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BUSINESS REVIEW

**Spotlight on issues
affecting business**

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FEBRUARY 2024

BUSINESS REVIEW

BUSINESS SENTIMENT AT TWO-YEAR HIGH

The latest Lloyds Bank Business Barometer has revealed a sharp rise in confidence among the business community driven by cooling inflation and growing hopes for interest rate cuts.

January's survey reported a headline confidence figure of +44%, a nine percentage-point jump from the previous month and the highest recorded level since February 2022. This increase in confidence was largely driven by growing sentiment about the broader economy, with a 10-point rise in the economic optimism figure.

Commenting on the findings, the commercial bank's Senior Economist Hann-Ju Ho said, *"Businesses are feeling more confident following the cautious end to 2023, with this being the strongest start to a year since January 2016. The reduction in inflation, albeit with the recent uptick, and the belief that interest rates may have peaked is likely driving the rise in confidence among firms."*

Another survey published last month also points to growing business leader optimism in prospects for the UK economy, with the Institute of Directors' Economic Confidence Index posting a 14 percentage-point rise in January. This left the Index at its highest level since May 2023 and represents the biggest jump in a single month since this time last year.

COST OF LIVING CRISIS AFFECTING PERFORMANCE

New research undertaken by employee money-saving platform *Nous* suggests a majority of HR leaders believe cost of living pressures are impacting employee performance.

The survey of 500 UK HR Directors found that just over a third had noticed a drop in productivity due to employees having other things on their minds. In addition, almost three-quarters said they feared the cost of living crisis was directly impacting workplace performance.

Nous co-founder Greg Marsh said, *"The cost of living crisis is far from over. Employees are grappling with a tumultuous mortgage market and ever-increasing bills. This is going to be playing on their minds and their wallets, and we now know it is affecting their work. The companies that manage this crisis best will be those that embrace the cost of living reality and take steps to improve employees' financial wellbeing."*

The survey's findings also echo recent comments by the Head of Mental Health UK, who warned that cost of living pressures were among a number of factors fuelling stress and anxiety in the workforce. The charity's Chief Executive said a *"worrying number of people"* were taking time off due to poor mental health leaving the UK at risk of becoming a *"burnt-out nation."*

EMPLOYMENT ALLOWANCE AND THRESHOLD FOR VAT

The Federation of Small Businesses (FSB) is calling on the Chancellor to increase both the Employment Allowance and threshold for VAT when he delivers his Spring Budget on 6 March.

Research conducted by the FSB has found that more small firms are now looking to reduce rather than increase headcount for the first time since the height of the pandemic in 2020. The business group feels that increasing the Employment Allowance from £5,000 to £6,500 would help make it more viable for firms to maintain and extend jobs and hours.

Additionally, such a move would help businesses afford April's increases to the National Living Wage (NLW). In the years ahead, the FSB believes the Employment Allowance should be linked to the NLW to ensure it keeps up with wage increases.

The FSB has also suggested the turnover threshold for VAT should be raised from its current level of £85,000 to £100,000 in order to provide an incentive for firms to grow their turnover without fear of having to charge customers an extra 20% overnight. In addition, the FSB would like a smoothing mechanism introduced to ease the transition for small businesses that go just over the threshold.

QUIRKY QUOTE:

"The promise of spring's arrival is enough to get anyone through the bitter winter!"

— Jen Selinsky

BCC CALLS FOR CLARITY ON NEW BORDER CHECKS

The British Chambers of Commerce (BCC) has urged the government to clarify plans around new customs processes saying firms are still in the dark about crucial aspects of their operation.

Phase one of the UK's Border Target Operating Model began at the end of last month, with imports of some plant and animal products now requiring export health certificates. More significant changes are due to be implemented in April, as the government commences physical checks of consignments at the border for medium-risk and high-risk goods entering the UK.

The BCC, however, has warned that 'unanswered questions' remain about the government's plans; businesses, for instance, have still not been told exactly what will happen if goods entering the UK do not have the necessary paperwork. The BCC feels there is clearly a 'communication challenge' and has called on both the UK government and the EU to provide more information.

Earlier last month, the BCC also warned of 'uncertain times' ahead with regards to global trade. Responding to the release of data showing a decline in UK trade during November, the BCC said 'the picture is only likely to worsen' as the impact of disruption to shipping in the Red Sea is fully felt.

GOVERNMENT REAFFIRMS COMMITMENT TO SMEs

The UK government has announced the creation of a new Small Business Council and a refreshed Help to Grow campaign which it says reaffirms its commitment to supporting small firms across the UK.

A new Small Business Council, due to be launched next month, will bring together SME leaders from across the country and provide a bespoke forum for small businesses to have their voices heard within government. Business and Trade Secretary Kemi Badenoch said the new Council will give SMEs a "clear voice at the table" and help government deliver on the key needs for business.

In addition to formation of the Council, the government also announced a revamp to its Help to Grow campaign and website which aims to provide a 'one-stop shop' of support and advice for SMEs. This includes helping small firms identify what funding they can access and a step-by-step guide with practical advice for people wanting to set up and grow their own business.

The government has also branded 2024 the 'Year of the SME' and said its package of measures highlight its commitment to making the UK the best place in the world to start and grow a business.

OTHER NEWS

MIDLIFE SELF-EMPLOYMENT SURGE

New analysis of workforce statistics conducted by the Association of Independent Professionals and the Self-Employed (IPSE) has revealed a significant rise in the number of over-50s running their own businesses. In total, the number of self-employed business owners aged 50 and over rose to 1.1 million in 2023, an 89,000 increase since 2020. This rise comes despite the overall self-employed population actually declining by 154,000 across the same time period.

BEST PLACES TO START A BUSINESS

A study recently published by Simply Business has revealed the best UK cities to start a small business. Rankings were based on six factors: business growth, average turnover, average monthly rent, co-working locations, quality of life and the effectiveness of start-up support. Top spot for setting up a business went to Newcastle, with London and Leicester featuring in second and third positions, respectively.

IMF WARNING ON IMPACT OF AI

Researchers from the International Monetary Fund (IMF) have examined the potential impact of artificial intelligence (AI) on the global economy and warned it could affect around 40% of all jobs across the world. In addition, the IMF believes AI could worsen income and wealth inequality within countries, as workers able to make effective use of AI see their wages and productivity rise, while those who cannot fall behind.

EMPLOYEE ABSENCE TRENDS

A study conducted by HR software specialists BrightHR has highlighted the top employee absence trends of 2023, as well as revealing last year's single day with the highest recorded sickness rate.

Data used in the analysis was based on absence records collected by BrightHR's software covering the whole of last year. Some of the main findings were:

- **A right royal sickie** – 54% more people reported sick on the Tuesday following the bank holiday for King Charles' coronation than on an average Tuesday
- **Debi causes a storm** – Storm Debi on Friday 13 November made staff an extra 35 minutes late on average
- **Lamenting the Lionesses** – The day after England's Women's FIFA World Cup final game saw a 48% jump in annual leave requests compared to last year's average for that particular day of the week

- **Bare minimum Mondays** – In total, 2.5 million Mondays were booked off in 2023, double the number taken off in the previous year
- **Doomsday debacle** – Tuesday 24 January, marked by some conspiracy theorists as the day the world would end, saw a 75% surge in sickness absences.

The study also busted a widely held myth relating to the first Monday in February which has traditionally been dubbed 'National Sickness Day.' BrightHR's analysis, however, showed that the second Monday in December was actually the day most employees called in sick during 2023, with the first Monday in February only ranking 21st on the list of days with the highest sickness rates.

BrightHR CEO Alan Price commented, "Even though these findings may appear light hearted and enjoyable, they demonstrate the significance of effective people management in the workplace. Having eyes on employees' whereabouts and their absence, sickness and lateness patterns helps you as a manager make better, more-informed decisions to support them, and to remain productive."



THE YEAR OF EMPLOYEE LOYALTY

Research conducted by *instantprint* suggests employees are becoming increasingly committed to their careers with most people happy in their current jobs.

Data from the survey of more than 1,000 UK office workers found that a sizeable majority of employees are committed to their current careers. In total, 72% of respondents said they were not thinking about moving jobs this year, while only 10% were considering a move and the remaining 18% said they were unsure as to what they might do.

The survey also found that employee happiness currently sits at a high level, with over three-quarters of respondents saying they are happy in their current role. In contrast, less than one in 20 employees said they are not happy with their current job.



All details are correct at the time of writing (09 February 2024)

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