



BUDGET 2020: ECONOMIC SUMMARY

HEADLINES:

- **OBR UK growth forecast downgraded for 2020 and 2020 but upgraded for 2021**
- **Inflation expected to move back to the 2% target by 2021**
- **Public sector borrowing £47.4 billion in 2019-20, £0.2bn lower than forecast**

BCC VIEW OF OBR ECONOMIC FORECAST

“Although their latest forecast does not account for the impact of Covid-19, the OBR’s updated economic outlook still indicates a subdued picture of the UK’s economic prospects over the near-term with growth expected to remain well below its long-run average throughout the forecast period. The OBR’s latest economic forecast also implies that UK growth will remain unbalanced with a continued reliance on the services sector and consumer spending to drive growth. In contrast, the contribution of business investment and net trade’s contribution to overall economic growth is forecast to remain underwhelming.

“The OBR has confirmed that the UK’s fiscal outlook is weaker than they expected in their previous forecast. If UK economic growth remains subdued, the UK’s ability to generate tax receipts may prove more of an uphill struggle than the OBR currently expects.”

Suren Thiru – BCC Head of Economics

KEY POINTS:*

1. **Economic growth:** The Office for Budget Responsibility (OBR) expects GDP growth for 2020 of 1.1 per cent, down from their previous forecast of 1.4 per cent published in March 2019. This is broadly in line with the latest BCC forecast of 1.0 per cent. The growth forecast for 2021 has been upgraded to 1.8 per cent (previously 1.6 per cent). Forecasted growth in 2022 has been downgraded to 1.8 per cent (from 1.6 per cent).
2. **Inflation:** The OBR expects CPI inflation to be 1.4 per cent in 2020 and 1.8 per cent in 2021, lower than its March 2019 forecast. CPI inflation is expected to move back to the Bank of England’s target of 2 per cent by 2021.
3. **Labour market:** The OBR now expects unemployment to reach 3.8 per cent in 2020 and in 2021. This is lower than their March 2019 forecast of 4.1 per cent in 2020 and 4.1 per cent in 2021.
4. **Fiscal Forecast:** The OBR now expects public-sector net borrowing to reach £47.4 billion in 2019-20. This is £0.2 billion lower than the restated OBR forecast of £47.6 billion for March 2019. Public sector net debt as a share of GDP is forecast to peak at 79.5 per cent in 2019-20, before falling to 75.2 per cent of GDP in 2024-25.
5. **Public spending:** Total public spending is expected to amount to around 37.7 per cent of GDP in 2019-20. Public spending has been forecast to total £886.8 billion in 2019-20, £6.0 billion higher than restated OBR forecast for March 2019 of £880.8 billion. Total public spending is now projected to increase to 38.5 per cent of GDP in 2024-25.

*BCC’s Q1 2020 Economic Forecast will be published on Monday 16 March