

NEWS RELEASE

PROPORTION OF SMALL BUSINESSES FEARING COLLAPSE DOUBLES IN THREE MONTHS

The number of small businesses predicting growth for the next three months has hit its lowest level for more than a year – and the amount predicting they will struggle to survive or close has doubled from 5% to 10% in just three months – according to new research from Hitachi Capital Business Finance.

Hitachi Capital’s Business Barometer tracks small business confidence every quarter: Over the last two years, the proportion of small business owners fearing collapse has been consistent at around 4-5% for seven consecutive quarters. This quarter, the figure has doubled.

The new Hitachi Capital data reveals dramatic rises in the retail and hospitality sectors in terms of the proportion of small businesses that think they will struggle to survive in the next three months. This follows bleak industry predictions last weekend that 10,000 retail stores will shut this year, of which half will be independents¹.

The Hitachi Capital Business Barometer suggests the protracted uncertainty and political infighting around Brexit is creating an economic ripple that could cause lasting damage to the small business sector, the engine room of the British economy – ventures that need certainty, support and access to funding to grow.

Overall, in eight industry sectors there was a quarterly rise in the proportion of small businesses that feared for their future.

Regionally, the North East and London saw a sharp rise in the percentage of small businesses worried about their survival – with figures doubling in Wales. Overall, nine UK regions saw a rise in the proportion of business owners predicting that their enterprise would struggle to survive in the next three months.

For the UK at large, the biggest shifts this quarter included a fall in the number of businesses predicting modest or organic growth - and a sharp rise in those fearing collapse. Conversely, the small percentage that predicted significant expansion remained unchanged at around 7%.

**The outlook of small businesses for the next three months
Comparison of results over two years**

	Significant expansion	Modest growth	Net: Predict growth	No change/ stay the same	Contract / scale down	Struggle to survive

¹ Centre for Retail Research: 12 August 2018

Q3 2018	7%	29%	36%	46%	7%	10%
Q2 2018	6%	35%	41%	42%	7%	5%
Q1 2018	6%	33%	39%	47%	8%	4%
Q4 2017	7%	31%	38%	48%	9%	5%
Q3 2017	6%	34%	40%	44%	10%	4%
Q2 2017	6%	29%	35%	52%	7%	5%
Q1 2017	6%	34%	40%	46%	7%	5%
Q4 2016	5%	38%	43%	45%	7%	4%

Small businesses that predicted they would struggle to survive in the months ahead were those most likely to be grappling with how they could improve their financial health. They were most likely to be prioritising a reduction of fixed costs (41% compared to a national average of 37%), improving cash flow (27% compared to a national average of 20%), looking for funding beyond a bank (12% compared to 5%) and reassessing their finance commitments (18% to 10%). In terms of operational investment, businesses struggling to survive were those least likely to be hiring staff (5% to 16%) or investing in new equipment (5% to 14%) – two initiatives on which fast growing businesses placed top priority.

Percentage of businesses predicting they would struggle to survive in the next three months: Results by region

	Q3 2018	Q2 2018
North East	20%	3%
Wales	14%	7%
London	13%	4%
North West	10%	6%
East Midlands	9%	3%
West Midlands	9%	3%
South West	9%	7%
Scotland	8%	6%
South East	8%	4%
Yorkshire	8%	9%
East	5%	10%

Percentage of businesses predicting they would struggle to survive in the next three months: Results by industry sector

	Q3 2018	Q2 2018
Retail	17%	12%
Hospitality and Leisure	16%	6%
Medical	15%	2%
Education	15%	3%
Construction	13%	5%
Agriculture	10%	10%
Manufacturing	9%	3%
Media	8%	9%
Real Estate	6%	7%
IT & Telecoms	6%	5%

Legal	6%	5%
Transport	4%	8%
Finance	3%	1%

Gavin Wraith-Carter, Managing Director at Hitachi Capital Business Finance, added: “For the last year, our research has shown that the small business community has seen political and economic change as an opportunity. Many have looked to expand into markets beyond the UK and create jobs in the communities where they do business. Our latest findings, though, suggest the protracted nature of Brexit negotiations may now be taking its toll.

“It’s also clear from our latest research that small businesses are focusing heavily on the financial health of their business – whether this be improving cash flow, getting tougher on late payment or looking for better ways to secure finance. The key thing is that they shouldn’t leave it too late. At Hitachi Capital Business Finance, our roots are in manufacturing and the knowledge this brings has helped us to create a comprehensive support package to support small businesses through the stages of an economic cycle. With a weak Pound and interest rates on the rise, small businesses are entering a challenging era. We are here to help businesses stay in business – good times and bad.”

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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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Consumer Finance, Vehicle Solutions, Business Finance, Invoice Finance and European Vendor Solutions.

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