

A Budget for Credibility, Not Transformation

The long-awaited Autumn Budget has landed – and while it won't single-handedly transform perceptions of a "cheap and unloved" UK, it does try to tilt policy toward fairness, fiscal headroom and a modest nudge to demand. Even the lead-up carried drama: the official forecast from the Office for Budget Responsibility (OBR) was mistakenly published about an hour early, momentarily jolting markets and prompting an inquiry from the watchdog's chair.

On policy, several headline shifts stand out as meaningful for households and longer-term savings behaviour. First, as we flagged in our pre-Budget note, the cash ISA allowance for under-65s will be cut to £12,000 (down from £20,000). The Treasury hopes this will reshape how savers view tax-sheltered cash – nudging funds into Stocks & Shares ISAs instead of letting them sit idle. Over time, if take-up is strong, this could encourage broader individual investment in UK-listed companies and shift more savings toward assets with higher long-term return potential. However, the true effectiveness of this policy is uncertain, as it remains to be seen whether savers will genuinely allocate the freed-up allowance into UK equities, or instead diversify overseas or remain risk-averse altogether. Unsurprisingly, building societies have voiced concern, warning that lower cash inflows could constrain liquidity and make it harder to compete for

deposits.

In another major move, the government will scrap the two-child benefit cap from April 2026. This is a large redistributive gesture – one expected to benefit families with more than two children, and reduce child-poverty for hundreds of thousands. To soften the burden on households, the Budget also restructures energy pricing: from 2026 certain green and legacy levies on household energy bills will be transferred to general taxation, a shift presented as saving the "average household" around £150 per year.

In an effort to support UK businesses and revitalise domestic financial markets, the Chancellor announced a full relief from Stamp Duty Reserve Tax (SDRT) on shares in companies that list on a UK stock exchange on or after 27 November 2025. This is a welcome step designed to encourage more firms to list in London, improve market competitiveness, and stimulate capital formation within the UK. When combined with the ISA reform, it signals a broader effort to mobilise domestic savings into productive investment and strengthen the UK's position as a listing destination. This focus on deepening the country's capital markets is something we highlighted in our previous note as a crucial step toward rebuilding confidence in the UK's financial ecosystem and supporting long-term economic growth.

To fund these measures, the Chancellor avoided raising headline rates on the "big three" taxes – Income Tax, National Insurance, and VAT – in line with Labour's manifesto promise not to increase the burden on working people. Instead, revenue will be raised through targeted changes and the impact of frozen tax thresholds. These include a cap of £2,000 on National Insurance relief for pension salary-sacrifice arrangements from 2029, higher taxes on dividends and savings income, and a new high-value property surcharge – effectively a "mansion tax" – on homes worth over £2 million from 2028. An electric vehicle mileage levy is also planned from 2028 to replace the decline in fuel duty revenues. Alongside these are frozen income tax thresholds until 2031, which will quietly pull millions more workers into higher tax brackets over time, and business rates reforms aimed at supporting small retailers and hospitality operators.

Market reaction was broadly calm. The early leak briefly unsettled UK government bonds (gilts) and the pound, but both stabilised as investors concluded that the Budget strengthened fiscal credibility without risking a repeat of the 2022 gilt crisis. Yields on ten-year gilts ended slightly lower, while sterling edged higher on a sense of "no nasty surprises". Equity markets were largely unmoved, viewing the Budget as a consolidation exercise rather than a growth catalyst. Analysts characterised it as fiscally prudent and credibility-focused, but not transformational for long-term growth.

Overall, there are sensible elements. Shifting some energy costs to the Exchequer should support real incomes, while the ISA and SDRT reforms could, over time, channel more savings into productive investment and help revive the UK's financial markets. Business rate changes offer tangible relief to the high street. However, other decisions, such as scrapping the two-child cap, are socially significant but fiscally expensive, and several revenue-raising measures are delayed until later in the decade. This creates a degree of delivery risk, as the government's ability to meet its fiscal targets will depend on effective execution and sustained discipline.

In summary, this is an incremental Budget rather than a transformative one. It raises around £26 billion a year by the end of the forecast period, widens fiscal headroom, and reassures markets, but it does not mark a decisive shift in the UK's economic trajectory. With productivity assumptions remaining weak, growth is likely to stay modest.

For TAM, our investment stance remains unchanged. We continue to maintain a diversified portfolio, gaining UK equity exposure primarily through global managers with the flexibility to adjust allocations dynamically and capture opportunities in the strongest sectors and regions. The UK remains a market of selective value rather than broad momentum, and we will continue to approach it in that light.

Before the Budget, we judged that Labour's need to raise taxes, and its explicit intent to avoid a repeat of the 2022 episode, when Liz Truss's government cut taxes and gilts sold off sharply, made a credibility-first package likely. On that basis, we expected a supportive backdrop for UK government bonds. We therefore increased our gilt allocation ahead of the announcement. Following the Budget, gilts rose, outperforming broader bond indices on both an absolute and relative basis.

This reflects TAM's tactical approach in practice: selectively adjusting exposures when policy or market conditions strengthen the risk–reward balance, while remaining anchored to long-term investment objectives. Looking ahead, we expect UK assets to continue offering pockets of opportunity rather than broad-based momentum, reinforcing the value of active management and disciplined diversification.

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