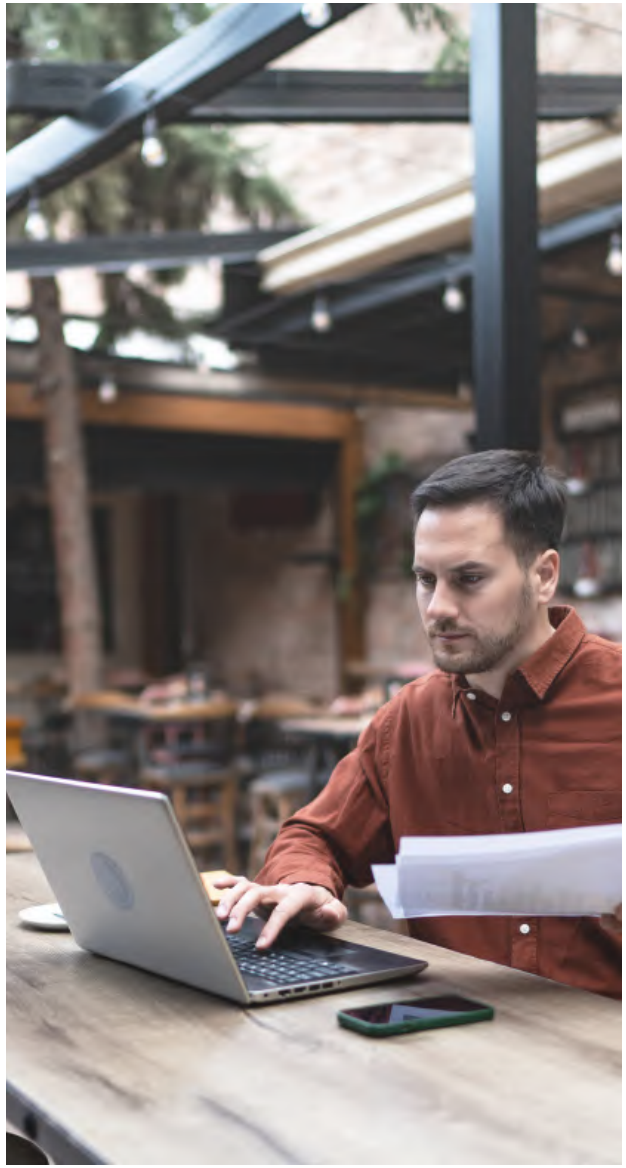


NEWS ROUND-UP

MAY 2025

ABBEYGATE | ACCOUNTANCY

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BUSINESS CONFIDENCE HITS TWO-YEAR LOW

According to a new survey from the Institute of Chartered Accountants in England and Wales (ICAEW), business confidence in the UK has dropped to its lowest level in two years.

The industry body found that rising tax concerns, persistent cost pressures, and weakening sales expectations weigh heavily on companies. Its business confidence index fell to -3 in the first quarter of 2025, down from 0.2 in the final months of 2024. This marks the weakest reading since late 2022.

ICAEW surveyed 1,000 chartered accountants, over half of whom (56%) cited tax increases as a growing challenge – the highest proportion since the survey began in 2004. The pressure comes after Chancellor Rachel Reeves raised employer National Insurance contributions as part of a £40 billion tax package introduced on 6 April.

Meanwhile, international headwinds are also adding to the strain. US President Donald Trump's renewed trade war is expected to dent UK economic growth, with the National Institute of Economic and Social Research warning that high US tariffs could push GDP growth close to zero in 2026.

Despite stronger-than-expected growth in February, official figures show a 0.5% economic uptick and business sentiment remains fragile. Surveys suggest job shedding at levels not seen since the 2008 financial crisis, though official labour market data has painted a more resilient picture.

Talk to us about your business.

BANK OF ENGLAND EXPECTED TO CUT RATES IN MAY

The Bank of England (BoE) is now widely expected to cut interest rates in May, as escalating trade tensions sparked by Donald Trump's tariff hikes weigh heavily on the global economic outlook.

President Trump has imposed a 10% tariff on all UK exports to the US (although a 90-day pause on proposed tariff hikes has been called), claiming it's a response to British duties on American goods. The move follows US levies of 25% on UK steel, aluminium and cars. The UK Government has so far refused to retaliate, warning that it won't be rushed into trade decisions.

With financial markets jittery and the risk of a global recession rising, investors expect at least three rate cuts from the BoE this year – up from two earlier. The Bank Rate currently stands at 4.5%, but three 25 basis-point cuts would bring it down to 3.75% by December. A former BoE policymaker has called for even faster action.

The Monetary Policy Committee (MPC) will next meet on 8 May. While the BoE has remained cautious about inflation, the threat to growth is becoming harder to ignore. After briefly hitting the 2% inflation target in May last year, inflation has since risen to 2.8%.

Meanwhile, BoE Governor Andrew Bailey has been nominated to chair the Financial Stability Board, a global organisation monitoring financial system risks. His appointment comes at a time of heightened concern about market volatility and the broader economic impact of US trade policy.

Talk to us about what this means for you.





RISING EMPLOYMENT TAXES HIT UK HIRING

Nearly half of UK businesses are rethinking their recruitment plans in response to higher employment taxes and labour costs.

From 6 April, employers began paying NICs at a higher rate – up 1.2 percentage points – while the threshold at which payments began fell to £5,000. These changes are expected to add pressure to labour-intensive sectors, such as hospitality and retail, which often rely on part-time staff and tight margins.

The survey, which polled 254 businesses representing more than 260,000 employees, found that the financial impact could be significant. On average, respondents predicted a 29% drop in annual profits due to the NIC increase.

Many businesses are already adjusting. Over a quarter (27%) said they were postponing or cancelling recruitment plans. Others are taking further action to manage costs: 19% are delaying or cancelling salary reviews, and 16% are making redundancies.

Reed said the findings highlight growing concerns about the affordability of maintaining or expanding workforces under the new tax rules. With employers facing increased financial pressure, businesses must make difficult decisions that may affect jobs, pay and future growth.

While the changes are designed to support public finances, business leaders have called for further support to offset the impact on employment and ensure sectors like hospitality and retail can recover and thrive.

Talk to us about your business costs.

GOVERNMENT STEPS IN TO SAVE BRITISH STEEL

The UK Government has taken control of British Steel's Scunthorpe plant after passing emergency legislation in a rare Saturday sitting of Parliament.

The new law gives Business Secretary Jonathan Reynolds sweeping powers to intervene in the operations of the Chinese-owned site, including the ability to enter the plant by force to secure assets and ensure continued production.

The action came after Reynolds said he had no choice but to act swiftly to prevent Jingye, the plant's owners, from shutting down the plant's two blast furnaces, an outcome that would have ended primary steel production in the UK.

The legislation, which was passed by both the Commons and Lords, and which has now received Royal Assent, was not opposed by any major party. Conservative MPs, however, criticised the Government for acting too late. Several Conservatives also supported nationalisation, which Reynolds said may be necessary if no private buyer can be found.

For now, Jingye retains ownership, but the Government is effectively running the plant. Reynolds said ministers remain hopeful of attracting private investment to secure the site's future despite no interested buyers.

Liberal Democrat MP Daisy Cooper backed the emergency recall of Parliament but urged the Government to exercise caution in using the powers granted.

Independent MP Jeremy Corbyn called for all UK steelmaking to be brought into public ownership. The Scunthorpe plant employs around 2,700 people.

Talk to us about this decision.



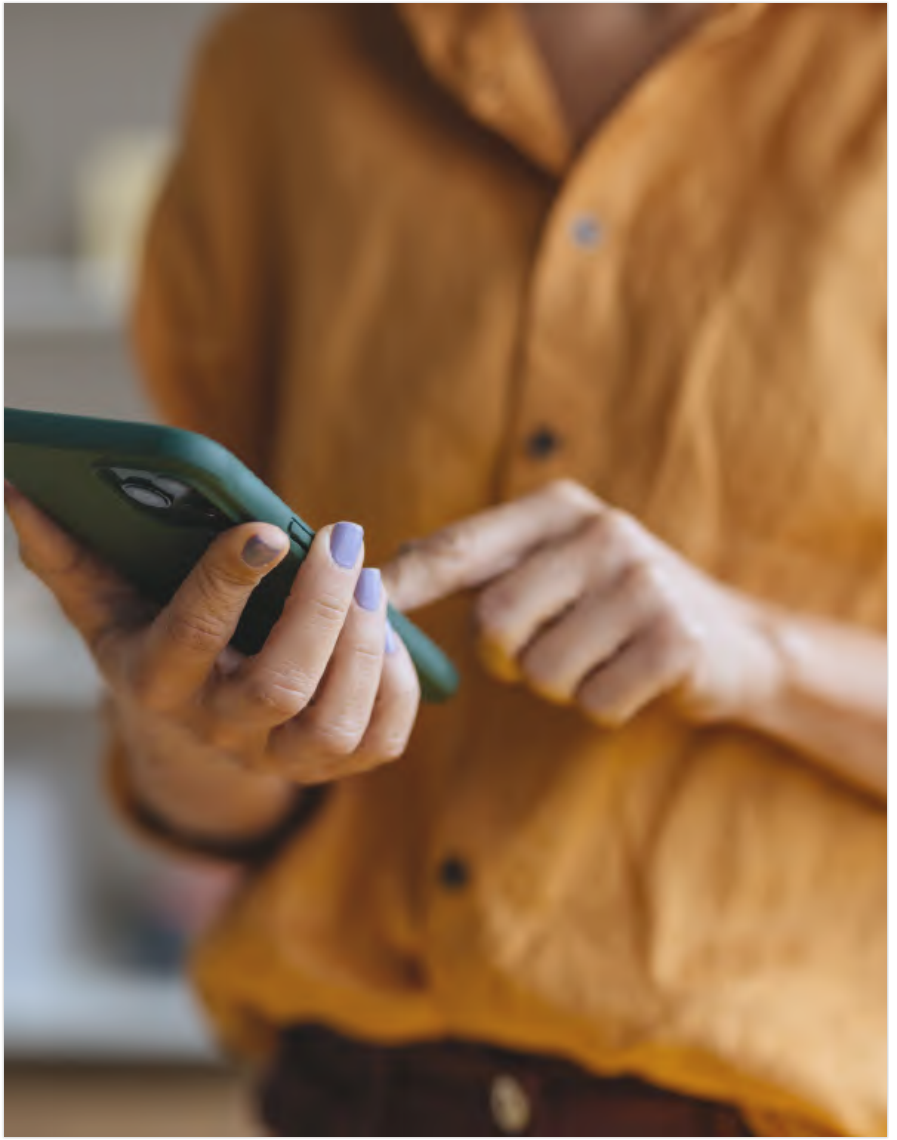
WANT TO TALK TO AN EXPERT?

If you've found the topics covered in this report to be of interest or you would like to delve deeper into any of them, we welcome the opportunity to engage in a more detailed discussion with you. Our team of experts is always keen to share insights, and we're confident that a conversation with us can provide valuable perspective.

We are also well-positioned to update you on the latest trends, opportunities and challenges in the business world. As we all know, staying ahead of the curve is vital in today's fast-paced business landscape, and we're here to help you navigate it successfully.

If you're considering getting extra support, we invite you to explore the comprehensive solutions we offer.

To schedule a meeting or to get more information, please don't hesitate to contact us.



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