

Minutes of the OBR macroeconomics advisory panel: Inflation, business investment and forward look

24 July 2023

Attending:

Panel members: Tera Allas, Fergus Cumming, DeAnne Julius, John Llewellyn, and Michael McMahon

Budget Responsibility Committee: Richard Hughes and Prof. David Miles CBE

Staff of the OBR

1. Welcome and introduction

A plenary session of full advisory panel will meet on September 5th. This meeting of macroeconomics advisory panel has been convened to discuss key macroeconomic issues that OBR will consider over the summer in preparation for the Autumn Statement.

2. Outlook for inflation

OBR staff set out how latest inflation outturn data compared against our March forecast and their latest view on the short-term outlook. The staff then gave their assessment of the current output gap.

In response, members of the panel discussed what has driven the upside surprise in inflation. In particular, the balance between the pass through of external pressures and domestically generated inflation. The panel also offered views on how persistent they expected high inflation to be.

3. Outlook for investment

OBR staff presented data on trends in UK business investment versus other major economies. Staff presented estimates on the impact of the super deduction and full-expensing policy measures on the profile of the outlook for business investment.

In response, the panel discussed causes of the relative weakness in UK business investment and in light of this, the outlook is for business investment over the next five years. Discussion also covered the potential impact of government policy decisions.

4. Analytical priorities

The panel were invited to give views on other key macroeconomic issues that the OBR should focus on in the coming year.