



Small Business Barometer

Q2 2022



Executive Summary

As the cost of living crisis begins to bite in the second quarter of 2022, three quarters of small businesses say they have been impacted by rising costs, but only a third have inflated their prices to their customers.

Just over a third (35%) said they had taken the decision to increase prices, but 65 per cent said they had not or had absorbed extra costs in response to a poll from small business support platform Enterprise Nation’s Small Business Barometer, which measures SME sentiment and confidence on a quarterly basis in the UK and Ireland.

While overall long-term growth expectations remain similar to the last quarter (51%), expectations for growth in the next quarter are down by 20 per cent to 40 per cent.

Just under half of businesses in Ireland said they had put up their prices (48%), the highest in the survey, and only 28 per cent of firms in the South West had done so, the lowest in the UK.

Of those that had increased prices, most (59%) said it was by less than 10 per cent. But almost half of all businesses (46%) expected profitability to be down this year.

With rising staff, transport and operating costs and energy prices set to rise, businesses were still optimistic about growth for the rest of this year, with just over half (51%) saying growth was likely. But less were expecting to take on staff than in the last quarter, with a quarter (25%) saying there was ‘no chance’ of increasing employment compared to 22 per cent in March.

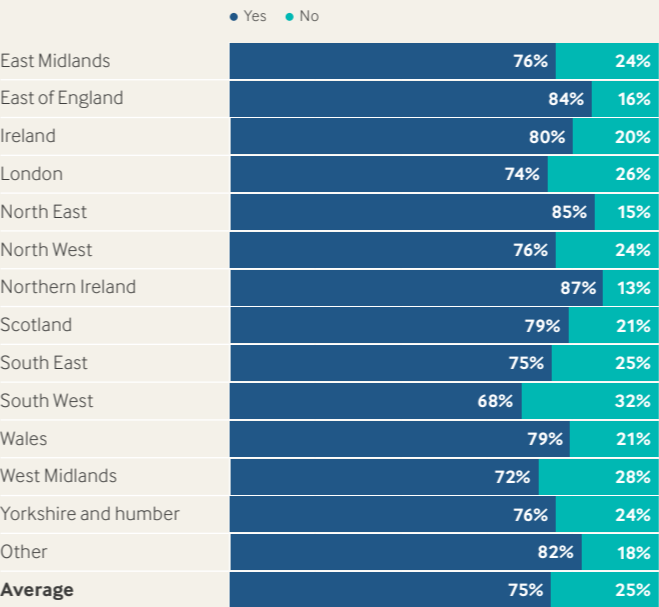
Around 37 per cent of firms said sales had fallen as a result of the cost of living crisis, with over a third (34%) saying they had remained the same. Another 21 per cent reported sales were down, but were not sure if it had been caused by broader economic pressures.

Businesses in Yorkshire and Humber were most likely to report declining sales (46%) followed by the East of England (43%). Businesses in Ireland reported the least economic-related impact on sales (30%).

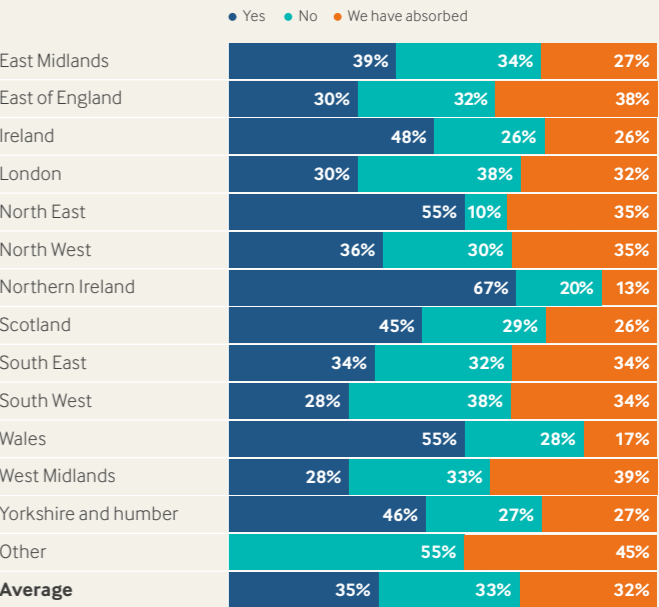
Research findings

Regional stats

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

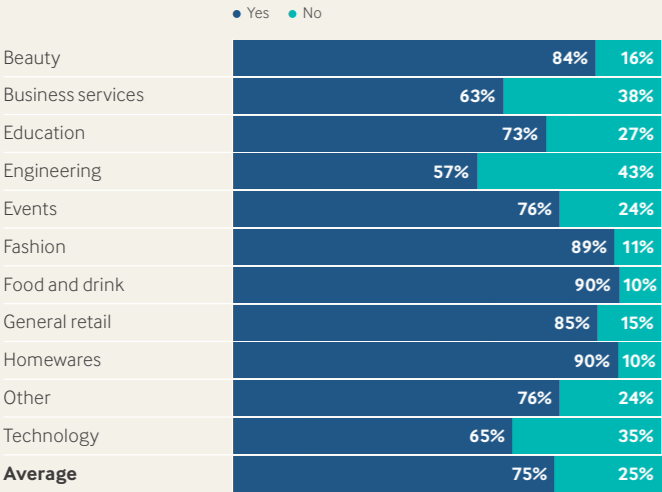


Have you had to pass on costs to your customers?

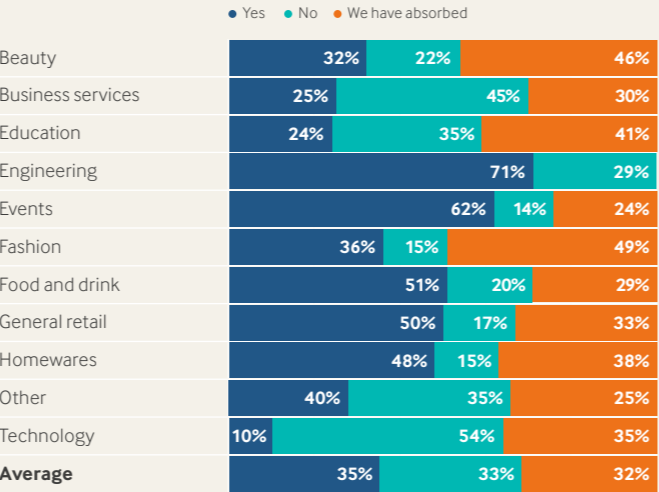


Sector

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

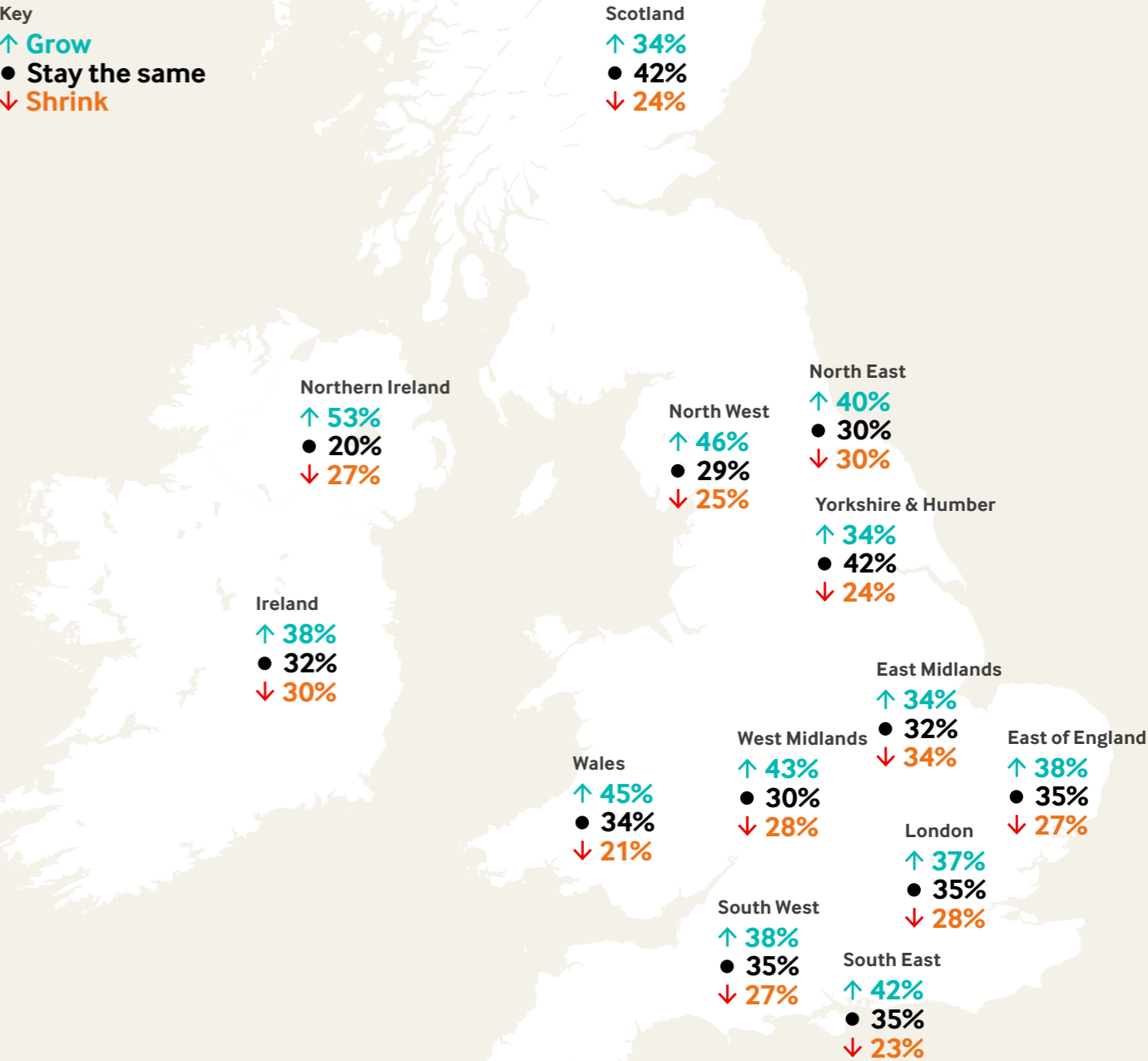


Have you had to pass on costs to your customers?



Business Confidence Map

Business growth expectations for Q3 2022



Food and drink

Food and drink businesses were the most affected by increased costs (90%) but only 51 per cent said they had hiked prices. Just over half (52%) said the business was likely to expand in 2022. While 55 per cent said they had put prices up between 0 and 10 per cent and a third (33%) had put prices up by between 10 and 20 per cent.

Profitability

A drop in profitability was most likely to impact engineering with 57 per cent expecting reduced profitability, with 29 per cent expecting a severe impact on profits. Another 14 per cent said they would make a loss and 71 per cent said they had put up prices. Businesses in Northern Ireland were the most nervous about profits, with 60 per cent saying costs would impact profits, followed by firms in the East of England and the South West (54%) and the South East (51%).

Confidence

While overall long-term growth expectations remain similar to the last quarter (51%), expectations for growth in the next quarter are down by 20 per cent to 40 per cent. This is the second Barometer that has seen an increase in cost kick in and while expectations about costs increases have plateaued from the last quarter, expectations for growth between now and the end of September have been downgraded.

Hours

The research found business owners are working on average 48 hours a week, with businesses in London and Scotland both working 50-hour weeks. Founders in the South West reported the best work life balance, working an average of 41 hours a week. Businesses in the South West also take the most days holiday (24 days) compared to Welsh businesses owners, who take just 18 days a year.



Analysis



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

Emma Jones CBE, founder of Enterprise Nation, said: “Our collective experience over the past three years has made business owners stronger and more resilient in terms of how they now deal with challenges. That means many are currently resisting the impulse to pass on their rising costs to their customers and create more inflationary pressures in the economy, which is a hopeful sign.

“This is a critical moment. Businesses have not been helped by an economy that’s changing at an unprecedented pace.

"We must surround them with support and advice and if we do that well, we can hopefully help small businesses navigate through this next phase of change and into a more optimistic Q3.”



Enterprise Nation is a pioneer in small business support.

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