On 11 March, just four weeks after his appointment as Chancellor of the Exchequer, Rishi Sunak delivered his first Budget in the House of Commons. This marked the first release of detailed government spending plans since the last Budget was unveiled in October 2018, after the November 2019 Budget was delayed when the UK’s membership of the European Union was once again extended, triggering a snap general election. Following the announcement of an emergency interest rate cut earlier in the day, as expected, the government’s spending plans were primarily focused on providing support to combat the COVID-19 (coronavirus) outbreak and reduce its impact on the economy. Nevertheless, a number of other plans were introduced, including funding for housing and infrastructure and measures intended to support the environment.

The plans outlined in the Budget are expected to result in public-sector net borrowing increasing to 2.1% of GDP in 2020-21, representing the biggest rise in government borrowing for 30 years. The Office for Budget Responsibility forecasts that the UK government will need to borrow £54.8 billion in the coming financial year to meet its spending commitments. Below, IBISWorld has highlighted the main takeaways from the 2020 Budget, along with which UK industries are likely to benefit.

**Coronavirus**

A major and somewhat unforeseen focus of the Budget was mitigating the impact of the coronavirus outbreak on society and the economy. In response to the outbreak, which is expected to cause significant temporary disruption to the UK economy, the Chancellor has announced a £30 billion fiscal stimulus package. This includes £7 billion of support for businesses and a £5 billion emergency response fund to support the NHS and other public services. Meanwhile, the Chancellor has pledged to support the NHS with whatever extra funding it needs to cope with coronavirus. Other measures introduced to help counter the shock of the outbreak on businesses include setting up a new Coronavirus Business Interruption Loan Scheme, which offers bank loans of up to £1.2 million to support SMEs; the suspension of business rates for firms in the retail, leisure and hospitality sectors with a rateable value below £51,000; and a pledge to refund Statutory Sick Pay costs for up to 14 days per employee for businesses with 250 employees or fewer. The supportive measures also include easier access to Statutory Sick Pay for employees forced to self-isolate and a £500 million hardship fund to help vulnerable people. Overall, these measures are aimed at ensuring that the impact of coronavirus on society and the economy remains temporary, without inducing a longer-term economic decline.

**Industries most affected:**

Q86.101 – Hospitals  
Q86.210 - General Medical Practices

**Interest rates**

In conjunction with the fiscal support pledged for the response to coronavirus, the Bank of England announced a collection of measures to help businesses and households manage through the upcoming period of economic disruption. This was spearheaded by a 0.5-percentage-point reduction in interest rates, from 0.75% to 0.25%, the first emergency rate cut since October 2008. Other measures include the introduction of a Term Funding Scheme, which could provide over £100 billion of funding to banks which lend at or close to the Bank Rate, as well as additional funding for banks that increase lending to SMEs. Meanwhile, a reduction in the UK countercyclical capital buffer rate to 0% is expected to support up to £190 billion of bank lending to businesses. Reducing the cost and improving the availability of finance will help businesses cope with the effects of weaker activity and disruption to supply chains on cash flows, allowing them to bridge the potentially
challenging period. Meanwhile, increased access to short-term credit should ease pressure on household finances, while other measures included in the Budget, such as increasing the National Insurance threshold from £8,632 to £9,500, should also help stimulate private consumption.

**Industries most affected:**

*K – Financial and Insurance Activities*

**Support for businesses and public services**

In addition to support mechanisms aimed at countering the impact of the coronavirus outbreak, the Chancellor announced several measures to support businesses in the longer-term. This includes a £3,000 cash grant for firms eligible for small business rates relief, as well as an extra £900 million funding for research into nuclear fusion, space and electric vehicles. The Budget also set out plans to scrap VAT on digital publications, including newspapers, books and academic journals, which should stimulate demand in the E-Book Publishing industry. Meanwhile, the short-term abolishment of business rates for small businesses will relieve some of the pressure on high-street retailers in the short term, with the government also set to review the system of high-street business rates later this year. The Chancellor also reiterated manifesto pledges regarding the NHS, including increasing funding by £6 billion during this parliament, as well as hiring 50,000 nurses and building 40 hospitals.

**Industries most affected:**

*SP0.013 - E-Book Publishing*  
*G47.710 - Clothing Retailing*  
*I56.101 - Full-Service Restaurants*  
*SP0.012 – Alternatively Fuelled Vehicle Manufacturing*

**Transport, infrastructure and housing**

The government has pledged to spend over £600 billion on roads, rail, broadband and housing by the middle of 2025. This investment is the largest since 1955 and will be triple the annual average over the last 40 years.

Improving transport links leads to benefits not only for the population but also for many industries, mainly those involved in trade and wholesaling. The government plans to spend £27 billion between 2020 and 2025 on more than 4,000 miles of strategic roads. This includes fixing potholes and road resurfacing, as well as large investment in urban transport, which will ease overcrowding and delays on the current network.

Housing issues have also been addressed. The Budget outlines a £10.9 billion increase in housing investment, committing to build at least one million new homes and an average of 300,000 homes a year by 2025 in order to combat the current undersupply of housing. This is expected to add to a string of successful government housing initiatives from the past five years, such as the Help to Buy scheme and the Housing Infrastructure Fund, which have supported growth in the Residential Building Construction industry, the revenue of which is estimated to grow at an annual compound annual rate of 7% over the five years through 2019-20. Moreover, to avoid any potential future accidents similar to the Grenfell tower disaster, the government has announced a £1 billion Building Safety Fund that will help remove unsafe combustible cladding from residential buildings higher than 18 metres.

Investment in infrastructure also includes funding to improve mobile coverage in rural areas and a £5 billion investment in gigabit broadband rollout in areas that currently face connectivity issues and are hard to reach. This will improve internet connectivity and mobile usage around the United Kingdom, giving access to more people to take advantage of technology. Additionally, it will aid the Wireless Telecommunications Carriers industry, which has struggled slightly over the past five years, with its revenue estimated to decline at an annual compound annual rate of 2% over the period. Moreover, the investment may help in rolling out and improving coverage of 5G networks by wireless telecommunication operators.

**Industries most affected:**

*F41.202 - Residential Building Construction*  
*G - Wholesaling*  
*J61.200 - Wireless Telecommunications Carriers*  
*L68.310 - Estate Agents*  
*M71.110 - Architectural Activities*

**Environment**

The Budget also addressed the government’s approach to benefiting the environment amid increased environmental concern and pressure from environmental organisations. Taxes on pollution will increase, while funding for green transport solutions will be increased by £1 billion. The tax relief for red diesel, which is widely used in off-road vehicles and currently equates to a £2.4 billion tax break for pollution, will be abolished in 2022. However, agriculture, rail, fishing and domestic heating industries will be exempt, which will provide some relief given the current uncertainty regarding the UK’s future trade arrangements with the European Union.
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Other measures introduced by the government to help the environment include a charge of £200 per tonne on packaging with less than 30% recycled content. This is expected to aid the Sorted Material Recovery industry, as firms will likely increase recycling rates due to the use of more recyclable materials. Additionally, the government intends to plant 30,000 hectares of new trees and to invest £640 million to protect natural habitats. Furthermore, investment in flood defences is set to increase notably to £5.2 billion over the next five years. Many of the changes related to improving the environment are likely to lead to increased costs for operators and encourage them to look for environmentally friendly ways to operate.

**Industries most affected:**
- E38.320 - Sorted Material Recovery
- F42.910 - Dam, Harbour & Other Water Project
- Construction
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