# Rachel Reeves faces criticism as tax reforms trigger millionaire exodus and shifts in UK saving habits



Rachel Reeves, the UK Chancellor, faces widespread criticism from across the economic spectrum following the introduction of significant tax hikes and reforms. The measures have reportedly alienated various groups, from the wealthiest individuals to the middle-income households and those on lower incomes.

Since Labour assumed power and Rachel Reeves took office as Chancellor, an estimated 11,000 dollar millionaires have left the UK. Financial experts suggest that a millionaire exits the country approximately every 45 minutes. This ongoing departure of wealthy individuals, sometimes referred to as "Wexit," is evident in places such as Heathrow Airport’s departure lounge, which is heavily frequented by affluent individuals and ambitious entrepreneurs relocating to more favourable climates.

While the affluent are emigrating, middle-income earners who cannot relocate are taking different financial precautions. Many are increasingly investing in Cash ISAs as a response to the prospect of further tax increases and reductions in allowances. It is reported that £360 billion remains tied up in UK current and savings accounts earning minimal interest, often around 1 percent or less.

Hargreaves Lansdown, a major investment platform in the UK, notes a significant surge in Cash ISA demand, highlighting record deposit inflows in the first 20 days of April. Deposits into fixed-term Cash ISAs have seen a fourfold increase compared to the preceding three months before the tax year ended. The one- and two-year fixed-term ISAs, offering interest rates around 4.5 percent, are particularly popular despite expectations of interest rate cuts by the Bank of England.

The Bank of England is anticipated to reduce interest rates by 0.5 percentage points in an upcoming move, citing factors such as falling energy prices and a stronger pound. Economic forecasts point to slowed growth, with the EY Item Club predicting UK GDP growth of merely 0.8 percent for the current year, revised downward from earlier projections of 1 percent. The forecast for the following year remains modest at about 0.9 percent growth.

The economic environment described correlates with the tax reforms, where the loss of high-net-worth individuals and consequent decline in tax revenues may hamper growth. These dynamics could also lead to reduced consumer spending as households divert funds to savings, potentially diminishing investment capacity. Concerns extend to a "brain drain," with talented professionals reportedly moving abroad amid the current fiscal climate.

In separate developments, Marks & Spencer has faced operational challenges following a cyber attack that disrupted its online shopping platform. The temporary pause in its online services has negatively affected the retailer, with shares dropping nearly 10 percent since Easter. Online sales comprise roughly one third of the company’s clothing and homeware transactions, meaning the outage significantly impacts overall sales. This incident may prompt a reconsideration of M&S’s strategy to push over half of its sales through online channels, especially in light of similar outages affecting retailers in other European countries like Spain and Portugal.

On a more positive note, the German discount supermarket chain Lidl is undertaking expansion by opening 40 new stores across the UK. Notably, Lidl is targeting locations in some of the most affluent areas of London, signalling that even high-income consumers are attracted to discount retail options.

The Daily Mail is reporting that Rachel Reeves’ fiscal policies have led to a complex economic response, including a notable movement of wealthy residents abroad, shifts in consumer saving behaviour, and challenges for UK retailers navigating a changing commercial landscape.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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