Fall in GDP heralds start of recession and the risk of serious economic decline, small firms warn

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Responding to new Office for National Statistics (ONS) figures showing that GDP fell 0.2% in Q3 2022, **Federation of Small Businesses (FSB) National Chair Martin McTague** said:

“Confirmation of a shrinking economy is dreadful news for small businesses that have been facing increasing recessionary pressures for months now.

“Lower levels of reserves and resources mean they are more vulnerable to downturns, and at a time when confidence is deteriorating in both consumers and businesses, the outlook for the UK economy is now very bleak indeed.

“The fall in GDP is one headline figure made up of countless bits of disappointing news for small businesses across the country – a new venue or premises they couldn’t open, a contract which ended unexpectedly, a staff member they had to let go. Taken together, the impact on the economy is huge, and the Government must demonstrate that it has grasped the scale of the issue.

“Coming out of pandemic-era lockdowns, this was supposed to be the period when the economic recovery would start to motor, with the small business community leading the way. Following the global financial crisis, nine out of ten people moving back into employment did so through working for a small business, or setting themselves up as one by starting their self-employed career.

“But with a contraction of the small business community of nearly half a million small firms over 2020 and 2021, the strong indications that we are in recession could lead to many further losses, with established outfits sadly having to shut up shop, and entrepreneurs’ good ideas staying on the drawing board.

“Fewer small businesses and start-ups means lower growth, lower employment, and lost tax revenues for the Government – a vicious circle of decline that must be averted, rather than managed.

“The Government next week at its Autumn Statement must not just balance the books – it has to have a clear set of measures that will help boost prosperity, growth and jobs. Without it, in a year’s time we will be back here again, with an even smaller economy, looking once again for spending cuts and tax rises to balance a spreadsheet total.

“The Government should be urgently looking at reforming and reducing pre-profit taxes such as business rates, as promised in the 2019 manifesto, but not delivered, and keeping National Insurance down; at tackling late payments which are increasingly making our economy less efficient, and which are constraining growth and productivity; and avoiding measures that will constrain entrepreneurial activity and growth, such as hikes on dividends, entrepreneurs’ relief, pensions, capital gains, or creating a new online sales tax.

“The FSB Small Business Index confidence reading for the third quarter was at its lowest ever level outside lockdowns. Over two-thirds of small firms told us their revenues stagnated or fell over the quarter, while nine in ten say their costs are higher than a year ago – with two in five saying they’ve seen a significant increase.

“One in five microbusinesses with under 10 employees has less than a month’s worth of cash reserves, while the same is true for one in nine businesses employing between 10 and 49 employees, showing how thin the cash cushion is for thousands of small firms, and how perilous the situation is for them.

“Without growth measures, next Thursday’s Autumn Statement could be about balancing the Government’s books on the backs of small businesses – an approach that will simply not work, with so many already teetering on the edge.

“The Chancellor and Prime Minister must include measures to kickstart the economy, and get it growing again, to stem the loss of small businesses, and give them an operating environment that will allow them to get through a tough winter, and then flourish in the spring.”

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