

Challenges mount for UK's entrepreneurs at home and abroad – new report from GEM UK in partnership with NatWest

- **The sharp rise in early-stage entrepreneurial activity in the UK we saw in 2021, as the economy began to recover after the pandemic, stalled in 2022. Yet in the US, France and Germany it continued to rise.**
- **Attitudes among the non-entrepreneurial population are weakening as fewer see good opportunities for start-up and the fear of failure remains high.**
- **Yet almost one in ten of adult women are in the early stages of setting up their own business which is an historic high and the gap with their male counterparts has closed.**

Geo-political events created great economic uncertainty in 2022 which manifested in the UK with a cost of living crisis, record high inflation and falling output in an already stagnating economy. This was made worse by home-grown political turmoil throughout the summer months as the UK's Prime Minister was forced to resign. The ensuing Tory leadership contest resulted in a Truss administration by early September whose initial fiscal event led to an unprecedented economic shock as markets gave their judgment overnight.

The result was a collapse of business confidence in an already fragile economy trying to recover from the effects of the pandemic and the UK's exit from the EU. A perfect storm indeed in which to assess the resilience of potential and existing entrepreneurs.

[GEM](#) is the world's largest survey of entrepreneurship and is the only global research source that collects data on entrepreneurship directly from individual entrepreneurs. It measures various rates of entrepreneurship in 49 countries in 2022.

The latest [Global Entrepreneurship Team \(GEM\) UK report](#), in partnership with NatWest, based on a sample of just over 10,000 individuals, found that almost one in three working age individuals were either engaged in entrepreneurial activity or intended to start a business within the next three years.

GEM's UK team – which is led by [Professor Mark Hart](#) of Aston University – compared attitudes, activity and aspirations in the UK, France, Germany and the United States as well as the four home nations of the UK. The early-stage entrepreneurial activity rate of 11% in the UK was the same as in 2021 (11.5%) while it rose by 2-3 percentage points in the US, France and Germany.

The share of early-stage and established businesses owners in the UK that are engaged in various combinations of high job expectation, new product markets and exporting activities is low and needs to be addressed. Nearly one in two early-stage entrepreneurs and almost three in five established business owners are not engaged in any high value activities in the UK in 2022. This is a deterioration compared to 2021.

The UK's ranking in the overall quality of the entrepreneurship ecosystem also fell to 25th in 2022 from 18th the year before. The quality of the entrepreneurship ecosystem is assessed based on a survey of 36 entrepreneurship experts on 13 parameters such as financing and physical infrastructure. In nine out of the 13 parameters, the UK was downgraded in 2022 compared to 2021.

[Mark Hart](#), professor of small business and entrepreneurship at [Aston Business School](#) and deputy director of the UK's [Enterprise Research Centre](#), said:

“In 2020 we saw a collapse of early-stage entrepreneurial activity (i.e., the GEM TEA rate) as many decided to delay their move into setting up their own business in the face of the most severe economic downturn in 300 years - but within 12 months it has bounced back”.

“Now that recovery is in jeopardy as domestic and international headwinds are clearly having an impact on the willingness of individuals in the UK to take that first step into setting up their own business”.

“Indeed, individuals in the UK report that there were fewer good opportunities to start a business in 2022 and the fear of failure remains high.

“Nevertheless, in the face of the same international challenges our competitors (i.e., US, France and Germany) have fared better and all three countries have seen a rise in the number of individuals setting up their own business. The implication here is that the unique combination of political and economic domestic challenges has taken their toll in the UK”

“However, it is still the case that early-stage entrepreneurial activity remains at the highest level since the annual survey began in 1999 and is an indicator of the entrepreneurial resilience of the UK.

James Holian, NatWest Managing Director of Business Banking said:

“Despite a backdrop of geopolitical turmoil, a cost-of-living squeeze and rocketing inflation, 2022 was a robust year for UK entrepreneurs, with almost a third of respondents engaged in entrepreneurial activity or planning to start a business; a figure that is still up from 2020.”

“Research from the report shows that when looking to the future of their businesses, social impact is a bigger consideration for early-stage entrepreneurs than established businesses. And new ventures are more likely to consider the environmental consequences of their decisions than established businesses, although are no more likely to act”.

“However, on a positive note, findings reveal that the female-to-male early stage entrepreneurial activity ratio was at its highest in 2022, a testament to female resilience in a time of flux, when fear of failure is slightly higher among women. Meanwhile, youth entrepreneurship is still rising, with those under 35 years of age significantly more likely to start a business than their older counterparts”.

“At NatWest we see this as a call to unlock the potential of our businesses and their communities. For those entrepreneurs starting up and scaling up, we are determined to be there to ensure they thrive, while supporting climate, talent and growth during economic uncertainty.”

The full GEM UK report, along with individual reports for Scotland, Wales and Northern Ireland, in partnership with NatWest, Ulster Bank and RBS, are available for download [here](#).

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Notes to Editors

About Aston University

Founded in 1895 and a university since 1966, Aston is a long established university led by its three main beneficiary groups – students, business and the professions, and the West Midlands region and wider society. Located in Birmingham at the heart of a vibrant city, the campus houses all the University's academic, social and accommodation facilities for our students. Professor Aleks Subic is the Vice-Chancellor & Chief Executive.

In 2022 Aston University was ranked in the top 25 of the Guardian University Guide, based on measures including entry standards, student satisfaction, research quality and graduate prospects. The Aston Business School MBA programme was ranked in the top 100 in the world in the Economist MBA 2021 ranking.

For media inquiries in relation to this release, contact Sam Cook, Press and Communications Manager, on (+44)7446 910063 or email: s.cook2@aston.ac.uk



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