



# FSB London Quarterly Small Business Index

Q1 2024

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fsb<sup>03</sup>



## Foreword

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It is disappointing to see a slight dip in confidence amongst London's small business community in Q1 2024. However, there are still positive signals of intent. The investment intentions of small firms remain high and there are strong employment intentions for the next quarter.

We are now in a new Mayoral term and it is vitally important that we create the conditions for a small business to be '**FIT for the Future**'.

**FIT** through fair **Financing**, supportive **Infrastructure** and the ability to **Thrive** over the next decade.

- Fair **Financing** is integral to the internal workings of a business, from receiving affordable, targeted access to various forms of finance, to simply getting paid on time. No small business should have to wait more than 30 days to be paid by any supplier through using their financial muscle.
- A focus on **Infrastructure** will underpin the operational working of London to support London's small business community. The GLA should, where possible, create a version of 'Help to Green' - offering businesses a combination of audits and grants. These need to be easy to obtain and should provide support for small businesses to help them engage to become more energy efficient in their business and be an active player in improving London's Air Quality.
- The tools for small businesses to **Thrive** in London will be crucial to alleviating current skills issues. In particular, the London business support hub (Grow London Local) must be fully functional and easy to navigate to enable small businesses to attract the skills needed. Helping small businesses with functional, digital, green, entrepreneurship alongside leadership and management skills for aspiring sole traders and micro business owners will boost the London economy.

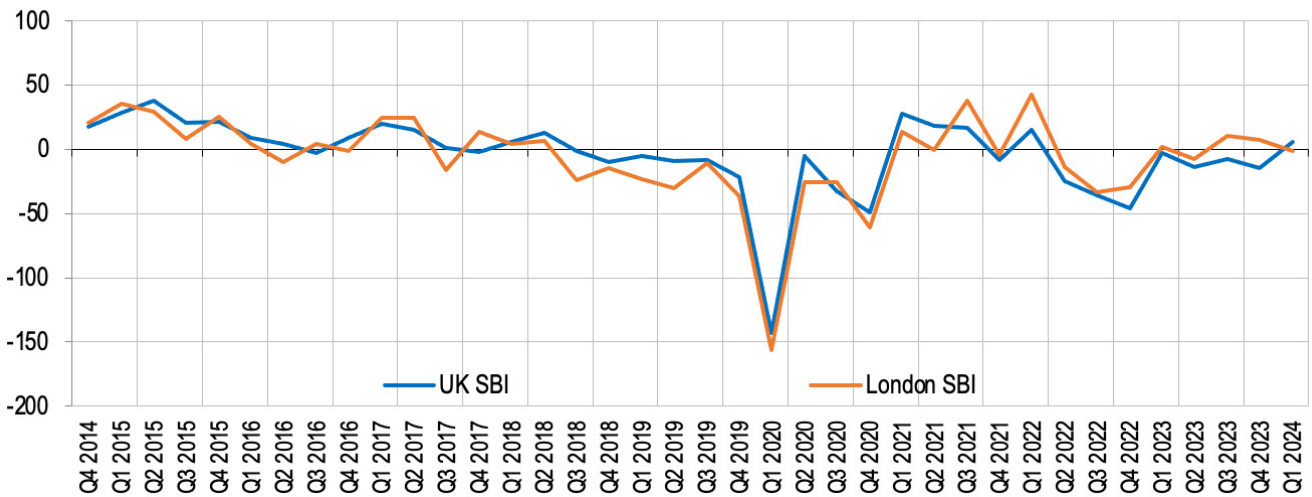


**The London Small Business Index (LSBI)<sup>1</sup>, which measures confidence amongst businesses, has fallen versus the previous quarter, now turning negative. Confidence is -2 as of Q1 2024. In Q4 2023, it stood at 7.**

Business confidence amongst London small businesses turned negative in Q1 2024, following two quarters of positive confidence levels (10 in Q3 2023, and 7 in Q4 2023). When compared to a wider view, London's confidence level in Q1 2024 is lower than the nationwide average of 5.

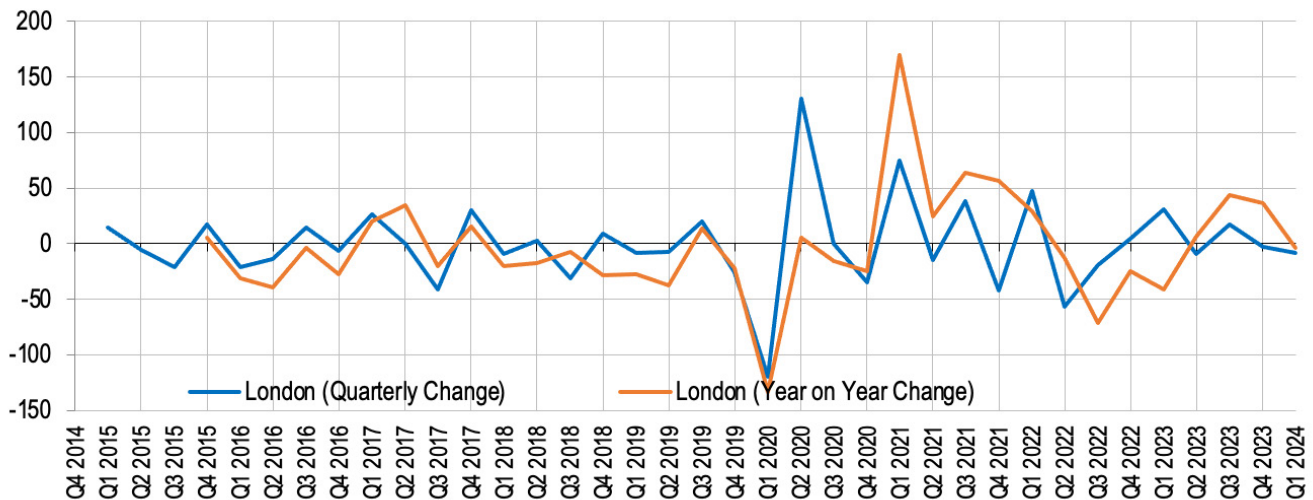
**Confidence amongst London small businesses falls to a negative level in Q1 2024, slipping below the nationwide average.**

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



**Confidence continues to fall quarterly, with year-on-year metrics also negative amongst London businesses.**

**Fig.2 FSB London Small Business Index: small business confidence levels**



<sup>1</sup> The London 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 again report negative net revenue in London for Q1 2024, after a brief rise in the previous quarter. London greatly underperforms the UK average.

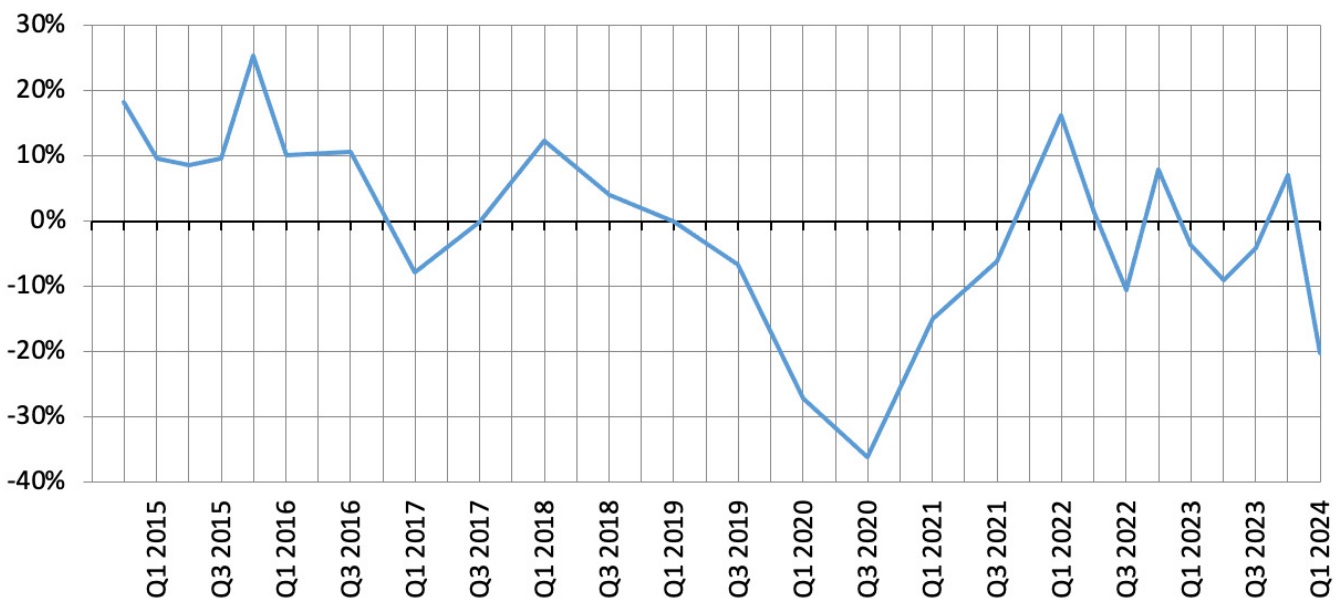
In Q1 2024, 25% of London small businesses reported an increase in revenue, with 45% indicating a decrease. The net balance figure of -20%<sup>3</sup> for Q1 2024 is far lower than figures reported in Q4 2023, where the respective figure was positive (7%). Revenue in London for Q1 is lower than the already low performing countrywide average (net -9%). For context, London is the worst performing region for Q1 in terms of net revenue, with the highest performing being the North East & Yorkshire and The Humber (net 12%).

The outlook for future revenue turns positive in London, with a net score of 25%. This is an improvement from the less positive outlook expressed in Q1 2024, where the net prediction for future revenue stood at 7%.

This is driven by a higher proportion of London businesses expecting an increase in profits for the coming quarter (47%), versus the outlook expressed in Q4 (33%). Fittingly, London outperforms the nationwide average for future outlook in Q1 2024, where this is net 22%.

## London net revenue performance drops sharply as of Q1 2024, declining after a brief return to positive levels during the last quarter.

**Fig.3 FSB Small Business Index: net balance of small firms in London reporting revenue (revenue question previously only asked in Q1 and Q3 phases of SBI).**



<sup>3</sup> 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

**Q1 2024 sees a continued dip in headcount in London, with a net score of -8% in terms of staffing levels.**

7% of small businesses increased their employment levels over the last three months, whilst 15% noted a decline. The contraction of employment levels at net -8% is a small dip from the net -5% score reported in Q4 2023. This follows a brief positive view in Q3 2023 (net 8%).

London employment levels are below the nationwide average, with UK small businesses reporting a -4% contraction of headcount overall.

For the next quarter, London small businesses anticipate a net 9% change in staffing levels. This represents the most positive outlook over the last 12 months (7% in Q1 2023, 5% in Q2, 2% in Q3, and 0% in Q4).

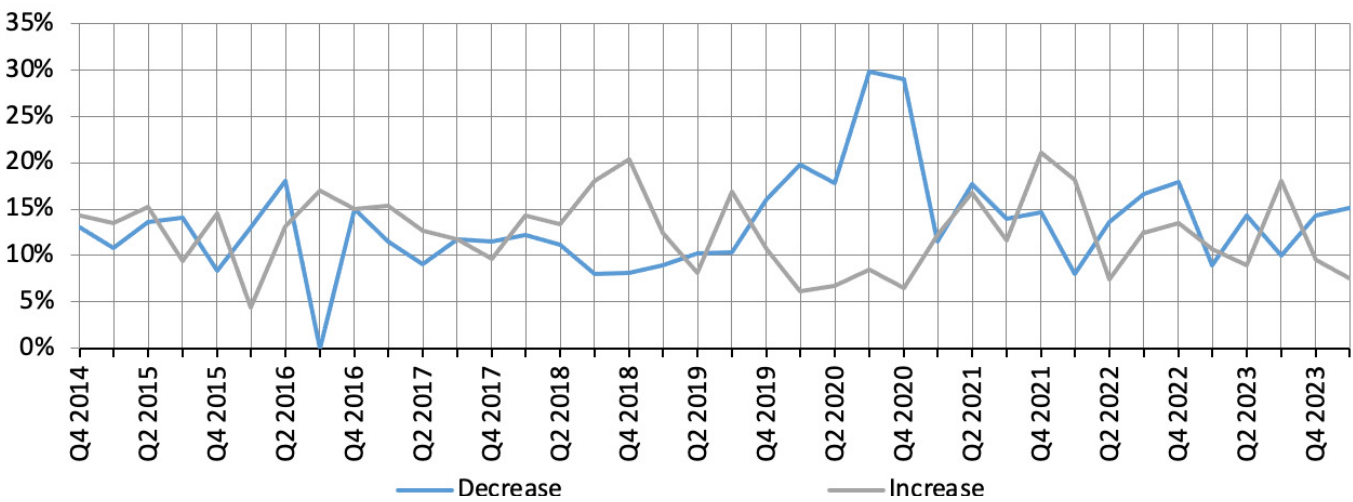
## Wage Growth

In London, 56% of small businesses increased salaries over the previous 12 months, as of Q1. This compares with the 66% reporting increased salaries in Q4 2023. The proportion of London small businesses reporting decreased salaries has gone up from 6% in Q4 2023, to 11% in Q1 2024. In Q1, the net wage change therefore stands at 45%.

Wage predictions for the next 12 months are slightly more positive in Q1 2024 versus Q4 2023. In Q4, wage predictions saw London small businesses anticipating a net 59% change in wages. In Q1, this now stands at a net 67% predicted change.

## Headcount amongst London small businesses contracts in Q1, continuing the decline seen from Q3 to Q4 2023.

**Fig.4 FSB Small Business Index: change in people employed in London over last 3 months**



## Growth and Investment aspirations

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In Q1 2024, 62% of small businesses in London said their growth aspirations in the next 12 months were to grow either rapidly (increase turnover/sales by over 20%) or moderately (up to 20%). 14% report an expectation to downsize their business, resulting in a net growth aspiration of 48%. This is on par with net growth aspirations expressed in Q3 2023 and Q4 2023, which stood at 47% and 48% respectively.

**Investment intentions for London small businesses have risen slightly from Q4 2023 to Q1 2024, continuing to have a net positive outlook (9% in Q4, 14% in Q1).**

London's investment outlook is just ahead of the UK average of net 10%. London is on par with The North East & Yorkshire and The Humber (also net 14%), and only behind the East Midlands (net 16%). For context, the region with the lowest investment intentions in Q1 is the South West (net 2%).

**In London, the general economic conditions (58%), consumer demand (39%) and appropriately skilled staff (33%) are the greatest perceived barriers to growth over the next 12 months.**

The tax burden has fallen as a key concern for businesses in the region; 29% raised it as a barrier in Q4 2023, compared to 14% in Q1 2024.

## About FSB

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