



What does the Spring Statement mean for your finances?

Chancellor Rachel Reeves delivered her Spring Statement this week, accompanied by updated forecasts from the Office for Budget Responsibility – although these don't reflect the fast moving developments in the Middle East.

WHAT IS THE SPRING STATEMENT?

The Spring Statement is no longer the blockbuster policy event it once was. It doesn't carry anything like the weight of the Autumn Budget, because the Chancellor has committed to just one major fiscal set piece a year. Rather than unveiling major announcements or sweeping new measures on taxes and spending, the Spring Statement now functions mainly as an economic update.

It includes the latest Office for Budget Responsibility (OBR) forecasts on growth, inflation, government spending, tax revenue and the wider state of the UK's public finances. The OBR – an independent body established in 2010 – publishes two forecasts a year: one alongside the Spring Statement, and the other with the Budget.

This year's statement landed during an extremely tense moment internationally. Gilt yields have spiked and prices have fallen, reversing much of an earlier strong run that will have served to flatter projected borrowing costs. A prolonged conflict in the Middle East, particularly disruption to oil and gas supply, could push inflation back up just as the Chancellor has been celebrating it falling. That could, in turn, mean higher debt costs and pressure on growth if households and businesses face renewed price pressures.

With the November Budget already having set out the government's broader tax and spending plans, here's what the announcement said about the nation's financial outlook.

SPRING STATEMENT 2026 SUMMARY

Back in November 2025, the OBR forecasted that the UK economy is expected to grow by 1.4% in 2026 – a slight improvement on the 1.3% estimated for 2025. That projection has now been cut to 1.1%, a noticeable downgrade. Figures for 2027 and 2028, however, have been nudged marginally higher, from 1.5% to 1.6%, while the outlook for 2029 and 2030 remains unchanged at 1.5%.

Taken together, these figures still paint a picture of subdued growth. The structural issues holding the UK back – sluggish productivity, high energy costs, and more restrictive employment rules – continue to limit momentum. The OBR also expects a heavier reliance on tax revenue in the later years of this parliament, in part because fiscal drag is pulling more taxpayers into higher bands. Whether these larger tax inflows can be achieved without undermining growth remains to be seen.

Despite this, the Chancellor emphasised her determination to outperform these forecasts and there are some more supportive underlying trends that could help strengthen the UK economy over time.

One key factor will be inflation. If it continues drifting towards the Bank of England's 2% target, households could see an improvement in their spending power, and businesses may feel more confident. That scenario could also open the door to further cuts in interest rates, easing pressure on borrowers. But this optimistic view now hinges on a swift resolution in Iran and energy prices settling back down. Market pricing has already shifted, with expectations falling to no more than a single 0.25% rate cut for the rest of the year.

The OBR's projected inflation numbers now look similarly uncertain. The fiscal watchdog assumes price rises of 2.3% in 2026, slightly lower than its previous 2.5% estimate. However, this may quickly become outdated if energy prices remain elevated for an extended period.

Elsewhere, there was mixed news on the labour market. Unemployment, currently at 5.1%, is expected to rise to 5.3% this year before easing back to 4.1% in line with previous forecasts. This suggests conditions should improve – but not before a difficult period for jobseekers in the short term.

More positively for the government, the Chancellor's fiscal headroom has grown from £21.7bn to £23.6bn by 2029/30. This "headroom" essentially reflects the assumed space between forecasted outcomes for the public finances and the minimum required to meet her main fiscal rule: that day to day spending must be fully funded by revenues by 2029/30, with borrowing used only for investment.

Under current projections, this suggests there should be no immediate need for the Chancellor to raise taxes further in the autumn – unless spending rises or tax receipts disappoint. After a period of steep tax increases and fiscal drag, this will offer some reassurance to households and businesses, though nothing is guaranteed.

WHAT WAS THE MARKET REACTION?

Markets largely took the Spring Statement in their stride. There were no real shockwaves from the fiscal update itself. Sentiment was already heavily influenced by the situation in the Middle East, and this week's domestic developments did little to alter that.

The FTSE 100 held close to its morning levels, and gilt markets were steady after selling off earlier in the day amid fears of more persistent inflation. With wholesale European gas prices having surged over 90% in just two days, investor attention is firmly fixed on events in the Gulf for time being.

If you have any questions about how the Spring Statement might impact you, please contact your wealth manager or financial planner. They can provide personalised advice and guidance tailored to your financial situation.

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