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News in Review

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"Today we build for the future"

Jeremy Hunt delivered his first Budget last Wednesday, billing it as *"A Budget for Growth."* The Chancellor kicked off his statement with a commentary of the latest economic projections from the Office for Budget Responsibility (OBR).

Firstly, focusing on inflation, the OBR data suggests that inflation will fall from an average rate of 10.7% in Q4 2022 to 2.9% by the end of 2023. This fall can partly be attributed to a three-month extension of the Energy Price Guarantee (EPG), announced earlier on 15 March. The EPG caps typical energy bills at £2,500, and will be kept at this level throughout April, May and June. Rishi Sunak spoke of the decision to retain the EPG, *"Continuing to hold down energy bills is part of our plan to help hardworking families with the cost of living and halve inflation this year."*

Turning to economic growth expectations, the Chancellor said the OBR believe the UK economy will avoid a technical recession in 2023. Estimates show a 0.2% contraction this year, followed by growth of 1.8% next year and 2.5% in 2025, before moderating towards its medium-term potential growth rate of 1.75% by 2028. The expected shrinkage of 0.2% this year represents a considerable upgrade from last autumn's forecast of a 1.4% contraction.

The predicted improvement in economic prospects also results in a relatively brighter outlook for UK public finances. The Chancellor revealed that the government was on track to meet both of its self-imposed fiscal rules which state that underlying debt must be falling as a percentage of GDP by the fifth year of the forecast and that public sector borrowing must be below 3% of GDP over the same period. Mr Hunt said the forecast showed the first rule would be met with *"a buffer of £6.5bn"*, although the OBR did say this was the smallest amount of headroom any Chancellor has set aside against his primary fiscal target since the independent forecaster was established in 2010.

Mr Hunt added, *"Today we build for the future with inflation down, debt falling and growth up. The declinists are wrong and the optimists are right. We stick to the plan because the plan is working."*

Four pillars

The strategy for growth, centres around four pillars, *'Everywhere, Enterprise, Employment and Education.'* Key announcements included:

- ***'Everywhere'*** involves plans for *'Levelling Up,'* including the launch of 12 new Investment Zones, with £80m of support per zone available for skills, infrastructure and tax reliefs
- ***'Enterprise'*** encompasses providing the right conditions for businesses to succeed. One key announcement is a *'full expensing'* policy, applicable from 1 April 2023 until 31 March 2026 to allow investment in IT, plant or machinery to be deducted in full and immediately from taxable profits
- ***'Employment'*** refers to a suite of measures to *"remove the barriers that stop people who want to from working"*. One key focus is to entice mature people back to work, with the expansion of the DWP's *'midlife'* MOT scheme, a new *'Returnerships'* scheme making existing skills programmes more accessible to older workers and a pension tax relief overhaul to encourage over-50s to extend their working lives
- ***'Education'*** involves reformation of the childcare system, with proposals offering 30 free hours of childcare each week to pre-school children aged nine months or above, in English households where both parents work. A phased approach and eligibility criteria apply. In addition, funding for schools and local authorities to increase availability of wraparound care is being made available.

Markets

Challenging market conditions continued this week, following the collapse and subsequent bail out of Silicon Valley Bank. Markets are processing the forced takeover of Credit Suisse by rival UBS for £2.6bn. An official spokesperson for Rishi Sunak sought to reassure investors following the emergency rescue of the Swiss banking giant, saying, *"Obviously, it is good that a resolution has seen secured. As the Bank of England has said, we believe the UK banking system remains safe and well capitalised. We have a strong regulatory system and we have taken a number of steps over the past 15 years, together with the Bank of England, to strengthen that system."*

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.