



FSB Yorkshire, the Humber & North East Quarterly Small Business Index

Q1 2024

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Foreword

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Federation of Small Businesses



These are the best finding we have seen from our Small Business Index for years. Small business confidence is up, revenue is up and job creation is up. After a number of really tough years for businesses it seems that we may be on the cusp of better times.

It is great that business owners in our region are feeling this confident. We have to make sure that this small business confidence and growth is nurtured. Now is the time to support existing businesses, especially in those sectors which have been hardest-hit in recent years such as hospitality. We also need to create the best possible environment for start-ups and entrepreneurs.

Our survey shows now is the time for politicians to be bold and come forward with ambitious plans. Small businesses are ready to grow the economy, we want to see plans to support small businesses to grow, access finance, take on staff and deliver day-in, day-out for customers and communities across Yorkshire and the North East.

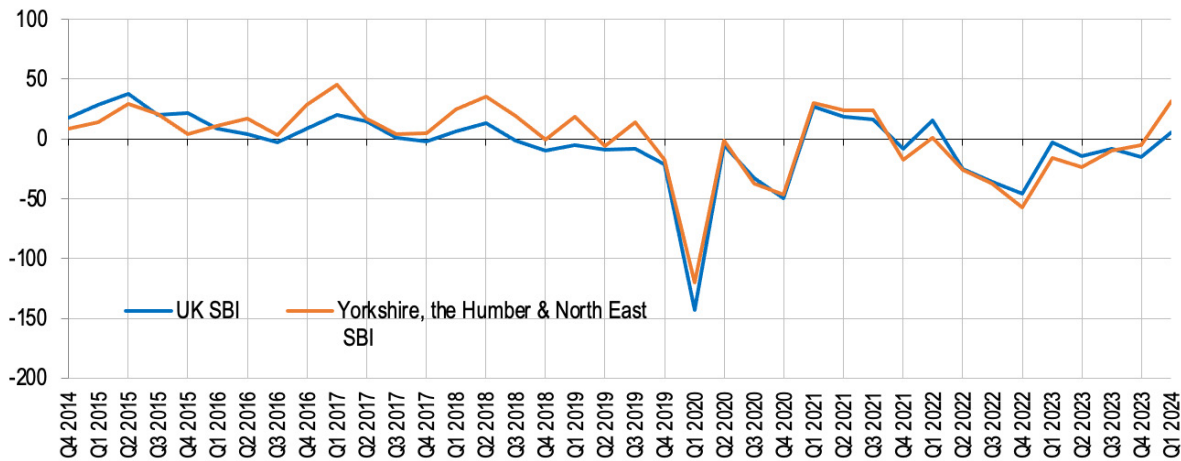
The Yorkshire, Humber & North East Small Business Index (YHNESBI)¹, which measures confidence amongst businesses, has improved substantially from -5 in Q4 2023, to 31 this quarter.

Confidence among small businesses in Yorkshire and the Humber & North East is currently at its highest level since Q2 2018, and is positive for the first time since Q1 2022 (when the confidence index score was 1). Business confidence in the region has been on an upward trend since Q2 2023, when it was at -24, with index scores improving each quarter from then. The YOY improvement is considerable, from -16 in Q1 2023, to 31 in Q1 2024.

Yorkshire and the Humber & North East is the most confident UK region of those that are reported, and is well above the UK average of 5. For reference, the second most confident region is the East Midlands, with a net index score of 21, whilst the region with the lowest confidence is the South East, which sits at -7.

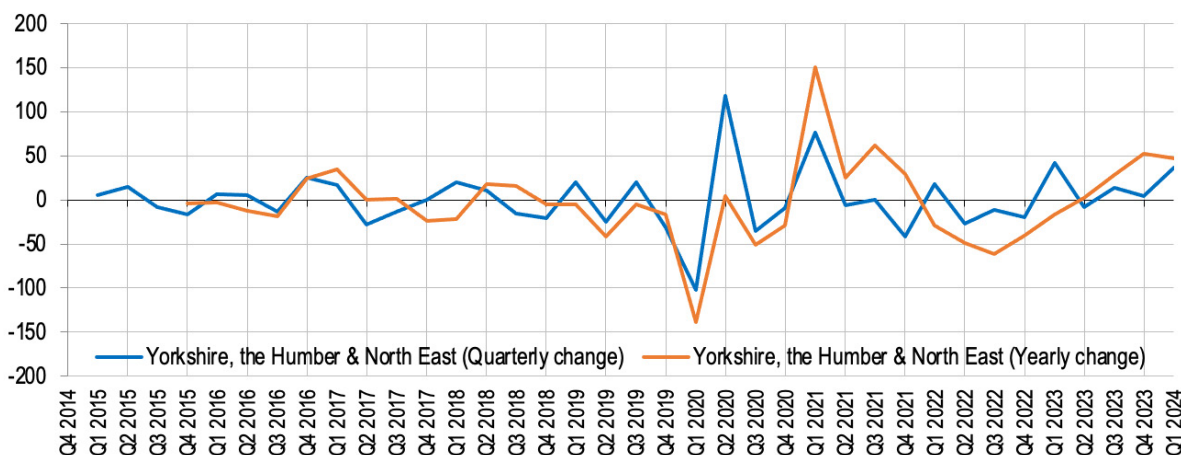
Confidence in business performance for the next 3 months has improved for both Yorkshire, the Humber & North East, and the UK as a whole.

Fig.1 FSB Small Business Index: regional variation in small business prospects/confidence over coming three months.



Both quarterly and YOY changes in confidence for Yorkshire, the Humber & North East are well above zero, highlighting that small business confidence in the region is improving.

Fig.2 FSB Yorkshire, the Humber & North East Small Business Index: small business confidence levels.



¹ The Yorkshire, the Humber & North East Small Business Index is a weighted index of the responses to the question: 'Considering your overall business performance, and ignoring any normal seasonal variations at this time of the year, how do you view business prospects over the next three months, compared with the previous three months?' The share of firms reporting 'much improved' are given the following weightings: +2, slightly improved +1, approximately the same 0, slightly worse -1 and much worse -2; the Small Business Index is derived from the sum of these factors.

Business Conditions

Small businesses in Yorkshire and the Humber & North East report a net positive revenue balance over the past 3 months for the first time since Q1 2022.

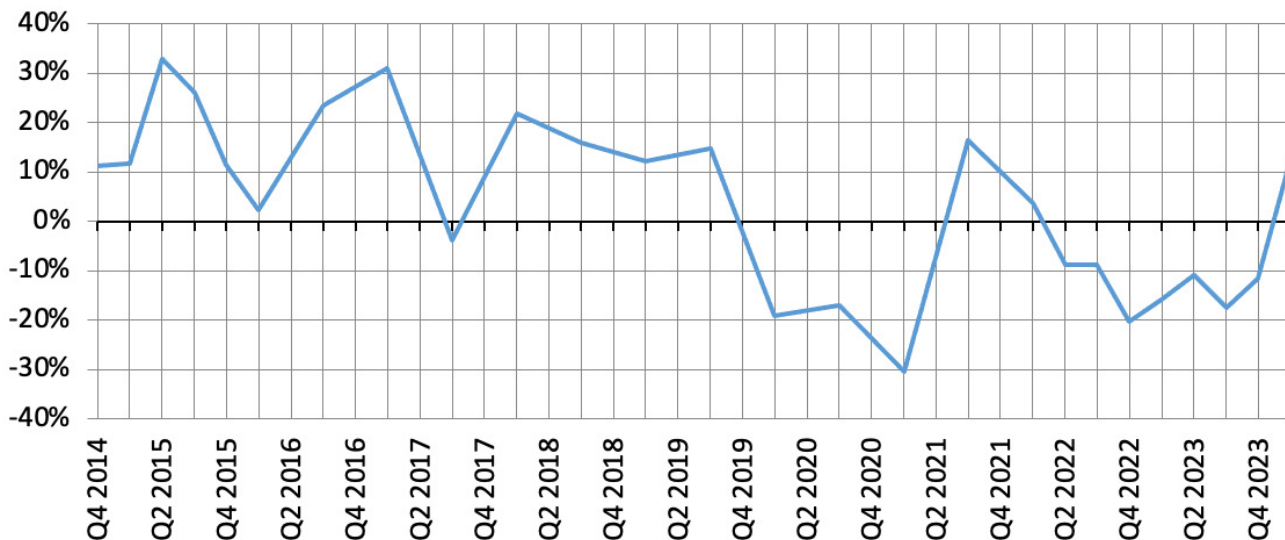
In Q1 2024, the overall net balance for revenue in the region is now positive (net 12%)², and has improved since the previous quarter, where it was -12%. This is also a YOY improvement from the net -16% reported in Q1 2023.

The net revenue balance for this quarter is the highest of all the regions reported, and is one of only two regions with a net positive score, the other being the North West (2%). For reference, the UK average is -9%, and the worst performing region is London, with a net revenue balance of -20%.

The outlook for future revenue is positive – in the region, 52% of small businesses expect this to grow over the next 3 months, while 15% of small businesses expect a decline in revenue (an improvement from 30% reported in Q4 2023). This results in a predicted net balance of 37%, which is well above the net prediction from the previous quarter of 7%, and the UK average for this quarter of 22%. This net revenue prediction is the highest recorded for the region since Q1 2017.

The revenue balance in Yorkshire and the Humber & North East returns to a net positive score, and is at the highest level since Q3 2021.

Fig.3 FSB Small Business Index: net balance of small firms in Yorkshire, the Humber & North East reporting revenue.



² The NET number of businesses is calculated by subtracting the total number of businesses who reported a decrease in revenue from those who reported an increase in revenue in the last 3 months. The NET number of businesses is calculated by subtracting the total number of businesses who reported a decrease in revenue from those who reported an increase in revenue in the last 3 months.

'How has the revenue of your business changed over the last 3 months'.

Employment and Wage growth

The net score in employment numbers for small businesses in the region remains positive, and has improved from 1% in Q4 2023 to 8% this quarter.

The employment picture for small businesses in Yorkshire, the Humber & North East over the last 3 months shows the net employment level at 8%. This is due to 16% of small businesses in the region increasing their headcount over the last 3 months (compared to 10% reported in Q4 2023), and 8% decreasing their headcount (similar to the 9% reported in Q4 2023). This net change is slightly below what was predicted in the previous quarter, of 10%.

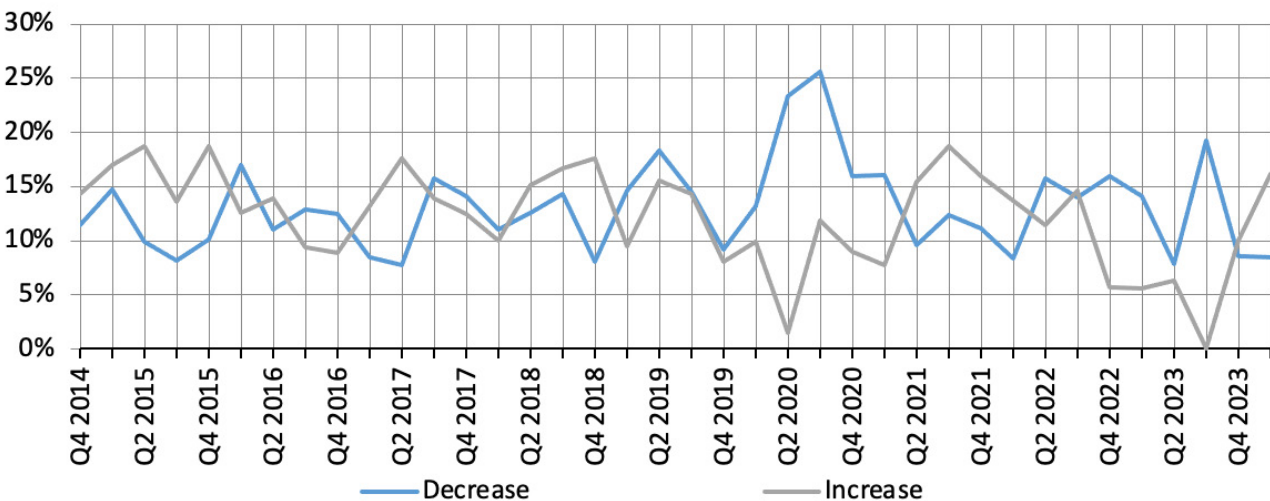
Looking ahead to the next 3 months, staffing levels are predicted to improve considerably, with 24% indicating an intention to increase their headcount, and 4% expecting to decrease it, resulting in a predicted net change of 20%. Over two thirds (69%) expect staffing numbers to stay the same.

Wage Growth

In Yorkshire, the Humber & North East, just under two thirds (65%) of small businesses increased the average salary across their business over the past 12 months. This is consistent with Q4 2023, where this was 66%. A total of 62% say they have increased the average salary by 2% or more. When looking ahead, the outlook is positive, with 78% of small businesses predicting a wage rise over the next 12 months, and 70% predicting this increase to be 2% or more.

Since Q4 2023, more small businesses in the region have increased their staff numbers, whilst the proportion decreasing the number of staff they employ has remained consistent.

Fig.4 FSB Small Business Index: change in people employed in Yorkshire, the Humber & North East over last 3 months.



Growth and Investment aspirations

In Q1 2024, 55% of small businesses in Yorkshire, the Humber & North East say that their growth aspirations in the next 12 months are to grow either rapidly (increase turnover/sales by over 20%) or moderately (up to 20%). This is a considerable improvement from Q4 2023, when 39% had these growth aspirations.

13% of businesses in the region have said they intend to contract their business in the next twelve months (to downsize, sell or close the business). This is an improvement from Q4 2023, where it was 19%.

The investment intentions for Yorkshire, the Humber & North East small businesses are now above the UK average.

27% of businesses in Yorkshire and the Humber & North East expect to increase investment over the next quarter, whilst 13% expect to decrease it – resulting in a net balance of 14%. This is above the UK average of 10%, and is the joint second highest performing region measured, alongside London. For reference, the highest performer is the East Midlands (net 16%).

In Yorkshire, the Humber & North East, the general economic conditions in the UK (64%), consumer demand (28%), labour costs (25%) and appropriately skilled staff (24%) are the greatest perceived barriers to growth over the coming twelve months.

Since Q3 2023, fears about the fuel costs have decreased significantly (from 24% to 7% this quarter), whilst concerns about the domestic economy have increased significantly (up from 42% in Q4 to 64% this quarter).

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