

Q1

FSB VOICE OF SMALL BUSINESS INDEX

QUARTER 1, 2018

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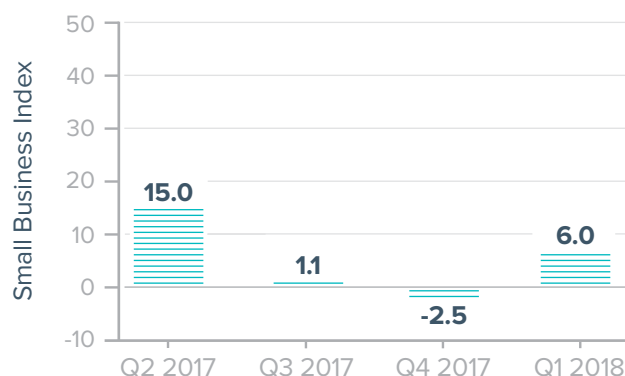
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Experts in Business

SBI Q1 2018

“ Small business confidence returns to positive territory as economic forecasts improve ”

Confidence back in the black after steady decline last year



More firms expect to grow



50% Say they'll expand operations this year

Investment intentions at two-year high

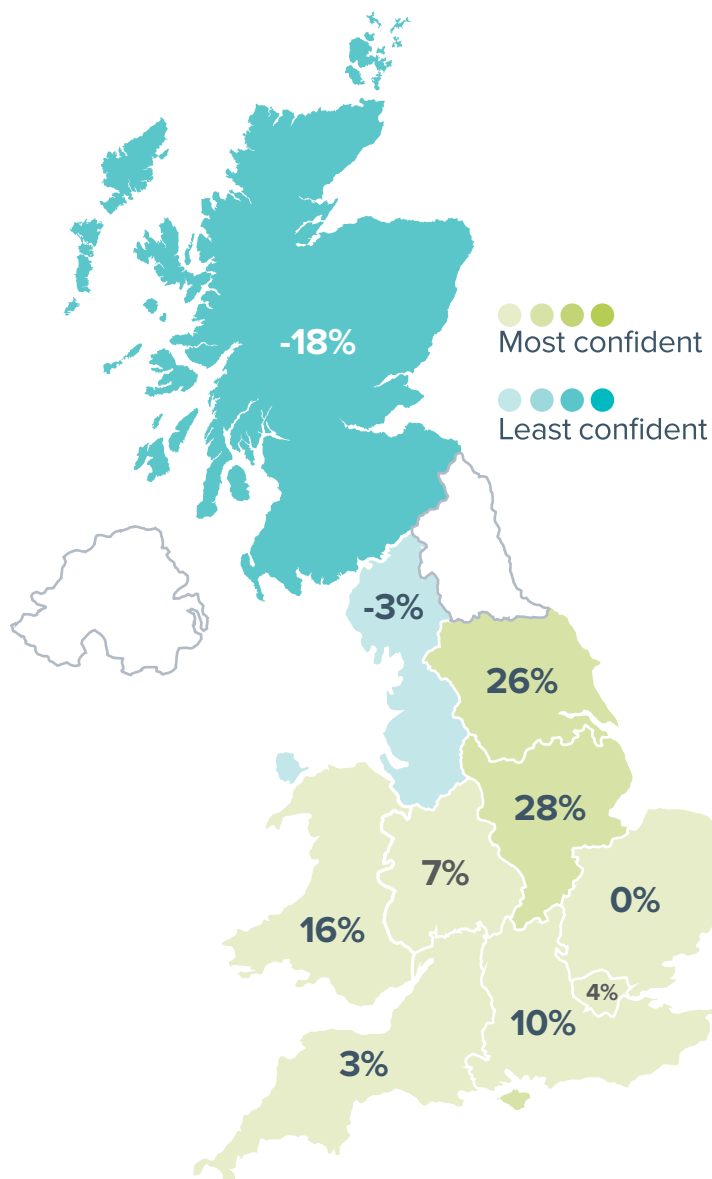


32% Are planning to increase investment

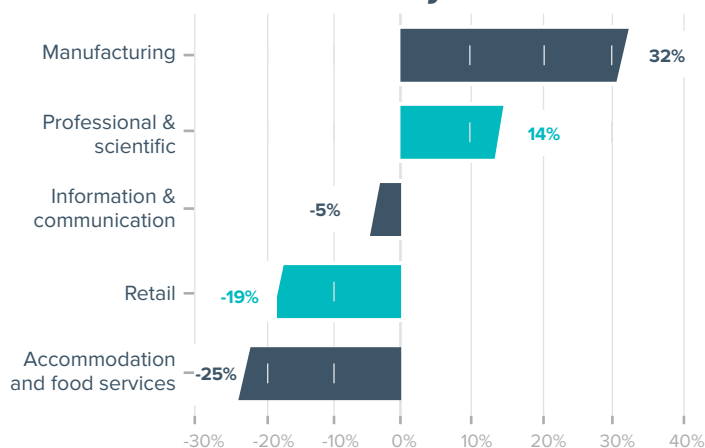
Revenue growth proves promising



67% Report stable or rising revenue



Small business confidence by sector



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FSB FOREWORD

Following an Autumn Budget which delivered many positive elements for small businesses, alongside the conclusion of the first phase of negotiations with the EU27, it is heartening to see business confidence ticking up following a period of decline. Confidence among small businesses is now +6.0, compared to -2.5 last quarter, marking the highest reading since Q2 2017. Other measures of consumer confidence have also improved, suggesting businesses have benefitted from a broad economic uplift.

Confidence appears to have improved across the UK, and within different sectors. Stronger than expected GDP growth should have also made more businesses confident about the future. Near term small business confidence will be boosted by the agreement between the UK and EU27 on the terms of a transition period until the end of 2020. This should mitigate a damaging cliff edge post Brexit day and in terms of trade with, and accessing skills and labour, from the EU, mean small firms will operate broadly as they do now during this period of time.

At the same time, it should be recognised that confidence is significantly lower than a year ago, when confidence stood at +20.0. Small businesses have welcomed the 'get on with it' message within the Prime Minister's speech on negotiating the shape of the future economic partnership with the EU27. However the stakes are high – and the right balance on trade and access to skills and labour must be struck. Small businesses want to ensure as frictionless trade with the EU27 as possible, particularly in relation to mitigating any rules of origins costs and keeping non-tariff barriers to a minimum as well as being able to exploit the opportunity to develop new trade agreements across the globe. Small businesses within the UK and the EU27 want to see an economically rational and pragmatic approach adopted in these negotiations.

The delays in consulting on the future shape of the UK Shared Prosperity Fund are also concerning. The likely withdrawal of EU funds post implementation period should offer a real opportunity to improve regional economic development – one of the key cornerstones of the Industrial Strategy, but the Government needs to start demonstrating how this opportunity will be taken.

Business confidence is affected by more than discussions around our future relationship with the EU27 and the globe. The domestic economy and the wider costs of doing business play a significant role in creating business opportunities. Crucially, the power to make real change for the UK's 5.7 million small businesses and self-employed entrepreneurs, to boost prosperity and productivity, lies here at home.

Concerns about the performance of the domestic economy remain, despite the recent set of positive growth indicators, with 54.6% of small businesses citing it as a main barrier to growth. The number of businesses reporting an increase in operating costs has fallen compared to last quarter, but remains significantly higher than in 2014/2015.

The data in this quarter's Small Business Index do, however, demonstrate some positive trends aside from the headline confidence figures. A net balance of 6.1% of small firms saw revenues increase in the last quarter, with a substantial number expecting revenue growth to continue later in the year.

Linked to this, fewer business owners are planning to downsize, close or sell their firms, and the percentage of businesses aiming to grow has risen slightly. This is especially positive as last quarter saw the highest percentage of business owners looking to downsize or close since our records began in 2012.

We welcomed the announcement that the economy grew by 1.7% in 2017 as part of this month's Spring Statement – beating recent forecasts. However, with the challenges and opportunities of Brexit and the fourth industrial revolution on the horizon, more needs to be done if growth is to continue.

We particularly welcomed the new Chancellor-led focus on tackling the scourge of late payments and his focus on supporting striving entrepreneurs. The collapse of Carillion has brought into sharp relief the scale of poor payment practice and its impact on UK productivity. This must change. But this requires cultural change led from the top - through strengthened corporate governance. We need to see meaningful change at Board level guided by the fact that good supply chain practice makes sound business sense and is, quite simply, the right thing to do. We also welcomed the Chancellor's call for evidence on how to improve the productivity of smaller businesses – we see this as the logical next phase of the Industrial Strategy and we look forward to seeing a strengthened business support offer to support smaller businesses planning strategically for growth.

There remain a series of pressing domestic issues the Government needs to continue to focus on. First and foremost is delivery of the Industrial Strategy. Many small businesses are also waiting for the Government to introduce legislation to repeal the Staircase Tax. Delivery against these, and other pressing priorities, should help support business confidence as we move deeper into 2018.



Mike Cherry,
National Chairman



Martin McTague,
Policy Director

ECONOMIST'S VIEW

After declining for three consecutive quarters, and indeed falling into negative territory in the final quarter of 2017, small business confidence has rebounded in Q1 2018. The FSB Small Business Index now stands at +6.0 compared to -2.5 at the end of last year.

The uptick follows a broader set of positive data releases. The recently published Q4 2017 GDP figures showed a pick-up in growth, with both production and services making a positive contribution. Various measures of consumer confidence have also become more buoyant recently, showing that it is not just businesses that are more hopeful about the future. And of course, the OBR reports that the economy grew by 1.7% in 2017, compared to the 1.5% forecast at the Autumn Budget, and has revised its forecast for GDP growth from 1.4% to 1.5%.

Encouragingly, the strengthening sentiment appears broadly spread. Between Q4 2017 and Q1 2018 small business confidence improved in each UK region and nation. The depreciation of sterling has boosted the competitiveness of UK exports in international markets, which in turn provides new opportunities for the manufacturing sector and the regions that are relatively manufacturing-intensive. In services-focused London, 2.5% of jobs are based in production. This compares to roughly 14% in the East Midlands. For a number of years the services sector has been the chief source of growth in the UK. Hence, parts of the country with a concentration of service industries, such as business services, insurance and finance, have recorded higher expansion rates.

However, the improving picture in the production sector means that those regions that have underperformed in recent years now stand to benefit. At the same time, the services sector is particularly exposed to uncertainty as the scale of additional non-tariff barriers impacting on small business trade with the EU27, remains unclear.

While prospects for production improve and the services sector continues to expand amid increased uncertainty, construction firms are facing particularly strong headwinds. After a strong start to 2017, the sector entered a recession which it has still not been able to climb out of. This is reflected in the Small Business Index which shows that while confidence among construction firms remains positive, it has deteriorated compared to Q1 2017.

Although concerns about the domestic economy among small businesses have intensified between Q1 2017 and this quarter, Cebr expects the 2018 economic performance to be roughly in-line with that observed over 2017. While numerous downside risks remain, including elevated consumer credit levels and subdued business investment, the UK economy has proved rather more resilient than many expected. This is further evidenced by this quarter's rebounding Small Business Index. The fact that the OBR forecasts inflation to fall over the next year could also help businesses. Although the OBR announced a somewhat surprising spike in productivity – we note their explanation that this is likely to have been caused by average hours worked being on a weaker path rather than stronger out per se. Therefore, any optimism must be accompanied by a generous dose of caution given the unprecedented challenges which the UK faces.



Nina Skero,
Head of
Macroeconomics,
Cebr

FSB EXECUTIVE SUMMARY

Key findings this quarter:

- **Small business confidence returns to positive territory.** The FSB Small Business Confidence Index climbed from -2.5 in Q4 2017 to +6.0 this quarter. The Index remains well below the +20.0 seen in the same period last year.
- **Confidence improves across all UK regions in the first quarter.** The East Midlands and the South East saw the most dramatic improvements – increasing by more than 20 points each. Confidence in the North West and Scotland remains negative, meaning Scottish small businesses have registered negative confidence for the past nine quarters.
- **Hospitality firms register a decline in confidence.** Small businesses in the accommodation, food services sector and retail sectors registered a substantial decline in confidence over the past year. Meanwhile, manufacturing confidence remains healthy.
- **Revenues set to climb in coming quarter.** A net balance of 21.6% of small businesses expect revenues to increase in the coming three months, boding well for economic activity going forward. Meanwhile, a net balance of 6.2% small businesses saw revenue improve in Q1 2018, up on the previous period.
- **Export performance continues to strengthen.** The net balance of small businesses reporting an increase in exports over the past three months picked up in the first quarter of the year and stands at 15.8%. This looks set to continue strengthening as a net balance of 26.4% firms anticipate that their exports will increase in the coming quarter.
- **Wage growth looks set to rise, increasing operating costs.** This quarter, annual average small business wage growth has accelerated to 1.6%. Labour costs also remain the most frequently cited (39.3%) cause of rising costs. This, alongside evidence from the Bank of England, suggests that wage growth will pick up this year.
- **Domestic economy remains the main barrier to growth aspirations.** 54.6% of small businesses cited the UK economy as a main barrier to growth.

UK MACROECONOMIC OVERVIEW

Retail sales continue to disappoint

The UK economy expanded by 0.5% quarter-on-quarter in Q4 2017. This means that annual growth over 2017 stood at 1.8%, roughly in-line with the 1.9% measured in 2016. Growth was mainly driven by the services and the production sectors, each expanding by 0.6% compared to the previous quarter. The crisis in the construction sector continues as it contracted for the third consecutive quarter, this time by 1.0%.

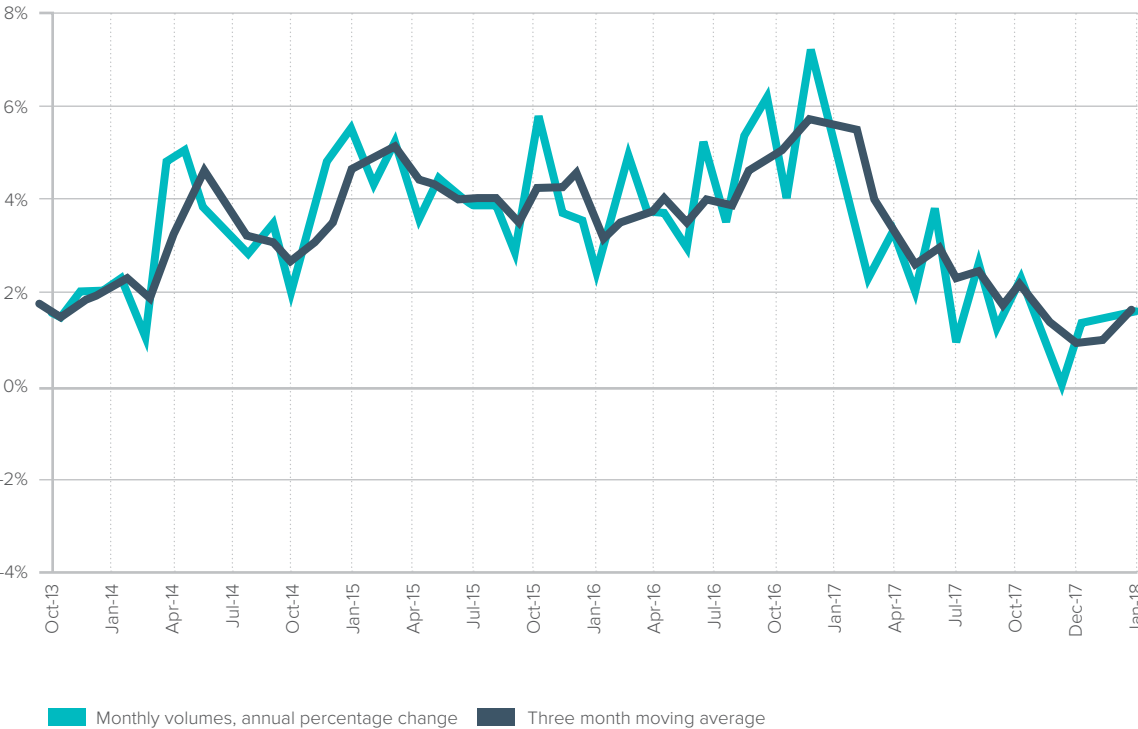
The latest data show that wage growth picked up slightly at the end of the year, with wages both including and excluding bonuses up 2.5% year-on-year in the final quarter.

In January, inflation was unchanged at 3.0% and 2.7% according to the CPI and CPIH measures respectively. Inflation is expected to slow over 2018, but for the time being remains elevated, meaning real wages continue to shrink. In real terms, earnings fell by 0.3% year-on-year.

As a result of the inflation-induced squeeze on households, retail sales continue to disappoint. Data from the Office for National Statistics show volumes grew by 1.6% year on year in January, well below consensus expectation of 2.6%. The figures follow a slew of announcements from many major retailers of slumping sales and, in some cases, job cuts and shop closures. Many retailers are also exposed to rising business rates and price increases, further affecting their profitability.

While higher household incomes would provide a welcome relief to the UK's retail sector, hawkish signals from the Bank of England at the start of the year have led to speculation of a further interest rate rise as early as May. Higher interest rates would increase the likelihood of a contraction in consumer credit growth, which has been supporting consumer spending in recent months.

Figure one: Volume of UK retail sales, annual percentage change.
Source: Office for National Statistics.



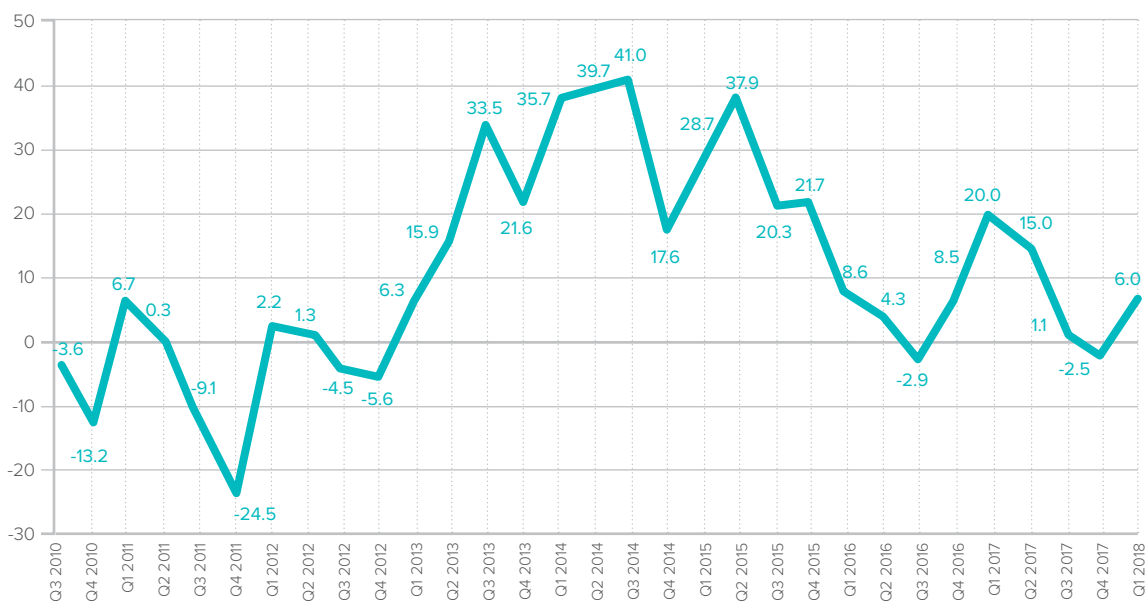
SMALL BUSINESS INDEX

Small business confidence rebounds at the start of 2018

Business confidence among small firms rebounded at the start of 2018, having fallen in each quarter since Q2 2017. The FSB Small Business Index increased from -2.5 in Q4 2017 to +6.0 in Q1 2018. Small businesses tend to be more optimistic at the start of the year. In fact, since the index began in 2010, confidence has increased in the first quarter of each year, except in 2016.

The UK composite Purchasing Managers' Index fell to 53.2 in January from 54.7 in both December and November. The index remains above 50, indicating expansion. Although the composite PMI decreased, the underlying PMI measures of new orders and future economic activity all rose, painting a picture consistent with the FSB Small Business Index.

Figure two: The FSB Small Business Index¹: small business confidence for the coming three months
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



1. The 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.

Figure three: Year-on-year change in the FSB Small Business Index.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.

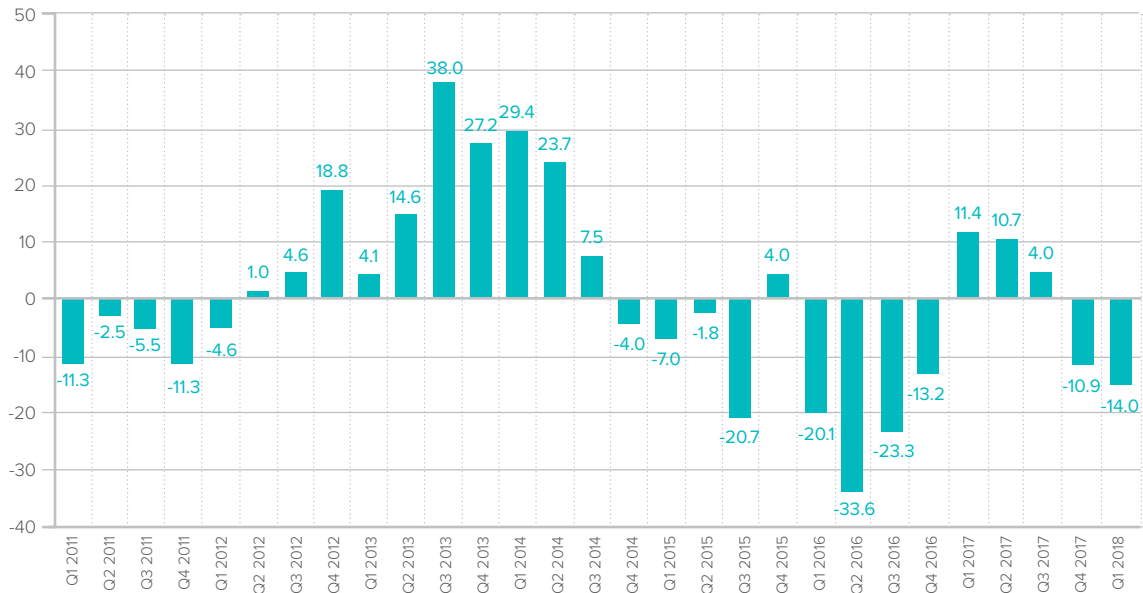


Figure four: UK SBI against year-on-year UK GDP growth.
Source: ONS, FSB - Verve 'Voice of Small Business' Panel Survey.



REGIONAL SMALL BUSINESS INDICES

Confidence rebounds across
England and Wales

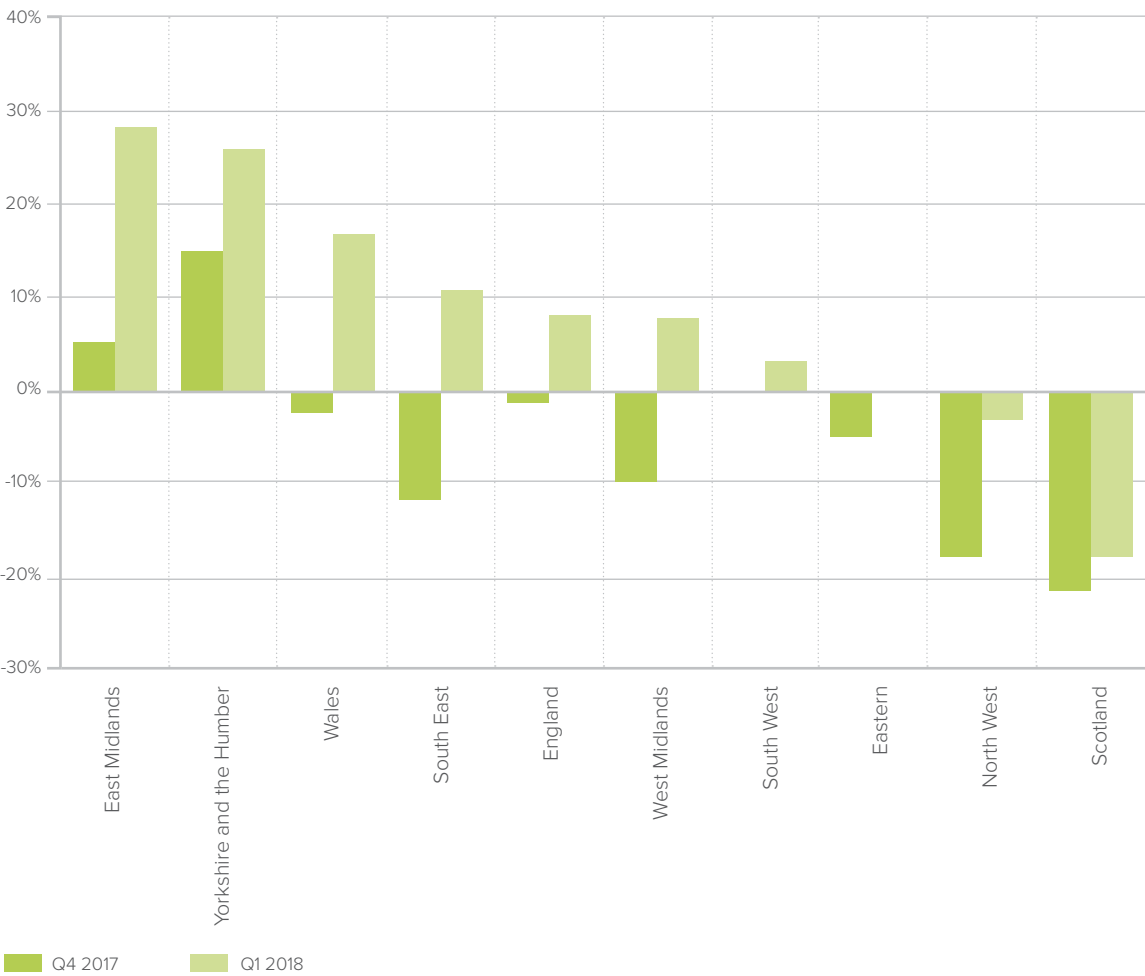
MOST REGIONS SEE SMALL BUSINESS CONFIDENCE MOVE INTO POSITIVE TERRITORY

Small business confidence improved across all UK regions in the first quarter of 2018. The East Midlands and the South East saw the most dramatic improvements – increasing by more than 20 points each.

The FSB Small Business Index is now only negative in the North West and Scotland. Scottish small businesses have registered negative confidence for the past nine quarters. Many barriers to optimism in the nation are found in the construction sector, which accounts for around 8% of Scotland's economic activity, and is in recession.

After falling to its lowest value in over a year at the end of 2017, small business confidence in the East Midlands rebounded in Q1 2018, and the region is now home to the UK's most confident small businesses. Official data are expected to show that the region was the UK's fastest growing in 2017. This quarter's small business confidence reading suggests that this strength has continued at the start of the year.

Figure five: FSB Small Business Index – regional variation in small business confidence for the coming three months
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



SMALL BUSINESS SECTOR INDICES

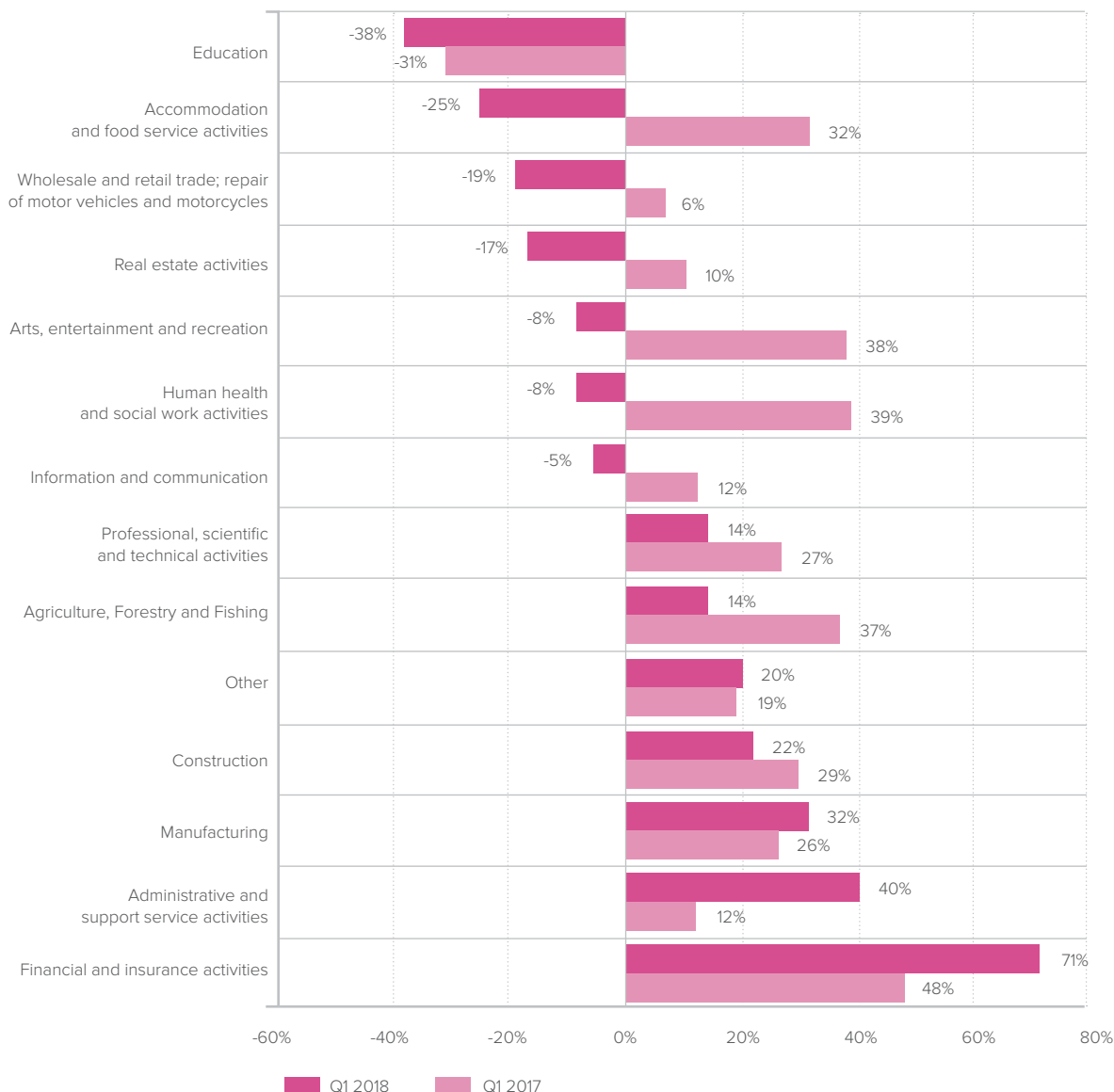
Consumer-facing firms
feel the squeeze

CONFIDENCE DECLINES OVER PAST YEAR IN ACCOMMODATION AND FOOD SERVICES

Confidence amongst the UK's small manufacturers remains healthy at the start of the year, reaching +32 in Q1 2018. Having been supported by a boom in global trade and a weakened pound, data are set to show that the sector had its best performance in three years in 2017. Small businesses remain emboldened, suggesting growth will stay strong in the sector despite the slight slowdown in world trade growth expected this year.

Other sectors have fared less well over the past year. Confidence amongst small businesses that provide accommodation and food services, as well as those in wholesale and retail, has declined substantially over the past year. Though the hospitality sector continues to expand, with households facing a real income squeeze, growth slowed substantially in 2017. Real incomes continue to contract, contributing to this negative outlook.

Figure six: FSB Small Business Index by sector – small business confidence for the coming three months.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



FINANCIAL PERFORMANCE

Revenues on the up

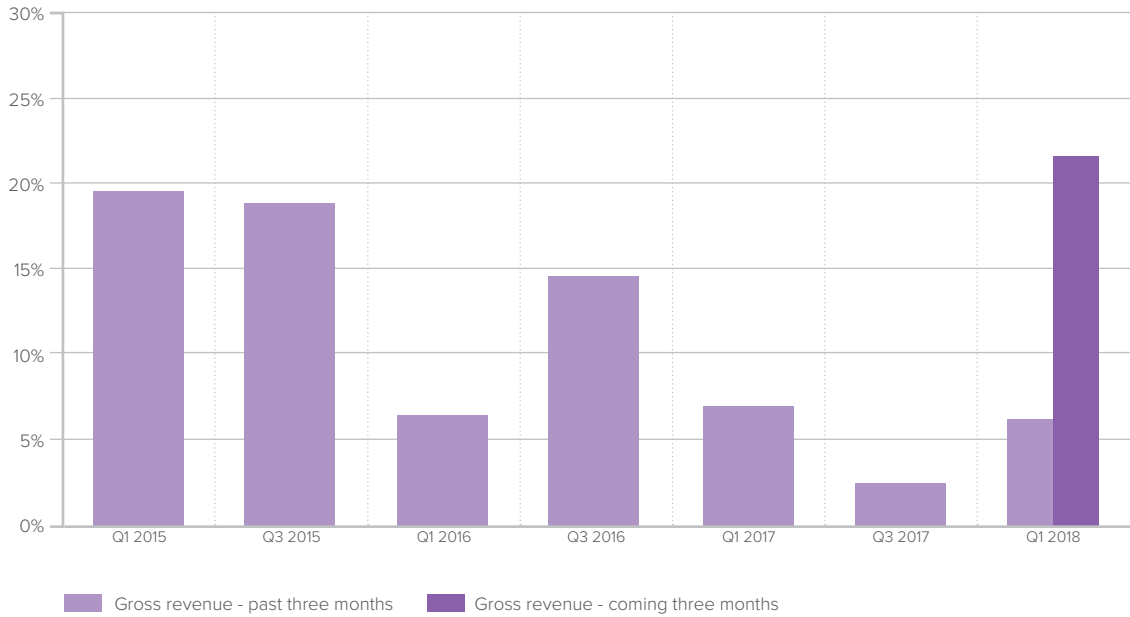
REVENUES REBOUND

Around 39.5% of small firms reported an increase in revenue in the past three months, while 33.3% reported a decrease, meaning that a net balance of 6.2% of small businesses saw revenue improve in Q1 2018. Small firms in Wales are the most positive about revenue growth over the past three months, while their Scottish counterparts were most negative, in line with small business confidence more broadly.

Revenue expectations are even more positive, with a net balance of 21.6% of small business owners expecting revenues to increase in the coming three months.

Figure seven: Small business revenues, net percentage balance – proportion reporting/expecting increase less proportion reporting/expecting decrease.

Source: FSB - Verve 'Voice of Small Business' Panel Survey.



EXPORTS

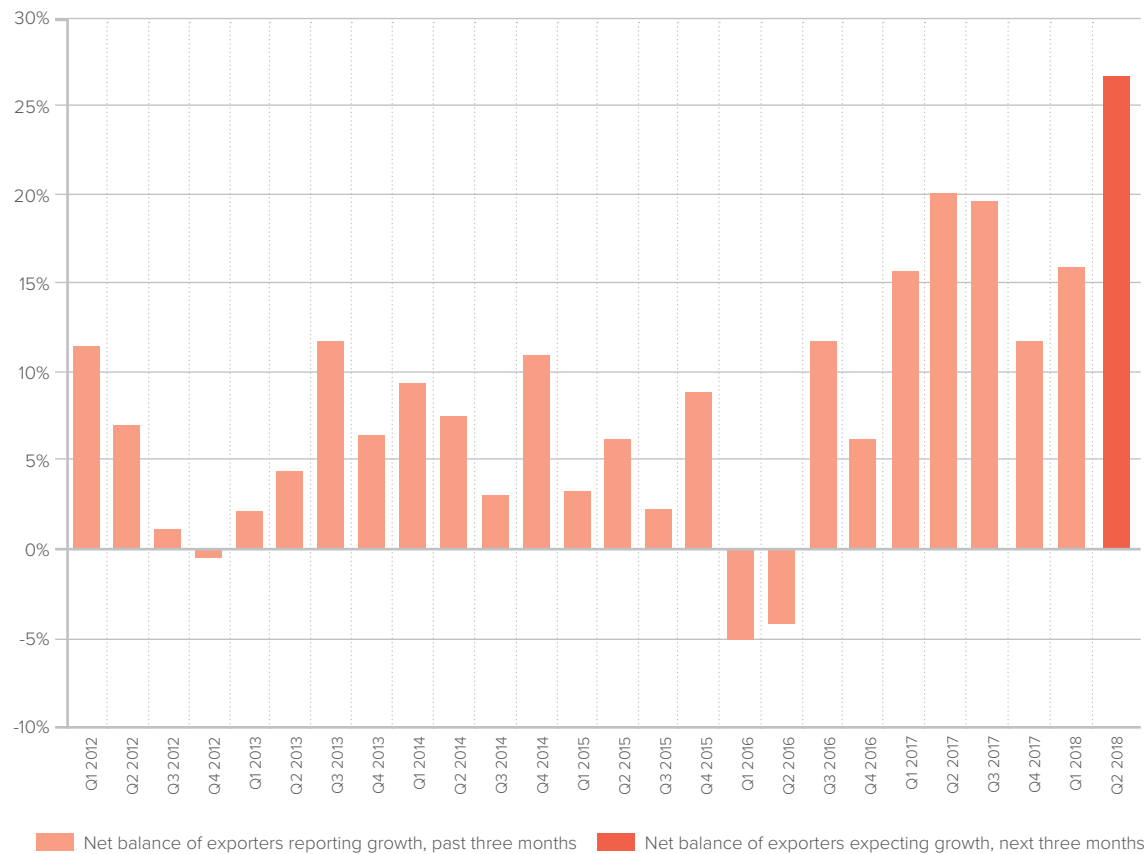
International traders still bullish

EXPORT GROWTH SET TO REMAIN ROBUST

The net balance of small businesses reporting an increase in exports over the past three months picked up in the first quarter of the year and stands at 15.8%. At 16.6%, the average reading seen in 2017 was notably higher than the 2.1% seen in 2016, or the 5.0% seen in 2015. This quarter's reading shows that export growth looks likely to remain robust in 2018.

Official statistics show that the export of goods picked up markedly in 2017, expanding by 12.2% - up from 4.6% in 2016 and 0.7% in 2015. This is in line with FSB's measure of small business export growth. With a net balance of 26.4% of firms expecting to see an expansion of exports in the second quarter, this growth looks set to continue.

Figure eight: Changes in value of exports – previous three months and expectations for coming three months; net percentage balance, proportion reporting increase less proportion reporting decrease.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



COSTS AND INFLATION

Labour, utility and input
prices creep up

LOWER SHARE OF BUSINESSES REPORT INCREASE IN OPERATING COSTS

This quarter, a net balance of 65.5% of small businesses report an increase in operating costs over the past three months compared with the same period a year ago. This is down on last quarter's five-and-a-half-year high, but higher than the 64.5% seen a year ago.

Labour costs remain the most frequently cited (39.3%) cause of rising costs for small businesses, complementing a Bank of England survey which

suggests that wage growth will accelerate this year. Close to four in ten companies cite utilities (37.7%) and inputs (36.8%) as main contributors to overall cost inflation. Utility costs are cited far more frequently than they were in the same period in 2017. This is in part driven by the rise in oil prices seen over the past year. Interestingly, with the recent strengthening of the pound, the exchange rate is cited less often as a cost driver than it has been in the previous five periods.

Figure nine: Small businesses reporting an increase in overall cost of operation over past three months, compared with the same period a year ago; net percentage balance.

Source: FSB - Verve 'Voice of Small Business' Panel Survey.

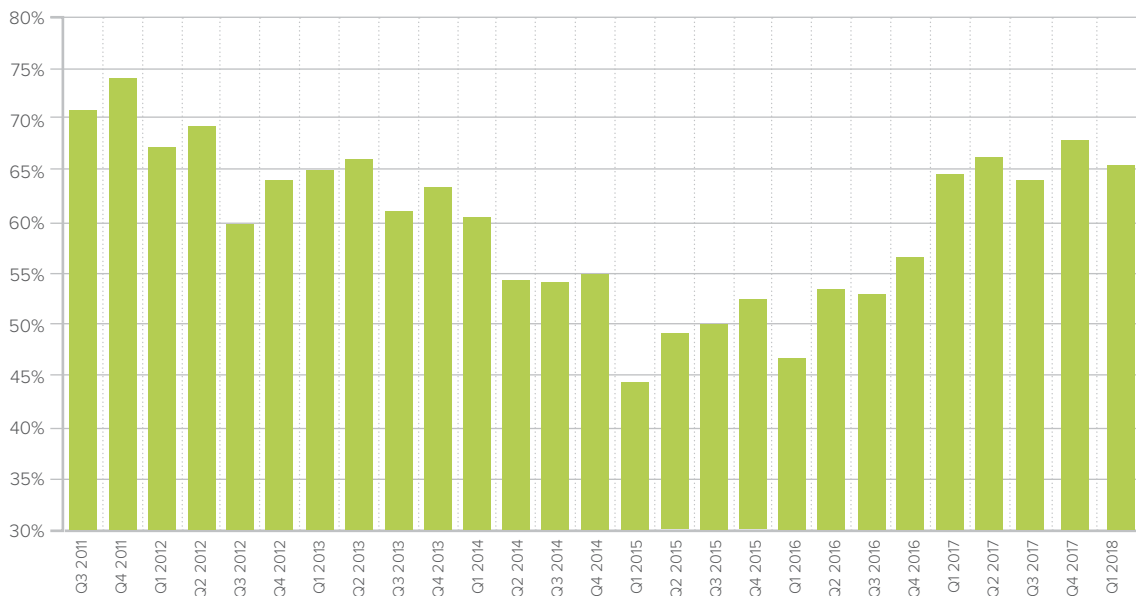
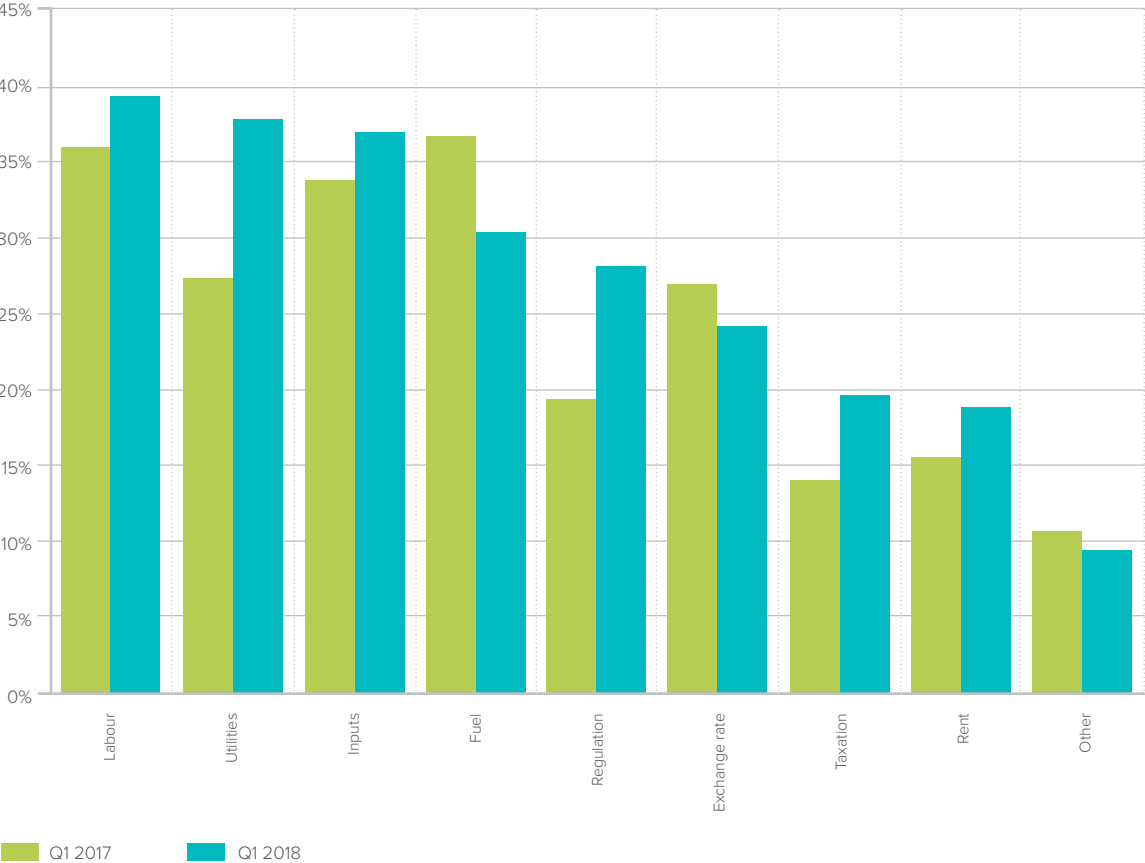


Figure 10: Main causes for changing business costs (firms may give multiple answers).
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



CAPACITY

More small firms performing
below potential

SPARE CAPACITY INCREASES

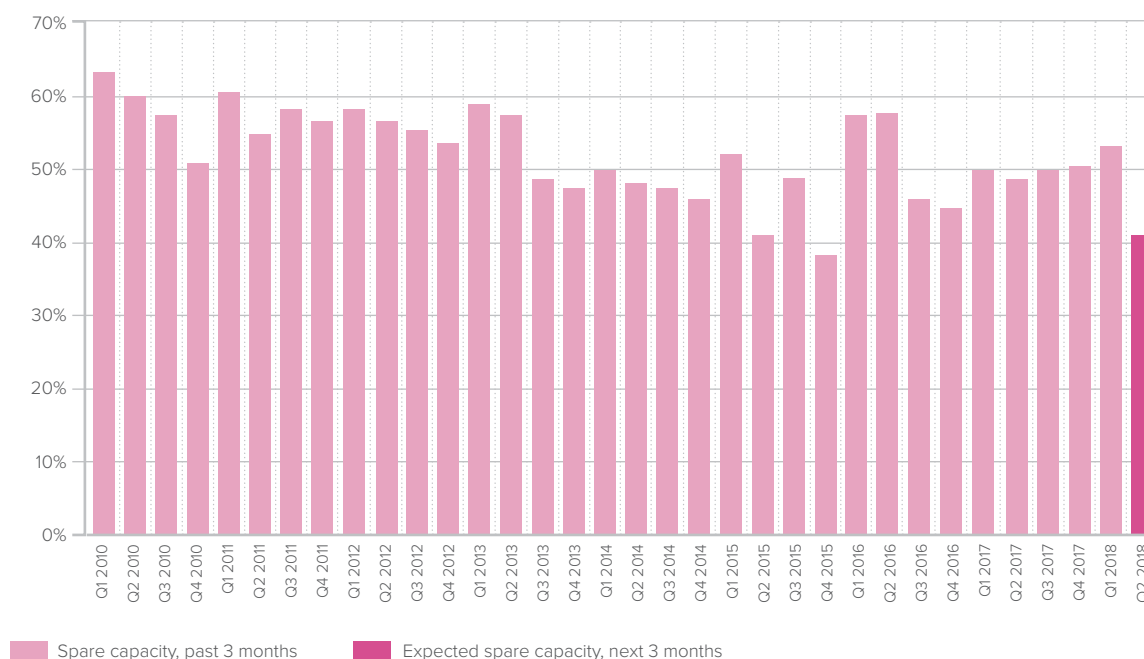
The share of small businesses operating below capacity grew this quarter. A net balance of 52.4% of small businesses report operating below capacity, up from 49.4% a year ago. This is still below the levels seen in the first half of 2016, when spare capacity was reported by 57.4% of firms.

At its February meeting, the Bank of England's Monetary Policy Committee made clear that monetary policy now needs to be tightened more quickly, and to a greater extent than anticipated in November. Though the Bank expects the economy to grow at

a relatively modest 1.75% this year, it also anticipates that it can only grow 1.5% without generating inflationary pressure, as spare capacity gets used up. Our findings suggest that many firms still believe that they are operating below capacity, but with 41.1% of firms expecting to run below capacity next period – down 6.1% from Q4 2017 – it seems that the Bank is correct to suggest that spare capacity is falling. Whether this is enough to drive up inflation remains to be seen, but as a result, the Bank looks set to raise rates in spring.

Figure 11: Net percentage balance of businesses running below capacity: proportion below capacity less proportion above capacity.

Source: FSB - Verve 'Voice of Small Business' Panel Survey.



EMPLOYMENT

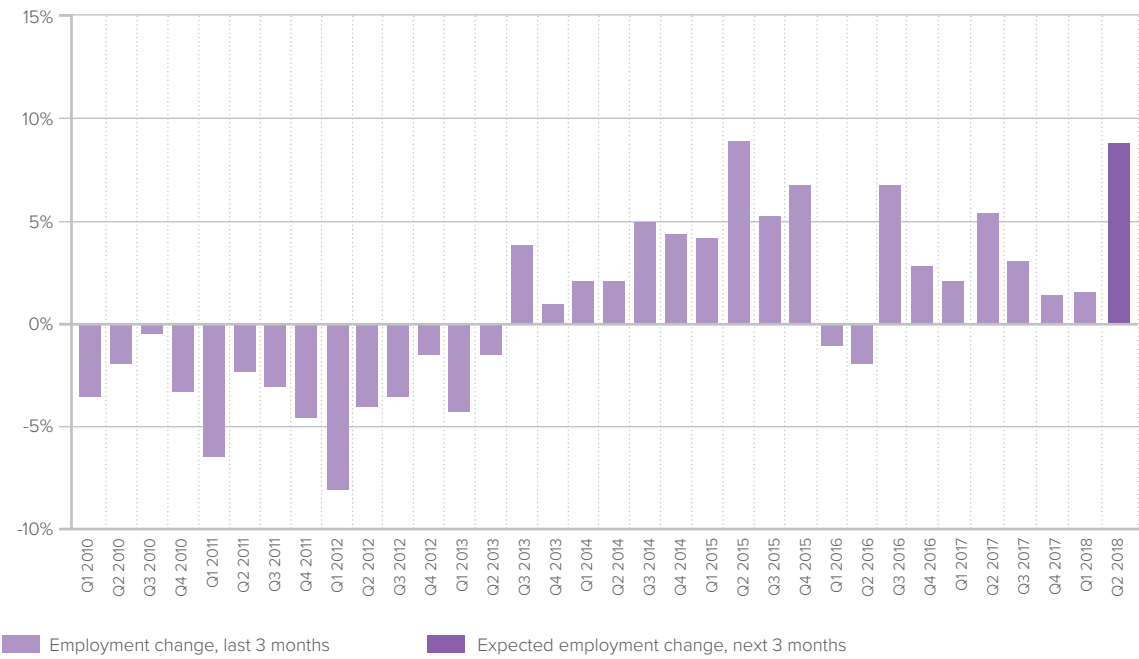
Headcount set to increase
next quarter

EMPLOYMENT GROWTH TO ACCELERATE

This quarter, a net balance of 1.6% of small businesses report that they have increased workforce numbers over the past three months. This is down from 2.1% a year ago, but up slightly on last quarter. Looking forward, many more firms look set to hire, with a net balance of 8.7% small businesses saying they intend to do so in the coming three months.

Data released by the Office for National Statistics (ONS) show that in the final quarter of 2017 the employment rate increased to 75.2%. There were 32.2 million people in work in the three months to December 2017, which is 321,000 more than the same period a year earlier, and 88,000 more than in the previous quarter. The year-on-year rise in the number of people in employment was mainly due to more people in full-time work (323,000).

Figure 12: Net percentage balance change in number of people employed – proportion reporting increase less proportion reporting decrease.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.

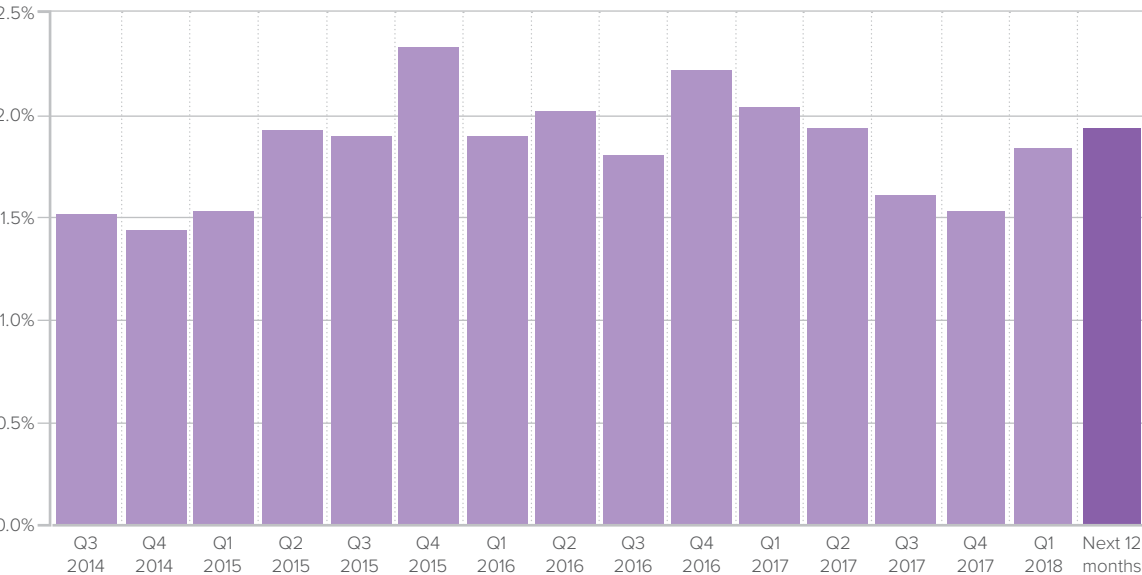


SMALL BUSINESS WAGE GROWTH PICKS UP

This quarter, annual average small business wage growth has accelerated to 1.6%, mirroring the more frequent citation of labour as a cost driver. Firms expect a continuation of this trend, as respondents put wage growth expectations at 1.9% over the coming 12 months.

The SBI findings are mirrored by data from the ONS which show that regular average weekly earnings growth rose to 2.5% in the final quarter of 2017. This was up 0.1% on the previous three month period. As inflation is elevated, real wage growth still remains in negative territory however.

Figure 13: Average salary increase awarded, current quarter versus previous 12 months.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



GROWTH ASPIRATIONS AND CHALLENGES

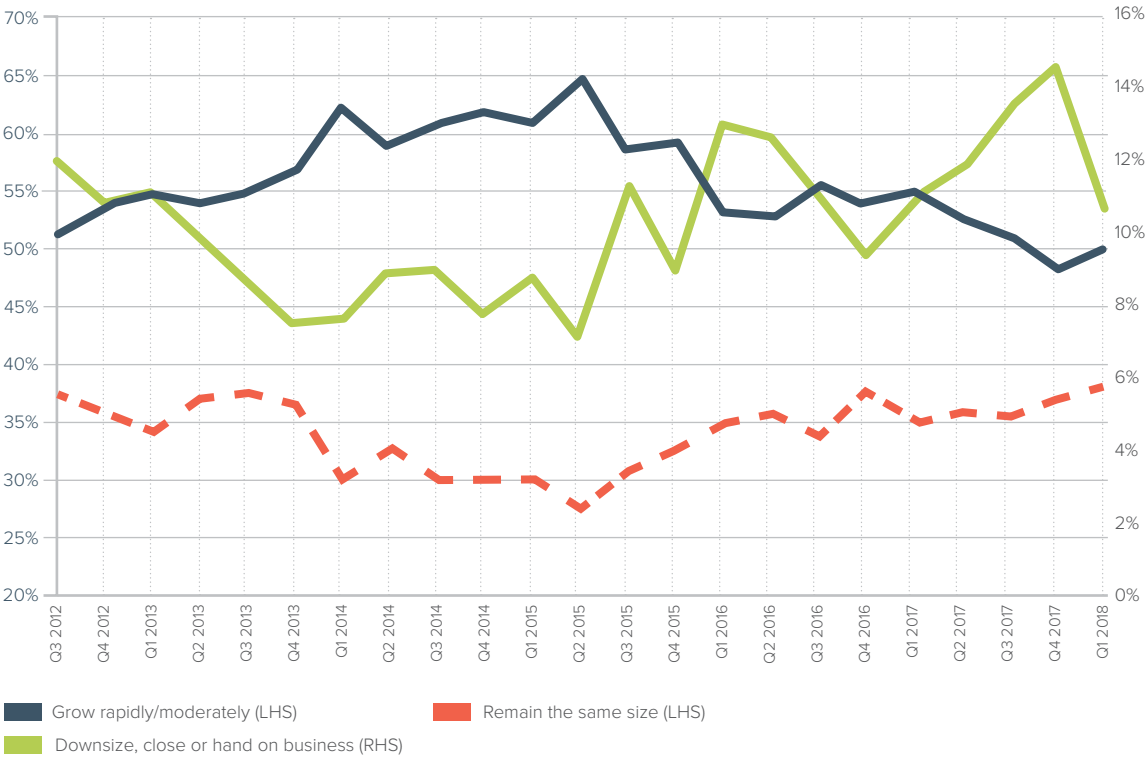
Half of firms expect to expand

SMALL FIRMS MORE OPTIMISTIC ABOUT GROWTH

The start of 2018 brings a welcome rebound in growth aspirations for small businesses, after several quarters of decline. The share of business expecting to downsize, close or hand on business fell from 14.6% in Q4 2017 to 10.6% in Q1 2018. Half (49.5%) of small businesses now expect to grow in the coming year compared to 48.5% last quarter.

Recent figures from Companies House show that the number of registered UK firms increased by just 0.6% quarter-on-quarter in Q4 2017, down from 1.3% in the previous year. The decline in these figures is in-line with the worsening growth aspirations of small businesses revealed in our findings in recent quarters. More positively, this quarter's findings suggest that growth in the number of registered businesses is set to pick up as conditions for small businesses improve.

Figure 14: Growth aspirations for next 12 months.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



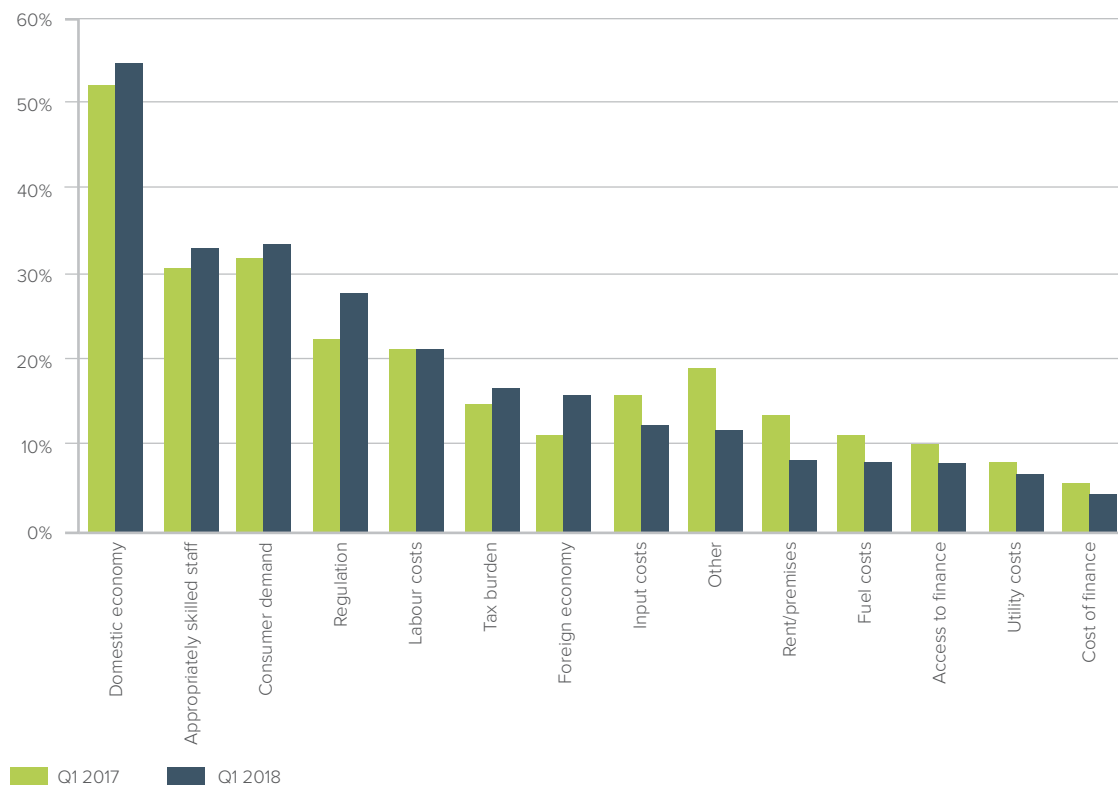
DOMESTIC ECONOMY REMAINS MAIN BARRIER TO GROWTH ASPIRATIONS

The domestic economy remains the main barrier to small business growth aspirations, cited as a concern by 54.6% of small businesses. As many small businesses do not export products, the domestic economy is understandably a more common concern than overseas economies. Interestingly though, in

what may be an early indication of things to come, the number of firms reporting the foreign economy as being a barrier increased by 7.6 percentage points over the quarter. This was the largest uptick seen in any of the options provided, and points to a slowing of global growth in the coming year.

Figure 15: Barriers to achieving growth aspirations – multiple answers possible.

Source: FSB - Verve 'Voice of Small Business' Panel Survey.



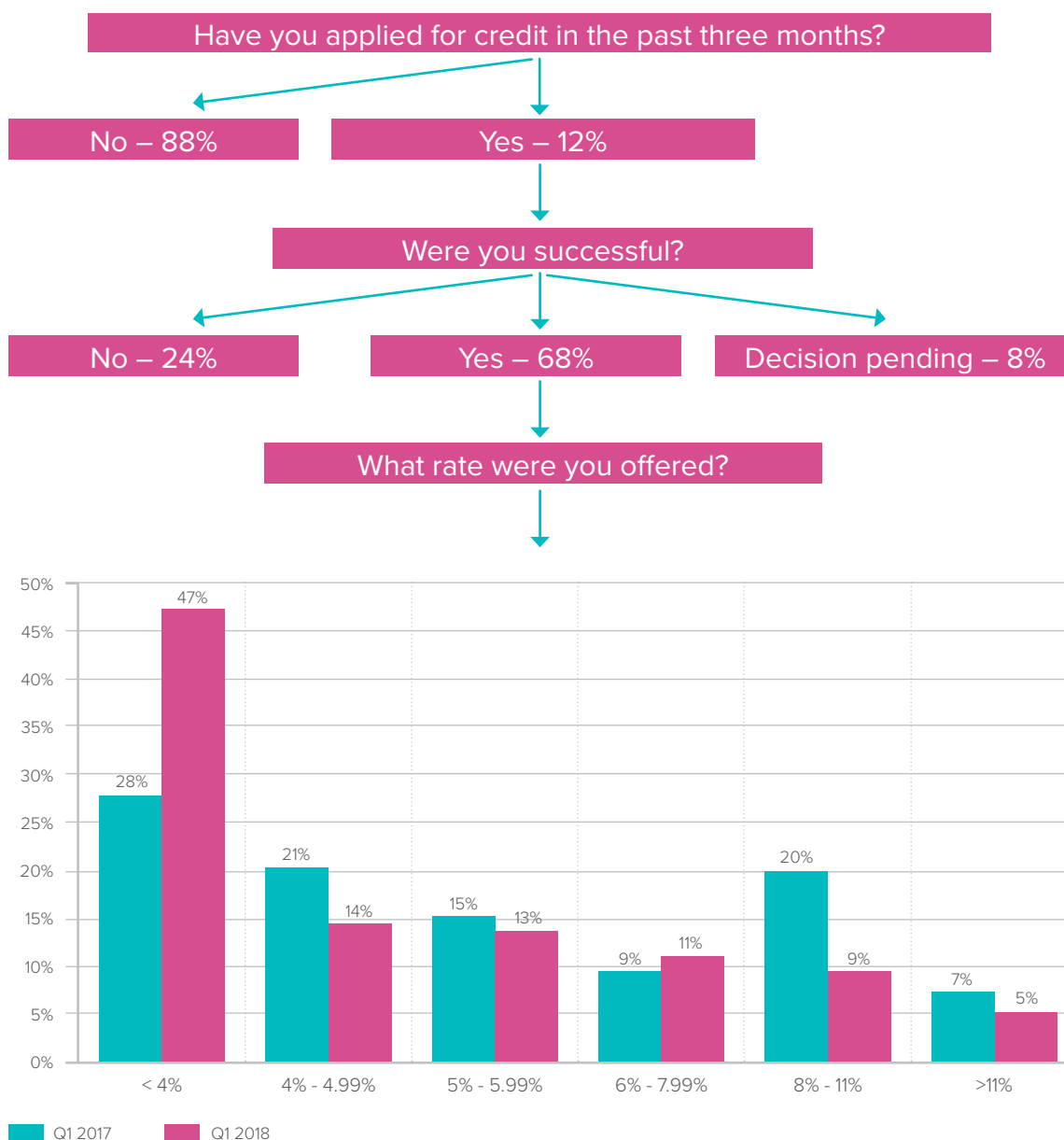
CREDIT

External finance less
available and affordable

FEWER BUSINESSES APPLY FOR CREDIT

Figure 16: Credit applications and interest rates offered.

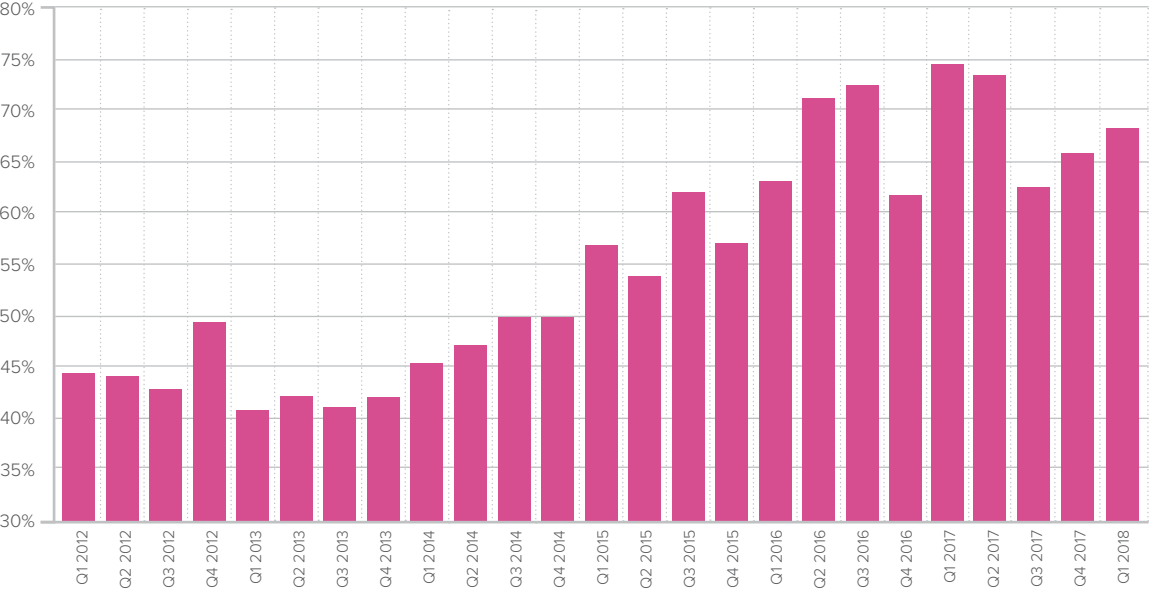
Source: FSB - Verve 'Voice of Small Business' Panel Survey. Respondents were able to give multiple answers to this question.



This quarter, the proportion of small businesses successful in their credit applications stands at 68%, up two percentage points on the last quarter of 2017, but down from 75% of firms a year ago.

The proportion of businesses being offered a rate of up to 4% has risen from 27.8% in Q1 2017 to 47.3% this quarter. At the same time, the proportion of small businesses being offered a rate of above 11% has fallen from 7.3% to 5.4%.

Figure 17: Proportion of small businesses successful in their credit applications in the past three months.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



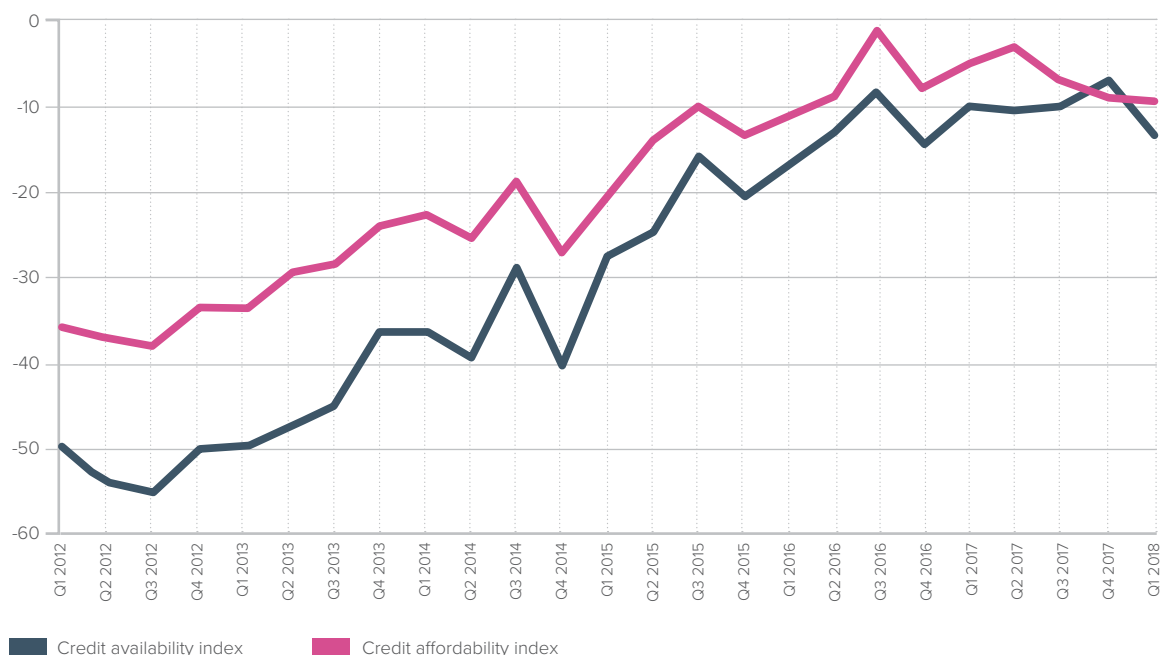
CREDIT AFFORDABILITY AND AVAILABILITY INDICES DROP

This quarter, the FSB credit affordability index stands at -9.4, down from -9.1 last quarter and -4.9 in the same quarter last year. A quarter (25.3%) of small businesses say new credit is affordable, down on the 29.1% seen at the same time last year.

The availability of credit declined more markedly, falling from a record high of -7.7 to -13.4 this quarter. The decline of both the availability and affordability of credit comes after the Bank of England raised interest rates in November. The Bank's hawkish tone at recent meetings points to a further rate rise this year, meaning both indices may continue their decline in the coming quarters.

Figure 18: Indices of credit affordability/availability perceptions over time, a weighted net balance of those with negative responses subtracted from those with positive responses.

Source: FSB - Verve 'Voice of Small Business' Panel Survey.



INVESTMENT AND PRODUCTIVITY

One in three firms plan to
increase investment

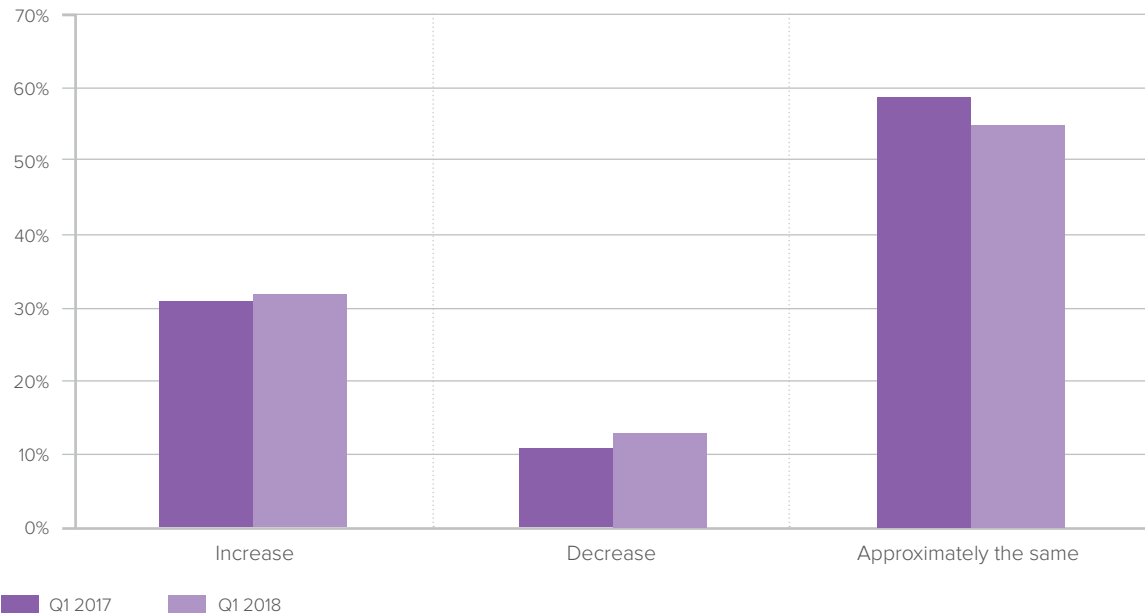
INVESTMENT INTENTIONS LARGELY UNCHANGED

The net balance of firms expecting to increase capital investment over the coming 12 months increased 2.2 percentage points to 18.5% in the first quarter of 2018. The improvement was primarily driven by more firms reporting that they will increase investment spending in the coming year, with 31.8% of firms now intending to do so.

In line with our findings, a survey from the Bank of England found an improvement in investment intentions among manufacturers over January compared to December. The measure remained constant among service providers.

The improvement seen this quarter reflects the increased confidence seen among small businesses more broadly, after the UK grew more strongly than anticipated last year.

Figure 19: Percentage of small businesses expecting to increase and decrease capital investment over next 12 months, compared with the previous 12 months.
Source: FSB - Verve 'Voice of Small Business' Panel Survey.



METHODOLOGY

This report is based on a research survey of FSB members carried out by Verve during January – February 2018. All panel members (6,418) were invited to take part in an online survey. Reminders were sent to all non-respondents. 1,218 responses were received in total, comprising of 1,024 from the Big Voice community (16% response rate) along with an additional 194 responses delivered via an open link. The data are weighted by regional gross value added to match the profile of small businesses across the UK. The survey was undertaken between 22 January – 5 February 2018.

SUMMARY DATA TABLE

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Small Business Index	+4.3	-2.9	+8.5	+20.0	+15.0	+1.1	-2.5	+6.0
Employment - previous three months	-1.9%	+6.8%	+2.9%	+2.1%	+5.3%	+3.2%	+1.4%	+1.6%
Employment - coming three months	+6.6%	+4.9%	+9.6%	+11.3%	+10.3%	+9.4%	+2.9%	+8.7%
Exports - previous three months	-4.2%	+11.7%	+6.1%	+15.6%	+20.0%	+19.5%	+11.5%	+15.8%
Exports - coming three months	+12.0%	+17.9%	+18.6%	+30.4%	+25.8%	+20.5%	+18.8%	+18.8%
Credit availability - rated good or very good	26.0%	26.3%	23.7%	25.8%	28.0%	24.1%	26.0%	24.1%
Credit availability - rated poor or very poor	39.6%	36.5%	39.1%	36.4%	37.9%	35.2%	31.7%	39.3%
Credit affordability - rated good or very good	25.3%	32.3%	27.5%	29.1%	30.4%	28.8%	24.8%	25.3%
Credit affordability - rated poor or very poor	37.4%	34.2%	36.9%	36.1%	33.2%	38.3%	36.1%	39.2%

The Small Business Index weights strong responses (much improved or much deteriorated conditions) double and subtracts the weighted proportion of firms reporting deterioration in business prospects over the coming three months from the weighted proportion expecting an improvement.

The Employment and Revenue indicators are net percentage balances, with the proportion of firms reporting a decrease subtracted from the proportion reporting an increase.

Responses are also weighted according to regional gross value added.

Q4

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