



State of the Nation Report

Understanding SME sentiment in
Q1 2024

Introduction

The events of the last two years have shaped the financial landscape of the UK. Increased inflation and interest rates have led to a cost-of-living crisis that has gripped consumers and changed the way we think, behave and manage our finances. Investments and businesses have also felt the impacts of these changes as rising costs hit their bottom line.

It has been a gloomy picture for UK finances for a long time now, but is 2024 the year that changes?

Opinium have launched a State of the Nation report, exploring financial attitudes and behaviour of consumers, investors, financial advisers and SMEs across the UK. Research will be conducted quarterly, providing insight into the changing thoughts, aspirations, concerns and behaviour of these key groups.

This report will focus on *SME* sentiment, and the *consumer, investor and IFA* release can be found on our website [here](#).

Key headlines

1

SME confidence is high

the majority would describe the state of their business as good and there is also optimism for the 12 months ahead, with over half expecting it to get better over the next 12 months.

2

Inflation continues to be the biggest challenge

Concerns around the state of the economy continue with SMEs directly feeling the increase in costs on their bottom line.

3

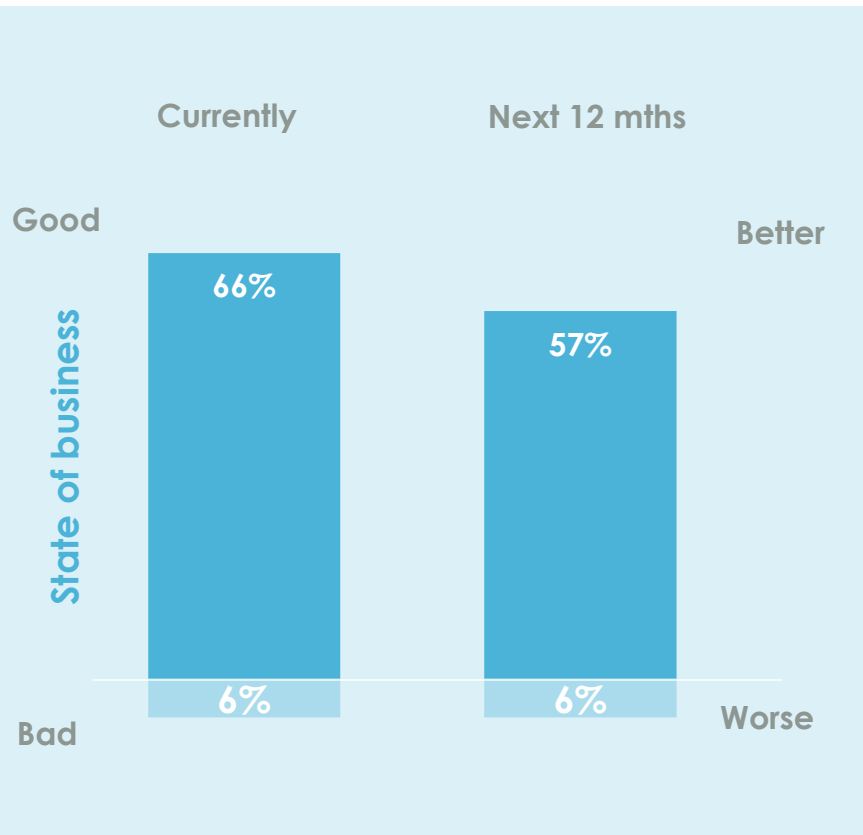
Appetite to invest & grow the business remains strong

Despite increased costs, over half (56%) are planning to continue to invest in the business at the same or increased rate over next 12 months

SME business confidence is high

Despite an environment of high interest rates and inflation, the majority of SMEs would describe the state of their business as good at the start of 2024. There is also optimism for the year ahead, with over half (57%) expecting it to get better over the next 12 months.

Optimism is driven by a variety of micro and macro-economic factors.

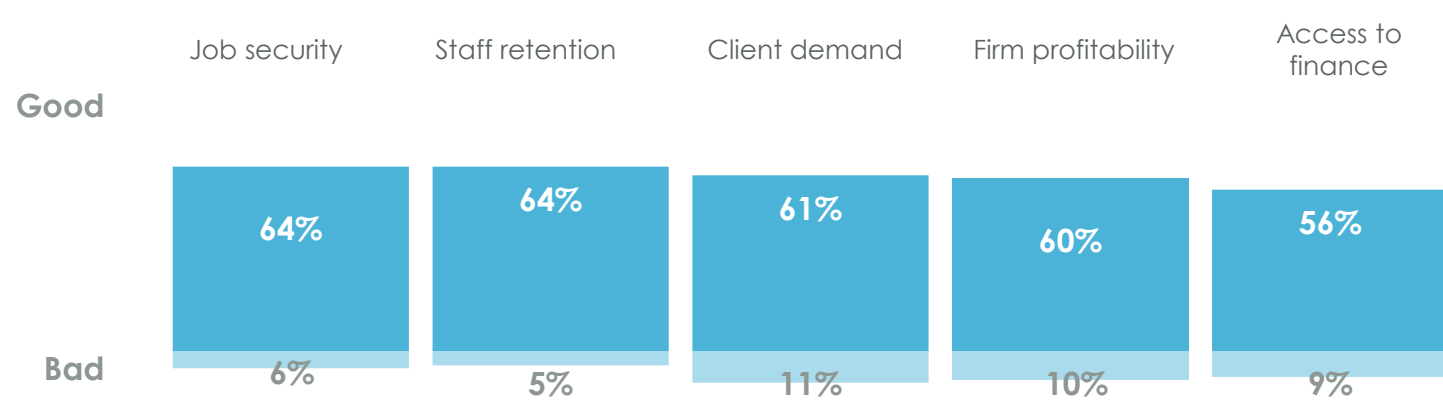


"More investment and more new strategies will be implemented into the company going forward"

"Lower costs for the products we use and customers having more spare cash."

SMEs are positive across all aspects of their business

SMEs are most positive about job security (64%) and staff retention (64%)



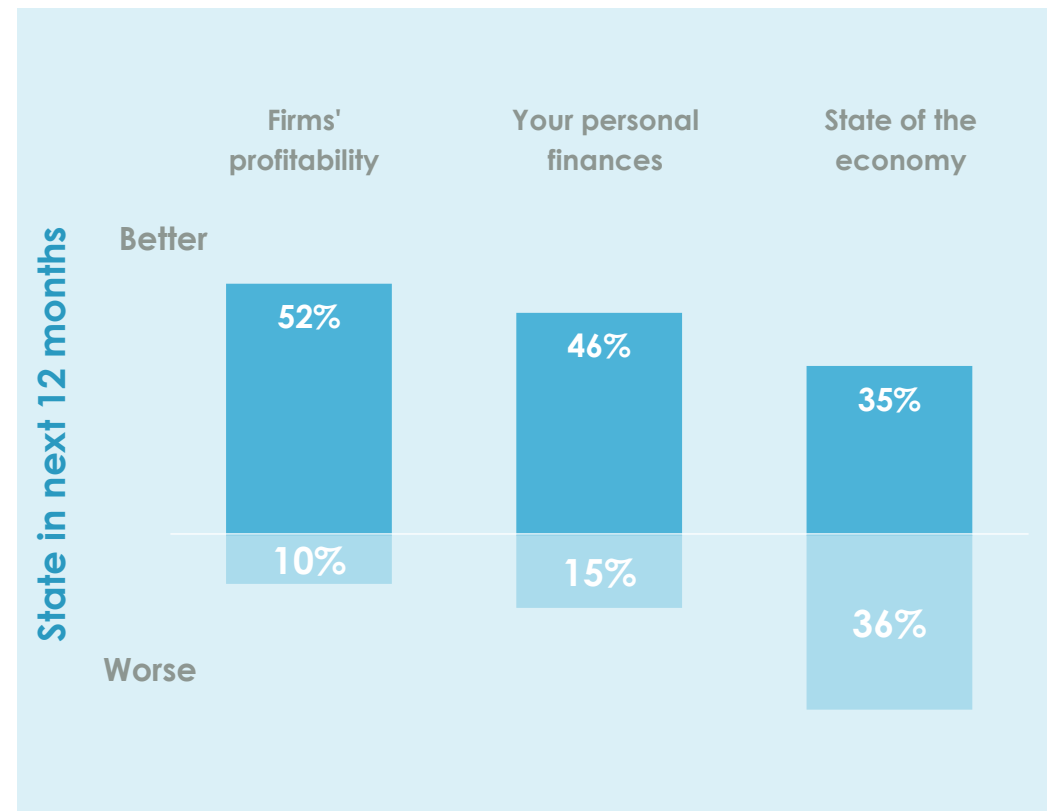
Q - How would you rate each of the following?

But optimism is lower about the economy

Whilst there is optimism about firm profitability over the next 12 months (and to a lesser extent about personal finances), feelings about the state of the economy are much less positive.

Responses are polarised with just over a third believing the economy will get worse and the same number believing it will get better resulting in a net negative of -1%.

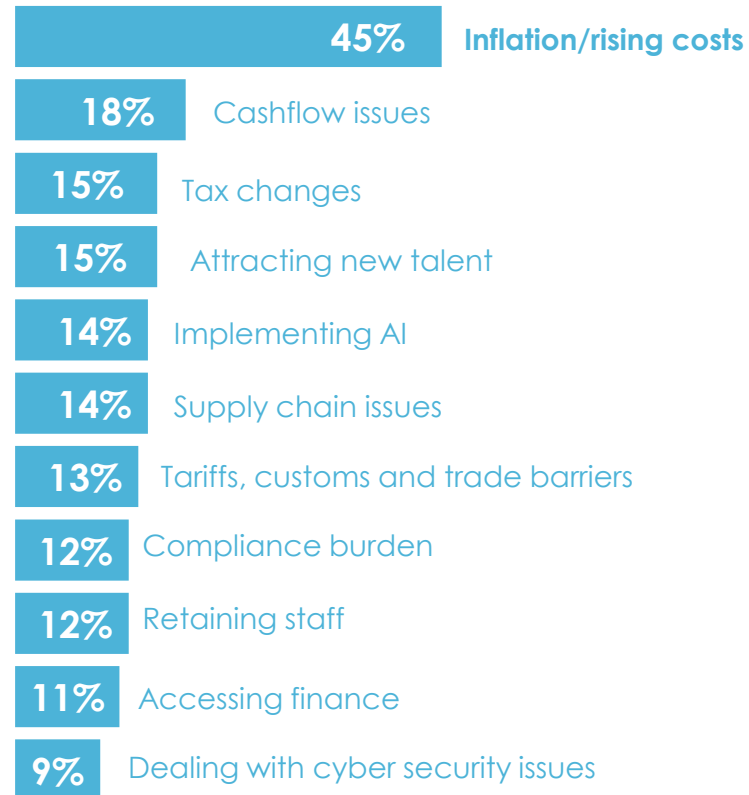
Micro businesses (1-9) are the least positive about the next 12 months, with 44% believing the economy will get worse, compared to 19% of medium sized businesses. (50-249)



Q - Over the next 12 months, do you expect the following to get better or worse?

Inflation and rising costs continue to be a challenge for businesses

Q - What are the biggest challenges your firm is facing at the moment?



Given the current economic backdrop, inflation and rising costs is by far the biggest challenge facing SMEs.

Cashflow issues are a secondary challenge and 31% agree that their need for external finance has increased compared to 12 months ago.

“Customers now looking to buy cheap imports due to slow economy”

“Materials are getting more expensive”

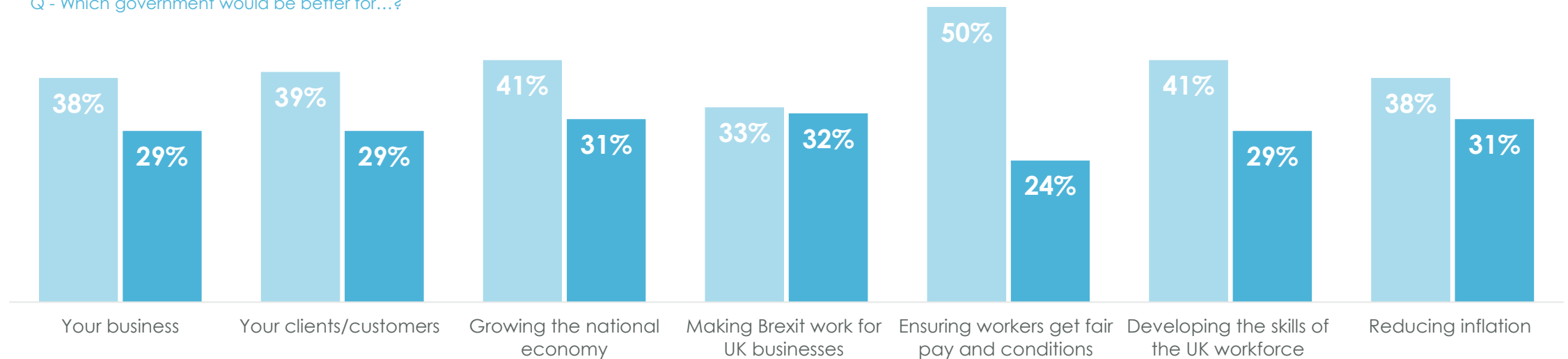
There is hope for a Labour government to tackle some of these challenges

Over half (54%) feel positive about the prospect of a Labour government.

Most importantly, 38% believe Labour would be better for their business, 41% for growing the national economy, and 38% for reducing inflation.

Labour Conservative

Q - Which government would be better for...?



Appetite to invest & grow the business remains strong

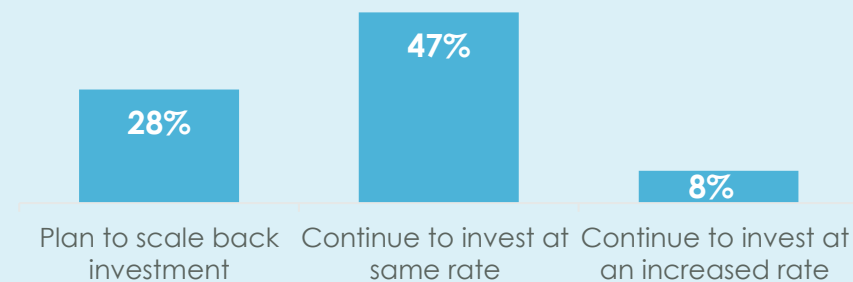
Despite increased costs, over half (56%) of businesses are planning to continue to invest in the business at the same or increased rate over the next 12 months.

Coupled with this, a further 38% are focussing on innovating and growing their offering, increasing to just over half (53%) of small and medium sized businesses.

"We are investing in more customers and better systems"

"We are expanding into a different market."

Plans to invest in the business



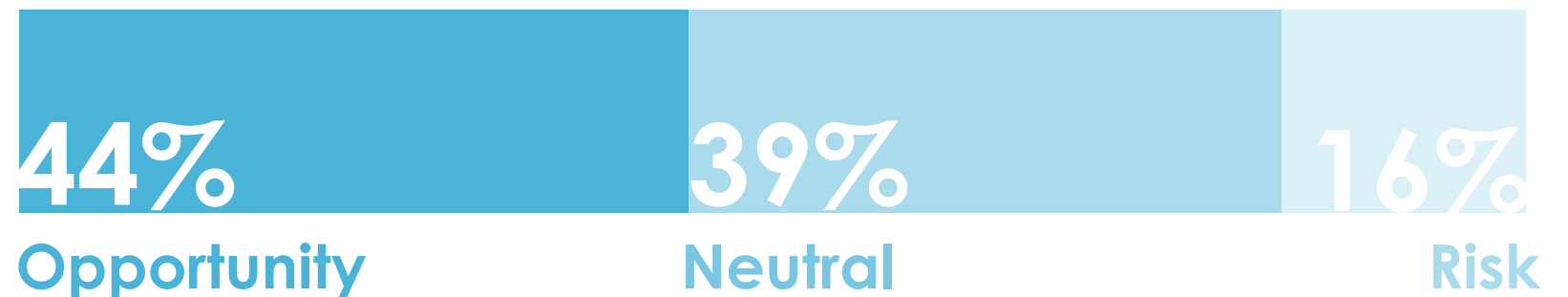
Q - Has the current economic and trading environment impacted your plans to invest in the business over the next 12 months?

SMEs are starting to invest in AI to help grow their offering

AI is generally viewed as an opportunity for SMEs with 44% believing it to be so compared to 16% who believe it to be a risk.

Just under a quarter (24%) have already implemented AI and a further 30% plan to over the next 12 months.

Q – Is AI an opportunity or risk to your business?



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