

Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days (1-8 May 2025)

Bank of England Cuts Interest Rates

The Bank of England has reduced interest rates to 4.25%, following a period of high rates aimed at controlling inflation. Inflation has been near the 2% target since mid-2024, down from a peak of over 11% in 2022. However, inflation is expected to rise temporarily to 3.7% this year due to higher energy prices, before returning to the 2% target. The Bank is closely monitoring global trade policy changes, which add uncertainty to the inflation outlook. The decision to cut rates reflects progress in reducing inflationary pressures, with the Bank emphasising the need for confidence in maintaining low and stable inflation before making further rate cuts.

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UK Concludes Trade Deal with India

The UK has finalised a landmark trade deal with India, which is expected to boost the UK economy by £4.8 billion and increase wages by £2.2 billion annually in the long run. The agreement will reduce Indian tariffs on key UK exports such as whisky, cosmetics, and medical devices, with 90% of tariff lines seeing reductions. The deal aims to enhance bilateral trade by £25.5 billion, providing UK businesses a competitive edge in India's rapidly growing market.

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Impact of Planning and Infrastructure Bill on the UK Economy

The government's Planning and Infrastructure Bill, aimed at accelerating the delivery of new homes, roads, railways, and clean energy projects, is projected to boost the economy by up to £7.5 billion over the next decade. The Bill's Impact Assessment highlights the potential economic benefits of making it quicker and easier to build 1.5 million new homes and critical infrastructure. Lower costs, fewer delays, and increased certainty for businesses are expected to drive further investment. Deputy Prime Minister and Housing Secretary Angela Rayner emphasised the importance of these reforms in addressing the housing crisis and supporting economic growth. The Bill has received a 'green rating' from the Regulatory Policy Committee, indicating a robust and fit-for-purpose analysis.

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Conclusion of US Tariff Review

The government has concluded its four-week Request for Input, launched on 3 April, to gather views from businesses and stakeholders on potential UK actions in response to US tariffs on various products. Over 200 responses were received, and the government will now analyse the data to assess the impacts of possible UK tariffs and consider including specific products in any reaction. Negotiations with the US on an economic prosperity deal to remove existing and future tariffs remain a priority.

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Business Insights and Impact on the UK Economy

In late April 2025, as reported by ONS, 22% of businesses with 10 or more employees reported exporting goods or services in the past year. Of these, 19% exported more in March 2025 compared to March 2024, while 23% exported less. Additionally, 36% of these exporters noted higher costs in March 2025 compared to the previous year. On the import side, 26% of businesses reported importing goods or services, with 18% importing more in March 2025 than in March 2024. The cost of importing was higher for 40% of these businesses. Furthermore, 17% of companies expect to be impacted by US tariffs in the next month, with reduced demand and increased costs being the most anticipated effects. These insights are based on the final results from Wave 131 of the Business Insights and Conditions Survey (BICS), conducted from 22 April to 4 May 2025.

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Construction Activity Falls for Fourth Month in a Row

Construction activity in the UK continued to decline for the fourth consecutive month in April 2025, impacted by political uncertainty and rising costs. The S&P Global Construction Purchasing Managers Index (PMI) was recorded at 46.6 in April, a slight increase from 46.4 in March, but still below the 50 mark that separates growth from contraction. The Guardian reports that construction companies have cited heightened business uncertainty and concerns about the broader UK economic outlook as factors weighing client demand.

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Proposals for Solar Canopies Above Car Parks

The government is considering plans to require supermarkets, offices, and shopping centres to install solar panels over their car parks. The proposal involves the development of "solar carports" and includes a call for evidence from the Department for Energy Security and Net Zero (DESNZ) on making solar panels mandatory for new car parks, with potential extension to existing ones. Officials believe this initiative would utilise underused space, provide shaded parking, and increase charging points for electric vehicles.

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