CARTWRIGHT 40

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"Is That It?" Budget 2026 and the Markets

John Healey delivered his first Budget as Chancellor on 28 October. Responding for the Opposition, Kemi Badenoch said that most people listening would be thinking to themselves "is that it?". Most of the measures had been reported in advance, and gilt yields moved by less than 0.05% on the day.

£15bn
Margin against the main fiscal rule (£23.6bn in March)

4.2%
Borrowing in 2026-27 as a share of GDP (3.6% in March)

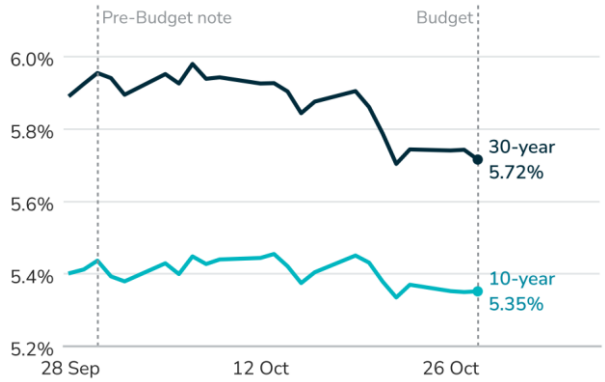
£15.5bn
Long-dated conventional gilt sales in 2026-27 (£22.4bn in April)

5.72%
30-year gilt yield at the close (5.95% on 30 September)

Market reaction

The 30-year gilt yield closed at 5.72% and the 10-year yield at 5.35%, both changed little on the day. The FTSE 100 closed 0.1% up at 10,700. The Debt Management Office reduced planned sales of long-dated conventional gilts, which should help support their prices.

Gilt yields since our pre-Budget note



Source: BoE

Bank Rate and the OBR's assumed path



Source: BoE; OBR

Main announcements

- The headline rates of income tax, National Insurance and VAT were left unchanged. Income tax on savings and property income will rise by four percentage points from April 2027, two of which were announced in last year's Budget.
- The bank surcharge will increase from 3% to 6% between January 2027 and March 2028, to help fund a £100 energy payment for up to 20 million households in England.

- For pensions, the "two-year rule" was removed, so lump sum death benefits are no longer taxable just because they are paid more than two years after the member's death. The adjusted triple lock, under which the state pension will track earnings over time, was also reconfirmed.

Beyond these measures the fiscal picture is much as it was. The government is still borrowing every year, and the OBR expects rising income tax and National Insurance receipts, helped by frozen thresholds, to push the tax take to a record share of GDP.

For pension trustees

- Financial markets: the fall in long-dated yields since our pre-Budget note will have eased the pressure on LDI collateral.
- Bulk annuity market: we would not expect the measures announced to have a material effect on insurer pricing, and conditions remain favourable for smaller schemes.
- Sponsor covenant: banks, and employers with many staff on the National Living Wage, which will rise by 3.9% to £13.21 an hour in April 2027, will face higher costs.

For charity trustees, corporate treasurers and CFOs

- Charities: little in the Budget directly affects charity investors. Income from cash and newly bought bonds remains high, and would rise further if Bank Rate is increased.
- Corporates: the bank surcharge increase is temporary and should not materially affect lending terms. Ahead of the rate decision, it may be worth reviewing refinancing, hedging and surplus cash.

Next: the Bank of England

Bank Rate is currently 3.75%, and markets have almost fully priced in a 0.25% increase on 5 November. The OBR's forecasts assume Bank Rate reaches just over 4.25% by mid-2027.

If you would like to discuss anything mentioned in this update, please get in touch with your usual contact at Cartwright.

Important information: This note is for general information only and is not investment, legal or tax advice. Market data are as at 28 October 2026 and proposals may change before becoming law. Please speak to your Cartwright consultant before taking any action.

October 2026

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