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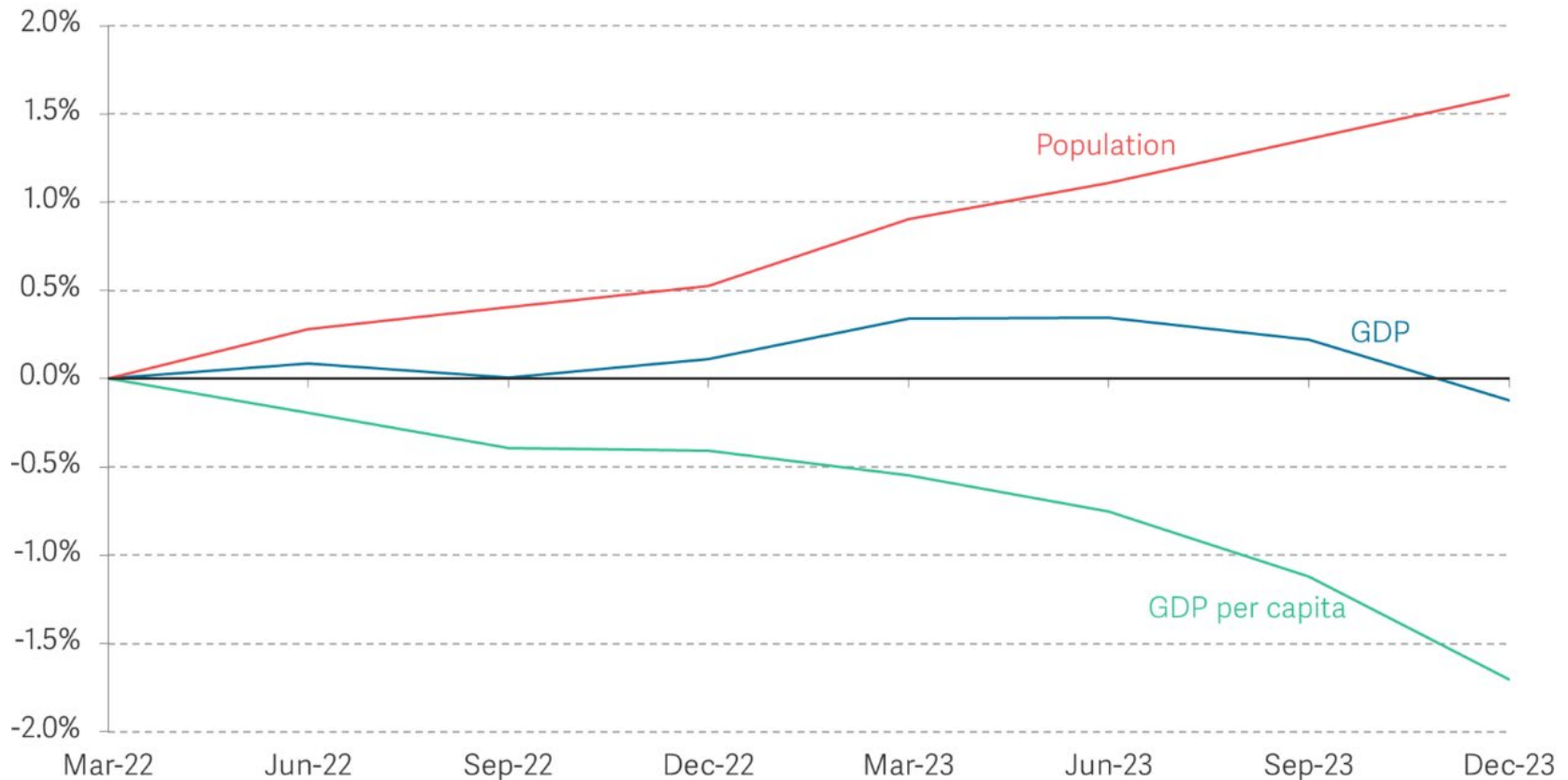
@TheIFS

# The context for the March 2024 Budget

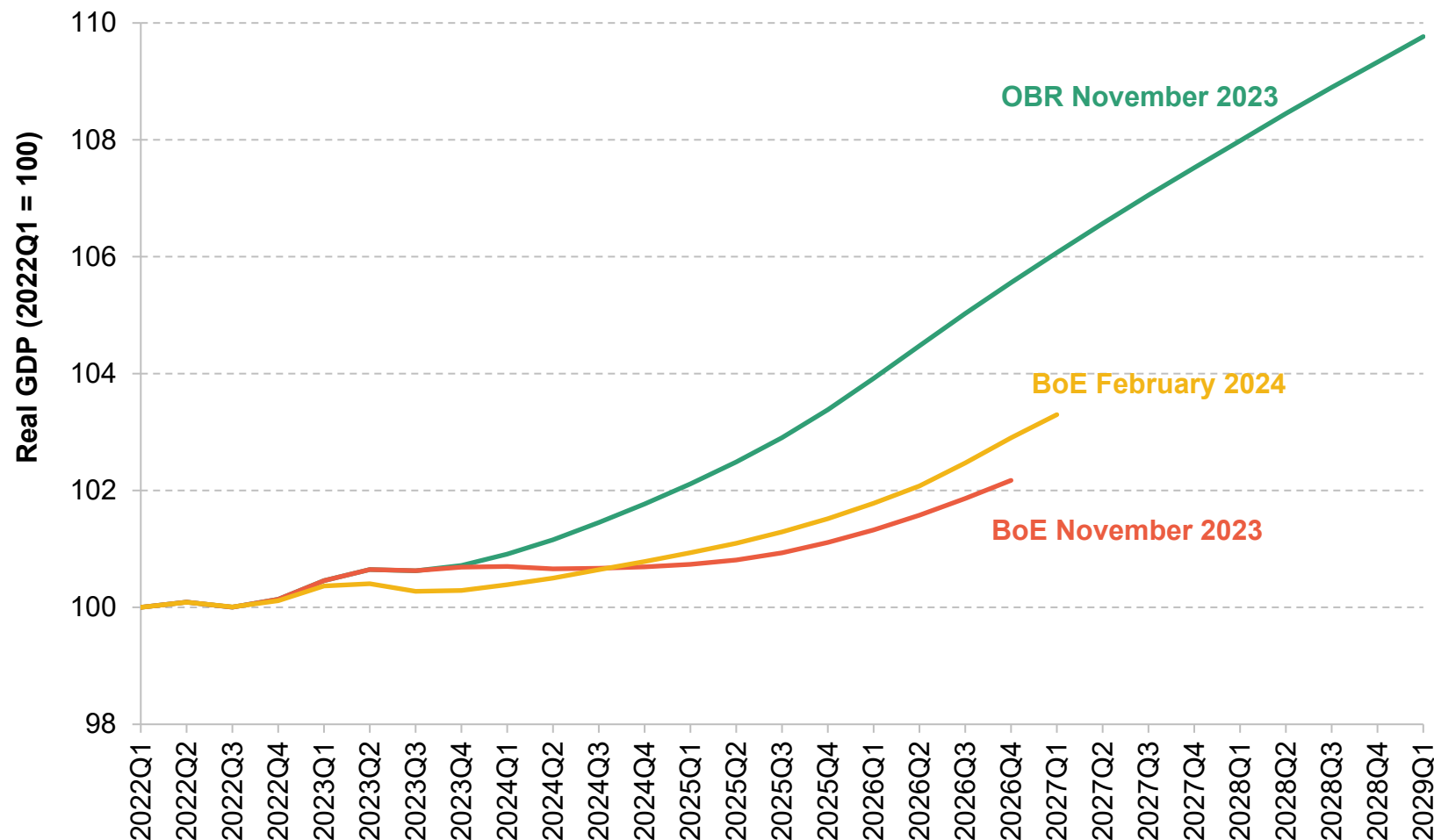


Economic  
and Social  
Research Council

# Not just a “technical recession” in GDP per capita

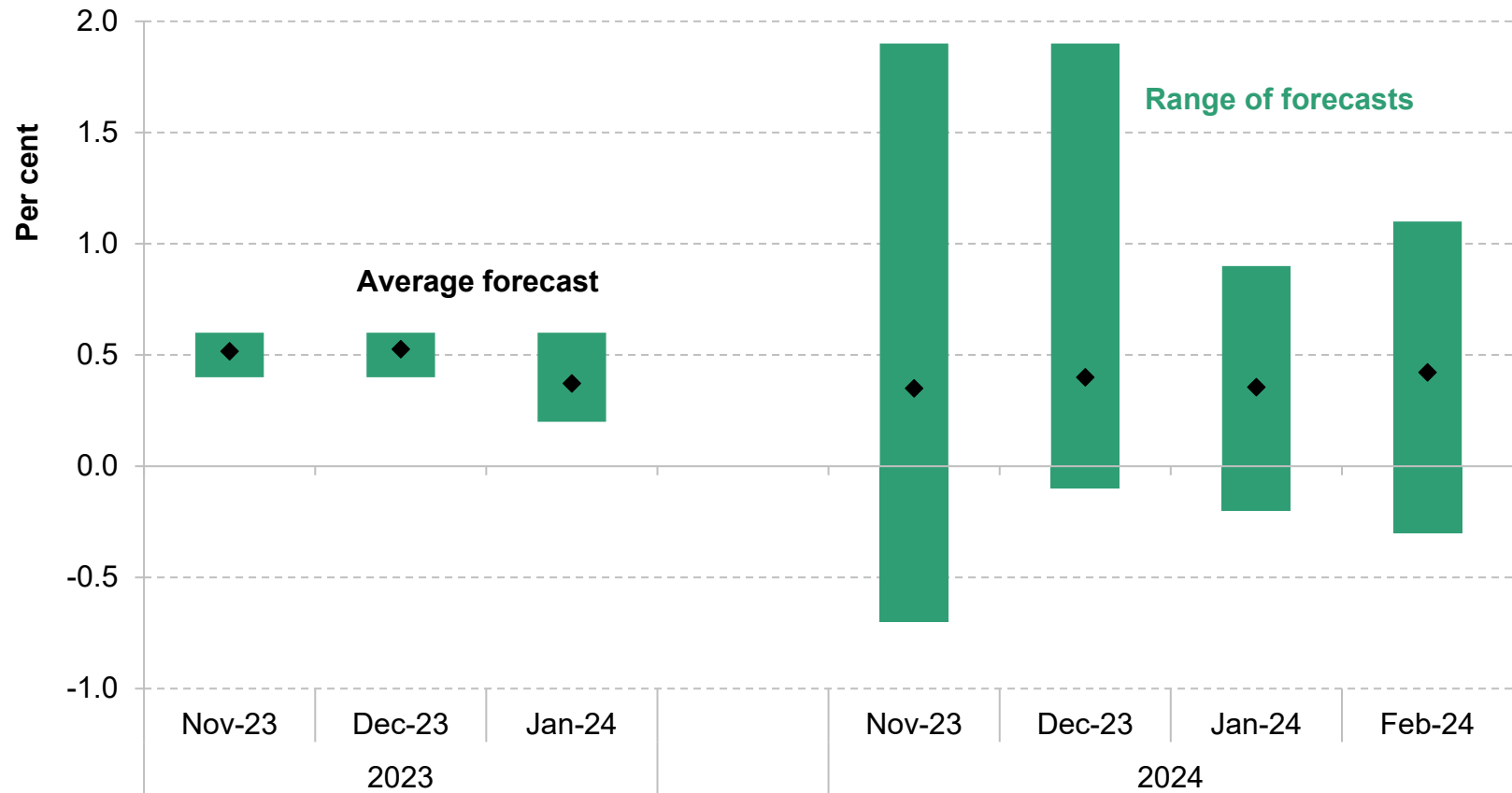


# BoE remain less optimistic about growth prospects than the OBR



Notes and sources: See Figure 7 of Emmerson, Mikloš and Stockton (2024).

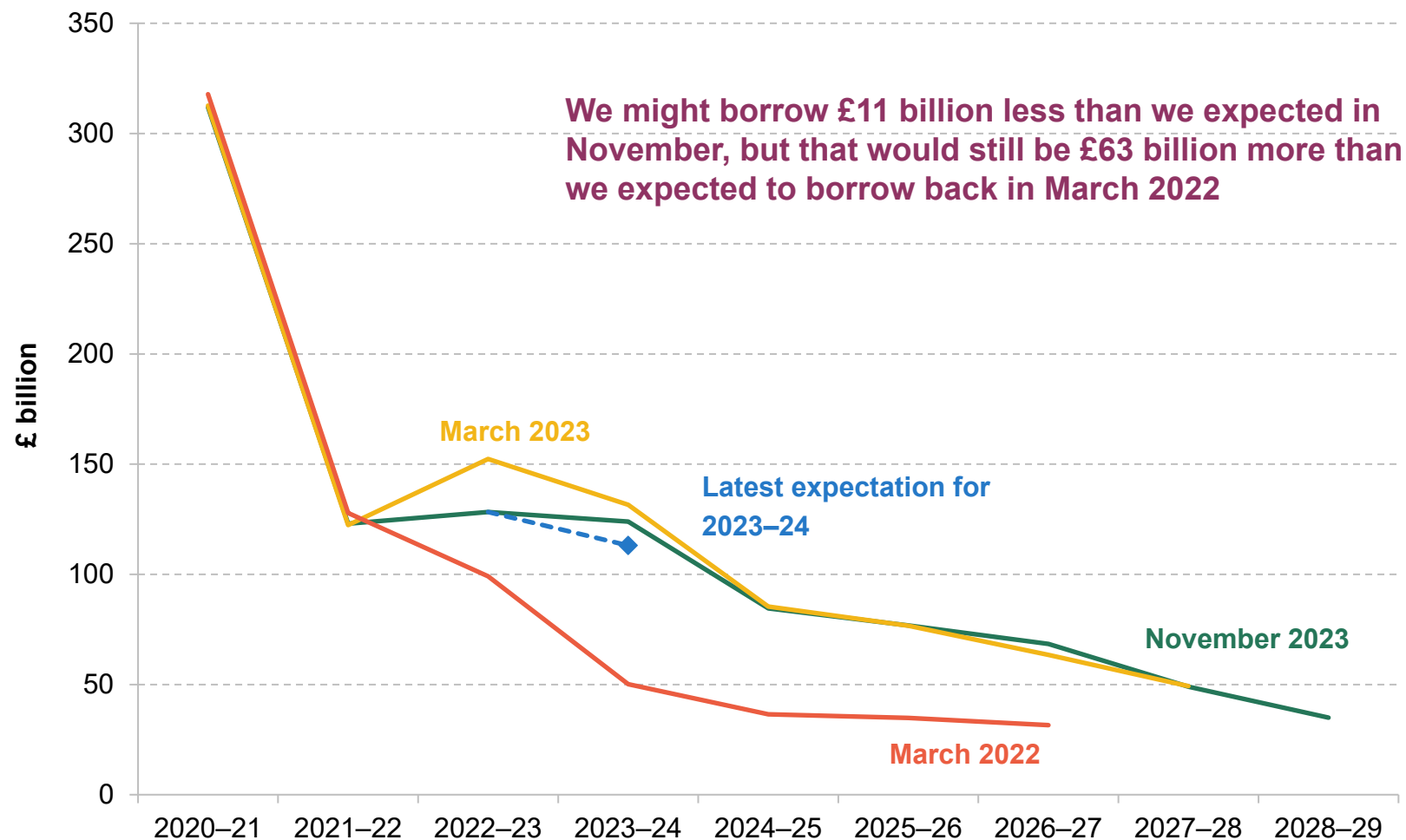
# Little change in independent forecasts



**Growth in a calendar year - by month of forecast**

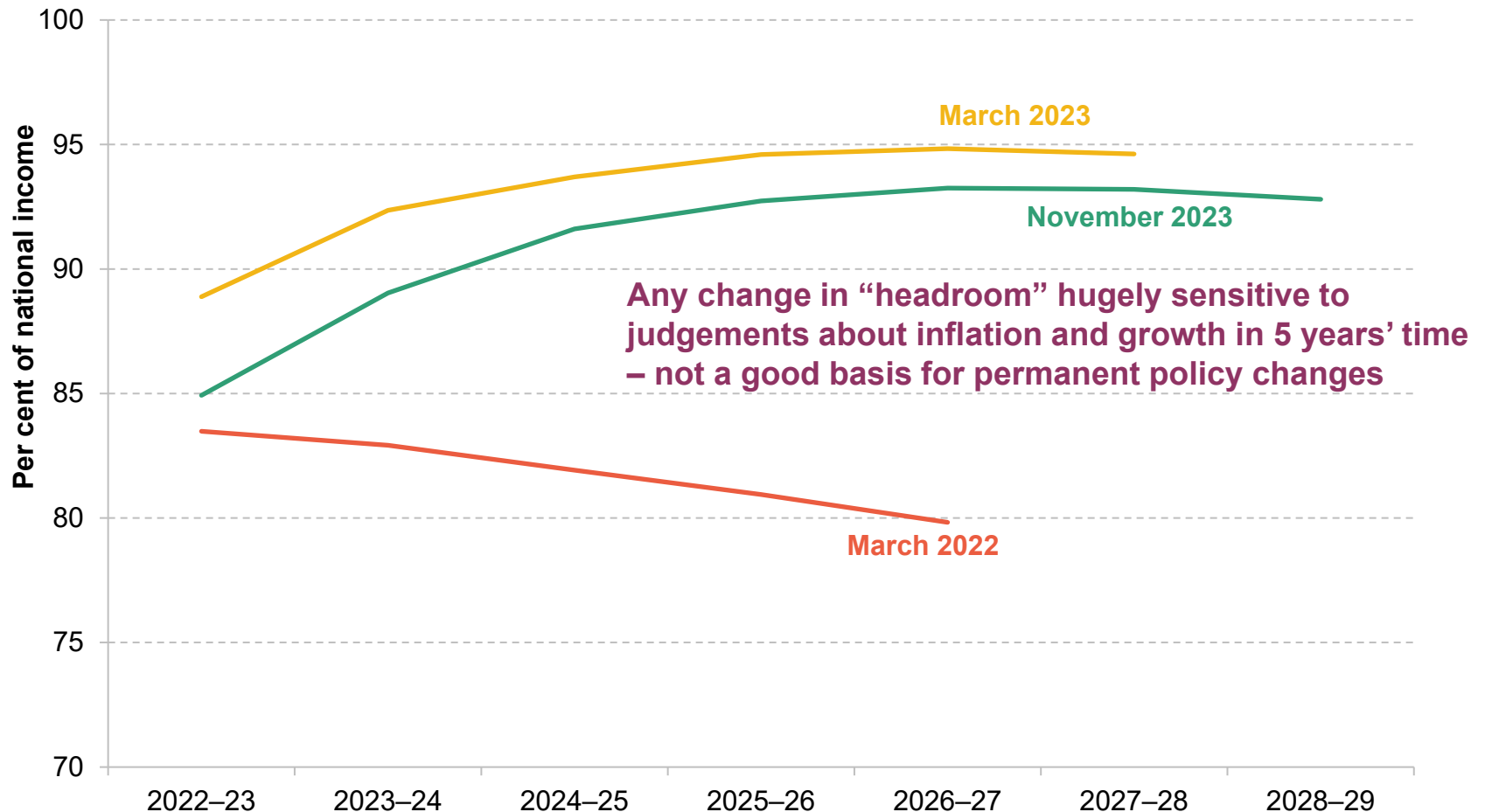
Notes and sources: See Figure 8 of Emmerson, Mikloš and Stockton (2024).

# Borrowing to come in below the November forecast



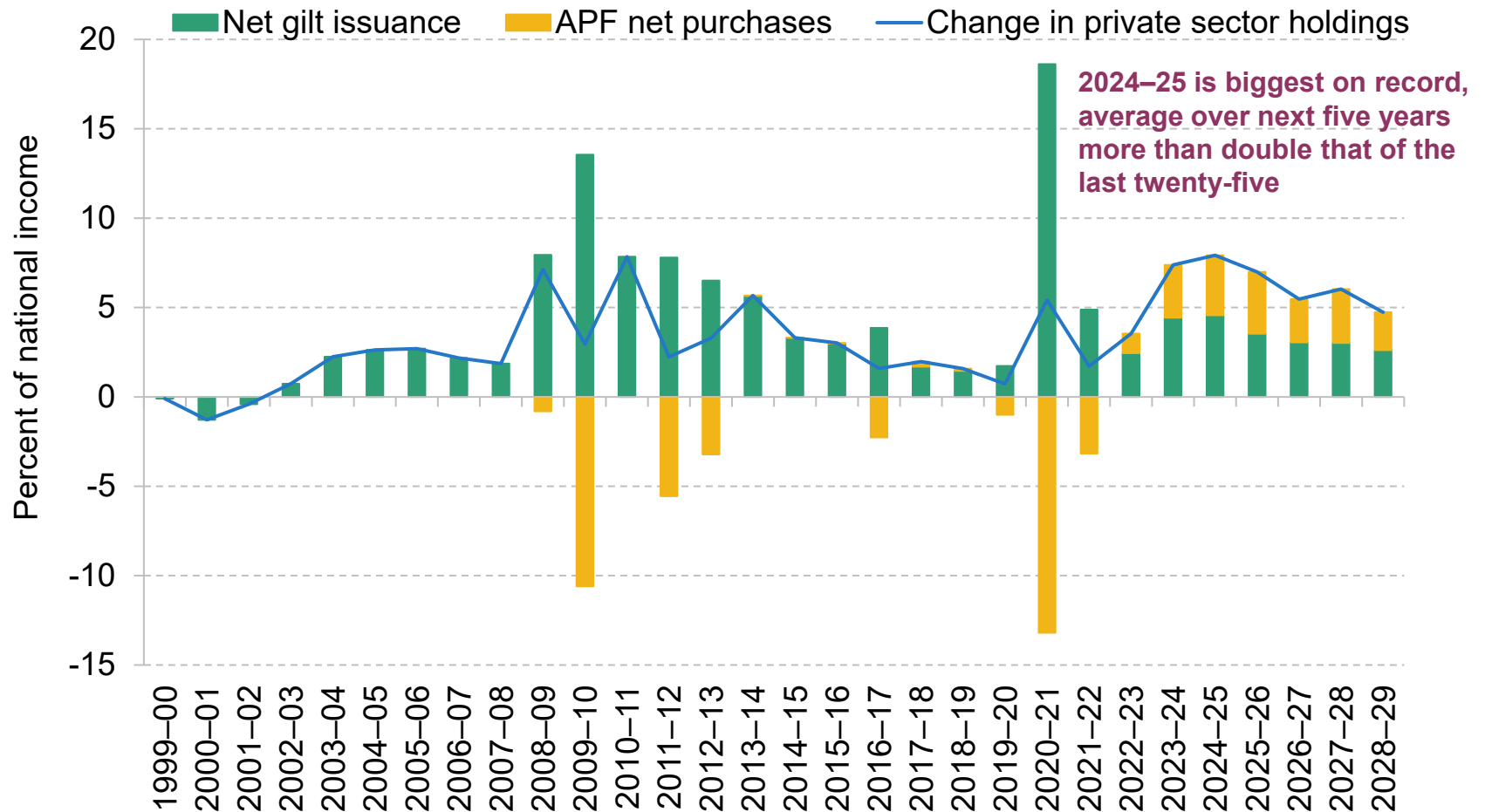
Notes and sources: See Figure 1 of Emmerson, Mikloš and Stockton (2024).

# Public sector net debt to stabilise (just)



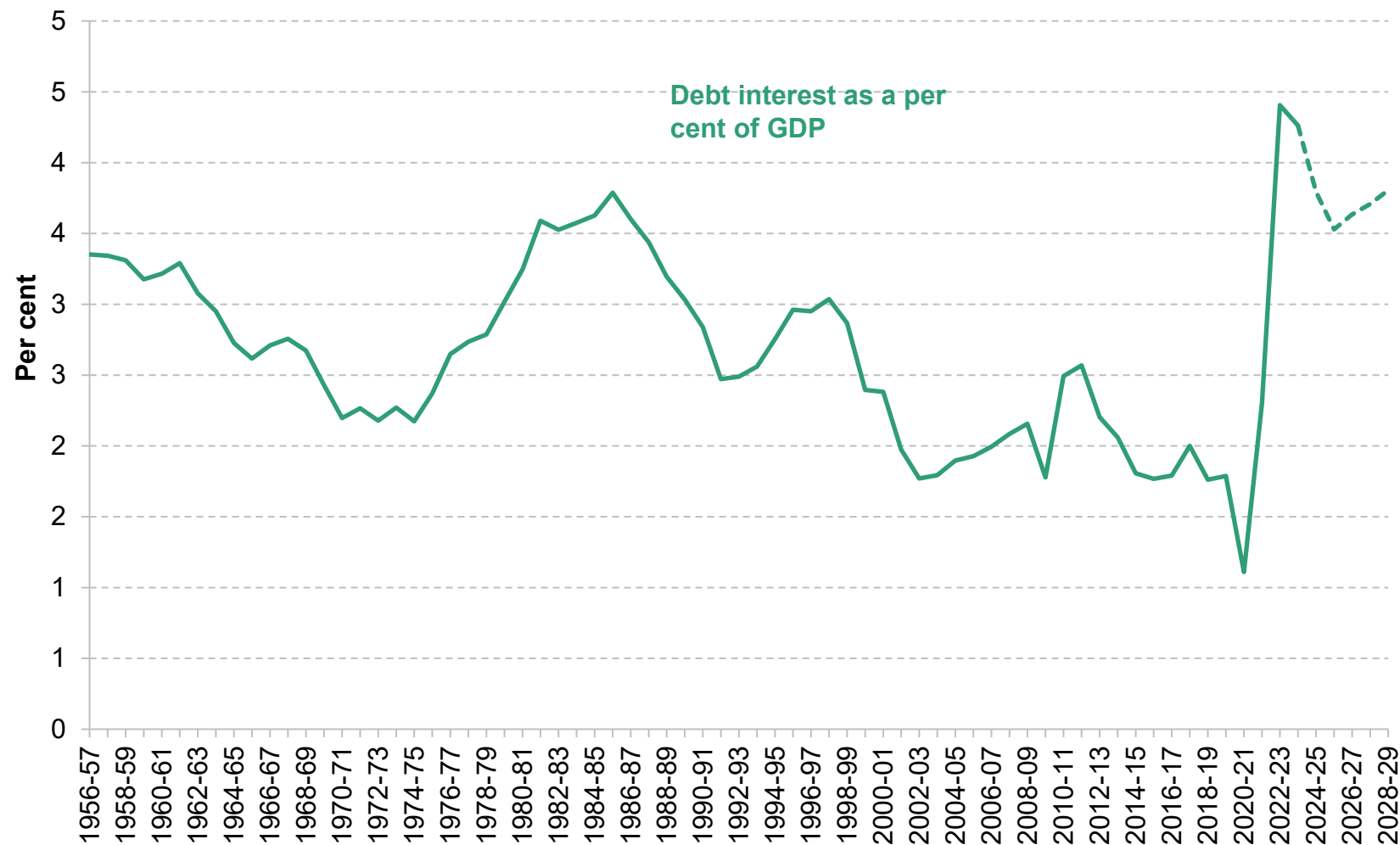
Notes and sources: See Figure 13 of Emmerson, Mikloš and Stockton (2024).

# QT means private sector now swallowing lots of gilts



Notes and sources: See Figure 12 of Emmerson, Mikloš and Stockton (2024).

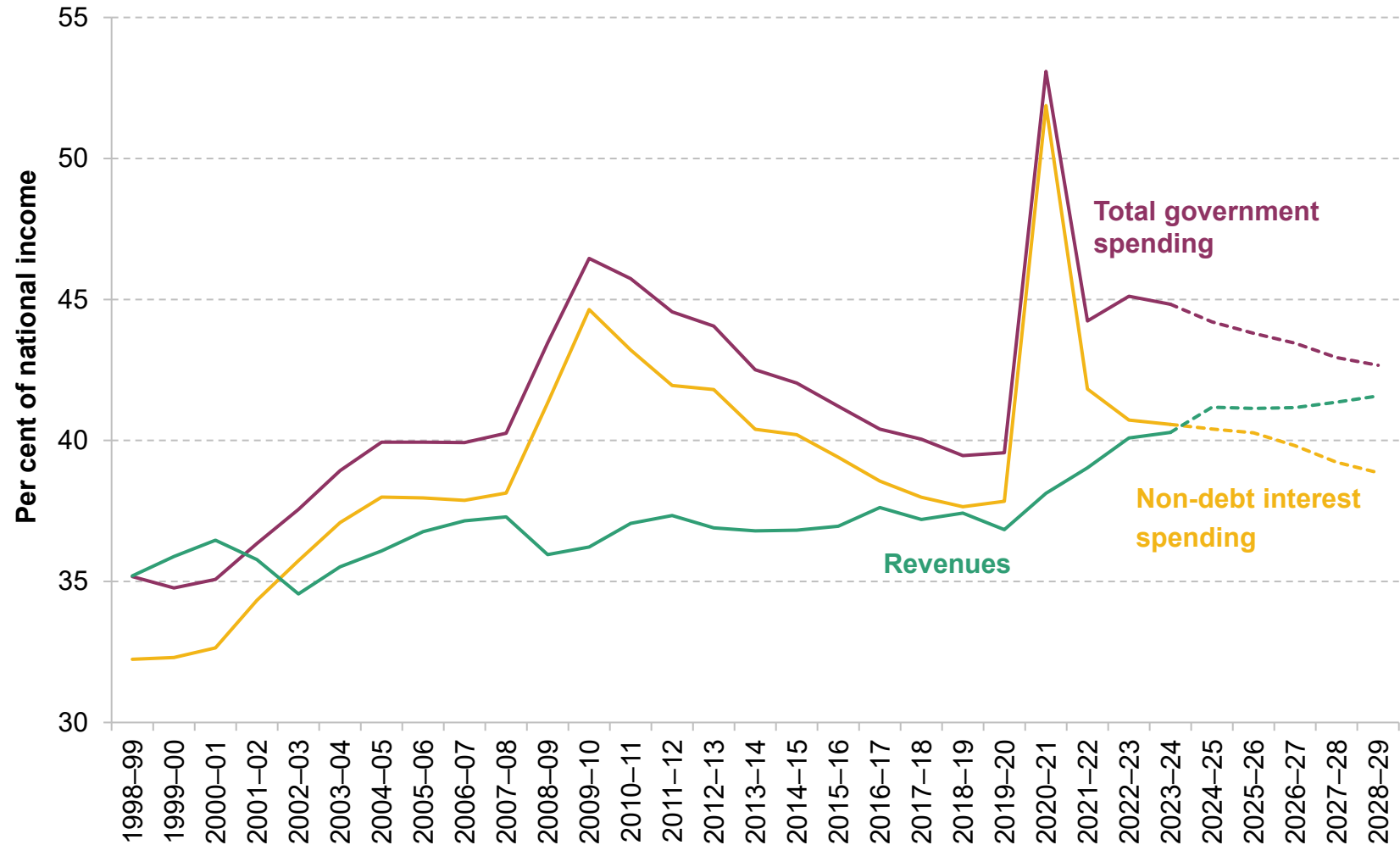
# Debt interest spending



Source: OBR, Economic and Fiscal Outlook, November 2023

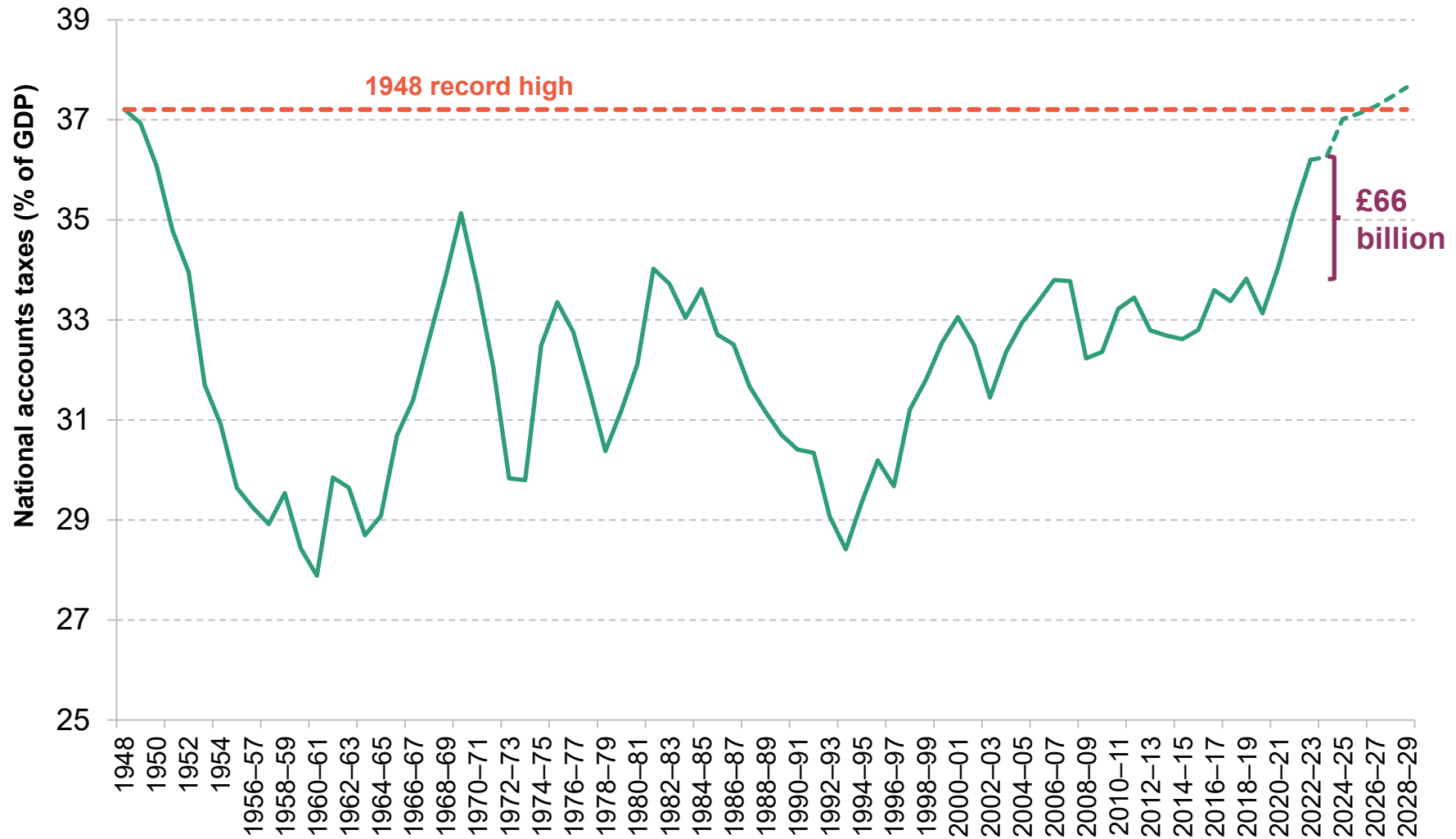


# Tax and spend as a share of national income



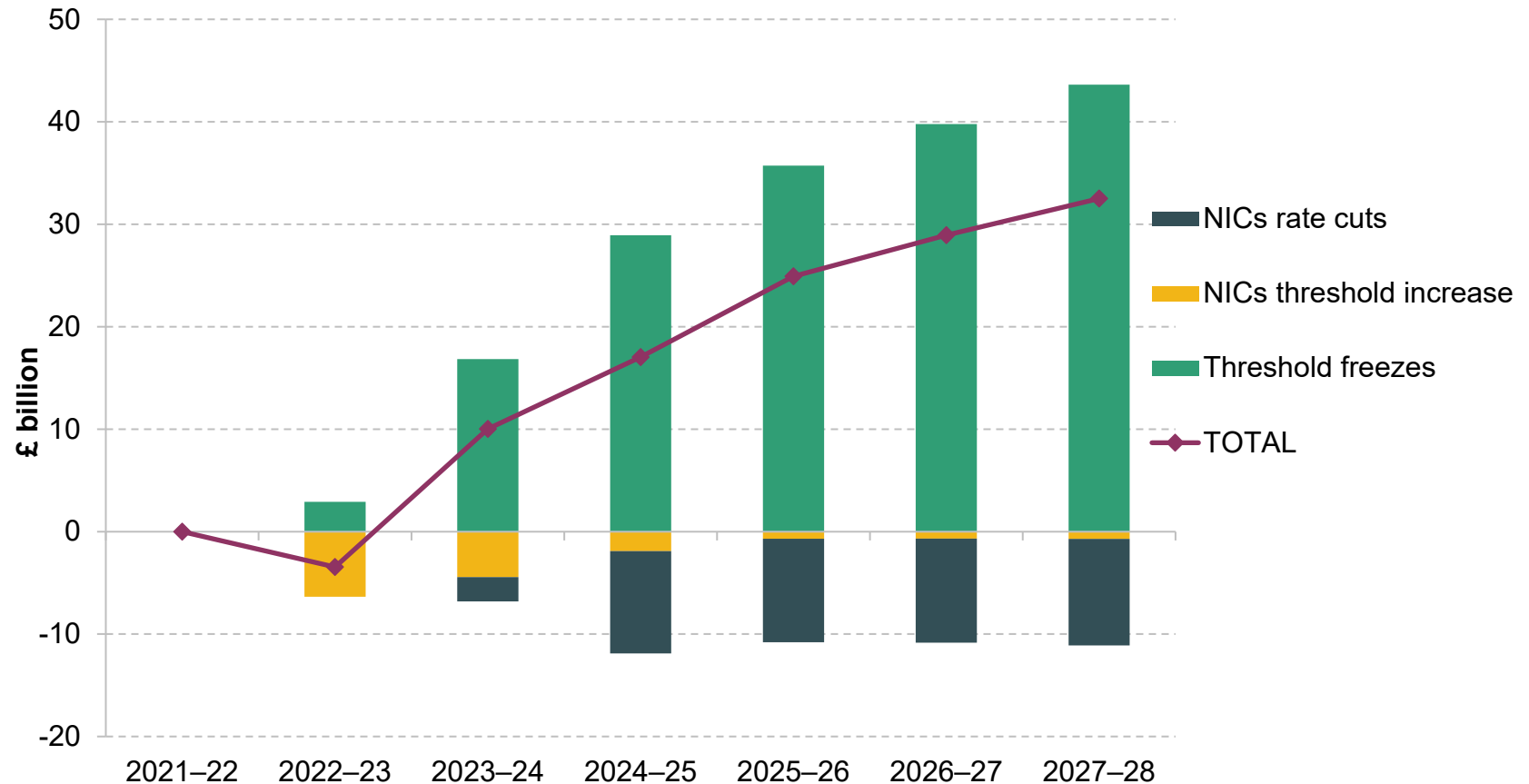
Source: Author's calculations using OBR Public Finances Databank, <https://obr.uk/data/>

# Taxes rising towards record levels



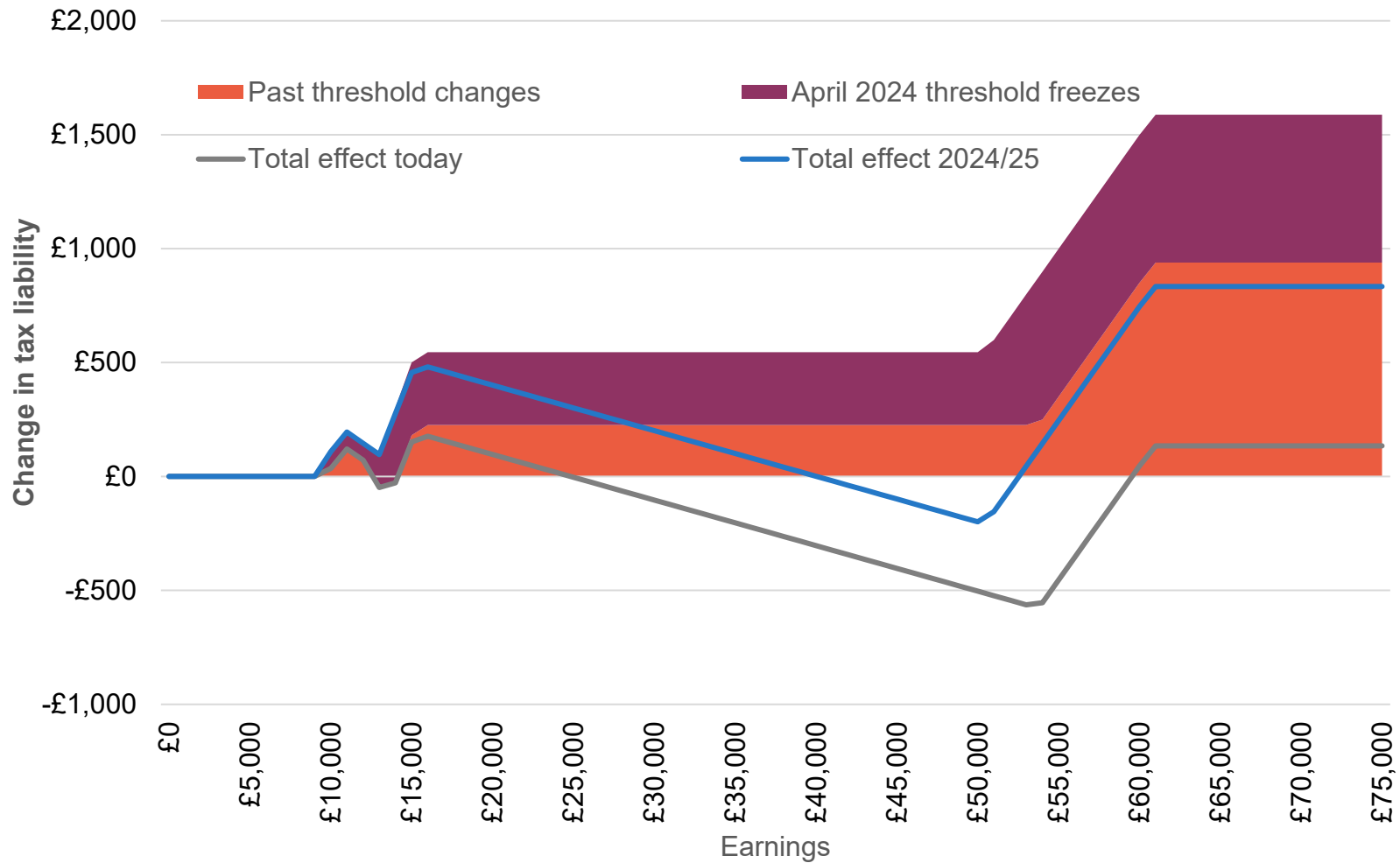
Notes and sources: See Figure 4 of Emmerson, Mikloš and Stockton (2024).

# 6 year threshold freeze much bigger than the NICs rate cut



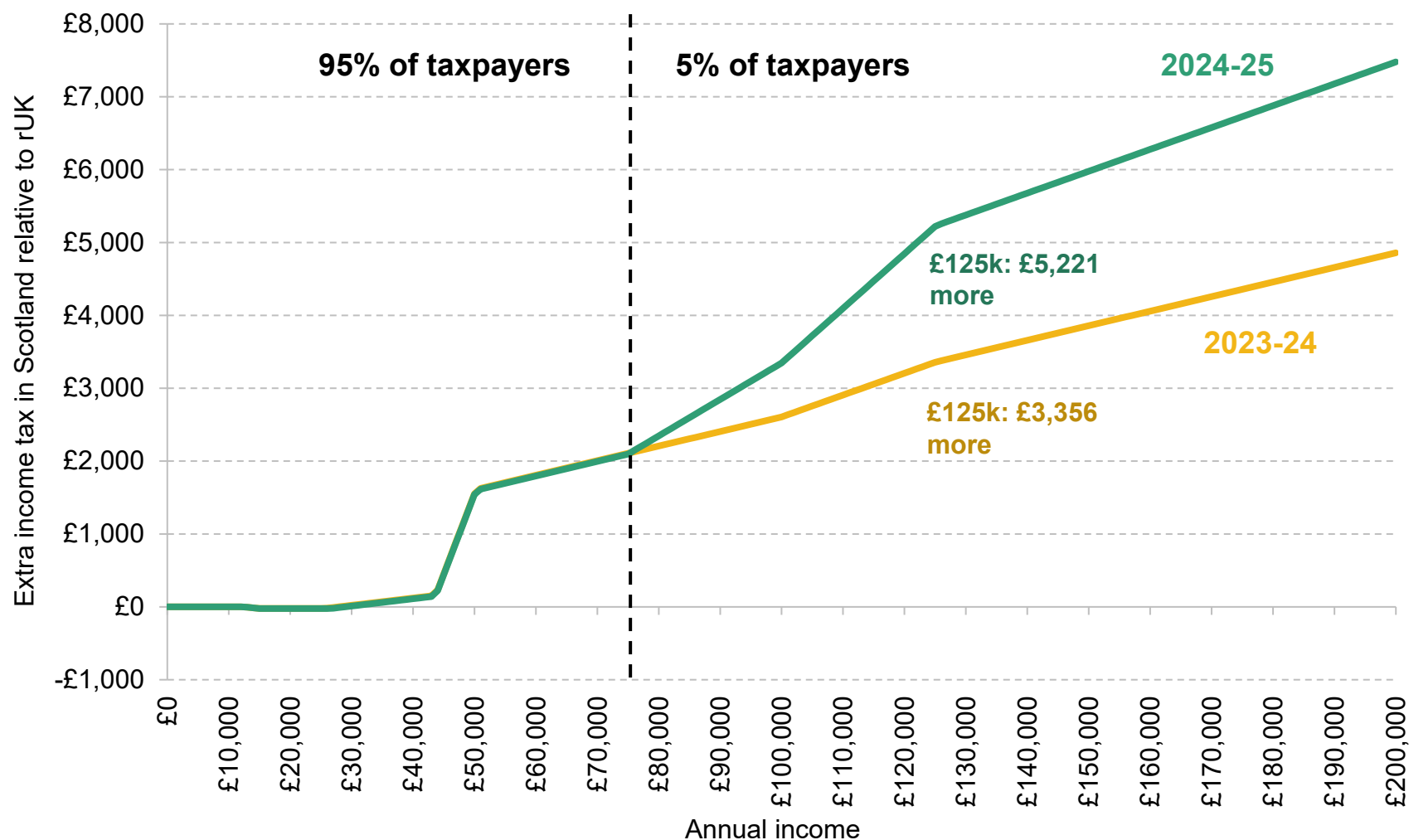
Notes and sources: See Figure 5 of Emmerson, Mikloš and Stockton (2024).

# Increase in personal tax coming in April



Notes and sources: See Figure 6 of Emmerson, Mikloš and Stockton (2024).

# Income tax bills in Scotland compared to rUK



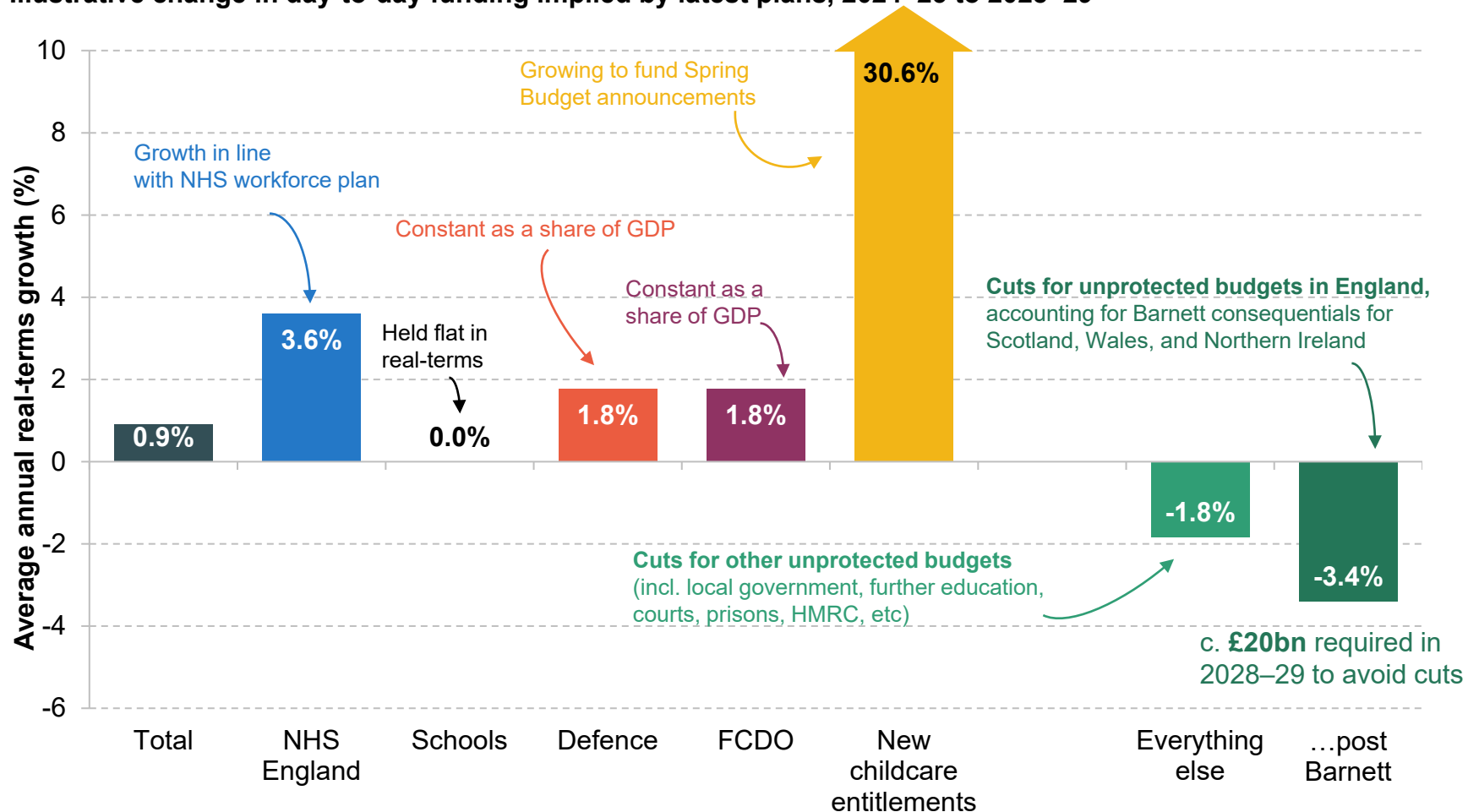
# Day-to-day public service spending



- Real-terms growth of 0.9% a year over four years from April 2025
  - implied growth of 0.5% per year in per person spending
- Last month's ONS projections have faster population growth; implies per person spending increasing by just 0.2% a year
- Reducing 0.9% to 0.75%, as reported in the FT, would
  - cut spending in 2028–29 by £3 billion
  - reduce per person spending growth to just 0.1% a year

# Cuts pencilled in for after the next election

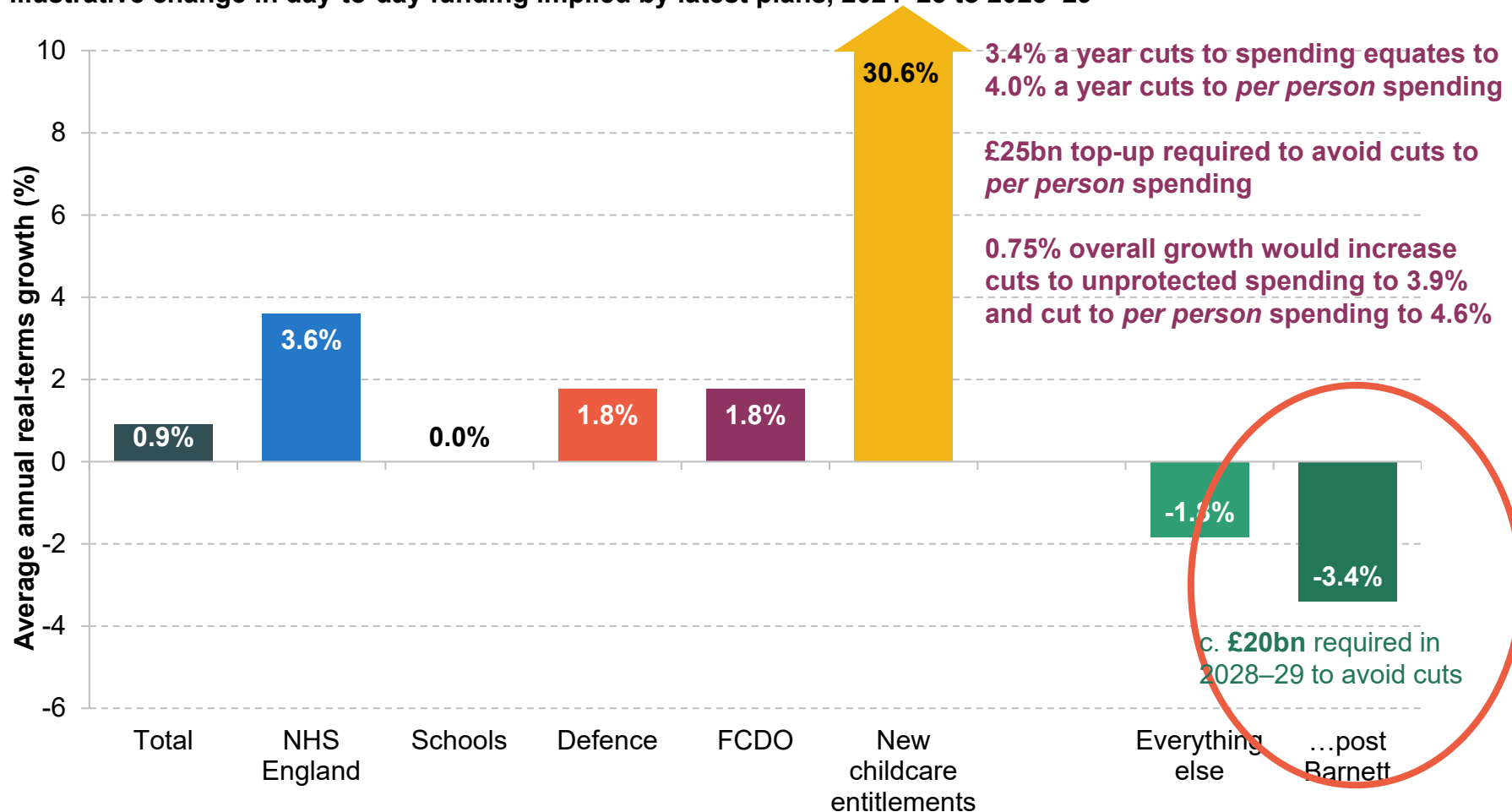
Illustrative change in day-to-day funding implied by latest plans, 2024–25 to 2028–29



Notes and sources: See Figure 14 of Emmerson, Mikloš and Stockton (2024).

# Cuts pencilled in for after the next election

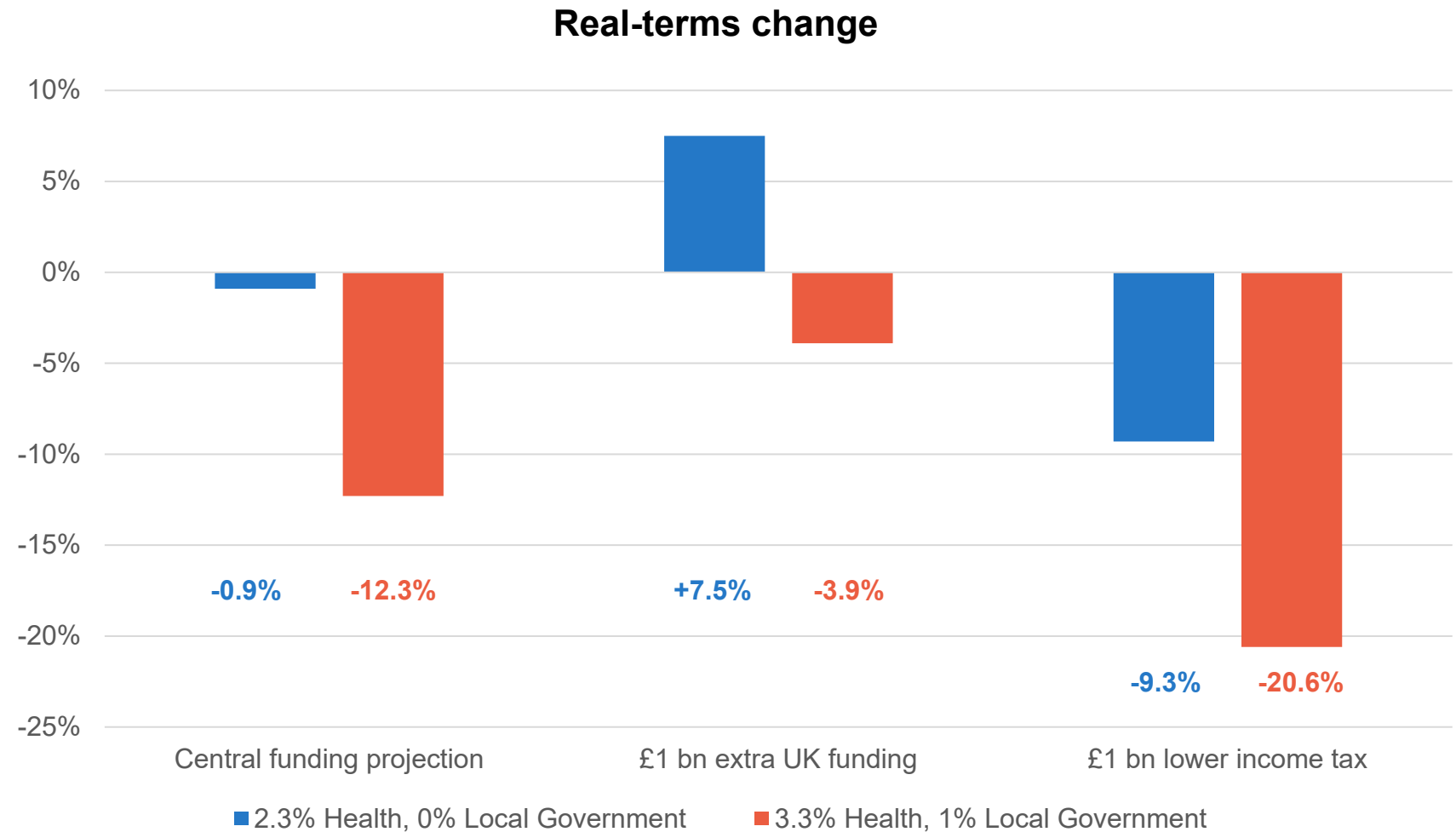
Illustrative change in day-to-day funding implied by latest plans, 2024–25 to 2028–29



Notes and sources: See Figure 14 of Emmerson, Mikloš and Stockton (2024).



# The challenge in Scotland: 2024-25 to 2028-29



# Tax options?



- Reform/abolish non dom status?
  - Raises at most c£3bn p.a.
  - Not something to do for short term budgetary or political reasons
- Tax on Vapes?
- Cut in employee NICs?
  - C. £4.5bn per 1%
- Cut basic rate of income tax?
  - C. £7bn per 1%
- Abolish high income child benefit charge?
  - C. £4bn

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