



CSR & AUTUMN BUDGET 2021: ECONOMIC SUMMARY

HEADLINES:

- OBR UK GDP growth forecast upgraded for 2021 and 2023, but downgraded for 2022
- Outlook for the UK labour market upgraded as CPI inflation is forecast to surge
- Public sector borrowing forecast to total £183 billion in 2021-22, lower than the March forecast

BCC VIEW OF OBR ECONOMIC FORECAST

"As expected, the OBR's latest forecasts provide a significantly more positive assessment of the UK's near-term growth prospects, compared to the March Budget. However, with acute staff and supply shortages and surging price pressures increasingly weighing on economic activity, the recovery may be slower than the OBR predicts."

"The downgrade to the OBR's near-term forecast for business investment is a key concern, as weak investment levels would limit the government's ambition for a sustainably high wage/high skill economy by stifling productivity."

"The stronger than anticipated growth over recent quarters and lower long-term economic scarring from Covid-19 has delivered a marked improvement to the UK's expected fiscal position. As such, there is scope for the future path of fiscal consolidation to be eased, 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 6.5 per cent, up from their previous forecast of 4.0 per cent published in March 2021. This is lower than the latest BCC forecast of 7.1 per cent. The growth forecast for 2022 has been downgraded to 6.0 per cent (previously 7.3 per cent). Forecasted growth in 2023 has been upgraded to 2.1 per cent (from 1.7 per cent).
2. **Inflation:** The OBR expects CPI inflation to be 2.3 per cent in 2021 and 4.0 per cent in 2022, higher than its March 2021 forecast.
3. **Labour market:** The OBR now expects unemployment to reach 4.9 per cent across 2021 (peaking at 5.2 per cent) and 4.8 per cent in 2022. This is lower than their March 2021 forecast of 5.6 per cent in 2021 and 5.9 per cent in 2022.
4. **Fiscal Forecast:** The OBR now expects public sector net borrowing to reach £183.0 billion in 2021-22. This is lower than the OBR forecast of £233.9 billion for March 2021. Public sector net debt as a share of GDP is forecast to peak at 98.2 per cent in 2021-22, before falling to 88.0 per cent of GDP in 2026-27.
5. **Public spending:** Total public spending is expected to amount to around 45.1 per cent of GDP in 2020-21, before decreasing to 41.6 per cent of GDP in 2024-25.

*OBR central forecast