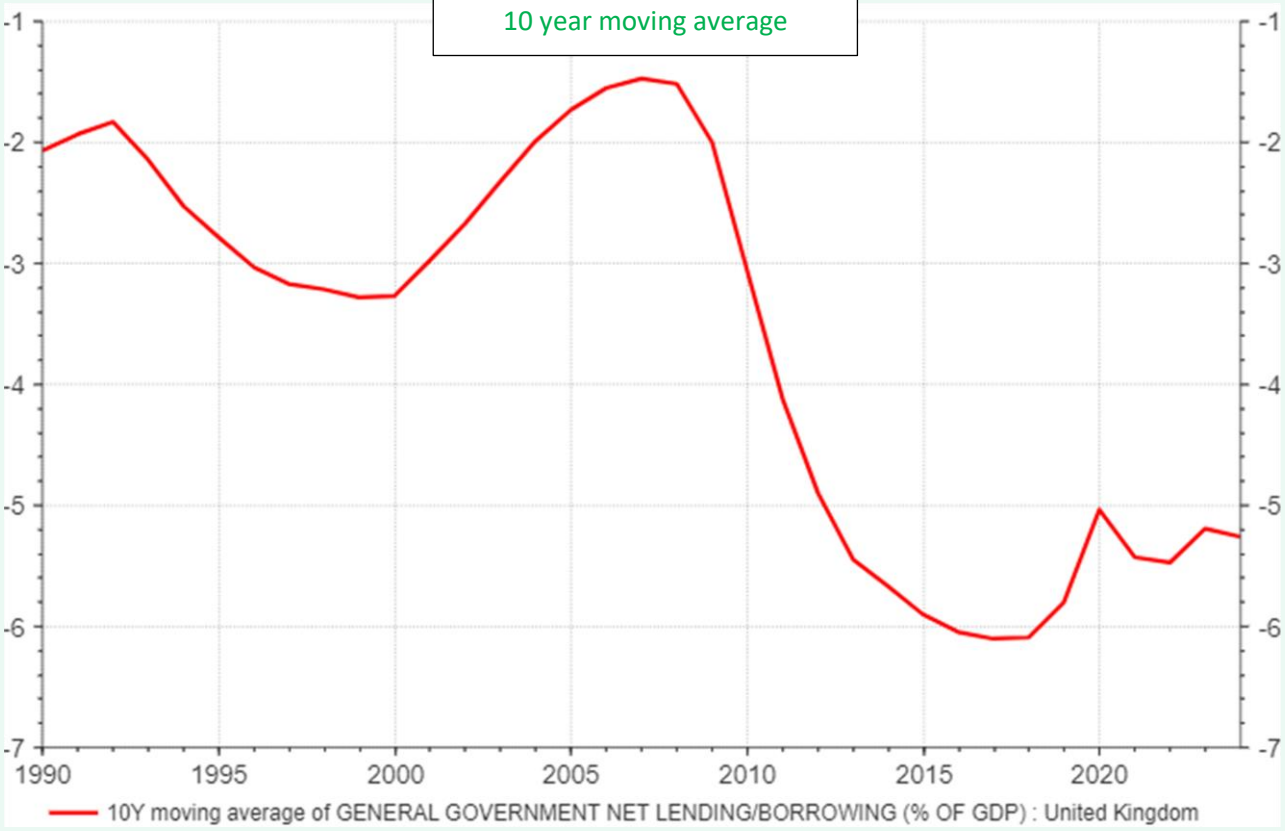
# All Eyes on October 30th

**22 October 2024**




Source – LSEG Datastream

Timeframe – 1989 to 2023

## What will the Labour budget reveal?

### Key points:

- It might be fair to say that the upcoming budget is the most eagerly anticipated in a generation, and not necessarily in a good way.
- Those with the 'broadest shoulders', and those who don't think their shoulders are broad at all, are still trying to read the runes on CGT, inheritance, and pension taxes.
- There has been much analysis on the collapse in GDP per capita growth and the stalling in productivity, including our own. One chart which may capture this 'unholy trinity' in the state of public finances is expressed by the budget deficit to GDP ratio.
- Previous recessions/crisis's have seen this 10-year moving average ratio bottom out at around 3% before recovering sharply. But both long term and short-term headwinds have resulted in something close to 6% now, and a feeble recovery at that. Debt service, health, pensions, and welfare account for the vast majority of government spending, and the trends in all four areas are unhelpful to say the least.
- Both Liz Truss and Rachel Reeves seem to have concluded that the only escape route is faster economic growth, although they obviously differ immensely on how to achieve this.
- Whilst tax will dominate the budget narrative in the short term, what really matters is how the budget addresses the growth challenge… and that's what investors should pay close attention to on October 30th, budget day.

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