nolan wealth management

SPRING STATEMENT 2018

ECONOMIC FORECASTS FROM THE OFFICE FOR BUDGET RESPONSIBILITY AND WHAT THEY MEAN TO YOU, YOUR FAMILY AND YOUR BUSINESS

SPRING STATEMENT 2018

London
Level 17 Heron Tower 110 Bishopsgate
London EC2N 4AY
Tel: 0203 490 5261

Scotland
26 Wellington Square
Ayr KA7 1HH
Tel: 01292 570925

Email: info@nolanwm.com
Web: www.nolanwm.com

Mr Hammond upgraded projections for growth and predicted falling inflation, debt and borrowing in his 26-minute statement. He claimed the UK economy had reached a turning point and there was 'light at the end of the tunnel'.

Welcome

Spring Statement 2018

Chancellor of the Exchequer, Philip Hammond, delivered his first Spring Statement to Parliament on 13 March 2018. In a break with recent tradition, the chancellor did not use the financial statement midway between Budgets to present a 'mini-Budget' or pre-Budget report.

The chancellor's Spring Statement 2018 is a response to the Office for Budget Responsibilities' (OBR's) latest economic and fiscal forecasts and provides an opportunity to set out government priorities and consultations ahead of the Autumn Budget later this year.

Mr Hammond upgraded projections for growth and predicted falling inflation, debt and borrowing in his 26-minute statement. He claimed the UK economy had reached a turning point and there was 'light at the end of the tunnel'.

The UK economy will grow faster this year than previously forecast and the deficit will be some £5 billion lower, with the overall economic and fiscal picture 'broadly the same' according to the OBR.

He ruled out an immediate end to austerity but hinted at possible spending rises in the future, announcing to the House of Commons that growth was forecast to be 1.4% this year, 0.1% higher than forecast by the OBR in November, with the forecast for 2019 and 2020 unchanged at 1.3%.

Mr Hammond said debt would fall as a share of Gross Domestic Product (GDP) – the main measure of UK economic growth based on the value of goods and services produced during a given period – from 2018/19, which would be the start of 'the first sustained fall in debt for 17 years, a turning point in the nation's recovery from the financial crisis of a decade ago'.

Mr Hammond revealed that public sector net borrowing in 2017/18 would be £45.2 billion, down from the £49.9 billion forecast in November and as a share of GDP that would be 2.2%, lower than the 2.4% previously expected.

He also hinted at possible spending increases to come in his Autumn Budget when he will 'set an overall path for public spending for 2020 and beyond' with a detailed spending review in 2019. ◂

What does the Spring Statement mean for you, your family and your business?

Following the chancellor's announcement about the financial health of the nation in the Spring Statement 2018, if you would like to review your personal or business plans to ensure they still remain on track, or if you have any further questions, please contact us.

Contents

Major tax or spending changes will now be made once a year at the Budget in the Autumn. The Spring Statement gives an update on the overall health of the economy and the Office for Budget Responsibility (OBR) forecasts.

What the chancellor had to say

No major tax or spending plans, so what were the key announcements?

Major tax or spending changes will now be made once a year at the Budget in the Autumn. The Spring Statement gives an update on the overall health of the economy and the Office for Budget Responsibility (OBR) forecasts. In addition, it also gives an update on progress made since Autumn Budget 2017 and invites people and businesses to give views on changes the Government is considering.

In our summary of Spring Statement 2018, we provide the key announcements from Chancellor of the Exchequer, Philip Hammond, delivered to Parliament on 13 March 2018 in response to the forecast from the Office for Budget Responsibility. ◂

Economy and fiscal forecasts

Continued growth, job creation and beating expectations

The chancellor announced that the UK economy continues to grow and beat expectations. There was a strong emphasis on jobs in his assessment of the state of the UK economy.

He noted that the wages of the lowest paid have increased by 7% since 2015 and that there are three million more people in work since 2010. He told MPs that the Office for Budget Responsibility (OBR) now predicts 500,000 more people will be in work in 2022.

Mr Hammond announced the economy has grown for five consecutive years and exceeded expectations in 2017. The next full spending review – setting medium-term budgets for Whitehall departments beyond 2020/21 – will take place next year.

Forecast for growth

The Office for Budget Responsibility (OBR) has increased their forecast for growth this year. GDP growth would be 1.5% this year, up from the 1.4% previously expected.

Forecast growth for 2019 and 2020 is unchanged at 1.3%, but growth in 2021 and 2022 is actually revised down slightly by 0.1% to 1.4% and 1.5% respectively.

Average GDP growth

The OBR pointed out that the average GDP growth of 1.4% over its forecast horizon is unchanged from the average projected at the November Budget. Manufacturing has had the longest period of expansion in 50 years.

Increased employment

Employment has increased by three million since 2010, which is the equivalent of 1,000 people finding work every day.

The unemployment rate is close to a 40-year low. There are also a joint record number of women in work – 15.1 million. The OBR predict there will be over 500,000 more people in work by 2022.

Inflation expectations

The OBR expect inflation to fall over the next 12 months and wages to rise faster than prices over the next five years.

The UK's public finances have reached a turning point, with borrowing down and the first sustained fall in debt for 17 years.

UK borrowing down

Borrowing has fallen by three quarters since 2010. In 2009/10, the UK borrowed £1 in every £4 that was spent. The OBR expect that we will borrow £1 in every £18 this year.

Debt will start falling as a share of GDP next year.

Even so, the UK's debt remains too high, equal to around £65,000 per household. This makes the economy vulnerable to future shocks. It also imposes a significant burden on future generations.

Public sector finances

Net public sector borrowing in 2017/18 will be £45.2 billion, down from the £49.9 billion forecast in November. As a share of GDP, that is 2.2% – lower than the 2.4% previously expected. The OBR expects borrowing of 1.8% of GDP in 2018/19, down from the 1.9% forecast previously. Borrowing in 2020/21 is seen as coming in at 1.3%, rather than 1.5%.

Debt interest payments

The cost of debt interest payments is around £50 billion each year – more than the amount spent on the police and armed forces combined.

The Government has a balanced approach to get debt falling while funding our vital public services, keeping taxes low and investing in Britain's future. ◂

Autumn Budget 2017

The chancellor's progress update since 22 November 2017

Over £1.5 billion has been allocated to departments and devolved administrations to prepare for Brexit in 2018/19. It is part of the £3 billion to be spent over two years announced at Autumn Budget 2017 on 22 November 2017.

There is an ambitious plan to tackle the UK's housing challenge and build the homes the country needs. An investment programme of at least £44 billion over the next five years was announced at Autumn Budget 2017, putting the Government on track to raise the supply of homes to 300,000 a year on average by the mid-2020s.

Spring Statement confirms that:

- The Government is working with 44 areas on their bids into the £4.1 billion Housing Infrastructure Fund to help build the homes that the country needs
- The Housing Growth Partnership, which provides financial support for small housebuilders, will be more than doubled to £220 million
- London will receive £1.67 billion to start building a further 27,000 affordable homes by the end of 2021/22

First-time buyers

To help people get onto the housing ladder, stamp duty for first-time buyers of homes under £300,000 was abolished at Autumn Budget 2017, with buyers of properties up to £500,000 benefiting from the change. An estimated 60,000 first-time buyers have benefited so far. ◂

Improving transport

£1.7 billion funding for English cities

£1.7 billion was announced at Autumn Budget 2017 for improving transport in English cities. Half of this was given to Combined Authorities with mayors. The Government is now inviting bids from cities across England for the remaining £840 million. ◂

Helping households with the cost of living

Over two million people expected to benefit from April's increases

In April 2018, the National Living Wage will rise to £7.83, worth £600 extra a year for a full-time worker. National Minimum Wage rates for under-25s and apprentices will also rise – the largest increase in youth rates in ten years. Over two million people are expected to benefit from April's increases.

The tax-free personal allowance – the amount you earn before you start paying Income Tax – will rise to £11,850 from April 2018. This means that in 2018/19, a typical taxpayer will pay £1,075 less income tax than in 2010/11. ◂

Helping businesses

Bringing forward the next business rates revaluation to 2021

At Autumn Budget 2017, it was announced that business rates revaluations will take place every three years, rather than every five years, following the next revaluation. This makes bills more accurately reflect the current rental value of properties.

Spring Statement 2018 announces that the next revaluation, currently due in 2022, will be brought forward to 2021. This will mean businesses can benefit from the change to three-year revaluations earlier, with the first taking place in 2024. ◂

Cash in the new economy

The future of shopping, selling and saving

Digital technology has changed the way people shop, sell and save. While cash will continue to be an important method of payment, more people are moving towards digital payments every year.

The Government is seeking views on what more it can do to:

- Support people and businesses who use digital payments
- Ensure that those who need to are able to pay with cash
- Prevent the use of cash to evade tax and launder money

Supporting people's skills

Views on extending the current tax relief to fund training

Improving people's skills benefits both individuals and the wider economy. To support upskilling and retraining, the Government is seeking views on extending the current tax relief to support self-employed people and employees when they fund their own training. ◂

UK's digital connectivity

Providing faster and more reliable broadband

Autumn Budget 2017 launched a £190 million Challenge Fund to help roll out full-fibre broadband to local areas – providing the fastest, most reliable broadband to more homes and businesses. Spring Statement 2018 allocates the first wave of funding, providing over £95 million for 13 areas across the UK. ◂

Tax system changes

Inviting views to reduce single-use plastic waste

Disposable plastics like coffee cups, plastic cutlery and foam trays damage our environment. The Government is determined to take further action and is seeking views on how best to use the tax system to encourage the responsible use of plastic.

Some of the money raised from any tax changes will be used to encourage the creation of new, greener products and services. In addition, £20 million from existing budgets will be given to businesses and universities to research ways to reduce the impact of plastics on the environment. ◂

Multinational digital businesses

Paying a fair share of tax on profits

Digital businesses create value in a unique way, relying on the participation and engagement of their users. This is not always reflected in where such multinational businesses pay tax on their profits.

The Government has set out its thinking on how the tax system can change to give a fair result for digital businesses. ◂

Are your finances in shape?

From planning for retirement or investing to preserving your wealth, we always put our clients' goals, aspirations and priorities first.

To review what action you may need to take following Spring Statement 2018 to make sure you keep your personal and business plans in shape, please contact us.

Published by Goldmine Media Limited, Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL