

News in Review

1 February 2023

"The UK is poised to play a leading role in Europe and across the world in the growth sectors which will define this century"



Last Friday, Chancellor Jeremy Hunt outlined his long-term vision for how to boost UK economic growth. This plan is based on four pillars which Mr Hunt said are "essential for any modern, innovation-led economy" – enterprise, education, employment and everywhere.

Alongside the need to improve education and employment opportunities countrywide, the Chancellor outlined his intentions to build an enterprising digital economy, comprising dynamic and productive companies, including facilitating easier access to capital for scale ups. 'Everywhere' refers to levelling up and the desire for all parts of the UK to benefit and prosper.

Although the public sector has rebounded more slowly from the pandemic than hoped, he spoke about the misconception of "declinism" in the UK, saying it "has always been wrong in the past – and it is wrong today." Adding, "The UK is poised to play a leading role in Europe and across the world in the growth sectors which will define this century."

The Chancellor pledged to use what he referred to as "Brexit freedoms" to boost growth in the UK but added that in his opinion, rather than cutting taxes, the "best tax cut right now is a cut in inflation."

Other key points from his speech included:

The establishment of 'mini Canary Wharfs' – The government intends to invest in areas across the country to help reverse the economic migration to South East England.

A focus on business reform –

The Edinburgh Reforms package is expected to unlock over £100bn of additional investment into the UK's most productive growth industries.

Encouraging people to return to work –

With a fifth of working age adults economically inactive and around five million people not wanting to work, Mr Hunt appealed, "It's time for a fundamental programme of reforms to support people with long-term conditions or mental illness to overcome the barriers and prejudices that prevent them from working. We will never harness the full potential of our country unless we unlock it for each and every one of our citizens."

Business reaction and confidence

The speech comes hot on the heels of widespread discontent expressed by business groups, not least the UK car industry. Data released last week from the Society of Motor Manufacturers and Traders (SMMT) showed the number of cars made in the UK has fallen to its lowest level for 66 years. In addition, the most recent Small Business Index from the Federation of Small Businesses (FSB) has highlighted that in Q4 2022 confidence among UK-based small business owners plunged to the lowest level seen since the second pandemic lockdown, at -46 points, down from -36 points in Q3. With high costs, surging utility bills and supply chain issues weighing on many small businesses, the research shows that firms operating in retail and hospitality were badly impacted in Q4.

Referring to the Chancellor's speech, Craig Beaumont of the FSB said it had

"all the right elements", adding that in the years ahead the "proof will be in the pudding." Chief Economist at the Institute of Directors (IoD) Kitty Ussher suggested Mr Hunt add a fifth 'e' – "empty", after announcing what she felt were not concrete plans.

First-time buyer numbers

Data from Halifax has outlined that although the number of first-time buyers (FTBs) last year fell by 11%, to 362,461 year-on-year, numbers remained higher than pre-pandemic levels. In addition, the data shows that more people found a footing on the property ladder last year than in any year prior to 2006 and 2021's record spike, when the 'race for space, pent up demand from the pandemic and government measures to ease Stamp Duty costs, led to a record number of first-time buyers getting the keys to their first home.' With average FTB house prices rising by 13% in 2022 to £302,010 and average deposits increasing to 21% of the purchase price, the data also revealed that 63% of FTB mortgage completions are now in joint names.

Latest forecast for the UK

The International Monetary Fund (IMF) has downgraded its forecast for the UK economy, now predicting a contraction of 0.6% this year, contrary to their previous forecast of slight growth. This will make the UK the only country to shrink across all the advanced and emerging economies. However, the IMF also said that it thinks the UK is now 'on the right track'.

Here to help

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