

**Spring Budget 2023** by *James Meadway, Progressive Economy Forum* (14<sup>th</sup> March 2023)

**On Wednesday, 15<sup>th</sup> March, Chancellor Jeremy Hunt will present his first Budget.** This follows his earlier “Autumn Statement” in November 2022, which was substantially intended to reverse most of the policy changes proposed in the September 2022 so-called “mini-Budget” of then-Chancellor Kwasi Kwarteng and PM Liz Truss.

**November’s Autumn Statement included a projected return to spending cuts (austerity) after 2024-5.** This follows a period since 2019, pre-dating coronavirus, when government spending was increased in real terms after almost a decade of cuts. The surge in inflation since 2021 has also added to cost pressures on the government, including demands for public sector pay rises. [Public sector pay is rising by 4.2% compared to 7.3% in the private sector.](#)

**Recent economic news has been better for the UK than projections made at the Autumn Statement.** Higher-than-expected tax revenues in January [may have given the government another £30bn to spend](#) against its own targets to cut the debt and the deficit.

- Overall inflation has now peaked and is falling, although this still means prices are rising significantly faster than the Bank of England’s 2% target. [Food price inflation is still rising and is forecast to rise further](#) in the UK. Wholesale (not household) energy prices have fallen 50% but remain well above pre-2022 levels.
- Most forecasters now expect a somewhat milder recession this year than previously. But the future outlook will remain fairly bleak, even if the short-term forecast revisions look better.

**Continuing high rates of inflation will mean most people will experience a worsening in their living standards over the next year.** [The Resolution Foundation estimate that, on average, living standards will fall by £880 \(3.8%\) per household in 2023](#), similar to last year.

**Pressure on public services in general will be severe.** Recent increases in spending have not significantly reversed years of decline, whilst inflation has raised real costs across the public sector. The continuing impacts of covid on health and social care are significant, [with the NHS and social care estimated to need another £12bn a year.](#)

**Although the Budget is likely to be relatively small compared to recent years, some announcements are expected.** A longer summary of expectations is available [here](#). Defence spending is likely to be increased significantly. The existing Energy Price Guarantee, capping typical bills at £2,500 a year, is expected to be extended by some months. Measures on childcare may also feature.

A substantial increase in “economic inactivity” since the pandemic has been driven by early retirement and long-term sickness. The government is likely to announce measures intended to tackle this, including changes to the existing benefits system.

### Recommendations:

- **The government could meet public sector pay demands inside its existing targets for the debt and deficit.** [Raising all public sector pay by the rate of inflation would cost £18bn more than planned](#)
- Additionally, [£15.6bn could be raised by equalising Capital Gains Tax rates with income tax rates](#)