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BUSINESS REVIEW

Spotlight on issues affecting business



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JUNE 2024



BUSINESS REVIEW

BUSINESS SENTIMENT AT EIGHT-YEAR HIGH

Data from May's Lloyds Bank Business Barometer suggests confidence across the business community continues to grow, buoyed by rising optimism about firms' own trading prospects as well as their assessment of the wider economy.

The Bank's latest report revealed a headline confidence reading of +50%, eight points up on April's figure and the highest level since November 2015. May's improvement was driven by a jump in the net balance for trading prospects, which rose nine points to a seven-year high of +54%, and growing economic optimism which increased by seven points to +46%, the highest figure since September 2021.

An improving regional picture was also highlighted in the data, with May seeing confidence increase across seven of the UK's 12 regions and component nations. Business sentiment was particularly strong in the South East, Scotland and the West Midlands, while sizeable gains were also recorded in London, the North West and Yorkshire & the Humber.

In another sign of improving economic fortunes, the British Chambers of Commerce (BCC) recently upgraded its UK growth forecasts following a stronger than expected start to the year. Economic growth predictions for 2024 and 2025 were both revised upwards for the second forecast running, and now stand at 0.8% and 1.0% respectively.

INFRASTRUCTURE PRIORITIES EVOLVING

A new survey conducted by the Institute of Directors (IoD) has found that business leaders' infrastructure priorities have shifted significantly during the past five years.

The research was commissioned in response to publication of the Infrastructure Progress Review 2024 by the National Infrastructure Commission, and revealed that IoD members now view the road network as their top priority for infrastructure investment. According to the latest survey, 66% of respondents would prioritise investment in this area, a notable rise from 54% in the IoD's 2019 survey.

A significant proportion of Directors also highlighted the need to develop renewable energy generation and the existing rail network. Broadband networks, however, were seen as a less urgent priority compared to 2019, while investment in high-speed rail and aviation capacity remained low on business leaders' list of priorities, just as they were five years ago.

Dr. Roger Barker, IoD Director of Policy, commented, *"Directors are increasingly seeking solutions to their everyday transport needs rather than grandiose projects, which are costly and difficult to deliver. They also expect government to support them in their shift to more environmentally sustainable business models, with a particular focus on renewable energy generation and the achievement of net zero."*

FINANCIAL SUPPORT FROM FAMILY MEMBERS

Research commissioned by small business lender *iwoca* has found that a significant proportion of UK small businesses rely on family finance when initially setting up their ventures.

The survey found that almost three in ten small business owners received financial backing from a family member when launching their business, with around three-quarters of such respondents saying the money provided was essential in getting their business up and running.

Parents and partners were found to be the most likely financial backers, although the research did show that siblings, grandparents and in-laws can sometimes be a key source of finance too. In many cases the level of financial support was relatively large, with more than a third receiving over £25,000 from family and around a fifth receiving over £50,000.

Mark Di-Toro, a Director at iwoca, said, *"Time and again data shows that the major banks are reducing their appetite to lend to small businesses, meaning they're increasingly having to look for finance elsewhere. This means families have also been filling the gap. From parents to grandparents to brothers and sisters, millions of small business owners are seeking the support of their families to help get their businesses off the ground."*



QUIRKY QUOTE:

"It's impossible to please everybody all of the time, but you just have to believe that you're making decisions for the right reasons"

— Gareth Southgate

COASTAL TOWNS IN MICRO-BUSINESS BOOM

Analysis by *GoDaddy's* Venture Forward has found that seaside towns right across southern England are currently among the fastest-growing engines of small-scale entrepreneurship.

The study analysed data from over half a million digital businesses with fewer than ten employees in order to calculate a micro-business density score for each constituency around the UK. And it found that many seaside towns have become entrepreneurial hotspots with the number of micro-businesses often growing at more than twice the national average over the past 12 months.

Indeed, Suffolk Coastal, a constituency where Felixstowe is the largest town, had a micro-business density score of more than ten times the UK average. In addition, the Isle of Wight, Totnes, Portishead, Newquay, Bournemouth, Sidmouth and Bexhill-on-Sea were all identified as having some of the fastest-growing entrepreneurial communities in the country.

The data did, however, reveal a distinct north-south seaside divide, with a number of coastal towns in the north of England and Wales posting lower than average entrepreneurial growth rates. Blackpool, Rhyl, Scarborough and Whitby, and Morecambe, for instance, all had rates well below the national average, while Greater Grimsby actually saw a contraction in the number of micro-businesses located within its constituency boundary.

HYBRID WORKERS TEND TO BE MOST PRODUCTIVE

A recent study conducted by *Vitality* suggests hybrid workers are healthier and more productive than their home-based or office-based counterparts.

The research found that hybrid employees were more likely to benefit from both improved mental and physical wellbeing. For instance, individuals who work hybrid were less likely to be at risk of suffering from depression and also demonstrated lower rates of obesity than their full-time home-based or office-based colleagues.

Perhaps unsurprisingly then, hybrid workers were found to lose fewer days due to reduced productivity linked to ill health. The research suggests hybrid employees typically lose 47.8 days of productive time due to health issues per employee each year; in contrast, full-time home workers lost an extra three productive days on average, while office workers lost 1.2 more productive days than their hybrid counterparts.

Another study released last month also highlights the value many workers now place on the opportunity to be able to work from home at least during some of the working week. Indeed, *Office Freedom's* survey of working adults found that almost half of all workers agreed that being told to come into the office five days a week would make them want to quit their job.

OTHER NEWS

UNPAID OVERTIME

A study published by workforce management experts *Protime* found that 54% of UK employees work up to four days of completely unpaid overtime each month; this equates to the nation's workforce collectively working 19 million days of unpaid overtime every month. The human cost of this overwork culture was also revealed, with 53% of those overworking suffering increased stress and anxiety, and 41% experiencing burnout due to unsustainable workloads.

TIME TAKEN TO FILL VACANCIES RISINGS

The latest UK Job Market Report released by job search engine *Adzuna* shows that the average amount of time employers are taking to fill roles rose from 35.6 days in March to 39.0 days in April. The report also revealed that the total number of advertised vacancies fell to just over 850,000 in April, a 1% decline compared to the previous month's figure.

HAY FEVER AFFECTS HALF OF ALL WORKERS

A recent survey suggests almost half of the UK workforce suffer with hay fever symptoms. The research also found that just over half of all workers believe employers should be doing more to support hay fever sufferers in their workforce. A majority of respondents, however, did not condone employees taking time off work when suffering with hay fever, with just a quarter suggesting such action was appropriate.

GENERAL ELECTION 2024

Over the past few weeks, business groups have been responding to the Prime Minister's decision to call a snap General Election on 4 July by setting out their manifestos for business.



The **British Chambers of Commerce (BCC),** for instance, has published a five-point plan detailing immediate action it feels a new government should take. This includes: development of an Industrial Strategy with green innovation at its heart; better skills planning; business rates reform to encourage growth and investment; improving relations with the EU to cut costs for business, and the appointment of an AI champion for SMEs to spearhead uptake of new technology.

"Our manifesto showcases practical ideas on how politicians can help companies successfully navigate the challenges and opportunities our economy faces. It's a blueprint for boosting productivity and a pathway to higher growth"

Baroness Martha Lane Fox, President of the BCC

Revitalising *'Brand Britain'* should be the top priority for whoever wins the next election according to the **Confederation of British Industry (CBI)**. Key recommendations in its Business Manifesto include: launching a cutting-edge trade and investment strategy; delivering a Net Zero Investment Plan, and unlocking the power of UK regions.

"A new government of whatever colour provides an opportunity to shift gear and prioritise the long-term decisions that can deliver a decade of sustainable growth. Top of the in-tray should be sharpening the investor pitch for 'Brand Britain', ensuring we are at the very top of the league table when it comes to investment. At the same time, a focus on building momentum behind the 'big three' enablers across tax, planning and the labour market within the first 100 days can give firms a clear flightpath for growth"

Rain Newton-Smith, CBI CEO

The Federation of Small Businesses (FSB) has also published a manifesto which it describes as a blueprint for whoever forms the next government aimed at driving growth and increasing the small business community back to its pre-pandemic size of six million. It specifically calls for the introduction of a Small Business Act that would enshrine in law measures to stamp out late payments, improve access to finance, and increase the involvement of small businesses in taxpayer-funded projects through a statutory public procurement target.

"Small businesses are the key to securing economic recovery, driving innovation, and creating jobs in all parts of the UK. Our small business manifesto sets out the measures needed to create the conditions for that to happen, many of which do not involve additional spending. We're looking to all of those seeking to form the next government to show their commitment to the millions of hard-working voters who run their own businesses"

Tina McKenzie, FSB Policy Chair

All details are correct at the time of writing (11 June 2024)

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