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Spring Budget 2024: A summary

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1 Introduction

The Chancellor of the Exchequer, Jeremy Hunt, presented his 2024 Spring Budget to Parliament on 6 March and published supporting documents on the gov.uk website. When the Chancellor finished his statement in the Commons, the Office for Budget Responsibility (OBR) published updated forecasts for the UK's economic and fiscal outlook. The OBR is the independent public finances watchdog, which produces the official forecasts for the economy and public finances used by the Chancellor.

The Chancellor has cut the main rate of National Insurance contributions for employees and the self-employed by two percentage points. The cost is being met through a mixture of other tax increases, higher government borrowing and improvements in the underlying forecast for borrowing.

The underlying forecast for government borrowing has improved largely because lower inflation and interest rates reduce the Government's debt servicing and welfare costs, by more than they reduce revenues.

As the Library's Spring Budget 2024: Background briefing explains, UK economic growth has been weak since early 2022. High inflation and rising interest rates have subdued economic activity. GDP declined over the final two quarters of 2023, meeting the definition of a "technical recession".

The OBR forecasts that the economy will grow a little faster in 2024 and 2025 than it forecast in November 2023, although growth was weaker than previously expected at the end of 2023. Inflation is forecast to fall more quickly than previously forecast and interest rates are now expected to fall faster.

The Chancellor said he was presenting a "Budget for long term growth" which would deliver "more investment, more jobs, better public services and lower taxes."[1]

Mr Hunt said the OBR's forecasts showed that good progress had been made on the Prime Minister's priorities for the economy. The economic priorities were to halve inflation, grow the economy and reduce debt.[2]

1 HM Treasury. Spring Budget 2024 speech, 6 March 2024

2 10 Downing Street News Release. Prime Minister outlines his five key priorities for 2023, 4 January 2023

2 Policy announcements

This is a summary of key policy announcements. A fuller list is included in the 2024 Spring Budget document.

2.1 Tax

National Insurance

The 2024 Spring Budget announced cuts of 2p in every pound for rates of employee and self-employed National Insurance contributions (NICs).

The main rate of Class 1 employee NICs will be cut from 10% to 8% from April 2024. The Office for Budget Responsibility (OBR) estimates that 27.6 million employees will gain: £303 a year for employees paying the basic rate, £646 for those on the higher rate and £705 for those on the additional rate.[3] This measure will cost between £9 billion and £10 billion a year.[4]

The Government is also cutting a further 2p from Class 4 NICs for the self-employed, from 8% to 6% from April 2024. This is in addition to the 1% cut announced in the 2023 Autumn Statement, which also comes into effect in April 2024. According to the OBR, 2.2 million self-employed individuals will benefit in 2024/25. Basic rate taxpayers will gain by £235 a year on average, higher rate taxpayers by £635 and additional rate taxpayers by £710.[5] This will cost between £710 million and £850 million a year.[6]

The Chancellor also said that the Government's long-term ambition is to end the "double taxation of work", since earnings from work are subject to both income tax and NICs. He said: "we need a simpler, fairer tax system that makes work pay". He indicated that this would be done by abolishing employee and self-employed NICs when conditions were right.[7]

High Income Child Benefit Charge

The High Income Child Benefit Charge provides for Child Benefit to be clawed back through the tax system for families where the highest earner has an

3 OBR, Economic and fiscal outlook, March 2024, CP 1027, para 3.7
4 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
5 OBR, Economic and fiscal outlook, March 2024, CP 1027, para 3.7
6 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
7 HC Deb 6 March 2024;

income in excess of £50,000. The Child Benefit payment is withdrawn completely when their income reaches £60,000.

The threshold for the High Income Child Benefit Charge will be raised from £50,000 to £60,000 from April 2024. In addition, the rate at which this is charged will be halved so that Child Benefit is not withdrawn in full until individuals earn £80,000 or more, rather than £60,000.

According to the Government, these changes will mean an average gain of £1,260 for 485,000 families in 2024/25.[8] This will cost between £540 million and £645 million a year.[9]

In addition, the Government will consult on making the Child Benefit system fairer by moving to a system based on household rather than individual incomes, by April 2026.[10] The Chancellor highlighted the "unfairness" in the current system by saying "two parents earning £49,000 a year receive the benefit [Child Benefit] in full but a household earning a lot less than that does not if just one parent earns over £50,000."[11]

Non-doms

The current tax regime for non-UK domiciled individuals ('non-doms'), where people whose permanent home (domicile) is outside the UK may not have to pay UK tax on foreign income, will be abolished. It will be replaced, from April 2025, by a new residence-based regime, where all UK residents who stay in the UK for over four years will pay the same tax on their foreign income and gains, regardless of their domicile status.[12]

The supporting document to the Budget said:

> Individuals will not pay UK tax on any foreign income and gains arising in their first four years of tax residence, provided they have been non-tax resident for the last 10 years.[13]

The Treasury estimates this measure will raise £2.8 billion in 2026/27.[14]

There will be transitional arrangements for existing non-doms claiming the remittance basis.[15]

8 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 3.17
9 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
10 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 3.16
11 HM Treasury, Spring Budget 2024 speech, 6 March 2024
12 HM Treasury, Spring Budget 2024, March 2024, HC 560, page 3
13 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 2.37
14 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
15 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 5.29

Capital Gains Tax on residential property disposals

The higher rate of Capital Gains Tax for residential property disposals will be cut from 28% to 24% from April 2024.

The aim is to incentivise landlords and second home owners to sell properties, increasing the supply of housing.[16] The Government estimates this will raise £310 million in 2024/25 and £350 million in 2025/26 but much smaller amounts thereafter.[17]

Multiple dwellings relief

From 1 June 2024, the Government will abolish Multiple Dwellings Relief, a tax relief in the Stamp Duty Land Tax regime for people and businesses buying multiple properties in a single transaction (or multiple linked transactions).

The Government estimates this will raise £220 million in 2025/26 and over £300 million in subsequent years. [18]

Furnished holiday lettings

The Government will abolish a tax advantage for landlords who let short-term furnished holiday properties over those who let residential properties to longer-term tenants.

The abolition of the furnished holiday lettings tax regime will take effect from 6 April 2025. The Government estimates this will raise over £100 million in 2026/27 and 2027/28 and £245 million in 2028/29. [19]

Excise duties

Fuel duty

Fuel duty will be frozen for another year by extending the temporary 5p cut (introduced in March 2022) and not uprating duty rates with inflation.[20] According to the Government, this will cost £3.1 billion in 2024/25.[21] Fuel duties have not risen since 1 January 2011.

Alcohol duty

Alcohol duty will be frozen from 1 August 2024 until 1 February 2025. This extends the six-month freeze announced in the 2023 Autumn Statement. This will cut duty by 2p on an average pint of beer, 10p on an average bottle of

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16 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 3.28
17 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
18 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
19 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
20 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 3.36
21 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1

wine and 33p on an average bottle of spirits, compared with the planned duty increase.[22]

This measure will cost £185 million in 2024/25 rising to between £345 million and £385 million in each of the following three years.[23]

Tobacco and vaping duties

The Chancellor announced a new duty on vaping products from October 2026. The rates will vary between £1 and £3 per 10 ml depending on the nicotine content.[24] The Government is consulting on the policy design and technical details.[25]

The Chancellor also announced that tobacco duty will be increased from October 2026. There will be a one-off increase of £2 per 100 cigarettes or 50 grams of tobacco. This is to maintain the current financial incentive to choose vaping over smoking.[26] This measure will raise £170 million in 2027/28.[27]

The Government says this measure will raise £380 million in 2027/28.[28]

Air passenger duty

Air passenger duty rates for premium economy class passengers, business and first class passengers, and for private jet passengers will be increased by more than forecast inflation from 2025/26 to account for recent high inflation. The duty rates would otherwise be increase by inflation.

The Government says these measures will raise over £100 million a year from 2025/26. [29]

VAT registration threshold

The VAT threshold will be increased from £85,000 to £90,000 in April 2024.

The Government estimates that this will benefit 28,000 businesses.[30] The deregistration threshold will be raised from £83,000 to £88,000.[31] This measure costs £150 million in 2024/25.[32]

22 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 3.37
23 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
24 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 5.31
25 HM Treasury, Vaping Products Duty consultation, 6 March 2024
26 HM Treasury, Spring Budget 2024, March 2024, HC 560, paras 2.44 and 5.31
27 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
28 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
29 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
30 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 4.21
31 HM Treasury, Spring Budget 2024, March 2024, HC 560, paras 4.21 and 5.101
32 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1

Tax reliefs for orchestras, theatres, museums and galleries

From 1 April 2025, the rates of Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibition Tax Relief will be permanently set at:

- 40% for non-touring productions
- 45% for touring productions and orchestra productions

The rates were due to fall to 30% and 35% in April 2025. This measure will cost £170 million in 2028/29.[33]

UK ISA

A new Individual Savings Account (ISA) will be created for savers to invest in UK-focused assets. The UK ISA will be a £5,000 per year allowance that is tax free and in addition to the existing ISA allowance of £20,000 per year.[34] No start date has been provided. The government is consulting on how the UK ISA would work.[35] An aim is to encourage investment into the UK. [36]

Energy Profits Levy

The Energy Profits Levy, introduced in May 2022 in response to the rise in oil and gas company profits, will be extended by a year to 2028/29. The Finance Bill 2024 will include measures to disapply the levy when prices return to normal. This is to provide certainty that the levy is temporary.[37]

The Government says the extension of the levy will raise £1.5 billion across 2027/28 and 2028/29.[38]

Carbon Border Adjustment Mechanism

In December 2023, the Government announced the UK would implement a Carbon Border Adjustment Mechanism – a new tax on certain carbon-intensive goods, such as aluminium, cement, iron and steel, when they are imported into the UK.[39]

The Government says that this will be introduced from 1 January 2027 and that it will raise £195 million in 2028/29. [40]

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33 HM Revenue & Customs, Permanent 40% and 45% rates for theatre, orchestra, museum and galleries tax reliefs, 6 March 2024
34 HM Treasury, Spring Budget 2024, March 2024, HC 560, paras 4.31 and 5.107
35 HM Treasury, UK ISA Consultation, 6 March 2024
36 HM Treasury, Spring Budget 2024 speech, 6 March 2024
37 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 5.30
38 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1
39 OBR, Economic and fiscal outlook, March 2024, CP 1027, para 3.27
40 HM Treasury, Spring Budget 2024, March 2024, HC 560, Table 5.1

HMRC investment in debt management capacity

The Government will invest £140 million to improve HMRC's ability to manage tax debts. This will expand HMRC's capacity to support taxpayers out of debt and collect tax that is due.

The Government says this will raise between £900 million and £1,120 million (£1.1 billion) a year from 2025/26.[41]

2.2 Other announcements

While most announcements in the Budget related to tax, there were also some spending announcements.

Extension of Household Support Fund

The Household Support Fund has been extended by six months to September 2024 – it was previously due to end in March 2024.

The fund allows local authorities in England to make discretionary payments to people most in need, to help towards the rising cost of food, energy, and water bills. The Government says this extension will cost £500 million, including Barnett consequential funding for Scotland, Wales and Northern Ireland. [42]

Support for business

The Recovery Loan Scheme is being renamed the Growth Guarantee Scheme and is being extended to March 2026. It was due to run until 30 June 2024. It is a government-backed loan scheme designed to support access to finance for UK businesses. [43] It replaced earlier schemes to support businesses affected by the Covid-19 pandemic.

Two days before the Budget, the Chancellor announced investment in the UK's life sciences and manufacturing sectors. This included an additional £120 million for the Green Industries Growth Accelerator (GIGA), to support expansion of low-carbon manufacturing supply chains.[44]

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[41] HM Treasury, Spring Budget 2024, March 2024, HC 560, para 5.39 and Table 5.1

[42] HM Treasury, Spring Budget 2024, March 2024, HC 560, para 3.35

[43] HM Treasury, Spring Budget 2024, March 2024, HC 560, para 5.99

[44] HM Treasury, £360 million to boost British manufacturing and R&D, updated 4 March 2024

Devolution and levelling up

The Long-Term Plan for Towns is being extended to 20 more UK towns, at a cost of £400 million. This initiative provides 10 years of funding and support to towns, worth up to £20 million. [45]

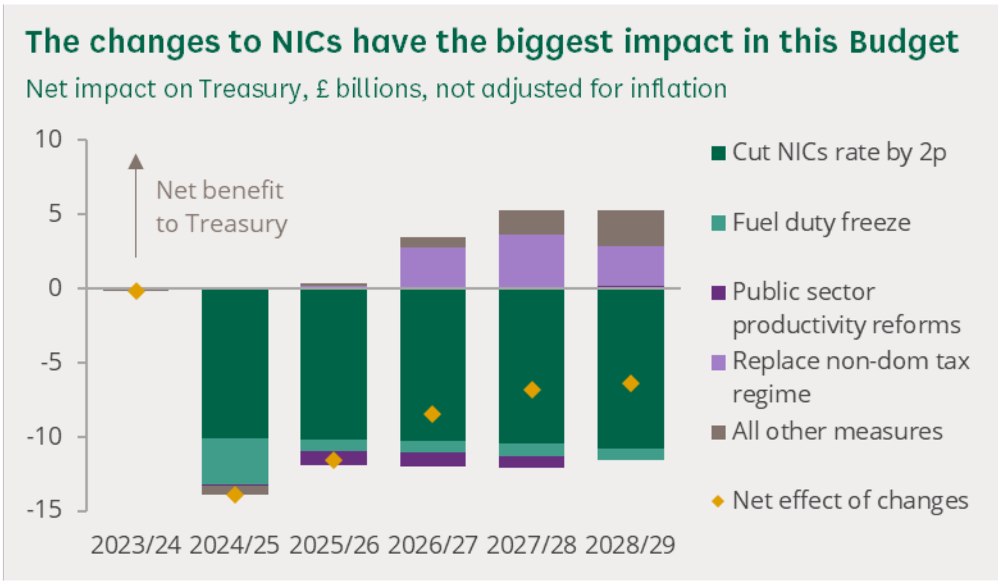
NHS funding

There will be an additional £2.5 billion of day-to-day funding for the NHS in England in 2024/25.[46]

This is in addition to funding for NHS productivity improvements (as described in section 3.2).

2.3 Treasury impact of Budget measures

As the chart below shows, this Budget has a net cost to the Treasury in every year of the OBR's forecast period.



Source: HM Treasury, Spring Budget 2024 Policy Decisions, 6 March 2024

The cuts to the main rates of Class 1 (for employees) and Class 4 (for self-employed) NICs will have the largest impact of any policy announced at the Budget, costing over £10 billion every year from 2024/25 onwards. This is partly offset by policies that raise revenues, such as reforms to the non-dom tax regime (net benefit of £2.7 billion to £3.7 billion between 2026/27 and 2028/29).

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45 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 5.140

46 HM Treasury, Spring Budget 2024, March 2024, HC 560, para 2.8. This measure is not included in the policy measures scorecard (Table 5.1). The OBR describes it as 'fiscally neutral' in para 3.35 of OBR, Economic and fiscal outlook – March 2024, 6 March 2024.

Freezing fuel duty is particularly expensive in 2024/25, costing £3.1 billion, because the forecast includes the cost of extending the temporary 5p cut in fuel duty. The 5p cut was first introduced in the 2022 Spring Budget and has since been extended twice. The forecasts assume that this temporary cut will be reversed in 12 months, and that fuel duty begins to rise in line with retail prices index inflation from 2025/26 onwards. The OBR estimates that continuing to freeze fuel duty would cost an additional £4.8 billion per year by 2028/29.[47]

[47] OBR, Economic and fiscal outlook – March 2024, 6 March 2024, paragraph 1.26

3 Public spending

3.1 Next Spending Review will be after the election

Current government departmental spending plans, set at the 2021 Spending Review, run only to the end of 2024/25. Plans for 2025/26 onwards will be made at the next Spending Review and must be in place before the end of the 2024/25 financial year.

The Government has not yet set a date for the next Spending Review but in the Budget statement said it would take place "after the general election". The Chancellor did not give any further details of when that would be.[48]

If the Spending Review does not take place before the end of 2024 it will be very difficult to allocate funding to local government for 2025/26 (because provisional local government finance settlements for each financial year are normally put out for consultation the previous December).

3.2 Long-term spending plans are unchanged

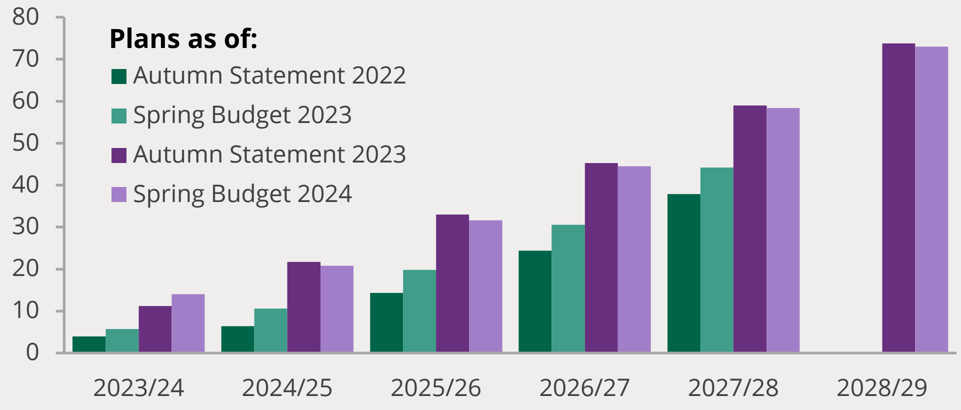
At the 2022 Autumn Statement, the Chancellor set out a "path for public spending" in the years between 2025/26 and 2027/28.[49] These plans have been left unchanged, including at this Budget, and suggest that resource spending will increase by 1% per year in real terms over this period, and that capital spending will be frozen in cash terms.

As the chart below shows, this represents a small decrease in cash terms from the plans laid out at the 2023 Autumn Statement. This is because the inflation forecast is now slightly lower, so delivering a 1% increase in real terms is slightly cheaper in cash terms.

48 HM Treasury, Spring Budget 2024, 6 March 2024, section 3.2
49 HM Treasury, Autumn Statement 2022, 17 November 2022

Lower forecast inflation leaves day-to-day spending plans slightly cheaper

£ billions, not adjusted for inflation, change relative to 2022/23



Note: "Day-to-day spending" here means resource departmental expenditure limits excluding depreciation.

Source: HM Treasury, Autumn Statements and Budgets 2022 to 2024

Spending cuts

Several organisations have pointed out that these spending plans imply very small increases (or indeed decreases) for some departments, given that some areas of spending have generally been protected by successive governments.[50]

The OBR commented on this in its Economic and fiscal outlook published after the Budget, suggesting that unprotected areas of public spending (such as local government, justice and prisons) would have to be cut by an average of 2.3% per year in real terms between 2025/26 and 2028/29.[51]

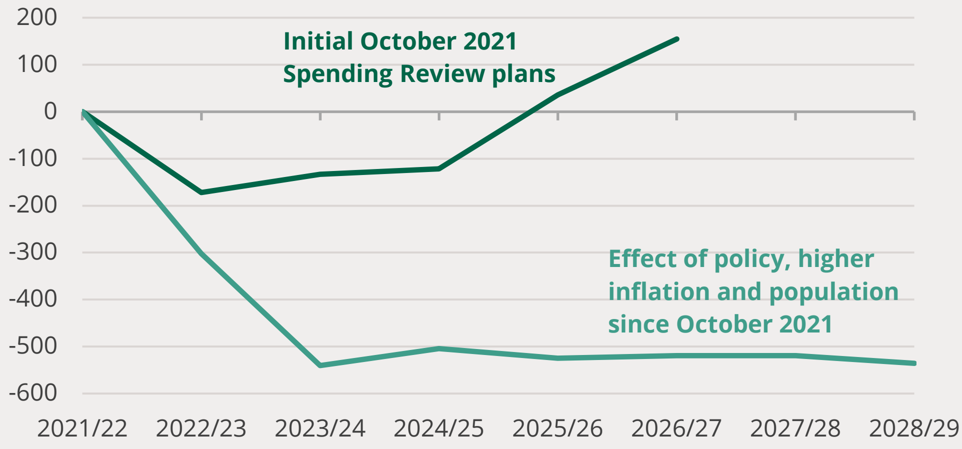
The UK population is also now projected to be larger over the forecast period than when the OBR produced its November 2023 forecast. The Chancellor has not adjusted spending plans for the higher projected population. As the chart below shows, the OBR suggests that policy changes, higher inflation and the increase in population are likely to leave departmental spending around £535 per person lower in 2028/29 than it had been when the spending plans were made in 2021/22.

[50] For more details, see section 2.3 of the Library's research briefing Spring Budget 2024: Background briefing.

[51] OBR, Economic and fiscal outlook – March 2024, 6 March 2024, box 4.2 (p103)

Departmental spending per person will now be lower

£ per person, real terms (2023/24 prices), change since 2021/22



Source: OBR, Economic and fiscal outlook – March 2024, 6 March 2024, chart 4.10

Productivity improvements

The Government intends to boost public sector productivity and says that raising productivity by 5% would be the equivalent of increasing funding by £20 billion.[52] It is therefore increasing investment in its Public Sector Productivity Programme, including £4.2 billion of new funding (see box), and is asking departments to develop productivity plans before the next Spending Review.

The Chancellor said that the next Spending Review would change the way the Treasury approaches productivity, in that it would "prioritise proposals that deliver annual savings within five years equivalent to the total cost of the investment required". This is effectively saying that higher priority would be given to proposals that pay for their initial investment with a single year's savings. Improving productivity would, according to the Chancellor, allow the government to "live with more constrained spending growth without cutting services valued by the public".[53]

1 Public sector productivity announcements

£4.2 billion in additional funding was announced for the Public Sector Productivity Programme at the Budget.[54]

Of this total, £3.4 billion is for productivity improvements in the NHS:

[52] HM Treasury, Spring Budget 2024, 6 March 2024, section 3.2
[53] HM Treasury, Spring Budget 2024 speech, 6 March 2024
[54] HM Treasury, Spring Budget 2024, 6 March 2024, para 2.20

- £2 billion to update "fragmented and outdated IT systems", for example by ensuring that all NHS trusts have electronic patient records by March 2026
- £1 billion to improve the use of data to reduce time spent on unproductive administrative tasks, for example by providing all NHS staff with digital passports and access to a new staff app, making it easier for them to move between NHS bodies
- £430 million to improve access and services for patients, particularly through the NHS App.[55]

The government says there will be £35 billion in cumulative NHS productivity savings from 2025/26 to 2029/30 as a result.[56]

The remaining £800 million going to the Public Sector Productivity Programme will cover initiatives such as providing earlier guidance and advice in the family courts, rehabilitative activities in prisons and new special free schools and children's homes. This investment is expected to deliver up to £1.8 billion of productivity benefits up to and including 2028/29.[57]

55 HM Treasury, Spring Budget 2024, 6 March 2024, Box 2.B
56 HM Treasury, Spring Budget 2024, 6 March 2024, page 3
57 HM Treasury, Spring Budget 2024, 6 March 2024, paras 2.25 and 2.26

4 OBR forecasts for the economy

The independent Office for Budget Responsibility (OBR) published new forecasts for the economy and public finances on 6 March 2024.[58]

The OBR's forecasts are the official forecasts used by the Chancellor for the Budget. They incorporate the impact of the policy decisions that the Chancellor has announced.[59]

The OBR's previous forecasts were published in November 2023.[60] This section summarises the new forecasts for the economy and compares them with those from November.

The OBR's forecasts are for the next five years, as usual, taking them up to 2028 for calendar years and 2028/29 for fiscal years (April to March the following year). Quarterly forecasts up to the first quarter (Q1) of 2029 are also published.[61]

4.1 GDP growth

The OBR's growth forecasts were higher for 2024 and for 2025 than in its November 2023 forecasts. Growth was weaker than previously expected at the end of 2023.[62]

The OBR now expects GDP growth of 0.8% for 2024 (up from 0.7% forecast in November), with growth of 1.9% forecast for 2025 (up from 1.4%). The OBR says declining interest rates and rising household incomes will support the acceleration in growth.[63]

The OBR forecasts GDP growth of 2.0% in 2026, 1.8% in 2027 and 1.7% in 2028, similar to what it forecast in November. The OBR cites numerous risks

58 OBR, Economic and fiscal outlook – March 2024, 6 March 2024

59 There's further information about the OBR in the Library briefing The Office for Budget Responsibility and Box 1 (p15) of the Library briefing, Spring Budget 2024: Background briefing

60 OBR, Economic and fiscal outlook – November 2023, 22 November 2023

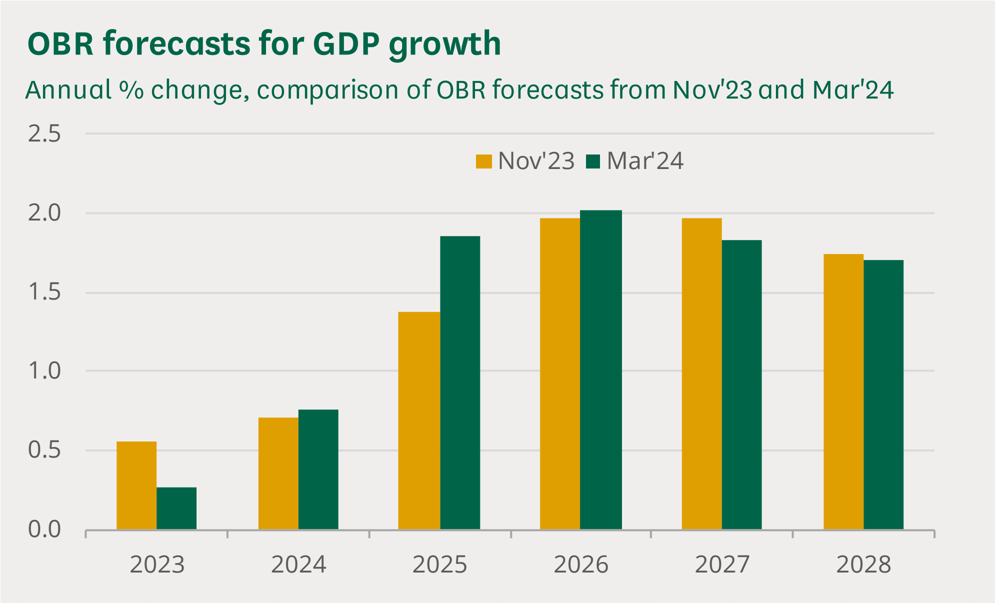
61 All references to OBR forecasts are taken from the OBR's report and detailed forecast data for the UK economy taken from OBR, Economic and fiscal outlook – March 2024, 6 March 2024

62 The OBR's economic forecasts were finalised prior to the release of GDP data for the fourth quarter of 2023, which showed the UK in a "technical recession" (source: OBR, EFO, para 2.22). See Commons Library research briefing, Spring Budget 2024: Background briefing, section 3.1 for more.

63 OBR, Economic and fiscal outlook – March 2024, 6 March 2024, paras 1.9 and 2.23

that could lead to lower growth than it currently expects, including the uncertainty about future productivity growth.[64]

Growth forecasts from the OBR's November 2023 and March 2024 forecasts is shown in the chart below.



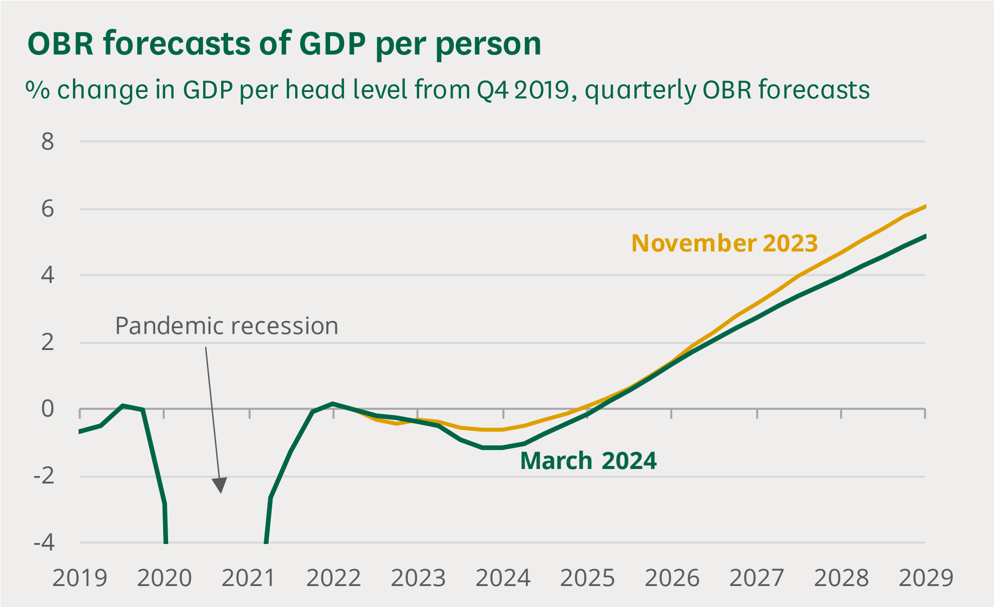
Source: OBR, Economic and fiscal outlook – March 2024, 6 March 2024

The OBR estimates that the Chancellor's policy measures announced in the Budget (see section 2) would provide a boost to GDP of around 0.3% per year from 2024/25 to 2026/27 and then around 0.2% per year over the following two years.[65]

The OBR forecasts the GDP per person level at the end of the forecast period in early 2029 to be 0.9% lower than was forecast in November. This is partly because of downward revisions to past data from the Office for National Statistics (ONS) but also because of lower OBR expectations of the proportion of the working-age population in work.[66]

GDP per person levels from the OBR's November 2023 and March 2024 forecasts is shown in the chart below.

[64] OBR, Economic and fiscal outlook – March 2024, 6 March 2024, para 2.24
[65] OBR, Economic and fiscal outlook – March 2024, 6 March 2024, para 2.8 and Box 2.1
[66] OBR, Economic and fiscal outlook – March 2024, 6 March 2024, paras 1.10 and 2.25



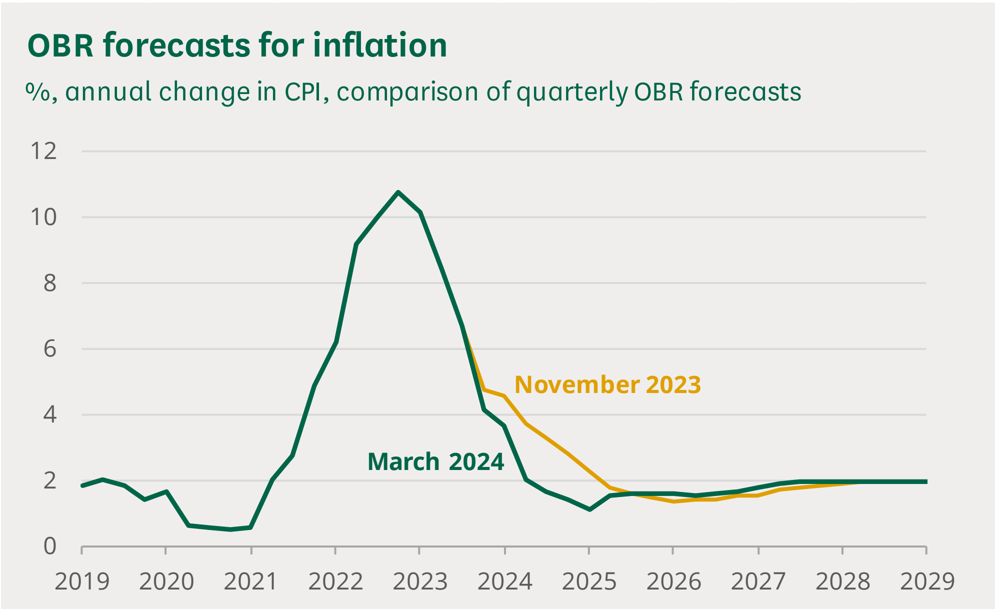
Source: OBR, Economic and fiscal outlook – March 2024, 6 March 2024

4.2 Inflation

The annual rate of inflation as measured by the consumer prices index (CPI) was lower at the end of 2023 than the OBR expected in its November 2023 forecast.

As shown in the chart below, the OBR now forecasts inflation to fall further and faster than it forecast in November, largely because of falling energy prices.[67] Inflation is forecast to decline to 2.0% in Q2 2024, thereby hitting the Bank of England's 2% target one year earlier than it forecast in November. Inflation is then forecast to remain below 2% until Q3 2027, as shown in the chart below.

[67] OBR, Economic and fiscal outlook – March 2024, 6 March 2024, paras 1.4, 2.4 and 2.11



Source: OBR, Economic and fiscal outlook – March 2024, 6 March 2024

The OBR forecasts lower inflation than the Bank of England, whose early February forecasts are for inflation to fall to 2.0% in Q2 2024 (like the OBR) before increasing again to 2.7% in Q4 2024 (compared with the OBR's forecast of 1.4%).[68]

The main difference in the forecasts appears to be because the OBR expects domestic inflationary pressures to be lower than the Bank of England.[69] For example, the OBR thinks average wage growth, which is currently high, will fall quickly.

The OBR also noted the disruption to shipping traffic in the Red Sea and Suez Canal due to Houthi rebel attacks and its potential effects on UK inflation. The OBR said that its central forecast includes a small upward effect on inflation of 0.2 percentage points in the first half of 2025. The OBR also looked at a scenario with much greater disruption than we have seen to date. In this scenario the OBR said inflation would temporarily spike, reaching a peak of 7.4% in Q2 2025.[70]

4.3 Household incomes

The OBR said living standards are expected to recover more quickly from recent declines than it forecast in November.[71] Household incomes adjusted

[68] Bank of England, Monetary Policy Report – February 2024, 1 February 2024, Table 1.C

[69] OBR, Economic and fiscal outlook – March 2024, 6 March 2024, para 2.11 and Bank of England, Monetary Policy Report – February 2024 (PDF), 1 February 2024, p18

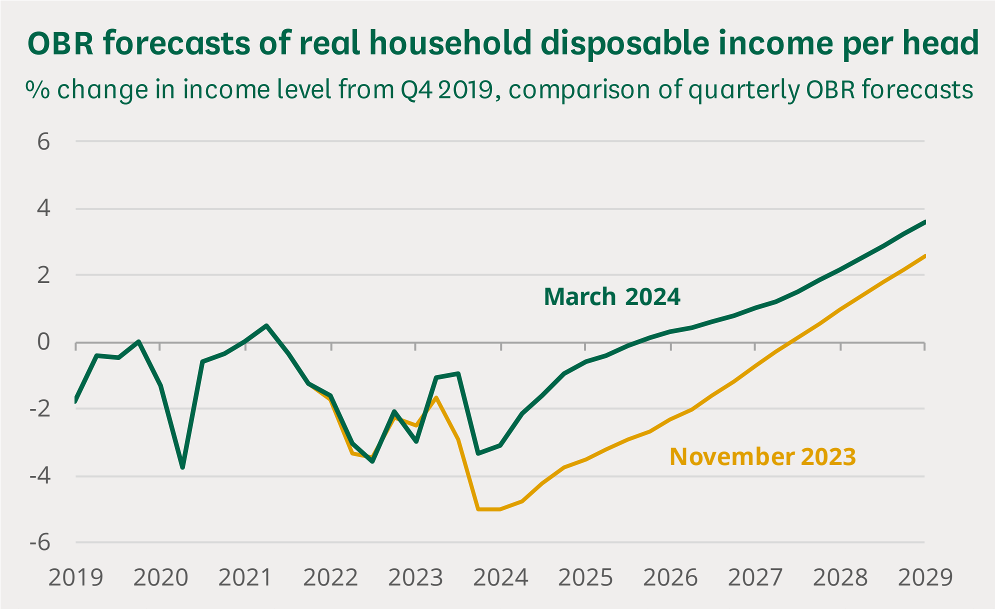
[70] OBR, Economic and fiscal outlook – March 2024, 6 March 2024, para 2.11 and Box 2.2

[71] This section is based on real household disposable income. This indicator of incomes measures total income across all UK households, after tax and adjusted for inflation.

for inflation are expected to benefit from lower inflation and the reductions in National Insurance contributions announced by the Chancellor.[72]

The OBR now forecasts household incomes per person to rise by 0.1% in 2024, whereas it previously forecast a fall of 1.5%. Growth of 1.7% in this measure is then forecast in 2025 (up from 1.4% forecast in November).

Based on these forecasts, real (inflation-adjusted) post-tax income per person will return to its pre-pandemic level (Q4 2019) in Q4 2025, as shown in the chart below, almost two years sooner than expected in the OBR's November forecast.[73]



Source: OBR, Economic and fiscal outlook – March 2024, 6 March 2024

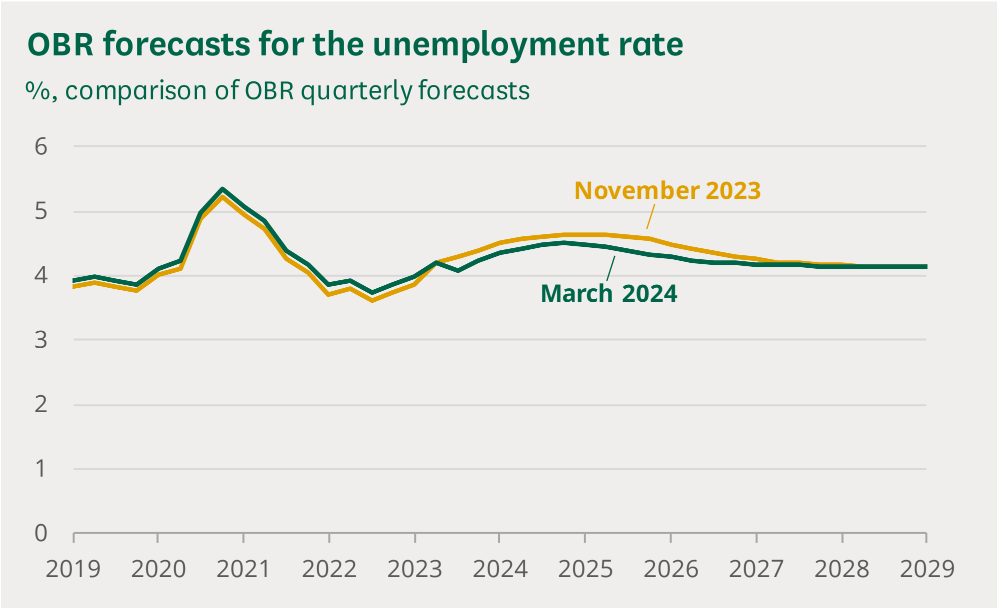
4.4 Unemployment and employment

The OBR anticipates that unemployment will rise more slowly in 2024 than it forecast in November. The unemployment rate is expected to peak at 4.5% in the second half of 2024 and first half of 2025, before easing slowly toward 4% as we get closer to the end of forecast period in early 2029. The forecasts for unemployment are shown in the chart below.

The employment rate – the proportion of adults in work – is forecast to remain steady at around 60% between 2024 and 2028 (the last full year of the forecast). This is around 0.5 percentage points lower in 2028 than expected in the November forecast and lower than the pre-pandemic peak of over 61%.[74]

72 OBR, Economic and fiscal outlook – March 2024, 6 March 2024, para 1.14
73 Library calculations based on OBR detailed economy table 1.5 and paras 2.39-2.40 of the OBR EFO
74 OBR, Economic and fiscal outlook – March 2024, 6 March 2024, para 2.36

However, the official source of unemployment and employment statistics, the Labour Force Survey, has been unreliable in recent times, forcing the ONS to temporarily suspend publication of some labour market data. While the release of data has now resumed, the ONS still urges caution when using the figures, as there remains a great deal of uncertainty over the accuracy of the survey.[75]



Source: OBR, Economic and fiscal outlook – March 2024, 6 March 2024

The OBR estimates that policy measures announced by the Chancellor in the Budget – the cut in National Insurance rates and changes to Child Benefit – will increase the number of people in work by around 100,000 (full-time equivalent) by 2029. The overall net change due to policies announced in the three most recent fiscal events – also including changes to childcare and welfare reform – is an additional 200,000 people in work.[76]

4.5 Long-term growth assumptions

The OBR's expectations of how fast the economy could grow under normal conditions over the long-term (called the growth rate in potential output) were largely unchanged. The OBR thinks the economy can grow sustainably by around 1.6-1.7% per year.[77]

The OBR raised its estimates of population growth due to higher net migration projections, which now average 350,000 a year from 2023/24 to 2028/29 (up

75 For more see Commons Library research briefing, UK Labour Market Statistics (Feb 2024 update)
76 OBR, Economic and fiscal outlook – March 2024, 6 March 2024, para 1.7 and Box 2.1. The overall change is 300,000 but the freeze in income tax thresholds up to 2027/28 reduces this by 100,000.
77 OBR, Economic and fiscal outlook – March 2024, 6 March 2024, paras 1.8 and 2.14

from 290,000 in its November forecast).[78] This assumption is based on the ONS interim population projections released in January 2024.[79]

This increase boosts long-term growth, however, there are offsetting assumptions from the OBR which leave its overall long-term growth forecasts unchanged. These relate to the OBR now expecting the proportion of adults to be in work being lower and working less on average than it did before.[80]

The OBR left unchanged its assumption that Brexit would lead to the UK's trade intensity – how much it exports and imports – being 15% lower in the long run than if the UK had remained in the EU. The OBR still thinks this will reduce potential productivity – and therefore GDP – by 4% over the long term.[81]

4.6 Summary of OBR forecasts for the economy

78 OBR, Economic and fiscal outlook – March 2024, 6 March 2024, Box 2.3
79 ONS, National population projections: 2021-based interim, 30 January 2024
80 OBR, Economic and fiscal outlook – March 2024, 6 March 2024, paras 2.14 and 2.18
81 OBR, Economic and fiscal outlook – March 2024, 6 March 2024, para 2.30 and Box 2.4

OBR forecasts: economy

Comparison of March 2024 and November 2023 forecasts

	2022	2023	2024	2025	2026	2027	2028
GDP growth, %							
November 2023	4.3	0.6	0.7	1.4	2.0	2.0	1.7
March 2024	4.3	0.3	0.8	1.9	2.0	1.8	1.7
GDP level, 2022=100							
November 2023	100.0	100.6	101.3	102.7	104.7	106.7	108.6
March 2024	100.0	100.3	101.0	102.9	105.0	106.9	108.7
Business investment growth, %							
November 2023	9.6	5.4	-5.6	1.2	3.4	0.9	0.5
March 2024	9.6	4.8	-5.1	1.4	2.5	2.0	1.2
ILO unemployment rate, annual ave (%)							
November 2023	3.7	4.2	4.6	4.6	4.4	4.2	4.1
March 2024	3.9	4.1	4.4	4.4	4.2	4.2	4.1
CPI annual inflation, %							
November 2023	9.1	7.5	3.6	1.8	1.4	1.7	2.0
March 2024	9.1	7.3	2.2	1.5	1.6	1.9	2.0
Productivity growth, %							
November 2023	0.7	-0.1	0.8	0.8	1.0	1.1	1.1
March 2024	0.4	0.2	0.3	0.8	1.1	1.1	1.2
Average earnings growth, %							
November 2023	6.0	6.8	3.7	2.2	2.0	2.5	2.8
March 2024	5.8	6.8	3.6	2.1	2.0	2.3	2.6
Real household disposable income per head, % change on previous year							
November 2023	-2.4	-0.3	-1.5	1.4	1.3	1.7	1.6
March 2024	-2.3	0.5	0.1	1.7	0.8	0.8	1.3

Notes: CPI is Consumer Prices Index, ILO is International Labour Organisation
Source: OBR, Economic and fiscal outlook – March 2024, 6 March 2024, table A.1 and detailed economic forecast tables, and Library calculations

5 OBR forecasts for the public finances

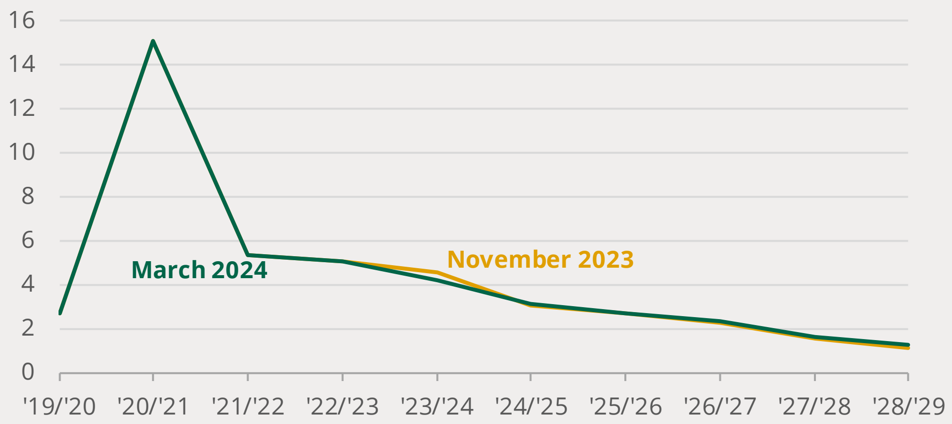
5.1 Government borrowing

When a government spends more than it raises from taxes and other sources (its receipts), it borrows money, mainly from financial institutions. This is sometimes referred to as the budget deficit.

The Office for Budget Responsibility (OBR) forecasts in March 2024 that government borrowing will fall from £114 billion in 2023/24 to £87 billion in 2024/25.[82] Borrowing is then forecast to fall in each financial year before it gets to £39 billion in 2028/29, which is the final year of the OBR's current forecast period. As the chart below shows, a similar pattern is seen for borrowing as a percentage of GDP.

OBR forecasts for government borrowing

% of GDP, comparison of OBR forecasts for public sector net borrowing



Source: OBR, Economic and fiscal outlook – March 2024, Chart 1.6

The OBR's forecasts for borrowing aren't greatly changed from those in its previous forecast (November 2023). On average, borrowing from 2024/25 is forecast to be £1.9 billion higher a year compared with the November 2023 forecast.

Borrowing in 2028/29 is forecast to be around £4.4 billion or 0.1% of GDP higher than forecast in November 2023.[83] 2028/29 is currently the target year for the Chancellor's fiscal targets, as we discuss below.

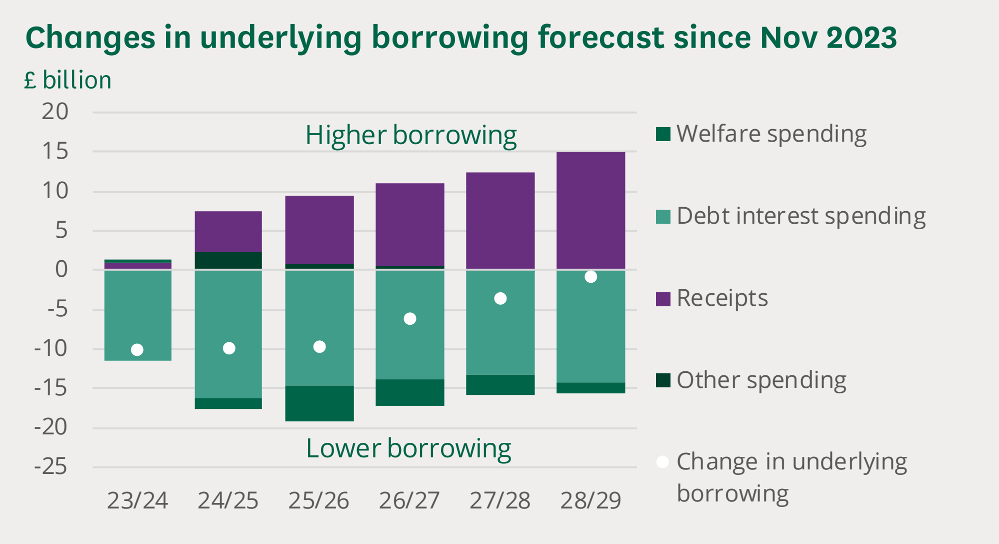
82 OBR. Public finances databank – March 2024 (accessed on 6 March 2024)

83 OBR. Economic and fiscal outlook – March 2024, Table A.10

The underlying situation has improved ...

The OBR produces an ‘underlying’ forecast, which forecasts borrowing before the Chancellor’s Spring Budget policies are included. Its underlying borrowing forecast is around £7 billion a year lower, on average, compared with the November 2023 forecast.[84]

The improvement is largest in the first three years of the forecast (2023/24 to 2025/26) where underlying borrowing is around £10 billion a year lower, as shown in the chart below.



Source: OBR. Economic and fiscal outlook – March 2024, Chart 4.15

...and the improvement has been spent

The Chancellor’s Spring Budget policies – summarised in section 2 of this briefing – directly increase borrowing by around £9 billion a year from 2024/25.[85]

Cutting National Insurance contributions (NICs) is the costliest policy. The cost of this is partly offset, particularly in the latter years of the forecast, by several policies that raise revenues, including changes to the non-domicile regime, HMRC compliance measures and an extension of the Energy Profits Levy.

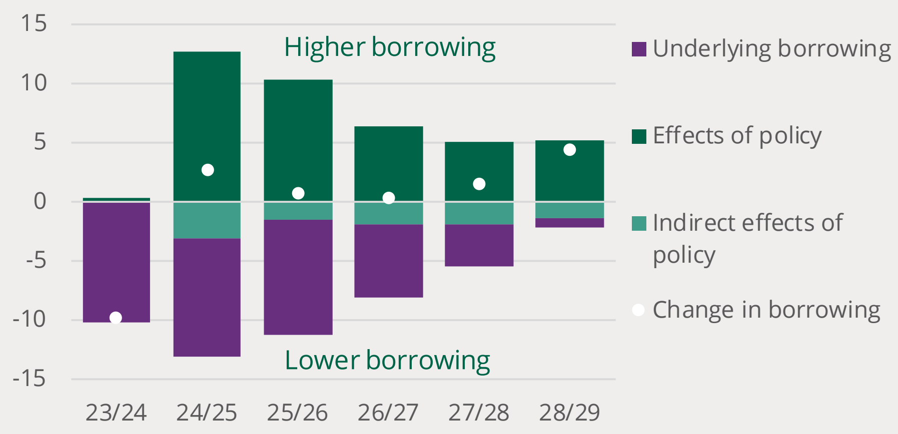
The chart below shows the changes in the OBR’s forecast since November 2023, with the Spring Budget policies accounted for.

84 OBR. Economic and fiscal outlook – March 2024, Table 4.12

85 OBR. Economic and fiscal outlook – March 2024, Table 4.12

Changes in government borrowing forecast since Nov 2023, including underlying change and policy effects

£ billion



Source: OBR. Economic and fiscal outlook – March 2024, Chart 4.15

5.2 Government debt

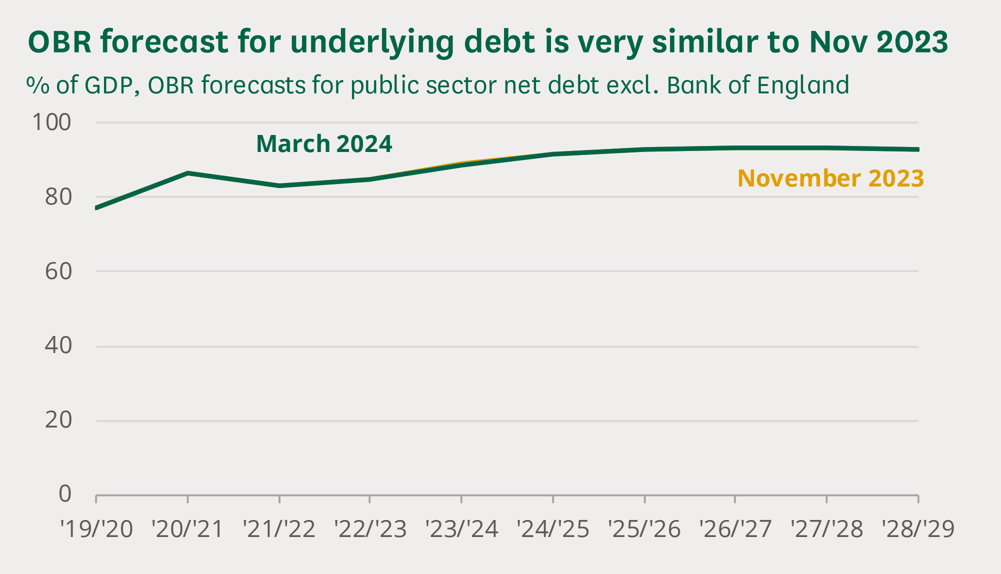
The government's underlying debt was equivalent to 84.9% of GDP at the end of 2022/23. On 6 March, the OBR forecast that it will increase each year before reaching 93.2% of GDP in 2027/28. It will then fall to 92.9% of GDP in 2028/29.[86]

Government debt hasn't consistently been above 90% of GDP since the early 1960s, although it has been higher and exceeded 200% of GDP following the Second World War.[87]

The government's underlying debt excludes the Bank of England's contribution to net debt. Underlying government debt is said to be more closely associated with government choices around spending and tax than the measure including the Bank's contribution. It is thought to be a better measure of the government's underlying debt because it removes some Bank of England schemes that add to debt only temporarily. [88] It is the measure of debt used in the Government's debt target (discussed in section 5.3).

The OBR now forecast that the Government's underlying debt will be around 0.3% of GDP lower at the end of 2023/24 than it forecast in November 2023. Over the rest of the forecast, underlying debt as a percentage of GDP is largely unchanged, as shown in the chart below.

86 OBR. Public finances databank – March 2024 (accessed on 6 March 2024)
87 OBR. Public finances databank – March 2024 (accessed on 6 March 2024)
88 Institute for Fiscal Studies, Green Budget 2021, October 2021, Box 3.1; HM Treasury, Autumn Budget and Spending Review 2021, para A.21.



Source: OBR. Economic and fiscal outlook – March 2024, Chart 1.7

5.3 The Chancellor's fiscal targets

In February 2023, the House of Commons approved revised targets for the public finances.[89] The targets, which cover government debt and borrowing, are often referred to as the 'fiscal targets'. Both targets are currently being met in the OBR's forecast.

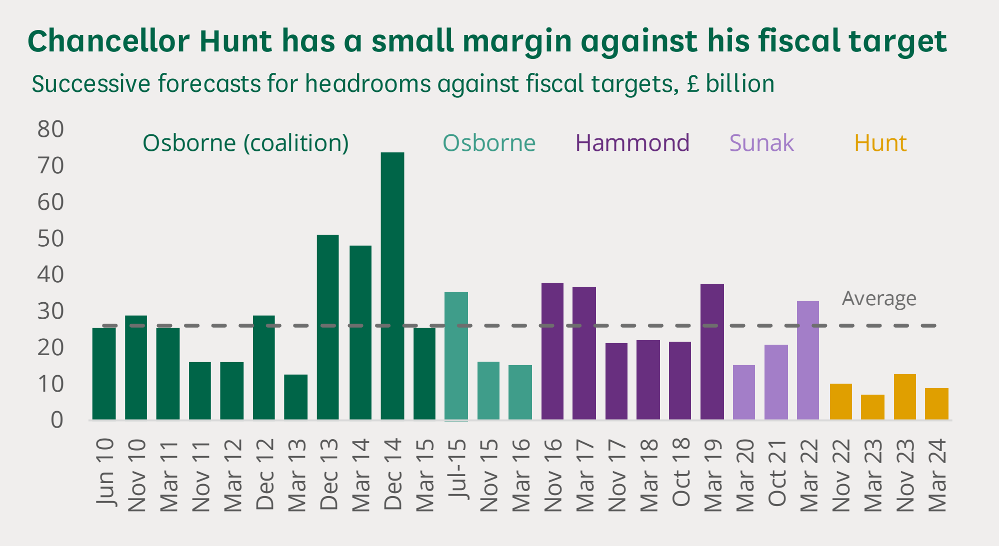
The debt target is that government debt should be falling, as a percentage of GDP, by the fifth year of the OBR's forecast (currently, 2028/29). This target focuses on the government's underlying debt (excluding the Bank of England), as discussed above. The Government is forecast to meet this target by a margin of 0.3% of GDP, which is around £9 billion. This is a smaller margin than the £13 billion the OBR forecast in November 2023.[90]

The margin by which the Chancellor is meeting the debt target is relatively low compared with the margin other Chancellors have had against their main fiscal target since 2010, as shown in the chart below.

Since the 1990s, UK governments have had debt and borrowing targets. The Library briefing The UK's fiscal targets explains how these have changed.

[89] HC Deb 6 February 2023 [Charter for Budget Responsibility].

[90] OBR, Economic and fiscal outlook – March 2024, para 5.4



Notes: For comparability with headroom against the current fiscal mandate, past headrooms have been calculated in percent of GDP as forecast at the time and multiplied by the OBR's latest forecast for nominal GDP in 2028/29. For November 2016 and March 2020, the OBR have used the Chancellor's headroom against his proposed mandate at the time.

Source: OBR. Economic and fiscal outlook – March 2024, Chart 5.3

The borrowing target is for government borrowing not to exceed 3% of GDP by the fifth year of the forecast period. Government borrowing is forecast to be 1.2% of GDP in 2028/29, so the target is being met in the OBR's forecast by a margin 1.8% of GDP, which is around £57 billion. For this target, the margin (or headroom) has decreased from around £62 billion in the November forecast.[91]

The Government also has a cap on welfare spending called the welfare cap. The only formal assessment of this comes in the first Budget of a Parliament. However, the OBR monitors progress between these official assessments. In its forecast, the OBR assesses that government spending will exceed the welfare cap by around £7 billion.[92]

The Library briefing The UK's fiscal targets discusses the current targets and their predecessors.

5.4 Government revenues and spending

Government revenues – taxes and other government income – are high by UK standards. Since 2020/21, government revenues have exceeded 37.9% of GDP. Revenues last exceeded this level during the mid-1980s, although at that point government revenues were boosted by those from nationalised

91 OBR, Economic and fiscal outlook – March 2024, para 5.4

92 OBR, Economic and fiscal outlook – March 2024, para 5.4

industries. The OBR's forecast suggests that government revenues could rise to their highest level since the late 1960s.[93]

Government revenues include income not traditionally thought of as taxes, such as interest payments on government assets, and income generated by public corporations. These receipts are excluded in the 'national account taxes' measure, which focuses on taxes and NICs.

The chart below shows that tax revenues are forecast to reach 37.1% of GDP in 2028/29, which would be the highest level since 1948, and 4% of GDP higher than before the pandemic (2019/20).

Around one third of the post-pandemic increase in tax revenues, as a percentage of GDP, is due to the Government's policy of keeping the main personal tax allowances and thresholds frozen. Normally, these allowances and thresholds would increase each year by inflation. The income tax personal allowance and higher rate threshold are frozen at their April 2021 level until April 2028.

Freezing these thresholds means more graduate into higher tax bands as their earnings increase; this is known as fiscal drag. The OBR estimates that by 2027/28 the policy will create 3.8 million more taxpayers, 2.7 million more higher rate taxpayers and 0.5 million more additional rate taxpayers than if the thresholds had risen by inflation.[94]

Government spending is also relatively high by UK standards. It is forecast to fall, as a percentage of GDP, over the forecast period. In 2028/29, it is forecast to be equivalent to 42.5% of GDP, which would be above average since the Second World War. It would also be higher than the level of government spending before the pandemic, which was 39.6% of GDP in 2019/20.

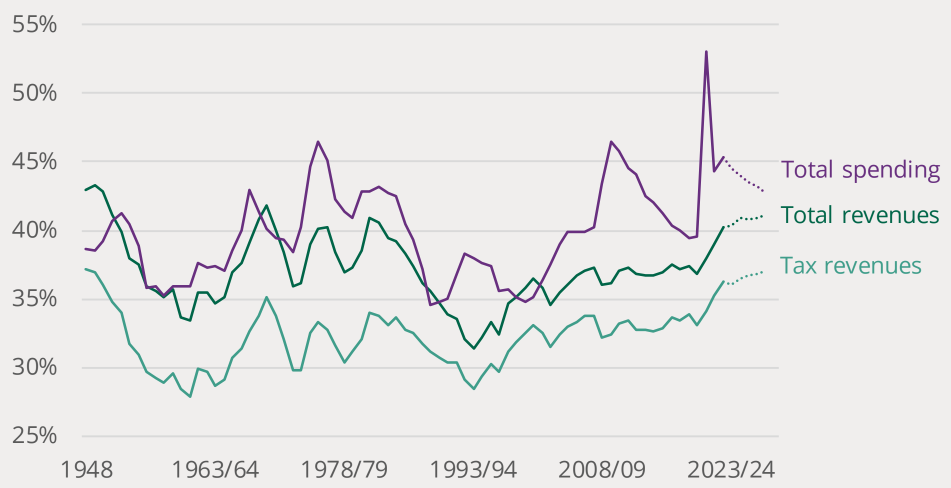
Government spending, total revenues and tax revenues since 1948 are shown in the chart below.

93 OBR. Public finances databank – March 2024 (accessed on 6 March 2024)

94 OBR, Economic and fiscal outlook – March 2024, Table 3.7

Government revenues are at relatively high levels by UK standards

% of GDP. OBR March 2024 forecast shown by dotted lines



Source: OBR. Public finances databank – March 2024 (accessed on 6 March 2024)

5.5 Summary of OBR forecasts for the public finances

OBR forecasts: public finances

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Net borrowing (PSNB), £ billion							
November 2023	128.3	123.9	84.6	76.8	68.4	49.1	35.0
March 2024	128.7	114.1	87.2	77.5	68.7	50.6	39.4
Net borrowing (PSNB), % of GDP							
November 2023	5.0	4.5	3.0	2.7	2.3	1.6	1.1
March 2024	5.0	4.2	3.1	2.7	2.3	1.6	1.2
Current budget deficit, % of GDP							
November 2023	3.2	1.9	0.5	0.5	0.2	-0.3	-0.7
March 2024	3.2	1.7	0.7	0.6	0.3	-0.2	-0.4
Net debt (PSND), £ billion							
November 2023	2,538	2,702	2,802	2,829	2,914	3,004	3,081
March 2024	2,540	2,691	2,793	2,820	2,903	2,995	3,078
Net debt (PSND), % of GDP							
November 2023	95.8	97.9	98.6	96.3	95.5	95.0	94.1
March 2024	95.7	97.6	98.8	96.4	95.5	95.1	94.3
Net debt (PSND) excluding Bank of England, % of GDP							
November 2023	84.9	89.0	91.6	92.7	93.2	93.2	92.8
March 2024	84.9	88.8	91.7	92.8	93.2	93.2	92.9
Central government net debt interest, £ billion							
November 2023	111.2	116.2	106.2	101.9	108.8	115.2	122.5
March 2024	111.5	104.7	89.0	88.9	96.2	103.0	109.6

6 What happens next?

6.1 Debate, resolutions and the Finance Bill

Immediately after the Budget statement, the Chancellor moved a provisional collection of taxes motion, so that changes to Stamp Duty Land Tax and VAT could take effect on 6 March (see section 2.1). Normally, the motion is agreed to without a vote. This appears to have been standard practice since the procedure was introduced in 1913. However, on this occasion, the motion was forced to a vote. The motion was approved by 288 ayes to 38 noes.

A debate on the Budget resolutions then began in the House of Commons with a speech from the Leader of the Opposition. The debate will be held over four days and MPs will be asked to vote on the resolutions afterwards. The resolutions are specific tax proposals, and those that are agreed are then incorporated in the Finance Bill 2024, which gives them permanent legal effect.

The resolutions need to be approved by Parliament within 10 sitting days of the Budget. Usually, MPs will only vote on some of these resolutions, reflecting the most controversial aspects of the Budget; the rest will pass unopposed.

The Finance Bill 2024 may also cover other matters relating to the administration of the tax system.

There is further information about the process and Parliament's role in the following:

- House of Commons Library, What is the Budget? 29 February 2024
- House of Commons Library, The Budget and the annual Finance Bill, 13 December 2023
- UK Parliament, MPs' Guide to Procedure: Budget and Finance Bill

6.2 National Insurance contributions (NICs)

In his statement the Chancellor announced a cut in the main rate of NICs paid by employees (primary Class 1 NICs), and the main rate paid by the self-employed (Class 4 NICs).

Separate legislation will be required to give effect to these changes.

Why do changes to NICs require a separate bill?

The Finance Bill's remit specifically excludes any tax that does not raise money for financing central government as a whole. The Finance Bill therefore cannot include provisions relating to NICs as receipts are collated in the National Insurance Fund. The National Insurance Fund is separate from central government spending.

Similarly, the Finance Bill cannot impose a charge to finance other bodies in the public sector (such as local authorities), or to authorise borrowing.

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