



INDEPENDENT FINANCIAL ADVISERS

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News in Review

29 November 2023

"An Autumn Statement for Growth"



Last week, Jeremy Hunt outlined 110 growth measures which he said would boost business investment by £20bn a year, as part of the Autumn Statement. In an effort to get the economy "back on track" the measures are intended to cut business taxes, raise business investment and get more people into work, in what he declared, "An Autumn Statement for Growth."

Kicking off his announcement with the latest economic projections from the Office for Budget Responsibility (OBR), inflation is predicted to reduce to 2.8% next year, before reaching the government's 2% target in 2025. Expectations are that the economy will expand by 0.6% this year, 0.7% in 2024 and 1.4% in 2025. Acknowledging that the private sector is more productive in countries including France, the US and Germany, the Chancellor said, "If we want those [growth] numbers to be higher, we need higher productivity," adding that his 110 growth measures would help close the productivity gap by "boosting business investment by £20bn a year."

Public sector net debt is expected to be 97.9% of GDP by the end of the year, before rising to a high of 98.6% of GDP in 2024/25, then falling to 94.1% in 2028/29.

Key pledges

One of the key business-related measures announced was making the full expensing tax break for businesses permanent. This allows companies to deduct 100% of qualifying plant and machinery costs from taxable profits. Full expensing was introduced in the Spring Budget for a period of three years from 1 April 2023.

The OBR expects the move to add a cumulative boost to UK investment of £13.9bn in real terms by 2028/29. The Chancellor hailed this "the largest business tax cut in modern British history."

The headline personal taxation measure was the reduction in the main rate of Class 1 employee National Insurance contributions (NICs) from 12% to 10%. Providing a tax cut for 27 million working people, instead of taking effect on 6 April 2024, this will take effect from 6 January 2024. In addition, Class 2 NICs paid by self-employed people earning more than £12,570 will be abolished from April and Class 4 NICs for the self-employed, paid on profits between £12,570 and £50,270, will be cut by 1 percentage point to 8%.

From April, the government will increase the National Living Wage for individuals from £10.42 an hour to £11.44 an hour, with the threshold lowered from 23 to 21-years-old.

The government's commitment to the pensions Triple Lock will be preserved, meaning that the basic State Pension, new State Pension and Pension Credit standard minimum guarantee will be uprated in April 2024 in line with average earnings growth of 8.5% (September 2023). The value of the new State Pension will increase in April 2024 from £203.85 per week to £221.20 per week, while the basic State Pension will rise from £156.20 to £169.50 per week.

The latest steps to deliver the Mansion House Reforms for pensions include a call for evidence on allowing individuals

to consolidate pensions by having one pension pot for life.

The Chancellor spoke about 'levelling up' measures designed to support growth and investment, starting with three new Investment Zones set to be introduced in Greater Manchester, the West Midlands and the East Midlands, focused on advanced manufacturing. Together, he said, these Investment Zones will generate £3.4bn of private investment and create 65,000 jobs over the next decade.

Mr Hunt also took the opportunity to reinforce his Back to Work Plan – worth £2.5bn over the next five years. In addition to helping over a million people with long-term health conditions, disabilities and long-term unemployment issues to find and stay in work, the Plan also imposes tough sanctions on those who can work but choose not to.

In other news...

With December fast approaching and Black Friday promotions prevalent, consumer spending is predicted to be measured as the cost of living continues to weigh. It is expected that shoppers will be focused on purchasing Christmas presents rather than expensive homeware items, as in previous annual Black Friday events. According to online retail body IMRG, in the run-up to Black Friday spending has been muted and online spending is expected to reduce by 2%, driven by a fall in sales of clothing.

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 (29 November 2023)