

Peel Hunt: 'Missing piece' in Reeves' City growth push

Peel Hunt has stated that the government has shown a “fundamental shift” in its growth strategy, but needs to address the crucial matter of driving investment into the UK stock market.

In an investor note released this week, Charles Hall, Peel Hunt's head of research, emphasised that while Rachel Reeves's Mansion House speech last week was a “seminal moment” for the UK, the “piece that was missing” was direct action to boost investment in UK equities.

Hall suggested this could be achieved by encouraging pension funds to invest more in the UK, including London's junior AIM in business property relief and adjusting ISAs. He added that offering “tax advantages to invest in cash and overseas assets make little economic sense”.

He pointed out that if domestic allocation to UK stocks increased by between five and 10 per cent, it would result in an additional £40bn to £80bn of investment in the UK by 2030.

Hall noted that since the global financial crisis, the UK has been stuck in a low-growth environment “with a paltry 1.1 per cent annual GDP growth compared to two per cent in the US”, as reported by [City AM](#).

However, the research chief expressed that with the “right environment and government initiatives”, the UK can return to being a higher growth and productive economy, which is why the recent initiatives from the government were so important.

Last week, in her inaugural Mansion House speech, Reeves highlighted unintended stifling impacts the post-global financial crisis regulations have had on growth.

Seeking to galvanise risk-taking and growth within the City, Reeves unveiled a suite of reformative measures aimed at bolstering competition in financial services and releasing new capital from Britain's pension funds.

Reeves also committed to prioritising the financial services sector as one of the eight pivotal 'growth-driving sectors' in the UK. The government has initiated a call for evidence as part of their strategy, with plans to publish by next spring.

A centrepiece of Reeves' new proposals included directives to the Financial Conduct Authority and other City watchdogs to enhance their growth focus.

Dismissing claims of the measures being inconsequential, Hall asserted, "Messages from the government demonstrate its priorities and clear direction."

Hall acknowledged a "material change" in the FCA since it adopted a secondary objective focused on growth last year.

Further, Reeves has advocated for the amalgamation of over 80 local authority pension schemes, holding assets totalling £350bn, fostering a new private stock exchange, and supporting a nascent 'British Growth Partnership'. Hall expressed support for these initiatives.

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