

Economic and fiscal forecasts

Updated: February 2014

Purpose

This briefing summarises recent forecasts for the UK economy¹ and how these have changed in the past year. It compares forecasts from the Office for Budget Responsibility with that of independent forecasters where possible. It will be updated twice a year with the OBR forecasts (Autumn and Spring).

Background to the forecasts

The Office for Budget Responsibility (OBR) was created in 2010 to provide independent analysis of the UK's public finances. Twice a year they produce an Economic and Fiscal Outlook report which provides forecasts for the economy and public finances. The latest Economic and Fiscal Outlook² was published alongside the Autumn Statement 2013,³ on 5 December 2013.

HM Treasury produces a monthly publication, Forecasts for the UK Economy,⁴ which provides a summary of published material from independent forecasting organisations.

¹ Comparable forecasts for Wales are not available.

² Office for Budget Responsibility, **Economic and Fiscal Outlook**, 5 December 2013 [accessed 10 December 2013]

³ HM Treasury, **Autumn Statement 2013**, 5 December 2013 [accessed 10 December 2013]

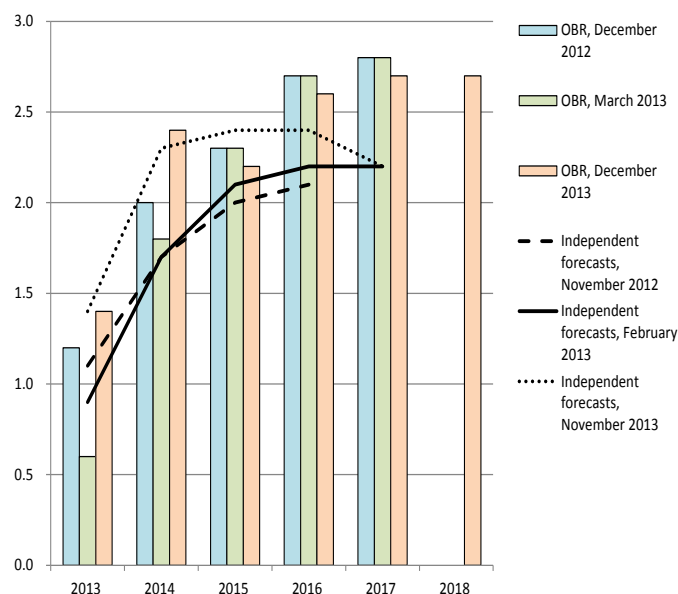
⁴ HM Treasury, **Forecasts for the UK economy: A comparison of independent forecasts**, 9 December 2013 [accessed 10 December 2013]

The figures shown from this represent the average medium-term forecasts from the independent organisations as at 9 December 2013.

GDP growth

Figure 1 shows the forecasts for gross domestic product (GDP) growth (both the OBR forecasts and the average independent forecasts) from 2013 to 2018.

Figure 1: GDP Growth (per cent change on previous year)



Source: Office for Budget Responsibility Economic and Fiscal Outlook Reports and HM Treasury Forecasts for the UK economy

This shows that since March 2013 the OBR forecasts have been revised upwards by 0.8 percentage points in 2013, with a further increase of 0.6 percentage points in 2014. Forecasts for 2015, 2016 and 2017 have all been revised downwards by 0.1 percentage point.

Over the short-term, independent forecasts are less optimistic to those of the OBR, with forecast GDP growth being revised upwards by 0.5 percentage points in 2013 and 0.6 percentage points in 2014. However, over the medium term, the independent forecasts are more optimistic than the OBR's forecasts, with GDP growth revised upwards by 0.3 percentage points in 2015 and 0.2 percentage points in 2016. In 2017, independent forecasts are the same in November 2013 as in February 2013.

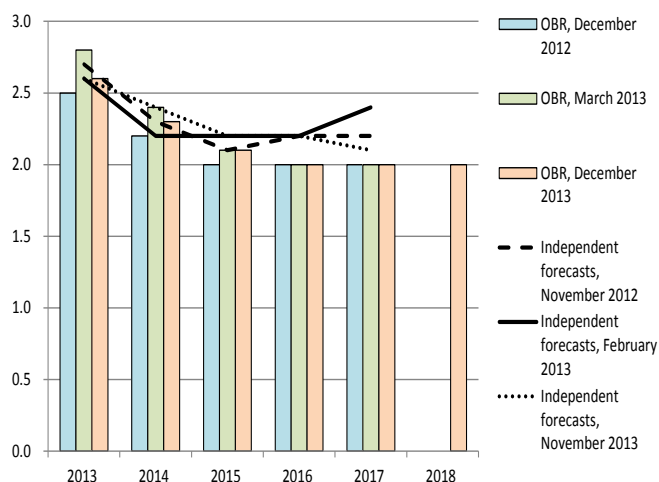
In comparison to the OBR's December 2012 forecasts: GDP growth has been revised upwards by 0.2 percentage points in 2013 and 0.4 percentage points in 2014. However it has been revised downwards by 0.1 percentage points in 2015, 2016 and 2017.

In comparison to the OBR's forecasts as at November 2010 GDP growth forecasts are lower, with a downward revision of 1.5, 0.4 and 0.5 percentage points for 2013, 2014 and 2015 respectively.

Inflation - CPI

Figure 2 shows the forecasts for inflation as measured by the Consumer Price Index (CPI) (both OBR and independent forecasts) from 2013 to 2018.

Figure 2: CPI (per cent change on previous year)



Source: Office for Budget Responsibility Economic and Fiscal Outlook Reports and HM Treasury Forecasts for the UK economy

This shows that since March 2013 the OBR forecasts have been revised slightly downwards by 0.2 percentage points in 2013 and 0.1 percentage points in 2014. Forecasts for 2015, 2016 and 2017 remain static.

Independent forecasts estimate similar inflation to the OBR forecasts, with inflation on average 0.1 percentage point greater over the forecast period in comparison to independent forecasts in February 2013.

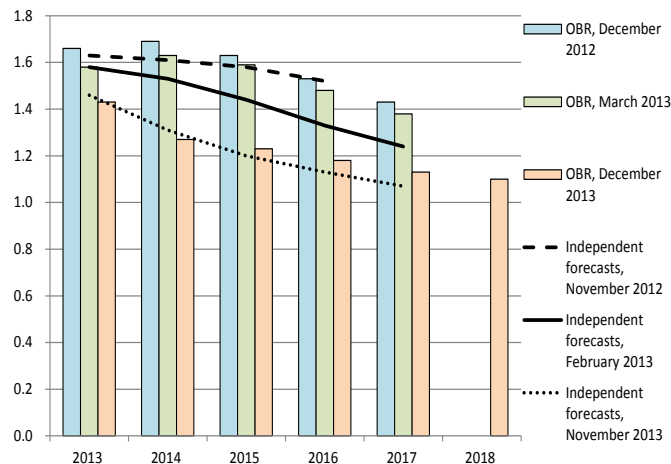
In comparison to the OBR's March 2012 forecasts CPI inflation forecasts have been revised upwards by 0.9 percentage points in 2013, 0.5 percentage points in 2014 and 0.1 percentage points in 2015. Forecasts for 2016 remain unchanged.

In comparison to the OBR's forecasts as at November 2010 CPI inflation forecasts are higher in 2013, 2014 and 2015 (0.8, 0.4, and 0.1 percentage points, respectively).

Unemployment

Figure 3 shows the forecasts for unemployment as measured by the claimant count⁵ (both OBR and independent forecasts) from 2013 to 2018.

Figure 3: Claimant count (millions)



Source: Office for Budget Responsibility Economic and Fiscal Outlook Reports and HM Treasury Forecasts for the UK economy

This shows that since March 2013 the OBR forecasts have been revised downwards by in all years: by 150,000 in 2013, 360,000 in both 2014 and 2015, 300,000 in 2016 and 250,000 in 2017.

Independent forecasts are lower by 120,000 in 2013, 220,000 in 2014, 240,000 in 2015, 200,000 in 2016 and 170,000 in 2017, in comparison to independent forecasts in February 2013.

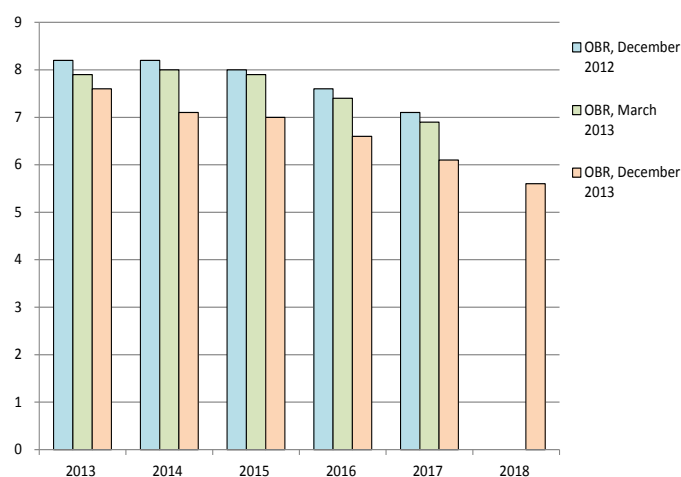
⁵ **Claimant count** measures the number of people claiming unemployment-related benefits; since October 1996 this has been the number of people claiming Jobseeker's Allowance (JSA).

In comparison to the OBR's December 2012 forecasts claimant count forecasts have also been revised downwards in all years: by 230,000 in 2013, 420,000 in 2014, 400,000 in 2015, 350,000 in 2016 and 300,000 in 2017.

In comparison to the OBR's forecasts as at November 2010 claimant count forecasts are higher in all years, by 130,000 in 2013, 60,000 in 2014, and 130,000 in 2015.

Figure 4 shows the forecasts for unemployment as measured by the ILO unemployment rate⁶ (OBR forecasts only, these figures are unavailable from independent forecasts) from 2013 to 2018.

Figure 4: ILO unemployment rate(per cent of economically active population)



Source: Office for Budget Responsibility Economic and Fiscal Outlook Reports

This shows that since March 2013 the OBR forecasts have been revised downwards for all years, by 0.3 percentage points in 2013, 0.9 percentage points in both 2014 and 2015, and 0.8 percentage points in both 2016 and 2017.

⁶ **ILO unemployment rate** is the percentage of economically active people who are unemployed by the ILO standard. This includes those who are out of work and actively seeking a job, or those who are out of work and waiting to start a job in the next two weeks. It is measured by the Office for National Statistics' Labour Force Survey and is a more comprehensive measure of unemployment than the claimant count, as it covers everyone who is unemployed, rather than just those claiming benefits.

In comparison to December 2012, the OBR's forecasts have also been revised downwards for all years. In 2013 the forecast has been revised downwards by 0.6 percentage points, with further downward revisions of 1.1 percentage points in 2014, and of 1 percentage point in each year from 2015 to 2017.

In comparison to the OBR's forecasts as at November 2010 forecasts are higher in all years, by 0.4 percentage points in both 2013 and 2014 and 0.9 percentage points in 2015.

Public sector borrowing and debt

Underlying public sector net borrowing has been used by the OBR as its main measure of assessing the public finances in the December 2013 forecasts.

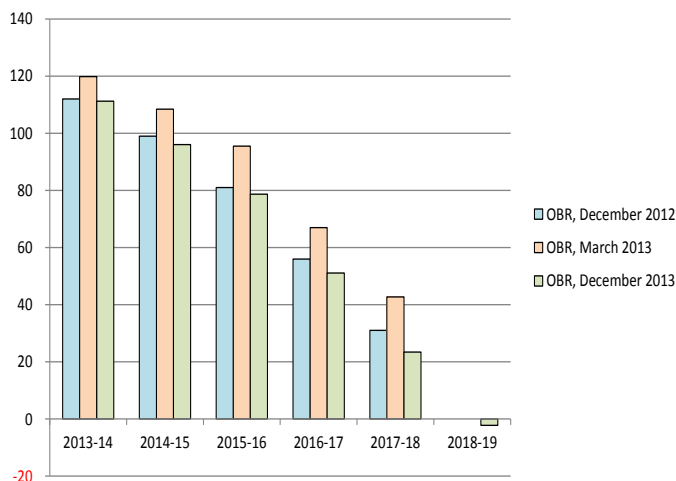
This has been used as the headline measure by the OBR so that it excludes the impact of two temporary factors which have had a large effect on borrowing levels, the one-off transfer of the Royal Mail Pension Plan's assets (and associated future pension liabilities) to the Government in 2012-13 and the on-going transfers of cash from the Asset Purchase Facility (APF) to the Exchequer.

It is projected by the OBR that underlying public sector net borrowing will fall over the next five financial years, to a predicted budget surplus in 2018-19. This would be the first budget surplus since 2000-01.⁷

⁷ Office for Budget Responsibility, **Economic and Fiscal Outlook**, page 14, 5 December 2013 [accessed 10 December 2013]

Figure 5 shows the forecasts for underlying public sector net borrowing (PSNB)⁸ (OBR forecasts only, these figures are unavailable from independent forecasts) from 2013-14 to 2018-19.

Figure 5: Underlying Public Sector Net Borrowing (£ billions)



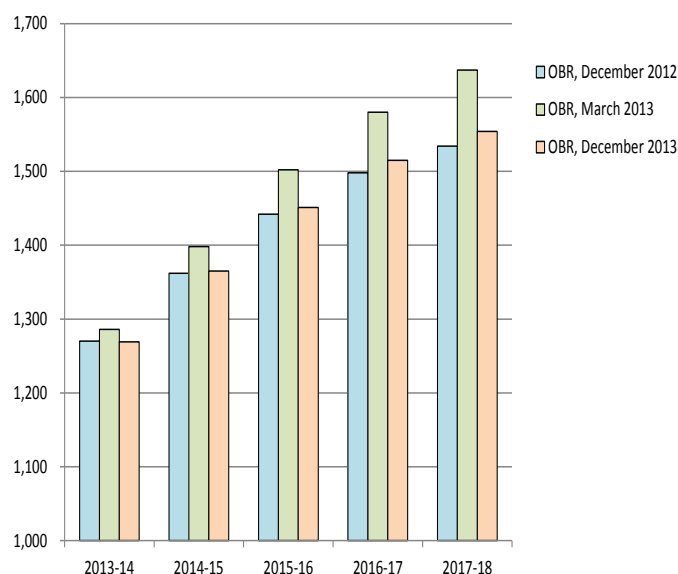
Source: Office for Budget Responsibility Economic and Fiscal Outlook Reports

This shows that since March 2013 the OBR forecasts have been revised downwards for all years, £8.6 billion in 2013-14, £12.4 billion in 2014-15, £16.8 billion in 2015-16, £15.9 billion in 2016-17 and £19.3 billion in 2017-18.

In comparison to the OBR's December 2012 forecasts PSNB forecasts have also been revised downwards for all years, by £0.8 billion in 2013-14, £3 billion in 2014-15, £2.3 billion in 2015-16, £4.9 billion in 2016-17 and £7.6 billion in 2017-18.

Figure 6 shows the forecasts for public sector net debt (PSND)⁹ (OBR forecasts only, these figures are unavailable from independent forecasts) from 2013-14 to 2018-19.

Figure 6: Public sector net debt (£ billions)



Source: Office for Budget Responsibility Economic and Fiscal Outlook Reports

This shows that since March 2013 the OBR forecasts have been revised upwards for all years; by £3 billion in 2012-13, £16 billion in 2013-14, £36 billion in 2014-15, £60 billion in 2015-16, £82 billion in 2016-17, and £103 billion in 2017-18.

Over the period 2013-14 to 2017-18 PSND will be £249 billion lower than forecast in March 2013. This represents a debt to GDP ratio of 78.4 per cent in 2017-18 (forecast to be 84.8 per cent in March 2013).

In comparison to the OBR's December 2012 PSND forecasts have been revised slightly downwards by £1 billion in 2013-14. However, they have been revised upwards in the remainder of the years, by £3 billion in 2014-15, £9 billion in 2015-16, £17 billion in 2016-17 and £20 billion in 2017-18. Over the period 2013-14 to 2017-18 PSND will be £48 billion higher than forecasts in March 2012. This represents a debt to GDP ratio of 78.4 per cent in 2017-18 (forecast to be 77.3 per cent in December 2012).

In comparison to the OBR's November 2010 forecasts, PSND is much higher, revised upwards by £ 37 billion in 2013-14, £81 billion in 2014-15 and £131 billion in 2015-16. Over the period 2013-14 to 2015-16, PSND will be £249 billion higher than forecast in November 2010. This represents a debt to GDP ratio of 80 per cent in 2015-16 (forecast to be 67.2 per cent in November 2010).

⁸ **Underlying Public Sector Net Borrowing (PSNB)** is the public sector's total expenditure (current and capital) less total receipts, and is a measure of the overall fiscal stance.

⁹ **Public Sector Net Debt (PSND)** is the cumulative total of the Public sector net cash requirement, and reflects the public sectors debt burden.

Further information

Further detail on the figures as well as explanations for the revisions to the forecasts can be found in the full forecast document: Office for Budget Responsibility, *Economic and Fiscal Outlook*, December 2013

Details of the average of independent forecasts used can be found in: HM Treasury, *Forecasts for the UK Economy*, November 2013

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