



The impact of Covid-19 on UK small business

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Beyond the unquestionable economic hit, we should also recognise that behind each of these small businesses is a small business owner – each with families, livelihoods, and dreams.

Alan Thomas

Simply Business UK CEO

Foreword

No business, big or small, has been able to escape the impact of the Covid-19 pandemic – with 12 months of restrictions, lockdowns, and uncertainty always likely to take its toll.

The scale of the impact across this last year felt by the self-employed is abundantly clear in our latest research. Covid-19 will cost SMEs an estimated £126.6 billion – double what owners predicted it would cost them when asked a year ago.

With six million SMEs in the UK – accounting for over 99% of all businesses, 33% of employment and 21% of all turnover – this £126.6 billion hole in the books of small businesses is a huge blow to the economy.

We should also recognise that behind each of these small businesses is a small business owner – each with families, livelihoods, and dreams. The impact of the pandemic on so many of these individuals has been devastating, both financially and emotionally. More than four in every five small business owners say the pandemic has negatively impacted their mental health – a statistic which should concern us all.

Finances have been at the root of many worries – 61% of small business owners have had serious financial concerns at some stage of the pandemic. While the government support packages have proven a lifeline to many small businesses through Covid-19, our research reveals that 81% of self-employed people feel it hasn't been enough – with over two million SMEs unable to access any financial support.

Yet in all of this, we have seen countless examples of the resilience, resourcefulness, and creativity that we have come to associate with the UK's small business owners.

Insuring over 450,000 small businesses – from plumbers to accountants to restaurants – has allowed us to see first-hand the impact on this audience, and the impressive way in which they've responded. As we emerge from what is hopefully the worst of the pandemic – with SMEs across the country looking to kickstart their operations – it is important that we all support small businesses, knowing that they will be crucial to our collective recovery.



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Simply Business UK CEO

Executive summary

Small business owners estimate that coronavirus, and the various resulting lockdowns and restrictions, will cost them almost double what they predicted a year ago. Coupled with a lack of clarity on government support – and with many self-employed people locked out of financial help – the impact has been profound.

Indeed, some industries have been hit particularly hard. Hair and beauty professionals expect costs to reach £12,800 on average, tradespeople think it'll cost them £18,039 overall – and pub and restaurant owners expect massive total costs of £45,470 on average.

The severity of the impact does differ by region. But with financial challenges and widespread uncertainty, it's no surprise that the vast majority of self-employed people's mental health has been suffering.

That being said, businesses are cautiously optimistic. The vaccine rollout is giving hope, and, as is often the case during economic downturns, many people are choosing to go self-employed for the first time – bravely setting up new businesses in challenging circumstances.

We surveyed 1,206 small business owners from across the UK to get an in-depth understanding of the impact of Covid-19 on a crucial section of the UK economy.





Key findings

1

The total cost of Covid-19 for small businesses is higher than anticipated – upwards of **£126.6 billion**

2

81% of small businesses said they haven't had enough support from the government

3

65% said the vaccine rollout has made them more confident about the recovery of their business

4

London, Scotland and the North East are among the hardest hit regions of the UK

5

New entrepreneurs have been on the rise, with a **157% year-on-year increase** in requests for home baking insurance

6

Businesses need time to heal – **25%** estimate that they'll return to pre-pandemic levels of trading by spring or summer 2022

The cost of Covid-19

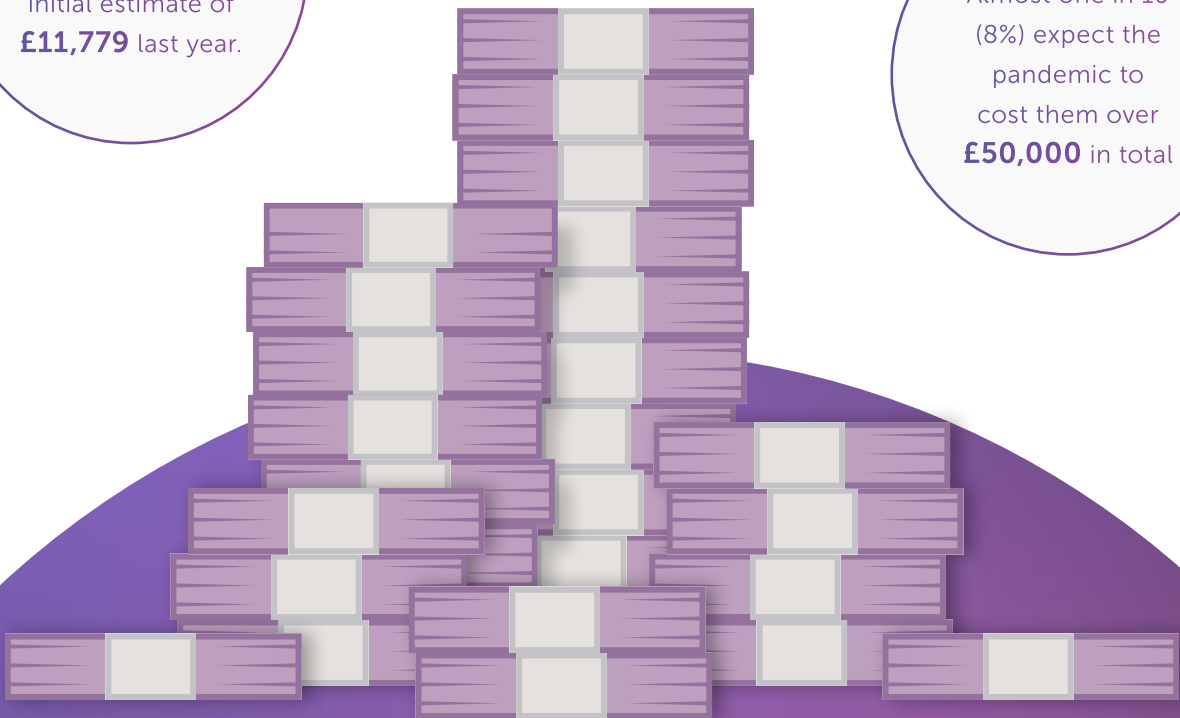
Costs are higher than anticipated

Over the past 12 months, SMEs were confronted with the serious financial implications of nationwide lockdowns and operational restrictions. With six million SMEs in the UK, accounting for **99%** of all businesses, **33%** of all employment, and **21%** of economic turnover – the pandemic sent ripples through our economy and communities.

On average, SMEs have lost **£15,673** each, up from the initial estimate of **£11,779** last year.

It seems the cost is only going to increase as total losses are expected to reach **£22,461**.

Almost one in 10 (8%) expect the pandemic to cost them over **£50,000** in total

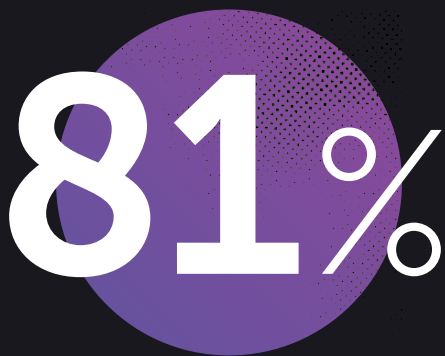


Our data shows that Covid-19 is expected to cost SMEs upwards of **£126.6bn** – nearly double the £69bn projected a year ago.

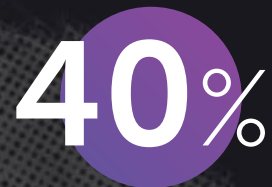


A lack of clarity on government support

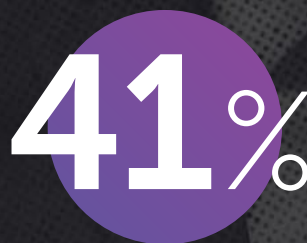
While there's been a range of support schemes throughout the pandemic, there's also been **a lack of clarity** (and limits) on eligibility – meaning many businesses have felt excluded.



said they haven't had enough support from the government



had some support – but not enough

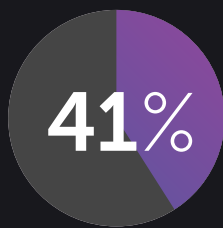


didn't feel supported at all

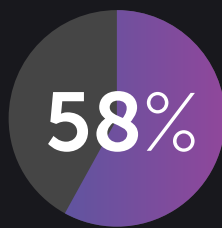


Did support ever go far enough?

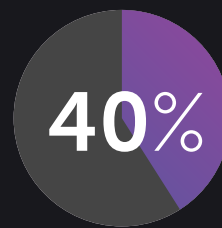
Overall support sentiment during the last lockdown was more positive than during the first one – yet only **one in five** small businesses were able to say with confidence that they felt supported.



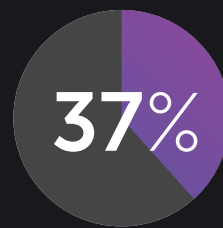
41% of small businesses said they felt unsupported during the last lockdown



This is down from 58% at the beginning of the pandemic



40% said they still needed more support from the government



37% said they haven't been able to access any government scheme or grant

A call for better communication and transparency

While nearly half of small businesses believed the government should've offered a wider range of financial support schemes, it's telling that some businesses wanted better communication from the government.

24% said there should've been greater communication and transparency about the impact on small businesses and the self-employed

Another **24%** said there should've been more clarity around restrictions and regulations within their industry

And **9%** said support scheme applications should've been easier to fill out



A hit to hospitality

The pandemic has hit the hospitality industry particularly hard. During lockdown, pubs, cafes and restaurants were forced to close or severely restrict the services they could provide.

Food and drink businesses lost **more than double** the money of the average small business.



So far, the pandemic has cost pub and restaurant owners **£40,313** on average, with total losses expected to reach **£45,470**.

Optimism about the future

But despite the financial loss, business owners in the hospitality industry are feeling positive about the future.



expect to continue or restart their current business



said they're confident about life after lockdown



said the vaccine rollout has made them more confident about the recovery of their business



started a new business during lockdown

How have other industries been impacted?

Here we look at **hair and beauty professionals** and **tradespeople** – two groups who have also been hit hard by the pandemic.



Tradespeople

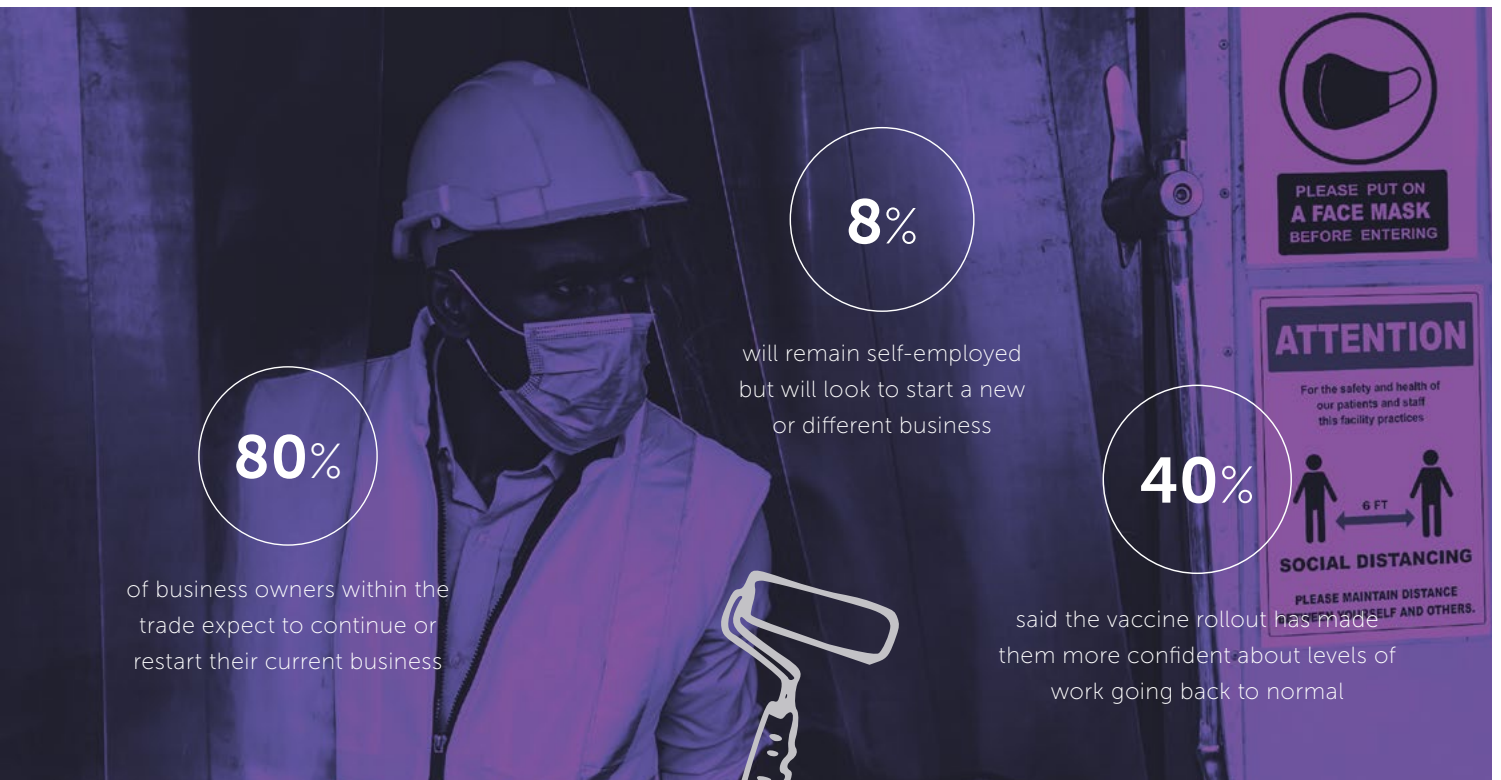
While tradespeople were largely able to work during lockdown, only **18%** of self-employed tradespeople and construction workers told us they were able to continue as usual.

And worryingly, **76%** said that Covid-19 has [negatively impacted their mental health](#).



They expect total losses due to coronavirus to reach **£18,039 on average**.

That being said, tradespeople are confident about recovery.



80%

of business owners within the trade expect to continue or restart their current business

8%

will remain self-employed but will look to start a new or different business

40%

said the vaccine rollout has made them more confident about levels of work going back to normal





Hair and beauty professionals

With the high streets closed, many hair and beauty professionals were unable to work during lockdown.



They expect total losses due to coronavirus to reach **£12,800 on average**.

But despite that, hair and beauty professionals are confident about recovery.

Those surveyed look like they're overwhelmingly going to overcome future challenges – **99%** of businesses still trading expect to survive beyond 2021.

All businesses that had to temporarily stop trading during Covid-19 **plan to continue with their current venture**

There are just as many hair and beauty professionals planning to **start a new business** as there are who said they've permanently ceased trading (**9%**)

66% of those surveyed said the vaccine rollout has made them more confident about the recovery of their business



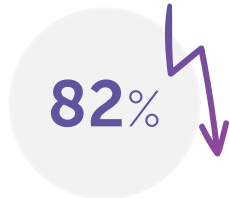
The emerging wellbeing crisis

Many businesses had to close or operate at reduced capacity throughout the pandemic. So it's no surprise that a year and a half of uncertainty and financial worries has taken its toll on the mental health and wellbeing of small business owners.*

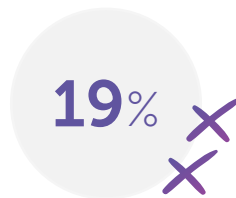


Business owners feeling the pressure

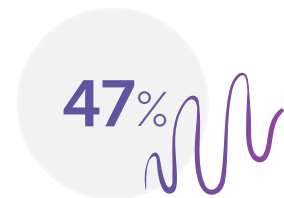
In a separate study of 765 small business owners, we asked how the pandemic has impacted their mental health.



felt the pandemic is having a negative impact on their mental health



described their current mental wellbeing as 'bad'



are worried about how their mental health will hold up throughout 2021

Millions risking burnout

What's more, millions of small business owners are risking burnout, and many are experiencing sleepless nights. The figures clearly demonstrate the pressures of running a small business during the pandemic.

3.7 million
experienced stress

1.8 million
had depression

51% said that poor sleep has affected their mental health in the last 12 months

Impact of Covid-19 on mental health and wellbeing



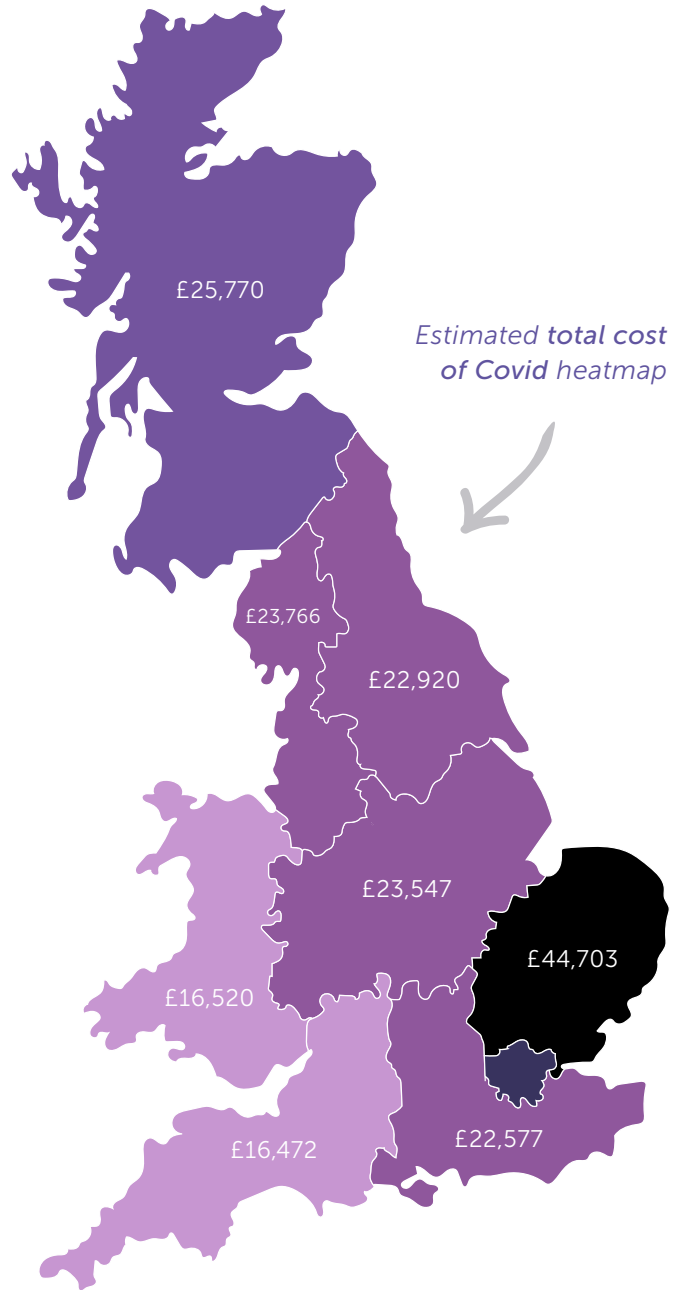
*Wellbeing insight is from a separate Simply Business survey of 765 small business owners.

Regional differences

The pandemic brought a drop in work and earnings for many, so we asked small business owners across the different regions of the UK how much it had cost their business.

Hardest hit regions


After London, Scotland and the North East were the hardest hit regions of the UK. The UK average loss of income due to the pandemic stands at £15,673 – over £5,000 less than the average loss in London, and around £3,000 less than Scotland and the North East.



Region	Cost of Covid so far	Estimated total cost of Covid
East Anglia	£25,035	£44,703
London	£23,667	£38,127
North West England	£21,982	£23,766
Scotland	£18,637	£25,770
North East England	£17,368	£22,920
Wales	£17,338	£16,520
The Midlands	£16,353	£23,547
South East England	£15,671	£22,577
South West England	£14,953	£16,472

Impact of the vaccine

The vaccine rollout has given hope to many small businesses who have been able to open again, but there are still serious concerns about what the future holds.



65% said the vaccine rollout has made them more confident about the recovery of their business

48% are worried about the potential of another lockdown

24% are unsure about whether they'll still be trading next year

Are new entrepreneurs on the rise?

Economic downturns, which come with precarious work opportunities, often encourage people to set up their own business.

So, we analysed trades from across our customer base (looking at the year-on-year rise in requests for small business insurance) to uncover the fastest growing sectors and regions among small businesses from 2019 to 2020.

Sourdough and banana bread were lockdown favourites, so it makes sense that requests from **home baking businesses** rose the fastest – with a **157% year-on-year increase**



Courier services saw an **80% increase**, driven by a greater need to transport parcels with a UK postal service that was under almost continuous pressure

Property maintenance saw a **30% increase** – perhaps reflecting increased demand for home improvement services – and repairs – as people transitioned to remote working and spent more time at home



Industry:	% Increase (year on year)
Home baking	157%
Courier	80%
Property maintenance	30%
Roofers	29%
Mobile hairdressers	25%
Landscape gardeners/garden maintenance	25%
Electricians	24%
Cake maker and decorator	24%
Online retailers	18%
Builders	11%

*Data from Simply Business customer base of over 750,000 small business customers from across the UK, conducted in January 2021. Top 10 trades have the top new business policies (equal to or greater than 1000) taken out in 2020 vs 2019. Simply Business analysed 959 different trades.

Rourke's

Gary Rourke started his own business – Rourke's – during the pandemic, having lost his job in IT due to Covid-19. Gary's one of a number of entrepreneurs who have started up in the last year, as the UK sees a new wave of small businesses making the best of a challenging situation. From deliveries and farmers' markets to hiring his first staff – here's his story.



Looking ahead

Looking forward, it's clear that there's still a level of uncertainty for business owners as restrictions continue to lift.

Over half remain concerned about the future of their business, but hope to survive until the end of 2021. And if the pandemic has demonstrated anything, it's the resilience, determination and creativity of the small business community.

Businesses need time to heal

We asked small business owners how long they expect it to take for their business to recover financially, and to recoup money lost during the pandemic.

18%

predict 18 months to two years

20%

say two to three years

20%

think three years or more

Long-term impact on trading

When it comes to returning to pre-pandemic levels of trading, over 860,000 small business owners aren't sure that their business will ever return to pre-pandemic trading levels – but others are more optimistic.

14% predict they'll return to pre-Covid-19 levels by December 2021

25% estimate it could take until spring or summer 2022 to return to normal levels

Is there a silver lining?

Despite the devastating blow the pandemic has caused UK small businesses, a third remain optimistic about the future.

And reassuringly, we've seen a number of positives emerge out of the pandemic for the self-employed.

17%

have learnt
new skills

32%

have been
able to rest

29%

have found more
time to focus on
themselves

56%

have spent more
time with family

11%

have adopted new
digital technologies
into their business

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