

News in Review

2 April 2025

"The global economy has become more uncertain"



Chancellor Rachel Reeves delivered the government's Spring Statement on 26 March, with spending cuts taking centre stage – and no further tax rises announced.

As had been widely expected, Ms Reeves announced further reductions to welfare spending within a package of reforms designed to raise £14bn by 2029/30. According to forecasts by the Office for Budget Responsibility (OBR), welfare cuts are estimated to save £4.8bn.

Meanwhile, an additional £2.2bn of funding was made available for the Ministry of Defence in 2025/26, such that the government will increase defence spending to 2.5% of GDP; Ms Reeves pledged *"to make the UK a defence industrial superpower."* To compensate for the rising defence budget, overseas aid has fallen to 0.3% of Gross National Income, as had been set out prior to the Spring Statement.

The government also released confirmation that it is considering reforms to Individual Savings Accounts (ISAs). The plans would seek to boost savers' returns and the government's growth goals, for example by nudging more savers from Cash ISAs to Stocks & Shares ISAs. Specifically, the government is reportedly weighing up a split to the current £20,000 allowance for all ISAs into targeted caps, though no changes have been made for now.

The Chancellor outlined the OBR's latest assessment of the UK economy, notably a revised growth forecast of just 1% for 2025. Despite the poor short-term forecast, the OBR's estimates now look brighter for the rest of the decade, with increases to growth figures for each of the subsequent four years.

In a separate release last week, the latest inflation figures from the Office for National Statistics (ONS) revealed that prices in the UK rose by 2.8% in the 12 months to February. Ms Reeves expressed disappointment with the growth data but noted that the latest spending cuts have restored the government's planned headroom, with a surplus of £9.9bn still expected in 2029/30.

Other key measures announced included:

- Confirmation of a new £3.25bn fund to support the reform of public services and seize opportunities from digital technology and Artificial Intelligence (AI)
- Plans to increase the number of tax fraudsters charged every year by 20%
- Confirmation of an additional £2bn in social and affordable housing in 2026/27.

"The global economy has become more uncertain," remarked Ms Reeves during her Statement, *"as trading patterns become more unstable and borrowing costs rise for many major economies."*

She added, *"The job of a responsible government is not simply to watch this change. This moment demands an active government."*

Government support urged for UK car makers

UK car firms reportedly met with industry minister Sarah Jones on Friday, faced with the looming threat of 25% tariffs on US car imports set to come into force at midnight on 3 April.

Hopes of a deal with President Donald Trump over import levies have faded in recent weeks, leaving car companies scrambling for government reassurances

that they will have access to support. Mr Trump has been explicit in saying that there will be no carve-outs for car imports.

Official figures put the cost of US tariffs on the UK economy at a 1% reduction in growth in a worst-case scenario.

Another decline in UK retail sales

Retail sales in the UK dropped sharply in March, according to the latest Distributive Trades Survey released last week by the Confederation of British Industry (CBI), a sixth consecutive month of falling volumes.

In total, sales volumes dropped by a weighted balance of -41% in March, down further from -23% in February. Although the downturn is expected to ease slightly in April, sales volumes are still expected to decline by -30%.

UK housing affordability improves in 2024

In more positive economic news, the house price-to-income ratio in England and Wales returned to pre-pandemic levels, according to newly released government data. While house prices have risen by 1% since 2021, average earnings have grown by 20% over the same time span, the ONS' annual housing affordability report found, providing a welcome boost to homebuyers.

Specifically, the median average home in England in 2024 (£290,000) cost 7.7 times the median average earnings of a full-time employee (£37,600), meaning that affordability has returned to its pre-pandemic range.

Here to help

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