

Philip Hammond – Spring Statement 2019

Check against delivery

INTRODUCTION

Mr Speaker

Conscious of the fact that the House has other matters on its mind today...

...and in the interest of – relative – brevity...

...alongside this statement I am laying a WMS which contains additional announcements and provides details.

Mr Speaker,

Last night's vote leaves a cloud of uncertainty hanging over our economy.

And our most urgent task in this House is to lift that uncertainty.

But the economy is itself robust:

It has grown for nine consecutive years...

...with the longest unbroken quarterly growth run of any G7 economy...

...and is forecast to continue growing in each of the next five years;

An economy that has created over 3.5million net new jobs under Conservative-led Government;

That has almost halved Labour's shocking legacy of youth unemployment;

That has seen female participation in the workforce increase to record levels...

...and is now delivering the fastest rate of wage growth in over a decade.

An economy that has defied expectations...

...and now provides the solid foundation that Britain needs to seize the opportunities that the future offers.

A far cry from the eight recessions and mass unemployment predicted since 2010 by the House's very own Nostradamus over there, the Shadow Chancellor...

...not so much an astronomer, as a man living in a parallel universe!

And thanks to the difficult decisions we have taken in the last nine years...

...and the hard work of the British people...

...I can also report today on public finances that continue to improve.

So that, provided we **do** reach a deal to leave the European Union with an orderly transition...

...and provided we avoid the disaster of a government led by the front bench opposite...

...this country....for the first time in a decade....will have genuine and sustainable choices about its future.

ECONOMY FORECAST

Today's OBR report marks another step on Britain's journey out of austerity – and I'd like to thank Robert Chote and his team for their work.

Despite the slowing world economy...

...the OBR expect Britain to continue to grow in every year of the forecast...

At 1.2% this year...

...with both the IMF and the OECD forecasting the UK to grow faster than Germany;

Then 1.4% in 2020, as forecast at the budget...

...and 1.6% in each of the final three years;

Cumulative growth over the five years now slightly higher than the Budget forecast.

Meanwhile, Britain's remarkable jobs story is set to continue.

By 2023 the OBR expect to see 600,000 more new jobs.

And despite the constant attempts from the Opposition front bench to talk down our remarkable achievement on jobs...

... the fact is, last year, 96% of new jobs were full-time.

And there's positive news on pay too:

with the OBR revising up wage growth to be 3% or higher in every year.

With inflation now around the target throughout the forecast period...

...that means real wage growth in every year of the forecast.

A growing economy;

a thriving labour market;

inflation on target;

Mr Speaker, A solid foundation on which to build Britain's future outside the EU.

FISCAL FORECAST

And there's positive news on the public finances as well.

Borrowing this year will be just 1.1% of GDP – £3bn lower than forecast at the Autumn Budget – and a staggering £130bn lower than in the last year of the Labour government.

But what's really staggering is that the Shadow Chancellor's critique of that Government is that it didn't spend enough!

Looking forward, borrowing will fall from £29.3bn in 2019-20, then £21.2bn, £17.6bn, £14.4bn and finally £13.5bn in 2023-24 – its lowest level in 22 years.

We remain on track to meet both of our fiscal targets early...

...with the cyclically adjusted deficit at 1.3% next year, falling to just 0.5% by 2023-24...

... and headroom against our fiscal mandate in '20-'21 increasing from £15.4bn at the Autumn Budget...

... to £26.6bn today.

Less borrowing means less debt – now lower in every year than forecast at the Budget, falling to 82.2% of GDP next year, then 79%, 74.9%, 74%, and finally 73% in 2023-24.

Our National Debt falling sustainably – for the first time in a generation.

A major milestone on the road out of the crisis we inherited from Labour...

...and a key dividing line today:

...between

a Shadow Chancellor, whose plans would send debt soaring above 100% of GDP...

...and a Conservative Government committed to bringing our national debt down.

FISCAL STRATEGY AND PUBLIC SPENDING

Since 2010 we have been steering the country on a journey of recovery from Labour's recession.

Back then, the most important task was to get borrowing down to manageable levels.

But when I became Chancellor in 2016...

...I recognised that, with the progress we had already made...

...as well as getting Britain's debt down...

...our continued success as a nation would depend on investing in our future...

...supporting our vital public services...

...and keeping taxes low to attract talent and investment.

I called it a "balanced approach".

And it is delivering:

the highest sustained levels of public capital investment in 40 years...

...cuts in income taxes for 32 million people in three weeks' time...

...and debt on a sustained downward path for the first time in a generation.

I have made over £150bn of new spending commitments since 2016...

And at the Budget I announced that the long, but necessary, squeeze on current public spending would come to an end at the upcoming Spending Review...

...and I set out an indicative 5-year path of 1.2% per annum real terms **increases** in day-to-day spending on our public services...

...compared to real terms **cuts** of 3% per annum announced at SR 2010 and 1.3% at SR 2015.

We have made our biggest choice on public spending:

putting the NHS first in line – as the British public expects...

...with my RHF the Prime Minister's announcement of £34bn of additional funding per year by the end of the period – the single largest cash commitment ever made by a peacetime British Government – to support the new NHS plan...

...delivering improved cancer and mental health care...

...a transformation of GP services...

...more doctors, more nurses and better outcomes for patients.

Now we need to address wider Departmental spending for the next Review period.

So I can confirm today that, assuming a Brexit deal is agreed over the next few weeks and the uncertainty that has been hanging over us is lifted...

...I intend to launch a full three-year Spending Review before the summer recess, to be concluded alongside an Autumn Budget.

It will set Departmental budgets beyond the NHS...

...to reflect the public's priorities between areas like social care, local government, schools, police, defence and the environment...

... and will maximize value for taxpayers' money through a renewed focus on high quality outcomes.

And if we leave the EU with a deal...

...and an orderly transition to a future economic partnership...

...we **will** see a Deal Dividend:

From an economic boost from recovery in business confidence and investment.

And from a reduction in the minimum necessary level of fiscal headroom once the risk of a "no deal" exit is removed.

Giving us real choices as we use the Spending Review...

...to decide how much of this "Deal Dividend" we can prudently release...

...and how we would share it between increased spending on public services, capital investment in Britain's future prosperity and keeping taxes low...

...all while continuing to get the debt down.

Real terms increases in public spending;

Record investment in Britain's future;

More jobs than ever before;

Higher wages and lower taxes meaning increased take-home pay...

...and for the first time in a generation debt going down;

That, Mr Speaker, is what I mean by an end to austerity...

...delivered by a Conservative Government.

NO DEAL PLANNING

But, Mr Speaker,

All of the progress we have made will be at risk if we cannot secure a smooth and orderly exit from the EU...

...and a transition to a new partnership that protects the complex trading relationships businesses have built up over 45 years...

...and on which so many British jobs depend.

I hoped we would do that last night...

...But I am confident that we, as a House, **will** do it over the coming weeks.

Leaving with "No Deal" would mean significant disruption in the short- and medium-term...

...and a smaller, less prosperous economy in the long-term, than if we leave with a Deal.

Higher unemployment; lower wages; higher prices in the shops.

That is **not** what the British people voted for in June 2016.

Which is why all of us have a solemn duty in the days and weeks ahead...

...to put aside our differences and seek a compromise on which this House **can** agree...

...in the National Interest.

But Government also has a duty to plan for every reasonably foreseeable contingency...

...and we have done so.

First, we have plans in place to minimise disruption to our financial system – and the Bank of England judges that it is resilient to any likely "no-deal" shock.

Second, we have worked across Whitehall to put in place mitigations at our border...

...although we cannot regulate how the EU will operate its border in a no-deal exit.

Third, we have published today our temporary UK No Deal tariff schedule, carefully balancing the needs of producers and consumers in the context of the pressures the "no-deal" economy would face.

And fourth, the Treasury and the Bank of England together have all the tools of fiscal and monetary policy available to us, including the fiscal headroom I have held in reserve.

But I need to be straight with the House: a no-deal Brexit would likely deliver a significant short- to medium-term reduction in the productive capacity of the British economy.

And because our economy is operating at near full capacity, any fiscal and monetary response would have to be carefully calibrated not to simply cause inflation...

...compounding the effect of any movement in the exchange rate on the price of goods in our shops.

And while fiscal and monetary intervention might help to smooth our path to a post-Brexit economy...

...both could only be temporary...

...and neither would allow us to avoid the effects of a relatively smaller economy...

...nor the pain of restructuring.

So, the idea that there is some simple, readily available, fix that can be deployed to avoid the consequences of a no-deal Brexit is, I am afraid, just wrong.

BUILDING AN ECONOMY FIT FOR THE FUTURE

But, Mr Speaker,

I'm confident that we're going to do a Deal.

And when we do, the British people will fully expect us to fire-up our economic plan...

...to seize the opportunities as confidence in our economy returns.

But, it isn't just the spectre of no deal that we need to overcome to restore confidence and unlock a brighter future;

Because, while we, on this side of the House, will always be the party of business – and small business especially – the Shadow Chancellor identifies business as “the enemy”.

A government led by the Leader of the Opposition would:

“chill the very marrow of our economy, destroying jobs and stifling innovation”.

Not my words, Mr Speaker...

...but those of the former Labour member for Penistone and Stocksbridge.

And she is right.

So our task is to demonstrate to the British people that...

...working with business, through the mechanism of a well-regulated market economy, our plan will deliver a brighter future for them...

...so that they are never, **ever**, tempted by the empty promises and dangerous rhetoric of the front bench opposite.

A plan which makes the most of the opportunities ahead as we make our own way...

...independent from, but in continuing partnership with, the European Union.

A plan to embrace the technologies of the future and equip British workers to use them;

to back the enterprise and ambition of British business;

to support our world-leading entrepreneurs, creators and innovators...

... inventors and discoverers;

to build on the UK's fundamental strengths and competitive advantages...

...to slay once and for all the twin demons of low productivity and low wages...

...and build an economy that works for everyone.

INVESTMENT AND INFRASTRUCTURE

Mr Speaker,

The only sustainable path to higher wages and rising living standards is to boost productivity.

And to do that, we are investing in infrastructure, skills, technology and housing – under our plan for Britain's future:

With £37bn in the National Productivity Investment Fund;

the largest ever investment in England's strategic roads;

the biggest rail investment programme since Victorian times;

and a strategy for delivering a nationwide full fibre network by 2033.

At SR19, we will set multi-year capital budgets...

following a zero-based review...

...protecting our record levels of capital spending...

...while ensuring that investment is focussed to deliver the greatest impact on productivity.

Our investment strategy is benefitting the whole of the UK.

I can announce today up to £265m for the innovative Borderlands deal covering the border regions of England and Scotland, on top of the £100m HIF funding already announced for Carlisle...

...and £25m for the Moray growth deal.

Negotiations are progressing on future deals for mid-Wales and Derry/Londonderry...

...and I reiterate our commitment to the Northern Powerhouse Rail project and look forward to considering TfN's business case ahead of SR19.

We will publish the updated National Infrastructure Strategy alongside the Spending Review...

...and I am publishing today a consultation on our approach to supporting private infrastructure investment as we leave the European Investment bank and retire Labour's discredited PFI.

SKILLS

But raising our productivity isn't just about investing in physical capital – it's also about investing in people.

The Augar review of Tertiary Education will be published shortly and will be an important contribution to the government's overall review – which we will complete before the Spending Review. We are committed to returning technical and vocational skills to the heart of our education system...

...with the new T-level system on track to deliver the first three routes in 2020;

the first phase of the National Retraining Scheme starting this summer;

and the apprenticeship programme rolling-out 3 million new high-quality

apprenticeships.

And to help small businesses take on more apprentices, I can announce that I am bringing forward to April 1st the £700m package of reforms I announced at Budget.

The productivity agenda is, above all, about increasing the wages of the lowest-paid.

And the pay of a full-timer on National Minimum Wage has risen by £2,750 a year since 2016..

We've confirmed the Low Pay Commission's remit for the National Living Wage to reach 60% of median earnings by 2020.

But later this year we will need to set a new remit beyond 2020.

We want to be ambitious...

...driving productivity across the income distribution, with the ultimate objective of ending low pay in the UK.

But we also want to take care to protect employment opportunities for lower paid workers.

So we have asked Professor Arin Dube, a world-leading expert in the field, to undertake a review of the international evidence on the employment and productivity effects of minimum wage rates.

This study will support the extensive discussions we will be having with employer organisations, the TUC and the LPC itself over the coming months...

...starting with a roundtable which I will chair next month.

So while the Opposition front bench grandstands...

...this Conservative government is delivering **sustainable** pay rises for millions of British workers.

MIGRATION

Mr Speaker,

Alongside our commitment to giving British workers the skills they need...

...is a commitment to maintaining the openness of our economy to talent from around the world.

As we leave the EU, free movement of people will end...

...and we will take back control of our borders.

My RHF the Home Secretary has set out a framework for a future immigration system in the Immigration White Paper...

...focussed on attracting those with the skills we need in the UK economy – no matter where they come from.

We have committed to consulting with business to ensure that the new system supports the needs of our economy...

...and as we do so, I can announce that from June, we will abolish the need for paper landing cards at all airports...

...and we will allow citizens of the USA, Australia, New Zealand, Canada, Japan, Singapore and South Korea to use e-gates at our airports and Eurostar terminals, alongside the EEA nationals who can already use them.

A signal to the World, Mr Speaker, of our commitment to Global Britain

INNOVATION, SCIENCE AND TECHNOLOGY

Another key pillar of our plan is backing Britain to remain at the forefront of the technology revolution that is transforming our economy.

And to support that ambition, from this Autumn we will completely exempt PhD-level roles from the visa caps.

Since 2016 we have launched our Modern Industrial Strategy...

... and committed an additional £7bn to science and innovation – clear progress towards our target of total R&D spending reaching 2.4% of the economy.

But technology does not stand still, and neither can we.

So, to maintain the UK's technological edge, we will invest £79m in ARCHER2, a new supercomputer to be hosted at Edinburgh University...

...up to five times faster than the current generation...

...capable of ten thousand trillion calculations per second...

I am allocating £45m of NPIF funding to the European Bioinformatics Institute – ensuring Britain's continued lead in genomics research;

I will guarantee our commitment to the UK's funding for the JET nuclear fusion reactor, whatever happens with Brexit

...and invest £81m in a new Extreme Photonics Centre in Oxfordshire to develop new types of lasers –

Literally the cutting edge of technology, Mr Speaker.

DIGITAL COMPETITION

The digital economy presents enormous opportunities...

...but enormous challenges as well.

I have already responded to concerns about unfairness in the tax system with a new Digital Services Tax so that digital platform companies pay their fair share.

But we also need to adapt our regulatory environment to ensure competition works for consumers in the digital market place, as it does in the real market place.

So, I asked Professor Jason Furman, Barack Obama's former Chief Economist, to review competition in the digital market.

I welcome his report – published today – which sets out far-reaching recommendations including new powers for consumers and an overhaul of competition regulation...

...updating our regulatory model for the digital age.

As a first step towards implementing reforms, I am asking the Competition and Markets Authority to undertake a market study of the digital advertising market as soon as possible.

Mr Speaker, the UK **will** remain a great place to do digital business...

...but it will be a place where successful global tech giants pay their fair share...

...where competition policy works in consumers' interests...

...and where the public are protected from online harms.

Under this government, Britain will lead the world in delivering a digital economy that works for everyone.

HOUSING

Mr Speaker,

We, on this side, and many on the backbenches opposite, understand that a well-regulated market economy is the best – indeed, the only – way to deliver a brighter future for our country.

Our challenge is to demonstrate to the next generation that our market economy can fulfil their aspirations and speak to their values.

So, before I finish, I want to talk about two subjects dear to them: Housing and the environment.

Last year, housing delivery exceeded 220,000 additional homes.

...the highest level in all but one of the last 31 years.

Mr Speaker, our ambitious plan to restore the dream of home ownership to millions of younger people is already delivering:

Planning reform to release land in areas where the pressure is greatest;

A five-year, £44bn housing programme, to help raise annual housing supply to 300,000 by the mid-2020s;

the Help to Buy Equity Loan scheme;

abolition of Stamp Duty for First Time Buyers...

...which has so far helped 240,000 people onto the property ladder...

...and restored the proportion of first-time buyers to above 50% for the first time in a generation.

And today I can announce:

A new £3bn Affordable Homes Guarantee scheme, to support delivery of around 30,000 affordable homes;

The launch of the £1bn Enable Build SME guarantee fund that I announced at Budget, next month;

And £717m from the Housing Infrastructure Fund to unlock up to 36,000 new homes on sites in West London, Cheshire, Didcot, and Cambridge...

...the latter two being at opposite ends of the Oxford-Cambridge Arc...

...for which I am publishing a new vision statement today.

GREEN GROWTH

Mr Speaker, as with the challenge of adapting to the digital age...

...so with the challenge of shaping the carbon neutral economy of the future...

...we must apply the creativity of the marketplace to deliver solutions to one of the most complex problems of our time – climate change...

...and build sustainability into the heart of our economic model.

The UK is already leading the world – reducing the carbon intensity of our economy faster than any other G20 country...

...with ambitious and legally binding targets for the future.

Today I can announce our next steps:

First, we will publish a call for evidence on whether all passenger carriers

should be required to offer genuinely additional carbon offsets...

...so that customers who want "zero carbon travel" have that option...

...and can be confident about additionality.

Second, we will help small businesses cut their carbon emissions and their energy bills, publishing today a call for evidence on the Business Energy Efficiency Scheme announced at the Budget.

Third, we will publish proposals to require an increased proportion of green gas in the grid, advancing decarbonisation of our mains gas supply.

And finally, we will introduce a Future Homes Standard, mandating the end of fossil-fuel heating systems in all new houses from 2025.

Lower carbon – and lower fuel bills too.

Mr Speaker,

Climate change is not our only environmental challenge.

We are already consulting on new tax and regulatory measures to tackle the scourge of plastic waste defacing our countryside and choking our oceans...

Now, for the first time in 60 million years, the number of species worldwide is in sustained mass decline.

The UK's 1,500 species of pollinators deliver an estimated £680m annual value to the economy – so there is an economic, as well as an environmental, case for protecting the diversity of the natural world.

So, following consultation, the government will use the forthcoming Environment Bill to mandate biodiversity net gain for development in England...

...ensuring that the delivery of much-needed infrastructure and housing is not at the expense of vital biodiversity.

But this is a global problem...

...so later this year, the UK Government will launch a comprehensive global review of the link between biodiversity and economic growth.

We should be proud that the UK, with its Overseas Territories, has already declared more than 3m square kilometres of Marine Protected Area. And today I can announce our intention to designate a further 445,000 square kilometers of ocean around Ascension Island as MPA.

This Conservative Government...

...taking action now to deliver our pledge to be the first in our history to leave our environment in a better condition than we found it.

Mr Speaker,

Before I conclude, I have three further announcements to make.

First, in response to rising concern by Headteachers that some girls are missing school attendance due to inability to afford sanitary products, I have decided to fund the provision of free sanitary products in secondary schools and colleges in England from September. I congratulate those Honourable Members who have campaigned on this issue and my RHF the Education Secretary will announce further details in due course.

Second, I announced a year ago that we would take definitive action to tackle the scourge of late payments for our small businesses. A full response to last year's call for evidence will be published next month, but I can announce today the first step of our response – we will now require company Audit Committees, chaired by a non-executive director, to review payment practices, and report on them in their Annual Accounts. My RHF the Business Secretary will announce further details in due course – and I congratulate the FSB on its tireless campaign on this issue.

Third, the recent surge in knife-crime represents a personal tragedy for the scores of families of victims, and I know I speak for the whole House when I offer my deepest sympathies to them. We must, and we will, stamp this menace out.

Police funding is due to rise by up to £970m from April. Many Police & Crime Commissioners have already committed to using this extra funding to recruit and train extra police officers.

But that takes time. And action is needed now.

So today I can announce that we will make available immediately to police forces in England an additional £100m over the course of the next year, ring-fenced to pay for additional overtime targeted specifically on knife crime...

...and to fund pilots of Violent Crime Reduction Units to deliver a wider cross-agency response to this epidemic.

Ahead of the Spending Review, my RHF the Home Secretary will work with the police to consider how best to prioritise resources, including newly funded manpower, to ensure a lasting solution to this problem.

CONCLUSION

To be honest, Mr Speaker.

We are not, today, where I hoped we would be.

Our economy **is** fundamentally robust...

...in it's ninth consecutive year of growth...

...with rising wages...

...record employment...

...and rapidly improving public finances.

We have huge opportunities ahead of us:

Our Capital is the world's financial centre;

Our Universities are global powerhouses of discovery and invention;

Our businesses are at the cutting edge of the tech revolution;

And we have shown that we are not shy, as a nation, of the tasks that lies ahead:

We are addressing the environmental challenges that threaten our planet;

We are building the homes that the next generation desperately need;

We are investing in our future.

We are tackling the productivity gap...

...and embracing technological change, rising to its challenges and seizing its opportunities;

Our potential is limitless;

But the uncertainty that I hoped we would lift last night still hangs over us.

We cannot allow that to continue:

It is damaging our economy...

...and it is damaging our standing and reputation in the world.

Tonight, we face a choice:

we can remove the threat of an imminent no-deal exit hanging over our economy.

Tomorrow, we will have the opportunity to start to map out a way forward...

...towards building a consensus across this House...

...for a deal we **can**, collectively support, to exit the EU in an orderly way...

...to a future relationship that will allow Britain to flourish.

Protecting British jobs and businesses;

Building on the strong foundations of our economy...

...a proud, successful, outward-looking nation...

...with no limit to our ambition...

...and no boundaries to what we can achieve.

That brighter future is within our grasp;

Tonight, let's take a decisive step towards seizing it...

...and building a better Britain.

And I commend this Statement to the House.