

Chancellor Rishi Sunak speech at CBI Annual Dinner

Good evening everybody, it's fantastic to be with you here today.

It's a great privilege to address this distinguished audience for the first time in fact since I became Chancellor two and a half years ago.

So let me take this opportunity to say thank you.

Thank you for all your support. Your advice. Your challenge.

The country is not going to become wealthy and prosperous solely because of the things that I do.

Change doesn't happen behind a desk in Whitehall. Not even the Chancellor's desk. It comes from all of you.

When your businesses invest, things get built.

When you train someone, they excel.

When you invent new products and services that people want to buy, you change the world.

That insight is at the centre of my economic outlook.

Now I know there are sometimes frustrations and frictions. We won't always completely agree or go as far as you would like.

But you must never, ever doubt that I and the government are on your side.

You asked for more generous capital allowances.

So we introduced the biggest two-year business tax cut in modern British history: the super deduction.

You asked for more flexibility over apprenticeships.

We're delivering, with lots of improvements including new flexible training models.

You asked us to cut business rates.

We're providing a discount of 50% for shops, restaurants, gyms; any business in retail, hospitality, or leisure.

Of course, there's more to do.

But I do want to take this moment to celebrate the partnership between this Government and all of you.

This is very personal for me.

I remember my very early days as Chancellor.

Sitting at my desk in the Treasury in those first few days and weeks, reading the daily Covid case numbers by the light of my desk lamp.

I was feeling an almost overwhelming sense of responsibility.

It was a privilege and a relief to be able to call people like Carolyn and Rain at the CBI for advice.

Just as it is a privilege and a relief now to be able to call on Tony.

Under yours and Karan's leadership the CBI continues to be what it has always been: a vital role and voice in our public life.

Please join me in thanking them for their extraordinary contribution.

Rarely has your leadership been needed more than now.

I hardly need to tell this audience that the economic situation is extremely serious.

A perfect storm of global supply shocks is rolling through our economy simultaneously.

Global demand – shifting last year from services to goods and exacerbating supply chain bottlenecks.

Russia's invasion of Ukraine – causing energy and commodity prices to spike severely.

And now a fresh wave of lockdowns in China – disrupting industrial production and adding to widespread backlogs in freight and in shipping.

Now while these are global forces, they are hitting families and businesses here at home.

Just this morning figures show that in April, CPI was 9%.

The Bank of England now expect inflation to peak at 10% later this year.

And those inflationary pressures are starting to weigh on growth.

Let me set out the way through this. Let me tell you the plan.

A plan to help people with the cost of living. And a plan for growth.

First, our plan to help with the cost of living.

It is the Bank of England's role to control inflation. And they are rightly independent.

Over the quarter century since we took monetary policy out of the hands of politicians, inflation has averaged precisely 2%.

And I know the Governor and his team are completely focused on getting inflation back to target.

Our role in government is to help cut costs for families.

I cannot pretend this will be easy.

As I told the House of Commons yesterday:

There is no measure that any government could take, no law we could pass, that can make these global forces disappear overnight.

The next few months will be tough.

But where we can act, we will.

We are providing £22 billion of direct support.

With fuel duty – cut by 5p a litre.

Council tax – cut by £150.

The Warm Homes Discount – increased to £150.

We're making work pay by increasing the National Living Wage and cutting the Universal Taper rate.

And in just a few weeks' time, we'll increase the National Insurance threshold to £12,500 – a £6 billion tax cut for 30 million working people.

Because tackling high inflation is not just an economic necessity.

It is a social and moral necessity.

Those who suffer most are not the wealthiest, who can find ways to protect themselves.

It is always the poor.

Our policy to date has focused on supporting people in work and I make no apology for that.

There is nobility in work. It is the best way out of poverty.

And I'm proud that under this government, it always pays to work.

But right now, we also have a collective responsibility to help the most vulnerable in our society.

And so, as the situation evolves our response will evolve.

I have always been clear, we stand ready to do more.

At the same time, we need to be careful.

As Tony rightly warned us this week, at a time of severe supply restrictions, an unconstrained fiscal stimulus does risk making the problem worse.

By pushing up prices still further.

Embedding high inflation expectations.

And creating a vicious cycle of even higher interest rates and more pain for tens of millions of mortgage holders and small businesses.

So even as we protect people from the worst of the crisis, we must continue to be responsible with the public finances and get borrowing sustainably under control and debt falling.

So our plan will deal with the immediate impacts of inflation.

Cutting costs for families. Cutting the deficit.

And we are also growing the economy.

Over the long-term, higher productivity is the only way to raise living standards.

To do that, we will build on our enduring strengths.

In the UK, our children are some of the best educated in the world.

Our incredible universities produce the third highest number of publications worldwide and we have the second most Nobel Laureates of any nation.

Our artists, musicians, game designers, and filmmakers are creating work that is defining our era.

Our economy has decarbonised quicker than anyone else over the last twenty years.

Our deep and liquid capital markets finance the world's commerce.

Our start-ups attract more venture capital than France and Germany combined.

Our language is the international language of business.

Our agile and flexible regulation is the model for others.

I could go on and on.

But we need to be honest.

We also need to overcome our longstanding weaknesses in investment, skills, and innovation.

Even in the decade before the global financial crisis, capital investment had

weakened.

Research from the Resolution Foundation and the LSE shows that lower capital per hour worked explains around half our productivity gap with France and Germany.

On skills, our school and university performance has improved dramatically.

But four in five of our 2030 workforce are already in work.

So if we want to raise productivity in this country we need to do more to support those already in work.

And, since the financial crisis, the rate of increase in innovation has slowed considerably.

A weakness that explains almost our entire productivity gap with the United States.

So why is this happening? The problem I don't believe is any longer the government.

Public sector net investment is reaching its highest sustained level since the 1970s.

Yet capital investment by UK businesses, as a % of GDP, is a lot lower than the OECD average.

Government funding for post-16 education is increasing, the Prime Minister has announced a lifelong learning entitlement, alongside a plethora of new skills initiatives like Skills Bootcamps and T levels.

But UK employers spend just half the European average training their employees.

And over this Parliament, we in government are delivering our pledge to increase public investment in research and development by 50% to £20 billion per year.

But businesses investment in R&D, as a % of GDP, is less than half the OECD average.

In other words, further government action can only take us so far. We need you.

The wealth creators. The entrepreneurs. The leaders.

We need you to invest more, train more, and innovate more.

And as I've said previously, our firm plan is to reduce and reform your taxes to encourage you to do all those things.

That is the path to higher productivity, higher living standards, and a more prosperous and secure future.

One of the biggest debates in economics right now is about whether the world is facing a great slowing down.

Will we ever see again the kind of transformation that came from the introduction of railways to transport people and goods and ideas;

Cables and pylons to carry electricity into factories and homes;

Machines that freed people from backbreaking labour?

It is easy to look at the challenges we face now and feel disheartened.

But I am not. I believe our most exciting companies are still to be founded.

Our most talented people are still to be taught.

Our best ideas are still to be discovered.

Our best days lie ahead.

Government alone cannot get us there.

It will take all of us, together.

But we can get there. So let's get to work.