

# Capify Business Confidence Survey

---

Q1 2023

# INTRODUCTION

I am delighted to present the results from our latest Quarterly Business Confidence survey. Over 250 SME business owners took part in our latest research, with responses coming from every sector, industry, and region of the UK.

We are always hugely grateful to those owners and operators who take the time to complete our survey and tell us how they are feeling about the current business conditions and their outlook for future trading performance. We launched the survey to better understand the unique mindset of SME owners and the specific conditions they face.

Our latest survey shows a small increase in UK SME confidence. After nearly three years of unprecedented challenges – and, for very many, a deteriorating business performance – the Q1 2023 results hint at a degree of stability.

Our findings suggest that more smaller businesses are reporting turnover, profits and headcounts keeping stable quarter-on-quarter. This is contributing to a higher proportion of firms reporting that they are keeping up with their forecasts and targets for the year ahead.

Furthermore, the survey suggests that greater stability in current performance is translating into optimism for the future. More respondents predicted revenues and profits to grow in the year ahead than had in the previous quarter.

Despite these green shoots, there remain significant challenges facing smaller businesses. The period of inflationary pressure has impacted the flow of cash in and out of businesses and led to depleted working capital for many.

Understanding how these conditions impact smaller businesses enables us to better serve them. We use these insights to help us tell the SME story; to raise awareness of what help is required from legislators, advisory professionals, and finance providers. Furthermore, the responses help us adapt our own offering and allow us to deliver the best service we can to support and service the specific requirements of smaller businesses.

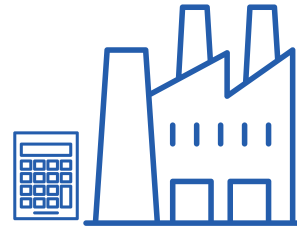
In keeping with other economic data, our survey shows signs the worst of the downturn may be over, but it will be some time before confidence returns to average historic levels. SMEs will be the engine room of the UK's economic recovery, and their financial viability is essential for future growth.

We are proud to work with UK SME owners who, over the course of the past three years, have shown themselves to be world-leaders in adaptability and innovation.

At Capify, we will be there every step of the way to help smaller businesses fund their operations and fuel their growth.

---

**John Rozenbroek**  
CFO/CCO



Most represented sectors:  
**Business and  
Professional Services  
and Manufacturing  
(non-food)**

Average **turnover** of respondents:

**£1,678,469**

## RESPONDENT PROFILE



Average number  
of **employees**:

**14**

Nearly **60%** of businesses  
have been trading for over

**15 years**



Average **cash** in bank position:

**£89,535**

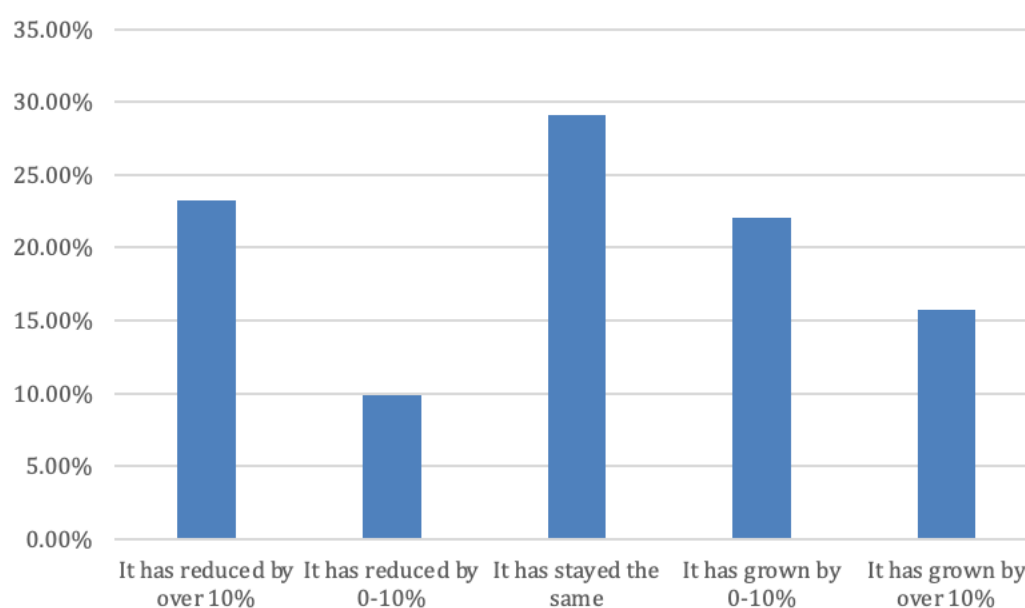
# BUSINESS PERFORMANCE

Unsurprisingly, the Q1 2023 Survey reveals a SME community still struggling with the myriad challenges related to economic conditions and consumer confidence. Despite this, more firms reported stabilising turnover and profit performance, with fewer firms reporting reduced quarterly performance.

**37.52%** have seen turnover grow in the past quarter

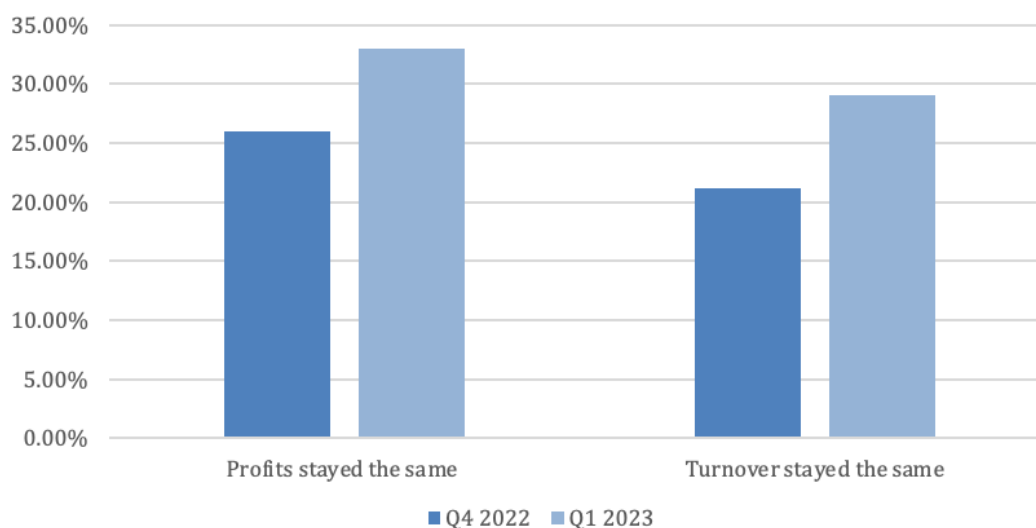
**33.14%** reported a quarterly reduction in turnover, compared to 38% in Q4 2022

HOW DOES YOUR TURNOVER FOR Q1 (JAN-MAR) COMPARE TO THE PREVIOUS QUARTER (OCT-DEC)?



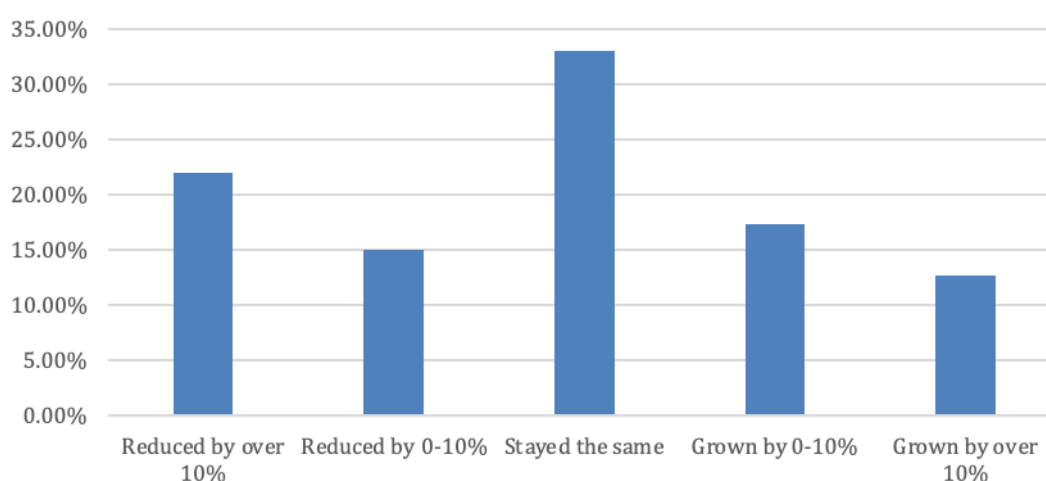
The number of firms reporting consistent quarterly performance in both turnover and revenue has grown over the past three months.

#### TURNOVER AND PROFIT PERFORMANCE COMPARED TO PREVIOUS QUARTER



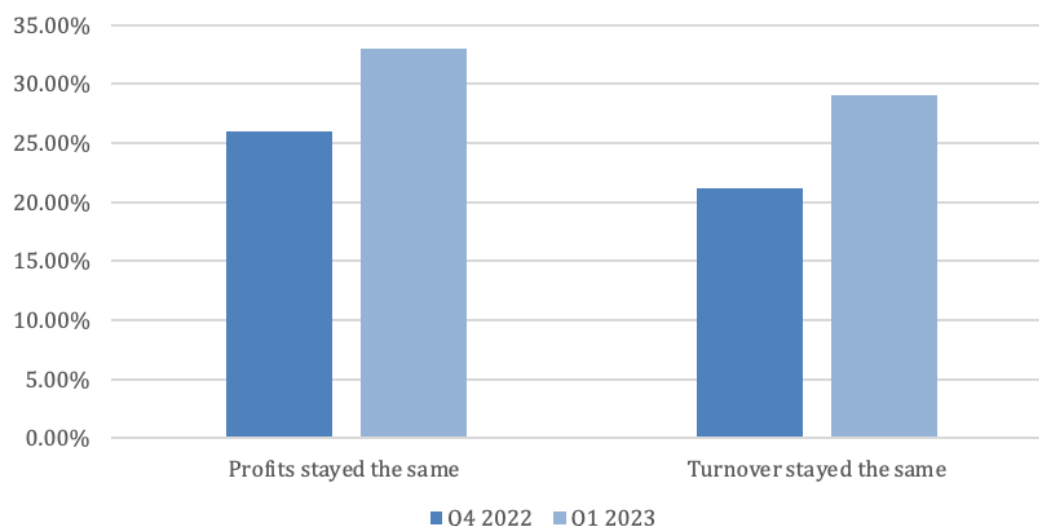
Reflecting the difficulty in overarching trading conditions and the cost increases in the supply chain, only **30%** have seen profits increase in the past 3 months, whilst **37%** have seen profits reduce.

#### HOW DOES YOUR PROFIT FOR Q1 (JAN-MAR) COMPARE TO THE PREVIOUS QUARTER (OCT-DEC)?



The number of SMEs reporting that they were on target for their quarter increased by **12%** on the Q4 2022 number. Equally encouraging was the reduction in the number of SMEs reporting that they were currently tracking behind their targets – **42%** compared to 52% in the previous quarter.

% OF SMES REPORTING AS 'ON TARGET' AGAINST FORECAST




An integral part of keeping to business forecast is ensuring that discretionary costs are under control. In response to mounting inflationary pressure, the majority of firms (**53%**) have reduced spend on travel and entertainment and **40%** have reduced marketing and advertising outlays.

## EVERGREEN AND CYCLICAL CHALLENGES

Consistent with previous surveys, we find SME owners being kept awake at night by a range of different worries. Some are directly linked to the economic cycle and others are more evergreen.

### The top five concerns for SME owners were:

- |                           |            |                    |   |
|---------------------------|------------|--------------------|---|
| 1. Rising cost/ inflation | <b>42%</b> | (-11% on Q4 2022)  |  |
| 2. Finding new customers  | <b>40%</b> | (+3 % on Q4 2022)  |  |
| 3. Work life balance      | <b>39%</b> | (-/+0% on Q4 2022) |  |
| 4. Cash flow              | <b>34%</b> | (-3% on Q4 2022)   |  |
| 5. Staffing/ resource     | <b>42%</b> | (-11% on Q4 2022)  |  |

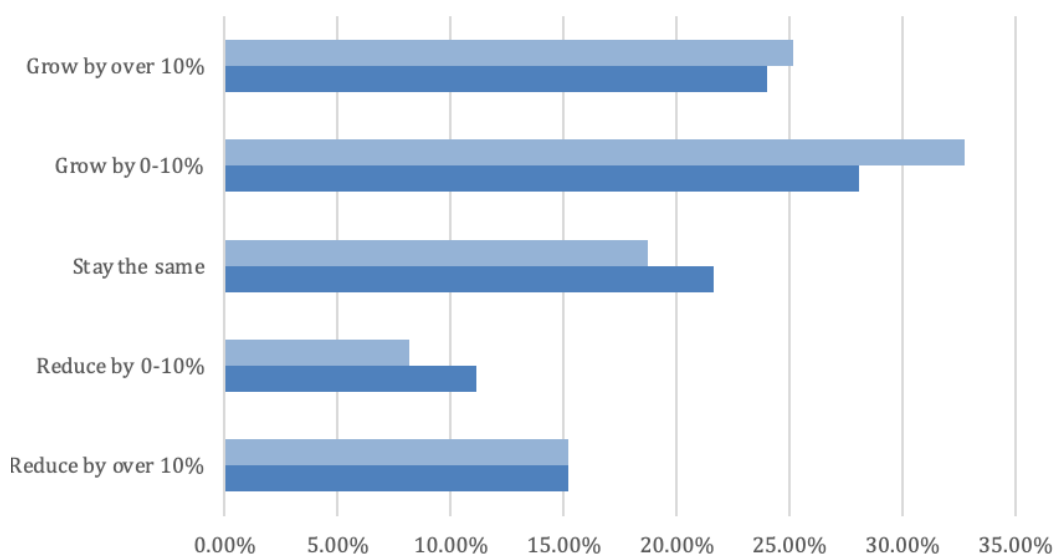
Capify has produced some practical guidance for how owners can overcome some of these evergreen challenges. You can access the article [here](#).

# BUSINESS OUTLOOK

The apparent stabilising of SME business performance has translated into an improved outlook for future trading.

Just under **60%** of SME owners expect turnover to grow over the coming year, with **52%** expecting profits to grow over the same period.

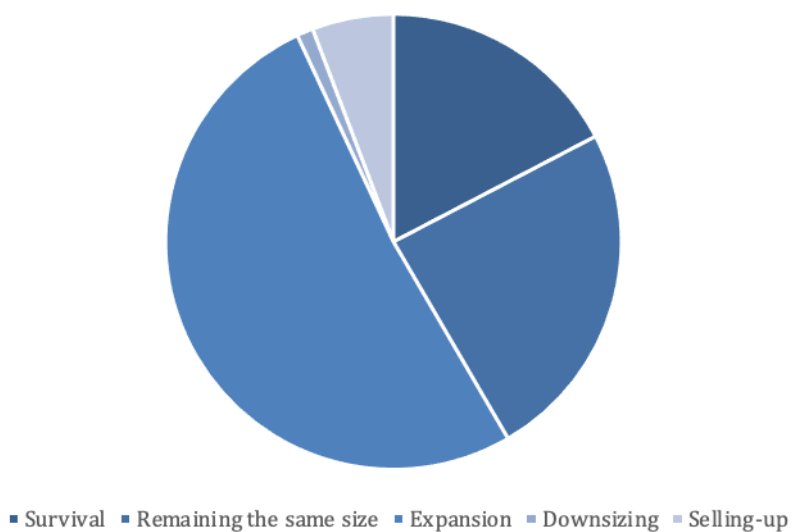
PROFIT AND TURNOVER EXPECTATIONS FOR 2023 COMPARED TO LAST YEAR?



This optimism about forthcoming business performance continues into an expected increase in hiring – **42%** of firms expect to increase their headcounts over 2023, an increase of **5%** on the previous quarter.

Furthermore, the improved confidence in operating conditions, means that **51%** of firms are planning business expansion over the next 12 months (compared to 46% in Q4 2022).

BUSINESS AMBITIONS FOR THE NEXT 12 MONTHS



Of those who aren't expecting expansion, **20%** cite economic uncertainty and the same number blame cashflow and working capital as a barrier to growth.

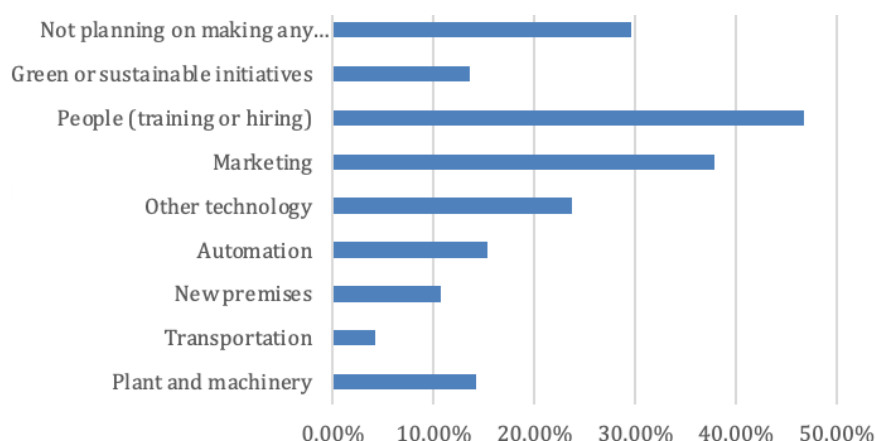


# INVESTMENT

Overall, the number of areas in which respondents were looking to invest has declined quarter-on-quarter. Our survey found that SMEs were looking to invest in just **1.72** areas across their business (compared to 1.96 in Q4 2022). The survey reports that, on average, SMEs will commit £33,558 to areas of investment this year.

Perhaps in recognition of continuing issues with the labour market, investing in people (training and hiring) was the most frequently cited area of planned investment.

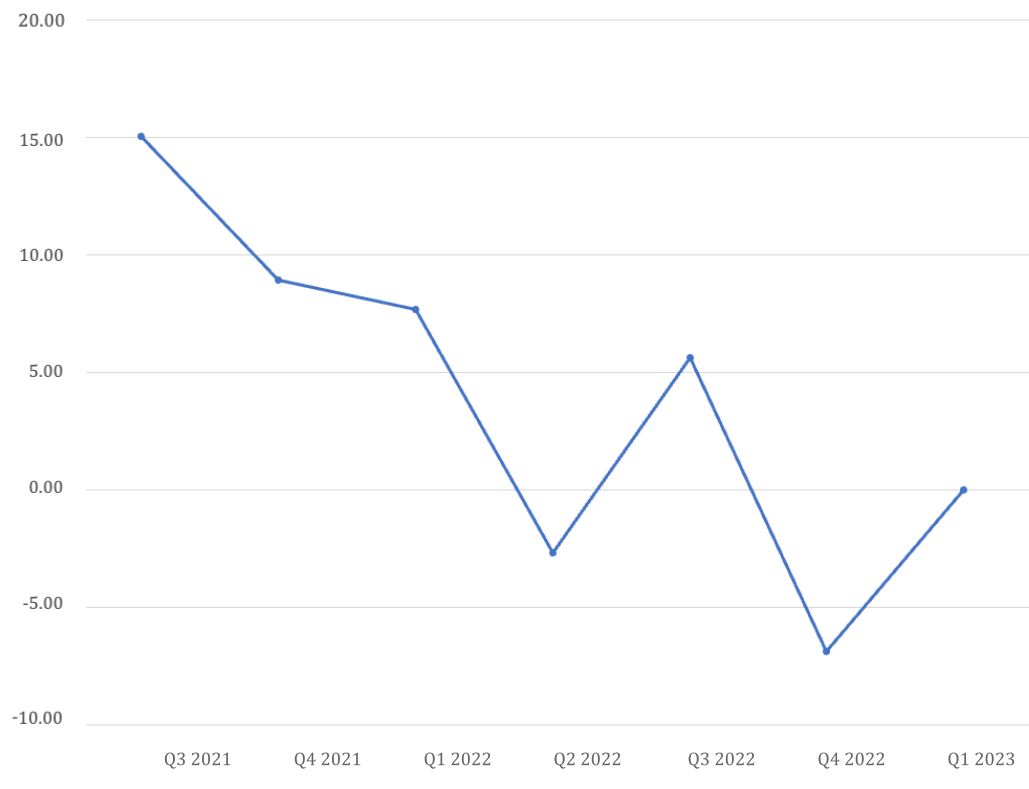
PLANNED AREAS OF INVESTMENT (Q4 2022)



Despite this decrease in investment intention, the Survey's overall outlook score showed a steady increase on the previous quarter. The Q1 Confidence Score now sits at **+0.01** compared to -6.89 in the previous quarter.

The Survey uses business owners' responses on business performance, confidence, and investment intentions, to produce an overall confidence score between -10 (very unconfident) and +20 (highly confident).

CAPIFY CONFIDENCE SCORE



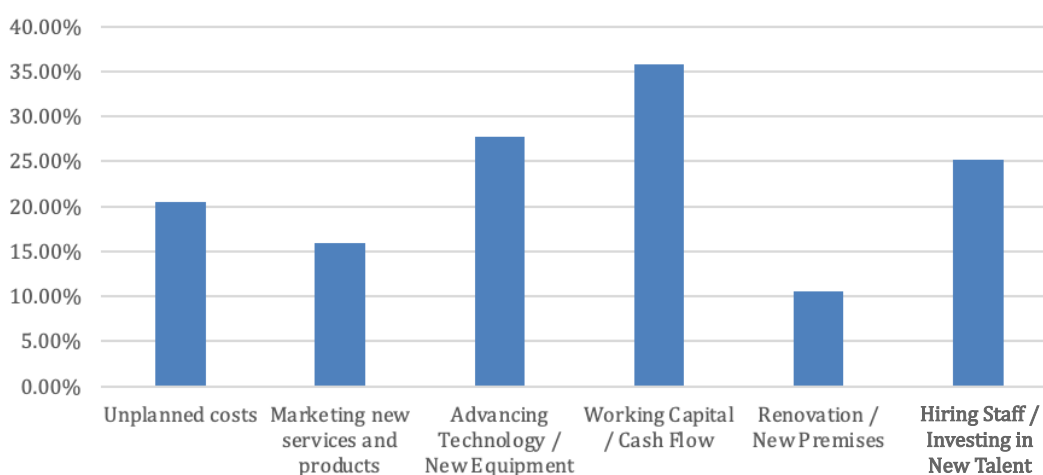
# FINDING FUNDING

SME access to finance continues to be problematic. **44%** of firms are currently not confident of being able to secure external finance from their banking partners.

One in three owners reported having required external funding to help cash flow issues and/or working capital shortfalls in the past. **52%** of these secured that lending from a bank, whilst **32%** found financial support through an alternative lender.

For those who are expected to require external funding in the near future, **36%** feel that that working capital or cash flow challenges would be the reason they would need an injection of finance.

REASONS FOR EXTERNAL FINANCE



**Capify Confidence  
Survey Contact:**

---

Ian Wood, Marketing Director  
iwood@capify.co.uk  
0161 393 9536