

Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days (2-8 December 2024)

Key Takeaways from PM's Speech at Lord Mayor's Banquet

In his recent Lord Mayor's Banquet address, the Prime Minister highlighted pivotal areas for economic growth, international partnerships, and national security. He noted that the **UK secured £63 billion** in international investment, reflecting strong global investor confidence and the UK's strategic economic positioning. These investments are expected to create jobs and support industries such as clean energy, AI, pharmaceuticals, and infrastructure projects like new ports and data centres.

The PM emphasised efforts to foster **trade relationships** with key markets like India, the Gulf, and the Pacific while addressing climate change by prioritising clean energy projects and technological innovation. Strategic alliances remain a cornerstone—deepening relationships with **the United States, European nations, and regional partners** like Italy and Japan—alongside initiatives like the **AUKUS alliance** and advanced defence collaborations.

Additionally, the Government will invest £3 billion into its defence budget, with plans to increase military spending from **2.3% to 2.5% of GDP**. This strategy includes modernising the UK's armed forces, technological partnerships, and advanced research and development.

This focus on international trade, technological innovation, climate change leadership, and strategic alliances offers opportunities for UK businesses to position themselves in clean energy, AI, and technological innovation supply chains while supporting infrastructure and defence industries.

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Sir Keir Starmer Outlines “Plan for Change”

Prime Minister Sir Keir Starmer introduced the Government’s “Plan for Change” during a keynote speech at Pinewood Studios, emphasising a mission-led approach aimed at addressing some of the UK’s most pressing challenges. The strategy will focus on strengthening public services, economic growth, and infrastructure development while promoting national unity.

Sir Keir outlined six ambitious national missions central to this vision:

1. **Achieving higher living standards** by targeting the highest growth rate in the G7.
2. **Building 1.5 million new homes** to address housing needs.
3. **Safer streets** through increased police presence and crime reduction strategies.
4. Ensuring **record numbers of five-year-olds are “ready to learn”** by improving early education outcomes.
5. Transitioning to **clean power by 2030** as part of climate change commitments.
6. **Reducing NHS waiting lists** to meet the 18-week target.

Starmer emphasised that these targets represent *“the most ambitious and credible programme for Government in a generation.”* Despite challenges such as low public trust in politics and economic constraints, he underscored their importance, stating that achieving these goals would *“drive the UK forward.”*

Additionally, the Prime Minister highlighted the role of infrastructure in supporting these national ambitions. He announced plans to *“streamline the approval process”* for infrastructure projects under the *Planning and Infrastructure Bill*, with a target to decide on 150 major national infrastructure projects—tripling the number made during the previous Parliament.

Starmer concluded by focusing on the broader goal of *“rebuilding Britain through the power of change.”* He asserted that focusing on these missions would foster a stronger, more confident UK both domestically and on the international stage.

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Defence Secretary Launches Defence Industrial Strategy

Defence Secretary John Healey has unveiled the Government's Defence Industrial Strategy, emphasising the creation of jobs across every region of the UK. Speaking at the London Defence Conference, Healey outlined that the complete strategy will be published in Spring 2024 and align with the Strategic Defence Review (SDR). The strategy's central objectives include prioritising UK firms for defence procurement, fostering long-term partnerships with businesses, and ensuring the UK industrial base is resilient enough to operate during times of national crisis.

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Measures to Support SMEs Announced by UK Government

The UK Government has introduced new measures to support small businesses, including the Fair Payment Code, to tackle late payments and ensure prompt cash flow. This initiative will reward good payment practices while addressing the challenges faced by SMEs, who currently owe an average of £22,000 annually. A new Disability Finance Code has been unveiled, supported by major UK banks, to enhance access to finance for disabled entrepreneurs, aiming to unlock up to £230 billion in untapped economic potential. These initiatives emphasise inclusive growth, financial stability, and equal opportunities for small businesses across the UK.

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OECD Upgrades UK Growth Forecast to 1.7%

The OECD has upgraded the UK's growth forecast for next year to 1.7%, up from 1.2%, signalling improved economic prospects. However, it predicts that interest rates will decline more slowly than anticipated due to sustained high government spending, which continues to fuel inflation. The OECD's economic predictions are released twice per year, and the aim is to give a guide about what is most likely to happen in the future.

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Vodafone-Three Merger Approved

Vodafone's £16.5bn merger with rival Three has received regulatory approval from the Competition and Markets Authority (CMA), creating the UK's largest mobile network with 27 million customers. The approval is conditional on commitments to invest billions in the UK's 5G infrastructure and cap specific mobile tariffs for three years to protect consumers. Vodafone CEO Margherita Della Valle assured that the deal would be "self-funded" with no additional costs to public funds or customers.

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UK Food Exports to the EU Drop by 16% Annually

According to the Centre for Inclusive Trade Policy, UK food exports to the EU have dropped by 16% annually since the UK left the Single Market, amounting to £2.8 billion less each year. The report suggests that while COVID-19 and the war in Ukraine affected trade, there are no apparent signs of recovery to pre-pandemic levels. New physical and documentary checks, including health certificates and border inspections, have added costs and delays, hindering trade.

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UK Businesses Anticipate Higher Costs and Falling Profit Margins Post-Budget

A recent Bank of England survey reveals that most UK businesses foresee increased prices, reduced profit margins, and potential job losses due to rising employer national insurance contributions following the latest Budget.

According to an interview with The Financial Times, Andrew Bailey, Governor of the Bank of England, identified the business response to these changes as the “biggest issue” stemming from the recent fiscal measures. The findings underscore concerns about how these adjustments will affect investment, wages, and employment across industries amid uncertain economic conditions.

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PM Plans Housing Reforms and Rules Out Tax Rises

Prime Minister Sir Keir Starmer has outlined plans to streamline the UK's planning system to accelerate infrastructure projects and housebuilding, aiming to deliver 1.5 million new homes during this Parliament. He criticised environmental and local opposition as obstacles to reform and pledged the most significant wave of social housing in a generation. Additionally, Sir Keir has ruled out planned tax rises over the next five years while acknowledging the possibility of unforeseen circumstances necessitating changes.

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New UK Planning Rules to Accelerate Homes and Infrastructure

The Government plans to speed up the planning system by allowing locally appointed planning officers to approve projects directly, removing the need for lengthy council committee reviews. This change targets housing, infrastructure, and prison construction delays by addressing “chronic uncertainty” and streamlining decision-making. Housing Secretary Angela Rayner emphasised that this reform would tackle delays and accelerate much-needed development across the UK.

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Digital ID Introduced for Pubs and Clubs

The Government is introducing a voluntary digital ID system that allows pubgoers to verify their age using smartphones. The initiative will also expand to provide a “single sign-on” for various government services, including tax payments and benefit applications, mirroring Estonia’s successful model. This move signals a technological shift toward creating a unified digital identity platform for UK citizens.

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