

The anomalies in the budget's economic assumptions

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These are the [key economic assumptions underpinning the UK budget](#):

There are some extraordinary comments in here. First, there's no obvious reason why growth picks up in two years: it is just assumed that after two years the UK growth rate returns to the long term trend rate. That's why growth is always two years away in Osborne's world, and always will be.

Second, that is despite a cut in government spending, and right now that simply won't happen: only government spending can get us out of recession and it is being cut.

Third, business investment is going to more than double over five years, but it does not precede growth, it follows it: indeed it falls in 2013. The relationship does not work as these assumptions suggest. The lead times are just not long enough.

Fourth, housing is going ballistic even though there's no sign of it yet. I can't see the budget having that big an impact.

But perhaps employment is the most strange. Total employment rises by 1.3 million, part of which is, by the way, population growth. But then let's look at PAYE paid, from a table I first produced earlier today:

I have now done a few calculations using the employment data and the PAYE data to see the amount of PAYE to be paid per person per head per year. Please note the calculation is not unfair: the number of employees is remarkably similar to the number of people submitting tax returns in the UK.

Now of course some of that growth could be self employed profits growth (which makes the decline in UK corporation tax paid noted earlier today even more stark) but it's clear a lot is also PAYE. And there is no way on earth that pay, or any other incomes, are going to grow at the rates shown in this summary, especially when millions of workers in the public sector are on a 1% pay freeze.

My candid opinion then is that the assumptions underpinning the budget are simply absurd: there is no way this growth in incomes is going to happen whatever changes are being made to the income tax system.

I don't think Labour need worry that the good times will be back before the next election: the real problem is there is no way that a recovery of anything like the scale forecast will happen.

And that may be just as problematic.