

# The Barriers to Growth: Small Business Outlook Over Time

2015-2024

Quarterly insights from the  
Business Barometer Study

Edition Six  
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Tomorrow. Together



# Introduction

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## Welcome to the latest, quarterly Business Barometer insight bulletin from Novuna Business Finance.

Since launch 10 years ago, our Business Barometer study has championed the growth story of UK small businesses. We have shared insights on which businesses are growing, the sectors and regions where growth is strongest, the initiatives that businesses invest in to secure future growth - and the importance of funding in helping them to fully achieve their potential. The picture over the last decade has been one of many positives, with so many enterprises adapting to an endless series of market challenges, from Brexit and a global pandemic to the cost-of-living crisis and price rises of recent years.

For this edition, we look at the flipside – the perceived barriers to growth that hold enterprises back. We explore how widespread this overall sense of living with barriers is and we look at the enterprises most affected by them. We also review what the key barriers are – from macro-economic factors such as Brexit, Covid and interest rates to sector-specific factors such as availability of skilled labour, cost control and red tape. These findings over time help us all to better understand the challenges that many small businesses live with every day – and what needs to be done to help them on their flight-plan to growth.

Since 2014, our Business Barometer research has researched the viewpoints of a representative sample of more than 1,000 small business leaders every quarter. We have built up a picture of small business outlook over time, which is far more telling than a snapshot survey done at a single point in time. Since 2014, we have observed how small businesses have reacted to seismic events – such as devolution, changes of government, Brexit, a global pandemic, war in Ukraine and, most recently, the cost-of-living crisis.

Supporting established small businesses with funding to help them fulfil their true potential is our mission at Novuna Business Finance. Operating across a range of business sectors, we have a number of funding products available for established small businesses, sustainable project developers and intermediaries.

We hope you enjoy this sixth edition of our Business Barometer reports and if you have any discussion points or requests for further information, we would love to hear from you.

Geoff Maleham  
Managing Director  
Novuna Business Finance

## Novuna

Novuna is a trading style of Mitsubishi HC Capital UK PLC, a leading financial services company, authorised and regulated by the Financial Conduct Authority (FCA). We have over 2,200 employees, £7.6bn of net earning assets and nearly 1.3 million customers across five business divisions; Novuna Consumer Finance, Novuna Vehicle Solutions, Novuna Business Finance, Novuna Business Cash Flow and our European division specialising in Vendor Finance. For over 40 years, formerly as Hitachi Capital (UK) PLC, we have worked with consumers and small to medium enterprises (SMEs) as well as corporate multinationals in the UK and mainland Europe, enabling millions of consumers and businesses to achieve their ambitions.

We are a wholly owned subsidiary of Mitsubishi HC Capital Inc., strengthening our relationship with one of the world's largest and most diversified financial groups, with over 11trn yen (£57bn) of assets.

## Novuna Business Finance

Novuna Business Finance provides business finance to SMEs and bigger corporations across the UK. This includes asset finance, stocking, block discounting and sustainable project finance provided through brokers, vendor organisations, manufacturers and direct to the business community.

With an asset portfolio of more than £1.7bn, the business is active across multiple sectors from transport and agriculture to construction and manufacturing and was awarded Best Service from an Asset Based Finance Provider at the 2024 Business Moneyfacts Awards.

The business' Sustainable Project Finance team is also supporting the development and construction of sustainable energy and transport projects, which are critical to the decarbonisation of the UK's infrastructure.

Novuna Business Finance is a trading style of Mitsubishi HC Capital UK PLC, part of Mitsubishi HC Capital Inc., one of the world's largest and most diversified financial groups, with over 11trn yen (£57bn) of assets.

## Methodology

The research for this report was conducted by YouGov at intervals since 2015.

For each cycle of this research, a nationally representative sample of more than 1,000 small business decision makers and owners of UK small businesses were surveyed.

The research was conducted online.



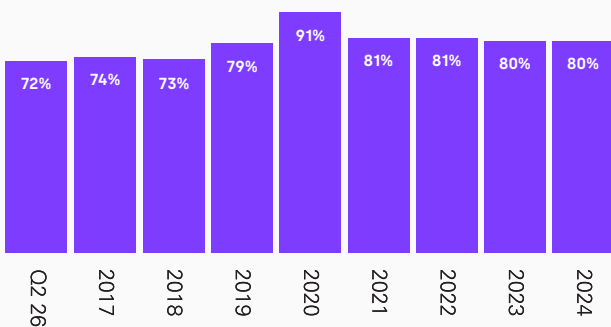
# 1. The prevalence of barriers to growth

Whilst we have been through unprecedented times, it is a sad truth that more small businesses cite barriers to growth today than was the case in pre-pandemic Britain.

In the spring months of Q2 2024, eight in 10 small business owners identified market factors that held their business back from growing – a position that has remained unchanged for three consecutive years, since Covid restrictions fell away at the start of 2022.

In the years before the pandemic, the percentage of enterprises bemoaning barriers to growth remained in the low 70s, even though this period also saw significant external challenges and causes of uncertainty – such as Brexit and the Scottish Referendum. The tracking data suggests the higher levels of small business concerns since the pandemic have become the ‘new normal.’

**Fig 1: The percentage of small businesses citing barriers to growth over time**

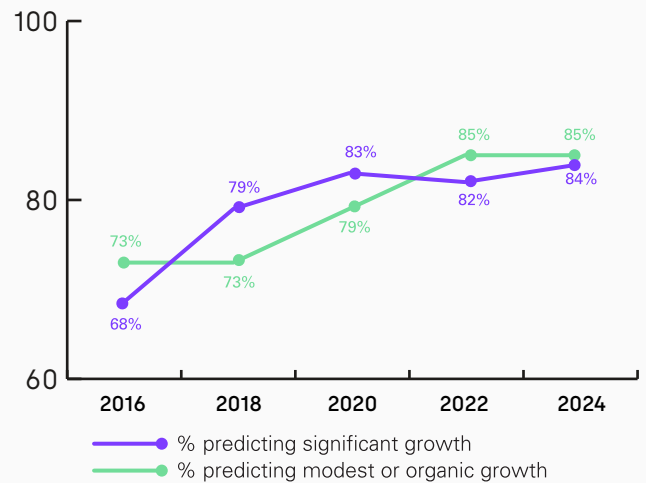


## Which businesses are most likely to cite barriers to growth?

Novuna Business Finance’s research also suggests the perceived barriers to growth are increasingly hurting those enterprises that are on the cusp of accelerated expansion. Whilst one would expect contracting enterprises to

cite obstacles holding them back, there has actually been a rise among growing businesses that identify barriers to growth. For example, of those enterprises predicting significant growth for the future, the percentage that perceive barriers getting in the way has risen from 68% in 2016 to 84% this year.

**Fig 2: Percentage of growing businesses that also cite barriers to growth over time**



Looking at industry sectors, barriers to growth are most strongly felt in the troubled retail sector, closely followed by enterprises in hospitality, media, manufacturing and construction. Compared to last quarter, there were rises in seven industry sectors – retail, manufacturing, IT, media, medical, education and transport - in terms of more business owners worrying about perceived barriers holding back growth.

Looking at the sector picture over the longer-term, there have been some significant developments:

- **Barriers on the rise:** Since 2016, the percentage of small business owners citing barriers to growth has risen sharply in

hospitality (up from 64% to 86%), real estate (up from 63% to 75%), construction (up from 71% to 83%) and IT/telecoms (from 69% to 82%). There are some clear signs that in some sectors life has got more difficult for small business owners; there is more to contend with and overcome in order to move forward.

- **Barriers on the fall:** In transport and distribution, the opposite picture presents itself. Here barriers to growth were most strongly felt in 2016 (91%) and whilst challenges still exist today (80%), the relative position has fallen for a sector that was arguably most immediately impacted by the early stages of Brexit disruption.
- **Contrasting fortunes after Covid:** As the table below indicates, in professional and white collar sectors (such as finance, legal services and real estate) the percentage of business owners citing barriers has receded

somewhat since lockdown. In other sectors, such as retail, construction and hospitality – those most directly impacted by the cost of living crisis which followed the pandemic – barriers to growth have remained at very high levels since the Covid years.



**Fig 3: percentage of small businesses by sector predicting barriers to growth over time [column percentages]**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Manufacturing	87	73	82	77	85	94	91	90	83	84
Construction	81	71	72	72	71	93	80	78	85	83
Retail	92	77	77	86	89	90	88	93	85	88
Finance and accounting	71	57	78	71	78	89	74	77	64	62
Hospitality	85	64	79	75	78	97	92	84	91	86
Legal	83	61	80	69	76	93	77	75	85	73
IT / telecoms	71	68	69	72	83	87	76	76	79	82
Media	74	74	77	82	81	94	82	84	83	86
Medical	90	78	59	56	70	94	82	72	70	80
Education	68	72	63	61	70	89	83	87	73	77
Transport	71	91	80	69	79	91	70	80	73	76
Real Estate	76	63	81	77	87	78	79	72	68	75
Agriculture	80	83	80	79	77	80	76	77	87	78

## 2. What are the biggest barriers?

The tracking research over the last 10 years reveals that there are a varied and wide-ranging set of issues that create challenges for small business owners. These challenges include mentions of a variety of issues including: volatile cash flow, extreme weather, lack of understanding from lenders and high street banks being restrictive on lending money. Whilst there is an ebb and flow and seasonal dimension to some of the issues mentioned, it is clear from the Novuna Business Finance data over time that there are five major issues that stand out as serious barriers to growth. These issues have remained as barriers over time and they have resonance to enterprises spanning region, sector, age and turnover.

### The top 5 barriers cited for UK small businesses in Q2 2024

**1. Market uncertainty:** This is the single biggest issue for small business owners. Whilst slightly down on last quarter, 41% of enterprises cite it as a barrier to growth - and it has been the most significant issue small businesses have grappled with for some years (45% cited it in 2023 and 46% in 2022). It is often said that the one thing businesses don't like is uncertainty – and, given this, the economic and political instability that has been a feature of the post-Covid years and cost-of-living crisis has been a major challenge that has threatened small business planning.

Furthermore, the level of concern over market uncertainty is significantly higher today than it was during the pre-Covid years. For example, in 2015, 31% of small businesses named market

uncertainty as a barrier to growth – and in 2016 the figure stood at 33%.

**2. Overheads/ fixed costs:** A symptom of the economic volatility, energy price rises and cost-of-living crisis which followed the War in Ukraine - 25% of small business owners cite these rising costs as a barrier to growth. Furthermore, the position is largely unchanged for the last three years – a measure of the ongoing struggle many enterprises still face coping with higher fixed costs and overheads. News headlines may suggest we are coming out of a recession, but it is clear from our research that many small businesses are still today firmly dealing with the very real legacy of price rises and the associated economic and supply chain disruption.

**Fig 4: Percentage of businesses that cite barriers to growth and name overheads and fixed costs as a serious challenge**

2021	2022	2023	2024
12%	24%	27%	25%

**3. Brexit:** For some, the drama of Brexit was put to one side when the nation faced the immediate challenges of Covid and a series of national lockdowns. Whilst this era has been and gone, the legacy of Brexit as a disruptive force quietly lives on to this day. Nationally, 21% of small business owners still refer to its legacy as a barrier to growth. Whilst the position has eased slightly since its peak in 2022, Brexit is still a major issue for many - as businesses reel from the frustrations of more red tape, delays and the higher costs of doing business overseas in EU markets.

**Fig 5: Percentage of businesses that cite barriers to growth and name Brexit as a serious challenge**

2021	2022	2023	2024
27%	30%	24%	21%

**4. Cost of skilled labour:** In some sectors, this is possibly an impact of Brexit. What is clear from Novuna Business Finance’s tracking data is the challenges small business owners face finding and paying for skilled labour is at a record high. For the last three years, this has been a consistently serious problem, with 19% citing it as a top barrier to growth in Q2 2024.

**Fig 6: Percentage of businesses that cite the cost of skilled labour as a serious challenge**

2020	2021	2022	2023	2024
5%	10%	21%	18%	19%

**5. Red tape:** An age-old problem for many small businesses who, by their nature want to be in the front-line talking with customers and booking in new business. Whilst the proportion of small businesses that cite red tape as a barrier is falling, it’s still prevalent for 16% of enterprises nationwide.

## Sector analysis

Whilst, nationally, these five issues were the dominant barriers to growth, there was also some degree of variation by industry sector:

- **Market uncertainty** was most strongly felt in media (54%) and retail (55%) – and the tracking data suggests the perception of uncertainty as a problem is growing in these two sectors.
- **Brexit** was most strongly felt in manufacturing (42%) and retail (32%) – the two sectors where the perceived challenges of Brexit continue to grow as a live issue. In these

sectors, Brexit is a lot more than a legacy issue with a long tail.

- **Red tape** is most likely to be seen as a barrier to growth in agriculture (31%), followed by real estate (26%) and education (26%).
- **The cost of skilled labour** is a challenge most strongly felt in legal services (38%), construction (33%) and manufacturing (28%). Significantly, this is a live issue and a growing problem across six sectors.
- **Rising fixed costs and overheads** are most strongly felt barriers to growth in the hospitality (44%), manufacturing (41%), retail (32%), and agriculture sectors (32%).



# 3. A tale of two General Election years

Much of the current commentary on business outlook has half an eye on the General Election that is expected later this year – many of the projections on green shoots or decline could be viewed as carrying some form of political agenda or bias. Drawing on a decade’s tracking research, we thought it would be interesting to compare small business views on barriers to growth with another General Election year – 2019. The research was conducted at a like-for-like time of year between 2019 and 2024. Further, both surveys were completed around six months before a General Election, assuming 2024’s General Election will be called towards the end of the year.

Compared to the last general election year in 2019 - small businesses in five industry sectors – construction, hospitality, media, medical and education - are more likely today to cite barriers to growth. Looking back, this is quite a significant finding given that during the pre-pandemic years (2015-19), 2019 represented a peak for the number of small businesses identifying barriers to growth.

**Fig 7: Sectors where more businesses cite barriers to growth in Q2 2024 than they did in Q2 2019**

	2019	2024
Hospitality	78%	76%
Media	81%	86%
Construction	71%	83%
Medical	70%	80%
Agriculture	77%	78%

Compared to the last General Election year (2019), small business owners in six regions – South West, East Midlands, South East, West Midlands, North West and Wales - are more likely to cite barriers to growth today.

**Fig 8: Regions where more businesses cite barriers to growth in Q2 2024 than they did in Q2 2019**

	2019	2024
South West	74%	87%
East Midlands	80%	83%
South East	79%	82%
West Midlands	76%	81%
North West	76%	80%
Wales	77%	78%

In terms of the specific issues that have become more pronounced since 2019:

**Market uncertainty** – has risen as a barrier to growth in the East Midlands, East, South West and Wales.

**Brexit** – is more strongly felt as a challenge today in the East and Scotland.

**Red tape** – has grown as a perceived barrier in the North East, East Midlands and Wales.

**The cost of skilled labour** – here, there have been significant five-year rises in the North East (from 7% to 22%), London (17% to 27%) South East (10% to 19%) - and rises too in North West, West Midlands, East, South West, Wales and Scotland.



# Assessment

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## A reflection on the research

By Jo Morris, Head of Insight, Novuna Business Finance

“After a seismic period of disruption during the Covid era, followed by the cost-of-living crisis, many naturally assume that the next step will inevitably be a period of recovery and a return to the normalcy of the pre-Covid years. Our research, spanning a decade, tells a very different story. Many small businesses see more and bigger barriers to growth today than they did before the world changed in March 2020. Some issues like Brexit have endured rather than faded, and the economic challenges of recent years have left a lasting legacy on managing fixed costs, overheads and labour costs - that, arguably, are yet to hit their peak. On top of all this is the dark cloud of uncertainty, something every small business owner dislikes and finds it hard to forward-plan against.

“Our positive tracking of business growth outlook each quarter has, for some time, revealed a stagnant picture as every quarter around a third of small businesses predict growth for the next three months. When one overlays those findings with a truthful picture on the barriers small businesses face, it makes the

static growth outlook look commendable, even quite remarkable. Set against a wide range of concurrent barriers to growth, small business owners are still finding ways to adapt and move forward – and they are still doing this four years after the first national lockdown.

“At Novuna Business Finance, we are working steadfastly to provide flexible tailored financial solutions that help established small businesses to access funding and achieve their true potential. Despite the challenging economic context, periods of uncertainty are actually a time for business owners to take stock and forge plans for the future - to put strategies in place for the upturn. We are busy doing this with established enterprises and we are serious about doing our bit to support a sustainable growth agenda for the small business community – because whenever it comes, the return to economic growth in the UK will be powered by a nation of resolute and committed small business owners.”

[www.novuna.co.uk/business-finance](http://www.novuna.co.uk/business-finance)