



SPRING STATEMENT 2022: ECONOMIC SUMMARY

HEADLINES:

- **OBR UK GDP growth forecasts downgraded amid growing domestic and global headwinds**
- **UK inflation is forecast to peak at close to 9% this year**
- **Fiscal outlook improves as public sector borrowing forecast to total £99.1 billion in 2022-23**

BCC VIEW OF OBR ECONOMIC FORECAST

“The OBR’s latest forecasts paint a bleak picture of the UK’s economic prospects over the near-term as the drag effect of rising inflation, supply chain disruption and higher taxes weakens key drivers of UK output.

“The robust forecast for business investment looks too optimistic with rising cost pressures, higher taxes and a deteriorating economic outlook likely to dampen investment intentions by more than the OBR’s latest projections suggest.

“The OBR has also confirmed that the UK’s fiscal outlook has improved since the Autumn Budget, despite a sharp uptick in debt interest payments. This leaves the Chancellor with more than enough fiscal headroom to better support households and businesses through this difficult period.”

Suren Thiru – BCC Head of Economics

KEY POINTS:

1. **Economic growth:** The Office for Budget Responsibility (OBR) expects GDP growth for 2022 of 3.8 per cent, down from their previous forecast of 6.0 per cent published in October 2021. This is slightly higher than the latest BCC forecast of 3.6 per cent. The growth forecast for 2023 has been downgraded to 1.8 per cent (previously 2.1 per cent). Forecasted growth in 2024 has been upgraded to 2.1 per cent (from 1.3 per cent).
2. **Inflation:** The OBR expects CPI inflation to be 7.4 per cent in 2022 (peaking at close to 9.0 per cent in Q4 2022) and 4.0 per cent in 2023, higher than its October 2021 forecast.
3. **Labour market:** The OBR now expects unemployment to reach 4.0 per cent across 2022 and 4.2 per cent in 2023. This is lower than their October 2021 forecast of 4.8 per cent in 2022 and 4.3 per cent in 2023.
4. **Fiscal Forecast:** The OBR now expects public sector net borrowing to reach £99.1 billion in 2022-23. This is lower than the OBR forecast of £183.0 billion in October 2021. Public sector net debt as a share of GDP is forecast to stand at 95.5 per cent in 2022-23, before falling to 83.1 per cent of GDP in 2026-27.
5. **Public spending:** Total public spending is expected to amount to around 43.2 per cent of GDP in 2022-23, before decreasing to 41.1 per cent of GDP in 2026-27.