



**MOORE**



## **THE BIG SQUEEZE: CHALLENGING TIMES AHEAD FOR OWNER MANAGED BUSINESSES**

The Owner Managed Business View in November 2022

# THE BUSINESS OUTLOOK ON THE YEAR AHEAD



**Twice a year, we ask business leaders across the country to share their aspirations for the next six months and track business confidence. Our latest Owner Managed Business (OMB) survey carried out in November 2022 looks at the issues affecting UK businesses today.**

Business confidence, which had been steadily increasing as we've come out of the pandemic, has fallen for the first time in 18 months. 92% of businesses claim their profits will be impacted by rising costs – with small businesses hit hardest. Almost 1 in 3 (29%) small businesses say profits will be down in 2022 compared to just 15% of larger firms (those with turnover above £1m).

The squeeze on profit margins means that 84% of businesses are looking to cut spending in the next few months. A third are planning to reduce energy usage, and a quarter will reduce spend on recruitment and marketing. 23% are looking to reduce spend on rent and other office costs, by turning to home working and hybrid working models.

With the focus on cost reduction, reducing carbon emissions has become less of a priority for businesses in 2022 – only 5% say this is a key challenge compared to 21% this time last year.

Rising inflation, interest rates and energy and fuel prices are, unsurprisingly, the biggest challenges affecting business owners this winter. More than half (55%) of businesses state they are 'concerned' about meeting energy costs in the next three months. Inevitably, these additional costs mean businesses are having to increase their prices to the customer. Two-thirds of businesses surveyed (69%) have either put prices up recently or are planning to do so in the next few months, although most are hoping to do so by less than inflation.

Recent political turmoil means business owners have little confidence in the UK Government's ability to deliver economic growth in 2023. Small business owners are least confident, with 72% saying their confidence in the UK Government is low compared to just half (56%) of larger ones.

With the Government holding two UK budgets in less than two months, tax is becoming more of a headache for businesses both large and small. Corporation Tax is a key challenge for larger businesses, whereas small businesses are more likely to be worried about VAT.

Despite the economic uncertainty and additional costs, business owners remain committed to supporting their people wherever possible, with 80% of business owners stepping in to provide additional support for their staff to mitigate the cost-of-living crisis. Almost a third (27%) have increased pay, with the same number providing free meals, drinks and snacks. Other support measures include paying bonuses, encouraging paid overtime and cutting commuting or offering free transport.

## **Maureen Penfold, Chair of Moore UK**



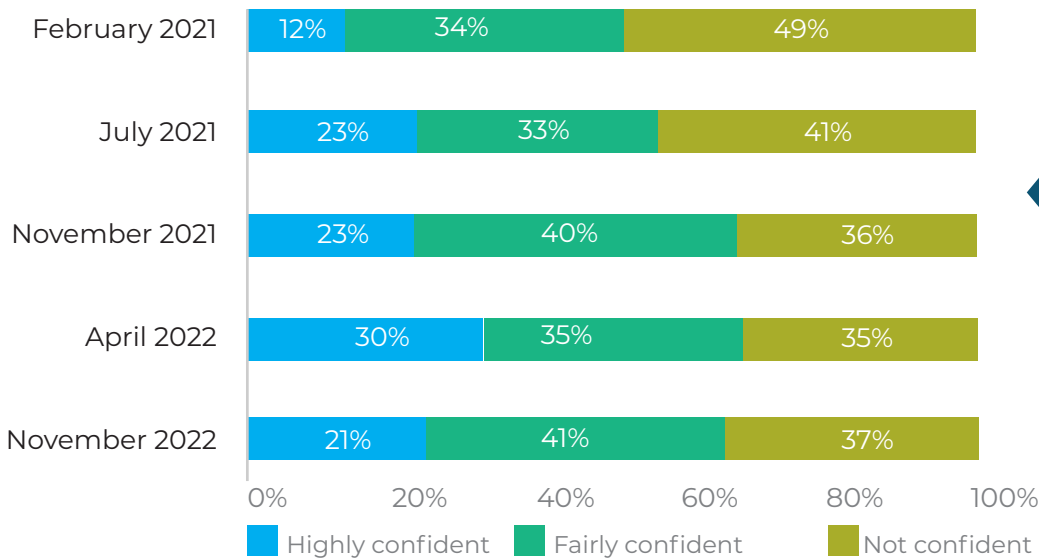
To gather the data for this report we surveyed 528 businesses with turnover between £85k and £30m in November 2022. Businesses were selected from across all sectors throughout the UK and in proportion regionally in line with ONS statistics for VAT registered and PAYE companies under 249 employees.

# BUSINESS CONFIDENCE STARTING TO DECLINE AFTER A POST-PANDEMIC BOOST

Having been rising steadily since a mid-pandemic low, business confidence has started to drop off again at the end of 2022. More than a third of businesses (37%) are pessimistic about the general outlook for the coming year.

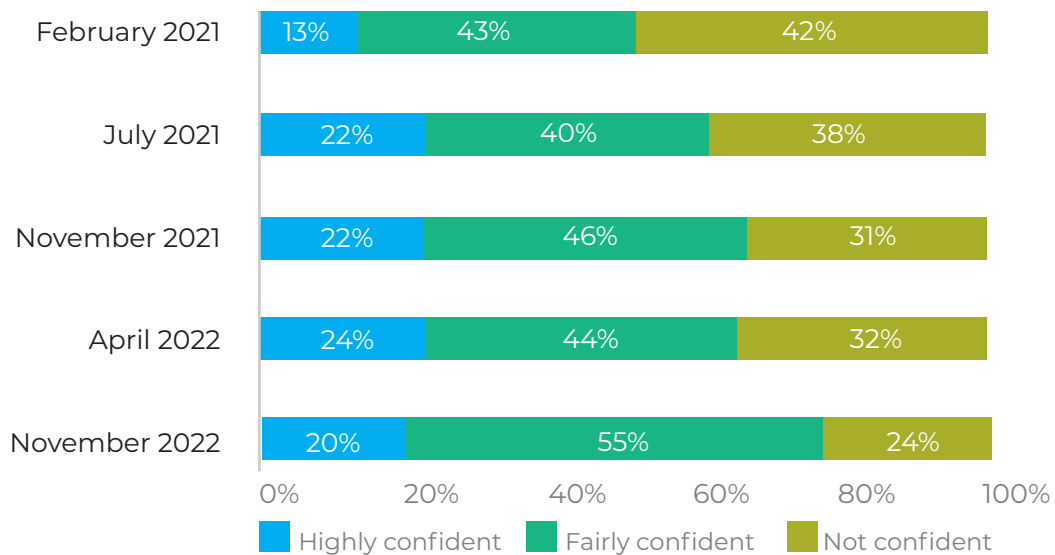
Whilst 8 out of 10 businesses continue to anticipate revenue growth in 2022, the average revenue increase expected (23.5%) is down on the previous survey carried out in April 2022 (27%). And although 1 in 5 (20%) businesses are highly confident about meeting their revenue targets for next year, this has dropped from almost 1 in 4 businesses (24%) in April.

## How confident are you in the general outlook for the next 12 months?



*“We are trying to get back to normality as during lockdown we had to close. Not all our customers have returned post-COVID.”*

## How confident are you about meeting your revenue target in the next 12 months?



*“It will be a hard struggle to keep our heads above water. Costs are going up and people don’t have money to spend, so the outlook is dim.”*

# SMALL BUSINESSES ARE LESS OPTIMISTIC FOR THE FUTURE THAN LARGER ONES

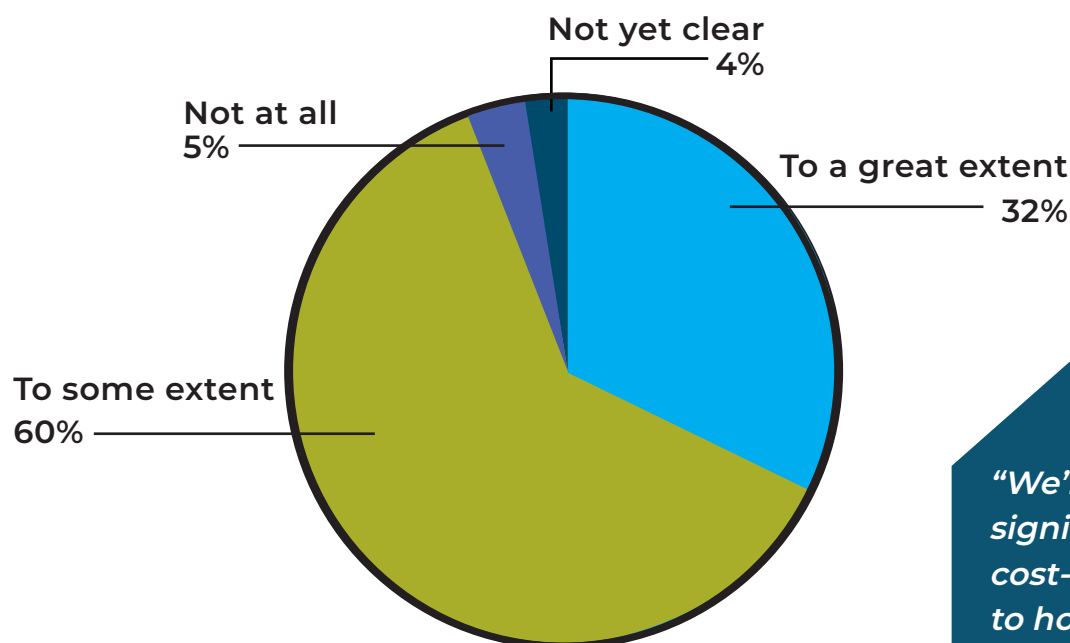
Larger companies (those with turnover of more than £1m), are expecting significantly higher revenue growth (29%) than smaller companies (16%).

Smaller companies are less positive about the year ahead than they were earlier in the year. In our previous survey (carried out in April 2022), small businesses were anticipating revenue increases of 24% on average in 2022. This has dropped to just 16% in November 2022.

Anticipated revenue change in 2022	Nov 22	Apr 22
Larger companies (turnover above £1m)	+29%	+30%
Smaller businesses (turnover below £1m)	+16%	+24%
Average	+23.5%	+27%

## PROFITABILITY WILL BE HIT BY RISING COSTS

To what extent are rising business costs likely to impact your profitability?



Almost all businesses (92%) said that rising business costs would impact on their profitability to some extent over the next 12 months and just under a third of all businesses (32%) said that rising business costs are likely to impact their profitability by 'a great extent'.

Small businesses (turnover below £1m) are feeling the impact of rising business costs significantly more than larger businesses (turnover above £1m).

37% of small businesses said that rising costs are likely to impact their profitability 'to a great extent' compared with just 28% of larger businesses.

*"We're hoping to grow significantly although the cost-of-living crisis is likely to hold us back."*

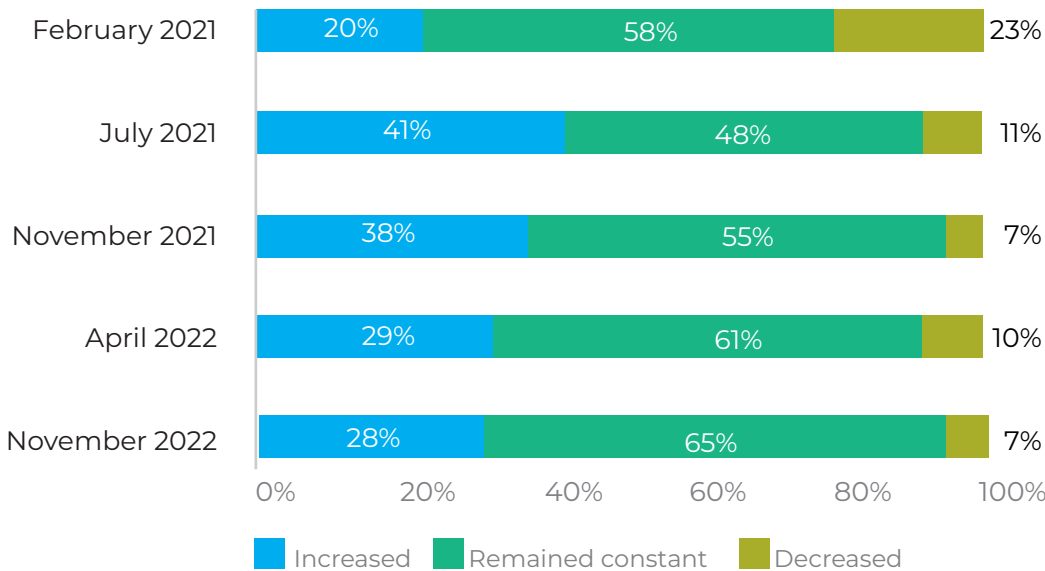
*"At the very least we want to maintain profitability in the oncoming economic climate."*

*"The outlook isn't looking good – trying to get stock is impossible and prices are just too high."*

# RECRUITMENT CONTINUES TO SLOW

There are signs that businesses are starting to slow down their plans for recruitment. The number of businesses taking on new staff has declined steadily since July 2021, with just over a quarter (28%) having increased their workforce in the past three months compared to 41% in July last year.

## Over the past 3 months, has your workforce...

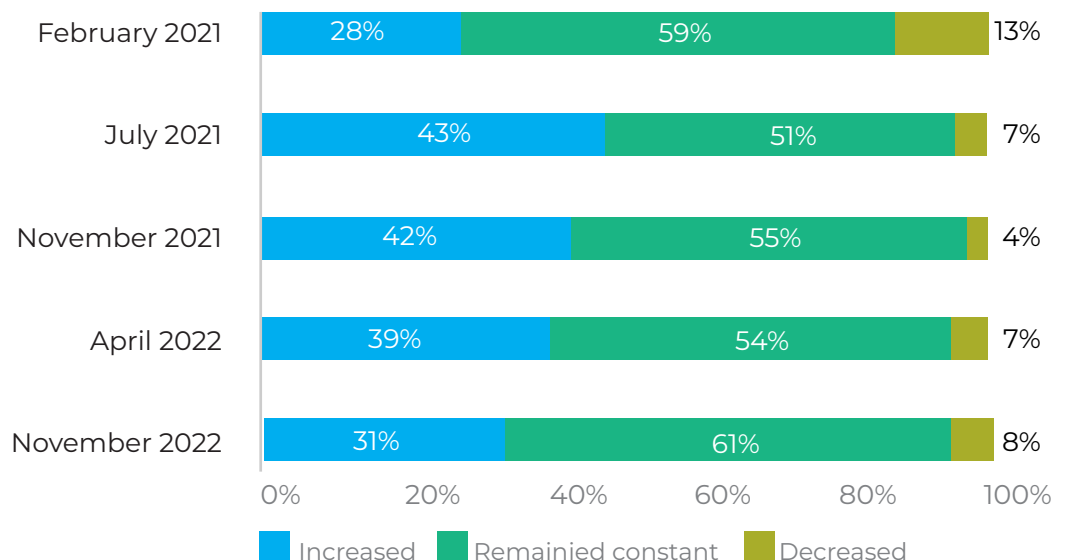


Smaller businesses are less likely to have expanded their teams, with just 17% of small businesses having increased their workforce in the past three months compared to 35% of larger businesses.

	Total	Small Businesses (under £1m turnover)	Large Businesses (above £1m turnover)
Increased	28%	17%	35%
Remained constant	65%	74%	59%
Decreased	7%	10%	6%

## Over the next 3 months, do you expect your workforce to...

Only 31% of businesses say they are planning to increase their workforce in the next three months compared to 43% in July last year.





*“I’d like to be more economically stable and better able to retain staff.”*

*“Staff recruitment is our main priority as well as retaining current staff.”*

*“We want to grow to be able to keep staff level and give staff the pay rises they are due.”*

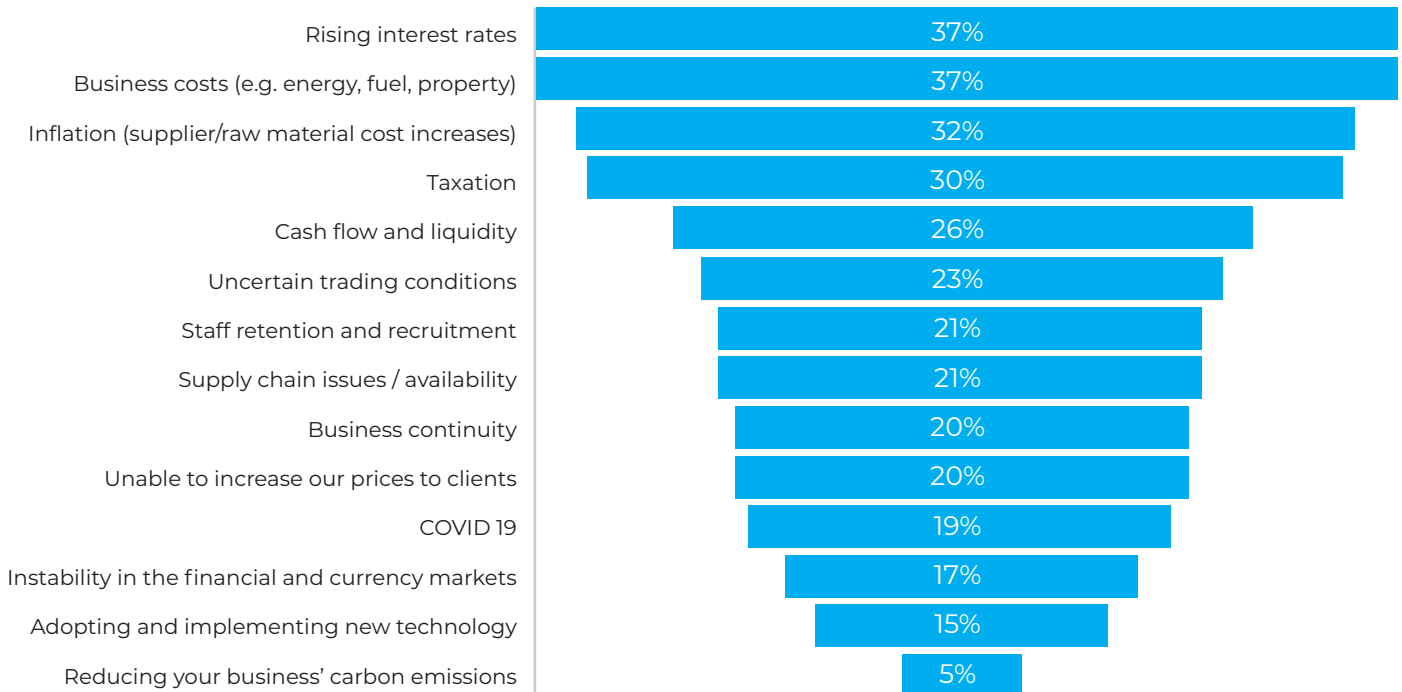
*“I hope that we can continue to retain our full staff numbers and trade profitably throughout 2023 despite the current harsh financial times we find ourselves in.”*

*“We hope to turn a profit whilst ensuring our staff and customers are treated fairly.”*

# BUSINESS CHALLENGES

Rising interest rates, energy and fuel prices and inflation are, unsurprisingly, seen as the biggest challenges affecting business owners, followed by taxation and cash flow/liquidity.

## What are the biggest challenges to your business in the next 3 months?



Rising energy and fuel costs are more likely to be challenging for smaller businesses, with almost half (45%) citing business costs as a challenge compared to less than a third (31%) of larger businesses.

Staff recruitment and retention is more of a problem for bigger businesses, with 27% of large businesses highlighting it as a challenge compared to just 14% of smaller businesses.

### TAX IS BECOMING MORE TAXING

Almost 1 in 3 business owners (30%) said that taxation was going to be a key challenge for them over the next three months – up from 21% at this point last year (November 2021).

Larger businesses are more likely to be concerned about Corporation Tax costs than smaller businesses (35% of businesses with turnover over £1m said that they are concerned about Corporation Tax costs compared with just 24% of businesses with turnover below £1m).

Smaller businesses are more likely to be worried about VAT, with 17% of small businesses saying VAT was a concern compared to just 10% of larger businesses.

*“We hope to increase turnover by reducing costs.”*

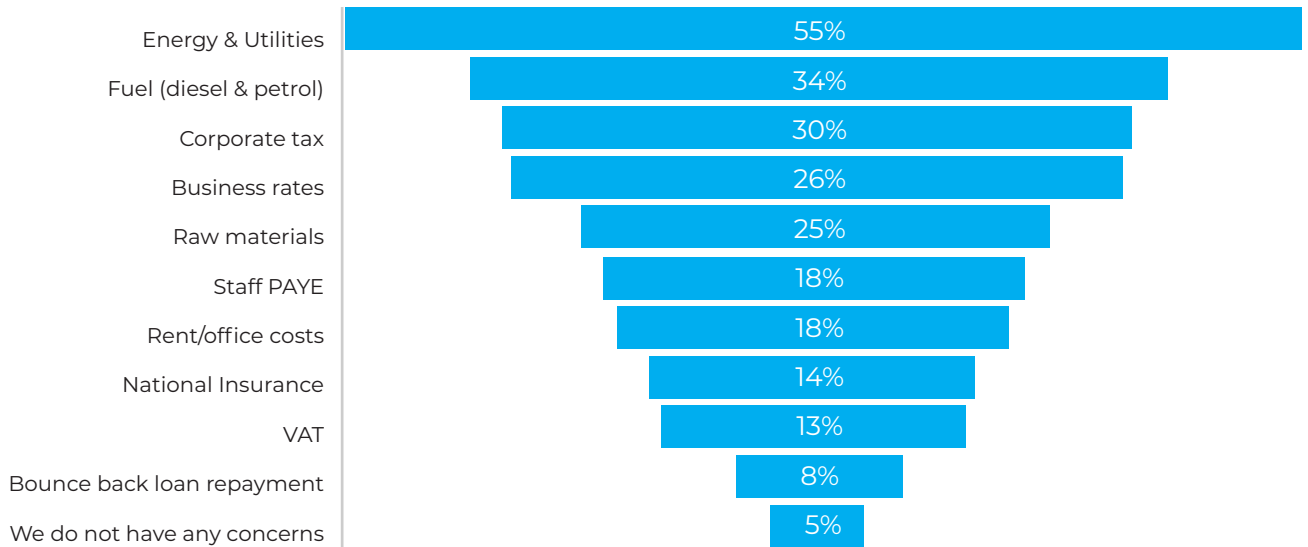
*“We’re going to cut costs by taking virtual offices.”*

*“I will try to generate more money by streamlining my business and cutting back on unnecessary staff.”*

# RISING ENERGY COSTS ARE THE TOP COST CONCERN FOR BUSINESS OWNERS

More than half of businesses say they are worried about meeting energy costs over the next three months, followed by fuel costs (34%) and Corporation Tax (30%). A quarter are worried about business rates and the cost of raw materials.

## As a business owner, which business costs are you most concerned about meeting in the next three months?



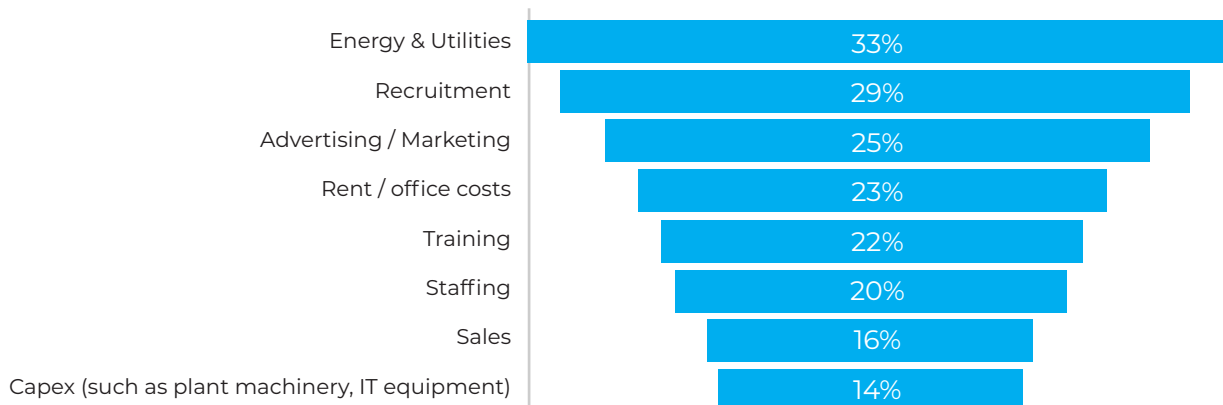
## 4 OUT OF 5 BUSINESSES ARE PLANNING TO CUT SPENDING IN THE SHORT TERM

More than 4 in 5 businesses (84%) are planning to cut back on spending in the next three to six months as a result of inflation and rising business costs.

A third of businesses (33%) are planning to cut back on energy and other utilities costs in the next few months. Businesses are also planning to reduce spend on recruitment (29%) and advertising/marketing costs (25%). One in five (23%) are looking to reduce spend on rent and other office costs.

Businesses in 2022 are less likely to see reducing their carbon emissions as a priority than they were at the end of 2021. Last year (November 2021), a fifth of business owners (21%) said that reducing carbon emissions was a key challenge, however, this has dropped to just 5% of business owners in 2022 as new, more pressing challenges have emerged.

## As a result of inflation and rising cost, which areas are you planning to cut back on in the next 3-6 months?





*"We're expecting an economic crisis."*

*"The continuation of the business is at risk with inflation."*

*"We just want to stay afloat and survive the current economic crisis."*

*"We're encouraging staff to work from home to free up premises."*

*"Unfortunately our absolute primary concern is sheer survival to get through this challenging era."*

*"We are simply trying to survive the most difficult trading conditions we have ever seen. If we survive until March 2023 I will be very surprised."*

*"We're going to have to have a smaller workforce – otherwise higher running costs mean less profit."*

*"We're reducing costs by using home working."*

*"After 15 years of trading we may now have to shut."*





*“It’s looking grim. We need to know what the government is planning so that we may plan. Failure of this government has impacted customers’ buying habits as they are uncertain how much money they will have.”*

*“I don’t know what the future holds – every day something changes.”*

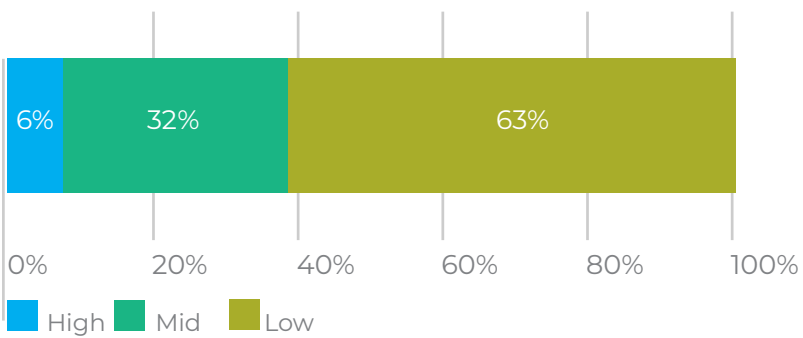
*“We want to grow the business and keep the staff employed but with high prices people are not spending money. The Government need to help all businesses get through this.”*

## BUSINESSES HAVE LITTLE CONFIDENCE IN THE UK GOVERNMENT

Confidence in the UK Government is extremely low, with less than one in 10 (6%) being highly confident in the government’s ability to deliver economic growth in 2023. More than six in 10 business owners (63%) have little confidence in the Government.

Small businesses are less confident about the Government than larger businesses. 72% of businesses with turnover below £1m have low confidence, compared to 56% of businesses with turnover above £1m.

### How confident are you in the UK Government delivering economic growth in 2023



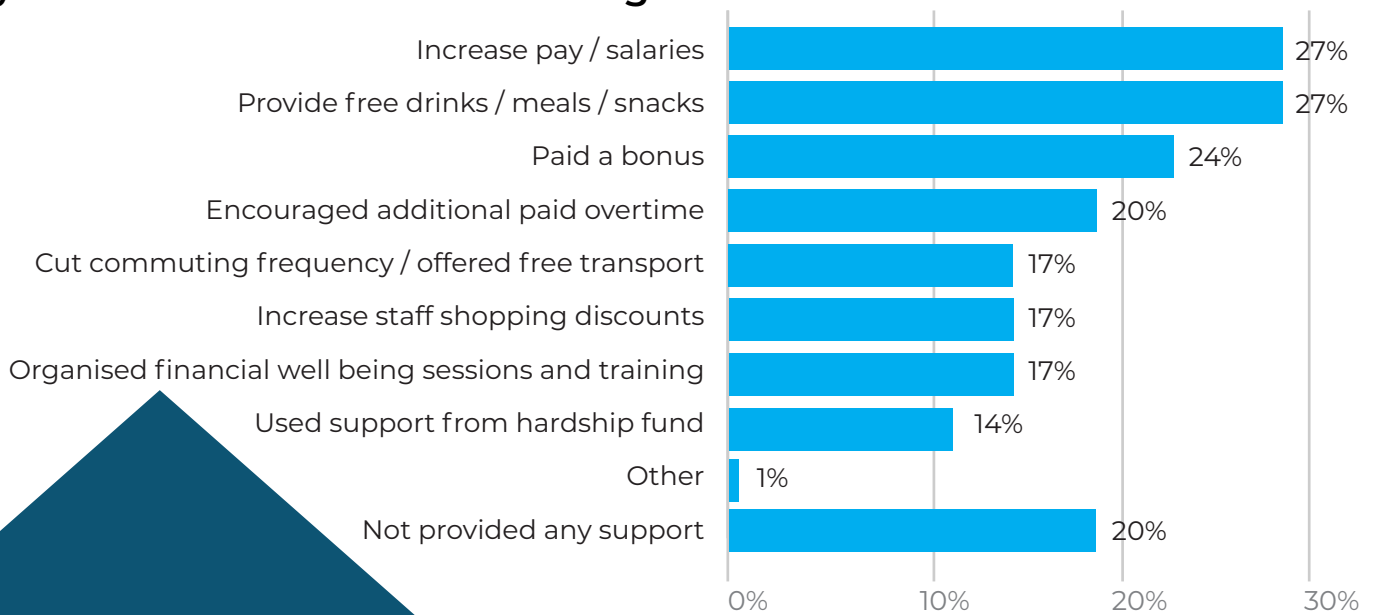
# BUSINESS OWNERS STEPPING IN TO SUPPORT WORKERS DURING THE COST-OF-LIVING CRISIS

Four out of five business owners (80%) say they have helped their employees with the cost-of-living crisis in the past three months.

Increasing pay/salaries and providing free drinks, meals and snacks are the most frequently cited support mechanisms, followed by a paid bonus and encouraging additional paid overtime.

Larger businesses (turnover above £1m) are more likely to have provided support for employees (89%) than smaller businesses (67%).

## In the past three months, how have you helped your team with the cost-of-living crisis?



*“I’m hoping to give stability and security to my staff as the world is an uncertain place.”*

*“We would like to maintain our staffing levels despite increased costs – this would be a great achievement in the current climate.”*

*“Staying afloat is our biggest aspiration at the moment. We are trying to keep our staff in a job whilst still offering a great service to customers that doesn’t increase the price too much.”*



# PAY INCREASES BELOW INFLATION

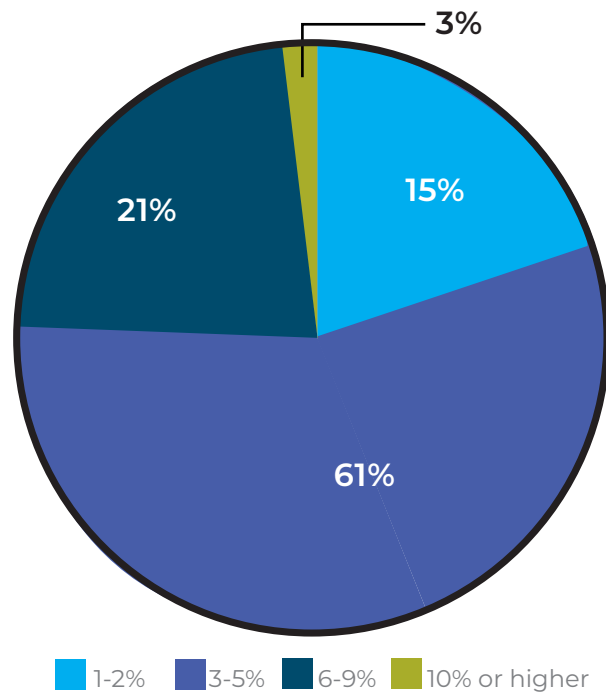
Only 3% of businesses who had increased staff salaries had done so by more than inflation (which was at 9% in November 2022 when the survey was carried out.) However, of the 27% who have already helped staff with a pay increase in the past three months, over half (57%) are planning to do so again in the next three months.

Almost half of business owners surveyed say they are planning to increase staff pay in the next three months, but only 5% of these businesses are planning to increase wages by more than inflation (9% at the time the survey was carried out.) The majority (64%) are planning increases between 3-5%.

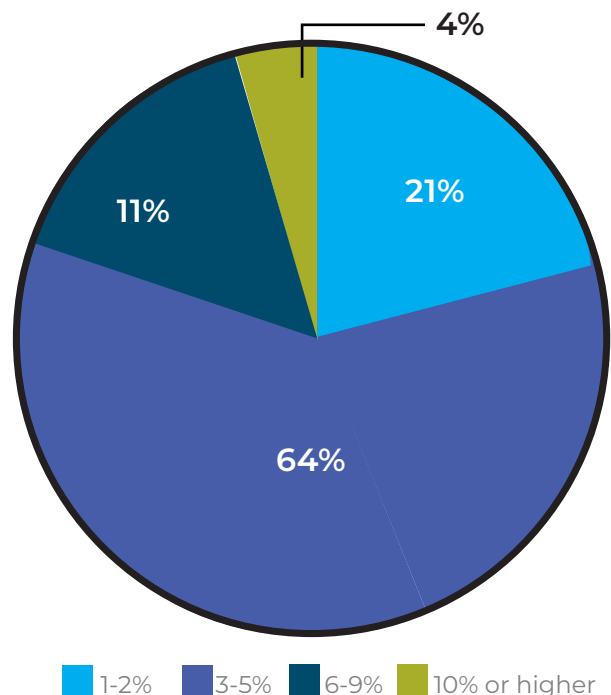
Larger businesses are more likely to be planning pay increases (56%) compared to smaller businesses (40%). But these 40% of small businesses planning an increase, are more likely to be planning above inflation increases (10%) compared to just 2% of the larger business planning an increase.

Less than 1 in 5 (17%) haven't increased salaries recently and are not planning to do so in the next three months.

## What percentage increase did you provide on average?



## What percentage increase are you thinking of providing on average?



*“We’re hoping to increase profits, decrease energy bills and increase staff salaries.”*

*“We hope to increase annual salaries due to cost of living crisis.”*

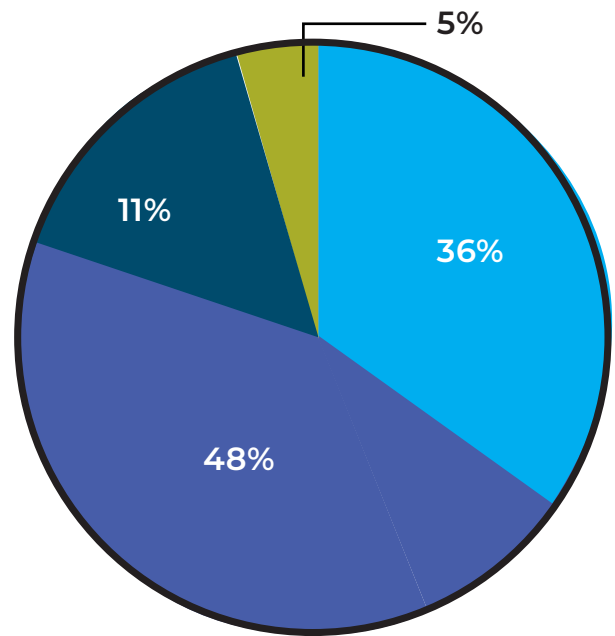
*“We’re aiming to simply survive and get through the hard times and get through the recessions without causing any detriment to staff.”*

## TWO-THIRDS OF BUSINESSES ARE INCREASING THEIR PRICES TO CUSTOMERS

43% of businesses have increased their prices to customers in the past three months. Only 2% decreased their prices over the same period. The majority (53%) have increased prices by half of inflation (3-5%). 37% are planning to increase prices to customers in the next three months. Only a third (31%) have not increased prices and have no plans to increase prices.

The majority of businesses are planning to increase prices by less than inflation.

What percentage, on average, will you be increasing your prices by?



1-2% 3-5% 6-9% 10% or higher

*"We're hoping to keep staffing in place and not pass the cost onto customers."*

*"Another price increase is going to be inevitable as we are only just making ends meet at the moment."*

*"My business aspiration is to keep as many staff as possible and to try and not raise prices for customers."*

*"We want to increase wages for our workers but in order to do that we have to raise prices to combat the recession and the falling pound."*

*"We want to stay afloat and retain our customers. We are really trying not to increase our prices."*



# MOORE UK

At Moore, our purpose is to help people thrive – our clients, our people and the communities they live and work in. We're a global family made up of over 30,000 people across more than 100 countries who connect and collaborate to take care of your needs – local, national and international.

When you work with Moore, you'll work with people who care deeply about your success and who have the drive and dedication to deliver results for you and your business. You'll have greater access to senior expertise than with many firms. We'll be here for you whenever you need us – to help you see through the maze of information, to guide you in your decisions and to make sure you take advantage of every opportunity. To help you thrive in a changing world.



[www.moore.co.uk](http://www.moore.co.uk)

---

We believe the information in this factsheet to be correct at the time of going to press but we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of the material contained herein. Moore U.K. Limited (registered in England & Wales with registered number 12952745) acts as an umbrella organisation for the Moore member firms in the UK. Each Moore UK member firm is a member of Moore Global Network Limited (MGNL), a global accountancy and advisory network. MGNL and its member firms are legally distinct and separate entities.