Chancellor Philip Hammond surprised those anticipating a boring Budget by littering his speech with jokes and gags. However, there were definitely none of the pyrotechnic policies that were prominent in the last Chancellor's Budgets (e.g. the sugar levy), as the substance of 'Spreadsheet Phil's' announcements lived up to his nickname. And, needless to say, the state of the public finances remain no laughing matter.

Some of the most noteworthy aspects of today's speech related to analysis of the economy and public finances, rather than new policies. The short-term economic and fiscal outlook has improved but the UK's long-term economic challenges remain. Today's Budget applied a sticking plaster to the public finances with tax rises more than offsetting any fresh spending commitments.

Economic growth

Looking at the economic growth forecasts in more detail; whilst there is a significant upgrade to economic growth for 2017, there are downgrades for the following three years, with growth between 2018 and 2020 set to be below two per cent each year. Consumer spending is set to slow dramatically both this year and next, as the cost of living squeeze takes hold. The OBR emphasises again that productivity is the most important and most uncertain judgment in its economic forecast. While improvements in productivity have been trimmed relative to the Autumn Statement, past performance would suggest that these are once again overly-optimistic. Failure to meet these expectations will result in a further deterioration in the public finances.

Government borrowing

Government borrowing in the current financial year is some £16billion below what was previously forecast and there is another £8billion less borrowing forecast over the next five years. This cumulative £24bn over six years, whilst welcome, this is not quite the war chest the Chancellor had hoped for to act as fiscal ammunition over two years after the triggering of Article 50. By April 2022, the UK will still be spending more money than it earns. The long-term challenge of fixing the public finances very much remains.

More tax, less spend

During the Osborne era, the primary focus in terms of fixing the public finances was on spending cuts, rather than revenue raising. We are now moving increasingly the other way, towards a 'more tax, less spend' model, and in today's latest round of tax rises, it was very much a 'tax on selfies'. National Insurance contribution changes will look to reduce the difference between the self-employed and their counterparts who are employed, with the NIC of self-employed people rising to 11% in the next two years. Any self-employed person with profits over £16,250 will have to pay more as a result of these changes. Meanwhile, other self-employed entrepreneurs will be disheartened at the tax-free dividend allowance being lowered to £2,000 in April 2018 from £5,000 currently. As of Q4 2016, Northern Ireland had 130,000 self-employed people, which is more than one in seven of those working. Meanwhile, on the rates relief side, there is a £435m package to ease the pain in the rise of new business rates – however, this doesn't apply to Northern Ireland.

Duties: nothing to see here

Usually, duties attract a lot of media attention in the Budget, but today it was a case of 'nothing to see here', with most of the duties rising in line with inflation, and on National non-smoking day, duty on cigarettes was up two percent above inflation.

Social care funding boost

A number of areas are to receive additional public spending; social care is set to received £2billion over the next three years, although it has been argued by many that this is insufficient to meet growing demands. Encouragingly, to this end, the Chancellor announced that a Green Paper will be produced later this year on long-term funding for social care. While we wait to see what this entails, he did rule out the idea of the much talked about ‘death tax’. There was mention of some additional funding for health, but in the context of a £150bn health budget, this is not significant.

Education features prominently

Education featured prominently in today’s Budget, with a package of measures that included new funding for PhD places and academic research, as well as the introduction of so-called T-Levels; i.e. technical educational equivalent of A-levels. It will be interesting to see if Northern Ireland adopts this approach, given the local economy’s requirement for these kinds of skills.

Additional funding for Northern Ireland

The upshot of the additional spending is that Northern Ireland will receive an extra £120m (£30m of which is for capital spending). But even with this, public spending in real terms is set to fall. If a Northern Ireland Executive was in place, it could decide how this money would be spent. However, without a Northern Ireland Executive, there is no Northern Ireland Budget.

Previous announcements mean fiscal pain

Overall, the majority of fiscal pain due to be felt this year and beyond relates to announcements from previous Budgets that are only being introduced in the financial year beginning next month. There are a raft of measures from previous Budgets, including Apprenticeship Levy, insurance premium tax hike, benefit freezes/cuts, that are due to come into effect in the coming weeks.

Austerity will continue

The focus will now quickly turn to the triggering of Article 50 later this month, with a maximum of 22 sleeps to go. What does or doesn't happen in this regard, will impact on the economy and the public finances. Irrespective of this, the long-term challenges remain for productivity and getting the public finances on a sustainable footing – e.g. how to fund an aging population – issues that are even more pressing for Northern Ireland. Austerity watchers, as you were.

Richard Ramsey talks about the Budget

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