



07 March 2024

@TheIFS

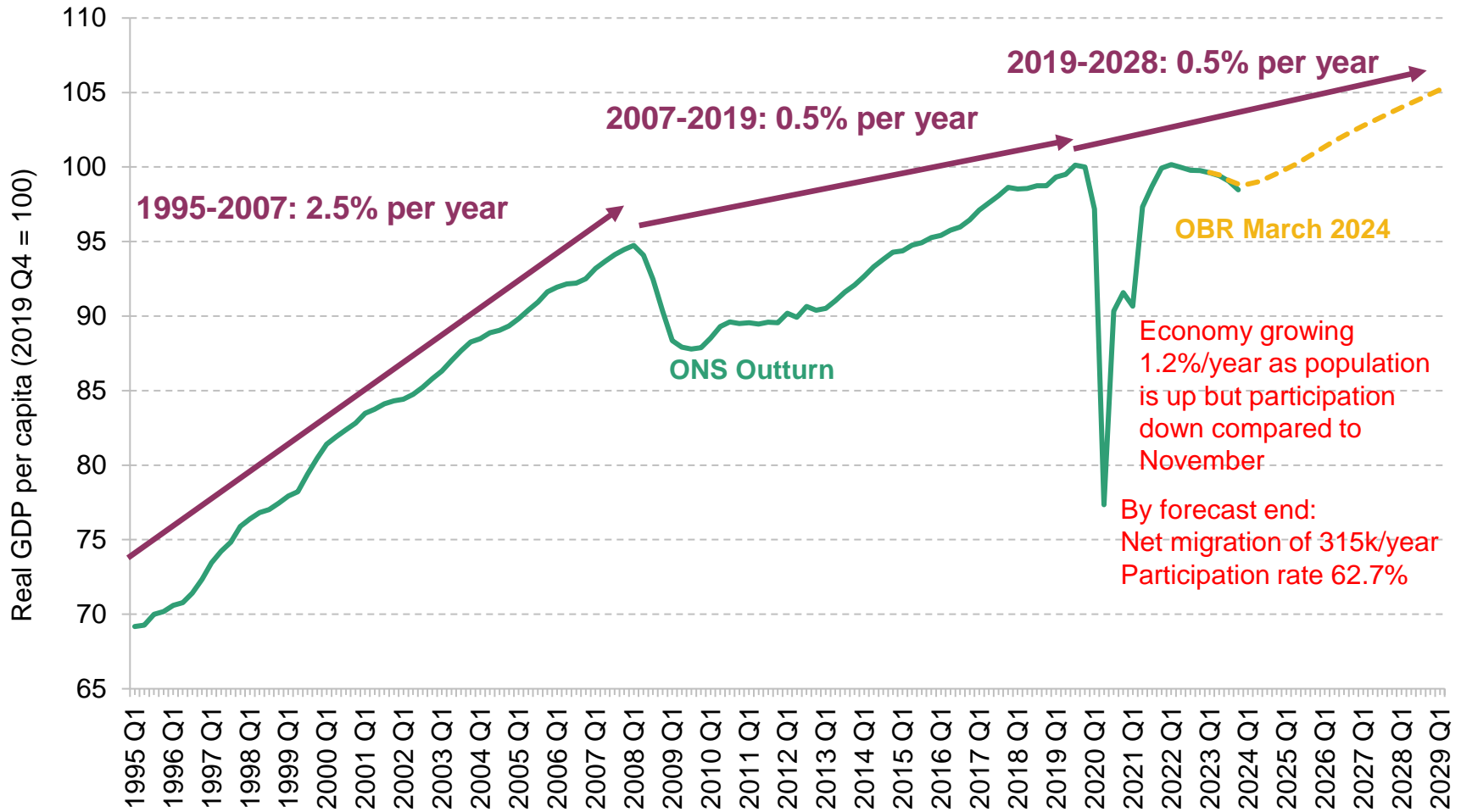
Isabel Stockton

Budget 2024: Enjoy now, pay later?



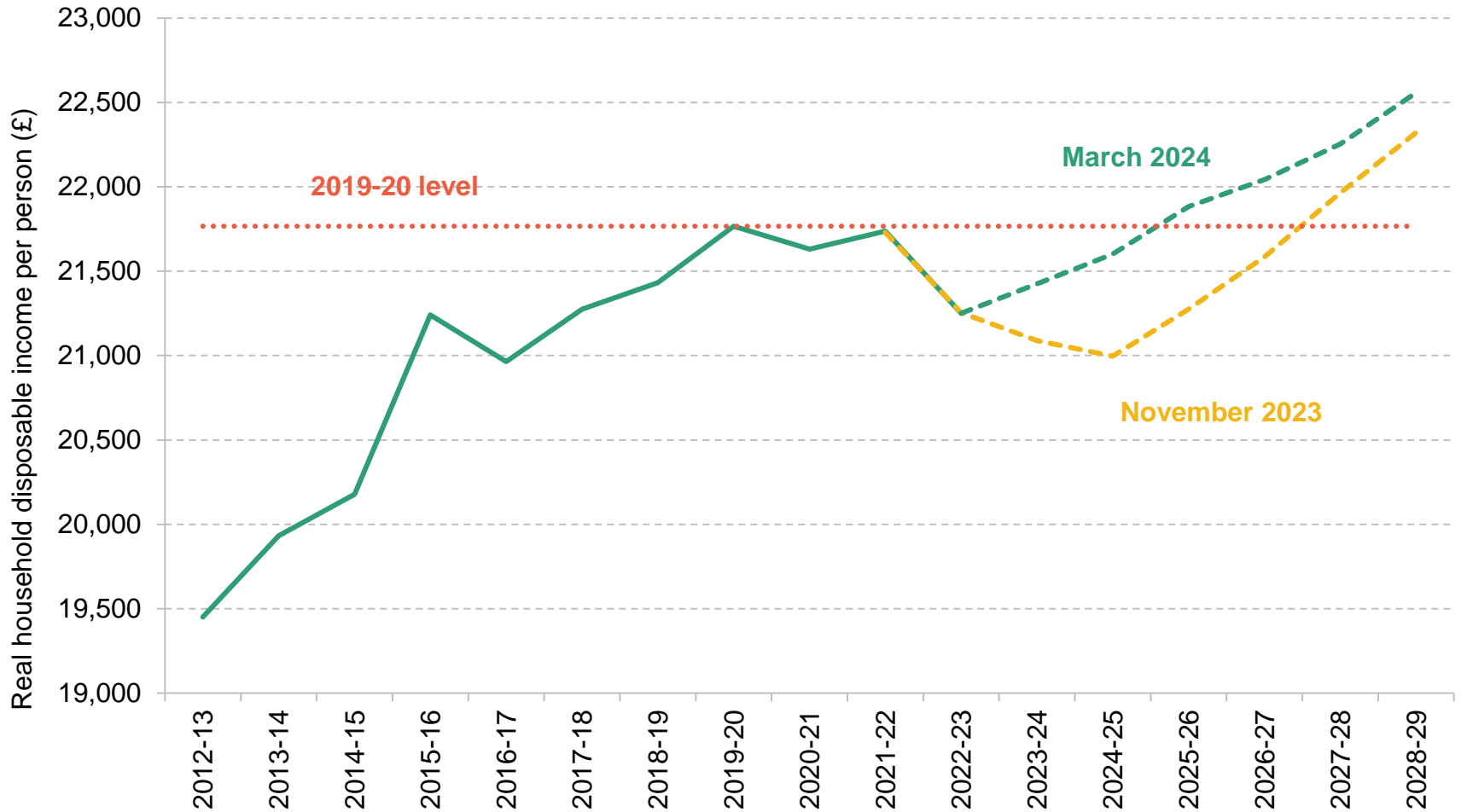
Economic
and Social
Research Council

Another terrible decade for living standards



Source: OBR Economic and Fiscal Outlook (March 2024), ONS (Series IHXW)

Disposable income not to return to pre-pandemic level before the election

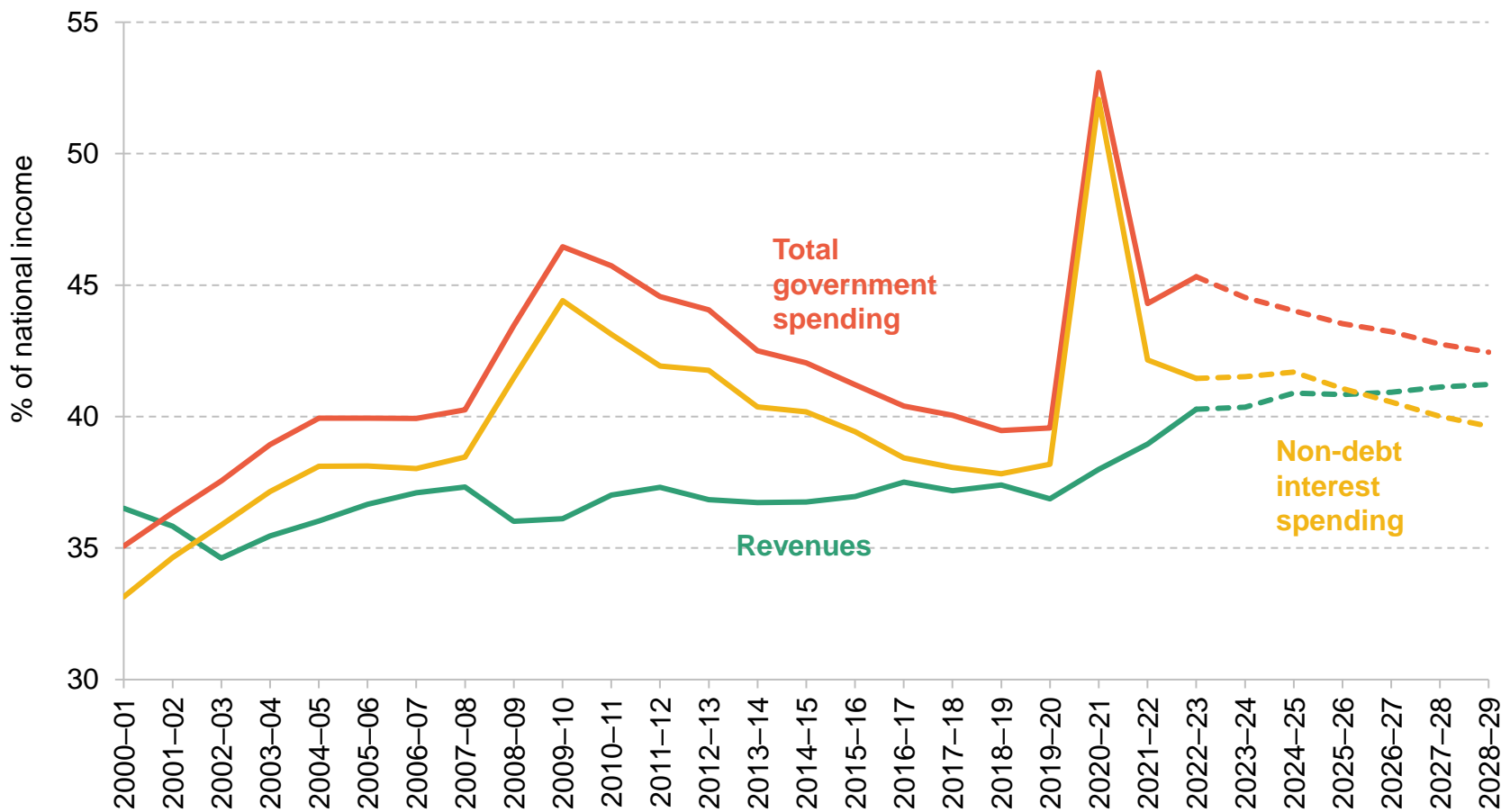


Source: OBR Economic and Fiscal Outlook (March 2024)

Budget 2024: Enjoy now, pay later?

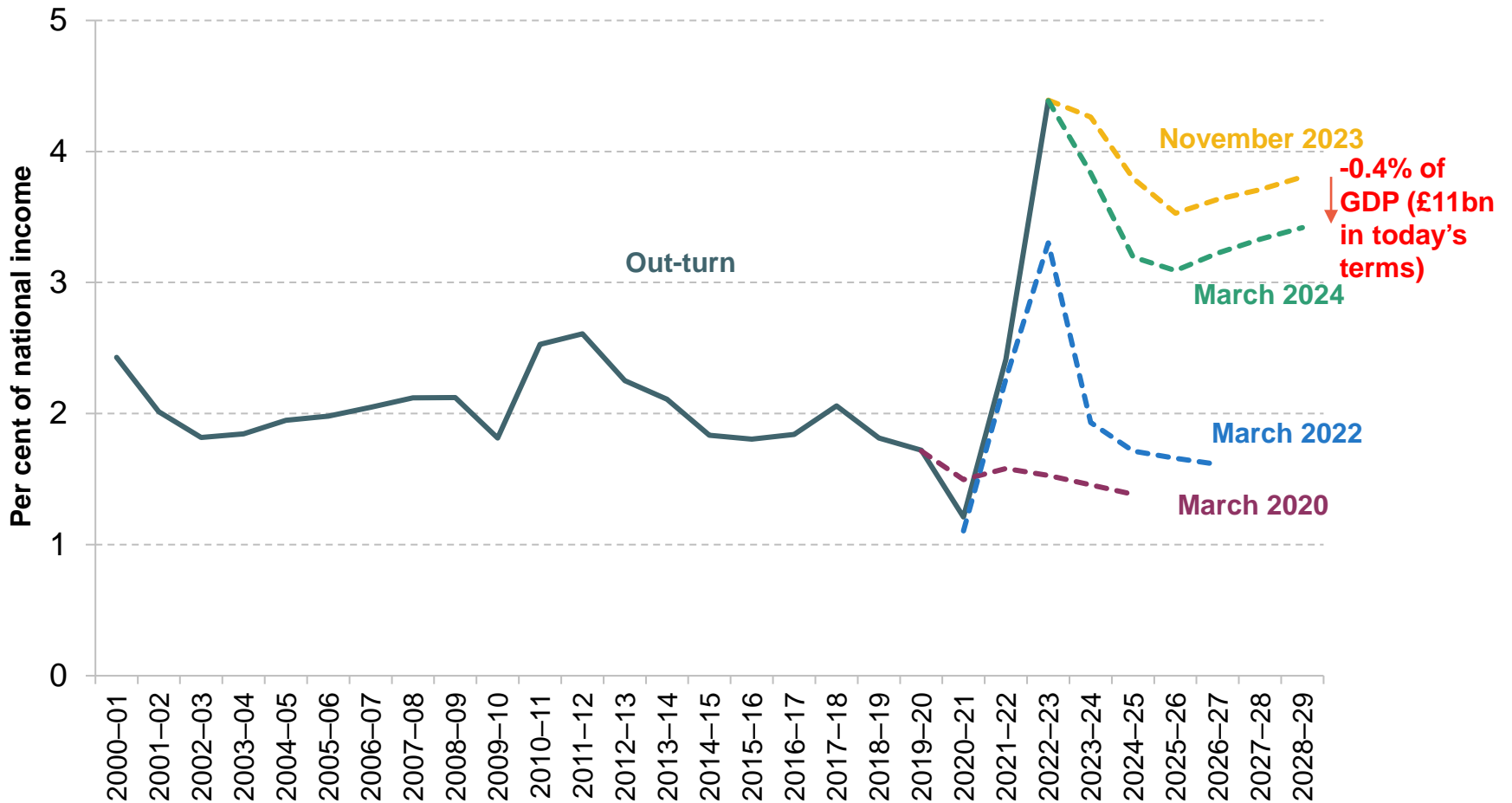
An enduringly larger state

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



Debt interest spending revised down IFS

– but still much higher than pre-2022

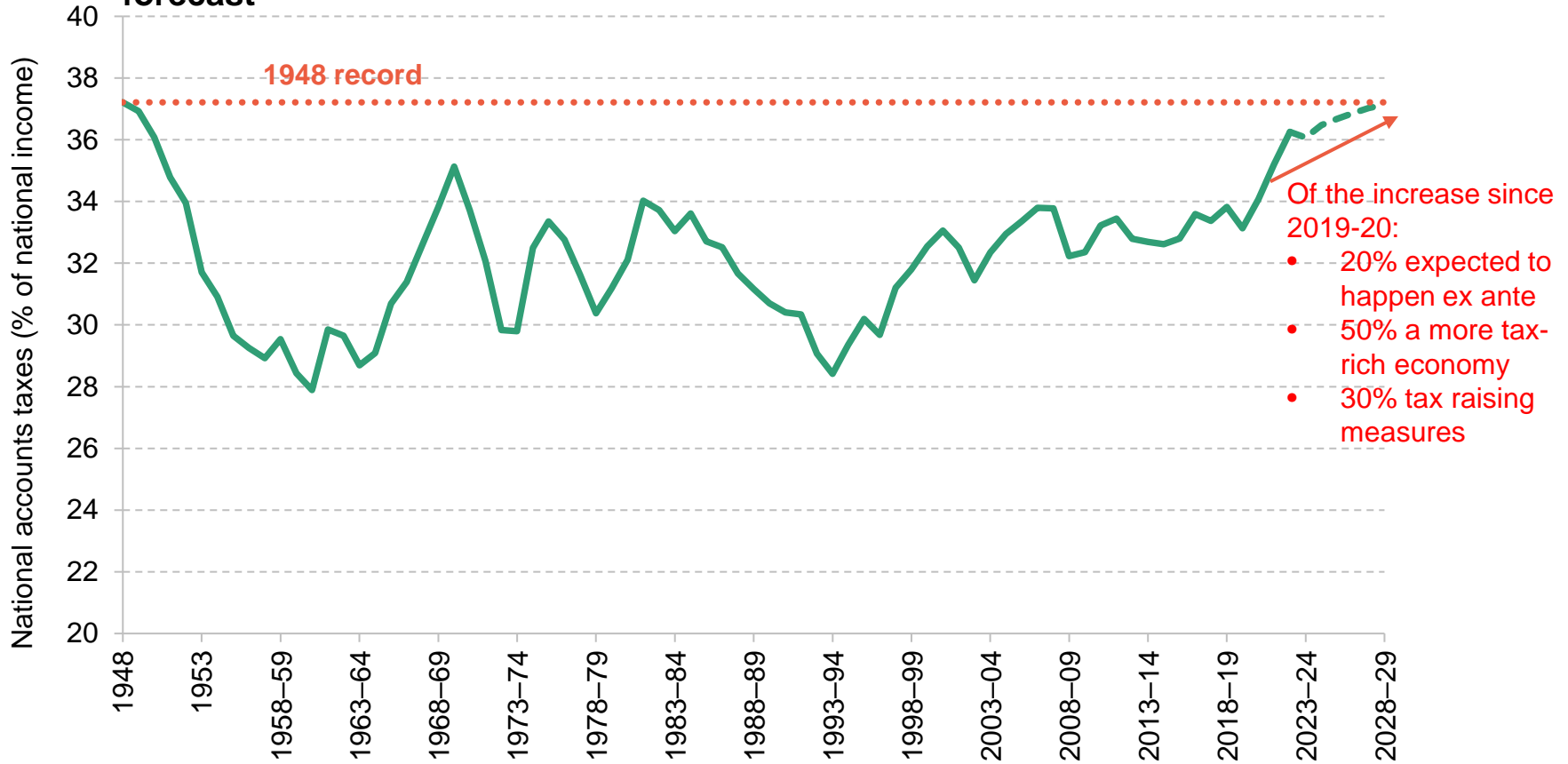


Notes: Central government debt interest net of APF shown
 Source: OBR Economic and Fiscal Outlook (successive editions)

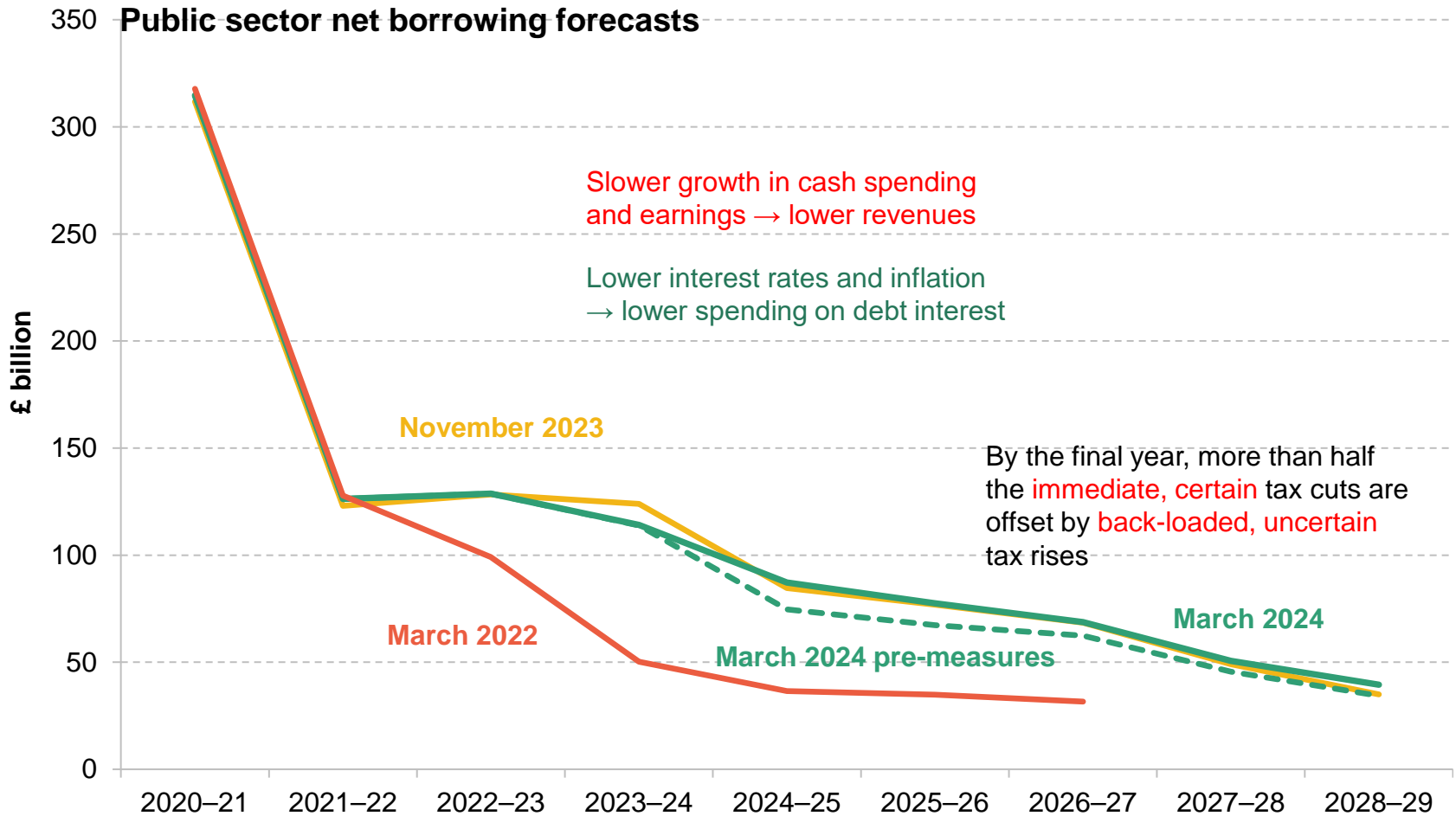
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Tax take rising to near-record level

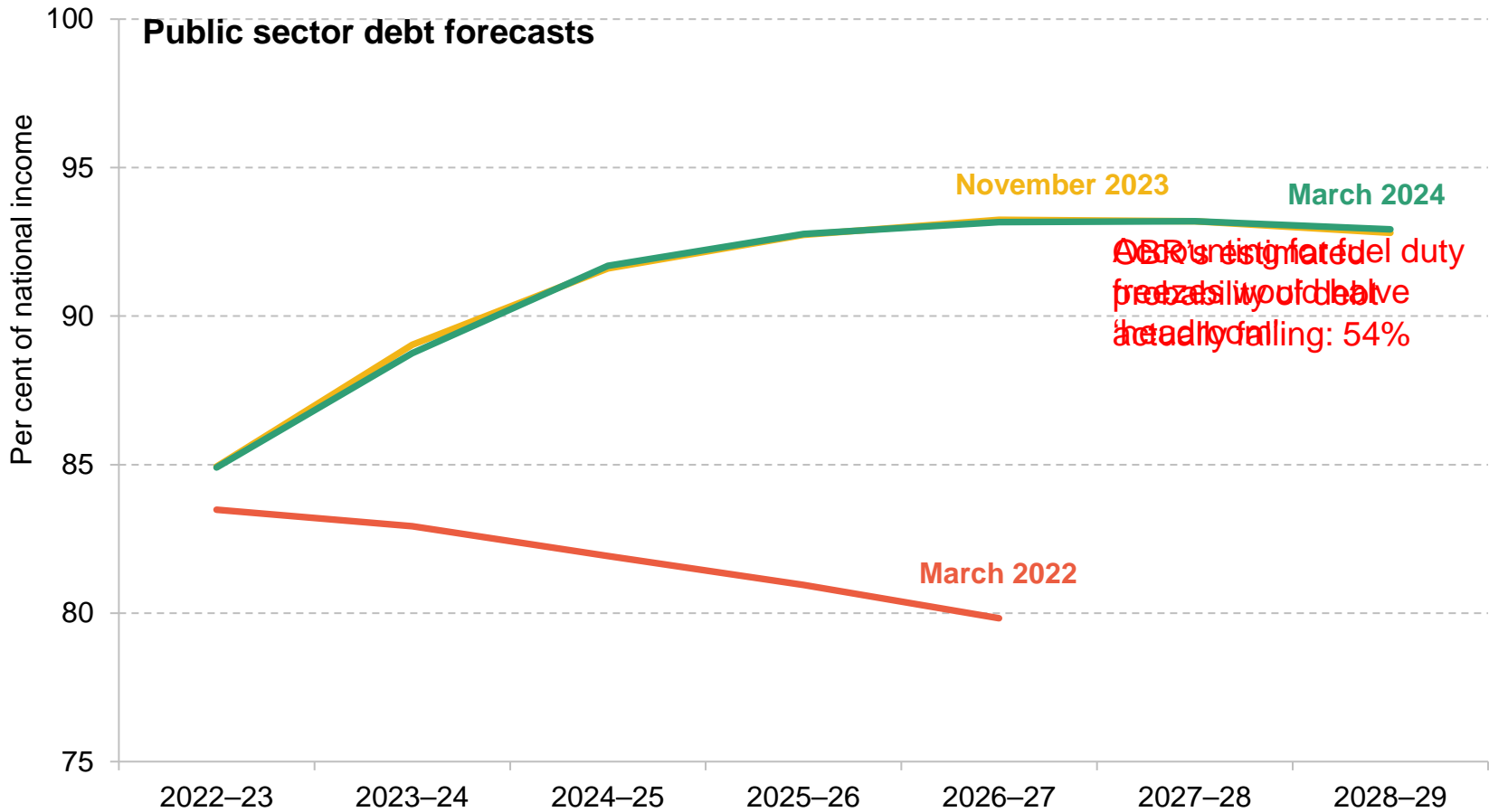
Tax revenues as a share of national income: out-turn and March 2024 forecast



Borrowing forecast all but unchanged since November

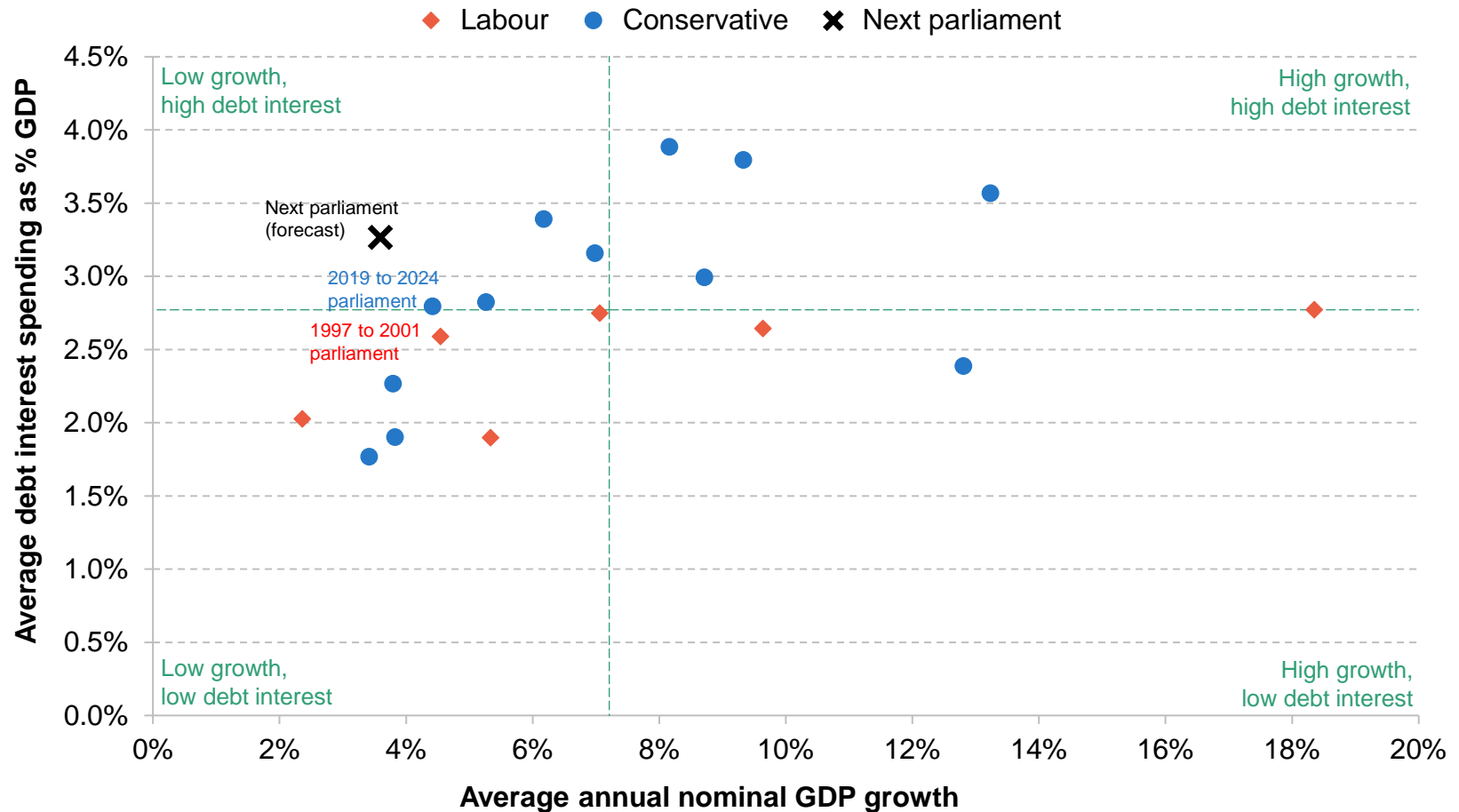


Debt forecast to be stable, rather than decisively falling



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

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