This was a Budget aimed on getting growth going. Two areas were in focus. The first, investment, is a long-standing UK problem. Today's announcement to allow companies to offset all capital spending against their tax bill is the latest effort to spark it into life. The second, bolstering the size of the workforce, is a relatively new problem to have emerged in recent years. Here there are changes to childcare provision and pensions. But at least both measures are being launched amidst a better growth environment after an upgrade to the outlook from the OBR.

Growth upgrade. The economic data has been almost universally positive since the Autumn Statement. The economy has simply held up better than expected. Back in November the OBR thought the UK economy would round off 2022 in recession, forecasting a 0.4% fall in GDP in Q4. Instead output was flat. And the good news has continued into the start of 2023. Business surveys turned upwards in February, with confidence amongst firms in the business services and finance sectors reaching their highest levels since last spring. Even the hotels and restaurants sector were distinctly more upbeat about the outlook. And the labour market is holding up, even with signs of cooling.

Less recession feels. With that backdrop it was unsurprising to see the OBR upgrade its oulook for growth in the near-term. Back in November it was penciling in a 1.4% drop in GDP this year with the recession not ending until Q4. That's been adjusted to a very modest 0.2% drop in 2023, close to the latest consensus view of -0.5%. But it's also more optimistic on 2024, upgrading growth to 1.8%, that's twice the consensus figure.

Still got it. The OBR remains more optimistic than the broader consensus on the UK's growth in the medium-term, too. Back in November it thought GDP would grow at around 2.5% from 2025 – '27. That's down to 2.2% now but still a good bit above the latest consensus view of 1.8%. The OBR remains fairly upbeat on the prospects for an improvement in productivity. Back in November it was forecasting growth in economic output per head of 1.9% through to '27. That's had a trim to a pace of 1.6%, but it's still ahead of the 1.3% pace that prevailed in the decade leading up to Covid.

Resilient. There will be more of us working, too, with about 140k more in employment five years ahead compared to November's estimate. That's down to higher migration and today's measures to bolster labour supply (see below). Given that, an already low expectation for unemployment is now lower still, with a forecast peak of just 4.4% (the rate is currently 3.7%), down from the 4.9% estimated back in November. Upgrades were visiblie elsewhere. While a 10% fall in house prices through to next year is expected the OBR is more optimistic on activity levels, with more transactions and housing starts.

Fall back. Inflation's blistering pace has been the source of many a problem of late. But here the news has been better. Inflation has begun its descent, falling from 11.1% in

October to 10.1% in January. The OBR thinks the pace of the retreat is set to quicken, estimating a decline to 7% by Q2 this year and 2.9% by the end of the year. Back in November it thought it would still be close to 4% by the end of this year. And it still thinks we're in for a period of subdued inflation, with the pace remaining below 2% through '24 and '25. That'll help households repair some of the damage to real earnings.

Windfall. Better economic forecasts gave the Chancellor the option to spend in this Budget, whilst keeping within his fiscal rules. That option has been fully exploited with policy changes costing more than £21bn in each of the next three years. Roughly 60% of that expansion comes from lower taxes (especially corporation tax allowances) and 40% from higher spending (mainly childcare and defence). So the fiscal deficit for 2023 is forecast to be 5.1% of GDP and debt is expected to climb towards 95% of GDP. These decisions push the forecasts for the public finances right up against their agreed limits, of debt falling as a percentage of GDP and for borrowing to be less than 3% of GDP in the final year of the forecast.

Targeting underperformance. Business investment has been another upside surprise in the economic data in recent months. A rebound in Q4 meant that particular part of GDP is above its pre-Covid level. But there's still plenty of catching up to do. The level of investment is actually no higher than seven years ago. So the Chancellor made a bid to ensure the momentum is sustained, announcing a three-year scheme that will allow companies to offset all capital spending against their tax bill, costing about £9bn a year and likely to boost business investment by about 3% than otherwise would have been the case.

Back-to-Work Budget. A number of policies were aimed at persuading more people into work, with a focus on more experienced (not older!) workers, parents of young children and people with disabilities. And it's much needed. Working-age inactivity has increased by around half a million people since the pandemic struck, and employers are struggling to close 1M vacancies. The OBR called it the biggest positive supply-side intervention they have ever assessed in its forecasts.

Older workers. To encourage higher paid 50+-year-olds to stay in work, an increase in the annual cap on tax-free contributions to pensions from £40k to £60k was unveiled. The lifetime allowance above which people incur tax charges was also scrapped. But according to some estimates it will affect less than 4% of the workforce (but helpfully for the NHS that should help doctors). A new programme of apprenticeships aimed at 50+-year-olds, called “Returnerships”, was also announced.

Childcare. Free 30 hours childcare for working parents with three and four-year-olds has been expanded to cover all children over the age of nine months. However, this will be introduced in stages up to Sep 2025. Parents on Universal Credit will be able to start claiming childcare costs up front, rather than in arrears. The cap of those claims has also increased by almost 50%. To help with availability of childcare places, each staff member in England will be able to look after up to five two-year-olds instead of four. And the hourly rate paid to childcare providers for free hours will also increase. This measure does not apply in NI and would need a functioning Stormont Executive to fund and implement.

Disability benefits. The Work Capability Assessment will be abolished, and benefit entitlement will be separated from an individual’s ability to work. This means that claimants will be able to continue to receive disability payments after they return to employment. There will also be a new employment scheme for people with disabilities spending up to £4K per person to match about 50,000 disabled people with jobs every year. The chancellor called it “the biggest change to welfare system in a decade”.

Energised. Another big benefit since the Autumn statement has been the collapse in gas prices. The energy price support scheme was due to rise to £3k in Q2. But earlier today it was confirmed the £2.5k level will be extended through Q2. Thereafter the price cap will come back into play. But the decline in wholesale energy prices mean that the cap looks set to be less than £2.5k. Gradual relief from high energy prices is coming. And for the 4m households on prepayment meters there was the bonus of knowing that the premium they pay for their energy relative to those who pay by direct debit will end.

In defence. An extra £5bn for defence had already been announced. Today came a commitment to raise defence spending as a share of GDP from 2% to 2.5% “as soon as fiscal and economic circumstances allow”. There was also help in the defence to the risks posed by climate change. Hitting net zero carbon emissions by 2050 means carbon capture and storage technology needs to play a big role, particularly in the hard to abate parts of industry. So it’s encouraging that £20bn has been committed for that technology over the next 20 years. Another boost to the net zero transition is that, subject to consultation,nuclear power will be classed as “environmentally sustainable”, giving it access to the same investment incentives as renewable energy.

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