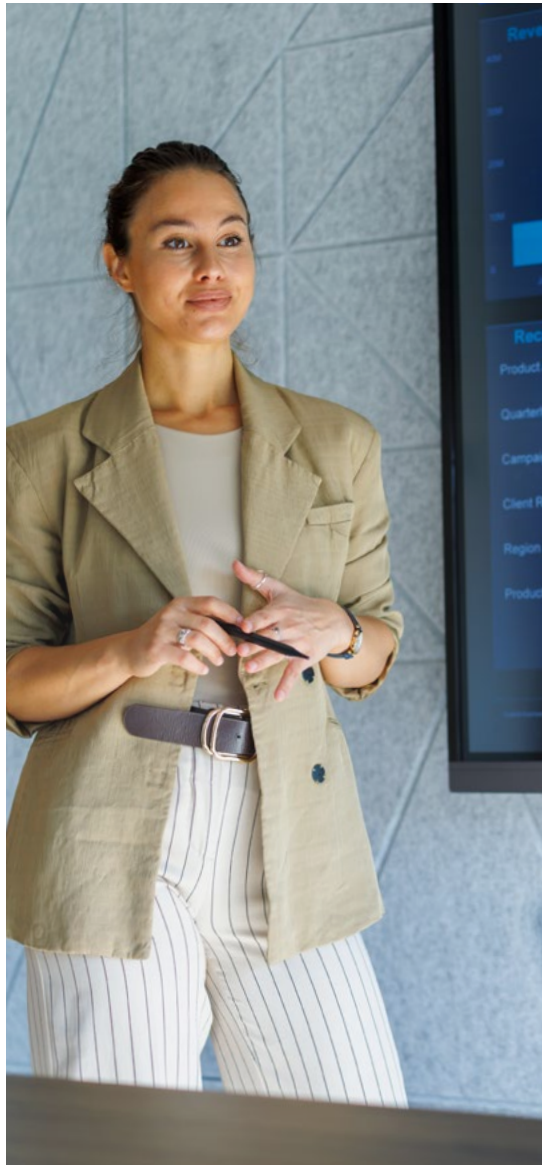


NEWS ROUND-UP

DECEMBER 2026

Donachie
CHARTERED ACCOUNTANTS

DONACHIECA.COM
INFO@DONACHIECA.COM
0141 237 6869



OBR CUTS UK GROWTH FORECAST FOR 2027 TO 1%

The Office for Budget Responsibility (OBR) has cut its forecast for UK economic growth in 2027 from 1.6% to 1%, in updated projections published alongside the Autumn Budget on 28 October.

The independent forecaster slightly raised its estimate for growth this year, from 1.1% to 1.2%, and expects growth to pick up again to an average of around 1.7% a year between 2028 and 2031.

The weaker outlook for next year largely reflects a sharp rise in energy prices, which the OBR said is pushing up inflation and squeezing real incomes. Consumer price inflation is now forecast to average 3.4% in 2027, compared with 2% in the OBR's March forecast, before easing back towards the Bank of England's 2% target from 2028.

The OBR expects Bank Rate to reach just over 4.25% by mid-2027, up from its current 3.75%. Higher inflation and interest rates have also pushed up its forecast for government borrowing, which is now around £13 billion a year higher on average than the March forecast, although borrowing is still projected to fall from £134bn in 2025-26 to £68bn by 2031-32.

For small business clients, the forecasts point to a tougher trading environment in 2027, with slower demand, rising prices and the prospect of higher borrowing costs. Reviewing cashflow forecasts, pricing and any finance arrangements early could help businesses plan ahead. For individuals, the squeeze on real incomes may put further pressure on household budgets.

Talk to us about your finances.

UK MANUFACTURING GROWTH HITS FIVE-MONTH HIGH

UK manufacturing output grew at its fastest pace in more than two years in October, according to the S&P Global/ CIPS UK Manufacturing PMI, published on 2 November 2026.

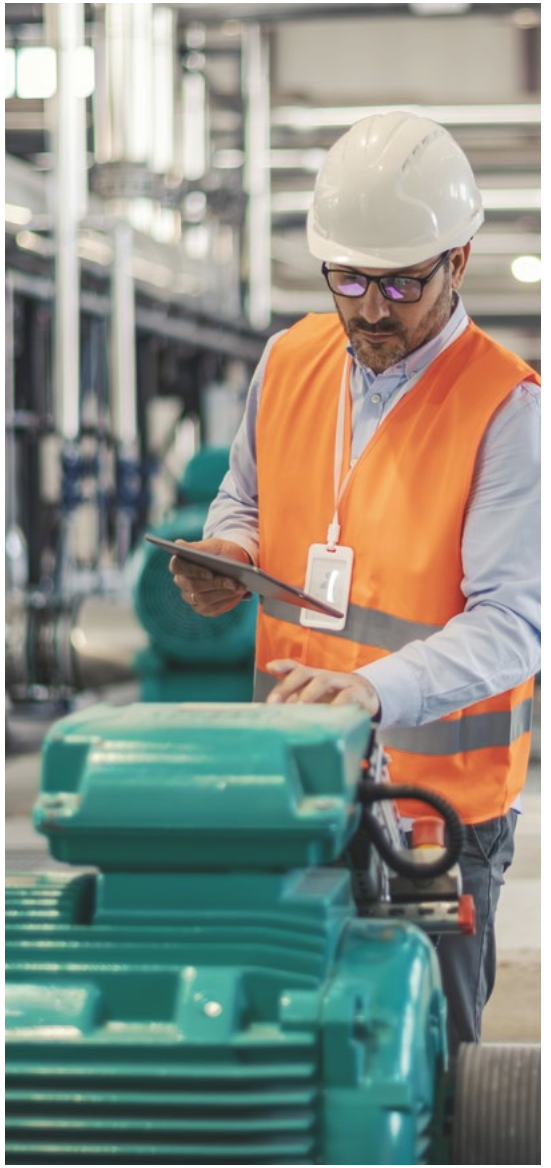
The headline index rose to 52.8, up from 51.9 in September and a five-month high, confirming the earlier flash estimate. Readings above 50 signal expansion. Output increased for a seventh consecutive month, the quickest rise in over two years, as firms reported stronger new orders from mainland China, the EU and the US. Business optimism reached an eight-month high.

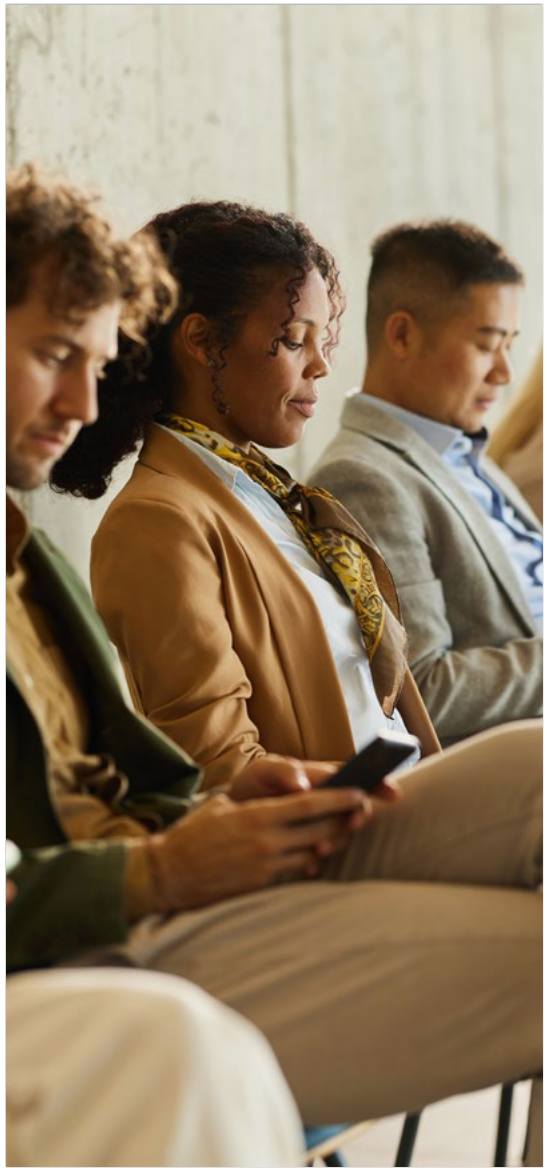
Employment, however, was unchanged in October, ending a six-month run of job gains, as firms weighed rising labour costs. Input costs climbed at one of the sharpest rates in four years, driven by energy, fuel and transport expenses, alongside lengthening supplier delivery times.

For small business clients who supply or trade with manufacturers, the figures point to firmer order books heading into the final quarter, though cost pressures on wages and overheads remain a factor worth planning around. Reviewing pricing and cash flow forecasts now could help manage any squeeze on margins.

Rob Dobson, director at S&P Global Market Intelligence, said: “Rates of growth in output and new orders both gathered pace in October, as companies responded to signs of improving demand in both domestic and overseas markets, including new work received from mainland China, the EU and the US.”

Talk to us about your finances.





PERMANENT HIRING FALLS FOR FIRST TIME IN FOUR MONTHS

Recruitment activity across the UK weakened in October, with permanent staff placements falling for the first time in four months, according to the latest KPMG and REC UK Report on Jobs, published on 9 November 2026.

The survey of around 400 recruitment and employment consultancies, carried out between 12 and 26 October, found that the permanent placements index fell to 46.6 from 50.9 in September, its lowest reading since May. Any figure below 50 indicates a decline. Temporary billings also fell, to 48.9, marking the first drop since March.

Despite the slowdown in hiring, starting salaries for permanent staff rose at a faster pace than in September. The availability of candidates for both permanent and temporary roles edged up, while demand for permanent staff fell at its softest rate since August 2024 and temporary vacancies rose marginally.

The survey was carried out before the Budget on 28 October. The Bank of England raised interest rates by a quarter point to 4% the following week.

For business owners, the findings suggest pay pressures remain even as hiring cools. Employers planning to recruit may need to factor higher salary expectations into their budgets, although a slightly larger pool of candidates could make suitable staff easier to find.

Jon Holt, group chief executive and UK senior partner at KPMG, said: “There is a risk the green shoots we had been seeing in the jobs market could stall.”

Talk to us about your staffing costs.

SEVEN IN TEN FIRMS WORRIED ABOUT ENERGY PRICES

Seven in ten UK businesses are concerned about energy and fuel prices, according to the latest Office for National Statistics (ONS) business survey, published on 5 November 2026.

The Business Insights and Conditions Survey, which ran from 19 October to 1 November and drew more than 9,600 responses, found that 69% of businesses had some degree of concern about energy prices in late October, up six percentage points since August. Concern about fuel prices stood at 70%, up eight points over the same period. Among firms with ten or more employees, the figures were higher still, at 77% and 76% respectively.

Supply chain costs are also a growing worry. Of larger firms that reported on supply chain concerns, 64% expected the cost of sourcing materials to be affected, and 60% expected transport costs to be affected, both up nine percentage points on September. Almost a third (31%) were concerned about international conflict disrupting supply chains over the next year, while 21% were worried about shipping disruption.

Despite these pressures, 95% of businesses were still trading, with 86% operating at full capacity.

For small business owners, the findings suggest many peers are bracing for higher running costs this winter. Reviewing energy contracts, supplier terms and pricing now can help protect margins and cash flow.

The ONS said the figures are official statistics in development and should be treated with some caution.

Talk to us about protecting your margins.



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.



Donachie
CHARTERED ACCOUNTANTS

Suite 23, Templeton Business Centre, 62 Templeton Street, Glasgow, G40 1DA