

March 2024 *Economic and fiscal outlook*

Twitter video transcript: 5 things you need to know about our economic and fiscal forecast

We've just published our March 2024 Economic and fiscal forecast. Here are five things you need to know:

- 1 Looking first at what has happened to **inflation and interest rates**, we see that inflation has come down faster than we anticipated in November. And we now expect it to fall below 2 per cent later this year. Markets now also expect interest rates to fall faster, alleviating some of the squeeze on household and government finances.
- 2 Looking next at our **economic forecast**, despite higher expected growth in the UK population, the medium-term level of GDP is little changed compared to our November forecast. That's because we also expect higher and more persistent rates of economic inactivity – which means real GDP per person is now lower than we expected in November.
- 3 Our **fiscal forecast** is also little changed. Looking at what has happened to the outlook for government borrowing since November:
 - Lower debt interest and other spending reduces borrowing by an average of £15 billion-a-year over the next five years;
 - But this is offset by less of an inflationary boost to underlying tax revenues by the fifth year of our forecast;
 - These forecast changes give the Chancellor a net fiscal boost of around £10 billion over the next two years, but leave borrowing largely unchanged by the fifth year of our forecast;
 - In his Spring Budget, the Chancellor spends all of this windfall on another 2p cut to National Insurance and another freeze in fuel duty, whose cost is partly recouped by new taxes on vapes, carbon imports, and non-doms.
- 4 The Budget makes no significant changes to the planned level of **spending on public services**. Having first set out detailed department-by-department plans in October of 2021 the Government has then topped these up in cash terms in successive fiscal events. But the *real* value of this spending per person has been steadily eroded since then. First by higher inflation and then by higher growth in the population. Meaning real per person spending on public services no longer grows over the next 5 years.
- 5 How does all of this stack up against the **fiscal rules**? The forecast and policy changes in this Budget leave the Chancellor with £9 billion to spare against his aim of getting debt to fall as a share of GDP in five years' time. This sounds like a big number, but it's a small fraction of the risks to the fiscal outlook over this period.

And you can find out more in our March 2024 Economic and fiscal outlook.