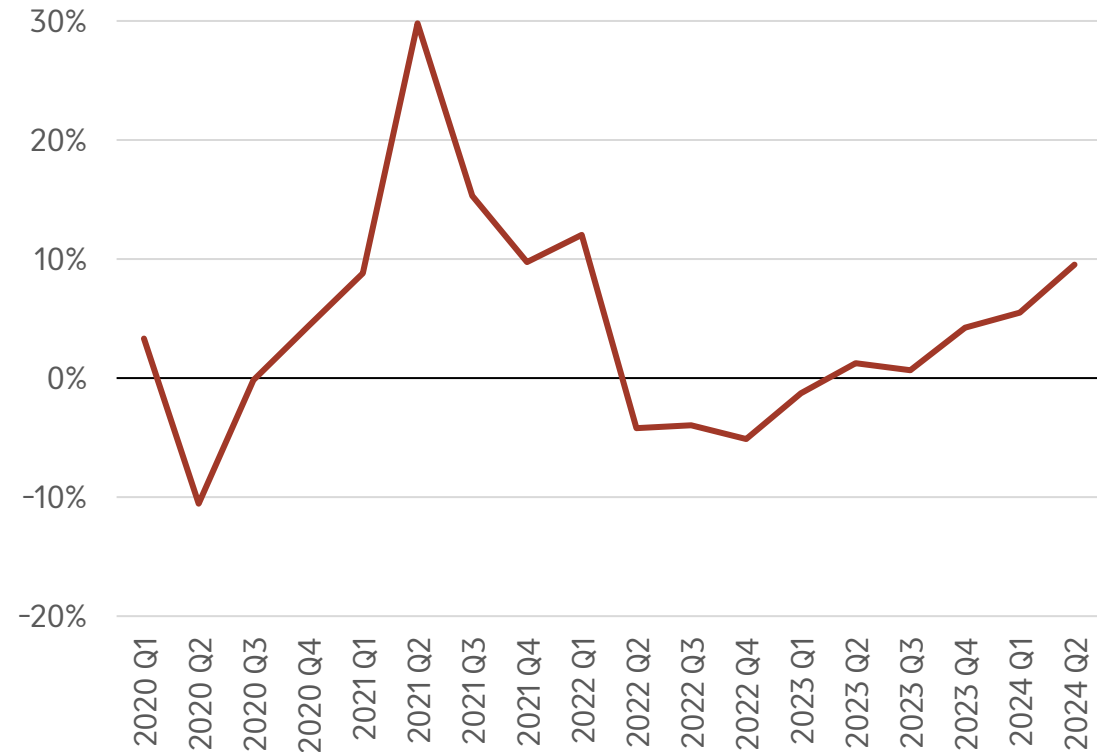


Deep dive North East



Methodology

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



Source: Sage, Smart Data Foundry, ONS, Cebr

- 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 9.5% for the average small business in the year to Q2 2024. This represents an acceleration from 5.5% in the previous quarter and is the strongest annual growth rate that the measure has recorded since Q1 2022, at 12.0%.
- Small business costs generally fell in the year to Q2 2024. This consists of flat overheads, with growth falling to 0.0% in Q2 2024 from 0.9% in the quarter prior, while small business expenditure fell in the year to Q2 2024 by 0.4%.
- While costs fell, the annual growth in real revenues accelerated to 4.4% in the quarter. As a result, profits amongst small businesses grew. This is the fifth consecutive quarter of profit growth.



Headline Findings



Prices



Resiliency



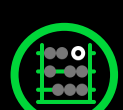
Growth



Profitability



Deep dive North East

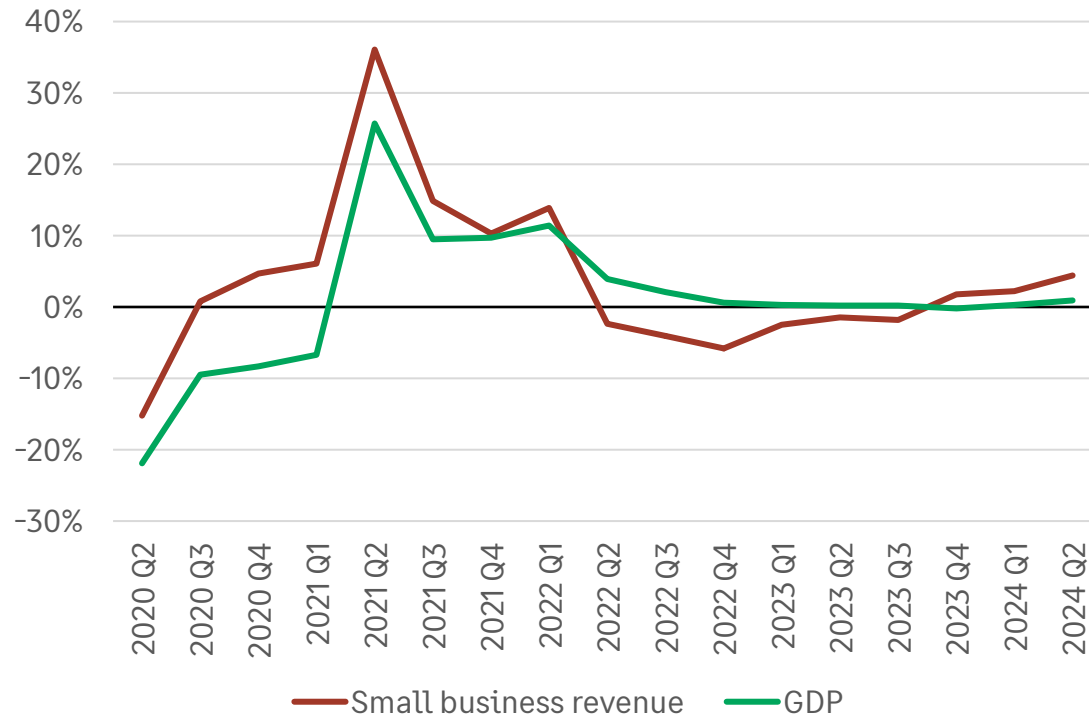


Methodology

# Small business revenue sees highest level of annual growth since Q1 2022



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 increased by 4.4% year-on-year in Q2 2024. This follows an upwardly revised annual growth figure of 2.2% in Q1 2024.
- Small business revenue growth in the UK has faced significant downturns since mid-2022 but has seen three consecutive quarters of year-on-year growth, which likely reflects the improved economic conditions seen since the turn of the year.
- The UK economy appears well past the technical recession seen towards the end of 2023 and has now seen year-on-year growth of 0.9% in Q2. This growth has been driven primarily by an expansion in services, which more than offset the marginal contractions in the production and construction sectors. This contrasts with our data, which shows that heavy industry saw the fastest growth in the year to Q2 (7.4%), compared with light industry or services (both 5.8%).
- Services growth has been driven by non-consumer-facing industries in the year to Q2, while consumer-facing sectors saw falling output. Analysis shows that while real wage growth has been strong for a sustained period, those on low and middle incomes are still struggling with the cost of essential goods, which is likely a large reason why consumption remains lower in Q2 2024 than the same period in 2023.
- Looking forward, both consumer and business-to-business demand should be supported by gradual cuts to interest rates, which started in August. Household finances should continue to gradually improve due to the continuation of positive wage growth. One risk to the outlook is the upcoming Budget, given that key government officials have signalled the need for tax rises.





# Cost pressures for small businesses ease further in Q2



Headline Findings



Prices



Resiliency



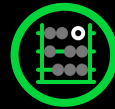
Growth



Profitability

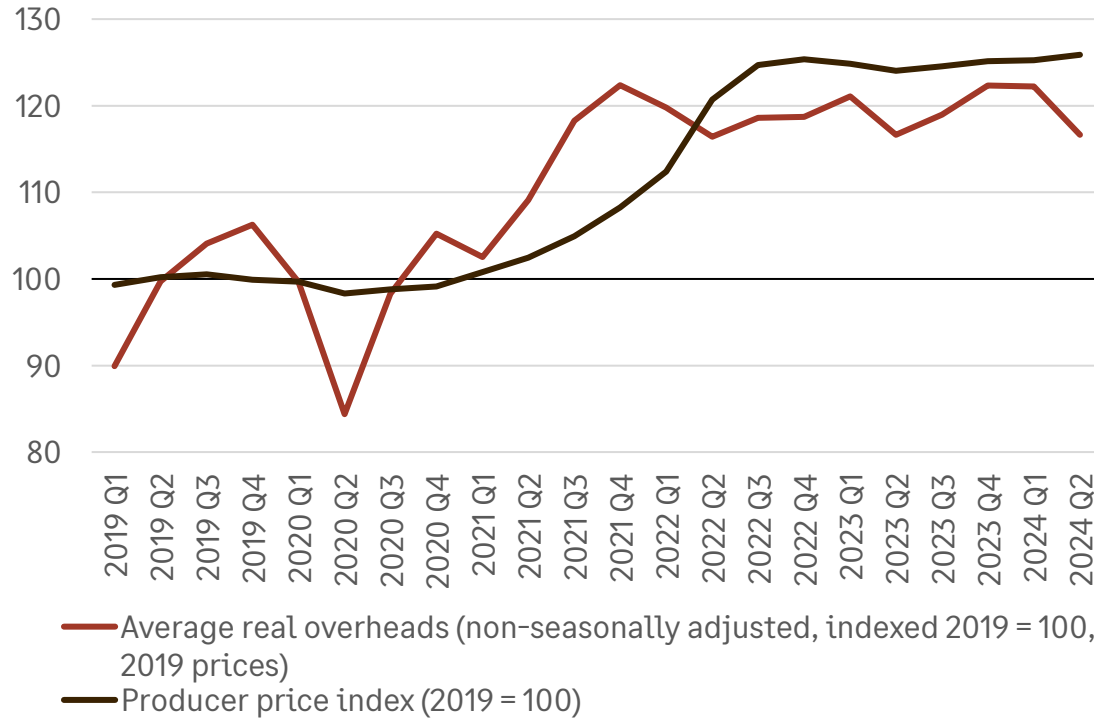


Deep dive North East



Methodology

Overheads (2019 prices, indexed values, 2019 = 100) and output 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, overhead growth has slowed to a halt in Q2 2024, with a 0.0% change in real terms from Q2 2023. On a quarterly basis, there has been a 4.6% fall in overheads from Q1 2024, representing a positive development for small businesses. It marks the second consecutive period of quarter-on-quarter declines and may reflect a wider easing of cost pressures.
- The trend in overheads for the average small business mostly mirrors broader cost trends in the UK economy. While producer output prices have remained largely flat in recent quarters, falling fuel input prices, which fell by 10.6% in the year to July, likely contributed to the declining overheads faced by small businesses, while Cushman & Wakefield data suggests that growth in commercial rent costs are beginning to slow.
- Looking ahead, global energy prices are expected to continue to ease gradually although they remain at risk of further geopolitical shocks. Rent price growth should also continue to slow now that the Bank of England's monetary policy easing campaign has begun.

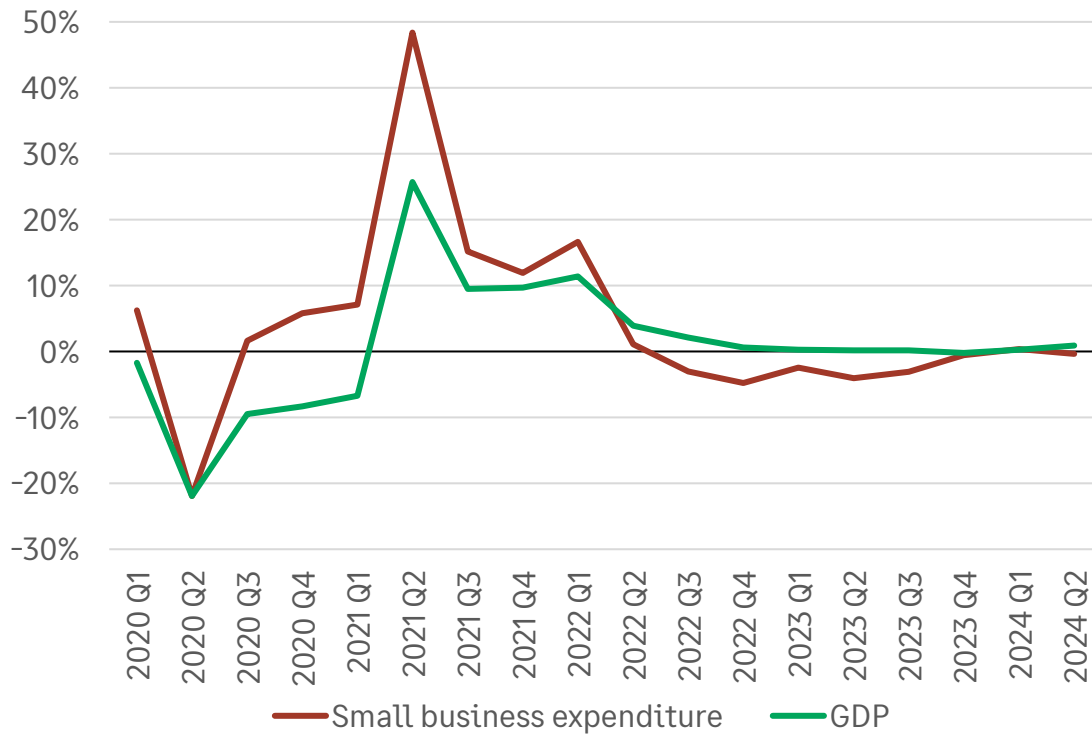
Source: Sage, Smart Data Foundry, ONS, Cebr



# Small business expenditure fell in Q2, supporting growth in annual profits

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

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 0.4% in Q2 2024. This, alongside flat overheads and growing profits, has led to faster growth in profits.
- Falling expenditure does not seem to align with broader changes in business costs. ONS data shows that producer input prices fell by 0.4% in the year to June, although producer output prices rose by 1.4% in the same period, and services producer prices rose by 3.4% in the year to Q2.
- Instead, the long-term trend in real average expenditure by small businesses aligns with the broader sluggish growth patterns of the UK economy. This may indicate that our data shows small businesses are reducing demand for goods and services.
- Looking ahead, improving business optimism and increasing profits should lead to greater expenditure for small businesses in the short-term. However, producer input and output prices were broadly flat in the first month of Q3. Wage growth should continue to ease, leading to lower service price growth over time.

Source: Sage, Smart Data Foundry, ONS, Cebr



Headline Findings



Prices



Resiliency



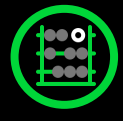
Growth



Profitability



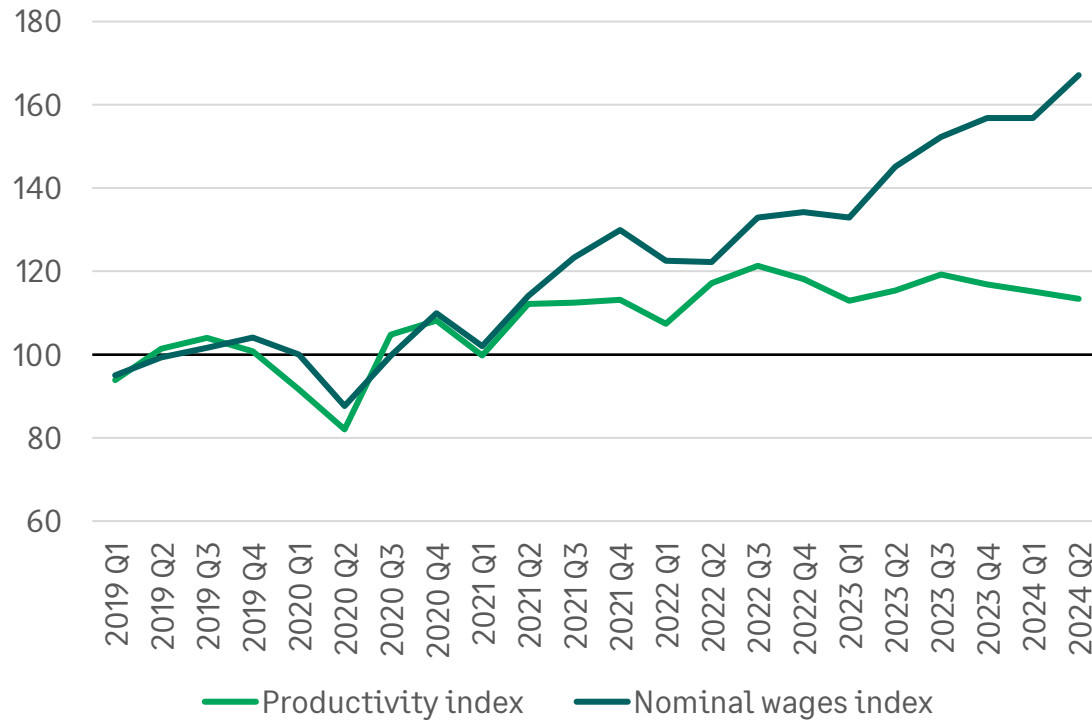
Deep dive North East



Methodology

# Wages and Productivity

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

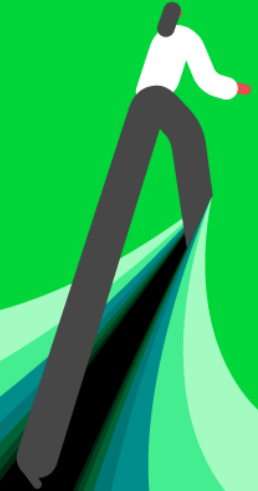


Source: Sage, Smart Data Foundry, ONS, Cebr

- Annual wage growth for small businesses continued to rise in Q2 2024. According to the latest Sage data, nominal wages increased by 15.2% in the quarter, down from 18.0% in Q1 2024. This slowdown in annual growth came despite strong quarterly growth, as there was a sharp rise in nominal wages between Q1 and Q2 in 2023.
- The latest data from the Office for National Statistics (ONS) shows that the average total pay across the broader UK economy grew by 4.5% on an annual basis in Q2 2024. This reflects a slowdown compared with Q1 2024 and, therefore, suggests that the trends in small business wage growth align with that of 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 Q2 2024, productivity for the average small business declined by 1.8% on an annual basis, following a 2.0% increase in Q1 2024. Despite the rise in annual terms in the previous quarter, productivity has been on a downward trend in the last three quarters.
- The wavering growth in productivity displayed over the past two years can be attributed to employee numbers, averaging 5.6 in 2024 thus far compared to 4.3 in 2019, growing faster than revenues.
- However, since Q4 2019, small business productivity has grown much faster at 12.4% than economy-wide productivity, at 1.9%.



# Sage small business tracker: Indicators by key themes





# Prices and spending



Headline Findings



Prices



Resiliency



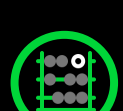
Growth



Profitability

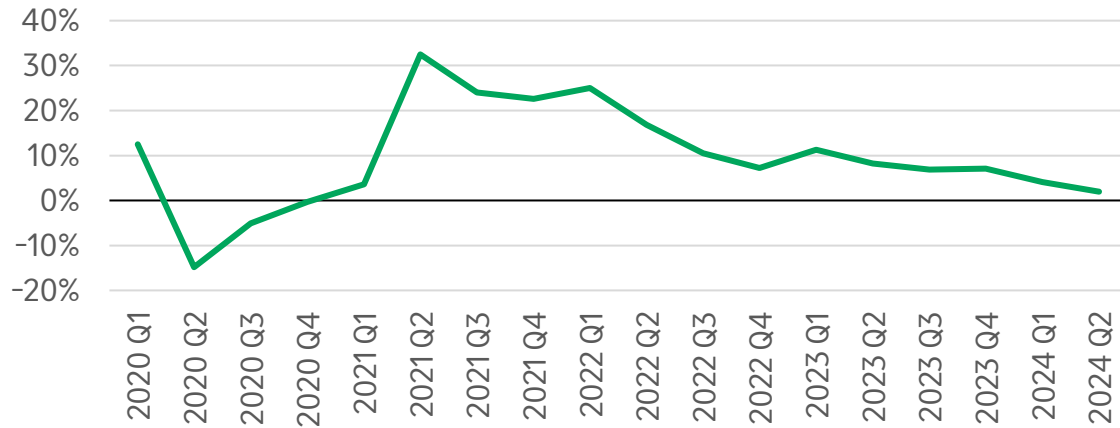


Deep dive North East

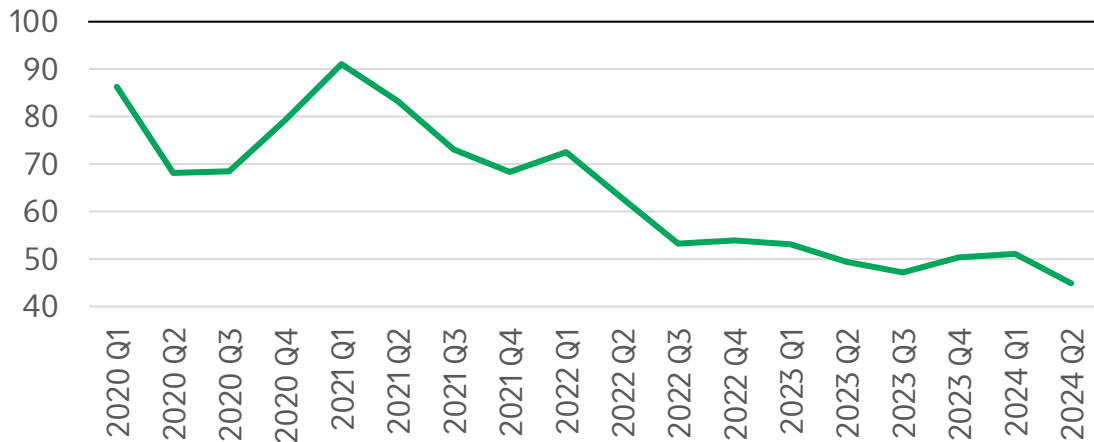


Methodology

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

## Capital expenditure continues to fall amidst elevated borrowing costs.

- The latest Sage data indicates that in nominal terms, average overhead growth has slowed for a second consecutive quarter to 2.0% in Q2 2024. This is the slowest quarter in terms of growth since Q4 2020, where overheads fell by 0.3%.
- On an annual basis, capital expenditure fell 9.1% in Q2 2024, following a decline of 3.9% in the previous quarter. Capital expenditure is now 30.2% lower than it was before the pandemic (Q4 2019).
- 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.
- The Bank of England's monetary policy tightening campaign has made borrowing more expensive. This has significantly impacted small businesses' decision-making regarding long-term investments.
- That said, in August, the Bank of England cut interest rates for the first time since March 2020, with a further cut expected before year-end. As a result, the trend of declining small business capital expenditure may soften or reverse in the coming quarters.



# Prices: overheads by business size



Headline Findings



Prices



Resiliency



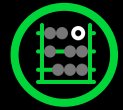
Growth



Profitability



Deep dive North East



Methodology

Annual growth in nominal average overheads, by business size



The smallest businesses have now recorded double-digit growth in overheads for six consecutive quarters, while larger small businesses saw further falls in Q2 2024.

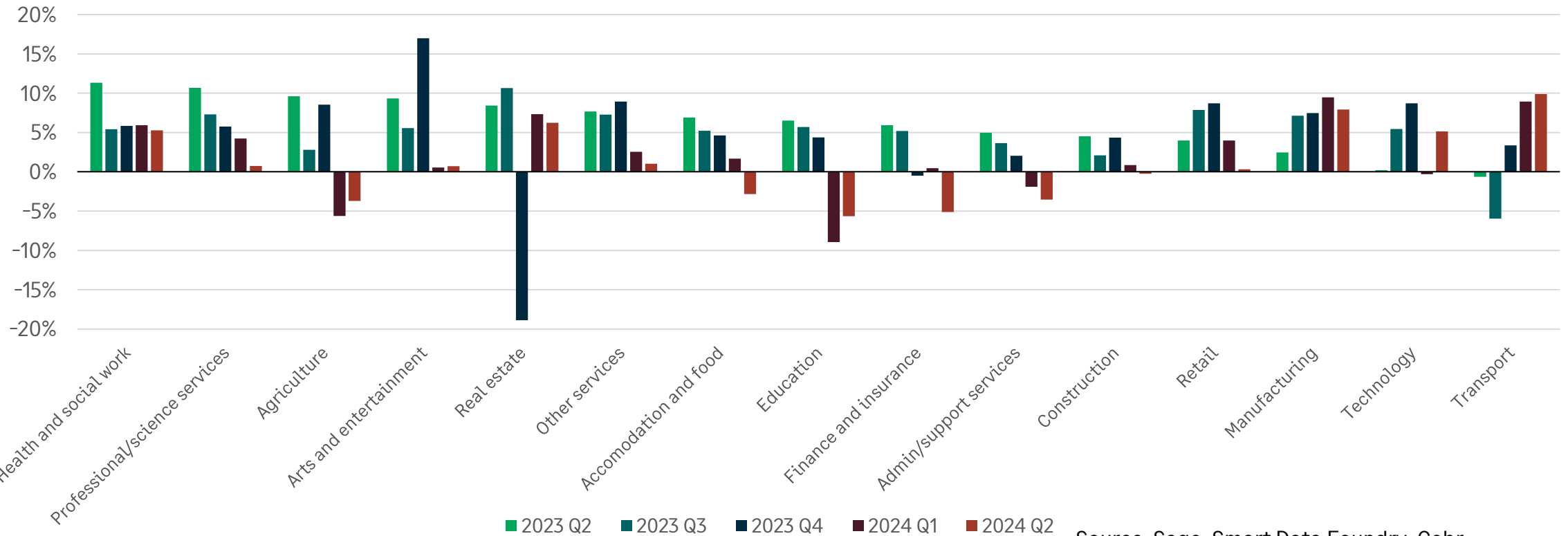
- Breaking down overhead data by business size shows how different types of businesses have been affected by rising prices.
- The smallest businesses have seen the fastest annual growth in nominal overheads since the opening quarter of 2023. In Q2 2024, nano businesses (XXS) reported overheads standing 32.2% higher than a year earlier. Meanwhile, extra small (XS) and small businesses (S) saw overheads fall in Q1 2024 by 9.3% and 5.9%, 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 finance & insurance witnessed the largest annual falls in nominal overheads, falling by 5.7% and 5.1%, respectively. For the finance and insurance industry, this decline corresponds with reduced output in H1 2024, which suggests that overhead cuts are likely an adjustment to protect profit margins amid falling output.
- In contrast, transport saw the largest annual rise in overheads at 9.9%. The industry has likely been particularly affected by fuel prices rising on an annual basis. According to the ONS, motor fuel prices rose by 2.6% annually in June 2024.



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



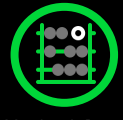
Growth



Profitability

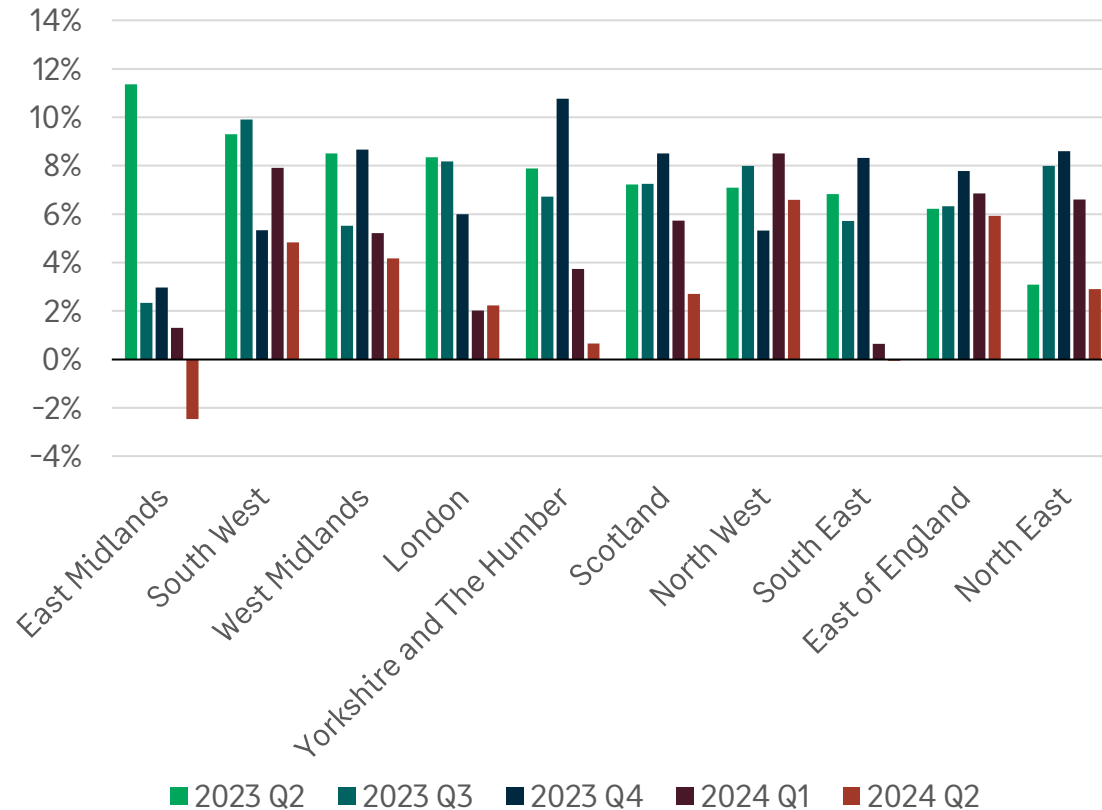


Deep dive North East



Methodology

Average overheads growth by UK region between 2023 Q2 and 2024 Q2 (nominal, year-on-year %)



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

Nine out of ten regions in the UK saw an easing in overhead growth in Q2, with the East Midlands and South East registering declines.

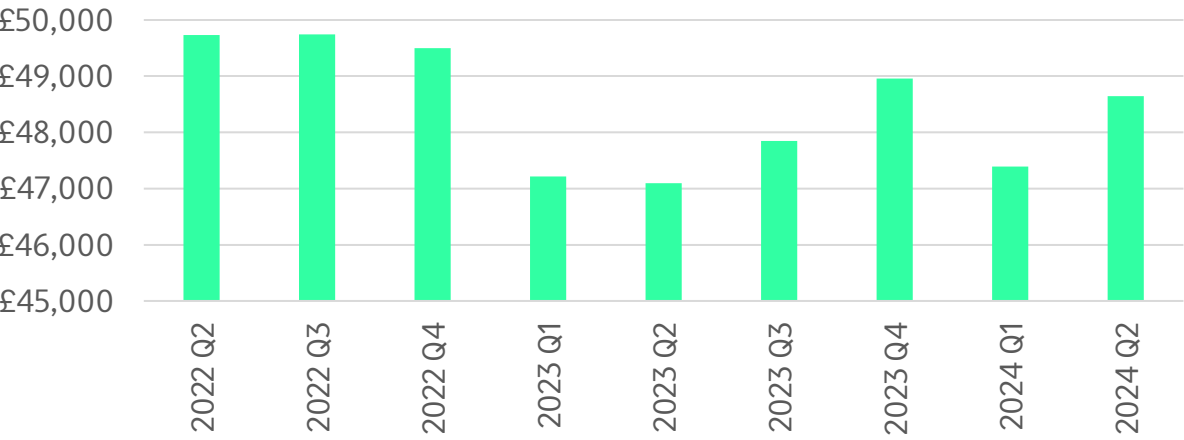
- On an annual basis, overhead growth eased in nine of the ten regions of the UK, for which we have a representative sample in the year to Q2. The East Midlands and South East saw growth turn to negative territory in the quarter, down 2.5% and 0.1%, respectively.
- In contrast, the North West recorded the largest rise in annual overheads for the second consecutive quarter, at 6.6%. This still represents a significant easing in overhead growth compared to the previous quarter.
- London was the only region to see an acceleration in annual overheads growth in Q2, rising to 2.2% from 2.0% in Q1. This divergence in growth likely reflects the region's relatively higher concentration of service-based sectors, as services price growth has outstripped good price growth in recent quarters.
- The regional differences in overhead growth are partially attributed to the differences in sectoral compositions. Consequently, the rate of overhead growth has not been experienced uniformly by small businesses across the UK.



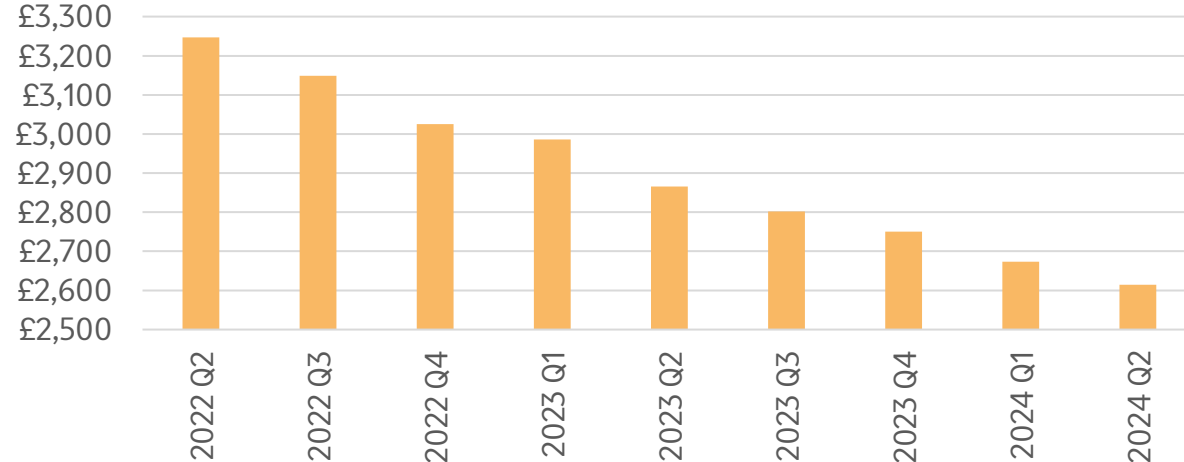
# Resiliency: cash and debt

-  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

Real cash balances for small businesses have improved while debt balances have declined in Q2 2024.

- 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 Q2 2024 shows that cash balances in real terms improved from their dip in Q1 2024 and were up by 3.3% compared to a year earlier in Q2 2023. In monetary terms, the average cash balance held by small businesses in Q2 2024 was £48,644.
- Small business debt positions reflect loan utilisation, which is the sum of credit card balances and other credit available. The average debt position has fallen gradually in the last two years, to £2614 in Q2 2024. Indeed, in real terms, debt is down 8.8% compared to a year earlier. Compared to the previous quarter, the average small business's real debt position fell by 2.2%. It is likely that higher profits have allowed firms to use self-financing rather than loans.
- The elevated interest rates caused by the Bank of England's tightening measures have led to more expensive borrowing costs for small businesses. Consequently, many of these businesses have opted to decrease their debt levels.
- The trend for cash and debt in H1 2024 broadly mirrors each other. While interest rates are high, small businesses have increased their cash levels and decreased borrowing.

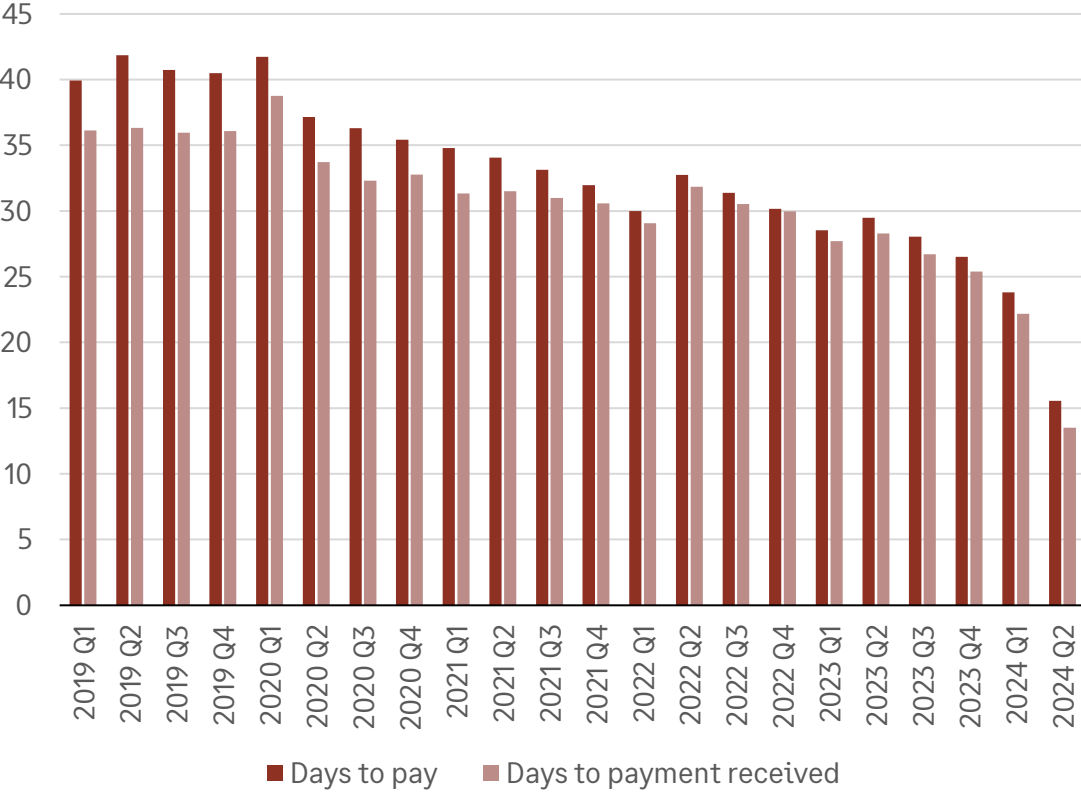




# Resiliency: time to pay

- 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

The time taken for small businesses to receive or pay an invoice has continued its downward trend.

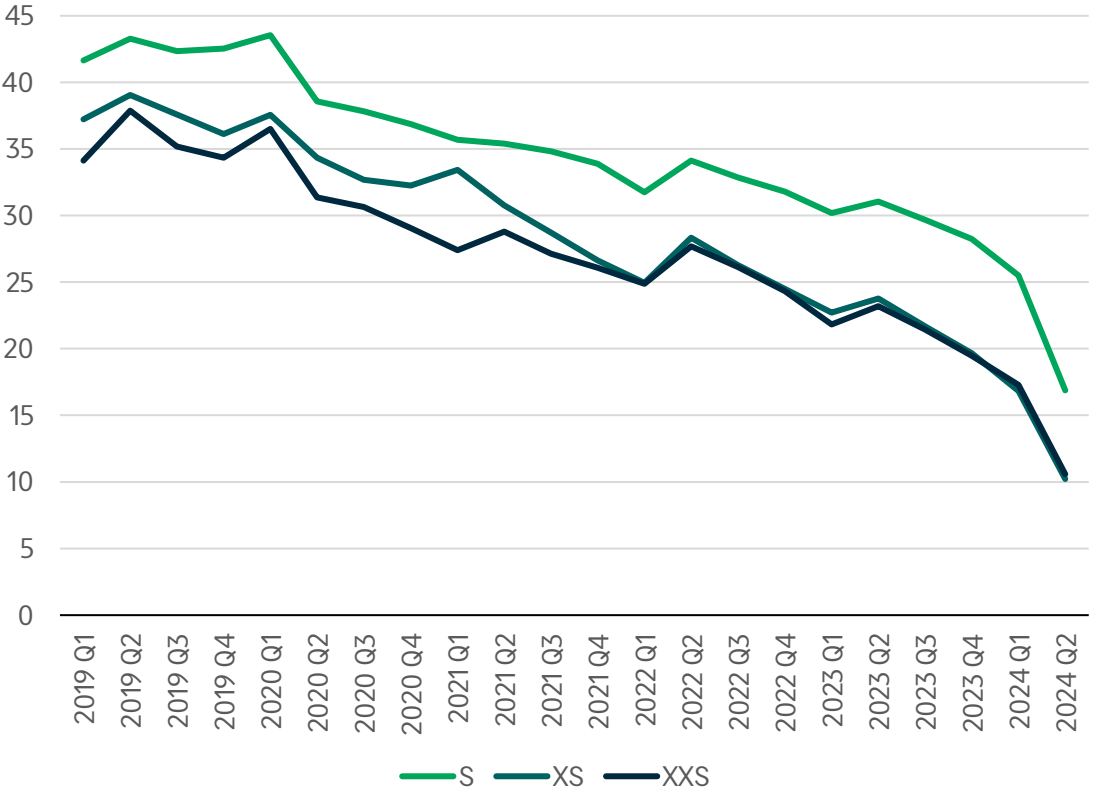
- Small businesses, on average, received payment on invoices after 13.5 days, down by 14.8 days compared to the same quarter a year prior.
- Meanwhile, the average number of days small businesses took to pay an invoice was 15.6 in Q2 2024. This marked an improvement of 13.9 days from Q2 2023.
- This 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.
- The downward trend in payment times suggests that 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 difficulties brought on businesses 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 difficult economic conditions. It is also positive that the time taken to receive payments has decreased, supporting cash flow resilience. As inflationary pressures normalise and conditions stabilise, small businesses will likely be even better placed to maintain healthy cash flows going forwards.



# 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



Source: Sage, Smart Data Foundry, ONS, Cebr

Invoice payment times fell across all small business sizes in Q2 2024. Extra-small and nano businesses continued to pay more quickly, although the divergence reduced markedly.

- 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 10.2 days to pay an invoice in Q2 2024, an improvement of 13.6 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 Q2 2024. This marks a strong improvement from an average of 23.2 days recorded in the same quarter a year earlier.
- The small (S) grouping had the highest average days to pay in Q2 2024, a trend that has persisted across Sage’s data series. At 16.9 days, however, this was a notable improvement from one year earlier when these businesses took an average of 31.0 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. That said, the divergence between the different sizes of firms reduced markedly this quarter.



# Overdue invoice payment times fall sharply



Headline Findings



Prices



Resiliency



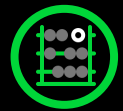
Growth



Profitability

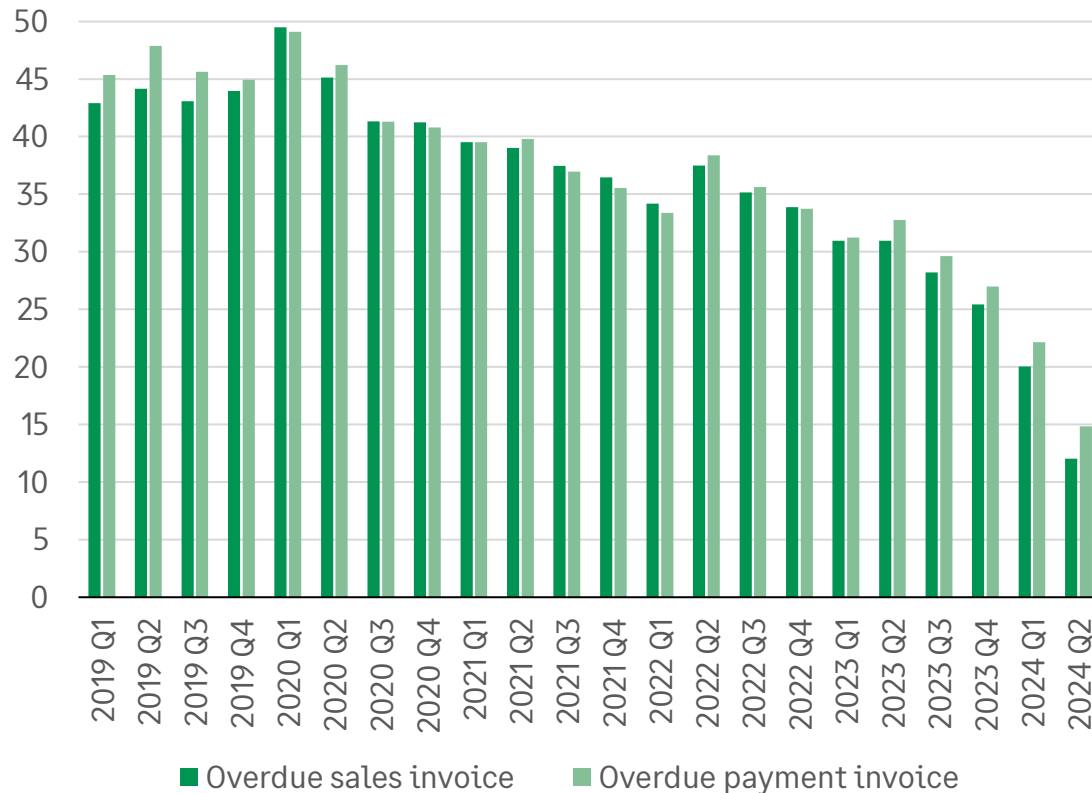


Deep dive North East



Methodology

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



Source: Sage, Smart Data Foundry, ONS, Cebr

Small businesses saw a significant improvement in overdue invoice payment times. Meanwhile, the overall share of invoices which were overdue was substantially lower than pre-pandemic levels.

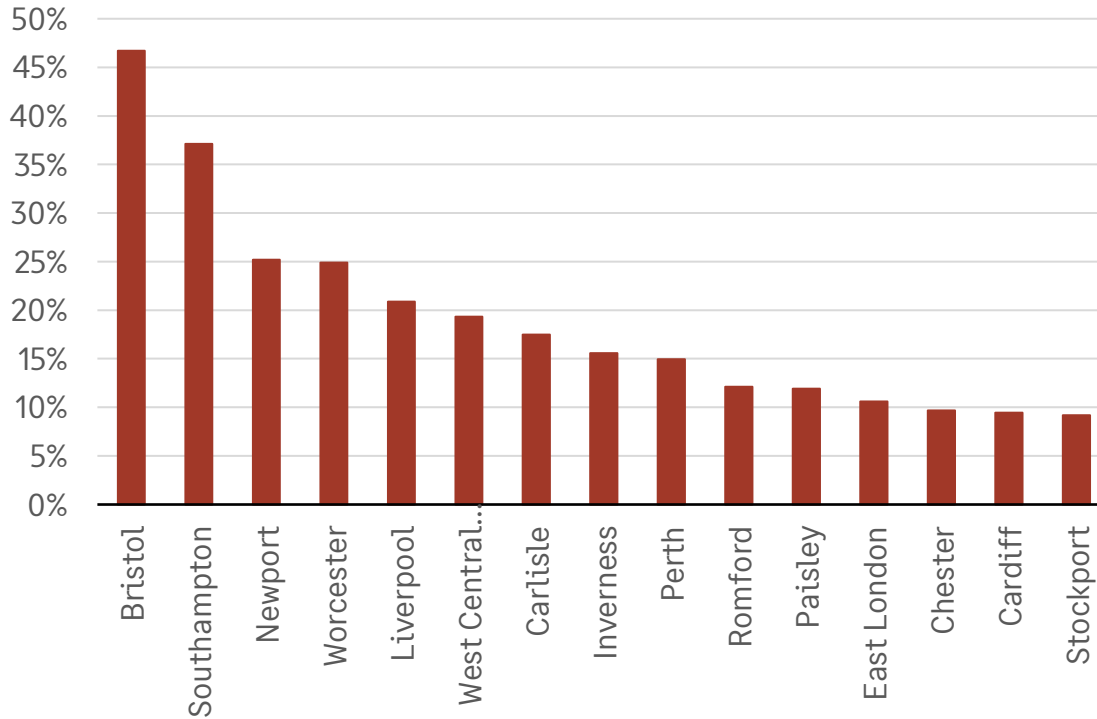
- The average number of days for small businesses to be paid a sales invoice once it was overdue in Q2 2024 was 12.0 days. This represents a significant improvement compared to the previous quarter it took 20.0 days for small businesses to be paid a sales invoice once it was overdue.
- The average number of days small businesses were late to pay an invoice for those that were overdue was 14.8 days in Q2 2024.
- This marked an improvement from a year earlier, which saw an average of 32.8 days in Q2 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 was late on their invoice when they were overdue was 45.9 days.
- Improved credit control practices and strengthened relationships between businesses and their customers could be driving this positive trend. Healthier cash flows, aided by the slowdown in inflation, may also be a contributing factor to this downwards 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 32.5% in Q2 2024, which represents a significant improvement between 2018 and 2022 when this measure averaged 45.0%.



# 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 Q2 2022 and Q2 2024 (2019 prices, top 15 cities)



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

Over the two years between Q2 2022 and Q2 2024, revenue growth varied greatly by postcode region. Across over 100 areas in the UK, Bristol performed best.

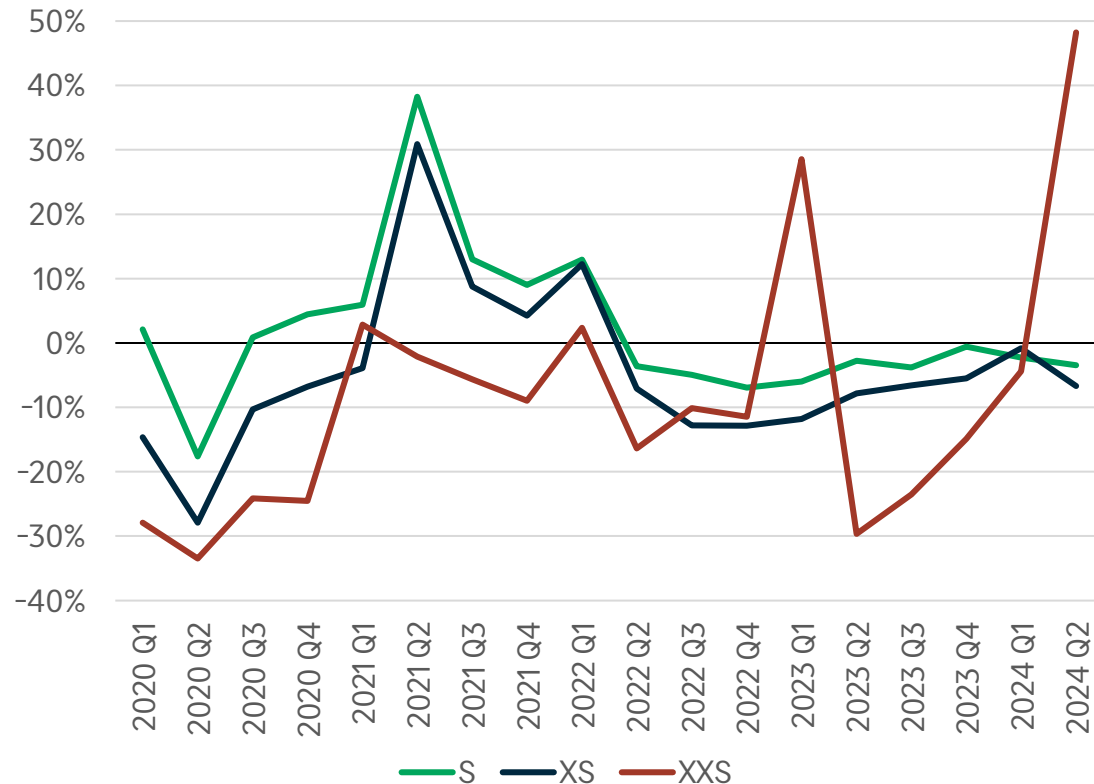
- Small businesses in Bristol experienced the strongest real revenue growth in the two years to Q2 2024, at 46.7%. The area has a high concentration of service subsectors, most notably professional, scientific and technical, and information and communications. Consequently, Bristol has likely benefitted from the strong growth in both these industries in H1 2024, as well as broader population growth in the last decade. Indeed, Bristol was the second-fastest growing city in England and Wales between 2012-2022, according to the Bristol City Council.
- Although it was the only area within the South East of England in the top fifteen, Southampton saw the second-strongest revenue growth at 37.1%. Similar to Bristol, the growth in professional services is likely a driver of the city's success. Additionally, Southampton's maritime industry has likely been supported by rises in UK trade activity in the quarter.
- Businesses in the North West of England represented four of the fifteen fastest-growing towns and cities: Liverpool, Carlisle, Chester, and Stockport. This revenue growth has fed through to the average small business profits in the region, which were the second fastest growing on an annual basis amongst UK regions in Q2 2024.



# 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

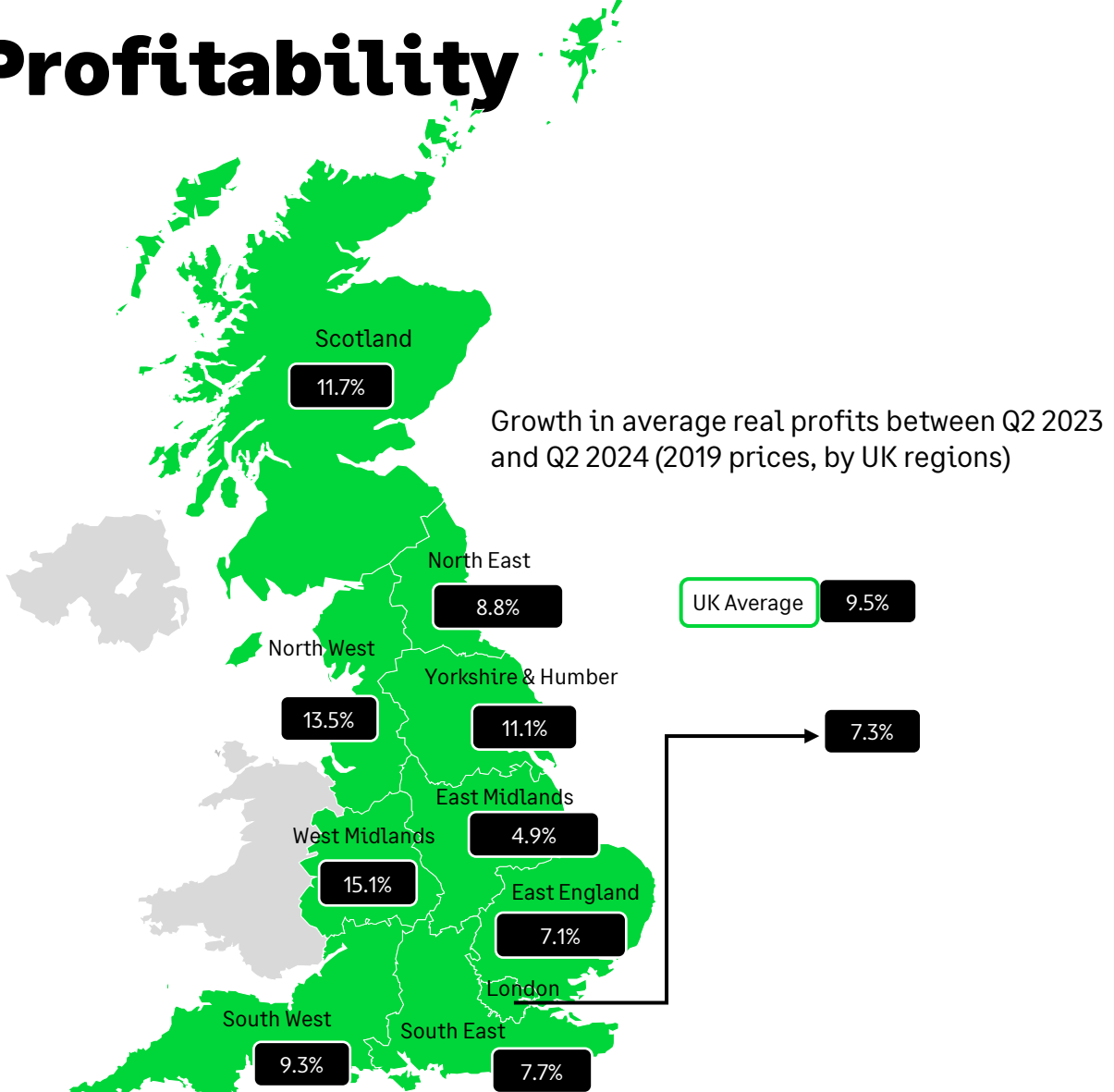
The smallest businesses in our sample recorded the strongest real revenue change on an annual basis. Although, these businesses have also faced the largest increases in overheads.

- 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.
- However, small and extra small businesses do not yet seem to have experienced an upturn in performance that GDP data for 2024 suggests they might have.
- 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 48.2% on an annual basis in Q2 2024.
- However, nano-businesses have also experienced the largest increases in annual overheads. In Q2, XXS businesses reported nominal overheads standing 32.2% higher than a year earlier. Meanwhile, extra small and small businesses saw overheads fall in Q1 2024 by 9.3% and 5.9%, respectively.



# Profitability

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



Growth in average real profits between Q2 2023 and Q2 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 9.5% in the year to Q1 2024, with the West Midlands 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 9.5% rise in profits in the year to Q2 2024.
- However, there were regional disparities in small business profitability over the past year. The West Midlands recorded the largest annual increase, up by 15.1%. Meanwhile, Scotland, the North West and Yorkshire & the Humber also performed strongly, with real annual profit growth above 10.0%
- In contrast, regions in the South of England weighed on the UK average. Indeed, the South West, the South East, and London all recorded profit growth below the 9.5% average.
- The East Midlands saw the slowest growth, although it remained positive. Profits in this region grew by 4.9% annually in Q2 2024.
- The divergence in performance will be partially driven by the fact that heavy industry saw the fastest growth in revenues in the year to Q2, given that the West Midlands and North West have particular strengths in that area, whereas London and the South East are more services oriented. East Midlands seems like an outlier here, as it saw the slowest growth despite having a good share of heavy industry firms.

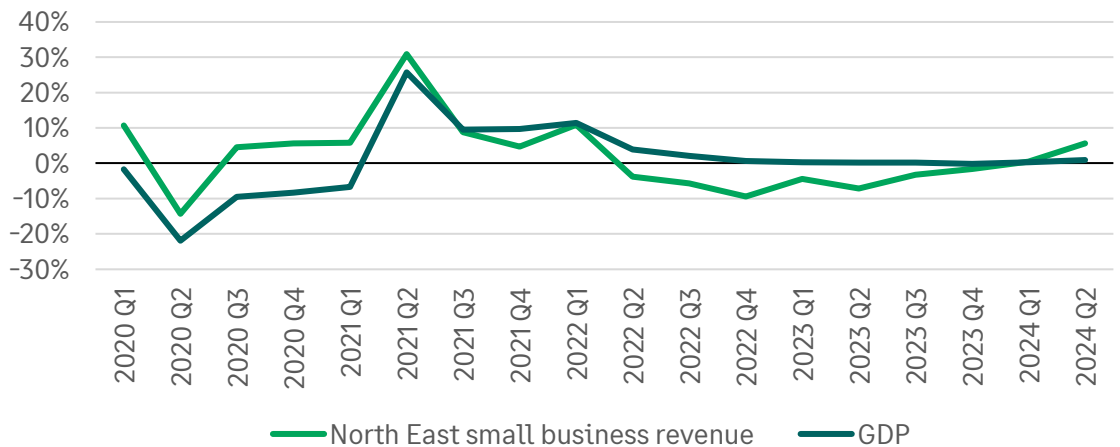




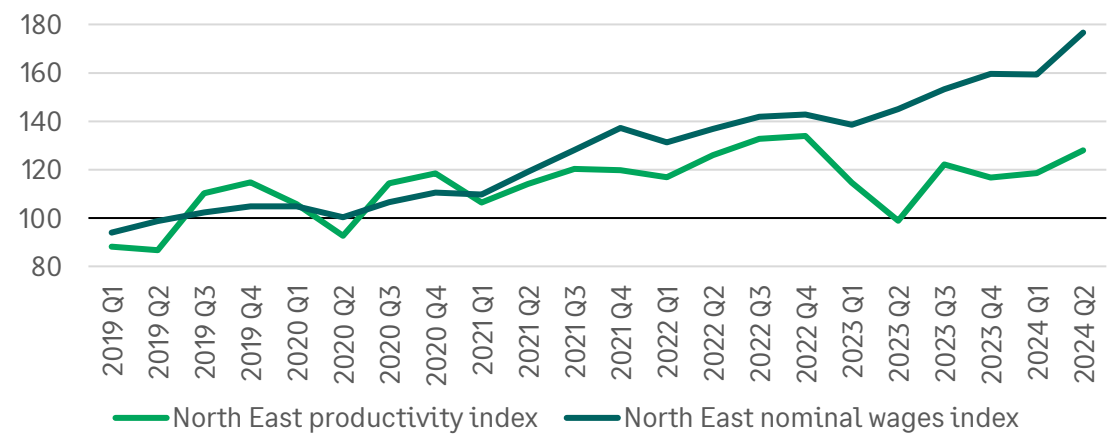
# Deep dive – North East

- 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

In the North East, the average small business saw real revenue rise by 5.6% in the year to Q2 2024. Meanwhile, average small business productivity in the North East rose by 29.5% on an annual basis.

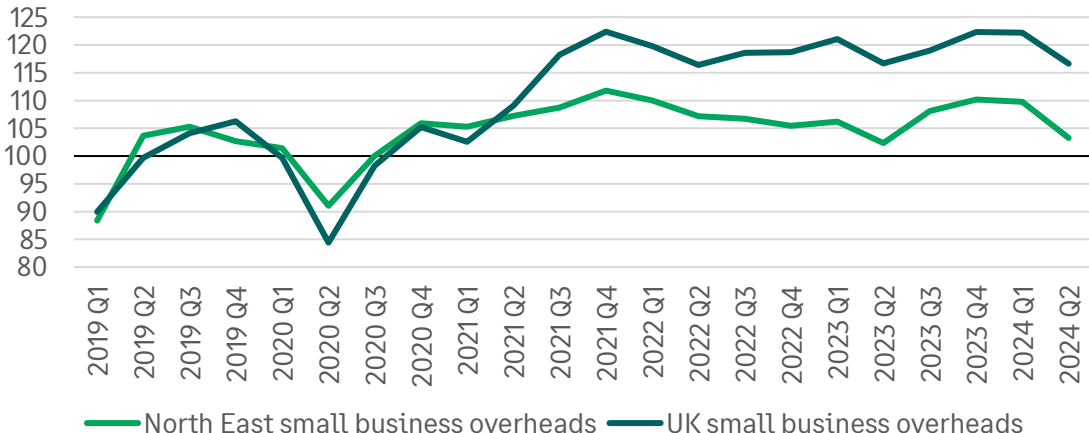
- Small business revenue rose by 5.6% in the North East in the year to Q2 2024, in real terms. Comparatively, revenues for small businesses UK-wide rose by 4.4% on average.
- Historically, small business revenue in the North East has generally aligned with the overall trend in UK GDP growth. However, in Q2 2024, a slight divergence emerged, potentially driven by the region’s strong concentration in the health and manufacturing sectors—two of the fastest-growing industries in terms of annual revenue.
- In level terms, average small business revenue in the North East was 9.7% below that of the UK average in Q2 2024.
- Productivity in our sample of North East small businesses is measured by revenue divided by the number of employees within a business.
- In contrast to the UK-wide trend, productivity in the North East has risen sharply over the past year, rising by 29.5% on an annual basis.
- Meanwhile, nominal wages for the average small business in the North East grew by 21.8% on an annual basis in Q2 2024. This is significantly stronger than the 15.2% growth observed by the UK-wide sample.



# Deep dive – North East

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

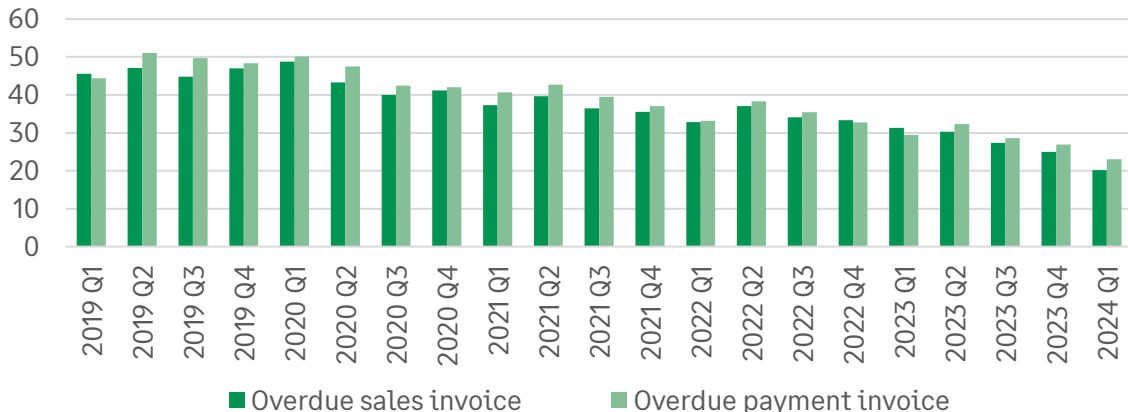
Overheads for the average North East small business (2019 prices, indexed values, 2019 = 100)



The average North East small business saw real overheads rise by 0.9% in the year to Q2 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.
- Unlike the UK-wide trend, overheads in the North East rose on an annual basis in Q2 2024 by 0.9%. Meanwhile, overheads for small businesses UK-wide remained unchanged on average, recording 0.0% growth.
- In level terms, overheads of North East small businesses have not climbed 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 small businesses were late to pay an invoice for those that were overdue was 14.8 days in Q2 2024, matching the UK-wide average.

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



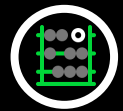
Growth



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



Headline Findings

- In Q2 2024, our overall sample was 153,000 businesses. For the accounting software-based data, the sample was 136,000, which contained the following demographics.



Prices

## Size

- 39% were small (S) businesses (average annual revenue greater than £200,000).
- 34% were extra-small (XS) businesses (average annual revenue greater than £50,000 and less than or equal to £200,000)
- 28% were nano (XXS) businesses (average annual revenue less than or equal to £50,000)



Resiliency

## Region

- Within the sample, over 126,000 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%



Growth

## 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



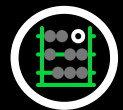
Profitability

## Payroll (our data for productivity and workforce-related variables are based on a smaller sub-sample of 21k small businesses)

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



Deep dive North East



Methodology





# Glossary



Headline Findings



Prices



Resiliency



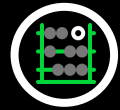
Growth



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.



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