

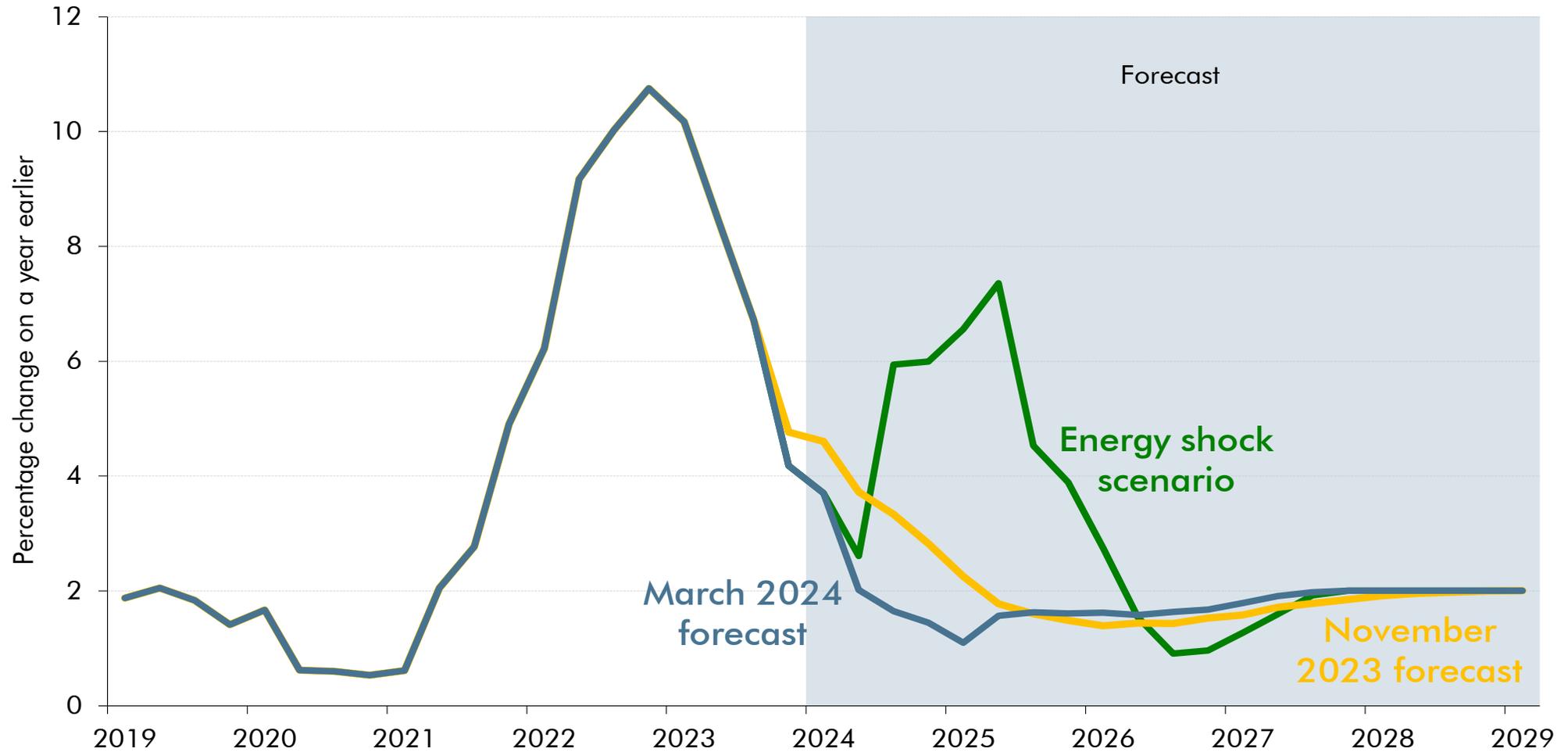
Office for
**Budget
Responsibility**

March 2024 Economic and fiscal outlook

Richard Hughes
Chair

London
6 March 2024

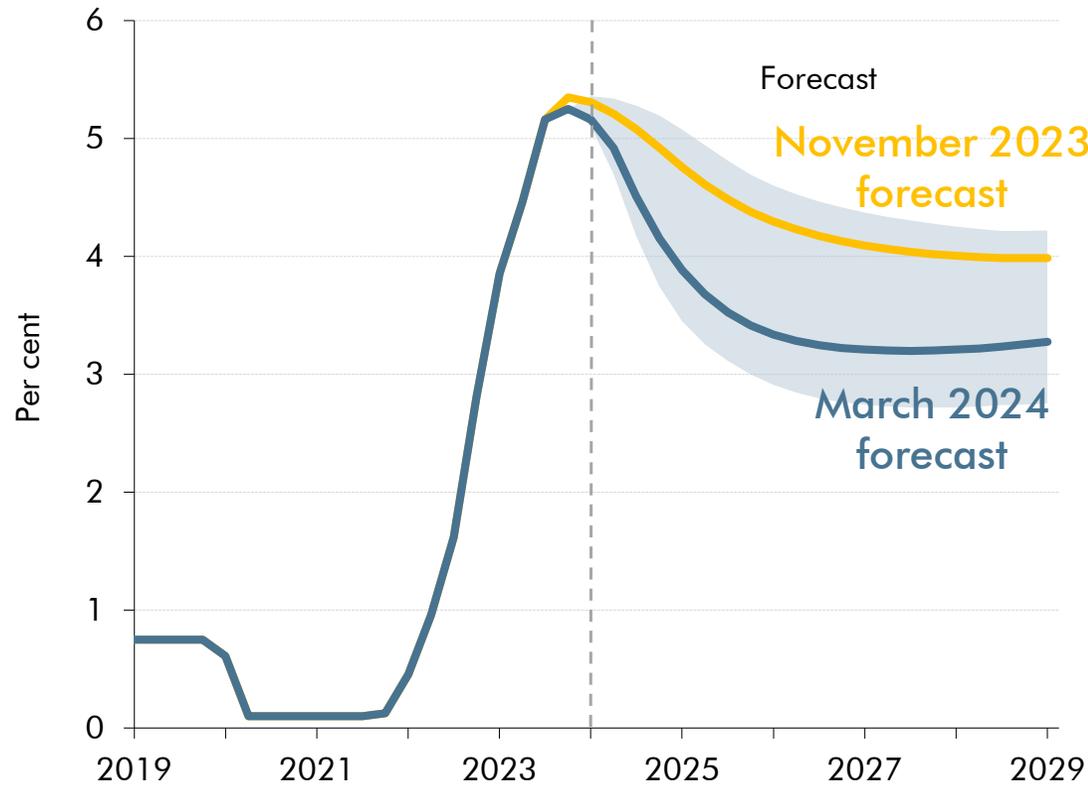
Inflation



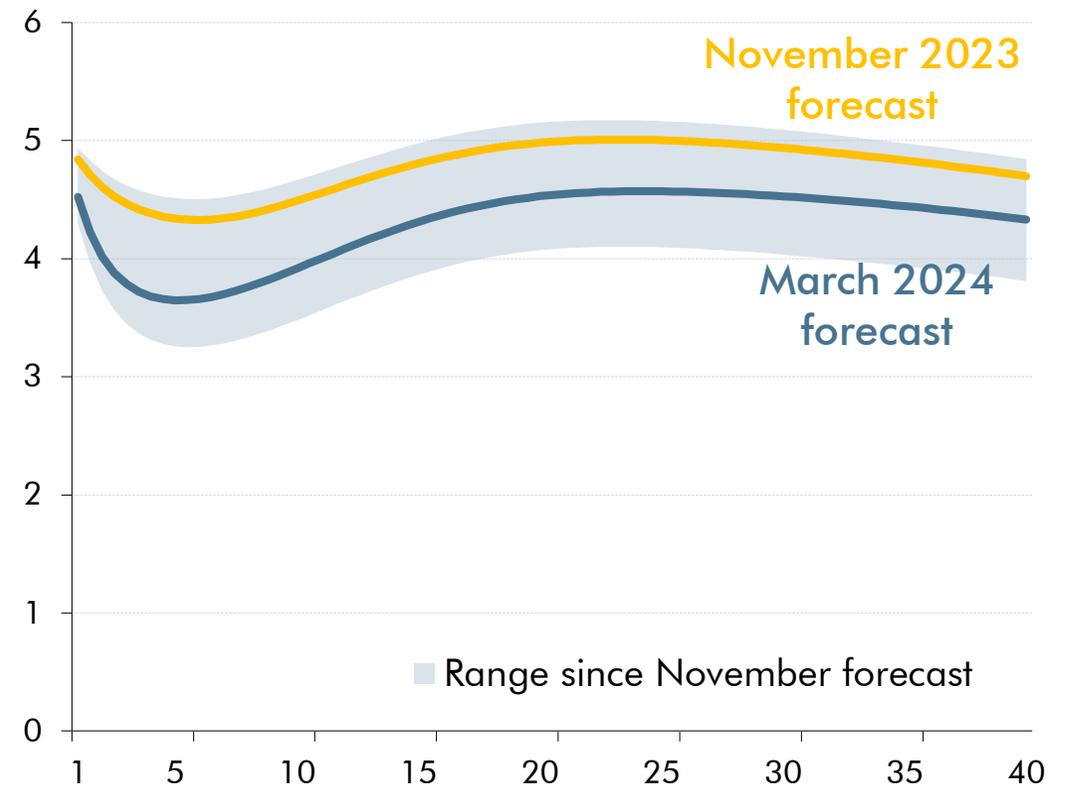
Source: ONS, OBR

Interest rates

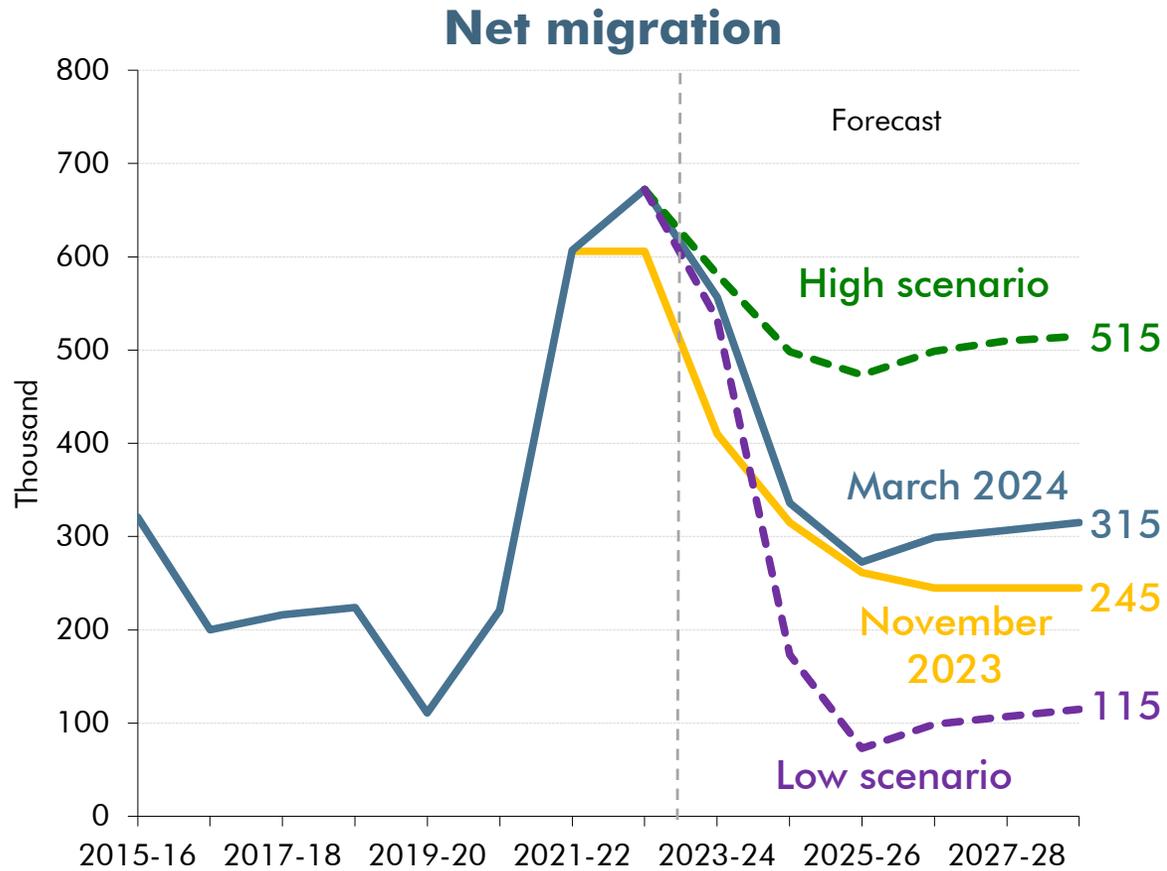
Bank Rate



Gilt yields by year of maturity

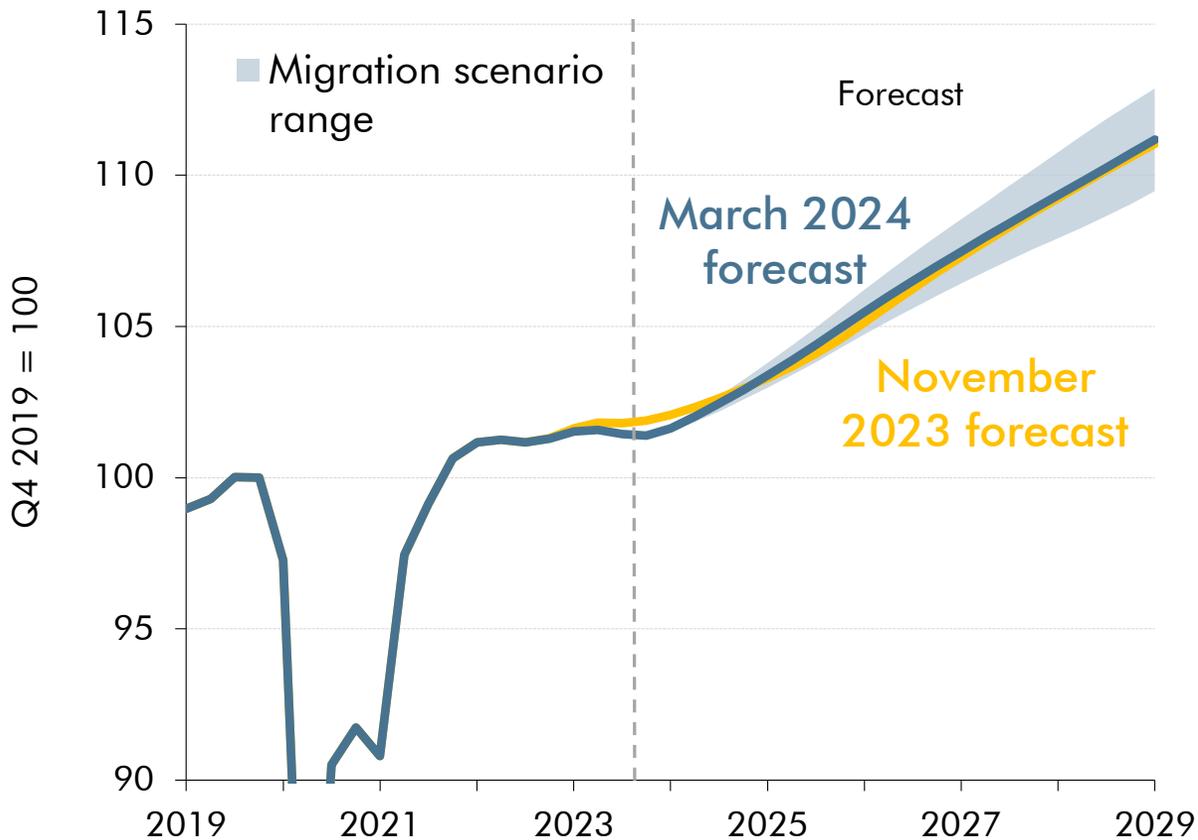


Migration and participation

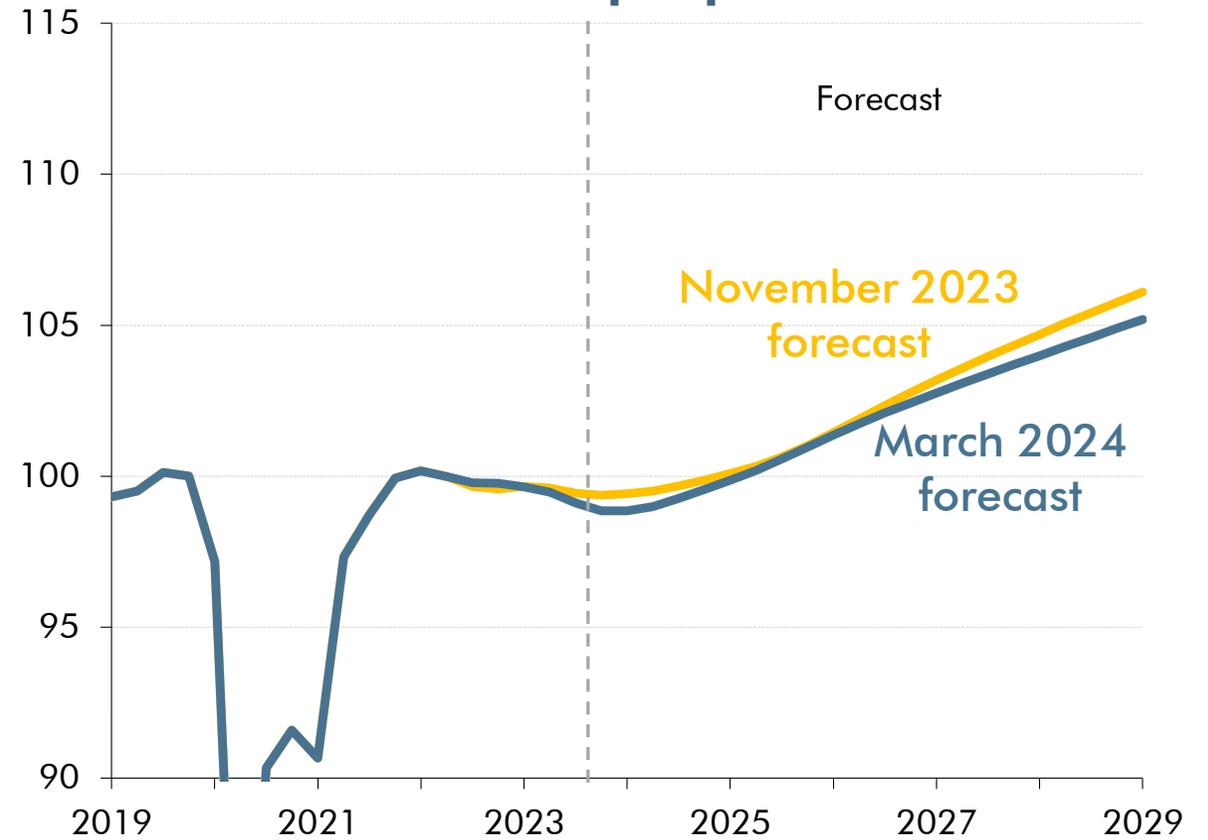


Real GDP and real GDP per person

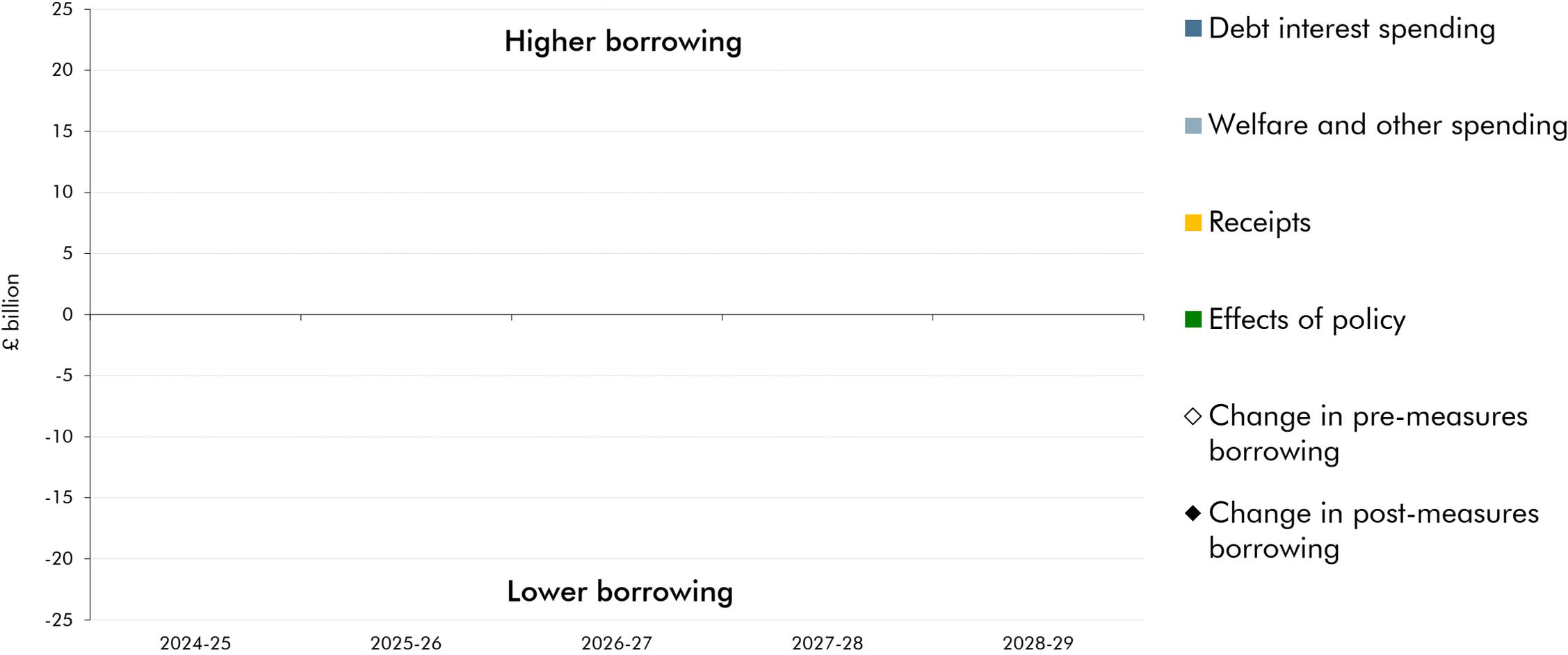
Real GDP



Real GDP per person

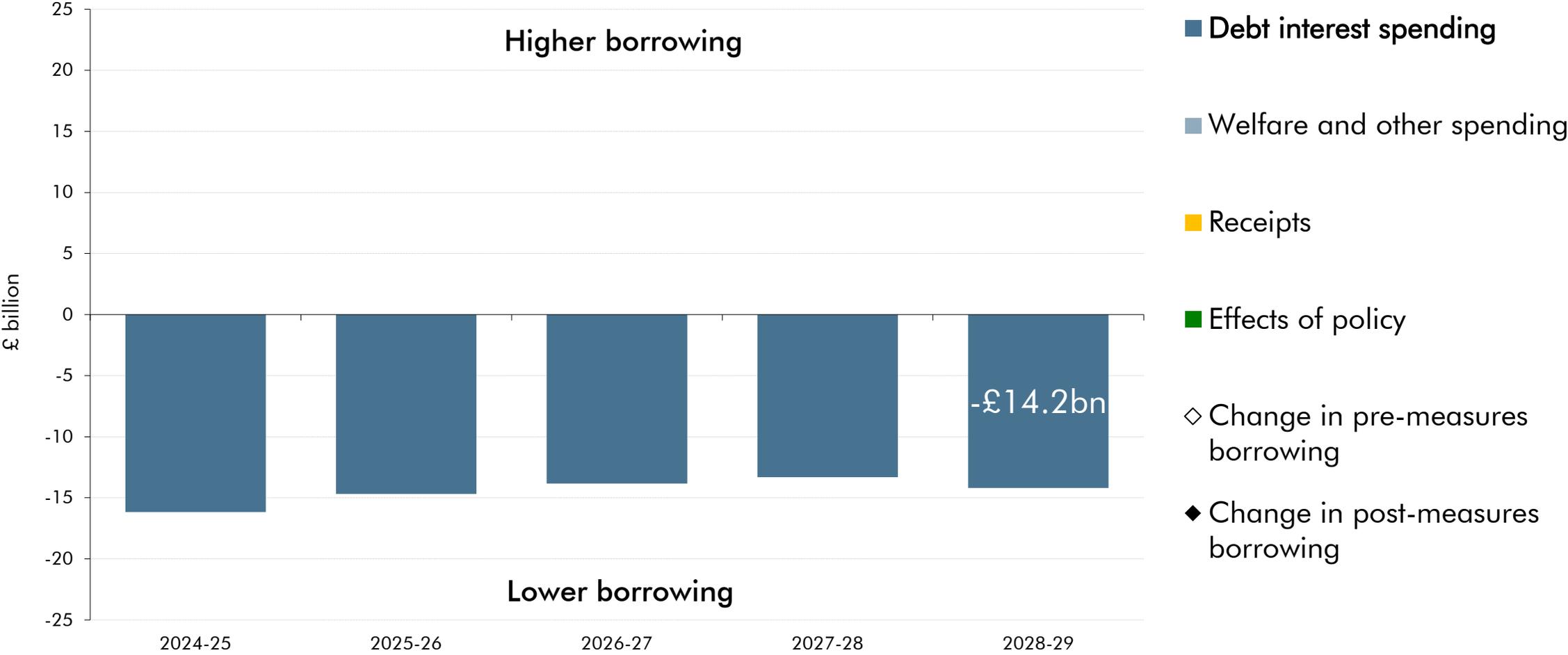


Change in public borrowing since November



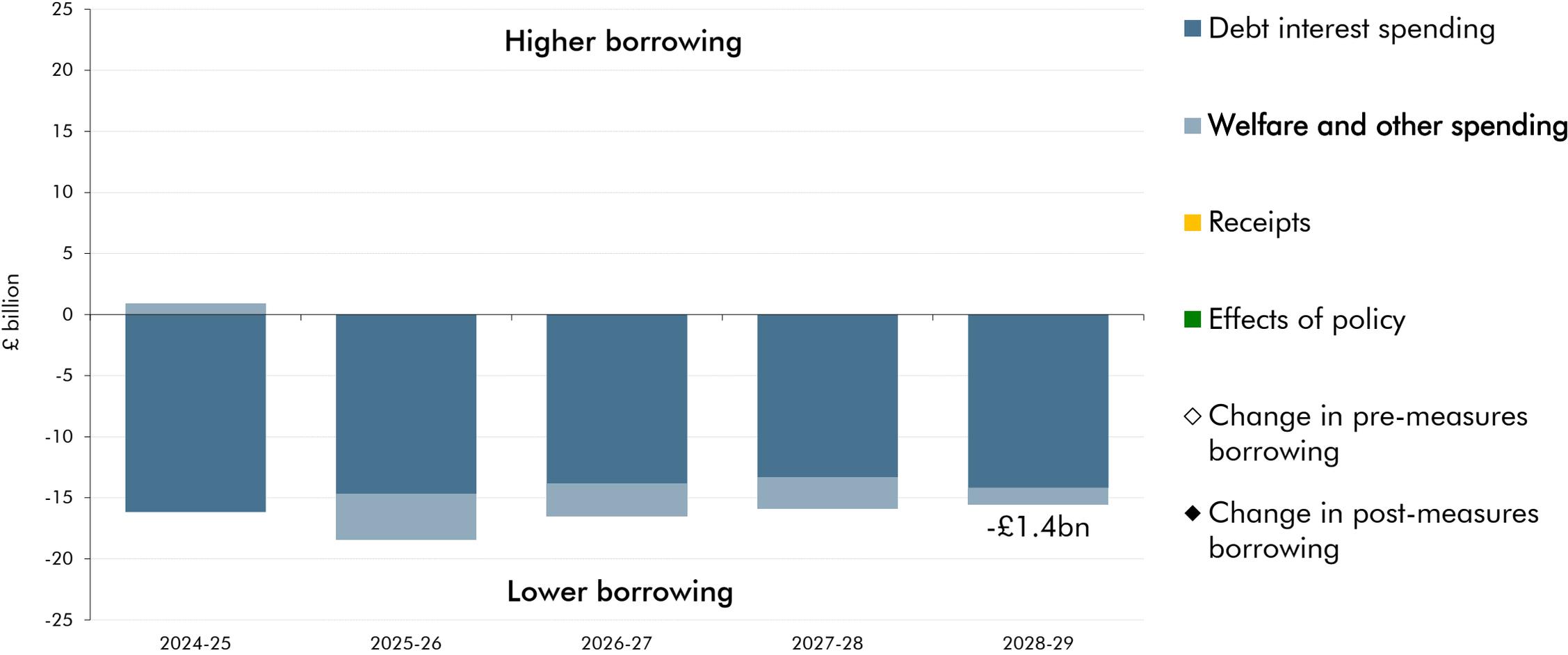
Source: OBR

Change in public borrowing since November



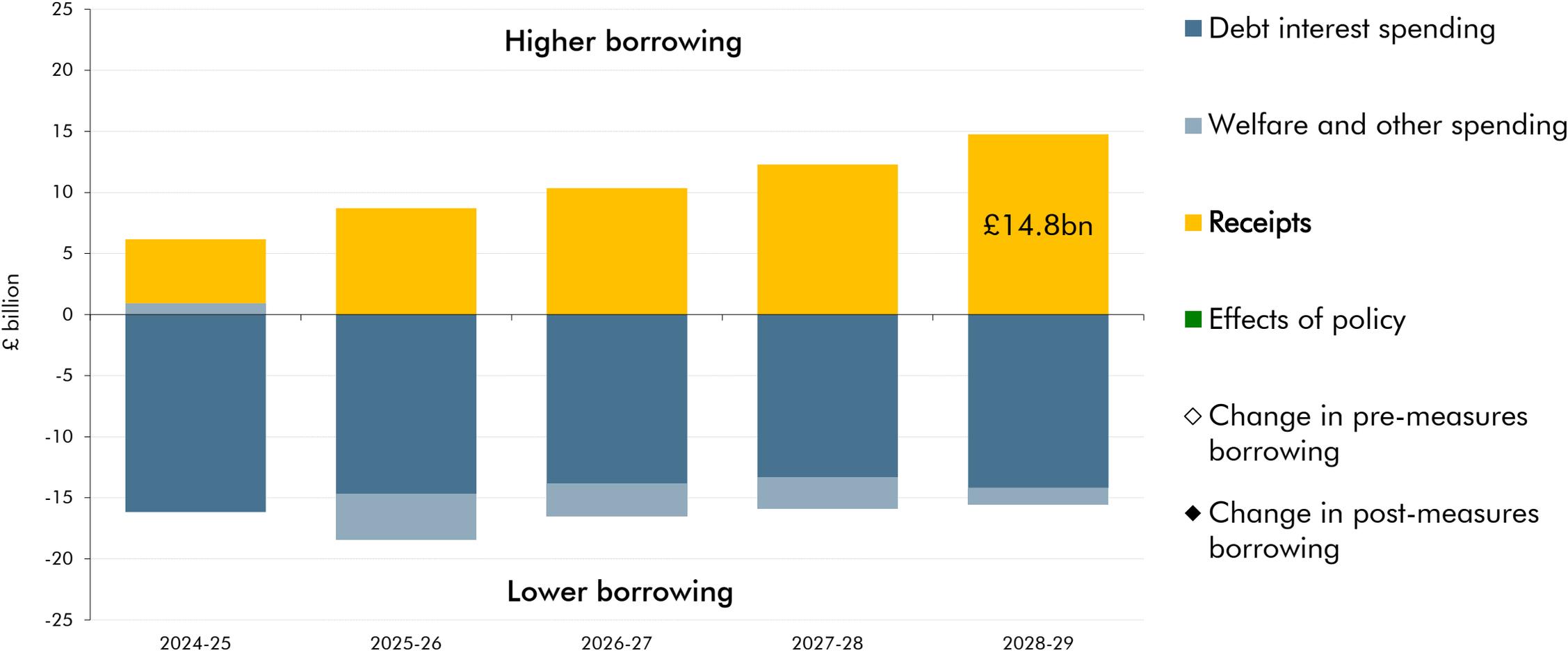
Source: OBR

Change in public borrowing since November



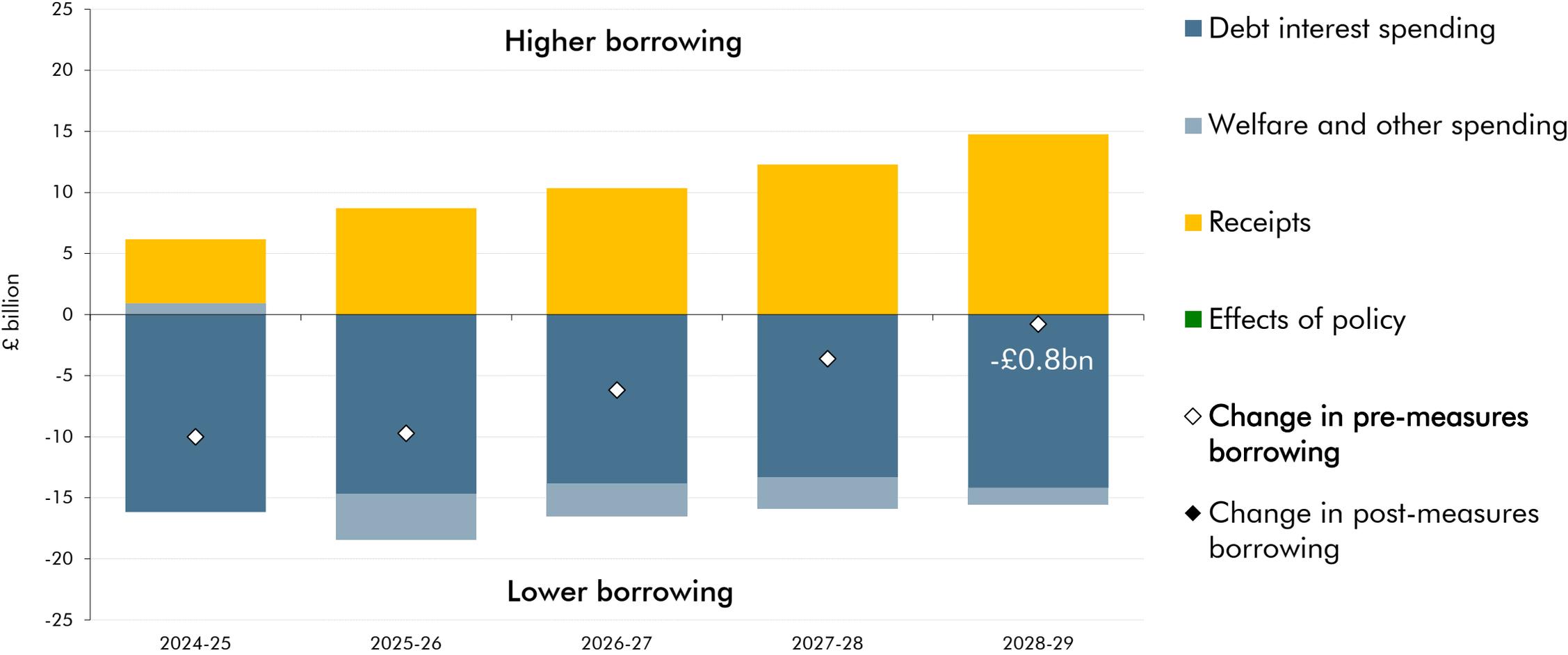
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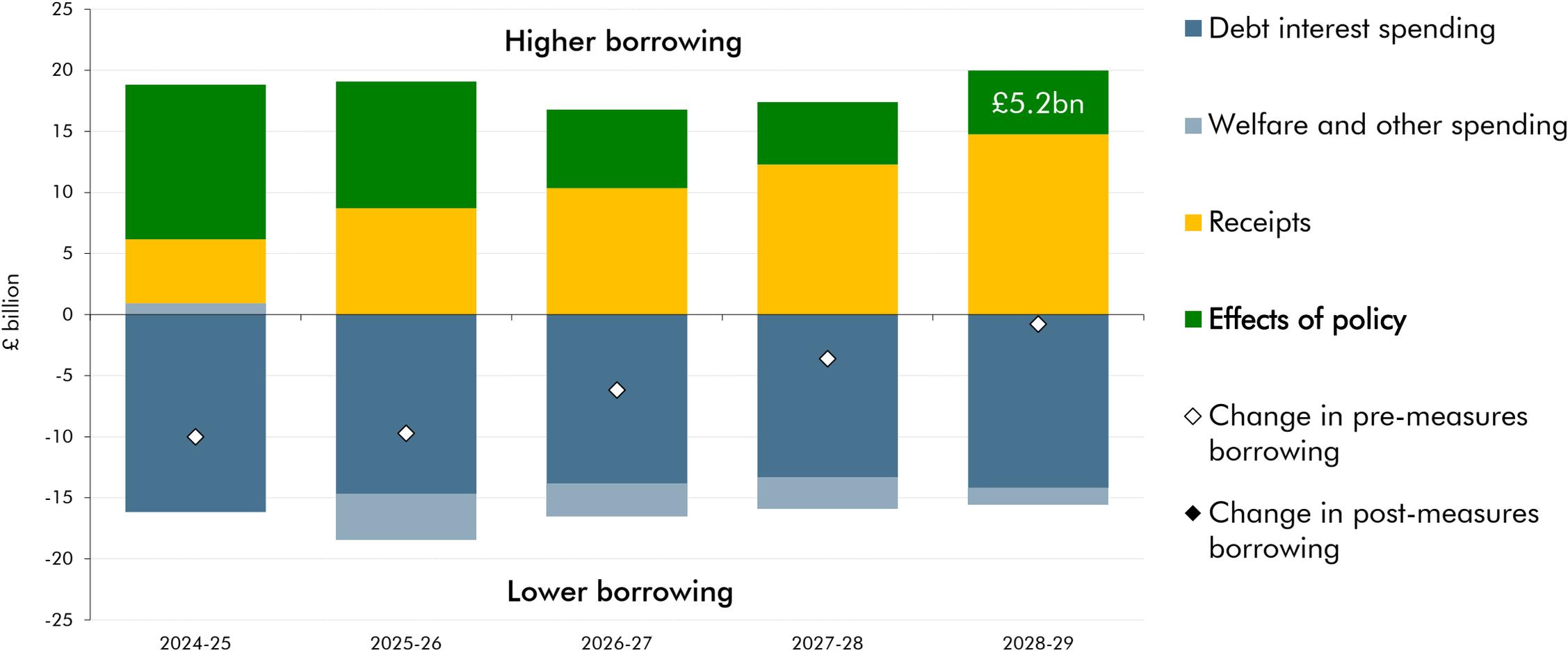
Source: OBR

Change in public borrowing since November



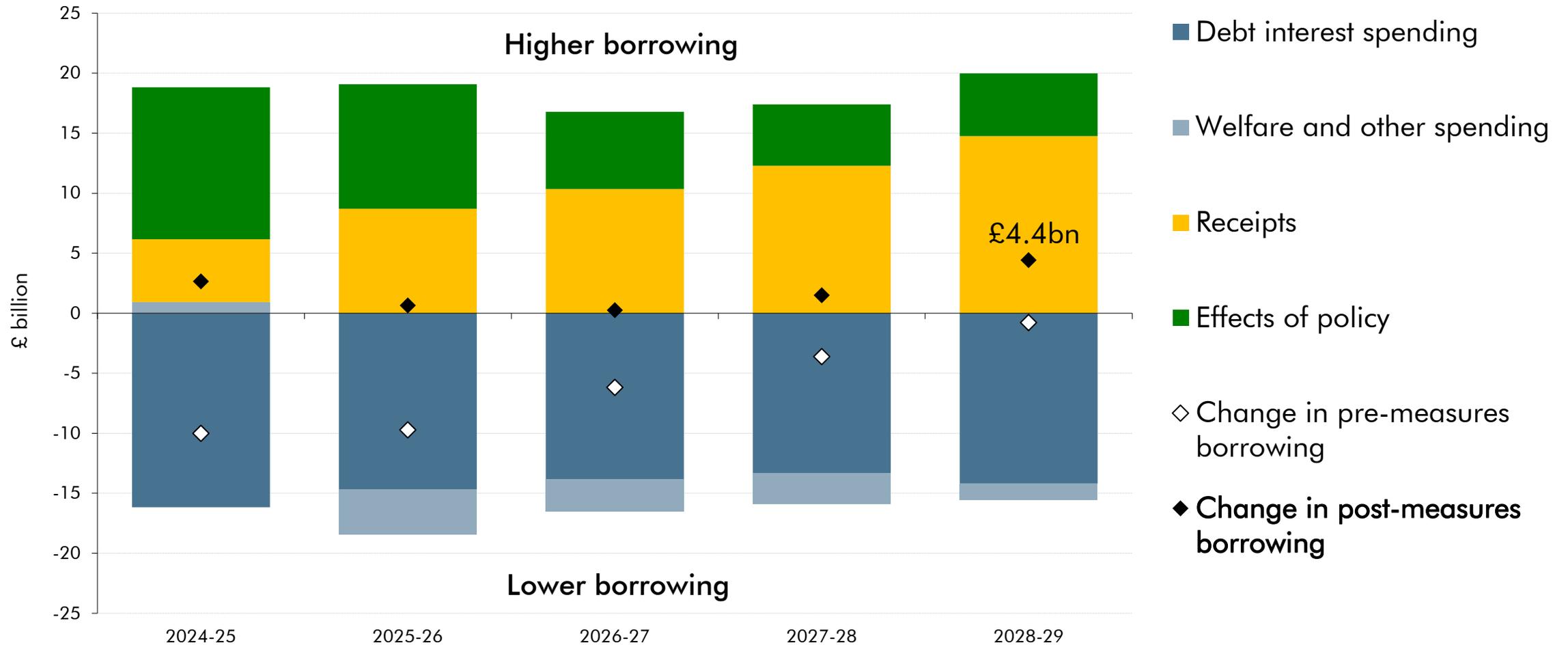
Source: OBR

Change in public borrowing since November



Source: OBR

Change in public borrowing since November



Spring Budget policy package



2p cut in employee National Insurance Contributions and other changes costing £10.7 billion by 2028-29

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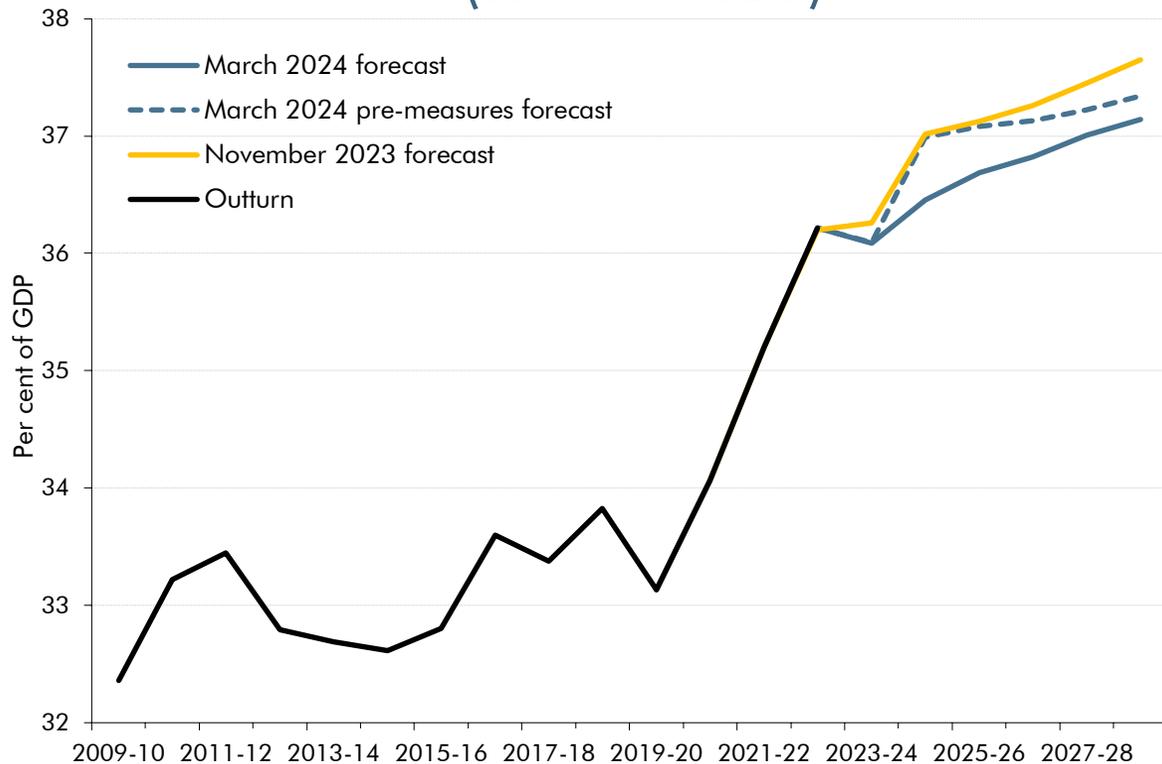
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Public sector productivity funding (focused on NHS) costing £900m-a-year from 2025-26 to 2027-28

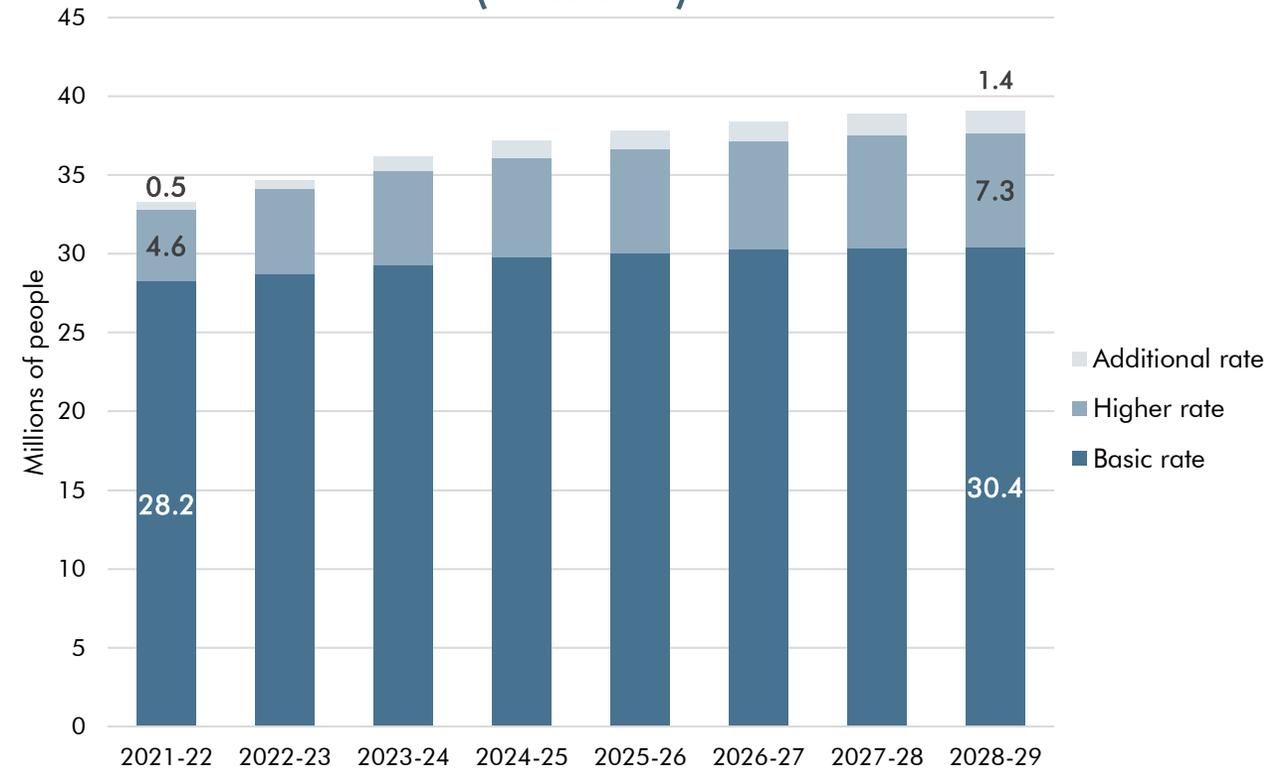
Tax burden and fiscal drag

National accounts taxes (Share of GDP)



Source: ONS, OBR

Number of income tax payers (Millions)



Source: HMRC

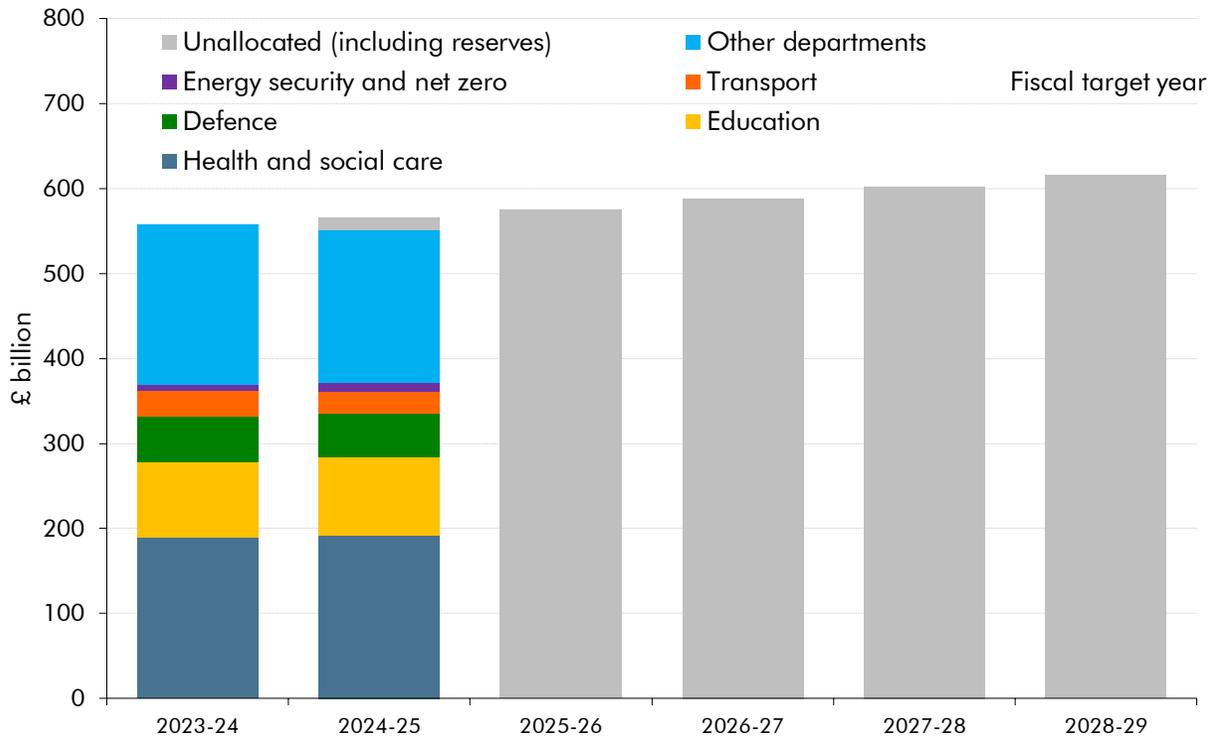
Labour supply impact of policy measures

Policy measure	Fiscal event	Labour supply impact ¹
NICs cuts, of which:		199,000
<i>Autumn 2023</i>	Nov 2023	101,000
<i>Spring 2024</i>	Mar 2024	98,000
Pensions, welfare, and childcare reforms	Various	124,000
Frozen thresholds, given high inflation	Various	-130,000
Net impact of policy decisions	Various	193,000

¹ This is the total labour supply impact between 2021-22 and 2028-29 in full-time equivalent terms.

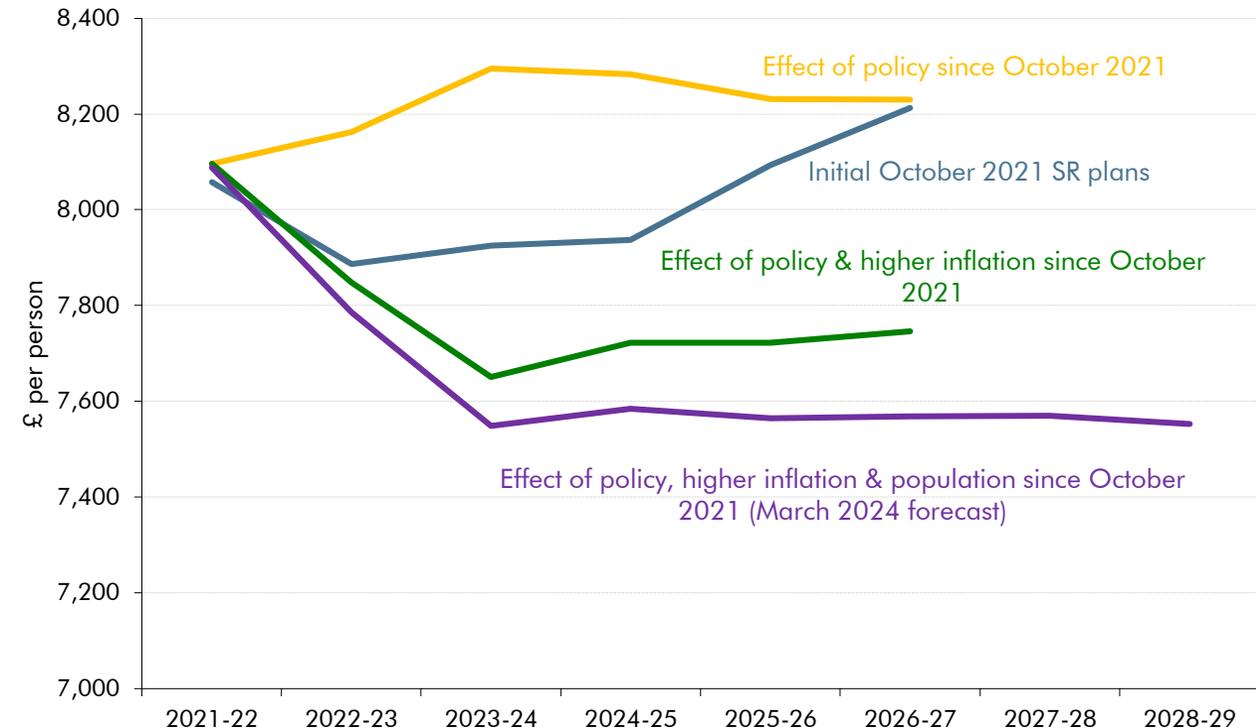
Public services spending

Departmental expenditure limits (Cash totals)



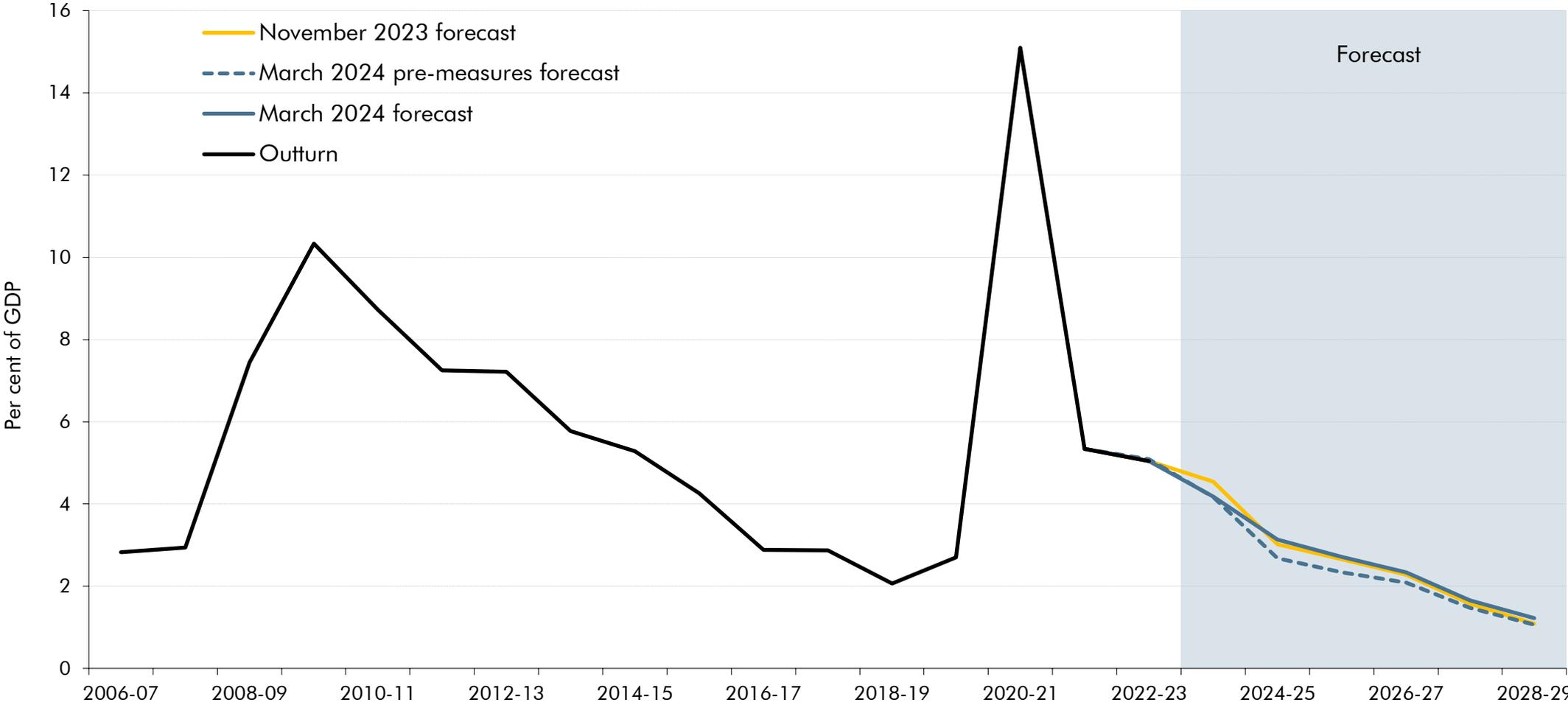
Source: HMT, OBR

Real departmental spending per person (2023-24 prices)



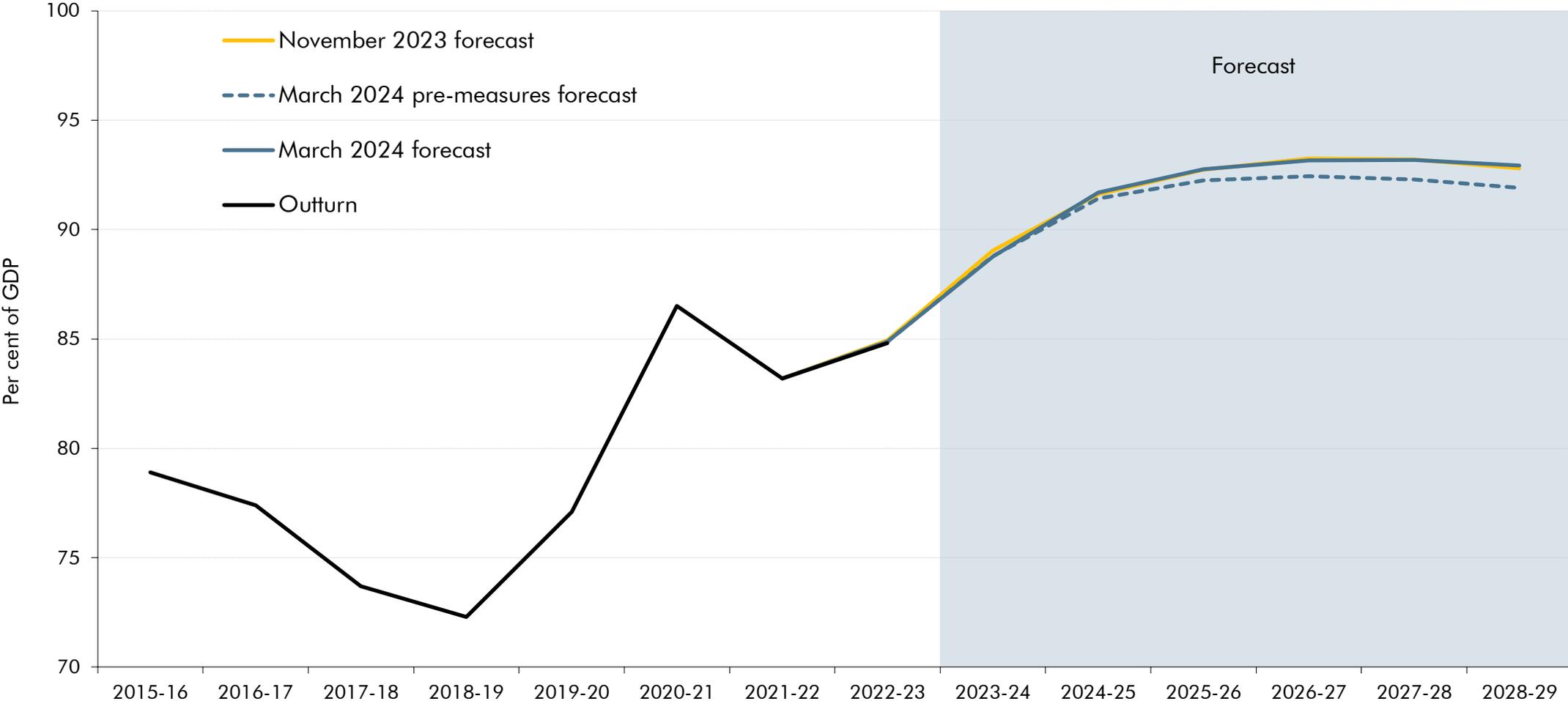
Source: OBR

Government borrowing



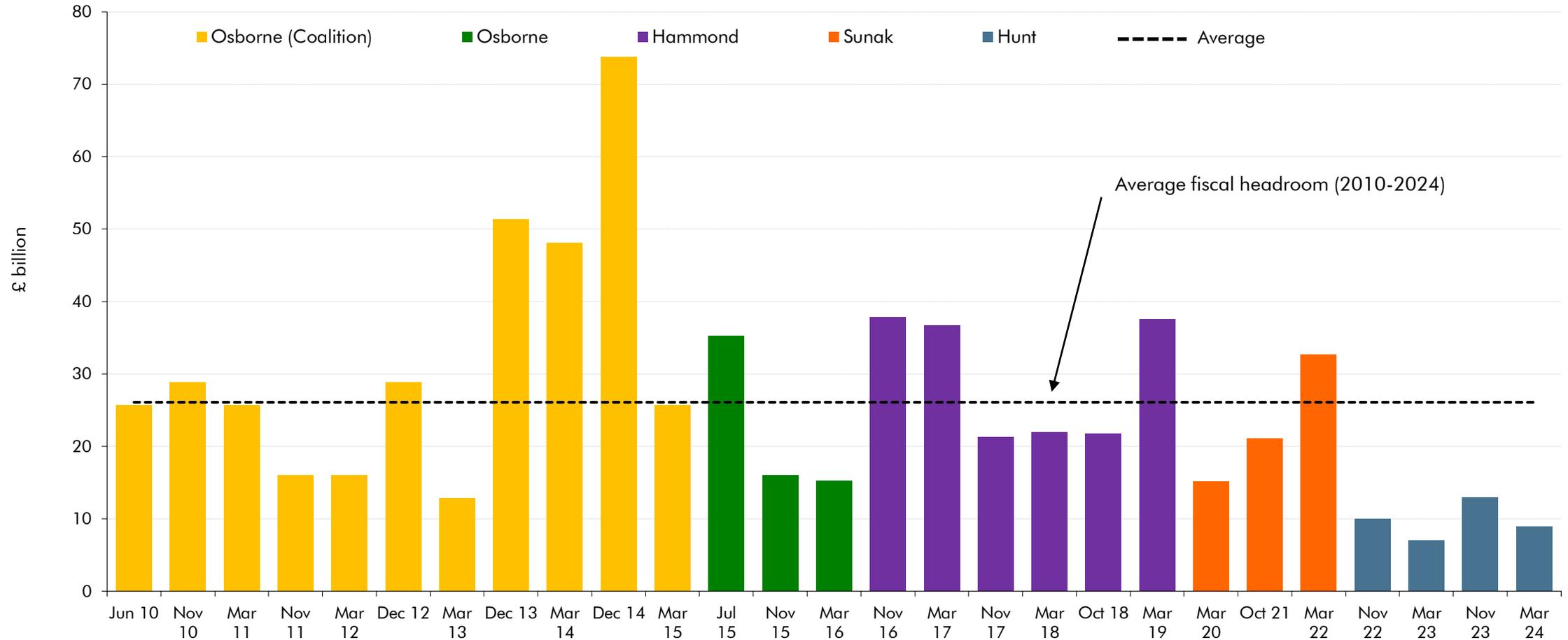
Source: ONS, OBR

Government debt (ex Bank of England)



Source: ONS, OBR

Headroom against fiscal rules



Risks to the outlook

Economy

- Inactivity
- Interest rate
- Productivity

Fiscal

- Fuel duty
- Frozen tax thresholds
- Departmental spending

Summary

- GDP growth disappointed since November, but we expect lower inflation and interest rates to support a stronger recovery this year and next
- Based on latest ONS data, we expect higher population growth but also higher levels of economic inactivity over the medium-term
- Net result is an economic and fiscal forecast that is little changed from November
- Spring Budget delivers second 2p cut to NICs, but also confirms wider decisions which keep the tax take rising to 37 per cent of GDP by 2028-29, a 70 year high
- By leaving departmental expenditure plans unchanged, it also accepts no real growth in public services spending over the next 5 years
- Enough to get debt-to-GDP falling by £9 billion in 2028-29, but this is a tiny fraction of the risks around any five-year forecast