This chapter reports on growth plans and perceived barriers to that growth. It then explores SMEs’ intentions for the next 3 months, in terms of finance and the reasons why SMEs think that they will/will not be applying for new/renewed finance in that time period.
Key findings

In Q2 2018 almost half of SMEs (48%) were planning to grow in the year ahead, including 3% planning to grow by 40% or more:

- This increased by size of SME from 42% of those with 0 employees to 90% of those with 50-249 employees.
- Excluding the PNBs increased the proportion of remaining SMEs planning to grow to 56%.
- International SMEs remained more likely to be planning to grow (6 in 10).

On an annual basis, the proportion of SMEs planning to grow declined from 49% in 2013 to 43% in 2016 but has since increased somewhat (47% in H1 2018), led by the 0 employee SMEs (40% in 2016 to 44% in H1 2018).

- Almost all of those planning to grow (97%) said they would achieve this through more sales in the UK. 12% planned to grow by selling (more) overseas, the equivalent of 6% of all SMEs.

A third of SMEs (37%) were planning any of a series of activities that might be related to growth. This included 18% planning to take on more staff, 15% investing in plant and machinery and 14% planning to develop a new product or service:

- The proportion planning any of these activities increased by size of SME (33% of those with 0 employees to 49% of those with 50-249 employees).
- 55% of those planning to grow were planning one or more of these activities, compared to 20% of those with no plans to grow.
- The proportion planning any activities was slightly lower in H1 2018 (39%) than H2 2017 (42%) when the question was first asked and was lower across all size bands.
1 in 10 SMEs (9%) in Q2 2018 were planning to apply for finance in the next 3 months, typically to fund UK expansion, a new business opportunity or plant and machinery. This was somewhat lower than the 14% to 12% recorded 2012 to 2017, and across all size bands.

In addition to the 9% planning to apply for finance, 12% of SMEs in Q2 2018 met the definition of a ‘Future would-be seeker’ of finance (who wanted to apply but thought that something would stop them), leaving the largest group as the ‘Future happy non-seekers’ (79%):

- Over time the proportion of FWBS declined (from 23% in 2012 to 10% in 2017) but was slightly higher in H1 2018 (13%). Their main reason for not borrowing remained the current economic climate (mentioned by 48% of FWBS in H1 2018), followed by the process of borrowing (28%, up from 14% in 2017 due to more mentions of the hassle of applying for finance and forms being hard to understand).

- The FHNS remained the largest group (63% in 2012 to 78% in 2017 and 77% for H1 2018).

In Q2 2018, 58% of those planning to apply for bank related finance were confident they would be successful, in line with 2015-16. Larger SMEs and those with a better risk rating remained more confident of success, but confidence levels remained below application success rates (currently 85% overall).

- Future happy non-seekers with no plans to apply remained the most confident of hypothetical success if they were to apply (62%) while the Future would-be seekers remained less confident (49%).

- Confidence amongst all SMEs (whether actually planning to apply or not) was 58% in H1 2018, down slightly from 65% in 2016.
In Q2 2018, 43% of SMEs rated one or more obstacles as a major barrier to their business in the year ahead. Most of these (31% of all SMEs) cited one or more of the top 3 barriers: Legislation and regulation (18%), Political uncertainty (15%) and/or the current economic climate (15%) and this proportion has increased over time from 24% in 2015.

• In 2012, 34% of SMEs rated the economic climate as a major obstacle to their business. This then reduced over time to 12% in 2016 but has started to increase again (15% for H1 2018).

• Political uncertainty was introduced as a factor in 2015 when 10% cited it as an obstacle, increasing to 16% in H1 2018.

• International SMEs were more likely to see political uncertainty, the economic climate and also changes in the value of sterling as major obstacles.

• Access to finance remained unlikely to be cited as an obstacle (6% of SMEs).
Having reviewed performance over the 12 months prior to interview, SMEs were then asked about the future. As this is looking forward, the results from each quarter can more easily be compared to each other, providing a guide to SME sentiment over time.

This chapter reports on growth objectives and perceived barriers to future business performance. It then explores SMEs’ intentions for the next 3 months in terms of finance and the reasons why SMEs think that they will/will not be applying for new/renewed finance in that time period.

Most of this chapter therefore is based on Q2 2018 data gathered between April and June 2018, as Brexit negotiations rumbled on amongst political uncertainty.

SMEs that trade internationally will potentially be anticipating more of an impact post-Brexit, so this chapter also includes a summary of how such SMEs have been feeling since the referendum result.
SMEs were asked about their growth plans for the next 12 months. From Q1 2018, the information collected on both past and future growth was extended to identify those that had grown / planned to grow by 40% or more (previously the highest growth rate recorded was 20% or more). This more detailed information is provided later in this section, but the first table, which looks at growth rate over time, combines the new ‘More than 40%’ answer with the new code ‘Grow by 20-40%’ to match the previous ‘Grow by more than 20%’ code.

In Q2 2018, 48% of SMEs planned to grow, at the upper end of the range seen over recent quarters. Growth predictions in Q2 and Q3 2016 (immediately pre and post the Brexit referendum) were somewhat lower (41%) than were seen either at the end of 2015 (47% in Q4 2015), or since (48% in Q2 2018).

### Growth in next 12 mths

<table>
<thead>
<tr>
<th>All SMEs– over time</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
<td>4507</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
</tr>
<tr>
<td>Grow by 20% or more*</td>
<td>16%</td>
<td>16%</td>
<td>19%</td>
<td>15%</td>
<td>17%</td>
<td>18%</td>
<td>19%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Grow by less than 20%*</td>
<td>25%</td>
<td>25%</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
<td>27%</td>
<td>27%</td>
<td>30%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>All with objective to grow</strong></td>
<td>41%</td>
<td>41%</td>
<td>47%</td>
<td>43%</td>
<td>45%</td>
<td>45%</td>
<td>46%</td>
<td>47%</td>
<td>48%</td>
</tr>
<tr>
<td>Stay the same size</td>
<td>47%</td>
<td>51%</td>
<td>44%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>44%</td>
<td>43%</td>
<td>41%</td>
</tr>
<tr>
<td>Become smaller</td>
<td>6%</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Plan to sell/pass on/close</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Q91 (225) All SMEs
In Q2 2018, the largest SMEs were more likely to be planning to grow at all (90% v 43% of those with 0 employees), and also by more than 20% (33% v 15%):

### Plans to grow in next 12 mths

<table>
<thead>
<tr>
<th>Q2 18 only</th>
<th>Total</th>
<th>0 emp</th>
<th>1-9 emps</th>
<th>10-49 emps</th>
<th>50-249 emps</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>4500</td>
<td>900</td>
<td>1450</td>
<td>1450</td>
<td>700</td>
</tr>
<tr>
<td>Grow by more than 40%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Grow by 20-40%</td>
<td>14%</td>
<td>12%</td>
<td>18%</td>
<td>17%</td>
<td>32%</td>
</tr>
<tr>
<td>Grow by less than 20%</td>
<td>31%</td>
<td>28%</td>
<td>37%</td>
<td>47%</td>
<td>57%</td>
</tr>
<tr>
<td><strong>All with objective to grow</strong></td>
<td>48%</td>
<td>43%</td>
<td>59%</td>
<td>67%</td>
<td>90%</td>
</tr>
<tr>
<td>Stay the same size</td>
<td>41%</td>
<td>44%</td>
<td>35%</td>
<td>30%</td>
<td>8%</td>
</tr>
<tr>
<td>Become smaller</td>
<td>5%</td>
<td>6%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Plan to sell/pass on/close</td>
<td>6%</td>
<td>7%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Q91 (225) All SMEs

The table on the next page summarises the growth plans/objectives of SMEs by key demographics over recent quarters, including by size of SME. The overall figures are most influenced by the views of the smaller SMEs:

- For SMEs with 0 employees around 4 in 10 planned to grow (43% in Q2 2018)
- Amongst SMEs with 1-9 employees the proportion planning to grow has been more variable, but typically half have planned to grow (59% in Q2 2018)
- A fairly consistent 6 in 10 SMEs with 10-49 employees planned to grow, with a slightly higher proportion in Q2 2018 (67%) planning to do so
- Amongst SMEs with 50-249 employees, typically 7 in 10 have planned to grow in recent quarters. In Q2 2018, 90% were planning to grow and this will be monitored over future quarters
Objective to grow (any) in next 12 months

<table>
<thead>
<tr>
<th>Over time – row percentages</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>41%</td>
<td>41%</td>
<td>47%</td>
<td>43%</td>
<td>45%</td>
<td>45%</td>
<td>46%</td>
<td>47%</td>
<td>48%</td>
</tr>
<tr>
<td>0 employee</td>
<td>38%</td>
<td>37%</td>
<td>44%</td>
<td>39%</td>
<td>41%</td>
<td>43%</td>
<td>43%</td>
<td>45%</td>
<td>43%</td>
</tr>
<tr>
<td>1-9 employees</td>
<td>50%</td>
<td>48%</td>
<td>56%</td>
<td>56%</td>
<td>54%</td>
<td>49%</td>
<td>52%</td>
<td>51%</td>
<td>59%</td>
</tr>
<tr>
<td>10-49 employees</td>
<td>60%</td>
<td>57%</td>
<td>61%</td>
<td>62%</td>
<td>65%</td>
<td>61%</td>
<td>68%</td>
<td>62%</td>
<td>67%</td>
</tr>
<tr>
<td>50-249 employees</td>
<td>60%</td>
<td>57%</td>
<td>61%</td>
<td>64%</td>
<td>72%</td>
<td>70%</td>
<td>67%</td>
<td>71%</td>
<td>90%</td>
</tr>
<tr>
<td>Minimal external risk rating</td>
<td>36%</td>
<td>45%</td>
<td>41%</td>
<td>41%</td>
<td>47%</td>
<td>37%</td>
<td>45%</td>
<td>44%</td>
<td>46%</td>
</tr>
<tr>
<td>Low external risk rating</td>
<td>37%</td>
<td>41%</td>
<td>46%</td>
<td>39%</td>
<td>44%</td>
<td>43%</td>
<td>47%</td>
<td>42%</td>
<td>40%</td>
</tr>
<tr>
<td>Average external risk rating</td>
<td>35%</td>
<td>39%</td>
<td>43%</td>
<td>42%</td>
<td>42%</td>
<td>38%</td>
<td>42%</td>
<td>41%</td>
<td>45%</td>
</tr>
<tr>
<td>Worse than average external risk rating</td>
<td>51%</td>
<td>41%</td>
<td>51%</td>
<td>50%</td>
<td>48%</td>
<td>53%</td>
<td>47%</td>
<td>52%</td>
<td>53%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>28%</td>
<td>37%</td>
<td>37%</td>
<td>28%</td>
<td>38%</td>
<td>35%</td>
<td>39%</td>
<td>33%</td>
<td>42%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>52%</td>
<td>41%</td>
<td>37%</td>
<td>38%</td>
<td>46%</td>
<td>42%</td>
<td>49%</td>
<td>49%</td>
<td>57%</td>
</tr>
<tr>
<td>Construction</td>
<td>33%</td>
<td>30%</td>
<td>37%</td>
<td>32%</td>
<td>33%</td>
<td>37%</td>
<td>39%</td>
<td>39%</td>
<td>40%</td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>49%</td>
<td>50%</td>
<td>53%</td>
<td>54%</td>
<td>51%</td>
<td>48%</td>
<td>54%</td>
<td>52%</td>
<td>54%</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>50%</td>
<td>45%</td>
<td>46%</td>
<td>52%</td>
<td>47%</td>
<td>44%</td>
<td>45%</td>
<td>46%</td>
<td>49%</td>
</tr>
<tr>
<td>Transport</td>
<td>43%</td>
<td>43%</td>
<td>43%</td>
<td>48%</td>
<td>42%</td>
<td>42%</td>
<td>45%</td>
<td>46%</td>
<td>33%</td>
</tr>
<tr>
<td>Property/Business Services etc.</td>
<td>40%</td>
<td>42%</td>
<td>56%</td>
<td>45%</td>
<td>50%</td>
<td>52%</td>
<td>46%</td>
<td>50%</td>
<td>54%</td>
</tr>
<tr>
<td>Health</td>
<td>39%</td>
<td>39%</td>
<td>45%</td>
<td>37%</td>
<td>43%</td>
<td>43%</td>
<td>56%</td>
<td>47%</td>
<td>48%</td>
</tr>
<tr>
<td>Other Community</td>
<td>45%</td>
<td>42%</td>
<td>51%</td>
<td>53%</td>
<td>52%</td>
<td>40%</td>
<td>49%</td>
<td>53%</td>
<td>45%</td>
</tr>
<tr>
<td>All Permanent non-borrowers</td>
<td>33%</td>
<td>35%</td>
<td>38%</td>
<td>35%</td>
<td>38%</td>
<td>36%</td>
<td>38%</td>
<td>42%</td>
<td>40%</td>
</tr>
<tr>
<td>All excluding PNBs</td>
<td>49%</td>
<td>46%</td>
<td>53%</td>
<td>51%</td>
<td>51%</td>
<td>53%</td>
<td>52%</td>
<td>52%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Q91 (225) All SMEs base size varies by category

The variability in predicted growth quarter on quarter makes trends harder to discern. The table below looks at annual growth plans since 2013 (due to previous changes to the question in Q4 2012) by key business demographics.
Overall, the proportion of SMEs planning to grow fell from 49% in 2013 to 43% in 2016 but was somewhat higher in 2017 (45%) and again in H1 2018 (47%). The increase between 2016 and 2017-18 was seen primarily amongst those with 50-249 employees and those in Manufacturing or the Health sector:

<table>
<thead>
<tr>
<th>Objective to grow (any) in next 12 months</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By date of interview – row percentages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>49%</td>
<td>47%</td>
<td>45%</td>
<td>43%</td>
<td>45%</td>
<td>47%</td>
</tr>
<tr>
<td>0 emp</td>
<td>46%</td>
<td>43%</td>
<td>42%</td>
<td>40%</td>
<td>41%</td>
<td>44%</td>
</tr>
<tr>
<td>1-9 emps</td>
<td>54%</td>
<td>56%</td>
<td>54%</td>
<td>52%</td>
<td>53%</td>
<td>55%</td>
</tr>
<tr>
<td>10-49 emps</td>
<td>59%</td>
<td>67%</td>
<td>63%</td>
<td>59%</td>
<td>64%</td>
<td>64%</td>
</tr>
<tr>
<td>50-249 emps</td>
<td>67%</td>
<td>71%</td>
<td>66%</td>
<td>58%</td>
<td>69%</td>
<td>81%</td>
</tr>
<tr>
<td>Minimal external risk rating</td>
<td>45%</td>
<td>45%</td>
<td>40%</td>
<td>39%</td>
<td>42%</td>
<td>45%</td>
</tr>
<tr>
<td>Low</td>
<td>45%</td>
<td>45%</td>
<td>44%</td>
<td>42%</td>
<td>43%</td>
<td>41%</td>
</tr>
<tr>
<td>Average</td>
<td>41%</td>
<td>42%</td>
<td>39%</td>
<td>39%</td>
<td>41%</td>
<td>43%</td>
</tr>
<tr>
<td>Worse than average</td>
<td>54%</td>
<td>52%</td>
<td>51%</td>
<td>49%</td>
<td>49%</td>
<td>52%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>43%</td>
<td>37%</td>
<td>34%</td>
<td>34%</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>51%</td>
<td>55%</td>
<td>49%</td>
<td>43%</td>
<td>44%</td>
<td>53%</td>
</tr>
<tr>
<td>Construction</td>
<td>41%</td>
<td>37%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>40%</td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>51%</td>
<td>54%</td>
<td>53%</td>
<td>51%</td>
<td>51%</td>
<td>53%</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>46%</td>
<td>45%</td>
<td>46%</td>
<td>48%</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>Transport</td>
<td>48%</td>
<td>37%</td>
<td>44%</td>
<td>43%</td>
<td>44%</td>
<td>39%</td>
</tr>
<tr>
<td>Property/ Business Services</td>
<td>53%</td>
<td>49%</td>
<td>48%</td>
<td>46%</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>Health</td>
<td>49%</td>
<td>49%</td>
<td>48%</td>
<td>41%</td>
<td>46%</td>
<td>56%</td>
</tr>
<tr>
<td>Other</td>
<td>52%</td>
<td>57%</td>
<td>50%</td>
<td>47%</td>
<td>48%</td>
<td>49%</td>
</tr>
<tr>
<td>PNBs</td>
<td>43%</td>
<td>40%</td>
<td>38%</td>
<td>36%</td>
<td>37%</td>
<td>41%</td>
</tr>
<tr>
<td>All excl PNBs</td>
<td>52%</td>
<td>52%</td>
<td>51%</td>
<td>50%</td>
<td>52%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Q91 (225) All SMEs
Amongst those who in H1 2018 said that their business had ‘developed significantly’ in the last 3 years, 63% expected to grow in the next year, compared to 36% of those who said the business was ‘recognisably the same’ and 31% who said the business had ‘retrenched’.

91% of those planning to grow said they would achieve this by selling more to existing markets in the UK (the equivalent of 42% of all SMEs). Overall, more SMEs planned to grow by selling to new markets in the UK (7% of all SMEs) than overseas (2%):

<table>
<thead>
<tr>
<th>How plan to grow</th>
<th>All planning to grow</th>
<th>All SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell in the UK</td>
<td>97%</td>
<td>45%</td>
</tr>
<tr>
<td>Increase sales in existing markets in UK</td>
<td>91%</td>
<td>42%</td>
</tr>
<tr>
<td>Sell in new markets in UK</td>
<td>14%</td>
<td>7%</td>
</tr>
<tr>
<td>Sell overseas</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Increase sales in existing markets overseas</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Sell in new markets overseas</td>
<td>5%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Q92 (226) All SMEs planning to grow excluding DK/All SMEs

Exporters remained more likely to be predicting growth than their domestic peers and in Q2 2018, 62% reported that they planned to grow compared to 47% of non-exporters. They were also more likely to be planning to grow by 20% or more (24% v 16%). Exporters were typically larger SMEs but both larger and smaller exporters were more likely to report planned growth than their peers:

- Amongst SMEs with 0-9 employees: 61% of exporters interviewed in Q2 2018 planned to grow compared to 46% of non-exporters.
- Amongst SMEs with 10-249 employees: 79% of exporters interviewed in Q2 2018 planned to grow compared to 67% of non-exporters.
As the table below shows, the majority of both exporters and non-exporters who were planning to grow said that they would achieve that growth through sales in the UK. However, while two thirds of the exporters (67%) were planning to sell more overseas, just 5% of those who were not exporting planned to look overseas:

<table>
<thead>
<tr>
<th>How plan to grow</th>
<th>All planning to grow who export</th>
<th>All planning to grow who do not export</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>393</td>
<td>2366</td>
</tr>
<tr>
<td>Sell in the UK</td>
<td>90%</td>
<td>98%</td>
</tr>
<tr>
<td><strong>Increase sales in existing markets in UK</strong></td>
<td>84%</td>
<td>92%</td>
</tr>
<tr>
<td>Sell in new markets in UK</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>Sell overseas</td>
<td>67%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Increase sales in existing markets overseas</strong></td>
<td>58%</td>
<td>4%</td>
</tr>
<tr>
<td>Sell in new markets overseas</td>
<td>28%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Q92 (226) All SMEs planning to grow excluding DK

The tables below summarise these differences between exporters and non-exporters over recent quarters. The first table below shows that exporters were more likely to be planning to grow each quarter (around 6 in 10) than those that did not export (currently just under half), albeit the current ‘gap’ between their respective growth aspirations (15 percentage points) was somewhat smaller than the more typical 20 percentage point gap usually seen:

<table>
<thead>
<tr>
<th>Objective to grow (any) in next 12 months</th>
<th>By date of interview</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporters</td>
<td></td>
<td>59%</td>
<td>62%</td>
<td>58%</td>
<td>59%</td>
<td>67%</td>
<td>66%</td>
<td>59%</td>
<td>60%</td>
<td>62%</td>
</tr>
<tr>
<td>Non-exporters</td>
<td></td>
<td>40%</td>
<td>39%</td>
<td>46%</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
<td>44%</td>
<td>46%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Q91 (225) All SMEs
The second table is based on those planning to grow and summarises how this growth is to be achieved (excluding ‘Don’t know’ answers). Existing markets remained the main target for both exporters and non-exporters, with exporters more likely than non-exporters to also be contemplating new markets, especially overseas:

<table>
<thead>
<tr>
<th>How plan to grow</th>
<th>By date of interview</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>In existing markets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exporters</td>
<td></td>
<td>88%</td>
<td>86%</td>
<td>88%</td>
<td>88%</td>
<td>96%</td>
<td>94%</td>
<td>91%</td>
<td>93%</td>
<td>89%</td>
</tr>
<tr>
<td>Non-exporters</td>
<td></td>
<td>89%</td>
<td>92%</td>
<td>87%</td>
<td>93%</td>
<td>91%</td>
<td>92%</td>
<td>90%</td>
<td>94%</td>
<td>94%</td>
</tr>
<tr>
<td>New UK markets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exporters</td>
<td></td>
<td>35%</td>
<td>32%</td>
<td>36%</td>
<td>31%</td>
<td>38%</td>
<td>32%</td>
<td>30%</td>
<td>31%</td>
<td>26%</td>
</tr>
<tr>
<td>Non-exporters</td>
<td></td>
<td>22%</td>
<td>18%</td>
<td>23%</td>
<td>16%</td>
<td>23%</td>
<td>17%</td>
<td>23%</td>
<td>17%</td>
<td>13%</td>
</tr>
<tr>
<td>New overseas markets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exporters</td>
<td></td>
<td>29%</td>
<td>24%</td>
<td>37%</td>
<td>25%</td>
<td>30%</td>
<td>30%</td>
<td>27%</td>
<td>23%</td>
<td>28%</td>
</tr>
<tr>
<td>Non-exporters</td>
<td></td>
<td>5%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
<td>6%</td>
<td>3%</td>
<td>4%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Q92 (226) All SMEs planning to grow excluding DK
Taking a longer term view back to 2013, the table below shows that growth ambitions amongst exporters remained higher at around 6 in 10 (60-65%), compared to around half of other SMEs.

Amongst exporters planning to grow, the proportion planning to do so in new overseas markets (not necessarily within the EU) declined between 2013 and 2015 (30% to 20%) but has since recovered somewhat:

<table>
<thead>
<tr>
<th>Growth plans</th>
<th>Over time</th>
<th>By date of interview</th>
<th>Row percentages</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan to grow</td>
<td></td>
<td></td>
<td></td>
<td>49%</td>
<td>47%</td>
<td>45%</td>
<td>43%</td>
<td>45%</td>
<td>45%</td>
<td>47%</td>
</tr>
<tr>
<td>New markets overseas (of those planning to grow)</td>
<td></td>
<td></td>
<td></td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
<td>7%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Exporters:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan to grow</td>
<td></td>
<td></td>
<td></td>
<td>60%</td>
<td>63%</td>
<td>65%</td>
<td>60%</td>
<td>63%</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>New markets overseas (of those planning to grow)</td>
<td></td>
<td></td>
<td></td>
<td>30%</td>
<td>26%</td>
<td>20%</td>
<td>31%</td>
<td>28%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Non exporters:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan to grow</td>
<td></td>
<td></td>
<td></td>
<td>48%</td>
<td>45%</td>
<td>43%</td>
<td>42%</td>
<td>43%</td>
<td>43%</td>
<td>46%</td>
</tr>
<tr>
<td>New markets overseas (of those planning to grow)</td>
<td></td>
<td></td>
<td></td>
<td>4%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

Q91/92 (225/226) All SMEs planning to grow excluding DK

More detailed analysis of the growth ambitions of international SMEs, not just exporters, is now provided at the end of this chapter.
Growth activities planned for next 12 months

A new question from Q3 2017 sought to understand the activities being planned by SMEs for the next year. As the table below shows, a third of SMEs planned to undertake at least one of these activities, increasing by size of SME:

<table>
<thead>
<tr>
<th>Planned activities in next 12 mths</th>
<th>Total</th>
<th>0 emp</th>
<th>1-9 emps</th>
<th>10-49 emps</th>
<th>50-249 emps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>4500</td>
<td>900</td>
<td>1450</td>
<td>1450</td>
<td>700</td>
</tr>
<tr>
<td>Take on more staff</td>
<td>18%</td>
<td>15%</td>
<td>27%</td>
<td>40%</td>
<td>36%</td>
</tr>
<tr>
<td>Invest in new plant, machinery, premises</td>
<td>15%</td>
<td>14%</td>
<td>18%</td>
<td>23%</td>
<td>19%</td>
</tr>
<tr>
<td>Develop a new product or service</td>
<td>14%</td>
<td>14%</td>
<td>16%</td>
<td>20%</td>
<td>14%</td>
</tr>
<tr>
<td>Start to sell, or sell more, overseas</td>
<td>6%</td>
<td>5%</td>
<td>7%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Some other major expenditure</td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Any of these</td>
<td>37%</td>
<td>33%</td>
<td>46%</td>
<td>59%</td>
<td>49%</td>
</tr>
<tr>
<td>None of these</td>
<td>63%</td>
<td>67%</td>
<td>54%</td>
<td>41%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Analysis by age of business showed that around 4 in 10 younger SMEs were planning any of these activities, compared to a third of SMEs trading for 10 years or more:

<table>
<thead>
<tr>
<th>Planned activities in next 12 mths</th>
<th>Starts</th>
<th>2-5 yrs</th>
<th>6-9 yrs</th>
<th>10-15 yrs</th>
<th>15 yrs+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>456</td>
<td>408</td>
<td>515</td>
<td>815</td>
<td>2306</td>
</tr>
<tr>
<td>Take on more staff</td>
<td>25%</td>
<td>28%</td>
<td>20%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Invest in new plant, machinery, premises</td>
<td>14%</td>
<td>18%</td>
<td>17%</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Develop a new product or service</td>
<td>18%</td>
<td>22%</td>
<td>16%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Start to sell, or sell more, overseas</td>
<td>7%</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Some other major expenditure</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Any of these</td>
<td>40%</td>
<td>46%</td>
<td>40%</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td>None of these</td>
<td>60%</td>
<td>54%</td>
<td>60%</td>
<td>66%</td>
<td>69%</td>
</tr>
</tbody>
</table>
By sector those in Manufacturing were the most likely to be planning action (51%) compared to 29% in Transport and 30% in Construction. Excluding the Permanent non-borrowers increased the proportion planning to take any action slightly to 42% of remaining SMEs.

Key differences in levels of planned activity were seen by future growth plans and future finance plans. Those planning to grow in the next 12 months and those planning to apply for finance were both more likely to be planning these activities:

<table>
<thead>
<tr>
<th>Planned activities in next 12 mths</th>
<th>Plan to grow</th>
<th>No plans to grow</th>
<th>Plan to apply</th>
<th>FWBS</th>
<th>FHNS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>2822</td>
<td>1678</td>
<td>552</td>
<td>406</td>
<td>3542</td>
</tr>
<tr>
<td>Take on more staff</td>
<td>31%</td>
<td>7%</td>
<td>27%</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Invest in new plant, machinery , premises</td>
<td>22%</td>
<td>10%</td>
<td>26%</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Develop a new product or service</td>
<td>23%</td>
<td>6%</td>
<td>28%</td>
<td>22%</td>
<td>12%</td>
</tr>
<tr>
<td>Start to sell, or sell more, overseas</td>
<td>9%</td>
<td>2%</td>
<td>15%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Some other major expenditure</td>
<td>7%</td>
<td>2%</td>
<td>9%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Any of these</strong></td>
<td>55%</td>
<td>20%</td>
<td>57%</td>
<td>40%</td>
<td>34%</td>
</tr>
<tr>
<td>None of these</td>
<td>45%</td>
<td>80%</td>
<td>43%</td>
<td>60%</td>
<td>66%</td>
</tr>
</tbody>
</table>

Analysed as a group, the 37% of SMEs planning to take any of these actions in the next 12 months were:

- Only slightly more likely to be using external finance (37% v 34% of those not planning any actions) but happier to use it in future to help the business grow (43% v 28%). They were less likely to meet the definition of a PNB (42% v 54%)
- No more likely to have had a past borrowing event (16% v 14%), but much more likely to be planning to apply for finance (14% v 6%)
- Much more likely to be planning to grow (72% v 34%)
- More likely to say they were prepared to take risks to grow the business (58% v 38%)
- More likely to say that the business has developed quite a bit compared to 3 years ago (39% v 18%)
Limited analysis over time is now available. As the table below shows, there has been relatively little change over time in the proportion of SMEs planning to undertake each of these activities, albeit the proportion planning any activity is somewhat lower in Q2 2018 (37%) than it was in the previous quarters (41-42%):

### Planned activities

<table>
<thead>
<tr>
<th>Planned activities</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>4505</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
</tr>
<tr>
<td>Take on more staff</td>
<td>18%</td>
<td>19%</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>Invest in new plant, machinery, premises</td>
<td>16%</td>
<td>18%</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Develop a new product or service</td>
<td>17%</td>
<td>16%</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Start to sell, or sell more, overseas</td>
<td>11%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Some other major expenditure</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Any of these</strong></td>
<td>42%</td>
<td>42%</td>
<td>41%</td>
<td>37%</td>
</tr>
<tr>
<td>None of these</td>
<td>58%</td>
<td>58%</td>
<td>59%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Q90 (240w) All SMEs

The table overleaf provides similar analysis at the half year level, to make trends easier to spot over time. In H2 2017, when this question was first asked, 42% of SMEs reported one or more activities, dropping slightly to 39% in H1 2018. These lower levels of activity were reported across size bands, and for those with a low or worse than average risk rating, and for those with plans to grow.
<table>
<thead>
<tr>
<th>Plan any activity</th>
<th>H2 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>By date of interview – row percentages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>42%</td>
<td>39%</td>
</tr>
<tr>
<td>0 emp</td>
<td>38%</td>
<td>35%</td>
</tr>
<tr>
<td>1-9 emps</td>
<td>50%</td>
<td>47%</td>
</tr>
<tr>
<td>10-49 emps</td>
<td>63%</td>
<td>58%</td>
</tr>
<tr>
<td>50-249 emps</td>
<td>60%</td>
<td>53%</td>
</tr>
<tr>
<td>Minimal external risk rating</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Low</td>
<td>44%</td>
<td>39%</td>
</tr>
<tr>
<td>Average</td>
<td>35%</td>
<td>36%</td>
</tr>
<tr>
<td>Worse than average</td>
<td>45%</td>
<td>40%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>38%</td>
<td>40%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>54%</td>
<td>49%</td>
</tr>
<tr>
<td>Construction</td>
<td>36%</td>
<td>32%</td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>48%</td>
<td>46%</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>42%</td>
<td>39%</td>
</tr>
<tr>
<td>Transport</td>
<td>40%</td>
<td>34%</td>
</tr>
<tr>
<td>Property/ Business Services</td>
<td>41%</td>
<td>40%</td>
</tr>
<tr>
<td>Health</td>
<td>44%</td>
<td>38%</td>
</tr>
<tr>
<td>Other</td>
<td>43%</td>
<td>41%</td>
</tr>
<tr>
<td>PNBs</td>
<td>36%</td>
<td>33%</td>
</tr>
<tr>
<td>All excl PNBs</td>
<td>47%</td>
<td>44%</td>
</tr>
<tr>
<td>Plan to grow</td>
<td>61%</td>
<td>56%</td>
</tr>
<tr>
<td>No plans to grow</td>
<td>26%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Q90 (240w) All SMEs
Obstacles to running the business in the next 12 months

SMEs were asked to rate the extent to which each of a number of factors were perceived as obstacles to them running the business as they would wish in the next 12 months, using a 1 to 10 scale (where 1 meant the factor was not an obstacle at all, and 10 that it was seen as a major obstacle). Scores have been analysed in 3 bands:

- 1-4 = a minor obstacle
- 5-7 = a moderate obstacle
- 8-10 = a major obstacle.

Over time, some amendments have been made to the list of possible obstacles tested, including two changes for Q1 2017:

- ‘Changes in the value of sterling’ replaced ‘The quality of management and leadership in the business’ which had been added in Q3 2015.
- The existing code ‘Legislation and regulation’ was extended to include ‘red tape’.

The data for Q2 2018 was collected as the Brexit debate and negotiations continued. At an overall level there were no dramatic changes in the proportion of SMEs rating either the current economic climate or ‘Political uncertainty and future government policy’ as major obstacles, although both have increased slightly over time. Amongst larger SMEs and/or those who are international, both of these factors were mentioned more as major obstacles, although views remained somewhat volatile as is reported later in this section.
At its peak in 2013, 1 in 3 SMEs saw the economic climate as a major obstacle. Over time though, it has declined in importance and so other issues have become as important to SMEs:

- The three top issues in Q2 2018 were Legislation, regulation and red tape (rated a major obstacle by 18% of SMEs) together with political uncertainty/government policy, and the current economic climate (both rated a major obstacle by 15% of SMEs). 31% of SMEs rated at least one of these barriers as a major obstacle.
- Cash flow and issues with late payment was rated a major obstacle by 12% of SMEs.
- The most recently added factor, changes in the value of sterling, was rated a major obstacle by 11% of SMEs.
- 8% of SMEs rated availability of relevant advice for their business as a major obstacle
- 7% rated recruiting and retaining staff as a major obstacle.
- 6% saw access to external finance as a major obstacle for the year ahead.

The analysis below looks in detail at the barriers perceived in Q2 2018, by size of SME. Details of how these views have changed over time are provided later in this chapter.

<table>
<thead>
<tr>
<th>Extent of obstacles in next 12 months</th>
<th>Q2 18 – all SMEs</th>
<th>Total</th>
<th>0 emp</th>
<th>1-9 emps</th>
<th>10-49 emps</th>
<th>50-249 emps</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>4500</td>
<td>900</td>
<td>1450</td>
<td>1450</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td>Legislation, regulation and red tape</td>
<td>4.3</td>
<td>4.3</td>
<td>4.5</td>
<td>4.7</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>- 8-10 major obstacle</td>
<td>18%</td>
<td>18%</td>
<td>20%</td>
<td>20%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>- 5-7 moderate obstacle</td>
<td>29%</td>
<td>28%</td>
<td>30%</td>
<td>35%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>- 1-4 minor obstacle</td>
<td>50%</td>
<td>51%</td>
<td>48%</td>
<td>43%</td>
<td>76%</td>
<td></td>
</tr>
<tr>
<td>The current economic climate (mean score)</td>
<td>4.3</td>
<td>4.3</td>
<td>4.4</td>
<td>4.6</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>- 8-10 major obstacle</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
<td>14%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>- 5-7 moderate obstacle</td>
<td>35%</td>
<td>35%</td>
<td>36%</td>
<td>41%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>- 1-4 minor obstacle</td>
<td>48%</td>
<td>48%</td>
<td>46%</td>
<td>42%</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Political uncertainty/future govt policy</td>
<td>4.1</td>
<td>4.0</td>
<td>4.2</td>
<td>4.4</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>- 8-10 major obstacle</td>
<td>15%</td>
<td>15%</td>
<td>18%</td>
<td>16%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>- 5-7 moderate obstacle</td>
<td>30%</td>
<td>31%</td>
<td>29%</td>
<td>34%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>- 1-4 minor obstacle</td>
<td>50%</td>
<td>50%</td>
<td>49%</td>
<td>44%</td>
<td>71%</td>
<td></td>
</tr>
</tbody>
</table>
### Changes in the value of sterling

<table>
<thead>
<tr>
<th></th>
<th>3.3</th>
<th>3.3</th>
<th>3.3</th>
<th>3.7</th>
<th>2.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 8-10 major obstacle</td>
<td>11%</td>
<td>12%</td>
<td>11%</td>
<td>12%</td>
<td>5%</td>
</tr>
<tr>
<td>- 5-7 moderate obstacle</td>
<td>22%</td>
<td>22%</td>
<td>24%</td>
<td>26%</td>
<td>11%</td>
</tr>
<tr>
<td>- 1-4 minor obstacle</td>
<td>63%</td>
<td>63%</td>
<td>63%</td>
<td>59%</td>
<td>83%</td>
</tr>
</tbody>
</table>

### Cash flow/issues with late payment

<table>
<thead>
<tr>
<th></th>
<th>3.3</th>
<th>3.2</th>
<th>3.3</th>
<th>3.6</th>
<th>2.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 8-10 major obstacle</td>
<td>12%</td>
<td>12%</td>
<td>13%</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>- 5-7 moderate obstacle</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>23%</td>
<td>9%</td>
</tr>
<tr>
<td>- 1-4 minor obstacle</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>62%</td>
<td>83%</td>
</tr>
</tbody>
</table>

### Recruiting/retaining staff

<table>
<thead>
<tr>
<th></th>
<th>2.5</th>
<th>2.2</th>
<th>3.1</th>
<th>4.1</th>
<th>2.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 8-10 major obstacle</td>
<td>7%</td>
<td>6%</td>
<td>11%</td>
<td>17%</td>
<td>4%</td>
</tr>
<tr>
<td>- 5-7 moderate obstacle</td>
<td>13%</td>
<td>11%</td>
<td>18%</td>
<td>28%</td>
<td>17%</td>
</tr>
<tr>
<td>- 1-4 minor obstacle</td>
<td>75%</td>
<td>78%</td>
<td>69%</td>
<td>54%</td>
<td>79%</td>
</tr>
</tbody>
</table>

### Availability of relevant advice

<table>
<thead>
<tr>
<th></th>
<th>2.8</th>
<th>2.8</th>
<th>2.8</th>
<th>2.9</th>
<th>1.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 8-10 major obstacle</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>- 5-7 moderate obstacle</td>
<td>18%</td>
<td>18%</td>
<td>19%</td>
<td>20%</td>
<td>9%</td>
</tr>
<tr>
<td>- 1-4 minor obstacle</td>
<td>71%</td>
<td>71%</td>
<td>72%</td>
<td>71%</td>
<td>89%</td>
</tr>
</tbody>
</table>

### Access to external finance

<table>
<thead>
<tr>
<th></th>
<th>2.5</th>
<th>2.5</th>
<th>2.5</th>
<th>2.7</th>
<th>1.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 8-10 major obstacle</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>- 5-7 moderate obstacle</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>18%</td>
<td>9%</td>
</tr>
<tr>
<td>- 1-4 minor obstacle</td>
<td>75%</td>
<td>75%</td>
<td>76%</td>
<td>73%</td>
<td>88%</td>
</tr>
</tbody>
</table>

| None of these are major obstacles | 57% | 58% | 56% | 54% | 82% |

Q93 (227a) All SMEs

SMEs with employees were no more likely to rate any of these factors as ‘Major obstacles’ with 44% nominating at least one factor compared to 42% of those with 0 employees.
In Q2 2018, 57% of SMEs did not rate any of these factors as a major obstacle (scoring 8-10).

All those who did not score 8-10 for any of these factors were asked if there were any barriers missing from the list. Almost all (96%) said that there weren’t.

The tables below focus on those scoring 8-10 for each potential obstacle. For ease, the analysis by size of SME (provided in more detail in the previous table) is also summarised below:

<table>
<thead>
<tr>
<th>Extent of obstacles in next 12 months</th>
<th>Q2 18 – all SMEs</th>
<th>8-10 impact score</th>
<th>Total</th>
<th>0 emp</th>
<th>1-9 emps</th>
<th>10-49 emps</th>
<th>50-249 emps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>4500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legislation, regulation and red tape</td>
<td>18%</td>
<td>18%</td>
<td>20%</td>
<td>20%</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political uncertainty/future govt policy</td>
<td>15%</td>
<td>15%</td>
<td>18%</td>
<td>16%</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The current economic climate</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
<td>14%</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow/issues with late payment</td>
<td>12%</td>
<td>12%</td>
<td>13%</td>
<td>13%</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes to value of sterling</td>
<td>11%</td>
<td>12%</td>
<td>11%</td>
<td>12%</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of relevant advice</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruitning/retaining staff</td>
<td>7%</td>
<td>6%</td>
<td>11%</td>
<td>17%</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to external finance</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None of these rated a major obstacle</td>
<td>57%</td>
<td>58%</td>
<td>56%</td>
<td>54%</td>
<td>82%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q93 (227a) All SMEs

This shows that the top 3 major obstacles (the economic climate, political uncertainty and legislation) were key issues for all sizes of SME, with the exception in Q2 2018 of those with 50-249 employees, who were much less likely to cite any of these factors as barriers.

- 3 in 10 SMEs in Q2 2018 (31%) mentioned one or more of these three factors as a major obstacle. They were mentioned by a third of those with up to 50 employees, compared to 12% of those with 50-249 employees.
Analysis by risk rating showed the same three key obstacles. Those with a better external risk rating were slightly more concerned about legislation and regulation, while those with a worse than average risk rating were more concerned about the economic climate, cash flow and late payment and changes to the value of sterling:

### Extent of obstacles in next 12 months

<table>
<thead>
<tr>
<th>Q2 18 – all SMEs</th>
<th>Total</th>
<th>Min</th>
<th>Low</th>
<th>Avge</th>
<th>Worse/Avge</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>4500</td>
<td>738</td>
<td>1419</td>
<td>1027</td>
<td>991</td>
</tr>
<tr>
<td>Legislation, regulation and red tape</td>
<td>18%</td>
<td>22%</td>
<td>20%</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>Political uncertainty/future govt policy</td>
<td>15%</td>
<td>18%</td>
<td>14%</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>The current economic climate</td>
<td>15%</td>
<td>11%</td>
<td>13%</td>
<td>11%</td>
<td>18%</td>
</tr>
<tr>
<td>Cash flow/Issues with late payment</td>
<td>12%</td>
<td>7%</td>
<td>9%</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Changes to value of sterling</td>
<td>11%</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
<td>16%</td>
</tr>
<tr>
<td>Availability of relevant advice</td>
<td>8%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>Recruiting/Retaining staff</td>
<td>7%</td>
<td>10%</td>
<td>10%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Access to external finance</td>
<td>6%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>None of these rated a major obstacle</strong></td>
<td>57%</td>
<td>59%</td>
<td>59%</td>
<td>61%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Q93 (227a) All SMEs where risk rating known

The top 3 barriers were more likely to be mentioned by those with a minimal risk rating (37% mentioned any) than those with another risk rating (26-34%).
The table below shows that in Q2 2018 there were limited differences in perceived obstacles between those with plans to grow and those with no plans, with the exception of cash flow. 46% of those planning to grow rated any of these as major obstacles compared to 39% of those with no plans to grow.

This table also shows that clear differences were seen on all factors depending on whether the SME was a Permanent non-borrower or not. PNBs remained less likely to see any of these issues as major barriers and 65% said that none of them were:

### Extent of obstacles in next 12 months

<table>
<thead>
<tr>
<th>Q2 18 – all SMEs</th>
<th>8-10 impact score</th>
<th>Total</th>
<th>Plan to grow</th>
<th>No plans to grow</th>
<th>PNB</th>
<th>Not PNB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td></td>
<td>4500</td>
<td>2822</td>
<td>1678</td>
<td>1632</td>
<td>2868</td>
</tr>
<tr>
<td>Legislation, regulation and red tape</td>
<td>18%</td>
<td>18%</td>
<td>19%</td>
<td>16%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Political uncertainty/future govt policy</td>
<td>15%</td>
<td>16%</td>
<td>15%</td>
<td>13%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>The current economic climate</td>
<td>15%</td>
<td>15%</td>
<td>14%</td>
<td>13%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Cash flow/issues with late payment</td>
<td>12%</td>
<td>16%</td>
<td>9%</td>
<td>5%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Changes to value of sterling</td>
<td>11%</td>
<td>13%</td>
<td>10%</td>
<td>8%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Availability of relevant advice</td>
<td>8%</td>
<td>9%</td>
<td>6%</td>
<td>5%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Recruiting/retaining staff</td>
<td>7%</td>
<td>9%</td>
<td>6%</td>
<td>6%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Access to external finance</td>
<td>6%</td>
<td>7%</td>
<td>4%</td>
<td>3%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td><strong>None of these rated a major obstacle</strong></td>
<td>57%</td>
<td>54%</td>
<td>61%</td>
<td>65%</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

Q93 (227a) All SMEs

Mentions of any of the top 3 barriers were no different amongst those with no plans to grow (32% v 31% of those planning to grow) but were mentioned slightly less by PNBs (27% v 35% that did not meet the definition of a PNB).
Those planning to apply for new/renewed facilities in the next three months, or who would have liked to, were much more likely to see these issues as major obstacles, including access to finance. 56% nominated at least one major obstacle, compared to 39% of Future happy non-seekers:

<table>
<thead>
<tr>
<th>Extent of obstacles in next 12 months</th>
<th>Plan to apply or FWBS</th>
<th>Future HNS excl. PNB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 18 - all SMEs 8-10 impact score</td>
<td>Total 4500</td>
<td>958 3542 1910</td>
</tr>
<tr>
<td>Legislation, regulation and red tape</td>
<td>18% 24% 17%</td>
<td>18%</td>
</tr>
<tr>
<td>Political uncertainty/future govt policy</td>
<td>15% 22% 13%</td>
<td>15%</td>
</tr>
<tr>
<td>The current economic climate</td>
<td>15% 20% 13%</td>
<td>14%</td>
</tr>
<tr>
<td>Cash flow/issues with late payment</td>
<td>12% 21% 10%</td>
<td>17%</td>
</tr>
<tr>
<td>Changes to value of sterling</td>
<td>11% 16% 10%</td>
<td>14%</td>
</tr>
<tr>
<td>Availability of relevant advice</td>
<td>8% 9% 7% 10%</td>
<td></td>
</tr>
<tr>
<td>Recruiting/retaining staff</td>
<td>7% 10% 7% 7%</td>
<td></td>
</tr>
<tr>
<td>Access to external finance</td>
<td>6% 11% 4% 7%</td>
<td></td>
</tr>
<tr>
<td><strong>None of these rated a major obstacle</strong></td>
<td><strong>57% 44% 61% 55%</strong></td>
<td></td>
</tr>
</tbody>
</table>

The Future happy non-seeker category described above includes those SMEs that met the definition of a Permanent non-borrower, which indicates that they were not using finance nor were they likely to borrow. Such SMEs have been excluded from the Future happy non-seeker definition in the final column above, with a modest impact on most scores, but an increase in mentions for Cash flow as an issue.

Those with a future appetite for finance were more likely to mention any of the top 3 barriers (40%) than Happy non-seekers were (29% and 32% once the PNBs were excluded).
Those in Agriculture (51%) were the most likely to nominate at least one barrier as a major obstacle while those in the Other Community (35%) and Health (38%) sectors were the least likely to nominate any barriers:

**Extent of obstacles in next 12 months**

<table>
<thead>
<tr>
<th>Q2 18 – all SMEs 8-10 impact scores</th>
<th>Agric</th>
<th>Mfg</th>
<th>Constr</th>
<th>Whole</th>
<th>Retail</th>
<th>Hotel</th>
<th>Rest</th>
<th>Trans</th>
<th>Prop/Bus</th>
<th>Hlth</th>
<th>SWrk</th>
<th>Other Comm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>300</td>
<td>375</td>
<td>800</td>
<td>450</td>
<td>300</td>
<td>501</td>
<td>899</td>
<td>375</td>
<td>500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legislation, regulation and red tape</td>
<td>30%</td>
<td>15%</td>
<td>19%</td>
<td>20%</td>
<td>17%</td>
<td>22%</td>
<td>19%</td>
<td>14%</td>
<td>12%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political uncertainty</td>
<td>24%</td>
<td>17%</td>
<td>14%</td>
<td>18%</td>
<td>10%</td>
<td>17%</td>
<td>16%</td>
<td>9%</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The current economic climate</td>
<td>17%</td>
<td>15%</td>
<td>15%</td>
<td>19%</td>
<td>15%</td>
<td>11%</td>
<td>15%</td>
<td>12%</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow/issues with late payment</td>
<td>11%</td>
<td>16%</td>
<td>13%</td>
<td>12%</td>
<td>9%</td>
<td>11%</td>
<td>13%</td>
<td>11%</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes to sterling</td>
<td>14%</td>
<td>11%</td>
<td>9%</td>
<td>19%</td>
<td>10%</td>
<td>12%</td>
<td>11%</td>
<td>7%</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of relevant advice</td>
<td>6%</td>
<td>6%</td>
<td>9%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>10%</td>
<td>9%</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruiting/retaining staff</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>11%</td>
<td>15%</td>
<td>8%</td>
<td>6%</td>
<td>6%</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to external finance</td>
<td>5%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>None of these rated a major obstacle</td>
<td>49%</td>
<td>58%</td>
<td>56%</td>
<td>54%</td>
<td>57%</td>
<td>59%</td>
<td>55%</td>
<td>62%</td>
<td>65%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Of the top 3 obstacles, legislation and political uncertainty were more of an obstacle for those in Agriculture, while the economic climate was mentioned slightly more by those in Wholesale/Retail. 47% of SMEs in Agriculture mentioned one or more of these top 3 barriers. Those in the Health (23%) and Other Community (25%) sectors were the least likely to mention any of them. Amongst other sectors they were mentioned by between 27% and 35% of SMEs.
Obstacles to running the business – over time

The summary table below shows the proportion of SMEs that rated each factor a major obstacle across the most recent nine waves of the Monitor. Since the end of 2016 there have been more mentions of legislation and regulation as a barrier and this is now mentioned slightly more (18%) than political uncertainty or the economic climate (both 15%):

<table>
<thead>
<tr>
<th>Extent of obstacles in next 12 months</th>
<th>All SMEs over time</th>
<th>8–10 impact score</th>
<th>By date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2 16</td>
<td>Q3 16</td>
<td>Q4 16</td>
</tr>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
</tr>
<tr>
<td>Legislation, regs and red tape</td>
<td>11%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Political uncertainty</td>
<td>10%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>The current economic climate</td>
<td>13%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Cash flow/issues with late payment</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Changes in sterling</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Availability of relevant advice</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Recruiting/retaining staff</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Access to external finance</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>None of these rated a major obstacle</strong></td>
<td><strong>68%</strong></td>
<td><strong>74%</strong></td>
<td><strong>70%</strong></td>
</tr>
</tbody>
</table>

Q93 (227a) All SMEs

The proportion saying that ‘none of these’ were a barrier has declined over time, from around 7 in 10 to around 6 in 10. The last additional barrier (sterling) was introduced in Q1 2017.
The table below provides a longer term view back to 2012 to help identify changes over time. This shows the marked decline in the proportion of SMEs citing the current economic climate as a barrier between 2012 and 2015, such that it is now no more of a barrier than political uncertainty or legislation and regulation, where scores have increased somewhat in 2017-18 after a period of stability:

<table>
<thead>
<tr>
<th>Extent of obstacles in next 12 months</th>
<th>Over time – all SMEs</th>
<th>8-10 impact score</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td></td>
<td></td>
<td>20,055</td>
<td>20,036</td>
<td>20,055</td>
<td>20,046</td>
<td>18,000</td>
<td>18,012</td>
<td>9000</td>
</tr>
<tr>
<td>Legislation, regulation and red tape</td>
<td></td>
<td></td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
<td>11%</td>
<td>10%</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>The current economic climate</td>
<td></td>
<td></td>
<td>34%</td>
<td>27%</td>
<td>17%</td>
<td>13%</td>
<td>12%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Political uncertainty/future govt policy</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10%</td>
<td>10%</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Any top 3 mentions</strong></td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24%</td>
<td>22%</td>
<td>28%</td>
<td>31%</td>
</tr>
<tr>
<td>Cash flow/ issues with late payment</td>
<td></td>
<td></td>
<td>13%</td>
<td>11%</td>
<td>9%</td>
<td>9%</td>
<td>7%</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>Changes in sterling</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Availability of relevant advice</td>
<td></td>
<td></td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Recruiting/ retaining staff</td>
<td></td>
<td></td>
<td>3%</td>
<td>3%</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Access to external finance</td>
<td></td>
<td></td>
<td>11%</td>
<td>10%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Q93 (227a) All SMEs

The proportion mentioning any of the top 3 barriers was stable in 2016 (22%) but increased to 28% for 2017 and 31% for the first half of 2018. Excluding the 0 employee SMEs increased the proportion mentioning any of these barriers in 2016 to 26% and the subsequent increase was to 33% in H1 2018.

The current uncertainty around Brexit and other issues may have affected perceptions about the future. The table below shows the changes since 2015 for two key barriers, the economic climate and political uncertainty, by size of SME. Analysis for those engaged in international trade is provided at the end of this chapter.
Political uncertainty remained more of a barrier than it was in 2015, across all size bands except those with 50-249 employees:

Political uncertainty and future govt policy

<table>
<thead>
<tr>
<th>8-10 impact score</th>
<th>2015</th>
<th>2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>9%</td>
<td>10%</td>
<td>14%</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>0 employees</td>
<td>9%</td>
<td>10%</td>
<td>13%</td>
<td>12%</td>
<td>14%</td>
<td>14%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>1-9 employees</td>
<td>12%</td>
<td>13%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>19%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>10-49 employees</td>
<td>9%</td>
<td>12%</td>
<td>14%</td>
<td>14%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>50-249 employees</td>
<td>7%</td>
<td>14%</td>
<td>14%</td>
<td>19%</td>
<td>13%</td>
<td>11%</td>
<td>11%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Overall, the proportion of SMEs seeing the current economic climate as a barrier has been broadly stable since mid-2017, at a slightly higher level than in 2015-16. During 2017, those with 1-9 employees became more concerned about the economic climate but were somewhat less concerned in the first half of 2018, while those with 50-249 employees have become less concerned since the start of 2017:

The current economic climate

<table>
<thead>
<tr>
<th>8-10 impact score</th>
<th>2015</th>
<th>2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>13%</td>
<td>12%</td>
<td>11%</td>
<td>13%</td>
<td>16%</td>
<td>14%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>0 employees</td>
<td>12%</td>
<td>12%</td>
<td>11%</td>
<td>12%</td>
<td>16%</td>
<td>13%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>1-9 employees</td>
<td>14%</td>
<td>14%</td>
<td>13%</td>
<td>14%</td>
<td>18%</td>
<td>20%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>10-49 employees</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
<td>14%</td>
<td>13%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>50-249 employees</td>
<td>8%</td>
<td>13%</td>
<td>17%</td>
<td>15%</td>
<td>10%</td>
<td>11%</td>
<td>13%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Access to finance is the key theme of this report but an issue that has been less likely to be rated a barrier by SMEs over time. The table below shows a stable picture over recent quarters.

### Access to finance – 8-10 impact scores

<table>
<thead>
<tr>
<th>Over time – row percentages</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>By date of interview</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>All SMEs</th>
<th>5%</th>
<th>4%</th>
<th>5%</th>
<th>4%</th>
<th>4%</th>
<th>5%</th>
<th>5%</th>
<th>5%</th>
<th>6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 employee</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>1-9 employees</td>
<td>6%</td>
<td>5%</td>
<td>7%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>10-49 employees</td>
<td>4%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>50-249 employees</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Minimal external risk rating</td>
<td>2%</td>
<td>6%</td>
<td>2%</td>
<td>1%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Low external risk rating</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Average external risk rating</td>
<td>3%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Worse than average external risk rating</td>
<td>8%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4%</td>
<td>8%</td>
<td>1%</td>
<td>4%</td>
<td>3%</td>
<td>7%</td>
<td>7%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5%</td>
<td>3%</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>2%</td>
<td>10%</td>
</tr>
<tr>
<td>Construction</td>
<td>5%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
<td>7%</td>
<td>3%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>7%</td>
<td>3%</td>
<td>4%</td>
<td>6%</td>
<td>6%</td>
<td>4%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>6%</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>4%</td>
<td>6%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Transport</td>
<td>8%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Property/Business Services etc.</td>
<td>3%</td>
<td>3%</td>
<td>6%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>5%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Health</td>
<td>7%</td>
<td>5%</td>
<td>5%</td>
<td>1%</td>
<td>5%</td>
<td>5%</td>
<td>9%</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>Other Community</td>
<td>4%</td>
<td>6%</td>
<td>6%</td>
<td>3%</td>
<td>3%</td>
<td>5%</td>
<td>5%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Use external finance</td>
<td>6%</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Plan to borrow/FWBS</td>
<td>13%</td>
<td>11%</td>
<td>13%</td>
<td>13%</td>
<td>14%</td>
<td>14%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Future Happy non-seekers</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>All SMEs excluding PNBs</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Q93 (227a) All SMEs
Financial requirements in the next 3 months

SMEs were asked to consider their financial plans over the next 3 months. No changes were made to this question in the revised questionnaire. The slight increase in planned applications seen at the end of 2017 (14% in Q4) was not maintained into 2018 (In Q2, 9% planned to apply):

<table>
<thead>
<tr>
<th>% likely in next 3 months</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs – over time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By date of interview</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unweighted base:</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
<td>4507</td>
<td>4505</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
</tr>
<tr>
<td>Will have a need for (more) external finance</td>
<td>9%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>8%</td>
<td>9%</td>
<td>10%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Will apply for more external finance</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>8%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Renew existing borrowing at same level</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Any apply/renew</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
<td>14%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Reduce the amount of external finance used</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>4%</td>
<td>7%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Inject personal funds into business</td>
<td>15%</td>
<td>14%</td>
<td>15%</td>
<td>12%</td>
<td>13%</td>
<td>13%</td>
<td>15%</td>
<td>13%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Q99 (229) All SMEs

SMEs were typically somewhat more likely to identify a need for finance than to think they would apply for it. The predicted level of applications/renewals in the coming quarter has consistently been higher than the actual level of applications/renewals reported subsequently (by different SMEs). 10-14% of SMEs had been planning to apply for finance in 2017 but 4% reported a Type 1 event when interviewed in H1 2018.
Amongst those SMEs that are companies, there continued to be limited interest in seeking new equity finance:

% likely in next 3 months

<table>
<thead>
<tr>
<th>All companies – over time</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>2833</td>
<td>2839</td>
<td>2714</td>
<td>2846</td>
<td>2753</td>
<td>2948</td>
<td>2709</td>
<td>2851</td>
<td>2760</td>
</tr>
<tr>
<td>Any new equity</td>
<td>4%</td>
<td>3%</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>4%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Q99 (229) All companies

In Q2 2018 as in previous quarters, there continued to be a difference in future appetite for finance by size of business. Appetite was lower amongst those with 0 employees compared to those with employees and these smaller SMEs remained as likely to anticipate an injection of personal funds (8%) as an application for new/renewed finance (7%). A majority of the largest SMEs with 50-249 employees were planning to reduce the amount of finance being used (this will be monitored going forward – in previous quarters around a quarter of these SMEs planned to reduce the amount of finance used):

% likely in next 3 months

<table>
<thead>
<tr>
<th>Q2 18 – all SMEs</th>
<th>Total</th>
<th>0 emp</th>
<th>1-9 emps</th>
<th>10-49 emps</th>
<th>50-249 emps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>4500</td>
<td>900</td>
<td>1450</td>
<td>1450</td>
<td>700</td>
</tr>
<tr>
<td>Will have a need for (more) external finance</td>
<td>7%</td>
<td>7%</td>
<td>9%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Will apply for more external finance</td>
<td>5%</td>
<td>4%</td>
<td>8%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Renew existing borrowing at same level</td>
<td>6%</td>
<td>5%</td>
<td>9%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Any apply/renew</td>
<td>9%</td>
<td>7%</td>
<td>13%</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>Reduce the amount of external finance used</td>
<td>12%</td>
<td>11%</td>
<td>15%</td>
<td>15%</td>
<td>67%</td>
</tr>
<tr>
<td>Inject personal funds into business</td>
<td>9%</td>
<td>8%</td>
<td>12%</td>
<td>8%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Q99 (229) All SMEs

Amongst SMEs with employees, 14% had plans to apply/renew in the next 3 months and 9% believed they would have a need for (more) external finance.
Before looking at future applications for finance in more detail, the analysis below explores the role of personal funding of SMEs. Between 2012 and 2014 there was a decline in the proportion of SMEs that had injected personal funds, from 43% to 29%. Since then, each year around 3 in 10 SMEs have reported an injection of funds. Having been stable for a while, the proportion of SMEs planning to inject personal funds declined further in 2017 and H1 2018, to 11%, but in reality twice as many went on to inject funds:

The table below shows how the injections of personal funds past and future have combined. Over recent quarters around two thirds of SMEs had neither put in funds, nor thought it likely they would do so (68% in Q2 2018). Also in Q2 2018, 5% of SMEs had both injected personal funds and planned to do so again, down from 1 in 10 in previous quarters:

### Injections of personal funds past and future

<table>
<thead>
<tr>
<th>Over time – All SMEs</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>20,055</td>
<td>20,036</td>
<td>20,055</td>
<td>20,046</td>
<td>18,000</td>
<td>18,012</td>
<td>9000</td>
</tr>
<tr>
<td>Have injected personal funds</td>
<td>43%</td>
<td>38%</td>
<td>29%</td>
<td>28%</td>
<td>28%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Plan to inject personal funds</td>
<td>24%</td>
<td>20%</td>
<td>16%</td>
<td>16%</td>
<td>15%</td>
<td>13%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Q15d/Q99-5 (229-5) All companies

### Injections of personal funds

<table>
<thead>
<tr>
<th>Over time – All SMEs</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
<td>4507</td>
<td>4505</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
</tr>
<tr>
<td>Have injected personal funds and likely to do so again</td>
<td>9%</td>
<td>8%</td>
<td>10%</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Have not put in personal funds but likely to do so</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Have injected personal funds but unlikely to do so again</td>
<td>16%</td>
<td>17%</td>
<td>21%</td>
<td>20%</td>
<td>18%</td>
<td>21%</td>
<td>20%</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Have not put in personal funds and not likely to do so</td>
<td>69%</td>
<td>69%</td>
<td>65%</td>
<td>68%</td>
<td>68%</td>
<td>66%</td>
<td>66%</td>
<td>68%</td>
<td>68%</td>
</tr>
</tbody>
</table>

Q99 (229)/Q15d-d2 All SMEs
Turning back to future applications for external finance, the Q2 2018 figure of 9% was slightly lower than seen in recent quarters (10-12% since Q2 2016 but 14% in Q4 2017), due to lower appetite across all sizes of SME. Excluding the PNBs increases the proportion of remaining SMEs planning to apply (18%) but this is also lower than previously seen (26% in Q4 2017):

<table>
<thead>
<tr>
<th>% likely to apply or renew in next 3 months</th>
<th>All SMEs</th>
<th>0 employee</th>
<th>1-9 employees</th>
<th>10-49 employees</th>
<th>50-249 employees</th>
<th>Minimal external risk rating</th>
<th>Low external risk rating</th>
<th>Average external risk rating</th>
<th>Worse than average external risk rating</th>
<th>Agriculture</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Wholesale/Retail</th>
<th>Hotels &amp; Restaurants</th>
<th>Transport</th>
<th>Property/Business Services etc.</th>
<th>Health</th>
<th>Other Community</th>
<th>Objective to grow</th>
<th>No objective to grow</th>
<th>All SMEs excluding PNBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over time – row percentages</td>
<td>Q2 2016 11%</td>
<td>Q3 2016 11%</td>
<td>Q4 2016 10%</td>
<td>Q1 2017 12%</td>
<td>Q2 2017 12%</td>
<td>Q3 2017 14%</td>
<td>Q4 2017 9%</td>
<td>Q1 2018 9%</td>
<td>Q2 2018 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By date of interview</td>
<td>10% 10%</td>
<td>14% 15%</td>
<td>16% 16%</td>
<td>15% 16%</td>
<td>18% 16%</td>
<td>14% 12%</td>
<td>13% 11%</td>
<td>16% 16%</td>
<td>6% 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All SMEs</td>
<td>11% 11%</td>
<td>11% 11%</td>
<td>10% 10%</td>
<td>12% 12%</td>
<td>14% 14%</td>
<td>9% 9%</td>
<td>9% 9%</td>
<td>16% 16%</td>
<td>6% 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 employee</td>
<td>10% 10%</td>
<td>10% 10%</td>
<td>8% 11%</td>
<td>11% 13%</td>
<td>13% 13%</td>
<td>8% 7%</td>
<td>9% 9%</td>
<td>16% 16%</td>
<td>6% 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-9 employees</td>
<td>15% 14%</td>
<td>14% 14%</td>
<td>16% 16%</td>
<td>14% 13%</td>
<td>16% 16%</td>
<td>12% 13%</td>
<td>13% 13%</td>
<td>14% 10%</td>
<td>10% 10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10-49 employees</td>
<td>16% 13%</td>
<td>16% 16%</td>
<td>16% 15%</td>
<td>16% 18%</td>
<td>14% 15%</td>
<td>14% 15%</td>
<td>18% 14%</td>
<td>14% 15%</td>
<td>15% 15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50-249 employees</td>
<td>13% 12%</td>
<td>13% 12%</td>
<td>12% 23%</td>
<td>19% 12%</td>
<td>14% 14%</td>
<td>11% 11%</td>
<td>11% 11%</td>
<td>14% 11%</td>
<td>11% 11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimal external risk rating</td>
<td>10% 11%</td>
<td>10% 10%</td>
<td>9% 9%</td>
<td>9% 9%</td>
<td>16% 16%</td>
<td>6% 9%</td>
<td>9% 9%</td>
<td>16% 16%</td>
<td>6% 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low external risk rating</td>
<td>13% 11%</td>
<td>13% 13%</td>
<td>13% 13%</td>
<td>13% 13%</td>
<td>14% 14%</td>
<td>10% 10%</td>
<td>10% 10%</td>
<td>10% 10%</td>
<td>10% 10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average external risk rating</td>
<td>10% 11%</td>
<td>9% 8%</td>
<td>9% 11%</td>
<td>12% 12%</td>
<td>9% 8%</td>
<td>8% 8%</td>
<td>8% 8%</td>
<td>8% 8%</td>
<td>8% 8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Worse than average external risk rating</td>
<td>14% 12%</td>
<td>10% 11%</td>
<td>13% 13%</td>
<td>13% 16%</td>
<td>10% 10%</td>
<td>9% 9%</td>
<td>9% 9%</td>
<td>10% 9%</td>
<td>9% 9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>13% 17%</td>
<td>15% 12%</td>
<td>12% 11%</td>
<td>7% 16%</td>
<td>14% 14%</td>
<td>10% 10%</td>
<td>14% 10%</td>
<td>14% 10%</td>
<td>10% 10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15% 11%</td>
<td>11% 7%</td>
<td>7% 20%</td>
<td>10% 20%</td>
<td>12% 12%</td>
<td>14% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>14% 14%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>8% 9%</td>
<td>11% 10%</td>
<td>7% 11%</td>
<td>12% 11%</td>
<td>12% 11%</td>
<td>11% 7%</td>
<td>11% 7%</td>
<td>12% 12%</td>
<td>14% 14%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>12% 14%</td>
<td>12% 13%</td>
<td>13% 11%</td>
<td>14% 15%</td>
<td>8% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>13% 13%</td>
<td>11% 15%</td>
<td>13% 11%</td>
<td>21% 12%</td>
<td>9% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>16% 15%</td>
<td>14% 13%</td>
<td>12% 11%</td>
<td>16% 10%</td>
<td>5% 5%</td>
<td>10% 10%</td>
<td>10% 10%</td>
<td>5% 5%</td>
<td>5% 5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property/Business Services etc.</td>
<td>10% 9%</td>
<td>12% 7%</td>
<td>11% 12%</td>
<td>12% 12%</td>
<td>6% 6%</td>
<td>8% 8%</td>
<td>8% 8%</td>
<td>8% 8%</td>
<td>8% 8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>11% 8%</td>
<td>9% 9%</td>
<td>11% 16%</td>
<td>15% 10%</td>
<td>12% 12%</td>
<td>10% 10%</td>
<td>10% 10%</td>
<td>10% 10%</td>
<td>10% 10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Community</td>
<td>15% 11%</td>
<td>8% 13%</td>
<td>15% 13%</td>
<td>12% 12%</td>
<td>9% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective to grow</td>
<td>18% 15%</td>
<td>14% 16%</td>
<td>18% 17%</td>
<td>19% 19%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td>12% 12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No objective to grow</td>
<td>7% 8%</td>
<td>9% 5%</td>
<td>6% 7%</td>
<td>10% 7%</td>
<td>6% 6%</td>
<td>6% 6%</td>
<td>6% 6%</td>
<td>6% 6%</td>
<td>6% 6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All SMEs excluding PNBs</td>
<td>22% 22%</td>
<td>19% 19%</td>
<td>21% 23%</td>
<td>26% 26%</td>
<td>18% 18%</td>
<td>6% 6%</td>
<td>6% 6%</td>
<td>6% 6%</td>
<td>6% 6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q99 (229) All SMEs base size varies by category
The variability in predicted appetite for finance quarter on quarter makes trends harder to discern. The table below looks at annual appetite for finance since 2012 by key business demographics. This shows that overall appetite for finance in H1 2018 was somewhat lower than in recent periods, both overall and across all size bands and once the PNBs were excluded:

<table>
<thead>
<tr>
<th>% likely to apply or renew in next 3 months</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>14%</td>
<td>14%</td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>0 emp</td>
<td>12%</td>
<td>12%</td>
<td>11%</td>
<td>12%</td>
<td>11%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>1-9 emps</td>
<td>20%</td>
<td>19%</td>
<td>20%</td>
<td>17%</td>
<td>15%</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>10-49 emps</td>
<td>21%</td>
<td>17%</td>
<td>18%</td>
<td>19%</td>
<td>16%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>50-249 emps</td>
<td>19%</td>
<td>16%</td>
<td>14%</td>
<td>14%</td>
<td>13%</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>Minimal external risk rating</td>
<td>16%</td>
<td>12%</td>
<td>13%</td>
<td>13%</td>
<td>11%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Low</td>
<td>17%</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
<td>13%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Average</td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
<td>14%</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Worse than average</td>
<td>15%</td>
<td>14%</td>
<td>14%</td>
<td>12%</td>
<td>13%</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>18%</td>
<td>16%</td>
<td>15%</td>
<td>18%</td>
<td>15%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16%</td>
<td>13%</td>
<td>16%</td>
<td>16%</td>
<td>13%</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Construction</td>
<td>14%</td>
<td>13%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>16%</td>
<td>18%</td>
<td>19%</td>
<td>15%</td>
<td>13%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>17%</td>
<td>15%</td>
<td>16%</td>
<td>16%</td>
<td>14%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Transport</td>
<td>14%</td>
<td>16%</td>
<td>15%</td>
<td>13%</td>
<td>15%</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>Property/ Business Services</td>
<td>12%</td>
<td>13%</td>
<td>11%</td>
<td>13%</td>
<td>11%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Health</td>
<td>11%</td>
<td>12%</td>
<td>11%</td>
<td>9%</td>
<td>10%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>16%</td>
<td>12%</td>
<td>14%</td>
<td>13%</td>
<td>12%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>All excl PNBs</td>
<td>21%</td>
<td>23%</td>
<td>24%</td>
<td>25%</td>
<td>23%</td>
<td>22%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Amongst those planning to grow, future appetite for finance remained somewhat higher than for those not planning to grow (12% v 7% in H1 2018) but was lower than previously seen (17-19% 2013-17).
Previous analysis has shown that those already using external finance were more likely to consider applying for finance than those not currently using it. In H1 2018, 6% of all SMEs were using finance and planned to apply for more, twice as many as the 3% not currently using finance but planning to apply for some. A steady 3 in 10 were using finance but had no plans to apply for more and the largest group of SMEs (63%) neither used finance nor had plans to apply for any.

This means that most of the 9% of SMEs planning to apply for finance were already using it (67%):

<table>
<thead>
<tr>
<th>Plans to apply v use of external finance</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>20,036</td>
<td>20,055</td>
<td>20,046</td>
<td>18,000</td>
<td>18,012</td>
<td>9000</td>
</tr>
<tr>
<td>Use external finance and plan to apply</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>8%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>Use external finance, no plans to apply</td>
<td>30%</td>
<td>27%</td>
<td>27%</td>
<td>29%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Do not use finance but plan to apply</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Do not use finance, no plans to apply</td>
<td>56%</td>
<td>60%</td>
<td>59%</td>
<td>59%</td>
<td>59%</td>
<td>63%</td>
</tr>
</tbody>
</table>

% of future applicants using finance     | 77%  | 77%  | 71%  | 67%  | 78%  | 67%     |

Analysis of the H1 2018 results showed that the proportion of SMEs that were both using finance and planning to apply increased by size of SME. The proportion of future applicants that were already using finance also increased by size of SME from 65% to 90%:

- 5% of 0 employee SMEs were using external finance and planned to apply for more. 65% of all future applicants with 0 employees were already using finance
- 8% of 1-9 employee SMEs were using external finance and planned to apply for more. 66% of all future applicants were already using finance
- 12% of 10-49 employee SMEs were using external finance and planned to apply for more. 83% of all future applicants were already using finance
- 15% of 50-249 employee SMEs were using external finance and planned to apply for more. 90% of all future applicants were already using finance.
The list of options regarding the purpose of the new/renewed facility was extensively revised for Q1 2018. The new list is shown below, with indicative data for 2016 and 2017 where similar codes were asked previously. The increased options available mean that there are fewer mentions of ‘working capital’ in 2018 than previously:

### Use of new/renewed facility

<table>
<thead>
<tr>
<th>All planning to seek/renew</th>
<th>Over time excl DK</th>
<th>By date of interview</th>
<th>2016</th>
<th>2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>2563</td>
<td>2616</td>
<td>546</td>
<td>540</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To fund UK expansion</td>
<td></td>
<td></td>
<td>28%</td>
<td>23%</td>
<td>28%</td>
<td>30%</td>
</tr>
<tr>
<td>Plant &amp; machinery</td>
<td></td>
<td></td>
<td>21%</td>
<td>20%</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>A new business opportunity</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>15%</td>
<td>24%</td>
</tr>
<tr>
<td>Working capital to help cashflow*</td>
<td></td>
<td></td>
<td>62%</td>
<td>63%</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Cover short term funding gap</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>Help through trading difficulties</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>Take on staff</td>
<td></td>
<td></td>
<td>-</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Fund new premises</td>
<td></td>
<td></td>
<td>8%</td>
<td>7%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Fund expansion overseas</td>
<td></td>
<td></td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Take over another business</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Q100 (230) All planning to apply for/renew facilities in next 3 months. EXCL DK New codes from Q1 2018

The purpose of finance is less concentrated on ‘working capital’ than it was in previous years, but this is partly a function of having a wider range of alternatives available – total mentions of things for which working capital might have previously been cited (‘new business opportunity’, ‘working capital’, ‘short term funding’ and ‘trading difficulties’) were 54% in Q2 2018, not that different to the 6 in 10 citing working capital in 2016 and 2017.
Working capital aside, a longer term view back to 2012 showed relatively little variation in the proposed purpose of future funding, with slightly fewer mentions of funding for plant and machinery since 2016:

<table>
<thead>
<tr>
<th>Use of new/renewed facility</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>All planning to seek/renew- over time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unweighted base:</td>
<td>3717</td>
<td>3316</td>
<td>3310</td>
<td>3200</td>
<td>2563</td>
<td>2616</td>
<td>1086</td>
</tr>
<tr>
<td>To fund UK expansion</td>
<td>21%</td>
<td>28%</td>
<td>30%</td>
<td>28%</td>
<td>28%</td>
<td>23%</td>
<td>29%</td>
</tr>
<tr>
<td>Plant &amp; machinery</td>
<td>27%</td>
<td>27%</td>
<td>26%</td>
<td>25%</td>
<td>21%</td>
<td>20%</td>
<td>23%</td>
</tr>
<tr>
<td>A new business opportunity</td>
<td>19%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital to help cashflow</td>
<td>63%</td>
<td>62%</td>
<td>57%</td>
<td>59%</td>
<td>62%</td>
<td>63%</td>
<td>16%</td>
</tr>
<tr>
<td>Cover short term funding gap</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12%</td>
</tr>
<tr>
<td>Help through trading difficulties</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10%</td>
</tr>
<tr>
<td>Take on staff</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Fund new premises</td>
<td>7%</td>
<td>7%</td>
<td>10%</td>
<td>7%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Fund expansion overseas</td>
<td>3%</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Take over another business</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1%</td>
</tr>
</tbody>
</table>

Q100 (230) All planning to apply for/renew facilities in next 3 months excl DK. New codes from Q1 2018
The table below details what types of finance those planning to apply would consider for their new/renewed funding. From Q1 2016 data has been collected at a headline level rather than for each possible type of finance.

Consideration over time of any of the core lending products (overdrafts, loans and/or credit cards) and/or other forms of borrowing, is shown below for those planning to apply, using those new summary categories. It shows consideration of core finance was stable (54%) but remained at lower levels than previously seen (in H2 2015 6 in 10 were considering core finance):

<table>
<thead>
<tr>
<th>% of those seeking/renewing finance that would consider form of funding</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core product (loan, O/D, credit card)</strong></td>
<td>47%</td>
<td>55%</td>
<td>55%</td>
<td>61%</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
<td>54%</td>
</tr>
<tr>
<td><strong>Commercial mortgage</strong></td>
<td>14%</td>
<td>16%</td>
<td>13%</td>
<td>12%</td>
<td>24%</td>
<td>15%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Leasing/invoice finance</strong></td>
<td>15%</td>
<td>16%</td>
<td>18%</td>
<td>15%</td>
<td>22%</td>
<td>16%</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>21%</td>
<td>26%</td>
<td>22%</td>
<td>19%</td>
<td>27%</td>
<td>30%</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td><strong>None of these</strong></td>
<td>45%</td>
<td>32%</td>
<td>34%</td>
<td>32%</td>
<td>37%</td>
<td>32%</td>
<td>35%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Q101 (233) All SMEs seeking new/renewing finance in next 3 months

In all quarters consideration was highest for the core products. In Q2 2018, 54% of future applicants were considering a core form of finance, compared to 21% considering any of the other forms of finance.

The proportion saying ‘none of these’ was previously stable at around 1 in 4 but increased after the new format question was introduced at the start of 2016 (37% for 2016 as a whole). It has been more stable since the start of 2017 at around a third of future applicants.

These undecided potential applicants were asked whether this was because they had not decided what they might use or because they were considering another form of finance not listed. In H1 2018, 68% said that they had not decided, while 32% were considering another form of finance, up from 20% in 2015.

Amongst all potential applicants in H1 2018, 66% were considering one or more of the forms of finance listed, 11% were considering another form of finance and 23% hadn’t yet decided what they might use.
In order to maximise base sizes, the table below shows levels of consideration in H1 2018 by the size of SME considering funding.

<table>
<thead>
<tr>
<th>% of those seeking/renewing finance would consider funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1 2018</strong></td>
</tr>
<tr>
<td>Unweighted base:</td>
</tr>
<tr>
<td>Core product (loan, od, credit card)</td>
</tr>
<tr>
<td>Commercial mortgage</td>
</tr>
<tr>
<td>Leasing/invoice finance</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>None of these</td>
</tr>
</tbody>
</table>

Q101 (233) All SMEs seeking new/renewing finance in next 3 months

The balance between consideration of core and other forms of funding changed by size of SME. Core finance was the most likely source of funding to be considered in all size bands, but larger SMEs were more likely to also consider commercial mortgages and leasing/invoice finance.

Amongst SMEs with employees, 47% would consider one or more core products for their future lending, 18% a commercial mortgage, 20% leasing or invoice finance and 23% some other form of funding. 38% said they would not consider any of these.

Core forms of finance were more likely to be mentioned whatever the purpose the funds were needed for, but especially for UK expansion, taking on staff and short term funding gaps. Both leasing and commercial mortgages were mentioned by those looking to expand overseas (and commercial mortgages were also mentioned for premises).
Application confidence

Those planning to apply via typical bank products (loan, commercial mortgage, overdraft, leasing, invoice finance and/or credit cards) were asked how confident they were that their main bank would agree to their request. Those planning to apply who were either only considering one of the other forms of finance specified or who did not nominate any form of finance were asked an alternative question, reported below. This part of the questionnaire was not changed for Q1 2018.

There have been significant variations in levels of application confidence since the start of 2017, but confidence in Q2 2018 is higher, back to levels seen in Q3 2017:

Confidence bank would lend

<table>
<thead>
<tr>
<th>Over time by date of interview</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>377</td>
<td>295</td>
<td>362</td>
<td>389</td>
<td>437</td>
<td>421</td>
<td>401</td>
<td>327</td>
<td>353</td>
</tr>
<tr>
<td>Very confident</td>
<td>22%</td>
<td>23%</td>
<td>22%</td>
<td>17%</td>
<td>14%</td>
<td>14%</td>
<td>12%</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Fairly confident</td>
<td>31%</td>
<td>38%</td>
<td>37%</td>
<td>32%</td>
<td>41%</td>
<td>47%</td>
<td>27%</td>
<td>32%</td>
<td>35%</td>
</tr>
<tr>
<td>Overall confidence</td>
<td>53%</td>
<td>61%</td>
<td>59%</td>
<td>49%</td>
<td>55%</td>
<td>59%</td>
<td>41%</td>
<td>48%</td>
<td>58%</td>
</tr>
<tr>
<td>Neither/nor</td>
<td>22%</td>
<td>20%</td>
<td>22%</td>
<td>22%</td>
<td>26%</td>
<td>26%</td>
<td>23%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Not confident</td>
<td>25%</td>
<td>19%</td>
<td>19%</td>
<td>28%</td>
<td>23%</td>
<td>23%</td>
<td>15%</td>
<td>33%</td>
<td>29%</td>
</tr>
<tr>
<td>Net confidence (confident – not confident)</td>
<td>+26</td>
<td>+42</td>
<td>+40</td>
<td>+21</td>
<td>+32</td>
<td>+44</td>
<td>+8</td>
<td>+19</td>
<td>+35</td>
</tr>
</tbody>
</table>

Q103 (238) All SMEs seeking new/renewing finance in next 3 months

Confidence amongst prospective applicants with employees was 54% in Q2 2018.
As the table below shows, the increase in confidence in Q2 2018 was seen predominantly amongst smaller applicants and those with an average or worse than average risk rating, albeit larger applicants and those with a minimal or low risk rating remained more confident of success:

<table>
<thead>
<tr>
<th>Overall confidence bank would lend</th>
<th>All planning to seek finance – over time</th>
<th>Total</th>
<th>0-9 emps</th>
<th>10-249 emps</th>
<th>Min/low</th>
<th>Av/Worse than avge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2015</td>
<td></td>
<td>49%</td>
<td>49%</td>
<td>66%</td>
<td>71%</td>
<td>38%</td>
</tr>
<tr>
<td>Q2 2015</td>
<td></td>
<td>49%</td>
<td>48%</td>
<td>77%</td>
<td>63%</td>
<td>45%</td>
</tr>
<tr>
<td>Q3 2015</td>
<td></td>
<td>60%</td>
<td>60%</td>
<td>66%</td>
<td>67%</td>
<td>55%</td>
</tr>
<tr>
<td>Q4 2015</td>
<td></td>
<td>52%</td>
<td>52%</td>
<td>71%</td>
<td>57%</td>
<td>52%</td>
</tr>
<tr>
<td>Q1 2016</td>
<td></td>
<td>48%</td>
<td>47%</td>
<td>73%</td>
<td>71%</td>
<td>41%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td></td>
<td>53%</td>
<td>51%</td>
<td>74%</td>
<td>83%</td>
<td>47%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td></td>
<td>61%</td>
<td>60%</td>
<td>81%</td>
<td>71%</td>
<td>59%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td></td>
<td>59%</td>
<td>58%</td>
<td>74%</td>
<td>71%</td>
<td>60%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td></td>
<td>49%</td>
<td>48%</td>
<td>66%</td>
<td>74%</td>
<td>44%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td></td>
<td>55%</td>
<td>54%</td>
<td>79%</td>
<td>69%</td>
<td>51%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td></td>
<td>59%</td>
<td>57%</td>
<td>78%</td>
<td>72%</td>
<td>61%</td>
</tr>
<tr>
<td>Q4 2017</td>
<td></td>
<td>41%</td>
<td>40%</td>
<td>65%</td>
<td>58%</td>
<td>37%</td>
</tr>
<tr>
<td>Q1 2018</td>
<td></td>
<td>48%</td>
<td>46%</td>
<td>67%</td>
<td>68%</td>
<td>45%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td></td>
<td>58%</td>
<td>57%</td>
<td>71%</td>
<td>66%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Q103 (238) All SMEs seeking new/renewing finance in next 3 months
Over the longer term, the steady increase in levels of confidence seen between 2012 and 2016 was not maintained in 2017, but showed signs of recovering in H1 2018:

<table>
<thead>
<tr>
<th>Confidence bank would agree to lend</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>2933</td>
<td>2477</td>
<td>2337</td>
<td>2194</td>
<td>1467</td>
<td>1648</td>
<td>680</td>
</tr>
<tr>
<td>Very confident</td>
<td>15%</td>
<td>14%</td>
<td>24%</td>
<td>24%</td>
<td>23%</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>Fairly confident</td>
<td>27%</td>
<td>25%</td>
<td>23%</td>
<td>29%</td>
<td>32%</td>
<td>36%</td>
<td>34%</td>
</tr>
<tr>
<td><strong>Overall confidence</strong></td>
<td>42%</td>
<td>39%</td>
<td>47%</td>
<td>53%</td>
<td>55%</td>
<td>50%</td>
<td>53%</td>
</tr>
<tr>
<td>Neither/nor</td>
<td>23%</td>
<td>30%</td>
<td>24%</td>
<td>21%</td>
<td>25%</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Not confident</td>
<td>35%</td>
<td>31%</td>
<td>29%</td>
<td>26%</td>
<td>21%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Net confidence (confident – not</strong></td>
<td>+10</td>
<td>+8</td>
<td>+18</td>
<td>+27</td>
<td>+34</td>
<td>+24</td>
<td>+27</td>
</tr>
</tbody>
</table>

Q103 (238) All SMEs seeking new/renewing finance in next 3 months

Current confidence (53%) is very similar to that in 2015, by size and risk rating, and only slightly lower than the 55% confidence level seen in 2016. Larger SMEs and those with a better risk rating were less confident in H1 2018 than they were in 2016 (but still more confident than their peers):

<table>
<thead>
<tr>
<th>Confidence bank would agree to lend</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All</strong></td>
<td>42%</td>
<td>39%</td>
<td>47%</td>
<td>53%</td>
<td>55%</td>
<td>50%</td>
<td>53%</td>
</tr>
<tr>
<td>0-9 employees</td>
<td>41%</td>
<td>37%</td>
<td>46%</td>
<td>52%</td>
<td>53%</td>
<td>49%</td>
<td>52%</td>
</tr>
<tr>
<td>10-49 employees</td>
<td>58%</td>
<td>60%</td>
<td>66%</td>
<td>70%</td>
<td>75%</td>
<td>72%</td>
<td>69%</td>
</tr>
<tr>
<td>Minimum/Low risk rating</td>
<td>57%</td>
<td>67%</td>
<td>65%</td>
<td>66%</td>
<td>74%</td>
<td>68%</td>
<td>67%</td>
</tr>
<tr>
<td>Average/WTA risk rating</td>
<td>40%</td>
<td>35%</td>
<td>45%</td>
<td>48%</td>
<td>51%</td>
<td>48%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Q103 (238) All SMEs seeking new/renewing finance in next 3 months

Those planning to renew remained more confident of success than those planning to apply for a new facility. Analysis showed that in H1 2018, 7 in 10 of those planning to renew were confident (70%) compared to 4 in 10 of those planning to apply for new facilities (42%). These levels of confidence also remain lower than actual success levels (currently 85% overall).
Analysis over time showed improvements in confidence between 2014 and 2016 with some variability since:

- For renewals confidence was 56% for 2014, increasing to 67% for 2016, then 61% for 2017 before returning to previous levels for H1 2018 (70%)
- For new facilities confidence was 39% for 2014, increasing to 46% for 2016, but was back to 39% for 2017 then 42% for H1 2018.

In a new question asked from Q1 2016, all other SMEs were asked how confident they would be of their bank saying yes if they were to apply. This includes both those planning to apply for a non-bank product and those with no plans to apply for anything. The table below shows the results for Q2 2018, when 6 in 10 were confident of success with a potentially hypothetical application (a very similar proportion to those planning to apply to a bank). This ‘hypothetical’ confidence increased by size of SME from 57% of those with no employees to 92% of those with 50-249 employees:

<table>
<thead>
<tr>
<th>Confidence bank would say yes if asked</th>
<th>All not planning to apply to bank Q2 18</th>
<th>0 emp</th>
<th>1-9 emps</th>
<th>10-49 emps</th>
<th>50-249 emps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>Total 4147</td>
<td>859</td>
<td>1342</td>
<td>1319</td>
<td>627</td>
</tr>
<tr>
<td>Very confident</td>
<td>25% (21% 32% 42% 74%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fairly confident</td>
<td>36% (36% 35% 36% 18%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall confidence</td>
<td>61% (57% 67% 78% 92%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither/nor</td>
<td>26% (27% 24% 16% 6%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not confident</td>
<td>14% (15% 10% 6% 2%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net confidence (confident – not confident)</td>
<td>+47 (+42 +57 +72 +90)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q106 (239b) All SMEs not seeking new/renewing finance from bank in next 3 months
Included in the table above are those who planned to renew/apply but then did not nominate any bank products (or indeed any products) for consideration. The table below summarises the confidence of all SMEs in Q2 2018, whether they were planning to apply to a bank (58% confident), apply but for another form of finance (56% confident), or not apply because they were a Would-be seeker of finance (49% confident). The largest group, those who had no need or plans to apply (the Future happy non-seekers) remained the most confident that if they were to approach their bank they would be successful (62%):

<table>
<thead>
<tr>
<th>Confidence bank would say yes if asked</th>
<th>All planning to apply to bank</th>
<th>All others planning to apply</th>
<th>Future WBS</th>
<th>Future HNS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>353</td>
<td>199</td>
<td>406</td>
<td>3542</td>
</tr>
<tr>
<td>Very confident</td>
<td>23%</td>
<td>24%</td>
<td>14%</td>
<td>26%</td>
</tr>
<tr>
<td>Fairly confident</td>
<td>35%</td>
<td>32%</td>
<td>35%</td>
<td>36%</td>
</tr>
<tr>
<td><strong>Overall confidence</strong></td>
<td>58%</td>
<td>56%</td>
<td>49%</td>
<td>62%</td>
</tr>
<tr>
<td>Neither/nor</td>
<td>20%</td>
<td>21%</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td>Not confident</td>
<td>23%</td>
<td>23%</td>
<td>28%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Net confidence (confident - not confident)</strong></td>
<td><strong>+35</strong></td>
<td><strong>+33</strong></td>
<td><strong>+21</strong></td>
<td><strong>+51</strong></td>
</tr>
</tbody>
</table>

Q103/106 (238/ 239b) All SMEs
This hypothetical confidence question has only been asked since Q1 2016 so trend data is more limited than for some other metrics. The table below shows that across all SMEs (those planning to apply and those answering hypothetically) confidence improved during 2016 (60% to 68%) but then decreased and has typically been 6 in 10 again since Q2 2017:

<table>
<thead>
<tr>
<th>Confidence bank would say yes</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Row percentages</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>All SMEs</td>
<td>60%</td>
<td>64%</td>
<td>67%</td>
<td>68%</td>
<td>64%</td>
<td>61%</td>
<td>62%</td>
<td>60%</td>
<td>55%</td>
<td>60%</td>
</tr>
<tr>
<td>Planning to apply to bank</td>
<td>48%</td>
<td>53%</td>
<td>61%</td>
<td>59%</td>
<td>49%</td>
<td>55%</td>
<td>59%</td>
<td>41%</td>
<td>48%</td>
<td>58%</td>
</tr>
<tr>
<td>Others planning to apply</td>
<td>49%</td>
<td>66%</td>
<td>56%</td>
<td>51%</td>
<td>67%</td>
<td>50%</td>
<td>74%</td>
<td>61%</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>No plans – Future would-be seekers</td>
<td>38%</td>
<td>48%</td>
<td>53%</td>
<td>57%</td>
<td>51%</td>
<td>37%</td>
<td>37%</td>
<td>43%</td>
<td>43%</td>
<td>49%</td>
</tr>
<tr>
<td>No plans – Future happy non-seekers</td>
<td>66%</td>
<td>68%</td>
<td>70%</td>
<td>72%</td>
<td>66%</td>
<td>65%</td>
<td>65%</td>
<td>64%</td>
<td>58%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Q103/106 (238/239b) All SMEs

On an annual basis, overall confidence amongst all SMEs decreased slightly from 65% in 2016 to 62% in 2017 and 58% in H1 2018.

- This was driven by the Future happy non-seekers as the largest group, where confidence has moved from 69% to 60%.
- Those planning to apply to a bank (55% to 53%) and Future would-be seekers (50% to 46%) were less confident in 2017 than in 2016 but confidence increased somewhat in H1 2018.
- The only group to see an increase in confidence in 2017 were those planning to apply (but not to a bank) where confidence was 55% in 2016 and 63% in 2017. Confidence amongst this group however in H1 2018 was back to 50%.

The summary table below also shows overall confidence (whether the SME planned to apply or not) for other key groups by year. In addition to the Future happy non-seekers mentioned above, the lower level of confidence in H1 2018 (58%) was due to changes in confidence amongst all but those with 50-249 employees.

Larger SMEs and those with a minimal or low risk rating remained more confident of success. By sector, those in the Property/Business Services and the Other Community sectors were less confident (54%) but otherwise confidence did not vary much by sector (56%-63%). Back in 2016, Permanent non-borrowers were more confident than other SMEs (68% v 62% in 2016) but this is no longer the case (57% v 58%).
<table>
<thead>
<tr>
<th>Confidence bank will say yes (whether planning to apply or not)</th>
<th>2016</th>
<th>2017</th>
<th>H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over time By date of interview – row percentages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>65</td>
<td>62</td>
<td>58</td>
</tr>
<tr>
<td>0 emp</td>
<td>62</td>
<td>59</td>
<td>55</td>
</tr>
<tr>
<td>1-9 emps</td>
<td>70</td>
<td>66</td>
<td>63</td>
</tr>
<tr>
<td>10-49 emps</td>
<td>80</td>
<td>79</td>
<td>74</td>
</tr>
<tr>
<td>50-249 emps</td>
<td>85</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>Minimal external risk rating</td>
<td>73</td>
<td>73</td>
<td>70</td>
</tr>
<tr>
<td>Low</td>
<td>73</td>
<td>70</td>
<td>67</td>
</tr>
<tr>
<td>Average</td>
<td>67</td>
<td>61</td>
<td>60</td>
</tr>
<tr>
<td>Worse than average</td>
<td>61</td>
<td>58</td>
<td>50</td>
</tr>
<tr>
<td>Agriculture</td>
<td>71</td>
<td>67</td>
<td>62</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>67</td>
<td>61</td>
<td>63</td>
</tr>
<tr>
<td>Construction</td>
<td>65</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>70</td>
<td>66</td>
<td>62</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>62</td>
<td>63</td>
<td>59</td>
</tr>
<tr>
<td>Transport</td>
<td>61</td>
<td>59</td>
<td>56</td>
</tr>
<tr>
<td>Property/ Business Services</td>
<td>65</td>
<td>62</td>
<td>54</td>
</tr>
<tr>
<td>Health</td>
<td>64</td>
<td>59</td>
<td>58</td>
</tr>
<tr>
<td>Other</td>
<td>62</td>
<td>59</td>
<td>54</td>
</tr>
<tr>
<td>PNBs</td>
<td>68</td>
<td>63</td>
<td>57</td>
</tr>
<tr>
<td>All excl PNBs</td>
<td>62</td>
<td>61</td>
<td>58</td>
</tr>
<tr>
<td>Planning to apply to bank</td>
<td>55</td>
<td>50</td>
<td>53</td>
</tr>
<tr>
<td>Planning to apply elsewhere</td>
<td>55</td>
<td>63</td>
<td>50</td>
</tr>
<tr>
<td>Future would-be seeker</td>
<td>50</td>
<td>42</td>
<td>46</td>
</tr>
<tr>
<td>Future happy non-seeker</td>
<td>69</td>
<td>65</td>
<td>60</td>
</tr>
</tbody>
</table>

Q103/106 (238/239b) All SMEs
Those not planning to seek or renew facilities in the next 3 months

In Q2 2018, 9% of all SMEs reported plans to apply for, or renew, facilities in the following 3 months, leaving the majority (91%) with no such plans. Analysis showed that overall, 63% of all SMEs in Q2 2018 neither used external finance nor had any immediate plans to apply for any.

On an annual basis, the proportion neither using finance nor planning to apply for it increased from 50% of SMEs in 2011 to 60% for 2014, was then stable 2015-2017 (58-59%) and was slightly higher in the first half of 2018 (63%).

When thinking about SMEs with no plans to apply/renew, it is important to distinguish between two groups:

- Those that were happy with the decision because they did not need to borrow (more) or already had the facilities they needed – the Future happy non-seekers
- Those that felt that there were barriers that might stop them making an application (such as discouragement, the economy or the principle or process of borrowing) – the Future would-be seekers.

These Future would-be seekers can then be split into 2 further groups:

- Those that had already identified that they were likely to need external finance in the coming 3 months (and could foresee barriers to an application that met that need).
- Those that thought it unlikely that they would have a need for external finance in the next 3 months but who thought there would be barriers to their applying, were a need to emerge.

As reported later in this chapter, very few of the Future would-be seekers had an actual need for finance already identified, and thus they were a wider group than the Would-be seekers of the past 12 months, all of whom reported having an identified need for finance that they had not applied for.

There have been no changes over time to these definitions, and these questions have been asked in 2018 in the same way as they were in 2017 and previous waves.
The picture for recent quarters is reported below. 8 in 10 SMEs in Q2 2018 met the definition of a Future happy non-seeker and they remained the largest group:

**Future finance plans**

<table>
<thead>
<tr>
<th>All SMEs – over time</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>By date of interview</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
<td>4507</td>
<td>4505</td>
<td>4500</td>
<td>4500</td>
<td>4500</td>
</tr>
<tr>
<td>Unweighted base:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan to apply/renew</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
<td>14%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Future would-be seekers – with identified need</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Future would-be seekers – no immediate identified need</td>
<td>12%</td>
<td>11%</td>
<td>13%</td>
<td>10%</td>
<td>9%</td>
<td>8%</td>
<td>9%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Future happy non-seekers</td>
<td>76%</td>
<td>77%</td>
<td>75%</td>
<td>80%</td>
<td>79%</td>
<td>79%</td>
<td>76%</td>
<td>76%</td>
<td>79%</td>
</tr>
</tbody>
</table>

Amongst SMEs with employees in Q2 2018, 14% had plans to apply/renew while 9% met the definition of a Future would-be seeker. The Future happy non-seekers remained the largest group at 77%.

3 in 10 Future happy non-seekers used external finance (31% in H1 2018) and this has changed little over time (31% in 2016 and 33% in 2017).
Around half of SMEs can be described as Permanent non-borrowers based on their past and indicated future behaviour. The table below shows future plans over recent quarters once this group was excluded, resulting in a higher proportion of remaining SMEs planning to apply (18% in Q2 2018, albeit lower than the 26% reported for Q4 2017) and fewer Future happy non-seekers (58% – although they remained the largest single group):

Future finance plans
SMEs excluding PNB – over time
By date of interview

<table>
<thead>
<tr>
<th></th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td>3008</td>
<td>2755</td>
<td>3017</td>
<td>3011</td>
<td>3038</td>
<td>2890</td>
<td>3001</td>
<td>2735</td>
<td>2868</td>
</tr>
<tr>
<td>Plan to apply/renew</td>
<td>22%</td>
<td>22%</td>
<td>19%</td>
<td>19%</td>
<td>21%</td>
<td>23%</td>
<td>26%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Future would-be seekers – with identified need</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Future would-be seekers – no immediate identified need</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
<td>18%</td>
<td>16%</td>
<td>15%</td>
<td>17%</td>
<td>26%</td>
<td>22%</td>
</tr>
<tr>
<td>Future happy non-seekers</td>
<td>55%</td>
<td>55%</td>
<td>58%</td>
<td>62%</td>
<td>61%</td>
<td>59%</td>
<td>55%</td>
<td>53%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Q99/104 (230/239) All SMEs excluding the Permanent non-borrowers

The tables below take a longer term view on changes in future appetite for finance since 2012, both overall and once the Permanent non-borrowers were excluded.
Future demand for finance has declined somewhat since 2012 (14% to 12% in both 2016 and 2017 and 9% for H1 2018). More markedly, the proportion of Future would-be seekers halved in that time, and so the proportion of Future happy non-seekers increased:

<table>
<thead>
<tr>
<th>Future finance plans</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>20,055</td>
<td>20,036</td>
<td>20,055</td>
<td>20,046</td>
<td>18,000</td>
<td>18,012</td>
<td>9000</td>
</tr>
<tr>
<td>Plan to apply/renew</td>
<td>14%</td>
<td>14%</td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Future would-be seekers</td>
<td>23%</td>
<td>18%</td>
<td>16%</td>
<td>11%</td>
<td>13%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Future happy non-seekers</td>
<td>63%</td>
<td>68%</td>
<td>71%</td>
<td>76%</td>
<td>76%</td>
<td>78%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Amongst SMEs with employees:

- The proportion planning to apply/renew was higher but had also declined over time, from 20% in 2012 to 15% in 2017 and 13% in H1 2018.
- Over the same time period, the proportion of Future would-be seekers also declined (from 20% to 11%).
- This left the Future happy non-seekers of finance as an increasingly large group (60% to 77%).

Once the Permanent non-borrowers were excluded, more of the remaining SMEs were planning to apply or renew. The proportion increased slightly between 2012 and 2015 (21% to 25%) but then declined steadily again to 18% for H1 2018. The proportion of Future would-be seekers had declined from 35% in 2012 to 19% in 2017, but was 27% for H1 2018. The largest group remained the Future happy non-seekers of finance (56% in H1 2018):

<table>
<thead>
<tr>
<th>Future finance plans</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>15,312</td>
<td>14,578</td>
<td>13,613</td>
<td>13,011</td>
<td>11,634</td>
<td>11,940</td>
<td>5603</td>
</tr>
<tr>
<td>Plan to apply/renew</td>
<td>21%</td>
<td>23%</td>
<td>24%</td>
<td>25%</td>
<td>23%</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>Future would-be seekers</td>
<td>35%</td>
<td>30%</td>
<td>28%</td>
<td>21%</td>
<td>23%</td>
<td>19%</td>
<td>27%</td>
</tr>
<tr>
<td>Future happy non-seekers</td>
<td>44%</td>
<td>47%</td>
<td>49%</td>
<td>54%</td>
<td>54%</td>
<td>59%</td>
<td>56%</td>
</tr>
</tbody>
</table>
The Future would-be seekers are a group of interest as they represent a measure of ‘unmet’ demand. The table below looks at this group over recent quarters. The proportion of FWBS was lower in 2017 than in 2016, but somewhat higher again in the first half of 2018, due to more smaller SMEs meeting the definition:

### Future would-be seekers

#### Over time – row percentages

<table>
<thead>
<tr>
<th>By date of interview</th>
<th>Q2 2016</th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>12%</td>
<td>12%</td>
<td>14%</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
<td>10%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>0 employee</td>
<td>13%</td>
<td>12%</td>
<td>14%</td>
<td>11%</td>
<td>10%</td>
<td>9%</td>
<td>11%</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>1-9 employees</td>
<td>13%</td>
<td>10%</td>
<td>13%</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
<td>9%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>10-49 employees</td>
<td>8%</td>
<td>8%</td>
<td>9%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>50-249 employees</td>
<td>14%</td>
<td>10%</td>
<td>12%</td>
<td>10%</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Minimal external risk rating</td>
<td>11%</td>
<td>8%</td>
<td>9%</td>
<td>6%</td>
<td>11%</td>
<td>5%</td>
<td>3%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Low external risk rating</td>
<td>6%</td>
<td>9%</td>
<td>7%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>8%</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>Average external risk rating</td>
<td>11%</td>
<td>11%</td>
<td>14%</td>
<td>11%</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Worse than average external risk rating</td>
<td>14%</td>
<td>13%</td>
<td>17%</td>
<td>10%</td>
<td>11%</td>
<td>9%</td>
<td>12%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>11%</td>
<td>12%</td>
<td>10%</td>
<td>7%</td>
<td>13%</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12%</td>
<td>19%</td>
<td>10%</td>
<td>12%</td>
<td>5%</td>
<td>8%</td>
<td>9%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Construction</td>
<td>17%</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
<td>9%</td>
<td>10%</td>
<td>10%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>13%</td>
<td>13%</td>
<td>11%</td>
<td>9%</td>
<td>14%</td>
<td>9%</td>
<td>8%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>14%</td>
<td>9%</td>
<td>13%</td>
<td>15%</td>
<td>7%</td>
<td>7%</td>
<td>10%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>Transport</td>
<td>14%</td>
<td>14%</td>
<td>16%</td>
<td>12%</td>
<td>10%</td>
<td>10%</td>
<td>13%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Property/Business Services</td>
<td>10%</td>
<td>8%</td>
<td>17%</td>
<td>9%</td>
<td>10%</td>
<td>8%</td>
<td>10%</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>Health</td>
<td>11%</td>
<td>13%</td>
<td>11%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>11%</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>Other Community</td>
<td>10%</td>
<td>13%</td>
<td>15%</td>
<td>12%</td>
<td>10%</td>
<td>11%</td>
<td>13%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>All SMEs excluding PNBs</td>
<td>24%</td>
<td>22%</td>
<td>19%</td>
<td>19%</td>
<td>18%</td>
<td>18%</td>
<td>19%</td>
<td>29%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Q99/104 (230/239) All SMEs * shows overall base size, which varies by category
To understand this further, the table below shows all the reasons given by Future would-be seekers in Q2 2018 for thinking that they would not apply for finance in the next three months. It highlights their continued reluctance to borrow in the current environment, mainly due to the general economic climate:

<table>
<thead>
<tr>
<th>Reasons for not applying (all mentions)</th>
<th>Total</th>
<th>0-9 emps</th>
<th>10-249 emps</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All Future would-be seekers Q2 18</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>406</td>
<td>284</td>
<td>122</td>
</tr>
<tr>
<td>Reluctant to borrow now (any)</td>
<td>56%</td>
<td>55%</td>
<td>69%</td>
</tr>
<tr>
<td>- Prefer not to borrow in economic climate</td>
<td>52%</td>
<td>52%</td>
<td>60%</td>
</tr>
<tr>
<td>- Predicted performance of business</td>
<td>5%</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Issues with principle of borrowing</strong></td>
<td>4%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>- Not lose control of business</td>
<td>2%</td>
<td>2%</td>
<td>-</td>
</tr>
<tr>
<td>- Can raise personal funds if needed</td>
<td>2%</td>
<td>2%</td>
<td>-</td>
</tr>
<tr>
<td>- Prefer other forms of finance</td>
<td>1%</td>
<td>1%</td>
<td>*</td>
</tr>
<tr>
<td>- Go to family and friends</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Issues with process of borrowing</strong></td>
<td>18%</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>- Would be too much hassle</td>
<td>11%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>- Thought would be too expensive</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>- Bank would want too much security</td>
<td>*</td>
<td>*</td>
<td>4%</td>
</tr>
<tr>
<td>- Too many terms and conditions</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>- Did not want to go through process</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Forms too hard to understand</td>
<td>5%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Discouraged (any)</strong></td>
<td>22%</td>
<td>22%</td>
<td>15%</td>
</tr>
<tr>
<td>- Direct (Put off by bank)</td>
<td>4%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>- Indirect (Think I would be turned down)</td>
<td>22%</td>
<td>22%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Q104 (239) Future would-be seekers SMEs
Those SMEs that gave more than one reason for being unlikely to apply for new/renewed facilities were asked for the main reason, and all the main reasons given over time are shown below.

A reluctance to borrow, at 55%, remained the main reason for not applying for external finance in Q2 2018, but the proportion citing it as their main reason has varied over time (39% to 71% and currently 55%). Mentions of discouragement have also varied over recent quarters (9-28%) and at 22% in Q2 2018 was at the higher end of the range seen:

**Main reason for not applying**

**Future would-be seekers – over time**

<table>
<thead>
<tr>
<th>By date of interview</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td>520</td>
<td>457</td>
<td>524</td>
<td>419</td>
<td>335</td>
<td>318</td>
<td>344</td>
<td>445</td>
<td>406</td>
</tr>
<tr>
<td>Reluctant to borrow now (any)</td>
<td>56%</td>
<td>71%</td>
<td>58%</td>
<td>63%</td>
<td>39%</td>
<td>44%</td>
<td>53%</td>
<td>41%</td>
<td>55%</td>
</tr>
<tr>
<td>- Prefer not to borrow in economic climate</td>
<td>40%</td>
<td>49%</td>
<td>23%</td>
<td>41%</td>
<td>25%</td>
<td>33%</td>
<td>31%</td>
<td>32%</td>
<td>52%</td>
</tr>
<tr>
<td>- Predicted performance of business</td>
<td>16%</td>
<td>22%</td>
<td>35%</td>
<td>22%</td>
<td>13%</td>
<td>11%</td>
<td>21%</td>
<td>9%</td>
<td>3%</td>
</tr>
<tr>
<td>Issues with principle of borrowing</td>
<td>4%</td>
<td>3%</td>
<td>6%</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Issues with process of borrowing</td>
<td>22%</td>
<td>11%</td>
<td>13%</td>
<td>11%</td>
<td>19%</td>
<td>13%</td>
<td>11%</td>
<td>38%</td>
<td>16%</td>
</tr>
<tr>
<td>Discouraged (any)</td>
<td>12%</td>
<td>9%</td>
<td>16%</td>
<td>16%</td>
<td>25%</td>
<td>18%</td>
<td>28%</td>
<td>12%</td>
<td>22%</td>
</tr>
<tr>
<td>- Direct (Put off by bank)</td>
<td>2%</td>
<td>*</td>
<td>2%</td>
<td>*</td>
<td>2%</td>
<td>*</td>
<td>2%</td>
<td>*</td>
<td>2%</td>
</tr>
<tr>
<td>- Indirect (Think I would be turned down)</td>
<td>10%</td>
<td>9%</td>
<td>14%</td>
<td>16%</td>
<td>23%</td>
<td>18%</td>
<td>26%</td>
<td>12%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Q105 (239/239a) Future would-be seekers SMEs

The higher figure for the process of borrowing in Q1 2018 (38%) was due to more mentions that bank forms and literature were hard to understand.
Analysis over the longer term from 2013 showed a steady decline in the proportion mentioning a reluctance to borrow now, although it remained the most mentioned reason. There have been more mentions in 2018 of the process of borrowing than have been seen previously (with mentions of hassle and bank forms/literature being hard to understand):

<table>
<thead>
<tr>
<th>Main reason for not applying</th>
<th>Future would-be seekers – over time</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td></td>
<td>3241</td>
<td>2765</td>
<td>1939</td>
<td>1967</td>
<td>1416</td>
<td>851</td>
</tr>
<tr>
<td>Reluctant to borrow now (any)</td>
<td></td>
<td>64%</td>
<td>59%</td>
<td>55%</td>
<td>57%</td>
<td>50%</td>
<td>48%</td>
</tr>
<tr>
<td>Discouraged (any)</td>
<td></td>
<td>14%</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
<td>22%</td>
<td>17%</td>
</tr>
<tr>
<td>Issues with <em>process</em> of borrowing</td>
<td></td>
<td>12%</td>
<td>15%</td>
<td>18%</td>
<td>16%</td>
<td>14%</td>
<td>28%</td>
</tr>
<tr>
<td>Issues with <em>principle</em> of borrowing</td>
<td></td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Q239/239a Future would-be seekers SMEs

These reasons remain in contrast to those given by past Would-be seekers where reasons for not applying are somewhat more evenly distributed amongst the reasons available.

When these Future would-be seekers were first described, they were the sum of two groups – those with an identified need they thought it unlikely they would apply for, and a larger group of those with no immediate need identified. With the reducing proportion of Future would-be seekers, the sample size of those with an identified need for finance has fallen below the threshold required and so analysis on the different reasons given by each group will not be run until base sizes increase.
Further analysis of all Future would-be seekers, including by size and risk rating, is based on the latest quarter (Q2 2018).

A ‘reluctance to borrow now’, especially in the current economic climate, was the top reason, given by just over half of these SMEs (55%). Just over a fifth mentioned discouragement (22%, most of it indirect) and this was more likely to be the case for smaller Future would-be seekers:

<table>
<thead>
<tr>
<th>Main reason for not applying</th>
<th>Future would-be seekers by size</th>
<th>Total</th>
<th>0-9 emp</th>
<th>10-249 emp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td></td>
<td>406</td>
<td>284</td>
<td>122</td>
</tr>
<tr>
<td>Reluctant to borrow now (any)</td>
<td></td>
<td>55%</td>
<td>55%</td>
<td>68%</td>
</tr>
<tr>
<td>- Prefer not to borrow in economic climate</td>
<td></td>
<td>52%</td>
<td>52%</td>
<td>60%</td>
</tr>
<tr>
<td>- Predicted performance of business</td>
<td></td>
<td>3%</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>Issues with principle of borrowing</td>
<td></td>
<td>1%</td>
<td>1%</td>
<td>*</td>
</tr>
<tr>
<td>Issues with process of borrowing</td>
<td></td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Discouraged (any)</td>
<td></td>
<td>22%</td>
<td>22%</td>
<td>14%</td>
</tr>
<tr>
<td>- Direct (Put off by bank)</td>
<td></td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>- Indirect (Think I would be turned down)</td>
<td></td>
<td>20%</td>
<td>20%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Amongst Future would-be seekers with employees, 61% mentioned a reluctance to borrow now compared to 15% mentioning discouragement and 18% the process of borrowing.
The table below shows the main reasons given for not applying in Q2 2018 by risk rating. A ‘reluctance to borrow now’ remained the main barrier across the risk ratings. Those with an average or worse than average rating were more likely to mention discouragement (24%) than those with a minimal or low risk rating (8%):

<table>
<thead>
<tr>
<th>Main reason for not applying</th>
<th>Future would-be seekers by risk rating</th>
<th>Total</th>
<th>Min/Low</th>
<th>Avge/ Worse Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted base:</td>
<td></td>
<td>406</td>
<td>135</td>
<td>237</td>
</tr>
<tr>
<td>Reluctant to borrow now (any)</td>
<td></td>
<td>55%</td>
<td>64%</td>
<td>53%</td>
</tr>
<tr>
<td>Prefer not to borrow in economic climate</td>
<td></td>
<td>52%</td>
<td>56%</td>
<td>50%</td>
</tr>
<tr>
<td>Predicted performance of business</td>
<td></td>
<td>3%</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>Issues with principle of borrowing</td>
<td></td>
<td>1%</td>
<td>*</td>
<td>2%</td>
</tr>
<tr>
<td>Issues with process of borrowing</td>
<td></td>
<td>16%</td>
<td>11%</td>
<td>17%</td>
</tr>
<tr>
<td>Discouraged (any)</td>
<td></td>
<td>22%</td>
<td>8%</td>
<td>24%</td>
</tr>
<tr>
<td>Direct (Put off by bank)</td>
<td></td>
<td>2%</td>
<td>-</td>
<td>1%</td>
</tr>
<tr>
<td>Indirect (Think I would be turned down)</td>
<td></td>
<td>20%</td>
<td>8%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Q105 (239/239a) Future would-be seekers SMEs
To put all these results in context, the table below shows the equivalent figures for each reason amongst all SMEs in Q2 2018.

7% of all SMEs would have liked to apply for new/renewed facilities in the next 3 months but were reluctant to borrow, mainly because of the current climate:

<table>
<thead>
<tr>
<th>Reasons for not applying</th>
<th>Main reason</th>
<th>All SMEs</th>
<th>All SMEs excl. PNB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unweighted base:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reluctant to borrow now (any)</td>
<td>55%</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>-Prefer not to borrow in economic climate</td>
<td>52%</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>-Predicted performance of business</td>
<td>3%</td>
<td>*</td>
<td>1%</td>
</tr>
<tr>
<td>Issues with principle of borrowing</td>
<td>1%</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Issues with process of borrowing</td>
<td>16%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Discouraged (any)</td>
<td>22%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>-Direct (Put off by bank)</td>
<td>2%</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>-Indirect (Think I would be turned down)</td>
<td>20%</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>

The table above also shows the equivalent proportion of SMEs excluding the Permanent non-borrowers. Of those SMEs that might be interested in seeking finance (ie once the PNBs were excluded), 13% were reluctant to borrow now, mostly due to the current economic climate.
How have international SMEs responded to current conditions?

The EU referendum took place at the end of June 2016 but the terms under which Brexit will take place are still to be agreed. As highlighted at the start of this chapter, those SMEs that trade internationally are potentially more likely to anticipate an impact on their business, not least because of the change in the value of sterling since the vote.

This section summarises how international SMEs have felt since the start of 2016 in comparison to 2015. SMEs have been split into three groups, based on the ways in which they trade internationally alongside their domestic trade. The size of these groups has changed very little since 2016, and in H1 2018:

- 4% of SMEs exported but did not import (increasing by size from 4% to 10%)
- 5% of SMEs imported but did not export (increasing by size from 4% to 9%)
- 5% of SMEs both imported and exported (increasing by size of SME from 4% to 13%).

Key results for Q2 2018 are shown below:

<table>
<thead>
<tr>
<th>Future outlook summary table</th>
<th>All SMEs</th>
<th>Export</th>
<th>Import</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 18– all SMEs row percentages</td>
<td>4500</td>
<td>239</td>
<td>309</td>
<td>299</td>
</tr>
<tr>
<td>Plan to grow</td>
<td>48%</td>
<td>62%</td>
<td>58%</td>
<td>62%</td>
</tr>
<tr>
<td>Economic climate 8-10 barrier</td>
<td>15%</td>
<td>15%</td>
<td>26%</td>
<td>22%</td>
</tr>
<tr>
<td>Political uncertainty 8-10 barrier</td>
<td>15%</td>
<td>16%</td>
<td>22%</td>
<td>28%</td>
</tr>
<tr>
<td>Sterling 8-10 barrier</td>
<td>11%</td>
<td>15%</td>
<td>24%</td>
<td>32%</td>
</tr>
<tr>
<td>Plan to apply for finance</td>
<td>9%</td>
<td>10%</td>
<td>11%</td>
<td>21%</td>
</tr>
<tr>
<td>Future would-be seeker of finance</td>
<td>12%</td>
<td>14%</td>
<td>20%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Compared to SMEs overall, international SMEs of any kind were more likely to be planning to grow but also to see barriers to the business, especially if they imported. While those who both import and export were more likely to be planning to apply for finance (21%) they were also more likely to be concerned about political uncertainty (28%) and changes in the value of sterling (32%).

The tables below show how these views have changed over time. Those who import or who were fully international have typically been more ambitious but also more worried about changes to sterling.
## Future outlook summary table

### Over time – all SMEs

<table>
<thead>
<tr>
<th>Plan to grow</th>
<th>Q2 16</th>
<th>Q3 16</th>
<th>Q4 16</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>41%</td>
<td>41%</td>
<td>47%</td>
<td>43%</td>
<td>45%</td>
<td>45%</td>
<td>46%</td>
<td>47%</td>
<td>48%</td>
</tr>
<tr>
<td>Export only</td>
<td>52%</td>
<td>54%</td>
<td>40%</td>
<td>52%</td>
<td>65%</td>
<td>51%</td>
<td>52%</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>Import only</td>
<td>59%</td>
<td>59%</td>
<td>70%</td>
<td>65%</td>
<td>61%</td>
<td>58%</td>
<td>66%</td>
<td>63%</td>
<td>58%</td>
</tr>
<tr>
<td>Import and export</td>
<td>66%</td>
<td>70%</td>
<td>75%</td>
<td>67%</td>
<td>69%</td>
<td>67%</td>
<td>66%</td>
<td>67%</td>
<td>62%</td>
</tr>
</tbody>
</table>

### Plan to apply for finance

<table>
<thead>
<tr>
<th></th>
<th>Q2 16</th>
<th>Q3 16</th>
<th>Q4 16</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
<td>14%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Export only</td>
<td>19%</td>
<td>21%</td>
<td>16%</td>
<td>10%</td>
<td>21%</td>
<td>8%</td>
<td>13%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>Import only</td>
<td>18%</td>
<td>19%</td>
<td>17%</td>
<td>13%</td>
<td>23%</td>
<td>18%</td>
<td>14%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Import and export</td>
<td>31%</td>
<td>22%</td>
<td>18%</td>
<td>18%</td>
<td>18%</td>
<td>10%</td>
<td>29%</td>
<td>10%</td>
<td>21%</td>
</tr>
</tbody>
</table>

### Economic climate 8-10

<table>
<thead>
<tr>
<th></th>
<th>Q2 16</th>
<th>Q3 16</th>
<th>Q4 16</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>13%</td>
<td>10%</td>
<td>13%</td>
<td>11%</td>
<td>13%</td>
<td>16%</td>
<td>14%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Export only</td>
<td>19%</td>
<td>13%</td>
<td>27%</td>
<td>14%</td>
<td>22%</td>
<td>22%</td>
<td>24%</td>
<td>21%</td>
<td>15%</td>
</tr>
<tr>
<td>Import only</td>
<td>13%</td>
<td>18%</td>
<td>24%</td>
<td>10%</td>
<td>19%</td>
<td>30%</td>
<td>22%</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>Import and export</td>
<td>20%</td>
<td>20%</td>
<td>35%</td>
<td>18%</td>
<td>19%</td>
<td>19%</td>
<td>29%</td>
<td>15%</td>
<td>22%</td>
</tr>
</tbody>
</table>

### Political uncertainty 8-10

<table>
<thead>
<tr>
<th></th>
<th>Q2 16</th>
<th>Q3 16</th>
<th>Q4 16</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>10%</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Export only</td>
<td>7%</td>
<td>12%</td>
<td>15%</td>
<td>25%</td>
<td>19%</td>
<td>26%</td>
<td>20%</td>
<td>30%</td>
<td>16%</td>
</tr>
<tr>
<td>Import only</td>
<td>7%</td>
<td>16%</td>
<td>26%</td>
<td>19%</td>
<td>20%</td>
<td>22%</td>
<td>15%</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Import and export</td>
<td>19%</td>
<td>21%</td>
<td>32%</td>
<td>21%</td>
<td>29%</td>
<td>22%</td>
<td>34%</td>
<td>18%</td>
<td>28%</td>
</tr>
</tbody>
</table>

### Changes in sterling 8-10

<table>
<thead>
<tr>
<th></th>
<th>Q2 16</th>
<th>Q3 16</th>
<th>Q4 16</th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>All SMEs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11%</td>
<td>10%</td>
<td>15%</td>
<td>10%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Export only</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16%</td>
<td>17%</td>
<td>12%</td>
<td>13%</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Import only</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25%</td>
<td>20%</td>
<td>29%</td>
<td>25%</td>
<td>29%</td>
<td>24%</td>
</tr>
<tr>
<td>Import and export</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27%</td>
<td>26%</td>
<td>32%</td>
<td>31%</td>
<td>25%</td>
<td>32%</td>
</tr>
</tbody>
</table>
The second table takes a longer term view back to 2013 where data exists. This shows the following patterns:

- **Exporters** have always been more likely to be planning to grow than SMEs generally but ambition dipped in 2016, before recovering in 2017 and H1 2018. Their future appetite for finance peaked at 22% in 2015 but is currently 7%, in line with the market. They became more worried about political uncertainty in 2017 and maintained this concern in H1 2018, while concerns about the economic climate have been more stable since 2015.

- **Importers** too have always been more likely to be planning to grow than SMEs generally, and a stable 6 in 10 have been planning to grow. Their appetite for finance has declined since 2014 and is now only slightly ahead of SMEs overall. Levels of concern about both the economic climate and political uncertainty have increased somewhat since 2015 and a quarter of them are concerned about changes in the value of sterling.

- **Those who import and export** have also always been more likely to be planning to grow than SMEs generally, with typically 7 in 10 planning to grow (albeit somewhat lower in H1 2018 at 65%). They have more of an appetite for finance than SMEs generally but it has varied over time and was somewhat lower in 2017 and H1 2018 than in 2016. Levels of concern about political uncertainty, the economic climate and changes in the value of sterling are stable but higher than for SMEs overall.
## Future outlook summary table

### Over time – all SMEs

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan to grow</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All SMEs</td>
<td>49%</td>
<td>47%</td>
<td>45%</td>
<td>43%</td>
<td>45%</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>Export only</td>
<td>54%</td>
<td>56%</td>
<td>59%</td>
<td>49%</td>
<td>58%</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>Import only</td>
<td>63%</td>
<td>65%</td>
<td>62%</td>
<td>63%</td>
<td>63%</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Import and export</td>
<td>66%</td>
<td>69%</td>
<td>72%</td>
<td>70%</td>
<td>67%</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td><strong>Plan to apply for finance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All SMEs</td>
<td>14%</td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
<td>12%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Export only</td>
<td>19%</td>
<td>20%</td>
<td>22%</td>
<td>19%</td>
<td>13%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Import only</td>
<td>19%</td>
<td>24%</td>
<td>19%</td>
<td>19%</td>
<td>17%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Import and export</td>
<td>21%</td>
<td>24%</td>
<td>19%</td>
<td>25%</td>
<td>18%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td><strong>Economic climate 8-10 barrier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All SMEs</td>
<td>27%</td>
<td>17%</td>
<td>13%</td>
<td>12%</td>
<td>14%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Export only</td>
<td>29%</td>
<td>14%</td>
<td>19%</td>
<td>17%</td>
<td>20%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Import only</td>
<td>26%</td>
<td>20%</td>
<td>12%</td>
<td>16%</td>
<td>21%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Import and export</td>
<td>24%</td>
<td>15%</td>
<td>17%</td>
<td>21%</td>
<td>21%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td><strong>Political uncertainty 8-10 barrier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All SMEs</td>
<td>-</td>
<td>-</td>
<td>9%</td>
<td>10%</td>
<td>14%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Export only</td>
<td>-</td>
<td>-</td>
<td>9%</td>
<td>10%</td>
<td>23%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Import only</td>
<td>-</td>
<td>-</td>
<td>11%</td>
<td>16%</td>
<td>19%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Import and export</td>
<td>-</td>
<td>-</td>
<td>8%</td>
<td>20%</td>
<td>26%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td><strong>Change in value of sterling 8-10 barrier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All SMEs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Export only</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14%</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Import only</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25%</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Import and export</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29%</td>
<td>28%</td>
<td></td>
</tr>
</tbody>
</table>
From Q3 2016 it has been possible to analyse the views of exporters depending on the extent to which they exported to the EU.

Those making all or most of their sales to the EU (28% of all exporters) were now more likely to be planning to grow, but less likely to be planning to apply for finance (as are all groups). They were slightly less concerned about the economic climate and the value of sterling than they were in the first half of 2017. Growth aspirations amongst those who did no trade with the EU (18% of all exporters) were stable, and they were somewhat less concerned than previously about the economic climate and political uncertainty, but they had also become less likely to be planning to apply for finance:

**Future outlook summary table**

<table>
<thead>
<tr>
<th>Over time – Exporters row percentages</th>
<th>H2 16</th>
<th>H1 17</th>
<th>H2 17</th>
<th>H1 18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan to grow</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All/most sales to EU</td>
<td>54%</td>
<td>57%</td>
<td>60%</td>
<td>65%</td>
</tr>
<tr>
<td>Some sales to EU</td>
<td>64%</td>
<td>68%</td>
<td>66%</td>
<td>61%</td>
</tr>
<tr>
<td>No sales to EU</td>
<td>54%</td>
<td>57%</td>
<td>56%</td>
<td>54%</td>
</tr>
<tr>
<td><strong>Plan to apply for finance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All/most sales to EU</td>
<td>20%</td>
<td>12%</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>Some sales to EU</td>
<td>19%</td>
<td>17%</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>No sales to EU</td>
<td>20%</td>
<td>21%</td>
<td>16%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Economic climate 8-10 barrier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All/most sales to EU</td>
<td>26%</td>
<td>29%</td>
<td>25%</td>
<td>23%</td>
</tr>
<tr>
<td>Some sales to EU</td>
<td>21%</td>
<td>14%</td>
<td>20%</td>
<td>13%</td>
</tr>
<tr>
<td>No sales to EU</td>
<td>29%</td>
<td>14%</td>
<td>30%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Political uncertainty 8-10 barrier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All/most sales to EU</td>
<td>31%</td>
<td>37%</td>
<td>33%</td>
<td>31%</td>
</tr>
<tr>
<td>Some sales to EU</td>
<td>17%</td>
<td>18%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>No sales to EU</td>
<td>14%</td>
<td>19%</td>
<td>30%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Changes in sterling 8-10 barrier</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All/most sales to EU</td>
<td>-</td>
<td>35%</td>
<td>27%</td>
<td>29%</td>
</tr>
<tr>
<td>Some sales to EU</td>
<td>-</td>
<td>18%</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td>No sales to EU</td>
<td>-</td>
<td>9%</td>
<td>21%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Q86 All exporters