

Office for
**Budget
Responsibility**

March 2023 Economic and fiscal outlook

The event will begin at 2.30pm

Office for
**Budget
Responsibility**

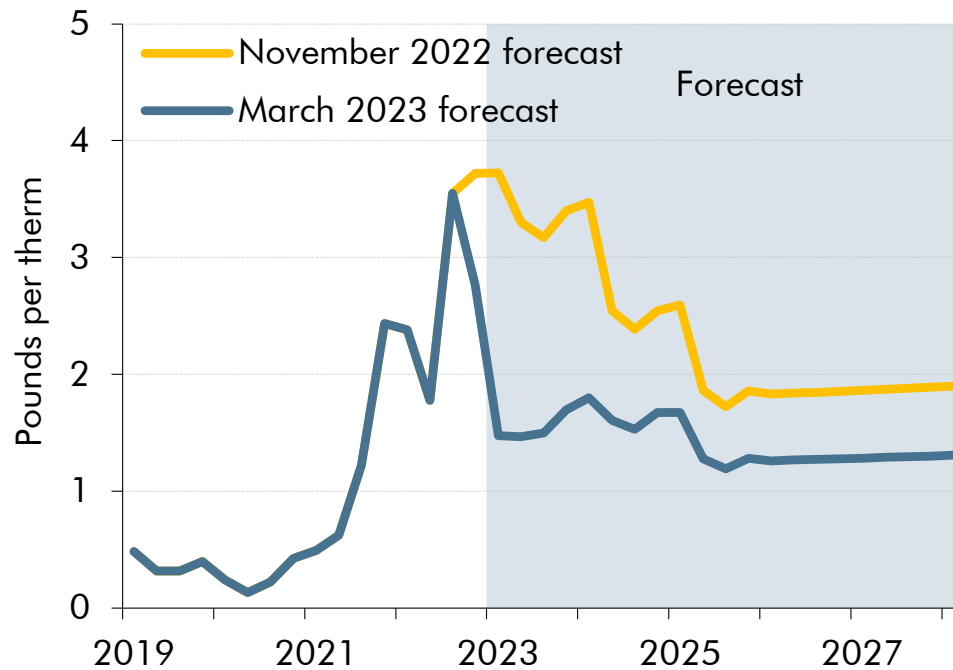
March 2023 Economic and fiscal outlook

Richard Hughes
Chair

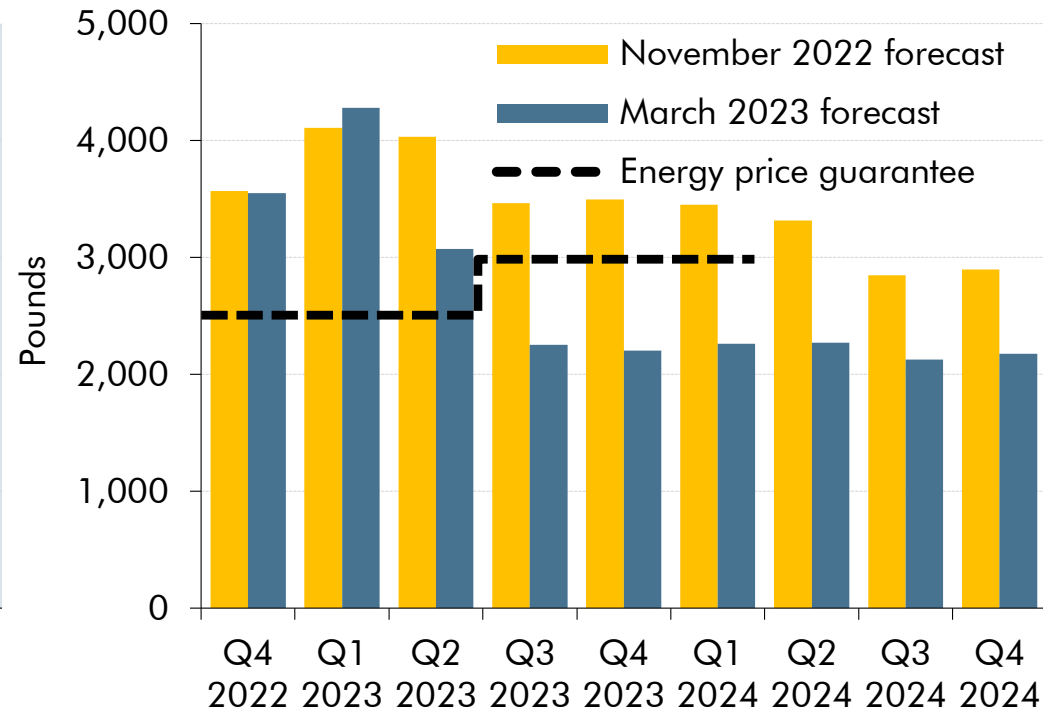
London
15 March 2023

Energy markets

Wholesale gas prices



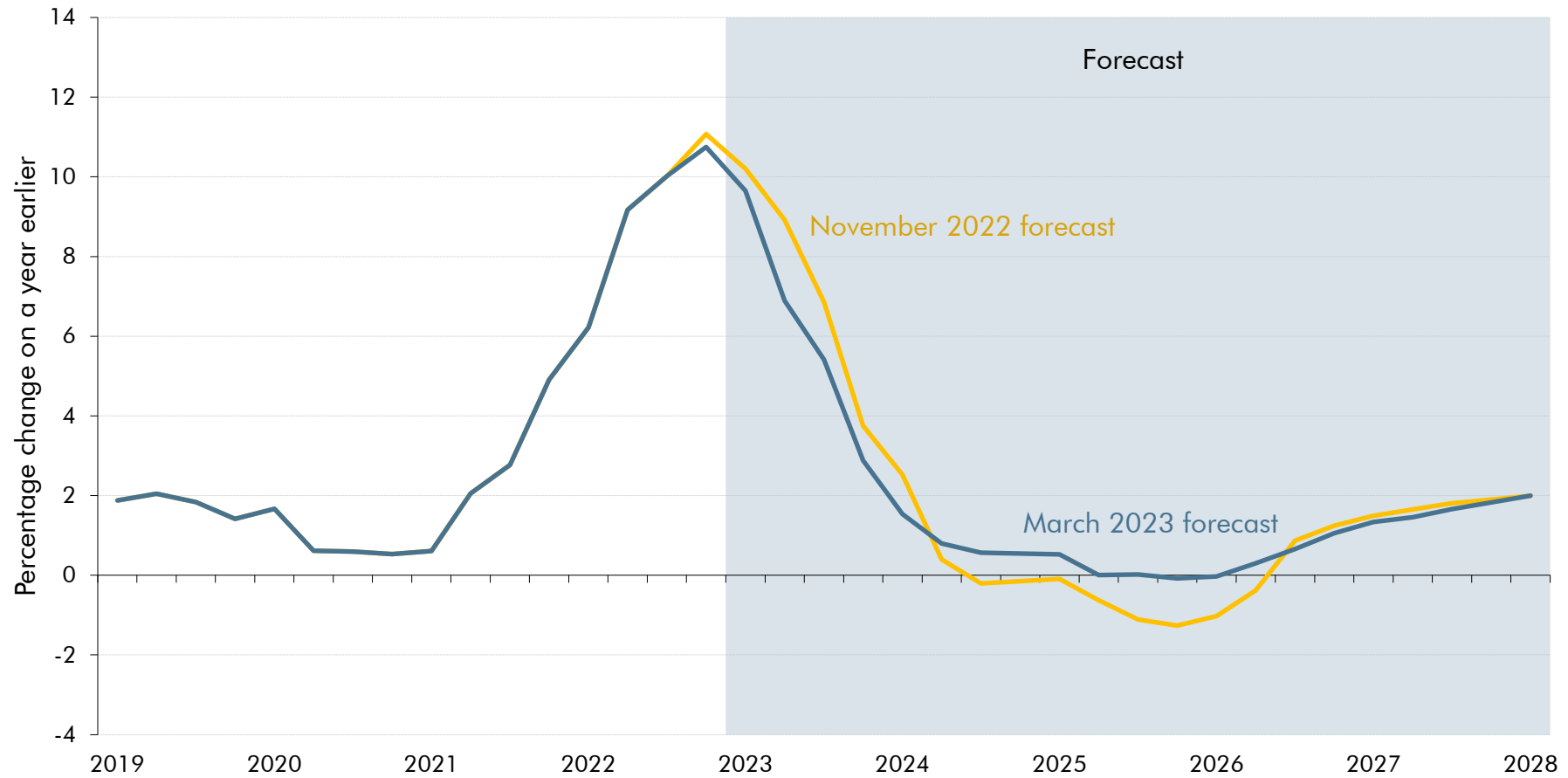
Household energy bills



Source: Datastream, Eikon, OBR

Inflation

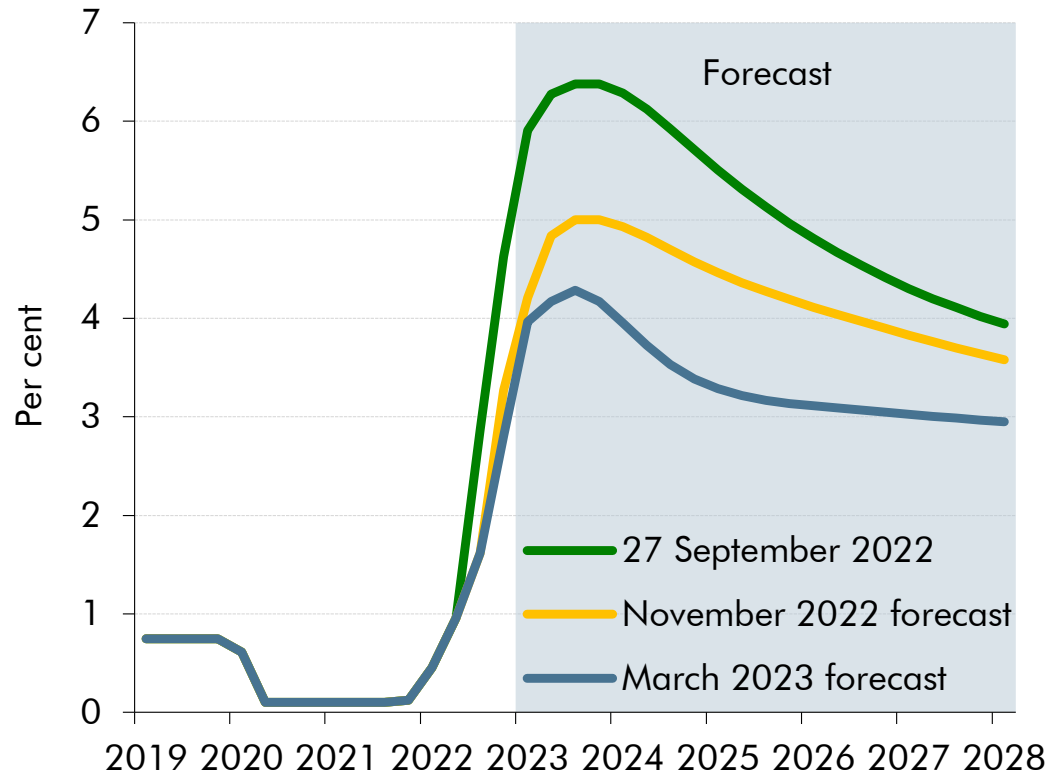
CPI inflation



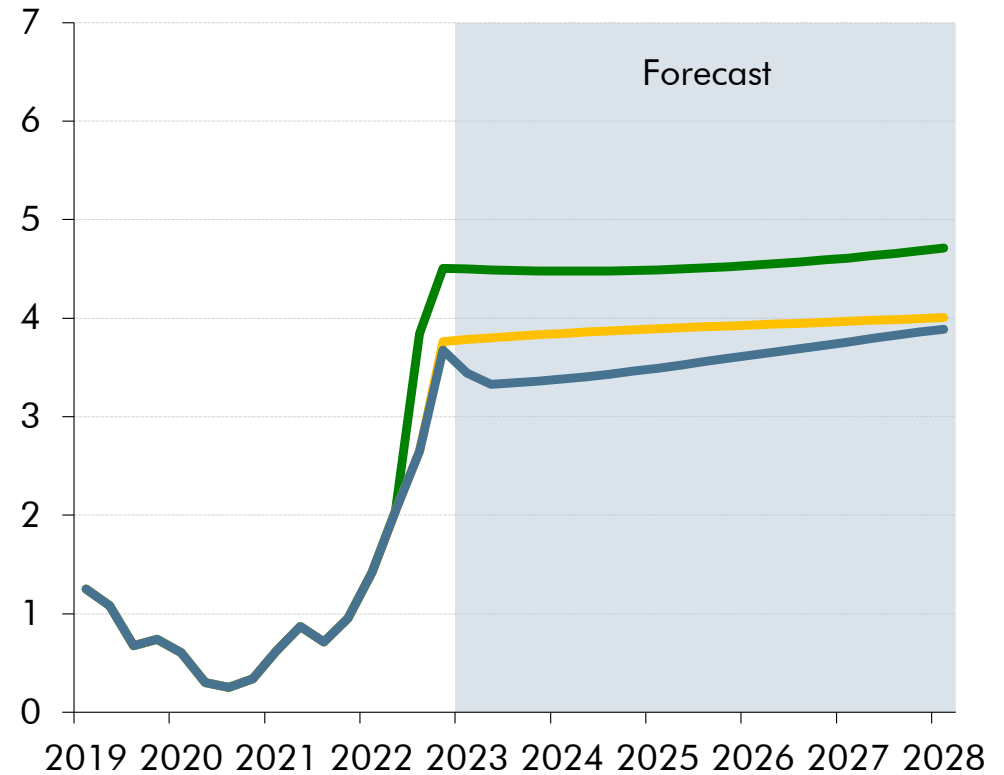
Source: ONS, OBR

Interest rates

Bank Rate



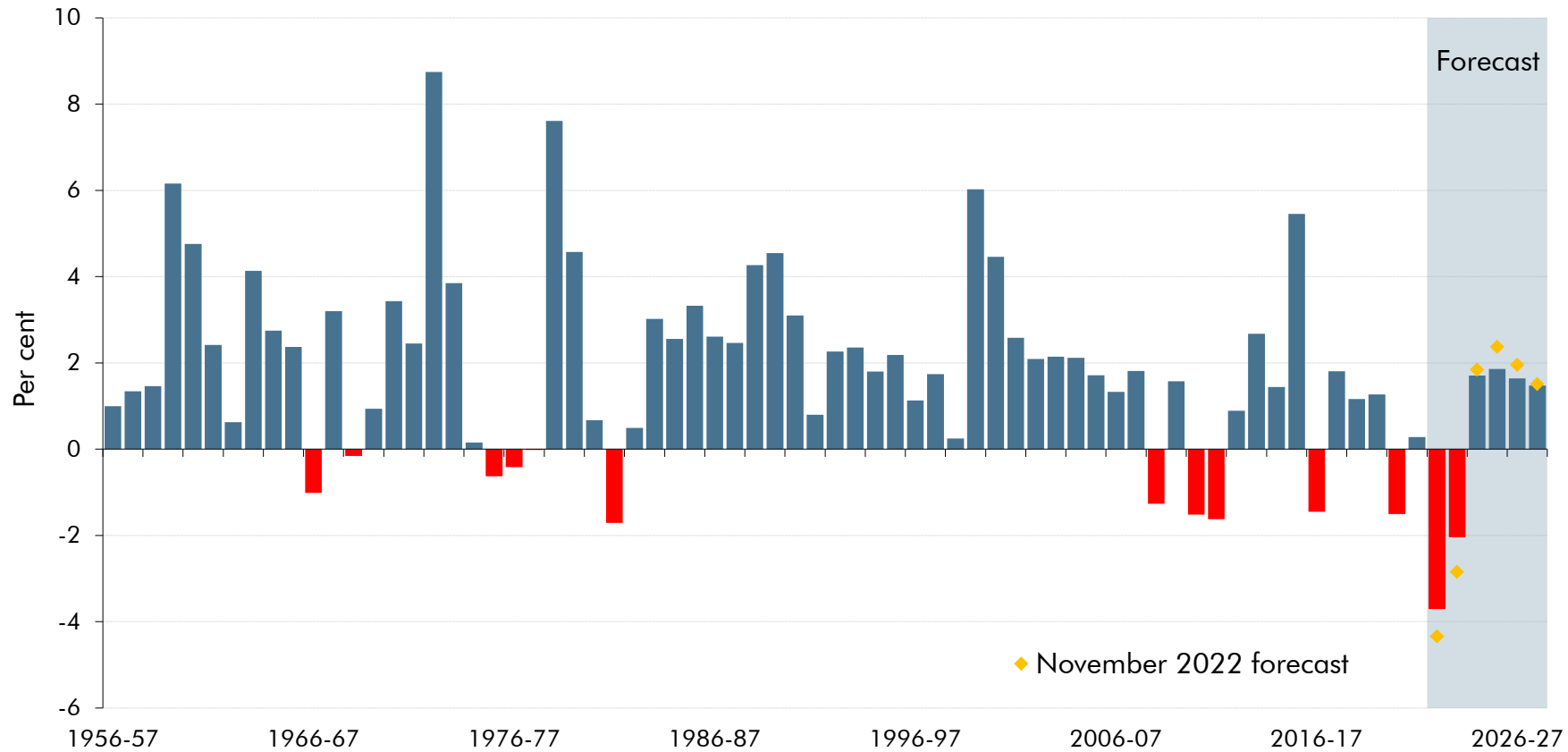
Gilt yields (10 year)



Source: Bank of England, OBR

Living standards

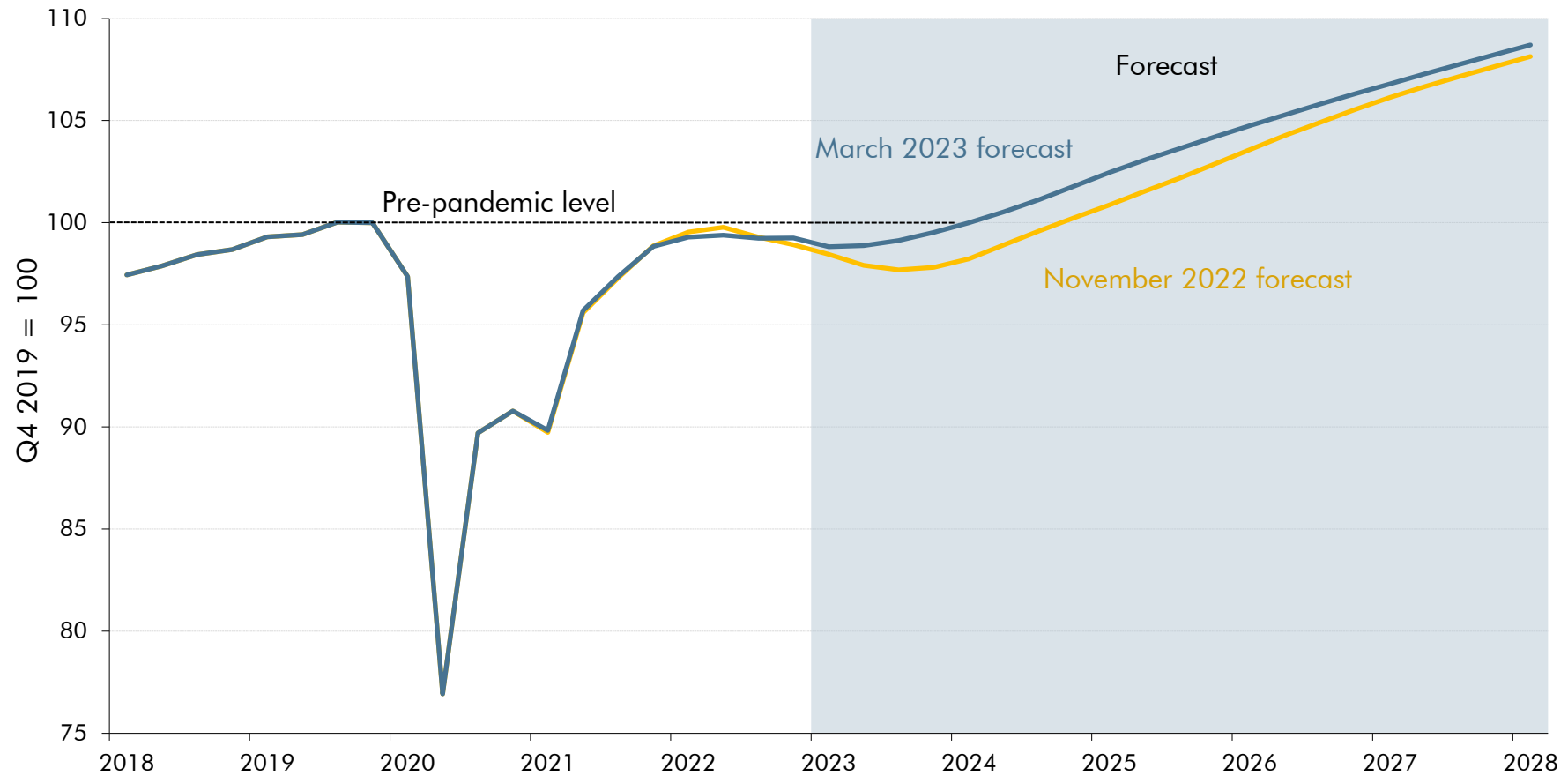
Annual growth in real household disposable income (RHDI) per person



Source: ONS, OBR

GDP

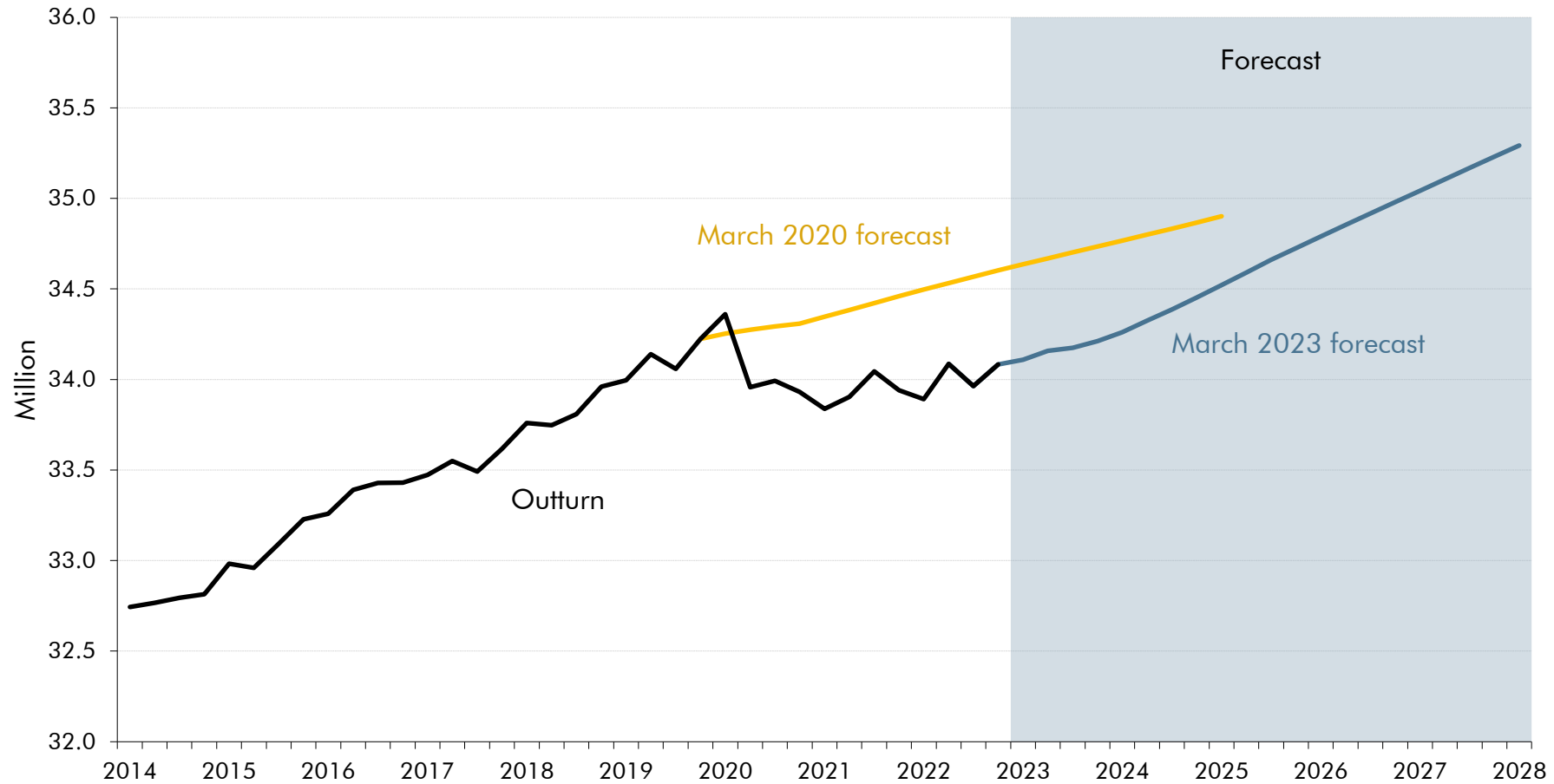
Real GDP level



Source: ONS, OBR

Labour market

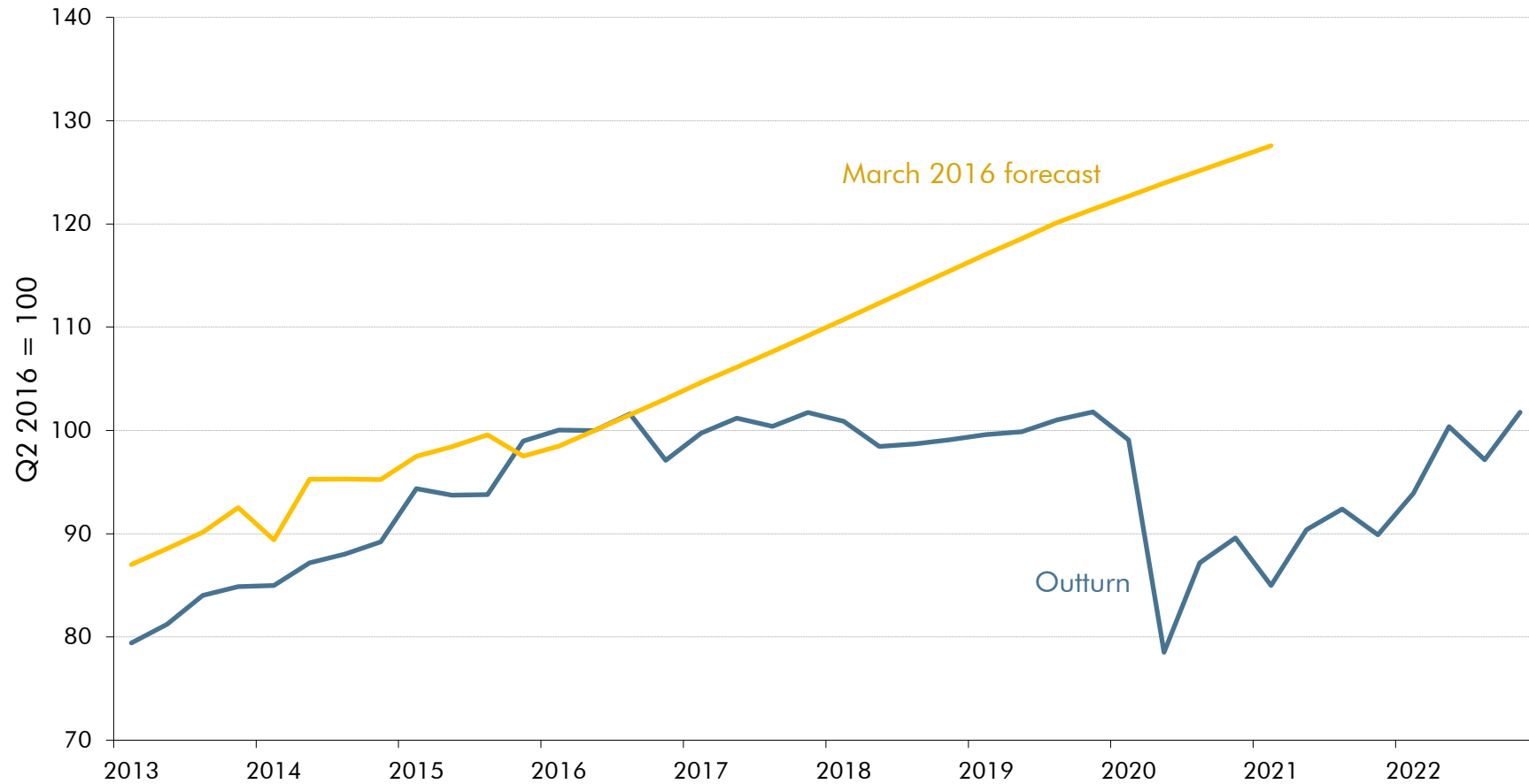
Adult labour force



Source: ONS, OBR

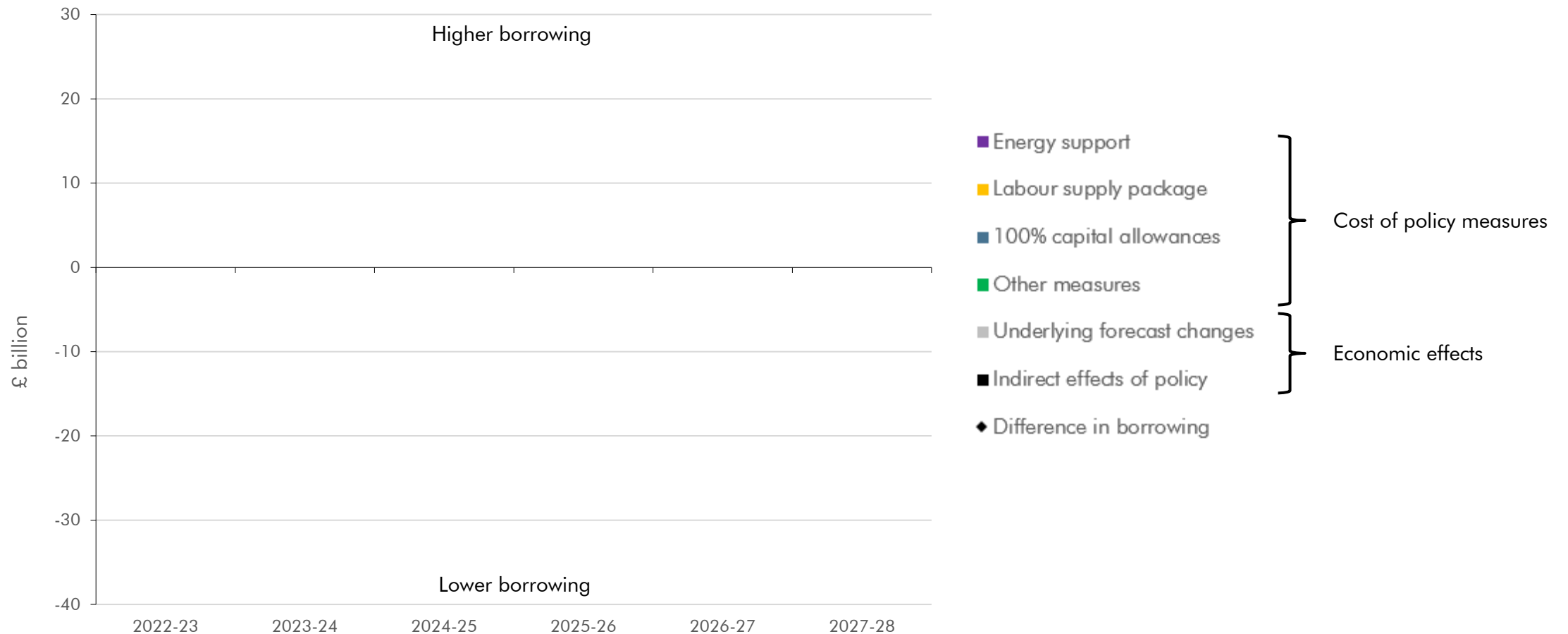
Investment

Business investment

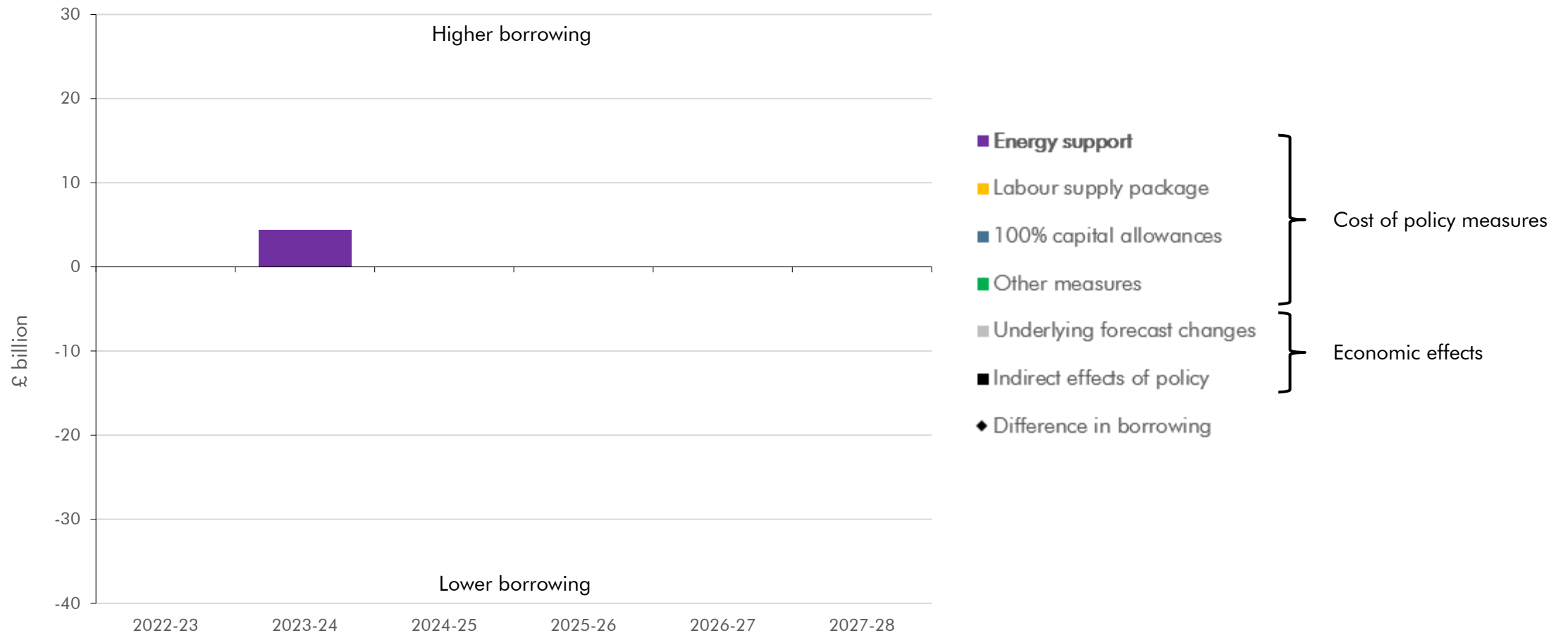


Source: ONS, OBR

Change in borrowing since November

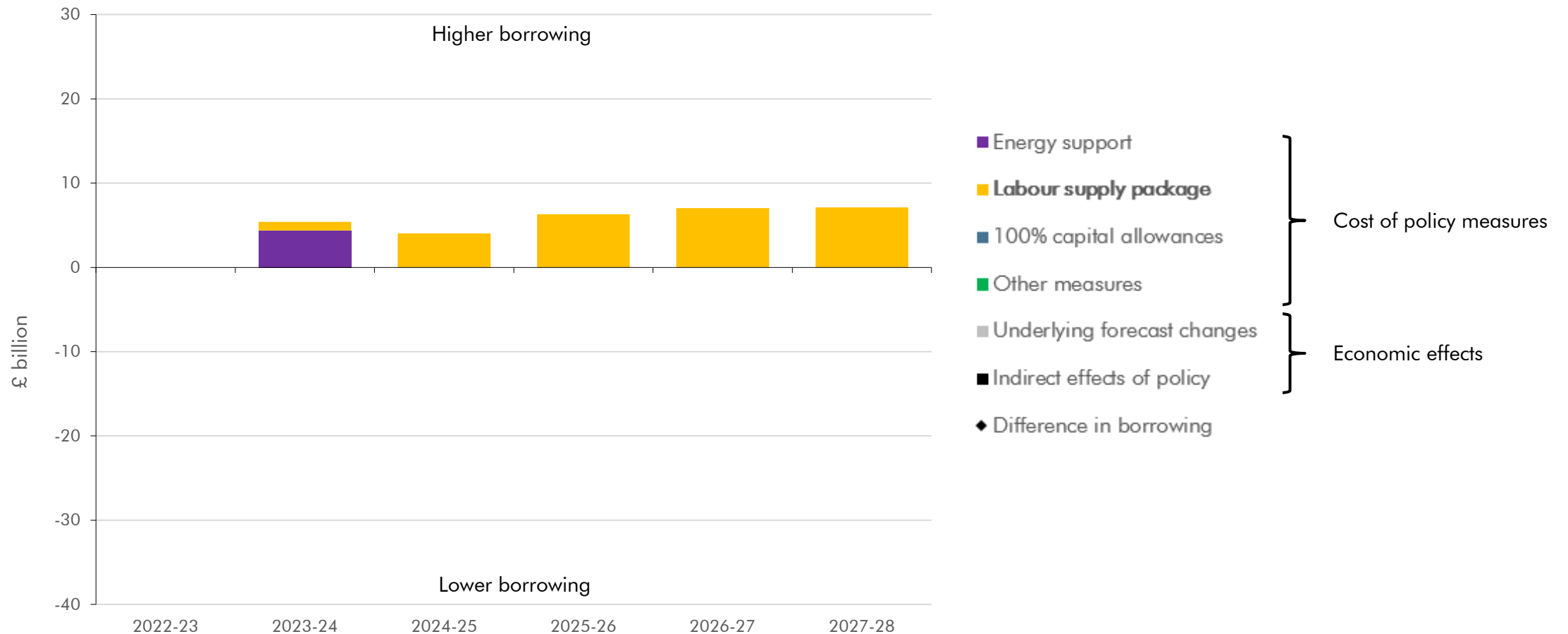


Change in borrowing since November



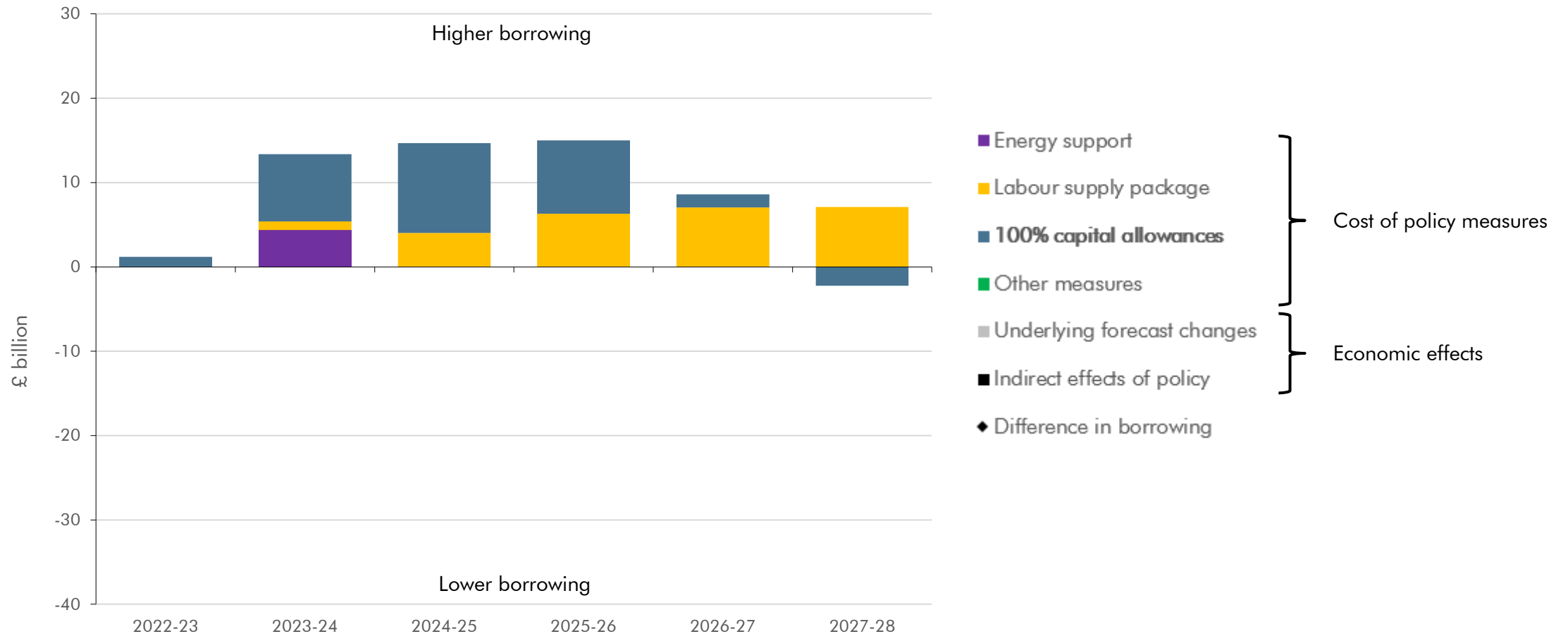
Source: ONS, OBR

Change in borrowing since November



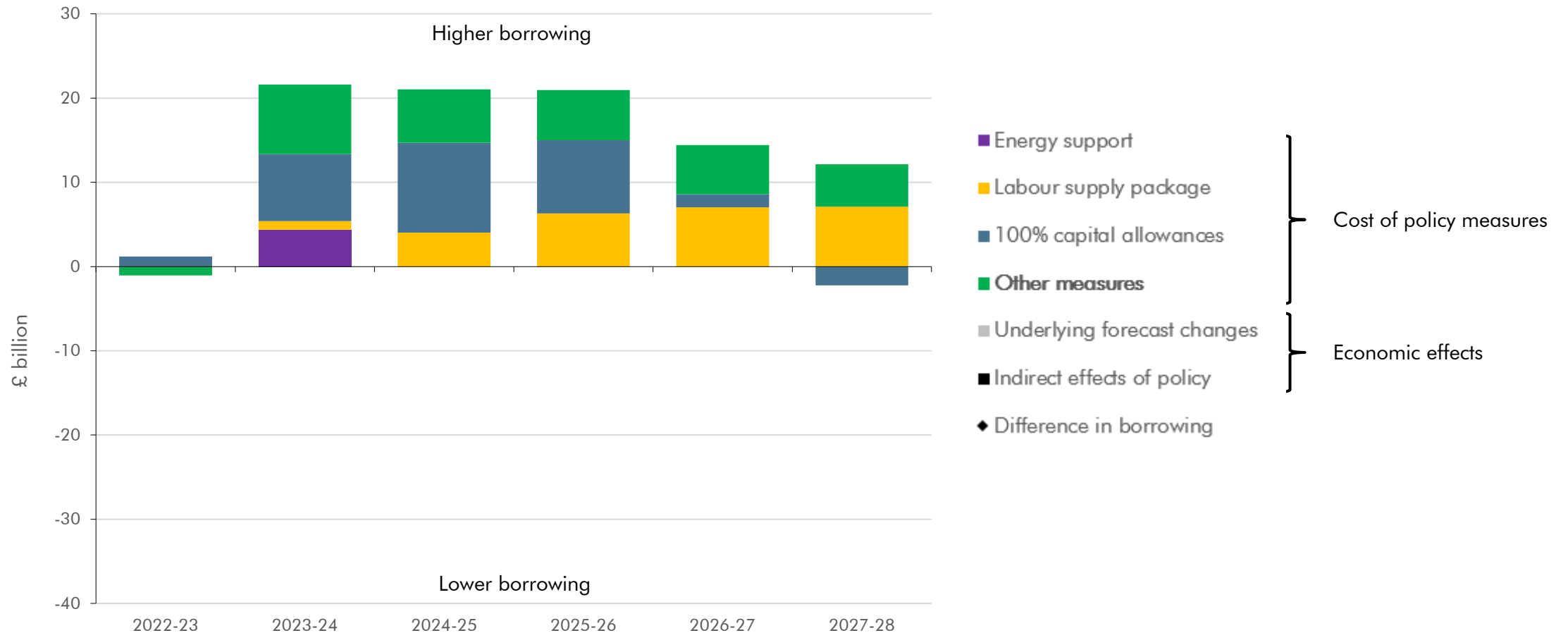
Source: ONS, OBR

Change in borrowing since November



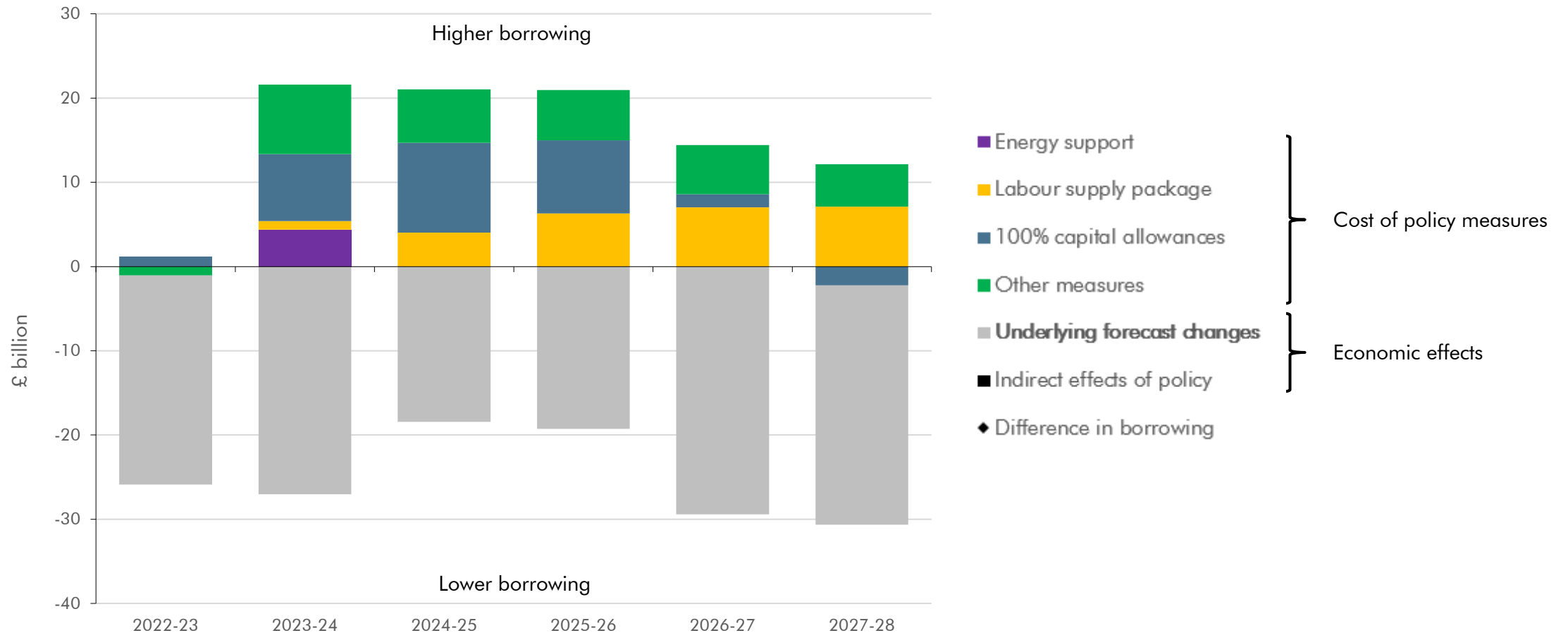
Source: ONS, OBR

Change in borrowing since November

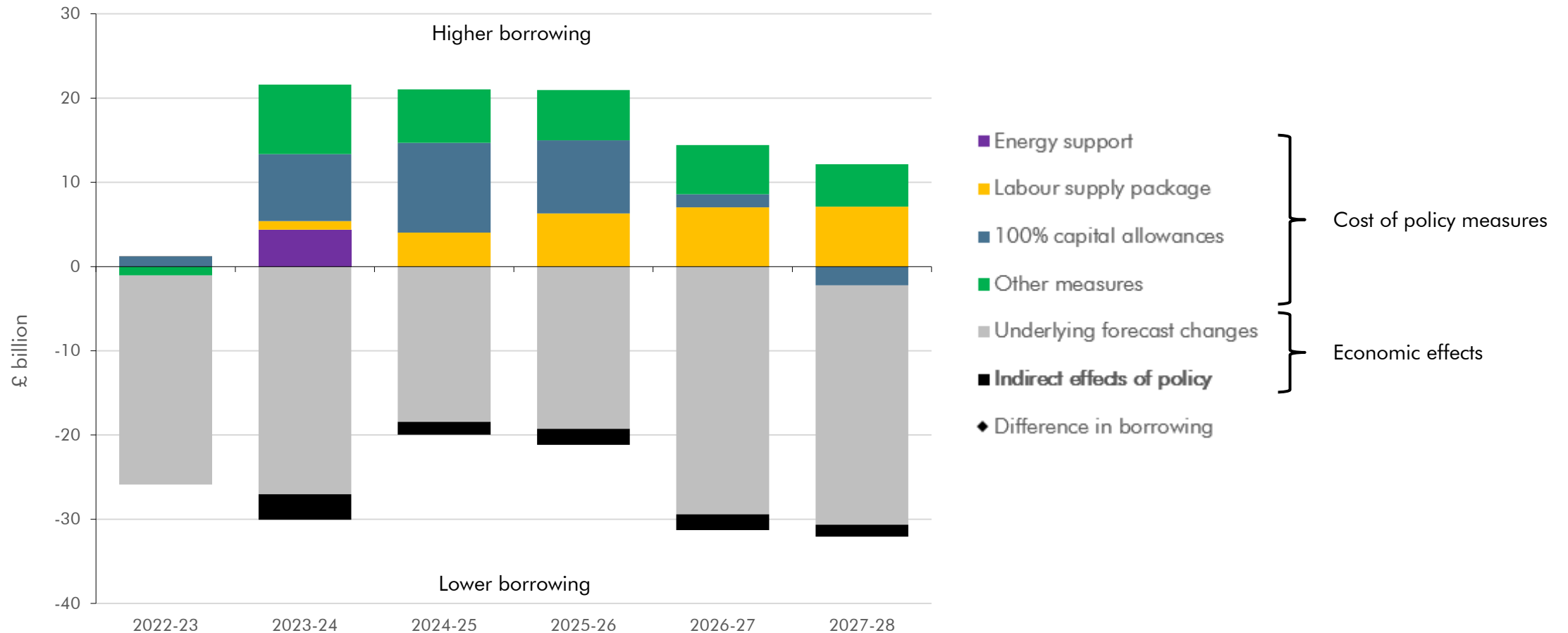


Source: ONS, OBR

Change in borrowing since November

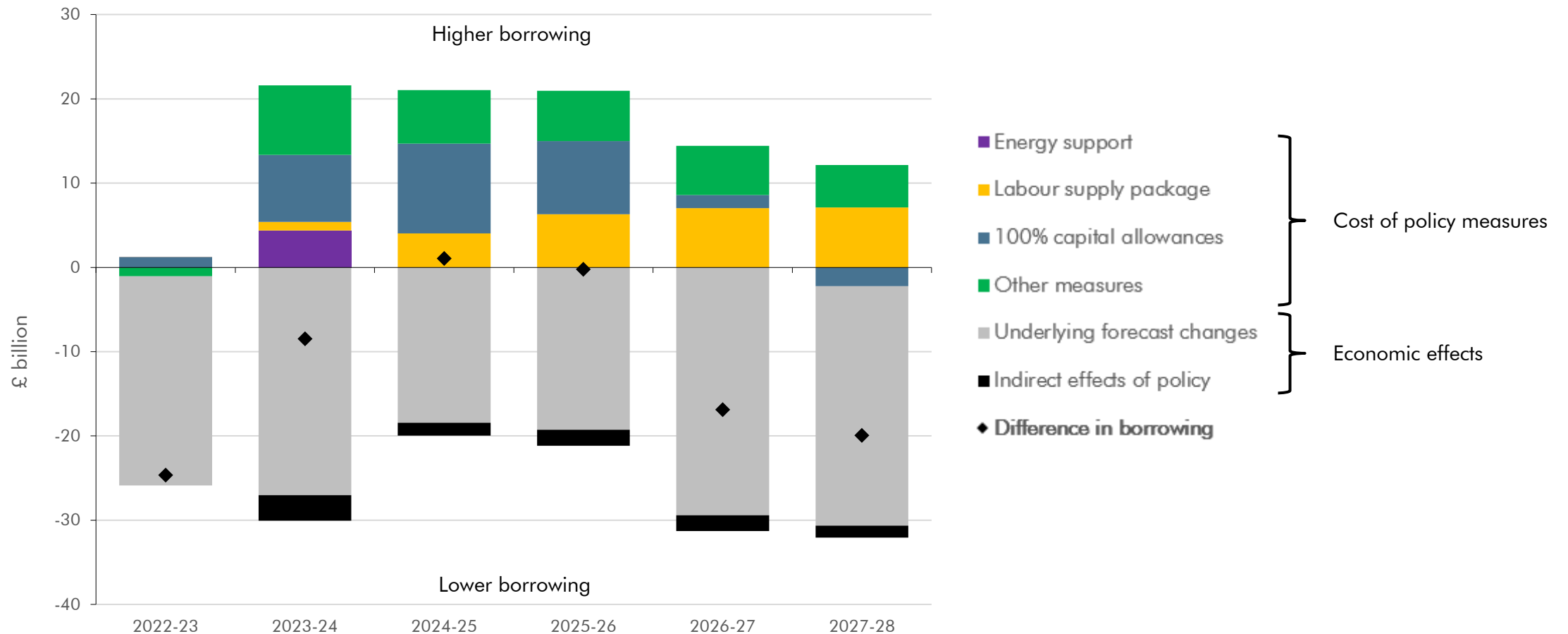


Change in borrowing since November

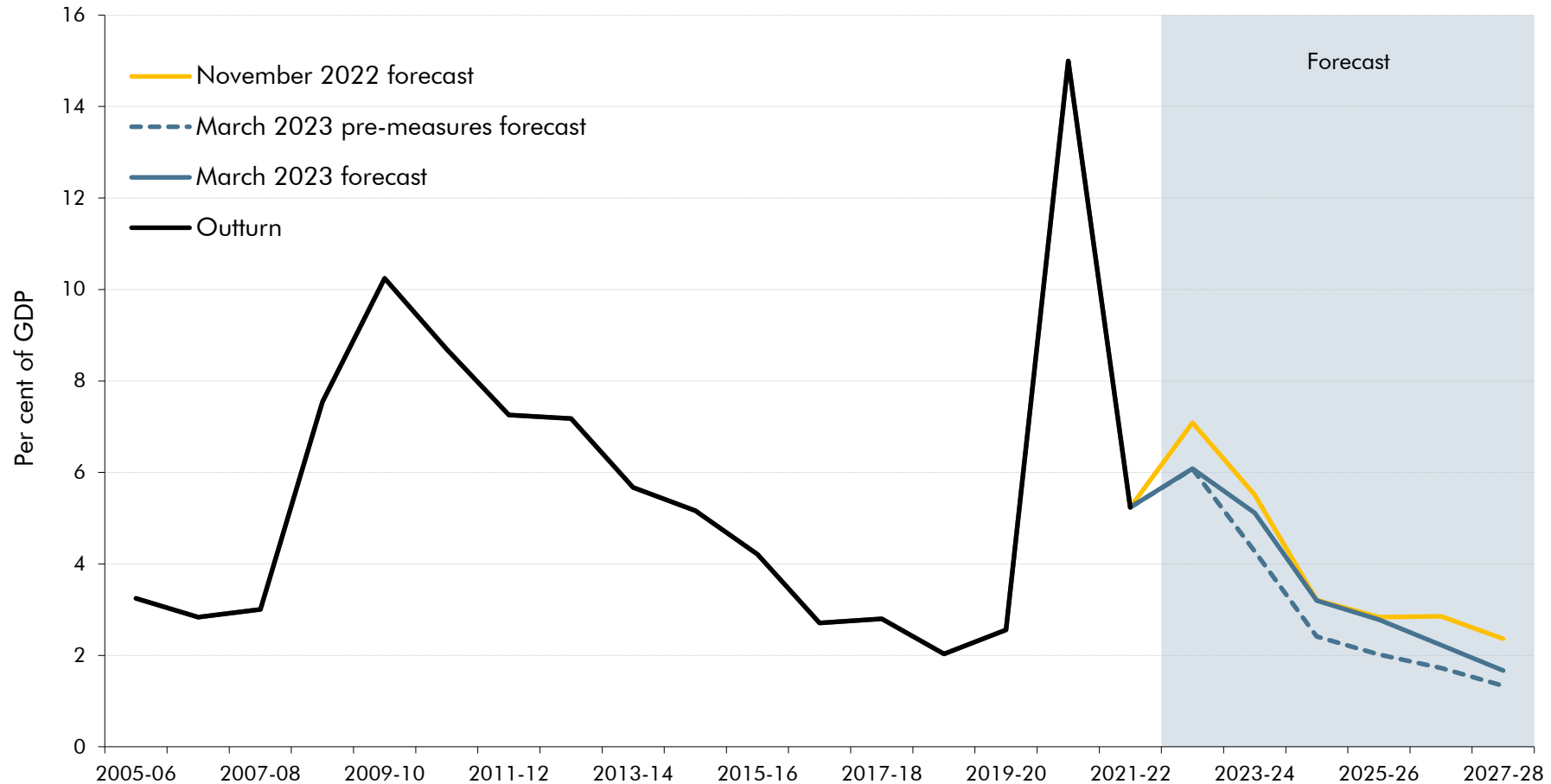


Source: ONS, OBR

Change in borrowing since November

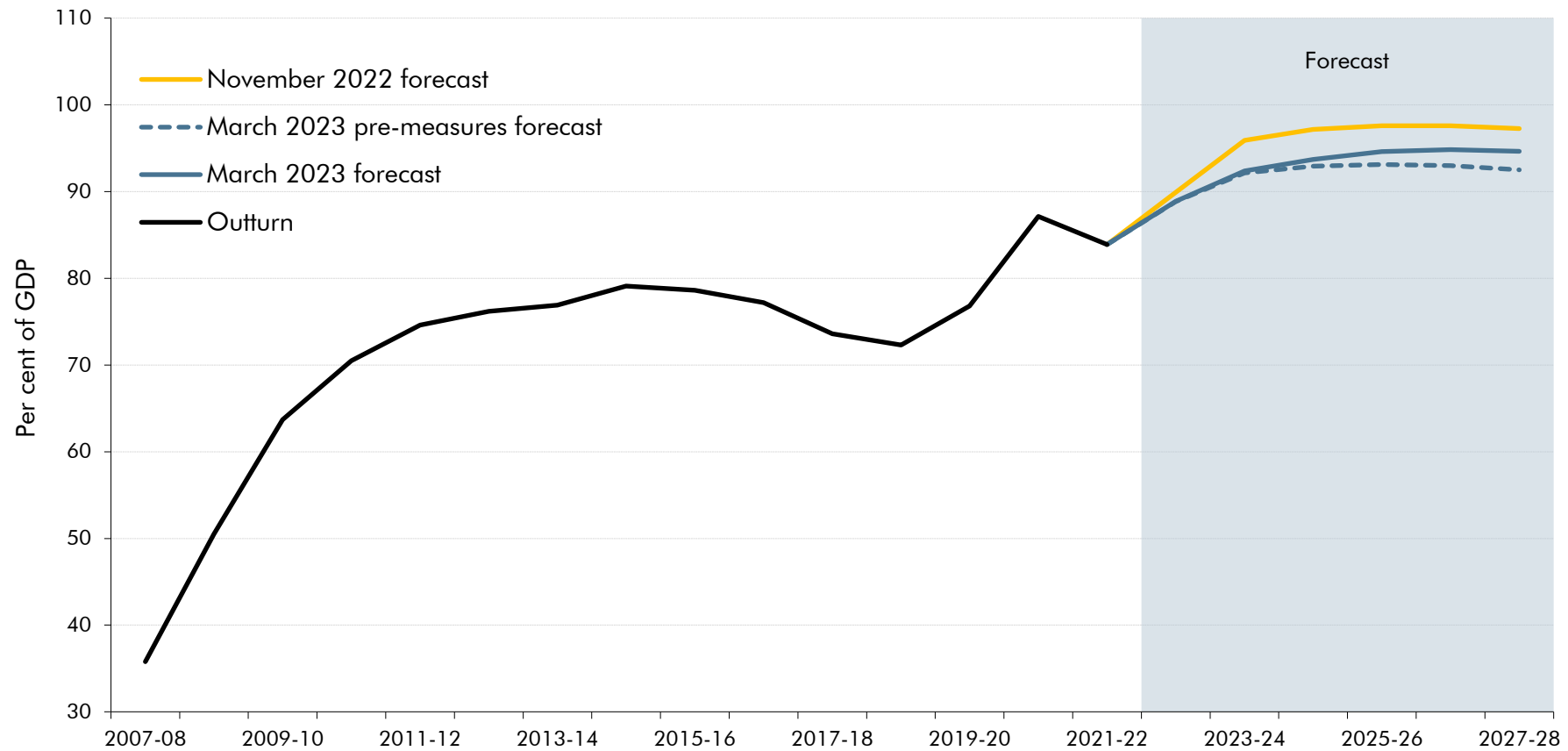


Government borrowing



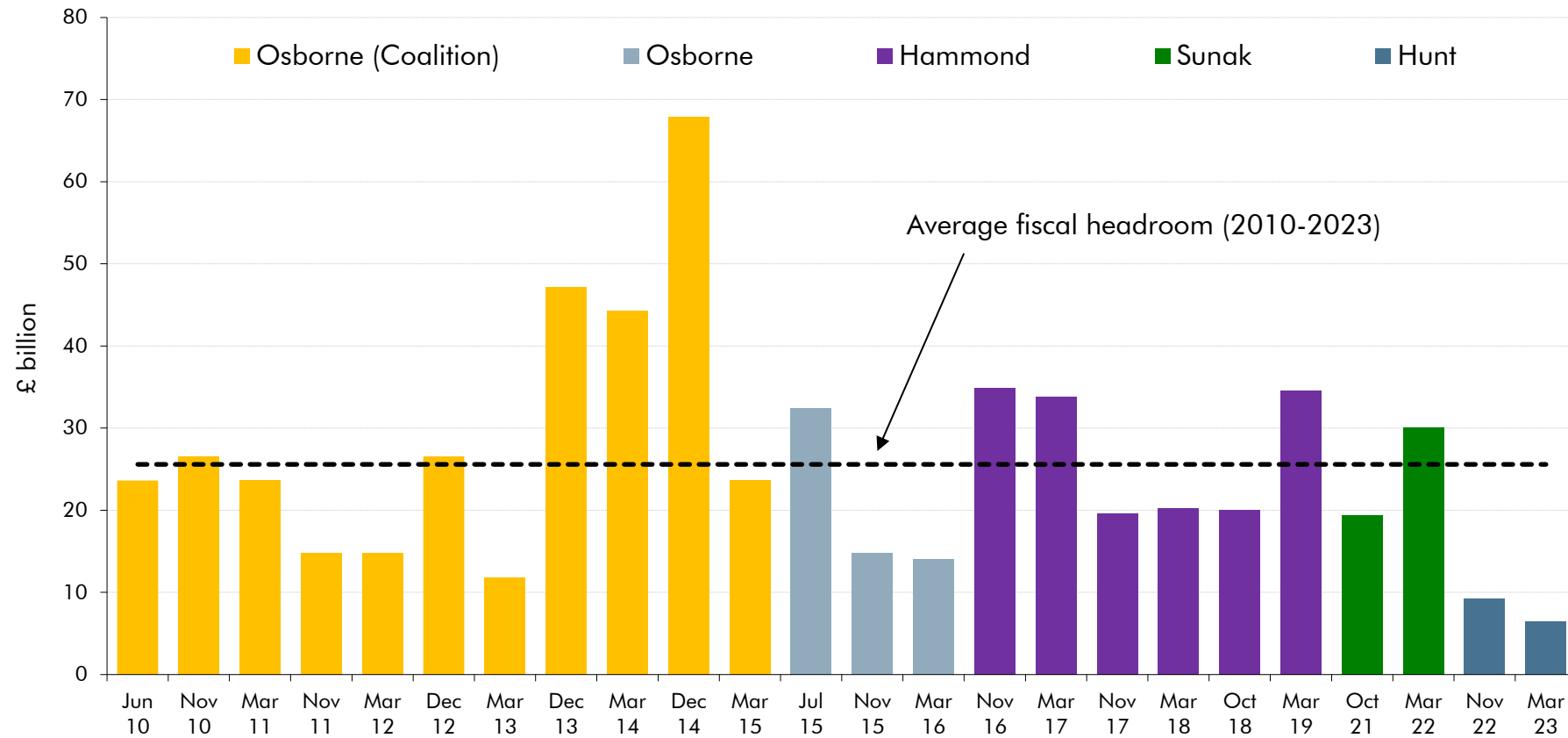
Source: ONS, OBR

Government debt (ex Bank of England)



Source: ONS, OBR

Headroom against fiscal rules



Source: OBR

Why is it so hard to get debt falling?

- **Shocks:** Nine-tenths of the rise in the debt-to-GDP ratio since 2008 occurred during the financial crisis and pandemic
- **Headroom:** Margin by which debt falling in year five has fallen from £37bn in Osborne's first budget to £6bn in today's terms
- **Growth:** Nominal GDP growth in year five has fallen from 5.5% in June 2010 forecast to 3.5% in this forecast
- **Interest rates:** Debt interest spending in year five has risen from 1.4% of GDP in March 2020 forecast to 3.3% of GDP in this forecast

Risks to the outlook

Economy

- Energy prices
- Labour supply
- Interest rates

Fiscal

- Fuel duty indexation
- Capital allowances
- Defence

Conclusion

- Lower energy prices and inflation alleviate some financial pressure on households, businesses, and government
- Means a shorter, shallower economic downturn this year, but persistent supply-side challenges weigh on future growth prospects
- Budget spends two-thirds of underlying fiscal improvement to extend the EPG, temporarily boost investment, and increase labour supply
- Leaves debt falling from its highest level in over 50 years, and the Chancellor's rules met by the narrowest margin since 2010

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Thank you for listening

**Slides and speaking notes are available on our website
www.obr.uk**

**Please email us with any further questions
OBR.Enquiries@obr.uk**