

UK Businesses have spoken: the new Labour Government must tackle energy prices, inflation, and interest rates in its first year in power



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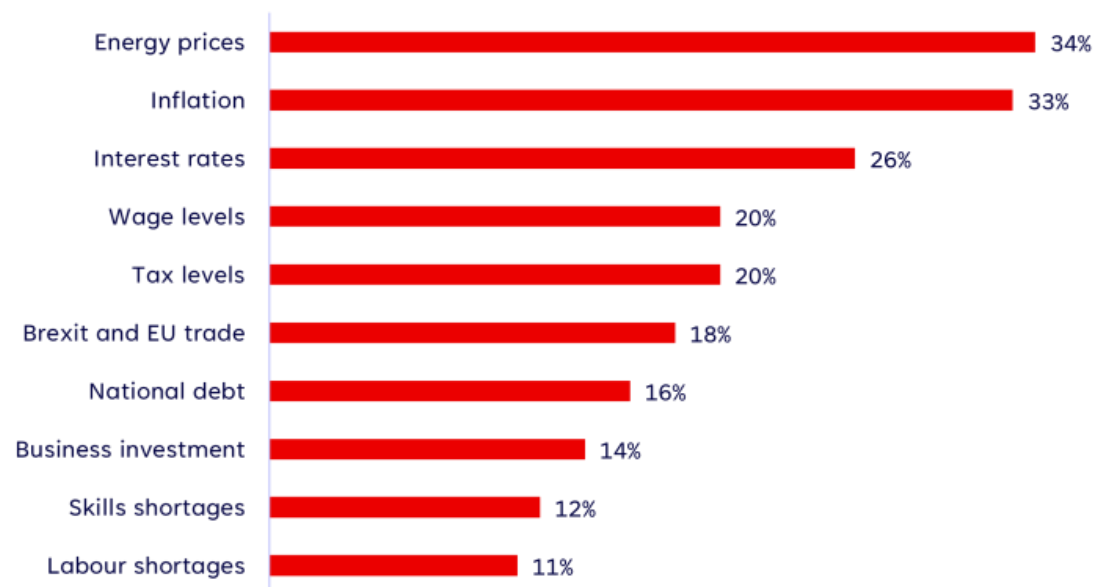
Following the much-anticipated King's Speech in July, we were keen to know if any of the promises were cutting through and moving the confidence dial of UK businesses. Our Business Opinion Omnibus programme, which surveys 1,200 financial decision-makers in a nationally representative sample of UK businesses, was the ideal way to check the pulse of the business community.

So, what are the issues businesses expect the new Government to tackle in the next (*checks calendar*) 10 months? The to-do list is lengthy but some items are more pressing than others.

Tackling energy prices (34%) and keeping inflation under control (33%) were the top concerns for businesses. Unprotected by price caps businesses have felt the full force of the UK energy crisis. Energy prices remain significantly higher than a few years ago and have a clear and negative impact on UK businesses bottom line. At 2.2% in July 2024 UK inflation (CPI) may have fallen from its 2022 peak but businesses certainly don't want a labour government to preside over it rising again.

Tackling interest rates (26%) was also top of mind for businesses, while wage levels (20%), tax levels (20%) and Brexit and EU trade (18%) come across as second-tier priorities.

Economic issues that should be the new government's priority

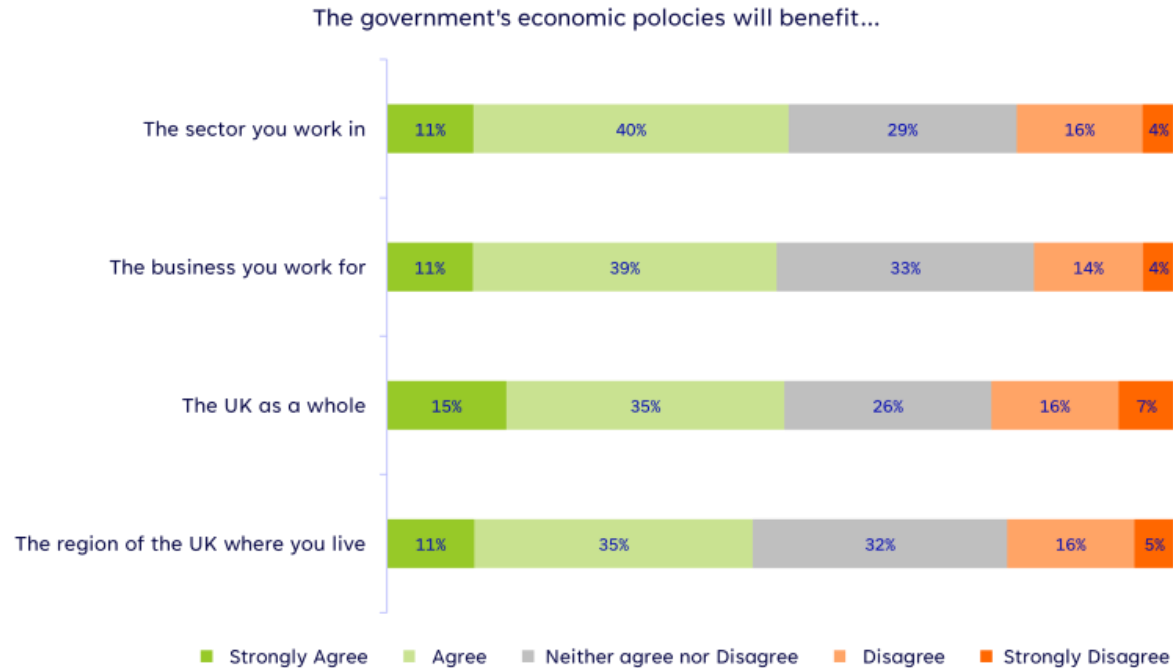


Although these issues are deemed pressing by businesses across all sectors and sizes, there are some differences in priority order depending on the size of the business and the sector it operates in.

Larger businesses (1000+ employees) place significantly more importance on workplace productivity (15% v 7% for all businesses), whilst the smallest businesses (1-9 employees) are considerably more concerned about the national debt (26% versus 16% for all), Brexit and EU trade (23% v 18% for all) and falling consumer spending (19% v 11% all businesses).

Looking across sectors, manufacturing businesses are the most apprehensive about energy prices (43%), while service-based businesses are worried more than others about inflation (38%).

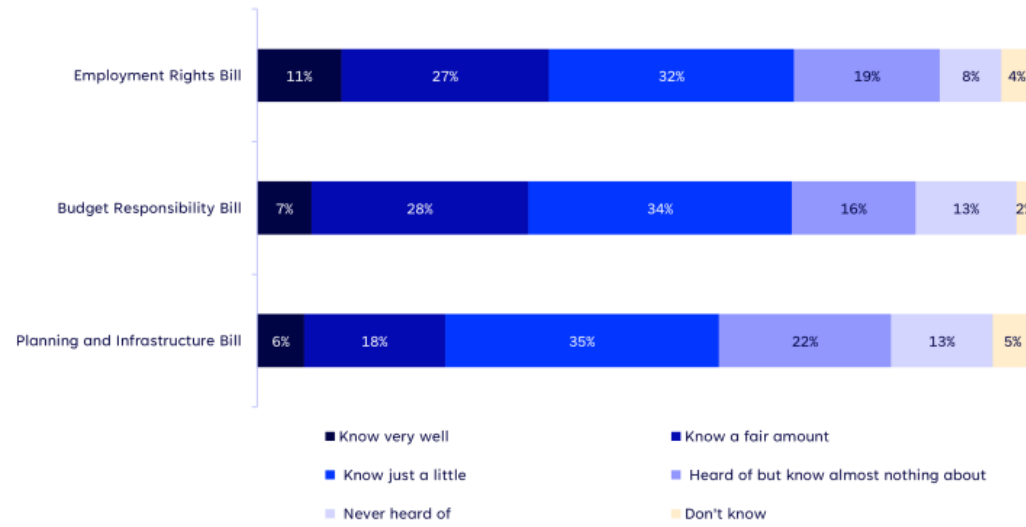
Did the announced policies have a positive impact on how financial decision-makers view their business, sector, region, and even the whole of the UK? Looking at those who agree that the government has policies that will benefit their respective areas there is a sense of optimism, although the devil is in the detail – while overall positivity is strong, only a small minority claim they ‘strongly agree’.



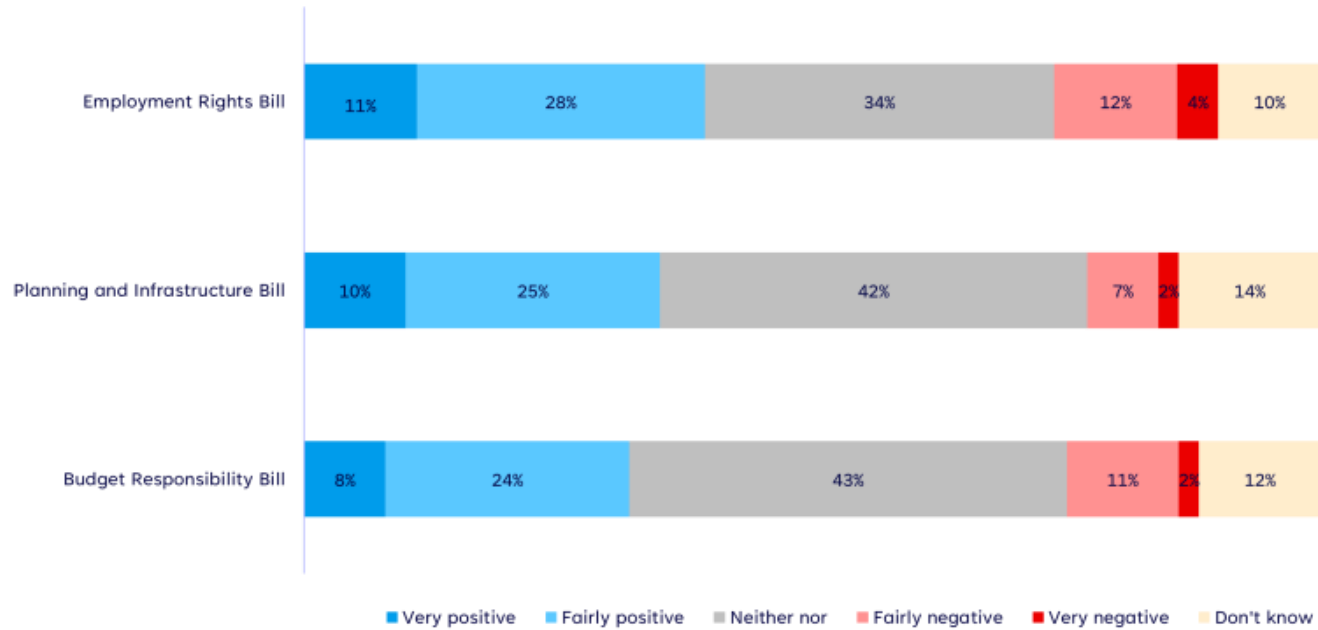
We also tested the reactions to three key Bills mentioned in the King’s Speech in terms of awareness, their impact on respondents’ own business, and their potential positive impact on the UK economy in the next five years. Whilst all three Bills showed relatively equal scores, the Employment Rights Bill performed slightly better than others; 38% of financial decision-makers are aware of it, 39% think it will have a positive impact on their own business and 49% a positive impact in the UK in the next 5 years. Larger businesses with 1000+ employees are more likely to agree that the Bill will affect the UK economy positively (53%), compared to smaller businesses with 1 to 9 employees (34%). Understandably, businesses in labour-intensive sectors are more likely to think the Employment Rights Bill will harm their business – overall 16% believe the Bill would affect their business negatively, whereas the figure is 18% for businesses in the manufacturing sector, and 21% in hospitality.

In regards to the other two Bills, businesses in construction in particular are pessimistic about their impact on the UK economy; 19% of construction-related businesses disagree that the Planning and Infrastructure Bill would have a positive impact, with 30% expressing reservations about the impact of the Budget Responsibility Bill, compared to overall levels of disagreement of 14% and 19% respectively.

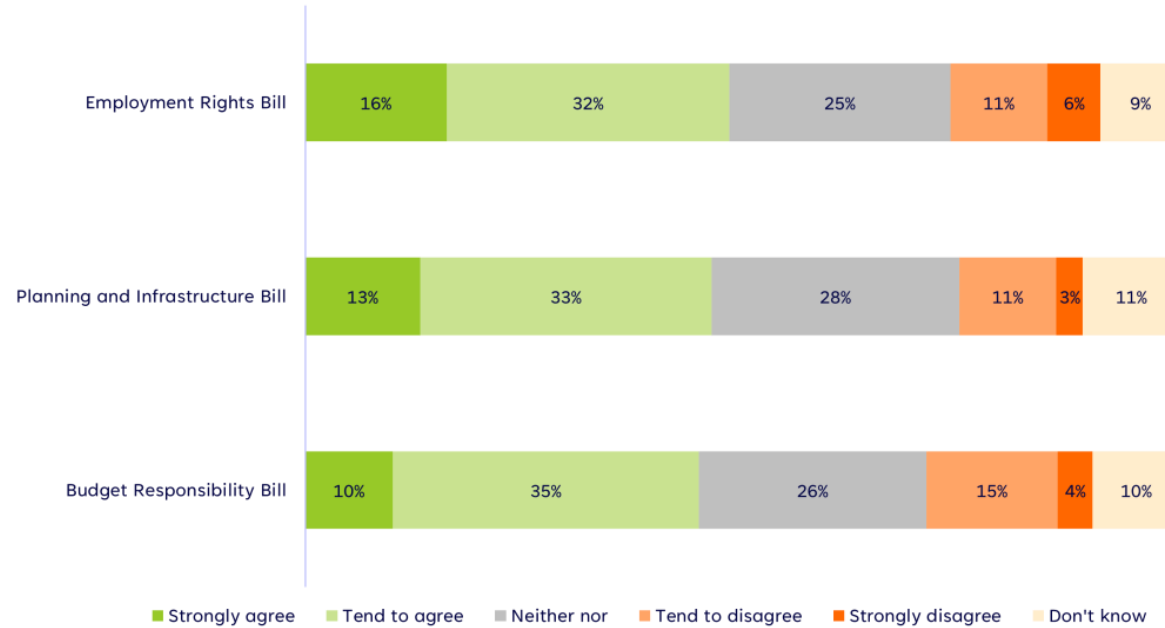
How much businesses know about each bill



The way businesses think each bill might affect their businesses



Each bill having a positive impact on the UK economy in the next 5 years



Where does that leave us? At an overall level, businesses are cautiously optimistic about the new Government’s ability to positively impact the economy and the country as a whole. More specifically, Labour’s three headline economic bills are receiving a positive, albeit somewhat guarded, response, although some do concede their level of knowledge of the detail of the bills is limited. In summary, while there is a long way to go between delivering the King’s Speech and the policy implementation, Labour should take heart from the reactions we have seen so far.