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News in Review

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"Britain's economy isn't broken, but I do know that it's not working well enough for working people"

Chancellor Rachel Reeves has confirmed that the Autumn Budget will take place on Wednesday 26 November, nearly a month later than last year's Budget. Many economists have warned that tax rises or spending cuts are likely to be announced.

Reeves is currently under mounting pressure to address the gap in the public finances while adhering to Labour's promise not to increase taxes on 'working people,' including VAT, Income Tax and National Insurance. Last week, long-term borrowing costs reached their highest level since 1998, making it increasingly expensive to service government debt.

The Chancellor has self-imposed borrowing rules that she needs to align with; to cover day-to-day costs using tax revenues instead of borrowing by 2029/30 (the stability rule) and to reduce net financial debt as a share of the economy (the investment rule). These goals leave Reeves with a relatively small financial buffer.

The Office for Budget Responsibility (OBR) will deliver a new baseline forecast later this month, assessing long-term productivity. It will also advise the Treasury on what action needs to be taken to adhere to the fiscal rules. There is speculation that the Budget could bring a new tax on landlords, a windfall tax on bank profits or reform to the Council Tax system.

In a speech last week, Reeves said, *"Britain's economy isn't broken, but I do know that it's not working well enough for working people. Bills are too high and you*

feel that you're putting more in, but you're getting less out, and that has to change."

Last week was a busy one in Westminster, on Friday Angela Rayner resigned from her role as Deputy Prime Minister and Housing Secretary after investigations found that she underpaid Stamp Duty. This prompted a reshuffle of the Cabinet, with David Lammy appointed as the new Deputy PM. Ms Rayner was also the Labour Party's Deputy Leader, so a deputy leadership election is underway; nominations will close on Thursday 11 September, voting will start on 8 October and close on 23 October, before a result is announced on 25 October.

Services sector enjoys 'solid upturn'

In August, UK services saw a spike in activity, with the sector scoring 52.5 in the S&P Global Purchasing Managers' Index. This is the highest level since April 2024 and up from 51.8 in July. Any reading above 50.0 indicates growth, so the results will be welcome news for businesses in the service sector, which includes hospitality, property, healthcare and education.

Responses to the survey suggest that concerns about US tariffs have eased, but there is uncertainty surrounding further tax rises in the UK. Economics Director at S&P, Tim Moore, commented, *"August data highlights a welcome acceleration of output growth and a swift rebound in order books after July's dip, leaving the UK service economy on a much stronger footing as the end of summer comes into view."*

Retail sales rose in July

According to the Office for National Statistics (ONS), retail sales volumes increased by 0.6% in July, exceeding analysts' expectations. Key drivers of growth were online retailers and clothing stores – this has been attributed to good weather, new products and the Women's Euros tournament. Despite this monthly rise, sales volumes in the three months to July 2025 fell by 0.6% when compared with the three months to April. This comes after a slowdown in spending for supermarkets, sports shops and household goods stores, despite these subsectors having a strong start to the year.

Dip in mortgage borrowing

Mortgage borrowing decreased in July according to the Bank of England's Money and Credit report. Mortgage debt by individuals fell by £0.9m to £4.5bn, a marked difference from June which saw a £3.2bn increase to £5.4bn. Meanwhile, there was a small rise in net mortgage approvals for house purchases, which rose by 800 to 65,400, although remortgage approvals decreased by 2,700 to 38,900.

Chief UK Economist at Capital Economics, Paul Dales, said, *"These figures broadly support our view that the economy will grow at a subdued pace over the second half of this year, with possible tax rises in the Budget being an extra downside risk."*

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 (10 September 2025)***