

A night-time photograph of the Tower Bridge in London, illuminated with warm yellow and white lights. The bridge's two towers are prominent, with intricate Gothic-style architecture. The sky is a deep blue with some light clouds. The bridge's reflection is visible in the water below. The image is framed by a large, semi-transparent circular graphic on the left side.

insights

Budget Brief
(2024-25)

UK

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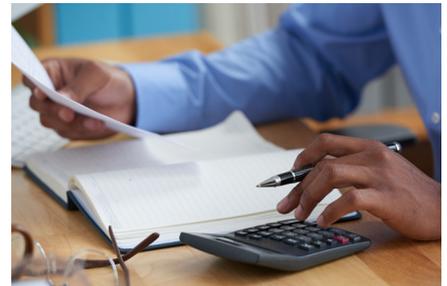
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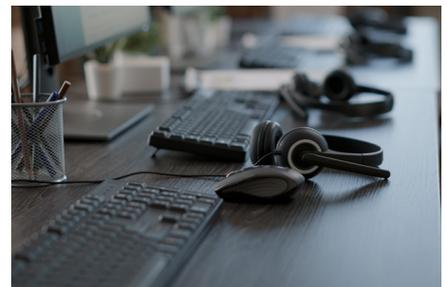
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Budget Roundup 2023-24

The UK budget for the fiscal year 2023-24, delivered by the Chancellor of the Exchequer on March 15, 2023, was framed against the backdrop of the prevailing challenges posed by the COVID-19 pandemic, the energy crisis, and heightened inflationary pressures. The overarching objective of the budget was to advance the government's strategic imperatives of mitigating inflationary pressures, fostering economic expansion, and curtailing national indebtedness.

The budgetary measures encompassed several key facets:

- The imperative to halve inflation within the fiscal year, thereby alleviating the strain on living expenses and fortifying financial stability for the populace.
- A concerted emphasis on bolstering economic growth, with the aim of cultivating higher-quality employment opportunities and extending prosperity across the nation.
- A steadfast commitment to reducing the national debt, thus safeguarding the sustainability of public services and fiscal resilience.
- Prioritizing the reduction of National Health Service (NHS) waiting lists, thereby ensuring expeditious access to essential healthcare services for all citizens.
- The introduction of new legislative frameworks to address the challenge of small boat migration, with particular emphasis placed on the prompt detention and removal of individuals entering the country unlawfully.

These strategic imperatives were designed to align with the overarching goals of the Government, aimed at achieving prudent fiscal management, enhancing economic vitality, and fortifying the social fabric of the nation.

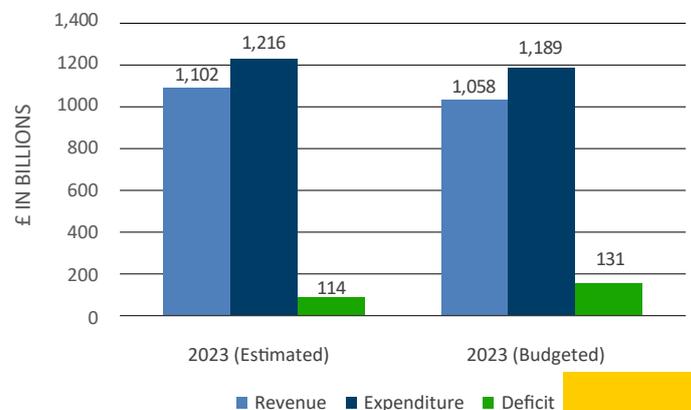
At Spring Budget 2023 the government had decided to build on this foundation, with a plan to deliver on three of the five key priorities set out by the Prime Minister; to halve inflation, grow the economy and get debt falling. In November 2023 Government issued Autumn Statement 2023 presented to Parliament by the Chancellor of the Exchequer by Command of His Majesty stating that The economy has recovered from the pandemic more quickly than first thought, grown more than expected this year, and is forecast to grow in every year of the forecast period. The government must continue to bear down on inflation, and the Office for Budget Responsibility (OBR) forecasts that government policies in the Autumn Statement will reduce inflation next year.

It is stated that the Government is focusing on five areas:

- Reducing debt;
- Cutting tax and rewarding hard work;
- Backing British business;
- Building domestic and sustainable energy; and
- Delivering world-class education.

The OBR estimates that government decisions at the Autumn Statement will boost business investment by £14 billion and bring a further 78,000 people into employment by the end of the forecast period. This means that the combined impacts of the Spring and Autumn policy measures will increase the number of people in work by around 200,000 by the end of the forecast.

In the fiscal year 2023-24, it was initially projected that public sector receipts would amount to approximately £1,058 billion, with total Managed Expenditure (TME) anticipated to reach around £1,189 billion, resulting in a projected shortfall of £131 billion. However, as disclosed in the Public Finance Data (PFD) released by the Office for Budget Responsibility (OBR) on 6th March 2024, the updated figures indicate that estimated public sector receipts are expected to be approximately £1,102 billion, slightly surpassing the initially budgeted amount. Furthermore, the estimated Total Managed Expenditures for the same period have also exceeded the budget, reflecting an increase of £27 billion.



Budget Roundup 2023-24

In 2022, the Nominal GDP stood at £2,554 billion, with a projected increase to £2,732 billion (~3% as compared to 2023-24) by the conclusion of the 2023-24 Financial Year. The Total Receipts as a percentage of GDP for 2022-23 were 40%, while Total Managed Expenditure (TME) accounted for 45%. Anticipating a continuity in these figures through the end of the fiscal year 2023-24.

In 2021, the Gross Domestic Product (GDP) demonstrated robust growth at 7.6%. However, this momentum underwent a reduction to 4% in 2022, with a forecasted further decline to -0.2% in 2023. Notably, the per capita GDP growth experienced a notable decrease, contracting to 3.4 in 2022 as opposed to the more substantial figure of 7.2 observed in 2021.

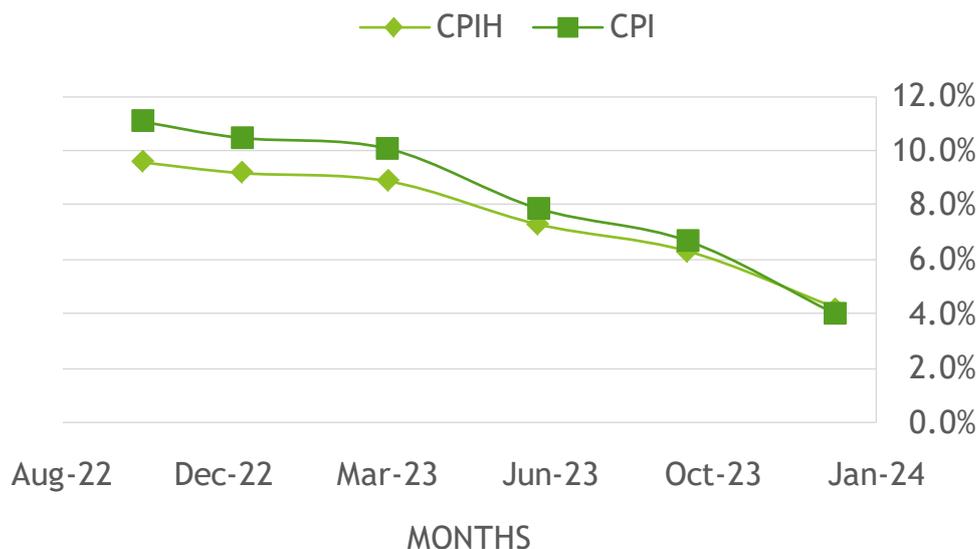
In October 2022, the Consumer Price Index (CPI) surged to an unprecedented 11.1%, marking its highest level in four decades. Recognizing the urgency of the situation, the government took decisive measures to curb inflation.

Consequently, by October 2023, the CPI had been successfully reduced to 4.6%, and this downward trend continued, reaching a commendable 4% by December 2023.

Inflation has undergone a reduction by more than 50% from its most recent zenith, while the government persists in its commitment to bolster the endeavors of the Bank of England, thereby effectuating policy measures aimed at precipitating a decline in inflation for the fiscal year 2024-2025. The Office for Budget Responsibility (OBR) prognosticates that inflation is poised to converge upon its targeted threshold of 2% by the second quarter of 2024, a notable advancement compared to their previous November 2023 projection, indicating a hastened trajectory towards stabilization.

The main drivers of the annual inflation rate for CPIH and CPI are the same where they are common to both measures. However, the Owner Occupiers' Housing costs (OOH costs) component accounts for 16% of the CPIH and is the main driver for differences between the CPIH and CPI inflation rates.

CPI & CPIH 12 Months Rate



Budget Analysis 2024–25

United Kingdom

Overview of 2024 UK Budget

The Spring Budget 2024, delivered by the Chancellor of the Exchequer on March 6, 2024, delineates the fiscal strategies of the UK government amidst the prevailing challenges posed by the COVID-19 pandemic, surges in energy prices, and global inflationary pressures. Notwithstanding these adversities, the government remains steadfast in its commitment to attenuate inflation, stimulate economic growth, and reduce debt, with the collaborative support of the Bank of England's monetary policy.

A total allocation of £4.2 billion is earmarked for the Public Sector Productivity Programme for the fiscal year 2024-25. Tax reforms have been introduced to incentivize employment, streamline the tax framework, and establish a residence-based tax regime for non-UK domiciled individuals. Notable advancements have been made on the growth package outlined in the Autumn Statement 2023, encompassing support initiatives for small enterprises and the creative industries:

- The VAT registration threshold is set to increase from £85,000 to £90,000 w.e.f April 1st, marking the first adjustment in past seven years.
- The introduction of excise duty on vaping products is scheduled for October 2026, with a consultation on its design to be published.
- Car owners can expect a £50 reduction in costs this fiscal year, as the 5p reduction and freeze to fuel duty remain effective until March 2025.
- Two million self-employed persons stand to benefit from a second tax reduction, as the NICs main rate is set to decline from 8% to 6%, resulting in substantial savings. The average self-employed worker is anticipated to save £650 when combined with other reductions.
- The Employee National Insurance tax rate is slated to decrease from 10% to 8% w.e.f. April, benefiting 27 million employed individuals.
- The High Income Child Benefit Charge is scheduled to transition to a household-based assessment by April 2026.
- Immediate relief for working families will be provided through an increase in the threshold to £60,000 and a halving of the rate at which Child Benefit is repaid. This measure is expected to yield an average uplift of £1,260 for approximately half a million working families.
- AstraZeneca has announced intentions to invest £650 million in the UK to expand its presence on the Cambridge Biomedical Campus and finance the construction of a vaccine manufacturing hub in Speke, Liverpool.
- The NHS is slated to receive an additional £3.4 billion for investment in new technology and digital transformation endeavours.
- Biomedical Campus and finance the construction of a vaccine manufacturing hub in Speke, Liverpool. An additional £45 million will be allocated to cancer and epilepsy research, with £3 million designated for Cancer Research UK.
- An allocation of £800 million is earmarked to bolster productivity across various public services, including £230 million for the implementation of drones and advanced technologies such as facial recognition to enable law enforcement officers to focus more on frontline duties. Furthermore, £75 million will be allocated to facilitate the nationwide rollout of the successful Violence Reduction Unit model across England and Wales.
- Defense spending is anticipated to reach 2.3% of GDP in the next fiscal year, following an £11 billion investment announced during the Spring Budget 2023.
- New British ISA which will allow an additional £5,000 annual investment for investments in UK equity with all the tax advantages of other ISAs.
- Pubs, breweries, and distilleries will benefit from an extended freeze to alcohol duty until February 2025.

Budget Analysis 2024–25

United Kingdom

Overview of 2024 UK Budget

VAT registration threshold from £85,000 to £90,000	Excise duty on vaping products	Tax Relief for Creative Industries, museums, galleries and theatres	5P cut in Fuel Duty will Continue
Self-employed NIC from 8% to 6%	Employee National Insurance from 10% to 8%	Household Support Fund for Another 6 Months	Child Benefit threshold Increased to £60,000
£100m of levelling up funding	£650m Investment for Vaccine Manufacturing Hub	£3.4 Billion for NHS Digital Transformation	£230 Million for Speeding Police Response
Cancer and epilepsy with an additional £45m including £3m for Cancer Research UK	New British ISA which will allow an additional £5,000 annual investment for investments in UK equity with all the tax advantages of other ISAs	Alcohol duty freeze until February 2025	

Budget Analysis 2024–25 United Kingdom

Overview of 2024 UK Budget

Revenue

Revenues are budgeted to be £ 1,139 Billion in FY 2024-25, an increase of Approximately £ 81 Billion compared to FY 2023-24.

The primary revenue source remains consistent across both fiscal years. In the 2024-25 period, the government has undertaken measures to provide tax relief, signaling a proactive approach to fiscal policies.

Expenditure

The total expenditures for FY 2024-25 are budgeted around £1,226 billion, slightly higher than £1,189 Bn in 2023 (that has increased by £37 bn from previous year).

In the fiscal year 2024-25, strategic allocation of funds prioritized social protection measures, constituting a substantial 30% of the total expenditures. Following closely, the second major expenditure was dedicated to the healthcare sector, accounting for a significant 20% of the overall budget.

Budget Deficit:

Anticipated for the fiscal year 2024-25 is an estimated budget deficit of £87 billion. In comparison, the previous fiscal year incurred a budget deficit of £31 billion.

Gross Domestic Product

The OBR forecasts the economy to grow by 0.8% in 2024, with growth then increasing to 1.9% and 2.0% in 2025 and 2026.

Public sector net debt

The Office for Budget Responsibility (OBR) anticipates that the Net Public Sector Debt at the conclusion of the 2023-24 fiscal year is projected to reach £2,691 billion and will reach £2793 billion in 2024-25. This reflects an incremental rise of £102 billion, constituting an approximate 4% increase.

Inflation

Inflation, which is expected to be recorded 4 percent in 2023, is expected to fall to 2 percent.

2024

Revenue



an increase of
7.7%

Expenditure



an increase of
3.1%

Budget Deficit



Budget Deficit of
£87 billion

Gross Domestic Product



Budgeted Nominal
GDP £2,786 billion

Public Sector net debt



£2,793 billion

Inflation

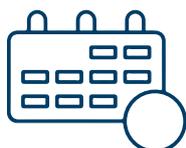
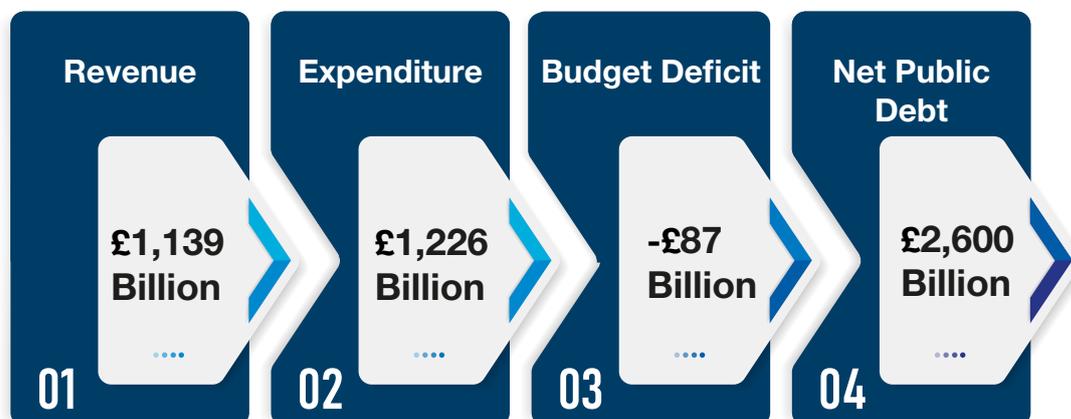


expected to fall
to 2 percent

Budget Analysis 2024–25

United Kingdom

Overview of 2024 UK Budget



Fiscal Estimates



% Inc/Dec

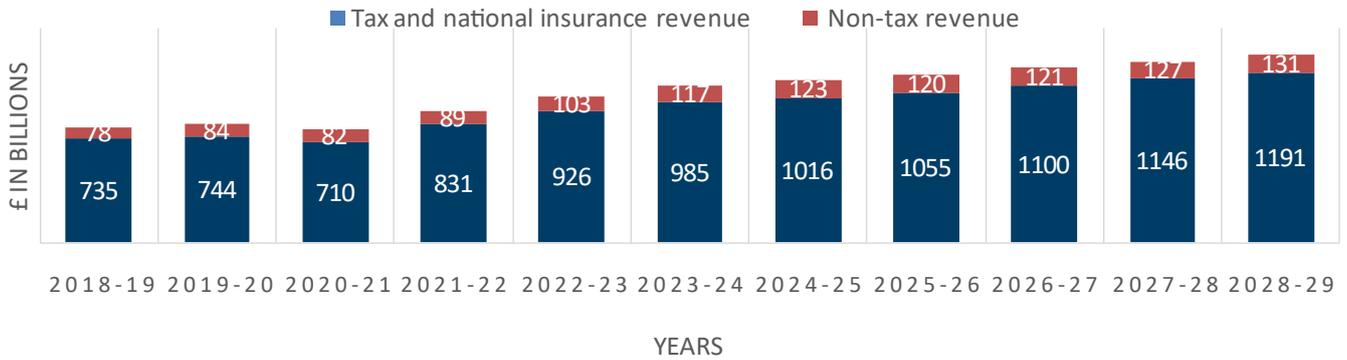
Description	Estimated in 2023	Budgeted in 2024	% Inc/Dec
	----- £ in billions		
Tax and national insurance revenue	985.23	1,016.00	3%
Non-tax revenue	116.96	123.00	5%
Total Revenue	1,102.19	1,139.00	3%
Total Expenditures	1,216.27	1,226.00	1%
Surplus/ (Deficit)	(114.08)	(87.00)	-24%

Budget Analysis 2024–25

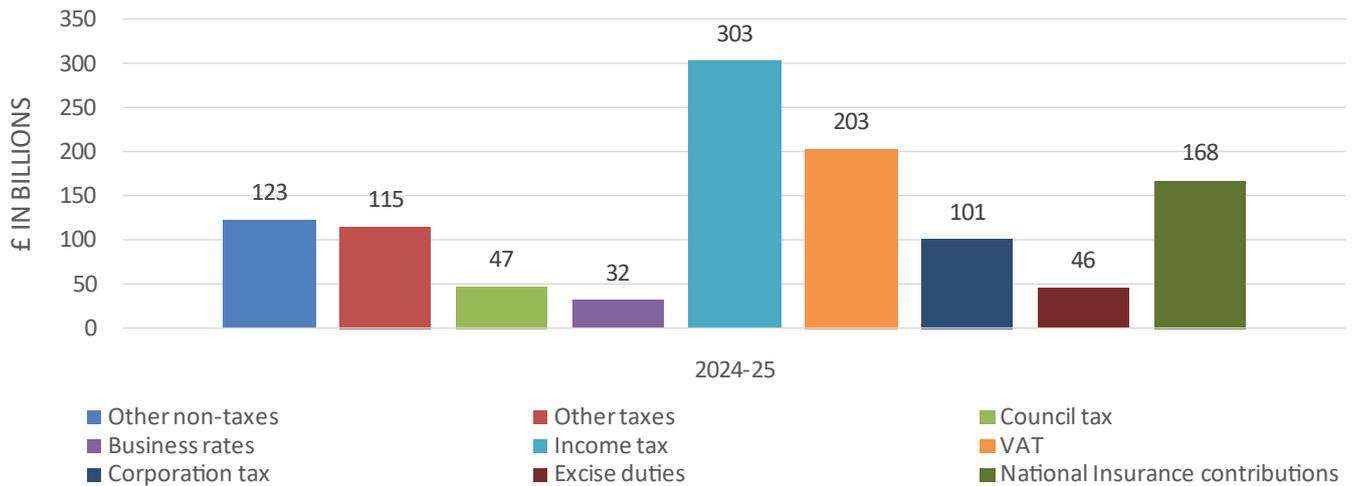
United Kingdom

Overview of 2024 UK Budget

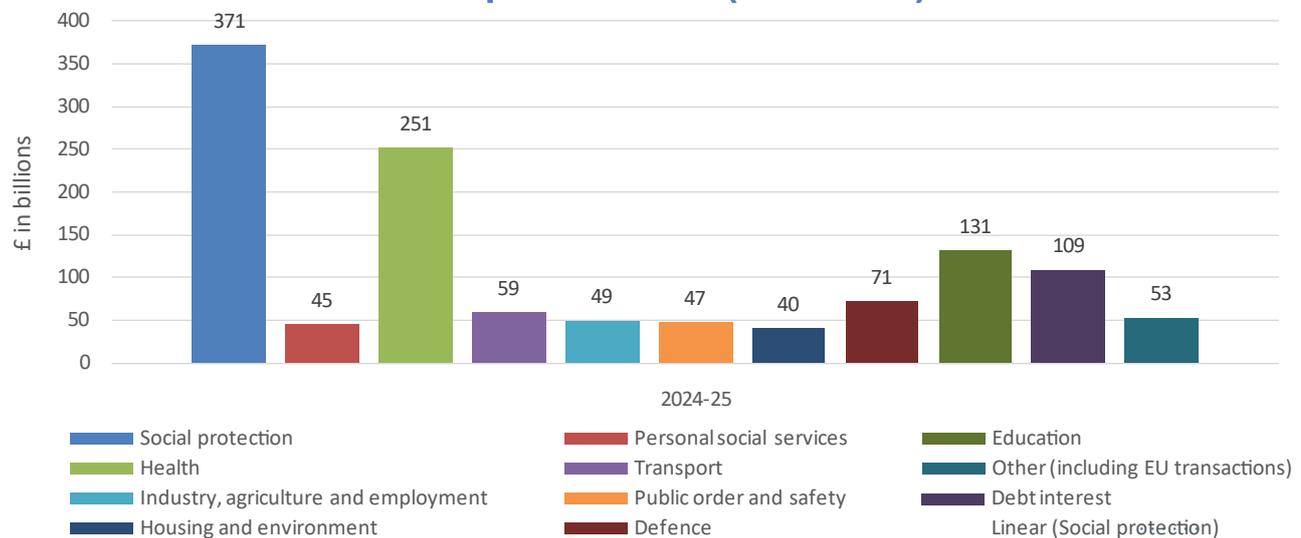
Revenue



Revenue (2024-25)



Expenditure (2024-25)



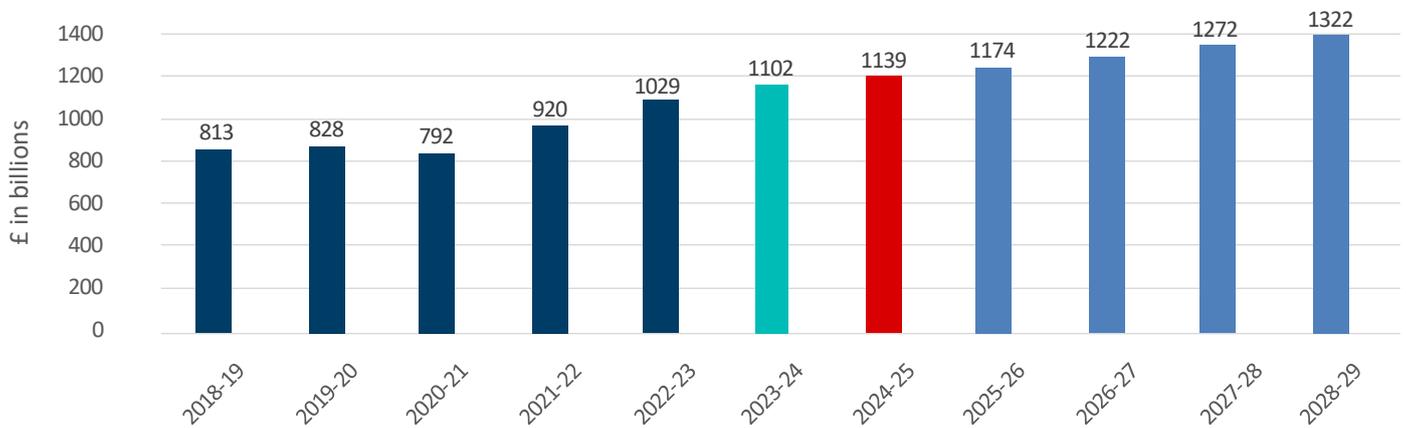
Budget Analysis 2024–25

United Kingdom

Commentary on the Budget 2024

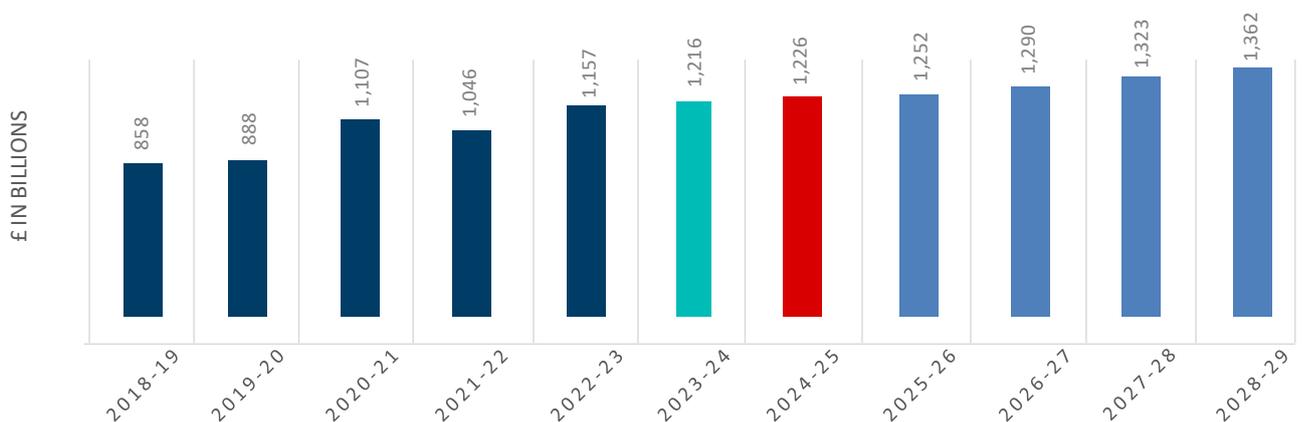
Revenue

In the fiscal year 2024-25, revenue is projected to reach £1,139 billion (~7.7% progression from 2023-24), continuing the positive trend observed over the past few years. Despite economic fluctuations in recent periods, it has consistently demonstrated growth, with an upward rise from £813 billion in 2018-19 to £1,139 billion in 2024-25. Looking ahead, Govt. anticipate further expansion, with revenues forecasted to increase steadily, reaching £1,322 billion in 2028-29. The major components of revenue generation remain to be VAT, Income Tax, and National Insurance contributions (NICs). The anticipated revenue for VAT and Income Tax is projected to increase throughout the years till 2028-29. However, it is foreseen that the revenue from National Insurance contributions will decline approximately 2% as compared to the previous year.



Expenditure

In the fiscal year 2024-25, spendings are projected to reach £1,226 billion (~0.8% increase from 2023-24), continuing the positive trend observed over the past few years. Despite economic fluctuations in recent periods, the spendings are consistently demonstrated increase, with an upward rise from £858 billion in 2018-19 to £1,226 billion in 2024-25. Looking ahead, we anticipate further expansion to increase steadily, reaching £1,361 billion in 2028-29. The major spendings were made in Public sector current expenditure particularly on “Social protection” i.e., £371 billion (~9% increase from 2023-24). The second most major component on which the major spendings are seen is on health that is allocated for 2024-25 to be £251 billion (~2% higher than previous year).



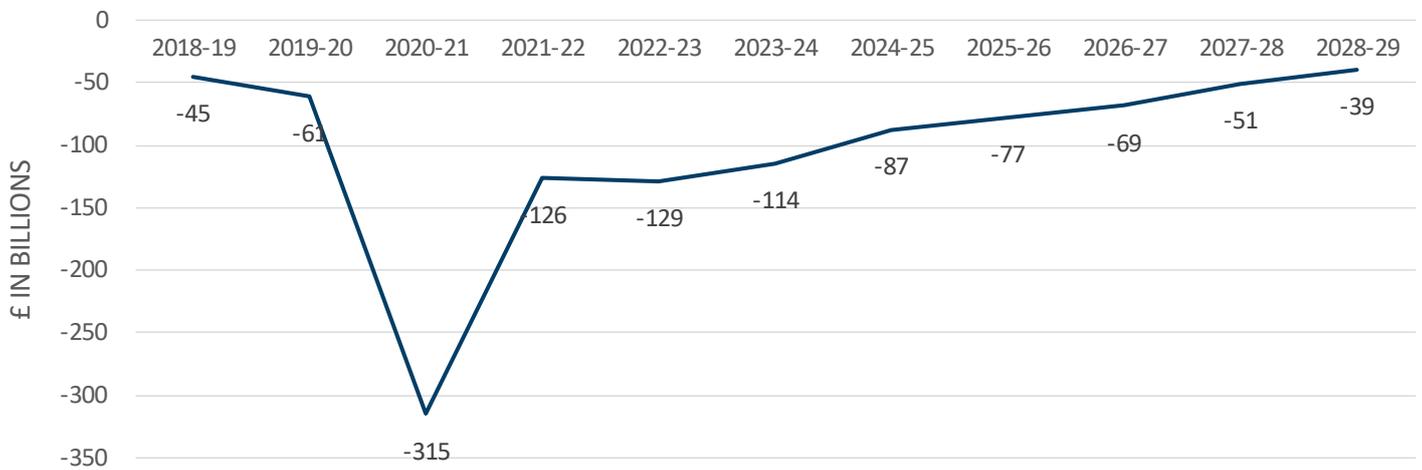
Budget Analysis 2024-25

United Kingdom

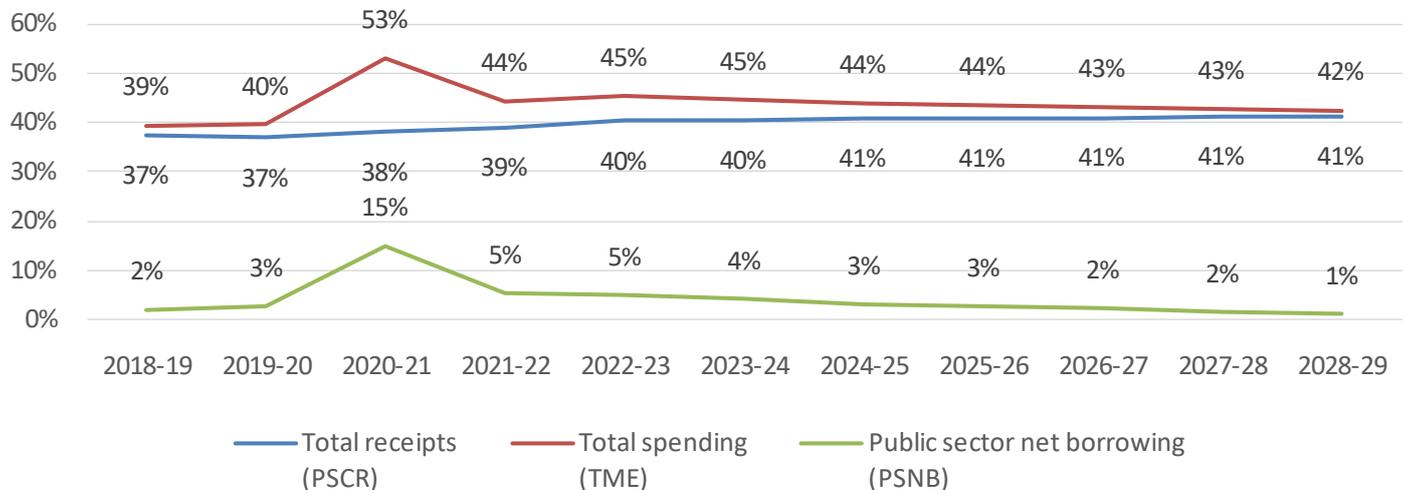
Commentary on the Budget 2024-25

Budget Deficit:

The projected Budget Deficit for the fiscal year 2024-25 stands at £87 Billion, approximately 3% of the GDP. Anticipating a positive fiscal trajectory, the government foresees a gradual reduction in the coming years, aiming for a deficit of approximately 1% by the fiscal year 2028-29. Notably, the highest recorded deficit was observed in the aftermath of the Covid-19 period during the fiscal year 2020-21, amounting to £315 Billion, representing 15% of the GDP.



Percentage of GDP:



Budget Analysis 2024-25

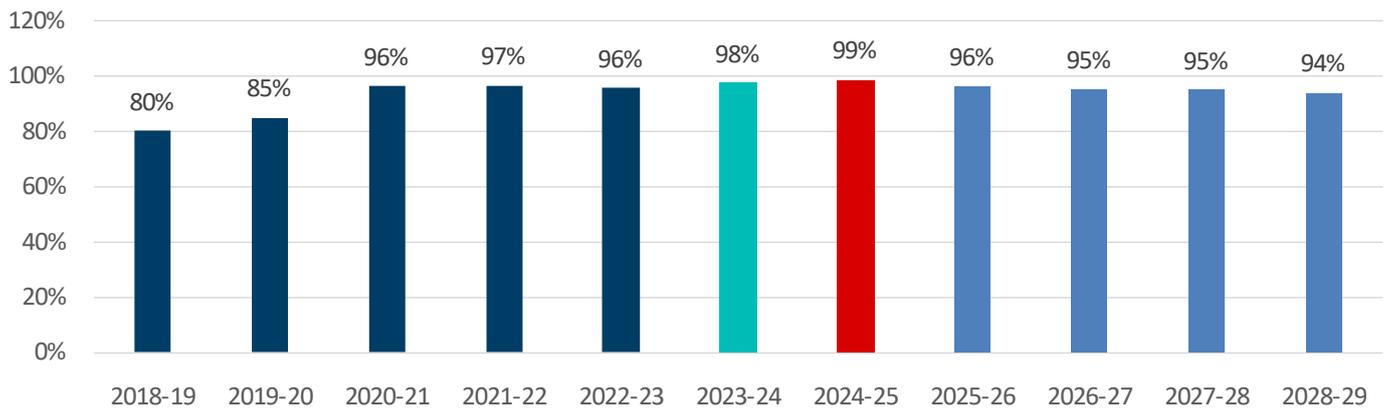
United Kingdom

Commentary on the Budget 2024-25

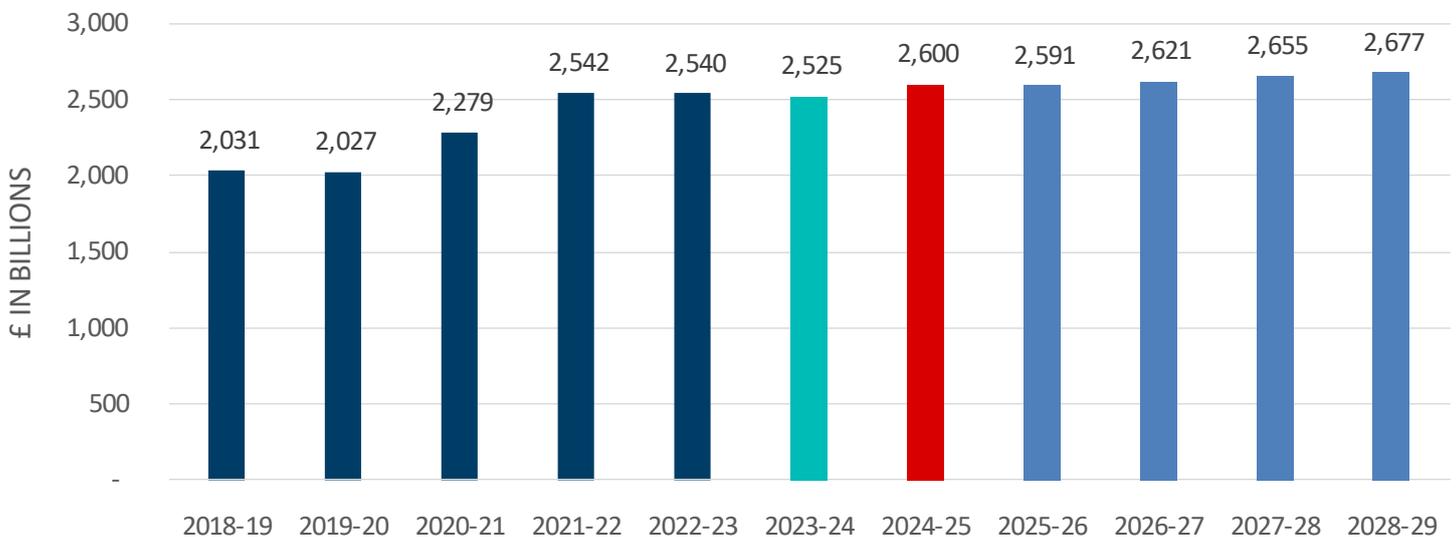
Public Sector Net Debt

In the fiscal year 2024-25, the anticipated public sector net debt is projected to stand at £2,600 billion, constituting 99% of the Gross Domestic Product (GDP). This marks a notable increase from the preceding fiscal year of 2023-24, during which the estimated net debt was £2,525 billion. Comparatively, in 2019-20, the public sector net debt amounted to £2,027 billion, representing 85% of the GDP. Over the subsequent two years, there has been a substantial 25% surge, culminating in a figure of £2,542 billion for the fiscal year 2021-22.

Public Sector net debt (PSND)



Public Sector net debt



Budget Analysis 2024-25

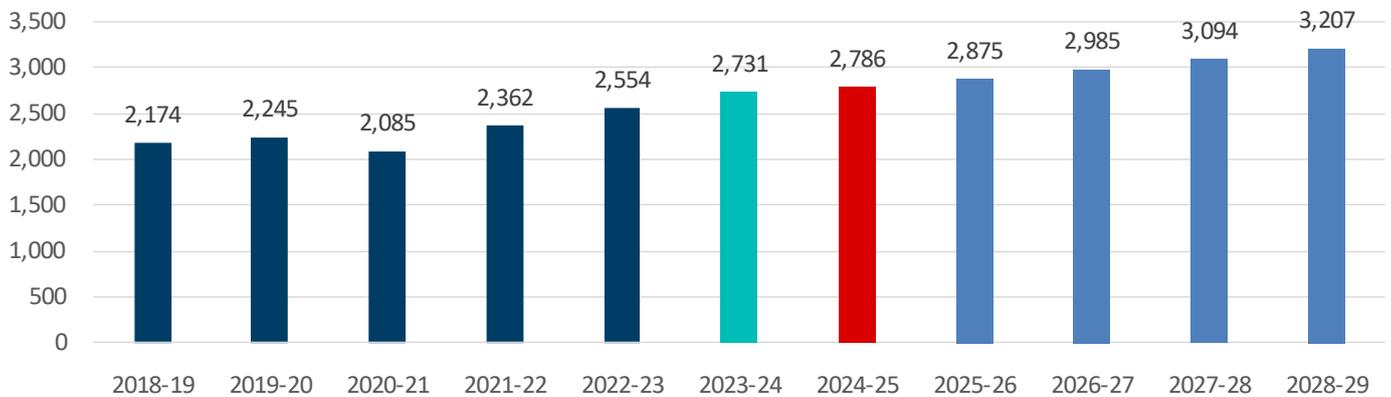
United Kingdom

Commentary on the Budget 2024-25

Nominal GDP

In the fiscal year 2024-25, the anticipated Nominal GDP is forecasted to reach £2,786 billion, marking an approximate 2% upturn from the estimated figures of 2023-24. The government envisions a further progression, with an anticipated rise to £3,094 billion by 2027-28, signifying an impressive 11% increase over the course of four years. It is noteworthy that in the aftermath of the COVID-19 pandemic, the Nominal GDP hit a nadir at £2,085, marking the lowest point over the past five years.

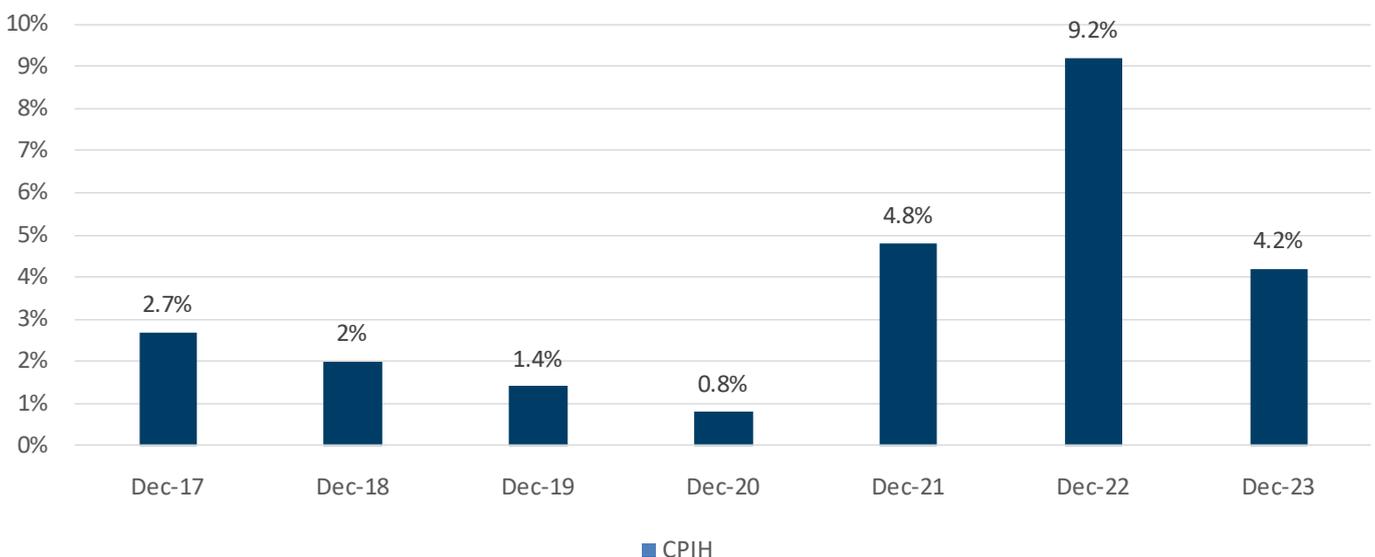
Nominal GDP (£ billion)



Inflation

In October 2022, the Consumer Prices Index including owner occupiers' housing costs (CPIH) stood at 9.6%, experiencing a notable decrease throughout 2023 and ultimately reaching 4.2% by December of the same year. Specifically, the month-on-month analysis for December 2023 reveals a 0.4% increase in CPIH, mirroring the rate observed in December 2022. The marginal uptick in the annual rate between November and December 2023 can be attributed to a consistent 0.4% month-on-month price rise, aligning precisely with the corresponding period in the preceding year.

Annual Inflation Rate



Key Terms and Sources

Key Terms

Key Terms	Definitions
CPIH	Consumer Prices Index including owner occupiers' housing costs.
CPI	Consumer Prices Index
OBR	Office for Budget Responsibility
DEL	Departmental Expenditure Limit
PFD	Public Finances Databank
TME	Total Managed Expenditure
GDP	Gross Domestic Product
ONS	Office for National Statistics
PSND	Public Sector Net Debt
NIC	National Insurance Contributions
OOH	Owner Occupiers' Housing Costs
NHS	National Health Service

Key Sources

1. <https://www.gov.uk/government/publications/spring-budget-2024/spring-budget-2024-html>
2. <https://obr.uk/public-finances-databank-2023-24/>
3. [https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2023#:~:text=The%20Consumer%20Prices%20Index%20\(CPI,has%20increased%20since%20February%202023](https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2023#:~:text=The%20Consumer%20Prices%20Index%20(CPI,has%20increased%20since%20February%202023)

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The graphical representations contain actual numerical data up to the fiscal year 2022-23. Nevertheless, the data pertaining to the fiscal year 2023-24 is derived from estimations, fiscal year 2024-25 are based on budgeted figures and the information from 2025-26 and onwards is projected.





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