

SAGE UK SMALL BUSINESS TRACKER - Q4 2025

A Sage report in partnership with
Smart Data Foundry and Cebr

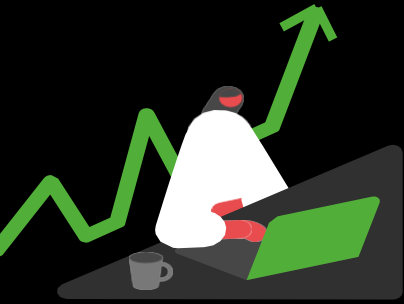
October - December 2025



Sage ▲ SMART DATA
□ FOUNDRY



SMB Tracker Q4 2025.



Profit Growth
+6.2%
Year-on-Year

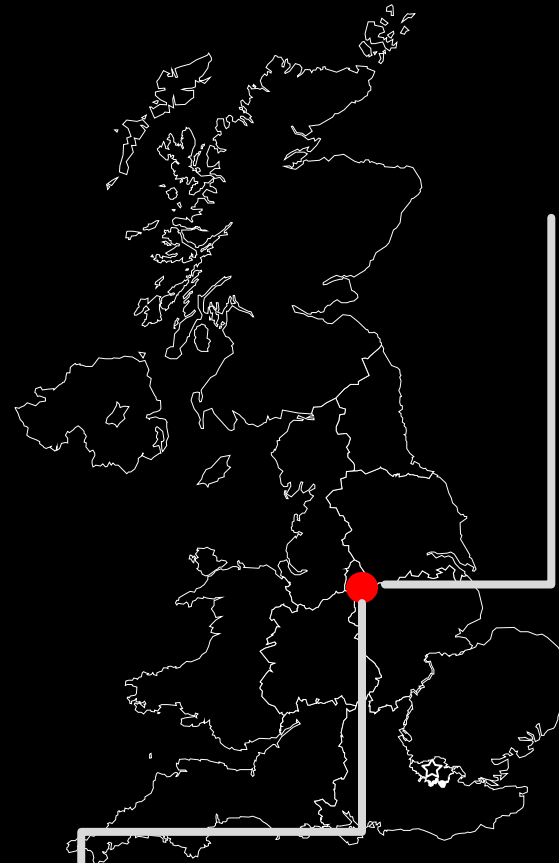


Real Revenue
3.3%
Year-on-Year



The average number of days it takes to pay an invoice

31.4
days



Derby:
+61.2%

Highest 2-Year Revenue Growth
Amongst Urban Areas

+15.7%

East Midlands
Highest 1-Year Profit
Growth Amongst UK
Regions



Productivity
-2.6%
Year-on-Year



Real Expenditure
increase in
Q4 2025.



Source: Insights from 140,000 UK SMBs

TABLE OF CONTENTS



1: Headline Findings



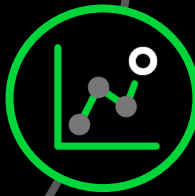
2: Prices



3: Resilience



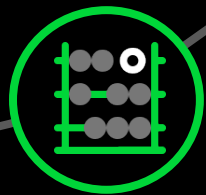
4: Growth



5: Profitability



6: Deep dive – North East



7: Methodology



Headline Findings

Quarterly Summary.

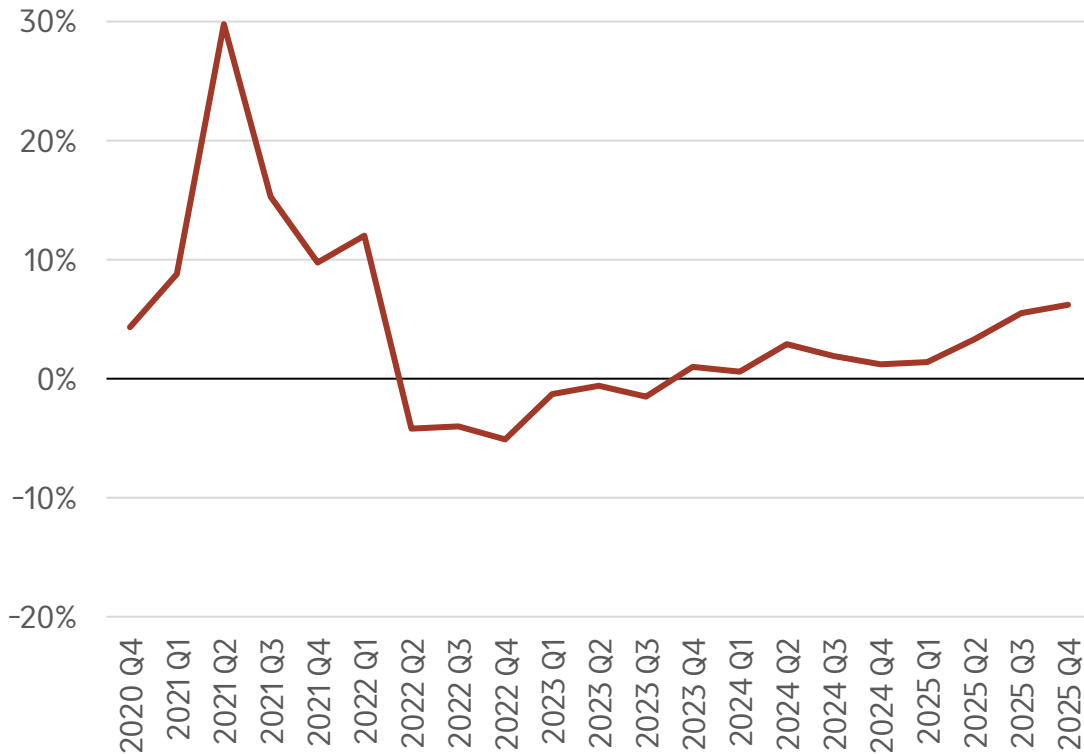
The latest Sage Small Business Tracker showed robust profit growth for small businesses, despite a lacklustre economic growth environment. Profits rose as growth in revenues outpaced expenditures. In real terms, both overheads and capital expenditure fell year-on-year, reflecting a more defensive footing among small businesses, who sought to protect margins by cutting costs and postponing investment. The UK economy grew by 1.0% in the year to Q4 2025, a reduction in pace from the 1.3% recorded in Q3. The final quarter of 2025 was overshadowed by trade shocks and the impact of the budget. Business sentiment remains fragile, as firms continue to face uncertainty over the strength of consumer demand.

FORECAST: Looking ahead, the UK economy is expected to maintain modest growth in the near term. Inflation is projected to continue falling, creating scope for near-term interest rate cuts. Slowing wage growth should help to ease labour cost pressures, which are contributing to weaker hiring activity and recent rises in the unemployment rate.

- 1 Profits showed strong growth** – Small business profits grew by 6.2% in the year to Q4 2025. This marks the fourth consecutive quarter of accelerating growth and represents the highest pace of growth in almost four years.
- 2 Revenues rose robustly** – Real revenues for small businesses rose 3.3% annually in Q4 2025, marking the third consecutive quarter of yearly growth. Overall, 2025 featured significantly more consistent and elevated rates of revenue growth than 2024.
- 3 Expenditure growth accelerated** – Real expenditure for the average small business increased by 2.1% year-on-year in Q4 2025. Since expenditures rose more slowly than revenues, this permitted an acceleration in profit growth.
- 4 Productivity fell, in contrast to the other indicators** – Productivity for the average small business fell by 2.6% in Q4 2025, following near-stagnation the previous quarter.

Profit growth continues to accelerate in Q4

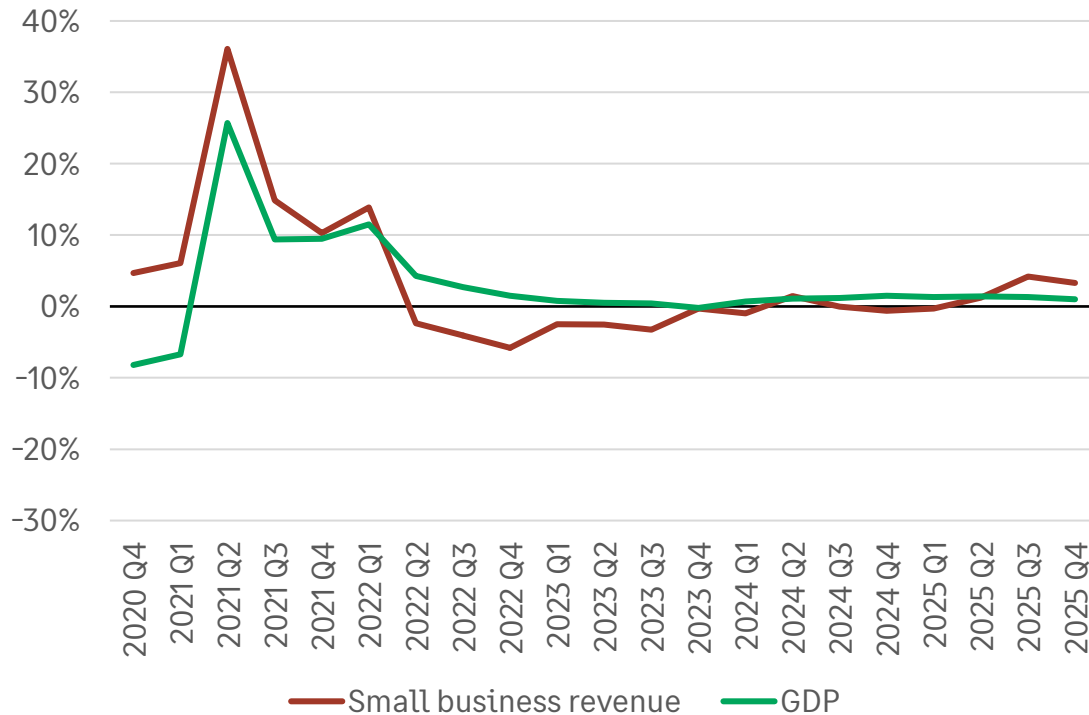
Profit growth for the average small business (2019 prices, year-on-year %)



- The Sage Small Business Tracker provides timely insights into the growth of UK small businesses, given that official quarterly estimates of GDP are not broken down by company size.
- Profits grew by 6.2% for the average small business in the year to Q4 2025, up from 5.5% the previous quarter. Profit growth now stands at its highest level since the first quarter of 2022.
- Q4 was largely dominated by anticipation of the Autumn Budget, which left many businesses in “wait-and-see” mode. The final package was largely as expected and provided policy clarity, but also included scheduled rises in the National Minimum Wage and National Living Wage that will raise employment costs for small businesses.
- Inflation fell by 0.5 points to 3.6% in Q4. Cebr expects inflation to continue decelerating over the coming months, paving the way for further rate cuts in 2026.

Revenue growth remains robust in Q4 despite subdued economic climate

Revenue growth for the average small business and UK GDP (2019 prices, year-on-year %)



Source: Sage, Smart Data Foundry, ONS, Cebr

- Real revenues for small businesses rose by 3.3% annually in Q4 2025.
- Revenues have remained resilient despite elevated uncertainty and weak consumer and business confidence.
- The latest data from the Office for National Statistics (ONS) indicate that the UK economy expanded by 1.0% year-on-year in Q4 2025, marking a deceleration from the previous quarter. This growth was entirely driven by the production sector, with the services sector stagnating and the construction sector declining.
- Cebr expects annual growth in real household consumption to stand at 0.8% in Q4 2025, approximately the same level as the previous quarter. More broadly, 2025 is set to be the first year with positive consumption growth since 2022, marking a tentative return towards increased spending following years dominated by high inflation and restrictive monetary policy.

Small business expenditures moderate, but remain above recent historical averages

Expenditure growth for the average small business and UK GDP (2019 prices, year-on-year %)

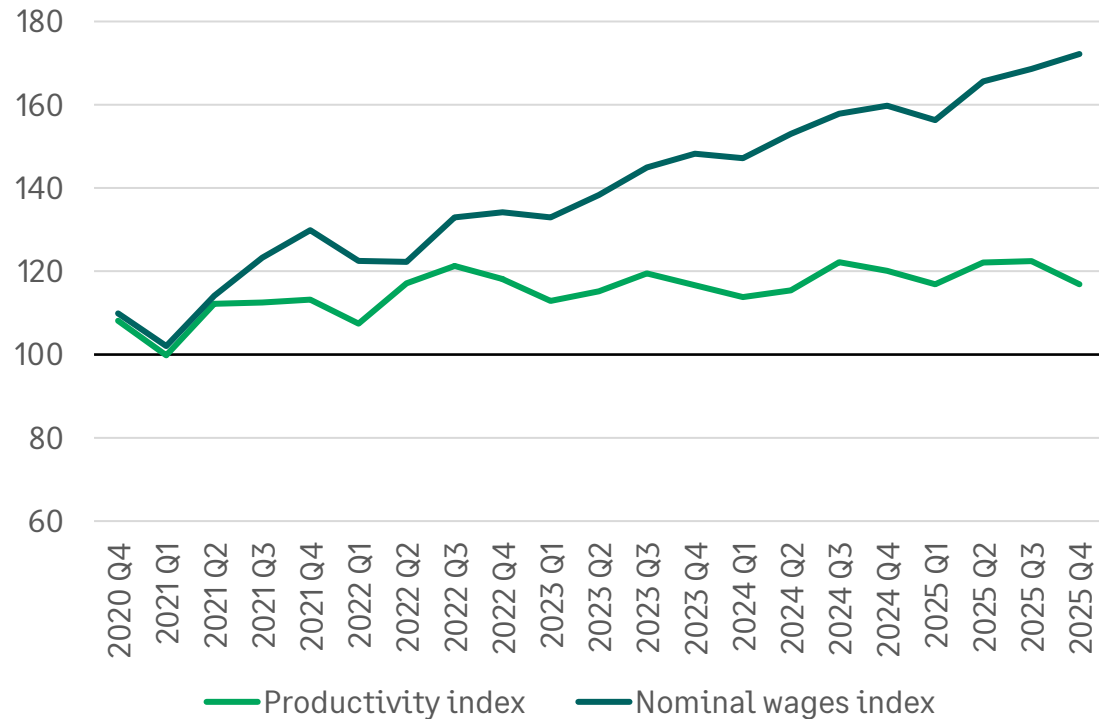


- Real expenditure for the average small business grew by 2.1% in the year to Q4 2025, a deceleration on the 4.5% pace of the previous quarter. This was outpaced by revenue growth, helping support profits.
- Despite the recent decline, real expenditure growth for small businesses has broadly risen in 2025 compared to recent years past, an early signal that firms are responding to stabilising inflation and lower borrowing costs.
- The ONS has now resumed production of the Producer Price Index (PPI) and Services Producer Price Indices (SPPI). In Q4, the SPPI rose by 0.7% compared to the previous year, while input prices in the PPI rose by 0.8% in the year to December 2025.
- The overall outlook for 2026 remains subdued, with Cebr expecting growth of 1.3% for the UK. Increases to the National Minimum Wage and National Living Wage taking effect in the first half of 2026 will stand as an early test of business resilience, particularly for labour-intensive small firms, who are most exposed to the changes.

Source: Sage, Smart Data Foundry, ONS, Cebr

Wage growth continues to rise in Q4 despite falling productivity

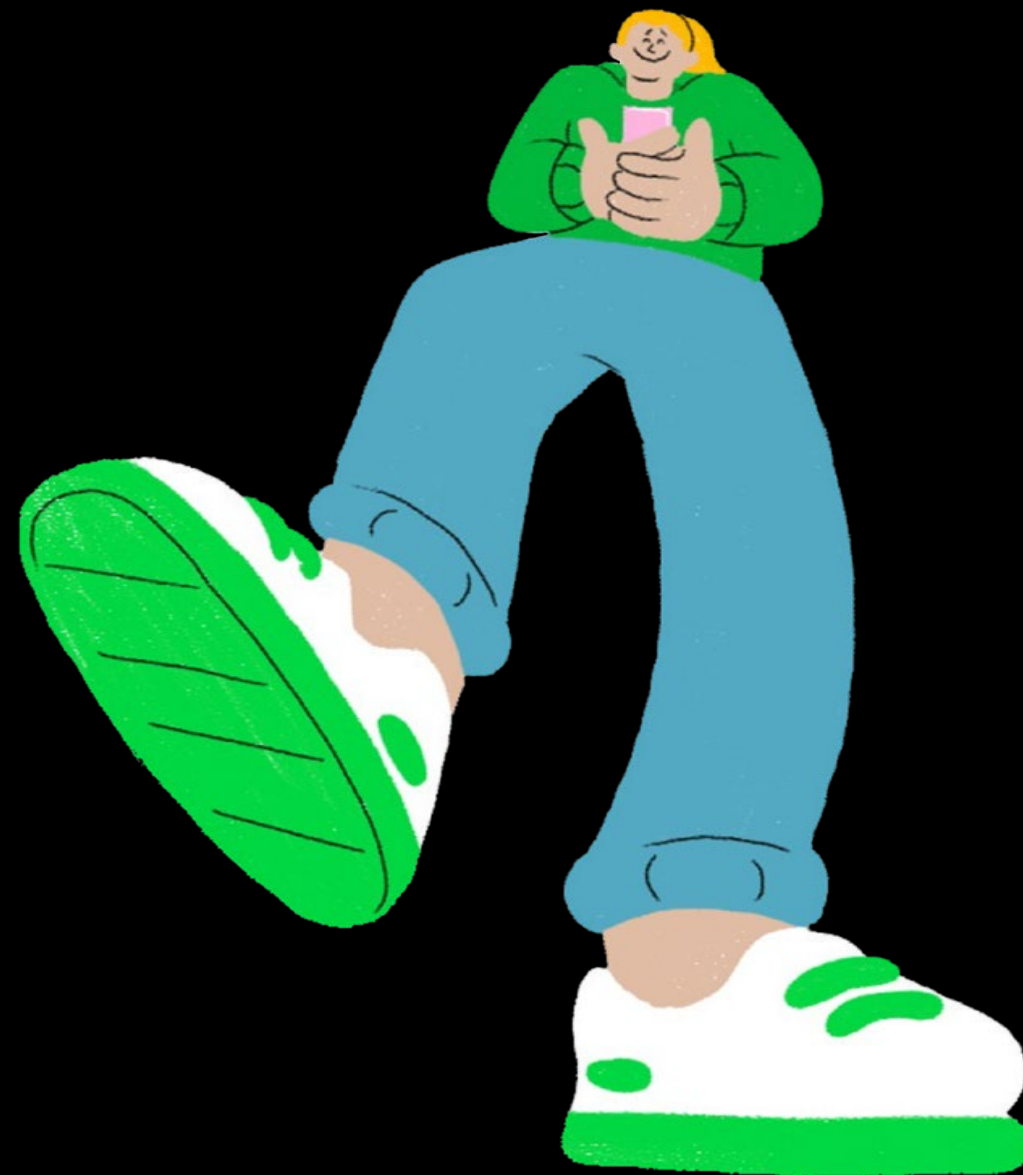
Nominal wages and real productivity (index 2019 = 100, non-seasonally adjusted)



Source: Sage, Smart Data Foundry, ONS, Cebr

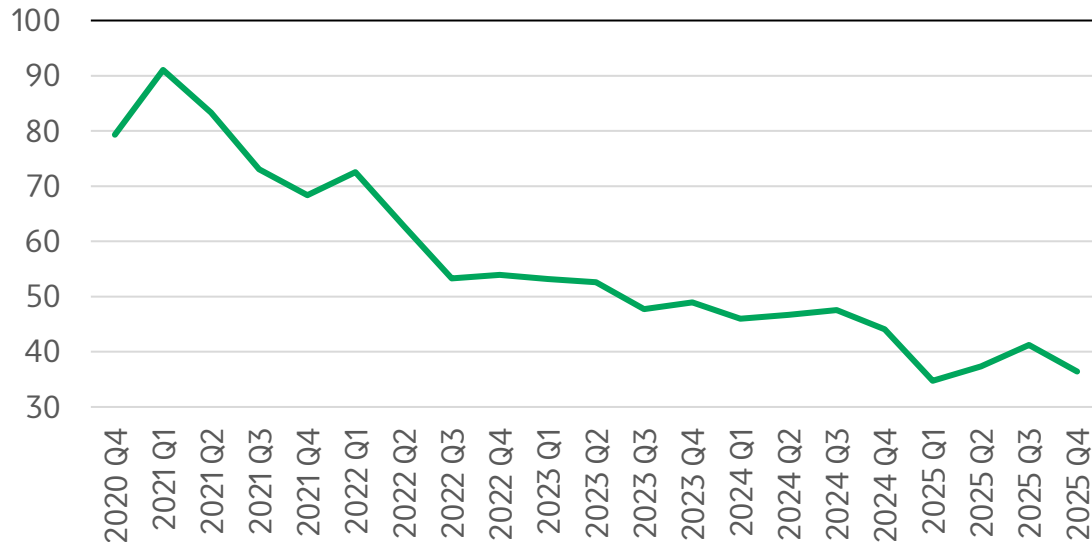
- The nominal wage index continued its steady rise in Q4 2025, rising by 7.8% year-on-year. This marks a further acceleration from the remarkably strong growth of 6.8% in Q3. In real terms, wages grew by 4.3% year-on-year in the latest quarter.
- Pay growth among small businesses has exceeded ONS earnings growth data for the wider economy, suggesting that wage pressures have been comparatively stronger in the small business sector.
- Productivity in our large sample of small businesses is measured by revenue in real terms divided by the number of employees within a business.
- In Q4 2025, average productivity fell by 2.6% year-on-year, down from growth of 0.2% the previous quarter. This reflects a broader pattern of relatively volatile growth over recent years.
- The decline in productivity was also greater than for the economy as a whole, with the ONS flash estimate suggesting that output per worker fell by only 0.2% across the UK over the same period.
- In Q4, mean headcount within the sample rose by 2.0%, suggesting that small businesses are showing a degree of resilience in maintaining headcount and making small increases to staff numbers.

Sage UK Small Business Tracker: Indicators by key themes



Prices and spending

Capital expenditure (indexed 2019 = 100, 2019 prices, non-seasonally adjusted)



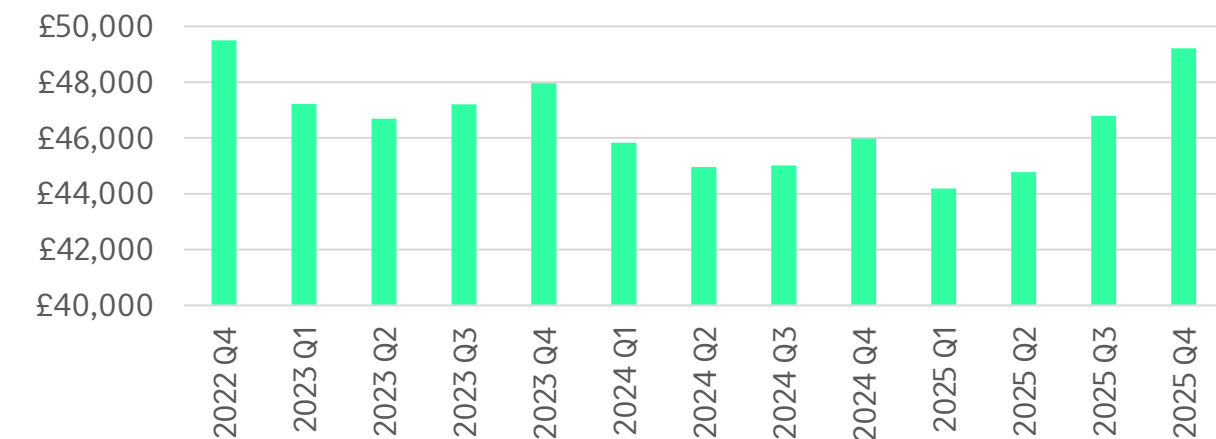
Source: Sage, Smart Data Foundry, ONS, Cebr

Capital expenditure remained weak, as policy uncertainty and cost pressures discouraged investment

- Small business capital expenditure refers to the acquisition or upgrading of tangible assets, such as equipment or property. It does not include other forms of investment like training and development of staff or many forms of digitisation. In recent years, businesses have shown weaker activity on this measure, having faced a challenging trading environment marked by high inflation, elevated interest rates, and weak economic growth. These conditions persisted into Q4, with ongoing uncertainty and cost pressures continuing to weigh on investment decisions.
- Capital expenditure declined by 17.4% in Q4 compared to the previous year, following a 13.3% decline the previous quarter. This marks the 17th consecutive quarter of contraction, reflecting prolonged weakness in investment appetite as firms remain cautious amid uncertainty over future demand and ongoing financial pressures from elevated input and labour costs.
- Several factors continued to weigh on small business investment decisions in Q4. Prolonged uncertainty ahead of the Autumn Budget kept many firms in a cautious, wait-and-see mode, with investment plans deferred until greater clarity emerged on future tax and regulatory settings. Elevated labour and energy costs also continued to squeeze cash flows, limiting firms' capacity to commit to capital spending. While borrowing conditions improved modestly, the pace of monetary easing remained gradual, offering insufficient stimulus to materially lift investment appetite by year-end. Nonetheless, easing monetary conditions should provide a boost in 2026, opening the possibility of some recovery in small business investment.

Resilience: cash and debt

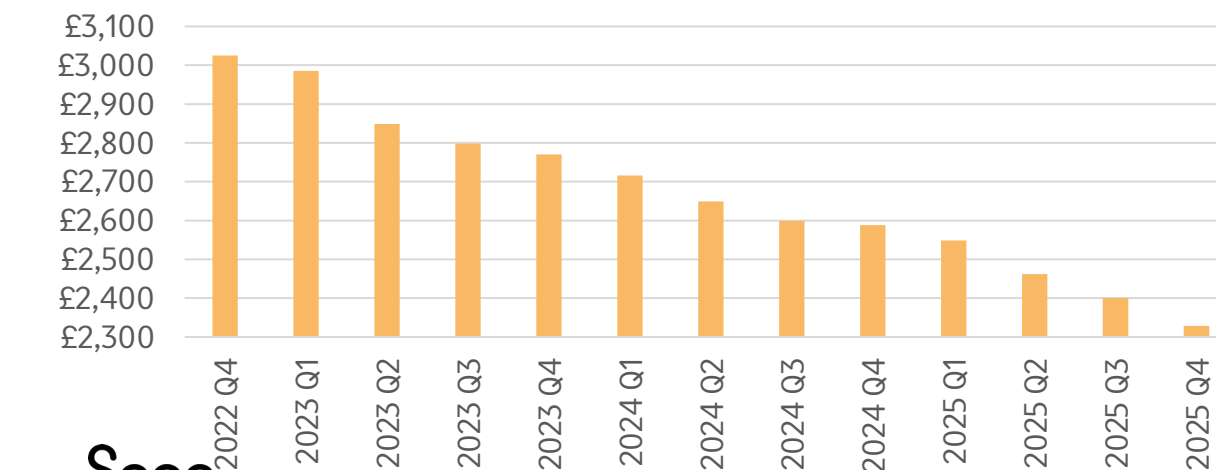
Real cash balances for average small business (non-seasonally adjusted, 2019 prices)



Cash balances grew strongly in Q4, while debt positions fell sharply amid restrictive interest rate environment

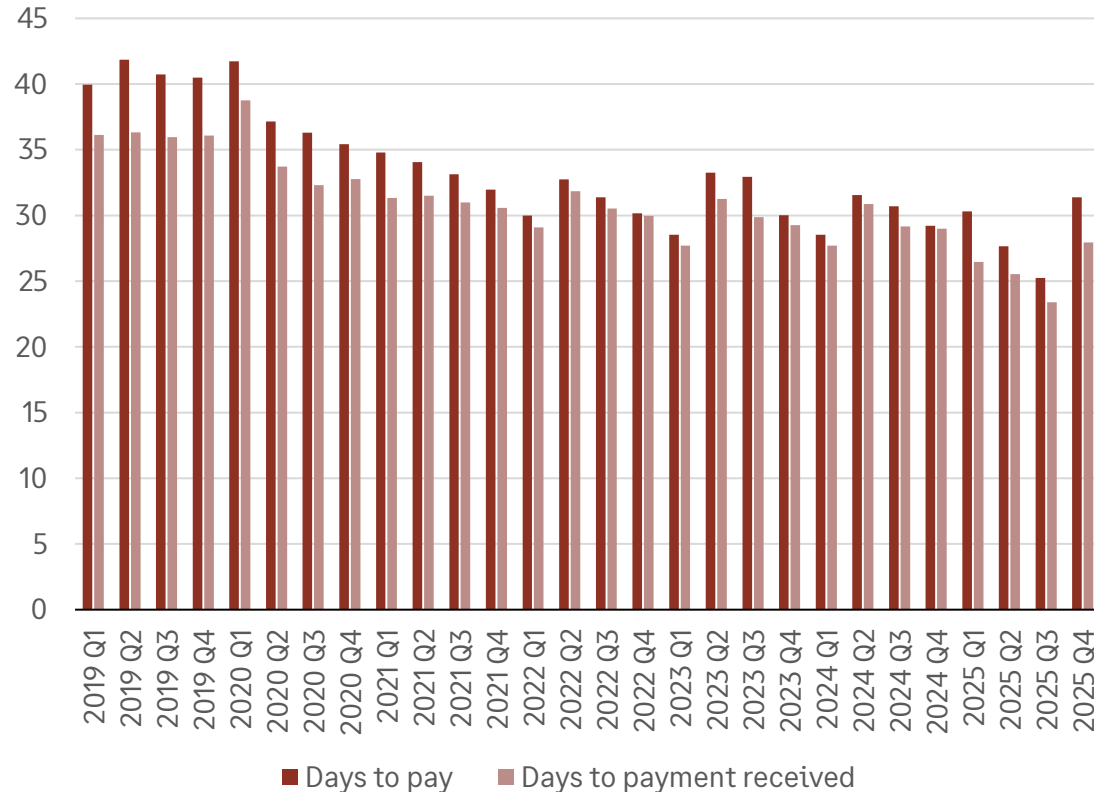
- Small business cash balances reflect the sum of their current account balance and the amount they have in savings. If they are struggling with clients paying late, investing heavily, or experiencing difficult trading conditions leading to lower demand, they will likely see lower cash balances. On the other hand, a difficult economic environment may also lead businesses to hold some precautionary savings. Presently, an environment of elevated interest rates has made saving more attractive.
- Cash balances among small businesses grew strongly in Q4, continuing last quarter’s positive performance. Growth stood at 7.0% year-on-year, up from 4.0% the previous quarter.
- Small business debt positions reflect loan utilisation, which is the sum of credit card balances and other credit available. The average debt position fell by 10.0% year-on-year in Q4, down from a 7.7% decline in Q3. This suggests an improving financial situation for small firms, offering greater capacity to borrow or use their cash to invest once business confidence improves.
- Firms’ recent deleveraging largely reflects their responses to high borrowing costs, as these remain elevated by historical standards despite ongoing monetary easing. As such, this deleveraging trend is likely to ease and eventually reverse as the effects of lower rates gradually materialise.

Real debt position for average small business (non-seasonally adjusted, 2019 prices)



Time to pay

Average number of days taken to either pay invoice or be paid per small business

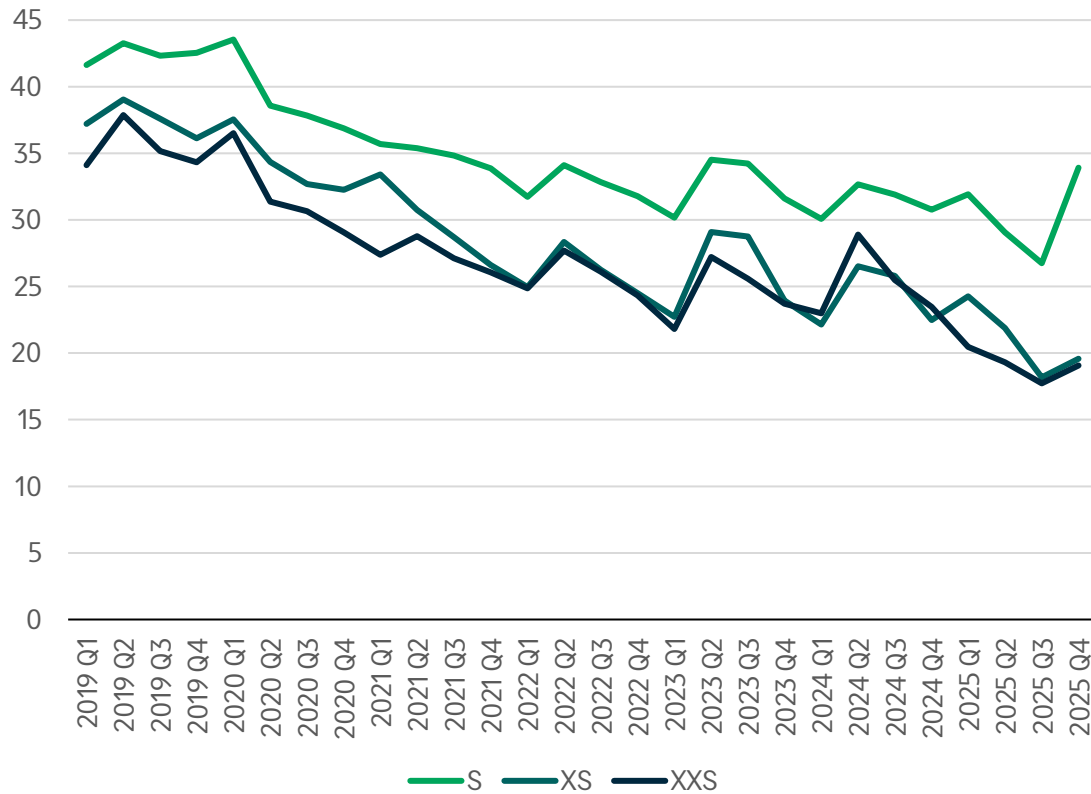


There was a sharp quarter-on-quarter increase in the average number of days it takes to both pay and be paid an invoice in Q4 2025, yet year-on-year changes were more mixed.

- On average, small businesses received payment on invoices after 31.4 days, up from 29.2 the same quarter a year earlier.
- At the same time, the average number of days that small businesses took to pay an invoice was 27.9 in Q4 2025, down from 29.0 in Q4 2024.
- Although both figures increased compared to the previous quarter, over the last six years they have more broadly tended downwards consistently – despite economic shocks from the pandemic, war, tariffs, and inflation. It is possible that the pandemic encouraged firms to adopt better payment processes, improving their resilience during economic downturns.
- Paying invoices promptly helps businesses maintain steady cash flow, preserve strong supplier relationships, avoid penalty charges, and establish a reliable credit profile. As the economic outlook continues to stabilise, small firms are likely to face less barriers to paying their invoices on time.
- The UK government is advancing proposals to curb late payments by setting tighter limits on how long companies can take to pay suppliers and by empowering the Small Business Commissioner to impose penalties on firms that repeatedly miss payment deadlines.

Deep dive – time to pay by business size

Average number of days taken to pay an invoice per small business by business size

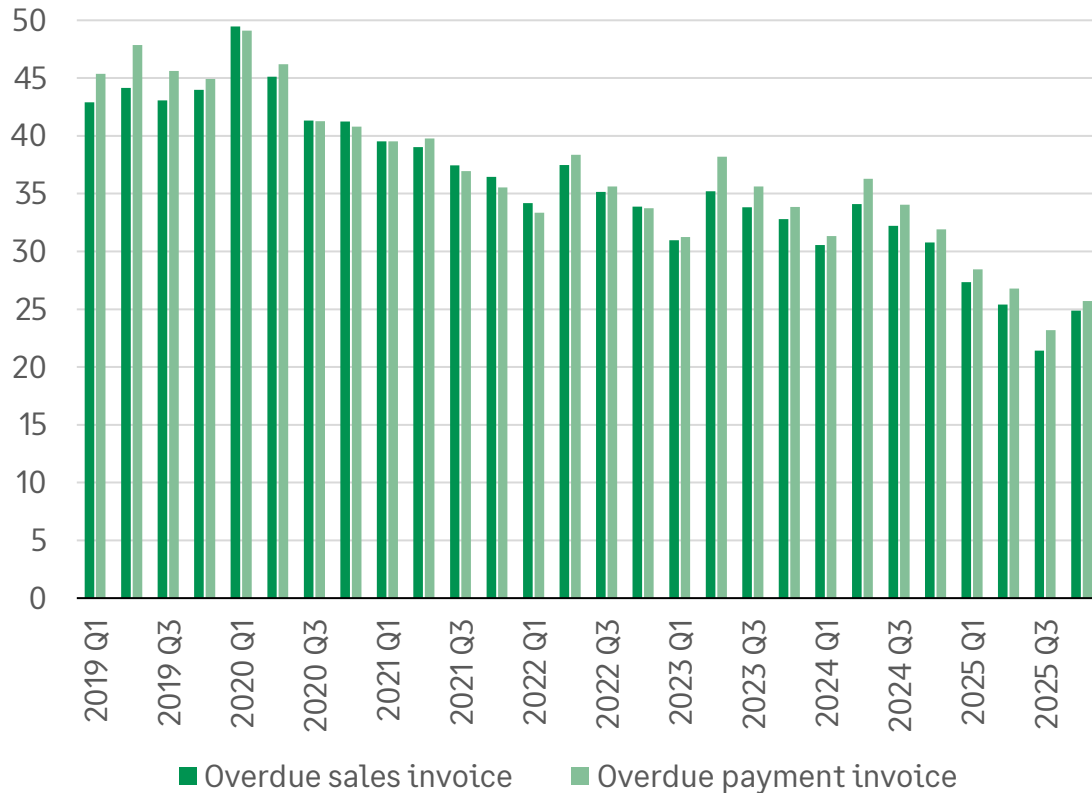


The average time taken to pay an invoice increased this quarter across small, extra-small, and nano businesses.

- The average extra-small (XS) business took 19.6 days to pay an invoice in Q4 2025, down from 22.5 days in Q4 2024.
- Nano businesses (XXS) took an average of 19.1 days to pay an invoice in Q4 2025, down from 23.5 in Q4 2024.
- At the same time, small businesses (S) averaged 33.9 days in Q4 2025, up from 30.8 days a year prior.
- Smaller firms in our sample continue to pay invoices more quickly than larger businesses. This could reflect leaner internal processes and a stronger emphasis on prompt payment, given the tighter cash flow constraints smaller teams typically face. This quarter saw a particularly large increase in average payment times among small (S) firms, further widening the gap between small and nano businesses.
- The lengthening of payment times for small firms may point to growing cash flow pressures. This trend may be linked to wider economic headwinds, including softer demand and rising costs, which limit smaller businesses' ability to settle invoices as quickly as before.

Overdue invoice payments increased in Q4

Average number of days overdue to either pay invoice (payment) or be paid (sales) per small business, by quarter

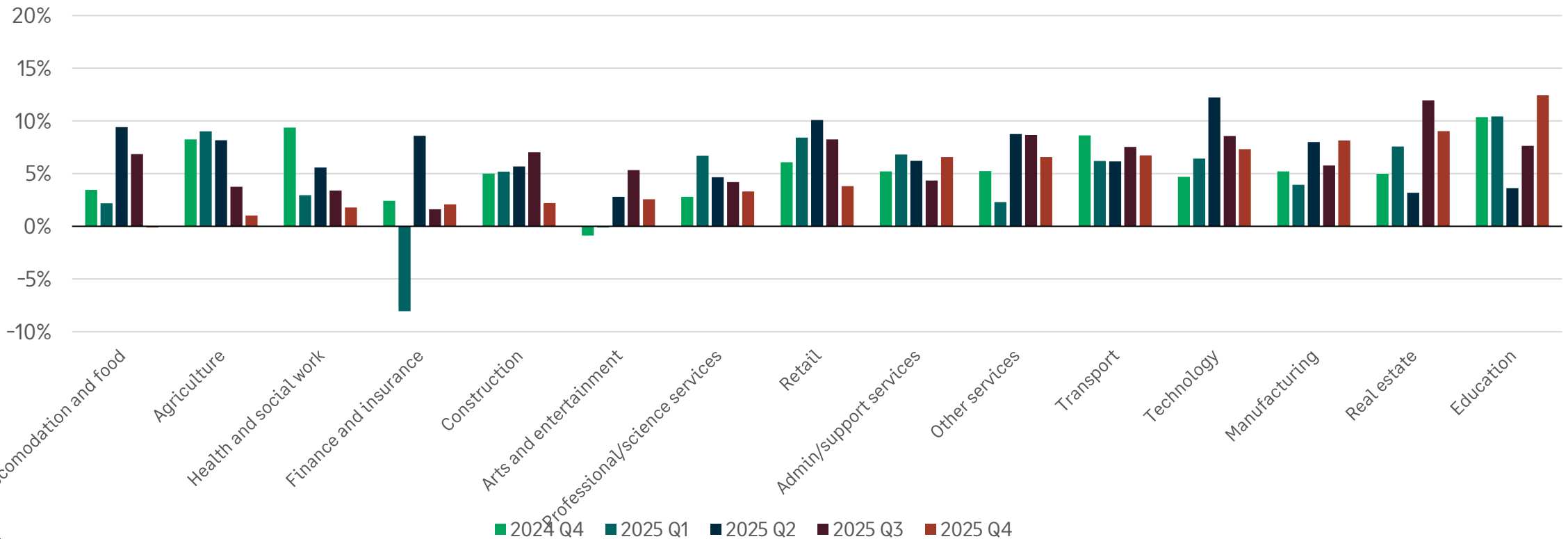


The average number of days overdue for late invoice payments rose for the first time since Q1 2024, but remains low by historical standards.

- Preliminary estimates suggest that the average number of days for small businesses to be paid a sales invoice once it was overdue was 24.9 days in Q4 2025, up from 21.4 days the previous quarter.
- The inherent difficulties in collecting late payments data means that a degree of nowcasting is required to provide a realistic estimate for the latest quarter. As such, this estimate is treated as preliminary and may be subject to revisions in later quarters.
- In spite of this quarter’s rise, the average time taken to pay an invoice remained substantially lower than in any period before Q3 2025, reflecting a clear downward trend since the pandemic.
- This could point to a lasting shift in how businesses manage and prioritise payments, with overdue invoices being addressed more quickly than in the past due to improved processes among small businesses.
- The overall share of invoices which were late was in Q4 2025 was 45.5%, slightly above the long-run average.

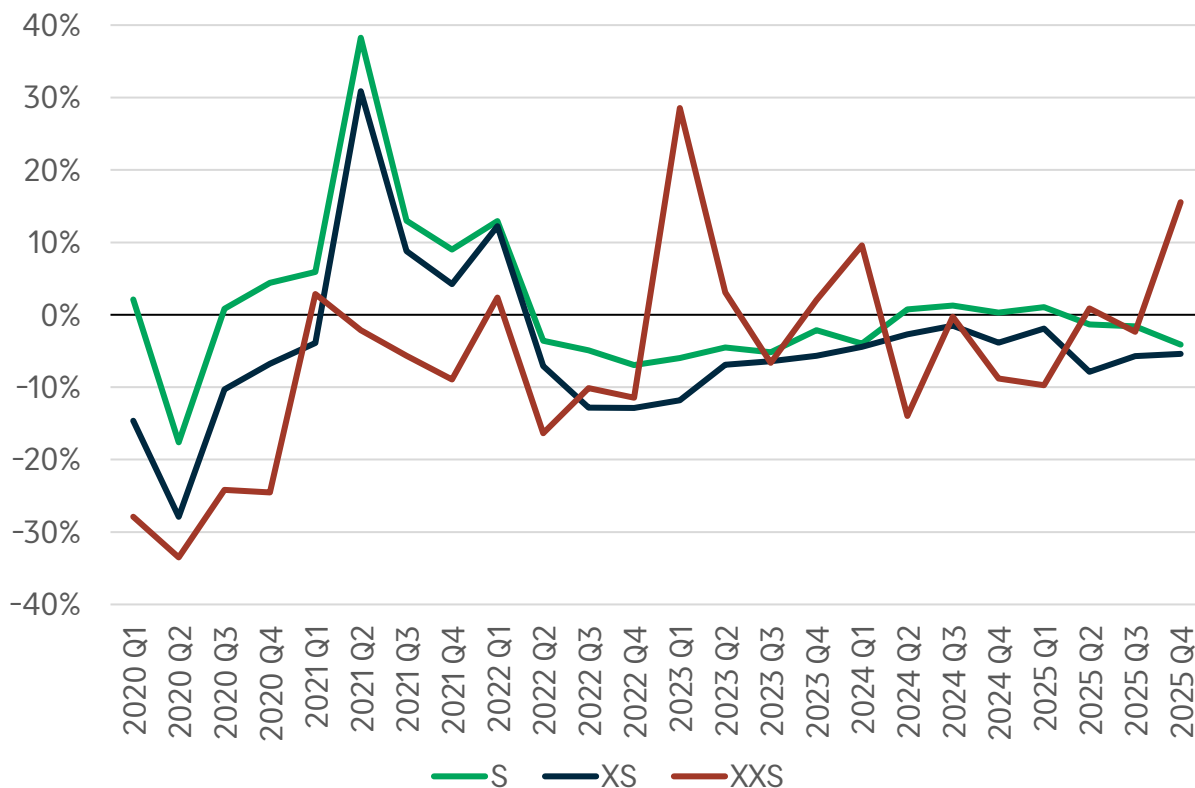
Deep dive - annual change in revenue by industry

- The education sector experienced the highest annual increase in revenue in Q4 2025, with growth of 12.4% - a sharp increase from 7.6% the previous quarter. This was followed by real estate and manufacturing, which grew by 9.0% and 8.1%, respectively.
- Meanwhile, the accommodation and food sector experienced the worst revenue performance, with revenue falling by 0.1% - partly reflecting pressures from persistently elevated food inflation. In general, labour-intensive sectors performed worse than capital-intensive sectors, as they experienced more elevated cost pressures from the high nominal wage growth recorded in Q4 2025.



Deep dive – revenue growth by business size

Year-on-year change in real revenue for the average small business (in 2019 prices)



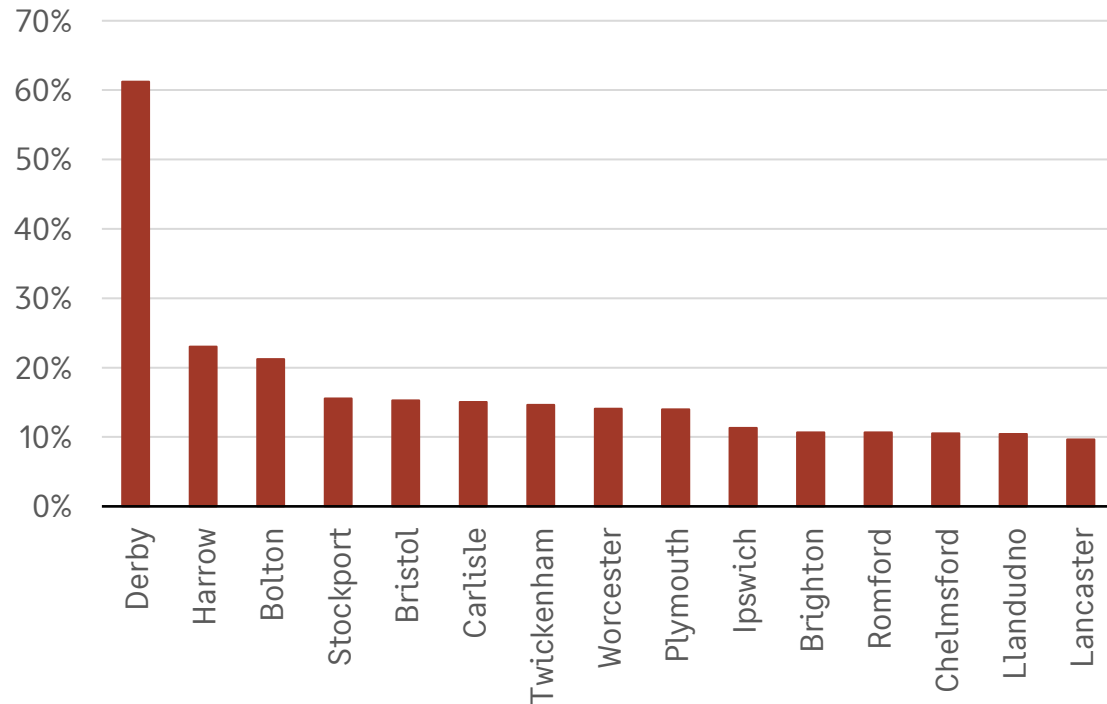
Revenue growth among nano-businesses rose sharply in Q4, while small and extra-small businesses remained in negative territory.

- Average real revenue in nano businesses (XXS) rose dramatically in Q4 2025, from -2.3% the previous quarter to 15.6%.
- This stood in contrast to the performance of small (S) and extra small (XS) businesses. Revenue growth among extra small businesses edged up to -5.4%, while small businesses saw a marked deterioration, with revenues declining by 4.1% in Q4 compared with a 1.6% fall in the previous quarter.
- Small (S) and extra small (XS) businesses have followed similar trends since data collection began, although small businesses have consistently overperformed extra small firms. Both groups exhibited strong recoveries after the pandemic, and sluggish growth thereafter.

Source: Sage, Smart Data Foundry, ONS, Cebr

Deep dive – the fastest growing urban areas over the past two years

Growth in average business revenue between Q4 2023 and Q4 2025 (2019 prices, top 15 urban areas)



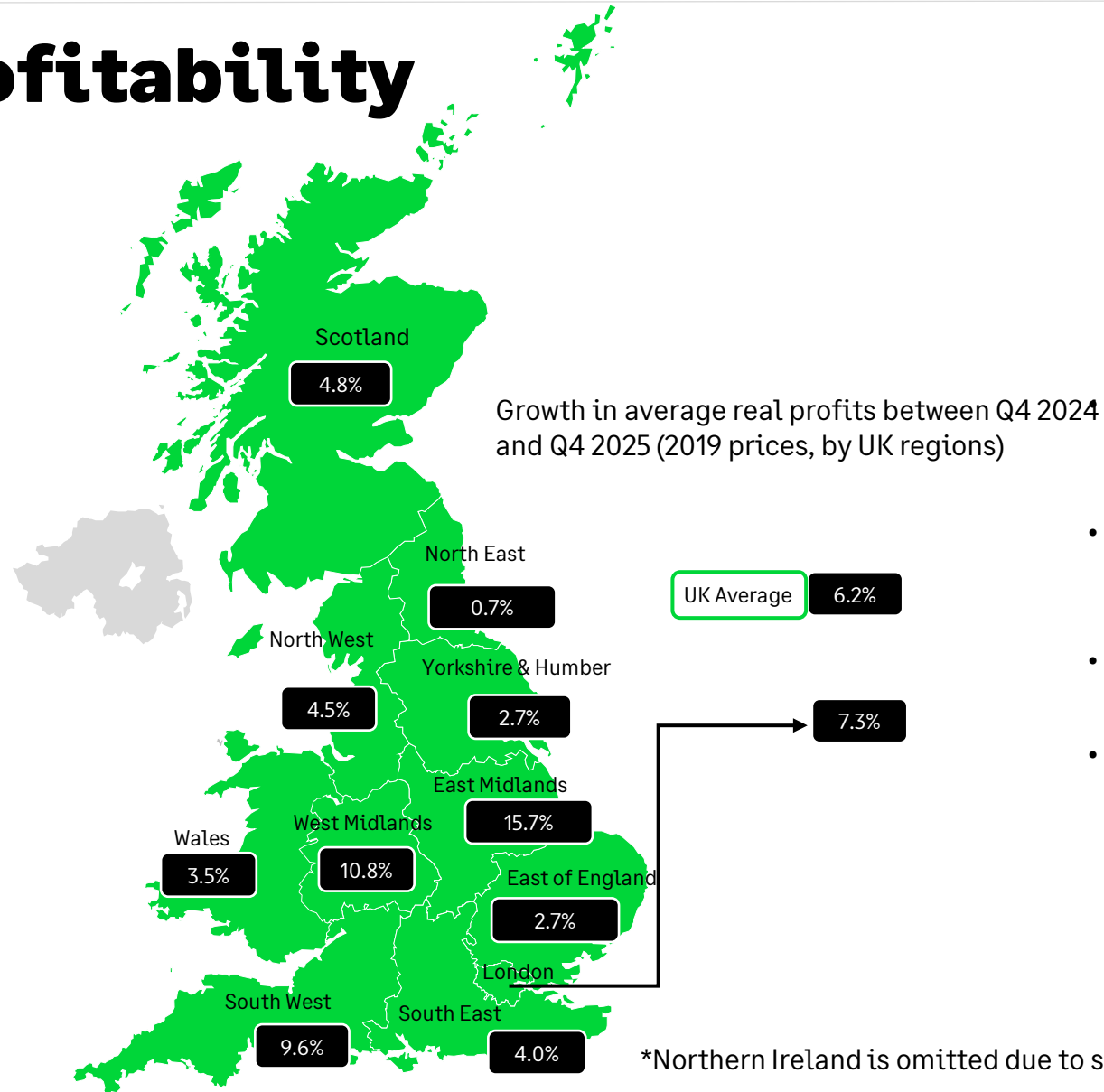
Minimum sample size: 1,200 businesses

Source: Sage, Smart Data Foundry, ONS, Cebr

Derby saw the greatest revenue growth over the two years from Q4 2023 to Q4 2025, followed by Harrow and Bolton. From over 100 areas across the UK, 70% saw average small business revenue increase.

- Derby was the fastest growing urban area for small businesses over the two years to Q4 2025, growing by 61.2% and taking this spot for the second consecutive quarter. Harrow experienced the second-highest growth, with average revenue rising by 23.0% over the same period.
- In Q4, four of the 15 fastest-growing cities were in the North West, three were in London, two were in the South West of England, and two were in the East of England.
- Newport recorded the greatest decline once more, with revenues falling by 42.1%. It was followed by Salisbury and Hereford, which contracted by 13.8% and 11.1%, respectively.

Profitability



The average small business saw profits rise by 6.2% in the year to Q4 2025, with profits rising at the quickest pace in the East Midlands.

The Sage Small Business Tracker provides timely insights into regional growth figures, as official GDP statistics are only produced following a significant time lag.

- In the year to Q4 2025, Sage data show that the average small business saw profits rise by 6.2%, an acceleration from 5.5% last quarter. This marked a ninth consecutive quarter of growth.
- The East Midlands led the way with an annual increase of 15.7%. The West Midlands also performed strongly, with growth of 10.1%.
- While all regions recorded positive profit momentum, growth in the North East was the weakest, at an annual pace of just 0.7%. Below average growth was also recorded in Scotland, the North West, South East, the East of England, Wales and Yorkshire & Humber.

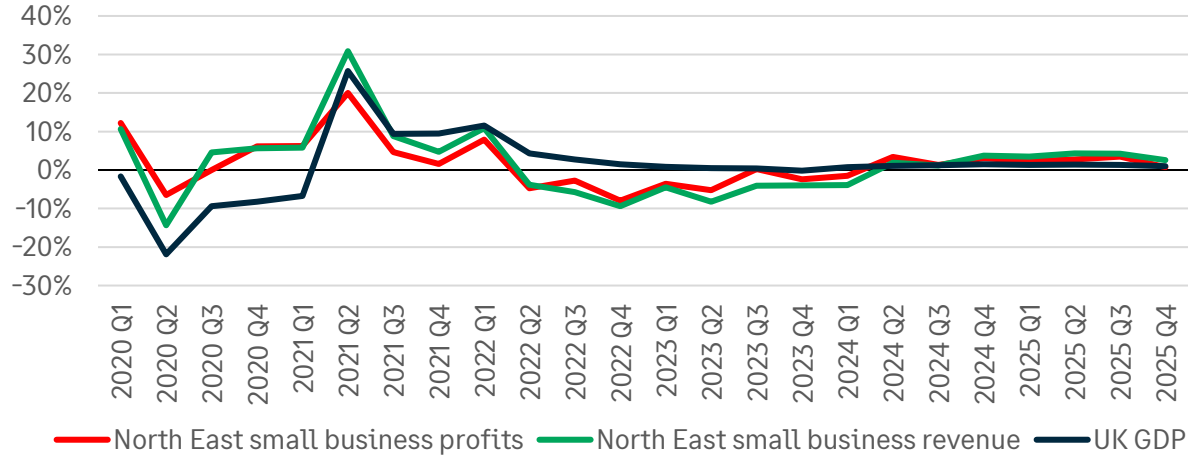
*Northern Ireland is omitted due to sample size

Source: Sage, Smart Data Foundry, ONS, Cebr

© 2026 The Sage Group plc, or its licensors. All rights reserved.

Deep dive – North East

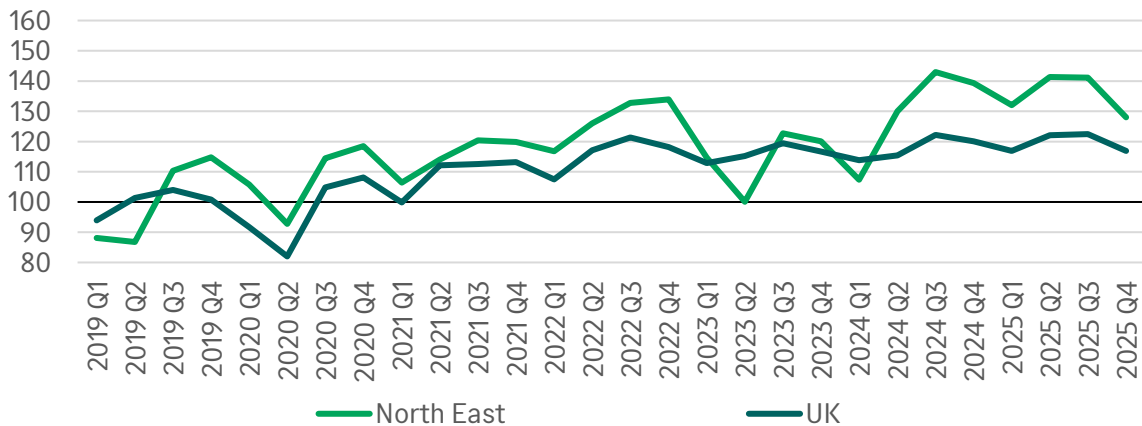
Revenue and profits growth for the average North East small business and GDP (2019 prices, year-on-year %)



In the year to Q4 2025, the average small business in the North East saw real revenue growth of 2.6%, while profits rose by 0.7%

- Both revenue and profit growth in the North East were weaker than the UK-wide average this quarter.
- Notably, real wage growth was stronger in the North East, at 6.1%, compared to the UK-wide pace of 4.3% in the fourth quarter. This likely reflects the North East’s industry composition, with a disproportionate share of workers at the lower end of the pay scale, who will have been more likely affected by the recent change to the National Living Wage.
- Productivity, measured as revenue per employee, fell in Q4 offsetting the rise in the previous quarter. The decline in productivity, 8.2% year-on-year, was more pronounced than that recorded at the national level.

Real productivity Index for North East and UK small business (index 2019 = 100, non-seasonally adjusted)



Methodology



Methodology and data

- The Sage Small Business Tracker uses data from Sage’s accounting and payroll software. The Smart Data Foundry aggregates and cleans the data, before Cebr deflates and analyses the data ahead of its publication. The data is not currently seasonally adjusted due to the length of the historical data available for analysis.
- Filters are applied to the data to ensure it is not impacted by outliers. This includes a maximum monthly revenue figure of £1m and a maximum annual payroll figure of £1.1m.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a common measure of business performance. It is derived as $EBITDA = Revenue - Expenditure - Overheads$
- Net rate of return is used as the measurement of company profitability for total businesses. The rate of return is calculated as the economic gain (profit) shown as a percentage of the capital used in production obtained from the ONS.
- Small businesses are classified by size groupings via their average annual revenue within Sage’s data. The categories are as follows: nano/extra-extra small (average annual revenue less than or equal to £50,000), extra-small (average annual revenue greater than £50,000 and less than or equal to £200,000) and small (average annual revenue greater than £200,000).
- Data are subject to revisions on a quarterly basis as more business records are added to the dataset.

Our small business sample

- In Q4 2025, our sample was 145,464, which contained the following demographics.

Size

- 38% were small (S) businesses (average annual revenue greater than £200,000).
- 34% were extra-small (XS) businesses (average annual revenue greater than £50,000 and less than or equal to £200,000)
- 28% were nano (XXS) businesses (average annual revenue less than or equal to £50,000)

Region

- Within the sample, over 130,000 businesses identified their region.

Region	South East	London	West Midlands	Yorkshire and The Humber	North West	East of England	South West	Scotland	East Midlands	North East	Wales	Northern Ireland
Share ¹	13%	11%	10%	10%	10%	9%	9%	9%	8%	4%	4%	4%

Sector (of the over 67,000 of businesses for which we know the sector)

- 27% were in heavy industry
- 21% were in light industry
- 53% were in services¹

Payroll (our data for productivity and workforce-related variables are based on a smaller sub-sample of 22,000 small businesses)

- The overall sample size changes between reports due to changes in Sage’s customer base and the removal of outliers.

Glossary

EBITDA - Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a common measure of business performance. It is derived as $EBITDA = Revenue - Expenditure - Overheads$.

Net rate of return - Used as the measurement of company profitability for total businesses. The rate of return is calculated as the economic gain (profit) shown as a percentage of the capital used in production obtained from the ONS.

Overheads - In this report, overheads include both fixed and semi-variable overheads such as rent, energy and utility bills.

Productivity - In our large sample of small businesses, productivity is measured by revenue in real terms divided by the number of employees within a business.

Capital expenditure - Small business capital expenditure refers to the acquisition or upgrading of long-term assets, such as equipment or property.

Cash balance - Small business cash balances reflect the sum of their current account balance and the amount they have in savings.

Debt position - Small business debt positions reflect loan utilisation, which is the sum of credit card balances and other credit available.

Days to pay - Sale payment time in days.

Days to payment received - Purchase payment time in days.

Nominal - The nominal value of an economic variable is the value expressed in current prices.

Real - The real value of an economic variable is the nominal value adjusted for inflation.

Technical recession - Two consecutive quarters of negative quarterly growth in real GDP.

Monetary policy - Action a central bank can take to influence how much money is in a country's economy and what the cost of borrowing is. This can include raising or lowering the base interest rate.

Contact

Liam Daly

ldaly@cebr.com

020 7324 2864

