

Mansion House Speech by the Chancellor of the Exchequer

Before I begin, can we please take a moment to thank our firefighters, and indeed all our incredible emergency services, toiling as I speak to keep our families, and this city safe.

And spare a thought for those who have tragically lost their homes, and loved ones.

My Lord Mayor, Governor, Pascal, Aldermen, Sheriffs, Ladies and Gentlemen – friends,

It is an immense privilege to be here tonight – my first official speech as Chancellor.

I'm humbled to think of the many Chancellors who have addressed this magnificent room and illustrious audience.

And it's a testament to the greatness of this country that a boy from Baghdad can stand before you tonight, the latest in that long line.

Tonight, I want to speak about the global fight against inflation.

About the need for private sector growth.

And about the critical role of financial services.

But I want to start by acknowledging the elephant in the room.

For as I speak, the country is gripped by a great national contest.

All eyes are on the runners and the riders...

The pacts and the plotting...

The tears and the tantrums.

And I for one cannot wait to see who wins Love Island.

And to those contestants knocked out in the early rounds...

...let me just say this:

I know how you feel.

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In all seriousness, I said I wouldn't intervene in the leadership contest.

And that's not about to change tonight.

The one thing I will say is this.

Over the next few weeks, the arguments will be heard, the candidates will be tested, and a choice will be made.

At the end of that process a new Prime Minister will walk through that famous front door.

He or she will do so without a shot being fired or troops on the streets.

When you have a background like mine, my friends, you appreciate what an incredibly precious thing that is.

Peaceful political competition is one of our country's greatest strengths.

A few weeks of uncertainty is the bargain price we pay for that freedom.

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So yes, there is short-term uncertainty. But the government's work continues.

My main message tonight is this:

We are steadying the ship.

We are stabilising the economy.

We are getting on with the task at hand.

Because there are huge challenges ahead.

And it's why I took this role, and why I wanted to be here tonight.

This summer, my focus will be on providing stability, reassurance, and continuity:

On Friday, I spoke at the G20, along with the Governor...

...to make progress with our international partners on critical issues from energy to food security...

...and to express, of course, our unwavering support for Ukraine.

On Thursday, we made the first of two payments to eight million of the most vulnerable people in our country.

And the Thursday before that...

...we introduced the biggest personal tax cut in a decade...

...giving 30 million people a tax cut worth up to £330 a year.

So make no mistake, we are getting on with the job.

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And we cannot do that without all of you here – one of our most important sectors, financial services.

From credit unions to credit brokers, from FinTech start-ups to high street banks...

...when we work together, in partnership, we can achieve a lot:

- Through Covid, you helped deliver government schemes to millions of people and made sure essential banking services continued.
- You are supporting our recovery with new investments, lending, and innovation to keep the economy moving ahead.
- And in response to Russia's barbaric invasion of Ukraine, you have implemented one of the most stringent sanctions regimes ever devised.

At a time when freedom is under assault from Putin and his regime...

...we must do everything we can to support the Ukrainian people's proud struggle against invasion.

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So, in uncertain times, and challenging times, the Government, in partnership with the finance sector, is providing stability, reassurance, and that important continuity.

As we do so, I want to take just a few minutes to tell you about three priorities for the coming months:

First, we are delivering a coordinated, responsible approach to controlling inflation.

Second, we are delivering our promise to create the conditions for a private sector recovery.

And third, we are delivering our vision for financial services – working in partnership with the industry.

Let me take each in turn.

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So first, My Lord Mayor,

It was clear at last week's G20 that the most pressing problem facing the global economy is inflation.

Finance Ministers and Central Bank Governors around the world are grappling

with the same series of shocks.

Global supply chains are disrupted in the world's manufacturing centres, like China.

That's been made worse by an initial shift in global demand from services to goods, especially in the United States of America.

And, even with some signs of supply pressures easing, Putin's war is still causing spikes in energy and food prices.

These challenges have caused an extraordinary inflation shock, around the world, on a scale we've not seen in decades.

And increasingly, they are beginning to create the risk of global growth slowing.

For us, as a net importer of energy and goods – higher prices are hitting the United Kingdom hard.

In May, CPI crept above 9% for the first time in 40 years.

And we must brace ourselves for it to rise further, with the Bank forecasting inflation to reach slightly above 11%, later this year.

And if we look beneath the surface, we must never forget that inflation is deeply regressive.

The ONS has said that the lowest income families spend almost twice as much of their household budget on energy and food, as the higher income families do.

Those most affected by higher prices are almost always the least able to afford them.

So protecting the country from the causes and consequences of rising inflation isn't just a technocratic exercise.

It is a moral imperative.

What, then, are we doing to address these inflationary pressures?

The job of controlling inflation falls, of course, to the Bank of England.

They are independent – and rightly so.

The Governor will say more about their strategy in a moment.

But let me just say:

They have a strong track record.

They have all the tools they need.

And I know they have complete determination to do what is required. Andrew, I thank you.

But the Bank is not alone.

Government has a role and a responsibility in this fight.

Our actions too can have a bearing on inflation.

That means delivering sound public finances, carefully designed to avoid adding to inflationary pressures.

...while still providing help for households with the worst impacts of inflation.

And we are accepting, in full, the recommendations of the independent Pay Review Bodies for public sector workers.

We are finding a careful balance: Providing the highest uplifts in nearly twenty years, without making inflationary pressures worse.

And Government's role goes beyond fiscal policy.

Where we can, we must also ease the supply constraints that are so often the underlying cause of higher inflation.

Take the labour market, for instance.

The latest statistics just this morning show:

Unemployment near 50-year lows...

Employment has risen...

And, importantly, inactivity has fallen.

Yet with more vacancies than there are people to fill them...

...we are looking at what more we can do to encourage people into the labour market...

...particularly the 250,000 or so people who left their jobs during the pandemic...

...as well as creating a more competitive migration regime, especially for high-skilled migrants.

Something I know matters a lot to the people in this room.

And, above all, we are easing the supply side of our economy by delivering our Energy Security Strategy.

Reinvigorating our nuclear sector...

...massively expanding renewables...

...and giving a new lease of life to the energy fields of the North Sea.

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And I saw as Vaccines Minister the incredible importance of that close relationship between Government and regulators.

So Andrew and I are coordinating closely.

With the independent Bank of England acting to control inflation.

And government keeping close control of the public finances, supporting households, and easing the supply side.

We are doing everything we can to make sure expectations for higher inflation don't become embedded.

And you will hear the same message tonight from the Chancellor and the Governor, speaking together, on the same platform:

The country should feel confident that we can, and we will, get inflation back under control.

My Lord Mayor, controlling inflation is a necessary part of rebuilding our economy – but on its own, it is not sufficient.

To do that, Britain needs growth.

That's my second priority: to create the conditions for the private sector, supported by financial services, to grow the economy.

My background is in business. I know the value of entrepreneurship, start-ups, and innovation.

I know where the best ideas, the most sustainable growth, the new jobs, the higher wages, are going to come from.

It's from the wealth creators and risk takers.

So how do we get that growth?

It's by unleashing the power of enterprise – to allow businesses to invest, innovate, and create jobs.

Clearly, now is not the time for major new announcements.

But what I learnt from my experience in business, is that what really matters is delivery.

Not inputs, outputs.

The public don't want talk and announcements.

They want action.

Action that makes a tangible difference to their lives and to businesses.

And that's what the government is getting on and delivering:

Higher skills – creating up to 100,000 new T Levels places by 2024, a project, dear to my heart, that I championed while Secretary of State for Education.

New infrastructure – with the UK Infrastructure Bank up and running in Leeds...

...already funding everything from new solar farms to broadband projects to green bus routes.

More innovation – as we increase government investment in R&D by almost 60% by 2026-27, across both tax and spend.

And new development as well, because if we were as good at the development side of the R&D equation as we are on the research side...

...that will make a massive difference to productivity.

Skills, infrastructure, innovation:

Just some of the ways we are delivering a more positive, pro-business, pro-growth economy.

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And, My Lord Mayor, central to all our plans is a financial and professional services sector that is thriving – my third priority, tonight.

In my lifetime, there has probably never been a more important moment for Government to listen and to partner with you.

A partnership I am personally committed to.

Because we can only tackle the great challenges we face...

Of growth, innovation, fraud and economic crime...

If we work together.

Our objective is clear: to keep the UK the most open, inclusive, welcoming, competitive, safe, and transparent place to do financial services business, in the world.

We start with fundamental strengths:

We have the talent, the education system, the time zone, the deep and liquid capital markets.

High-quality regulation, globally respected institutions, a stable and

renewed legal regime.

Globally leading research, incredible FinTech innovation, best-in-class cyber expertise...I could go on. And on, my friends.

This is where the world comes to finance everything from infrastructure to innovation to the net zero transition.

And tomorrow, the City of London Corporation, jointly with the Treasury, as you've just heard, will launch a new report on the State of the Sector.

The report highlights the incredible impact of financial and professional services on the whole UK economy.

Together, those sectors:

Employ 2.3 million people – with two thirds outside of London, in places like Glasgow, Belfast and Birmingham.

Contribute nearly £100bn in taxes to help fund vital public services like schools and our NHS.

And create £1 in every £10 of the UK's economic output.

Our task now is to build on the incredible strengths we already have and grasp the opportunities ahead...

...delivering our vision for a sector that is more open, competitive, green, and technologically enabled.

To do that, the Government will introduce the Financial Services and Markets Bill – tomorrow.

A landmark piece of legislation.

That gives us the tools we need to seize the opportunities of Brexit and create a safer, better system for consumers.

Let me highlight just some of the Bill's measures.

The Bill implements the outcomes of the Future Regulatory Framework Review.

I can announce today that we will repeal hundreds of pieces of retained EU law.

UK financial regulation will once again be decided in the United Kingdom, for the United Kingdom, by the UK's expert, independent regulators.

And, as the regulators take on new responsibilities, we will give the FCA and PRA a new, secondary objective: to facilitate growth and competitiveness.

I know that some people will say that making this a secondary objective, doesn't go far enough.

Others will say that having it as an objective at all, goes too far.

We are, I think, taking a balanced approach.

By making growth and competitiveness a formal objective, we're encouraging a greater focus on our medium to longer-term productivity.

But, by making it secondary, we're giving the regulators an unambiguous hierarchy of objectives...

...with financial stability and consumer protection, prioritised.

The Bill also includes new measures to increase the regulators' accountability and relationships with Government and stakeholders.

Beyond that, there's been some speculation about the government taking further powers to intervene in financial regulation, in the public interest.

That is something we're looking at and I'm keeping an open mind.

But I can confirm that it's not in the Bill tomorrow, because I want time to consider all the arguments before making such an important decision.

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That's not all the Bill does.

It enables us to reform Solvency II, and give UK insurers more flexibility to invest in long-term assets like infrastructure...

...and our consultation with the industry closes later this week.

It increases the competitiveness of our capital markets, allowing us to reform the Prospectus Regime, as recommended by Lord Hill...

...and taking forward the outcomes of the Wholesale Capital Markets review, stripping away poorly crafted EU rules like the double volume cap and the share trading obligation.

It reinforces the UK's position as a leading centre for technology as we safely adopt crypto assets.

It safeguards access to cash for generations to come.

And it enables regulators to require that victims of push payment scams are paid back.

And I fully support industry and regulators' initiatives to go further – and stop fraud happening in the first place.

In short, the Bill delivers far-reaching reforms to our financial regulation, which we will deliver in partnership with industry.

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Of course, the Bill is only part of our financial and professional services agenda.

Later this year, we will publish a second Economic Crime Bill with new powers to encourage better private sector information sharing.

We're reforming regulations to attract green finance to the UK, including through the new, industry-led Transition Plan Taskforce.

We're engaging internationally with the largest emerging markets...

Working to understand how Distributed Ledger Technology could be applied to a UK sovereign debt instrument...

And the Online Safety Bill – which I know many people in this room have worked hard to develop...

...will contain new anti-fraud responsibilities for tech companies.

And we're delivering all these priorities in close partnership with you, the industry.

Let me thank just some of those partners, here tonight:

- Mark Austin has just published the conclusions of his landmark review into secondary capital raising – and I am delighted to accept his recommendations to Government, in full. Thank you, Mark.
- That includes his proposal to establish a new taskforce to modernise our shareholding framework. And I'm pleased to announce that the Chair of the taskforce will be Sir Douglas Flint. Thank you, Douglas.
- Keith Skeoch and his independent panel on ring-fencing have completed their work; and we will respond by the end of the year. Thank you, Keith.
- And I very much welcome Julia Hoggett's independent Capital Markets Industry Taskforce, to make sure UK markets allow the next generation of companies to flourish. Thank you, Julia.

I'm hugely grateful to all of you; Julia, Mark, Douglas, Keith...and to many other people here tonight...especially you, My Lord Mayor, and the City of London...

For helping us make the financial services sector more: Open. Green. Competitive. And technologically advanced.

That's our vision to make the United Kingdom one of the most dynamic financial centres in the world.

That's how we'll grow the economy and create jobs right across this great country.

That's what we'll deliver – together – for businesses and consumers.

To close, My Lord Mayor, we've come together tonight in difficult circumstances.

The short-term uncertainty will be resolved in a matter of weeks.

We will have a new Prime Minister.

And we will know the winners of Love Island.

I hope I've convinced you that even as a caretaker Government, we're getting on with the job and steering a steady course for the country.

But for all that, the longer-term economic challenges we face are real.

Difficult times lie ahead.

Yet standing here, in the Mansion House, the setting for so many decisive moments in our nation's history – I'm reminded that we've seen difficult times before.

I believe we can and should face the future with confidence.

The confidence of a country blessed with unbelievably talented and creative people.

Backed by resilient and agile institutions...

Founded on fundamental advantages that have endured for centuries.

And I know that together, we can sail through the storms and steer this country towards safer, brighter shores.

And, My Lord Mayor, some of you may be wondering if you'll ever see me again.

By this time next year, many of you will perhaps have forgotten me.

But let me assure you, this Iraqi immigrant will never forget you or the honour of addressing you as Chancellor.

This is the only country on Earth where that could be possible, which is why I love this country and I am proud my children and grandchildren will grow up here.

My Lord Mayor, at least you have a year.

If I only have a few months, rest assured this will be one of the greatest moments of my life.

Thank you very much.