

Office for  
**Budget  
Responsibility**

## **November 2022 Economic and fiscal outlook**

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**Richard Hughes**  
Chair

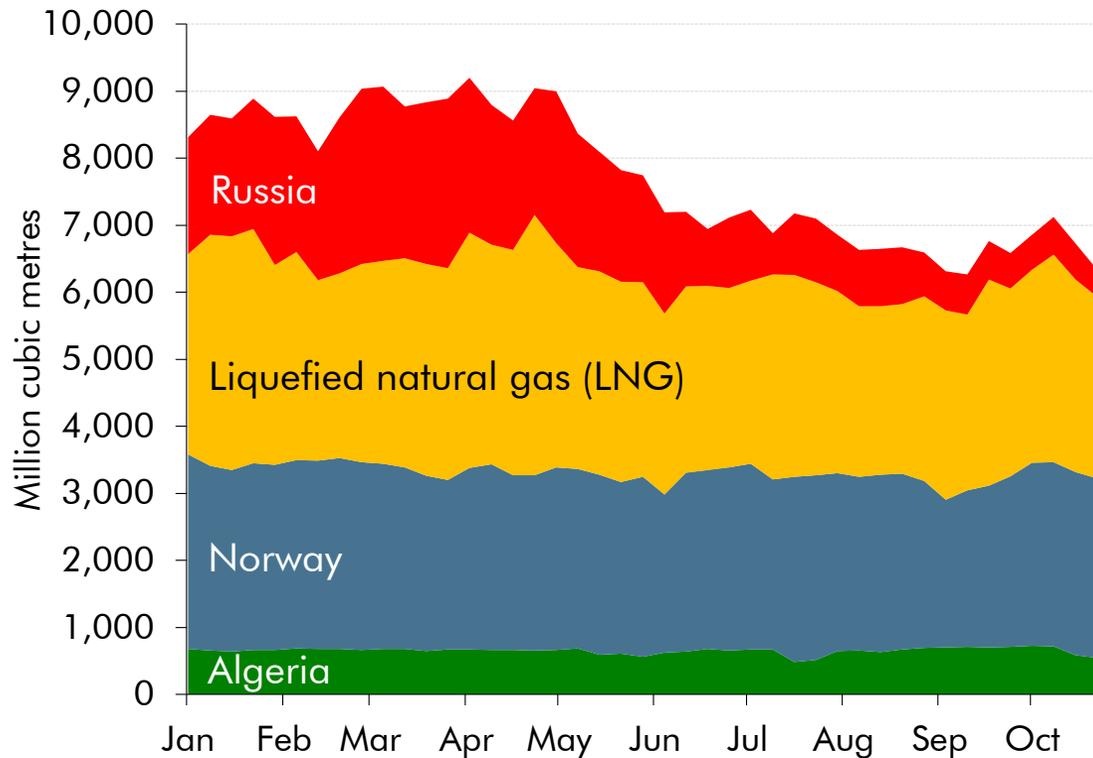
London  
17 November 2022

# Background

- **Thanks to staff from OBR, HMT, & across government**
- **Forecast prepared amid extraordinary volatility & uncertainty**
- **Means that *EFO* document is shorter than usual at 63 pages**
- **More numbers, charts, and tables are available online**
- **All judgements, analysis & scenarios are our own**

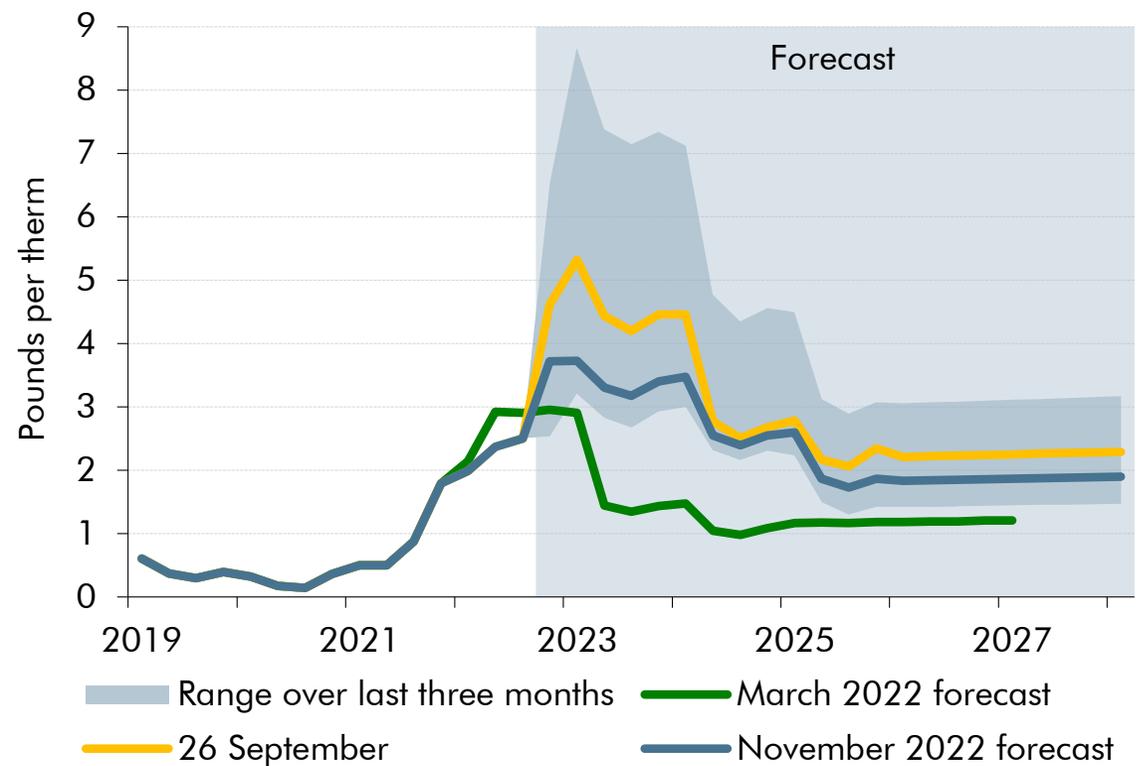
# Energy market developments since March

## EU and UK gas imports by source (2022)



Source: Bruegel.org

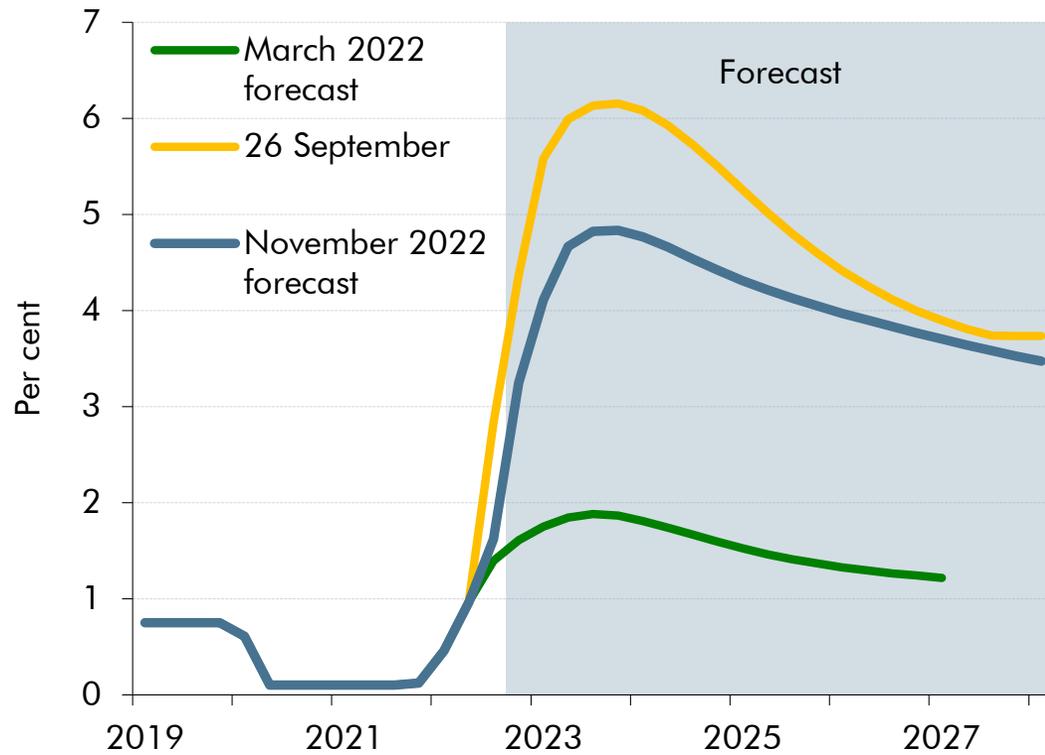
## Gas prices



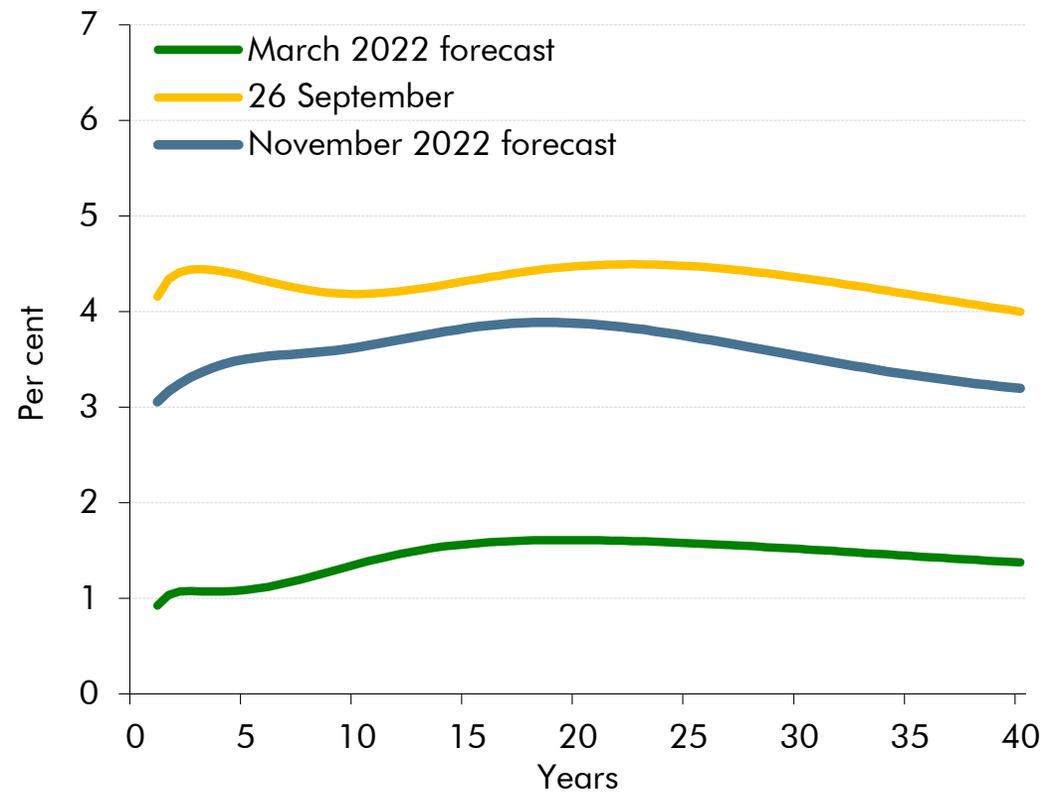
Source: Datastream, OBR

# Interest rate developments since March

## Bank Rate

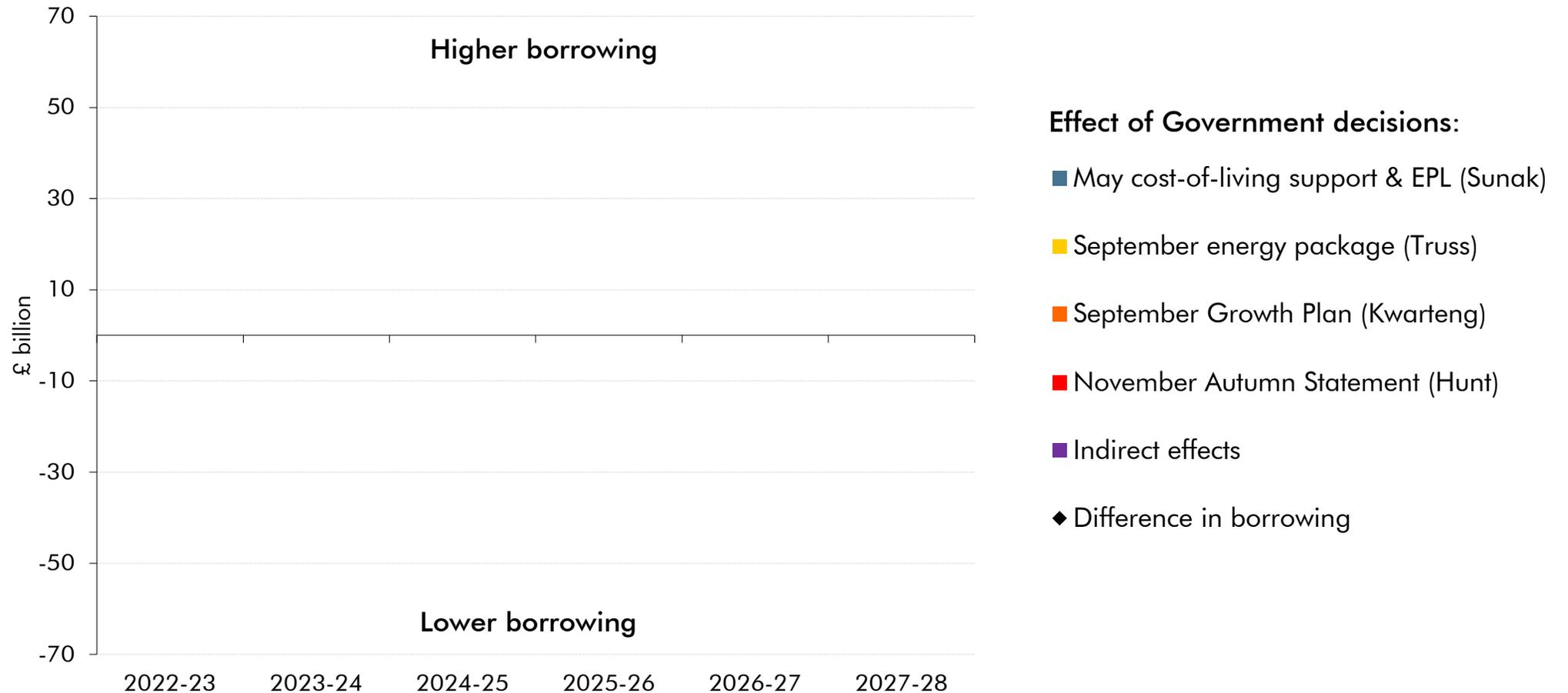


## Gilt yields by maturity



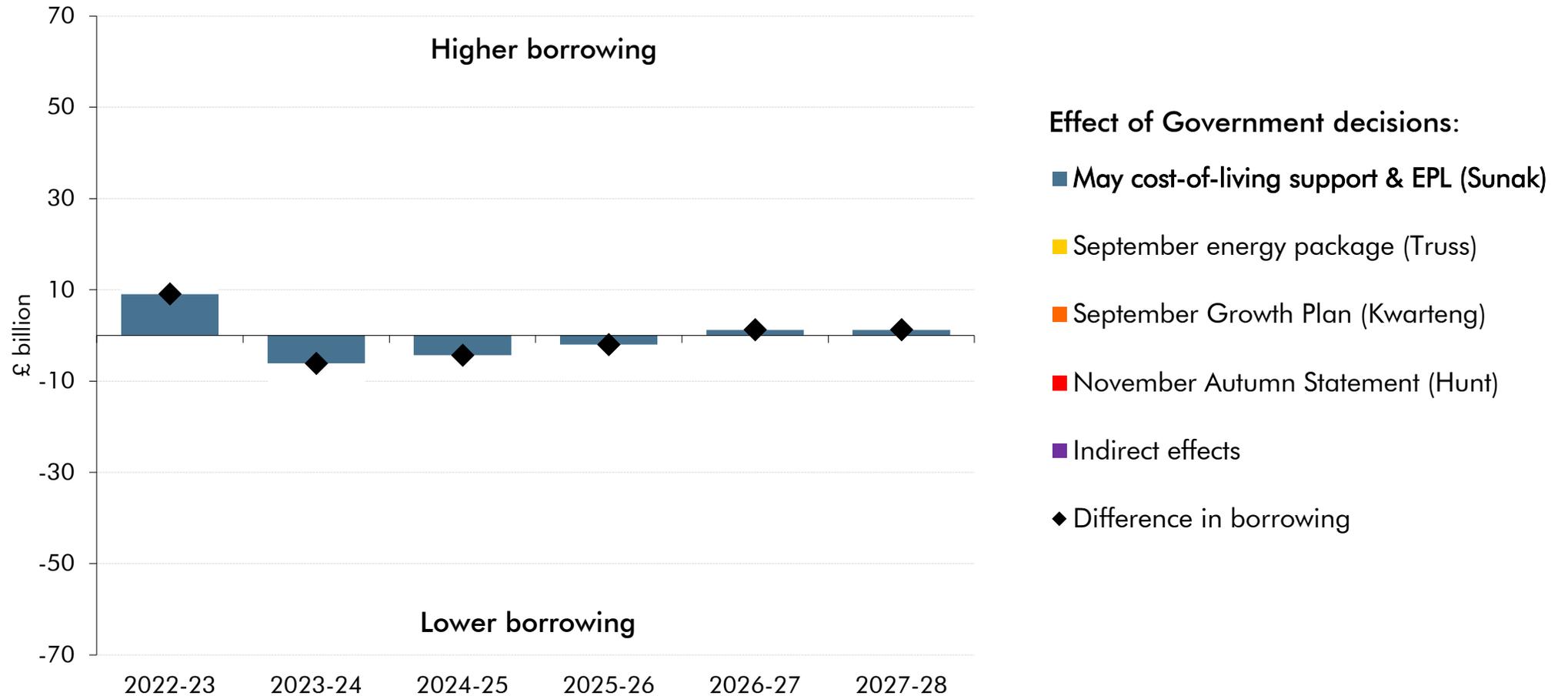
Source: Bank of England, Bloomberg, OBR

# Fiscal policy developments since March



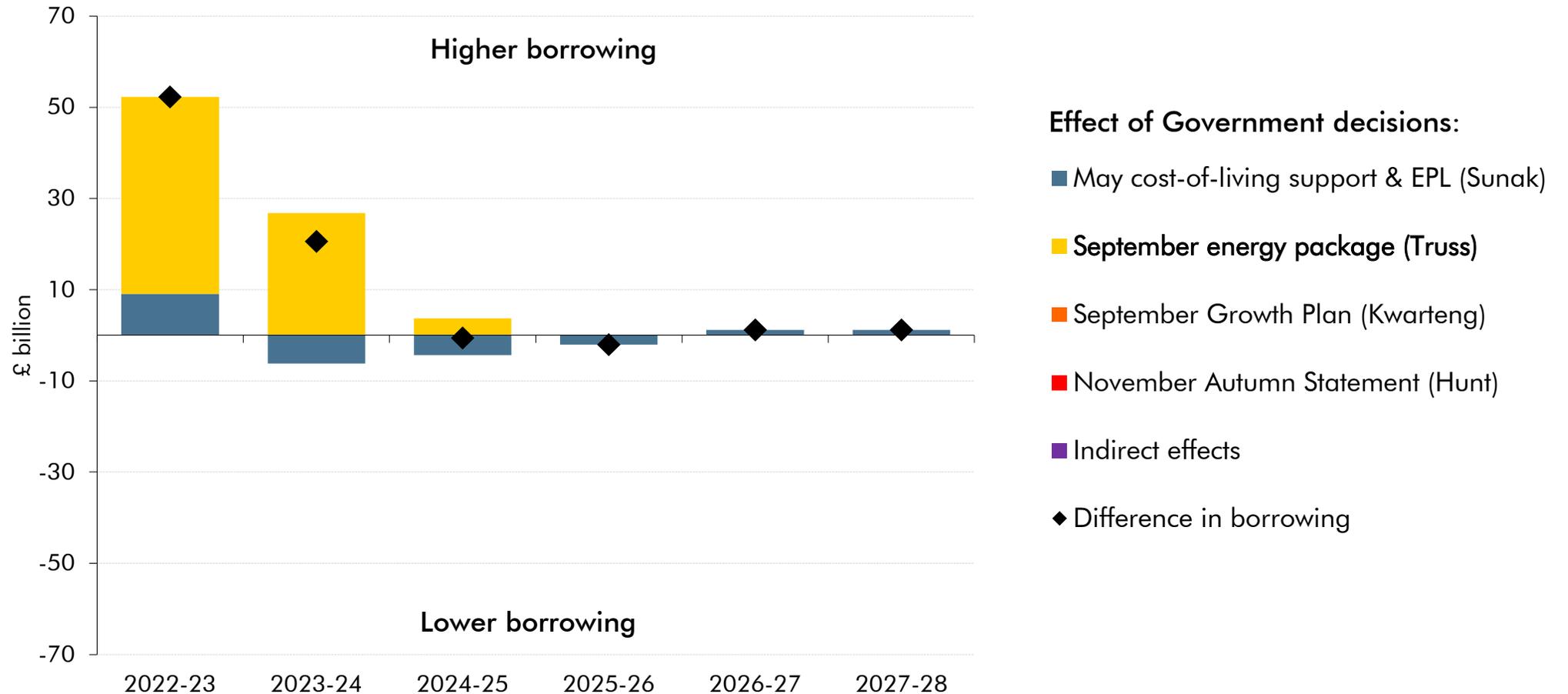
Source: ONS, OBR

# Fiscal policy developments since March



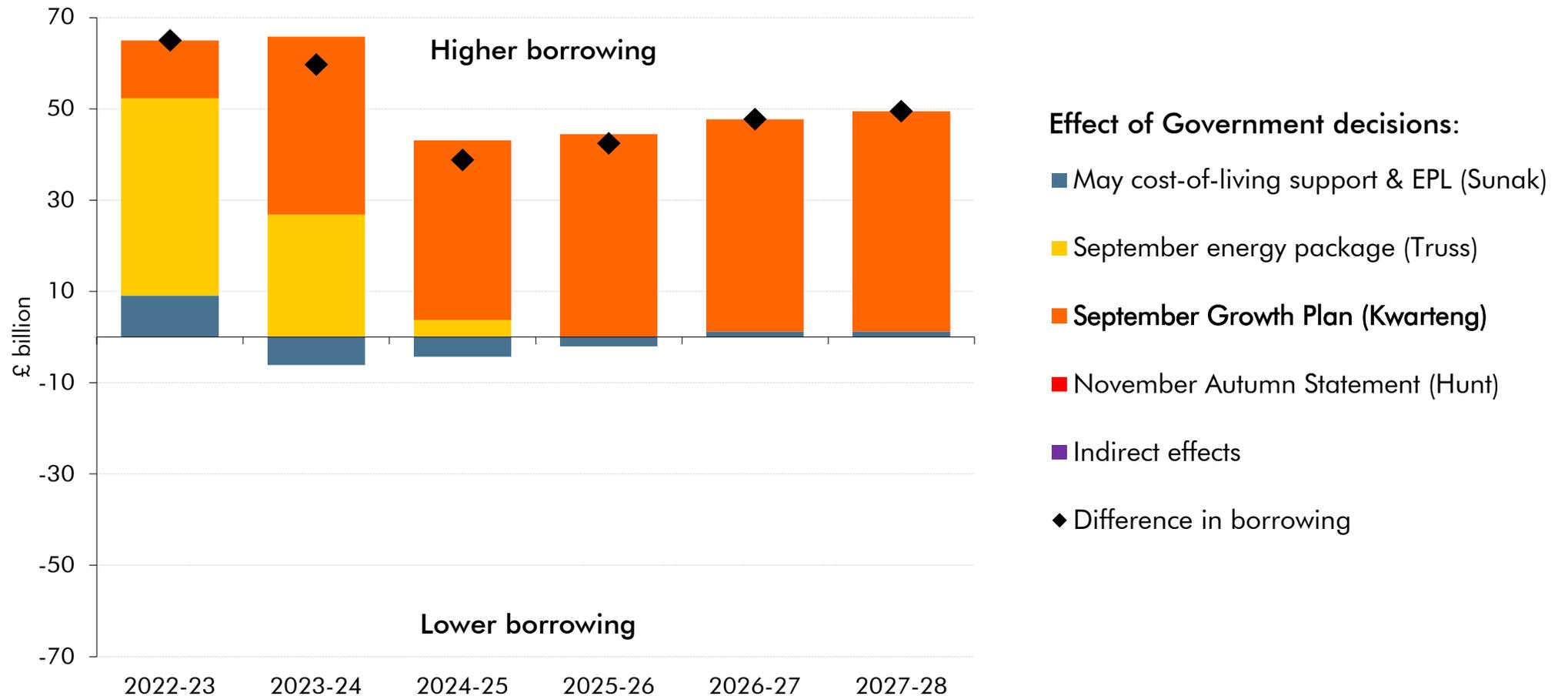
Source: ONS, OBR

# Fiscal policy developments since March



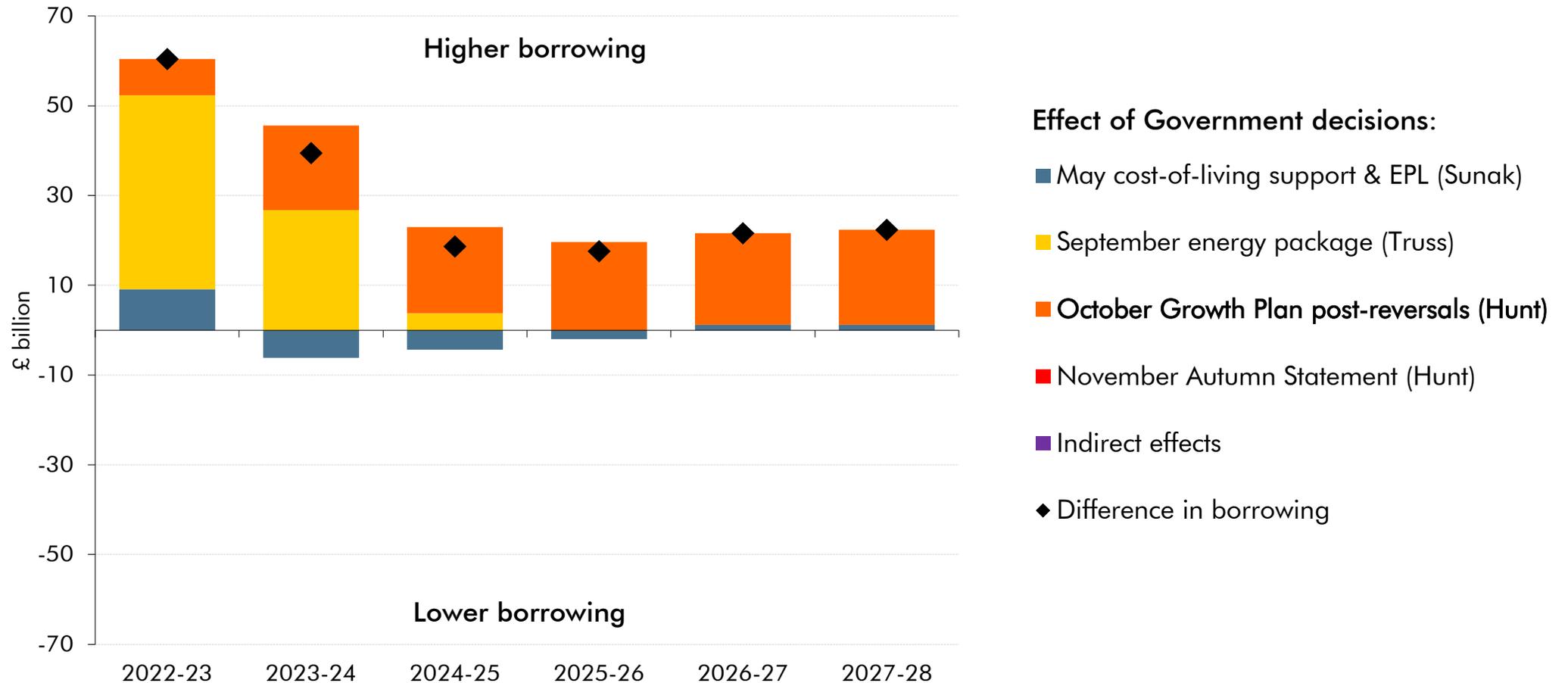
Source: ONS, OBR

# Fiscal policy developments since March



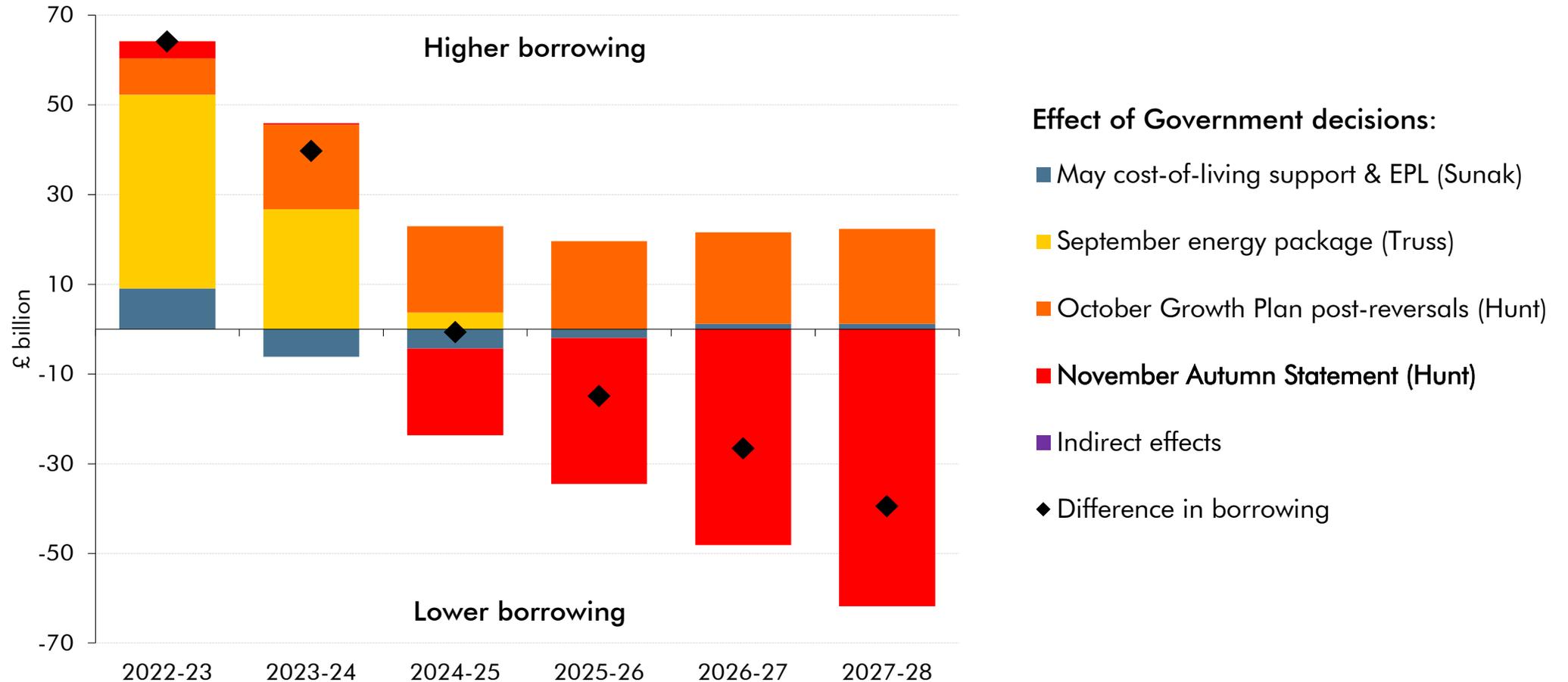
Source: ONS, OBR

# Fiscal policy developments since March



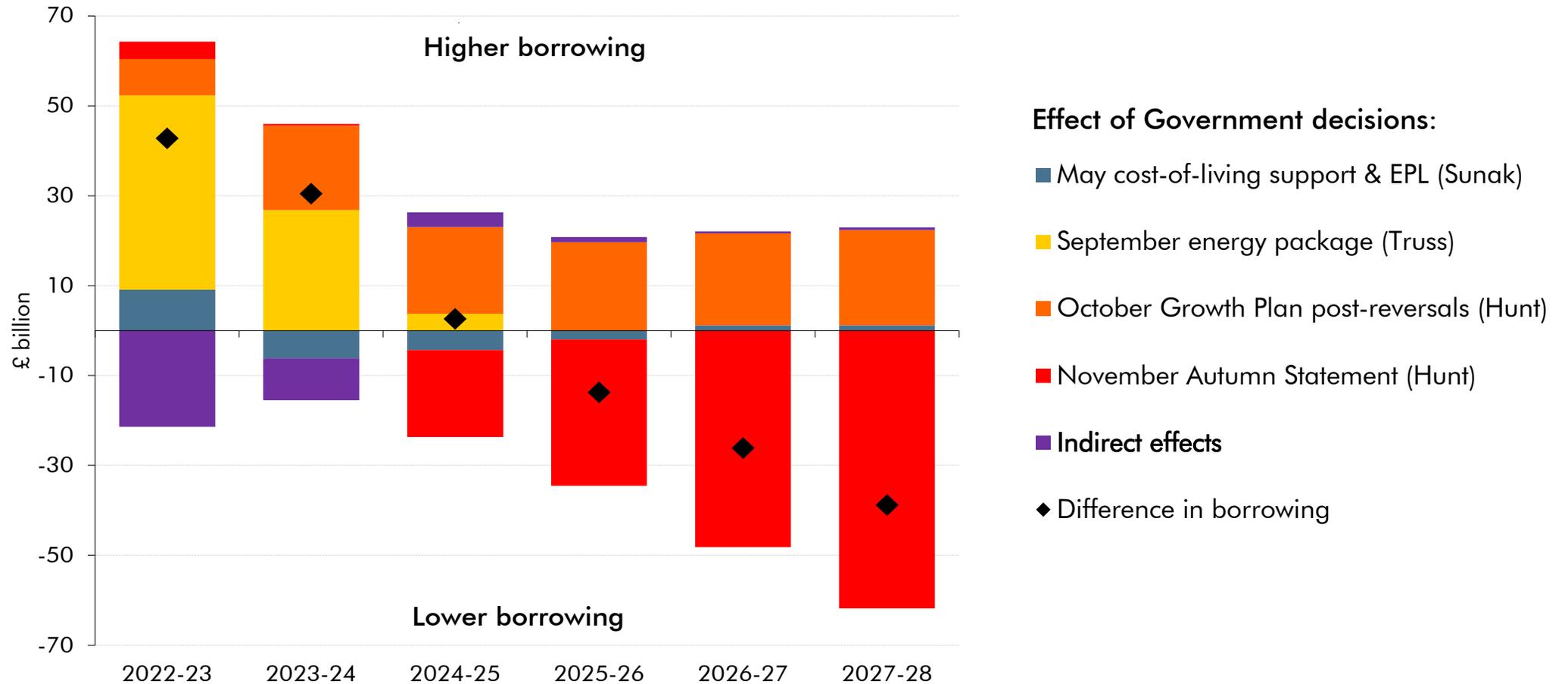
Source: ONS, OBR

# Fiscal policy developments since March



Source: ONS, OBR

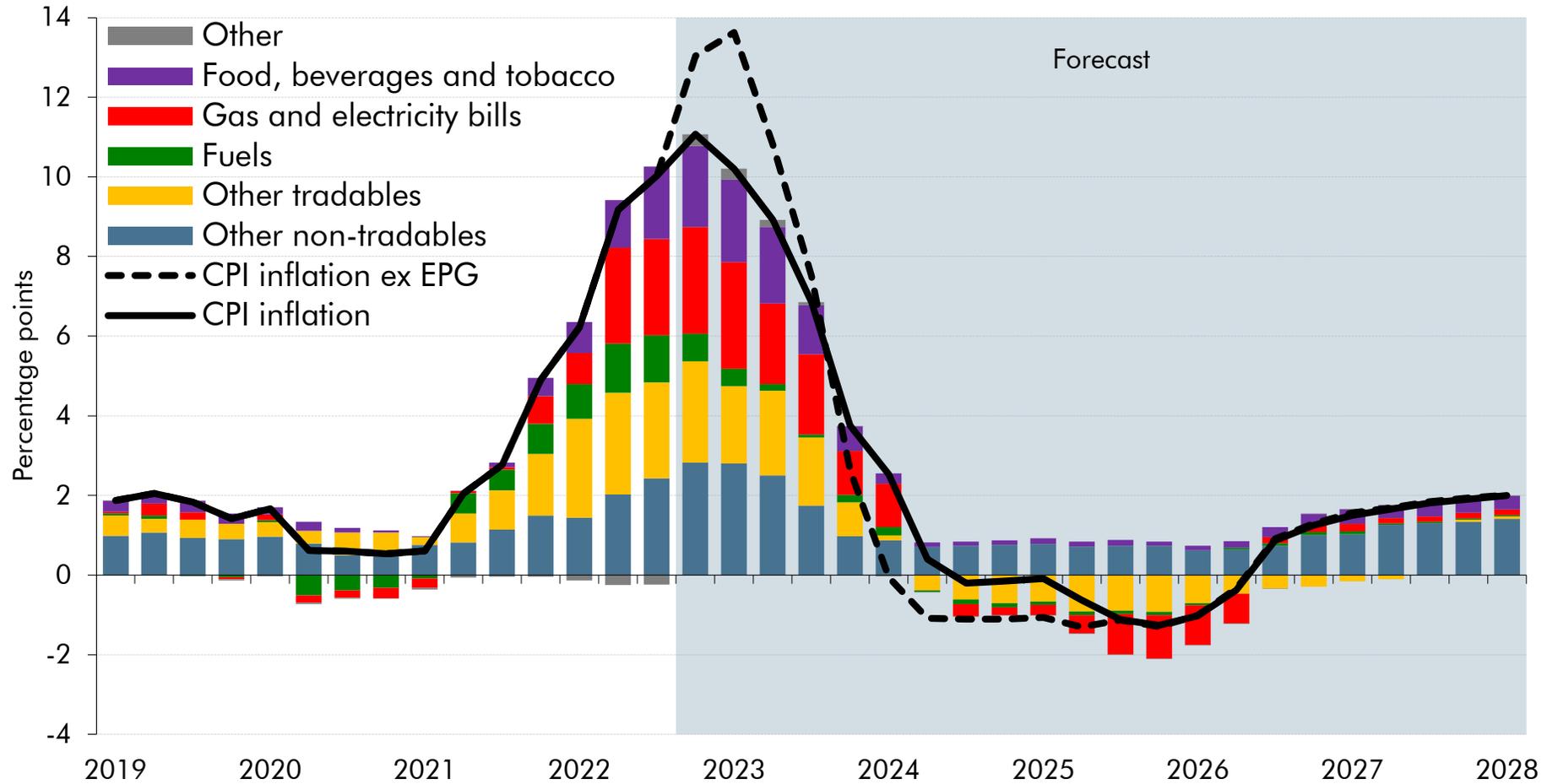
# Fiscal policy developments since March



Source: ONS, OBR

# Inflation

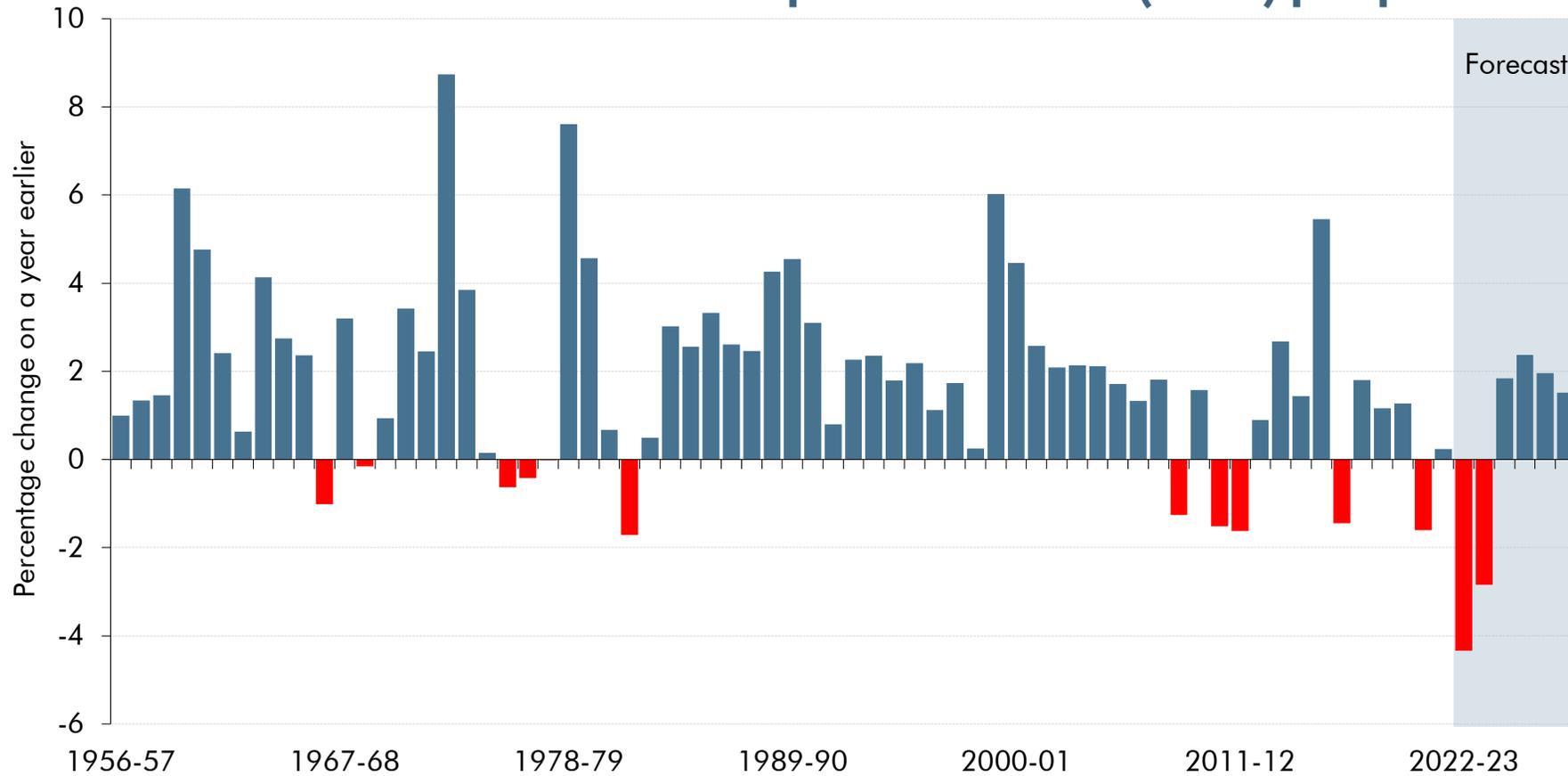
## Contributions to CPI inflation



Source: ONS, OBR

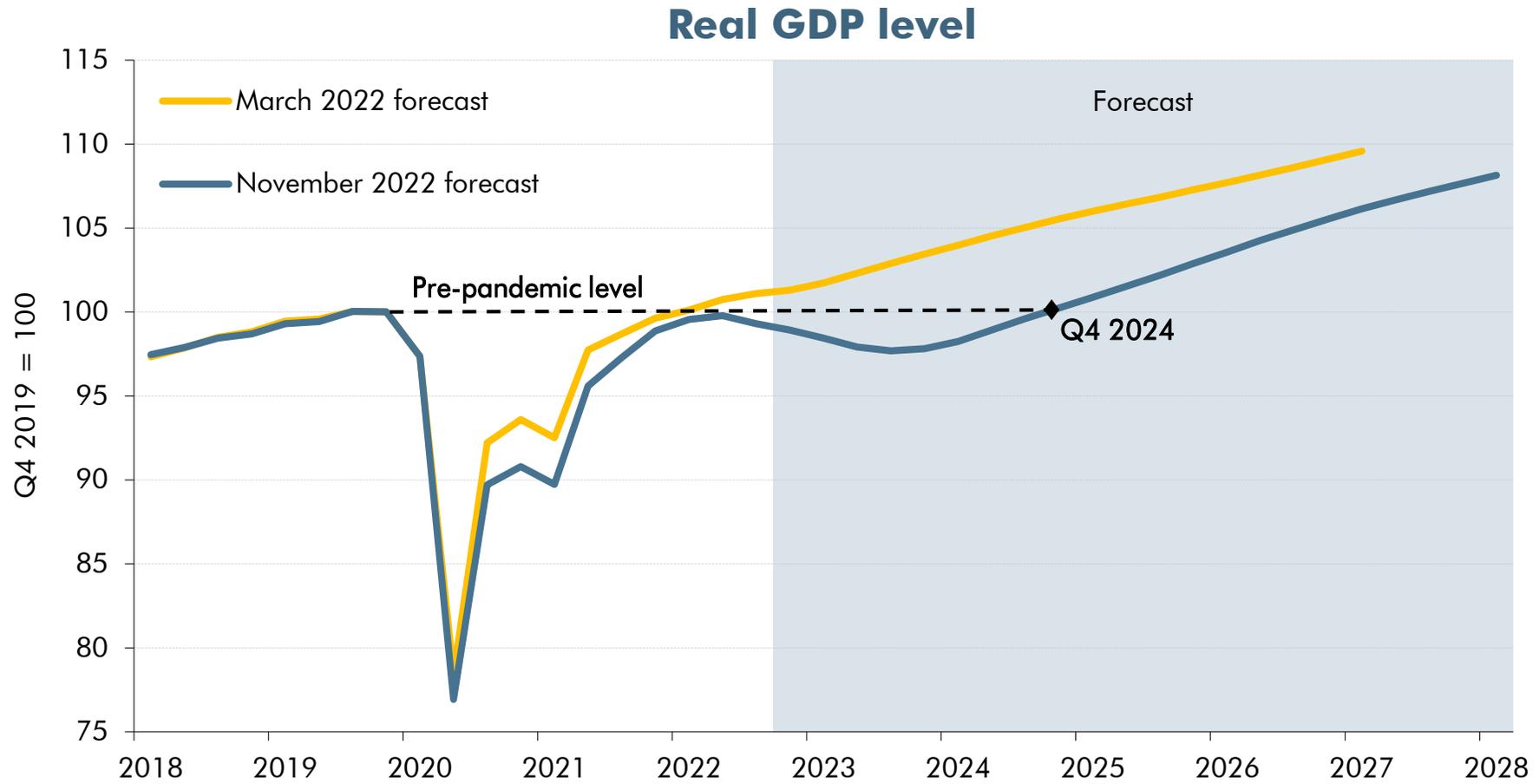
# Living standards

## Growth in real household disposable income (RHDI) per person



Source: ONS, OBR

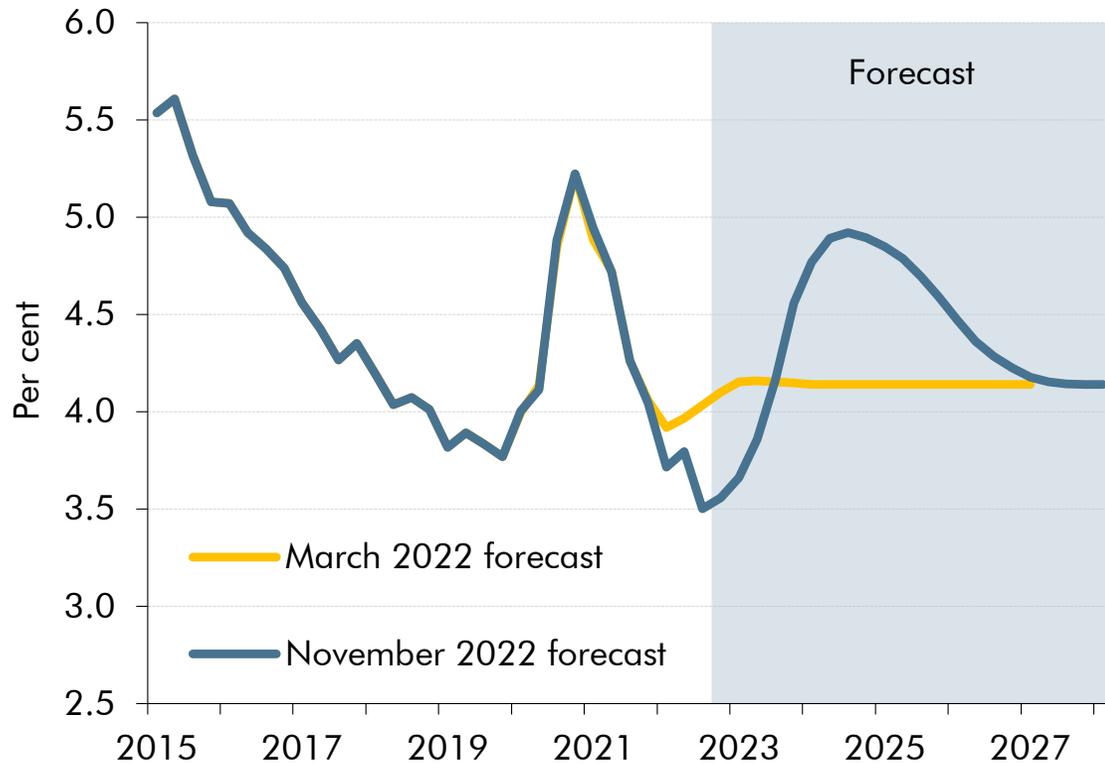
# GDP



Source: ONS, OBR

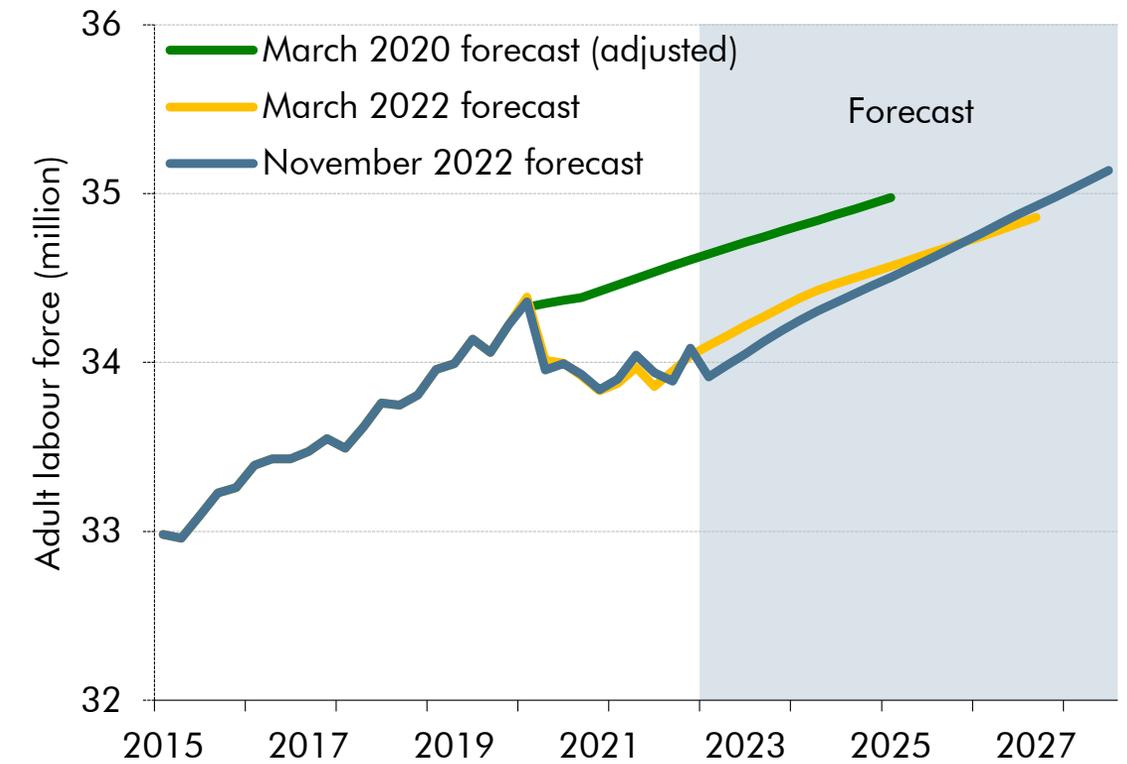
# Labour market

## Unemployment



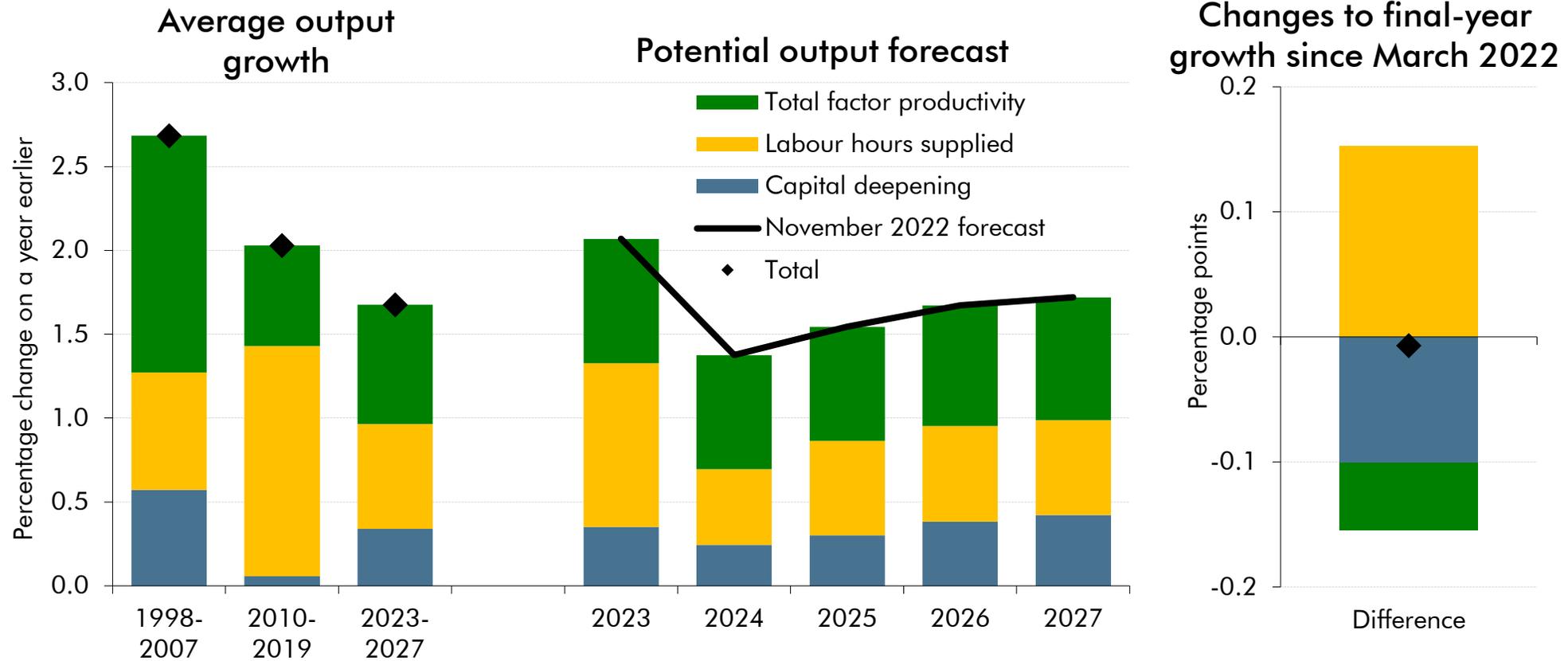
Source: ONS, OBR

## Labour force



Source: ONS, OBR

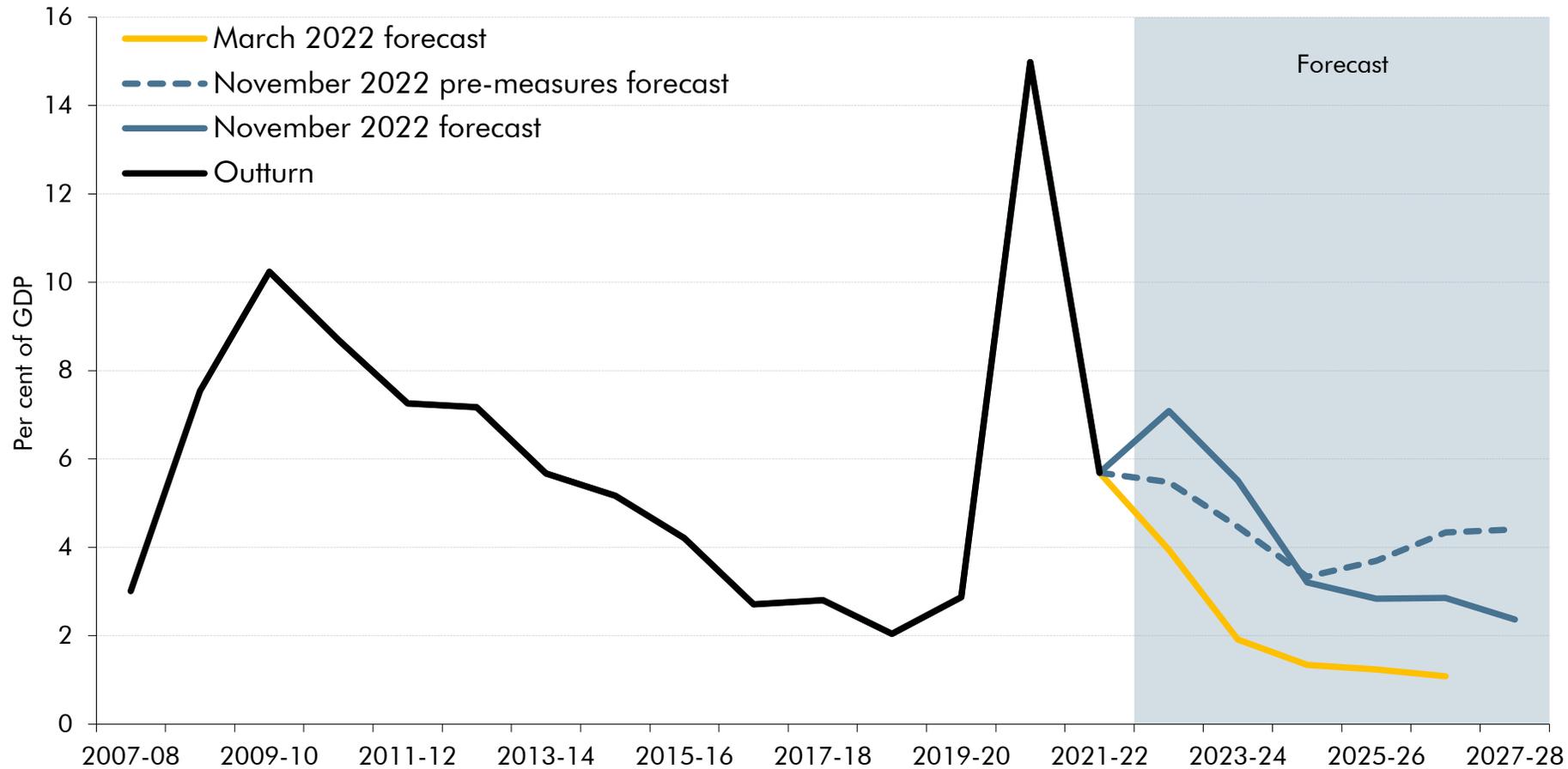
# Potential output growth



Source: ONS, OBR

# Government borrowing

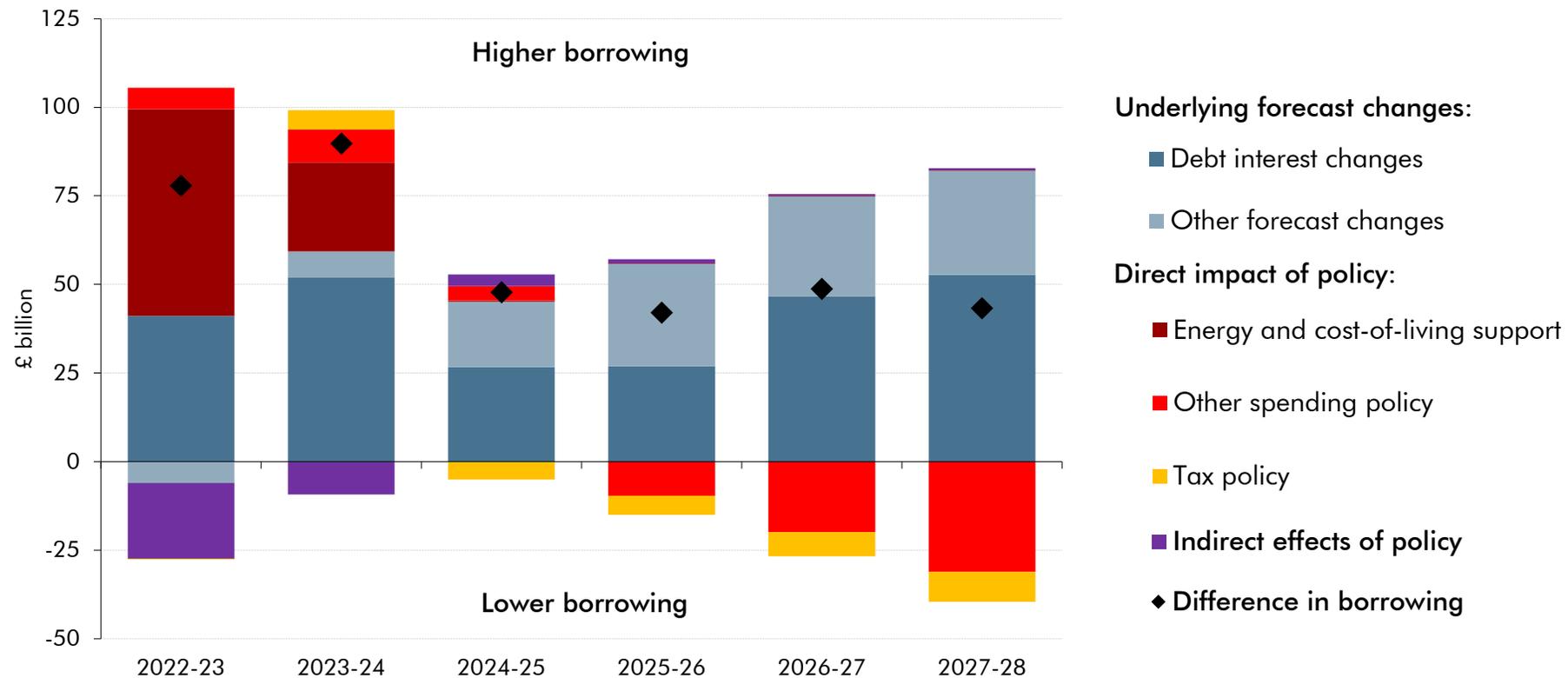
## Public sector net borrowing



Source: ONS, OBR

# Change in borrowing since March

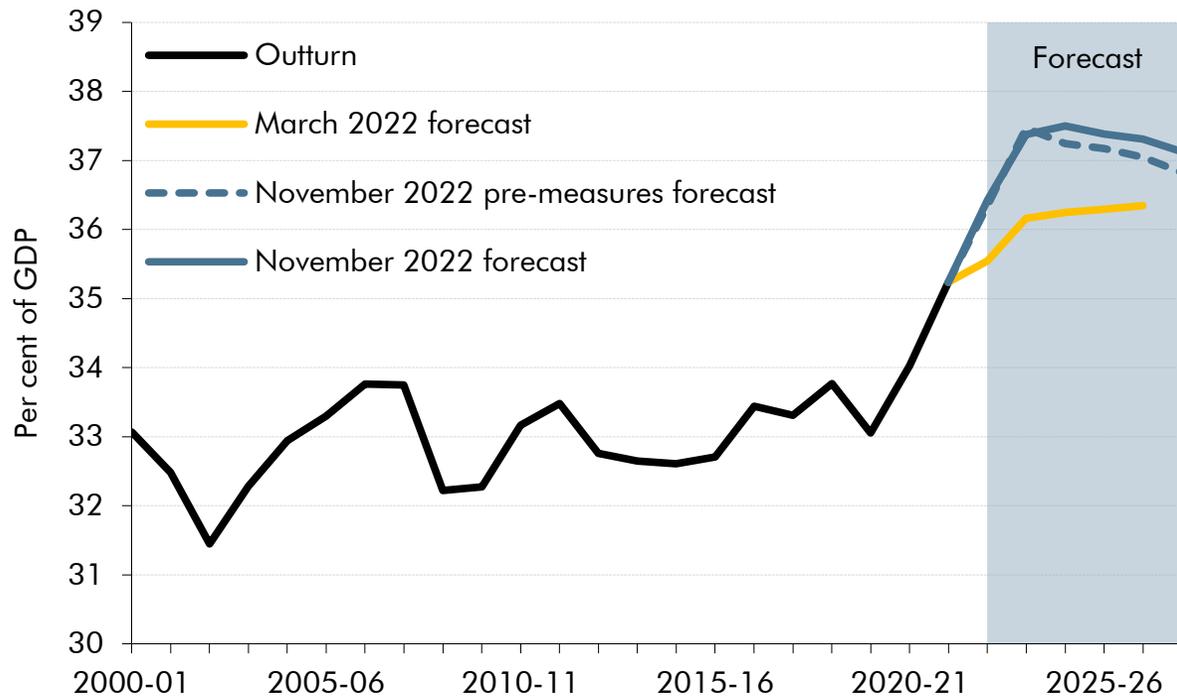
## Source of change in public sector net borrowing



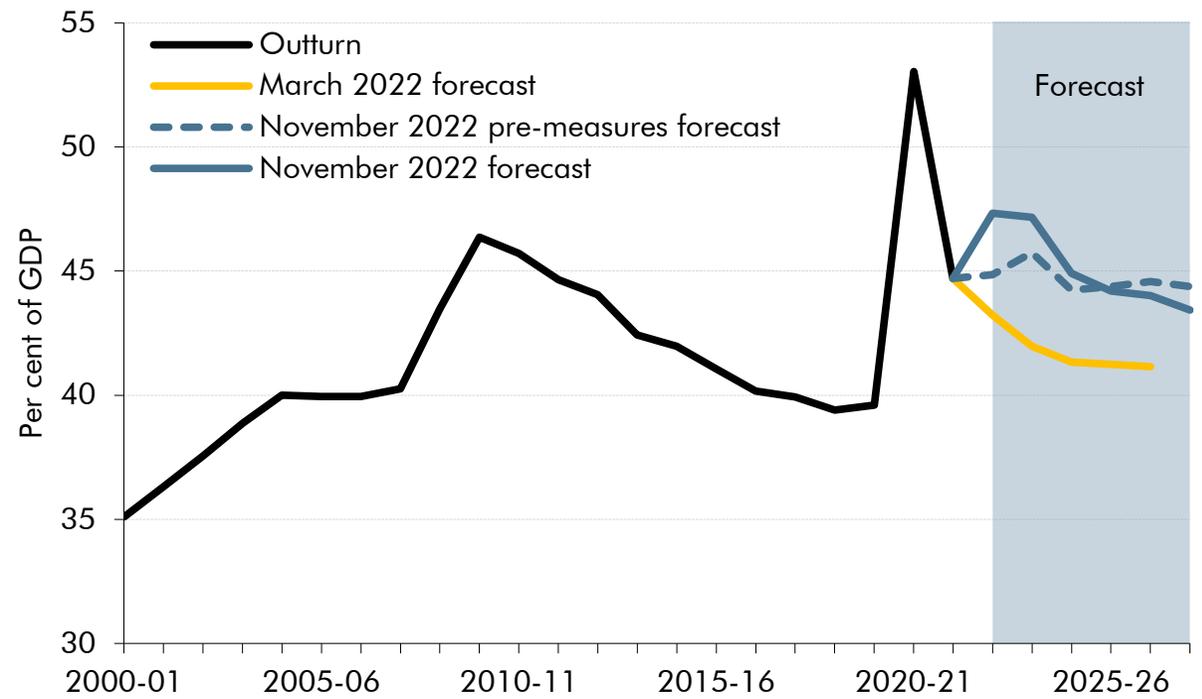
Note: The 2027-28 bar extrapolates our March forecast by growth in nominal GDP from 2026-27 to 2027-28.  
Source: ONS, OBR

# Tax and spending as a share of GDP

## Tax burden

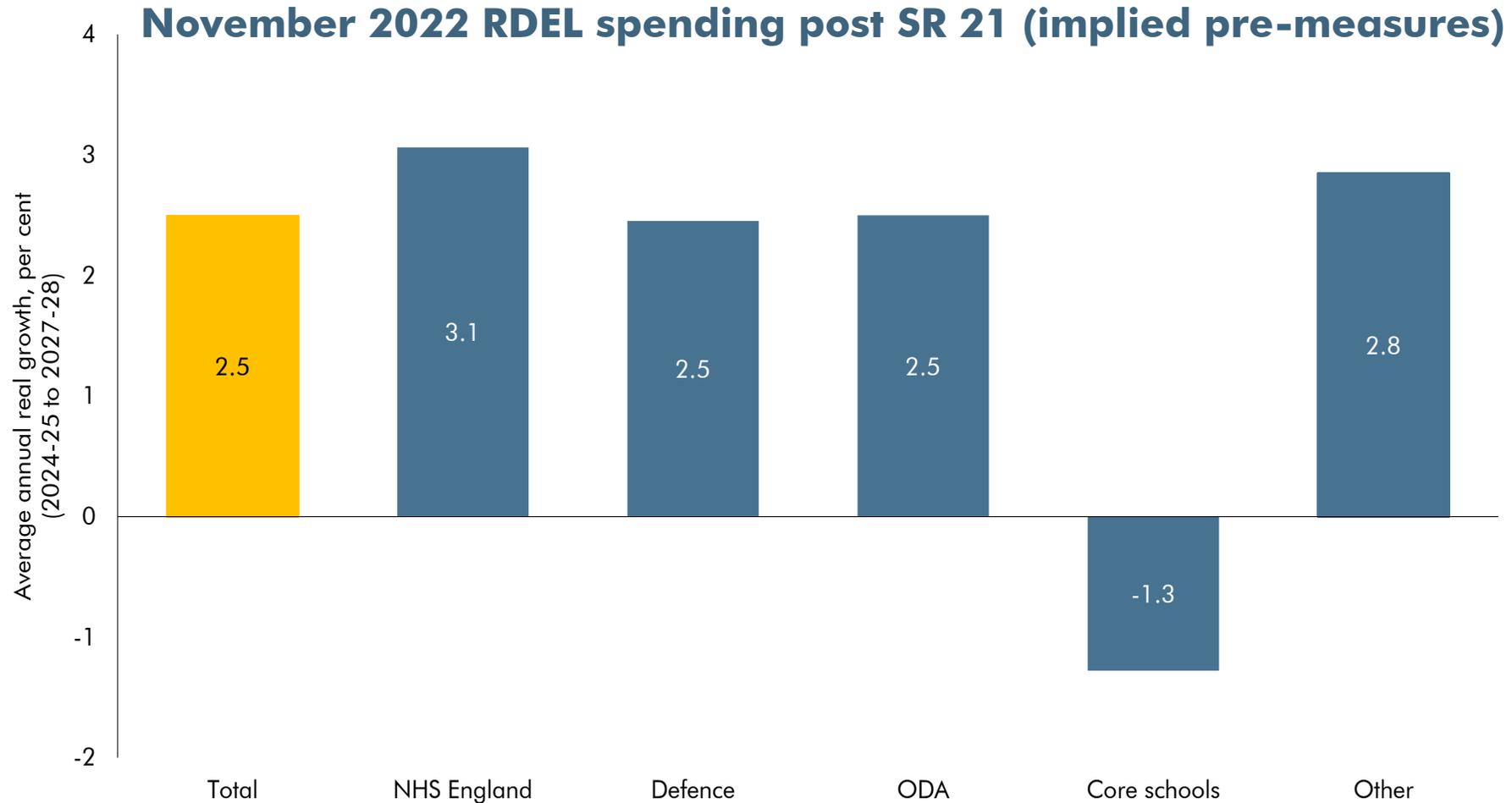


## Public spending



Source: ONS, OBR

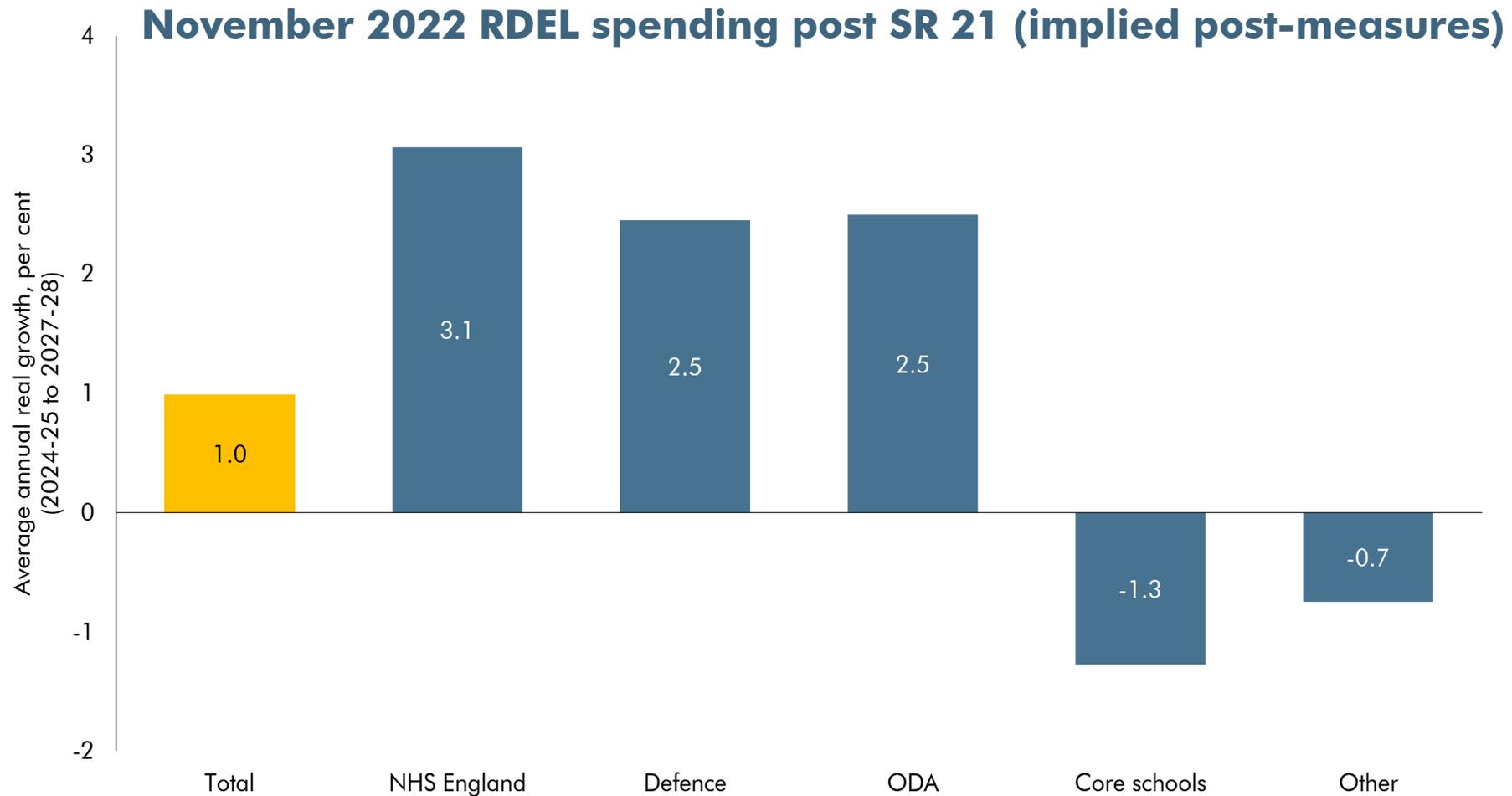
# Departmental resource DEL spending



Note: Chart shows RDEL excluding depreciation. 'Other' also excludes the Barnett consequential of NHS and core schools spending, which are not presented separately because their small size leads to large growth rates.

Source: HMT, OBR

# Departmental resource DEL spending

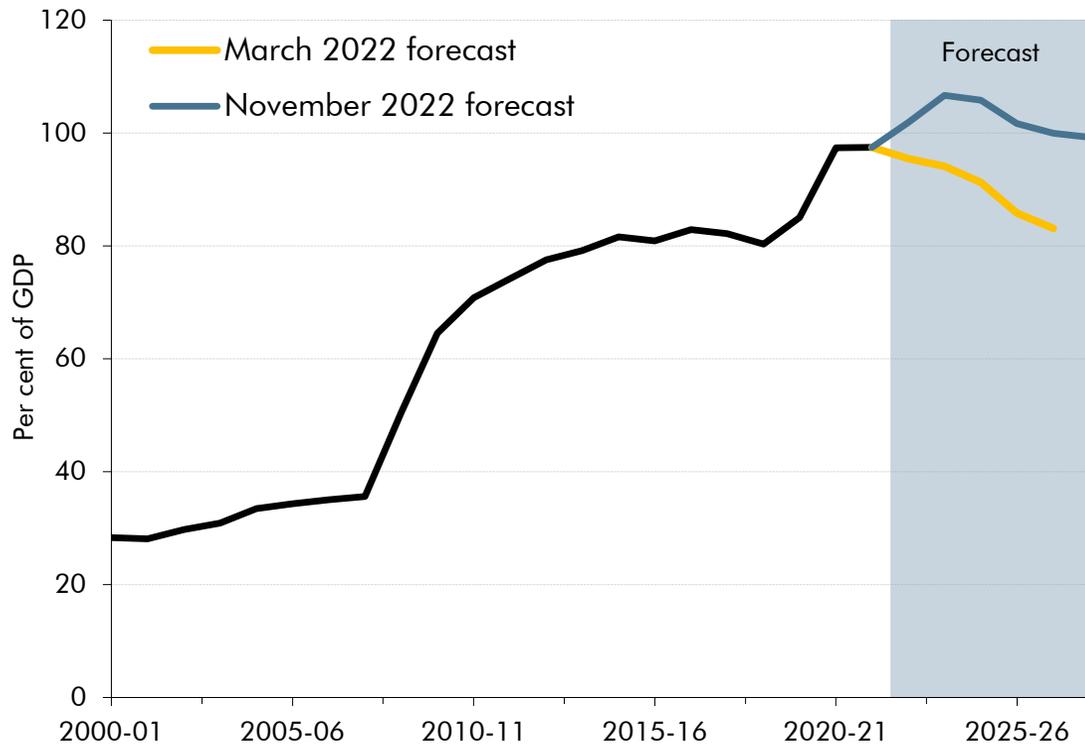


Note: Chart shows RDEL excluding depreciation. 'Other' also excludes the Barnett consequential of NHS and core schools spending, which are not presented separately because their small size leads to large growth rates.

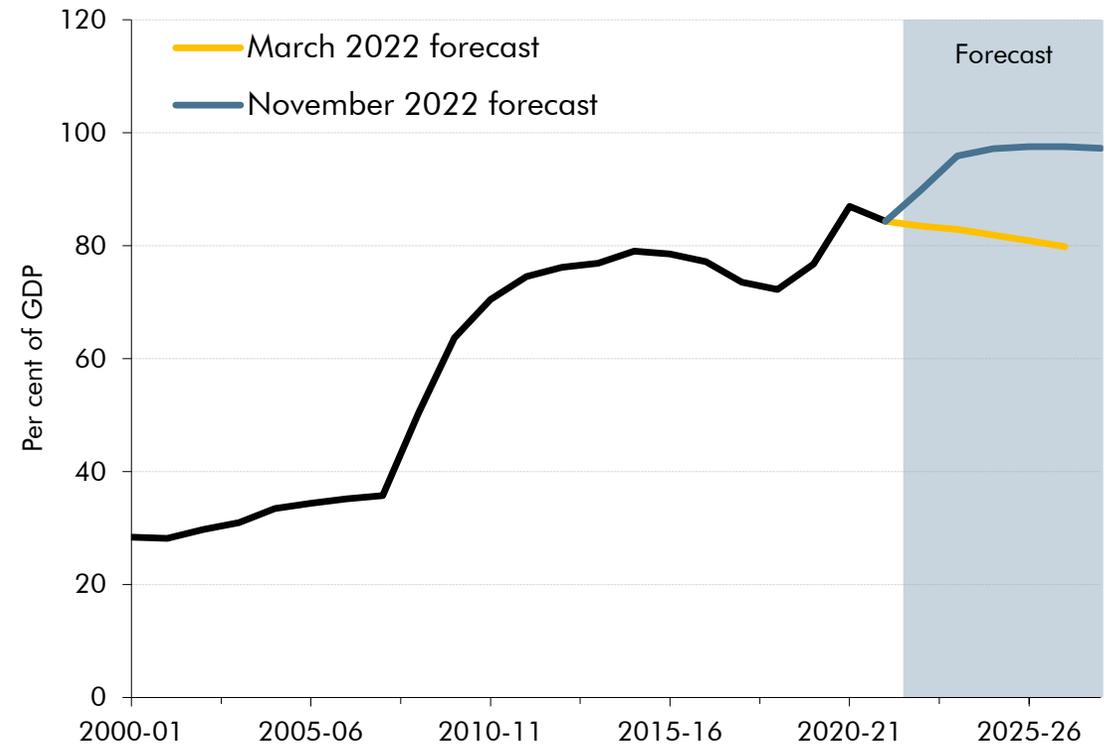
Source: HMT, OBR

# Government debt

## Public sector net debt



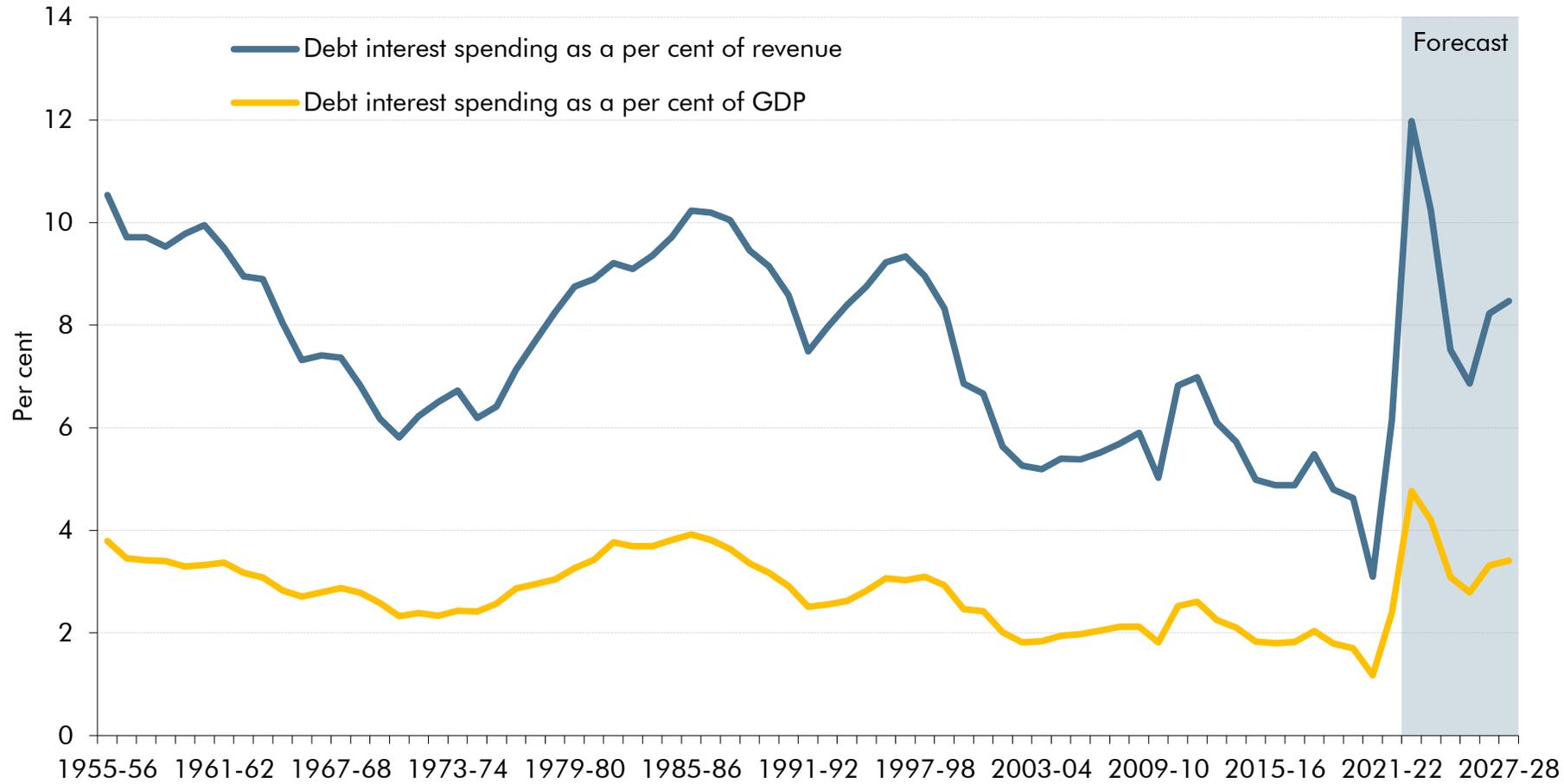
## Public sector net debt excluding BoE



Source: ONS, OBR

# Debt interest

## Public sector debt interest spending



Source: ONS, OBR

# Fiscal rules

Performance against the Government's fiscal targets

## Legislated targets

**Fiscal mandate:**  
underlying debt falls as a % of GDP in 2025-26

Mar 2022

Met by  
£28.1bn

Nov 2022

Missed by  
£11.4bn

**Supplementary target:**  
balanced current budget by 2025-26

Met by  
£36.2bn

Missed by  
£8.7bn

## Proposed targets

**Fiscal mandate:**  
underlying debt falls as a % of GDP in 2027-28

Met by  
£9.2bn

**Supplementary target:**  
borrowing below 3% of GDP in 2027-28

Met by  
£18.6bn

# Risks to the outlook

## Upside risks

- Faster end to Ukraine war
- Bigger fall in energy prices
- Smaller rise in inflation
- Smaller rise in interest rates
- Faster recovery in productivity

## Downside risks

- Longer war in Ukraine
- Cliff-edges in energy support
- More repeats to 'one-off' support
- Inflation pressures on departments
- April super-indexation of fuel duty

# Conclusion

- Rising inflation & interest rates to tip economy into recession lasting just over a year
- Inflation set to peak at 11% later this year, 2½% lower thanks to EPG
- Despite £100bn in govt support, living standards to fall 7% over the next two years
- £60bn in tax rises and spending cuts to arrest rise in debt by mid-2020s
- But still leaves debt stock £400bn higher than at the end of our March forecast
- And doubling of interest rates pushes debt interest burden to an all-time high
- Leaving public finances more vulnerable to shocks and shifts in market sentiment

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**Thank you for listening**

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**Slides and speaking notes are available on our website  
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**Please email us with any further questions  
[OBR.Enquiries@obr.uk](mailto:OBR.Enquiries@obr.uk)**