

BCC comments on OBR forecast November 2017

Commenting on the latest forecasts by the Office for Budget Responsibility, Suren Thiru, Head of Economics at the BCC, said:

“The downgrades to the OBR’s latest GDP forecasts are significant, and are now closer to our view that the UK economy is in a prolonged period of sub-par growth. Their projections confirm that consumer spending, a key driver of UK growth, is likely to remain under pressure over the next few years, with pay growth not expected to exceed price growth until 2019. The OBR’s latest outlook also confirms that the imbalances in the UK economy are likely to remain in place for the foreseeable future. Business investment is forecast to be much weaker than in the OBR’s March outlook, and net trade’s contribution to overall UK growth is expected to remain limited.

“The downgrades to the OBR’s projections for productivity highlight the deep-rooted structural problems in our economy – from skills shortages, to infrastructure bottlenecks – that continue to undermine the UK’s long-term growth prospects.

“On the public finances, it is encouraging that government borrowing for this financial year is now expected to be lower than in their previous forecast. However, over the next few years the pressure on the UK’s fiscal position is likely to increase by more than the OBR is currently predicting, in the face of subdued growth and weak productivity. In order to make sustained progress in cutting the deficit, more needs to be done to deliver the type of economic growth needed to achieve a real strengthening and widening of the UK’s tax base.

“We welcome a number of policy announcements made in today’s Budget that will help overcome some of these critical issues. The government will need to be more radical in supporting investment and growth as the Brexit transition becomes clearer.”

Ends

Notes to editors:

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