

Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy developments from the past seven days (15-22 January 2026)

UK economic indicators update by ONS

The Office for National Statistics reported that consumer price inflation increased in December 2025, with CPI¹ rising by 3.4% in the 12 months to December, up from 3.2% in November, and CPIH² rising by 3.6%, up from 3.5%. On a monthly basis, both CPI and CPIH increased by 0.4%, compared with 0.3% in December 2024. Core inflation was unchanged, with core CPI at 3.2% and core CPIH at 3.5%, while services inflation remained elevated at 4.5%. Alcohol, tobacco, and transport made the largest upward contributions to the monthly increase in inflation.

Alongside this, labour market indicators pointed to softer conditions, with payrolled employment down by 184,000 (0.6%) on the year to December 2025 and the UK unemployment rate rising to 5.1% in September to November; London recorded the highest regional unemployment rate at 7.2%.

Earnings growth remained positive in nominal terms but was more limited once adjusted for inflation. Regular pay excluding bonuses increased by 4.5% annually, and total pay by 4.7%, translating into real-terms growth of 0.6% and 0.8% respectively on a CPIH basis. Median monthly pay was

¹ **CPI (Consumer Price Index)** measures the average change over time in the prices of a basket of goods and services purchased by households. Core CPI excludes energy, food, alcohol and tobacco to provide an indication of underlying inflation trends by removing more volatile components.

² **CPIH (Consumer Price Index including Housing costs)** is the UK's most comprehensive measure of consumer price inflation, extending CPI by including owner occupiers' housing costs (such as mortgage interest and rental equivalence) and Council Tax, providing a broader measure of household inflation pressures.

4.0% higher than a year earlier. On business costs, 26% of trading businesses reported higher input prices in December, broadly unchanged from November, while 9% reported higher selling prices, a proportion stable since mid-2025. Looking ahead, 21% of businesses expect to raise prices in February 2026, slightly below January expectations. Economic uncertainty and labour costs remained the most frequently cited challenges, consistent with recent LCCI [Quarterly Economic Survey](#) evidence on cost pressures and pricing behaviour.

Public sector finances showed lower borrowing than a year earlier but elevated debt levels. Public sector borrowing totalled £11.6 billion in December 2025, £7.1 billion below December 2024, while borrowing for the financial year to date reached £140.4 billion, equivalent to 4.6% of GDP. Public sector net debt stood at 95.5% of GDP at the end of December.

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The UK positioned as a stable destination for global investment

Chancellor Rachel Reeves told global investors at the World Economic Forum in Davos that Britain offers stability, predictability and momentum in an uncertain international environment, positioning the UK as the best place in the world to invest. Alongside the Business Secretary Peter Kyle, ministers highlighted new measures to attract global capital and talent, including reimbursing visa fees for select high-growth sectors and fast-tracking sponsor licences for international firms expanding their UK footprint. The government also reiterated its focus on priority industries such as AI, life sciences and clean energy, supported by recent private-investment inflows, record FTSE levels and a clear long-term Industrial Strategy.

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Business Secretary unveils scale-up funding and red-tape reforms

Business Secretary and Trade Peter Kyle announced a growth package to help British scale-ups expand at home, combining new finance with a review of regulatory burdens. The British Business Bank will deploy its largest-ever direct investment capacity and additional funding for life sciences, deep tech and battery innovation, while consultations will



modernise competition and corporate reporting rules. Ministers also committed to cutting the administrative costs of regulation by 25%, simplifying health and safety and agri-tech requirements, and strengthening a pro-growth framework aligned with the UK's Modern Industrial Strategy.

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UK Trade Envoys appointed to priority markets

A new set of appointments has been confirmed under the UK Trade Envoy programme, expanding ministerial engagement across a range of priority international markets. Business and Trade Secretary Peter Kyle named new envoys covering France, Germany, Italy, Türkiye and Pakistan, alongside expanded remits for existing envoys to Algeria, Ghana, Mauritius and South Africa. Trade Envoys work with the Department for Business and Trade to identify commercial opportunities, promote the UK as an investment destination, lead trade missions and help address market-access barriers for UK firms operating overseas.

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Consultation launched on reforms to the UK competition regime

The government and the Competition and Markets Authority (CMA) have launched a consultation on proposals to refine the UK competition regime, focusing on improving pace, predictability, proportionality and engagement. The proposals include changes to market and merger decision-making, streamlined market investigations, greater clarity on merger thresholds, enhanced CMA powers to investigate algorithms, and a stronger formal role for the Secretary of State in competition guidance. The consultation is open until 31 March and forms part of the government's growth agenda. It seeks views on how competition policy can better support investment, innovation, and market dynamism while preserving the CMA's independence.

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Market remedies review to reduce compliance burdens

The Competition and Markets Authority has launched a review of existing market remedies to assess whether they remain necessary and proportionate, with the aim of easing regulatory burdens on businesses. The review covers 33 remedies across sectors, including financial services, travel, and energy, that the CMA considers may have been overtaken by changes in regulation, technology, or market conditions. A consultation is open until 2 March 2026, and the CMA emphasises that remedies delivering clear consumer benefits will remain in place.

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AI Champions appointed to support safe adoption in financial services

The government has appointed two new AI Champions to help the financial services sector scale artificial intelligence safely and effectively, as part of its wider drive to boost growth, productivity and investment. Harriet Rees and Rohit Dhawan will report to the Economic Secretary, Lucy Rigby, and focus on accelerating responsible AI adoption, improving customer outcomes and safeguarding financial stability. The appointments reflect the rapid uptake of AI across the sector, now used by around three-quarters of UK financial firms, and aim to reinforce the UK's position as a global hub for financial services and technology innovation.

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Regulatory reforms to support robotics and defence innovation

The Regulatory Innovation Office has named robotics and defence as new priority areas, aiming to streamline outdated rules that slow innovation and market entry. The move includes a new business portal to flag regulatory barriers and a £52 million programme to establish Robotics Adoption Hubs, supporting uptake across sectors such as manufacturing, farming and healthcare. Ministers said the changes will help firms bring



technologies to market more quickly while maintaining safety and security, strengthen the UK's industrial base and competitiveness in line with the Modern Industrial Strategy.

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New rent-controlled housing programme launched for London's key workers

A new Key Worker Living Rent housing programme has been launched to deliver at least 6,000 rent-controlled homes in London by 2030. Rents will be set at around 40% of average net household incomes for eligible key workers, with indicative savings of up to £7,000 per year for a two-bedroom home compared with private rents. The scheme will be delivered through the Mayor's Affordable Homes Programme, supported by up to £11.7bn of government funding over the next decade. Housing associations, councils, developers and investors are invited to bid for funding.

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Additional funding announced for London's Creative Enterprise Zones

London's Creative Enterprise Zones programme has received an additional £2.2m to expand affordable creative workspace across the capital. The programme provides long-term, affordable studios and workspaces, predominantly used by artists and small creative businesses, delivered through borough-led projects across existing and newly accredited zones. The investment is expected to increase permanent affordable creative workspace to nearly 80,000 square metres by 2028 and to address sustained pressure on studio availability and rents, which have contributed to the loss of affordable workspace for smaller creative operators in London.

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Council tax increase proposed to fund policing and public services

Proposals in the Mayor of London's Draft Budget would raise council tax by £20.13 per year for an average Band D household, comprising a £15 rise in the policing precept and a £5.13 increase for the London Fire Brigade. The Draft Budget includes a £1.22bn allocation for policing in 2026–27, alongside funding for neighbourhood policing and action on phone theft. It also confirms £400,000 to advance development work on the West London Orbital rail scheme and £100m to continue free school meals for London's state primary school children in 2026–27.

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