

November 2023 *Economic and fiscal outlook*

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

We've just published our latest economic and fiscal forecast. Here are five things you need to know:

- 1 The economy has proved more resilient to the shocks of the pandemic and the energy crisis than we expected back in March. But while our GDP forecast starts from a higher level, we now expect it to grow more slowly over the next five years, leaving real output only $\frac{1}{2}$ a percent higher by the late 2020s.
- 2 And while inflation is coming down, we expect it to be more persistent and more domestically driven than in March. This means interest rates are also expected to remain higher for longer to bring price rises under control.
- 3 Looking at what that means for the public finances compared to our March forecast:
 - Higher inflation helps to push up tax receipts by just under 60 billion pounds
 - But it also pushes up the cost of inflation-linked welfare benefits by 20 billion points
 - And higher interest rates raise the cost of servicing the government's debts by 15 billion pounds
 - But because the Chancellor leaves spending on public services largely unchanged, these underlying forecast changes mean borrowing is 27 billion pounds lower than we expected back in March
 - In his Autumn Statement, the Chancellor spends virtually all of this fiscal windfall on two big tax cuts:
 - a 2p cut in the basic rate of National Insurance for households,
 - and a permanent up-front tax write-off for business investment,
 - both of which deliver a modest boost to the supply side of the economy
 - So taking forecast and policy changes together, this leaves borrowing largely unchanged over the next 5 years compared to our March forecast.
- 4 Which means that even after these tax cuts, he is still on track to meet his fiscal target of getting debt falling as a share of GDP in five years' time – and with a bit more room to spare than in March thanks to the rolling nature of the target giving him an extra year to get there.
- 5 And while the tax cuts in this Autumn Statement reduce the tax burden by around $\frac{1}{2}$ a per cent of GDP, it still rises in each of the next 5 years to a post war high of 38 percent of GDP.

You can find out more in our November 2023 Economic and Fiscal Outlook.