Autumn Statement 2023

Briefing and speculation

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What is the Autumn Statement?

Overview

The Autumn Statement is one of the biggest fixtures in the British political calendar, but what is it?

Taking place in either October and November, the Autumn Statement is an address by the Chancellor of the Exchequer updating the House of Commons on the state of the economy, alongside an announcement on economic policy such as tax and spending, second only to the Budget in its magnitude.

Following this address, the House of Commons will have an opportunity to question the Chancellor on the Government's economic offerings, providing not only a forum for scrutiny of any announcements, but also their overarching handling of the economy.

This coming Autumn Statement offers the Government one of their last major events to make proposals to the public before next year's General Election. This has led many Conservative MPs to call for this Autumn Statement to contain some proverbial 'red meat', spearheaded by Liz Truss' Growth Commission amongst other more moderate voices.

Alongside the Autumn Statement, the Office for Budget Responsibility (OBR), will publish its latest outlook on the economy and public finances.

In short, the Autumn Statement is the half yearly financial report on the economic health of the country, telling us where we've been, and more importantly, where we're going.

The Autumn Statement will most likely be delivered directly after Prime Minister's Questions – 12:30 – with key documents published once the Chancellor has finished his speech. On the day Cavendish will be providing a full briefing on the key announcements

The current fiscal picture

Overview

The Chancellor's Autumn Statement can only be as rigorous as the economy currently allows. So, what does the current fiscal picture tell us about what to expect in the Autumn Statement?

- The Office for Budget Responsibility is expected to increase its growth forecast for the year from -0.2% to 0.6%, however, a recession still isn't off the cards.
- Despite inflation slowing to 4.6%, the ongoing rise in wages has increased tax revenues higher than previously forecast, adding nearly £15bn to tax receipts.
- The larger economy in monetary terms that stems from inflation leaves the Chancellor with an additional £40bn of tax receipts to allocate, with the effects of higher interest rates not affecting the Government as negatively as previously forecast. This has allowed Conservative MPs to call for this headroom to be used to create tax cuts.

Does this then mean the Chancellor has an additional £40bn to spend at this Autumn Statement?

- **Sadly not,** as inflationary pressures also affect how far Government spending goes, with current public sector pay increases already totaling £15bn.
- A Resolution Foundation report found that Jeremy Hunt is left with £13bn of fiscal headroom, compared against an average fiscal headroom of £25bn since 2010 at previous Autumn Statements.
- This reduced headroom, in the context of Departmental budgets that are £19bn lower in 2023-24 in real terms than previous projections, leaves many analysts expecting that unprotected Departmental spending is going to be cut by 16% by the after-effects of these economic pressures over the next five years.

Jargon aside, despite outperforming previous forecasts, the economic outlook is bleak at best, leaving the Chancellor with little to no fiscal headroom.

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Autumn Statement speculation.

Housing and Planning

Energy and Infrastructure

FMCG

Transport

Workforce

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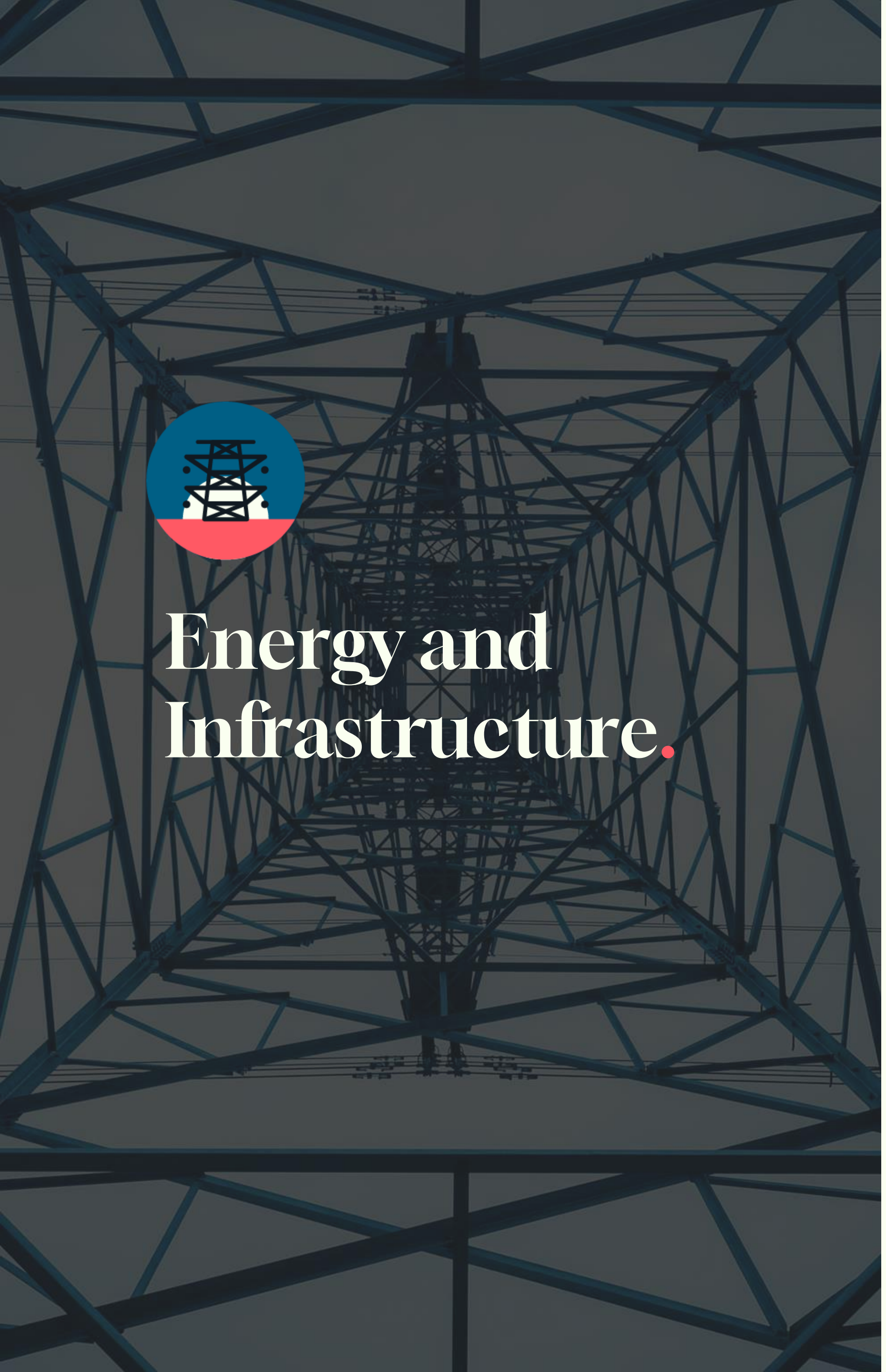
Housing and Planning.

Speculation

- The Chancellor has been under pressure from the Conservative right to scrap Inheritance Tax and there have been briefings that he may seek to phase it out moving forward. Bringing in just £7.2 billion to the Exchequer per year, this is a primarily a political move.
- Reform to Stamp Duty Land Tax is said to be under consideration, with relief for first time buyers and downsizers (or “last time buyers”) to get the property market moving again.
- Another Stamp Duty measure being considered is a rebate for homeowners who make energy efficiency improvements within two years of buying a property.

Analysis

A little over year has passed since Kwasi Kwarteng’s fiscal event that preceded a significant spike in mortgage interest rates . Jeremy Hunt wants to be seen getting the property market moving after prices have slumped in recent months, particularly getting ‘underoccupied’ properties into the hands of people who will fill them.



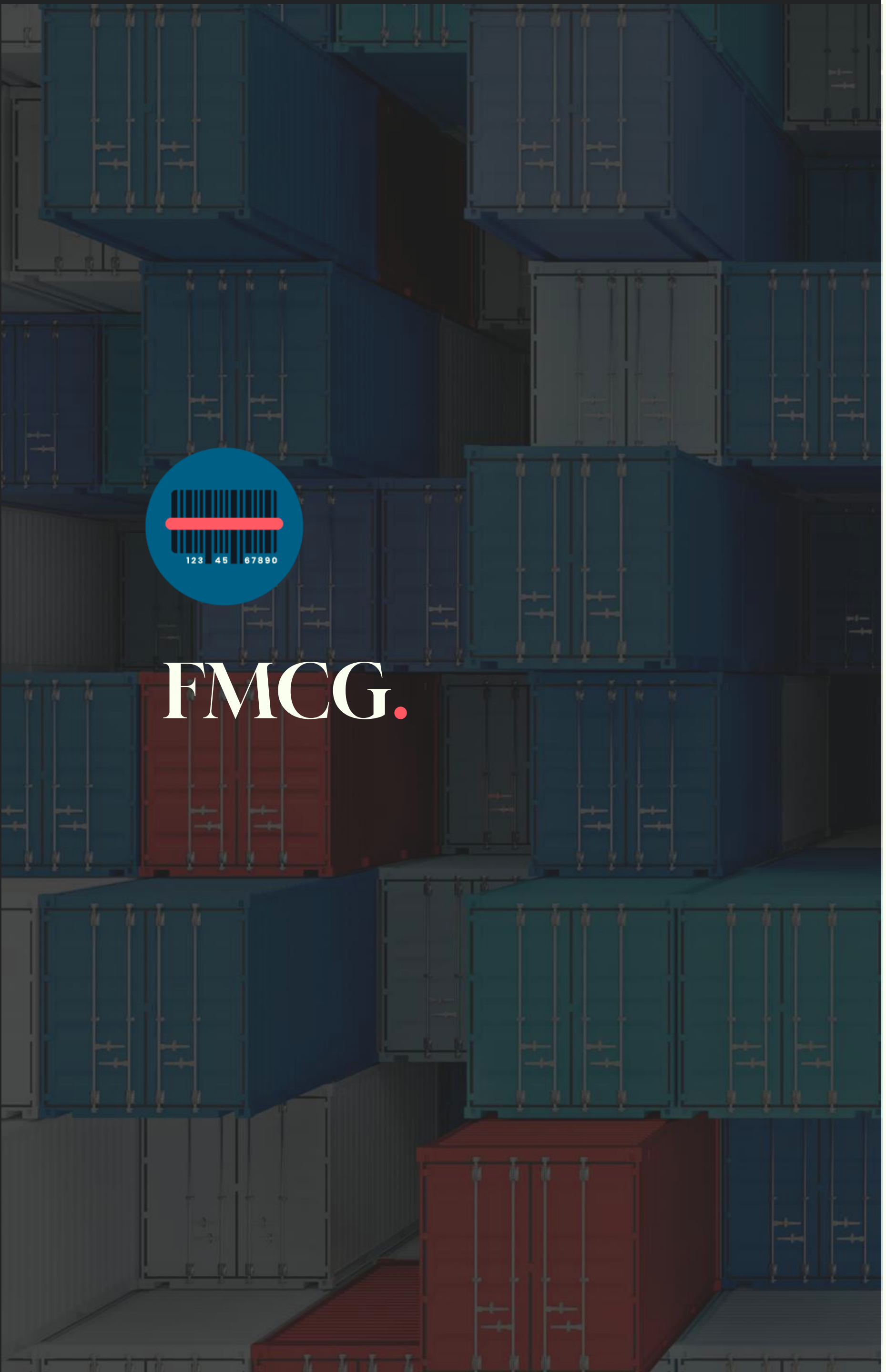
Speculation

- There is no expectation of household support in this Autumn Statement, as the Energy Price Cap was already extended in August 2023, setting a ceiling of £1,834 for a typical household between 1 October and 31 December.
- Furthermore, the ongoing Energy Bills Discount Scheme runs from 1 April 2023 to 31 March 2024, with funding already in place to make these payments to households. Therefore, any further policy relating to household energy finances is not expected in this statement and would come under the purview of the 2024 Budget.
- A package of measures to speed up grid connections is expected to be announced, following Ofgem's announcement that it will hand powers to the electricity systems operator to terminate projects that are not progressing against their specific milestones, including proof of funding or planning permission.

Analysis

With the Energy Price Cap and Energy Bills Discount Scheme ongoing, our expectation is that the Autumn Statement will be devoid of announcements in this area. This is despite data showing that many households will face higher energy bills this winter in real terms, due to the reductions in the support levels offered by these schemes compared to last winter.

It seems, however, that energy and infrastructure are not the Chancellor's priorities this Autumn Statement.

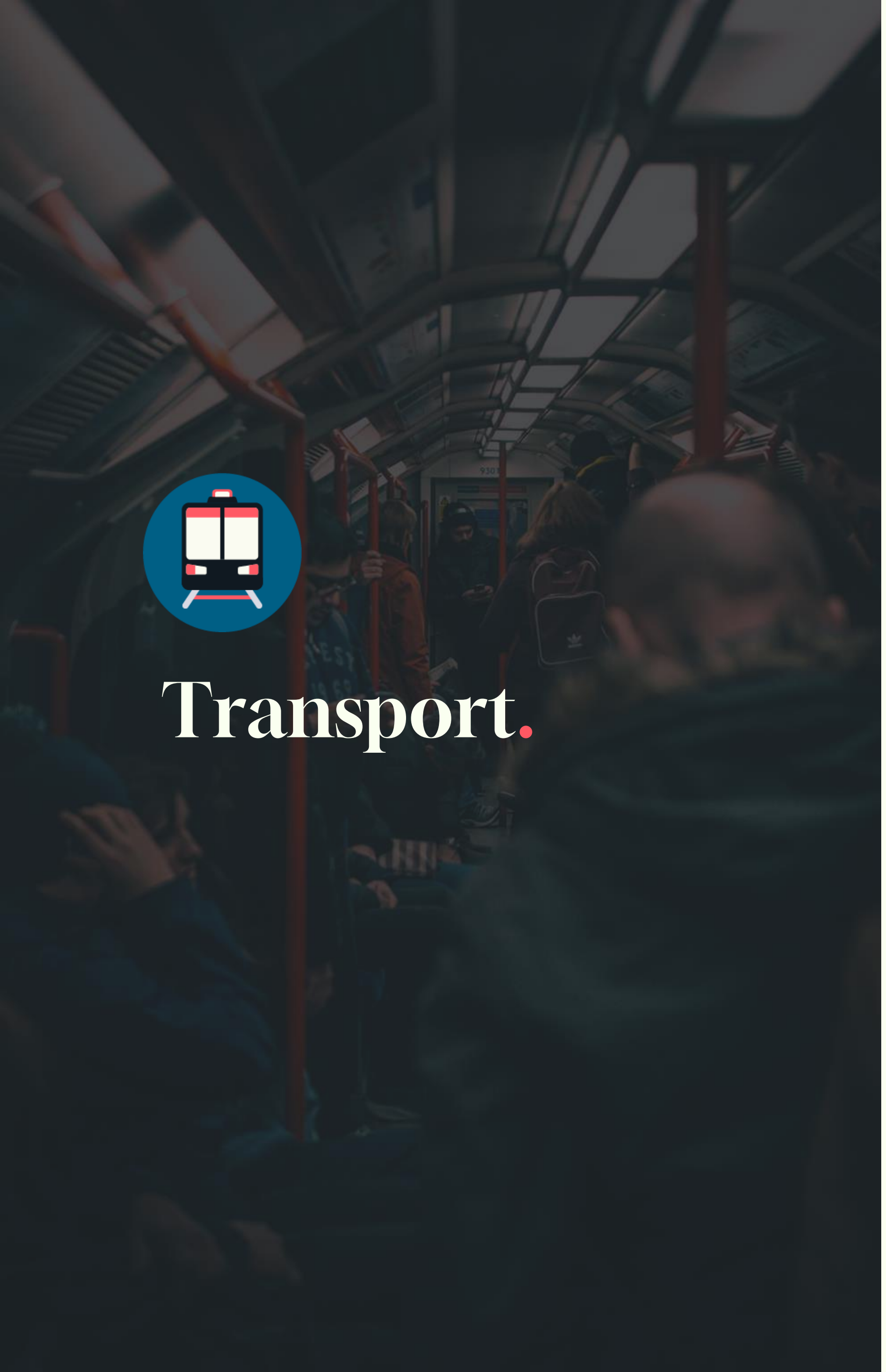


Speculation

- There has been much speculation in recent weeks that the Treasury is set to raise alcohol duty.
- The industry has been advised by officials that rates will rise in line with RPI, currently at 6.1%.
- This would be the second increase in four months, following a restructure of how duty is calculated in a move to penalise drinks with a higher alcohol by volume (ABV).

Analysis

Changes to the way alcohol duty is calculated saw the largest alcohol tax rise in over 50 years earlier this year. However, with pressure from backbench Conservative MPs to use any fiscal headroom to offer personal tax cuts ahead of the next election, it seems likely that industry pressure will not stop the mooted rise from going ahead.



Transport.

Speculation

- Chancellor Hunt is under pressure from his Treasury team to increase fuel duty for the first time in over decade.
- If agreed to, this would see fuel duty rising to 55p per litre for petrol and diesel, with the addition of VAT to these fuels compounding this rise for consumers.
- An increase of 2p per litre would raise £5.7bn in revenues, a previous OBR report found.

Analysis

Despite his Prime Minister vowing to end the war on motorists, the Chancellor might be stoking this particular group of the electorate if he is the first Chancellor in over a decade to increase fuel duty.

Following the Prime Minister’s decision when he was Chancellor to fuel duty by 5p in March 2022, the Treasury has calculated that Government revenues have decreased by £5bn. Hunt has previously stated that a fuel duty freeze would be dependent on the public finances come Autumn. It remains to be seen whether he will risk the limited fiscal headroom he has to offer this ‘red meat’ to voters.

Workforce.

Speculation

- The Chancellor has already confirmed that the National Living Wage will rise to “over £11” per hour. The Resolution Foundation predicts the final rate will be around £11.46 per hour.
- To tackle the amount of long-term sick out of work, there is an expectation that tax breaks and subsidies will be offered for employers offering health benefits to employees in work.
- The Chancellor may bring forward a package of welfare reform to reduce the number of long-term benefits claimants. This may involve raising the bar for receiving the extra health-related component of Universal Credit, and tighten conditionality.

Analysis

With the ONS estimating that 2.5 million are people out of work because of long-term sickness, it is expected that the Chancellor will take action to incentivise people to return to the workforce and support economic growth.

Employers will also be keen to see more action on low levels of productivity, but the Chancellor seems more intent on reducing the burden on the taxpayer through the benefits system as a priority.

Thank you.

For more insight or to discuss any part of
this briefing, get in touch:
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