

Economic and fiscal forecasts

Updated: March 2012

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 Budget 2012,⁵ on 21 March 2012.

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 21 March 2012]

³ Office for Budget Responsibility, **Economic and Fiscal Outlook** [accessed 21 March 2012]

⁴ Office for Budget Responsibility, **Economic and Fiscal Outlook**, 21 March 2012 [accessed 21 March 2012]

⁵ HM Treasury, **Budget 2012**, 21 March 2012 [accessed 21 March 2012]

⁶ HM Treasury, **Forecasts for the UK economy: A comparison of independent forecasts** [accessed 21 March 2012]

GDP growth

Figure 1 shows the forecasts for gross domestic product (GDP) growth (both the OBR forecasts and the average independent forecasts) from 2012 to 2015.

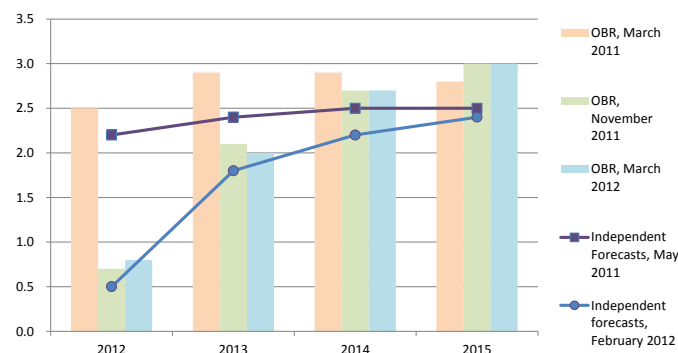
This shows that since March 2011:

- the OBR forecasts have been revised downwards by 1.7 percentage points in 2012, and 0.9 percentage points in 2013, with a further reduction of 0.2 in 2014 and growth of 0.2 percentage points in 2015.
- independent forecasts are less optimistic than that of the OBR, with forecast GDP growth on average 0.5 percentage points lower over the forecast period.

In comparison to the OBR's November 2011 forecasts:

- GDP growth has been revised upwards by 0.1 percentage point in 2012, and revised downwards by 0.1 percentage points in 2013, with no change to forecasts for 2014 and 2015.

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 2015.

This shows that since March 2011:

- the OBR forecasts have been revised upwards by 0.3 percentage points in 2012, and revised downwards by 0.1 percentage points in each of

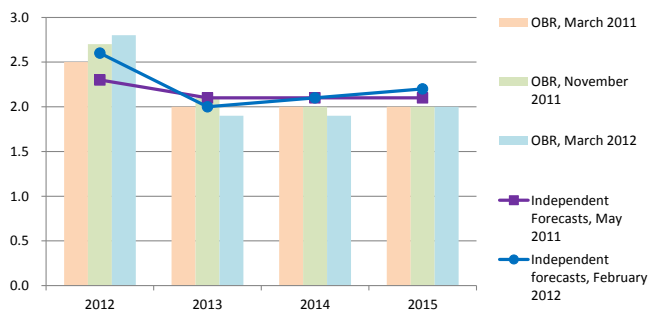
2013 and 2014.

- 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 the OBR's November 2011 forecasts:

- CPI inflation forecasts have been revised upwards by 0.1 percentage points in 2012 and 2014, and downwards by 0.2 percentage points in 2013, with no change in 2015.

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 2015.

This shows that since March 2011:

- the OBR forecasts have been revised upwards by 100,000 in 2012, 200,000 in each of 2013 2014 and 2015.
- independent forecasts are higher than the OBR forecasts; 100,000 higher in 2012 and 200,000 higher in each of 2013 and 2014.

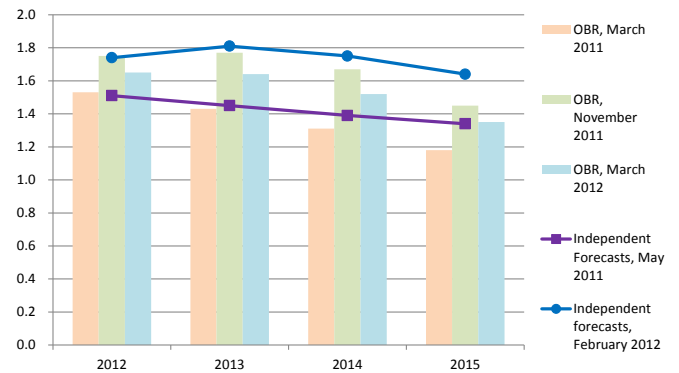
In comparison to the OBR's November 2011 forecasts:

- claimant count forecasts have been revised downwards by 100,000 in both 2012 and 2013 and revised down by 200,000 and 100,000 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).

2014 and 2015, 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 2012 to 2015.

This shows that since March 2011:

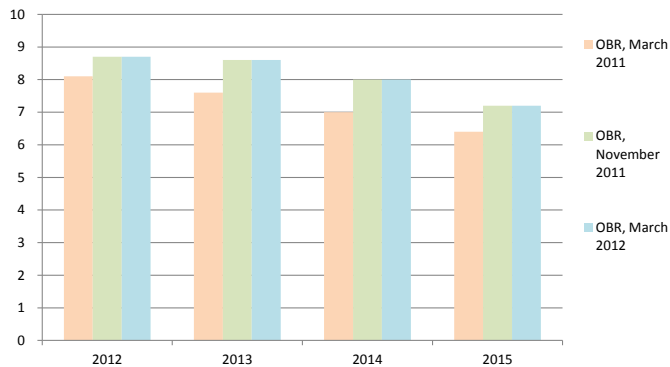
- the OBR forecasts have been revised upwards by 0.6 percentage points in 2012, 1 percentage point in both 2013 and 2014, and 0.8 percentage points in 2015.

In comparison to the OBR's March 2011 forecasts:

- ILO unemployment forecasts are unchanged.

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.

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 2012-13 to 2015-16.

This shows that since March 2011:

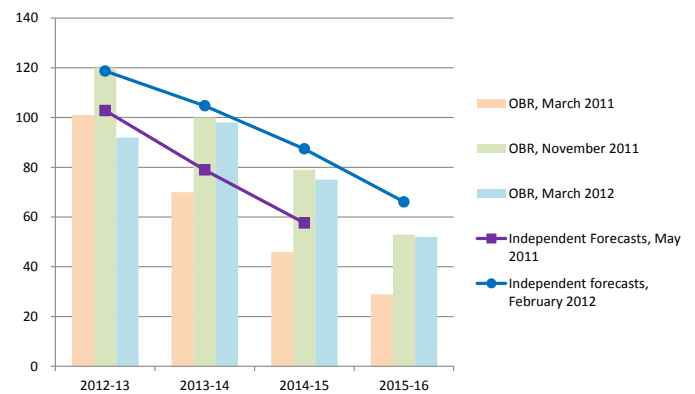
- the OBR forecasts have been revised downwards by £9 billion in 2012-13, and upwards by £28 billion in 2013-14, £29 billion in 2014-15 and £23 billion in 2015-16. Over the period 2012-13 to 2015-16 PSNB will be £71 billion higher than forecasts in March 2011.
- independent forecasts are higher than those provided by the OBR, by around £27 billion in 2012-13, around £7 billion in 2013-14, around £12 billion in 2014-15 and around £14 billion in 2015-16.

In comparison to the OBR's November 2011 forecasts:

- PSNB forecasts have been revised downwards by £28 billion in 2012-13, £2 billion in 2013-14, £4 billion in 2014-15 and £1 billion in 2015-16. Over the period 2012-13 to 2015-16 PSNB will be £35 billion lower than forecasts in November 2011.

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 2012-13 to 2015-16.

This shows that since March 2011:

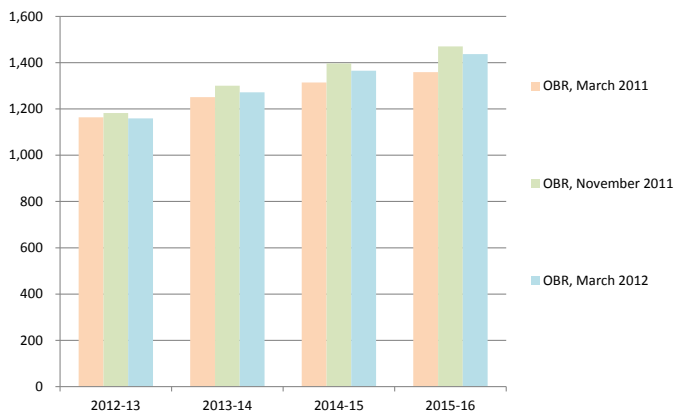
- the OBR forecasts have been revised down by £5 billion in 2012-13, and revised upwards by £21 billion in 2013-14, £51 billion in 2014-15 and £78 billion in 2015-16. Over the period 2012-13 to 2015-16 PSND will be £145 billion higher than forecasts in March 2011.

In comparison to the OBR's November 2011 forecasts:

- PSND forecasts have been revised down by £23 billion in 2012-13, £28 billion in 2013-14, £32 billion in 2014-15 and £33 billion in 2015-16. Over the period 2012-13 to 2015-16 PSND will be £116 billion lower than forecasts in November 2011, representing a debt to GDP ratio of 76 per cent 2015-16 (forecast to be 69 per cent in March 2011)

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

For further information on economic and fiscal forecasts, please contact Dr Eleanor Roy (Eleanor.Roy@wales.gov.uk), Research Service.

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