

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 2020 (YEQ4 20).

KEY FINDINGS

Growth (and decline): 27% of SMEs (excluding Starts) reported having grown in 2020 as a whole, but with a clear pattern of declining growth during the year: In Q1 and Q2 2020, 35% and 33% of SMEs reported having grown, in line with 2019. By Q3 however, 24% reported having grown and by Q4 it was 16%, the lowest level recorded to date, with lower levels of growth seen across all demographics.

Alongside this, the proportion reporting a decline rather than growth increased from 21-22% in Q1 and Q2 to 46% in Q3 and 61% in Q4. For 2020 as a whole, 37% reported a decline, up from 19% in 2019 and well above the previous highest annual figure recorded on the Monitor (21% in 2012). The sectors hardest hit by the pandemic were more likely to report a decline (52% for the Hotel & Restaurant sector and 47% for Transport).

Business management: Over the course of 2020 a steadily increasing proportion of SMEs said that they had been innovative (from 38% in Q1 to 46% in Q4) as more SMEs said that they had launched a new product or service and/or improved an aspect of their business. Overall 42% had been innovative in 2020 as a whole, up from 35% in 2019, an increase seen across all size bands and sectors. The Hotel & Restaurant sector, having struggled with the effects of the pandemic in 2020, were more likely than their peers to have been innovative (50%).

After a period of stability, the proportion of SMEs with a mentor increased from 11% in 2019 to 15% in 2020.

Typically 6 in 10 SMEs have planned, whether a business plan and/or management accounts. In Q1 and Q2 the proportion was lower (53% and 45%) due to fewer having a business plan, with a slight increase in Q3 and Q4 (both 56%).

The proportion of SMEs trading internationally was stable year on year (16% for 2020).

Credit balances: Most SMEs held some credit balances. The proportion holding £10,000 or more increased to 28% in 2020 from 23% in 2018-19, the average balance held was also slightly higher at £42k (from £38k), and these credit balances represented on average 26% of an SME's turnover. Smaller SMEs were more likely to have seen an increase in balances held: in 2019, 16% of 0 employees SMEs held £10,000 or more, increasing to 21% in 2020 and for those with 1-9 employees the increase was from 44% to 50%. The majority of the largest SMEs continued to hold such sums (79% of those with 10-49 employees and 90% of those with 50-249 employees). 9 in 10 (88%) of those holding £10,000 or more said that it reduced their need for external finance.

Bank relationship: Half of SMEs (54%) had a high level of trust in their bank, increasing by size of SME (54% with 0 employees to 69% with 50-249 employees) and this has changed little over recent years (54-55% since 2018). Trust in the banking industry as a whole remained lower (27% had a high level of trust) and also stable over time (25-27% since 2018).

A fifth of SMEs (20%) in 2020 described having a 'strong working relationship' with their bank, increasing by size of SME from 17% of those with 0 employees to 55% of those with 50-249 employees. At the other end of the scale, 15% wished they had a more active relationship with their bank, and this was more common amongst the smaller SMEs (15% with 0 employees and 13% with 1-9 employees compared to 8% with 10-49 employees and 4% with 50-249 employees). The proportion wishing for a more active relationship has been fairly stable over time (11-15% since 2016).

Profitability: 8 in 10 SMEs (79%) reported making a profit in 2020, but was lower in Q4 (70%) as the impact of the pandemic was felt. Where made, the median profit was in line with previous years. An increasing proportion of SMEs of all sizes said that improving their profit margins was a key priority (52%, up from 39% in 2019).

Risk rating: The profile of risk ratings was little changed in 2020 compared to 2019, with 47% of SMEs having a worse than average risk rating (44% in 2019), ranging from 53% of those with 0 employees to 3% of those with 50-249 employees.

This chapter presents an overview of the characteristics of SMEs in the UK. Unless otherwise stated, figures are based on the 17,768 interviews conducted in the year ending Q4 2020 (that is the four quarters of 2020). SMEs have faced a range of trading challenges since the SME Finance Monitor started in 2011, as economic performance varied, General Elections and the Brexit referendum were held and the UK left the EU, but perhaps nothing quite as all-encompassing as the Covid-19 pandemic which has seen a series of lockdowns and other restrictions across the UK and the wider world. Analysis of this data over time provides an indication of how SMEs have managed as conditions have changed.

PROFITABILITY

In Q4 2020, almost 6 in 10 SMEs (56%) reported making a profit in their most recent 12 month trading period, lower than the more commonly seen 7 in 10. The proportion unable or unwilling to give an answer has varied over time, and in the second half of 2020 was somewhat higher than is typically seen. Once these answers had been excluded, 7 in 10 SMEs in Q4 2020 reported making a profit which again was markedly lower than the 8 in 10 typically reported:

Business performance last 12 months									
Over time	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2018	2019	2019	2019	2019	2020	2020	2020	2020
Unweighted base:	4500	4500	4500	4500	4500	4505	4511	4500	4252
Made a profit	69%	72%	72%	72%	74%	73%	69%	62%	56%
Broke even	11%	7%	10%	10%	7%	7%	5%	6%	7%
Made a loss	8%	7%	8%	9%	7%	8%	9%	11%	16%
DK/refused	12%	14%	11%	10%	11%	12%	17%	21%	21%
Median profit made	£9k	£8k	£8k	£9k	£9k	£10k	£11k	£11k	£12k
Made profit (excl DK)	78%	84%	80%	79%	84%	83%	83%	79%	70%

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 2020, 65% of all SMEs had been profitable (79% once the DK answers were excluded, broadly in line with the 82% recorded for YEQ4 2019), increasing somewhat by size of SME as the table below shows. The median profit, where made, was £11k, and the median loss £3k. Both have been fairly stable over time (£9k and £2k in 2019) and increase by size of SME:

Business performance last 12 months		0	1-9	10-49	50-249
YEQ4 20 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	17,768	3567	5838	5611	2752
Made a profit	65%	64%	67%	70%	67%
Broke even	6%	7%	5%	4%	3%
Made a loss	11%	11%	10%	9%	9%
DK/refused	18%	18%	17%	18%	21%
Made profit (excl DK)	79%	78%	81%	85%	85%
Median profit made*	£11k	£9k	£22k	£67k	£250k
Median loss made*	£3k	£2k	£9k	£30k	£60k

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

Amongst SMEs with employees, 82% reported making a profit YEQ4 2020 (excluding the DK and refused answers), unchanged from YEQ4 2019 (83%).

Looking back over recent quarters, there had been limited variability in overall levels of profitability until Q4 2020 as the impact of the pandemic made itself felt in annual results. Larger SMEs have consistently been somewhat more likely to be profitable than smaller ones, and this remained true in 2020 as the table below shows, albeit in Q4 2020 all sizes of SME saw a decline in the proportion making a profit:

Made a profit in last 12 months

Over time									
Row percentages	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2018	2019	2019	2019	2019	2020	2020	2020	2020
All SMEs	78%	84%	80%	79%	84%	83%	83%	79%	70%
0 employee	76%	84%	79%	78%	84%	83%	83%	77%	69%
1-9 employees	83%	82%	83%	82%	80%	82%	85%	83%	74%
10-49 employees	86%	87%	86%	86%	87%	87%	88%	86%	78%
50-249 employees	84%	92%	84%	88%	83%	86%	88%	86%	79%

Q115 (241) All SMEs excluding DK

Around 8 in 10 SMEs in each sector reported a profit YEQ4 2020 (once the DK answers were excluded), with the exception of the Hotel and Restaurant (72%) and Other Community sectors (73%):

Business performance last 12 months

YEQ4 20 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop / Bus	Hlth SWrk	Other Comm
Unweighted base:	972	1341	2525	1485	999	1601	3082	1050	1575
Made a profit	64%	70%	65%	60%	58%	65%	70%	64%	60%
Broke even	5%	8%	7%	6%	7%	7%	5%	4%	7%
Made a loss	14%	9%	8%	11%	15%	13%	10%	11%	15%
DK/refused	16%	13%	20%	23%	20%	16%	15%	20%	17%
Made profit (excl DK)	77%	81%	80%	78%	72%	77%	83%	80%	73%
Median profit made*	£10k	£10k	£11k	£13k	£12k	£10k	£12k	£9k	£10k
Median loss made*	£4k	£7k	£5k	£9k	£8k	£3k	£2k	£2k	£2k

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

Median profits reported for YEQ4 2020 varied somewhat by sector (£9-13k compared to £6-10k in 2019). Reported median losses for YEQ4 2020 were £3k overall, with more variation than previously seen (£2-9k).

The table below takes a longer-term view of profitability (shown from 2013 and also excluding DK/refused answers) by key demographics. This shows that an increasing proportion of SMEs reported making a profit between 2013 (70%) and 2017 (82%). Since then the figure has remained around 8 in 10 (78-82%), driven by the performance of the 0 employee SMEs.

Compared to 2013, all sizes of SME had become more likely to report making a profit, notably those with 0 employees (67% in 2012 to 81% in 2019 and 78% in 2020) although the largest SMEs remained the most likely to be profitable, as did those with a better external risk rating.

Over recent years a consistent proportion of SMEs in most sectors reported making a profit, with those in Manufacturing and Property/Business Services often the most likely to do so. In half of the last 8 years, including 2020, Permanent non-borrowers have been slightly more likely to make a profit than those that did not meet the definition, while in the other years there was little to choose between the two groups.

Made a profit in last 12 months								
Over time (excl DK)								
By date of interview – row percentages	2013	2014	2015	2016	2017	2018	2019	2020
All SMEs	70%	77%	80%	80%	82%	78%	82%	79%
0 emp	69%	75%	79%	79%	81%	77%	81%	78%
1-9 emps	75%	81%	82%	83%	84%	82%	82%	81%
10-49 emps	81%	86%	87%	88%	88%	87%	87%	85%
50-249 emps	84%	88%	90%	89%	87%	86%	87%	85%
Minimal external risk rating	83%	84%	84%	86%	88%	85%	85%	86%
Low	84%	82%	87%	86%	90%	84%	88%	87%
Average	73%	80%	82%	82%	84%	79%	83%	80%
Worse than average	65%	72%	76%	77%	78%	75%	78%	74%
Agriculture	73%	79%	78%	77%	81%	75%	81%	77%
Manufacturing	74%	80%	81%	81%	83%	81%	81%	81%
Construction	68%	78%	80%	81%	86%	79%	85%	80%
Wholesale/Retail	70%	74%	79%	82%	79%	75%	76%	78%
Hotels & Restaurants	65%	73%	75%	79%	78%	75%	74%	72%
Transport	66%	76%	78%	78%	77%	77%	80%	77%
Property/ Business Services	73%	80%	81%	81%	84%	80%	84%	83%
Health	69%	76%	78%	77%	83%	80%	86%	80%
Other	73%	67%	83%	79%	79%	78%	78%	73%
PNBs	73%	80%	82%	80%	83%	79%	83%	83%
All excl PNBs	69%	74%	78%	80%	82%	77%	81%	76%

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 2020, 52% said that it was, up from 39% of all SMEs YEQ4 2019:

Profit margins	Further analysis YEQ4 20
Size of SME	<p>SMEs with 10-49 or 50-249 employees were the most likely to say improving profit margins was a priority, compared to 0 employee SMEs in particular but all size bands had seen an increase since 2019:</p> <ul style="list-style-type: none"> • 49% of SMEs with 0 employees said it was a priority • 60% of SMEs with 1-9 employees • 69% of SMEs with 10-49 employees • 66% of SMEs with 50-249 employees said it was a priority. <p>62% of SMEs with employees said that improving profit margins was a key priority, up from 48% in 2019.</p>
Risk rating	<p>There was relatively little difference by risk rating in the proportion saying it was a priority (54-58%) with the exception of those with an average risk rating (48%).</p>
Age of business	<p>6 in 10 Starts (59% and up from 35% in 2019) said this was a priority, as did 56% of those trading for 2-5 years (up from 47% in 2019). The proportion then declined by age to 48% of those trading for more than 15 years (albeit still an increase on the 35% saying it was a priority in 2019).</p>
Sector	<p>Those in Wholesale/Retail (60%) were somewhat more likely to say it was a priority, while those in Health were the least likely (45%).</p>
PNBs, use of finance and growth	<p>Excluding the Permanent non-borrowers increased the proportion saying it was a priority to 57% (compared to 45% of PNBs).</p> <p>Those using finance (58%), and notably those planning to grow in the next 12 months (62%), said it was a priority, compared to 48% of those not using finance and 46% not planning to grow. All were more likely to say it was a priority than in 2019.</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 (50%) than those who had made a loss (55%). It was a lower priority for those who had broken even (45%):</p> <ul style="list-style-type: none"> • Analysis by size of SME showed improving profit margins was slightly more of a priority amongst 0 employee SMEs if they had made a loss (52%) rather than a profit (47%) and this was also true for those those with 1-9 employees (63% v 59% if made a profit) • Larger SMEs saw very little difference by whether they had made a profit or not (71% v 69% if made a profit for 10-49 employees and 65% v 64% if made a profit for those bwith 50-249 employees) • In all size bands, those who had broken even were less likely to say it was a priority.

The proportion of all SMEs saying improving their profit margin was a priority increased during 2020 from 42% in Q1 to 58% in Q4. The table below shows analysis over time on an annual basis with an increase both overall (30% in 2018 to 52% in 2020) and across all size bands:

Improving profit margins a priority

Over time

Row percentages

By date of interview

	2018	2019	2020
All SMEs	30%	39%	52%
0 employee	28%	36%	49%
1-9 employees	34%	47%	60%
10-49 employees	40%	53%	69%
50-249 employees	51%	42%	66%

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 (part of the definition for scaleup growth and reported on later in this chapter).

The proportion of SMEs (excluding Starts) reporting that they had grown at all in the previous 12 months has typically been around 4 in 10. In 2020 the proportion reporting growth initially held up (35% in Q1 and 33% in Q2) but declined more markedly in Q3 (24%) and Q4 (16%) as the impact of the pandemic was felt:

Growth achieved in last 12 months									
All SMEs excluding Starts By date of interview	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Unweighted base:	3846	3882	3953	3951	3935	3945	3935	3984	3921
Grown by more than 40%	2%	2%	2%	2%	2%	2%	2%	2%	1%
Grown by 20-40%	10%	9%	10%	8%	9%	9%	7%	7%	5%
Grown but by < 20%	25%	22%	28%	29%	25%	24%	24%	16%	10%
Grown	37%	33%	40%	39%	36%	35%	33%	24%	16%
Stayed the same	45%	45%	42%	44%	46%	45%	44%	29%	23%
Declined	19%	22%	18%	17%	18%	21%	22%	46%	61%

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 had previously increased from around 1 in 10 in 2017 to around 1 in 5 in 2019, back to levels seen in 2013. During the second half of 2020, the proportion increased more markedly, to 61% in Q4 2020.

Using the new extended question, 27% of all SMEs (excluding Starts) had grown YEQ4 2020:

Growth achieved in last 12 months		0	1-9	10-49	50-249
YEQ4 20 – all SMEs (excluding Starts)	Total	emp	emps	emps	emps
Unweighted base:	15,785	2781	5031	5356	2617
Grown by more than 40%	2%	2%	2%	2%	1%
Grown by 20-40%	7%	6%	9%	9%	8%
Grown by less than 20%	18%	17%	21%	27%	28%
Grown (any)	27%	25%	32%	38%	37%
Stayed the same size	35%	36%	34%	34%	35%
Declined	37%	39%	34%	28%	28%

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

Small proportions of SMEs of all sizes achieved growth of either 40% or more (1-2%) or of 20-40% (6-9%).

There was more variation by size in the proportion of those growing by up to 20% (17-28%) but this was less than previously seen and hence there was less variation amongst SMEs for growth overall, increasing by size of SME from 25% of those with 0 employees to 37% of those with 50-249 employees. Comparisons to previous years are provided later in this section.

As reported above, 0 employee SMEs remained less likely to have grown, as did older SMEs and those with a poorer risk rating:

Business Growth	Further analysis (excluding Starts) YEQ4 20
Risk rating	<p>There was little to choose between risk ratings for the proportion growing by more than 40% (1-3%) or by 20-40% (6-8%). Overall, the proportion growing by 20% or more ranged from 7% of those with an average risk rating to 11% of those with a worse than average risk rating.</p> <p>Those with a minimal or low risk rating were more likely to have grown at all (both 31%) than those with an average (25%) or worse than average risk rating (27%).</p>
Age of business	<p>Those trading for 2-5 years were the most likely to have grown by 40% or more (6% v 1-2% for other age bands) or by 20-40% (12% v 5-8%) and therefore the most likely to have grown by 20% or more (17% v 6-10% of older SMEs).</p> <p>Overall growth was also higher for younger SMEs: 40% of those trading for 2-5 years had grown, compared to 31% of those trading for 6-9 years, 27% of those trading for 10-15 years and 22% of those trading for more than 15 years.</p>
Sector	<p>The proportion growing by 40% or more varied little by sector (1-2%), while the proportion reporting growth of 20-40% was 6-9% in all sectors except Hotels & Restaurants (3%) and Transport (4%).</p> <p>The most likely to have grown at all were those in Health, Manufacturing and Wholesale/Retail (all 33%) compared to 21% in either the Hotel & Restaurant sector or Transport and 23-30% 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 (30%) compared to Would-be seekers (22%) or Happy non-seekers (27%), but the Would-be seekers were slightly more likely to have grown by 20% or more (13% v 10% who had an event and 8% 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 9%) or to have grown at all (both 27%).</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, slightly fewer reporting growth in 2019 (37%) and then a more marked decline in 2020 (27%). The decline 2019 to 2020 was seen across all size bands, notably those with 50-249 employees (66% to 37%), across all risk ratings, notably those with a worse than average rating (40% to 27%), almost all sectors, notably Hotels & Restaurants (40% to 21%), amongst those who did not meet the definition of a Permanent non-borrower and amongst younger SMEs.

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	2020
All SMEs (excl Starts)	40%	42%	39%	40%	42%	39%	37%	27%
0 emp	38%	39%	36%	37%	39%	35%	33%	25%
1-9 emps	43%	48%	45%	48%	47%	46%	43%	32%
10-49 emps	49%	55%	56%	55%	56%	55%	54%	38%
50-249 emps	54%	61%	57%	55%	59%	65%	66%	37%
Minimal external risk rating	36%	44%	38%	45%	46%	40%	39%	31%
Low	40%	40%	39%	43%	43%	41%	39%	31%
Average	35%	38%	37%	37%	40%	36%	34%	25%
Worse than average	44%	45%	41%	41%	42%	41%	40%	27%
Agriculture	40%	40%	31%	36%	40%	33%	37%	26%
Manufacturing	44%	46%	45%	45%	41%	41%	35%	33%
Construction	35%	37%	35%	36%	41%	34%	34%	23%
Wholesale/Retail	38%	46%	43%	47%	45%	45%	41%	33%
Hotels & Restaurants	37%	43%	45%	44%	45%	42%	40%	21%
Transport	35%	38%	35%	39%	36%	38%	35%	21%
Property/ Business Services	44%	42%	41%	41%	43%	40%	37%	30%
Health	40%	45%	38%	34%	43%	43%	47%	33%
Other	44%	45%	41%	42%	42%	41%	36%	28%
PNBs	38%	40%	37%	39%	40%	37%	34%	27%
All excl PNBs	41%	43%	41%	41%	44%	42%	40%	27%
2-5 years trading	51%	55%	52%	47%	53%	58%	53%	40%
6-9 years	39%	42%	43%	48%	51%	45%	42%	31%
10-15 years	34%	41%	36%	39%	41%	35%	39%	27%
15 years+	31%	33%	34%	34%	34%	31%	29%	22%

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

Analysis by age of business has been added to this table. SMEs trading for 2-5 years remained the most likely to have grown (40%) but like all SMEs trading for up to 15 years, this was a markedly lower level than previously seen. Amongst the oldest SMEs typically 3 in 10 of those trading for more than 15 years had grown in previous years and whilst the 2020 proportion was lower (22%) it was not as marked a decline as for younger SMEs.

In 2020, 37% of SMEs reported a decline in turnover in the previous year, up from 19% reporting such a decline in 2019. Longer term analysis, in the table below, shows that the proportion with a decline fell from 21% in 2012 to 10% in 2016, before starting to increase again and that the 2020 figures are a significant increase, across all size bands:

Reported a decline									
All SMEs excluding Starts over time									
By date of interview	2012	2013	2014	2015	2016	2017	2018	2019	2020
All SMEs (excl Starts)	21%	19%	14%	12%	10%	11%	17%	19%	37%
0 employees	22%	20%	15%	13%	11%	12%	19%	21%	39%
1-9 employees	19%	17%	12%	9%	9%	9%	12%	15%	34%
10-49 employees	14%	14%	8%	7%	6%	7%	8%	10%	28%
50-249 employees	13%	12%	6%	6%	9%	11%	13%	8%	28%

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

Analysis by sector for 2020 showed more declining SMEs in the Hotel & Restaurant (52%) and Transport sectors (47%) and fewer in Agriculture (28%).

SCALEUP GROWTH

In 2020, 9% of SMEs (excluding Starts) reported that they had grown by 20% or more in the previous 12 months, with limited variation by size (8-11%). This proportion was in line with the 9% of SMEs reporting such levels of growth in 2016 and 2017.

Amongst those who reported for YEQ4 2020 that they had grown by 20% or more, half (49%) went on to report that they had also achieved this level of growth for each of the two previous years (this was slightly lower than the 52% reported in 2019).

- This is the equivalent of 4% of SMEs (excluding Starts) reporting having grown by 20% or more for the last 3 years, with little variation by size of SME (4-6%).

From Q1 2018, an additional question has been asked of the remaining SMEs (excluding Starts) that had not achieved scale up growth in the last 3 years. 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.

- 21% of these SMEs said that they had, ranging by size from 18% of such SMEs with 50-249 employees to 25% of those with 10-49 employees.

This means that overall, 23% of SMEs (excluding Starts) had achieved a period of scale up growth, either recently or in in the last 10 years, up slightly from 20% in 2019.

The table below shows the proportion of scaleups, using the new definition, by key demographics for 2018, 2019 and 2020:

- 0 employee SMEs were as likely to have been a scaleup in 2020 (21%) as in 2019 (19%). Those with 1-9 or 10-49 employees were the most likely to have achieved this level of growth in 2020 (27% and 26%) back in line with 2018 after somewhat lower percentages in 2019. The largest SMEs with 50-249 employees were somewhat less likely to meet the definition in 2020 than their peers (19%) but this too was an improvement on 2019.
- An increasing proportion of SMEs with a minimal risk rating met the definition of a scaleup in 2020 (23%) and there is now little to choose by risk rating (20-24%).
- In previous years there has been no difference by whether the business met the definition of a Permanent non-borrower or not, but in 2020 PNBs were somewhat less likely than their peers to have scaled (19% v 25%).
- With the exception of Agriculture (16%) there was also little difference by sector (20-24%).
- There was an increase in 2020 in the proportion of SMES trading for 6-9 years that had scaled (to 29%). Those trading for more than 15 years remained the least likely to have done so (19%).

Achieved scale up growth in last 10 years			
All SMEs over time (excluding Starts)			
By date of interview – row percentages	2018	2019	2020
All SMEs (excl Starts)	20%	20%	23%
0 emp	18%	19%	21%
1-9 emps	25%	23%	27%
10-49 emps	25%	19%	26%
50-249 emps	17%	12%	19%
Minimal external risk rating	18%	16%	23%
Low	20%	20%	23%
Average	19%	20%	20%
Worse than average	20%	21%	24%
Agriculture	15%	16%	16%
Manufacturing	23%	21%	21%
Construction	19%	18%	22%
Wholesale/Retail	21%	20%	24%
Hotels & Restaurants	22%	15%	24%
Transport	20%	21%	24%
Property/ Business Services	21%	23%	23%
Health	13%	12%	20%
Other	18%	19%	24%
PNBs	19%	19%	19%
All excl PNBs	21%	20%	25%
Trading 2-5 years	25%	22%	24%
Trading 6-9 years	19%	20%	29%
Trading 10-15 years	22%	24%	25%
Trading 15 years+	17%	17%	19%

Q81/83x All SMEs excl Starts

Analysis of these Scaleups showed that they remained more likely than their peers to be innovative (57%), international (25%), and ambitious (42% planned to grow). They were also more likely to be using external finance (45%) and less likely to meet the definition of a Permanent non-borrower (34%), and they had slightly more of an appetite for finance looking forward (18%):

Profile of Scaleups

YEQ4 20 – all SMEs excluding Starts	Total	Scaleup	Not scaleup
Unweighted base:	16,164	3834	12330
Have employees	28%	32%	27%
Use external finance	37%	45%	35%
Permanent non-borrower	41%	34%	43%
Innovative	43%	57%	39%
International	17%	25%	15%
Plan to grow	34%	42%	31%
Plan growth activity*	41%	52%	37%
Plan to apply for finance	13%	18%	11%
Future would-be seeker	21%	22%	20%
Future happy non-seeker	66%	60%	68%

Q88 All SMEs trading for 3 years or more *question rested for part of 2020 H2 2020 only

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.

Historically, the predicted and actual growth figures have been close, but unsurprisingly this was not the case when comparing 2019 predictions with 2020 actual growth figures from Q2 2020 onwards. Both larger and smaller SMEs had been unable to achieve the levels of growth expected:

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 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%	34%	42%	33%	67%	50%
Predicted Q1 19/Achieved Q2 20	39%	34%	37%	33%	65%	48%
Predicted Q2 19/Achieved Q3 20	48%	25%	47%	25%	62%	31%
Predicted Q3 19/Achieved Q4 20	46%	16%	45%	16%	71%	22%
Predicted Q4 19/Achieved Q1 21	45%		43%		70%	

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. This question was one of the ones rested Q2 to Q4 2020 to make space for additional Pandemic questions, so the results for Q1 2020 are shown below.

In Q1 2020:

- 24% said that ‘it had developed quite a bit from where it was and/or is doing new things’ (v 25% in 2019).
- 65% said that ‘it was recognisably the same business in terms of size and structure’ (v 65% in 2019).
- 11% said that ‘it had retrenched and is now more focussed on a few core aspects of the business’ (v 11% in 2019).

To provide continuity for future reports, data over time is shown below, with little change since this question was first asked in 2018:

Development in last 3 years (excl Starts) over time			
By date of interview	2018	2019	Q1 2020
<i>Unweighted base:</i>	16,187	16,172	4043
Developed quite a bit	26%	25%	24%
Recognisably the same	63%	64%	65%
Retrenched	10%	11%	11%

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 (88%) and it is commonly used and understood by lenders. It has thus been used in this report for all risk related analysis.

The overall risk profile over recent quarters is shown below. Typically 7% of SMEs had a minimal risk rating and just under half had a worse than average risk rating. In Q4 2020, a slightly lower proportion had a minimal risk rating (5%), while 46% had a worse than average risk rating, back in line with earlier quarters after an increase in Q3 2020 when 56% had such a rating:

External risk rating

All SMEs (where provided) over time

By date of interview	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Unweighted base:	4066	3990	4094	4109	4104	4092	4104	4200	3956
Minimal risk	8%	7%	7%	7%	7%	7%	8%	6%	5%
Low risk	16%	17%	15%	16%	16%	15%	19%	11%	14%
Average risk	34%	36%	32%	32%	32%	32%	34%	27%	35%
Worse than average risk	42%	40%	46%	45%	45%	46%	39%	56%	46%

All SMEs where risk rating provided

Looking over the longer term, the proportion of SMEs with a worse than average risk rating dropped to just below 50% for 2014 and has remained there since. The proportion with a minimal or low external risk rating increased from 16% in 2012 to 25% in 2015 and has been broadly stable since albeit slightly lower in 2020 at 21%:

External risk rating								
(Where provided)								
over time								
By date of interview	2013	2014	2015	2016	2017	2018	2019	2020
Unweighted base:	18,183	18,330	18,301	16,451	16,608	16,598	16,297	16,352
Minimal risk	6%	7%	8%	7%	6%	7%	7%	6%
Low risk	10%	15%	17%	15%	15%	16%	16%	15%
Average risk	29%	32%	29%	29%	33%	30%	33%	32%
Worse than average risk	54%	45%	46%	49%	45%	47%	44%	47%

All SMEs where risk rating provided

The overall YEQ4 2020 ratings are shown below by size of SME and continue to report a better risk profile for larger SMEs. 73% of SMEs with 50-249 employees had a minimal or low risk rating compared to 13% of those with 0 employees:

External risk rating		0	1-9	10-49	50-249
YEQ4 20 – all SMEs where rating provided	Total	emp	emps	emps	emps
Unweighted base:	16,352	3109	5267	5382	2594
Minimal risk	6%	3%	13%	26%	29%
Low risk	15%	10%	24%	41%	44%
Average risk	32%	33%	30%	29%	24%
Worse than average risk	47%	53%	33%	5%	3%

All SMEs where risk rating provided

Amongst SMEs with employees, 44% had a minimal or low external risk rating, 29% an average risk rating and 28% a worse than average risk rating.

SMEs in Agriculture remained more likely than all other sectors to have a minimal or low risk rating (46% YE4 2020 including 27% with a minimal risk rating) while those in the Hotel & Restaurant sector (15%) were the least likely to have such a rating, along with those in Transport and the Other Community sectors (both 17%):

External risk rating

YE4 20	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	1057	1424	2822	1689	1158	1761	3350	1273	1818
Minimal risk	27%	8%	3%	7%	3%	6%	6%	10%	5%
Low risk	19%	14%	13%	20%	12%	11%	13%	25%	12%
Average risk	29%	38%	29%	26%	44%	32%	34%	35%	32%
Worse than average risk	25%	40%	55%	47%	41%	52%	47%	29%	51%
Total Min/Low	46%	22%	16%	27%	15%	17%	19%	35%	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% and was 47% in 2020:

- 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 2020 remained at the lower end of this range (53%).
- 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 (5% and 3% in 2020).
- With the exception of 2015, PNBs have typically been as likely as other SMEs to have a worse than average risk rating. In 2020 46% had a worse than average rating (v 47% if not a PNB).
- The sectors most likely to have a worse than average risk rating were Transport (52%) and Construction (55%) compared to 25% of those in Agriculture.

Worse than average external risk rating								
All SMEs over time								
By date of interview								
– row percentages	2013	2014	2015	2016	2017	2018	2019	2020
All SMEs	54%	45%	46%	49%	45%	47%	44%	47%
0 emp	60%	50%	52%	56%	50%	53%	50%	53%
1-9 emps	43%	37%	34%	35%	37%	36%	33%	33%
10-49 emps	17%	11%	9%	7%	7%	6%	5%	5%
50-249 emps	15%	9%	6%	5%	4%	5%	5%	3%
Agriculture	31%	22%	29%	28%	30%	32%	26%	25%
Manufacturing	48%	40%	39%	38%	39%	42%	40%	40%
Construction	64%	54%	54%	57%	54%	51%	48%	55%
Wholesale/Retail	50%	43%	39%	44%	43%	40%	41%	47%
Hotels & Restaurants	53%	49%	46%	43%	46%	47%	43%	41%
Transport	62%	56%	59%	62%	56%	49%	54%	52%
Property/ Business Services	54%	45%	47%	49%	42%	52%	45%	47%
Health	35%	34%	34%	33%	32%	36%	30%	29%
Other	57%	41%	47%	50%	43%	49%	43%	51%
PNBs	55%	45%	51%	51%	46%	46%	42%	46%
All excl PNBs	54%	46%	42%	47%	45%	48%	45%	47%
Using external finance	50%	43%	39%	44%	43%	46%	45%	43%
Not using finance	57%	46%	50%	52%	47%	48%	43%	49%

All SMEs where risk rating provided

CREDIT BALANCES

Almost all SMEs held some credit balances. YEQ4 2020, 6% did not hold any, and this proportion has changed relatively little over time. The table below shows the credit balances held, noting that from Q2 2020 the wording was changed slightly from balances “usually” held to balances “currently” held. There continued to be clear variation by size of SME, with 8 in 10 of the smallest SMEs holding 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 20 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	8265	1923	2868	2362	1112
None	6%	6%	5%	5%	2%
Less than £5,000	49%	56%	30%	11%	6%
£5,000 to £10,000	17%	18%	15%	6%	3%
£10,000 to £50,000	20%	17%	31%	24%	11%
More than £50,000	9%	4%	19%	55%	79%

Q117 (244) All SMEs excluding DK/refused

Between 2012 and 2015 the average credit balance held increased from £25,000 to £39,000. Apart from a slight ‘dip’ in 2016, it remained stable to 2020 when the mean amount held increased slight to £42,000:

Credit balances held								
Over time – all SMEs	2013	2014	2015	2016	2017	2018	2019	2020
Unweighted base:	14,752	13,039	13,182	10,730	10,950	9494	9641	8265
None	4%	5%	3%	3%	4%	4%	4%	6%
Less than £5,000	64%	58%	55%	57%	51%	55%	55%	49%
£5,000 to £10,000	15%	17%	18%	18%	19%	18%	17%	17%
£10,000 to £50,000	12%	14%	17%	15%	17%	15%	16%	20%
More than £50,000	4%	6%	7%	6%	8%	7%	8%	9%
Average balance held	£24k	£31k	£39k	£30k	£37k	£38k	£38k	£42k

Q117 (244) All SMEs excluding DK/refused

The median value of credit balances held remained at £2,000 for YEQ4 2020. This amount continued to vary by size of SME, and for YEQ4 2020 was:

- £2,000 for 0 employee SMEs
- £7,000 for 1-9 employee SMEs
- £49,000 for 10-49 employee SMEs
- £194,000 for 50-249 employee SMEs

The median value of credit balances continued to vary little by sector (£2-3k).

Previous reports have not shown changes in credit balances on a quarterly basis, but it is relevant this time to report how the balances held have changed during 2020, given the potential impact of the pandemic:

- Over the course of 2020, the proportion of SMEs holding £10,000 or more in credit balances increased from 23% in Q1 to 33% in Q4, the highest level recorded to date on the Monitor.
- All sizes of SME saw an increase to some degree: 0 employee SMEs from 16% in Q1 to 24% in Q4, those with 1-9 employees from 42% to 56%, those with 10-49 employees from 67% to 83% and those with 50-249 employees from 89% to 93%.

The table below shows the proportion of SMEs holding more than £10,000 in credit balances, by key demographics 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 broadly stable to 2019. The 28% recorded for 2020 was the highest seen on the Monitor to date.
- This increase in 2020 was seen across all size bands, but more notably for the smaller SMEs, albeit the larger SMEs remained the most likely to hold such sums.
- Those with a better risk rating were more likely to hold such sums, and with a more marked increase in 2020 (from 51% of those with a minimal risk rating in 2019 to 62% in 2020).
- Those in the Health sector were the least likely sector to hold such sums (19%), but like their peers this proportion has increased over time.
- The proportion of Permanent non-Borrowers holding such sums was stable (28%), with an increase amongst those that do not meet the definition to bring them in line (29%).
- 33% of SMEs using external finance also held £10,000 or more in credit balances, up from 21% in 2019 and the highest proportion seen on the Monitor to date. 25% of SMEs that were not using external finance held £10,000 or more in credit balances in 2020, unchanged from 2019.

Hold £10,000 or more as credit balances								
All SMEs over time (excl DK)								
By date of interview								
– row percentages	2013	2014	2015	2016	2017	2018	2019	2020
All SMEs	17%	20%	24%	22%	25%	23%	23%	28%
0 emp	10%	14%	17%	14%	18%	15%	16%	21%
1-9 emps	33%	38%	41%	41%	44%	42%	44%	50%
10-49 emps	66%	68%	70%	72%	73%	75%	76%	79%
50-249 emps	80%	82%	81%	82%	90%	91%	94%	90%
Minimal external risk rating	51%	44%	43%	42%	48%	49%	51%	62%
Low	36%	34%	44%	46%	45%	41%	43%	52%
Average	17%	22%	25%	23%	25%	24%	22%	28%
Worse than average	11%	14%	16%	15%	17%	14%	15%	20%
Agriculture	19%	25%	26%	26%	26%	22%	25%	30%
Manufacturing	22%	24%	32%	25%	29%	28%	28%	29%
Construction	13%	16%	19%	17%	21%	18%	18%	23%
Wholesale/Retail	21%	23%	28%	34%	36%	33%	27%	35%
Hotels & Restaurants	21%	24%	27%	27%	30%	33%	30%	33%
Transport	15%	17%	22%	17%	19%	24%	23%	26%
Property/ Business Services	20%	25%	27%	25%	29%	26%	28%	34%
Health	9%	13%	16%	13%	15%	15%	20%	19%
Other Community	12%	18%	21%	18%	25%	15%	17%	25%
PNBs	14%	19%	23%	19%	23%	23%	28%	28%
All excl PNBs	18%	21%	25%	24%	27%	22%	21%	29%
Using external finance	20%	23%	27%	27%	31%	23%	21%	33%
Not using finance	14%	19%	22%	19%	22%	22%	26%	25%

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 2020, nearly 9 in 10 SMEs with such credit balances (88% excl DK) agreed that it did, with little variation by size of SME (84-88%).

This was the equivalent of 13% 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 2020 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	17,768	3567	5838	5611	2752
£10k+ reduces need for external finance	13%	9%	20%	27%	30%
£10k+ does not reduce need for finance	2%	1%	3%	5%	5%
Hold less than £10k of credit balances	34%	39%	22%	7%	3%
No credit balances/DK/Refused	51%	50%	55%	60%	62%

Q118x (244x) All SMEs

Those currently using external finance were slightly more likely to say that it reduced their need for further finance (16%) than those not currently using finance (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 more likely to reduce the SME's need for finance (88% YEQ4 2020) than having access to trade credit (68% – of a different group of SMEs).
- Overall, 32% of SMEs YEQ4 2020 said that their need for finance was reduced either through credit balances or trade credit, increasing by size of SME (26% for 0 employee SMEs, 48% for those with 1-9 employees, 62% for those with 10-49 employees and 64% 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 and was in line in 2020 at 32%.

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 and 2020):

Use of finance over time								
Over time								
All with £10k+ in credit balances	2013	2014	2015	2016	2017	2018	2019	2020
<i>Unweighted base:</i>	6319	5926	6376	5228	5804	5046	5243	4653
Use any external finance	52%	44%	44%	46%	49%	44%	49%	49%
• <i>Use core finance</i>	40%	32%	35%	36%	38%	37%	41%	38%
Do not use finance	48%	56%	56%	54%	51%	56%	51%	51%

In 2020, 51% of SMEs with £10,000 or more of credit balances did not use any external finance, in line with 2019.

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. 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 26% 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 increased from 41% in 2016 to 53% in 2019, but was 41% in 2020:

% credit balances to turnover					
Over time – all SMEs	2016	2017	2018	2019	2020
<i>Unweighted base:</i>	9725	9795	8161	7706	6654
<5%	20%	25%	23%	22%	21%
5-10%	21%	21%	26%	31%	20%
11-20%	42%	37%	34%	31%	37%
21-50%	8%	8%	8%	7%	11%
More than 50%	9%	9%	9%	9%	10%
<i>Average percentage held</i>	23%	23%	24%	24%	26%

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 26% of their turnover in credit balances
- 1-9 employee SMEs held the equivalent of 23%
- 10-49 employee SMEs held the equivalent of 22%
- 50-249 employee SMEs held the equivalent of 21% of their turnover in credit balances.

These average percentage figures have been broadly stable since 2016. The slight increase in the average percentage in 2020, to 26%, was due to a slight increase amongst 0 employee SMEs:

% credit balances to turnover					
Over time					
Average percentage held	2016	2017	2018	2019	2020
All SMEs (excluding DK/refused)	23%	23%	24%	24%	26%
0 employee	24%	24%	25%	24%	26%
1-9 employees	21%	21%	20%	24%	23%
10-49 employees	22%	20%	23%	23%	22%
50-249 employees	19%	17%	17%	22%	21%

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

HOW SMES ARE MANAGED

Interviews were conducted with the main financial decision maker. In many 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 45-63% over recent quarters (56% for Q3 and Q4 2020), while the proportion of SMEs trading internationally has been lower and more stable (14-19%). 46% reported innovative activity in Q4 2020, higher than has been recently seen, and there was also an increase in the proportion with a business mentor to 17%. A more stable 3 in 10 had a qualified person in charge of the finances:

Over time – all SMEs	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2018	2019	2019	2019	2019	2020	2020	2020	2020
Unweighted base:	4500	4500	4500	4500	4500	4505	4511	4500	4252
Planning (any)	60%	58%	57%	63%	61%	53%	45%	56%	56%
- Produce regular management accounts	43%	39%	37%	41%	44%	44%	38%	45%	46%
- Have a formal written business plan	32%	31%	32%	34%	32%	22%	18%	25%	25%
International (any)	16%	15%	17%	14%	15%	15%	14%	17%	19%
- Export goods or services	10%	8%	10%	9%	8%	8%	9%	10%	12%
- Import goods or services	12%	11%	12%	10%	11%	11%	10%	12%	13%
Innovation (any)	32%	36%	36%	35%	33%	38%	42%	43%	46%
-New product or service (last 3 yrs)	15%	15%	15%	14%	13%	13%	18%	18%	21%
-Improved aspect of business	28%	30%	31%	30%	29%	35%	32%	38%	41%
Mentors	11%	10%	12%	10%	12%	13%	13%	17%	17%
Have qualified person in charge of finances	26%	25%	25%	27%	30%	27%	32%	28%	29%

Q84/129 (223/251) All SMEs

The table below provides further analysis by key demographics for YEQ4 2020. Larger SMEs and those with a minimal or low risk rating remained more likely to undertake these activities:

Business Formality Further analysis YEQ4 2020

Planning	<p>52% of all SMEs planned, increasing by size of business from 46% of those with 0 employees to almost all, 93%, of those with 50-249 employees.</p> <p>Levels of planning declined slightly by age of business: 57% of Starts planned (compared to 77% in 2019), declining to 50% of those trading for more than 15 years (unchanged from 2019).</p> <p>Those with a minimal risk rating were somewhat more likely to plan (70%), followed by those with a low (64%) rating. Those with an average (48%) or worse than average risk rating (50%) were less likely to plan.</p> <p>63% of SMEs in the Hotel & Restaurant sector and the Wholesale/Retail sector planned, compared to 43% of those in Construction. Amongst other sectors 49-55% planned.</p>
International	<p>16% of all SMEs were international, with the smallest SMEs less likely to trade overseas (14% of those with 0 employees, 21% of those with 1-9 employees, 30% of those with 10-49 employees and 37% of those with 50-249 employees).</p> <p>Those trading 2-5 (20%) or 6-9 years (19%) were more likely to be international, with little variation otherwise by age of SME (14-16%).</p> <p>Those with a minimal risk rating were more likely to be international (24%) compared to 20% of those with a low risk rating, 14% of those with an average and 16% of those with a worse than average risk rating.</p> <p>SMEs in Wholesale/Retail (27%) and Manufacturing (28%) remained more likely to be international. SMEs in Construction (6%) remained less likely to be international. Amongst other sectors 8-21% were international.</p>
Innovation	<p>42% of all SMEs had innovated, increasing by size of business from 39% of those with 0 employees to 6 in 10 of those with 10-49 or 50-249 employees (60% and 63%).</p> <p>Starts remained less likely to have been innovative (39%), then there was nothing to choose by age of business for those trading between 2 and 15 years (46-50%), but those trading for more than 15 years were less likely to have been innovative (38%).</p> <p>Those with a minimal or low risk rating (49% and 45%) were slightly more likely to have innovated, compared to 40% with an average or 42% with a worse than average risk rating.</p> <p>SMEs in Wholesale/Retail (48%) or Hotels & Restaurants (50%) remained the most likely to have innovated, with those in Construction (31%) the least likely.</p>

Continued

Continued

Financial specialist	<p>29% of SMEs had a financially qualified person looking after their finances. This became more likely as business size increased: 25% 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 74% of those with 50-249 employees.</p> <p>There was limited variation by age of business (25-31%).</p> <p>39% of those with a minimal and 35% of those with a low risk rating had a financial specialist, compared to 27% of those with an average rating and 26% of those with a worse than average risk rating.</p> <p>Those in Wholesale/Retail (32%) or Hotels & Restaurants (31%) were the most likely to have a financial specialist, compared to 22% in Construction.</p>
Mentors	<p>15% of SMEs used a mentor for business help and advice.</p> <p>The use of mentors increased by size of SME from 13% of those with 0 employees to 19% of those with 1-9 employees, and to around 3 in 10 larger SMEs (28% for those with 10-49 employees and 30% for those with 50-249 employees).</p> <p>The presence of mentors varied slightly by risk rating: from 21% of those with a minimal risk rating to 18% with a low rating, 14% of those with an average and 15% of those with a worse than average risk rating.</p> <p>With the exception of Starts (19%) there was little variation by age of business (13-16%), and relatively little variation by sector (16-22%) with the exception of Construction (10%) and Transport (11%) who were somewhat less likely to have a mentor.</p>

The smallest SMEs remained less likely to undertake any of these activities. For YEQ4 2020, excluding the 0 employee SMEs saw the proportion of SMEs (with employees) who:

- Plan increase from 52% of all SMEs to 72% of those with employees
- Trade internationally increase from 16% to 23%
- Innovate increase from 42% to 52%
- Have a mentor increase from 15% to 21%
- Have a qualified person in charge of the finances increase from 29% to 39%.

Taking a longer term view back to 2013:

- The proportion that planned had varied relatively little over time (54-60%) but was somewhat lower in 2020 (52%).
- The proportion of SMEs that were international has varied relatively little (13-17%).
- The proportion of SMEs that had been innovative declined 2012-2018 (from 40% to 33%) but increased back to 42% in 2020.
- Just over a quarter of SMEs have a financial specialist, with only a slight increase over time.
- The proportion with a business mentor also increased somewhat in 2020:

Business formality elements								
Over time – all SMEs								
By date of interview	2013	2014	2015	2016	2017	2018	2019	2020
Unweighted base:	20,036	20,055	20,046	18,000	18,012	18,002	18,000	17,768
Planning (any)	55%	54%	54%	55%	57%	56%	60%	52%
- Produce regular management accounts	42%	42%	41%	41%	43%	41%	40%	43%
- Have a formal written business plan	32%	32%	32%	33%	31%	29%	32%	22%
International (any)	13%	16%	17%	14%	16%	15%	16%	16%
- Export goods or services	8%	10%	10%	8%	10%	9%	9%	10%
- Import goods or services	9%	11%	12%	10%	11%	10%	11%	11%
Innovation (any)	38%	37%	37%	36%	34%	33%	35%	42%
-New product or service (last 3 yrs)	16%	16%	15%	14%	14%	15%	15%	17%
-Improved aspect of business	33%	34%	33%	32%	30%	28%	30%	38%
Have qualified person in charge of finances	26%	27%	26%	23%	24%	25%	27%	29%
Have a mentor	-	-	-	12%	11%	10%	11%	15%

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 17% in 2015 and has been broadly stable since (14-16%):

International	Further analysis over time
Size of SME	<p>The increase 2012 to 2015 was led by the 0 employee SMEs (8% to 15%) and those with 1-9 employees (15% to 22%), with both groups fairly stable since. Amongst those with 10-49 employees, around 3 in 10 have been international each year since 2013, with the exception of 2016 (25%). Amongst the largest SMEs with 50-249 employees, 42% were trading internationally in 2012 and 46% in 2013. The proportion then declined to 30% in 2016 and remained stable until 2020 when it increased again to 37%.</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 (28% and 27% in 2020). Other sectors have been stable, at a lower level.</p>
Age of business	<p>Starts became more likely to be trading internationally 2012-2014 (8% to 14%) and have been broadly stable since, with the exception of 2019 (9%).</p> <p>Meanwhile:</p> <ul style="list-style-type: none"> • Those trading for 2-5 years have maintained the growth in international trade seen 2012-2015 (20% in 2020). • Those trading for 6-9 years have seen some variation in levels of international trade (12-19%) with the 2020 figure the highest seen to date (19%). • Those trading for 10-15 years saw a further increase in international trade in 2019 to 20% but returned to previous levels in 2020 (16%) while levels of international trade amongst the oldest SMEs have been much more consistent over time (15-18%).

International trade								
All SMEs over time								
By date of interview								
- row percentages	2013	2014	2015	2016	2017	2018	2019	2020
All SMEs	13%	16%	17%	14%	16%	15%	16%	16%
0 emp	10%	13%	15%	12%	14%	13%	13%	14%
1-9 emps	20%	22%	22%	18%	20%	20%	22%	21%
10-49 emps	30%	31%	31%	25%	28%	27%	30%	30%
50-249 emps	46%	42%	37%	30%	31%	29%	31%	37%
Minimal external risk rating	22%	20%	21%	18%	22%	20%	22%	24%
Low	21%	18%	22%	18%	19%	20%	18%	20%
Average	14%	16%	15%	15%	16%	14%	14%	14%
Worse than average	11%	15%	18%	11%	15%	13%	15%	16%
Agriculture	8%	10%	10%	10%	10%	8%	10%	9%
Manufacturing	25%	26%	29%	23%	27%	26%	24%	28%
Construction	5%	6%	6%	5%	5%	5%	5%	6%
Wholesale/Retail	26%	27%	26%	25%	27%	26%	28%	27%
Hotels & Restaurants	7%	10%	9%	6%	7%	8%	9%	8%
Transport	13%	13%	17%	12%	14%	14%	14%	16%
Property/ Business Services	14%	18%	21%	16%	21%	19%	19%	21%
Health	7%	12%	12%	9%	8%	7%	9%	9%
Other Community	12%	19%	20%	17%	18%	15%	17%	17%
Starts	11%	14%	13%	12%	14%	10%	9%	14%
2-5 years	13%	16%	20%	13%	18%	16%	17%	20%
6-9 years	12%	16%	15%	12%	13%	16%	18%	19%
10-15 years	15%	17%	18%	13%	17%	14%	20%	16%
15+ years	15%	16%	18%	16%	17%	16%	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%) and then an increase in 2020 to 42%:

Innovation	Further analysis over time
Size of SME	<p>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%, but a marked increase in 2020 to 63%. They remained the most likely to have innovated.</p> <p>Those with 10-49 employees saw a decline in innovation 2013-2105, then a period of stability before an improvement in 2020 to 60%.</p> <p>Smaller SMEs with 0 or 1-9 employees reported less of a decline 2012 to 2018. They saw something of an improvement in 2019 and a more marked improvement in 2020 to 39% and 50% respectively, the highest levels seen across this period.</p>
Risk rating	<p>47% of minimal risk SMEs had been innovative in 2012, followed by a stable 39-42% being innovative to 2019, increasing to 49% in 2020.</p> <p>For those with a low external risk rating a fairly stable 4 in 10 have innovated and the proportion was only slightly higher in 2020 (45%).</p> <p>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%) and a more marked increase in 2020 (40% and 42%).</p>
Sector	<p>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 with a further increase in 2020 to 48% and 50%, with those in Health and the Other Community sector also reporting similar levels of innovation (47%).</p> <p>By contrast, since 2012 only around a quarter of SMEs in Construction have been innovative, albeit this figure rose to 31% in 2020.</p>
Age of business	<p>A third of Starts had been innovative 2012-2017. By 2019 this proportion had fallen to 20% but was back at 39% in 2020.</p> <p>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 and 10-15 years. All saw higher levels of innovation in 2020 (48%, 50% and 46%).</p> <p>Amongst the longest established SMEs, a stable 1 in 3 has been innovative. In 2020 38% reported being innovative, higher than previously seen but still lower than the other age bands with the exception of Starts.</p>

Innovation								
All SMEs over time								
By date of interview								
- row percentages	2013	2014	2015	2016	2017	2018	2019	2020
All SMEs	38%	37%	37%	36%	34%	33%	35%	42%
0 emp	34%	34%	34%	33%	31%	29%	31%	39%
1-9 emps	47%	47%	45%	44%	42%	40%	43%	50%
10-49 emps	58%	57%	53%	53%	51%	51%	51%	60%
50-249 emps	68%	65%	59%	56%	60%	55%	50%	63%
Minimal external risk rating	41%	40%	40%	42%	40%	39%	39%	49%
Low	43%	38%	41%	42%	37%	36%	39%	45%
Average	35%	36%	33%	34%	31%	31%	33%	40%
Worse than average	39%	37%	38%	36%	35%	33%	35%	42%
Agriculture	38%	33%	33%	33%	34%	31%	30%	41%
Manufacturing	45%	43%	45%	42%	44%	41%	40%	44%
Construction	29%	26%	29%	28%	27%	23%	25%	31%
Wholesale/Retail	41%	45%	43%	43%	42%	40%	45%	48%
Hotels & Restaurants	44%	44%	43%	45%	39%	39%	43%	50%
Transport	34%	29%	34%	35%	31%	28%	30%	38%
Property/ Business Services	41%	43%	38%	39%	35%	35%	36%	46%
Health	43%	38%	37%	34%	30%	32%	34%	47%
Other Community	38%	41%	42%	37%	36%	37%	41%	47%
Starts	35%	36%	33%	35%	36%	24%	20%	39%
2-5 years	44%	46%	43%	41%	41%	39%	43%	48%
6-9 years	40%	38%	40%	38%	30%	40%	43%	50%
10-15 years	38%	36%	37%	36%	35%	33%	42%	46%
15+ years	32%	33%	35%	35%	31%	32%	34%	38%

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 2020 were in line, with 8% of all SMEs holding intellectual property or other knowledge assets on their balance sheet, increasing by size from 7% of 0 employee SMEs and 10% of those with 1-9 employees, to 13% of those with 10-49 employees and 16% of those with 50-249 employees.

Those in the Property/Business Services sector or in Manufacturing (both 11%) were more likely to hold such assets, compared to 4% of those in Construction or Agriculture.

HOW SMES ARE MANAGED – INTERNATIONAL STAFF

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

All SMEs with employees		1-9	10-49	50-249
YE4 20	Total	emps	emps	emps
Unweighted base:	14,201	5838	5611	2752
Employ any overseas staff:	16%	12%	31%	50%
• <i>Employ staff from EU</i>	14%	10%	27%	47%
• <i>Employ other overseas staff</i>	6%	4%	13%	22%

Q84 (223) All SMEs with employees

A 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. This was another question rested from Q2 2020. In Q1 2020, 44% of SMEs with overseas employees were very/fairly concerned, somewhat lower than the 53% reporting concern in 2019. This was the equivalent of 7% of all SMEs with employees, slightly lower than the 9% with concerns in 2019.

Similarly, 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. This question was also rested from Q2 2020 onwards.

In H2 2019 (excluding the don't know answers), 26% had said that they were seeing an impact. The figure for Q1 2020 was slightly lower at 22%.

Amongst those 'very concerned' in Q1 2020 about possible changes to migration rules, 64% were already seeing an impact, compared to 24% who were 'fairly concerned' and 6-10% of those who were 'not very' or 'not at all' concerned. These figures were very similar to those in H2 2019.

Employers in Health (21%) or Hotels & Restaurants (20%) were the most likely to employ overseas staff, compared to 9% in Agriculture:

Overseas staff

All SMES with employees

YEQ4 20	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	906	1293	2374	1560	1004	1516	2887	1077	1584
Employ any overseas staff:	9%	19%	12%	13%	20%	13%	18%	21%	16%
Employ staff from EU	9%	17%	11%	12%	18%	11%	15%	18%	13%
Employ other overseas staff	4%	7%	3%	4%	7%	5%	8%	10%	7%

Q84/87/87a (223/223c) All SMES with employees/ All SMEs with overseas employees Q87 and 87a rested

SMEs that trade internationally were more likely to employ staff from overseas, typically from the EU, notably those that both import and export (these are typically larger SMEs):

Overseas staff

All SMEs with employees

YEQ4 19	Total	Export only	Import only	Fully intl	Domestic
Unweighted base:	14,201	733	1234	1584	10,650
Employ any overseas staff:	16%	21%	22%	32%	13%
Employ staff from EU	14%	18%	19%	29%	11%
Employ other overseas staff	6%	9%	8%	14%	5%

Q84/87/87a (223/223c) All SMES with employees/ All SMEs with overseas employees Q87 and 87a rested

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 2020 compared to H2 2017.

Employ overseas staff				
All SMEs with employees				
over time				
By date of interview – row percentages				
	H2			
	2017	2018	2019	2020
All	23%	16%	17%	16%
1-9 emps	18%	12%	13%	12%
10-49 emps	40%	31%	33%	31%
50-249 emps	55%	56%	45%	50%
Agriculture	13%	11%	9%	9%
Manufacturing	28%	18%	16%	19%
Construction	20%	12%	14%	12%
Wholesale/Retail	20%	15%	15%	13%
Hotels & Restaurants	25%	21%	18%	20%
Transport	23%	15%	17%	13%
Property/ Business Services	23%	16%	18%	18%
Health	26%	21%	27%	21%
Other Community	23%	15%	15%	16%
Export only	34%	22%	21%	21%
Import only	32%	24%	27%	22%
Fully international	48%	32%	35%	32%
Domestic	18%	13%	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 2017	2018	2019	Q1 2020*
All	42%	51%	53%	44%
1-9 emps	40%	50%	57%	40%
10-49 emps	42%	49%	47%	38%
50-249 emps	64%	69%	54%	33%
Agriculture	59%	70%	64%	34%
Manufacturing	27%	46%	47%	43%
Construction	32%	44%	45%	35%
Wholesale/Retail	40%	45%	60%	49%
Hotels & Restaurants	54%	55%	59%	59%
Transport	48%	57%	49%	40%
Property/ Business Services	44%	49%	51%	43%
Health	61%	54%	57%	37%
Other Community	32%	57%	55%	28%
Export only	49%	56%	54%	47%
Import only	47%	58%	55%	43%
Fully international	42%	45%	55%	42%
Domestic	41%	50%	52%	45%

Q87 (223c) All SMEs with overseas employees excl DK * limited sample for Q1 2020 only

The table above shows that concern over possible changes to migration rules increase from 42% in H2 2017 to 53% in 2019 but was somewhat lower again in Q1 2020 at 44%. Concern was lower across all size bands and types of international trade (or none) and most sectors, with the exception of the Hotel & Restaurant sector.

EXPORTING

10% of all SMEs were making sales outside the UK. The proportion of exporters has been stable over time, between 8% and 10% of SMEs since 2013, and 10% in 2020:

- Smaller SMEs were less likely to export, but the proportions have remained stable over time. In 2020, 8% of 0 employee SMEs and 13% of those with 1-9 employees were exporters. This increased to 20% of those with 10-49 employees, also little changed over time. There has been more variation over time amongst SMEs with 50-249 employees. In 2016 and 2017, 1 in 3 were exporting, declining to 1 in 5 in 2016 then remaining stable until a slight increase to 1 in 4 in 2020.
- The Manufacturing sector were the most likely to be exporting. 16% were exporting in 2020, in line with 2019 but slightly lower than the 18-20% previously seen, meaning that they were more in line with Wholesale/Retail, where 14% were exporting, and Property/Business Services (15%).
- In 2020, 8% of Starts exported, in line with most previous years but an increase from 3% in 2019. There was little difference in the proportion of exporters amongst older businesses (10-12%) and this is also little changed over time.

Since Q2 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, 7% of SMEs answered yes to this question in 2020, increasing by size of SME from 6% of those with 0 employees to 10% of those with 1-9 employees, 15% of those with 10-49 employees and 21% 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 10% with the original question to 11% across both exporting questions.
- 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	2013	2014	2015	2016	2017	2018	2019	2020
All SMEs	8%	10%	10%	8%	10%	9%	9%	10%
0 emp	6%	8%	9%	7%	9%	8%	7%	8%
1-9 emps	12%	14%	14%	11%	12%	12%	12%	13%
10-49 emps	22%	22%	21%	17%	19%	18%	19%	20%
50-249 emps	36%	33%	27%	20%	22%	21%	21%	27%
Minimal external risk rating	16%	13%	14%	12%	14%	15%	14%	16%
Low	15%	11%	14%	12%	13%	12%	10%	12%
Average	8%	11%	8%	9%	11%	8%	8%	8%
Worse than average	6%	9%	11%	7%	9%	8%	8%	10%
Agriculture	4%	4%	3%	5%	5%	4%	4%	4%
Manufacturing	17%	18%	20%	16%	19%	18%	16%	16%
Construction	2%	2%	2%	2%	1%	2%	2%	2%
Wholesale/Retail	14%	16%	15%	12%	16%	13%	13%	14%
Hotels & Restaurants	3%	6%	4%	3%	4%	3%	3%	4%
Transport	10%	8%	11%	9%	10%	9%	9%	12%
Property/ Business Services	9%	12%	15%	11%	15%	14%	13%	15%
Health	3%	6%	6%	4%	4%	4%	2%	5%
Other Community	6%	11%	12%	12%	12%	10%	9%	10%
Starts	5%	8%	8%	7%	8%	6%	3%	8%
2-5 years	6%	9%	11%	7%	10%	10%	9%	10%
6-9 years	8%	10%	9%	6%	8%	10%	10%	12%
10-15 years	10%	11%	12%	9%	11%	9%	11%	10%
15+ years	10%	10%	11%	11%	11%	11%	10%	10%

Q84 (223) All SMEs

A number of more detailed questions around exporting were rested from Q2 2020 to make space for questions on Covid-19. The table below shows that in Q1 2020 on average exporters sent a quarter of their total turnover overseas (24%) and that this was little changed from 2019:

All SMEs who export	2019	Q1 2020
Unweighted base:	2097	570
Less than 25% of sales made overseas	71%	72%
25-50%	11%	9%
51-75%	10%	10%
76-100% of sales overseas	8%	9%
Average proportion	24%	25%

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

10% 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 8% of all SMEs where exports made up less than 50% of their sales. 90% of all SMEs did not export.

From Q3 2016, all exporters have been asked about the extent to which they were selling to the EU and this question was also rested from Q2 2020. The table below shows that in Q1 2020 3 in 10 exporters (29%) said that all or the majority of their exports went to the EU and this is also little changed from 2019:

All SMEs who export	2019	Q1 2020
Unweighted base:	2258	607
Only to the EU	12%	15%
The majority to the EU	17%	14%
Half to the EU	14%	17%
A minority to the EU	37%	30%
None to the EU	21%	24%
Only/the majority	29%	29%

Q86 (223b) All SMEs who export

Additional analysis by sector has not been updated due to limited base sizes as the questions were only asked in Q1 2020.

Analysis over time shows that since 2016 around 1 in 5 exporters have made more than 50% of all their sales overseas, with Q1 2020 in line (19%):

50%+ sales made overseas								
Over time – all exporters								Q1
Row percentages	2013	2014	2015	2016	2017	2018	2019	2020*
All exporters	24%	16%	13%	19%	22%	18%	18%	19%
0 employee	28%	16%	10%	21%	25%	18%	18%	18%
1-9 employees	19%	14%	16%	16%	17%	15%	18%	23%
10-49 employees	20%	16%	16%	16%	16%	15%	16%	21%
50-249 employees	20%	18%	19%	17%	21%	20%	16%	18%

Q85 (223x) All SMEs who export, excluding DK/refused * limited base size, indicative data for Q1 2020 only

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 and Q1 2020, and across all size bands except those with 1-9 employees:

All/majority sales to EU					
Over time – all exporters	H2				Q1
Row percentages	2016	2017	2018	2019	2020*
All exporters	22%	25%	28%	29%	29%
0 employee	17%	25%	31%	29%	30%
1-9 employees	33%	28%	23%	29%	24%
10-49 employees	24%	24%	23%	29%	33%
50-249 employees	35%	21%	16%	29%	41%
<50% of sales exported	23%	23%	28%	28%	26%
50%+ of sales exported	23%	33%	28%	35%	49%

Q86 (223b) All SMEs who export * limited base size indicative data for Q1 2020 only

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). These questions were also asked from Q2 2020 onwards, but the results for Q1 2020 are reported below.

As in 2019, 8 in 10 SMEs (82%) sold to consumers while half (53%) sold to other businesses. Smaller SMEs were more likely to be selling to consumers than businesses, while the opposite was true for larger SMEs:

All SMEs	Q1 2020	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	4505	900	1450	1455	700
Other businesses only	18%	16%	22%	31%	41%
Consumers only	47%	51%	40%	25%	18%
Both businesses and consumers	35%	34%	38%	44%	41%
All selling to businesses	53%	50%	60%	75%	82%
All selling to consumers	82%	85%	78%	69%	59%

Q13a (NEW) All SMEs

Those who exported were much more likely to be selling to other businesses (9 in 10 if they only exported and 8 in 10 if they exported and imported) than those who only imported (6 in 10) or who traded domestically (5 in 10):

Customer types

All SMEs Q1 2020	Total	Export only	Import only	Import and export	Domestic
Unweighted base:	4505	201	372	406	3526
Other businesses only	18%	44%	25%	33%	15%
Consumers only	47%	12%	35%	23%	51%
Both businesses and consumers	35%	45%	40%	44%	34%
All selling to businesses	53%	89%	65%	77%	49%
All selling to consumers	82%	57%	75%	67%	85%

Q13a (NEW) All SMEs

There were some clear differences by sector, with the proportion selling to businesses varying from 21% in the Health sector and 24% for Hotels & Restaurants to 69% in Property/Business Services and 65% in Transport. 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 (67%):

Customer types

All SMEs Q1 2020	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	300	375	800	450	300	500	900	376	504
Other businesses only	22%	17%	9%	9%	2%	18%	33%	7%	18%
Consumers only	50%	46%	55%	55%	77%	36%	31%	79%	46%
Both businesses and consumers	28%	37%	36%	36%	22%	47%	36%	14%	36%
All selling to businesses	50%	54%	45%	45%	24%	65%	69%	21%	54%
All selling to consumers	78%	83%	91%	91%	99%	83%	67%	93%	82%

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 and was again rested from Q2 2020, so the results for Q1 2020 are shown below. A quarter of SMEs selling to other businesses had more than 50 customers, in line with 2019 (24% v 25% in 2019) and increasing by size of SME:

Customer types

All SMEs that sell to other businesses Q1 2020	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	2947	418	878	1080	571
1-5 customers	21%	24%	14%	5%	4%
6-10 customers	19%	22%	15%	9%	3%
11-25 customers	21%	21%	22%	18%	12%
26-50 customers	15%	14%	17%	19%	18%
51-100 customers	10%	9%	12%	17%	17%
100+ customers	14%	10%	21%	32%	47%
All selling to 50+ customers	24%	19%	33%	49%	64%

Q13b (NEW) All SMEs

Analysis by sector showed that SMEs in the Hotel & Restaurant sector (44%) and Wholesale/Retail (38%) were the most likely to have 50 or more business customers, followed by those in Manufacturing (36%). The least likely to have 50 or more business customers were Agriculture (13%) and the Property/Business Services sector (17%). Amongst other sectors 20-30% 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 (27%) than those selling to businesses only (18%), both in line with 2019:

All SMEs that sell to other businesses Q1 2020	Total	Business only	Business and consumer
Unweighted base:	2947	1162	1785
1-5 customers	21%	25%	19%
6-10 customers	19%	22%	18%
11-25 customers	21%	21%	21%
26-50 customers	15%	15%	15%
51-100 customers	10%	8%	11%
100+ customers	14%	10%	16%
All selling to 50+ customers	24%	18%	27%

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 48% of those with 10-249 employees.
- For those selling to businesses and consumers, 25% of those with 0-9 employees had more than 50 customers compared to 53% 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 2020, 3 in 10 SMEs (30%) said that this was the case (excluding DK answers) in line with previous years.

Business Groups	Further analysis YEQ4 2020
By size of SME	<p>Membership was more likely amongst the largest SMEs:</p> <ul style="list-style-type: none"> • 28% of 0 employee businesses belonged to a business group/body • 33% of 1-9 employee businesses • 37% of 10-49 employee businesses • 38% of 50-249 employee businesses.
By external risk rating	<p>Those with a worse than average risk rating remained somewhat less likely to belong to a business group (27%), compared to those with an average rating (31%) and those with a minimal or low risk rating (37% and 36% respectively).</p>
By sector	<p>Those in the Health sector remained more likely to belong to a business group (48%) while those in Transport (17%) were less likely.</p>
PNBs and those using external finance	<p>Those currently using external finance were no more likely to belong to such groups (31%) than those that did not use external finance (29%).</p> <p>There was also no difference by whether the SME met the definition of a Permanent non-borrower or not (29-30%).</p>
Other demographics	<p>Unlike previous years, there was little variation by age of business (27-31%).</p>

Q143 (Q265c) All SMEs excl DK

BUSINESS OWNERSHIP

68% of *companies* had one owner, declining by size from 89% of 0 employee companies to 31% of those with 50-249 employees. This means that of *all* SMEs, 75% 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. Also rested from Q2 2020, in Q1 2020 (and excluding DK answers):

- 90% reported that this was the only business the owner was involved in, managerially or strategically, decreasing with size from 91% of 0 employee SMEs to 81% of those with 50-249 employees.
- 9% reported that the owner currently ran another business as well (8% amongst 0 employee SMEs increasing to 16% amongst those with 50-249 employees).
- 4% reported that the owner had set up and run a business before (with little variation by size, 3-4%).
- Less than 1% said the owner had provided funds for another business in the past few years, again with little variation by size of SME.

SMEs with employees were also asked whether theirs was a family business. For YEQ4 2020, 66% of those with employees said that it was. This means that for SMEs as a whole:

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

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 2020, 99% of SMEs reported that they only used one bank for their business banking, with no difference by size:

Use one business bank								
Over time - all SMEs								
Row percentages	2013	2014	2015	2016	2017	2018	2019	2020
All SMEs	99%	99%	98%	99%	99%	99%	99%	99%
0 employee	99%	99%	99%	99%	99%	99%	99%	99%
1-9 employees	99%	98%	98%	99%	98%	99%	98%	99%
10-49 employees	98%	97%	97%	97%	98%	98%	98%	99%
50-249 employees	98%	97%	98%	97%	97%	96%	98%	99%

NATURE OF THE BANK RELATIONSHIP

When asked about the nature of their relationship with their main bank, the most frequent answer YEQ4 2020, as in previous years, was that the relationship was fine but transactional:

Nature of relationship with main bank		0	1-9	10-49	50-249
YEQ4 20 all SMEs	Total	emps	emps	emps	emps
<i>Unweighted base</i>	17,768	3567	5838	5611	2752
We have a strong working relationship with our bank and feel we can approach them whenever we need to	20%	17%	27%	44%	55%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	65%	68%	60%	48%	41%
We don't have an active working relationship with our bank and wish that we had one	15%	15%	13%	8%	4%

Q24a All SMEs

There were clear differences by size of SME:

- Those with 0 employees were more likely to describe their relationship as 'transactional' (68%) with the remainder evenly split between a 'strong working relationship' (17%) or a wish for a more active relationship (15%).
- 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 (55%) compared to 41% who had a transactional relationship and 4% who wished 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 21% v 19% of PNBs), nor was there much difference in terms of wanting a more active relationship (15% v 13% of PNBs).
- The proportion of SMEs with a ‘strong relationship’ varied slightly by age. 20% of Starts had such a relationship, 16-18% of those trading between 2 and 15 years and 24% of those trading for more than 15 years. There was little variation in the proportion wanting a more active relationship (13-16%).
- The proportion describing the relationship as ‘strong’ declined from 32% of those with a minimal risk rating and 26% of those with a low risk rating to a fifth of those with an average (19%) or a worse than average (18%) risk rating. There was little variation in the proportion wanting a more active relationship (11-15%).
- 30% of SMEs in Agriculture, 29% in Wholesale/Retail and 27% in the Hotel & Restaurant sector had a ‘strong’ relationship compared to 17-21% in other sectors. There was relatively little variation by sector in the proportion wanting a more active relationship, ranging for 10% in Wholesale/Retail to 18% in Construction.

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 (11%). 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 (24%):

Nature of relationship with main bank

YEQ4 20 all SMEs	Total	Had an event	WBS	HNS
<i>Unweighted base</i>	17,768	3671	225	13,872
We have a strong working relationship with our bank and feel we can approach them whenever we need to	20%	26%	11%	19%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	65%	57%	65%	67%
We don’t have an active working relationship with our bank and wish that we had one	15%	17%	24%	14%

Q24a All SMEs

A minority of SMEs wished that they had a more active relationship with their bank, with limited variation over time. 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	2020
All SMEs	12%	14%	15%	11%	15%
0 emp	13%	15%	15%	12%	15%
1-9 emps	12%	13%	13%	11%	13%
10-49 emps	7%	8%	8%	8%	8%
50-249 emps	5%	6%	8%	6%	4%
Minimal external risk rating	9%	9%	8%	11%	13%
Low	10%	13%	12%	11%	11%
Average	12%	14%	15%	11%	15%
Worse than average	13%	16%	16%	11%	15%
Use external finance	12%	14%	12%	10%	15%
Have had borrowing event	13%	14%	12%	12%	17%
Plan to apply for finance	17%	19%	19%	14%	20%
PNBs	12%	13%	14%	11%	13%
All excl PNBs	13%	15%	15%	12%	15%
Starts	13%	18%	16%	11%	13%
2-5 years	14%	13%	17%	12%	16%
6-9 years	12%	12%	15%	7%	13%
10-15 years	12%	12%	13%	12%	16%
15+ years	12%	14%	14%	12%	15%

Q24a All SMEs

With the exception of 2019, those planning to apply for finance were more likely to wish they had a closer relationship with their bank (17-20%) than SMEs generally. Those that had already had a borrowing event have typically been no more likely than SMEs generally to wish that they had a more active relationship (12-14%), but the figure was slightly higher in 2020 (17%).

SWITCHING MAIN BANK

A stable minority of SMEs had changed main bank in the past 3 years. For YEQ4 2020, 4% said that they had made a change:

Switching	Further analysis YEQ4 2020
Size of SME	There was little variation by size (5% of those with 0 employees, 3% of those with 1-9 employees, 4% for those with 10-49 employees and 5% with 50-249 employees).
External risk rating	There was also little variation by risk rating (4-5%).
Age and sector	By age of business 4-5% had switched apart from those trading 2-5 years where 7% had switched. There was little variation by sector (4-5%).
PNBs and finance	There was little variation once the Permanent non-borrowers were excluded (5% v 3% of PNBs), or by whether the SME was using finance (5%) or not (4%).
International trade	9% of those only importing had changed bank, compared to 4% of those only exporting and 5% of those both importing and exporting.

Those who had changed bank were less likely to have a strong relationship with their bank (14% v 20% who had not switched) and they remained slightly more likely to wish they had a more active relationship (19% v 14% of those who hadn't changed).

TRUST IN BANKS AND BANKING

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

Just over half of all SMEs (54%) gave a score of 8 to 10 for their level of trust in their own bank. This increased by size of SME from 54% of those with 0 or 1-9 employees to 69% of those with 50-249 employees. 1 in 10 SMEs overall (10%) 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 20 all SMEs	Total	emps	emps	emps	emps
<i>Unweighted base</i>	17,768	3567	5838	5611	2752
High level of trust 8-10	54%	54%	54%	62%	69%
Medium level of trust 5-7	35%	35%	35%	32%	28%
Low level of trust 1-4	10%	11%	11%	6%	3%

Q24b All SMEs

56% 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 three years for which this data is available:

- Larger SMEs remained more likely to have a high level of trust in their main bank, 69% of those with 50-249 employees and 62% of those with 10-49 employees, compared to around half of those with 0 or 1-9 employees, with little change over time.
- Levels of trust amongst those that had either had a borrowing event, or planned to apply, improved 2018 to 2019, but in 2020 were back in line with sentiment in 2018. Those planning to apply for finance had a somewhat lower level of trust (45%).
- Those meeting the definition of a Permanent non-borrower remained more likely to have a high level of trust (56% in 2020) compared to those that did not meet the definition (53%), but this gap has narrowed.
- Starts were more likely to have a high level of trust in their main bank in 2020 than previously seen (59%), putting them in line with those trading for 2-5 years (57%) and ahead of older SMEs where levels of trust were somewhat lower than previously seen (51-53%).

High level of trust in main bank (8-10)			
Over time			
By date of interview – row percentages	2018	2019	2020
All SMEs	55%	55%	54%
0 emp	54%	54%	54%
1-9 emps	56%	55%	54%
10-49 emps	63%	66%	62%
50-249 emps	72%	70%	69%
Minimal external risk rating	58%	59%	58%
Low	57%	55%	53%
Average	54%	54%	55%
Worse than average	53%	54%	54%
Starts	50%	46%	59%
2-5 years	58%	56%	57%
6-9 years	52%	60%	53%
10-15 years	56%	60%	51%
More than 15 years	56%	57%	53%
Use external finance	51%	51%	52%
Have had borrowing event	51%	57%	51%
Plan to apply for finance	48%	55%	45%
PNBs	59%	60%	56%
All excl PNBs	50%	52%	53%

Q24b All SMEs

Half as many SMEs had a high level of trust in the banking industry generally (27%) as in their main bank (54%). Trust in the banking industry increased by size of SME from 26% of those with 0 employees to 37% of those with 50-249 employees. Almost as many SMEs overall gave a low trust score of 1-4 (23%) and again this was more likely to be the case for smaller SMEs:

Trust in the banking industry		0	1-9	10-49	50-249
YEQ4 20 all SMEs	Total	emps	emps	emps	emps
<i>Unweighted base</i>	17,768	3567	5838	5611	2752
High level of trust 8-10	27%	26%	28%	34%	37%
Medium level of trust 5-7	50%	50%	50%	52%	54%
Low level of trust 1-4	23%	24%	22%	14%	9%

Q24c All SMEs

29% 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 a slight decline in trust amongst the largest SMEs (41% in 2018 to 37% in 2020).
- 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 (22-25% in 2020).
- Those meeting the definition of a Permanent non-borrower were now no more likely to have a high level of trust than those that did not meet the definition (both 27%).
- As with trust in main bank, Starts have become more likely to have a high level of trust in the banking industry (32%) putting them just ahead of those trading for 2-5 years (28%) and ahead of older SMEs where levels of trust have not changed (all 25%).

High level of trust in banking industry (8-10)			
Over time			
By date of interview – row percentages	2018	2019	2020
All SMEs	25%	25%	27%
0 emp	24%	24%	26%
1-9 emps	27%	25%	28%
10-49 emps	33%	35%	34%
50-249 emps	41%	39%	37%
Minimal external risk rating	28%	30%	29%
Low	27%	26%	28%
Average	23%	24%	26%
Worse than average	25%	24%	27%
Starts	24%	23%	32%
2-5 years	26%	24%	28%
6-9 years	25%	25%	25%
10-15 years	24%	24%	25%
More than 15 years	25%	25%	25%
Use external finance	22%	22%	25%
Have had borrowing event	20%	23%	24%
Plan to apply for finance	20%	21%	22%
PNBs	29%	28%	27%
All excl PNBs	21%	22%	27%

Q24c All SMEs

Across the two questions, 25% of SMEs gave a high score of 8-10 for both their main bank and the banking industry more generally, while 9% of SMEs gave a low score of 1-4 for both.

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 (79%).
- 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 (28%).
- Those who had a ‘fine but transactional’ relationship were somewhere in between, with 52% having a high level of trust in their bank.

Trust in bank/banking industry YEQ4 20 all SMEs	Main bank			Banking Industry		
	Strong	Trans'l	More active	Strong	Trans'l	More active
<i>Unweighted base</i>	6209	9721	1838	6209	9721	1838
High level of trust 8-10	79%	52%	31%	39%	25%	17%
Medium level of trust 5-7	18%	39%	41%	46%	52%	45%
Low level of trust 1-4	3%	9%	28%	15%	23%	38%

Q24a/b/c All SMEs

Those with a strong relationship also gave slightly higher trust scores for the banking industry as a whole (39% 8-10) than their peers. Almost 4 in 10 of those who wanted a more active relationship with their bank had a low level of trust in the banking industry as a whole (38%).