

The government's flexible friend

UK PUBLIC FINANCES

At the Budget (March 2017) The Treasury forecast £58.3bn of borrowings in 2017-18.

The out-turn was 30% lower, at £40.5bn

At the same Budget the Treasury forecast £40.8bn borrowings in 2018-19. This has since been reduced to a forecast £37.1bn. Early figures suggest the Treasury has again overestimated the borrowing.

The Treasury also say they need to reduce the outstanding debt, which is at £1800 bn. or 85.1% of GDP. They need to remember this is a gross figure. The UK state has bought in £435 bn of debt which it therefore no longer owes. The state net debt is £1365bn or 64.5% of GDP. This is a relatively low figure for advanced nations, and eminently sustainable.

The government did not herald tax rate rises in the Manifesto, and there is no need for them to finance the NHS and other priorities. In some cases lower tax rates could bring in greater revenues, as the cut in top rate Income tax did. What is needed is a policy to promote faster growth from the current slower growth brought on by monetary tightening and tax rises on homes and cars.

The NHS spending can be paid for by a mixture of the proceeds of growth and the savings on EU contributions. In the short term borrowing can be allowed to go up to forecast levels, as it has been running well below official forecasts for some time.