

# Weekly policy update from the London Chamber of Commerce and Industry

*A round-up of key policy changes from the past two weeks (15-29 May 2025)*

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## Macroeconomic and Strategic Developments

### UK and EU Agree on New Cooperation Framework

The UK and European Union announced a new agreement aimed at strengthening bilateral cooperation across several key areas, including trade, defence, and environmental policy. The deal introduces a sanitary and phytosanitary (SPS) agreement to facilitate food and drink trade, a Security and Defence Partnership that enables UK participation in the EU's proposed SAFE defence fund, and a commitment to link emissions trading systems. Additional measures include a proposed youth mobility scheme, enhanced electricity cooperation, and continued EU fishing access to UK waters until June 2038. Further discussions will follow to finalise implementation details.

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### UK Growth Outlook Revised Upward by IMF

The International Monetary Fund raised its UK growth forecast for 2025 to 1.2%, reflecting stronger-than-expected GDP performance in the first quarter. The organisation cited the resilience of the UK economy amid global challenges and maintained its 2026 forecast at 1.4%. It also noted that recent planning and regulatory reforms could enhance long-term growth if effectively implemented. In its assessment, the IMF encouraged the government to consider easing fiscal rules to reduce the risk of sudden spending cuts.

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## Pension Reform to Expand Megafunds and Boost Investment

The government confirmed plans to double the number of UK pension megafunds by 2030, aiming to increase investment in infrastructure, housing, and high-growth businesses. Under the proposed Pension Schemes Bill, all multi-employer Defined Contribution schemes and Local Government Pension Scheme pools will be required to manage at least £25 billion in assets. The reforms are expected to improve returns for savers, reduce system costs by up to £1 billion annually, and reverse the decline in domestic investment. New powers will also support consolidation, local investment targets, and improved fund governance.

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## UK Inflation Rises in April

In April 2025, the Consumer Prices Index (CPI) increased by 3.5%, compared to 2.6% the previous month. Key contributors to the rise included housing and household services, transport, recreation and culture, while clothing and footwear exerted a downward effect. Higher energy prices influenced the increase in housing costs following Ofgem's revised price cap. Increased airfares and changes to Vehicle Excise Duty drove transport inflation. Core inflation also rose, with CPIH and CPI excluding energy, food, alcohol, and tobacco reaching 4.5% and 3.8%, respectively.

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## Business Confidence Softens Amid Cost Pressures and Economic Uncertainty

According to data published by ONS, 14% of UK trading businesses reported increased turnover, while 24% saw a decline—figures that reflect a softening in business sentiment compared to March. Economic uncertainty remained the most cited challenge, affecting 30% of firms, while labour costs were the top concern for businesses with 10 or more employees. Input cost pressures persisted, with 32% of companies reporting higher purchase prices, particularly in the accommodation and food sector. Only 14% raised their selling prices, and 16% expect to do so in June—the lowest proportion since December 2024.

Among larger businesses, labour costs (46%) remained the leading reason for considering price increases, followed by energy, raw materials, and finance costs. However, the share of businesses not planning to raise prices rose to 35%, suggesting some easing of cost pressures. Worker shortages remained stable, reported by 8% of all companies and 18% of larger firms, with the highest rates in the transport, health, and hospitality sectors.

Looking ahead, 61% of businesses expressed concerns for June, primarily due to falling demand, taxation, and inflation. Despite this, 27% reported no concerns—the highest since December 2024. Expectations for future performance were mixed: 19% anticipate improvement over the next year, while 14% expect a decline.

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## Policy and Regulatory Initiatives

### New Measures Proposed to Accelerate Housing Delivery

The government announced proposals to strengthen local authority powers and improve housing delivery timelines. Developers would be required to agree to build-out schedules before receiving planning permission and submit annual progress reports. Councils could impose a “Delayed Homes Penalty” on developers who fall significantly behind agreed timelines without justification. The reforms aim to support the delivery of 1.5 million homes and include provisions for mixed-tenure developments and the compulsory purchase of stalled sites. A technical consultation and working paper have been published to gather sector feedback.

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### Planning Reform to Support Small Housing Projects

As part of the broader housing reform agenda, ministers also proposed changes to streamline planning decisions for small and medium-sized developments. The proposals would enable planning professionals to assume specific decision-making responsibilities currently held by elected councillors with the aim of reducing delays and administrative burdens. This measure is intended to complement wider efforts to accelerate housing delivery and improve conditions for smaller developers.

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### Great British Energy Legislation Passed

The Parliament passed the Great British Energy Bill, establishing a publicly owned energy company aimed at accelerating investment in clean power projects across the UK. Backed by £8.3 billion, the company will co-invest with the private sector in technologies such as floating offshore wind and rooftop solar. The company will also support public sector energy savings, with recent funding awarded to NHS Humber Health Partnership projected to reduce long-term energy costs. The bill received legislative consent from all devolved governments, enabling it to operate nationwide.

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## Private Share Trading Platform Legislation Introduced

The government introduced legislation establishing the Private Intermittent Securities and Capital Exchange System (PISCES), a new regulatory sandbox designed to facilitate share trading in private companies. The initiative aims to support growth-stage businesses and enhance the UK's capital markets by offering a flexible trading environment that bridges the features of private and public markets. The legislation includes provisions to maintain tax advantages for employees exercising share options under existing schemes, such as the Employee Stock Option Plan (ESOP) and the Company Stock Option Plan (CSOP). The Financial Conduct Authority is expected to publish final rules following the enactment of the legislation, with the first trading events anticipated in Autumn 2025.

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## UK Confirms Continuation of Existing IP Rights Exhaustion Regime

Following a public consultation, the UK Government confirmed it would maintain the current "UK+" exhaustion of intellectual property (IP) rights regime. The decision means that no legislative changes are required, allowing businesses to continue importing genuine goods from the European Economic Area in parallel without additional permissions. This approach supports market stability, reduces administrative burdens, and ensures continued consumer access to a broad range of products. The regime applies across pharmaceuticals, automotive, and consumer goods sectors and is intended to balance innovation incentives with competitive market access. The government's full consultation response has been published, along with updated guidance.

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## Trade, Investment and International Engagements

### Board of Trade Convenes to Advance UK Export Strategy

The newly restructured Board of Trade met for the first time following recent trade agreements with India, the United States, and the European Union. The Board, chaired by the Secretary of State for Business and Trade, aims to support UK exporters, particularly SMEs, by advising on trade strategy and promoting the use of free trade agreements. The Board includes senior business leaders and will contribute to the government's broader economic growth agenda. lished, along with updated guidance.

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## UK–New Zealand Trade Agreement update

On 12 May, the UK Secretary of State for Business and Trade and New Zealand's Minister for Trade and Investment met to review progress under the UK–New Zealand Free Trade Agreement (FTA). The Ministers highlighted a record £3.7 billion in bilateral trade during 2024 and opened the second Joint Committee of the FTA. Key developments include initiatives in legal services, sustainable finance, and STEM engagement. Since the agreement entered into force, over 80% of traded goods have used preferential tariffs, resulting in estimated duty savings of £76.7 million across both markets. The Ministers reaffirmed their commitment to rules-based trade and discussed expanding cooperation through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

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## G7 Export Credit Agencies Meet to Address Trade and Finance Challenges

On 19–20 May 2025, the heads of the G7 Export Credit Agencies (ECAs) met in London to discuss developments in international trade and export finance. Hosted by UK Export Finance, the meeting focused on strengthening supply chains, supporting emerging markets, and adapting to evolving economic conditions. Discussions focused on the role of digital innovation, the importance of maintaining a level playing field under the OECD Arrangement, and the need for enhanced collaboration to manage global risks. A parallel programme for early-career professionals explored innovation in export finance. US EXIM will host the next meeting in Washington in Spring 2026.

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## London to Host Major International Business Events in June

London is set to welcome a series of high-profile international business events in June 2025, including SXSW London, the 2025 Concordia Europe Summit, London Tech Week, and London Climate Action Week. These events are expected to attract thousands of business leaders, investors, and innovators, reinforcing the capital's role as a global hub for commerce, technology, and sustainability. According to new data, London & Partners secured over £677 million in trade and investment in the last financial year, contributing to job creation and economic growth. London's total economic output reached £531 billion in 2023, accounting for over 20% of the UK economy.

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