

Funding the Future

The IFS really should get sectoral balance accounting r...

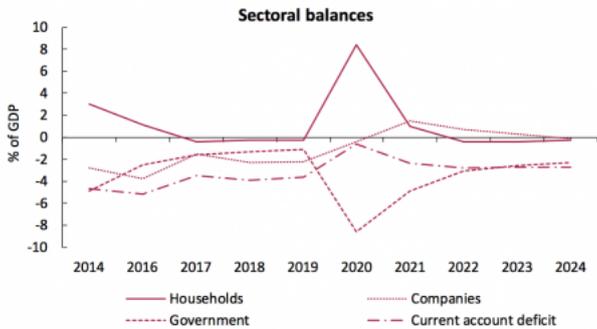
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The IFS and the NIESR held an event on the state of the economy this week. They [published their slides](#).



The slide pack includes this astonishing slide:

Government deficit matched by household surplus



• Higher government borrowing is matched by higher private saving, so it is financed by borrowing from those unable to spend. National balance sheet largely unscathed.



National Institute of Economic and Social Research

Why is this astonishing? Because it does not show the sectoral balances.

The whole point about the sectoral balances is that they balance. The logic is simple: for every borrower there must be a lender. It's really not hard to understand. It's an accounting fact. So the pattern above and below the line must balance between the four sectors indicated, which are those conventionally used.

But the NIESR chart does not balance. It's designed to show imbalance when according to sectoral balance analysis that is impossible. If in doubt look at 2024: everything is at or below 0%. That cannot happen.

So, what is wrong? It is that what is called 'the current account deficit' is shown as a negative. It isn't. It's a positive. And that is true throughout this plot: overseas holders of sterling are funding the UK, as they have done for some time. This is good news. But it has been misrepresented as if it is not.

So why misrepresent the sectoral balances in this way? I guess there are just two options.

The first is ignorance.

The second is wilful misrepresentation of the role of the overseas sector, and the support it supplies.

I can't see any other.

But it really does make the case that the IFS is very bad at macro if it is willing to publish this when it is straightforwardly wrong.