

What is going on at the Big 4?

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There are some weird messages coming out of the Big 4 accountants on the state of the economy right now. The messages do not come from their stated opinions but rather from their own actions.

Start with this about KPMG:

<https://twitter.com/TaxNotes/status/1673760671651995649?s=20>

Now that is, admittedly, in the USA. And we do know KPMG is having a bad time. But the key phrase is 'declining demand for professional services'.

Then there is this [from the FT](#):

PwC has told its 25,000 UK staff to expect smaller pay rises and bonuses if not freezes this year because of “challenging” market conditions despite industry calls to catch up with stubbornly high inflation.

They added:

The firm’s junior auditors were told on webcast last week that the pay band for one cohort would be frozen while others would increase by 3 or 6 per cent, resulting in real-terms pay cuts, firm insiders told the Financial Times.

Given that the market for junior auditors is pretty competitive there is no way that PWC would be doing this unless three things are happening.

The first is that wages in financial services, which have very largely kept up with inflation to date, are now falling behind.

Secondly, that is not just happening at PWC but is an industry-wide phenomenon.

Or, thirdly, PWC is keen to see staff leave as it has too many to meet demand.

The last could be true. I heard from the CEO of a mid-tier quoted company recently who told me that companies are queuing to quit using the services of the Big 4 accountants but the next tier of firms have not got the capacity to quote for all the work now available to them. So there may be a serious realignment in the market going on here to which PWC is reacting.

Or alternatively, pay is falling.

Or, perhaps, profits are being taken.

All we can be sure of is that the pain is being shifted onto junior staff. Now there's a surprise.