

Economic and fiscal outlook

Paul Johnson

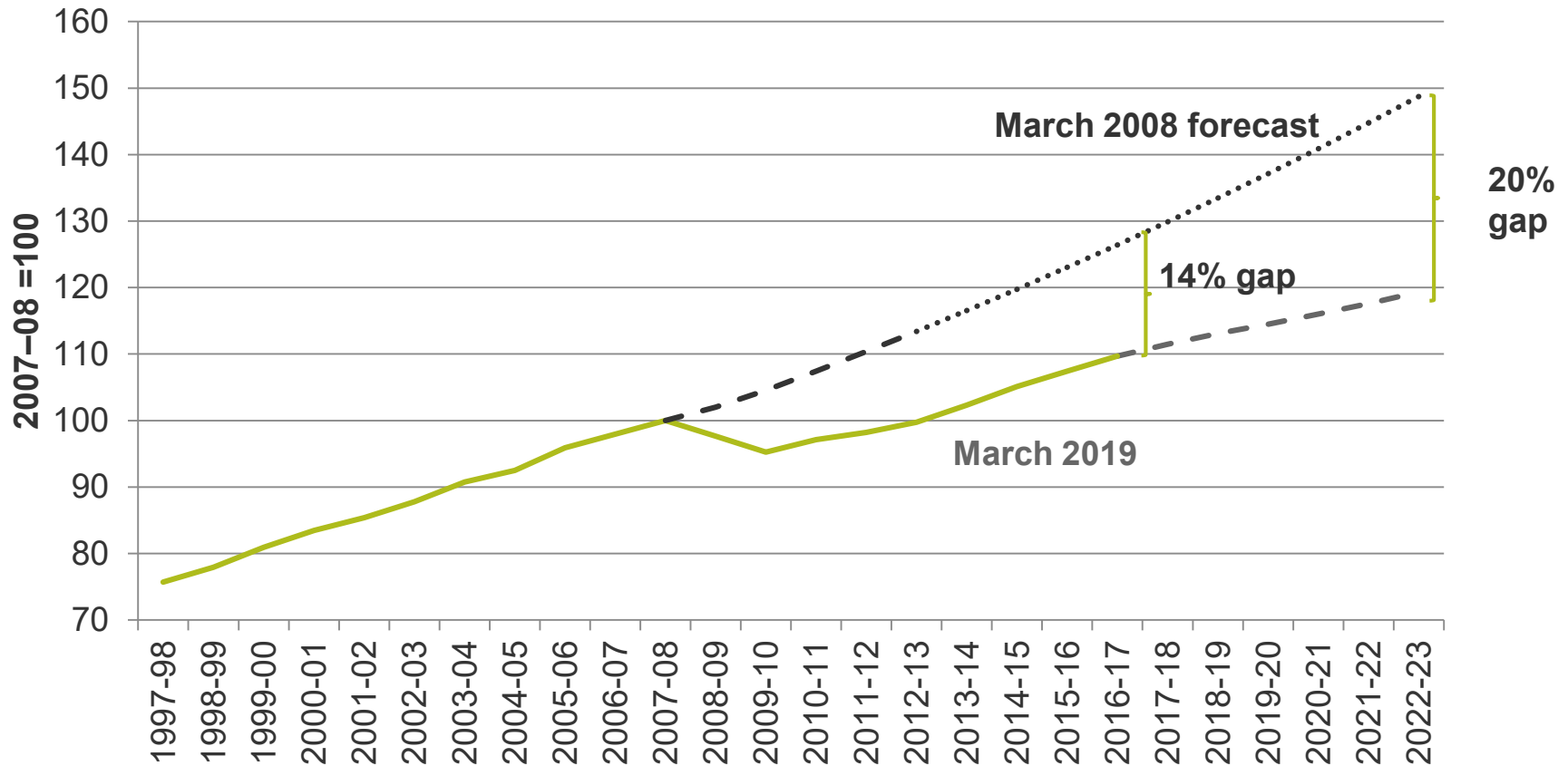
12 November 2019



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It's not been a great decade

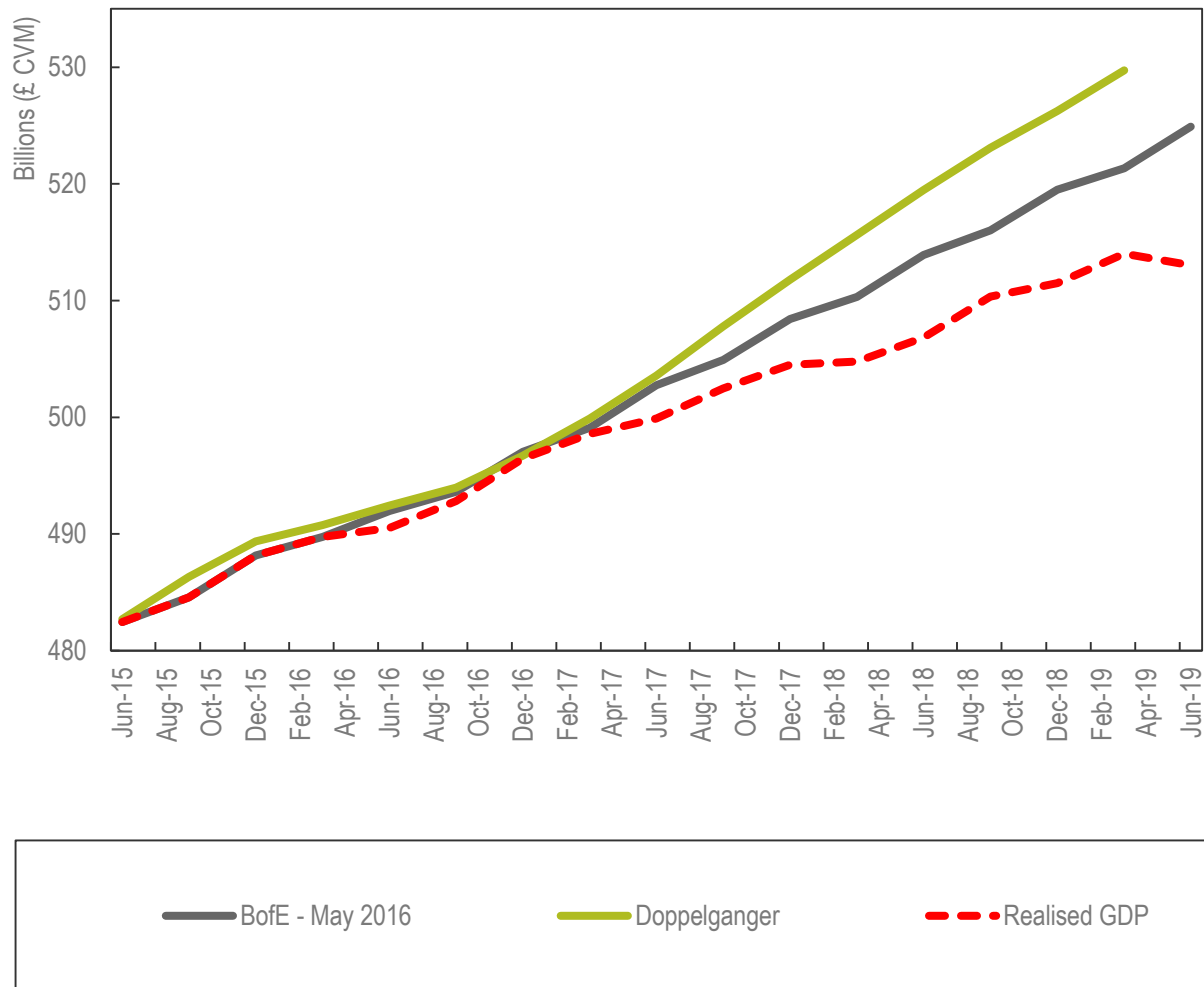
Real GDP growth forecasts: March 2008 and March 2018



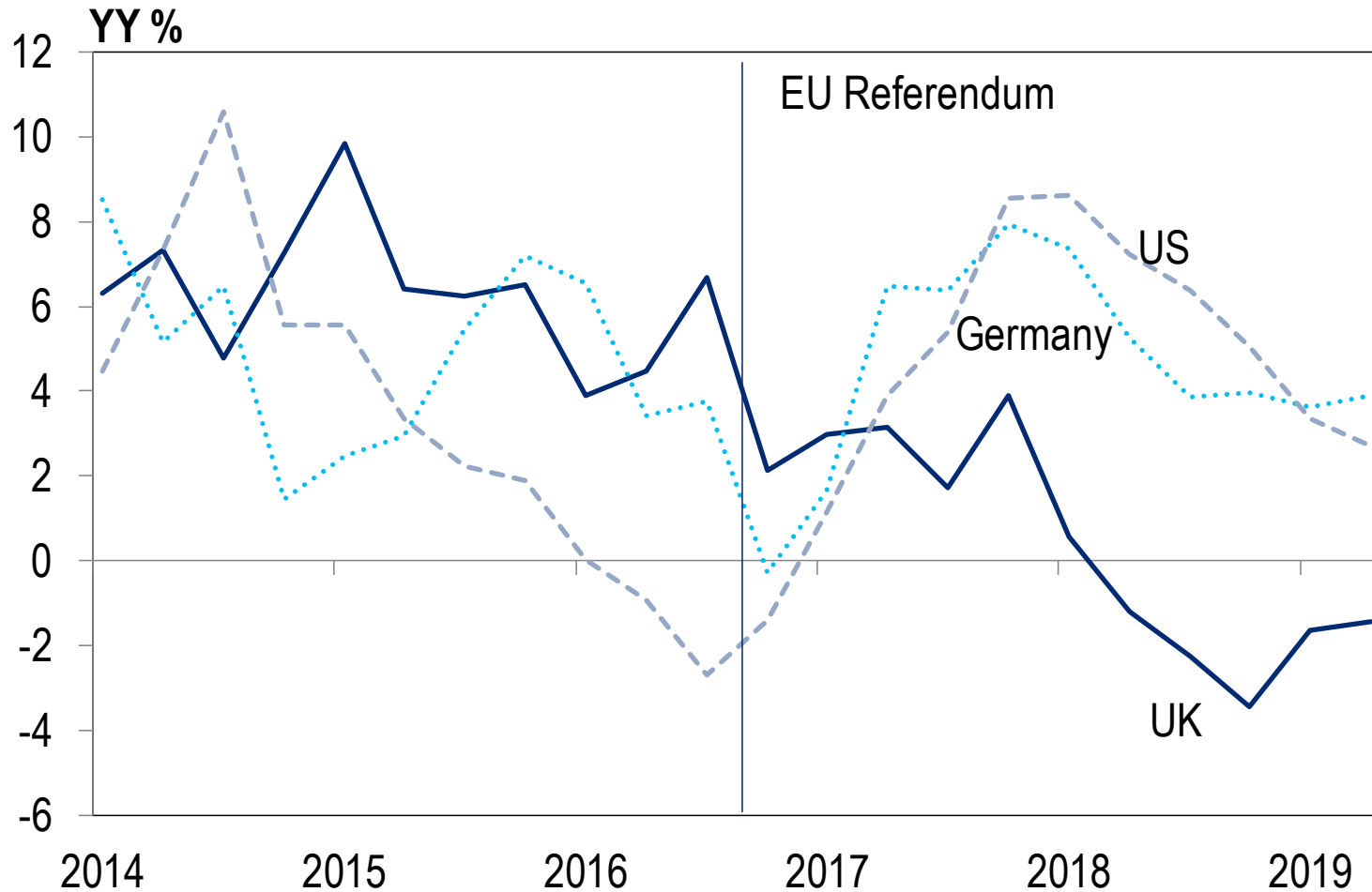
Source: Office for Budget Responsibility *Economic and Fiscal Outlook* and *Public finances databank*

Note: March 2008 forecast adjusted to account for a change in the definition of GDP: assumed growth equal to final year of forecast beyond forecast horizon

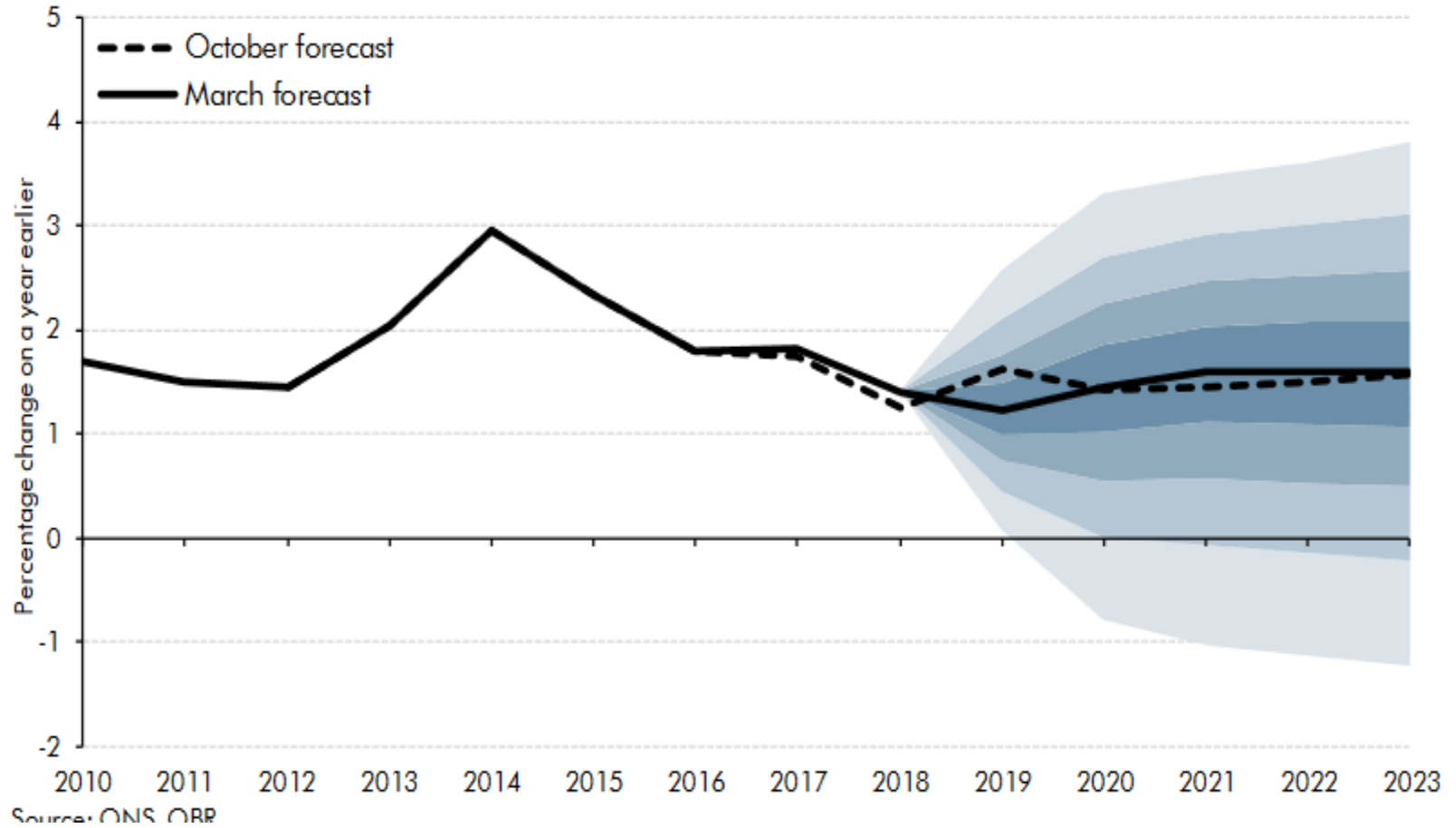
UK economy 2.5 – 3% smaller than it would have been absent Brexit vote (£55 – £66bn)



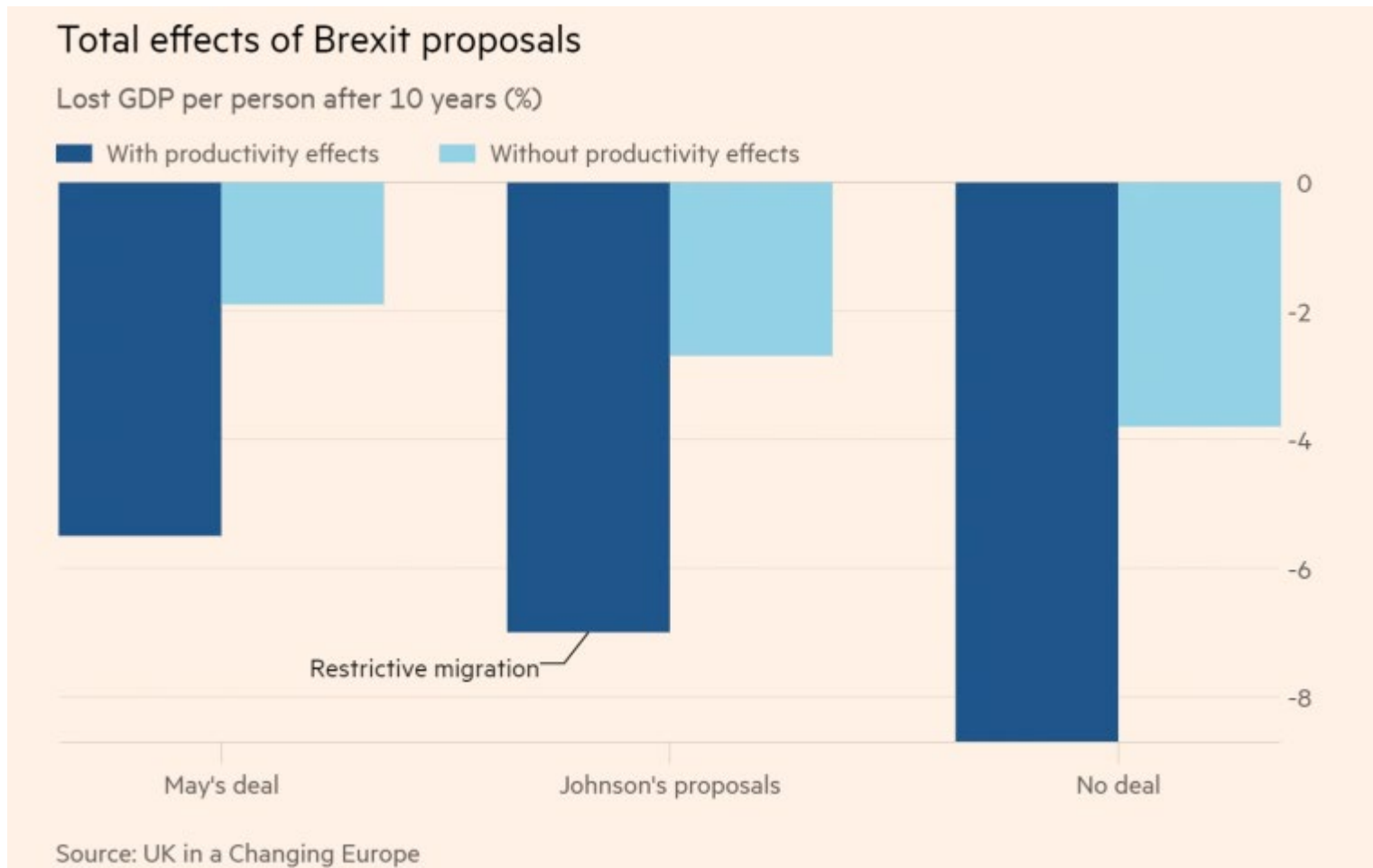
Fall off in business investment has been disastrous



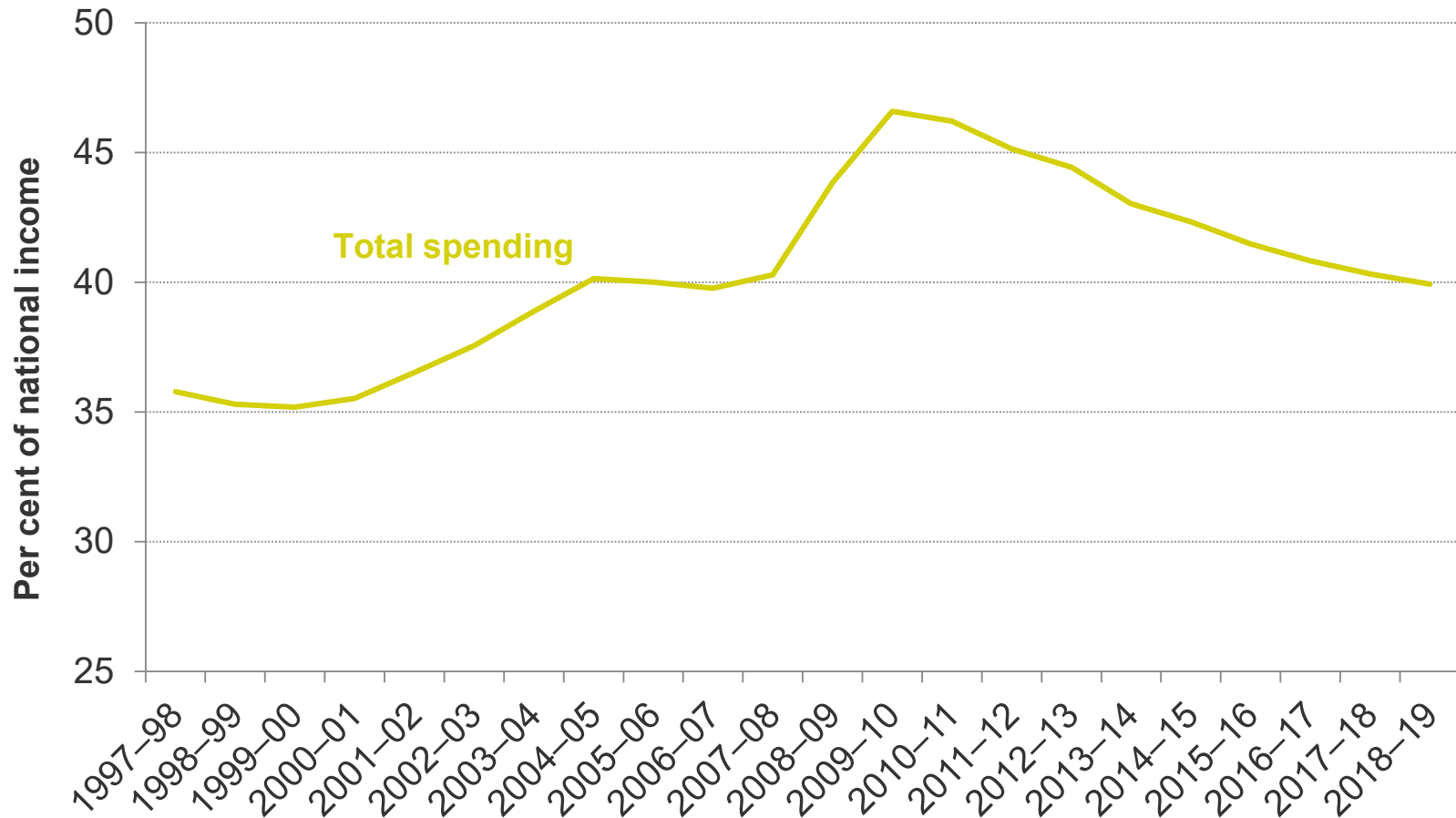
Feeble growth forecast



Possible effects of different Brexit scenarios

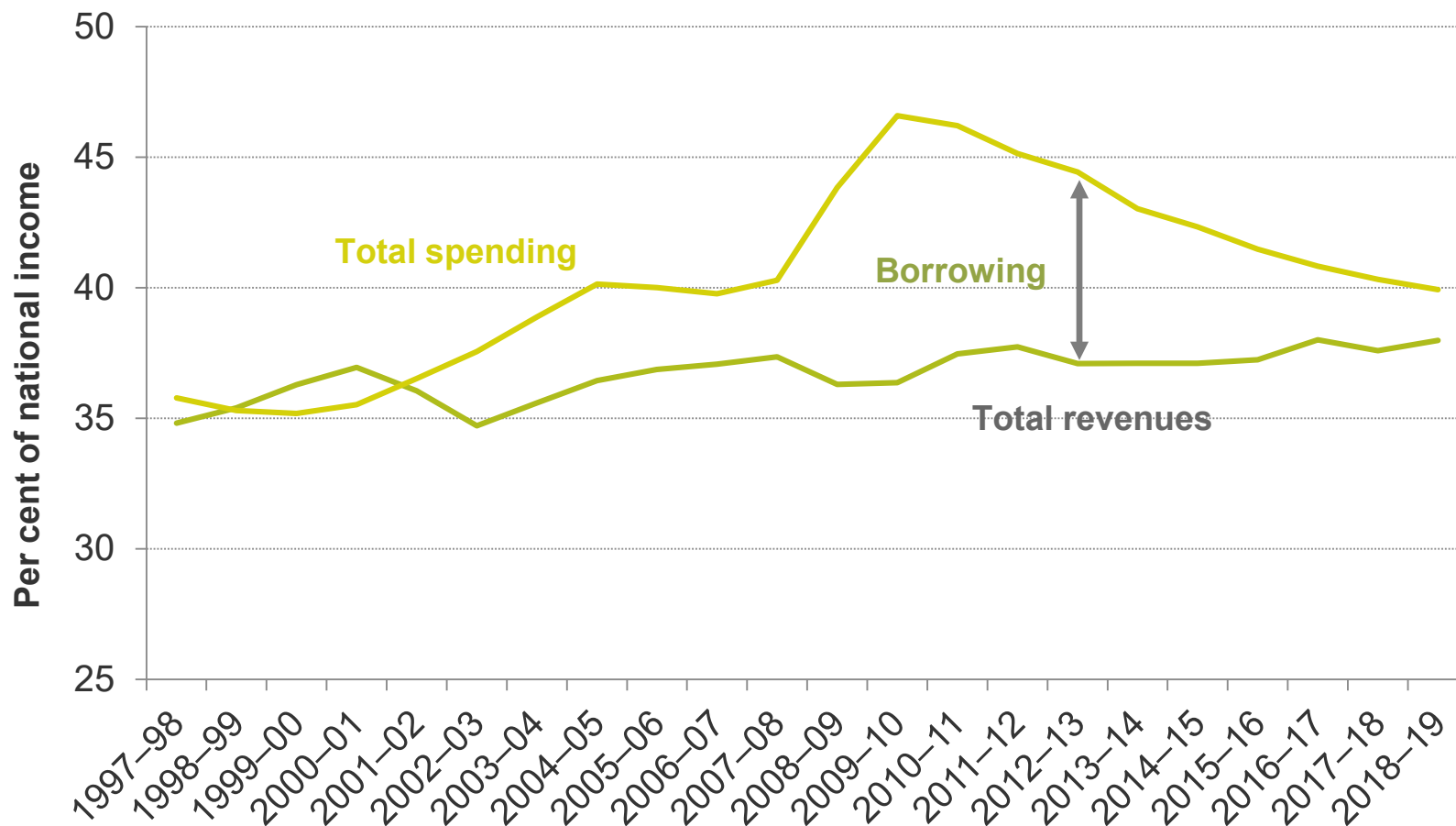


Austerity has got public spending back to 2006-07 levels



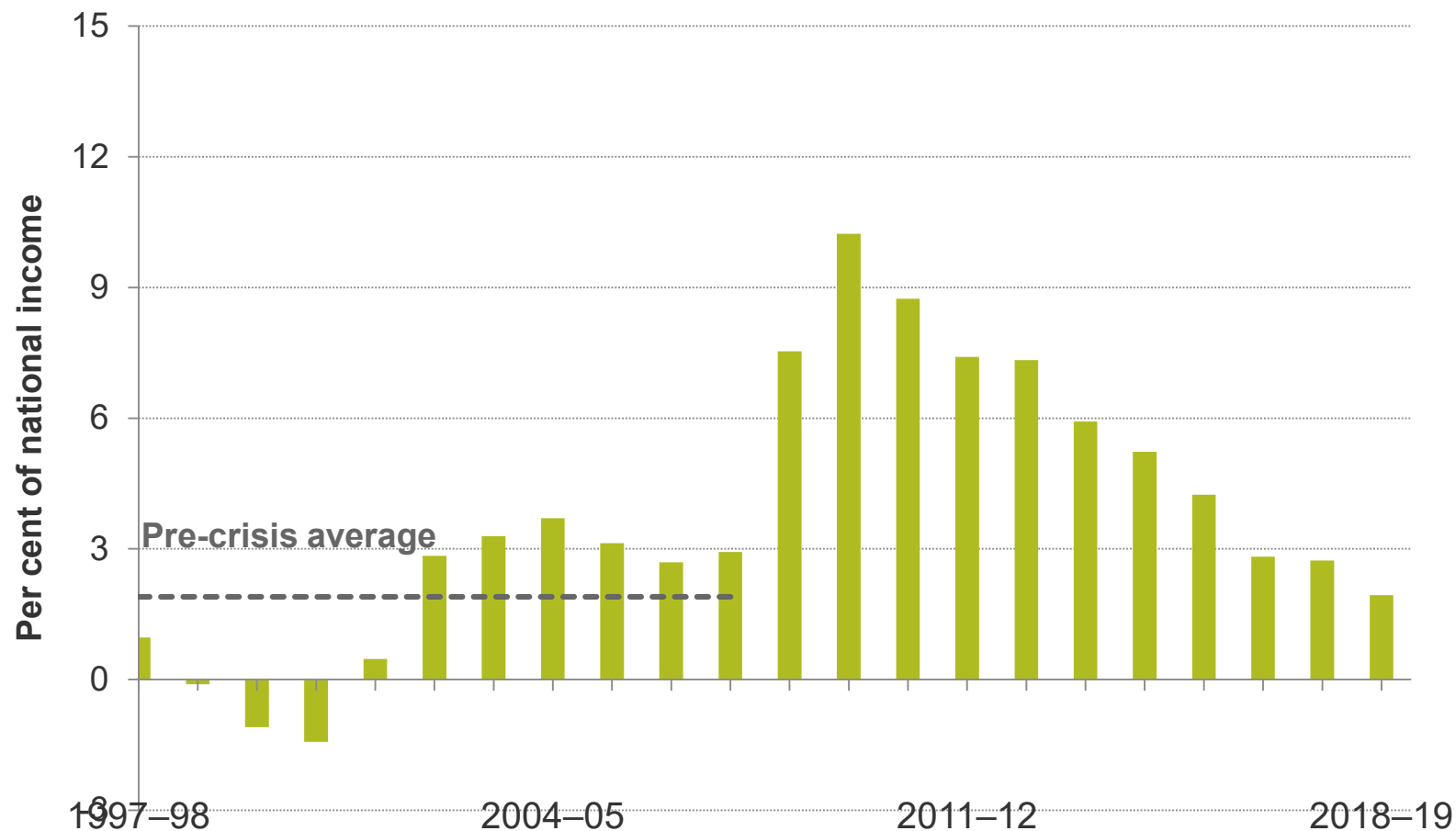
Notes and sources: see Green Budget 2019, Figure 4.1

While revenues have crept up



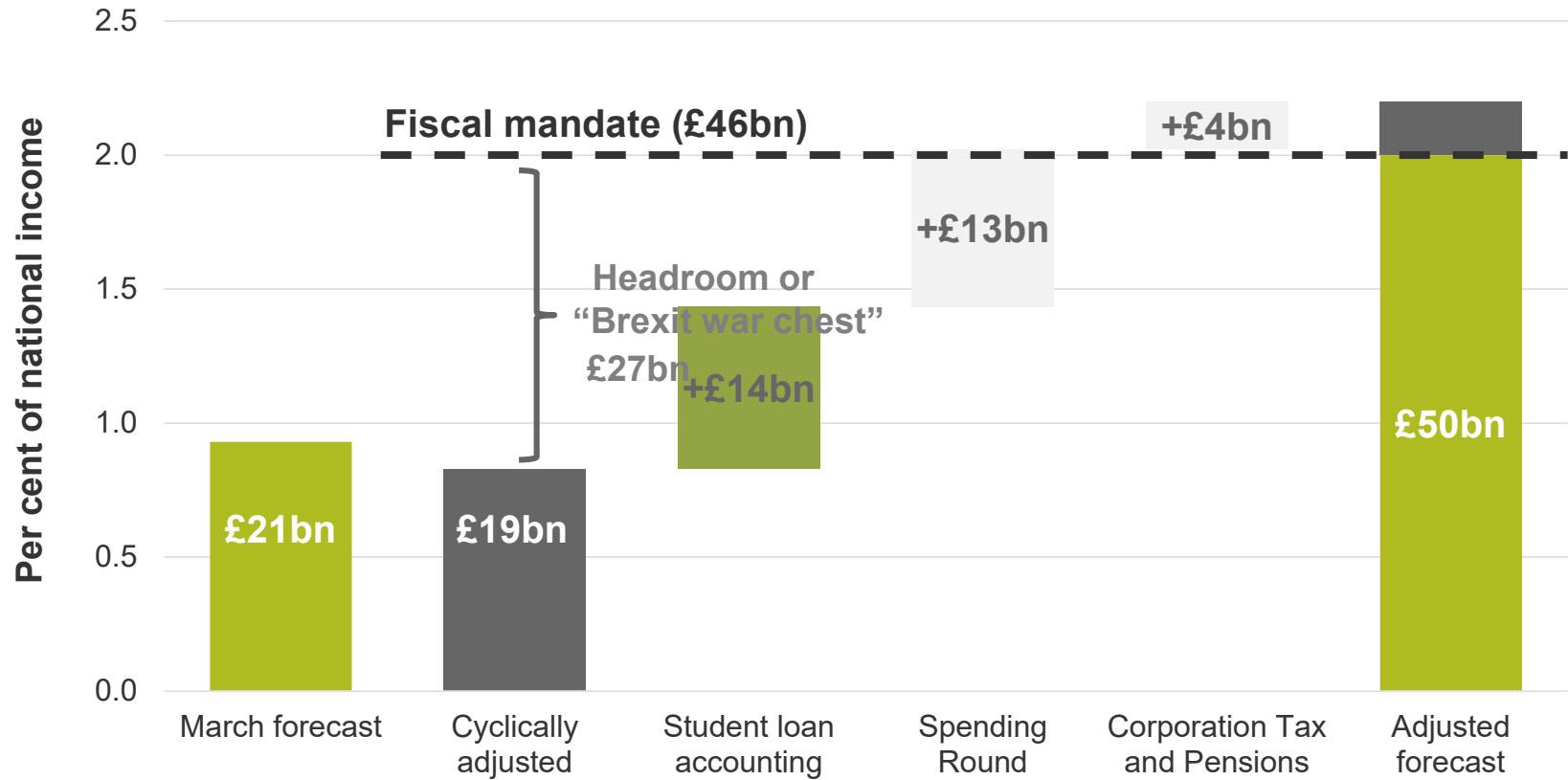
Notes and sources: see Green Budget 2019, Figure 4.1

And borrowing down to pre crisis average



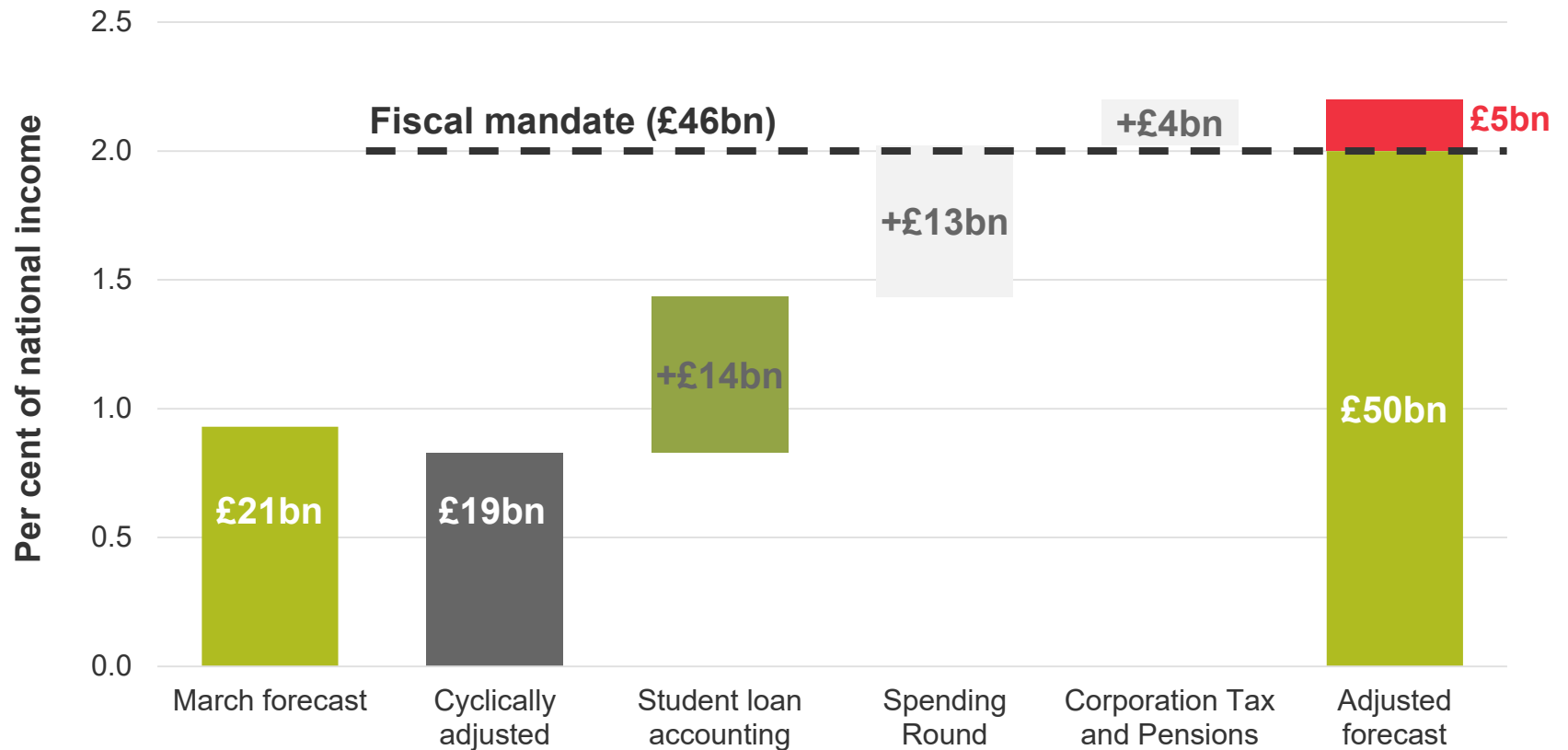
Notes and sources: Figures 4.2 and 4.B1, Green Budget 2019

And that's before recent events



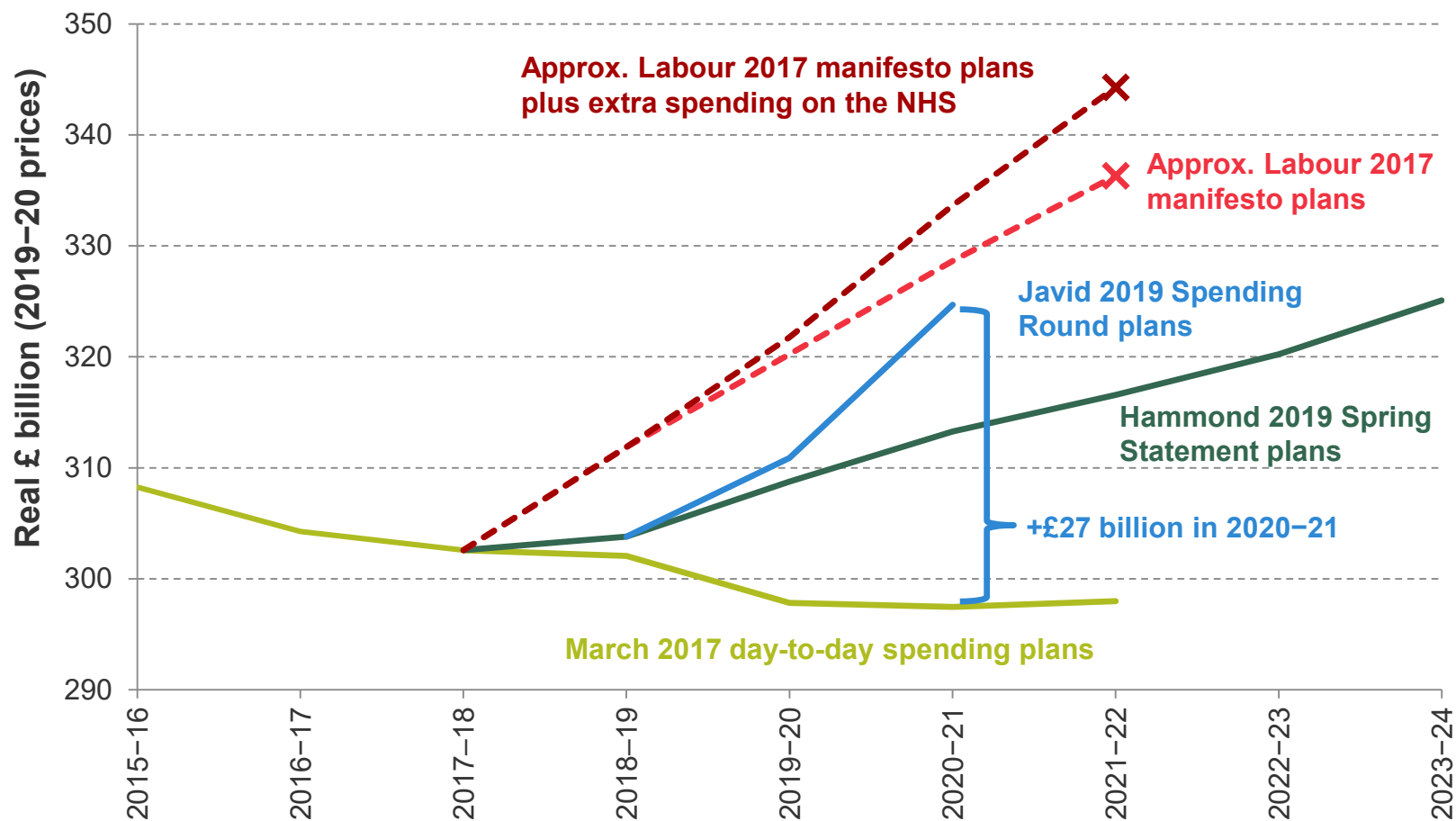
Notes and sources: Figure 5.1, Green Budget 2019

And that's before recent events



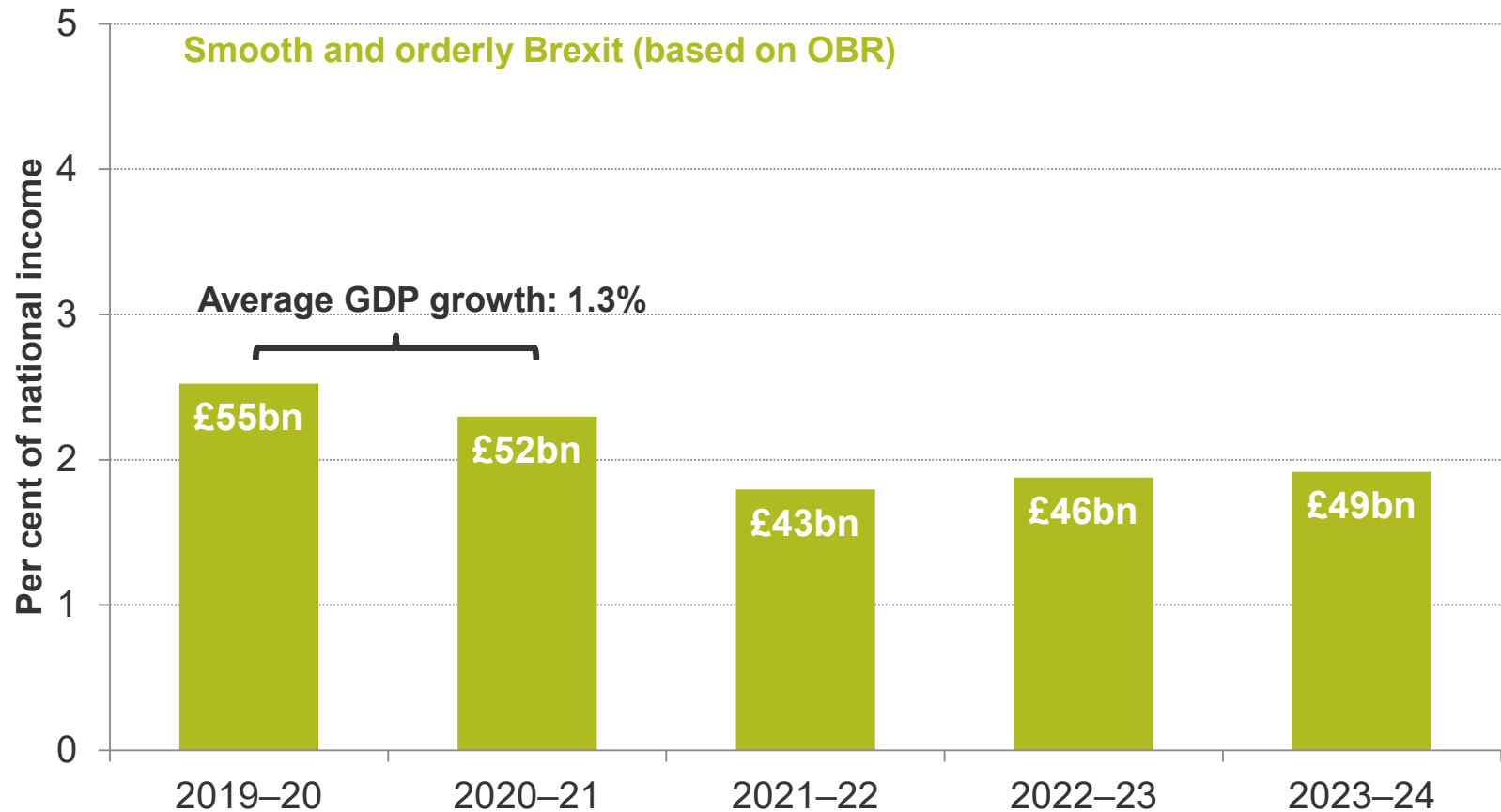
Notes and sources: Figure 5.1, Green Budget 2019

Spending plans closer to Labour manifesto



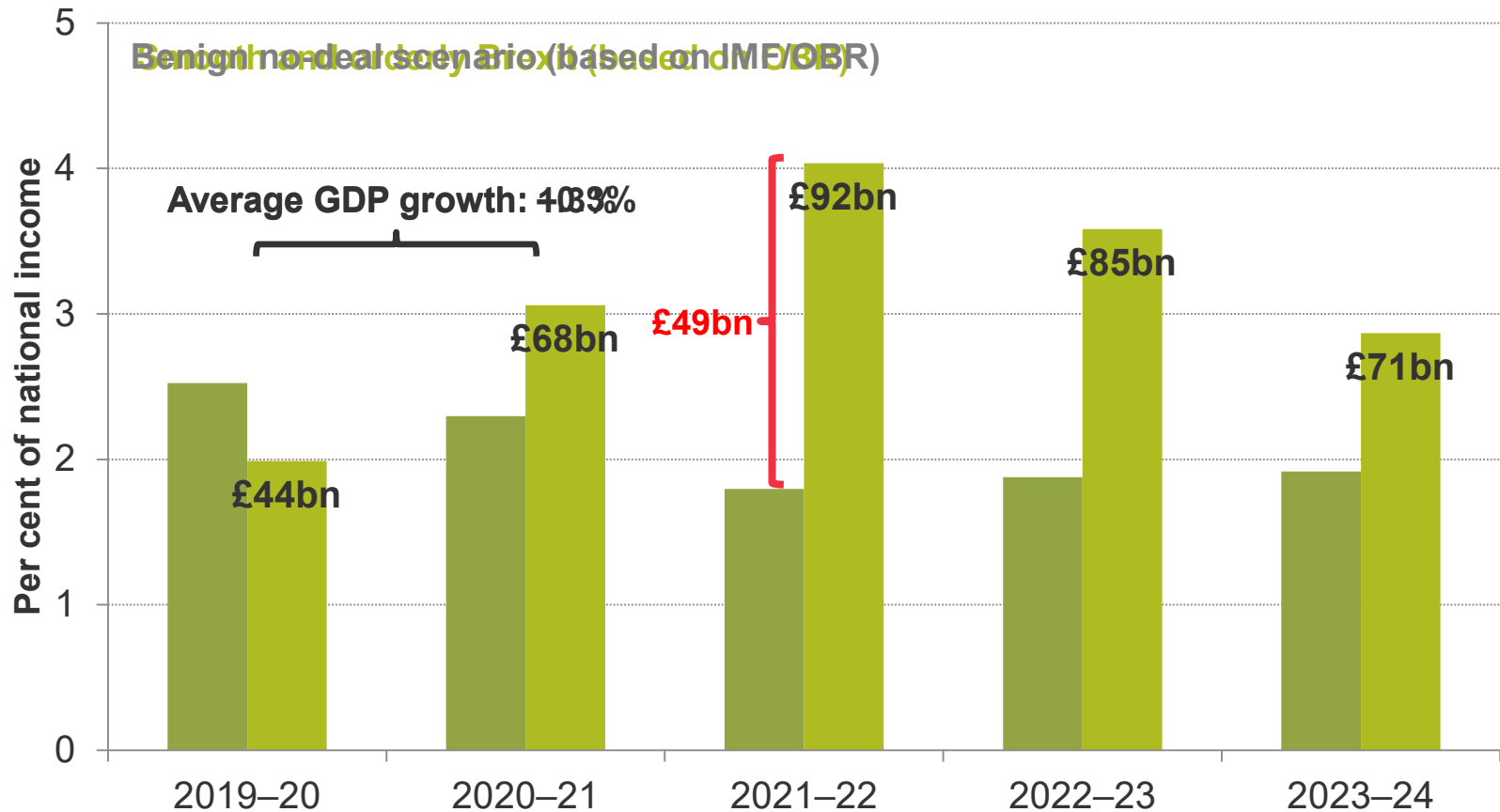
Figures refer to day-to-day spending on public services. Full notes and sources: See Figure 6.8 of the Green Budget

Borrowing under different Brexit scenarios



Notes and sources: see Tables 4.2 and 5.1, Green Budget 2019

Borrowing under different Brexit scenarios



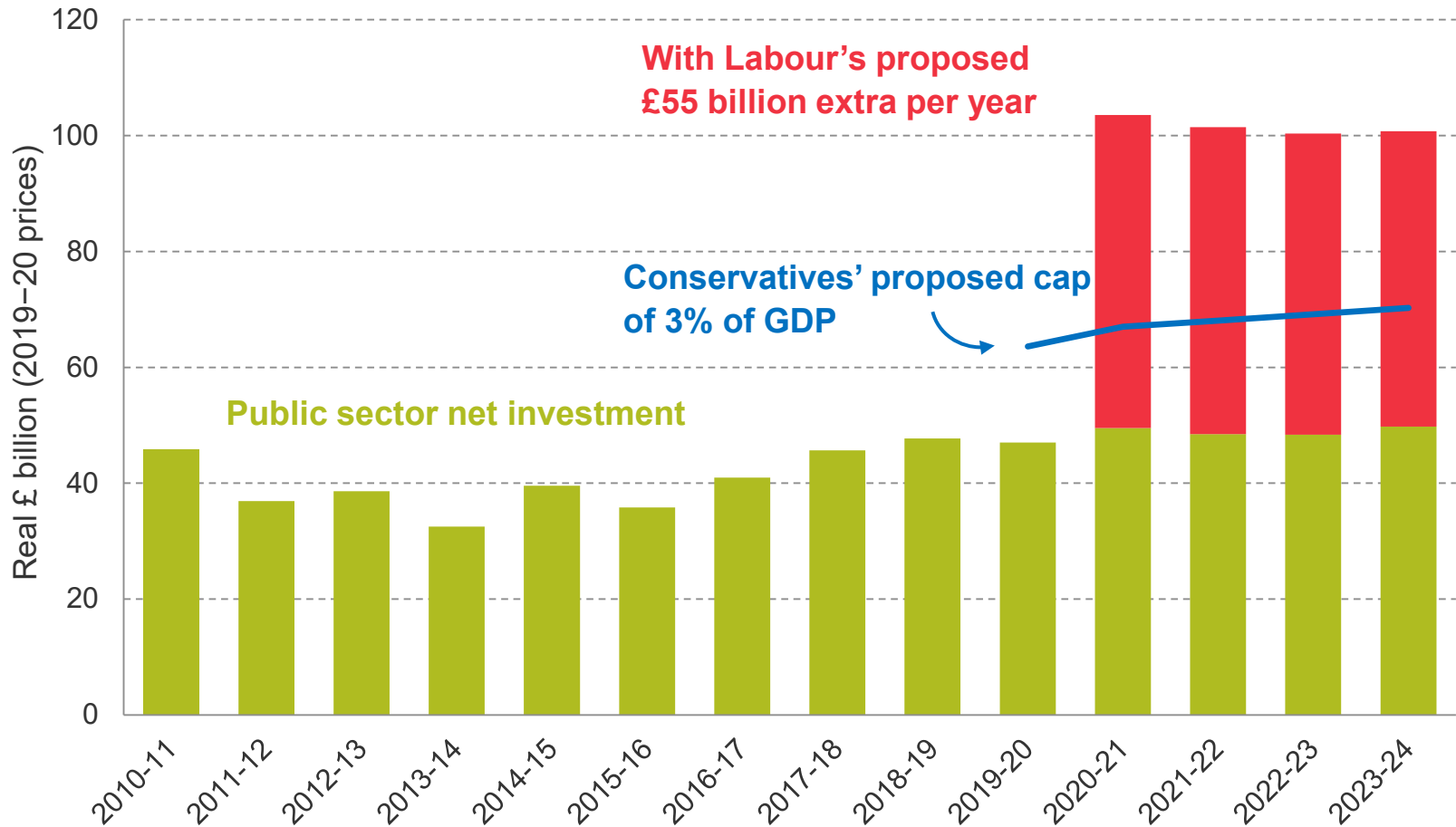
Notes and sources: see Tables 4.2 and 5.1, Green Budget 2019

Big investment promises from Labour and Conservatives

Labour – additional £55bn a year of investment spending

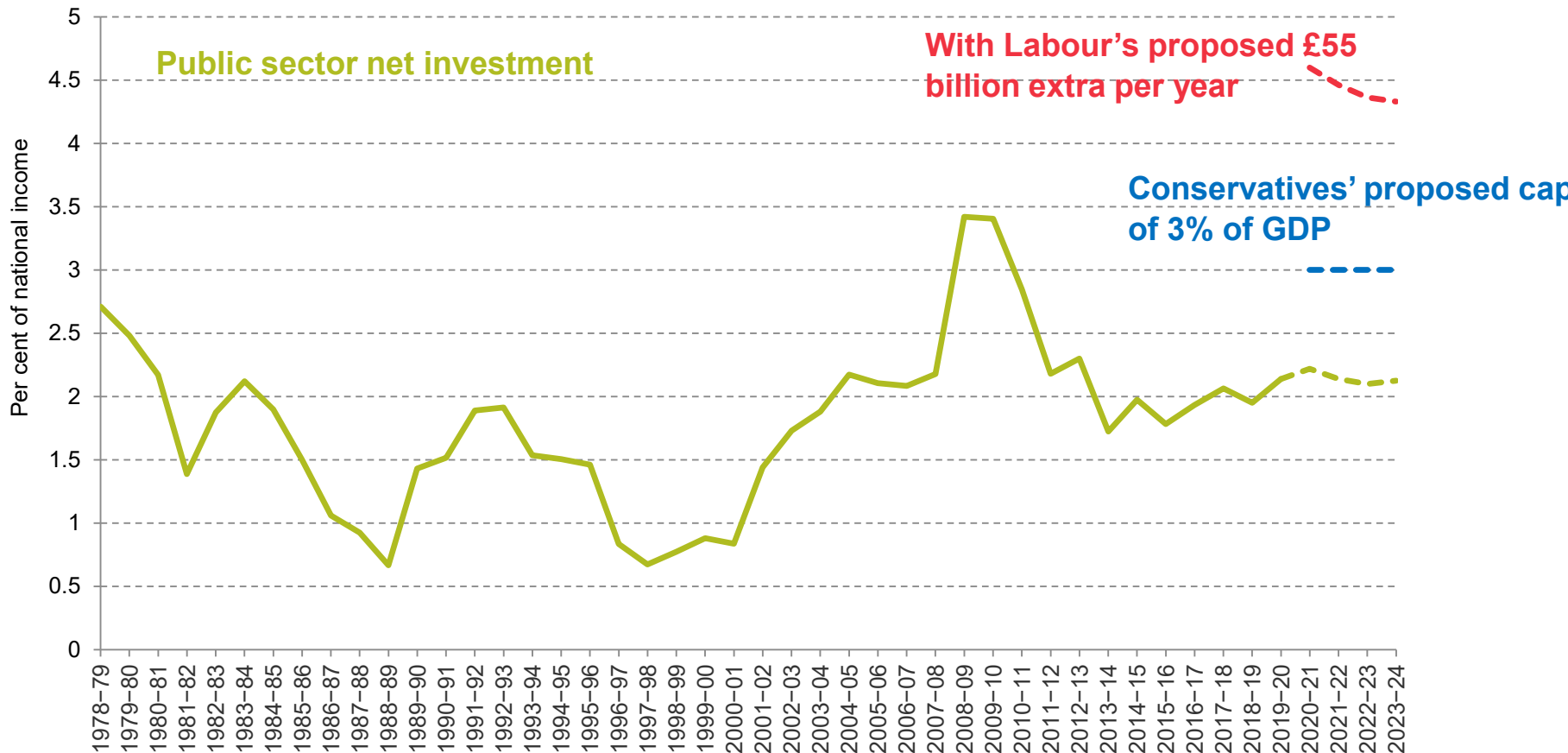
Conservatives – up to additional £20bn a year of investment spending

Labour's investment plans – if delivered – would more than double public investment



Note: Labour's proposals imply £55 billion of additional nominal PSNI per year, which is converted here into 2019-20 prices.
Source: IFS calculations using OBR Public Finances Databank and Spending Round 2019.

Taking it to levels not seen in more than 40 years



Note: Forecasts of PSNI as a share of national income under Labour's plans take account of the impact on real output using multipliers from the Office for Budget Responsibility. Dashed green line indicates current forecasts.

Source: IFS calculations using OBR Public Finances Databank, OBR fiscal multipliers, and Spending Round 2019.

Parties have set out their fiscal frameworks

Labour – targeting public sector net worth, so long as debt interest payments remain below 10% of tax receipts

Current budget balance

Conservatives – cap on investment spending at 3% of national income, with debt interest below 6% of tax receipts

Current budget balance

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