



IFS Green Budget 2018

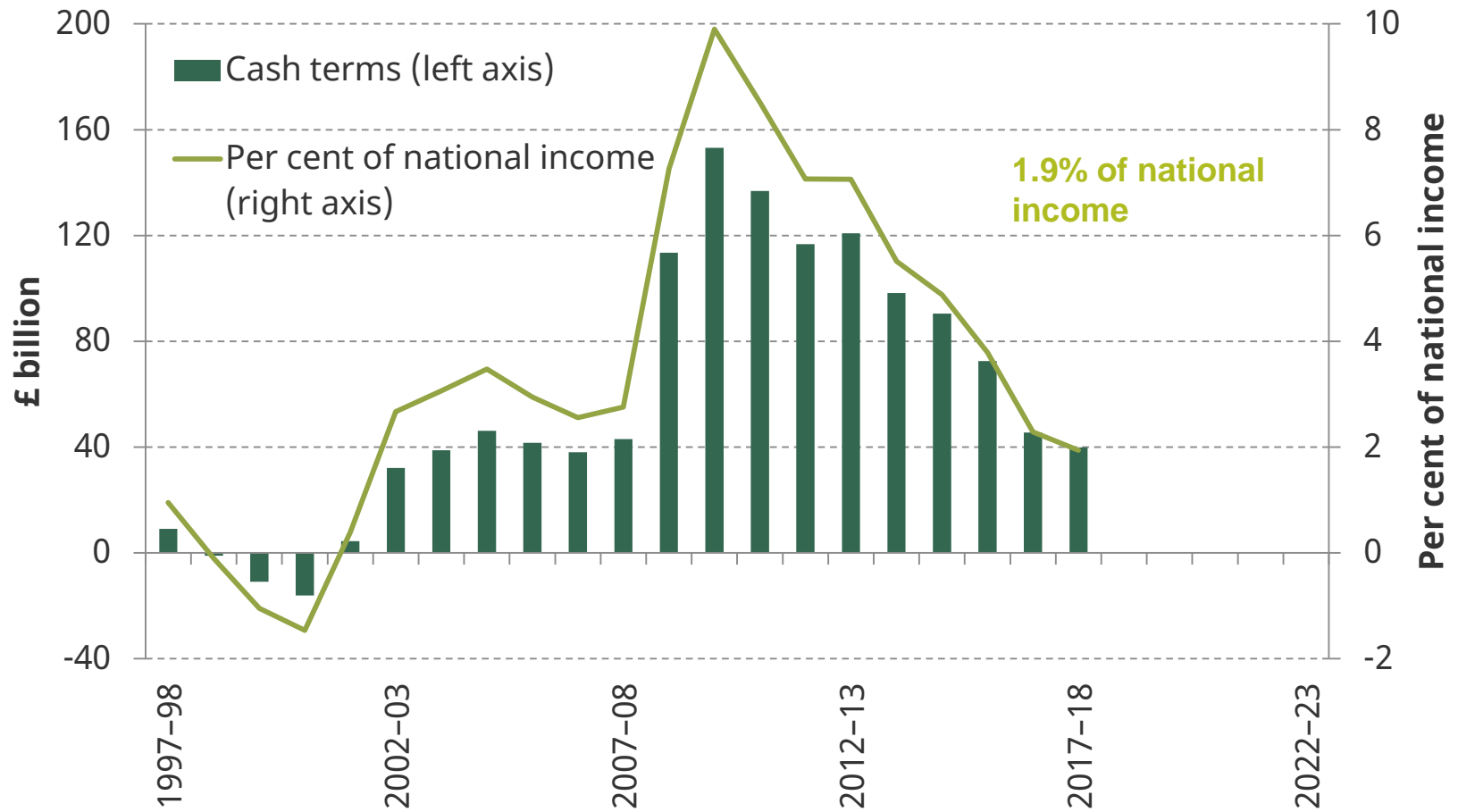
Risks to the UK Public Finances

Thomas Pope, Institute for Fiscal Studies



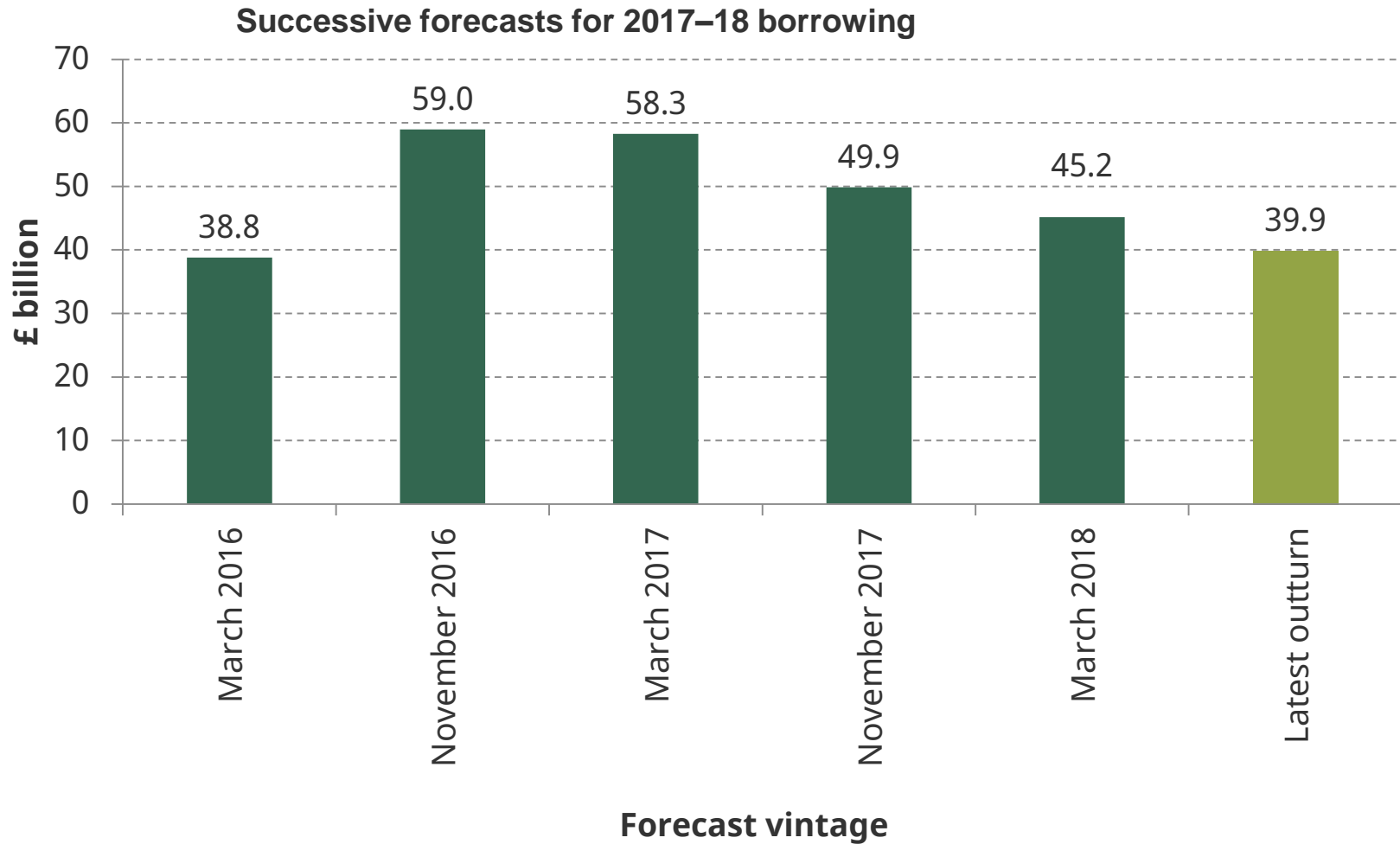
@TheIFS #IFSGreenBudget

The latest plans for borrowing



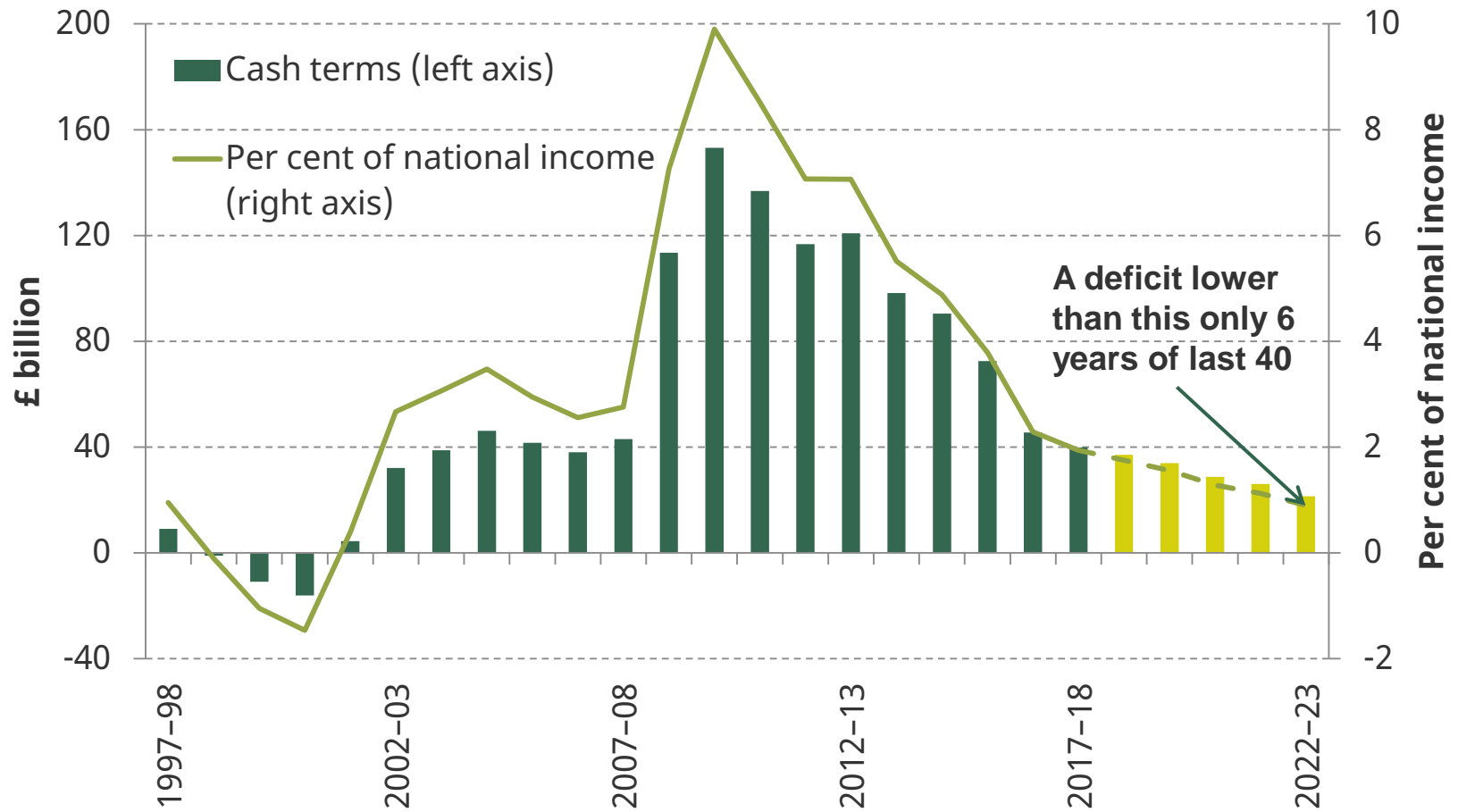
Notes and Sources: See Figure 3.1 of the IFS Green Budget

Borrowing last year lower than successive forecasts



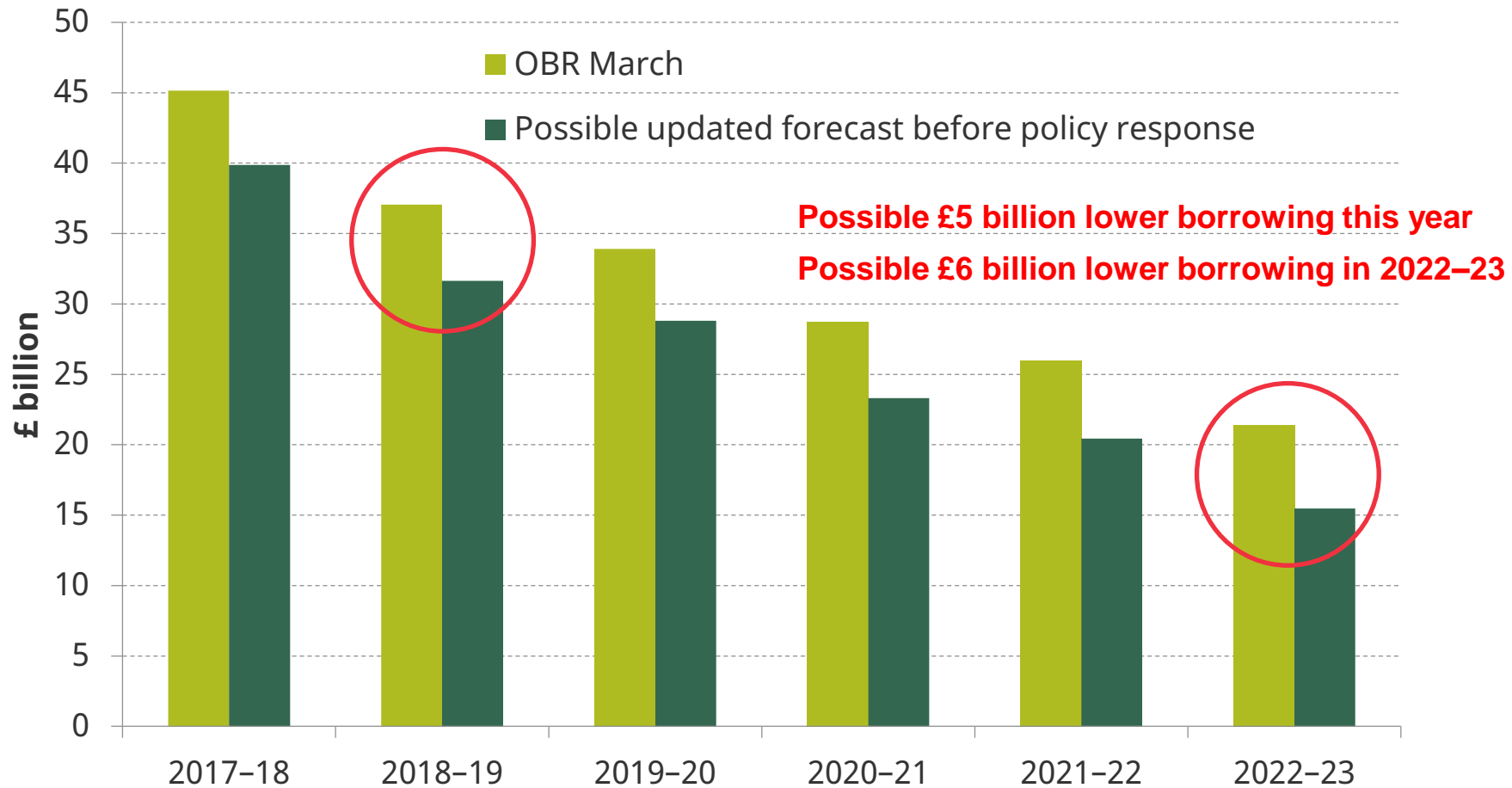
Notes and Sources: See Figure 3.2 of the IFS Green Budget

The latest plans for borrowing



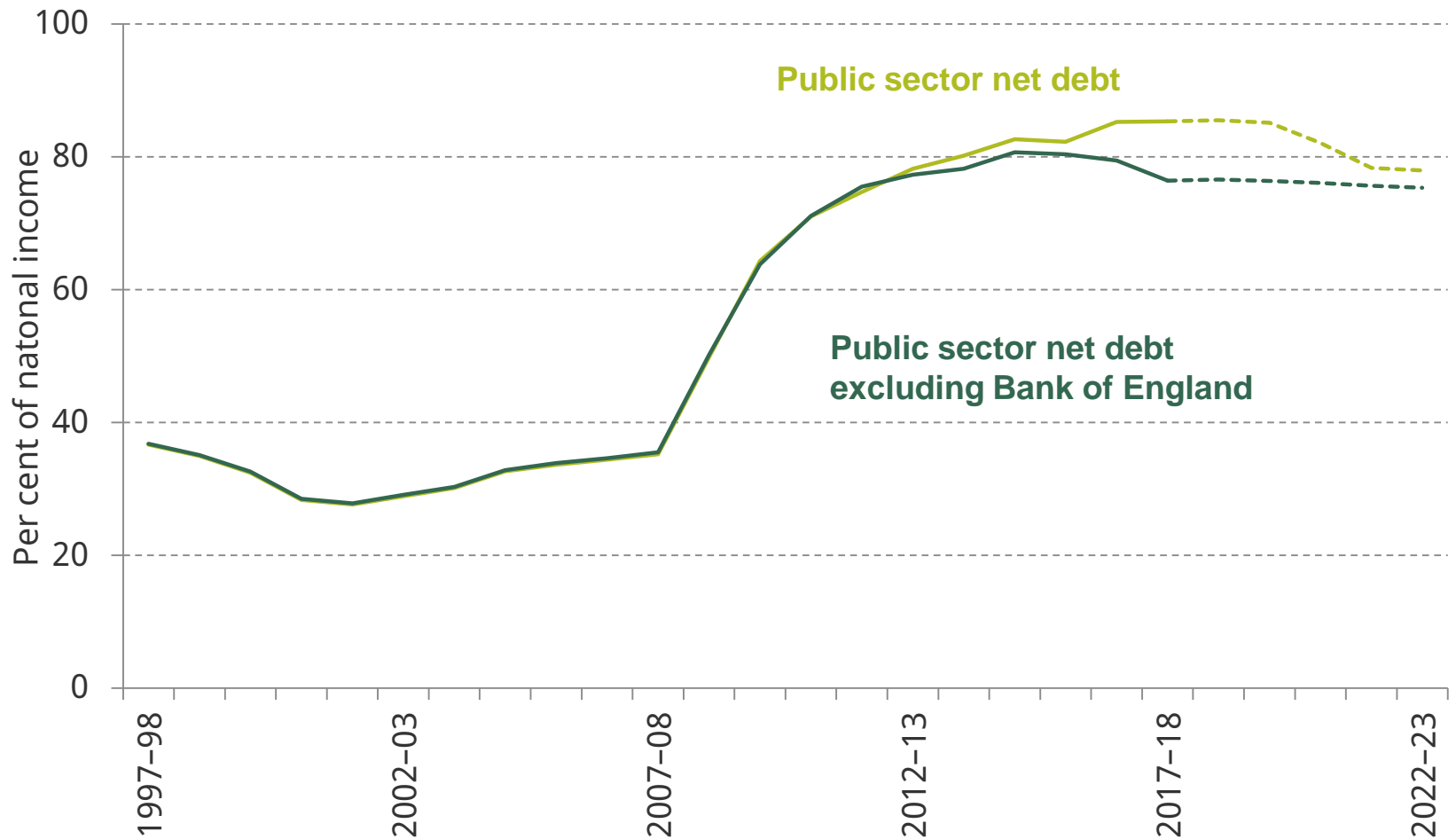
Notes and Sources: See Figure 3.1 of the IFS Green Budget

An improvement to the forecast?



Notes and Sources: See Figure 3.14 of the IFS Green Budget

Debt is high and falling slowly



Notes and Sources: See Figure 3.6 of the IFS Green Budget

Debt is high and falling slowly

Even though the deficit is low

- In 2022–23 deficit of 0.9% of national income but debt falling by only 0.3% of national income
- In 1990–91 deficit of same level but debt fell by 1.4% of national income

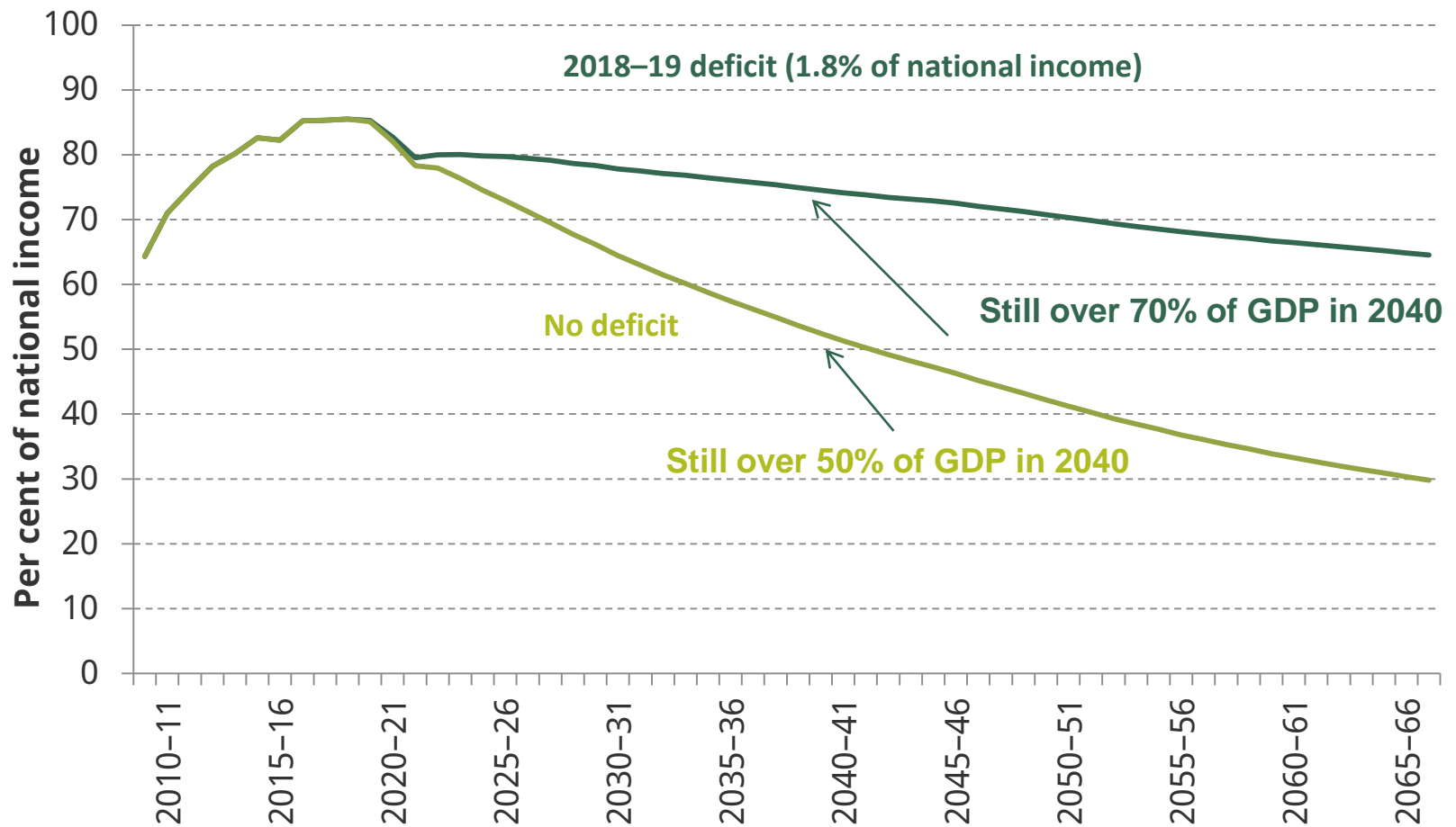
Growth is set to be sluggish

- Only 1.5% in 2022–23 – pre-crisis average was 2.7%, average of other forecasters 1.9%
- If growth in line with pre-crisis average, debt would be 4% of national income lower in 2022–23

Student loan accounting flatters the headline deficit measure

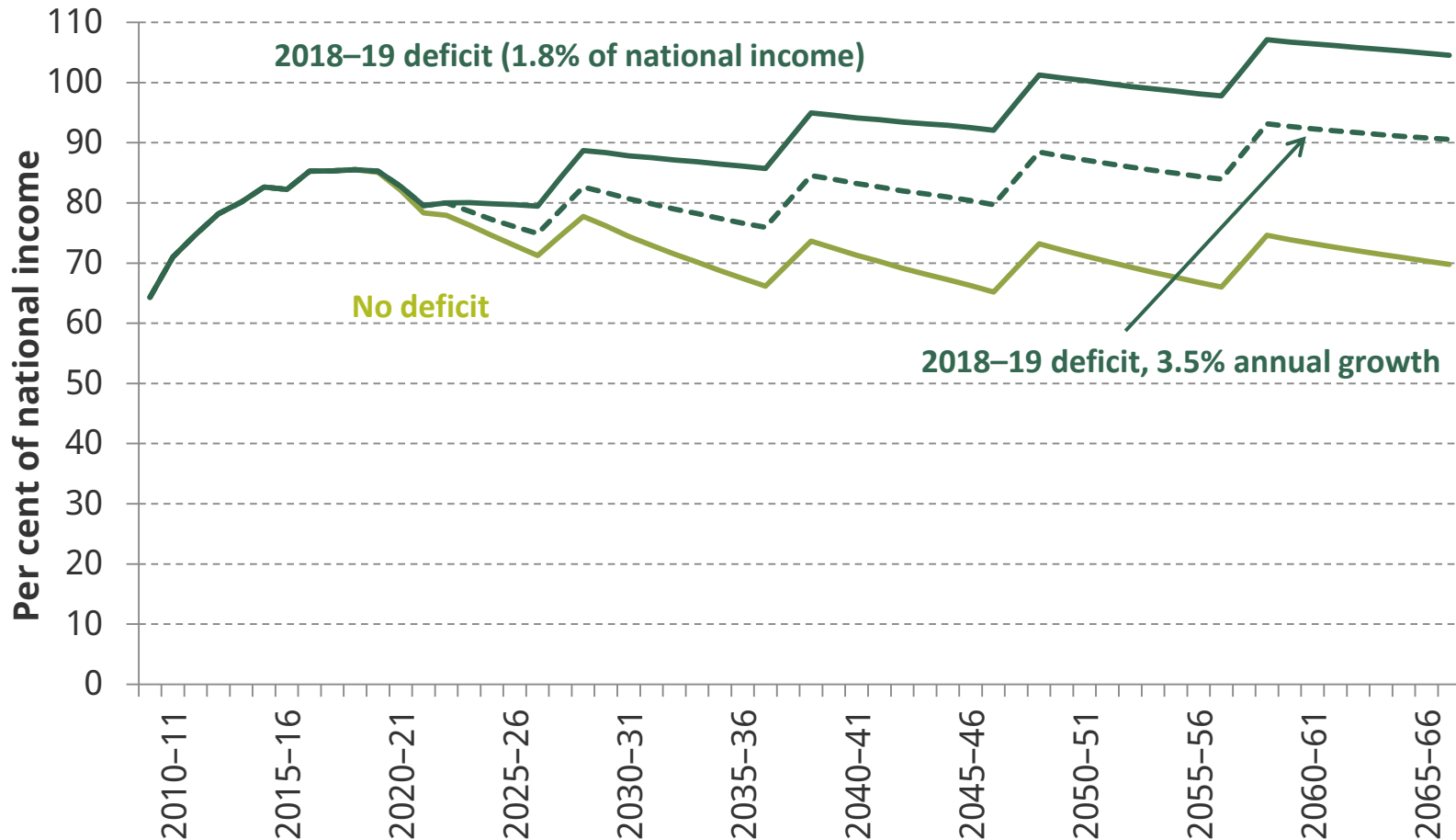
- In 2022–23, accounting flatters borrowing by around £15 billion

Debt falls much faster with no deficit



Notes and Sources: See Figure 3.8 of the IFS Green Budget

Running current deficit levels in 'good times' may not be sustainable in the longer term



Notes and Sources: See Figure 3.9 of the IFS Green Budget

Summary

Contrary to recent forecasts, deficit is back to its pre-crisis level

But there is more consolidation to come

A small downwards revision to borrowing of around £6 billion is likely in the Budget

- Modest relative to the amount of uncertainty in the economy

Debt is still much higher than pre-crisis levels

- Set to fall only slowly

Given likely impact of future recessions, good reasons to target a deficit below current level in 'good times' at some point