

Mini Budget - Major Drama | Reading | B2 - C1

SaraHelm@englishmeansbusiness.uk

Under the Creative Commons CC - BY licence, there are no commercial use restrictions. You may distribute, remix, adapt and build upon this material in any medium or format, on condition that you attribute its creator in the following way:

Adapted from Mini Budget - Major Drama by SaraHelm@englishmeansbusiness.uk

Find further exercises relating to this article @ www.englishmeansbusiness.uk and a large bank of business and general english videos @ <https://www.youtube.com/channel/UC9czbWEfjUaHaUzsAdYXwdw/>

Mini Budget - Major Drama | Understanding the main topic | first reading

Decide which sentence below best describes the main topic of the article.

- 1 A large drop in the value of sterling occurred that would reduce the cost of living in the UK.
- 2 A large rise in the value of sterling occurred that would increase the cost of living in the UK.
- 3 A large drop in the value of sterling occurred that would increase the cost of living in the UK.

Mini Budget - Major Drama | Understanding details | second reading

Decide whether the following sentences are true or false, according to the article. Identify the sentence(s) that support your answers.

- 1 The financial markets reacted negatively to an announcement by the UK Chancellor.
- 2 The Chancellor's tax cuts were aimed at helping people on a lower income.
- 3 The International Monetary Fund supported the Government's tax announcements.
- 4 The change in the value of sterling would affect imported but not UK-made goods.
- 5 It became more expensive for the UK Government to borrow money.
- 6 The Bank of England had not raised interest rates for months.
- 7 Market analysts expected a number of interest rate rises over the coming months.
- 8 The situation caused problems in the property market.
- 9 The fall in sterling was not limited to its value against the dollar.

Mini Budget - Major Drama | Article

It was Monday 26 September 2022. Overnight, the British pound had fallen to its lowest level against the US dollar since 1971. The United Kingdom feared what might happen next.

The previous Friday, the UK Chancellor had announced the largest tax cuts in 50 years. The international financial markets reacted swiftly. By the time the financial markets opened in Europe, sterling stood at \$1.06. It had bounced back only slightly from a sharp fall of 4.9% to just over \$1.03 on the Asian markets.

The Chancellor was planning to scrap the top 45 pence tax rate for earners of £150,000 or more. Added to this, further tax cuts might be coming within months. The International Monetary Fund criticised the UK Government over its plan for tax cuts. It warned that these measures would be likely to worsen the cost of living crisis.

The fall in the pound would make oil, gas and petrol, priced in dollars, more expensive. Sterling's declining value would also lead to higher prices of imported goods, such as cars, computers and mobile devices. Even the price of products made in the UK would hike, as manufacturers and retailers passed on the rising cost of imported materials to consumers.

The cost of UK government borrowing also climbed within hours of the announcements. Economists argued that the level of public debt necessary to fund the Chancellor's tax cuts was not sustainable because the UK still had a massive current account deficit.

Would the Bank of England take action to stop the pound's decline? Would its governor raise interest rates, even as much as 1 percentage point, to calm high inflation and stabilise the pound? The Bank had already lifted the interest rate by half a percentage point to 2.25% less than a week before, the highest rate for 14 years.

On Tuesday, the Bank of England signalled that it was prepared to ramp up interest rates in response to the slump in the value of the pound. Market analysts were beginning to forecast that they could reach 5.5% or even higher by spring 2023. By Wednesday UK banks had withdrawn a record number of mortgage products, uncertain how to price them amid this market turmoil.

A former US Treasury Secretary, Lawrence Summers, commented that there had been a "major loss of market credibility and market confidence" in the UK.

Sterling had also weakened against the euro and the yen. Would the slump in the pound just be a case of short-term volatility, or was the UK, in fact, heading for a downward economic and financial spiral?

SaraHelm@englishmeansbusiness.uk

Mini Budget - Major Drama | Key terms

Click on the links to read about the essential vocabulary items.

- 1 [financial markets](#)
- 2 [UK Chancellor](#)
- 3 [The International Monetary Fund](#)
- 4 [cost of living crisis](#)
- 5 [public \(government\) debt](#)
- 6 [current account](#)
- 7 [deficit](#)
- 8 [Bank of England \(Governor\)](#)
- 9 [interest rate](#)
- 10 [inflation](#)
- 11 [mortgage](#)

SaraHelm@englishmeansbusiness.uk

Mini Budget - Major Drama | Reading | B2 - C1 | Solutions

Mini Budget - Major Drama | Understanding the main topic | solution

- 3 A large drop in the value of sterling occurred that would increase the cost of living in the UK.

Finding a job | Understanding details | solution

- 1 True The previous Friday, the UK Chancellor had announced the largest tax cuts in 50 years. The international financial markets reacted swiftly.
- 2 False The Chancellor was planning to scrap the top 45 pence tax rate for earners of £150,000 or more.
- 3 False The International Monetary Fund criticised the UK Government over its plan for tax cuts.
- 4 False Even the price of products made in the UK would hike.
- 5 True The cost of UK government borrowing also climbed within hours of the announcements.
- 6 False The Bank had already lifted the interest rate by half a percentage point to 2.25% less than a week before, the highest rate for 14 years.
- 7 True Market analysts were beginning to forecast that they could reach 5.5% or even higher by spring 2023.
- 8 True By Wednesday UK banks had withdrawn a record number of mortgage products, uncertain how to price them amid this market turmoil.
- 9 True Sterling had also weakened against the euro and the yen.

SaraHelm@englishmeansbusiness.uk