EY ITEM Club Scottish Winter Forecast

February 2024

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EY ITEM Club Scottish Forecast

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The report is based on data and information available before February 2024. The quarterly EY ITEM Club Scottish report is part of the EY Economics for Business programme which provides knowledge, analysis and insight to help businesses understand the economic environments in which they operate, both in the UK and globally.

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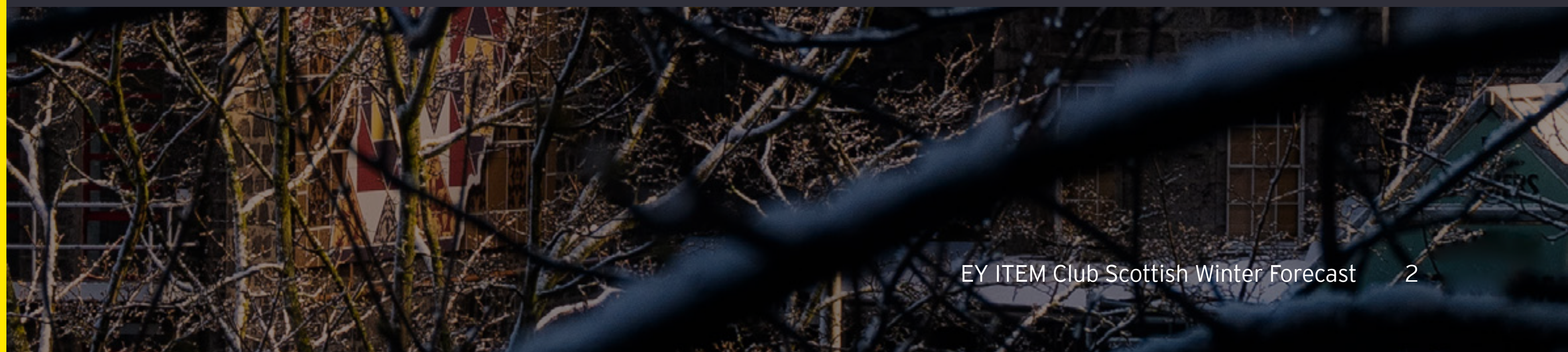

Foreword

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Although economic growth has been relatively flat, the EY ITEM Club Scottish Forecast shows Scotland is slowly moving in the right direction with a brighter outlook expected for sectors such as information and communication, energy, and consumer-facing services. That said, there has been a softening in investor sentiment and challenges noted in the labour market, with employment growth remaining low and lagging the UK.

Since our last report, two notable fiscal events took place in the final quarter of 2023. First, in the UK Government's Autumn Statement in November, the Chancellor took advantage of improved underlying fiscal and economic projections to announce a two-percentage point (ppt) cut in the main rate of employee National Insurance Contributions (NICs), a permanent 100% capital allowance for qualifying business investment, and a package of reforms to welfare and health services designed to increase labour market participation.

Overall, these changes represent a fiscal loosening for Scottish households. However, following this in late December, the Scottish Government's Budget set out their own proposed spending and tax plans for 2024-25. It included the introduction of an additional tax band (the advanced rate) at 45% for income between £75,000 and £125,140, and a 1 percentage point increase in the top rate to 48%. These announcements amount to a fiscal tightening for an estimated 154,000 higher earners in Scotland.

In what is already a constrained labour market in Scotland, the incremental increases in income tax have created a meaningful tax cross-border divide, which includes a significant number of NHS professionals, senior teachers and other civil servants. This is now a major concern for employers in Scotland looking to retain talent in an already tight skilled labour market.

If the growth sectors highlighted in this report hold the careers of the future for Scotland, then there needs to be an environment that encourages investment and promotes business, without creating barriers for growth or impacting competitiveness.

Financial Services, for example, is crucial to a balanced economic growth trajectory in Scotland, supporting emerging technology sectors and the green energy transition. The new Scottish Financial Services sector growth strategy demonstrates that maximising the potential of this long-established industry for modern times requires a skilled workforce for Scotland to compete on an international stage.

Talented people need to be incentivised to remain in – and come to – Scotland as a place to build a successful career, rewarding life and, of course, contribute to a thriving, just, local economy.

Highlights

- Scotland's economy has struggled to gain momentum with the result that Scottish GDP was the same size in 2023 Q3 as it was at the start of 2022. However, the sharp fall in inflation in late 2023 and continued growth in pay should ease the pressure on household finances and improve the outlook for 2024.
- The sectoral pattern of growth has also been disappointing and only construction and government services have sustained growth in the last year. Private service sectors are carrying little momentum, with accommodation and food services and administrative and support services most likely to have experienced weak activity at the close of 2023.
- Against the background of weak economic activity, the Scottish labour market remains resilient as unemployment remains low, though jobs growth has slowed and businesses continue to report recruitment difficulties, with high rates of inactivity and economic uncertainty limiting the supply of candidates.
- Scotland's economy should gain momentum this year as inflation continues to fall, with the prospect of interest rate cuts to follow from May onwards. We expect GVA growth of 0.7% in 2024, marking a considerable improvement compared to 2023 (0.1%). Growth prospects improve to 1.4% in 2025 and further still to 1.6% in 2026 and 2027, though this rate of growth lags that of the wider UK.
- As economic conditions and confidence improves, private sector services are set to drive growth from 2025 onwards, led by information and communication and a pick-up in consumer-facing sectors including accommodation and food, and retail and wholesale, whilst the contribution from manufacturing and government services is expected to fade.
- After a somewhat mixed picture for 2024, Scotland's employment outlook is also expected to improve in 2025, with growth across most sectors. However, we continue to expect that over the medium-term service sectors will tend to drive overall growth in jobs. Longer-term employment prospects are dampened by weak demographic growth, particularly compared to the rest of the UK.
- There are a number of risks to the outlook, but international events represent the main risk and conflict in the Middle East has increased uncertainty in the forecast. Closer to home the result of the UK election is unlikely to significantly change the course of macroeconomic policy.

Latest developments

The Scottish economy has stagnated over the past two years but fall in inflation is encouraging

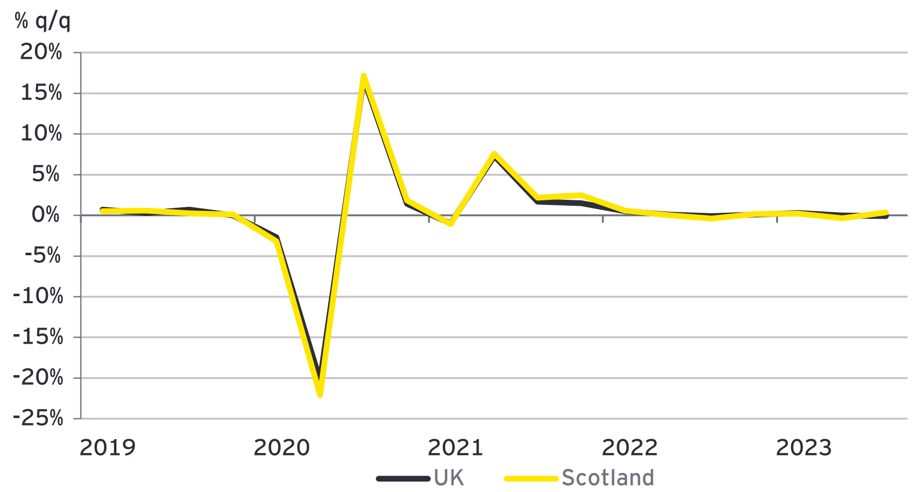
The most recent data for Scotland once again paint a picture of a weak economy, struggling to gain traction. Following disappointing GDP figures for the first half of 2023, quarterly GDP growth of 0.4% in Q3, whilst still weak was somewhat encouraging, particularly when compared to the 0.1% decline posted by the UK in the same period. However, more recent monthly GDP data showed a contraction of 0.1% in November, following a 0.6% decline in October, with anecdotal evidence that unusually wet weather weighed on activity during the month. Overall, the latest data re-affirm that the Scottish economy has been essentially flat through 2022 and 2023 – and it is striking that in 2023 Q3, Scotland's economy was the same size as it was at the start of 2022.

News about inflation has been more positive, with the consumer prices index (CPI) measure falling to 3.9% in the year to November 2023. Despite a slight rise to 4.0% in December, the significant fall in the rate of annual inflation during the quarter should have helped support growth in Scotland. The ONS also estimates that real earnings (after inflation) grew by 1.3% in the three months to November in the UK, allowing household finances to recover somewhat. However, the improvement in real household incomes is unlikely to have transformed the recent pattern of economic growth. Indeed, UK consumer spending fell by 0.5% in Q3, despite the improvement in real household incomes during the period. The most recent UK GDP estimate for November 2023 showed growth of 0.3%, offsetting the previous months fall and with other high-frequency data looking more positive, perhaps indicating that the economic outlook is beginning to improve.

Only construction and public services have shown sustained growth over the past year

Weak Scottish GDP growth in 2023 Q3 was reflected across the major sectors of the economy. The strongest performance came from the production sector, where output rose 1.8% compared to the previous quarter. This was the strongest performance achieved by the sector since 2021 Q2 when the economy was enjoying a post-COVID-19 resurgence and followed a run of five consecutive quarters of falling activity. Positive too was the fact that all parts of the sector grew, with output from mining, electricity and gas supply, manufacturing, and waste supply and waste management all delivering growth in Q3. Less encouraging was the fact that growth in manufacturing, which represents two-thirds of total output from the production industry, was the weakest of these at 0.7% q-on-q. And monthly data suggest that all the rise in manufacturing activity in Q3 occurred in July, and that activity fell in each subsequent month to October. The result was that manufacturing output at the end of October was some 10% smaller than it was in 2019. Overall, the production sector was 6% smaller.

GDP growth, Scotland and UK, 2019-2023



Source: Scottish Government/ONS

The story for construction was far more positive with output having expanded by 2.5% in 2023 Q3 compared to the same quarter a year previous, leaving the sector 5% larger than in in 2019. However, the latest monthly reading showed a 0.5% decline in October, though the sector was more vulnerable to that month's unseasonably wet weather than many others and that may account for the fall.

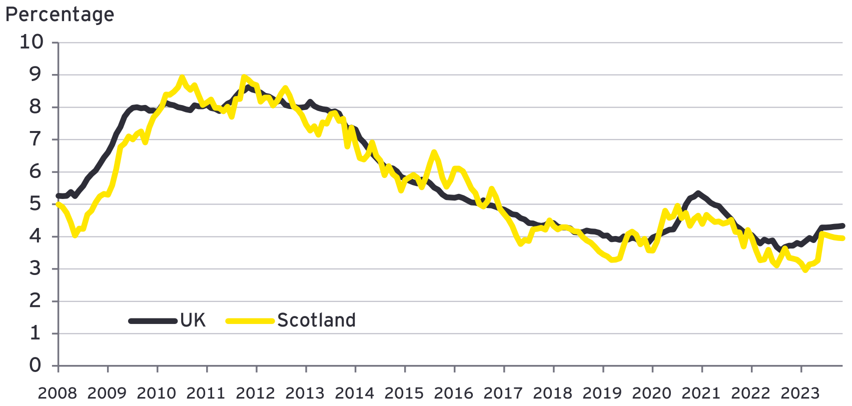
The services sector, which accounts for over three quarters of the Scottish economy, grew by 0.2% in Q3, following no growth in Q2. Within the sector, transport, storage, and communication posted the strongest q-on-q growth at 0.8%, reversing declines recorded in the two previous quarters. Business services, the largest component of services, was flat after contraction in Q2, and output from distribution, hotels, and catering fell in Q2 and more significantly so in Q3. Within the services sector only government services has provided sustained growth over the past year, with GVA 1.8% larger in 2023 Q3 than in the same quarter a year previous.

Labour market remains resilient in the wake of weak economic activity

Much as the story of flat economic activity in Scotland remains true, the underlying resilience of the Scottish labour market also persists. The number of PAYE payrolled employees nudged up throughout the September to November period, with almost 8,000 additional employees recorded during the period (0.3%). Overall, the ONS' estimates for September to November 2023 showed little change on the previous quarter with economic activity, unemployment, and employment remaining broadly stable, and largely mirroring the UK experience.

Last quarter there was evidence that the Scottish labour market remained tight and, given the overall flat picture of economic and labour market activity and low unemployment, this is likely to remain the case despite a fall in vacancies at the end of the year, as indicated by the latest Royal Bank of Scotland Report on Jobs[1]. One particular concern is the rate of economic inactivity, which at 22.6% in September to November, was 1.8ppts higher in Scotland than the UK, whilst the employment rate is 1.4 ppts lower, with the difference accounted for by slightly lower Scottish unemployment at 4% compared to 4.3% at the UK level.

Unemployment rate (aged 16-64), Scotland and UK, 2008-2023



Source: ONS

The Annual Population Survey for October 2022 to September 2023, which is the latest available, shows that long-term sickness appears to be a more considerable reason for economic inactivity among those aged 16-64 in Scotland, accounting for almost 32% of inactivity, compared to close to 27% in the UK. Early retirement also appears more significant, at 14.0% compared to 12.7% in the UK. Relatively high inactivity in Scotland is likely to impact company recruitment activity. Indeed, the ONS Business Insights and Conditions Survey[2] continues to report that Scottish businesses are struggling to recruit staff, with 36.8% of applicable businesses in November 2023 reporting difficulties recruiting employees. These issues are most acute in manufacturing, accommodation and food, and construction.

1 Royal Bank of Scotland, 'Royal Bank of Scotland Report on Jobs – December 2023', 8 January 2024. **Royal Bank of Scotland Report on Jobs – December 2023 | NatWest Group**

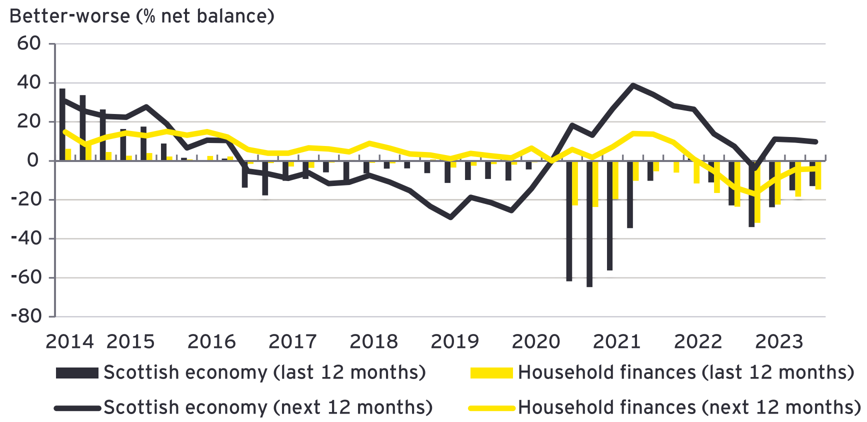
2 Scottish Government, 'BICS weighted Scotland estimates: data to wave 97', 22 December 2023. **https://www.gov.scot/publications/bics-weighted-scotland-estimates-data-to-wave-97/**

Another indicator of the tightness of the Scottish labour market is pay, with evidence from the PAYE payroll data showing median monthly pay in Scotland grew by 7.9% in the year to December 2023, ahead of the UK at 6.6%. Scottish pay on this measure is now 2% higher than the UK average, and behind only London, the South East, and East of England. The Royal Bank of Scotland Report on Jobs[3] also suggested that labour shortages persisted in Scotland at the end of 2023, and that these are impacting pay, which increased sharply for new permanent staff in December. Candidate shortages was cited as the primary driver. However, the report also noted that the rate of pay growth eased to a seven-month low and was weaker than both the historical and UK-wide averages. This is supported by PAYE payroll data which shows median monthly pay was broadly flat between November and December.

Beleaguered households may start to see their finances improve but business activity continues to contract

Improvements in pay and the fall in inflation should have eased pressures on households and the Scottish Consumer Sentiment Indicator provided some evidence that this could be the case. The good news from the survey is that respondents were more positive in Q3 than they were in the previous quarter, and more positive than they have been since 2022 Q2. The bad news is that at -9.9 the composite indicator remained firmly in negative territory. However, the trend is improving, with concerns about the current state of the economy, household finances and household spending all easing. Expectations about household finances in the year ahead also improved slightly. Respondents also remain positive about the prospects of the Scottish economy, though at 9.8, the measure has slipped from 10.7 recorded in the previous quarter.

Consumer indicator scores and expectations, Scotland, 2014-2023



Source: Scottish Government

3 See footnote 1

The latest PMI Scotland Business Activity Index remained in contractionary territory at 49.4 in December, an improvement on the figure reported in November (47.1) but lagging the UK (52.1). Whilst the result marked the fourth consecutive month where Scotland recorded a figure below 50, the recent trend has been moving in the right direction. However, the December PMI survey once again placed Scotland among the more pessimistic UK regions and nations for future activity.

December's Scottish Government Business Insights and Conditions Survey shows that the main concerns for firms were inflation in goods and services prices (16.6%), followed closely by falling demand for goods and services (16.3%). Energy prices, whilst still a significant concern for 14.6% of businesses, fell to third place having previously been the primary concern among businesses in the last quarter. The BICS survey also found that a larger proportion of businesses reported a fall in turnover (24.4%) than businesses reporting an increase in turnover (17.2%) in November compared with October. The results by sector suggest that the accommodation and food services and administrative and support services are most likely to have experienced weak activity at the close of the year.

Fiscal events present opposing forces for Scotland's higher earners

Two notable fiscal events took place in the final quarter of 2023. First, in the UK Government's Autumn Statement in November, the Chancellor took advantage of improved underlying fiscal and economic projections to announce a two-percentage point (ppt) cut in the main rate of employee National Insurance Contributions (NICs), a permanent 100% capital allowance for qualifying business investment, and a package of reforms to welfare and health services designed to increase labour market participation.

Overall, these changes represent a fiscal loosening for Scottish households. However, following this in late December, the Scottish Government published the Scottish Budget, which set out their own proposed spending and tax plans for 2024-25. It included the introduction of an additional tax band (the advanced rate) at 45% for income between £75,000 and £125,140, and a 1 percentage point increase in the top rate to 48%. These announcements amount to a fiscal tightening for an estimated 154,000 higher earners in Scotland. However, impacted individuals will still benefit from the cut in NICs which will serve to dampen the impact on their take-home pay. In terms of the overall Scottish fiscal budget of £59.7 billion for 2024-25, the impact of the changes is small. The Scottish Fiscal Commission[4] estimate that after accounting for behavioural responses such as migration, working less, and more tax avoidance, it will raise an additional £82 million in 2024-25.

Scotland's tax regime was already slightly more progressive than the rest of the UK and the changes increase the differences. According to IFS analysis[5], a Scottish taxpayer earning £125,000 will pay £5,221 more in Scotland in 2024-25 than they would if working elsewhere in the UK.

4 IFS, 'Scottish Parliament Comment Initial IFS response to the Scottish Budget', 19 December 2023. **https://ifs.org.uk/articles/initial-ifs-response-scottish-budget**

5 See footnote 4

Economic outlook

Scotland's economy should gain momentum this year

We are more optimistic about Scotland's growth outlook for 2024, helped by a faster than expected fall in inflation, lower energy prices, and the prospect of interest rate cuts and tax reductions. We now expect Scottish GVA to rise by 0.7% this year, considerably stronger than the expected outcome for 2023 of just 0.1%, and over twice the pace in our forecasts from last quarter. The revisions bring Scotland much closer to the UK outlook—we expect the UK to achieve GVA growth of 0.3% in 2023 and 0.8% in 2024.

A key reason for the uplift is that inflation in 2024 is set to be lower than we had previously expected, implying a better outlook for real wage growth and household budgets. We forecast inflation to average 2.4% over the course of 2024 compared to 7.3% in 2023. This outlook is supported by the significant fall in oil, petrol, and wholesale gas prices over the past few months, despite the conflict in the Middle East. However, Scottish households still face a headwind from the lagged effect of past interest and mortgage rate rises, although the cut in NICs in the Autumn Statement should bolster consumer spending, with prospects of lower energy bills and interest rates this year offering further respite as the year progresses. Indeed, markets anticipate rate cuts of 100-125 basis points this year and mortgage rates have already fallen in response. We expect rates to fall by a cumulative 125 basis points in 2024, which would leave Bank Rate at 4% by the end of this year.

On this basis, activity is expected to pick up during the second half of 2024, as inflation eases, real incomes rise, and interest rates begin to fall from May onwards. Prospects are better for 2025 with GVA growth at 1.4%. Consumer expenditure should continue to recover, further helping to boost GVA growth to 1.6% in 2026 and 2027. Whilst this forecast represents a marked uplift compared to both recent performance and previous forecasts, it suggests Scotland will continue to lag the UK. We expect the UK to achieve GVA growth of 1.9% in both 2026 and 2027. Scotland's relatively weaker performance is largely attributed to its industrial structure, with a higher exposure to government services and a lower proportion of private service activity than the UK average.

Key economic indicator outlook, Scotland, 2020-2026, % y/y (unless otherwise stated)

	GVA	Personal disposable income	Consumers' expenditure	Population 000s	Employment 000s	Unemployment rate %	Migration aged 16-64 (000s)
2020	-12.0	-0.4	-13.2	5,466	2,760	4.5	13.8
2021	9.2	0.2	8.9	5,480	2,785	4.2	21.2
2022	5.2	-0.9	5.6	5,536	2,808	3.3	58.8
2023	0.1	1.2	0.7	5,536	2,819	4.0	8.7
2024	0.7	0.9	0.6	5,537	2,811	4.4	6.3
2025	1.4	1.2	1.5	5,544	2,835	4.0	9.0
2026	1.6	1.5	1.7	5,548	2,862	4.0	7.2
2027	1.6	1.3	1.8	5,551	2,882	4.0	7.8

Source: EY ITEM Club
Note: GVA is chain linked 2019 prices. Personal disposable income and consumer expenditure are also 2019 prices. Unemployment rate is the ILO unemployment rate using Labour Force Survey data

Private sector services to drive growth from 2025 as contribution from manufacturing and government services begins to fade

The importance of government services to recent economic activity in Scotland is expected to continue this year. Most notably, human health and social work will exhibit the fastest rate of GVA growth, expanding by 2% in 2024, as the sector continues to respond to post-COVID-19 demand. Elsewhere, education should achieve above-average growth this year and output from public administration, which expanded rapidly during the pandemic and its immediate aftermath, will continue to grow this year in GVA terms. However, we expect growth in these sectors to slow in 2025 as public finances tighten, and this could result in a small contraction in public administration GVA in that year. Still, the health sector, which accounts for around 10% of Scotland's economy, should grow in line with the economy wide average of 1.4% in 2025, and bolstering overall growth.

If 2025 is likely to be the year the contribution of the government sectors to overall growth weakens in Scotland, it should also see much stronger growth from private service sectors as economic conditions and confidence improve. Among these, information and communication are set to lead the pack, returning annual GVA growth of 2.8% in 2025. Activity in other key business service sectors should also gather pace in 2025, most notably administrative & support services and professional, scientific, and technical services, returning growth of 1.8% and 1.7% respectively. Together the private service sectors[6] represent around 35% of total GVA in Scotland, significantly smaller than the UK equivalent of 43%. Not only is the aggregate sector smaller than the UK, it is also expected to grow more slowly, with GVA growth of 1.4% in 2025 compared to the UK average of 1.9%.

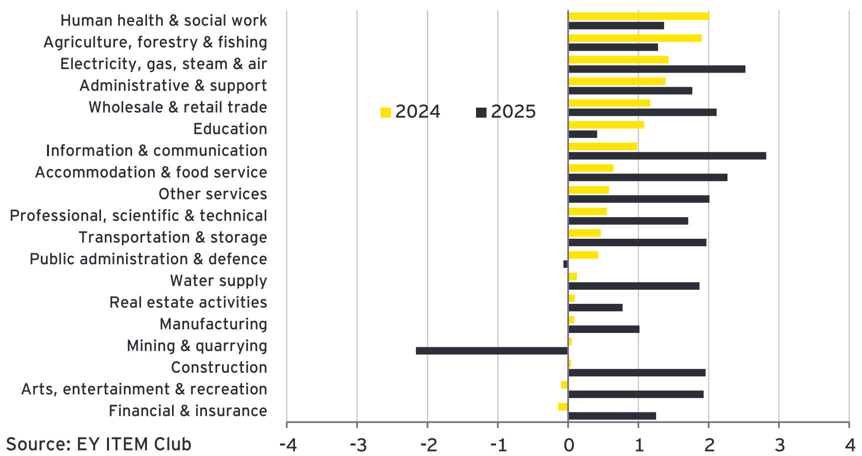
The recovery of household finances should gather pace, benefitting consumer-facing sectors, with accommodation and food forecast to see above-average growth in 2025. Improving consumer sentiment will gradually feed into retail activity and output from wholesale and retail should also pick up in 2025, with the increase in consumer spending in the year also benefitting the arts, entertainment, and recreation sector. Responding to the uptick in activity across other sectors, we expect transport and storage to recover strongly.

We expect that high interest rates and a weak housing market will weigh on the construction sector in 2024 with output flat in the year. This will particularly impact the residential sector with higher borrowing costs and construction cost pressures set to hamper activity levels in the near term. But construction activity should rebound in 2025 as investment and economic conditions improve, with the sector posting GVA growth of 2.0%.

However, prospects for the manufacturing sector remain somewhat downbeat. The short-term outlook is dogged by weak domestic demand as household disposable incomes remain constrained, particularly impacting the food and drink sector—Scotland's largest manufacturing sector, contributing around a third of the sector's total GVA. The scope for exports growth to significantly bolster manufacturing is slim as difficult international conditions are set to prevail in the near term, with Scotland's major trading partners themselves suffering from weak activity and growth. The eurozone accounts for around 60% of Scotland's exports, and eurozone GDP contracted marginally in 2023 Q3. It will continue to gain little traction in the short term, given headwinds similar to those facing the Scottish economy, with high interest rates, high inflation, weak external demand, and an industrial recession weighing on eurozone growth. We expect Scottish manufacturing output to remain broadly flat in 2024 and pick up in 2025 to 1.0%, as domestic and international demand recover. However, growth at this level will mean that the sector continues to lag behind the economy-wide average, with food and drink and textiles manufacturing output growth expected to falter, but the outlook for transport equipment looks somewhat brighter. Reduced access to EU markets and non-tariff barriers following Brexit are expected to impact medium to long-term growth for many parts of the Scottish manufacturing sector.

Oil and gas extraction accounts for a large proportion of Scotland's mining & quarrying sector output and the permanent closure of many old mature fields in the North Sea and previously low oil prices have accelerated a withdrawal by some producers. However, after a sharp contraction between 2016 and 2018, output from the mining & quarrying sector rose by 5.5% in 2022. The emphasis on energy security following recent events has resulted in government initiatives to exploit domestic sources more fully, supporting a short-term boost to production. Nonetheless, we estimate that GVA in the sector fell by 7.5% in 2023 and with the government committed to reducing carbon emissions, we expect the mining & quarrying sector to return to its structural decline and forecast output to fall by 2.2% in 2025.

GVA growth by sector, Scotland, 2024 and 2025, % y/y



Source: EY ITEM Club

Scotland's employment prospects improve in 2025 but jobs growth set to lag the UK average

We maintain our view that the underlying weakness in economic activity will have only a modest impact on Scotland's labour market in 2024. We expect a slight rise in unemployment to 4.4% this year which will unwind quickly with the rate returning to 4.0% in 2025. The tightness of the Scottish labour market and evidence of ongoing recruitment difficulties are likely to encourage employers to hold on to staff as much as possible as they ride out the period of weak activity. Therefore, employment is expected to remain broadly flat through 2024 and should rise in 2025 as demand recovers. We forecast total employment to grow by an average of 0.6% a year over the 2024-2027 period, lagging the UK average of 0.9%.

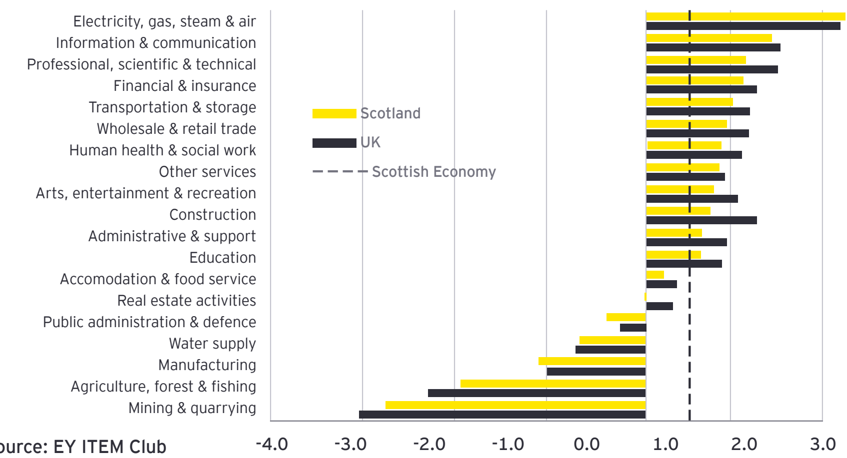
The short-term picture is more mixed, with modest jobs losses in some offset by minor gains in others. Rising employment is expected in wholesale & retail and transport and storage, with growth in both offsetting some of the losses experienced in these sectors in 2023. By contrast, the combination of recruitment difficulties and weak demand is expected to result in job losses in the accommodation and food sector, particularly at the start of the year.

Employment prospects should improve across most sectors in 2025 as economic activity gains momentum. We continue to expect that over the medium-term that service sectors will tend to drive overall growth in jobs, continuing a long-established pattern. Between 2024 and 2027, information and communication show the second-fastest rate of increase in our forecast, closely followed by professional, scientific, and technical services and financial & insurance services. Whilst these sectors will comfortably outperform the Scottish economy average, employment growth is expected to lag the UK average for each, with the gap in growth for professional services the most notable. Whilst the services sector will be the main driver of overall employment growth, the fastest rate of employment growth is expected to be in the electricity, gas, steam, and air sector, mainly in response to investment committed to improve the UK distribution network and decarbonise UK power supply. However, whilst the rate of growth is strong, it represents fewer than 2,000 net new jobs over the period.

The recovery in household confidence and spending over the medium-term will support jobs growth in consumer-facing services, with accommodation and food services and wholesale and retail, posting above average employment growth over the 2024-27 period. In wholesale & retail, there remains a degree of risk of new technology eroding jobs in the sector in the future. And new technology is the main explanation for the continued decline in manufacturing jobs, with increased productivity achieved through automation, with greater use of robots and other technology, resulting in job losses despite an increase in output from the sector.

Over the longer-term, demographic trends play a key role in determining the scale of future jobs growth. We expect population growth in Scotland to be relatively weak, with migration only just offsetting decline from natural change (births minus deaths). The result is that the population outlook for Scotland is somewhat weaker than the UK average, largely as a result of lower net migration. This impacts both the labour supply in Scotland and overall levels of demand, contributing to lower employment growth than the UK wide average.

Employment growth by sector, Scotland, 2024-2027, % (4-year annual avg)



Source: EY ITEM Club

6 Includes information & communication, financial & insurance, real estate, professional, scientific and technical activities, and administrative and support service activities.

Key

risks

The main risk to our forecast is external rather than homegrown. Conflict in the Middle East has increased uncertainty around the economic outlook, particularly concerning energy prices.

Troubles in the region initially triggered rises in oil and gas prices, but these have since abated. However, uncertainty around the future cost of energy has risen. Further escalation of geopolitical tensions in the region could cause disruption to oil and gas markets and trade flows. A larger shock to energy prices would lead to higher inflation and increased cost pressures on Scottish households and businesses.

In the UK, recent developments mean inflation risks have shifted from the Bank of England continuing to overshoot its inflation target to undershooting it. The danger is that policymakers will be too cautious, or stubborn, in recognising the scale of disinflationary forces and keep monetary policy too tight for too long.

On the upside, falling interest rates and the prospect of the economy beginning to grow again could encourage a faster-than-expected rebound in business investment whilst also improving household confidence and spending.

Meanwhile, 2024 has been widely dubbed an election year, with citizens in over 40 countries set to go to the polls, adding a degree of political uncertainty to the economic outlook. In the UK, the next general election, which must be held by January 2025, is looming. The UK polls continue to point to a Labour Party victory, but the outcome of the general election is perhaps less certain in Scotland, with polls suggesting a close run for Scottish seats between the Scottish National Party and Scottish Labour.

A general election win for Labour likely has little macroeconomic significance. Labour has said that it would raise taxes, but the scale of the proposed increases is very small relative to total revenues. Labour has said it would bind itself by fiscal rules that broadly mirror those of the current government, committing to ensuring that tax receipts cover day-to-day spending and that the ratio of public debt to GDP falls by the end of the next parliament. An initial pledge to spend an extra £28 billion on 'green investment' annually until 2030 was postponed until the second half of the next parliament and recent speculation suggests the commitment may be dropped altogether. Labour would also maintain the operational independence of the Bank of England and the current 2% inflation target. But it is early days, and we have not seen election manifestos. If the polls swung towards a less conclusive election outcome, parties' policy stances could change in more radical directions.

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