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contact number for media enquiries +44 (0) 20 7324 2845

Pre-Budget Report 2009: “Chancellor up to his usual tricks... it’s 46!”

Chancellor’s pre-budget report takes on a political slant, relying on overly-optimistic growth forecasts and vote-grabbing headline policy measures; such as a reduction in bingo duty and a ‘temporary’ tax on banking bonuses

This is the key conclusion of the Pre-Budget Report analysis produced by one of the country’s leading economics consultancies, cebr, and released in their **Pre-Budget Reaction** report.

The **Chancellor** has used the Pre-Budget report to reaffirm his commitment to cutting the deficit by half over the next four years. However, instead of introducing widespread cuts in public spending, he has once again relied on optimistic forecasts for the growth of output over the medium term.

While the short term forecasts are broadly with ours, the Chancellor’s expectation of GDP growth of 3.5 per cent from 2011/12 onwards is completely pie in the sky. But cebr argue that the economy is unlikely to grow by more than 2.0 per cent per year until 2013, due to an uncertain outlook for consumers and cautious bank lending.

The widely anticipated windfall tax on banker bonuses will claim half of all discretionary bonuses over £25,000 for the Treasury. The one-off measure will apply until 5 April 2010 and will come with anti-avoidance measures to be announced. The Pre-Budget Report notes that the government will consider extending the period of the charge so that the tax remains in place until the relevant provisions of the Financial Services Bill come into force.

