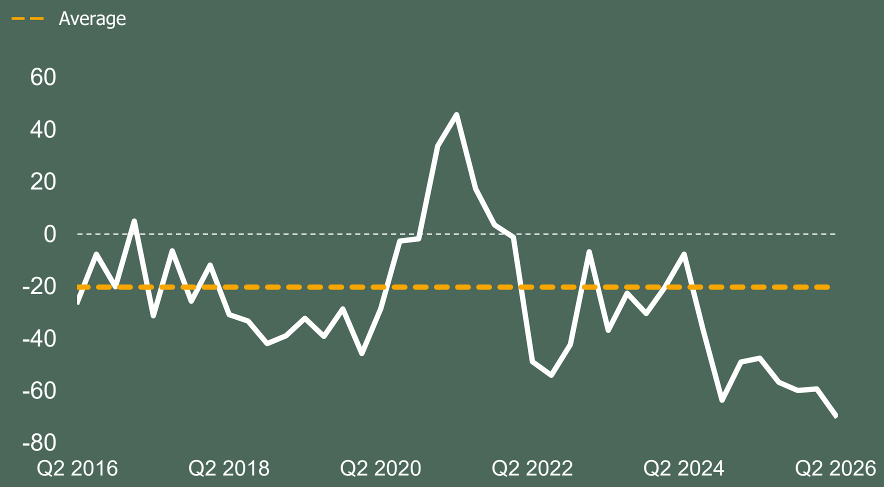
ACCA

Confidence slumps

The indicators for UK small and medium-sized enterprises (SMEs) from our quarterly Global Economic Conditions Survey (GECS) of accountants continue to point to a very challenging economic backdrop. Though the message coming from our early indicators of corporates stress is somewhat mixed. While the uncertain and unpredictable global economic backdrop has undoubtedly been a factor, domestic developments have played a significant role with confidence soft since the fall-out from the 2024 UK Budget.

UK SMEs GECS Confidence Index



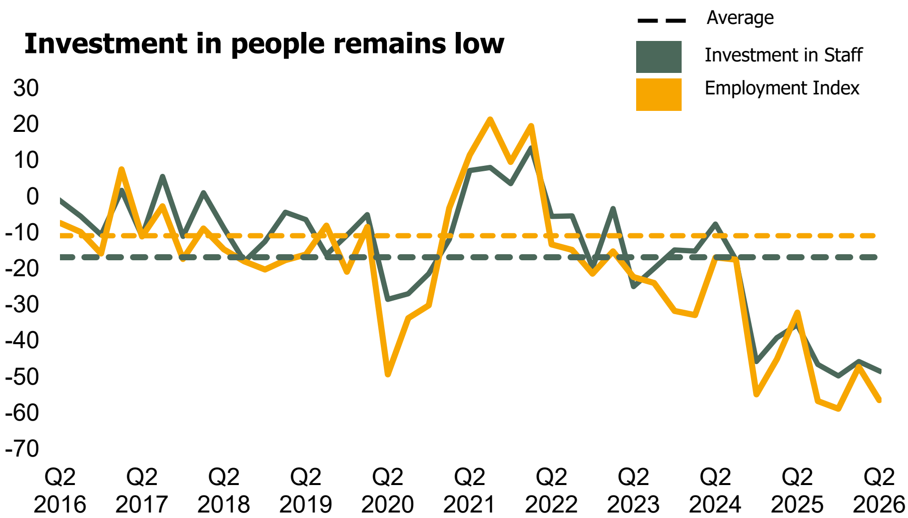
Source ACCA / IMA 2026

How is SME sentiment changing?

Confidence declined to a record low in Q2 2026 and has remained significantly below its historic average since late 2024.

All in all, the uncertain and unpredictable global economic backdrop has undoubtedly been a factor weighing on the sentiment of UK SMEs. Nevertheless, domestic developments have been important, with sentiment struggling to recover from the very large falls in the second half of 2024. Commentary from survey respondents unsurprisingly suggested that higher energy costs due to the Middle East conflict were a headwind for businesses in Q2, but higher taxes on employers and rising minimum wages were mentioned too.

Investment in people remains low



Source ACCA / IMA 2026

Investment stalls

The weakness in the Employment and Capital Expenditure indices also speaks to significant caution among firms. Elevated cost pressures remain a major problem, with over 80 per cent of respondents reporting increased costs in Q2, well above the series average. Concern over being paid promptly added to firms concerns.

The few indices that showed positive change in the last quarter have also receded somewhat this quarter, though not yet falling to new record lows.

What this means for policy makers

Our indices show business confidence and appetite for investment is low, this is putting a dampener on UK growth. For the UK's trajectory of low or no growth to change, businesses need a more certain environment.

Rebuilding confidence must therefore be an immediate priority; the upcoming budget and other announcements are an opportunity to provide business the certainty it needs.

Glenn Collins, Head of Technical and Strategic Engagement, ACCA

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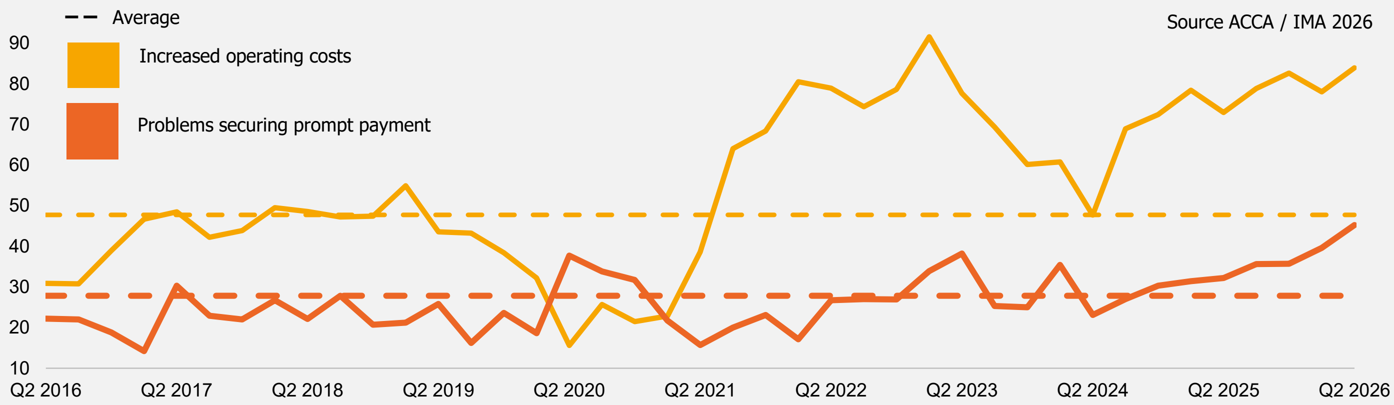
ACCA conducts the Global Economic Conditions Survey (GECS), jointly with the Institute of Management Accountants (IMA), and it is the world's largest regular survey of accountants, both in terms of the number of respondents and the range of economic variables monitored. Access the full report: Global Economic Conditions Survey: Q2 2026

UK SMEs GECs Capital Expenditure Index

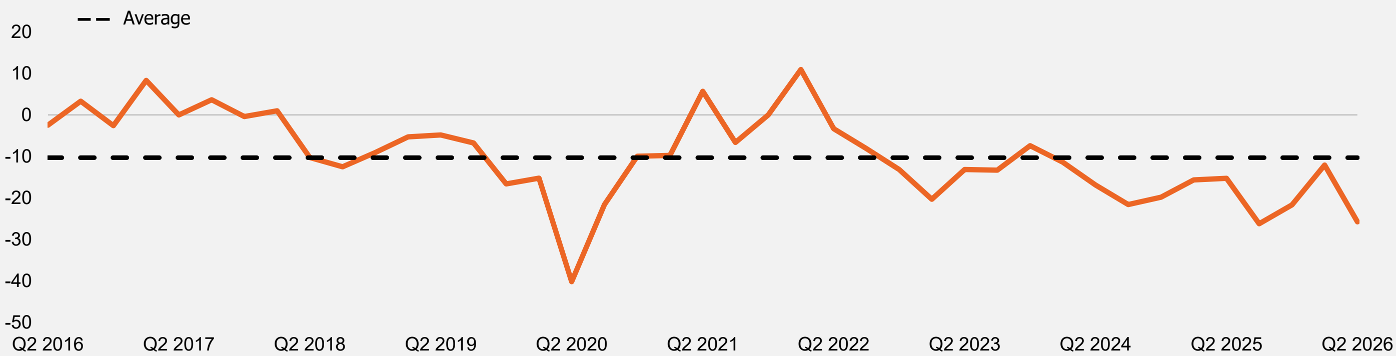
Source ACCA / IMA 2026

UK SMEs GECs Increased operating costs and problems securing prompt payment



Source ACCA / IMA 2026

UK SMEs GECs New Orders Index



Source ACCA / IMA 2026