

# **Guide to the 2021 Budget**

And what it could mean for your international payments



## What did Rishi Sunak announce during his speech?

UK Chancellor Rishi Sunak has delivered his Budget, on the same day sterling enjoyed itself as the top-performing currency.

However, while there was only a loose connection between the two events, the speech did help answer the question of how much additional support the government is prepared to offer businesses and individuals whilst the unlocking process is underway.



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The Chancellor outlined a number of changes to furlough and business support measures, including:

- No changes to rates of income tax, national insurance or VAT
- Tax freezes for personal income tax allowance and the higher rate income tax threshold, from 2022
- Corporation tax on company profits to rise to 25% in April 2023
- Business rates holiday for firms in England to continue, until June
- VAT rate for hospitality firms to be maintained at a reduced 5% rate until September

Other points, such as the extension to the furlough scheme and stamp duty holiday had already been reported in the press, and with many of the measures already pre-announced, movements were already priced in.

## What does the future look like for sterling?

There is one more question, and that is what this all means for the pound? Over the course of 2021 so far, the pound has continued its rally against the likes of the euro and US dollar, significantly outperforming other majors against the US dollar.

The rally has been very impressive, but the move up from \$1.35 and €1.1350 looks to have had little to do with any material changes to the UK's economic outlook, up until now at the very least. In the coming quarters, could the first mover advantage of unlocking for businesses fade?

It is likely that the UK will recoup all of its lost output

by the end of 2022, or early 2023. The pound may slip over the upcoming quarters, and find it difficult to sustain rally beyond recent highs. Equally, as the economy returns to normal, trade flows should normalise, which could mean a significant increase in the currency requirements around the UK's net trade imbalance. The pressure is likely to build on the pound as the UK returns to 'normal' and other economies catch up.

Nevertheless, we are seeing sure signs of the Government shifting gears from 'survive' to 'thrive', with the economy forecast to rebound in 2021 and projected annual growth of 4% this year.



# How to manage FX transactions and currency risk



## Invaluable expertise

Movements in the currency market can have a significant impact on your bottom line. In a rapidly changing world, it can be difficult to keep up to date with market movements. That's why we work closely with our clients to ensure they have the latest insights and guidance on the range of tools available to businesses. In partnership with our clients we create a bespoke FX strategy that helps to mitigate the risk of currency transactions. Our expert team is always on hand to help you make the most of overseas revenue and minimise your costs abroad.



## Currency tools

**Spot Contracts** apply the exchange rate on the day of purchase and can be a high risk approach because of the unpredictable nature of the FX market.

**Market Orders** allows you to target a specific rate. There are no guarantees, so there is some risk, but it is possible to specify maximum and minimum rates to limit potential losses.

**Forward Contracts** fix a prevailing exchange rate for a set period of time. This may ease pressure on margins and prices but presents some risk if the value of the pound improves and may require a deposit.

**Currency Options** provide the opportunity but not the obligation to exchange a specified amount on a particular date at a set rate. These regulated investment products carry a higher level of risk and may require an upfront premium.



## 24/7 online platform

An online multi-currency account allows you to manage funds and currency transfers for 33 major currencies through a convenient and secure online platform. You can make and track payments, view live exchange rates, make use of currency tools such as forward contracts and set alerts for your preferred exchange rate and market updates. You can also manage users and approval workflows and run real-time reports. Our platform includes a suite of APIs for seamless integration, facilities for bulk payments and functionality to reduce administration time and resource by simplifying the process for international payments.





## Contact us

If you want to review your FX strategy or plan to make use of currency tools to address FX market volatility, our expert team is happy to help.

Get in touch with your account manager or request a free, no-obligation consultation.

Quote the reference "Budget" and call or email us on:

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