

In a Jam? Changes in the fiscal forecast

Thomas Pope

IFS post-Autumn Statement 2016 briefing

24 November 2016

Changes to the underlying forecast

<i>£ billion</i>	2016-17	2017-18	2018-19	2019-20	2020-21
Budget March 2016	55.5	38.8	21.4	-10.4	-11.0
AS November 2016 (pre-measures)	67.2	56.4	42.0	13.6	11.2

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OBR's estimate of Brexit effect on
borrowing: +£15.2 billion
(£290 million per week)

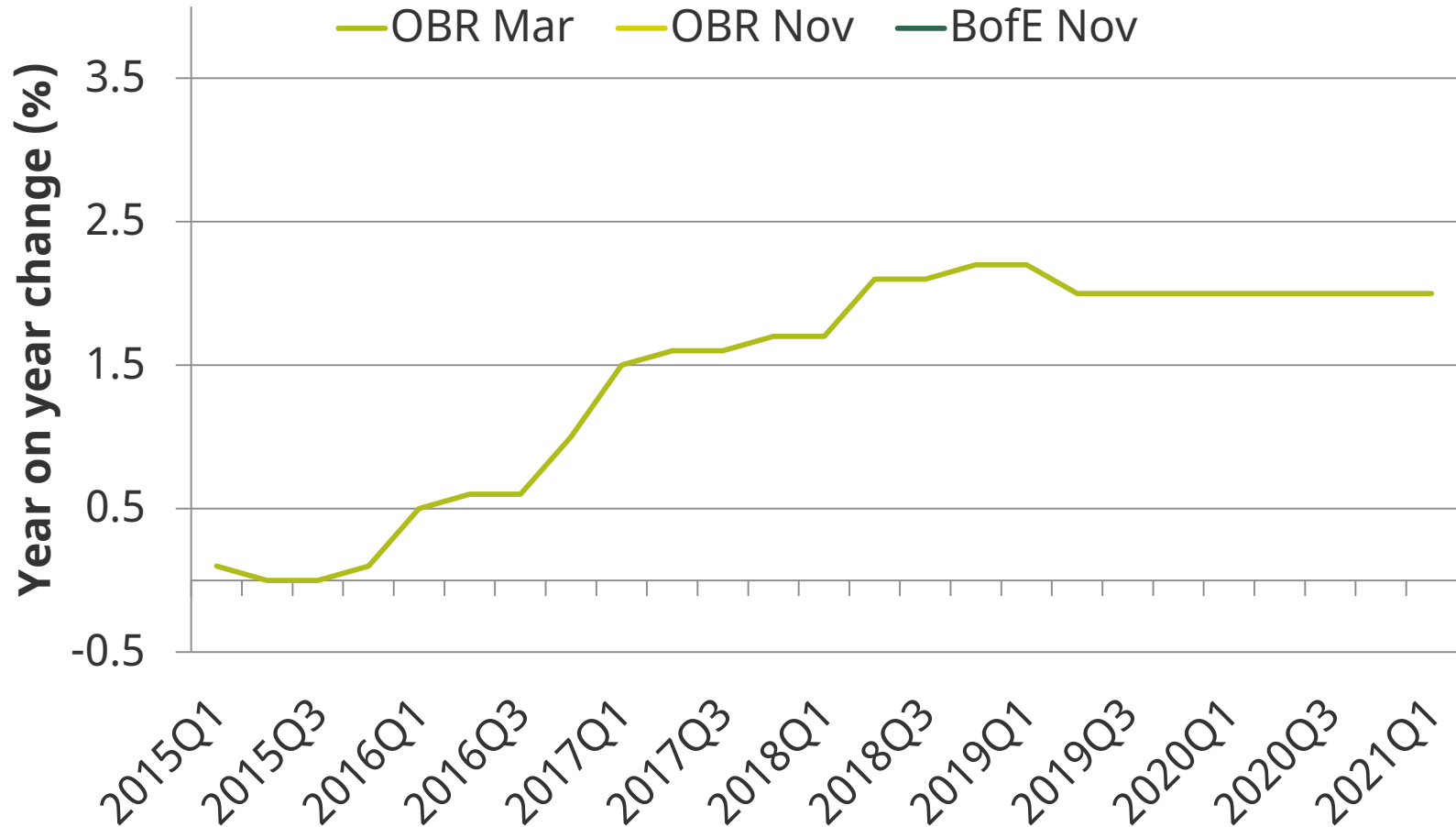
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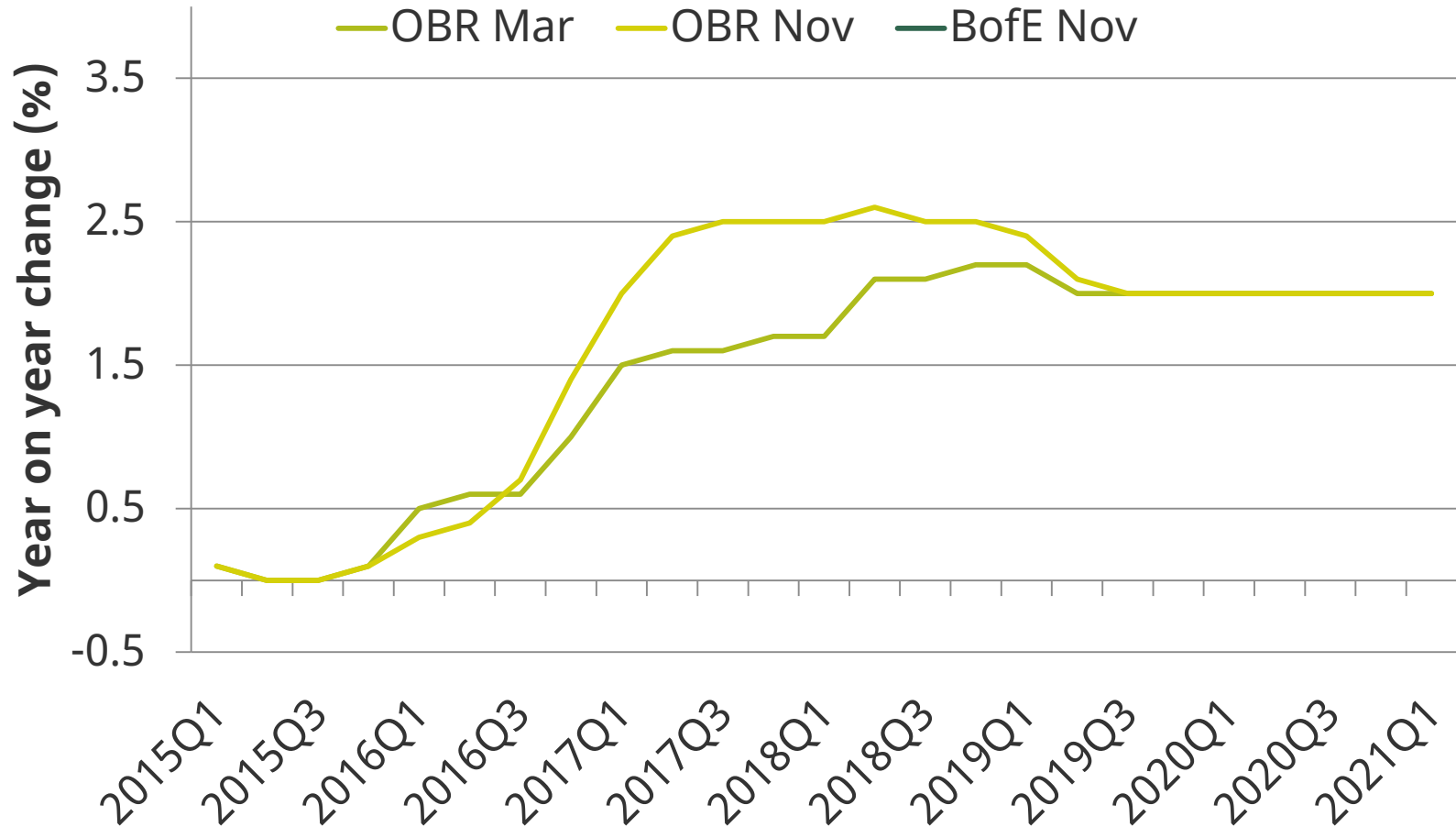
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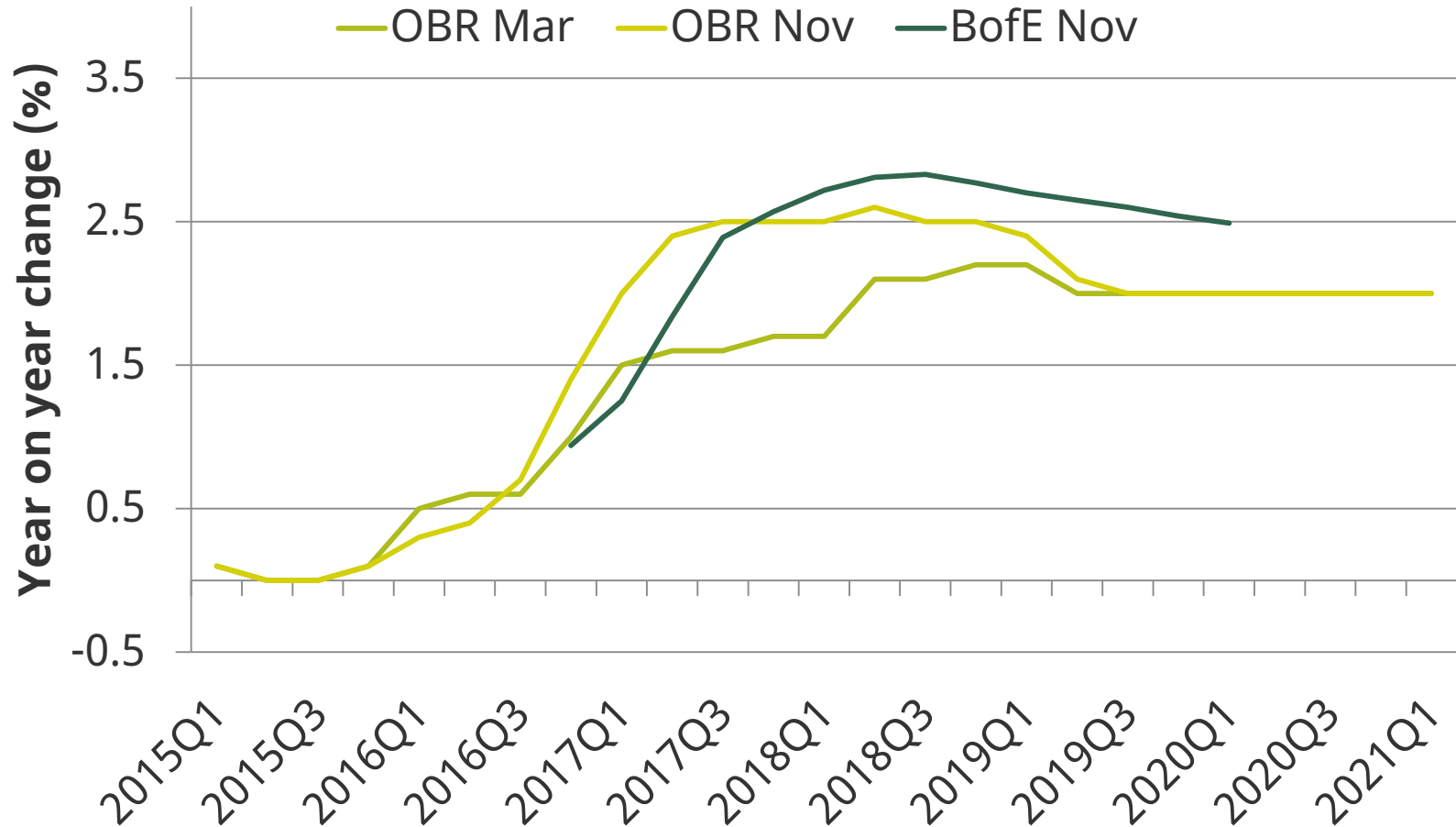
Comparison of CPI inflation forecasts



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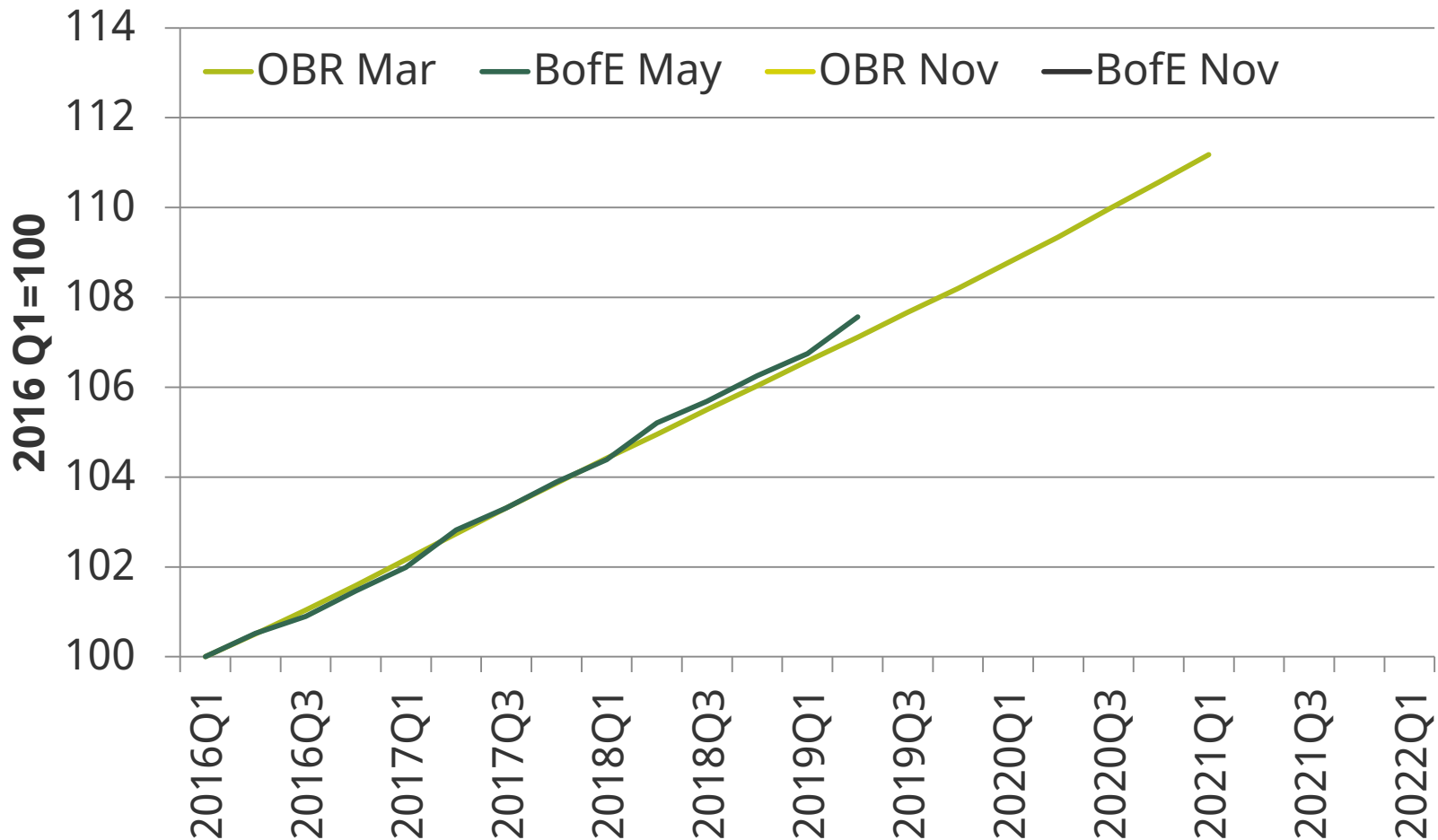
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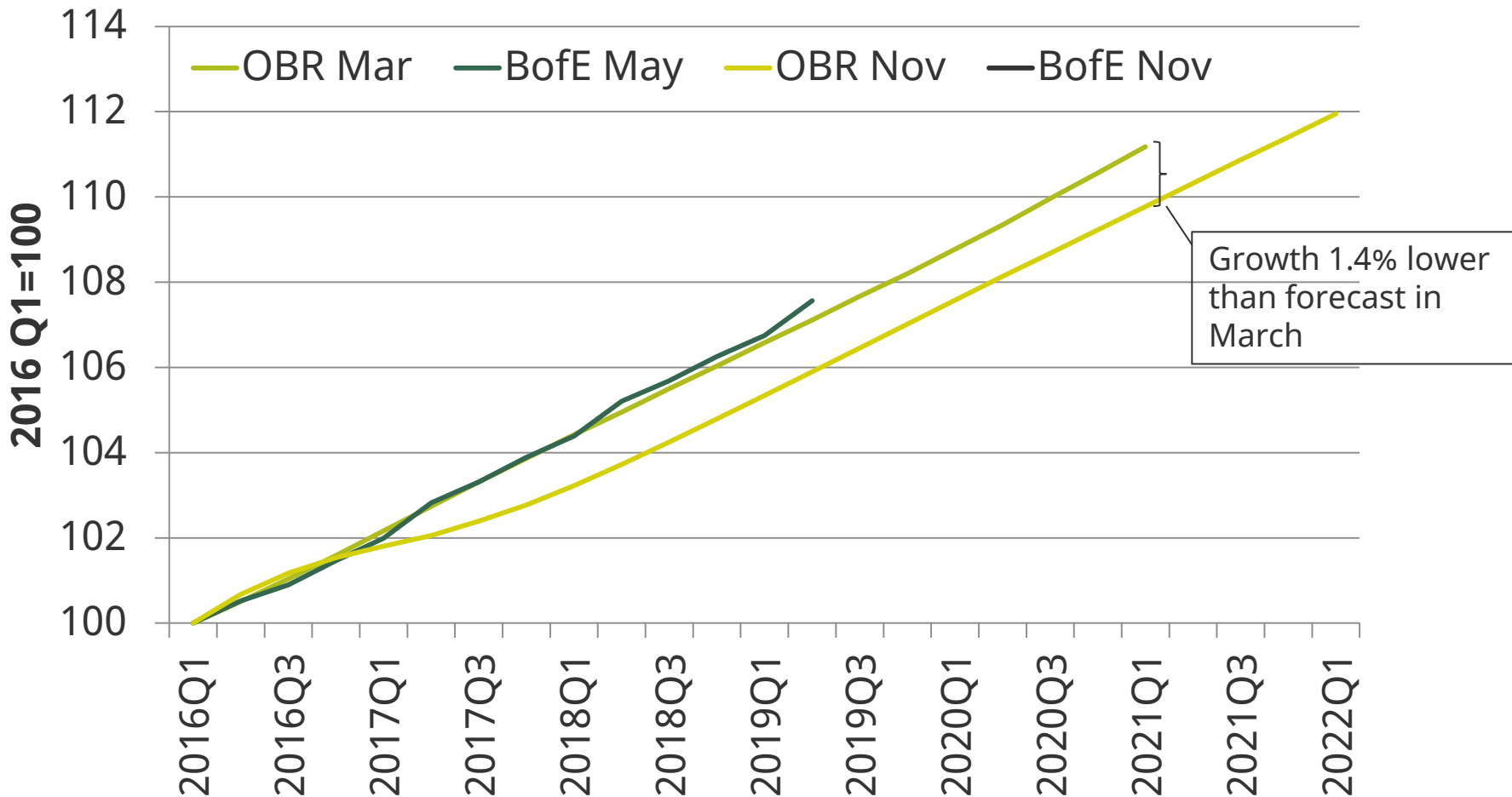
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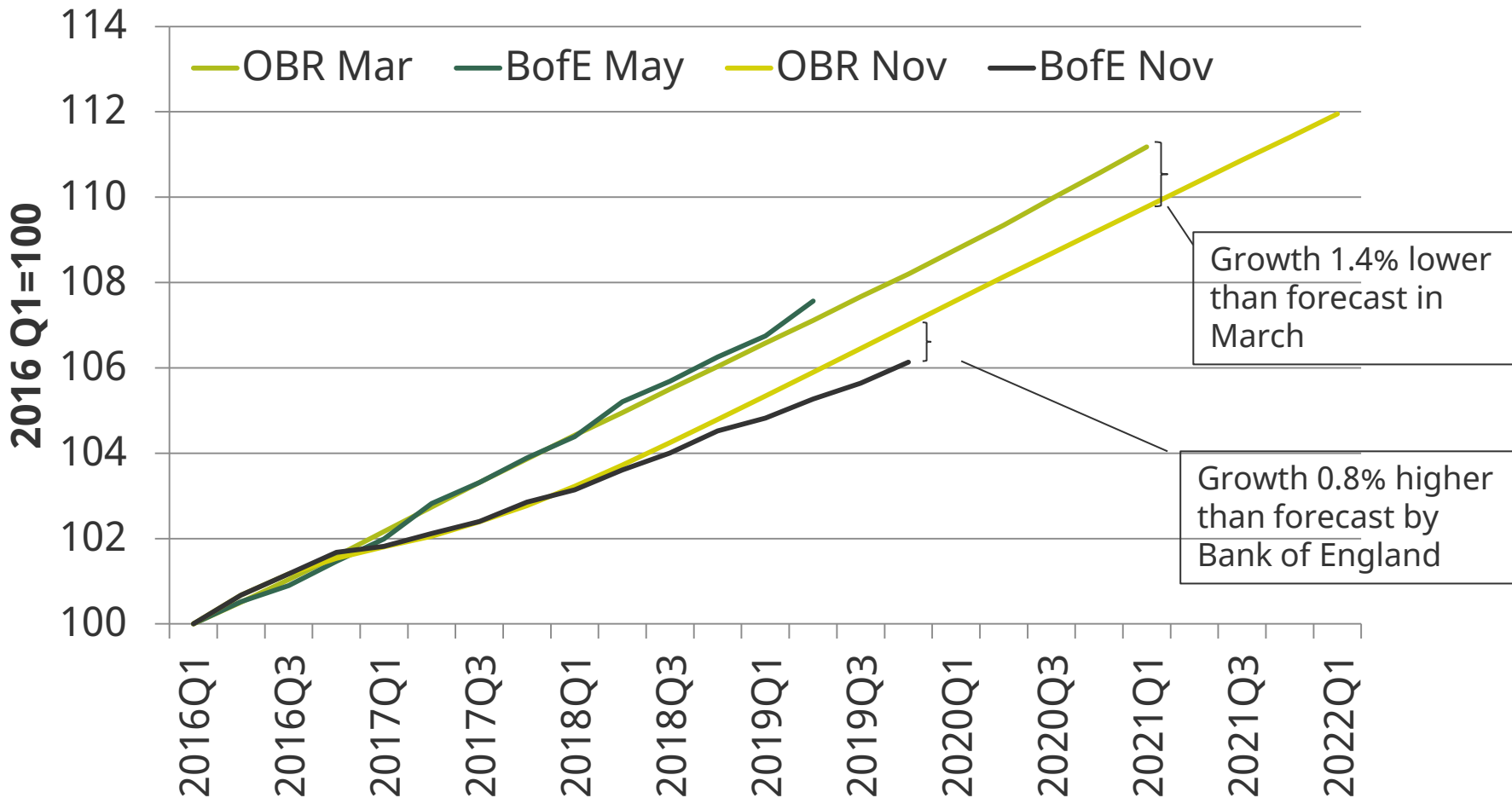
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Autumn Statement policy changes

<i>£ billion</i>	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
AS pre-Measures	67.2	56.4	42.0	13.6	11.2	11.6
AS November 2016	68.2	59.0	46.5	21.9	20.7	17.2

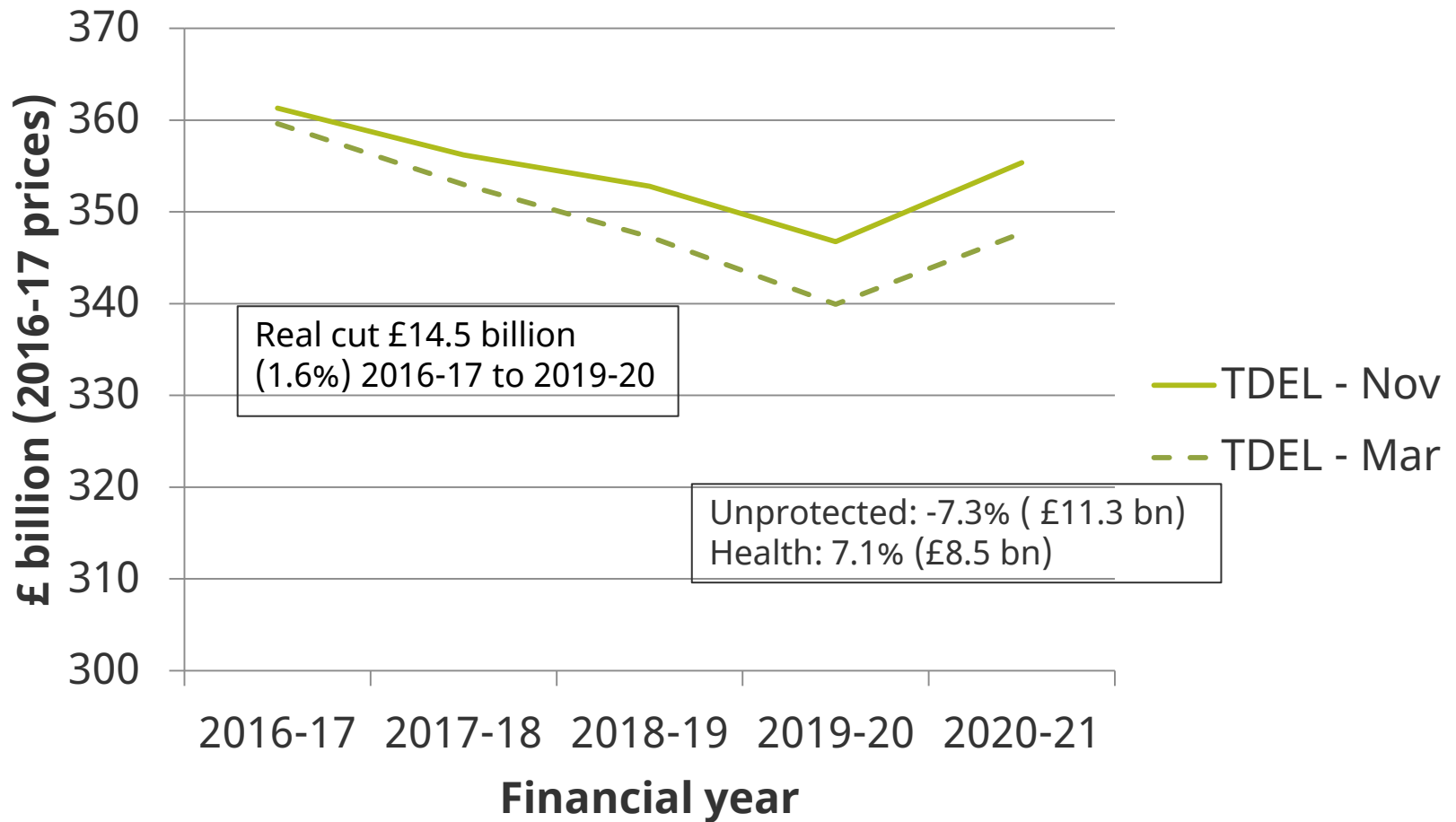
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<i>Tax changes:</i>	<i>0.0</i>	<i>-0.6</i>	<i>-0.6</i>	<i>-1.1</i>	<i>-0.8</i>	<i>-0.5</i>
<i>Giveaways</i>	<i>0.0</i>	<i>+1.5</i>	<i>+1.7</i>	<i>+1.3</i>	<i>+1.4</i>	<i>+1.6</i>
Takeaways	<i>0.0</i>	<i>-2.2</i>	<i>-2.3</i>	<i>-2.4</i>	<i>-2.2</i>	<i>-2.0</i>
AS November 2016	68.2	59.0	46.5	21.9	20.7	17.2

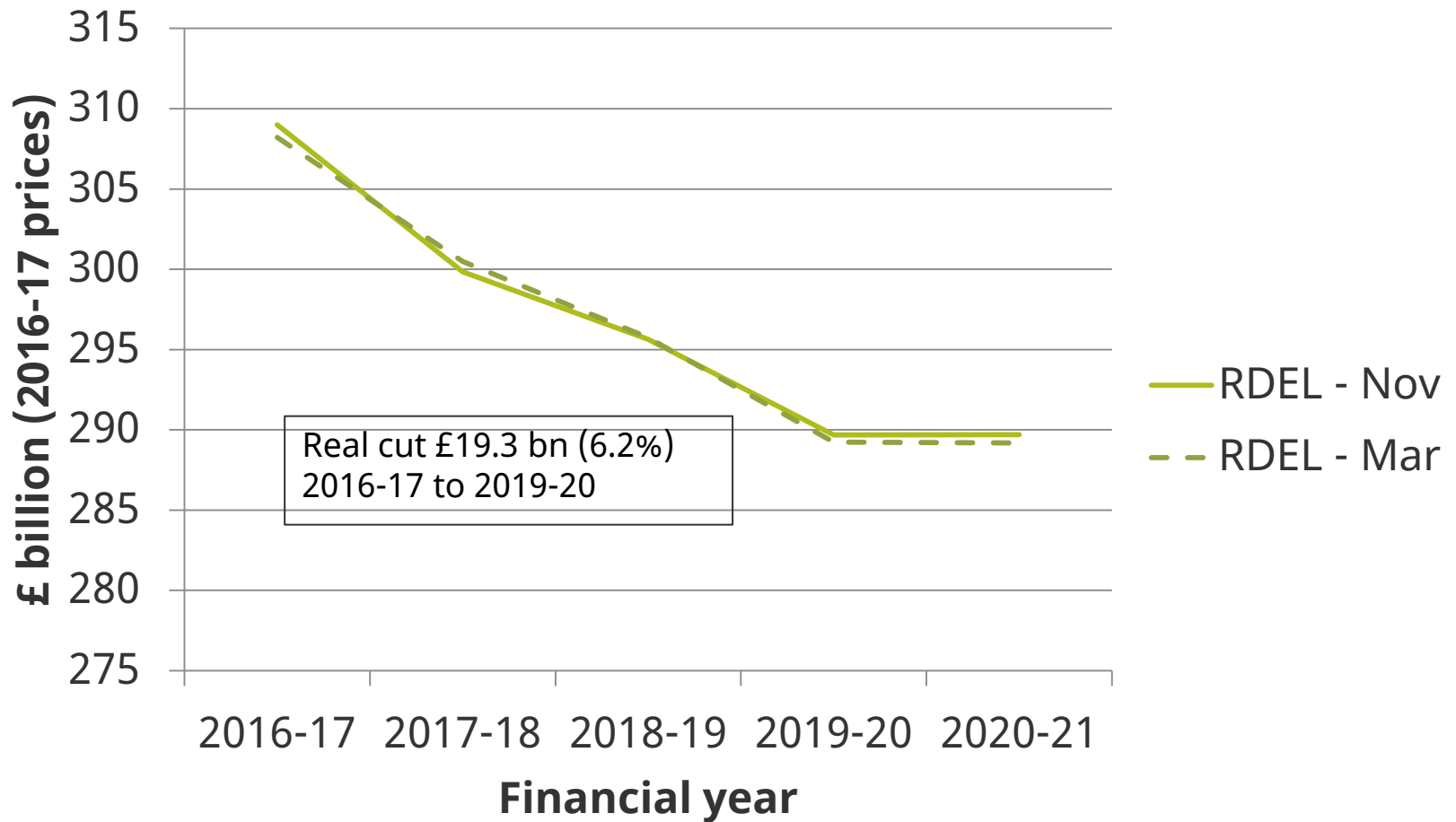
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<i>Tax changes:</i>		-0.6	-0.6	-1.1	-0.8	-0.5
<i>Giveaways</i>	0.0	+1.5	+1.7	+1.3	+1.4	+1.6
<i>Takeaways</i>	0.0	-2.2	-2.3	-2.4	-2.2	-2.0
<i>Spending changes:</i>	+0.9	+3.0	+5.0	+9.2	+9.7	+4.0
<i>Welfare</i>	+0.2	+1.0	+2.2	+1.8	+1.9	+2.4
<i>Other spending</i>	+0.8	+2.0	+2.7	+7.4	+7.8	+1.6
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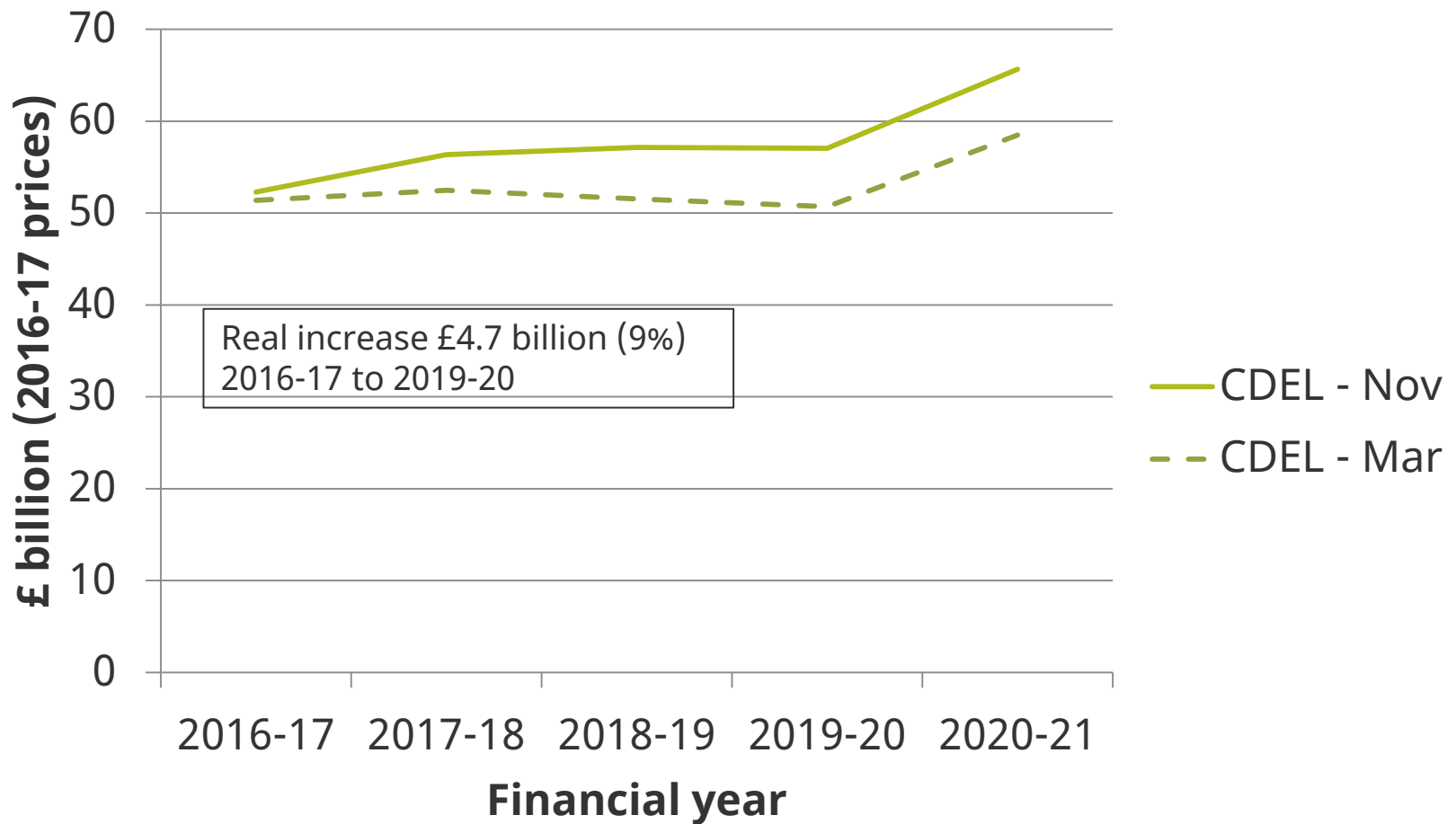
Total departmental spending - 2016-17 to 2020-21



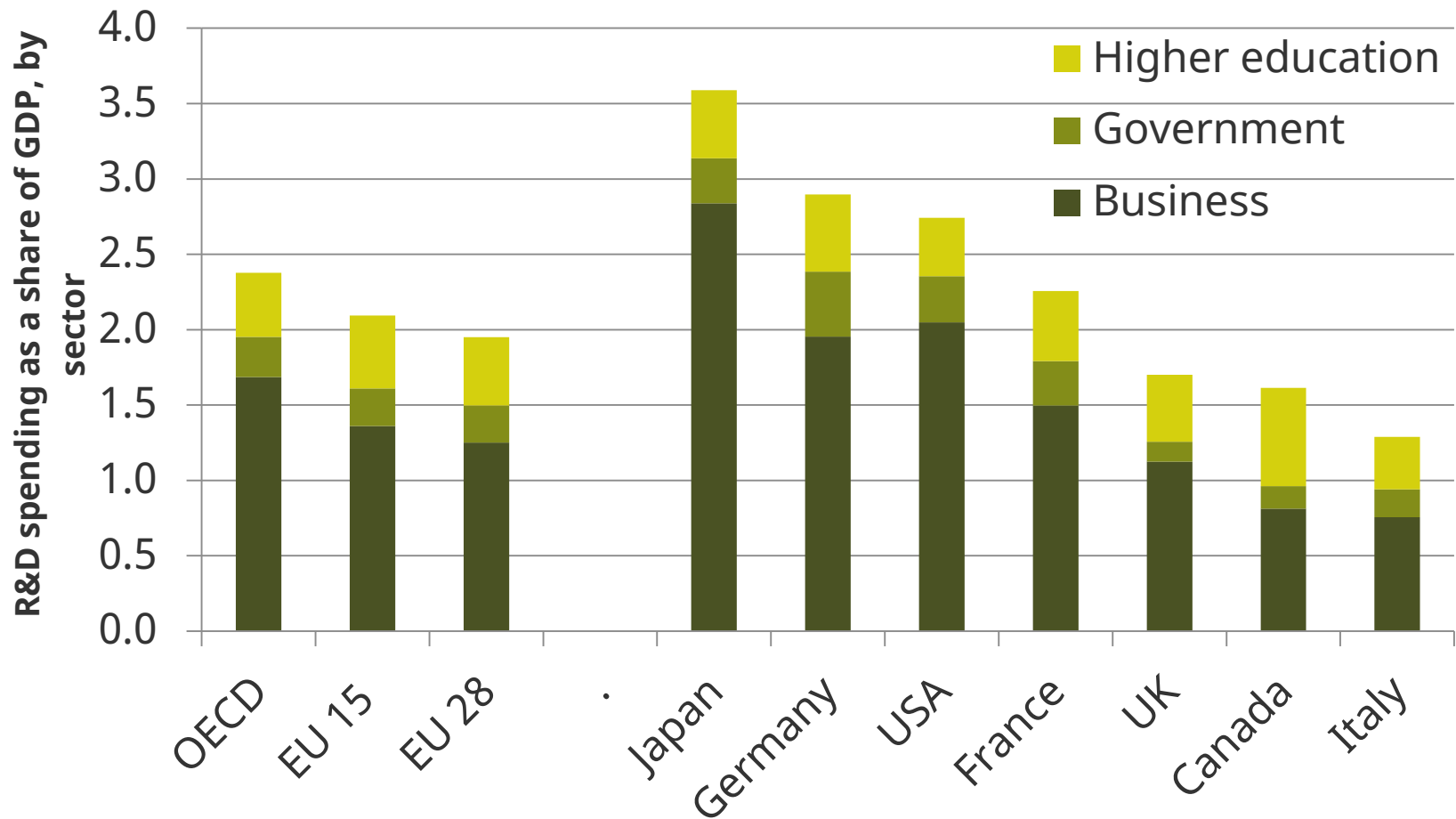
Current departmental spending – 2016-17 to 2020-21



Capital departmental spending – 2016-17 to 2020-21

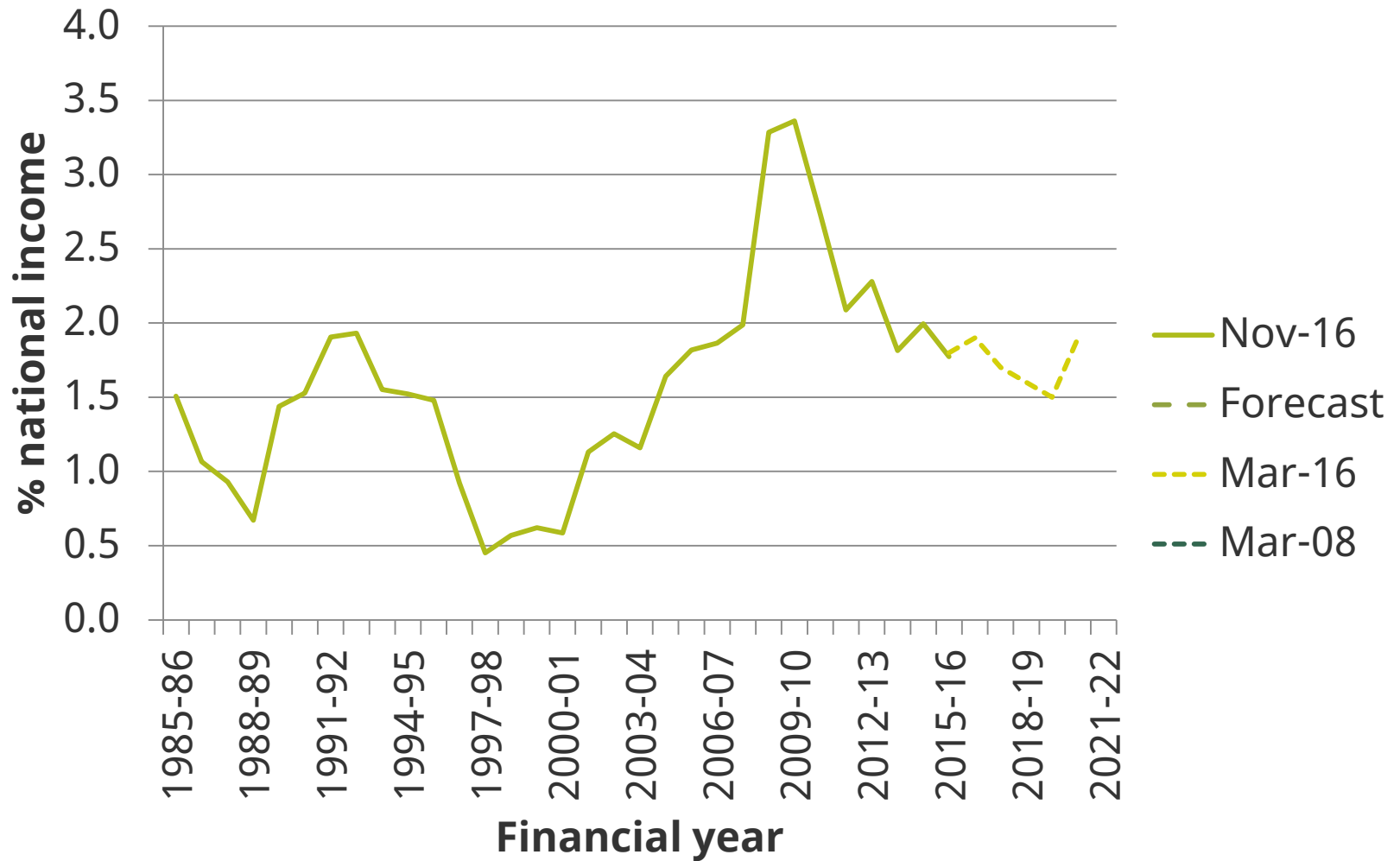


R&D spending

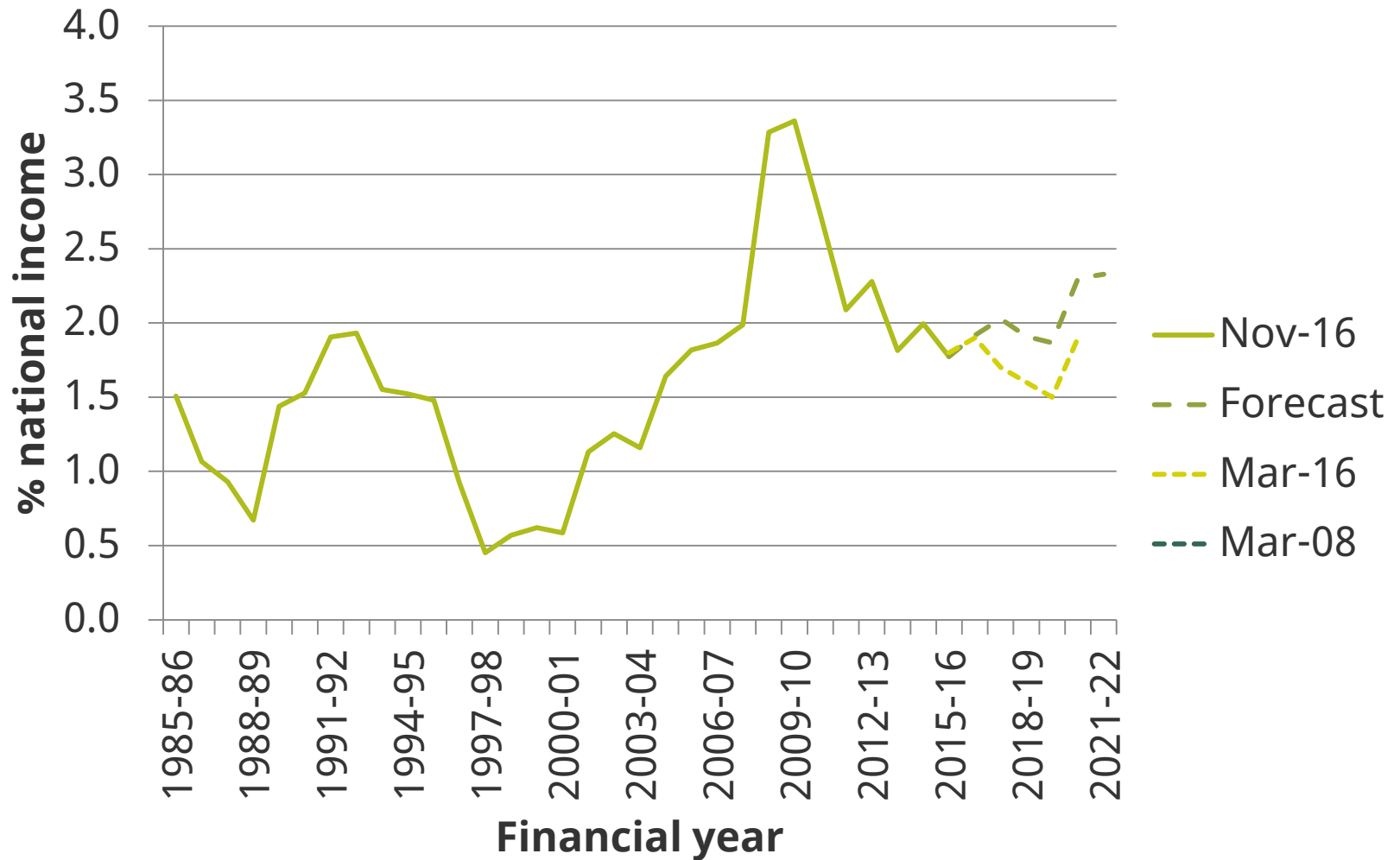


Source: OECD MSTI Indicators. Figures for 2014, except USA (2013).

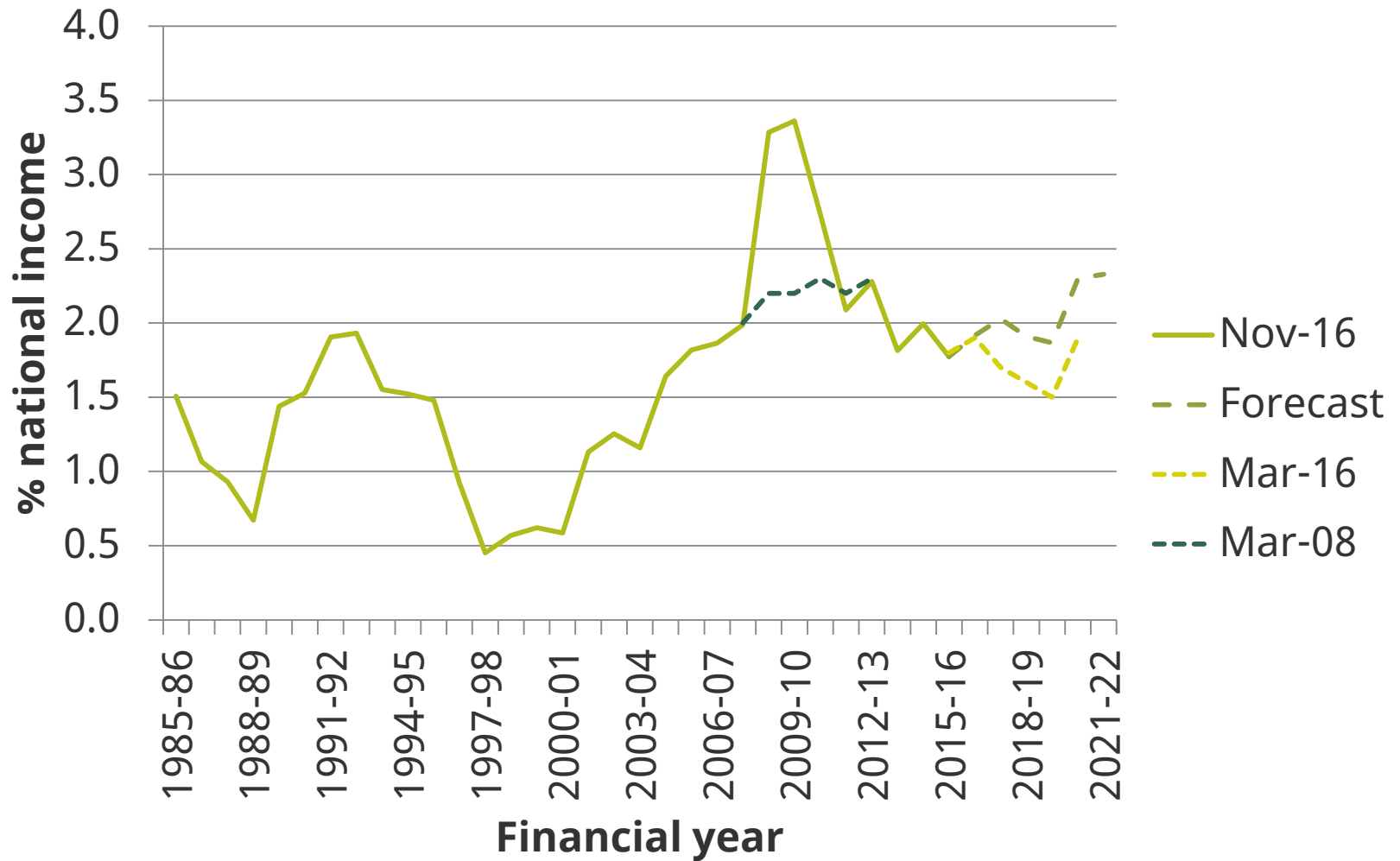
PSNI 1985-86 to 2021-22



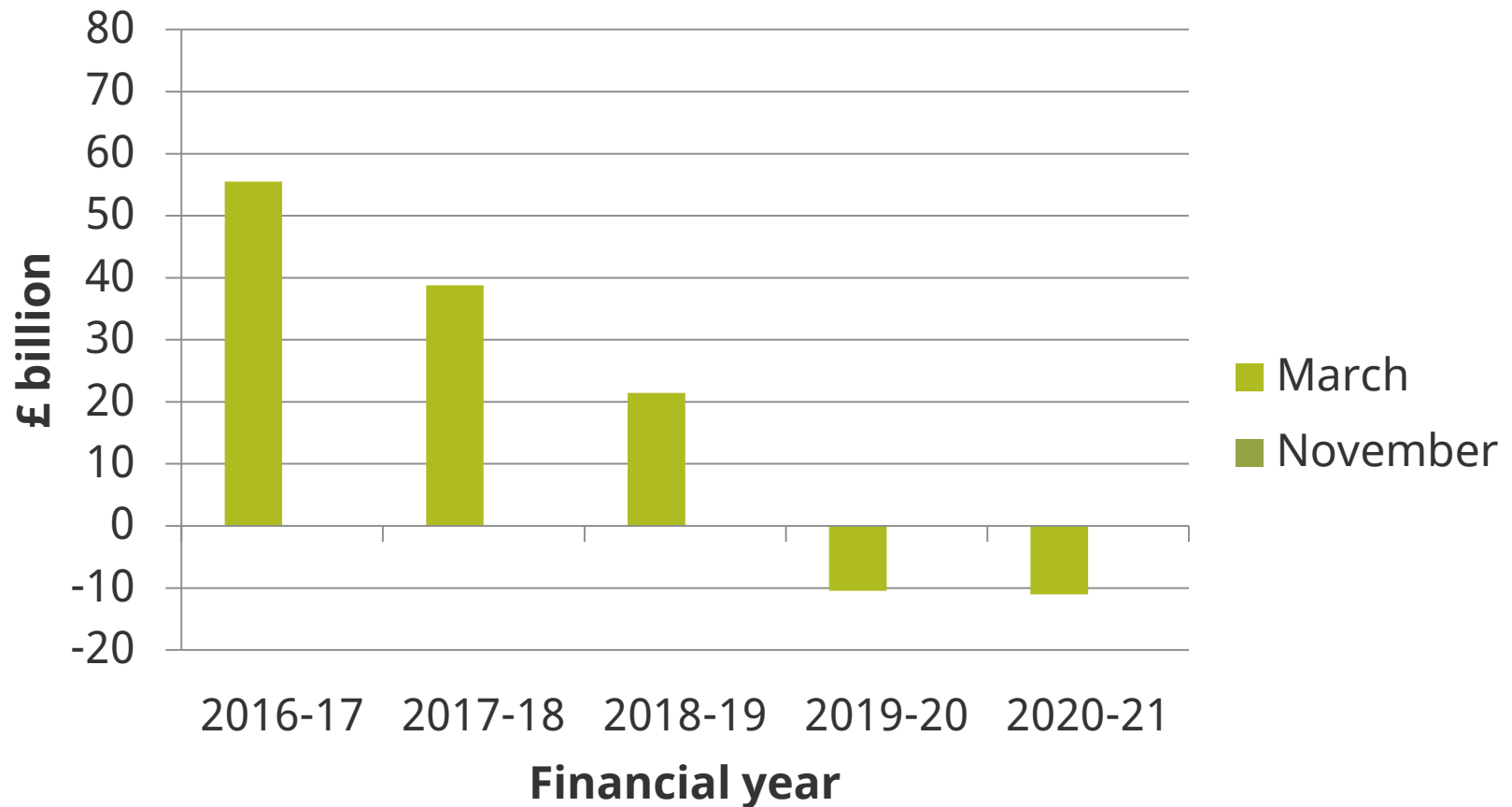
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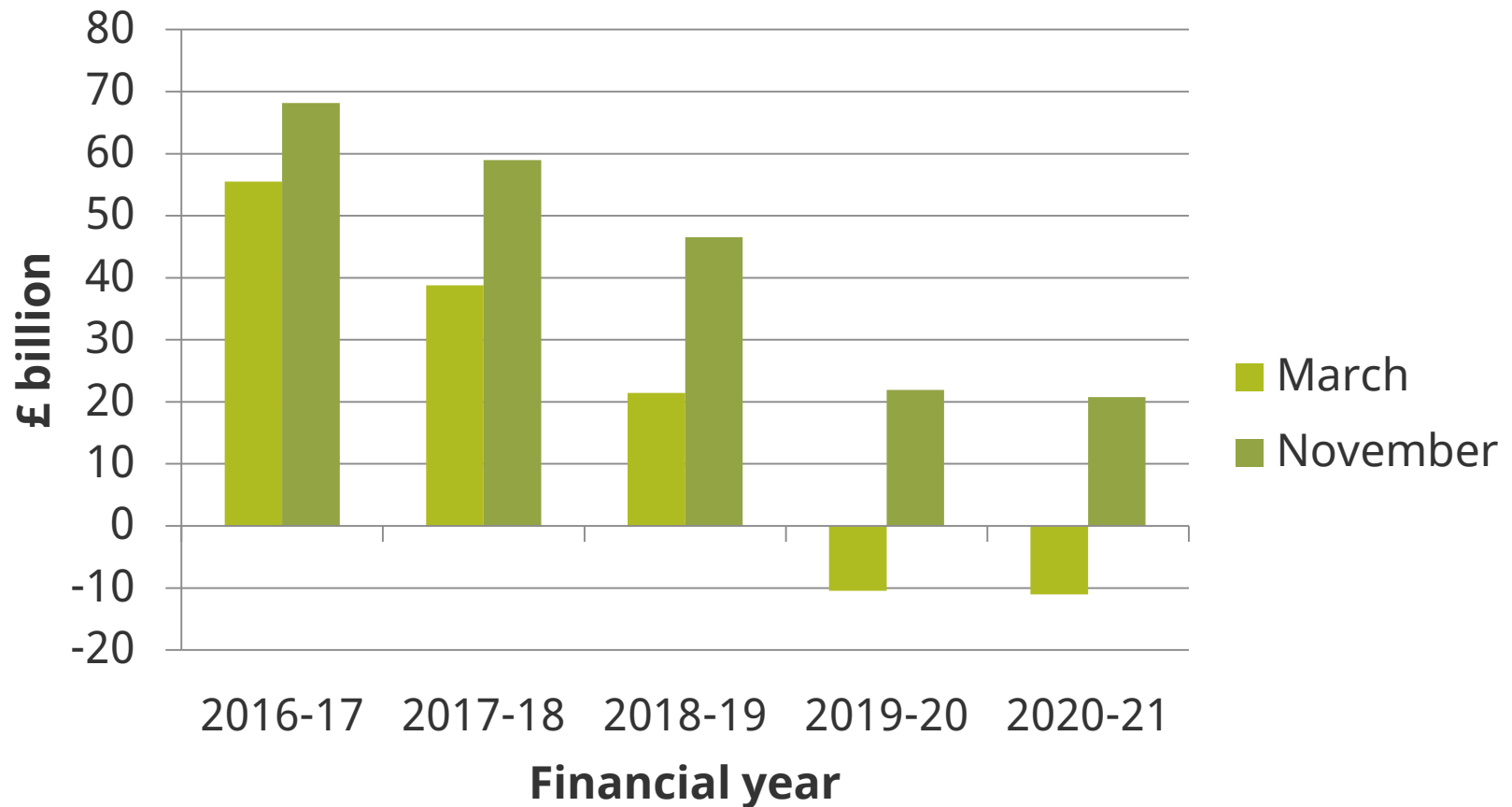
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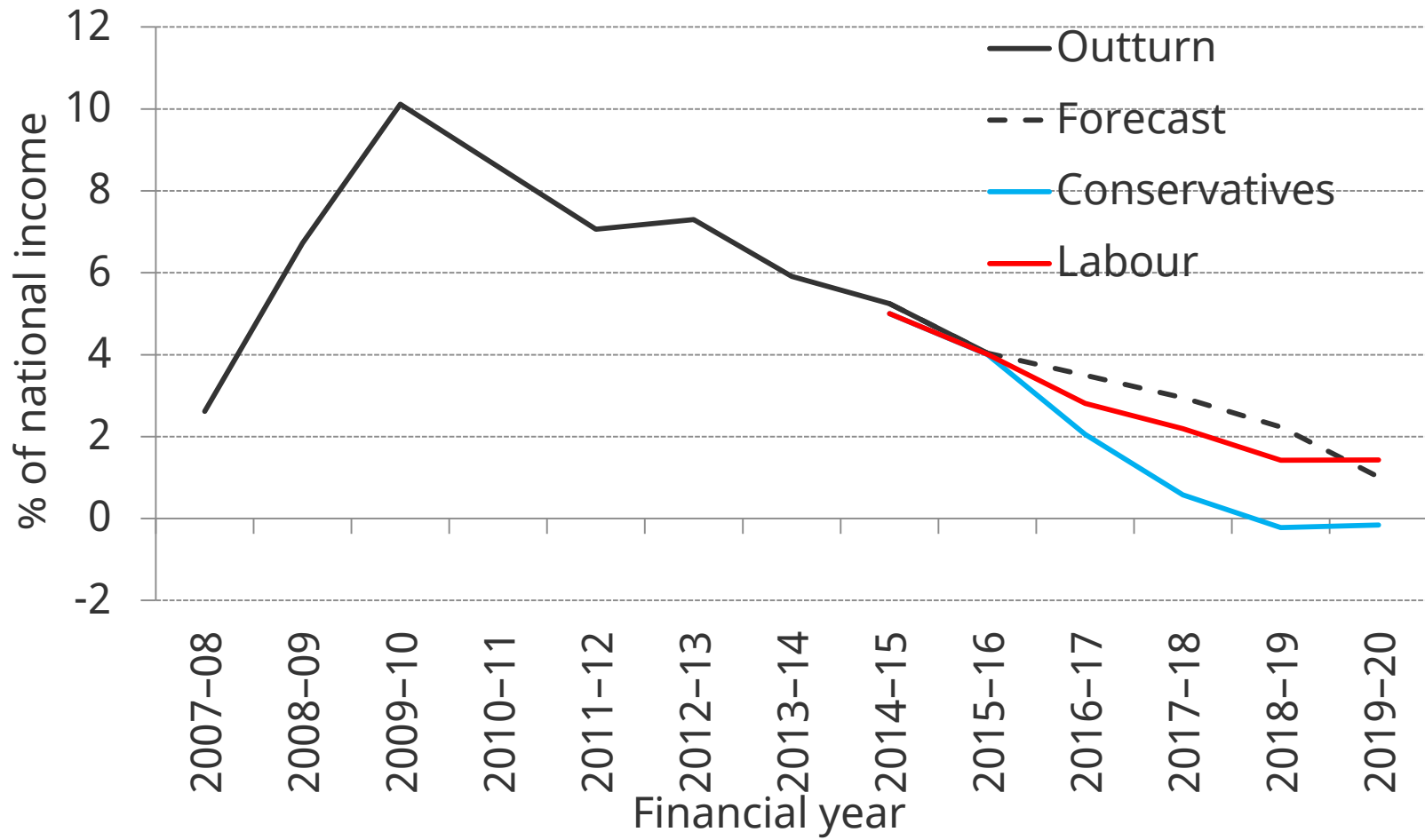
March and November borrowing plans compared



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Government to borrow £16bn more than Labour's plans implied in 2018-19



Summary

- Underlying economic changes led to £18 billion more borrowing in 2020-21. A large downgrade, though smaller than in 2011 or 2012.
- Additionally, Mr Hammond chose to loosen fiscal policy mostly through more investment.
- Public Sector Net Investment is set to rise above 2% of national income, higher than its level for most of the last 3 decades.
- In particular, housing, telecoms, roads and R&D received extra funds.
- A worse forecast and a net giveaway mean the path of borrowing is now above the path implied by Mr Balls' 2015 election plan.