

BUSINESS REVIEW

**Spotlight on issues
affecting business**

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BUSINESS REVIEW

Strong uplift in economic activity

The latest Growth Indicator published by the Confederation of British Industry (CBI), suggests that private sector activity across the economy grew at its fastest pace in almost six years during the three months to May.

Responses to the survey were collected between 27 April and 17 May from 552 firms, with the latest composite measure recording a total balance of +30%, compared to +1% in the three months to April. In terms of sector performance, business and professional services activity was found to be growing at a record pace, while distribution sales and manufacturing output rose at their fastest rates since August 2018 and December 2018, respectively.

The survey also suggests that private sector growth is set to accelerate even further over the summer, with all sectors anticipating strong growth during the next three months. Indeed, if these expectations were to be met, that would represent the fastest rate of economic growth in the survey's 18-year history.

Commenting on the findings, CBI Lead Economist Alpesh Paleja said, *"As the country slowly but surely reopens, the economy has really taken off. Most sectors have seen a real uplift in activity in recent months and believe that the outlook for the summer is strong."*

Businesses start hiring again

Official statistics and survey evidence have highlighted a sharp rise in the number of job vacancies, as renewed business optimism encourages more firms to resume hiring.

According to the latest data from the Office for National Statistics (ONS), the number of job vacancies rose by 8% in the February-to-April period compared with the previous quarter, with an estimated 657,000 unfilled vacancies. Experimental data being trialled by the ONS also suggests that vacancies for April alone were almost back to pre-pandemic levels, as the rapid vaccine rollout and lockdown easing encouraged employers to recruit more workers.

Survey evidence points to a continuation of this trend, with KPMG research showing that demand for workers in May grew at its fastest rate in over 23 years. Meanwhile, a study conducted by Sage also highlights the strength of hiring intentions, with a third of SMEs saying they expect to hire in 2021, potentially creating around 1.2 million further jobs.

There are, however, growing concerns that this surge in vacancies could lead to a staffing crisis over the summer due to a shortage of workers. Hospitality and events firms in particular are reporting severe recruitment difficulties, partly due to EU workers returning home because of Brexit and the pandemic.

Shares for debt recovery plan

A report published by the Federation of Small Businesses (FSB) and Ownership at Work, has urged the government to allow struggling companies to convert state-backed loans into employee ownership trusts.

More than 1.5 million bounce back facilities, with a collective value of over £46bn, have been approved since the start of the pandemic. And there are growing fears that many small companies will struggle to repay these loans, with the Office for Budget Responsibility warning that 40% of bounce back borrowers could default.

The report's authors therefore propose that struggling small firms be given a time-limited amnesty under which Bounce Back Loans could be written off in exchange for all-employee equity stakes vested in employee ownership trusts. In such instances, lenders who provided the loan facilities would be eligible for their 100% government guarantees.

It is argued that replacing unaffordable debt with an employee ownership stake would protect viable smaller firms but in a way that benefits everyone involved. In conclusion, the A Shares for Debt Recovery Plan report states that the move would *'protect livelihoods, spur productivity and pave the way for a small business-led recovery as we seek to emerge from the deepest recession in modern history.'*

QUIRKY QUOTE:

"Eighty percent of success is showing up"

— Woody Allen

Small firms lack marketing know-how

New research commissioned by digital marketing platform Adzooa, suggests that almost half of all UK small business owners lack the skills required to market their business effectively online.

According to the survey of 500 leaders of small to medium-sized firms, more than four in 10 had no idea how to create an online profile, while six in 10 had not considered using social media to advertise their business. Furthermore, almost four out of 10 entrepreneurs said their firm did not even have a company website.

The sharp rise in online sales witnessed during the pandemic has resulted in digital marketing becoming an increasingly crucial area for most firms. It is therefore perhaps unsurprising that nearly half of all those business owners surveyed felt they could have increased sales if they had marketed themselves properly online.

Commenting on the findings, co-founder of Adzooa, Rob Wass, said, *"Marketing your business online to be seen and gain greater client exposure is so invaluable in today's market. Having no online presence at all can pose a huge risk to sales and long-term relationships. In order to succeed, businesses must be online and there are platforms and solutions available out there to achieve this."*

Together for our Planet

A new government campaign has been unveiled, encouraging the country's six million small businesses to lead the way on climate action as part of the UK's drive to net zero.

Boris Johnson launched the Together for our Planet 'Business Climate Leaders' initiative on 28 May. The campaign urges all small and micro businesses to visit the new online UK Business Climate Hub, where they can find practical tools, resources and advice to help understand their emissions and develop a plan to tackle them.

The hub also provides specific ideas for steps firms could take, such as installing energy saving light bulbs, switching to electric vehicles, introducing environmentally-friendly packaging options, or offering a cycle to work scheme. Firms who make a net zero commitment via the hub will be recognised by the UN Race to Zero campaign and will become 'climate leaders', inspiring others in the community to take positive environmental action.

Commenting on the initiative, the Prime Minister said, *"Every step that a small business takes on their journey to net zero adds up – not only in protecting the health of the planet but also in future-proofing their business and encouraging new investment, new customers and new opportunities for growth."*

OTHER NEWS

END TO SMALL BUSINESS ACCOUNT DELAYS

Representatives of High Street banks have assured a Treasury Committee of MPs that they are back to opening small business accounts as normal, after pressures at the height of the pandemic created difficulties for new applicants. Committee Chairman, Mel Stride, welcomed the news but insisted they would *"keep a close eye"* on the issue and on bank commitments to support small businesses as the country emerges from the pandemic.

VAT DEFERRAL SCHEME CLOSING SOON

Businesses who deferred paying their VAT between March and June 2020 need to act quickly if they wish to take advantage of HMRC's VAT Deferral New Payment Scheme. Over half a million firms deferred VAT payments last spring, with the scheme allowing them to repay the money owed in monthly, interest-free instalments. To do so, however, businesses need to opt in via the scheme's online portal, which will close on 21 June.

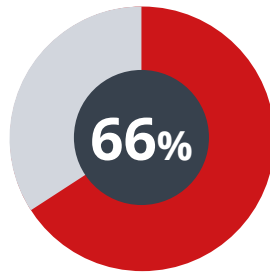
TCR SCHEME TO CLOSE

The government and Association of British Insurers have confirmed that the Trade Credit Reinsurance (TCR) scheme will close on 30 June. The scheme was designed as a temporary solution to help struggling firms secure insurance cover for transactions during the pandemic, but the government believes that the positive outlook for economic recovery means the private sector can now resume that role.

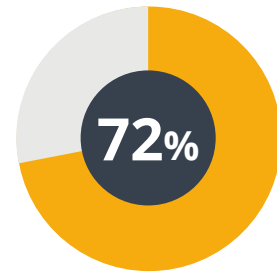
Remote working trends

Research from the British Chambers of Commerce (BCC), suggests that most employers plan to continue offering a remote working option.

At the height of the pandemic, working from home became a necessity for many and proved to be a largely beneficial experience for both businesses and employees – and a recently published BCC survey of more than 900 firms suggests this is set to continue:

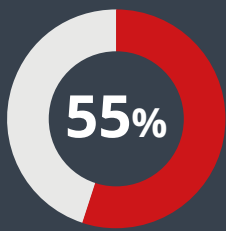


of surveyed businesses were offering remote working opportunities to employees

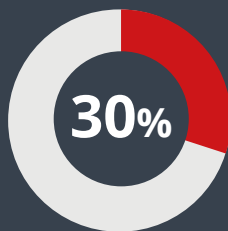


said they will have at least one staff member working remotely over the next 12 months, with these firms expecting an average of 53% of their workforce to work some hours remotely

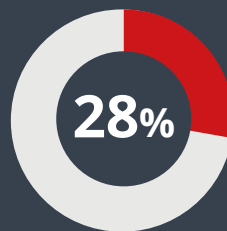
The survey highlighted a number of potential challenges presented by the shift to home working. The five most commonly cited barriers to implementing remote working were:



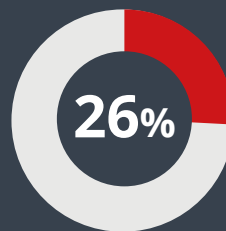
of firms said staff morale or mental health and wellbeing were an obstacle to remote working



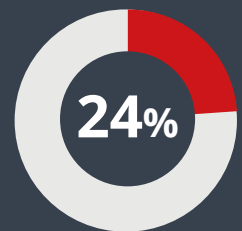
pointed to issues of fairness for staff whose roles cannot be performed remotely



said monitoring productivity was an issue



felt that poor internet connectivity was a problem



cited issues with IT



New form of 'presenteeism'

A recent report highlights the danger of employees returning to their workplace for the wrong reasons, and warns that forcing staff to go back to the office could be detrimental to their mental health.

The report by PUSH, a leading wellbeing and performance company, was based on analysis of a YouGov survey of 3,037 employees. While the poll did find that 35% of workers think they are more productive working from home, it revealed that 40% suspect their

employer wants them back in the office as soon as possible because bosses feel staff achieve less at home, while 36% believe they will be made to return full-time once the pandemic is over.

The report's authors conclude that this amounts to a new form of presenteeism – a belief that, despite being willing and able to work effectively from home, employees will feel compelled to return to the office through fear of being overlooked for career advancement if they are not physically present at their place of work.

"These results show that nearly three quarters of firms will now continue to benefit from a remote working option during the coming year. But it's clear that some firms and individuals are facing barriers to remote working, with many employers concerned about the impact on team morale and employee wellbeing"

— Jane Gratton, Head of People Policy at the BCC



All details are correct at the time of writing (9 June 2021)

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