

12TH NOVEMBER 2025

What does the Budget mean for the economy, housing and financial markets?

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Agenda

1. Presentation (15 mins).

- How far will taxes rise and what will the Budget mean for the economy?
- What will the Budget mean for housing?
- Will gilts and the pound rejoice or recoil, and what are the risks?
- Forecasts and conclusions.

2. Questions and discussion (40 mins).

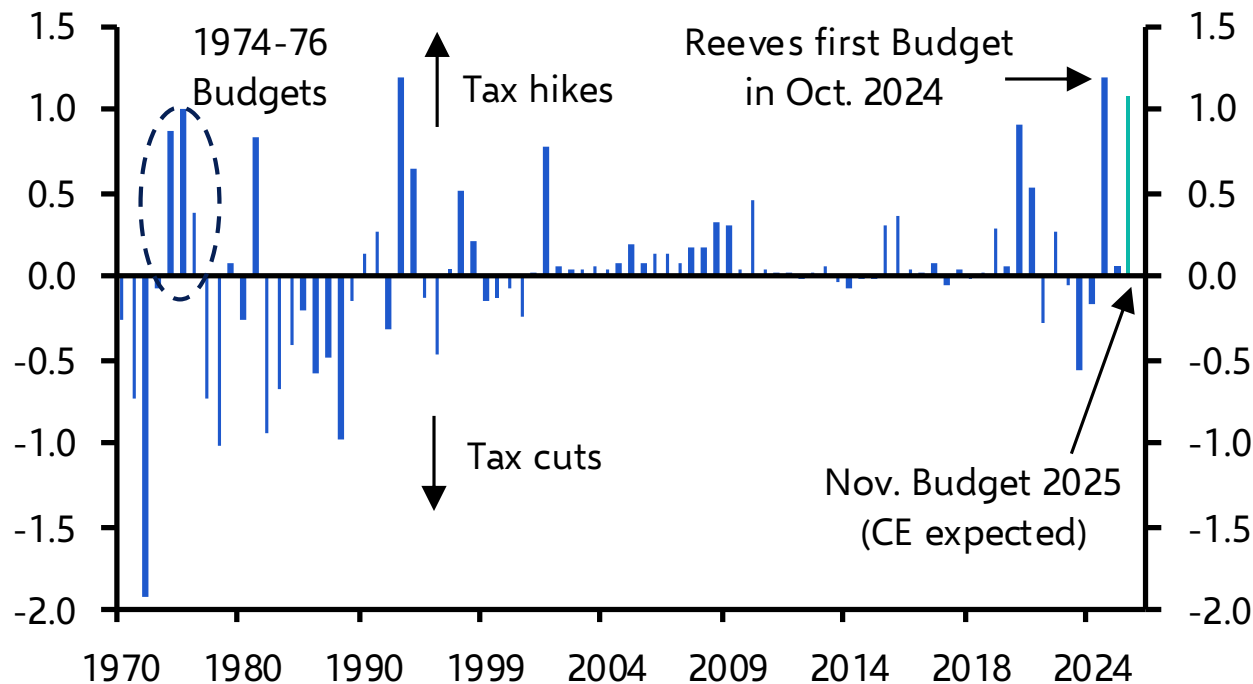
3. Highlight how our online platform builds on today's event (5 mins).

Reeves to tighten fiscal policy by £33bn, inc. £38bn of tax hikes

	£bn, 2029/30
(1) Headroom Against Fiscal Mandate (Mar. 2025)	+9.9
Higher Borrowing Costs	-1.8
0.3ppts Productivity Downgrade	-21
(2) Headroom Against Fiscal Mandate (Nov. 2025, CE est.)	-13
(3) Revenue Required to Restore Headroom (1) - (2)	+23
(4) Revenue to Double Headroom	+10
(5) Total Revenue Required (3)+(4)	+33
Spending U-turns	+5
Tax Hikes	+38

Sources: OBR, [Capital Economics](#)

Tax Packages at Fiscal Events (% of GDP in 5 Years' Time)

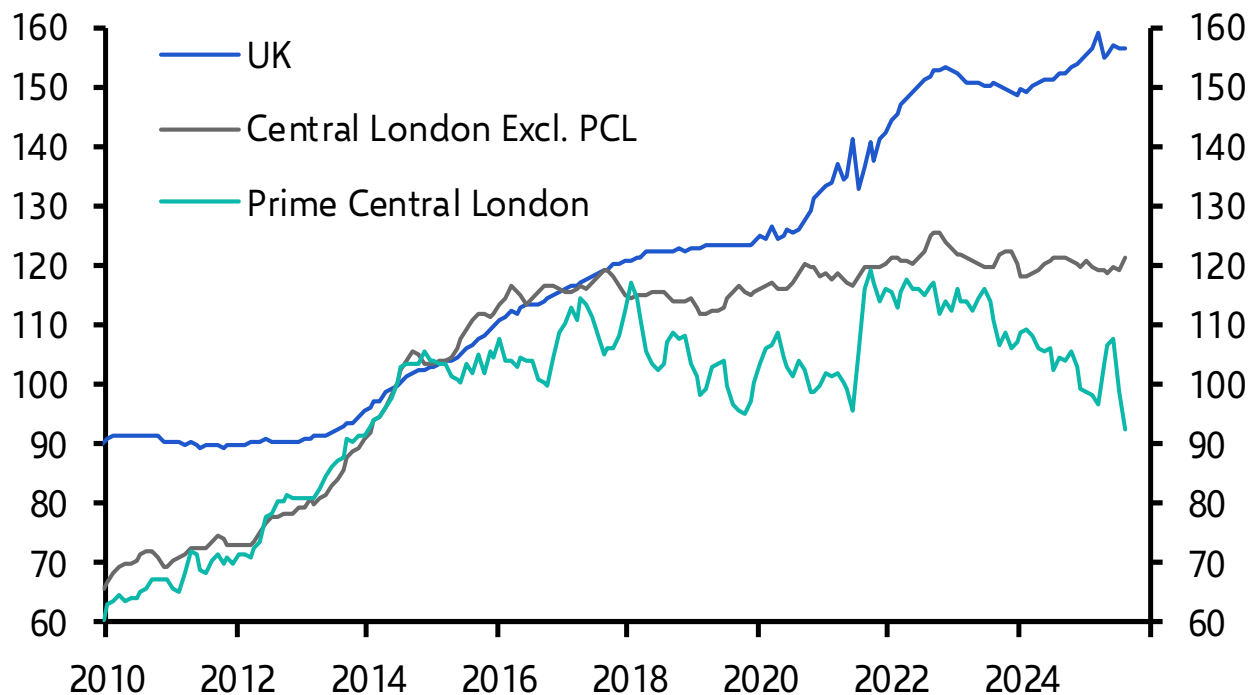


Sources: OBR, [Capital Economics](#)

The implications of the Budget for the UK economy

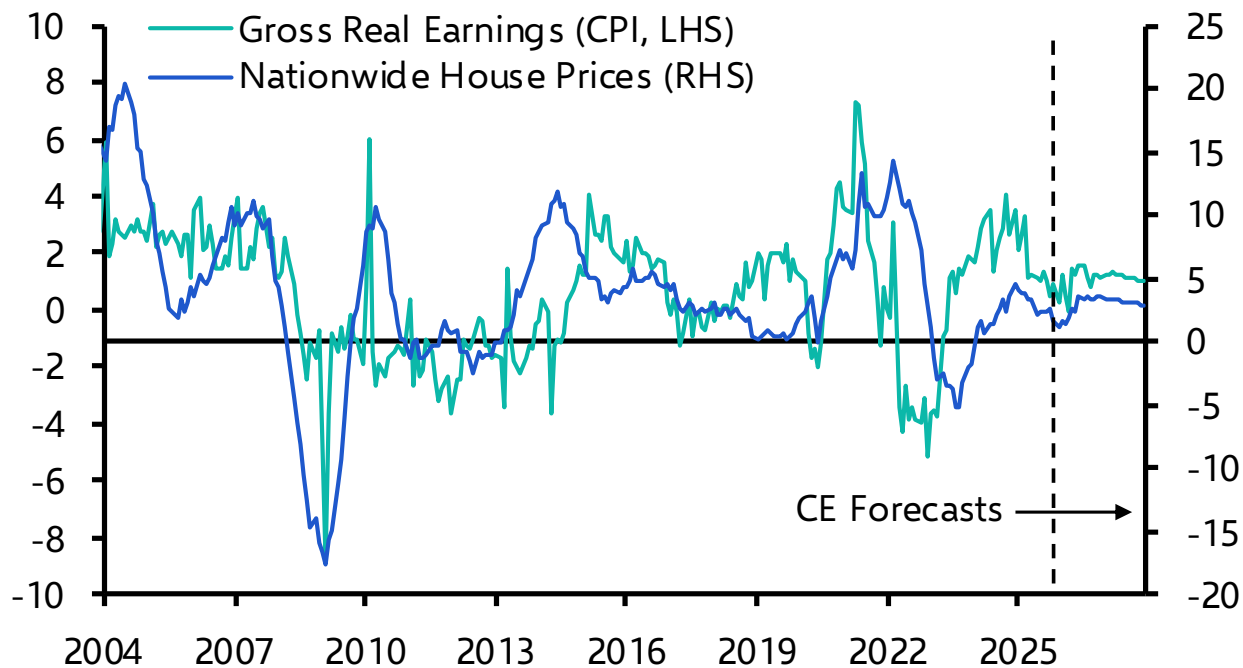
- Taxes for households, rather than for businesses, to do the heavy lifting.
- Higher earners, the wealthy, landlords, pensioners and owners of expensive properties hit.
- The Budget could reduce GDP by 0.3%, with 0.2% occurring in 2026.
- The Budget is more likely to lower inflation than raise it...
- ...adding to our view that inflation and interest rates will fall further than most expect.

Nominal House Prices (2014 = 100)



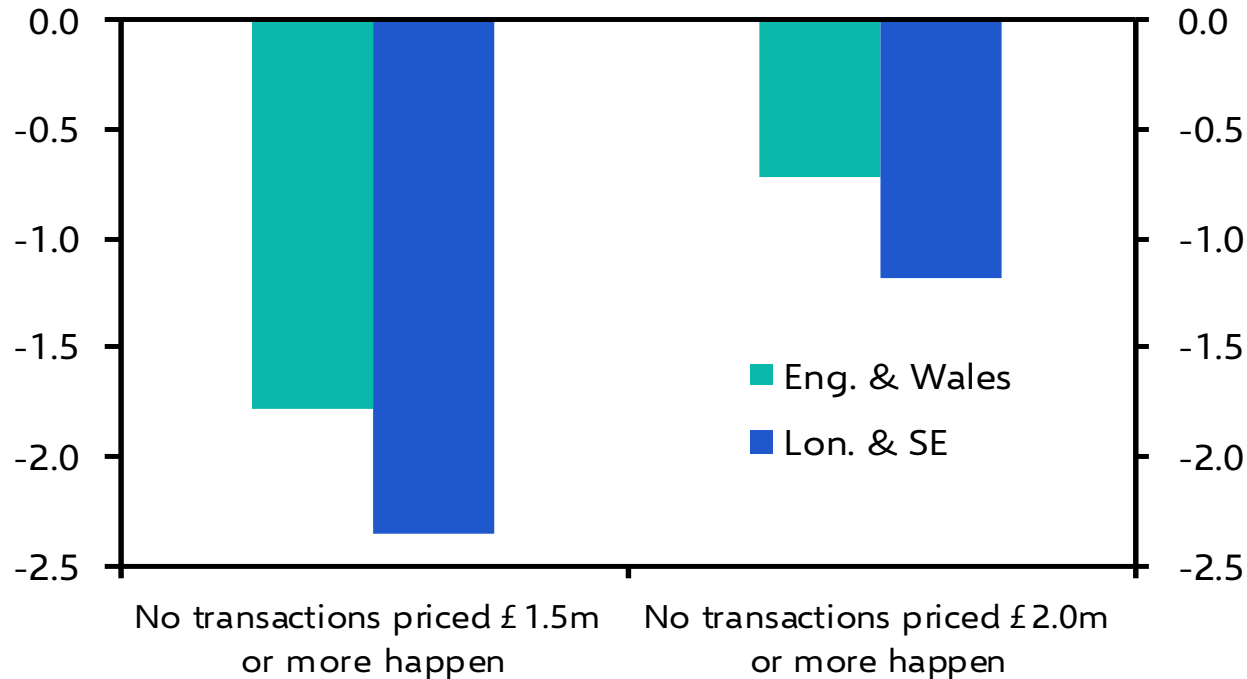
Sources: LSEG Data and Analytics, Land Registry, [Capital Economics](#)

Nominal House Prices & Gross Real Earnings (%y/y)



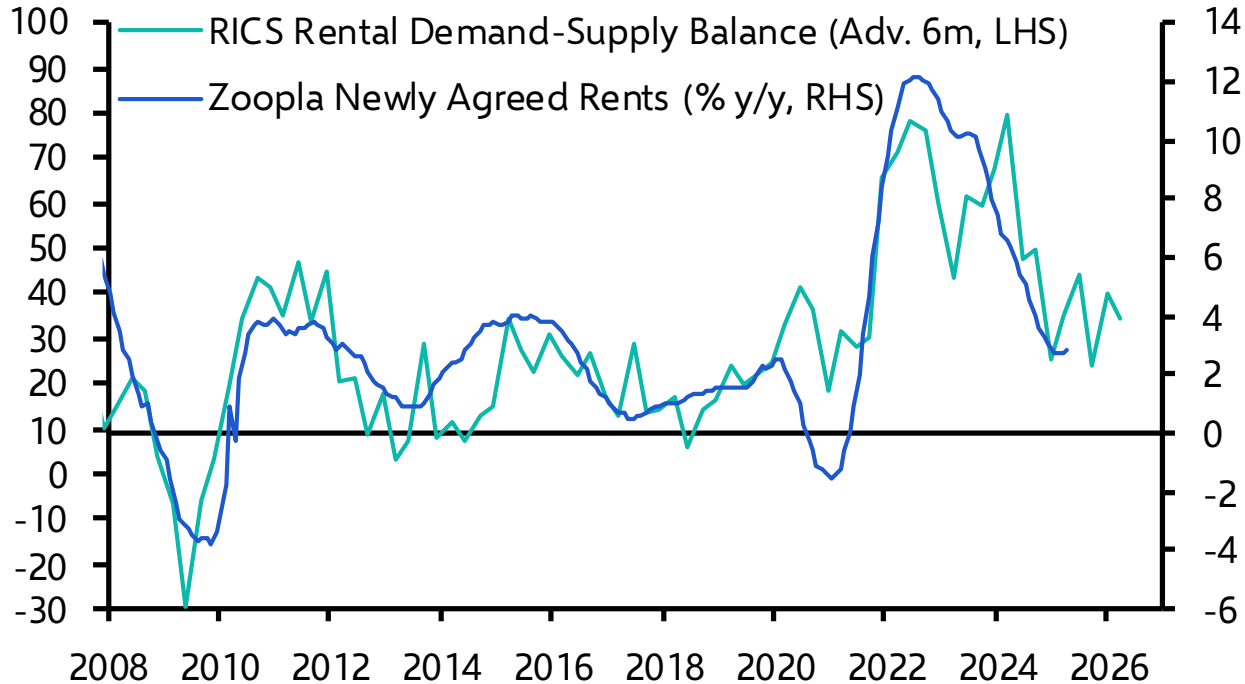
Sources: LSEG Data and Analytics, [Capital Economics](#)

Illustrative Impact of Mansion Tax on Median House Price (%)



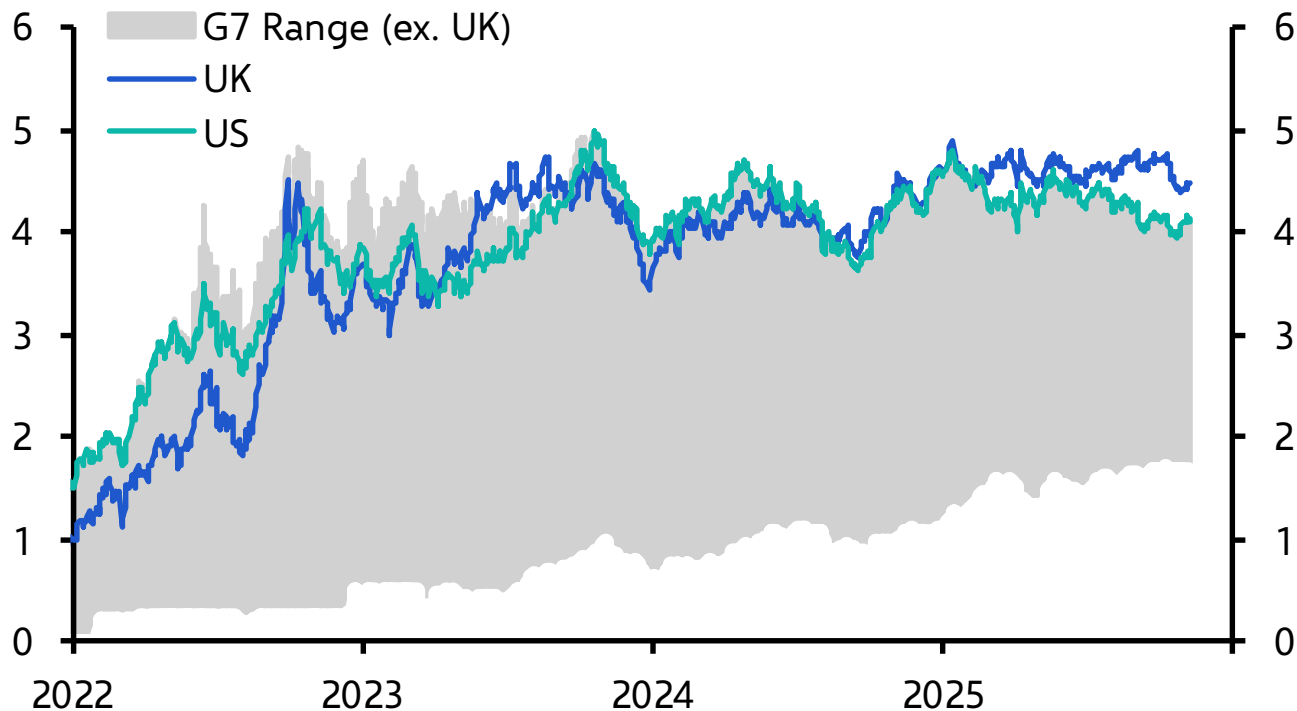
Sources: Land Registry, [Capital Economics](#)

Newly Agreed Rents & RICS Demand Less Supply



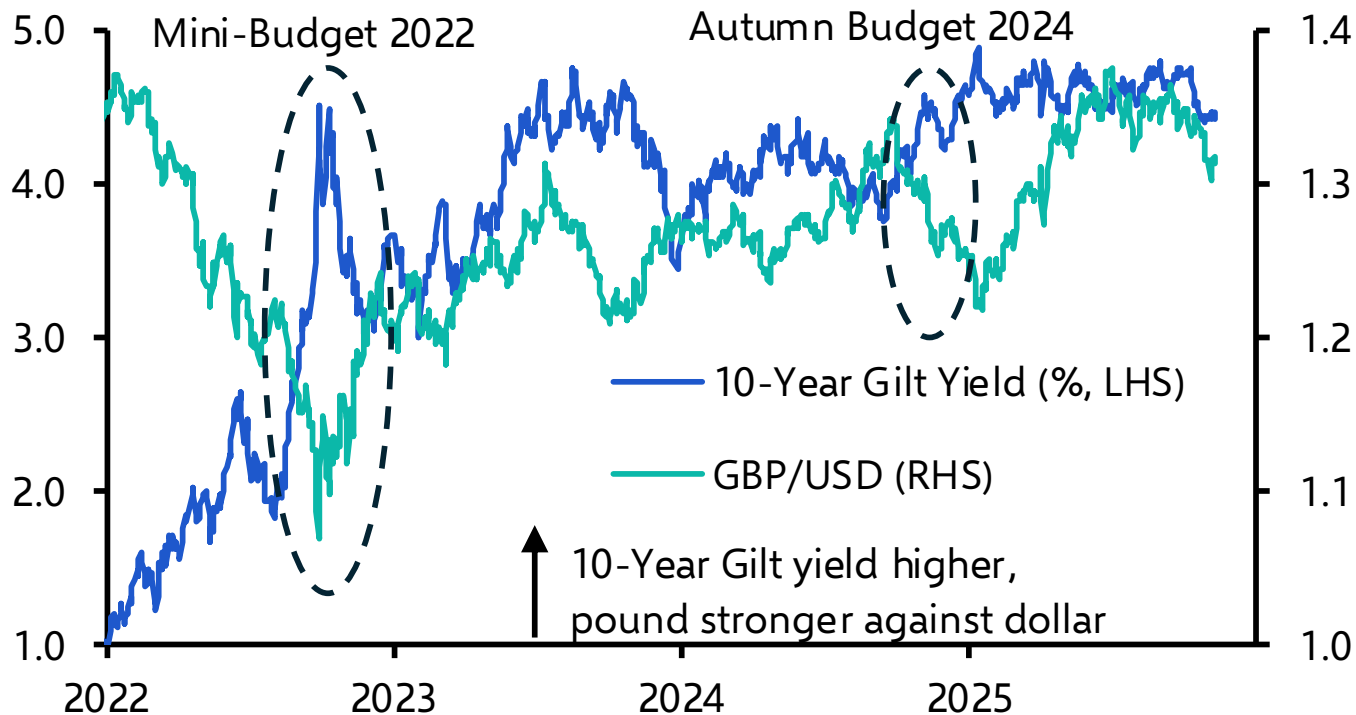
Sources: LSEG Data and Analytics, Zoopla, RICS, [Capital Economics](#)

10-Year Government Bond Yields (%)



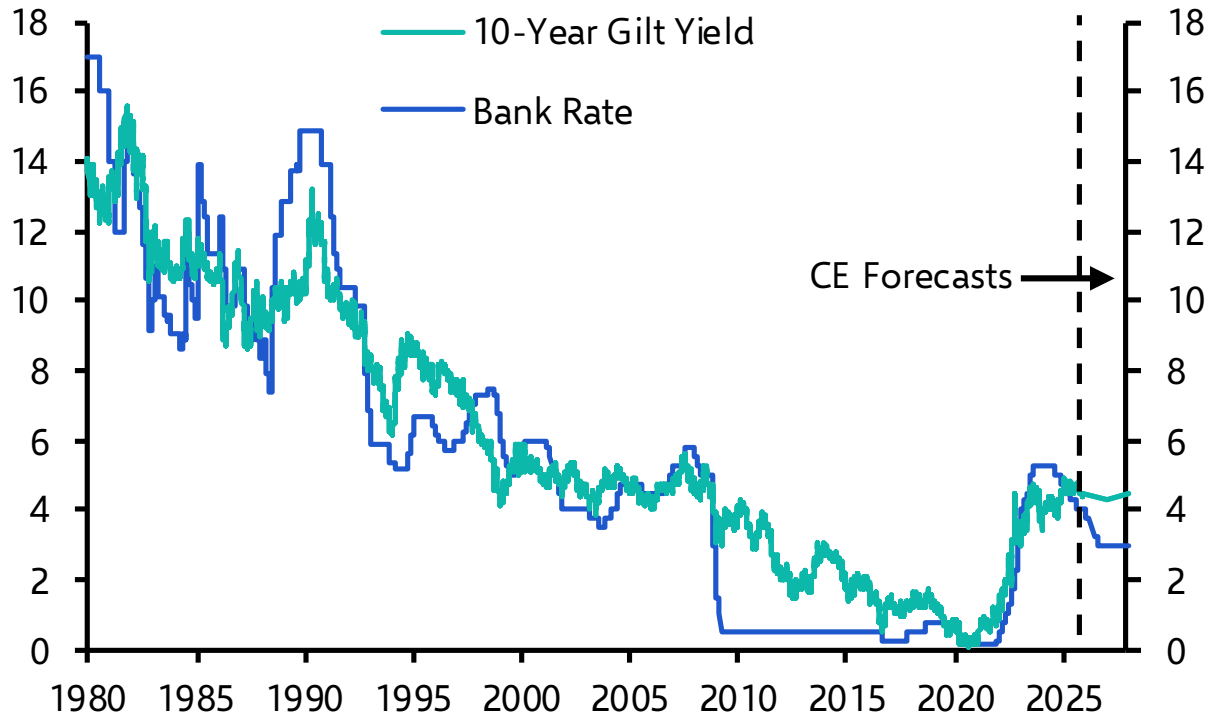
Sources: LSEG Data & Analytics, [Capital Economics](#)

10-Year Gilt Yield & GBP/USD



Sources: LSEG Data & Analytics, [Capital Economics](#)

10-Year Gilt Yield & Bank Rate (%)



Sources: LSEG Data & Analytics, [Capital Economics](#)

Forecasts & conclusions

Before Budget Policies	Latest	2025	2026	2027
GDP (%y/y)	1.4 (Q2)	1.5	1.2	1.5
CPI Inflation (%)	3.8 (Sep.)	3.4	2.5	1.8
Bank Rate* (%)	4.00	4.00	3.00	3.00
House Prices (Q4, %y/y)	2.4 (Oct.)	1.5	3.5	3.0
Housing Transactions (mill)	1.15 (Q3)	1.19	1.15	1.20
Market Rents (%y/y)	2.4 (Jul.)	2.6	3.0	3.5
10-Year Gilt Yield* (%)	4.40	4.75	4.25	4.50
\$/£*	1.31	1.32	1.30	1.30
Euro/£*	1.14	1.15	1.13	1.13

- Budget will be a drag on GDP growth, inflation and interest rates.
- Budget will be a headwind for housing activity/prices and a tailwind for rents.
- Budget may add to the downward influences on gilt yields and the pound.

Sources: LSEG, [Capital Economics](#). * Latest 11th Nov, forecasts are end-period.

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