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

Richard Hughes
Chair
102 Petty France
London SW1H 9AJ
obr.uk

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

Office for Budget Responsibility

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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.

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