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News in Review

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"With inflation more than halved we are starting to remove inflationary pressures from the economy"

Latest inflation data from the Office for National Statistics (ONS) revealed that the Consumer Prices Index (CPI) reduced to 3.9% in the year to November 2023, down from 4.6% recorded in the previous month.

Now at a two-year low, the annual rate in November 2023 was the lowest since September 2021. The headline CPI inflation reading came in under all forecasts in a Reuters poll of economists which had anticipated a figure of 4.4%. The annual rate was pushed down primarily by cheaper motor fuels, along with recreation and culture, food and non-alcoholic beverages.

Chancellor Jeremy Hunt commented on the data, *"With inflation more than halved we are starting to remove inflationary pressures from the economy."* Although he did acknowledge that *"many families are still struggling with high prices so we will continue to prioritise measures that help with cost-of-living pressures."*

The higher-than-expected reduction has fuelled speculation that Bank Rate may be cut earlier in 2024, but the Bank of England (BoE) have cautioned that the job of bringing inflation back to its 2% target is far from complete.

Post Christmas shoppers

Boxing Day shoppers were out in force, according to data from MRI Software (formerly Springboard). Footfall rose by 4% across all UK retail destinations on 26 December (versus 26 December 2022). With people seeking out a post-Christmas bargain, stores in central London saw the highest increase, with an estimated 10.6% jump in footfall, partly due to an inflow of tourists for the festive season. Despite this uptick, overall shopper numbers were weaker when compared with pre-pandemic data, with footfall languishing 14.9% behind 2019 levels. Other contributory factors include the impact of inflation and the trend for online shopping.

Jenni Matthews, Marketing and Insights Director at MRI commented on footfall, *"Many people may be tightening their purse strings given the cost-of-living status or may still be spending time with their families on Boxing Day and not be heading out to stores and destinations until later in the week."*

Scottish Budget

On 19 December, Shona Robison, Deputy First Minister of Scotland outlined the Scottish government's spending plans for the year ahead. Before the announcement, she stated that amid high inflation and an estimated £1.5bn black hole, it would be one of the *"most challenging"* Budgets since devolution. Some key taxation measures included the creation of a new 45% tax band for those earning between £75,000 and £125,140. In addition, the top rate of tax levied against those earning more than £125,140, will increase by 1% to 48%. Proposed to take effect from 6 April, these changes mean there will be six Income Tax bands in the Scottish Income Tax system compared to three in England and Wales. The starter, basic and intermediate Income Tax rates will be frozen at 19%, 20% and 21% respectively.

In other news, the Scottish Government intend to fully fund a Council Tax freeze, which is due to provide local government with the equivalent of a 5% rise, *"delivering over £140m of additional investment for local services,"* according to Ms Robison.

Business premises valued below £51,000 will have rates frozen, while hospitality businesses located on the Scottish islands will be given 100% rates relief (up to the value of £110,000).

Spring Budget 2024 – date announced

In late December, the government announced that the Spring Budget 2024 will be held on 6 March 2024, with Chancellor Jeremy Hunt commissioning the Office for Budget Responsibility (OBR) to prepare a fiscal and economic forecast to be presented alongside his announcement. Likely to be the government's final fiscal event prior to the General Election, expectations are mounting that further tax cuts could be employed to gain voters, with possible candidates including Inheritance Tax (IHT) and Income Tax.

End of year markets

The FTSE 100 closed 2023 registering an annual gain of 3.77%, while the domestically focused FTSE 250, more closely correlated to the UK economy, closed the year 4.43% higher. Although the UK's benchmark and mid-cap indices ended the year higher, they trailed markets in Europe, the US and Japan. In the US, buoyed by a robust year-end rally, with investors contemplating easier monetary policy in the year ahead, the Dow closed the year up over 13%, while the tech-orientated NASDAQ closed the year up over 43%. Meanwhile, the Nikkei 225 ended the year up over 28%, and the Euro Stoxx 50 closed the year up over 19% higher.

Here to help

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