Will businesses take a further hit going into autumn, or will PM Truss deliver in the first 100 days of office?

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Much of the news has been dominated by nerve-wracking figures lately. Autumn appears to be heralding a time of austerity for the UK and with this; business owners and leaders are awaiting the announcement of the autumn budget in the coming weeks. Perhaps more importantly however, businesses across England and Wales are desperate to see if the new Prime Minister will implement an emergency budget. Liz Truss was announced as the new Conservative Leader and (once appointed by the Queen) Prime Minister on the 5th of September. Her first 100 days in office will be some of the most impactful on her entire career as Prime Minister and, with spiralling inflation and a recession on the horizon, what Truss decides now could make or break it.

The Conservative Leadership contest dragged on for what feels like months – with even their own MP's calling for a quicker resolution in such turbulent economic climates (both national and global). While the contestants certainly tried to bring their own to spin to the situation (which only appears to be becoming more dire as we head into winter), neither seemed to come up with anything resembling a plan that could be of help to businesses, let alone a workable distribution method.

"Businesses are screaming for help," Anthony Hughes, Managing Director of RVA Surveyors, said. "What we need to see from the government are clear paths forwards to helping businesses, to helping keep people in jobs, but with overheads increasing across the board, the government appears to have been sitting idle – or worse, are completely asleep at the wheel altogether while the British public and businesses continue to struggle."

Inaction often only ever exacerbates an issue – and this is no different. No government official has come forward with a concrete plan to help businesses mitigate these rising costs. The Conservative leadership contest saw vicious personal attacks taking stage – both in person and online – but help for businesses was few and far between, and now as we head into Truss' first one hundred days in office, businesses are waiting on tenterhooks as to what help the Prime Minister will see as the most crucial.

The global economic crisis has pushed the cost of running a business to the extreme. Many businesses owners and leaders across England and Wales have seen their energy bills increase by over 350% in the past year alone. After all, businesses in the UK do not have the luxury of a price cap.

The Office for National Statistics (ONS) found that in late August, there was a 10% fall in sales by small businesses. This kind of change is unwelcome in the face of an already decreasing trend of sales seen since the beginning of the year; when the backlog of production orders started to thin out and new orders were rarely coming in.

Those in the manufacturing sector – and many others – have been concerned about this clear downwards trend for months, and with business rates expected to also increase by 12% by April 2023, it comes as no surprise that the pressure on business owners and leaders to find ways to cut back is rising. Make UK have been representatives for those in the manufacturing sector for decades and based on a survey they released late in 2020, urged the government not to wait until autumn, and that doing so would leave many businesses out to dry. Dawn Huntrod, Director of the North for Make UK said,

"[…] we are clearly heading for stormy waters in the face of eye-watering costs and a difficult international environment. […]"

The S&P Global/CIPS UK have released a new report detailing how the manufacturing downturn continues to deepen to a 27-month low (at the time of publication – 1st of September 2022) at a PMI (Purchasing Managers Index) of 47.3. The report is clear when it states that manufacturing production has continued to suffer in a steady downwards trend – with no sign of easing. While still above the flash-estimated PMI of 46.0, August has sunk below that all-important 50.0 PMI mark for the first time since May 2020.

Inflation is predicted to hit 18% in 2023. Already, it has reached over 10% since July. Bills – from energy, to staffing, to business rates liability – are on track to meet it. One rapid increase is detrimental enough to a business, but when operational costs are spiralling out of control, many business owners and leaders must contemplate whether it is cheaper to stay open, or close for the foreseeable future.

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With Liz Truss now leader of the Conservative party, she is expected to announce an emergency budget within the next weeks – including some anxiously awaited answers to the ever-growing energy crisis. Many reports have started flooding the news-sphere with reports that Truss is contemplating a cut to business rates (the tax on commercial properties), but none of these have come from the office of the Prime Minister. With business rates expected to rise by 12% in the next revaluation, a decision needs to be implemented quickly and decisively if there is any hope of it making any dent in rising operational costs.

A potential energy price freeze has taken precedence over what other policies Truss may implement in these crucial next few days. With conflicting reports on the sheer cost of such an endeavour, one thing certainly seems to be circulating – that businesses may not be included, or may simply have a different price freeze altogether. While a 12% rise in business rates liability would be a cause for concern for any business owner or leader, this number now seems more like a kick in the teeth as everything else rises too.

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