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BUSINESS REVIEW

**Spotlight on issues
affecting business**

- ▶ **BUSINESS SENTIMENT HOLDS STEADY**
- ▶ **FSB ISSUES APRIL COST CRUNCH WARNING**
- ▶ **APPRENTICESHIP REFORM NEEDS TO GO FURTHER**
- ▶ **EMPLOYMENT RIGHTS ACT: A HANDBRAKE ON HIRING**
- ▶ **OTHER NEWS**

MARCH 2026

BUSINESS REVIEW

QUIRKY QUOTE:

*"With the coming of spring,
I am calm again"*

— Gustav Mahler

Business sentiment holds steady

Data from the latest Lloyds Bank Business Barometer revealed that business optimism held steady in February following a small dip at the start of the year.

The bank's latest survey of 1,200 companies was conducted between 2–19 February with the overall business confidence index sitting at +44%, exactly the same reading as recorded during January. As a result, February's headline sentiment figure remained comfortably above its long-term average of +30%.

Growing optimism about the outlook for the broader economy was a key feature of February's data, with the net balance for this metric rising by eight percentage points; in contrast, the balance for firms' own trading prospects eased by six points although, despite this moderation, firms overall continued to report relatively solid trading conditions. In sectoral terms, both manufacturing and construction saw a strengthening of business sentiment in February, while confidence levels dipped modestly in retail and services.

The commercial bank's Senior Economist Hann-Ju Ho commented, *"It's encouraging to see optimism in the wider economy returning, although with a small reduction in firms' confidence in their own trading prospects. It's also great to see confidence increase for manufacturers and construction firms as they are key for UK growth."*

FSB issues April cost crunch warning

The Federation of Small Businesses (FSB) has warned of a looming cost crunch that could potentially push many small firms to breaking point.

FSB analysis suggests small business owners face a series of unparalleled cost pressures over the coming month as a result of various government decisions, with energy bills, business rates, employment costs and Statutory Sick Pay all set to rise significantly. The FSB believes this could lead to closures, stalled growth and fewer entrepreneurs willing to start up a business – unless the government takes action.

Recent FSB research found that over a third of small businesses plan to close or contract over the coming year. The business group has therefore called on the government to recognise the huge pressures facing small businesses and act now in order to stem the tide of rising costs.

FSB Policy Chair Tina McKenzie said, *"April's impending cost crunch will make running a small business in the UK more expensive – and that has real consequences. It will push already-struggling small firms past breaking point, deter would-be entrepreneurs from setting up in business as the numbers no longer stack up, and put the brakes on the small business growth the economy depends on."*

Apprenticeship reform needs to go further

A report published by the British Chambers of Commerce (BCC) has called for further reform to the apprenticeship system in order to make it fit for the 21st Century.

The BCC believes the current framework is too rigid, lacks clarity, neglects higher-level skills and fails to meet the needs of business. These conclusions were based on research and analysis conducted for the report which shows that, while two thirds of firms face skills shortages, over half do not feel current training options are plugging the gap.

Additionally, the research suggests government changes to apprenticeships do not provide enough flexibility for businesses. Indeed, just over six out of ten firms said the reforms would not change their hiring plans, while almost one in five said they would actually make them less likely to take on an apprentice.

The report includes several recommendations to solve problems with the system. These include: reforming the Growth and Skills Levy to include funding for short modular training; recognising spending on skills as an investment and delaying the introduction of a lower National Living Wage threshold; using intelligence from Local Skills Improvement Plans to future-proof the system, and ring-fencing funds from the Levy and Immigration Skills Charge for investment in training.



Employment Rights Act: a handbrake on hiring

Research from the Chartered Institute of Personnel and Development (CIPD) suggests there is a real risk that Employment Rights Act (ERA) reforms could act as a handbrake on job creation and recruitment.

According to the survey of more than 2,000 UK employers conducted for the CIPD's latest quarterly Labour Market Outlook, over a third plan to reduce recruitment of permanent staff due to at least one of the ERA's key reforms. In addition, three-quarters of respondents expect the Act to increase employment costs, while over half feel the changes will increase workplace conflict.

In response, the CIPD is calling on the government to continue meaningful consultation with employers and business bodies and, where necessary, compromise on key measures still to be finalised in order to ensure they can be implemented without adding to the costs and legal risks of recruiting and managing staff.

The CIPD also wants to see a major government communications campaign to ensure smaller businesses in particular are aware of, understand and can prepare for the new legal obligations. Finally, the CIPD has stressed a need for Acas and the wider dispute resolution system to be sufficiently resourced so small firms can comply and avoid costly and disruptive conflict.

'Lock the door' on cyber criminals

The government is urging business owners to 'lock the door' on criminals as it launches a new campaign offering practical ways for organisations to protect themselves from common online threats.

Cyber threats are estimated to collectively cost UK businesses £14.7bn a year, with research showing that half of all small businesses have experienced a cyber breach or attack in the last 12 months. The campaign, which will appear across social media, podcasts, radio and business networks, encourages firms to engage with the government's Cyber Essentials scheme.

This scheme sets out clear, practical steps for businesses to protect themselves from the most common types of cyber attacks. The government believes taking these steps, which include keeping software up to date and controlling who has access to accounts and data, will immediately boost a firm's cyber resilience.

Cyber Security Minister Baroness Lloyd said, *"I know smaller firms don't have large IT teams, and that is exactly why Cyber Essentials matters. It provides a straightforward checklist to lock the door on cyber criminals, without needing specialist expertise. Cyber risk is business risk, just like fire or theft, and the protections are just as essential. I urge businesses to take action and adopt Cyber Essentials now."*

OTHER NEWS

Fiscal policy needs a rethink

The Institute for Fiscal Studies (IFS) believes the Chancellor should reassess her borrowing rules which the think tank says are contributing to 'a dysfunctional policymaking process.' The IFS argues the UK would be better served by a new framework based around a set of 'fiscal traffic lights' that monitor performance against high-level fiscal objectives and principles set out in a Statement of Fiscal Strategy at the start of each parliament.

Uncertainty over UK trade prospects

The BCC has described the latest UK goods exports data as 'deeply worrying.' The figures revealed a 2.1% slump in 2025, with the BCC citing geopolitical tensions and trade policy volatility as key factors behind this further decline. It is now calling for a more proactive government stance, with a focus on lowering tariffs and non-tariff trade barriers.

Public speaking fears

Research by tombola shows younger workers are amongst the most anxious when it comes to public speaking, with more than one in ten 18 to 24-year-olds ranking it as their biggest fear, a larger proportion than cited either a trip to the dentist or needles. While the survey found 25 to 34s were the least likely to suffer public speaking anxiety, it also shows nerves then typically intensify with age, peaking at almost one in five for 55 to 64-year-old workers.

Spring Forecast 2026

"Inaction from the Chancellor is not enough for the UK's 5.7 million small businesses and self-employed who are being squeezed by cost pressures and facing a new cost crunch about to hit in April. We're a month away from employment costs going up, business rates going up and energy bills going up. The Chancellor missed the chance today to address the costs stack about to hit small firms. The downgrading of the growth forecast for this year will be no surprise to small businesses, where cost burdens have already started reducing growth plans, cashflow and job creation in our local communities. Given the heightened global tensions of recent days, if there is another energy price crisis the government must stand ready to bring forward a package of help for small business energy consumers."

Tina McKenzie

Policy Chair of the Federation of Small Businesses (FSB)

"Two key areas stand out from today's OBR report: the negative impact on growth coming through from past policies, and warnings of further risks to growth down the line. Projected growth has been lowered in the short-term as the impact on the labour market and confidence from chaotic policy management, and increased employment costs, weigh more heavily than anticipated... The UK's growth outlook is increasingly fragile and risks are only growing. Bolder and swifter action is needed to remove blockers to growth from the planning system, address damage done to the labour market, and bring down costs for business."

Anna Leach

Chief Economist of the Institute of Directors

"Today's Spring Statement confirmed that the UK economy is heading in the right direction, but a further acceleration is needed. With GDP expected to grow well below two per cent a year until 2030, unemployment set to rise in the near term and net trade remaining anaemic there is more to do. Crucially, the OBR's inflation forecast does not take into account the widening conflict in the Middle East and increasing disruption to oil and gas supplies and shipping. That inevitably adds a fresh element of uncertainty on prices and government borrowing."

Shevaun Haviland

Director General of the British Chambers of Commerce

Set amongst the backdrop of the Middle East conflict, during the Spring Forecast on 3 March, the Chancellor unveiled updated economic forecasts from the Office for Budget Responsibility (OBR). The forecast does not take into account the potential economic impact of the conflict.

Rachel Reeves reiterated the government's intention to hold one Budget a year, saying, *"Stability is the single most important precondition for economic growth. That is why we have committed to a single major fiscal event each year, limiting major policy changes to the Budget and giving businesses and households the certainty they need."* The announcement was therefore centred around the OBR update with no policy or tax changes pledged.

Key economic announcements included:

- **Growth** – expected to be 1.1% this year, down from a prediction of 1.4% in November, before averaging 1.6% a year over the rest of the forecast period
- **Unemployment** – to peak at 5.3% later in 2026, before falling throughout the forecast period and ending the Parliament at around 4.1%
- **Inflation** – predicted to fall from 3.4% in 2025 to 2.3% in 2026, and then to 2% from 2027 onwards, the 2% target for the UK inflation rate will be met in 'late 2026'
- **Youth unemployment** – Reeves confirmed the government is *"already taking action,"* reforming apprenticeships and delivering its Youth Guarantee, with more plans to be set out *"in the coming weeks"*
- **Mais Lecture** – the Chancellor has said she will set out *"three major choices that will determine the course of our economy into the future"* at the March Mais lecture, including strengthening global relationships, breaking down trade barriers and harnessing the power of AI.

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

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