

Shaun Bailey MP
 House of Commons
 (via email)

16 January 2024

Dear Mr Bailey,

Thank you for your letter regarding the claim made by the Shadow Chancellor, the Rt Hon Rachel Reeves MP, in her response to the Autumn Statement on 22 November 2023, that: “The economy is now forecast to be £40 billion smaller by 2027 than the Chancellor said back in March”.¹

The table below shows the Office for Budget Responsibility’s (OBR’s) March and November forecasts for real GDP in 2019 prices (ie adjusted for inflation)² and the difference between them. It shows that the OBR’s November forecast for the size of the economy in 2027 was around £10 billion larger than its March forecast (and roughly £11 billion larger in 2022 prices)³.

Real GDP Forecast (£bn)

	March forecast	November forecast	Difference
2021 outturn	2142.7	2176.2	33.5
2022 outturn	2229.4	2270.8	41.4
2023	2224.9	2283.4	58.5
2024	2264.7	2299.5	34.8
2025	2320.3	2331.2	10.9
2026	2369.7	2377.2	7.5
2027	2414.2	2423.9	9.7

Source: Office for Budget Responsibility

The Shadow Chancellor’s office explained that their figure was calculated by taking the cash size of the economy in 2022 reported in the OBR’s November forecast⁴, and then generating forecasts of real GDP in 2027 in 2022 prices by applying the real growth rates in the March and November forecasts and comparing the resulting figures. The figure was £2,715 billion using the March real growth rates and £2,678 billion using the November real growth rates (which the OBR had revised lower), leaving the economy £37 billion smaller in 2022 prices.

As commentators such as Ben Chu pointed out at the time, the OBR’s published forecasts for 2027 show an increase between March and November because the

¹ Autumn Statement, [Hansard](#), 2023

² From Table 1.1 of the Supplementary Economy Tables published with the OBR’s Economic and Fiscal Outlooks in [March](#) and [November](#) 2023

³ Using the OBR’s GDP deflators reported in Table 1.7, [November 2023](#)

⁴ Table 1.4, [November 2023](#)

Office for National Statistics revised up recent outturn estimates of GDP when it published its annual National Accounts Blue Book update in September 2023⁵. The table shows that by November the economy was thought to have been more than £40 billion larger in 2022 than appeared the case in March. By 2027 the upward revision to the starting level of GDP was still outweighing the impact of the downward revisions to the growth forecasts on the forecast level of GDP.

The average person in the street would not be able to square the Shadow Chancellor's statement with the OBR's published figures. In this instance brevity was a source of confusion and it would have been clearer and more accurate to have said that the economy was forecast to be around £40 billion smaller by 2027 than if it were still forecast to grow at the rates expected by the OBR in March.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sir Robert Chote', with a horizontal line underneath.

Sir Robert Chote
Chair

⁵ ONS: [Impact of Blue Book 2023 changes on gross domestic product](#), September 2023