



10 October 2024

IFS Green Budget

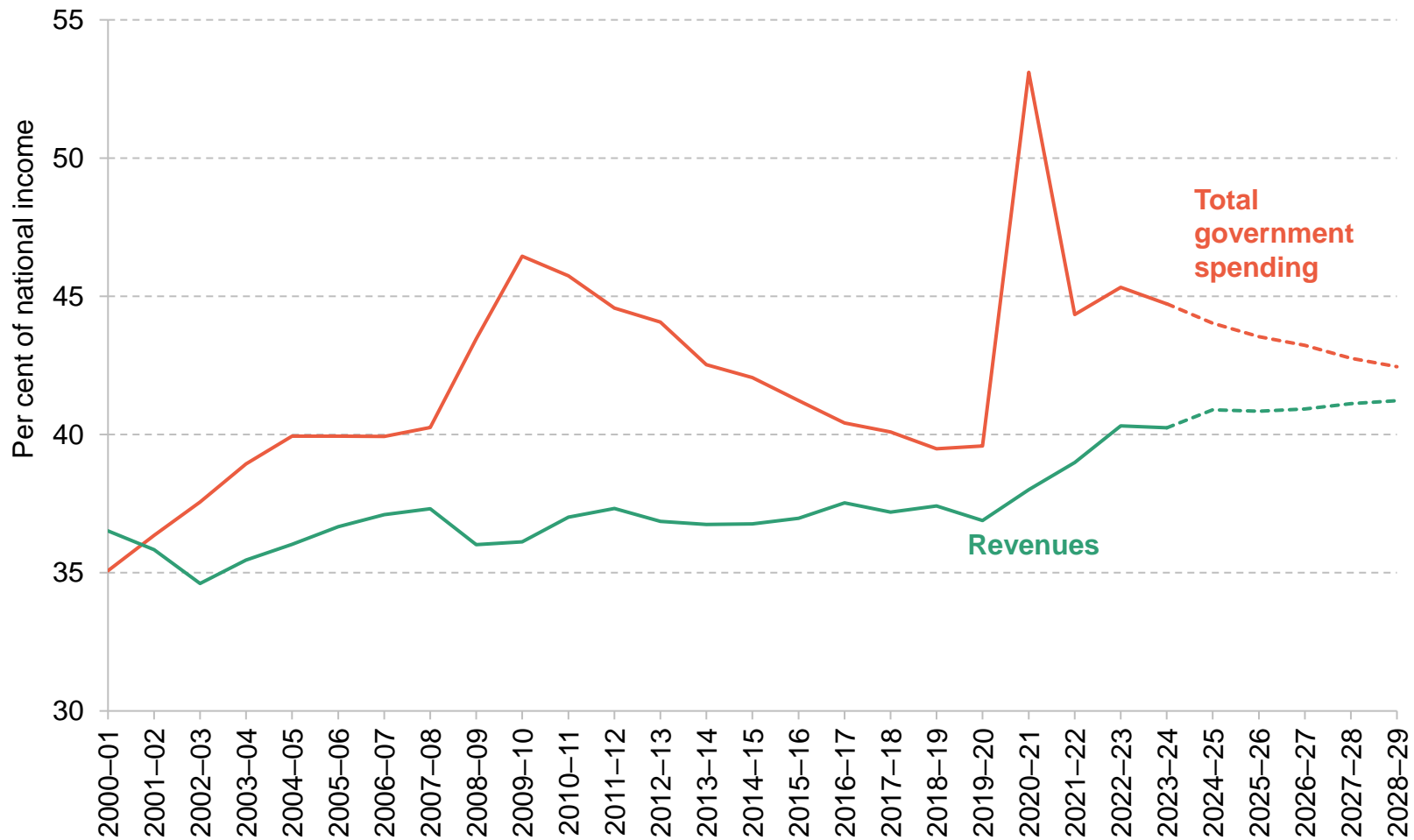
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Isabel Stockton

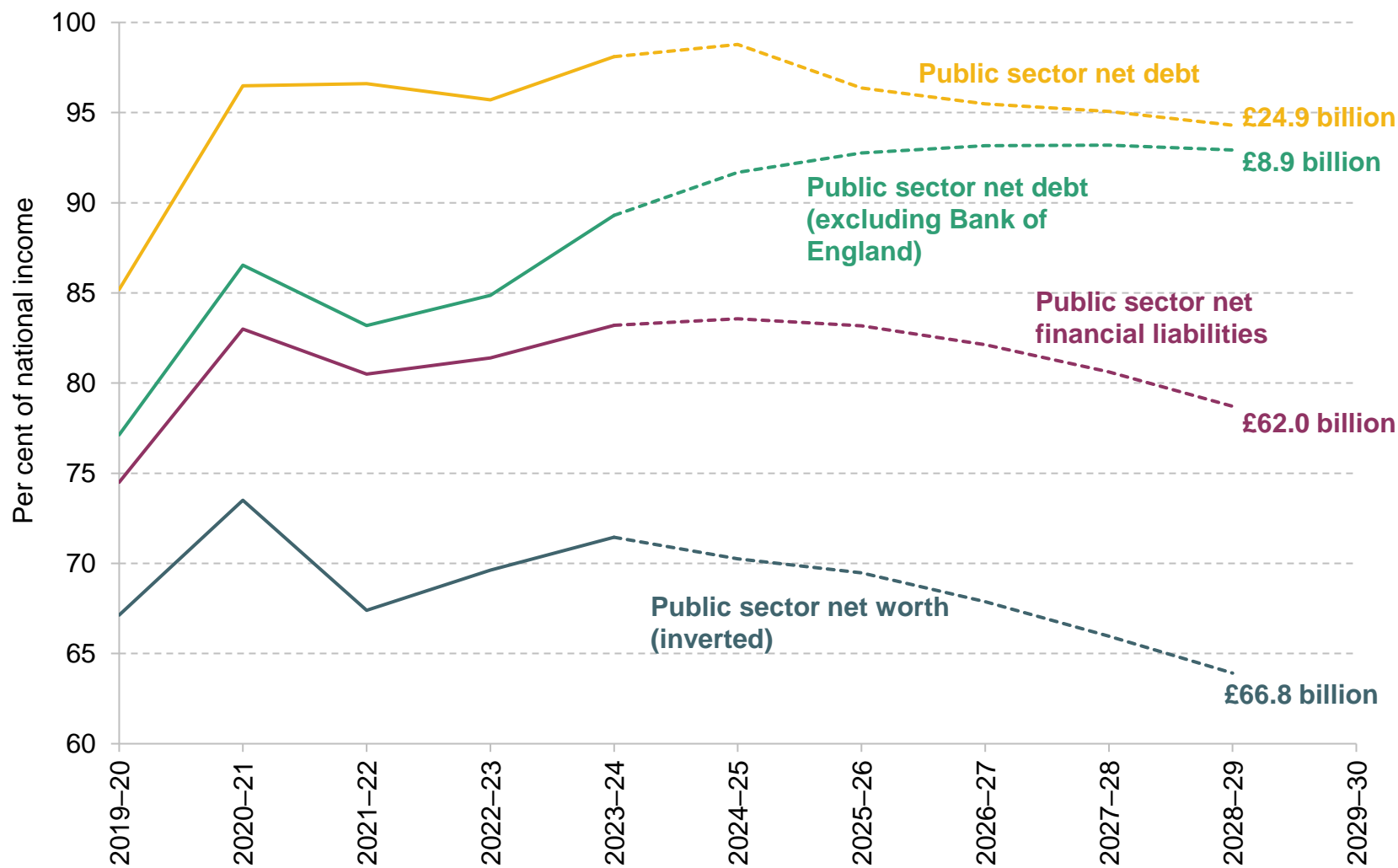
Outlook for the public finances in the new parliament



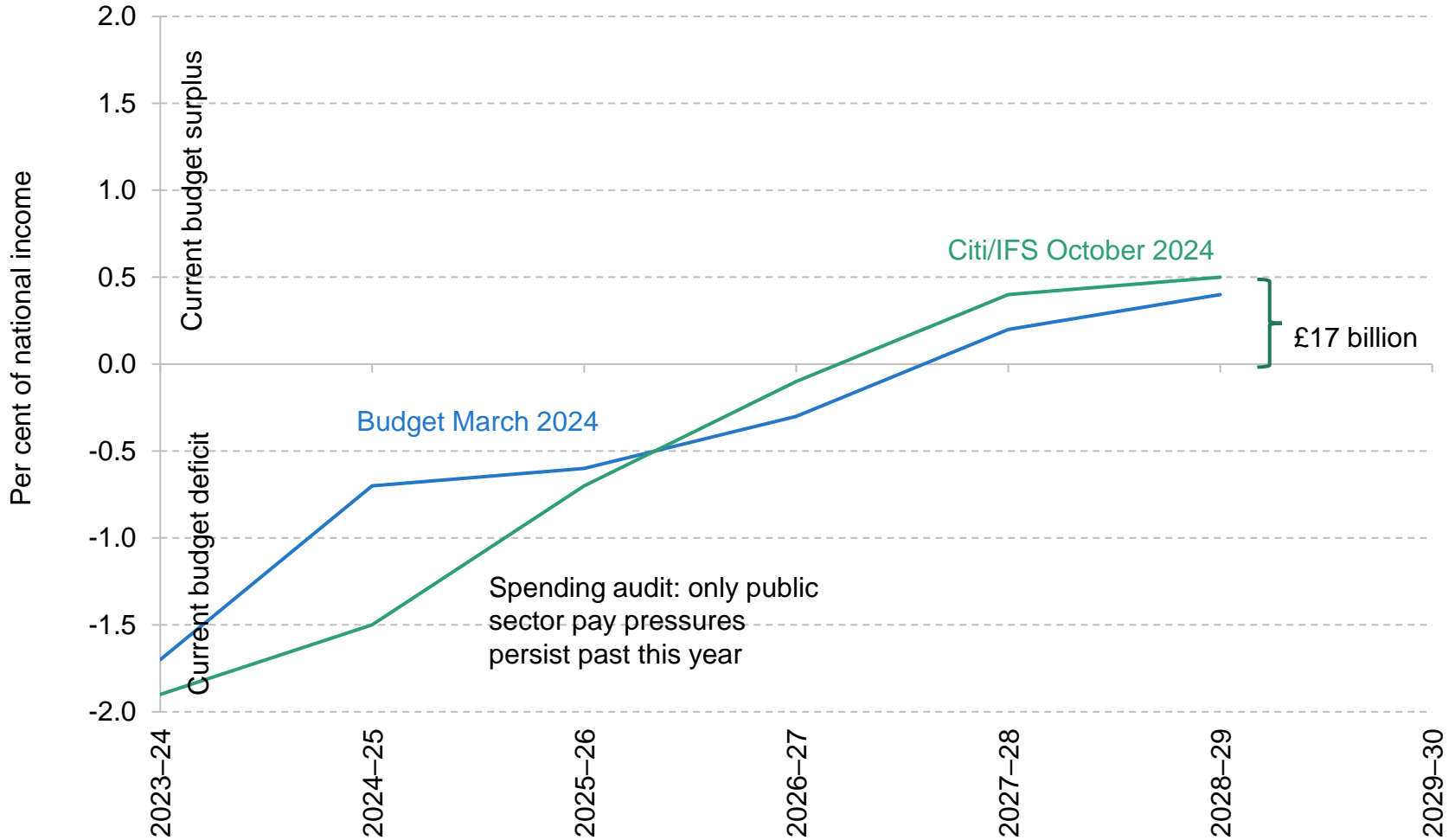
A bigger state: here to stay?



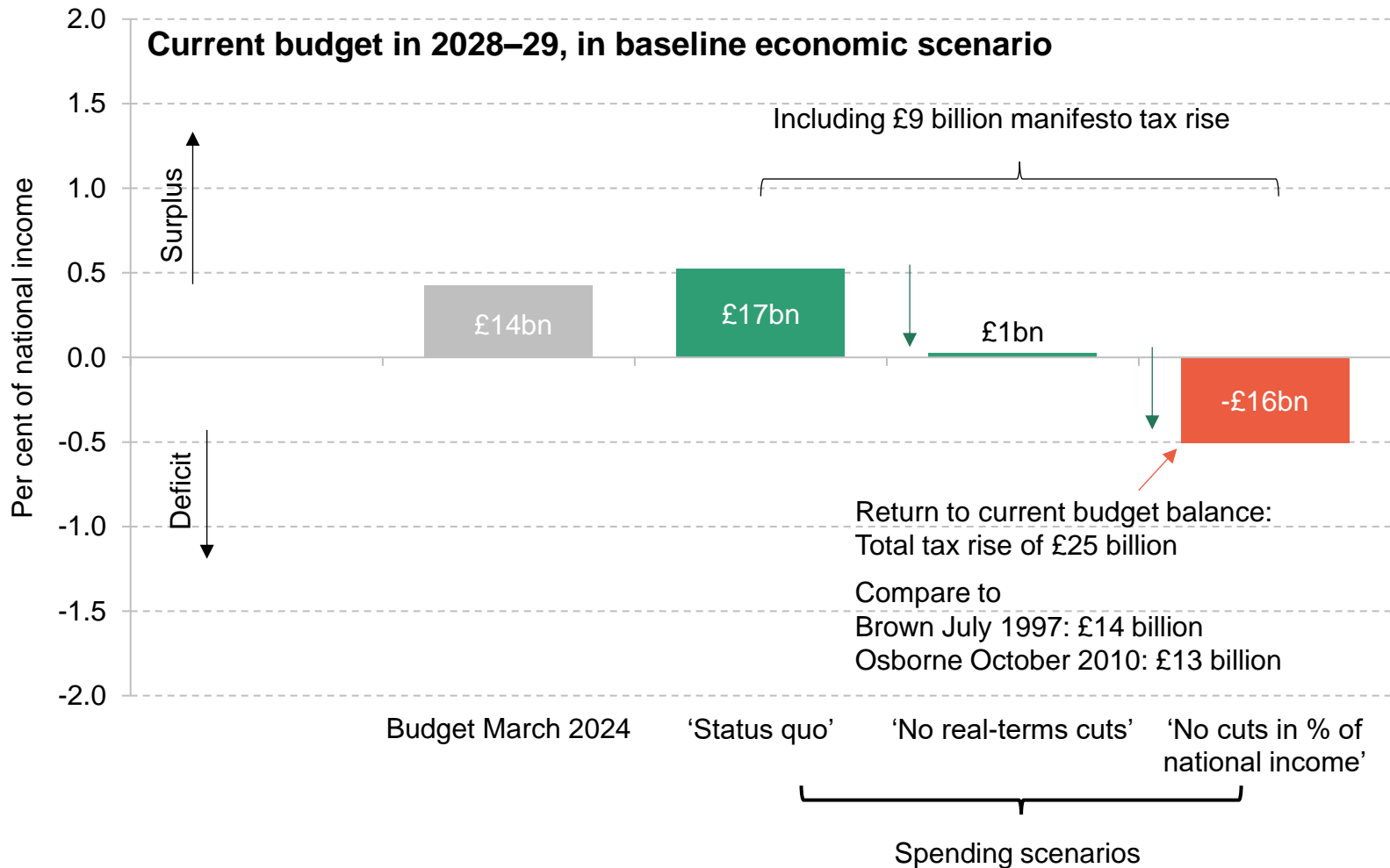
Alternative balance sheet measures



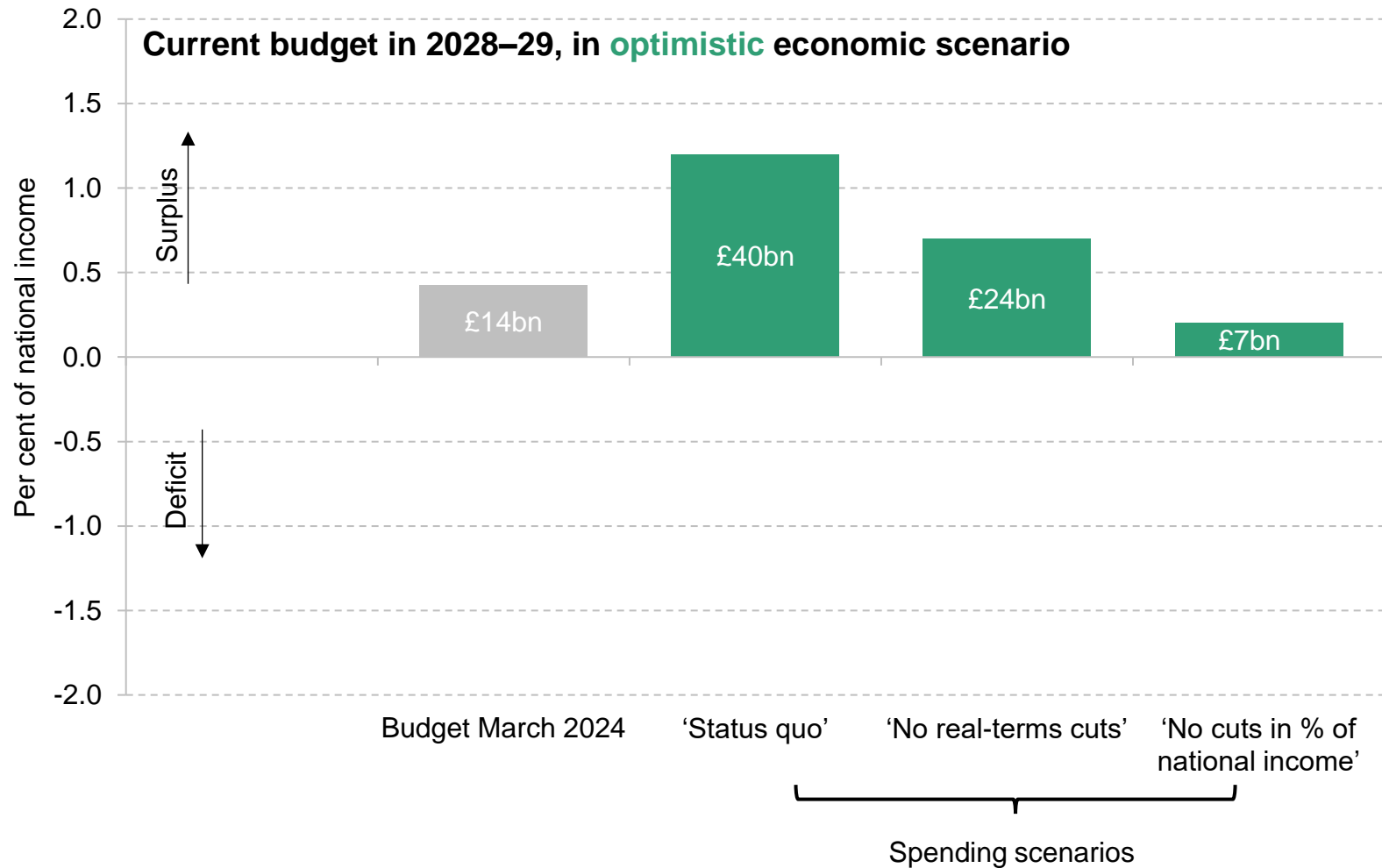
The current budget under Citi's economic forecast



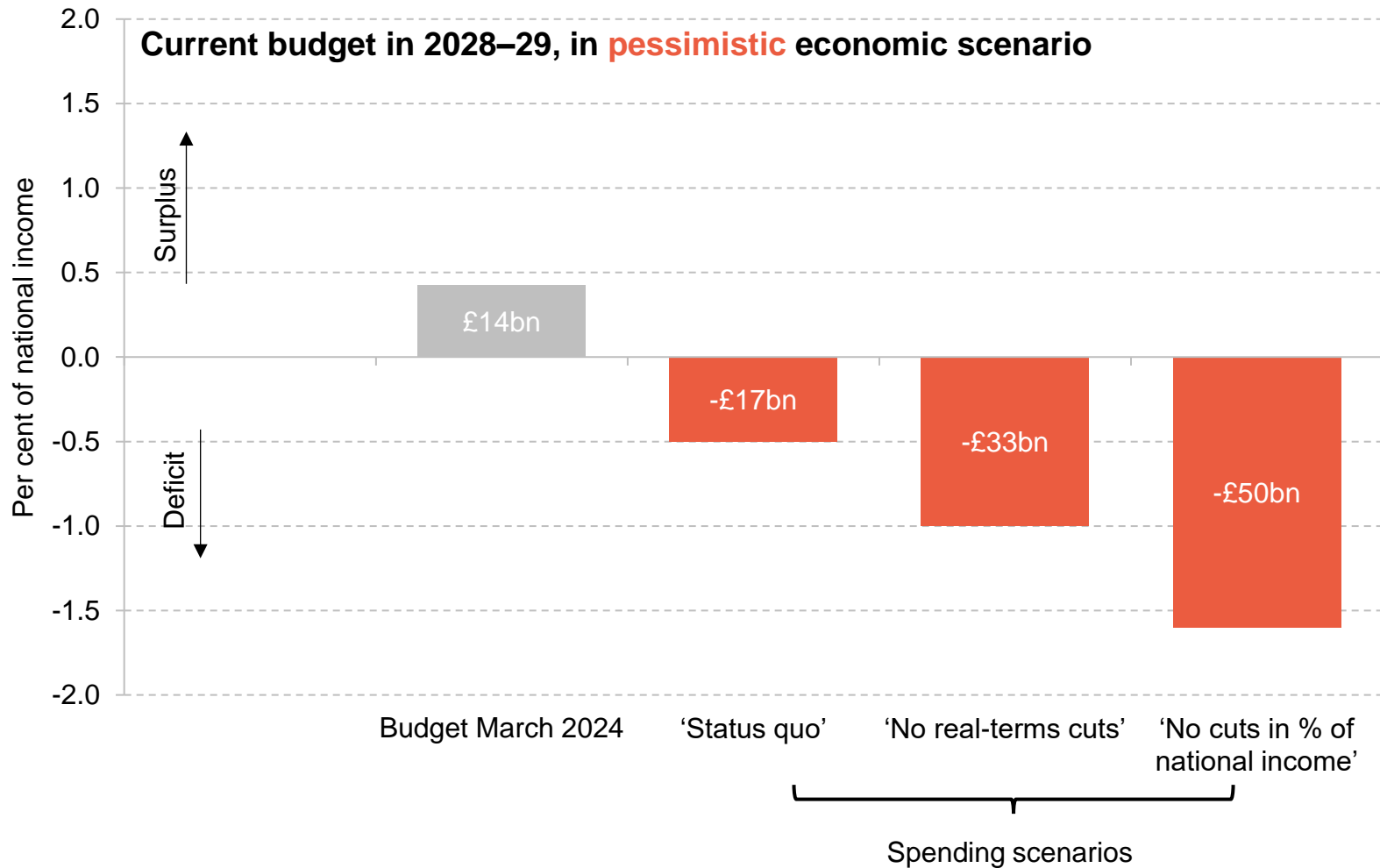
Spending scenarios for public services



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Known unknowns

- Economic environment: growth, interest rates, ...
 - Citi baseline scenario: debt interest spending 0.4% of national income lower in 2026-27 than March Budget forecast
- Spending on health and disability-related benefits up 31% over three years to 2024-25, set to rise further (OBR forecast)
 - Still incompletely understood → could under- or overshoot
- Pressures on healthcare and declining tax bases (e.g., fuel duties)
 - Trade-offs no easier if looking further ahead
- Pro-growth policies worthwhile, but not a silver bullet

Conclusions

- Manifesto tax rise *could* be enough to avoid cuts to day-to-day spending and maintain current budget balance in 2028–29
 - Debt (on current measure) rising
- Big choices for October 30 could define the parliament
 - How much more should the public sector invest?
 - How much of that investment should be funded through borrowing?
 - What top-up to day-to-day spending would ‘end austerity’?
- Framed by OBR judgement on underlying drivers of tax & spend
- Size of ‘required’ additional tax rise will follow
 - E.g. in baseline economic scenario, avoid cuts as a share of GDP
→ £25 billion total tax rise for current budget balance in 2028–29

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