Budget 2026 Analysis: Will business even notice?

What does the Budget mean for business and the economy?

In his first Budget as Chancellor, John Healey adopted a cautious approach, prioritising fiscal stability. With some notable exceptions, he didn't add burden onto business - but the package also offers limited evidence of a clear strategy to cut costs and deliver growth.

Many of the announcements build on policies already underway, rather than setting out a significant new growth agenda. Some of the most pressing challenges facing firms, including high energy costs, labour shortages and the broader cost of doing business, received relatively little attention from the Chancellor.

As a result, while the Budget provides a degree of stability and certainty, many businesses will be left wondering where the policies are that will unlock the investment, confidence and growth needed to move the economy forward – as demonstrated by the OBR's forecast (see below).

Forecast at a glance

▲▼ Better ▲▼ Worse ▲▼ Revised No change

OBR Oct 2026. Coloured cells show revisions since the OBR Mar 2026 forecast. Hover over any figure for the full comparison.

INDICATOR	2025 outturn	2026	2027	2028	2029	2030	2031	TREND vs Mar 26
GROWTH								
GDP growth Real GDP, % change	1.3% ▼	1.2% ▲	1.0% ▼	1.6%	1.8% ▲	1.7% ▲	1.6%	
Household consumption % change	1.1% ▲	1.0% ▲	0.6% ▼	1.7% ▼	2.0% ▲	1.7% ▼	1.6%	
Business investment % change	4.3%	0.0% ▲	−0.5% ▼	1.0% ▲	1.2% ▲	1.2% ▼	1.3%	
PRICES AND PAY								
CPI inflation Annual average, %	3.4%	3.1% ▲	3.4% ▲	2.1% ▲	2.1% ▲	2.0%	2.0%	

Business and employment taxes

National Living Wage and youth rates

The National Living Wage will increase by 3.9% to £13.20 per hour, and the rate for 18–20-year-olds will also rise by 3.9% to £11.27 per hour.

This represents a lower increase in the National Living Wage than we have seen in recent years, broadly in line with inflation, and businesses will welcome the Government's decision to maintain the differential between the adult and youth rates. The BCC has consistently argued that younger workers should not face significantly higher entry costs for employers.

National Insurance Employment Allowance

The Chancellor chose not to change Employer National Insurance Contributions or the Employment Allowance.

Given ongoing pressures from wage increases and wider labour costs, many firms will view this as a missed opportunity to support recruitment and job creation.

Business rates

The Budget included limited reform of business rates:

- The threshold for Small Business Rate Relief for Retail, Hospitality and Leisure (RHL) businesses will rise from £12,000 to £18,000
- Transitional relief has been extended for a further two years, and
- A greater proportion of business rates revenue will be retained locally through the Government's devolution agenda.

These measures will provide some help for many in the RHL sector, but they fall well short of the comprehensive reform firms were hoping to see. The UK continues to operate one of the most burdensome property-tax systems in the developed world, and many medium-sized firms will see little or no benefit from today's announcements.

Investment support

Access to finance

Additional capitalisation via the British Business Bank and National Wealth Fund is one of the stronger business-focused measures in this Budget. Today’s announcements take overall capitalisation of the Public Finance Institutions (PuFIns) to £229bn.

Previous announcements including the £150 million Northern Scale-Up Fund and the expansion of the Growth Guarantee Scheme to £3.5 billion per year were reaffirmed as part of the Government's wider growth agenda.

Improved access to finance remains a key priority for businesses seeking to invest, scale and innovate. These measures are welcome, but the overall scale of support remains modest relative to the UK's longstanding investment challenges.

Entrepreneurship and scale-ups

The introduction of a new 10% Capital Gains Tax rate for qualifying founders (Founders' Relief) of high-growth companies, up to £10m, is intended to encourage entrepreneurship and investment. The impact will be limited to a relatively small proportion of firms.

In contrast, the halving of the Business Asset Disposal Relief (BADR) to £500k was a hit for businesses looking to invest and grow.

Sector-specific measures

Finance and banking

The Government announced a temporary increase in the bank surcharge from 3% to 6% between January 2027 and March 2028.

The Treasury believes the banking sector can absorb this increase, but businesses will be concerned about any measure that could affect lending availability or borrowing costs at a time when access to finance is critical to growth.

Devolution

One of the clearest themes running through the Budget is the Government's commitment to devolution. The extension of local fiscal powers, greater retention of locally raised revenues and additional responsibilities for mayoral authorities represent a significant shift in economic policymaking.

The Chamber Network has long argued that decisions affecting local economies should be taken closer to businesses and communities rather than in Whitehall.

For Chambers, this change also creates new opportunities to shape local growth agendas and act as a voice for business within devolved decision-making structures. BCC will be sharing separate analysis on the government's new *Fiscal Devolution Roadmap*.

Energy

Energy Infrastructure

The Budget contained further commitments on energy infrastructure through faster grid connections and support for strategic sectors such as data centres. The Government also reiterated previously announced support through the British Industrial Competitiveness Scheme and British Industry Supercharger.

Businesses will welcome efforts to speed up network connections. However, much of today's announcement focused on delivery of existing commitments rather than significant new interventions.

Energy costs

Despite acknowledging the challenge, the Budget provided limited support for business energy costs. The headline energy measures were focused on households, including the removal of gas standing charges and additional consumer support.

The business measures were the previously announced support for energy-intensive industries; so many firms outside those sectors will see no reduction in their energy bills, impacting growth. In the face of international competition, energy costs remain one of the UK's most significant challenges.

As a result, today's Budget is unlikely to change perceptions that the Government has yet to develop a comprehensive strategy for reducing commercial energy costs.

Energy transition

No change in the Energy Profits Levy is a disappointment to businesses and workers across the UK, who have warned that the tax regime for the North Sea is damaging investment and jobs, as well as the feasibility of the energy transition. The Government should bring forward the introduction of the Oil and Gas Revenue Levy to provide long-term certainty for the sector.

Skills and employment

The Budget included funding for new mayor-led apprenticeship brokerage services, additional support for apprenticeships through public procurement, and a pilot Young Entrepreneurs Allowance.

While these measures are welcome, they do not amount to a comprehensive response to the labour shortages and skills gaps reported by businesses across the Chamber

Network. Firms will continue to look for more ambitious reforms that expand labour supply and improve access to training.

Apprenticeships

The new £100 million investment in local apprenticeship programmes has the potential to strengthen local skills pipelines and improve alignment between training provision and employer demand. However, the success of these reforms will depend on whether they reduce complexity, enable more flexible training routes and give employers a stronger voice in shaping provision.

Economic inactivity and youth employment

A comprehensive plan to tackle the growing number of young people not in education, employment or training is due in the forthcoming Milburn Review – but the Budget was surprisingly silent on the roadmap for addressing economic inactivity and workforce participation.

AI

Security and Resilience

The Budget included significant additional funding on safety, with a clear focus on the UK's leading position on AI safety. This included funding for the AI Security Institute, the new National AI Biosecurity Initiative, cyber defences, and to establish the National Agentic Security Unit.

The Government has also set out a commitment to support homegrown businesses and talent, including investment in the Sovereign AI Unit to back promising AI companies in the UK. Support for the AI Economics Institute to analyse the impacts of AI is a win for the UK.

Transport and planning

The Budget reaffirmed the Government's commitment to infrastructure-led growth through further devolution, changes to Treasury appraisal rules and additional support for local growth initiatives.

On Building Regulations, the Government announced they will not make major changes for the remainder of this Parliament, except to continue improving building safety. This is a welcome announcement that should remove unnecessary regulatory barriers.

Businesses broadly support this direction of travel. However, similar commitments have been made by successive governments and employers will ultimately judge success on delivery rather than announcements.

Trade

Tariff duty suspensions and export support

The Government's recent decision to suspend tariffs on a range of imported products or ingredients is a welcome step that should reduce costs for manufacturers and consumers by around £215m in 2027-8 and £155m in 2028-9. The measures reflect longstanding calls from business for action to lower input costs. However, the Budget itself contained little new support for exporters, representing a missed opportunity to strengthen assistance for firms in England outside of the Mayoral Combined Authority areas seeking to access overseas markets.

Carbon Border Adjustment Mechanism

The Government continues preparations for the introduction of the UK Carbon Border Adjustment Mechanism from January 2027, with further implementation detail published during October. Businesses in affected sectors are seeking clarity on the practical operation of the regime and its interaction with domestic carbon pricing arrangements. It remains important that implementation protects the competitiveness of UK firms while avoiding unnecessary administrative burdens. The Government announced a consultation into the inclusion of imported oils or fuels in the UK CBAM alongside the Budget. The BCC is concerned that this could lead to increases in input costs for large-scale importers of fuels, unless the design of the CBAM rate provides sufficient free allowances not to impose additional costs upon businesses. A de minimis rate threshold of £50,000 worth of CBAM imports per annum cushions the impact upon smaller importers.

UK de minimis threshold abolition on customs duties for low-value consignments

The Government indicated its intent to legislate via the Finance Bill 2026-27 for the abolition of the de minimis threshold on customs duties for low-value consignments from 1 October 2028. The BCC opposed this change in the spring, motivated by concerns on input cost pressures for importers and manufacturers. There is still no clarity on the scale of the potential charges per item - £2 or £5, or whether the charge will be levied only per consignment or via each individual commodity code item in a consignment.

Validation of fees for issuance of Certificates of Origin

The Government announced it would legislate via the 2026-27 Finance Bill to validate the fees corresponding to the issuance of Certificates of Origin prior and after 30 March

2027 to remove any ambiguities on their legal basis. The BCC will want to liaise with the legislation team at HMT to ensure there are no unintended consequences for Chambers from the terms or scope of this proposed legislation.

BCC's verdict

In some areas, the Government is pursuing objectives that align with longstanding BCC priorities and reflect issues businesses have consistently raised.

However, the Budget falls short of providing the boost to business confidence and investment that many firms were looking for. While the Chancellor has taken a steady approach and we recognise the broader geopolitical context Government is operating within, there is little in the package that is likely to shift the dial on growth today. Key challenges - including high energy costs, labour shortages and weak business investment - remain largely unaddressed.

Many of the measures announced today build on policies already in train, rather than introducing a bold new agenda for growth. Ultimately, this Budget provides stability, but not the step change in growth that the economy needs.