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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BUSINESS REVIEW

PRIVATE SECTOR EXPECTS FURTHER ACTIVITY FALL

A Confederation of British Industry (CBI) survey has found that UK firms expect another fall in both output and hiring over the next three months.

Data from the CBI's January Growth Indicator revealed that business expectations remained at their weakest level in over two years with widespread pessimism reported across the private sector. CBI Interim Deputy Chief Economist Alpesh Paleja said, *"After a grim lead-up to Christmas, the New Year hasn't brought any sense of renewal, with businesses still expecting a significant fall in activity. Anecdotes suggest that companies are being hit by lacklustre demand and caution among consumers, while also continuing to adjust to measures announced in the Budget. There is an urgent need to get momentum back into the economy. The government can help shift the UK's economic narrative with more determined focus on measures that could drive growth."*

Another recently released survey also highlights a strong sense of pessimism across the business community. While data from the latest Institute of Directors' (IoD) Economic Confidence Index did show that business leader optimism in prospects for the UK economy edged up to -59 in January, from -61 in December, this still leaves sentiment languishing at historically depressed levels.

BCC'S TRADE STRATEGY MANIFESTO

The British Chambers of Commerce (BCC) has set out vital trade strategy action it believes the government needs to take as new data released by the business group shows UK SME exporters continue to toil.

Among the 29 recommendations included in the BCC's Trade Strategy Manifesto are: provide leadership on spreading digital trade across the world; give SMEs better support to export and promote their products; scale up green exports; forge strategic relationships with global trading powers and institutions; and promote fast-growing markets and sectors to secure long-term growth.

Results from the BCC's latest Trade Confidence Outlook survey showed that more than a quarter of SME exporters saw overseas sales decline during the final three months of 2024. In addition, the proportion of firms increasing exports has remained at least 10 percentage points lower than for domestic sales since the pandemic and Brexit.

The BCC noted that, if the government gets its trade strategy right, then the *'prize is huge'* and said it could lead to *'a new era of government and business co-operation, leading to stronger exports and higher economic growth.'* However, it added that the pitfalls were *'many'* and that *'smart and agile'* action would be required from politicians, businesspeople and policymakers.

NEW APPRENTICESHIP RULES WELCOMED BY IOD

The government has announced changes to make apprenticeships more flexible in a bid to boost the number of young people taking this route into employment.

Recently announced rule changes mean apprentices over the age of 19 will now no longer be required to undertake English and maths functional skills qualifications in order to complete their course. The IoD, which has long argued employers were best-placed to judge whether formal qualifications were the most appropriate route for developing literacy and numeracy skills in a given career path, welcomed the move.

Research conducted by the business group had previously found that 71% of its members thought employers should be able to decide whether adult apprentices were required to undertake English and Maths qualifications. Its survey also found that 34% of business leaders felt this flexibility would make their organisation more likely to offer an apprenticeship.

Commenting on the new measures, IoD spokesperson Alex Hall-Chen said: *"Apprenticeships are a vital tool in tackling the UK's persistent skills shortages, and this announcement is a welcome step in removing unnecessary barriers to increasing apprenticeship numbers. Research with IoD members clearly shows that giving employers flexibility when it comes to English and Maths qualifications for adult apprentices has the potential to unlock more apprenticeship opportunities."*



QUIRKY QUOTE:

"The most difficult thing is the decision to act; the rest is merely tenacity"

— Amelia Earhart

SMALL FIRMS GOOD FOR LOCAL ECONOMIES

New analysis conducted by Uswitch has highlighted the positive impact small businesses typically have on their local communities.

The study, which used a range of data sources including figures published by the Office for National Statistics, found that those areas with a greater number of small businesses saw more wealth creation as well as more employment opportunities. For instance, those local authorities with a higher density of small firms were generally found to have lower unemployment benefit claims.

In addition, the data also showed that the small business sector has been outperforming its larger counterpart when it comes to growth, with sales at small shops rising by 5.2% on average between 2022 and 2023, compared to an equivalent year-on-year growth rate of just 2.4% for large retailers.

Commenting on the findings, *Uswitch's* SME expert Andy Elder said, *"It's clear to see that small, local businesses are continuing to grow in popularity with consumers. Shopping at small businesses is more than just a transaction; it's an investment in the community. By choosing local stores, consumers help create jobs, retain money within the local economy and encourage the unique character of their neighbourhoods to thrive."*

OVERTIME VERSUS THE RIGHT TO SWITCH OFF

Recently released research from *Startups.co.uk* suggests a large minority of businesses feel their employees should be prepared to work extra hours despite also offering strong support for Right To Switch Off (RTSO) legislation.

Data from the small business advice platform's survey of 531 SMEs shows that almost four out of ten business leaders consider it either necessary or acceptable for employees to work beyond their contracted hours, with just one in ten respondents suggesting doing so was unfair and harmful to employee wellbeing.

At the same time, however, the research also revealed overwhelming support for employees being given the right to disconnect from work-related communication outside normal work hours. Indeed, more than nine out of ten business leaders were found to be in favour of proposed RTSO laws, with exactly half expressing strong or very strong support for them.

Startups.co.uk believes this could leave small businesses *'stuck between a rock and a hard place'* as they attempt to do *'the right thing by their employees'* while trying to protect their own firms' productivity and profitability levels. A spokesperson for the small business advice platform added, *"With the government hesitant to act decisively, it could be a tricky year ahead of navigating muddy waters."*

OTHER NEWS

AVERAGE SALARY HITS £40K

Data from the latest *Adzuna* UK Job Market Report shows that the average advertised annual salary rose by +7.15% last year, resulting in the figure passing £40,000 for the first time in December 2024. Interestingly, however, salary transparency continues to trend downwards, with 54% of employers hiding salaries in December's job postings compared to 46% that provided salary information.

FOUR-DAY WEEK WINNING OVER UK BOSSES

Figures released by the *4 Day Week Foundation* shows that 200 UK companies have now made the four-day working week a permanent fixture for all their staff without reducing salaries. And a survey conducted by *Startups.co.uk* suggests more firms plan to follow suit. In total, 13% of surveyed business leaders said they wanted to adopt a four-day week this year; this was up one percentage point on last year's comparable figure.

SOME SIDE HUSTLERS MAKING £1K A MONTH

A survey conducted by *Adobe Express* has highlighted the main motivations for starting a side hustle and the amounts people can make from them. While 31% of respondents established their side gig to pursue a passion, for a majority (66%) the key motivation was generating an extra income. Over a third of side hustlers said they make £100–500 per month from their venture, but a fifth earn £1,000 or more each month.

CHANCELLOR'S GROWTH PLANS



"The Chancellor has laid down a clear marker on her intent to push for growth and these proposals can light the blue touchpaper to fire up the UK economy. Expanding our international airport capacity, investing in modern roads and railways, and rebalancing the planning system all send signals that the UK is building for a better future. These pledges... can lift the gloom that has settled over the economy and give firms real confidence. But we must make sure the reality does not fall short of the promise. We must have action to back up the words and make sure this commitment sticks."

Shevaun Haviland, Director General of the BCC

Last month, the Chancellor outlined her plans to prioritise economic growth during a speech to business leaders in Oxford.

The speech largely focused on the delivery of a series of infrastructure projects. Among the key announcements were:

- **Airports:** Government support for a third runway at Heathrow was confirmed, along with backing for expansions at Luton and Gatwick, and the reopening of Doncaster Sheffield Airport
- **Oxford-Cambridge Growth Corridor:** The Chancellor vowed to build *"Europe's Silicon Valley"* between Oxford and Cambridge, announcing a number of policies aimed at boosting the region's growth
- **Water resources:** A £7.9bn investment was confirmed that will see the building of nine new reservoirs
- **Old Trafford:** Support for redevelopment of Manchester United's football ground with more housing and commercial development created around the new stadium
- **National Wealth Fund:** Two green energy investments were announced: £65m in electric vehicle charging company Connected Kerb and £28m in Cornish Metals
- **Infrastructure rules:** The Chancellor announced a review of government guidance on building major projects to support investments outside of the wealthy and productive south-east of England.

"It's crunch time for growth and the Chancellor has heeded business' call to go further and faster. This is most evident in Ministers grasping decisions that have sat on the desk of government for too long. This positive leadership and a clear vision to kickstart the economy and boost productivity is welcome. The Chancellor's announcements are smart, looking to leverage the UK's strengths including our world class universities, innovation and openness to global talent."

Rain Newton-Smith, CEO of the CBI

"The relationship between government and business has been problematic over the last six months. However, with this speech, the Chancellor has communicated a more positive narrative which may contribute to a gradual rebuilding of business confidence. The Chancellor has set the right tone in terms of her rigorous focus on enabling growth. If this is reflected in a shift to pro-growth decision-making across government departments and regulatory bodies, both at national and local level, it could help shift the dial in terms of the willingness of business to invest."

Dr. Roger Barker, Director of Policy at the IoD

All details are correct at the time of writing (11 February 2025)

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