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# The Squeeze

*UK small businesses are being pressed from three sides in 2026: rising costs, slow cash and flat demand. You can't change the forces. You can change whether you see them coming.*

**A Moor & Co commercial briefing**

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POWERED BY 3DMAI

IN SHORT

There is no shortage of things for a small business owner to worry about in 2026. The risk is treating every pressure as equal. Most of the long list, fiscal drag, geopolitics, regulation, is weather you cannot change. The part that decides your survival is narrower: a three-way squeeze hitting the same businesses at once, with costs rising on a fixed schedule, cash arriving more slowly than ever, and consumer demand flat. This briefing strips the worry list down to what actually moves the odds, separates what you can control from what you can't, and sets out where most owners are flying blind.

## 1. The backdrop, briefly

There are around 5.7 million private-sector businesses in the UK, and 99.9% of them are SMEs. They provide roughly 60% of private-sector jobs and about half of all turnover. They are, by any measure, the backbone of the economy, and they are operating in the toughest conditions in years.

The instinct is to read the headlines and conclude that everything is against you. Some of it is. But the useful move is to sort the pressures into two piles: the forces you cannot influence, and the few things you can. Almost all the value is in the second pile, and almost all the attention goes to the first.

## 2. Costs are rising on a fixed schedule

Some pressures are uncertain. Your wage bill is not. From 1 April 2026 the National Living Wage rose to £12.71 an hour for workers aged 21 and over, a 4.1% increase, with the 18 to 20 rate up 8.5% to £10.85. For each full-time worker on the rate, that is roughly £975 a year in gross pay alone, before employer National Insurance and pension contributions are added on top.

And the wage is not the only line moving. The April 2025 employer National Insurance change, 15% on earnings above £5,000, rather than 13.8% above £9,100, is now fully embedded. For an employee on average earnings it pushed the employer NI bill up by about a quarter when it landed, and it has not gone away. Statutory sick pay is now payable from the first day of absence. For a labour-heavy business in hospitality, retail, care or the trades, this is a known, scheduled, unavoidable rise in the cost of employing people.

The question is not whether it is coming. It is whether your prices, rotas and hiring plans have been adjusted to absorb it. Most owners feel it in the bank balance months later, rather than modelling it before April and acting in time.

## 3. Cash is arriving more slowly

Late payment is the quiet killer of otherwise healthy businesses. Government research puts the cost to the UK economy at almost £11 billion a year, and links it to the closure of around 14,000 businesses annually, the equivalent of 38 every single day. About 1.5 million firms, 28% of all businesses, are affected each year. They are owed roughly £17,000 each on average, with around £26 billion locked up across the economy at any moment, and the typical affected business loses 86 hours a year simply chasing money it is already owed.

The detail that matters most: many of these businesses are profitable on paper. They do not fail for want of customers or good work. They fail because the cash they are owed turns up too late to meet a wage run, a VAT bill or a supplier payment. A profitable business with no clear view of its next 30 days of cash is one slow payer away from a crisis it never saw coming.

## 4. Demand is flat, and tax is quietly taking more

On the other side of the squeeze is the customer. With the personal allowance and income tax thresholds frozen until 2030–31, every pay rise drags a little more of your customers' income into tax. This "fiscal drag" means real spending power is barely growing, even where headline wages are. For consumer-facing firms that produces cautious, price-sensitive customers at precisely the moment costs are climbing.

That combination removes the easy answer. You cannot simply pass rising costs through in higher prices when demand is fragile and shoppers are watching every pound. The margin has to be found rather than assumed, and that is impossible if you do not know your true margin in the first place.

*Each of these pressures is survivable on its own. The danger in 2026 is that they arrive together and land on the same number: the gap between what it costs you to trade and what you can charge for it.*

## 5. Three squeezes, one place they land

Costs up, cash slow, demand flat. Three separate pressures, but they converge on your margin and your cash position. The businesses that come through a year like this are rarely the ones with the best product or the longest hours. They are the ones that can see what is happening to their numbers early enough to do something about it.

The ones that struggle tend to share a pattern. They price by feel rather than by margin. They discover a cash problem in the bank statement rather than forecasting it. They are not quite sure which products, services or customers actually make money and which quietly lose it. None of that is a failure of effort. It is a failure of visibility, and visibility is the one thing in this list that is genuinely within an owner's control.

## 6. What you can actually control

You cannot change the National Living Wage, employer National Insurance, fiscal drag, or whether your biggest customer pays on time. Spending energy on those is spending it on the weather. What you can change is whether you can see their impact before it reaches your bank account. In practice that comes down to four unglamorous things.

- **Your true margin.** Margin per product or service after fees, returns and real overheads, not a gut estimate, so you know what is making money and what is dragging.
- **The cost increases, modelled in advance.** The wage and NI rises applied to your actual headcount, so you know the price or volume change needed to hold margin before April, not after.
- **A rolling view of your cash.** Your lowest cash point in the next 30 days, so a late payment becomes a managed event rather than a surprise.
- **Which customers and channels pay back.** Where your money and effort actually return a profit, so you can put more behind what works.

None of this needs a finance department or a consultant on a day rate. It needs your own numbers put in front of you clearly, and in time to act on them. That is the difference between managing the squeeze and being managed by it.

## 7. A practical response

- **Model the April increases now.** Apply the new wage and NI costs to your real headcount and work out the price or volume change needed to protect your margin.
- **Build a rolling 30-day cash forecast.** Know your lowest point and what is driving it before it arrives.
- **Check your true margin per line.** Find the products or customers quietly losing money and fix or drop them.
- **Tighten terms and chase early.** Use the statutory late-payment interest and compensation you are legally owed, rather than absorbing the delay.
- **Get a second commercial opinion before the big calls,** not after they have gone wrong.

None of this is dramatic. In a margin year, it does not need to be. The owners who do these few things consistently will quietly outlast the ones who worked just as hard but never looked at the numbers in time.

ABOUT MOOR & CO & 3DMAI

## You run the business. We give you the commercial visibility to protect it.

Moor & Co is a commercial advisory for small business owners, built by someone who has run, scaled and exited real businesses. We help firms across North Staffordshire and South Cheshire hold their margins under pressure: commercial strategy and pricing, plus procurement and cost reduction on a no win, no fee basis, so you only pay when we save you money.

The numbers behind it run on **3DMAI**, our commercial intelligence platform for UK SMEs. It does exactly the work this briefing describes, true margin per product, a 30-day cashflow view, pricing scenarios, and an employer NI and headcount calculator built on current UK rates, on your own numbers and in plain English, for £19.99 a month. The free tools need no sign-up. If you would rather talk it through first, the discovery call is free and there is no commitment.

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## SOURCES

1. Department for Business and Trade, *Business Population Estimates* 2025; House of Commons Library business statistics briefing.
2. Low Pay Commission and GOV.UK — National Minimum and National Living Wage rates effective 1 April 2026.
3. HM Treasury / HMRC — employer National Insurance (15% rate, £5,000 secondary threshold) and the freeze of income tax thresholds to 2030–31.
4. Department for Business and Trade and the Office of the Small Business Commissioner (research by London Economics) — *Late Payments Research* (July 2025).

*Figures are drawn from the sources named and were current at the time of writing. They describe the broad business population and are not predictions for any individual firm. General guidance only — not financial or legal advice.*