

Speech: TheCityUK Annual Dinner 2019: Chancellor's speech

Paul, thank you very much for those kind words of introduction, and for inviting me to speak to you again tonight.

Let me start where you left off, by offering my thanks to John, as he steps down later this year as Chairman of TheCityUK's Board.

I know you are a keen singer John. So let me just say that your leadership was pitch perfect...and best of luck with the next gig.

And, of course, thanks to you too, Paul, as you start your final year as Chairman of the Advisory Board.

This really is the changing of the guard for TheCityUK, and I thank you both for your exceptional leadership over a critical period.

Let me also pay tribute to all of you in this room.

You lead and champion a crucial sector of the British economy...

...supporting business with capital and services...

...and households with mortgages, insurance and pensions.

You contribute over £176 billion of GVA to our economy...

...creating a trade surplus of over £75 billion at the last count...

...and employing more than 2 million people in every region and nation of the UK.

But as the world changes, so must The City.

And I want to talk this evening about how we work together to ensure that your sector remains at the forefront as Britain rises to the challenges of a changing world...

...and that the UK continues to be a world-leading finance and business centre long after the Brexit turmoil has died down.

There is a story about a politician whose wife would introduce him at speaking events, by saying:

I am afraid my husband cannot speak for more than ten minutes, or he will have a problem with his throat – I will slit it.

My wife, sadly, isn't here tonight, but with the dessert still to come, I

promise you I will pretend she is.

Let me start by updating you on Brexit.

I do, of course, understand your frustration at the Brexit process.

I cannot make it go away...

...(the frustration nor the process)...

...but I can try to explain what is happening and what is likely to happen next.

Last night's vote gives us, for the first time, a clear commitment by Parliament to support a deal.

But it is, of course, a deal with significant differences to the one that has been agreed with the EU...as I think the EU quickly observed!

So we face a challenging task in seeking to persuade the EU to move its position. But that is what we will be seeking to do.

The PM also made a very important commitment to those who were seeking to prevent a "No Deal" outcome.

She told them that yesterday would not be their last chance to attempt to persuade the House to do so – and that there will be an opportunity to repeat last night's vote on February 14th.

So we now have a clear timescale: the PM will work up a new proposal to put to the EU over the coming days.

She will negotiate on the basis of that proposal for the very best deal it is possible to secure – and will bring that back for approval by the Commons.

If that approval is not forthcoming, there will be a further opportunity for Parliament to reach a majority decision about how to proceed on February 14th.

Navigating Brexit in good order is clearly our most immediate task – but it is not the only challenge on the horizon.

Nor, over the long-term, is it necessarily the most significant.

The City would be facing profound change, even if we were not leaving the EU.

The global economy is changing; an irreversible shift of wealth and power is taking place.

Dramatically higher savings rates in some Emerging Market economies...

...and the growth of a vast new middle class...

...mean the geographical balance of asset holdings is changing at a breath-

taking pace.

At the same time, the technology revolution is having a profound impact on our economy and society...

...forcing us to take radical action to ensure we have the skills and talent we need for the future.

Against this backdrop, and even without Brexit, we would have had to make the case all over again for Britain as the best place in the world for financial and business services.

And we have a plan to do so.

We start from a position of strength.

The City has a long history of dynamism and agility, and significant structural advantages, that mean it is well-positioned to respond to challenges and turn them into opportunities.

The fundamentals of our economy are robust...

...we are dealing with the deficit, cutting taxes, and tackling the productivity challenge through our modern Industrial Strategy...

...and it has grown continuously for eight years – proving remarkably resilient in the face of Brexit uncertainty.

Paul, you rightly challenged me on what the government is doing about investment and infrastructure.

And I have an answer:

Through initiatives like the National Productivity Investment Fund...

...the government is delivering the biggest sustained programme of public sector investment since the 1970s...

...and is committed to 2.4% of GDP being spent on research and development, in a partnership with industry to ensure Britain remains at the cutting edge.

But despite these successes I am not for one moment, complacent about our economic performance; I know we will only stay ahead by being one step ahead of the competition.

So let me set out my vision for the future prosperity of the UK's finance sector – and then, I promise, it will be time for dessert.

First, our future success will depend on becoming more, not less open as an economy.

The deal that we have negotiated with the EU – which remains in my opinion the best basis for a negotiated Brexit...

...means that we will retain close economic and trading links with our EU neighbours, including in financial services, even as we leave the EU.

But of course, that relationship will evolve...

...and over time we must expect EU business to be a gradually declining share of our financial services exports...

...as a steadily rising proportion will be with the fast-growing economies beyond Europe.

We are well equipped to make this transition.

We have always had a global outlook – part of the world, not just part of Europe.

Our historic relationships mean we are uniquely well-positioned to build trade and economic partnerships with the fastest expanding markets.

And we should not underestimate the significance of the change that is underway in the global balance of financial power...

...nor the scale of the opportunity it represents.

Emerging and developing economies together are home to 85% of the global population and 90% of people under 30...

...and their economies already account for nearly 60% of global economic activity and one third of global trade...

...but they account for just 10% of the global financial system.

So, as savings accumulate and the new middle class grows exponentially...

...there is an enormous opportunity for the City.

The government is taking action to support you to take advantage of this profound transformation.

Our Global Financial Partnerships strategy is an ambitious programme to build Financial Services links with sophisticated financial centres around the world...

...that will provide new levels of market access and new channels into emerging and developing economies for UK businesses.

That strategy will utilise the new flexibilities at our disposal as we leave the EU...

... as well as leverage existing approaches, like bilateral Dialogues and regulatory cooperation.

So that a Bank based in London can deliver services as easily to a business on the other side of the world as it can today to one on the other side of

the Channel.

We are already seeing the first fruits in insurance agreements signed in recent weeks with the US and Switzerland.

I am grateful for your support and input in developing this strategy – and I look forward to working with TheCityUK to build on this momentum in the months ahead.

In parallel with these profound changes, the rising tide of protectionism is imposing tariffs on hundreds of billions of dollars of trade.

I am clear that Free Trade is the only way to secure prosperity around the world.

So we need to make and remake the case for free and open markets.

But we must also make the case for reform.

And nowhere is that reform more needed than in liberalising the rules for trade in services.

Services now account for 65% of global GDP...

...and as much as 80% of the most developed economies.

So liberalising trade in services would be one of the simplest and quickest ways to rebalance global trade.

Doing so would be:

...good for the global economy as a whole – IMF analysis shows that reducing trading costs for services by 15% could boost total GDP of G20 countries by more than \$350 billion this year...

...good for developing countries, with the IMF and World Bank estimating that liberalising services trade could raise manufacturing productivity in these economies by over 22%...

...and exceptionally good news for the UK as the world's second largest exporter of services.

So I very much welcome the start of formal negotiations in Davos last week on the eCommerce agreement between 75 WTO members.

But we must go further still.

The UK will lead the world in arguing for services liberalisation, through pushing for ambitious services provisions in Free Trade Agreements...

...and multilaterally through the wider WTO reform agenda...

...using our expertise to shape and influence the liberalisation of the global services economy.

In the new global economy, our world-leading record on innovation and technology will secure the UK's competitive advantage.

Nowhere is that truer than in financial services.

The FinTech revolution is driving a remarkable transition in the way we access financial services – changing the way these services work, and the structure of the industry.

And Britain is at the forefront of it.

We've heard a lot about 'unicorns' over the last few weeks. But frankly, I'm more interested in growing tech 'unicorns', than slaying Brexit ones..

A record-breaking £12 billion was invested in UK Fintech in the first six months of last year alone – so I expect to see a lot more of them, grazing contentedly in UK fields, in future.

But alongside investment and innovation, a safe and transparent regulatory environment – one that fosters, rather than stifles, innovation – will be a key location driver for cutting edge technology businesses in the years to come.

So we've set up the Cryptoassets Taskforce to provide certainty about regulation and tax while protecting consumers and markets in the face of growing use of cryptoassets and distributed ledger technology.

We are leading the world in meeting the ethical challenges of technology innovation, by establishing the Centre for Data Ethics and Innovation...

...and through the Regulators' Pioneer Fund, we are supporting our statutory regulators to develop world-leading regulatory responses to the challenge of new technology.

Finally, for the professional services industry, Britain must remain open to talented professionals from around the world. And it will.

As we leave the European Union, free movement from the EU will end...

...and we will move to a globalised immigration system.

But the Immigration White Paper is clear, it proposes removal of the cap on numbers for highly skilled workers, and the resident labour market test; and the continuation of short-term business mobility.

Our objective is a system that responds to public concerns about freedom of movement, while protecting our economy...

...by making sure that businesses can get the talented people they need, when they need them, with minimal friction.

We have announced a 12-month engagement period – and I urge the City to engage constructively with this process.

Domestic skills will also be crucial to the future of this sector. And I'd like to thank TheCityUK, and Mark Hoban in particular, for their crucial work on our domestic skills pipeline.

I look forward to hearing your proposals soon.

The City has long been a world-leading financial centre;

Our history is one of innovation, resilience and openness.

Our success today is built on a complex ecosystem, not easily or quickly replicable by others.

But to remain ahead, we must evolve, as we have done continuously in the past.

Managing our exit from the EU...

...developing new opportunities in our domestic market...

...and building our presence in the fast-growing Emerging Market economies.

Fighting for liberalisation of trade in services...

...embracing and shaping technology...

...leading the regulatory response to it...

...and developing the skills we need for our future.

Working together...

...capitalising on London's strengths...

...we will build the most cyber-secure; best regulated; most innovation-friendly financial centre in the world.

The trading location of choice.

Match fit, and ready for the future.

Let's do it together.