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 (17-23 February 2025)

Reforms to Accelerate Clean Energy Projects

The UK government has proposed reforms to the Contracts for Difference (CfD) scheme to accelerate clean energy projects and reduce energy bills. Key changes include relaxing planning criteria for offshore wind, adjusting budgets for efficient funding, and extending contract terms beyond 15 years. These reforms aim to build on the success of the AR6 round, which delivered 128 projects with 9.6 GW capacity, and support the UK's goal of achieving 43 to 50 GW of offshore wind capacity by 2030. The consultation is open until 21 March 2025.

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Chancellor Announces Plans to Speed Up Securities Trades

On 17 February 2025, the Chancellor outlined plans to modernise financial markets by accelerating the settlement of securities trades. The UK will move to a T+1 settlement cycle by 11 October 2027, aligning with international standards and enhancing market competitiveness. This change aims to reduce costs for investors and improve market efficiency. The announcement followed a meeting with top investment banking and asset management representatives to refine the Financial Services Growth and Competitiveness Strategy. The government, Financial Conduct Authority, and Bank of England support this initiative and urge industry stakeholders to begin planning for the transition.

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UK Wages Continue to Outpace Inflation

On 18 February 2025, the Office for National Statistics (ONS) reported that average wages in the UK rose by 3.4% between October and December 2024, outpacing the inflation rate of 2.5%. This growth was observed in both the public and private sectors, with private sector wages increasing by 6.2% and public sector wages by 4.7%. Despite this positive trend, businesses have raised concerns about the impact of rising employment costs, including higher National Insurance contributions and reduced business rates relief. Employers are worried that these costs could affect future pay rises and investment, potentially leading to workforce reductions and price increases.

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Government Proposes New Rail Watchdog

On 18 February 2025, the government unveiled plans for a rail reform bill to establish Great British Railways (GBR) and a new passenger watchdog. This initiative aims to address long-standing issues in the rail system, ensuring reliable services and better accountability. The watchdog will focus on passenger complaints, clear information, and simplifying fares. By improving the rail network, the reform is expected to enhance connectivity and efficiency, benefiting businesses and supporting economic growth as part of the government's Plan for Change.

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Chancellor to Audit 130 Regulators to Cut Red Tape

On 18 February 2025, the Financial Times reported that Chancellor Rachel Reeves will instruct the Cabinet to conduct a comprehensive audit of 130 regulators to ensure they are configured to encourage growth. This initiative aims to shift the focus from risk regulation to growth promotion. A Treasury spokesperson emphasised the need for regulatory reform to kick-start economic growth. The audit follows the Chancellor's recent meeting with senior bankers, where she expressed determination to streamline regulations. Ministers will review regulators across various sectors, including finance, fisheries, healthcare, and utilities.

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Mayor Proposes £1.16bn investment in the Metropolitan Police

On 18 February 2025, the Mayor of London, Sadiq Khan, proposed a £1.159 billion investment in the Metropolitan Police for the next year. This includes an additional £83 million, with £10 million from City Hall and £73 million from central government. The funding aims to enhance police presence and reduce cuts to specialist units, addressing crime in London. This investment is crucial for businesses, as it helps tackle small crimes that disrupt operations and affect customer safety.

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Consumer Price Inflation Update for January 2025

The Consumer Prices Index, including owner occupiers' housing costs (CPIH), rose by 3.9% in the 12 months to January 2025, up from 3.5% in December 2024. The Consumer Prices Index (CPI) increased by 3.0% over the same period, compared to 2.5% in December 2024. The most significant upward contributions to the monthly change in CPIH and CPI annual rates came from transport, food, and non-alcoholic beverages, while the largest downward contributions came from housing and household services. Core CPIH, which excludes energy, food, alcohol, and tobacco, rose by 4.6% in the 12 months to January 2025, up from 4.2% in December 2024. Similarly, core CPI increased to 3.7% from 3.2% over the same period.

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Business Insights and Impact on the UK Economy

In January 2025, approximately 16% of trading businesses in the UK reported an increase in turnover compared to December 2024, while 28% experienced a decrease. This trend aligns with seasonal patterns observed in previous years. Notably, 22% of businesses expect their turnover to increase in March 2025, reflecting a more optimistic outlook for the coming months. However, economic uncertainty remains a significant concern, with nearly 29% of businesses indicating its impact on their turnover. The retail estate activities industry reported the highest proportion of companies affected by economic uncertainty, at 51%.

Labour costs remain a primary challenge for businesses, particularly in the accommodation and food service sectors, where 59% of companies cited it as a top concern. Despite these challenges, 31% of businesses reported no current turnover issues. Additionally, 22% of businesses reported a decrease in domestic demand for goods and services in January 2025, although this is a slight improvement from December 2024. The data suggests that while businesses are facing ongoing challenges, there is cautious optimism for improved turnover and demand in the coming months.

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Latest Labour Market Trends Published

The latest labour market report for February 2025 indicates several key trends in London. The employment rate in London was 74.3% for the period of October to December 2024, showing a decrease of 1.5 percentage points compared to the previous year. The unemployment rate in London stood at 6.1%, the highest among UK regions, reflecting a 0.2 percentage point increase from the same period last year. Economic inactivity in London was recorded at 20.8%, with a slight decrease of 1.4 percentage points.

These figures highlight the ongoing challenges in the London labour market, including higher unemployment rates and fluctuations in employment levels. The data suggests a need for continued efforts to support job creation and reduce economic inactivity.

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