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BUSINESS REVIEW

**Spotlight on issues
affecting business**

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JULY 2025

BUSINESS REVIEW

BUSINESS OPTIMISM REMAINS STRONG

Data from the latest Lloyds Bank Business Barometer showed that firms typically maintain a positive outlook with regards to their expectations for the next 12 months.

The survey's headline sentiment figure for June rose by one percentage point from the previous month's reading to leave the overall business confidence metric at +51%. While last month's uptick may have only been modest, it did build on the sharp rebound witnessed during May, following an easing of global trade tariff tensions and left business optimism at its highest level since late 2015.

Both the trading prospects and economic outlook metrics ticked higher in June, with firms' output expectations rising to a three-month high and optimism in the broader economy hitting a 10-month high. This positive sentiment also extended to projections for headcount over the year ahead, which rose for a second successive month.

Commenting on the findings, the commercial bank's Senior Economist Hann-Ju Ho said, *"Business confidence has continued its positive momentum, following the significant gains we saw in May. In particular, the sustained rise in hiring intentions suggests that, while firms do still face challenges, they may be starting to look beyond short-term staffing needs and preparing for future growth."*

GOVERNMENT LAUNCHES INDUSTRIAL STRATEGY

Last month, the government unveiled its Industrial Strategy with the aim of increasing business investment and growing the industries of the future in the UK.

The 10-year plan was developed in partnership with business and includes targeted support for those areas of the economy identified as having the greatest potential to grow. Overall, it aims to provide businesses with the certainty and stability needed to make long-term investment decisions.

Among a raft of policy measures announced in the strategy were: a reduction in energy costs for electricity-intensive manufacturers in growth sectors from 2027; a pledge to upskill the nation's workforce by investing an additional £1.2bn in skills each year by 2028/29, and a further increase in the British Business Bank's financial capacity in order to provide greater access to finance for innovative SMEs.

Business groups welcomed the announcement: the Institute of Directors described the Industrial Strategy as *'an important step towards the development of a positive and coherent plan to drive growth'*, while the Confederation of British Industry said the *'credible'* strategy *'sends a clear and positive signal - not just about the UK's economic ambitions but also about the country's global position and direction of travel for the next decade and beyond.'*

ACTION URGED OVER WINDSOR FRAMEWORK

A major report published by the Federation of Small Businesses in Northern Ireland (FSB NI) shows the Windsor Framework is creating severe disruption for the small business community.

The Windsor Framework is a post-Brexit legal agreement between the EU and UK that was designed to unlock opportunities for Northern Ireland. However, the findings of a survey conducted for the report shows the agreement is instead creating confusion and challenges for small firms and potentially fracturing the UK Internal Market.

Almost six out of 10 businesses trading between GB and NI, for example, reported moderate to significant challenges operating across the UK Internal Market, while over a third had already ceased trading rather than having to deal with new compliance demands. In addition, more than half of affected firms said they were not confident planning for the year ahead, citing uncertainty and red tape.

FSB NI Chair Alan Lowry said, *"The Windsor Framework was meant to offer opportunity - but, for many, it has delivered confusion, constraint and cost. Policymakers must simplify processes, improve communication and ensure support is accessible. Only then can the Windsor Framework become an enabler of growth rather than a barrier to trade."*

QUIRKY QUOTE:

*"When the sun is shining,
I can do anything; no
mountain is too high,
no trouble too difficult
to overcome"*

— Wilma Rudolph

NEWCASTLE TOPS SME JOB RANKINGS

Analysis by small business loans provider *Iwoca* for its annual 'Top 25 Towns & Cities for SME Jobs' report suggests Newcastle upon Tyne is now the best place to work for a small firm.

The report's rankings were based on a range of criteria seen as important to jobseekers, such as wages, commute times, house prices, job density and small business growth rates. Newcastle climbed two places to take top spot in this year's rankings, with the report suggesting 'a winning blend of career opportunity, affordability and lifestyle' make the city an ideal destination for jobseekers attracted to small business roles.

Second spot in the 2025 table was secured by Ipswich, due to the town's strong wage growth, relatively quick commute times and high SME growth rates. After heading the rankings last year, Peterborough dropped to third, while Conwy, Preston, Stafford, Norwich, Tewkesbury, Glasgow and Cambridge also made it into this year's top ten.

For the fourth year in a row, however, Greater London did not feature in the list. Long average commutes, high house prices and slowing SME growth rates continue to place the capital far behind many of its regional counterparts, despite London benefiting from higher average rates of pay.

OPEN OFFICE FAILING TODAY'S WORKFORCE

A new global study suggests the fully open-plan office is no longer fit for purpose in the post-pandemic workplace.

The survey of 1,250 office workers and facilities decision-makers across the UK, US, Singapore, India, New Zealand and Hong Kong conducted by workplace specialists Crown Workspace, revealed a notable disconnect between attendance and employee preferences: while almost six out of ten employees said they currently work full-time in the office, only four in ten actually stated a preference to do so.

These findings suggest the original promise of open-plan offices creating an environment to drive innovation and collaboration no longer aligns with how many people now want to work. Instead, employees desire spaces that work with, not against, how they focus and create: for example, two-thirds of respondents said access to quiet areas was essential to them, while more than three-quarters wanted a dedicated workspace.

Phil Oram, Regional Director at Crown Workspace, commented, "Our research shows the modern workforce wants more from their office environments. The future of the successful office will need to be flexible, functional and, above all, designed with people in mind. It's time for employers to rethink their approach and take decisive steps to create workspaces that truly support their people."

OTHER NEWS

Paternity leave reform could boost economy

A new report released by the Institute for Policy Research at the University of Bath has called for an overhaul of the UK's paternity leave offer. The report's authors recommend the introduction of six weeks' well-paid leave for fathers during their baby's first year, arguing such a move would provide better support for working families and potentially deliver net social benefits of up to £13bn annually.

Entry-level jobs hit by rise of AI tools

Data from the UK Job Market Report published by Adzuna suggests the rise of AI tools has had a significant impact on entry-level job opportunities. In total, entry-level roles, which include apprenticeships, internships and junior jobs, have declined by almost a third since generative AI tools became widely available at the end of 2022, and now account for just 25% of all jobs advertised compared to almost 29% two years ago.

Young employees want a progressive DEI policy

A survey conducted by HR technology provider IRIS Software Group suggests six out of 10 people would be prepared to quit their jobs if employers failed to uphold diversity, equity and inclusion (DEI) values. The research also found that this issue is particularly important to younger employees, with almost seven in ten Gen Z respondents saying they would quit if their employer reduced or abandoned DEI commitments.

SPENDING REVIEW 2025

Last month, Rachel Reeves presented the Spending Review, saying her focus was on the nation's health, security and economic growth, before adding, *"We are renewing Britain... but I know too many people in too many parts of our country are yet to feel it."*

In line with Labour's goal of leveraging technology and innovation to stimulate economic activity, key business-related announcements included a pledge of £2bn for an AI action plan to drive job creation and investment, alongside increased funding for the British Business Bank, boosting its financial capacity to £25.6bn to support small businesses seeking finance. Other measures aimed at fostering economic growth, included:

- An increase in defence spending – to 2.5% of GDP by 2027 (2.3% currently), a £5bn a year uptick
- An increase in science and technology spending – £86bn pledged by the end of the Parliament
- An extension to train, bus and tram investment – £15.6bn made available for improvements
- Investment in the Sizewell C nuclear power station – £14.2bn to construct this plus £2.5bn to build the UK's first Small Modular Reactors
- For training and upskilling, £1.2bn will go towards supporting young people into apprenticeships and training schemes.

BUSINESS REACTION

"The Chancellor's pledges on £15bn of regional infrastructure investment, a £14bn commitment to Sizewell C and an £86bn package for research and development funding can make a real difference, but the government must not give with one hand and take with the other. While plans for investment are welcome, we are clear that, if we are to sustain meaningful growth, there can be no further taxes on business in the Autumn Budget."

Alex Veitch

Director of Policy at the British Chambers of Commerce (BCC)

"If the private sector is to be ultimately responsible for delivering the renewal of the UK economy, a strong and coherent plan to drive business investment is needed. Increasing the capacity of the British Business Bank to lend is an important step. And the forthcoming Infrastructure and Industrial strategies will enhance policy stability and enable businesses to plan. However, the broader business environment needs addressing: the tax and regulatory system, employment regulations, energy cost competitiveness, and our connections with global markets are all fundamental to creating the conditions for investment."

Anna Leach

Chief Economist at the Institute of Directors (IoD)

"Against a challenging backdrop, the choice to prioritise investment in clean energy, R&D, as well as delivering a much-needed boost to housing, transport and infrastructure is the smart play that will raise the long-term ceiling of the economy. The litmus test now will be following through on delivery in partnership with industry at pace. That must be underpinned by a comprehensive strategy for driving investment in adult skills and addressing high energy costs, which were missing from today's announcement."

Rain Newton-Smith

Chief Executive of the Confederation of British Industry (CBI)

All details are correct at the time of writing (8 July 2025)

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