

Policy Position Paper: Economic Policy 2022



Agreed Position – 3rd November 2022

We are working with local, national and UK Govt. directly, and with Scottish and British Chambers of Commerce to make a number of calls for a range of policy levers to be utilised to relieve current cost of doing business and labour shortage pressures. Calls include: a reversal to the April 22 increase in National Insurance Contributions; support with energy bills for businesses on a par with the support provided to households; Covid-level support for SMEs as we navigate the current crisis; a moratorium on all local additional taxation and regulation; and an urgent review of the Shortage Occupation list to help address current labour challenges, amongst other measures.

Context

The UK is currently facing a cost of doing business crisis unlike anything we have seen in decades. Rising energy costs, labour costs, supply chain and materials cost, exacerbated by post Covid issues, Brexit and the impact of the war in Ukraine have all conspired to create the perfect storm of rising inflation and economic contraction risking the very survival of businesses across a range of sectors. Recession is forecast, and inflation is tipped to stay in double digits until at least 2024 by current estimates.

Rationale

- BCC expects the UK economy to plunge into recession before the end of 2022, with inflation spiking to 14% and lingering weakness in growth expected to continue into 2024
- BCC has again downgraded its expectations for UK GDP growth for 2022 to 3.3% (from 3.5% in Q2) against a deteriorating economic outlook.
- BCC is now forecasting a recession for the UK economy this year, with negative economic growth for Q2, Q3, and Q4 2022,

Data: Evidence Gathered

- Annual expectations for GDP growth to decline, with 3.3% forecast for 2022, significantly below the 7.4% growth recorded in 2021. However, unlike the Bank of England, the BCC expects the economy to grow in 2023, albeit at a very low 0.2%, with a slight increase to 1% in 2024.
- Contributors: rising energy costs, a decline in household spending and real wages; weaker export prospects and a pessimistic global economic outlook; poor investment conditions and weakening business confidence and cashflow. Many of these issues were initially caused by the global response to Covid-19 and have been further compounded by the war in Ukraine.
- Inflation to peak at 14%. This is up from the previous, already high, projected rate of 10%. The CPI rate is expected to slow to 5% in 2023, and finally return to the Bank of England's target of 2% in 2024

Key Policy Maker and Stakeholder Positions

- UK Govt. – help with energy costs, mini-budget and Growth Plan announced Sept 22 in an attempt to support and stimulate the economy.
- Scot Govt. – 2023-34 budget: frozen the NDR poundage & promised transitional reliefs through the April revaluation; have delayed licencing deadline for STLs until Oct 23
- BCC/SCC – calls as outlined above

Data: Evidence Required

- Longer term impact of support measures recently announced by UK Govt. on business bottom lines
- Greater understanding/analysis of how support will be paid for and what longer term economic impact this might have

Chamber 'Asks'

- Calls as outlined above
- Increased support for energy costs longer than the 6 months currently committed to.
- Policymakers to speak to business so that we can support policy implementation and avoid unintended consequences