



Paul Johnson

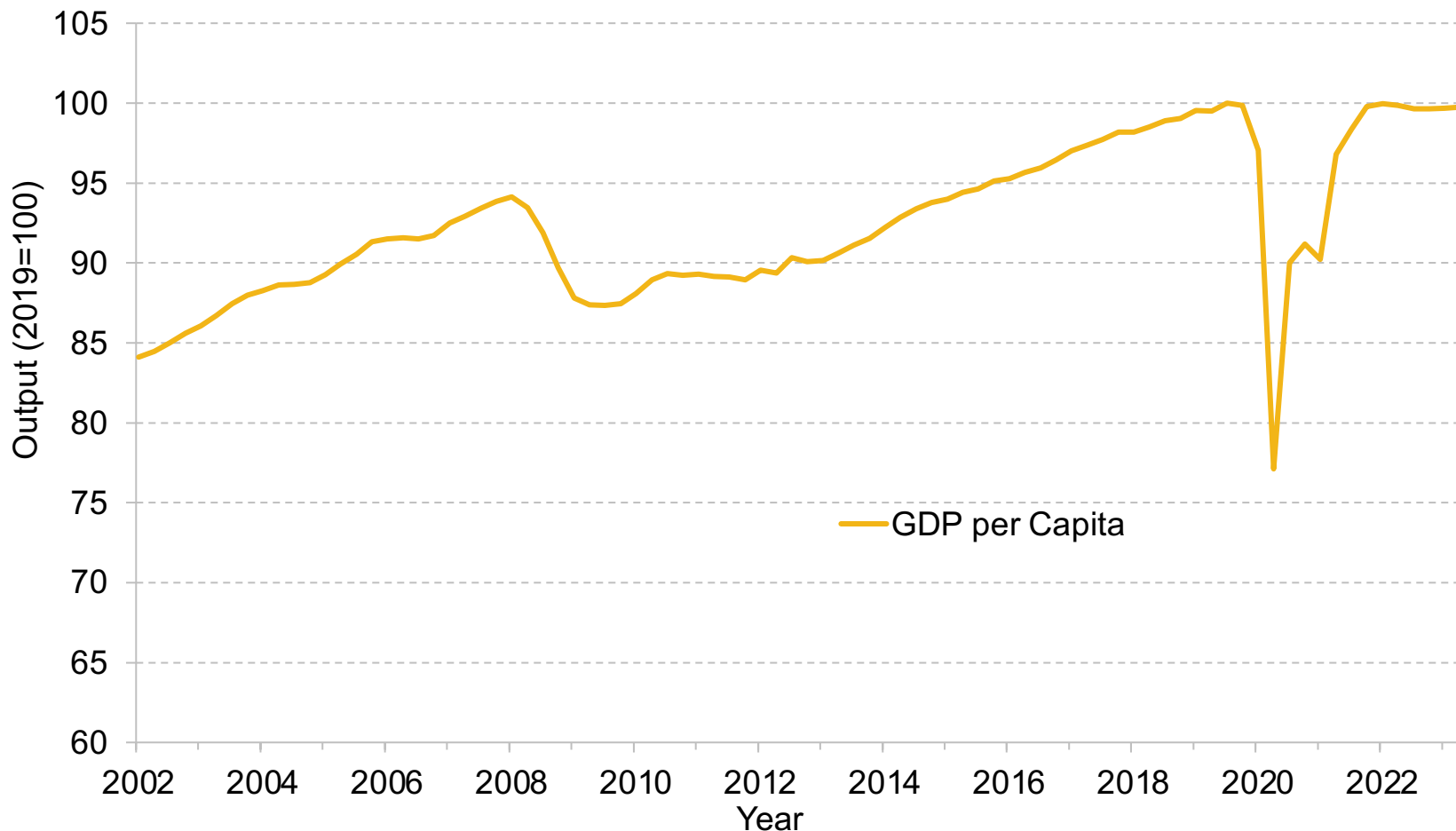
21 November 2023

@TheIFS

Autumn Statement 2023

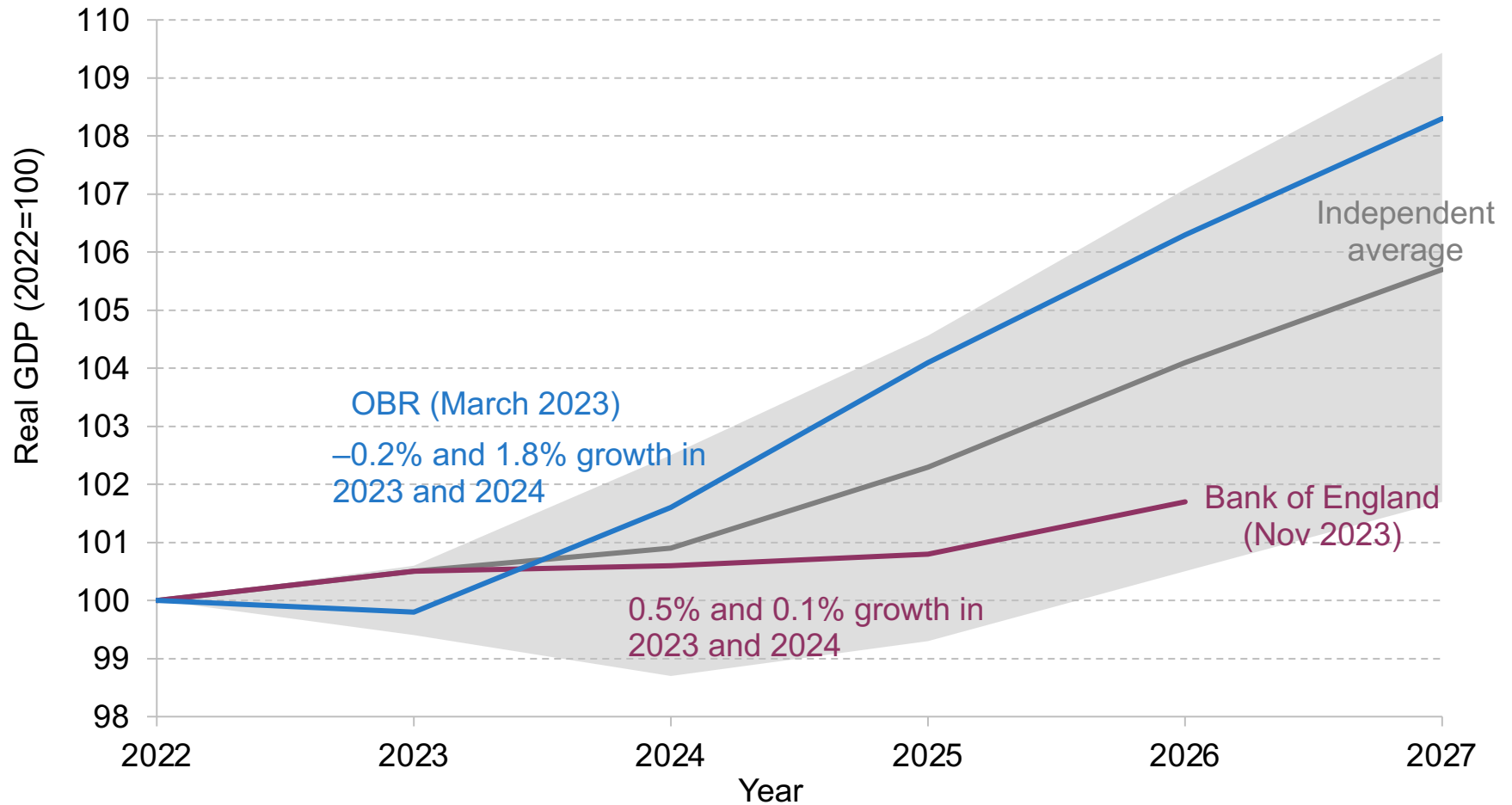


GDP per capita still not above 2019 level



Source: ONS

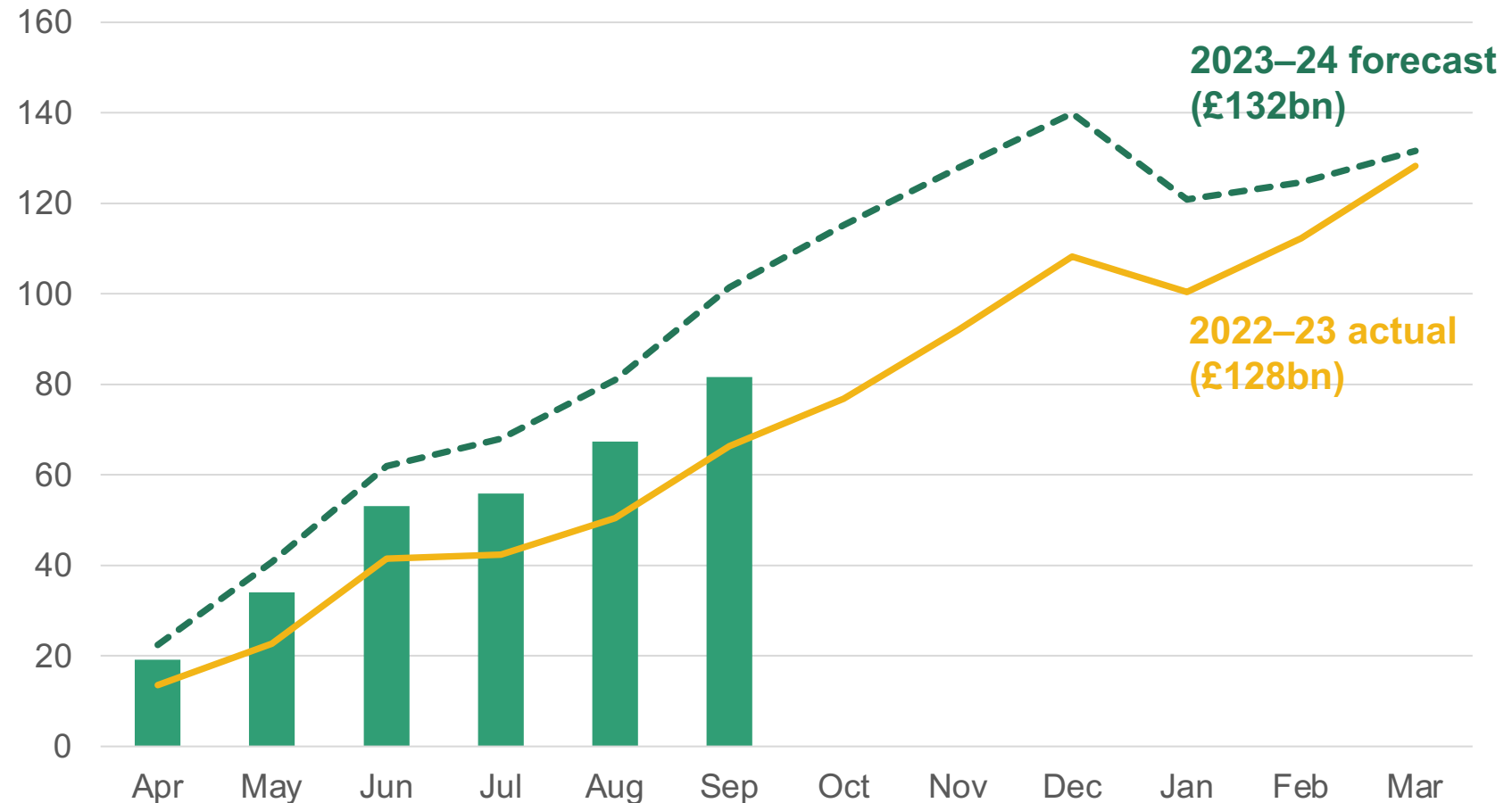
Growth outlook uncertain



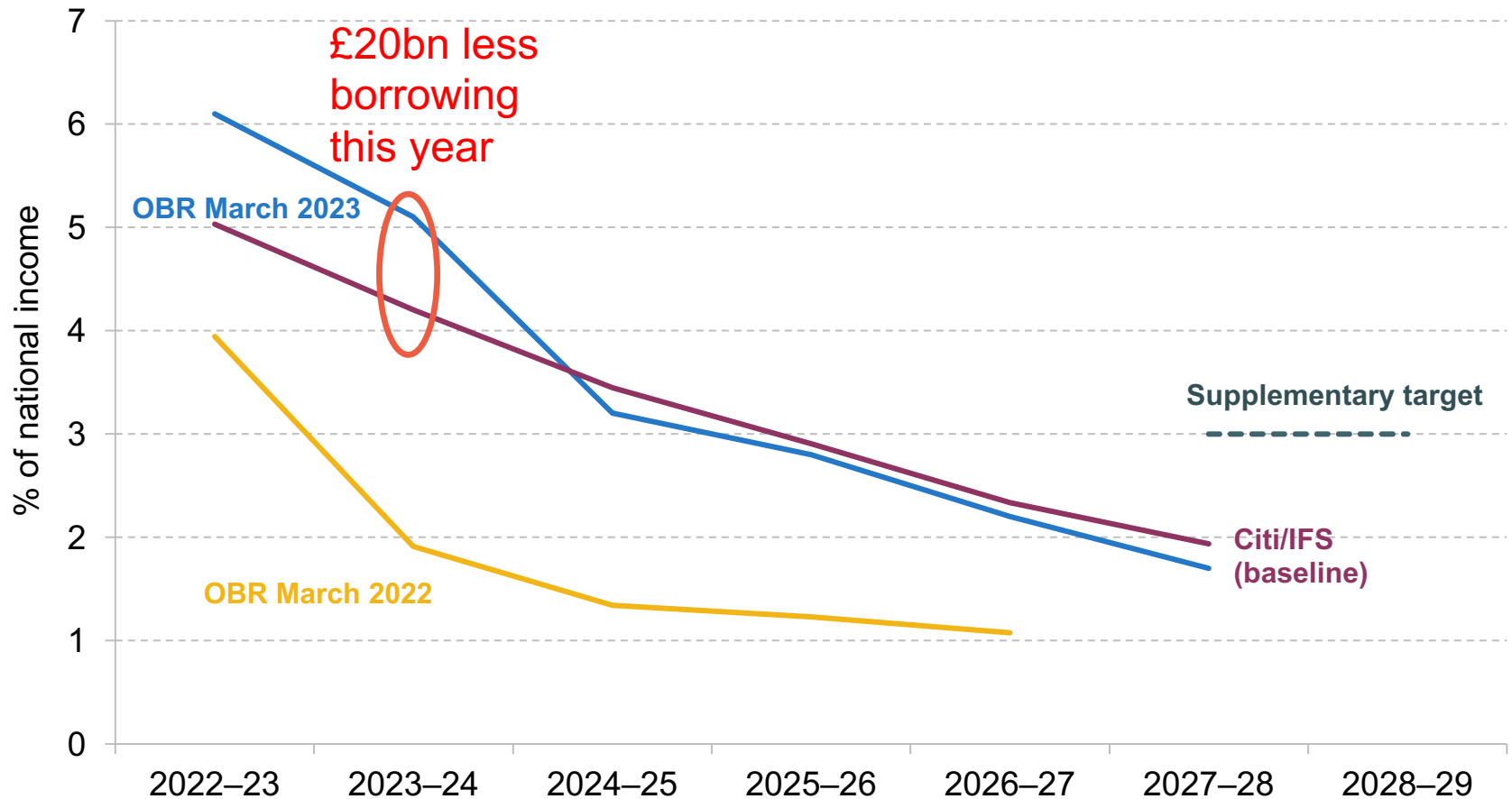
Source: Bank of England (for BoE forecasts) and HM Treasury (for OBR and Independent Forecasts)

Borrowing £20bn below March forecast so far this year

Cumulative borrowing since April, 2022–23 and 2023–24 compared

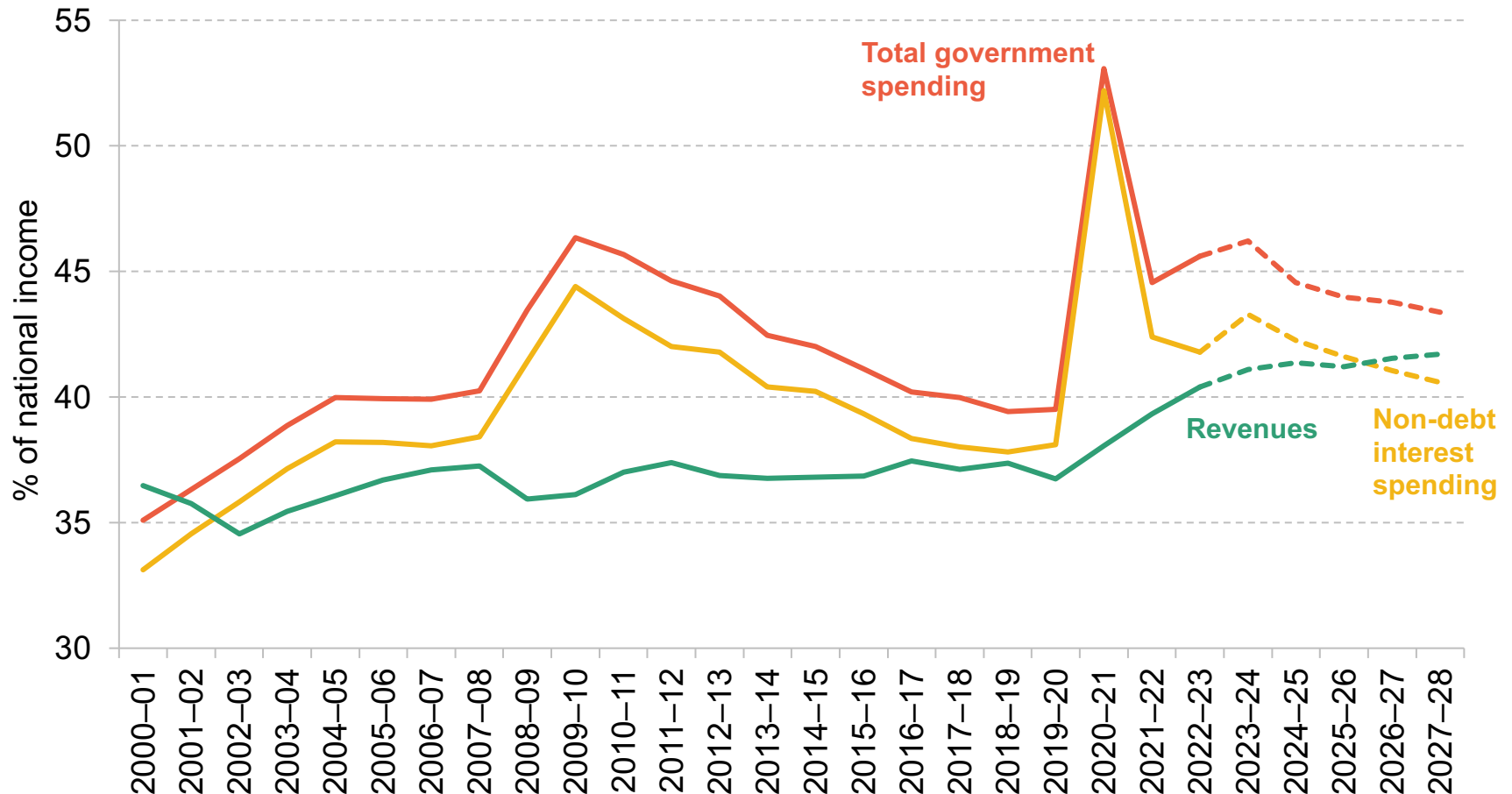


And set to fall further...



Notes and sources: see Figure 3.14.

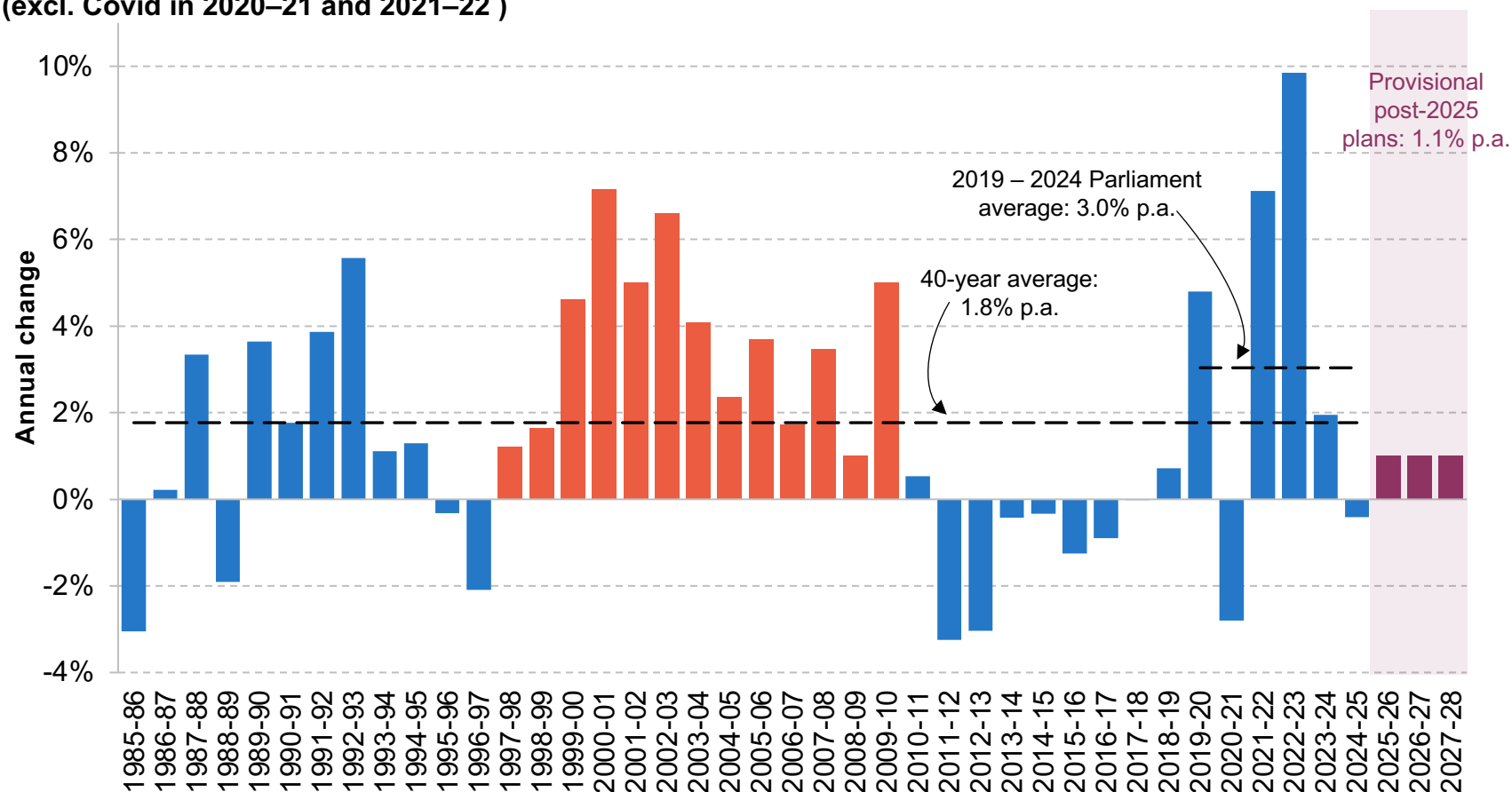
Taxes and spending both up



Notes and sources: see Figure 3.1.

Spending up a lot this Parliament – but tight plans pencilled in

Annual real-terms % change in day-to-day public service funding
(excl. Covid in 2020–21 and 2021–22)

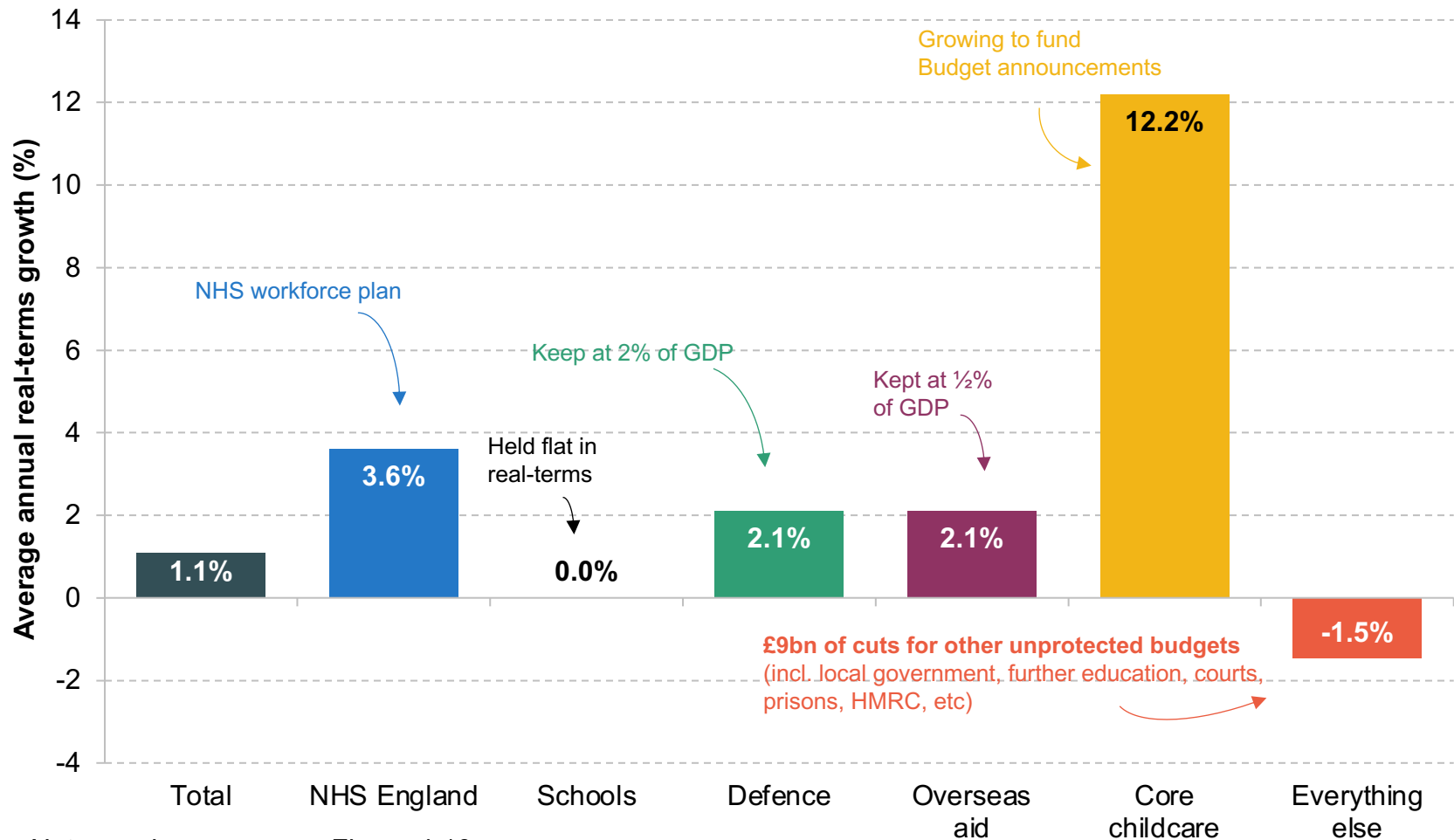


Note: Figures for 1985–86 to 1998–99 refer to the New Control Total, which includes some non-public service elements (like social security). Figures for 1999–00 to 2019–20 refer to the OBR definition of PSCE in RDEL, adjusted for historic discontinuities. Figures for 2019–20 onwards refer to the HM Treasury definition of RDEL excluding depreciation, and excluding COVID-19 spending in 2020–21 and 2021–22. Source: Author's calculations using OBR March 2023 EFO, HM Treasury Autumn Statement 2022, HM Treasury Budget 2023, HM Treasury Public Expenditure Statistical Analyses (various), and Crawford, Johnson and Zaranko (2018).

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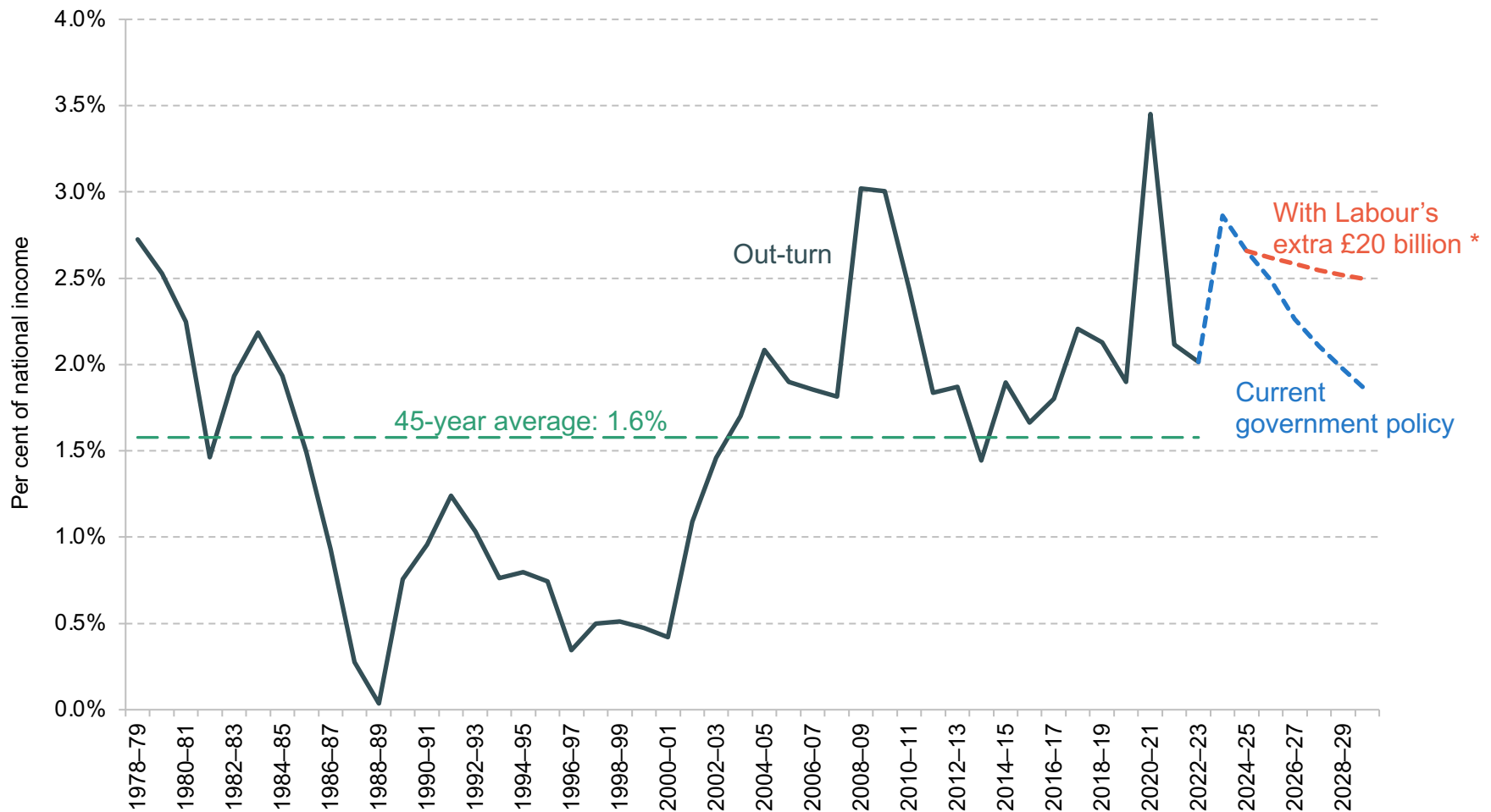
Plans imply cuts for many areas

Illustrative change in day-to-day funding implied by latest plans, 2024–25 to 2027–28



Notes and sources: see Figure 4.10.

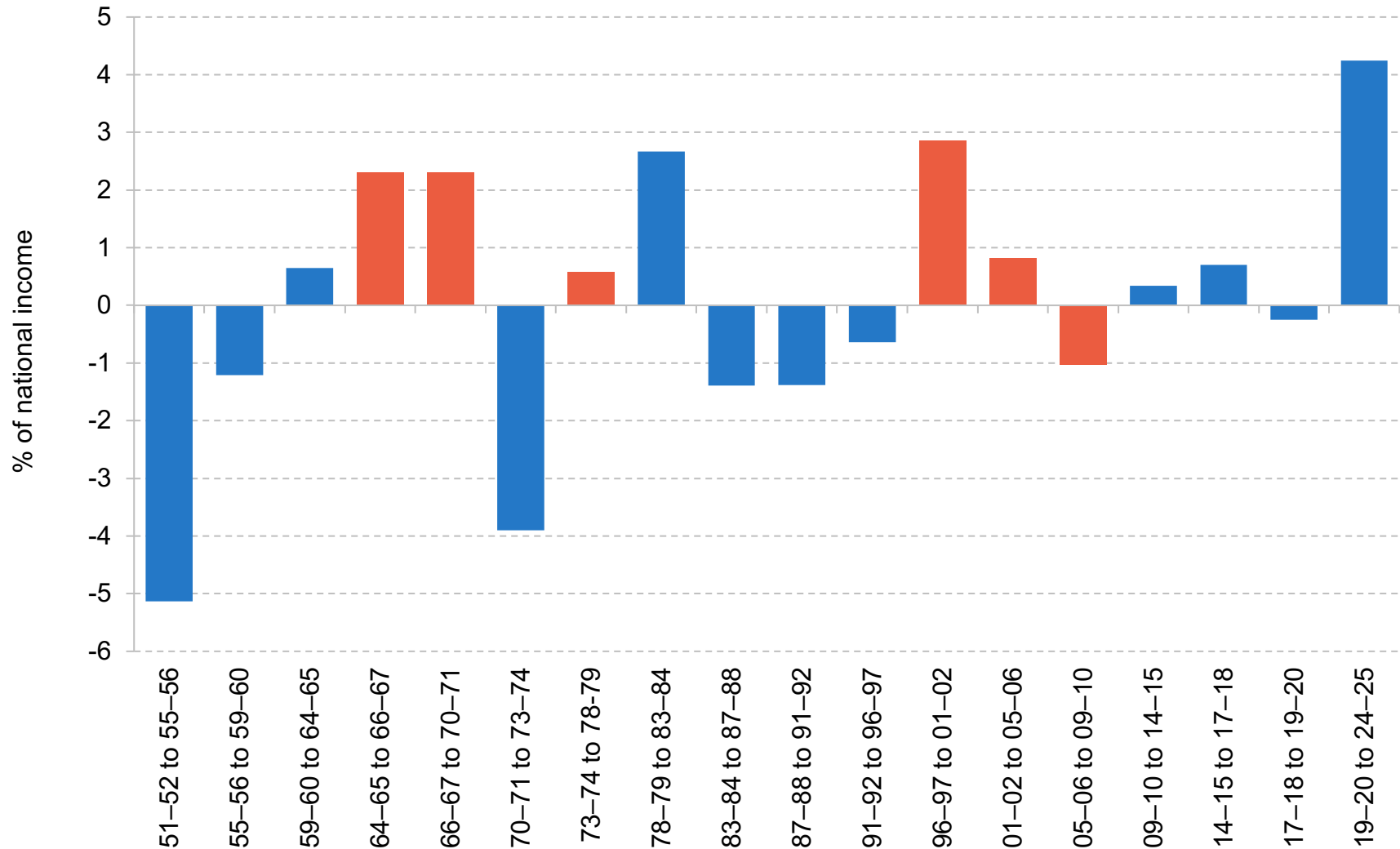
Public sector net investment



* Note: assumes that a Labour government increases public sector net investment (PSNI) by £20.3 billion in 2029-30, relative to an estimated baseline consistent with current stated government policy (which includes an estimated £7.7 billion of emissions-reducing spending in each year from 2024-25 onwards, taking total "green investment" in 2029-30 to £28 billion). We additionally assume that PSNI grows at a constant nominal rate between 2024-25 and 2029-30. Estimates allow for a demand boost to GDP from higher investment spending.

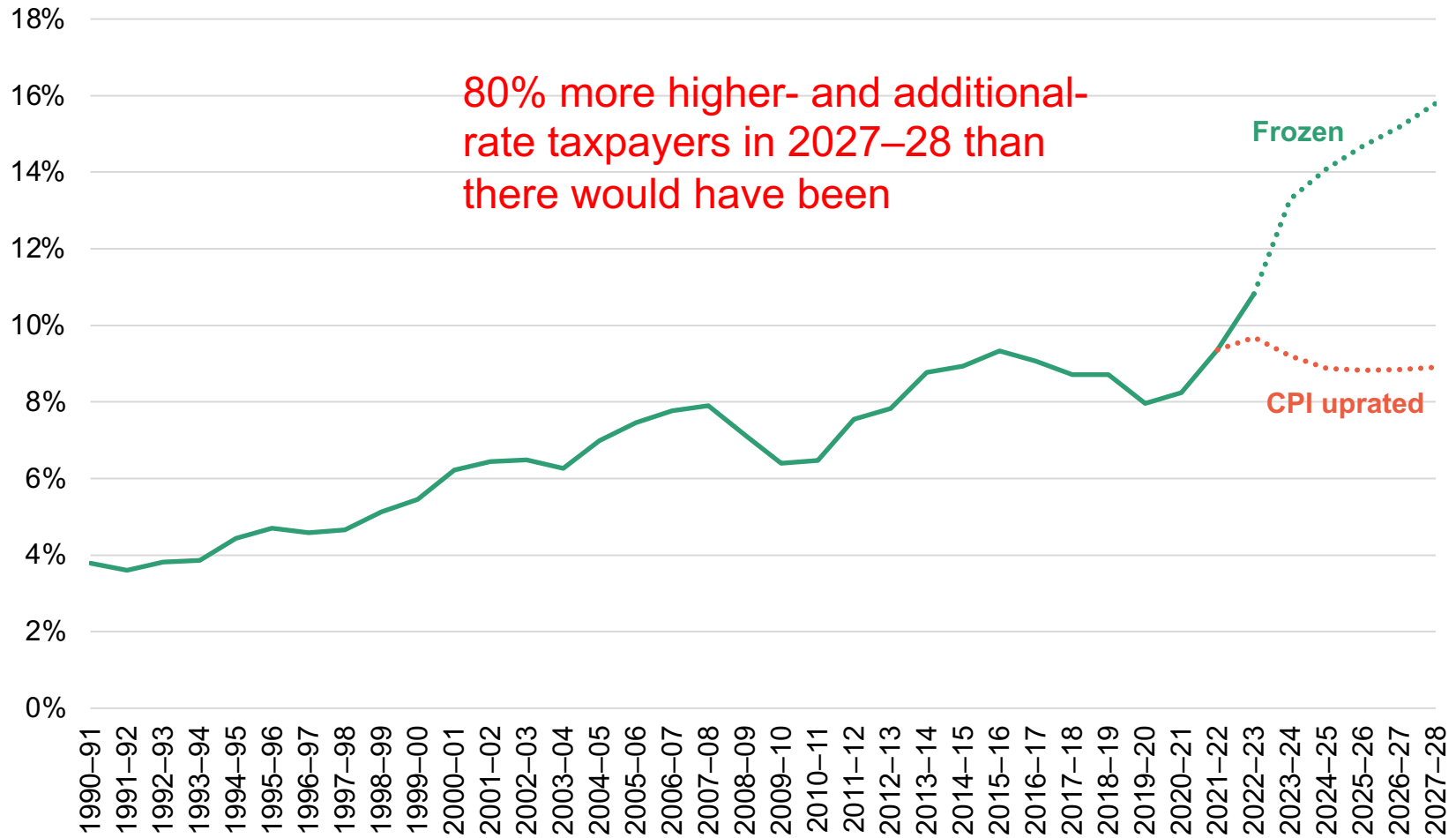
Source: IFS calculations based on OBR Public Finance Databank, October 2021 Economic and Fiscal Outlook, and March 2023 Economic and Fiscal Outlook.

Biggest tax rises of any Parliament



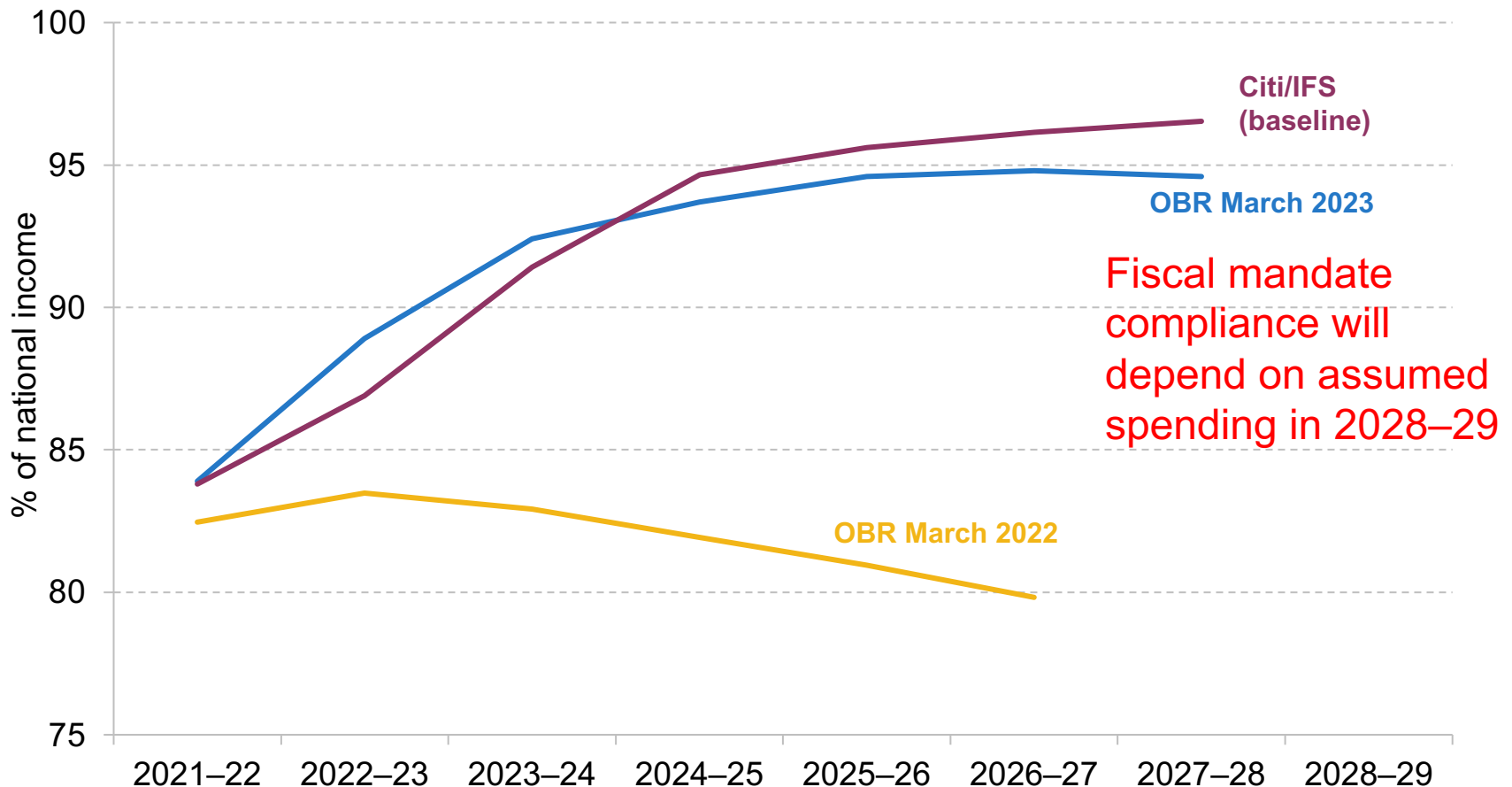
Higher and additional rate taxpayers...

Share of adults



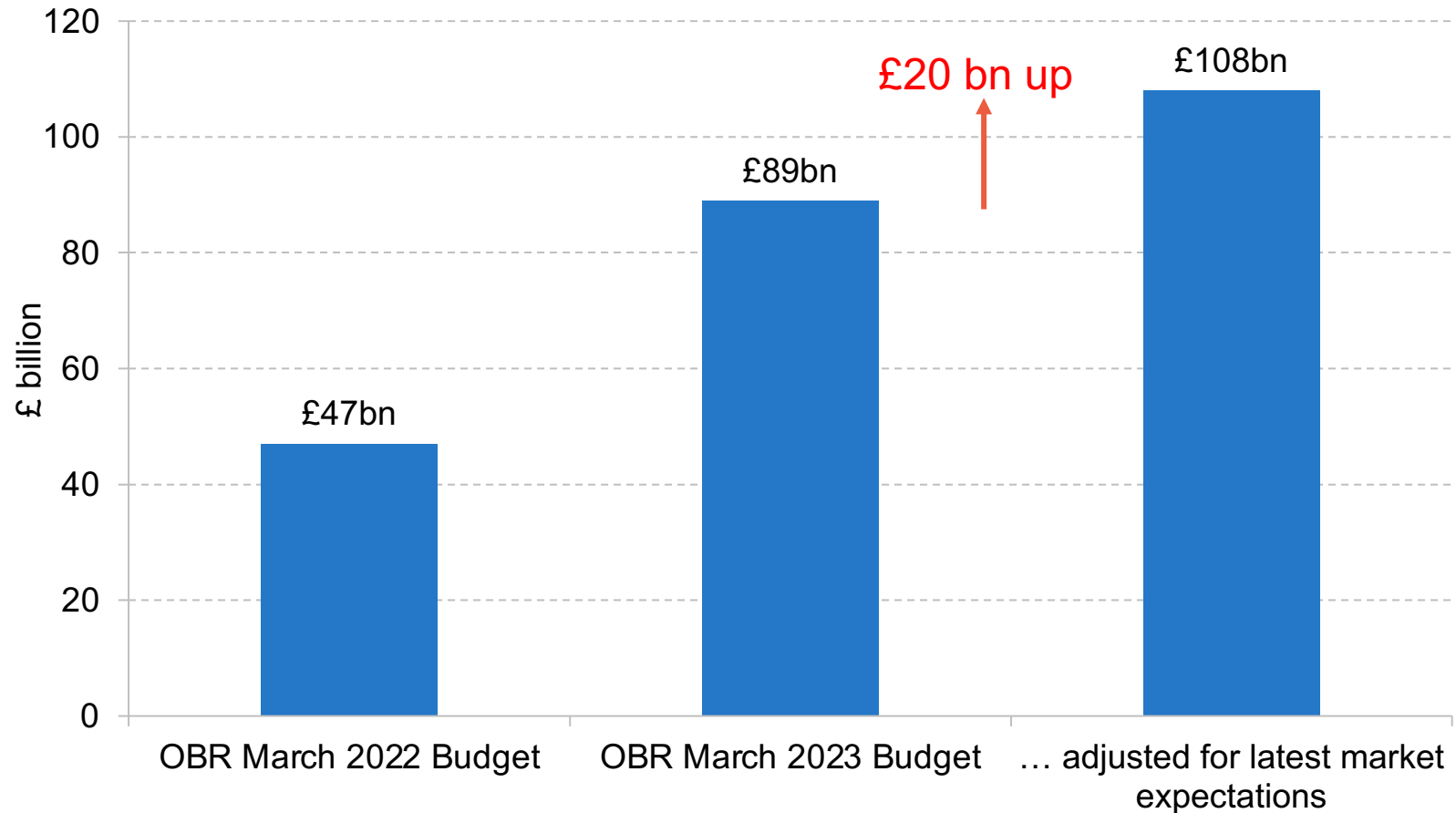
Notes and sources: see Figure 4.5.

..but with weak growth that is only just enough to stabilise debt



Notes and sources: see Figure 3.15.

Debt interest spending in 2026–27



Source: Table 3.3 of the October 2023 IFS Green Budget.

Tax and benefit announcements?

- Speculation around inheritance tax, stamp duty land tax, and higher-rate threshold
 - cutting inheritance tax rate from 40% to 30% would cost c.£2bn
 - Abolishing SDLT for primary residences costs c£6n
- Reduce indexation of cash transfers:
 - using October rather than September inflation to uprate working age benefits would cut spending by c. £3 billion
 - pensions triple-lock cost up £2 billion relative to March forecasts, excluding bonuses would reduce this to £1.4 billion
- Confirm tightening of Work Capability Assessment in ESA/UC?

A saving and investing package?

- Rising numbers liable for income tax on savings income
 - reform ISAs?
 - increase savings allowance (£1,000 for basic rate and £500 for higher-rate taxpayer, cost of doubling perhaps c.£½ bn year)?
- Pensions
 - steps to steer private pension investment towards UK companies
 - automatic enrolment: lower starting age from 22 to 18, move to minimum contributions starting from first pound of earnings?
- Full-expensing of business investment; currently in place for 3 years, case for making it permanent
 - HMT and OBR give it an upfront cost of £10 billion a year; true ultimate cost more like £1-3 billion a year

Conclusions

- Some good news in the new forecasts for this year:
 - growth revised up
 - inflation halved (but still high)
 - borrowing revised down

- But:
 - economy is only just about growing and risks of a recession
 - living standards have barely grown in more than a decade
 - tax rising to record UK levels
 - little money for additional public services
 - national debt barely set to fall