

Rachel Reeves MP
Chancellor of the Exchequer
House of Commons
London
SW1A 0AA

24th February 2026

Dear Chancellor,

RE: open letter ahead of the Spring Statement

I am writing to you on behalf of the London Chamber of Commerce and Industry (LCCI), the capital's leading business network of over 11,000 firms, ahead of the forthcoming Spring Statement, to set out the priorities and concerns of London's business community.

At a time of challenging economic conditions and fragile consumer and business confidence, this Statement is a critical milestone that will influence investment and hiring decisions for the year ahead. London remains one of the primary drivers of national growth and prosperity, and the decisions taken in the coming weeks will have implications not only for the capital but for the wider UK economy. It remains a critical time for Government and business to work together to unlock growth.

LCCI's latest Quarterly Economic Survey underlines the scale of the challenge. Only a quarter of London businesses expect the capital's economy to improve in 2026, reflecting subdued confidence. Amongst our network of businesses we are seeing increasing risk aversion, with businesses reducing hiring plans, delaying investment decisions and scaling back growth ambitions. Recent tax increases and changes to employment legislation have added to this caution. What London's businesses need now is stability in fiscal and regulatory policy to rebuild confidence and support long term planning. This stability depends on several key factors, which I outline below.

Firstly, the rising cost of doing business in London continues to weigh heavily on firms of all sizes. Taxation, wage pressures, energy bills and wider operational expenses are all increasing. Our research shows that over half of the capital's business owners expect they will need to raise prices in 2026 to meet higher costs, with clear implications for the cost of living, inflation and competitiveness. It is the cumulative burden of these pressures, rather than any single measure, that is most concerning, particularly for SMEs which have tighter margins and fewer reserves. The Spring Statement should focus on easing these pressures, not adding new ones.

Furthermore, a stable and predictable tax environment is essential to support investment and growth. We renew our call for fundamental reform of the business rates system to ensure it is fit for purpose and internationally competitive. Business rates in London remain among the highest in the country, and proposals for higher multipliers on higher value properties risk further distorting the market in the capital. While relief schemes such as the Improvement Relief and targeted relief for pubs and music venues announced by the Treasury in early 2026 are welcome, the very fact that these schemes exist is acknowledgement of the significant burden that business rates place on many firms in these sectors. We strongly believe that similar relief should be provided for other bricks and mortar businesses across the retail, leisure and the broader hospitality sectors.

Elsewhere, businesses have expressed concern about the proposed visitor levy and its potential impact on London's global competitiveness. LCCI's hospitality, tourism and retail members are worried about the effect on visitor numbers, the pace of recovery and footfall in key commercial areas. While we recognise that the decision has already been taken to introduce the levy, important details remain outstanding. Any levy in the capital must be ringfenced for projects that directly support London's tourism and hospitality sectors, include meaningful business input into how funds are allocated, and be subject to clear measurement of outcomes to demonstrate return on investment. We believe there should be a formal review after two years to assess its impact and to amend or withdraw the policy if it has not delivered the tangible benefits that it has set out to do.

On employment and skills, businesses are facing additional pressures from increases to the National Living Wage and National Minimum Wage at a time when many are already struggling with labour and skills shortages. Despite London's global reputation for talent and innovation, recruitment challenges persist across multiple sectors. We welcome progress on apprenticeship reform, but it is vital that schemes are employer-led, aligned with labour market needs and flexible enough to respond to changing demand. Alongside this, a more responsive immigration system and a stronger focus on inclusion will be essential to ensure that more people are supported into work and businesses can access the talent they require.

London's infrastructure is a national asset and central to driving growth across the UK. However, funding certainty and pace of delivery are critical. We welcome government support for strategic projects including airport expansion, the DLR and Bakerloo Line extensions and the Lower Thames Crossing. Investment in these projects, alongside better resourcing of local planning authorities, will unlock productivity gains and strengthen the UK's global competitiveness.

Finally, small and medium sized enterprises are the backbone of London's economy, yet they are disproportionately exposed to rising costs and ongoing uncertainty. LCCI's latest survey data shows that declines in investment are being driven primarily by micro businesses, with 15% reporting decreased investment, pointing to ongoing vulnerabilities for smaller firms operating in the capital. Targeted support to help SMEs scale up, access finance, invest in innovation and expand into new markets will be essential for sustained recovery.

There can be no economic growth without business. The Spring Statement offers an opportunity to reduce uncertainty, back enterprise and invest in the infrastructure and skills that enable long term prosperity. A thriving London underpins growth and opportunity across the whole of the UK. We look forward to continuing to work closely with you and the Treasury to ensure that fiscal decisions reflect the needs of the businesses that power our economy.

Yours sincerely,



Karim Fatehi OBE
Chief Executive