Coverage and process

• Five year forecasts, plus progress against targets

• Independent BRC responsible for conclusions

• Pre-measures forecast sent to Chancellor on 27 February and met him to discuss it on 5 March

• Forecast process less challenging than October, but
  – Spring Statement date finalised well after 10-week deadline
  – Some outstanding queries with DWP on disability benefits
Outline and key points

• **Underlying outlook for public finances improves**
  - GDP growth weaker in near term, but medium-term view unchanged
  - January tax receipts beat expectations, which pushes through the forecast
  - Lower market interest rates reduce debt interest spending forecast
  - Pre-measures deficit revised down £3bn this year rising to £8bn in 2023-24

• **Small fiscal giveaway, but most of the good news banked**
  - Sixth successive fiscal giveaway, but small: rises to £2.1bn by 2023-24
  - Mostly higher departmental spending limits to protect real terms plans
  - Leaves bigger margin against mandate, but budget balance still challenging

• **Forecast assumes an orderly departure from the EU**
Quarterly changes in real GDP

Percentage change on a quarter earlier

- October 2018
- Latest
Quarterly changes in real GDP

Percentage change on a quarter earlier

October 2018

Latest
Output gap

October forecast
March forecast

Per cent

-5 -4 -3 -2 -1 0 1 2 3

Annual changes in real GDP

[Graph showing annual changes in real GDP from 2013 to 2023, with two lines representing October and March data.]
Annual changes in real GDP

Per cent


October
March
Annual changes in real GDP
Real GDP since Brexit vote

- March 2016
- November 2016
- Outturn
Real GDP since Brexit vote

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Real GDP since Brexit vote

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Revisions to labour income and NGDP

Average earnings growth
Employment growth
Nominal GDP
Labour income
Revisions to labour income and NGDP

Average earnings growth
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Revisions to labour income and NGDP

Average earnings growth
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Percentage points

2018  2019  2020  2021  2022  2023
Market-based interest rate assumptions

Bank Rate

October forecast
March forecast

20-year Gilt yields

October forecast
March forecast
Oil prices and inflation

Sterling oil prices

RPI inflation

£ per barrel

Per cent

October forecast

March forecast

2007 2011 2015 2019 2023

2007 2011 2015 2019 2023
The budget deficit: 2018-19 vs 2017-18
The budget deficit: 2018-19 vs 2017-18

March forecast for 2018-19
## The budget deficit: 2018-19 pre-measures

<table>
<thead>
<tr>
<th></th>
<th>£ billion</th>
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</thead>
<tbody>
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<td>October</td>
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</tr>
<tr>
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Revisions to the budget deficit forecast

![Graph showing revisions to the budget deficit forecast from 2018-19 to 2023-24. The orange line represents the October forecast, which shows a peak in 2019-20 followed by a decline. The blue line represents March pre-measures, which stays relatively flat compared to the October forecast.](image-url)
Revisions to the budget deficit forecast

- October forecast
- March pre-measures

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<td>25</td>
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<td>20</td>
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<td>15</td>
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<tr>
<td>2023-24</td>
<td>10</td>
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Revisions to the budget deficit forecast

![Graph showing revisions to the budget deficit forecast from 2018-19 to 2023-24. The forecast includes Income tax and NICs, Other taxes, Debt interest, Other spending, and PSNB. The y-axis represents £ billion, and the x-axis represents years from 2018-19 to 2023-24. The graph shows a decrease in the deficit over the years.]
Revisions to the budget deficit forecast

- Income tax and NICs
- Other taxes
- Debt interest
- Other spending

- PSNB

£ billion

Revisions to the budget deficit forecast

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<td>-4.5</td>
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<td>2019-20</td>
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<td>2020-21</td>
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<td>-10.0</td>
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Revisions to the budget deficit forecast

- Income tax and NICs
- Other taxes
- Debt interest
- Other spending

PSNB

£ billion

10
8
6
4
2
0
-2
-4
-6
-8
-10
-12

Revisions to the budget deficit forecast

Income tax and NICs
Other taxes
Debt interest
Other spending
PSNB

£ billion

Pre-measures deficit revisions since 2010

Per cent of GDP

-1.5
-1.0
-0.5
0.0
0.5
1.0
1.5
2.0


Debt interest
Other spending
Receipts
Underlying change
Revisions to the budget deficit forecast

- October forecast
- March pre-measures
- March post-measures

£ billion

<table>
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<tr>
<th>Year</th>
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<th>March pre-measures</th>
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Revisions to the budget deficit forecast

- October forecast
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£ billion

The impact of policy measures on the deficit
The impact of policy measures on the deficit

- Indirect effects
- Other measures
- Departmental spending
- Total effect of Government decisions

£ billion

The impact of policy measures on the deficit

![Graph showing the impact of policy measures on the deficit from 2018-19 to 2023-24. The graph includes categories for Indirect effects, Other measures, Departmental spending, and the Total effect of Government decisions. The values are expressed in £ billion.]
The impact of policy measures on the deficit

<table>
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Forecast changes and policy changes

- Underlying forecast changes
- Government decisions

Per cent of GDP
The Government’s targets

Fiscal mandate:  
structural deficit below 2% of GDP in 2020-21

Supplementary target:  
debt falls as % GDP in 2020-21

Welfare cap:  
spending below cash limit in 2022-23

Fiscal objective:  
balance budget by middle of next decade

[Check marks and X marks]
The fiscal mandate

Per cent of GDP

October
March pre measures
March

The fiscal mandate

-4 -2 0 2 4 6 8 10

October ••• March pre measures •• March

Per cent of GDP

The fiscal mandate

Per cent of GDP

-4 -2 0 2 4 6 8 10


October ···· March pre measures ····· March
The fiscal mandate

![Graph showing fiscal mandate and structural deficit per cent of GDP from 2018-19 to 2023-24.](chart)

- **Deficit**
  - Decreasing from 2018-19 to 2020-21, then remaining relatively stable.

- **Structural deficit**
  - Decreasing from 2018-19 to 2020-21, then increasing thereafter.
The fiscal mandate

Target: structural deficit <2% of GDP in 2020-21

- 0.8% of GDP deficit implies a 75 per cent probability of being met
Supplementary target: net debt
Supplementary target: net debt

Debt falls 3.2% of GDP in 2020-21
The fiscal objective

Target year 2025-26

Per cent of GDP

-4
-2
0
2
4
6
8
10


October

March pre measures

March
The fiscal objective

Target year 2025-26

Per cent of GDP


October

March pre measures

March
Risks and uncertainties

• EFO discusses many risks and uncertainties

• ‘No deal’ lessons from past scenario analysis
  – Range of possible outcomes large
  – Hit to potential more important than short-term shock
  – Fiscal impact of policy response important, but unknowable
Better accounting for student loans

- Difference £10.5bn
- Difference £13.6bn
Conclusion

• Not a full fiscal event, but not a non-event

• Forecasts assume a non-disruptive Brexit

• Near-term economic outlook weaker

• But outlook for public finances modestly improved

• Most of the proceeds banked, but some fiscal giveaway

• Wait to see how many Brexit clouds clear by next forecast