

RACHEL REEVES MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Richard Hughes
Chairman
Office for Budget Responsibility
14T, 102 Petty France
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Friday 24th December 2021

Dear Richard,

The latest Office for Budget Responsibility Economic and Fiscal Outlook, published at the time of the Autumn Budget and Spending Review 2021, forecast that UK GDP growth will slow to an average of 1.5% in the last three years of the forecast period. Subsequent forecasts from the Bank of England show growth slowing to just 1.0% in 2024.

That would mean growth slowing even further from the already weak performance of the last decade, which averaged 1.8%. This was lower than the preceding two decades, of average growth at 2.1%, even when including the years of the global financial crisis.

UK growth expectations are especially poor. The latest OECD forecast expects UK growth to rank at number 35 out of 38 countries during the period between 2019-2023.

As you know, the long-term health of the UK economy and society rests on bringing about rising living standards through sustained higher productivity and economic growth. This is also essential to secure the sustainable tax base we need to continue funding public services as the population ages.

A growing economy will also support our efforts to solve other pressing challenges, including the transition to a net zero economy and the closing of gaps in economic outcomes between individuals and places.

Because growth is so essential to meeting all these challenges, many of us are understandably alarmed by the growth projections you and other institutions have published in recent months.

Recently, the Office for Budget Responsibility has demonstrated its continuing importance to UK economic policy. Your high-quality analysis of the economic impact of the coronavirus pandemic and the UK's new trading arrangements, for example, have made a vital contribution.

I would like to ask you and your team, ahead of the next Monthly GDP data published on the 14th January 2022, to consider the implications of the UK's low growth outlook for living standards, tax receipts, public spending, borrowing and debt. This could be compared to indicative scenarios for plausibly higher growth, including average growth in the last three years of the forecast period at 2, 2.5 and 3 per cent. These are in line with growth experienced in the past and are enjoyed by the best performers among our peers.

Setting this out clearly will help inform a more productive national debate on the importance of economic growth and the different levers available to elected policymakers to boost trend growth.

Shadow Chancellor of the Exchequer

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Best wishes,

Rachel Reeves

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