

20 November 2024

Business Response in the East Midlands: Key Findings from the Autumn Budget 2024 Survey

I am writing on behalf of businesses across the East Midlands to bring to your attention the results of our 'snap' survey following the Autumn Budget, delivered by the Chancellor on October 30th. The survey captured the views of 239 businesses based in the East Midlands and across sectors including manufacturing, construction, retail, hospitality, transport and logistics, professional services, and public sector through health and education. The responses indicate significant concerns regarding the new fiscal measures and how this may affect future investment in various areas that are critical to deliver growth.

The survey highlights the specific impact of the budget on business sentiment, growth projections, and overall confidence.

The survey results clearly indicate a need for balanced, supportive policies that address both the social and economic challenges facing East Midlands businesses. We urge you to consider these insights and advocate for policy adjustments that will allow our local businesses to thrive amidst the challenges posed by the Autumn Budget.

I wanted to share with you a summary of the key findings for each key area, as well as a more detailed view of the survey results plus what the opportunities are to help support regional business and mitigate the challenges outlined.

Key Findings from the Survey

National Insurance Increases and Secondary Threshold Reduction

Overwhelmingly, responses indicated this change is viewed as a *very negative development*, with most businesses anticipating significant increases in operational costs. For small and medium enterprises, this burden is particularly challenging and could impact their ability to sustain workforce levels.

Impact of the National Living Wage Increase

The increase in the National Living Wage has been met with similar apprehension. Business owners expressed concerns that this hike, combined with other operational cost pressures, will further erode profit margins, and may lead to staff reductions.

Inheritance Tax Threshold Changes

Responses indicated mixed reactions regarding the changes to inheritance tax thresholds. However, a significant proportion of businesses noted that the current thresholds will inhibit future planning and generational transfers within family-run businesses, potentially deterring long-term investments and stability within the region.

East Midlands Chamber (Derbyshire, Leicestershire, Nottinghamshire)
Registered Office: Commerce House, Millennium Way, Dunston Road, Chesterfield, S41 8ND
Registered No. 1785710. Limited by Guarantee.



Strategic Partners

Patrons



Business Rates Reform

There is a clear and urgent call for comprehensive reform of the business rate system. On a scale of 1 to 10, the need for reform rated consistently high, with most respondents scoring it at 10. Many voiced concerns that the current structure is outdated and disproportionately burdens small businesses. They are asking for a system that better reflects the operational realities of today's economy, particularly considering competition from online retailers who do not share the same brick-and-mortar costs.

Support for Innovation, Research, and Development

Feedback also highlighted the inadequacy of current support for innovation, research, and development. Respondents emphasised that while they appreciate the government's intent, the existing framework falls short of creating a truly conducive environment for growth and innovation, especially for SMEs without large R&D budgets.

Projected Growth and Investment

Across the board, projections for growth in capital investment, training, recruitment, and profitability have been tempered by the budget changes. Many businesses foresee a need to reduce capital investment and limit hiring, as they adjust to cover the increased costs from National Insurance and wage changes.

Survey Results at a Glance

1. Overall Impression of the Autumn Budget

- Positive: 10%
- Neutral: 10%
- Negative: 80%

Most respondents expressed a negative overall impression of the Autumn Budget, citing concerns over increased costs and a lack of targeted support for small and medium enterprises (SMEs).

2. Capital Investment Projections for the Next 12 Months

- Increase: 11%
- Neutral: 45%
- Decrease: 44%

With nearly half of the respondents planning to decrease capital investment, there is apprehension about making long-term investments in light of rising operational costs and economic uncertainty.

3. Investment in Training for the Next 12 Months

- Increase: 17%
- Neutral: 48%
- Decrease: 35%

Responses indicate a hesitancy to invest in workforce development, which could impact skills growth and productivity in the East Midlands. Many businesses feel they need to prioritise immediate financial stability over training.

4. Projected Changes to Workforce Size

- Increase in Staff Numbers: 14%
- Neutral: 47%
- Decrease in Staff Numbers: 39%

A significant number of respondents anticipate reducing staff levels. The National Insurance increase and wage mandates are driving these reductions, particularly in labour-intensive sectors such as hospitality and retail.

5. Profitability Outlook

- Increase: 11%
- Neutral: 27%
- Decrease: 62%

Many businesses expect profitability to decline over the next year, with respondents citing the combined pressure of higher wages, tax burdens, and operating costs as barriers to maintaining profit margins.

6. Recruitment Intentions for the next 12 Months

- Increase Recruitment: 8%
- Remain Neutral: 41%
- Decrease Recruitment: 51%

Over half of respondents indicated a decrease in recruitment plans, reflecting the cautious approach businesses are adopting due to cost increases. This trend could limit job creation in the region.

7. Sales Projections for the Next 12 Months

- Increase in Sales: 39%
- Remain Neutral: 38%
- Decrease in Sales: 23%

While there is some optimism regarding sales, a sizeable portion of businesses remain neutral or pessimistic about sales growth, anticipating that rising consumer prices could dampen demand.

The Autumn Budget's implications present both challenges and opportunities. By addressing the key concerns raised in this survey and supporting the East Midlands Chamber Manifesto Asks, policymakers can ensure resilience and growth for businesses in the region, which are critical to the broader UK economy.

Yours sincerely,



Scott Knowles DL
CHIEF EXECUTIVE



Richard Blackmore
DIRECTOR OF POLICY AND INSIGHT