# 2016

# GROWTH STRATEGY

# United Kingdom

**United Kingdom 2016 Growth Strategy Update**

## A. Economic Context and Objective

The UK's economic performance has been strong in recent years. Since Q1 2010 the UK economy has grown by 13.8% and is 7.7% bigger than its pre-crisis peak. The UK was the fastest growing major advanced economy in 2014, and the second fastest in 2015 behind only the US.

The economy is in a far stronger position than in 2010, with the budget deficit cut by almost two thirds from its 2009-10 peak, employment at a record high of 31.7m, unemployment at 4.9%, the lowest level since 2005, and the highest number of businesses on record, with almost 1m more than in 2010. The UK has good infrastructure and strong institutions. The World Bank has ranked the UK the sixth best place for doing business, and the World Economic Forum placed it as the tenth most competitive country in the world in their latest survey.

The vote to leave the EU has created a period of uncertainty, which will be followed by an adjustment as the shape of our new relationship with the EU becomes clear and the economy responds. The strength of the economy as the UK enters this period means it is well-placed to deal with any short term volatility and the longer term adjustment. The UK economy is highly flexible and dynamic, which will help it move to a new equilibrium. The UK's fundamental strengths will allow it to take advantage of the opportunities it has as it forges a new relationship with the EU.

The government, the Bank of England and the Financial Conduct Authority have worked together to maintain financial stability following the referendum. The independent Monetary Policy Committee and Financial Policy Committee have now taken steps to support the economy through this period of adjustment. And along with the actions the Bank of England has taken, the government is prepared to take any necessary steps to support the UK economy and promote confidence.

### Future Relationship with the EU

The government wants to work closely with the EU, in an orderly fashion, to establish a mutually advantageous arrangement for the future. The government recognises the significant effect negotiations could have on all international partners, EU and non-EU alike. In order to achieve our shared goal of strong, sustainable and balanced growth, the government is committed to working closely with international partners in the coming period, as well as delivering the right results for the UK and for the European Union.

# B. Macroeconomic Policy Actions to Support Growth

### The Government's Fiscal Plan

The UK faces the future from a much stronger position today than it did in 2010. The deficit has been cut by almost two thirds from its 2009-10 peak of 10.1 percent of GDP, falling to 4 percent of GDP in 2015-16. The government will continue with its intention to cut the budget deficit over the medium-term and will take the measures needed to stabilise the economy and rebuild confidence.

The UK government will set out its fiscal plans at the Autumn Statement in the normal way, once the Office for Budget Responsibility has produced a new forecast.

### Monetary Policy

The Bank of England's August 2016 Inflation Report outlined a pronounced shift in the outlook for UK economic activity. The Bank expects heightened uncertainty to weigh on output and employment as households defer consumption and firms delay investment decisions. There are lower paths for demand, supply and the exchange rate than in the previous forecast. Demand is forecast to fall relative to potential supply, opening up spare capacity and putting downward pressure on domestic costs. The recent depreciation of sterling is expected to put upward pressure on import prices, pushing up inflation. On balance, the Monetary Policy Committee (MPC) expects inflation to rise temporarily above the 2% target in the latter part of the forecast period.

These developments have presented the MPC with a trade-off between delivering 2% inflation in the medium term and stabilising activity around potential. In the Governor's open letter on inflation he makes clear that the MPC judges that fully offsetting the effects of sterling's depreciation on inflation would lead to an undesirable loss of output and higher unemployment, and would be less likely to generate a sustainable return of inflation to the target beyond the three-year forecast horizon. The MPC therefore decided on a package of stimulus measures such that inflation is forecast to settle at its target over a longer period than usual to mitigate the adverse effects of the shock on growth.

The MPC voted in August for a package of measures designed to provide additional support to growth and to achieve a sustainable return of inflation to the target. The package included: a 25 basis point cut in Bank Rate to 0.25%; a new Term Funding Scheme (TFS) to reinforce the transmission of the cut in the Bank Rate; the purchase of up to £10 billion of UK corporate bonds; and an expansion of the asset purchase scheme for UK government bonds of £60 billion, taking the total stock of these asset purchases to £435 billion. The last three elements will be financed by the issuance of central bank reserves. The MPC also gave forward guidance in its meeting minutes stating that it had the scope for further action and if upcoming data releases were broadly consistent with the forecast produced in the August Inflation Report, the majority of members expected to support a further cut in the Bank Rate to its effective lower bound – currently judged to be close to, but a little above, zero – during the course of the year.

## Financial Regulation and Macroprudential Policy

Since the financial crisis, the United Kingdom has fundamentally reformed regulation of the financial sector to enhance its resilience to future shocks. In its July 2016 Financial Stability Report (FSR), the Financial Policy Committee (FPC) identified the following risks to financial stability: the financing of the United Kingdom's current account deficit; the UK commercial real estate (CRE) market; the level of UK household indebtedness; subdued growth in the global economy; and fragilities in financial market functioning. The FPC is monitoring these risks closely.

Although the outlook for financial stability is challenging, the UK's financial system is resilient. This resilience is grounded on substantial capital and liquidity buffers, a regulatory framework that allows those buffers to be drawn on and an institutional framework that promotes co-ordinated, evidence-based responses to risks. In December 2015, the FPC fulfilled its medium-term priority of clarifying the overall equity and loss-absorbing capacity requirements for the UK banking system. This framework aims to create a resilient financial system that can provide critical services to the real economy, even in periods of stress, without compromising the capacity of the financial sector to support sustainable economic growth over the long term.

In June 2016, in response to the challenging outlook for financial stability, the FPC reduced the countercyclical capital buffer (CCyB) rate to 0% with immediate effect. This reversed its decision earlier in the year to raise the CCyB to 0.5%, consistent with the financial stability risk outlook at the time. Assuming no material changes in the outlook for financial stability, the FPC expects to maintain a 0% CCyB rate until at least June 2017. This action will raise banks' capacity for lending to UK households and businesses by up to £150 billion. The resilience of the UK financial system is also supported by the results of the Bank of England's annual stress test, released in December 2015. The FPC judged that no macroprudential actions on bank capital were required in response to the 2015 stress test. The stress-test results suggest that the banking system is capitalised to support the real economy in a severe global stress scenario adversely affecting the United Kingdom.

# C. Structural Reform Priorities

## Implementation of Past Commitments

The UK continues to make good progress in implementing commitments made in the Brisbane and Antalya Growth Strategies. Employment measures such as the National Living Wage, increased apprentice minimum wage and the increase to the Employment Allowance have come into effect, whilst commitments on 30 hours free childcare, Universal Credit and the Apprenticeship Levy are being rolled out. The government has implemented several commitments to raise the quality and quantity of infrastructure investment, and progress continues on major projects. Changes to the planning system and an increase to the Annual Investment Allowance will help businesses to increase investment, whilst the British Business Bank continues to help smaller businesses access funding. On housing, the government has made significant progress in boosting housing supply; over 700,000 homes have been built since 2010 including 270,000 affordable homes. This year has also seen continued progress to reduce the regulatory burden on businesses through the Cutting Red Tape programme and the Small and Micro Business Assessment.

### New Structural Reform Measures

The government is taking further action to support business and drive up productivity growth. New measures include further reductions to corporation tax to support investment in the UK economy, reducing National Insurance contributions to support the self-employed, and continuing to cut red tape by extending the scope of the Business Impact Target to cover the actions of regulators as well as government. The government continues to drive forward devolution, giving local areas further control over the decisions that affect their communities. Headline measures include strengthening city regions within Scotland and Wales, and agreeing new mayoral devolution deals around England.

### Trade

Following the result of the EU referendum, the UK is exploring options for a future relationship with Europe and the rest of the world from outside the EU. To that effect, the UK has set up a new Department for International Trade which will promote UK exports and trade, drive inward investment, and, in time, negotiate trade agreements.

## D. Investment

The government has implemented several key investment commitments from the Brisbane and Antalya Growth Strategies, including increasing the Annual Investment Allowance, launching the UK Guarantees Scheme and British Business Bank, and pressing ahead with major infrastructure projects such as High Speed 2 and Crossrail.

Average annual infrastructure investment (public and private) rose by 17% in the last Parliament when compared to the preceding one, and the government has committed to invest over £100bn in infrastructure this Parliament.

The government has also set up 2 new bodies – the Infrastructure and Projects Authority and a National Infrastructure Commission (NIC) – to ensure the right projects are identified and delivered successfully. The NIC will provide expert, independent, analysis and advice on pressing infrastructure issues, and have already begun work on a National Infrastructure Assessment, which will establish the UK's infrastructure needs and put forward priorities for the next 30 years.

**Annex 1. Past commitments – Brisbane and Antalya commitments**

**Brisbane and Antalya Key Commitments for Monitoring Purposes**

**EMPLOYMENT**

<table>
<tr><th>National Living Wage.</th><th colspan="3">A new National Living Wage for workers aged 25 and above initially set at £7.20 and continuing to rise to 60% of median earnings by 2020.</th></tr>
<tr><td>Inclusion of the commitment in growth strategies</td><td colspan="3">This measure was included in the Antalya growth strategy.</td></tr>
<tr><td rowspan="2">Detailed implementation path and status</td><td>Interim Steps for Implementation</td><td>Deadline</td><td>Status</td></tr>
<tr><td>1. The new National Living wage was introduced in April 2016.<br>2. The Low Pay Commission will advise on the pace of future increases to 60% of median earnings by 2020.<br>3. The new NLW rate will come into effect each year in April.</td><td>The NLW will rise to 60% of median earnings by 2020.</td><td>Implemented.<br>The £7.20 rate was introduced in April 2016. In future, The Low Pay Commission will continue to monitor the NLW and make recommendations on the level that should apply each year taking into account the state of the economy.<br>The ambition is that it should continue to increase to reach 60% of median earnings by 2020, subject to sustained economic growth.</td></tr>
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| **Impact of Measure** | A new NLW for workers aged 25 and above will reduce low pay and increase the return to entering work. It has been initially set at £7.20 – a rise of 50p relative to the current National Minimum Wage (NMW) rate and equivalent to a £900 p.a. increase in annual earnings for a full-time worker on the current NMW. Over a million low paid workers are expected to benefit this year. |

| **Increasing the number of apprenticeships.** | **A levy to fund an uplift in apprenticeship starts and quality by 2020.** | | |
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| **Inclusion of the commitment in growth strategies** | This measure was included in the Antalya growth strategy. | | |
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | The Apprenticeship Levy is currently being legislated for in Finance Bill 2016. Elements of the legislation featured in the Enterprise Act.<br><br>The Apprenticeship Levy will come into effect in April 2017. It will be set at a rate of 0.5% of employer paybill. Each employer will have an allowance to offset the first £15,000 of their levy liability which means in practice, only employers with a paybill greater than £3 million will pay the levy.<br><br>Employers in England will have control of their levy | The Apprenticeship Levy will come into effect in April 2017. | On track.<br><br>The Finance Bill is expected to receive Royal Assent in Autumn 2016. The Enterprise Bill has received Royal Assent. |

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| | through a digital account from which they choose and purchase apprenticeship training programmes. | | |
| **Impact of Measure** | The Apprenticeship Levy will support productivity growth by increasing the quantity and quality of apprenticeship training. It may have a near-term impact in reducing earnings growth, although by supporting increased productivity, it is expected that the levy will lead to increased profitability for businesses, and increased wages over the long-term.<br><br>The government publishes data on apprenticeships as part of a further education and skills release. In addition a new Institute for Apprenticeships is being established to monitor and oversee the quality of apprenticeships. | | |

| **National Insurance contributions: Under 21s.** | **Abolition of employer National Insurance contributions for individuals under the age of 21 earning less than £827 a week (previously £815 a week).** | | |
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| **Inclusion of the commitment in growth strategies** | This measure was included in the Antalya growth strategy. | | |
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | This measure has come into effect. | The measure was implemented in April 2015. | Implemented.<br>In April 2015, the government abolished employer National Insurance contributions for individuals under the age of 21, who earn less than £815 a week. The threshold was increased to £827 for |

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| | | | 2016/17 to maintain alignment with the higher rate threshold for income tax. |
| **Impact of Measure** | It is estimated that the relief benefits employers of almost 1.8 million young people by £332 per employee on average over the year. The policy makes it over £500 a year cheaper to employ someone under the age of 21 earning £12,000; or over £1,000 a year cheaper for an employee earning £16,000. The relief is part of a coherent strategy to reduce youth unemployment. | | |

| **National Insurance contributions: Employment Allowance.** | **The Employment Allowance provides a reduction in the employer National Insurance contributions liability of businesses and charities of up to £3,000 (£2,000 previously).** | | |
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| **Inclusion of the commitment in growth strategies** | This measure was included in the Brisbane growth strategy. | | |
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | The Employment Allowance increased by 50% in April 2016. | This measure was implemented in April 2016. | Implemented.<br>The government continues to review take up of the Employment Allowance on an annual basis. |
| **Impact of Measure** | Around 680,000 employers (48% of all employers) have been lifted out of employer National Insurance contributions altogether since the Employment Allowance was first introduced in 2014-15. A further 90,000 employers are expected to be taken out of NICs now that the Employment Allowance has risen to £3,000. The allowance primarily supports small businesses by reducing costs associated with employment. | | |

<table>
<tr><th>Apprentice National Minimum Wage.</th><th colspan="3">Increasing the Apprentice National Minimum Wage Rate.</th></tr>
<tr><td>Inclusion of the commitment in growth strategies</td><td colspan="3">This measure was included in the Antalya growth strategy.</td></tr>
<tr><td rowspan="2">Detailed implementation path and status</td><td>Interim Steps for Implementation</td><td>Deadline</td><td>Status</td></tr>
<tr><td>Implemented 1 October 2015.</td><td>Implemented.</td><td>Implemented.<br><br>On October 1 2015 the Apprentice National Minimum Wage rate increased to £3.30 from £2.73.<br><br>The Government has announced that it will be increased by a further 3% to £3.40 in October 2016.<br><br>The Low Pay Commission make recommendations on the level of the Apprentice National Minimum Wage each year.</td></tr>
<tr><td>Impact of Measure</td><td colspan="3">The increase ensures apprenticeships remain an attractive option for young people, supporting skills development. The impacts of these increases in the Apprentice National Minimum Wage with respect to average earnings, coverage and employment effects will be analysed in the Autumn 2016 and 2017 Low Pay Commission reports.</td></tr>
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| **Increasing Female Labour Participation: 30 Hours free childcare.** | **30 Hours free childcare for children of working parents of 3 and 4 year olds.** | | |
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| **Inclusion of the commitment in growth strategies** | This measure was included in the Antalya growth strategy. | | |
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | The Childcare Act 2016 has received royal assent and the policy is on track for delivery. From September 2016, trail areas will receive 30 hours free childcare for working parents of 3 and 4 year olds, a year ahead of schedule. Over 1,800 local authorities and providers registered their interest in implementing the policy early from September 2016, including nurseries, schools and childminders. From September 2017, all eligible working parents of 3 and 4 year olds will receive 30 hours free childcare.<br><br>In June 2015 the government created the Childcare Implementation Taskforce to ensure successful delivery of the government's childcare commitments, including 30 hours free childcare. | Early implementers from September 2016 and full national roll-out from September 2017. | On track.<br><br>The Childcare Bill 2016 has received royal assent. |
| **Impact of Measure** | The government has committed to doubling the existing free entitlement of 15 hours free childcare for all 3 and 4 year olds, to 30 hours for working parents of 3 and 4 year olds, worth £5,000 a year per child. This will help working parents with their childcare costs and support parents who want to return to work or increase their hours, to do so. | | |

<table>
<tr><th>Increase female labour participation: Universal Credit.</th><th colspan="3">Universal Credit will provide additional childcare support over and above the tax credits system. First, UC supports 85%, rather than 75% of eligible childcare costs. Second, childcare in UC will be available to parents in work, without a minimum hours requirement.</th></tr>
<tr><td rowspan="2">Detailed implementation path and status</td><td>Interim Steps for Implementation</td><td>Deadline</td><td>Status</td></tr>
<tr><td>UC is available in every Jobcentre and has been rolling out for all household types since May 2016. UC support increased to 85% of eligible costs from April 2016.<br><br>From April 2016, households on Universal Credit will be able to claim 85% of their eligible childcare costs up to a cap limit.</td><td>UC is available in every Jobcentre and has been rolling out for all household types since May 2016. UC support increased to 85% of eligible costs from April 2016.</td><td>On track.<br><br>Currently in Universal Credit, working families can claim up to 70% of their eligible childcare costs each month, up to a cap. From April 2016 the rate of support increased to 85% of eligible costs.</td></tr>
<tr><td>Impact of Measure</td><td colspan="3">Universal Credit provides support with the costs of childcare to help make work pay – up to full time work. The removal of the 16 hours worked per week threshold is expected to help up to 100,000 additional families. Since April 2016, families on Universal Credit where the lone parent or both parents in a couple are working are able to claim 85% of their eligible childcare costs up to a cap limit. This change will benefit around 500,000 working families by an average of around £60 per month, once Universal Credit has been fully rolled out.<br><br>Universal Credit helps lone parents, who are mostly women, work a small number of hours, through increased work allowances and childcare for the first time for those working under 16 hours.</td></tr>
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## INFRASTRUCTURE AND INVESTMENT

<table>
<tr><th>Increasing the Annual Investment Allowance.</th><th colspan="3">Increasing the permanent level of the Annual Investment Allowance from £25,000 to £200,000.</th></tr>
<tr><td>Inclusion of the commitment in growth strategies</td><td colspan="3">This measure was included in the Antalya growth strategy.</td></tr>
<tr><td rowspan="2">Detailed implementation path and status</td><td>Interim Steps for Implementation</td><td>Deadline</td><td>Status</td></tr>
<tr><td>At Summer Budget 2015, the government announced that it would support business investment by increasing the permanent level of the Annual Investment Allowance (AIA) from £25,000 to £200,000 for all qualifying investment in plant and machinery made on or after 1 January 2016.</td><td>The £200,000 AIA came into effect on 1 January 2016 as planned.</td><td>Implemented.<br><br>The Permanent increase to the AIA limit to £200,000 took effect from 1 January 2016.</td></tr>
<tr><td>Impact of Measure</td><td colspan="3">By permanently raising the relief on qualifying expenditure up to a £200,000 limit, this measure will provide an incentive, particularly to small and medium-sized businesses, to increase their capital expenditure on plant and machinery.</td></tr>
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| **Major Infrastructure Projects.** | **Support public infrastructure investment through a range of major projects.** | | |
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| **Inclusion of the commitment in growth strategies** | These measures were included in the Brisbane and Antalya growth strategies. | | |
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | 1 – Pass Hybrid Bill for Phase 1 of High Speed 2 rail project.<br>2 – Planning Court introduced 6th April 2014. | 1 – End of 2016.<br>2 – Implemented. | 1 – Hybrid Bill has passed Select Committee stage and is on track to receive Royal Assent by the end of 2016.<br>2 Implemented. |
| **Impact of Measure** | 1 – High Speed 2 will link 8 of Britain's 10 largest cities, directly serving 1 in 5 of the UK population. It will deliver improved rail services to more than 100 cities and towns and will cut journey times between major cities – the journey from Leeds to Manchester will be cut from nearly 2 hours to under 1 hour. Over 90 million passengers are expected to use High Speed 2 every year. The full network will generate benefits to transport users of approximately £60 billion and wider benefits of over £13 billion.<br><br>2 – The Planning Court has sped up projects that are subject to legal challenge. The time from lodging a claim to reaching a permission decision on papers has fallen by almost half since April 2013. The time from requesting to reaching a decision at an oral renewal has also fallen by around half. The time from lodging a claim to reaching a decision at a final hearing has fallen by around 46% from 54 weeks (in the 12 months to April 2013) to 29 weeks (in the 12 months to May 2015). | | |

**COMPETITION**

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| **Cutting Red Tape.** | **In 2015 the government launched the Cutting Red Tape programme, which works in partnership with industry to identify and address red tape resulting from legislation and enforcement activities in sectors.** | | |
| **Inclusion of the commitment in growth strategies** | This measure was included in the Antalya growth strategy. | | |
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | 1. The programme has completed and published its findings of reviews in the energy, adult social care and waste sectors.<br>2. Further reviews are currently being conducted in minerals, farming, childcare, local authorities, house building and enhancing the effectiveness of the anti-money laundering and terrorist financing regime. The findings of these reviews will be published in due course.<br>3. The programme is considering future sectors for review and broader areas of regulation to analyse for savings. | There is no deadline for individual reviews. The length of the review depends on business engagement and the volume of responses/findings to consider. | Implemented and ongoing.<br>The Cutting Red Tape programme will run across the parliament.<br>There have been 3 reviews to date and findings have been published. |
| **Impact of Measure** | The Cutting Red Tape programme has built on previous deregulatory initiatives such as the Red Tape Challenge and Focus | | |

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| | on Enforcement programmes by conducting sector based reviews of both legislation and enforcement. The findings of the first 3 reviews have now been published, although it is not yet possible to quantify the impact of the review until the policy to respond to the findings has been fully developed. It is expected that the reviews will deliver savings for business by tackling burdensome legislation and enforcement. |

<table>
<tr><th>Small and Micro Business Assessment.</th><th colspan="3">A new Small and Micro-Business Assessment for all domestic measures.</th></tr>
<tr><td>Inclusion of the commitment in growth strategies</td><td colspan="3">This measure was included in the Brisbane growth strategy.</td></tr>
<tr><td rowspan="2">Detailed implementation path and status</td><td>Interim Steps for Implementation</td><td>Deadline</td><td>Status</td></tr>
<tr><td>The assessment replaced a moratorium on new regulation for micro-businesses and start-ups, which was in place until 31 March 2014.</td><td>The policy has been implemented.</td><td>Implemented.<br>This assessment is now a standard element of the government's Impact Assessments.</td></tr>
<tr><td>Impact of Measure</td><td colspan="3">The small and micro-business assessment is an essential part of the government's Impact Assessment template. All government departments must consider how regulation will impact on small and micro businesses, which is assessed by the independent Regulatory Policy Committee. If at any stage, unnecessary burdens on small businesses are identified, proposals will only be cleared if an exemption is granted to smaller businesses - or if disproportionate burdens on small businesses are fully mitigated.</td></tr>
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## HOUSING

| Build a stable housing market. | Build a stable housing market through a number of measures including extending the Help to Buy Scheme, Delivering 400,000 affordable housing starts by 2020-21 and the creation of Housing Zones. | | |
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| **Inclusion of the commitment in growth strategies** | This measure was included in the Antalya growth strategy. | | |
| **Detailed implementation path and status** | Interim Steps for Implementation | Deadline | Status |
| | 1. Ministers have designated 20 Housing Zones and committed to work with a further 8 potential shortlisted Zones. Government have signed the first Housing Zone investment funding contract. The last Mayor designated a further 31 Zones in London. This has been piloted with 73 councils – pilots will inform wider rollout of scheme.<br>2. Statutory registers of brownfield sites suitable for housing to provide house builders with up to date and publicly available information.<br>3. The government has increased its ambition from the 2015 Growth Strategy and now aims to build | 1. Ongoing over this Parliament and beyond.<br>2. Ongoing over this Parliament.<br>3. 400,000 affordable housing starts by 20-21.<br>4. Ongoing. | 1. On track.<br>2. On Track.<br>3. Starter Homes Land Fund has been launched to remediate brownfield land to deliver 30,000 Starter Homes.<br>4. Spending Review 15 announced that Help to Buy: equity loan would be extended to 2021. |

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| | 400,000 homes by 2020. The Department for Communities and Local Government have launched and will respond to the Starter Homes consultation to inform final policy detail. Shared Ownership Prospectus has also been launched that invites developers to bid for funding to build Shared Ownership homes.<br>4. Help to Buy has the extension of the equity loan scheme to 2021. | | |
| **Impact of Measure** | Collectively, the Help to Buy Schemes have helped over 160,000 people on or up the housing ladder. Housing starts are at an 8 year high, with over 142,000 homes built last year.<br><br>700,000 homes have been built since 2010 including 270,000 affordable homes. | | |

**Other Non-key Commitments**

**MACRO-PRUDENTIAL AND FINANCIAL REGULATION**

| **Strengthening the UK Resolution Regime for Banks and Investment Firms.** | **Transposition of the Bank Recovery and Resolution Directive (BRRD) in order to further develop the UK regime for resolution of banks and investment firms.** |
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| **Implementation path and expected date of implementation** | Implemented.<br>The UK's special resolution regime was updated on 1st January 2015 to transpose the Bank Recovery and Resolution Directive (see below). |
| **Status of Implementation and Impact** | The United Kingdom's special resolution regime was put in place in 2009, and has been enhanced subsequently, to ensure that the failure of a bank can be managed in a way that protects the wider economy and financial sector, without relying on taxpayer bail-outs.<br>The Bank Recovery and Resolution Directive (BRRD) establishes a common approach to the recovery and resolution of banks and investment firms. |

| **Ring-fencing of core retail services.** | **Core retail banking services must be in a legally, financially and operationally independent subsidiary from any trading or investment banking activities.** |
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| **Implementation path and expected date of implementation** | The primary and secondary legislation needed to implement ring-fencing has been passed. Further detailed ring-fencing rules are being put in place by the PRA. Banks are on track to implement ring-fencing by 2019.<br>Ring-fencing was introduced with the Financial Services (Banking Reform) Act which received royal assent 18 December 2013. Banking reform 'scope of the ring-fence' secondary legislation was approved by Parliament on 23 July 2014. Banking Reform Pensions Regulations secondary legislation was approved by Parliament on 5 March 2015. |

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| **Status of Implementation and Impact** | Ring-fencing supports financial stability by insulating retail and small business deposits and payments services (known as 'core services', whose continuous provision is essential to the economy) from shocks originating elsewhere in the global financial system; and by making ring-fenced banks (which provide those essential 'core services') simpler and more resolvable – so core services can be kept running even if a ring-fenced bank or its wider group fails.<br><br>The additional effect of this is to reduce the perceived implicit guarantee; that the Government will be compelled to step in to support failing banks. |

**Infrastructure and Investment**

| UK Guarantees Scheme. | The UK Guarantees Scheme to support private infrastructure investment. |
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| **Implementation path and expected date of implementation** | The UK Guarantees Scheme was launched in 2012 to support private investment in UK infrastructure. It can provide £40 billion worth of guarantees and works by guaranteeing the principal and interest payments of infrastructure debt. HM Treasury charges projects a commercial fee to do this. |
| **Status of Implementation and Impact** | Implemented.<br><br>To date the UK Guarantees Scheme has approved £3.7 billion of guarantees for 10 projects with a combined capital value of £23 billion.<br><br>The Government has extended the availability of the UK Guarantees Scheme to March 2021 to support infrastructure projects to raise finance from banks and the capital markets.<br><br>The scheme incentives private investors to contribute further to financing the UK's infrastructure and helping to reduce cost to taxpayers. |

| Contracts for Difference– Energy Strike Price. | Competitive allocation of contracts for renewable electricity producers. |
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| **Implementation path and expected date of implementation** | The policy was implemented in 2014/15. Producers of renewable electricity were eligible to bid for contracts for a guaranteed price (a strike price) for their power output. |
| **Status of Implementation and Impact** | Implemented.<br><br>The first Contracts For Difference (CFD) auction was held in February 2015, and saw £315m p.a. worth of contracts allocated to over 2.1 GW of renewable projects.<br><br>In 2016 the Government announced that it will auction Contracts for Difference of up to £730 million this Parliament for up to 4 GigaWatts of offshore wind and other less established renewables, with a first auction of £290 million. Support for offshore wind will be capped initially at £105/MWh (in 2011-12 prices), falling to £85/MWh for projects commissioning by 2026. |

| Venture Capital Catalyst Fund. | To increase the availability of later stage venture capital (VC). |
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| **Implementation path and expected date of implementation** | Initially funded with £25m, after its successful pilot the programme was extended to £125m in 2014. |
| **Status of Implementation and Impact** | The scheme has been successfully extended, and continues to commit its funding from a strong pipeline. |

| British Business Bank. | The British Business Bank aims to make finance markets work better for smaller businesses. |
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| **Implementation path and expected date of implementation** | The British Business Bank has been fully operational since November 2014. It continues to commit its resources via the range of equity and debt programmes that it administers on a commercial basis. |

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| **Status of Implementation and Impact** | Implemented.<br>The Bank became fully operational at its target date after an initial launch in October 2013, and has obtained the relevant State Aid approvals. It remains on track with committing its resources.<br>Its programmes are already delivering significant results, supporting £3.1 billion of finance to over 48,000 small businesses with a further £4.4 billion of finance to mid-caps (August 2016). |

| **Enable Guarantees.** | **Formally known as Wholesale Guarantees, the scheme aims to incentivize new small business bank lending by using a government-backed portfolio guarantee to increase the commercial attractiveness of small business lending.** |
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| **Implementation path and expected date of implementation** | In March 2015, the British Business Bank announced a £125 million pilot transaction with Clydesdale and Yorkshire Bank. To date, Clydesdale and Yorkshire Bank have engaged in £99m of lending under the programme.<br><br>Conversations are continuing with a number of other banks regarding subsequent transactions. |
| **Status of Implementation and Impact** | On track.<br><br>The first transaction was completed on time and the policy is on track with its roll out, with a good pipeline of interested parties. As at the end of March 2016 the scheme was supporting over 480 SMEs. |

| **Enable Funding.** | **Formally known as the Asset Finance Funding Vehicle, the scheme aims to improve the provision of asset and lease finance to smaller businesses.** |
|---|---|
| **Implementation path and expected date of implementation** | Implemented, with three transactions agreed so far. |
| **Status of Implementation and Impact** | Implemented.<br><br>To date £325m has been allocated to ENABLE Funding. As at the end of June 2016, £202m had been committed and £105m drawn down. |

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| | As at the end of March 2016, the Enable Funding programme was supporting over 2,750 SMEs.<br><br>In May 2016, the BBB agreed a £51m facility to Henry Howard. This is the third transaction in the ENABLE Funding programme, which has now provided a total of £202 million to non-bank asset finance providers. |

| **Investment Programmes, including the Business Finance Partnership (BFP).** | **The programme supports non-bank and challenger bank lenders in order to increase the supply of finance and diversity in the financial marketplace for smaller businesses and mid-caps.** |
|---|---|
| **Implementation path and expected date of implementation** | The Investment Programme was established in 2012 and is committing its funding at a good pace.<br><br>The BFP (mid-cap tranche) was launched at Autumn Statement 2011 and is participating in £4.3bn of funding to small mid-cap businesses.<br><br>The BFP (small business tranche) is facilitating £123m of funding to over 2,300 SMEs. |
| **Status of Implementation and Impact** | Implemented.<br><br>To date £400m has been allocated to the Investment Programme. As at the end of June 2016, £412.9m of resources are committed and £211.4m has been drawn down over the life of the scheme.<br><br>As a whole, the Investment Programme is currently facilitating over £705m worth of finance to more than 9,900 SMEs. |

| **SME credit data.** | **Improving access to SME credit data.** |
|---|---|
| **Implementation path and expected date of implementation** | The policy has been implemented through secondary legislation. Banks and Credit Reference Agencies (CRAs) have been designated under that legislation, and data is expected to start flowing by the autumn. |
| **Status of Implementation and Impact** | On track. Designated banks and CRAs working on implementation. |

| **Extending ISA-qualifying investments to include peer-to-peer loans.** | **Change ISA regulations to increase the choice of investments available to consumers, support alternative finance providers and diversify the available sources of finance to businesses.** |
|---|---|
| **Implementation path and expected date of implementation** | This commitment was implemented in April 2016 with the introduction of the Innovative Finance ISA. |
| **Status of Implementation and Impact** | Implemented.<br>The government bought in the new Innovative Finance ISA in April 2016, allowing peer-to-peer loans within ISA tax-free saving wrapper. The Government will also legislate in autumn 2016 to allow certain debt securities issued by companies and offered via a crowdfunding platform to be held in the Innovative Finance ISA. |

| **R&D Tax Credit.** | **To further support innovative start-ups and early stage companies to invest in research and development (R&D), Budget 2014 announced that the government will raise the rate of the R&D tax credit payable to loss making SME companies.** |
|---|---|
| **Implementation path and expected date of implementation** | This was legislated for in Finance Act 2014, and took effect from 1 April 2014. |
| **Status of Implementation and Impact** | Implemented.<br>Increasing the rate of relief available to SMEs further supports innovative start-ups and young businesses to invest in R&D. This accounts for the fact that young firms are likely to have less cash flow than large firms and so could under-invest in risky R&D projects that might have wider benefits to society.<br>Data is expected in summer 2016 to assess the impact of the measure. |

| **Social investment tax relief.** | **Expand SITR, increasing the number of eligible investments and raising the amount of SITR investment an individual social enterprise may receive.** |
|---|---|
| **Implementation path and expected date of implementation** | Social Investment Tax Relief (SITR) was announced in Budget 2014 and took effect from July 2014. |

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| **Status of Implementation and Impact** | On track.<br>At Autumn Statement 2014 the Government announced that it would expand the scheme subject to state aid rules.<br>SITR allows investors to claim back 30% of the value of an eligible social investment against their income tax liability.<br>In December 2014, the government announced that it would expand SITR, increasing the number of eligible investments and raising the amount of SITR investment an individual social enterprise may receive to £5 million per year up to a maximum of £15 million, subject to agreement by the EU that this is an allowable State aid. |

| **Seed enterprise investment scheme.** | **Ensure venture capital tax schemes continue to effectively support small and growing businesses and improve access to finance for high-growth potential small and medium-sized companies by making the Seed Enterprise Investment Scheme (SEIS) permanent.** |
|---|---|
| **Implementation path and expected date of implementation** | The Seed Enterprise Investment Scheme (SEIS) was made permanent in the Finance Act 2014. |
| **Status of Implementation and Impact** | Implemented.<br>This was made permanent in the Finance Act 2014.<br>The SEIS was launched in April 2012 and has so far helped more than 4,600 companies raise over £420 million. In 2014/15, 2,185 companies raised £168 million of investment. |

<u>**Employment**</u>

| **Supporting work.** | **A package of reforms that will significantly increase the support for and requirements on claimants of out-of-work benefits.** |
|---|---|
| **Implementation path and expected date of implementation** | This work has been delivered in Jobcentres across Britain since April 2014. |
| **Status of Implementation and Impact** | Implemented.<br><br>These measures are ongoing and provide both greater flexibility and support that is better tailored to the individual needs of claimants. A faster transition into employment for those out of work is expected as a result of these measures. The UK has seen a significant fall in the claimant count. |

| **Student numbers.** | **Removal of the cap on student numbers.** |
|---|---|
| **Implementation path and expected date of implementation** | Autumn Statement 2013 announced that the government would remove the cap on student numbers at publicly-funded higher education institutions in England by 2015 16. |
| **Status of Implementation and Impact** | Implemented.<br><br>The government removed the cap altogether at publicly-funded institutions in England in 2015-16, and also removed it from seven alternative providers with degree-awarding powers.<br><br>The student number control limits universities to a maximum number of students, although in 2011 reforms were implemented to remove the cap on the highest grade students (ABB+).<br><br>This will enable institutions to recruit more students than ever before - an estimated 45,000 extra a year by 2018-19.<br><br>The average graduate wage premium remains high despite expansions in the number of graduates, indicating a strong demand for graduates. Alongside the financial returns from Higher Education there are wider societal benefits which provide strong returns to the investment in Higher Education. |

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| | Graduate skills are crucial for future growth in the economy. ONS data shows the percentage of the population classed as graduates has been rising steadily from 17% in 1992, to 38% in 2013.<br>Across the OECD the share of employment that is in high skilled occupations has risen by nearly 20 percent since 1998; the share of employment in low skilled occupations has fallen by more than 12%.<br>Taking account of indirect benefits (e.g. productivity spillovers from increased innovation) suggests a 1% increase in the share of the workforce with a university degree raises long-run productivity by between 0.2% and 0.5%. |

**Competition**

| **One-In, Two-Out.** | **The "One-In Two-Out" policy on new regulation requires that no new regulation is introduced unless it is off-set by deregulation of twice the equivalent value.** |
|---|---|
| **Implementation path and expected date of implementation** | This policy formed the basis of the government's approach to deregulation and was implemented in the last Parliament. It has been succeeded by the new £10 billion Business Impact Target (BIT). The BIT is now the primary government deregulation target, but to support this and drive deregulation a new One-In-Three-Out policy will be implemented alongside the Business Impact Target. |
| **Status of Implementation and Impact** | Implemented.<br>In the last Parliament, under One-In-Two-Out the government cut the annual net burden of regulation to business by £10 billion. |

| **Creation of the new Competition and Markets Authority (CMA).** | **The functioning of the UK's competition regime is being improved through the creation of the Competition and Markets Authority as the UK's lead competition and consumer body.** |
|---|---|
| **Implementation path and expected date of implementation** | The CMA became fully operational in April 2014 to help stimulate economic growth and innovation and help ensure consumers get a good deal.<br><br>The CMA was formed from the merger of the UK's existing competition bodies, the Competition Commission and most functions of the Office of Fair Trading. The merged body has stronger powers and more robust decision-making systems and aims to bring greater |

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| | coherence, flexibility, speed and transparency in the operation of the competition regime.<br><br>To help ensure the success of the CMA, its funding was increased by £12m in 14/15 and £16m in 15/16. This additional funding was provided to enable the CMA to deliver a step change in competition enforcement, tackling cartels more effectively and opening up markets. |
| **Status of Implementation and Impact** | Implemented.<br><br>Work continues to ensure that the UK's competition authorities continue to produce benefits for consumers and remain among the best in the world.<br><br>The CMA remains fully committed to its target of generating £10 of direct benefit to the consumer for every £1 that it spends, a target which has doubled since the OFT's objective in 2013/14 to achieve a 5:1 benefit to cost ratio. The CMA's 2014-15 annual report records that the CMA exceeded its target, generating £11.20 of direct benefit to consumers for every £1 spent. The CMA will continue to report on progress against this target annually. |

| **Creation of the UK Competition Network.** | **The UK Competition Network was established with the aim to both prevent anti-competitive behaviour and further open markets to competition.** |
|---|---|
| **Implementation path and expected date of implementation** | In December 2013, the Competition and Markets Authority (CMA) and UK sector regulators established the UK Competition Network (UKCN), which aims to promote stronger competition for the benefit of consumers and to prevent anti-competitive behaviour in the regulated industries. The UKCN commits these bodies to work together to ensure the consistent and effective use of competition powers through engagement in regular strategic dialogue; sharing of resources and expertise; and co-operation on enforcement and other action. |

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| **Status of Implementation and Impact** | Implemented.<br><br>In April 2016, the UKCN published its second annual concurrency report. The report noted continued good joint-working by the CMA and sector regulators to promote competition, noting significant action across a range of sectors. The report also noted the Government's non-binding 'Strategic Steer' to the CMA, published in December 2015, which encouraged the CMA to continue to play a leadership role by helping sector regulators make greater use of their competition powers.<br><br>The CMA will continue to measure UKCN's progress in future concurrency reports. |

| **Formation of the UK Regulators Network.** | **The UK Regulators Network is a cross economic regulators group formed to improve efficiency and consistency of economic regulation, and to increase awareness of how economic regulation works.** |
|---|---|
| **Implementation path and expected date of implementation** | The UKRN was established to foster closer and more effective collaborative working between the UK's economic regulators.<br><br>Its objectives include:<br>• coherent and consistent regulation across sectors<br>• affordability of services and consumer empowerment<br>• ensuring a positive environment for efficient investment<br>• improving the efficiency of regulation to make better use of resources<br>• the promotion of competition for the benefit of consumers<br>• improving cross-sector understanding of the effectiveness of economic regulation |
| **Status of Implementation and Impact** | Implemented.<br><br>The UKRN was established in March 2014. It is leading work to help regulators work more closely together and share resources, and will consider the protections needed by the smallest businesses across regulated sectors, as part of the Government's competition plan.<br><br>The Government will review the success of UKRN by the end of 2016. |

## Annex 2. New and Adjusted Policy Commitments since Antalya

### EMPLOYMENT

| Tax-free personal allowance and higher rate threshold. | Increasing the tax-free personal allowance to £11,500, and the higher rate threshold to £45,000 in 2017-18. |
|---|---|
| **Implementation path and expected date of implementation** | To support and reward those in work by cutting taxes the government has committed to raise the personal allowance to £12,500, and the higher rate threshold (the point at which the UK's higher rate of income tax begins to be paid) to £50,000 by the end of this parliament. At Budget 2016, the government announced it would take further steps towards meeting this commitment, by increasing the personal allowance to £11,500 and the higher rate threshold to £45,000.<br><br>Following these changes, 31 million taxpayers will pay less income tax in 2017-18, than in 2015-16, with 1.3 million of the lowest paid taken out of paying income tax altogether. As a result, a typical taxpayer will pay over £1,000 less income tax in 2017-18, than in 2010-11, when the Government first began to increase the personal allowance. |
| **What indicator(s) will be used to measure progress?** | The Finance Bill 2016 will confirm the increase. |
| **Explanation of additionality or adjustment (where relevant)** | The Antalya growth strategy included a commitment to raise the personal allowance to £11,000.<br><br>Having met this, the government is now going further towards its aim to reach a tax-free personal allowance of £12,500 by the end of this parliament. In addition, it is also increasing the higher rate threshold to ensure that the tax system continues to encourage individuals to progress, and that it limits the growth in the number of higher rate taxpayers that has occurred in the past two decades. |

| National Insurance contributions: Apprentices under 25. | Abolition of employer National Insurance contributions for apprentices under the age of 25 earning less than £827 a week. |
|---|---|
| **Implementation path and expected date of implementation** | Implemented.<br><br>In April 2016, the government abolished employer National Insurance contributions for apprentices under the age of 25, who earn less than £827 a week. |
| **What indicator(s) will be used to measure progress?** | The measure was implemented in April 2016. |
| **Explanation of additionality or adjustment (where relevant)** | The policy makes it over £500 a year cheaper to employ an apprentice under the age of 25 earning £12,000 or; over £1,000 a year cheaper for an employee earning £16,000. The relief is part of a coherent strategy to reduce youth unemployment. In addition, it will help to deliver on the government's pledge to significantly increase the quantity and quality of apprenticeships in England to 3 million starts by 2020. |

| Abolition of Class 2 National Insurance contributions. | Reducing National Insurance contributions for 3.4 million self-employed people. |
|---|---|
| **Implementation path and expected date of implementation** | The abolition of Class 2 National Insurance contributions was confirmed at Budget 2016, and will come into effect in April 2018. |
| **What indicator(s) will be used to measure progress?** | Implementing these reforms will require primary legislation. We anticipate for this to occur next year as part of a National Insurance contributions Bill. |
| **Explanation of additionality or adjustment (where relevant)** | The self-employed currently pay two classes of National Insurance contributions: Class 2 (flat rate) and Class 4 (as a percentage of profits).<br><br>Abolishing Class 2 means that 3.4 million self-employed National Insurance payers will on average gain £134 in 2018-19. They will gain £148 if they have been self-employed for the whole tax year. |

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|---|---|
| | From April 2018, self-employed individuals will build entitlement to contributory benefits through Class 4 National Insurance contributions instead. |

**INVESTMENT AND INFRASTRUCTURE**

| **Reduction in Corporation Tax Rate.** | **Corporation tax reduction to 19 percent from 2017-18 and 17 percent from 2020-21.** |
|---|---|
| **Implementation path and expected date of implementation** | From 1 April 2017, the corporation tax rate will be reduced to 19%. From 1 April 2020, the corporation tax rate will be reduced further to 17%. The cut to 19% was legislated for in Finance Bill 2015. The cut to 17%, announced at Budget 2016, will be legislated for in Finance Bill 2016. |
| **What indicator(s) will be used to measure progress?** | HM Revenue and Customs monitor corporation tax receipts and annually publish a set of analyses. The cut will be legislated for in Finance Bill 2016, information on this process can be found here:<br>https://www.gov.uk/government/collections/finance-bill-2016 |
| **Explanation of additionality or adjustment (where relevant)** | Corporation tax has been cut from 28% in 2010 to 20% in 2015. At Summer Budget 2015 the government announced further cuts to the rate, to 19% in 2017 and to 18% in 2020. At Budget 16, the government went even further and announced a cut to 17% in 2020.<br>OECD analysis has found corporation taxes to be the most harmful taxes for growth. Reducing the rate of corporation tax increases the return companies receive on their investment. In this way corporation tax cuts will support investment and economic growth. Corporation tax cuts are a key part of the government's economic plan – which can be measured by employment growth, GDP growth, and investment levels. |

| Major Rail Projects in London. | Crossrail and Crossrail 2 new lines to improve transport in London. |
|---|---|
| Implementation path and expected date of implementation | Crossrail: December 2018 for services to central London, with full services running by December 2019. On track to open in December 2018, with full services running by 2019. Tunnelling is 100% complete.<br><br>Crossrail 2: Deposit Hybrid Bill for Crossrail 2 by the end of the Parliament by the end of the Parliament in May 2020. |
| What indicator(s) will be used to measure progress? | Details of progress will be available online. |
| Explanation of additionality or adjustment (where relevant) | Following a report by the National Infrastructure Commission, the government has agreed to provide £80 million to fund development of Crossrail 2, and has asked Transport for London to match this contribution.<br><br>1 – Crossrail will increase rail capacity in London by 10%. It will bring an extra 1.5 million people within 45 minutes commuting distance of London's key business districts. Crossrail has created over 450 apprentices and over 10,000 people have been trained at Crossrail's Tunnelling and Underground Construction Academy.<br><br>2 – Crossrail 2 will provide capacity for 270,000 passengers to reach central London every morning. With the right framework in place, Crossrail 2 can provide 200,000 new homes. |

| Transport in the North of England. | Improving transport connections in the North of England. |
|---|---|
| Implementation path and expected date of implementation | Providing £300 million towards new transport schemes in the North including developing plans for better rail links between Leeds and Manchester, developing major road improvements such |

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|---|---|
| | as a trans-Pennine tunnel, and accelerating planned motorway upgrades on the M62 between Liverpool, Leeds and Manchester. |
| **What indicator(s) will be used to measure progress?** | A single strategy for northern rail improvements will be developed by the end of 2017. Development work on major road improvements will commence following completion of studies in late 2016. Work on M62 upgrades will begin in 2018 and 2019. |
| **Explanation of additionality or adjustment (where relevant)** | Transformation of transport connectivity in the North forms part of the government's broad strategy for building a Northern Powerhouse. Improving connections between cities will increase productivity by enhancing integration between economic areas. These measures are on top of £13 billion of transport investment planned for the North during 2015-21. |

| **Devolution.** | **Devolving powers over transport, planning and skills, as well as control over investment funds to boost economic growth, to areas which choose to have elected mayors.** |
|---|---|
| **Implementation path and expected date of implementation** | Nine areas which have agreed mayoral devolution deals are scheduled to hold their first elections in May 2017.<br>The government continues to work with areas on the implementation of their deals |
| **What indicator(s) will be used to measure progress?** | Parliamentary Orders will be laid for each area receiving a mayoral devolution deal, to establish new local governance mechanisms where necessary, and to formally devolve powers to them.<br>Following implementation of the deals, investment funds will be subject to 5-yearly gateway assessments, whereby the next five year tranche of funding will be unlocked if the government is satisfied that the independent assessment shows the investment to have met the objectives and contributed to national growth. |
| **Explanation of additionality or adjustment (where relevant)** | The current Devolution Deals build on the success of the City Deals and Local Growth Deals agreed over the last five years. The deals will boost economic growth by giving control of transport, planning, skills and giving local areas new powers and funds for transforming and improving local services. |

## COMPETITION

| **Business Impact target.** | **Cut at least £10 billion of red tape on business – the Business Impact Target. In 2016 the government extended the scope of the Business Impact Target to cover the actions of regulators, as well as government.** |
|---|---|
| **Implementation path and expected date of implementation** | The Small Business, Enterprise and Employment Act 2015 legislated for a statutory deregulation target - the Business Impact Target (BIT). |
| **What indicator(s) will be used to measure progress?** | The government is required by law to report on progress against the Business Impact Target annually. |
| **Explanation of additionality or adjustment (where relevant)** | The BIT is a target in respect of the economic impact to business of new regulation that comes into force or ceases to have effect over the course of the Parliament. The government is extending the BIT to cover the actions of regulators using powers in the Enterprise Act 2016.<br><br>Building on the £10 billion net savings (equivalent to £2.2 billion annual net savings) to business achieved in the last Parliament, the government has committed to cut a further £10 billion of red tape on business, and has set the BIT at £10 billion accordingly. |

**Annex 3. Past commitment – St. Petersburg fiscal commitment**

| | Estimate Projections | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** |
| Gross Debt | 87.4 | 88.9 | 88.3 | 87.1 | 85.6 | 83.0 | 80.3 |
| *ppt change* | *-1.1* | *1.3* | *1.5* | *1.9* | *2.8* | *3.2* | *3.9* |
| Net Debt | 83.3 | 83.7 | 82.6 | 81.3 | 79.9 | 77.2 | 74.7 |
| *ppt change* | *2.5* | *3.4* | *3.5* | *4.1* | *5.2* | *5.7* | *6.2* |
| Deficit | 5.0 | 3.8 | 2.9 | 1.9 | 1.0 | -0.5 | -0.5 |
| *ppt change* | *0.1* | *0.1* | *0.7* | *0.7* | *0.7* | *-0.1* | *0* |
| Primary Balance | -3.4 | -2.2 | -1.1 | -0.1 | 0.9 | 2.2 | 2.1 |
| *ppt change* | *0* | *-0.1* | *-0.7* | *-0.9* | *-0.8* | *-0.2* | *-0.2* |
| CAPB | -2.6 | -1.9 | -1.0 | -0.1 | 0.8 | 2.3 | 2.1 |
| *ppt change* | *0* | *-0.2* | *-0.8* | *-1.0* | *-0.9* | *-0.1* | *-0.2* |

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for growth:

| | Estimate Projections | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2014-15*** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** |
| Real GDP growth | 2.8 | 2.1 | 2.0 | 2.2 | 2.1 | 2.1 | 2.2 |
| *ppt change* | -0.2 | -0.1 | -0.4 | -0.1 | -0.3 | -0.3 | -0.3 |
| Nominal GDP growth | 4.4 | 2.3 | 3.6 | 4.0 | 4.2 | 3.9 | 4.2 |
| *ppt change* | -0.1 | -1.0 | -0.6 | -0.2 | -0.2 | -0.5 | -0.7 |

*Note: all projections estimates are based on the Office for Budget Responsibility (OBR) 2016 Economic and Fiscal Outlook. Ppts change is between the Budget EFO and the Summer Budget EFO.*

*The OBR will produce updated forecasts in autumn 2016.*

**Annex 4. Key Economic Indicators**

**Key Indicators**

| | **2015*** ** | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|---|
| **I. Macroeconomic Indicators** | | | | | | |
| Real GDP (% yoy) | 2.3 | 2.0 | 2.2 | 2.1 | 2.1 | 2.1 |
| Nominal GDP (% yoy) | 2.6 | 3.1 | 4.1 | 4.1 | 4.0 | 4.1 |
| Output Gap (% of GDP)* | -0.3 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Inflation (%, yoy) | 0.0 | 0.7 | 1.6 | 2.0 | 2.1 | 2.0 |
| Fiscal Balance (% of GDP)** | 3.8 | 2.9 | 1.9 | 1.0 | -0.5 | -0.5 |
| Unemployment (%) | 5.4 | 5.0 | 5.0 | 5.2 | 5.3 | 5.3 |
| Savings (% of GDP) | 12.6 | 13.8 | 14.6 | 15.0 | 15.4 | 15.8 |
| Investment (% of GDP) | 17.7 | 17.9 | 18.4 | 18.7 | 18.9 | 19.1 |
| **Public Fixed Capital Investment (% GDP)** | | | | | | |
| **Private Fixed Capital Investment (% GDP)** | 9.7 | 9.8 | 10.1 | 10.5 | 10.9 | 11.1 |
| **Total Fixed Capital Investment (% GDP)** | 17.2 | 17.3 | 17.7 | 18.1 | 18.4 | 18.8 |
| Current Account Balance (% of GDP) | -5.2 | -4.2 | -3.8 | -3.7 | -3.5 | -3.4 |

***A positive (negative) gap indicates an economy above (below) its potential.**

****A negative (positive) balance indicates a fiscal surplus (deficit).**

***** Indicators can be presented on a fiscal year basis, should they be unavailable for the calendar year.**

*Notes: 2015 is based on ONS outturns as of 25/05/2016. 2016 onwards is based on the OBRs March 2016 Economic and Fiscal Outlook.*

*The OBR will produce updated forecasts in autumn 2016.*