

News in Review

23 November 2022

"A balanced plan for stability"



Last Thursday, Chancellor of the Exchequer Jeremy Hunt set out his plan to "tackle the cost-of-living crisis and rebuild our economy" in his first Autumn Statement. Striking a defiant tone, the Chancellor said that he was "taking difficult decisions", while emphasising that the government's priorities are "stability, growth and public services."

Mr Hunt made several key announcements on personal taxation, pensions and public services, as he laid out spending cuts and tax rises totalling around £55bn. In response to "unprecedented global headwinds", however, the Energy Price Guarantee (EPG) per unit will be maintained through the winter. This will, in effect, limit average energy bills to £2,500 per year; from April 2023 the EPG will rise to £3,000 per year, before ending in March 2024.

The government will also increase the National Living Wage for individuals aged 23 and over to £10.42 an hour, a 9.7% rise effective from April 2023. Likewise, the Chancellor committed to retaining the Triple Lock on pensions, which will mean the State Pension rises in line with September's Consumer Prices Index (CPI) rate of 10.1% – from April 2023.

On taxation, the Income Tax additional rate threshold at which 45p becomes payable will be lowered from £150,000 to £125,140 from 6 April 2023. The annual Capital Gains Tax exemption will be reduced from £12,300 to £6,000 from April 2023 and then to £3,000 from April 2024. The Dividend Allowance will also fall from £2,000 to £1,000 from April 2023, and then to £500 from April 2024.

The change to the Stamp Duty Land Tax threshold for England and Northern Ireland, announced in the former Chancellor's 'mini-budget' in September, will now remain in place until March 2025. This means that the nil-rate threshold will stay at £250,000 for all purchasers and £425,000 for first-time buyers, compared to £125,000 and £300,000 previously.

Targeted cost-of-living support measures will also continue, with an additional Cost of Living Payment of £900 available to households on means-tested benefits, £300 to pensioner households and £150 to individuals on disability benefits in 2023-24.

In his closing lines, Mr Hunt summed up the announcements as *"a balanced plan for stability, a plan for growth and a plan for public services."*

COP27 ends in Egypt

The annual UN climate conference ended in Sharm el-Sheikh early on Sunday morning, after delegates finally found common ground on an historic 'loss and damage' plan. For the first time in 30 years of climate talks, developed countries agreed to provide finance to poorer countries stricken by climate-induced disasters – though the details are yet to be clarified.

Despite this achievement, developed nations left COP27 disappointed with the progress made on cutting fossil fuels. The final overarching deal did not include commitments to reduce fossil fuel use and also added ambiguous new language about 'low emissions energy', which, experts say, could later be used to include fossil fuels within a green energy future.

Reflecting on two weeks of talks, UK lead negotiator Alok Sharma commented, *"I'm incredibly disappointed that we weren't able to go further."*

Inflation hits new heights

Last Wednesday, the Office for National Statistics (ONS) released inflation figures for October, which revealed that the Consumer Prices Index (CPI) rose annually by 11.1%, up from 10.1% in the previous month.

Gas (up 130%) and electricity prices (up 66%) remained the main drivers of annual inflation, even though the government's EPG scheme went some way to mitigating those rises. Food prices, especially basic items such as milk and eggs, increased at 16.2%, the fastest rate for 45 years. As a result, it is poorer households – which spend a higher proportion of their income on food and energy – who are being hit hardest, according to ONS.

Amidst the rising costs, retail sales rose by 0.6% in October, though this was skewed by the drop in sales in September when shops closed for the Queen's funeral. Despite October's rebound, ONS said sales remain below pre-pandemic levels.

Markets

London stocks remained well above the waterline at close on Tuesday, with energy shares in the green as oil prices recovered. The FTSE 100 ended the session up 1.03% at 7,452.84, and the FTSE 250 was ahead 0.05% at 19,422.37.

Here to help

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