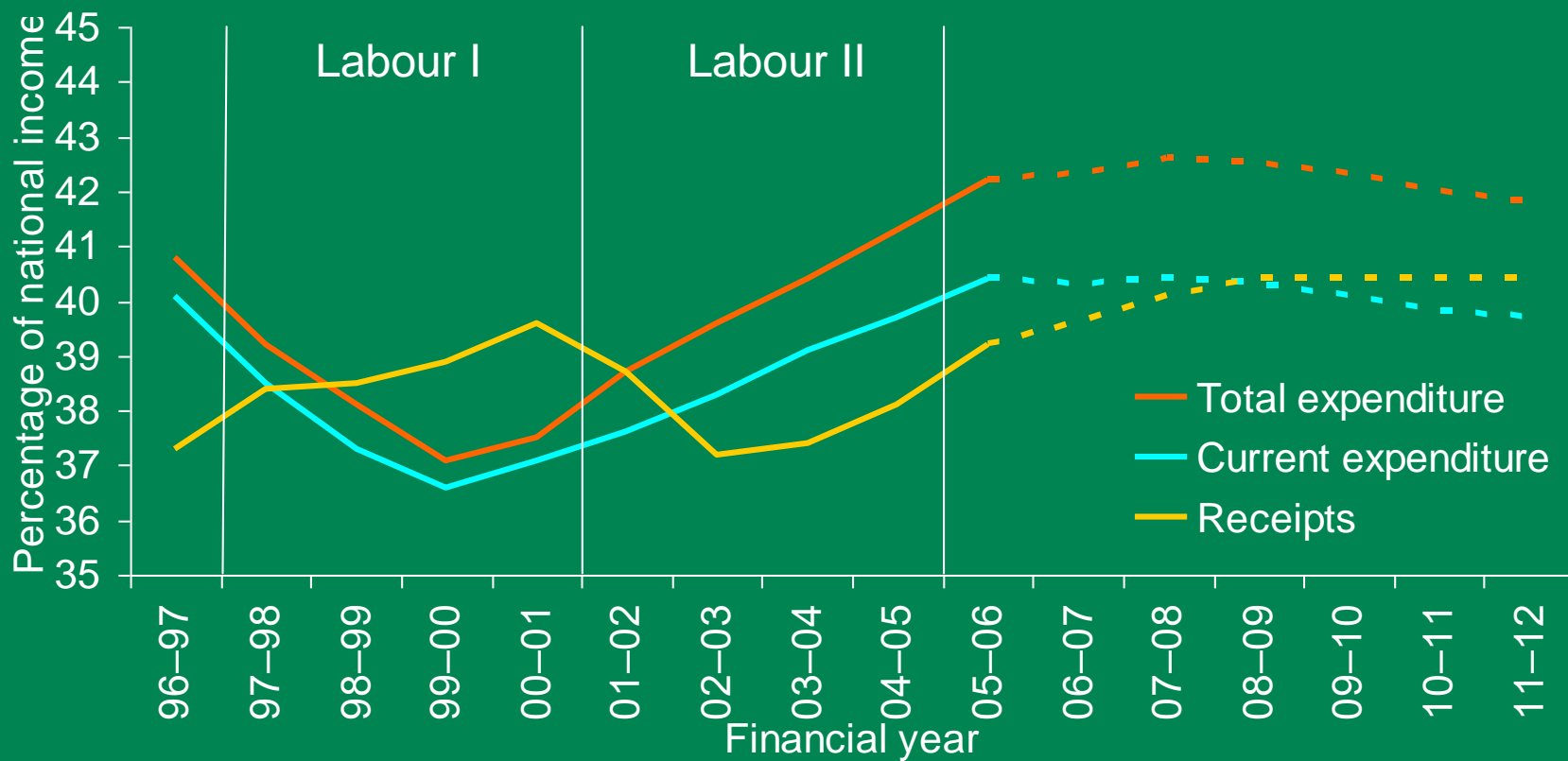


# Public finances

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# The big picture



# Mr Brown's fiscal record

	1996-97	2007-08	Change	<i>Change</i>
	% GDP			<i>£bn</i>
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Net debt	43.6	38.2	-5.4	-74.4

# Sharing the proceeds of growth

- In 2007-08 compared with 1996-97
  - Families on average pay £5600 more tax in real terms
- National income is higher by £356bn
  - On average £11700 per family
- So once tax has been deducted
  - Families on average still keep £6100 more

# Current budget: total change

£billion	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Current budget PBR 2006</b>	<b>-7.9</b>	<b>-1.5</b>	<b>+4</b>	<b>+7</b>	<b>+10</b>	<b>+14</b>
<b>Current budget Budget 2007</b>	<b>-9.5</b>	<b>-4.3</b>	<b>+3</b>	<b>+6</b>	<b>+9</b>	<b>+13</b>



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Of which: North Sea taxes	-1½	-2½	-2½	-2½	-2	-1½
<b>Current budget Budget 2007</b>	<b>-9.5</b>	<b>-4.3</b>	<b>+3</b>	<b>+6</b>	<b>+9</b>	<b>+13</b>

# Budget measures

£billion	2007–08	2008–09	2009–10
Income tax & NICs	+0.0	−2.1	−2.5
Corporate	−0.2	+0.1	−0.1
Green measures	+0.2	+0.3	+0.3
‘Avoidance’	−0.2	+0.8	+1.1
Empty properties etc	−0.4	+1.2	+1.3
<b>Total</b>	<b>−0.5</b>	<b>+0.3</b>	<b>+0.1</b>

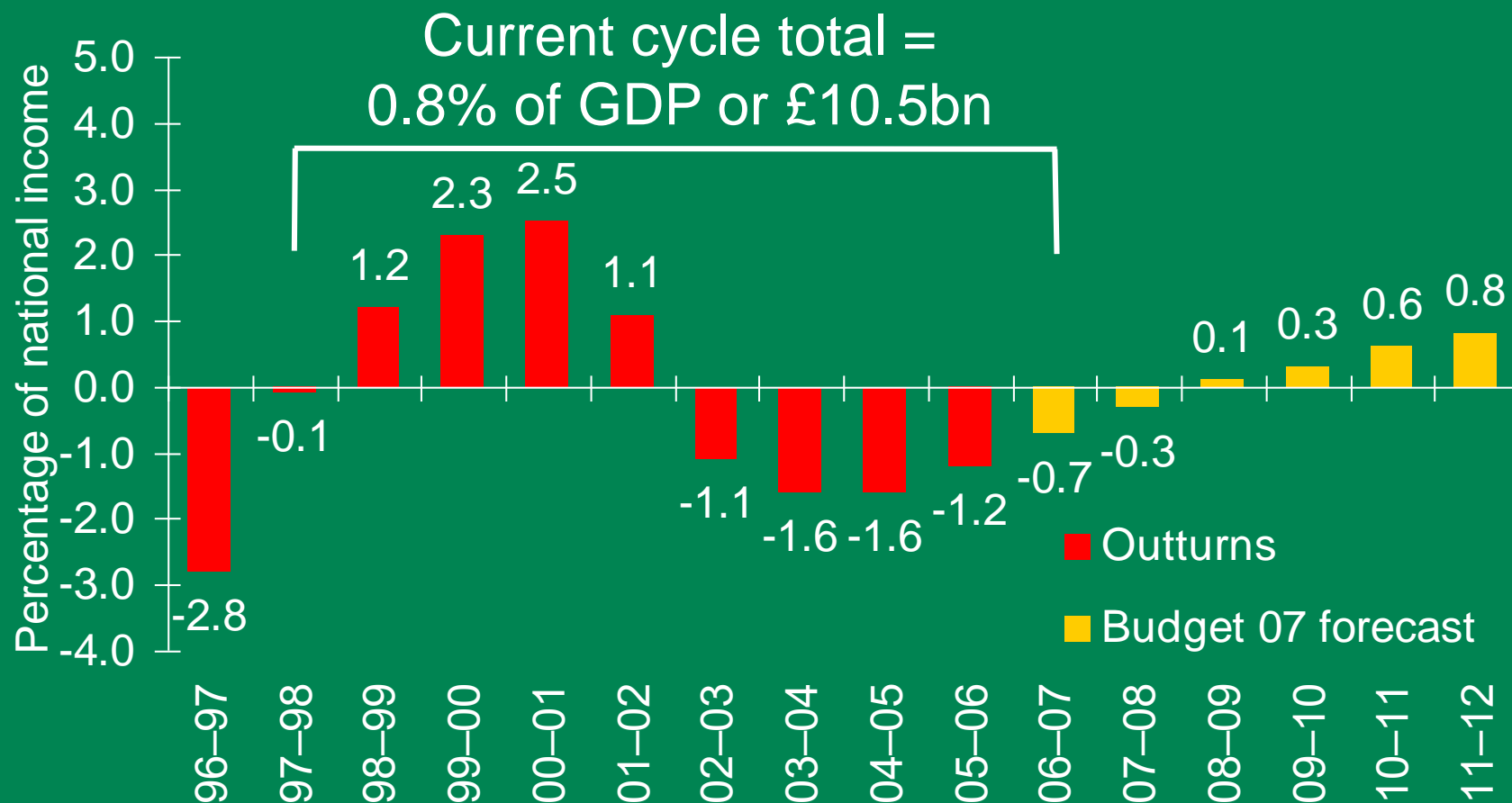
# Budget measures

£billion	2007–08	2008–09	2009–10
<b>Income tax &amp; NICs</b>	+0.0	−2.1	−2.5
Exchequer gain	+0.0	+9.0	+10.7
Exchequer loss	+0.0	−11.1	−13.2
<b>Corporate</b>	−0.2	+0.1	−0.1
Exchequer gain	+0.0	+2.0	+3.6
Exchequer loss	−0.2	−2.0	−3.7
<b>Green measures</b>	+0.2	+0.3	+0.3
<b>‘Avoidance’</b>	−0.2	+0.8	+1.1
<b>Empty properties etc</b>	−0.4	+1.2	+1.3
<b>Total</b>	<b>−0.5</b>	<b>+0.3</b>	<b>+0.1</b>

# The fiscal rules

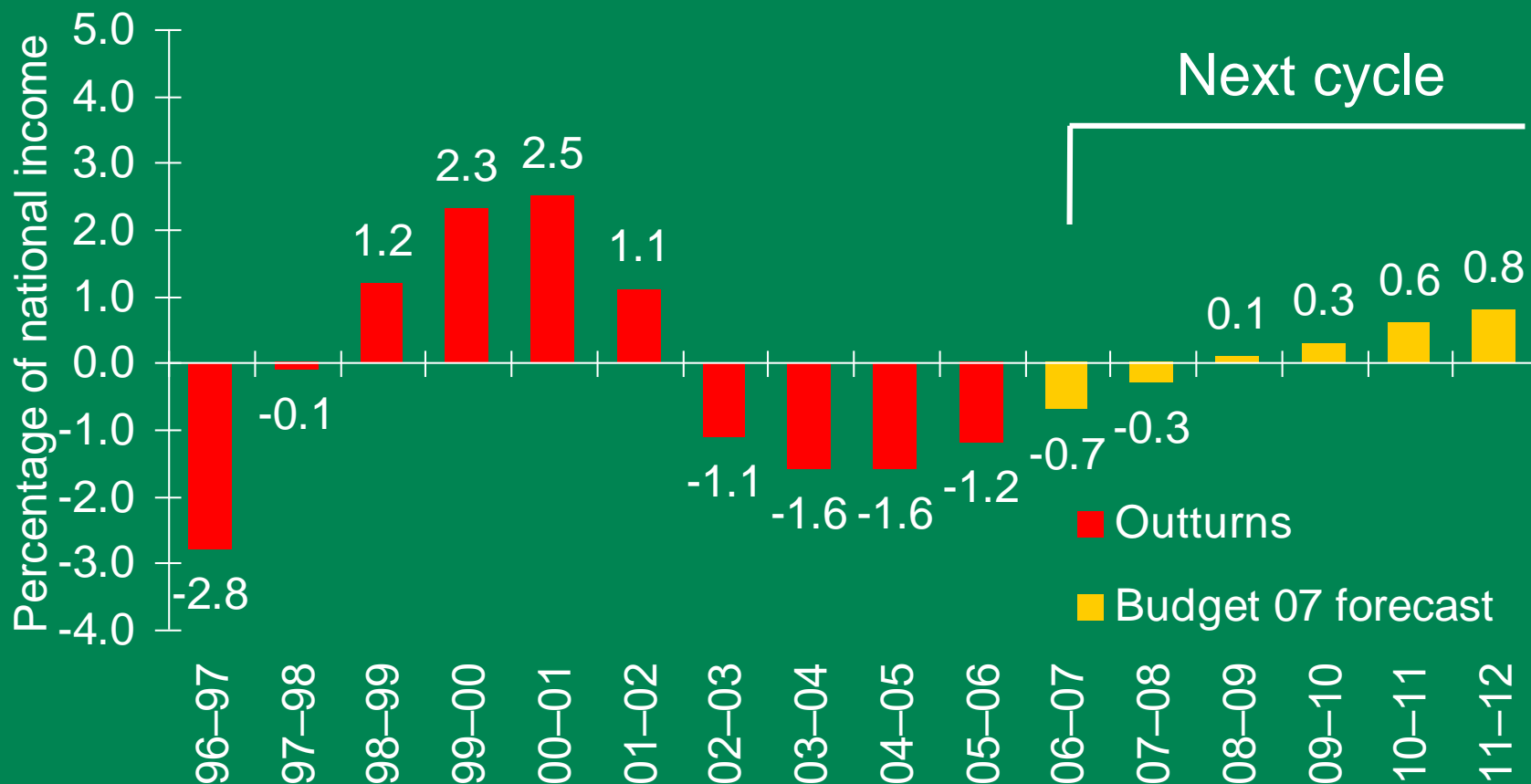
- Golden Rule
  - Borrow only to invest
  - Current budget balance or surplus
  - Judged over the economic cycle

# Current budget balance

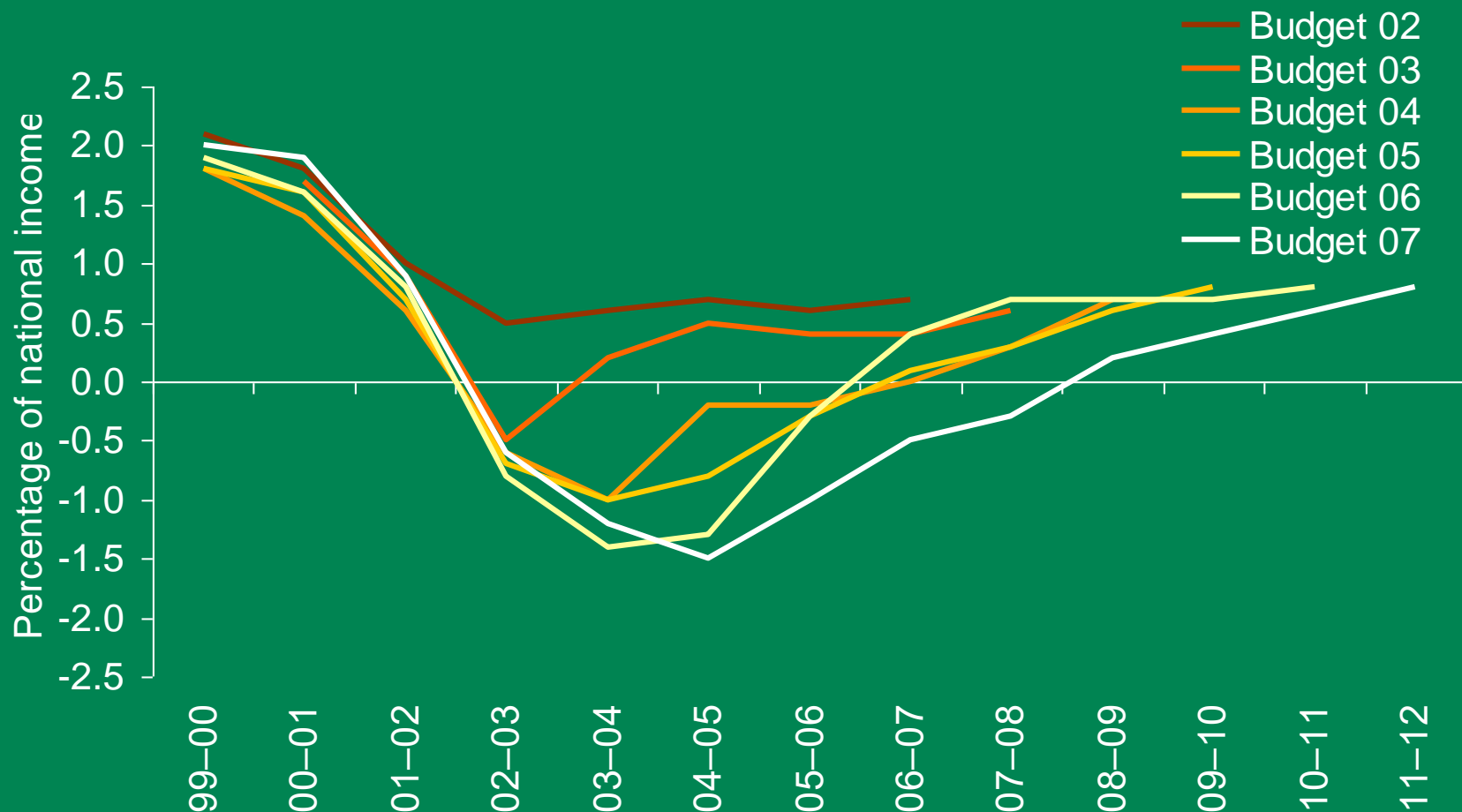




# Current budget balance



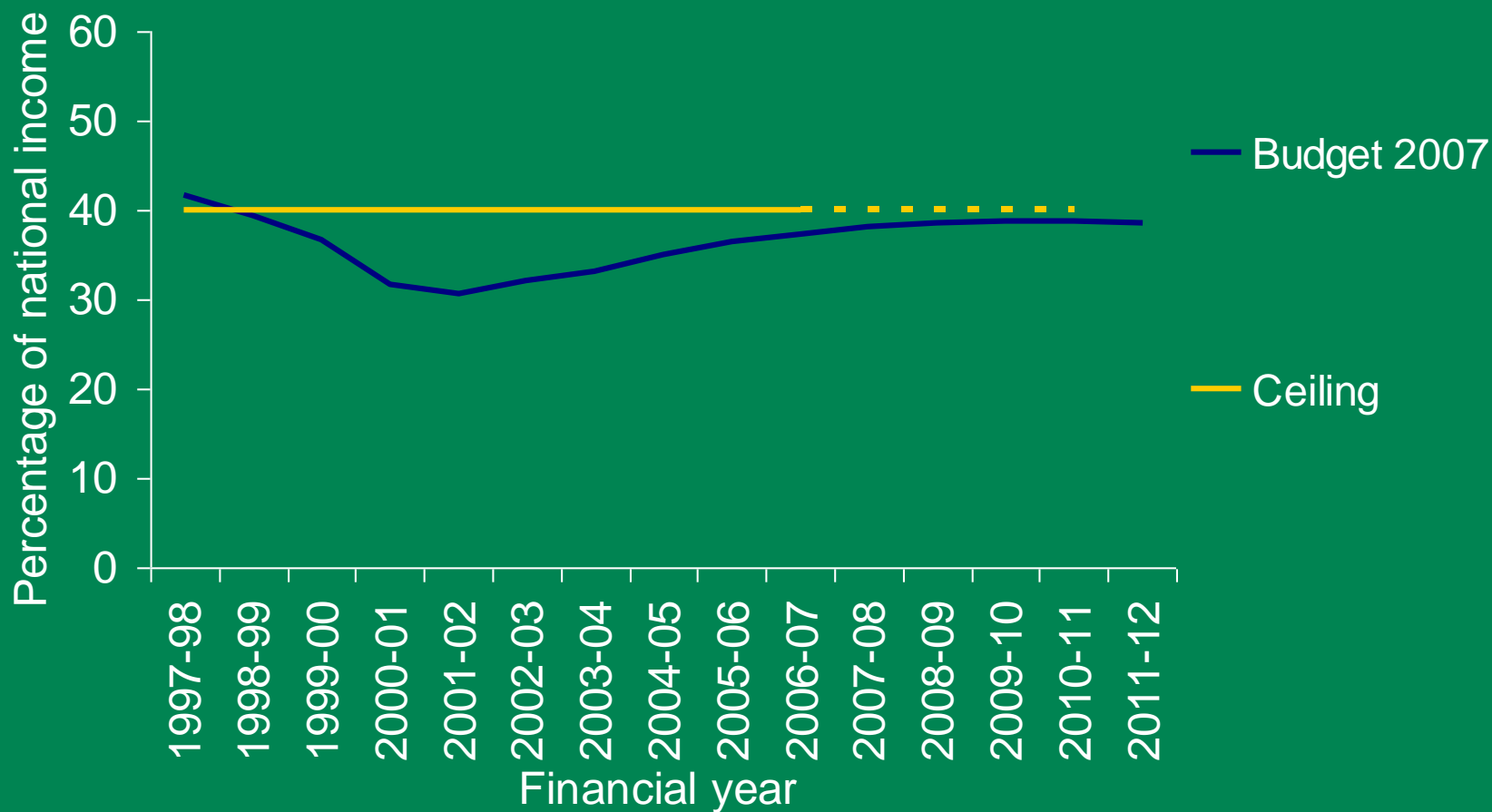
# Structural current budget balances



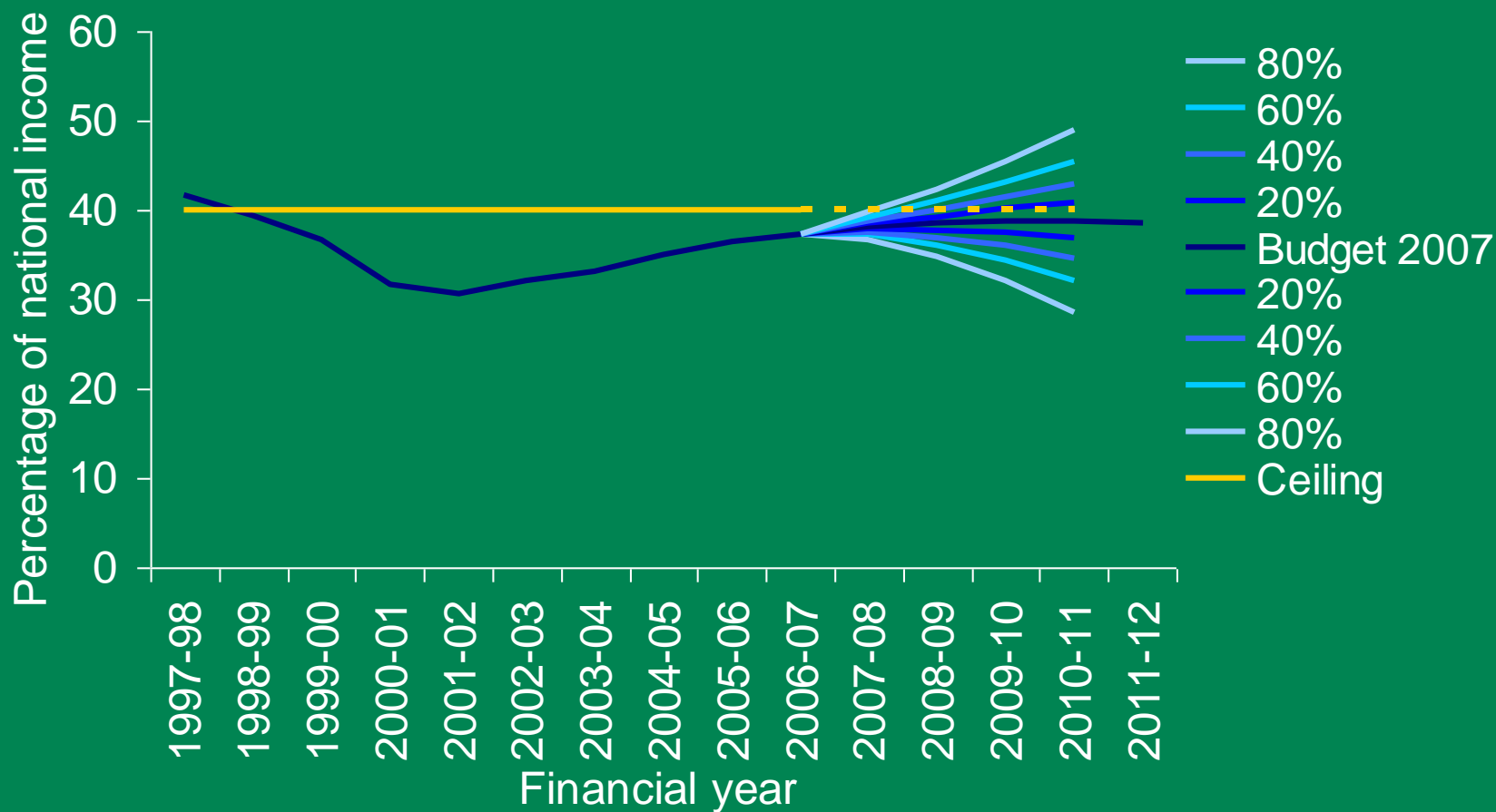
# The fiscal rules

- Golden Rule
  - Borrow only to invest
  - Current budget balance or surplus
  - Judged over the economic cycle
- Sustainable Investment Rule
  - Debt at a stable and prudent level
  - This cycle:  $\leq 40\%$  of national income every year

# Will the investment rule be met?



# Will the investment rule be met?



# Debt could exceed 40%



# Conclusions

- Slight deterioration in the public finances
- Small net impact of new measures on Exchequer
  - Large gains and losses
- Both fiscal rules on course to be met
- Relies on further:
  - Increases in tax burden
  - Reductions in public spending as a share of national income