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News in Review

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"Last Week's Kings Speech... has the potential to give businesses the confidence they need to grow, invest and drive economic growth"



Although the latest Confederation of British Industry (CBI) Business Trends Survey showed manufacturer optimism tempered slightly in July, there is an expectation that output is set to increase over the next quarter, with overall sector growth predictions now at their strongest since March 2022.

Looking ahead, investment intentions have strengthened and total new orders are expected to be stable, with stocks of work in progress set to rise at their fastest pace in over two years. CBI Lead Economist, Ben Jones, commented, *"Sentiment among manufacturers has cooled a little over the past few months, as output growth consistently underperformed expectations, but the near-term outlook remains positive amid an ongoing recovery in the wider UK economy... Last week's King's Speech, with welcome measures to reform planning and speed up approvals for major infrastructure projects, has the potential to give businesses the confidence they need to grow, invest and drive economic growth."*

Chancellor's economic statement

On Monday, Rachel Reeves made a statement to the House of Commons following a spending audit which identified a *"forecast overspend"* for this year of £21.9bn. The main announcements included:

- spending cuts worth £5.5bn this year, rising to £8.1bn next year
- scrapping Winter Fuel Payments for around 10 million pensioners who aren't on means-tested benefits
- cancelling the adult social care charging reforms that were due to come into effect in October 2025

- most NHS workers, teachers and members of the armed forces will get above-inflation pay rises of 5.5% to 6%
- offering junior doctors in England a two-year pay deal worth 22% on average, in a bid to halt strike action
- VAT at 20% will be levied on private school fees from 1 January 2025
- non-domiciled tax status will be replaced with a new residence-based regime from April 2025
- the windfall tax on profits from energy and gas companies will rise by 3% from November.

The Chancellor also said she would need to make *"difficult decisions"* on spending, welfare and tax at the next Budget, which has been scheduled for 30 October.

India trade talks

Last week, Foreign Secretary David Lammy travelled to India to kick-start ministerial talks and meet with prominent business leaders, in an effort to secure a free trade agreement. Referring to India as an *'indispensable partner'*, the government is keen to work hard to reset Britain's relationship, just a matter of weeks into the new Labour administration. With India soon to be the world's third largest economy, working toward securing a deal would be significant.

Is cash king?

New data from UK Finance has shown that last year 1.5 million adults favoured using money for transactions, the first rise since before the pandemic, likely due to people using cash to carefully manage their finances during the cost-of-living crisis. Last year, of the 48 billion payments made, six billion were made using cash, while paying with a debit card was the

most common method, representing 51% of all transactions.

Contactless payments leapfrogged direct debits as the third most popular payment method. The data also showed that most young people chose to make payments using their watches or smartphones, with 72% of 18 to 24-year-olds choosing this payment method. Older generations are yet to catch up, with only 27% of 45 to 54-year-olds using mobile contactless methods, reducing to 8% of those aged over 65.

The future is electric

The latest car manufacturing data from the Society of Motor Manufacturers and Traders (SMMT) has highlighted a dip in production of 7.6% in the first six months of the year, as the focus turns to electric models. A total of 416,074 cars were manufactured in H1 2024, 34,094 less than Jan-June last year. A decline of 26.6% was measured in June due to a series of model changes, an expected reduction as manufacturers *'retool lines to make electrified models'* following £23.7bn of investment.

SMMT Chief Executive, Mike Hawes, commented on the recent data and future for the industry, *"The UK auto industry is moving at pace to build the next generation of electric vehicles – a transition that can be a growth engine for the entire British economy. The new government's commitments to gigafactories, a decarbonised energy supply and a faster planning system will help boost our competitiveness and sustain employment in a sector that delivers well paid, skilled jobs nationwide."*

Here to help

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

***The value of investments can go down as well as up and you may not get back the full amount you invested.
The past is not a guide to future performance and past performance may not necessarily be repeated.
All details are correct at time of writing (31 July 2024)***