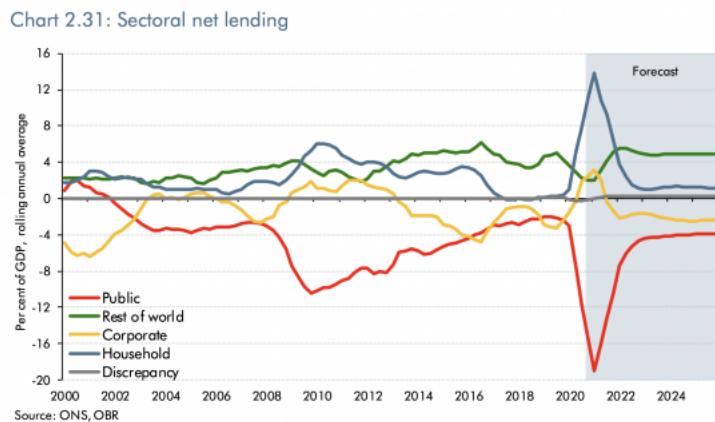


The Office for Budget Responsibility forecasts for the ...

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For me the most important chart in any economic forecast is that on the sectoral balances. This says who is going to save, and who is going to run a deficit. And there are only four sectors - the government, business, households and the overseas sector. The chart reflects an accounting identity - the data has to balance (as is true in reality) but where it balances is a critical indicator of the truth or otherwise of any forecast - and indicates whether it is plausible or not.

This is the [OBR forecast, just published](#):



As I [noted earlier today](#), the government deficit is matched by a massive rise in household saving this year. But it is assumed that by the end of 2022 households will hardly be saving at all.

How likely is that? Look at household behaviour after 2009 as an indication: savings remained high, and much higher than is now being forecast for 2022 onwards, until 2016. Given all the uncertainties that now exist, I suspect a 4% ratio likely, at least, for a long time to come. That is much higher than forecast, and means spending in the economy will be much lower than the OBR predicts.

Look too at the foreign sector. Will its savings in the UK grow after Brexit, as the

government assumes? Why would that happen? And again, note they fell for four years after 2008 - so there is no reason for thinking that anything will be different now. I think a percentage or two could be knocked off that.

And look too at the corporate sector - where it is forecast that the sector will invest on a more consistent and at a higher level than it has for some time from 2021. But look at 2009 to 2013 and it saved during that period. As it will also do now.

In other words, all these forecasts look to be wildly overstated. And that means there must be a counterbalancing entry, and that is in the government deficit. That will not be 4% from 2022 on (which is about £90 billion a year). I think it could be 4% or more higher than that. I suspect a deficit of £200 billion a year much more likely.

This one chart says that. And all the evidence to support the suggestion is in that same chart. Economies do not bounce back from trauma in the way the OBR is assuming after massive events as happened in 2008 and 2020. It has never happened the way that the Office for Budget Responsibility is forecasting. It will not happen that way this time.

The whole forecast is floored by this one flawed chart.