

The Office for Budget Responsibility delivers its verdict

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The Office for Budget Responsibility is the Treasury offshoot that is supposed to make us all think politicians have become accountable because a quango staffed by Treasury people housed next door to the Chancellor is looking over his shoulder telling him if he's got his sums right, or wrong.

Well suspend your disbelief for a moment and look at what they're saying: which is that Osborne's failed.

[As the FT notes:](#)

The “wrong kind of inflation” will mean the government has to borrow significantly more over the medium term than planned, George Osborne will be forced to admit in the Budget.

The deterioration in the medium-term government borrowing numbers — in spite of a lower deficit than forecast in November — will cast a shadow over Mr Osborne’s deficit reduction programme.

The spin is that because prices are rising faster than earnings there's less income tax, national insurance and value added tax being paid. And because inflation increases the cost of benefits they're rising faster than expected.

But hang on a minute - none of these outcomes are unexpected. They were all wholly foreseeable.

Benefit costs are rising because the government is sacking people as fast as it can.

Pay freezes are in no small part the result of government initiatives in the public sector, forcing real wages down - and so tax and national insurance with it.

And overall consumption is down because of an increase in real prices that is the deliberate result of increasing VAT. Maybe, perversely, there's even a Laffer effect on VAT. Now that would be almost funny if it wasn't so sad.

And of course - the impact of cuts in spending is a shortfall in demand meaning that employment is down.

These are all foreseeable consequences of Osborne's own policy - foreseeable because all have been foreseen on this blog.

I (and let's be fair, others) have been saying that if you cut spending now then borrowing will rise because economic activity will collapse and with it tax revenues whilst automatic multipliers on benefits will increase spending. The result was utterly predictable. And if Osborne had spent instead demand would have risen, as would tax yields and so borrowing would have fallen. Again, utterly predictable.

So the forecast increase in borrowing accords exactly with my theory and that of others on the Left. And what it says is that a man who has pinned his whole credibility on cutting the deficit will instead be increasing it. And that's not because of the wrong type of inflation - it's because of George Osborne's own mistakes.

No wonder they've failed him.