

# State of Play

## The UK has spoken



11 July 2024

After 6 weeks of campaigning, the dust has finally settled, and the UK has chosen a new government. Labour won with a significant majority – gaining over 400 seats and an estimated 35% of the vote, the lowest share for a governing party in history.<sup>1</sup> The country's new Prime Minister Keir Starmer has appointed 22 Labour MPs and peers to key cabinet positions - including a record 11 women - after the party's landslide election victory. This week's State of Play looks at the market reaction to the election result and what might be next for the UK under the new Labour government.

### Market reaction

As polls leading up to the election had predicted a sizable Labour majority, the election result came as no surprise. Investors had already priced in a Labour government in their valuations, meaning that the market reaction was fairly muted, however, the FTSE 100, FTSE 250 and the pound rose slightly on the Friday.<sup>2</sup>

Another reason for the muted reaction to the biggest Conservative defeat in history is that the markets believe that little will change. The small opening rise in the FTSE 100 index was led by housebuilders in anticipation of changes to planning law, but Labour's broader economic plans are modest and cautious. They have ruled out big increases in spending and taxes, and will be subject to rules governing how much they can borrow.

Given the independence of the Bank of England and the continued prioritisation of fiscal stability, the election result is unlikely to have any

immediate influence over the direction of UK interest rates. UK inflation was already falling this year and the Bank of England had already flagged its next move was likely to be a rate cut, well before the election result.

## What's next?

### The King's Speech

The State Opening of Parliament marks the formal start of the parliamentary calendar and will take place on 17 July. This is when there will be the King's Speech, which will set out the government's policy priorities for the year.

Labour have spent months preparing the details of this. The creation of Great British Energy, nationalisation of the railways, an employment rights bill, planning reforms to facilitate the construction of additional homes, and an increase in NHS appointments are among the high-profile issues potentially on the agenda. Labour also wants to bring back measures that the Conservatives had promised but had not followed through on, like banning no-fault evictions and banning young people from smoking.

### 22 - 25 September: Labour Party conference

Party conference season will kick off as usual in September, with Labour returning to their usual spot in Liverpool from Sunday 22 to Wednesday 25 September. Labour look set to use the opportunity to big up their achievements within the first few months in office and set out their long-term vision for the country.

### Autumn budget

Held twice a year, the spring and autumn budgets are a significant fiscal event in any government's calendar. The new Chancellor, Rachel Reeves, has stated that she will not present her economic plans prior to receiving the Office for Budget Responsibility's forecasts, which takes ten weeks to prepare. This indicates that the budget will be delivered in mid-September at the earliest. More details about Labour's manifesto pledges—such as expanding the windfall tax on energy companies, changing the non-dom tax status, and adding VAT to private school fees—will probably be included in the budget.

## The value of seeking guidance and advice

It is important to seek advice and guidance from a professional financial adviser who can help to explain how to build an appropriate financial plan to match your time horizons, financial ambitions and risk comfort. If you already have a plan in place or have already invested, it is important to allocate time to review this to ensure this remains on track and appropriate for your needs.

**Learn more!**

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing [here](#).

Note: Data as at 11 July 2024

<sup>1</sup>Hargreaves Lansdown, 5 July 2024

<sup>2</sup>The Guardian, 5 July 2024

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