# Labour government's budget puts pressure on UK businesses



The recent October budget introduced by the new Labour government has exacerbated financial pressures for businesses across the United Kingdom, particularly influenced by the increase in Employers’ National Insurance Contributions (NICs) from 13.8% to 15%. This adjustment, along with a scheduled rise in the minimum wage in April 2025, is anticipated to escalate operational costs significantly for organisations. Companies will be faced with an anticipated additional burden of approximately £770 in NICs per minimum wage worker and £900 for employees earning at median levels. These measures have compelled many businesses to explore avenues for cost-cutting and enhancing operational efficiencies.

Iain Lennard, chief commercial officer at Southgate Global, emphasised the gravity of these rising costs, stating, “Rising costs will be a problem for every business across any sector in 2025. So, it is more important than ever for organisations to ensure that their people and equipment are maximised.” He noted the likelihood of substantial operational reviews, directing focus towards identifying major cost and time-consuming touchpoints within various business processes, including equipment readiness and workflow analysis.

Furthermore, Southgate Global reported that sustained global instability over the past year has instigated uncertainty within supply chains and is expected to persist through 2025. Factors such as ongoing conflicts in the Middle East and Eastern Europe have imposed additional strain, affecting crucial shipping routes. Notably, the rerouting of ships around Africa’s Cape of Good Hope has resulted in a 30% increase in transit times, affecting international supply chains and imposing heightened time and cost pressures on businesses.

Gavin Rawson, head of logistics at Southgate Global, indicated that the repercussions of global instability will likely extend into 2025, contributing to increased lead times for shipments from Asia to Europe and exacerbating global shipping challenges. He outlined how Southgate Global has adapted to the evolving landscape through proactive measures, including forward planning to enhance stock capacity for material handling and packaging equipment, alongside diversifying sourcing strategies to circumvent many of these disruptions.

In light of changes within the logistics landscape, Southgate identified that transport companies are facing difficulties adapting to the reduced volumes following a post-pandemic boom, leading to several companies exiting the market. As a result, innovation becomes crucial, with industry players expected to invest in improved shipment tracking, communication methods, and increased options for customer deliveries, such as smaller vehicles or vans.

The recent conclusions drawn from the United Nations Climate Change Conference (COP29) have further highlighted the need for sustainable practices within organisations. There is growing impetus for businesses to integrate sustainability into their core strategies, particularly as the focus shifts towards repairing rather than replacing damaged machinery and equipment. Harshad Gorasia, chief operating officer of Southgate Global, remarked, “Sustainability has become an integral part of business strategy. Companies will focus on reducing carbon footprints and using recycled materials.” He also noted that government regulations and growing expectations from business customers and consumers regarding supplier behaviour are driving this trend. While cost reduction remains a key consideration in decision-making, the potential for sustainable practices to yield reduced capital costs suggests a dual benefit moving into 2025 and beyond.

Source: [Noah Wire Services](https://www.noahwire.com)

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