

Office for
**Budget
Responsibility**

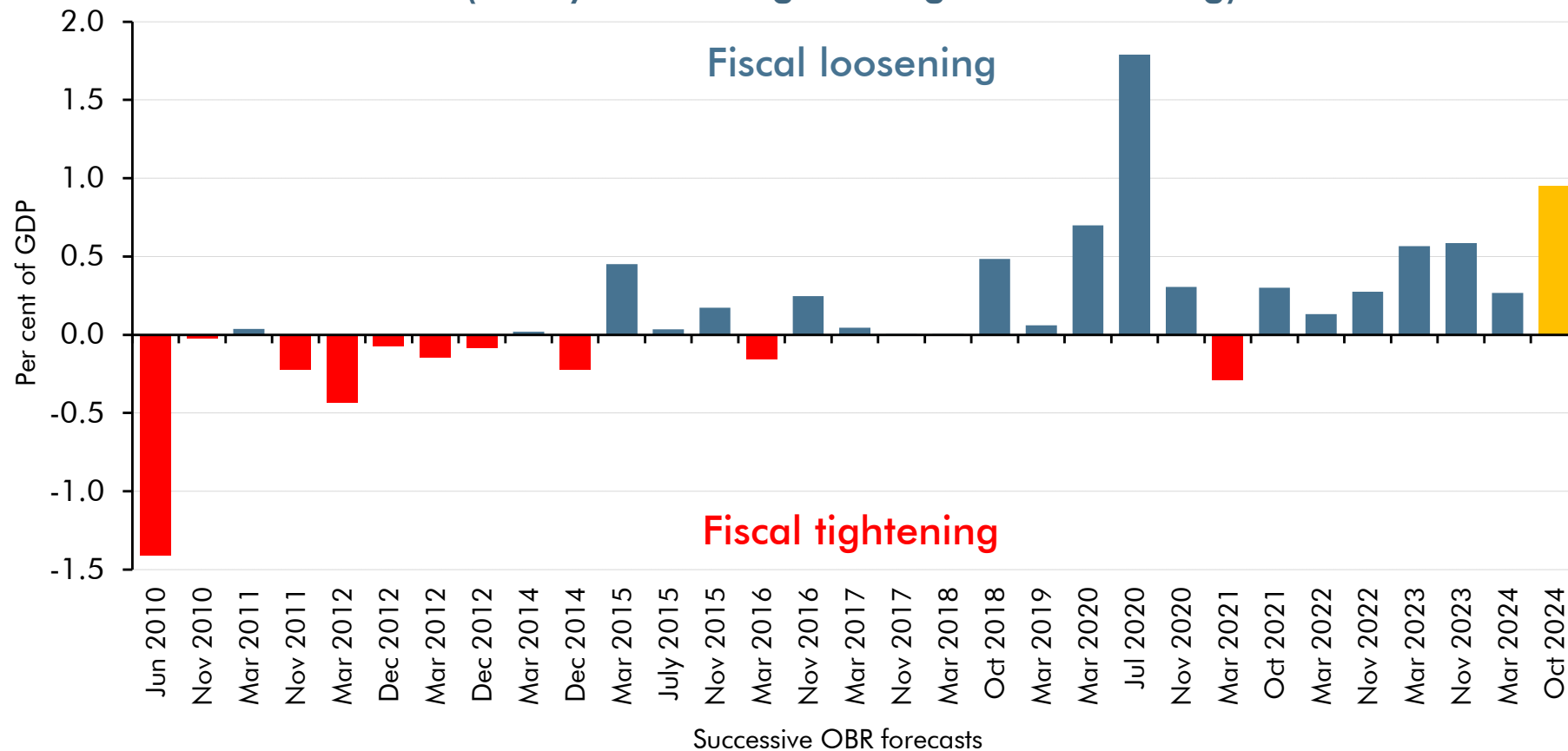
October 2024 Economic and fiscal outlook

Richard Hughes
Chair

London
30 October 2024

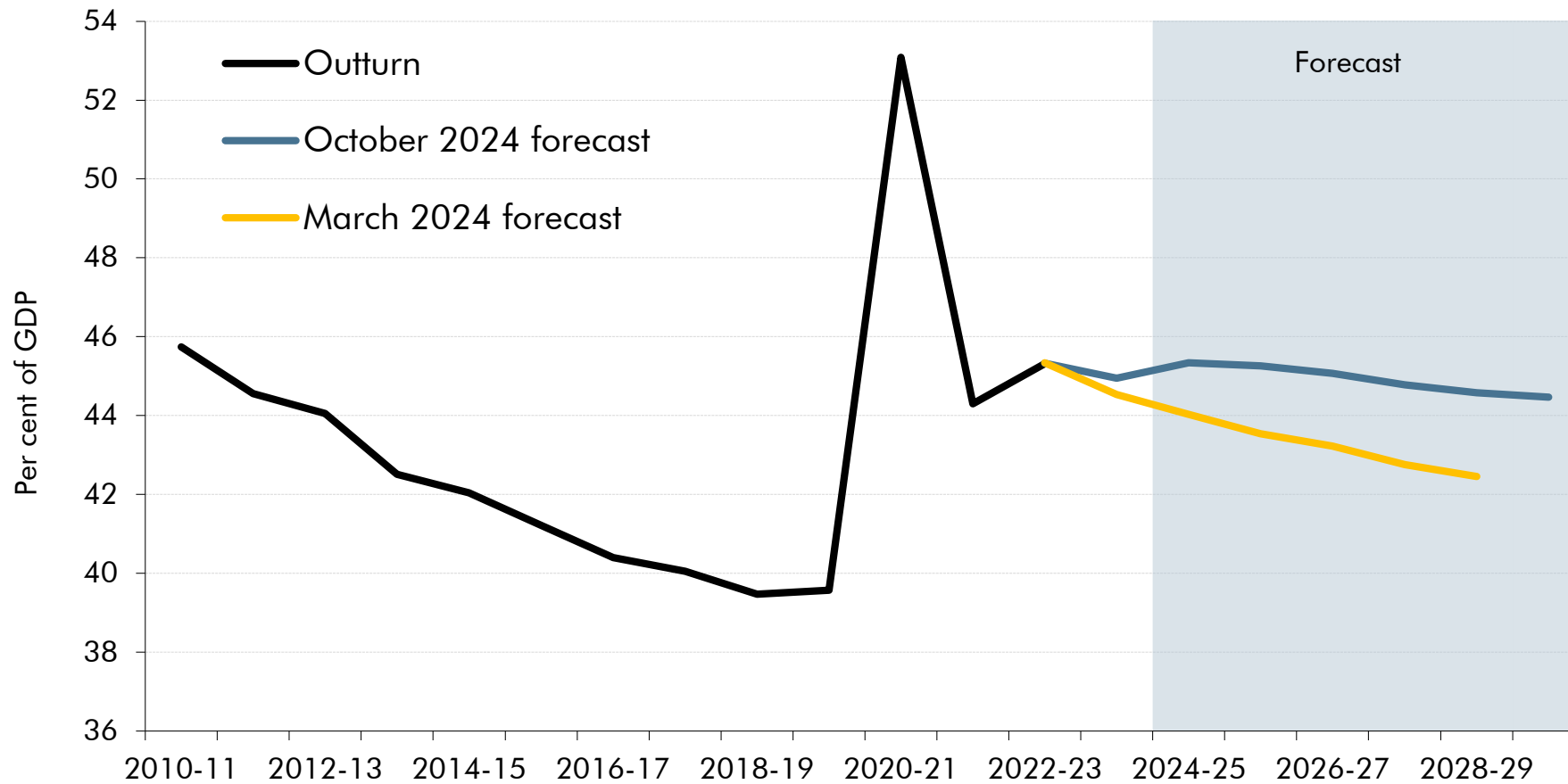
The Budget in context

Net fiscal impact of policy changes
(Five-year average change in borrowing)



Source: ONS, OBR

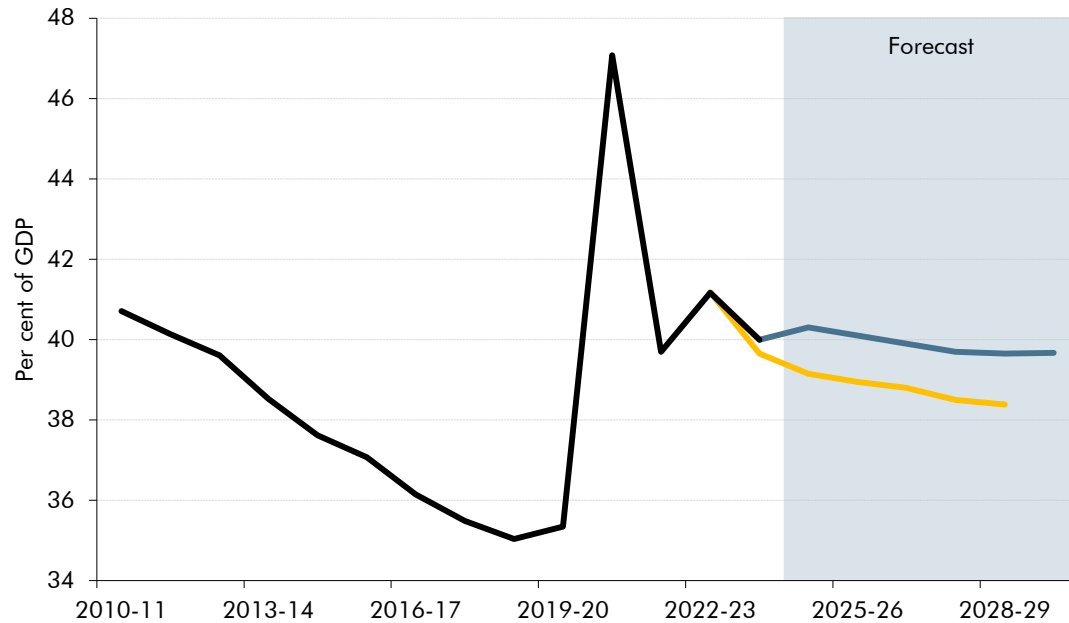
Public spending as a share of GDP



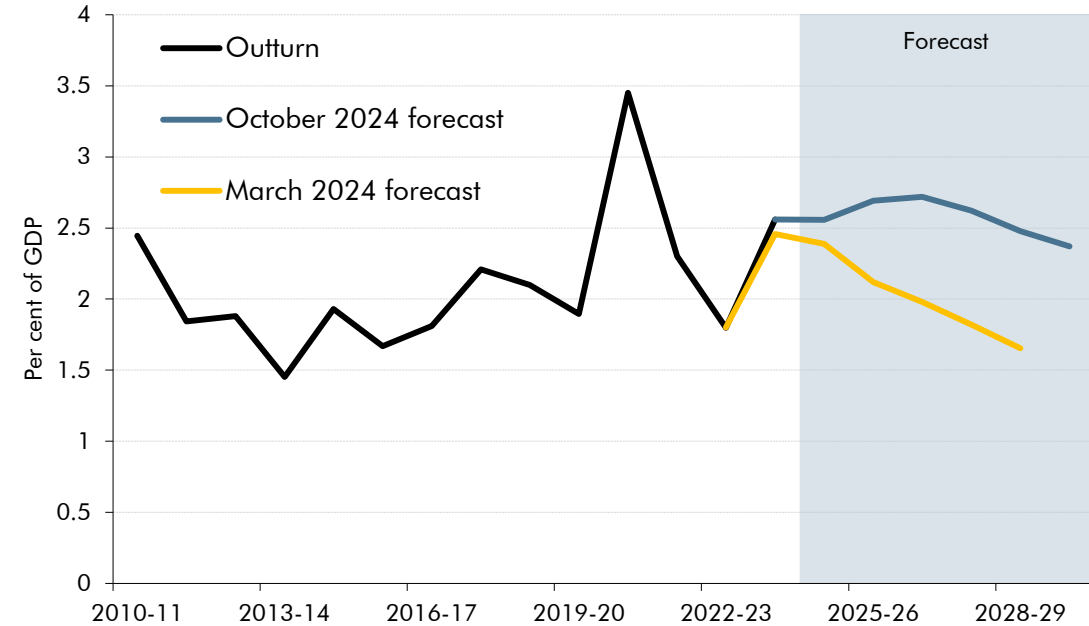
Source: ONS, OBR

Current and capital spending

Current expenditure

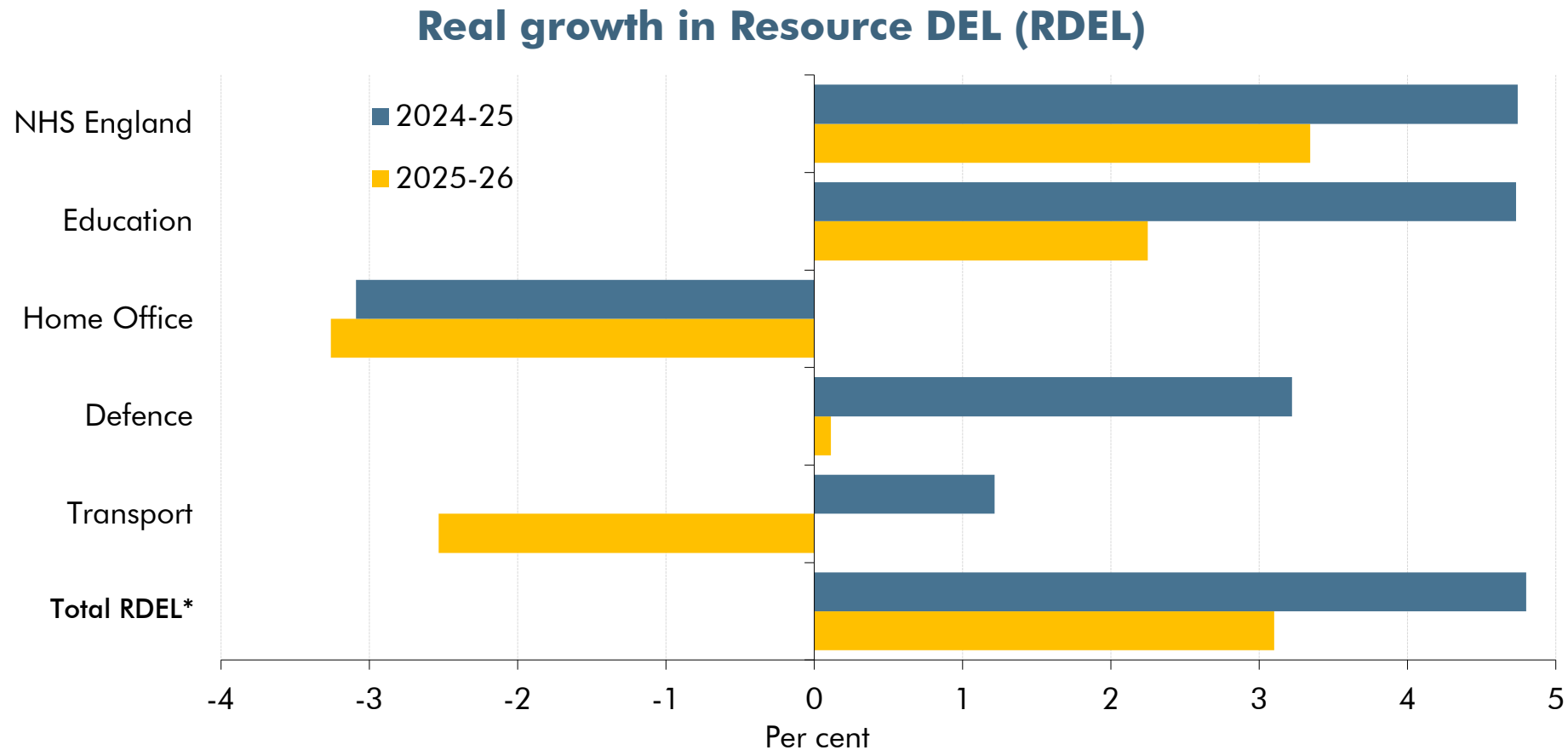


Net investment



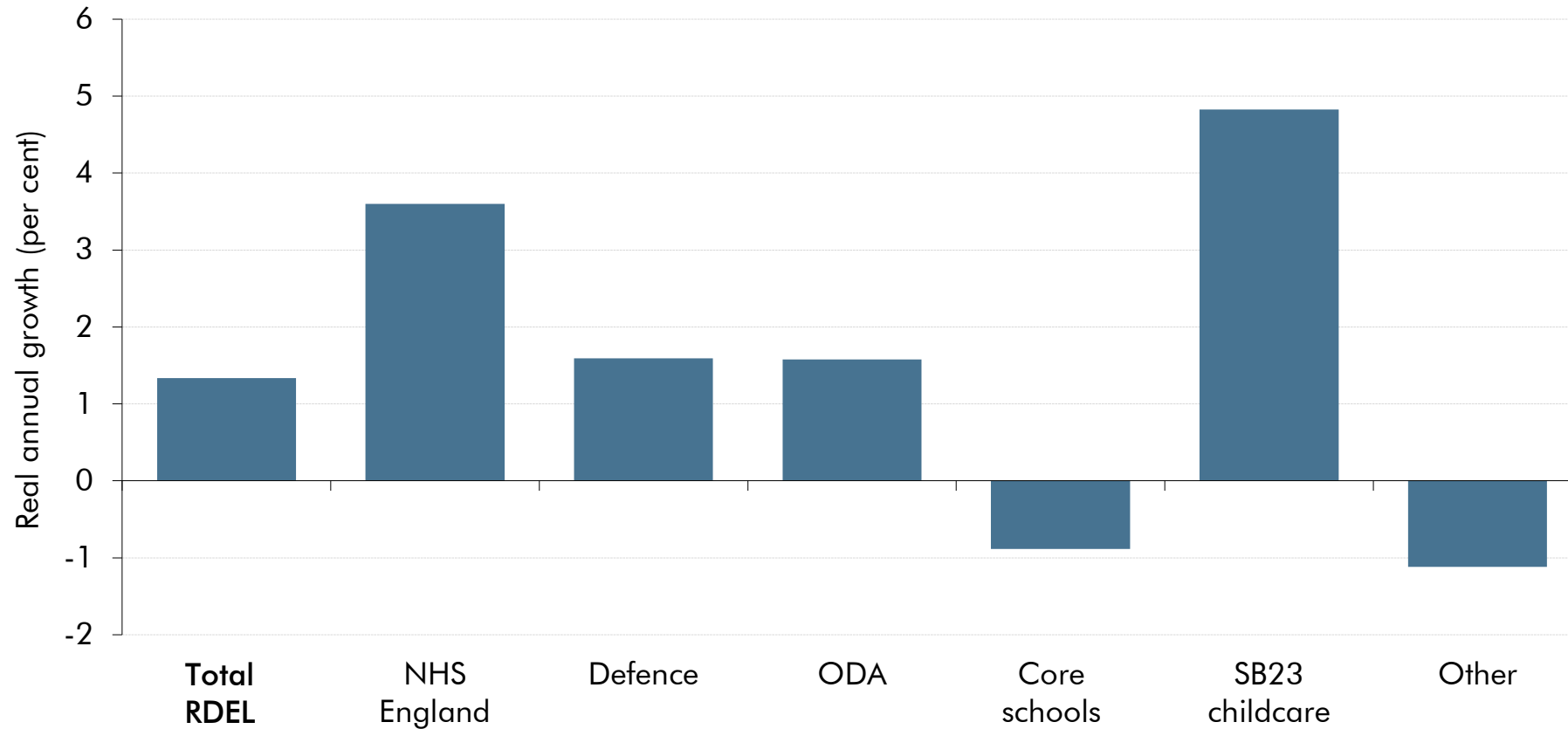
Source: ONS, OBR

Departmental spending in 2024-25 and 2025-26



*Total RDEL growth rates are for PSCE in RDEL
Source: HM Treasury, OBR

Departmental spending from 2026-27

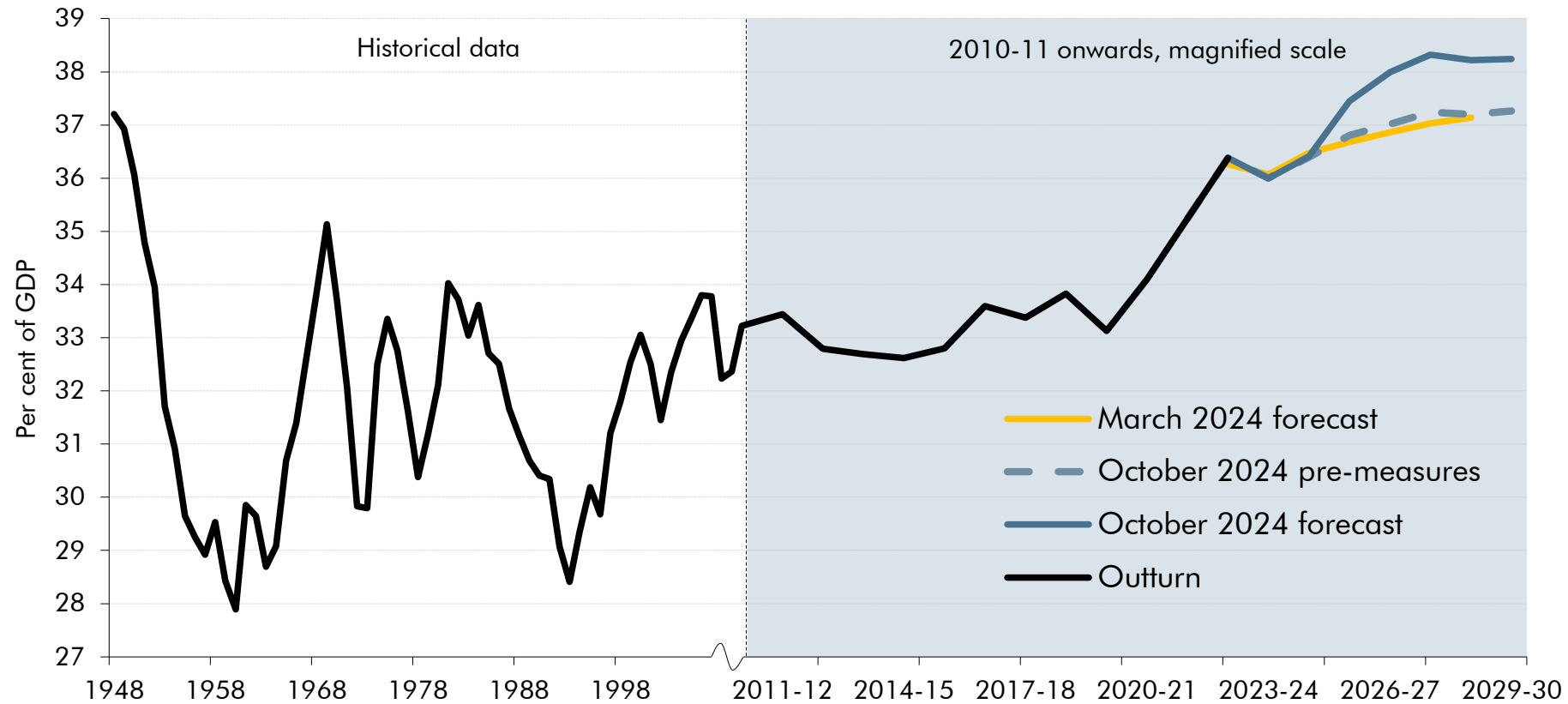


Source: HM Treasury, OBR

Tax policy measures

- **Total tax policy** measures yield £36 billion per year
- **Employer NICs** increase raises £24 billion per year
- **Capital tax** increases raise £6 billion per year
- **HMRC compliance package** raises £4 billion per year
- **Other measures**, including VAT on private schools, raise £2 billion per year

Taxes as a share of GDP



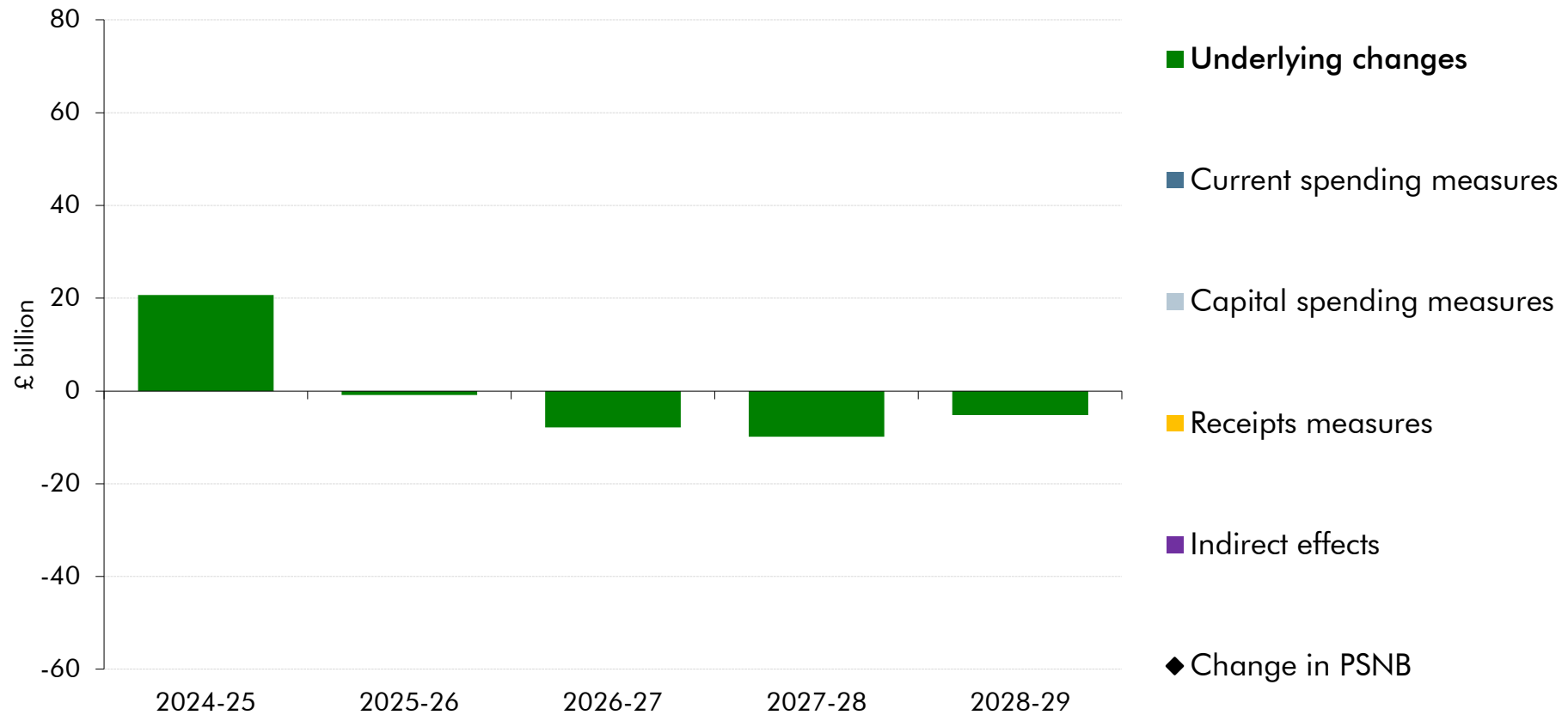
Source: ONS, OBR

Change in public borrowing since March



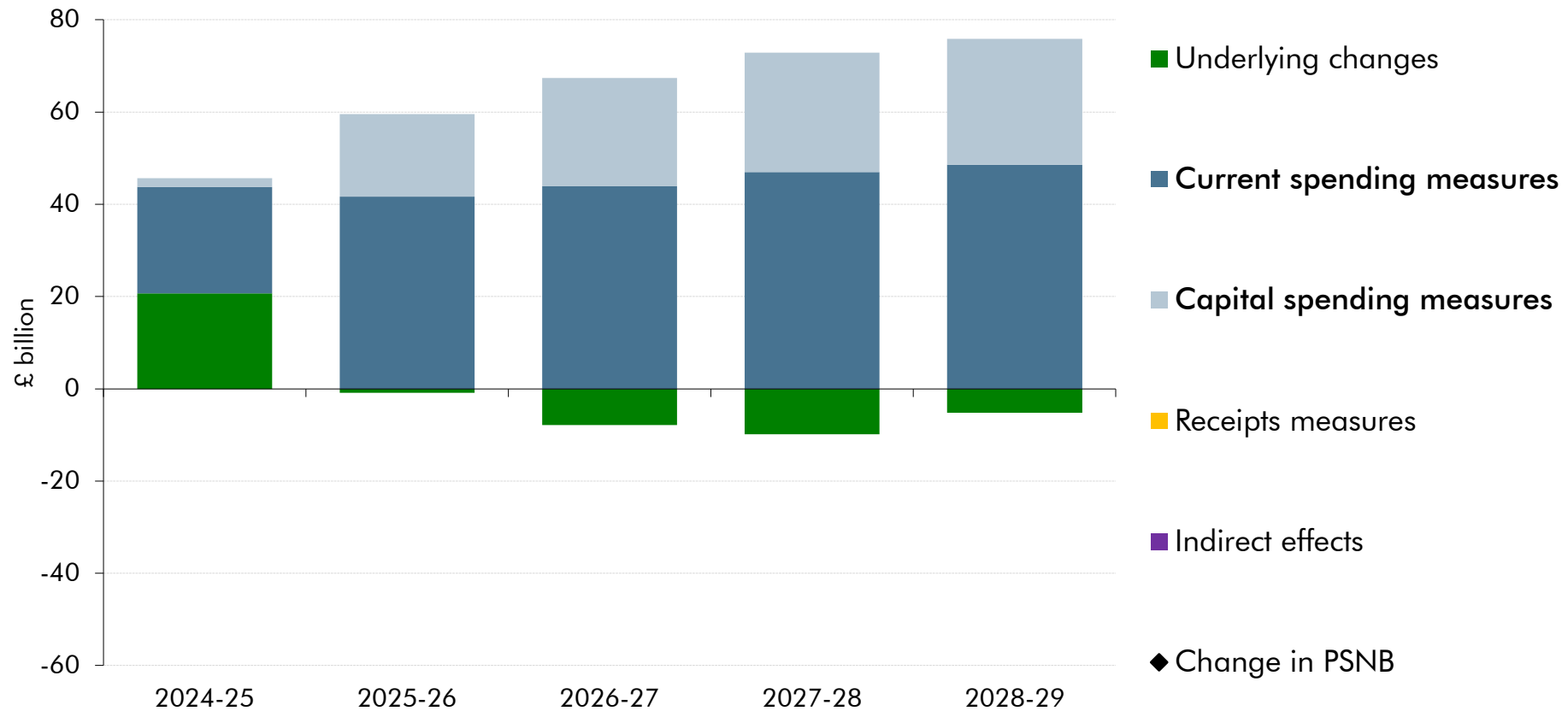
Source: OBR

Change in public borrowing since March



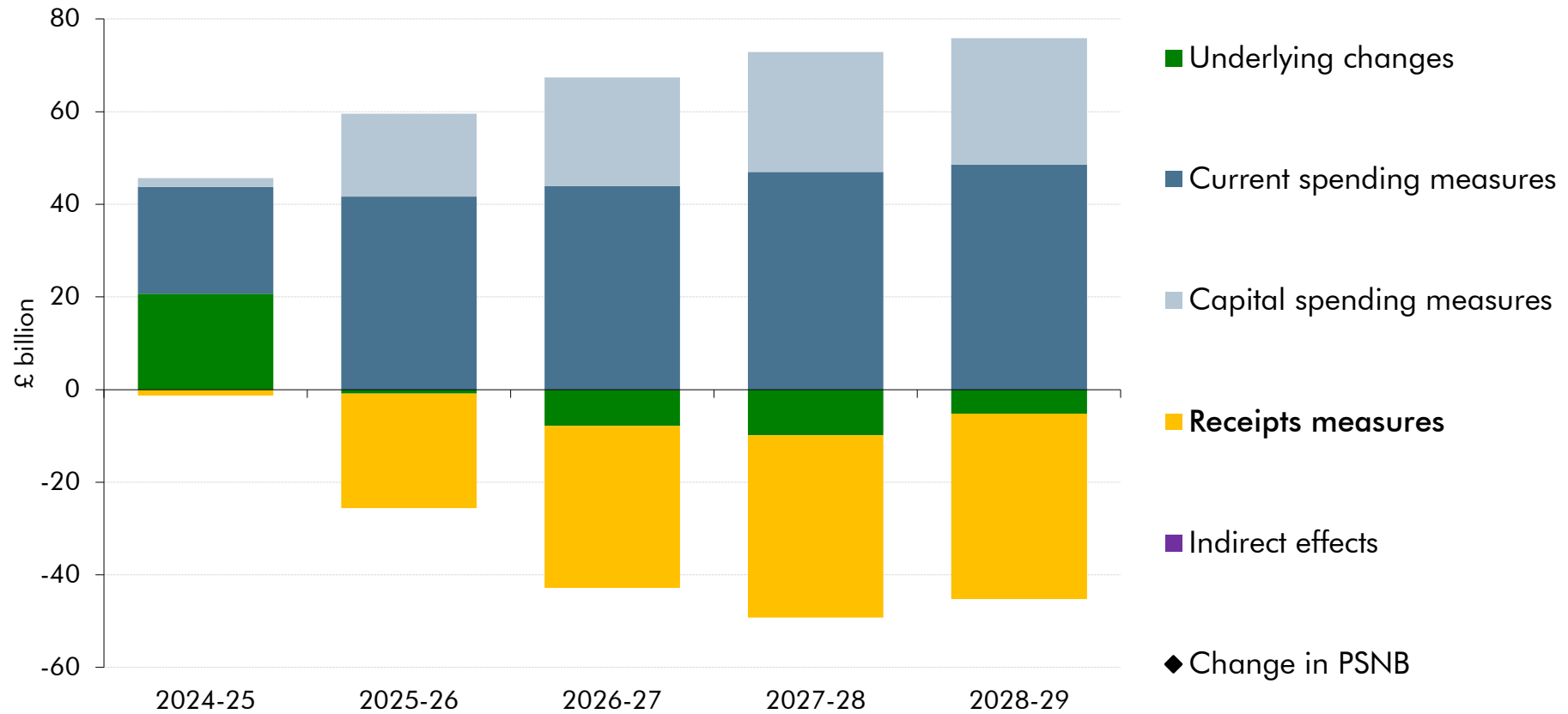
Source: OBR

Change in public borrowing since March



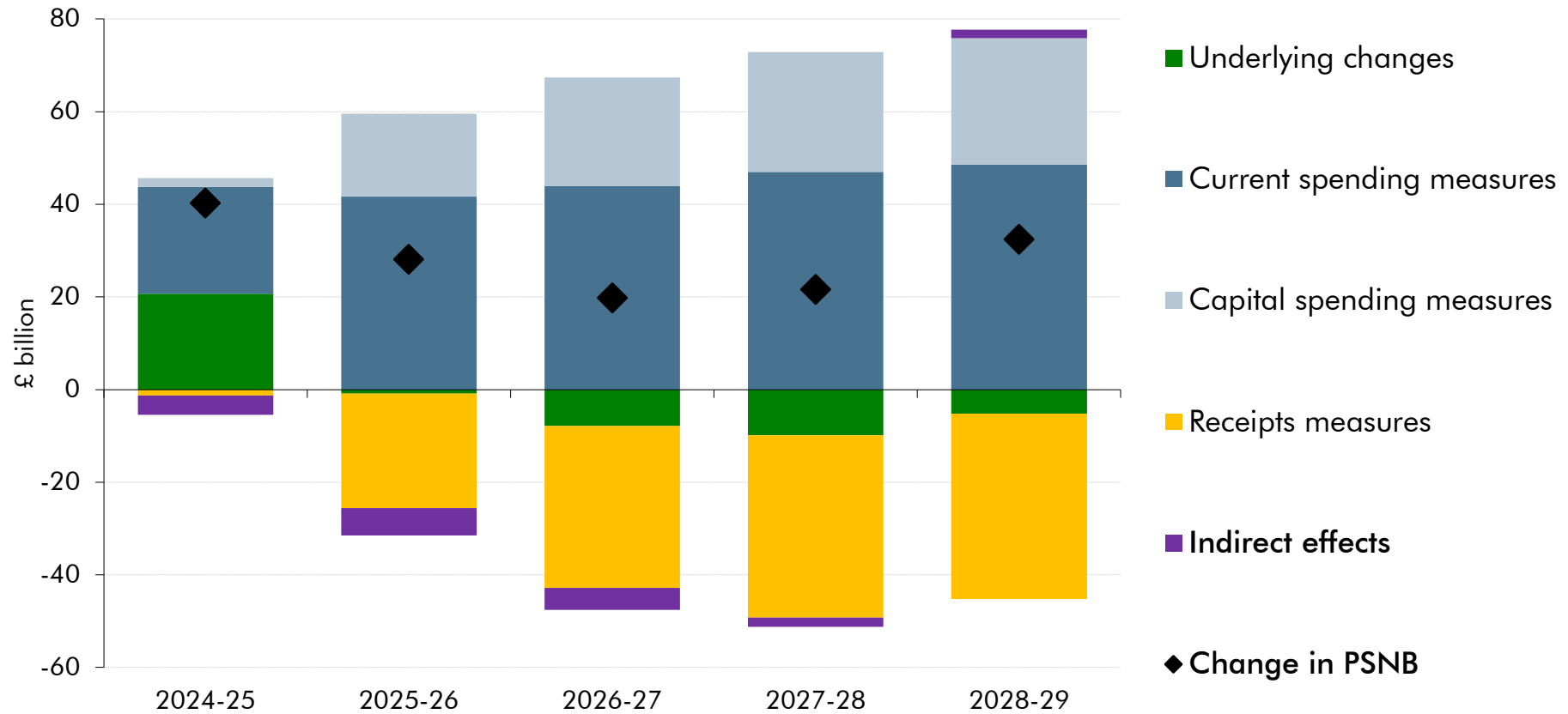
Source: OBR

Change in public borrowing since March



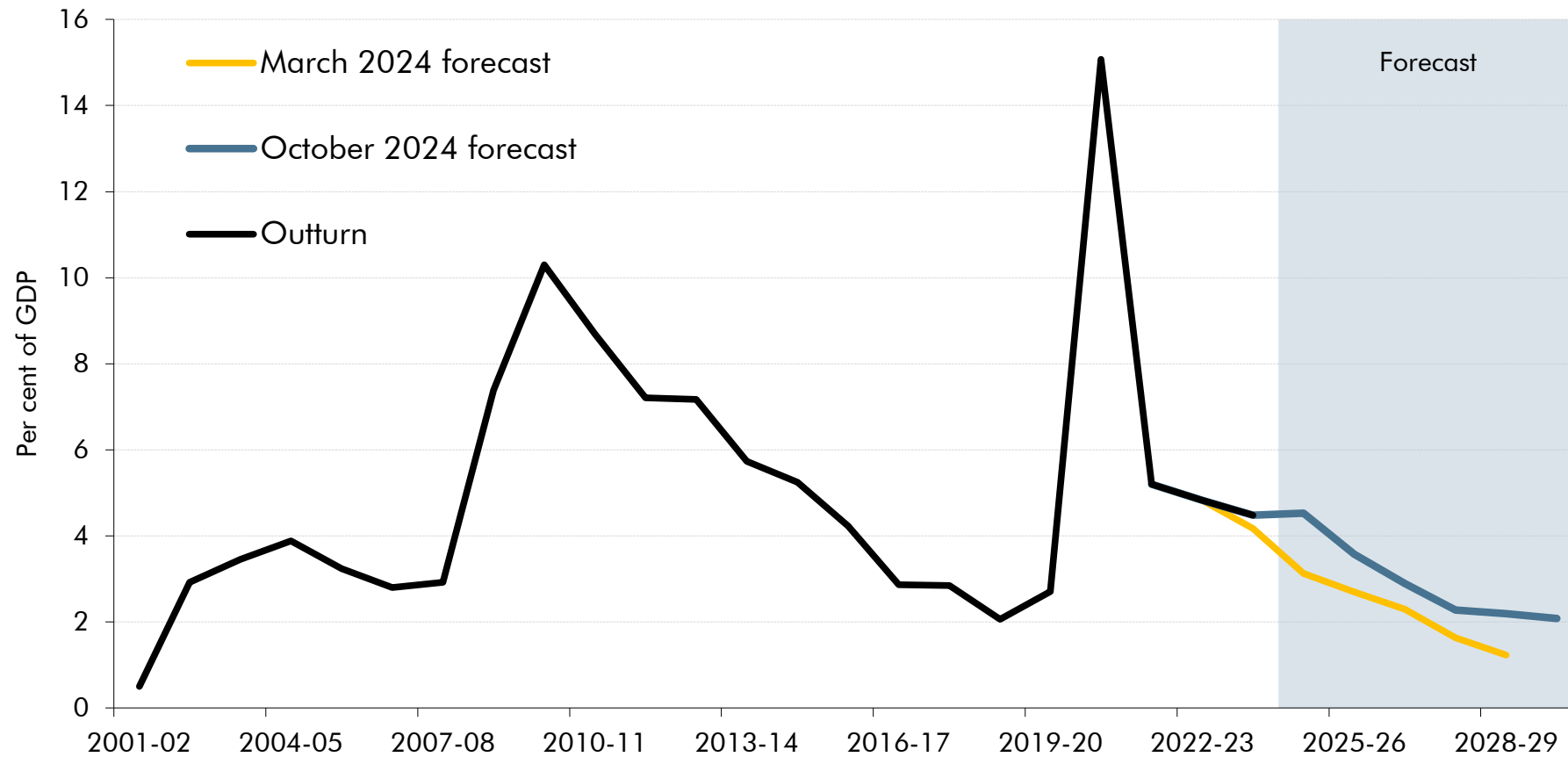
Source: OBR

Change in public borrowing since March



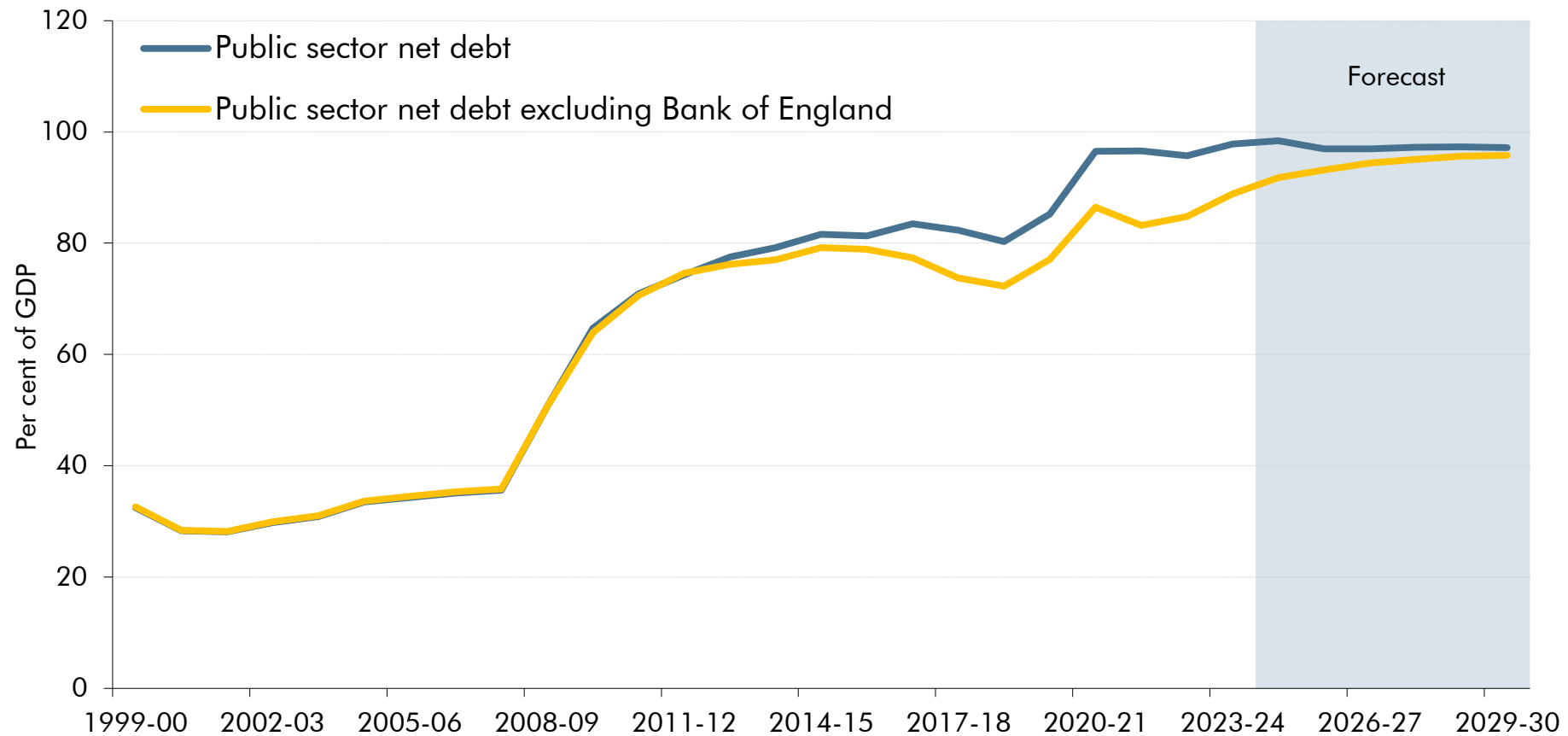
Source: OBR

Borrowing as a share of GDP



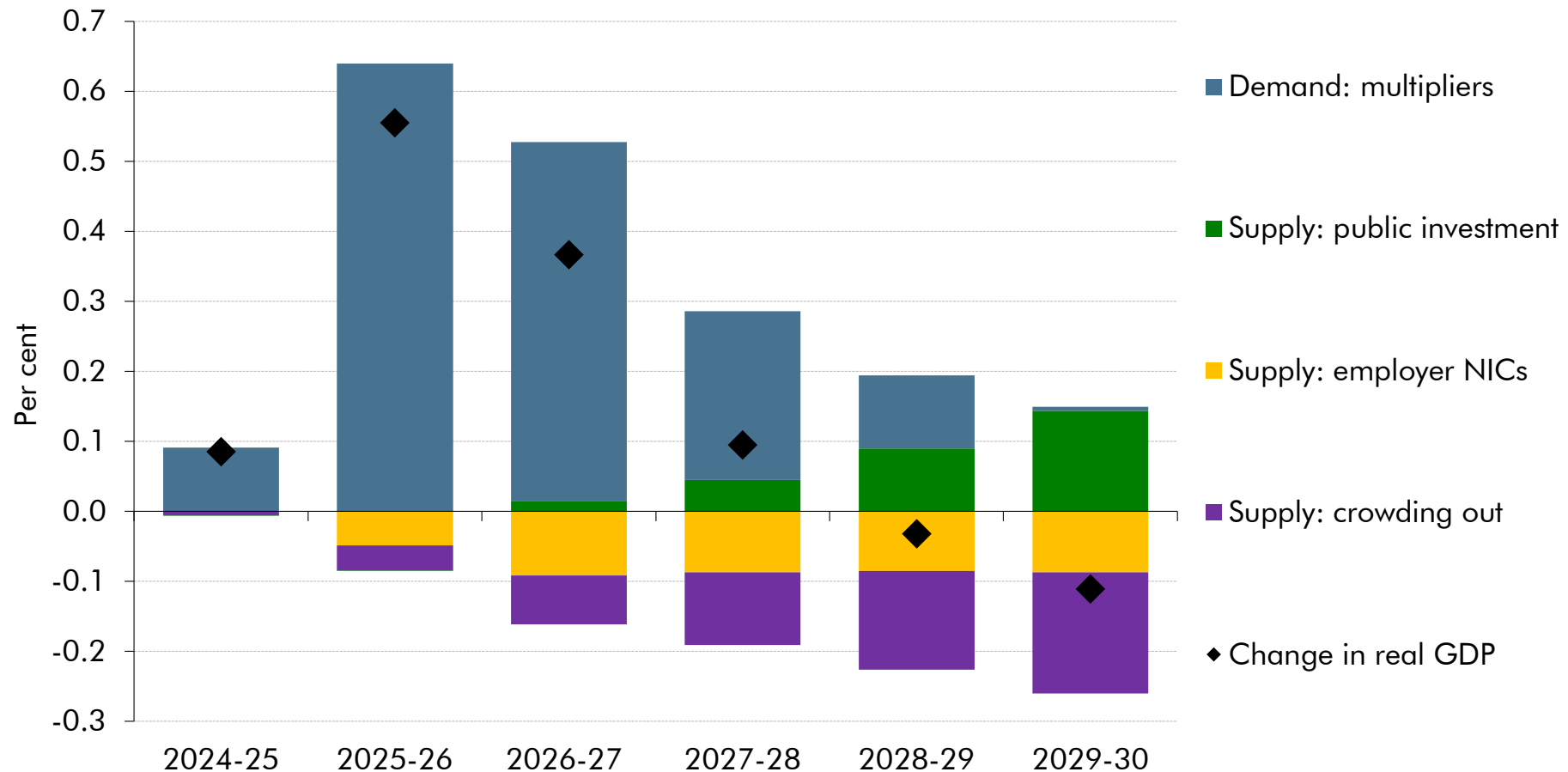
Source: ONS, OBR

Debt as a share of GDP



Source: ONS, OBR

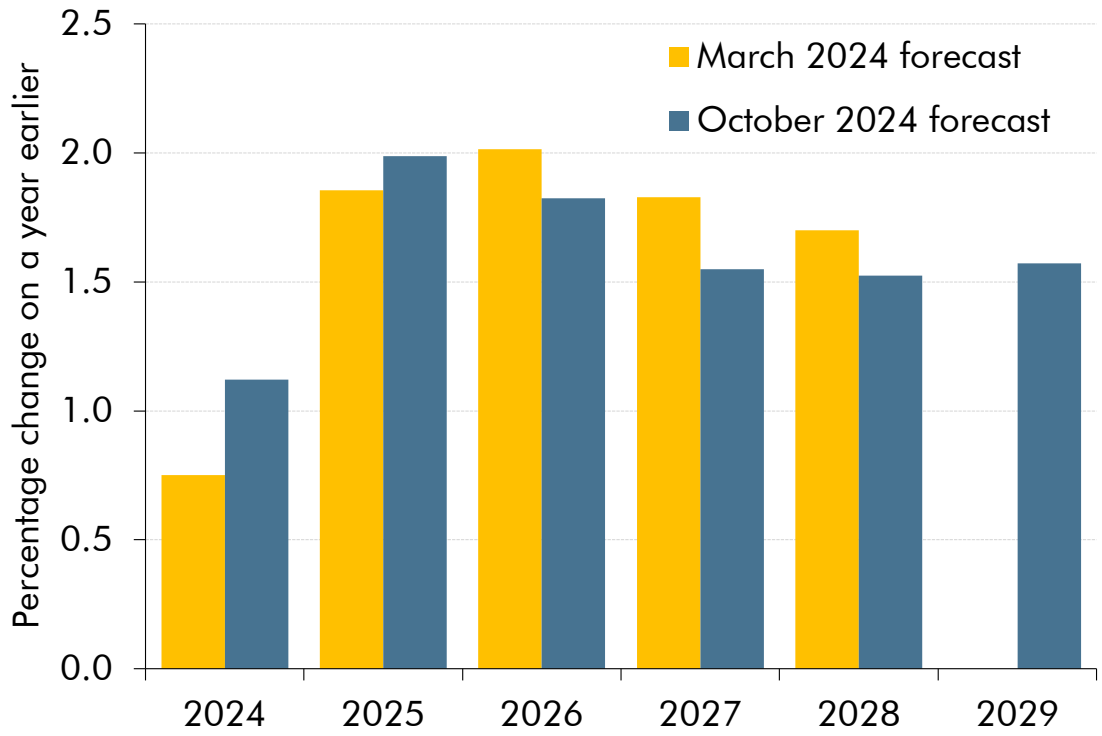
Fiscal policy impact on GDP



Source: OBR

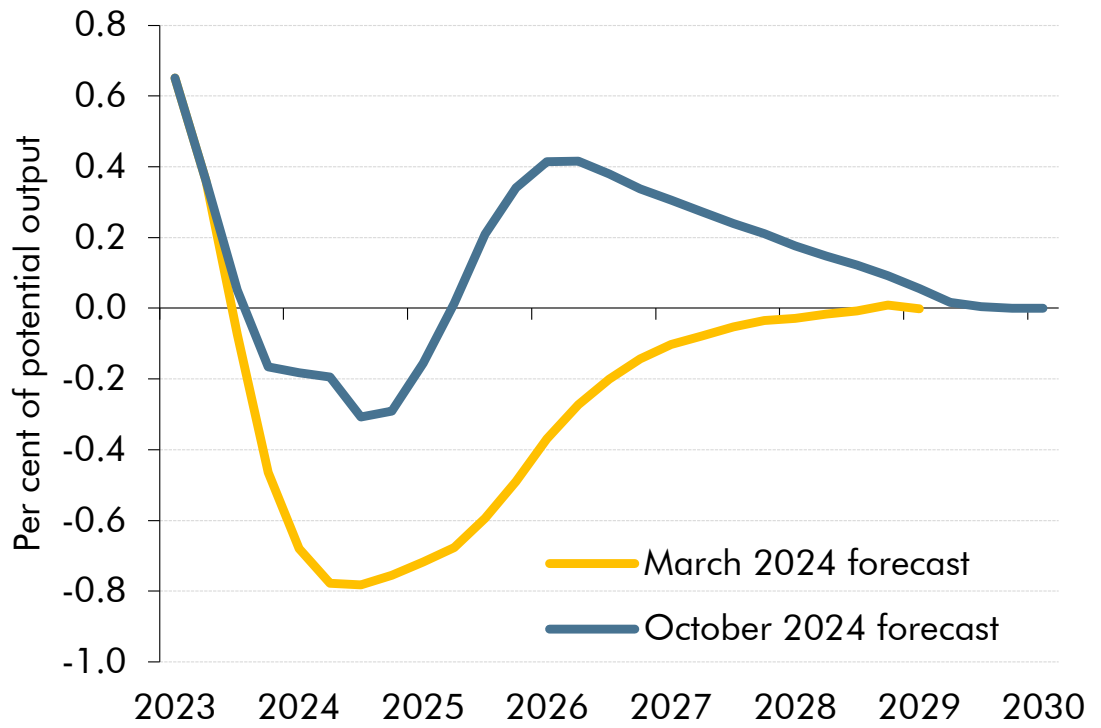
GDP and output gap

Real GDP growth

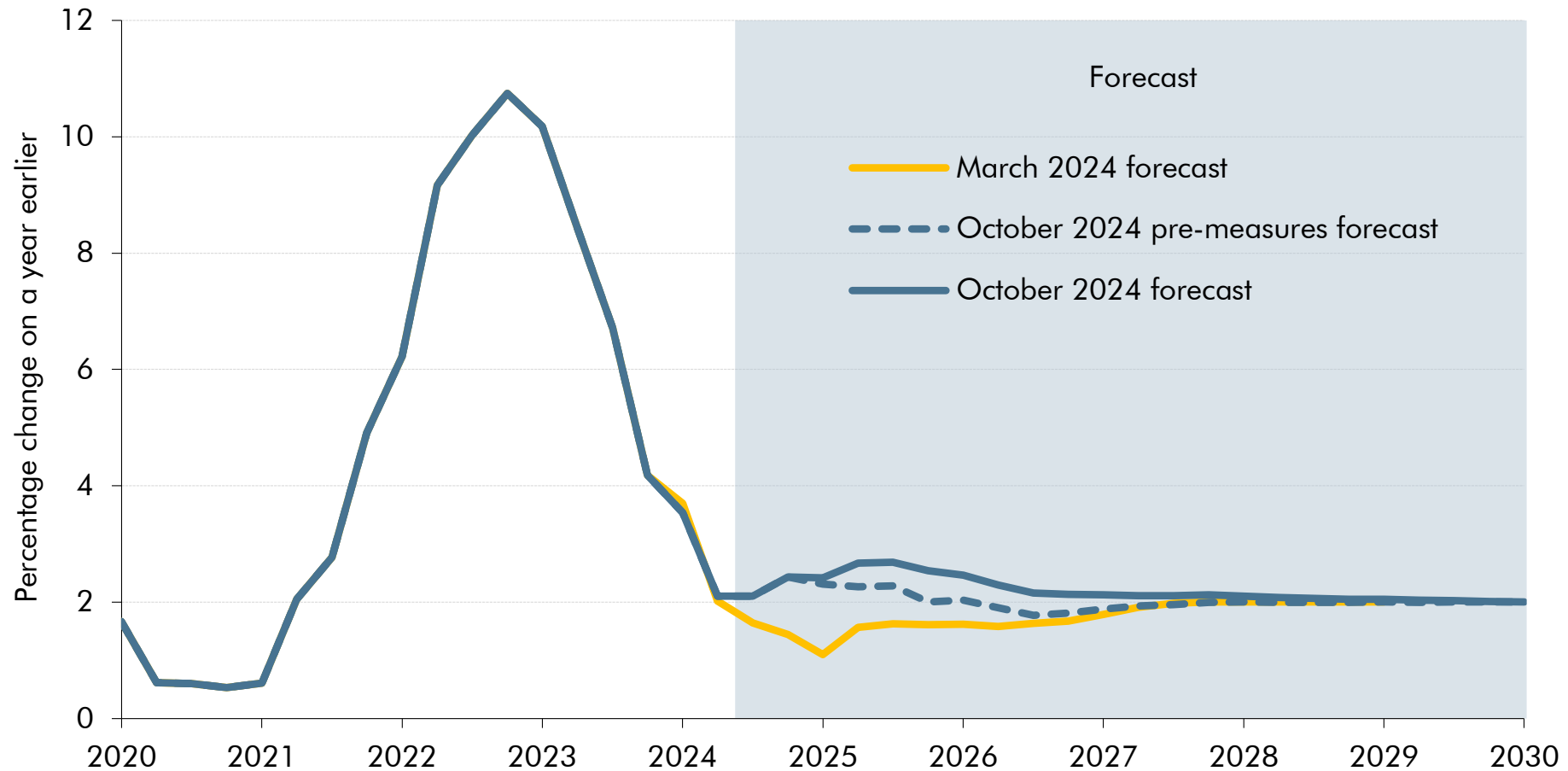


Source: ONS, OBR

Output gap

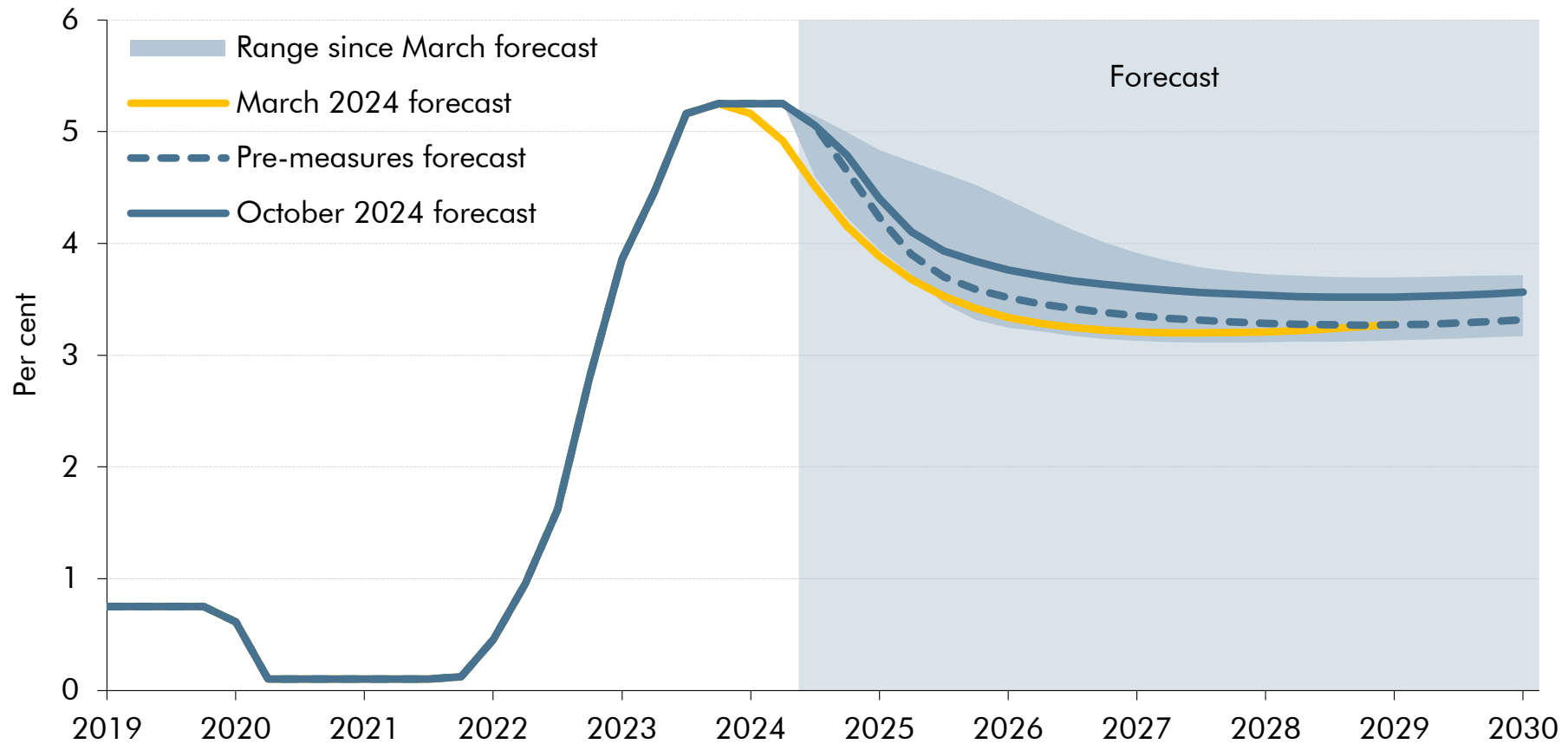


Inflation



Source: OBR

Bank Rate

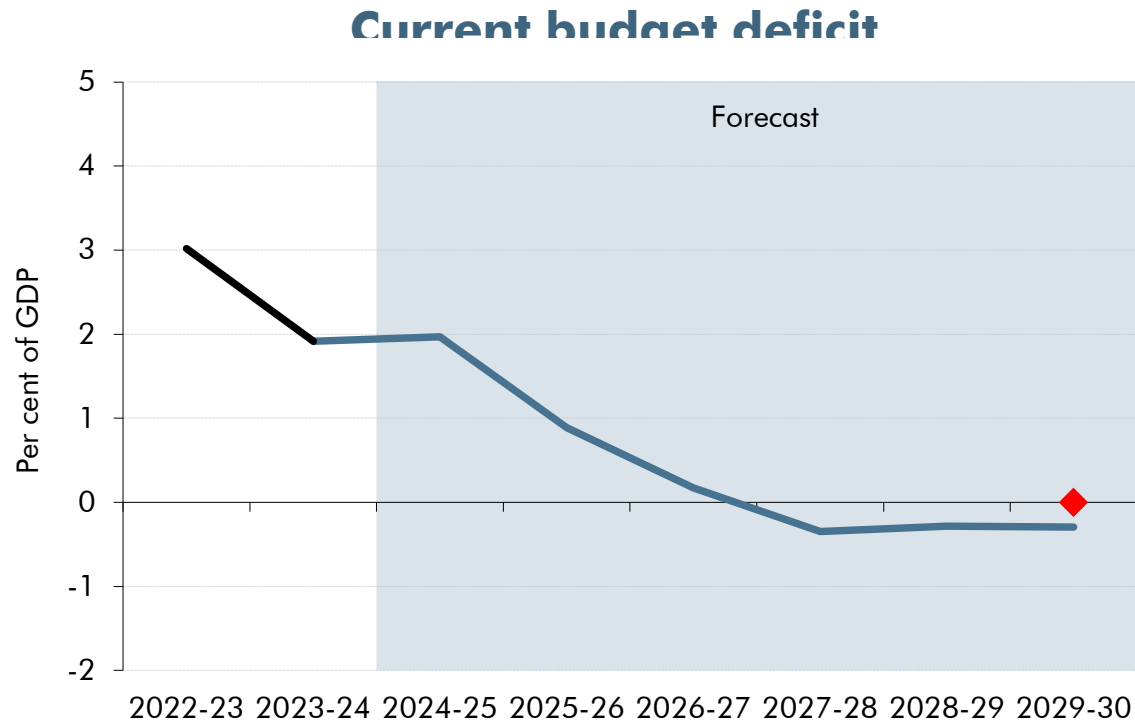


Source: Bank of England, OBR

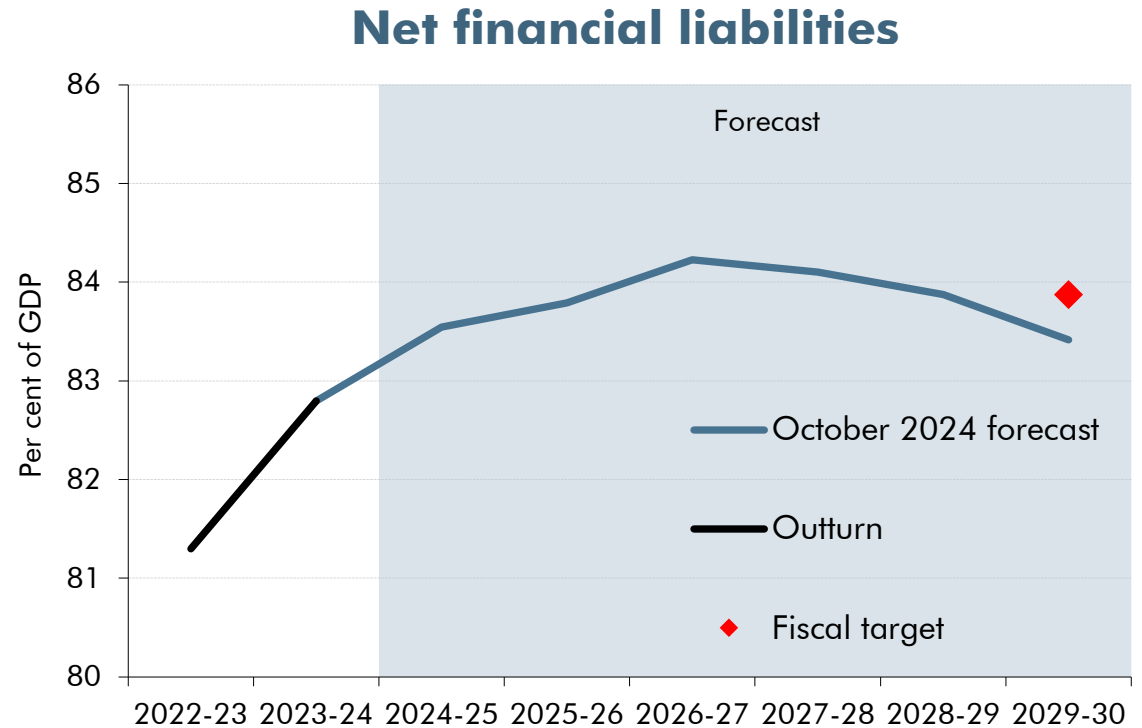
Government's new fiscal rules

- Deliver a **current budget surplus** by 2029-30, until 2029-30 becomes the third year of the forecast period
- Get **net financial liabilities** falling as a share of GDP by 2029-30, until 2029-30 becomes the third year of the forecast

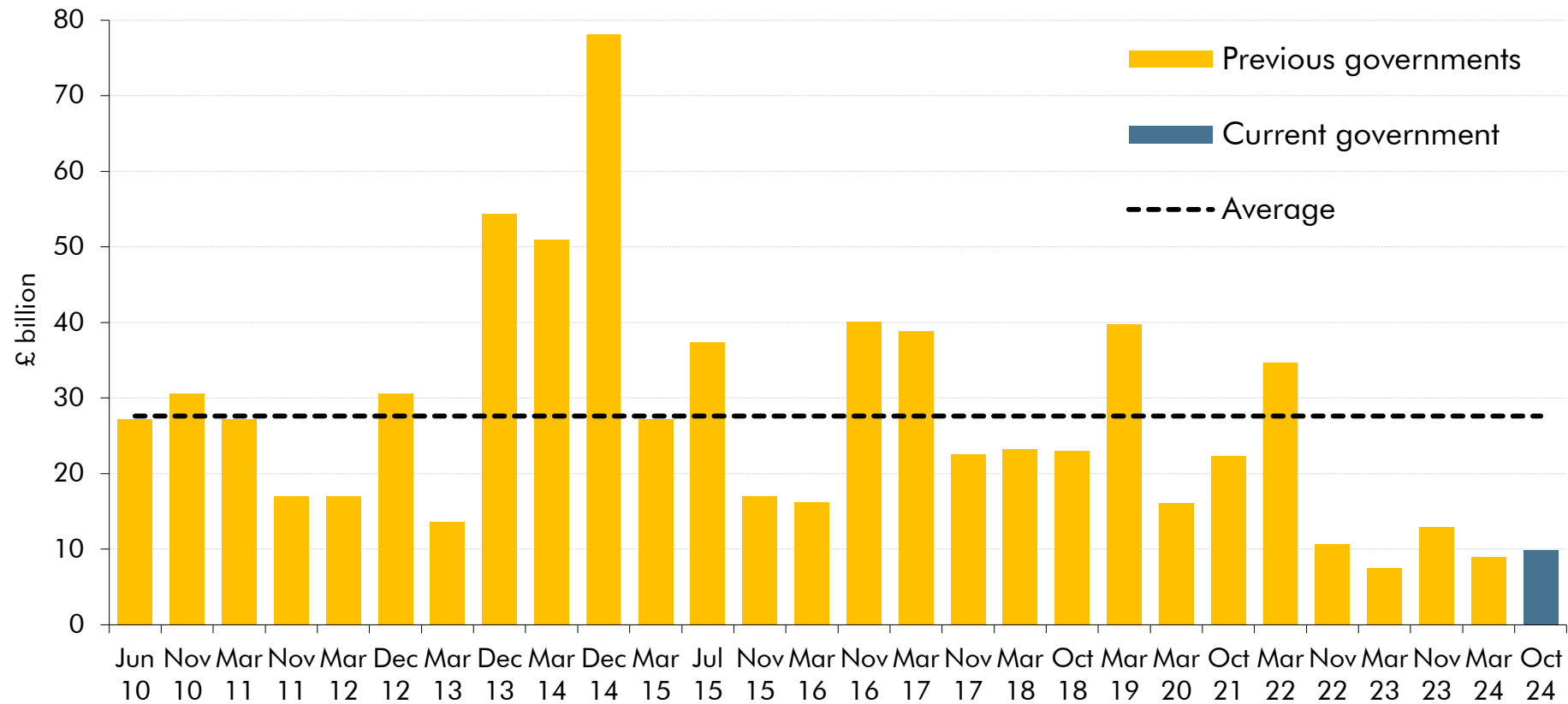
Performance against fiscal rules



Source: ONS, OBR



Headroom against fiscal rules



Source: ONS, OBR

Risks to the fiscal outlook

Fiscal policy risks

- Fuel duty
- Defence and aid commitments
- Balance sheet transactions

Economy risks

- Volatile interest rates
- Higher inflation
- Lower GDP growth

Summary

- **Budget** delivers large sustained increases in spending, tax, and borrowing
- Increase in **spending** of 2% of GDP to prevent real cuts in some departmental current budgets and stop investment from falling as a share of GDP
- Half of this spending increase is funded by 1% of GDP increase in **taxes** on employment and assets, and from various compliance measures
- Other half is funded by increasing **borrowing** by around 1% of GDP
- New **fiscal rules** to deliver a current surplus and get net financial liabilities falling are met by third-smallest margin of any fiscal event since 2010
- Small forecast changes and known policy **risks** would be enough to exhaust headroom against these



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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**