

## **Covid-19 means economic forecasts could be totally wide of the mark as Boris Johnson hits out at ‘gloomy’ data**

**The Office for Budget Responsibility admits its predictions are highly contingent on progress in the battle against coronavirus**

Hugo Gye

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All economic forecasts involve a degree of uncertainty, but those released this week by the Office for Budget Responsibility are even less clear-cut than usual.

The central estimate sees a slump of 11.3 per cent in GDP this year, with the economy not returning to its pre-crisis size until the end of 2022 – that is three years of lost growth, and a permanent “scarring” effect which means the country will never be as rich as it would have been without the impact of coronavirus.

But the OBR chair Richard Hughes himself admitted that the forecast was subject to “unprecedented uncertainty” because of the pandemic.

If the rollout of a vaccine is faster than expected, with most of the population protected against Covid-19 by the end of February, then the economy may bounce back more quickly.

But if the jabs are delayed due to logistics, or final trials show they are less effective than currently believed, then strict social distancing rules will stay in place beyond the spring with a serious knock-on effect for economic activity.

Mr Hughes said: “A lot depends on both the effectiveness of the current public health restrictions, the effectiveness of Test and Trace, and then the ultimate effectiveness and availability of the vaccine.”

### **‘We haven’t a clue’**

It is not just GDP figures which depend on progress in defeating the pandemic: unemployment, public-sector borrowing and even migration statistics are similarly tied to the course of Covid-19.

The OBR forecast was prepared for the spending review before it was announced that the Oxford/Astrazeneca vaccine – of which the UK has bought 100 million doses – had proven effective. On Wednesday night Boris Johnson told his MPs he thought the predictions would prove overly “gloomy”, and many economists agree.

Ryan Bourne of the Cato Institute summarised the OBR data as meaning “we haven’t a clue”, while Sam Lowe of the Centre for European Reform said: “If the vaccine is effective and rolled out quickly we could see a bit of a consumer-led economic boom in the next few years.”

The Government is hoping for a rapid bounceback once the Covid-19 rules are revoked, but even that is uncertain – ideally “pent-up demand” will fuel rapid economic growth, but some of the activity put on hold during the pandemic will have disappeared, never to return.

What we do know for sure is that the Government’s political hopes rest on the speed of the recovery. If growth disappoints, ministers will spend the next few years discussing how to reduce the deficit rather than lavishing billions on the “levelling up” agenda.