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UK Economic view Further budget cuts to be announced in Spring Statement

Equity Research

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27-Mar	Playtech; FY24 Results

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UK Economic view Further budget cuts to be announced in Spring Statement

It's not a Budget, but it certainly feels like one. Six months after her first "fiscal event", UK Chancellor Rachel Reeves will deliver her first Spring Statement to the House of Commons this week, bringing further bad news for an already beleaguered UK consumer.

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Due to deliberate leaks over the past week, we now have a pretty good idea of the bad news that will be confirmed in the statement. Triggered by a halving of near-term growth forecasts by the OBR, Reeves will announce a number of cost-saving initiatives to ensure that her target of reducing debt by the end of the forecast horizon is kept. Last week, it was announced that there would be an overhaul of the benefits regime to incentivise more people back to work and save £5bn for the Treasury in the process. Over the weekend, it was announced that civil service job cuts over the coming years would save an additional £2bn. It is likely that further cost savings will be announced too, with the specifics of those coming after the spending review completes in June.

Confidence is already low among UK consumers and this latest news is unlikely to help. It is likely that the Chancellor will aim to pull some positive "cat out of the bag" in her speech on Wednesday, but the fact remains that there is little wriggle room in the UK public finances. She is eager too to keep bond markets in check and avoid another "Truss-style" meltdown in markets.

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