



Live Autumn Statement Blog:
25th November, 2015

We'll be blogging live on Wednesday 25th November from when the Chancellor takes the floor. Updates from Ulster Bank Chief Economist NI, Richard Ramsey will have a particular focus on potential impacts on Northern Ireland

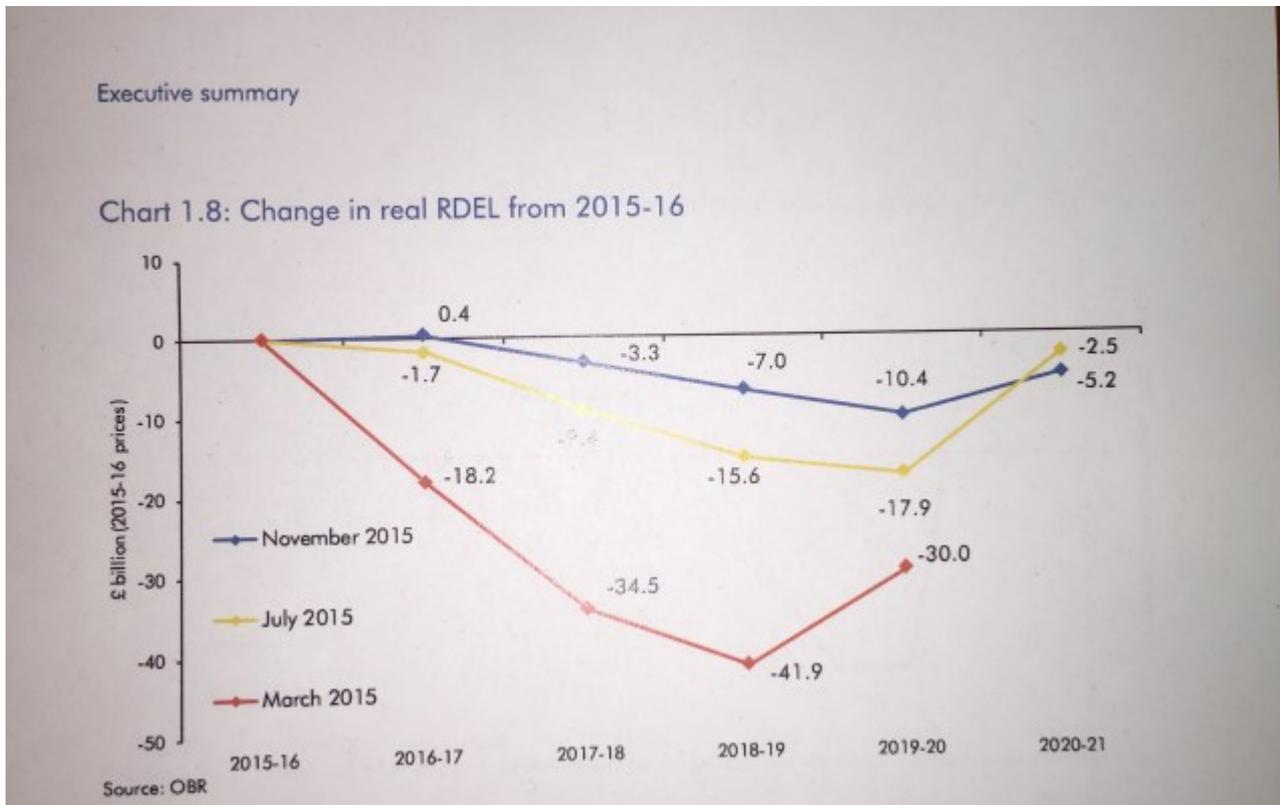
Ulstereconomix.com

We ran a live blog during the **#AutumnStatement** and Spending Review on Wednesday 25th November, 2015. You can find updates, comment and analysis below.

****Refresh your browser for updates****

5.30pm

Here's the chart that shows the extent to which the Chancellor has over-promised and under-delivered in relation to cuts in departmental resource expenditure (day-to-day departmental public expenditure). Scale of cuts get shallower every time!



5.25pm

Chancellor performs fiscal escapology but austerity isn't over yet: [Here's a more detailed look at today's Autumn Statement and Spending Review](#)

2.54pm

A Spending Review that delivers for NI? Read the full NIO statement on today's Spending Review [here](#).

2.38pm

NIO saying that:

The £7 million Regional Air Connectivity Fund will support new air routes, including from Belfast to Carlisle and from Derry to Dublin

Additional support of £160m for the Police Service of Northern Ireland to combat the threat from dissident terrorism.

The government reiterated that it is committed to the devolution of Corporation Tax powers to the Northern Ireland Assembly, subject to the Northern Ireland Executive demonstrating that its finances have been put on a sustainable footing and the commitments from the Stormont House Agreement met.

2.36pm

According to the NIO:

“Northern Ireland will benefit from major investment in infrastructure – the government has confirmed significant real-terms increases to Northern Ireland Executive capital budgets. Funding available for infrastructure investment via the block grant through to 2020-21 will rise by 12% in real terms, meaning over £600 million more than if it had been held at 2015-16 levels.”

2.33pm

George Osborne says around 2000 new flights to and from NI will be funded from Regional Air Connectivity Fund

— Mark Devenport (@markdevenport) November 25, 2015

2.29pm

Here's the line which says Stormont resource (departmental) spending will fall by on average 1.3% p/a pic.twitter.com/q3xsrB2jhu

— JPCampbellBiz (@JP_Biz) November 25, 2015

2.25pm

#spendingreview. Here are those productivity assumptions upon which a lot rests. In summary they get good, real good pic.twitter.com/dYnWptdk8Q

— RBS Economics (@RBS_Economics) November 25, 2015

2.10pm

Here's how @OBR_UK explain where cash coming from - more borrowing, new apprentice levy (tax) & higher council tax pic.twitter.com/GXkgQw9Z8l

— Nick Robinson (@bbcnickrobinson) November 25, 2015

2.08pm

Here is the full OBR Economic & Fiscal Outlook.

2.03pm

You can find all of the tax and spend announcements [here](#).

2pm

Here's what the Spending Review document says on Northern Ireland

pic.twitter.com/oD56YcZ0FB

— JPCampbellBiz (@JP_Biz) November 25, 2015

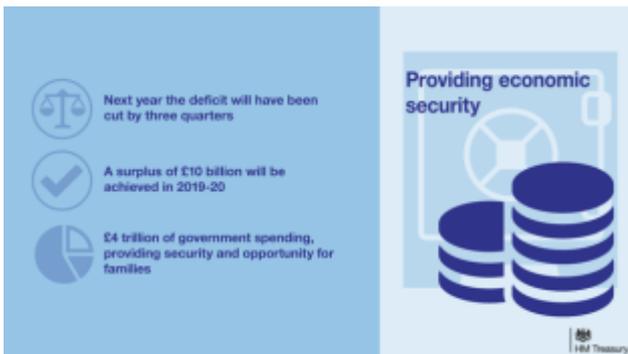
//platform.twitter.com/widgets.js

1.56pm

You can find Treasury documents etc re the Spending Review and Autumn Statement [here](#).

1.55pm

A few graphics released by the Treasury



Providing economic security and opportunity for families

- The State Pension will rise to £119.30 a week in April 2016 - the biggest real terms increase in 15 years
- 30 hours of free childcare for 3 and 4 year olds, worth up to £5000 a year for working families
- Backing first time buyers with 400,000 more affordable homes by 2020-21

Investing in Britain's future

- 500 new free schools open by 2020
- 3 million new apprenticeships will be created by 2020 - funded by a 0.5% levy on employers with payrolls over £3 million
- Over £100 billion of infrastructure investment in this Parliament
- £56.7 billion for HS2 and £15 billion on better roads - the biggest road improvement programme since the 1970s

Creating a devolution revolution

- Giving local government 100% control over £26 billion from business rates by 2020
- New powers for local councils to sell surplus assets - and invest in services like social care
- £1.9 billion more devolved funding for infrastructure in Scotland, a Welsh funding floor and 10% more to invest in infrastructure for the Northern Ireland Executive

1.43pm

The Chancellor is back in his seat. We're away to digest all of that. We'll be back later once we've had the chance to have a closer look. Watch this space!

1.38pm

The £1bn in revenue expected to be raised through the 3% extra stamp duty on buy-to-let and second homes might be recycled into affordable housing scheme in London and

elsewhere?

1.36pm

Allo, allo, allo! Real-terms protection for police funding.

1.34pm

3% extra stamp duty on buy-to-let and second homes? A demand-suppressing measure re London? Something NI could have done with 10 years ago

1.32pm

There is the well-flagged housebuilding announcement. Says it is the biggest house building programme since the 1970s. Will NI benefit through the Barnett Consequentials? If so, won't necessarily go on house-building in NI.

1.30pm

30 hours free childcare for 3 & 4 year-olds from 2017 to parents working more than 16 hours and earning less than £100,000.

1.28pm

Shad DWP @OwenSmith_MP says tax credit cut u turn 'not a full & fair reversal' so seems @UKLabour won't support it
— Robin Brant (@robindbrant) November 25, 2015

1.22pm

Is George Osborne the forecourt's favourite Chancellor? He has not raised fuel duty during his tenure. Oil price / petrol price is at a low. Does this provide an opportunity to raise some much-needed revenue?

1.20pm

Chancellor has a track-record of over-promising and under-delivering on fiscal austerity. Today seems to be fitting that pattern!

1.13pm

NI Block Grant to increase in cash terms to £11bn by 2019/20. Devolved budgets to be protected in real terms. Better than expected. So far so good. Still not clear about what negativity will be buried in spreadsheets of accompanying docs!

1.08pm

Cardiff and Glasgow city deals announced. And lots of emphasis on devolution to regions. Is Belfast lobbying for a city deal? If not, why not?

1.07pm

Chancellor talking about NI corp tax rate. 'Big prize for NI and onus on Executive'. Key question is what the roadmap to delivering necessary spending cuts is going to be!

1.04pm

Still don't know what the 'rabbit out the hat' is going to be. We're expecting a big finish. The tabloids need their headline!

1.02pm

Local authorities allowed to levy a 2% charge on social care. Perhaps we'll see more revenue-raising flexibility to local authorities. Will NI follow?

12.59pm

10,000 new training places for the NHS announced by the Chancellor. NHS getting cash boost as well. Will feed through to NI due to Barnett consequentials. Will probably lead to a marginal increase in NI's public spending in cash terms in the next financial year. Real-term cuts following thereafter.

12.55pm

Welfare spending as a share of overall spending set to fall. Capital spending (investment) to be maintained

12.54pm

Public spending to GDP ratio was 45%. Today it's just under 40%. Will fall to 36.5% by 2020. On a par with the US, but still higher than the Republic of Ireland.

12.52pm

Stormont had set aside £240m for Tax Credit mitigation over next four years.

Presumably that will now be used for other welfare mitigation.

— JPCampbellBiz (@JP_Biz) November 25, 2015

12.52pm

Somewhere along the way, the Chancellor made reference to the north growing faster than the south. He definitely wasn't referring to the island of Ireland!

12.49pm

The rate of housing benefit has been capped. Those who leave the country for a month, will get no housing benefit or other welfare benefits.

12.47pm

180 degree u-turn on tax credits. Good news. But where will savings be made? Housing Benefit?

12.46pm

Chancellor says he is fixing the roof while the sun is shining. But what will he announce for housebuilders?

12.45pm

The debt to GDP ratio continues to fall every year until 2020/21 to 71.3%. Still above the Maastrich Treaty's threshold of 60%

12.43pm

Statistical revisions being used to help meet Chancellor's fiscal rules

12.41pm

There will be 1million extra jobs in the UK over the next 5 years (OBR)

12.40pm

GDP forecasts: 2015 2.4%, 2.4% 2016, 2.5% in 2017, 2.4% 2018 and 2.3% 2019-20

12.39pm

There will be a big focus on regional economies. Chancellor extolling the pace of growth of the UK economy. But Northern Ireland is at the bottom of the UK table.

12.38pm

Chancellor says this will be a big spending review from a government that does big things. But there will also be big spending cuts!

12.37pm

£12bn in welfare cuts previously announced will be delivered in full. We await the detail

12.35pm

For fiscal austerity 2.0, the economy is better shape than it was for austerity 1.0

12.34pm

The Chancellor is on the floor. Here we go. Liam Byrne's famous line gets a mention

12.30pm

Will the Chancellor dampen retail spirits this Black Friday?

For those seasoned investors the term 'Black Monday' is a reminder of the global stock market crash that occurred on 19 October 1987. Meanwhile the Wall Street Crash was also known as 'Black Tuesday' - 29th October 1929. This was when panic selling reached its peak and followed steep share price falls on the previous day 'Black Monday' and on the 24th October 1929 - 'Black Thursday'. Wednesday hasn't escaped the prefix 'Black' either with the 16th September 1992 dubbed 'Black Wednesday' in the UK. This was when currency market speculators forced the UK to remove sterling from the Exchange Rate Mechanism (ERM).

All of the above events with the prefix 'Black' have negative connotations. More recently, however, consumers have become increasingly familiar with the terms 'Black Friday' and 'Cyber Monday'. The former follows the Thanksgiving public holiday on the Thursday and fires the starting pistol for the Christmas shopping season. Meanwhile 'Cyber Monday' has become one of the busiest days of the year for online shopping.

There are a number of explanations behind the origins of the term 'Black Friday'. One of those is that it represents the point at which retailers begin to make a profit, or start recording black ink as opposed to red ink. So retailers will be watching consumer behaviour

closely in the lead up to their big day this year.

Throughout the recession and subsequent recovery, many households have had their finances battered by the twin challenges of inflation and low / no wage increases. Pay cuts have also been prevalent. Prior to the recession, the rule of thumb was that average earnings increased at a faster rate than inflation. As a result, households had more disposable income to spend on discretionary items such as retail and leisure.

However, all that changed with the recession. The relationship between consumer price inflation and earnings flipped with the former, led primarily by food and energy price hikes, rising at a much faster rate than wage growth. UK households have endured a 5-year squeeze on disposable incomes with plenty of red ink being splashed over the household finances.

Since last October, however, conditions have changed for the better. Falling food and fuel prices coupled with a return of above inflation wage increases has put the household finances of many consumers back into recovery mode. Petrol and diesel prices have recently returned to levels not seen in the last 5-years.

An increasing number of households find that their finances are moving back into the black. Retailers won't be blue about that.

But, will this improvement in household finances last?

While households have seen their finances improve the public finances remain awash with red ink. The UK faces a second Parliament of austerity as Chancellor George Osborne struggles to get the annual fiscal deficit back into the black and into a surplus by 2020. Some UK Departments will see their budgets halved in 2020 in real terms relative to where

they were in 2010. Around another 430,000 public sector jobs will be lost over the next 4 years on top of the 450,000 that have already been lost since 2010. Meanwhile significant welfare benefit cuts, such as reductions in working families' tax credits, will adversely affect the finances of a large number of households in 2016.

This Black Friday, will shoppers resist going into the red as black clouds gather on the household finance front for 2016?

12.25pm

You can listen to interview earlier on BBC Radio Ulster

*LISTEN: Podcast - What to expect ahead of the Chancellor's Spending Review we speak to @Ramseconomics @UB_Economics <https://t.co/jQUjIMBNPP>
— Clodagh Rice (@ClodaghLRice) November 25, 2015*

12.22pm

Should be remembered that what we hear from the chancellor today comes on top of what has been announced before; so there is a cumulative effect.

12.20pm

We should be underway in about 10mins. PMQs ongoing.

Some chat on Twitter about what phrases will dominate the Chancellor's speech today. *Hard Working Families* and *Long-Term Economic Plan* have featured strongly in the past.

10am

Matt's take on the Spending Review in today's [Telegraph](#). Need we say more?

*TELEGRAPH: Matt has seen the Spending Review #tomorrowstopaperstoday
pic.twitter.com/3UfVbNOgg4*

— Neil Henderson (@hendopolis) November 24, 2015

9.55am

We've heard a lot in recent months about how much work NI construction firms are doing in GB. The Chancellor is today expected to pledge almost £7bn to make housebuilding a priority, with more than 400,000 "affordable homes" to be built in England.

9.40am

VIDEO: What are the chancellor's options? <https://t.co/1SkdSN2fs4>

— BBC Business (@BBCBusiness) November 25, 2015

9.35am

As the [FT](#) points out, George Osborne has little room for manoeuvre today due to disappointing tax receipts and the need to find cash to ease the "transition" to a less generous tax credit regime for working families over the next 3 years.

9.30am

John Campbell of BBC NI is reporting that the Resolution Foundation think-tank has used official figures to calculate that today's Spending Review will likely mean around a 4% drop in the amount of money coming to Stormont. In cash terms, this would mean that Stormont's departmental spending budget could be cut by about £400m in real terms by 2019/20.

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