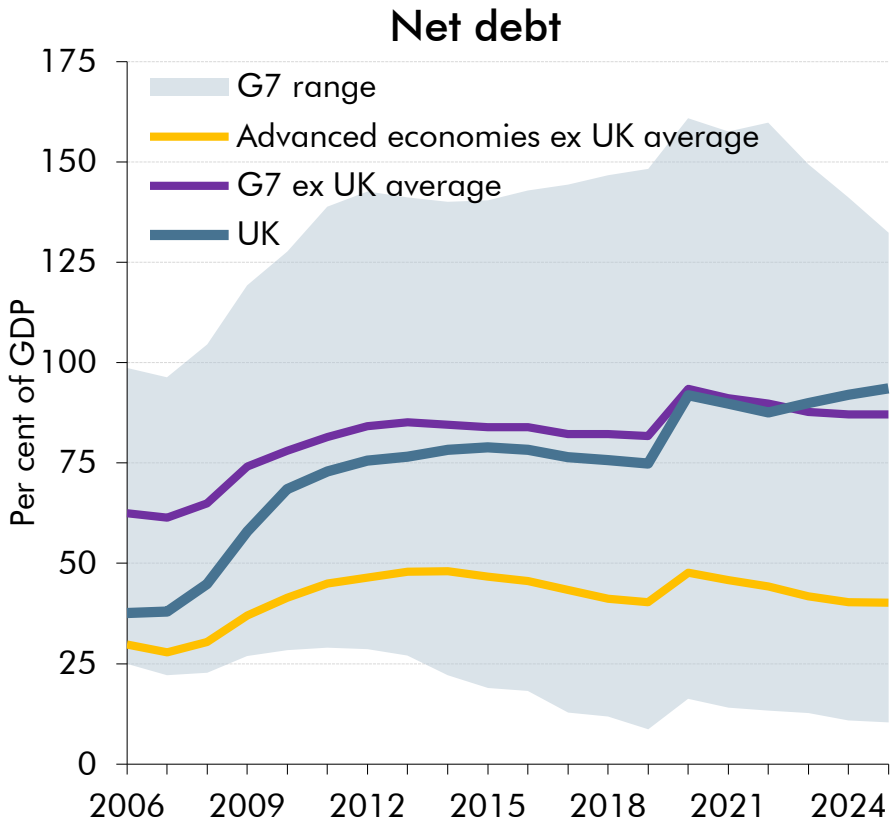
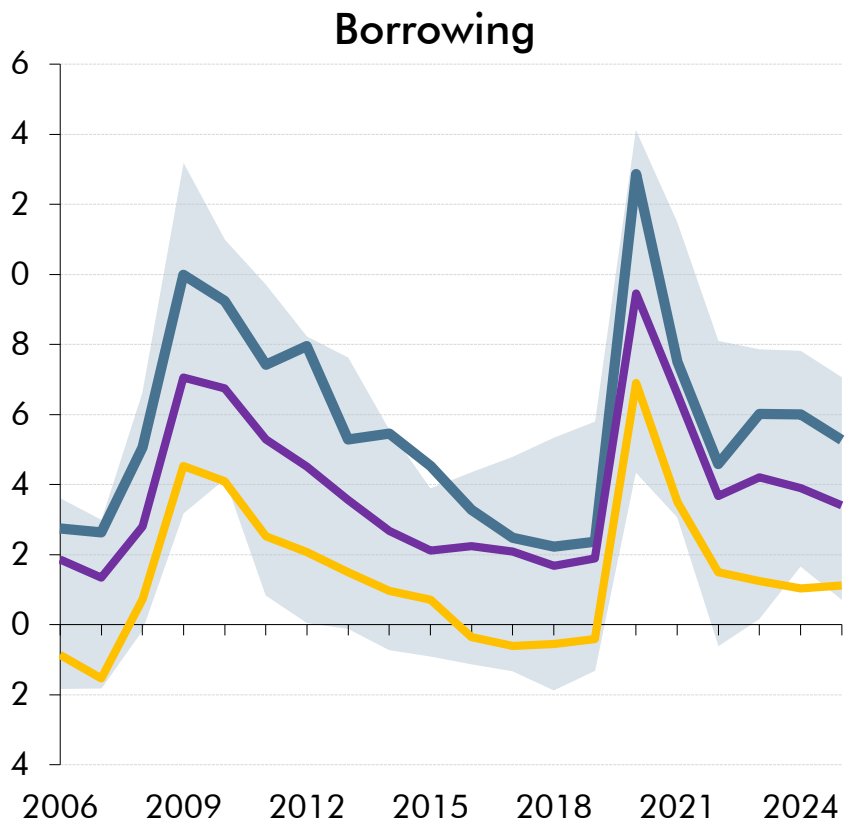
Office for
**Budget
Responsibility**

October 2026 Economic and fiscal outlook

Press Conference, 28 October 2026

Fiscal context

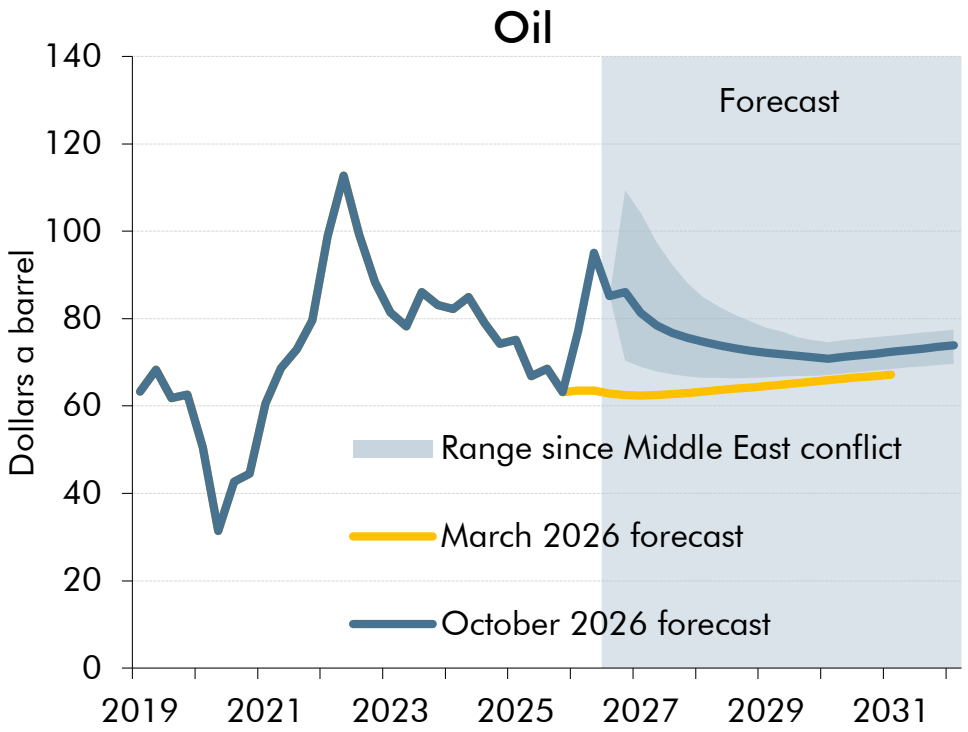


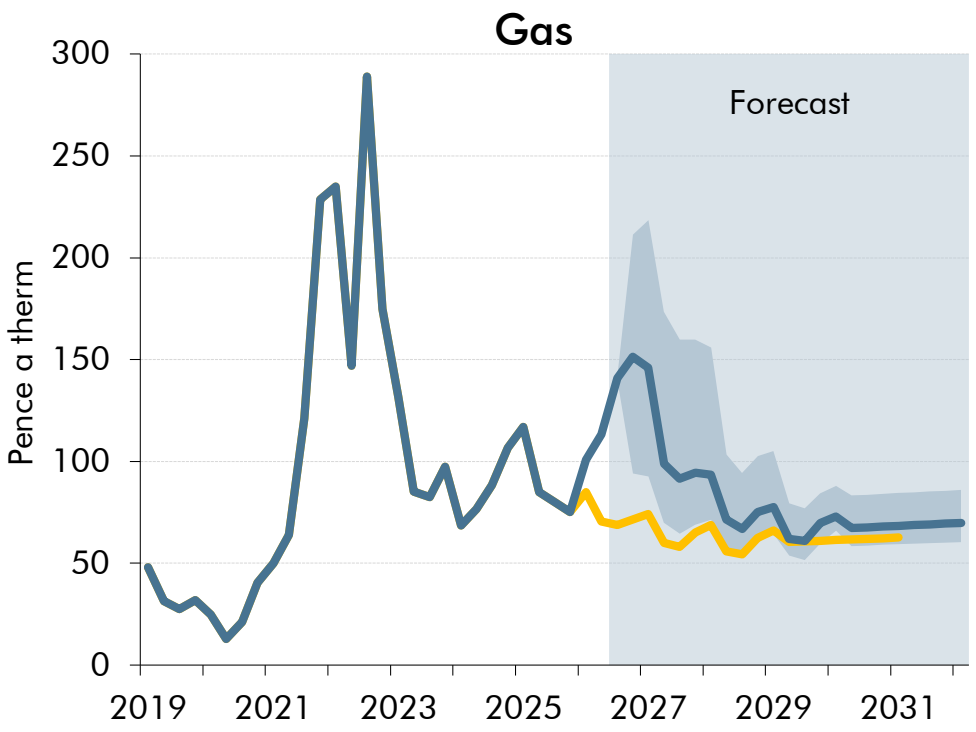


Source: IMF, OBR

Major economic developments since March

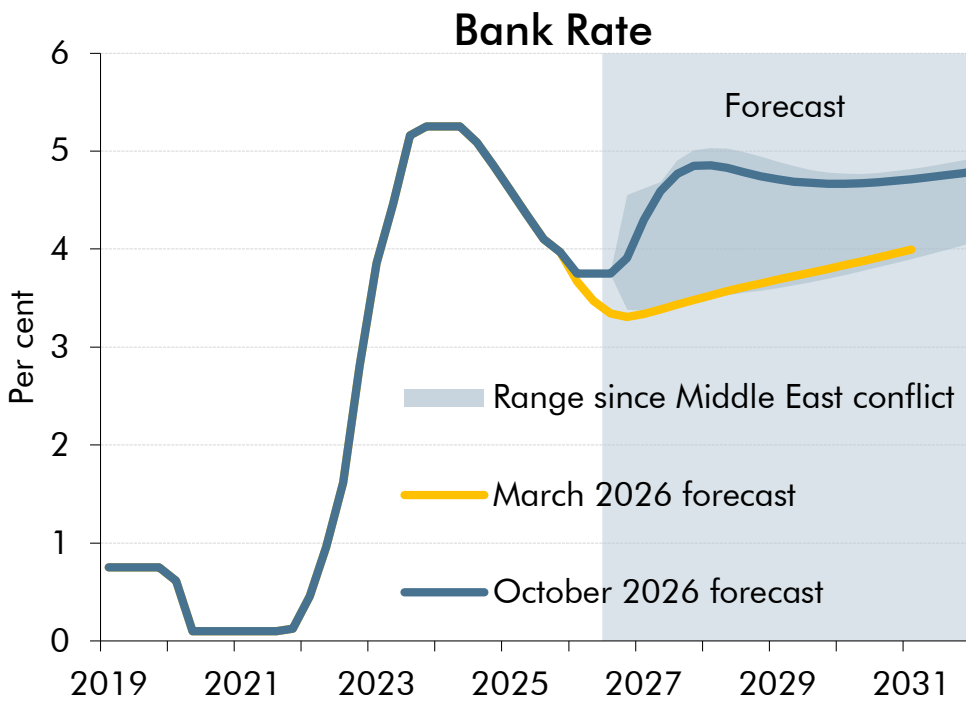
Energy prices have risen...

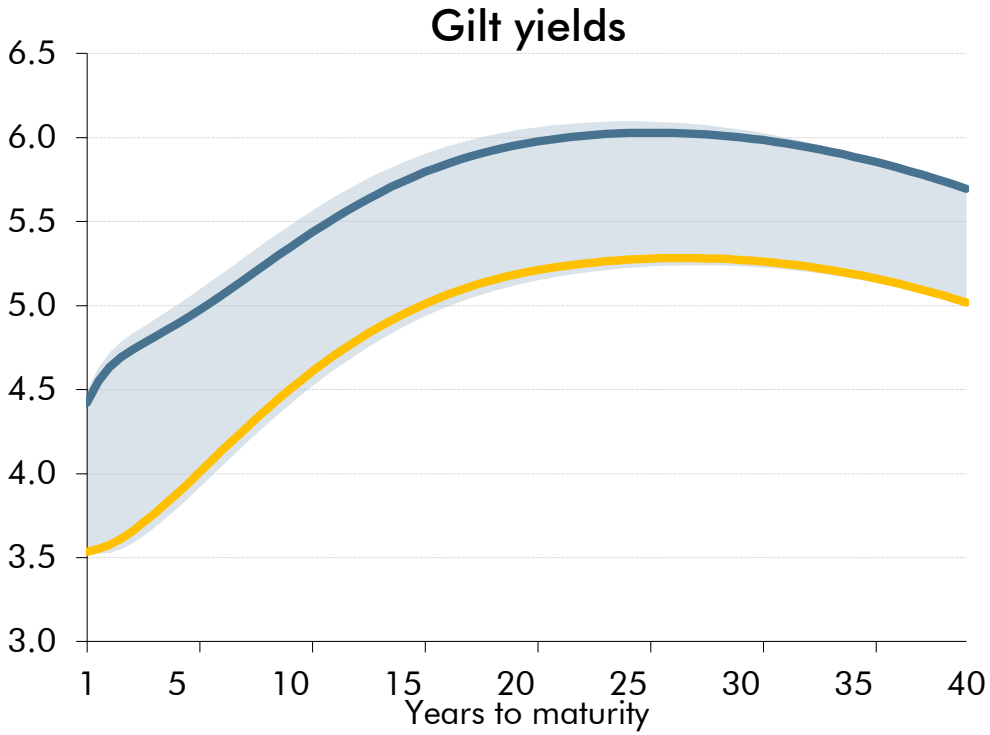




Source: Bloomberg, OBR

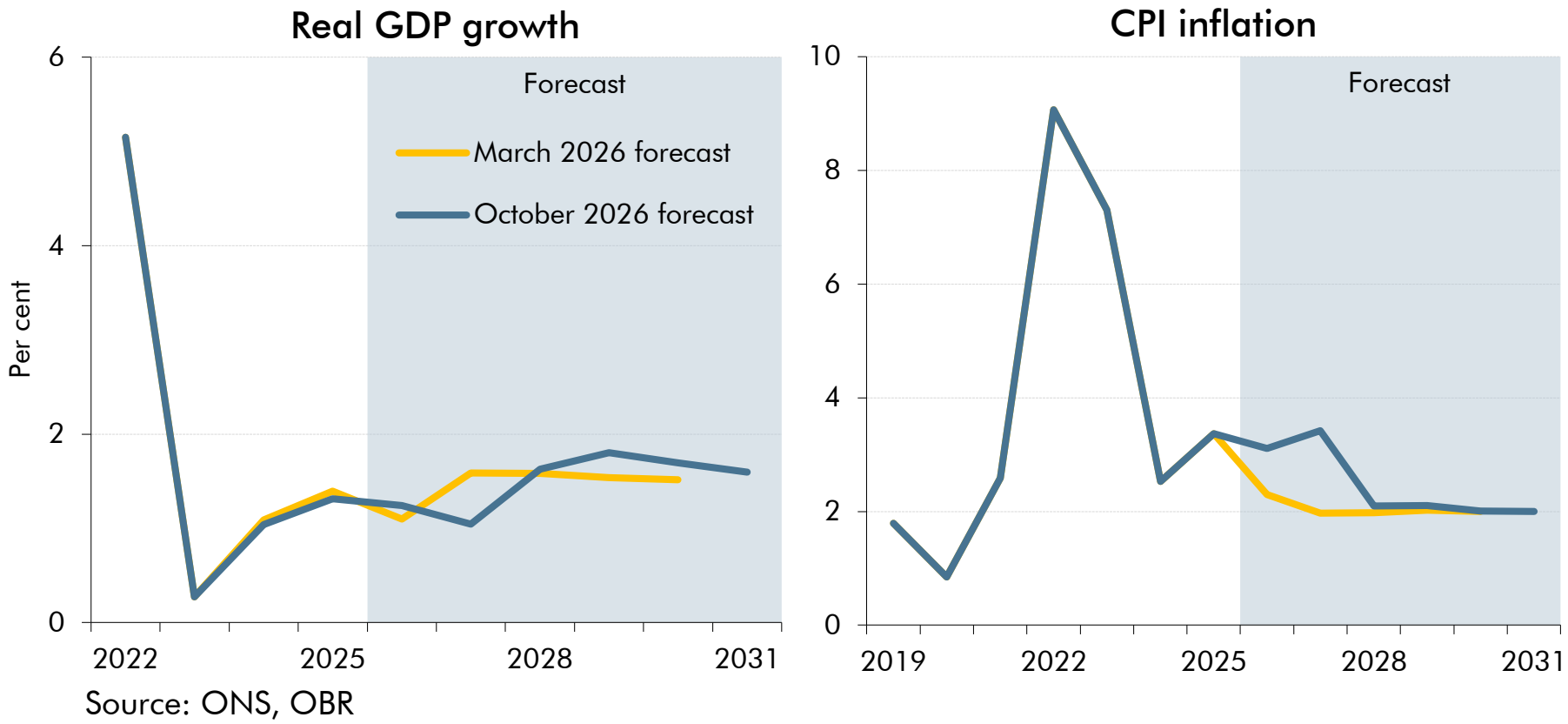
And interest rates are higher...





Source: Bank of England, OBR

Leading to lower growth and higher inflation next year…



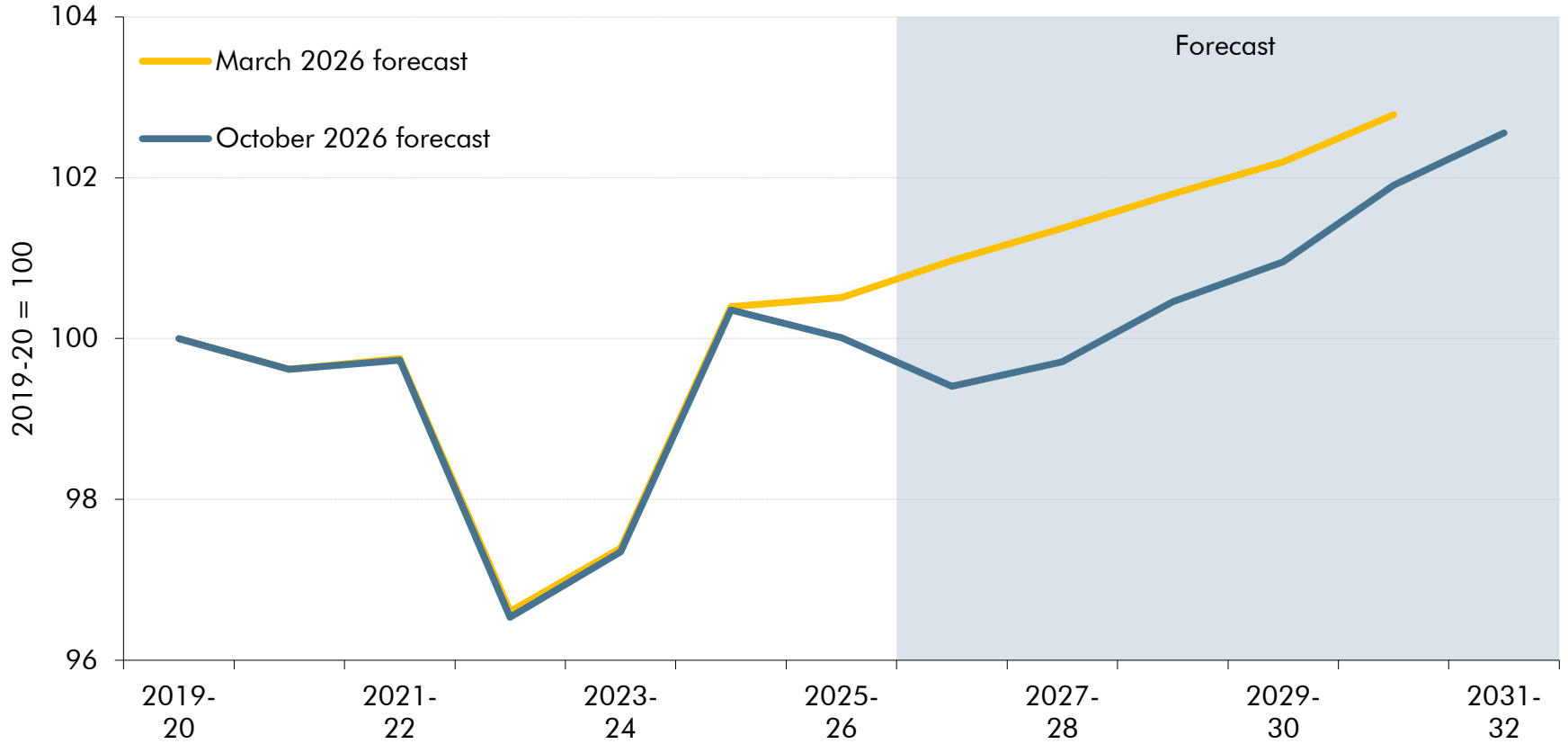
Source: ONS, OBR

2027 growth: 1.0% down from $1\frac{1}{2}$%

2027 CPI: $3\frac{1}{2}$% up from 2.0%

Leaving household real incomes lower...

Real household disposable income (RHDI) per person

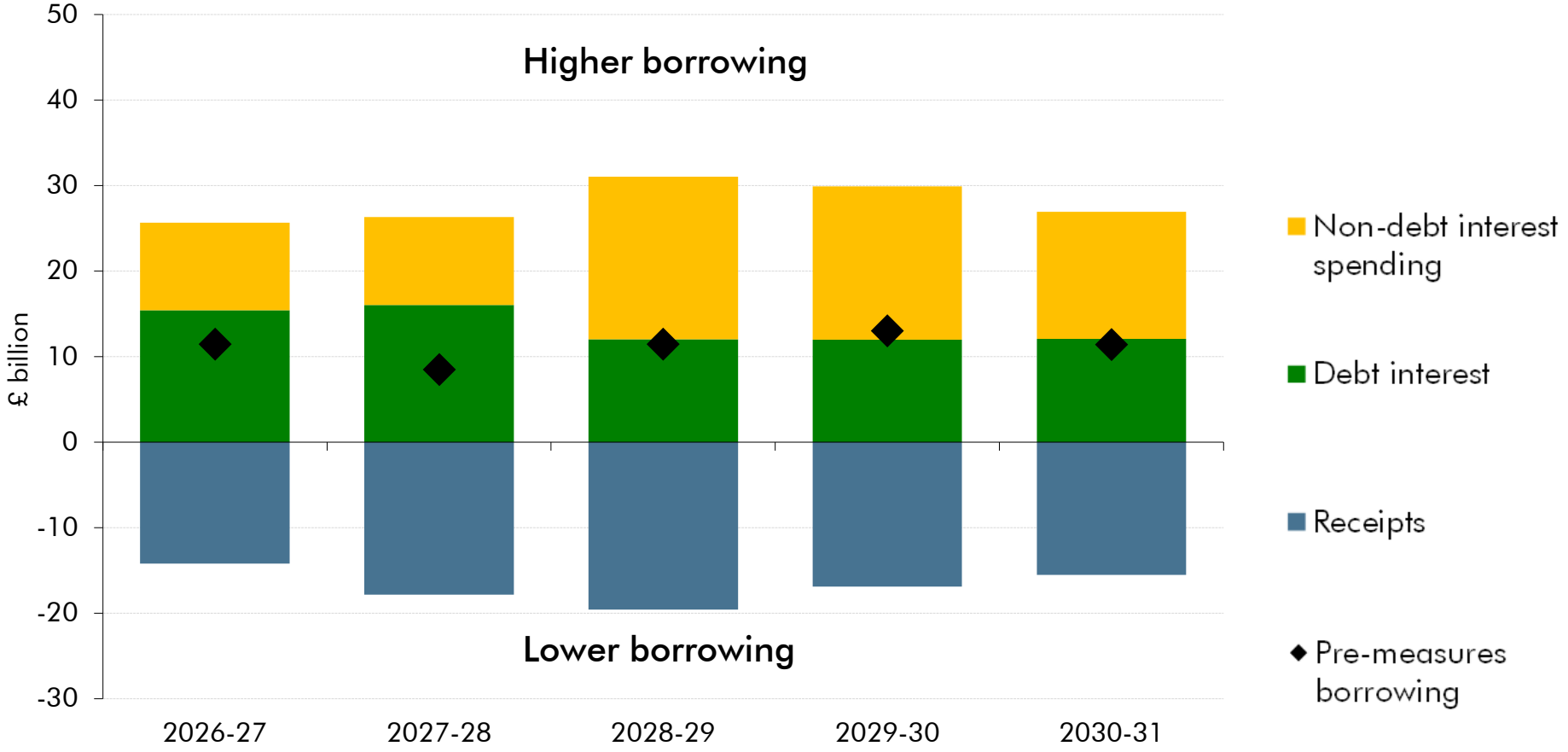


Source: ONS, OBR

Major fiscal developments since March

Borrowing forecast to be higher...

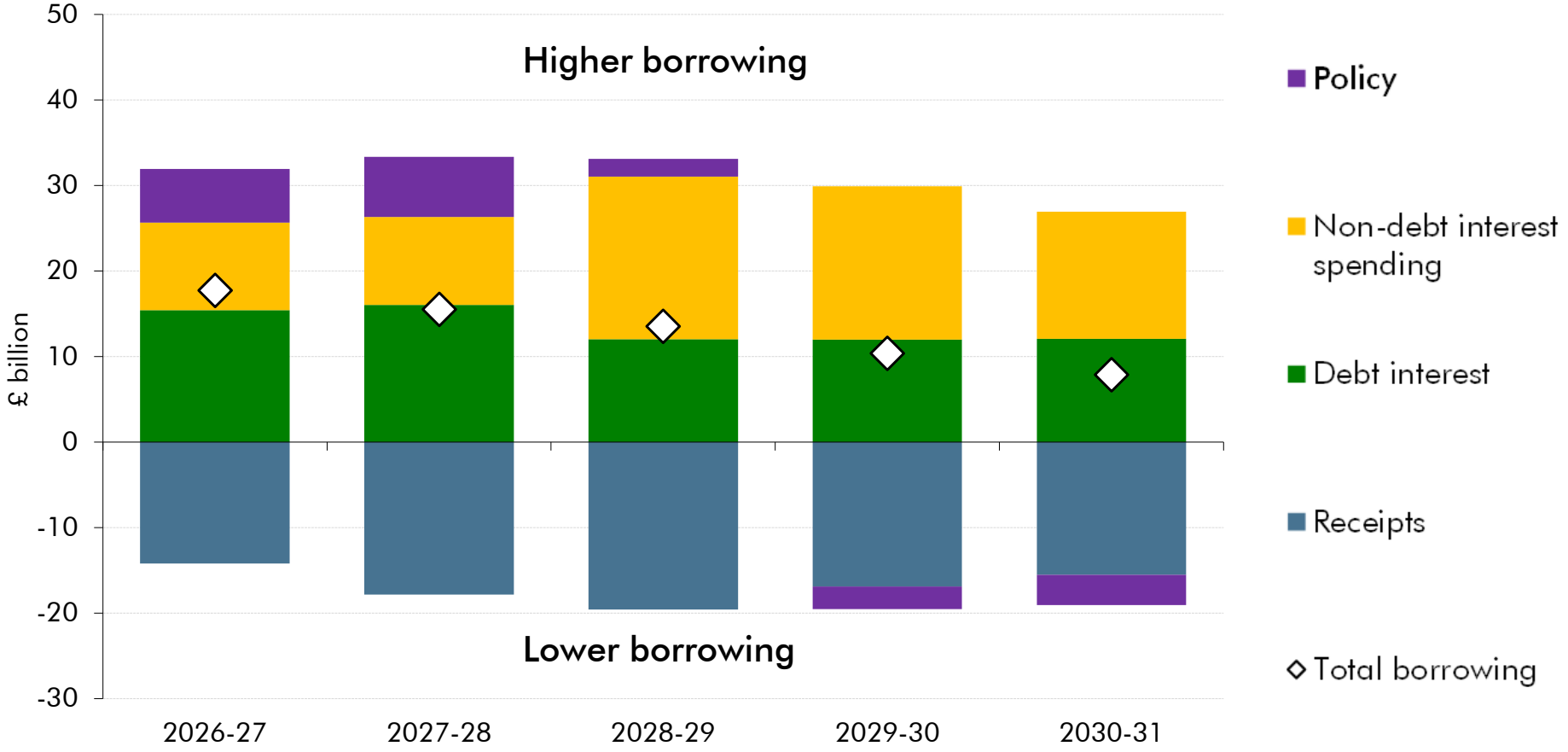
Change in borrowing since March before policy changes



Source: OBR

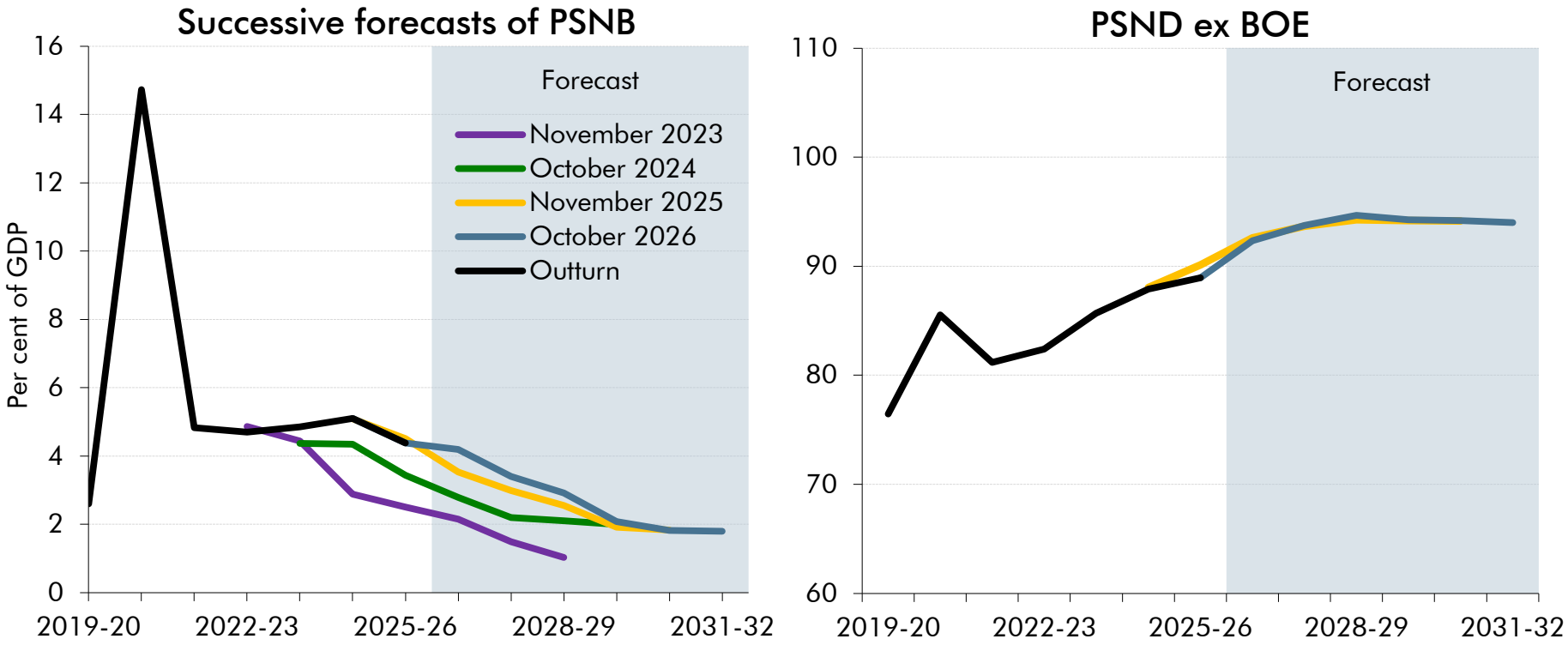
Policy and borrowing changes since March...

Change in borrowing since March after policy changes



Source: OBR

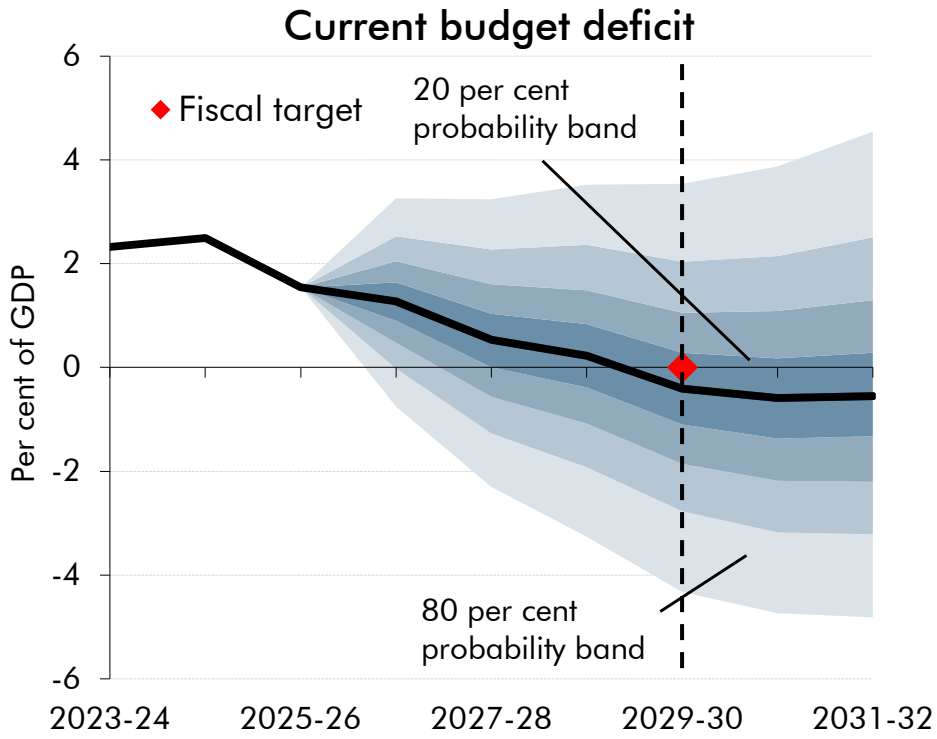
And debt stabilises but at elevated level…

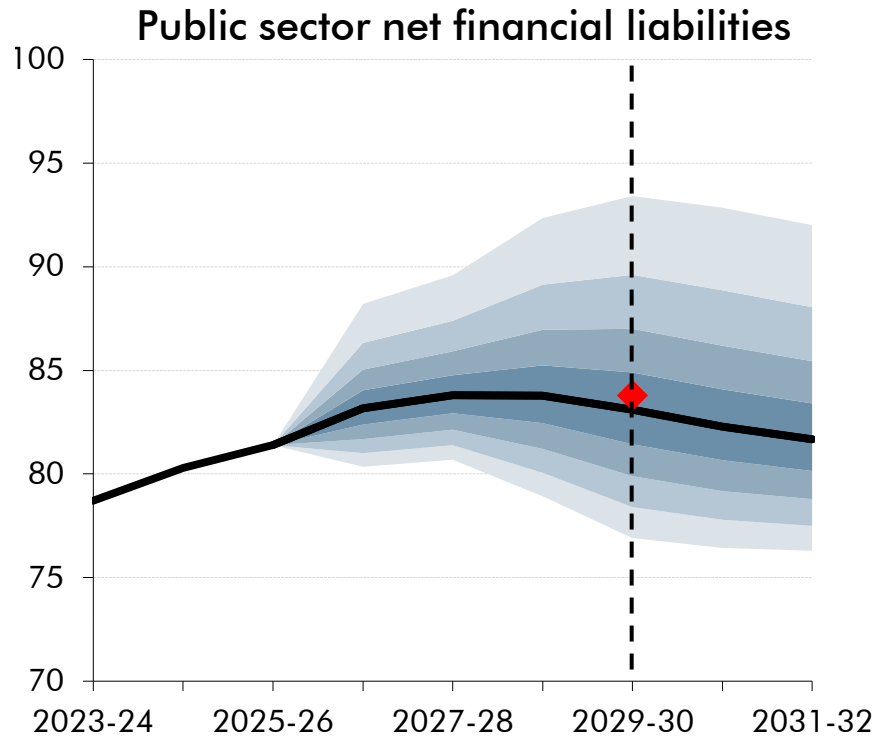


Source: ONS, OBR

The fiscal rules

Government still on track to meet fiscal rules





Source: ONS, OBR

Current budget: Met by £15 billion in 2029-30

PSNFL: Met by £24 billion in 2029-30

Risks to the outlook

Economy

- Energy prices
- Productivity growth
- Labour market outlook

Fiscal

- Debt servicing costs
- Departmental spending
- Welfare spending

Summary

Challenging fiscal background

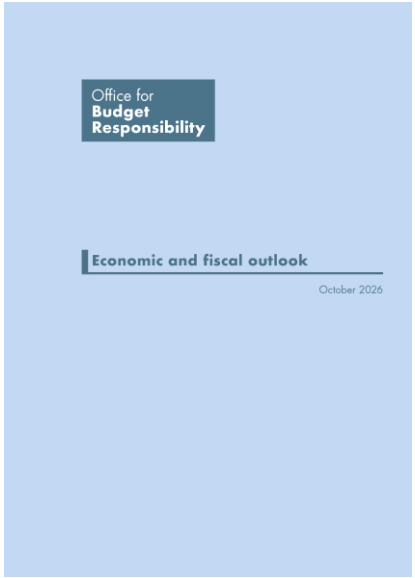
- Government debt at elevated levels
- Since March, higher energy prices and interest rates

Economic forecast

- 2027 GDP growth lowered to 1%
- 2027 CPI inflation higher at 3½%
- But inflation falls and growth recovers in medium-term

Fiscal forecast

- Near-term pace of consolidation slows
- Fiscal rules forecast to be met in 2029-30:
  - Current budget in surplus: by £15bn, with probability of 56%
  - PSNFL falling: by £24bn, with probability of 54%
- Plans would stabilise debt but still at elevated levels
- Wide range of upside and downside risks



Office for
**Budget
Responsibility**

October 2026 Economic and fiscal outlook

Slides will be available on our website
www.obr.uk

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