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Global Entrepreneurship Monitor (GEM UK) Wales report 2023

Summarises the findings for Wales from the Global Entrepreneurship Monitor survey for 2023.

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The Global Entrepreneurship Monitor (GEM) is an international project involving 46 economies in 2023 which seeks to provide information on the entrepreneurial landscape of countries. Many studies have shown that entrepreneurship is an important driver for economic growth, competitiveness and job creation. The results of the GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. The sample size in Wales in 2023 was 1,517 adults aged over 18 years as a result of the Welsh Government boosting the UK national sample.

Main findings

- The rate of total early-stage entrepreneurship (TEA) in Wales in 2023 was 11.5%. This was a statistically significant increase on the rate of 7.8% in 2022 and now the highest on record. The rate in 2023 was not significantly different to that in England (10.8%) and the UK (10.7%).
- In 2023 early-stage entrepreneurs in Wales were most strongly motivated to start up to either earn a living as jobs are scarce or to build great wealth or very high income (over 60% each). They were least likely to set up a business to carry on a family tradition.
- At 9.5% the female TEA rate in Wales in 2023 was not significantly different to the male rate of 13.5%. Both rates were up, but not significantly different, from 2022 although the male rate is now the highest on record for Wales. The female TEA rate in Wales in 2023 was not significantly different to that in the UK, there was also no such difference for males.
- The level of youth entrepreneurship in Wales is significantly higher in 2023 than it was in 2002: 14.0% compared to 2.0%. There were no significant differences in the TEA rate across age groups in Wales in 2023.

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- Around two-fifths (39.1%) of non-entrepreneurs state that they have the skills, knowledge and experience to start a business and a similar share (42.9%) know an entrepreneur that has started a business within the past two years. At 61% a much higher share of young people (aged 18 to 24) know an entrepreneur compared to the wider non-entrepreneurial population.
- A much lower share of non-entrepreneurs in Wales (29%) believe there are good start-up opportunities locally within the next six months compared to the UK (37%). Despite this, fear of failure rates were similar; in 2023 almost three-fifths of those in Wales and the UK, that identified start-up opportunities, stated that fear of failure would prevent them from starting a business.
- Intention to start a business remains elevated in 2023. In total 20.0% of non-entrepreneurial working age adults in Wales expect to start a business within the next three years, similar to the UK rate of 19.7%.

Background

The Global Entrepreneurship Monitor (GEM) is an international project which seeks to provide information on the entrepreneurial landscape of countries based on the following premises. First, an economy's prosperity is highly dependent on a dynamic entrepreneurship sector. Second, an economy's entrepreneurial capacity is composed of individuals from all groups in society with the ability and motivation to start businesses and requires positive societal perceptions about entrepreneurship. Third, high-growth entrepreneurship is a key contributor to new employment in an economy, and national competitiveness depends on innovative and cross-border entrepreneurial ventures.

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The Welsh Government (WG) sponsors the Welsh component of the GEM UK research project. Stimulating entrepreneurship remains an important challenge for the region and WG has taken the lead in ensuring that it is embedded within its core activities. This is the twenty first year in which the WG has participated in GEM. Of the 364,000 respondents to GEM UK surveys for the period 2002 to 2023, around 70,000 respondents are from Wales. Wales now has one of the largest databases on entrepreneurial attitudes, activity and aspirations of the home nations of the UK for this period. This is particularly useful when conducting trend analysis for important sub-populations in Wales, such as women, the young or older people.

The results from GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. They also enable comparisons to be made with the other regions of the UK and other countries participating in GEM. Overall, GEM's unique ability to provide information on the entrepreneurial landscape of countries in a global context makes its data a necessary resource for any serious attempt to study and track entrepreneurial behaviour.

It is important that we better understand the determinants of early-stage entrepreneurship because there is evidence to suggest a connection between higher rates of entrepreneurship and overall economic prosperity, particularly in innovation-driven economies like Wales.

How GEM measures entrepreneurial activity

GEM creates an index of early-stage entrepreneurial activity (known as TEA) using the following approach:

- A telephone survey of a random sample of the adult population is conducted between May and September.

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- The TEA index is the sum of those respondents classified as nascent entrepreneurs and new firm entrepreneurs. (The active planning phase in which the entrepreneur has done something during the past 12 months to help start a new business, a new business that he/she will at least part own, and which has not paid wages or other income to the owners in the past 3 months. The second phase is defined as from 4 to 42 months after the new venture begins to provide income to the owners. Entrepreneurs who at least part own and manage a new business that has been paying some form of income to the owners for at least 4 and not more than 42 months are referred to as new firm entrepreneurs).

The TEA index does not measure all entrepreneurial activity and is not based on a survey of business entities. It measures the characteristics of entrepreneurial individuals and the types of entities they establish. As such it is a unique and internationally comparative measure of the cultural propensity of a nation, or region, to be entrepreneurial.

Previously in GEM, the method to distinguish between different types of entrepreneurial activity was to measure the extent to which the activity was based on necessity (i.e. there are no better alternatives for work) or opportunity (where entrepreneurs may be exploiting the potential for new market creation). The current motivation questions, spanning a wider choice, enable a more detailed disaggregation of entrepreneurial motivation than the previous binary choice allowed. In addition to activity, the GEM survey asks all respondents about their attitudes to entrepreneurial activity, and asks entrepreneurs about their aspirations.

The methodology, sample sizes and weighting systems used for the GEM UK 2023 adult population survey are explained in more detail in the [GEM UK 2023/24 report](#). An important change in the sample design was introduced in 2010 when 10% of respondents in each Government Office Region (GOR) were selected at random from households which had mobile phones but not fixed phone landlines. In 2015, this was increased to 20%, in line with recent

estimates in the proportion of mobile-only households in the UK and that has been maintained in the 2023 survey. Consequently, in this report, comparisons with other countries and time-based trends within the UK are made using the full sample (landline and mobile only households as well as the CATI/Online mixed method).

The following report presents a summary of the headline results and key themes arising from the GEM survey in 2023 as well as an analysis of the twenty one years of GEM data (2002 to 2023).

Total early-stage entrepreneurial activity

The rate of early-stage entrepreneurship in Wales in 2023 was 11.5% which was an increase on the estimate of 7.8% in 2022. The difference was statistically significant. The rate in Wales in 2023 was higher, but not significantly different, from that in England (10.8%) and the UK estimate of 10.7% (Figure 1).

Overall, a TEA rate of 11.5% in Wales equates to around one in every nine adults aged 18 to 64, or around 211,000 individuals, 74% of whom were in the very early stages of starting a business (nascent entrepreneurs 8.5%) and the remainder those who had a new business which was between 4 and 42 months old. The comparable figure for nascent business owners in the UK was 7.3%.

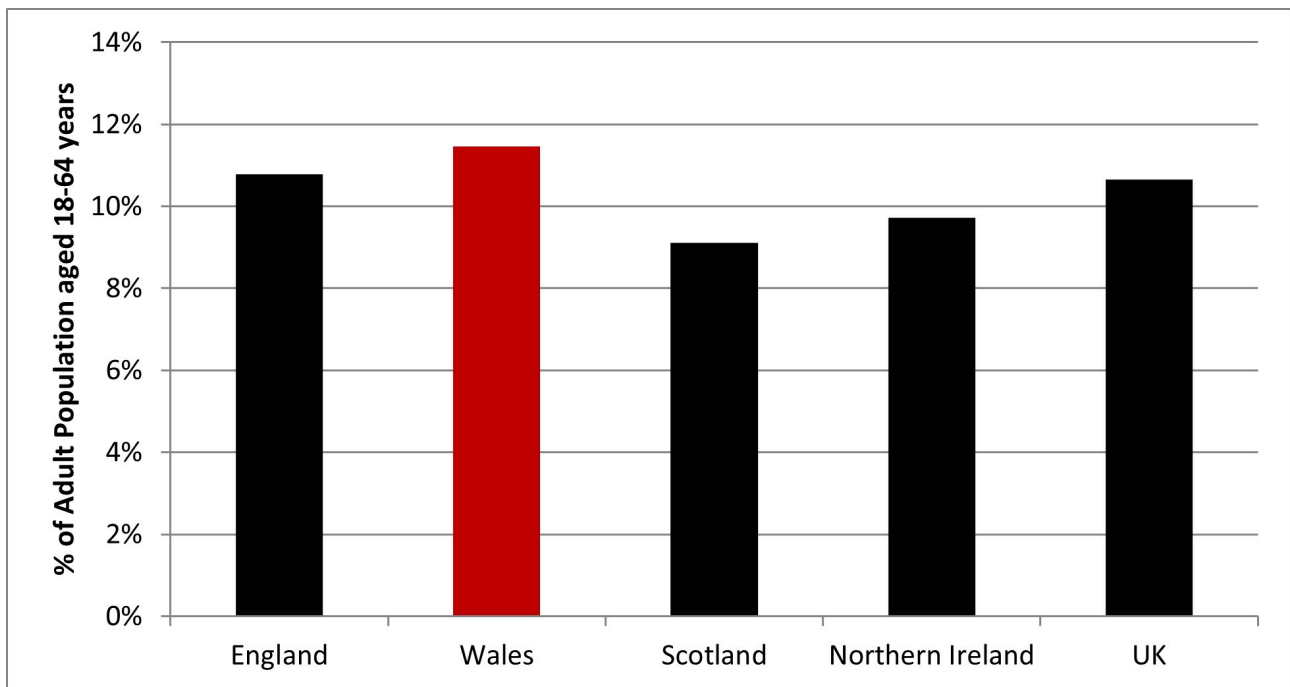


Figure 1: Total early-stage entrepreneurial activity (TEA) in the UK Home Nations 2023 (Source: GEM APS)

As Figure 2a shows the rate of early-stage entrepreneurial activity in both Wales and the UK remained relatively stable between 2004 and 2010, at around 6%. The rates diverged thereafter, accompanied by volatility in both series. As with other parts of the UK, early-stage entrepreneurial activity in Wales saw a new high in 2021 at 10.3%. After a dip in 2022, this was surpassed in 2023 with the TEA rate in Wales standing at a record high 11.5%. In comparison the UK rate has dropped since 2021 but remains at an elevated level compared to the previous long-run average.

In 2023 the nascent entrepreneurial activity rate in Wales was 8.5%, significantly up from 5.2% in 2022. The new business ownership rate of 3.9% was up but not significantly different to the rate of 2.7% in 2022. In comparison, the nascent entrepreneurship rate in the UK was largely unchanged between 2022 and 2023 at 7.1% and 7.3% respectively. The new business ownership rate for the UK

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was also similar in both years at 4.3% in 2022 and 4.2% in 2023. Based on this, the difference in TEA rates between Wales and the UK in 2023 is due primarily to differences in nascent business ownership.

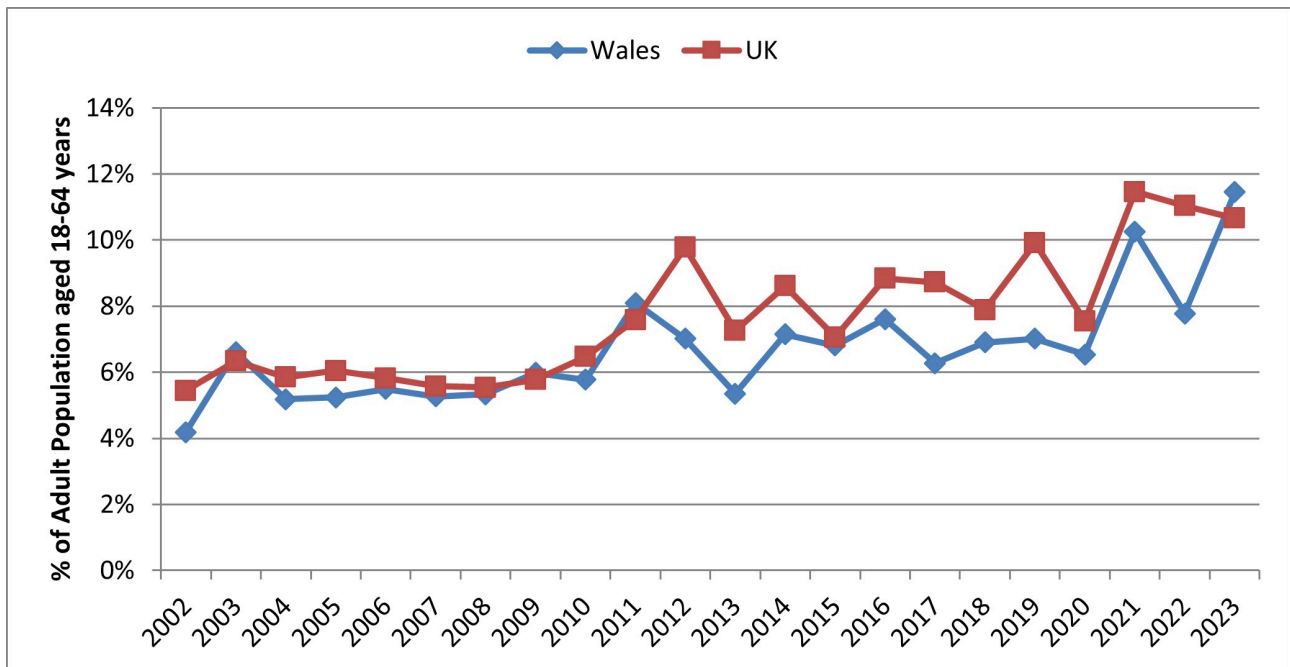


Figure 2a: Total Early-Stage Entrepreneurial Activity in Wales and the UK 2002 to 2023 (Source: GEM APS)

Until 2011 the TEA rates of East and West Wales followed similar trends (Figure 2b). Although a gap subsequently opened between the two, the rates were not significantly different. From 2017 onwards the rate in West Wales has largely been higher than in East Wales but the difference has not been statistically significant. This is still the case in 2023 where the TEA rate in East Wales was 10.8% compared to a rate of 12.3% in West Wales.

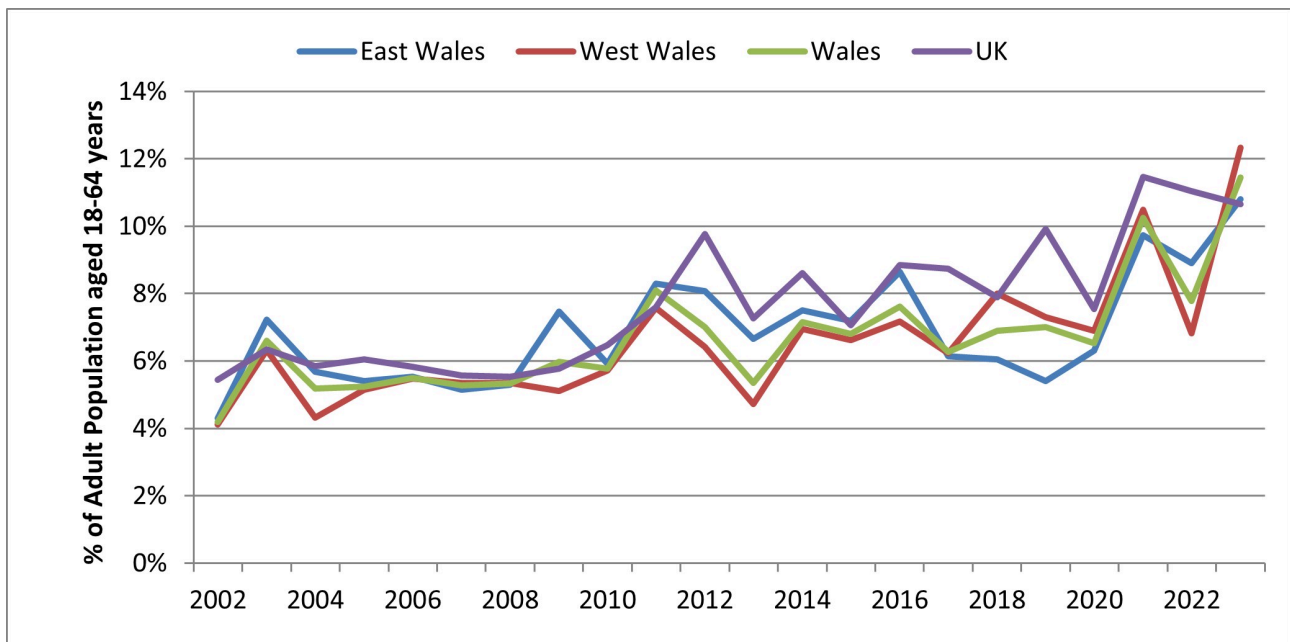


Figure 2b: Total Early-Stage Entrepreneurial Activity in East Wales, West Wales & Valleys, Wales and the UK 2002 to 2023 (Source: GEM APS)

In the 2020 survey, a new and improved method of looking at founders' motives for starting their business was introduced. Previously the question asked was too constrained and only allowed for a choice between necessity and opportunity entrepreneurship. These questions were replaced with those which allowed for a combination of motives, enabling a more realistic set of drivers for start-up.

The four motives are “to make a difference in the world”, “to build great wealth or very high income”, “to continue a family tradition” and “to earn a living because jobs are scarce.” The former two can be thought of as more opportunity driven, while the third is more complex as this could be both due to either opportunity or necessity. The final one can be thought of as more necessity driven. However, the fundamental point is that these options are now not mutually exclusive, and entrepreneurs can report more than one motivation and the degree to which they identify with them. Note that these motivations do not include autonomy or independence; this is because pre-tests showed that this was a universal

motivation for entrepreneurs and does not distinguish between types of entrepreneurs.

Figure 3 shows a breakdown of these motives by home nation as a percentage of early-stage entrepreneurs. As in previous years, early-stage entrepreneurs in all home nations were much less likely to report starting a business “to continue a family tradition” than all other motivations. Wales had the lowest share reporting this motivation at just 15.7%, around half the UK share. The two main motivations for starting a business were “to earn a living because jobs are scarce” and “to build great wealth or a very high income”. Just over 60% of those in Wales were motivated by either of these reasons. The UK shares were closer to 70%. Less than half of those in Wales were motivated to start-up their business ‘to make a difference in the world’. This was again around 10 percentage points lower than the UK share.

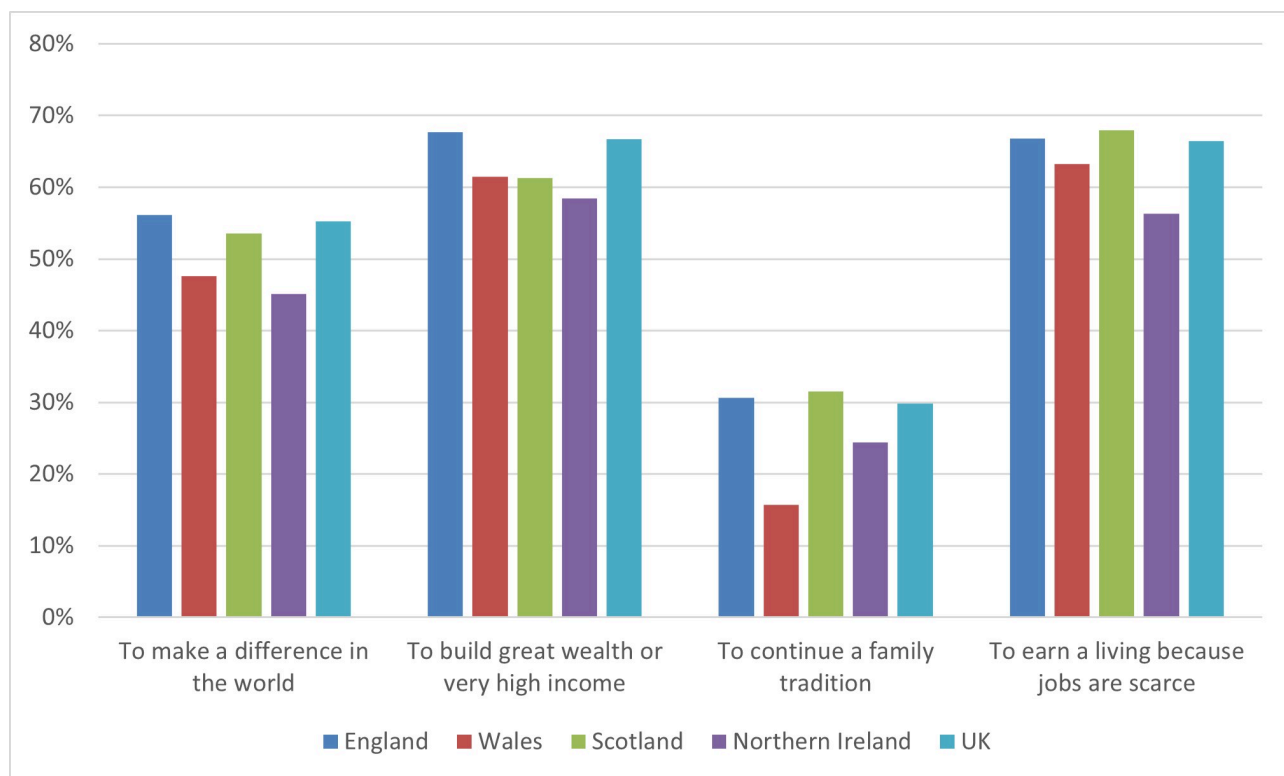


Figure 3: Motivation for Entrepreneurship in UK Home Nations 2023 (Source:

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Who are the entrepreneurs in Wales?

Gender

Males typically have higher early-stage entrepreneurial activity rates than females. In 2023 the male TEA rate in Wales was 13.5% compared to a female rate of 9.5% - the difference was not statistically significant. Although the male rates were higher than the female rates in the UK and home nations in 2023 (Figure 4), the differences were not statistically significant.

The ratio of female to male early-stage entrepreneurial activity has historically been around 50% in the UK but the gap has narrowed considerably over time, standing at 85% in 2023. The ratio in Wales in 2023 was 70%, up from 64% in 2022. Northern Ireland's ratio was similar to Wales at 73% while Scotland and England's ratios were similar to the UK at 85% and 86% respectively.

Annual ratios may vary from year to year, so they are best viewed over the longer term. The long-run average ratios over the 2002 to 2023 period suggest that males are almost twice as likely to be early-stage entrepreneurs as females with a ratio of 59% in Wales, 56% in England and 58% in Scotland. The Northern Ireland female to male TEA ratio is lower at just 44% due to the historically low female entrepreneurial activity rates.

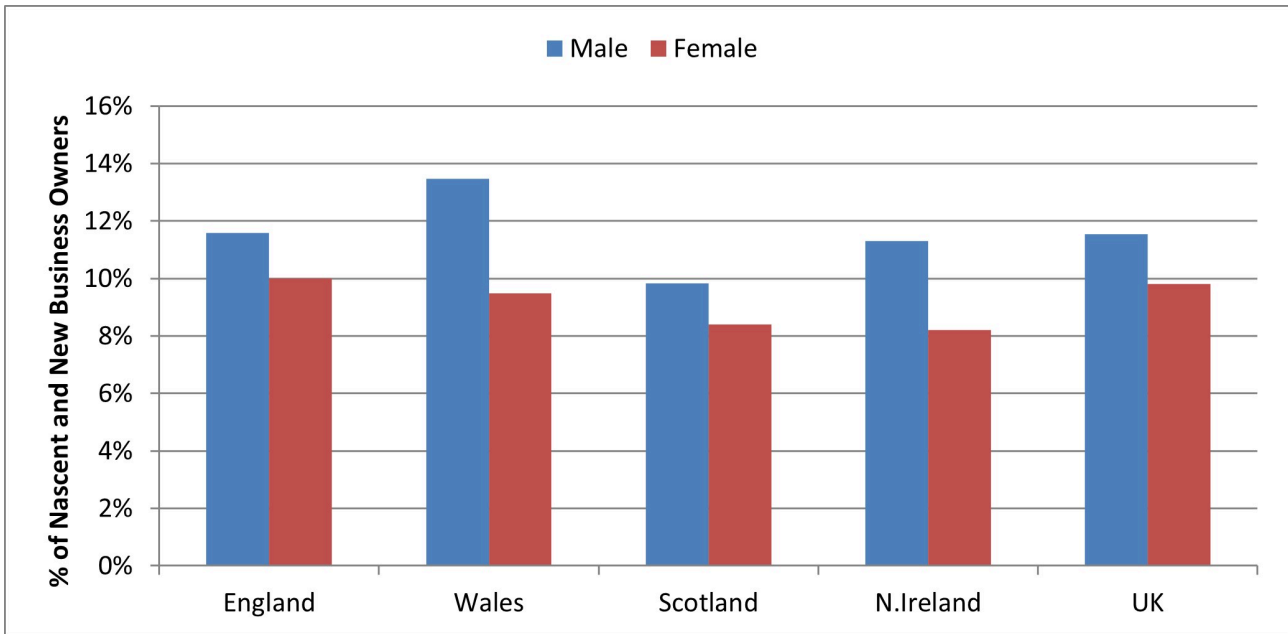


Figure 4: Total Early-Stage Entrepreneurial Activity by Gender in the UK Home Nations in 2023 (Source: GEM APS)

The female TEA rate in Wales has fluctuated since 2011, reaching a record high of 9.8% in 2021 (Figure 5). Despite the dip in 2022 the rate has rebounded in 2023 to 9.5%. The Welsh male TEA also reached a new record of 10.7% in 2021 but this was further exceeded in 2023, to stand at 13.5%. Figure 5 demonstrates that female TEA rates in Wales matched the UK trend until 2010 and after a period of divergence appeared to be tracking the UK trend again from 2018. Apart from the dip in 2022, the female rates reconverged in 2023 to just under 10%.

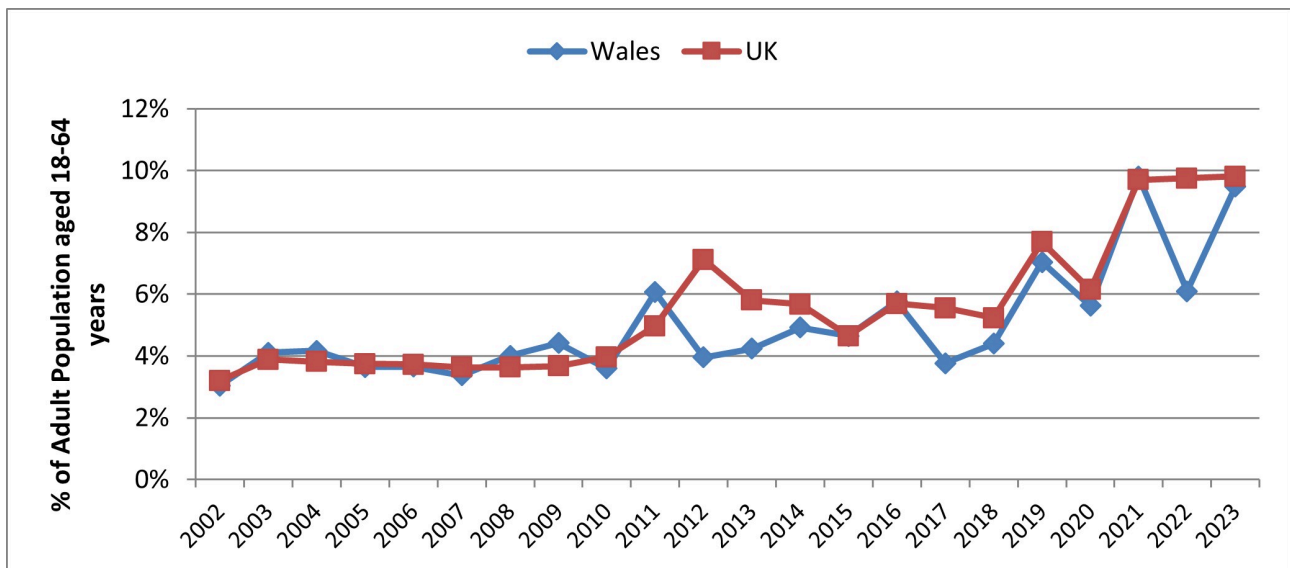


Figure 5: Total Early-Stage Female Entrepreneurial Activity in Wales and the UK, 2002 to 2023 (Source: GEM APS)

Age

In the UK individuals aged between 25 to 34 years typically display the highest rates of early-stage entrepreneurial activity although this is not always the case in the home nations. In 2023 in the UK those aged 45 years or older had significantly lower entrepreneurial activity rates than 25 to 34 year olds, this was also the case in England. In addition, 18 to 24 year olds in England had a significantly higher TEA rate than 55 to 64 year olds. In Wales, Scotland and Northern Ireland, there were no significant differences in the entrepreneurial activity rates across the age-bands (Figure 6).

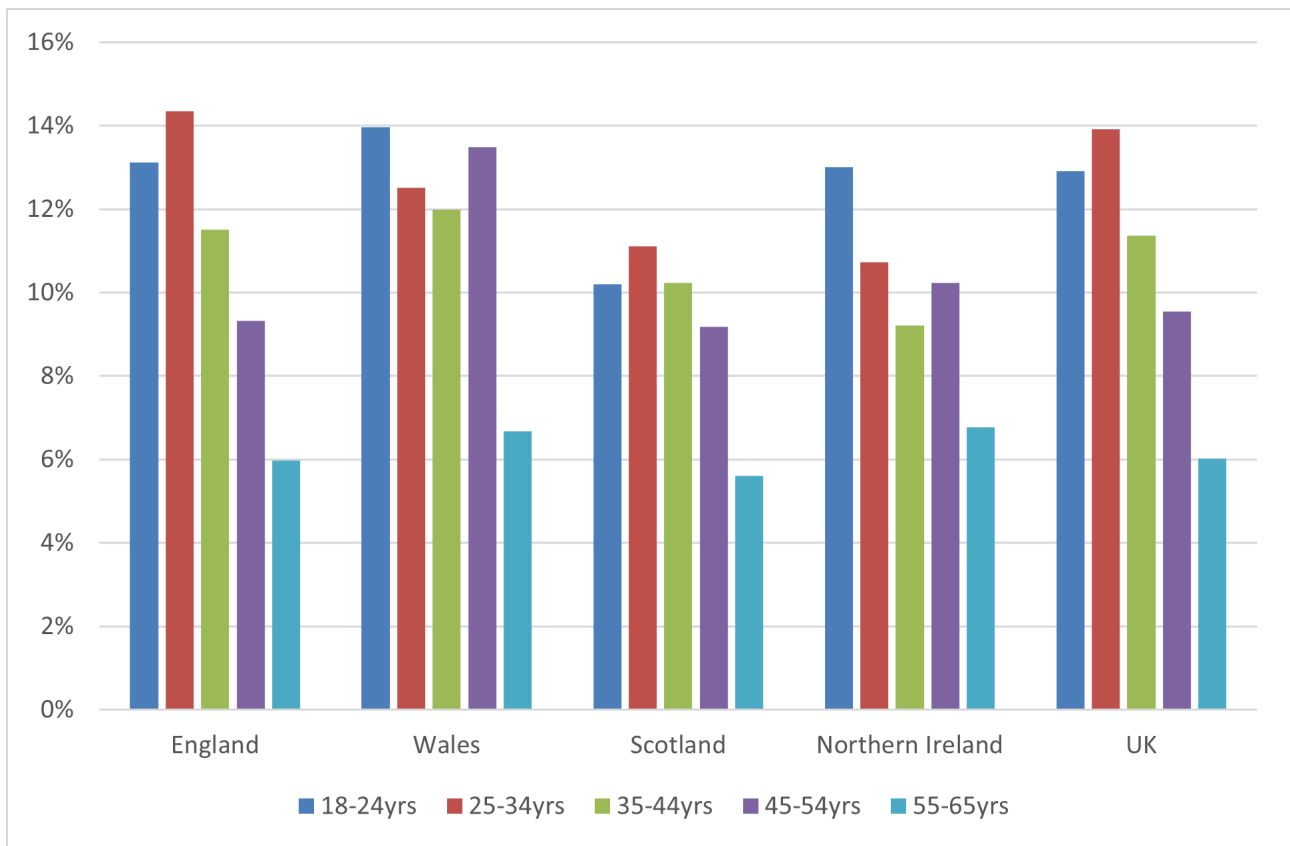


Figure 6: Total Early-Stage Entrepreneurial Activity by Age in the UK Home Nations, 2023 (Source: GEM APS)

For several years, entrepreneurial activity in Wales had been shifting towards a younger generation, for example there were particularly high TEA rates for 18 to 24 year olds during the Great Recession period, peaking at 10.2% in 2011. It dropped back in the intervening period but rose to a record high of 16.5% in 2021. In 2023 the rate is beneath the peak but remains elevated at 14.0% (Figure 7). The UK rate has also been steadily increasing over recent years with the rate of 12.9% in 2023 almost the same as the peak rate of 13.0% in 2021.

Compared to the UK, the higher rate of early-stage entrepreneurial activity amongst 18 to 24 year olds in Wales witnessed during the recession suggests they faced a tougher economic climate, the lack of jobs necessitating entry into self-employment which dissipated as the economy recovered. Since 2015 there

had been a rise in youth entrepreneurship in the UK which had not been mirrored in Wales, that is until 2020 when the pandemic appears to have again driven necessity entrepreneurship among this age group. This has since continued and may also reflect the increased provision of youth entrepreneurship activities by the Welsh Government. Enterprise education has been a major contributor factor in recent decades and this evidence indicates it may well be having an impact on the actual entrepreneurial activities of these young people.

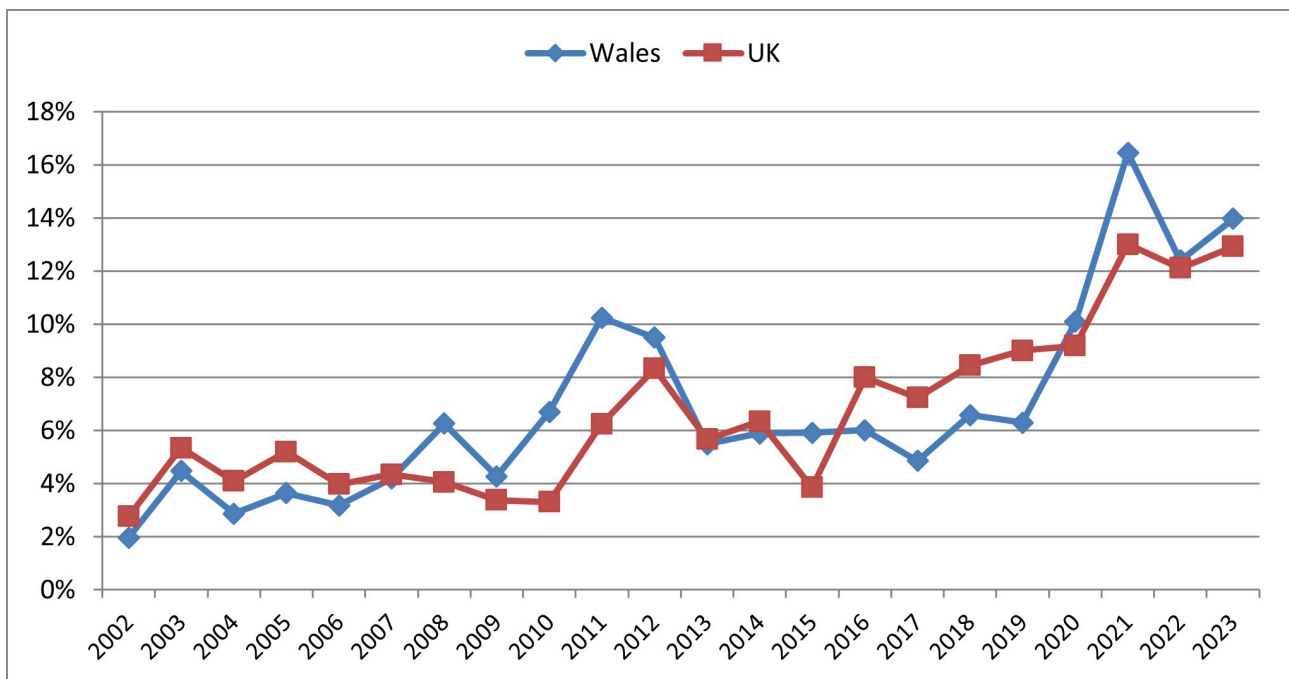


Figure 7: Trend in Total early-stage Entrepreneurial Activity amongst 18 to 24 year olds in Wales and the UK, 2002 to 2023 (Source: GEM APS)

A potentially more helpful analysis is to assess the trend in the TEA rate for the 18 to 29 age group (where there seems to be a natural break in UK GEM activity data) and compare that to the 30 to 64 age group. Figures 8 and 9 show that the TEA rate for young adults in Wales, despite a lot of annual fluctuations, has risen more than four-fold over two decades from 3.4% in 2002 to 14.0% in 2023. The 2023 rate was, however, down from its peak of 15.3% in 2021. The

other home nations also experienced an increase in the TEA rates of 18 to 29 year olds over the period, although at a lower rate of increase than Wales.

The increase in early-stage entrepreneurial activity for the 30 to 64 age group has risen at a slower rate over the last two decades than the 18 to 29 age group. But the rates in 2023 for Wales, Scotland and Northern Ireland represented new record highs. In Wales the TEA rate for those aged 30 to 64 rose from 4.4% in 2002 to 10.8% in 2023. Northern Ireland saw the fastest growth, rising from 3.5% in 2002 to 8.9% in 2023. Scotland's rate rose from 5.7% to 8.7%. The rates in England and the UK both peaked in 2021, although the 2023 rates were still up significantly on 2002.

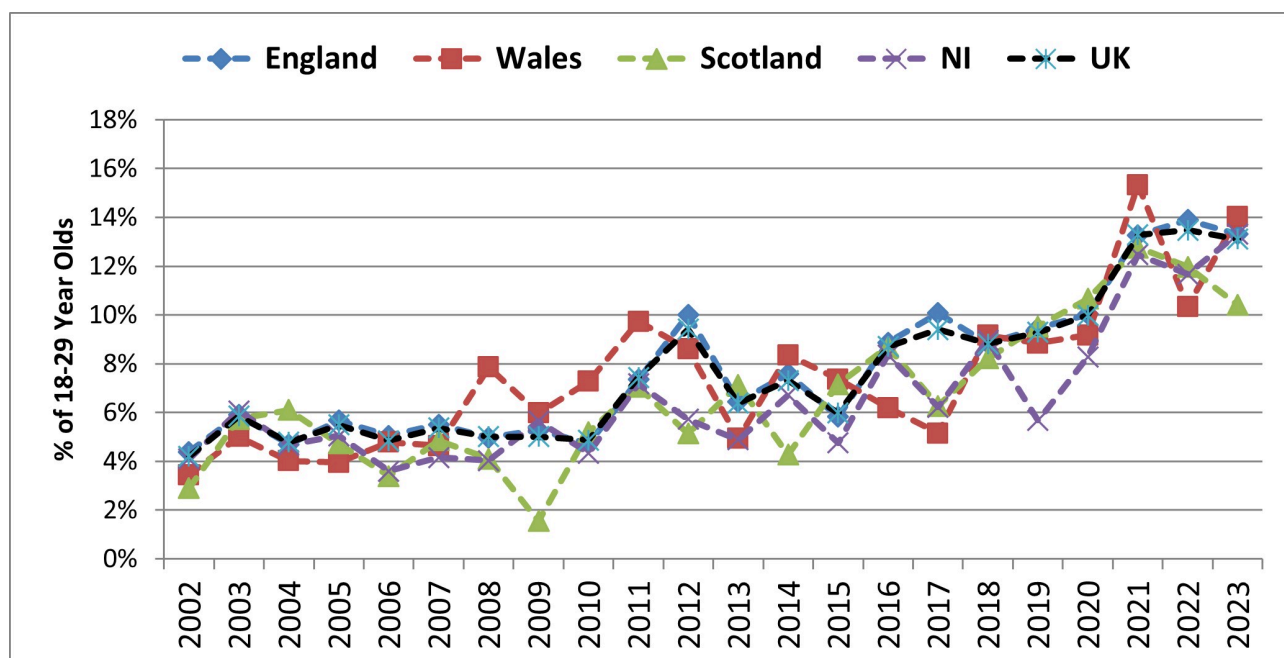


Figure 8: Trend in Total early-stage Entrepreneurial Activity in the UK Home Nations for 18 to 29 year olds, 2002 to 2023 (Source: GEM APS)

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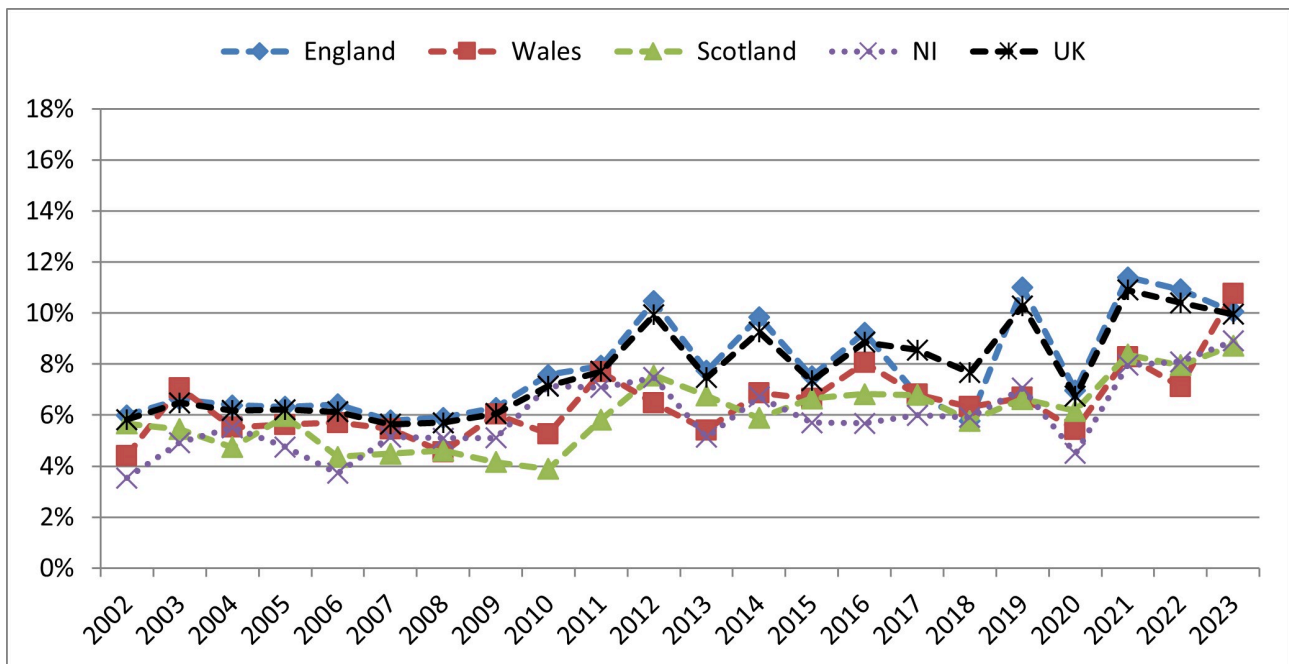


Figure 9: Trend in Total early-stage Entrepreneurial Activity in the UK Home Nations for 30 to 64 year olds, 2002 to 2023 (Source: GEM APS)

Education

Graduates in the UK typically have higher rates of early-stage entrepreneurial activity than non-graduates. In 2023 the UK graduate TEA rate of 14.4% was significantly higher than the rate of 7.8% for non-graduates (Figure 10). Although both rates differed from those in 2022 neither were significantly different.

The Welsh graduate TEA rate in 2023 was 17.4% statistically significantly higher than the non-graduate rate of 7.6%. In 2023 NI was the only home nation in which the TEA rate for graduates was not statistically significantly higher than for non-graduates.

In 2023 Wales was the only home nation in which the graduate TEA rate was statistically significantly higher than the rate in 2022, rising from 10.3% to 17.4%. There was no significant difference in the annual TEA rates for non-graduates,

despite increasing from 6.0% to 7.6% over the year. There was also no statistically significant change over the year in the TEA rates for non-graduates in any of the home nations or the UK.

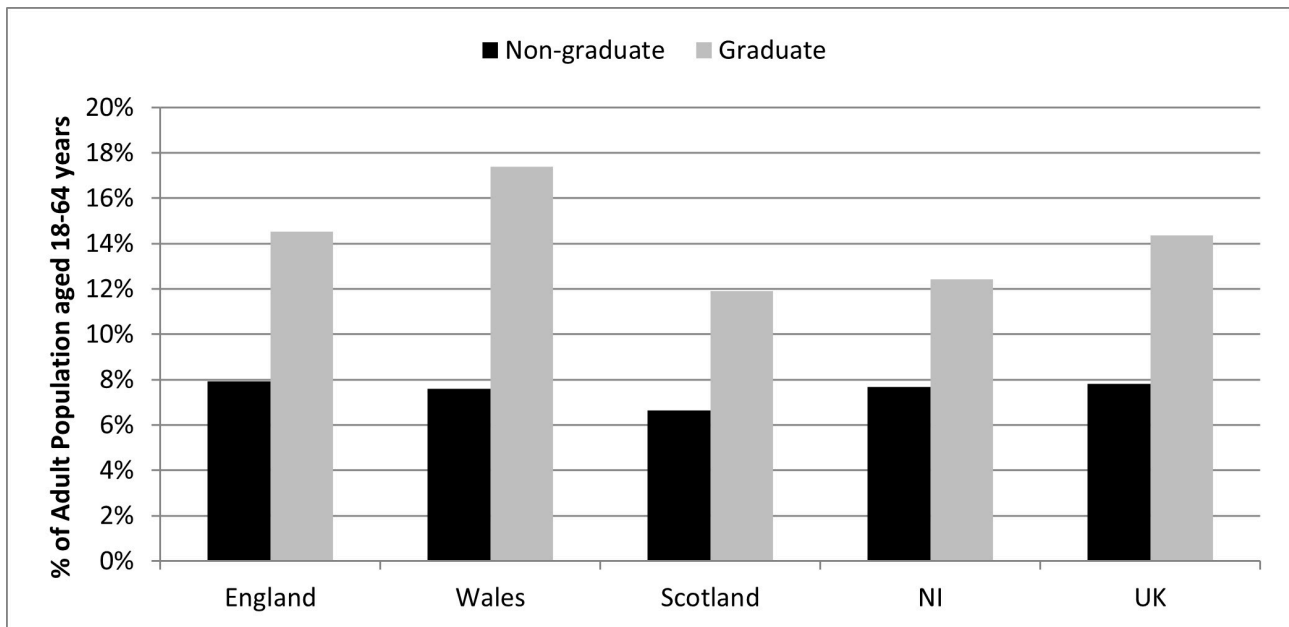


Figure 10: Total Early-Stage Entrepreneurial Activity in the UK Home Nations by Graduate Status, 2023 (Source: GEM APS)

Entrepreneurial attitudes and intentions

GEM has developed a number of attitudinal statements which provide a proxy for entrepreneurial potential in a country/region. They include knowing a person who has started a business in the last 2 years; perception of good opportunities for start-up; self-belief in possessing the relevant skills to set up in business and the prevalence of fear of failure as a deterrent to setting up in business.

GEM attitudinal data is reported here for that portion of the population who are not already entrepreneurs, as individuals who are involved in entrepreneurial activity may feel compelled to provide positive answers in the Adult Population

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Survey (APS).

In Wales in 2023 42.9% of non-entrepreneurial individuals state that they know an entrepreneur, which is not significantly different to the UK rate of 45.2% (Figure 11), nor to the rate in 2022. In total 39.1% of non-entrepreneurs in Wales believe they have the skills to set up in business, again similar to the UK average of 40.8%.

Just 28.6% of non-entrepreneurs in Wales believe there are good start-up opportunities in their area in the next six months. This was down from 33.0% in 2022 but this was not statistically significant. In comparison 37.1% of non-entrepreneurs in the UK perceived there to be good start-up opportunities which was significantly higher than the share in Wales.

Fear of failure remained relatively high in 2023. Around three fifths of non-entrepreneurs in both Wales and the UK, who perceived good start-up opportunities, stated that fear of failure would prevent them from starting a business.

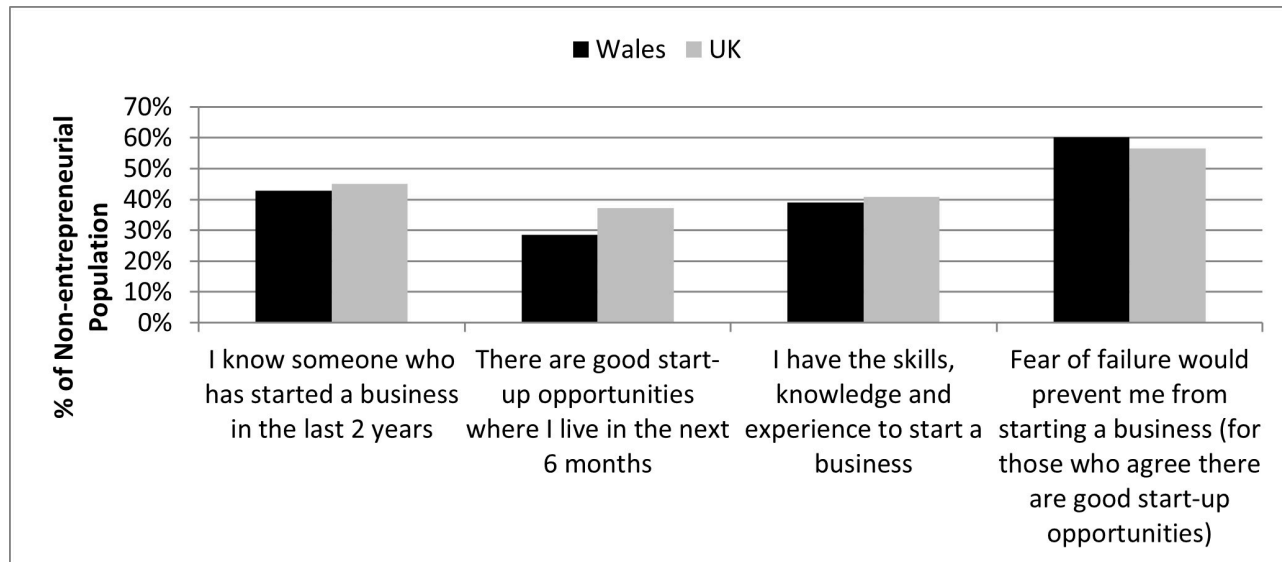


Figure 11: Entrepreneurial Attitudes and Perceptions in Wales and the UK 2023 (Source: GEM APS)

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Figure 12 displays the same attitudes towards entrepreneurship when restricted to 18 to 24 year olds only. The greatest difference between Wales and the UK was in the perception of start-up opportunities, although this was not statistically significant. Just 29.1% of young non-entrepreneurs in Wales perceived good start-up opportunities in their area in the next 6 months, compared to 41.2% in the UK.

When comparing the attitudes of young people against all non-entrepreneurs (as shown in Figure 11) a significantly higher proportion of young people in Wales know someone who has started a business in the past two years, at 61% compared to 42.9% for the wider non-entrepreneurial population. There were no significant differences in the other attitudinal measures. This was the same in the UK where a significantly higher share of young people also know someone that has started a business (53.6%) than the wider population (45.2%). There were no significant differences in the other measures.

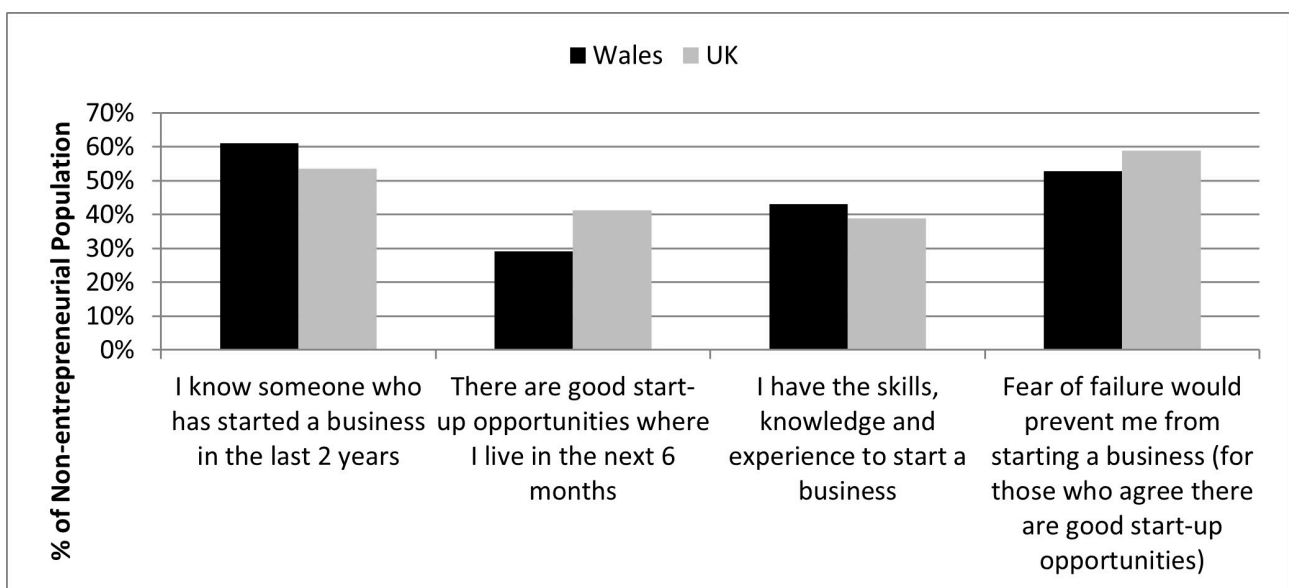


Figure 12: Entrepreneurial Attitudes and Perceptions among 18 to 24 year olds in Wales and the UK 2023 (Source: GEM APS)

In the 2023 survey 28.6% of the non-entrepreneurial working age population in

Wales agreed there were good opportunities for starting a business in their local area in the next six months compared to 37.1% in the UK. The 2023 rate in Wales was not significantly lower than in 2022 when the rate was 33.0%. The UK rate was very similar to 2022, moving from 37.0% to 37.1%. The statistically significant gap in opportunity perception between Wales and the UK that had been observed since the GFC, had recently narrowed but reopened in 2023 (Figure 13).

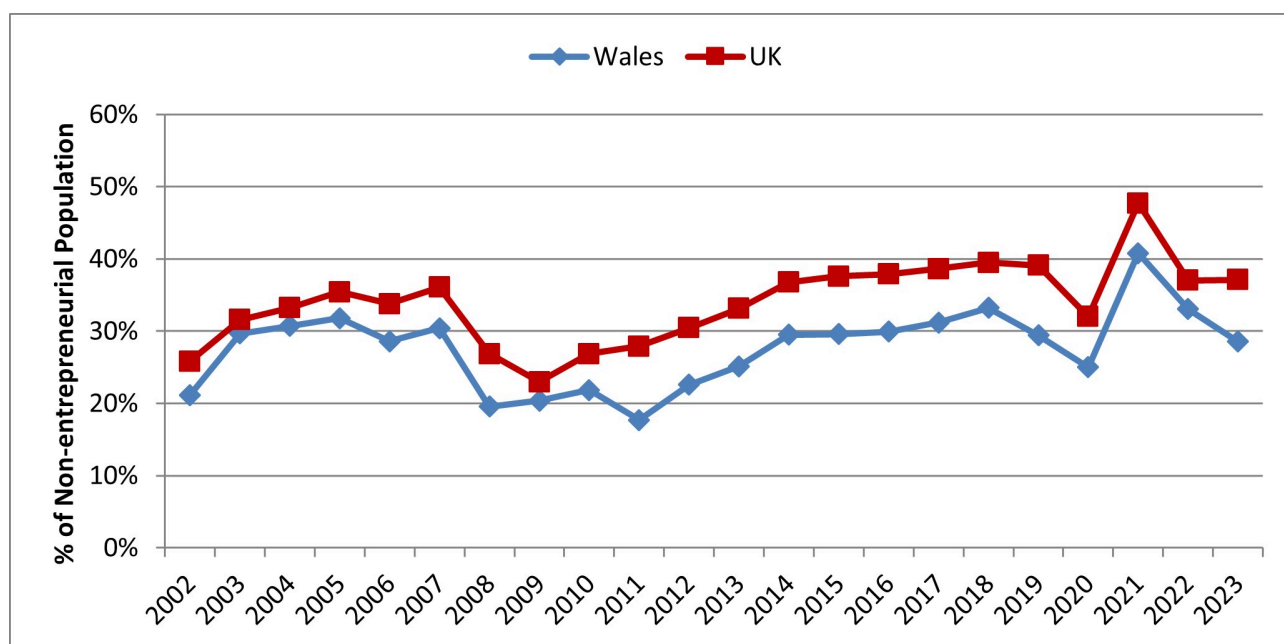


Figure 13: Perception of Start-up Opportunities in Wales and the UK, 2002 to 2023 (Source: GEM APS)

The proportion of the non-entrepreneurial population in Wales that see good start-up opportunities but report that the fear of failure would prevent them starting a business stood at 60.2% in 2023, which was not significantly different to 2022 when it was 59.8%. The UK rate of 56.5% was also not significantly different to the equivalent rate in 2022 of 58.0%.

Figure 14 shows that fear of failure has risen in Wales since 2017 as it did in the

other home nations. This upward trend may well reflect the increasing levels of uncertainty over Brexit during that period. The pandemic further contributed towards increased fear of failure, with increases observed since 2020. There were no significant differences in the fear of failure rates across the home nations in 2023.

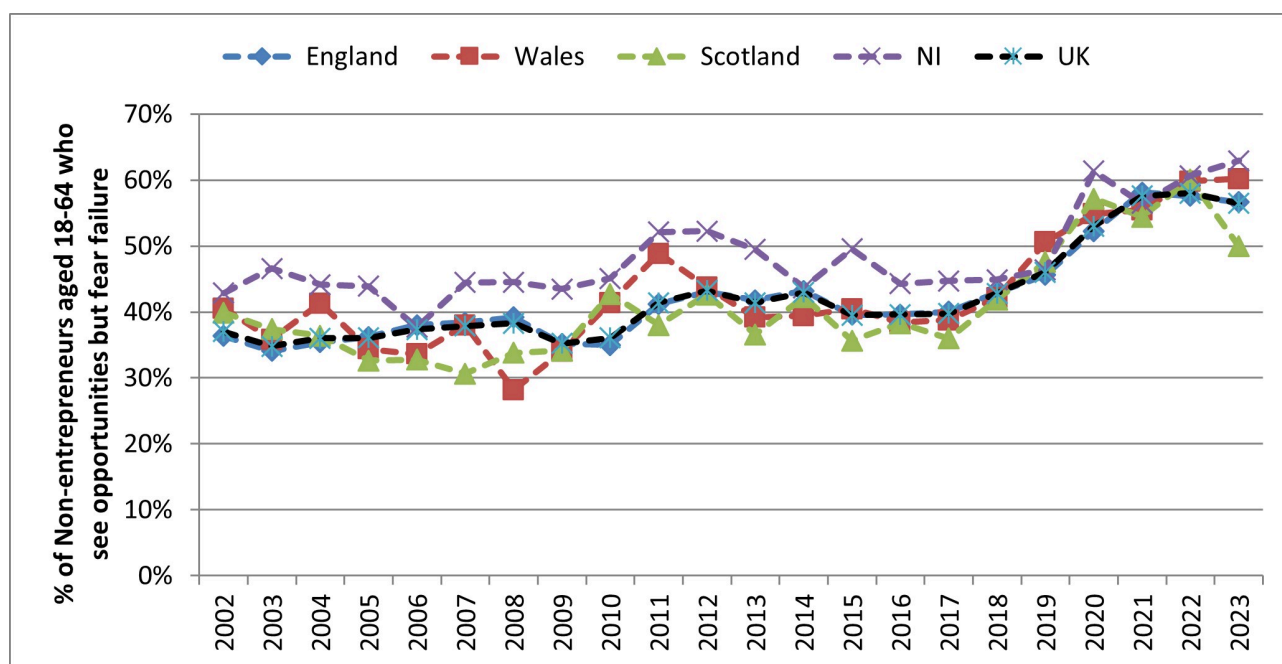


Figure 14: Fear of Failure among those who see Opportunities in the UK Home Nations, 2002 to 2023 (Source: GEM APS)

The proportion of non-entrepreneurial working age adults in Wales who expect to start a business within the next three years stood at 20.0% in 2023. This was up, although not significantly so, from the previous peak of 18.8% in 2021 (Figure 15). The UK estimate of 19.7% in 2023 was also broadly similar to 2021 and 2022. The previous increases in these intention rates during the GFC potentially reflected necessity reasons. Although there was a drop in the rate in 2022 in Wales, it is likely that the general increases observed since 2020 have reflected a combination of pandemic-induced necessity and opportunity driven intention due to job losses but also new ways of working and digital opportunities.

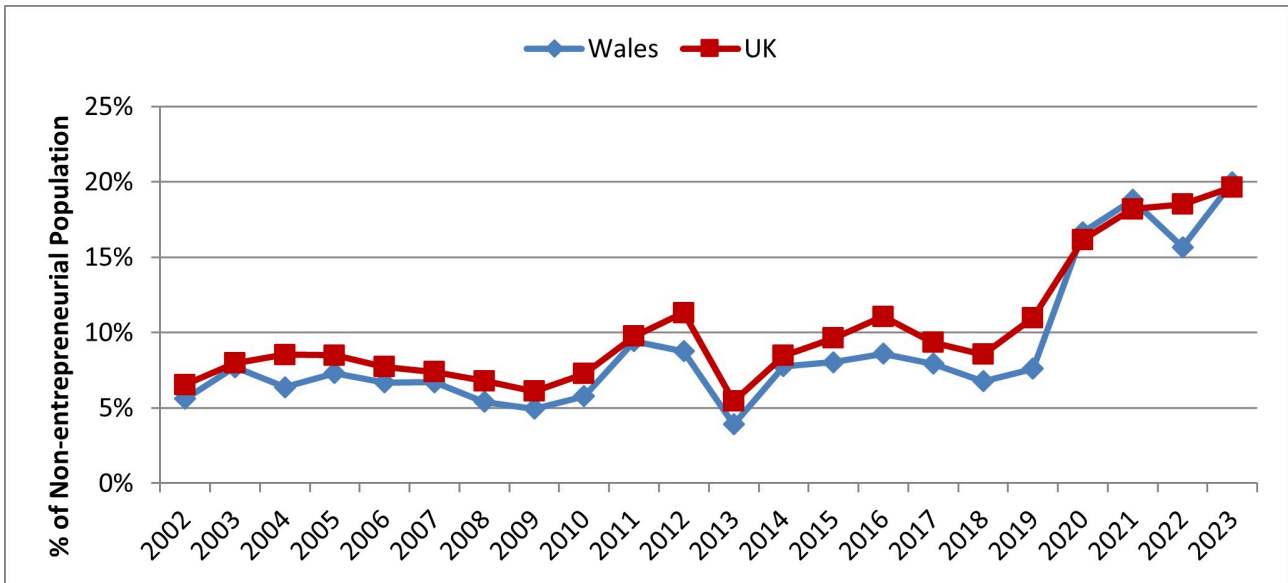


Figure 15: Future Start-up Expectations (within 3 years) in Wales and the UK amongst the non-entrepreneurial population, 2002 to 2023 (Source: GEM APS)

In 2023, at 24.4%, the proportion of non-entrepreneurially active males in Wales who reported that they intend to start a business in the next three years was significantly higher than that for females at 15.7% (Figure 16). The male rate was also up significantly on the 2022 equivalent.

The 2023 intention rates for Wales translate into a female to male ratio of 64% which is lower than that for early-stage entrepreneurship in Wales (70%). The ratio compares to 74% in England, 95% in Scotland, 65% in Northern Ireland and 75 per cent in the UK as a whole.

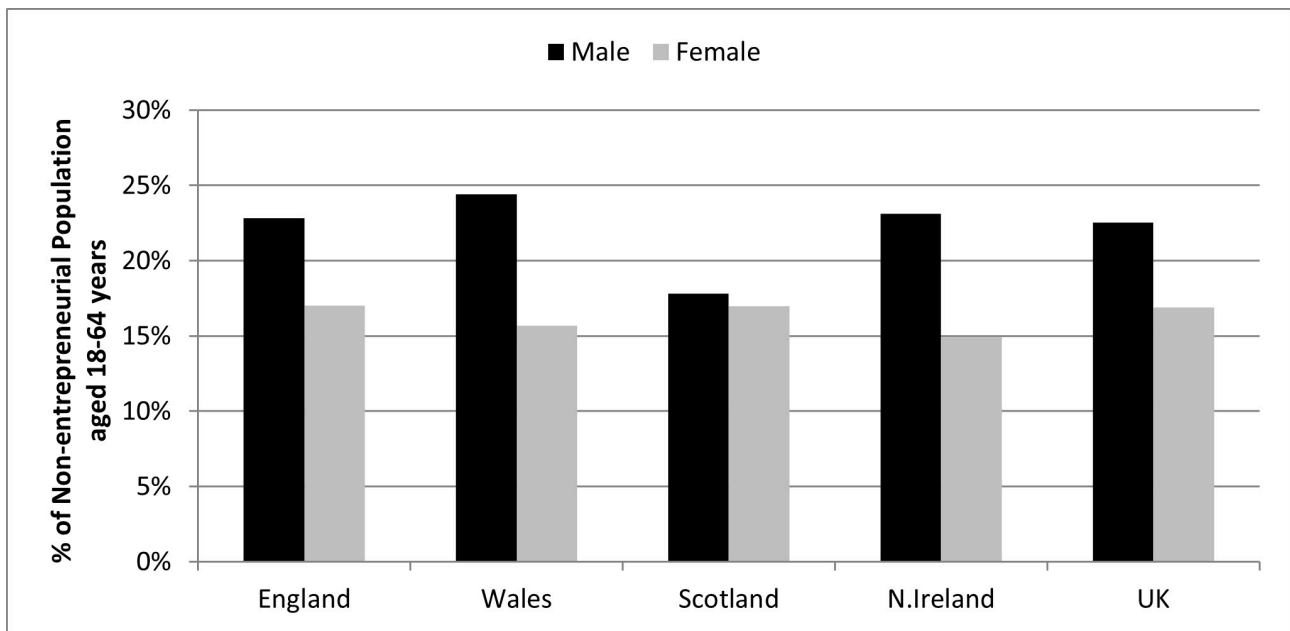


Figure 16: Future Start-up Expectations (within 3 years) in the UK Home Nations by Gender, 2023 (Source: GEM APS)

Welsh language fluency and entrepreneurial activity

There were no significant differences in 2023 in the TEA rates of those in Wales who were fluent in spoken and written Welsh (12.2%); who could speak and understand some Welsh (13.2%), and who had little or no Welsh skills (10.6%). The TEA rate of those with little or no Welsh skills was, however, significantly higher in 2023 than it was in 2022 (6.1%).

Concluding observations

Entrepreneurial activity in Wales surged in recent years in response to the

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pandemic reaching 10.3% in 2021. There was a dip in 2022 but the 2023 rate of 11.5% represents a new record high for Wales. Intention to start a business also remains buoyant in 2023 with one in five non-entrepreneurial adults intending to start a business within 3 years. Intention rates first reached double-digits in 2020 and have remained elevated since. In 2023, however, at one quarter, a significantly higher share of males in Wales intend to start a business compared to females (15.7%).

Confidence within the population in terms of ability to start a successful business and the conditions to do so is also evidenced by increasing rates of entrepreneurial activity by gender and age. Continuing the trend of recent years there is no significant difference in the male and female TEA rates, while the male rate is now the highest on record. Youth entrepreneurship also continues to increase compared to pre-GFC levels while, at 61.0%, the share of the young non-entrepreneurial population that know an entrepreneur is considerably higher than for the wider non-entrepreneurial population.

Along with entrepreneurial activity, attitudes towards entrepreneurship are also relatively upbeat. Around two fifths (39.1%) of non-entrepreneurs state that they have the skills, knowledge and experience to start a business and a similar share (42.9%) know an entrepreneur that has started a business within the past two years. These are similar proportions to 2022 and are an important feature of an entrepreneurial ecosystem. Where there is scope for further improvement is within opportunity perception. Although the rate for Wales has increased significantly since 2010, less than 30% of non-entrepreneurs in Wales believe there to be good start-up opportunities locally within the next six months. This is significantly lower than the UK share of 37.1%.

Fear of failure also remains an issue although in 2023 the rate in Wales is similar to the UK. In 2023 three fifths of those in Wales that identified start-up opportunities stated that fear of failure would prevent them from starting a business. Despite this, it does not seem to have impacted future intenders.

The updated motivation questions in the GEM UK survey provide some interesting insights into the mindset of early-stage entrepreneurs in Wales. In 2023 they continue to be more strongly motivated to start a business to either earn a living as jobs are scarce or to build great wealth or very high income. Just under half seek to make a difference in the world, although this is lower than in the UK. Carrying on a family business tradition continues to be the least important motivating factor in Wales and elsewhere. This provides an important disaggregation of entrepreneurial motivation which goes beyond a simple binary opportunity/necessity typology.

Overall, entrepreneurial activity in Wales remains buoyant. In fact, over the last 20 years rates of early-stage entrepreneurship have doubled with 2023 seeing record highs overall and in male entrepreneurship. Youth entrepreneurship is also significantly higher than in 2002 and, with a greater share of young people knowing an entrepreneur, there is further potential for this age group to continue to accelerate entrepreneurial activity in the coming years.

Disclaimer

This report is based on data collected by the GEM consortium and the GEM UK team; responsibility for analysis and interpretation of the data is the sole responsibility of the authors.

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