

Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days (13-20 January 2025)

IMF Forecasts Improved UK Economic Growth in 2025

The International Monetary Fund (IMF) forecasts that UK economic growth will improve to 1.6% in 2025, up from its previous prediction of 1.5%. The IMF's World Economic Outlook indicates that the UK will outperform major European economies, including Germany, France, and Italy, over the next two years despite a weaker-than-expected growth of 0.9% in 2024. Chancellor Rachel Reeves welcomed the report, committing to "intelligent investment and relentless reform" to boost growth. The IMF expects global growth to remain stable at 3.3% in 2025 and 2026, with inflation continuing to decline.

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UK Economy Returns to Growth in November

The UK economy grew by 0.1% in November, marking its first expansion in three months, driven by trade in pubs, restaurants, and the construction industry. This follows contractions in October and September. Chancellor Rachel Reeves acknowledged the need for further efforts to boost the economy, while Prime Minister Sir Keir Starmer described the growth as a "step in the right direction." The Office for National Statistics noted that the construction and services sectors contributed to the marginal growth, although manufacturing and oil and gas production continued to decline.

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Chancellor Responds to Economic Criticism

Chancellor Rachel Reeves has stated she will not let critics “get me down” following a challenging week for the UK economy, which saw borrowing costs rise to their highest level in years. On the BBC’s Political Thinking podcast, Reeves emphasised rising borrowing costs as a global issue and reiterated her commitment to delivering economic growth. Reeves defended her policies against criticism from opposition parties and businesses, highlighting the need for difficult decisions to ensure economic stability.

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New jobs created by the National Wealth Fund

The National Wealth Fund (NWF) has created 8,600 jobs in the past six months, leveraging nearly £1.6 billion in private investment to drive growth across the UK. Established by the Chancellor to invest in future industries, the NWF aims to create opportunities nationwide with its £27.8 billion capital. Significant job creation has occurred in the digital and clean energy sectors, including 6,500 jobs in the retrofit industry.

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Government Announces Support for Creative Industries

Culture Secretary Lisa Nandy has announced a £60 million package to support the growth of the UK’s creative industries. At a summit in Gateshead, Nandy outlined investments for start-up video game studios, grassroots music venues, and creative businesses to boost British music and film exports. The British Business Bank will increase its support for the sector, and the government has launched a Soft Power Council to drive investment. This initiative marks the first step towards delivering the Creative Industry Sector Plan as part of the government’s modern Industrial Strategy.

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Smart Data Challenge Prize

The Smart Data Challenge Prize has been launched to reward SMEs with up to £600,000 and additional support for bold Smart Data solutions. Innovators from various sectors are invited to submit unique Smart Data solutions to address real-world problems people and businesses face. Finalists will gain access to a new Smart Data Sandbox to develop their ideas into working prototypes. The Department for Business & Trade, Challenge Works, the Open Data Institute, and Smart Data Foundry are behind this initiative, aiming to empower consumers and SMEs, increase competition, and drive economic growth. The entry window is open until 14 March 2025.

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UK Consumer Price Inflation: December 2024

UK inflation fell marginally to 2.5% in December 2024, providing positive news after government borrowing costs reached nearly 30-year highs. This figure, below analysts' expectations, brings inflation closer to the Bank of England's 2% target and may offer optimism for potential interest rate cuts in 2025. The most significant downward contribution to the monthly change came from restaurants and hotels, while the largest upward contribution came from transport.

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Chancellor on UK/China Economic Dialogue

In a statement delivered at the House of Commons on 14 January 2025, Chancellor Rachel Reeves emphasised the importance of engaging with China, highlighting tangible benefits for British firms, such as improved market access and new licences for financial services. She noted that cooperation agreements were reached in areas like wealth management and sustainable finance, and China agreed to issue its first Overseas Sovereign Green Bond in London in 2025. Reeves stated that the dialogue would unlock £1 billion of value for the UK economy and stressed the need for a stable and balanced relationship with China.

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UK Foreign Direct Investment Report 2023

The latest report on foreign direct investment (FDI) involving UK companies reveals significant changes in investment flows, positions, and earnings for 2023. The UK's net international investment position was negative £225.5 billion, down from negative £163.2 billion in 2022. The net foreign direct investment earnings decreased by £38.8 billion to £43.1 billion in 2023, primarily due to a significant drop in the mining and quarrying industries.

The information and communications industries saw a notable increase in inward FDI, with a £53.0 billion rise, reflecting growing investor interest in these sectors. In contrast, the manufacturing sector experienced a decline of £32.3 billion, indicating challenges within this industry.

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CMA Launches Consultation on 2025/26 Annual Plan

The Competition and Markets Authority (CMA) has launched a consultation on its draft Annual Plan for 2025/26, inviting input from consumers, businesses, and investors. The plan, 'Promoting competition and protecting consumers to drive growth, opportunity, and prosperity for the UK,' outlines the CMA's priorities for the next three years and areas of focus for the next 12 months. The consultation will run until 31 January 2025, with the final plan to be published by the end of March 2025.

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Mayor Proposes Council Tax Increase for Police and Fire Services

The Mayor of London, Sadiq Khan, has proposed an increase in council tax by £18.98 per year for an average Band D household to provide urgent funding for the Metropolitan Police Service (MPS) and the London Fire Brigade (LFB). The increase includes £14 for the MPS and £4.98 for the LFB. This additional funding aims to address financial shortfalls, enhance neighbourhood policing, and improve fire safety measures.

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GCA's 2025 Annual Survey Now Live

The Groceries Code Adjudicator (GCA) has launched its annual groceries sector survey, inviting suppliers to share their experiences with the 14 large retailers. YouGov's survey aims to gather confidential feedback on retailer behaviour and industry issues, helping the GCA assess compliance with the Groceries Code and understand the impact of cost-price negotiations on suppliers. The survey is open until 23 February 2025, with results to be published in the summer.

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