

Speech: Spring Statement 2019: Philip Hammond's speech

Mr Speaker

I am acutely conscious of the fact that the House has other pressing matters on its mind today...

...and to avoid making this statement any longer than necessary...

...I am laying a WMS which contains additional announcements and provides further details of those that I will make.

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, itself, is remarkably 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 3.5 million net new jobs [Political content redacted]

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

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

An economy that has defied expectations...

...and will provide the solid foundation that Britain needs to seize the opportunities that the future offers. [Political content redacted]

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...[Political content redacted]

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

Today's OBR report marks another step on Britain's road 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 in our economy.

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

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

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

And 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.

And there's good news on the public finances too.

Borrowing this year will be just 1.1% of GDP – £3 billion lower than forecast at the Autumn Budget. [Political content redacted]

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

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

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

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

... to £26.6 billion 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.
[Political content redacted]

Since 2010 we have been steering the country on a journey of recovery.
[Political content redacted]

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:

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

...cuts in income taxes for more than 30 million people in three weeks' time...[Political content redacted]

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

I have made over £150 billion 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...

...setting out an indicative 5-year path of 1.2% per annum real terms increases in day-to-day spending on public services...

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

We have made our biggest choice on public spending:

putting the NHS first in line – as the British public would expect...

...with my RHF the Prime Minister's announcement of £34 billion 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 our long-term plan for the NHS...

...delivering Mr Speaker, 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 is hanging over our economy 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 it will maximize value for taxpayers' money through a renewed focus on delivering 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:

An economic boost from recovery in business confidence and investment.

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

Giving us as a nation 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...

...while always continuing to keep our debt falling.

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 our debt going down;

That, Mr Speaker, is what I mean by an end to austerity. [Political content redacted]

But, Mr Speaker,

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 deliver a significant short- to medium-term reduction in the productive capacity of the British economy.

And because our economy is operating at or 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.

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 uncertainty that we need to overcome if we are to restore confidence and unlock a brighter future. [Political content redacted]

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. [Political content redacted]

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...

...so that we can slay once and for all the twin demons of low productivity and low wages...

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

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 £37 billion 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.

And our investment strategy is benefitting the whole of the UK.

I can announce today up to £260 million for the innovative Borderlands Growth deal covering the border regions of England and Scotland, on top of the £100 million HIF funding already announced for Carlisle...

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

...and I reiterate today this government's commitment to the Northern Powerhouse Rail project and look forward to considering TfN's business case

ahead of the Spending Review.

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 once we leave the European Investment bank. [Political content redacted]

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

The Augar review will be published shortly and will represent an important contribution to our overall plan for post-18 education. The government will respond later in the year.

We are committed to returning technical and vocational skills to the heart of our educational 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 the £700 million package of reforms I announced at Budget to the start of the new financial year in April.

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 that we will be having with employer organisations, trades unions and the LPC itself over the coming months...

...starting with a roundtable which I will chair next month. [Political content redacted]

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 begin to abolish the need for paper landing cards at UK points of entry...

...and we will allow citizens of the USA, Australia, New Zealand, Canada, Japan, Singapore and South Korea to start using e-gates at our airports and Eurostar terminals, alongside the EEA nationals who can already use them Mr Speaker. Our ambition is to be able to go further in due course.

A signal to the World of our commitment to Global Britain.

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 £7 billion 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 £79 million in ARCHER2, a new supercomputer to be hosted at Edinburgh University...

...I am told that it's up to five times faster than the current generation...

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

(And I am told Mr Speaker that with the right algorithms it might even be able to come up with a solution to the backstop.)

I am allocating £45 million 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 £81 million in a new Extreme Photonics Centre in Oxfordshire to develop new types of lasers –

Literally the cutting edge of technology, Mr Speaker.

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.

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

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

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

And 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.

Mr Speaker,

[Political content redacted] 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, £44 billion 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 £3 billion Affordable Homes Guarantee scheme, to support delivery of around 30,000 affordable homes;

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

And £717 million from the Housing Infrastructure Fund to unlock up to 37,000 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.

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 that I 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.

Mr Speaker,

Delivering lower carbon – and lower fuel bills too.

But 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 £680 million annual value to our 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 Mr Speaker...

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

...to be led by Professor Sir Partha Dasgupta, Emeritus Professor of Economics at Cambridge.

We in this House Mr Speaker 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 Marine Protected Area.

[Political content removed]

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

Mr Speaker,

Before I conclude, I have three further short 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 the next school year.

I congratulate those Honourable Members who have campaigned on this issue on all sides of this House 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 shortly, but I can announce today that as a first step we will require company Audit Committees 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, in particular, on its tireless campaign on this issue.

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

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

But that takes time. And action is needed now.

So, the Prime Minister and I have decided, exceptionally, to make available immediately to police forces in England and Wales an additional £100 million over the course of the next year, ring-fenced to pay for additional overtime targeted specifically on knife crime...

...and for new 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 going forward, including newly funded manpower, to ensure a lasting solution to the problem.

Mr Speaker, to be frank.

Last night's events mean we are not where I hoped we would be today.

Our economy is fundamentally robust...

But the uncertainty I hoped we would lift last night, still hangs over it.

We cannot allow that to continue:

It is damaging our economy...

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

Tonight, we have 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 jobs and businesses;

We have huge opportunities ahead of us:

Our Capital is the world's financial centre;

Our Universities are global powerhouses of discovery and innovation;

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 lie 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...

...tackling the productivity gap...

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

Our potential is clear;

Our advantages are manifest;

We are the fifth largest economy in the world...

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

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

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

A brighter future is within our grasp;

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

...and building a Britain fit for the future;

A Britain the next generation will be proud to call their home.

I commend this Statement to the House.