



Carl Emmerson

27 February 2024
Report launch event

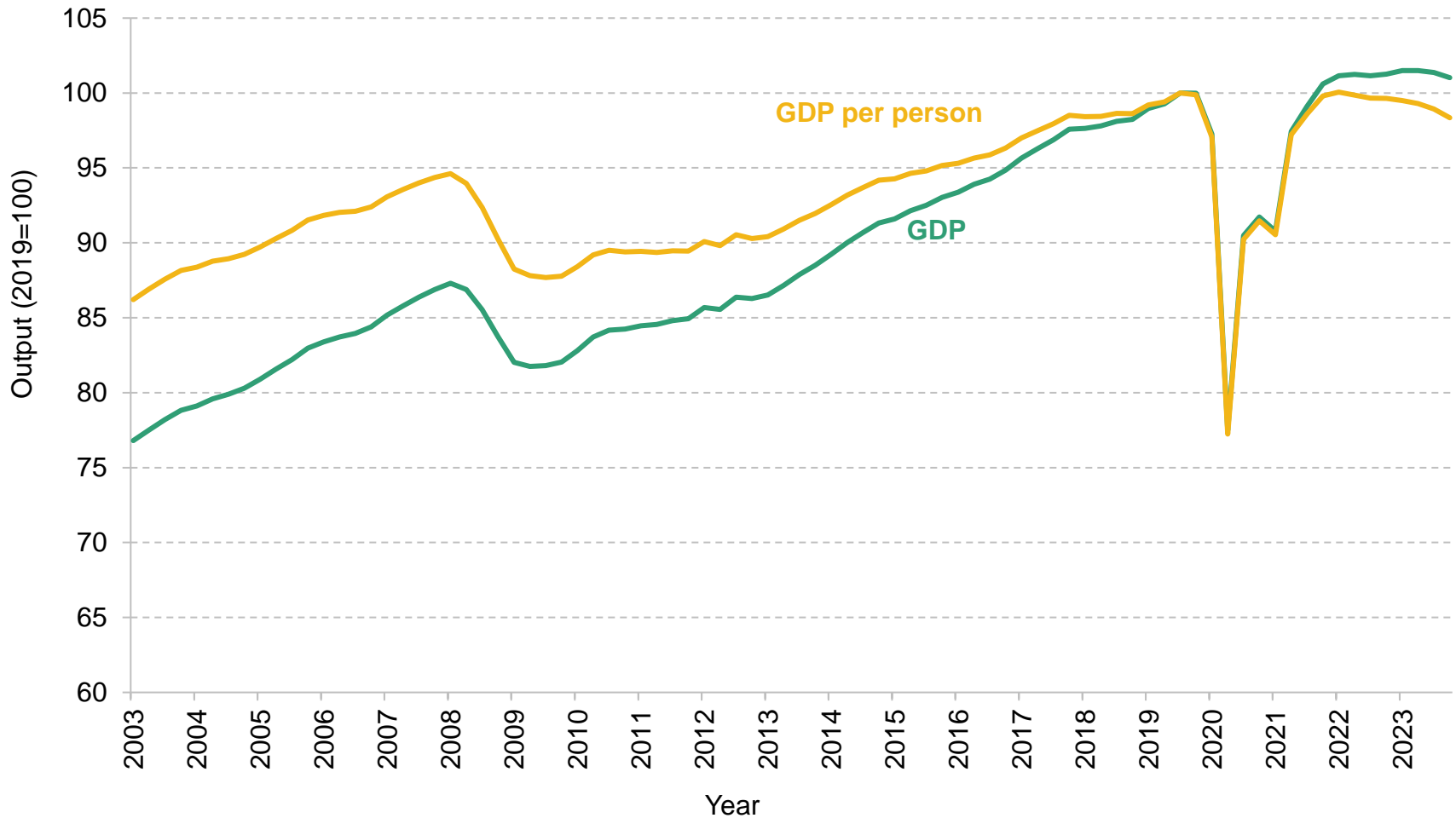
@TheIFS

The context for the March 2024 Budget



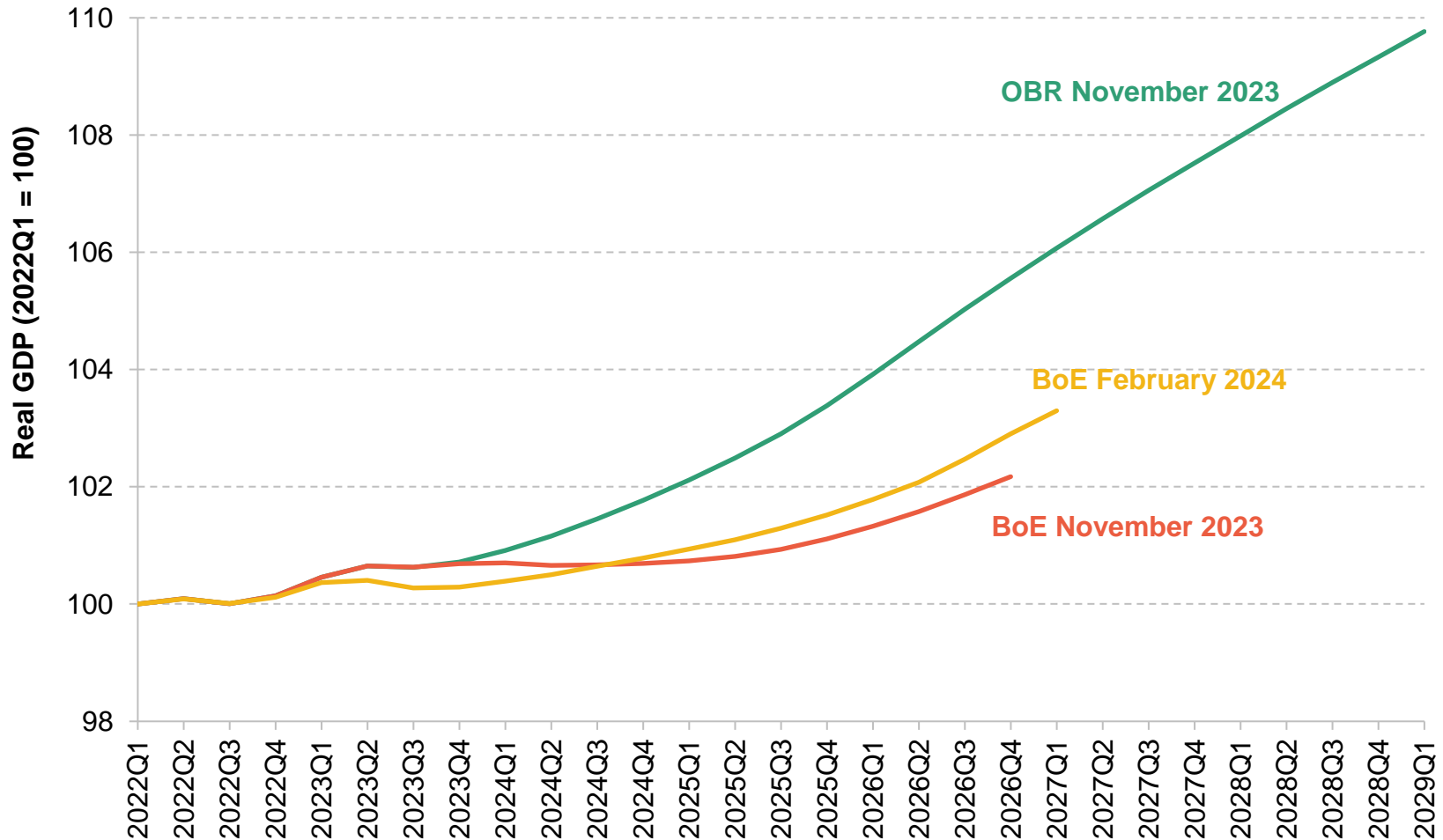
Economic
and Social
Research Council

Abysmal growth since 2008; GDP per capita still not above 2019 level



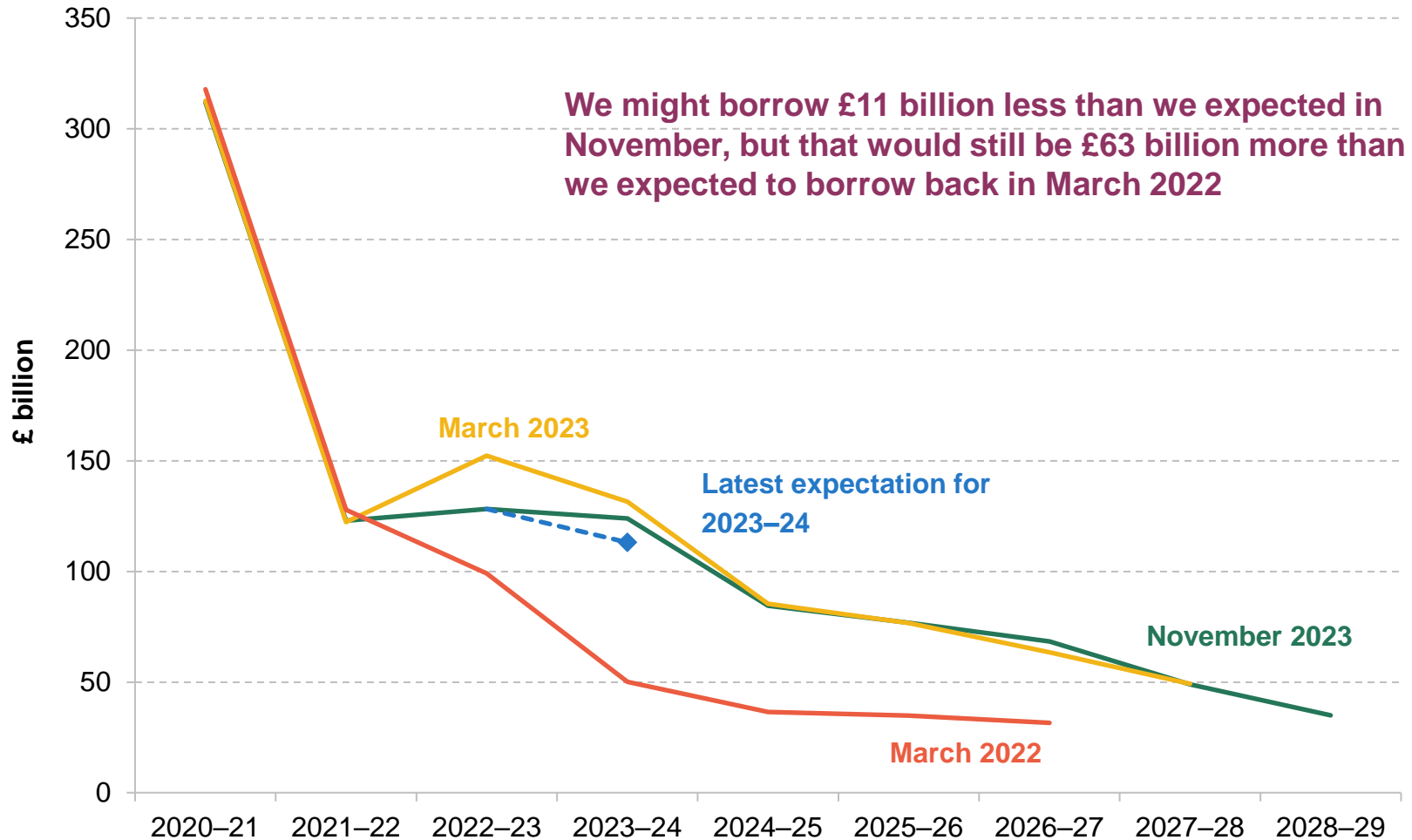
Source: ONS

BoE remain less optimistic about growth prospects than the OBR



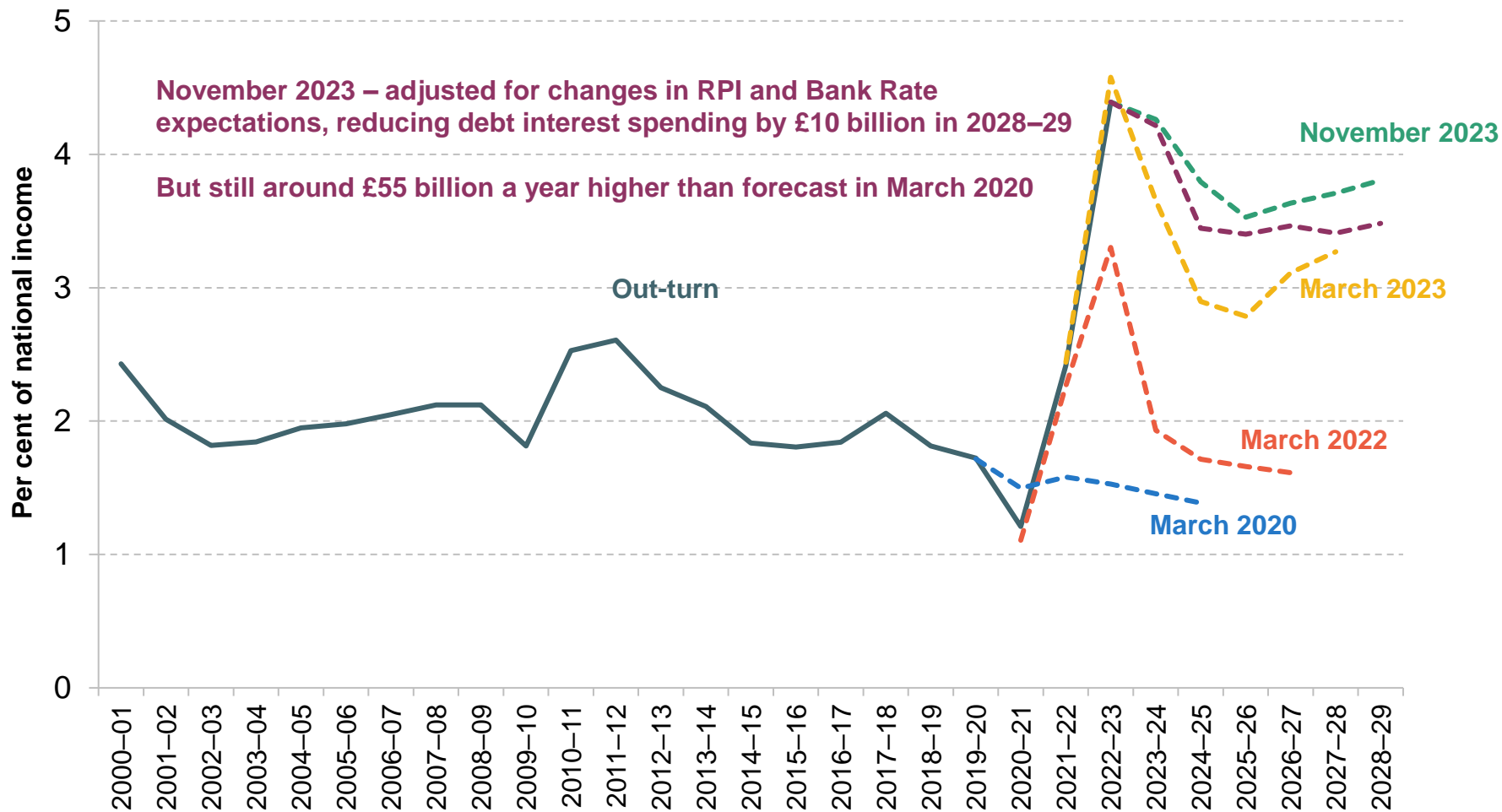
Notes and sources: See Figure 7 of Emmerson, Mikloš and Stockton (2024).

Borrowing to come in below the November forecast, but still high



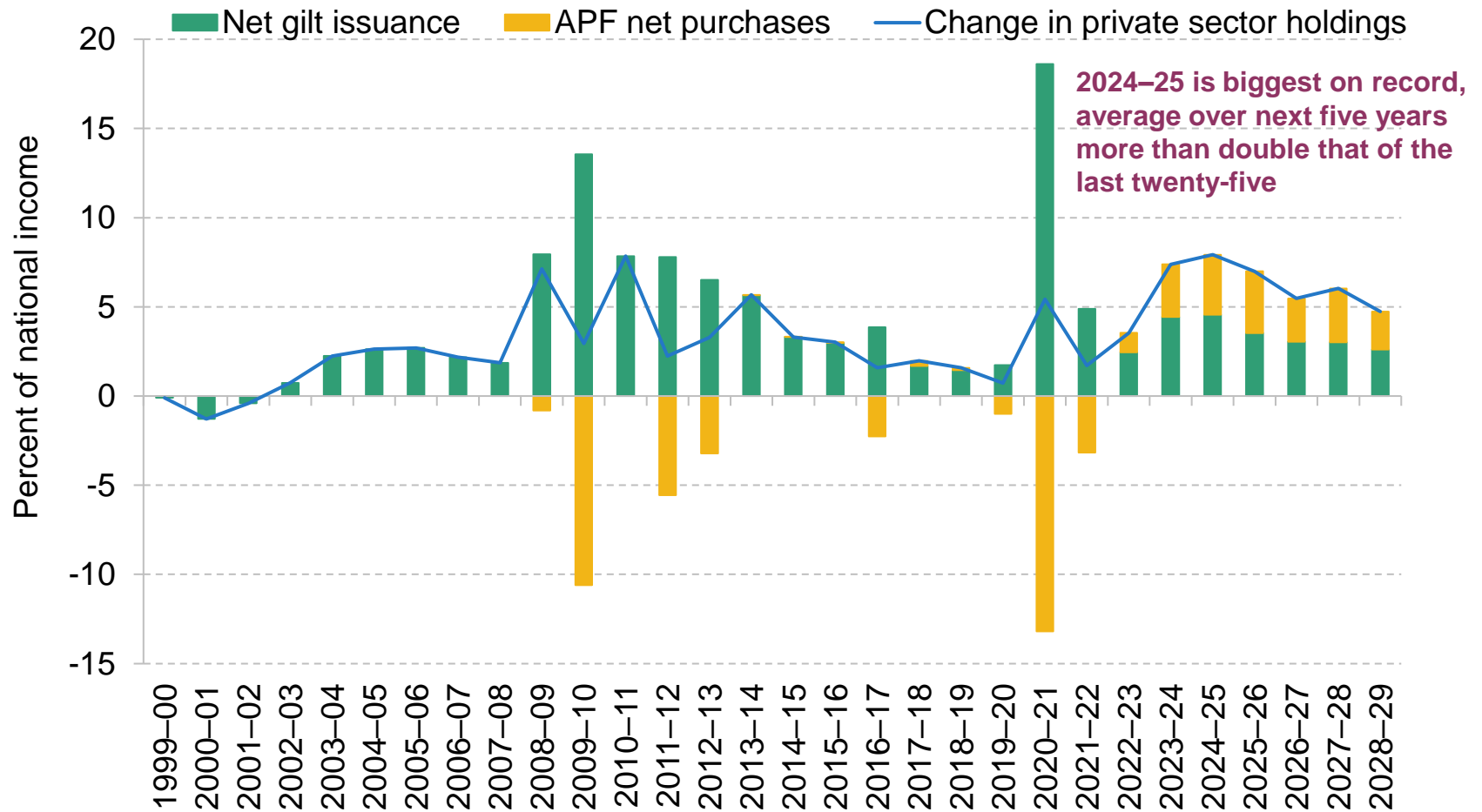
Notes and sources: See Figure 1 of Emmerson, Mikloš and Stockton (2024).

Debt interest spending



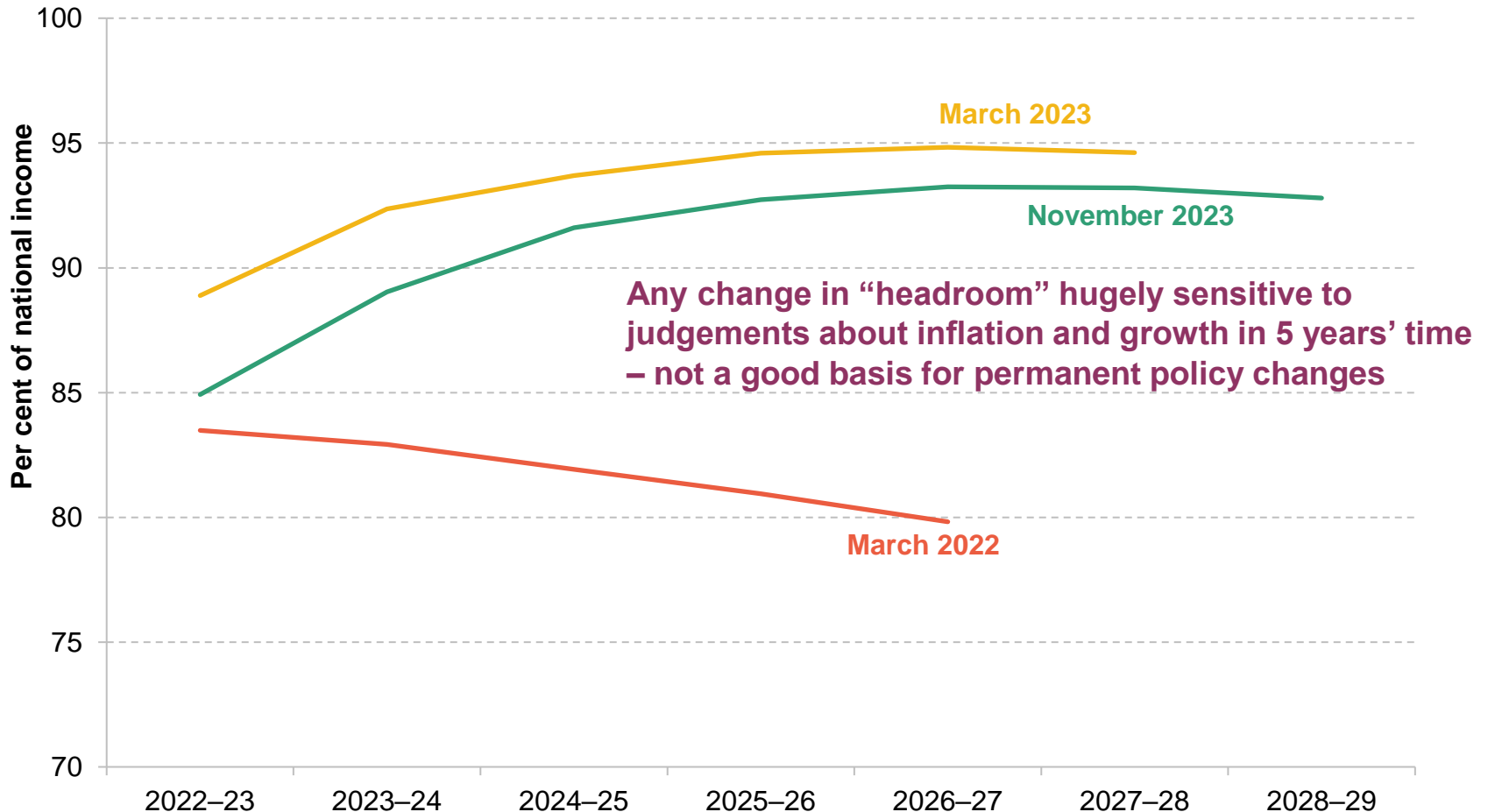
Notes and sources: See Figure 11 of Emmerson, Mikloš and Stockton (2024).

QT means private sector now swallowing lots of gilts



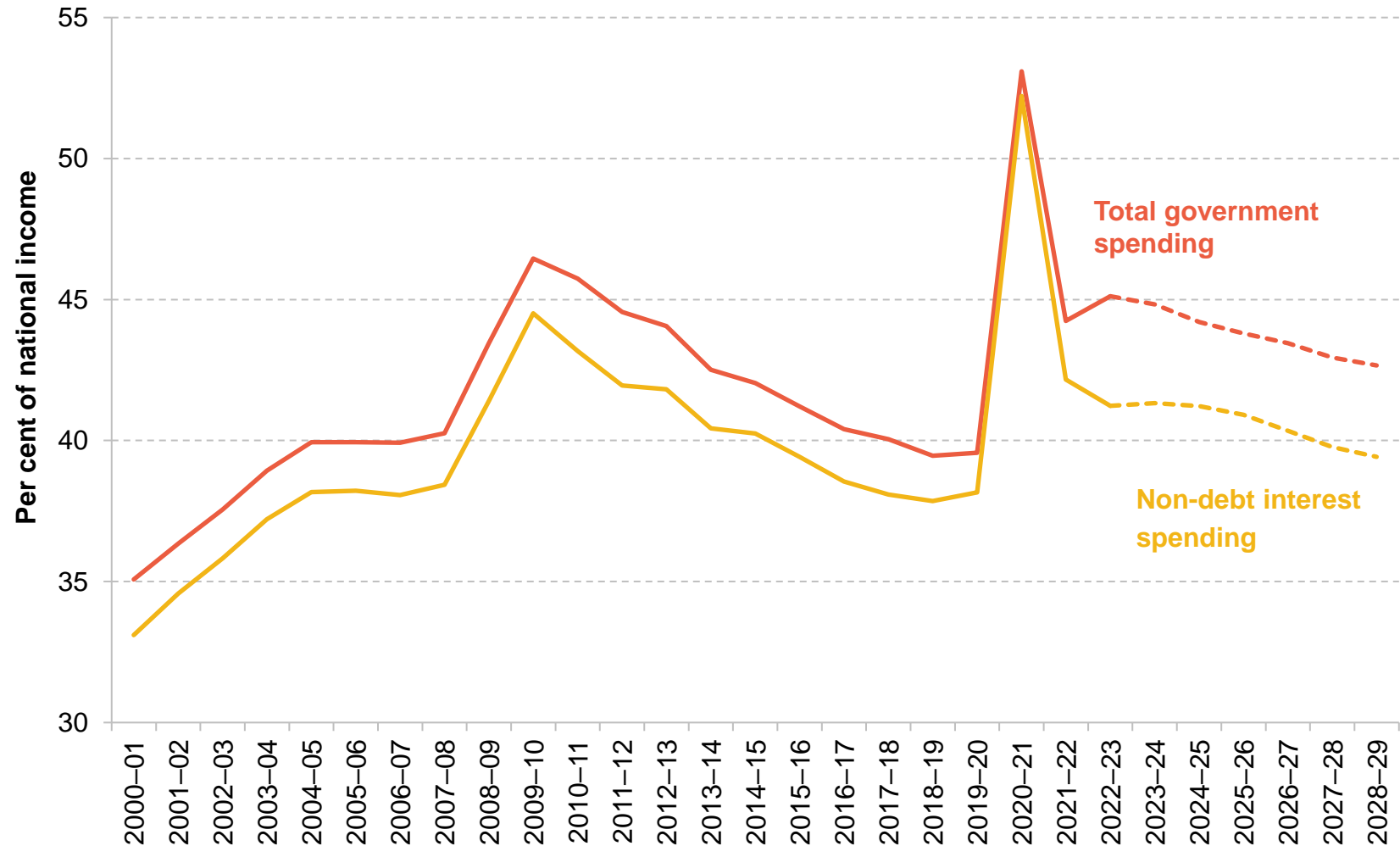
Notes and sources: See Figure 12 of Emmerson, Mikloš and Stockton (2024).

Public sector net debt to stabilise (just)



Notes and sources: See Figure 13 of Emmerson, Mikloš and Stockton (2024).

Tax and spend as a share of national income



Notes and sources: See Figure 3 of Emmerson, Mikloš and Stockton (2024).

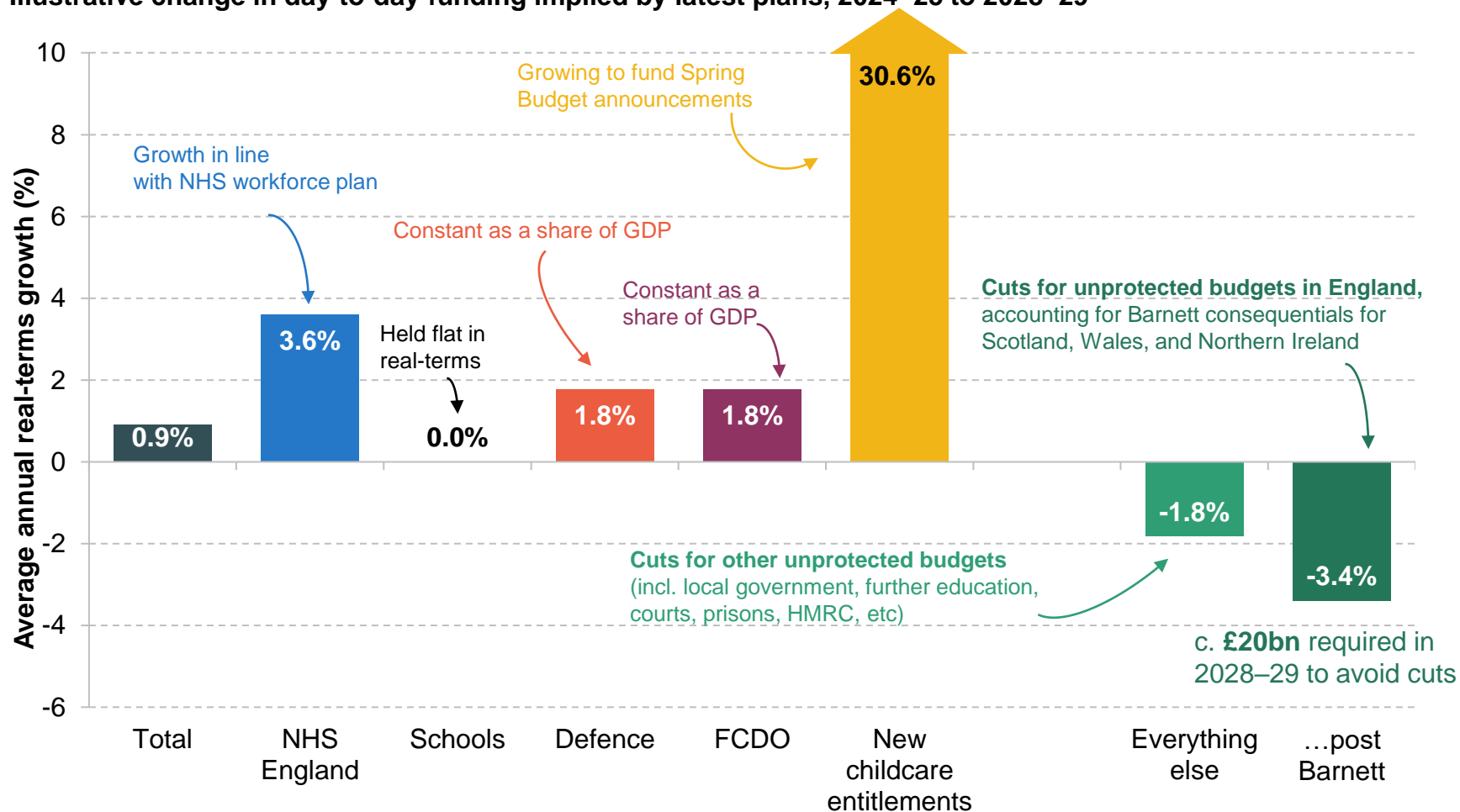
Day-to-day public service spending



- Real-terms growth of 0.9% a year over four years from April 2025
 - implied growth of 0.5% per year in per person spending
- Last month's ONS projections have faster population growth; implies per person spending increasing by just 0.2% a year
- Reducing 0.9% to 0.75%, as reported in the FT, would
 - cut spending in 2028–29 by £3 billion
 - reduce per person spending growth to just 0.1% a year

Cuts pencilled in for after the next election

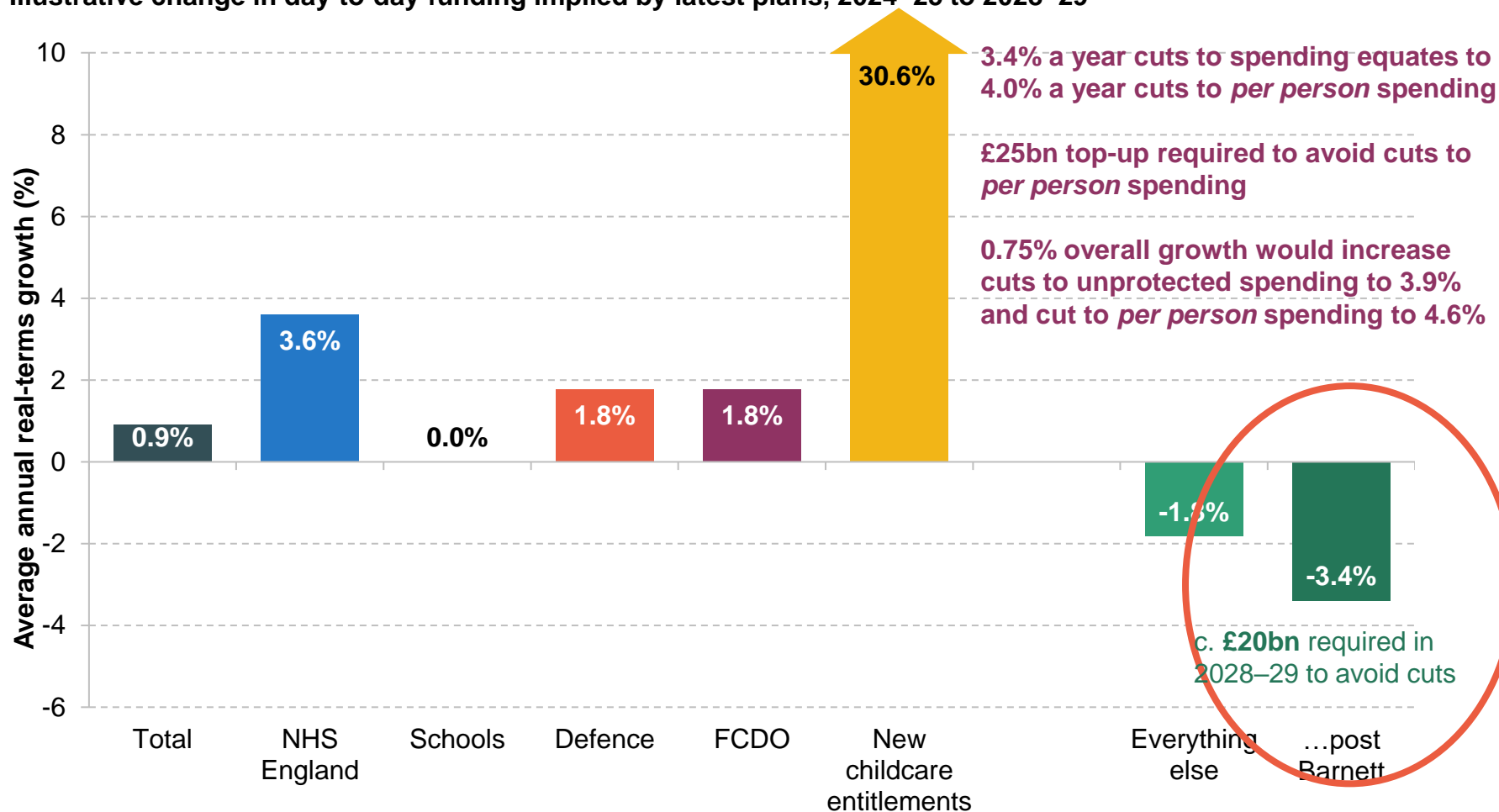
Illustrative change in day-to-day funding implied by latest plans, 2024–25 to 2028–29



Notes and sources: See Figure 14 of Emmerson, Mikloš and Stockton (2024).

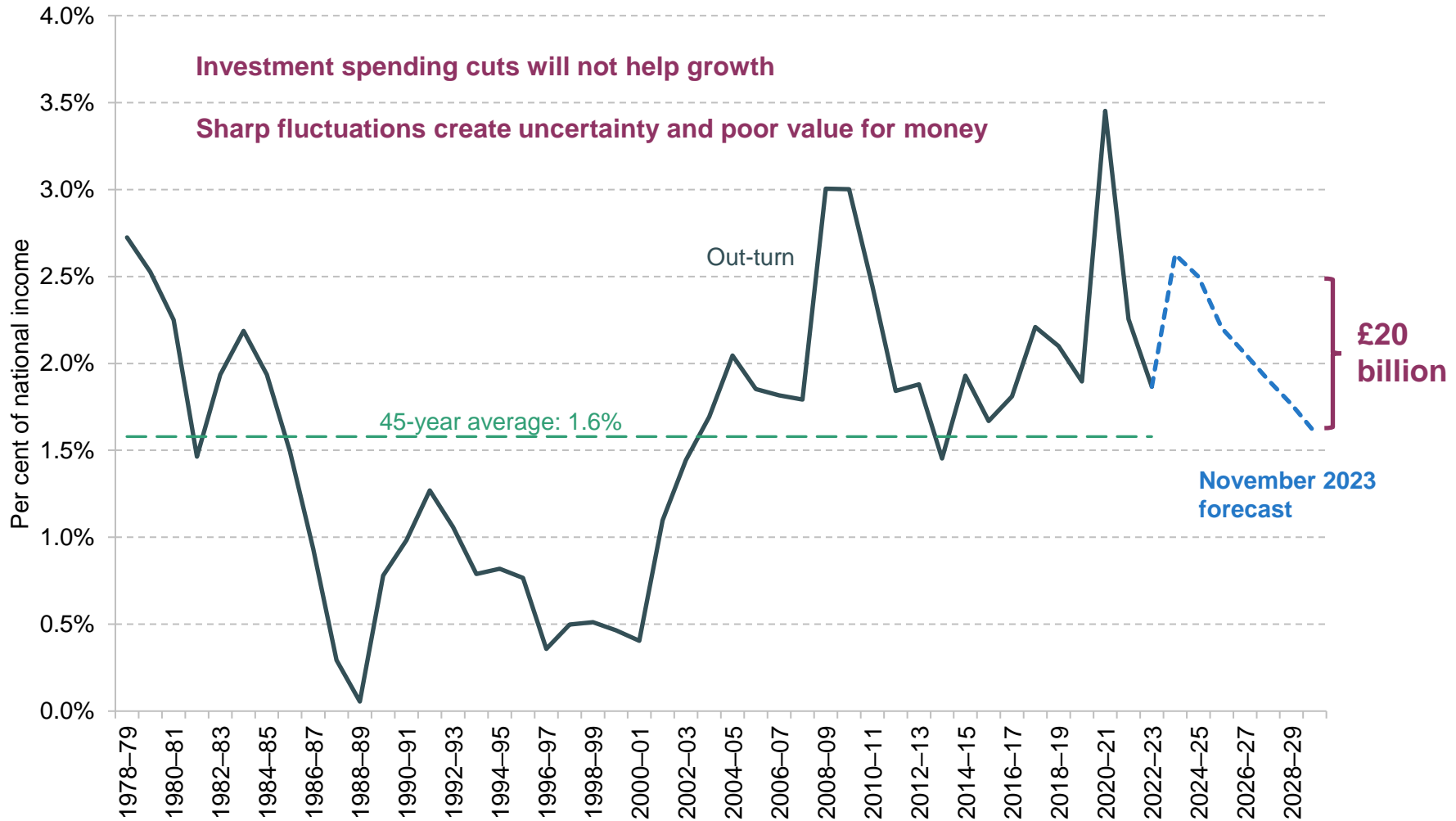
Cuts pencilled in for after the next election

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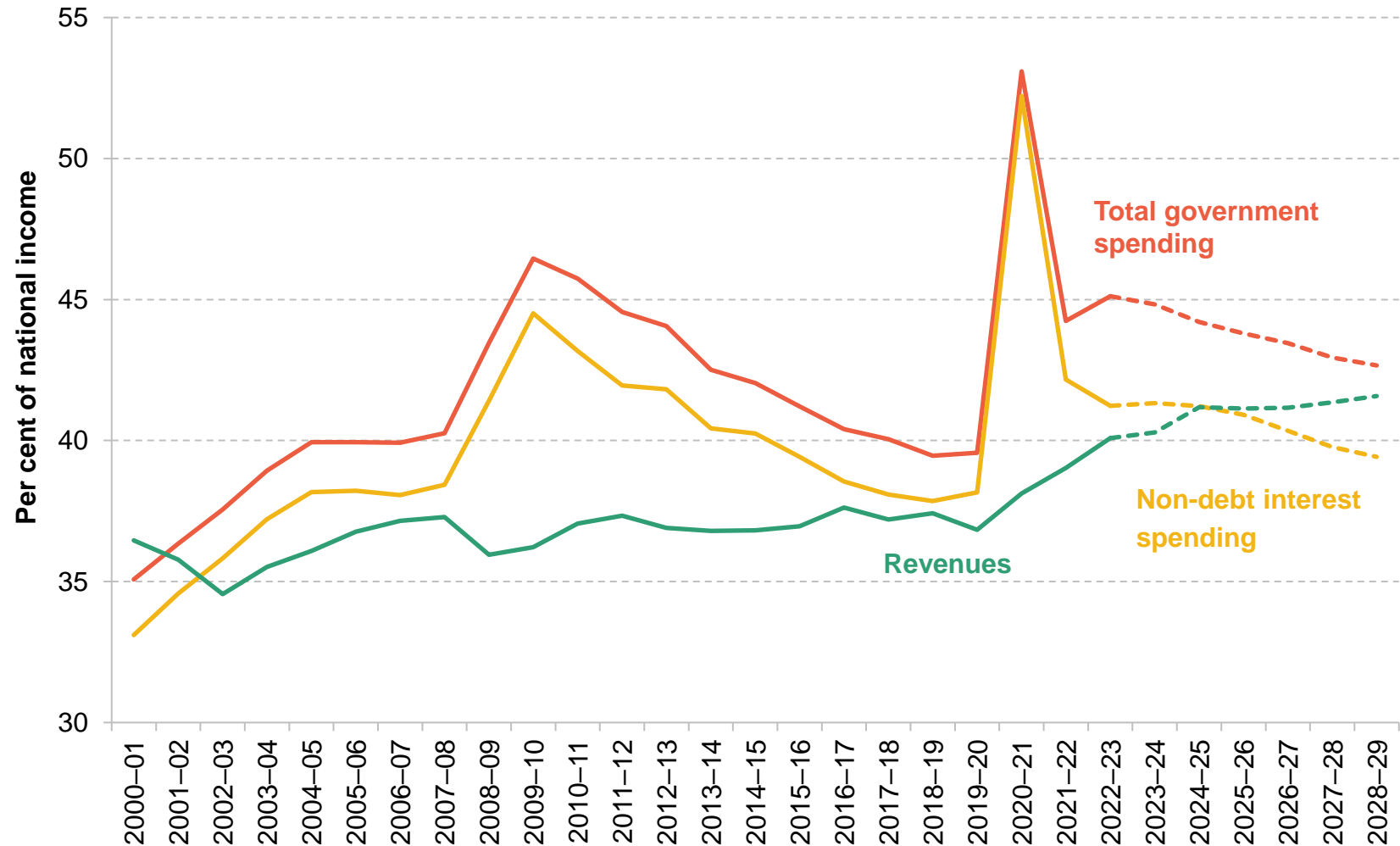


Notes and sources: See Figure 14 of Emmerson, Mikloš and Stockton (2024).

Investment spending cuts

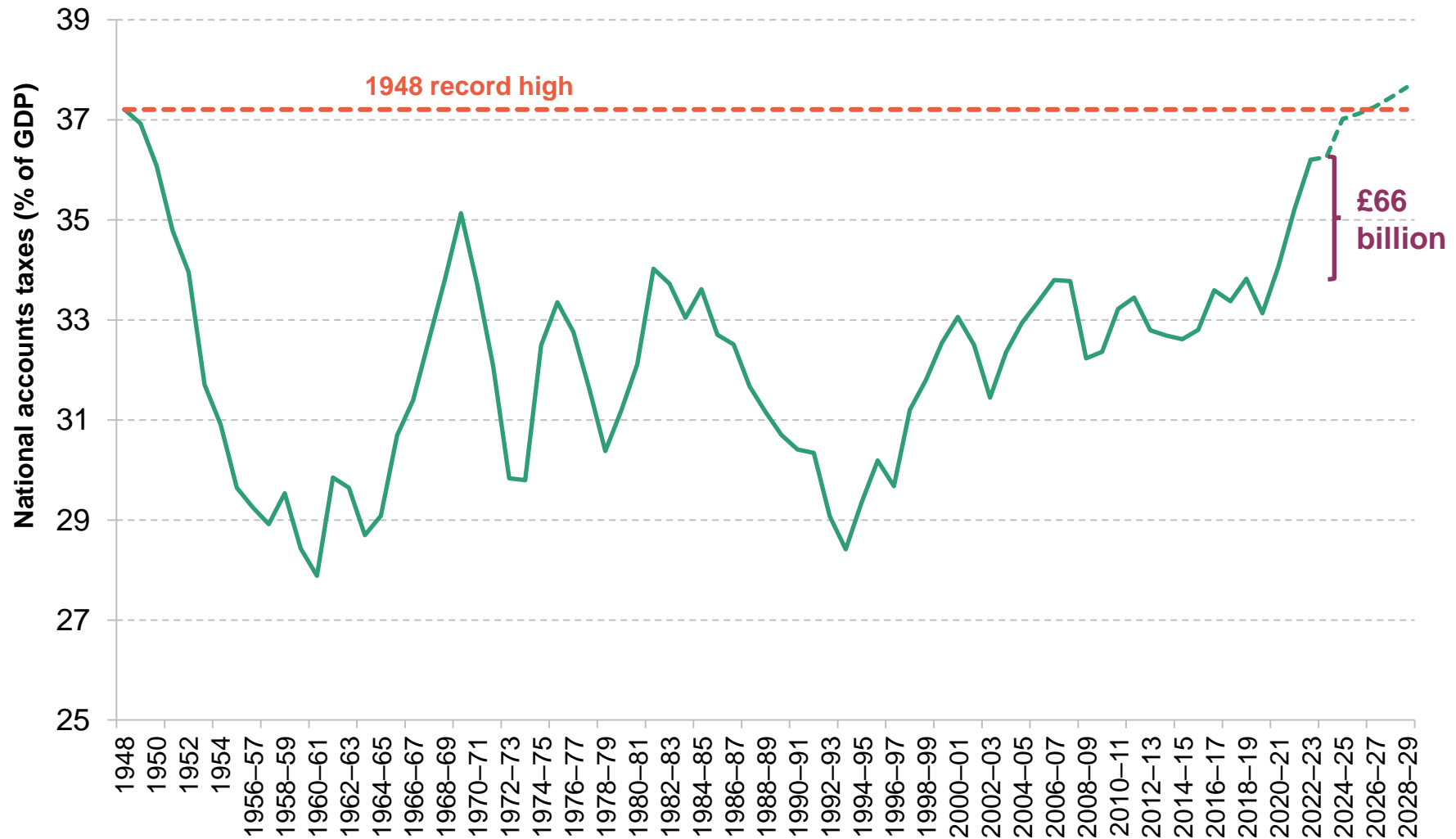


Tax and spend as a share of national income



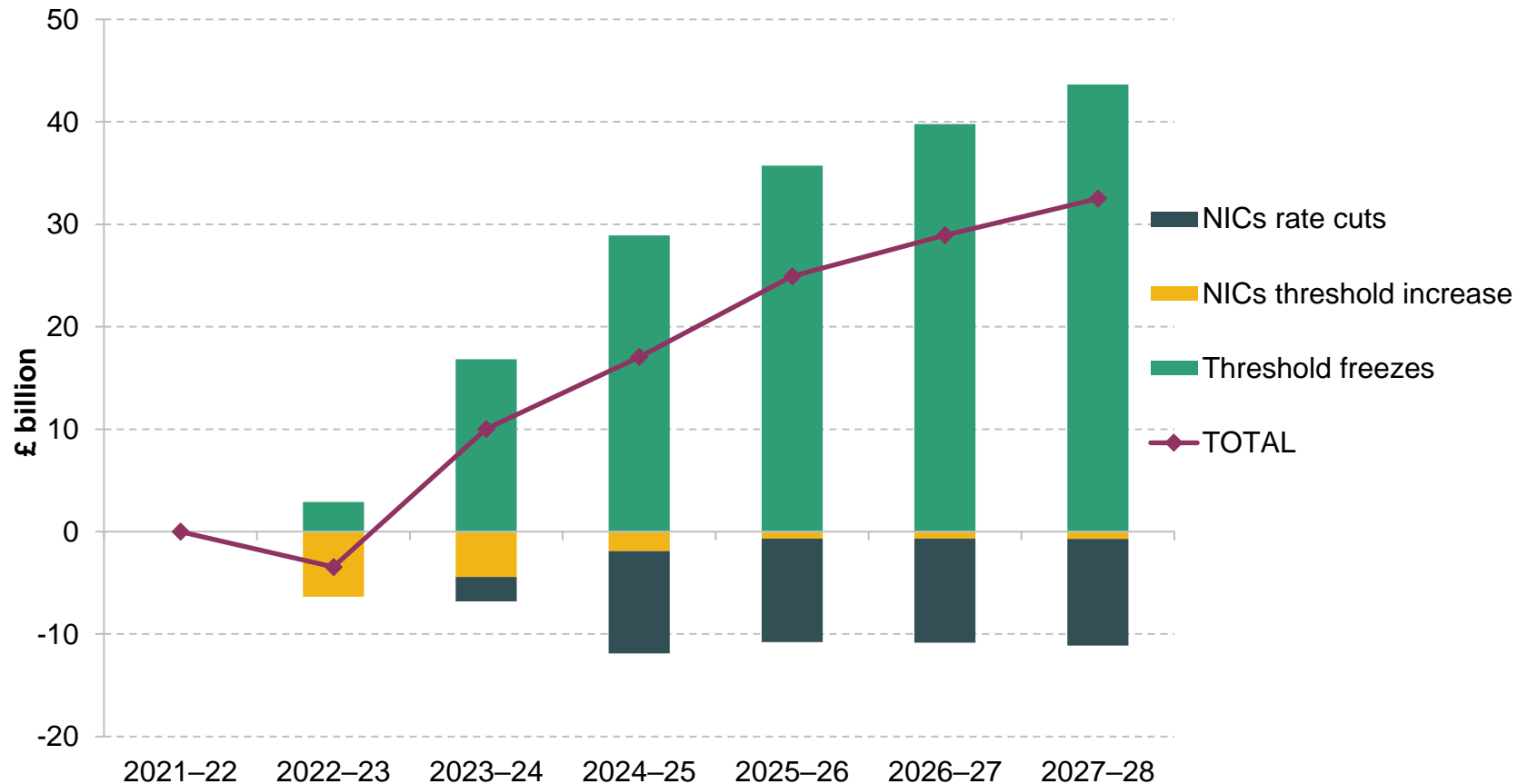
Notes and sources: See Figure 3 of Emmerson, Mikloš and Stockton (2024).

Taxes rising towards record levels



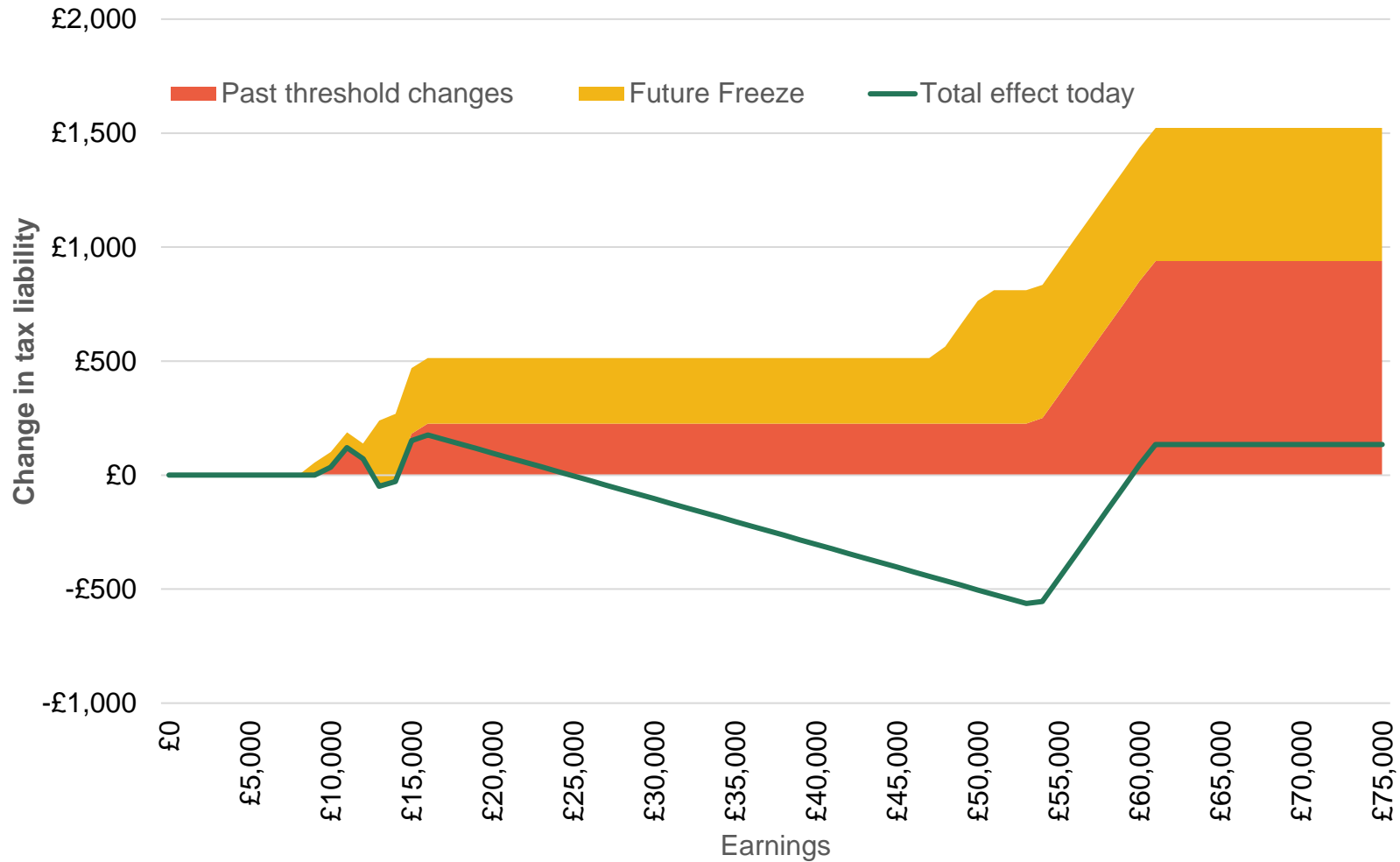
Notes and sources: See Figure 4 of Emmerson, Mikloš and Stockton (2024).

6 year threshold freeze much bigger than the NICs rate cut



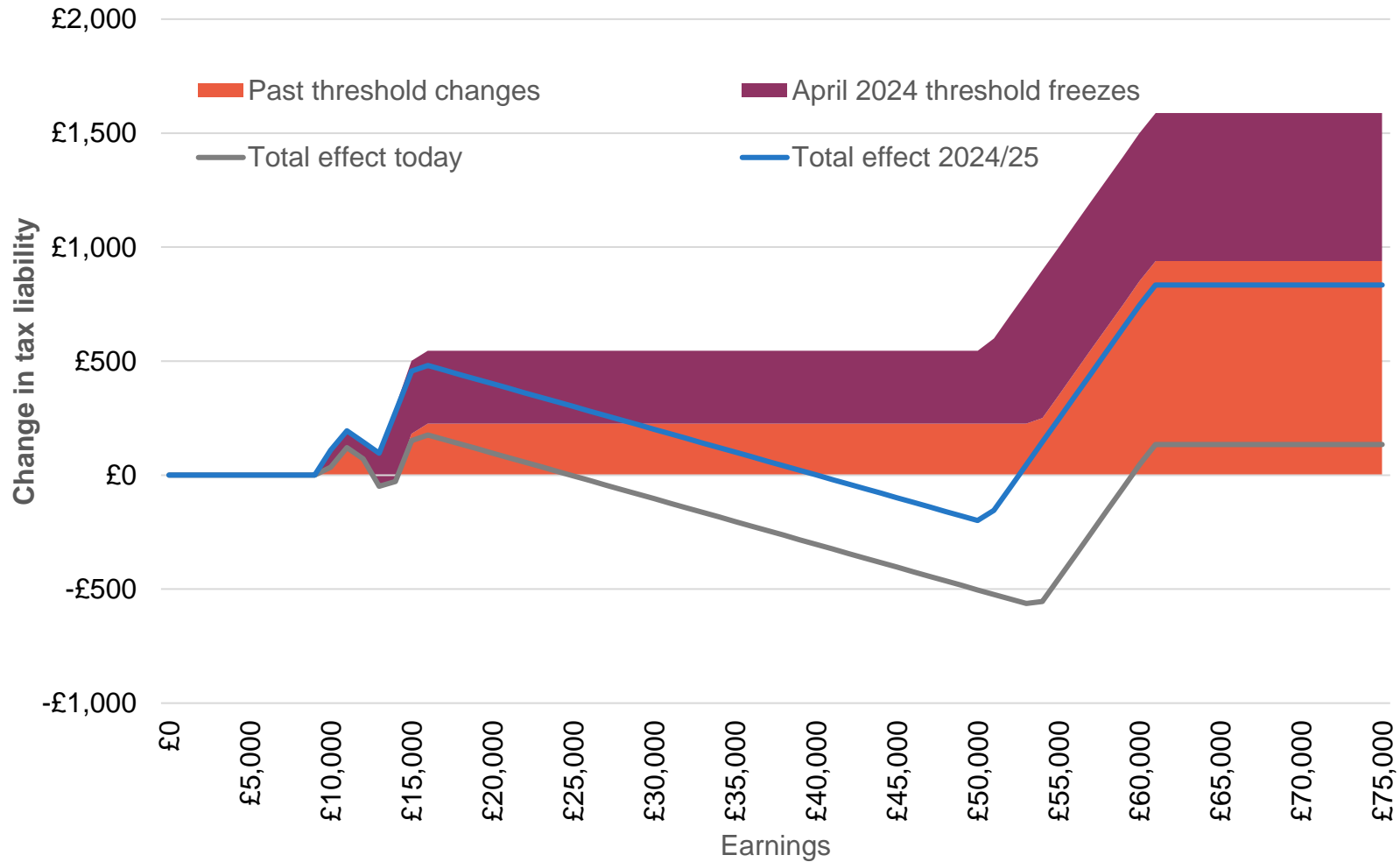
Notes and sources: See Figure 5 of Emmerson, Mikloš and Stockton (2024).

Increase in personal tax coming in April



Notes and sources: See Figure 6 of Emmerson, Mikloš and Stockton (2024).

Increase in personal tax coming in April



Notes and sources: See Figure 6 of Emmerson, Mikloš and Stockton (2024).

Conclusions



- Borrowing this year lower than forecast than November, but it remains high and much bigger than forecast two years' ago
- Debt barely on a falling path in five years' time, despite forecasts being predicated on unspecified post election spending cuts that might not be delivered
- Tax cuts should wait until a detailed Spending Review
- Stamp duties on purchases of properties and shares are particularly damaging and should be towards the front of the queue for growth friendly tax cuts