

Public borrowing forecasts were far too gloomy

Yesterday we got news that the total net borrowing of the public sector was £42.6bn. This compares with the March 2017 budget forecast of £58.3bn. So the result was £15.7bn or 27% lower than forecast.

This reflects the general gloomy bias of official forecasts. It does matter, because Ministers rely on these forecasts to make spending and tax decisions. If forecasts are unrealistically gloomy they can also adversely affect confidence and outlook.

The public sector net cash requirement was similarly overstated in the Budget estimates.

I understand the difficulty of getting these forecasts exactly right, but they should strive to offer realistic forecasts.