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Special Report
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2019 Spring Statement

What do the policies outlined in the Chancellor's speech mean for UK industry?

A twenty-six billion pound divident to cut taxes and increase public pending was promised only in the event that no-deal Brexit is avoided

On 13 March 2019 Chancellor Philip Hammond presented the Spring Statement. With less than three weeks until the UK's scheduled exit from the European Union, Brexit overshadowed the statement, with a £26.6 billion dividend to cut taxes and increase public spending promised only in the event that a 'no-deal' scenario is avoided. Securing a deal will also lead to a three-year spending review, which will be concluded alongside the Autumn Budget 2019. The Office for Budget Responsibility's GDP growth forecast for 2019 was cut to 1.2%, down from the 1.6% forecast in October 2018's Autumn Budget, as persistent uncertainty has weighed on economic growth. However, debt is forecast to be lower than previously predicted. Borrowing through the current year is expected to stand at 1.1% of GDP, £3 billion lower than estimated at the Autumn Budget, with tax takes rising due to strong growth in higher income quintiles.

Although the headlines remain dominated by Brexit, the statement promised a number of new initiatives and funding re-allocations that will affect a range of UK industries. Across the UK economy, SMEs will benefit from apprenticeship reforms worth approximately £700 million being brought forward to April. The co-investment rate (the amount small firms pay towards the cost of training apprentices) will fall to 5% from 10%, whilst employers subject to the apprenticeship levy will be able to spread more levy funding across their supply chains, as the maximum amount rises from 10% to 25%. Below, this report highlights some of the key points from the statement, and identifies the industries that are most likely to be affected by these policies.

Residential construction

The Spring Statement took further steps to addressing the undersupply of affordable housing. Policies that were outlined in the Autumn Budget 2017 were built upon in the Statement, to support the government's ambition of building 300,000 new homes each year by the mid-2020s. A £3 billion Affordable Homes Guarantee Scheme was pledged to support the delivery of 30,000 affordable homes in England, while the Statement reiterated the government's plans to publish a National Infrastructure Strategy, which will set out the government's priorities for economic infrastructure.

Additionally, £717 million from the Housing Infrastructure Fund has been put towards unlocking up to 37,000 new homes on sites in West London, Cheshire, Didcot and Cambridge, while £445 million from the fund has been earmarked to deliver 22,000 homes in the Oxford-Cambridge Arc, a development of homes, offices and roads across Central England which aims to provide up to one million new homes in the region by 2050. These announcements are expected to provide a boost to construction industries in these regions, while the Residential Building Construction industry as a whole will continue to be supported by government initiatives as consumer confidence remains weak.

Industries most affected:

F41.202 – Residential Building Construction in the UK
F43.999 – Bricklaying & Other Specialised Construction Services in the UK
G46.730 – Construction Supplies Wholesaling in the UK

Trading Places: Brexit and Key UK Exporters

Growth in tech

The third wave of Local Full Fibre Networks funding has been allocated as part of the Statement. £53 million will be allocated to nine local areas as part of the fund, which the government hopes will contribute to its target of delivering a nationwide fibre network by 2033.

In addition, the Statement confirmed that £81 million will be invested in Extreme Photonics, £45 million in Bioinformatics and a further £79 million in a new Edinburgh-based high-performance supercomputer. These investments in cutting-edge infrastructure support the government's ambition to raise economy-wide investment on Research and Development (R&D) to 2.4% of GDP by 2027. While the funding will only directly benefit a handful of companies, science and research industries, including higher education facilities, are likely to benefit in the long-term from a rise in R&D investment.

Industries most affected:

C27.310 – Fibre-Optic Cable Manufacturing in the UK
F42.220 – Electricity & Telecommunications Infrastructure Construction in the UK
UK0.001 – Biotechnology in the UK

Green economy

The Statement also addressed the government's goal of becoming the first generation to 'leave the environment in a better state than we found it.' Fossil-fuel heating systems will no longer be permitted in new houses from 2025 as part of the Future Homes Standard. The introduction of the scheme is expected to help meet decarbonisation targets and ensure that consumer energy bills remain low. Companies throughout the gas and electricity networks are likely to be affected by the changes through shifts in demand for gas and electric. The Renewable Electricity Generation industry (IBISWorld report UK0.003) is likely to be the primary beneficiary of a move away from the use of fossil fuels.

A call for evidence has been launched on business energy efficiency, with the aim of supporting investment in efficiency measures in the long run to help small businesses cut their carbon emissions and reduce their energy bills. Additionally, a new global review has been launched to identify actions that will simultaneously enhance biodiversity and deliver economic prosperity.

Industries most affected:

D – Energy Supplying
UK0.003 Renewable Electricity Generation in the UK