



Isabel Stockton

27 March 2025

@TheIFS

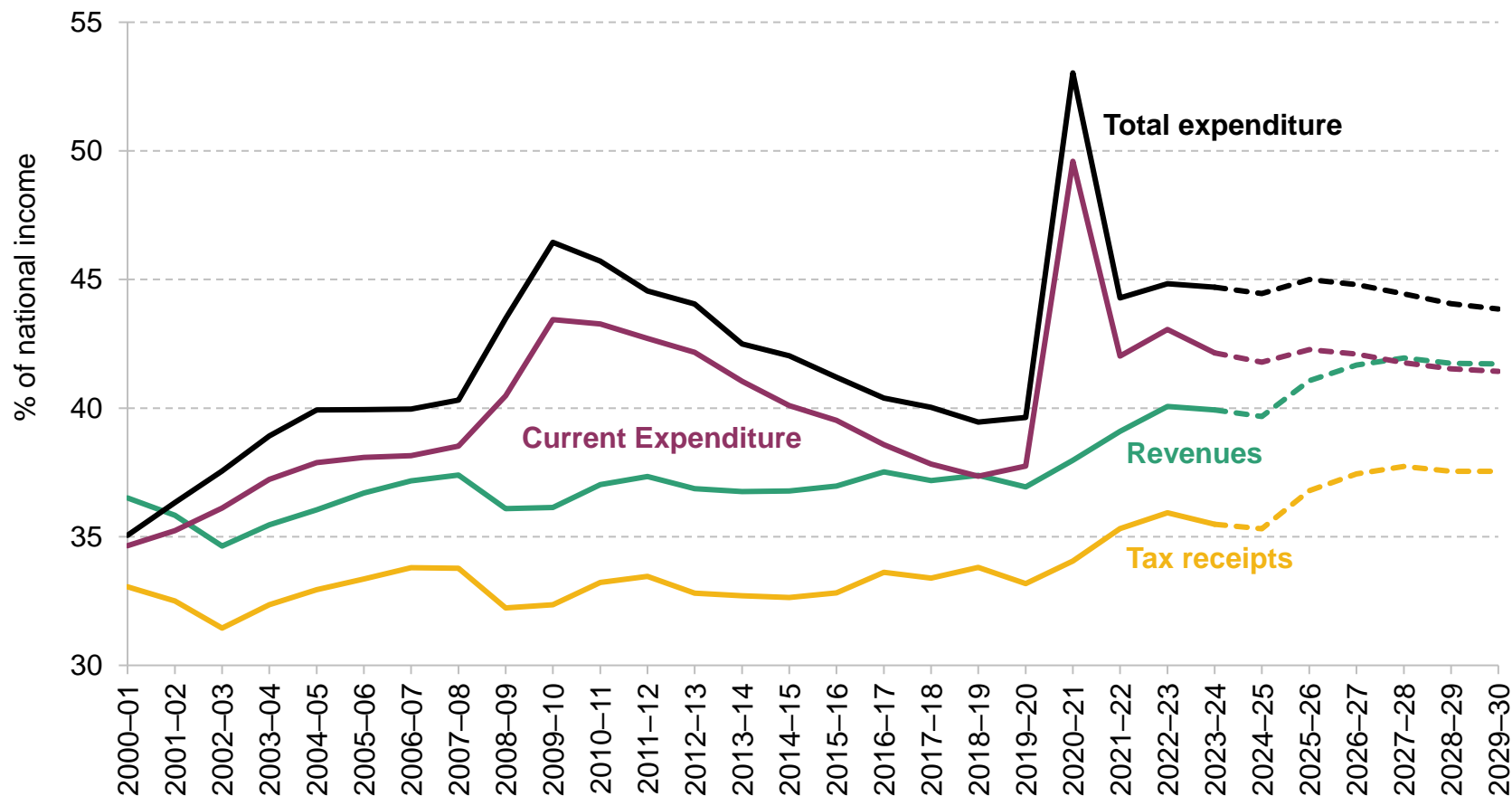
Not as safe as houses? Spring Statement 2025



Economic
and Social
Research Council

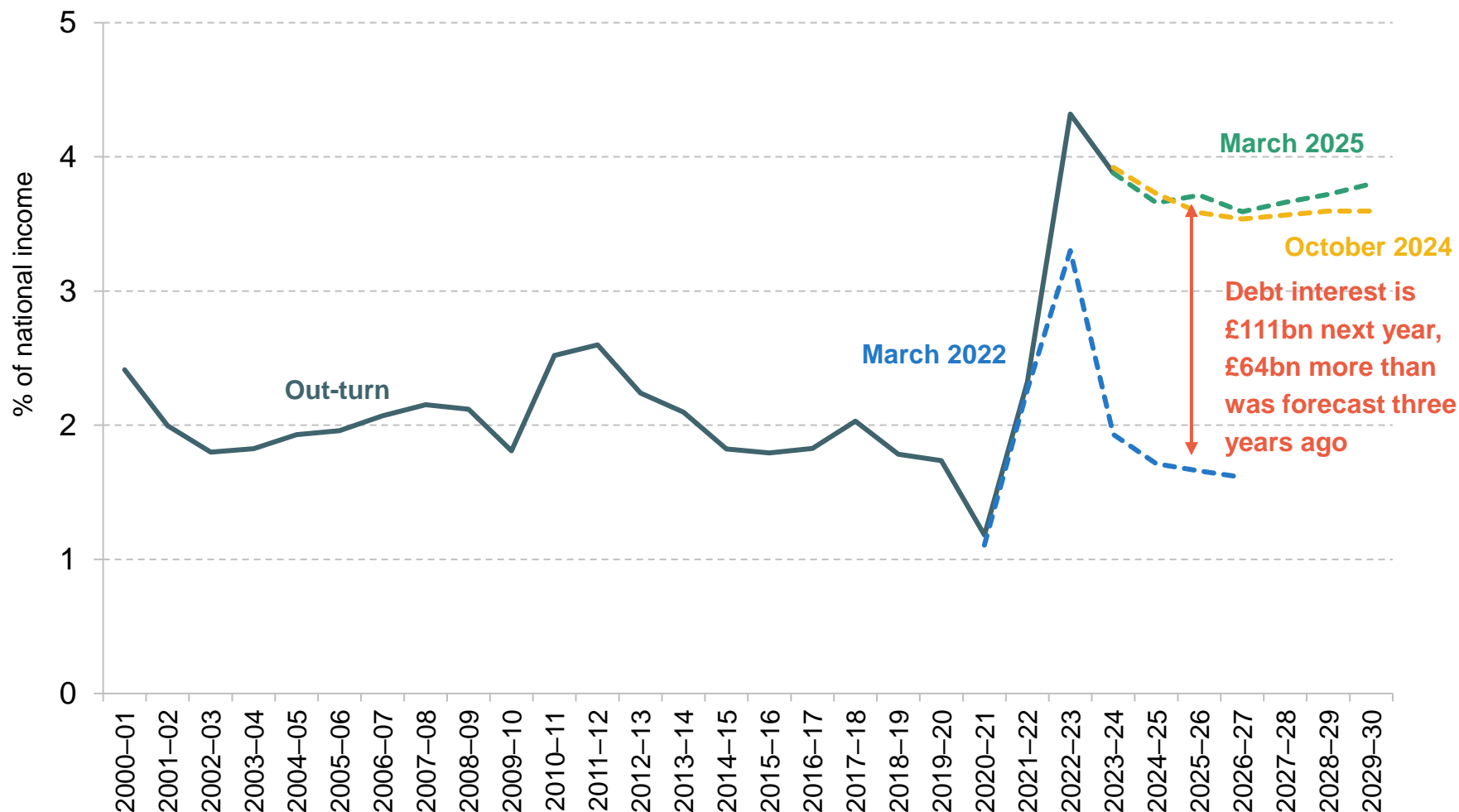
Size of the state

Government spending & revenues (out-turn & March 2025 forecast)



Source: Office for Budget Responsibility, Economic and Fiscal Outlook (March 2025)

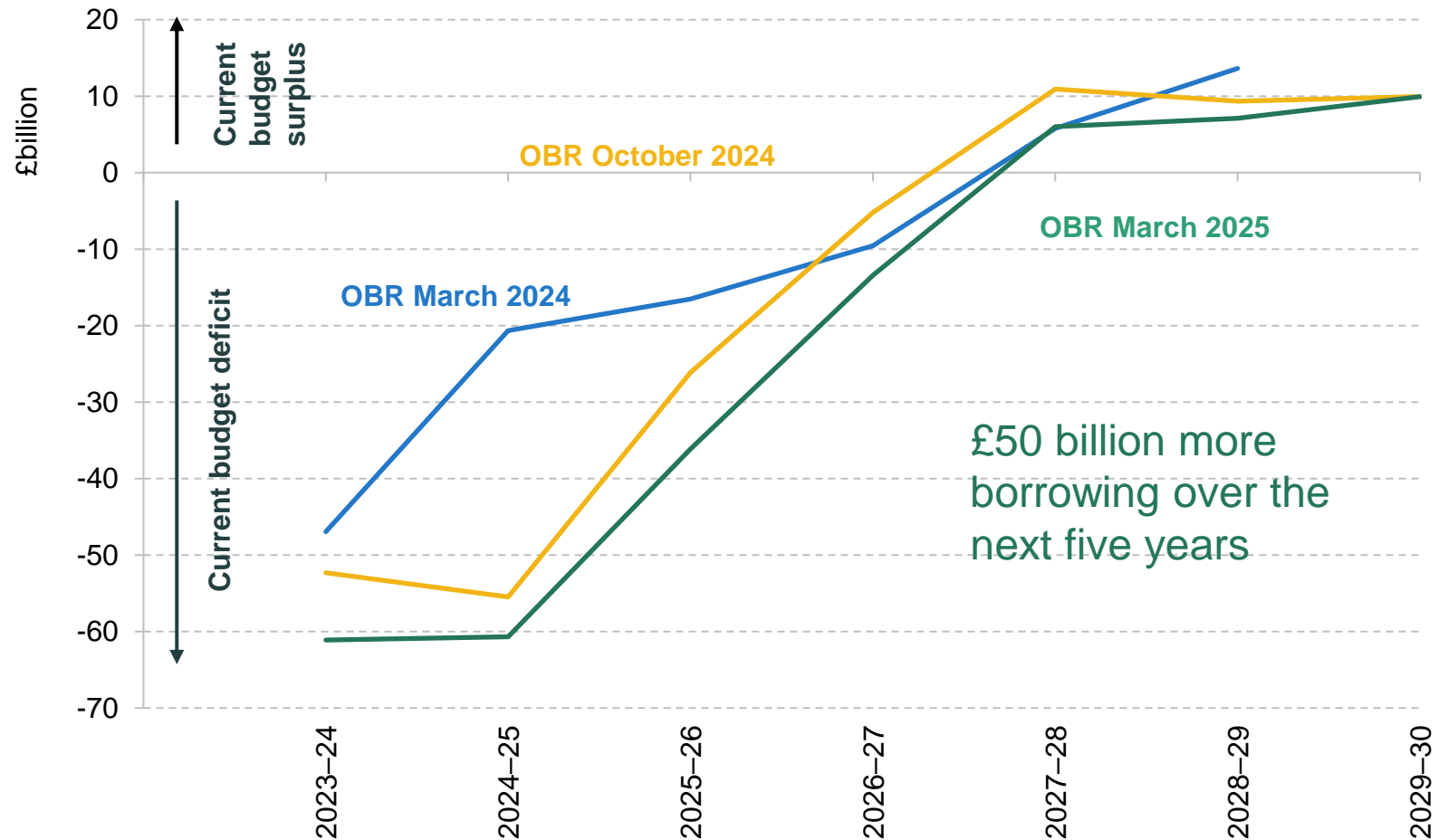
Debt interest



Note: Central government debt interest net of APF income shown; in per cent of national income as forecast/measured at the time of the relevant forecast (disregarding later revisions).

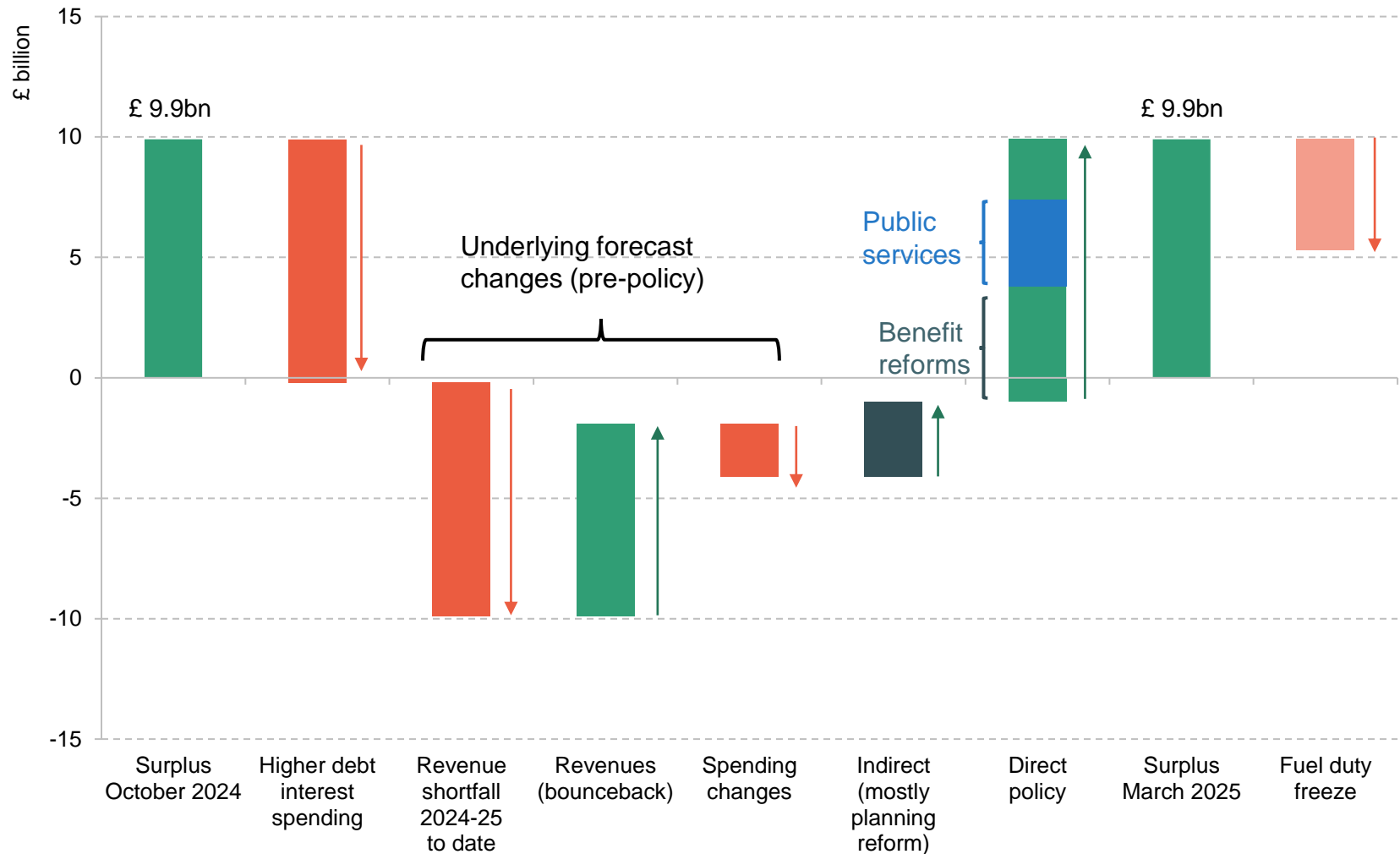
Source: Office for Budget Responsibility, Economic and Fiscal Outlook (successive editions).

Restoring current budget balance



£50 billion more borrowing over the next five years

Current budget in 2029-30: Changes since October



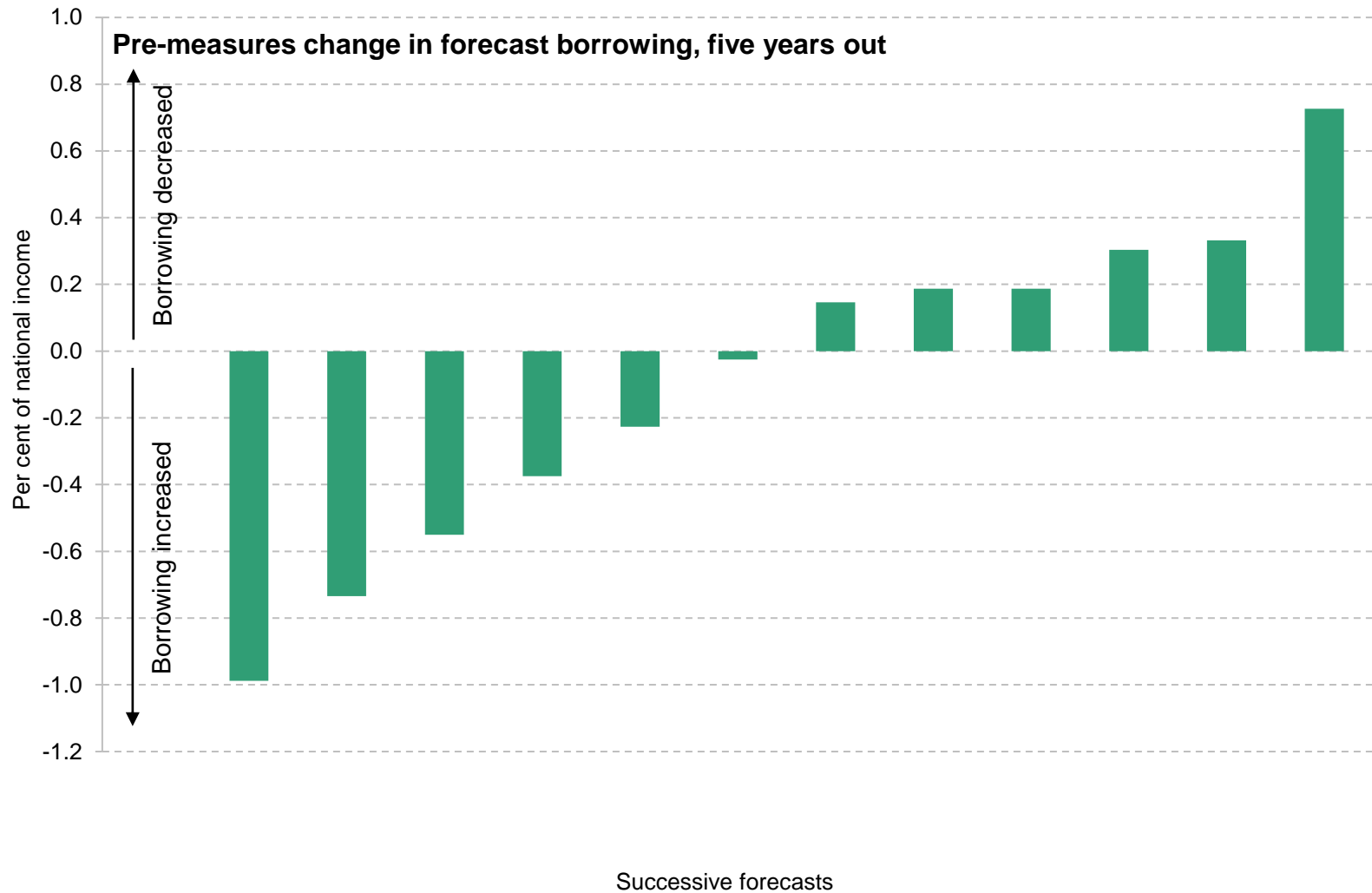
Uncertainty and headroom

"Since autumn, **the world has changed**. Europe is now facing a generational challenge to its collective security. Global **economic uncertainty has increased** sharply, growth has slowed in many of Britain's major trading partners, and borrowing costs have risen across most advanced economies. As an open trading economy, **the UK is not immune** to these challenges."

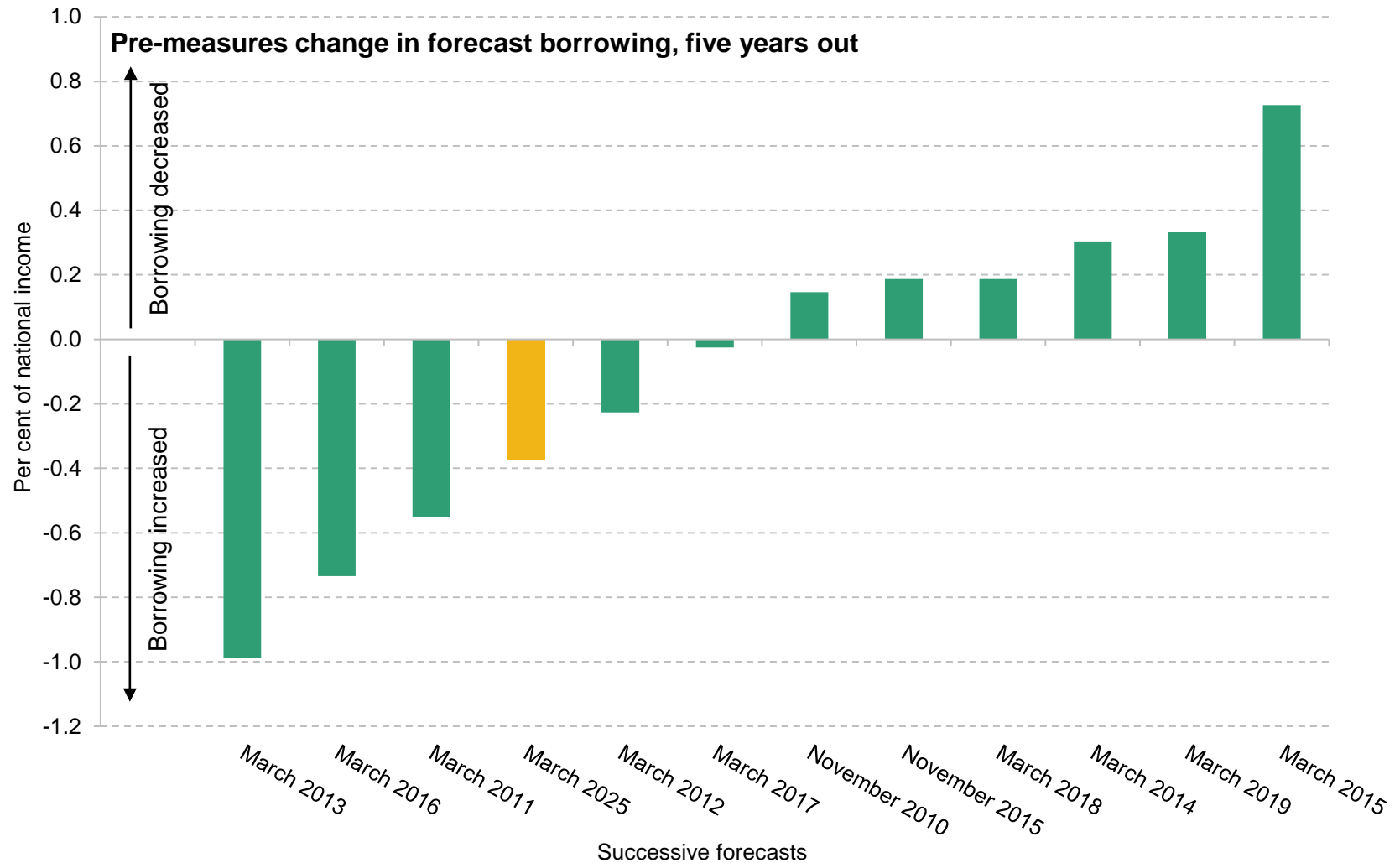
HM Treasury, Spring Statement 2025

- Despite increased uncertainty, headroom only restored to the same (small) level

The world has changed – a little

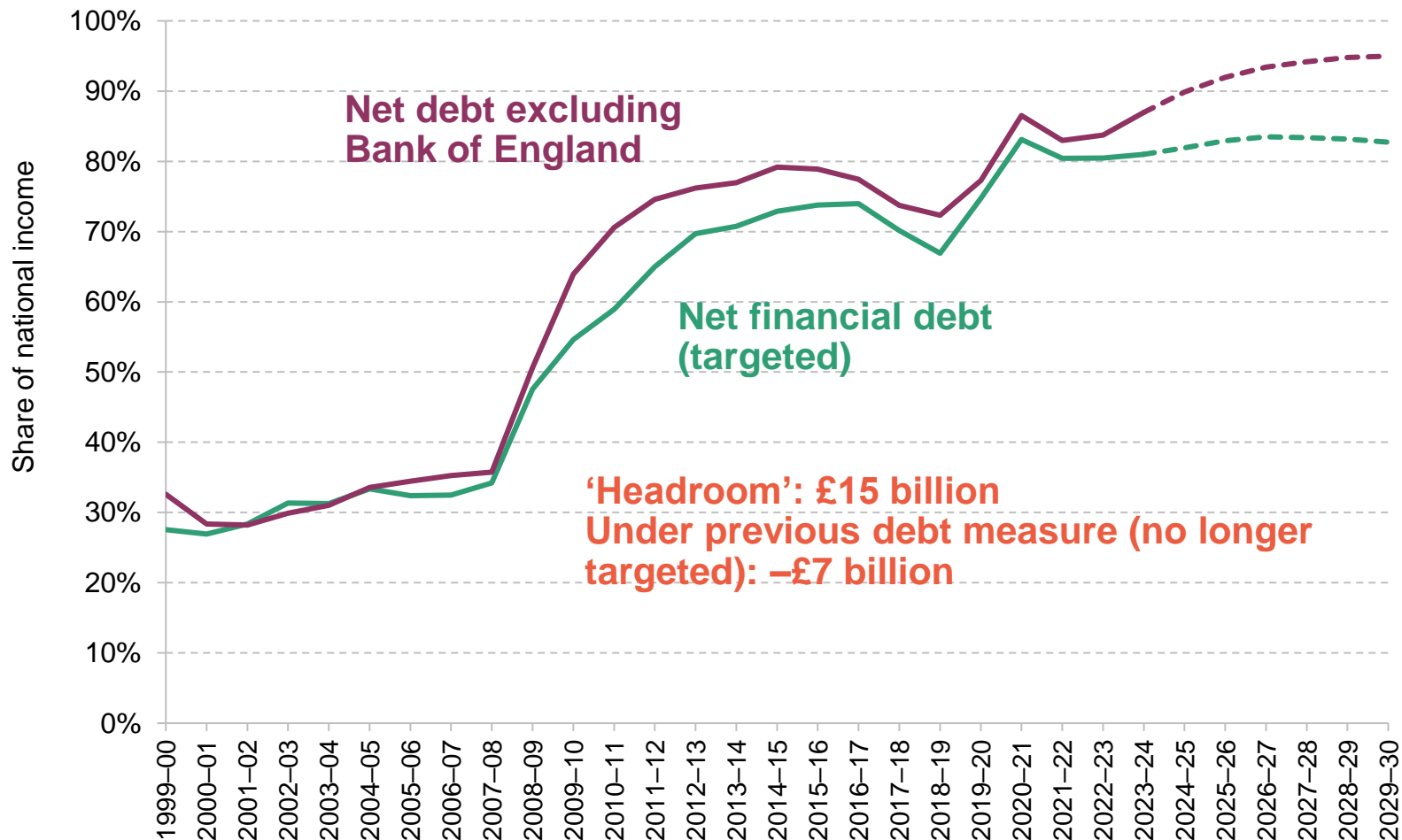


The world has changed – a little



Debt stabilising by 2030

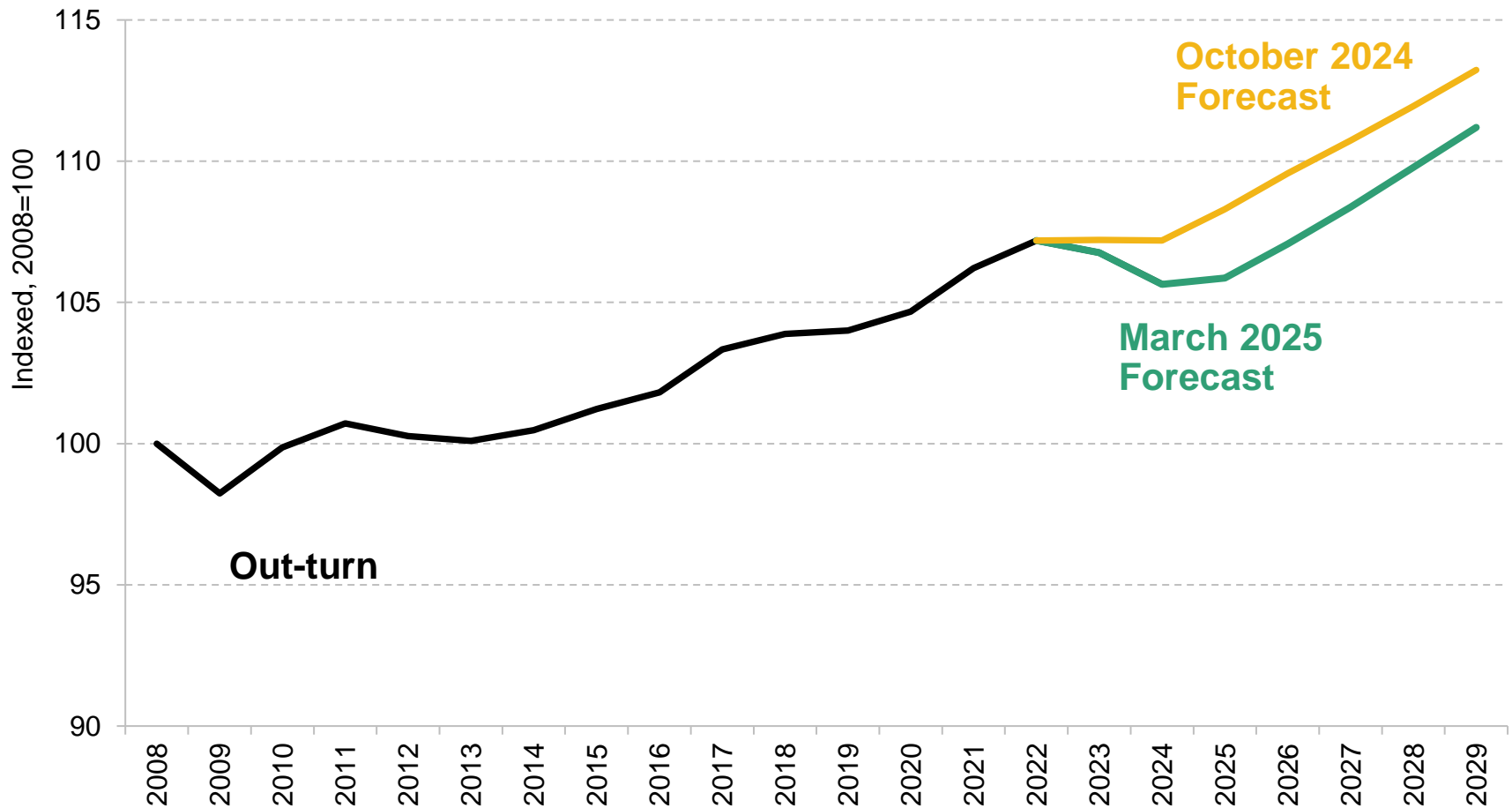
Government debt: out-turn and official forecasts



Planning policy and growth

- OBR expects the National Planning Policy Framework to deliver a huge boost to housebuilding
 - up from 236,000 this year and 192,000 next year to 305,000 in 2029–30 compared to 238,000 absent reform
- Much downside risk
- Housebuilding boosts near-term GDP
- And adds long-term capacity
 - more productive use of labour and capital, increased housing services, workers get access to more productive jobs
 - GDP up 0.2% in 2029 and 0.4% in 2034; revenues up circa £3½ billion in 2029–30

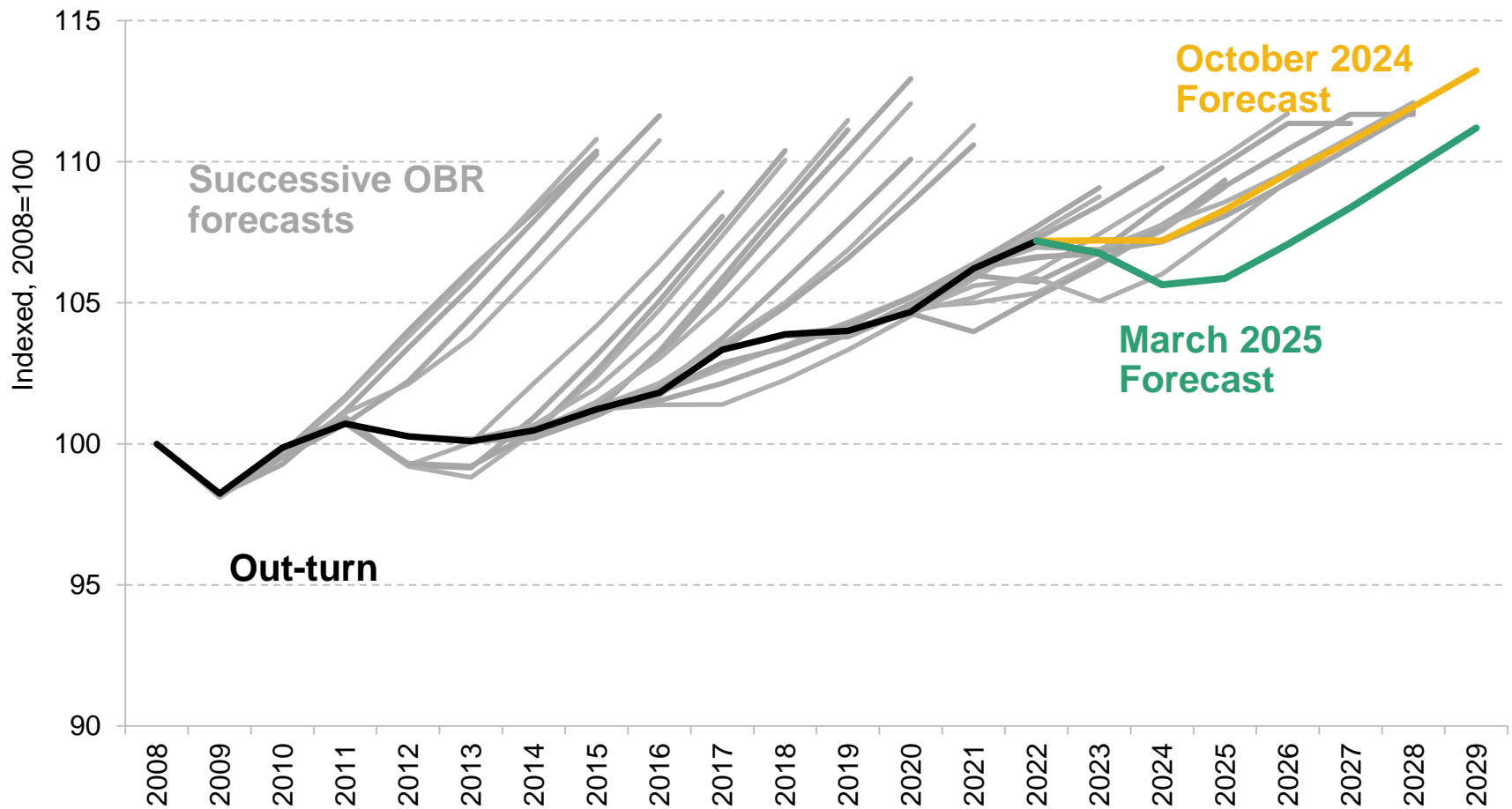
Will productivity bounce back?



Note: Pessimistic scenario based on trend productivity, which in the long run is treated as equivalent to hourly productivity.

Source: Office for Budget Responsibility, Economic and Fiscal Outlook (successive editions).

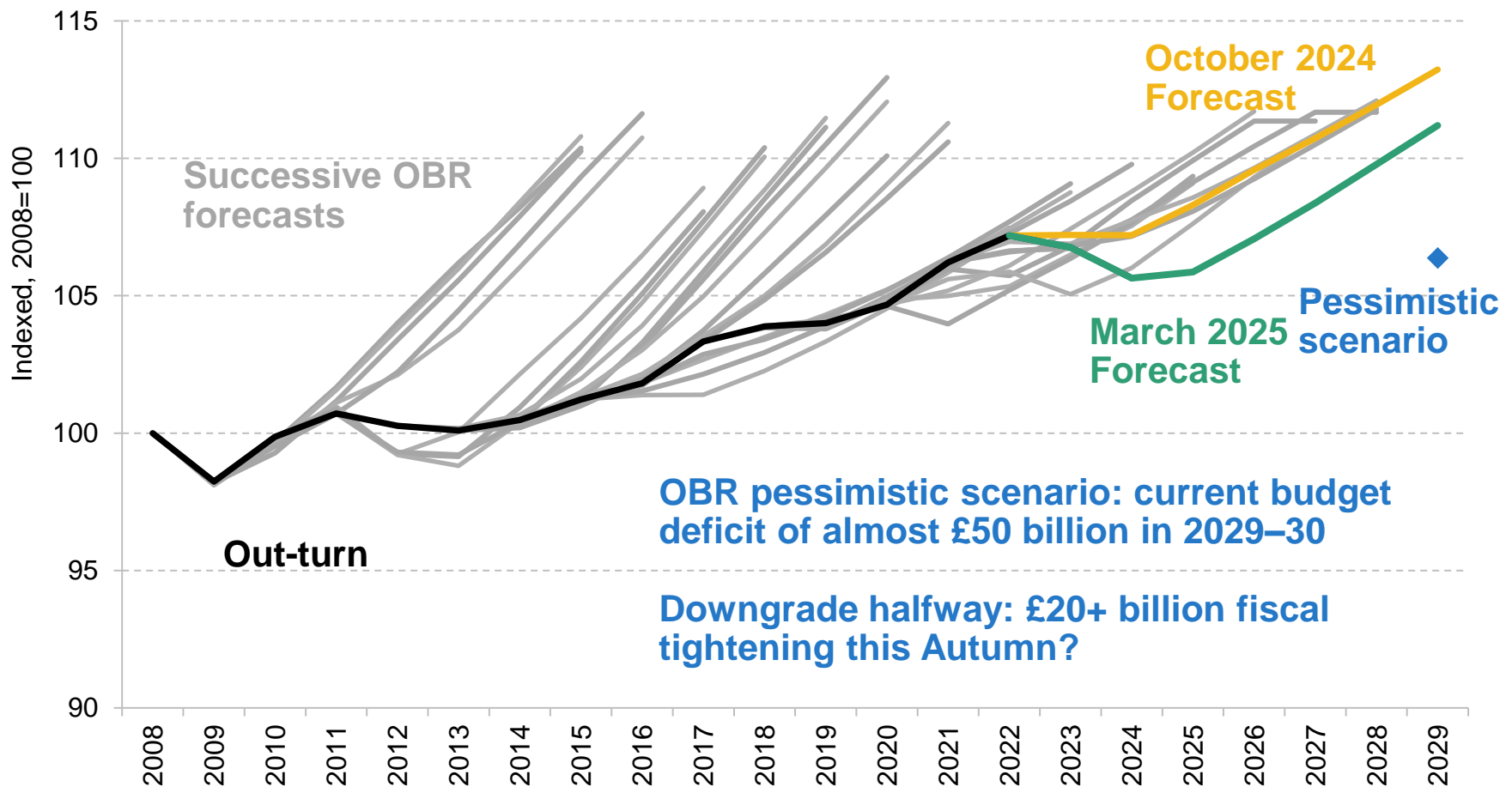
Will productivity bounce back?



Note: Pessimistic scenario based on trend productivity, which in the long run is treated as equivalent to hourly productivity.

Source: Office for Budget Responsibility, Economic and Fiscal Outlook (successive editions).

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Source: Office for Budget Responsibility, Economic and Fiscal Outlook (successive editions).

Conclusions



- OBR dealt the Chancellor a moderate fiscal downgrade
- Cuts to day-to-day spending plans restore current budget surplus precisely to previous level
- Chancellor could get lucky, or could easily find further action needed in Autumn Budget
- 2025 could yet see further tax raising measures being announced

The Institute for Fiscal Studies
7 Ridgmount Street
London
WC1E 7AE

www.ifs.org.uk



We knew this was going to be hard

