

The 2019 Spring Statement

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Briefing organised and hosted by:
All Party Parliamentary Group for Social Science and Policy

Worsening outlook for growth since October

	2018	2019	2020	2021	2022
OBR October 2018	1.3	1.6	1.4	1.4	1.5

Notes and sources: OBR; ONS; authors' calculations.

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Bank of England:					
August 2018	1.6	1.8	1.7		

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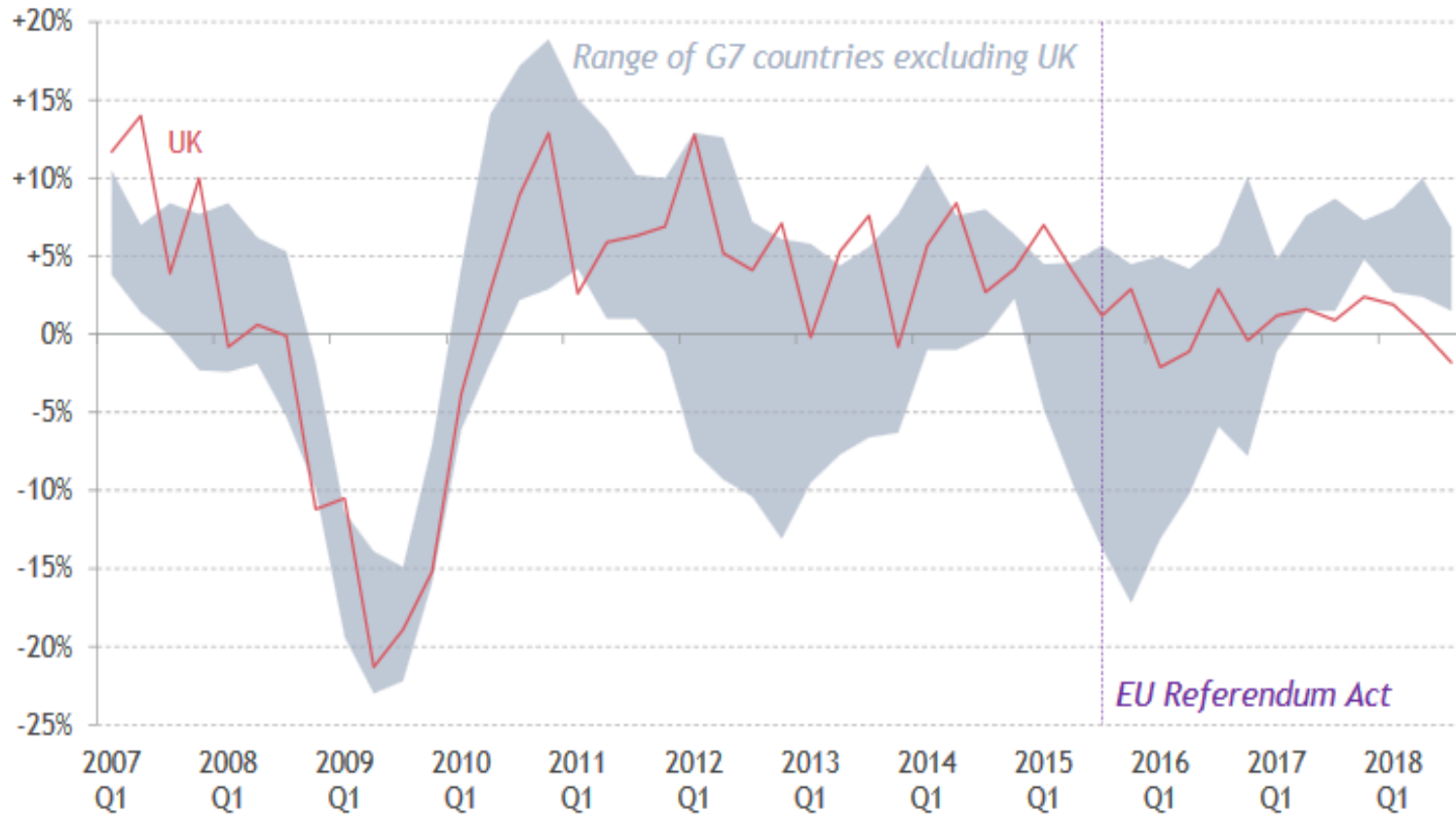
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Bank of England:					
August 2018	1.6	1.8	1.7		
November 2018	1.3	1.7	1.7	1.7	
February 2019	1.4	1.2	1.5	1.9	

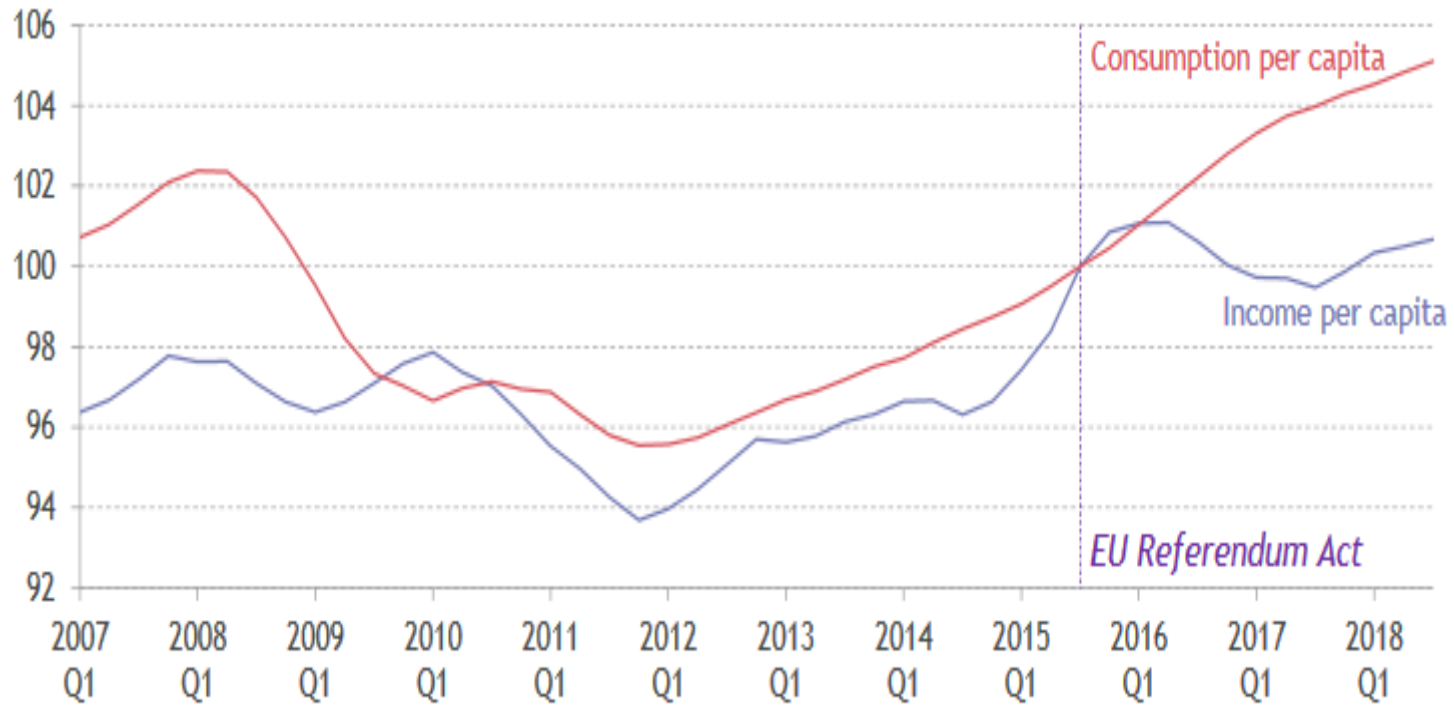
A downgrade of 0.5% from one year's growth reduces expected GDP by about £10bn and would add about £5bn to the forecast deficit

Notes and sources: OBR; ONS; authors' calculations.

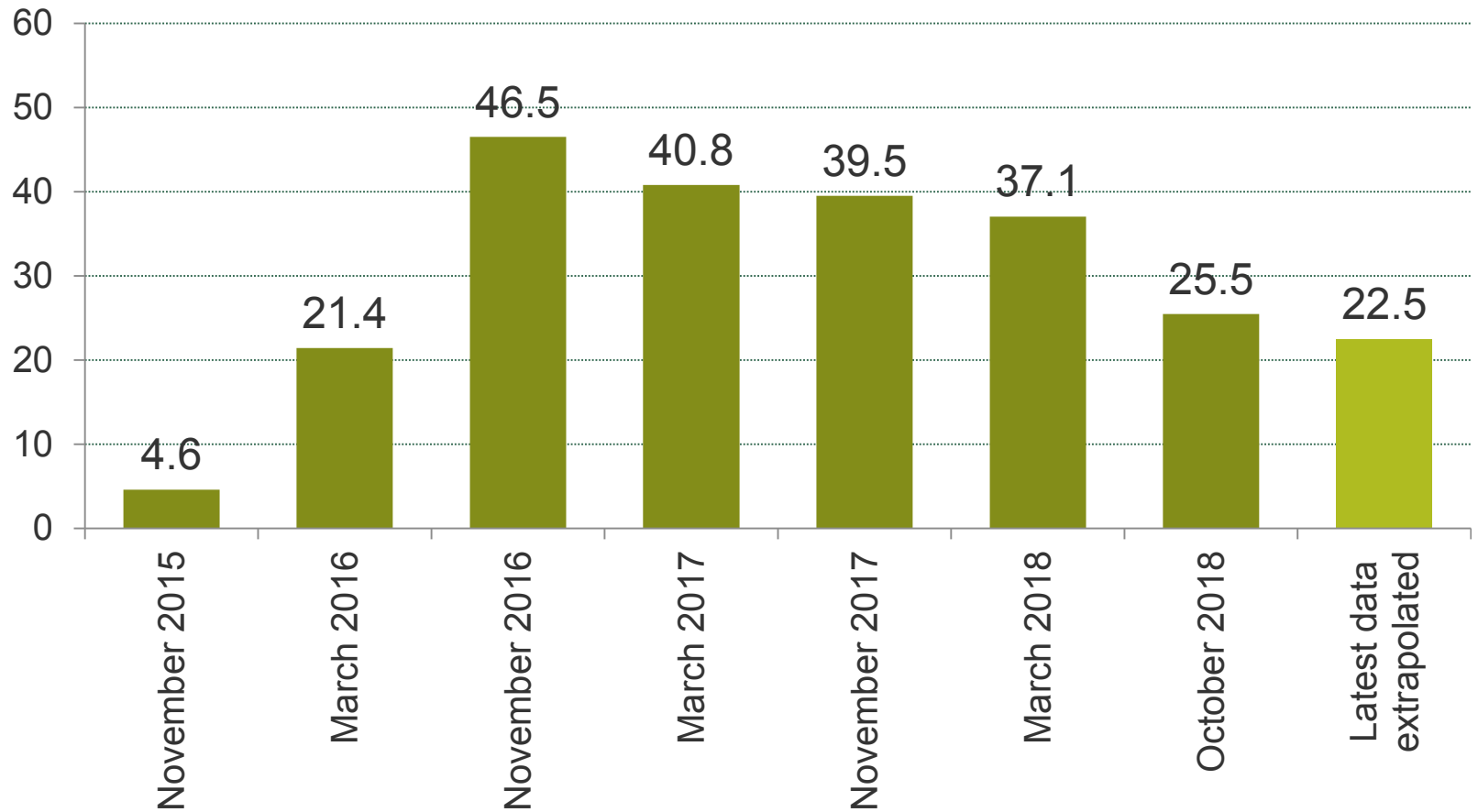
Low business investment depressing growth but helping public finances



Spending growth outstripping income growth

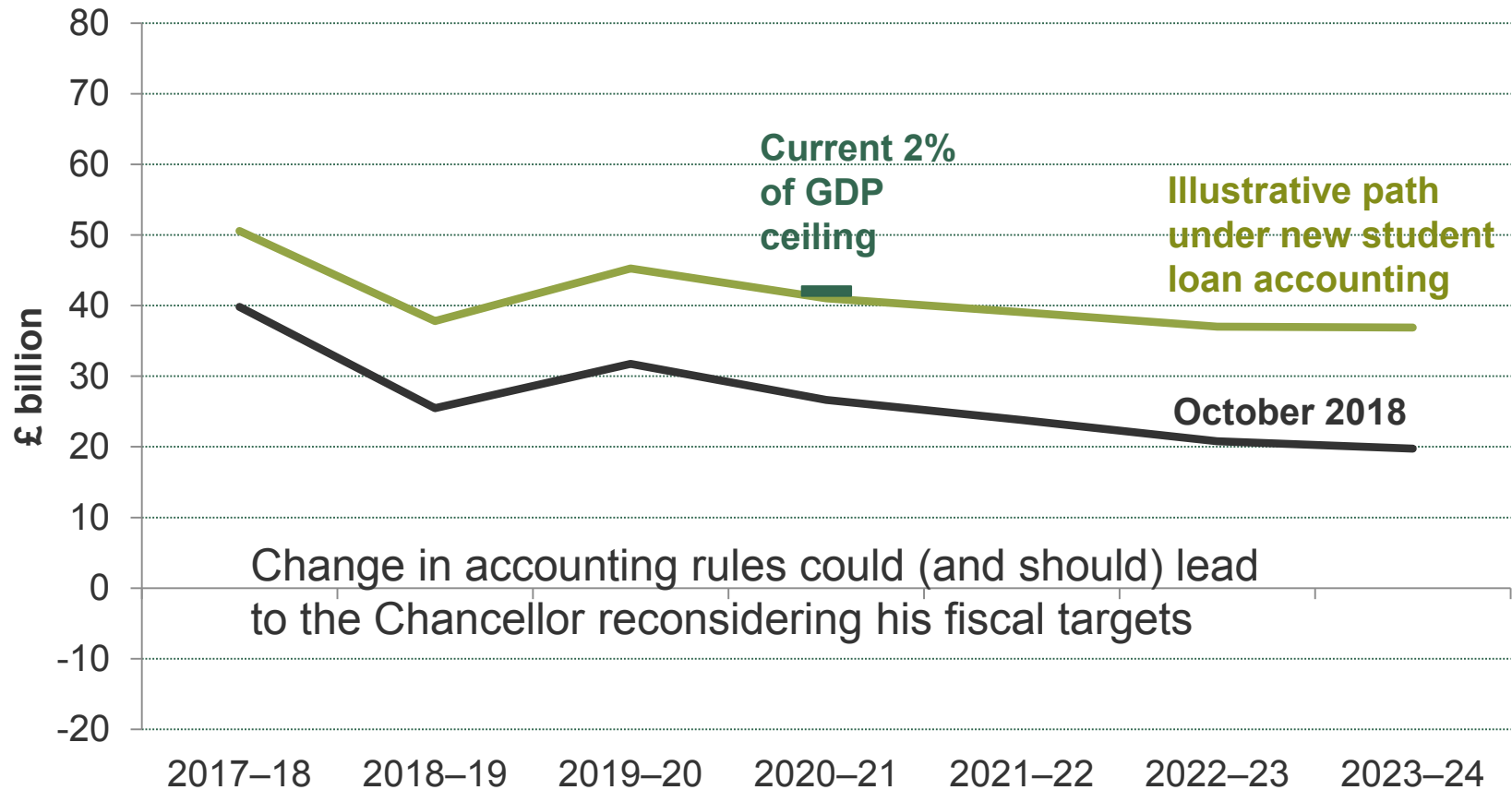


Successive forecasts for the deficit in 2018–19



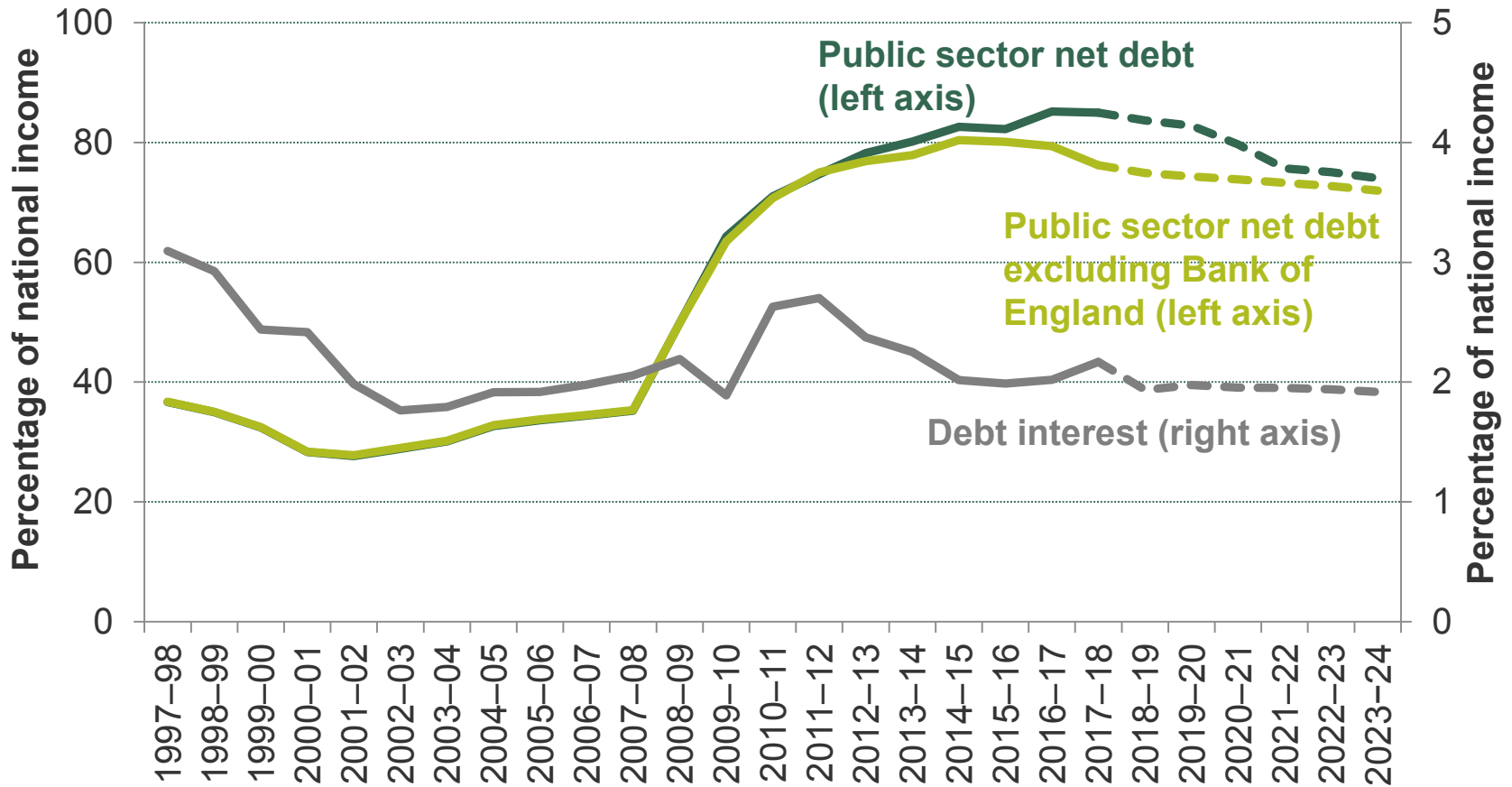
Notes and sources: OBR; ONS; authors' calculations.

Changes to student loan accounting this summer will push up headline deficit



Notes and sources: Britton, Emmerson and Pope (2018).

Debt high but interest payments not



Notes and sources: Figure 2c of Emmerson, Pope and Zaranko (2019).

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Not likely to be a big event

- Expect borrowing numbers to improve
- Perhaps a little more money for priority areas
 - Social care?
 - Prisons?
 - Police?
- Review of fiscal rules?

Don't forget what's happening anyway

Fourth and final benefits freeze in April

Personal allowance rises to £12,500, HRT to £50k

Various elements of income tax system frozen again

- £50k child benefit limit
- £100k point at which personal allowance withdrawn
- £150k point where 45p rate kicks in

Mortgage interest relief continues to become less generous for landlords

Another £25k increase in main residence allowance for IHT

And, of course, fuel duty frozen again

The 2019 Spending Review

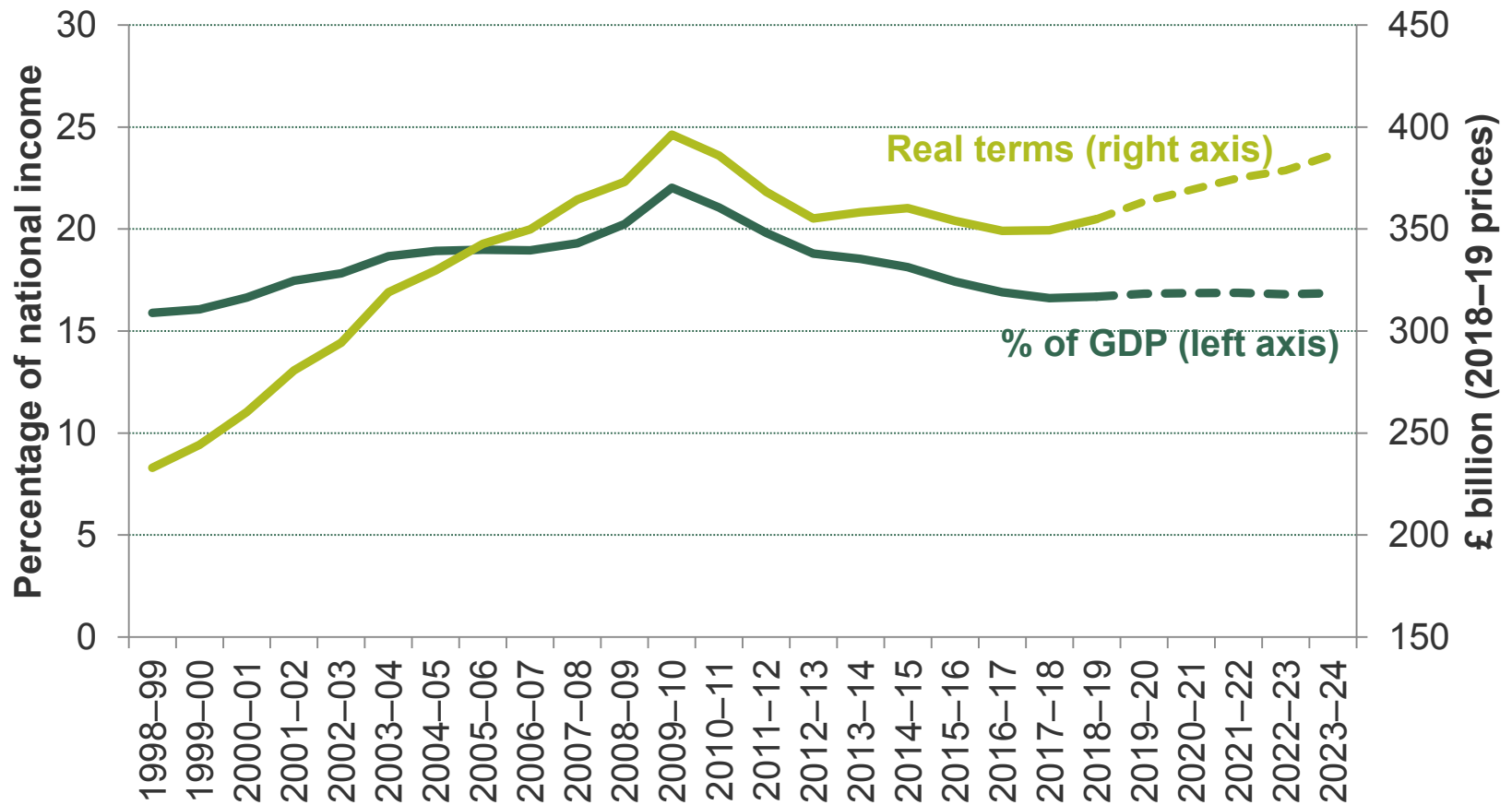
Much we don't yet know

- What years will be covered?
- What spending will be in scope?
- What will the spending envelope be?

Could announce these in the Spring Statement, or at a later point before the summer

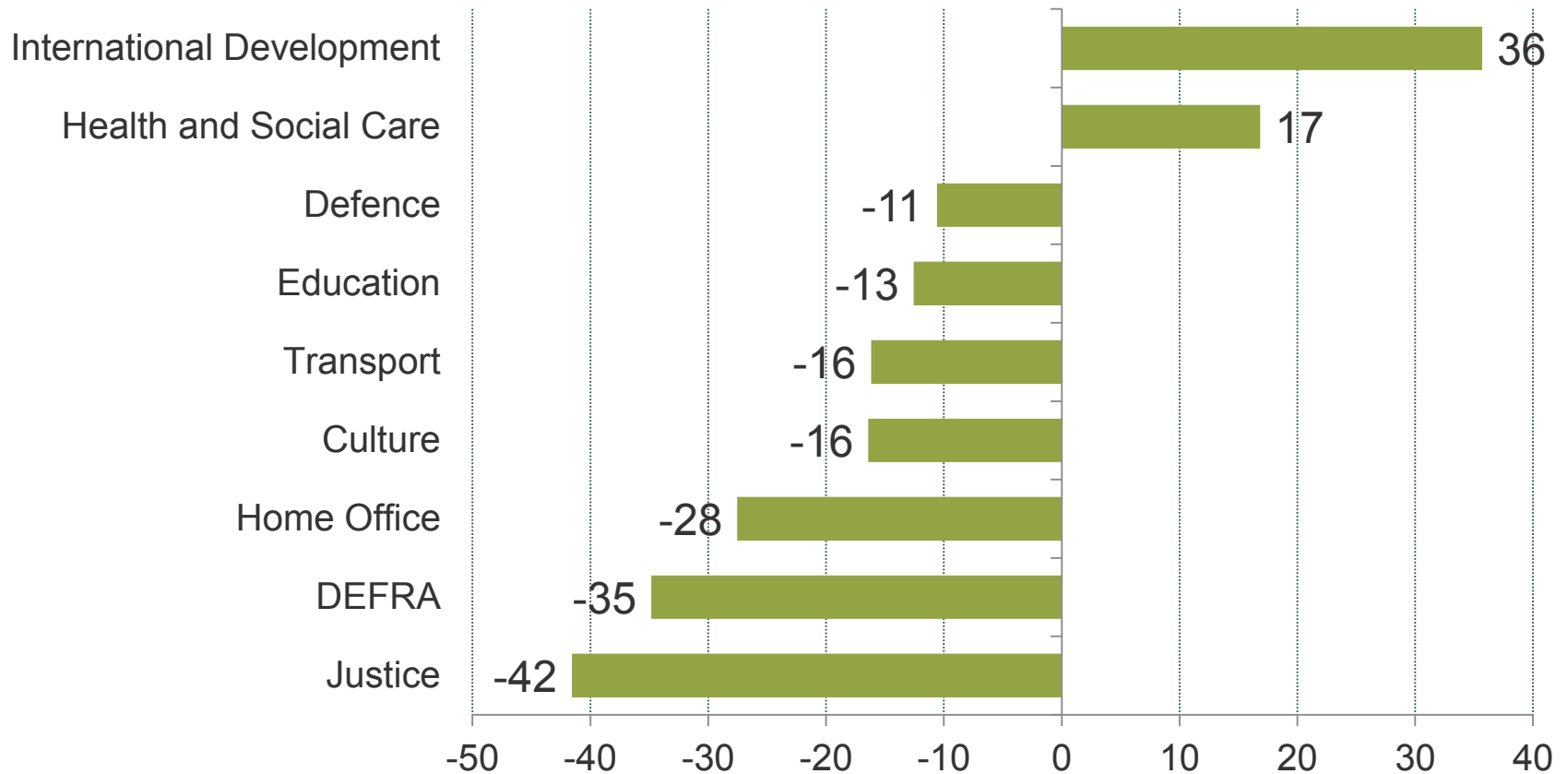
- Final Spending Review allocations to follow in the Autumn Budget?

Total departmental expenditure

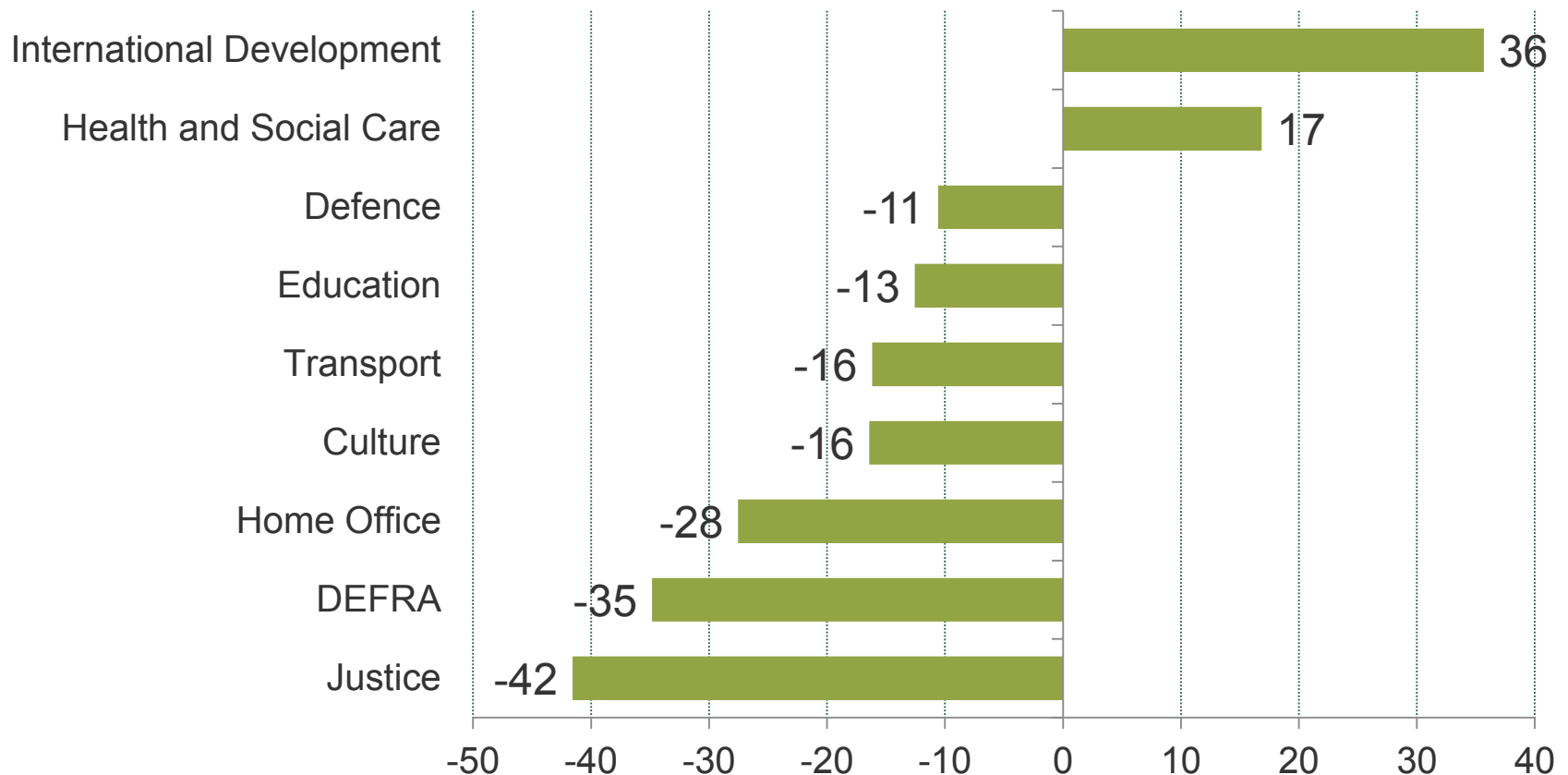


Notes and sources: Figure 4 of Emmerson, Pope and Zaranko (2019).

Real departmental budget changes, 2010–11 to 2019–20

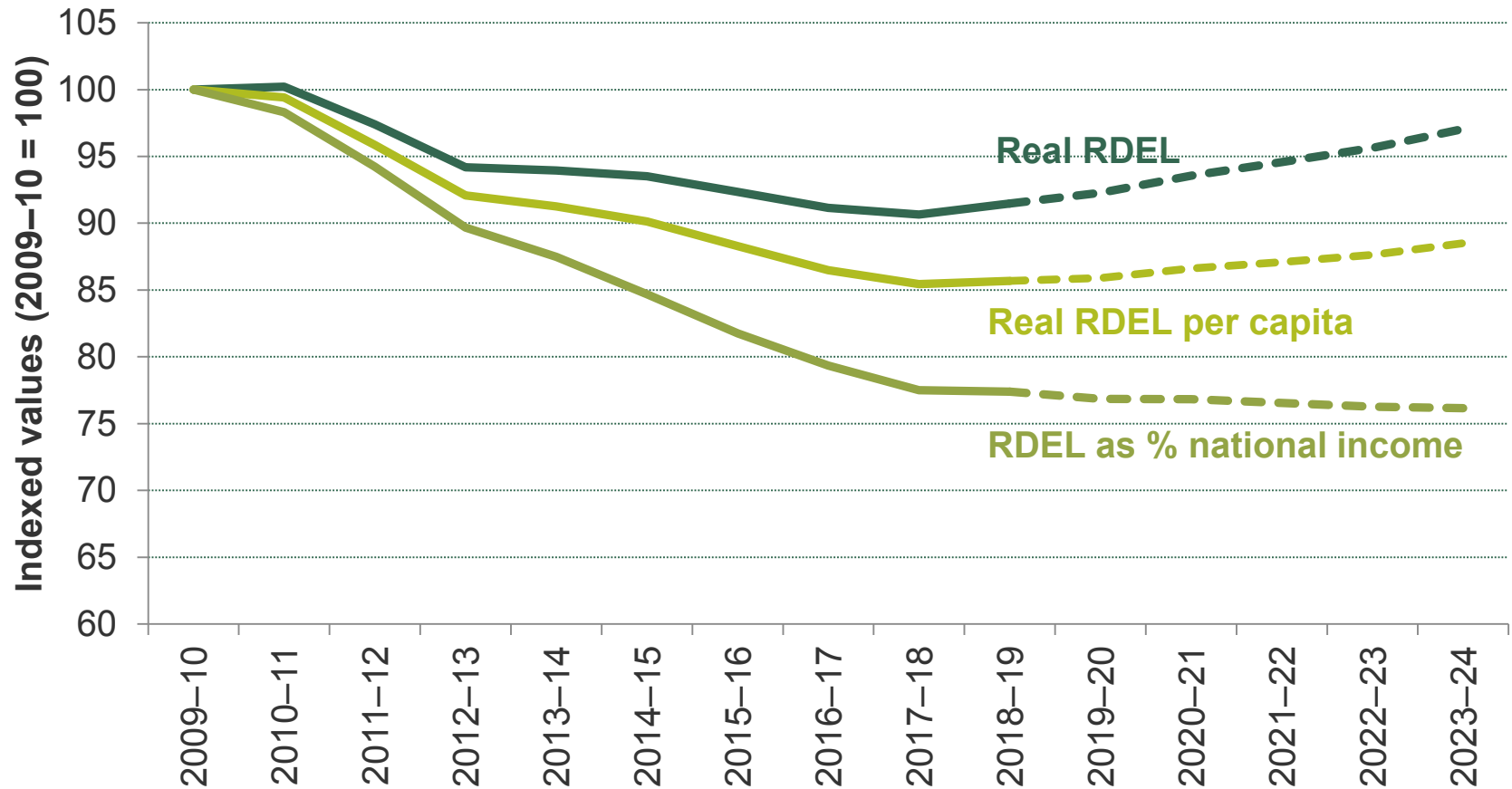


Real departmental budget changes, 2010–11 to 2019–20



Local government spending down c 20%

Forecast change in day-to-day public service spending



Notes and sources: Figure 8 of Emmerson, Pope and Zaranko (2019).

Protected areas of spending

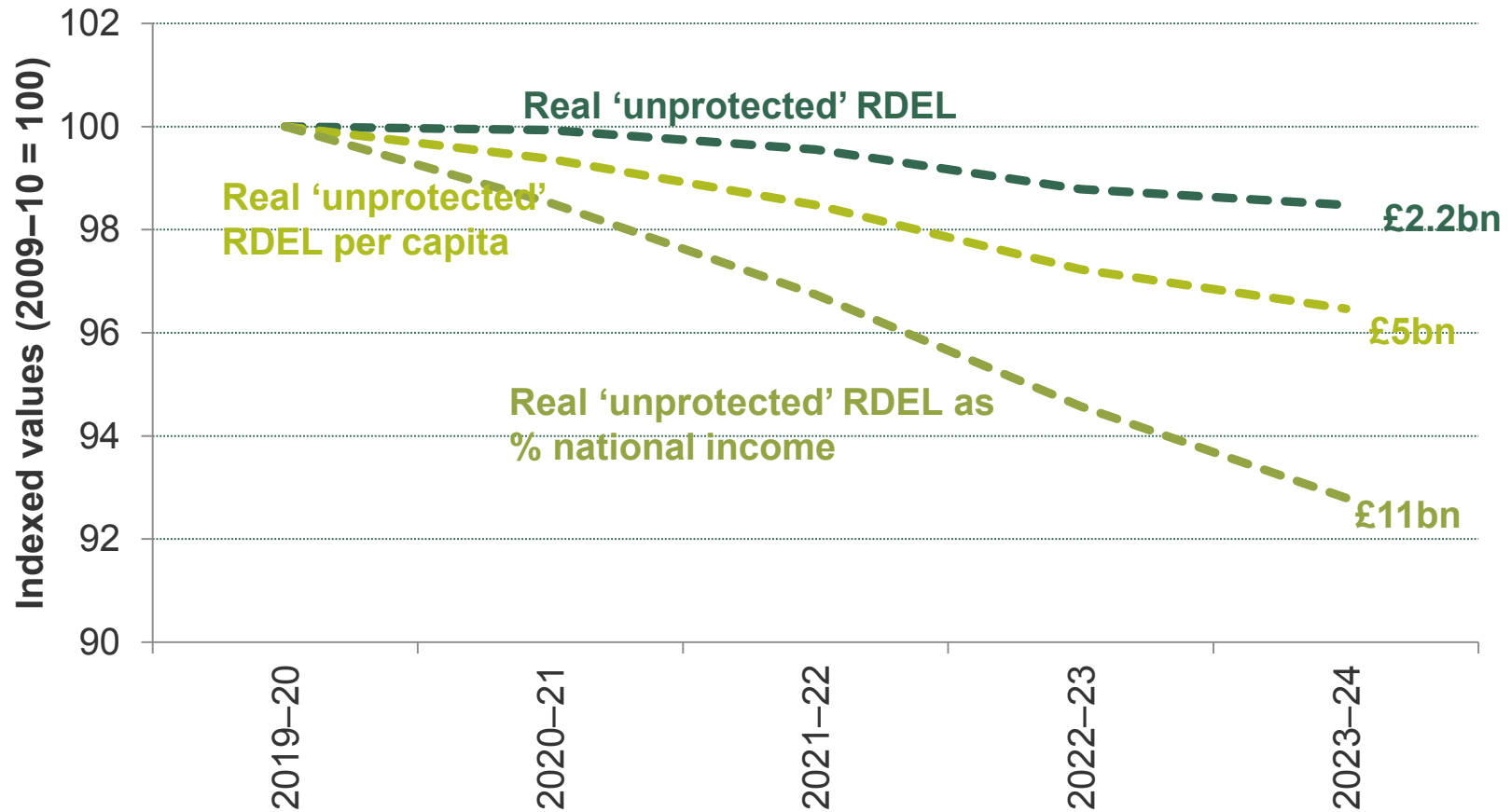
Several spending commitments will constrain Spending Review

- NHS: day-to-day budget of NHS England to increase by £20.5 billion between 2018–19 and 2023–24
- Defence: commitment to continue to spend at least 2% of GDP
- Overseas aid: commitment to continue to spend 0.7% of GNI

Over half (£156 bn) of day-to-day departmental spending protected

- Spending Review could largely be about just one-fifth of spending
- So current spending plans imply cuts to unprotected areas

Forecast change in 'unprotected' day-to-day public service spending



Notes and sources: Figure 10 of Emmerson, Pope and Zaranko (2019).

Over the longer-term GDP most likely lower, and the underlying public finances weaker, as a result of Brexit

- Eventually necessitating a combination of tax rises and spending cuts

But an economically bad Brexit might not mean a tighter SR2019

If there is a hit to demand that is greater than the hit to supply:

- Almost certainly allow automatic stabilisers to operate
- Given already low interest rates, case for active temporary fiscal stimulus to boost consumer spending and business investment

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7 March 2019