

Press comments after the Spring Statement on Wednesday 26th March 2025

Spring Statement

CHRIS GILES
Even if the optimism is valid, the economy will go merely from miserable to mediocre.
Growth prospects, page 25

CLAIRE BARRETT
By the time of the Budget, I fear tax rises will be very much back on the agenda.
Personal finance, page 6

FINANCIAL TIMES

THURSDAY 27 MARCH 2025
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Tax rise fears cloud Reeves' fiscal fix

- Chancellor unveils £14bn proposal to patch hole in cratered public finances
- £4.8bn of welfare spending cuts and £5.6bn in Whitehall savings outlined
- Threat of full-blown global trade war puts £9.9bn of headroom in jeopardy

GEORGE FARMER, SAN FRANCISCO AND JON HICKMAN
Rachel Reeves faced warnings yesterday that she might be forced to raise taxes in the autumn Budget, even after she unveiled a £14bn plan to fix Britain's strained public finances.

The chancellor announced £4.8bn of cuts to welfare payments and £3.6bn from departmental savings in a Spring Statement designed to plug the UK's £9.9bn deficit in borrowing before next year.

About 250,000 people, including 100,000 children, will be pushed into relative poverty by the cuts, according to government impact assessment that started during Labour 2024. The group, Reclaim Foundation, charity said the latest figure was likely to be even higher.

But Reeves was warned that the painful measure may not be enough. The

Leaving yourself next to no headroom leaves you at the mercy of events

Paul Johnson, FT's lead

Office for Budget Responsibility, the official forecaster, said the announcement of £14bn of "headroom" against her key fiscal rule – that current spending must be funded by tax receipts by 2029/30 – could be wiped out by a full-blown trade war.

Paul Johnson, head of the Institute for Fiscal Studies, said there would be a 10 per cent increase in the cost of living. "If you're going to have avoided fiscal rules, then leaving yourself next to no headroom against them leaves you at the mercy of events."

He added that there would now be "months of speculation about what tax might or might not be increased at the autumn Budget." There is a cost, both economic and political, to what is uncertainty, he said.

Even before any new measures, cut on a share of GDP is forecast to rise from



Rachel Reeves on her way to the Commons. The world has become 'more uncertain', she said.

33.5 per cent this year to a record high of 35.2 per cent in 2029/30. Reeves declined to speculate on whether she might be forced to raise taxes this year but acknowledged there were "hard calls" ahead.

Philip Thompson, economist at Investec, said Reeves would be under the economic pressure, adding: "I'll not, she faces the immediate task of raising taxes, opening up the possibility of a new round of tax rises."

The chancellor's fiscal statement showed growth forecasts for 2025 had halved from 2 per cent to 1 per cent, though the OBR expected growth to be 1.75 per cent for next year.

Reeves' statement was dedicated to showing how she would restore the government's headroom to the £9.9bn level set at last October Budget after lower growth and higher borrowing had cut it to £4.8bn.

Reeves retained only a "very small margin", with just a 0.1 per cent of headroom against their target for 2029/30.

In one of the day's biggest surprises, Reeves said that according to OBR calculations, a situation of avoiding a trade war would mean the UK could avoid a 10 per cent increase in the cost of living by 2029/30.

The watchdog added that tax receipts would rise by £13.5bn by the end of the decade, in addition to the savings of £4.8bn from welfare cuts and £3.6bn from the cuts to planned day-to-day departmental spending.

Reclaim Foundation's Labour MP, said that responsibility was crucial but should not be achieved "on the back of millions of people's lives being lost."

Reeves did not mention Donald Trump by name but pointed the blame at the US president for some of the uncertainty in the world.

Britain

Inflation fell to 2.8 per cent in February, delivering a boost to chancellor Rachel Reeves just hours before she delivered a tough Spring Statement.

Page 5

Welfare reforms will push a quarter of a million people, including 50,000 children, into poverty, according to a study that will fuel Labour unease.

Page 2

Housebuilding will be boosted by planning reforms to more than 200,000 a year by 2026. The highest rate in decades but short of targets.

Page 6

A tax evasion crackdown is expected to net the Treasury an additional £1bn over the next four years. Reeves' only revenue-raising measure.

Page 6

A £2.5bn military boost was confirmed for next year, as the chancellor set out plans to turn Britain into a defence industrial superpower.

Page 4

Not quite enough to fix any of Labour's pressing problems

Stephen Bush, page 3



Group chat transcript puts more heat on Trump team

The Atlantic magazine has published the full transcript of the Trump team's group chat that began detailing the findings of military strikes on Yemen, a day after senior officials had claimed the exchanges contained no classified information.

The transcript was seen as more pressure on the White House over what is being described as the most open trade the impact in security, prompting the release of a paper in Washington in recent years.

Magazine publisher Hennessey said

Brussels expects tariffs of about 20% as US sticks to its guns in last-ditch talks

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that a tariff of 20 per cent on imports from the EU would be "devastating" for the bloc, according to the first official briefing on the talks. The US tariff level would be higher than at any stage since the EU's founding members launched a common trade policy in the late 1950s.

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Reeves squeezed by Trump

White House tariffs will hurt budget, warns watchdog • Chancellor's spring statement raises tax burden to record level

Steven Swinford Political Editor
Oliver Wright Policy Editor
Chris Smyth Whitehall Editor

Rachel Reeves faces having to raise taxes or cut spending if President Trump follows through on his threat to impose tariffs on Britain next week, the budget watchdog has warned.

The chancellor was forced to announce in her spring statement a £14 billion package of cuts to repair the public finances after the Office for Budget Responsibility (OBR) halved growth forecasts.

However, it also said there was a 50 per cent chance that she would be forced to raise further cuts or tax increases as soon as October, because of concerns that the economic outlook would deteriorate still further.

The OBR said Reeves' decision to leave herself with a "tiny" cushion of £9.9 billion meant that relatively small changes to the economy – whether from the impact of tariffs, lower productivity or an increase in the cost of borrowing – could wipe out her fiscal headroom. The chancellor refused to rule out raising taxes.

The watchdog highlighted the threat of US tariffs of up to 20 per cent on UK exports, which are due to be announced on Tuesday on what Trump has called "liberation day". Last night, the president announced a "permanent" 25 per cent import tariff on all cars and light trucks, to take effect on Wednesday.

The forecaster said the threatened 20 per cent tariff on UK exports would wipe 0.6 per cent off GDP growth by 2026, with the economic hit increasing to 1 per cent of GDP if the government imposed retaliatory tariffs. Even if the UK were spared tariffs as part of a trade deal being negotiated by ministers, the OBR said this would still reduce GDP in the short term by 0.2 per cent because the country would be hit by the knock-on effects of a global trade war.

A 0.6 per cent reduction in GDP would wipe out Reeves' budget headroom and force her to find almost £18 billion further of further savings or tax rises. Even a 0.2 per cent reduction would result in a £6.2 billion hit to the economy, according to the Resolution Foundation think tank.

The tax burden is already forecast to rise to a record level, from 35.3 per cent

to 37.2 per cent by 2029/30. The OBR said that if the government imposed retaliatory tariffs, the tax burden would rise to 38.5 per cent by 2029/30.

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Rachel Reeves leaves 11 Downing Street on her way to deliver a spring statement in which she announced £14 billion in cuts

of GDP to 32.7 per cent in 2027/28. The increase is being fuelled by the chancellor's decision to raise the employers' rate of national insurance and by millions of people being dragged into higher rates of income tax because of a slower economy.

In other developments: A government assessment predicted that a quarter of a million people would be pushed into poverty by welfare cuts, with three million families on an average of £120 a year.

Ministers are not on track to hit their target of halving 15 million homes within the next four years, latest figures suggest the government will fall short by 200,000.

Government departments will have to find an extra £16 billion in day-to-day savings by the end of the decade.

Angela Rayner's overhaul of workers' rights will reduce employment and push up prices, according to the OBR.

The budget watchdog said net migration was likely to fall to 250,000 by mid-2027, acting as a "drag down" on economic growth.

Writing for The Times, Reeves admitted that global uncertainty was "pushing up the cost of government borrowing and pushing down economic growth," but insisted her policies were working. "While there are no quick solutions to fixing our damaged economy, our Plan for Change is starting to bear fruit," she writes. "I won't shy from the challenges we face, and change won't happen overnight. But the price on offer to us is immense."

However, Paul Johnson, director of the Institute for Fiscal Studies, said the chancellor had left herself "at the mercy of events" by not giving herself more headroom against her borrowing targets. "Reeves has left herself with the same £9.9 billion silver of headroom against her target to balance the current budget as she had in October," he said. "We can now expect six or seven months of speculation about what taxes might or might not be increased at the autumn. There is a cost, both economic and political, to that uncertainty."

The government will suffer the political cost, we will suffer the economic cost," he said. "Reeves is hoping to secure an economic deal with Trump. This week that would square Britain the worst

Continued on page 2

Beyond welfare cuts, according to the Financial Times' lead story, warnings have been issued to the chancellor that she could be obliged to raise taxes in the Autumn Budget. Office for Budget Responsibility (OBR) forecasters told Reeves that the £9.9bn "headroom" the government has against the Treasury's fiscal rules – that spending must be funded by taxes not borrowing by 2029/30 – may be wiped out in a global trade war. Paul Johnson, an economist at the Institute for Fiscal Studies, tells the paper that Reeves having such strict fiscal rules "leaves you at the mercy of events".

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Tax hikes and extra cuts on the way, as 250,000 people pushed into poverty by benefits squeeze

- » Rachel Reeves struggles to find any growth - with forecast for 2025 halved to 1% - amid fears of global uncertainty and Trump tariffs
- » Chancellor refuses to rule out tax rises but is told by experts there is a 50-50 chance she will be forced to hike them at the autumn Budget
- » 800,000 people will lose disability benefits, analysis shows, and 250,000 - including 50,000 children - will be pushed into poverty
- » Growth prospects better in longer term, boosted by housebuilding, but stubbornly high inflation prompts new mortgage warning
- » Labour anger as Reeves confirms cuts to ballooning benefits bill and likely job cuts to meet her fiscal rules

Plus Are Chancellor's cuts too tough? Writers give their verdict



The Chancellor's Spring Statement dominates the front pages. The i Paper reports that Rachel Reeves refused to rule out future tax rises in the Autumn budget, noting her announcement of sharp cuts to benefits could push 250,000 people into poverty. It also says that the cuts come amid a struggle to find any economic growth - with official forecasts for the economy's expansion halved to 1% next year.

Daily Mail
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REEVES ON THE ROPES



Smile for the cameras: Chancellor Rachel Reeves leaves No 11 Downing Street before yesterday's Spring Statement in the Commons

DELUDED

By Jason Groves
Political Editor

RACHEL Reeves was branded delusional last night after insisting her economic plans are working as official growth forecasts were halved.

On a humiliating day for the Chancellor, she was forced to deliver a £14 billion package of emergency spending cuts to avoid breaking fiscal rules she wrote herself only five months ago.

And economists warned that the public finances are so precarious the Chancellor is likely to have to return

Turn to Page 4

She claimed to be restoring economic stability and delivering a decade of national renewal. The reality? Our growth forecast for this year has been slashed in half – and she's likely to be back for MORE tax rises in the autumn

The chancellor is "deluded" says the Daily Mail in its headline, accusing her of failing to restore economic stability in Labour's mission to deliver a "decade of national renewal". The paper characterises it as a "humiliating" day for Reeves, noting the £14 billion in emergency cuts were brought in to avoid breaking fiscal rules only written five months ago.

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The Daily Express keeps it simple on its front page, featuring a picture of "reckless Rachel" announcing her plans at the despatch box in the House of Commons, next to a full-page headline accusing her of recklessness and damaging economic growth. The paper reports that the UK's tax burden is predicted to hit record levels, blaming the chancellor's policies for the negative economic growth forecasts.



The Daily Mirror headlines on accusations that Reeves' plans amount to "balancing the books on the backs of the poor". Noting her benefit reductions add up to a total of £4.8 billion of the £14 billion in cuts, the paper carries highly critical comments from a major union boss over her plans. Paul Nowak, from the Trades Union Congress, accused the chancellor of making the "wrong call" to cut sickness and disability assistance, rather than hiking taxes on the wealthiest people.