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17 October 2022

Snap reaction: The Chancellor's statement

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In another extraordinary day for British politics, the new Chancellor of the Exchequer, Jeremy Hunt announced a massive reversal of the Truss administration's marquee fiscal policies, many of which were themselves formally announced just ten days ago.

With only cuts to the National Insurance rate and Stamp Duty surviving, it is calculated that around £32bn of the planned £45bn fiscal handout has been retracted. Furthermore, the Treasury is only going to guarantee current energy support until April 2023 and will undertake a review to find a more sustainable alternative thereafter, should it still be necessary.

Markets continue to express their support for this about face, although the pound has failed to improve materially upon early morning gains. Bond markets had anticipated much of the good news in similar fashion, but are still well up on the day, with yields falling across the curve.

It is important to note that today's actions mean that there will be less pressure on the Bank of England to raise interest rates more aggressively into a weakening economy, and the futures market is now discounting a peak base rate of 5.15% next year vs 5.64% on Friday.

A fall in the 5-year Gilt yield from 4.3% to 3.94% will also help to ease some of the pain in the mortgage market. However, we would counsel against an outbreak of euphoria. The structural problems facing the government have been made clear for all to see and it remains difficult to see where cuts can be made in public spending. And if cuts are confined to capital projects, that might only serve to hold back the country's productivity growth in the longer term.

Carl Tremlin, Financial Planning Director

Chancellor Jeremy Hunt has confirmed he will reverse almost all of the tax cuts announced on 23 September.

The headlines include:

- The planned reduction in the basic rate of income tax to 19% will now be postponed indefinitely until it is “fiscally responsible to introduce”. It was originally scheduled for 6 April 2024 and then brought forward to take effect from the beginning of the 2023/24 tax year
- The increase in Corporation tax from 19% to 25% will now take place in April 2023.
- The 1.25% increase to the Dividend Tax which took effect in April 2022 will now remain in place
- IR35 off-payroll working reforms will no longer be repealed
- A freeze on the duty paid on alcohol will no longer be introduced
- There will no longer be a VAT-free shopping scheme for non-UK visitors
- Support for household and business energy bills would be reviewed and scaled back to focus on those most affected by the uncertainty of energy rises.

On a more positive note, the cuts to stamp duty paid on house purchases, and the scrapping of the National Insurance rise will continue, Mr Hunt announced.

The impact of the Chancellor’s measures is that £32bn will no longer need to be borrowed. In conclusion, Mr Hunt stated that economic growth required "confidence and stability", adding the UK "will always pay its way."

As part of effective wealth management, financial plans should be reviewed regularly and we encourage individuals to work with their advisers at this time to ensure they remain on track to meet their personal goals.

This review should include ensuring all family members are using appropriate tax allowances and wrappers including ISAs and pension contributions and that plans are considered in conjunction with cash flow mapping to ensure deductions are accounted for.

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