

The Spring Statement - a rolling blog post

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This blog post is going to be updated frequently during the course of Rachel Reeves' Spring Statement, the delivery of which should start at 12.30 today.

To get the latest comments made by me, refresh this post quite often. It is pretty likely that I will add to this post every two to three minutes until about 1.25, when I am likely to be moving into Jeremy Vine's studio on BBC Radio 2 to comment on what Reeves has said.

12.30. Off we go.

12.32. This is not a budget, so the Speaker is in the Chair.

12.34. Rachel Reeves is proud of her achievements, few of which are hers.

12.35. Now, she says the world has changed. The problem is, we are not going to hear any change of plan from her.

12.36. The government is still on the side of 'working people'. Shame about the rest.

But apparently they are going to be more prosperous - hence the goal to punish those

who cannot work.

12.37. The Office for Budget Responsibility forecast is next, but they have to work within the 'non-negotiable' fiscal rule (until it fails, that is).

Apparently, working people must not pay the price for economic uncertainty. Again, that's why those on benefits presumably are.

12.39. The OBR says that Reeves would have been in deficit by 4.1bn in 2029 without changes now, from a surplus of £9bn. So, she has restored the surplus by 2027 - to a total of £9 billion in 2029. The whole of her world is based on a spreadsheet forecast that is inherently wrong.

12.40. Investment is falling in real terms to achieve this - this is not a basis for growth.

12.41. Reeves says we must reduce debt to reduce interest costs. No mention of falling rates or cutting the rate paid on the central bank reserve accounts. A total failure on her part.

12.42. She claims she has delivered no tax increases for working people, and there will be none now - so she is clamping down on tax evasion more - by spending on HM Revenue & Customs. But the target is an extra £1 billion - which is peanuts in the grand scheme of things.

12.43. Labour is the party of work - she says - the Workhouse more likely, I think. She asks no questions about why young people are not working, implicitly blaming them.

12.45. OBR says Kendall's cuts save £4.8bn a year by 2029. Mainly on PIP - at maybe £4,000 a year each person involved.

12.46. Welfare spending is going to fall - and she is proud of it, apparently.

12.46. Breakfast clubs are nice - but let's not pretend they are everything that matters. Labour has to do better than that.

12.47. We have to wait for the Spending Review to learn almost anything else about Labour's plans.

12.48. Defence spending is going up enough to pay for a Dad's Army.

12.48. Wes Streeting is going to deliver savings to Rachel.

12.48. The cost of government is going to be cut by 15% - a recipe for collapse and that is 80,000 civil service jobs going - not the 10,000 forecast. She is going to pay people to leave.

12.49 Rachel Reeves is making almost all her cuts in the civil service - the government is going to withdraw from society.

12.50. She claims she is saving tens of billions by giving up on management. Good luck with that.

12.51. She says she is increasing investment, but the figures she gave earlier showed a decline. Something is wrong here.

12.52. OBR inflation forecast is 3.2% this year, then 2.1% next and 2% thereafter. And Ipswich will; also win the Premiership, by the way.

12.53. OBR on growth is down to 1%, and she is not happy. So she says she will tear up regulations to make growth possible, which is naive in the extreme unless you also want to burn the planet.

12.54. 3% will go on defence - 6% increase by 2027, but just £2.2 billion now. Putin is shocked. JD Vance is mocking.

12.56 Reeves announces the military-industrial complex is going to get lots of money, and she will try to spend it faster.

12.56. Nuclear is still key to our defence. Why? Is it relevant anymore, at all?

12.57. Finally, £2 billion extra export credit so people can buy our defence equipment.

12.57. It seems that defence is the only idea when growth is to be discussed. It has the worst growth multiplier of almost any spending you can find. This is not going to work at almost any level.

12.58. OBR says planning reform will permanently increase growth by 0.2% in the next year, and by 0.4% in ten years or £15 billion. This is really talking about fantasy, small stuff from Reeves. She is clutching at straws. There aren't enough builders for a start.

13.00. Supposedly 1.3 million new homes by 2029, which falls short of the 1.5 million they promised.

13.01. Reeves says her growth policies will add £3 billion to public income by 2029. This is so small it is a rounding error in her spreadsheet - and she must know it.

13.02. Skills shortages will be tackled with £600 million to train 600,000 bricklayers from ten colleges, which most of them will not be able to afford to get to. So, how is that going to work? This is going to be harder to reach than a university. The spend will be just £10,000 each, much less than a university place.

13.04 Growth 0.9% next year, to 1.8% in 2028. Historically very low - and it is not going to trickle down. per head, that might well be nothing.

13.05. Reeves says people will be £500 better off under Labour. No mention of distribution. And I bet that is not inflation-adjusted.

13.06. Defence and building are apparently how we are to grow. But neither has been working for a long time. So good luck with that, I say. There was nothing here to suggest how any of this will happen.

This was not a massive non-event. It was a moment when it became clear Reeves and Labour have no idea what they are doing, and have no plan for anything. They really are not up to the job.

Now, highlights from the OBR Report, just published, First, this:

Since the October forecast, developments in outturn data and indicators of business, consumer and market sentiment have, on balance, been negative for the economic outlook.

And:

In our central forecast, real GDP is now projected to grow by 1.0 per cent in 2025, half the 2.0 per cent assumed in October.

Reeves has failed. And her forecasts last time were dire.

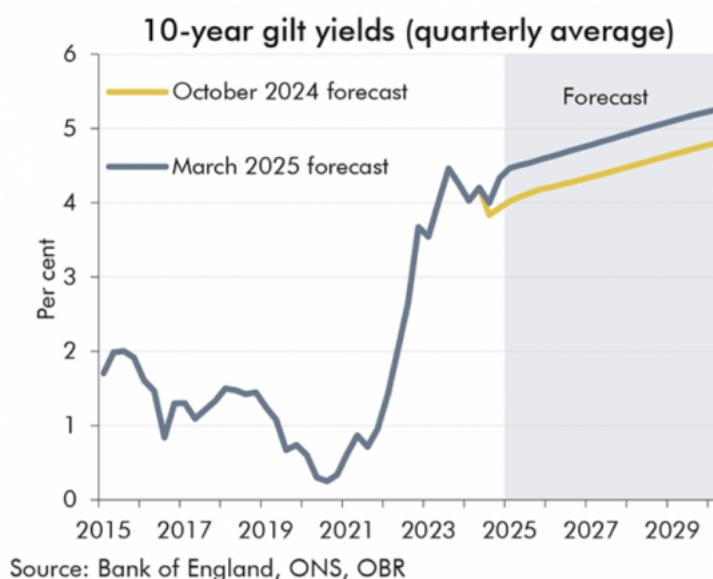
The OBR added:

We expect the unemployment rate to peak at 4.5 per cent (1.6 million people) in 2025 as spare capacity opens up, before falling to its estimated structural rate of 4.1 per cent in 2028.

That is not growth. That is an inconsequential change.

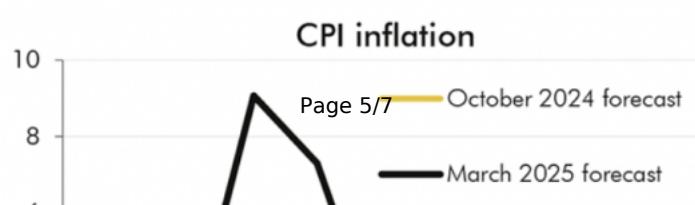
And this is the interest rate forecast - up to 5.5%:

Chart 1.2: Gilt yields and CPI inflation



This is massively worrying.

If this is the inflation forecast, what the OBR is forecasting is massive further upward redistribution of wealth in the UK:



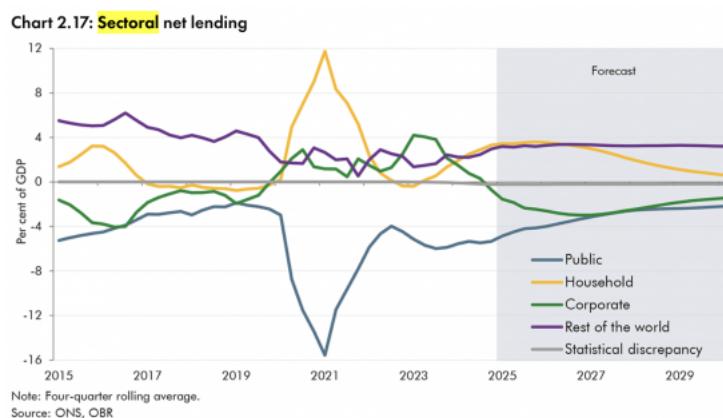
Real interest rates of 3.5% are staggeringly high.

At the same time, the growth figures Reeves quoted are too high. Per head, they are much lower:

After falls of 0.9 per cent in 2023 and 0.1 per cent in 2024, real GDP per person is expected to recover slightly with growth of 0.3 per cent in 2025, before averaging 1.4 per cent over the rest of the forecast.

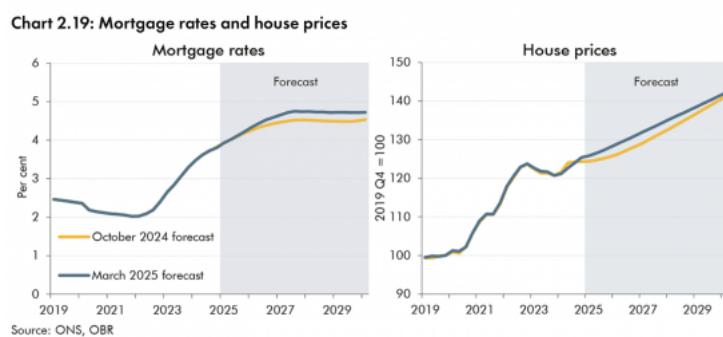
This is not meaningful growth - and not the basis of a plan for change. Something much more fundamental has to change.

And these are the sectoral balance forecasts:



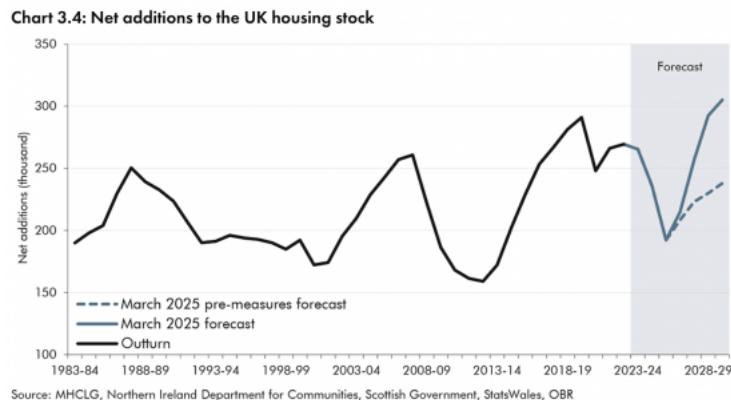
Households are going to cut their savings, because they will have no choice but to do so, I expect. Business is supposedly going to borrow heavily, which I can guarantee they will not in an economy like this, with their costs rising and demand falling. And the government is - as ever - going to cut its net borrowing. So, who is going to fund the UK? The overseas sector, which is going to save more than ever in the UK - no wonder Reeves is creeping so heavily to the City and dirty money. This is wildly inaccurate forecasting and wishful thinking.

And this is the news on housing:



Interest rates will be up by at least 1% - so big mortgage increases are coming, whilst house prices are going to rise considerably, apparently. That is really going to help every struggling family in the country.

Let me conclude for now with this question:



How likely is that to happen?