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BUSINESS REVIEW

Spotlight on issues affecting business



- SURVEYS REPORT DIP IN BUSINESS CONFIDENCE
- BUSINESS RATES REFORM PLEDGE WELCOMED
- AI POTENTIAL TO BOOST GLOBAL TRADE
- VAT REGISTRATION THRESHOLD WARNING
- UNDERSTANDING EMPLOYEE PRIORITIES
- OTHER NEWS

OCTOBER 2025

BUSINESS REVIEW

Surveys report dip in business confidence

Two recently released surveys have both revealed a notable decline in levels of business optimism as cost concerns continue to weigh on sentiment.

One of the surveys – the Lloyds Bank Business Barometer – saw its headline confidence reading fall to +42% in September, a 12-percentage-point drop from August's figure. This resulted in sentiment returning to those levels recorded in April this year, after President Trump's initial US tariffs announcement had negatively impacted business optimism.

The other survey reported a similar-sized decline in sentiment, with the Institute of Directors (IoD) Directors' Economic Confidence Index falling to -74 in September from -61 the previous month. This represents the lowest reading since the Index was first published in July 2016.

The IoD acknowledged that confidence had *'plumbed new depths in September'* with conditions worsening across the board. The business group noted that continuing concerns over cost pressures were clearly evident within the survey with *'cost expectations hitting a record high.'* Investment expectations were found to have declined as well, while headcount expectations also fell as the effects of April's rise in employment taxes and the living wage *'continue to reverberate across companies.'*

Business rates reform pledge welcomed

The IoD has welcomed publication of a new report setting out key areas of reform the government is considering as part of its efforts to improve the business rates system.

HM Treasury's Business Rates Interim Report, published last month, summarises views expressed by multiple stakeholders to a previous discussion paper and provides the government's response. The report includes plans to remove *'cliff edges'* in the current system in relation to Small Business Rates Relief which, it is argued, discourages small business investment and growth.

The Chancellor has committed to providing a further update on business rates reform at the Autumn Budget on 26 November, including confirmation of the permanently lower tax rates applicable for retail, hospitality and leisure properties with a rateable value of less than £500,000.

Responding to the interim report's publication, IoD Special Adviser for Small Business and Entrepreneurship Liz Barclay said, *"This is a welcome indication that the Chancellor is very serious in her ambition to help our vital small businesses. Cliff edges impede growth as business leaders hold back from expanding so as to avoid the additional costs involved. This should go some way to increasing confidence in small firms with growth ambitions and contribute to crucial job creation."*

AI potential to boost global trade

A report released last month by the World Trade Organisation suggests Artificial Intelligence (AI) could boost the value of trade in goods and services by nearly 40% by 2040.

The report says the potential AI premium could be achieved through productivity gains and lower trade costs. However, it also stressed that the gains will only be realised if policies are put in place to bridge the digital divide, invest in workforce skills and maintain an open and predictable trading environment.

Commenting on the report's release, British Chambers of Commerce (BCC) Head of Trade Policy William Bain said, *"This report is a call to action for business and policymakers worldwide to ensure we realise the full benefits of AI in boosting global trade, productivity and skills. But tariff and technical barriers to trade need to be dealt with to allow AI to realise these full gains."*

Meanwhile, research published last month by the BCC showed a big jump in the number of UK small firms utilising AI. According to the survey of 1,500 business leaders, 35% of SMEs are now actively using AI technology, a significant rise from just 25% in 2024. In addition, 24% of responding firms said they plan to adopt AI in the future.

QUIRKY QUOTE:

"Mediocrity will never do. You are capable of something better"

— Gordon B. Hinckley

VAT registration threshold warning

The Self-Employed Association, IPSE, has warned that lowering the registration threshold for VAT would be a breach of Labour's manifesto tax commitments.

Responding to press speculation, IPSE noted that the government could attempt to wriggle out of its commitment not to raise headline personal taxes on *'working people'* by reducing the current annual turnover figure at which sole traders are required to register for, charge and pay VAT.

This threshold currently stands at £90,000 but some media reports have suggested it could be cut to a figure as low as £30,000. The IPSE has warned such a move would make registering for VAT unavoidable for anyone whose main source of income comes from self-employment.

IPSE Senior Policy and Communications Adviser Fred Hicks said, *"Cutting the VAT registration threshold is not the same as increasing rates of VAT – even if it ultimately ends up with more people having to charge and pay it. And if this radical reform did go ahead, this may well be how government justifies it. But make no mistake, it absolutely would be a breach of their commitment – and a breach of faith – to claim that dragging people into paying a new tax is not the same as putting their taxes up."*

Understanding employee priorities

Research conducted by Adobe Express has provided a valuable insight into the current recruitment landscape by revealing employees' career motivations as well as key hiring challenges faced by small firms.

A survey of 1,000 UK adults initially sought to gain a better understanding of what motivates employees to look for another job. Perhaps unsurprisingly, the most common response was higher pay, with 23% of respondents citing this as their primary motivation for job hunting.

Other factors, however, were also significant with 21% looking for a better work-life balance, 11% seeking opportunities for career growth and development, and 10% craving more challenging or interesting work. In addition, a supportive company culture was important to 5% of potential job seekers, while 3% would be looking for better job security and similar proportions wanted more flexible working arrangements or hoped to work for a more ethical company.

The study also sought to identify common challenges small business owners face when trying to attract new talent, with competition from larger companies topping the list (36%). Other commonly cited hurdles included: high candidate salary expectations (30%), a lack of qualified candidates (26%), difficulty finding candidates with the right skills (19%) and uncertainty about future business needs (12%).

OTHER NEWS

Government announces new Youth Guarantee

Business groups have welcomed a government initiative that will guarantee young people a paid job. On 29 September, the Chancellor unveiled the Youth Guarantee, which will offer guaranteed paid work to all eligible young people who have been on Universal Credit for 18 months without earning or learning. The scheme forms part of government plans to provide targeted support for young people at risk of long-term unemployment. Further details will be confirmed at the Autumn Budget.

Employment Rights Bill

Despite the government unveiling a new roadmap for its Employment Rights Bill over the summer, a recent survey of 45,000 voters commissioned by the TUC and Hope Not Hate shows extremely limited public recognition of the Bill. Indeed, the research suggests that just one in four voters have any knowledge of the proposed reforms.

Time for coffee!

Analysis by a cognitive psychologist has revealed the optimum time for people to drink their first coffee of the day. Dr Fulcher's calculations use a range of factors – including average wake time, the tendency to snooze before rising, the body's natural morning biochemistry and the pressure to start the day alert and productive – and suggest that, if the alarm goes off at 7:00am, the ideal time for a first coffee is 9:24am.

UK WORKERS PRIORITISING SELF-CARE

According to new research from Reward Gateway | Edenred, workout classes, healthy eating and self-care are all on the rise among employees - and the trend shows no signs of slowing. Well over half (58%) of surveyed British employees have prioritised their wellbeing over the past six months, a sharp increase from 40% who said the same over the previous year.

A positive shift

When it comes to how people are practicing self-care, just over two-thirds (67%) of employees are consciously making time for themselves. Many appear increasingly comfortable saying no to social plans, as FOMO - the fear of missing out - gives way to a growing focus on balance and personal wellbeing.

"Life has never felt as fast-paced as it does now, which is why it's great that employees are putting themselves first and slowing down. Whether that's by re-energising with some deserved alone time, or getting in a full eight hours of sleep, it's important that our British workforce is doing what they need to feel well-rested, happy and, most importantly, in the best condition to go through their day productively."

People Experience Director at Reward Gateway | Edenred, Chris Britton

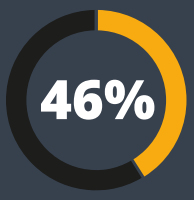
Health is increasingly becoming a top priority for UK employees:



MAKE SURE THEY **EXERCISE REGULARLY**



FOCUS ON GETTING **ENOUGH SLEEP**



AIM TO **MAINTAIN A HEALTHY DIET**



ARE **REDUCING ALCOHOL CONSUMPTION**

Work-life balance is also front of mind for many employees:



SAY **NOTHING IS MORE IMPORTANT** THAN ACHIEVING **BALANCE** BETWEEN WORK AND LIFE



ENSURE THEY **USE ALL THEIR ANNUAL LEAVE,** FOR HOLIDAYS OR MUCH-NEEDED DOWNTIME

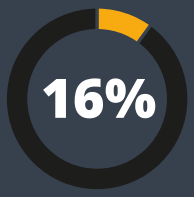


ARE **SETTING BOUNDARIES** BY TAKING LUNCH BREAKS AND FINISHING WORK ON TIME

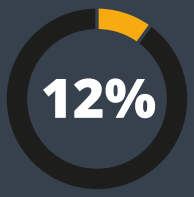


HAVE **ADJUSTED THEIR WORKING HOURS** OR MOVED TO PART-TIME ARRANGEMENTS TO IMPROVE BALANCE

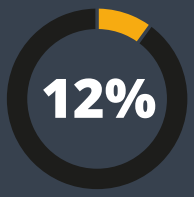
Many are also embracing creative and emotional wellbeing outlets:



HAVE **TAKEN UP A NEW HOBBY**



HAVE **STARTED THERAPY OR TALKING SESSIONS**



NOW **PARTICIPATE IN REGULAR WELLBEING WORKSHOPS OR CLASSES**

All details are correct at the time of writing (10 October 2025)

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