

Dear All,

UK has been in the news, and we see challenge every day. Here are my learnings from what's happening:

1. A few weeks ago, Britain celebrated the Queen's tenure and had a grand ceremony.
2. UK changed finance ministers within two months. Mr. Kwarteng left his role in 28 days. He and the PM Truss thought they were turbo charging the UK economy. The measures of the finance minister were roundly criticized, and the pound sterling took a beating.
3. It was amazing that the IMF and world bank expressed concern over the policies. This rarely happens and should have been the first warning.
4. The government cut the lowest income tax slab from 20% to 19% and subsidized the energy bill and a rise on corporation tax from 19% to 25%. The energy bill subsidy was till October 2023, now the new finance minister has changed that to April 2023. This left a hole in the budget balance.
5. No one can control the markets is an oft quoted phrase, we see that in Argentina, Turkey, India, and UK.
6. The markets were spooked by higher government spends and mortgage rates picked up.
7. Inflation is at an all-time high, hitting double digit. That's a concern for everyone including the economists.
8. The measures were not discussed by PM Truss with all the constituents, and the bill was rushed without due math's being done.
9. It also shows that public accountability of leaders is short lived, they expect a lot and one small misstep and it's a challenge.
10. To give her credit PM Truss recognized the push back and changed her finance minister and apologized for the unwise moves. This is rare for a politician. All the popularity she had before she took office has evaporated and her party now trails the labour party in opinion polls by 25 %, that's huge.
11. UK has been challenged for some time now with the handling of the Covid crisis, the handling of Brexit and has seen three prime ministers in as many years. That cannot create a stable environment for anyone to have confidence.
12. Lesson: Politicians must learn not to overpromise
13. Lesson: political jobs belong to the people; they can take you out with public opinion. Mr. Kwarteng was a celebrated economist.
14. Lesson: PM truss appointed Jeremy Hunt who supported Sunak in the PM race. In politics, do what's unthinkable that's. rare move.
15. Lesson: Never out guess your own central bank.

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