

Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days (25 September - 2 October 2025)

Economic priorities outlined at Labour conference

At the Labour Party conference, Prime Minister Sir Keir Starmer reaffirmed the government's focus on economic growth, public service reform, and business investment as part of its "national renewal" mission. He acknowledged that businesses had been asked to shoulder higher costs in the last Budget but argued these measures were necessary to fund public services and restore long-term stability. Starmer also highlighted efforts to attract private and international investment, expand apprenticeships, and maintain strict fiscal rules, positioning these as central to creating a more resilient and inclusive economy.

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UK-Japan Industrial Strategy Partnership Update

The UK and Japan have confirmed the first tranche of work under their Industrial Strategy Partnership, following a meeting between DBT Permanent Secretary Gareth Davies and Japan's Vice-Minister for International Affairs, Matsuo Takehiko. The programme includes cooperation in advanced manufacturing, clean energy, life sciences, quantum, and cyber, with further collaboration planned in digital trade, space, defence, and the creative industries. Both sides also reaffirmed commitments to resilient supply chains and will review progress at the next UK-Japan Strategic Economic Policy and Trade Dialogue.

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Update to the Innovation Clusters Map

The government has released an updated version of the Innovation Clusters Map, expanding its metrics and aligning it more closely with the modern Industrial Strategy. Designed as a data-driven tool to capture regional strengths, the map provides insight into networks of firms, investment, and infrastructure that drive innovation. It highlights London's position as the UK's largest "megacluster," with strengths in AI, digital technologies, fintech, and life sciences, underpinned by its dense networks of firms, universities, investors, and R&D infrastructure. The updated map is intended to guide policymakers and businesses in targeting investment and tailored support to the UK's highest-potential innovation regions.

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SIA to update licensing criteria from December 2025

The Security Industry Authority (SIA) will introduce new licensing rules on 1 December to raise standards in the private security sector and strengthen public protection. Key changes include an expanded list of relevant offences covering areas such as human trafficking, domestic abuse, tax evasion, and company law, as well as two new refusal categories: "absolute refusal" and "intention to refuse." The update also extends overseas criminal record checks from five to ten years and broadens the scope of additional information that may be considered when assessing applicants' suitability.

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Pension firms urged to invest in UK science and technology growth companies

Science Minister Lord Vallance has called on pension schemes to increase investment in high-growth UK science and technology firms, highlighting opportunities in sectors such as AI, life sciences, and quantum. Speaking at the British Venture Capital Association's private capital showcase, he noted that institutional investors remain "underexposed" despite the UK attracting over \$16 billion in start-up and scale-up investment last year. He emphasised that boosting pension-backed capital flows into the sector is crucial for scaling innovative firms and ensuring that more of the value and jobs they create remain in the UK.

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ONS publishes key UK economic data for Q2 2025

The Office for National Statistics has released its quarterly set of national accounts and supporting datasets, providing a comprehensive picture of the UK economy in the April–June 2025 period. The data highlight a slowdown in GDP growth alongside ongoing pressures for households and businesses, with mixed signals across investment, trade, and consumer spending.

- **GDP and Output**

UK GDP expanded by 0.3% in Q2 2025, slowing from 0.7% in the first quarter. Growth was supported by services (+0.4%) and construction (+1.0%), while production output fell (-0.8%) due to weakness in manufacturing and energy. Real household disposable income per head rose by 0.2% after a decline in Q1, with the household saving ratio increasing to 10.7%. Business investment contracted in the quarter, contributing negatively to GDP, but remained higher than a year earlier, underlining the mixed outlook for capital spending.

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- **Business Insights**

The latest Business Insights and Conditions Survey showed demand uncertainty and weak orders weighing on confidence. Around one in five firms reported declining turnover in September, while cost pressures—though easing compared with 2023—remain an issue for energy-intensive and manufacturing businesses. Exporting firms, particularly in wholesale and manufacturing, highlighted weaker international demand, while service-sector firms noted continued labour shortages. Despite this, more companies reported resilience in cash flow compared to earlier in the year, reflecting a gradual adjustment to higher borrowing costs.

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- **Quarterly Economic Commentary**

ONS commentary highlighted that the UK economy continues to grow, albeit at a slower pace, with structural headwinds stemming from low productivity and subdued investment. Household consumption is being supported by gradual real income growth, yet higher interest rates are dampening credit availability and business expansion. The report highlighted risks stemming from international trade tensions and a weaker global outlook, while also noting that strong performance in certain service sectors—particularly professional and technical services—has helped cushion the slowdown.

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- **Real-time Indicators**

High-frequency data offer a more immediate view of economic activity. Credit and debit card spending rose modestly in September, particularly in the retail and hospitality sectors, suggesting some resilience in household demand. VAT returns indicate stabilisation for many firms, but small business turnover remains mixed, with strength in construction offset by weaker activity in wholesale and manufacturing. Labour market indicators showed job advertisements to be broadly steady, but recruitment difficulties persist in the health, education, and construction sectors.

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- **Consumer Spending**

Household consumption increased by 0.1% in Q2, following a rise of 0.5% in Q1. Growth was led by transport services, restaurants and hotels, and miscellaneous goods, offset by weaker spending on housing and utilities as energy bills declined. Compared with a year earlier, household consumption was 1.1% higher, though spending growth remains well below pre-pandemic trends. The ONS noted that while inflationary pressures are easing, households continue to adjust to higher interest rates, which in turn shape both saving behaviour and discretionary spending.

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City Corporation launches pledge to tackle green skills gap in construction

The City of London Corporation has launched the Future Skyline Skills Commitment, backed by more than 50 leading firms, to expand the supply of workers needed for the Net Zero transition in the built environment sector. With the industry estimated to require 350,000 new roles by 2028, the pledge encourages contractors, client teams, and training providers to boost recruitment, retention, and upskilling, with a focus on young and diverse entrants. The initiative aims to ensure London's commercial real estate remains globally competitive while supporting the UK's broader net-zero targets.

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London meets legal limits for NO₂ pollution for the first time

Defra data shows that London met the UK's legal air quality limits for nitrogen dioxide (NO₂) in 2024, marking the first time the capital has complied with the Air Quality Standards regulations. Independent research in 2019 had suggested compliance could take nearly two centuries without further action, but measures such as the Ultra Low Emission Zone have significantly reduced roadside NO₂ levels. London's achievement comes as several other major UK cities, including Manchester and Birmingham, continue to exceed the legal thresholds.

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Southbank redevelopment set to boost London's creative industries

Mitsubishi Estate has begun work on redeveloping the former ITV Studios site on London's Southbank, creating a major new hub for the creative sector. The £800 million project, known as Vista, will provide 600,000 square feet of commercial and cultural space, including affordable workspace tailored to Lambeth's creative businesses, and is expected to generate around 4,000 jobs. The scheme highlights UK–Japan investment links and aligns with the government's Industrial Strategy focus on growing the creative industries.

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