



Office for Budget Responsibility: Economic and Fiscal Outlook November 2011

Introduction

1. The Office for Budget Responsibility (OBR) was established in 2010 to provide advice independent of government of the UK's public finances. Coinciding with the Chancellor's Autumn Statement, delivered on 29 November 2011, it published forecasts of the economy for the period to 2016/17 and also assessed whether the Government is on target to meet the medium-term budgetary objectives that it has set itself.

ONS 2010 Population Projection for the UK

2. The OBR's report is based on the most recent population projections published by the Office for National Statistics. These assume an increase in births compared with the 2008 projections, with the Total Fertility Rate (TFR)¹ increasing from 1.89 in 2010/11 to 1.98. Over the entire 25 year period, however, both projections assume the same long run TFR of 1.84. The 2010 projections assume an extra 0.5 million births and an additional net gain of 0.3 million migrants. Both of these factors have caused the OBR to revise upwards its projections for spending on social security and tax credits.

Higher Public Spending on Social Security and Tax Credits

3. Below is a table based on data in the OBR report showing the impact that the bigger population and more births, projected in the 2010 projections, will have on social security spending and tax credits compared with the projections set out in the March forecast:

Table 1: Changes to Tax Credits and Social Security Payments Since March OBR Forecast (£ bn)

	2011/12	2012/13	2013/14	2014/15	2015/16
Tax Credits	0.0	0.2	0.3	0.5	0.6
Social Security	0.2	0.2	0.3	0.3	0.3
Total	0.2	0.4	0.6	0.8	0.9

Source: OBR

¹ This is the average number of children born to a woman over her reproductive life

4. The OBR's report makes it clear that the increase in public spending – almost £3 bn over the period - is because of the higher fertility assumed in the ONS projections, which increases spending through an increase in statutory maternity pay, child benefit and working tax credits. The increase in fertility is in itself partly a consequence of the higher level of net migration assumed in the 2010 projection: 200,000 a year compared with 180,000 a year in the 2008 projection.

7 December 2011

Sources of Data

Office for Budget Responsibility – Economic and Fiscal Outlook: November 2011

<http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-november-2011/>