

A Guide to the

AUTUMN STATEMENT

The state of the economy and
the government's future plans



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On 29 November 2011, the Chancellor of the Exchequer, George Osborne, announced the Autumn Statement, which provided an update on the government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility. These are the key announcements from his speech.

ECONOMIC GROWTH

- 2011 forecast revised down to 0.9 per cent from 1.7 per cent
- 2012 forecast revised down to 0.7 per cent from 2.5 per cent
- In 2013, 2014 and 2015, forecast growth will be 2.1 per cent, 2.7 per cent and 3 per cent

GOVERNMENT BORROWING

- Extra £111bn in borrowing over five years
- Borrowing forecast to be £127bn in 2011/12, falling to £120bn, £100bn, £79bn and £53bn in following years
- Debt to GDP ratio to peak at 78 per cent in 2014/15, falling afterwards

PUBLIC SECTOR PAY AND PENSIONS

- 1 per cent cap on public sector pay rises for two years after the end of current freeze this year
- Review into regional pay adjustments

- Rise in state pension to 67 to be brought forward to 2026 from 2034

TRANSPORT COSTS

- The average rise in regulated rail fares to be capped at 6 per cent – 1 per cent above inflation – in January 2012, rather than the 8 per cent cap expected
- Planned 3p fuel duty rise in January this year to be scrapped. But duty will go up by 3p in August

BENEFITS

- Working age benefits uprated by 5.2 per cent this year, in line with inflation
- Basic state pension to rise by £5.30 this year to £107.45
- Inflation-linked rise in disability element of tax credits but below-inflation increase in other tax credits
- £110 rise above inflation in the child element of the child tax credit scrapped

BUSINESS AND JOBS

- OBR forecast of total public sector job losses up from 400,000 to 710,000
- Credit easing programme to underwrite up to £40bn in low-interest loans to small and medium-sized firms
- £1bn business finance partnership to raise money for medium-sized firms
- Regional Growth regeneration fund to get £1bn in extra funding
- £250m support package for energy-intensive firms, £500m for science
- Business rate holiday relief for small firms extended to April 2013
- New time limits for planning applications
- £1bn "youth contract" to subsidise six-month work placements for 410,000 young people
- Bank levy to be increased this January

EDUCATION AND FAMILIES

- £1.2bn extra spending on schools in England
- Half to go to councils for more school places and half for 100 additional free schools
- £50 cut in water bills for families in the south-west of England

- Childcare places for most deprived two-year-olds in England doubled to 260,000

HOUSING

- Mortgage indemnity scheme to help up to 100,000 people buy homes with 5 per cent deposit
- £400m scheme to kick-start stalled construction projects in England
- 50 per cent discount for social tenants wanting to buy their own homes in England

INFRASTRUCTURE SPENDING

- £5bn new spending over three years, including £1bn for the rail network
- Go-ahead for 35 road and rail projects across England
- Aim to unlock a further £20bn in investment from pension funds

OVERSEAS AID

- Funding will not exceed 0.7 per cent of total GDP

2011 BUDGET PREDICTIONS

- In March 2011, the OBR predicted the economy would grow 1.7 per cent in 2011 and 2.5 per cent in 2012
- It forecast government borrowing of £146bn in 2010/11, falling to £122bn in 2011/12, £101bn in 2012/13, £70bn in 2013/14, £46bn in 2014/15 and £29bn by 2015/16

“The Autumn Statement provides an update on the government’s plans for the economy, based on the latest forecasts from the Office for Budget Responsibility. Due to the ongoing impact of the financial crisis, the euro area crisis and high global commodity prices, the Office for Budget Responsibility is forecasting slower growth in the UK economy.”



