Prismatic Wealth Limited, Prismatic House,
26 Falcon Court, Preston Farm Business Park,
Stockton on Tees, TS18 3TX

Tel: 01642 661600
Email: enquiries@prismaticwealth.co.uk
Web: www.prismaticwealth.co.uk

BUSINESS REVIEW

Spotlight on issues affecting business



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JULY 2024



BUSINESS REVIEW

SMALL BUSINESS CONFIDENCE REBOUNDS

Data from the latest Small Business Index published by the Federation of Small Businesses (FSB) shows that confidence across the small business community has returned to positive territory for the first time in two years.

Figures released last month by the business group revealed that its headline small business confidence index hit +5.5 points in the first quarter of 2024, a strong bounce back from the -15.0 recorded during the final three months of last year. This represents the first above-zero reading since the first quarter of 2022 and, excluding the period of COVID turbulence, is the first positive figure since 2018.

The FSB said the rebound in confidence correlated with the relatively robust levels of economic growth witnessed across the first quarter of this year. It also noted that the improvement in the headline index was broadly exhibited on a regional basis.

In addition, the FSB welcomed the fact that there was a much narrower spread in confidence levels between the major industry sectors, indicating an uplift across much of the economy. Indeed, the only sector to report a drop in first quarter optimism was information and communication and, even in this case, confidence crucially remained firmly in positive territory.

ENCOURAGING SIGNS FOR SME LENDING

Statistics from UK Finance show that lending to small and medium-sized enterprises (SMEs) continued to grow during the first three months of this year.

The figures, which were published in UK Finance's latest Business Finance Review, combine data from 11 high street banks including Barclays, Lloyds Banking Group, HSBC Bank, RBS Group, Santander and the Bank of Ireland, and revealed that gross lending to SMEs in the first quarter of 2024 totalled just over £4bn. This was up 15% on the previous three-month period and the highest recorded level since the fourth quarter of 2022.

On a regional basis, the East Midlands, London and the North East saw the largest increases in new lending, although most regions did report some growth. Additionally, lending rose across eight of the ten main sectors, with the largest rises recorded in education, real estate, professional services and construction.

David Raw, Managing Director of Commercial Finance at UK Finance, said, *"It is encouraging to see further signs that SME demand for finance is returning. As the economic outlook for SMEs improves, the financial services sector is helping businesses across the UK. Lenders remain ready to support SMEs who need and can afford finance."*

BASE RATE PLATEAU RISKS STIFLING GROWTH

Business groups have expressed their disappointment at the Bank of England's decision to leave interest rates unchanged at a 16-year high following last month's Monetary Policy Committee (MPC) meeting.

Although the MPC's decision was not unexpected, business groups were quick to point out the detrimental impact the current high cost of borrowing is having on growth prospects. They also expressed their desire for a rate cut to be sanctioned in the near future – the outcome of the MPC's next deliberations is due to be announced on 1 August.

The British Chambers of Commerce (BCC) said it was clear the Bank was taking a *'cautious approach'* before making *'a much-anticipated rate cut.'* The BCC also warned that many firms were currently being put off investing by high borrowing costs, and that this was undoubtedly *'a drag on overall economic growth.'*

This view was shared by the FSB, who said small firms were struggling to access affordable finance to help them expand and that the *'high plateau rates are currently stuck at'* was undermining growth. The FSB added, *'Small firms will be hoping that the tipping point for a cut will be reached sooner rather than later, to help them invest and scale up.'*



QUIRKY QUOTE:

"Life's short. Eat dessert first, work less and vacation MORE!!"

— Lea Mishell

A MILLION SMALL FIRMS HAVE NO INSURANCE

Research conducted by Uswitch suggests many UK small firms do not have any business insurance cover in place, which clearly leaves them at serious risk in the event of an accident, property damage or lawsuit.

Analysis of the data obtained from a recent survey of small businesses, suggests around one million SMEs do not currently hold any type of business insurance. Interestingly, almost half of these uninsured businesses felt their company was simply "too small" to warrant taking out an insurance policy.

The study also suggests that a significant number of food and drink vendors are putting their livelihoods at risk by opting not to hold any business insurance. Uswitch argues that insurance is vital for all hospitality firms, including seasonal businesses and summer pop-ups, and should definitely not be considered as an optional extra.

Commenting on the survey's findings, Uswitch business insurance expert Andy Elder said, *"As a business owner, it's important to obtain insurance not only for legal and compliance reasons but also for financial protection of your business. Peace of mind is not to be underestimated; knowing you are covered allows you to focus on running your business without worrying about unforeseen events."*

BEST WORKPLACES FOR WELLBEING

Analysis by *Great Place to Work UK* for its 2024 'Best Workplaces for Wellbeing' report suggests employees who feel trusted and cared for are typically more productive and display a stronger commitment to their organisation's mission.

These conclusions were based on responses to thousands of employee surveys seeking to assess various aspects of wellbeing, such as work-life balance, sense of fulfilment, job satisfaction and financial security. Data insights were then used to benchmark companies' employee value proposition against the culture employees actually experienced.

The study highlighted stark variations in employee experiences at the best workplaces for wellbeing compared to average levels. For instance, 93% said they were able to take time off work when they felt it necessary compared to 66% on average; 84% felt management made its expectations clear versus an average figure of 66%, while 86% believed people looked forward to coming to work here compared to 55% on average.

Great Place to Work UK Managing Director Benedict Gautrey commented, *"Wellbeing, engagement, and trust between employees are critical ingredients to successful workplace culture. It's no secret that by ensuring employees feel genuinely trusted and cared for, they are much healthier, productive and committed to the mission and purpose of the organisation."*

OTHER NEWS

GEN Z SEE BENEFITS IN JOB-HOPPING

A new study by *FDM Group* has found that two-thirds of Gen Z feel moving companies is vital to growing their careers. The research suggests the typical Gen Z worker is 13% more likely to see their current role as a stepping stone than their non-Gen Z counterparts, with this strategy viewed as a way to boost salary quickly while acquiring new skills.

AVERAGE WEEKLY PAY UP JUST £16 SINCE 2010

Analysis recently published by the Resolution Foundation has highlighted *'Britain's unprecedented pay squeeze'* over the past 14 years. The independent think tank revealed that, in total, real average earnings have grown by just £16 a week since 2010. The Resolution Foundation also said this squeeze on wages largely reflects three shocks – the financial crisis, the Brexit referendum and the cost of living crisis.

BRITS STRUGGLING TO LEAVE WORK AT WORK

A survey of 1,250 employees conducted by *Naturecan* suggests work worries are following most people on their days off. While holidays should be a time to relax and unwind, over half of respondents were found to check work emails or messages at least once during a week-long vacation; and almost two-thirds said they had previously been impacted by work-related anxiety during holidays and expect the same thing to happen this summer.

LABOUR SETS OUT *"NATIONAL MISSION"* FOR GROWTH



Following Labour's landslide General Election victory, new Chancellor Rachel Reeves has been setting out her government's plan to reboot the UK economy. In her first speech as Chancellor delivered at the Treasury on 8 July, Ms Reeves told an audience of leading business figures and investors of a new *"national mission"* to drive economic growth.

One of the measures announced by the Chancellor was the restoration of mandatory housebuilding targets. She also said there would be an overhaul of planning restrictions, with more planning officers recruited, a review of green belt boundaries to prioritise brownfield and *"grey belt"* land, unresolved planning decisions to be prioritised and decisions for major infrastructure projects to be made nationally rather than locally in order to speed up planning approval and stop projects being tied up in red tape for years.

Ms Reeves said Labour's plan would increase housebuilding, unblock infrastructure projects and attract private investment by promising business a sense of stability. Overall, the plan aims to attract tens of billions of pounds of investment in green industry and housebuilding. The government also launched a National Wealth Fund (NWF), pledging £7.3bn in funding to attract private investment into UK infrastructure.

The Chancellor also said she had ordered a report on the state of the country's public finances and that she would be presenting the results of this review before Parliament's summer break. In addition, she confirmed that a Budget would be held later in the year.

Business reaction

In the immediate aftermath of the General Election, business groups were quick to congratulate Labour leader Sir Keir Starmer on becoming the UK's new Prime Minister and pledged to work in partnership with his government in order to revitalise the nation's economy. Business groups also set out a number of key policy priorities they believe the government will need to deliver.

"The clear result of the General Election gives hope that political stability can lead to economic stability and recovery. There's a golden chance in the first 100 days of this new administration to plant the seeds of small business growth, and there are a range of policies FSB hopes the new government will bring forward. These include measures to ease the cost of doing business and support investment and expansion. From tackling poor payment practices by big businesses to their smaller suppliers to reforming the not-fit-for-purpose business rates system."

Tina McKenzie, FSB Policy Chair

"The public have delivered a clear and decisive parliamentary majority – hopefully they will use this mandate to provide the stability and certainty businesses crave. We need to see action from day one on pulling together a coherent industrial strategy for the long-term, which places a strong emphasis on harnessing green innovation. And businesses will also want to see early movement on pledges around business rates reform and improving our trade relationship with the EU."

Shevaun Haviland, Director General of the BCC

"In order to reignite economic growth, the new government must urgently address some key challenges. Labour and skills shortages are persistent issues for our members. The UK needs to regain and accelerate its position of leadership in the transition to a net zero future. And an industrial strategy which unlocks private investment is needed in order to build long-term confidence in UK economic competence and stability."

Jonathan Geldart, Director General at the Institute of Directors

All details are correct at the time of writing (10 July 2024)

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