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IFS post-Budget event

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@TheIFS

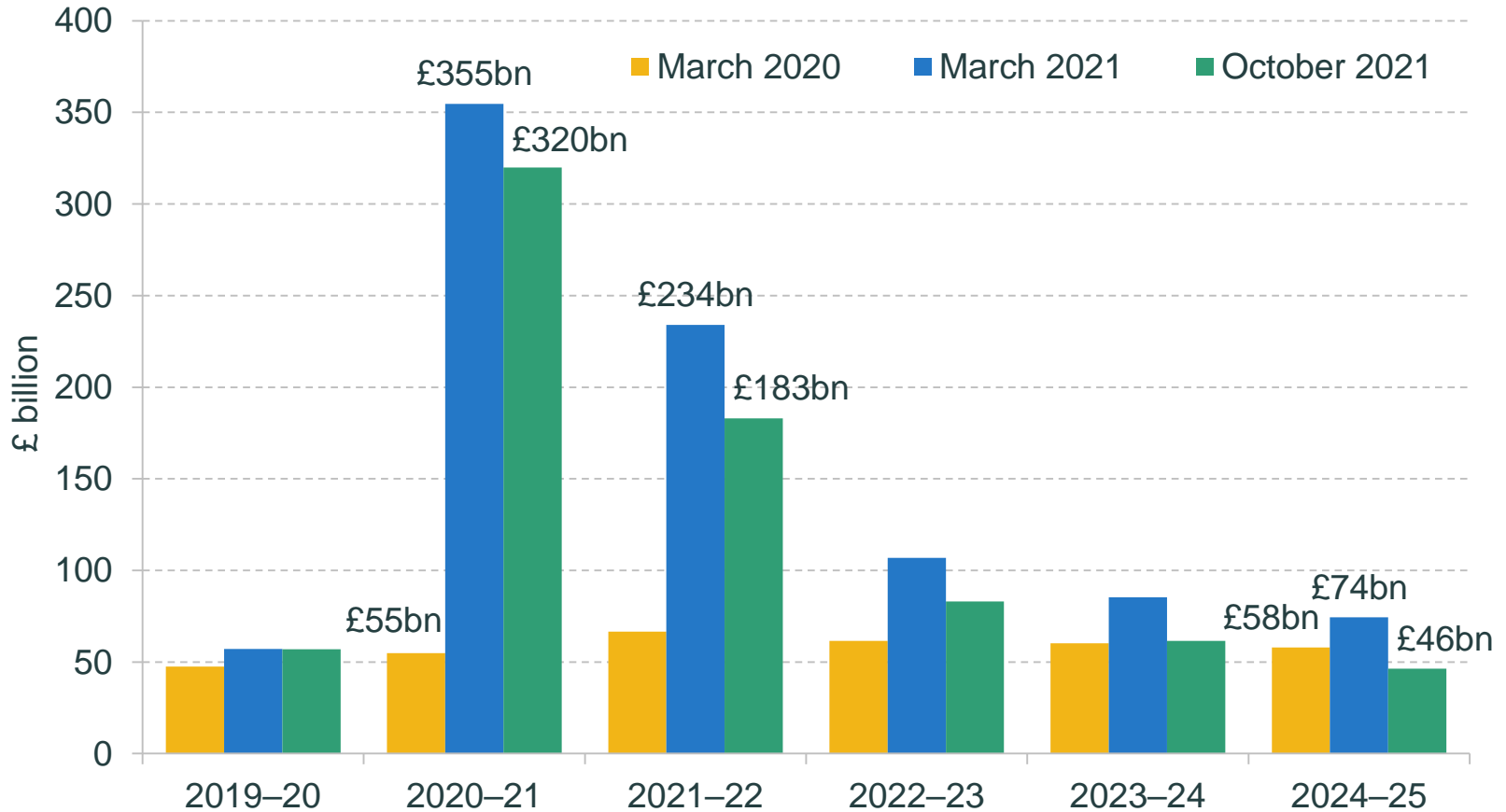
Tax and spend



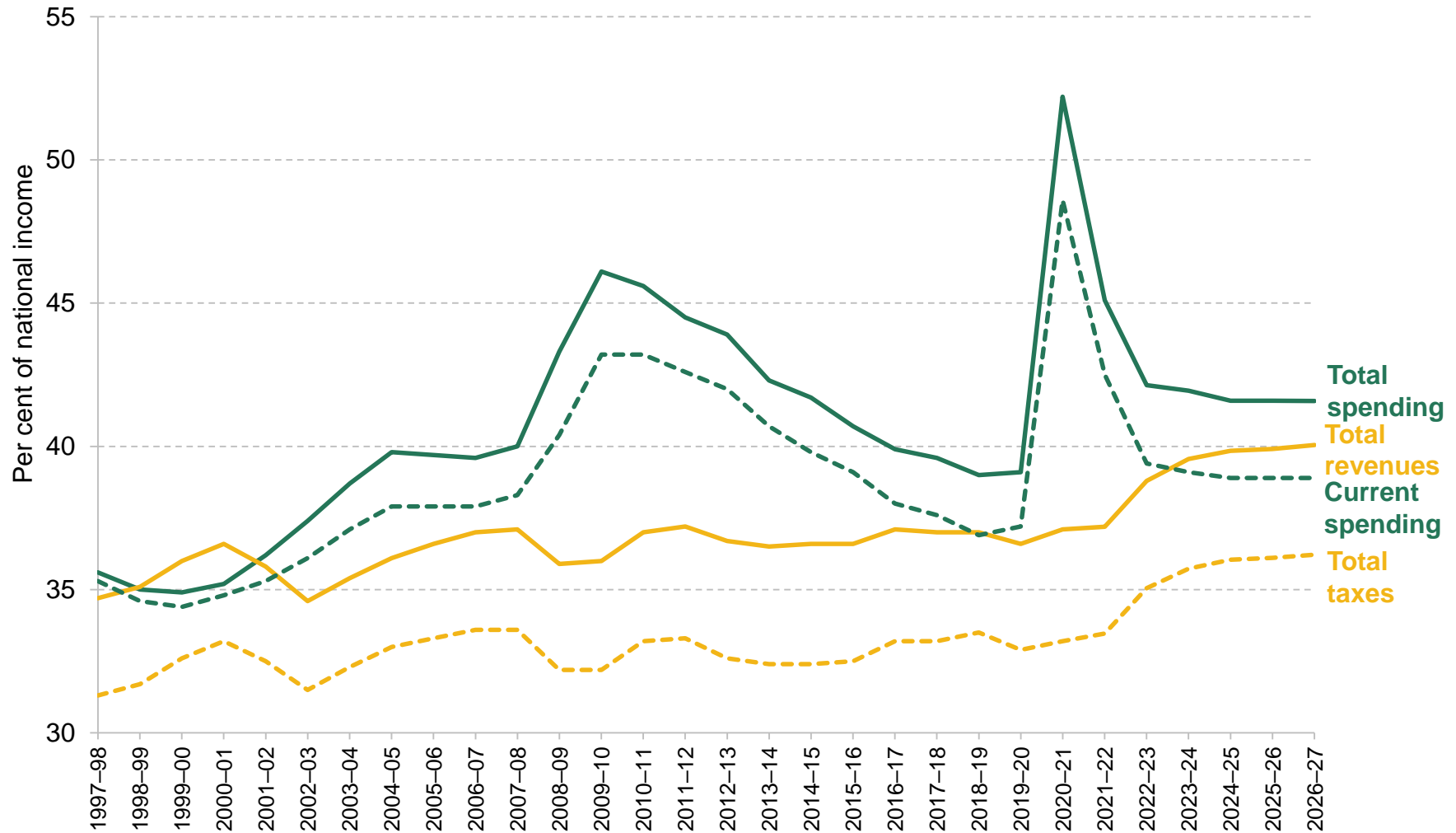
Economic
and Social
Research Council

Sharper fall in forecast borrowing

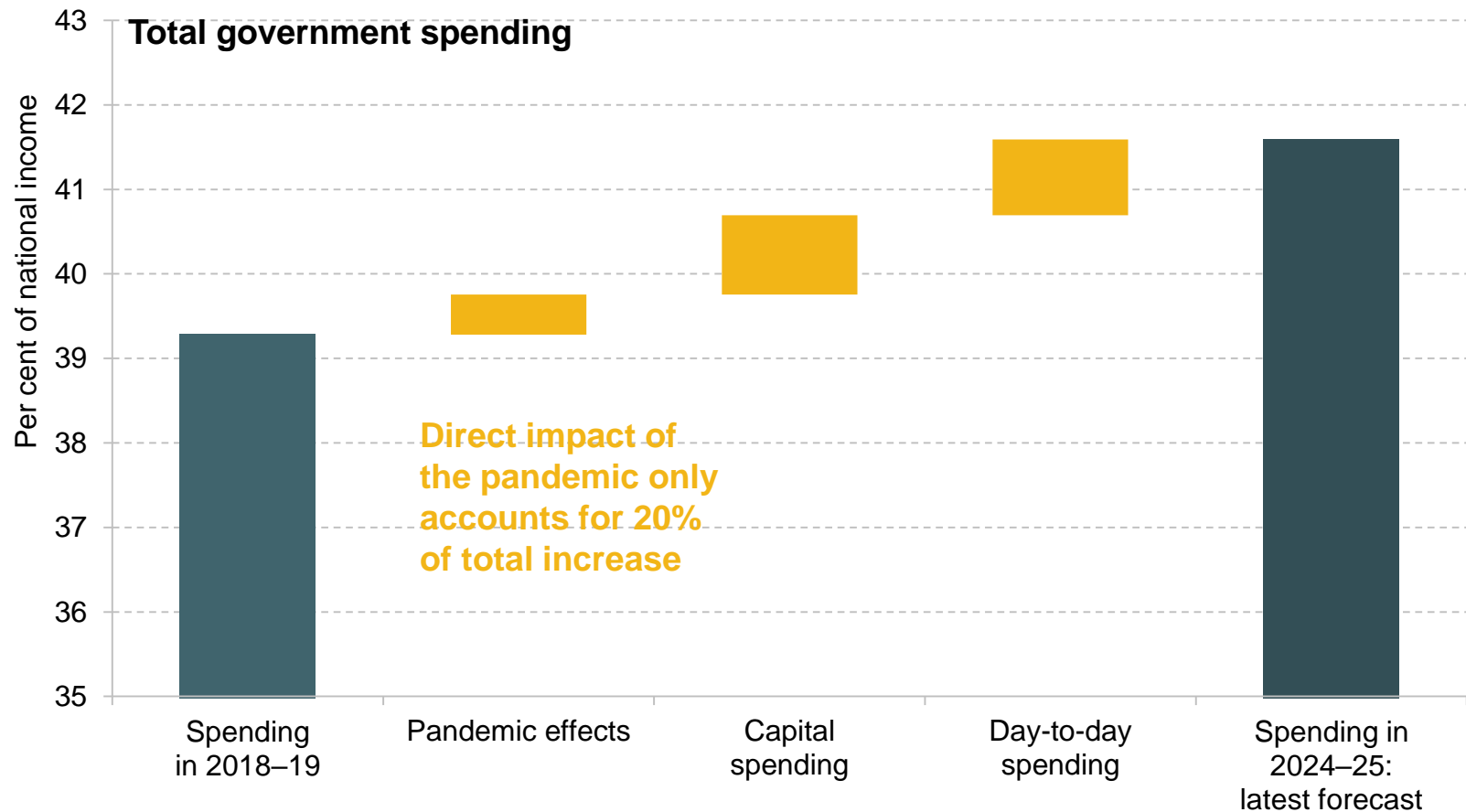
Public sector net borrowing



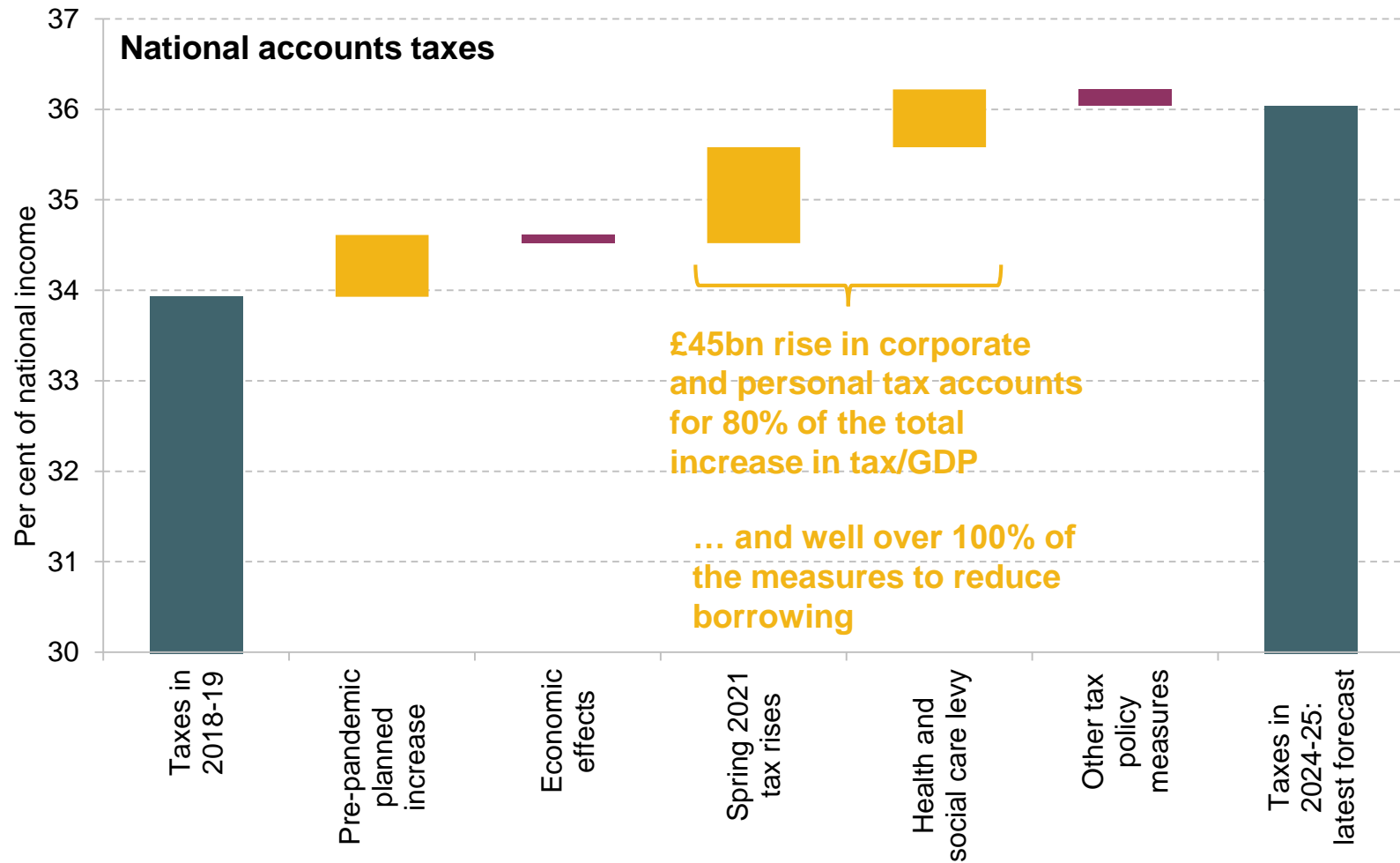
A bigger state post pandemic



A bigger state: 2019 to 2025



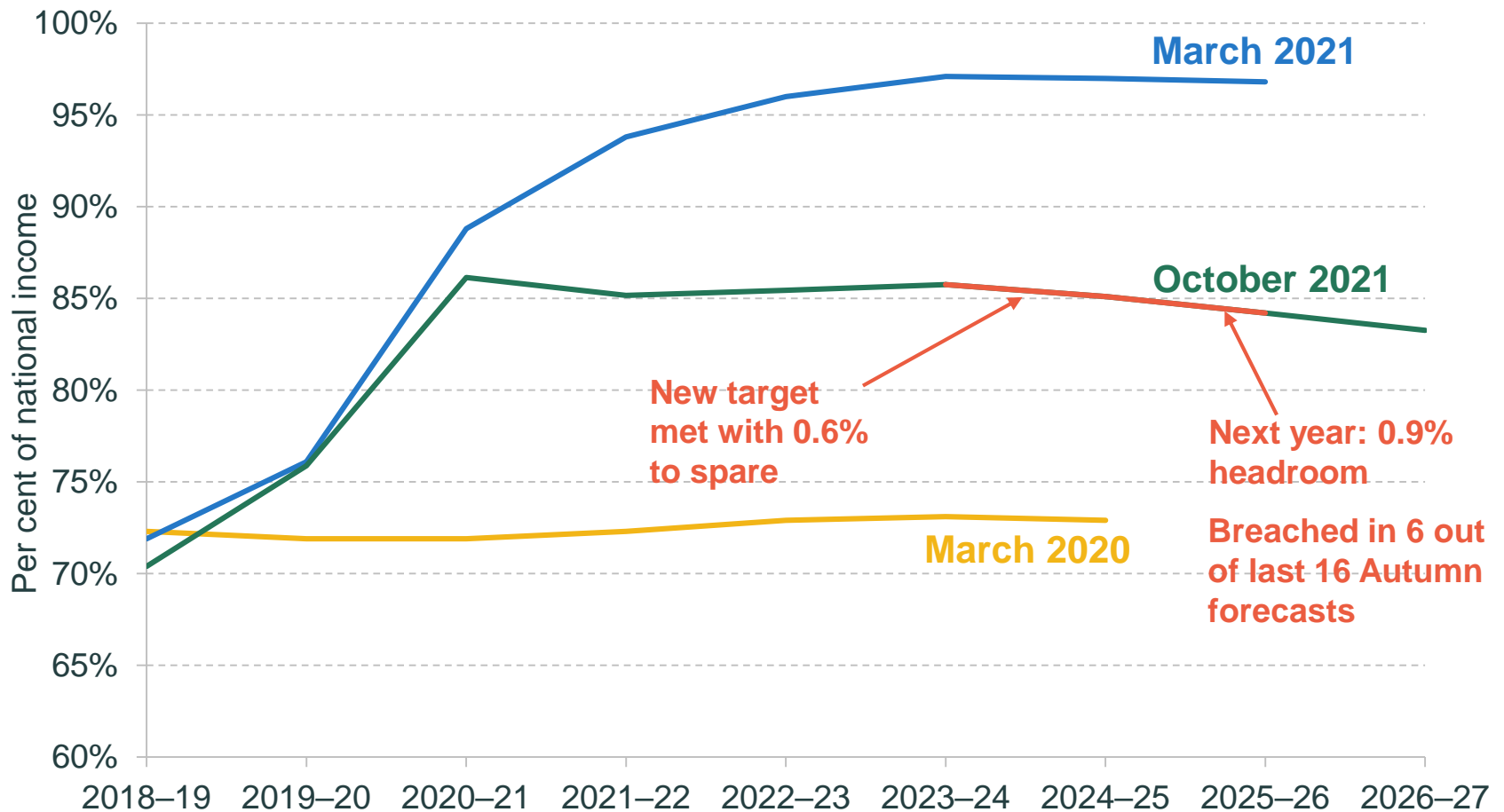
A growing tax burden: 2019 to 2025



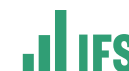
Nine fiscal targets?

- 1 new mandate for fiscal policy: debt to fall as a share of GDP between 2nd and 3rd year of forecast horizon
 - excluding Bank of England, more difficult to meet but better measure of fiscal policy
- 3 further supplementary targets
 - Current budget balance by 3rd year of forecast horizon
 - Public sector net investment to average less than 3% of GDP
 - Welfare spending to remain within cap
- 5 other indicators to be considered, including around the affordability of debt and the wider public sector balance sheet
- Rules suspended if Treasury if a “significant negative shock” occurs

Public sector net debt to fall?



Conclusions



- Public spending to be bigger share of national income post pandemic
- Big tax rises announced in 2021 to cover this whiles reducing borrowing to below that planned pre-pandemic
- Some smaller pre-election tax cuts might be coming, though headroom against new debt target not large
- Huge uncertainty around path of economy and outlook for receipts