

Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days (9-16 October 2025)

UK Economic Overview – October 2025 ONS Releases

The latest official data from the Office for National Statistics (ONS) show moderate GDP growth, ongoing weakness in trade, a decelerating labour market, and early signs of stabilisation in business activity. The overall picture remains one of gradual improvement, yet with uneven recovery across sectors.

Economic Growth

Real GDP increased by 0.3% in the three months to August 2025, supported by steady services activity and modest growth in construction. Services output rose by 0.4%, led by professional, scientific, and technical activities, while production fell by 0.3% over the same period. Monthly GDP grew by 0.1% in August, reflecting a mixed performance across sectors — with gains in manufacturing and energy offset by declines in construction. Year-on-year, the UK economy was 1.3% larger than in August 2024, showing a gradual recovery from earlier stagnation.

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Labour Market

Employment eased over the summer, with payrolled employees down 93,000 (0.3%) year-on-year to 30.3 million in August. The unemployment rate increased to 4.8%, while economic inactivity remained steady at 21.0%. Vacancies continued to fall for the 39th consecutive period, standing at 717,000, indicating ongoing caution among employers. Regular pay rose 4.7% year-on-year (5.0% including bonuses), equating to 0.6% real growth after inflation. Labour disputes resulted in 15,000 working days lost in August, reflecting ongoing industrial tensions in parts of the public sector.

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Trade

The goods and services trade deficit widened to £5.2 billion in the three months to August 2025, as exports declined more rapidly than imports. Goods exports fell by £3.4 billion (3.5%), mainly due to weaker demand from both EU and non-EU markets, including the United States, where UK machinery, chemicals, and materials exports sharply decreased. Imports mainly remained steady, while the trade in services surplus increased to £53.2 billion, supported by stronger exports of business and professional services. Overall, export conditions continue to face constraints from global trade uncertainty and changing US tariff policies.

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CMA Designates Google with Strategic Market Status

The Competition and Markets Authority (CMA) has confirmed that Google holds strategic market status (SMS) in general search and search advertising services under the UK's new digital markets competition regime. The designation, following consultation with more than 80 stakeholders, recognises Google's entrenched market power—accounting for over 90% of UK searches—and enables the CMA to introduce proportionate measures to promote fair competition and innovation. While no immediate requirements apply, the CMA plans to consult on targeted interventions later this year.

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Government Urges Businesses to Strengthen Cyber Resilience

In a joint letter to major UK companies, senior ministers and security officials urged business leaders to treat cyber security as a board-level responsibility amid increasing threats to the UK's economic and national security. The letter highlights three immediate actions: adopting the Cyber Governance Code of Practice, signing up for the National Cyber Security Centre's Early Warning service, and requiring Cyber Essentials certification throughout supply chains. The government emphasised that enhanced cyber resilience will protect business continuity, bolster investor confidence, and support economic growth ahead of the upcoming Cyber Security and Resilience Bill.

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Mayor Repeats Call for Government Investment in London Transport Projects

Ahead of the Chancellor's Budget, Mayor Sadiq Khan urged the government to commit to long-term funding for major transport infrastructure, highlighting the DLR extension to Thamesmead, the Bakerloo Line extension, and the West London Orbital as projects ready to unlock new homes, jobs, and regeneration. Speaking to business leaders, he cited the Elizabeth line as proof that large-scale investment can drive economic growth nationally, supporting supply chains across the UK. Khan argued that investing in London's transport network strengthens the broader economy and called for a sustained, collaborative approach to infrastructure delivery.

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Business Confidence

ONS real-time data show that 28% of UK businesses report economic uncertainty affecting turnover, which has remained unchanged since September. Shipping activity and flight volumes returned to seasonal norms after weather-related disruptions, while gas prices rose 9% week-on-week but remained 14% below last year's levels. Energy Performance Certificates for new dwellings increased by 14% over the week to 12 October, suggesting renewed construction momentum.

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Index of Production

Total production declined by 0.3% in the three months to August, with the most significant decline coming from electricity and gas output (down 2.6%) due to reduced manufacturing demand. Manufacturing remained largely steady, although pharmaceuticals, machinery, and electrical equipment experienced monthly gains in August. Construction output increased by 0.3% over the quarter but fell by 0.3% in August, with private housing repair and maintenance declining 4.3%. Broader weaknesses were observed in materials supply chains, including mining, metals, and cement production.

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CMA Consults on Updated Merger Remedies Guidance

The CMA has initiated consultation on a revised remedies framework designed to make UK merger control more predictable and quicker to navigate. Proposals expand the situations where behavioural remedies can be accepted (at Phases 1 and 2), while maintaining structural solutions as the default and reserving the right to reject ineffective proposals. The draft also details how the CMA will consider rivalry-enhancing efficiencies and relevant customer benefits, incorporating process improvements (such as earlier feedback and more direct engagement) to enable more deals to be cleared with remedies, sooner. Businesses can respond by 13 November 2025; final guidance is anticipated late 2025.

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UK and Turkey Free Trade Agreement Update

The second round of negotiations on an Enhanced UK–Turkey Free Trade Agreement took place in London in mid-September, with progress reported in digital trade, financial and professional services, and investment. Discussions also covered market access, environment, labour, and anti-corruption measures, along with early talks on intellectual property, government procurement, and trade remedies. The enhanced deal aims to expand coverage beyond goods to include services and investment, strengthening a trading relationship worth £28 billion in 2024. A third negotiation round is scheduled for late autumn.

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UK Sets Priorities for WTO Reform and Digital Trade

At the October WTO General Council, the UK reiterated its call for pragmatic progress on institutional reform, emphasising priorities such as decision-making, Special and Differential Treatment, and market-distorting practices. It welcomed China's decision to forgo special treatment in future agreements and encouraged momentum in preparations for the upcoming Ministerial Conference (MC14). The statement also approved the swift adoption of the WTO Agreement on Electronic Commerce, with OECD evidence indicating potential global trade gains of up to \$8.7 trillion by 2040. Additionally, the UK supported initiatives to streamline international trade for SMEs, focusing on access to finance and the green transition. It also reported on outcomes from the Wilton Park conference it hosted earlier in October to promote WTO reform dialogue.

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Government AI Tool Improves Consultation Analysis

A new government-developed AI system, Consult, analysed over 50,000 responses to the Independent Water Commission review in just two hours—matching human accuracy and potentially saving up to 75,000 staff days annually. The tool, part of the “Humphrey” AI suite, automatically categorises consultation feedback, enabling policy teams to concentrate on decision-making rather than manual data review. It achieved higher consistency than human reviewers and is now being implemented across departments to support more rapid policy delivery and reduce administrative costs. The initiative is part of the government's wider effort to enhance efficiency and value for taxpayers through practical AI applications.

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UK and India Launch Joint Research Initiatives

During the Prime Minister's visit to India, UK Research and Innovation (UKRI) announced two new joint programmes to enhance bilateral cooperation in technology and innovation. The UK-India Connectivity and Innovation Centre, supported by £24 million in joint funding, will focus on artificial intelligence, telecom cybersecurity, and non-terrestrial networks, connecting research centres, industry, and academia in both countries. Alongside this, the India-UK InnoXchange programme will encourage collaboration between startups, incubators, and research institutions to support technology transfer and entrepreneurship. Both initiatives aim to advance the UK-India Vision 2035 and promote sustainable, innovation-led growth.

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Building Digital UK to Join DSIT

Building Digital UK (BDUK), the agency responsible for delivering broadband and mobile connectivity projects, will be integrated into the Department for Science, Innovation and Technology from 1 November 2025. The move follows a government-wide review of arm's length bodies and will not impact existing contracts. BDUK will continue managing Project Gigabit and the Shared Rural Network, with £1.9 billion allocated to extend gigabit coverage to 99% of UK premises by 2032.

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Proposal for Reforms in the Veterinary Services Market

The Competition and Markets Authority has published its provisional decision in the investigation into the £6.3 billion UK veterinary services market, proposing 21 measures to enhance transparency, pricing, and competition. The CMA found that weak competition and limited price visibility have led to a 63% increase in costs since 2016, with larger corporate groups charging, on average, 16.6% more than independent practices. Proposed solutions include mandatory price lists, more transparent disclosure of ownership, capped prescription fees, and a publicly accessible price comparison website. While reforms would require veterinary practices to update their systems and procedures, the CMA stated that the benefits to consumers and market fairness would outweigh the administrative costs. A final decision is expected by March 2026.

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