# State of Play

## Autumn Budget 2026




**28 October 2026**

**Chancellor John Healey used his first Budget to offer what he described as 'breathing space' for households and businesses, while committing the government to fiscal discipline and longer-term investment. The backdrop was challenging. Higher oil and gas prices following conflict in the Middle East have added to inflationary pressures and increased the cost of government borrowing. Against this backdrop, the Budget combined measures aimed at easing immediate pressures on household budgets with longer-term measures intended to support investment and economic growth.**

## A tougher economic backdrop

The UK economy is still expected to grow this year, although the outlook remains subdued.

The OBR now forecasts growth of **1.2% in 2026**, slightly higher than the 1.1% forecast in the spring. However, the outlook for next year has weakened considerably, with growth of just **1.0% expected in 2027**. Growth is then forecast to recover to 1.6% in 2028, 1.8% in 2029 and 1.7% in 2030.

Despite the challenging backdrop, the Chancellor reiterated the government's commitment to its fiscal rules. He said the Budget puts the public finances on course to eliminate the current budget deficit within three years, meaning tax revenues would cover day-to-day government spending. The Chancellor said the Budget keeps the public finances on course to meet the government's fiscal rules, while maintaining a buffer against future uncertainty.

For investors, the balance between supporting the economy today and maintaining confidence in the UK's public finances will remain important, particularly at a time when borrowing costs are elevated.

## Giving households some 'breathing space'

Energy was at the heart of the Budget.

Around **20 million households in council tax bands A to D** will receive a **£100 Household Energy Paymen**t to help with rising bills. The scheme will cost £2.6 billion.

The government is also removing VAT from household electricity bills and plans to scrap standing charges on household gas bills from 2027, or as soon as possible after. Similar reforms are planned for electricity standing charges.

Other measures aimed at easing everyday costs include suspending tariffs on more than 100 supermarket products and extending the existing 5p cut in fuel duty until July.

Meanwhile, the National Living Wage and National Minimum Wage will rise by 3.9%. The Treasury says this will take the National Living Wage to **£13.21 an hour**, with the rate for 18 to 20-year-olds rising to **£11.27 an hour**.

These measures are unlikely to remove the pressure on household budgets entirely, but they underline the central message of the Budget: providing targeted help with some of the immediate costs facing households.

## U-turn for ISA savers

One of the biggest announcements for savers was what **didn't** change.

The government will no longer proceed with its planned reduction in the tax-free cash ISA allowance. Instead, the allowance will remain at **£20,000 a year for people of all ages**.

This is particularly relevant because the Chancellor also confirmed that tax on income from savings and property will rise by two percentage points from April 2027.

For savers, the combination potentially makes the tax protection offered by an ISA more valuable. Money held within an ISA remains sheltered from UK income tax and capital gains tax, subject to the applicable rules and allowances.

The government also intends to work with the investment industry to develop a new **Starter ISA**, designed to encourage more people on ordinary incomes to begin investing.

## More help for first-time buyers

First-time buyers were another focus.

A new **First Time Buyer ISA** will replace the Lifetime ISA (LISA). The Chancellor also addressed one of the criticisms of the current LISA rules. From today, where someone withdraws their savings to buy a home above the qualifying property price limit, the changes are intended to ensure that they get back at least the amount they originally contributed.

From next spring, the government also plans to introduce **Your First Home**, a new equity loan scheme for first-time buyers backed by **£4.7 billion of government lending**.

The details of both the new ISA and **Your First Home** scheme will matter, but together they represent a significant change in the government's approach to helping people build savings and get onto the housing ladder.

## Supporting investment and business

Businesses received a mixture of support and higher taxes.

The threshold for Small Business Rate Relief for businesses in the retail, hospitality and leisure sectors will increase from **£12,000 to £18,000**. The government is also providing £10 million of alcohol duty relief for around 2,000 smaller British brewers and cider makers.

For larger industrial companies facing high energy costs, the new British Industrial Competitiveness Scheme will take **25% off electricity bills for 10,000 firms**.

There was also a significant push towards longer-term investment. An additional **£20.4 billion** will be directed through the National Wealth Fund and British Business Bank, while up to £5 billion of investment and lending over four years will focus on defence, dual-use technology and sovereign capability.

A new Founders' Relief was also announced. It will offer qualifying founders a **10% capital gains tax rate on lifetime gains of up to £10 million**. At the same time, the threshold for Business Asset Disposal Relief will fall from £1 million to £500,000.

Banks, meanwhile, will pay an additional **3% on the Bank Surcharge for 15 months from January,** with the Chancellor linking the temporary increase directly to the support being provided on household energy bills.

## What does the Budget mean for investors?

This was a Budget shaped heavily by events beyond the UK's borders.

Higher energy prices have complicated the outlook for inflation, interest rates and public finances.

There was also a clear attempt to encourage investment. Developing a Starter ISA, introducing Founders' Relief and committing additional capital through the National Wealth Fund and British Business Bank all point towards a desire to increase investment and support longer-term growth.

For investors, the coming months will therefore be about balancing two competing forces: **higher near-term inflation and weaker growth on one side, and greater government support for investment and infrastructure on the other.**

Markets will also be watching closely to see whether the Chancellor can deliver the promised path back towards a balanced current budget while meeting significant spending commitments in areas such as energy, infrastructure and defence.

Asset Management

## The bottom line

The Chancellor presented this as a Budget offering households and businesses some immediate breathing space without abandoning fiscal discipline.

For households, the most visible measures are the £100 energy payment, changes to energy bills, fuel duty support and higher minimum wages. For savers and investors, keeping the £20,000 ISA allowance and introducing new ways to encourage investing are particularly noteworthy. And for businesses, the Budget combines targeted support and public investment with additional tax-raising measures.

The bigger question is whether these measures can provide enough support to the economy while inflation remains elevated and growth expectations are relatively modest. For investors, maintaining a long-term perspective and a well-diversified portfolio remains as important as ever.

Details on the budget have been sourced from Gov.uk, 28 October 2026.

## Learn more!

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