



Small Business Barometer

Q3 2022



Executive Summary

Small business optimism continues to be challenged in the face of rising costs and dwindling sales.

Over one third (34%) of business owners said that inflation is their biggest economic challenge in the next three months. This was followed by energy costs (22%) and operational costs (20%).

Meanwhile, entrepreneurs plan to borrow in the next twelve months with 83% reporting that they plan to access funding. Just under half (47%) plan to borrow €10,000 or less with a further third (29%) planning to borrow up to €30,000.

As rising costs and falling sales continue to bite, small businesses report that 58% of them are paid late. This compares to 31% in the UK. Of those that are impacted by late payments, 37% report that it occurs regularly. Over half (55%) report that one fifth of their invoices go beyond their terms. A further three in ten (29%) said that up to 40% of their invoices are paid late.

Carried out in October 2022, the Enterprise Nation Small Business Barometer, takes a quarterly look at the views and confidence of close to 1,000 small firms across Ireland and the UK. The Irish sample represented 20% (184) of the overall sample but was largely in line with the findings from across the UK.

Small Business Response to Impact of Rising Costs

85% of small Irish businesses say they have been impacted by rising costs, but only four in ten have increased their prices. Of those that had increased prices, 45% said it was by less than 10 per cent with four in ten (39%) increasing costs by less than 20 per cent.

38% of firms said sales had fallen as a result of the cost of living crisis, up from 30% in Q2 with one third (33%) saying they had remained the same. Twenty two per cent reported sales were down, but were not sure if it had been caused by broader economic pressures.

With rising staff, transport and operating costs and energy prices, business confidence of survival remains steady at fifty six per cent. But fewer were expecting to take on staff than in the last quarter, with almost half (49%) saying there was 'no chance' of increasing employment compared twenty four per cent in Q2. One in ten business (11%) owners say they are likely to increase headcount. Irish entrepreneurs expect staff costs to increase by 13.9%

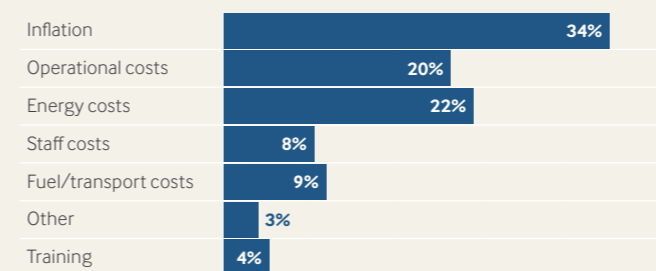
Small Business Optimism Challenged

Growth expectations for the next quarter have dropped significantly again. 15% said they expect to grow in the run up to Christmas, down from 38% in the last quarter. 45% of businesses expect to shrink.

Long term growth expectations are down ten percent to forty five percent from just over half (56%) in Q2. Three quarters of all businesses (75%) expected profitability to be down this year, up from 64% in Q2.

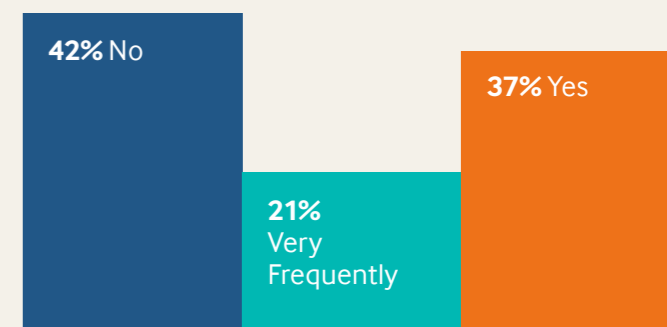
Research findings

What do you believe will be the biggest economic challenge for your business in the next three months?

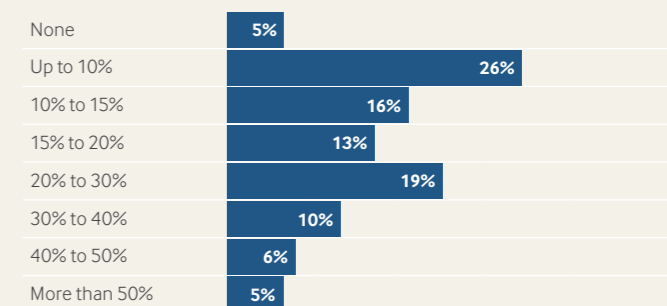


Late Payments

Are you often paid late by your customers?

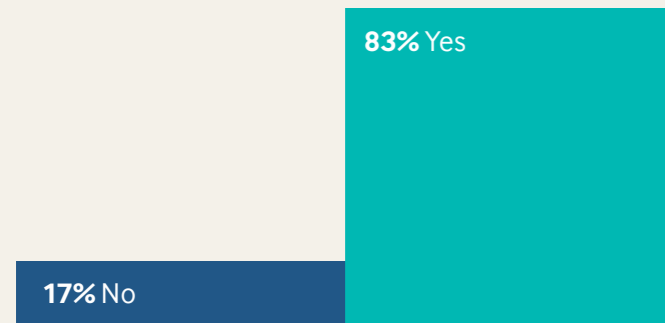


If so, what percentage of invoices go beyond your terms?

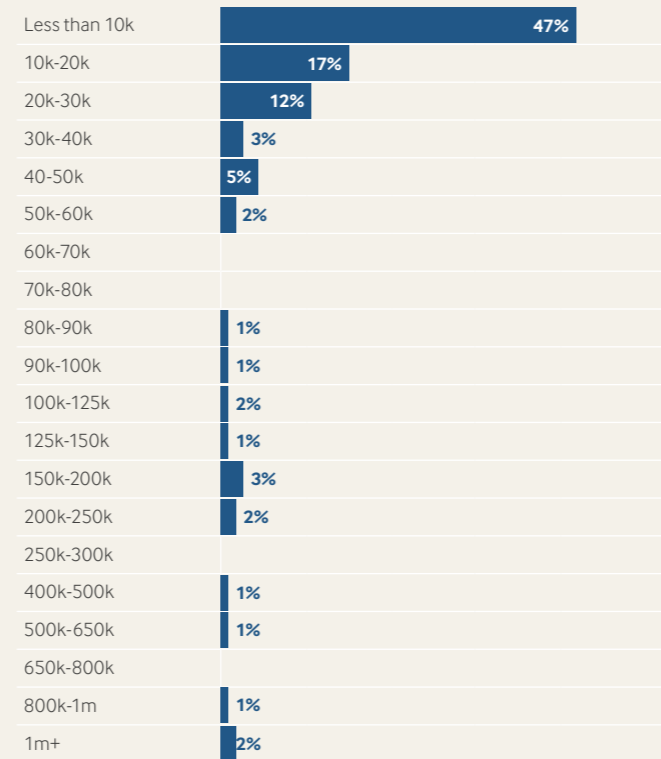


Access to Finance

Are you looking to access funding in the next 12 months?



How much funding are you looking to access in 2022?

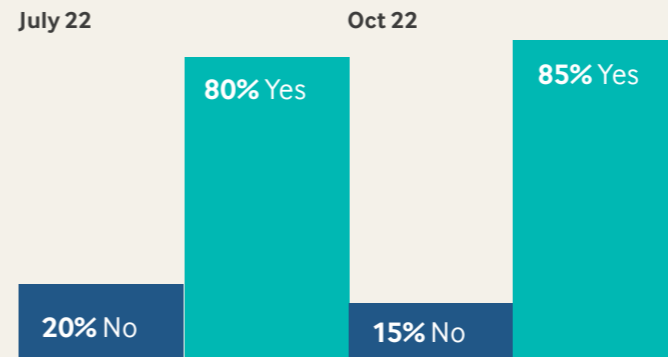


Impact of Rising Costs

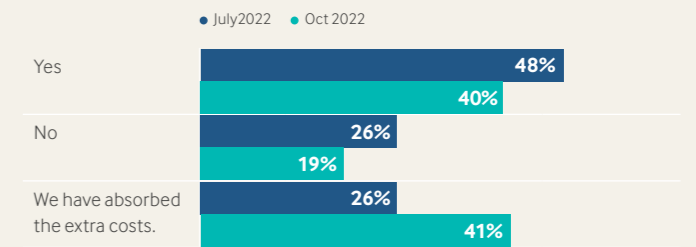
How badly do you think higher energy bills, inflation, higher fuel bills and the cost-of-living crisis will impact the profitability of your business this year?

	Apr 22	July 22	Oct 22
They will reduce my profitability	38%	50%	52%
They will severely reduce profitability	34%	14%	23%
They will make no difference	23%	20%	10%
I will make a loss	4%	8%	9%
They will make the business unviable	0%	2%	5%
They will increase my profitability	2%	6%	1%

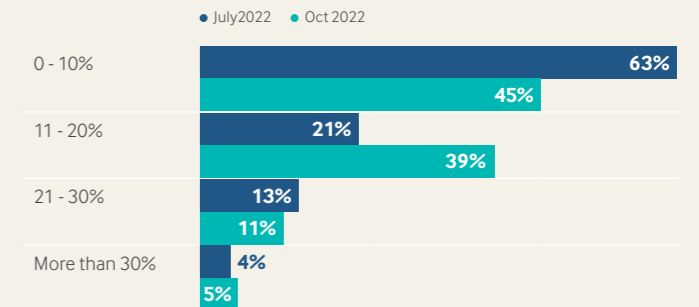
Has your business been impacted by an increase in costs due to the cost of living crisis?



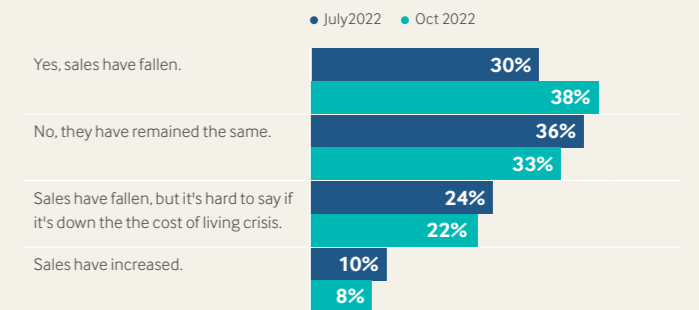
Have you had to pass on costs to your customers?



How much would you say you have increased your prices by?

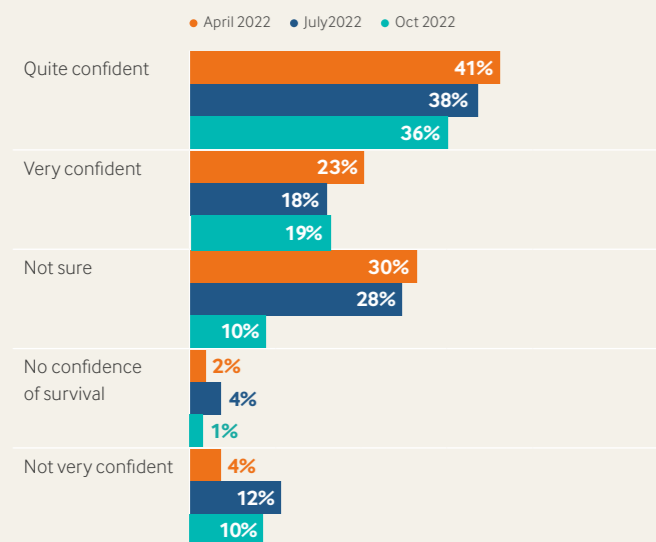


Have you seen an impact on sales due to cost of living crisis?

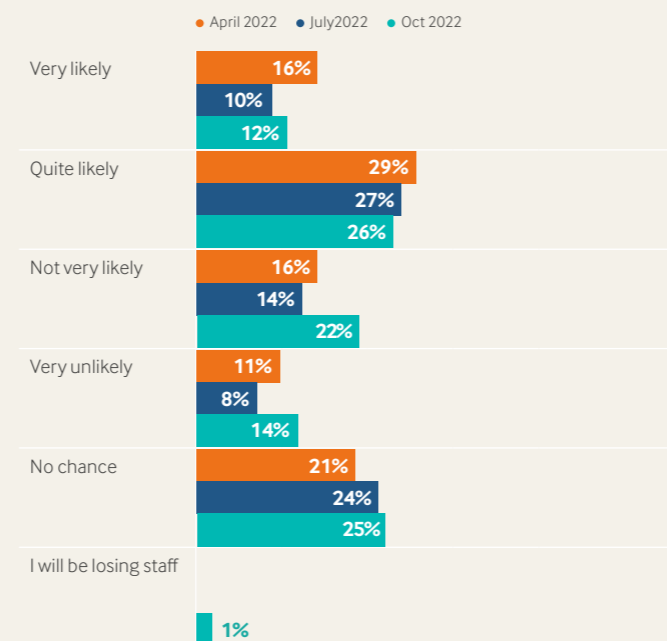


Confidence

How confident are you that your business will survive higher energy bills, inflation, higher fuel bills and the cost-of-living crisis?



How likely is it that your staff numbers will grow this year?



Demographics

- Total of 184 entrepreneurs took part the survey.
- 67% of them are aged 36-55 while 27% are under 35. The average age was 41.4 years.
- 53% of the respondents were female-run firms, 43% were founded by men

About Their Business

- 54% set up their businesses in the last 3 years.
- In terms of business revenue, 41 per cent earn between €10,000- €50,000 per annum and 8 percent pull in over €50,000.
- 42% of the firms were sole proprietorship, 53% expect to employ up to 5 people this year.
- Top 3 services which firms expect to buy in or use a contractor for:
 - Marketing (57%)
 - Finance & accounting (54%)
 - Design (30%)
- The average working hours per week is 57 hours. This compares with an average working week of 44.1 hours before starting their own business.
- 55% of the entrepreneurs took 10 days a year now they run their own business, 25% took 20 days a year.

When it comes to starting a business

- The reasons they started a new business are work life balance (53%), make more money (32%), use a skill/hobby/interest to make money (45%) and fed up with their job/ the rat race (32%).
- Half (52%) had searched for support to start a business.
- Private sector business support (67%) and Government Support websites (64%) were the most popular forms of research with social media at 48%.
- 45% had found the support they were looking for via online, government website (21%) and a mentor (20%). 45% reported not being able to find anything that works for them.
- Financial support (54%) and practical business advice (41%) were important when launching a business.
- 42% of the firms started their businesses as a 'side hustle'. Only 23% of them had an exit plan



The Enterprise Nation View



Emma Jones
Founder of business support platform and provider, Enterprise Nation

Without question, the most challenging macro economic environment we've seen in a decade is beginning to bite and small business outlook has further deteriorated.

Business owners tell us they plan to borrow in the next twelve months to meet the challenges that they're now facing including inflation and rising costs. Our research shows that access to finance is one of the most complex areas for small business to navigate and so entrepreneurs should carefully explore the options to ensure that the finance they seek is correct for their business needs.

Now is the time that we need to build supports around small businesses and it's disheartening to see that the majority are impacted by late payments. If small businesses are to survive the current headwinds, we call on larger enterprises to review their payment practices to ensure that they're paying their smaller suppliers within terms.

Enterprise Nation is a pioneer in small business support.

Whether launching a new business or developing an existing one, Enterprise Nation connects you to the resources and expertise to help you succeed.

Visit [enterprisenation.com](https://www.enterprisenation.com)

The Small Business View



Cathal Sheridan
Founder and CEO of Hukubalance

Cathal Sheridan, Founder and CEO of Hukubalance, a Donegal-based company that makes balance boards and yoga products for both adults and children

"After one price increase in 2021, we decided to do whatever we could to prevent another price increase. We've looked more into how we make our products and re-designed some of the production processes. This has reduced our costs slightly and has helped us keep our prices competitive. We are continuing to innovate in our production methods to further reduce costs to help us absorb any further increase in material and shipping costs.

"When it comes to supports which would help a small business like Huku, we need financial support and guidance to help develop and grow our marketing and sales team. As a startup business our costs are still quite high so any assistance in employing staff would be hugely beneficial."