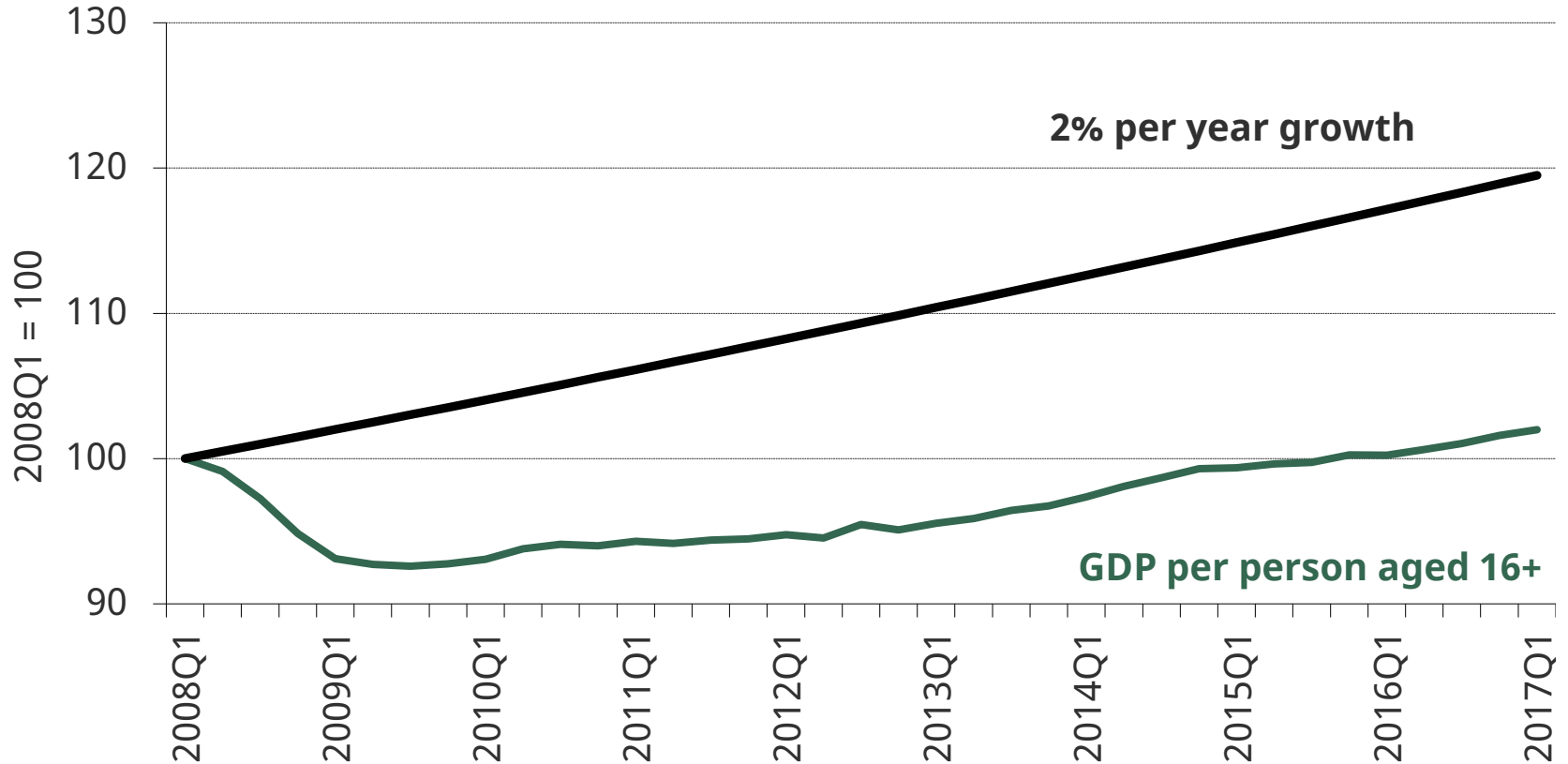


# Booming Britain?

Thomas Pope

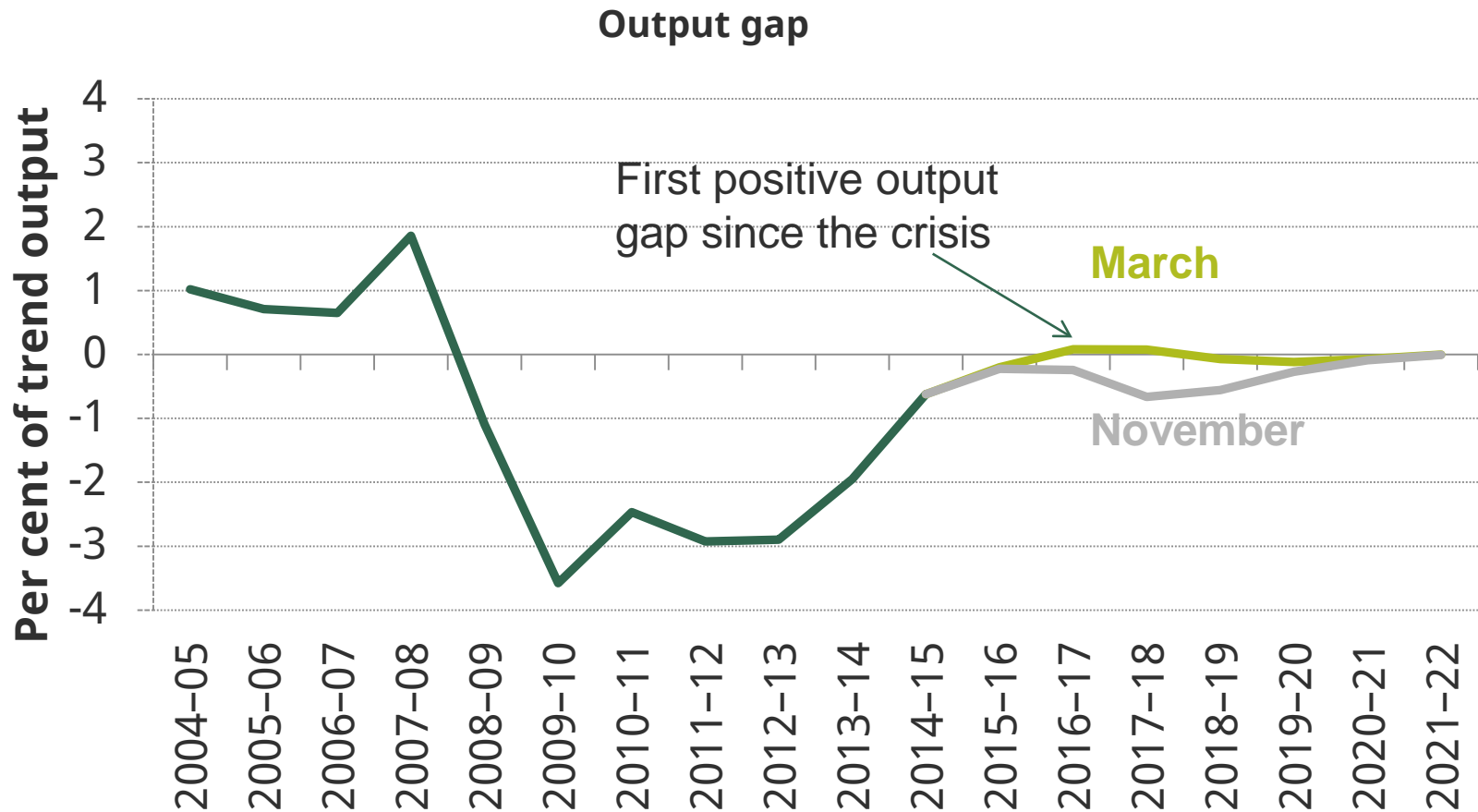
@TheIFS

# Output per head only just above 2008Q1 level



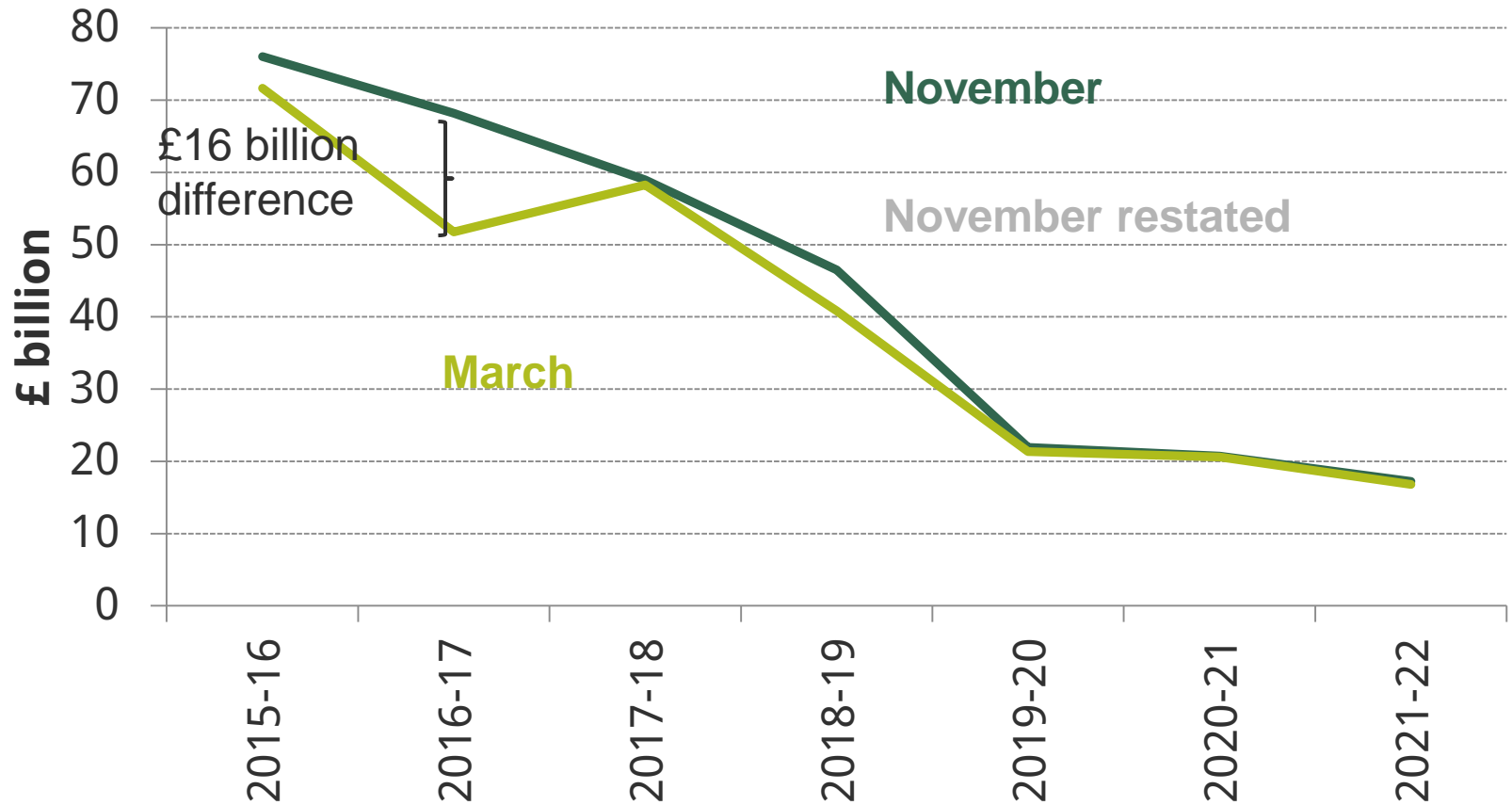
Source: Office for Budget Responsibility

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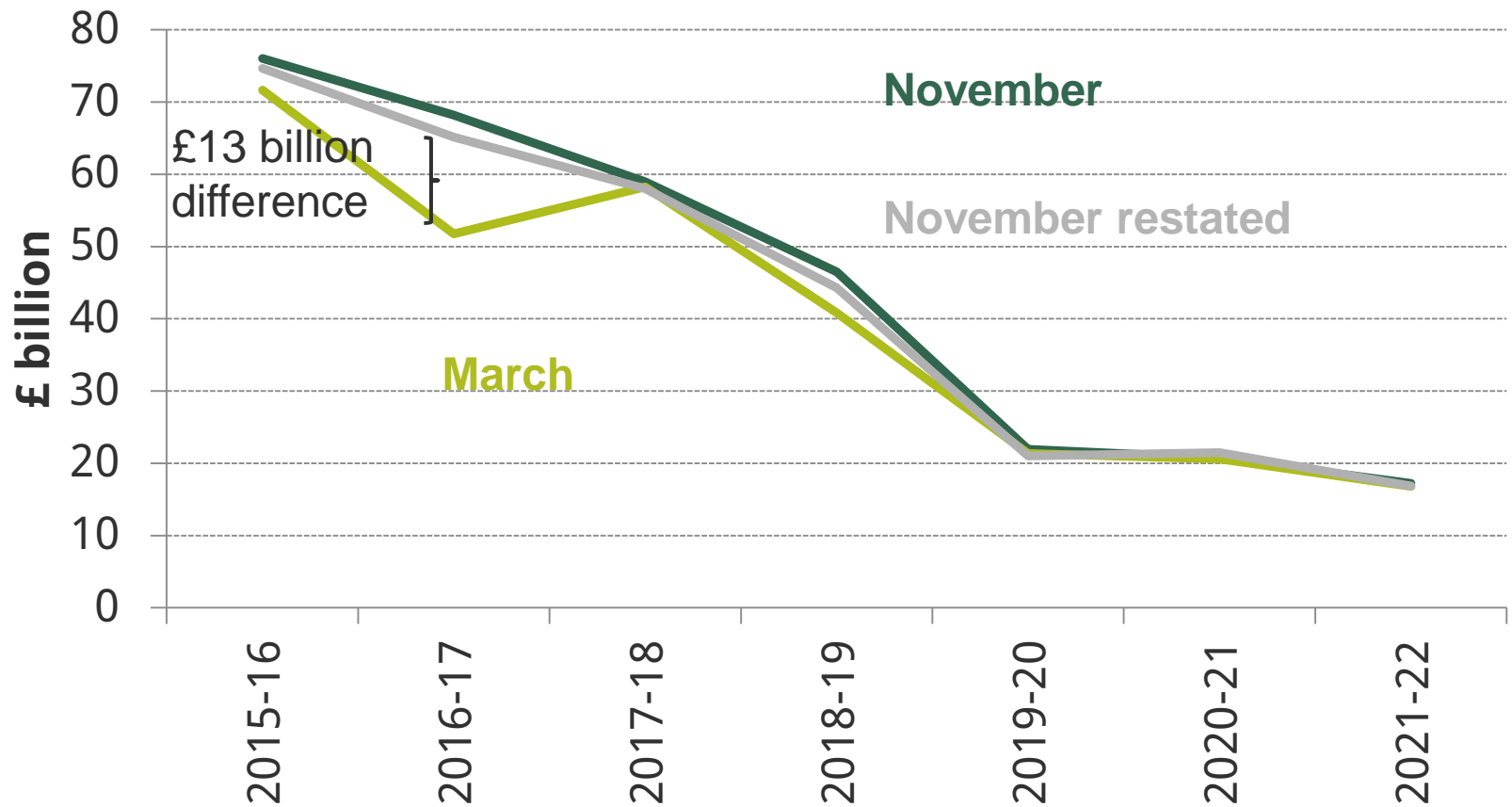
Source: Office for Budget Responsibility

# Borrowing rollercoaster



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# Borrowing fall this year is temporary

	2016-17	2017-18
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Total change	-13.4	+0.3
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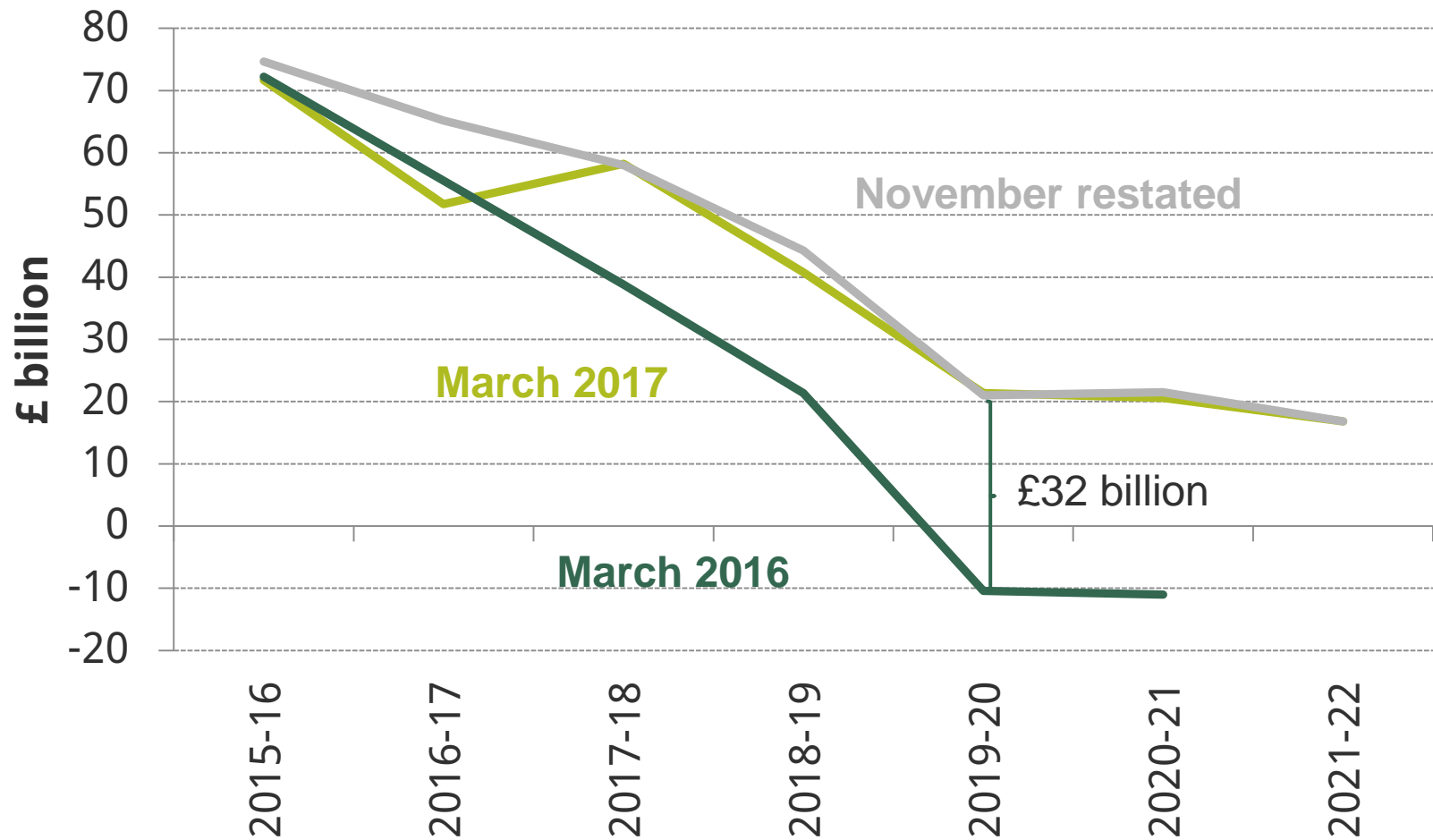
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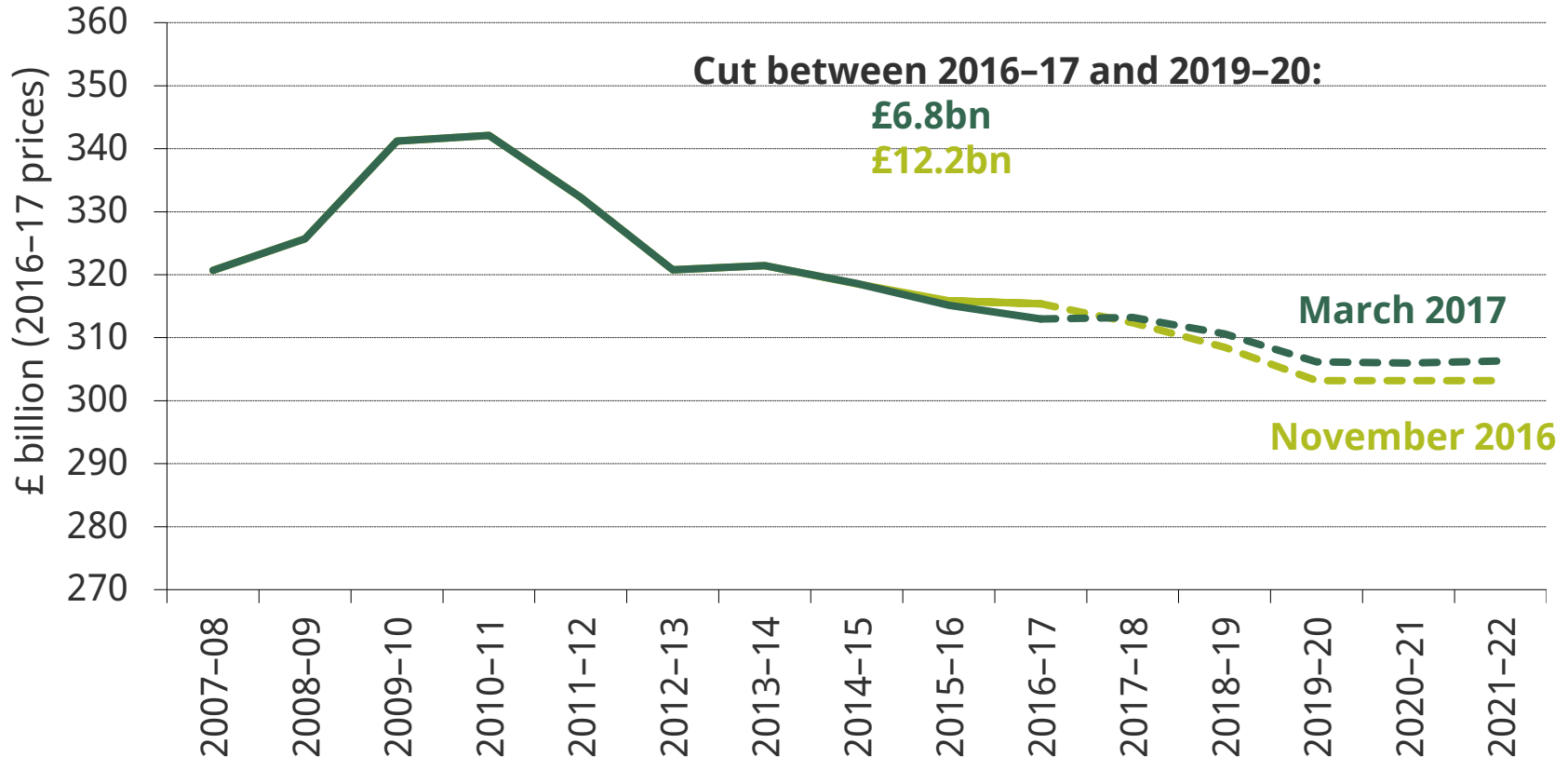
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Higher RPI inflation	-	<b>+3.1</b>
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# Borrowing rollercoaster



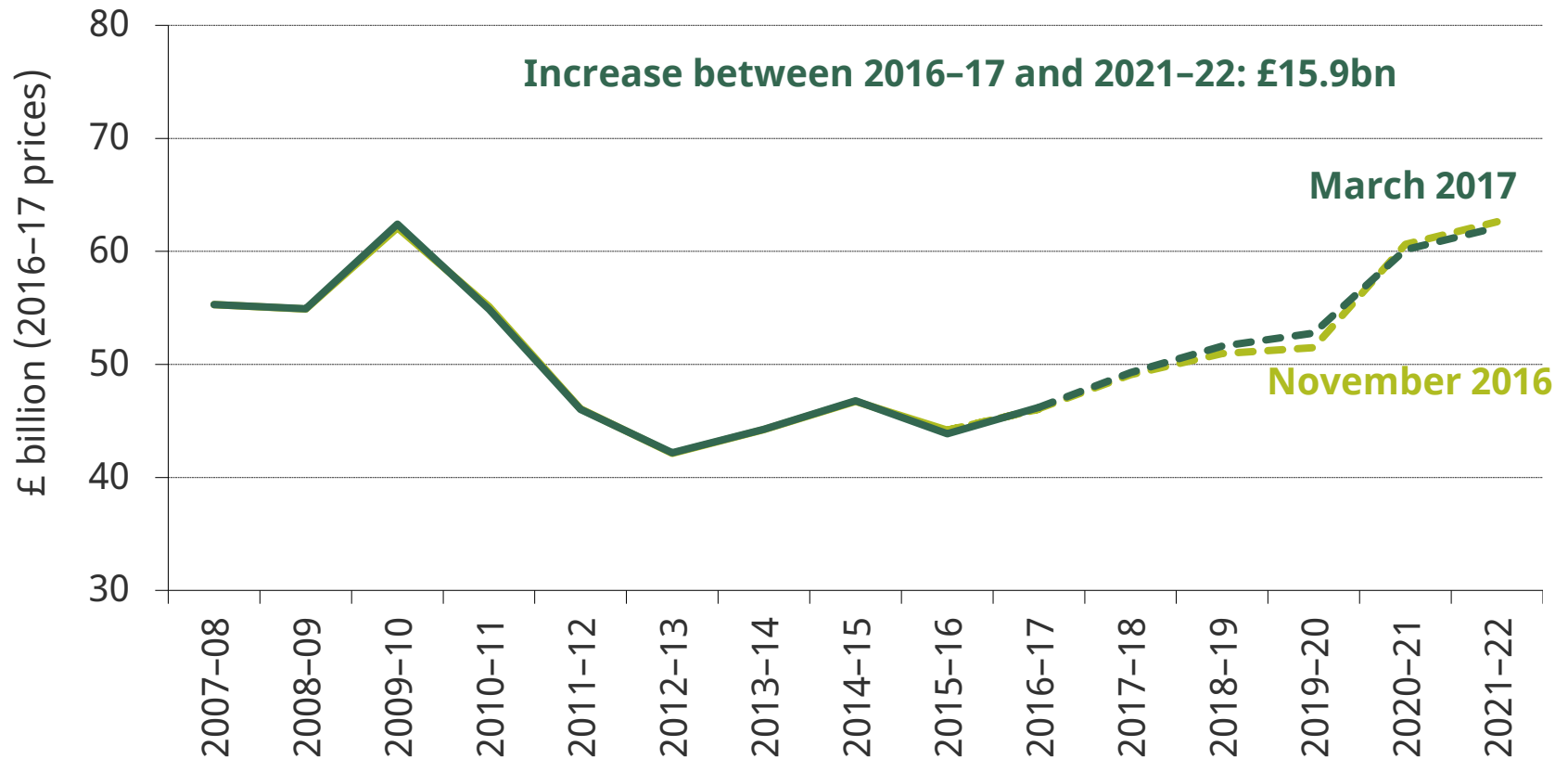
# No longer an acceleration in planned cuts to day-to-day spending on public services



Note: November 2016 figures up to 2016-17 adjusted to latest prices. March 2017 figures adjusted to exclude additional funding due to the fall in the personal injury discount rate and the change in classification of probate fees.

Source: Office for Budget Responsibility; author's calculations

# Capital spending planned to increase



Note: November 2016 figures up to 2016-17 adjusted to latest prices, and figures beyond 2016-17 adjusted for movements between DEL and AME since November.

Source: Office for Budget Responsibility; author's calculations



# The effect of yesterday's measures

<i>£ billion</i>	2017-18	2018-19	2019-20	2020-21	2021-22
<b>March 2017 pre-measures</b>	<b>55.2</b>	<b>39.0</b>	<b>19.7</b>	<b>21.6</b>	<b>17.4</b>
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<i>Of which</i>					
Off scorecard	<b>+1.6</b>	<b>+1.8</b>	<b>+3.0</b>	<b>+0.5</b>	<b>+0.3</b>
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# Personal injury discount rate

## Used to determine compensation awards to cover future losses

- since 2001 has been set at 2½%
- Lord Chancellor reduced this to -¾% on 27 February
- Lower discount rate increases the size of up-front payouts

## Government to consult on options for reform of how and when rate is set

## Budget added £1.2 billion to reserve to cover public sector costs

- mainly relates to claims against the NHS
- lower discount rate will also increase insurance premiums increasing inflation (& debt interest payments) and boosting receipts of insurance premium tax
- overall impact is to increase borrowing by £1.8 billion in 2017-18, and by about £1 billion thereafter

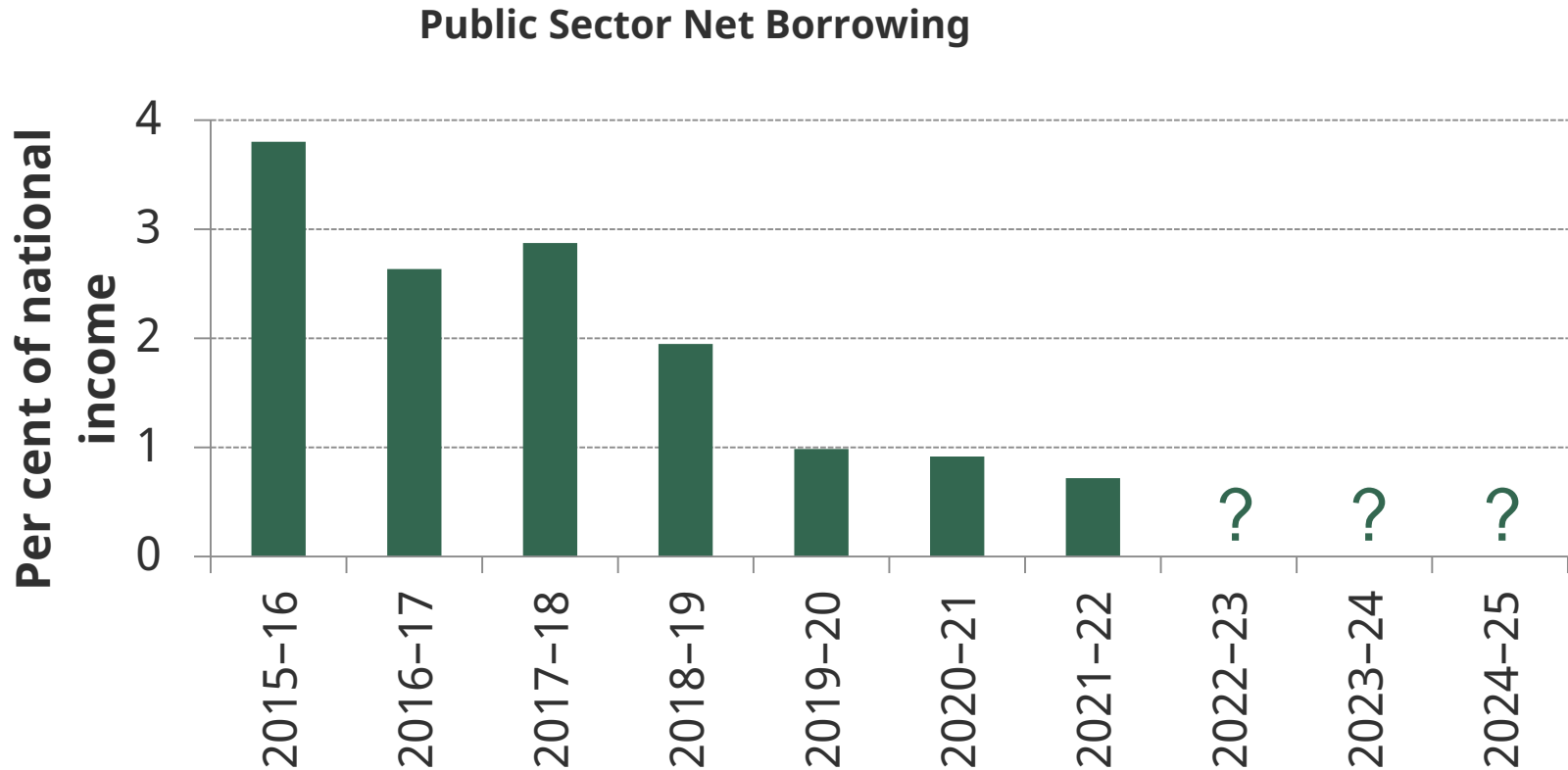
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Scorecard	+1.5	+1.1	+0.7	+0.5	+1.0
Total measures	<b>+3.1</b>	<b>+1.8</b>	<b>+1.7</b>	<b>-1.0</b>	<b>-0.6</b>
<b>March 2017</b>	<b>58.3</b>	<b>40.8</b>	<b>21.4</b>	<b>20.6</b>	<b>16.8</b>

# “Returning the public finances to balance by the end of the next parliament”



Source: Office for Budget Responsibility



# Conclusions

**OBR thinks no output gap despite nine years of little growth in GDP per head**

**Reduction in borrowing this year large but temporary**

**Prospective real squeeze on day-to-day spending reduced**

- Capital spending still set for large real terms increase

**Modest set of tax and spend measures announced yesterday**

**Eliminating the deficit by 2025 remains a substantial challenge**

- Deficit of £17 billion forecast in 2021–22 and an ageing population