

Headline analysis

- Budget 2017 commits the UK Government to additional spending pressures, mostly to provide additional resources for the NHS and social care
- Economic growth has been revised up over the coming years and unemployment figures have been revised down.
- Despite additional spending pressures, public sector net borrowing and debt is expected to be lower than forecasted back in November.
- Health spending is still set to grow in real terms over the coming years, although is effectively flat in 2018-19.

Key announcements

- Announcements in the Spring Budget 2017 amount to £4.9 billion of new spending commitments by 2021-22. This includes £2.9 billion of new spending on social care and the NHS, or 59 per cent of all the additional funding agreed.
- To balance this, £4.7 billion (net) of new taxed income will be raised from the announcements made. Around 40 per cent of this comes from increasing national insurance contributions of the self-employed.
- Overall, announcements in the budget add a net £175m cost pressure on the public budget when both spending and tax are accounted for. The next two years sees net spending increases, whereas tax income mostly increases towards the end of the period.

Spring Budget 2017 policy decisions

	2017-18	2018-19	2019-20	2020-21	2021-22
Budget 2017 spending decisions	- £1,545m	- £1,140m	- £705m	- £450m	- £1,040m
Budget 2017 tax decisions	- £165m	+ £475m	+ £1,530m	+ £1,380m	+ £1,485m
Total policy impact	- £1,710m	- £665m	+ £825m	+ £930m	+ £445m

Economic Outlook

- Forecasts on economic growth have been revised up since the last estimates in November 2016. The biggest increase will be in 2017, where GDP growth is expected to be 2 per cent, compared to an estimate of 1.4 per cent in November.
- Inflation estimates have been revised only moderately, slightly up in 2017 and down in 2018 and 2019. Across the period between 2017 and 2021, average consumer price inflation is estimated at 2.1 per cent.

- Unemployment forecasts have been revised down, suggesting lower unemployment than was estimated in November 2016. The average unemployment rate between 2017 and 2021 is estimated at 5.1 per cent, compared to 5.4 estimated in November.

OBR GDP growth forecasts

	2016	2017	2018	2019	2020	2021
Previous forecast (%): Nov 2016	2.1	1.4	1.7	2.1	2.1	2.0
Updated forecast (%): Mar 2017	1.8 (↓0.3)	2.0 (↑0.6)	1.6 (↓0.1)	1.7 (↓0.4)	1.9 (↑0.2)	2.0 (↔)

OBR consumer price inflation forecasts

	2016	2017	2018	2019	2020	2021
Previous forecast (%): Nov 2016	0.7	2.3	2.5	2.1	2.0	2.0
Updated forecast (%): Mar 2017	0.7 (↔)	2.4 (↑0.1)	2.3 (↓0.2)	2.0 (↓0.1)	2.0 (↔)	2.0 (↔)

OBR unemployment rate forecasts

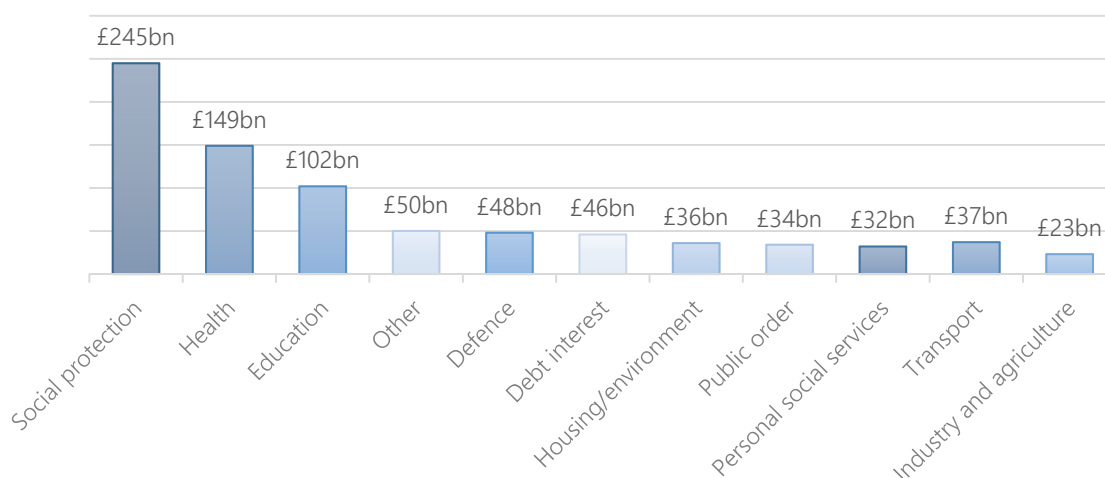
	2016	2017	2018	2019	2020	2021
Previous forecast (%): Nov 2016	5.0	5.2	5.5	5.4	5.4	5.4
Updated forecast (%): Mar 2017	4.9 (↓0.1)	4.9 (↓0.3)	5.1 (↓0.4)	5.2 (↓0.2)	5.2 (↓0.2)	5.1 (↓0.3)

Spending Outlook

- Health spending will be £149bn in 2017/18, which accounts for both department spending and money spent in areas outside budgetary control. Overall, this accounts for 19 per cent of total managed expenditure.

- The UK Government will continue to borrow money through to 2021-22, although the amount expected to be needed has been revised down in each year. Public sector net borrowing is forecasted to £16.8bn in 2021-22.
- Public sector net debt has also been revised downwards in line with these lower borrowing forecasts. It is expected to fall from 86.6 per cent in 2016-17 to 79.8 per cent in 2021-22.

UK Public Spending (total managed expenditure) in 2017/18



UK public sector net borrowing estimates

	2016/17	2017/18	2018/19	2019/20	2020-21	2021-22
Previous estimate: Nov 2016	£68.2bn	£59bn	£46.5bn	£21.9bn	£20.7bn	£17.2bn
Updated estimate: Mar 2017	£51.7bn (↓£16.5bn)	£58.3bn (↓£0.7bn)	£40.8bn (↓£5.7bn)	£21.4bn (↓£0.5bn)	£20.6bn (↓£0.1bn)	£16.8bn (↓£0.4bn)

UK public sector net debt estimates

	2016/17	2017/18	2018/19	2019/20	2020-21	2021-22
Previous estimate (%GDP): Nov 2016	87.3 %	90.2 %	89.7 %	88.0 %	84.8 %	81.6 %
Updated estimate (%GDP): Mar 2017	86.6 % (↓0.7%)	88.8 % (↓1.4%)	88.5 % (↓1.2%)	86.9 % (↓1.1%)	83.0 % (↓1.8%)	79.8 % (↓1.8%)

Health and social care spending

- Additional funding will reach the DH and DCLG budgets, following announcements in the Spring Budget 2017. This includes more than £2 billion over the next three years for social care and more than £400 million for the NHS to fund specific measures.
- DH spending, as a proportion of total department spending, is expected to increase from 32.7 per cent to 34 per cent by 2020-21. This is a higher proportion than was laid out in the Spending Review back in 2015, by around 0.6 per cent.
- Latest data suggests the DH budget will increase by around £3.5 billion, or 0.7 per cent on average, between 2016-17 and 2019-20. In 2018-19, the health budget will increase by just £41 million.

Spending announcements for NHS and social care

	2017/18	2018/19	2019/20	2020-21	2021-22
Additional DCLG funding for social care	- £1,200m	- £800m	- £400m	-	-
Additional DH spending on A&E	- £120m	-	-	-	-
Additional DH spending on STPs	- £130m	- £130m	- £130m	-	-

*figures are higher than announced due to impact of Barnett formula

DH spending as a proportion of department spending

	2017/18	2018/19	2019/20	2020-21
SR15 estimate: November 2015	32.7 % (£120.4bn)	33.3 % (£123.5bn)	33.7 % (£126.1bn)	34.0 % (£128.9bn)
Current estimate: March 2017	33.7 % (£120.7bn)	34.0 % (£123.7bn)	34.3 % (£126.3bn)	34.6 % (£129.2bn)

Real increases in DH spending (2015/16 prices)

	2016-17	2017-18	2018-19	2019-20
Extra DH spending (real terms)	£1,817m (1.6%)	£1,223m (1.0%)	£41m (0.0%)	£457m (0.4%)