

22 November 2017

Financial Markets Research Team**Nick.kounis@nl.abnamro.com**

Tel: +31 20 343 5616

nick.kounis@nl.abnamro.com

Less austerity in the UK

UK Macro: Government scales back austerity: The UK government published its Autumn Budget earlier today. The Budget included new tax and spending decisions over the next two years, so the fiscal stance has been eased modestly (around 0.5% GDP) compared to the previous base-line. However, the trend is still one of modest austerity. Cyclically-adjusted public sector net borrowing (essentially the structural budget deficit) is seen falling to 1.8% GDP in FY 2018 and 1.5% in FY 2019 from 2.3% in FY 2017. This means that the overall fiscal stance still tightens by 0.5% GDP in the next fiscal year and 0.3% GDP in the one after. This contrasts to the eurozone where the fiscal stance is broadly neutral and the US where the fiscal stance will probably ease modestly. This is one of the reasons for the continued underperformance in UK economic growth. However, uncertainty related to Brexit is playing a major role, as well as weakening of trend growth because of soft productivity growth. Indeed, UK economic growth will likely be much weaker than in the US and the eurozone over the next two years. The OBR estimates economic growth of 1.4% next year and 1.3% in 2019 (compared to 1.5% this year). The Budget increases spending on healthcare, sets aside money to 'ensure' a smooth Brexit transition, as well as expanding the National Productivity Investment Fund. Meanwhile, on the tax side, Stamp Duty Land Tax is abolished for first time buyers (up to GBP 300K) and fuel duty is frozen. (Nick Kounis)

DISCLAIMER

ABN AMRO Bank
Gustav Mahlerlaan 10 (visiting address)
P.O. Box 283
1000 EA Amsterdam
The Netherlands

This document has been prepared by ABN AMRO. It is solely intended to provide financial and general information on economics. The information in this document is strictly proprietary and is being supplied to you solely for your information. It may not (in whole or in part) be reproduced, distributed or passed to a third party or used for any other purposes than stated above. This document is informative in nature and does not constitute an offer of securities to the public, nor a solicitation to make such an offer.

No reliance may be placed for any purposes whatsoever on the information, opinions, forecasts and assumptions contained in the document or on its completeness, accuracy or fairness. No representation or warranty, express or implied, is given by or on behalf of ABN AMRO, or any of its directors, officers, agents, affiliates, group companies, or employees as to the accuracy or completeness of the information contained in this document and no liability is accepted for any loss, arising, directly or indirectly, from any use of such information. The views and opinions expressed herein may be subject to change at any given time and ABN AMRO is under no obligation to update the information contained in this document after the date thereof.

Before investing in any product of ABN AMRO Bank N.V., you should obtain information on various financial and other risks and any possible restrictions that you and your investments activities may encounter under applicable laws and regulations. If, after reading this document, you consider investing in a product, you are advised to discuss such an investment with your relationship manager or personal advisor and check whether the relevant product –considering the risks involved- is appropriate within your investment activities. The value of your investments may fluctuate. Past performance is no guarantee for future returns. ABN AMRO reserves the right to make amendments to this material.

© Copyright 2017 ABN AMRO Bank N.V. and affiliated companies ("ABN AMRO").