UK Macroeconomic Outlook

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Tomorrow Begins Today

NatWest

NatWest UK forecast summary

	% q/q, non-annualised								% y/y		
	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	2023	2024	2025
GDP	**0.6**	**0.1**	**0.1**	**0.2**	**0.2**	**0.3**	**0.3**	**0.3**	**0.1**	**0.5**	**0.9**
- Household consumption	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.5	0.2	0.9
- Government consumption	0.3	0.4	0.6	0.5	0.5	0.5	0.4	0.4	0.6	2.2	2.0
- Investment (GFCF)	1.4	-0.5	-0.7	-0.4	-0.1	0.2	0.3	0.4	2.2	0.2	-0.5
- Domestic demand	0.2	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.0	0.2	1.1
- Net trade (%pt contrib.)	0.4	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	0.1	0.3	-0.2
Nominal GDP	1.2	0.6	0.6	0.6	0.7	0.7	0.8	0.8	7.3	2.6	2.8
Unemployment rate, %	4.2	4.3	4.4	4.5	4.6	4.8	4.9	5.0	4.0	4.3	4.8
Avg Weekly Earnings (ex-bonus)	5.5	4.9	4.2	4.2	3.7	2.9	2.8	3.0	7.2	4.7	3.1
CPI inflation, % y/y	**3.5**	**2.2**	**2.1**	**2.3**	**2.2**	**2.4**	**2.6**	**2.4**	**7.3**	**2.5**	**2.4**
Core CPI inflation, % y/y	4.6	3.6	3.1	3.1	2.9	2.7	2.4	2.2	6.2	3.6	2.5
RPI inflation, % y/y	4.6	3.1	3.1	3.4	3.3	4.0	4.1	3.8	9.7	3.5	3.8
BoE Bank Rate, %	**5.25**	**5.25**	**5.00**	**4.50**	**4.25**	**4.00**	**4.00**	**4.00**	**5.25**	**4.50**	**4.00**
QE stock, gilts, £bn	732	704	671	662	628	588	550	538	744	662	538
Fiscal balance, % of GDP									-4.3	-3.3	-2.9
Current account, % of GDP									-3.3	-2.7	-2.3

Source: NatWest, ONS, BoE

UK economic outlook – Key views

- **GDP.** The UK growth outlook shows tentative improvement, but trend rates are likely to have fallen vs previous cycles (to ~1% y/y), partly on inputs (lower labour participation), partly on a weaker productivity performance. Following stagnation in 2023 (0.1%) we forecast **GDP growth of 0.5% in 2024 & 0.9% in 2025.**

- **Inflation & monetary policy**. Headline inflation has fallen sharply and Bank of England interest rate cuts are imminent. ECB's June cut was largely expected to lead the BoE (August) and the US Fed (December). UK policymakers require greater assurance on wage inflation & domestically-generated inflation. **Sticky services CPI inflation (5.7% y/y in May) presents a (temporary) obstacle to rate cuts** but we expect the **BoE to deliver 75bp of rate cuts in 2024 (risks of 50bp) with a 'terminal' Bank Rate of ~4.0% in mid-2025.** Nominal rates of 3-4% would be a reasonable 'neutral' range expectation.
- **Wage inflation.** Wage pressures remain elevated and further moderation will be required to allow interest rate cuts: we forecast ***private sector regular pay*** **growth to ease to 5.2% in Q2 2024, 4.5% in Q4 2024 & 3.0% in Q4 2025.** Falling headline inflation will be a key factor in lowering nominal wage growth. Wage survey data show gradual moderation while evidence builds of a more limited ability to pass on price increases (PMI surveys, PPI data).

- **Fiscal policy**. **Highly expansionary fiscal policy is being reined-in (gradually) which will facilitate rate cuts.** Pre-election fiscal loosening (~1% of GDP in 2024-25 FY) will soon give way to a multi-year consolidation. Existing projections show a 2:1 ratio of *lower spending:higher taxes,* which may not survive the coming election. Still, the Truss fiscal 'experiment' is likely to ensure greater caution by policymakers and shore-up the authority of independent institutions.

- **Housing market.** Macroeconomic and financial fundamentals appear to be consistent with **weak house price growth**, and even modest price falls (1-2%), over the next 6-12 months – slow growth, rising unemployment, higher debt-servicing costs, lower borrowing multiples.

Policy tectonic plate #1: Ultra-accommodative fiscal withdrawal

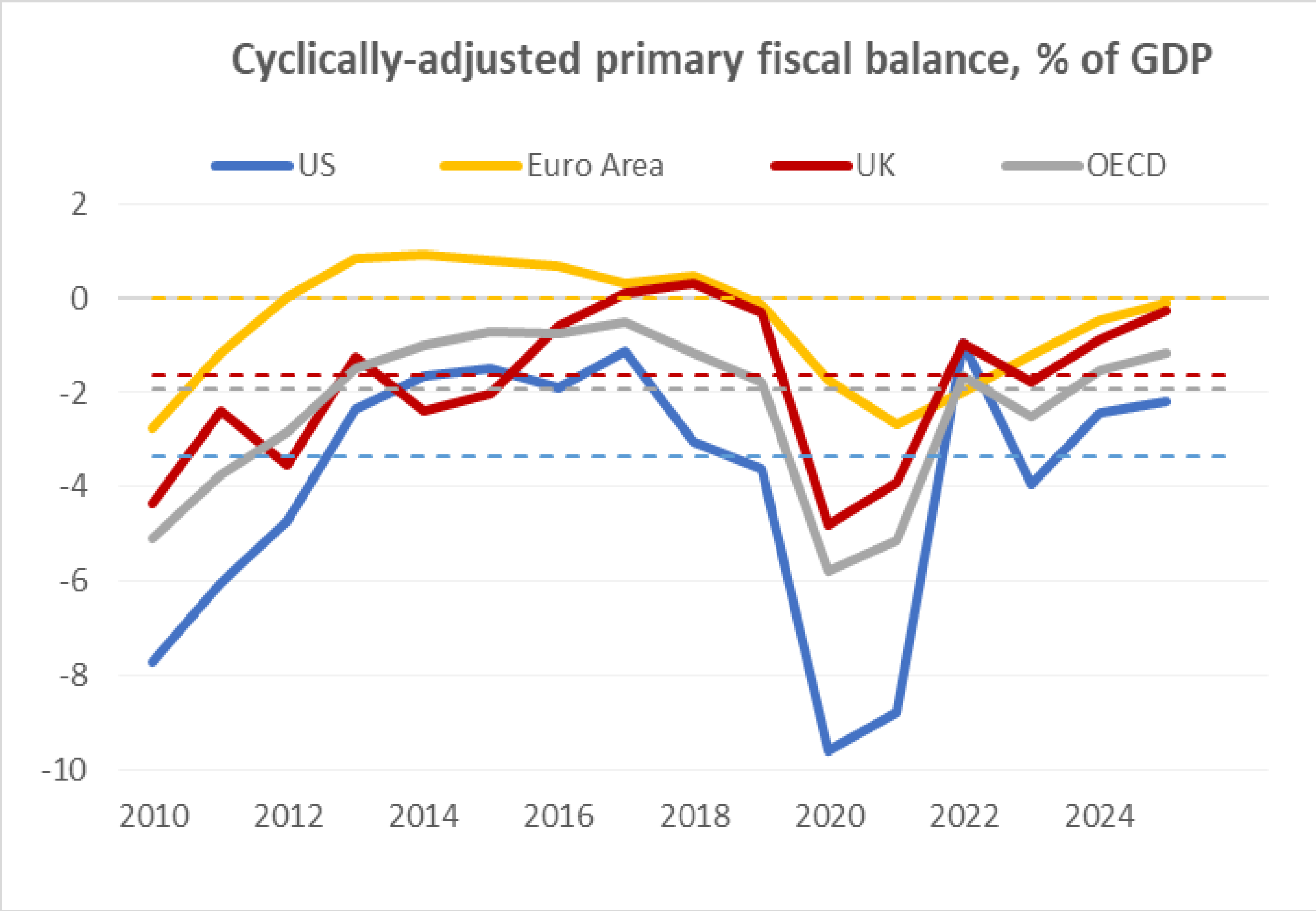
The C19 pandemic saw almost unprecedented increases in government budget deficits.

These **ultra-accommodative fiscal polices are being withdrawn – gradually**. This will remove what has been an important prop for demand in recent years both directly (e.g. higher government spending) and indirectly (financial transfers & subsidies).

NB, the *cyclical-adjusted primary balance* is the best gauge of the extent to which fiscal policies are boosting economic activity, by removing the effects of the *economic cycle* and stripping out *debt interest payments.*

+ve balances = restrictive fiscal policy

-ve balances = stimulative fiscal policy



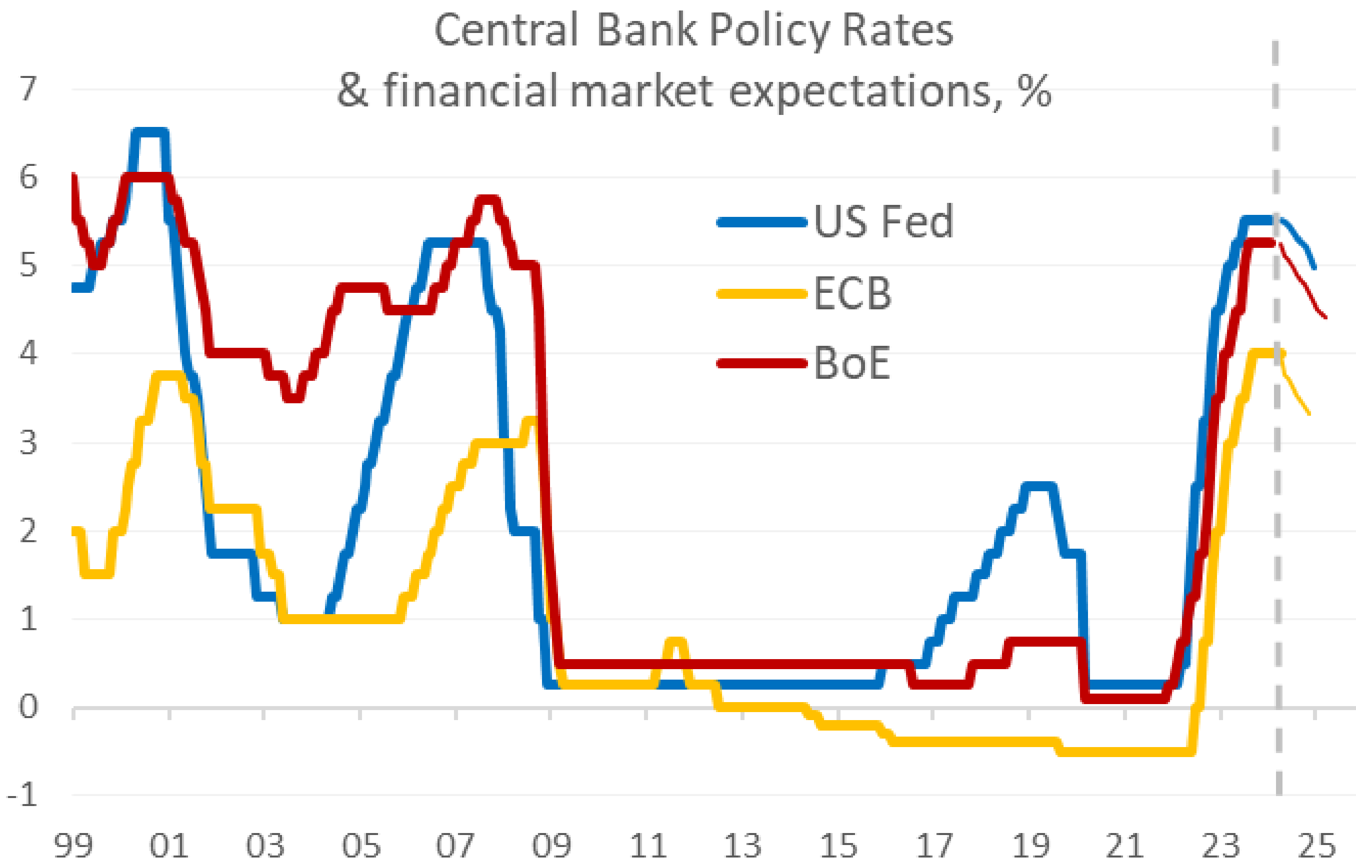
Source: OECD, NatWest

Policy tectonic plate #2: Lower inflation to allow rate cuts

Although markets have scaled-back rate cut pricing in 2024, driven primarily by US data and central bank policy guidance, rates are likely to fall by >100bp in the major economies (to varying degrees) over the next year or two.

BoE: At the beginning of this year, markets priced ~160bp of BoE Bank Rate cuts during 2024. That has been scaled-back to ~30bp in late May.

NatWest forecasts ~75bp of BoE Bank Rate cuts in 2024 (to 4½%), beginning in August, with Bank Rate reaching 4% by mid-2025.



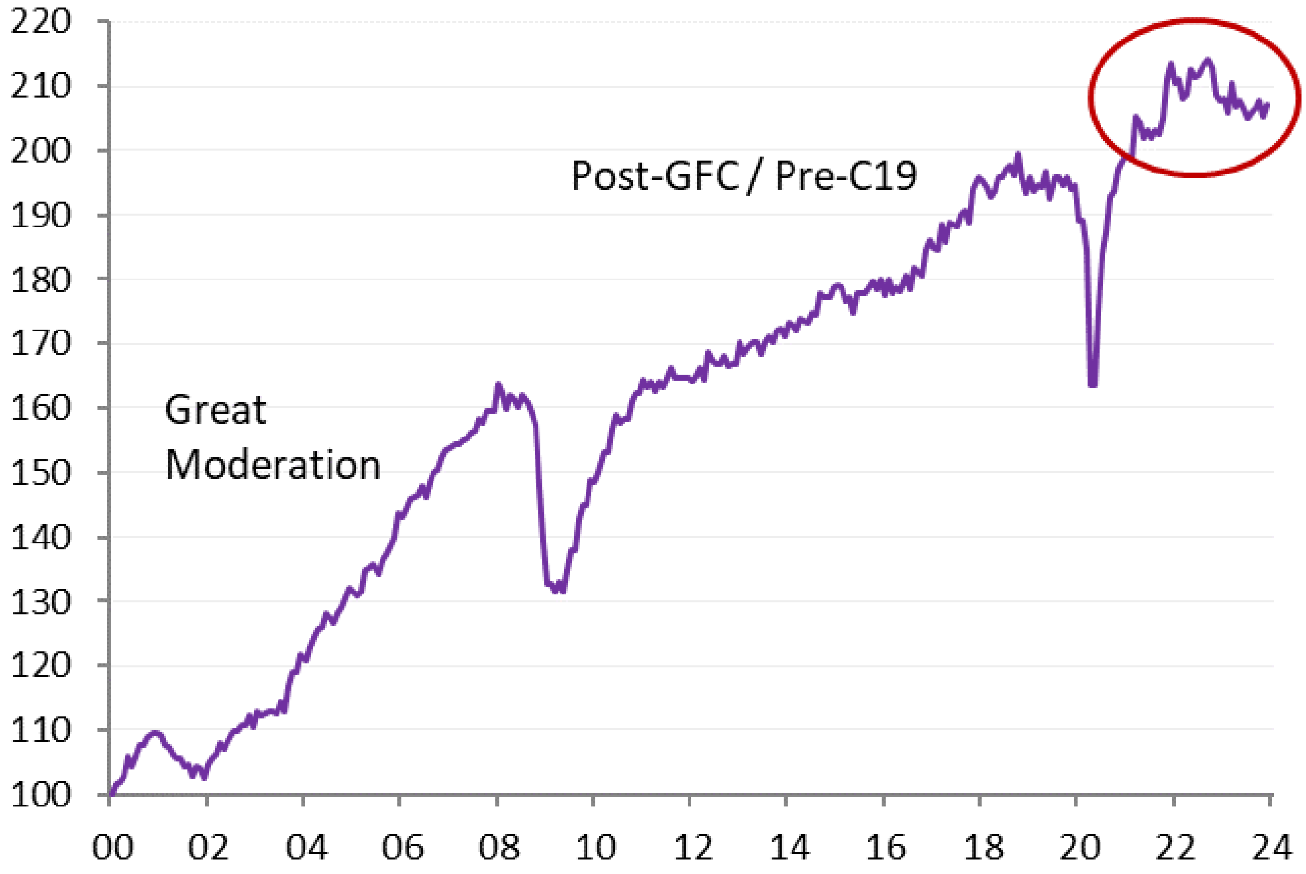
Source: OECD, Bloomberg, NatWest

Policy tectonic plate #3: The return of protectionism

Global trade (volumes) growth averaged 5.9% y/y during the 'Great Moderation' golden era (1998-2007), slowing to 3.6% y/y in the decade between the Global Financial Crisis and the C19 pandemic.

In the period since 2023 (i.e., after the more egregious post-lockdown distortions have washed out of the data), growth has been negative, averaging -1.9%.

Rising protectionist pressures (2024 US Presidential election risks) and geopolitical tensions (a 'new cold war') do not make for a particularly auspicious outlook. Still, free trade is a zero-sum game and, ultimately, it is in everyone's interests not to push protectionism too far.

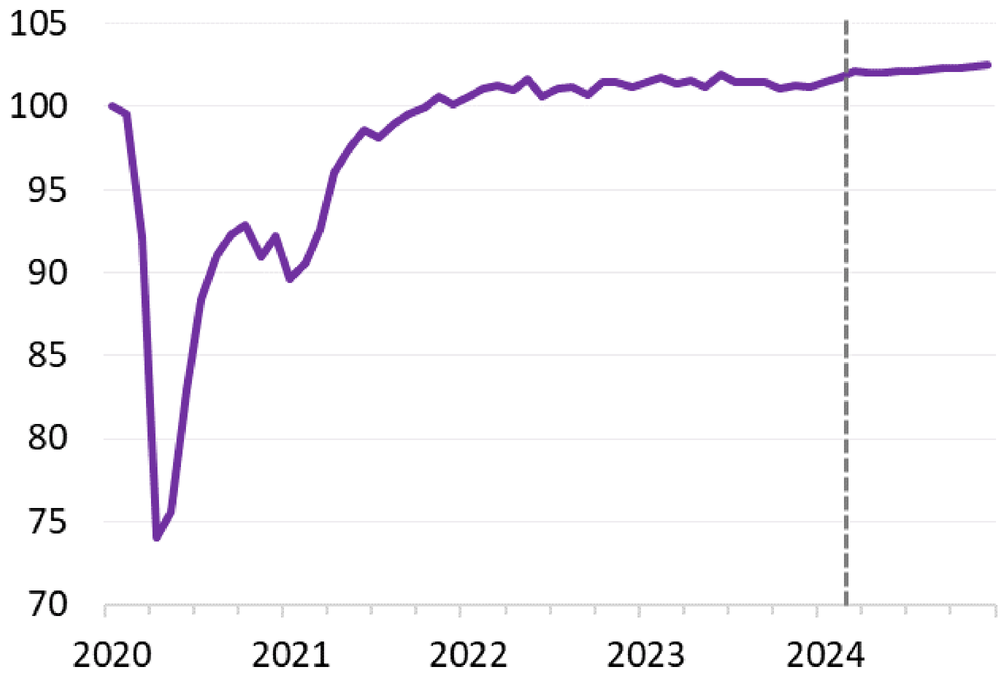


Source: CPB Netherlands, NatWest

UK GDP – Growing pains

UK GDP level, outturn & NatWest forecast (Q1 2020 = 100)

Source: ONS, NatWest

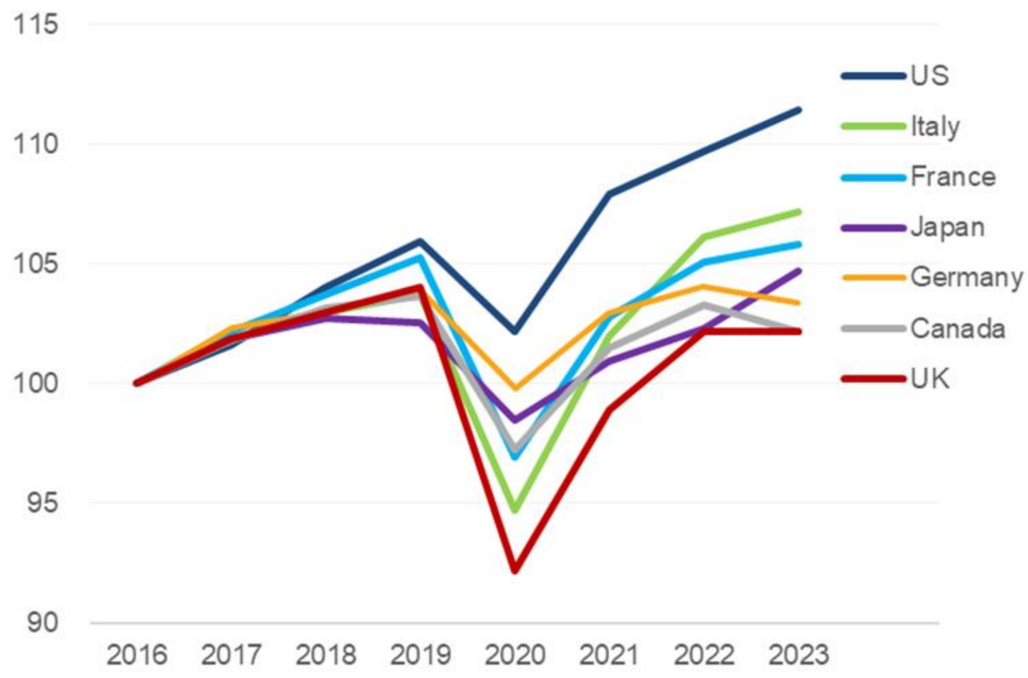


NatWest forecasts flatlining GDP for much of 2024 before a modest recovery in 2025: 2023 0.1%, 2024 0.5%, 2025 0.9%

Consumer demand constrained by rising debt-servicing costs and rising unemployment, capex remains hesitant, fiscal stimulus to be reined-in from 2025 and likelihood of a (modest) drag from net trade.

G7 GDP per capita (2016 = 100)

Source: IMF, NatWest



On a ***GDP per capita*** basis, UK performance has been at the bottom-end of the G7 since the 2016 Brexit referendum (middle of the pack since 2010).

UK inflation: Returning to target . . . in 2026

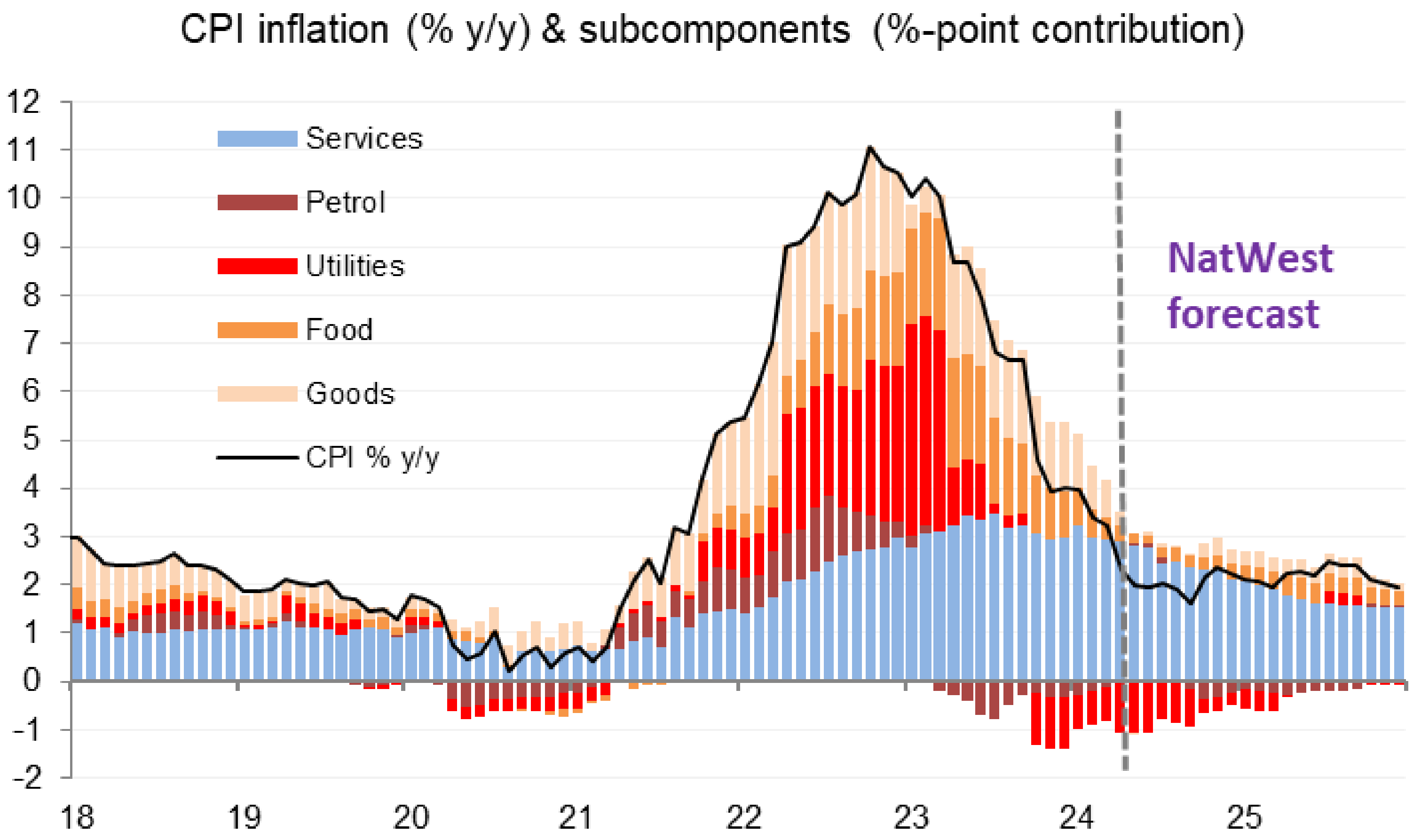
Just as much of the overshoot in inflation during 2022 stemmed from largely external sources (**energy, food & consumer goods**), virtually all of the fall in inflation in 2023 can be traced to these same components.

Services inflation, which has tended to lag energy & goods inflation, remains elevated at 5.7% y/y in May 2024 (BoE Staff forecast: 5.5%) but is set to decline to CPI target-consistent levels in H2 2025.

Clearer evidence is beginning to emerge that **monetary policy tightening (since December 2021) is restraining domestic demand** (e.g. retail sales, payment arrears).

NatWest CPI inflation forecasts:

2023	**7.3%**
2024	**2.5%**
2025	**2.4%**
2026	**2.0%**

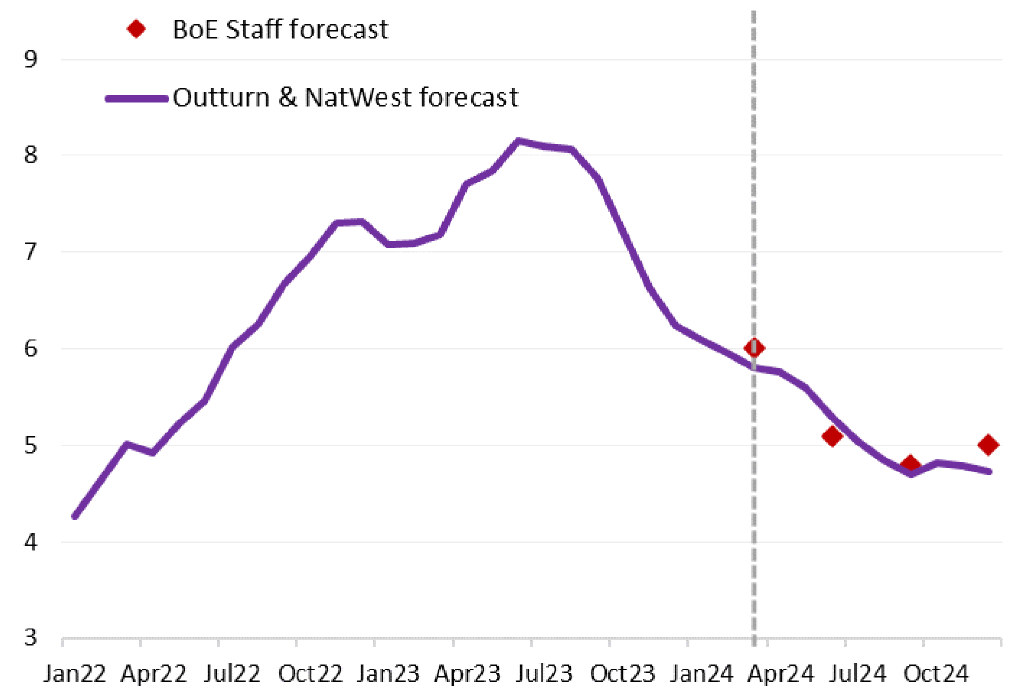


Source: Office for National Statistics, NatWest

UK wage inflation – borderline for Bank rate cuts

UK private sector regular pay (PSRP), % 3m y/y

Source: ONS, BoE, NatWest

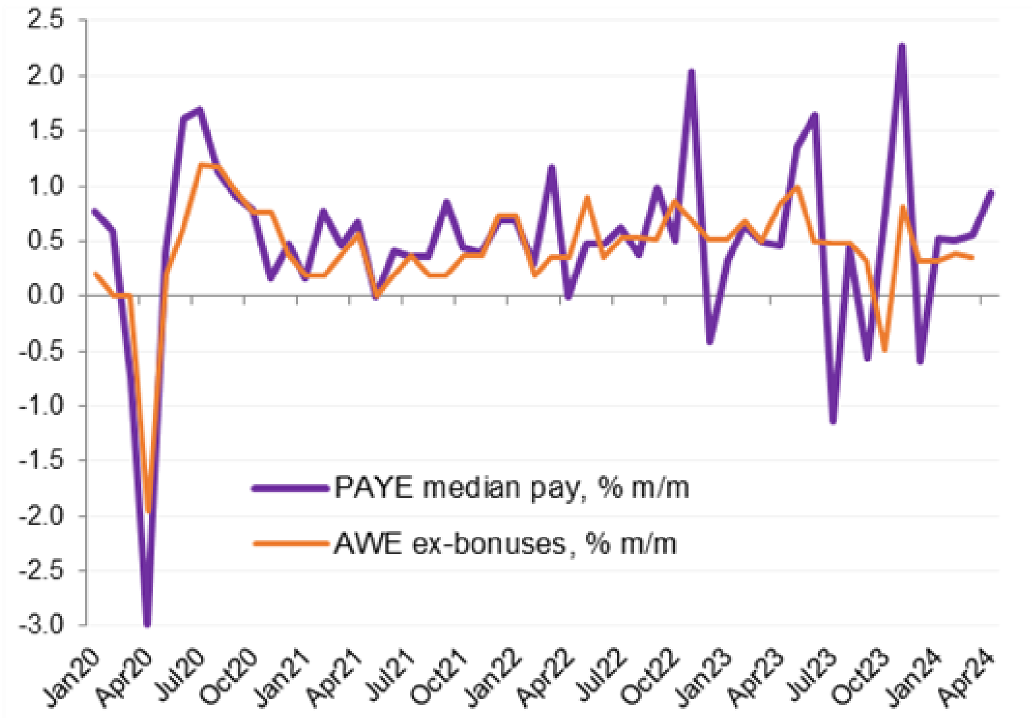


We expect *private sector regular pay (PSRP)* growth to undershoot BoE Staff forecasts in 2024. NatWest forecasts:

2023	**7.3%**
2024	**5.1%**
2025	**3.0%**

UK wage growth: AWE vs PAYE

Source: ONS, NatWest

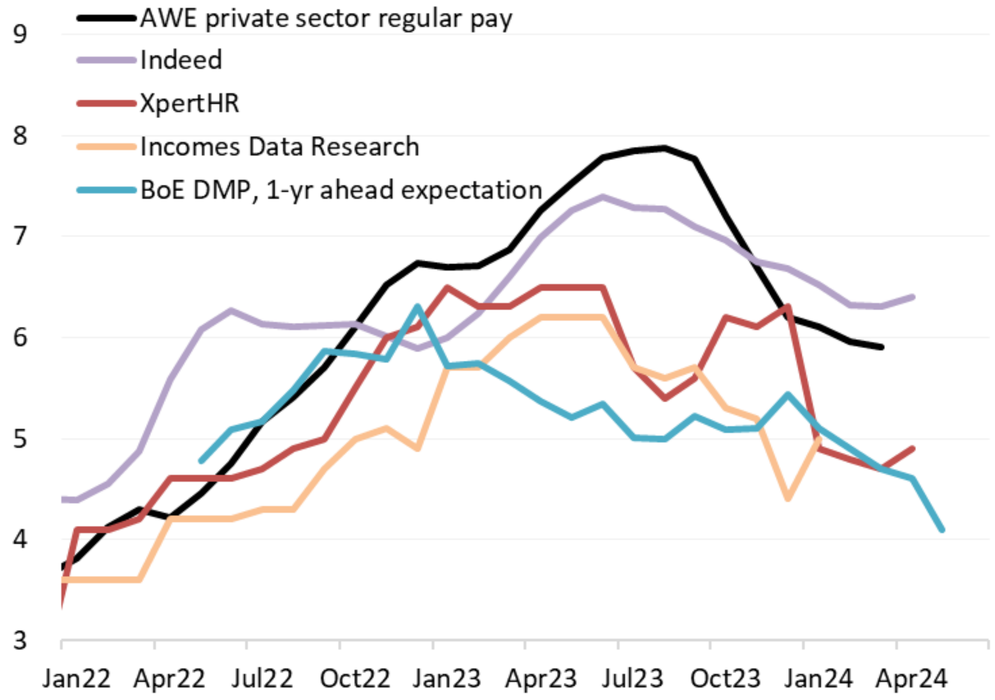


The **PAYE (tax system) earnings data**, some of which already cover April, show a fairly sharp rise in median employee earnings: +0.93% m/m in April (Chart 2). This raised the 3m y/y rate to 6.5% in April from 6.4%. For illustrative purposes, a 0.9% m/m rise in PSRP in April would leave this targeted wage measure on course to *over*shoot BoE Staff projections (albeit only modestly).

UK wage surveys – moderating, moderately

UK private sector regular pay, % 3m y/y

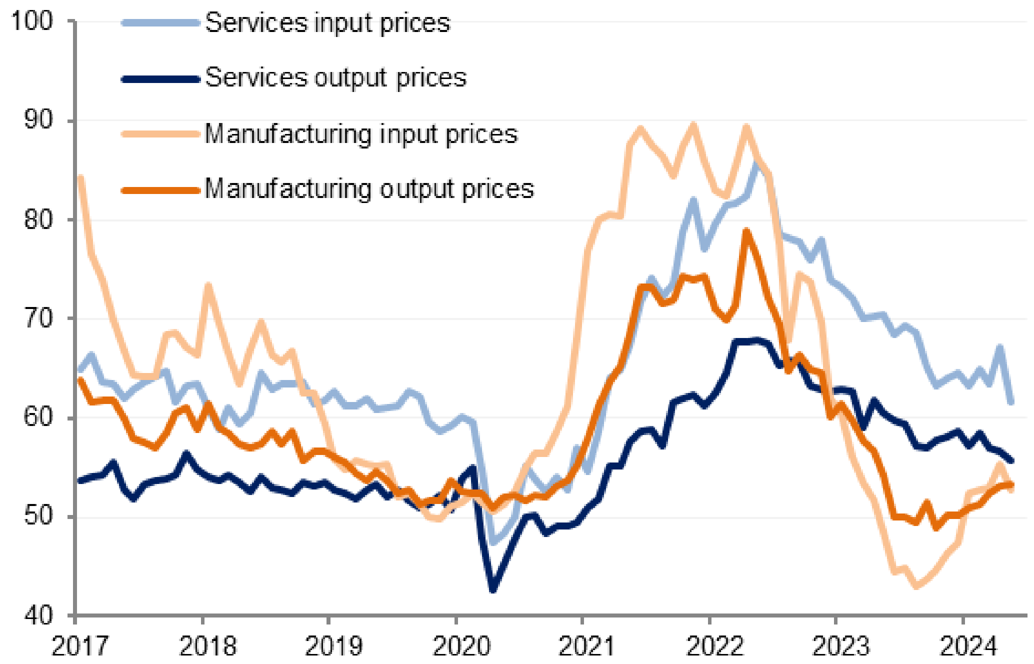
Source: ONS, BoE, NatWest



In general, **survey data on wage inflation** continue to show a clear and consistent moderation, though pay growth is hardly nose-diving. The surveys do not always provide particularly accurate point-estimates for PSRP growth (standard errors are typically quite high: 1-1½% points on % 3m y/y growth rates) but they do capture the broader direction of travel.

Business-to-business price pressures are moderating

Source: Markit, NatWest

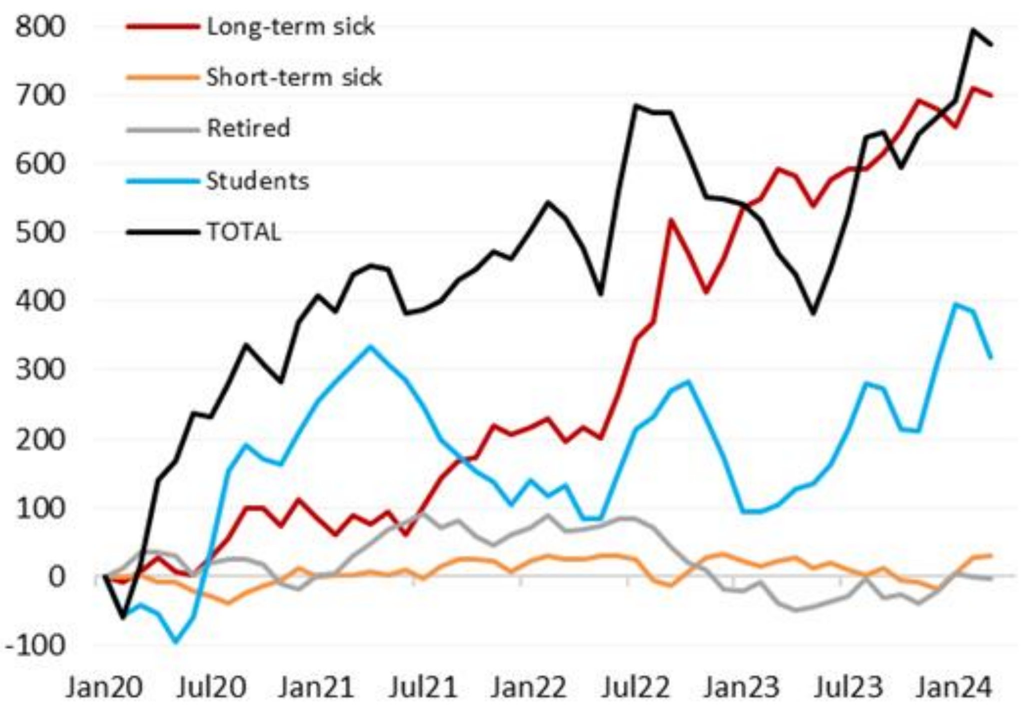


PMI price indices (essentially business-to-business pricing) show an ongoing moderation in services price inflation – though index levels remain above those prevailing pre-pandemic. Manufacturing price indices have rebounded in 2024 but remain at fairly benign levels, consistent with the soft CPI consumer goods inflation trends.

Labour *supply* (impaired) & *demand* (cooling)

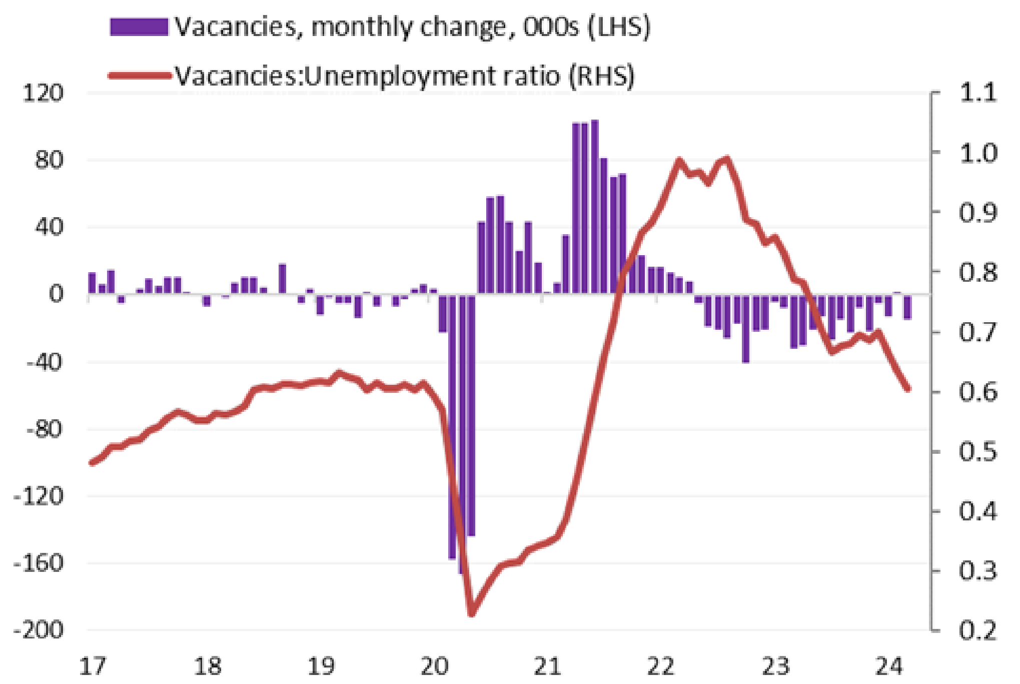
Supply: Inactivity, cumulative change since January 2020

Source: ONS, NatWest



Demand: Job vacancies decline

Source: ONS, NatWest



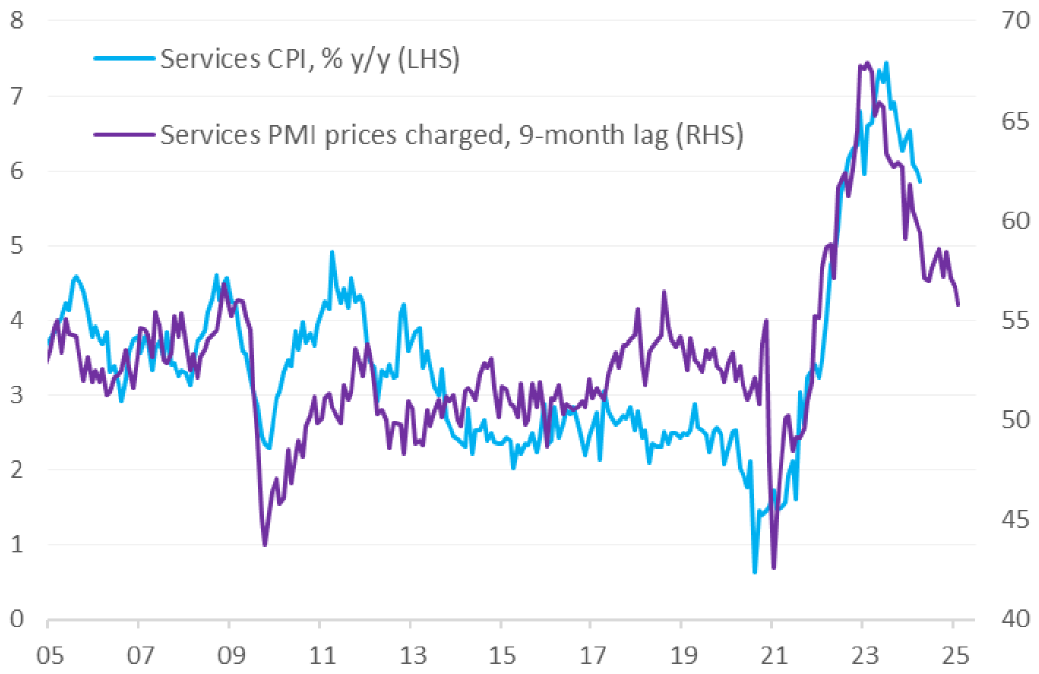
Labour supply remains restricted with the trends in inactivity still unfavourable despite a marginal improvement in participation in the March data. Inactivity has risen by 302k over the past year to 9.38 million people, driven primarily by a surge in the number of people classified as long-term sick. Inactivity rates have surged since the pandemic, from 20.5% immediately before the pandemic to 22.1% on the latest data (for the 16-64 year old age cohort). Against this, the ONS has revised up its working age population estimates.

Labour demand continues to moderate. Job vacancies declined by 26k in the latest quarter (-2.8%), down -188k (-17.3%) over the past year. The vacancies-to-unemployment ratio – a key gauge of labour demand oft-cited by MPC policymakers – is now at its lowest level since mid-2021.

UK inflation surveys – *evidence of moderation*

Services CPI inflation & Services PMI prices charged

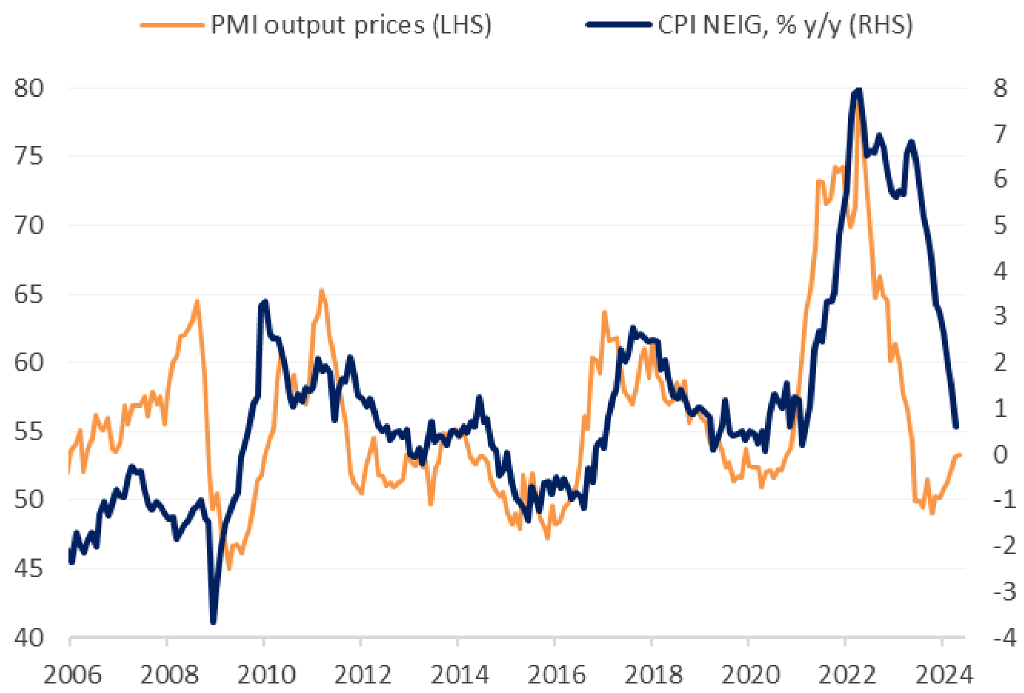
Source: ONS, Markit, NatWest



The **services PMI survey is consistent with CPI services inflation falling from current levels of 5.9% y/y in April to ~4% y/y in Q1 2025**. NB, structurally, the Services PMI is more a measures of business-to-business pricing than pricing to consumers, but the former is a reasonable leading indicator for the latter.

CPI consumer goods (NEIG) inflation & Manufacturing PMI

Source: ONS, Markit, NatWest

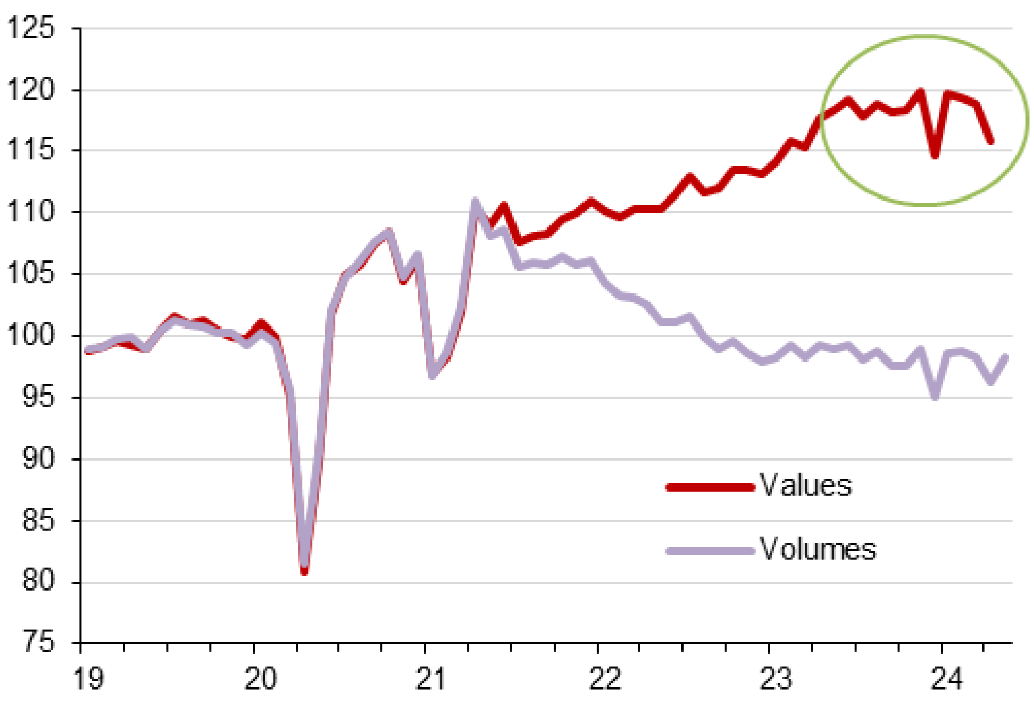


The **manufacturing PMI survey is consistent with broadly stagnant CPI consumer goods (Non-Energy Industrial Goods) inflation –** though survey data on industrial output prices has begun to edge up. Lags are somewhat variable between the PMI & CPI NEIG.

UK consumer demand appears to be moderating

UK retail sales, values vs volumes (Index, 2019=100)

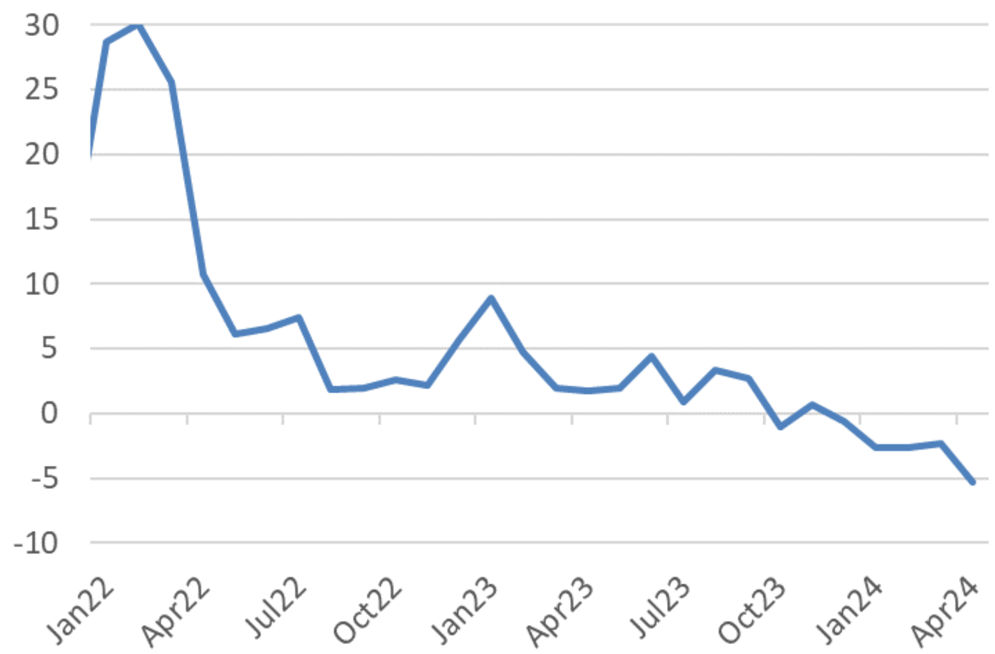
Source: ONS, NatWest



Having trended higher for most of the post-pandemic period, **retail sales values** (i.e., the amount of money being spent) stalled in Q3 2023 and has since levelled-out. Although the month-to-month data are volatile, recent outturns reinforce our view that consumer demand is facing stronger headwinds.

CHAPS credit & debit card spending, % y/y

Source: CHAPS, NatWest



CHAPS credit & debit card spending data (capturing a wider range of consumer expenditure than retail sales) have also shown an ongoing moderation, with y/y growth falling to -5.3% in April from a broadly flat outturn in Q4 2023. Part of this reflects lower consumer price inflation, but we would still expect nominal spending to be growing closer to prevailing wage inflation of 4-5% y/y.

Slower – but still powerful – pass-through from policy rates

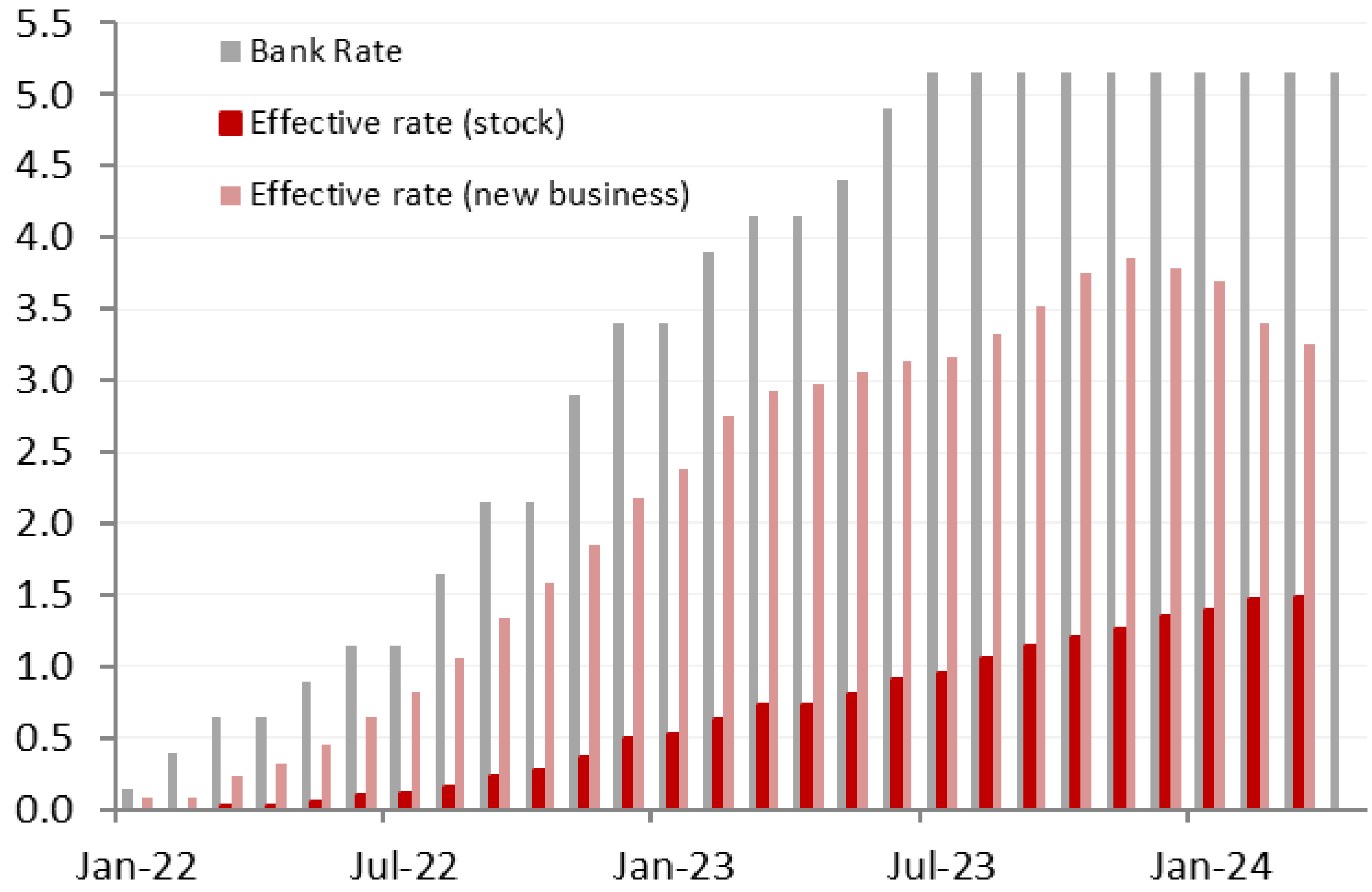
BoE 'effective rate' estimates show only a partial pass-through of Bank Rate rises since December 2021: ~30% in terms of households' mortgage debt-servicing costs by March 2024.

This slow pass-through reflects the large proportion of the mortgage stock tied to fixed rate products (~85%, with roughly half of this share on 5-year fixed rates).

Still, the pass-through is occurring and can be seen in the latest mortgage rate deals and in the 'effective rate' on new mortgages (pass-through is closer to 65%).

BoE Bank Rate & UK mortgage rates, *cumulative change* % points

Source: BoE, NatWest



BoE Bank Rate: ~75bp of cuts in 2024. More in 2025

NatWest forecasts ~75bp of Bank rate cuts in 2024, beginning in August (-25bp).

With BoE policymakers waiting for more 'evidence' that wage and services inflation has moderated sufficiently, BoE is likely to be 'behind the curve' – hence, some 'front-loading' once cuts begin. . .

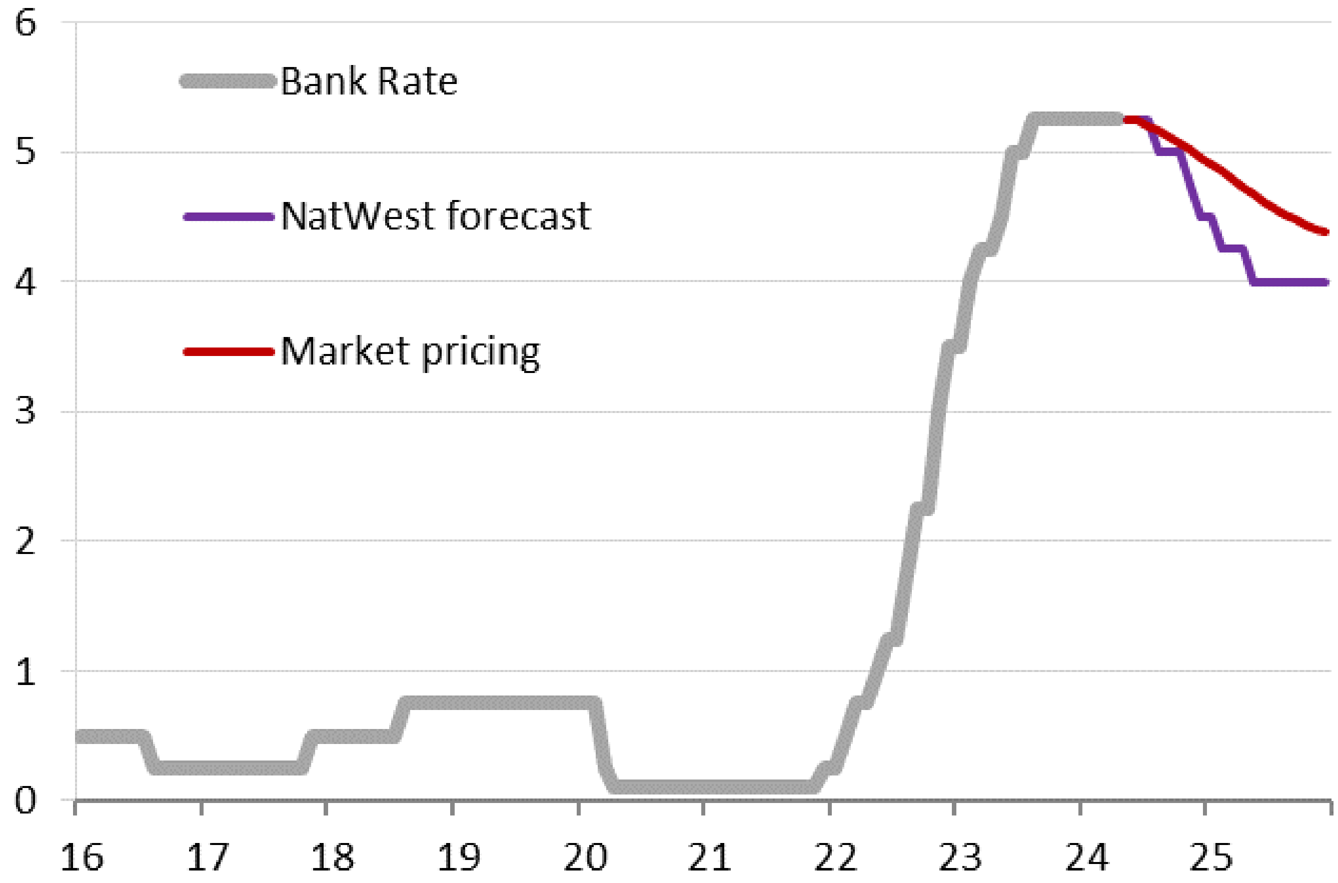
. . . though the more cautious tone from BoE policymakers in recent months, as services inflation has remained sticky, suggests quarter-point cuts.

We forecast ~50bp of Bank rate cuts in 2025 to a 'terminal' rate of ~4% – policy easing in 2025 will require clearer evidence that wage inflation is moderating to 3-3½% y/y rates.

~4% nominal rates = ~2% real rates, which would be the highest since pre-Global Financial Crisis era.

BoE Bank Rate, outturn & expectations, %

Source: BoE, NatWest, Bloomberg



UK debt-servicing costs & financial stress rise

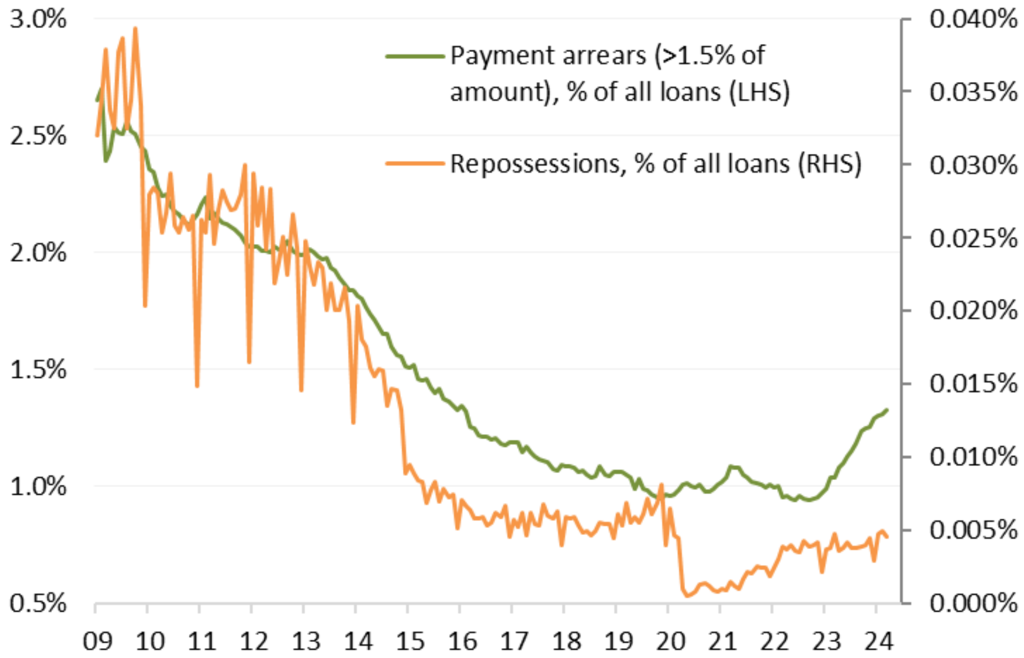
UK mortgage capital & interest payments, % of pre-tax income

Source: UK Finance, NatWest

UK households' debt-servicing burden has risen sharply, to the highest levels since the Global Financial Crisis – even with only a partial (~30%) pass-through from Bank Rate to actual debt servicing and repayment costs.

Mortgage payment arrears & housing repossessions

Source: UK Finance, NatWest

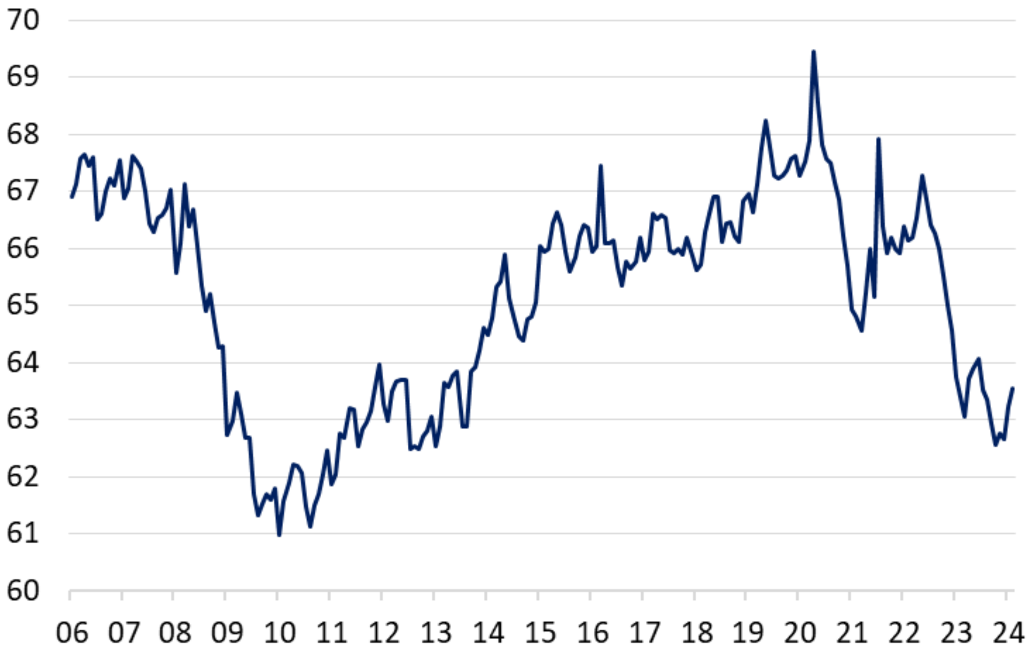


Mortgage payment arrears have also begun to rise. Whilst they remain low by any historic benchmark, they are a lagging indicator. We expect this to weigh on consumer demand rather than de-rail it.

Rising interest rates dampen demand for mortgage borrowing

Mortgage Loan-to-Value ratio

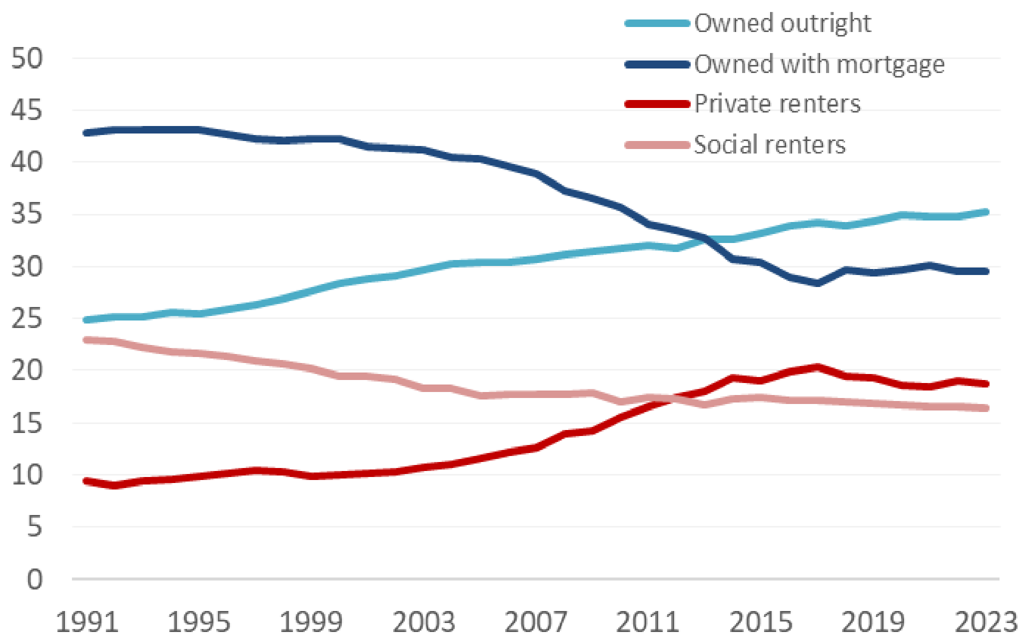
Source: UK Finance, NatWest



LTVs (mean mortgage advance to mean property value) peaked ahead of the pandemic and have fallen to decade ‘lows’ and a little below lang-run averages. With positive house price growth outstripping mortgage lending growth, households have more equity, leaving the housing market less vulnerable to a more expensive or restrictive credit.

UK housing by tenure, % share of total

Source: ONS, English Housing Survey, NatWest

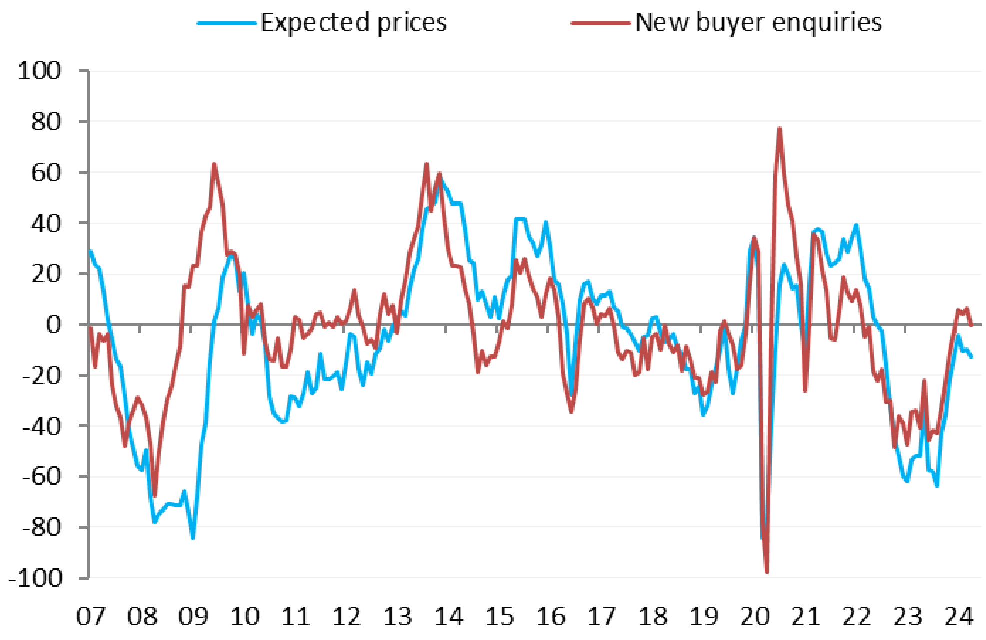


Although *outright ownership* exceeds *ownership with a mortgage*, the proportion of *owners with a mortgage & private renters* has remained fairly stable ~50% share – ie, the housing market remains the principal means of transmitting monetary policy.

House prices – modest further slippage in 2024?

UK house prices, % m/m

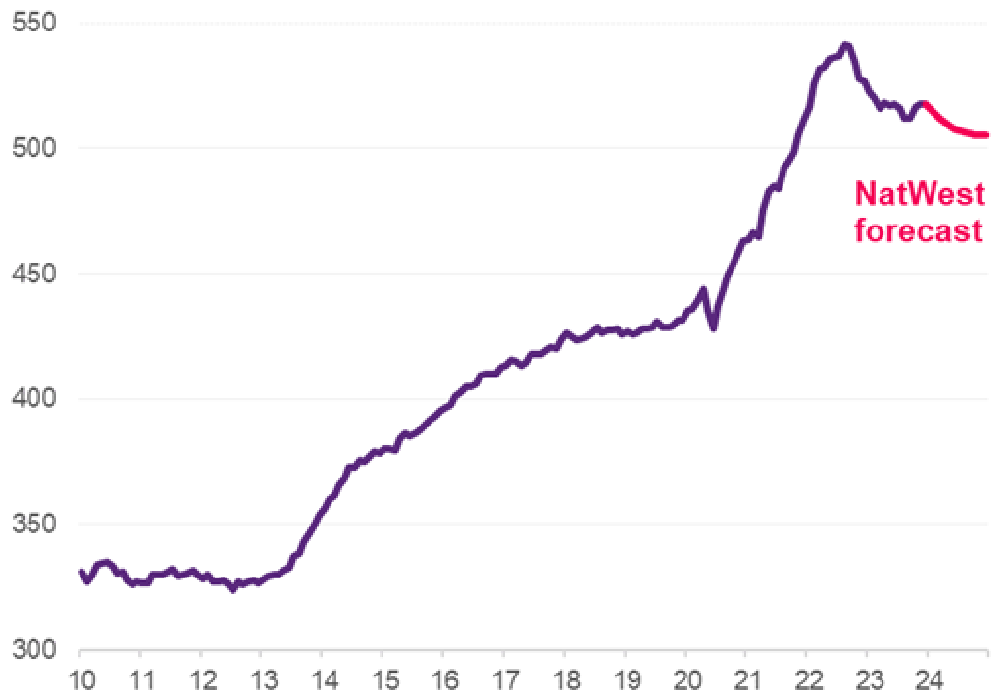
Source: UK Finance, NatWest



House prices rebounded in H2 2023 but it remains to be seen how durable this trend is. Falling market interest rates (premised on expected BoE rate cuts) have provided some support though household debt-servicing costs will continue to rise in 2024. Much will hinge on employment trends. RICS survey data are consistent with modest price falls and broadly flat activity.

NatWest UK house price forecast (level, Nationwide index)

Source: NatWest, Nationwide

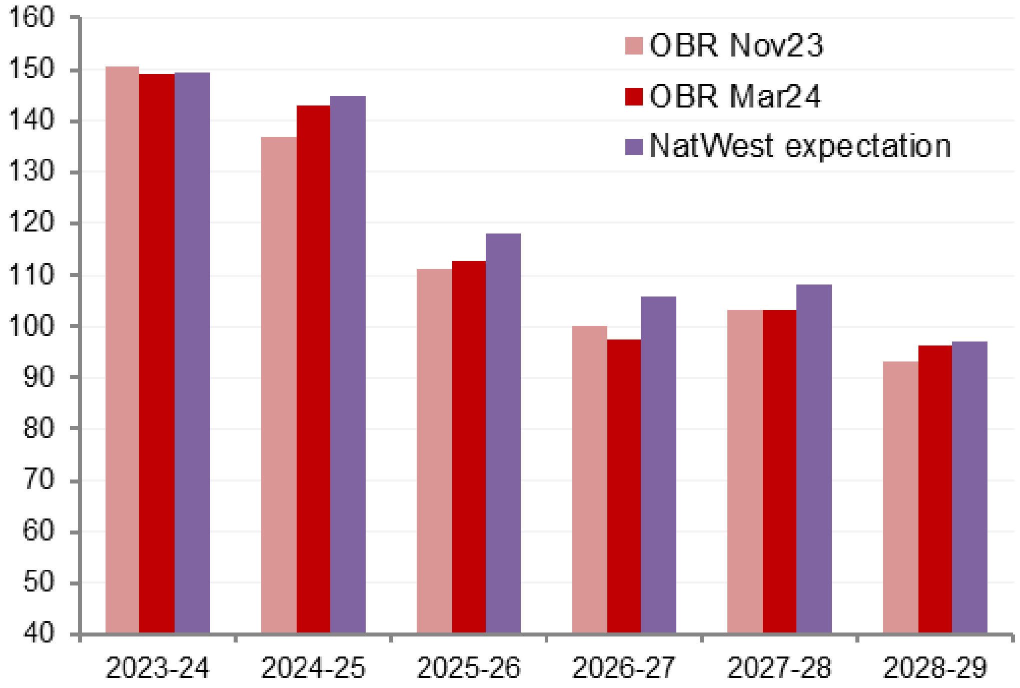


House prices (Nationwide data) have fallen by 3.8% from their August 2022 peak. We forecast a further modest decline, ~1¼%, in 2024. This would be a mild downward price adjustment by historical standards and leave the HP-to-earnings ratio only a little below its long-run (upward) trend-line.

UK fiscal policy: High levels of borrowing & taxation

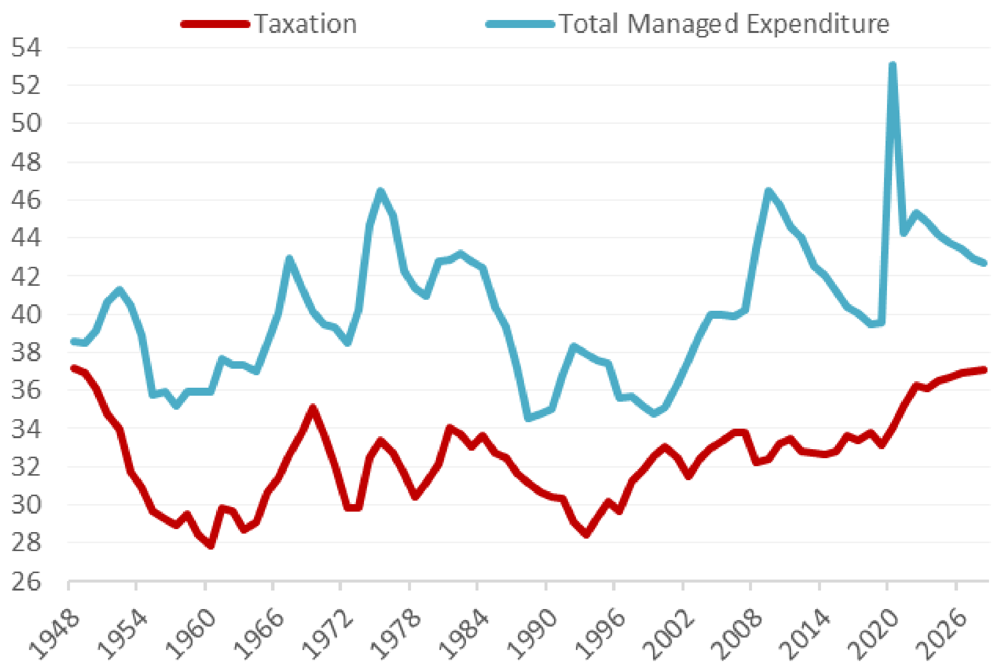
Central Government Net Cash Requirement, £bn

Source: ONS, OBR, NatWest



UK public spending & taxation, % of GDP

Source: ONS, OBR, NatWest



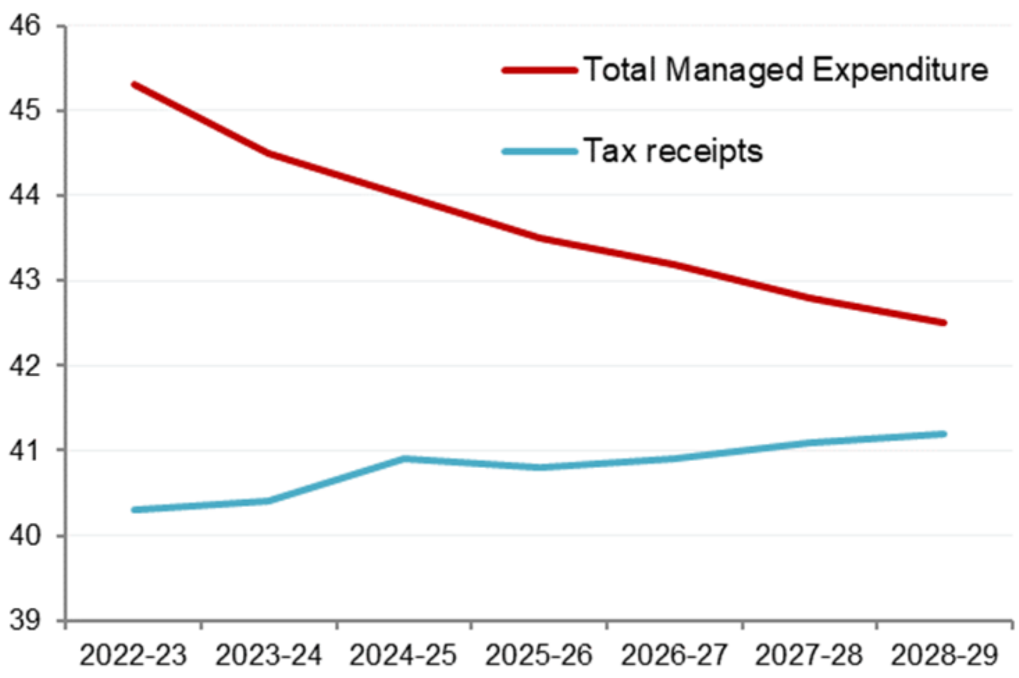
The outlook is for **substantial and sustained public sector borrowing** . . . which will tend to keep some upward pressure on longer-dated interest rates (and some 'crowding out' risks for the private sector).

The **UK tax burden is at its highest levels since the aftermath of World War 2**, with public expenditure currently close to 45% of GDP. Underlying demographic pressures but also a 'ratcheting up' in the size of the State.

UK fiscal expansion to give way to multi-year consolidation

UK PSNB-ex: Total, structural & cyclical, % of GDP

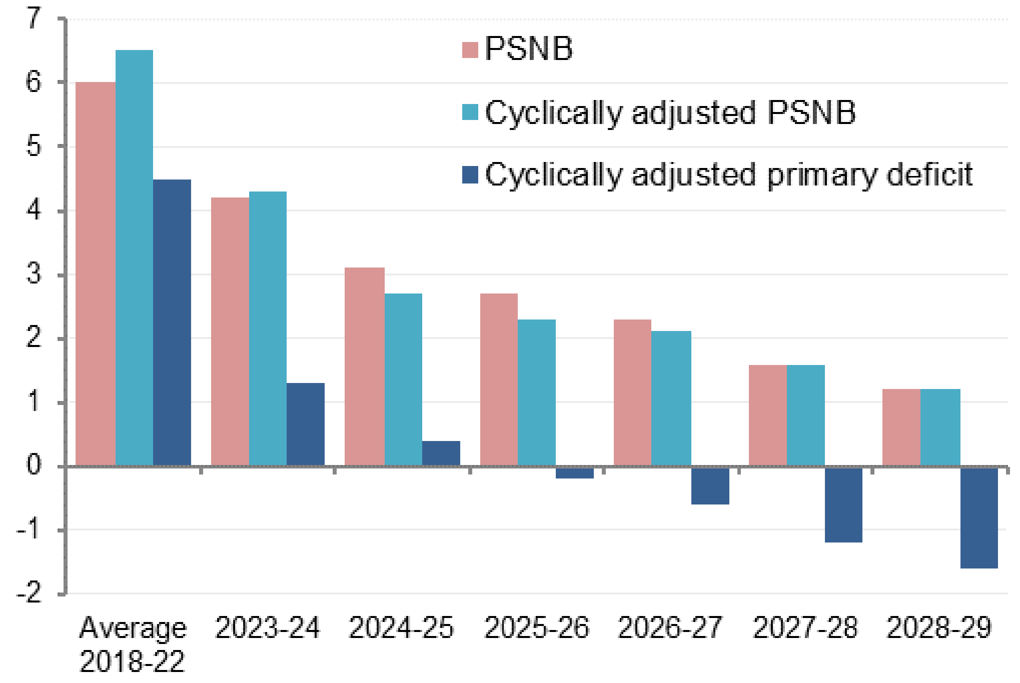
Source: ONS, OBR, NatWest



- Meeting the UK government's main fiscal rule will require **public spending to fall by 2% of GDP by the end of the decade . . . and/or tax rises**. This degree of fiscal consolidation is not unprecedented but will be difficult, politically, to deliver. Risks of further tax rises / shift in the balance between tax rises and spending cuts.

Budgets to move from deficit to surplus (% of GDP)

Source: ONS, OBR, NatWest



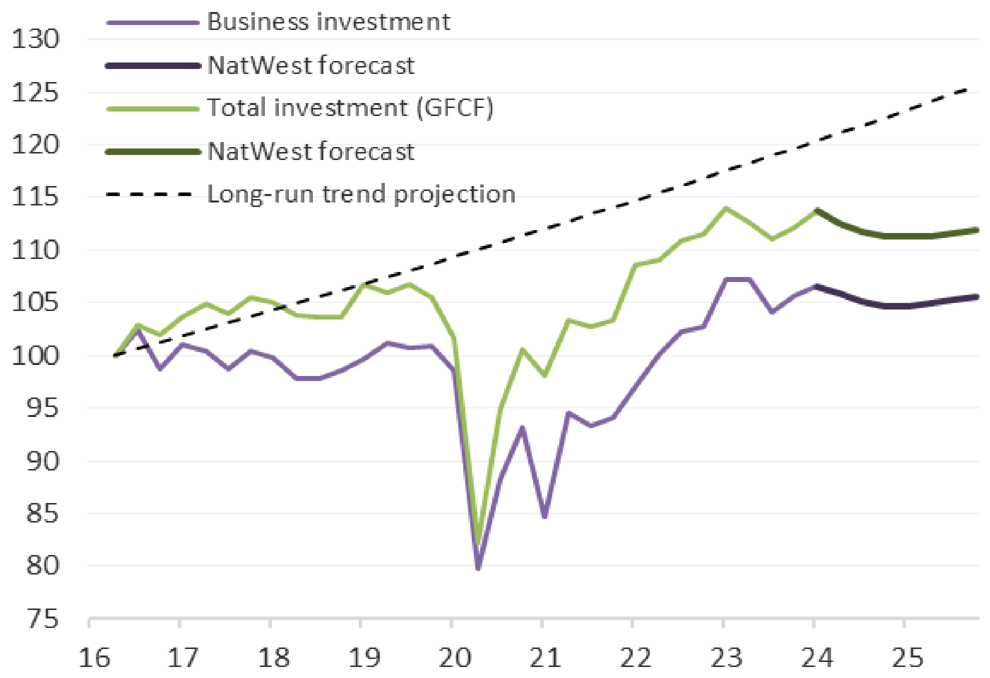
- **The cyclically-adjusted primary balance ('structural' deficit minus interest payments)** is required to shift from a large average annual deficit of 4.5% of GDP during the previous 5 years to ever larger surpluses of ~1½% of GDP by the end of the decade.

The UK's post-Brexit Achilles' Heel: Business investment

Investment spending, level, real-terms

Rebased to Q2 2016 = 100 (**EU Referendum June 2016*)

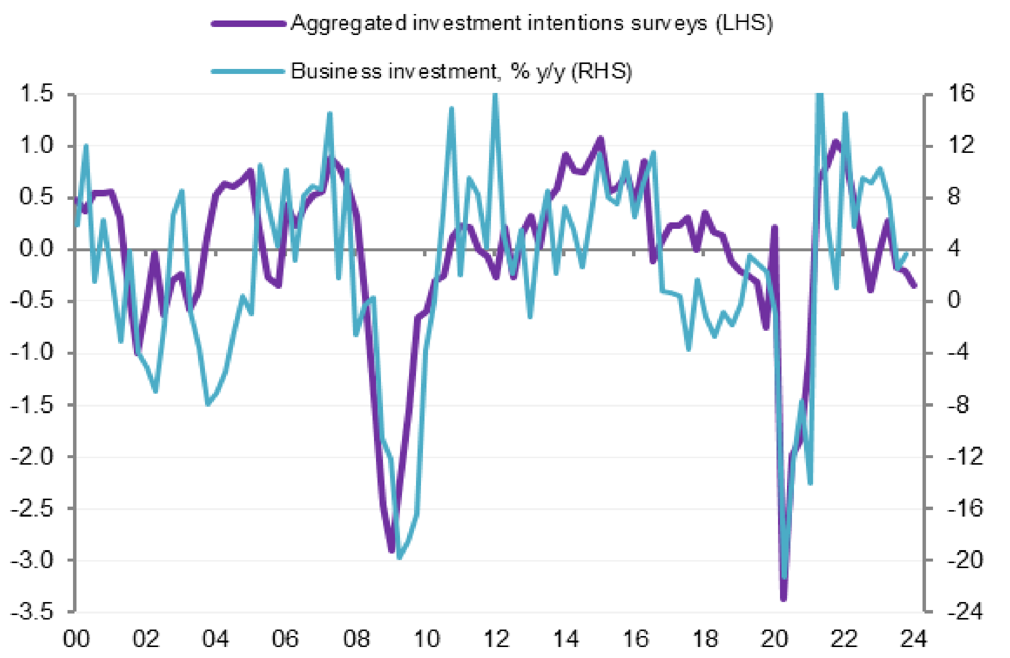
Source: ONS, NatWest



Business investment & investment intentions surveys

Surveys: BCC, BoE Agents, CBI, standard deviations from mean.

Source: ONS, NatWest



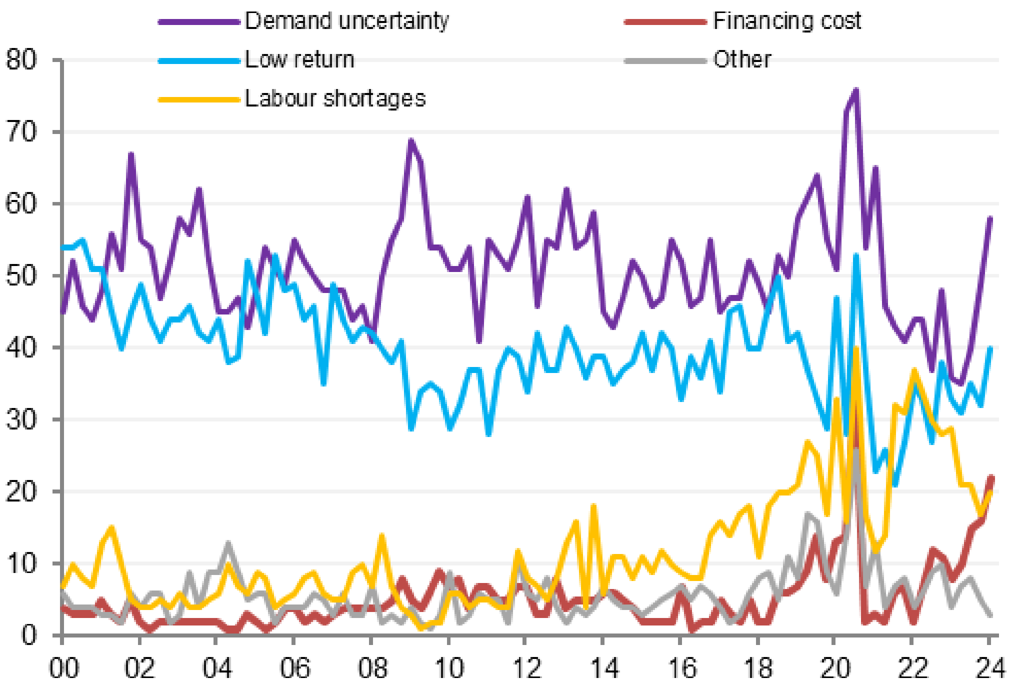
Business investment spending has been particularly weak since the 2016 EU Referendum. Total investment (Gross Fixed Capital Formation) includes government investment spending and housing construction.

Investment intentions survey data remains hesitant, consistent with a further fall in capex in 2024. NatWest forecast: -0.5% in 2024 & -0.4% in 2025. Higher financing costs, sluggish growth outlook, some front-loading of capex in 2023 to take advantage of more generous tax allowances.

Barriers to business investment

CBI survey: Factors holding back investment, % balances

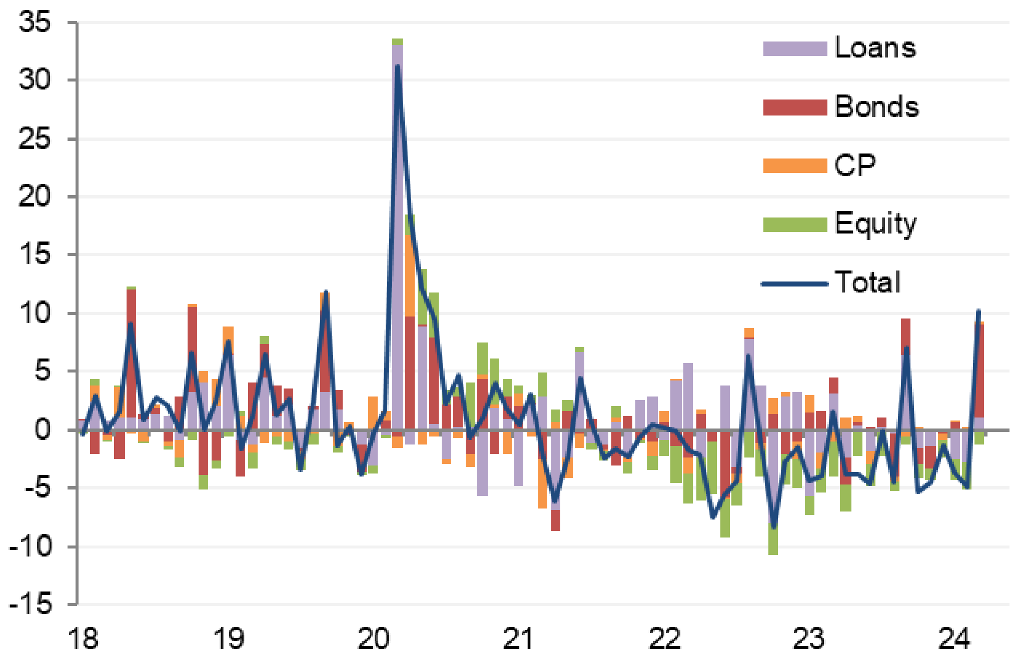
Source: CBI, NatWest



Uncertainty over demand remains the principal barrier to investment on the CBI survey, though more fundamental concerns about low returns remain elevated. The proportion of firms citing higher financing costs has risen to 22% in Q1 2024, a doubling in just over a year (albeit from a low base).

Corporate net financing, £bn pcm *(-ve = debt repayment)*

Source: BoE, NatWest

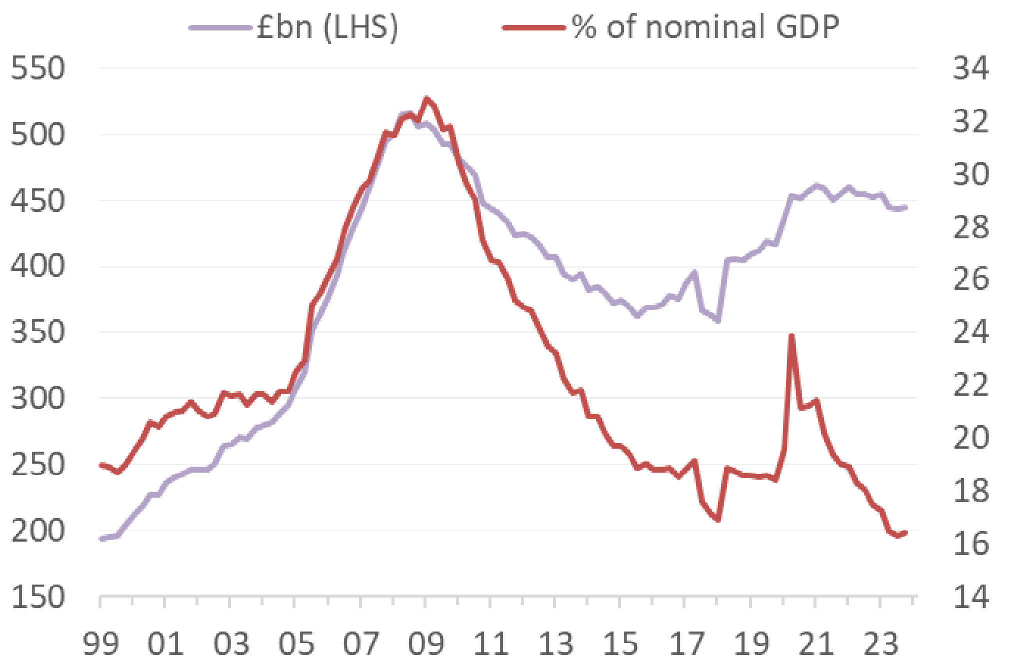


UK corporates generally continue to repay debt, consistent with hesitant capex trends (though March 2024 saw a jump of £8.0bn of net corporate bond issuance). BoE data show an average net repayment of debt of £1.7bn per month since January 2023 vs average net borrowing of ~£2bn a year prior to the pandemic.

UK corporate debt levels are low & profitability steady

UK corporate debt

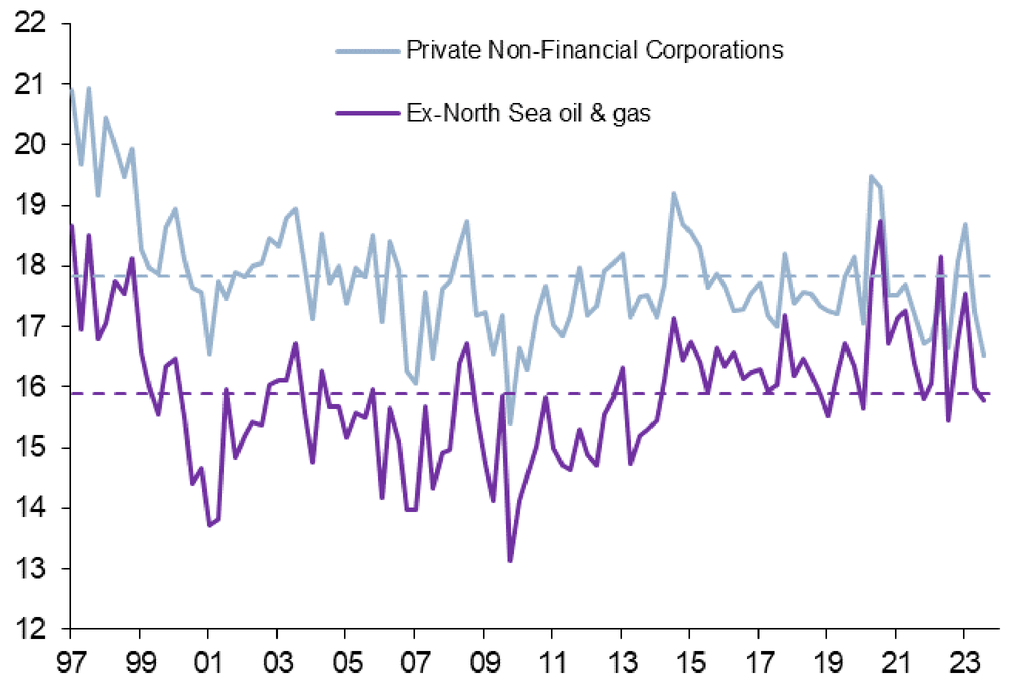
Source: ONS, NatWest



UK corporate debt levels are low – at multi-decade lows as a % of nominal GDP. Positive from a 'financial vulnerability' perspective but also reflects persistently weak capex.

UK corporate profitability

Source: ONS, NatWest

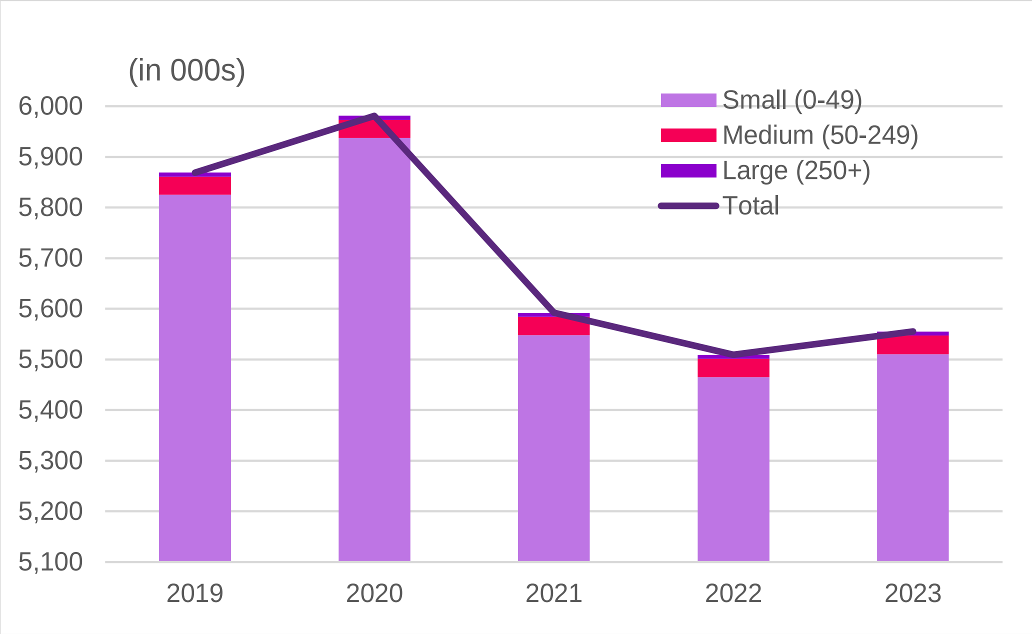


UK corporate profitability remains fairly resilient and line with longer-run norms. These data are rather volatile quarter-to-quarter, but there is no sense of any fundamental change in profitability.

UK SMEs – at a glance

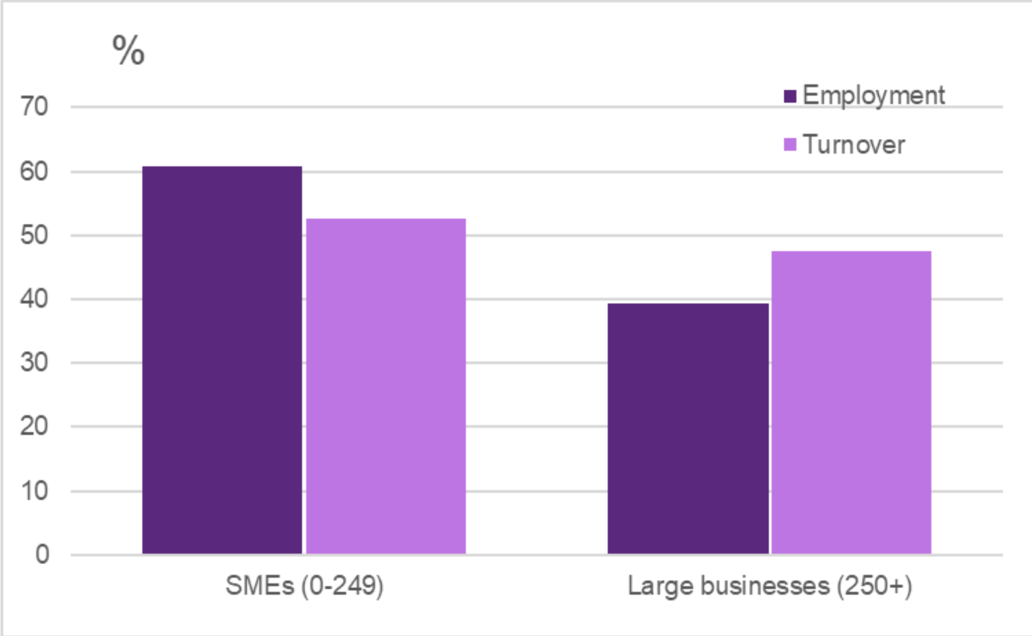
UK private sector businesses by size of employment

Source: ONS, NatWest



Share of UK SMEs in total employment and turnover: 2023

Source: ONS, NatWest



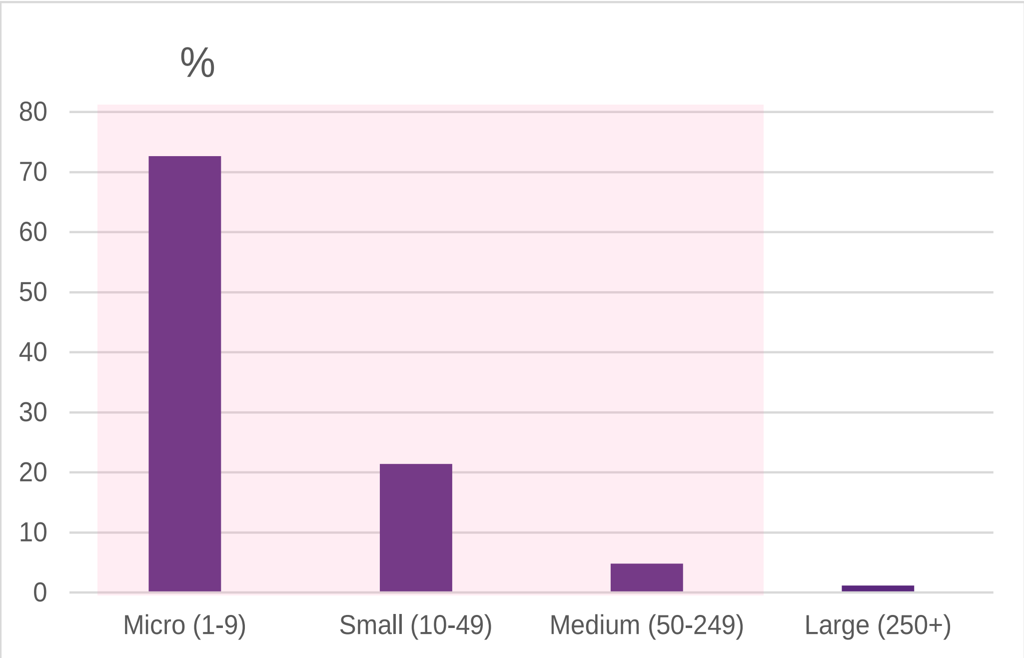
SMEs represent almost entire UK private business sector (~99.9%), with annual growth of 0.8% in 2023.

UK SMEs account for close to half (~53%) of the total private turnover (~£4.5tn) and about three-fifth (~61%) of the total private sector employment (~27.5mn)

UK SMEs in the ‘Legal services’ space….

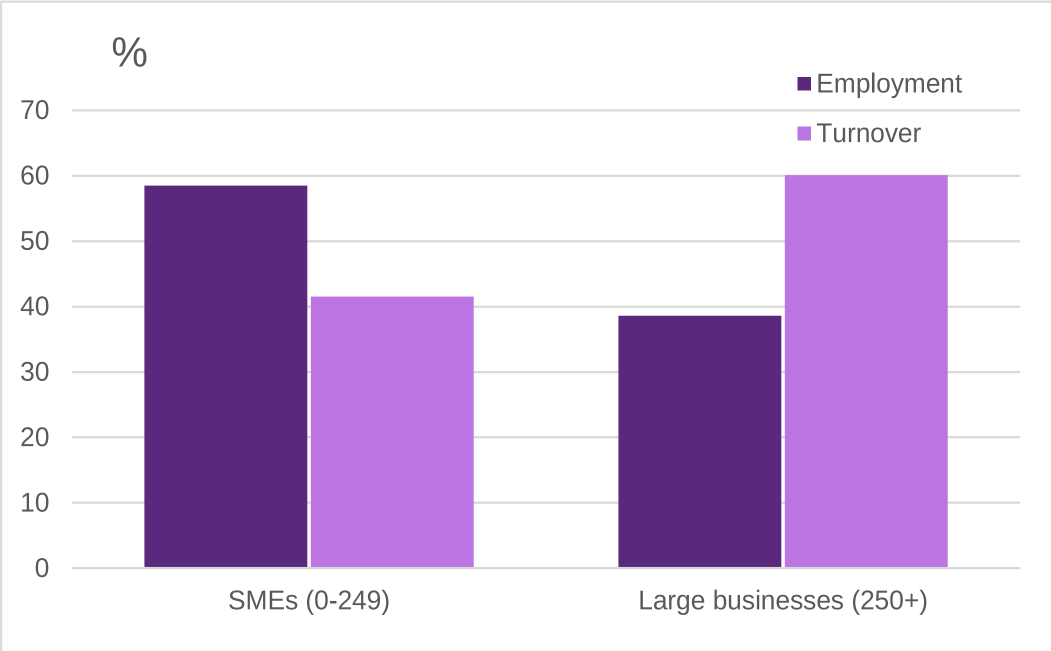
UK legal businesses by size of employment: 2023

Source: ONS, NatWest



Share in total ‘legal’ employment & turnover: 2023

Source: ONS, NatWest



Even in the legal space, SMEs account for most of the UK private business (~99.9%) – with “micro” firms with the biggest slice. There were about 165 “large” legal firms in 2023.

UK SMEs account for almost **three-fifth (~60%) of the total legal employment (0.4mn)**, though contribute only about **two-fifth (~40%) to the legal sector turnover (~£42bn)**

UK political outlook – Key points

- **The UK General Election will be held on 4th July 2024.** The new Parliament will meet on 9th July with the formal 'State Opening' (and legislative agenda announcement) on 17th July. We expect a Budget in early October.

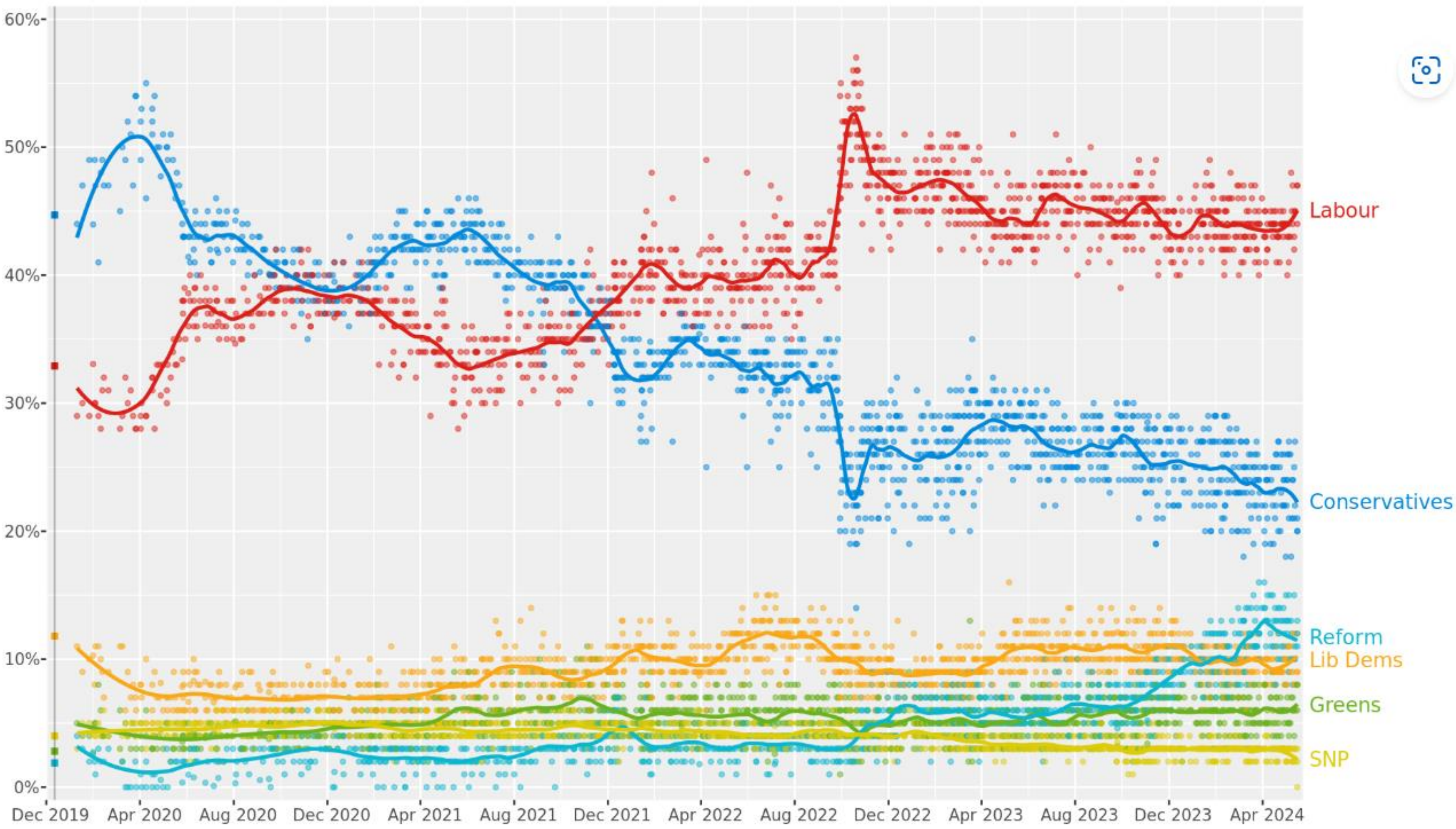
- The main opposition **Labour Party has sustained a large (~20%) lead in the polls**. Betting markets' implied probability of an outright Labour majority is higher than ever: nearly 90%, up from 68% in autumn 2023. These % vote shares would translate into a landslide victory: >400 Labour Commons seats and a 150+ seat majority. . .

- . . . However, Labour's performance in the 5th May 2024 local elections cast *some* doubt on a large Labour majority. Labour's lead on a **'national equivalent share' basis (Labour 34% vs Conservative 35%, half Labour's typical lead in the polls) would leave them as the largest party but ~30 seats shy of an outright majority**. A smaller Labour majority (or a hung Parliament) might fuel market concerns about fiscal slippage and excessive regulation.

- NB, these **local elections-based projections probably *under*-state support for Labour** as independent candidates typically perform better in local elections than in general elections and there were no local elections in Scotland in 2024 (where Labour is projected to gain ~20 Westminster seats). There is tentative evidence of a **post-Budget (NIC tax cut) bounce** in the polls for the Conservative government (GfK consumer confidence survey for May saw a 5-point gain in 'personal financial prospects') but headline General Election polling remains rather static.

- A key issue in the polls is the rise in popularity of **Reform UK** (a populist-right, eurosceptic party), largely at the expensive of the Conservatives. Reform is currently polling 10-15%. Conservative voters merely 'staying at home' at the next General Election risks a **'1997 moment'.**

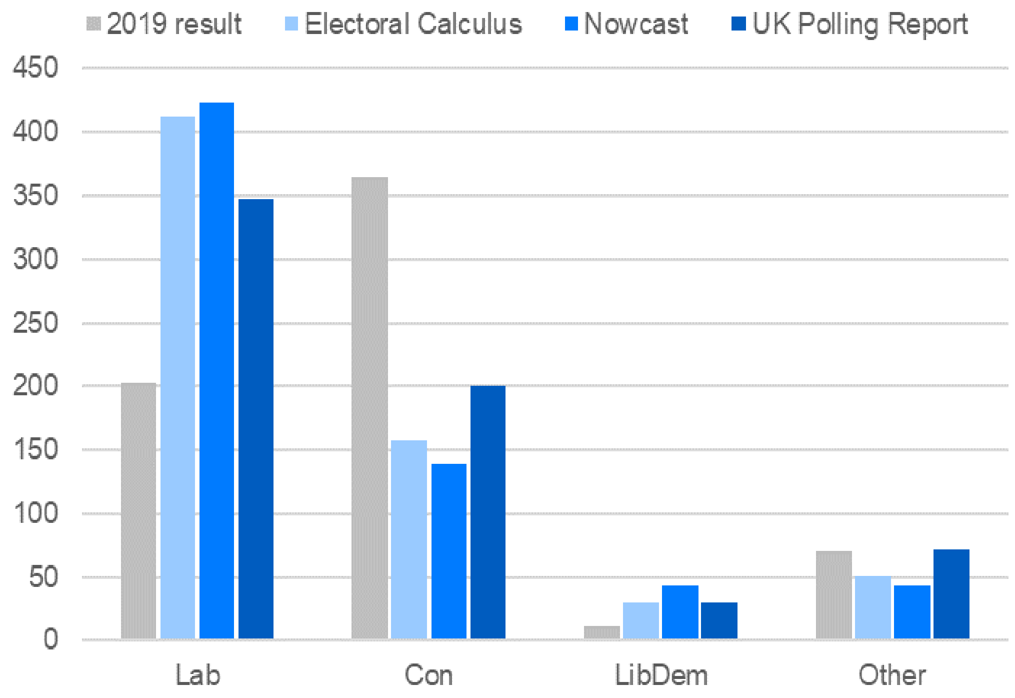
UK polling trends since the last General Election



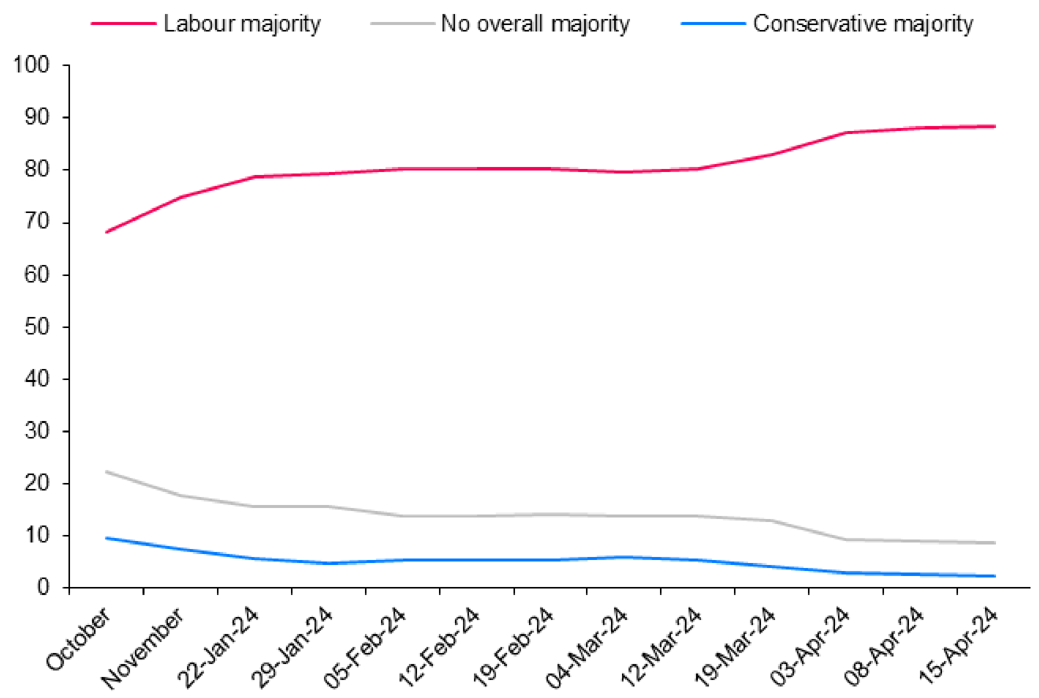
Source: Wikipedia, NatWest

Take your seats: projections & betting market probabilities

House of Commons seat projections (650 seats in HoC)
Source: NatWest, polling companies



Betting market implied probabilities, %
Source: Betfair, NatWest



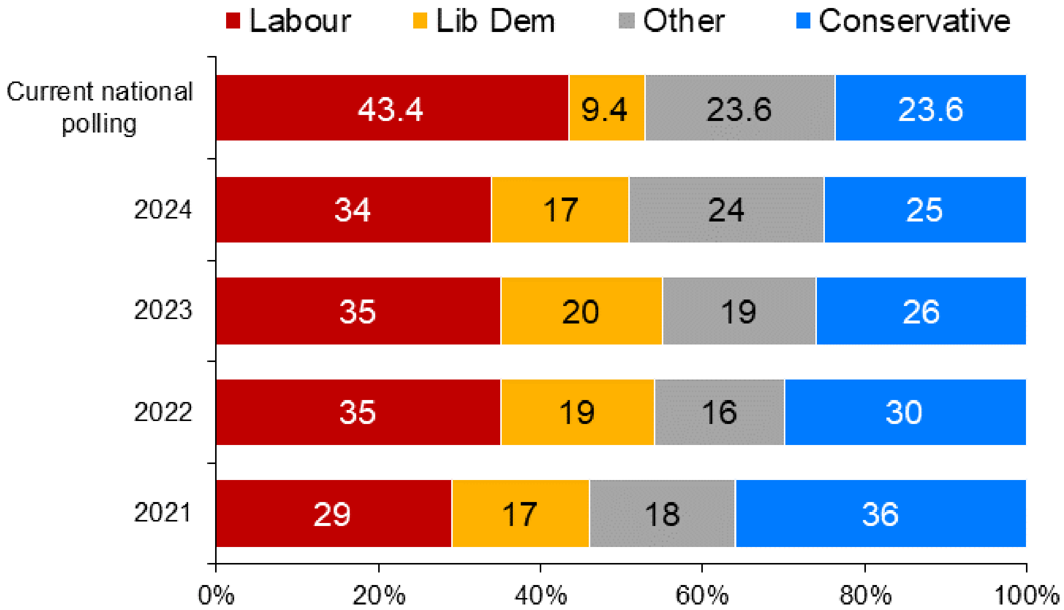
Although there is some variation in seat projections, all project substantial losses for the Conservatives, typically more than halving from 365 in 2019.

The implied probability of an outright Labour majority (derived from betting markets) has climbed from a little below 70% in October 2023 to almost 90% in late May 2024. The 'No Overall Majority' probability would almost certainly involve some form of Centre-Left Pact or Coalition.

2024 Local Election ‘National Equivalent Share’

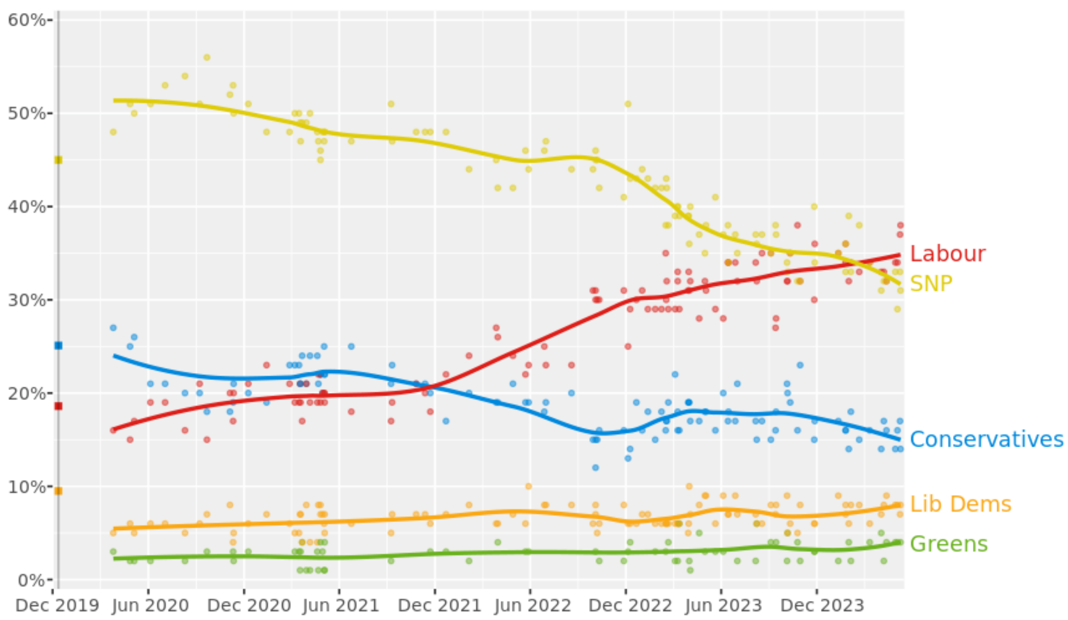
2024 Local Elections: National Equivalent share

Source: NatWest, FT



UK General Election polling in Scotland

Source: NatWest, Wikipedia, polling companies



Whilst the Conservative Party performed poorly in **the local elections, projections based on the national equivalent vote share show Labour falling short of an outright majority by ~30 seats**. Labour’s estimated national vote share of 34% is significantly below its recent opinion polling average of mid-40s. . .

. . . However, two key factors mean that this may understate Labour’s likely General Election performance. Firstly, ***independent candidates*** tend to win a higher share of votes in local elections (hence the high proportion of ‘other’ voters). Secondly, local elections did not include ***Scotland***, where polls suggest Labour could gain around 20 seats.

Labour's key policies – continuity & ambiguity

Policy area	Comment	Risks*
Fiscal policy	Broad continuity on fiscal rules (public sector debt as a % of GDP to be falling by 5th year & for the current budget to move into balance) & a reinforced OBR. Fiscal constraints are expected to be the overarching macro-financial feature of the next parliament.	NEUTRAL
Taxation	Relatively modest/confined tax-raising proposals and pledges not to raise certain taxes (corporation tax or the top rate of income tax). Risks of rises later in the parliament.	NEGATIVE
Industrial policy	Warm rhetoric but scant detail as to what specific policy measurers would be implemented and what institutional changes might mean ('Industrial Strategy Council').	NEUTRAL
Business investment	Maintain the full-expensing regime. Unclear how pension funds will be 'encouraged' to invest in infrastructure and other assets.	NEUTRAL
Labour market	Minimum wage rises and banning of zero-hours contracts. Risks of greater intervention given limited fiscal leeway. More problematic for lower-wage sectors (retail, hospitality).	NEGATIVE
Training	Reform the Apprenticeship Levy into a more flexible 'Growth & Skills Levy'. There is a general consensus that vocational training needs to be improved, but few details.	NEUTRAL
Regulation	Potentially radical housing and infrastructure construction / planning processes.	POSITIVE
Green Prosperity Plan	Scaled-back in deference to tight fiscal situation to ~£4.7bn a year of new money in addition to ~£10bn of spending on existing schemes. Potentially a positive for growth but big questions over the efficient allocation of capital.	NEUTRAL
Net-zero	Requirements for financial institutions and FTSE100 companies to publish their carbon footprints and adopt 1.5-degrees-aligned net zero targets	NEUTRAL
National Wealth Fund	A £7.3bn taxpayer-owned vehicle to invest in new industries. Questions about objectives and whether capital would be allocated efficiently.	NEUTRAL
Energy	Unclear how the publicly-owned £8.3bn 'Great British Energy' company will function.	NEUTRAL
Pension fund investment	A review of the pension system with a view to move DC pension fund investments into 'productive assets'. No detail on how this would be achieved.	NEGATIVE
EU	Conciliatory rhetoric but unclear how this would secure meaningful concessions from the EU given Labour policy to remain outside the EU single market and customs union.	NEUTRAL

Source: Labour Party, House of Commons, Financial Times, NatWest.

*Risks are in relation to the likely impact on GDP growth.

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