

Office for
**Budget
Responsibility**

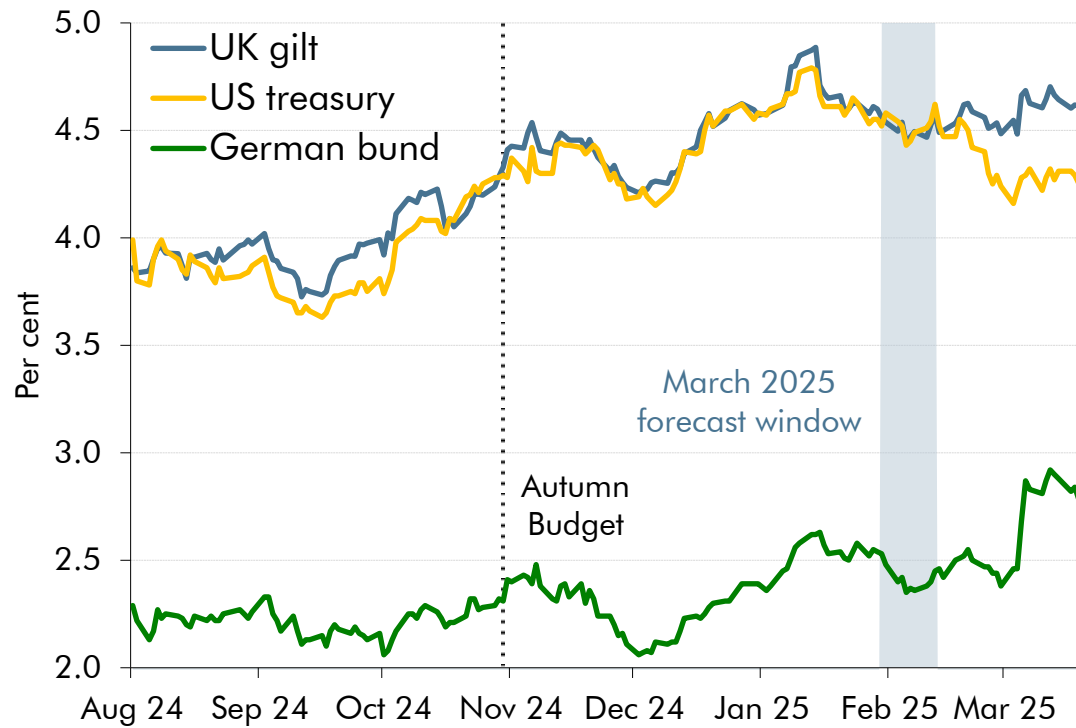
March 2025 Economic and fiscal outlook

Richard Hughes
Chair

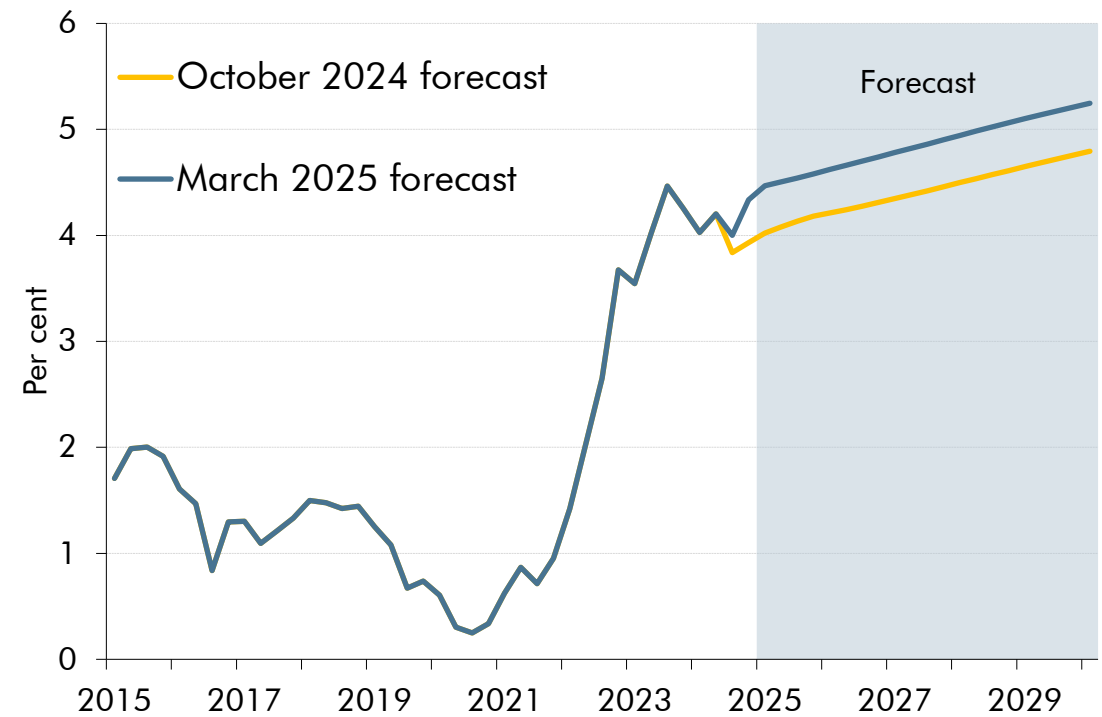
26 March 2025

Interest rates

10-year bond yields (daily)



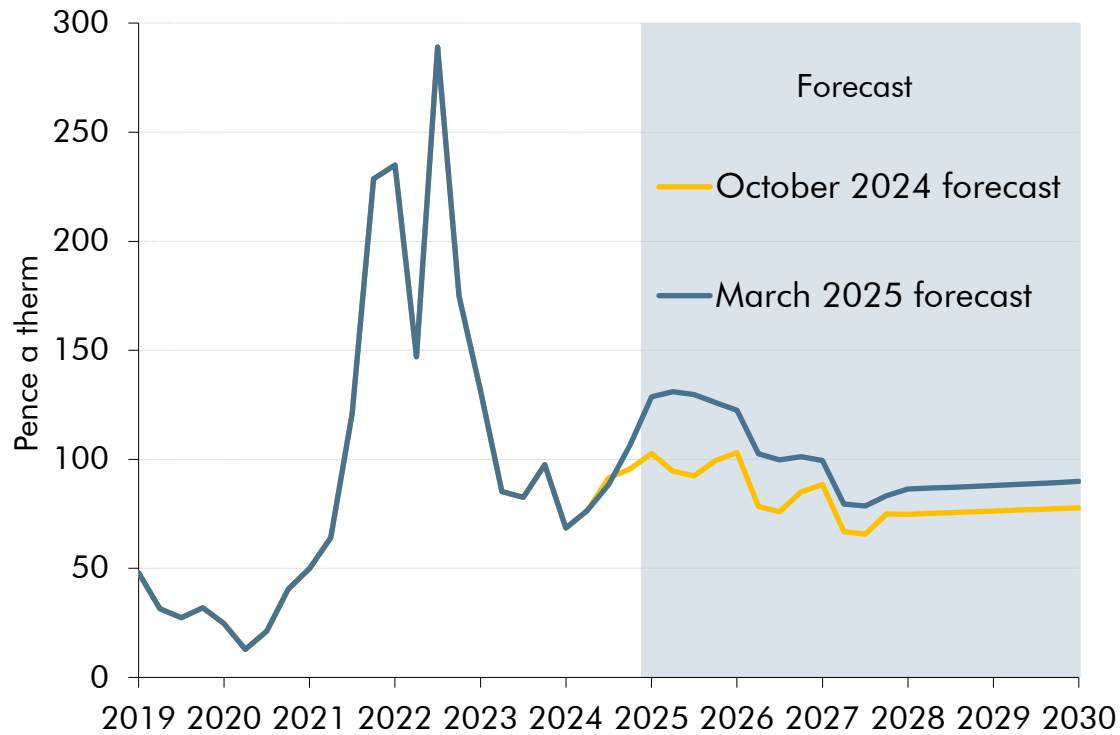
10-year gilt yields (quarterly average)



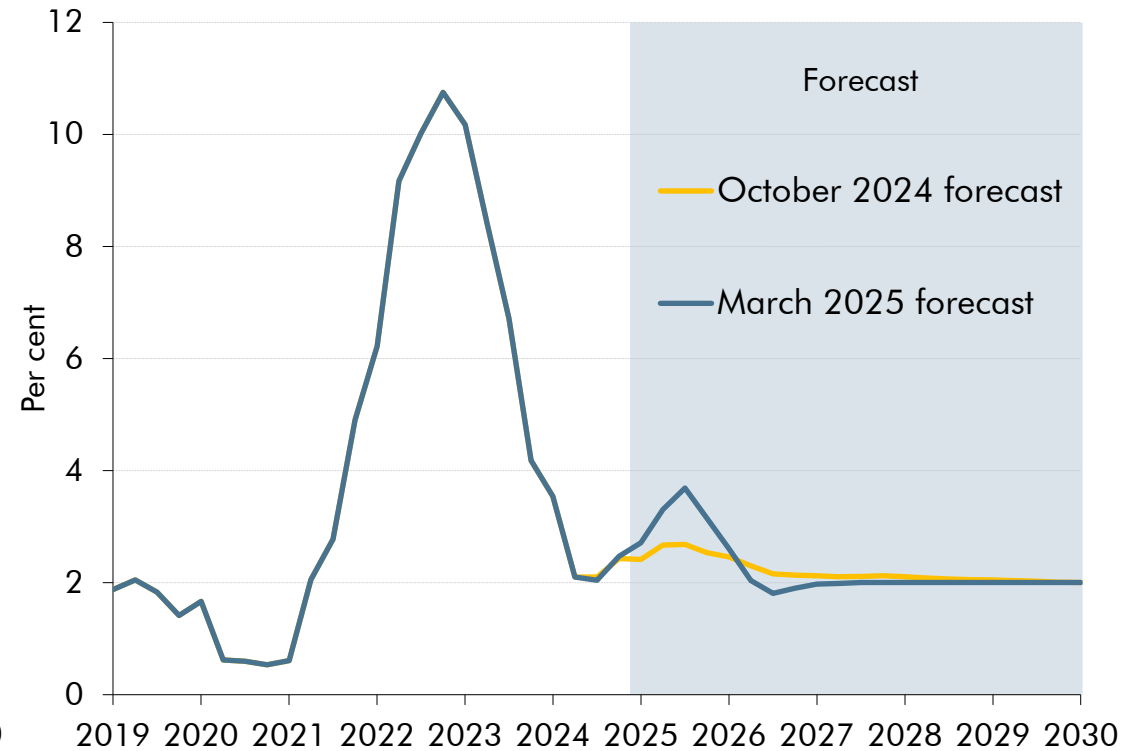
Source: Bank of England, Deutsche Bundesbank, US Department of the Treasury, OBR

Energy prices and inflation

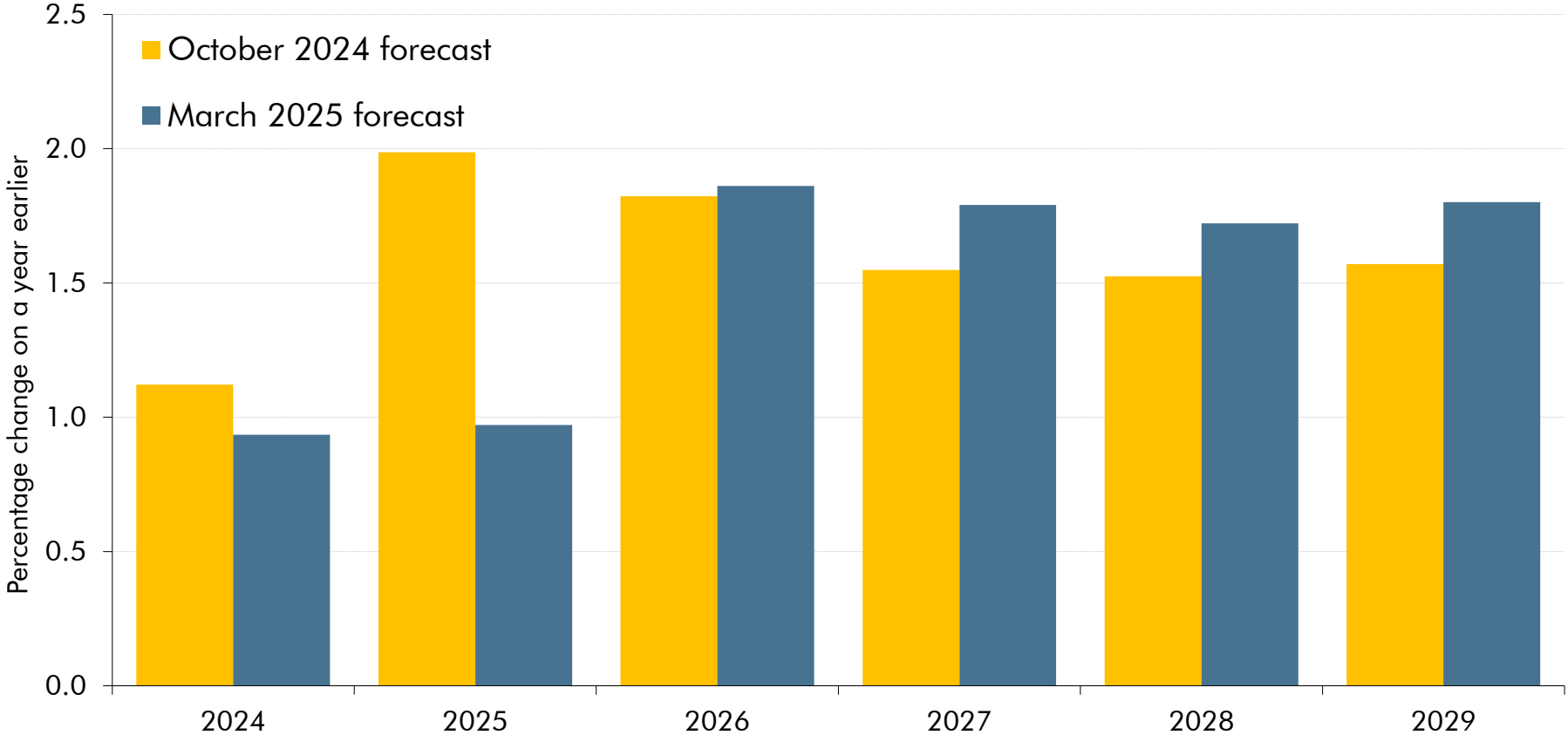
Wholesale gas prices



Consumer prices inflation

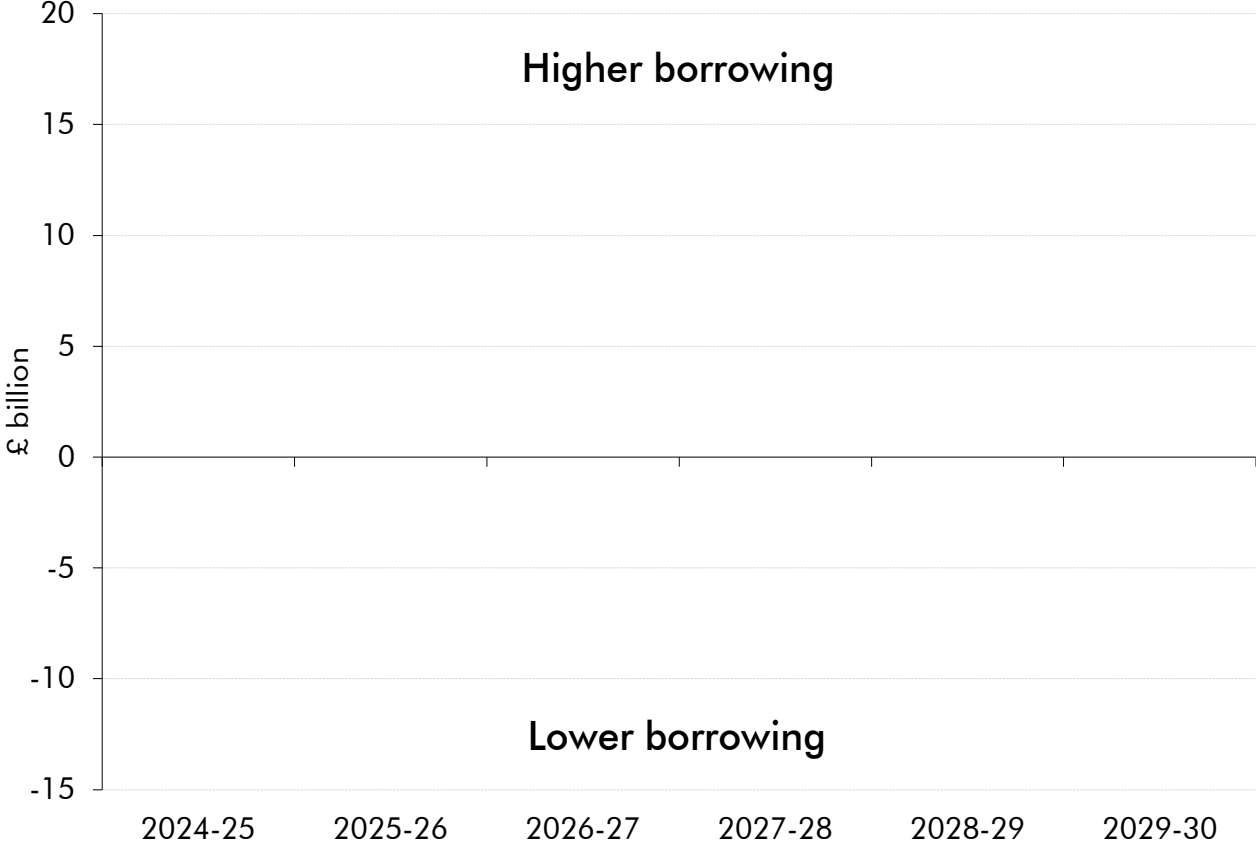


Real GDP growth



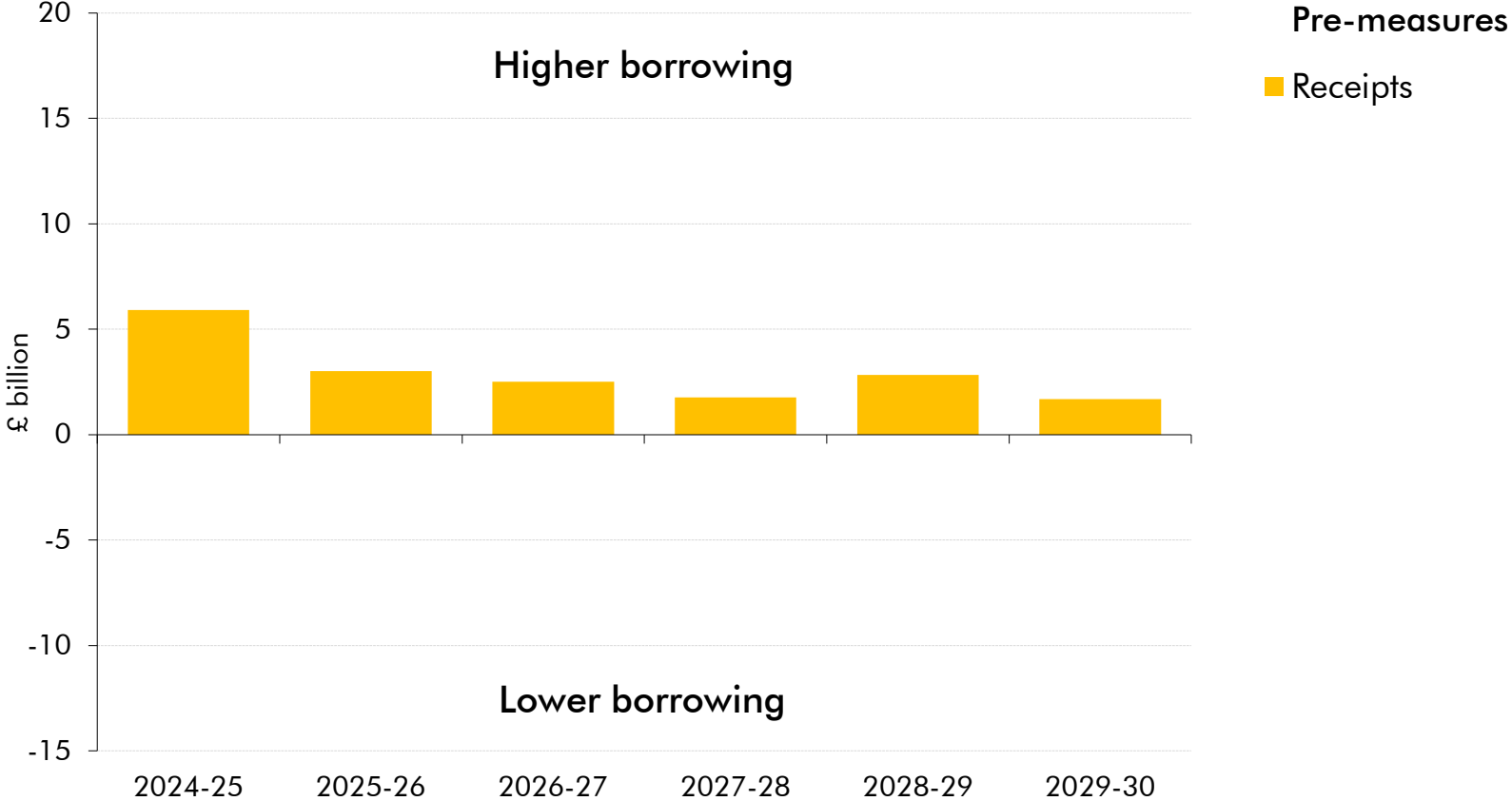
Source: ONS, OBR

Pre-measures change in borrowing since October



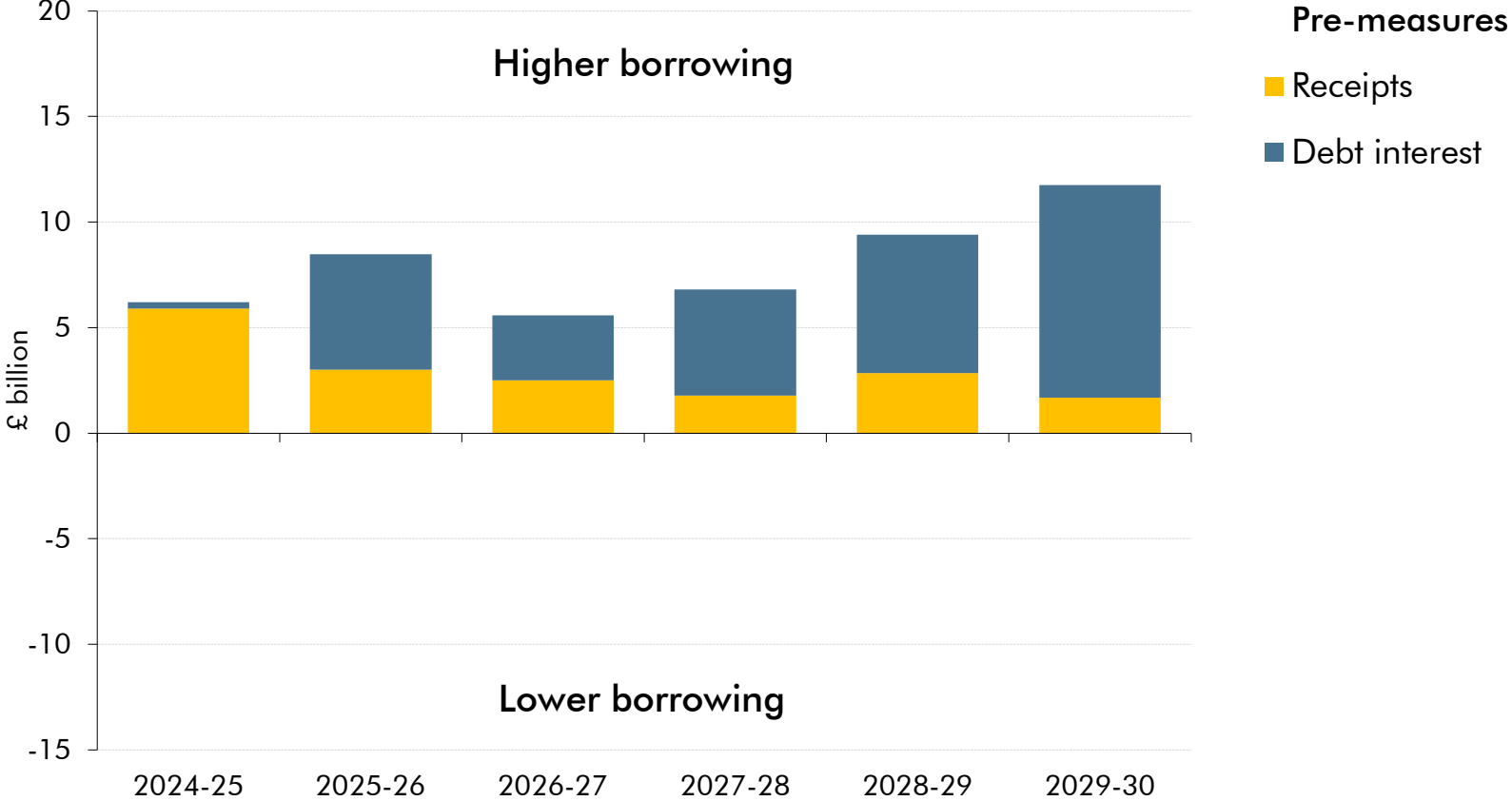
Source: OBR

Pre-measures change in borrowing since October



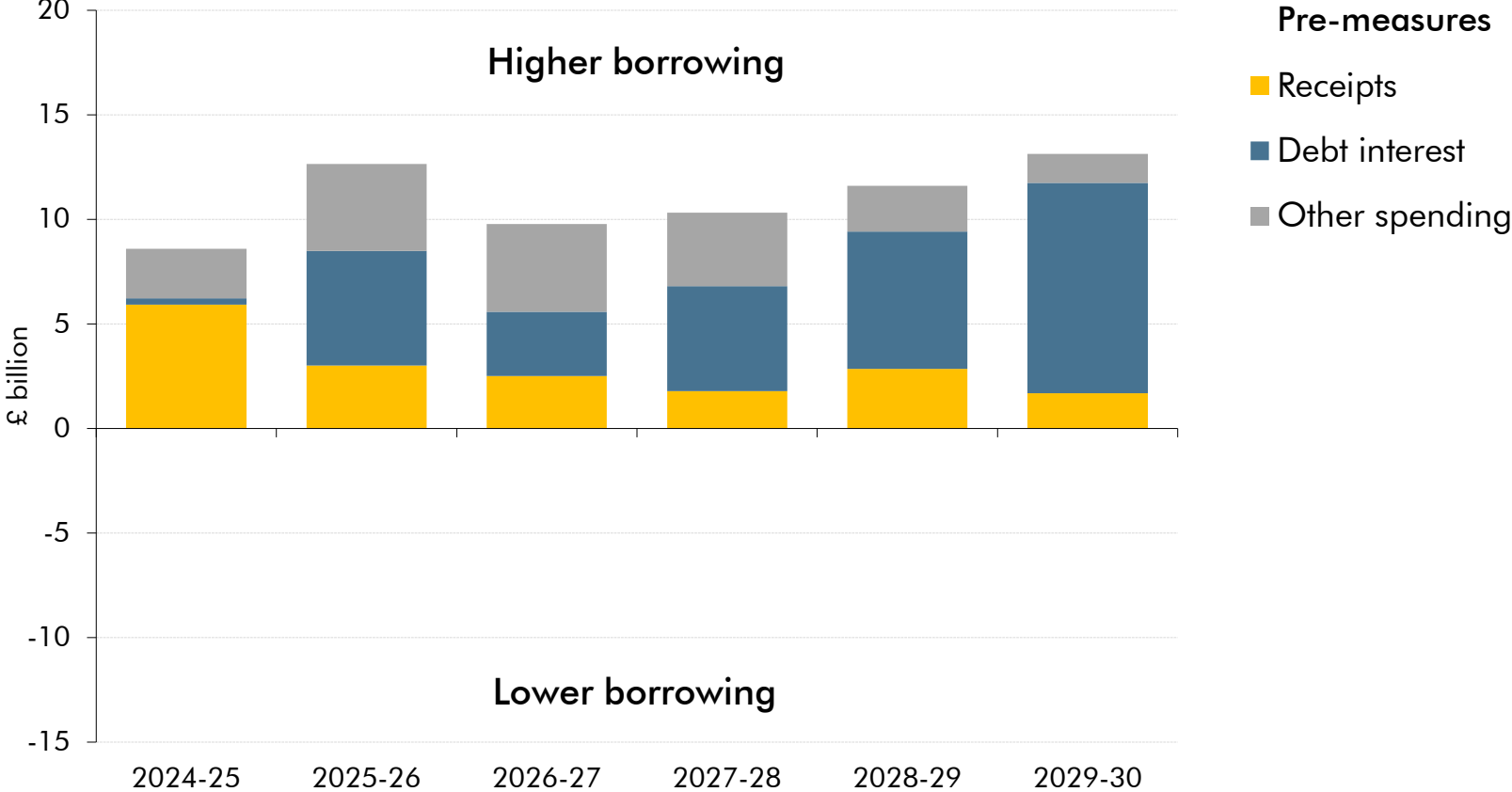
Source: OBR

Pre-measures change in borrowing since October



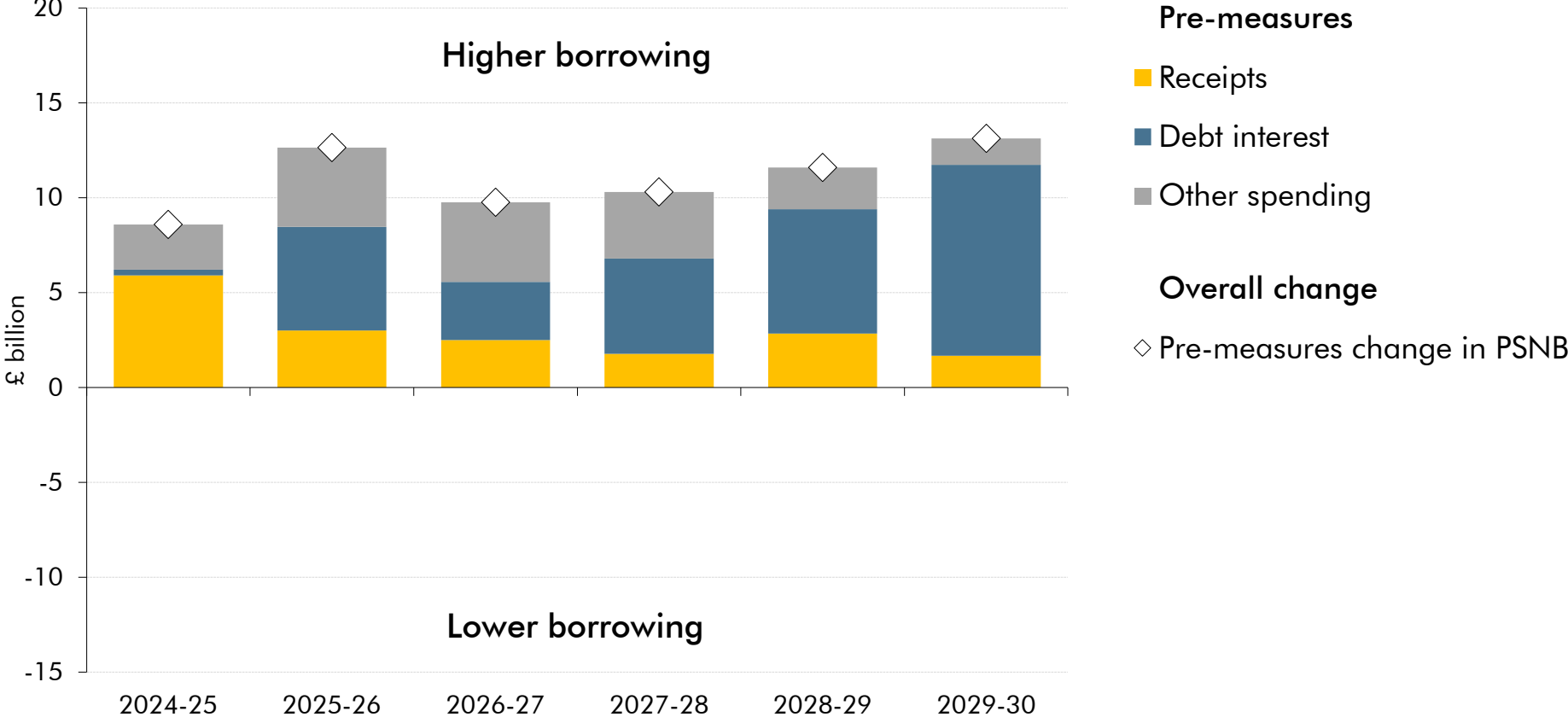
Source: OBR

Pre-measures change in borrowing since October



Source: OBR

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Source: OBR

Spring Statement policy package

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Reforms to residential planning system expected to boost housing supply by 170,000 over the next five years

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Spring Statement policy package



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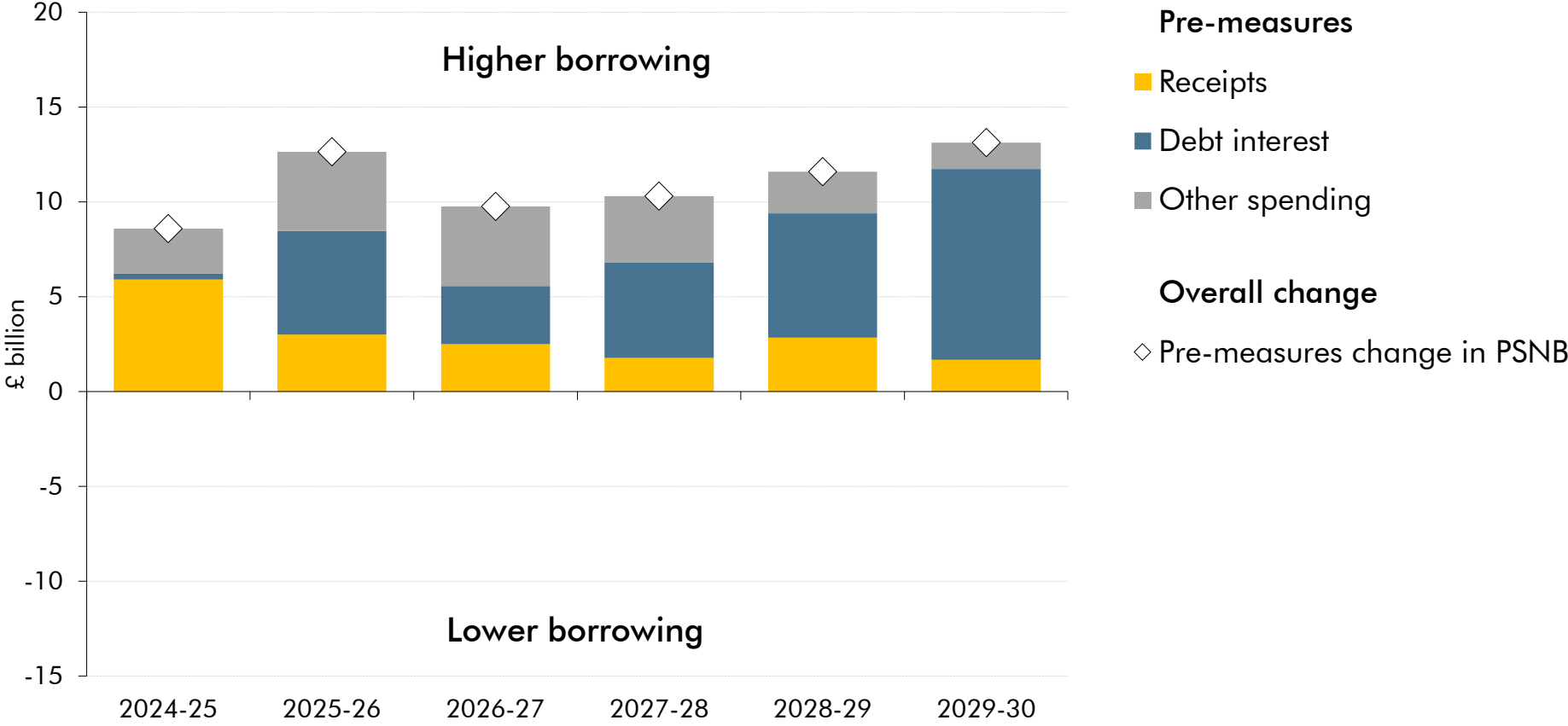


Change in the level and composition of departmental spending, including a £7 billion cut to overseas aid to fund an increase in defence spending to 2.5% of GDP



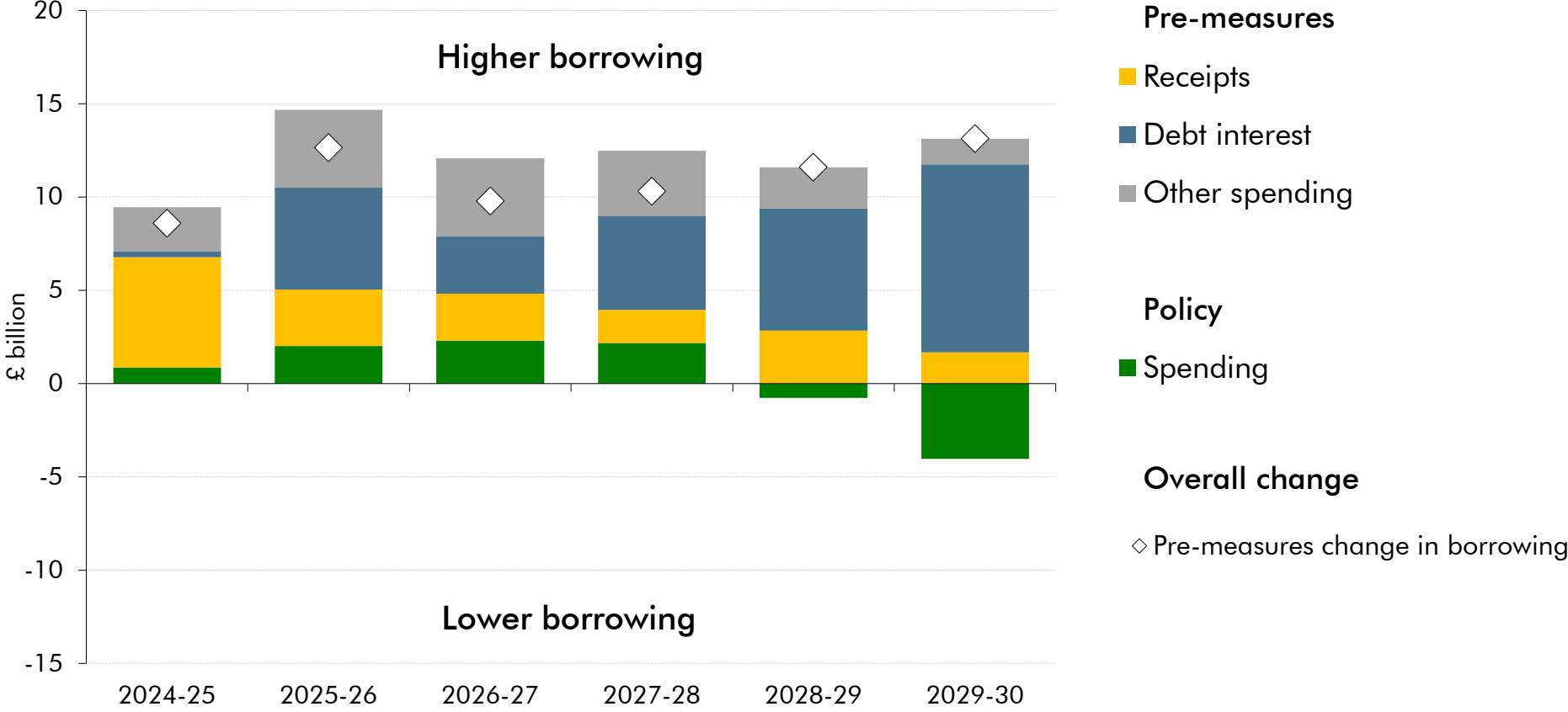
Reforms to health-related and other working-age welfare benefits, which save £5 billion by 2029-30

Overall change in borrowing since October



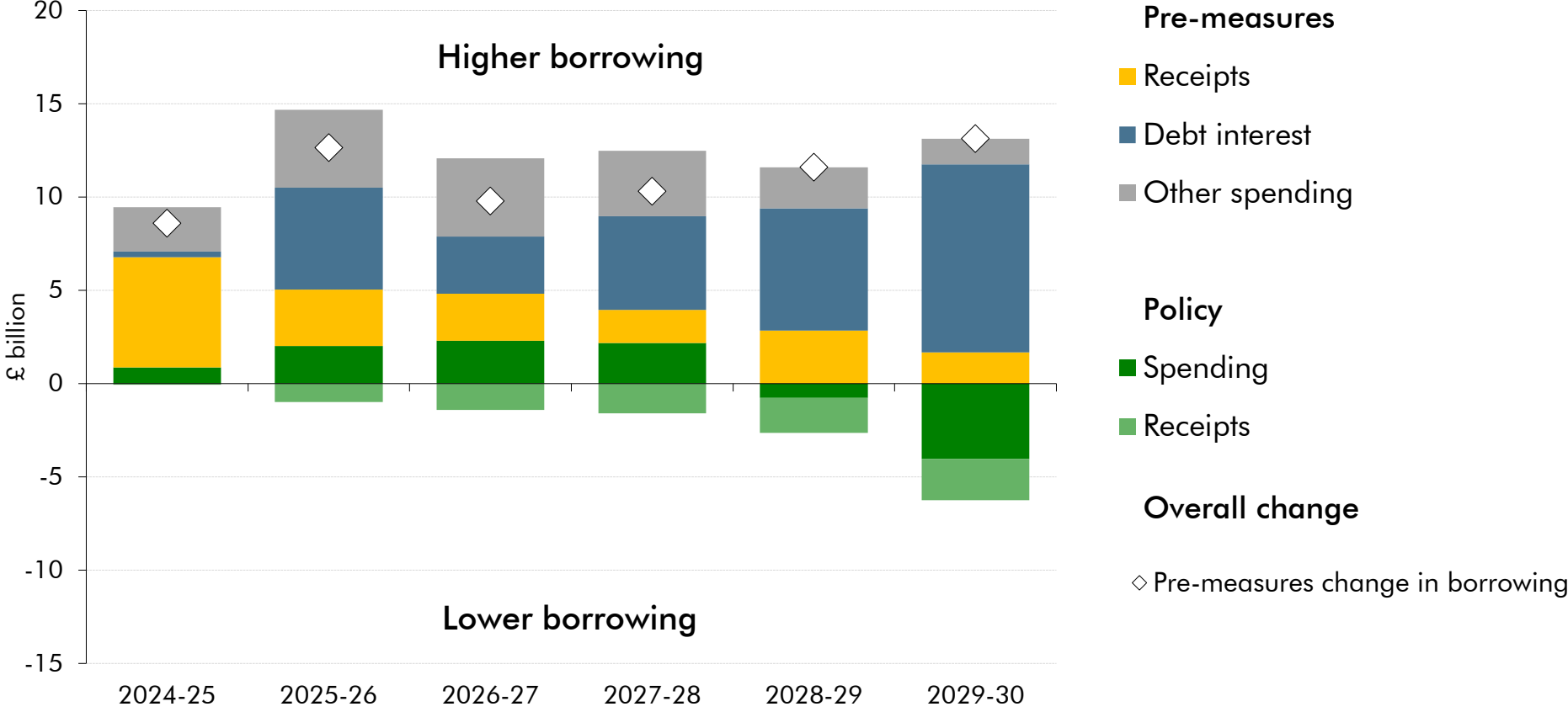
Source: OBR

Overall change in borrowing since October



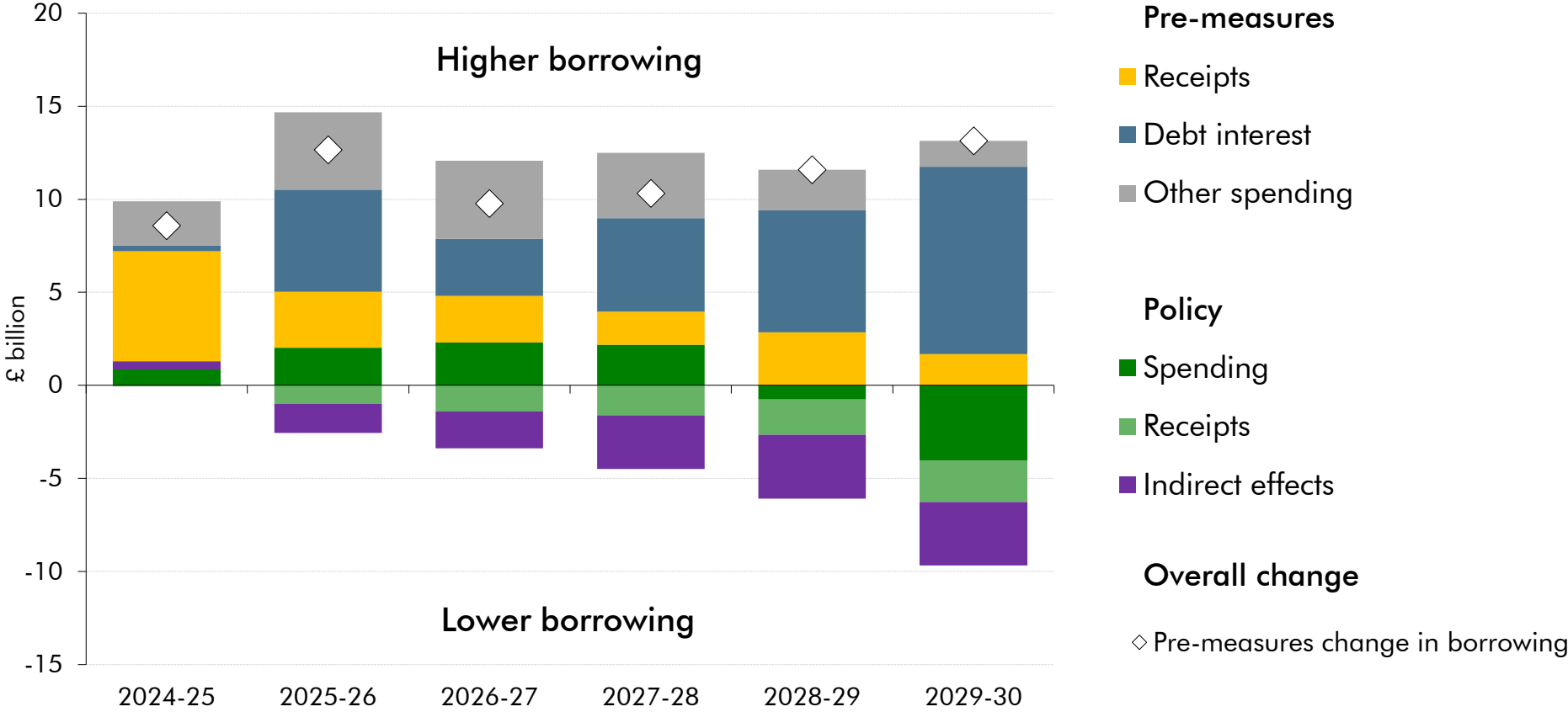
Source: OBR

Overall change in borrowing since October



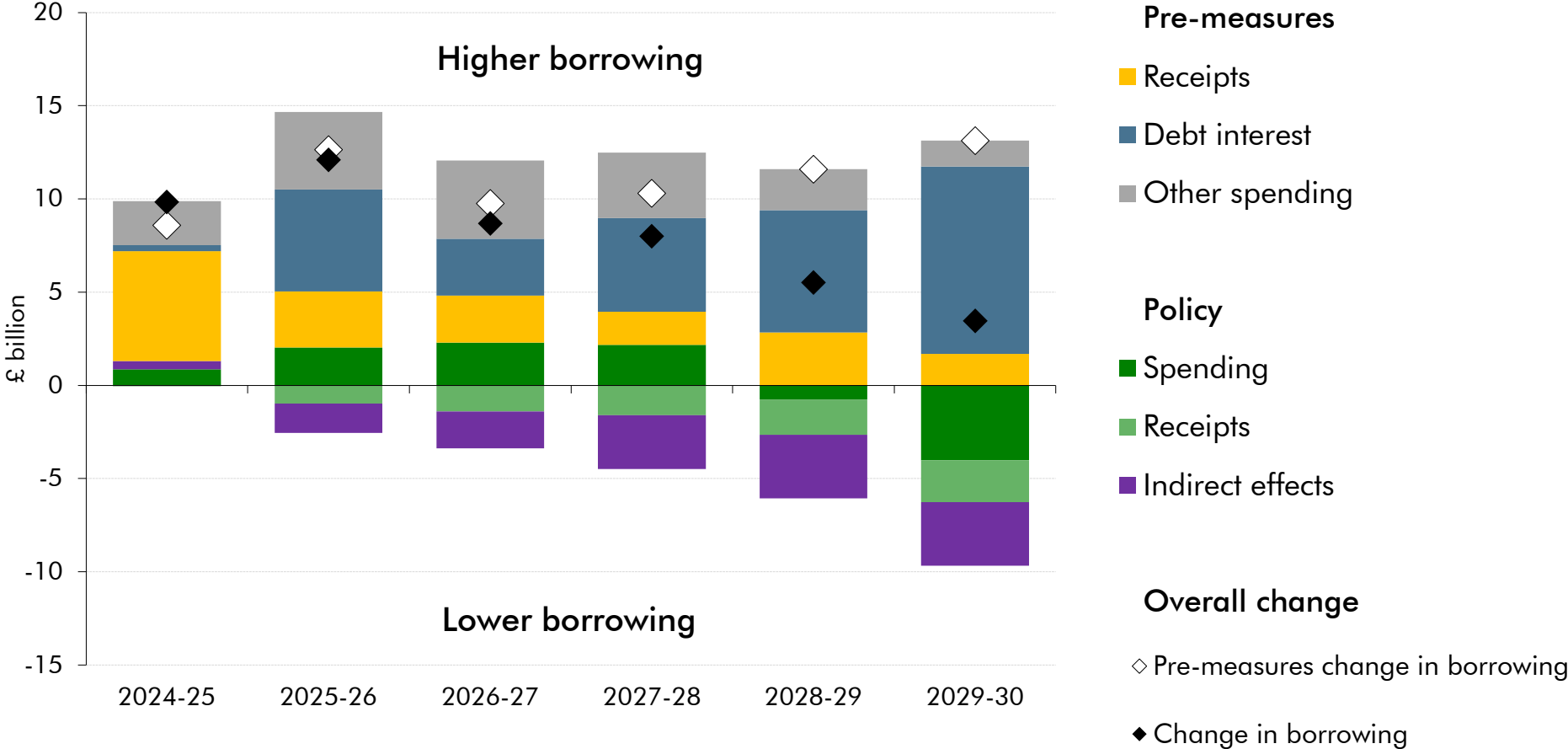
Source: OBR

Overall change in borrowing since October



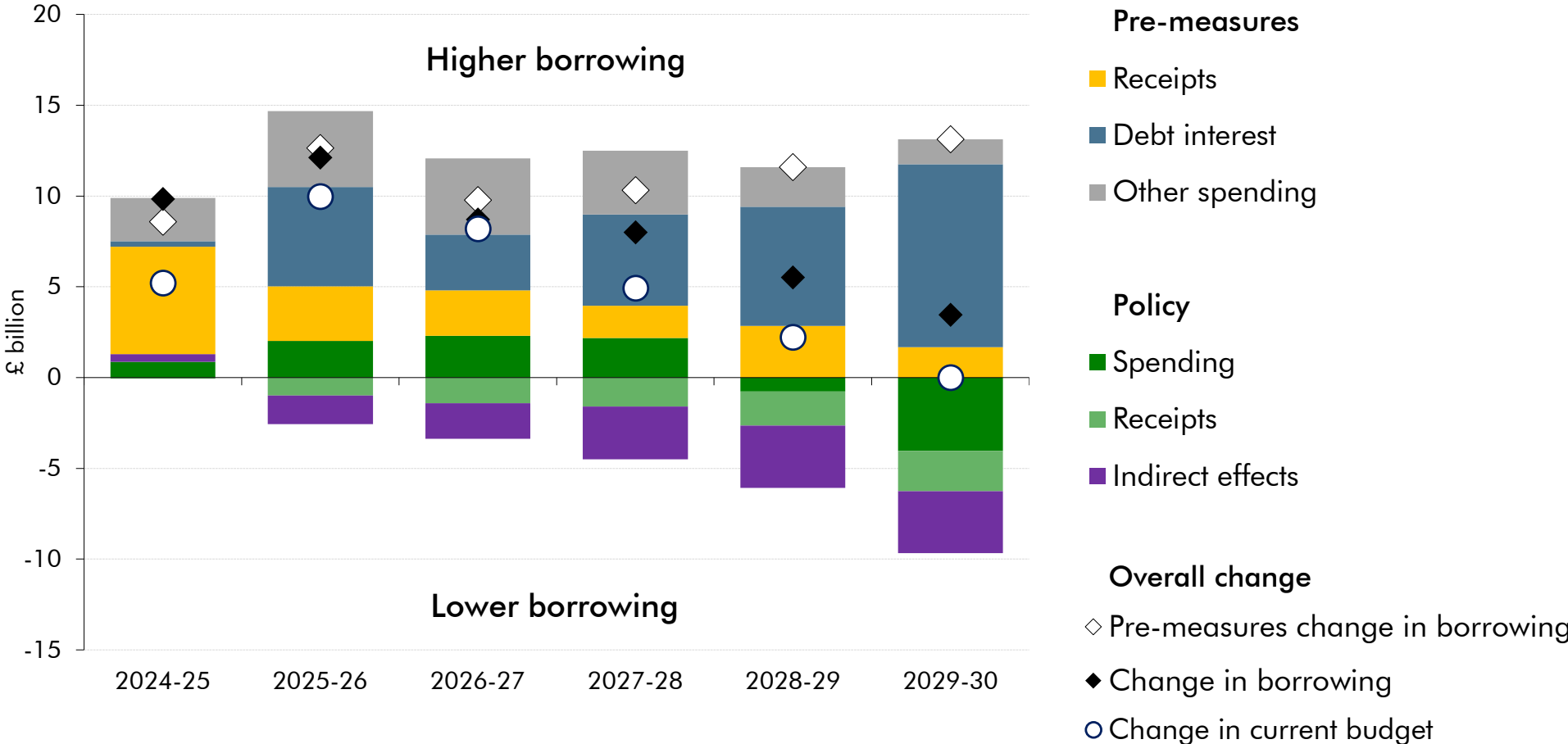
Source: OBR

Overall change in borrowing since October



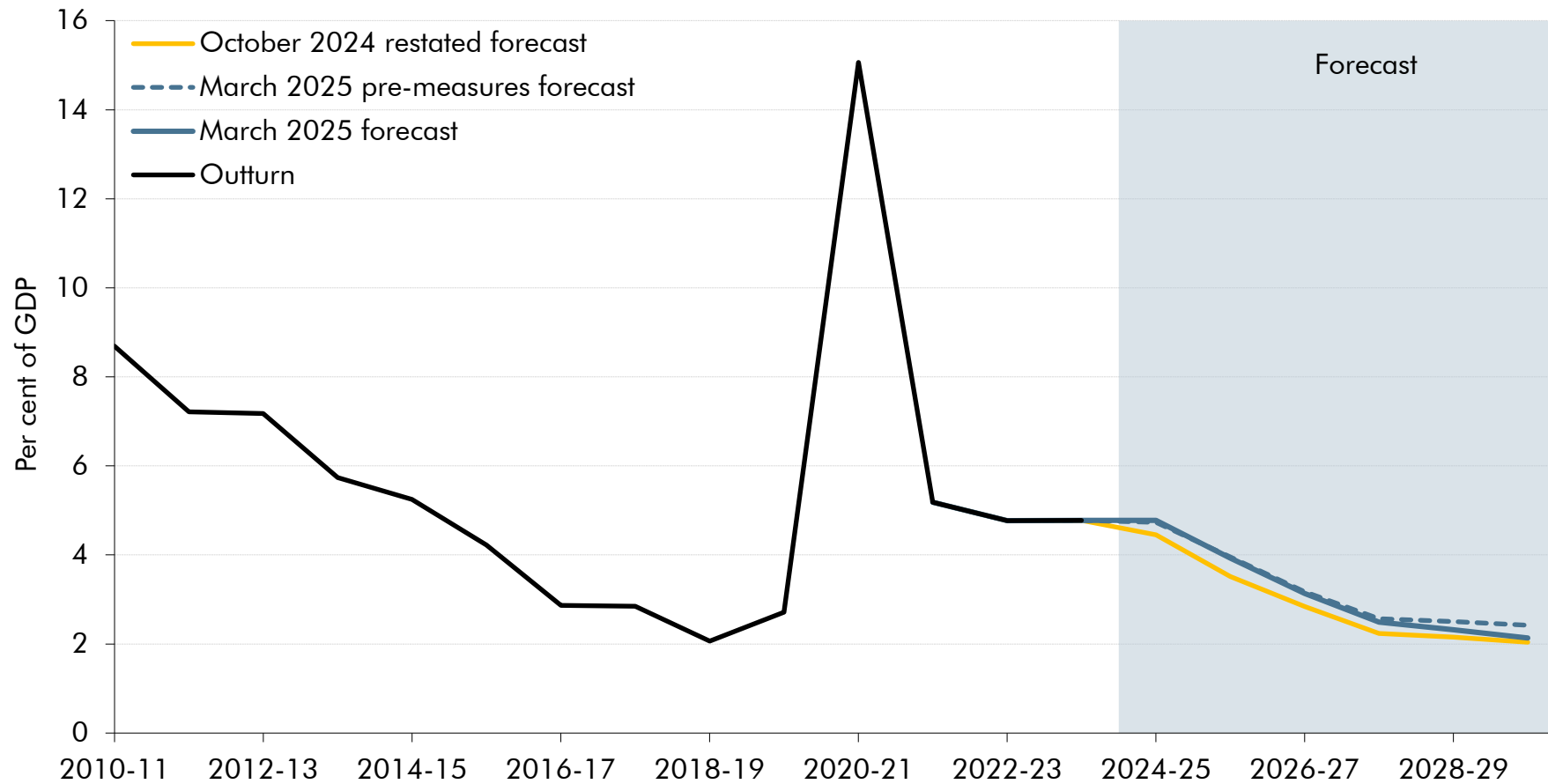
Source: OBR

Overall change in borrowing since October



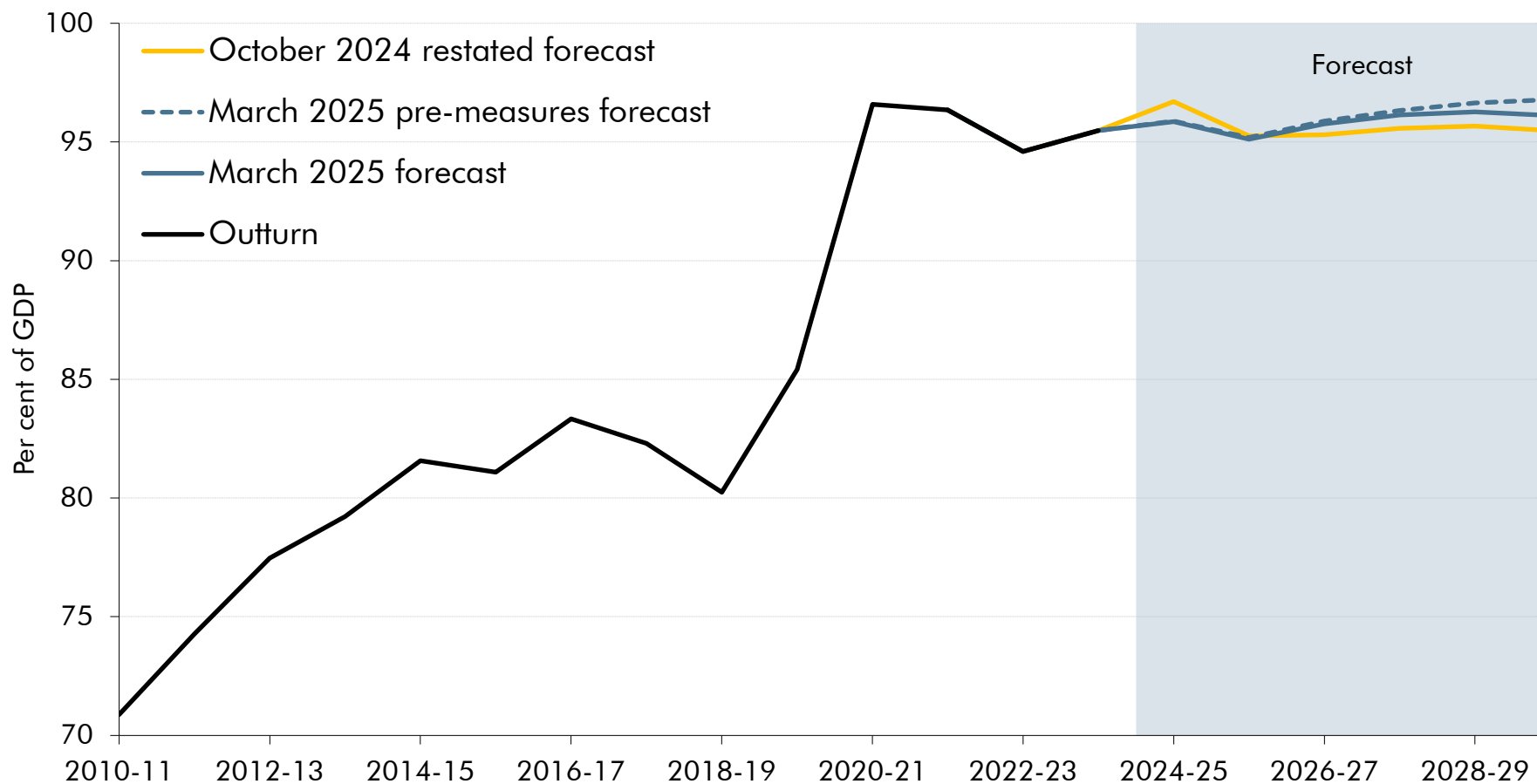
Source: OBR

Public sector net borrowing



Source: ONS, OBR

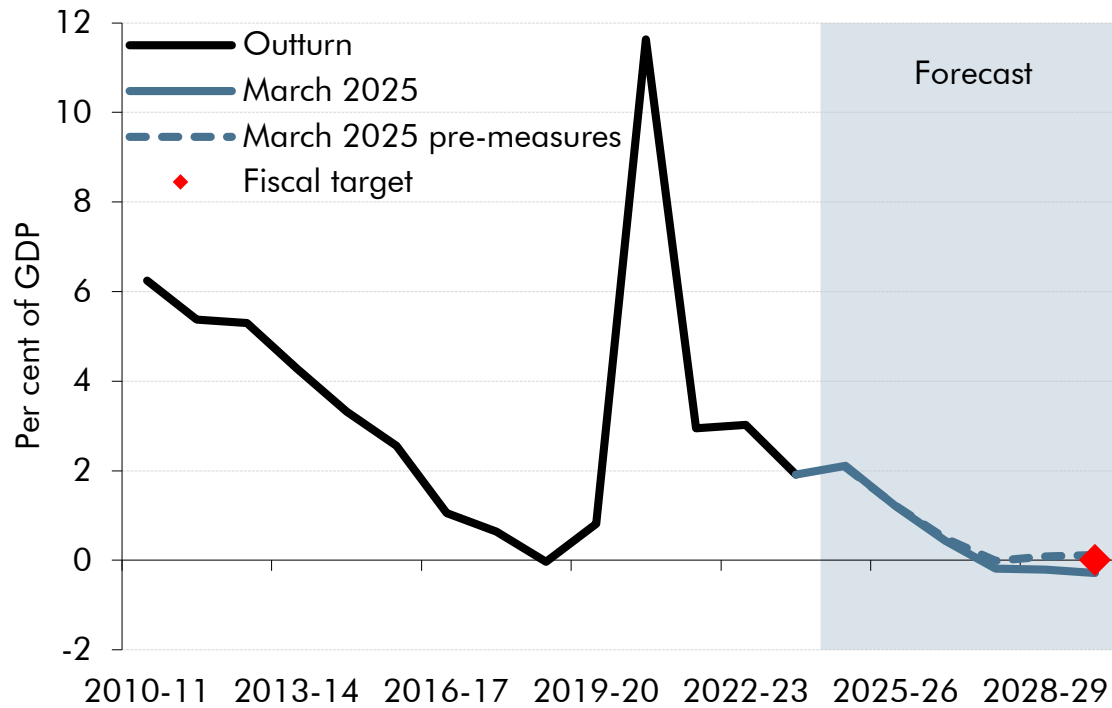
Public sector net debt



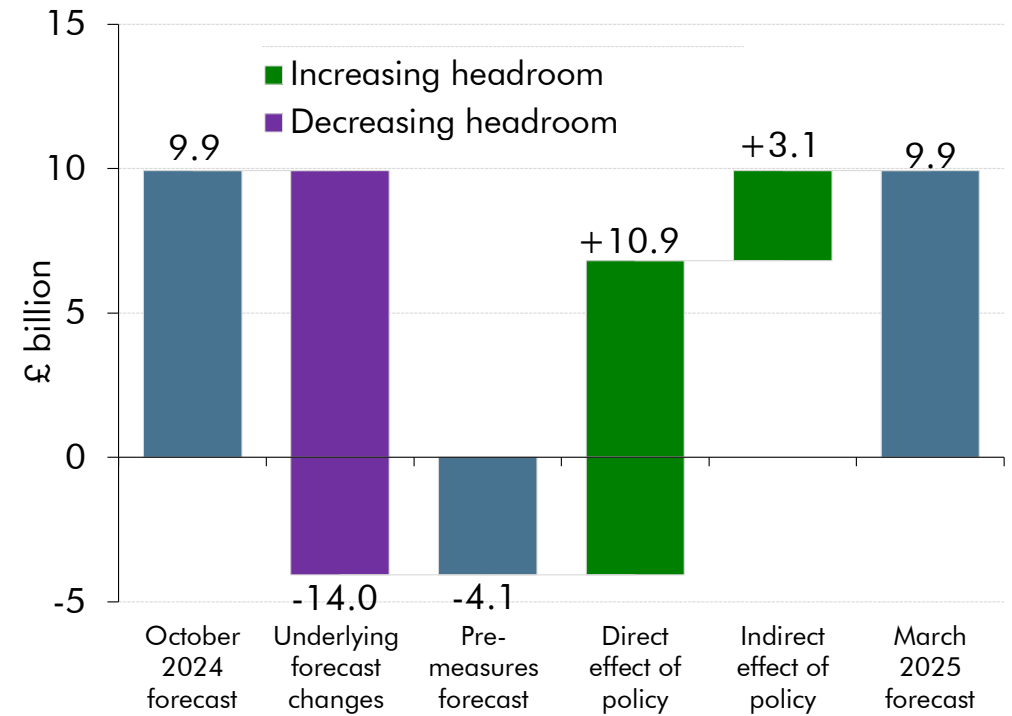
Source: ONS, OBR

Current balance target

Current budget deficit



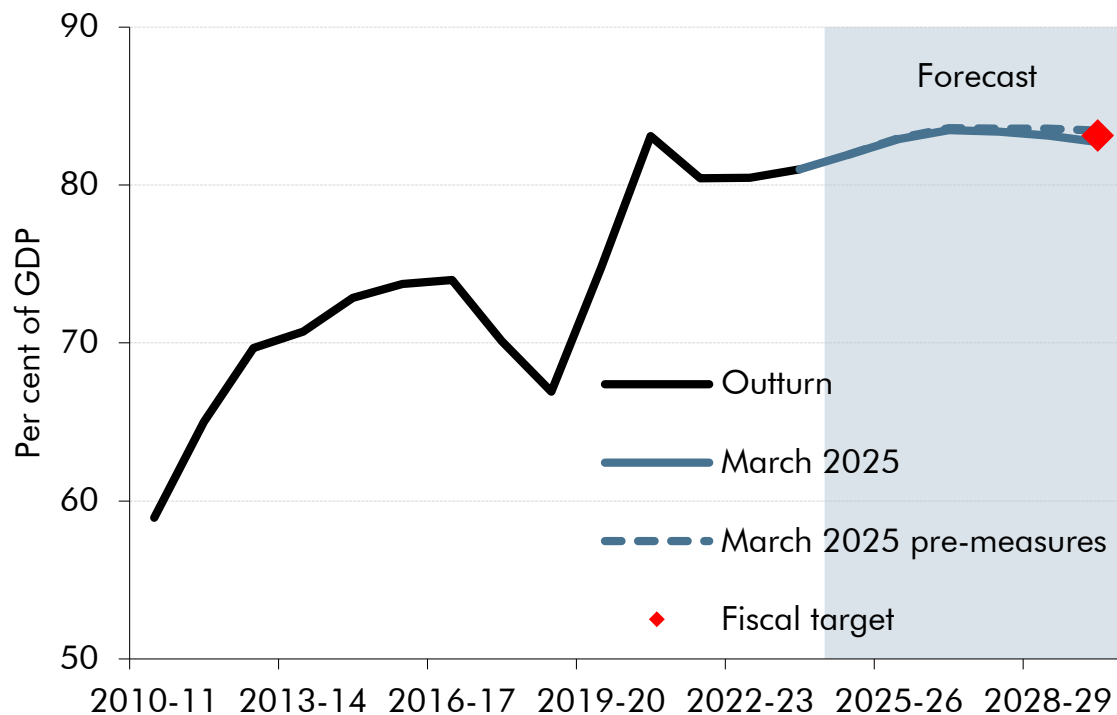
Change in current budget since October



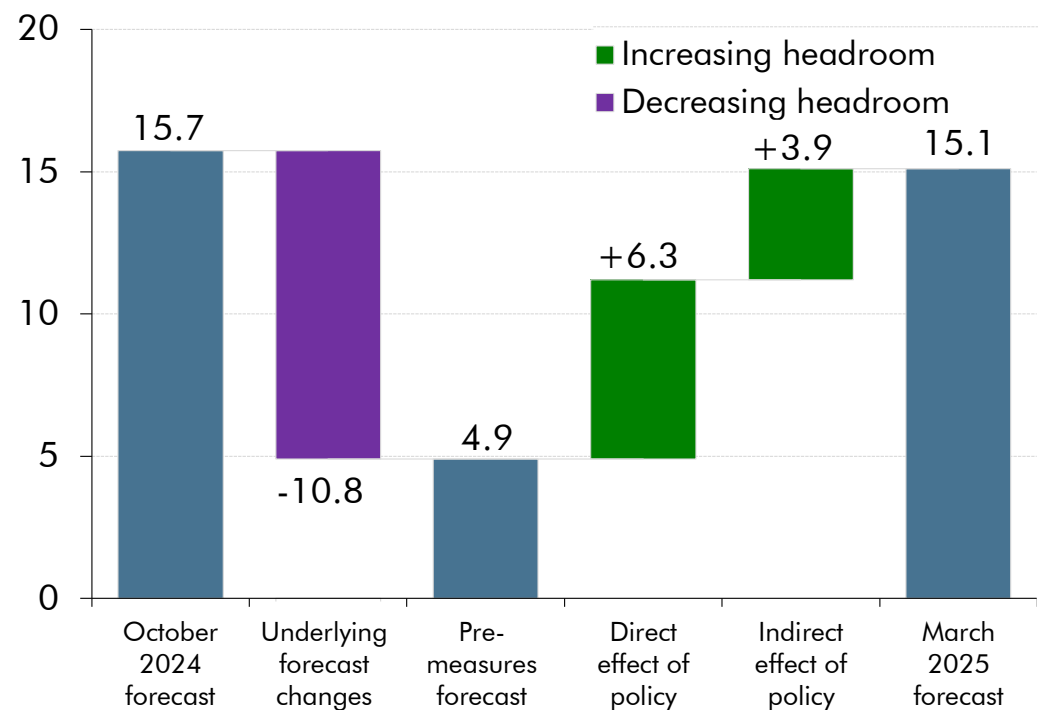
Source: ONS, OBR

Net financial liabilities target

Public sector net financial liabilities

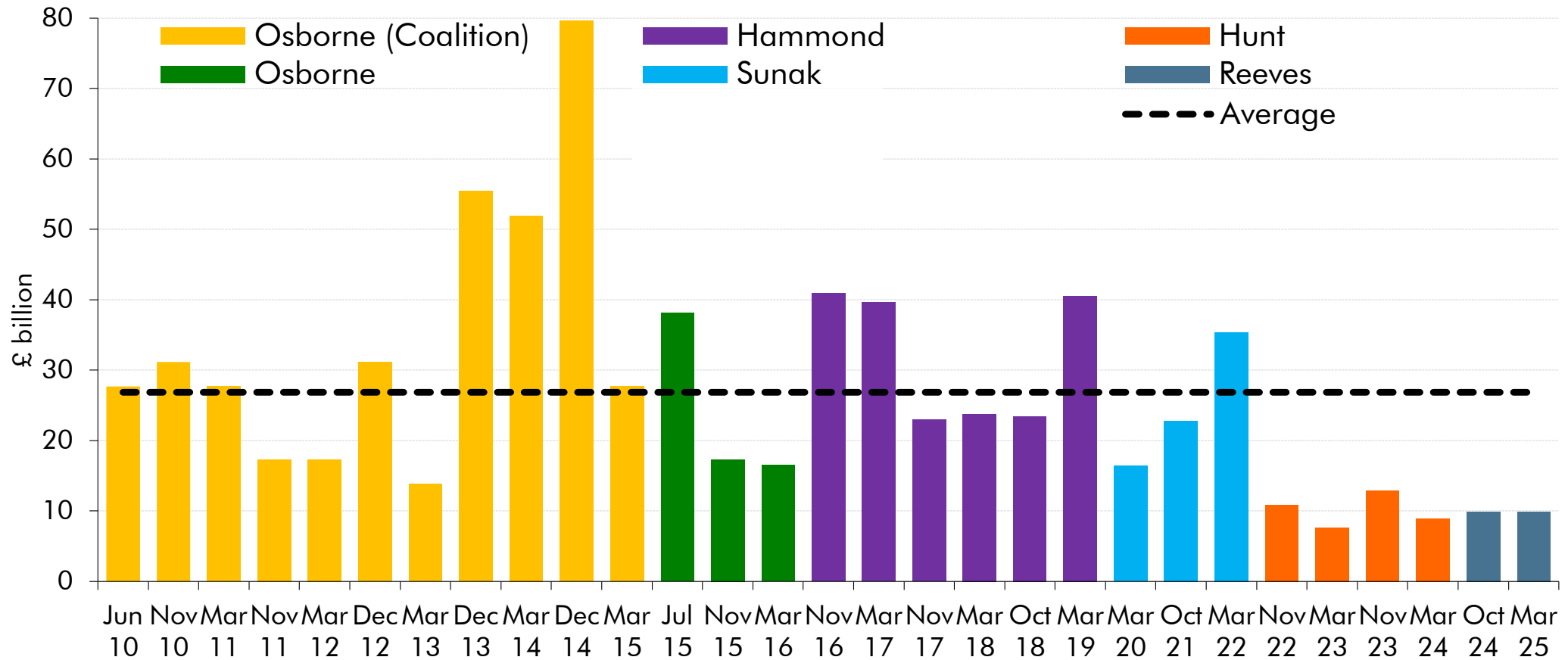


Change in PSNFL since October



Source: ONS, OBR

Headroom against fiscal rules



Risks to the outlook

Risks partly addressed

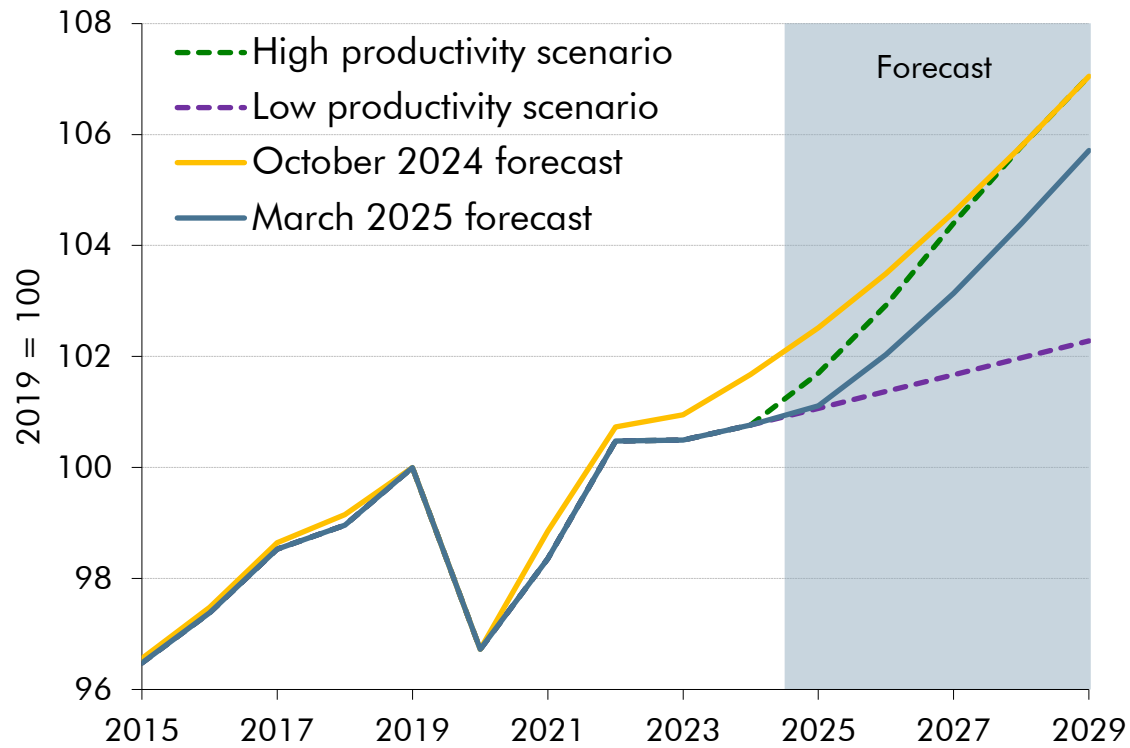
- Defence spending
- Health-related welfare
- Symmetry of fiscal policy

Risks still outstanding

- UK productivity performance
- Interest rates
- Global trade policy

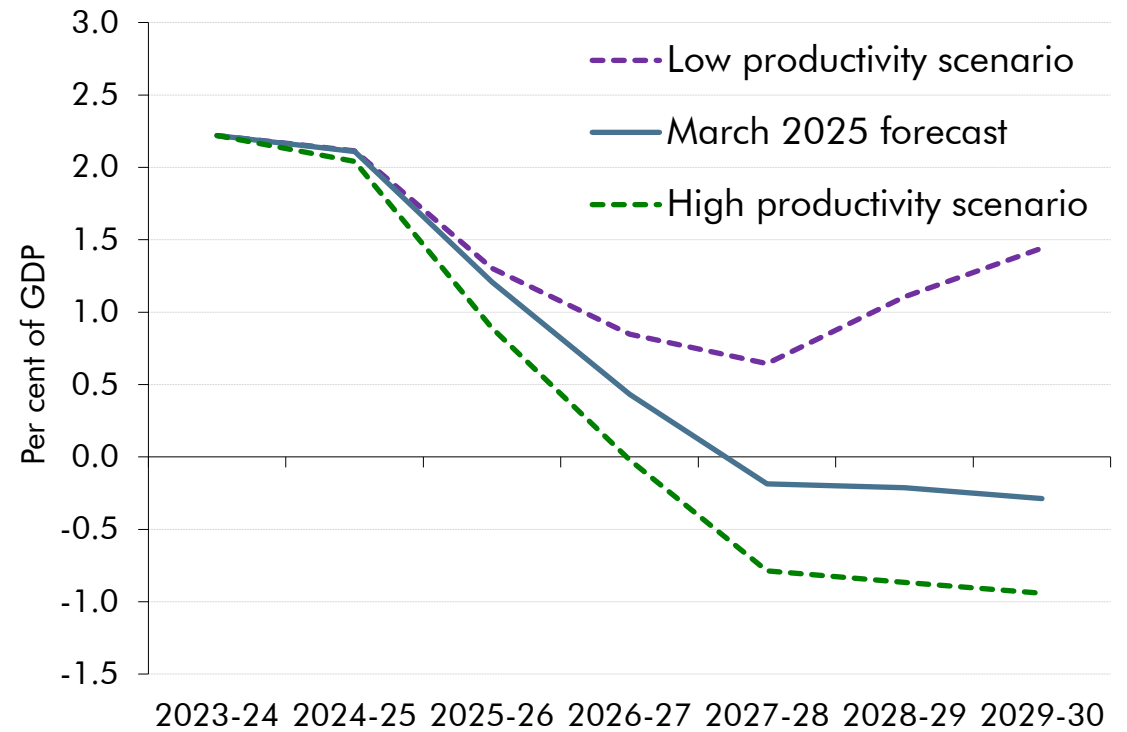
Productivity risks

Trend productivity Level



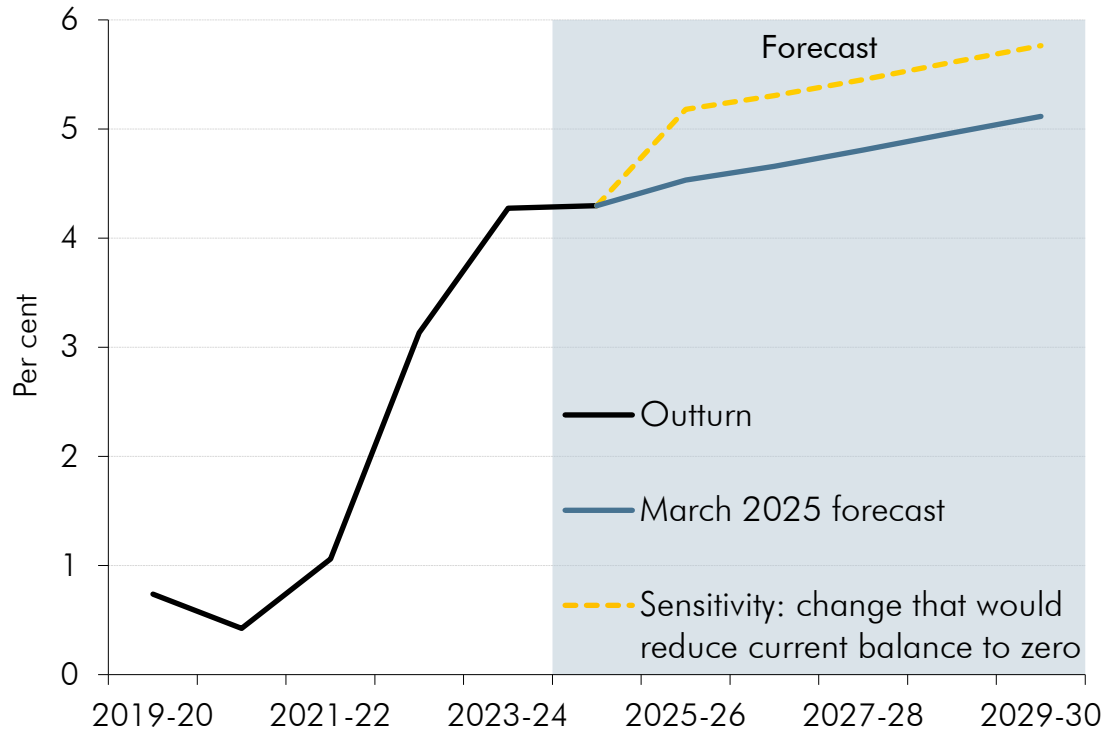
Source: ONS, OBR

Current budget deficit

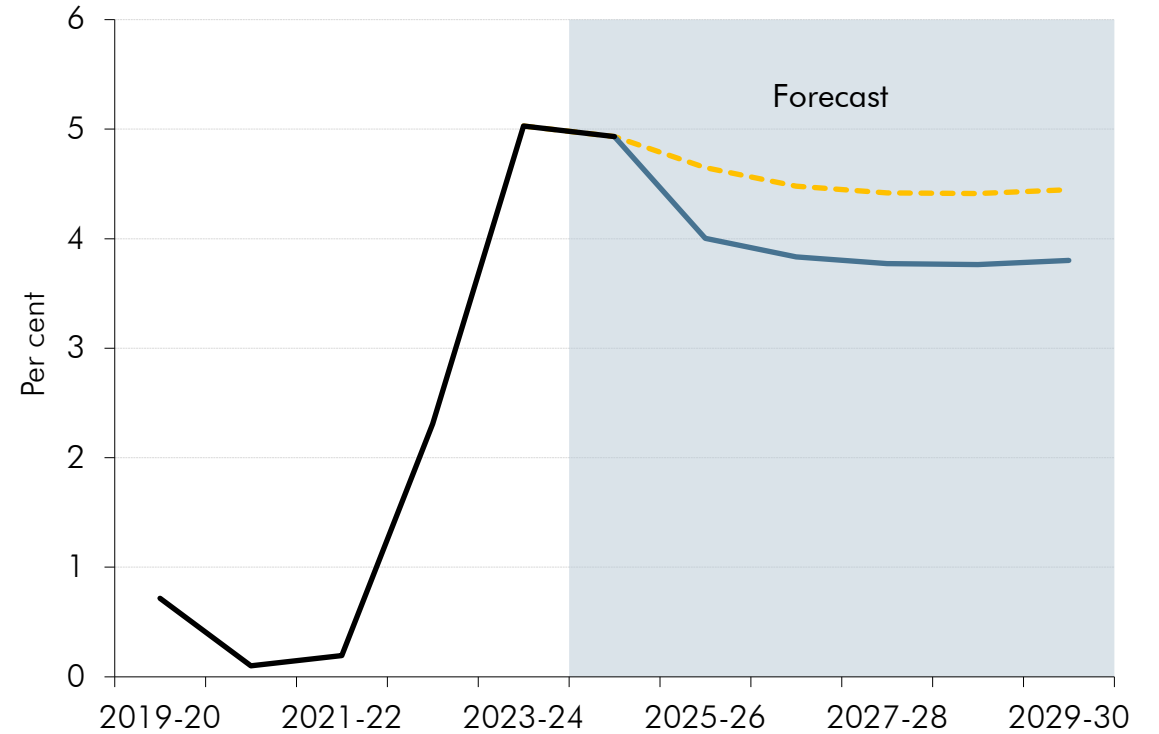


Interest rate risks

Gilt rate yields



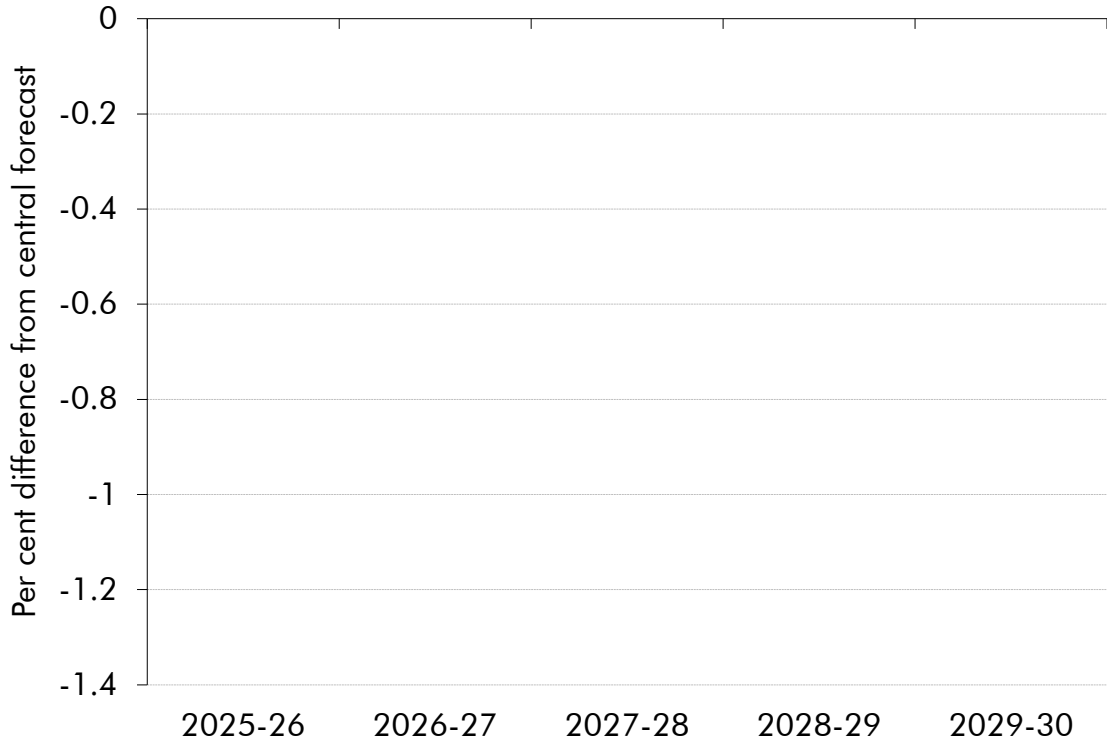
Bank Rate



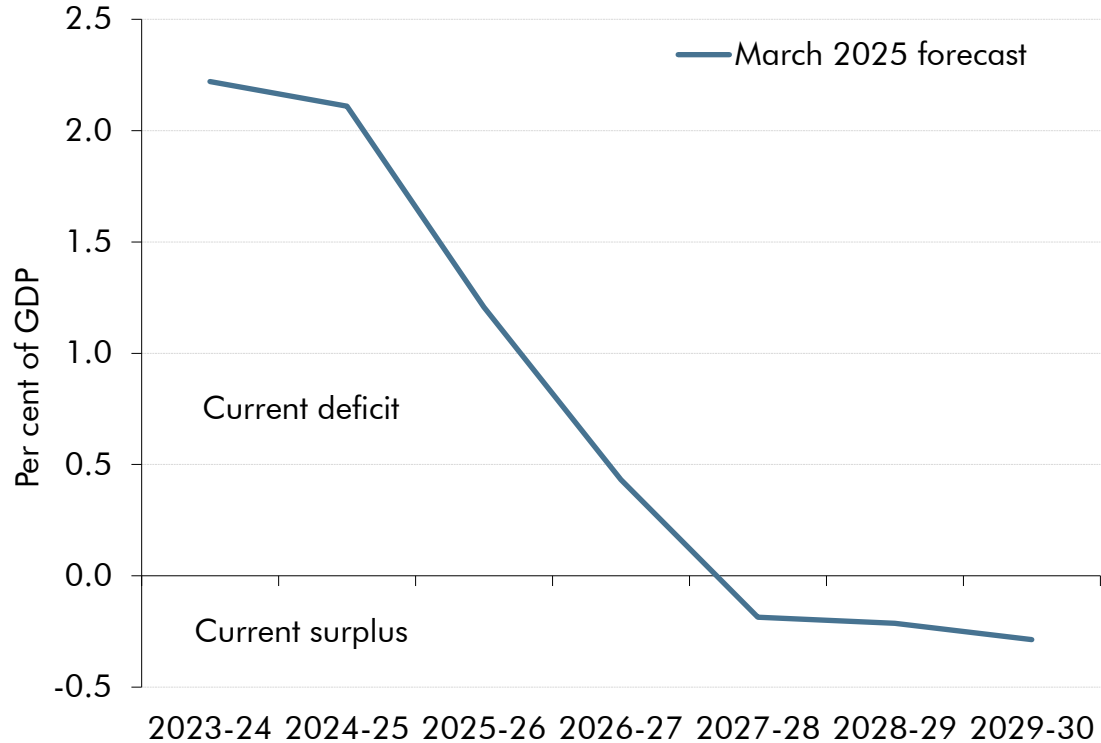
Source: Bank of England, OBR

Global trade policy risks

UK GDP Impact



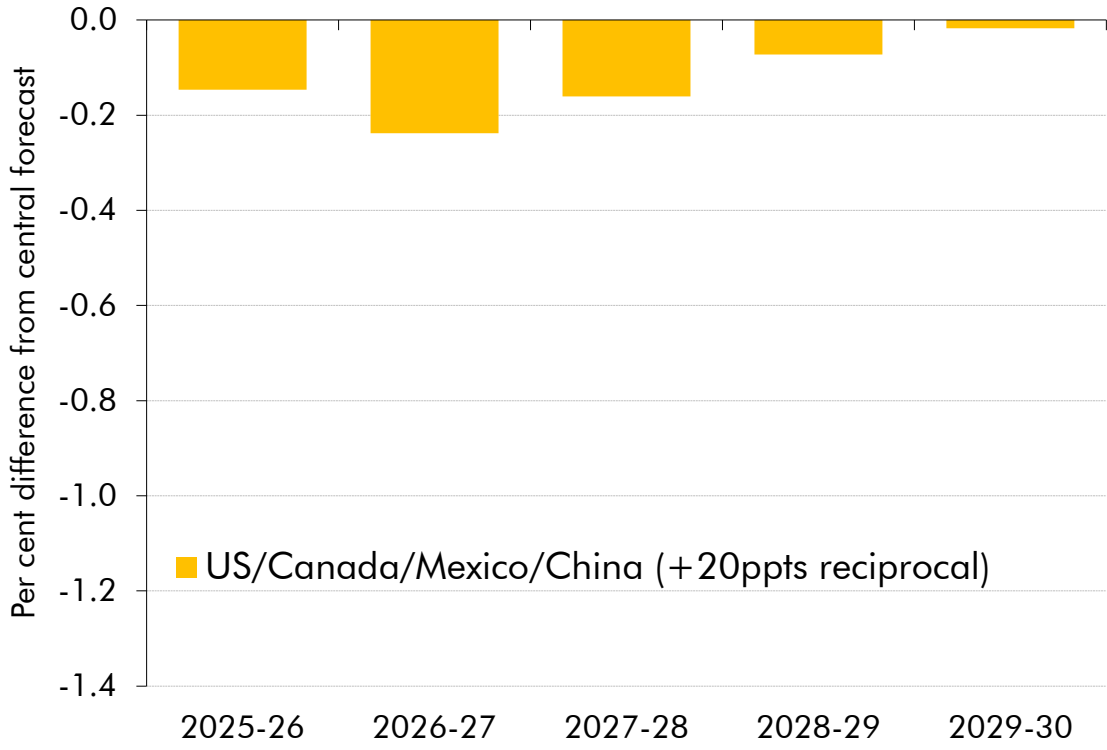
UK current budget deficit impact



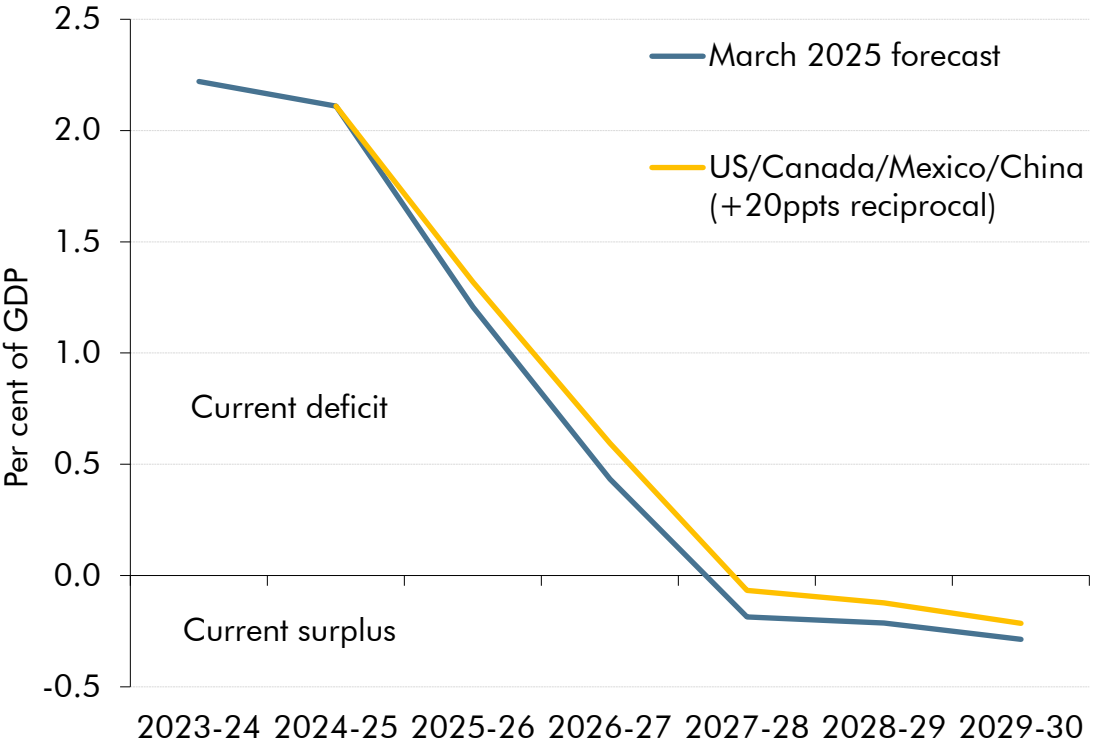
Source: OBR

Global trade policy risks

UK GDP Impact



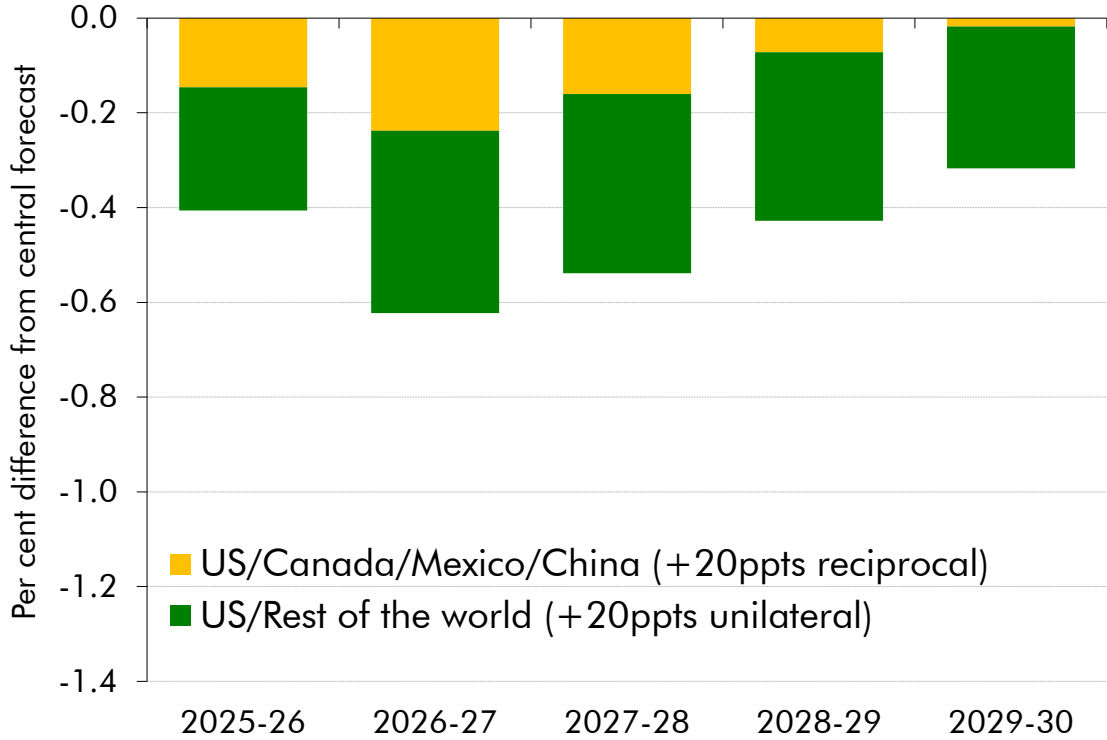
UK current budget deficit impact



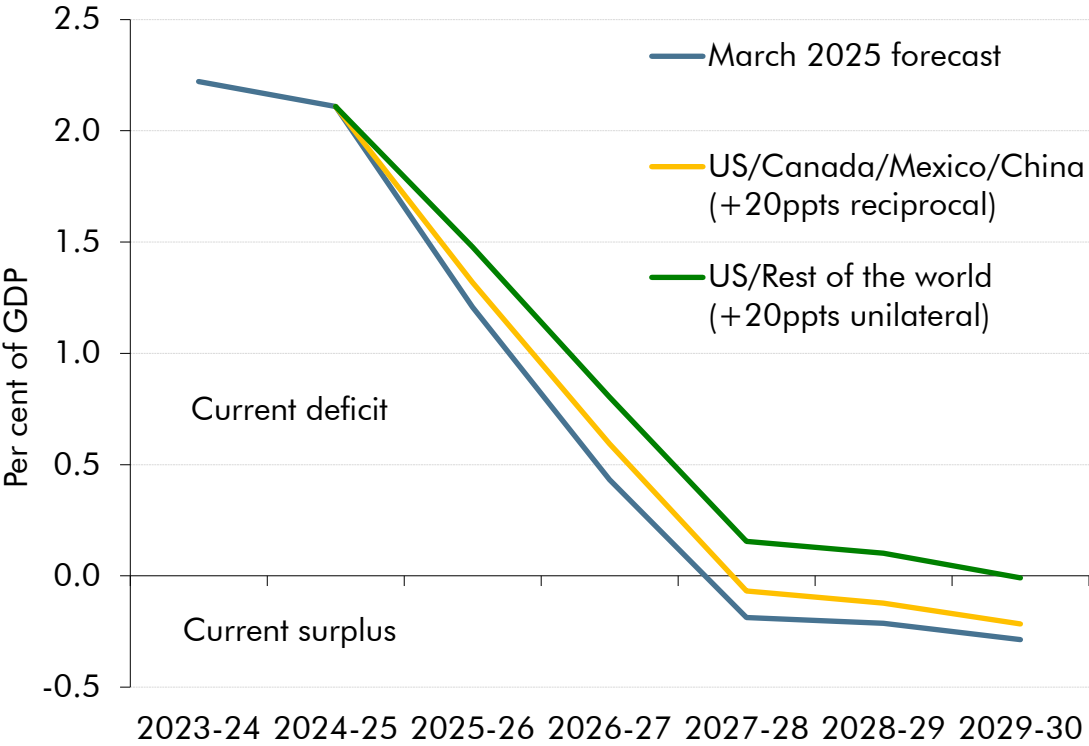
Source: OBR

Global trade policy risks

UK GDP Impact



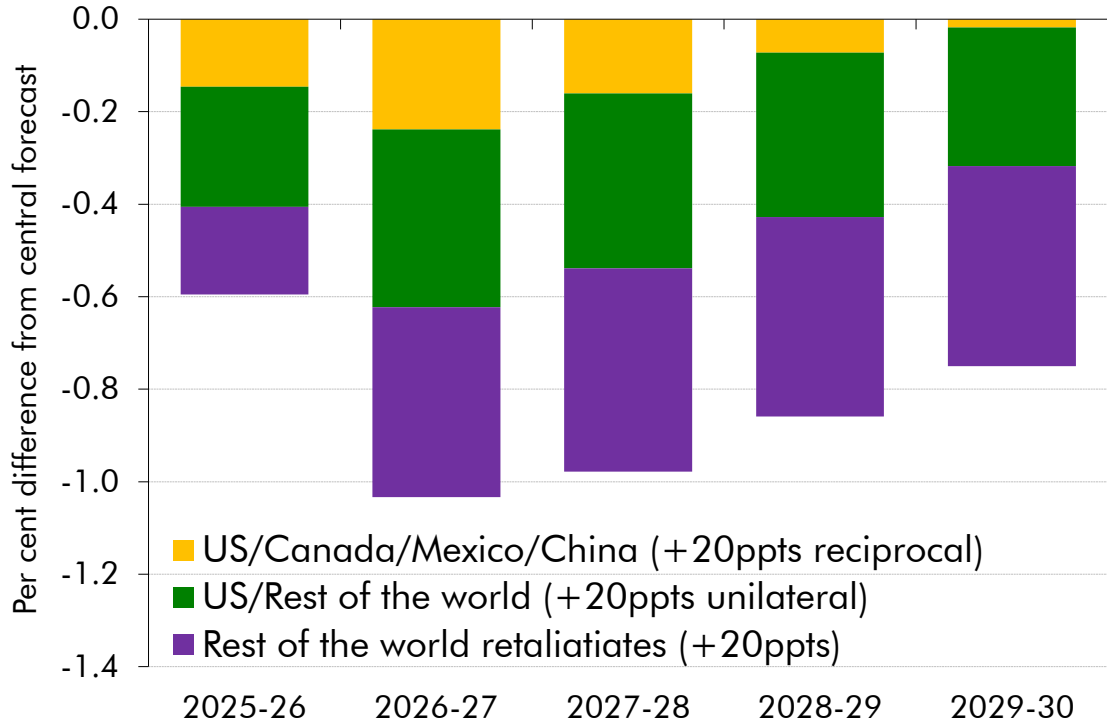
UK current budget deficit impact



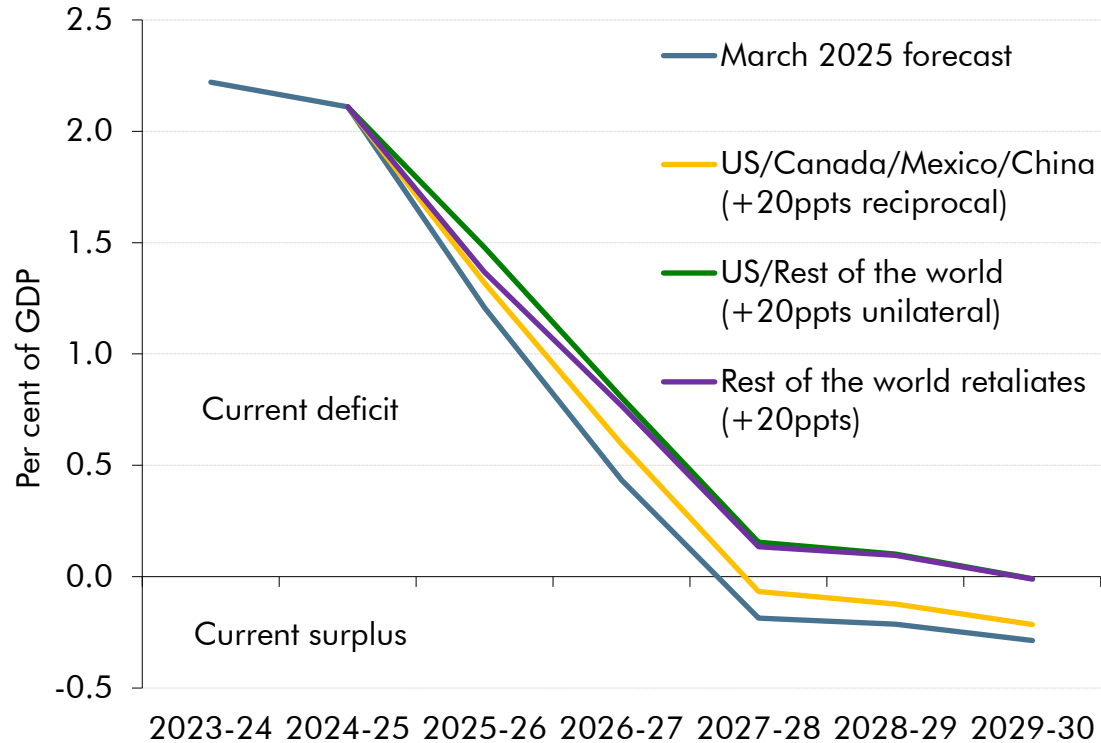
Source: OBR

Global trade policy risks

UK GDP Impact



UK current budget deficit impact



Source: OBR

Summary

- Economic and fiscal outlook is more challenging than in October, with output stagnating, interest rates higher, and the global outlook uncertain
- Pre-measures forecast halved GDP growth this year and left the current budget in deficit by £4 billion in 2029-30
- Policy measures, including planning reforms, cuts to welfare, and shifts in departmental spending, were enough to return to a current balance of £10 billion
- But risks to productivity growth, interest rates, or global trade policy could easily reduce that headroom back below zero

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Thank you for listening

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

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