

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 Q4 2019 (YEQ4 19).

KEY FINDINGS

Growth (and decline): 37% of SMEs (excluding Starts) reported having grown in the last 12 months, increasing by size of SME from 33% of those with 0 employees to 66% of those with 50-249 employees. This is a slightly lower proportion than in previous years (39-42%) as 19% of SMEs reported a decline.

- 11% had grown by 20% or more (including 2% by 40% or more), with little variation by size.
- 47% of SMEs in the Health sector had grown, with limited variation otherwise by sector (34% to 41%). Those trading for 2-5 years were more likely to have grown (53%) than older SMEs (29% of those trading for more than 15 years).
- The slightly lower levels of growth in 2019 were seen across all size bands with the exception of the largest SMEs and across most sectors, notably Manufacturing (35% from 41% in 2018). There was also more of a decline amongst those trading for less than 10 years, with stable (albeit lower) levels of growth for older SMEs.
- 19% of SMEs reported a decline in size. This proportion has increased steadily since 2016 (when 10% reported a decline), back to levels seen in 2013 (when 19% reported a decline). As in 2013, 0 employee SMEs were the most likely to report a decline (21%).

Innovation: A third of SMEs (35%) had been innovative, with 15% launching a new product or service and 30% improving an aspect of the business

- Levels of innovation were higher amongst larger SMEs (half of those with 10-49 or 50-249 employees), while by sector 45% of SMEs in Wholesale/Retail and 43% of SMEs in Hotels & Restaurants had been innovative.
- The proportion of SMEs being innovative fell from 40% in 2012 to 34% in 2017 and has been broadly stable since. The decline 2012-2017 was seen across all size bands with a decline in most sectors with the exception of Manufacturing (where 4 in 10 have been innovative each year) and Construction (where around a quarter have been innovative each year).

International trade: 16% of SMEs traded overseas, with 11% importing goods or services and 9% exporting.

- Levels of international trade increased by size of SME from 13% of 0 employee SMEs to 30% of those with 10-49 employees and 31% of those with 50-249 employees.
- Between 2012 and 2014, levels of international trade increased from 10% to 16% of SMEs and have been broadly stable since. Amongst the largest SMEs however, international trade declined from 46% in 2013 to 30% in 2016 and has been stable since.
- Amongst exporters, international trade made up an average of a quarter of their total turnover (24%) with little variation by size of SME. 1 in 5 exporters (18%) said that international trade made up more than half of their turnover and this proportion has been stable since 2016. 3 in 10 exporters (29%) said that all or most of their overseas sales were to the EU, in line with 2018 (28%) and somewhat higher than in H2 2016 (22%).
- 17% of SMEs with any employees had staff from overseas (15% from the EU and 5% from elsewhere), increasing by size of SME to 45% of those with 50-249 employees, by sector to 27% of those in the Health sector and to 35% of those that both import and export. This proportion is unchanged from 2018 (16%) but somewhat lower than H2 2017 (23%) when this question was first asked. Half of those with overseas staff were concerned about possible changes to migration rules, also stable from 2018 (when 51% were concerned) but higher than in H2 2017 (42%). This is the equivalent of 1 in 10 of all SMEs with employees being concerned.
- In a new question from Q3 2019, a quarter of SMEs with overseas staff said that they were already seeing an impact on recruitment and retention of such staff, increasing to 61% of those who were very concerned about future changes to migration rules.

Profitability: 8 in 10 SMEs (82%) reported making a profit in the previous 12 months, with relatively little variation by size of SME (81% of those with 0 employees to 87% of those with 10-49 or 50-249 employees). 4 in 10 said improving profit margins was a priority going forward

- The 2019 figure of 82% making a profit was slightly higher than in 2018 (78%) and back in line with 2017. This maintained the increase seen over time since 2012, when 69% made a profit.
- Those in the Hotel & Restaurant sector (74%) or Wholesale/Retail (76%) were somewhat less likely to have made a profit.
- Whilst the proportion making any profit did not vary by size of SME, the amount of profit made did. The median profit made was £9,000, varying by size of SME from £6,000 for profitable 0 employee SMEs to £346,000 for profitable SMEs with 50-249 employees.
- 39% of all SMEs said that improving profit margins was a priority for them going forward and this was most likely to be the case for those with 10-49 employees (53%), those trading for 2-5 years (47%) and those in Wholesale/Retail (47%). This is a higher proportion than in 2018 (30%) and for all sizes of SME except those with 50-249 employees.

Credit balances: Most SMEs held some credit balances with a quarter (23%) holding £10,000 or more. 8 in 10 SMEs with such balances said it reduced their need for external finance.

- The proportion of SMEs holding £10,000 or more of credit balances increased from 16% in 2012 to 24% in 2015 and has been broadly stable since. This is due to the 0 employee SMEs (10% in 2012 to 17% in 2015 and broadly stable since) as the proportion of larger SMEs with such sums has continued to increase (to 76% of those with 10-49 employees and 94% of those with 50-249 employees).
- 8 in 10 SMEs with more than £10,000 of credit balances said that it reduced their need for finance. This is the equivalent of 11% of all SMEs, increasing by size of SME (8% of those with 0 employees to 38% of those with 50-249 employees).

- On average, SMEs held the equivalent of a quarter of their turnover in credit balances and this has been stable since this metric was first calculated in 2016, with little variation currently by size of SME.
- Overall a third of SMEs (34%) said that their need for finance was reduced either by holding more than £10,000 of credit balances and/or having trade credit, increasing by size of SME (to 68% of those with 50-249 employees) and stable over time.

Bank relationship: A quarter of SMEs (23%) had a strong working relationship with their bank and over half (55%) had a high level of trust in their bank

- The proportion of SMEs with a strong working relationship increased by size of SME from 20% of those with 0 employees to 50% of those with 50-249 employees.
- The biggest single group (66% of all SMEs) described the relationship as ‘fine but transactional’ leaving 1 in 10 (11%) to wish they had a more active relationship with their bank. This was more likely to be the case for smaller SMEs (12% and 11% of those with 0 and 1-9 employees compared to 8% and 6% of those with 10-49 and 50-249 employees).
- 55% had a high level of trust in their bank, increasing by size of SME from 54% of those with 0 employees to 90% of those with 50-249 employees, little changed since 2018. Amongst those with a strong relationship with the bank, 80% had a high level of trust, compared to 31% who wished for a more active relationship with their bank.
- While 8% of SMEs had a low level of trust in their main bank, this increased to 21% with a low level of trust in the banking industry as a whole. In both instances this was less likely to be the case for larger SMEs – amongst those with 50-249 employees, 2% had a low level of trust in their bank and 4% in the banking industry as a whole.

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 18,000 interviews conducted in the year ending Q4 2019 (that is the four quarters 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 Q4 2019, 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 (84% in Q4 2019):

Business performance last 12 months

Over time	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2017	2018	2018	2018	2018	2019	2019	2019	2019
Unweighted base:	4500	4500	4500	4502	4500	4500	4500	4500	4500
Made a profit	75%	69%	74%	68%	69%	72%	72%	72%	74%
Broke even	11%	10%	10%	13%	11%	7%	10%	10%	7%
Made a loss	7%	10%	7%	8%	8%	7%	8%	9%	7%
DK/refused	7%	12%	10%	11%	12%	14%	11%	10%	11%
Median profit made	£9k	£9k	£9k	£8k	£9k	£8k	£8k	£9k	£9k
Made profit (excl DK)	81%	77%	81%	76%	78%	84%	80%	79%	84%

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 YEQ4 2019, 72% of all SMEs had been profitable (82% once the DK answers were excluded), increasing somewhat by size of SME as the table below shows. The median profit, where made, was £9k, and the median loss £2k. Both have been fairly stable over time and increase by size of SME:

Business performance last 12 months		0	1-9	10-49	50-249
YEQ4 19 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	18,000	3600	5800	5800	2800
Made a profit	72%	72%	72%	74%	76%
Broke even	8%	9%	9%	5%	5%
Made a loss	8%	8%	7%	6%	7%
DK/refused	12%	11%	12%	15%	13%
Made profit (excl DK)	82%	81%	82%	87%	87%
Median profit made*	£9k	£6k	£16k	£59k	£346k
Median loss made*	£2k	£2k	£6k	£23k	£184k

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

Amongst SMEs with employees, 83% reported making a profit YEQ4 2019 (excluding the DK and refused answers).

Looking back over recent quarters, there has been limited variability in overall levels of profitability, but figures for 2019 show a slightly higher proportion making any profit (82% for the year as a whole) than in 2018 (78%), back in line with 2017 (82%). Larger SMEs have consistently been somewhat more likely to be profitable than smaller ones, as the table below shows:

Made a profit in last 12 months

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

Q115 (241) All SMEs excluding DK

Around 8 in 10 SMEs in each sector reported a profit YEQ4 2019 (once the DK answers were excluded), with the exception of Hotels and Restaurants (74%):

Business performance last 12 months

YEQ4 19 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop / Bus	Hlth SWrk	Other Comm
Unweighted base:	1200	1500	3200	1800	1200	2000	3600	1500	2000
Made a profit	73%	71%	76%	65%	65%	71%	75%	78%	66%
Broke even	10%	8%	9%	10%	13%	8%	7%	9%	8%
Made a loss	7%	9%	4%	11%	10%	9%	8%	4%	11%
DK/refused	10%	13%	11%	14%	12%	12%	10%	10%	15%
Made profit (excl DK)	81%	81%	85%	76%	74%	80%	84%	86%	78%
Median profit made*	£9k	£9k	£7k	£10k	£9k	£8k	£10k	£6k	£8k
Median loss made*	£2k	£2k	£2k	£2k	£6k	£2k	£2k	£2k	£2k

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

Median profits reported for YEQ4 2019 varied somewhat by sector (£6-10k) with little change over time. Reported median losses for YEQ4 2019 were £2k overall and for all sectors except Hotels and Restaurants.

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 2019, again driven by the 0 employee SMEs.

Compared to 2012, all sizes of SME are now more likely to report making a profit, notably those with 0 employees (67% in 2012 to 81% in 2019). There has also been an increase across all risk ratings, with the exception of those with a minimal rating where in excess of 80% have made a profit each year.

All sectors are now more likely to be making a profit than they were in 2012. Most, with the exception of Manufacturing and Construction, saw a slight decline in the proportion making a profit in 2018, followed by a return to previous levels in 2019, this time with the exception of those in Hotels and Restaurant and Wholesale/Retail sectors who are now somewhat less likely than other sectors to report a profit (74% and 76%).

Made a profit in last 12 months								
Over time (excl DK)								
By date of interview – row percentages								
	2012	2013	2014	2015	2016	2017	2018	2019
All SMEs	69%	70%	77%	80%	80%	82%	78%	82%
0 emp	67%	69%	75%	79%	79%	81%	77%	81%
1-9 emps	72%	75%	81%	82%	83%	84%	82%	82%
10-49 emps	80%	81%	86%	87%	88%	88%	87%	87%
50-249 emps	81%	84%	88%	90%	89%	87%	86%	87%
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%	83%
Worse than average	63%	65%	72%	76%	77%	78%	75%	78%
Agriculture	74%	73%	79%	78%	77%	81%	75%	81%
Manufacturing	69%	74%	80%	81%	81%	83%	81%	81%
Construction	67%	68%	78%	80%	81%	86%	79%	85%
Wholesale/Retail	67%	70%	74%	79%	82%	79%	75%	76%
Hotels & Restaurants	59%	65%	73%	75%	79%	78%	75%	74%
Transport	65%	66%	76%	78%	78%	77%	77%	80%
Property/ Business Services	73%	73%	80%	81%	81%	84%	80%	84%
Health	70%	69%	76%	78%	77%	83%	80%	86%
Other	66%	73%	67%	83%	79%	79%	78%	78%
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. YEQ4 2019, 39% of all SMEs said that it was, increasing amongst those with employees:

Profit margins	Further analysis YEQ4 19
Size of SME	<p>SMEs with 1-49 employees were somewhat more likely to say improving profit margins was a priority:</p> <ul style="list-style-type: none"> • 36% of SMEs with 0 employees said it was a priority • 47% of SMEs with 1-9 employees • 53% of SMEs with 10-49 employees • 42% of SMEs with 50-249 employees said it was a priority. <p>48% of SMEs with employees said that improving profit margins was a key priority</p>
Risk rating	<p>Those with a minimal (43%) or worse than average (42%) risk rating were somewhat more likely to say it was a priority compared to those with a low (38%) or average (36%) risk rating.</p>
Age of business	<p>A third of Starts (35%) said this was a priority, increasing to 47% of those trading for 2-5 years and then declining by age to 35% of those trading for more than 15 years.</p>
Sector	<p>Those in Wholesale/Retail (47%), Transport or Hotels and Restaurants (43%) were somewhat more likely to say it was a priority, while those in Health were the least likely (27%).</p>
PNBs, use of finance and growth	<p>Excluding the Permanent non-borrowers increased the proportion saying it was a priority to 42% (compared to 35% of PNBs).</p> <p>Those using finance (42%), and notably those planning to grow in the next 12 months (48%), said it was a priority, compared to 36% of those not using finance and 29% not planning to grow.</p>
Profitability	<p>Those who had made a profit in the last year were slightly less likely to say that improving profit margins was a priority (38%) than those who had made a loss (43%), or who broke even (42%):</p> <ul style="list-style-type: none"> • Analysis by size of SME showed improving profit margins was more of a priority amongst 0 employee SMEs if they had made a loss (42%) rather than a profit (35%) and this was also true for those those with 10-49 employees (59% v 52% if made a profit) and notably those with 50-249 employees (68% v 37% if made a profit) • The exception was those with 1-9 employees where there was little difference by previous performance (45% v 47% if made a profit)

The proportion of all SMEs saying improving their profit margin was a priority increased from 22% in Q1 2018 to 41% in Q2 2019, with no further increases since. The table below shows analysis over time on an annual basis and an increase both overall (30% to 39%) and across all size bands with the exception of the largest SMEs with 50-249 employees:

Improving profit margins a priority		
Over time		
Row percentages		
By date of interview	2018	2019
All SMEs	30%	39%
0 employee	28%	36%
1-9 employees	34%	47%
10-49 employees	40%	53%
50-249 employees	51%	42%

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. It was somewhat lower in Q1 2019 (33%) before returning to previous levels for Q2 and Q3, but was somewhat lower again in Q4 (36%). Within that total, the proportion that had grown by 20% or more has been around 10% in all recent quarters with the slight exception of Q2 2018 (14%):

Growth achieved in last 12 months

All SMEs excluding Starts By date of interview	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Unweighted base:	3649	3914	3914	3899	3846	3882	3953	3951	3935
Grown by 20% or more	10%	12%	14%	11%	12%	11%	12%	10%	11%
• Grown by 40%+	-	2%	2%	2%	2%	2%	2%	2%	2%
• Grown by 20-40%	-	9%	12%	9%	10%	9%	10%	8%	9%
Grown but by < 20%	32%	30%	27%	26%	25%	22%	28%	29%	25%
Grown	42%	42%	41%	37%	37%	33%	40%	39%	36%
Stayed the same	49%	43%	44%	46%	45%	45%	42%	44%	46%
Declined	10%	15%	15%	17%	19%	22%	18%	17%	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 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.

Using the new extended question, 37% of all SMEs (excluding Starts) had grown YEQ4 2019, including 11% that had grown by 20% or more:

Growth achieved in last 12 months		0	1-9	10-49	50-249
YEQ4 19 – all SMEs (excluding Starts)	Total	emp	emps	emps	emps
Unweighted base:	15,721	2594	4958	5450	2719
Grown by more than 40%	2%	2%	2%	2%	1%
Grown by 20-40%	9%	8%	10%	12%	11%
Grown by less than 20%	26%	23%	31%	40%	54%
Grown (any)	37%	33%	43%	54%	66%
Stayed the same size	44%	46%	42%	36%	26%
Declined	19%	21%	15%	10%	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 (1-2%) or of 20-40% (8-12%).

There was more variation by size in the proportion of those growing by up to 20% (23-54%) and hence for growth overall, which increased by size of SME from 33% 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:

Business Growth Further analysis (excluding Starts) YEQ4 19

Risk rating	<p>Whilst there was little to choose between risk ratings for those growing by more than 40% (1-3%) or by 20-40% (8-11%), those with a worse than average risk rating were at the top of both of these bands and therefore slightly more likely to have grown by more than 20% (14%) than their peers (9-11%).</p> <p>There was little difference in overall growth between those with a minimal risk rating (39% had grown), a low risk rating (39%) or a worse than average risk rating (40%). Those with an average risk rating were slightly less likely to have grown (34%).</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) or by 20-40% (14%) and therefore the most likely to have grown by 20% or more (19% v 7-14% of older SMEs).</p> <p>Overall growth was therefore higher for younger SMEs: 53% of those trading for 2-5 years had grown, compared to 42% of those trading for 6-9 years, 39% of those trading for 10-15 years and 29% of those trading for more than 15 years.</p>
Sector	<p>The proportion growing by 40% or more varied little by sector (1-3%), while the proportion reporting growth of 20-40% was 7-10% in all sectors. The most likely to have grown at all were those in Health (47%) compared to 34% in Construction and 35-41% in other sectors.</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 at all in the previous year (40%) than Would-be seekers (34%) or Happy non-seekers (37%), but the Would-be seekers were more likely to have grown by 20% or more (17% v 12% who had an event and 11% of HNS).</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 (34% v 40%).</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 2019 (37%). There are differences in pattern by size of SME: SMEs with 0 employees followed a similar pattern to overall growth, having reported fairly consistent levels of growth over time but with slightly fewer having grown in 2018 (35%) or 2019 (33%). Those with 1-9 employees have become somewhat less likely to report growth since 2016 (48% to 43% in 2019). Growth levels amongst those with 10-49 SMEs have been stable since 2014, whilst those with 50-249 employees were more likely to report growth in 2018 and 2019 than before.

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

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

Analysis by age of business has been added to this table. Younger SMEs trading for 2-5 years remained the most likely to have grown at 53% for 2019, in line with most other years but somewhat lower than the 58% reporting growth in 2018. The proportion of those trading 6-9 years that had grown increased from 39% in 2012 to 51% in 2017 but has declined somewhat since, to 42% in 2019. Amongst older SMEs typically 4 in 10 of those trading 10-15 years have grown compared to 3 in 10 of those trading for more than 15 years.

In 2019, 19% of SMEs reported a decline in turnover in the previous year, slightly higher than the 17% reporting such a decline in 2018 and much higher than the 11% with a decline in 2017. Longer term analysis, in the table below, showed that the proportion with a decline had previously been this high in 2012 (21%), then reduced over time to 10% in 2016 before the increase in 2018 and 2019. This trend was driven by the 0 employee SMEs, who were consistently the most likely to report a decline:

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

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

Analysis by sector for 2019 showed more declining SMEs in the Other Community sector (21%) and in Manufacturing, Hotels and Restaurants and Property/Business Services (all 20%) and fewer in Health (8%) or Agriculture (14%).

SCALEUP GROWTH

In 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 YEQ4 2019 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 in line with 2018 but slightly lower than the 57% in 2017).

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

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.

- 15% of these SMEs said that they had.
- The largest SMEs were somewhat less likely to have achieved such growth (9% for those with 50-249 employees compared to 14% for 0 employee SMEs, 18% for those with 1-9 and 14% of those with 10-49 employees).

This means that overall, 20% 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 2019:

- Those with 1-9 employees were the most likely to have achieved this level of growth (23% in 2019). Larger SMEs with 10-49 or 50-249 employees were somewhat less likely to meet the definition in 2019 compared to 2018
- Those with a minimal risk rating were somewhat less likely to meet the definition of a scaleup (16%) but there was no difference by whether the business met the definition of a Permanent non-borrower or not.
- With the exception of the Health sector (12%), Hotels and Restaurants (15% and down from 22% in 2018) and Agriculture (16%) there was also little difference by sector (18-23%).
- A fifth of those trading for 2-5 or 6-9 years met the definition, compared to a quarter of those trading for 10-15 years and 1 in 6 of those trading for more than 15 years

Achieved scale up growth in last 10 years		
All SMEs over time (excluding Starts)		
By date of interview – row percentages	2018	2019
All SMEs (excl Starts)	20%	20%
0 emp	18%	19%
1-9 emps	25%	23%
10-49 emps	25%	19%
50-249 emps	17%	12%
Minimal external risk rating	18%	16%
Low	20%	20%
Average	19%	20%
Worse than average	20%	21%
Agriculture	15%	16%
Manufacturing	23%	21%
Construction	19%	18%
Wholesale/Retail	21%	20%
Hotels & Restaurants	22%	15%
Transport	20%	21%
Property/ Business Services	21%	23%
Health	13%	12%
Other	18%	19%
PNBs	19%	19%
All excl PNBs	21%	20%
Trading 2-5 years	25%	22%
Trading 6-9 years	19%	20%
Trading 10-15 years	22%	24%
Trading 15 years+	17%	17%

Q81/83 All SMEs excl Starts

Analysis of these Scaleups showed that they were more likely than their peers to be innovative (53%), international (29%), and planning to grow (56%). They were no more likely to be using external finance (half met the definition of a Permanent non-borrower), but they had slightly more of an appetite for finance looking forward (14%):

Profile of Scaleups

YEQ4 19 – all SMEs excluding Starts	Total	Scaleup	Not scaleup
Unweighted base:	16,172	3009	13,163
Have employees	29%	32%	28%
Use external finance	38%	39%	38%
Permanent non-borrower	48%	48%	48%
Innovative	39%	53%	35%
International	17%	29%	14%
Plan to grow	44%	56%	41%
Plan growth activity	36%	52%	32%
Plan to apply for finance	10%	14%	9%
Future would-be seeker	12%	10%	12%
Future happy non-seeker	78%	76%	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 the overall growth achieved has fallen short of that predicted, with the exceptions of the growth predictions made in Q1 2017 and Q1 2018. The latest growth predictions, made in Q3 2018, were not achieved overall (44% predicted growth v 37% achieved) or amongst either smaller or larger SMEs:

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 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%	39%	41%	38%	69%	58%
Predicted Q3 18/Achieved Q4 19	44%	37%	43%	35%	64%	57%
Predicted Q4 18/Achieved Q1 20	44%		42%		67%	

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 YEQ4 2019:

- 25% said that ‘it had developed quite a bit from where it was and/or is doing new things’.
- 64% 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. The ‘Recognisably the same’ group was the largest overall and across all size bands except the largest SMEs, where 55% said that their business had developed:

Development in last 3 years		0 emp	1-9 emps	10-49 emps	50-249 emps
YEQ4 19 – all SMEs excluding Starts	Total				
Unweighted base:	16,172	2628	5081	5679	2784
Developed quite a bit	25%	23%	28%	37%	55%
Recognisably the same	64%	65%	62%	56%	42%
Retrenched	11%	12%	11%	6%	4%

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.

Younger SMEs were more likely to have developed while 7 in 10 of the oldest SMEs were recognisably the same. These older SMEs were also more likely to have retrenched (albeit only a minority):

Development in last 3 years

YEQ4 19 – all SMEs excluding Starts	Total	2-5 yrs	6-9 yrs	10-15 yrs	15+ yrs
Unweighted base:	16,172	1614	1863	2899	9796
Developed quite a bit	25%	37%	31%	25%	17%
Recognisably the same	64%	54%	61%	64%	69%
Retrenched	11%	9%	8%	11%	14%

Q88 All SMEs trading for 3 years or more

Further analysis showed that:

- There was little difference in the proportion that had developed by risk rating with the exception of those with an average risk rating (20% v 26-28% for other risk ratings).
- The proportion saying the business had developed varied by sector from 22% of those in Construction to 35% of those in Health and 31% in Wholesale/Retail.
- Those who had grown in the previous year were more likely to have developed the business (39% v 16% who hadn't grown).
- Those using finance were somewhat more likely to have developed the business (28%) than those not using finance (23%). Excluding the Permanent non-borrowers increased the proportion that had developed the business to 27% of remaining SMEs (compared to 22% of PNBs). 37% of those who had innovated in the last 3 years had developed the business (compared to 17% who had not innovated).

Some analysis of this new question is now possible over time. The table below shows a very similar picture for both 2018 and 2019:

Development in last 3 years (excl Starts) over time		
By date of interview	2018	2019
Unweighted base:	16,187	16,172
Developed quite a bit	26%	25%
Recognisably the same	63%	64%
Retrenched	10%	11%

Q88 All SMEs trading for 3 years or more

As the table below shows, those SMEs that had developed their business were more likely to have been innovative (58%), to have grown (60%) and to be planning to grow (67%) and/or planning any growth activity (59%). They were as likely as those that had retrenched to be using finance (43%), albeit as many (42%) met the definition of a PNB and three quarters expected to be a Future happy non-seeker of finance (75%).

Meanwhile, half of those who had retrenched said their business had declined in size (55%) in the past year. Looking forward, a third of 'retrenchers' planned to grow (35%) and they had more of an appetite for future finance (32%) 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

YEQ4 19 – all SMEs excluding Starts	Developed	The same	Retrenched
Unweighted base:	5687	9200	1285
Have employees	35%	27%	25%
Use external finance	43%	35%	43%
Permanent non-borrower	42%	52%	39%
Innovative	58%	32%	34%
International	22%	15%	21%
Have grown	60%	32%	19%
Have declined	8%	17%	55%
Plan to grow	67%	37%	35%
Plan growth activity	59%	27%	33%
Plan to apply for finance	14%	8%	14%
Future would-be seeker	11%	11%	18%
Future happy non-seeker	75%	80%	68%

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 a minimal to a 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. It has been broadly stable with typically 7% of SMEs having a minimal risk rating and just under half having a worse than average risk rating (45% in Q4 2019):

External risk rating

All SMEs (where provided) over time

By date of interview	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Unweighted base:	4181	4210	4175	4147	4066	3990	4094	4109	4104
Minimal risk	6%	7%	7%	7%	8%	7%	7%	7%	7%
Low risk	16%	14%	17%	16%	16%	17%	15%	16%	16%
Average risk	30%	28%	30%	28%	34%	36%	32%	32%	32%
Worse than average risk	49%	51%	46%	50%	42%	40%	46%	45%	45%

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 2019):

External risk rating								
(Where provided)								
over time								
By date of interview	2012	2013	2014	2015	2016	2017	2018	2019
Unweighted base:	18,270	18,183	18,330	18,301	16,451	16,608	16,598	16,297
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%	33%
Worse than average risk	53%	54%	45%	46%	49%	45%	47%	44%

All SMEs where risk rating provided

The overall YEQ4 2019 ratings are shown below by size of SME and continue to report a better risk profile for larger SMEs. 77% of SMEs with 50-249 employees had a minimal or low risk rating compared to 15% of those with 0 employees:

External risk rating		0	1-9	10-49	50-249
YEQ4 19 – all SMEs where rating provided	Total	emp	emps	emps	emps
Unweighted base:	16,297	3084	5146	5451	2616
Minimal risk	7%	4%	12%	25%	38%
Low risk	16%	11%	25%	49%	39%
Average risk	33%	35%	29%	20%	18%
Worse than average risk	44%	50%	33%	5%	5%

All SMEs where risk rating provided

Amongst SMEs with employees, 45% had a minimal or low external risk rating, 27% an average risk rating and 28% a worse than average risk rating.

SMEs in Agriculture remained more likely than almost all other sectors to have a minimal or low risk rating (46% YE4 2019 including 25% with a minimal risk rating) while those in the Other Community sector (17%) were the least likely to have such a rating:

External risk rating

YE4 19	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	1099	1372	2947	1601	1045	1785	3300	1332	1816
Minimal risk	25%	10%	3%	11%	3%	5%	6%	13%	5%
Low risk	21%	15%	16%	18%	22%	15%	13%	27%	12%
Average risk	28%	35%	32%	31%	32%	27%	36%	30%	40%
Worse than average risk	26%	40%	48%	41%	43%	54%	45%	30%	43%
Total Min/Low	46%	25%	19%	29%	25%	20%	19%	40%	17%

All SMEs where risk rating provided

The table below shows the proportion with a worse than average risk rating over time, by key demographics. Between 2013 and 2019 the proportion of SMEs with a worse than average risk rating fell from 54% to 44%:

- The overall risk profile is driven by the ratings for 0 employee SMEs. Amongst this group the proportion with a worse than average risk rating has varied over time (50-60%) and in 2019 was at the lower end of this range (50%).
- The proportion of 1-9 employee SMEs with this rating has been stable since 2014 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 from around 1 in 7 to around 1 in 14. These proportions have now stabilised, and they remained the least likely to have this rating (both 5% in 2019).
- With the exception of 2015, PNBs have typically been as likely as other SMEs to have a worse than average risk rating. In 2019 42% had a worse than average rating (v 45% if not a PNB).
- The sector most likely to have a worse than average risk rating was Transport (54% but lower than in other years) compared to 26% of those in Agriculture.

Worse than average external risk rating								
All SMEs over time								
By date of interview								
- row percentages	2012	2013	2014	2015	2016	2017	2018	2019
All SMEs	53%	54%	45%	46%	49%	45%	47%	44%
0 emp	58%	60%	50%	52%	56%	50%	53%	50%
1-9 emps	43%	43%	37%	34%	35%	37%	36%	33%
10-49 emps	17%	17%	11%	9%	7%	7%	6%	5%
50-249 emps	13%	15%	9%	6%	5%	4%	5%	5%
Agriculture	31%	31%	22%	29%	28%	30%	32%	26%
Manufacturing	55%	48%	40%	39%	38%	39%	42%	40%
Construction	61%	64%	54%	54%	57%	54%	51%	48%
Wholesale/Retail	45%	50%	43%	39%	44%	43%	40%	41%
Hotels & Restaurants	56%	53%	49%	46%	43%	46%	47%	43%
Transport	64%	62%	56%	59%	62%	56%	49%	54%
Property/ Business Services	52%	54%	45%	47%	49%	42%	52%	45%
Health	34%	35%	34%	34%	33%	32%	36%	30%
Other	55%	57%	41%	47%	50%	43%	49%	43%
PNBs	53%	55%	45%	51%	51%	46%	46%	42%
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%	43%

All SMEs where risk rating provided

CREDIT BALANCES

Almost all SMEs held some credit balances. YEQ4 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
YEQ4 19 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	9641	2262	3155	2629	1595
None	4%	4%	5%	6%	1%
Less than £5,000	55%	63%	32%	10%	2%
£5,000 to £10,000	17%	17%	18%	9%	2%
£10,000 to £50,000	16%	13%	28%	23%	11%
More than £50,000	8%	3%	16%	53%	83%

Q117 (244) All SMEs excluding DK/refused

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

Credit balances held								
Over time – all SMEs	2012	2013	2014	2015	2016	2017	2018	2019
Unweighted base:	15,020	14,752	13,039	13,182	10,730	10,950	9494	9641
None	4%	4%	5%	3%	3%	4%	4%	4%
Less than £5,000	66%	64%	58%	55%	57%	51%	55%	55%
£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%	16%
More than £50,000	5%	4%	6%	7%	6%	8%	7%	8%
Average balance held	£25k	£24k	£31k	£39k	£30k	£37k	£38k	£38k

Q117 (244) All SMEs excluding DK/refused

The median value of credit balances held remained at £2,000 for YEQ4 2019. This amount continued to vary by size of SME, and for YEQ4 2019 was:

- £2,000 for 0 employee SMEs
- £6,000 for 1-9 employee SMEs
- £43,000 for 10-49 employee SMEs
- £253,000 for 50-249 employee SMEs.

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

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 of all SMEs with £10,000+ of credit balances increased from 16% in 2012 to 24% in 2015 and has been broadly stable since (23% for 2019).
- All size bands were more likely to hold £10,000 or more in 2019 than they were in 2012. Amongst 0 and 1-9 employees the proportion with such balances has been stable since 2017 but it has continued to increase somewhat for those with 10-249 employees.
- Those with a better risk rating were more likely to hold such sums, from 51% of those with a minimal risk rating to 15% of those with a worse than average rating
- Those in Hotels & Restaurants remained more likely to hold £10,000 or more (30%) along with those in Property/Business Services or Manufacturing (both 28%).
- For the first time, Permanent non-Borrowers have become more likely to hold such sums (28%) than those that do not meet the definition (21%).
- 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 (21% in 2019). 26% of SMEs that were not using external finance held £10,000 or more in credit balances in 2019, slightly higher than the 19-22% seen since 2014.

Hold £10,000 or more as credit balances								
All SMEs over time (excl DK)								
By date of interview								
– row percentages	2012	2013	2014	2015	2016	2017	2018	2019
All SMEs	16%	17%	20%	24%	22%	25%	23%	23%
0 emp	10%	10%	14%	17%	14%	18%	15%	16%
1-9 emps	32%	33%	38%	41%	41%	44%	42%	44%
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%	51%
Low	35%	36%	34%	44%	46%	45%	41%	43%
Average	18%	17%	22%	25%	23%	25%	24%	22%
Worse than average	10%	11%	14%	16%	15%	17%	14%	15%
Agriculture	16%	19%	25%	26%	26%	26%	22%	25%
Manufacturing	19%	22%	24%	32%	25%	29%	28%	28%
Construction	13%	13%	16%	19%	17%	21%	18%	18%
Wholesale/Retail	21%	21%	23%	28%	34%	36%	33%	27%
Hotels & Restaurants	15%	21%	24%	27%	27%	30%	33%	30%
Transport	12%	15%	17%	22%	17%	19%	24%	23%
Property/ Business Services	20%	20%	25%	27%	25%	29%	26%	28%
Health	8%	9%	13%	16%	13%	15%	15%	20%
Other	13%	12%	18%	21%	18%	25%	15%	17%
PNBs	17%	14%	19%	23%	19%	23%	23%	28%
All excl PNBs	16%	18%	21%	25%	24%	27%	22%	21%
Using external finance	18%	20%	23%	27%	27%	31%	23%	21%
Not using finance	14%	14%	19%	22%	19%	22%	22%	26%

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 YEQ4 2019, 8 in 10 SMEs with such credit balances (82%) agreed that it did, with the largest SMEs slightly less likely to agree (73% for those with 50-249 employees).

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, increasing by size of SME:

Impact of £10k+ of credit balances		0	1-9	10-49	50-249
YEQ4 2019 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	18,000	3600	5800	5800	2800
£10k+ reduces need for external finance	11%	8%	20%	27%	38%
£10k+ does not reduce need for finance	2%	2%	3%	5%	14%
Hold less than £10k of credit balances	43%	50%	27%	8%	2%
No credit balances/DK/Refused	43%	41%	50%	60%	46%

Q118x (244x) All SMEs

Those currently using external finance were no more likely to say that it reduced their need for further finance than those not currently using finance (both 11%).

Both those SMEs with £10,000 or more of credit balances and those using trade credit were asked (separately) 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 (82% YEQ4 2019) than having access to trade credit (70% – of a different group of SMEs).
- Overall, 34% of SMEs YEQ4 2019 said that their need for finance was reduced either through credit balances or trade credit, increasing by size of SME (28% for 0 employee SMEs, 49% for those with 1-9 employees, 63% for those with 10-49 employees and 68% 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) and was in line in 2019 at 34%.

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 (49% for 2019):

Use of finance over time								
Over time								
All with £10k+ in credit balances	2012	2013	2014	2015	2016	2017	2018	2019
<i>Unweighted base:</i>	6296	6319	5926	6376	5228	5804	5046	5243
Use any external finance	51%	52%	44%	44%	46%	49%	44%	49%
• <i>Use core finance</i>	41%	40%	32%	35%	36%	38%	37%	41%
Do not use finance	49%	48%	56%	56%	54%	51%	56%	51%

In 2019, 51% of SMEs with £10,000 or more of credit balances did not use any external finance, back in line with 2012-13 and 2017.

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 2019 the proportion was 5 in 10. This metric provides a guide for how much ‘cover’ an SME might have, if there were to be an issue with sales or getting paid.

As the table below shows, on average SMEs held credit balances that were the equivalent of 24% of their turnover (ie 3 months ‘cover’). 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 53% in 2019:

% credit balances to turnover				
Over time – all SMEs	2016	2017	2018	2019
<i>Unweighted base:</i>	9725	9795	8161	7706
<5%	20%	25%	23%	22%
5-10%	21%	21%	26%	31%
11-20%	42%	37%	34%	31%
21-50%	8%	8%	8%	7%
More than 50%	9%	9%	9%	9%
<i>Average percentage held</i>	23%	23%	24%	24%

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

The average proportion of credit balances held does not vary much by size:

- 0 employee SMEs held the equivalent of 24% of their turnover in credit balances
- 1-9 employee SMEs held the equivalent of 24%
- 10-49 employee SMEs held the equivalent of 23%
- 50-249 employee SMEs held the equivalent of 22% 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 24%) as have those with 50-249 employees (19% to 22%):

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

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 52-63% over recent quarters (currently 61% for Q4 2019), while the proportion of SMEs trading internationally has been lower and more stable (currently 15%). 33% reported innovative activity in Q4 2019, back to levels seen in Q4 2018, while a more consistent 1 in 10 had a business mentor and 3 in 10 a qualified person in charge of the finances:

Over time – all SMEs By date of interview	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Unweighted base:	4500	4500	4500	4502	4500	4500	4500	4500	4500
Planning (any)	55%	56%	52%	55%	60%	58%	57%	63%	61%
- Produce regular management accounts	40%	41%	38%	41%	43%	39%	37%	41%	44%
- Have a formal written business plan	32%	29%	26%	28%	32%	31%	32%	34%	32%
International (any)	15%	13%	14%	15%	16%	15%	17%	14%	15%
- Export goods or services	9%	9%	9%	9%	10%	8%	10%	9%	8%
- Import goods or services	10%	9%	10%	10%	12%	11%	12%	10%	11%
Innovation (any)	34%	32%	31%	35%	32%	36%	36%	35%	33%
-New product or service (last 3 yrs)	16%	15%	14%	17%	15%	15%	15%	14%	13%
-Improved aspect of business	29%	28%	26%	30%	28%	30%	31%	30%	29%
Mentors	11%	10%	8%	11%	11%	10%	12%	10%	12%
Have qualified person in charge of finances	26%	25%	26%	24%	26%	25%	25%	27%	30%

Q84/129 (223/251) All SMEs

The table below provides further analysis by key demographics for YEQ4 2019. Larger SMEs and those with a minimal or low risk rating remained more likely to undertake these activities:

Business Formality Further analysis YEQ4 2019

Planning	<p>60% of all SMEs planned, increasing by size of business from 55% of those with 0 employees to almost all, 95%, of those with 50-249 employees.</p> <p>Levels of planning declined by age of business: 77% of Starts planned, declining to 51% of those trading for more than 15 years.</p> <p>Those with a minimal risk rating were somewhat more likely to plan (67%), followed by those with a low (63%) or worse than average (61%) rating. Those with an average risk rating were the least likely to plan (54%).</p> <p>71% of SMEs in the Hotels and Restaurants sector and 69% in the Wholesale/Retail sector planned, compared to 55% of those in Construction and 56% in the Other Community sector. Amongst other sectors 57-65% planned.</p>
International	<p>16% of all SMEs were international, with the smallest SMEs less likely to trade overseas (13% of those with 0 employees, 22% of those with 1-9 employees, 30% of those with 10-49 employees and 31% of those with 50-249 employees).</p> <p>Starts were the least likely to be international (9%), with little variation otherwise by age of SME (16-20%).</p> <p>Those with a minimal or low risk rating were more likely to be international (22% and 18%) compared to 14% of those with an average and 15% of those with a worse than average risk rating.</p> <p>SMEs in Wholesale/Retail (28%) and Manufacturing (24%) remained more likely to be international. SMEs in Construction (5%) remained less likely to be international. Amongst other sectors 9-19% were international.</p>
Innovation	<p>35% of all SMEs had innovated, increasing by size of business from 31% of those with 0 employees to half of those with 10-49 or 50-249 employees (51% and 50%).</p> <p>Starts remained less likely to be innovative (20%), then there was nothing to choose by age of business for those trading between 2 and 15 years (42-43%), but those trading for more than 15 years were less likely to have been innovative (34%).</p> <p>Those with a minimal or low risk rating (both 39%) were slightly more likely to have innovated, compared to 33% with an average or 35% with a worse than average risk rating.</p> <p>SMEs in Wholesale/ Retail (45%) or Hotels and Restaurants (43%) were the most likely to have innovated, with those in Construction (25%) the least likely.</p>

Continued

Continued

Financial specialist	<p>27% of SMEs had a financially qualified person looking after their finances. This became more likely as business size increased: 23% of 0 employee SMEs had a financial specialist compared to 36% of those with 1-9 employees, 53% of those with 10-49 employees and 69% of those with 50-249 employees.</p> <p>There was limited variation by age of business (25% for Starts and then 27-29% for other age bands).</p> <p>35% of those with a minimal and 33% of those with a low risk rating had a financial specialist, compared to 26% of those with an average rating and 25% of those with a worse than average risk rating.</p> <p>Those in Hotels and Restaurants (35%) were the most likely to have a financial specialist, compared to 23% in Construction or Agriculture.</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 9% of those with 0 employees to 14% of those with 1-9 employees, and to around a fifth of larger SMEs (21% 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 or a low risk rating to 9% of those with an average and 10% of those with a worse than average risk rating.</p> <p>With the exception of Starts (7%) and those trading 2-5 years (15%), there was little variation by age of business (10-12%), and relatively little variation by sector (10-14%) with the exception of Construction who were somewhat less likely to have a mentor (7%).</p>

The smallest SMEs remained less likely to undertake any of these activities. For YEQ4 2019, excluding the 0 employee SMEs saw the proportion of SMEs (with employees) who:

- Plan increase from 60% of all SMEs to 73% of those with employees
- Trade internationally increase from 16% to 23%
- Innovate increase from 35% to 45%
- Have a mentor increase from 11% to 16%
- Have a qualified person in charge of the finances increase from 27% to 40%.

Taking a longer term view back to 2012:

- The proportion that planned has varied relatively little over time (54-60%) but is at the highest level to date
- 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 there was no further decline in 2019 (35%)
- A quarter of SMEs have a financial specialist, with little change over time
- The proportion with a business mentor has also been stable:

Business formality elements								
Over time – all SMEs								
By date of interview	2012	2013	2014	2015	2016	2017	2018	2019
Unweighted base:	20,055	20,036	20,055	20,046	18,000	18,012	18,002	18,000
Planning (any)	55%	55%	54%	54%	55%	57%	56%	60%
- Produce regular management accounts	41%	42%	42%	41%	41%	43%	41%	40%
- 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%	11%
Innovation (any)	40%	38%	37%	37%	36%	34%	33%	35%
-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%	30%
Have qualified person in charge of finances	25%	26%	27%	26%	23%	24%	25%	27%
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, around 3 in 10 have been international each year since 2013, with the exception of 2016 (25%)</p> <p>Amongst the largest SMEs with 50-249 employees, 42% were trading internationally in 2012 and 46% in 2013, but the proportion then declined (to 30% in 2016) and has been stable since.</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 2019, this was slightly more likely to be the case for those in Wholesale/Retail (28%), than those in Manufacturing (24%).</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 2019). Meanwhile those trading for 2-5 years have maintained the growth in international trade seen 2012-2014 (17% in 2019). Those trading for 6-9 years have seen some variation in levels of international trade (9-18%) with the 2019 figure the highest seen to date (18%). Those trading for 10-15 years saw a further increase in international trade in 2019 to 20%, while levels of international trade amongst the oldest SMEs have been much more consistent over time (14-18%).</p>

International trade								
All SMEs over time								
By date of interview								
– row percentages	2012	2013	2014	2015	2016	2017	2018	2019
All SMEs	10%	13%	16%	17%	14%	16%	15%	16%
0 emp	8%	10%	13%	15%	12%	14%	13%	13%
1-9 emps	15%	20%	22%	22%	18%	20%	20%	22%
10-49 emps	27%	30%	31%	31%	25%	28%	27%	30%
50-249 emps	42%	46%	42%	37%	30%	31%	29%	31%
Minimal external risk rating	19%	22%	20%	21%	18%	22%	20%	22%
Low	13%	21%	18%	22%	18%	19%	20%	18%
Average	11%	14%	16%	15%	15%	16%	14%	14%
Worse than average	8%	11%	15%	18%	11%	15%	13%	15%
Agriculture	7%	8%	10%	10%	10%	10%	8%	10%
Manufacturing	21%	25%	26%	29%	23%	27%	26%	24%
Construction	3%	5%	6%	6%	5%	5%	5%	5%
Wholesale/Retail	25%	26%	27%	26%	25%	27%	26%	28%
Hotels & Restaurants	3%	7%	10%	9%	6%	7%	8%	9%
Transport	7%	13%	13%	17%	12%	14%	14%	14%
Property/ Business Services	10%	14%	18%	21%	16%	21%	19%	19%
Health	5%	7%	12%	12%	9%	8%	7%	9%
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%	17%
6-9 years	9%	12%	16%	15%	12%	13%	16%	18%
10-15 years	12%	15%	17%	18%	13%	17%	14%	20%
15+ years	14%	15%	16%	18%	16%	17%	16%	16%

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 with no further decline in 2019 (35%):

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%) where there was a further decline in 2019 to 50%. Smaller SMEs with 0 or 1-9 employees less of a decline 2012 to 2018 and something of an improvement in 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 2019 (to 33% and 35%).
Sector	Those in 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 2019. By contrast, since 2012 only around a quarter of SMEs in Construction have been innovative.
Age of business	A third of Starts had been innovative 2012-2017, but by 2019 this proportion had fallen to 20%. Amongst those trading 2-5 years around 4 in 10 have been innovative each year, with a similar picture for those trading 6-9 years (with the exception of 2017 when 30% had been innovative) and those trading 10-15 years (again with one exception in 2018 when 33% had been innovative). Amongst the longest established SMEs a stable 1 in 3 has been innovative.

Innovation								
All SMEs over time								
By date of interview								
– row percentages	2012	2013	2014	2015	2016	2017	2018	2019
All SMEs	40%	38%	37%	37%	36%	34%	33%	35%
0 emp	36%	34%	34%	34%	33%	31%	29%	31%
1-9 emps	49%	47%	47%	45%	44%	42%	40%	43%
10-49 emps	60%	58%	57%	53%	53%	51%	51%	51%
50-249 emps	70%	68%	65%	59%	56%	60%	55%	50%
Minimal external risk rating	47%	41%	40%	40%	42%	40%	39%	39%
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%	30%
Manufacturing	44%	45%	43%	45%	42%	44%	41%	40%
Construction	27%	29%	26%	29%	28%	27%	23%	25%
Wholesale/Retail	45%	41%	45%	43%	43%	42%	40%	45%
Hotels & Restaurants	46%	44%	44%	43%	45%	39%	39%	43%
Transport	36%	34%	29%	34%	35%	31%	28%	30%
Property/ Business Services	42%	41%	43%	38%	39%	35%	35%	36%
Health	51%	43%	38%	37%	34%	30%	32%	34%
Other	45%	38%	41%	42%	37%	36%	37%	41%
Starts	36%	35%	36%	33%	35%	36%	24%	20%
2-5 years	45%	44%	46%	43%	41%	41%	39%	43%
6-9 years	40%	40%	38%	40%	38%	30%	40%	43%
10-15 years	39%	38%	36%	37%	36%	35%	33%	42%
15+ years	37%	32%	33%	35%	35%	31%	32%	34%

Q84 (223) All SMEs

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 YEQ4 2019 were in line, with 7% of all SMEs holding intellectual property or other knowledge assets on their balance sheet, increasing by size from 6% of 0 employee SMEs and 10% of those with 1-9 employees, to 14% of those with 10-49 employees and 21% of those with 50-249 employees.

Those in the Property/Business Services sector (11%) or in Manufacturing (10%) 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 (17%), predominantly from the EU (15%). 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 YEQ4 19	Total	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	14,400	5800	5800	2800
Employ any overseas staff:	17%	13%	33%	45%
• Employ staff from EU	15%	11%	30%	44%
• Employ other overseas staff	5%	4%	11%	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 (53%) were concerned, the equivalent of 9% of all SMEs with employees. The largest SMEs were slightly more likely to be concerned, such that the equivalent of 25% of all SMEs with 50-249 employees were concerned about potential changes:

Concern re changes to migration rules

All SMEs with overseas employees YEQ4 19	Total	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	3556	665	1713	1178
Very concerned	26%	30%	20%	21%
Fairly concerned	27%	27%	27%	33%
Not very concerned	23%	20%	28%	28%
Not at all concerned	23%	23%	25%	18%
Concerned (all employing overseas staff)	53%	57%	47%	54%
Concerned (all SMEs with employees)	9%	7%	15%	25%

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

In a new question from Q3 2019, SMEs with any overseas employees were asked if they were already seeing an impact on the recruitment and retention of overseas staff. For H2 2019 (excluding the don't know answers), 26% said that they were:

- 29% of those with 1-9 employees
- 21% of those with 10-49 employees
- 25% of those with 50-249 employees

Amongst those 'very concerned' about possible changes to migration rules, 61% were already seeing an impact, compared to 21% who were 'fairly concerned' and 10-11% of those who were 'not very' or 'not at all' concerned.

Employers in Health (27%) were the most likely to employ overseas staff, compared to 9% in Agriculture. While the Agriculture sector was less likely to have overseas staff, those that did were more concerned about migration changes, along with those in Wholesale/Retail and Hotels and Restaurants and 3 in 10 of each of these sectors said they were already seeing an impact:

Overseas staff

All SMES with employees

YEQ4 19	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	953	1210	2549	1449	968	1576	2882	1200	1613
Employ any overseas staff:	9%	16%	14%	15%	18%	17%	18%	27%	15%
Employ staff from EU	9%	14%	13%	14%	17%	15%	16%	25%	14%
Employ other overseas staff	1%	4%	4%	4%	6%	5%	7%	9%	5%
Concerned about migration changes (if employ)	64%	47%	45%	60%	59%	49%	51%	57%	55%
Concerned (all with employees)	6%	7%	6%	9%	10%	8%	9%	16%	9%
Already seeing changes (if employ) H219	31%	21%	10%	32%	38%	27%	24%	26%	24%

Q84/87/87a (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 did not vary by type of international trade (54-55%). Those who export, or export and import were more likely to say that they were seeing an impact already on recruitment and retention of overseas staff than those who only import:

Overseas staff

All SMEs with employees YEQ4 19	Total	Export only	Import only	Fully intl	Domestic
Unweighted base:	14,400	756	1382	1274	10,988
Employ any overseas staff:	17%	21%	27%	35%	13%
<i>Employ staff from EU</i>	15%	18%	25%	32%	12%
<i>Employ other overseas staff</i>	5%	10%	9%	14%	4%
Concerned (all employing overseas staff)	53%	54%	55%	55%	52%
Concerned (all SMEs with employees)	9%	11%	14%	18%	7%
Already seeing changes (if employ) H219	26%	34%	21%	31%	25%

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%) with all sizes of SME less likely to have such staff in 2019 compared to H2 2017.

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 2019 and for all but the largest SMEs.

- Compared to H2 2017, those employing overseas staff in Manufacturing and Wholesale/Retail were more concerned in 2019 about potential changes to migration rules and the highest overall levels of concern are in Wholesale/Retail (60%) and Agriculture (64% but down from 70% in 2018)
- Levels of concern have increased for both international and domestic SMEs who have overseas staff with little to choose between them in 2019

Employ overseas staff			
All SMEs with employees over time			
By date of interview – row percentages	H2 2017	2018	2019
All	23%	16%	17%
1-9 emps	18%	12%	13%
10-49 emps	40%	31%	33%
50-249 emps	55%	56%	45%
Agriculture	13%	11%	9%
Manufacturing	28%	18%	16%
Construction	20%	12%	14%
Wholesale/Retail	20%	15%	15%
Hotels & Restaurants	25%	21%	18%
Transport	23%	15%	17%
Property/ Business Services	23%	16%	18%
Health	26%	21%	27%
Other	23%	15%	15%
Export only	34%	22%	21%
Import only	32%	24%	27%
Fully international	48%	32%	35%
Domestic	18%	13%	13%

Q84 (223) All SMEs with employees

Concern re migration changes			
All SMEs with overseas staff			
over time			
By date of interview – row percentages	H2	2018	2019
	2017		
All	42%	51%	53%
1-9 emps	40%	50%	57%
10-49 emps	42%	49%	47%
50-249 emps	64%	69%	54%
Agriculture	59%	70%	64%
Manufacturing	27%	46%	47%
Construction	32%	44%	45%
Wholesale/Retail	40%	45%	60%
Hotels & Restaurants	54%	55%	59%
Transport	48%	57%	49%
Property/ Business Services	44%	49%	51%
Health	61%	54%	57%
Other	32%	57%	55%
Export only	49%	56%	54%
Import only	47%	58%	55%
Fully international	42%	45%	55%
Domestic	41%	50%	52%

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 2019).

- This increase was driven by the smaller SMEs. Amongst those with 0 employees, 5% were exporting in 2012, compared to 7% currently and amongst those with 1-9 employees the increase was from 9% in 2012 to 12% currently.
- Exporting amongst those with 10-49 employees was stable 2012 to 2015 at around 1 in 5 (21-22%) and has been stable at a slightly lower level since (17-19%). The largest SMEs saw a decline in exporting 2012 to 2016 (34% to 20%) but no change since (21% in 2019)
- The Manufacturing sector 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 2019).
- The proportion of Starts that exported was 4% in 2012, increasing to 8% in 2014 and then little changed (7-8%) until 2018 (6%) and 2019 (3%). Amongst those trading 2-5 years there was a similar initial increase (5% in 2012 to 11% in 2015) and then little change (9% in 2019). Amongst older SMEs around 1 in 10 have exported each year.

In Q2-Q4 2019 an additional question has been asked to clarify whether SMEs are exporting or not:

Can I just check about any export activity, by which I mean any goods or services sold by you to an individual or organisation based outside of the UK. This includes commissions, royalties and licences, and transactions you might make with any branch or subsidiary that you have that is located outside of the UK. This also includes sales to the Republic of Ireland. On that basis, in the past 3 years has your business exported any goods or services outside of the UK?

- Overall, 8% of SMEs answered yes to this question, increasing by size of SME from 6% of those with 0 employees to 10% of those with 1-9 employees, 17% of those with 10-49 employees and 20% of those with 50-249 employees.
- Analysis showed that most but not all who answered yes to this new question had answered yes to the standard exporter question used since SMEFM started, and vice versa. For the period this question has been asked, adding in this question has increased the total proportion of SMEs claiming to export only slightly from 9% with the original question to 11% across both exporting questions.
- It had the biggest impact on those with 10-49 employees (19% to 23%) and no impact at all on those with 50-249 employees (22% in both cases).
- In order to maintain continuity any SMEs who only answered yes to the new question were not asked the additional exporter questions in this section and do not appear in any of this analysis.

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

Q84 (223) All SMEs

Turning now to different aspects of exporting, 7 in 10 of these exporters (71%) reported that less than a quarter of their total sales came from overseas, with relatively little variation by size in terms of the average proportion exported (24-26%):

Percentage of turnover as sales overseas

All SMEs who export YEQ4 19	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	2097	211	561	908	417
Less than 25% of sales made overseas	71%	73%	68%	66%	60%
25-50%	11%	9%	14%	18%	25%
51-75%	10%	10%	10%	10%	10%
76-100% of sales overseas	8%	8%	8%	6%	6%
Average proportion	24%	24%	25%	25%	26%

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 also been asked about the extent to which they were selling to the EU. The figures for YEQ4 2019 show that most exporters traded to some extent with the EU (79%), with around a quarter of exporters (29%) 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 YEQ4 19	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	2258	228	608	974	448
Only to the EU	12%	13%	11%	8%	7%
The majority to the EU	17%	16%	18%	21%	22%
Half to the EU	14%	15%	11%	15%	23%
A minority to the EU	37%	34%	40%	43%	41%
None to the EU	21%	22%	21%	13%	8%
Only/the majority	29%	29%	29%	29%	29%

Q86 (223b) All SMEs who export

The EU was the sole/majority source of sales for 35% of those who achieved more than half of their turnover through exports, and 28% of those where less than half of their turnover came from exports.

Analysis by sector showed that those in Manufacturing were the most likely to export at all, followed by those in Wholesale/Retail or Property/Business Services. Those in Transport or Health were less likely to export at all, but where they did they were more likely to be a 'heavy exporter', while those in Construction (also less likely to export at all) were the most likely to make most of their sales to the EU:

Exporting

All SMEs / Exporters YEQ4 19	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Export	4%	16%	2%	13%	3%	9%	13%	2%	9%
Exporters; 50%+ sales	22%	10%	18%	13%	8%	32%	17%	36%	18%
Exporters; All/majority to EU	30%	29%	46%	33%	29%	34%	24%	4%	29%

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

Analysis over time shows that since 2016 around 1 in 5 exporters have made more than 50% of all their sales overseas (18% in 2019):

50%+ sales made overseas								
Over time – all exporters								
Row percentages	2013	2014	2015	2016	2017	2018	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%	16%	
50-249 employees	20%	18%	19%	17%	21%	20%	16%	

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 29% in 2019, due to more of the 0 employee exporters trading exclusively/mostly with the EU:

All/majority sales to EU				
Over time – all exporters	H2			
Row percentages	2016	2017	2018	2019
All exporters	22%	25%	28%	29%
0 employee	17%	25%	31%	29%
1-9 employees	33%	28%	23%	29%
10-49 employees	24%	24%	23%	29%
50-249 employees	35%	21%	16%	29%
<50% of sales exported	23%	23%	28%	28%
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 (81% overall) with this percentage declining by size of SME, while just over half sold to other businesses (55%), a proportion that increases by size of SME:

Customer types

All SMEs YEQ4 19	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	18,000	3600	5800	5800	2800
Other businesses only	18%	17%	21%	30%	33%
Consumers only	44%	47%	38%	26%	21%
Both businesses and consumers	37%	36%	41%	44%	47%
All selling to businesses	55%	53%	62%	74%	80%
All selling to consumers	81%	83%	79%	70%	68%

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):

Customer types

All SMEs YEQ4 19	Total	Export only	Import only	Import and export	Domestic
Unweighted base:	18,000	881	1593	1377	14,149
Other businesses only	18%	45%	16%	37%	16%
Consumers only	44%	16%	42%	15%	47%
Both businesses and consumers	37%	39%	41%	48%	36%
All selling to businesses	55%	84%	57%	85%	52%
All selling to consumers	81%	55%	83%	63%	83%

Q13a (NEW) All SMEs

There were some clear differences by sector, with the proportion selling to businesses varying from 28% in the Health sector and 32% for 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%) and Agriculture (74%):

Customer types

All SMEs YEQ4 19	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	1200	1500	3200	1800	1200	2000	3600	1500	2000
Other businesses only	26%	17%	10%	11%	4%	21%	31%	10%	15%
Consumers only	41%	36%	50%	51%	68%	37%	30%	72%	51%
Both businesses and consumers	33%	47%	41%	37%	28%	41%	39%	18%	34%
All selling to businesses	59%	64%	51%	48%	32%	62%	70%	28%	49%
All selling to consumers	74%	83%	91%	88%	96%	78%	69%	90%	85%

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 YEQ4 2019 are shown below. A quarter of SMEs selling to other businesses had more than 50 customers, increasing by size of SME:

Customer types

All SMEs that sell to other businesses YEQ4 19	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	11,926	1792	3589	4319	2226
1-5 customers	19%	23%	12%	3%	1%
6-10 customers	17%	19%	15%	7%	5%
11-25 customers	23%	24%	20%	17%	15%
26-50 customers	15%	14%	17%	19%	22%
51-100 customers	11%	10%	13%	15%	20%
100+ customers	14%	9%	24%	38%	37%
All selling to 50+ customers	25%	19%	37%	53%	57%

Q13b (NEW) All SMEs

Analysis by sector showed that SMEs in Hotels & Restaurants (44%) and Wholesale/Retail (42%) were the most likely to have 50 or more business customers, followed by those in Manufacturing (34%). The least likely to have 50 or more business customers were the Health sector (11%) and Agriculture (13%). Amongst other sectors 22-25% had 50+ customers.

Analysis by customer type showed that those selling to both consumers and businesses were more likely to report having more than 50 business customers (29%) than those selling to businesses only (18%):

All SMEs that sell to other businesses YEQ4 19	Total	Business only	Business and consumer
Unweighted base:	11,926	4466	7460
1-5 customers	19%	25%	17%
6-10 customers	17%	20%	16%
11-25 customers	23%	22%	23%
26-50 customers	15%	15%	15%
51-100 customers	11%	9%	12%
100+ customers	14%	9%	17%
All selling to 50+ customers	25%	18%	29%

Q13b (NEW) All SMEs

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

- Amongst those selling to businesses only, 15% of those with 0-9 employees had more than 50 customers compared to 50% of those with 10-249 employees.
- For those selling to businesses and consumers, 27% of those with 0-9 employees had more than 50 customers compared to 57% 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.

In 2019 a quarter of SMEs (26%) said that this was the case (excluding DK answers) in line with previous years.

Business Groups	Further analysis YEQ4 2019
By size of SME	<p>Membership was more likely amongst the largest SMEs:</p> <ul style="list-style-type: none"> • 25% of 0 employee businesses belonged to a business group/body • 28% of 1-9 employee businesses • 30% of 10-49 employee businesses • 34% of 50-249 employee businesses.
By external risk rating	Those with a worse than average risk rating remained somewhat less likely to belong to a business group (23%), with no difference otherwise by risk rating (all 27%)
By sector	Those in the Health sector remained more likely to belong to a business group (40%) while those in Manufacturing or Hotels & Restaurants (both 19%) were less likely.
PNBs and those using external finance	<p>Those currently using external finance were no more likely to belong to such groups (26%) than those that did not use external finance (25%).</p> <p>There was also no difference by whether the SME met the definition of a Permanent non-borrower or not (both 26%).</p>
Other demographics	There was some variation by age of business. 20% of Starts and 21% of those trading for 2-5 years belonged to a business group, compared to 27% of those trading for 6 to 9 years, 32% of those trading 10-15 years and 28% of SMEs trading for more than 15 years.

Q143 (Q265c) All SMEs excl DK

BUSINESS OWNERSHIP

71% of *companies* had one owner, declining by size from 91% of 0 employee companies to 42% of those with 10-49 employees and 44% of those with 50-249 employees. This means that of *all* SMEs, 85% 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 YEQ4 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.
- 11% reported that the owner currently ran another business as well (9% amongst 0 employee SMEs increasing to 25% amongst those with 50-249 employees).
- 4% reported that the owner had set up and run a business before (with little variation by size, 4-5%).
- 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 YEQ4 2019, 67% 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 2019, 99% of SMEs reported that they only used one bank for their business banking, with little difference by size:

Use one business bank								
Over time – all SMEs								
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 YEQ4 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
YEQ4 19 all SMEs	Total	emps	emps	emps	emps
<i>Unweighted base</i>	18,000	3600	5800	5800	2800
We have a strong working relationship with our bank and feel we can approach them whenever we need to	23%	20%	27%	46%	50%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	66%	69%	62%	46%	44%
We don't have an active working relationship with our bank and wish that we had one	11%	12%	11%	8%	6%

Q24a All SMEs

There were clear differences by size of SME:

- Those with 0 employees were more likely to describe their relationship as 'transactional' (69%) 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 (50%) compared to 44% who have a transactional relationship and 6% who wish for a more active relationship.

Differences were also seen by other demographics

- Excluding the Permanent non-borrowers did not change the proportion with a 'strong relationship' (to 23% v 22% of PNBs), nor was there much difference in terms of wanting a more active relationship (12% v 11% of PNBs).
- With the exception of Starts (where 16% had such a relationship) around a quarter of SMEs of all ages had a 'strong relationship' (21-26%) There was little variation in the proportion wanting a more active relationship (11-12%) with the exception of those trading for 6-9 years (7%).
- The proportion describing the relationship as 'strong' declined from 33% of those with a minimal risk rating and 29% of those with a low risk rating to a fifth of those with an average (20%) or a worse than average (21%) risk rating. There was no variation in the proportion wanting a more active relationship (all 11%).
- 29% of SMEs in Agriculture and 28% in the Wholesale/Retail sector had a 'strong' relationship compared to 20-25% in other sectors. There was relatively little variation by sector in the proportion wanting a more active relationship, ranging for 9% in Agriculture to 13% in Construction and Health.

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 (14%). 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%):

Nature of relationship with main bank		Had an event	WBS	HNS
YEQ4 19 all SMEs	Total			
<i>Unweighted base</i>	18,000	3250	190	14,507
We have a strong working relationship with our bank and feel we can approach them whenever we need to	23%	26%	14%	22%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	66%	62%	61%	67%
We don't have an active working relationship with our bank and wish that we had one	11%	12%	25%	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 11% for 2019. Smaller SMEs remained more likely to want a more active relationship:

Wish had more active relationship with bank				
Over time				
By date of interview – row percentages	2016	2017	2018	2019
All SMEs	12%	14%	15%	11%
0 emp	13%	15%	15%	12%
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%	11%
Low	10%	13%	12%	11%
Average	12%	14%	15%	11%
Worse than average	13%	16%	16%	11%
Use external finance	12%	14%	12%	10%
Have had borrowing event	13%	14%	12%	12%
Plan to apply for finance	17%	19%	19%	14%
PNBs	12%	13%	14%	11%
All excl PNBs	13%	15%	15%	12%
Starts	13%	18%	16%	11%
2-5 years	14%	13%	17%	12%
6-9 years	12%	12%	15%	7%
10-15 years	12%	12%	13%	12%
15+ years	12%	14%	14%	12%

Q24a All SMEs

2016 to 2018, those planning to apply for finance were more likely to wish they had a closer relationship with their bank (17-19%) than SMEs generally, but this was slightly less likely in 2019 (14%). Those that had already had a borrowing event were no more likely than SMEs generally to wish that they had a more active relationship (12-14%).

SWITCHING MAIN BANK

A stable minority of SMEs had changed main bank in the past 3 years. For YEQ4 2019, 3% said that they had made a change:

Switching	Further analysis YEQ4 2019
Size of SME	There was little variation by size (4% of those with 0 employees, 2% of those with 1-9 employees, and 3% for those with 10-49 and 50-249 employees).
External risk rating	There was also no variation by risk rating (3-4%).
Age and sector	By age of business 3-4% had switched apart from those trading 6-9 years where 5% had switched. 6% of those in Health and 5% in the Other Community sectors had switched (2-4% for other sectors).
PNBs and finance	There was no variation once the Permanent non-borrowers were excluded (4% v 3% of PNBs), or by whether the SME was using finance (4%) or not (3%).
International trade	SMEs trading internationally were slightly more likely to have switched. 6% of those only importing, 5% of those only exporting and 5% of those both importing and exporting had changed bank.

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 remained more likely to wish they had a more active relationship (22% v 11% 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 (55%) gave a score of 8 to 10 for their level of trust in their own bank. This increased by size of SME from 54% of those with 0 employees to 70% of those with 50-249 employees. Fewer than 1 in 10 SMEs overall (8%) gave a low trust score of 1-4 and this was more likely to be the case for smaller SMEs:

Trust in main bank		0	1-9	10-49	50-249
YEQ4 19 all SMEs	Total	emps	emps	emps	emps
<i>Unweighted base</i>	18,000	3600	5800	5800	2800
High level of trust 8-10	55%	54%	55%	66%	70%
Medium level of trust 5-7	36%	37%	35%	29%	28%
Low level of trust 1-4	8%	8%	9%	5%	2%

Q24b All SMEs

58% of SMEs with employees had a high level of trust in their main bank.

The table overleaf provides further analysis by key demographics over the two years for which this data is available:

- Larger SMEs remained more likely to have a high level of trust in their main bank, 70% of those with 50-249 employees and 66% of those with 10-49 employees, compared to around half of those with 0 or 1-9 employees.
- Levels of trust amongst those that had either had a borrowing event, or planned to apply, improved over the period and in 2019 were back in line with SMEs overall (57% and 55%). The broader group of those using any external finance continued to be slightly less likely to have a high level of trust in their main bank (51% in 2019).
- Those meeting the definition of a Permanent non-borrower remained more likely to have a high level of trust (60% in 2019) compared to those that did not meet the definition (52%).
- Starts were slightly less likely to have a high level of trust in their main bank in 2019 (46%) than in 2018 (50%), and also somewhat less likely to have a high level of trust than older SMEs (56-60%)

High level of trust in main bank (8-10)		
Over time		
By date of interview – row percentages	2018	2019
All SMEs	55%	55%
0 emp	54%	54%
1-9 emps	56%	55%
10-49 emps	63%	66%
50-249 emps	72%	70%
Minimal external risk rating	58%	59%
Low	57%	55%
Average	54%	54%
Worse than average	53%	54%
Starts	50%	46%
2-5 years	58%	56%
6-9 years	52%	60%
10-15 years	56%	60%
More than 15 years	56%	57%
Use external finance	51%	51%
Have had borrowing event	51%	57%
Plan to apply for finance	48%	55%
PNBs	59%	60%
All excl PNBs	50%	52%

Q24b All SMEs

Half as many SMEs had a high level of trust in the banking industry generally (25%) as in their main bank (55%). Trust in the banking industry increased by size of SME from 24% of those with 0 employees to 39% of those with 50-249 employees. Almost as many SMEs overall gave a low trust score of 1-4 (21%) and again this was more likely to be the case for smaller SMEs:

Trust in the banking industry

YEQ4 19 all SMEs	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
<i>Unweighted base</i>	18,000	3600	5800	5800	2800
High level of trust 8-10	25%	24%	25%	35%	39%
Medium level of trust 5-7	55%	55%	55%	53%	57%
Low level of trust 1-4	21%	21%	20%	12%	4%

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 than smaller SMEs, with little change over time.
- 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 (21-23% in 2019).
- Those meeting the definition of a Permanent non-borrower remained more likely to have a high level of trust (28% in 2019) compared to those that did not meet the definition (22%).
- Unlike trust in main bank, there was little variation by age of SME for trust in banking overall (23-25% in 2019)

High level of trust in banking industry (8-10)		
Over time		
By date of interview – row percentages	2018	2019
All SMEs	25%	25%
0 emp	24%	24%
1-9 emps	27%	25%
10-49 emps	33%	35%
50-249 emps	41%	39%
Minimal external risk rating	28%	30%
Low	27%	26%
Average	23%	24%
Worse than average	25%	24%
Starts	24%	23%
2-5 years	26%	24%
6-9 years	25%	25%
10-15 years	24%	24%
More than 15 years	25%	25%
Use external finance	22%	22%
Have had borrowing event	20%	23%
Plan to apply for finance	20%	21%
PNBs	29%	28%
All excl PNBs	21%	22%

Q24c All SMEs

Across the two questions, 23% 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. 57% 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 (80%).
- Those who wished that they had a more active relationship with their bank were less likely to have this high level of trust (31%) and as many had a low level of trust (29%).
- Those who had a ‘fine but transactional’ relationship were somewhere in between, unlikely to have a low level of trust in their main bank (7%), but somewhat more likely than others to have a medium, 5-7 level of trust in their main bank (42%).

Trust in bank/banking industry YEQ4 19 all SMEs	Main bank			Banking Industry		
	Strong	Trans'l	More active	Strong	Trans'l	More active
<i>Unweighted base</i>	6417	9882	1701	6417	9882	1701
High level of trust 8-10	80%	51%	31%	35%	22%	16%
Medium level of trust 5-7	17%	42%	40%	51%	57%	48%
Low level of trust 1-4	3%	7%	29%	14%	20%	36%

Q24a/b/c All SMEs

Whilst those with a strong relationship also gave slightly higher trust scores for the banking industry as a whole (35% 8-10), the differences were not as marked between these groups as they were for trust in the main bank. Around 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 (36%).