Latest results from the Decision Maker Panel survey – 2025 Q1

The Decision Maker Panel (DMP) is a survey of Chief Financial Officers from small, medium and large UK businesses. We use it to monitor developments in the economy and to track businesses' views. This is a summary of results up until February 2025.

Price growth

Firms' year-ahead expected price growth has edged above realised price growth.

Wage expectations

Firms' expected wage growth has remained unchanged since July 2024.

Employment expectations

Employment growth is expected to fall over the year ahead.

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Content

Output price inflation

Annual own price growth among firms in the DMP has continued to decline over the past year. In the three months to February, annual output price growth was 3.7%, down from 3.9% in the three months to November (Chart 1). This refers to prices charged by businesses across the whole economy, rather than just those selling directly to consumers. Looking at year-ahead values, firms are now expecting an increase in own price inflation of 0.3 percentage points to 4.0%. This is the first time firms have expected an increase in output price growth since June 2021.

Realised and expected own price growth has developed differently for goods producers and service providers. Services price inflation had a lower and later peak and has seen a slower decline than goods price inflation. In the three months to February, own price growth in the service sector was 4.2%, down from 4.7% in the three months to November. For own price expectations over the year ahead, service providers now expect own price growth to remain at 4.2%. Own price growth in the goods sector rose to 3.0% in the three months to February increasing by 0.2 percentage points since the three months to November. Over the year ahead, goods producers expect a further increase in own price growth of 0.6 percentage points to 3.6%.

Chart 1: Expected own price inflation over the next year has edged above realised price inflation

Realised and expected annual own price growth and change in own price growth expected over the next year (a)

(a) Realised price growth results are based on the question: 'Looking back, from 12 months ago to now, what was the approximate % change in the average price you charge, considering all products and services?'. Expected price growth results are based on the question: 'Looking ahead, from now to 12 months from now, what approximate % change in your average price would you expect in each of the following scenarios: lowest, low, middle, high and highest?' and respondents were asked to assign a probability to each scenario. The purple bars correspond to the difference between the orange and aqua lines. The chart shows three-month average data.

Wage growth

Annual wage growth has continued to decline. In the three months to February, firms reported an average wage growth per employee of 5.2% (Chart 2). In the three months to January, official statistics reported by the ONS showed that the annual growth in weekly regular pay (excluding bonuses and pay arrears) was 5.9% across the whole economy, and 6.1% in the private sector. Looking at the year-ahead expectations on pay growth, firms continue to expect a decline. Firms now expect a fall of 1.3 percentage points over the next year, to 3.9%. These expectations have been flat, at around 4.0%, over the second half of 2024.

Wage growth is expected to decline across all sectors in the next year. Firms in both goods and business-facing services have seen similar trends. In the three months to February, firms in the goods sector reported annual wage growth of 4.8%, 0.5 percentage points lower than in the three months to November. Over the next year, firms expect a further 1.1 percentage point decrease in wage growth to 3.7%. Wage growth in the business-facing services sector (eg finance and insurance) has declined from 5.0% in the three months to November, to 4.6% in the three months to February. Over the next 12 months, these firms expect a further fall in wage growth of 1 percentage point to 3.6%.

Consumer-facing services (eg accommodation and food) have seen an uptick in their realised wage growth in the three months to February. While previously on a downward decline, wage growth for these firms increased for the first time since the start of 2024, from 6.5% in the three months to November, to 6.6% in the three months to February. Year-ahead expected wage growth remained constant at 4.9% in the three months to February. These firms now expect a fall in wage growth over the next year of 1.7 percentage points.

Chart 2: Firms' expected wage growth has remained flat since July last year

Annual and expected year-ahead wage growth and change in wage growth over the next year (a)

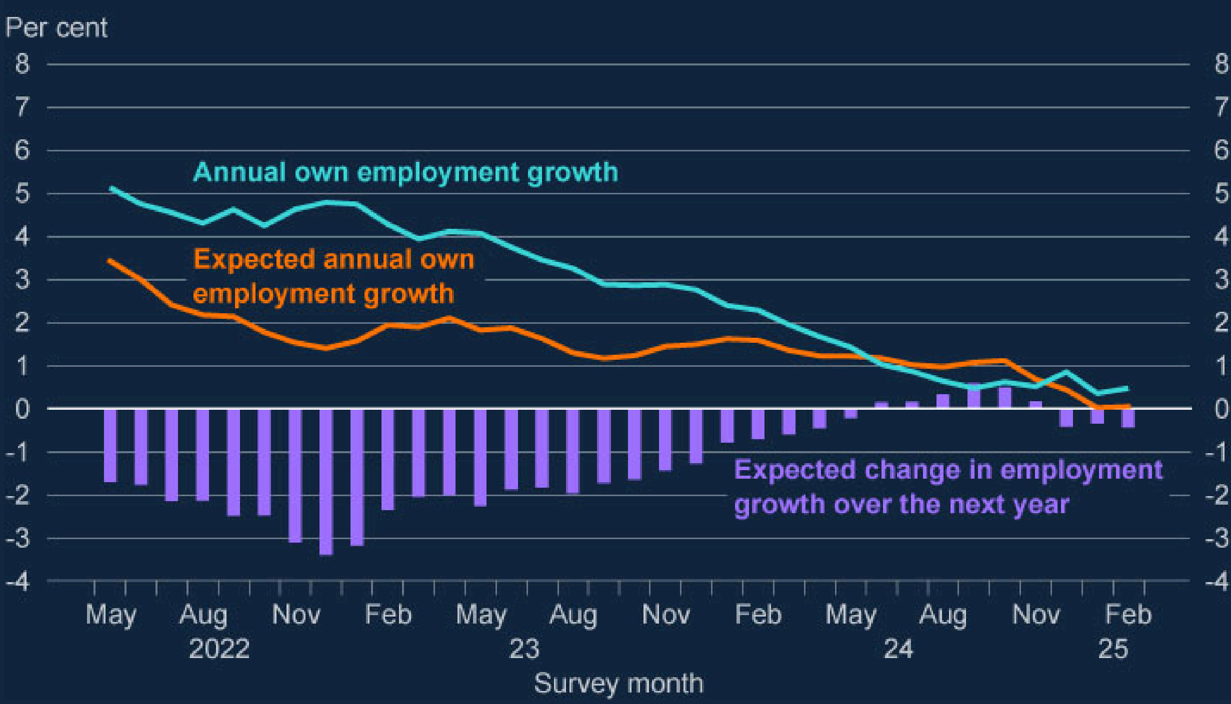
(a) The results on wage growth are based on the questions: 'Looking back, from 12 months ago to now, what was the approximate % change in your average wage per employee?'; and 'Looking ahead, from now to 12 months from now, what approximate % change in your average wage per employee would you assign to each of the following scenarios: lowest, low, middle, high, highest?'. For the questions on year-ahead expectations, respondents were then asked to assign a probability to each scenario. A point estimate is constructed by combining the five scenarios with the probabilities attached to them. The purple bars correspond to the difference between the orange and aqua lines. The chart shows three-month average data.

Employment growth

Annual employment growth among firms in the DMP has been gradually slowing for most of the last two years, although it remained unchanged at 0.5% between the three months to November and the three months to February (Chart 3). Expected employment growth has also fallen over the last two years, and more so over the recent past. Year-ahead firm employment growth expectations have declined from 0.7% to 0.1% between the three months to November and the three months to February. This means firms expect a further fall in employment growth of 0.4 percentage points over the next year. Expected employment growth is now the lowest it has been since the Covid pandemic. Splitting the data down into goods and services, employment growth in recent years has been higher in service sector firms. But these service sector firms have also experienced more of a slowing in employment growth over recent months, and they have reported a sharper slowing in expectations for future employment growth since November.

Chart 3: Firms expect no growth in employment over the next year

Realised and expected annual employment growth and change in employment growth over the next year (a)



(a) The results on employment growth are based on the questions: How many people does your business currently employ (including part time), and how many people did you employ 12 months ago?'; and 'Looking ahead, 12 months from now, how many employees would your business have in each of the following scenarios: lowest, low, middle, high, highest?'. For the questions on year-ahead expectations, respondents were then asked to assign a probability to each scenario. A point estimate is constructed by combining the five scenarios with the probabilities attached to them. The purple bars correspond to the difference between the orange and aqua lines. The chart shows three-month average data.

The impact of increases in National Insurance contributions

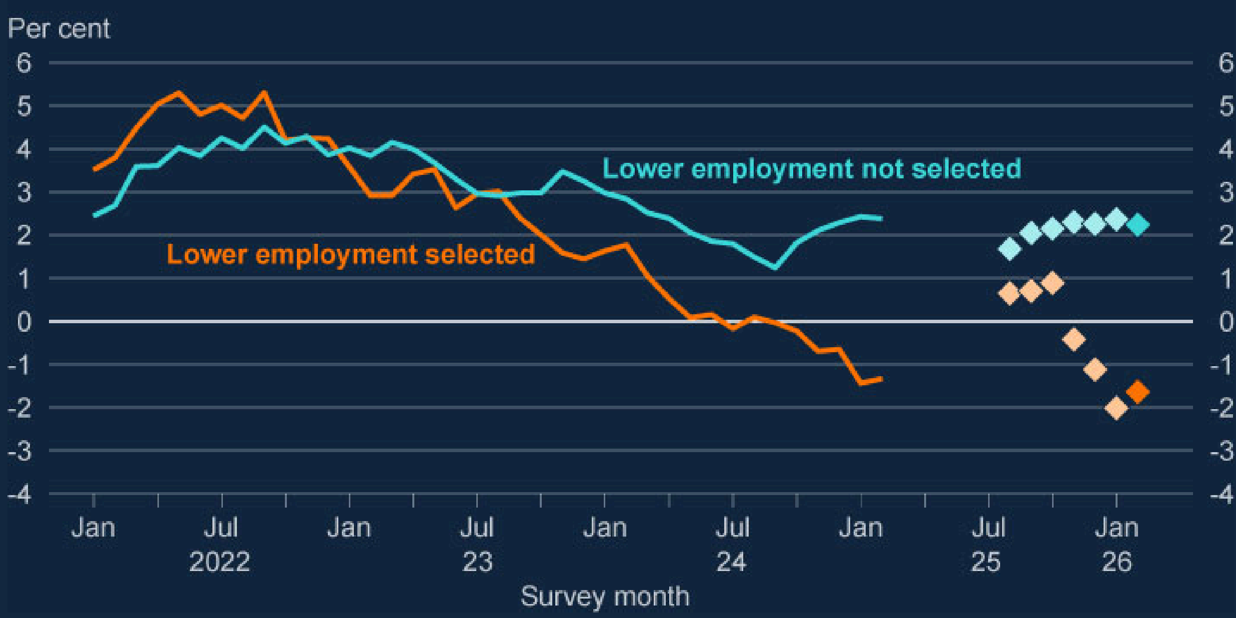
In the three months to January, firms in the DMP were asked about their expected response to the announcements in the 2024 Autumn Budget on employer National Insurance contributions (NICs). This stated that employer NICs would increase from 13.8% to 15% and that the threshold at which employers start paying NICs for each employee would be reduced. These changes are partly offset by an increase in the Employment Allowance which employers can claim on their NICs liabilities. Firms plan to respond in a number of different ways to these changes. 62% of firms reported that they would accept lower profit margins, 56% of firms said they would increase prices, 53% would lower employment and 38% of firms expected to pay lower wages than they otherwise would have done. Firms could select multiple margins of adjustment.

The responses to the DMP survey question provide an indication of how firms plan to adjust to the NICs increase, but they do not quantify the magnitude of any adjustment. However, it is also possible to compare the overall expectations of firms who plan to respond in different ways to give more of a sense of the importance of these changes to NICs.

As shown in Chart 3, expectations for year-ahead employment growth have declined from around 1% immediately prior to the 2024 Autumn Budget to around zero in the latest data. This fall in expected employment growth (after the Budget) since the three months to October can be entirely accounted for by firms who plan to reduce employment in response to the NICs increase (Chart 4). Year-ahead employment growth expectations have remained stable since the Autumn Budget at just over 2% for firms not planning to reduce employment in response to the NICs increase (aqua diamonds on Chart 4). Meanwhile firms who say that they will lower employment in response to higher NICs have lowered their expectations for year-ahead employment growth from 0.9% in the three months to October to -1.6% by the three months to February (orange diamonds on Chart 4). Realised employment has also fallen for these firms since the Budget announcement. The NICs increase may not be the only factor that can explain the differences between these two groups and expected employment growth was already on a downward trend, but these data nevertheless suggest that the NICs increase has played an important role in explaining why employment expectations have weakened since the Budget.

Chart 4: Firms who expect to decrease the number of employees following the change in NICs have seen a sharp fall in their employment growth expectations

Realised and expected year-ahead employment growth by reaction to increase in NICs (a)



(a) The results on employment growth are based on the questions: How many people does your business currently employ (including part-time), and how many people did you employ 12 months ago?'; and 'Looking ahead, 12 months from now, how many employees would your business have in each of the following scenarios: lowest, low, middle, high, highest?'. For the questions on year-ahead expectations, respondents were then asked to assign a probability to each scenario. A point estimate is constructed by combining the five scenarios with the probabilities attached to them. For reactions to the increase in NICs the following question was used: 'How do you expect your business to respond to the changes to employer National Insurance contributions announced in the November 2024 Budget?'. Firms could choose multiple options. The chart shows three-month average data.

Increases in employer NICs have had an impact on expectations for price and wage growth too, but these effects appear to be smaller than for employment. Firms who expected to increase their prices in response to the NICs increase have increased their expectations for own price growth over the year ahead from 3.8% before the Budget (in the three months to October) to 4.2% in the three months to February (Chart 5). Firms who did not plan to adjust prices saw a slight fall in expected own price growth, from 3.2% in the three months to October, to 3.1% in the three months to February.

Chart 5: Firms who expect to increase prices following the change in employer NICs reported higher price growth expectations

Realised and expected year-ahead price growth by reaction to increase in NICs (a)

(a) Realised price growth results are based on the question: 'Looking back, from 12 months ago to now, what was the approximate % change in the average price you charge, considering all products and services?'. Expected price growth results are based on the question: 'Looking ahead, from now to 12 months from now, what approximate % change in your average price would you expect in each of the following scenarios: lowest, low, middle, high and highest?' and respondents were asked to assign a probability to each scenario. A point estimate is constructed by combining the five scenarios with the probabilities attached to them. For reactions to the increase in NICs the following question was used: 'How do you expect your business to respond to the changes to employer National Insurance contributions announced in the November 2024 Budget?'. Firms could choose multiple options. The chart shows three-month average data.

Wage growth expectations over the year ahead have been little changed since October at just over 4% for firms who did not expect the increase in employer NICs to have an impact on their wage growth (Chart 6). However, there has been some decline in wage growth expectations for firms who said that the NICs increases would affect wage growth in their business. These have fallen from 3.9% in the three months to October to 3.4% in the three months to February.

Chart 6: Firms who expect to decrease wages following the change in NICs reported lower realised and expected wage growth

Realised and expected year-ahead wage growth by reaction to increase in NICs (a)

(a) The results on wage growth are based on the questions: ‘Looking back, from 12 months ago to now, what was the approximate % change in your average wage per employee?’; and ‘Looking ahead, from now to 12 months from now, what approximate % change in your average wage per employee would you assign to each of the following scenarios: lowest, low, middle, high, highest?’. For the questions on year-ahead expectations, respondents were then asked to assign a probability to each scenario. A point estimate is constructed by combining the five scenarios with the probabilities attached to them. For reactions to the increase in NICs the following question was used: ‘How do you expect your business to respond to the changes to employer National Insurance contributions announced in the November 2024 Budget?’. Firms could choose multiple options. The chart shows three-month average data.

Methodology

The DMP consists of the Chief Financial Officers of small, medium, and large UK businesses operating in a broad range of industries.

We survey panel members to monitor developments in the UK economy and to track businesses' views on them. This work complements the intelligence gathered by our **Agents**.

This note is a summary of surveys conducted with DMP members up to February 2025. The February survey was in the field between 7 and 21 February. The February survey received 2,289 responses.

Further **monthly data from the February survey** for a limited number of DMP series was published on 6 March 2025. Aggregate level data for all survey questions are published on a quarterly basis. **Data from the November to January surveys** were released on 6 February. More information can also be found on the **DMP website**.

The panel was set up in August 2016. It is run by the Bank of England in collaboration with King's College London and the University of Nottingham. It was designed to be representative of the population of UK businesses. All results are weighted using employment data. See **Bunn et al (2024)** for more details.

The DMP receives funding from the Economic and Social Research Council.