GLASGOW
CITY REGION

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UK Autumn Budget 2025 Summary Note

27th November 2025

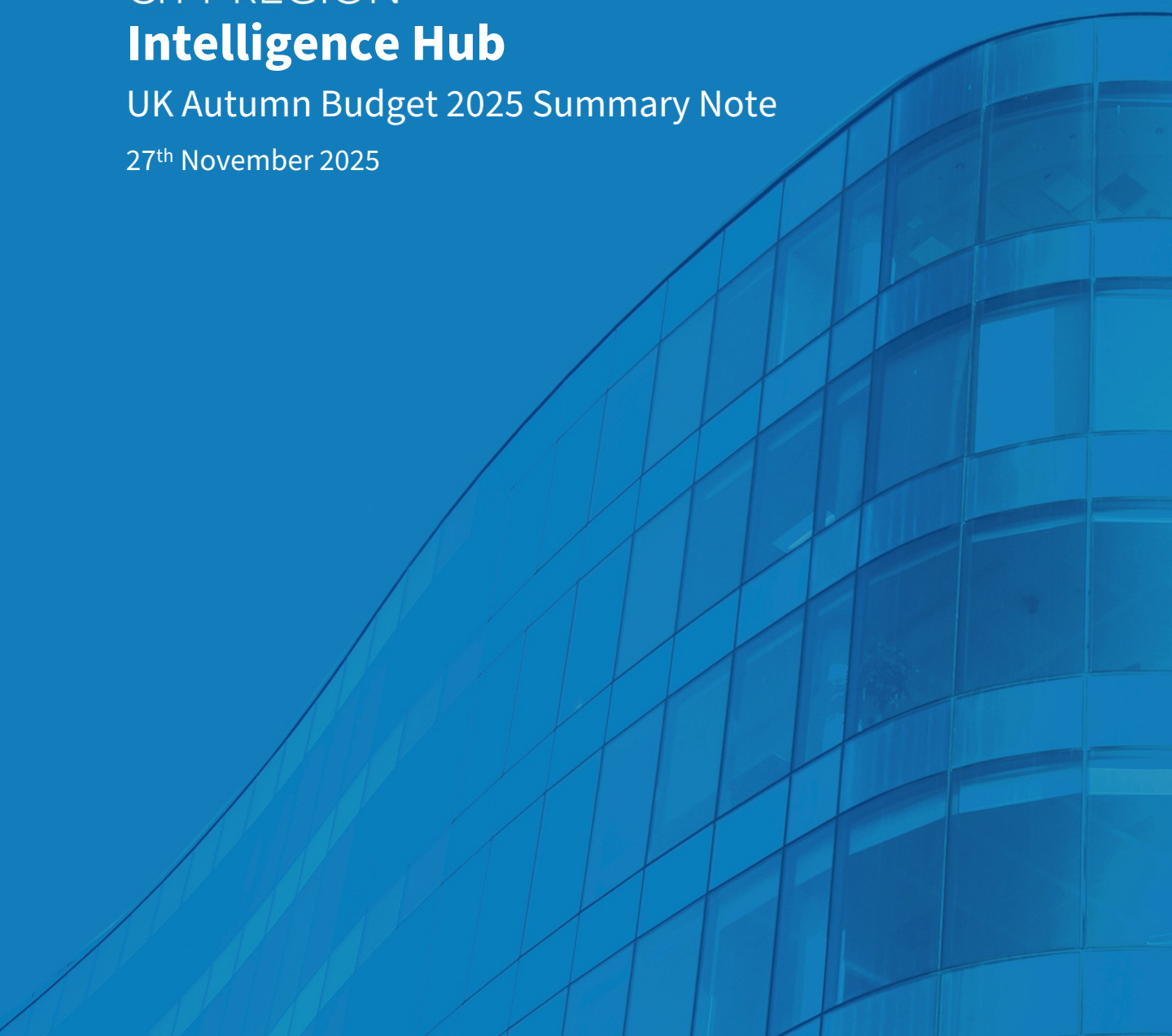


Table of Contents

GLASGOW CITY REGION

Executive Summary

This briefing note summarises the key policy announcements from the Autumn Budget 2025 and their impact on the economy.

Across two successive budgets, the Chancellor introduced tax increases that together resulted in the highest levels ever recorded. On one hand, these rises responded to a significant deterioration in the public finances that required action. On the other, they helped fund measures aimed at easing cost-of-living pressures, including scrapping the two-child cap, providing support with energy bills, and expanding Free School Meals. The analysis by the Office for Budgetary Responsibility (OBR) shows that the outlook for living standards has deteriorated since March 2025. While incomes rose 2% over the past year and 4.3% over the past 18 months, the OBR now expects almost no further growth – just 0.8% (£210) between 2025 and 2029. This is weaker than its spring forecast, mainly due to higher personal taxes announced in the Budget. The poor outlook for disposable incomes reflects stagnant growth and high unemployment rates, which particularly affects young people.

There is consensus amongst economic commentators that the Budget lacked sufficient pro-growth measures. Although it included initiatives to boost government and private sector investment, the OBR concluded that these steps were too limited to materially improve the long-term growth outlook.

The Budget brings several funding commitments and investments to Scotland, with the potential to drive positive developments for GCR. There was confirmation of the £50m Local Innovation Partnership Fund and commitment of £20m from the Growth Mission Fund to upgrade the Inchgreen Dry Dock in Inverclyde, transforming a derelict site into one of Europe's largest dry docks and creating new jobs for the local economy.

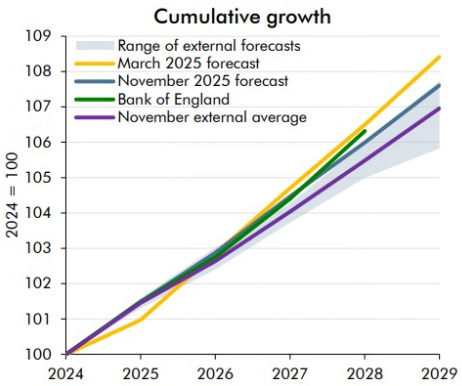
Economic Forecast & Public Finances Outlook

Economic Outlook

Economic output was stronger than expected in the second half of 2024 and the first quarter of 2025, which has influenced the OBR to upgrade its estimates for real GDP growth to 1.5% in 2025.

However, disappointing growth in Q2 and Q3 in 2025 has caused the OBR to revise its projections for future real GDP growth over the next decade. Real GDP growth has been decreased by 0.5%pts to 1.4% in 2026, with stabilisation to 1.5% per annum for the rest of the decade.

Chart 1: Cumulative growth forecasts



Source: *OBR, Economic and Fiscal Outlook November 2025*

Relative to March forecasts, the OBR has revised productivity (measured as GDP per hour worked) projections down by 0.3%pts to 1.0% growth in the medium-term. This reflects the UK's productivity underperformance based on historic and international comparisons, noting tepid recovery from economic shocks such as COVID and the energy-price-crisis. The Budget itself places responsibility on historic under-investment and commits to protecting over £120 billion additional departmental capital spending over the Parliament and reforming the planning system to unlock building.

The OBR remains unsure on the UK's productivity growth in the medium-term as the UK experiences increased employment in relatively less productive sectors, an aging population, and uncertainty around the productivity growth levels of Artificial Intelligence.

Inflation, measured through the Consumer Price Index (CPI), has been revised upwards to a peak of 4% in 2025 Q3, driven by price increases in services and food. The OBR expects inflation to hit the 2% target in 2027 – one year later than previously forecast – while warning that global geopolitical and energy risks could change this outlook.

Labour Markets and Earnings

The OBR expects the UK's unemployment rate to stay close to its current level of around 5% through 2025/2026 before falling to an estimated rate of 4.1% per cent from 2027. The unemployment rate has been steadily trending upward since the post-pandemic low of 3.8% in 2022, driven by entrants into the labour force struggling to find work amid less demand for hiring.

Earnings growth, measured through nominal weekly earnings, is estimated to hold at around 5% in 2025, falling to 3.3% in 2026, and reducing further to just over 2% for the remaining period of the forecast. Whilst these earnings estimates are above initial projections from March, the continued reduction in the medium-term reflects the impact of the recent increase in employer's National Insurance Contributions – from which firms are anticipated to lower wages. The Resolution Foundation has commented that the combination of these impacts will see real Household Disposable Income set to grow more slowly over this Parliament than any other Parliament on record except one – the last.[1]

Impact on Public Finances

Net financial debt as a share of GDP remains close to its highest recorded level, reached during the COVID-19 pandemic. The Government's fiscal strategy is to reduce borrowing and debt, to avoid spending taxpayer money on debt interest. £1 in every £10 of public sector spending goes on servicing previously borrowed money, instead of supporting public services or investment.

The fiscal impact of the Government's proposals is estimated by the OBR to cause a short-term increase in borrowing, primarily driven by financing welfare changes such as the removal of the two-child limit within Universal Credit.

The increase in public spending across is offset by a wide-ranging set of changes to tax policy in the medium-term, which raise receipts and lower borrowing. These include measures such a tax on electric vehicles, freezing of personal tax thresholds, and reforms to the taxation of gambling.

1. Resolution Foundation – Stairway to Headroom

Household Impacts

Overall, the budget seeks to reduce the squeeze on low- and middle-income households, with the package of tax measures being broadly progressive.

Income Tax Thresholds

The Chancellor announced that income tax thresholds will be frozen until 2030-2031.[2] This means that as pay increases, a higher proportion of income will end up above the threshold being taxed. Middle-earners are going to be the most disproportionately affected by this policy. For instance, anyone on a salary of £45,000 now and getting a 4% raise, which is lower than this year's salary growth rate, across the next three years would be dragged into the threshold and become a higher-rate taxpayer whilst doing the same job.[3]

Minimum Wage Increase

The Chancellor has confirmed that statutory wage floors will rise across all age groups:

- **National Living Wage (ages 21+)** will increase from **£12.21 to £12.71 per hour**.
- **National Minimum Wage for 18–20-year-olds** will rise from **£10.00 to £10.85 per hour**.
- **Minimum wage for 16–17-year-olds** will go up from **£7.55 to £8.00 per hour**.
- **Apprentice rate** – covering apprentices under 19 or in their first year – will also move from **£7.55 to £8.00 per hour**.

These changes represent a continued effort to raise earnings for lower-paid workers, with the strongest proportional increases occurring among younger workers and apprentices. Although to some extent the news is welcome, the Economist warns that big and successive increases to the minimum wage can have a negative impact on the labour market.[4]

A growing body of research points to delayed employment effects from raising the minimum wage. Evidence from the US suggests that successive minimum wage increases have resulted in a 10% slowdown in hiring in the bottom end of the labour market and have degraded job quality, such as less predictable working hours and fewer perks (e.g. health insurance). The Resolution Foundation has also warned that incautious rises in the minimum wage can have negative effects on growth and the labour market.[5]

2. The Guardian- Including an income tax calculator
3. The Independent
4. The Economist (Nov 2025), Why Government Should Stop Raising the Minimum Wage.
5. The Economist (2025). Economists Get Cold Feet About High Minimum Wages

Addressing Child Poverty

Ending the two-child limit is projected to provide support to roughly 560,000 families, who would gain an average of more than £5,300 each year. According to IFS estimates, this represents one of the most efficient policy levers available for rapidly reducing child poverty.[6] The UK government expects the reform to lift approximately 450,000 children out of poverty in 2029–30, since increases in child poverty are mainly driven by larger families.

Scotland already invests in other anti-poverty measures such as the Scottish Child Payment and Best Start Grants. Abolishing the two-child limit at the UK level will complement these policies, amplifying their impact. According to the Scottish Government's own analysis, abolishing the cap could reduce the number of children in relative poverty substantially- up to 20,000 fewer children in relative poverty in 2026-27.[7]

Help with the Cost of Living

The Chancellor focused on easing living costs in this Budget through two major price-related measures. First, the government will cut £130 from household energy bills next year as part of a £2.6 billion support package that will continue until 2028-29. Cutting energy bills is a boost for those on low incomes and for those with high levels of consumption.[8]

Second, the 5p cut to Fuel Duty will be extended until August 2026, with rates gradually returning to their March 2022 levels by March 2027. The inflation-linked rise previously planned for 2026-27 has been cancelled, costing £2.4 billion next year and £0.8 billion annually by the end of the forecast period.

6. Institute For Fiscal Studies: Autumn Budget Initial Response
7. Scottish Parliament
8. Resolution Foundation, Stairway-to-headroom.

Business & Investment Impacts

The Chancellor's approach represents a deliberate shift towards the UK industrial strategy, recognising that supply chain stability has become a critical economic priority in the post-pandemic landscape.

Pro-entrepreneurship measures

The Budget's confirmation of the £50 million Local Innovation Partnership Fund signals alignment with the Industrial Strategy through strategic cluster development.

There was also a particular emphasis on scale-up firms with the Chancellor promising to reform the Enterprise Investment Scheme (EIS) and the Venture Capital Trust Scheme (VCT) to provide more incentives for growing companies to stay in the UK.[9]

The Budget highlights support for Scottish businesses through the British Business Bank's Investment Fund, which has committed over £25 million in its first 18 months. Notably, Glasgow based powerchair startup Freedom One Life secures a £500,000 loan to expand into the US market and invest in R&D to scale production and reduce costs.

According to the OBR, the scale of government and business investment is insufficient to generate a meaningful, long-term boost to GDP.

Infrastructure

A flagship commitment is £20 million from the Growth Mission Fund to upgrade the Inchgreen Dry Dock in Inverclyde, transforming a derelict site into one of Europe's largest dry docks and creating new jobs for the local economy.

9. EIS helps individuals invest directly in startups with tax benefits, while VCTs let people invest in a *fund* that supports many startups- also with tax incentives.

Devolution

The Budget positions itself as delivering record support for Scotland, claiming the largest real-terms settlement since devolution in 1998. Through the Spending review, the Scottish Government receives additional funding of £510 million in resource and £310 million in capital via the Barnett formula, on top of these record settlements. The Treasury highlights that this settlement will continue to grow in real terms through 2028-29.[10]

However, analysis from the Fraser of Allander Institute moderates this narrative. While the headline figures sound significant, the additions are relatively modest when spread over multiple years – around £0.5 billion in resource over four years and £0.3 billion in capital over five years. Furthermore, there is no clarity yet on how these amounts will break down annually, leaving uncertainty for local planning.[11]

The Budget also underscores the complexity of devolution. Some measures apply automatically in Scotland because they relate to reserved matters, such as the freeze on National Insurance thresholds, which reduces NIC rates to 2% after £50,270, and changes to tax on savings and dividends. Conversely, Scotland retains control over income tax thresholds (except the Personal Allowance) and can decide how to allocate Barnett consequentials from initiatives like the Youth Guarantee. This interplay between reserved and devolved powers means that while Scotland benefits from additional funding, its autonomy is limited in areas where UK-wide policies dominate.

The UK Budget also commits significant resources to Mayoral Strategic Authorities (MSAs), confirming £13 billion in integrated settlements for regions such as Greater Manchester, West Midlands, and Liverpool City Region. These settlements provide multi-year certainty and flexibility, alongside enhanced fiscal tools like Business Rates Retention zones, Local Growth Funds (£902m), and a £500m Mayoral Revolving Growth Fund. These mechanisms empower city regions to pool budgets, retain local revenue growth, and implement long-term strategies for regeneration and innovation.

By contrast, Glasgow City Region (GCR) lacks equivalent levers and remains reliant on centrally allocated, ring-fenced funding. Without similar frameworks or sustained multi-year investment, GCR risks lagging in attracting investment and driving growth.

10. HM Treasury

11. Fraser of Allander Foundation Budget 2025 reaction