

Table 11 The Budget Economic Forecast¹

	Percentage changes on a year earlier unless otherwise stated					
	Forecast ^{2,3,4}				Average errors from past forecasts ⁵	
	2004	2005	2006	2007	2005	2006
Output at constant market prices						
Gross domestic product (GDP)	3	3 to 3½	2½ to 3	2½ to 2¾	½	½
Manufacturing output	1½	1½ to 2	1½ to 2½	1½ to 2½	1	1½
Expenditure components of GDP at constant market prices						
Domestic demand	3%	3¼ to 3½	2½ to 3	2½ to 2¾	½	¾
Household consumption ⁶	3%	2¼ to 2½	2 to 2½	2 to 2½	½	1
General government consumption	4%	3%	3	2¾	1	¾
Fixed investment	6	6 to 6¼	4 to 4½	2½ to 3½	2	1½
Change in inventories ⁷	- ¼	¼	0	0	¼	¼
Export of goods and services	2½	6 to 6½	6½ to 6¾	6½ to 6¾	2½	3%
Imports of goods and services	5	6 to 6½	5½ to 6	5½ to 5¾	2½	2½
Balance of payments current account						
£ billion	- 29	- 34½	- 35%	- 37%	7	8%
Per cent of GDP	- 2½	- 2%	- 2%	- 2%	½	¾
Inflation						
CPI (fourth quarter)	1%	1%	2	2	-	-
Producer output prices (fourth quarter) ⁸	3½	2½	2	2	1	1½
GDP deflator at market prices	2	2½	2%	2%	½	½
Money GDP at market prices						
£ billion	1,158	1,223 to 1,227	1,288 to 1,299	1,353 to 1,370	7	7
Percentage change	5%	5½ to 6	5½ to 5%	5 to 5½	½	½

Source: Budget 2005, HM Treasury.

Notes: 1. The forecast is consistent with output, income and expenditure data for the fourth quarter of 2004, released by the Office for National Statistics on 25 February 2005.

2. All growth rates in the table are rounded to the nearest ¼ percentage point.

3. As in previous budget and Pre-Budget Reports, the economic forecast is presented in terms of forecast ranges, based on alternative assumptions about the supply-side performance of the economy. The mid-points of the forecast ranges are anchored around the neutral assumption for the trend rate of output growth of 2½ percent to the end of 2006 and 2½ per cent thereafter. The figures at the lower end of the ranges are consistent with the deliberately cautious assumption of trend growth used as the basis for projecting the public finances which is ¼ percentage point below the neutral assumption.

4. The size of the growth ranges for GDP components may differ from those for total GDP growth because of rounding and the assumed invariance of the levels of public spending within the forecast ranges.

5. Average absolute errors for current-year and year-ahead projections made in Spring forecasts over the past ten years. The average errors for the current account are calculated as a per cent of GDP, with £ billion figures calculated by scaling the errors by forecast money GDP in 2005 and 2006.

6. Includes households and non-profit institutions serving households.

7. Contribution to GDP growth, percentage points.

8. Excluding excise duties.