LONDON CHAMBER of COMMERCE AND INDUSTRY

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Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days (7-14 August 2025)

UK Economic and Business Conditions

The Office for National Statistics (ONS) has released a series of reports outlining the current state of the UK economy and key indicators shaping business conditions, including the latest insights on GDP growth, sector performance, consumer activity, trade dynamics, and labour market trends.

Economic Growth and Sector Performance

UK GDP increased by 0.3% in Q2 2025 (year-on-year +1.2%), a slowdown from 0.7% in Q1. Services grew by 0.4%, led by information and communication (+2.0%, including computer programming and consultancy +4.1%), while construction rose 1.2%. Production declined by 0.3%. For London's service-driven economy, this mix is generally supportive, though wholesale and retail trade decreased by 0.9%, indicating ongoing pressure on consumer-facing sectors.

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Consumer Activity and Cost Pressures

Household consumption increased marginally by 0.1% (domestic +0.5% excluding net tourism), while government expenditure grew by 1.2%, supporting demand. However, real-time indicators present mixed signals: Revolut card spending declined 4% week-on-week (though it rose 11% year-on-year), retail footfall fell 2% week-on-week, and Direct Debit failure rates rose by 3% in July, indicating cash-flow risks for SMEs. Energy prices provided some relief, with wholesale gas down 4% and electricity down 27% week-on-week.

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Trade and Export Challenges

The UK trade deficit expanded to £9.2bn in Q2 as goods exports declined, notably to the US following tariff changes in April. A UK-US trade agreement effective from 30 June could ease pressures, but London exporters—particularly SMEs in manufacturing and services—should monitor developments closely. Services exports increased by 2.9%, driven by business and financial services, which is positive for London's globally-facing sectors.

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Labour Market and Wage Dynamics

Employment was at 75.3%, unemployment at 4.7%, and economic inactivity at 21.0% from April to June. Vacancies dropped to 718,000, marking the 37th consecutive quarterly decline, with the steepest decreases in wholesale/retail and accommodation/food sectors, which have a strong presence in London. SMEs are especially impacted: businesses with 10–49 employees experienced the most notable quarterly fall in vacancies, while micro-firms (1–9 employees) saw the most significant annual decrease. Regular pay increased by 5.0% year-on-year (+0.9% in real terms), maintaining wage pressures despite softer hiring demand.

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Technical Colleges to Boost Construction Skills

The government has announced the creation of ten Technical Excellence Colleges across England to address skills shortages in the construction sector. Supported by a £100 million investment, the colleges aim to train tens of thousands of learners by 2029 in high-demand roles such as bricklaying, carpentry, plumbing, and electrical work. The initiative complements a £625 million package announced earlier this year to fund apprenticeships, skills bootcamps, and industry placements, expected to train additional workers by 2029. The colleges will collaborate with employers and local communities to ensure training meets industry needs, offering opportunities for both new entrants and existing workers seeking upskilling.

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Cyber Insurance Adoption Among SMEs

A government-commissioned study published on 11 August examines how UK SMEs perceive and use cyber insurance. While awareness is relatively high (62%), adoption is hindered by complex policy language, limited guidance, and misconceptions about self-insurance. Coverage typically focuses on business interruption and crisis management, with median costs around £11,500, rising to £55,000 for comprehensive protection. Many SMEs also face additional compliance costs to meet security requirements. The report highlights growing cyber threats and financial vulnerabilities, particularly in interconnected supply chains, and recommends clearer information, targeted training, and innovative underwriting practices to improve uptake. It also calls for greater specialist expertise within the insurance sector to ensure policies align with evolving risks.

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UK Announces Investment and Defence Deal with Ukraine

At the Ukraine Recovery Conference in Rome, the UK confirmed a new support package for Ukraine, including up to £283 million in bilateral assistance for 2025–26 and a landmark defence agreement with Thales. The deal, backed by a £2.5 billion UK Export Finance guarantee, will enable delivery of over 5,000 air defence missiles, creating 200 jobs and safeguarding 700 more in the UK. British International Investment also pledged €30 million to Ukrainian agribusiness MHP to support food security and employment. Additional funding will target governance reform (£10.5 million) and green transition initiatives (£1 million), reinforcing the UK's commitment to Ukraine's recovery and long-term resilience.

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