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BUSINESS REVIEW

**Spotlight on issues
affecting business**

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FEBRUARY 2026

BUSINESS REVIEW

QUIRKY QUOTE:

"Talent is cheaper than table salt. What separates the talented individual from the successful one is a lot of hard work"

— Stephen King

Business sentiment jumps in January

A recently published survey from the Institute of Directors (IoD) highlights growing business leader optimism both in the broader economy and their own organisations.

The IoD's latest Economic Confidence Index, which measures optimism in prospects for the UK economy, jumped from -66 in December to -48 in January. Business leader confidence in their own organisations also rose sharply, hitting +14 in January, up from -4 the previous month. In terms of underlying indicators, the data showed improvements across the board, with revenue expectations and investment plans recording the largest rises.

IoD Chief Economist Anna Leach welcomed January's *"fairly chunky"* rise in sentiment which she said demonstrated a sense that *"revenues and general conditions have stabilised."* She did, though, note that businesses were not yet ready to *"increase either their capital or labour costs materially."*

Ms Leach went on to acknowledge that the year had begun with *"a high level of policy activity,"* including several packages designed to support businesses. However, despite welcoming such moves, she also noted that they clash with *"very significant rises in the cost of doing business in the UK,"* adding that there remains *"a need to ensure that the full weight of government policy is focused on driving up growth."*

Tax timebomb poses high street threat

Analysis from the Federation of Small Businesses (FSB) suggests small firms in retail, hospitality and leisure (RHL) are facing three years of business rates misery.

The business group's calculations show that small firms across the RHL sector face an average 52% hike in bills due to be implemented in three instalments. This includes the slashing of business rates relief for 230,000 small firms in England, along with other changes being introduced from April this year.

Towards the end of last month, the government did confirm the introduction of targeted support for pubs and music venues, and this temporary reprieve for those businesses was welcomed by the FSB. However, the business group also said it was *"incredibly disappointed"* that other small RHL businesses were not being thrown *"any type of lifeline."*

The FSB also noted that, with more cost pressures due to hit alongside April's rates rise, the situation was becoming *"unsustainable,"* leaving many small firms having to *'put the brakes on expanding and developing'* or being forced *'to lay off staff or even close their doors for good.'* The FSB is now calling on the Treasury to provide *'substantial help'* for these struggling small firms at the Spring Forecast.

Government unveils £11bn lending package

The country's five leading banks recently agreed to collectively finance a new lending package designed to help UK small businesses grow by investing and expanding abroad.

Following a roundtable meeting convened by Business Secretary Peter Kyle and UK Export Finance CEO Tim Reid in late January, senior executives from NatWest, HSBC, Barclays, Lloyds and Santander made the £11bn lending commitment; this represents one of the largest collective moves by the banking sector in over a decade.

The government hopes the lending package will help small and mid-sized enterprises invest, hire and expand across international markets, and thereby take advantage of opportunities afforded by new trade deals. The move was described as a historic show of lenders' confidence in the UK economy, which will provide small firms with a powerful route to access the finance and expert advice they need to compete on the world stage.

Commenting on the day of the announcement, Mr Kyle said, *"Strengthening Britain's export potential relies on British businesses having the means, motive and opportunity to succeed in new overseas markets. The £11bn these banks are making available will help meet the ambitions of smaller British businesses to fully export, expand and exploit these international market opportunities."*



OTHER NEWS

Side hustles and second jobs

Analysis of search data by YuLife suggests UK workers are increasingly looking at ways to earn extra money. The study found that, in December 2025, Britons searched for either 'side hustle' or 'second job' a total of 56,000 times; this equates to someone looking for ways to boost their income every 48 seconds. YuLife warns this could impact employee productivity, engagement and retention, and is therefore advising employers to take 'proactive steps to support the financial and mental wellbeing of their teams.'

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Gen Z ambition outpacing capability

A new report from workforce solutions specialists *mthree* has revealed a 'confidence-capability gap' as Gen Z professionals rise into leadership roles more rapidly than any prior generation. This conclusion was based on research which found that, although 86% of Gen Z managers felt ready when first given leadership responsibilities, 47% struggle with decision-making and 46% face challenges with conflict management.

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Employment Rights Act will deliver benefits

An updated government impact assessment released last month suggests the Employment Rights Act will be 'significantly positive for society,' while TUC analysis estimates the legislation will deliver £10bn of benefits for the country. TUC General Secretary Paul Nowak said, "Stronger rights at work are good for workers and employers – driving up labour market participation, improving health, raising productivity and boosting demand."

Urgent need for EU reset to deliver

The British Chambers of Commerce (BCC) has urged the government to tackle big issues around EU trade in order to reverse the country's post-Brexit trade slump.

Data from the business group's latest survey laid bare the impact of Brexit, COVID, war and tariffs on UK exports, with just 21% of exporters reporting an increase in orders during the final quarter of last year and 28% reporting a fall. BCC research from December also shows that most UK exporters feel trade with the EU is becoming increasingly difficult.

The BCC has created a business manifesto for an EU reset outlining the main challenges as regulations continue to diverge. It also includes five key proposals to improve UK-EU trade: negotiate a deep SPS (animal and plant products) agreement; finalise UK and EU Emissions Trading Scheme; establish a youth mobility scheme; full UK participation in the EU's Defence Finance Initiative and enhance VAT cooperation and customs simplification.

BCC Head of Trade Policy William Bain commented, "The Prime Minister's trip to China and the real progress made on trade deals with the US, EU and India last year show the government understands the difficulties... but we need to see a real focus in 2026 on delivering what has been agreed."

Workers spending more days in the office

Research conducted by TK Maxx suggests that over a third of employees are now spending more days in the office than was the case 12 months ago.

According to data from the survey of more than 2,000 UK office workers, the average number of days spent in the office has increased for 38% of employees over the past year. In contrast, just 6% of respondents said their number of office days had decreased.

The research also revealed that some industries have seen a greater return to work, with around half of employees based in IT, telecoms and finance, saying their office days had increased. Variations by age were also highlighted, with over half of 16 to 24-year-old workers saying they now spend more time in the office, compared to just one in seven over-55s.

This return to the office was also perhaps inevitably found to have sparked a wardrobe rethink for many employees, with almost half of all respondents saying their wardrobe has become more formal. Interestingly, the data also shows that four in ten workers feel pressure to look more polished or professional in the office, with this sentiment particularly high among 25 to 34-year-old employees.

Care pressures – reshaping the workforce?

The latest Modern Families Index (MFI) from Work + Family Solutions, based on a survey of 3,000 working parents and carers across the UK, highlights the growing impact of care pressures on today's workforce.

The findings show that women continue to shoulder the greatest burden, with rising stress levels increasingly affecting wellbeing and productivity. Economic pressures combined with escalating care responsibilities are leaving many working parents struggling, while workplace cultures and flexible working models are failing to keep pace with the realities of modern family life.



Key findings include:

- 43% of sandwich gen carers are reconsidering their job due to care pressures
- In 2025, 21% of employees used sick leave to manage short-notice care emergencies
- Mothers are 50% more likely than men to say having children has impacted their career
- 48% of mothers caring for adults report a negative career impact, compared with 38% of fathers
- 29% of working parents report very high stress, with 77% saying it can make day-to-day functioning difficult
- Employees working just one day onsite report the highest stress levels (41%)
- 37% say their working arrangements make it harder to switch off
- Only 63% of employees feel able to discuss family needs at work.



Executive Director of Work + Family Solutions at Bright Horizons, Chris Locke, commented on the findings, saying they highlight, *“that care pressure is no longer a personal issue playing out quietly in the background. It is becoming a structural challenge for employers, with clear implications for productivity, retention and workforce stability. When people are repeatedly forced to cover care breakdowns through sick leave, annual leave or reduced hours, the cost to organisations quickly adds up.”*

He goes on to add that while progress has been made regarding workplace flexibility, *“without agile practical support in place, stress, absence and disengagement continue to rise even in hybrid workplaces.”*

All details are correct at the time of writing (10 February 2026)

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