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## BUSINESS NEWS – Round up

Welcome to our weekly round up of the latest business news for our clients. [Please do contact Cognitor Accountancy](#) to talk with us about how these updates may affect your business. We are here to support you!

### Surprise jump in inflation: How to navigate your business



Inflation figures for January 2025 were released last week and showed a surprising jump to 3.0%, up from 2.5% in December.

The Office for National Statistics (ONS) reported that the largest upward contribution to the change came from transport, and food and non-alcoholic beverages.

The upward pressure in transport costs came from air fares and motor fuels.

Traditionally air fares increase

in December before falling in January, however January 2025 saw the smallest January fall since January 2020.

Many businesses are feeling the pinch of increasing costs and news that inflation is rising may not be good news. Some economists believe that the rise will not affect the Bank of England's plans for the interest base rate – the Bank has already forecast that inflation will increase to 3.7% later this year. However, regardless of this, inflation can squeeze profit margins and put a strain on cash flow.

However, inflation doesn't have to derail your business. Read on to see how with the right strategies you can mitigate the impact and even uncover new opportunities. Here are some key steps you can take to navigate inflationary pressures.

#### Review pricing regularly

During periods of rising inflation, it's essential to review your pricing strategy. Ensure that your prices are reflecting the increased costs of goods and services.

This can be easier said than done because of not wanting to upset your customers. So, one strategy could be to look at smaller, incremental increases rather than implementing one large hike.

Also, be transparent about the reasons behind any changes – many customers understand inflationary pressure and appreciate it when they are clearly communicated with.



### **Focus on efficiency**



Look for areas within your business where you can improve efficiency. Perhaps you have opportunities to eliminate areas of wastage, or there are processes that could be automated, or you might be able to renegotiate contracts with your suppliers.

As an example, switching to digital invoicing or using cloud-based software may reduce your administrative costs. Small wins can be worthwhile as each small saving adds up over time.

### **Manage cash flow prudently**

When inflation is on the rise, managing healthy cash flow is crucial. Monitor your cash inflows and outflows regularly, and identify any areas of concern.

If your business uses credit, try to lock in interest rates to protect yourself against potential rate hikes. You might also want to consider offering early payment discounts to customers to improve cash flow.

### **Adjust your stock strategy**

If inflation is pushing up prices, holding too much stock may be tying up cash in goods that become more expensive to store. However, stocking up on items that are likely to increase in price could save you money in the long term.

Review your stock levels on a regular basis and this will help you to strike a balance that protects your margins.

### **Revisit your value proposition**

Inflation is likely to be putting pressure on your customers too. Therefore, it's essential that you are able to highlight the unique value that your business is providing them.

Focus on quality, reliability, or customer service so that you can show that you are different to your customers. When you offer something to your customers that they can't get elsewhere, they may be more willing to accept price adjustments.

### **Monitor market trends**

Stay informed about broader market trends and how inflation is impacting the industry sector that your business is part of. By keeping an eye on your competitors and the behaviour of your customers, you will be able to adapt your strategy to stay competitive.

Being proactive rather than reactive in seeking knowledge can make all the difference.

### **Plan for the long term**

Inflation often runs in cycles, so it's important to continue to think beyond the immediate challenges you may be facing. Developing contingency plans and building financial buffers can help you to prepare for future economic shifts.

Businesses that plan ahead are more likely to emerge stronger once inflation subsides.



### Final thoughts

While inflation can present some significant challenges, it also offers you an opportunity to review the way your business runs and make strategic improvements to it.

By focusing on pricing, efficiency, cash flow and customer value, you can build resilience and position your business for long-term success. Stay agile, be transparent and adapt to ongoing change – your business will be better for it.

If you need help with reviewing your business processes, cash flow or pricing, [why not give us a call](#) and see how we can help you?

## Wages growing faster than inflation

Latest figures released by the Office for National Statistics (ONS) show that average wages are continuing to grow faster than inflation. After adjusting for consumer price inflation (CPI), wages rose 3.4% between October and December 2024 when compared with the same period in 2023.

Unemployment figures also appear to be encouraging, with the UK's unemployment rate remaining at 4.4%. However, the ONS has cautioned that the response rate to its survey was low. So, these figures may not reflect the true position.



### What will happen over coming months?

With the upcoming increases to national minimum wage and employers national insurance, it seems likely that pay growth will reduce over coming months. Many businesses are reporting that they plan to reduce their workforce due to the increased costs.

Increasing wages can also affect the Bank of England's decision when they set the base rate. When wages grow this means more disposable income in the economy which tends to increase demand and therefore prices. These figures may therefore make the Bank cautious of making another rate cut too soon.

If you need help with budgeting increased wage costs from April, or to look at how your pricing could be adjusted to cover the increases, [please get in touch](#). We would be happy to help you negotiate these changes so that your business continues to grow and thrive.

See: <https://www.bbc.co.uk/news/articles/c4gwgpgj5zo>

## 40% business rates relief for film studios

Beginning last week (17 February), Local Authorities were able to begin awarding a 40% reduction in business rates bills to film studios. The tax relief is aimed at boosting the film industry in the UK and contributing towards more box office hits being made.

The creative industries sector employs 2.4 million people and provides £124.6 billion to the UK economy. The government hopes to boost both these figures by providing the relief. The Film



Studio Business Rates Relief will be available to eligible studios in England until 2034. Where applicable, it can be backdated to 1 April 2024.

Eligible film studios should not need to apply for the relief, but should be awarded it automatically by their Local Authority.

This is one of several reliefs available or becoming available to the film and TV sector in the UK. Already available is the Audio-Visual

Expenditure Credit (AVEC) that provides a tax credit of 34% on UK production costs on a film or high-end TV programme, increasing to 39% on the production costs for an animation or children's TV programme.

From 1 April 2025, film and high-end TV companies will be able to claim a 39% credit on their UK visual effects costs. Also, the Independent Film Tax Credit will become available. This is for eligible films that have a budget of less than £15 million and will allow for claiming an enhanced 53% rate.

The film and TV industry is seen as significant contributor to the UK economy with the potential for further growth.

If you need help with understanding what tax reliefs are available for your film or TV production, **please give us a call** at any time. We would be happy to help you maximise the reliefs available to you.

See: <https://www.gov.uk/government/news/lights-camera-action-40-business-rates-relief-for-film-studios-rolled-out>

## **Gloomy predictions: How can you maintain confidence?**

According to a survey of 2,000 businesses carried out by the Chartered Institute of Personnel and Development (CIPD), just over a third are planning redundancies or to recruit fewer people ahead of National Insurance and Minimum Wage rises this April.

42% of those surveyed have said they will increase prices to cover the increased costs. 25% are looking at cancelling or downscaling plans for investing or expanding their business.

The chief executive of the CIPD, Peter Cheese, said these were the "most significant downward changes in employer sentiment we've seen in the last 10 years, outside of the pandemic."

In separately conducted research, the Federation of Small Business also found that confidence among small businesses has dropped to its lowest point in 10 years when the Covid pandemic is excluded.

These surveys join a growing chorus of concern from businesses. The British Chamber of Commerce reported last month that a survey of almost 5,000 members suggested that confidence is at its lowest level for two years.



Amidst such a pessimistic view, how can you and your team maintain confidence? Here are 5 suggestions.

**1. Foster a resilient mindset:**

Remind yourself and your team that challenges like these are temporary and part of business cycles. Reflect on past challenges you've overcome to build confidence in your ability to adapt.

**2. Focus on strengths:**

Highlight what's working well in your business. Celebrate small wins and keep your team motivated by focusing on successes.

**3. Transparent communication:**

Share challenges and opportunities with your team openly. Transparency builds trust, fosters collaboration, and keeps morale high.

**4. Embrace innovation:**

Approach challenges as opportunities for growth. Shifting perspectives from survival mode to innovation mode can inspire new ideas and solutions.

**5. Long-term vision:**

Keep your eyes on the bigger picture. Remember, tough economic conditions are often temporary, and businesses that stay positive and forward-thinking tend to emerge stronger.

By focusing on optimism, resilience and adaptability, you can maintain your confidence and inspire your team to thrive even in uncertain times.

See: <https://www.bbc.co.uk/news/articles/ckg7gewqevqo>

## CMA expresses concern about Topps Tiles expansion

Topps Tiles, which is the largest tile specialist in the UK, purchased 30 CTD Tiles stores as part of a deal after CTD entered administration in August 2024. CTD was previously the second largest specialist tile retailer in the UK, so this was a sizeable acquisition for the tile world.



However, following complaints, the Competition and Markets Authority (CMA) has raised competition concerns in 4 areas of the UK: Dorking, Edinburgh, Inverness and Aberdeen. The reduction in competition in these areas could lead to worse deals and service for the customers and businesses there.

At this stage, the CMA have completed a Phase 1 investigation and Topps Tiles now have a chance to respond and offer solutions. If they are not able to do so, then the CMA will pursue a more in-depth investigation.

See: <https://www.gov.uk/government/news/tile-deal-could-lead-to-worse-deals-and-service-for-home-renovators-and-tradespeople-in-4-local-areas>



## Can you spot statistical misuse?

While numbers don't lie, it's well known that they can be manipulated to fit a story. Can you tell when it's happening?

The Office for National Statistics (ONS) are running a webinar that they describe as eye-opening and will do a deep dive into the world of statistical misuse.

It will look at how the Office for Statistics Regulation (OSR) investigates statistical misuse, how the ONS publish statistics in different formats to provide clarity and transparency, and how the ONS works to make sure its statistics are fairly and accurately reported in the news.

The webinar is an interactive session that will be held on Microsoft Teams.



It will run on Tuesday, 25

February 2025, starts at 4pm and will last an hour. If you can't make the live session, then a recording will be added to the ONS YouTube channel for later viewing.

To sign up for the webinar, see: <https://www.eventbrite.com/e/the-truth-behind-the-numbers-spotting-statistical-misuse-tickets-1111728994349>

**Please do contact us if you would like to talk about any of the articles. We are here to support you and your business!**

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