

City Comment: Tax giveaways at odds with wider sentiment

Some warm words today from our new [chancellor](#). [Kwasi Kwarteng](#) wants to “turn the vicious cycle of stagnation into a virtuous cycle of growth”, something he believes can be achieved by a bunch of supposedly [City](#)-pleasing tax cuts.

How did the actual City react?

Well, the [pound](#) fell below \$1.12, the lowest since 1985, on fears in the [Square Mile](#) and beyond that the extra borrowing needed to fund the cuts will just further undermine the currency.

Beyond that, few of the optics look good.

Consumer confidence is plunging, with the closely watched GfK survey saying UK households are “buckling under the pressure” of inflation.

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Various measures of growth suggest the UK is already in

recession. Indeed, in City circles the talk is of how deep that recession will be, rather than whether it will happen or not.

In that context, talk of unleashing the power of the financial services sector might look askew.

“We cannot allow,” think tank Parliament Street says today, “to allow excessive paperwork and compliance rules to suffocate its growth”.

Sadly, the supposed excess regulation in the City has nothing to do with inflation, the energy crisis, mad Vlad Putin or rocketing interest rates.

A really brave politician might have said there’s very little he can do about any of those things. Instead the Chancellor offered us words like “bold and unashamed” as if tax cuts to people who already vote for you are a radical new idea.

There’s a lot to be said for optimism. Gloomsters predicting the end of the world tomorrow have been wrong every day so far.

But reality bites and it is far from clear that today’s proposals will do anything except give already reasonably comfortable people a short-term lift.