Office for Budget Responsibility

Sir Mel Stride MP
House of Commons
London SW1A 0AA

Professor David Miles and Tom Josephs
Members of the Budget Responsibility Committee
102 Petty France
London SW1H 9AJ
obr.uk

5 December 2025

Dear Sir Mel,

Re: Autumn 2025 forecast process

Thank you for your letter of 18 November to Richard Hughes concerning the evolution of the OBR's forecast for the November 2025 Budget.

The questions you raised were largely addressed in Richard's letter of 28 November 2025 to the Chair of the Commons Treasury Committee, which we have attached below. While we know that you are aware of this letter and its contents, we apologise for the delay in responding to you personally.

You asked two questions about the final pre-measures forecast. To confirm, as the letter to the Chair of the Treasury Committee sets out, the final pre-measures forecast was sent to the Treasury on 31 October, no changes were made to the pre-measures forecast after that date, and the only changes to the post-measures forecast reflected the impact of the policies submitted by the Treasury.

On your three questions relating to the window for Bank Rate and gilt yields, the letter to the Chair of the Treasury Committee explains that we first informed Treasury officials of our intention to do this in June and confirmed this plan in the note to the Chancellor summarising our Round 1 economy forecast sent on 17 September. In answer to your other questions on this topic, the decision around the interest rate expectations in this forecast was discussed with the Forecast Liaison Group. And this is the first time we have taken a different window for interest rates relative to other market determinants in our fiscal forecast. However, there are past instances where we have adapted our approach to incorporating market determinants into our forecasts. For example, in our November 2022 forecast we similarly took a later window for the final market determinants (in that case not just interest rates) used in our fiscal forecast relative to our final economy forecast.[1] And in our March 2022 forecast we incorporated updated market expectations into the post-measures forecast, alongside the impact of policy measures.

In addition to questions on the matters addressed in the letter to the Chair of the Treasury Committee, you asked: *"I would appreciate your comments on whether it is appropriate for the Chancellor to have directly confirmed that the OBR have downgraded their productivity forecasts before Budget day."* It is not our place to comment on ministerial statements. As the letter to the Treasury Committee sets out, the conclusions of our annual supply stocktake, which this year focused on the underlying rate of productivity growth, were communicated in a confidential note to the Treasury on 7 August. The economic and fiscal consequences of this judgement were included in our Round 1 forecasts, and we did not change the judgement at any point in the forecast process. As with any judgement influencing our forecast, we did not publish any information or make any public statements on the findings or conclusions of our supply stocktake prior to the publication of our *Economic and fiscal outlook* (*EFO*) last week.

In line with OBR policy, we will be publishing this reply together with your original letter on our website.

Yours Sincerely,

Professor David Miles　　Tom Josephs
Members of the Budget Responsibility Committee

[1] See the Foreword to our November 2022 *Economic and fiscal outlook* for further details.

Richard Hughes
Chair
102 Petty France
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Dame Meg Hillier MP
Chair
Treasury Select Committee
House of Commons
London SW1A 0AA

28 November 2025

Dear Dame Meg,

Please find attached the letter referred to in your letter of 27 November.

It was our original intention to send this letter alongside publication of our *Economic and fiscal outlook* after the Chancellor's Budget statement concluded on 26 November.

But, in the light of the events that transpired that morning, we felt it better to focus our immediate communications with the Treasury Committee on how the OBR was handling its inadvertent early disclosure of Budget-sensitive information.

Yours Sincerely,

Richard Hughes
Chair

Dame Meg Hillier MP
Chair
Treasury Select Committee
House of Commons
London SW1A 0AA

Richard Hughes
Chair
102 Petty France
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26 November 2025

Dear Dame Meg,

Forecast process for the November 2025 *Economic and fiscal outlook*

Given the unusual volume of speculation on the subject prior to Budget day, I am taking the unusual step, with the agreement of the Treasury, of writing to the Commons Treasury Committee to set out the facts concerning the evolution of the OBR's pre-measures forecast over the course of the past four months. This is not, and is not intended to become, our usual practice. However, given the circumstances in this case and now that our final forecast has been published, I consider it appropriate to provide the Committee with some limited details from earlier forecast rounds in order to address any potential misconceptions about them.

As noted in our July 2025 *Forecast evaluation report*, over the summer we conducted our annual supply stocktake which, in this instance, concentrated on our forecast for the underlying rate of productivity growth. We concluded this analysis in early August and transmitted its conclusions in a confidential note to the Treasury on 7 August. This note informed the Treasury that we would be reducing our central forecast for underlying medium-term total factor productivity growth by 0.3 percentage points. We did not revisit that 0.3 percentage point reduction at any subsequent point in the forecast process. We published no information and made no public statements about the findings or conclusions of our supply stocktake prior to the publication of our *Economic and fiscal outlook* (*EFO*) today.

The 0.3 percentage point reduction in underlying productivity growth was included in our Round 1 forecasts for the economy (transmitted to the Treasury on 17 September) and for the public finances (transmitted to the Treasury on 3 October). Our Round 1 forecast was also a full forecast and therefore also included increases in real wages and inflation which offset the impact of the productivity downgrade on receipts. But other changes in the outlook for spending meant that pre-measures borrowing and the current deficit were higher than in our March forecast. In the target year 2029-30, the Round 1 fiscal forecast showed the Government's current balance target missed by a margin of £2.5 billion and the target for public sector financial liabilities (PSNFL) falling missed by a margin of £0.5 billion. Rounds 1-3 were based on policy as it stood at the time of the 2025 Spring Statement and did not account for any policy announced since that event (including Spending Review changes and summer welfare reversals).

As shown in Table 1 below, there was relatively little variation in the medium-term fiscal position in the subsequent pre-measures forecast rounds (Rounds 2 and 3). The average change in margins against the fiscal targets between pre-measures forecast rounds was £3.4 billion for the current balance and £5.3 billion for PSNFL falling in the target year. This is a smaller-than-usual variation between rounds of a forecast for the difference between around £1.5 trillion of expenditure and £1.5 trillion of revenue. And at no point in our pre-measures forecast process were either of the Government's fiscal targets missed by more than the £2.5 billion deficit on the current balance in Round 1 on 3 October.

Our Round 3 fiscal forecast, the final pre-measures forecast, was submitted to the Chancellor on Friday 31 October. In this forecast round, both of the Government's fiscal targets were on course to be met with headroom of £4.2 billion for the current balance and £11.1 billion for PSNFL falling. No changes were made to our pre-measures forecast after 31 October. The only changes to the post-measures forecast reflected the impact of the policies submitted by the Treasury in the two subsequent forecast rounds: Round 4, which reflected the impact of the Government's initial policy package, and Round 5, which reflected the impact of the final policy package.

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Table 1: Timing and outcomes of fiscal forecast rounds reported to the Treasury

Date	Fiscal forecast round	Margin against Government's fiscal target	
		Current balance	**PSNFL falling**
26 March	Final *EFO* (Spring Statement)	+ £9.9 billion	+ £15.1 billion
3 October	Round 1 (Autumn Budget)	- £2.5 billion	- £0.5 billion
20 October	Round 2 (Autumn Budget)	+ £2.1 billion	+ £5.8 billion
31 October	Round 3 (Autumn Budget)	+ £4.2 billion	+ £11.1 billion
10 November	Round 4 (Autumn Budget)	Post-measures rounds*	
21 November	Round 5 (Autumn Budget)		
26 November	Final *EFO* (Autumn Budget)	+ £21.7 billion**	+ £24.4 billion**

** Post-measures rounds do not include any further changes to the pre-measures forecast and solely take account of the economic and fiscal impacts of the Government's preliminary Budget polices. We do not provide figures for Rounds 4 and 5 as this would reveal confidential information on the impact of Government policy under development.*
*** Differences to the final pre-measures round (Round 3) solely reflect the impact of Government policies.*

In our final *EFO* forecast published today, the margin against the Government's fiscal targets in 2029-30 is £21.7 billion for the current balance and £24.4 billion for PSNFL falling, with the difference to the final Round 3 pre-measures forecast entirely the result of government policy. At no point prior to today did the OBR provide information to the media about the outcome of our supply stocktake or details of our pre- or post-measures forecasts.

As notified in our standard operational notice, which was published on 14 November, the window in which we took interest rates and market determinants for incorporation into the final Round 3 pre-measures *economy* forecast was the 10 working days to 10 October. However, given the time between the closure of the pre-measures economy forecast and the publication of our *EFO*, we decided prior to start of the forecast process in the summer that we would take a later reading of market expectations for Bank Rate and gilt yields for our pre-measures *fiscal* forecast. We first informed Treasury officials of our intention to do this in June and confirmed this plan in the note to the Chancellor summarising our Round 1 economy forecast sent on 17 September. This window for interest rates in the final Round 3 pre-measures fiscal forecast was the 10 working days to 21 October. We did not revisit these interest rate assumptions in the final *EFO* forecast published today, and market interest rates were broadly in line with those in our pre-measures fiscal forecast on 25 November.

I hope this information helps to clarify matters concerning the evolution of our forecast between early August and Budget day. I am copying this letter to the Chancellor of the Exchequer, the Permanent Secretary of the Treasury, the non-executive members of the OBR's Oversight Board, and my colleagues on the Budget Responsibility Committee. In line with OBR policy, I will also be publishing it on our website.

Yours Sincerely,

Richard Hughes
Chair

Rt Hon. Mel Stride MP

HOUSE OF COMMONS

LONDON SW1A 0AA

Mr Richard Hughes
Chair
Office for Budget Responsibility,
102 Petty France,
London, SW1H 9AJ

Date: 18th November 2025

Dear Richard,

In recent weeks there has been extensive reporting in national newspapers of the Budget process and the contents of the OBR's forecasts.

I write to you seeking urgent clarity over three issues related to this matter.

First, on Thursday and Friday last week (13th-14th November) there were a series of briefings to the press detailing that increases in income tax rates had been removed from the latest package of Budget measures. These briefings included claims that this decision was made after the Treasury received a new economic forecast from the OBR on 10th November.

For example, in a piece with the headline 'Rachel Reeves given £10bn extra headroom ahead of income tax climbdown', The Times reported that the Chancellor *"decided against raising income tax after the Office for Budget Responsibility (OBR), the fiscal watchdog, came back on Monday with better economic forecasts than expected. It said increased wages and tax revenues would reduce the hole in the public finances from £30 billion to £20 billion."*

In the OBR's published forecast timetable from 17th September, it is clear that the final pre-measures forecast, 'Round 3', was to be transmitted to the Chancellor on Friday 31st October. After the final pre-measures forecast was completed, the only changes to the forecast should have been from the impacts of measures submitted by the Treasury for scoring. On the OBR's website, the explanation of the forecast process after the completion of the final pre-measures round states the following:

"No further economic outturn data is taken on after the final pre-measures economy forecast, and no further fiscal outturn data after the delivery of the final pre-measures forecast. This provides a stable base from which the Chancellor can take their final policy decisions, knowing what they need to do to meet or miss their formal fiscal targets or other objectives with whatever margin they deem appropriate."

You are, of course, unable to comment on the contents of the forecasts until Budget day. However, I would appreciate urgent clarity on the process.

Can you confirm that the final pre-measures forecast was provided to the Treasury on 31st October as stated in your published forecast timetable?

Can you confirm that no changes have been made to the forecast since 31st October, beyond the impacts of measures submitted by the Treasury for scoring?

Second, the Chancellor has on a number of occasions indicated that the OBR have downgraded their forecasts for UK productivity.

In her pre-budget address in Downing Street on 4th November the Chancellor said in relation to the OBR's review of the supply side of the economy: *"it is already clear that the productivity performance…is weaker than previously thought."* She has made similar statements in media interviews, such as telling Matt Chorley on BBC Radio on 10th November that the OBR's productivity review, *"does mean lower growth"*.

The OBR's published forecast timetable states that: *"The interim rounds are transmitted to the Chancellor in confidence."*

With this in mind, I would appreciate your comments on whether it is appropriate for the Chancellor to have directly confirmed that the OBR have downgraded their productivity forecasts before Budget day.

Third, some commentators have noted that the chosen window for observing gilt yields to inform the fiscal forecasts was the ten working days to 21st October, a period when yields were falling.

In an update on the OBR website about the forecast timetable, on 14th November, it was stated:

"Given the time between the closure of the pre-measures economy forecast and the publication of our EFO, we decided prior to beginning this forecast that we would take a later reading of market expectations for Bank Rate and gilt yields for our pre-measures fiscal forecast. This window for interest rates in the final pre-measures fiscal forecast was the ten working days to 21 October."

Can you confirm that the decision to delay the observation window for gilt yields was taken prior to the beginning of the forecast process and the publication of the forecast timetable on 17th September?

Has such a decision to decouple the observation window for gilts and market expectations of Bank Rate from the window for other market determinants been made before, or is this the first fiscal event for which such a decision has been taken?

Can you confirm whether this decision was taken in consultation with the Forecast Liaison Group, which includes representatives from HM Treasury?

Finally, given the widespread briefings to the media about the OBR's forecasts of late, these leaks can only have come from either the Treasury or the OBR. I would appreciate any further comments or observations you may have.

Given the importance of the matters I have raised in this letter for the integrity of the Budget process, I would appreciate an urgent response to my queries before the Budget is delivered next week.

With best wishes,

Mel Stride

The Rt Hon Sir Mel Stride MP
Shadow Chancellor of the Exchequer