# Business leaders reject Starmer’s claim Labour has stabilised the economy amid cash crisis



Business leaders have sharply criticised Prime Minister Keir Starmer’s assertion that Labour is fully supporting firms amid worsening economic challenges. Speaking at the British Chambers of Commerce (BCC) conference in London, Starmer claimed that his government had "stabilised the economy" and was backing businesses “to the hilt,” citing trade deals with the US and India as evidence of progress. However, these declarations were met with scepticism as recent data painted a grimmer picture of the economic environment confronting UK companies.

The Office for National Statistics revealed that 17 per cent of businesses have exhausted their cash reserves, marking the worst liquidity situation since the pandemic. The Confederation of British Industry (CBI) reported a continued decline in retail sales for the ninth consecutive month, with January’s drop representing the fastest fall since January 2024. Bank of England governor Andrew Bailey highlighted the adverse effects of Labour's National Insurance hike, noting that firms are cutting jobs and wages as a consequence. These struggles are being exacerbated by increasing costs and economic uncertainty, indicating that the economy remains fragile despite the government’s optimistic messaging.

Critics from the business community responded strongly to Starmer's claims. Charlie Mullins, founder of Pimlico Plumbers, castigated the Prime Minister for his “brass neck” in presenting himself as a champion of business, arguing that Labour’s tax and National Insurance increases had severely damaged firms within just one year. Similarly, Julian Jessop, economics fellow at the Institute of Economic Affairs, stated that "very little has changed for the better" under Labour, pointing to sluggish growth, rising inflation, a weakening labour market, and higher interest rates relative to other economies. Jessop also noted that burdensome energy prices and payroll costs continue to weigh heavily on businesses, while forthcoming legislative changes add further uncertainty.

The scepticism extends to the touted trade deals; Karl Mason, spokesperson for the UK Spirits Alliance, dismissed the government’s trade achievements as “nonsense,” saying that the heavy domestic tax burden stifles investment in export growth, rendering such deals largely ineffective without substantial domestic tax reform.

Further economic indicators underscore the challenging environment. Corporate restructuring and insolvency rates have surged, driven by pressures such as anticipated minimum wage hikes, increased national insurance contributions, elevated borrowing costs, and geopolitical tensions. Smaller businesses, particularly vulnerable due to limited access to expert restructuring advice, are facing higher risk. Corporate insolvencies hit a five-year peak in January 2025, with manufacturing, construction, and recruitment sectors notably affected.

The retail sector's woes are confirmed by multiple sources with somewhat differing nuances. While the CBI reported a sharp decline in sales volumes and deteriorating outlooks for future sales, data from the Office for National Statistics showed a surprising 1.7 per cent rise in January’s retail sales, the strongest growth since May 2024. This was interpreted by some economists as a sign of consumer resilience, although others pointed out that gains in retail might have come at the expense of hospitality and that the overall consumer spending landscape remains subdued amid ongoing cost-of-living pressures. The British Retail Consortium added that January sales growth on the high street was underwhelming, affected by multiple external factors such as poor weather and strikes.

On the corporate front, profit warnings remain frequent, with one in five publicly listed UK firms issuing alerts amid rising costs and hesitancy to invest. The sectors most impacted include business services, industrial suppliers, and recruitment. Moreover, entrepreneurial activity has seen a rise in voluntary business liquidations linked to recent changes in tax policy, specifically the alterations in business asset disposal relief rates, which have prompted some business owners to exit the market.

This combination of rising cost burdens, economic uncertainty, and cautious consumer behaviour paints a complicated backdrop to the government’s claims of economic stabilisation. As Labour grapples with internal divisions and hostile economic data, the challenge remains to reconcile political messages with the tangible difficulties faced by businesses across the country.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/markets/article-14851271/Bosses-hit-PMs-nonsense-Labour-stabilised-economy-one-six-firms-runs-cash.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/markets/article-14851271/Bosses-hit-PMs-nonsense-Labour-stabilised-economy-one-six-firms-runs-cash.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[3]](https://www.reuters.com/business/retail-consumer/uk-retailers-post-big-drop-sales-cbi-says-2025-01-24/), [[6]](https://www.reuters.com/business/retail-consumer/uk-retail-sales-rose-by-17-january-2025-02-21/)
* Paragraph 3 – [[1]](https://www.dailymail.co.uk/money/markets/article-14851271/Bosses-hit-PMs-nonsense-Labour-stabilised-economy-one-six-firms-runs-cash.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.ft.com/content/857846eb-edb0-4ea4-8483-eca6d59611e8), [[4]](https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8)
* Paragraph 4 – [[1]](https://www.dailymail.co.uk/money/markets/article-14851271/Bosses-hit-PMs-nonsense-Labour-stabilised-economy-one-six-firms-runs-cash.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[5]](https://www.ft.com/content/baef306a-be98-4426-aece-1d60aab78646)
* Paragraph 5 – [[2]](https://www.ft.com/content/857846eb-edb0-4ea4-8483-eca6d59611e8), [[4]](https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8)
* Paragraph 6 – [[3]](https://www.reuters.com/business/retail-consumer/uk-retailers-post-big-drop-sales-cbi-says-2025-01-24/), [[6]](https://www.reuters.com/business/retail-consumer/uk-retail-sales-rose-by-17-january-2025-02-21/), [[7]](https://www.theguardian.com/business/2024/feb/06/uk-january-sales-consumer-retailers-brc)
* Paragraph 7 – [[5]](https://www.ft.com/content/baef306a-be98-4426-aece-1d60aab78646), [[4]](https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8)
* Paragraph 8 – [[1]](https://www.dailymail.co.uk/money/markets/article-14851271/Bosses-hit-PMs-nonsense-Labour-stabilised-economy-one-six-firms-runs-cash.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.ft.com/content/857846eb-edb0-4ea4-8483-eca6d59611e8), [[5]](https://www.ft.com/content/baef306a-be98-4426-aece-1d60aab78646)

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## Bibliography

1. <https://www.dailymail.co.uk/money/markets/article-14851271/Bosses-hit-PMs-nonsense-Labour-stabilised-economy-one-six-firms-runs-cash.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.ft.com/content/857846eb-edb0-4ea4-8483-eca6d59611e8> - Corporate restructuring activities in the UK are on the rise due to economic pressures such as anticipated increases in the minimum wage and national insurance contributions. Higher borrowing costs and geopolitical risks are prompting businesses to seek refinancing options, often from private equity. In January 2025, corporate insolvencies reached a five-year high, with significant increases in sectors like manufacturing, construction, and recruitment. Smaller businesses are particularly vulnerable due to limited access to restructuring experts. The uncertainty is further fueled by geopolitical dynamics impacting the global economic balance.
3. <https://www.reuters.com/business/retail-consumer/uk-retailers-post-big-drop-sales-cbi-says-2025-01-24/> - British retailers experienced a notable decline in sales volumes for the year up to January, with expectations for February remaining pessimistic, according to an industry survey by the Confederation of British Industry (CBI). The CBI's monthly retail sales index dropped to -24 in January from -15 in December, marking the lowest level since August of the previous year. Additionally, the outlook for future sales also worsened, falling to -26 from -11. A separate survey by GfK reported a significant decrease in consumer confidence this month.
4. <https://www.ft.com/content/500c623a-2710-491d-984f-8796bc9926b8> - In the 2024-25 tax year, the UK saw a significant increase in entrepreneurs voluntarily liquidating their businesses, reaching the highest level since the pandemic. According to Companies House, there were 12,602 members' voluntary liquidations (MVLs) and a total of 36,807 liquidations, driven primarily by recent tax policy changes. Tax advisers attribute this trend to increases in the business asset disposal relief rate, which allows entrepreneurs to withdraw funds at capital gains tax rates rather than income tax rates. The relief rate rose from 10% to 14% on April 6, 2025, and is set to increase to 18% next year.
5. <https://www.ft.com/content/baef306a-be98-4426-aece-1d60aab78646> - In 2024, one in five UK-listed companies issued profit warnings due to rising costs and a reluctance to commit to optional spending. A report by EY-Parthenon indicated this as the third highest proportion since 2000, surpassed only during the dotcom bust and the pandemic. The trend highlights growing financial distress, especially for business service providers, industrial suppliers, and recruitment companies—all heavily affected by reduced corporate spending. High-profile companies like Frasers Group and Vistry also struggled, with a significant number attributing their warnings to contract cancellations and delays.
6. <https://www.reuters.com/business/retail-consumer/uk-retail-sales-rose-by-17-january-2025-02-21/> - In January, British retail sales grew by 1.7% over the previous month, surpassing economists' expectations of a 0.3% rise. This marked the first increase since August and the fastest monthly growth since May, signaling strong consumer spending despite economic uncertainties. The data, released by the Office for National Statistics, led to an uptick in the value of the British pound. Economist Paul Dales noted that while the retail sector experienced a robust start to 2025, this may have negatively impacted other areas, such as hospitality.
7. <https://www.theguardian.com/business/2024/feb/06/uk-january-sales-consumer-retailers-brc> - The traditional January sales on the high street failed to inspire a revival in consumer spending last month, as households continued to cut back amid the cost of living crisis. Britain’s largest retailers said sales growth slowed last month as higher living costs weighed heavily on consumers, while weather conditions and strikes on the transport network also hit spending. Total sales rose by 1.2% in January compared with a year earlier, below the annual average growth rate of 3.4%, according to the British Retail Consortium (BRC).