# Another grim forecast

Synopsis: The National Institute for Economic and Social Research (NIESR) report, which says another difficult fiscal event is heading in the Chancellor's direction.

Date published: 12.05.2025

The Chancellor has had some bad news in recent days...

- On 22 April the IMF published its latest quarterly World Economic Outlook in which it reduced its forecasts for UK economic growth from 1.6% for 2025 and 1.5% for 2026 to 1.1% and 1.4%. The Office for Budget Responsibility's (OBR's) March 2025 projections were 1.0% and 1.9%.

- On the next day, the first estimate of 2024/25 public sector finances was published by the Office for National Statistics. This showed Public Sector Net Borrowing (PSNB) for the year to be £151.9bn, nearly £15bn more than the OBR had projected at the time of the Spring Statement.

- On 28 April, the EY ITEM Club, which uses the Treasury model for its economic projections, issued its Spring Forecast. It downgraded 2025 growth from 1.0% to 0.8% and 2026 growth from 1.6% to 0.9%.

To complete a quartet of gloom, the National Institute for Economic and Social Research (NIESR) has just issued its UK Economic Outlook. The NIESR says...

- Growth in 2025 will be 1.2% (down from a previous forecast of 1.5%) and 1.5% (unchanged) in 2026.

- CPI inflation will average 3.3% in 2025 and 3.1% next year – up from previous forecasts of 2.4% and 2.0%.

- Weak growth will mean that instead of the current budget being at least in balance by 2029/30 – Reeves' primary fiscal target – it will be £57bn (1.6% of GDP) in the red.

- Similarly, poor growth will mean a £25bn miss for the secondary fiscal target – that Public Sector Net Financial Liabilities (PSNFL) are falling in 2029/30.

The NIESR does not pin the blame on Trump's tariffs, which it considers will have relatively limited impact on UK growth and inflation. Instead, it criticises the Chancellor for...

- Raising employers' National Insurance (NICs) rather than reversing Jeremy Hunt's cuts to employees' NICs. The NIESR considers that targeting employers was more damaging to growth.

- Maintaining/re-engineering her £9.9bn fiscal headroom in the Spring Statement 2025 at a time when it was clear there were considerable uncertainties which warranted a much larger margin. The NIESR says that

- sticking with minimal headroom has simply stoked expectations of more tax increases in the Autumn Budget, discouraging investment.

**Comment**

The Autumn Budget 2025 is already looming as a major test for the Treasury. The recent local election results have only added to the pressure.

**020 7183 3931**
**www.riskassured.co.uk**