

The Budget – this year's borrowing down £39bn from last forecast

As expected the OBR cut their forecast of borrowing in the year to March 2021. They have lopped £39bn off the total compared to the November forecast and may still find their figure a bit high with only one month left to go. In contrast they have raised their borrowing forecast for 2021-22, partly to reflect the extension of measures announced in the budget to cushion some of the effects of continuing lock downs and social distancing policies. They wisely stress the difficulties of forecasting given the big impact lock down policies have on jobs and business. They rightly draw attention to the fall in debt interest thanks to low interest rates and the purchase of state debt by the state owned Bank of England. It seems to me premature to form a view of what might be needed to control the deficit in a few years time when it is so clear that the deficit is massively swelled by the impact of anti pandemic spending and some loss of tax revenue from less output and income. As their figures confirm it will take a vigorous recovery to get the deficit down, but only a good recovery can straighten out the public finances.

So the budget needs to be judged by how big an impact will it have on that recovery? My questions include

1. When will the Freeports be up and running? Will the areas demarked be substantial? How generous will the tax and tariff reductions be? I strongly support a Freeport led recovery but to be effective they need to be available soon, to be given good incentives and cover substantial areas.
2. How will the supercharged investment allowances work? What is the net effect on a potential inward investor of the improved allowance against the higher CT rate stated to come in in 2023?
3. What more will the government do to back the self employed and small business, as they will be crucial to recovery given their flexibility and enterprise?
4. What plans does the government have to address the issue of productivity performance, which affects the longer term growth rate?

I will develop these and related themes tomorrow as part of the budget debate.