

## Government tightens fiscal policy more to help slow the economy

The latest figures for borrowing show a further reduction in additional borrowing in the first quarter of the new financial year, as forecast here. Tax revenues are well up on a year ago, by more than the rise in spending, so additional borrowing falls again.

The authorities just need to be careful lest they slow the economy too much. Then they will find the deficit stops falling, as tax revenues are sensitive to the rate of growth. As expected, the combined fiscal and monetary tightening is slowing the economy, at a time when other advanced countries are offering more stimulatory policies.