

News in Review

3 November 2021

"The world is looking to you"



All eyes turned to Glasgow on Monday as world leaders convened for COP26, which is being hailed as the most important climate change summit since the Paris Agreement was struck in 2015. The next couple of weeks are set to be packed with important announcements about the future of the planet.

As Prime Minister of the hosting country, Boris Johnson opened the conference with a stark warning, *"Humanity has long since run down the clock on climate change. It is one minute to midnight on that clock and we need to act now."* Other notable speakers included Sir David Attenborough, whose impassioned speech drew rapturous applause from the audience. *"We are already in trouble, the stability we all depend on is breaking,"* he said. *"This story is one of inequality as well as instability. Those who have done the least to cause this problem are being the hardest hit."* He concluded, *"The world is looking to you."*

The major announcements made so far include an agreement by more than 100 countries to end and reverse deforestation by 2030, a pledge by India to reach net zero by 2070 and announcement of a Global Methane Pledge which aims to limit methane emissions by 30% within a decade. Today, Chancellor Rishi Sunak will address the summit, as part of a day dedicated to finance, to outline plans to make the UK the first net zero financial centre.

Corporate tax in the spotlight at G20

A major corporate tax deal was agreed by leaders of 20 of the world's major economies over the weekend at the G20 Summit in Rome. The agreement, which was proposed by the US and is set to be put into place by 2023, will see large businesses taxed on their profits at a rate of at least 15%.

Also included in the 'Rome Declaration' was a pledge to boost COVID-19 vaccine supply and a commitment to strengthen actions to halt and reverse biodiversity loss by 2030.

"Preparing for a new economy"

UK fiscal news in the last week was dominated by the Budget and Spending Review on 27 October. Rishi Sunak delivered his third Budget, declaring that it begins *"the work of preparing for a new economy post-COVID."* He took the opportunity to announce that reducing taxes will be his *"mission over the remainder of this Parliament."*

However, on Budget Day itself, no major tax changes were announced and instead, the focus was on spending. The Treasury had released a series of funding announcements ahead of the Budget, including statements setting out spending plans for health, education and transport. Specific spending pledges included £21bn on roads, £46bn on railways, £3.8bn on skills and training, £1.7bn in grants from the Treasury's Levelling Up Fund for towns and cities,

and £5.9bn in funding for the NHS to tackle the immediate backlog of patients awaiting treatment.

Last Wednesday, the Office for Budget Responsibility (OBR) latest forecast predicted that economic recovery will be quicker than previously anticipated, with revised figures suggesting that the UK economy will grow by 6.5% this year – an upgrade from March's 4% figure. The forecast implies the economy will regain its pre-pandemic level by the turn of the year, six months earlier than previously expected. OBR predictions suggest the CPI measure of inflation will average 4% over the next year, peaking at 4.4% in Q2 2022. The Chancellor added, *"The pressures caused by supply chains and energy prices will take months to ease"* adding *"it would be irresponsible for anyone to pretend that we can solve this overnight."*

Speculation rises ahead of MPC meeting

With the Bank of England (BoE) hinting at a Base Rate rise from the current 0.1% before the end of the year, the financial world is waiting with bated breath for the outcome of the BoE's next Monetary Policy Committee (MPC) meeting on Thursday. Many mortgage lenders have already started raising rates in anticipation of a Base Rate increase.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.