# UK businesses grapple with mounting pressures as second wave of closures looms in 2026



UK business owners face increasing pressures in 2026 as rising costs, supply chain difficulties, and financial challenges intensify, threatening the survival of many enterprises across the country. According to a recent survey by NerdWallet UK of 500 business owners, an alarming 71% have contemplated closing their businesses in the past year. This sentiment reflects wider economic strains, notably evidenced by the wave of closures among prominent UK retail chains such as Poundland, Claire’s, and Hobbycraft.

The core reasons behind these challenges go beyond simple economic metrics and reveal a personal dimension. The leading cause for considering closure, cited by 34% of respondents, is personal issues like health and family pressures. This is closely followed by falling customer demand (31%), supply chain hiccups (30%), difficulties accessing finance (29%), and escalating property costs (28%). Staff shortages also weigh heavily, affecting a quarter of businesses. These pressures cut across various sectors including hospitality and healthcare, with business owners in the information technology, business & finance, and retail sectors feeling particularly vulnerable. Notably, medium-sized companies with 50 to 249 employees report the highest incidence (84%) of closure considerations. Geographically, London-based businesses also report high closure considerations, at 73%.

This climate comes on the heels of a steep increase in retail store closures, with over 13,500 shops shutting in 2023—up 28% from the previous year according to the Centre for Retail Research. While the number of new store openings has reached levels last seen before the pandemic, notably driven by hospitality and fast food sectors, the net outcome remains negative with a higher rate of closures. Large-scale restructurings in retail chains like Wilko, Paperchase, and Lloyds Pharmacy have contributed significantly to these figures, resulting in net closures of 14 stores per day and widespread job losses—approximately 120,000 jobs were lost in 2023 due to store closures and company restructures.

Amid these conditions, UK businesses plan to increase prices by an average of 14.5% in 2026, with mid-sized companies expecting hikes as high as 19%. This reflects the unavoidable transfer of higher operating costs to consumers. Many owners are also adapting by diversifying income streams, employing automation and AI to reduce labour costs, renegotiating contracts, and cutting expenses such as energy costs and external services. On the flip side, concerning trends such as cutting staff hours, redundancies, and reduction of employee benefits are appearing, underscoring the precariousness of many businesses.

Financial struggles are exacerbated by common business management errors. Undercharging products or services remains the top mistake affecting income, reported by 29% of respondents. Other pitfalls include unreliable customers, weak contractual agreements, poor financial administration, and inadequate expense monitoring. The difficulties are compounded by personal challenges such as childcare access and managing parental leave coverage, which affect work consistency.

In parallel, broader economic data paints a sobering picture. UK Chief Financial Officers are expressing heightened fears about rising costs and competitiveness, with a strong focus on cost control and cash reserves. Inflation remains elevated at 4%, double the Bank of England’s target, and wage growth hovers near 5%, intensifying financial strain on businesses. The upcoming Autumn Budget, expected on 26 November, carries a pervasive uncertainty, with speculation of additional tax rises likely to increase pressure on employers.

The UK also faces a slowdown in new business creation. Data from the Office for National Statistics shows that 2023 had the slowest rate of new business formation since 2010, a potential warning sign for future economic dynamism and productivity growth. Nonetheless, there is a rise in ‘high growth’ employers, reflecting pockets of resilience amid the gloom.

Experts stress the urgent need for robust government support to sustain smaller enterprises, many of which fear closure without targeted intervention. The challenge lies in balancing cost pressures with consumer’s constrained spending power—British consumers carry an average debt exceeding £12,000 and are increasingly cautious, even during peak shopping periods such as Black Friday.

To navigate this difficult environment, NerdWallet UK’s spokesperson Sarah Fleming advises business owners to sharpen financial management, explore diverse financing options, optimise business insurance, and prepare for upcoming regulatory changes such as Making Tax Digital in 2026. These measures may be critical for small and medium-sized enterprises striving to adapt sustainably in an economically turbulent landscape.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.nerdwallet.com/uk/business/survey-why-uk-businesses-need-relief-from-rising-costs-in-2026/), [[4]](https://www.standard.co.uk/business/business-news/record-number-of-businesses-close-across-the-uk-ons-b1122014.html), [[5]](https://www.retailgazette.co.uk/blog/2024/03/store-closures-wilko/), [[6]](https://www.thegrocer.co.uk/news/120000-retail-jobs-lost-and-10000-shops-closed-in-2023/686845.article)
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* Paragraph 7 – [[3]](https://www.reuters.com/world/uk/uk-creates-new-businesses-slowest-rate-since-2010-2024-11-18/)
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## Bibliography

1. <https://www.nerdwallet.com/uk/business/survey-why-uk-businesses-need-relief-from-rising-costs-in-2026/> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/uk-cfos-worry-about-competitiveness-rising-costs-deloitte-says-2025-10-12/> - A Deloitte survey reveals that UK Chief Financial Officers (CFOs) are more concerned about competitiveness and productivity than at any time since 2014, equaling their concerns about geopolitics. These concerns come ahead of Finance Minister Rachel Reeves’ upcoming budget and are heightened by inflation, which reached 4% in September, double the Bank of England’s target. Wage growth remains high at nearly 5%, putting further pressure on costs. CFOs have responded by prioritizing cost control, building cash reserves, and reducing debt. A net 84% expect operating costs to rise over the next year—the highest in over four years. While geopolitical worries have lessened due to U.S. trade deals under President Donald Trump, other economic concerns persist, including tax uncertainty. Reeves is anticipated to raise taxes again in her November 26 budget. Deloitte’s survey involved 68 CFOs, 35 of whom represented large UK-listed or multinational firms. A separate BDO report indicates that rising costs and fiscal uncertainty have also caused firms to delay hiring, although optimism has slightly improved with stronger order volumes and potential U.S. investment.
3. <https://www.reuters.com/world/uk/uk-creates-new-businesses-slowest-rate-since-2010-2024-11-18/> - In 2023, the United Kingdom experienced the slowest rate of new business creation since 2010, as reported by the Office for National Statistics. Only 316,000 new businesses were formed, a drop from 337,000 in 2022, reducing the 'business birth rate' to 11.0%. The 'business death rate' also fell, with 309,000 closures, down from 349,000, bringing it to 10.8%. Economists express concern over these trends, as reduced business dynamism can hinder productivity growth and long-term improvements in living standards. Despite these challenges, there was an increase in 'high growth' employers, defined as businesses with at least 10 employees and a 20% annual staff growth over three years, which reached a five-year high of 4.7% in 2023. The new Labour government aims to achieve the fastest per-head growth in output among the world's seven largest advanced economies.
4. <https://www.standard.co.uk/business/business-news/record-number-of-businesses-close-across-the-uk-ons-b1122014.html> - The acceleration in store closures can primarily be attributed to one-off large-scale restructuring in parts of retail and hospitality. There were a total of 14,081 store closures in 2023, averaging at 39 closures per day. The figure is higher than 2022’s total of 11,530, but lower than every year between 2017 and 2021, and in line with the 2016 figure (14,439). On a positive note, 9,138 new stores opened across Great Britain in 2023 - the highest figure since 2019, illustrating the continued importance of physical sites, with successful operators taking advantage of vacant space to expand their footprints. This averages at 25 new stores opening each day across England, Scotland and Wales combined. The net number of closures in 2023 sits at -14 per day (4,943 in total), a higher figure than 2022 but lower than the 2018-2021 period. Despite the overall decline, there has been a notable rebound in the hospitality sector, leading to a surge in new openings to meet consumer demand post-pandemic. Indeed, five of the top seven categories of new openings were in this sector.
5. <https://www.retailgazette.co.uk/blog/2024/03/store-closures-wilko/> - Large scale retail restructuring and administrations such as Wilko led to a net of 14 store closures a day with 5,000 fewer shops now trading across the UK. An average of 39 chain outlets closed each day, while 25 new ones opened, with a total of 14,081 store closures in 2023 overall. Despite an increase in store openings, dominated by the likes of fast food sites and coffee shops, high profile collapses such as Wilko, Paperchase and Lloyds Pharmacy resulted in more closures than openings, according to research from LDC and accounting firm PwC. There were 11,530 store closures as a result of “one-off” restructurings and failures across large retail businesses, such as Wilko. Although Wilko has started opening stores again under new owner, The Range’s parent company CDS Superstores. Although the 9,138 new openings in 2023 marked the highest rate since 2019, the majority of these were driven by hospitality sites, the research revealed.
6. <https://www.thegrocer.co.uk/news/120000-retail-jobs-lost-and-10000-shops-closed-in-2023/686845.article> - About 400 were stores closed and 12,000 jobs lost in the collapse of Wilko. Almost 120,000 jobs were lost in 2023 as more than 10,000 shops closed, according to new data. End of year figures compiled by the Centre for Retail Research suggest 119,405 jobs were lost and 10,494 shops shuttered for good as businesses battled inflation and other economic headwinds. Retailers to have collapsed in 2023 include Wilko, leading to the closure of around 400 stores and loss of about 12,000 jobs. CRR said most of the year’s closures and jobs losses had resulted from company restructures and cost-cutting programmes rather than business failures. The figures for 2023 are an improvement on 2022’s, when 151,641 jobs were lost and 17,151 shops closed. However, 2022 was the worst year for store closures since the financial crisis and collapse of Woolworths in 2008, according to the CRR, which has been monitoring retail trends for more than 25 years.