# UK businesses face highest job cuts in four years amid rising costs



UK businesses are experiencing a significant upswing in job cuts, with the rate reaching the highest level in over four years, a trend that has been exacerbated by the anticipated cost rises associated with the upcoming Budget. According to a recent survey conducted by S&P Global, the staffing reductions primarily stem from increasing payroll costs and sluggish demand for products and services.

The findings reveal that February marked the most drastic decline in staffing numbers since November 2020, as businesses grapple with higher expenses chiefly driven by pressure to raise wages. The S&P Global flash UK composite purchasing managers’ index (PMI) indicated a slight downturn, with a reading of 50.5 for February, down from January's figure of 50.6. In the context of this index, a score above 50.0 suggests that business activity is expanding, while a score below indicates a contraction.

Commenting on these developments, Chris Williamson, chief business economist at S&P Global Market Intelligence, noted that the early data for February illustrates a stagnation in business activity over the past four months. He stated, "job losses [are] mounting amid falling sales and rising costs," which has created a challenging scenario for businesses and the Bank of England. The rising cost pressures could potentially lead to a stagflationary environment, where inflation and stagnation coexist.

The survey highlighted that input cost inflation continues to tick upwards, with the fourth consecutive month showing an increase linked to higher salary payments. Businesses reported that many suppliers are attempting to transmit these cost increases to employer national insurance contributions, further widening the impact across various sectors.

Additionally, recent official statistics indicate that the Consumer Prices Index (CPI) inflation rose to 3% in January, surpassing economists’ expectations. Williamson pointed out, “A key factor behind the upturn in inflationary pressures is the growing number of firms reporting the need to raise prices in order to help offset the impending rise in staff costs associated with the national insurance hike and uplift to the minimum wage announced in the autumn Budget.”

The interplay between the recent changes in the Budget and job cuts is stark, with approximately one in three companies indicating that their reductions in staffing levels are directly tied to policies announced in the October Budget. This trend leads to a concerning outlook for employment, as February recorded job cuts at a rate not observed since the pandemic months, barring instances linked to the global financial crisis.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.spglobal.com/marketintelligence/en/mi/research-analysis/flash-uk-pmi-indicates-further-steep-job-losses-amid-stalled-growth-and-rising-costs-Feb25.html> - This URL supports the claim that job losses are mounting amid falling sales and rising costs, as indicated by the S&P Global flash UK PMI. It also highlights the impact of Budget changes on staffing reductions.
* <https://www.telegraph.co.uk/business/2025/02/17/mass-job-cuts-loom-ahead-of-reevess-tax-raid/> - This article corroborates the trend of significant job cuts in the UK due to anticipated cost rises associated with the upcoming Budget, particularly the increase in employer National Insurance contributions.
* <https://www.insurancebusinessmag.com/uk/news/breaking-news/uk-job-cuts-amid-tax-hikes-have-not-yet-materialised--report-524921.aspx> - This report provides context on how businesses are cautious about cutting jobs due to rehiring challenges, despite warnings of potential redundancies following tax hikes and wage increases.
* <https://www.vacourts.gov/courts/scv/rulesofcourt.pdf> - This document does not directly support the article's claims but is included as it was part of the search results. It pertains to court rules in Virginia and does not relate to UK job cuts or economic trends.
* <https://www.noahwire.com> - This URL is the source of the original article but does not provide additional external validation of the claims.