Small business report

Public opinion and consumer confidence

Foreword

SMEs are the backbone of the UK economy. According to the Federation of Small Businesses, they represent 99.9% of the UK business population, employing 16.9 million people and accounting for 50% of private sector turnover.

But despite their huge value to the economy, many SMEs – small businesses employing fewer than 250 people – have struggled to stay afloat in recent years. The employer's National Insurance Contribution increase that took effect in April 2025 and the rising cost of running a business, including a higher National Living Wage have all contributed to a tough landscape for SMEs.

There was some respite for small businesses in the Chancellor's 2025 Budget with the announcement of measures including permanently lower business rates on smaller properties for retail, hospitality and leisure. But rising operating costs are an ongoing factor and running a small business is more costly than ever due to high prices for utilities and materials.

Skills shortages are also affecting many sectors, which can present difficult choices for small businesses if faced with having to pay higher salaries to attract the best candidates.

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The latest Red Flag Alert by corporate financial consultants Begbies Traynor paints a worrying picture, with the number of businesses in critical distress increasing more than 20% year-on-year to almost 50,000. Bars and restaurants, which are often run as small businesses, have been worst impacted due to a drop in consumer spending, among other challenges.[1]

With small businesses facing such a tough time, we explored what needs to be done to ensure they survive this turbulent period, and how important they are to our local communities.

We polled 2,000 adults across the UK to gauge their thoughts, asking whether they regularly use local small businesses and if they think they deserve more government support.

An overwhelming 77% said SMEs should receive more support. Of those questioned, 88% said a vibrant local business community is important to them, with 77% saying they'd like to see more in their area.

77%

said SMEs should receive more support.

This report highlights the results of the polling and shines a spotlight on the importance of small businesses to local communities across the UK, with examples of the support the British public believes is needed to help them thrive.

At AXA UK, we recognise the invaluable role SMEs play in our economy and our communities, and we offer a wide range of products and services to enable them to achieve the best possible outcomes for their businesses.

“SMEs are the backbone of the UK economy. According to the Federation of Small Businesses, they represent 99.9% of the UK business population”

We know how important it is for them to understand the risks they face and to have the right protection. Our Business Insurance Wizard helps small businesses find the right insurance cover in four simple steps, and our Business Guardian Angel web pages are packed with blogs, in-depth guides and practical advice on a variety of topics including hiring employees, social media posting and accidents at work.

If SMEs across the country fail to thrive, it could be catastrophic for the UK economy, for local communities and for families who run small businesses such as the local pub, corner store or plumbing firm. Our survey shows that the British public clearly supports small businesses and values their contribution, so it's crucial that we work to ensure they have everything they need to grow and prosper.

Jon Walker, CEO AXA Commercial

Introduction

An unfriendly environment

Running a small business has always been hard work, but the current environment makes it particularly challenging. The economy is faltering, with confidence low among both businesses and consumers. Small business owners are bearing the brunt of increased taxation with employers' National Insurance Contribution (NIC) rises effective since April 2025, when the threshold for the level of earnings at which contributions are payable was also reduced.

The extra staffing costs resulting from these changes have been compounded by above-inflation increases in the National Minimum Wage. Some small businesses may have derived indirect benefits from this change, as higher wages can reduce staff turnover and associated costs, but many have found it necessary to control outgoings by reducing working hours for some employees or delaying recruitment of new staff.

Small businesses are also still paying very high energy and utility costs - a situation exacerbated by geopolitical instability. Government attempts to address this issue are yet to have an impact on most smaller businesses.

The Chancellor's 2025 Budget offered permanently lower business rates on smaller properties for retail, hospitality and leisure among a number of measures to support small businesses. However, the 2% increase in dividend tax will hit hard for many small business owners who pay themselves through dividends.

Finally, many small businesses are afflicted by cashflow problems caused by slow payments from clients. More than six out of ten small businesses in the UK were owed money from unpaid invoices in 2024, according to research published by InTuit QuickBooks in March 2025, with the average total owed to them estimated to be £21,400[2].

The government is trying to address this problem and a consultation addressing late payments and poor payment practices closed in October 2025. There are also plans to tackle competition between online retailers and high streets, with low value imports (goods valued at £135 or less) being charged the same customs duty as bulk imports from March 2029 at the latest.

Yet small businesses continue to show huge resilience in the face of all these challenges. They remain the foundation of the UK economy. There were 5.64 million businesses in the UK with fewer than 50 employees and another 38,545 with between 50 and 249 employees at the start of 2025, according to government figures. They account for more than 99% of all the businesses in the UK, turn over a collective £2.8 trillion and employ 16.9 million people[3].

Our research findings show that the public understands the value of these businesses, both to their local communities and to the national economy. But they also reveal a public demand for policymakers to do more to support the country's small businesses.

More than eight out of ten people agree with this statement: "I think small businesses in the UK have a great opportunity to succeed if given the right support by the government".

There is no question that if the UK's small businesses were given the support the public believes they deserve, by policymakers and consumers, the economy and the UK as a whole would benefit.

5.6 million

businesses in the UK with fewer than 50 employees

£2.8 trillion

turnover collectively

16.9 million

employed by small businesses

Key findings

Nine out of ten survey respondents think small businesses are important to the economy, with almost six out of ten (57%) saying they are "very important".

Almost nine out of ten people (88%) think a vibrant local business community is important. 70% of these respondents say this is important because it creates jobs for local people.

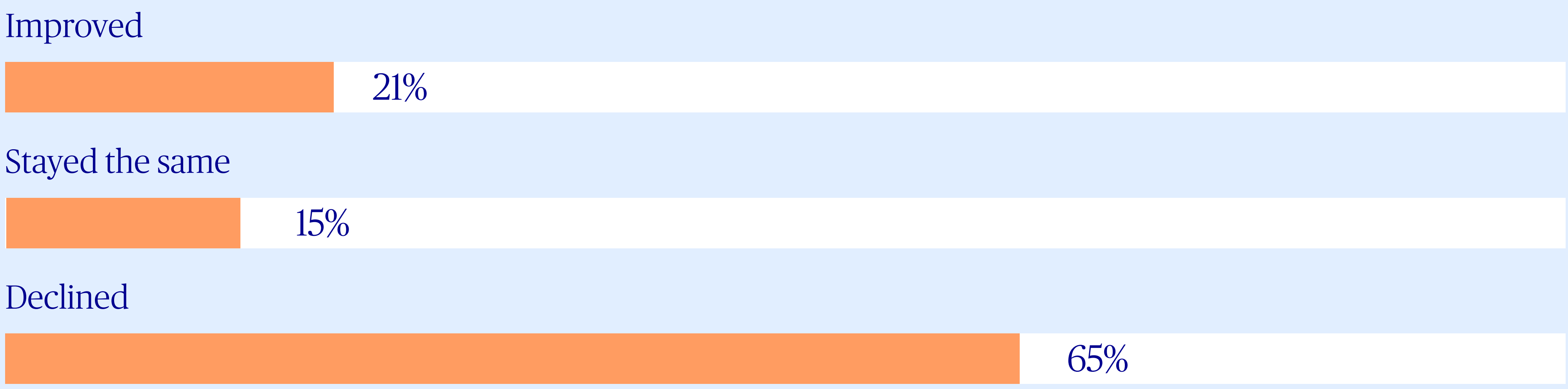
More than three-quarters (77%) of our respondents would like more small businesses to open in their local area. This includes 85% of people in north-east England and 83% of those in London.

Three out of four people agree with this statement: "I try to support small businesses when I can". Six out of ten people in this group say they do this to support their local community.

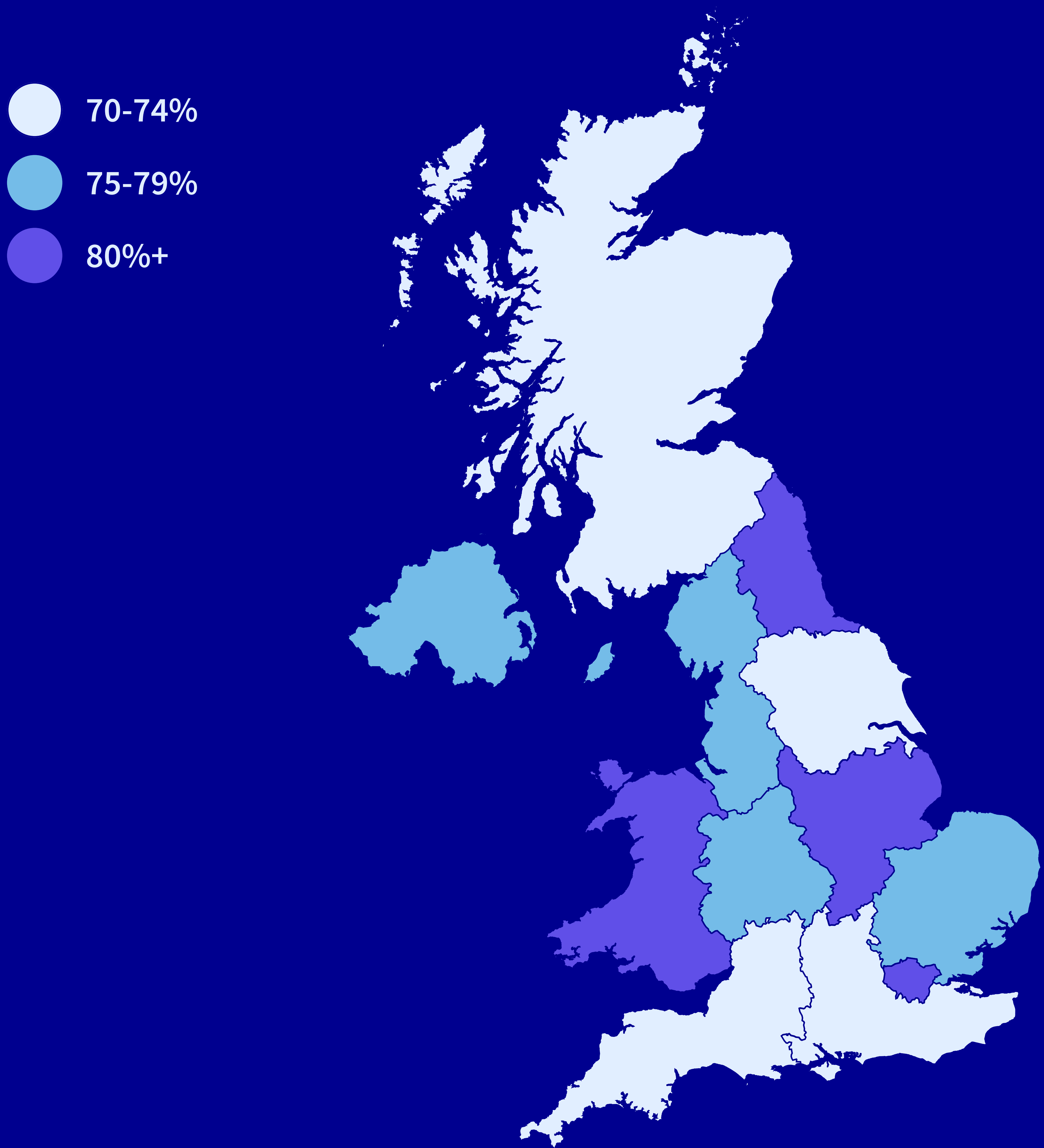
However, almost two-thirds (65%) of people we surveyed say they think high streets in the UK have generally declined during the past five years.

Seven out of ten of respondents who know a small business owner personally say those people think that running a small business is more challenging now than it was five years ago.

Perceptions of how UK high streets have changed in the past five years



Respondents who would like more small businesses to open in their area



Almost half the people we surveyed (45%) know small business owners who have either shut their business or are considering doing so.

The reasons respondents say small business owners cite for this are high running costs, including utility bills (cited by 62%), the impact of the cost-of-living crisis on consumer spending (44%), increased goods or materials costs (41%), and increased taxes (40%).

Almost half of our respondents (46%) say more investment is needed in their local small business community.

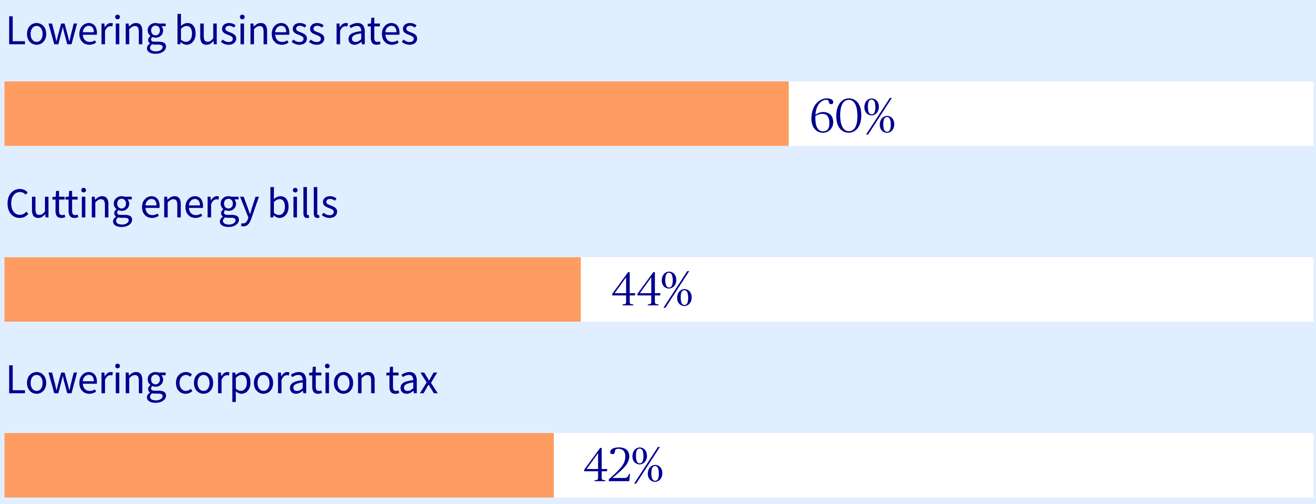
Almost eight out of ten people (77%) think small businesses in the UK deserve more support from the government and local authorities.

More than eight out of ten (82%) agree with this statement: "I think small businesses in the UK have a great opportunity to succeed if given the right support by the government."

In the two weeks leading up to the 2025 Budget, only just over one in five respondents (22%) thought the government's announcements would have a positive impact on small businesses. Almost four out of ten (39%) anticipated negative impacts.

More than four out of ten people (43%) say they try to buy more from small businesses during December.

Those wanting more support for small businesses would like to see the following:



77%

think small businesses in the UK deserve more support from the government

71%

think running a small business has become increasingly challenging over the last five years

10%

think it has got less challenging

Key challenges facing small businesses

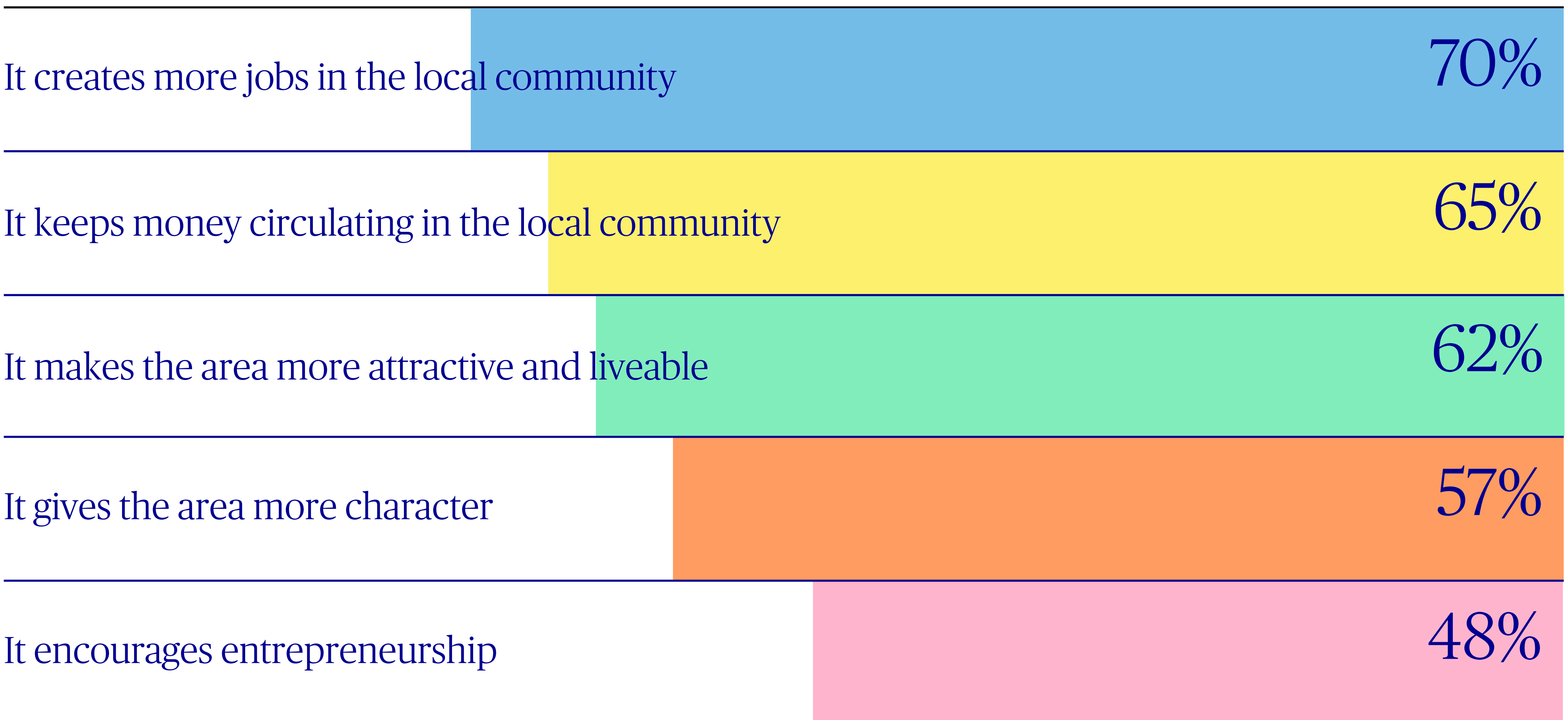
Our research findings show that an overwhelming majority of the public appreciate the importance of small and medium-sized enterprises (SMEs) to the UK economy and to their local communities. Nine out of ten say SMEs are important to the economy, including 57% who say they are "very important".

Almost nine out of ten people (88%) think it is important to have a vibrant local business community, including more than half (53%) who say this is "very important".

However, as noted above, practically every small business community in the country faces enormous challenges at present, caused by a struggling economy, the impact of government policies on tax, the minimum wage and business rates, and high costs of goods, materials and utilities. Our findings show that respondents who know small business owners personally can see how they are being affected by these issues.

Why a vibrant local business community is important

What reasons people who value them say



A majority of people think UK high streets have declined in the past five years

Despite the high level of support for small businesses among the public, there is widespread concern about the difficulties these businesses face, and the impacts their struggles may have on the economic and social health of local communities. Almost two-thirds (65%) of our respondents say they think high streets in the UK have generally declined during the past five years. This includes 42% who say high streets have declined "significantly". Only 21% think high streets have improved.

Those who felt most strongly (80%) about the decline of high streets were in south-west England followed by those in south-east England (76%) and the east of England (72%). Respondents in London are less likely to perceive a decline – in fact 44% think high streets have improved.

90%

of Boomers think high streets have declined over the last five years

"Despite the high level of support for small businesses among the public, there is widespread concern about the difficulties these businesses face"

There is also a very noticeable difference of opinion depending on age: the older someone is, the more likely they are to think that the UK's high streets have declined. Older respondents are not necessarily influenced by idealised memories of the past, but their responses suggest many feel that high street shops do not meet their needs as well as they did in the past.

Asked why they think high streets have declined, people are most likely to blame competition from online marketplaces such as Amazon or eBay, the cost-of-living crisis, high business rates, the growth of online businesses generally, and rising costs, including energy costs.

One in three of our survey respondents have at least one family member or friend who is a small business owner. More than seven out of ten (71%) of these respondents say they have been told that running a small business today is more challenging than it was five years ago. In addition, 45% of those polled say they know owners who have either shut their business or are considering doing so.

Top reasons cited by those who say UK high streets are in decline

Small business owners have told respondents running a small business is more difficult now than five years ago

One in three of our survey respondents have at least one family member or friend who is a small business owner. More than seven out of ten (71%) of these respondents say they have been told that running a small business today is more challenging than it was five years ago.

Almost half the people we surveyed (45%) know small business owners who have either shut their business or are considering doing so.

The most frequent reasons given for taking or considering this decision are high running costs, including utility bills, the impact of the cost-of-living crisis on consumer spending, costs of goods or materials, and increased taxes.

Causes of Small Business Closures

From respondents who know someone whose business has shut its doors or is considering doing so

Running costs/utility bills	62%
Cost of living impacting consumer spending	44%
Cost of goods/materials	41%
Increased taxes	40%
The recent increase in employer's National Insurance contributions	30%
Rise in minimum wage impacting bills	30%

Finding the best way forward for the UK's small businesses

Asked who they think small businesses rely on most for support, almost two-thirds of people (64%) say support from local people is most important. The next most popular choices are local councils (selected by 31% of respondents) and the government (chosen by 23%).

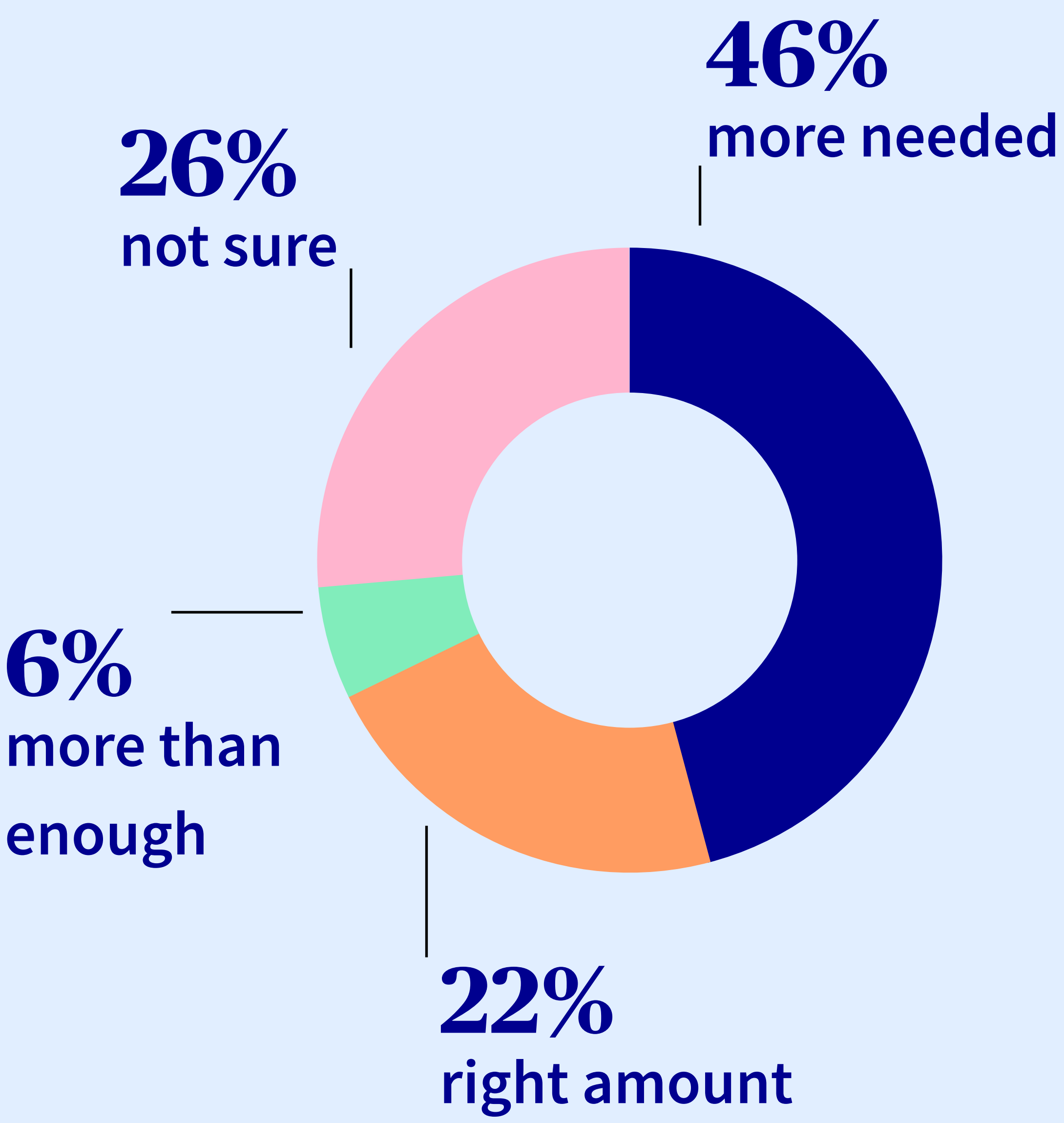
We asked respondents if they thought more investment was needed in their local small business community. Across the UK, 46% say more investment is needed, while just 22% say the right amount of investment is already in place.

The public want to do their bit to help small businesses in their area. Three-quarters (75%) agree with the statement: "I try to support small businesses when I can", including 29% who "strongly agree".

More than three-quarters (77%) of respondents would like to see more small businesses opening in their local area, including 85% of people in north-east England and 83% of those in London.

We also asked which types of small businesses people want in their area. Bakeries are the preferred option for 53% of people, while greengrocers and farm shops are both favoured by 41%.

Amount of investment in local small business community



We asked those who want to support small businesses why they want to do this.

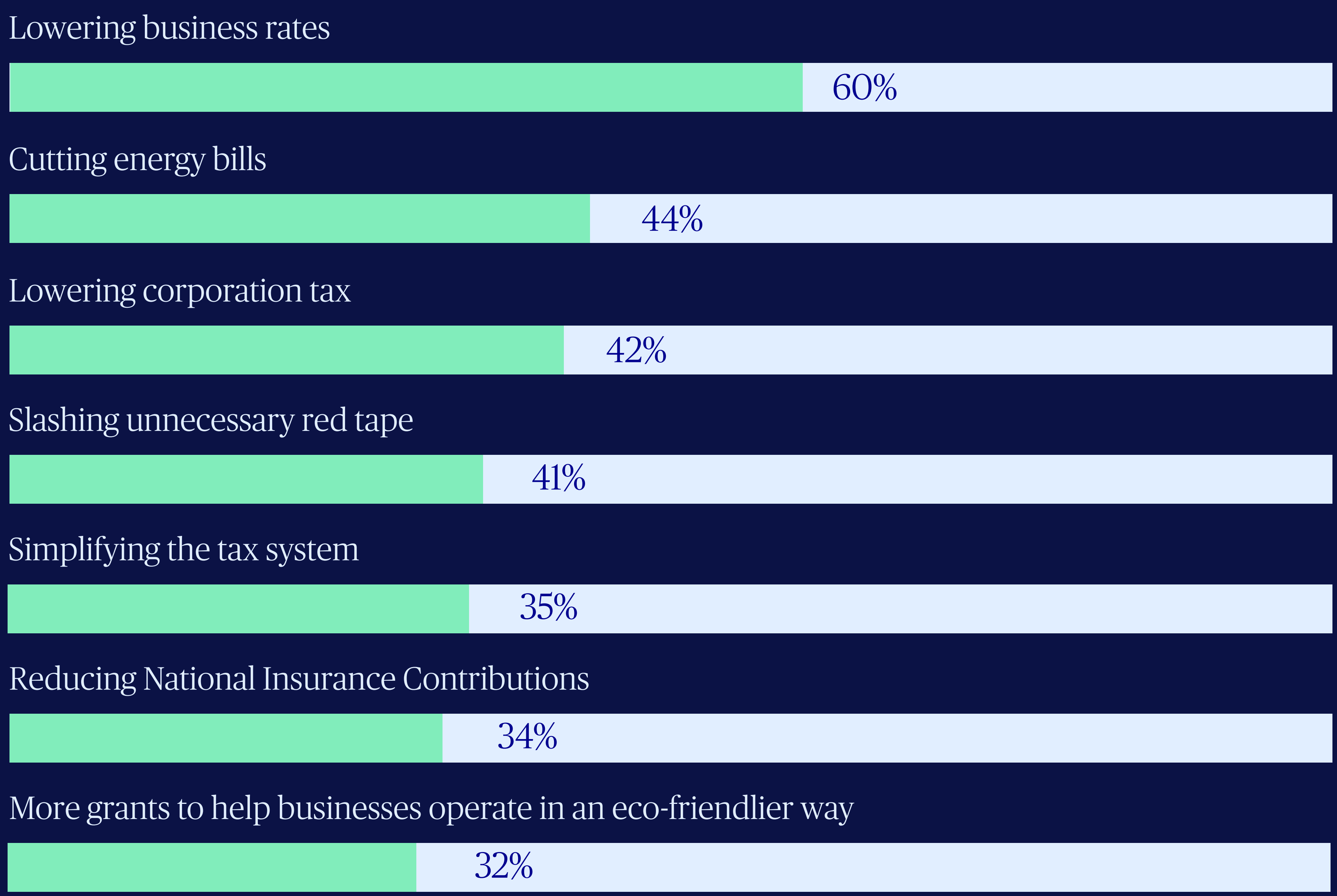
Want to support their local community.	62%
Say money spent in these businesses will help to boost the local economy.	53%
Worry these businesses might close if they are not supported	38%
Say small local businesses offer a better service	37%
Say they don't like larger businesses dominating the market and treating smaller businesses badly	35%
Trust smaller businesses more than larger businesses	29%

What support do the public think government should give small businesses?

77% of survey respondents think small businesses in the UK deserve more support from the government and local authorities. 40% of this group say these businesses deserve “much more” support.

More than eight out of ten (82%) agree with this statement: “I think small businesses in the UK have a great opportunity to succeed if given the right support by the government”. Only 2% actively disagree.

Policy changes our survey respondents would like to see include:



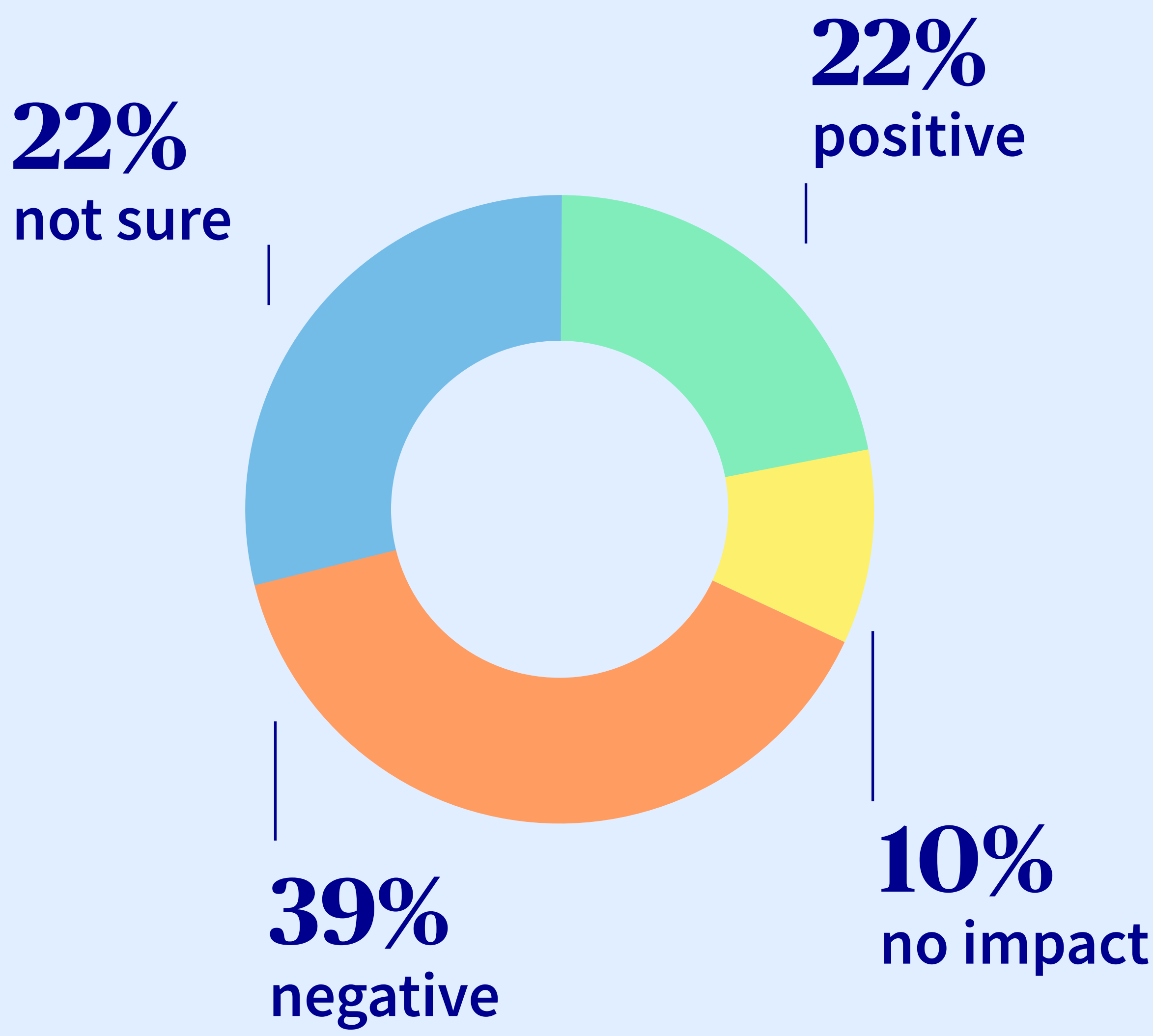
Low expectations ahead of the recent Budget about help for small businesses

Ahead of the Chancellor's 2025 Budget, we asked whether our respondents thought government policy decisions contained within the budget would have positive or negative impacts on small businesses.

Only 22% expected these impacts to be positive, with just 6% expecting them to be "very positive". 39% anticipated negative impacts, including 17% who expected "very negative" impacts.

There was a noticeable contrast in expectations between younger and older people: in general, older respondents were more pessimistic about the impact the Budget might have on small businesses, with a stark difference in expectations between those aged under or over 45.

Perceived impact of the UK autumn budget on small businesses



Christmas could be a springboard for small businesses hoping for a great 2026

One expression of the public's support for small businesses is the way many people actively try to support them during the festive period. More than four out of ten people (43%) say they try to buy more from small businesses during December. That figure rises to about six out ten people among those aged under 45. It is also noticeably higher among people living in London and Scotland.

On average, respondents say they will spend £137.14 buying gifts from small businesses during December and £125.85 buying food and drink from small businesses.

For small business owners in the retail sector, Christmas is one of the most important times of year for trading. But our findings underline the fact that with the right backing, small businesses of all kinds have a great opportunity to take advantage of the widespread public appetite to support them all year round, with a majority of respondents hoping to see more small businesses prospering in their local area.

Most used small businesses

Cafes/restaurants	28%
Coffee shops	26%
Hairdressers/barbers	24%
Bakeries	23%
Pub/bars	18%

£137.14

the amount consumers plan to spend on gifts with small businesses in December

£125.85

the amount consumers plan to spend on food and drink with small businesses in December

References

1. **Begbies Traynor Red Flag Alert report, July 2025** (https://www.begbies-traynorgroup.com/news/business-health-statistics/critical-financial-distress-increases-across-the-economy)

2. **InTuit Quickbooks 2025 Small Business Late Payments Report** (https://quickbooks.intuit.com/uk/blog/small-business-late-payments-report-2025/)

3. **Department for Business and Trade statistics on the UK business population** (https://www.gov.uk/government/statistics/business-population-estimates-2025/business-population-estimates-for-the-uk-and-regions-2025-statistical-release)

Methodology

This research is based on a survey of 2,000 adults living in the UK, with the sample selected to be nationally representative on the basis of age, gender and region. Research was completed between 14/11/2025 and 17/11/2025.