**News release**

**30 May 2019**

**Small business confidence HITS two-year low**

The proportion of small businesses predicting growth for the next three-months has fallen to 34% - its lowest level for eight successive quarters and, for the first time, the proportion of businesses predicting significant expansion has fallen below 5%.

The new research from Hitachi Capital Business Finance asked a nationally representative sample of 1,184 small business owners to forecast their growth outlook for the three-month period to 30 June. Whilst the percentage of small businesses predicting growth held firm at 36% over the previous three quarters - through a period of extreme political and economic uncertainty - this month sees the first fall in the number of small businesses predicting any form of growth – whether significant expansion or modest, organic growth.

This time last year, the spring months saw an annual high in business confidence, as businesses started the new tax year with bullish plans for the year ahead. This spring, confidence is sliding.

**Percentage of small businesses that predict net growth to 30 June – and within this, those that predict significant expansion. Results for the last two years.**

|  |  |  |
| --- | --- | --- |
|  | Predict net growth  | Predict significant expansion |
| Q3 2017 | 40% | 6% |
| Q4 2017 | 38% | 7% |
| Q1 2018 | 39% | 6% |
| Q2 2018 | 41% | 6% |
| Q3 2018 | 36% | 7% |
| Q4 2018 | 36% | 5% |
| Q1 2019 | 36% | 6% |
| Q2 2019 | 34% | 4% |

**Hotspots where confidence is falling**

* **Sole traders** were least confident in their business outlook – only 28% predicted net growth for the period to 30 June, compared to 46% for those larger businesses with 10-50 employees. Similarly, sole traders were almost twice as likely to predict contraction than these larger firms (19% Vs. 11%).
* **Transport, agriculture and hospitality** were the sectors where businesses were least likely to predict growth - 25%, 27% and 29% respectively [see note to editors for full table]. Compared to three months ago, the sharpest fall in growth predictions was noted in the Transport/Distribution sector (down 13% to 25%).
* Significant variations were also noted by **the age of businesses** surveyed. Whilst young businesses in their first years of trading were those most confident in their net growth predictions (45%), older businesses that had been trading for 20 or more years were significantly less likely to predict growth (27%).

Asked what the barriers to growth where, market uncertainty (31%), unwillingness to embrace risk (17%) volatile cash flow (13%) and the cost of labour (12%) were all key factors. Further, when asked which initiatives small business owners were taking in order to secure future growth, key initiatives mentioned included: keeping fixed costs down (41%), improving cash flow (22%), tackling late payment (28%), expanding into overseas markets (16%) and investing in new equipment (12%).

On the upside, the north emerged as the country’s engine room for growth, with small businesses in the North West (43%) and the North East (41%) most likely to predict growth – compared to the national average of 34%. In contrast, small businesses in the west were the least confident: Welsh businesses were least confident about the future, closely followed by the South West – 23% and 28% respectively. In only three regions had the growth outlook of small businesses improved since the start of the year.

By sector, quite a lot of movement was noted since the start of the year. Despite a January of bleak trading announcements from the high street, the latest Hitachi Capital data reveals a sharp improvement in growth outlook from the retail sector among small businesses (up 9% on Q1 to 40%), with confidence in Real Estate rising by 17% since January. Conversely growth forecasts have fallen most sharply in the Finance/Accounting and Transport/Distribution sectors (falling 9% and 17% respectively).

**Gavin Wraith-Carter, Managing Director at Hitachi Capital Business Finance** said: “We are all living through a period of unprecedented uncertainty and, within that context, it is not surprising that small business confidence has taken a knock. It is too early to tell whether this is a short-term blip or the start of a trend.”

“The crucial subtext is how small businesses are reacting to how they are feeling. What is encouraging from our research is that whilst around four in five small businesses can identify current challenges, the vast majority are adapting by making new plans to achieve future growth. Investing in new equipment, expanding into overseas markets and tackling late payment are key issues that small businesses are prioritising to move their businesses forward – and now is a vital time for the banking and specialist finance community to be backing the small businesses that have the ideas, the plans and the passion to see market uncertainty as an opportunity to grow.”

**For more information, to arrange interviews or to register interest for more information on the new Hitachi study contact:**

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Small business case studies, audio clips and images are available on request.

**Note to editors**

**Percentage of small businesses that predict net growth to 30 June – by region.**

**Comparing Q2 2019 to Q1 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Q2 2019Net: growth(and variance on Q1) | Q2 2019Significant expansion | Q1 2019Net: growth | Q1 2019Significant expansion |
| North West | 43% (-1) | 6% | 44% | 5% |
| North East | 41% (-) | 2% | - | - |
| West Midlands | 38% (+3) | 3% | 35% | 8% |
| East Midlands | 37% (-5) | 6% | 42% | 5% |
| Yorkshire/Humberside | 36% (+1) | 4% | 35% | 4% |
| South East | 36% (-4) | 3% | 40% | 7% |
| London | 35% (-1) | 9% | 36% | 6% |
| East of England | 33% (+5) | 1% | 28% | 5% |
| Scotland  | 31% (-) | 5% | 31% | 3% |
| South West | 28% (-1) | 1% | 29% | 4% |
| Wales | 23% (-7) | 1% | 30% | 4% |

**Percentage of small businesses that predict net growth to 30 June – by sector.**

**Comparing Q2 2019 to Q1 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Q2 2019Net: growth(and variance on Q1) | Q2 2019Significant expansion | Q1 2019Net: growth | Q1 2019Significant expansion |
| Manufacturing | 38% (-4) | 2 | 42% | 9% |
| Construction | 31% (-) | 6 | 31% | 4% |
| Retail | 40% (+9) | 2 | 31% | 4% |
| Finance/Accounting | 33% (-9) | 6 | 42% | 8% |
| Hospitality & Leisure | 29% (+5) | 3 | 24% | 5% |
| Legal | 41% (+4) | 3 | 37% | 2% |
| IT/Telecoms | 38% (-3) | 5 | 41% | 7% |
| Media/Marketing | 36% (+3) | 3 | 33% | 5% |
| Transport/Distribution | 25% (-13) | 0 | 38% | 5% |
| Real Estate | 45% (+17) | 6 | 28% | 4% |
| Agriculture | 27% (+3) | 3 | 24% | 5% |

**Note to editors**

The research was conducted by YouGov among a representative sample of 1,184 small business decision makes spanning industry sectors.

**Hitachi Capital Business Finance**

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With an asset portfolio of more than £1bn, the business is active across multiple sectors such as transport, agriculture, construction, manufacturing, materials handling and financial services providers.

Business finance products including hire purchase, finance lease solutions, stocking and block discounting are provided through brokers, vendor organisations, manufacturers and direct to the business community.

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