

The Summer Economic Update



Overview

The Chancellor delivered the 'Summer Economic Update' today with the economic picture markedly different to the one when he became Chancellor and delivered his first Budget. Rishi Sunak pledged to be "unencumbered by dogma" and that "no one will be left without hope".

In his typically assured style, Sunak announced several measures to "protect, support and create jobs". As such, he announced measures to stimulate employment, boost the construction sector, including efforts to create 'green' jobs, and kickstart a hospitality sector that has suffered during a period of economic hibernation. Whilst Ministers have been clear that they will not be able to save every job, with the Chancellor reiterating that the flexible furlough scheme will end this October, it was telling that the Chancellor said he would not accept unemployment as an inevitability.

Major decisions have been deferred to the Autumn Budget when the economic picture and exact shape of the recovery will be clearer. The Chancellor has said that this 'third phase' will focus on rebuilding with the delayed National Infrastructure Strategy and Spending Review to be published then too.



Headline announcements

- **Job Retention Bonus:** Employer will receive one-off £1,000 per employee for every furloughed employee who remains continuously employed through to the end of January 2021.
- Initial £2bn for a new '**Kick-Start Scheme**' which will directly pay employers to create jobs for 16-24 year olds at risk of unemployment for six months, with no cap on places.
- An additional £111m for **traineeships**, £1,000 paid to employers, to last from 6 weeks to 6 months.
- £2,000 to employers to hire new young apprentices, and £1,500 for those aged 25 and over, for next 6 months.
- Enhanced work search support: £895m to double work coaches and £1bn for DWP to support young jobseekers
- **Stamp duty** threshold increased temporarily from £125,000 to **£500,000**
- **VAT** cut from 20% to **5%** on food and non-alcoholic drinks in the hospitality sector, as well as accommodation and admission to attractions in the UK from next Wednesday
- £2bn of **Green Home Grants** from September, vouchers will cover two-thirds cost up to £5,000 per household, will cover full cost for low income households (£10,000).
- £1bn energy efficiency for public sector buildings **Green Jobs Challenge Fund:** Govt will invest up to £40m for environmental charities and public authorities to create and protect 5,000 jobs.
- £50m for Social Housing Decarbonisation Fund
- A new '**Eat Out to Help Out**' scheme: during August, Monday-Wednesday, people will be entitled to 50% reduction, up to £10 per head, on sit-down meals at participating food service establishments.
- £32m for **National Careers Service** to recruit career advisers for over 250,000 people



Opposition reaction

Shadow Chancellor, Anneliese Dodds, delivered Labour's response to the Chancellor's 'Summer Economic Update' stating that "today should have been the day when Government chose to build a bridge between what has been done and what should be done to get the economy moving again". Dodds argued that fear of coronavirus has crippled the economy and that the Government must get this response right, explaining that their public health response has been too slow, lamenting teething issues with the 'Test and Trace' system.

Labour is calling for the Government to introduce a full 'back to work budget' and abandon 'the one-size fits all' approach by introducing sector specific extensions of both the Job Retention Scheme and Self-Employed Income Support Scheme. The Party also called for specific and clear support measures to be announced for care homes and the NHS for the winter, with predictions of a second spike. Labour's chosen rebuttal line is to describe today's Plan as nothing more than a 'meal deal' and not the Rooseveltian 'New Deal' the Prime Minister had promised.



A look forward to the Autumn Budget

With the easing of lockdown still in its early stages and the full economic reaction yet to be seen, it was perhaps unsurprising that the Chancellor deferred a number of important decisions to later in the year. Indeed, it had been widely reported prior to the statement that the Government was closely watching consumer spending data following the reopening of parts of the economy before deciding which interventions to deploy. However, the scale of the measures deployed shows the concern that the Government holds on the future of the hospitality industry and jobs market more generally.

In his introductory comments, Rishi Sunak explained that the Autumn Budget and Spending Review will set out the third phase of the Government's plan, with a particular focus on investment in public services, support for infrastructure through the publication of the long-awaited National Infrastructure Strategy, and somewhat vague commitments to 'seize global opportunities' and 'to level up opportunity across every region and nation of the UK'.

Furthermore, despite the scale of today's economic interventions, certain under-strain sectors will still be eagerly awaiting signs of more targeted support. Whilst initial reaction focused on sectors which are not able to operate under the current social distancing rules, other sectors which are reopening but not necessarily seeing a return of demand (such as travel) will remain particularly concerned.



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