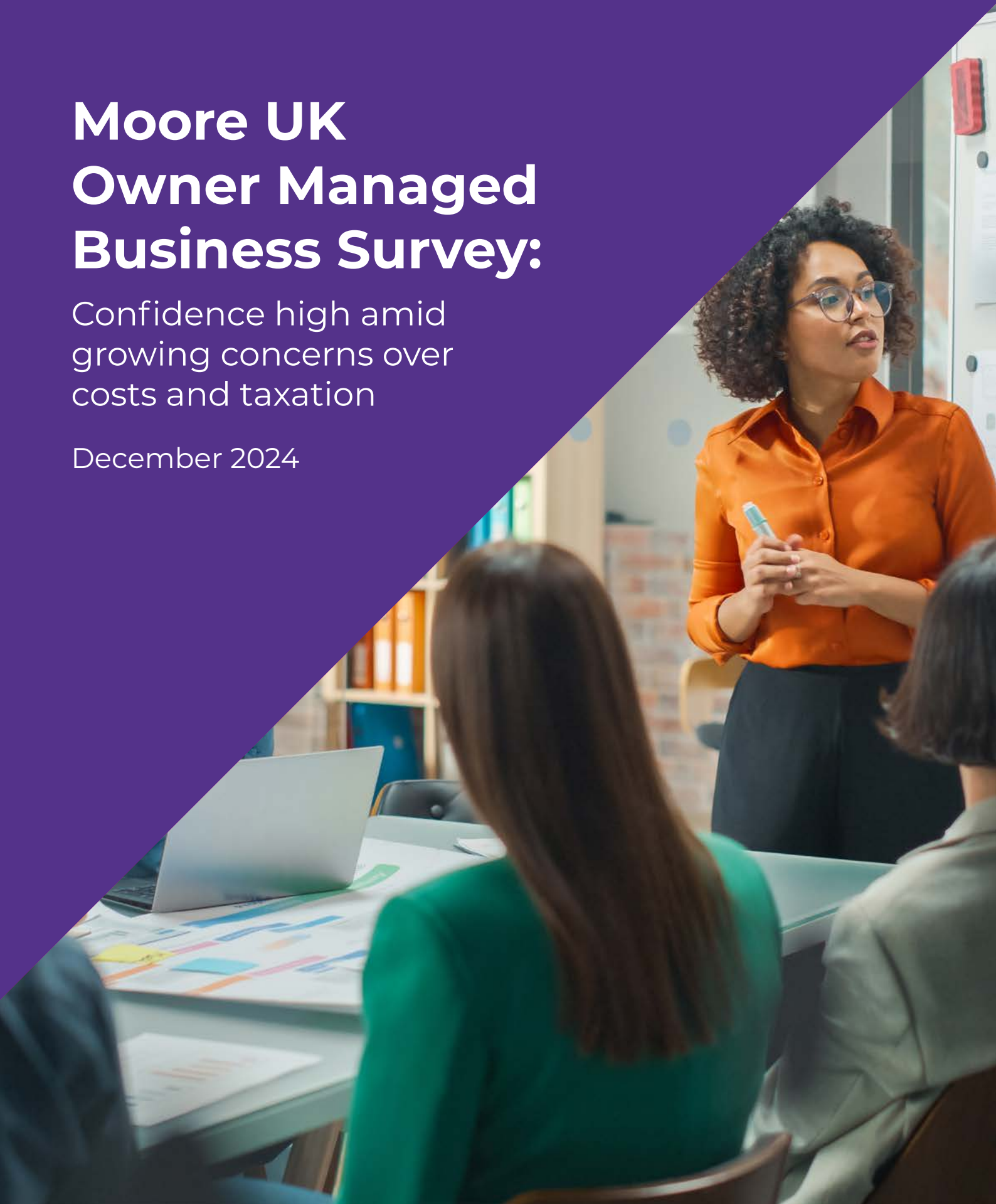


Moore UK Owner Managed Business Survey:

Confidence high amid
growing concerns over
costs and taxation

December 2024



The business outlook on the year ahead

Twice a year, Moore UK asks business leaders across the country to share their aspirations for the next six months and track business confidence.

The results of the November 2024 Moore UK Owner Managed Business (OMB) survey, conducted immediately after the UK Autumn Budget, reveal a blend of optimism and caution among business leaders. With confidence levels remaining high, OMBs remain resilient in the face of ongoing economic challenges. However, rising costs, taxation and recruitment pressures are key areas of concern.

High confidence levels

Despite economic uncertainties, the survey highlights robust optimism among OMBs. 79% of businesses expressed confidence in the general outlook for the year ahead, while 81% reported confidence in meeting profit targets – an all-time high since the survey's inception in February 2021. These figures underscore the adaptability and determination of UK businesses navigating a complex economic environment.

Tax becoming more of a concern

The survey also sheds light on growing challenges. Tax has become a significantly heightened concern, with 37% of respondents identifying it as a key issue, up from 21% in December 2023.

Business costs, tax and interest rates emerged as the top three challenges facing OMBs, underscoring the pressure on profitability.

Inflation remains a critical concern (32%), despite the recent fall in the UK's inflation rate, suggesting businesses are still grappling with higher operating costs.

Recruitment and workforce challenges

Recruitment remains a challenge, with only 44% of businesses planning to increase their headcount in the next three months. This cautious approach reflects concerns about affordability following the government's announcement of increases in the National Minimum Wage and employers' National Insurance contributions. For many OMBs, these rising costs limit their ability to invest in business growth, indicating potential constraints on job creation.

The survey also revealed a split in perceptions about how recent Budget changes would impact recruitment. While 28% believe the changes will make it easier to hire, a similar number (29%) expect recruitment to become harder. Additionally, 38% of respondents stated that increased business costs would hinder their ability to offer pay rises to existing employees, potentially affecting employee retention and morale.

Mixed reactions to the Autumn Budget

The Autumn Budget received a mixed response from OMBs. While 45% of respondents believe the changes announced will positively impact their business, 31% foresee a negative impact. The increase in employers' National Insurance in particular, was flagged as a significant concern, with 44% of businesses stating it would negatively affect their operations.





Trade with Europe: a glimmer of hope?

OMBs are optimistic about trade with Europe. A majority (58%) expressed confidence that trade with the EU will become easier over the next 12 months. This sentiment may reflect recent efforts to streamline post-Brexit trade regulations, offering a potential boost for businesses reliant on European markets.

Balancing optimism with realism

The survey paints a picture of a resilient yet cautious sector. Record levels of confidence in profit targets and overall outlook suggest OMBs are optimistic about their ability to adapt and thrive. However, rising costs, taxation and recruitment challenges present hurdles that could temper growth.

As businesses navigate the implications of the Autumn Budget, policymakers must balance fiscal measures with the need to support OMBs in managing costs and fostering growth. Sustaining high levels of confidence will require continued efforts to address these key concerns while maintaining a favourable environment for trade and investment.

OMBs remain a vital pillar of the UK economy. With strategic support and targeted interventions, they are well-positioned to meet the challenges of 2025 while driving innovation and growth in the post-pandemic era.

To gather the data for this report we surveyed 520 businesses with turnover between £1m and £30m in November 2024, immediately after the UK Budget. Businesses were selected from across all sectors, throughout the UK and in proportion regionally in line with ONS statistics for VAT registered and PAYE companies under 249 employees.

We'd like to thank everyone who took part – your feedback is much appreciated.



Mark Lance
CEO of Moore UK

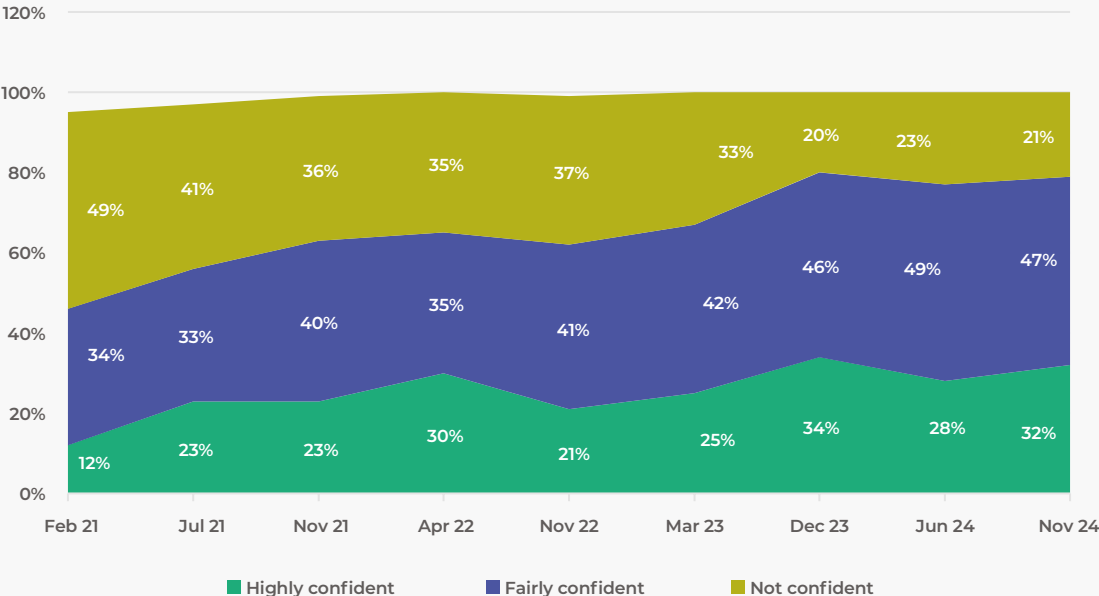


Matthew Meadows
Chair of Moore UK

Confidence in the general outlook

Overall business confidence remains high, with more than three quarters (79%) of OMBs saying they are confident about the year ahead, and almost a third (32%) highly confident about the future.

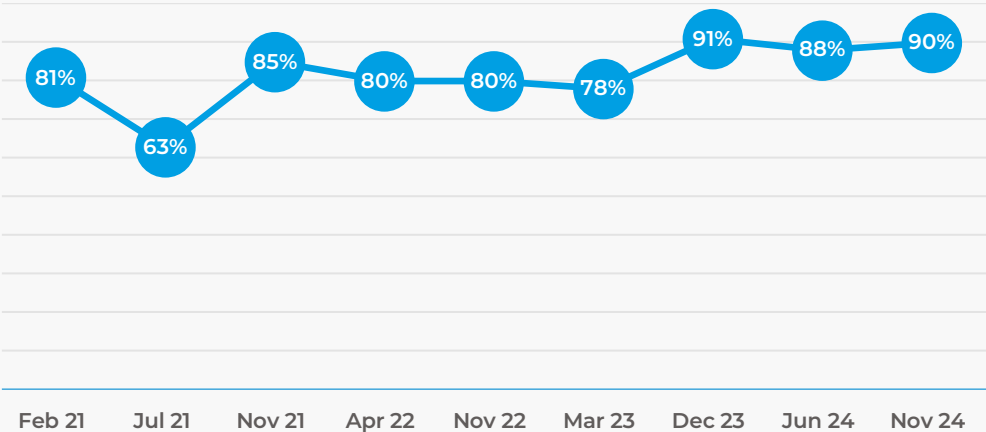
Confidence in the general outlook



Profitability

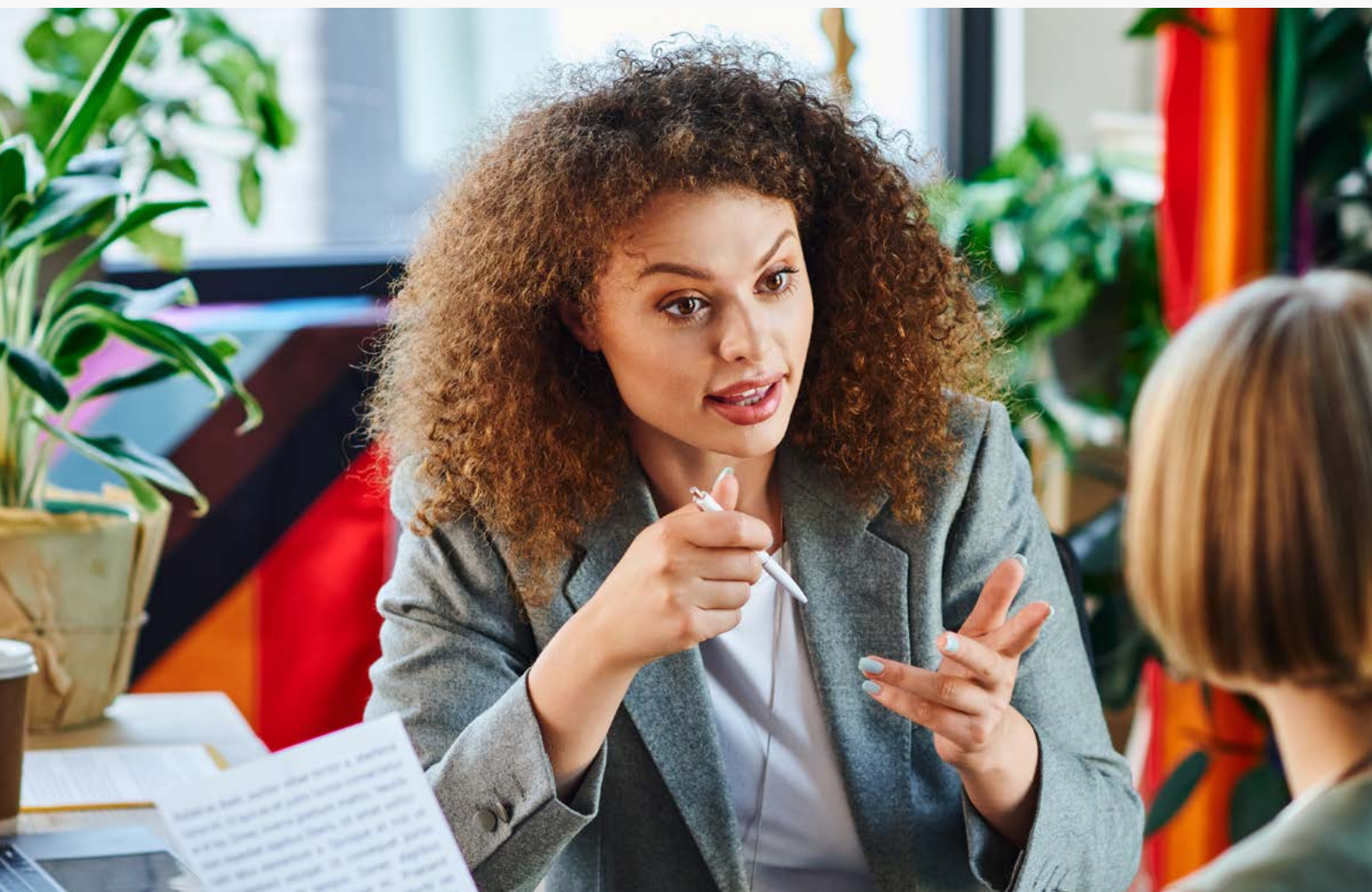
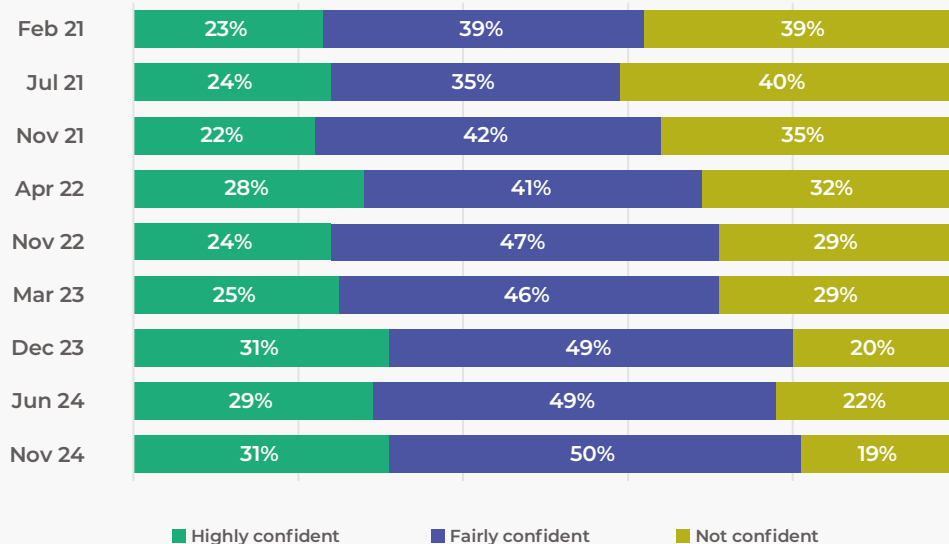
Nine out of 10 OMBs expect their profits to increase over the next 12 months, up slightly from 88% in June 2024.

% of OMBs expecting profits to increase over the next 12 months



81% of OMBs say they are confident about meeting their profit targets in the year ahead, the highest number since our survey began in February 2021.

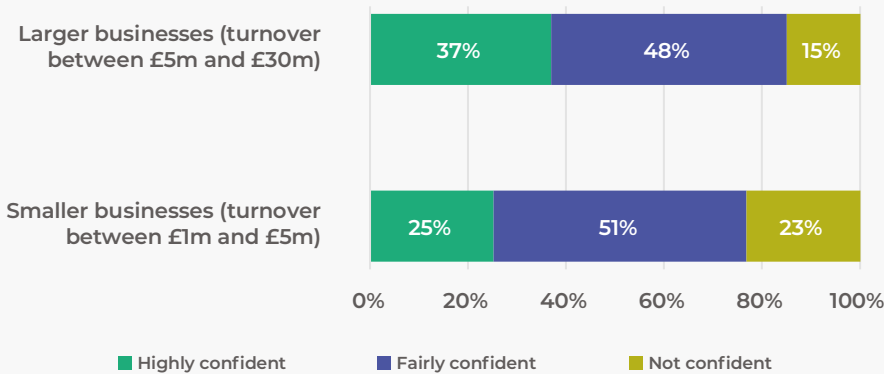
Confidence in meeting profit targets



Confidence lower among smaller businesses

Smaller businesses (those with turnover between £1m and £5m) are less confident about meeting targets than larger businesses (turnover above £5m). Only a quarter (25%) of smaller businesses are highly confident about meeting their profit targets compared to 37% of larger businesses. And there is a similar picture when it comes to confidence with the general outlook for the year ahead, with 39% of larger businesses saying they are highly confident about the future compared to just 25% of smaller ones.

Confidence in meeting profit targets – by business size



What are your main business goals for the next six to 12 months?



“To attract new customers and grow the business, allowing me to take on a few more workers.”

“To keep the business profitable for the next generation.”

“The general outlook for demand is very uncertain over the next 12 months, businesses face increased taxes as a result of the Budget and will therefore focus on keeping costs and investment low to ride out the next year until we see how the future looks in 2026.”

“Increase market share by 15% by expanding our online presence.”

“To produce profit over rising costs and to increase staffing levels.”

“With inflation biting hard it’s going to be a rough ride for businesses in the coming months.”

The challenges facing OMBs as we head into 2025

Taxation has become a bigger concern for OMBs, with more than a third (37%) citing tax as one of the biggest challenges facing their business in the next three months, compared to 26% in our June 2024 survey and just 21% in December 2023.

Business costs, interest rates and inflation continue to pose significant challenges for business owners, despite the recent drop in inflation and the Bank of England now having started to cut interest rates.

Staff recruitment and retention is slightly less of a concern than it was earlier in the year, with only a quarter (25%) of business owners saying this is one of the biggest challenges for their business, compared to 30% in our June survey.



What are your main business goals for the next six to 12 months?

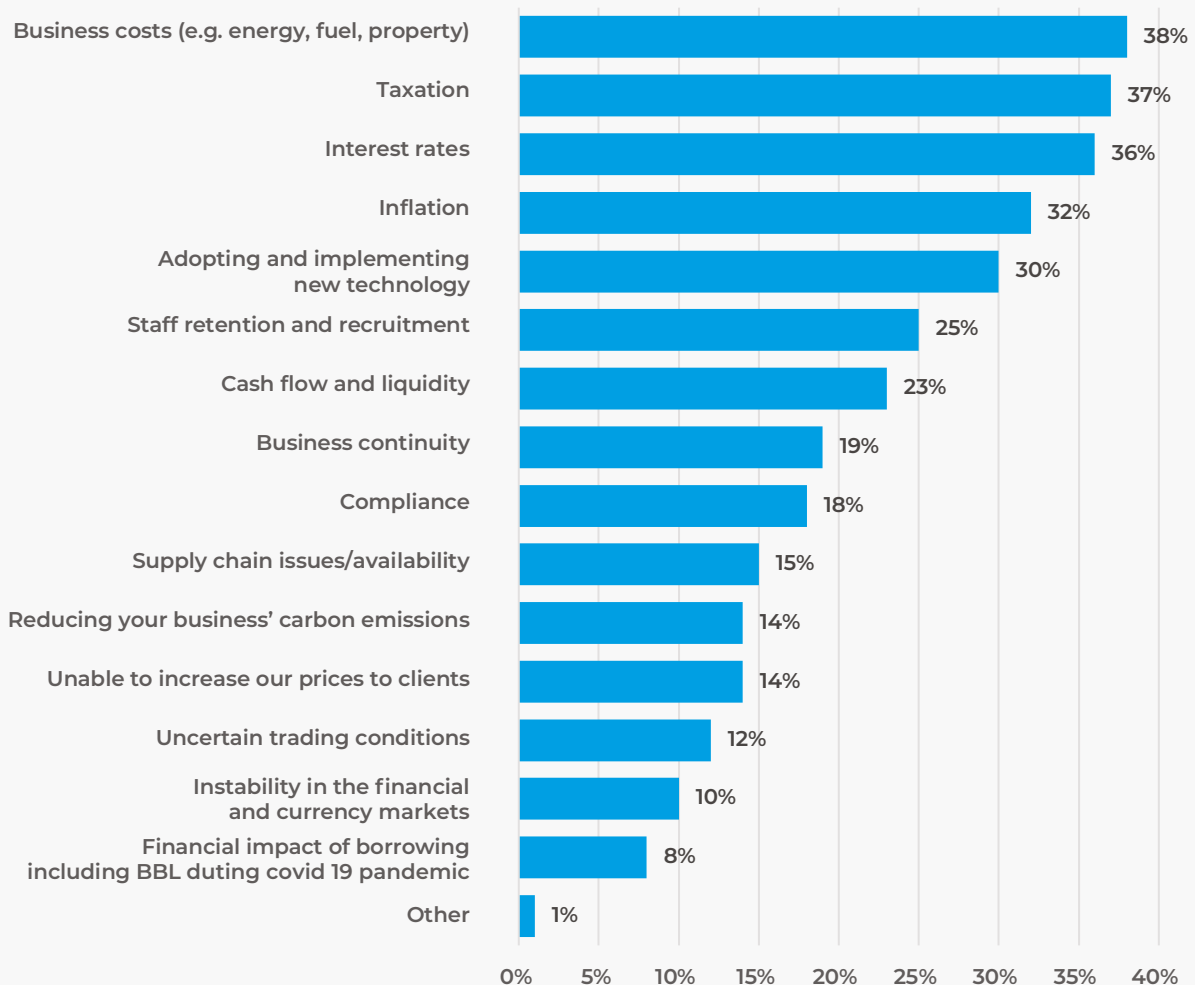
“To remain profitable despite interest rates and taxation.”

“To try and cope with the rising costs and try and get profitable without ripping off customers.”

“To diversify and try and cope with the tax rises.”

“Retain employees and adopt technology to help the business cope with rising expenditure.”

What are the biggest challenges facing your business in the next three months?

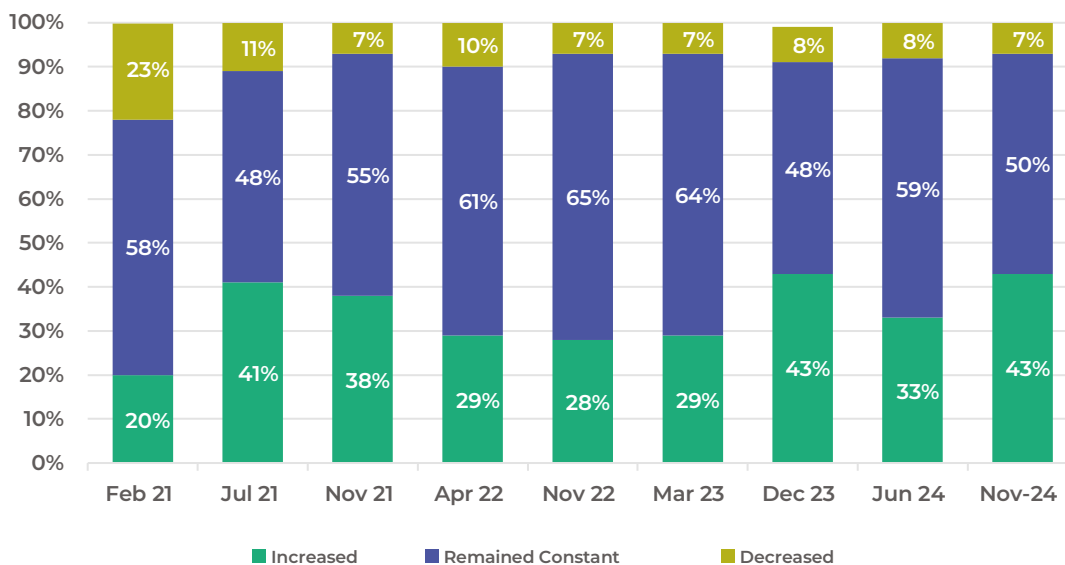


Recruitment and retention

The number of OMBs increasing their headcount over the past three months returned to similar levels we saw at the end of 2023, despite having dropped in our June 2024 survey.

43% of business owners say their workforce increased over the past three months (compared to 33% in June 24). Smaller businesses are less likely to have increased their workforce, with only 38% having taken on new staff, compared to 47% of larger businesses.

Over the past three months, has your workforce increased, decreased or remained constant?



What are your main business goals for the next six to 12 months?



“To expand operations and recruit more staff.”

“To recruit and retain staff and reduce costs.”

“To expand our workforce and grow the business.”

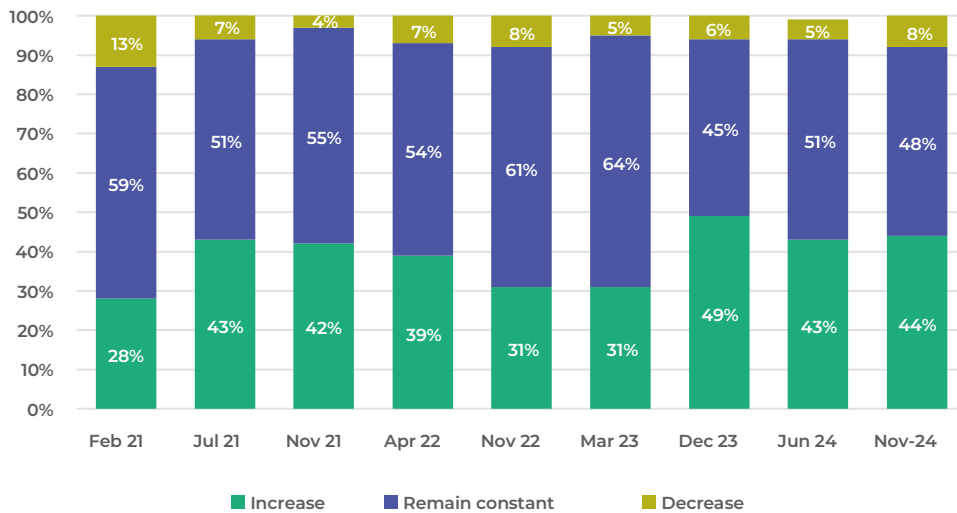
“Our main goal is to develop the skills of our workforce, particularly with the use of artificial intelligence.”

“Indirect taxes mean it will be harder than ever to retain good staff and too costly to replace them.”

Future recruitment plans

It's a similar picture when looking at planned future recruitment. While 44% of OMBs say they are planning to increase their headcount in the next three months, only 38% of smaller businesses are expecting their workforce to increase, compared to 49% of larger businesses.

Over the next three months do you expect your headcount to increase, decrease or remain constant?



Despite increased business confidence, the number of businesses planning to recruit in the next three months has stayed relatively unchanged since June 2024, and remains lower than it was in our December 2023 survey.

Many OMBs say the increases in the minimum wage and employers' National Insurance contributions, coupled with changes to employment rights introduced since the election mean they're less likely to be able to recruit new staff in 2025.

What impact do you anticipate the Budget will have on your business for the next 12 months?



"The increases in minimum wages will raise overhead costs and mean there is less money available for business growth."

"Increased cost burden will limit pay rises which could lead to staff leaving or not recruiting more staff."

"We need to cut expenditure and freeze recruitment to protect our reserves."

"Increased National Insurance contributions will limit pay increases, (potentially impacting retention) and will likely reduce recruitment."

"It shall be more expensive to hire new employees who have more immediate draining employee rights."

"There is no encouragement for us to increase investment in our business as we are worried about employing new staff."

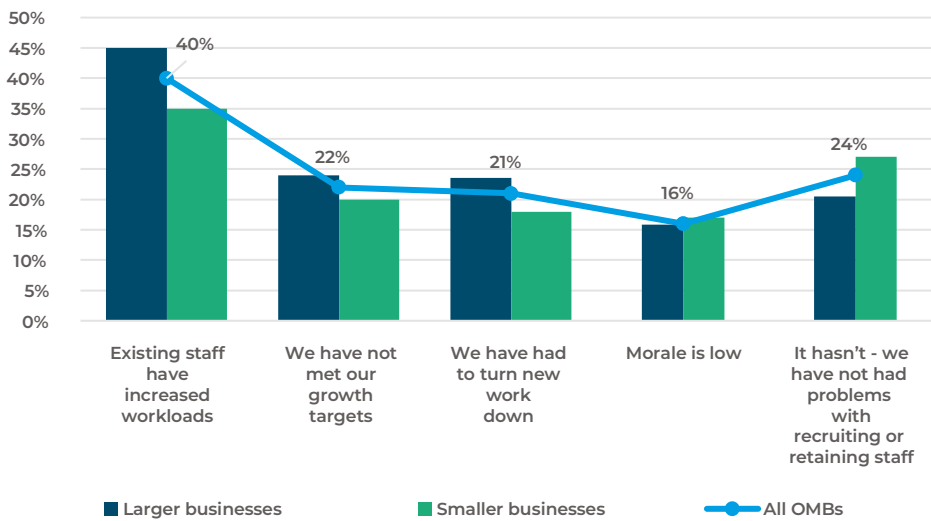
"We will not be able to give any pay increases as the increases in National Insurance contributions and minimum wage will take all of the money earmarked for this. We will be less able to attract the talented people we need to keep our business fresh and competitive."

Recruitment challenges

Only a fifth (20%) of larger businesses said they'd not experienced any problems recruiting or retaining staff compared to almost a third (27%) of smaller businesses.

Employees working in larger firms are most affected, with almost half (45%) of larger OMBs saying their staff have had to take on additional work as a result of recruitment challenges compared to just over a third (35%) of employees at smaller businesses. For the very smallest firms participating in our survey (those with turnover between £1m and £2.5m), only 29% of business owners said that existing staff have increased workloads.

To what extent have challenges with recruiting and retaining staff impacted on your business?



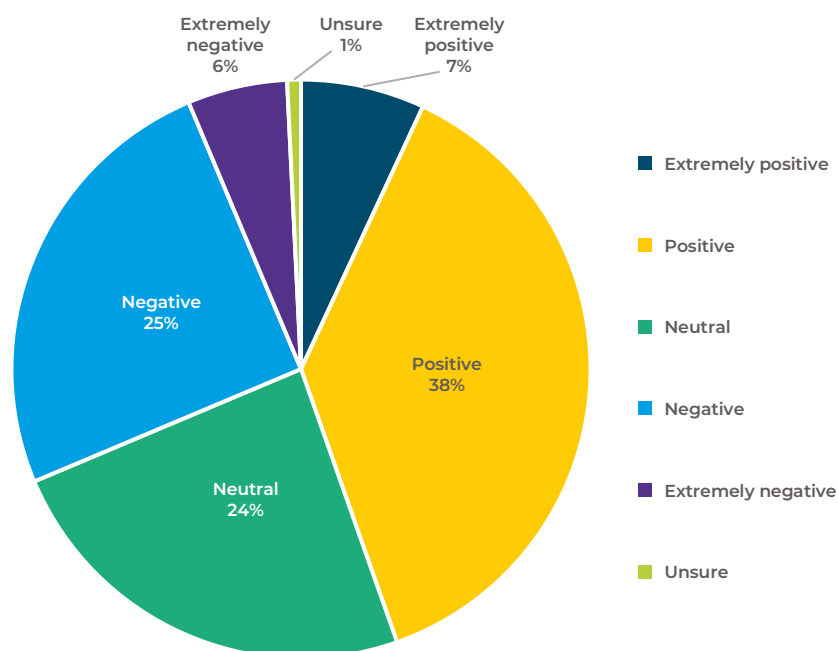
Autumn Budget 2024

In this year's Autumn Budget, the government pledged to "fix the foundations of the economy and deliver change by protecting working people".

Alongside increases to the National Minimum Wage and the National Living Wage, Chancellor Rachel Reeves also announced tax rises of £40bn, the bulk of which is expected to come from raising the amount employers will pay towards National Insurance contributions for workers.

Opinions as to whether the changes announced in the Budget will be good for OMBs was mixed. 45% saying that the Budget will have either an extremely positive or positive impact on their business, compared to 31% saying the impact will be negative or extremely negative.

Overall, what impact do you anticipate the Budget will have on your business for the next 12 months?



Reactions to the measures announced in the Budget

Increases to the National Minimum Wage and the National Living Wage are the most popular of the changes announced, with half (50%) of business owners saying this will have a positive or extremely positive impact on their business.

The increase in employers' National Insurance and the increase in the rate of interest on late paid tax were, perhaps unsurprisingly, less popular, with only around a third of OMBs (34% and 30% respectively) saying these would have a positive impact on their business.

Smaller businesses on the whole are less positive about the measures announced. Only 28% of smaller businesses see the increase in employers' National Insurance positively compared to 40% of larger businesses.

It was a similar picture with the increase in the Employment Allowance – more than half (53%) of larger businesses saw this as having a positive or extremely positive impact on their business compared to 42% of smaller businesses.

What impact do you anticipate the Budget will have on your business for the next 12 months?



“There was no good news for us in the Budget. We will end up absorbing the extra costs as we cannot pass them on in any way.”

“We are a nursery so all increases hit us hard and we will have to put our rates up so parents potentially will leave.”

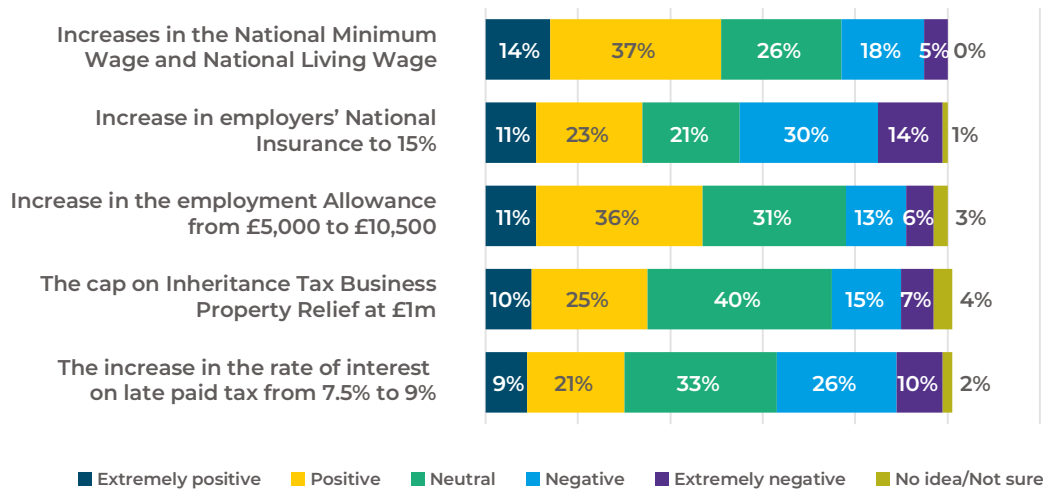
“National Insurance increase and pay rise for unskilled workers will mean price increases.”

“The government policies aren't that bad at all.”

“The increase in wages will lead to more retention and motivation. Regardless of the cost effect of the raise in pay, when there is an increase in productivity it will lead to a better profitability margin.”

“There was nothing damaging in it. Our business will benefit from retaining better off staff.”

For each of the measures listed below, please indicate whether you think this will have a positive or negative impact on your business.



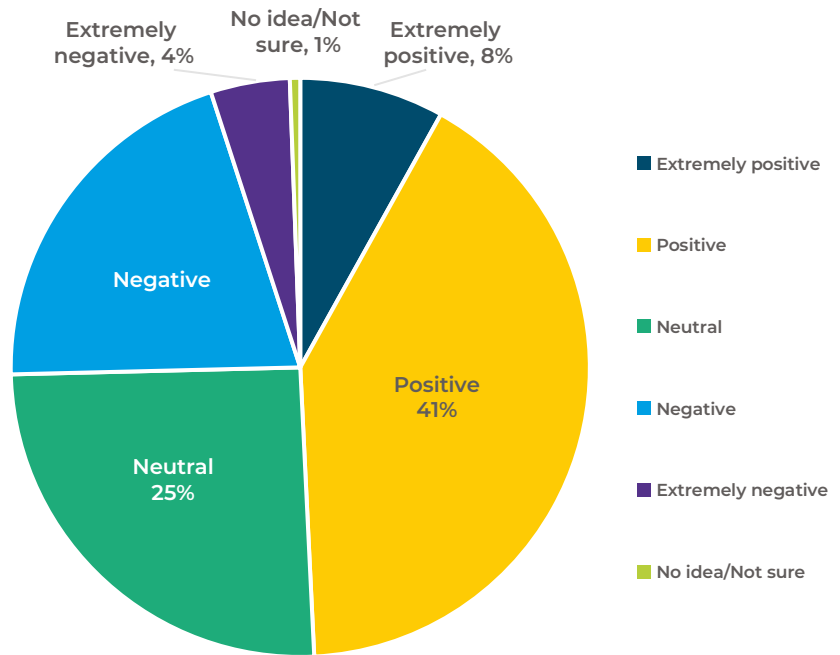
Changes to UK employment law

Alongside the changes announced in the Budget, Chancellor Rachel Reeves also announced a number of significant changes to UK employment law, including the right not to be unfairly dismissed and changes to Statutory Sick Pay and parental leave.

Overall, OMBs view these changes positively, with almost half (49%) saying these will have a positive or extremely positive impact on their business. A quarter (25%) feel the changes will have a negative impact.

Once again, it is larger businesses who are the most optimistic, with over half (54%) saying the changes to employment law will have a positive impact on their business compared to 45% of smaller businesses.

To what extent do you think the impact of the changes to employment law on your business will be positive or negative?



What impact do you anticipate the Budget will have on your business for the next 12 months?



“These are positive employee rights and will make staff more secure.”

“I think staff will be happier which will boost morale.”

“The changes in benefits for employees will make it easier to hire staff.”

“It has added costs and will stifle growth.”

“As a labour-intensive small business, we are being hit on all fronts with tax and margins being squeezed.”

“How can we increase our National Insurance contributions without chipping away at already laughable margins? How can we risk hiring someone who might bunk off onto long term sickness after day one?”

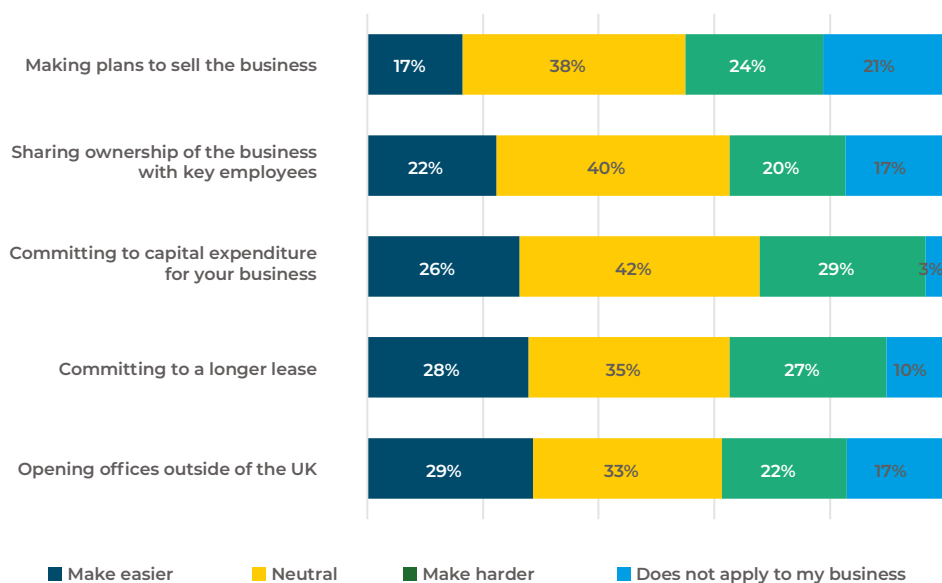
% of businesses saying change would have a positive impact on their business by size of business



The impact of the Autumn Budget on businesses' plans for the future

Almost a third (29%) say it will be harder to commit to capital expenditure over the next 12 months as a direct result of the changes announced in the Budget, and the same number say it will be easier to open offices outside the UK. Almost a quarter (24%) say it will be harder to sell the business.

To what extent do you think the changes made, or proposed, by the Labour government are likely to affect these decisions for your business?

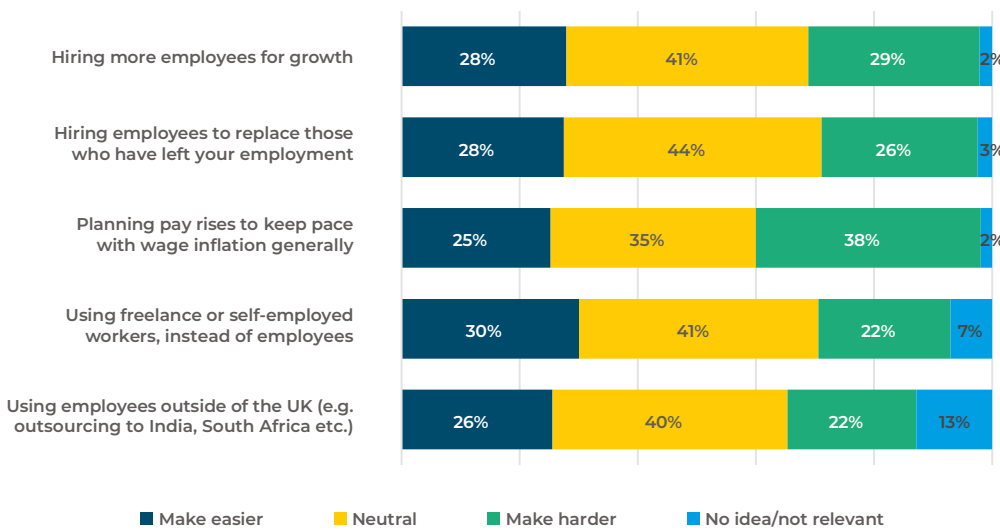


Impact on pay and recruitment

OMBs are split on whether the changes will make it easier to recruit – 28% say hiring more employees will be easier as a result of the changes announced but a similar number (29%) say the changes will make it harder to recruit.

However, more than a third of business owners (38%) say that the changes will make it harder to increase staff pay to keep pace with wage inflation, and almost a third (30%) say it will be easier to use freelance or self-employed workers, instead of salaried employees. A quarter (25%) say it will be easier to use employees outside of the UK (i.e. by outsourcing overseas).

To what extent do you think the changes made, or proposed, by the Labour government are likely to affect employment for your business?



What impact do you anticipate the Budget will have on your business for the next 12 months?



“We will not be able to give any pay increases as the increases in National Insurance contributions and Minimum Wage will take all of the money earmarked for this. We will be less able to attract the talented people we need to keep our business fresh and competitive.”

“The level of new taxes, increased minimum wages and new employment laws mean we are actively looking to move our business away from the UK.”

“We will look at technology rather than new employees and at cutting working hours.”

“Our costs are going up due to pay rises and more tax. It will mean we either up our prices or take the hit.”

“There will be increased labour costs, regulatory uncertainty, higher taxes and compliance burden which will lead to reduced profit margins.”

“Massive compulsory cost increase with National Insurance rises and minimum hourly rate increases will result in far less wage rises and less recruitment.”

What are your main business goals for the next six to 12 months?



“If there’s more positive trade between the UK and the European market we can expand.”

“To grow and expand our business across Europe.”

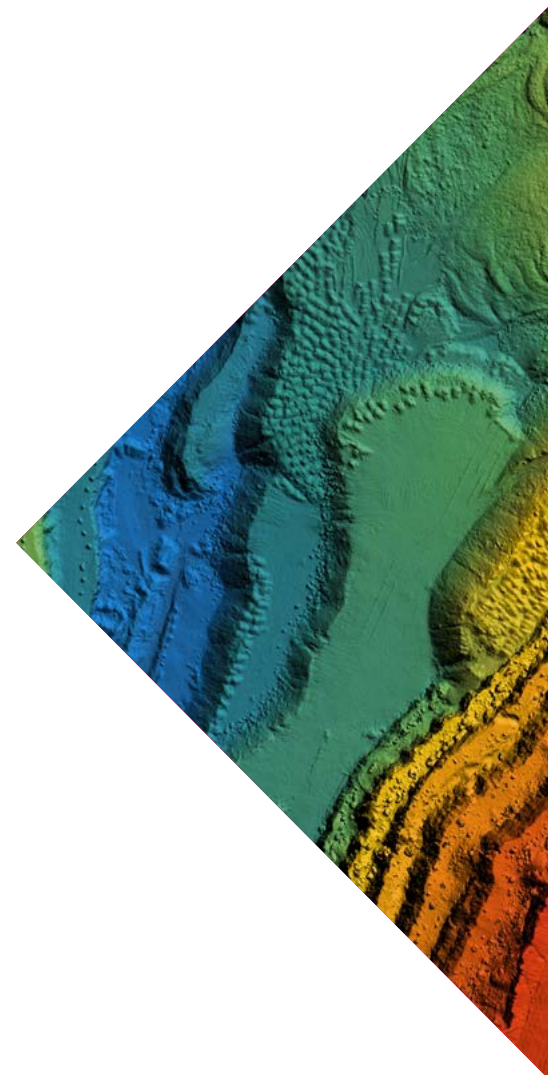
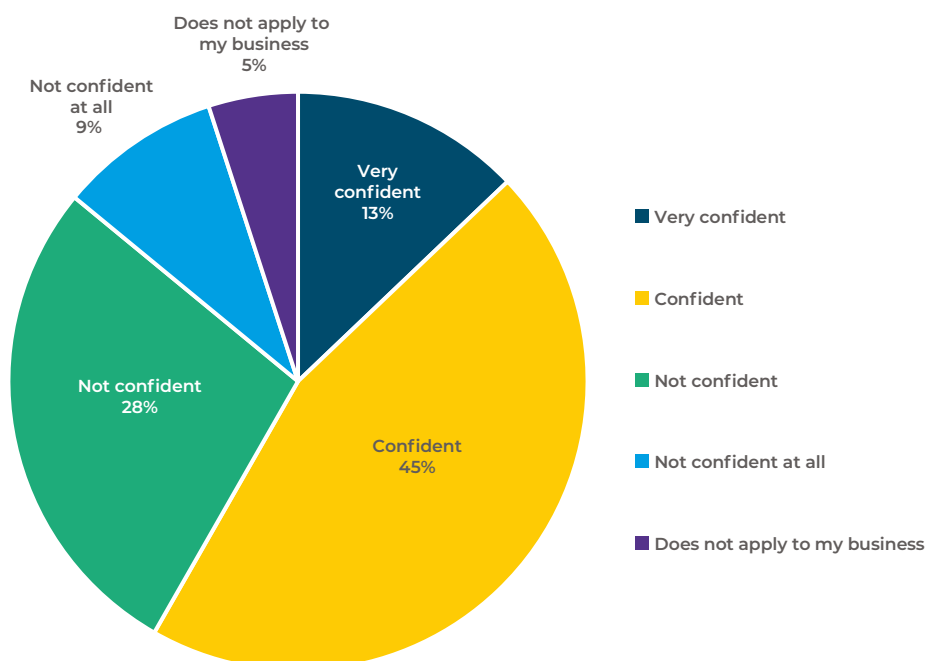
“The government removing barriers means we can expand our company and trade more freely in the European market.”

“There are still paperwork issues with Europe.”

Trade with the EU

As part of its election manifesto, the government pledged to “improve the UK’s trade and investment relationship with the EU by tearing down unnecessary barriers to trade”. More than half of OMBs (58%) are confident or very confident that trade with Europe will become easier over the next 12 months, especially large companies (64%).

How confident are you that trade with Europe will become easier over the next 12 months?



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