

Reviewing the Autumn Budget 2024

The Autumn Budget 2024, presented by Chancellor Rachel Reeves, has introduced pivotal measures aimed at addressing fiscal challenges while grappling with stagnant economic growth. This budget arrives amidst a backdrop of economic uncertainty, with the UK's GDP showing no growth in Q3 2024, after a previous estimate of 0.1% expansion was revised downward.

Key Fiscal Measures

Among the most notable changes is an increase in the employer National Insurance Contribution (NIC) rate. While this is intended to bolster government revenues, it has been met with criticism from businesses facing rising operational costs. The budget also increased the National Living Wage, a move welcomed by employees but one that may strain employers further, particularly small and medium-sized enterprises already dealing with post-pandemic economic challenges.

In addition, adjustments in business taxation have raised concerns about their potential impact on investment. These changes, while designed to enhance fiscal stability, risk discouraging business expansion and hiring—a critical issue as the UK seeks to navigate a post-Brexit, post-COVID economy.

One measure that has been met with a considerable amount of criticism has been the new family farm tax, which is essentially an inheritance tax being imposed on farmers. Farmers have long been exempted from inheritance taxes but have meanwhile been accused of consolidating large swaths of land to dodge taxes.

Although a small percentage of farmers will be affected, this tax will surely result in a change of course in terms of estate planning.

Economic and Business Impact

The Bank of England has responded to the budget by revising its growth forecasts, now predicting zero growth for Q4 2024. The Bank cited concerns that measures such as higher NIC rates and increased wages could exacerbate

inflationary pressures and lead to job cuts. Surveys indicate a decline in business confidence across key sectors, with companies voicing apprehension about elevated costs and reduced incentives for investment.

The stagnation in GDP highlights broader challenges in the UK economy, including sluggish productivity and cautious consumer spending. While the government hopes these measures will create a fairer and more sustainable economy, they appear to have deepened business concerns in the short term.

Outlook and Implications

The Autumn Budget underscores the tension between addressing immediate fiscal needs and fostering long-term economic growth. For businesses, navigating these changes will require a strategic approach to managing costs while remaining competitive in an evolving economic landscape.

While the increase in the National Living Wage and other measures aim to protect workers, the broader business community must adapt to tighter margins and potential reductions in workforce size. Investors and policymakers alike will be closely monitoring the impact of these measures as the UK strives to strike a balance between fiscal responsibility and economic dynamism.