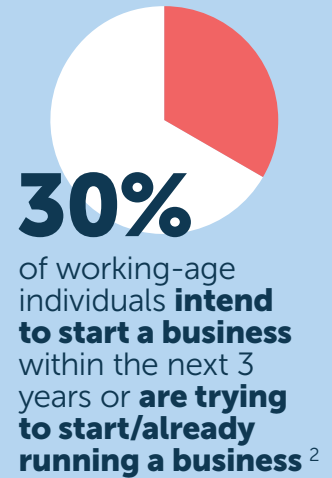


1 Small businesses and the economy

There were **5.5 million businesses** in the UK in 2024¹

- **99.8%** of these were classified as SMEs (0-249 employees)
- **99.2%** were small firms (0 to 49 employees)
- **95%** were micro-businesses (0-9 employees)
- **74%** of businesses have no employees ¹

99.8%
of UK businesses are SMEs



2 Small business growth patterns

Each year many small businesses are born in the UK, but **most do not survive longer term** and **only a minority experience 'high growth'**



SURVIVAL - Of the 325,811 start-ups registered in 2020, **only 47% survived to 2023**. The 10-year survival rate for **start-ups is only 10%**



SCALING - **Only 2%** (3,049) of the surviving start-ups registered in 2020 managed to **achieve £1m turnover after 3 years**



STEPPING UP - **Only 7%** of firms that had reached over £1m turnover **had over £3m by 2023**



DECLINING GROWTH - there are 400,000 more established SMEs since 2010, but the proportion registering **ANY employment growth has fallen from 20% to 13%**

3 Business challenges

Small businesses are dealing with many challenges



Geopolitical upheaval



Stagnant productivity



The push towards net zero



Technological change



Cost of living crisis



Pandemic impacts

Key concerns affecting the turnover of small businesses in 2024 included



Cost of labour



Cost of materials



Economic uncertainty



Increased competition ³

4 Declining innovation

Evidence shows a sharp decrease in innovation in **UK small businesses** since 2020



36% of businesses **were innovating** in 2020 - 2022 compared to **45%** in 2018 - 2020



Large businesses **were more likely to have innovated** than SMEs. **36%** of SMEs were innovation active, but the figure rises to **50%** for larger businesses ⁴

5 Management and leadership

Mental health issues are having **performance impacts**



37% of businesses **report presenteeism** in the workplace



28% of businesses **report mental health absence**

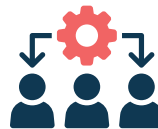


Smaller businesses are **much less likely to adopt mental health initiatives** ⁵

Workplace change is bringing new **management challenges**



53% of businesses say that remote working **makes teamworking more difficult**



45% say remote working makes it **more difficult to manage staff**



But **72%** say remote working **makes staff happier**

6 The small business ecosystem



Expert rating of the UK's entrepreneurial environment has slipped from **'sufficient'** to **'less than sufficient'**



Ratings for finance provision and ease of access to finance **have fallen over the last three years** ⁶

The UK's current business support system is **fragmented, unclear** and **lacks stability**

7 Priorities for action



Challenge management mindsets



Invest in the business support system



Encourage and enable more innovation