Impact of the Budget on British Industry

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We waited to see what impact the Chancellor's budget would have on industry. It is very clear from what George Osborne said, that the situation is dire. In his budget speech on Wednesday 20th March the Chancellor revealed that growth in 2013 is set to be 0.6%, half the 1.2% forecast by the Office of Budget Responsibility in the Autumn statement just three months ago. The level of debt is also set to rise. As Joseph Stiglitz, the former chief economist of the World Bank, has said "lower output and rising debt across the continent are nothing but a toxic brew".

So, what impact will the budget have on industry? Did the Chancellor do something to support industry, stop the cuts and boost employment and will it restore confidence in the British economy for it to regain that triple A rating from Moody's? Will the prospect of social unrest be avoided?

The Chancellor did scrap the planned 3p rise in fuel duty. This should ease household budgets and could give a boost to the car industry. Jaguar Land Rover, based in the West Midlands, is doing well. However, there is evidence is that new car sales in the volume market have been falling. The 1p off a pint of beer, dubbed "small beer" in today's newspapers, might also help the brewing industry in Burton, as well as go some way to help stop closures of country pubs.

Corporation Tax is down to 20%, the lowest in the world, and this will help make the UK an attractive place for inward investors to do business. Cutting National Insurance contributions by £2,000 for all companies, will also help reduce business costs. Investment might be boosted for firms wanting to buy capital equipment, as the Funding for Lending Scheme, which aims to increase bank lending to businesses, is extended to the tune of £60bn. The help being offered to homebuyers should help the construction industry. All these should safeguard jobs, sorely needed, given this was a day on which it was announced that unemployment has risen to 2.52million.

A further boost has been given to industrial development, since the Chancellor endorsed Lord Heseltine's Local Growth Plan, where up to £58m of central government funds could be devolved, albeit on a competitive basis, to the public-private partnership of the LEPs, to help them secure growth in their local areas. Greater Birmingham and Solihull LEP is in the vanguard of this initiative; and Business Secretary, Vincent Cable, should be happy about this support for a local industrial strategy. Some £3bn per year for the next five years starting in 2015 is also to be diverted into infrastructure projects. However, this is a case of the Chancellor robbing Peter to pay Paul since the money for infrastructure will come from cost savings in Departmental budgets, which will also see another 1% cut in their budgets this coming year.

It is clear that austerity will continue to rule, as the Chancellor makes further attempts to cut the deficit. With public sector pay rises capped at 1%, it is not surprising that civil servants were on strike earlier this week, protesting against poor pay and pensions, when it is likely that more of them will lose their jobs as the cuts bite. Nor is any real additional spending being made on infrastructure, which could boost jobs, give people money to spend, thereby sustaining demand and enabling a reasonable level of taxation to help reduce the deficit.

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