

FOR UK SMALL AND MEDIUM-SIZED BUSINESSES

The 2027 Growth Outlook

2027 is a margin year, a visibility year and a capability year.
It is not a demand year.

Twelve findings and the moves that follow

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READ THIS FIRST

In March 2026 the official forecast for 2027 was 1.6% growth, 2% inflation and two interest rate cuts. By November it was 1% growth, inflation near 4% and a rate rise.

Firms soaked up the 2026 energy shock in their margins, and the Bank of England has said that can't last. The recovery that does exist belongs to larger firms. Every survey that splits by size shows the smallest businesses flat or falling.

Customers have changed for good. Two in three UK shoppers now research with AI. Business buyers contact a supplier only after most of the decision is made, and the business the AI answer names gets the call.

The firms that come out of 2027 ahead will price early, become the checkable, named answer in their market, reply in minutes, grow existing customers first, and use AI to add capacity without adding people. This report shows the evidence for each, and what to do about it.

THOL Growth Partner
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01 THE ECONOMY

The 2027 most firms planned for in March no longer exists.

In eight months the official outlook for 2027 went from steady growth, 2% inflation and falling interest rates to 1% growth, inflation near 4% and rates going up.

4.9%

Bank Rate markets expect by the end of 2027. It is 4% today.

Bank of England, Nov 2026

−0.6%

Real household income in 2026, then +0.2% in 2027. Customers have less to spend.

OBR, Oct 2026

+42%

Gas price assumed for 2026-27 against 2025-26. Most business contracts have not repriced yet.

OBR; Bank of England

WHAT TO DO Build the 2027 budget on the Bank of England's three scenarios, not one forecast. Have a price list ready for each by February.

Sources: OBR Economic and Fiscal Outlook, March and October 2026 · Bank of England Monetary Policy Report, November 2026 · GfK/NIQ Consumer Confidence, October 2026

02 THE SIZE DIVIDE

The recovery is real. It belongs to larger firms.

Every survey that splits results by business size shows the same thing. Firms above roughly £10m turnover are recovering. The smallest are flat or falling.

MANUFACTURERS' OUTPUT BALANCE BY TURNOVER, Q3 2026



53%

of small firms reported falling revenue in Q3 2026. 23% reported growth.

FSB Small Business Index Q3 2026

51.4%

of SME overdraft limits in use, the highest since March 2020.

UK Finance, June 2026

+21 to +10

SME net hiring balance, autumn 2024 to summer 2026.

CIPD Labour Market Outlook



WHAT TO DO

Read the headline economic figures as someone else's business. Track the numbers for firms your size.

Sources: Make UK / S&W Manufacturing Outlook Q3 2026 · FSB Small Business Index Q3 2026 · UK Finance Business Finance Review · CIPD Labour Market Outlook, summer 2026

03 PRICING

Absorbing costs in your margin got firms through 2026. It will not get them through 2027.

Firms took the energy shock out of profit rather than raising prices. The Bank of England has called that buffer temporary, and customers punish price rises they can't see.



71% of firms expect lower margins. The Bank's view: their buffers "would only prove temporary".

Bank of England Decision Maker Panel

3.9% vs 2.2% Input prices against selling prices. A 1.7-point squeeze every month.

ICAEW Business Confidence Monitor Q3 2026

28% to 14% Firms planning to raise prices, May to September 2026. They said it and then didn't.

ONS Business Insights and Conditions Survey

34.4% of customers will pay more for better service. 11.6% put price first.

Institute of Customer Service, July 2026

WHAT TO DO

Hold a January price review with a reason for each customer group, one clearly premium option and transparent entry prices. Don't quietly shrink what customers get.

Sources: Bank of England MPR Nov 2026 and MPC minutes · ICAEW · ONS BICS waves 152–167 · UKCSI July 2026 · Kantar BrandZ UK 2025



04 THE COST CALENDAR

Most of 2027's cost increases land between January and April, and the dates are already set.

Wages, dismissal rules, tax and business rates all change in the first four months. A firm that reprices in February keeps the year. One that reprices in July has already paid for it.

£13.21

National Living Wage from 1 April, up 3.9%. The Low Pay Commission said £13.44 was needed.

Low Pay Commission, Oct 2026

£1,150

Extra cost a year for each full-time minimum-wage employee, once NICs and pension are added.

THOL calculation

6 months

Service needed to claim unfair dismissal from 1 January, down from two years. Tribunal claims rose 39%.

GOV.UK; Ministry of Justice

£500,000

Lifetime limit on the tax relief for selling a business from 6 April. It halves.

Budget, October 2026

WHAT TO DO

Put every 2027 date on one calendar in December. The full calendar is on page 16.

Sources: Low Pay Commission letter, 23 October 2026 · Employment Rights Act timeline, GOV.UK, 5 November 2026 · Ministry of Justice tribunal statistics · HM Treasury Budget, 28 October 2026

05 HOW CUSTOMERS BUY

Customers make up their minds before they ever contact you.

Business buyers spend about six months researching before they speak to a supplier. By the time they call, the shortlist is set and the favourite usually wins.

59%

of the buying journey is complete at first contact. That is about six of 10.3 months.

6sense Buyer Experience Report 2026

77%

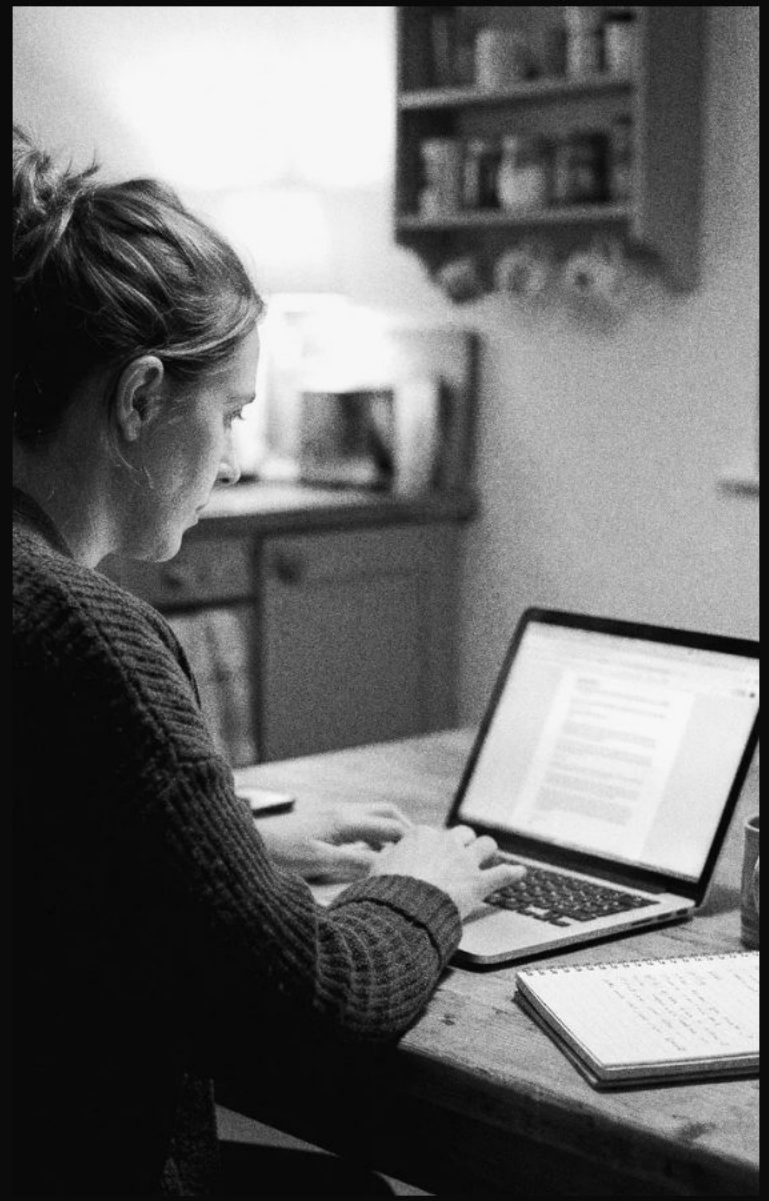
of UK and Ireland purchases go to the buyer's favourite from before first contact.

6sense 2026, UK & Ireland

81%

of buyers used AI in their last purchase, down from 94%. Mostly to compare suppliers they already knew.

6sense 2026



WHAT TO DO

Publish everything a buyer needs to shortlist you without speaking to you: price ranges, real results, who you are not right for. Don't hide it behind a form.

Sources: 6sense 2026 Buyer Experience Report (3,596 completed purchases) · Forrester Buyers' Journey 2026 · LinkedIn B2B Institute

06 BEING FOUND

Ranking on Google is no longer enough. You need to be the business the AI names.

More people now read an AI answer than click a website. They still check with people and reviews before they buy, so the answer has to name you and the reviews have to back it up.

29.6m

UK adults using AI tools, up from 20.2 million a year earlier.

Ipsos iris, July 2026

30%

of UK searches show an AI answer. Where one appears, clicks to the top result fall 58%.

Ofcom Online Nation 2025; Ahrefs

40%

of UK adults visit no new websites at all, up from 28%.

Ofcom Adults' Media Use 2026

36%

of households found their last tradesperson through a referral. 27% used someone they'd used before.

Citizens Advice, 2026

WHAT TO DO

Answer the ten questions buyers ask in plain, dated facts on your own site. Get a review every week and reply to each one. Check every month whether ChatGPT and Google name you.



Sources: Ipsos iris · Ofcom Online Nation 2025 and Adults' Media Use 2026 · Ahrefs · Semrush · Deloitte agentic commerce survey 2026 · Citizens Advice / Opinium 2026



07 SPEED

Customers expect a reply in minutes. Most suppliers have got slower.

Expectations moved and supplier habits didn't. The firm that answers first wins a share of work it never had to compete for.

1h 42m

Median first reply to a UK business enquiry, up from 1h 14m in 2022.

Visionary Marketing 2026

1.9×

More enquiries qualify when the same business replies within minutes instead of hours.

Entagl 2026

74%

of UK online adults use WhatsApp every day, up from 64% in a year.

Ofcom Online Nation

11%

would let a bot handle their complaint. People want a fast human.

Deloitte 2026

WHAT TO DO

Acknowledge every enquiry within seconds and have a named person reply within five minutes in working hours. Put WhatsApp on every page and quote, and run one shared inbox.

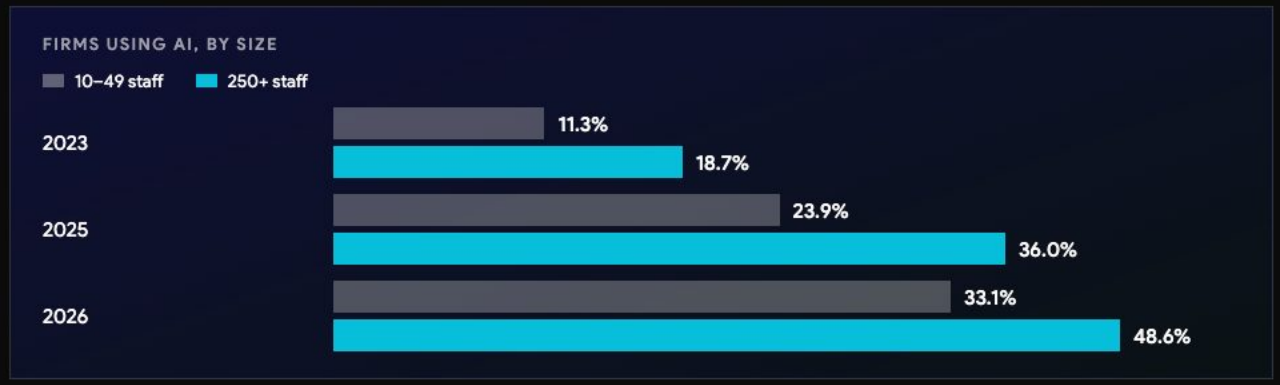
Sources: Visionary Marketing (UK lead response data) · Entagl · Ofcom Online Nation · BrightLocal 2026 · Deloitte



08 AI

AI use doubled in a year. For most small firms, the savings did not follow.

Adoption is widening fastest in larger firms. The small firms seeing real savings are the few who built AI into how the work gets done.



43%

of UK firms using AI spent nothing on it in 2025.

DSIT AI adoption research 2026

54%

of the 2% who built AI into their processes saw costs fall.

DSIT 2026

0.9 pts

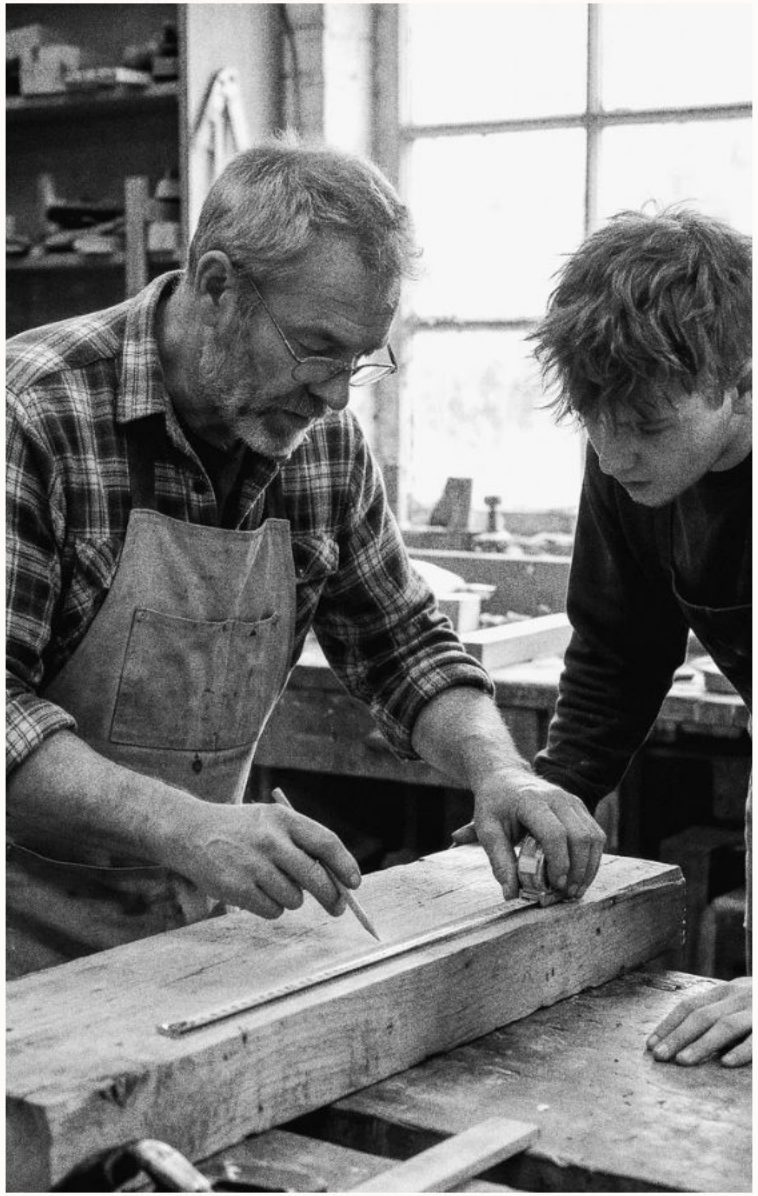
Extra productivity a year firms expect from AI, half of it through hiring fewer people.

Bank of England, Nov 2026

WHAT TO DO

Expect capacity from AI in 2027, not new revenue. By spring, give every office role a paid tool and three named jobs to use it for.

Sources: ONS Business Insights and Conditions Survey (THOL derivation) · DSIT AI adoption research 2026 · Bank of England MPR Box D · Bank Underground



09 PEOPLE

Hiring is frozen now. The window to rebuild your team opens in late 2027.

Firms are thinning teams by not replacing people rather than by redundancies. Demand for staff is steadying, and the firms that keep training through the freeze will hire first.

57%

of private employers plan to hire, the lowest since 2016 outside the pandemic.

CIPD, summer 2026

42%

of vacancies at two-to-four-person firms are hard to fill for lack of skills. Unchanged while larger firms improved.

DfE Employer Skills Survey

−62%

Work visas from their peak. Hiring overseas is largely closed to small firms.

Home Office; OBR

10%

of UK employees are engaged at work.

Gallup State of the Global Workplace

WHAT TO DO

Keep one trainee hire running through the freeze and train from within. Plan 2027 pay at 3–3.5%, with a one-off payment option.

Sources: CIPD Labour Market Outlook · KPMG/REC Report on Jobs · DfE Employer Skills Survey (22,712 employers) · OBR · Gallup

10 WHERE THE GROWTH IS

The growth in 2027 is in places most small firms aren't selling to yet.

Business services, public contracts, defence and infrastructure are growing. House building and consumer spending are not.

+2.8%

Professional services growth in the three months to August 2026. Construction fell 1.0%.

ONS

£7.4bn

A year government departments aim to spend with SMEs by 2028.

Industrial Strategy, Year One

£2bn

Ministry of Defence direct SME spend target for 2027/28, up from £1.24bn.

MOD SME Action Plan

28%

of micro firms export, down from 34% in a single year.

DBT exporter survey 2025



WHAT TO DO

By March, hold one place on a public-sector framework or one subcontract with a larger supplier. Pick one market outside the EU to sell into.

Sources: ONS GDP monthly estimate · MHCLG · Construction Products Association · Industrial Strategy Year One · MOD SME Action Plan · DBT National Survey of Registered Businesses

11 MARKETING AND SALES

Your cheapest growth in 2027 is the customers you already have.

Advertising costs more each quarter. Existing customers buy faster, more often and with less persuasion, yet most small firms don't even track them.



45% vs 19%

Win rate with existing customers against new ones. 52 days to close against 91.

Ebsta / Pavilion

27%

of UK SMEs measure customer retention.

Nettl UK SME report 2026

+12–14%

Rise in Meta's average price per ad, each quarter of 2026.

Meta quarterly results

41%

of email revenue comes from automated emails, which are 5.3% of sends.

Klaviyo 2026

WHAT TO DO

Give existing customers their own revenue target. Build five automated emails before the next newsletter, and fix your enquiry page before buying more clicks.

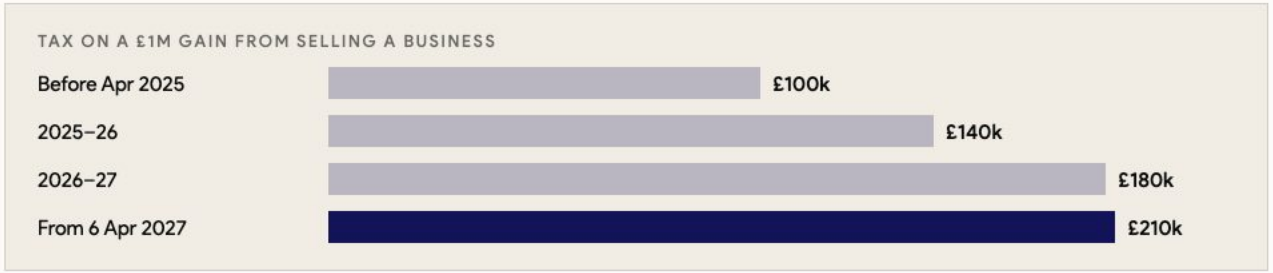
Sources: Ebsta / Pavilion B2B Sales Benchmarks · Nettl · Meta and Alphabet results · Klaviyo · WordStream/LocaliQ · Edelman Trust Barometer 2026



12 CAPITAL AND EXITS

Selling a business now costs twice the tax it did two years ago, and buyers pay for a firm that runs without its owner.

The relief owners relied on has been cut three times. Buyers are fewer but keener, and they pay most for firms with steady income and a team that can lead.



3.6× vs 8.2×

Profit multiple for a £200k-profit business against a £10m one.

Dealsuite UK&I M&A Monitor 2026

98%

of owner-run SMEs have the owner in the day-to-day work. 3% took succession advice.

DBT Small Business Survey 2025

12%

of business sales collapse on price alone.

Dealsuite; THOL calculation

WHAT TO DO

If a sale is possible within three years, decide before 6 April 2027. Build recurring income and a second tier that can run the business.

Sources: HMRC · HM Treasury Budget, October 2026 · Dealsuite · DBT Longitudinal Small Business Survey 2025 · Bank of England Credit Conditions Survey

13 What runs underneath

Six patterns show up in all eight areas of the research. They explain why the same advice keeps coming back.

Firms say one thing and do another

Two-thirds plan to raise prices and don't. 75% rate their AI skills as good, and 14% use it. Closing your own gap is the advantage.

The headlines lag

Insolvencies are falling while creditor-forced liquidations rise. The detail shows 2027 before your accounts do.

Size is the dividing line

Output, lending, hiring, AI and skills all split at about £10m turnover or 50 staff.

Trust is scarce, and AI makes it worth more

People start with AI and check with people. Buyers will drop suppliers whose claims they can't verify.

The state is customer and creditor

SME spending targets rise in the same year as HMRC's compliance push.

Rules arrive through customers first

Cyber certificates, carbon data and checkable claims are becoming the price of getting on a shortlist.

14 The 2027 calendar

Built on the October 2026 Budget and the government's employment law timeline of 5 November 2026. Most owners know one or two of these dates.

WHEN	WHAT CHANGES	WHO IT HITS
1 Jan	Unfair dismissal claims after six months' service instead of two years. Compensation cap removed.	Every employer
1 Jan	Carbon border tax records start on imported steel, aluminium, cement and fertiliser.	Importers, fabricators, merchants
January	Energy price cap rises to about £2,150. £100 household energy payment.	Consumer-facing firms
March	Fire-and-rehire restrictions.	Employers changing contracts
1 Apr	National Living Wage £13.21. Higher rate relief thresholds for shops, pubs and leisure. Main capital allowance cut from 14% to 12%.	Low-pay sectors, high-street premises, firms buying kit
6 Apr	Quarterly digital tax reporting above £30,000. Sale relief limit halves to £500,000. Property and savings income taxed at 24/44/49%.	Owner-managers, landlords, anyone planning a sale
Spring	New rules on subscriptions and auto-renewals.	Anyone selling memberships or rolling contracts
1 Jul	Fuel duty cut and electricity VAT cut end unless extended.	Fleets and transport
1 Oct	Online marketplaces collect VAT from UK sellers above £90,000.	Amazon, eBay and Etsy sellers
October	Flexible working becomes the default.	Every employer
November	Companies House identity checks extend to people who file for a company.	Accountants and bookkeepers
2027, date to come	60-day maximum payment terms and compulsory late-payment interest. Guaranteed hours for zero-hours staff.	Anyone giving or taking credit; hospitality, care, retail

15

Numbers nobody is quoting

Each comes from inside a report table, an impact assessment or a calculation joining two sources. None is in a headline.

£13.44

The minimum wage the Low Pay Commission says was needed. It chose £13.21, so the gap comes back in 2028.

Low Pay Commission

60%+

Small firms' share of the £59bn tax gap, up from 40%. HMRC is adding 670 compliance officers.

OBR, Oct 2026

+25%

Rise in liquidations forced by creditors, while those chosen by directors fell 9%.

Insolvency Service

15.5 pts

AI adoption gap between 10–49-staff firms and 250+ firms, up from 7.4 in 2023.

ONS, THOL derivation

54%

of people who never use a chatbot still read AI search summaries.

Ofcom 2026

26%

of large firms require Cyber Essentials from suppliers, up from 10% in a year. 12% of small firms hold it.

Cyber Security Breaches Survey

+£2,478

Rates rise on a £30,000 shop when its relief turned into a "permanently lower" rate.

THOL calculation

29 vs 25

Suppliers used by firms that later grow fast, against other firms, before the growth starts.

CMA, Aug 2026



16 SIX MOVES BEFORE APRIL

Six things to have done before April 2027.

01

Reprice by February

One review, a reason for each customer group, one premium option.

02

Be the named answer

Ten plain answers on your site, a review a week, a monthly AI check.

03

Reply in minutes

Instant acknowledgement, a named person within five minutes, WhatsApp on every quote.

04

Grow who you have

A revenue line for existing customers and five automated emails.

05

Use AI for capacity

A paid tool and three named jobs for every office role by spring.

06

Diary the dates

Every 2027 change on one calendar before Christmas.

Want help with your 2027 plan?

Book a call with THOL Growth Partner at thol.org.uk/contact