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BUSINESS REVIEW

**Spotlight on issues
affecting business**

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JANUARY 2026

BUSINESS REVIEW

QUIRKY QUOTE:

*"I love beginnings.
If I were in charge of
calendars, every day
would be January"*

— Jerry Spinelli

Surveys report uptick in business optimism

Two recently published surveys have both reported a modest improvement in the level of business sentiment during the final month of last year.

The latest figures from the Lloyd's Bank Business Barometer, for instance, revealed that its headline confidence index rose to +47% in December, a five-point jump from the previous month. This improved level of confidence was driven by renewed optimism in prospects for the wider UK economy, which offset a slight dip in companies' views of their own trading prospects.

While the data did show that business sentiment remains below last summer's highs, the commercial bank's Senior Economist Hann-Ju Ho noted that the Barometer's headline reading was *"up ten points"* from the start of last year. He added that it was *"great to see business confidence ending the year on a higher note."*

Another survey also reported a post-Budget rebound in business optimism, with the Institute of Directors' (IoD) Economic Confidence Index recording a seven-percentage-point rise in December. IoD Chief Economist Anna Leach described the uptick as *"a relief"* after months of policy uncertainty, but also stressed that the improvement should not be overstated with business confidence remaining close to record low levels.

UK economy continues to face headwinds

While an updated economic forecast published last month by the Confederation of British Industry (CBI) did reveal a 2026 growth upgrade, the business group also warned that 'underlying weaknesses' continue to hold back the UK economy.

The CBI's revised figures show a growth projection of 1.3% for this year; this was up from a previous prediction of 1.0%. The uplift, however, was largely driven by a near-term boost to government spending following the Autumn Budget, with longer-term growth prospects expected to be constrained by weak productivity and future fiscal tightening.

Overall, the business group said its forecast showed firms were swimming against powerful tides of weak demand, elevated labour and energy costs, and ongoing domestic and global uncertainty. It also noted that, in order to turbo-charge its growth mission, the government urgently needed to address a number of barriers to competitiveness, including crippling business energy costs, a costly and overcomplicated business tax regime and uncertainty around future employment costs.

CBI Chief Economist Louise Hellem commented, *"While it's welcome to see our growth forecast upgraded, the mood music reads more 'cautious optimism' than 'cause for celebration.' The forecast shows that the UK economy is continuing to face significant and persistent headwinds."*

This publication provides general economic commentary only. It is not intended to influence individual investment, lending or business decisions.

Policymakers urged to act on unemployment

The Resolution Foundation has called on policymakers to redouble efforts to support young people into work after analysis conducted by the think tank highlighted the country's burgeoning unemployment challenge.

Using its own labour market statistics derived from both HMRC and ONS data sources, the Foundation estimates that the employment rate currently stands at 75.3%, down from a peak of 76.6% in mid-2023. However, its figures show that this decline is entirely accounted for by higher unemployment rather than rising economic inactivity as many people assume.

The think tank therefore concludes that while delving into the drivers of rising ill-health and disability are important, policymakers need to focus their efforts on rising unemployment, particularly amongst young people. This should include slowing the pace of minimum wage rises to avoid pricing 18 to 20-year-olds out of work and extending job support for 21 to 24-year-olds who are currently ineligible for previously announced schemes.

Nye Cominetti, Principal Economist at the Foundation, said, *"Rising unemployment is the forgotten driver of Britain's current jobs downturn. Young people again find themselves at the heart of this downturn, just as they were in the wake of the financial crisis and COVID. Policymakers and employers need to redouble efforts to support them."*

Late payments recovery reaches major milestone

The Office of the Small Business Commissioner (OSBC) recently announced that it has helped UK small firms collectively recover £10m in late and overdue payments since its establishment in 2017.

Under the Enterprise Act 2016, the OSBC has a statutory duty to review enquiries and investigate formal complaints made by small businesses experiencing unpaid invoices or unfair payment practices from larger organisations. The OSBC acts on behalf of the small firms to address the reasons behind the dispute and seek a resolution.

While acknowledging that the scale of the late payments problem remains significant, the OSBC did note that it had helped recover almost £1m of overdue invoices so far this financial year, with more than £500,000 secured in December alone. This, the OSBC said, represents an acceleration in enforcement and case resolution compared to previous years.

Emma Jones, the Small Business Commissioner, described the £10m figure as an *"incredible milestone"* and thanked *"every small business owner who has entrusted us to investigate their particular issue."* She also encouraged other small firms to contact the OSBC if they are being paid late by a large company, adding *"we can only deliver these numbers if small businesses contact us to raise cases of late payment."*

Firms set sights on growth through AI

Research conducted as part of the Lloyds' Business Barometer survey shows that a significant proportion of firms plan to unlock new growth opportunities by expanding their use of artificial intelligence (AI) tools in 2026.

The poll of over 1,200 firms sought to ascertain UK firms' top business priorities as well as the main areas of investment planned for the year ahead. In terms of priorities, the survey found that boosting productivity (42%), upskilling teams (39%) and strengthening technological capabilities (37%) are expected to be the most common areas of focus in 2026.

Additionally, the research found that 33% of businesses have set their sights on boosting growth by investing in AI. Interestingly, however, a slightly higher proportion of respondents (35%) said their business was aiming to take advantage of growth opportunities through investment in team training, which may imply that some firms are concerned about skills and capability gaps as AI adoption accelerates.

This latter point could also help to explain why, when reflecting on operational and investment priorities, firms commonly identified technology (35%) as an area where they expect to require extra support in order to achieve their goals for the year ahead.

OTHER NEWS

BoE cuts interest rates

Last month, the Bank of England (BoE) sanctioned another quarter-point interest rate reduction taking Bank Rate down to 3.75%. The BoE also said rates are *'likely to continue on a gradual downward path,'* but did note that *'judgements around further policy easing will become a closer call.'* This year's first meeting of the Bank's interest-rate setting committee is scheduled for early next month, with its decision due to be announced on 5 February.

Spring Statement date announced

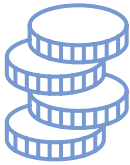
The Chancellor has asked the Office for Budget Responsibility (OBR) to prepare an Economic and Fiscal Forecast for publication on 3 March and will respond to the revised forecast through a statement to Parliament on the same day. The Treasury, however, confirmed the government's commitment to delivering just one major fiscal event a year – the Autumn Budget – meaning the statement will not provide an assessment of the government's performance against the fiscal mandate.

UK set to rejoin Erasmus scheme

Business groups have welcomed last month's announcement that the UK will rejoin the EU's Erasmus+ exchange programme from 2027. The British Chambers of Commerce, for instance, said the UK's re-entry will allow businesses *'to maximise its full benefits for training, apprenticeships, skills, further and higher education, and exchanges'* and *'provide an opportunity to shape the programme from the inside.'*

The benefits that matter most to employees in 2026

As the workplace continues to evolve, so do employee expectations. New research, from recruitment experts Robert Half, shows that in 2026, workers are looking beyond job titles and salaries. Instead, they're focused on benefits that support wellbeing, flexibility and long-term growth. Here's what's topping the wish list.



Performance bonuses reign supreme

An annual performance bonus remains a highly valued perk, with 82% of workers viewing the potential for a bonus as a vital part of their package. It ranks higher than many traditional benefits, yet only 71% of employers currently offer one. In uncertain economic times, rewards that recognise effort and performance clearly matter.



Paid time off – a big plus

Burnout and work-life balance are still front of mind, with 80% of employees saying they want more paid time off, but just 57% of employers include this in their benefits offering. For many workers, extra time to rest, recharge or spend with family now outweighs other incentives.



Lack of flexibility – a deal breaker

Despite growing return-to-office mandates, flexible working remains essential for many, with 78% of professionals wanting flexible work arrangements, whether that's hybrid or remote working or flexible hours. While 74% of employers offer some form of flexibility, expectations continue to rise and businesses choosing to roll this back may struggle to retain talent.



Learning and Development (L&D) – for a changing world

With AI and technology reshaping roles, career development is a clear priority for many. Nearly seven in ten professionals value learning opportunities, and 68% of employers agree it's critical to a competitive package.

Key L&D trends include:

- Paid time off for external courses / programmes
- In-house training programmes
- Internal leadership development.

Wellbeing and financial support on the rise

Health and wellbeing benefits are increasingly influential, with 54% of professionals saying access to mental health resources affects whether they join or stay with an employer. Gym memberships, stress management and wellbeing programmes are increasingly regarded as standard.

Financially focused perks are also gaining traction, including:

- Working-from-home allowances (42% of employers offer this)
- Company phones (47% of employers offer this)
- Childcare vouchers (40% of employers offer this)
- Fuel assistance (39% of employers offer this).

As living costs remain high, benefits that ease everyday financial pressure are proving more valuable than ever.



All details are correct at the time of writing (9 January 2026)

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