



City of London Small and Medium Enterprise (SME) Landscape



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St Paul's Cathedral, City of London

Key takeaways

#01 Small and Medium Enterprises (SMEs) employ fewer than 250 employees. They account for over 98% of businesses and almost half of employment in the City of London.

#02 The last year has seen growth in SMEs of all sizes, apart from micro (fewer than ten employees). There are also now more small (10-49 employees) and medium-sized (50-249 employees) firms in the City than at any other point in the last five years. This has occurred alongside record jobs growth, driven by sectors such as tech.

#03 SMEs are distributed across the City with a cluster of legal firms in the West and insurance in the East.

#04 Transport connections, proximity to clients and access to talent are key reasons SMEs decide to locate in the City.

#05 SMEs in the City can discover services tailored to their needs, ranging from business guidance to comprehensive support that goes beyond just financial assistance.



The Leadenhall Building, City of London

SMEs are the backbone of the City, constituting 21,615 businesses, or over 98% of its business landscape in 2023 across a wide range of sectors.¹

21,615

SME businesses in the City of London

>7,000

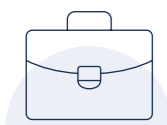
SMEs per square kilometer in the City of London

Table 1: The City is home to a diverse ecosystem of SMEs in different sectors and sizes

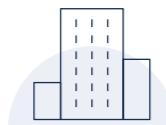
Sector	Micro (0 to 9)	Small (10 to 49)	Medium-sized (50 to 249)
Financial services	2000	330	195
Insurance	500	170	85
Professional services	5220	540	165
Technology	1765	600	200
Business services	1705	480	130
Retail and hospitality	880	195	45
Creative, arts and entertainment	315	10	0

1. Why SMEs are important to the City

The City of London, renowned as a global financial hub, has a rich and densely-clustered business ecosystem. It is home to many of the world’s largest and most influential financial and professional services firms, who work side-by-side with a thriving and innovative community of SMEs.



SMEs make up over 98% of the City of London’s business landscape. While micro SMEs account for the largest number of firms (79%) they only generate 6% of the City’s jobs. Conversely, small and medium-sized firms make up 20% of businesses but generate 40% of jobs.



The City has a higher concentration of firms, including SMEs, than any other UK local authority. There are over 7,000 SMEs per square kilometre.



Financial, professional and business services account for 61% of City SMEs. But the tech sector has been the largest driver of recent growth, with an increase of 130 firms (5%) in the past year or 365 (17%) since pre-pandemic 2019.



Mansion House, City of London

Source

1. UK Business Counts (2023)

The last year has seen growth in SMEs of all sizes, apart from micro. This trend has been steady over the past five years, across the City, London and the UK. There are now more small and medium-sized firms in the City than at any other point in the last five years.

This has occurred alongside record jobs growth, driven by sectors such as tech and insurance.²

Medium-sized businesses in the City have experienced particularly healthy growth of 8% over the past year.

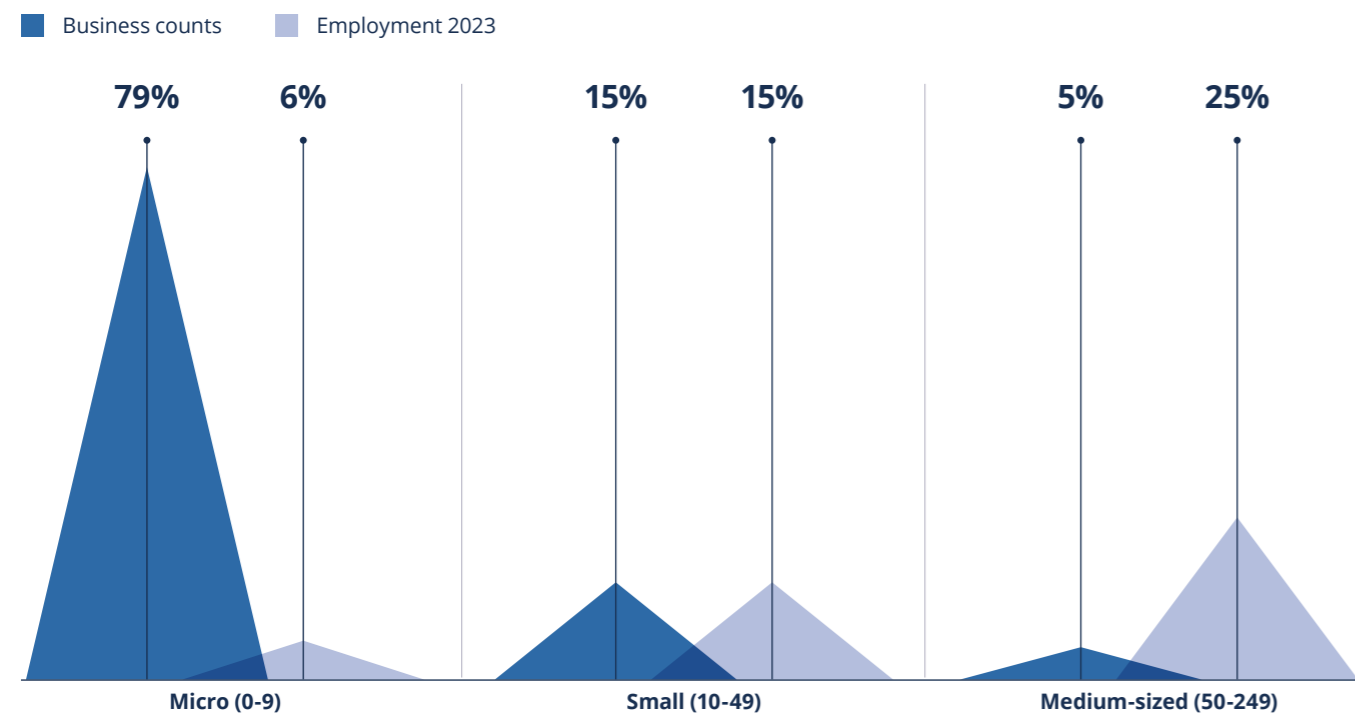
SMEs account for almost half (45%) of the City's employment.³ Of this, medium-sized firms account for the largest share (25%), even though they make up only 5% of total firms. Small firms account for 15% of the City's employment and 15% of City firms. Conversely, micro firms generate the

least employment (6%) but account for the majority (79%) of City businesses.⁴

Table 2: Strong growth in medium-sized businesses in the City of London

	2023	2022	(-1Yr %)
SME total	21,615	21,975	-2%
Micro (0 to 9)	17,295	17,755	-3%
Small (10 to 49)	3,265	3,245	1%
Medium-sized (50 to 249)	1,055	975	8%

Chart 1: While a lower share of firms, small and medium sized firms generate more jobs⁵



Source

2. UK Business Counts (2023) and Business Register and Employment Survey (2022). Growth in the latest comparative period (2019-2022) in tech jobs (3%)

3. IDBR (2023) and tech SMEs (10%) and insurance jobs (12%) and insurance SMEs (6%)

4. IDBR (2023)

5. UK Business Counts (2023), IDBR (2023)



The City boasts a dense concentration of over 7,000 SMEs per square kilometre.⁶ It is also the UK local authority with the third-largest number of high-growth SMEs.⁷ This is a testament to its role as a powerful global business centre, in spite of occupying only 2.9km².⁸

SMEs can be found throughout the City, particularly in financial services,

but those in the insurance sector tend to cluster in the East, whereas professional services SMEs cluster in the West.⁹

Financial, professional and business services account for the majority (61%) of the City's SMEs.¹⁰ Financial and professional services SMEs alone account for nearly half (43%) of City SMEs, or 9,205 businesses.¹¹

These trends are mirrored in the amount of employment generated. Financial, professional and business services generate the majority of SME jobs in the City (58%).¹² Financial and professional services alone account for over a third (34%) of those.¹³

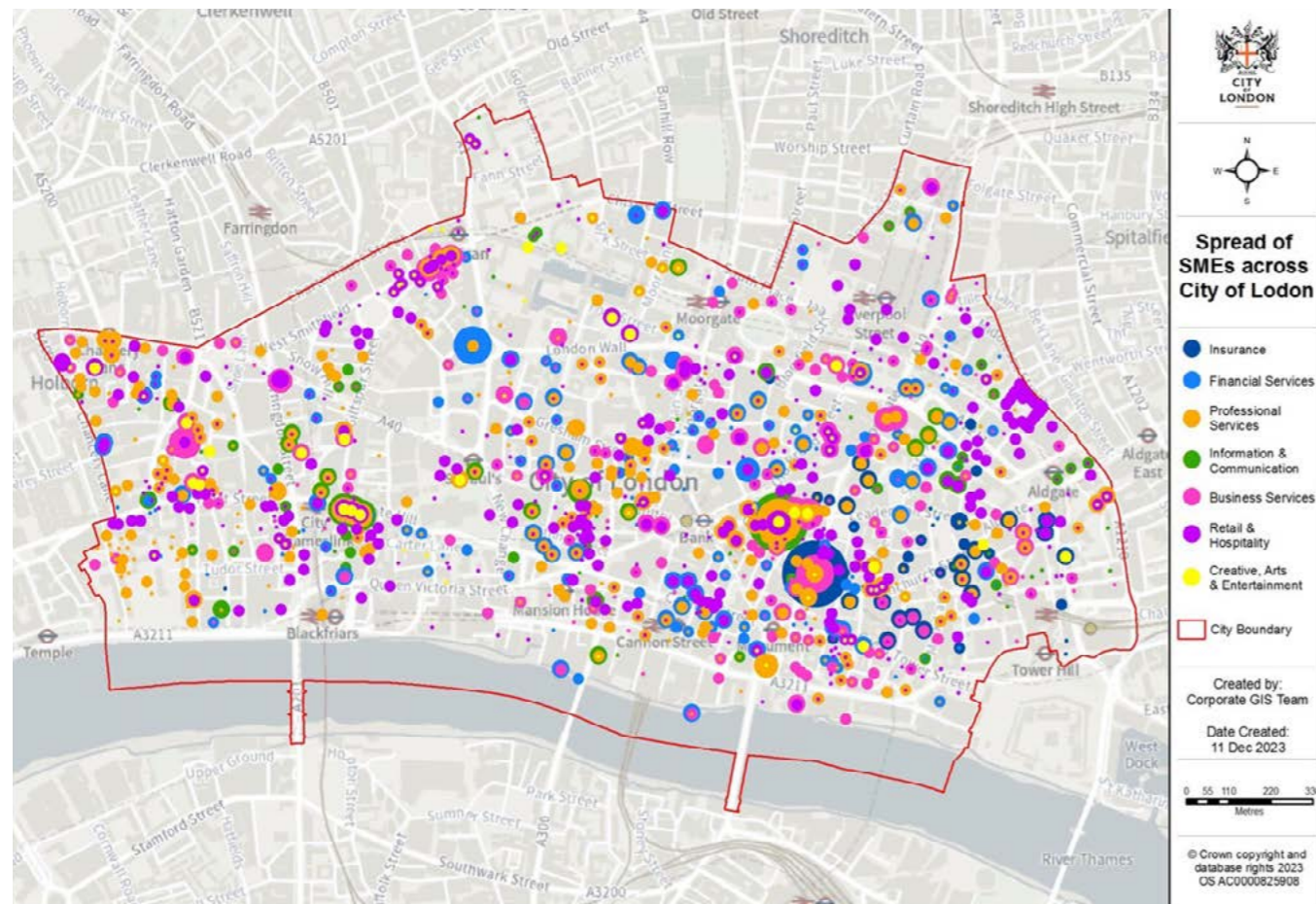
But the City isn't just a financial hub. It's home to a vibrant ecosystem of SMEs in a wide range of specialisms including tech, hospitality, retail and creative industries. Tech in particular has been a key driver of SME growth, with an additional 130 firms in 2023 – the largest increase of any sector. Tech now accounts for 12% of the

SME ecosystem.¹⁴ SME tech jobs in the City rose over 5,000 in 2023 or 12%, the highest jobs growth in any sector. 17% of jobs in the SME ecosystem are now in tech firms.¹⁵

Notably, the creative, arts, and entertainment sectors have experienced the largest relative increase of 7% (20 additional firms

in 2023). This has restored the number of firms in these sectors to the pre-pandemic levels observed in 2019. The insurance sector also experienced recent growth, and together with the technology sector have been the key drivers of SME growth in the City in recent years.¹⁶

Chart 2: Cluster Map of SMEs by sector in the City of London



Source

6. UK Business Counts (2023). Local authorities: district / unitary (as of April 2021)
7. Beauhurst (2023)
8. UK Business Counts (2023)

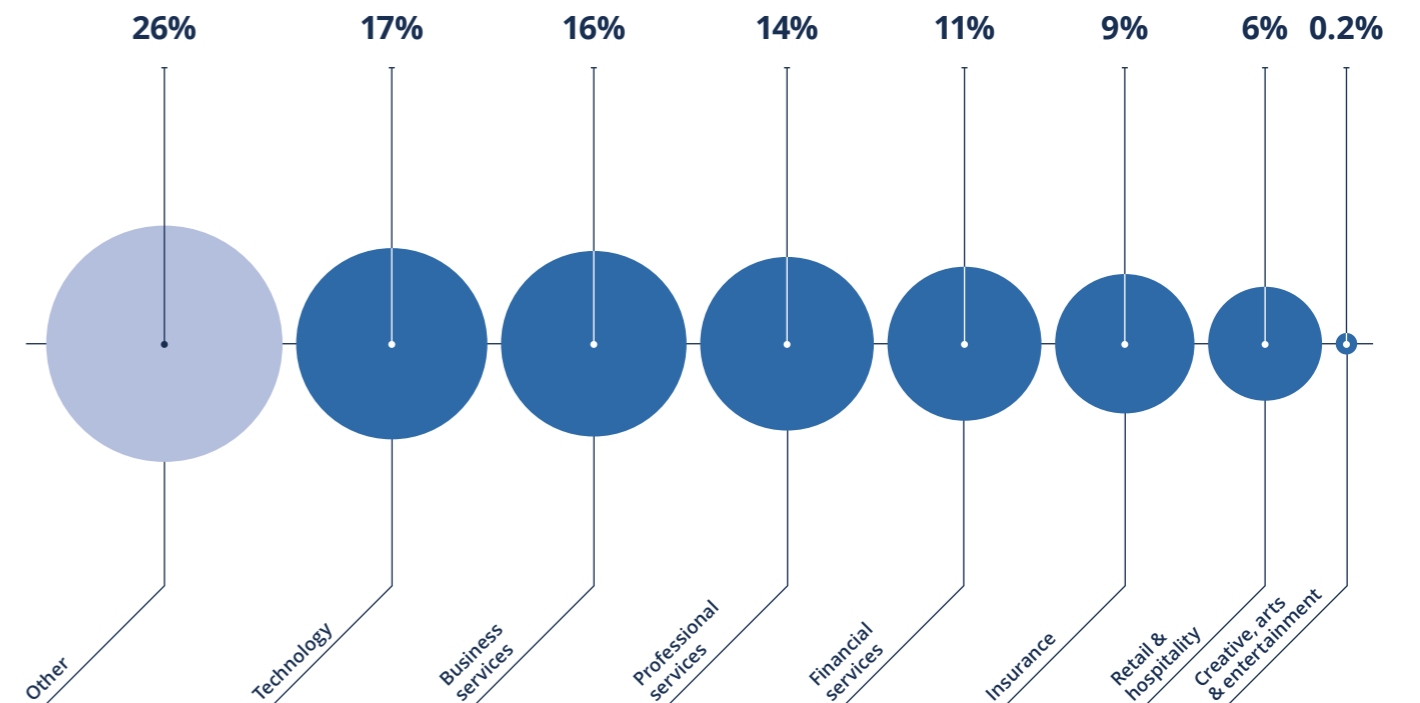
9. Fame (2023)
10. UK Business Counts (2023)
11. UK Business Counts (2023)
12. IDBR (2023)

13. IDBR (2023)
14. UK Business Counts (2023)
15. IDBR (2023)
16. UK Business Counts (2023)

Table 3: SMEs in the City of London by sector over time

Sector	2023	(-1yr) 2022	(-10yr) 2013
Financial services	2525	2575	1785
Insurance	755	745	625
Professional services	5925	6075	5225
Technology	2565	2435	1015
Business services	2315	2350	1325
Retail and hospitality	1120	1240	635
Creative, arts and entertainment	325	305	180

Chart 3: Tech has become an established sector for SME jobs in the City (2023)



The size of City SMEs varies by sector. SMEs in sectors such as insurance and tech have a high proportion of small and medium-sized firms (34% and 31% respectively).¹⁷ Conversely, 97% of creative, arts and entertainment SMEs are micro-sized.

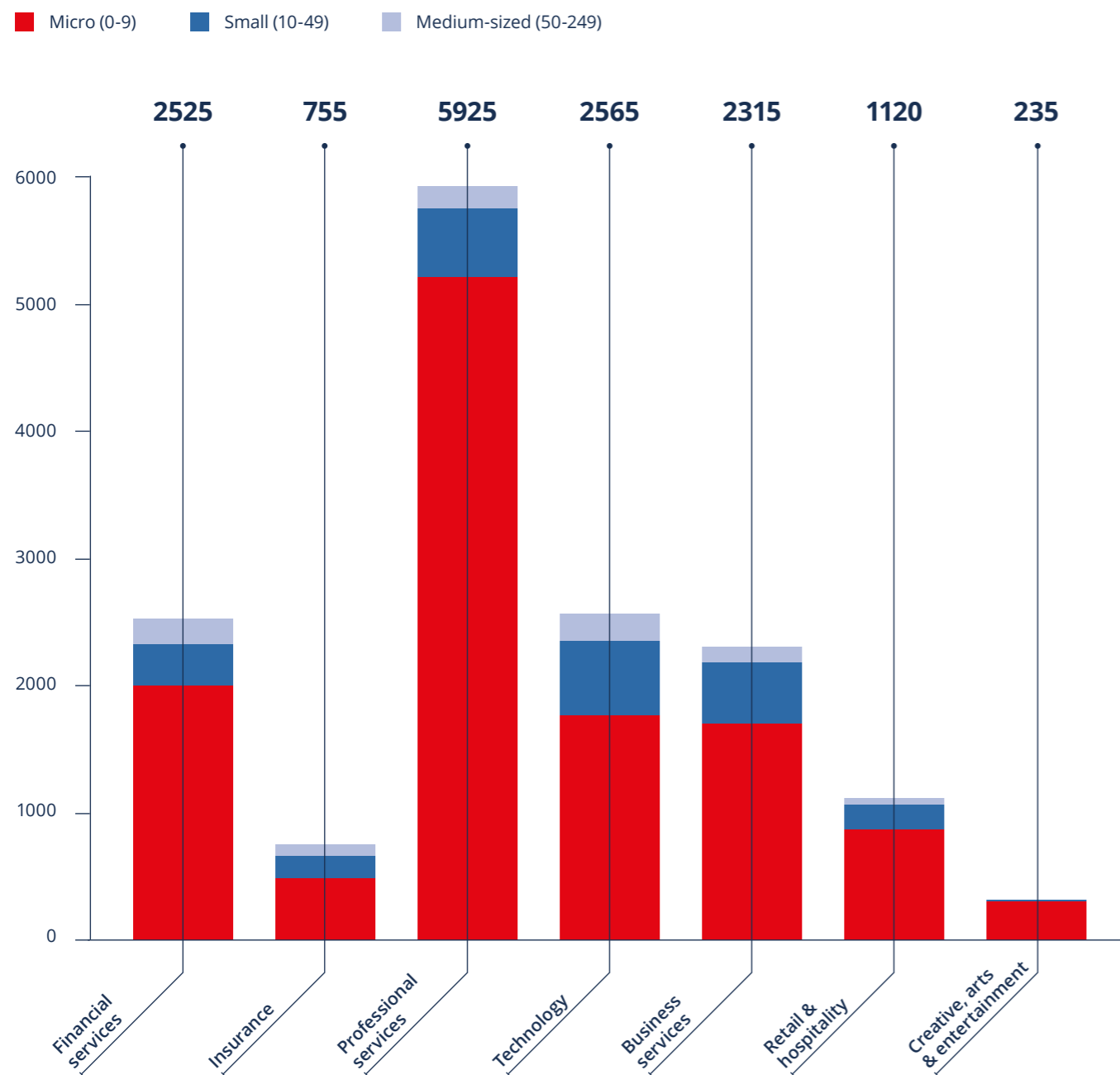
>5,000

increase in SME tech jobs in the City of London, 2023

97%

of creative, arts and entertainment SMEs are micro-sized

Chart 4: SMEs in the City vary by sector and size (2023)



Source

17. UK Business Counts (2023)

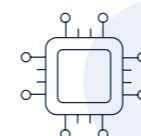


Tate Modern, City of London



Financial and professional services

The City is a magnet for SMEs in sectors such as insurance, asset management, legal, consulting, and accounting. Firms in these sectors benefit from proximity to their clients, an abundance of networking opportunities, and access to a skilled workforce. Further credibility comes from easy access to the UK's legal and regulatory hub. These agglomeration benefits foster collaboration and innovation, creating a thriving ecosystem for SMEs within a close-knit business community.



Tech

SMEs in the technology sector benefit from the many tech-related events, global conferences, and networking opportunities in the City. Access to venture capital and investment opportunities is another major draw, allowing SMEs to secure funding and expand their operations. The City's reputation as a global business centre also brings in financial and professional services firms as potential clients, and sought-after global talent.



Retail and hospitality

SMEs in sectors such as retail and hospitality gravitate towards the City for its high foot traffic and diverse consumer base. It is a major tourist destination with iconic landmarks and vibrant atmosphere as well as a hub for business activities, ensuring a steady flow of potential customers. Businesses relying on in-person interaction benefit from being in the heart of London.



Creative industries

The City also accommodates and celebrates the creative industries. It is home to numerous cultural institutions and art galleries that provide a platform for exposure and recognition, in addition to creative inspiration. The City provides unique advantages for SMEs in sectors such as media, advertising, and design. It is a melting pot of industries and professionals and attracts clients from around the world, giving these SMEs the chance to work on impactful, high-profile projects.

2. Why SMEs locate in the City



City of London



The City has strategic advantages as a location for SMEs.



These include connectivity and proximity to clients, which remain the two most important factors.



Access to talent, quality of spaces, prestige and a competitive cost also drive decision-making.

A pre-pandemic survey of SMEs showed the high value placed on their City location, particularly for firms in sectors such as insurance (89%) and business services (88%). This was because of the excellent connectivity and access to clients.

In 2023, this picture looks remarkably consistent. Currently, the majority

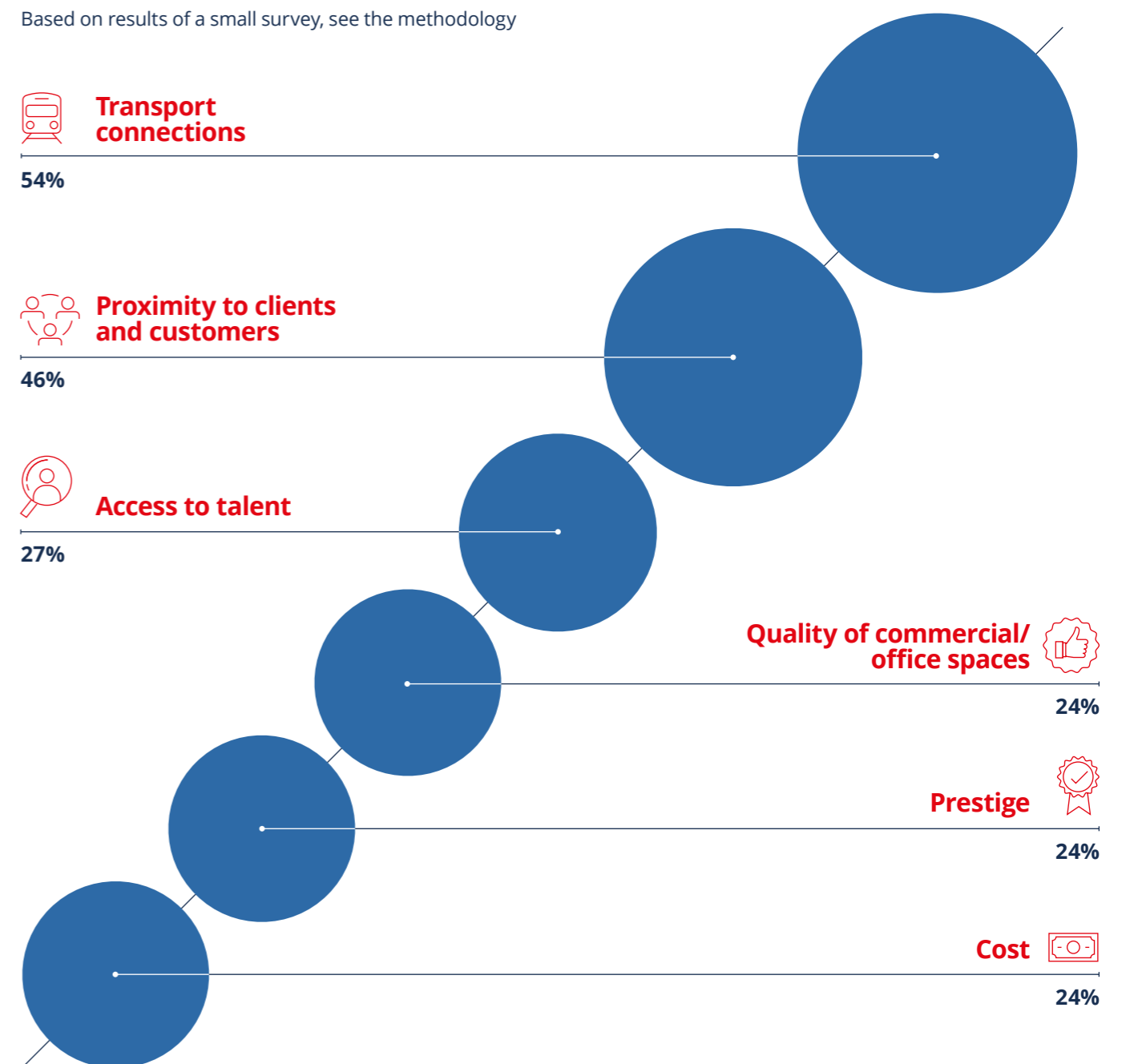
(84%) of SMEs participating in a small survey in the City of London reported that this location is either 'important' or 'very important' to their business.

The City provides SMEs with an environment conducive to growth, including excellent transport connections, local client base, access to talent, high-quality

and competitively-priced office spaces, and a prestigious business reputation. These factors, among others, collectively contribute to making the City of London an attractive location for SMEs.

Chart 4: Percentage of SMEs that ranked these reasons as "Very Important" for locating in the City of London

Based on results of a small survey, see the methodology





“Working in the City of London is beneficial to my business as it opens up a wide range of diverse talent. There are always great networking and partnering opportunities.”

Melwin Mehta
Sterling Investment Management

“Small Business Research + Enterprise Centre (SBREC) has allowed us to use their excellent and accessible meeting spaces that have been key in enabling us to build a new business networking group. We have also benefited from SBREC as a workspace and have accessed their business advice and resources/databases.”

Miles Hurren
BNI Co-Executive Director,
Central London and the City



Transport connections

The City is one of the best-connected areas in the UK. SMEs based here can access a wide range of public transport networks, including trains, buses, and the London Underground. Several international airports and the Eurostar are also an easy journey. This accessibility makes commuting easier for employees, and facilitates connections with clients, suppliers, and partners.



Proximity to clients

Being in the heart of a major global financial and business district gives SMEs immediate access to clients and customers. From face-to-face meetings and networking opportunities, the efficiency of a City location contributes to stronger client relationships and more agile business operations.



Access to talent

The City is a hub for skilled professionals in various industries. Close to two thirds of surveyed City SMEs said the central location made it easier to attract the right talent for their business. These firms benefit from proximity to a skilled pool of finance experts, tech professionals, and other specialists. Leading educational institutions in London and the UK also contribute to the pipeline.



Quality of office spaces

The City offers a wide range of high-quality commercial and office spaces tailored to the needs of different businesses. Whether it is modern skyscrapers, historic buildings, or co-working spaces, SMEs have an abundance of choices to suit their preferences and budget. In addition to bolstering a business's image, access to well-designed, professional office spaces contribute to employee job satisfaction and increase productivity.



Prestige

The City is synonymous with financial and business prestige, and locating here can enhance SMEs' credibility and reputation. Clients, investors, and partners may view a City of London address as a mark of success and stability, which has been found to positively impact business relationships and lead to opportunities.



Cost

While the City is known for its premium business environment, it's also competitively priced for SMEs. SMEs have flexibility based on their budgetary constraints and more cost-effective options in the City, such as emerging business districts or co-working spaces. In addition, city amenities, networking opportunities, visibility and access to a high-profile clientele provide considerable value that can easily offset the expenses.



3. Addressing SME needs

SMEs can encounter unique challenges at all stages of their journey. But SMEs in the City have access to tailored support as well as opportunities.

Small Business Research + Enterprise Centre (SBREC).

This business start-up support service is open to all small businesses in the City, London and the UK. It is a dedicated public service for business information, offering in-person and remote access to business databases, start-up guidance, global market/industry data, national and international statistics and company data. The Centre also runs business support events and offers free work space. Their staff can offer support and advice to businesses and entrepreneurs at any stage.

cityoflondon.gov.uk/sbrec



SBREC is an excellent resource for anyone who wishes to develop their own business. Their webinars are informative and in-person business training and networking events are useful too. Membership gives you access to databases that are invaluable for researching contacts, potential customers, suppliers, and for learning about the market you wish to trade with. SBREC's consistent, knowledgeable and positive guidance and support has really made a huge difference to my business development and helped to keep me on track."

Annette Price
Abstract Artist

Samuel Wilson's Loan Trust (SWLT)

SWLT is a charitable organisation which offers business loans to young people (aged 18-39) for establishing and developing new businesses, and who are "in need by reason of ill-health, disability, financial hardship or other disadvantage."

cityoflondon.gov.uk/samuelwilsonloan

Heart of the City of London

Heart of the City of London supports SMEs to be a force for good. Through workshops, one-to-one support and expert mentoring, the team helps SMEs to take their first steps towards making responsible business a meaningful part of their work. The foundation programme helps SMEs to look at how their business can support the local community, reduce environmental impact, build a more diverse workforce and look after employees' wellbeing.

theheartofthecity.com

Cyber Griffin

In addition to these services, SMEs can access cybersecurity support from Cyber Griffin.

cybergriffin.police.uk

Together, these initiatives create a dynamic and nurturing environment, positioning the City of London as not only a global financial hub but also a champion for the success of SMEs.



As an independent deli-to-restaurant concept inspired by the Scandinavian smörgåsbord, the Samuel Wilson's loan allowed us to start our journey as a new business with much less worry around our financials. With other loans we would've had to give up a collateral or they would've had a very high interest rate. As a new business run by young people, it would've been very scary. The loan also allowed us to get money in the bank very quickly to turn our dream into reality. Without the money we would've had to buy equipment that was not fit for use or refrain from employing a healthy amount of people to help us. The SWLT loan allowed us to breathe and make good choices from the outset."

Tom Bolton
Co-Founder, Willow Deli Ltd



Without a massive budget to spend, we were really happy to have found Heart of the City – it means net zero isn't just something for the big firms. On our net zero course, Climate for SMEs: 4 Steps to Action, we were committed to measuring our carbon footprint and integrating net-zero practices into our daily operations."

BBG Real Estate



Methodology

The report uses ONS data primarily to allow for direct comparability with other areas and reporting. The UK Business Counts data draws from the Inter Departmental Business Register (IDBR) recording the number of Enterprises that were live at a reference date in March 2023, with an employment size of fewer than 250 employees.

For sectoral definitions, the following SIC codes were used. Financial services: 64, 66.1, 66.3. Insurance: 65, 66.2. Professional services: 69, 70.2. Technology / Information and communication: J. Admin and support / Business services: N. Retail and hospitality/ Accommodation and food service activities: I, 47. Creative, arts and entertainment activities: 90

The report also uses other data sources such as Fame for mapping purposes and the ONS Business Register and Employment Survey for jobs data.

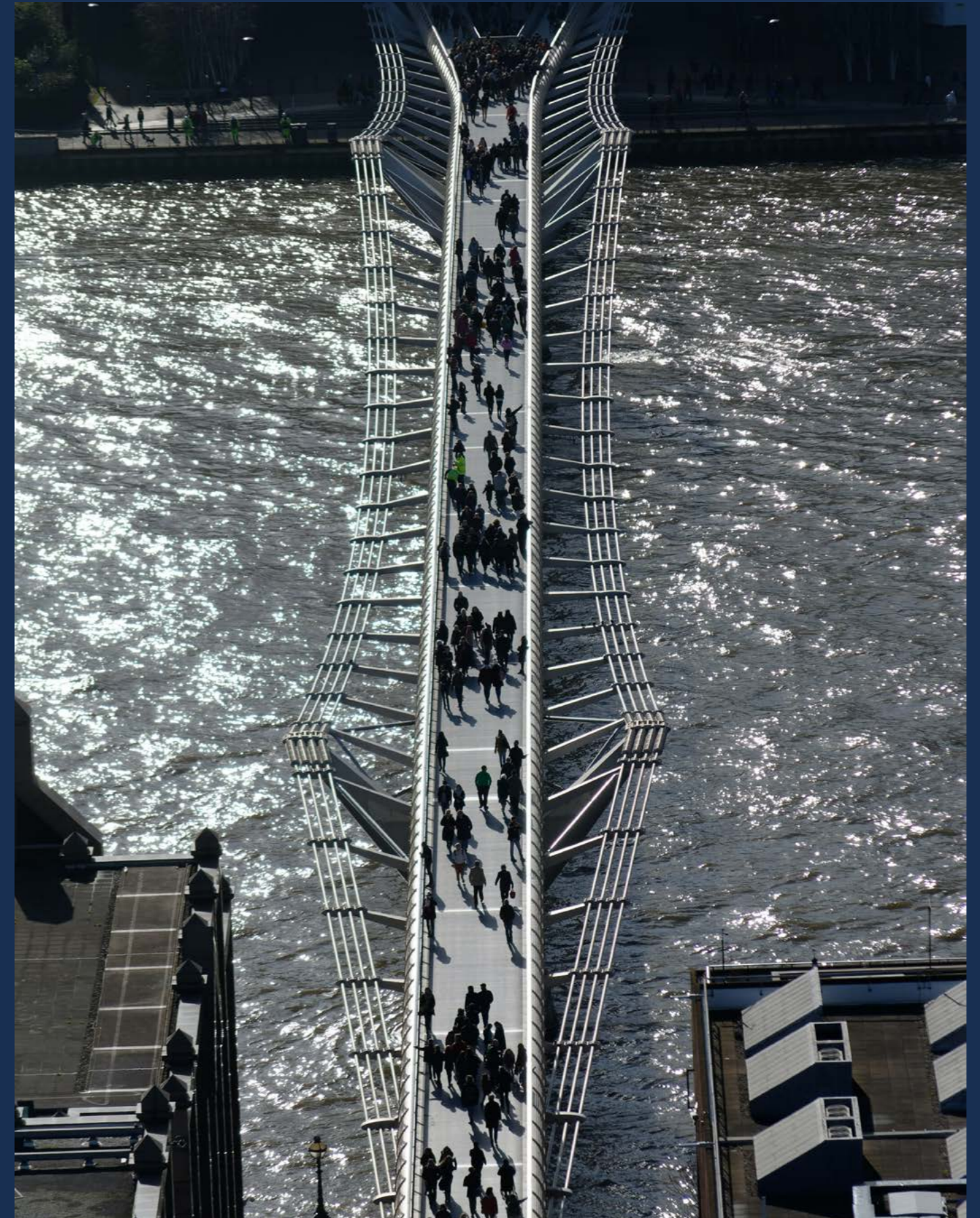
A small SME survey was conducted in mid-September to early October 2023. It targeted SMEs in the City of London to understand their location decisions, and it received 37 responses.

To discuss this report, contact:

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To find out more about the support available to SMEs contact:

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Millenium bridge, London

About the City of London Corporation

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK.

We aim to:

- Contribute to a flourishing society
- Support a thriving economy
- Shape outstanding environments

By strengthening the connections, capacity and character of the City, London and the UK for the benefit of people who live, work and visit here.



cityoflondon.gov.uk