Carl Emmerson

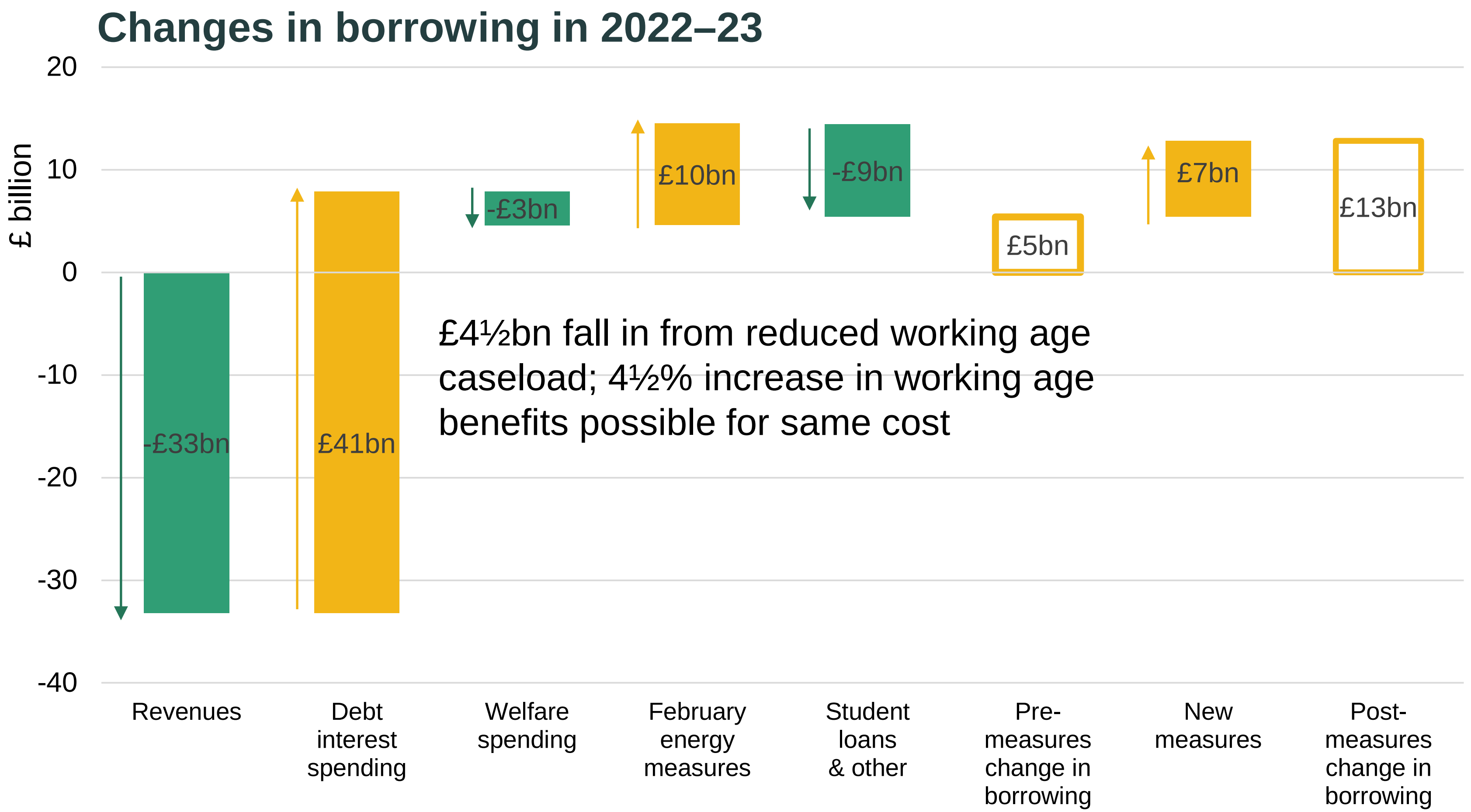
Post Spring
Statement briefing

24 March 2022

@TheIFS

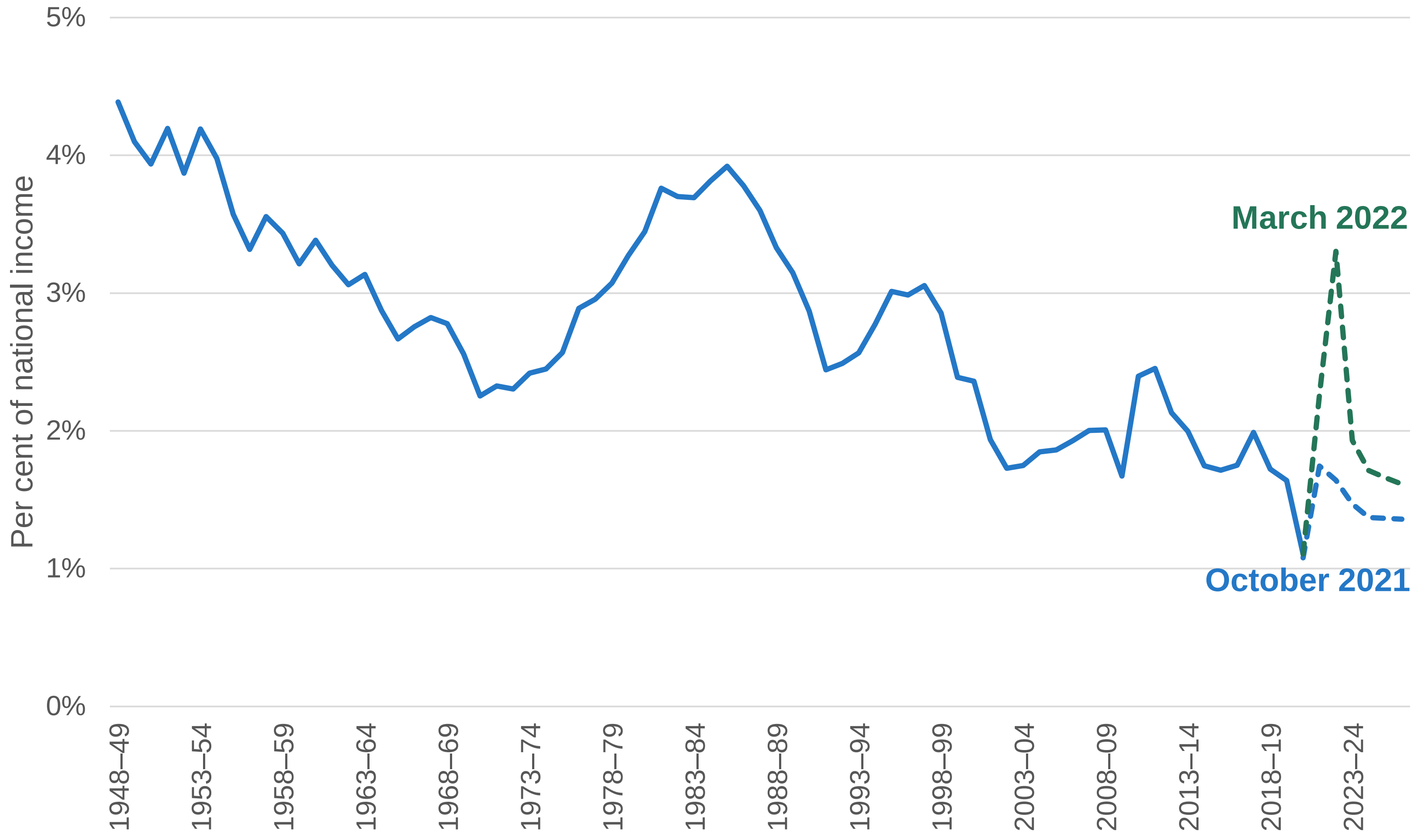
Outlook for the public finances

2022–23: giveaways despite a weaker position



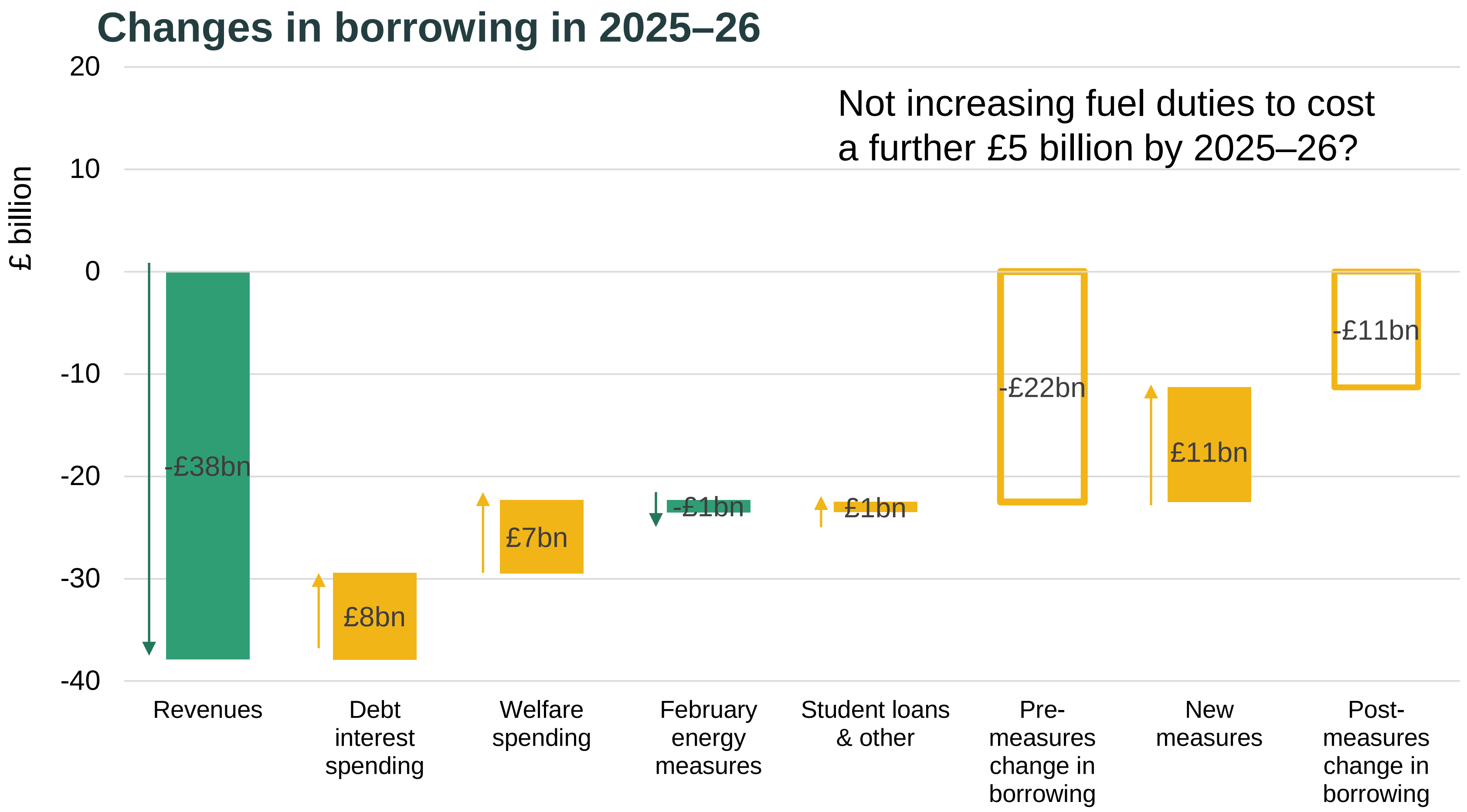
Sources: Office for Budget Responsibility, Economic and Fiscal Outlook, March 2022, and IFS calculations

Big spike in debt interest spending



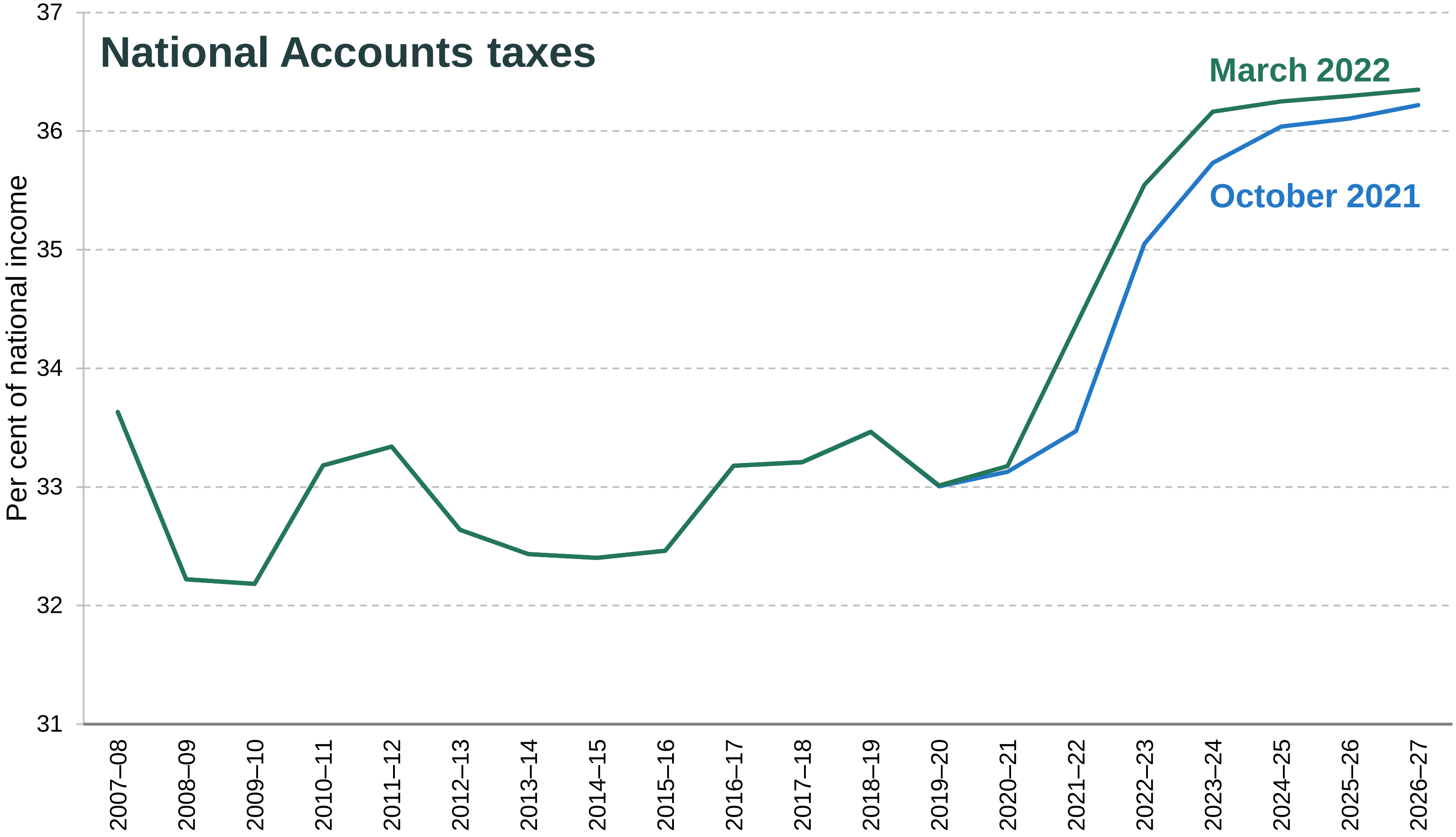
Notes: Central government debt interest, net of income from the APF shown (ONS series NMFX + MU74). Source: Office for Budget Responsibility, Economic and Fiscal Outlook, March 2022.

Medium-term: modest improvement half spent on tax cuts



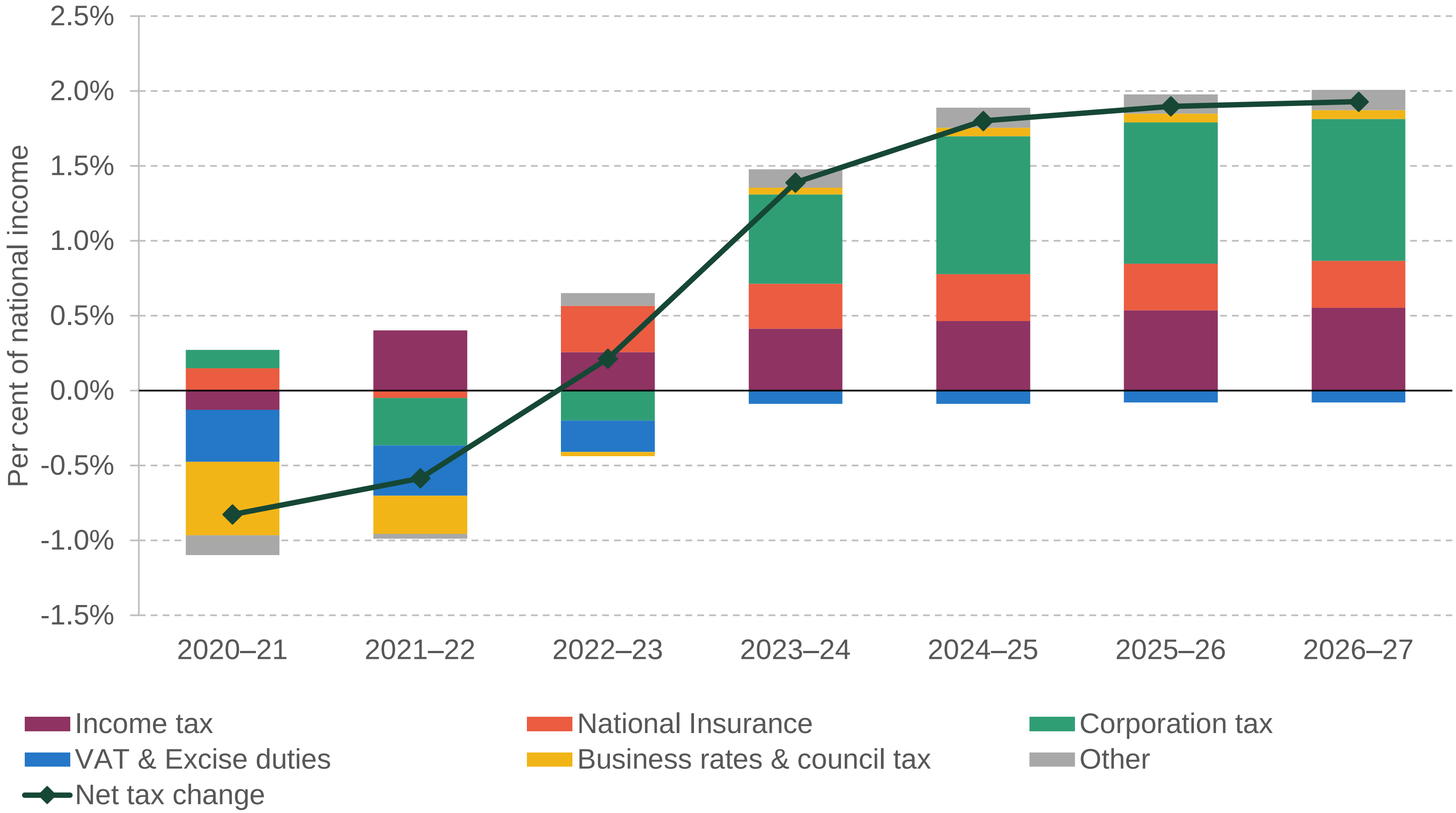
Sources: Office for Budget Responsibility, Economic and Fiscal Outlook, March 2022, and IFS calculations

Tax burden rising sharply, and higher than forecast in October



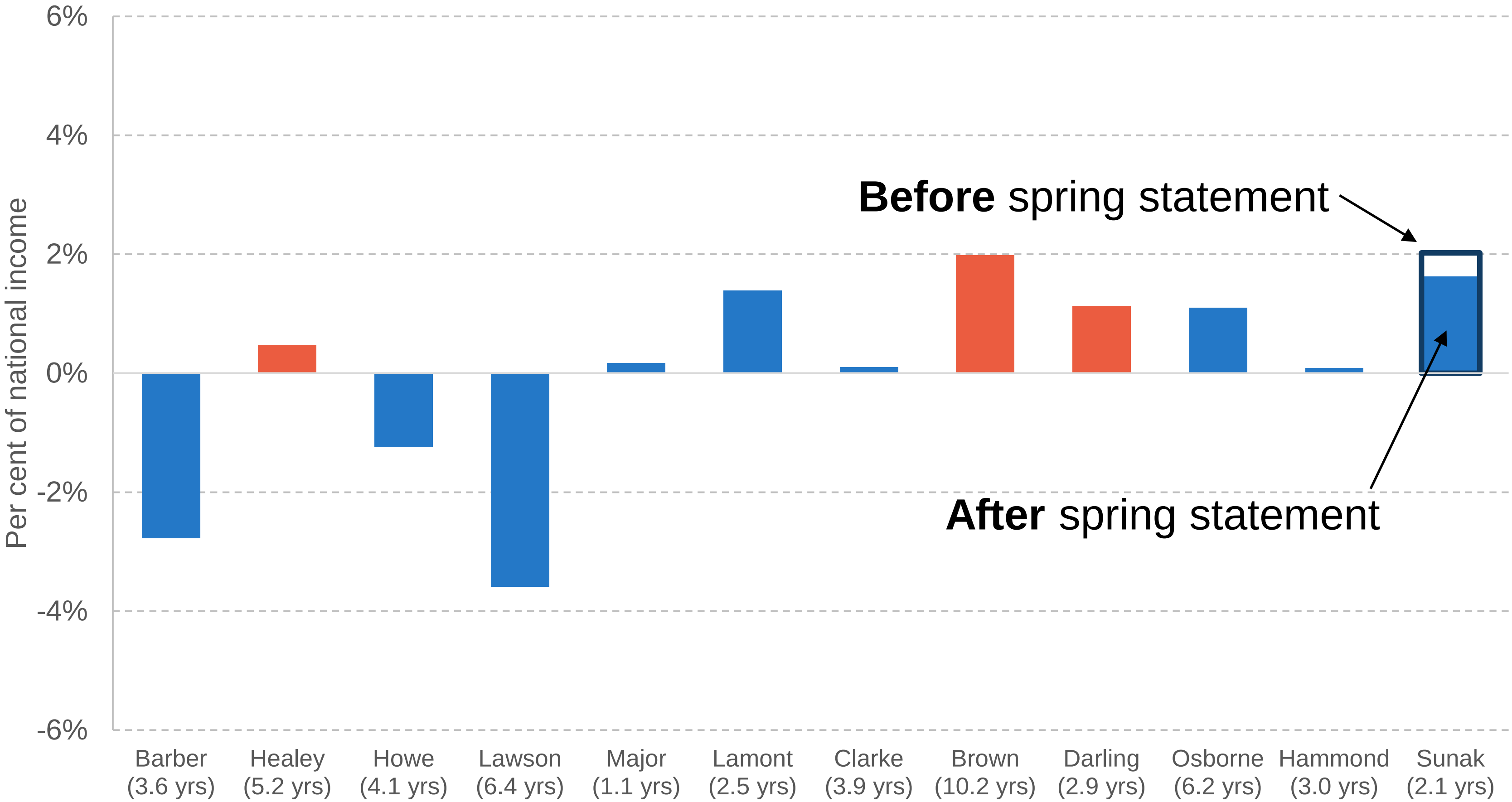
Source: OBR public finances databank, February 2022 and March 2022.

Forecast impact of tax policies



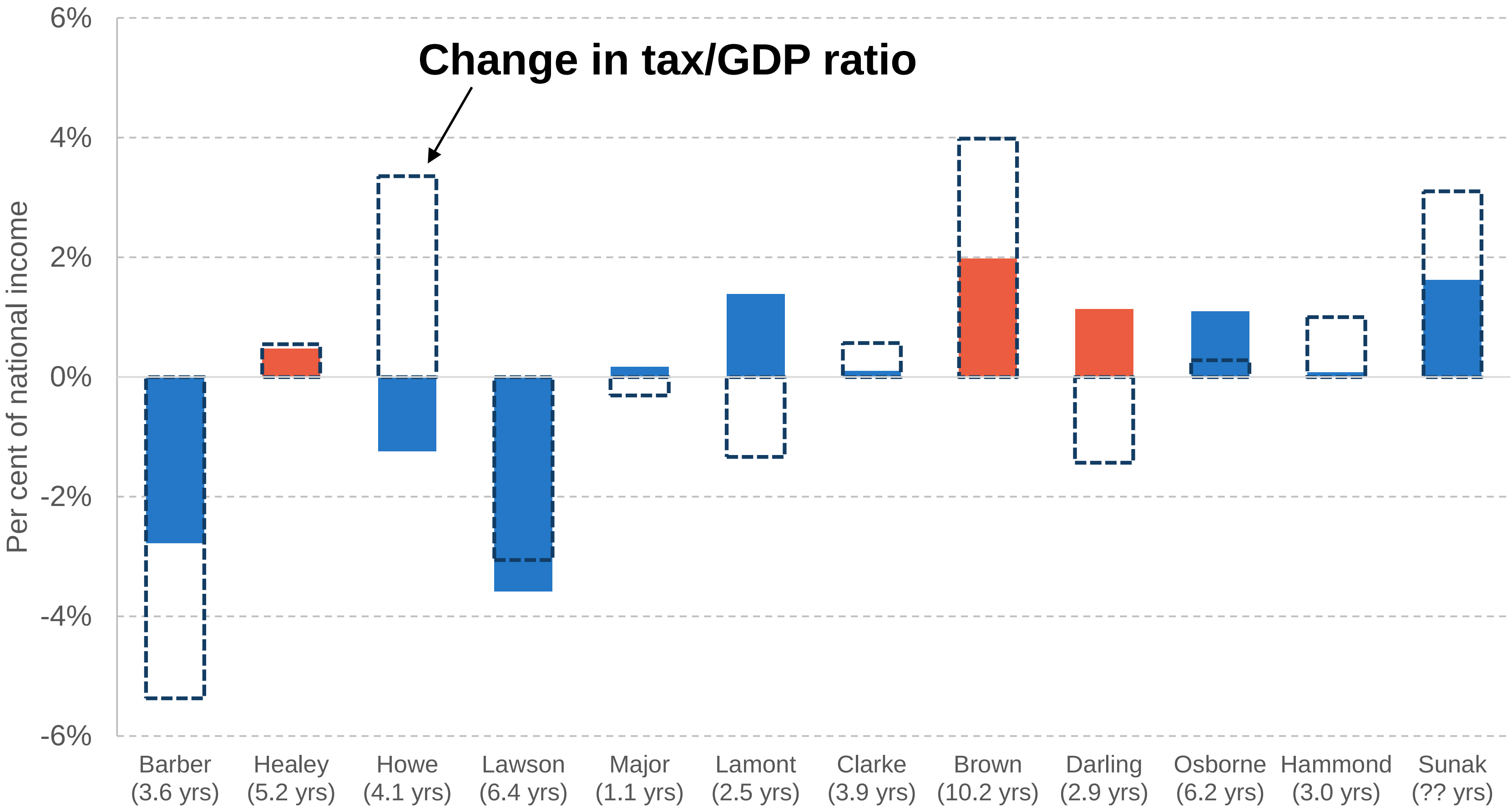
Source: IFS analysis using OBR Policy measures database (Dec 2021), historical GDP forecasts from OBR Historical official forecasts database (Oct 2021), and OBR Economic and fiscal outlook (March 2022).

Total permanent tax measures announced while in office



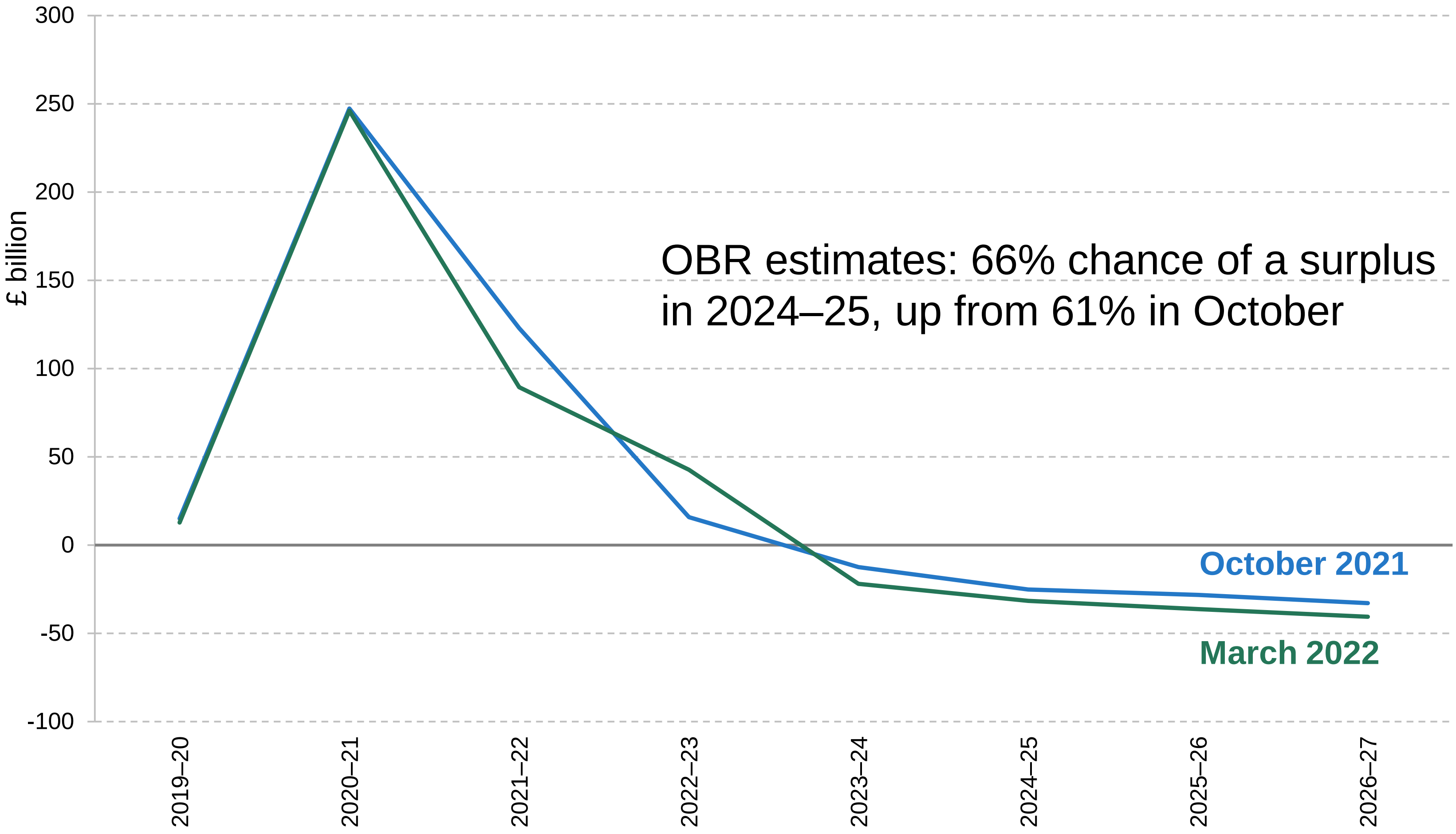
Source: IFS analysis using OBR Policy measures database (Dec 2021), historical GDP forecasts from OBR Historical official forecasts database (Oct 2021), and OBR Economic and fiscal outlook (March 2022).

Change in tax burden



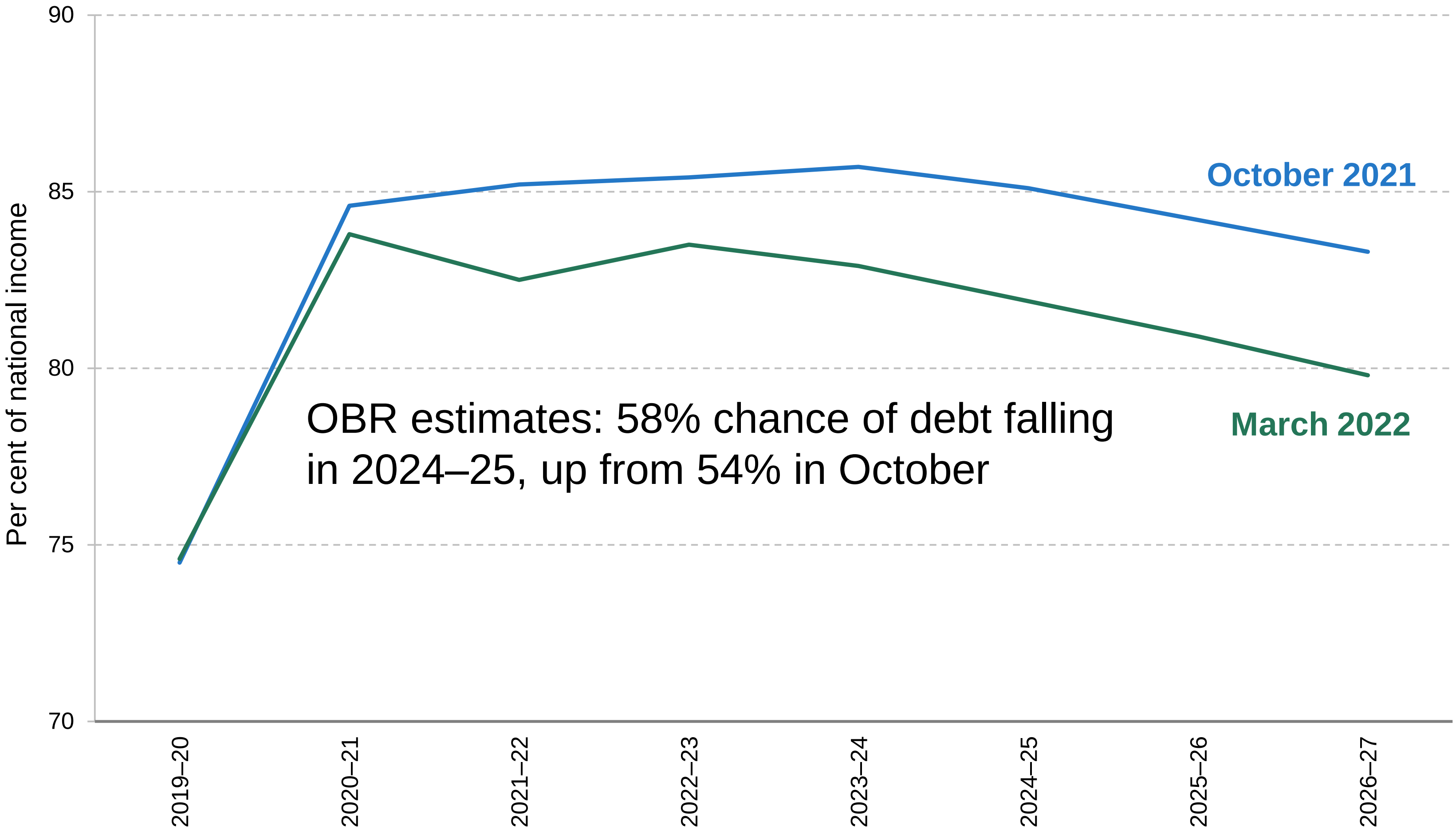
Source: IFS analysis using OBR Policy measures database (Dec 2021), historical GDP forecasts from OBR Historical official forecasts database (Oct 2021), and OBR Economic and fiscal outlook (March 2022).

Headroom on current budget target slightly increased



Source: OBR public finances databank, February 2022 and March 2022.

Debt reduced by lower borrowing and higher GDP



Note: Debt excluding the Bank of England shown.
Source: OBR public finances databank, February 2022 and March 2022.

Conclusions

- Cash boost to revenues in coming year smaller than the increase in debt interest spending
  - measures push borrowing up by a further £7 billion

- Medium-term boost to revenues bigger and increase in debt interest spending much smaller
  - Chancellor chose to bank half and give half away in tax cuts

- Pre-announced tax rises now raising much more, so tax burden rises sharply to a higher level despite new tax cutting measures