Policy Voice full survey results January 2026

- UK-EU regulatory alignment
- Business rates
- Economic confidence

Number of respondents: 578
Survey Dates: 16-28 January 2026

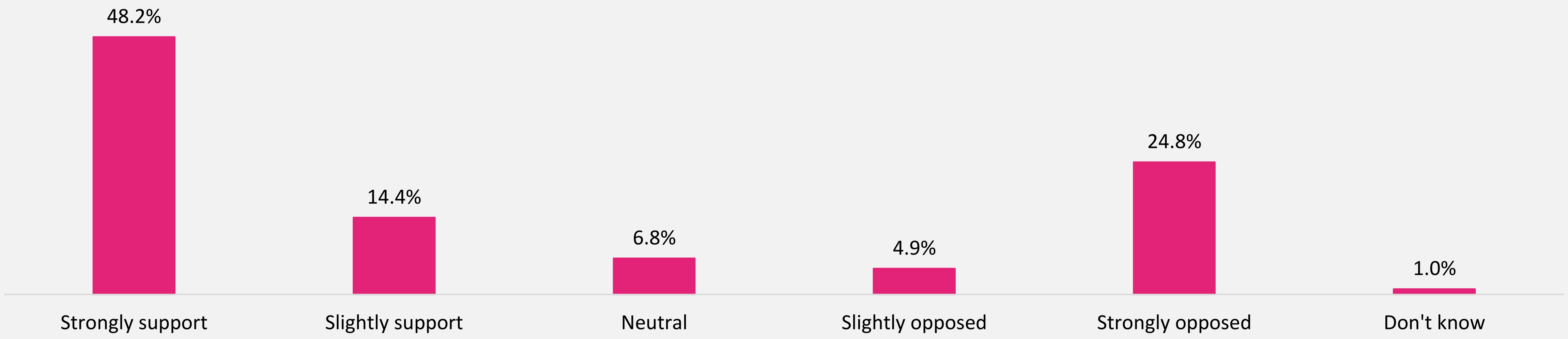
UK-EU regulatory alignment

Support among business leaders for UK–EU regulatory alignment

The government is currently in negotiations over the UK's future relationship with the EU. It is preparing a Brexit Dynamic Alignment Bill which would give the UK overarching powers to align with the EU on areas including food standards, animal welfare, electricity markets and carbon emissions trading.

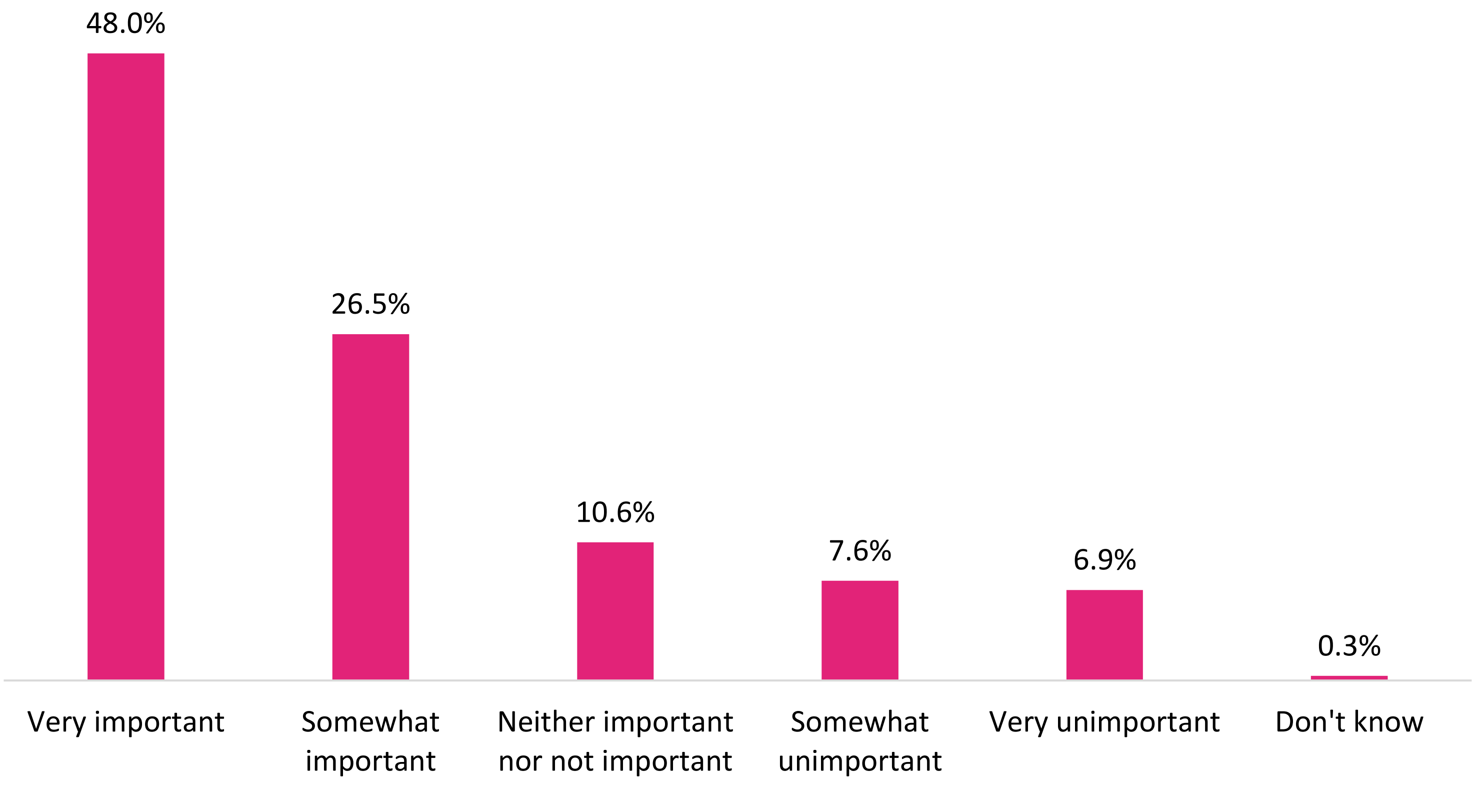
It raises the prospect that the new EU laws in agreed areas will effectively transfer to the UK statute book automatically, with the UK retaining the power to veto them in specific cases. It could also result in a reduction of administrative trade barriers at the border.

On balance, to what extent do you support this approach to UK-EU regulatory alignment?



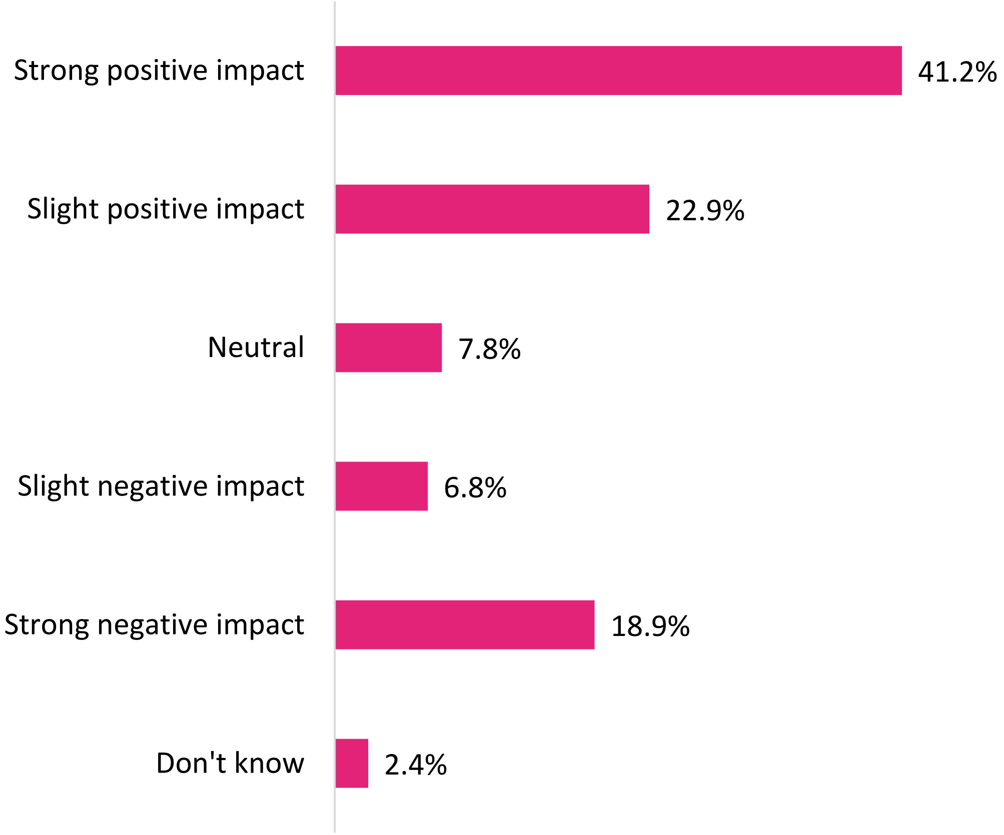
Regulatory sovereignty remains a key priority for IoD members

How important is it that the UK should retain its sovereignty to shape UK regulation?



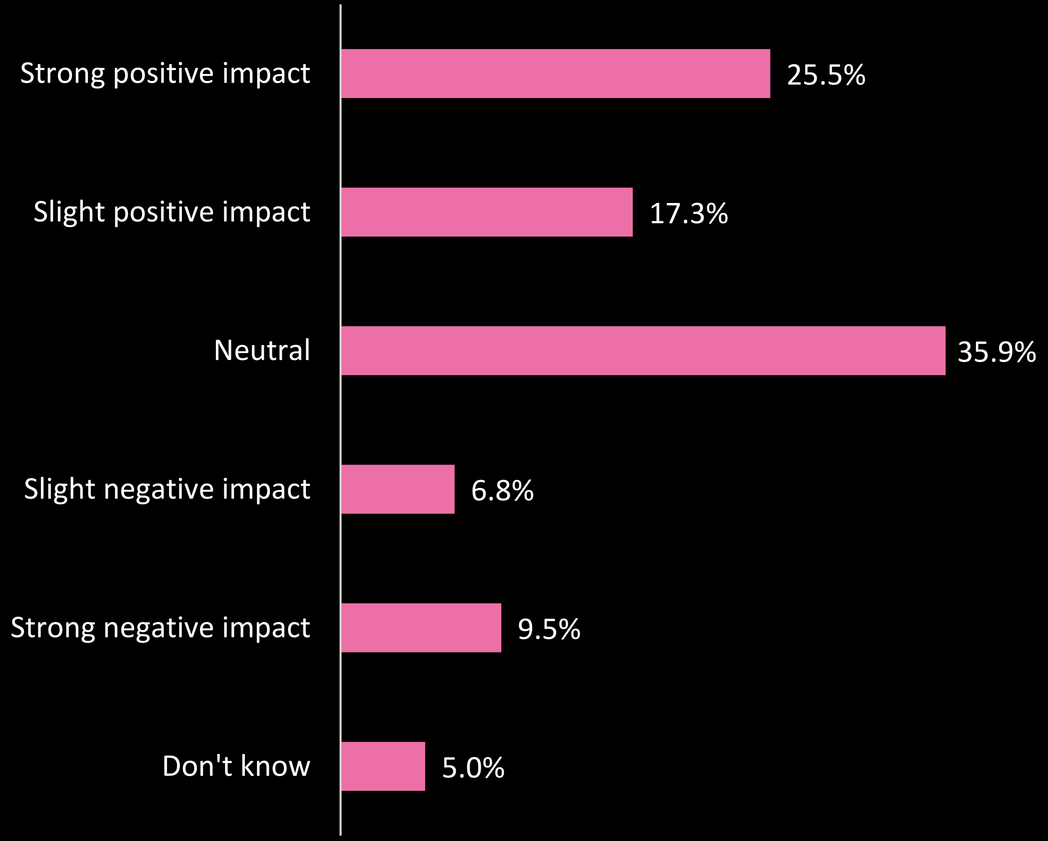
Firms expect economic benefits from EU alignment

What do you think would be the impact on the UK economy of dynamically aligning with areas of EU legislation?



EU alignment seen as neutral for organisations

What do you think would be the impact on your organisation of dynamically aligning with areas of EU legislation?



The overall message from the qualitive analysis suggests that whilst members are on balance supportive of such a Bill, it will need to be targeted and fully represent the UK's interests in its approach.

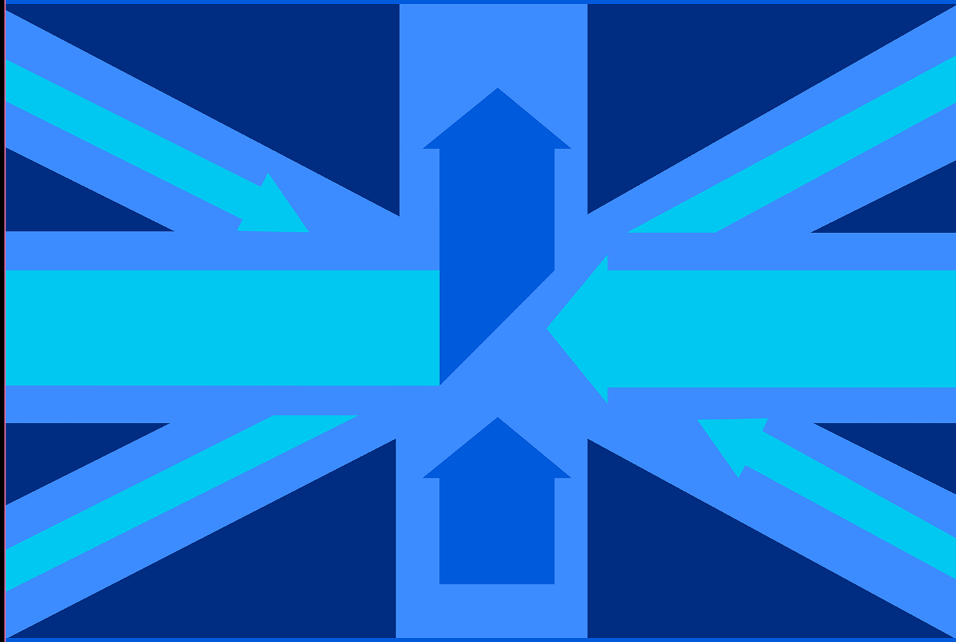
Those who feel it will be a positive development highlight the opportunities for greater access into the EU market.

"Anything that develops confidence in the market will help us in professional services. We have been battered by issue after issue causing our clients to delay or cancel growth work." (South East England, Professional, scientific and technical activities, 10-49 employees)

"As our largest trading partner, show that we comply with regulations that allow us access to their market would be good for exporters and should ease the bureaucratic issues of exporting to the EU that have been manifest since Brexit." (East of England, Water supply, sewerage and waste management, 100-249 employees)

Meanwhile, some members feel that such proactivity is good for confidence:

"It raises the mood music. The UK is very depressed at the moment, substantially lacking a 'can do' culture. This needs rectifying. Further, given the prevailing very uncomfortable geo-political situation, the UK needs to be cuddling up to its European neighbours and collaborating as much as possible. In the political context of 'might is right' the significance of the UK's sovereignty is much diminished." (London, Manufacturing, 10-49 employees)



Sovereignty is seen as still very important. However, there are varying views on how it will impact the UK's ability to align with the EU's regulatory framework. Some feel that a Bill would not impact the UK's sovereignty significantly, where others feel that given sovereignty was a key reason as to why many people voted for Brexit in the first place, the UK should absolutely not pursue regulatory alignment:

"It will improve trade and streamline things like regulatory compliance, particularly where in many areas this is already happening. Having a freer people movement, trade barriers reduced and less friction from a regulatory perspective while also being able to have the option of vetoing and maintaining sovereignty where desired and completely unaligned is the best option." (South East England, Other services, 0-1 employees/sole trader)

"Most important is dynamic alignment on goods. There is little sovereignty to be lost in this alignment although we have lost our previously strong position when we were in the EU. Any goods traded in the EU have to meet the regulations anyway. There is little advantage in having additional UK regulations." (South East England, Professional, scientific and technical activities, 0-1 employees/sole trader)

"Sovereignty is the single most important thing that any nation must preserve. Surrendering sovereignty must never be allowed. That does not mean that we cannot cooperate, nor in business meets various standards, but those must be decisions freely made by companies based on their target markets." (London, other services, 2-9 employees)

"The key reason many people voted for Brexit was to ensure that the UK parliament was sovereign… It is undoubtedly true that the administrative cost of Brexit is more cumbersome and restrictive, but if that is the cost of sovereignty so be it. The UK's position in the EU was diminishing in an organisation dominated by the grand alliance of France and Germany. I would welcome the opportunity to trade with Europe, but not to be part of it." (Wales, Information and Communication, 2-9 employees)

"I believe that dynamic alignment transfers rule-making to an external system and weakens parliamentary control. A veto does not resolve this. Businesses invest on the basis of stable rules. Automatic updates from EU law create uncertainty about future obligations and costs. I strongly believe that cooperation with the EU should be negotiated and specific. Mutual recognition and equivalence reduce trade friction without surrendering control. For these reasons, I think this approach risks economic harm and limits the UK's ability to shape its own regulation." (North East England, Manufacturing, 2-9 employees)

Some members have also highlighted the risk that the EU is currently not as competitive as other global markets on the world stage, and therefore this could lead to lower growth opportunities for the UK anyway:

"Alignment with EU regulations will constrain UKs ability to trade everywhere else. It will negate the agreements already secured. EU is a declining market. UK should be seeking to trade with all markets, particularly growing markets. UK regulations should be designed in the UK, legalised in the UK and applied in the UK. If these need to be tailored to different markets then UK ownership rather than EU imposition allows flexibility." (Scotland, Professional, scientific and technical activities, 50-99 employees)

"We cannot build the future by stepping back into the past, EU is struggling financially as well in most countries and will not be the growth engine in the near future. US, ASIA and LATAM are more important future growth markets. Getting sucked back in to growing EU bureaucracy will not support our sovereignty…" (South East England, Manufacturing, 10-49 employees)

Finally, members have stressed the importance of the implementation, in that any regulatory alignment will need to create predictability for UK firms:

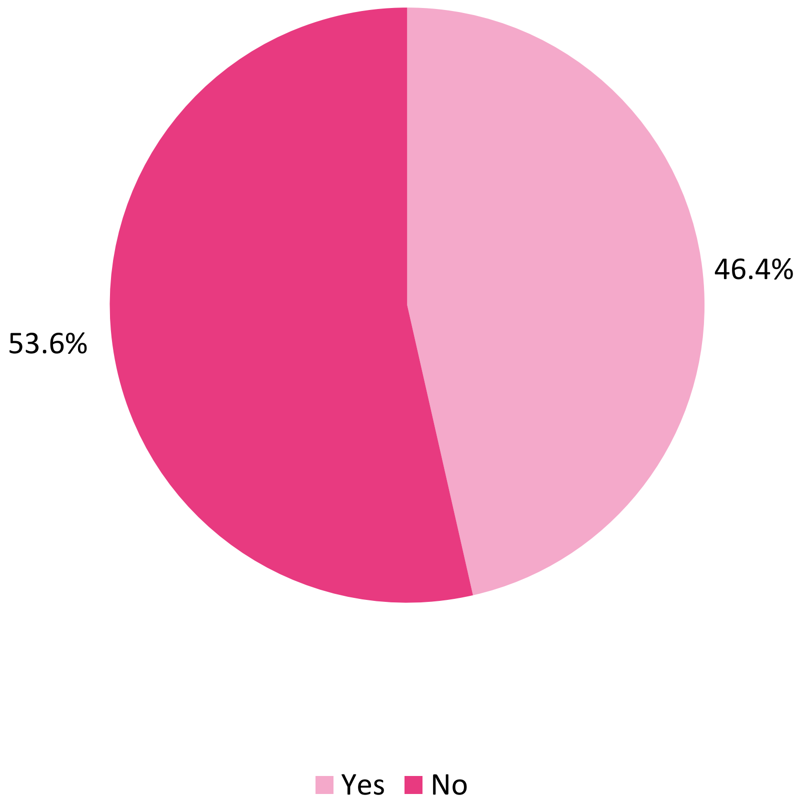
"The UK economy benefits from regulatory clarity and predictability. Dynamic alignment could provide both or neither, depending on whether it operates through systematic governance processes or becomes an ad-hoc political negotiation on each legislative development." (North East England, Professional, scientific and technical activities, 0-1 employees/sole trader)

Business rates

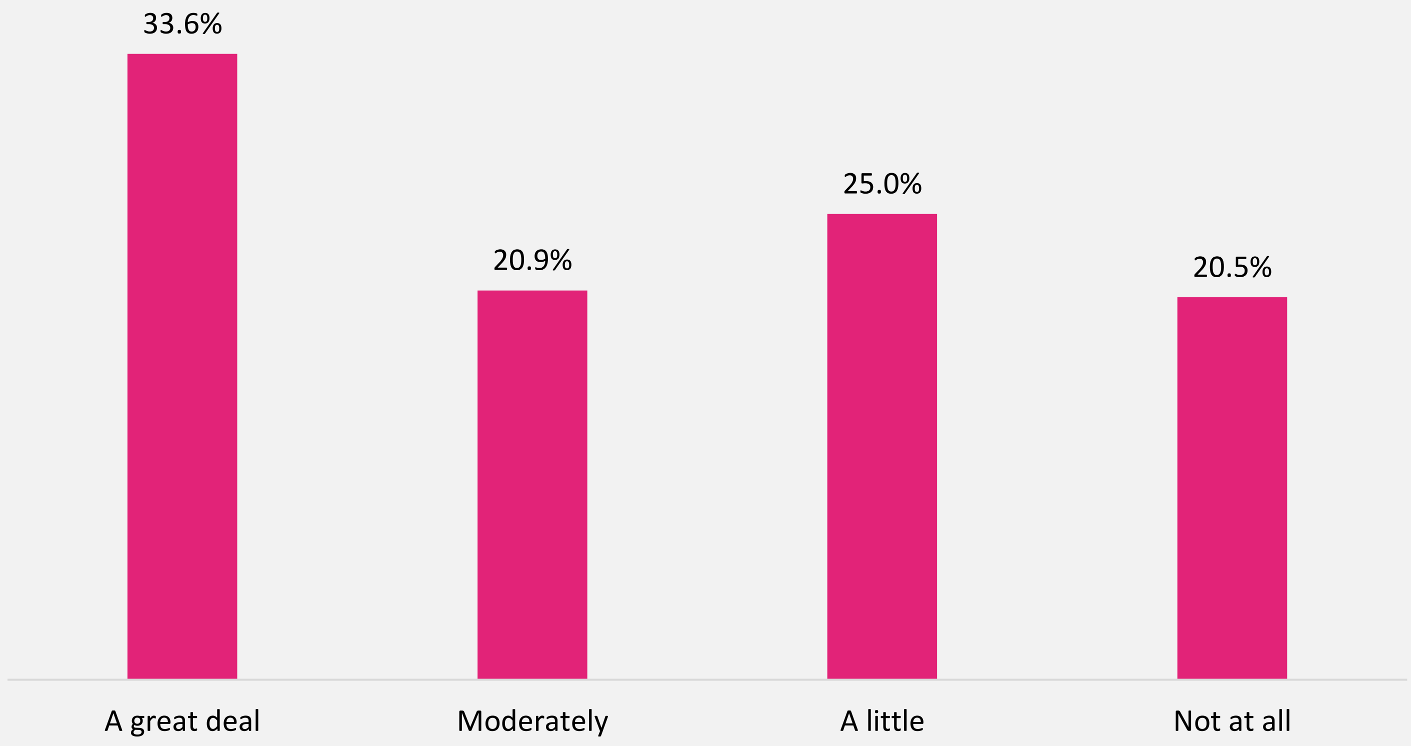
The government is consulting on elements of the Business Rates system in the UK. In particular, they are looking at how moving to a marginal tax rate, where successive bands are taxed at increasing rates, may be beneficial for investment.

Business rates widely influence firms' investment decisions

Do you pay business rates?



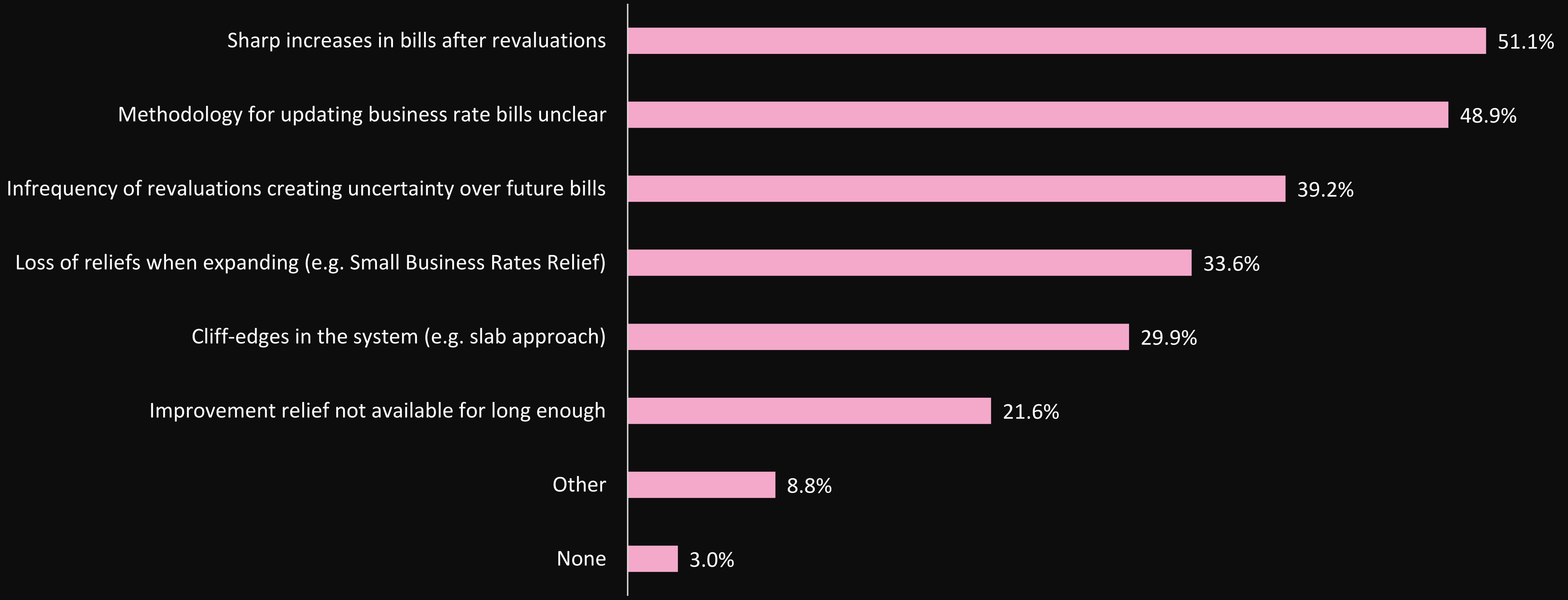
[If yes] To what extent do business rates influence your decisions about investing in property improvements, expanding premises, or opening new locations?



Multiple business-rates factors make investment planning harder

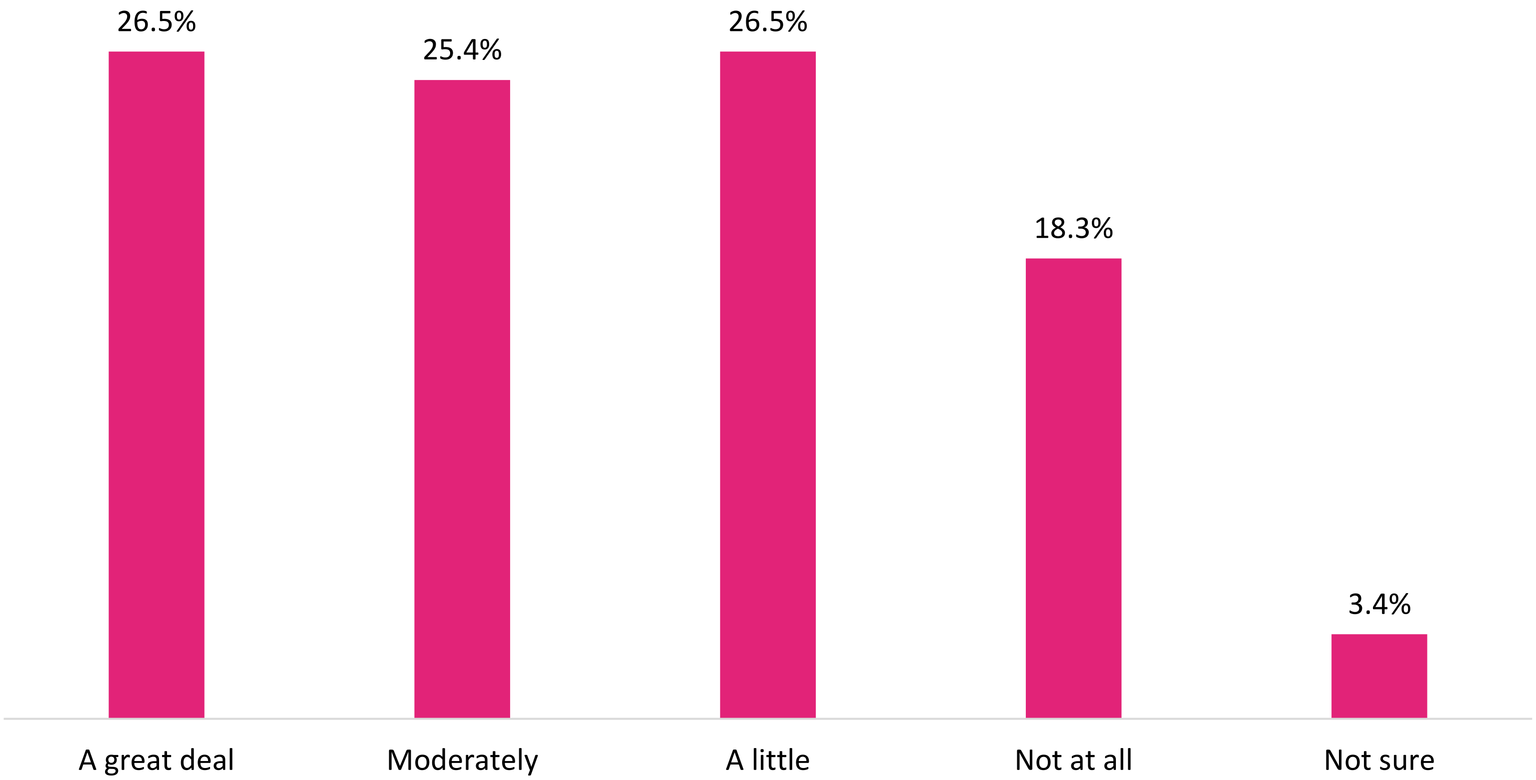
Which aspects of the current business rates system make investment planning more difficult for your business?

Please select all that apply.



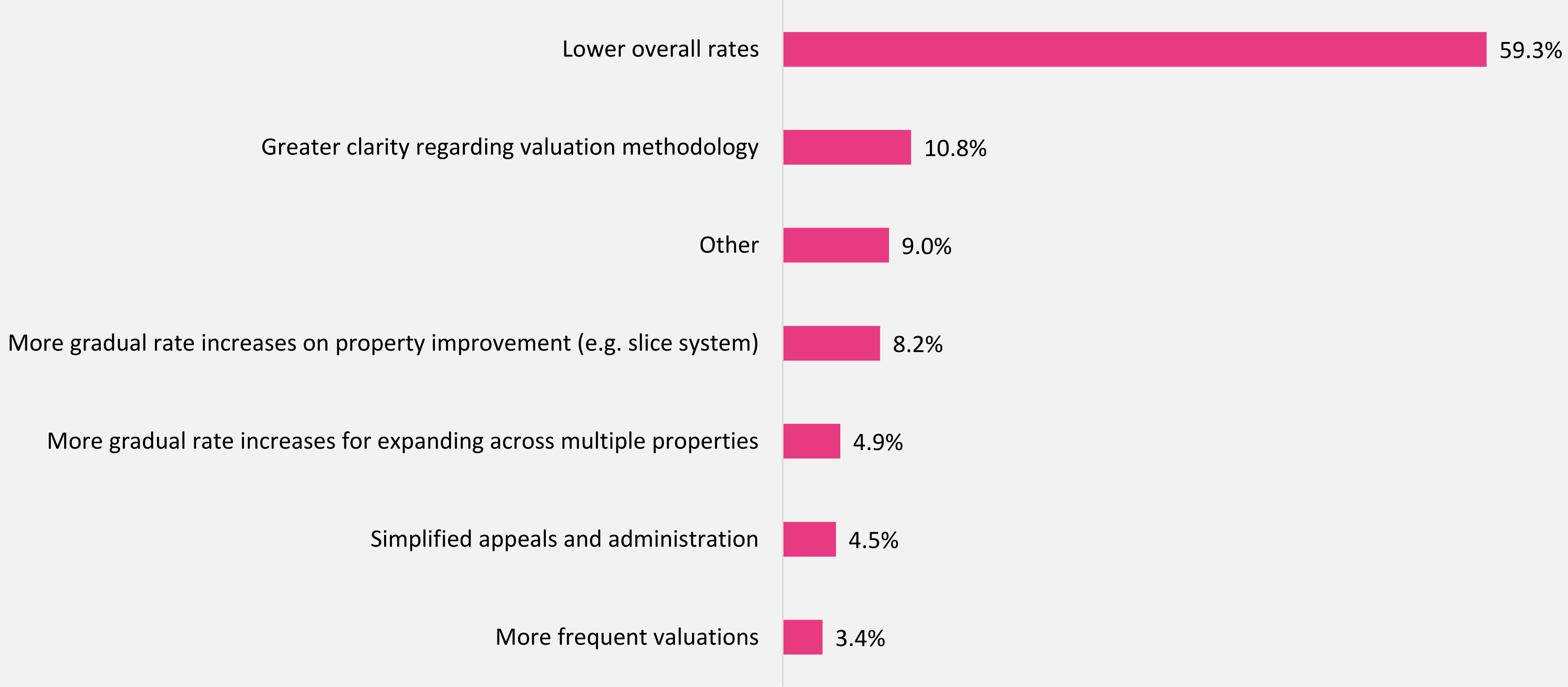
Predictable business rates encourage long-term investment

How much does the predictability of future business rates bills affect your willingness to invest in long-term projects?



Lower business rates would most encourage investment

Which type of reform to the business rates system would most encourage you to invest more in your property or operations?



There was a predominantly critical response from IoD members regarding the current Business Rates system. While few addressed the technical detail of a marginal structure, the clear view was that Business Rates in their current form constrain investment and growth. Respondents highlighted the disconnect between rates and profitability, volatility at revaluation, and wider concerns about whether a property-based tax remains fit for purpose.

The dominant theme was that Business Rates are a high fixed cost unrelated to trading performance, increasing financial risk and deterring expansion - particularly during periods of economic uncertainty.

“Rates have to be paid whether you are making any money or not. Anything that pushes up fixed costs is a deterrent to investment as the risks go up.” (Yorkshire and the Humber, wholesale and retail trade, 100–249 employees)

“It's just a massive cost on business that can be completely divorced from ability to generate income and therefore has an impact on strategy and competitiveness.” (East Midlands, manufacturing, 100–249 employees)

“The increase is meaning we will have to increase prices for our customers and as sales have been low this year due to the stagnant economy, it makes it even harder to find the money to pay the rates… I would question our ability to continue trading.” (South East England, manufacturing, 10–49 employees)

Closely linked to this was concern about volatility at revaluation and a lack of predictability. Respondents argued that uncertainty over future liabilities is itself delaying investment and expansion decisions.

“This is a complex topic… it's the sharp increase that is causing many problems. We need stability and predictability so we can plan future investments.” (South West England, other services, 250+ employees)

“This is impacting us right now in Manchester. We need to expand our footprint but have delayed for circa 9-months until we understand the likely business rates.” (North West England, manufacturing, 10–49 employees)

A further prominent concern was that the property-based structure of Business Rates distorts competition and disadvantages certain sectors, particularly high street retail and manufacturing, relative to warehouse-based and online operators. Several members questioned whether more fundamental reform may be required.

“Make business rates fairer across different types of building. Why should online warehouse retailers pay less than high street retailers?” (South East England, information and communication, 2–9 employees)

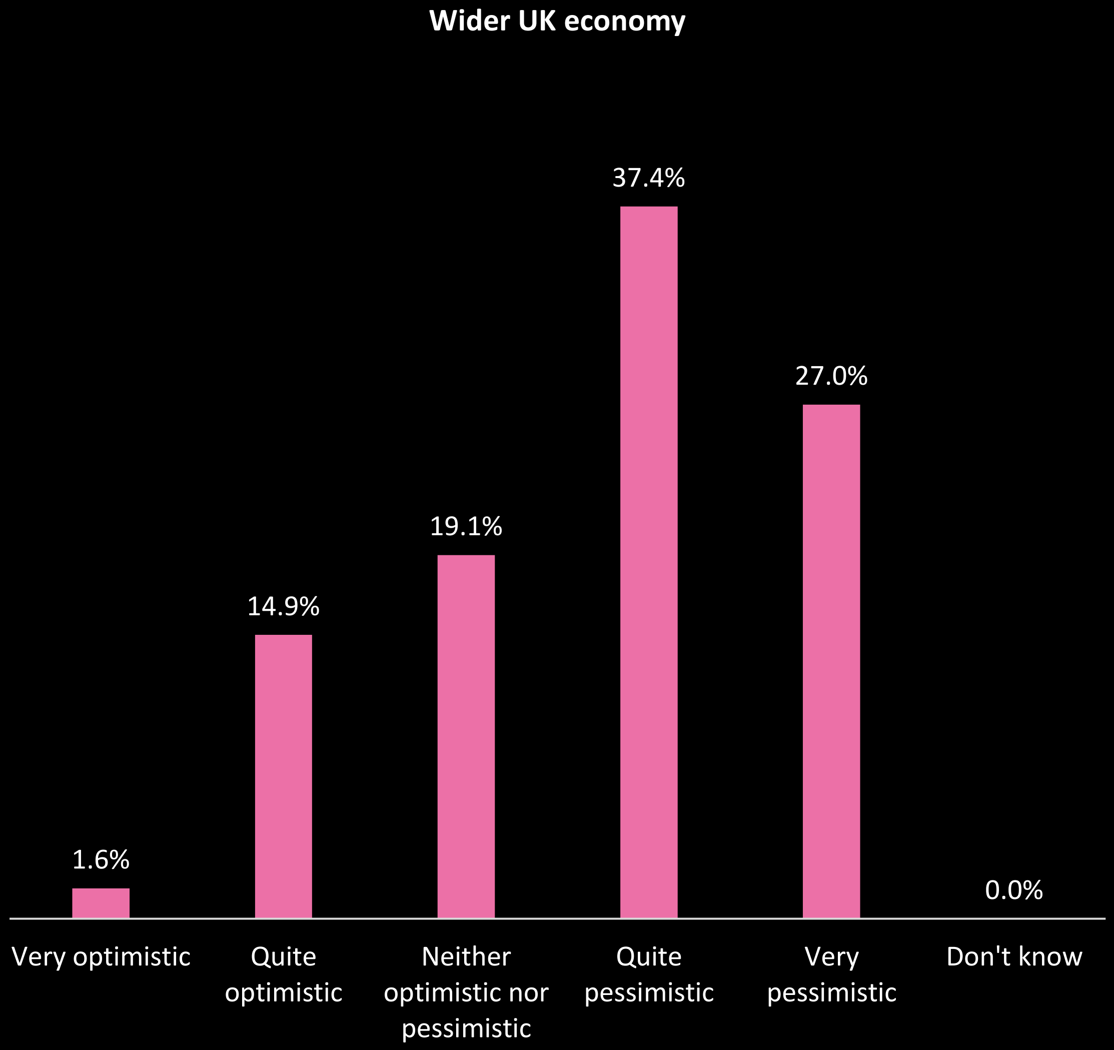
“Business rates are not viable long term… It needs to be gradually replaced by a local corporation tax unrelated to property.” (London, information and communication, 50–99 employees)

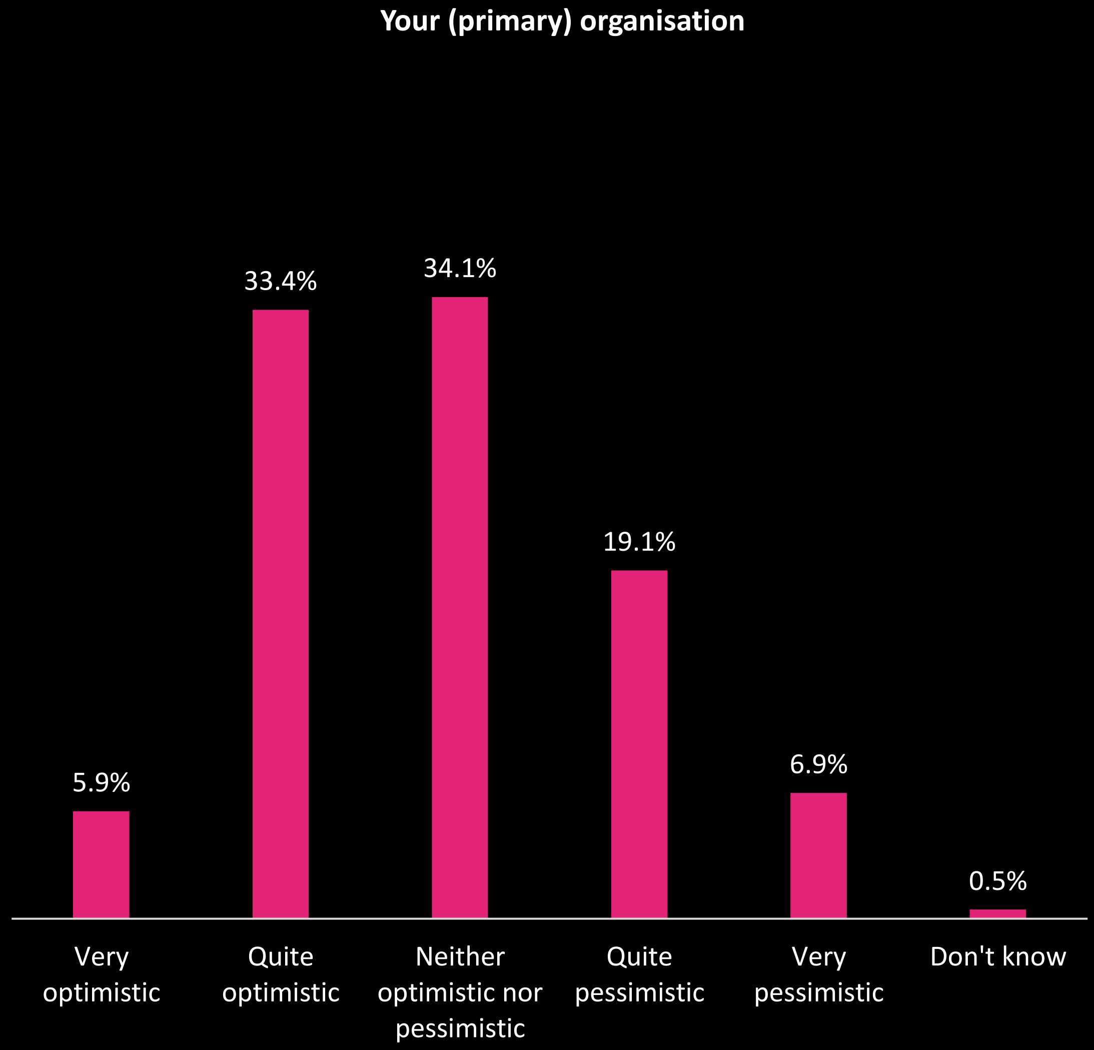
Economic Monitoring: data

The following data contributed to our Director's Economic Confidence Index, which we send directly into the heart of government each month.

This data is widely reported in the national media.

How optimistic are you about both the wider UK economy and also your organisation over the next 12 months?





Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of:

	Much higher	Somewhat higher	No change	Somewhat lower	Much lower	Don’t know	N/A
Business investment	3.8%	22.9%	38.1%	18.7%	13.5%	1.0%	1.9%
Costs	20.1%	64.5%	9.9%	2.9%	0.5%	0.7%	1.4%
Exports	2.9%	16.5%	27.0%	6.6%	2.1%	1.4%	43.5%
Headcount	1.0%	21.5%	49.0%	16.6%	8.3%	1.0%	2.4%
Revenue	5.0%	43.3%	23.6%	18.9%	6.1%	1.4%	1.7%
Wages	4.3%	49.2%	35.0%	6.2%	2.4%	0.3%	2.4%

There was a clear sense among IoD members that while business confidence has improved slightly in recent weeks, the UK economy remains challenging. Respondents highlighted that modestly higher optimism is tempered by ongoing pressures such as rising costs, tax burdens, regulatory complexity, and policy uncertainty, which continue to constrain growth, investment, and hiring.

The most prominent theme in members' responses was the burden of taxation and rising operating costs, particularly employer National Insurance and the minimum wage, which many said suppress investment and curtail hiring:

"Unable to raise funding and expand at present so continuing to focus on break even and not replace leaving staff." (London, professional, scientific and technical activities, 2–9 employees)

"We are at break even, but recent NI costs are additional so we have stopped hiring and have not replaced someone leaving." (Scotland, professional, scientific and technical activities, 2–9 employees)

A second theme was policy uncertainty and frequent U turns, which undermine planning and limit investment, dampening the positive sentiment seen in overall confidence:

"How on earth can businesses plan in an environment as unstable as this?" (London, manufacturing, 10–49 employees)

"With great difficulty, having to diversify and find new strategies - the result of two poorly thought out Budgets and constant U-turns just cause confusion." (London, financial services, 2–9 employees)

A third theme was sector-specific pressures and external challenges, including energy costs, regulation, global competition, and shifting demand:

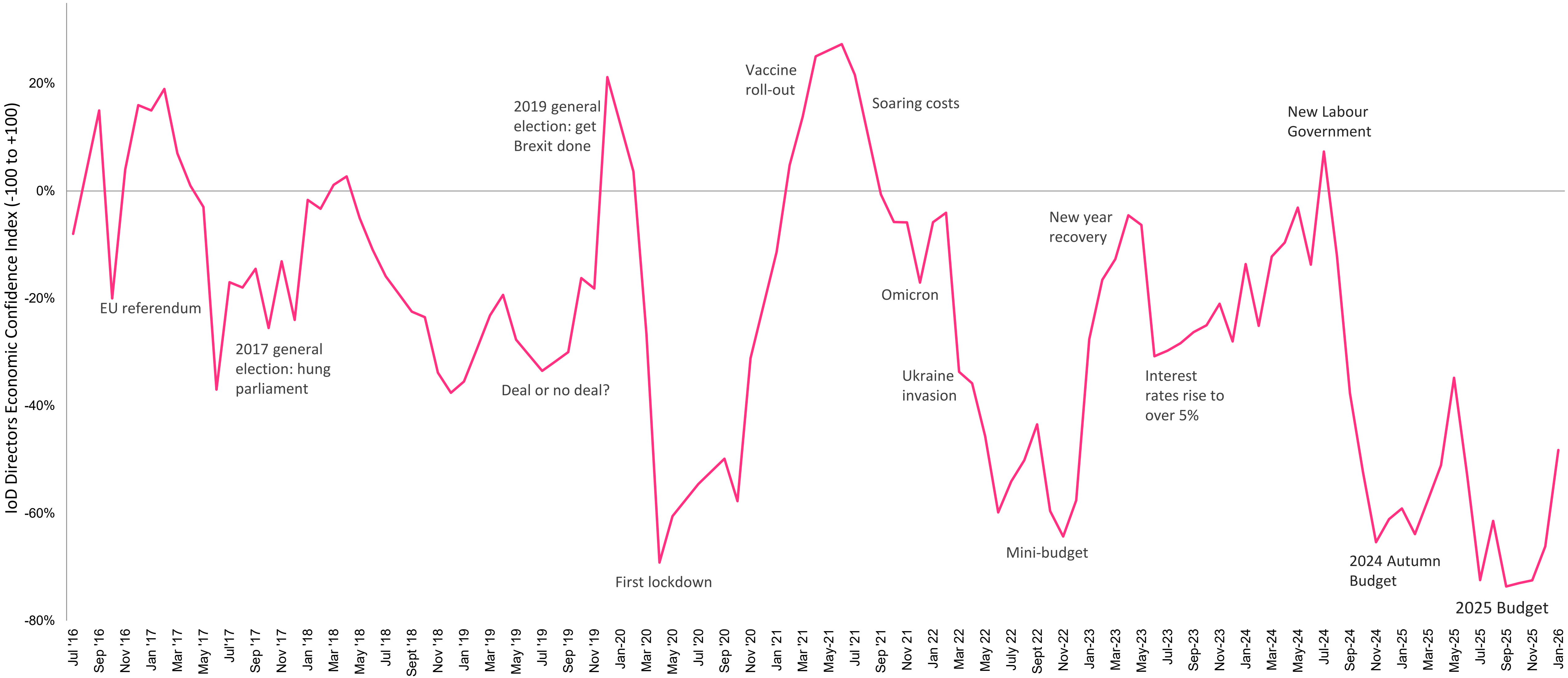
"We are an energy focussed business and UK Gov policy is destroying the market. Our clients are cutting costs, headcount, closing, moving overseas." (South West England, information and communication, 2–9 employees)

"Key factors were uncertainty in the market, worsening performance of our customers leading to cuts, increased labour costs (we now won't hire in the UK — we offshore everything we can) and government indecision." (London, manufacturing, 10–49 employees)

Overall, while confidence has improved modestly, qualitative responses show that high costs, policy instability, and structural challenges continue to constrain business growth and hiring, especially for SMEs.

Economic Monitoring: trends

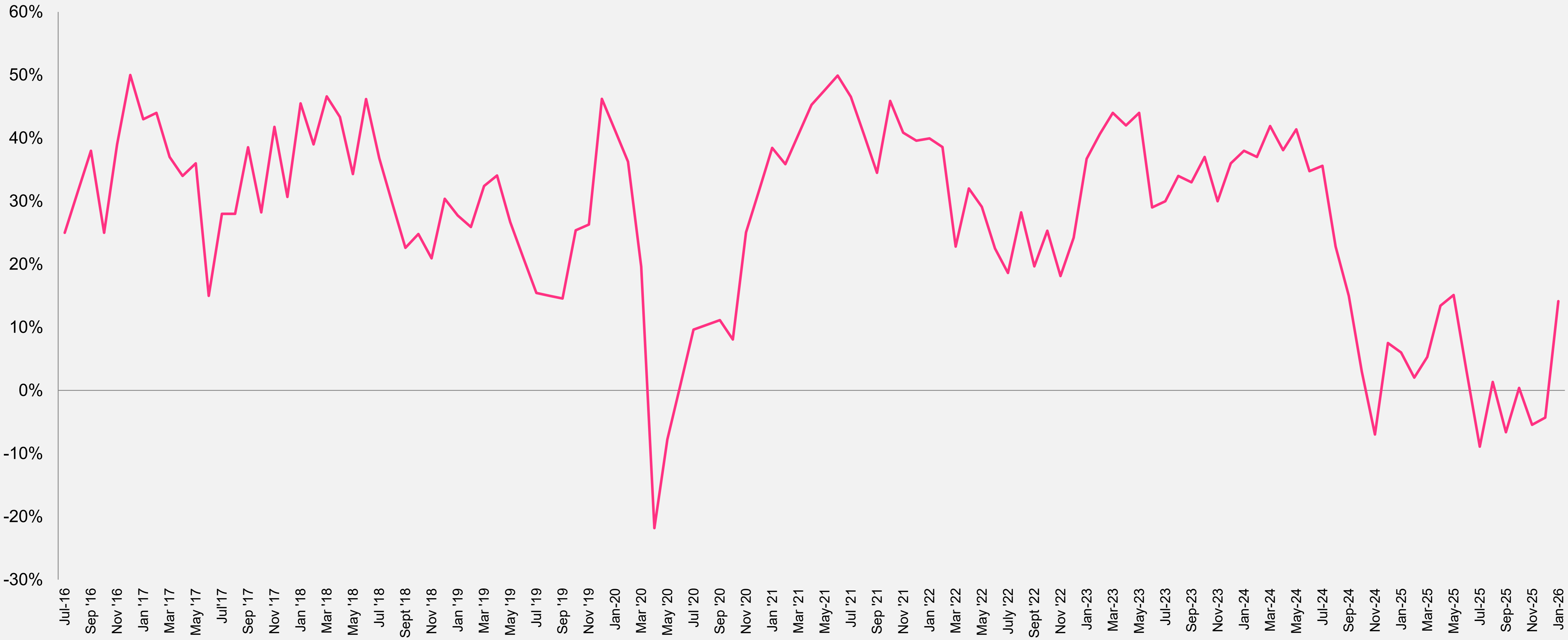
Business confidence jumps in January



How optimistic are you about the wider UK economy over the next 12 months?
(5-point scale from very optimistic to very pessimistic, net positive %. Latest reading: January 2026)

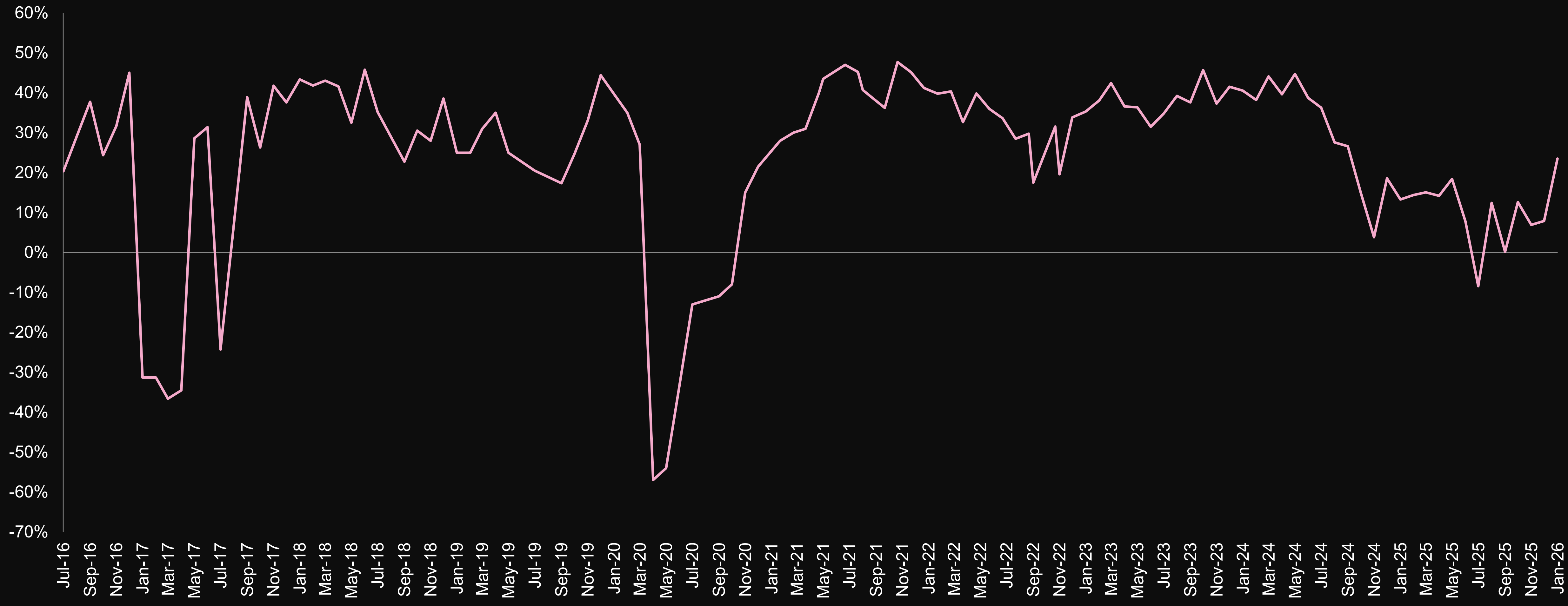
Business leader confidence in their own organisations also jumped, to +14 in January

How optimistic are you about your own organisation over the next 12 months?
5-point scale from very optimistic to very pessimistic, net optimistic % Source: IoD monthly Policy Voice surveys



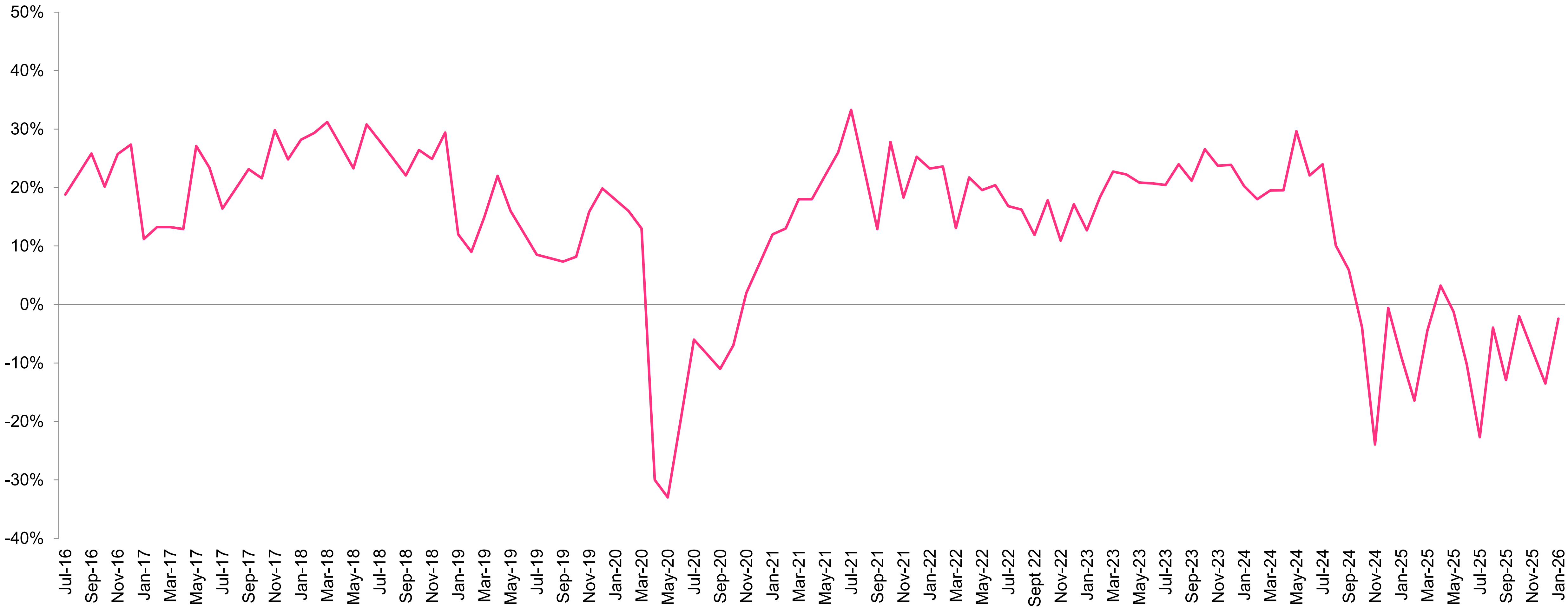
Revenue expectations rose to +23 from +8 (highest since September 2024)

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: REVENUE.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



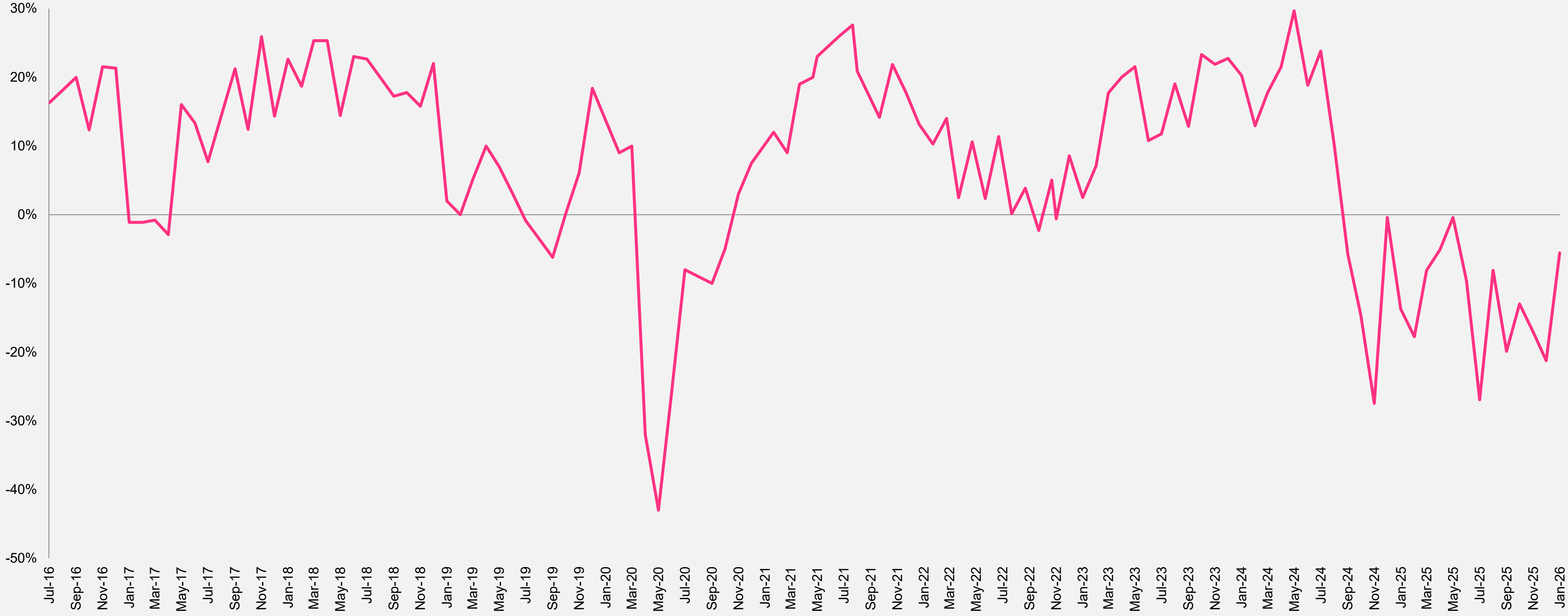
Headcount expectations rose to -2 from -14 (highest since October 2025)

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: HEADCOUNT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



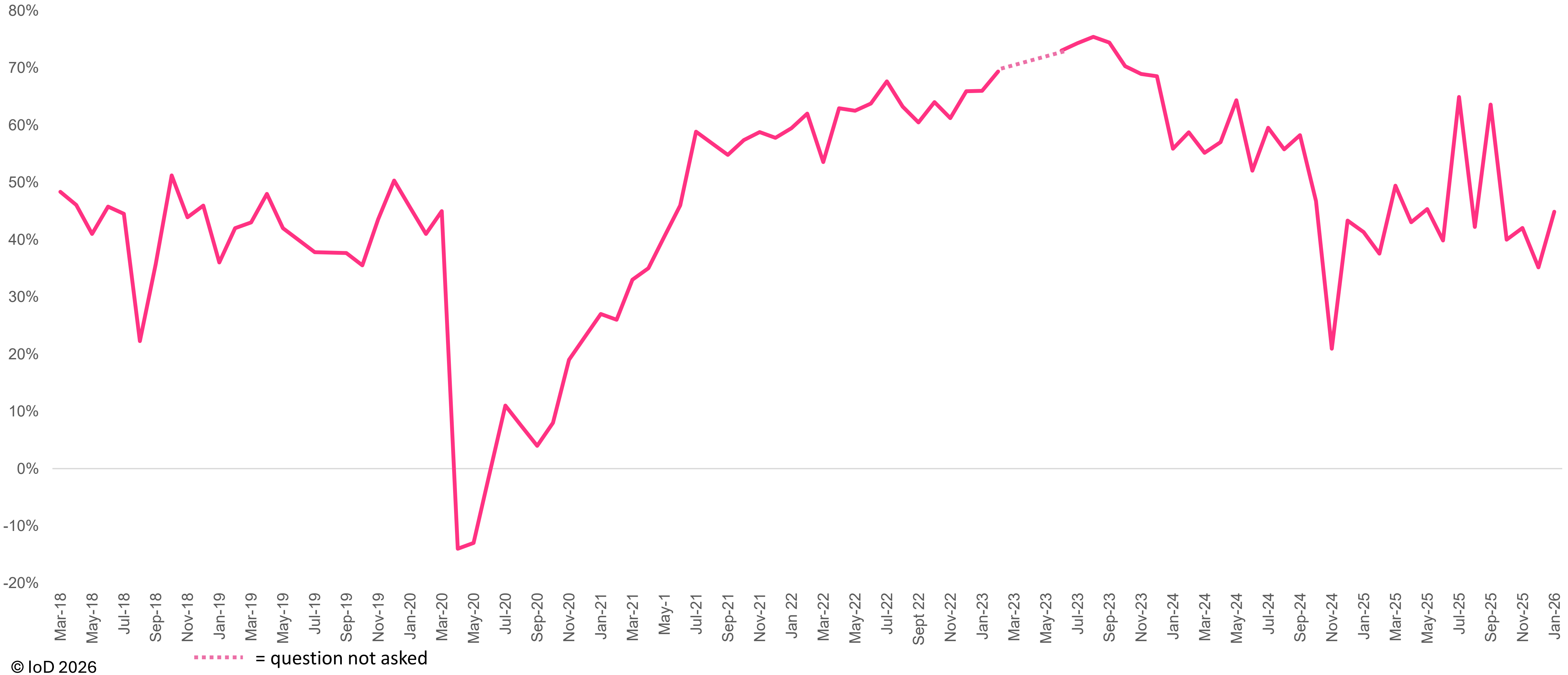
Investment intentions rose to -5 from -21 (highest since May 2025)

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: INVESTMENT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



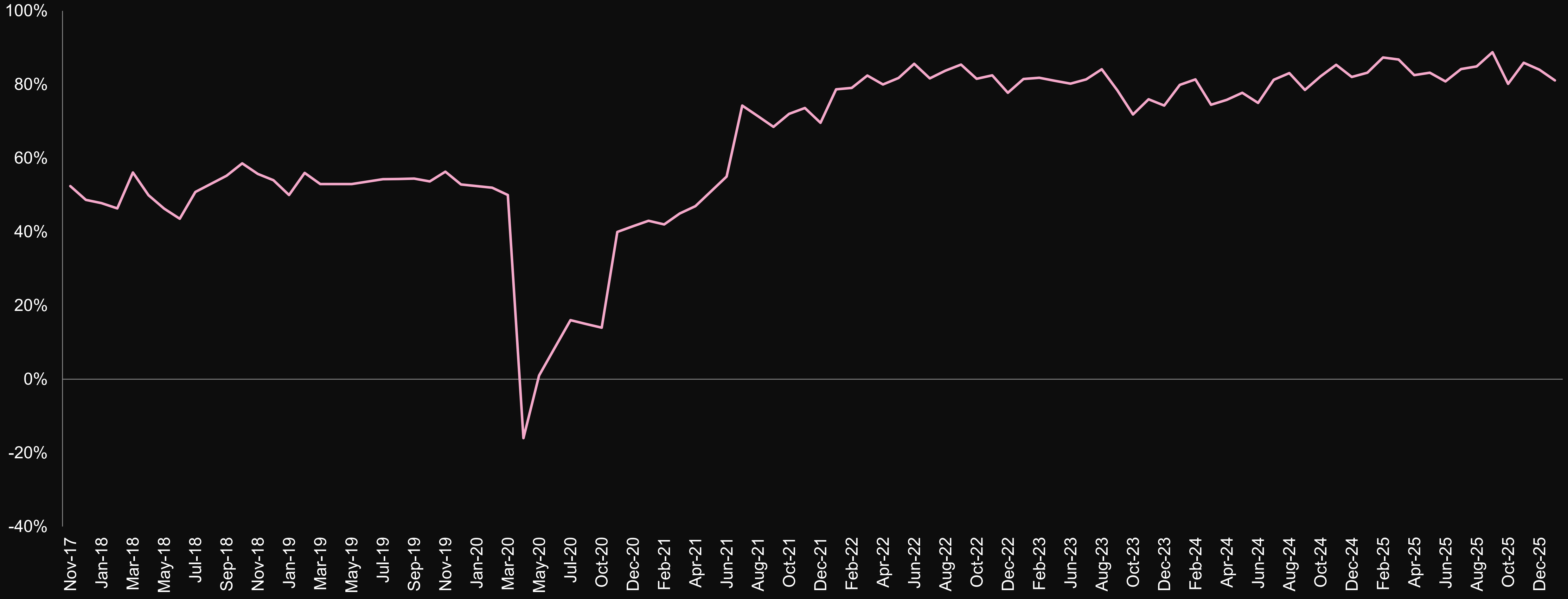
Wage expectations increased to +45 from +35

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: WAGES.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



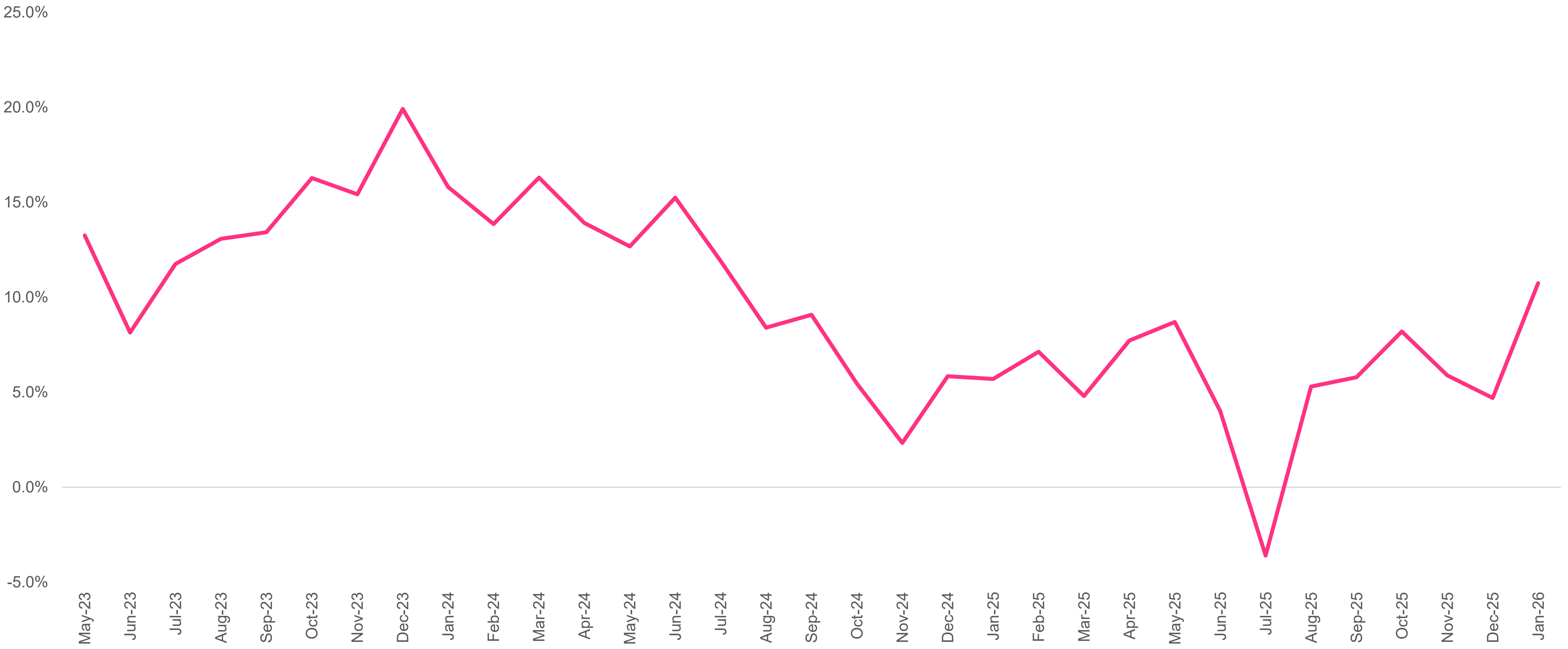
Cost expectations fell marginally to +81 from +84

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: COSTS.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



Export expectations increased to +11 from +5

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: EXPORTS
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys. Question first asked in April 2023.



Economic Monitoring: sectoral breakdown

Wider UK economy

	Accommodation and food services	Administrative and support services	Agriculture, Forestry and Fishing	Arts, entertainment and recreation	Civil service/public administration	Construction	Education	Electricity and/or gas supply	Financial services
Very optimistic	5.6%	14.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%
Quite optimistic	5.6%	14.3%	0.0%	12.5%	50.0%	15.6%	21.1%	14.3%	10.5%
Neither optimistic nor pessimistic	5.6%	14.3%	14.3%	12.5%	0.0%	25.0%	21.1%	14.3%	22.8%
Quite pessimistic	38.9%	28.6%	42.9%	50.0%	25.0%	25.0%	31.6%	57.1%	31.6%
Very pessimistic	44.4%	28.6%	42.9%	25.0%	25.0%	34.4%	26.3%	14.3%	33.3%
Don’t know	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of respondents	**18**	**14**	**7**	**8**	**4**	**32**	**19**	**7**	**57**

	Health and social work	Information and communication	Manufacturing	Mining and quarrying	Other services	Professional, scientific and technical activities	Real estate	Transportation and storage	Water supply, sewerage and waste management	Wholesale and retail trade (including motor repair)
Very optimistic	0.0%	1.5%	1.6%	0.0%	0.0%	1.4%	4.2%	0.0%	0.0%	0.0%
Quite optimistic	5.6%	18.2%	14.5%	33.3%	18.8%	14.8%	16.7%	25.0%	14.3%	0.0%
Neither optimistic nor pessimistic	16.7%	16.7%	29.0%	33.3%	12.5%	20.4%	4.2%	8.3%	42.9%	30.8%
Quite pessimistic	27.8%	37.9%	30.6%	33.3%	48.4%	41.5%	41.7%	25.0%	42.9%	38.5%
Very pessimistic	50.0%	25.8%	24.2%	0.0%	20.3%	21.8%	33.3%	41.7%	0.0%	30.8%
Don’t know	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of respondents	**18**	**66**	**62**	**3**	**64**	**142**	**24**	**12**	**7**	**13**

Your (primary) organisation

	Accommodation and food services	Administrative and support services	Agriculture, Forestry and Fishing	Arts, entertainment and recreation	Civil service/public administration	Construction	Education	Electricity and/or gas supply	Financial services
Very optimistic	11.1%	14.3%	0.0%	25.0%	0.0%	0.0%	5.3%	0.0%	7.0%
Quite optimistic	11.1%	35.7%	28.6%	12.5%	50.0%	31.3%	36.8%	42.9%	29.8%
Neither optimistic nor pessimistic	44.4%	21.4%	28.6%	25.0%	25.0%	31.3%	42.1%	14.3%	42.1%
Quite pessimistic	27.8%	7.1%	14.3%	12.5%	25.0%	25.0%	5.3%	42.9%	10.5%
Very pessimistic	5.6%	7.1%	28.6%	25.0%	0.0%	12.5%	10.5%	0.0%	10.5%
Don't know	0.0%	14.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
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Quite optimistic	27.8%	33.3%	37.1%	33.3%	34.4%	37.3%	33.3%	33.3%	57.1%	15.4%
Neither optimistic nor pessimistic	16.7%	36.4%	37.1%	0.0%	32.8%	36.6%	29.2%	25.0%	28.6%	23.1%
Quite pessimistic	38.9%	21.2%	14.5%	33.3%	18.8%	16.2%	20.8%	41.7%	0.0%	53.8%
Very pessimistic	16.7%	3.0%	1.6%	0.0%	9.4%	4.2%	12.5%	0.0%	0.0%	7.7%
Don't know	0.0%	0.0%	0.0%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Total number of respondents	**18**	**66**	**62**	**3**	**64**	**142**	**24**	**12**	**7**	**13**

Our purpose

Objects of the Institute of Directors' Royal Charter

To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations.

To promote the study, research and development of the law and practice of Corporate Governance, and to publish, disseminate or otherwise make available the useful results of such study or research.

To represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.

To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.