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GEOPOLITICS PROMPT IMPORTERS TO ALTER SUPPLY CHAINS

One in five British importers have altered their supply chains because of geopolitical tensions, particularly with China, new research suggests.

A survey by the Institute of Directors (IoD), found that 20.5% of importers have altered their supply chains because of tensions abroad, while a further 14.5% were considering doing the same.

Just 42.4% of importers said their supply chain had been unaffected by the geopolitical tensions.

Many firms have become "more risk aware" since the pandemic and the invasion of Ukraine, the research suggested, and are looking for stability.

Some are particularly concerned about sudden disruptions to their supply chains if UK-China relations deteriorate as well as the security of their data in Chinese systems, according to the IoD.

Emma Rowland, trade policy adviser at the IoD, said: "It is clear businesses are sensing geopolitical-shaped clouds on the horizon, particularly while China's standing with the US, Russia and Taiwan remains uncertain.

"The pandemic, coupled with the invasion of Ukraine, has exposed vulnerabilities in international supply chains and an overreliance on countries perceived to be high-risk to the UK.

"Ultimately, firms are pursuing long-term stability in their supply chains, so they can provide certainty to their customers."

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UK GROWS BUT REMAINS IN 'PRECARIOUS PLACE'

Growth remained sluggish between April and June 2023, with GDP growing by 0.2% in the second quarter of 2023 following a 0.1% rise in the first.

Monthly estimates also show that GDP grew by an estimated 0.5% in June 2023 after falling by 0.1% in May and rising by 0.2% in April.

Growth of 1% in the information and communication sub-sector and a 1.6% increase in accommodation and food services made the largest contribution to increasing GDP.

However, these gains were partially offset by a 1% decline in professional, scientific and technical activities, which saw downturns in scientific research and development, architectural and engineering activities, and advertising and market research.

Prime Minister Rishi Sunak welcomed the figures as "good news", adding "there's still more work to do, but today's figures show the plan is working."

David Bharier, head of research at the British Chambers of Commerce, said the GDP figures were "better news than expected", but stressed that the UK economy remains in a "precarious place".

"While the UK remains on course to avoid a technical recession, small movements in one direction or the other won't mean much for many firms facing the toughest trading conditions in years."

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PAY GROWTH ENDS 18-MONTH WAGE SQUEEZE

Real wages in June 2023 were higher than a year ago for the first time in 18 months, ending a pay squeeze across Britain.

Wages grew by 7.8% in the three months to June, the fastest annual rate since records began in 2001, according to figures from the Office for National Statistics.

Darren Morgan, ONS director of economic statistics, said: “Coupled with lower inflation, this means the position on people’s real pay is recovering and now looks a bit better than a few months back.”

Prime Minister Rishi Sunak said there was “light at the end of the tunnel” for the millions struggling with the cost of living.

However, inflation remains relatively high at 7.9% in June and 6.8% in July, meaning real wages including bonuses rose by 0.5% in the year to June and wages excluding bonuses rose by 0.1%.

Moreover, while rising wages is a win for workers, not everyone is as optimistic.

Following the data, Sushil Wadhwani, a former member of the Bank’s rate-setting Monetary Policy Committee, said financial markets believe an interest rate rise at the next meeting in September is a “virtual certainty”.

Nye Cominetti, senior economist at the Resolution Foundation, said: “Pay growth accelerated in June to end Britain’s painful 18-month pay squeeze.

“This welcome news for workers won’t be shared by policy makers at the Bank of England though, as it will put further pressure on their efforts to curb inflation. They will hope that rising unemployment and falling vacancies will take the steam out of pay rises in the coming months.”

The wage growth figures also highlight the “unrelenting workforce pressures businesses are facing”, according to Jane Gratton, deputy director of the British Chambers of Commerce.

“In a tight labour market, employers are struggling to contain wage inflation as the expectations of their staff and job candidates continue to rise,” she continued.

Speak to us for advice on employing staff.

ONE MILLION MORE PULLED INTO TAX ON SAVINGS

Rising interest rates and frozen thresholds will force over one million more taxpayers to pay taxes on their savings interest this tax year, new data reveals.

Over 2.7 million individuals will pay tax on cash interest in the 2023/24 tax year, up by a million in a single year as more savers breach the personal savings allowance.

According to the figures, obtained by AJ Bell through a freedom of information request to HMRC, the Treasury will collect £6.6 billion in tax on earned savings interest.

The investment firm said that 1 in 20 basic-rate payers will pay tax on cash interest this tax year, rising to 1 in 6 higher-rate payers and around half of additional-rate payers.

It urged Chancellor Jeremy Hunt to end the freeze on the personal savings allowance, which has remained unchanged since 2016 despite wage inflation and surging interest rates yielding higher gains.

Tax is owed when a taxpayer earns more in interest than the personal savings allowance, which is £1,000 for basic-rate taxpayers, £500 for higher-rate taxpayers and non-applicable to additional-rate payers.

Furthermore, tax is paid either through self-assessment or deducted from income through a tax code adjustment. However, many taxpayers will be unaware that they owe tax until HMRC contacts them, AJ Bell said.

Laura Suter, head of finance at AJ Bell, said: “The figures highlight just how many taxpayers are facing a tax bill for their savings interest this year — a huge leap when compared to last year.

“The combination of higher interest rates and people having shunned ISA accounts in recent years means that the number paying tax on their savings has more than tripled in the past four years.

“Rising rates and a frozen personal savings allowance means some individuals are being taxed despite having relatively modest pots of cash set aside for a rainy day.”

Contact us for personal tax planning advice.