

## POLITICAL AND ECONOMIC INSIGHT

### Hammond keeps powder dry ahead of Brexit



**Philip Hammond delivered his first, and ironically his last, spring budget yesterday, in what was considered by many as a budget designed to set the stage for Brexit. With Brexit being the obvious elephant in the commons yesterday, commentators quipped that the Chancellor managed to get through the entire speech without even mentioning the word!**

In what was broadly seen as an upbeat budget, it did seem to be lacking clarity on some of the systemic issues affecting the UK within social care, NHS funding and families who are "just managing". The message the Chancellor chose to push was one of encouragement, reassuring the nation's electorate that the government would indeed be preparing the UK for Brexit, by working towards making the UK the "best place to do business" and "preparing Britain for a brighter future". He did however temper these statements by reminding the nation that there was "no room for complacency" in the UK.

The Chancellor went on to both praise and showcase the UK's resilience to a Brexit slowdown by upgrading short term GDP forecasts from 1.4% to 2% in 2017. He kept 2018 GDP forecasts at 1.6% before seeing these rise to 1.7% by 2019.

The Chancellor sought to tweak the UK's tax system ensuring an economy that "works for everyone", as well as promising a smoother transition into newly improved business rates in the UK.

Under the banner of "similar work for similar wages" should "pay similar levels of tax", the Chancellor announced an increase in taxes on the self-employed and management-owned companies, as well as adding 1 pence in the pound to National Insurance payments made by the self-employed.

# POLITICAL AND ECONOMIC INSIGHT

For savers and investors there was little to take from the announcement, aside the cut to the recently created tax-free dividend allowance from £5,000 to £2,000. Whilst the change was aimed at business owners and employee shareholders, this did cause a stir within households who rely on dividend payments as a portion of their yearly income, especially as the initial introduction of this tax free allowance on dividend payments is not even 12 months old.

The Chancellor devoted a portion of the budget to the NHS by announcing further stimulus into both social care programmes and Accident and Emergency departments across the UK to the tune of £2bn. The injection was seen as a small but well-aimed shot into the arm of the NHS.

As the current budget stands, the Office for Budget Responsibility (OBR) does not believe the Chancellor will be able to achieve his target for balancing the UK's books by the next government. However, Mr Hammond has been praised for not being pressurised to spend the £26bn of fiscal headroom he has left in favour of keeping his powder dry for the upcoming bout with Brussels.

With the prospect of Brexit looming large across the UK and arguably even more so in Brussels, the 2017 Spring budget has been seen as the Chancellor's last attempt to shore up the UK's defences ahead of Brexit.




## Did his message get through?

UK stock markets reacted positively to the news with the FTSE 100 rallying nearly 0.5%, and UK government debt seeing a marginal 4% pulled back from its recent strength. The short-term reaction from the UK stock market to the budget reflects the cautiously optimistic outlook TAM has been seeing spreading across UK businesses. We therefore continue to embed this optimistic tone within our portfolios, to maintain our clients' exposure to the best UK companies in the market.

With the Chancellor opting for a more defensive budget ahead of the Brexit negotiations, we believe his overall strategy to keep some dry powder in the UK war chest is sensible.

## Next step - Article 50.

## TAM ASSET MANAGEMENT

 City Tower, 40 Basinghall Street, London, EC2V 5DE  +44 (0) 207 549 7650  +44 (0) 207 549 7784  [www.tamassetmanagement.com](http://www.tamassetmanagement.com)

wealthfinance2016  
**fundmanager elite**  
Best Investment Management Services 2016

**i-invest**  
**2016 ASSET MANAGER AWARDS**  
UK Asset Manager of the Year

**finance awards**  
two thousand & fifteen   
Award for Innovation in Portfolio Management - UK

**INVESTMENT**  
Sustainable Investment  
Awards 2015  
**FINALIST**

**INVESTMENT**  
Sustainable Investment  
Awards 2014  
**FINALIST**

This document is not intended in isolation as an offer or solicitation or recommendation to use or invest in any of the services or products mentioned herein. Investors should be aware that the value of the portfolio and the income from it can go down as well as up so you may get back less than you invested. Past performance is not necessarily a guide to future returns. The value of investments denominated in foreign currency may fall as a result of exchange rate movements. The investments and services referred to in this document may not be suitable for all investors and, if in doubt, you should seek qualified independent financial advice. Any opinions, expectations and projections within this note are those of TAM International Limited, represent only one possible outcome and do not constitute investment advice. TAM International Limited is a subsidiary of TAM Asset Management Ltd and is regulated by the Financial Services Commission of Mauritius. TAM Asset Management Ltd is authorised and regulated by the Financial Conduct Authority in the United Kingdom.