

# The good times are always two years away in George Osborne's budget

Published: January 14, 2026, 4:50 pm

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I had a quick conversation with Duncan Weldon at the TUC who has done a lot of work on George Osborne's forecasts since the budget. As a result he put up the following blog at the [TUC's Touchstone blog \(which I recommend\)](#):

*Since the Budget last week I've blogged a fair bit about the changing OBR forecasts and in particular their large downward revisions to their business investment forecasts.*

*However rather than focusing on just the recent changes it is worth taking a step back and looking at how these numbers have changed over a longer time period. The table below shows the OBR business investment forecasts over the past 20 months.*

As can be seen, back in June 2010 the OBR expected business investment to grow by a very healthy 8.1% in 2011. By November of that year they had become even more bullish about the prospects for 2011 with growth revised up to 8.6%. Fast forward four months and the doubts begin to emerge, business investment growth for 2011 were downgraded to 6.7% in March 2011. By November the OBR actually expected it to fall and last week they nudged the 2011 forecast up a touch to 0.2%.

[For what it's worth we got the figures for 2011 yesterday:](#)

Business investment for the fourth quarter of 2011 was estimated to be 3.3 per cent lower than the previous quarter at £29.7 billion, but 1.6 per cent higher than the same period last year.

Growth of 1.6% over 2011 — a healthy beat of the OBR's most recent forecast of just 0.2% but well below what they expected this time last year, let alone the year before. Which goes to show — it is entirely possible that macroeconomic data can beat the OBR's most recent forecasts but this doesn't prove that it was good data.

What is striking, to me at least, about the OBR's investment forecasts is the way that they keep revising down the near term but continue to expect a boom in business

investment is just around the corner. The graph below captures this:

The business investment boom was due to start in 2011, it was pushed back first to 2012 and then into 2013/14 but it remains in the forecasts.

Let's hope they're right.

I very much doubt they are. That increase will stay two years out for the rest of this parliament. And we'll all pay the price for Osborne's belief that if only he cuts more business will, inevitably, invest despite all the evidence that this is just not going to happen just so long as he keeps cutting.