

Spring Forecast 2026: The right economic plan for Britain

3.3.2026 - Rachel Reeves | Her Majesty's Revenue and Customs

The Chancellor has announced the Spring Forecast in Parliament.

- Chancellor's economic plan is the right one as Spring Forecast shows inflation falling and borrowing down, while living standards and the economy grow, with people set to be £1000 better off.
- Forecast shows borrowing is down by nearly £18 billion compared to Autumn and headroom against the stability rule has increased to almost £24 billion.
- The Chancellor said her economic plan is even more important in a world that has become yet more uncertain, to secure the economy against shock and protect working families.

The Spring Forecast has shown that the government's economic plan to cut the cost of living, cut national debt and grow the economy, is the right one.

The Chancellor today set out how this government is building a stronger and more secure economy that makes every part of Britain better off. Through stability in the public finances, investment in infrastructure and reform to the economy, this government's economic plan is changing Britain for the better.

Cutting the cost of living

The OBR's forecast shows inflation, borrowing and debt interest are all falling while investment is rising. It now forecasts that inflation will return to target in the second half of this year – earlier than forecast in November – and delivering on the government's plan to ease pressure on households.

The decisions the Chancellor took at the last Budget to ease the cost of living, including reducing people's energy bills by £150 and freezing rail fares, are specifically expected to bring inflation down by 0.4ppt in 2026-27.

Easing the cost of living is the government's number one focus. That's why we are boosting the minimum wage for millions of workers, fully-funding 30 hours of free childcare, rolling out free breakfast clubs and helping family incomes by removing the two-child limit.

Cutting borrowing

The forecast shows borrowing is down by nearly £18 billion compared to the Autumn, with borrowing this year set to be the lowest in six years and falling below the G7 average for the first time in 22 years.

Already, we are expected to spend nearly £4bn less on debt interest next year than was forecast in the Autumn – money that can instead be spent on the things people rely on like our NHS and public

transport.

The government is also reducing wasteful spending and driving efficiencies so that tax payer money can be spent wisely. This year was the lowest drawdown on the government's contingency pot for day-to-day spending in almost a decade, showing they are keeping public finances stable.

The forecast shows headroom to the stability rule has increased to almost £24 billion.

The Government's responsible approach to public spending means the Spring Forecast also reflects the recently announced £3.5bn of new funding for DfE in 2028-29 to support ambitious reforms to SEND. This includes over £1.8 billion in additional funding for Devolved governments through the Barnett formula.

Growing the economy

The OBR's forecast shows GDP per person is now set to grow more than was expected in the Budget - with growth of 5.6% over the Parliament. Despite the global uncertainty, Britain's economy remains strong - with faster growth than any other European country in the G7 in 2025.

The driving purpose of growing the economy is to make every part of Britain better off. The OBR has forecast that people will be over £1,000 a year better off after inflation, delivering on the government's priority to build an economy that makes working people better off.

Further information

The Economic and Fiscal Outlook has been published on gov.uk

Methodology

Interest rates and debt costs

Stat: "If our debt interest rates return to the G7 average, we will have £15bn a year more for the priorities of working people."

- HMT calculations using Bloomberg data for G7 yields based on the market determinants window at this forecast (10 working days to 30 January 2026).
- Direct fiscal savings are calculated as the debt interest cost reductions if yields fell to the G7 average (excluding the UK) using a weighted average of UK yields at 5,10 and 30 year maturities.
- Under those assumptions, debt interest costs payable are lower by £15bn in the final year of the forecast.

Real wages (Speech)

Stat: "And real wages have now risen more since the election than they did during the first thirteen years of the previous government."

HMT calculations based on ONS Earnings and working hours February 2026. This is based on a

comparison of change in real wage levels published by the ONS. Periods are calculated over the following start and end points:

- First 13 years of last parliament: May 2023 – May 2010 – Real wage levels grew by £5 a week over this time period,
- This parliament: December 2025 – June 2024 – Real wages grew by £7 over this time period.

Mortgages - Speech

Stat: “The interest rate cuts we have supported will save families over £1,300 a year on a typical new fixed-rate mortgage.”

- HMT calculations based on ‘Money and Credit’, Bank of England, March 2026 release of January 2026 data, Money and Credit - January 2026 Bank of England. This is based on a representative mortgagor with an advance of £215,000 and a term length of 29 years and a 2-year fixed rate mortgage.

Living standards - Speech

Stat: “and by the next election people will be over £1,000 a year better off after accounting for inflation.”

- HMT calculations of annual RHDl per capita in the last year of the previous Parliament compared to the last year of the current Parliament, based on ‘Economic and Fiscal Outlook’, OBR, March 2026.

GDP per capita

Stat: “The OBR’s forecast shows GDP per head is now set to grow more than was expected in the Budget – with growth of 5.6% over the Parliament.”

HMT calculations comparing GDP per capita in the last quarter of the current Parliament with the last quarter of the previous Parliament, based on ‘Economic and Fiscal Outlook’, OBR, March 2026.

Barnett funding

- Spending Review 2025 provided devolved governments with their largest spending review settlements in real terms since devolution in 1998.
- As a result of decisions at Spring Forecast 2026, the devolved governments are receiving an additional £1.8 billion RDEL excluding depreciation (RDELex) and £45 million general CDEL through the application of the Barnett formula between 2026-27 and 2029-30, including an exceptional application to the ‘write-off’ grants for Local Authority SEND deficits in England. This is on top of the record Spending Review 2025 settlements, and an additional £1.7 billion announced at Autumn Budget 2025:
- The Scottish Government will receive an additional £900 million RDELex and £20 million

CDEL

- The Welsh Government will receive an additional £540 million RDELex and £15 million CDEL
- The Northern Ireland Executive will receive an additional £380 million RDELex and £10 million CDEL
- The Barnett formula normally only applies to changes in UK Government departmental DEL funding, meaning it would not mechanically apply to the £5.6 billion 'write-off' grants for Local Authority SEND deficits in England. However, the UK Government has decided to exceptionally apply the Barnett formula here in recognition of the principle that the devolved governments receive a population share of changes to spending in devolved policy areas in England. This results in £1.1 billion in Barnett consequential for the devolved governments in 2026-27, included in the overall uplift of £1.8 billion. All devolved government settlements are growing in real terms between 2024-25 and 2028-29.
- All devolved governments continue to receive over 20% more per person than equivalent UK Government spending in the rest of the UK. This means that for every £1 spent by the UK Government in devolved policy areas, the devolved governments are able to spend at least £1.20.
- The Welsh Government and Northern Ireland Executive continue to be funded above their independently assessed level of relative need of 115% and 124% of equivalent UK Government spending in the rest of the UK in all years of the spending review period.

<https://www.gov.uk/government/news/spring-forecast-2026-the-right-economic-plan-for-britain>