Budget 2024: Enjoy now, pay later?
Another terrible decade for living standards

Budget 2024: Enjoy now, pay later?

Source: OBR Economic and Fiscal Outlook (March 2024), ONS (Series IHXW)
Disposable income not to return to pre-pandemic level before the election

Budget 2024: Enjoy now, pay later?

Source: OBR Economic and Fiscal Outlook (March 2024)
An enduringly larger state

Government spending & revenues (out-turn & March 2024 forecast)

% of national income

- Total government spending
- Revenues
- Non-debt interest spending

Budget 2024: Enjoy now, pay later?
Debt interest spending revised down – but still much higher than pre-2022

Per cent of national income

Out-turn


Notes: Central government debt interest net of APF shown
Source: OBR Economic and Fiscal Outlook (successive editions)

Budget 2024: Enjoy now, pay later?
Tax take rising to near-record level

Tax revenues as a share of national income: out-turn and March 2024 forecast

- 1948 record

Of the increase since 2019-20:
- 20% expected to happen ex ante
- 50% a more tax-rich economy
- 30% tax raising measures
Borrowing forecast all but unchanged since November

Slower growth in cash spending and earnings → lower revenues
Lower interest rates and inflation → lower spending on debt interest

By the final year, more than half the immediate, certain tax cuts are offset by back-loaded, uncertain tax rises.
Debt forecast to be stable, rather than decisively falling

Public sector debt forecasts

Per cent of national income


Note: Public sector net debt excluding the Bank of England shown
It’s a bad time to be a Chancellor with a target to get debt falling

Source: Author’s calculations using OBR Public Finances Databank and March 2024 Economic and Fiscal Outlook

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Conclusions

- No meaningful improvement to dismal per-person growth forecast
- Modest savings on debt interest relative to November
  - But still elevated relative to before the cost-of-living crisis
- Risks to borrowing from near-term certain tax cuts ‘paid for’ by back-loaded uncertain tax rises
- Rather than decisively falling, debt remains elevated and stable
  - Despite high taxes and high primary surplus
  - Reflecting continued challenge from weak growth and high debt interest spending
- Considerable set of growing public finance challenges: net zero transition and pressures on defence, health and social care