

Spring Budget 2023 - A push for growth



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After a crazy 12 months, UK politics seems to be regaining some stability. It's worth remembering what a ride it has been. Since the Spring Budget a year ago, Rishi Sunak has been all of the following: Chancellor of the Exchequer, runner-up in a Tory leadership race, a lowly backbencher, and now he is Prime Minister.

As we always say, we keep an eye on political events, but they tend not to impact our long-term outlook or investment decisions. As global multi-asset investors, events such as the UK Budget usually have pretty much no impact on portfolios.

In a balanced portfolio, our allocation to the UK equity market is only around 15%. Furthermore, this allocation is mostly to the FTSE 100, and these companies only earn around 20% of their revenues from the UK economy, the rest comes from abroad! So, changes in our local policy aren't necessarily vital for those companies. The statement today has not impacted our allocations, and we remain conservatively positioned for the challenging times we see ahead for the global economy.

But, regardless of our investments, most of us (and most of our clients!) live in the UK, so it's always interesting to see the direction in which Westminster is trying to take the economy. Here are some of the key takeaways:

- The general flavour of the Budget was expansionary. The IMF's recent growth predictions for the UK have been pretty brutal, and with inflation seemingly on the way down, there was a bit more space for stimulative policy
- The UK economy is not expected to fall into a technical recession this year with the total contraction only expected to be 0.2% for 2023
- Economic growth is expected to be 1.8% in 2024, and 2.5% in 2025
- Inflation is expected to fall to 2.9% in 2023 from the dizzying highs of 10.7% at the end of 2022
- Pension caps significantly changed, with the lifetime allowance of just over £1m to be abolished, and the annual allowance to rise from £40,000 to £60,000
- The current free childcare of 30 hours per week is being gradually expanded to cover children from nine months to two years
- In an effort to reduce the impact of rising costs, fuel duty has been frozen for an additional year, and fiscal assistance with energy bills has been extended for another three months
- There was a general attempt to introduce/reintroduce people into the workforce. Alongside the childcare policy that aims to get parents back into the workforce, funding to be provided for a "Universal Support" scheme should put 50,000 disabled people on a voluntary employment program.

Any reference to specific instruments within this article does not constitute an investment recommendation. You should be aware that the value of investments may go up and down and you may receive back less than you invested originally. Tax rules are subject to change and taxation will vary depending on individual circumstances.

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