

The run up to the budget

The budget is now a crucial moment for this government. It has to demonstrate that there is a growth strategy, and show how decisions will be made to limit the downturn and point the economy to a better future. It is made more difficult by wanting to put up Corporation tax, making the UK a less attractive destination for inward investment and new jobs, and reducing company cashflows for new domestic investment by companies already here. Since the Chancellor spoke about reversing tax proposals various independent forecasters have been cutting their growth forecasts.

The government has placed itself at the mercy of OBR forecasts. The OBR needs to lift its current year forecast of the budget deficit which I said would be an understatement when they made it. It needs to update it for the extra spending the government has now committed as a response to the energy crisis. It needs to reflect for the following year the likely slowing of revenue growth as a result of economic downturn. The government needs to tell the nation that whatever it does borrowing will be higher over the next year or so. The choice is whether to offer some offset to the hit to real incomes from higher interest rates and higher energy costs in order to limit the downturn, or whether to end up borrowing even more because the downturn is deeper and longer. It seems likely the OBR will follow the Bank of England in predicting no growth and maybe a recession in 2023. The crucial 2025/6 year forecast which affects the budget judgement needs to be more realistic than last year's deficit forecast. There will be a windfall on the debt interest programme given the way they state it. As inflation comes down so on their definition the interest programme falls sharply.

The government needs to review the list of projects to expand UK capacity listed in the Growth Plan 2022 released by the last Chancellor. Several important oil and gas field developments are missing at a time when we need to swell the domestic production of fuels. This would boost revenues at home and cut carbon dioxide from transporting and liquifying imports. The road schemes need to be ones which increase capacity on main roads to allow people going to work in vehicles freedom from so many traffic jams. They can then book an additional appointment in the day. They should add small modular nuclear reactors to the list where pump priming state investment could lead to a major new manufacturing activity to be privately financed with opportunity for exports.

The government needs reviews of regulations, licencing and subsidy regimes where they affect our ability to grow more of our own food, deliver more of our own energy and produce more of our own industrial products. Your ideas would be of interest as to what a good Growth strategy should look like.