

Economic and fiscal forecasts

Updated: March 2013

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 UK Budget 2013,³ on 20 March 2013. HM Treasury produces a monthly publication, Forecasts for the UK Economy,⁴ which provides a summary of published material from independent

¹ Comparable forecasts for Wales are not available.

² Office for Budget Responsibility, **Economic and Fiscal Outlook**,

² Office for Budget Responsibility, **Economic and Fiscal Outlook, 20 March 2013** [accessed 20 March 2013]

³ HM Treasury, **Budget 2013**, 20 March 2013 [accessed 20 March 2013]

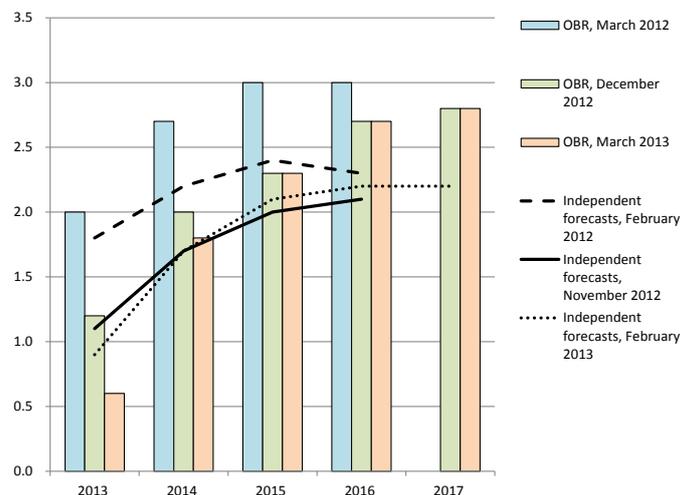
⁴ HM Treasury, **Forecasts for the UK economy: A comparison of independent forecasts, 20 February 2013** [accessed 20 March 2013]

forecasting organisations. The figures shown from this represent the average medium-term forecasts from the independent organisations as at 20 February 2013. These are the latest available medium-term independent forecasts available, but it should be noted that they pre-date the Budget 2013 and the revised forecasts of March 2013.⁵

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 2017.

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 December 2012 the OBR forecasts have been revised downwards by 0.6 percentage points in 2013, with a further reduction of 0.2 percentage points in 2014. Forecasts for 2015 and 2016 show no change.

⁵ Revised independent forecasts for March 2013 are available, however they do not provide medium-term forecasts and extend only to 2014. These can be found here: HM Treasury, **Forecasts for the UK economy: A comparison of independent forecasts, 20 March 2013** [accessed 20 March 2013]

Independent forecasts are less pessimistic than that of the OBR, with forecast GDP growth revised downwards by just 0.2 percentage points in 2013, remaining static in 2014 and revised down by 0.1 percentage points in both 2015 and 2016, in comparison to independent forecasts in February 2012.

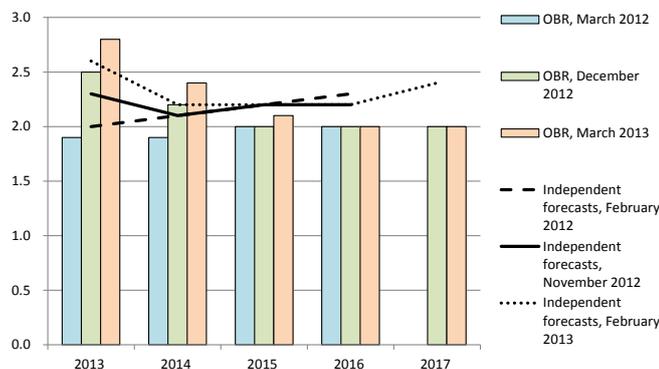
In comparison to the OBR's March 2012 forecasts: GDP growth has been revised downwards by 1.4 percentage points in 2013, 0.9 percentage points in 2014, 0.7 percentage points in 2015 and 0.3 percentage points in 2016. Again, independent forecasts are less pessimistic in comparison to February 2012 forecasts, than that of the OBR.

In comparison to the OBR's forecasts as at November 2010 GDP growth forecasts are much lower, with a downward revision of 2.3 and 1.0 percentage points for 2013 and 2014, 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 2017.

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 December 2012 the OBR forecasts have been revised upwards by 0.3 percentage points in 2013, 0.2 percentage points in 2014 and 0.1 percentage points in 2015. Forecasts for 2016 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 November 2012.

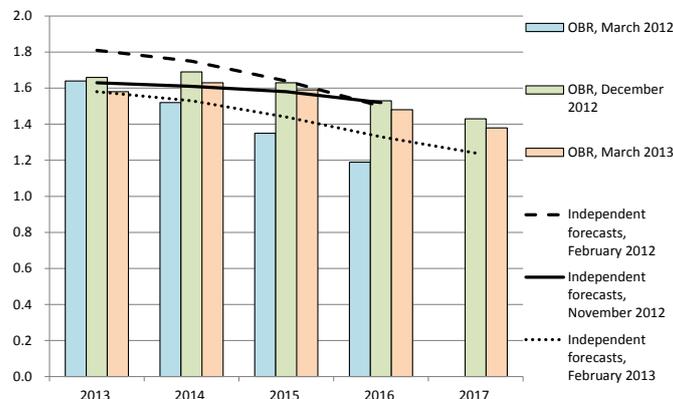
In comparison to the OBR's March 2012 forecasts CPI inflation forecasts have been revised upwards by 0.9 percentage points in 2013, 0.5 percentage points in 2014 and 0.1 percentage points in 2015. Forecasts for 2016 remain unchanged.

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 count⁶ (both OBR and independent forecasts) from 2013 to 2017.

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 December 2012 the OBR forecasts have been revised downwards by in all years: by 80,000 in 2013, 60,000 in 2014, 40,000 in 2015 and 50,000 in both 2016 and 2017.

Independent forecasts are lower by 50,000 in 2013,

⁶ **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).

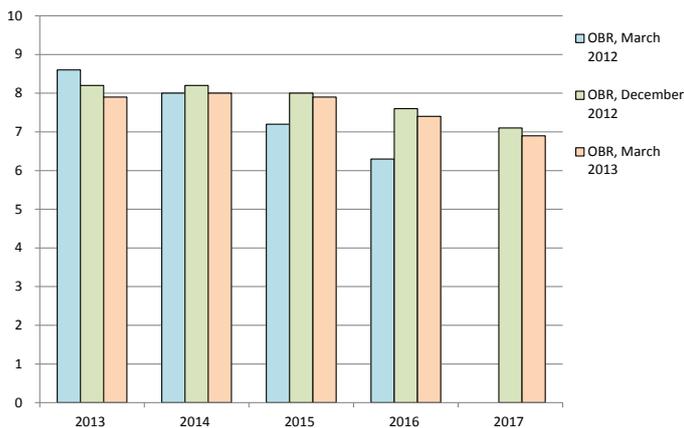
80,000 in 2014, 140,000 in 2015 and 190,000 in 2016, in comparison to independent forecasts in November 2012.

In comparison to the OBR's March 2012 forecasts claimant count forecasts have been revised downwards by 60,000 in 2013. Forecasts have been revised upwards for all other years, by 110,000 in 2014, 240,000 in 2015 and 290,000 in 2016.

In comparison to the OBR's forecasts as at November 2010 claimant count forecasts are higher in all years, by 280,000 in 2013, 420,000 in 2014, and 490,000 in 2015.

Figure 4 shows the forecasts for unemployment as measured by the ILO unemployment rate⁷ (OBR forecasts only, these figures are unavailable from independent forecasts) from 2013 to 2017.

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 December 2012 the OBR forecasts have been revised downwards for all years, by 0.3 percentage points in 2013, 0.2 percentage points in 2014, 0.1 percentage points in 2015 and 0.2 percentage points in both 2016 and 2017.

⁷ **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.

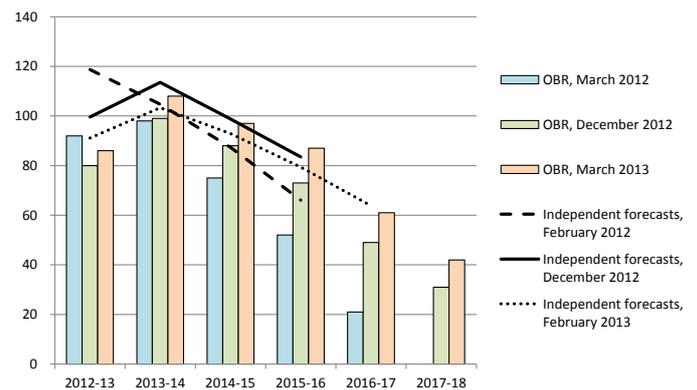
In comparison to the OBR's March 2012 forecasts the 2013 forecast has been revised downwards by 0.7 percentage points, 2014 has remained unchanged, whilst the 2015 and 2016 forecasts have been revised upwards, by 0.7 and 1.1 percentage points, respectively.

In comparison to the OBR's forecasts as at November 2010 forecasts are higher in all years, by 0.7 percentage points in 2013, 1.3 percentage points in 2014 and 1.8 percentage points in 2015.

Public sector borrowing and debt

Figure 5 shows the forecasts for public sector net borrowing (PSNB)⁸ (both OBR and independent forecasts) from 2012-13 to 2017-18.

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

This shows that since December 2012 the OBR forecasts have been revised upwards for all years, by £6 billion in 2012-13, £9 billion in 2013-14, £9 billion in 2014-15, £14 billion in 2015-16, £12 billion in 2016-17 and £11 billion in 2017-18. Over the period 2012-13 to 2017-18 PSNB will be £61 billion higher than forecasts in December 2012.

Independent forecasts differ from those provided by the OBR, they are higher by £5.1 billion in 2012-13,

⁸ **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.

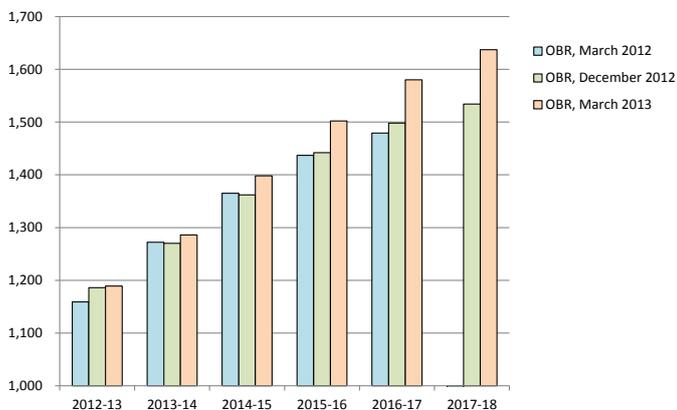
lower by £4.7 billion in 2013-14, £4.1 billion in 2014-15 and £7.6 billion in 2015-16, and higher by £2.8 billion in 2017-18.

In comparison to the OBR's March 2012 forecasts PSNB forecasts have been revised downwards by £6 billion in 2012-13 and revised upwards for all other years, by £10 billion in 2013-14, £22 billion in 2014-15, £35 billion in 2015-16 and £40 billion in 2016-17. Over the period 2012-13 to 2016-17 PSNB will be £101 billion higher than forecasts in March 2012.

In comparison to the OBR's November 2010 forecasts, PSNB has been revised downwards by £5 billion in 2012-13, and upwards, by £48 billion in 2013-14, £62 billion in 2014-15 and £69 billion in 2015-16. Over the period 2012-13 to 2015-16 PSNB forecasts are £174 billion higher than those in November 2010.

Figure 6 shows the forecasts for public sector net debt (PSND)⁹ (OBR forecasts only, these figures are unavailable from independent forecasts) from 2012-13 to 2017-18.

Figure 6: Public sector net debt (£ billions)



Source: Office for Budget Responsibility Economic and Fiscal Outlook Reports

This shows that since December 2012 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.

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

Over the period 2012-13 to 2017-18 PSND will be £300 billion higher than forecasts in December 2012. This represents a debt to GDP ratio of 84.8 per cent in 2017-18 (forecast to be 77.3 per cent in December 2012).

In comparison to the OBR's March 2012 PSND forecasts have also been revised up for all years; by £30 billion in 2012-13, £14 billion in 2013-14, £33 billion in 2014-15, £65 billion in 2015-16 and £101 billion in 2016-17. Over the period 2012-13 to 2016-17 PSND will be £243 billion higher than forecasts in March 2012. This represents a debt to GDP ratio of 85.6 per cent in 2016-17 (forecast to be 74.3 per cent in March 2012).

In comparison to the OBR's November 2010 forecasts, PSND is much higher, revised upwards by £32 billion in 2012-13, £54 billion in 2013-14, £114 billion in 2014-15 and £182 billion in 2015-16. Over the period 2012-13 to 2015-16, PSND will be £382 billion higher than forecast in November 2010. This represents a debt to GDP ratio of 85.1 per cent in 2015-16 (forecast to be 67.2 per cent in November 2010).

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*, March 2013

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