AJBell Investcentre

Budget 2017 Special

November 2017

Chancellor of the Exchequer Philip Hammond has today unveiled his second Budget of the year, as per his new timeline of a full Budget in the Autumn and an update in the Spring.

Once you hear that the FTSE 100, benchmark 10-year Government bond, or Gilt, and the pound were all pretty much unmoved by the hour-long statement, then you can guess that the Budget featured few sweeping policy changes, even if it did feature new initiatives on topics ranging from electric vehicles to fire safety to investment in the North to house building and the mess that is the convoluted international tax system.

There are however six key points of which advisers and clients need to be aware from a personal finance perspective: They are:

- The personal Income Tax allowance will rise to £11,850 for fiscal 2018-19 for everywhere in the UK except Scotland, which will set its own threshold in its own Budget on 14 December.
- The higher rate Income Tax threshold will rise to £46,350 for fiscal 2018-19 (though again not for Scotland).
- First-time buyers are to be exempt from paying Stamp Duty on property valued up to £300,000 from today, although this will not apply to any purchase where the total value exceeds £500,000.
- The pensions Lifetime Allowance will be £1,030,000 for 2018-19, rising in line with the consumer price index, as previously stated.
- The Junior ISA limit will rise to £4,260 for 2018-19 while the overall ISA limit will stay at £20,000 of which £4,000 can be paid into a LISA, for those who are eligible.
- There are no changes to the Annual Allowance, Tapered Annual Allowance or Money Purchase Annual Allowance when it comes to pensions.

From an investment perspective, the financial markets were largely unmoved, even if certain sectors and stocks did see some activity. Although advisers and clients are unlikely to want to get too involved in the stock-specific activity, the big moves may be noteworthy when it comes to checking out the big positions within any key UK equity holdings.

  - To look at the stock market first, when Mr Hammond stood up the FTSE 100 was trading at 7,448. An hour later, when he had finished, it was almost exactly unchanged.
  - The only real movers look to have been the house builders – Barratt, Persimmon, Taylor Wimpey and Berkeley sank to the bottom of the FTSE 100, in terms of their daily moves, with drops of between 1% and 3%. This may reflect some disappointment with the structure of the Chancellor's £44 billion housing package, the absence of an extension to the Help to Buy scheme and the launch of an investigation into the pace at which permitted land sees houses actually built – which may be a tacit accusation that the builders are hoarding land.
  - By contrast, estate agents such as Foxtons and Countywide were up, amid hopes for fresh activity amongst first-time buyers.

- To turn to bonds, the yield on the benchmark UK 10-year Government bond, or Gilt, has barely flinched. It has stayed between 1.28% and 1.29% as bond vigilantes have welcomed the Chancellor's ongoing determination to reduce the annual deficit and rein in the aggregate deficit, at least on a percentage of GDP basis.
- Finally, the currency markets also took the Budget in their stride. The pound largely shrugged off a downgrade to the Office for Budget Responsibility's GDP growth forecasts for the next three to four years. Sterling ended the speech largely unchanged against the euro just below €1.13 and an initial tumble against the dollar proved short-lived as sterling rallied to reach $1.3275.

Thank you for watching and I look forward to seeing you next time.

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