



BUDGET 2021: ECONOMIC SUMMARY

HEADLINES:

- **OBR UK GDP growth forecast downgraded for 2021 and 2023, but upgraded for 2022**
- **Marked upgrade to the outlook for the UK jobs market amid extension of furlough**
- **Public sector borrowing forecast to total £355 billion in 2020-21, lower than the November forecast**

BCC VIEW OF OBR ECONOMIC FORECAST

“The OBR’s central forecast provides a more upbeat outlook for the UK economy with the vaccine rollout expected to drive a faster recovery. Even with the mass vaccine rollout, the economic scarring already caused by the pandemic, including structural unemployment, rising private debt levels and weak investment, may mean that any recovery is slower than the OBR predicts.

“While the OBR highlights significant fiscal challenges, the chancellor should tread carefully in managing the future path of fiscal consolidation to avoid suffocating the recovery.”

Suren Thiru – BCC Head of Economics

KEY POINTS: *

1. **Economic growth:** The Office for Budget Responsibility (OBR) expects GDP growth for 2021 of 4.0 per cent, down from their previous forecast of 5.5 per cent published in November 2020. The growth forecast for 2022 has been upgraded to 7.3 per cent (previously 6.6 per cent). Forecasted growth in 2023 has been downgraded to 1.7 per cent (from 2.3 per cent). UK economic output is expected to return to pre-pandemic levels by mid-2022, six months earlier than previously forecast.
2. **Inflation:** The OBR expects CPI inflation to be 1.5 per cent in 2021 and 1.8 per cent in 2022, higher than its November 2020 forecast.
3. **Labour market:** The OBR now expects unemployment to reach 5.6 per cent across 2021 (peaking at 6.5 per cent in Q4) and 5.9 per cent in 2022. This is much lower than their November 2020 forecast of 6.8 per cent in 2021 and 6.5 per cent in 2022 and largely reflects the extension of the Job Retention Scheme to end of September.
4. **Fiscal Forecast:** The OBR now expects public-sector net borrowing to reach £354.6 billion in 2020-21. This is lower than the OBR forecast of £394 billion for November 2020. Public sector net debt as a share of GDP is forecast to peak at 109.7 per cent in 2023-24, before falling to 103.8 per cent of GDP in 2025-26.
5. **Public spending:** Total public spending is expected to amount to around 54.4 per cent of GDP in 2020-21 before decrease to 41.9 per cent of GDP in 2025-26.

*OBR central forecast