



How a general election can affect your business

The news is currently full of reports on the general election, so much so that you may be inclined to switch off rather than hear any more about it!

Of course, we have no wish to take sides or promote the views of one party over another. However, regardless of what happens and who eventually wins, a general election represents a significant event that can shape the economic landscape of a country. For your business, these elections bring about a period of uncertainty and potential change.

Let's pick apart some of the factors it is worth looking out for so that you can be prepared for any potential changes.

Economic Policies and Regulation

One of the most direct ways a general election affects businesses is through changes in economic policies and regulations. When talking about economic policies we're usually referring to tax and government spending.

Broadly speaking, policies that favour lower business taxes and deregulation can often boost business investment and growth. Conversely, policies that focus on increasing tax and bringing in more stringent regulations may mean higher costs for businesses but increase government spending that may benefit the economy and your business in a different way.

Key Considerations:

- **Taxation:** Changes in the company tax rates will directly affect a company's profitability. Lower taxes generally increase net income, while higher taxes reduce it.
- **Regulations:** Alterations in employment laws, environmental regulations, and industry-specific standards could make it easier or more complicated to run your business.

Market and Consumer Confidence

General elections can significantly influence market and consumer confidence. The period leading up to an election often brings uncertainty, so businesses and consumers delay spending money while they wait to see what the outcome is.

Key Considerations:

- **Investment:** Businesses might delay major investments or signing off on purchase orders until after the election. Once they have a clearer picture of what future policies are likely to be, they may revisit spending and investment decisions that haven't been committed to yet.
- **Consumer Spending:** Consumers may become more cautious, reducing their spending. This can particularly impact retail and service-related businesses.

Currency and Financial Markets

Elections can also impact financial markets and currency values. Investors react to the anticipated and actual outcomes of elections, which can lead to volatility in stock markets and fluctuations in currency exchange rates. For businesses, especially those involved in international trade, such volatility can affect profit margins and pricing strategies.

Key Considerations:

- **Stock Markets:** Election outcomes perceived as business-friendly may lead to market rallies, while those seen as unfavourable could cause market declines.
- **Currency Values:** Changes in government policies on trade, fiscal stimulus, and economic management can lead to currency appreciation or depreciation.

Public Spending and Infrastructure

Government spending priorities can shift significantly with a change in administration. A new government may prioritize different sectors for public spending, impacting businesses associated with those sectors. For example, increased spending on infrastructure can benefit construction companies, while cuts in public services might adversely affect healthcare providers.

Key Considerations:

- **Infrastructure Projects:** Businesses in construction and related industries may see new opportunities open up to them.
- **Public Services:** Businesses providing services to the government may experience changes in demand based on shifts in public spending priorities.

Employment Market

The employment market is another area where general elections can have a profound impact. Policies on minimum wage, worker rights, and immigration can affect costs and your ability to recruit the right workers for jobs.

Key Considerations:

- **Wage Policies:** While a further imminent increase seems unlikely, changes in the policies around minimum wage laws could increase employment costs for businesses. Businesses in low-margin industries can be particularly sensitive to these changes.
- **Immigration Policies:** Adjustments in immigration laws can affect the availability of skilled and unskilled labour, with knock-ons to your recruitment strategies and employment costs.

Conclusion

General elections are pivotal events that can have wide-ranging effects on businesses. However, by understanding the potential effects on your business you are better able to proactively plan and make adjustments so that your business continues to grow and enjoy stability.

If you have questions about how any proposed policy could affect your business or tax situation, please do not hesitate to call us. We will be happy to help you!