

Economic and fiscal forecasts

November 2011

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 (November and March).

Background to the forecasts

The Office for Budget Responsibility (OBR)² was created in 2010 to provide independent analysis of the UK's public finances. Twice a year they produce an Economic and Fiscal Outlook report³ which provides forecasts for the economy and public finances. The latest Economic and Fiscal Outlook⁴ was published alongside the Chancellor's Autumn Statement⁵ on 29 November 2011.

HM Treasury produces a monthly publication, Forecasts for the UK Economy,⁶ which provides a summary of published material from independent forecasting organisations. The figures shown from this represent the average medium-term forecasts from the independent organisations.

¹ Comparable forecasts for Wales are not available.

² **Office for Budget Responsibility** [accessed 29 November 2011]

³ Office for Budget Responsibility, **Economic and Fiscal Outlook** [accessed 29 November 2011]

⁴ Office for Budget Responsibility, **Economic and Fiscal Outlook**, 29 November 2011 [accessed 29 November 2011]

⁵ HM Treasury, **Autumn Statement**, 29 November 2011 [accessed 29 November 2011]

⁶ HM Treasury, **Forecasts for the UK economy: A comparison of independent forecasts** [accessed 29 November 2011]

GDP growth

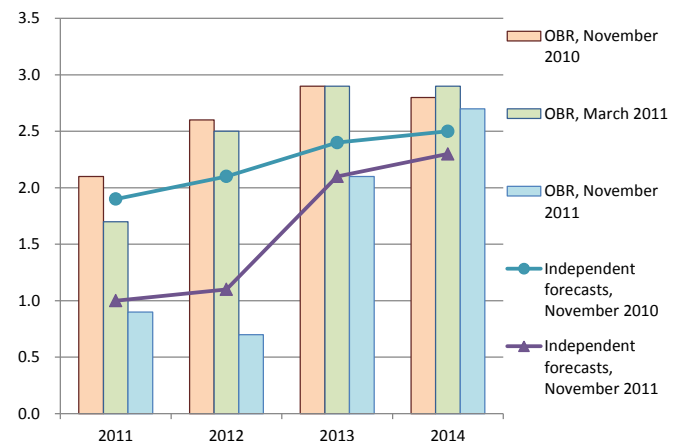
Figure 1 shows the forecasts for gross domestic product (GDP) growth (both the OBR forecasts and the average independent forecasts) from 2011 to 2014.

This shows that since November 2010:

- the OBR forecasts have been revised downwards by 1.2 percentage points in 2011, and almost 2 percentage points in 2012, with further reductions of 0.8 and 0.1 percentage points in 2013 and 2014 respectively.
- independent forecasts have reduced by almost 1 percentage point for both 2011 and 2012, with reductions of 0.3 and 0.2 percentage points in 2013 and 2014.

In comparison to the OBR's March 2011 forecasts, GDP growth has been revised downwards by 0.8 percentage point in 2011, 1.8 percentage points in 2012, and a further 0.8 and 0.2 percentage points in 2013 and 2014 respectively.

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

Inflation - CPI

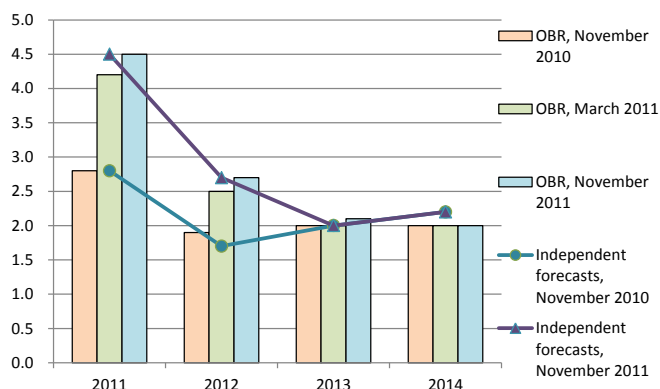
Figure 2 shows the forecasts for inflation as measured by the Consumer Price Index (CPI) (both OBR and independent forecasts) from 2011 to 2014.

This shows that since November 2010:

- the OBR forecasts have been revised upwards by 1.7 percentage points in 2011, 0.8 percentage points in 2012 and 0.1 percentage points for 2013.
- independent forecasts have increased for 2011 and 2012 by 1.7 and 1.0 percentage points, respectively.

In comparison to the OBR's March 2011 forecasts, CPI inflation forecasts have been revised upwards by 0.3, 0.2 and 0.1 percentage points respectively in 2011, 2012 and 2013.

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

Unemployment

Figure 3 shows the forecasts for unemployment as measured by the claimant count⁷ (both OBR and independent forecasts) from 2011 to 2014.

This shows that since November 2010:

- the OBR forecasts have been revised upwards by 50,000 in 2011, 350,000 in 2012 and 450,000 in

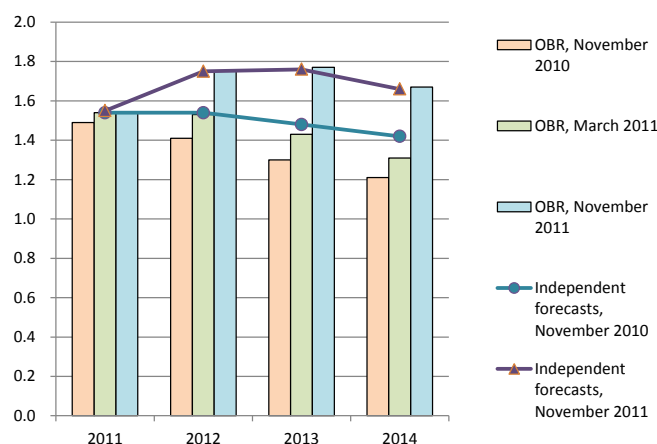
⁷ **Claimant count** measures the number of people claiming unemployment-related benefits; since October 1996 this has been the number of people claiming Jobseeker's Allowance (JSA).

each of 2013 and 2014.

- independent forecasts for 2011 remain similar, but have increase by between 200,000 and 300,000 for each year from 2012- to 2014.

In comparison to the OBR's March 2011 forecasts, claimant count forecasts have been revised upwards by 200,000, 350,000 and 350,000 in 2012, 2013 and 2014, respectively.

Figure 3: Claimant count (millions)



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

Figure 4 shows the forecasts for unemployment as measured by the ILO unemployment rate⁸ (OBR forecasts only, these figures are unavailable from independent forecasts) from 2009 to 2015.

This shows that since November 2010:

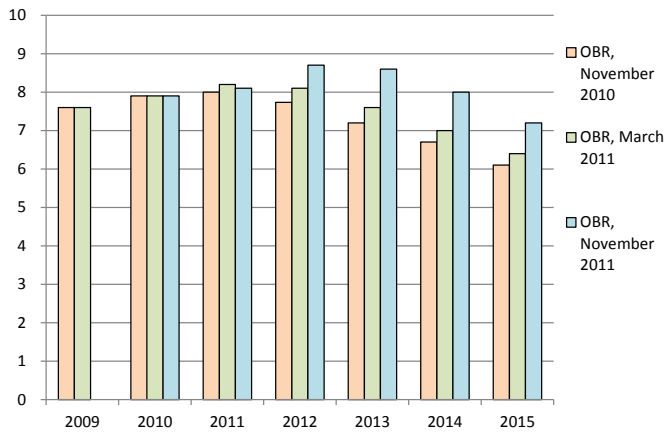
- the OBR forecasts have been revised upwards by 0.1 percentage point in 2011, 1 percentage point in 2012, and 1.4 and 1.3 percentage points respectively in 2013 and 2014.

In comparison to the OBR's March 2011 forecasts, ILO unemployment forecasts have been revised down by

⁸ **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.

0.1 percentage points in 2011, and revised up by 0.6 percentage points in 2012, and 1 percentage point in each of 2013 and 2014.

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



Source: Office for Budget Responsibility Economic and Fiscal Outlook Reports

Public sector borrowing and debt

Figure 5 shows the forecasts for public sector net borrowing (PSNB)⁹ (both OBR and independent forecasts) from 2010-11 to 2013-14.

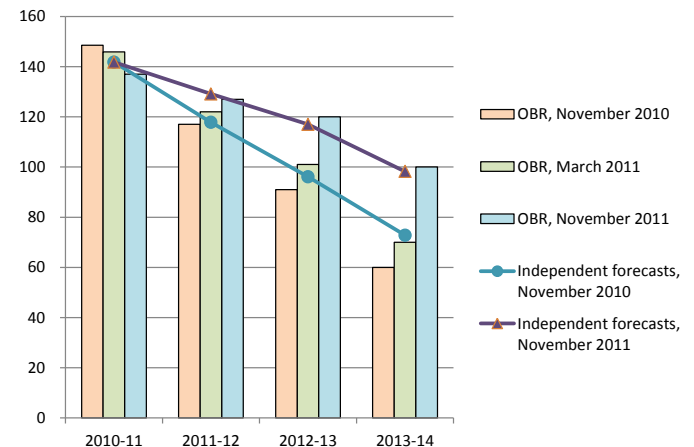
This shows that since November 2010:

- the OBR forecasts have been revised upwards by £10 billion in 2011-12, £29 billion in 2012-13 and £40 billion in 2013-14. Over the period 2011-12 to 2015-16 PSNB will be £158 billion higher than forecasts in November 2010.
- independent forecasts have increased by £11 billion for 2011-12, £21 billion for 2012-13 and £25 billion for 2013-14.

In comparison to the OBR's March 2011 forecasts, PSNB forecasts have been revised upwards by £5 billion in 2011-12, £19 billion in 2012-13 and £30 billion in 2013-14. Over the period 2011-12 to 2015-16 PSNB will be £111 billion higher than forecasts in March 2010.

⁹ **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.

Figure 5: Public Sector Net Borrowing (£ billions)



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

Figure 6 shows the forecasts for public sector net debt (PSND)¹⁰ (OBR forecasts only, these figures are unavailable from independent forecasts) from 2011-12 to 2014-15.

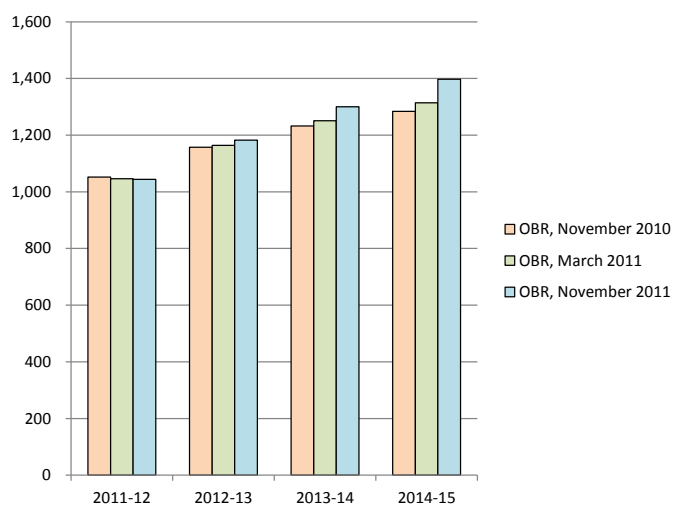
This shows that since November 2010:

- the OBR forecasts have been revised down by £8 billion in 2011-12, and revised upwards by £25 billion in 2012-13 and £68 billion in 2013-14. Over the period 2011-12 to 2015-16 PSND will be £348 billion higher than forecasts in November 2010.

In comparison to the OBR's March 2011 forecasts, PSND forecasts have been revised down by £2 billion in 2011-12, and revised upwards by £18 billion in 2012-13 and £49 billion in 2013-14. Over the period 2011-12 to 2015-16 PSND will be £259 billion higher than forecasts in March 2010, representing a debt to GDP ratio of almost 78 per cent 2015-16 (previously forecast to be 69 per cent)

¹⁰ **Public Sector Net Debt (PSND)** is the cumulative total of the Public sector net cash requirement, and reflects the public sectors debt burden.

Figure 6: Public sector net debt (£ billions)



Source: Office for Budget Responsibility Economic and Fiscal Outlook Reports

Further information

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