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October 2021 *Economic and fiscal outlook* forecast timetable

Dear Bridget,

Thank you for letter of 21 October asking me to set out “*both the request made to you by the Chancellor in respect of the economic forecasting the OBR provides alongside next week’s Budget, and the basis for your decisions on how to respond to such decisions*”.

In the Foreword to our latest *Economic and fiscal outlook (EFO)* published today alongside the Budget and Spending Review we set out the principles and considerations that guided the Budget Responsibility Committee’s decision-making in respect of the timetable for producing this forecast. Namely that, as has always been the case, we needed to balance the competing objectives of:

- (i) providing the Government with a stable pre-measures forecast against which to make Budget policy decisions and plan public spending; and
- (ii) providing Parliament and the public with an up-to-date understanding of the economic and fiscal position and implications of those decisions.

Our pre-measures economy forecasts therefore always close around two weeks prior to publication and, inevitably, have to leave out some information that comes to light in the interim. On this occasion, the Chancellor requested that we finalise our pre-policy-measures fiscal forecast significantly earlier than usual to provide him with more time to complete the multi-year Spending Review negotiations as well as the Budget policy package. My predecessor had previously extended Chancellor Osborne additional time between the closure of the pre-measures forecast and the Autumn Statement to conduct the 2015 Spending Review negotiations, the last multi-year exercise. In this instance, because Chancellor Sunak was negotiating the first multi-year Spending Review in six years, and doing so in the aftermath of a pandemic, we also judged that it was in the public interest to give him more time than usual to agree the budgets of 23 Government Departments over the next three years.

But we also committed, as we always do, that if information came to light after we had closed our forecast that we believed would materially alter our view of the economic or fiscal outlook, then we would illustrate the effect of that news on our forecast. On balance, we have judged that the information that came to light since we closed our forecast does not materially alter our assessment of the near- or medium-term economic prospects, including the level of real GDP around the turn of the year and (crucially) the degree of economic scarring over the medium term. As for the fiscal implications of the post-forecast news, the direct effect of updating our fiscal forecast for the market data as of last Friday 22 October is to reduce only slightly the margin by which the Chancellor meets his new fiscal targets in 2024-25 by: £1.9bn

against debt falling (against an initial margin of £17.5bn) and by £3.6bn against achieving a current balance (against an initial margin of £25.1bn).

Nevertheless, given the interest taken in the timetable leading up to this particular forecast, we are also taking the following four additional steps to provide assurance concerning the integrity, transparency, and objectivity of the forecasts we produce:

- We have provided a detailed account of the forecast process in the Foreword to the *EFO*.
- We will be publishing the correspondence between the OBR and Treasury relating to the timetable for this Budget.
- We will be seeking public input into a review of the *Memorandum of Understanding* that will govern the forecast process and timetable for future *EFOs*.
- We have asked the OBR's Non-Executive Directors Sir Christopher Kelly and Bronwyn Curtis OBE to conduct a review of the decision-making process around the forecast timetable for this Budget. Their findings and recommendation will be published as further input into the revisions to the MoU.

I would be very pleased to discuss any of this further and would, of course, welcome your views as to how we can continue to ensure the confidence of all stakeholders in these important processes.

Warmest regards,



Richard Hughes
Chairman