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The balancing act.

The balancing act: February 2025

This latest piece of business research was conducted by Wilson Partners canvassing a broad range of businesses across the South of England. We opened up the survey to our own client base, consisting of approx. 3000 owner managed businesses, predominantly SMEs with 5-150 employees as well as a select few businesses of a similar DNA.

This is our tenth survey since summer 2020, and comes at what is arguably the most settled period for a long time, as the dust settles following Labour's election to power. Helping our clients make informed decisions with clearly articulated information is at the heart of what we do and we continue to be here for those clients who need us during both the good and the tougher times. We hope that the data in our latest research is a useful addition to your planning for the future.

Trump 2.0 and other stories.

The new year has arrived with plenty to digest. The Trump victory in the US election has sent ripples through the global economy. Impending tariffs are creating unease across many sectors, particularly for businesses reliant on international trade. Combined with ongoing challenges such as recruitment and rising operational costs, UK businesses are moving through 2025 with caution.

Domestically, there are some glimmers of relief. The recent Bank of England base rate reduction and an unexpected, albeit very slight, reduction in inflation in December has been welcomed as a step towards alleviating financial pressure on businesses. Yet, for many, this is merely a short reprieve in the face of the continued tax burden introduced by recent government policies. For SMEs, navigating higher Employer NI contributions from April will add further complexity to an already challenging year.

It's a lot to take in, but it's important to focus on what's within your control. As we've seen time and again, resilient and adaptable businesses are the ones that thrive, even when external pressures mount.

Confidence balancing on a knife's edge.

Latest results revealed business confidence has softened, with an average score of 57 out of 100 (compared with 69 and 68 in our previous 2 surveys). While some respondents remain optimistic, many highlighted concerns over higher costs and the potential impact of new US tariffs on supply chains. Nonetheless, over 45% of businesses are still expecting to grow their profits this year, showcasing the resilience of the SME sector.

Workforce sentiment is mixed. While 33% are planning to increase their headcount, a notable 14% are considering reductions - a reflection of the pressures on cash flow and profitability. Encouragingly, 77% reported recruitment conditions as stable, suggesting the tight labour market may be easing slightly.

What's next?

As we move through 2025, businesses face a delicate balancing act. Tariff uncertainty will continue to dominate the headlines creating uncertainty, alongside higher costs from both supply chains and salary inflation. However, opportunities exist for those willing to focus on existing client relationships and invest in sales and marketing - a sentiment echoed by nearly 50% of survey respondents.

With the UK still grappling with its tax burden and unpredictable policy changes, staying on top of the numbers has never been more critical. Whether it's navigating cash flow, reassessing pricing strategies, or planning for the future, the next six months will require focus, resilience, and a clear-eyed approach to decision-making.

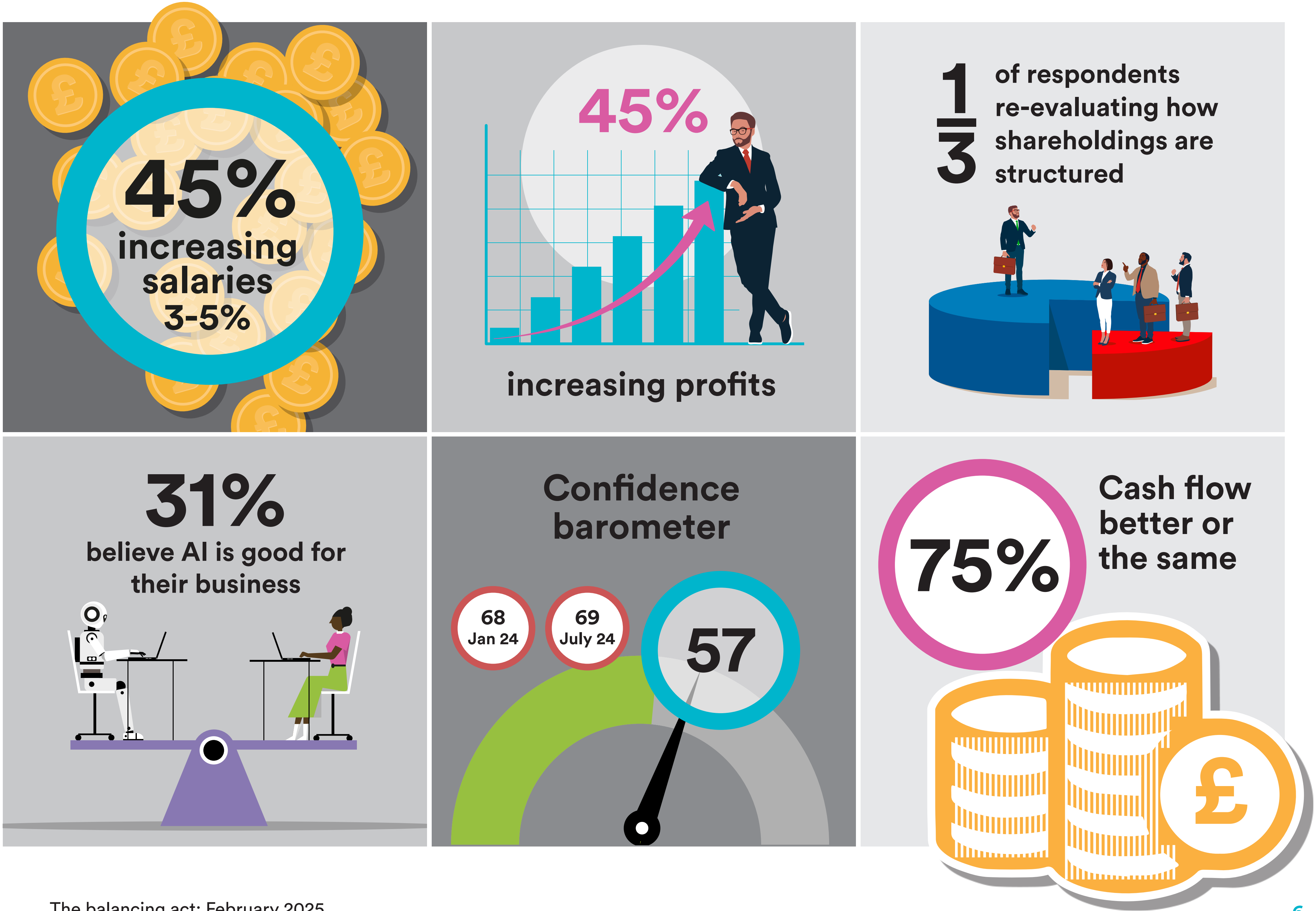
So, what should you be thinking about right now?

1) **Stay close to customers:** More than ever, your existing customer base will be your biggest opportunity, nurture those relationships and look at how you can help them in other ways.

2) **Keep an eye on costs:** With continued upward pressure on wages and supplier pricing, regular reviews of cash flow and margins will be crucial.

3) **Adapt to change:** Resilience remains key. Keep innovating, reviewing your processes, and preparing for any opportunities that arise in the months ahead.

4) **Understand the impacts of tariffs:** Assess exposure to US markets and adjust pricing or sourcing strategies where needed.


45%
increasing
salaries
3-5%
45%
increasing profits
1/3
of respondents re-evaluating how shareholdings are structured
31%
believe AI is good for their business
Confidence
barometer
68
Jan 24
69
July 24
57
75%
Cash flow
better or
the same

The results.

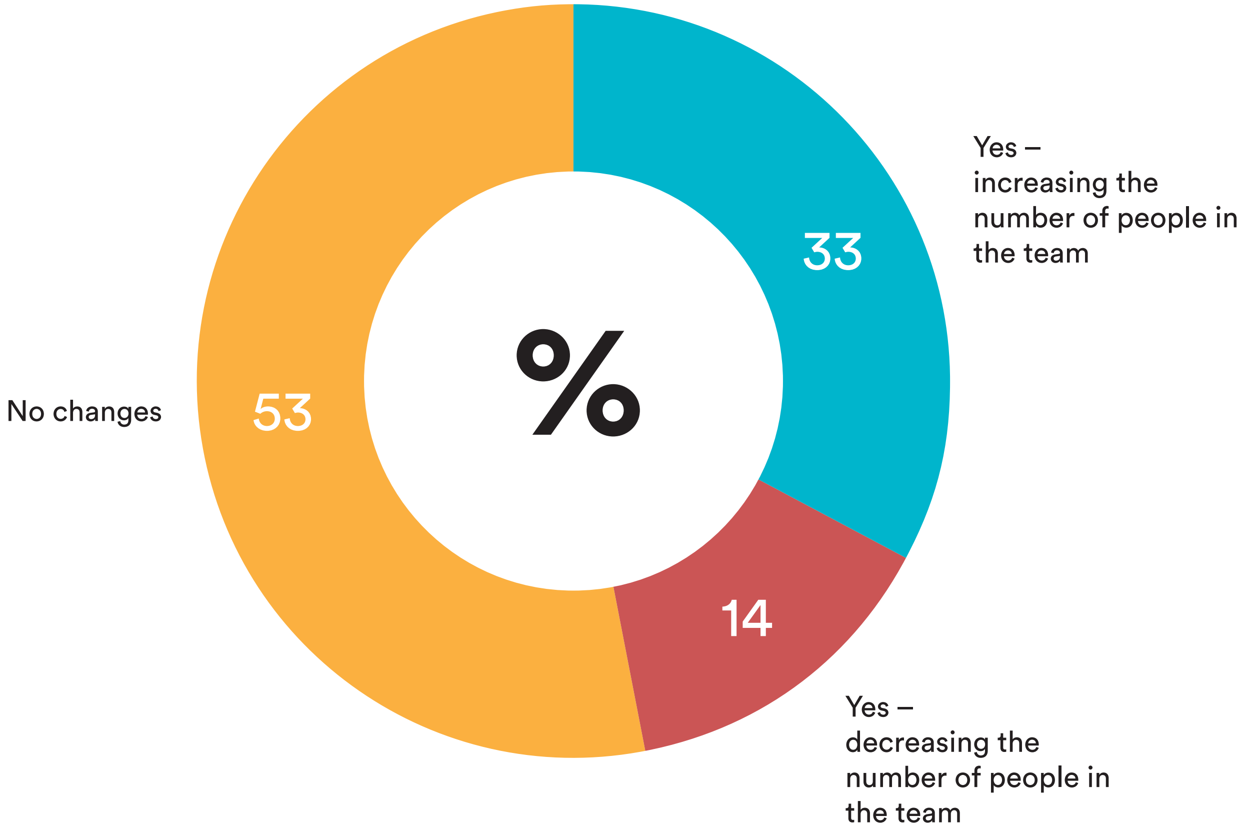
Q1

On a scale of 1-100 (1 being terrible, 100 being fantastic), how are you feeling about the prospects for your business in 2025?

57

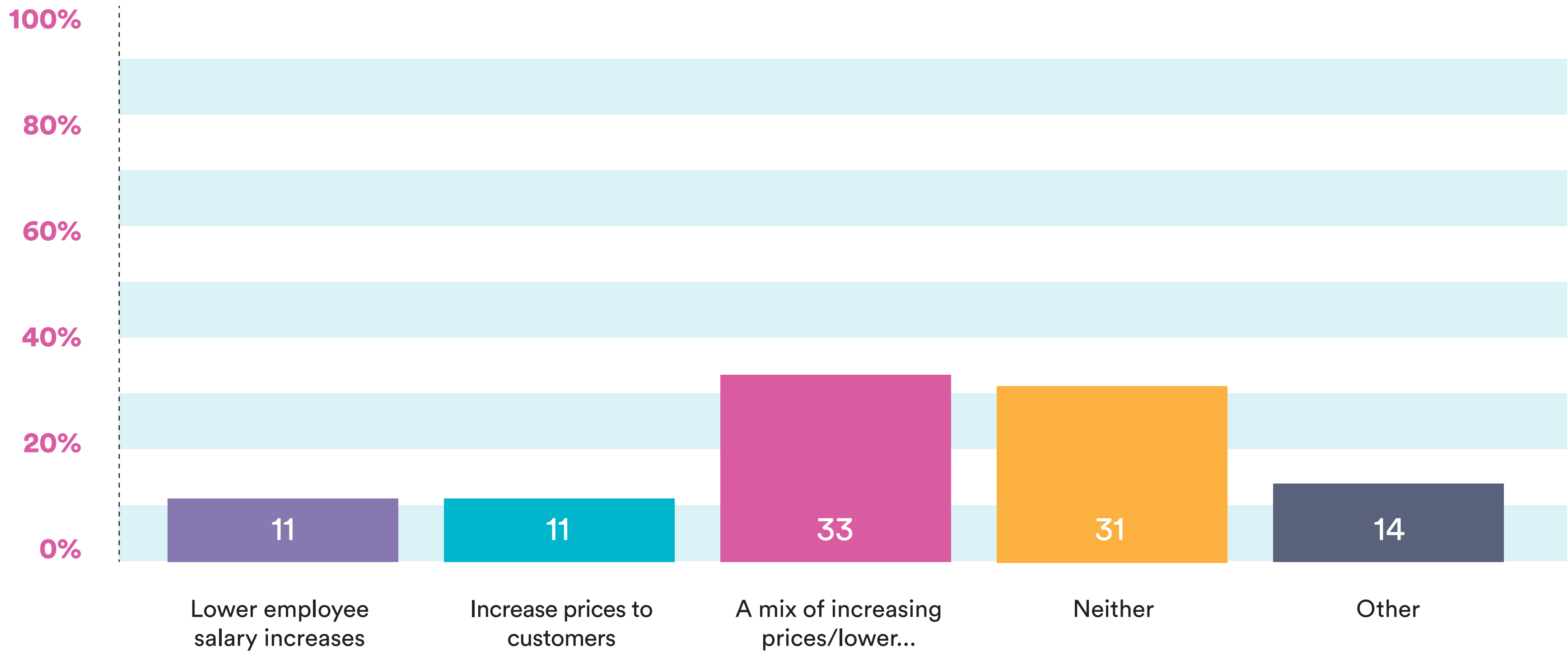
Q2

Do you plan on making changes to your workforce over the next 6 months?



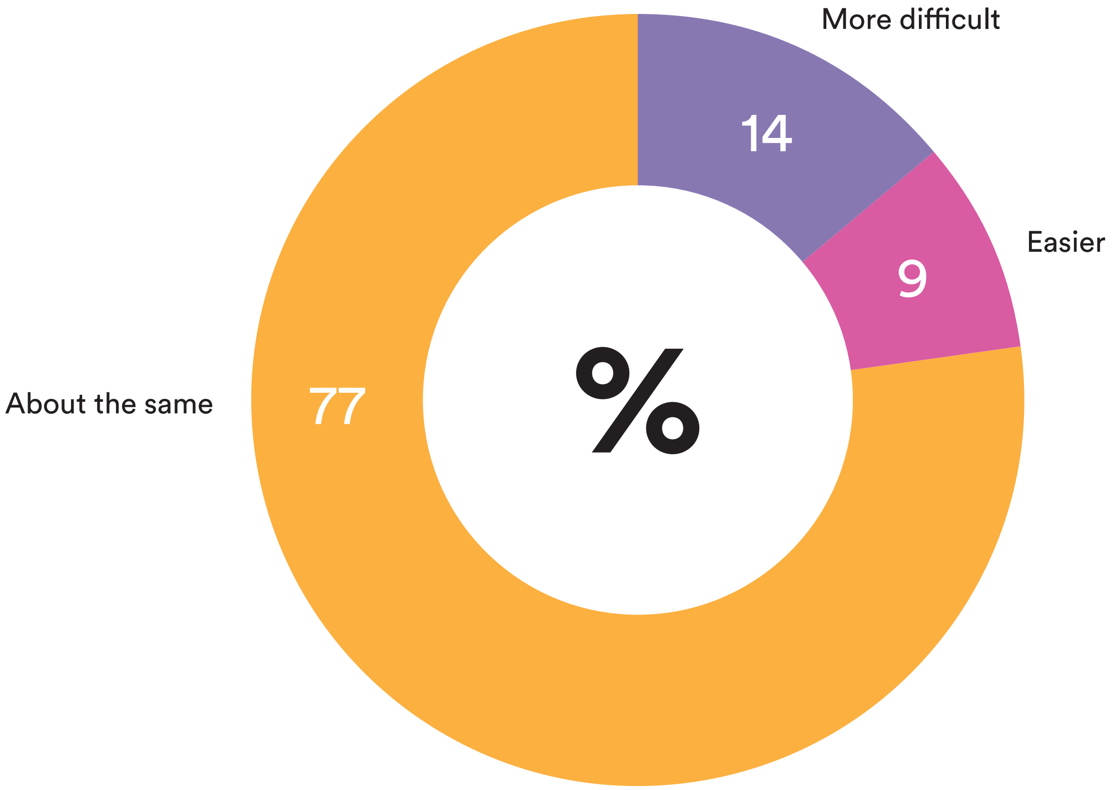
Q3

Following the increase in Employers' NI announced at the October Budget, which comes into effect from April 2025, what mitigating actions are you likely to take?



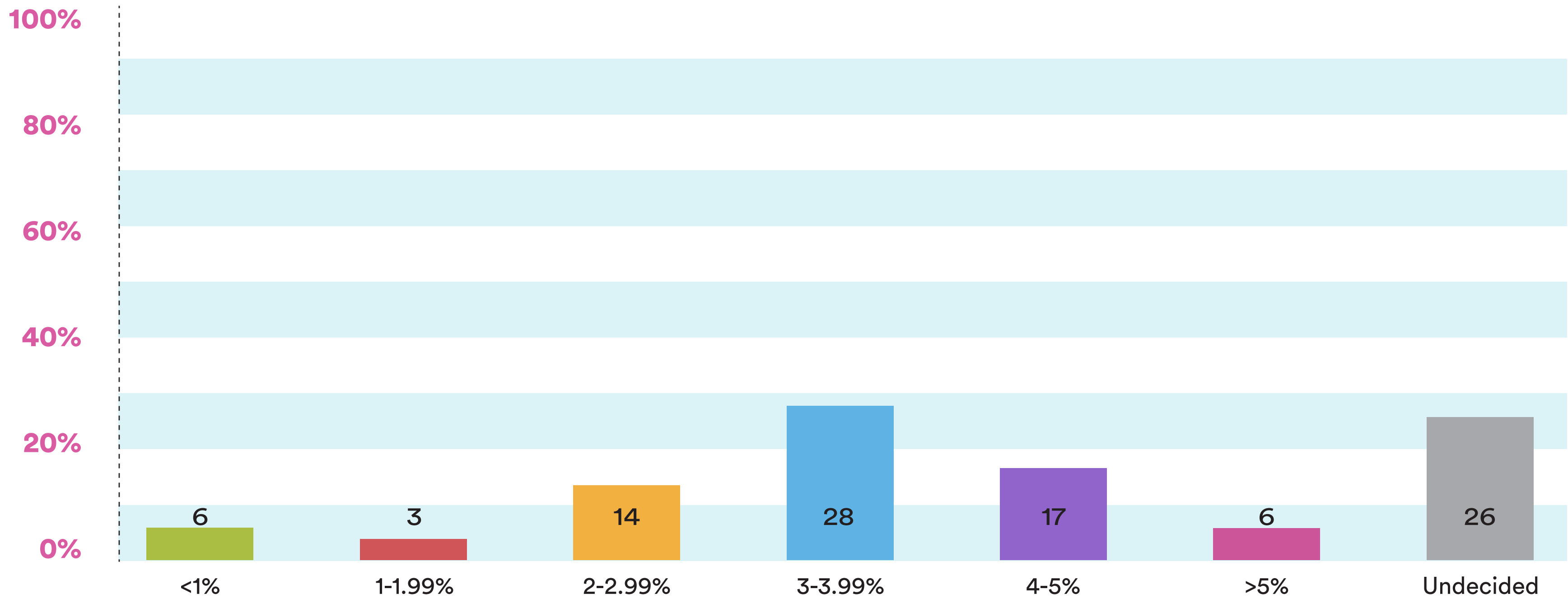
Q4

Compared to 2024, are you finding it easier or more difficult to recruit?

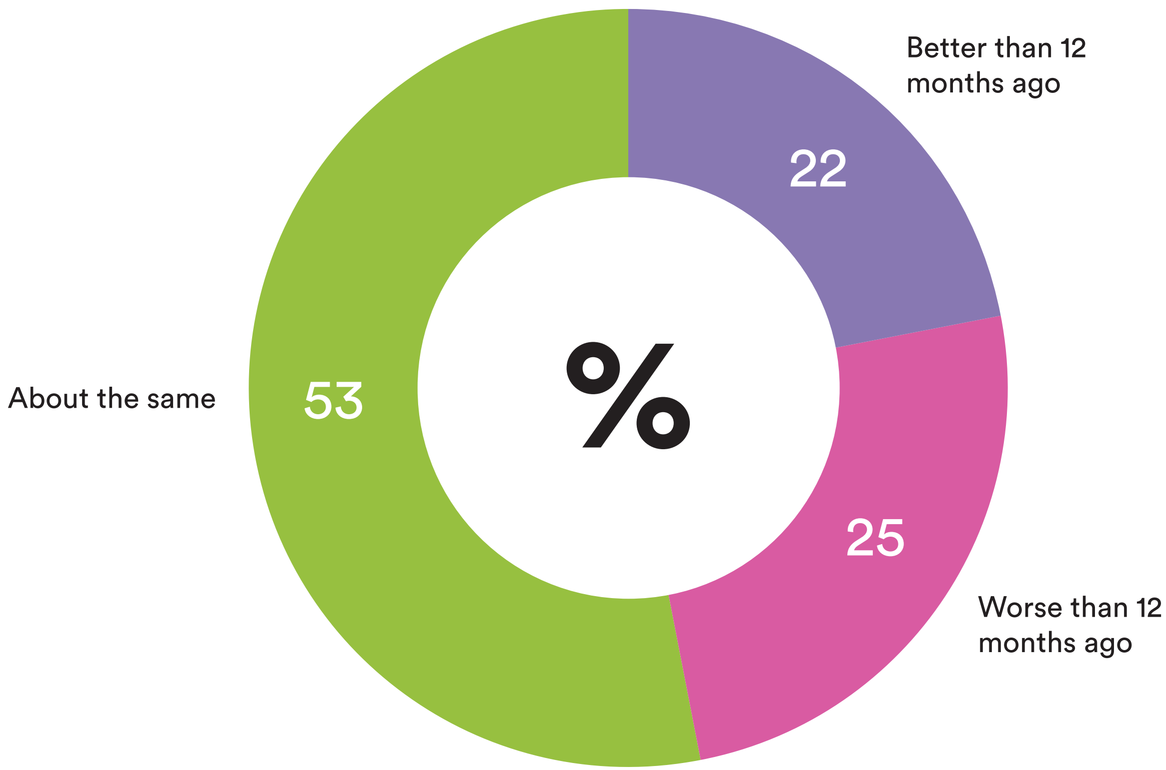


Q5

What salary increases do you plan to make in your next salary reviews?

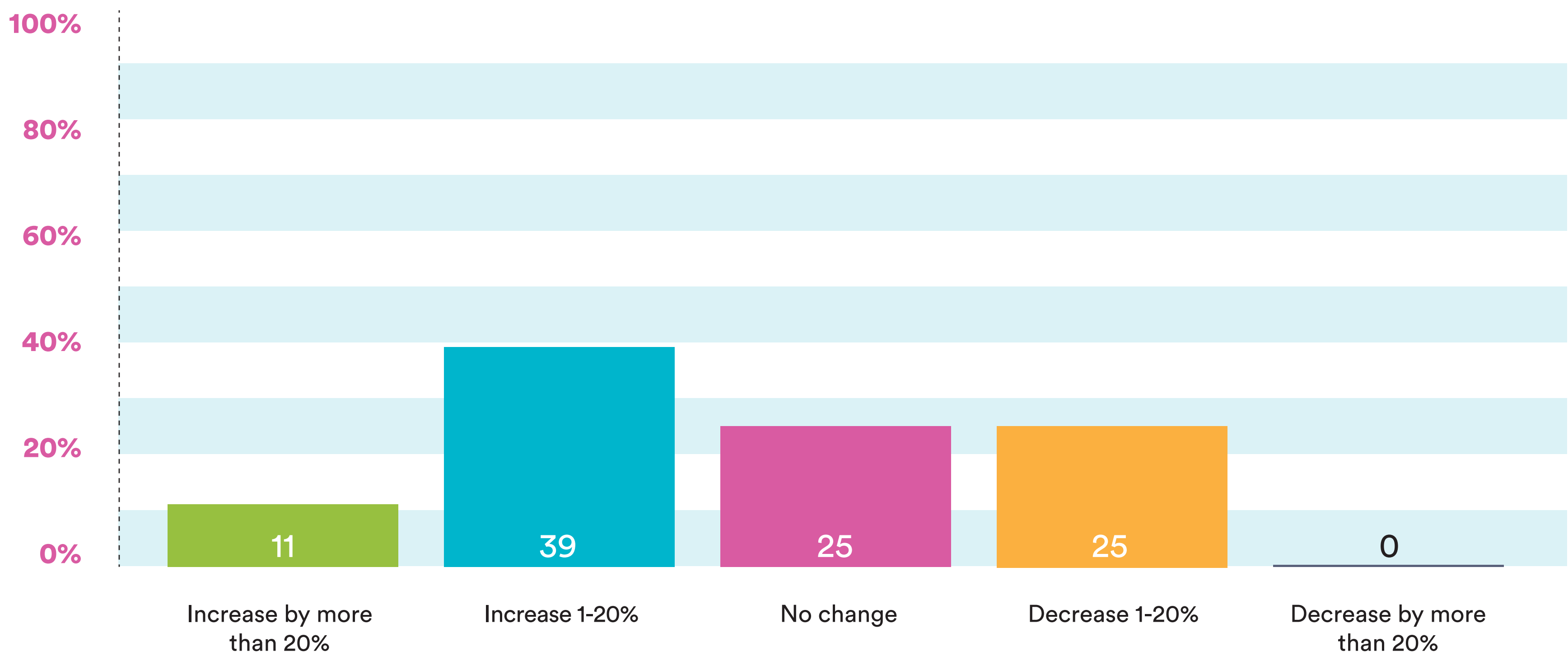


Q6 Is cash flow...



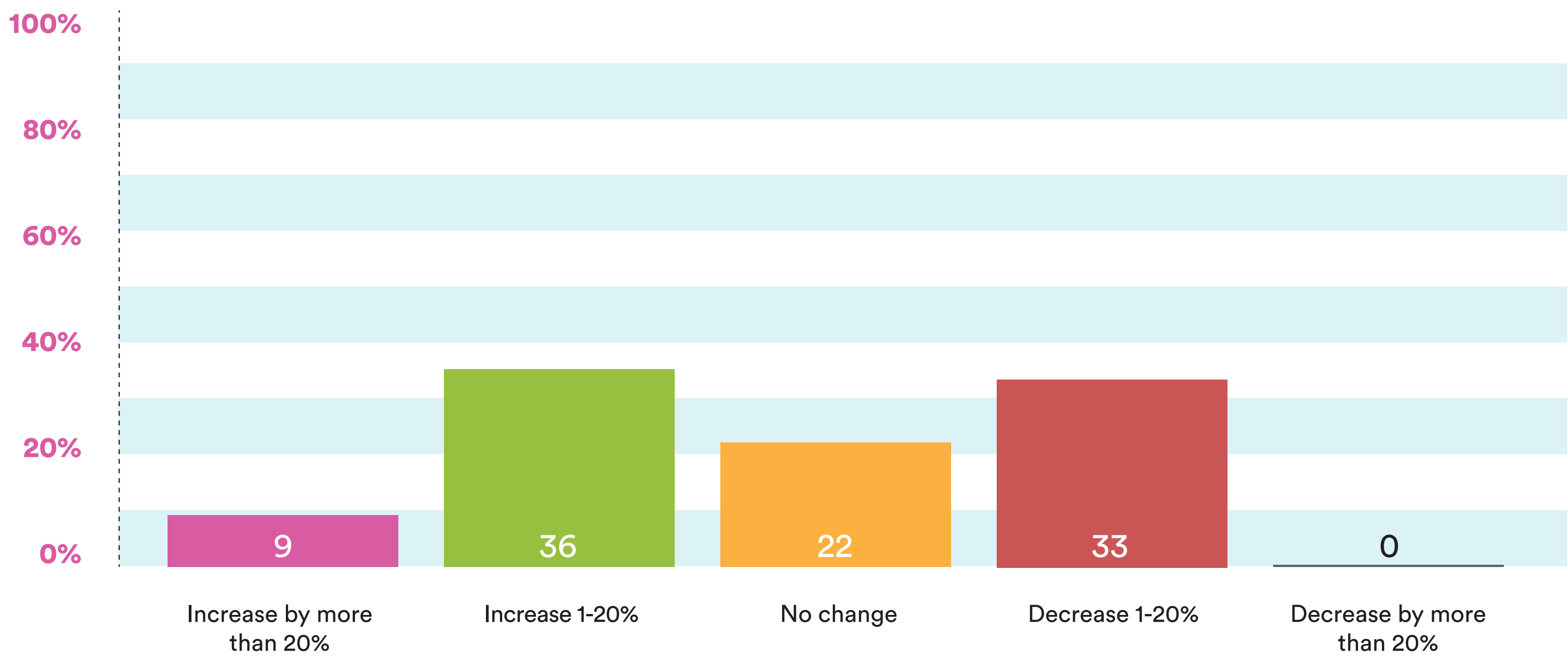
Q7

How do you think turnover in 2025 will compare to 2024?



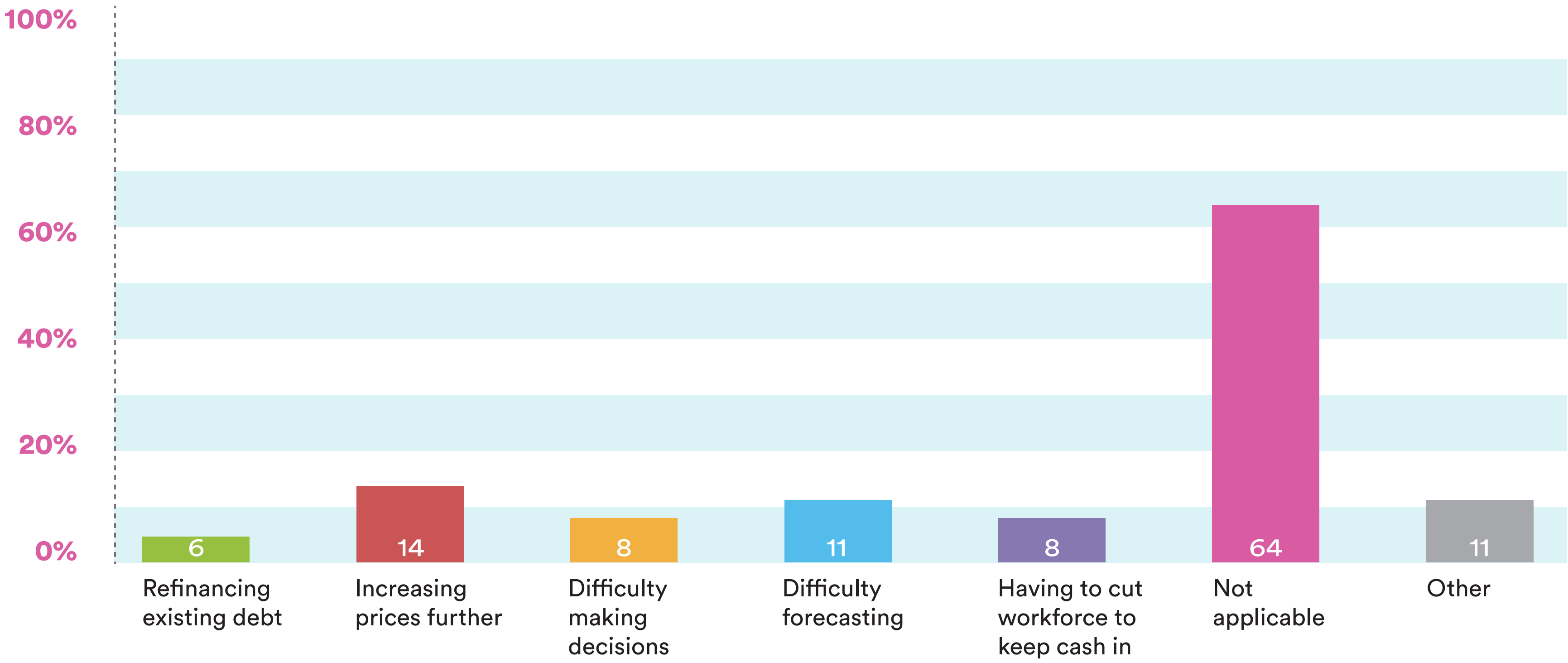
Q8

How do you think profit in 2025 will compare to 2024?

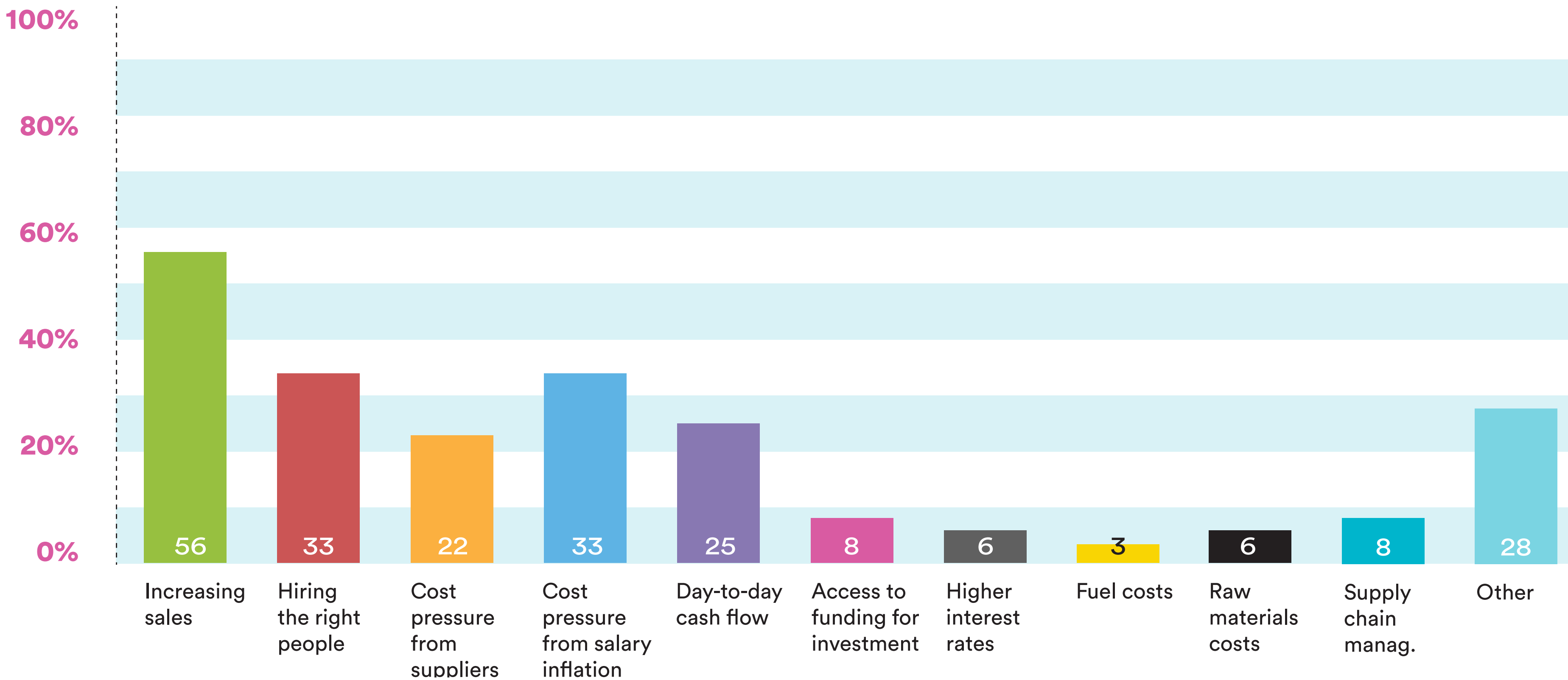


Q9

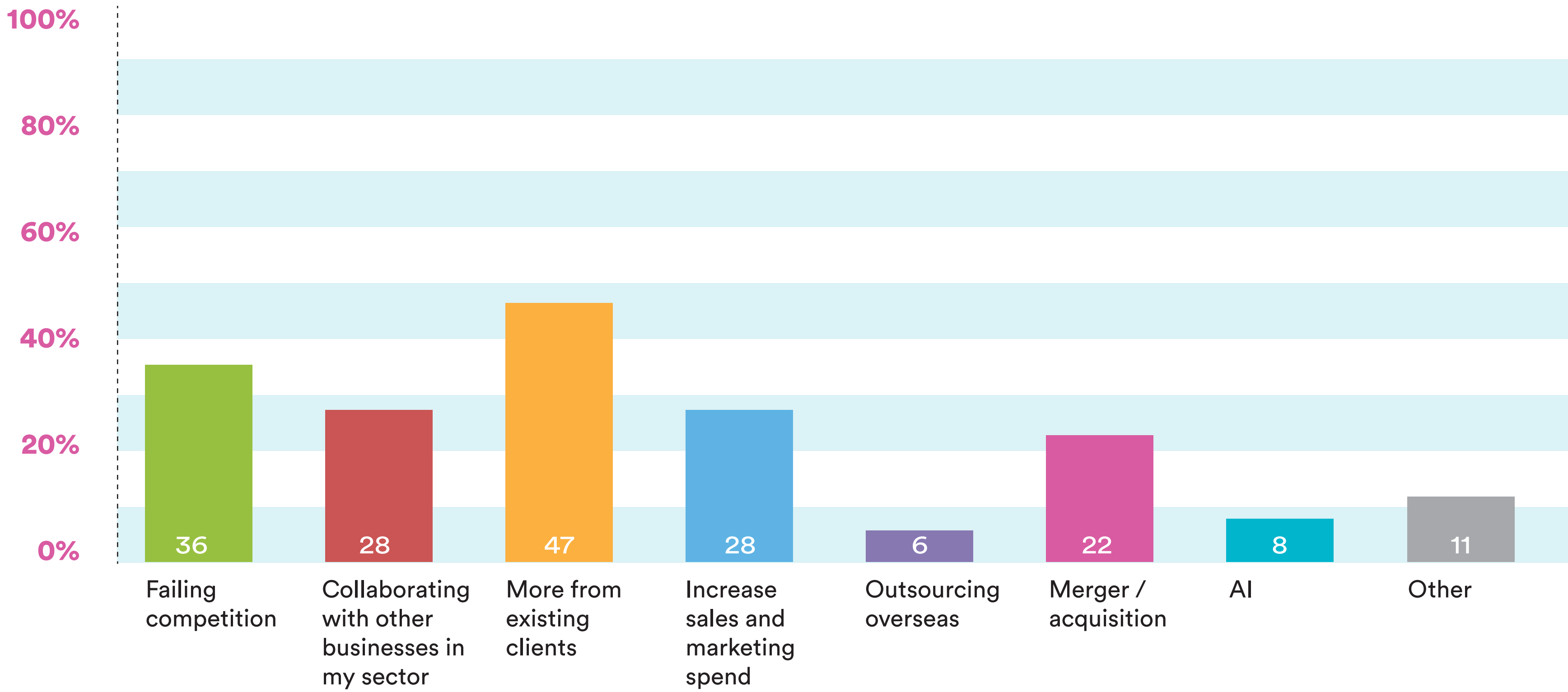
With interest rates still much higher than three years ago, please tell us how it is affecting your business.



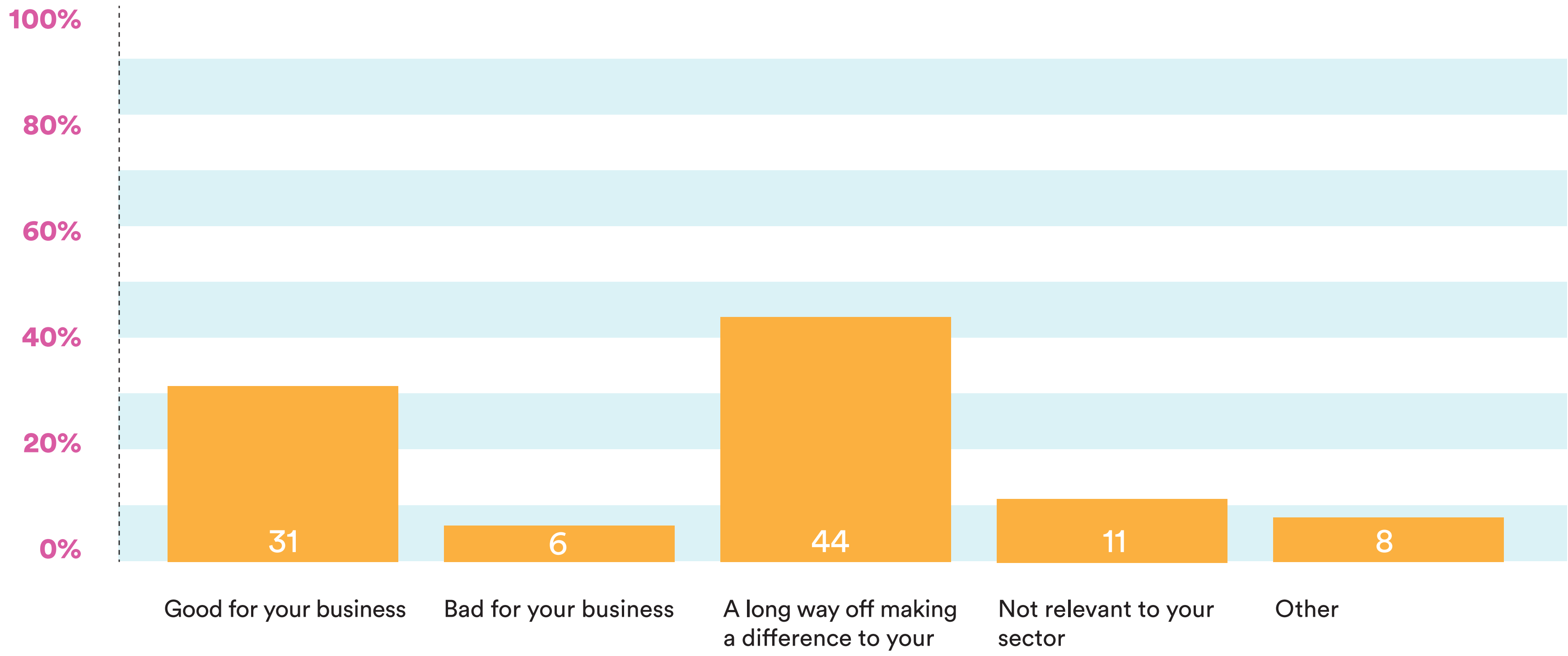
Q10 What are the biggest challenges you're facing right now?



Q11 Where do you see the biggest opportunities for 2025?

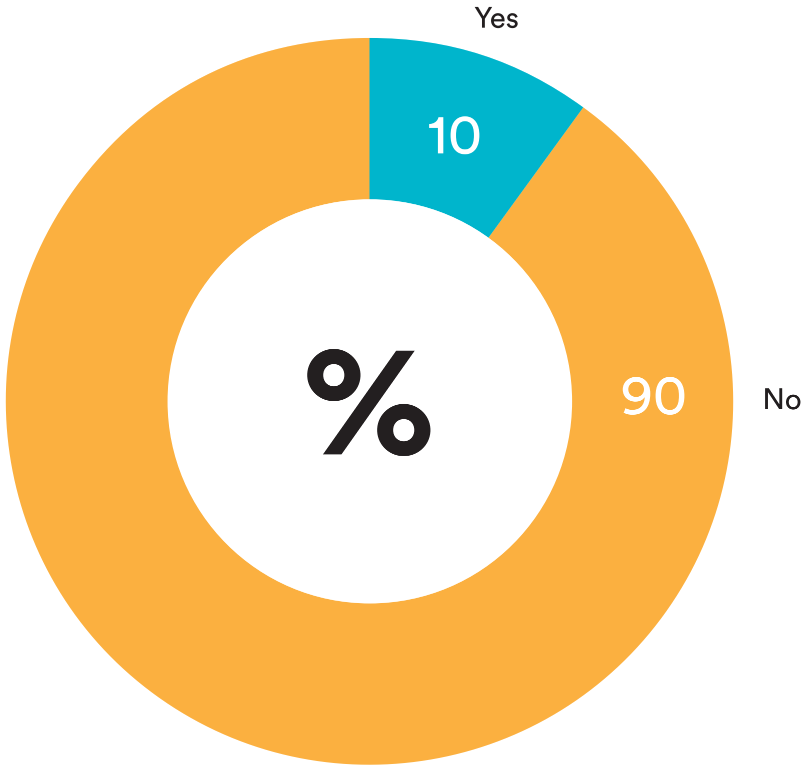


Q12 Is AI..

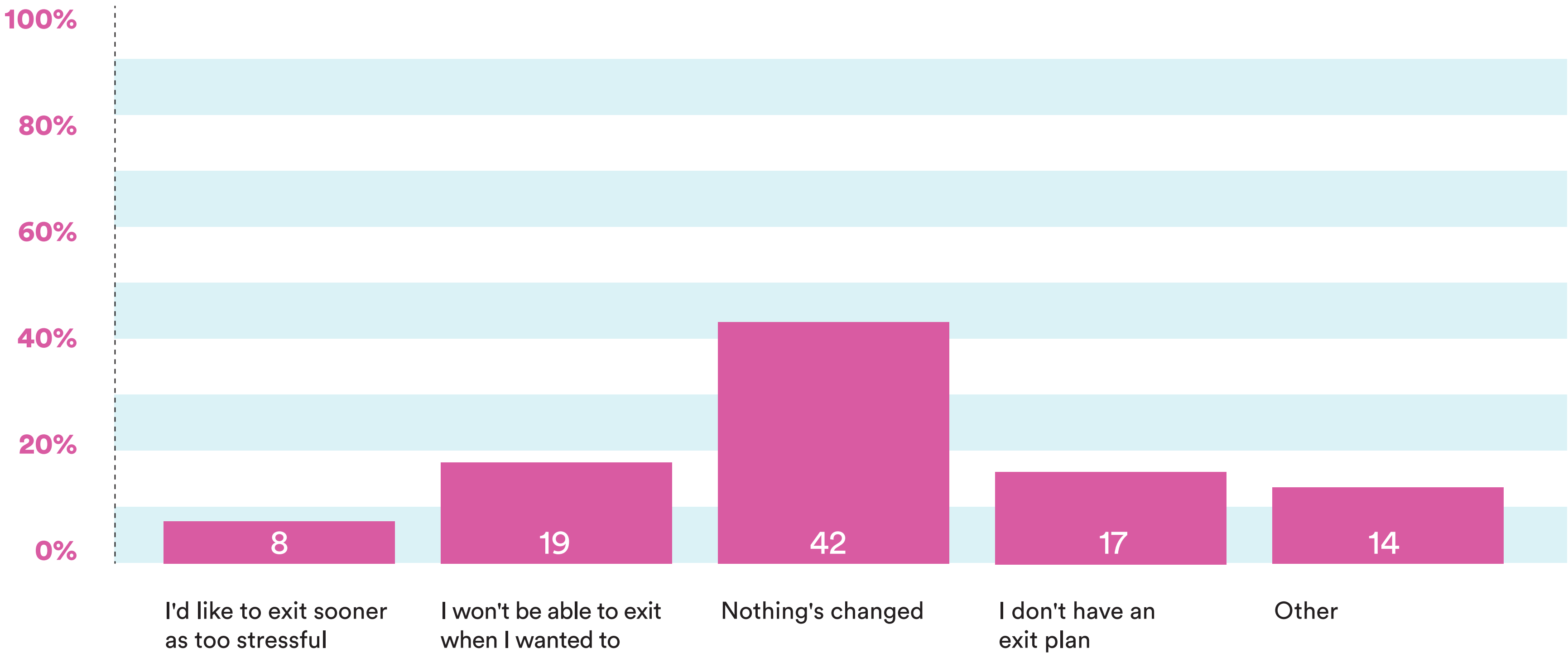


100%
80%
60%
40%
20%
0%
31
6
44
11
8
Good for your business
Bad for your business
A long way off making a difference to your
Not relevant to your sector
Other

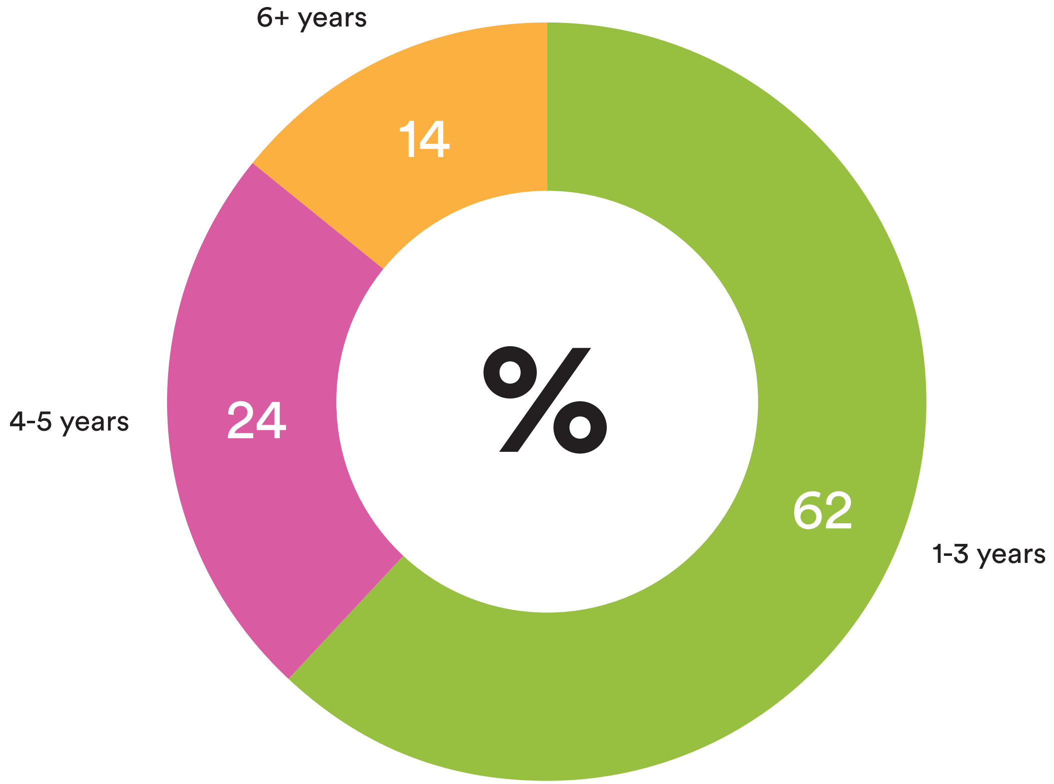
Q13 Has the development of AI led you to make significant changes to your business model?



Q14 How are the current conditions affecting your exit plans?



Q15 If you have an exit plan, when are you hoping to exercise it?



Q16 With proposed changes to Inheritance Tax, and the taxation of business assets, has it made you re-evaluate how shareholdings are structured?

33%
YES

67%
NO

Q17 Lastly, what in your business keeps you awake at night?

One of the questions we love to ask our clients is 'what keeps you awake at night?'. Aside from the comic answers, there's generally consistency in the responses we get. Cash flow is always on people's minds as well as sales and quality of talent. There are too many answers to share them all, but here's a select few of the most common responses:

- **Lack of revenue growth**
- **Cash flow management**
- **Changing buyer behaviour**
- **New Government hampering business**
- **Stress of cash flow and profit**
- **Possible CGT changes affecting business sale**
- **Rising costs**
- **Retaining team**
- **Tax rises**
- **Supply chain issues**
- **Moving manufacturing overseas**

Who **we are.**

We are Wilson Partners. We combine the financial expertise, experience and accessibility of our talented team with a deep understanding of our clients to help achieve their goals.

We provide a suite of integrated, innovative and value-added accounting, tax and corporate finance solutions that empower businesses, investors and private clients to make better decisions.

We don't do grey suits, operate in silos or spend all day counting beans. On the contrary, we operate with fully engaged directors who are passionate about client success and want to make a positive impact. Our people are business enthusiasts who just happen to be accountants and span across our offices in Maidenhead, Cambridge, Sevenoaks, Woking and Plymouth.

Life is short, so we don't just want to make up the numbers.

We are a business that makes a real difference to the relationships we build and helps to make life count for our people and our clients.

Each one of us is dedicated to challenging, inspiring and supporting our clients to live the lives they want and enjoy the success that will benefit those they care about and the wider community.

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