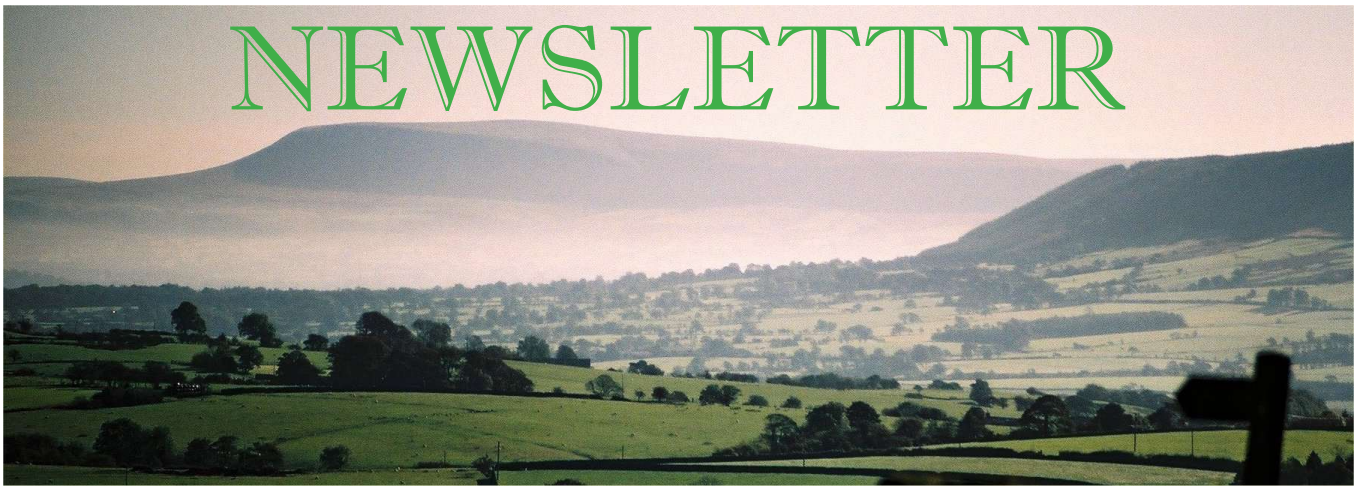
Ribble Wealth Management Limited

NEWSLETTER



PRE-BUDGET

Wrap up warm: it's going to be a harsh winter...

Where the UK's growth really came from, what's pushing your bills up, and why the taxman may soon want more.

As we anticipate the first Budget from the new Chancellor, John Healey, next week, we felt an update on our views was appropriate, and we are keen to share them with you. The Budget is on 28 October. We don't expect any tax cuts, and some rises look likely. We'll read it closely and send you our usual post budget analysis.

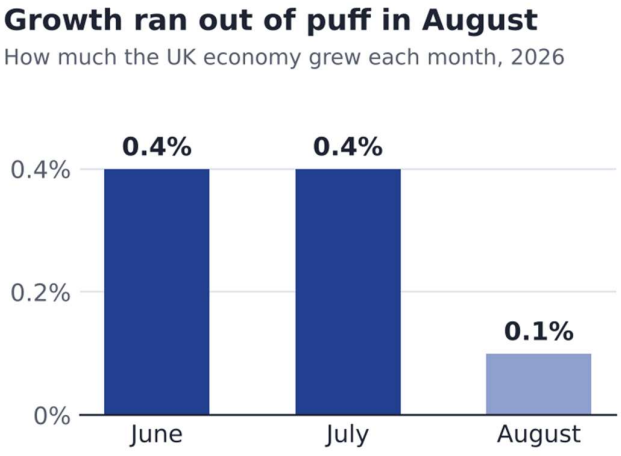
It has been a better summer for the UK economy than many of us expected. We'll be honest: we were braced for worse. With fuel prices climbing because of the conflict in the Gulf, we thought the economy would struggle. It didn't – or at least it hasn't struggled yet. However, there is a "but", and it's an important one. Here's what we're seeing, and what it means for your money.

Growing nicely, but on borrowed money

Official figures show the UK grew by 0.7% in the three months to August. That may sound small, but in the first half of the year we grew faster than any other big, wealthy country in the G7 group, America included.

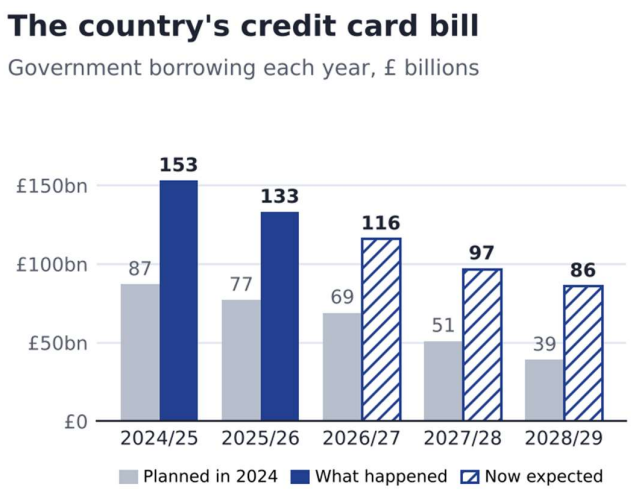
Here's the catch: a good part of that growth has come from government spending, paid for with borrowed money. It's a bit like a neighbour who puts a new kitchen, a new car and a holiday on the credit card. From the outside they look like they're doing brilliantly – but the bill always arrives, and that's usually when things get tighter.

The early signs are there. Growth slowed from 0.4% in June and July to just 0.1% in August. Building firms have seen four months of falling work in a row, and pubs and restaurants had a tough August.



Source: Official UK statistics

Paying off the country's credit card



Source: Office for Budget Responsibility. 2026/27 onwards are forecasts

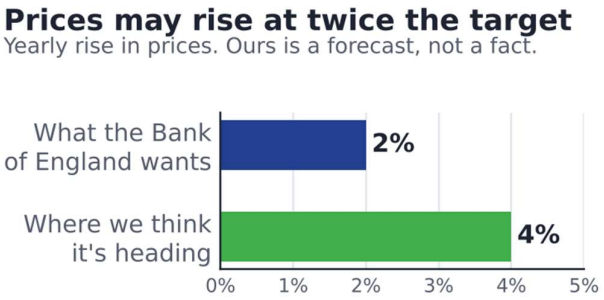
Back in 2024 the government had a plan for how much it would borrow over five years. According to the OBR (Office for Budget Responsibility), the Government's official forecaster, it's now on course to borrow around £260 billion **more** than that plan. Last year alone it borrowed £133 billion, approaching **double** the planned £77 billion.

When you've borrowed more than you meant to, there are only two ways out: spend less, or bring in more. For a Government, bringing in more usually means taxes. The International Monetary Fund ("IMF") forecasts that taxes will rise by 3.7% of everything the country earns between 2025 and 2031. That's far more than any other G7 country; France is next, at 0.8%.

Why your bills might go up again

Fuel costs have jumped since the conflict in the Gulf began, from diesel at the pump to heating our homes, and there are worries about tight supplies of diesel and jet fuel this winter. We expect prices overall could be rising by around 4% a year before Christmas. That's double the 2% the Bank of England aims for.

When prices rise like this, the Bank of England usually puts interest rates up in order to cool things down. It held rates last time, but we think a rise is coming. That's unwelcome news if your mortgage is up for renewal. Savers may get slightly better rates, but if your savings earn less than the rate at which prices are rising, your money is still quietly losing ground.



Sources: Bank of England (2% target); Ribble Wealth Management (4% forecast)

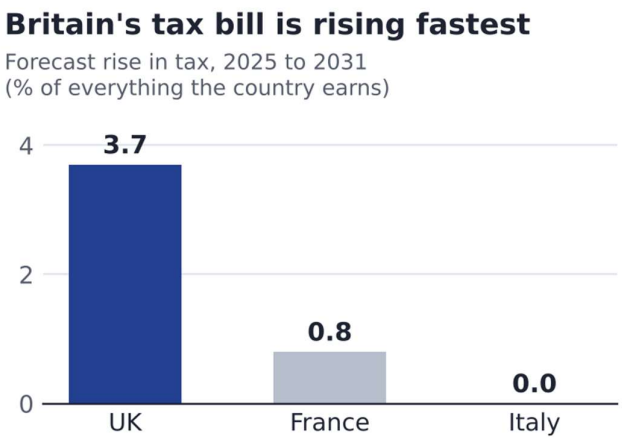
The bright spot: British technology

£6bn+

A record amount invested in young UK tech firms (July to September).

It's not all doom and gloom. Our technology sector is doing really well, and almost half of the recent growth came from tech. Businesses also seem to be getting more done with fewer people, even though 95,000 payroll jobs have gone this year. Over time, that's how wages and living standards rise.

Wishful thinking in Westminster?



Source: International Monetary Fund forecasts. Other G7 countries are forecast

The government is pleased that the "IMF" (International Monetary Fund) rates its plan to cut borrowing as more believable than those of most other big economies. Look a little closer, though, and the plan rests on a fair bit of hope.

Most of the belt-tightening is pencilled in for 2028 to 2030, right at the end of the decade. It's like promising yourself you'll clear the credit card in a few years' time, once the holidays are paid for. Possible, but most of us know how that tends to go…!

The Institute for Fiscal Studies also reckons that there is a £35 billion hole in the spending plans. In our view, that points to more tax rather than cuts.

Questionable promises?

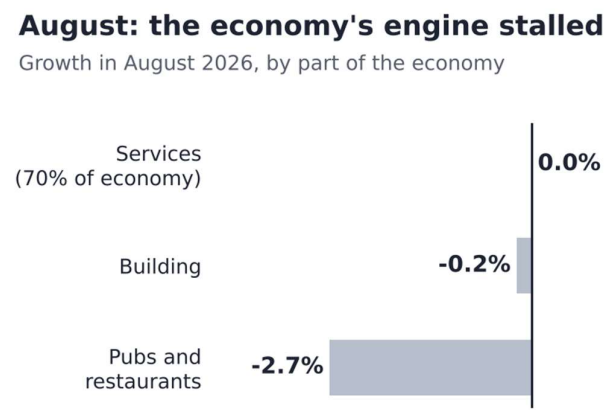
The housing promise looks shaky too.

Building 1.5 million homes by 2029 needs around 300,000 a year, but fewer than 200,000 were added in England last year. That's a missed chance, because every new home brings a new kitchen, new carpets, and work for the local decorator, carpet fitter, blind fitter, etc., and boosts the local economy.

Further, plenty of the country's debt is held by overseas investors, who are usually the first to leave when things get rocky. That makes borrowing more a riskier habit than it looks.



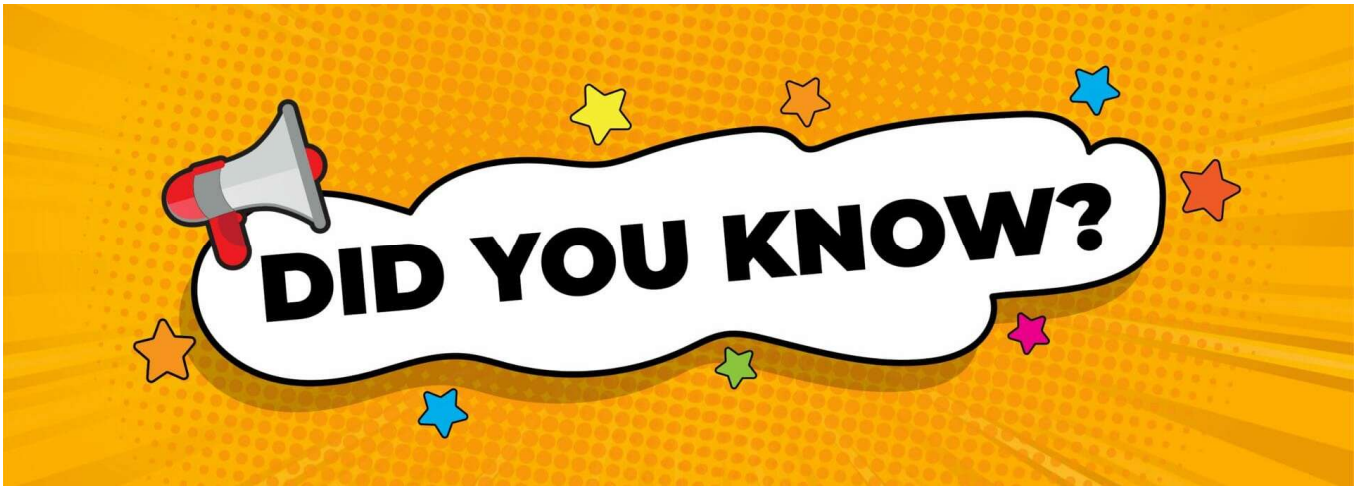
What is Britain really *good* at?



Source: Office for National Statistics

Politicians love talking about factories, but services make up around 70% of our economy. Think banking, insurance, law, consulting, design and tech. In fact, no country apart from America sells more services to the rest of the world than we do.

That's a real strength – but it's also why August's figures stood out: services didn't grow at all. When the biggest part of the economy stalls, it's worth paying attention, and we'll be watching to see whether that was a blip, or the start of a slowdown.

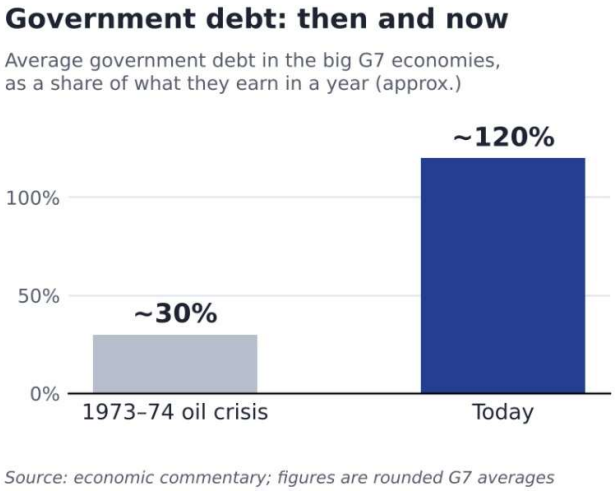


"Fun" fact – The International Monetary Fund has just given Britain a pat on the back for its borrowing plans. That's quite a change from 1976, when Britain had to go cap in hand to the IMF for a bailout.

We've been here before, but with a bigger credit card

If rising fuel prices and a conflict in the Middle East feel familiar, they should. In 1973–74, an oil crisis sent prices soaring across the world, and many of our older clients will remember the queues and the price rises that followed.

The key difference today is the level of debt. In the 1970s, major economies, including Britain, owed about 30% of their annual income; that figure is now around 120%. It is a similar shock, but with a far larger credit card balance. Governments therefore have much less scope to provide support if conditions worsen – another reason we expect tax rises rather than giveaways.



As always, if anything here leaves you with questions, or you would simply like a chat about where you stand, please get in touch.

With our warm wishes,

Steve & Anita

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