13 March 2018

on the day BRIEFING

NHS Providers

Spring statement 2018

Overview

The Chancellor announced in 2016 that major tax or spending changes will now be made once a year at the Budget in the autumn. In line with that announcement, today's Spring Statement contained no new policy announcements, but gave an update on the overall health of the economy, the Office for Budget Responsibility (OBR) forecasts and on progress made since the Autumn Budget 2017.

Although the limited scope of the statement was expected, there were many commentators suggesting that the Chancellor might use this as an opportunity to signal additional public sector expenditure, including in the NHS. The Chancellor did hint that there may be more money for the public sector in the November Budget if public finances continue to improve.

The outlook was more optimistic than that set out in the Budget in November, with the Chancellor unveiling a minor boost to the growth outlook and a fall to the borrowing forecast but the OBR points out that "the government's headroom against its fiscal targets is virtually unchanged."

This briefing outlines the economic headlines and NHS Providers' response.

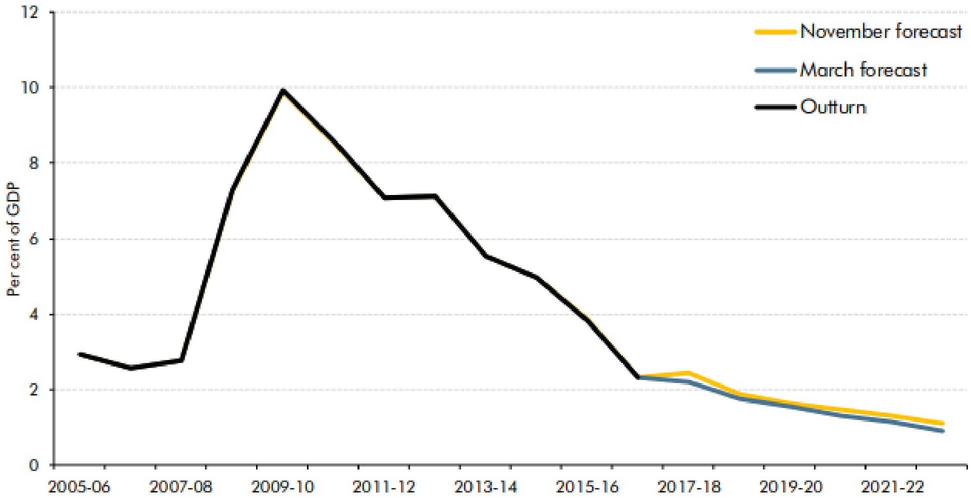
Economic overview

- The OBR predicts borrowing in 2017-18 to be £4.7 billion lower than forecast in November. The revision reflects the better than expected performance of tax receipts in recent months, most notably self-assessment income tax receipts received in January. Public sector net borrowing has fallen from a peak of 9.9 per cent of GDP (£153.0 billion) in 2009-10 to an estimated 2.2 per cent of GDP (45.2 billion) this year (figure 1).

- Borrowing is forecast to continue falling from 2018-19 onwards, with the deficit dropping below 2 per cent of GDP next year and below 1 per cent of GDP in the final year of the forecast. The structural deficit little changed on average and improved by just £0.3 billion in the Government's target year of 2020-21.

FIGURE 1

Public sector net borrowing

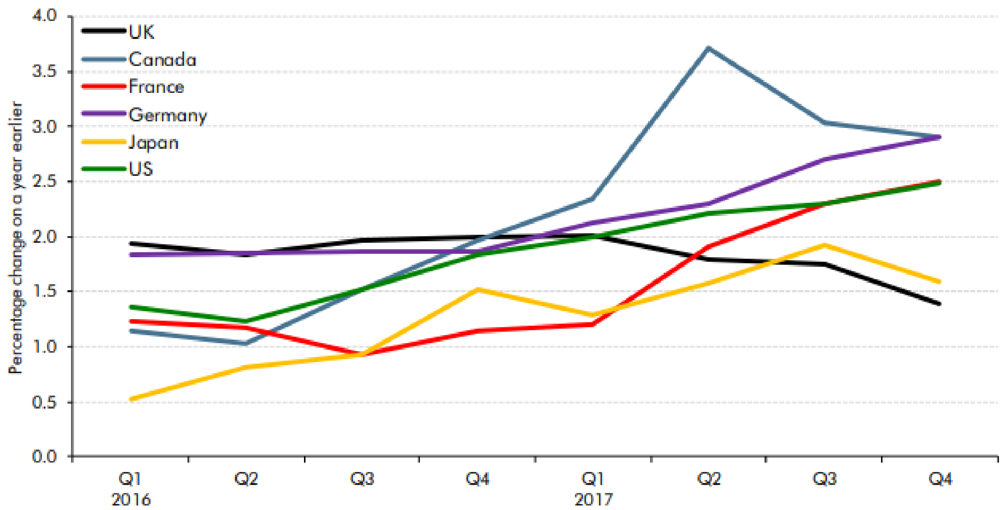


Source: ONS, OBR

- The OBR has increased their forecast growth for this year, which will rise to 1.4% in 2021 and 1.5% in 2022. However, this is the slowest rate of four-quarter growth since mid-2012 and the lowest among the G7 group of major advanced economies over the past year (figure 2).

FIGURE 2

Headline GDP growth in the UK and other G7 countries



Source: Thomson Reuters

- Productivity levels have risen more strongly than was forecast in November (figure 3).

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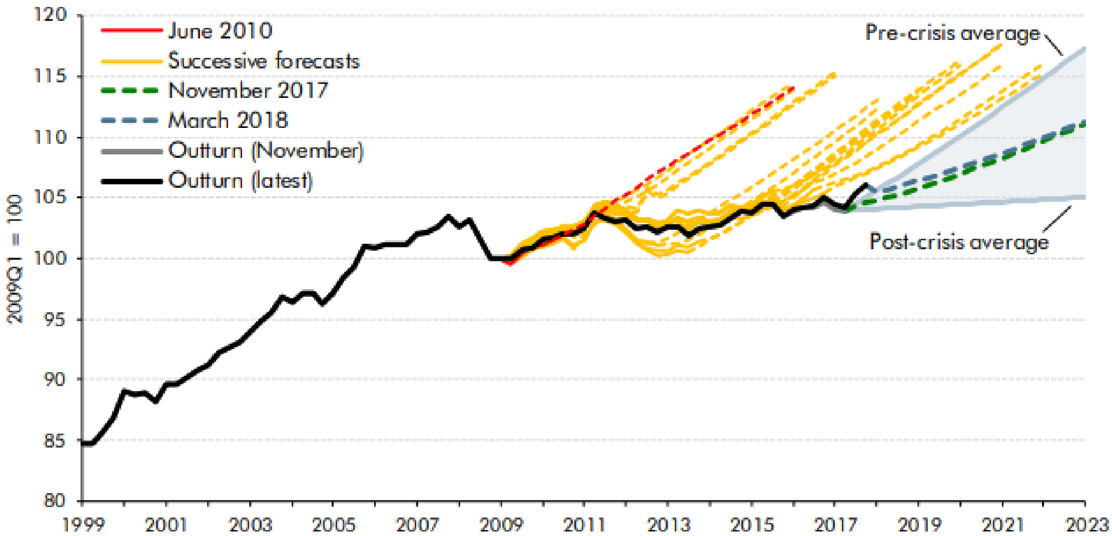
FIGURE 3

OBR productivity growth (output per hour) – forecasts and outturns



Note: Solid lines represent the outturn data that underpinned the forecast.
Source: ONS, OBR

- Inflation is currently at 3 per cent, which is above the Bank of England's 2 per cent target, but the OBR expect Consumer Prices Index (CPI) inflation to fall over the next 12 months. Retail Prices Index (RPI) inflation averaged 4 per cent in the fourth quarter of 2017, 0.1 percentage points below the OBR's November forecast.

Press statement

NHS Providers press statement setting out our response to the Spring Statement is below and also accessible online here.

Urgent steps needed on long term funding of health and social care

Responding to the Chancellor's spring statement, the deputy chief executive of NHS Providers, Saffron Cordery, said:

"It is encouraging that the Chancellor has acknowledged funding pressures faced by the NHS which mean the service can't deliver the levels of patient care set out in the NHS constitution.

"This winter we have seen the impact of under-funding and a lack of staff.

"We need to see urgent steps put in train to ensure sustainable long term funding for health and social care, because the current situation is unsustainable.

"It is also vital that any deal that is reached on pay is fully funded, as promised in the Budget."

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