Equity Research; 2026 Autumn Budget

COLLINS SARRI STATHAM INVESTMENTS

Research Report

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Key Risks to Price Target

Not applicable

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2026 AUTUMN BUDGET: A careful, considered effort all around

The Chancellor has announced an Autumn Budget for 'working people' that offers some support in significant areas for both the public and businesses. This is to provide 'breathing space' for pressured households and for High Street businesses. The Labour government remains committed to the new PM's 'growth in every postcode' objective.

The Office for Budget Responsibility (OBR) is now predicting GDP growth of 1.2% in 2026 and 1.0% in 2027. The OBR has also forecast CPI inflation at 3.1% in 2026 rising to 3.4% in 2027 with CPI only reaching the Bank of England's 2% target in 2030. These elevated estimates are in response to higher commodity prices linked to multiple conflicts.

Key measures taken for households:-

*Cash ISA allowance to remain at £20k annually and will progress a new 'Starter ISA' with details to follow

*Extension of the 5p fuel duty cut until July 2027

*20m households in Council Tax bands A-D will receive a £100 household energy payment this winter against gas bills. Council Band A-D is up to £88k according to April 1991 values.

*Standing charges on residential gas bills will be scrapped from 2027

***'First Time Buyer ISA' to replace the Lifetime ISA – for first time buyers with a 2.5% deposit and no 'Bank of Mum & Dad' there will be an equity loan scheme of 20% of the value of a new build property. This is being funded by £4.7bn of government backed lending.

Key measures taken for businesses:-

*An additional 3% bank corporation tax surcharge, taking the total rate to 31% (6% surcharge plus 25% corporation tax) to last for 15 months from 1st January 2027. This is expected to raise £2bn.

*Increase in the small business rate relief for retail hospitality and leisure businesses from £12k to £18k – this will lead to 50% of new UK shops paying no rates and take 70k businesses out of the levy.

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*Machine gaming duty is to rise to 25% (lower than the 40% expectation) from 20% to help fund High Street initiatives

*Reducing the threshold for business asset disposal relief in capital gains tax from £1m to £500k

*Suspension of tariffs on over 100 supermarket products

*Increase in the National Minimum wage and National Living wage by 3.9%

*Founders Relief – a flat 10% 'lifetime' capital gains tax on the first £10m of profit on the sale of a new business by a founder

*Young Entrepreneur allowance to over one year of living costs for young business entrepreneurs and a new trading allowance raising the amount people can earn tax free from a new venture from £1k to £3k.

Other measures:-

*£10bn in new funding for Ukraine with £500m in urgent military funding over the winter 2026 period. This was described as both 'economic and military support' hence is likely to include a mix of non military items.

*The Chancellor will set out the plan to achieve the 3.5% GDP / defence budget by 2035 at the next spending review.

*£430m for 'rough sleepers' over winter to keep homeless people off the streets.

*NHS productivity review using AI to enable staff to spend more time with patients – this is intended to find savings within the NHS using AI.

*From 2027, 20% of business rate revenues to be directed to Mayoral offices/ local authorities with a planned share of income tax revenue from 2028 as well to fund improved devolution. The Chancellor said he no longer wants 'local leaders (local government) to have to come cap in hand to Whitehall'.

Investor response

Ahead of the Budget, leading UK indices were weaker as investors repositioned and in some areas such as banks, repriced equities with particularly heavy falls in the banks.

i) Gilts – a modest rally, the Budget is seen as positive for fixed income with a positive reception to Chancellor Healey who came across as determined to keep the UK on an improving fiscal path. The long bond yield fell to 5.67% down 4 basis points.

ii) Housebuilders, the immediate reaction was positive however the initial sentiment gave way to concerns that given the new 'Your First Home' only starts in Q1 2027 there was likely to be a slow market in the short term as buyers wait until scheme launch.

iii) Gaming – Entain jumped 5% with investors pleased at the relatively modest hike to machine gambling. There was little response in

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Evoke, the former 888 Holdings / William Hill, ahead of its takeover by Intralot.

iv) Banks – initial sharp 2%-3% gains on relief the higher tax charge will be temporary, were reined in later in the session to c. 1%.

Conclusion

The UK government entered office with a significant national debt that had risen from £1.05tn to £2.85tn over the 14 year Conservative period. Last week the UK national debt reached £3tn a significant slowing in the debt growth rate over the last 2.3 years. The UK government wants to close the UK budget deficit by 2030, a major challenge with delivering 'growth in every postcode'.

Going into this Budget, Chancellor John Healey had a few objectives:-

i) Avoid upsetting the UK bond markets via new net spending. The Chancellor was mindful of recent bond yield increases which remain elevated at the long end, but down from highs (30 YR: 6.029%; 1st October 2026). Higher yields have increased the cost of UK debt service to £109.4bn- £111bn p.a. (£1 in every £13 in government spending) in the context of inherent volatility given current geopolitical risks. The Budget has triggered a modest bond market rally.

ii) Improve the UK fiscal headroom; last seen as £11.3bn having narrowed from £23.6bn in March 2026 with a further decline to a £7bn deficit due to the Iran, Israel, US conflict.

iii) Keeping the public onside. The Burnham premiership at less than 3 months old, wants to be seen as 'doing something' positive for the voting public. This Budget achieved that, the 'giveaways' were balanced with higher taxes on banks.

Overall the Budget looks credible notwithstanding that the thorny issue of defence spending has been sidestepped.

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