

# 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 2018 (YEQ2 18).



## Key findings

4 in 10 SMEs (excluding Starts) reported having grown in the previous 12 months and this proportion has been relatively stable over time. There remained clear differences by size: whilst 39% of 0 employee SMEs had grown, this increased to 64% of those with 50-249 employees.

- Growth predictions (by one cohort of SMEs) have typically been close to the growth achieved by a subsequent and different cohort. One exception is the lower growth predictions made Q1-3 2016 (around the time of the referendum) which were subsequently exceeded in Q2-4 2017.
- More qualitatively, in H1 2018 63% of SMEs (excluding Starts) said that their business was recognisably the same as three years ago. 11% had retrenched back to their core business while 26% had developed the business and/or started doing new things in that time. This latter description was more common amongst larger and also younger SMEs and those in this 'developed' group were more likely to be innovative, planning to grow and planning to undertake growth activities.

8 in 10 SMEs reported making a profit and this has been stable since 2015. There was limited difference by size of SME in the proportion making any profit at all, but larger SMEs continued to make much larger profits:

- YEQ2 2018, 79% of 0 employee SMEs reported making a profit, and the median amount made was £9,000. Amongst 50-249 employee SMEs, 85% made a profit and the median profit made was £247,000.

Most SMEs held some credit balances, with 22% holding £10,000 or more. The average balance held in H1 2018 was £37,000, maintaining the improvement seen since 2012 when 16% of SMEs held more than £10,000 and the average amount held was £25,000. 8 in 10 SMEs who hold more than £10,000 said it reduced their need for external finance.



Levels of planning (54% in H1 2018) and international trade (14% in H1 2018) have varied little over time. The proportion of SMEs that innovate has declined from 40% in 2012 to 32% in H1 2018, with a more marked decline since 2012 amongst those with 50-249 employees, albeit they remain more likely to innovate (55%) than their smaller peers (28% of those with 0 employees).

The financial risk profile of SMEs has been stable since 2015, with just under half of all SMEs rated as being at a 'worse than average' risk of failure.

- Since 2012, the proportion with a 'worse than average' risk rating has declined from 53% to 49% but has halved for larger SMEs (17% to 6% for those with 10-49 employees and 13% to 6% for those with 50-249 employees).
- SMEs in Agriculture continued to be more likely to have a minimal or low risk rating (47%) compared to 16% of SMEs in Construction and 17% in Transport.

Most SMEs (82%) sell to consumers, while 56% sell to other businesses. The larger the SME the more likely they were to sell to other businesses (79% of those with 50-249 employees). Exporters were also more likely to sell to other businesses (80%).

56% of SMEs had a high level of trust in their main bank (giving a score of 8-10), while 9% had a low level of trust (1-4):

- High levels of trust increased by size of SME from 55% of those with 0 employees to 71% of those with 50-249 employees.
- 77% of those who felt they had a 'strong working relationship' with their bank also had a high level of trust compared to 39% of those who wanted a more active relationship with their bank.



In contrast to levels of trust in their main bank, 25% of SMEs had a high level of trust in the banking industry as a whole, with 22% reporting a low level of trust:

- Again the proportion with a high level of trust increased somewhat by size of SME from 24% of those with 0 employees to 38% of those with 50-249 employees

23% of SMEs gave an 8-10 trust score for both their main bank and the banking industry, while 7% gave a low trust score for both (1-4)



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 18,005 interviews conducted in the year ending Q2 2018 (that is Q3 and Q4 of 2017 and Q1 and Q2 of 2018). Since the survey started in 2011, SMEs have faced a range of trading challenges and

analysis of this data over time provides an indication of how SMEs have managed as conditions have changed. For example, in 2016, the Q1 and Q2 interviews were completed prior to the EU referendum result being known, while the Q3 and Q4 interviews were conducted in the months immediately afterwards and in 2017 the Q2 interviews were being conducted during and immediately after the General Election.

## Profitability

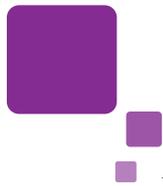
In Q2 2018, 74% of SMEs reported making a profit in their most recent 12 month trading period. The proportion unable or unwilling to give an answer has varied over time, but once these answers have been excluded, a stable 8 in 10 SMEs reported making a profit:

### Business performance last 12 months

Over time By date of interview	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
<b>Unweighted base:</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>	<b>4507</b>	<b>4505</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>
Made a profit	74%	76%	74%	75%	78%	76%	75%	69%	74%
Broke even	12%	11%	14%	11%	8%	9%	11%	10%	10%
Made a loss	6%	7%	7%	7%	7%	7%	7%	10%	7%
DK/refused	7%	6%	6%	7%	7%	9%	7%	12%	10%
<b>Median profit made</b>	<b>£8k</b>	<b>£8k</b>	<b>£9k</b>	<b>£10k</b>	<b>£9k</b>	<b>£9k</b>	<b>£9k</b>	<b>£9k</b>	<b>£9k</b>
<b>Made profit (excl DK)</b>	<b>80%</b>	<b>81%</b>	<b>78%</b>	<b>81%</b>	<b>84%</b>	<b>83%</b>	<b>81%</b>	<b>77%</b>	<b>81%</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.

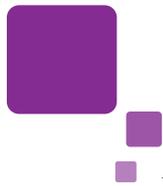


For the period YEQ2 2018, 73% of all SMEs had been profitable (81% once the DK answers were excluded), increasing slightly by size of SME as the table below shows. The median profit, where made, was £9k, and the median loss £2k. Both have been stable over time and increase by size of SME:

<b>Business performance last 12 months</b>		0	1-9	10-49	50-249
YEQ2 18 – all SMEs		emp	emps	emps	emps
		Total			
<b>Unweighted base:</b>	<b>18,005</b>	<b>3603</b>	<b>5802</b>	<b>5800</b>	<b>2800</b>
Made a profit	73%	73%	74%	79%	78%
Broke even	10%	11%	8%	6%	6%
Made a loss	7%	8%	7%	5%	8%
DK/refused	10%	8%	12%	10%	8%
<b>Made profit (excl DK)</b>	<b>81%</b>	<b>79%</b>	<b>83%</b>	<b>88%</b>	<b>85%</b>
<b>Median profit made*</b>	<b>£9k</b>	<b>£8k</b>	<b>£14k</b>	<b>£56k</b>	<b>£247k</b>
<b>Median loss made*</b>	<b>£2k</b>	<b>£2k</b>	<b>£5k</b>	<b>£13k</b>	<b>£150k</b>

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

Amongst SMEs with employees, 84% reported making a profit YEQ2 2018 (excluding the DK and refused answers).



The proportion reporting a profit YEQ2 2018 did not vary much by sector (once the DK answers were excluded), from 77% for Transport and Agriculture to 83% for Construction and Property/Business Services:

### Business performance last 12 months

YEQ2 18 – all SMEs	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>2003</b>	<b>3600</b>	<b>1502</b>	<b>2000</b>
Made a profit	70%	73%	74%	69%	70%	70%	78%	73%	72%
Broke even	10%	10%	11%	11%	11%	12%	9%	10%	9%
Made a loss	11%	8%	5%	8%	9%	9%	7%	7%	9%
DK/refused	9%	10%	11%	12%	11%	9%	6%	10%	10%
<b>Made profit (excl DK)</b>	<b>77%</b>	<b>81%</b>	<b>83%</b>	<b>78%</b>	<b>78%</b>	<b>77%</b>	<b>83%</b>	<b>81%</b>	<b>79%</b>
<b>Median profit made*</b>	<b>£8k</b>	<b>£10k</b>	<b>£9k</b>	<b>£12k</b>	<b>£11k</b>	<b>£10k</b>	<b>£10k</b>	<b>£6k</b>	<b>£8k</b>
<b>Median loss made*</b>	<b>£2k</b>	<b>£2k</b>	<b>£2k</b>	<b>£4k</b>	<b>£4k</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

Median profits reported for YEQ2 2018 varied slightly, between £6-12k by sector, with little change over time. Reported median losses for YEQ2 2018 were £2k overall and for almost all sectors.

From Q1 2018 SMEs were asked whether increasing their profit margin was a key priority for the business. In H1 2018, 24% of all SMEs said that it was, increasing by size of SME:

- 21% of SMEs with 0 employees said it was a priority
- 30% of SMEs with 1-9 employees
- 36% of SMEs with 10-49 employees
- 59% of SMEs with 50-249 employees said it was a priority

32% of SMEs with employees said that improving profit margins was a key priority.



Further analysis showed that

- Those with a minimal risk rating were the most likely to say this was a priority (27%) declining slightly by risk rating to 23% of those with a worse than average risk rating
- Excluding the Permanent non-borrowers increased the proportion saying it was a priority to 29%
- 33% of those using finance, and also of those planning to grow in the next 12 months, said it was a priority
- Those trading for 2-5 years (28%) or 6-9 years (27%) were more likely to say it was a priority
- Those in Manufacturing or Property/Businesses Services were more likely to say it was a priority (both 28%)

Looking back over recent quarters, there has been relatively little variability in overall levels of profitability. 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									
Row percentages	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
By date of interview	2016	2016	2016	2017	2017	2017	2017	2018	2018
All SMEs	80%	81%	78%	81%	84%	83%	81%	77%	81%
0 employee	79%	79%	77%	80%	83%	82%	79%	76%	80%
1-9 employees	80%	86%	81%	84%	83%	85%	85%	80%	83%
10-49 employees	88%	90%	87%	90%	87%	89%	88%	87%	87%
50-249 employees	87%	87%	87%	87%	91%	83%	86%	84%	87%

Q115 (241) All SMEs excluding DK

The table below takes a longer term view of profitability (back to 2012 and excluding DK/refused answers) by key demographics. This shows that an increasing proportion of SMEs reported making a profit between 2012 (69%) and 2015 (80%), and this figure has been broadly stable since (79% in the first half of 2018). The proportion making a profit has

increased across all size bands, but notably for those with 0 employees (67% to 79% 2012-15 and 78% currently). 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)							H1
By date of interview – row percentages	2012	2013	2014	2015	2016	2017	2018
All	69%	70%	77%	80%	80%	82%	79%
0 emp	67%	69%	75%	79%	79%	81%	78%
1-9 emps	72%	75%	81%	82%	83%	84%	81%
10-49 emps	80%	81%	86%	87%	88%	88%	87%
50-249 emps	81%	84%	88%	90%	89%	87%	86%
Minimal external risk rating	83%	83%	84%	84%	86%	88%	83%
Low	81%	84%	82%	87%	86%	90%	85%
Average	71%	73%	80%	82%	82%	84%	81%
Worse than average	63%	65%	72%	76%	77%	78%	76%
Agriculture	74%	73%	79%	78%	77%	81%	74%
Manufacturing	69%	74%	80%	81%	81%	83%	81%
Construction	67%	68%	78%	80%	81%	86%	79%
Wholesale/Retail	67%	70%	74%	79%	82%	79%	77%
Hotels & Restaurants	59%	65%	73%	75%	79%	78%	74%
Transport	65%	66%	76%	78%	78%	77%	76%
Property/ Business Services	73%	73%	80%	81%	81%	84%	82%
Health	70%	69%	76%	78%	77%	83%	81%
Other	66%	73%	67%	83%	79%	79%	77%
PNBs	74%	73%	80%	82%	80%	83%	80%
All excl PNBs	66%	69%	74%	78%	80%	82%	78%

Q115 (241) All SMEs excl DK



## 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. Those that had grown by 20% or more were 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).

From Q1 2018, the information collected on both past and future growth was extended to identify those growing by 40% or more (previously the highest growth rate recorded was 20% or more). This more detailed information is provided later in this section, but

the first table, which looks at growth rate over time, combines the new 'More than 40%' answer with the new 'Grown by 20-40%' code to match the previous 'Grown by more than 20%' code.

As the table below shows, 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, with the exception of Q2 2017 (46%). Within that total, the proportion growing by 20% or more has increased since the start of 2017 to 14% for Q2 2018:

### Growth achieved in last 12 months

All SMEs excluding Starts By date of interview	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
<b>Unweighted base:</b>	<b>3686</b>	<b>3703</b>	<b>3665</b>	<b>3742</b>	<b>3716</b>	<b>3602</b>	<b>3649</b>	<b>3914</b>	<b>3914</b>
Grown by more than 20%	9%	7%	8%	6%	9%	10%	10%	12%	14%
Grown but by < 20%	31%	32%	31%	32%	37%	31%	32%	30%	27%
<b>Grown</b>	<b>40%</b>	<b>39%</b>	<b>39%</b>	<b>38%</b>	<b>46%</b>	<b>41%</b>	<b>42%</b>	<b>42%</b>	<b>41%</b>
Stayed the same	49%	51%	52%	48%	44%	47%	49%	43%	44%
Declined	11%	10%	10%	14%	10%	12%	10%	15%	15%

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



The table below shows the first results for the extended question, based on Q1 and Q2 2018 combined to maximise base sizes. Similar small proportions of SMEs of all sizes achieved growth of 40% or more (1-3%) or growth of 20-40% (10-13%). There was more variation by size in those growing by up to 20% and hence for growth overall, which increased by size of SME from 39% of those with 0 employees to 64% of those with 50-249 employees:

<b>Growth achieved in last 12 months</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>H1 2018 – all SMEs</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>7828</b>	<b>1289</b>	<b>2450</b>	<b>2729</b>	<b>1360</b>
Grown by more than 40%	2%	2%	3%	2%	1%
Grown by 20-40%	11%	10%	12%	13%	10%
Grown by less than 20%	29%	27%	32%	40%	53%
<b>Grown (any)</b>	<b>41%</b>	<b>39%</b>	<b>47%</b>	<b>55%</b>	<b>64%</b>
Stayed the same size	43%	45%	41%	38%	19%
Declined	15%	17%	12%	7%	16%

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

Larger SMEs remained more likely to report growth than smaller ones, As the table 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:



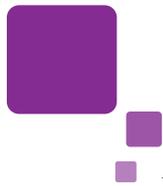
## Business Growth

### Further analysis (excluding Starts) H1 2018

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Risk rating	<p>The proportion growing by 40% or more varied little by risk rating (2-3%). Those with a worse than average risk rating were slightly more likely to have grown by 20% or more (15%) compared to 10-12% for other risk ratings.</p> <p>There was little difference in overall growth between those with a minimal risk rating (42% had grown), a low risk rating (41%) or a worse than average risk rating (44%). Those with an average risk rating were slightly less likely to have grown (38%).</p>
Age of business	<p>Those trading for 2-5 years were the most likely to have grown by 40% or more (5% v 1-2% for other age bands). The proportion of SMEs achieving 20%+ growth declined by age of business, from 23% of those trading for 2-5 years to 8% of those trading for 15+ years.</p> <p>Overall growth was also higher for younger businesses: 59% of those trading for 2-5 years and 50% of those trading for 6-9 years had grown, compared to 36% of those trading for 10-15 years and 33% of those trading for more than 15 years.</p>
Sector	<p>The proportion growing by 40% or more varied little by sector (1-3% except for Agriculture, 4%). 11% of SMEs in Agriculture reported growth of more than 20%, but as a sector they were the least likely to report growth overall (34%) compared to 46% in Wholesale/Retail and 45% in Hotels &amp; Restaurants.</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 (45%), compared to 31% of Would-be seekers and 41% of Happy non-seekers.</p> <p>Permanent non-borrowers (with no immediate appetite for finance) were as likely to have grown (41%) than those who did not meet the definition (42%) and as likely to have grown by 20% or more (both 13%).</p>

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The table below takes a longer term view of growth by key demographics. This shows a consistent 4 in 10 SMEs having grown in each period, due to the relatively consistent growth performance of 0 employee SMEs. Larger SMEs were consistently more likely to have grown than smaller ones, and the proportion of these larger SMEs reporting growth has also increased since 2013:

<b>Growth achieved in last 12 months</b>						
All SMEs over time (excluding Starts)						H1
By date of interview – row percentages	2013	2014	2015	2016	2017	2018
All	40%	42%	39%	40%	42%	41%
0 emp	38%	39%	36%	37%	39%	39%
1-9 emps	43%	48%	45%	48%	47%	47%
10-49 emps	49%	55%	56%	55%	56%	55%
50-249 emps	54%	61%	57%	55%	59%	64%
Minimal external risk rating	36%	44%	38%	45%	46%	42%
Low	40%	40%	39%	43%	43%	41%
Average	35%	38%	37%	37%	40%	38%
Worse than average	44%	45%	41%	41%	42%	44%
Agriculture	40%	40%	31%	36%	40%	34%
Manufacturing	44%	46%	45%	45%	41%	43%
Construction	35%	37%	35%	36%	41%	36%
Wholesale/Retail	38%	46%	43%	47%	45%	46%
Hotels & Restaurants	37%	43%	45%	44%	45%	45%
Transport	35%	38%	35%	39%	36%	40%
Property/ Business Services	44%	42%	41%	41%	43%	44%
Health	40%	45%	38%	34%	43%	38%
Other	44%	45%	41%	42%	42%	44%
PNBs	38%	40%	37%	39%	40%	41%
All excl PNBs	41%	43%	41%	41%	44%	42%

Q81 (245a) All SMEs excl DK



## Scaleup growth

In H1 2018, 12% of SMEs (excluding Starts) reported that they had grown by 20% or more in the previous 12 months. This proportion was back to levels seen in 2014 (13%) and slightly higher than the 9% of SMEs reporting such growth in 2016 and 2017.

Amongst those who reported for H1 2018 that they had grown by 20% or more, half (51%) went on to report that they had also achieved this level of growth for each of the two previous years (this was slightly lower than the 57% in 2017). Those with 1-9 employees remained the most likely to report such growth (60%). This is the equivalent of 6% of all SMEs (excluding Starts) achieving 3 years of 20%+ growth in the last 3 years (unchanged from 2017) and was most common for those with 1-9 employees (9% v 6-7% for other employee bands).

From Q1 2018, an additional question was asked of all SMEs (excluding Starts) except those who had already said that they had achieved scale up growth in the last 3 years. This asked whether they had achieved scale up growth (3 consecutive years growth at 20% or more) at any time in the last 10 years. Excluding don't know answers, 16% of these SMEs said that they had achieved this (15% of those with 0 employees, 20% with 1-9

employees, 22% with 10-49 employees and 17% of those with 50-249 employees).

This means that overall, 21% of SMEs (excluding Starts) had achieved a period of scale up growth at some point in the last 10 years (the equivalent of 16% of all SMEs).

Analysis of the H1 2018 results shows that those who had achieved scale up growth were more likely to be planning to grow again in the next 12 months (56% v 39% of those who had not scaled) and for this predicted growth to be by 20% or more (28% v 11% of those who have not scaled).

The table below shows the proportion of scaleups, using the new definition, by key demographics. Those with 1-9 or 10-49 employees were more likely to have achieved this level of growth. 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 (11%) there was also little difference by sector (17-24%).

Those trading for 2-5 years were the most likely to have achieved this level of growth (26%), declining slightly to 17% of those trading for more than 15 years.



<b>Achieved scale up growth in last 10 years</b>	
All SMEs over time (excluding Starts)	
By date of interview – row percentages	H1 2018
All	21%
0 emp	19%
1-9 emps	26%
10-49 emps	26%
50-249 emps	20%
Minimal external risk rating	21%
Low	21%
Average	19%
Worse than average	22%
Agriculture	17%
Manufacturing	23%
Construction	21%
Wholesale/Retail	24%
Hotels & Restaurants	24%
Transport	19%
Property/ Business Services	23%
Health	11%
Other	17%
PNBs	20%
All excl PNBs	21%

Q81/83 All SMEs excl Starts



## 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 and growth subsequently achieved, albeit that these are based on **different** samples of SMEs and so does 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. Since this analysis started, the predictions made have typically proved to be very close to the growth figures subsequently reported (by a different sample of SMEs).

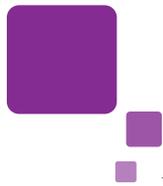
That said, the growth predictions made in Q3 and Q4 2015 (43-44%) were not entirely achieved in Q4 2016 and Q1 2017 (38%), whereas the proportion of SMEs predicting growth in Q1-Q3 2016 (37-39%, during and immediately after the referendum) were subsequently bettered (by a different group of SMEs) in Q2-Q4 2017 (41-46%):

### Growth predictions against expectations

All SMEs excluding Starts By date of interview	All SMEs	All SMEs	0-9 emps	0-9 emps	10-249 emps	10-249 emps
	Predicted growth	Achieved growth	Predicted growth	Achieved growth	Predicted growth	Achieved growth
Predicted Q1 15/Achieved Q2 16	38%	39%	36%	38%	65%	57%
Predicted Q2 15/Achieved Q3 16	40%	39%	38%	38%	67%	55%
Predicted Q3 15/Achieved Q4 16	44%	38%	43%	38%	61%	53%
Predicted Q4 15/Achieved Q1 17	43%	38%	42%	38%	60%	53%
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%		40%		66%	

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

SMEs with 10-249 employees have typically been more likely to predict growth than to achieve it, and this is true for the latest period (62% v 55%).



## 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. In H1 2018:

- 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’

As the table below shows, larger SMEs were more likely to say that their business had developed:

<b>Development in last 3 years</b>		0	1-9	10-49	50-249
H1 2018 – all SMEs excluding Starts	Total	emp	emps	emps	emps
<b>Unweighted base:</b>	<b>8092</b>	<b>1328</b>	<b>2521</b>	<b>2852</b>	<b>1391</b>
Developed quite a bit	26%	24%	28%	38%	39%
Recognisably the same	63%	65%	62%	54%	55%
Retrenched	11%	11%	10%	7%	6%

Q88 All SMEs trading for 3 years or more

Amongst SMEs with employees, 30% had developed, 10% had retrenched and 60% were recognisably the same.

Analysis by age of business shows younger businesses more likely to have developed while 7 in 10 of the oldest SMEs were recognisably the same:

<b>Development in last 3 years</b>		2-5 yrs	6-9 yrs	10-15 yrs	15+ yrs
H1 2018 – all SMEs excluding Starts	Total				
<b>Unweighted base:</b>	<b>8092</b>	<b>893</b>	<b>1019</b>	<b>1594</b>	<b>4586</b>
Developed quite a bit	26%	34%	33%	27%	19%
Recognisably the same	63%	57%	58%	61%	69%
Retrenched	11%	10%	9%	12%	12%

Q88 All SMEs trading for 3 years or more



Further analysis showed:

- There was little difference by risk rating, with between 24% and 27% saying the business had developed
- By sector, the proportion where the business had developed varied from 21% for those in Agriculture and Construction to 32% of those in Wholesale/Retail
- 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 slightly more likely to have developed the business (31%) and excluding the Permanent non-borrowers increases the proportion that have developed the business to 29% of remaining SMEs. 34% of those who had innovated had developed the business

Analysis also showed that there was little variation across these different demographic groups in the proportion that had ‘retrenched’, with around 1 in 10 SMEs having done so in each group.

Those who had developed their business were more likely to be innovative (44%) and planning to grow (63%) and slightly more likely to be using finance (37%), albeit almost half (47%) met the definition of a PNB. Those who had retrenched had more of an appetite for future finance (33%) but over half (19%) expected to be a would-be seeker of finance.

### Development in last 3 years

H1 2018 – all SMEs excluding Starts	Developed	The same	Retrenched
<b>Unweighted base:</b>	<b>2663</b>	<b>4738</b>	<b>691</b>
Have employees	33%	27%	26%
Use external finance	37%	28%	34%
Permanent non-borrower	47%	56%	42%
Innovative	44%	29%	21%
Plan to grow	63%	36%	31%
Plan growth activity	57%	30%	38%
Plan to apply for finance	10%	6%	14%
Future would-be seeker	12%	13%	19%
Future happy non-seeker	77%	81%	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 (86%) and it is commonly used and understood by lenders. It has thus been used in this report for all risk related analysis.

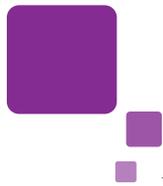
The overall risk profile over recent quarters is shown below with typically just under half of SMEs having a worse than average risk rating:

### External risk rating

All SMEs (where provided) over time

By date of interview	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
<b>Unweighted base:</b>	<b>4093</b>	<b>4111</b>	<b>4108</b>	<b>4175</b>	<b>4112</b>	<b>4140</b>	<b>4181</b>	<b>4210</b>	<b>4175</b>
Minimal risk	8%	8%	6%	7%	5%	7%	6%	7%	7%
Low risk	16%	14%	16%	15%	14%	17%	16%	14%	17%
Average risk	32%	30%	27%	35%	33%	34%	30%	28%	30%
Worse than average risk	44%	48%	51%	42%	48%	42%	49%	51%	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 over time from 16% in 2012 to 25% in 2015 and has been broadly stable since (23% in H1 2018):

<b>External risk rating</b>							
<b>(Where provided) over time</b>							
<b>By date of interview</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>H1 2018</b>
<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>8385</b>
Minimal risk	5%	6%	7%	8%	7%	6%	7%
Low risk	11%	10%	15%	17%	15%	15%	16%
Average risk	31%	29%	32%	29%	29%	33%	29%
Worse than average risk	53%	54%	45%	46%	49%	45%	49%

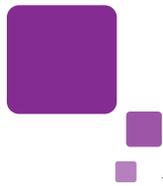
All SMEs where risk rating provided

The overall YEQ2 2018 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>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>YEQ2 18 – all SMEs where rating provided</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>16,706</b>	<b>3129</b>	<b>5214</b>	<b>5615</b>	<b>2748</b>
Minimal risk	7%	4%	10%	22%	39%
Low risk	16%	11%	24%	50%	42%
Average risk	31%	32%	28%	21%	14%
Worse than average risk	47%	53%	38%	7%	5%

All SMEs where risk rating provided

Amongst SMEs with employees, 42% had a minimal or low external risk rating, 27% an average risk rating and 32% a worse than average risk rating.

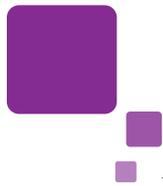


The overall risk profile is driven by the ratings for 0 employee SMEs. The table below shows the proportion with a worse than average risk rating over time, in each size band:

- Amongst the 0 employee SMEs the proportion with a worse than average risk rating has varied over time (50-60%) and in H1 2018 was back in the middle of this range (55%).
- 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 between 2012 and 2016 in the proportion with a worse than average risk rating. This has now stabilised and they remained the least likely to have this rating.

<b>Worse than average risk rating</b>							
Over time							H1
Row percentages	2012	2013	2014	2015	2016	2017	2018
<b>Total</b>	53%	54%	45%	46%	49%	45%	49%
0 employee	58%	60%	50%	52%	56%	50%	55%
1-9 employees	43%	43%	37%	34%	35%	37%	38%
10-49 employees	17%	17%	11%	9%	7%	7%	6%
50-249 employees	13%	15%	9%	6%	5%	4%	6%

All SMEs where risk rating provided

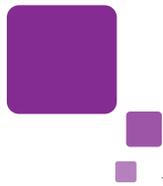


An analysis for YEQ2 2018 by sector shows that SMEs in Agriculture remained much more likely than other sectors to have a minimal or low risk rating (47% YEQ2 2018) while those in Construction (16%) and Transport (17%) remained the least likely to have such a rating:

**External risk rating**

YEQ2 18	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
<b>Unweighted base:</b>	<b>1090</b>	<b>1396</b>	<b>2970</b>	<b>1705</b>	<b>1127</b>	<b>1816</b>	<b>3366</b>	<b>1380</b>	<b>1856</b>
Minimal risk	27%	7%	4%	9%	3%	6%	4%	10%	6%
Low risk	20%	18%	12%	24%	24%	11%	14%	24%	14%
Average risk	20%	34%	29%	26%	26%	33%	34%	27%	31%
Worse than average risk	33%	41%	55%	41%	47%	49%	48%	38%	49%
<b>Total Min/Low</b>	<b>47%</b>	<b>25%</b>	<b>16%</b>	<b>33%</b>	<b>27%</b>	<b>17%</b>	<b>18%</b>	<b>34%</b>	<b>20%</b>

All SMEs where risk rating provided



## Credit balances

Almost all SMEs hold some credit balances. In H1 2018, 4% did not hold any, and this proportion has changed relatively little over time, nor has it varied much by size of SME, or risk rating.

Between 2012 and 2015 the average credit balance held increased from £25,000 to £39,000. It was somewhat lower for 2016 as a whole (£30,000) but was back to £37,000 for both 2017 and the first half of 2018:

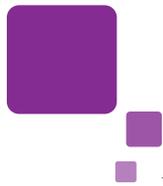
<b>Credit balances held</b>							<b>H1</b>
<b>Over time – all SMEs</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b><i>Unweighted base:</i></b>	<b>15,020</b>	<b>14,752</b>	<b>13,039</b>	<b>13,182</b>	<b>10,730</b>	<b>10,950</b>	<b>4743</b>
None	4%	4%	5%	3%	3%	4%	4%
Less than £5,000	66%	64%	58%	55%	57%	51%	56%
£5,000 to £10,000	14%	15%	17%	18%	18%	19%	18%
£10,000 to £50,000	11%	12%	14%	17%	15%	17%	15%
More than £50,000	5%	4%	6%	7%	6%	8%	7%
<b><i>Average balance held</i></b>	<b>£25k</b>	<b>£24k</b>	<b>£31k</b>	<b>£39k</b>	<b>£30k</b>	<b>£37k</b>	<b>£37k</b>

Q117 (244) All SMEs excluding DK/refused

The median value of credit balances held remained at just over £2,000 for YEQ2 2018. This amount continued to vary by size of SME, and for YEQ2 2018 was:

- £2,000 for 0 employee SMEs
- £5,000 for 1-9 employee SMEs
- £33,000 for 10-49 employee SMEs
- £214,000 for 50-249 employee SMEs.

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



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 H1 2018 the proportion was 50% (ranging from 58% of those with 50-249 employees to 43% of those with 1-9 employees).

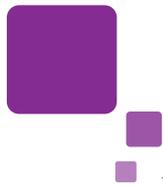
As the table below shows, on average SMEs held credit balances that were the equivalent of 23% of their turnover. This has been consistent over time, however, the proportion holding the equivalent of 10% or less of turnover has increased from 41% in 2016 to 53% in H1 2018:

<b>% credit balances to turnover</b>	<b>H1</b>		
<b>Over time – all SMEs</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Unweighted base:</b>	<b>9725</b>	<b>9795</b>	<b>4250</b>
<5%	20%	25%	26%
5-10%	21%	21%	27%
11-20%	42%	37%	32%
21-50%	8%	8%	8%
More than 50%	9%	9%	8%
<b>Average percentage held</b>	<b>23%</b>	<b>23%</b>	<b>23%</b>

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

The average proportion of credit balances held declined slightly by employee size:

- 0 employee SMEs held the equivalent of 24% of their turnover in credit balances, unchanged from 2016 or 2017
- 1-9 employee SMEs held the equivalent of 19% of their turnover in credit balances, marginally lower than both 2016 and 2017 (21%)
- 10-49 employee SMEs held the equivalent of 20% of their turnover in credit balances, unchanged from 2017
- 50-249 employee SMEs held the equivalent of 17% of their turnover in credit balances, also unchanged from 2017.



The table below shows the proportion of SMEs holding more than £10,000 in credit balances, and how this has changed over time. In 2012, 16% of SMEs held £10,000 or more in credit balances, increasing steadily to 24% in 2015 and broadly stable since (22% in H1 2018).

Larger SMEs remained much more likely to hold such sums. All size bands have seen an increase in £10,000+ credit balances since 2012, with stable proportions recently for those with 10 or more employees and slightly lower proportions in H1 2018 for those with 0 or 1-9 employees:

<b>£10,000+ Credit balances held</b>							
Over time – all SMEs							H1
Row percentages	2012	2013	2014	2015	2016	2017	2018
All SMEs	16%	17%	20%	24%	22%	25%	22%
0 employee	10%	10%	14%	17%	14%	18%	15%
1-9 employees	32%	33%	38%	41%	41%	44%	41%
10-49 employees	66%	66%	68%	70%	72%	73%	73%
50-249 employees	77%	80%	82%	81%	82%	90%	91%

Q117 (244) All SMEs excluding DK/refused

The next chapter reports on the use of external finance amongst SMEs. The table below shows the proportion of SMEs using external finance (or not) who also held £10,000 or more in credit balances:

<b>£10,000+ Credit balances held</b>							
Over time – row percentages	2012	2013	2014	2015	2016	2017	H1
							2018
All SMEs	16%	17%	20%	24%	22%	25%	22%
SMEs who use any external finance	18%	20%	23%	27%	27%	31%	24%
SMEs who use core finance	18%	20%	22%	27%	26%	30%	22%
SMEs who use no external finance	14%	14%	19%	22%	19%	22%	22%

Q117 (224) All SMEs excluding DK/refused



This shows that between 2012 and 2017, those using external finance became more likely to also hold £10,000 or more in credit balances (from 18% of those using external finance in 2012 to 31% in 2017) and this was also true for those using core finance (18% to 30%). However, both of these proportions were somewhat lower in H1 2018. (24% for any finance and 22% for core). Amongst those not using external finance the proportion holding £10,000 or more increased between 2012 and 2015 (14% to 22%) and has been stable since.

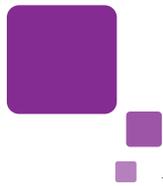
From Q3 2015, all SMEs holding £10,000 or more of credit balances were asked whether holding such balances meant that the business had less of a need for external finance. 8 in 10 SMEs with such credit balances agreed that it did, with the largest SMEs slightly less likely to agree (68% for those with 50-249 employees).

The table below shows that this was the equivalent of 11% of all SMEs saying their need for external finance was lower due to the £10,000 or more of credit balances they held:

<b>Impact of £10k+ of credit balances</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>YE Q2 2018 – all SMEs</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>18,005</b>	<b>3603</b>	<b>5802</b>	<b>5800</b>	<b>2800</b>
£10k+ reduces need for external finance	11%	8%	18%	30%	36%
£10k+ does not reduce need for finance	2%	2%	4%	7%	14%
Hold less than £10k of credit balances	43%	50%	29%	10%	5%
No credit balances/DK/Refused	43%	41%	49%	53%	45%

Q118x (244x) All SMEs

Those currently using external finance were slightly more likely to say that it reduced their need for further finance (14%) than those not currently using finance (10%).



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 use any external finance *at all* (51% to 44%) and after a slight increase in 2017, the proportion is back at 42% for the first half of 2018:

<b>Use of finance over time</b>							
Over time							H1
All with £10k+ in credit balances	2012	2013	2014	2015	2016	2017	2018
<b>Unweighted base:</b>	<b>6296</b>	<b>6319</b>	<b>5926</b>	<b>6376</b>	<b>5228</b>	<b>5804</b>	<b>2479</b>
Use any external finance	51%	52%	44%	44%	46%	49%	42%
• Use core finance	41%	40%	32%	35%	36%	38%	34%
Do not use finance	49%	48%	56%	56%	54%	51%	58%

In H1 2018, 58% of SMEs with £10,000 or more of credit balances did not use any external finance, back in line with 2014-2015.



## 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. From Q1 2016, SMEs

have also been asked whether the business has ‘a mentor who provides help and advice’.

The table below shows that the proportion of SMEs undertaking any business planning varied between 52-60% over recent quarters (currently 52% for Q2 2018), while the proportion of SMEs trading internationally remained at previous levels (14%). 31% reported innovative activity, continuing the decline over time from 37% in Q2 2016, while a more consistent 1 in 10 had a business mentor:

### Business formality elements

Over time – all SMEs By date of interview	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
<b>Unweighted base:</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>	<b>4507</b>	<b>4505</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>
Planning (any)	52%	57%	58%	60%	54%	59%	55%	56%	52%
- Produce regular management accounts	39%	45%	41%	48%	41%	42%	40%	41%	38%
- Have a formal written business plan	29%	33%	38%	32%	28%	33%	32%	29%	26%
International (any)	15%	12%	13%	16%	16%	17%	15%	13%	14%
- Export goods or services	9%	7%	7%	11%	10%	11%	9%	9%	9%
- Import goods or services	10%	8%	10%	10%	12%	12%	10%	9%	10%
Innovation (any)	37%	37%	36%	38%	30%	34%	34%	32%	31%
- New product or service (last 3 yrs)	15%	13%	14%	13%	12%	15%	16%	15%	14%
- Improved aspect of business	32%	34%	33%	35%	26%	29%	29%	28%	26%
Mentors	10%	12%	11%	12%	10%	10%	11%	10%	8%
Have qualified person in charge of finances	22%	23%	25%	26%	21%	23%	26%	25%	26%

Q84/129 (223/251) All SMEs



The table below provides further analysis by key demographics for YEQ2 2018:

**Business Formality Further analysis YEQ2 2018**

Planning	<p>56% of all SMEs planned, increasing by size of business from 51% of those with 0 employees to almost all, 94%, of those with 50-249 employees.</p> <p>Older SMEs were somewhat less likely to plan: 65% of Starts and 59% of those trading for 2-5 years planned compared to 49-54% of older SMEs.</p> <p>Those with a minimal (62%) or a low (61%) risk rating were more likely to plan, compared to 50% of those with an average rating and 56% of those with a worse than average risk rating.</p> <p>65% of SMEs in the Wholesale/Retail sector and 62% of SMEs in the Hotels &amp; Restaurant sector planned, compared to 48% of those in Construction. Amongst other sectors 52-59% planned.</p>
International	<p>15% of all SMEs were international, increasing by size of business from 13% of those with 0 employees to 29% of those with 50-249 employees.</p> <p>Starts were the least likely to be international (11%), those trading 2-5 years the most likely (18%), with 15% of older SMEs trading internationally.</p> <p>Those with a minimal risk rating were the most likely to be international (23%) decreasing by risk rating to 13% of those with an average and 14% of those with a worse than average risk rating.</p> <p>SMEs in Wholesale/Retail (28%) and Manufacturing (26%) remained more likely to be international. SMEs in Construction (5%), Agriculture, Hotels &amp; Restaurants and Health (all 7%) were less likely to be international.</p>
Innovation	<p>33% of all SMEs had innovated, increasing by size of business from 29% of those with 0 employees to 56% of those with 50-249 employees.</p> <p>There was no consistent pattern by age of business. Those trading 2-5 years were the most likely to have been innovative (41%) followed by those trading for 6-9 years (35%), while amongst Starts or those trading for 10 years or more between 29% and 31% had been innovative.</p> <p>Those with a minimal risk rating (40%) were more likely to have innovated, compared to 30-35% for other risk ratings.</p> <p>SMEs in Manufacturing (44%) were the most likely to have innovated, with Construction (26%) and Transport (27%) the least likely. Amongst other sectors 29-39% had innovated.</p>

Continued



Continued

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**Financial specialist** 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 32% of those with 1-9 employees, 48% of those with 10-49 employees and 74% of those with 50-249 employees.

Those trading for 2-5 years (21%) or 6-9 years (23%) were somewhat less likely to have a financial specialist than either Starts or those trading for 10 years or more (all 26%).

33% of those with a minimal and 30% 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.

Those in Hotels & Restaurants and Property/Business Services (both 30%) were the most likely to have a financial specialist, compared to 18% in Construction. Amongst other sectors the proportion varied from 21-28%.

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**Mentors** From Q1 2016 SMEs were asked whether they were using a mentor for business help and advice. YEQ2 2018, 10% of SMEs did.

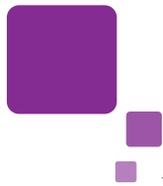
By size, the use of mentors increased from 8% of those with 0 employees and 13% of those with 1-9 employees, to around a fifth of larger SMEs (20% for those with 10-49 employees and 17% for those with 50-249 employees).

The presence of mentors varied only slightly by risk rating: from 12% of those with a minimal or low risk rating to 9% of those with an average and 10% of those with a worse than average risk rating.

There was no variation by age of business (9-11%), and relatively little variation by sector (9-12%) with the exception of Construction (7%).

The smallest SMEs remained less likely to undertake any of these activities. For YEQ2 2018, excluding the 0 employee SMEs saw the proportion of SMEs (with employees) who:

- Plan increase from 56% of all SMEs to 71% of those with employees
- Trade internationally increase from 15% to 20%
- Innovate increase from 33% to 42%
- Have a mentor increase from 10% to 14%
- Have a qualified person in charge of the finances increase from 25% to 36%



Taking a longer term view back to 2012:

- The proportion that plan has varied relatively little over time (54-57%)
- The proportion of SMEs that were international has varied relatively little since 2013 (13-17%)
- The proportion of SMEs that had been innovative has declined over the period (from 40% to 32%)
- The proportion with a financial specialist has varied relatively little
- The proportion with a business mentor has declined slightly:

<b>Business formality elements</b>							
Over time – all SMEs							H1
By date of interview	2012	2013	2014	2015	2016	2017	2018
<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>9000</b>
Planning (any)	55%	55%	54%	54%	55%	57%	54%
- Produce regular management accounts	41%	42%	42%	41%	41%	43%	39%
- Have a formal written business plan	33%	32%	32%	32%	33%	31%	28%
International (any)	10%	13%	16%	17%	14%	16%	14%
- Export goods or services	6%	8%	10%	10%	8%	10%	9%
- Import goods or services	7%	9%	11%	12%	10%	11%	9%
Innovation (any)	40%	38%	37%	37%	36%	34%	32%
-New product or service (last 3 yrs)	17%	16%	16%	15%	14%	14%	14%
-Improved aspect of business	35%	33%	34%	33%	32%	30%	27%
Have qualified person in charge of finances	25%	26%	27%	26%	23%	24%	25%
Have a mentor	-	-	-	-	12%	11%	9%

Q84/129 (223/251) All SMEs



The proportion of SMEs that innovate has declined steadily since 2012. Further investigation showed that this decline between 2012 and H1 2018 occurred across all size bands, but more markedly for those with 50-249 employees and slightly more for improving the business than for new product development:

- Amongst all SMEs the proportion developing a new product dropped from 17% to 14% and the proportion improving the business from 35% to 27%
- Amongst those with 0 employees the proportion developing a new product dropped only slightly from 15% to 13% and the proportion improving the business from 32% to 25%
- Amongst those with 1-9 employees the proportion developing a new product dropped from 22% to 18% and the proportion improving the business from 44% to 33%
- Amongst those with 10-49 employees the proportion developing a new product dropped from 29% to 22% and the proportion improving the business from 55% to 44%
- Amongst those with 50-249 employees the proportion developing a new product dropped markedly from 42% to 29% and the proportion improving the business from 64% to 44%

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 2018 were marginally higher, with 8% of all SMEs holding intellectual property or other knowledge assets on their balance sheet, increasing by size from 6% of 0 employee SMEs to 32% of those with 50-249 employees.



## 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, a fifth did (19%) predominantly from the EU. The largest SMEs were much more likely to be employing overseas staff (60% of those with 50-249 employees) and for these to be people from outside the EU:

All SMEs with employees YEQ2 18	Total	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>14,402</b>	<b>5802</b>	<b>5800</b>	<b>2800</b>
Employ any overseas staff:	19%	15%	36%	60%
• Employ staff from EU	18%	14%	34%	59%
• Employ other overseas staff	4%	3%	9%	25%

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. Just under half (46%) were concerned, the equivalent of 9% of all SMEs with employees. The largest SMEs were more likely to be concerned, with the equivalent of 42% of all SMEs with 50-249 employees concerned about potential changes:

### Concern re changes to migration rules

All SMEs with overseas employees YEQ2 18	Total	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>4294</b>	<b>810</b>	<b>1906</b>	<b>1578</b>
Very concerned	23%	22%	21%	41%
Fairly concerned	23%	21%	24%	27%
Not very concerned	22%	20%	27%	19%
Not at all concerned	32%	36%	27%	12%
<b>Concerned (all employing overseas staff)</b>	<b>46%</b>	<b>43%</b>	<b>45%</b>	<b>68%</b>
<b>Concerned (all SMEs with employees)</b>	<b>9%</b>	<b>6%</b>	<b>16%</b>	<b>42%</b>

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



SMEs that trade internationally were more likely to employ staff from overseas, typically from the EU. Amongst those who did, levels of concern about changes to migration rules were slightly higher for those who either only exported or only imported, while concern amongst those who did both was in line with other employers of overseas staff. As a result, 1 in 7 SMEs with employees that trade internationally were concerned about changes to migration rules:

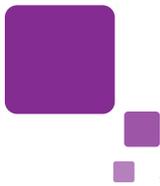
### Overseas staff

All SMEs with employees YEQ2 18	Total	Export only	Import only	Fully intl
<b>Unweighted base:</b>	<b>14,402</b>	<b>767</b>	<b>1075</b>	<b>1198</b>
Employ any overseas staff:	19%	30%	29%	39%
<i>Employ staff from EU</i>	18%	29%	26%	37%
<i>Employ other overseas staff</i>	4%	8%	6%	10%
<b>Concerned (all employing overseas staff)</b>	<b>46%</b>	<b>55%</b>	<b>51%</b>	<b>44%</b>
<b>Concerned (all SMEs with employees)</b>	<b>9%</b>	<b>15%</b>	<b>14%</b>	<b>15%</b>

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

The table below summarises the position by sector. Employers in Health (25%), Manufacturing and Hotels & Restaurants (both 24%) were the most likely to employ overseas staff, but with the exception of Agriculture (12%) there was relatively little difference across the other sectors (16-20%)

There was though more variation by sector in levels of concern about the impact of any future changes to migration rules. Those employing any overseas staff in Agriculture (64%) or the Health sector (61%) were the most concerned, while those in Manufacturing and Construction were the least concerned (both 37%). Amongst other sectors concern varied from 40% to 54%.



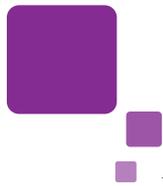
## Overseas staff

All SMES with employees

YEQ2 18	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
<b>Unweighted base:</b>	<b>953</b>	<b>1215</b>	<b>2545</b>	<b>1458</b>	<b>968</b>	<b>1592</b>	<b>2858</b>	<b>1200</b>	<b>1613</b>
Employ any overseas staff:	12%	24%	16%	18%	24%	19%	20%	25%	20%
Employ staff from EU	12%	23%	15%	17%	22%	18%	19%	23%	18%
Employ other overseas staff	2%	5%	2%	3%	7%	4%	4%	8%	4%
<b>Concerned about migration changes (if employ)</b>	<b>64%</b>	<b>37%</b>	<b>37%</b>	<b>40%</b>	<b>54%</b>	<b>53%</b>	<b>46%</b>	<b>61%</b>	<b>44%</b>
<b>Concerned (all with employees)</b>	<b>10%</b>	<b>9%</b>	<b>5%</b>	<b>7%</b>	<b>12%</b>	<b>9%</b>	<b>9%</b>	<b>16%</b>	<b>8%</b>

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

The equivalent of 16% of all employers in the Health sector and 12% in Hotels & Restaurants were concerned about potential changes to migration rules affecting their overseas staff, compared to 5% of employers in Construction.



## Exporting

Turning now to international trade, 9% of all SMEs currently made sales overseas. Almost two thirds of these exporters (64%) 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

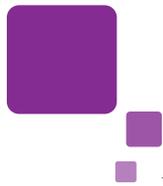
All SMEs who export YEQ2 18	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>2117</b>	<b>250</b>	<b>563</b>	<b>872</b>	<b>432</b>
Less than 25% of sales made overseas	64%	62%	69%	68%	60%
25-50%	15%	14%	17%	16%	18%
51-75%	10%	11%	8%	10%	16%
76-100% of sales overseas	10%	13%	6%	5%	6%
<b>Average proportion</b>	<b>27%</b>	<b>29%</b>	<b>24%</b>	<b>24%</b>	<b>26%</b>

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

20% of exporters said that international trade made up 50% or more of sales:

- In 2013, 24% of exporters said that overseas sales made up half or more of all sales, falling to 17% in 2014 and then 13% in 2015
- This proportion then increased to 19% for 2016 and 23% for 2017 but was lower again (17%) for H1 2018

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 2018 show that most exporters traded to some extent with the EU (81%), with around a quarter of exporters (25%) exporting all or the majority of their goods/services to the EU, declining slightly by size of exporter:

### Overseas sales to EU

All SMEs who export YEQ2 18	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>2226</b>	<b>261</b>	<b>606</b>	<b>916</b>	<b>443</b>
Only to the EU	8%	9%	8%	8%	4%
The majority to the EU	17%	18%	17%	14%	9%
Half to the EU	14%	15%	11%	13%	20%
A minority to the EU	42%	38%	48%	53%	64%
None to the EU	19%	21%	16%	12%	3%
<b>Only/the majority</b>	<b>25%</b>	<b>27%</b>	<b>25%</b>	<b>22%</b>	<b>13%</b>

Q86 (223b) All SMEs who export

The EU was the sole/majority source of sales for 24% 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.

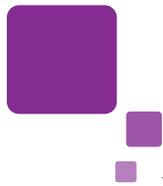


Limited data is now available over time. The table below shows the proportion of exporters who either sold exclusively to the EU or made the majority of their sales there. This has varied somewhat over the time periods available being somewhat higher in the first halves of both 2017 and 2018 than it was in the second

halves of 2016 and 2017. This was due to changes amongst 0 employee exporters. Amongst exporters with 1-9 or 50-249 employees there has been a decline in the proportion selling all/most of their goods to the EU, with a more stable picture for those with 10-49 employees:

<b>All/majority sales to EU</b>				
<b>Over time – all exporters</b>	<b>H2</b>	<b>H1</b>	<b>H2</b>	<b>H1</b>
<b>Row percentages</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>
All exporters	22%	28%	23%	28%
0 employee	17%	28%	21%	32%
1-9 employees	33%	28%	27%	21%
10-49 employees	24%	26%	21%	23%
50-249 employees	35%	25%	16%	11%
<50% of sales exported	23%	25%	22%	29%
50%+ of sales exported	23%	45%	24%	24%

Q86 (223b) All SMEs who export



## Customers

In new questions from Q1 2018, SMEs were asked whether they sold to consumers or to other businesses (or both) and how many business customers they typically had. As the table below shows, most SMEs sold to consumers (82% overall) with this percentage declining by size of business. Just over half sold to businesses, with this proportion increasing by size of SME:

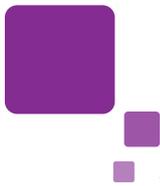
<b>Customer types</b>					
All SMEs H1 18	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>9000</b>	<b>1800</b>	<b>2900</b>	<b>2900</b>	<b>1400</b>
Other businesses only	18%	17%	21%	30%	40%
Consumers only	44%	46%	40%	26%	21%
Both businesses and consumers	38%	37%	39%	44%	39%
<b>All selling to businesses</b>	<b>56%</b>	<b>54%</b>	<b>60%</b>	<b>74%</b>	<b>79%</b>
<b>All selling to consumers</b>	<b>82%</b>	<b>83%</b>	<b>79%</b>	<b>70%</b>	<b>60%</b>

Q13a (NEW) All SMEs

Those who export were much more likely to be selling to other businesses than those who only imported or traded domestically, where 8 in 10 were selling to consumers:

<b>Customer types</b>					
All SMEs H1 18	Total	Export only	Import only	Import and export	Domestic
<b>Unweighted base:</b>	<b>9000</b>	<b>472</b>	<b>593</b>	<b>638</b>	<b>7297</b>
Other businesses only	18%	40%	17%	31%	17%
Consumers only	44%	21%	34%	22%	47%
Both businesses and consumers	38%	40%	49%	47%	36%
<b>All selling to businesses</b>	<b>56%</b>	<b>80%</b>	<b>66%</b>	<b>78%</b>	<b>53%</b>
<b>All selling to consumers</b>	<b>82%</b>	<b>61%</b>	<b>83%</b>	<b>69%</b>	<b>83%</b>

Q13a (NEW) All SMEs

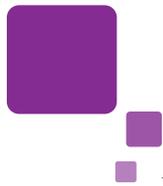


As the table below shows, there were some clear differences by sector, with the proportion selling to businesses varying from 28% in the Health sector to 67% in Manufacturing and Property/Business Services. There was more consistency in the proportion selling to consumers (80%+ with the exception of Manufacturing (75%) and Property/Business Services (67%)):

**Customer types**

All SMES H1 18	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
<b><i>Unweighted base:</i></b>	<b>600</b>	<b>750</b>	<b>1600</b>	<b>900</b>	<b>600</b>	<b>1001</b>	<b>1799</b>	<b>750</b>	<b>1000</b>
Other businesses only	20%	25%	10%	9%	5%	20%	32%	6%	16%
Consumers only	44%	33%	41%	48%	70%	41%	32%	72%	55%
Both businesses and consumers	37%	42%	49%	43%	25%	39%	35%	22%	29%
<b><i>All selling to businesses</i></b>	<b>57%</b>	<b>67%</b>	<b>59%</b>	<b>52%</b>	<b>30%</b>	<b>59%</b>	<b>67%</b>	<b>28%</b>	<b>45%</b>
<b><i>All selling to consumers</i></b>	<b>81%</b>	<b>75%</b>	<b>90%</b>	<b>91%</b>	<b>95%</b>	<b>80%</b>	<b>67%</b>	<b>94%</b>	<b>84%</b>

Q13a (NEW) All SMEs



Those SMEs selling to other businesses were asked how many business customers they had. The table below is for those who only sell to other businesses, but will be expanded in future waves. Almost a quarter of SMEs selling just to other businesses have more than 50 customers, increasing markedly by size:

### Customer types

All SMEs that only sell to other businesses H1 18	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b><i>Unweighted base:</i></b>	<b>2275</b>	<b>277</b>	<b>600</b>	<b>861</b>	<b>537</b>
1-5 customers	23%	27%	16%	5%	2%
6-10 customers	17%	20%	14%	7%	1%
11-25 customers	23%	25%	20%	16%	6%
26-50 customers	15%	13%	19%	21%	12%
51-100 customers	9%	7%	13%	16%	16%
100+ customers	13%	8%	18%	36%	63%
<b><i>All selling to 50+ customers</i></b>	<b>22%</b>	<b>15%</b>	<b>31%</b>	<b>51%</b>	<b>79%</b>

Q13b (NEW) All SMEs

Those SMEs in Wholesale/Retail (48%) or Manufacturing (33%) were more likely to have more than 50 customers, while those in Agriculture (11%) or Construction (13%) were less likely.



## 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 2018 a quarter of SMEs (24%) said that this was the case (excluding DK answers) back to levels seen in previous years.

Business Groups	Further analysis YEQ2 2018
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 group/body</li> <li>• 25% of 1-9 employee businesses</li> <li>• 26% of 10-49 employee businesses</li> <li>• 46% of 50-249 employee businesses</li> </ul>
By external risk rating	<p>There was relatively little difference by risk rating: 23% of those with a minimal or worse than average risk rating belonged to a business group, compared to 27% of those with a low rating and 26% of those with an average external risk rating.</p>
By sector	<p>The most likely to belong to such groups remained those in the Health sector (33%) and Property/Business Services (29%) while those in Transport (16%) were less likely.</p>
PNBs and those using external finance	<p>Those currently using external finance were only slightly more likely to belong to such groups (26%) than those that did not use external finance (23%).</p> <p>There was also now little difference by whether the SME met the definition of a Permanent non-borrower or not (23% v 25% if not a PNB).</p>
Other demographics	<p>There was some, limited, variation by age of business. 24% of Starts belonged to a business group, compared to 21% of those trading for 2-5 years and then increasing by age of business to 26% of those trading for 15 years or more.</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 (37% v 20%).</p>

Q143 (Q265c) All SMEs



## Business Ownership

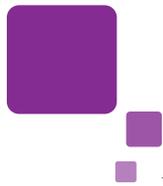
67% of *companies* had one owner, declining by size from 84% of 0 employee companies to 39% of those with 50-249 employees. This means that of *all* SMEs, 84% were either sole proprietorships or companies with one owner.

A broader question explored the extent to which the owner of the SME was also involved in other businesses. For YEQ2 2018 (and excluding DK answers):

- 90% reported that this was the only business the owner was involved in, managerially or strategically, decreasing with size from 92% of 0 employee SMEs, to 69% of those with 50-249 employees.
- 9% reported that the owner currently ran another business as well (7% amongst 0 employee SMEs increasing to 30% amongst those with 50-249 employees).
- 3% reported that the owner had set up and run a business before (with little variation by size, except for the 8% of those with 50-249 employees).
- 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 2018, 66% of those with employees said that it was. This means that for SMEs as a whole:

- 16% had employees and were family owned
- 9% had employees and a different ownership structure
- 75% of all SMEs had no employees (so were not asked the question).



## Overall bank relationship

The new SME Finance Monitor questionnaire for 2018 provides additional data on the general banking relationship, including levels of trust in banks and of account switching.

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. As the table below shows, the most frequent answer YEQ2 2018, especially for smaller SMEs, was that the relationship was fine, but transactional:

<b>Nature of relationship with main bank</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>YEQ2 18 all SMEs</b>	<b>Total</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b><i>Unweighted base</i></b>	<b>18,005</b>	<b>3603</b>	<b>5802</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%	46%	67%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	62%	64%	59%	47%	27%
We don't have an active working relationship with our bank and wish that we had one	15%	16%	14%	8%	6%

Q24a All SMEs



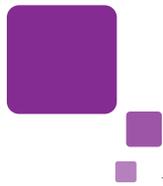
There were clear differences by size of SME and other demographics:

- Those with 0 employees were much more likely to describe their relationship as ‘transactional’ (64%) than to say they had a ‘strong working relationship’ (20%) or to wish for a more active relationship (16%).
- 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 (67%) compared to 27% who have a transactional relationship.
- Excluding the Permanent non-borrowers increased the proportion with a ‘strong relationship’ slightly (to 26% overall), but there was little difference in terms of wanting a more active relationship (14% PNBs v 16% non-PNBs).
- Analysis by age of business showed that a quarter of Starts (26%) had a ‘strong relationship’ with their bank. This declined to 16% of those trading for 2-5 years, then increased steadily by age to 25% of those trading for 15 years or more. The proportion wanting a more active relationship was 17% for those trading for less than 5 years, 14% for those trading for longer.
- Analysis by risk rating showed that the proportion describing the relationship as ‘strong’ declined from 33% of those with a minimal risk rating to 20% of those with a worse than average risk rating.
- 29% of SMEs in Agriculture and 30% in the Hotel & Restaurant sector had a strong working relationship compared to 20-26% in other sectors. There was relatively little variation by sector in the proportion wanting a more active relationship (11% in Agriculture to 17% in Manufacturing).

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’ than those who had been Would-be seekers of finance. 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 (25%):

<b>Nature of relationship with main bank</b>		<b>Had an event</b>		
<b>YEQ2 18 all SMEs</b>	<b>Total</b>	<b>WBS</b>	<b>HNS</b>	
<i>Unweighted base</i>	<b>18,005</b>	<b>4017</b>	<b>251</b>	<b>13,704</b>
We have a strong working relationship with our bank and feel we can approach them whenever we need to	23%	37%	15%	21%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	62%	50%	60%	64%
We don't have an active working relationship with our bank and wish that we had one	15%	13%	25%	15%

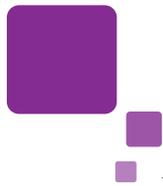
Q24a All SMEs



This relationship question has been run since Q1 2016, so some analysis over time is now possible. A minority of SMEs wished that they had a more active relationship with their bank, but this proportion has increased slightly over time, from 12% in 2016 to 16% in the first half of 2018. Smaller SMEs, those with a lower external risk rating and those with plans to apply for finance in future were all 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
All	12%	14%	16%
0 emp	13%	15%	17%
1-9 emps	12%	13%	14%
10-49 emps	7%	8%	8%
50-249 emps	5%	6%	6%
Minimal external risk rating	9%	9%	8%
Low	10%	13%	13%
Average	12%	14%	16%
Worse than average	13%	16%	18%
Use external finance	12%	14%	12%
Plan to apply for finance	17%	19%	22%
PNBs	12%	13%	15%
All excl PNBs	13%	15%	17%

Q24a All SMEs



In Q1 2018, further relationship questions were added.

The first asked whether the business had changed main bank in the past 3 years. In H1 2018:

- 2% said that they had made a change, with little variation by size (2% for all size bands except 50-249 employees where 5% had changed)
- There was also little variation by risk rating, or once the Permanent non-borrowers were excluded, or by whether the SME was using finance or not.
- Those trading for 2-5 years were the most likely to have changed bank in the last 3 years (4%), those trading for more than 15 years the least likely (1%). 4% of those in Wholesale/Retail and the Other Community sector has also switched (1-3% for other sectors)
- Those who had changed bank had a similar relationship with their bank (22% a strong relationship) to those who had not made a change (23%), although they were slightly more likely to wish they had a more active relationship (22% v 16% of those who hadn't changed).

The other new questions looked at the issue of trust in banks – both in the SME's main bank specifically and banks 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 (56%) gave a score of 8 to 10 for their level of trust in their own bank. This increased by size of SME from 55% of those with 0 employees to 71% 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>H1 18 all SMEs</b>	<b>Total</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<i>Unweighted base</i>	<b>9000</b>	<b>1800</b>	<b>2900</b>	<b>2900</b>	<b>1400</b>
High level of trust 8-10	56%	55%	56%	63%	71%
Medium level of trust 5-7	35%	36%	35%	30%	26%
Low level of trust 1-4	9%	9%	9%	7%	2%

Q24b All SMEs



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

8-10 scores were:

- More likely from those in the Other Community sector (64%), those with a minimal risk rating (62%) and Permanent non-Borrowers (61%)
- They were less likely from those who expected to be a Future would-be seeker of finance (44%) or from those in the Health sector (49%)
- High levels of trust ranged by age of business from 52% of Starts to 58% of those trading for 15 years or more
- Those currently using external finance were slightly less likely to have a high level of trust in their bank (52% v 58% not using finance)

By comparison, half as many SMEs (25%) gave a score of 8 to 10 for their level of trust in the banking industry in general, again increasing by size of SME from 24% of those with 0 employees to 38% of those with 50-249 employees. Almost as many SMEs overall (22%) gave a low score of 1-4 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
H1 18 all SMEs	Total	emps	emps	emps	emps
<i>Unweighted base</i>	<b>9000</b>	<b>1800</b>	<b>2900</b>	<b>2900</b>	<b>1400</b>
High level of trust 8-10	25%	24%	26%	32%	38%
Medium level of trust 5-7	53%	53%	54%	53%	56%
Low level of trust 1-4	22%	23%	20%	15%	6%

Q24c All SMEs

28% of SMEs with employees had a high level of trust in the banking industry as a whole.

8-10 scores were

- More likely from those with a minimal risk rating (32%) and Permanent non-Borrowers (29%)
- Less likely from those who expected to be a Future would-be seeker of finance (16%) or in the Health sector (20%)
- Trust in banking generally varied very little by age of business (23-25%)
- Those using external finance were again slightly less likely to have a high level of trust in banks generally (21% v 26% not using finance)



Across the two questions, 7% of SMEs gave a low score of 1-4 for both their main bank and the banking industry more generally, while 23% gave a high score of 8-10 for both. 42% gave a higher score band 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 (77%). Those who wished that they had a more active relationship with their bank were less likely to have this high level of

trust (39%) and a quarter had a low level of trust (25%). Those who had a ‘fine but transactional’ relationship were unlikely to have a low level of trust in their main bank (7%), but somewhat more likely to have a medium level of trust (40%).

Whilst those with a strong relationship also gave slightly higher trust scores for the banking industry as a whole (28% 8-10), the differences were not as marked as they were for trust in the main bank. 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 (35%):

Trust in bank/banking industry	Main bank			Banking Industry		
	Strong	Trans'l	More active	Strong	Trans'l	More active
H1 18 all SMEs						
<i>Unweighted base</i>	<b>3410</b>	<b>4574</b>	<b>1016</b>	<b>3410</b>	<b>4574</b>	<b>1016</b>
High level of trust 8-10	77%	52%	39%	28%	25%	19%
Medium level of trust 5-7	21%	40%	36%	55%	54%	46%
Low level of trust 1-4	3%	7%	25%	17%	21%	35%

Q24a/b/c All SMEs