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# BUSINESS REVIEW

**Spotlight on issues  
affecting business**

- ▶ **ECONOMIC OPTIMISM CONTINUES TO RISE**
- ▶ **SMALL FIRMS' GROWTH NEEDS TO BE NURTURED**
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**MAY 2024**

# BUSINESS REVIEW

## ECONOMIC OPTIMISM CONTINUES TO RISE

**Recently released surveys from both the Institute of Directors (IoD) and NatWest point to improving prospects for the UK economy.**

Data from the IoD's latest Economic Confidence Index revealed another rise in the proportion of business leaders expressing their optimism in economic prospects. The headline figure rose from -12 in March to -10 in April, with this latest increase sustaining a strong recovery in the Index witnessed since its recent low point of -31 last June.

Dr. Roger Barker, Director of Policy at the IoD, said, *"It remains the case that business leaders are, on balance, pessimistic about UK economic prospects. However, since March, the pessimists have been in retreat. Confidence has been edging upwards and is now within striking distance of a more neutral perspective. According to IoD members, the fundamentals are in place for some kind of UK economic recovery."*

The latest figures from NatWest's SME Business Activity Index also portray a positive picture with regards to output across the small business community. Any reading above 50.0 indicates an expansion in SME business activity and, in March, the Index stood at 52.6, with growth largely being driven by improving order books as new work rose for a fourth successive month.

## SMALL FIRMS' GROWTH NEEDS TO BE NURTURED

**The Federation of Small Businesses (FSB) has urged the government to introduce bold plans capable of nurturing growth across the small business sector.**

Responding to last month's release of GDP data, the FSB welcomed the positive growth figures reported across the first two months of this year. The business group also noted *'signs of cautious recovery'* and said this provided *'a measure of optimism'* for small firms.

However, the FSB also emphasised that this optimism was not evenly distributed across sectors, noting it will take more than *'flashes of growth'* to raise spirits in the hospitality and retail sectors. It then called on the government to consider how it intends to support businesses and help small firms grow.

FSB Policy Chair Tina McKenzie commented, *"The government needs to ensure that growth among small firms is nurtured, rather than left to wither. It needs to think hard about how to support existing businesses, especially in those sectors which have been hardest-hit, and how to create the best possible environment for start-ups and entrepreneurs. It's time for politicians to come forward with bold and ambitious plans to help small businesses grow, access finance, take on staff and ultimately deliver day-in, day-out for every customer and community across the UK."*

## NEW TAX YEAR RESOLUTIONS

**Research conducted by Intuit QuickBooks suggests many small firms expect to make significant operational changes in relation to their efficiency and finances during the 2024/25 fiscal year.**

The survey of UK small business owners and decision-makers found that almost seven out of ten agreed that a new tax year was a good time to think about making changes to their business. And the vast majority confirmed that they were set to make at least some operational changes this financial year, with four out of ten describing their plans as *"radical."*

Topping the list of most commonly cited potential changes was the introduction of artificial intelligence (AI), with just over half saying they will start using AI to improve efficiency. Exactly half of respondents also said they plan to find ways of reducing tax liabilities during the current fiscal year, while a slightly smaller proportion said they will be looking to upgrade their financial management systems.

The research also found that a sizeable majority of small firms are planning to make cut-backs during the current tax year, with more than four out of ten looking to reduce overheads and just under four in ten planning to implement a hiring freeze.

## QUIRKY QUOTE:

*"Be undeniably good. No marketing effort or social media buzzword can be a substitute for that"*

— Anthony Volodkin

## BUSINESS PRICE PRESSURES PERSIST

**The British Chambers of Commerce (BCC) has warned that businesses continue to face price pressures despite a further decline in the headline rate of inflation.**

Last month's publication of official inflation statistics showed that consumer prices are now rising at their lowest level in two and a half years. However, while the BCC did welcome the figures as *'good news for both consumers and businesses'*, it also stressed that a lot of uncertainty remains for firms.

Indeed, the BCC noted that its most recent Quarterly Economic Survey revealed almost half of all UK firms still expect their prices to rise in the coming three months. Labour costs were cited as the principal driver of these price pressures, although rising political and global uncertainty was also increasingly seen as a key factor.

Research conducted by Santander also suggests geopolitical tensions could stimulate further price pressures due to a fresh round of *'friendshoring'*. In total, the survey found that nearly a third of all UK businesses plan to bring supply chains closer to home, or shift them to allied nations, a move which, while reducing the likelihood of supply-chain disruption, could lead to an increase in production costs.

## FURTHER GROWTH IN FLEXIBLE JOB MARKET

**Analysis by Flexa suggests the flexible job market is not only holding firm but actually growing despite employers increasingly pushing for a return to the office.**

This conclusion was based on data from Flexa's latest Flexible Working Index which pools insights from over 4,000 job adverts and 840,000 job searches, as well as the preferences of more than 8,500 job seekers in order to track current workplace trends.

Among the key findings was a 62% rise in the number of flexible jobs being advertised between January and March 2024 compared to the same period last year. Flexa suggests this represents a remarkable rate of growth particularly when considering broader labour market trends of declining job vacancies and rising unemployment.

One factor believed to be driving this growth is strong job seeker demand for remote work options. Indeed, the data shows that demand for such roles continues to rise, with fully-remote job searches up by 11% between January and March, suggesting workers are increasingly prepared to hold out for the flexibility they have become accustomed to. As a result, Flexa warns that companies failing to offer such options risk losing out on top talent to more flexible competitors.

# OTHER NEWS

## SMALL FIRMS GOING FOR GROWTH

Data from Atom Content Marketing's 2024 annual survey of small businesses suggests UK business owners and freelancers are currently in a relatively optimistic state of mind. In total, the research found that two-thirds of all respondents expect their business to perform better in 2024 than last year, suggesting growth will be a key objective for a majority of small firms across this year.

## ASPIRING ENTREPRENEURS DELAY START-UP PLANS

Research undertaken by accounting software firm FreeAgent suggests political uncertainty is deterring a significant proportion of would-be entrepreneurs from starting their own business. According to the survey of British workers, most people have thought about starting a business at some point; however, almost half of all respondents admitted that they are currently being put off by the economic instability and uncertainty caused by the looming general election.

## TOO MUCH CAFFEINE?

A recent survey conducted by Expert Reviews has found that UK employees are heavily reliant on their daily caffeine fix. In total, the research found that a staggering 86% of office workers drink at least one cup of coffee or other caffeinated beverage each day, while 41% admitted to consuming three or more cups per day. This suggests many workers may be regularly exceeding their recommended daily caffeine intake.

## ARE EMPLOYEES BEING STRESSED OUT?

**Research commissioned by employee benefits provider Unum UK has found that high levels of work-related stress could influence a large proportion of the UK workforce to quit their jobs.**

This finding was based on a survey of more than 4,000 UK employees which sought to gain an insight into workers' health, happiness and productivity in the workplace. Among the key findings were:

- **78%** of employees said high levels of stress would influence them to leave their current job
- Only **49%** of workers felt their employer had the right practices and services in place to support their mental health
- **57%** said the implementation of effective health and wellbeing schemes would encourage them to stay with an employer.

The survey's findings clearly come against a worrying backdrop of a British economy that last year lost 17.1 million days of sickness absence to work-related stress, depression and anxiety; this equates to almost half of all sick days. And, while Unum does acknowledge that many employers do recognise the need to support their workforce through the adoption of wellbeing strategies, they also believe their research vividly highlights the role stress can play in employee turnover.

Commenting on the study, Unum UK COO Liz Walker said, *"There's still work to do for some employers, including introducing high-quality proactive measures to address and support workplace stress and overall mental health. By creating positive, supportive and inclusive working environments, employers can not only improve employee retention but also help foster a healthier, more engaged and productive workforce."*

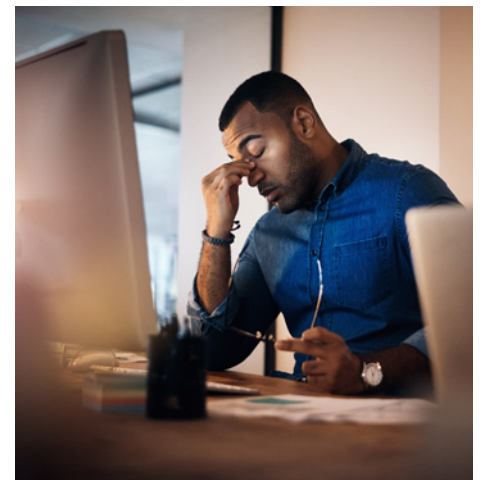
## MENTAL HEALTH AWARENESS

**With Mental Health Awareness Week taking place this month, it seems like an ideal opportunity to consider what business leaders can do to improve mental health at work.**

Health experts typically have a range of tips and ideas that can help to reduce levels of anxiety, pressure or stress and thereby lead to better mental health in the workplace. These include setting and agreeing achievable goals and targets, and not allowing tasks that are deemed 'too difficult' to build up in your, or your employees', in-trays.

Developing good listening skills and using appropriate language are clearly key skills for any successful business leader and both can also help create a better work environment and aid people's wellbeing. Understanding your duty of care to employees and taking a proactive rather than reactive approach to mental health issues are also both important.

Being able to recognise the signs of potential mental health problems, such as emotional distancing, loss of productivity or absenteeism, can be key as well. Finally, it is also clearly important to talk about mental health issues in the workplace and to deal with any issues that do arise with sensitivity and kindness.



**All details are correct at the time of writing (9 May 2024)**

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