BCC reacts to Chancellor's Spring Statement

Commenting on the Spring Statement, delivered today (Tuesday) by the Chancellor of the Exchequer, Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

"Businesses will be encouraged by the Chancellor's report on the UK's fiscal health, with lower projections for the deficit and falling national debt, as well as his full-throated defence of the market economy and the role of the private sector in delivering prosperity.

"Yet as deficit and debt levels improve, the Chancellor must resist calls to pour money into politically-attractive, short-term spending priorities. Any headroom the Chancellor has must be used to leave a lasting mark on the UK's infrastructure and to attract investment – particularly with the challenges and changes of Brexit ahead.

"A far stronger push is needed to fund and fix the fundamentals here in the UK over the coming months, and business wants the Chancellor to use his Autumn Budget to double down and spend to improve digital connectivity, deliver further road and rail improvements, strengthen the UK's energy security and build more houses. Existing plans alone are not enough.

"Given that businesses across the UK have long complained about constant tinkering with tax rates, the Statement's lack of tax and spending changes is welcome – and not before time. A clear annual cycle will mean fewer rushed policies and give firms the time they need to plan for any changes that come their way."

On business rates:

"We are pleased that the government has listened to our calls to make revaluations more frequent. Switching to a three-year-cycle will go some way to reducing the huge changes in rates bills that clobber firms across the UK, and enable them to plan their growth strategies with greater confidence.

"However, a system that responds more frequently to changing economic conditions must also be simpler for firms to navigate. The current system already generates a huge number of appeals, and if it is not made easier for companies, more frequent valuations would simply make this backlog mushroom."

On late payment:

"Previous attempts to tackle late payment have not had the desired effect, because affected firms are often unwilling to jeopardise customer relationships by calling out bad practice. The government must use its convening power to tackle this issue in sectors where it is clear that problems exist.

“Changing payment terms mid-contract, and burying payment terms in the small print when suppliers register for business, are issues that deserve ministers’ attention. However, ultimately improving relationships between businesses is a key part in addressing the problem of late payment.”

On apprenticeships and the apprenticeship levy:

“While more funding to support small businesses seeking to employ apprentices is welcome, urgent action is needed to reform and improve the apprenticeship levy – which is currently failing both businesses and the people they want to train. The levy’s lack of flexibility and its complexity are stifling the training aspirations of businesses of all sizes.”

On the latest forecast by the Office for Budget Responsibility, Suren Thiru, Head of Economics, added:

“Taken together, the OBR’s latest forecasts suggest that the UK will remain locked onto a low growth trajectory for the foreseeable future. While GDP growth for this year was upgraded slightly, their projections for 2021 and 2022 have been downgraded.

“It is encouraging that government borrowing is now projected to be lower over the next few years than in their previous forecast, and suggests that that chancellor will have some welcome fiscal headroom at the Autumn Budget later this year.

“The OBR’s latest outlook also highlights significant challenges facing the UK economy over the near term. Their projections implies that UK economic growth will remain unbalanced throughout the forecast period with business investment and trade expected to add little to overall UK growth.

“UK productivity is still expected to remain subdued over the next few years, and could weigh more on overall economic activity than the OBR’s GDP growth forecast currently suggests. Productivity continues to be hampered by the deep-rooted problems in our economy, from the skills gap to chronic underinvestment in the UK’s infrastructure.

“The OBR is right to highlight the risk of a disorderly Brexit, as a sudden departure from the EU would be likely to trigger a marked weakening in economic conditions.”

“Against this backdrop, the focus of the Autumn budget must be on delivering a fiscal consolidation plan that achieves a more sustainable balance between deficit reduction and boosting productivity and growth, including using its greater fiscal headroom to deliver urgently needed infrastructure investment.”

Ends

Notes to editors:

The BCC is campaigning for action to fix the fundamentals of the UK economy, ensuring the basics are right for business investment and growth. Adam

Marshall touched on this theme extensively at the BCC Annual Conference on 8th March, as well as on the need to fight back against proposals for nationalization, and his detailed comments can be found here.

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 52 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: www.britishchambers.org.uk

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