

Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the seven days (14-20 March 2025)

Bank of England: Interest Rate Maintained at 4.5%

On 19 March 2025, the Monetary Policy Committee (MPC) voted by a majority of 8–1 to maintain the Bank Rate at 4.5%. One member preferred to reduce the rate to 4.25%. The MPC aims to meet the 2% inflation target while sustaining growth and employment. Despite substantial progress on disinflation, global trade policy uncertainty and geopolitical tensions have increased. UK GDP growth estimates are slightly stronger than expected, but business surveys indicate weakness in growth and employment intentions. CPI inflation rose to 3.0% in January, with projections of 3¾% in Q3 2025. The MPC will continue to monitor inflation risks and adjust monetary policy as needed to achieve the inflation target sustainably.

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Chancellor's National Wealth Fund Strategy

On 19 March 2025, the Chancellor of Exchequer announced a new strategy for the National Wealth Fund to unlock over £70 billion in private investment. The fund will focus on clean energy, advanced manufacturing, digital technologies, and transport, investing in projects like carbon capture, green hydrogen, gigafactories, green steel, and ports. The economic capital limit will increase from £4.5 billion to £7 billion, allowing for higher-risk investments. The Government also launched a recruitment campaign for a new CEO to build on the £1.8 billion private investment that had been unlocked since July.

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Plan to Reduce Regulatory Red Tape

On 17 March 2025, the Chancellor announced an Action Plan to reduce the administrative cost of regulation on businesses by 25%. The proposal includes measures to simplify guidance, streamline legal duties, and reduce the number of regulators. Key initiatives involve fast-tracking new medicines, attracting international investment, and facilitating drone deliveries. Additionally, the plan aims to make environmental regulations more efficient for major projects by appointing a single lead regulator and simplifying the process for obtaining permits. The Government aims to enhance transparency and performance by requiring regulators to publish clear, time-bound targets and stress-test these targets with industry.

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Consultation on Welfare Reforms

The Government is seeking views on its Green Paper, “Pathways to Work: Reforming Benefits and Support to Get Britain Working,” which aims to reform health and disability benefits and employment support. The consultation, closing on 30 June 2025, builds on the Get Britain Working White Paper from November 2024. Public consultation events will be held, and accessible formats will be available on GOV.UK. The consultation period may be extended to ensure 12 weeks after all accessible versions are published.

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The Green Paper, “Pathways to Work: Reforming Benefits and Support to Get Britain Working,” outlines a comprehensive plan to overhaul the health and disability benefits system. Key proposals include scrapping the Work Capability Assessment (WCA) and using the Personal Independence Payment (PIP) assessment as the single assessment for financial support. The Green Paper also introduces a new Unemployment Insurance benefit, rebalances payment rates in Universal Credit, and focuses PIP more on those with higher needs. Additionally, it emphasizes early intervention and personalized support through a new support conversation, aiming to help disabled people and those with health conditions engage with work and improve their quality of life. The consultation seeks input on these measures to ensure effective and inclusive reforms.

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The Work and Pensions Secretary has announced welfare reforms which aim to save £5 billion by 2030. Prior to the publication of the “Pathways to Work” Green Paper, Liz Kendall set out the key changes in a statement to the House of Commons. Understanding that the more controversial parts of the plan would need to be offset, several more palatable reforms were announced, including: a “right to try” scheme, which allows people to try working without losing their benefits; an above-inflation rise in the standard universal credit allowance; people with life-long conditions no longer being reassessed for personal independence payments; and £1 billion of investment into employment support.

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OECD Warns of Fall in UK Growth

On 19 March 2025, the OECD downgraded the UK’s economic growth forecast to 1.4% for 2025 and 1.2% for 2026. The OECD attributes this fall to trade tensions and inflation, which are expected to keep interest rates elevated until late 2026. More severe downgrades were issued for Canada, Mexico, and the US, all facing significant impacts from Donald Trump’s planned 25% import tariff.

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Business Secretary’s Meeting with US Administration

On 18 March 2025, UK Business and Trade Secretary Jonathan Reynolds met with US Commerce Secretary Howard Lutnick, US Trade Representative Jamieson Greer, and US Special Envoy Mark Burnett in Washington DC. This meeting followed an agreement between UK Prime Minister Keir Starmer and US President Donald Trump to collaborate on an Economic Prosperity Deal. The UK aims to develop this deal further in the coming weeks and months, focusing on shared strengths and economic security.

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Plans for the Future of Grangemouth

On 19 March 2025, a feasibility study outlining nine options for Grangemouth’s long-term industrial future was published. The plan, supported by £200 million from the UK government and £25 million from the Scottish Government, aims to secure private investment and establish a long-term partnership with businesses. The study, conducted by EY, follows the decision by Petroineos to decommission the oil refinery and identifies credible options such as plastics recycling and hydrogen production. Energy Minister Michael Shanks, Acting Cabinet Secretary for Net Zero and Energy Gillian Martin are co-chairing a meeting to discuss the proposals with local industry leaders.

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UK-Philippines Trade Talks

On 17 March 2025, UK Minister for Trade Policy and Economic Security Douglas Alexander and Philippine Department of Trade and Industry Undersecretary Allan B. Gepty signed a Memorandum of Understanding during the London inaugural Joint Economic and Trade Committee (JETCO) meeting. JETCO aims to enhance the bilateral trade relationship, valued at £2.8 billion, by increasing cooperation in infrastructure, renewable energy, agriculture, and economic development. The meeting follows the recent lifting of bans on UK beef and poultry exports to the Philippines, worth a combined £80 million over five years. Both countries committed to a Financing Framework Partnership to expand access to £5 billion from UK Export Finance for sustainable public infrastructure projects.

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Discussion to Improve Public Financial Collaboration

On 19 March 2025, HM Treasury launched the Strategic Public Investment Forum, a CEO-level forum designed to enhance collaboration between public financial institutions and government departments. Chaired by an HM Treasury Second Permanent Secretary, the forum aims to improve coordination and ensure effective delivery of investment. The participating bodies include the National Wealth Fund, British Business Bank, UK Export Finance, Homes England, Innovate UK, Great British Energy, and the Crown Estate. This initiative follows a review of financial institutions to align their operations with government priorities better and drive economic growth.

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Business Insights and Impact on the UK Economy

The latest data from the Office for National Statistics (ONS) reveals that 26% of trading businesses reported a decrease in turnover in February 2025 compared to January, while 14% expected a decline in April 2025. Labour costs remain a significant challenge, with 37% of businesses with 10 or more employees citing it as a substantial issue. Additionally, 29% of companies reported increased prices of goods or services bought in February. Worker shortages continue to affect 8% of businesses, rising to 18% for those with 10 or more employees.

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Merger of CIC Regulator to Companies House

On 18 March 2025, the Office of the Regulator of Community Interest Companies announced a proposed merger with Companies House. The Office reassured customers that, despite the announcement, it will be business as usual for the time being. Obligations and duties for Community Interest Companies (CICs) will remain unchanged during this transition period.

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