

# 4

## THE GENERAL CONTEXT

### **THIS CHAPTER PRESENTS**

an overview of the characteristics of SMEs in the UK. Unless otherwise stated, figures are based on all interviews conducted in the year ending Q2 2019 (YEQ2 19).

## KEY FINDINGS

**Growth (and decline):** 36% of SMEs (excluding Starts) reported having grown YEQ2 2019, increasing by size of SME from 32% of those with 0 employees to 66% of those with 50-249 employees. 1 in 5 (19%) reported a decline

- Between 2013 and 2018 a stable 4 in 10 SMEs (excluding Starts) reported having grown (39% in 2018). In H1 2019 that proportion reduced slightly to 36% and across all size bands with the exception of the largest SMEs
- The proportion reporting a decline in the business had previously fallen from 21% in 2012 to 10% in 2016 but has increased steadily since, back to 20% in H1 2019. 0 employee SMEs remained the most likely to report a decline (23%)
- The proportion of SMEs reporting scale up growth (20%+ growth for 3 consecutive years) remained stable in H1 2019 (19% in last 10 years excluding Starts) and such SMEs remained more likely to be innovative, international and planning further growth, albeit no more likely to be using external finance

**Innovation:** YEQ2 2019, 35% of SMEs reported innovative activity in the previous 3 years, halting the previous decline seen in levels of innovation

- There had been a steady decline in such activity seen from 2012 (when 40% had been innovative) to 2018 (33%)
- In H1 2019, 36% of SMEs reported innovative activity in the previous 3 years, a slight increase from the 33% reporting such activity in 2018. All sizes of SME were less likely to have been innovative in H1 2019 than they had been in 2012, notably the largest SMEs (52% from 70%) albeit they remained the most likely to have been innovative, together with those with 10-49 employees (also 52%)
- Between 2012 and 2017 a stable proportion of Starts had been innovative (33-36%) but this proportion reduced in 2018 (24%) and again in H1 2019 (21%) leaving Starts less likely to have been innovative than older SMEs. Over time, those trading 6-9 years have become the most likely to have been innovative (46% in H1 2019)

**International trade:** 16% of SMEs were trading internationally YEQ2 2019

- In H1 2019, 16% of SMEs were trading internationally, with 9% exporting and 12% importing
- This was in line with most years since 2014 and above the 10% trading internationally in 2012. The largest SMEs remained less likely to be trading internationally (30% in H1 2019) than they had been previously (42% in 2012), albeit still ahead of smaller SMEs (14% of 0 employee SMEs were trading internationally in H1 2019)
- Between 2012 and 2014, Starts became more likely to be trading internationally (8% to 14%) and that proportion remained stable until declining in 2018 (10%) and H1 2019 (9%)
- In H1 2019, 18% of exporters reported making half or more of their total sales overseas. This was unchanged from 2018, but somewhat lower than previously seen in 2017 (22%)
- 27% of exporters in H1 2019 said that they made all or most of their overseas sales to the EU, also in line with 2018 (28%), and somewhat higher than previously seen (22% in H1 2016) due to more 0 employee exporters making most of their sales to the EU

**International staff:** 16% of SMEs with any employees YEQ2 2019 were employing overseas staff, predominantly from the EU (14%)

- Over time this proportion dropped from 23% in H2 2017 to 16% in 2018 but was stable in H1 2019 (17%). Overseas staff were more likely to be found amongst the largest employers (47%) as well as those who both imported and exported (36%)
- Amongst those with overseas staff, 54% in H1 2019 were concerned about the impact of possible migration changes, up from 42% when this question was first asked in H2 2017

**Profitability:** 8 in 10 SMEs (80%) YEQ2 2019 reported making a profit, stable since 2015:

- Larger SMEs were somewhat more likely to have made a profit at all (87% of those with 10-49 or 50-249 employees v 78% of those with 0 employees) and where they had done so, the median profit was much larger (around £300k for those with 50-249 employees v around £6k for those with 0 employees)
- A third of all SMEs (35%) said that increasing their profit margin was a key priority, increasing by size of SME and also over time: in 2018, 30% said it was a priority, increasing to 36% in H1 2019

**Credit balances:** Most SMEs held some credit balances (4% hold none) and almost a quarter held more than £10,000 (22% YEQ2 2019), ranging from 15% of those with 0 employees to 93% of those with 50-249 employees

- The proportion of all SMEs with £10,000 or more increased initially from 16% in 2012 to 24% in 2015 and has been broadly stable since (22% in H1 2019), although the proportion of larger SMEs holding such sums has continued to increase (to 76% of those with 10-49 employees and 94% of those with 50-249 employees in H1 2019)
- The proportion of SMEs using external finance who also had £10,000 in credit balances initially increased from 18% in 2012 to 31% in 2017 but has since declined, to 20% in H1 2019, as Permanent non-borrowers became somewhat more likely to hold such sums (27% in H1 2019)
- 81% of SMEs who held such sums said that it reduced their need for external finance, the equivalent of 10% of all SMEs. This increased by size of SME from 7% of all 0 employee SMEs to 34% of those with 50-249 employees
- Overall, 30% of all SMEs YEQ2 2019 said that their need for finance was reduced either by having £10,000 or more in credit balances or by trade credit, increasing by size of SME (24% for 0 employee SMEs to 63% of those with 50-249 employees)

- On average, SMEs held the equivalent of almost a quarter of their turnover in credit balances with little variation by size of SME (22% H1 2019 and little changed over time). However, within this stable picture, the proportion of SMEs holding the equivalent of 10% or less of turnover in credit balances has increased over time, from 41% in 2016 to 52% in H1 2019

**Bank relationship:** A quarter of SMEs (23%) had a strong working relationship with their bank YEQ2 2019, increasing by size of SME from 20% of those with 0 employees to 54% of those with 50-249 employees. 54% had a high level of trust in their main bank, also increasing by size of SME from 53% of those with 0 employees to 70% of those with 50-249 employees and 78% of those who had a strong working relationship with their bank

- The proportion wishing they had a better relationship with their bank increased slightly from 12% in 2016 to 15% in 2018, but was lower again in H1 2019 (10%)
- The proportion with a high level of trust in their main bank is little changed over the period for which it has been asked (55% in 2018 and 54% in H1 2019). It remained higher than the trust SMEs had in the banking industry more generally (25% in 2018 and 22% in H1 2019)

**Risk ratings:** A quarter of SMEs (23% YEQ2 2019) had a minimal or low external risk rating, little changed since 2015 and increasing by size of SME to 81% of those with 50-249 employees. 44% had a worse than average risk rating and this was much more likely to be the case for the smallest, 0 employee, SMEs (50%) than the largest (5-6% of those with 10-49 or 50-249 employees)

This chapter presents an overview of the characteristics of SMEs in the UK and has been largely unaffected by the changes made to the questionnaire in Q1 2018. Unless otherwise stated, figures are based on the 18,002 interviews conducted in the year ending Q2 2019 (that is Q3 and Q4 of 2018 and Q1 and Q2 of 2019). SMEs have faced a range of trading challenges since the SME Finance Monitor started, with the UK economy seeing differing levels of growth, a number of General Elections and the 2016 EU referendum and its aftermath. Analysis of this data over time provides an indication of how SMEs have managed as conditions have changed.

## PROFITABILITY

In Q2 2019, 72% of SMEs reported making a profit in their most recent 12 month trading period. The proportion unable or unwilling to give an answer has varied over time, but once these answers have been excluded, a stable 8 in 10 SMEs reported making a profit (80% in Q2 2019):

### Business performance last 12 months

Over time	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
By date of interview	2017	2017	2017	2018	2018	2018	2018	2019	2019
<b>Unweighted base:</b>	<b>4507</b>	<b>4505</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>	<b>4502</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>
Made a profit	78%	76%	75%	69%	74%	68%	69%	72%	72%
Broke even	8%	9%	11%	10%	10%	13%	11%	7%	10%
Made a loss	7%	7%	7%	10%	7%	8%	8%	7%	8%
DK/refused	7%	9%	7%	12%	10%	11%	12%	14%	11%
<b>Median profit made</b>	<b>£9k</b>	<b>£9k</b>	<b>£9k</b>	<b>£9k</b>	<b>£9k</b>	<b>£8k</b>	<b>£9k</b>	<b>£8k</b>	<b>£8k</b>
<b>Made profit (excl DK)</b>	<b>84%</b>	<b>83%</b>	<b>81%</b>	<b>77%</b>	<b>81%</b>	<b>76%</b>	<b>78%</b>	<b>84%</b>	<b>80%</b>

Q115 (241) All SMEs/ \* All SMEs making a profit and revealing the amount

Note that because consistently unprofitable SMEs tend to go out of business, there will be an element of 'survivorship bias' in the profit figures, potentially underestimating the proportion of unprofitable businesses in the population.

For the period YEQ2 2019, 70% of all SMEs had been profitable (80% once the DK answers were excluded), increasing somewhat by size of SME as the table below shows. The median profit, where made, was £8k, and the median loss £2k. Both have been stable over time and increase by size of SME:

<b>Business performance last 12 months</b>		0	1-9	10-49	50-249
YEQ2 19 – all SMEs	Total	emp	emps	emps	emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Made a profit	70%	69%	72%	73%	76%
Broke even	10%	11%	9%	5%	5%
Made a loss	8%	8%	6%	6%	6%
DK/refused	12%	12%	13%	16%	12%
<b>Made profit (excl DK)</b>	<b>80%</b>	<b>78%</b>	<b>83%</b>	<b>87%</b>	<b>87%</b>
<b>Median profit made*</b>	<b>£8k</b>	<b>£6k</b>	<b>£15k</b>	<b>£56k</b>	<b>£294k</b>
<b>Median loss made*</b>	<b>£2k</b>	<b>£2k</b>	<b>£5k</b>	<b>£18k</b>	<b>£174k</b>

Q115 (241) All SMEs/ \* All SMEs making a profit/loss and revealing the amount

Amongst SMEs with employees, 83% reported making a profit YEQ2 2019 (excluding the DK and refused answers).

Looking back over recent quarters, there has been relatively little variability in overall levels of profitability. SMEs in 2017 were slightly more likely to report a profit than those in 2018 (82% v 78% for those years as a whole) with current data for 2019 in line with 2017. Larger SMEs remained consistently more likely to be profitable than smaller ones, as the table below shows:

#### Made a profit in last 12 months

Over time	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Row percentages	2017	2017	2017	2018	2018	2018	2018	2019	2019
By date of interview	2017	2017	2017	2018	2018	2018	2018	2019	2019
All SMEs	84%	83%	81%	77%	81%	76%	78%	84%	80%
0 employee	83%	82%	79%	76%	80%	74%	76%	84%	79%
1-9 employees	83%	85%	85%	80%	83%	83%	83%	82%	83%
10-49 employees	87%	89%	88%	87%	87%	89%	86%	87%	86%
50-249 employees	91%	83%	86%	84%	87%	86%	84%	92%	84%

Q115 (241) All SMEs excluding DK

The proportion reporting a profit YEQ2 2019 did not vary much by sector (once the DK answers were excluded), from 74% for Hotels & Restaurants, to 82% for Construction and Health:

#### Business performance last 12 months

YEQ2 19 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop / Bus	Hlth SWrk	Other Comm
<b>Unweighted base:</b>	1200	1500	3200	1800	1200	2000	3600	1502	2000
Made a profit	70%	71%	72%	65%	65%	68%	72%	73%	69%
Broke even	14%	9%	11%	11%	14%	10%	8%	12%	9%
Made a loss	7%	9%	5%	10%	8%	9%	9%	5%	9%
DK/refused	9%	11%	12%	14%	13%	13%	11%	11%	13%
<b>Made profit (excl DK)</b>	<b>77%</b>	<b>80%</b>	<b>82%</b>	<b>76%</b>	<b>74%</b>	<b>78%</b>	<b>81%</b>	<b>82%</b>	<b>79%</b>
<b>Median profit made*</b>	<b>£9k</b>	<b>£8k</b>	<b>£7k</b>	<b>£9k</b>	<b>£9k</b>	<b>£7k</b>	<b>£10k</b>	<b>£5k</b>	<b>£7k</b>
<b>Median loss made*</b>	<b>£2k</b>	<b>£2k</b>	<b>£3k</b>	<b>£2k</b>	<b>£5k</b>	<b>£2k</b>	<b>£2k</b>	<b>£2k</b>	<b>£2k</b>

Q115 (241) All SMEs/ \* All SMEs making a profit/loss and revealing the amount



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Median profits reported for YEQ2 2019 varied somewhat by sector (£5-10k) with little change over time. Reported median losses for YEQ2 2019 were £2k overall and for almost all sectors.

The table below takes a longer term view of profitability (back to 2012 and also excluding DK/refused answers) by key demographics. This shows that an increasing proportion of SMEs reported making a profit between 2012 (69%) and 2017 (82%). The figure for 2018 was somewhat lower (78% - due to fewer 0 employee SMEs reporting a profit), but was 82% for the first half of 2019.

As well as the increase overall, the proportion making a profit increased 2012-2017 across all size bands, but notably for those with 0 employees (67% to 81% 2012-17). The proportion of SMEs with employees making a profit has been stable since. For 0 employee SMEs it declined slightly in 2018 (77%) but was 82% for H1 2019. Between 2012 and 2015, Permanent non-Borrowers with no apparent appetite for finance were more likely to be profitable than their peers, but since then there has been little to choose between the two groups:

<b>Made a profit in last 12 months</b>								
Over time (excl DK)								
By date of interview – row percentages	2012	2013	2014	2015	2016	2017	2018	H1 2019
All SMEs	69%	70%	77%	80%	80%	82%	78%	82%
0 emp	67%	69%	75%	79%	79%	81%	77%	82%
1-9 emps	72%	75%	81%	82%	83%	84%	82%	83%
10-49 emps	80%	81%	86%	87%	88%	88%	87%	86%
50-249 emps	81%	84%	88%	90%	89%	87%	86%	88%
Minimal external risk rating	83%	83%	84%	84%	86%	88%	85%	85%
Low	81%	84%	82%	87%	86%	90%	84%	88%
Average	71%	73%	80%	82%	82%	84%	79%	84%
Worse than average	63%	65%	72%	76%	77%	78%	75%	78%
Agriculture	74%	73%	79%	78%	77%	81%	75%	78%
Manufacturing	69%	74%	80%	81%	81%	83%	81%	80%
Construction	67%	68%	78%	80%	81%	86%	79%	86%
Wholesale/Retail	67%	70%	74%	79%	82%	79%	75%	78%
Hotels & Restaurants	59%	65%	73%	75%	79%	78%	75%	73%
Transport	65%	66%	76%	78%	78%	77%	77%	79%
Property/ Business Services	73%	73%	80%	81%	81%	84%	80%	84%
Health	70%	69%	76%	78%	77%	83%	80%	85%
Other	66%	73%	67%	83%	79%	79%	78%	81%
PNBs	74%	73%	80%	82%	80%	83%	79%	83%
All excl PNBs	66%	69%	74%	78%	80%	82%	77%	81%

Q115 (241) All SMEs excl DK

From Q1 2018 SMEs have been asked whether increasing their profit margin was a key priority for the business. YEQ2 2019, 35% of all SMEs said that it was, increasing by size of SME:

<b>Profit margins</b>	<b>Further analysis YEQ2 19</b>
Size of SME	<p>Larger SMEs were somewhat more likely to say improving profit margins was a priority:</p> <ul style="list-style-type: none"> <li>• 34% of SMEs with 0 employees said it was a priority</li> <li>• 40% of SMEs with 1-9 employees</li> <li>• 46% of SMEs with 10-49 employees</li> <li>• 43% of SMEs with 50-249 employees said it was a priority.</li> <li>• 41% of SMEs with employees said that improving profit margins was a key priority.</li> </ul>
Risk rating	With the exception of those with a worse than average risk rating where 41% said it was a priority, there was little variation by risk rating (31-35%).
Age of business	Those trading for 2-5 years were the most likely to say it was a priority (44%) compared to 30% of those trading for more than 15 years and 35-39% of other SMEs.
Sector	Those in Transport (42%) Wholesale/Retail or Agriculture (39%) were somewhat more likely to say it was a priority, while those in Health were the least likely (24%).
PNBs, use of finance and growth	<p>Excluding the Permanent non-borrowers increased the proportion saying it was a priority slightly to 39% (compared to 30% of PNBs).</p> <p>40% of those using finance, and 46% of those planning to grow in the next 12 months, said it was a priority (compared to 32% of those not using finance and 25% not planning to grow).</p>
Profitability	<p>Those who had made a profit in the last year were as likely to say that improving profit margins was a priority (35%) as those who had made a loss (36%), with those who broke even only somewhat less likely to agree (32%):</p> <ul style="list-style-type: none"> <li>• Analysis by size of SME showed improving profit margins was an equal priority for 0 employee and 1-9 employee SMEs whether they had previously made a profit or a loss.</li> <li>• It was slightly more of a priority for SMEs with 10-49 employees if they had previously made a loss (52%) rather than a profit (46%) and this was even more likely to be the case for those with 50-249 employees (58% if they made a loss compared to 42% if they had made a profit).</li> </ul>

The proportion of all SMEs saying improving their profit margin was a priority increased from 22% in Q1 2018 to 41% in Q2 2019 and across all size bands, with the exception of those with 50-249 employees (who were more likely to have had it as a priority initially). The table below shows analysis over time on an annual basis.

Improving profit margins a priority		
Over time		H1
Row percentages		
By date of interview	2018	2019
All SMEs	30%	36%
0 employee	28%	33%
1-9 employees	34%	42%
10-49 employees	40%	49%
50-249 employees	51%	43%

Q84 (223) All SMEs

## SALES GROWTH

From Q4 2012, all SMEs that had been trading for 3 years or more were asked about their growth in the previous 12 months. From Q1 2018, the information collected on both past and future growth was extended to identify those growing or planning to grow by 40% or more (previously the highest growth rate recorded was 20% or more).

Those that had grown by 20% or more have continued to be asked whether they had also achieved this level of growth in each of the previous 2 years (also known as scaleup growth and reported on later in this chapter).

The table below provides the previous “Grown by 20% or more” code for all recent quarters but, where available, also now provides data on those who had grown by 40% or more.

The proportion of SMEs (excluding Starts) reporting that they had grown at all in the previous 12 months has typically been around 4 in 10 in recent quarters (40% for Q2 2019), albeit slightly lower in Q3 and Q4 2018 at 37% and Q1 2019 at 33%. Within that total, the proportion that had grown by 20% or more has increased since the start of 2017 from under to over 10%, with a consistent 2% having grown by more than 40%:

<b>Growth achieved in last 12 months</b>									
All SMEs excluding Starts By date of interview	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
<b>Unweighted base:</b>	<b>3716</b>	<b>3602</b>	<b>3649</b>	<b>3914</b>	<b>3914</b>	<b>3899</b>	<b>3846</b>	<b>3882</b>	<b>3953</b>
Grown by 20% or more	9%	10%	10%	12%	14%	11%	12%	11%	12%
• Grown by 40%+	-	-	-	2%	2%	2%	2%	2%	2%
• Grown by 20-40%	-	-	-	9%	12%	9%	10%	9%	10%
Grown but by < 20%	37%	31%	32%	30%	27%	26%	25%	22%	28%
<b>Grown</b>	<b>46%</b>	<b>41%</b>	<b>42%</b>	<b>42%</b>	<b>41%</b>	<b>37%</b>	<b>37%</b>	<b>33%</b>	<b>40%</b>
Stayed the same	44%	47%	49%	43%	44%	46%	45%	45%	42%
Declined	10%	12%	10%	15%	15%	17%	19%	22%	18%

Q81 (245a) All SMEs trading for 3 years or more excl DK

The proportion of SMEs (excluding Starts) reporting that they had declined in the previous 12 months has increased from around 1 in 10 in 2017 to around 1 in 5 in H1 2019. The longer term trend is reported later in this chapter and shows that this is a return to the levels of decline seen in 2013 which has been driven by the smaller SMEs.

YEQ2 2019 (using the new extended question) 36% of all SMEs (excluding Starts) had grown:

<b>Growth achieved in last 12 months</b>		0	1-9	10-49	50-249
YEQ2 19 – all SMEs (excluding Starts)	Total	emp	emps	emps	emps
<b>Unweighted base:</b>	<b>15,580</b>	<b>2540</b>	<b>4953</b>	<b>5397</b>	<b>2690</b>
Grown by more than 40%	2%	2%	2%	2%	2%
Grown by 20-40%	9%	8%	11%	12%	11%
Grown by less than 20%	25%	22%	31%	40%	53%
<b>Grown (any)</b>	<b>36%</b>	<b>32%</b>	<b>44%</b>	<b>54%</b>	<b>66%</b>
Stayed the same size	44%	46%	42%	37%	26%
Declined	19%	22%	14%	9%	8%

Q81 (245a) All SMEs trading for 3 years or more excl DK

Similar small proportions of SMEs of all sizes achieved growth of either 40% or more (2%) or of 20-40% (8-12%).

There was more variation by size in the proportion of those growing by up to 20% (22-53%) and hence for growth overall, which increased by size of SME from 32% of those with 0 employees to 66% of those with 50-249 employees.

Larger SMEs remained more likely to report growth than smaller ones. As the analysis below shows, younger SMEs were also more likely to report growth than those trading for longer, but there was relatively little difference by external risk rating, with the exception of those with an average external risk rating who were somewhat less likely to have grown, as were those in Construction and Permanent non-borrowers:

<b>Business Growth</b>	<b>Further analysis (excluding Starts) YEQ2 19</b>
Risk rating	<p>The proportion of SMEs growing by 40% or more did not vary by risk rating (2-3%). Those with a worse than average risk rating were slightly more likely to have grown by 20-40% (11%) compared to 8-9% for other risk ratings.</p> <p>There was little difference in overall growth between those with a minimal risk rating (39% had grown), a low risk rating (41%) or a worse than average risk rating (39%). Those with an average risk rating were slightly less likely to have grown (33%).</p>
Age of business	<p>Those trading for 2-5 years were the most likely to have grown by 40% or more (6% v 1-2% for other age bands). They were also more likely to have achieved 20-40% growth (16%) compared to 7-10% of older SMEs.</p> <p>Overall growth was therefore higher for younger SMEs: 56% of those trading for 2-5 years had grown, compared to 39% of those trading for 6-9 years, 37% of those trading for 10-15 years and 28% of those trading for more than 15 years.</p>
Sector	<p>The proportion growing by 40% or more varied little by sector (1-3%). The proportion reporting growth of 20-40% was 9-10% in all sectors except Agriculture (7%) who were also less likely to have grown at all (33%), along with those in Construction (30%). The most likely to have grown were those in Wholesale/Retail (43%) and Health (46%) with other sectors 36-39%.</p>
Appetite for finance	<p>Those who reported a borrowing event in the 12 months prior to interview were slightly more likely to have grown in the previous year (42%), compared to 38% of Would-be seekers and 36% of Happy non-seekers, and slightly more likely to have grown by 20% or more (14%, 12% and 11% respectively).</p> <p>Permanent non-borrowers (with no immediate appetite for finance) were as likely to have grown by 20% or more as those who did not meet the definition (both 11%) but slightly less likely to have grown at all (32% v 41%).</p>

The table below takes a longer term view of growth by key demographics and shows a consistent 4 in 10 SMEs (excluding Starts) having grown in each period to 2018, but slightly fewer reporting growth in H1 2019 (36%). SMEs with 0 employees followed a similar pattern, having reported fairly consistent levels of growth over time but with slightly fewer having grown in 2018 (35%) or H1 2019 (33%). Growth levels amongst those with 1-9 or 10-49 SMEs have been stable since 2014, whilst those with 50-249 employees were more likely to report growth in 2018 and H1 2019 than before.

<b>Growth achieved in last 12 months</b>							
All SMEs over time (excluding Starts)							
By date of interview – row percentages	2013	2014	2015	2016	2017	2018	H1 2019
All SMEs (excl Starts)	40%	42%	39%	40%	42%	39%	36%
0 emp	38%	39%	36%	37%	39%	35%	33%
1-9 emps	43%	48%	45%	48%	47%	46%	44%
10-49 emps	49%	55%	56%	55%	56%	55%	53%
50-249 emps	54%	61%	57%	55%	59%	65%	66%
Minimal external risk rating	36%	44%	38%	45%	46%	40%	38%
Low	40%	40%	39%	43%	43%	41%	40%
Average	35%	38%	37%	37%	40%	36%	32%
Worse than average	44%	45%	41%	41%	42%	41%	40%
Agriculture	40%	40%	31%	36%	40%	33%	35%
Manufacturing	44%	46%	45%	45%	41%	41%	37%
Construction	35%	37%	35%	36%	41%	34%	29%
Wholesale/Retail	38%	46%	43%	47%	45%	45%	42%
Hotels & Restaurants	37%	43%	45%	44%	45%	42%	39%
Transport	35%	38%	35%	39%	36%	38%	39%
Property/ Business Services	44%	42%	41%	41%	43%	40%	36%
Health	40%	45%	38%	34%	43%	43%	45%
Other	44%	45%	41%	42%	42%	41%	36%
PNBs	38%	40%	37%	39%	40%	37%	32%
All excl PNBs	41%	43%	41%	41%	44%	42%	41%
2-5 years trading	51%	55%	52%	47%	53%	58%	55%
6-9 years	39%	42%	43%	48%	51%	45%	39%
10-15 years	34%	41%	36%	39%	41%	35%	39%
15 years+	31%	33%	34%	34%	34%	31%	28%

Q81 (245a) All SMEs trading for 3 years or more excl DK



Analysis by age of business has been added to this table. The oldest SMEs were less likely to have grown, with little change over time. Since 2016, growth amongst those trading for 10-15 years has been broadly stable while those trading for 6-9 years have become somewhat less likely to have grown. Typically just over half of the younger SMEs have grown with the slight exception of 2016 (when 47% had grown).

Since the start of 2018 an increasing proportion of SMEs (excluding Starts) reported a decline in size in the previous 12 months (18% for Q2 2019 up from 11% in 2017).

Longer term analysis, in the table below, showed that this proportion had previously been this high (21% in 2012), then declined over time (to 10% in 2016) before starting to increase again in 2018 (17%) and the first half of 2019 (20%), a trend driven by the 0 employee SMEs, who were the most likely to report a decline:

<b>Reported a decline</b>								
All SMEs excluding Starts over time								
By date of interview	2012	2013	2014	2015	2016	2017	2018	H1 2019
All SMEs (excl Starts)	21%	19%	14%	12%	10%	11%	17%	20%
0 employees	22%	20%	15%	13%	11%	12%	19%	23%
1-9 employees	19%	17%	12%	9%	9%	9%	12%	15%
10-49 employees	14%	14%	8%	7%	6%	7%	8%	9%
50-249 employees	13%	12%	6%	6%	9%	11%	13%	7%

Q81 (245a) All SMEs trading for 3 years or more excl DK

Analysis by sector for H1 2019 showed more declining SMEs in Construction (23%) and the Other Community sector (24%) and fewer in Health (10%) and Agriculture (12%).

## SCALEUP GROWTH

YEQ2 2019, 11% of SMEs (excluding Starts) reported that they had grown by 20% or more in the previous 12 months, with limited variation by size (10-14%). This proportion was back to levels seen in 2014 (13%) and slightly higher than the 9% of SMEs reporting such levels of growth in 2016 and 2017.

Amongst those who reported for YEQ2 2019 that they had grown by 20% or more, half (52%) went on to report that they had also achieved this level of growth for each of the two previous years (this was in line with 2018 but slightly lower than the 57% in 2017).

- This is the equivalent of 6% of SMEs (excluding Starts) reporting having grown by 20% or more for the last 3 years, with little variation by size of SME (5-7%).

From Q1 2018, an additional question has been asked of the remaining SMEs that had not achieved scale up growth in the last 3 years (excluding Starts). This asked whether they had achieved scale up growth (3 consecutive year's growth at 20% or more) at any time in the last 10 years.

- 16% of these SMEs said that they had.
- The smallest and largest SMEs were somewhat less likely to have achieved such growth (11% for those with 50-249 employees and 14% for 0 employee SMEs, compared to 20% for those with 1-9 and 19% of those with 10-49 employees).

This means that overall, 19% of SMEs (excluding Starts) had achieved a period of scale up growth, either recently or in in the last 10 years.

The table below shows the proportion of scaleups, using the new definition, by key demographics for 2018 and H1 2019:

- Those with 1-9 employees were the most likely to have achieved this level of growth. Those with 10-49 and 50-249 employees were somewhat less likely to report such growth in H1 2019 than they were in 2018.
- There was little difference by risk rating or whether the business met the definition of a Permanent non-borrower or not.
- With the exception of the Health sector (10%) and Agriculture (15%) there was also little difference by sector (18-23%).
- Around a quarter of SMEs trading for 2-15 years had achieved scale up growth compared to 15% of those trading for more than 15 years.

<b>Achieved scale up growth in last 10 years</b>		
All SMEs over time (excluding Starts)		H1
By date of interview – row percentages	2018	2019
<b>All SMEs (excl Starts)</b>	<b>20%</b>	<b>19%</b>
0 emp	18%	18%
1-9 emps	25%	24%
10-49 emps	25%	19%
50-249 emps	17%	14%
Minimal external risk rating	18%	18%
Low	20%	20%
Average	19%	19%
Worse than average	20%	20%
Agriculture	15%	15%
Manufacturing	23%	20%
Construction	19%	18%
Wholesale/Retail	21%	20%
Hotels & Restaurants	22%	20%
Transport	20%	18%
Property/ Business Services	21%	23%
Health	13%	10%
Other	18%	18%
PNBs	19%	20%
All excl PNBs	21%	18%
Trading 2-5 years	25%	22%
Trading 6-9 years	19%	23%
Trading 10-15 years	22%	24%
Trading 15 years+	17%	15%

Q81/83 All SMEs excl Starts

Analysis of these Scaleups showed that they were more likely to be innovative (53%), international (28%), and planning to grow (58%) than their peers. They were no more likely to be using external finance (half met the definition of a Permanent non-borrower), but they had more of an appetite for finance looking forward (18%):

### Profile of Scaleups

YEQ2 19 – all SMEs excluding Starts	Total	Scaleup	Not scaleup
<b>Unweighted base:</b>	<b>16,187</b>	<b>3132</b>	<b>13,055</b>
Have employees	29%	35%	27%
Use external finance	36%	38%	36%
Permanent non-borrower	49%	48%	50%
Innovative	38%	53%	34%
International	17%	28%	15%
Plan to grow	44%	58%	40%
Plan growth activity	36%	51%	33%
Plan to apply for finance	11%	18%	10%
Future would-be seeker	11%	8%	12%
Future happy non-seeker	77%	74%	78%

Q88 All SMEs trading for 3 years or more

## PAST AND FUTURE GROWTH COMPARISONS

The Monitor records both *past* growth achieved and *future* growth expectations. This allows a comparison to be made between growth expectations recorded at a point in time and growth subsequently achieved, albeit that these are based on **different** samples of SMEs and so do not provide a direct comparison between prediction and achievement.

The table below shows the proportion of SMEs 3+ years old that predicted they would grow in the first time period, and compares it to the proportion of SMEs 3+ years old that reported having achieved growth in the second period.

Having previously been quite a close match, more recently there have been variations between the growth predicted and subsequently achieved, with the growth predictions made Q2 2017 to Q4 2017 not subsequently achieved in Q3 2018 to Q1 2019. The latest growth predictions (made in Q1 2018) were matched in Q2 2019 overall and for those with 0-9 employees, but those with 10-249 employees remained less likely to have achieved the growth previously predicted:

### Growth predictions against expectations

All SMEs excluding Starts By date of interview	All SMEs	All SMEs	0-9	0-9	10-249	10-249
	Predicted growth	Achieved growth	emps Predicted growth	emps Achieved growth	emps Predicted growth	emps Achieved growth
Predicted Q1 16/Achieved Q2 17	39%	46%	38%	46%	57%	58%
Predicted Q2 16/Achieved Q3 17	37%	41%	36%	40%	60%	56%
Predicted Q3 16/Achieved Q4 17	37%	42%	36%	41%	57%	59%
Predicted Q4 16/Achieved Q1 18	42%	42%	41%	41%	61%	57%
Predicted Q1 17/Achieved Q2 18	40%	41%	38%	40%	62%	55%
Predicted Q2 17/Achieved Q3 18	41%	37%	40%	36%	66%	57%
Predicted Q3 17/Achieved Q4 18	39%	36%	38%	35%	62%	57%
Predicted Q4 17/Achieved Q1 19	40%	33%	39%	31%	67%	56%
Predicted Q1 18/Achieved Q2 19	41%	40%	40%	39%	63%	53%
Predicted Q2 18/Achieved Q3 19	43%		41%		69%	

Q81 and 91 (225a and Q245a) All SMEs trading for 3 years or more excl DK

## AN ALTERNATIVE ASSESSMENT OF GROWTH AND DEVELOPMENT

From Q1 2018, SMEs (excluding Starts) have been asked to give an overall assessment of how their business has changed in the last 3 years. For YEQ2 2019:

- 26% said that ‘it had developed quite a bit from where it was and/or is doing new things’.
- 63% said that ‘it was recognisably the same business in terms of size and structure’.
- 11% said that ‘it had retrenched and is now more focussed on a few core aspects of the business’.

These figures were little changed from those for 2018 as a whole. Larger SMEs remained more likely to say that their business had developed:

Development in last 3 years		0	1-9	10-49	50-249
YEQ2 19 – all SMEs excluding Starts	Total	emp	emps	emps	emps
<b>Unweighted base:</b>	<b>16,187</b>	<b>2598</b>	<b>5109</b>	<b>5692</b>	<b>2788</b>
Developed quite a bit	26%	23%	29%	38%	50%
Recognisably the same	63%	65%	62%	56%	46%
Retrenched	11%	12%	9%	6%	4%

Q88 All SMEs trading for 3 years or more

Amongst SMEs with employees, 31% had developed, 8% had retrenched and 61% were recognisably the same.

Younger businesses were more likely to have developed while 7 in 10 of the oldest SMEs were recognisably the same:

#### Development in last 3 years

YEQ2 19 – all SMEs excluding Starts	Total	2-5 yrs	6-9 yrs	10-15 yrs	15+ yrs
<b>Unweighted base:</b>	<b>16,187</b>	<b>1613</b>	<b>2152</b>	<b>2955</b>	<b>9467</b>
Developed quite a bit	26%	40%	34%	26%	17%
Recognisably the same	63%	52%	57%	62%	71%
Retrenched	11%	8%	9%	12%	12%

Q88 All SMEs trading for 3 years or more

Further analysis showed that:

- Those with either a minimal or worse than average risk rating were somewhat more likely to say the business has developed (both 29%) than those with either a low (25%) or average (22%) risk rating.
- The proportion saying the business had developed varied by sector from 22% of those in Construction to 34% of those in Wholesale/Retail and 33% in Health.
- Those who had grown by 20% or more in the previous year were more likely to have developed the business (49%).
- Those using finance were more likely to have developed the business (31%) than those not using finance (23%). Excluding the Permanent non-borrowers increased the proportion that had developed the business to 29% of remaining SMEs (compared to 22% of PNBs). 36% of those who had innovated in the last 3 years had developed the business (compared to 19% who had not innovated).

As the table below shows, the SMEs that had developed their business were more likely to have been innovative (54%), to have grown (59%) and to be planning to grow (63%). They were slightly more likely to be using finance (43%), albeit just under half (43%) met the definition of a PNB and three quarters expected to be a Future happy non-seeker of finance.

Meanwhile, half of those who had retrenched said their business had declined in size (53%) in the past year. Looking forward, a third of 'retrenchers' planned to grow (37%) and they had more of an appetite for future finance (33%) although over half of those with any appetite for finance (18%) expected to be a would-be seeker of finance rather than an applicant.

### Development in last 3 years

YEQ2 19 – all SMEs excluding Starts	Developed	The same	Retrenched
<b>Unweighted base:</b>	<b>5694</b>	<b>9275</b>	<b>1218</b>
Have employees	35%	27%	22%
Use external finance	43%	33%	39%
Permanent non-borrower	43%	54%	42%
Innovative	54%	32%	33%
International	20%	15%	23%
Have grown	59%	31%	20%
Have declined	8%	18%	53%
Plan to grow	63%	37%	37%
Plan growth activity	56%	29%	35%
Plan to apply for finance	15%	9%	15%
Future would-be seeker	10%	11%	18%
Future happy non-seeker	75%	80%	67%

Q88 All SMEs trading for 3 years or more



## FINANCIAL RISK PROFILE

The main assessment of financial risk is the external risk rating supplied for the sample by ratings agencies Dun & Bradstreet and Experian. They use a range of business information to predict the likelihood of business failure and their ratings have been combined to a common 4 point scale from minimal to worse than average risk of failure. Although not all SMEs receive this external risk rating, most do (88%) and it is commonly used and understood by lenders. It has thus been used in this report for all risk related analysis.

The overall risk profile over recent quarters is shown below. It has been broadly stable with typically just under half of SMEs having a worse than average risk rating (46% in Q2 2019):

### External risk rating

All SMEs (where provided) over time

By date of interview	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
<b>Unweighted base:</b>	<b>4112</b>	<b>4140</b>	<b>4181</b>	<b>4210</b>	<b>4175</b>	<b>4147</b>	<b>4066</b>	<b>3990</b>	<b>4094</b>
Minimal risk	5%	7%	6%	7%	7%	7%	8%	7%	7%
Low risk	14%	17%	16%	14%	17%	16%	16%	17%	15%
Average risk	33%	34%	30%	28%	30%	28%	34%	36%	32%
Worse than average risk	48%	42%	49%	51%	46%	50%	42%	40%	46%

All SMEs where risk rating provided

Looking over the longer term, the proportion of SMEs with a worse than average risk rating dropped to just below 50% for 2014 and has remained there since. The proportion with a minimal or low external risk rating increased from 16% in 2012 to 25% in 2015 and has been broadly stable since (23% in both 2018 and H1 2019):

<b>External risk rating</b> (Where provided) over time By date of interview	2012	2013	2014	2015	2016	2017	2018	H1 2019
<b>Unweighted base:</b>	<b>18,270</b>	<b>18,183</b>	<b>18,330</b>	<b>18,301</b>	<b>16,451</b>	<b>16,608</b>	<b>16,598</b>	<b>8084</b>
Minimal risk	5%	6%	7%	8%	7%	6%	7%	7%
Low risk	11%	10%	15%	17%	15%	15%	16%	16%
Average risk	31%	29%	32%	29%	29%	33%	30%	34%
Worse than average risk	53%	54%	45%	46%	49%	45%	47%	43%

All SMEs where risk rating provided

The overall YEQ2 2019 ratings are shown below by size of SME and continue to report a better risk profile for larger SMEs. 81% of SMEs with 50-249 employees had a minimal or low risk rating compared to 15% of those with 0 employees:

<b>External risk rating</b>		0 emp	1-9 emps	10-49 emps	50-249 emps
YEQ2 19 – all SMEs where rating provided	<b>Total</b>				
<b>Unweighted base:</b>	<b>16,297</b>	<b>3130</b>	<b>5121</b>	<b>5430</b>	<b>2616</b>
Minimal risk	7%	4%	12%	25%	41%
Low risk	16%	11%	26%	50%	40%
Average risk	32%	35%	28%	19%	14%
Worse than average risk	44%	50%	35%	6%	5%

All SMEs where risk rating provided

Amongst SMEs with employees, 45% had a minimal or low external risk rating, 26% an average risk rating and 29% a worse than average risk rating.

SMEs in Agriculture remained much more likely than other sectors to have a minimal or low risk rating (49% YEQ2 2019 including 29% with a minimal risk rating) while those in the Other Community sector (17%) or Transport (18%) were the least likely to have such a rating:

#### External risk rating

YEQ2 19	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
<b>Unweighted base:</b>	<b>1083</b>	<b>1393</b>	<b>2951</b>	<b>1622</b>	<b>1054</b>	<b>1784</b>	<b>3281</b>	<b>1306</b>	<b>1823</b>
Minimal risk	29%	9%	4%	10%	3%	6%	6%	15%	4%
Low risk	20%	15%	17%	20%	24%	12%	14%	26%	13%
Average risk	24%	35%	30%	30%	30%	29%	34%	29%	41%
Worse than average risk	28%	41%	49%	40%	43%	53%	47%	30%	43%
<b>Total Min/Low</b>	<b>49%</b>	<b>24%</b>	<b>21%</b>	<b>30%</b>	<b>27%</b>	<b>18%</b>	<b>20%</b>	<b>41%</b>	<b>17%</b>

All SMEs where risk rating provided

The table below shows the proportion with a worse than average risk rating over time, by key demographics. The proportion of SMEs with a worse than average risk rating fell over time from above to below 50% (43% in H1 2019):

- The overall risk profile is driven by the ratings for 0 employee SMEs. Amongst the 0 employee SMEs the proportion with a worse than average risk rating has varied over time (48-60%) and in 2018 and H1 2019 was at the lower end of this range (48% for H1 19).
- The proportion of 1-9 employee SMEs with this rating appears to have stabilised from 2014 onwards at around a third.
- Amongst those with 10-49 and 50-249 employees there was a more consistent decline in the proportion with a worse than average risk rating between 2012 and 2016. This proportion has now stabilised, and they remained the least likely to have this rating.
- PNBs have typically been as likely as other SMEs to have a worse than average risk rating, but in H1 2019 they were less likely to have a worse than average rating (40% v 45% if not a PNB).
- The sectors most likely to have a worse than average risk rating were Transport (54% but lower than in other years) and Construction (50% but down from 64% in 2013).

<b>Worse than average external risk rating</b>								
All SMEs over time								
By date of interview								
- row percentages	2012	2013	2014	2015	2016	2017	2018	H1 2019
All SMEs	53%	54%	45%	46%	49%	45%	47%	43%
0 emp	58%	60%	50%	52%	56%	50%	53%	48%
1-9 emps	43%	43%	37%	34%	35%	37%	36%	34%
10-49 emps	17%	17%	11%	9%	7%	7%	6%	6%
50-249 emps	13%	15%	9%	6%	5%	4%	5%	4%
Agriculture	31%	31%	22%	29%	28%	30%	32%	25%
Manufacturing	55%	48%	40%	39%	38%	39%	42%	39%
Construction	61%	64%	54%	54%	57%	54%	51%	50%
Wholesale/Retail	45%	50%	43%	39%	44%	43%	40%	43%
Hotels & Restaurants	56%	53%	49%	46%	43%	46%	47%	39%
Transport	64%	62%	56%	59%	62%	56%	49%	54%
Property/ Business Services	52%	54%	45%	47%	49%	42%	52%	42%
Health	34%	35%	34%	34%	33%	32%	36%	30%
Other	55%	57%	41%	47%	50%	43%	49%	39%
PNBs	53%	55%	45%	51%	51%	46%	46%	40%
All excl PNBs	53%	54%	46%	42%	47%	45%	48%	45%
Using external finance	49%	50%	43%	39%	44%	43%	46%	45%
Not using finance	56%	57%	46%	50%	52%	47%	48%	41%

All SMEs where risk rating provided

## CREDIT BALANCES

Almost all SMEs held some credit balances. YEQ2 2019, 4% did not hold any, and this proportion has changed relatively little over time. The table below shows the credit balances held, with clear variation by size of SME. 8 in 10 of the smallest SMEs held less than £10,000 of credit balances, while the same proportion of those with 50-249 employees held more than £50,000:

Credit balances held		0	1-9	10-49	50-249
YEQ2 19 – all SMEs	Total	emp	emps	emps	emps
<b>Unweighted base:</b>	<b>9478</b>	<b>2231</b>	<b>3041</b>	<b>2674</b>	<b>1532</b>
None	4%	3%	4%	4%	1%
Less than £5,000	56%	64%	33%	11%	3%
£5,000 to £10,000	18%	18%	19%	9%	2%
£10,000 to £50,000	15%	12%	28%	25%	11%
More than £50,000	7%	3%	15%	51%	82%

Q117 (244) All SMEs excluding DK/refused

Between 2012 and 2015 the average credit balance held increased from £25,000 to £39,000 and has been broadly stable since, with the exception of 2016 (£30,000):

Credit balances held								H1
Over time – all SMEs	2012	2013	2014	2015	2016	2017	2018	2019
<b>Unweighted base:</b>	<b>15,020</b>	<b>14,752</b>	<b>13,039</b>	<b>13,182</b>	<b>10,730</b>	<b>10,950</b>	<b>9494</b>	<b>4727</b>
None	4%	4%	5%	3%	3%	4%	4%	3%
Less than £5,000	66%	64%	58%	55%	57%	51%	55%	58%
£5,000 to £10,000	14%	15%	17%	18%	18%	19%	18%	17%
£10,000 to £50,000	11%	12%	14%	17%	15%	17%	15%	15%
More than £50,000	5%	4%	6%	7%	6%	8%	7%	7%
<b>Average balance held</b>	<b>£25k</b>	<b>£24k</b>	<b>£31k</b>	<b>£39k</b>	<b>£30k</b>	<b>£37k</b>	<b>£38k</b>	<b>£36k</b>

Q117 (244) All SMEs excluding DK/refused

The median value of credit balances held remained at £2,000 for YEQ2 2019. This amount continued to vary by size of SME, and for YEQ2 2019 was:

- £2,000 for 0 employee SMEs
- £6,000 for 1-9 employee SMEs
- £40,000 for 10-49 employee SMEs
- £230,000 for 50-249 employee SMEs.

The median value of credit balances did not vary by sector (£2-3k).

The table below shows the proportion of SMEs holding more than £10,000 in credit balances, and how this has changed over time.

- The proportion increased from 16% in 2012 to 24% in 2015 and has been broadly stable since (22% for H1 2019).
- All size bands were more likely to hold £10,000 or more in H1 2019 than they were in 2012. Amongst 0 and 1-9 employees the proportion with such balances has stabilised but it continues to increase for those with 10-249 employees.
- Those in Hotels & Restaurants remained more likely to hold £10,000 or more (29%) along with those in Property/Business Services (28%).
- Permanent non-Borrowers have become more likely to hold such sums (27%) than those that do not meet the definition (19%).
- The proportion using external finance who also held £10,000 or more in credit balances increased from 18% in 2012 to 31% in 2017 but has been lower since (20% in H1 2019). 24% of SMEs that were not using external finance held £10,000 or more in credit balances in H1 2019 and this proportion has been stable since 2017.

<b>Hold £10,000 or more as credit balances</b>								
All SMEs over time (excl DK)								
By date of interview								
– row percentages	2012	2013	2014	2015	2016	2017	2018	H1 2019
All SMEs	16%	17%	20%	24%	22%	25%	23%	22%
0 emp	10%	10%	14%	17%	14%	18%	15%	14%
1-9 emps	32%	33%	38%	41%	41%	44%	42%	43%
10-49 emps	66%	66%	68%	70%	72%	73%	75%	76%
50-249 emps	77%	80%	82%	81%	82%	90%	91%	94%
Minimal external risk rating	53%	51%	44%	43%	42%	48%	49%	45%
Low	35%	36%	34%	44%	46%	45%	41%	40%
Average	18%	17%	22%	25%	23%	25%	24%	20%
Worse than average	10%	11%	14%	16%	15%	17%	14%	15%
Agriculture	16%	19%	25%	26%	26%	26%	22%	23%
Manufacturing	19%	22%	24%	32%	25%	29%	28%	26%
Construction	13%	13%	16%	19%	17%	21%	18%	17%
Wholesale/Retail	21%	21%	23%	28%	34%	36%	33%	25%
Hotels & Restaurants	15%	21%	24%	27%	27%	30%	33%	29%
Transport	12%	15%	17%	22%	17%	19%	24%	19%
Property/ Business Services	20%	20%	25%	27%	25%	29%	26%	28%
Health	8%	9%	13%	16%	13%	15%	15%	16%
Other	13%	12%	18%	21%	18%	25%	15%	16%
PNBs	17%	14%	19%	23%	19%	23%	23%	27%
All excl PNBs	16%	18%	21%	25%	24%	27%	22%	19%
Using external finance	18%	20%	23%	27%	27%	31%	23%	20%
Not using finance	14%	14%	19%	22%	19%	22%	22%	24%

Q117 (244) All SMEs excluding DK/refused

## IMPACT OF £10,000 OF CREDIT BALANCES

From Q3 2015, all SMEs holding £10,000 or more of credit balances have been asked whether holding such balances meant that the business had less of a need for external finance. For YEQ2 2019, 8 in 10 SMEs with such credit balances (81%) agreed that it did, with the largest SMEs slightly less likely to agree (70% for those with 50-249 employees).

This was the equivalent of 10% of all SMEs saying their need for external finance was lower due to the £10,000 or more of credit balances they held, increasing by size of SME:

<b>Impact of £10k+ of credit balances</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>YEQ2 2019 – all SMEs</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
£10k+ reduces need for external finance	10%	7%	18%	27%	34%
£10k+ does not reduce need for finance	2%	2%	3%	7%	15%
Hold less than £10k of credit balances	44%	51%	27%	9%	3%
No credit balances/DK/Refused	43%	41%	51%	57%	48%

Q118x (244x) All SMEs

Those currently using external finance were no more likely to say that it reduced their need for further finance (10%) than those not currently using finance (10%).

Both those SMEs with £10,000 or more of credit balances and those using trade credit were asked whether this reduced their need for external finance:

- Where available, having £10,000 or more in credit balances was slightly more likely to reduce the SME's need for finance (81%) than having access to trade credit (72% - of a different group of SMEs).
- Overall, 30% of SMEs YEQ2 2019 said that their need for finance was reduced either through credit balances or trade credit, increasing by size of SME (24% for 0 employee SMEs, 45% for those with 1-9 employees, 59% for those with 10-49 employees and 63% for those with 50-249 employees).
- The proportion of SMEs reporting a reduction in need for finance has been around 3 in 10 since 2016 (32% in 2016 and 2017, 29% in 2018).



The table below shows the actual use of external finance amongst those SMEs that held £10,000 or more in credit balances, over time. Between 2012 and 2015, SMEs with £10,000 or more of credit balances became less likely to be using any external finance *at all* (51% to 44%) but use of finance has increased again somewhat since (48% for H1 2019):

<b>Use of finance over time</b>								
Over time								
All with £10k+ in credit balances	2012	2013	2014	2015	2016	2017	2018	H1 2019
<b>Unweighted base:</b>	<b>6296</b>	<b>6319</b>	<b>5926</b>	<b>6376</b>	<b>5228</b>	<b>5804</b>	<b>5046</b>	<b>2540</b>
Use any external finance	51%	52%	44%	44%	46%	49%	44%	48%
• Use core finance	41%	40%	32%	35%	36%	38%	37%	39%
Do not use finance	49%	48%	56%	56%	54%	51%	56%	52%

In H1 2019, 52% of SMEs with £10,000 or more of credit balances did not use any external finance, back in line with 2016-17.

## CREDIT BALANCES AS A PROPORTION OF TURNOVER

Further analysis provides data on the amount of credit balances held as a percentage of the annual turnover of the SME, using the mid-points of the bands in which this information was collected. In 2016 and 2017, 6 in 10 SMEs provided figures for both turnover and credit balances while in 2018 and H1 2019 the proportion was 5 in 10.

As the table below shows, on average SMEs held credit balances that were the equivalent of 22% of their turnover. Whilst this proportion has been consistent over time, the proportion holding the equivalent of 10% or less of turnover has increased from 41% in 2016 to 52% in H1 2019:

<b>% credit balances to turnover</b>				
Over time – all SMEs	2016	2017	2018	H1 2019
<b>Unweighted base:</b>	<b>9725</b>	<b>9795</b>	<b>8161</b>	<b>3757</b>
<5%	20%	25%	23%	21%
5-10%	21%	21%	26%	31%
11-20%	42%	37%	34%	33%
21-50%	8%	8%	8%	7%
More than 50%	9%	9%	9%	9%
<b>Average percentage held</b>	<b>23%</b>	<b>23%</b>	<b>24%</b>	<b>22%</b>

Q117 (244) / Q9 All SMEs excluding DK/refused

The average proportion of credit balances held is somewhat lower for the largest SMEs (typically with higher turnover):

- 0 employee SMEs held the equivalent of 22% of their turnover in credit balances
- 1-9 employee SMEs held the equivalent of 25%
- 10-49 employee SMEs held the equivalent of 25%
- 50-249 employee SMEs held the equivalent of 18% of their turnover in credit balances.

These average percentage figures have been broadly stable since 2016, albeit those with 1-9 employees have seen a small but steady increase in the average percentage held (21% to 25%):

<b>% credit balances to turnover</b>				
Over time				H1
Average percentage held	2016	2017	2018	2019
<b>All SMEs (excluding DK/refused)</b>	<b>23%</b>	<b>23%</b>	<b>24%</b>	<b>22%</b>
0 employee	24%	24%	25%	22%
1-9 employees	21%	21%	20%	25%
10-49 employees	22%	20%	23%	25%
50-249 employees	19%	17%	17%	18%

Q117 (244) / Q9 All SMEs excluding DK/refused

## HOW SMES ARE MANAGED

Interviews were conducted with the main financial decision maker. In almost all cases, this person was also the owner, managing director, or senior partner.

A series of questions collected information about the structure and control of the business. Those reported below (including planning, trading internationally, and having someone in charge of the finances who was qualified) reflect their contribution to other areas of analysis such as applications for finance.

The table below shows that the proportion of SMEs undertaking any business planning has varied between 52-60% over recent quarters (currently 57% for Q2 2019), while the proportion of SMEs trading internationally has been lower and more stable (currently 17%). 36% reported innovative activity in Q2 2019, an increase after previous declines, while a more consistent 1 in 10 had a business mentor and 1 in 4 a qualified person in charge of the finances:

Over time – all SMEs By date of interview	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
<b>Unweighted base:</b>	<b>4507</b>	<b>4505</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>	<b>4502</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>
Planning (any)	54%	59%	55%	56%	52%	55%	60%	58%	57%
- Produce regular management accounts	41%	42%	40%	41%	38%	41%	43%	39%	37%
- Have a formal written business plan	28%	33%	32%	29%	26%	28%	32%	31%	32%
International (any)	16%	17%	15%	13%	14%	15%	16%	15%	17%
- Export goods or services	10%	11%	9%	9%	9%	9%	10%	8%	10%
- Import goods or services	12%	12%	10%	9%	10%	10%	12%	11%	12%
Innovation (any)	30%	34%	34%	32%	31%	35%	32%	36%	36%
-New product or service (last 3 yrs)	12%	15%	16%	15%	14%	17%	15%	15%	15%
-Improved aspect of business	26%	29%	29%	28%	26%	30%	28%	30%	31%
Mentors	10%	10%	11%	10%	8%	11%	11%	10%	12%
Have qualified person in charge of finances	21%	23%	26%	25%	26%	24%	26%	25%	25%

Q84/129 (223/251) All SMEs

The table below provides further analysis by key demographics for YEQ2 2019. Larger SMEs and those with a minimal or low risk rating were typically more likely to undertake these activities:

### Business Formality Further analysis YEQ2 2019

Planning	<p>57% of all SMEs planned, increasing by size of business from 53% of those with 0 employees to almost all, 91%, of those with 50-249 employees.</p> <p>Levels of planning declined by age of business: 71% of Starts and 60% of those trading for 2-5 years planned, declining to 50% of those trading for more than 15 years.</p> <p>Those with a minimal or a low risk rating were somewhat more likely to plan (both 61%), compared to 54% of those with an average rating and 58% of those with a worse than average risk rating.</p> <p>67% of SMEs in the Wholesale/Retail sector planned, compared to 52% of those in Construction and 53% in the Other Community sector. Amongst other sectors 56-64% planned.</p>
International	<p>16% of all SMEs were international, with the smallest SMEs less likely to trade overseas (14% of those with 0 employees, 21% of those with 1-9 employees, 28% of those with 10-49 employees and 29% of those with 50-249 employees).</p> <p>Starts were the least likely to be international (10%), with little variation otherwise by age of SME (17-19%).</p> <p>Those with a minimal or low risk rating were more likely to be international (both 20%) compared to 15% of those with an average and 14% of those with a worse than average risk rating.</p> <p>SMEs in Wholesale/Retail (26%) and Manufacturing (25%) remained more likely to be international along with those in Property/business services (21%). SMEs in Construction (5%) remained less likely to be international. Amongst other sectors 9-16% were international.</p>
Innovation	<p>35% of all SMEs had innovated, increasing by size of business from 32% of those with 0 employees to 53% of those with 10-49 or 50-249 employees.</p> <p>Innovation initially increased by age of business (22% of Starts to 43% trading for 6-9 years) and then declined again (to 34% of those trading for more than 15 years).</p> <p>Those with a minimal (38%) or low risk rating (39%) were slightly more likely to have innovated, compared to 32% with an average or 35% with a worse than average risk rating.</p> <p>SMEs in Manufacturing (41%), Hotels and Restaurants (42%) or Wholesale/Retail (43%) were the most likely to have innovated, with those in Construction (25%) the least likely.</p>

Continued

Continued

Financial specialist	<p>25% of SMEs had a financially qualified person looking after their finances. This became more likely as business size increased: 21% of 0 employee SMEs had a financial specialist compared to 34% of those with 1-9 employees, 49% of those with 10-49 employees and 71% of those with 50-249 employees.</p> <p>There was little variation by age of business (24-26%).</p> <p>32% of those with a minimal and 31% of those with a low risk rating had a financial specialist, compared to 25% of those with an average rating and 22% of those with a worse than average risk rating.</p> <p>Those in Property/Business Services (31%) were the most likely to have a financial specialist, compared to 19% in Construction.</p>
Mentors	<p>11% of SMEs used a mentor for business help and advice.</p> <p>The use of mentors increased by size of SME from 10% of those with 0 employees to 14% of those with 1-9 employees, and to just under a fifth of larger SMEs (19% for those with 10-49 employees and 18% for those with 50-249 employees).</p> <p>The presence of mentors varied slightly by risk rating: from 14% of those with a minimal and 13% of those with a low risk rating to 9% of those with an average and 11% of those with a worse than average risk rating.</p> <p>With the exception of those trading 2-5 years (15%), there was little variation by age of business (8-12%), and relatively little variation by sector (12-15%) with the exception of Construction (7%), Transport (9%) and Hotels &amp; Restaurants (10%) who were less likely to have a mentor.</p>

The smallest SMEs remained less likely to undertake any of these activities. For YEQ2 2019, excluding the 0 employee SMEs saw the proportion of SMEs (with employees) who:

- Plan increase from 57% of all SMEs to 70% of those with employees
- Trade internationally increase from 16% to 22%
- Innovate increase from 35% to 44%
- Have a mentor increase from 11% to 15%
- Have a qualified person in charge of the finances increase from 25% to 38%.

Taking a longer term view back to 2012:

- The proportion that planned has varied relatively little over time (54-57%)
- The proportion of SMEs that were international has varied relatively little since 2014 (14-17%)
- The proportion of SMEs that had been innovative declined 2012-2018 (from 40% to 33%) but was somewhat higher in H1 2019 (36%)
- The proportion with a financial specialist has varied relatively little
- The proportion with a business mentor has also been stable:

<b>Business formality elements</b>								
Over time – all SMEs								H1
By date of interview	2012	2013	2014	2015	2016	2017	2018	2019
<b>Unweighted base:</b>	<b>20,055</b>	<b>20,036</b>	<b>20,055</b>	<b>20,046</b>	<b>18,000</b>	<b>18,012</b>	<b>18,002</b>	<b>9000</b>
Planning (any)	55%	55%	54%	54%	55%	57%	56%	57%
- Produce regular management accounts	41%	42%	42%	41%	41%	43%	41%	38%
- Have a formal written business plan	33%	32%	32%	32%	33%	31%	29%	32%
International (any)	10%	13%	16%	17%	14%	16%	15%	16%
- Export goods or services	6%	8%	10%	10%	8%	10%	9%	9%
- Import goods or services	7%	9%	11%	12%	10%	11%	10%	12%
Innovation (any)	40%	38%	37%	37%	36%	34%	33%	36%
-New product or service (last 3 yrs)	17%	16%	16%	15%	14%	14%	15%	15%
-Improved aspect of business	35%	33%	34%	33%	32%	30%	28%	31%
Have qualified person in charge of finances	25%	26%	27%	26%	23%	24%	25%	25%
Have a mentor	-	-	-	-	12%	11%	10%	11%

Q84/129 (223/251) All SMEs

International trade and innovation are relevant factors in SME performance and their contribution to the wider economy. Further analysis of these activities has therefore been undertaken over time and by key demographics.

The table on the next page shows the proportion of SMEs trading internationally increased from 10% in 2012 to 16% in 2014 and has been broadly stable since (14-17%):

International	Further analysis over time
Size of SME	<p>The increase 2012 to 2014 was led by the 0 employee SMEs (8% to 13%) and those with 1-9 employees (15% to 22%), with both groups fairly stable since.</p> <p>Amongst those with 10-49 employees, 27% were trading internationally in 2012 and 29% in H1 2019, with some variation in between (25-31%).</p> <p>Amongst the largest SMEs with 50-249 employees, 42% were trading internationally in 2012 and 46% in 2013, but since then the proportion has declined (to 30% in H1 2019).</p>
Sector	<p>Those in Manufacturing and Wholesale/Retail have been consistently more likely to be trading internationally, with around 1 in 4 trading overseas. In H1 2019, this was slightly less likely to be the case for manufacturers (22%) and more likely for those in Wholesale/Retail (29%).</p>
Age of business	<p>Starts became more likely to be trading internationally 2012-2014 (8% to 14%) then, after a period of stability, became somewhat less likely to trade internationally (9% in H1 2019). Meanwhile those trading for 2-5 and 6-9 years have maintained the growth in international trade seen 2012-2014. Those trading for 10-15 years saw a further increase in international trade in H1 2019 to 23%, while levels of international trade amongst the oldest SMEs has been much more consistent over time (14-18%).</p>



<b>Trade internationally</b>								
All SMEs over time								
By date of interview								
– row percentages	2012	2013	2014	2015	2016	2017	2018	H1 2019
All SMEs	10%	13%	16%	17%	14%	16%	15%	16%
0 emp	8%	10%	13%	15%	12%	14%	13%	14%
1-9 emps	15%	20%	22%	22%	18%	20%	20%	21%
10-49 emps	27%	30%	31%	31%	25%	28%	27%	29%
50-249 emps	42%	46%	42%	37%	30%	31%	29%	30%
Minimal external risk rating	19%	22%	20%	21%	18%	22%	20%	22%
Low	13%	21%	18%	22%	18%	19%	20%	17%
Average	11%	14%	16%	15%	15%	16%	14%	15%
Worse than average	8%	11%	15%	18%	11%	15%	13%	16%
Agriculture	7%	8%	10%	10%	10%	10%	8%	10%
Manufacturing	21%	25%	26%	29%	23%	27%	26%	22%
Construction	3%	5%	6%	6%	5%	5%	5%	5%
Wholesale/Retail	25%	26%	27%	26%	25%	27%	26%	29%
Hotels & Restaurants	3%	7%	10%	9%	6%	7%	8%	11%
Transport	7%	13%	13%	17%	12%	14%	14%	15%
Property/ Business Services	10%	14%	18%	21%	16%	21%	19%	20%
Health	5%	7%	12%	12%	9%	8%	7%	11%
Other	9%	12%	19%	20%	17%	18%	15%	17%
Starts	8%	11%	14%	13%	12%	14%	10%	9%
2-5 years	8%	13%	16%	20%	13%	18%	16%	19%
6-9 years	9%	12%	16%	15%	12%	13%	16%	17%
10-15 years	12%	15%	17%	18%	13%	17%	14%	23%
15+ years	14%	15%	16%	18%	16%	17%	16%	15%

Q84 (223) All SMEs

The table on the next page shows that the overall proportion of SMEs that had innovated declined from 40% in 2012 to 33% in 2018 but was somewhat higher in H1 2019 (36%):

Innovation	Further analysis over time
Size of SME	The decline 2012 to 2018 was seen across all size bands, notably those with 50-249 employees (70% to 55%) with a further decline in H1 2019 to 52%. Smaller SMEs with 0 or 1-9 employees saw a smaller decline 2012 to 2018 and something of an improvement in H1 2019.
Risk rating	47% of minimal risk SMEs had been innovative in 2012 but since then a stable 39-42% have been innovative. For those with a low external risk rating a fairly stable 4 in 10 have innovated. Those with an average or worse than average risk rating became less likely to innovate 2012-2018 (39% to 31% and 41% to 33% respectively) with a slight increase in H1 2019.
Sector	Those in Manufacturing, Wholesale/Retail and Hotels & Restaurants have remained the most likely to be innovative, at just over 4 in 10. Like others they saw a decline 2012 to 2018 but most of this was recovered in H1 2019. In 2012, the Health sector was the most likely to have been innovative (51%) but then declined to 30% in 2017 before increasing slightly to 33% in H1 2019.
Age of business	A third of Starts had been innovative 2012-2017, but by H1 2019 this proportion had fallen to 21%. Those trading 2-5 and 6-9 years have been the most likely to be innovative, but those trading 2-5 years saw a decline 2012-2018 and then an increase in H1 2019, while a more consistent proportion of those trading 6-9 years have been innovative. A fairly stable 1 in 3 of the oldest SMEs have been innovative – with an increase in H1 2019 for those trading for 10-15 years to 43%, the highest proportion seen to date.

<b>Been innovative</b>								
All SMEs over time								
By date of interview								
– row percentages	2012	2013	2014	2015	2016	2017	2018	H1 2019
All SMEs	40%	38%	37%	37%	36%	34%	33%	36%
0 emp	36%	34%	34%	34%	33%	31%	29%	33%
1-9 emps	49%	47%	47%	45%	44%	42%	40%	43%
10-49 emps	60%	58%	57%	53%	53%	51%	51%	52%
50-249 emps	70%	68%	65%	59%	56%	60%	55%	52%
Minimal external risk rating	47%	41%	40%	40%	42%	40%	39%	40%
Low	41%	43%	38%	41%	42%	37%	36%	39%
Average	39%	35%	36%	33%	34%	31%	31%	33%
Worse than average	41%	39%	37%	38%	36%	35%	33%	35%
Agriculture	40%	38%	33%	33%	33%	34%	31%	31%
Manufacturing	44%	45%	43%	45%	42%	44%	41%	42%
Construction	27%	29%	26%	29%	28%	27%	23%	27%
Wholesale/Retail	45%	41%	45%	43%	43%	42%	40%	46%
Hotels & Restaurants	46%	44%	44%	43%	45%	39%	39%	44%
Transport	36%	34%	29%	34%	35%	31%	28%	33%
Property/ Business Services	42%	41%	43%	38%	39%	35%	35%	36%
Health	51%	43%	38%	37%	34%	30%	32%	33%
Other	45%	38%	41%	42%	37%	36%	37%	40%
Starts	36%	35%	36%	33%	35%	36%	24%	21%
2-5 years	45%	44%	46%	43%	41%	41%	39%	44%
6-9 years	40%	40%	38%	40%	38%	30%	40%	46%
10-15 years	39%	38%	36%	37%	36%	35%	33%	43%
15+ years	37%	32%	33%	35%	35%	31%	32%	34%

Q84 (223) All SMEs

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Occasional questions have been asked (starting in Q1 2014) about whether the business holds intellectual property or other knowledge assets on its balance sheet such as patents, copyrights, trademarks or goodwill (in H1 2014, 6% did).

The latest figures for YEQ2 2019 were marginally higher, with 8% of all SMEs holding intellectual property or other knowledge assets on their balance sheet, increasing by size from 7% of 0 employee SMEs and 10% of those with 1-9 employees, to 15% of those with 10-49 employees and 22% of those with 50-249 employees.

Those in the Property/Business Services sector (12%) or in Manufacturing (11%) were more likely to hold such assets, compared to 3% of those in Construction.

## HOW SMES ARE MANAGED – INTERNATIONAL STAFF

In new questions from Q3 2017, SMEs with employees were asked whether they employed overseas staff, either from the EU or further afield. As the table below shows, 1 in 6 did (16%), predominantly from the EU (14%). The largest SMEs were much more likely to be employing any overseas staff and for these to include people from outside the EU:

All SMEs with employees YEQ2 19	Total	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>14,400</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Employ any overseas staff:	16%	12%	31%	48%
• <i>Employ staff from EU</i>	14%	11%	29%	46%
• <i>Employ other overseas staff</i>	5%	3%	10%	19%

Q84 (223) All SMEs with employees

The second new question asked all those employing overseas staff how concerned they were about the potential impact on their business of any changes to migration rules. Half (54%) were concerned, the equivalent of 8% of all SMEs with employees. The largest SMEs were slightly more likely to be concerned, such that the equivalent of 33% of all SMEs with 50-249 employees were concerned about potential changes:

### Concern re changes to migration rules

All SMEs with overseas employees YEQ2 19	Total	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>3492</b>	<b>643</b>	<b>1624</b>	<b>1225</b>
Very concerned	26%	28%	21%	28%
Fairly concerned	27%	27%	26%	31%
Not very concerned	22%	18%	29%	27%
Not at all concerned	25%	27%	24%	14%
<b>Concerned (all employing overseas staff)</b>	<b>54%</b>	<b>55%</b>	<b>47%</b>	<b>59%</b>
<b>Concerned (all SMEs with employees)</b>	<b>8%</b>	<b>6%</b>	<b>13%</b>	<b>33%</b>

Q87 (223c) All SMEs with overseas employees excl DK

Employers in Health (22%) were the most likely to employ overseas staff, compared to 10% in Agriculture.

Whilst SMEs in Agriculture were less likely to be employing overseas staff, those that were had more concerns about the impact of any future changes to migration rules (68%), while those in Manufacturing were the least concerned (43%). Amongst other sectors concern varied from 47% to 58%. There was relatively little variation in the proportion of all employers in each sector who were concerned (6-9% except for 10% for Hotels and Restaurants and 11% for Health).

### Overseas staff

All SMES with employees

YE Q2 19	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
<b>Unweighted base:</b>	<b>953</b>	<b>1211</b>	<b>2560</b>	<b>1449</b>	<b>967</b>	<b>1591</b>	<b>2867</b>	<b>1189</b>	<b>1613</b>
Employ any overseas staff:	10%	17%	14%	15%	18%	16%	17%	22%	15%
Employ staff from EU	9%	15%	13%	14%	17%	15%	15%	21%	13%
Employ other overseas staff	3%	4%	3%	4%	5%	4%	6%	7%	5%
<b>Concerned about migration changes (if employ)</b>	<b>68%</b>	<b>43%</b>	<b>47%</b>	<b>53%</b>	<b>58%</b>	<b>54%</b>	<b>52%</b>	<b>57%</b>	<b>56%</b>
<b>Concerned (all with employees)</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>9%</b>	<b>9%</b>	<b>11%</b>	<b>7%</b>

Q84/87 (223/223c) All SMES with employees/ All SMEs with overseas employees

SMEs that trade internationally were more likely to employ staff from overseas, typically from the EU, notably those that both import and export. Amongst those who employed overseas staff, levels of concern about changes to migration rules were slightly lower for those who only exported. As a result, 1 in 10 of all export only SMEs with employees were concerned about changes to migration rules compared to 1 in 8 that import only and 1 in 6 that both import and export:

### Overseas staff

All SMEs with employees YEQ2 19	Total	Export only	Import only	Fully intl	Domestic
<b>Unweighted base:</b>	<b>14,400</b>	<b>687</b>	<b>1213</b>	<b>1303</b>	<b>11,197</b>
Employ any overseas staff:	16%	19%	25%	35%	13%
<i>Employ staff from EU</i>	14%	17%	22%	31%	12%
<i>Employ other overseas staff</i>	5%	8%	8%	12%	13%
<b>Concerned (all employing overseas staff)</b>	<b>54%</b>	<b>46%</b>	<b>55%</b>	<b>51%</b>	<b>54%</b>
<b>Concerned (all SMEs with employees)</b>	<b>8%</b>	<b>9%</b>	<b>13%</b>	<b>17%</b>	<b>7%</b>

Q84/87 (223/223c) All SMEs with employees/ All SMEs with overseas employees

Some limited analysis over time is now possible and is provided in the next two tables. When the questions about overseas staff were first asked in H2 2017, 23% of SMEs with employees had any overseas staff (22% from the EU and 4% from elsewhere). Since then the proportion has been somewhat lower (16-17%) due to fewer smaller SMEs with such employees.

As the second table below shows, concern amongst those employing staff from overseas about changes to migration rules increased from under to over half of relevant SMEs between H2 2017 and H1 2019 and for all but the largest SMEs.

- Concern amongst those in Construction increased from 32% in H2 2017 to 51% in H1 2019 and for those in Wholesale/Retail from 40% to 56%. The highest levels of concern in H1 2019 were for those in Agriculture, the Other Community and Hotel & Restaurant sectors.
- Amongst those who only export, levels of concern about migration changes have varied over time having increased from 49% in H2 2017 to 56% in 2018 and then 48% for H1 2019. Those who only import followed a similar pattern (47% in H2 2017 to 58% in 2018 and then 52% in H1 2019). For those who both import and export, levels of concern about migration changes were initially stable (42% in H2 2017 to 45% in 2018), before increasing to 57% in H1 2019, while for domestic SMEs concern increased from 41% in H2 2017 to 54% in H1 2019.

<b>Employ overseas staff</b>			
All SMEs with employees over time			
By date of interview – row percentages	H2 2017	2018	H1 2019
<b>All</b>	<b>23%</b>	<b>16%</b>	<b>17%</b>
1-9 emps	18%	12%	13%
10-49 emps	40%	31%	32%
50-249 emps	55%	56%	47%
Agriculture	13%	11%	9%
Manufacturing	28%	18%	17%
Construction	20%	12%	14%
Wholesale/Retail	20%	15%	16%
Hotels & Restaurants	25%	21%	17%
Transport	23%	15%	17%
Property/ Business Services	23%	16%	18%
Health	26%	21%	27%
Other	23%	15%	15%
Export only	34%	22%	20%
Import only	32%	24%	27%
Fully international	48%	32%	36%
Domestic	18%	13%	13%

Q84 (223) All SMEs with employees



<b>Concern re migration changes</b>			
<b>All SMEs with overseas staff</b>			
<b>over time</b>	<b>H2</b>	<b>2018</b>	<b>H1</b>
<b>By date of interview – row percentages</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>All</b>	<b>42%</b>	<b>51%</b>	<b>54%</b>
1-9 emps	40%	50%	57%
10-49 emps	42%	49%	47%
50-249 emps	64%	69%	55%
Agriculture	59%	70%	67%
Manufacturing	27%	46%	43%
Construction	32%	44%	51%
Wholesale/Retail	40%	45%	56%
Hotels & Restaurants	54%	55%	58%
Transport	48%	57%	55%
Property/ Business Services	44%	49%	50%
Health	61%	54%	57%
Other	32%	57%	59%
Export only	49%	56%	48%
Import only	47%	58%	52%
Fully international	42%	45%	57%
Domestic	41%	50%	54%

Q87 (223c) All SMEs with overseas employees excl DK

## EXPORTING

9% of all SMEs were making sales outside the UK. Before investigating the exporters in more detail, additional detail is provided on the profile of exporters (which includes those who both export and import).

In 2012, 6% of SMEs were exporting, increasing over time to 10% in 2014 and 2015 and stable since (9% in H1 2019).

- This increase was driven by the smaller SMEs. Amongst those with 0 employees, 5% were exporting in 2012, compared to 8% currently and those with 1-9 employees the increase was from 9% in 2012 to 12% currently.
- Exporting amongst those with 10-49 employees declined slightly from 21% in 2012 to 18% in H1 2019 and more markedly amongst those with 50-249 employees (34% in 2012 to 21% in H1 2019).
- The Manufacturing and Wholesale/Retail sectors were the most likely to be exporting. 14% of those in Manufacturing were exporting in 2012, increasing to 20% by 2015 with some variation since (16% in H1 2019). For those in Wholesale/Retail a more stable 13-16% have exported with the slight exception of 2016 when 12% exported.
- The proportion of Starts that exported was 4% in 2012, increasing to 8% in 2014 and then little changed (7-8%) until a slight decline in 2018 (6%) and H1 2019 (4%). Amongst those trading 2-5 years there was a similar initial increase (5% in 2012 to 11% in 2015) and then little change (10% in H1 2019). Amongst older SMEs around 1 in 10 have exported each year (albeit 13% of those trading for 10-15 years were exporting in H1 2019).

<b>Exporting</b>								
All SMEs over time								
By date of interview								
– row percentages	2012	2013	2014	2015	2016	2017	2018	H1 2019
All SMEs	6%	8%	10%	10%	8%	10%	9%	9%
0 emp	5%	6%	8%	9%	7%	9%	8%	8%
1-9 emps	9%	12%	14%	14%	11%	12%	12%	12%
10-49 emps	21%	22%	22%	21%	17%	19%	18%	18%
50-249 emps	34%	36%	33%	27%	20%	22%	21%	21%
Minimal external risk rating	14%	16%	13%	14%	12%	14%	15%	15%
Low	10%	15%	11%	14%	12%	13%	12%	9%
Average	7%	8%	11%	8%	9%	11%	8%	9%
Worse than average	5%	6%	9%	11%	7%	9%	8%	8%
Agriculture	3%	4%	4%	3%	5%	5%	4%	5%
Manufacturing	14%	17%	18%	20%	16%	19%	18%	16%
Construction	1%	2%	2%	2%	2%	1%	2%	2%
Wholesale/Retail	13%	14%	16%	15%	12%	16%	13%	15%
Hotels & Restaurants	1%	3%	6%	4%	3%	4%	3%	4%
Transport	6%	10%	8%	11%	9%	10%	9%	9%
Property/ Business Services	8%	9%	12%	15%	11%	15%	14%	13%
Health	3%	3%	6%	6%	4%	4%	4%	2%
Other	5%	6%	11%	12%	12%	12%	10%	10%
Starts	4%	5%	8%	8%	7%	8%	6%	4%
2-5 years	5%	6%	9%	11%	7%	10%	10%	10%
6-9 years	6%	8%	10%	9%	6%	8%	10%	9%
10-15 years	8%	10%	11%	12%	9%	11%	9%	13%
15+ years	10%	10%	10%	11%	11%	11%	11%	10%

Q84 (223) All SMEs

Turning now to different aspects of exporting, two thirds of these exporters (69%) reported that less than a quarter of their total sales came from overseas, with relatively little variation by size:

#### Percentage of turnover as sales overseas

All SMEs who export YEQ2 19	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>2082</b>	<b>241</b>	<b>587</b>	<b>866</b>	<b>388</b>
Less than 25% of sales made overseas	69%	71%	66%	68%	57%
25-50%	13%	11%	16%	18%	25%
51-75%	9%	9%	9%	10%	12%
76-100% of sales overseas	9%	9%	9%	5%	7%
<b>Average proportion</b>	<b>25%</b>	<b>25%</b>	<b>26%</b>	<b>24%</b>	<b>27%</b>

Q85 (223x) All SMEs who export, excluding DK/refused

9% of all SMEs were exporters. This is made up of the equivalent of 2% of all SMEs where exports made up 50% or more of their sales, and 7% of all SMEs where exports made up less than 50% of their sales. 91% of all SMEs did not export.

From Q3 2016, all exporters have been asked about the extent to which they were selling to the EU. The figures for YEQ2 2019 show that most exporters traded to some extent with the EU (83%), with around a quarter of exporters (27%) exporting all or the majority of their goods/services to the EU, with relatively little variation by size:

#### Overseas sales to EU

All SMEs who export YEQ2 19	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>2245</b>	<b>255</b>	<b>629</b>	<b>932</b>	<b>429</b>
Only to the EU	11%	12%	8%	7%	5%
The majority to the EU	16%	16%	16%	17%	21%
Half to the EU	12%	11%	14%	13%	20%
A minority to the EU	44%	43%	42%	51%	47%
None to the EU	17%	17%	19%	12%	7%
<b>Only/the majority</b>	<b>27%</b>	<b>28%</b>	<b>24%</b>	<b>24%</b>	<b>26%</b>

Q86 (223b) All SMEs who export

The EU was the sole/majority source of sales for 34% of those who achieved more than half of their turnover through exports, and 26% of those where less than half of their turnover came from exports.

Analysis by sector showed that those in Manufacturing (17%), Property/Business Services (14%) and Wholesale/Retail (13%) were the most likely to be exporting. Amongst exporters, those in Transport were the most likely to be achieving 50% + of sales overseas (38%), while exporters in Construction (although less likely to be an exporter) were the most likely to be selling all or most of their exported products/services to the EU (47%):

### Exporting

All SMEs / Exporters YEQ2 19	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Othe r Com m
Export	5%	17%	2%	13%	4%	10%	14%	3%	10%
Exporters; 50%+ sales	24%	12%	11%	15%	11%	38%	15%	4%	20%
Exporters; All/majority to EU	34%	25%	47%	30%	21%	22%	27%	25%	26%

Q84/85/86 (223x/223b) All SMES / All SMES exporting

Analysis over time shows no clear trend, but since 2016 around 1 in 5 exporters have made more than 50% of all their sales overseas (18% in H1 2019):

50%+ sales made overseas								
Over time – all exporters								
Row percentages	2013	2014	2015	2016	2017	2018	H1 2019	
All exporters	24%	16%	13%	19%	22%	18%	18%	
0 employee	28%	16%	10%	21%	25%	18%	18%	
1-9 employees	19%	14%	16%	16%	17%	15%	18%	
10-49 employees	20%	16%	16%	16%	16%	15%	14%	
50-249 employees	20%	18%	19%	17%	21%	20%	19%	

Q85 (223x) All SMES who export, excluding DK/refused

The variation 2013-2016 was primarily due to 0 employee exporters. Amongst exporters with employees, the proportion achieving 50% or more of sales overseas has been more stable at around 1 in 6 for those with 1-9 or 10-49 employees and 1 in 5 for those with 50-249 employees.

The table below shows the proportion of exporters who either sold exclusively to the EU or made the majority of their sales there, over time.

The proportion increased somewhat from 22% when the question was first asked in H2 1016 to 28% in 2018 and 27% in H1 2019, due to more of the 0 employee exporters trading exclusively/mostly with the EU:

<b>All/majority sales to EU</b>				
Over time – all exporters	H2			H1
Row percentages	2016	2017	2018	2019
<b>All exporters</b>	<b>22%</b>	<b>25%</b>	<b>28%</b>	<b>27%</b>
0 employee	17%	25%	31%	27%
1-9 employees	33%	28%	23%	26%
10-49 employees	24%	24%	23%	25%
50-249 employees	35%	21%	16%	29%
<50% of sales exported	23%	23%	28%	25%
50%+ of sales exported	23%	33%	28%	35%

Q86 (223b) All SMEs who export

## CUSTOMERS

In new questions from Q1 2018, SMEs were asked whether they sold to consumers, to other businesses or to both businesses and consumers, as well as how many business customers they typically had (if any). Most SMEs sold to consumers (83% overall) with this percentage declining by size of SME, while just over half sold to other businesses (54%), a proportion that increases by size:

<b>Customer types</b>					
All SMEs YEQ2 19	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Other businesses only	17%	16%	20%	29%	32%
Consumers only	46%	48%	41%	28%	24%
Both businesses and consumers	37%	36%	39%	43%	45%
<b>All selling to businesses</b>	<b>54%</b>	<b>52%</b>	<b>59%</b>	<b>72%</b>	<b>76%</b>
<b>All selling to consumers</b>	<b>83%</b>	<b>84%</b>	<b>80%</b>	<b>71%</b>	<b>68%</b>

Q13a (NEW) All SMEs

Those who exported were much more likely to be selling to other businesses (8 in 10) than those who only imported (6 in 10) or who traded domestically (5 in 10):

<b>Customer types</b>					
All SMEs YEQ2 19	Total	Export only	Import only	Import and export	Domestic
<b>Unweighted base:</b>	<b>18,002</b>	<b>821</b>	<b>1410</b>	<b>1424</b>	<b>14,347</b>
Other businesses only	17%	38%	14%	34%	16%
Consumers only	46%	21%	40%	22%	49%
Both businesses and consumers	37%	41%	46%	44%	36%
<b>All selling to businesses</b>	<b>54%</b>	<b>79%</b>	<b>60%</b>	<b>78%</b>	<b>51%</b>
<b>All selling to consumers</b>	<b>83%</b>	<b>62%</b>	<b>86%</b>	<b>66%</b>	<b>84%</b>

Q13a (NEW) All SMEs

There were some clear differences by sector, with the proportion selling to businesses varying from 26% in the Health sector and Hotels & Restaurants to 70% in Property/Business Services. There was more consistency in the proportion selling to consumers, which was 8 in 10 or more for all sectors with the exception of Property/Business Services (69%):

### Customer types

All SMEs YEQ2 19	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
<b>Unweighted base:</b>	<b>1200</b>	<b>1500</b>	<b>3200</b>	<b>1800</b>	<b>1200</b>	<b>2000</b>	<b>3600</b>	<b>1502</b>	<b>2000</b>
Other businesses only	23%	19%	9%	10%	3%	19%	31%	9%	14%
Consumers only	44%	35%	50%	50%	74%	43%	30%	74%	51%
Both businesses and consumers	32%	47%	41%	39%	24%	38%	39%	17%	35%
<b>All selling to businesses</b>	<b>56%</b>	<b>65%</b>	<b>50%</b>	<b>50%</b>	<b>26%</b>	<b>57%</b>	<b>70%</b>	<b>26%</b>	<b>49%</b>
<b>All selling to consumers</b>	<b>77%</b>	<b>81%</b>	<b>91%</b>	<b>90%</b>	<b>97%</b>	<b>81%</b>	<b>69%</b>	<b>91%</b>	<b>86%</b>

Q13a (NEW) All SMEs



Those SMEs selling to other businesses were asked how many business customers they had. From Q3 2018 this question has been asked both to those only selling to businesses and those selling to businesses and consumers. The results for YEQ2 2019 are shown below. 3 in 10 SMEs selling to other businesses had more than 50 customers, increasing by size of SME:

### Customer types

All SMEs that sell to other businesses YEQ2 19	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>11,556</b>	<b>1745</b>	<b>3417</b>	<b>4226</b>	<b>2168</b>
1-5 customers	17%	20%	10%	3%	1%
6-10 customers	15%	17%	12%	6%	3%
11-25 customers	21%	22%	20%	16%	12%
26-50 customers	17%	17%	18%	18%	18%
51-100 customers	12%	11%	14%	17%	21%
100+ customers	18%	13%	26%	40%	44%
<b>All selling to 50+ customers</b>	<b>29%</b>	<b>24%</b>	<b>40%</b>	<b>57%</b>	<b>65%</b>

Q13b (NEW) All SMEs

Analysis by sector showed that SMEs in Wholesale/Retail (48%) and Hotels & Restaurants (46%) were the most likely to have 50 or more business customers, followed by those in Manufacturing (41%). The least likely to have 50 or more business customers was the Health sector (14%).

Analysis by customer type showed that those selling to both consumers and businesses were more likely to report having more than 50 business customers (34%) than those selling to businesses only (19%):

All SMEs that sell to other businesses YEQ2 19	Total	Business only	Business and consumer
<b>Unweighted base:</b>	<b>11,516</b>	<b>4320</b>	<b>7236</b>
1-5 customers	17%	24%	14%
6-10 customers	15%	17%	14%
11-25 customers	21%	23%	20%
26-50 customers	17%	16%	18%
51-100 customers	12%	9%	13%
100+ customers	18%	11%	21%
<b>All selling to 50+ customers</b>	<b>29%</b>	<b>19%</b>	<b>34%</b>

Q13b (NEW) All SMEs

There were differences by size of business within these two groups:

- Amongst those selling to businesses only, 17% of those with 0-9 employees had more than 50 customers compared to 54% of those with 10-249 employees.
- For those selling to businesses and consumers, 33% of those with 0-9 employees had more than 50 customers compared to 61% of those with 10-249 employees.

## MEMBERSHIP OF BUSINESS GROUPS OR INDUSTRY BODIES

SMEs were asked whether the owner, senior partner or majority shareholder belonged to any business groups or industry bodies.

YEQ2 2019 a quarter of SMEs (24%) said that this was the case (excluding DK answers) in line with levels seen in previous years.

Business Groups	Further analysis YEQ2 2019
By size of SME	<p>Membership was more likely amongst the largest SMEs:</p> <ul style="list-style-type: none"> <li>• 23% of 0 employee businesses belonged to a business group/body</li> <li>• 28% of 1-9 employee businesses</li> <li>• 29% of 10-49 employee businesses</li> <li>• 37% of 50-249 employee businesses.</li> </ul>
By external risk rating	<p>30% of those with a minimal or a low risk rating and 25% of those with an average risk rating belonged to a business group/body. Those with a worse than average risk rating remained somewhat less likely to do so (21%).</p>
By sector	<p>Those in the Health sector remained more likely to belong (38%) while those in Transport or Hotels &amp; Restaurants (both 17%) were less likely.</p>
PNBs and those using external finance	<p>Those currently using external finance were no more likely to belong to such groups (25%) than those that did not use external finance (24%).</p> <p>There was also little difference by whether the SME met the definition of a Permanent non-borrower (25%) or not (24%).</p>
Other demographics	<p>There was some variation by age of business. 18% of Starts belonged to a business group, compared to 22% of those trading for 2-5 years, 24% of those trading for 6 to 9 years and then 28% of older SMEs.</p> <p>Those who had someone in charge of the finances who was qualified (more common in larger SMEs) remained more likely to belong to a business group (36% v 21% who did not have a qualified person).</p>

Q143 (Q265c) All SMEs

## BUSINESS OWNERSHIP

71% of *companies* had one owner, declining by size from 91% of 0 employee companies to 44% of those with 10-49 or 50-249 employees. This means that of *all* SMEs, 84% were either sole proprietorships or companies with one owner.

A broader question explored the extent to which the owner of the SME was also involved in other businesses. For YEQ2 2019 (and excluding DK answers):

- 88% reported that this was the only business the owner was involved in, managerially or strategically, decreasing with size from 90% of 0 employee SMEs to 74% of those with 50-249 employees.
- 10% reported that the owner currently ran another business as well (9% amongst 0 employee SMEs increasing to 26% amongst those with 50-249 employees).
- 3% reported that the owner had set up and run a business before (with little variation by size, 3-4%).
- Less than 1% said the owner had provided funds for another business in the past few years, again with little variation by size of SME.

SMEs with employees were also asked whether theirs was a family business. For YEQ2 2019, 66% of those with employees said that it was. This means that for SMEs as a whole:

- 17% had employees and were family owned
- 8% had employees and a different ownership structure
- 75% of all SMEs had no employees (so were not asked the question).

## THE BANK RELATIONSHIP

In early Monitor reports analysis was provided on overall satisfaction with the main bank. On an annual basis from 2011, overall satisfaction improved very slightly (80-84%) and was consistently higher for larger SMEs.

From Q1 2016 this question was replaced by one that sought to understand the banking relationship in more detail, with SMEs asked which of three phrases best described their relationship with their main bank. Since then questions on switching and trust have also been added and are reported in this section.

Before exploring the banking relationship, it is worth noting that multi-banking remains rare in this market. In H1 2019, 99% of SMEs reported that they only used one bank for their business banking, with little difference by size:

<b>Use one business bank</b>								
Over time – all SMEs								H1
Row percentages	2012	2013	2014	2015	2016	2017	2018	2019
All SMEs	99%	99%	99%	98%	99%	99%	99%	99%
0 employee	99%	99%	99%	99%	99%	99%	99%	99%
1-9 employees	98%	99%	98%	98%	99%	98%	99%	98%
10-49 employees	97%	98%	97%	97%	97%	98%	98%	98%
50-249 employees	97%	98%	97%	98%	97%	97%	96%	98%

## NATURE OF THE BANK RELATIONSHIP

When asked about the nature of their relationship with their main bank, the most frequent answer YEQ2 2019 was that the relationship was fine but transactional, and this is little changed over time:

Nature of relationship with main bank		0	1-9	10-49	50-249
YEQ2 19 all SMEs	Total	emps	emps	emps	emps
<i>Unweighted base</i>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
We have a strong working relationship with our bank and feel we can approach them whenever we need to	23%	20%	27%	45%	54%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	66%	68%	62%	47%	39%
We don't have an active working relationship with our bank and wish that we had one	12%	12%	11%	8%	8%

Q24a All SMEs

There were clear differences by size of SME:

- Those with 0 employees were more likely to describe their relationship as 'transactional' (68%) than to say they had a 'strong working relationship' (20%) or to wish for a more active relationship (12%).
- As the size of SME increases, so does the proportion with a 'strong working relationship'. Amongst those with 50-249 employees this was the most common answer (54%) compared to 39% who have a transactional relationship and 8% who wish for a more active relationship.

Differences were also seen by other demographics

- Excluding the Permanent non-borrowers increased the proportion with a ‘strong relationship’ only slightly (to 24% v 21% of PNBs), but there was no difference in terms of wanting a more active relationship (both 12%).
- 1 in 5 SMEs in all age brackets had a strong relationship with their bank, with the exception of those trading for more than 15 years where 1 in 4 (26%) had such a relationship. There was little variation in the proportion wanting a more active relationship (11-13%).
- The proportion describing the relationship as ‘strong’ declined from 33% of those with a minimal risk rating and 28% of those with a low risk rating to 20% of those with either an average or a worse than average risk rating. There was less variation in the proportion wanting a more active relationship (increasing from 9% to 13% by risk rating).
- 32% of SMEs in Agriculture and 26% in the Wholesale/Retail sector had a ‘strong’ relationship compared to 18-24% in other sectors. There was relatively little variation by sector in the proportion wanting a more active relationship (10-14%).

Analysis by previous borrowing behaviour showed that those who had reported a borrowing event (typically the larger SMEs) were more likely to have a ‘strong working relationship’ (26%) than those who had been Would-be seekers of finance (13%). The relatively small group of WBS remained more likely than the other groups to wish that they had a more active relationship with their bank (22%):

<b>Nature of relationship with main bank</b>		<b>Had an event</b>	<b>WBS</b>	<b>HNS</b>
<b>YEQ2 19 all SMEs</b>	<b>Total</b>			
<i>Unweighted base</i>	<b>18,002</b>	<b>3387</b>	<b>203</b>	<b>14,351</b>
We have a strong working relationship with our bank and feel we can approach them whenever we need to	23%	26%	13%	22%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	66%	63%	65%	66%
We don't have an active working relationship with our bank and wish that we had one	12%	11%	22%	11%

Q24a All SMEs

While a minority of SMEs wished that they had a more active relationship with their bank, this proportion did increase slightly over time, from 12% in 2016 to 15% in 2018, but was 10% for H1 2019. Smaller SMEs and those with plans to apply for finance in future all remained more likely to want a more active relationship:

<b>Wish had more active relationship with bank</b>				
Over time				H1
By date of interview – row percentages	2016	2017	2018	2019
All SMEs	12%	14%	15%	10%
0 emp	13%	15%	15%	10%
1-9 emps	12%	13%	13%	11%
10-49 emps	7%	8%	8%	8%
50-249 emps	5%	6%	8%	6%
Minimal external risk rating	9%	9%	8%	9%
Low	10%	13%	12%	10%
Average	12%	14%	15%	9%
Worse than average	13%	16%	16%	11%
Use external finance	12%	14%	12%	9%
Plan to apply for finance	17%	19%	19%	14%
PNBs	12%	13%	14%	10%
All excl PNBs	13%	15%	15%	10%

Q24a All SMEs



## SWITCHING MAIN BANK

A minority of SMEs had changed main bank in the past 3 years. For YEQ2 2019, 3% said that they had made a change:

Switching	Further analysis YEQ2 2019
Size of SME	There was little variation by size (3% of those with 0 employees, 10-49 employees and 50-249 employees, 2% of those with 1-9 employees).
External risk rating	There was also no variation by risk rating (3%).
Age and sector	By age of business 2-3% had switched apart from those trading 6-9 years where 4% had switched. 6% of those in Health and 4% in the Other Community sectors had switched (2-3% for other sectors).
PNBs and finance	There was no variation once the Permanent non-borrowers were excluded (3%), and limited variation by whether the SME was using finance (4%) or not (2%).
International trade	SMEs trading internationally were slightly more likely to have switched. 7% of those only importing, 5% of those only exporting and 4% of those both importing and exporting had changed bank.

Those who had changed bank had a similar relationship with their bank (25% a strong relationship) to those who had not made a change (22%), although they remained slightly more likely to wish they had a more active relationship (19% v 12% of those who hadn't changed).

## TRUST IN BANKS AND BANKING

Other new questions looked at the issue of trust in banks – both in the SME's main bank specifically and in the banking industry more generally. SMEs were asked to rate their level of trust on a scale from 1 (do not trust them at all) to 10 (trust them entirely).

Just over half of all SMEs (54%) gave a score of 8 to 10 for their level of trust in their own bank. This increased by size of SME from 53% of those with 0 employees to 70% of those with 50-249 employees. 1 in 10 SMEs overall (9%) gave a low score of 1-4 and this was more likely to be the case for smaller SMEs:

<b>Trust in main bank</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>YEQ2 19 all SMEs</b>	<b>Total</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<i>Unweighted base</i>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
High level of trust 8-10	54%	53%	56%	64%	70%
Medium level of trust 5-7	38%	39%	36%	31%	28%
Low level of trust 1-4	9%	9%	8%	6%	2%

Q24b All SMEs

57% of SMEs with employees had a high level of trust in their main bank.

The table overleaf provides further analysis by key demographics over time:

- Whilst larger SMEs remained more likely to have a high level of trust in their main bank, levels of trust amongst those with 50-249 employees were somewhat lower in H1 2019 (67%) than in 2018 (72%).
- Levels of trust amongst those that had either had a borrowing event, or planned to apply, improved over the period and in H1 2019 were back in line with SMEs overall (both now 54%). The broader group of those using any external finance continued to be less likely to have a high level of trust in their main bank (49% in H1 2019).
- Those meeting the definition of a Permanent non-borrower remained more likely to have a high level of trust (61% in H1 2019 compared to 49% of those not meeting the definition).
- Starts were less likely to have a high level of trust in their main bank in H1 2019 (44%) than in 2018 (50%), with scores for older SMEs somewhat higher (56-59% in H1 2019).

<b>High level of trust in main bank (8-10)</b>		
Over time		H1
By date of interview – row percentages	2018	2019
All SMEs	55%	54%
0 emp	54%	53%
1-9 emps	56%	55%
10-49 emps	63%	64%
50-249 emps	72%	67%
Minimal external risk rating	58%	58%
Low	57%	55%
Average	54%	55%
Worse than average	53%	51%
Starts	50%	44%
2-5 years	58%	56%
6-9 years	52%	56%
10-15 years	56%	59%
More than 15 years	56%	56%
Use external finance	51%	49%
Have had borrowing event	51%	54%
Plan to apply for finance	48%	54%
PNBs	59%	61%
All excl PNBs	50%	49%

Q24b All SMEs

Half as many SMEs had a high level of trust in the banking industry generally (24%) as in their main bank (54%). Trust in the banking industry increased by size of SME from 23% of those with 0 employees to 40% of those with 50-249 employees. Almost as many SMEs overall gave a low score of 1-4 (22%) and again this was more likely to be the case for smaller SMEs:

<b>Trust in the banking industry</b>		0	1-9	10-49	50-249
YEQ2 19 all SMEs		emps	emps	emps	emps
Total					
<i>Unweighted base</i>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
High level of trust 8-10	24%	23%	25%	34%	40%
Medium level of trust 5-7	55%	54%	55%	54%	55%
Low level of trust 1-4	22%	23%	20%	13%	5%

#### Q24c All SMEs

27% of SMEs with employees had a high level of trust in the banking industry as a whole.

The table overleaf provides further analysis by key demographics over time:

- Larger SMEs remained somewhat more likely to have a high level of trust in the banking industry, but again levels of trust amongst those with 50-249 employees were somewhat lower in H1 2019 (35%) than in 2018 (41%).
- Levels of trust in the banking industry amongst those who had either had a borrowing event, or planned to apply for finance, were broadly stable over time and in line with the broader group of those using any external finance, but all were somewhat lower than for SMEs as a whole (18-19% in H1 2019).
- Those meeting the definition of a Permanent non-borrower remained more likely to have a high level of trust (27% in H1 2019 compared to 19% of those not meeting the definition) albeit the difference is not as marked as for trust in main bank.
- Starts were somewhat less likely to have trust in the banking industry in H1 2019 (20%) than in 2018 (24%) but there was little variation otherwise by age of SME.

<b>High level of trust in banking industry (8-10)</b>		
Over time		H1
By date of interview – row percentages	2018	2019
All SMEs	25%	22%
0 emp	24%	22%
1-9 emps	27%	24%
10-49 emps	33%	33%
50-249 emps	41%	35%
Minimal external risk rating	28%	27%
Low	27%	25%
Average	23%	24%
Worse than average	25%	24%
Starts	24%	20%
2-5 years	26%	23%
6-9 years	25%	23%
10-15 years	24%	23%
More than 15 years	25%	23%
Use external finance	22%	19%
Have had borrowing event	20%	19%
Plan to apply for finance	20%	18%
PNBs	29%	27%
All excl PNBs	21%	19%

## Q24c All SMEs

Across the two questions, 22% gave a high score of 8-10 for both their main bank and the banking industry more generally, while 7% of SMEs gave a low score of 1-4 for both. 66% gave a higher score for their own bank than for the banking industry more generally.

There were clear differences in level of trust in main bank when analysed by the overall nature of the banking relationship.

- Those who reported a strong working relationship with their main bank were more likely to have a high level of trust in them (78%).
- Those who wished that they had a more active relationship with their bank were less likely to have this high level of trust (29%) and a third had a low level of trust (32%).
- Those who had a ‘fine but transactional’ relationship were unlikely to have a low level of trust in their main bank (6%), but somewhat more likely to have a medium, 5-7 level of trust in their main bank (44%).

Trust in bank/banking industry YEQ2 19 all SMEs	Main bank			Banking Industry		
	Strong	Trans'l	More active	Strong	Trans'l	More active
<i>Unweighted base</i>	<b>6413</b>	<b>9779</b>	<b>1810</b>	<b>6413</b>	<b>9779</b>	<b>1810</b>
High level of trust 8-10	78%	50%	29%	34%	22%	13%
Medium level of trust 5-7	19%	44%	39%	51%	57%	49%
Low level of trust 1-4	3%	6%	32%	15%	21%	38%

Q24a/b/c All SMEs

Whilst those with a strong relationship also gave slightly higher trust scores for the banking industry as a whole (34% 8-10), the differences were not as marked between these groups as they were for trust in the main bank. Just over a third of those who wanted a more active relationship with their bank had a low level of trust in the banking industry as a whole (38%).