

**BACKGROUND ECONOMIC BRIEFING**  
**COMPARISON OF SHORT-TERM FORECASTS**

Compiled by  
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Since the Budget, new forecasts have been published by Phillips & Drew, Simon & Coates, Henley and the CBI. LBS and Liverpool have revised their pre-Budget forecasts to take account of the Budget measures. The usual summary sheets of outside forecasts for 1985 and 1986 are attached. An additional table compares post-Budget and pre-Budget forecasts of output, inflation and unemployment.

2. GDP growth is still expected to average 3 per cent in 1985 and 2 per cent in 1986. The range around this consensus however has widened since last month. For 1985 the CBI top the range with expected growth of 4 per cent, mainly as a result of further strong growth in the manufacturing sector.

3. Retail price inflation is expected to peak in the second quarter of 1985 at around 6 per cent and then to decline to 5.7 per cent by 1985Q4 and 5.4 per cent by 1986Q4. All outside forecasters are more pessimistic about retail price inflation prospects for 1985Q4 than the Government's Industry Act forecast. This is similar to the position at this time last year as the following table shows:

	IAF	RPI forecasts for Q4		Outturn
		Consensus	Range	
Consensus in April 1984	4½	5.4	4½ (CBI) - 6.8 (NIESR)	4½ 1984Q4
" " " 1985	5	5.7	5.3 (Oxford) - 6.5 (NIESR)	- 1985Q4

4. Overall the Budget has had little impact on the consensus view of unemployment. Unemployment in 1985Q4 is expected to be at or around present levels. Thereafter the consensus is for unemployment to continue to rise slowly through to 1986Q4 - to a level of about 3.2 million (UK s.a.). Individual forecasters vary widely from LBS, who expect unemployment to fall below 2.9 million, to Simon & Coates who continue to forecast 3.5 million unemployed by the end of 1986.

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## POST-BUDGET AND PRE-BUDGET FORECASTS FOR OUTPUT, INFLATION, AND UNEMPLOYMENT

Percentage change on previous year

	GDP(average)				RETAIL PRICES - Q4 (*)				UNEMPLOYMENT - Q4			
	1985		1986		1985		1986		1985		1986	
	Post-Budget	Pre-Budget	Post-Budget	Pre-Budget	Post-Budget	Pre-Budget	Post-Budget	Pre-Budget	Post-Budget	Pre-Budget		
(1) 1985 FSBR forecast	3.5	3.5	2.5	-	5.0	4.5	4.5	-	-	-	-	-
(2) LBS	3.3	3.6	2.4	2.6	(5.3)k	(5.3)k	(4.9)k	(5.1)k	3.09	3.15	2.90	3.09
Phillips & Drew (3)	3.3	3.1	1.8	1.3	5.6	5.6	5.4	5.4	3.19	3.18	3.19	3.26
Simon & Coates (4)	3.3	3.7	1.2	0.9	5.4	5.4	4.9	4.9	3.09	3.09	3.50	3.50
Henley (5)	2.9	2.8	1.6	1.6	5.7	6.0	5.5	5.8	3.20	3.20	3.28	3.24
Liverpool (6)	3.2	3.0	4.1	3.8	(3.5)k	(3.7)k	(2.2)k	(2.7)k	3.15k	3.15k	2.92k	3.01k
CBI	4.0	3.2	2.5	-	(5.0)	(4.9)	(4.8)	-	3.10	3.00	3.10	-
Consensus of Outside Forecasts Made Post- and Pre-Budget	3.3	3.2	2.3	2.0	5.6	5.7	5.3	5.4	3.13	3.12	3.19	3.27

## NOTES

(\*) Consumer prices in brackets

(1) GDP forecast up to 1986 H1, inflation forecast up to 1986 Q2.

(2) GDP (output measure); inflation refers to consumer prices, whole year on whole year percentage change.

(3) GDP (output measure).

(4) GDP (output measure).

(5) GDP (expenditure measure); inflation refers to consumer prices, whole year on whole year percentage change.

(6) Inflation refers to consumer prices.

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k whole year.



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## COMPARISON OF FORECASTS - SUMMARY TABLES

## FORECASTS FOR 1984-85

Except where specified figures are percentage changes on previous year

Date of Forecast	IAF(m)	NIESR	LBS	Phillips & Drew	Simon & Coates	Henley	C'bridge Econ	L'pool	CBI	OECD	CUBS
	Mar '85	Feb '85	Mar '85	Apr '85	Apr '85	Apr '85	Oct '84	Mar '85	Mar '85	Dec '84	Autumn '84
	Forecasts for financial year 1984-1985										
M0 growth	4-8	7.0	5.0	5.5k	6.6k	-	-	5.5k	-	-	6.0k
£M3 growth	6-10	9.7	8.9	9.3k	10.2k	9.8	-	-	-	-	-
PSBR (£bn)	10.5	9.0	10.1	10.5	9.7	10.0	-	9.5	10.5	-	10.4k

Other City forecasts not reflected in consensus

Date of Forecast	Oxford	OUTSIDE		OUTSIDE		Capel-Cure	Wood Mack	Scrimgeour
	Jan '85	CONSENSUS	RANGE	RANGE	RANGE	Feb '85	Apr '85	Feb '85
M0 growth	-	6.0	5.0 (LBS)	7.0 (NIESR)	-	-	-	-
£M3 growth	9.4	9.5	8.9 (LBS)	9.8 (Henley)	10.0	-	10.0	10.0
PSBR (£bn)	9.2	9.8	9.0 (NIESR)	10.5 (P&D, CBI)	10.0	10.1	9.9	

## NOTES:

(k) calendar year 1984

(m) Industry Act forecast

'Consensus' is defined as an unweighted average of comparable outside forecasts



## COMPARISON OF FORECASTS - SUMMARY TABLES

## FORECASTS FOR 1985/1985-86

Except where specified figures are percentage changes on previous year

(GDP components in constant 1980 prices)

Date of Forecast	IAF(m)	! NIESR	LBS	Phillips & Drew	Simon & Coates	Henley	C'bridge Econ	L'pool	CBI	OECD	CUBS	Oxford	OUTSIDE CONSENSUS	OUTSIDE RANGE		Other City forecasts not reflected in consensus			
	Mar '85	! Feb '85	Mar '85	Apr '85	Apr '85	Apr '85	Oct '84	Mar '85	Mar '85	Dec '84	Autumn '84	Jan '85		Feb '85	Apr '85	Feb '85	Capel-Cure	Wood Mack	
Forecasts for calendar year 1985																			
GDP	3.5 (A)	2.8 (O)	3.3 (O)	3.3 (A)	3.3 (O)	2.9 (O)	2.1 (O)	3.2 (E)	4.0 (A)	3.0 (A)	2.9 (O)	2.5 (A)	3.0	2.1 (C'bridge)	4.0 (CBI)	3.1 (A)	3.3 (A)	2.9 (A)	GDP
Consumers' Expenditure	3.0	! 2.6	2.8	2.5	2.4	2.3	2.4	2.2c	2.5	2.0	-	2.0	2.4	2.0 (OECD,Oxford)	2.8 (LBS)	2.3	2.5	2.4	Consumers' Expenditure
General Govt Consumption	2.0	! 1.0	1.9	0.8	0.7	2.5	0.8	-1.2d	2.0	0.75	-	0.8	1.3	0.7 (S&C)	2.5 (Henley)	1.0	1.2	1.5	General Govt Consumption
Gross Fixed Investment	2.0	! 0.1	2.6	3.0	4.1	0.8	2.1	11.4e	3.75	4.25	-	2.3	2.6	0.1 (NIESR)	4.25 (OECD)	-	2.0	3.4	Gross Fixed Investment
-public	-	! -10.1	-8.6	-9.4	-6.0	-12.8	-	-	-6.0	1.25	-	-6.0	-7.2	-12.8 (Henley)	1.25 (OECD)	-20.0	-	-10.2	-public
-private	-	! 3.6	6.6	7.4	7.7	5.4	-	-	7.2	7.5f	-	5.2	6.2	3.6 (NIESR)	7.7 (S&C)	10.0	-	8.2	-private
Stockbuilding (£bn)	-0.3	! 1.0	0.6	-0.4	0.4	1.0	1.3	-	0.5	0.5n	-	0.4	0.6	-0.4 (P&D)	1.3 (C'bridge)	0.8	1.0	0.7	Stockbuilding (£bn)
Exports (goods & services)	6.5	! 5.4	7.0	6.1	7.5	5.4	4.5	-	7.5	4.0	-	5.5	5.9	4.0 (OECD)	7.5 (S&C,CBI)	5.8	6.3	7.3	Exports (goods & services)
Imports (goods & services)	3.5	! 4.5	6.4	3.4	5.5	4.7	4.8	-	4.5	4.25	-	3.5	4.6	3.4 (P&D)	6.4 (LBS)	3.5	4.1	6.1	Imports (goods & services)
Forecasts for financial year 1985-1986																			
RPI (CPI) - 4th Qtr	5.0	! 6.5	(5.3)k	5.6	5.4	5.7	(7.2)k	(3.5)k	(5.0)	(5.25)k	-	5.3	5.7	5.3 (Oxford)	6.5 (NIESR)	5.6k	5.3	5.7	RPI (CPI) Q4
Average Earnings (g)	-	! 8.4	8.0	8.1	8.4	7.7	9.5	4.8	7.0	6.75	-	8.4	7.7	4.8 (L'pool)	9.5 (C'bridge)	7.8	8.0	8.3	Average Earnings (g)
RPDI	-	! 2.7	2.4	2.4	2.5	2.3	-	-	2.6	-	-	2.0	2.4	2.0 (Oxford)	2.7 (NIESR)	3.0	-	2.1	RPDI
Unemployment (UK adults million - 4th Qtr)	-	! 3.20	3.09	3.19	3.09	3.20	3.2k	3.15k	3.10	-	-	3.16	3.15	3.09 (LBS,S&C)	3.20 (Henley)	3.20	3.2k	3.17	Unemployment (million Q4)
Forecasts for 1985-1986																			
World trade (g)	5.5	! 6.0	5.7	5.5	5.5	5.5	-	5.0	7.0	6.0	-	5.8	5.8	5.0 (L'pool)	7.0 (CBI)	4.5	6.0	5.8	World trade (g)
Current Account (£bn)	3.0	! 0.7	-0.7	1.6	2.2	0.1	2.9	-0.9	2.3	-0.5	-	1.0	0.9	-0.9 (L'pool)	2.9 (C'bridge)	0.0	2.9	0.9	Current Account (£bn)
Sterling Index(1975=100) Q4	-	! 68.5	76.0	71.5	71.0	70.2	-	77.4k	78.5j	-	76.7j	75.8	72.2	68.5 (NIESR)	76.0 (LBS)	67.0	77.8	72.0	Sterling Index Q4(1975=100)
Short term interest rate (g) - 4th Qtr	-	! -	10.0	10.5	9.5	10.5	-	10.0k	-	-	-	9.7	10.0	9.5 (S&C)	10.5 (P&D,Henley)	11.0	10.5	12.5p	Short term interest rate Q4 (g)
Forecasts for 1985-1986																			
M0 growth	3-7	! 8.0	3.1	6.0k	4.0k	-	-	6.0k	-	-	5.2k	-	5.6	3.1 (LBS)	8.0 (NIESR)	-	-	-	M0 growth
£M3 growth	5-9	! 9.0	7.1	8.5k	6.2k	8.9	-	-	-	-	-	10.4	8.9	7.1 (LBS)	10.4 (Oxford)	9.0	-	11.0	£M3 growth
PSBR (£bn)	7.0	! 9.6	6.6	6.7	6.5	8.7	-	7.2	7.7	-	9.5k	6.6	7.5	6.5 (S&C)	9.6 (NIESR)	7.5	8.0	7.5	PSBR (£bn)

## NOTES:

(c) non durable consumption

(d) current and capital including stockbuilding

(e) private sector investment and stockbuilding and durable consumption

(A) average measure

(f) non-residential

(g) for definition see individual forecast summaries

(O) output measure

(j) 1980 = 100

(k) calendar year 1985

(m) Industry Act forecast

(E) expenditure measure

(n) change in stockbuilding as a % of GDP in previous period

(p) fiscal year 1985-86

'Consensus' is defined as an unweighted average of comparable outside forecasts



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## COMPARISON OF FORECASTS - SUMMARY TABLES

FORECASTS FOR 1986/1986-87

Except where specified figures are percentage changes on previous year

(GDP components in constant 1980 prices)

Date of Forecast	IAF(m)	NIESR	LBS	Phillips Simon & Coates			C'bridge		CBI	OECD	CUBS	Oxford	OUTSIDE CONSENSUS	OUTSIDE RANGE		Other City forecasts not reflected in consensus			
				& Drew	Coates	Henley	Econ	L'pool						Jan	Feb	Wood Mack	Scrimgeour		
	Mar '85	Feb '85	Mar '85	Apr '85	Apr '85	Apr '85	Oct '84	Mar '85	Mar '85	Dec '84	Autumn '84	Jan '85			Feb '85	Apr '85	Feb '85		
Forecasts for calendar year 1986																			
GDP	2.5f (A)	0.9 (O)	2.4 (O)	1.8 (A)	1.2 (O)	1.6 (O)	1.3 (O)	4.1 (E)	2.5 (A)	-	2.9 (O)	2.1 (A)	2.1	0.9 (NIESR)	4.1 (L'pool)	2.6 (A)	1.7 (A)	2.3 (A)	GDP
Consumers' Expenditure	4f	0.9	2.8	2.0	3.0	1.8	2.1	3.0c	3.0	-	-	3.6	2.4	0.9 (NIESR)	3.6 (Oxford)	1.9	2.5	3.0	Consumers' Expenditure
General Govt Consumption	-1f	0.5	0.8	1.0	0.9	0.6	1.0	2.9d	-0.5	-	-	0.7	0.6	-0.5 (CBI)	1.0 (P&D,C'bridge)	1.0	0.9	1.0	General Govt Consumption
Gross Fixed Investment	1f	-1.0	2.3	2.3	-0.9	2.5	2.4	3.9e	4.0	-	-	2.5	1.8	-1.0 (NIESR)	4.0 (CBI)	-	2.1	2.1	Gross Fixed Investment
-public	-	-4.9	1.9	3.7	-0.2	5.0	-	-	-2.6	-	-	1.0	0.6	-4.9 (NIESR)	5.0 (Henley)	-4.0	-	1.0	-public
-private	-	0.1	2.8	1.9	-0.5	1.8	-	-	6.1	-	-	3.3	2.2	-0.5 (S&C)	6.1 (CBI)	3.5	-	2.4	-private
Stockbuilding (£bn)	0.4r	0.9	0.2	0.0	-0.1	0.7	1.4	-	0.6	-	-	1.5	0.7	-0.1 (S&C)	1.5 (Oxford)	0.6	1.0	1.6	Stockbuilding (£bn)
Exports (goods & services)	3f	4.6	4.1	3.2	3.1	2.9	2.2	-	4.3	-	-	2.0	3.3	2.0 (Oxford)	4.6 (NIESR)	6.0	2.3	2.8	Exports (goods & services)
Imports (goods & services)	3.5f	3.0	2.9	3.9	3.7	2.0	4.7	-	3.6	-	-	5.1	3.6	2.0 (Henley)	5.1 (Oxford)	2.0	3.3	4.1	Imports (goods & services)
Forecasts for financial year 1986-1987																			
RPI (CPI) - 4th Qtr	4.5n	6.5	(4.9)k	5.4	4.9	5.5	(6.8)k	(2.2)k	(4.8)	-	-	4.6	5.4	4.6 (Oxford)	6.5 (NIESR)	5.8k	5.5	4.6	RPI (CPI) Q4
Average Earnings (g)	-	7.7	7.2	7.5	7.8	8.5	8.7	2.9	6.6	-	-	7.3	7.1	2.9 (L'pool)	8.7 (C'bridge)	7.6	7.5	8.0	Average Earnings (g)
RPDI	-	0.5	2.0	2.0	2.7	2.2	-	-	3.1	-	-	4.0	2.4	0.5 (NIESR)	4.0 (Oxford)	1.8	-	2.7	RPDI
Unemployment (UK adults million - 4th Qtr)	-	3.40	2.90	3.19	3.50	3.28	3.4k	2.92k	3.10	-	-	3.18	3.22	2.90 (LBS)	3.50 (S&C)	3.30	3.2k	3.22	Unemployment (million Q4) (UK adults)
World trade (g)	4.5f	4.5	5.2	4.6	3.0	3.5	-	5.0	4.5	-	-	3.5	4.2	3.0 (S&C)	5.2 (LBS)	4.0	4.0	4.0	World trade (g)
Current Account (£bn)	3r	1.4	1.7	1.0	3.4	0.7	2.3	1.4	1.6	-	-	-1.4	1.3	-1.4 (Oxford)	3.4 (S&C)	2.0	0.9	-0.1	Current Account (£bn)
Sterling Index(1975=100) Q4	-	66.2	76.0	71.5	75.0	71.2	-	76.9k	78.5j	-	81.7j	73.0	72.2	66.2 (NIESR)	76.0 (LBS)	65.0	75.7	72.0	Sterling Index Q4(1975=100)
Short term interest rate (g) - 4th Qtr	-	-	8.0	8.5	8.5	10.0	-	7.5k	-	-	-	9.0	8.8	8.0 (LBS)	10.0 (Henley)	9.0	9.5	10.0p	Short term interest rate Q4 (g)
M0 growth	2-6	6.0	4.0	6.2k	3.7k	-	-	5.0k	-	-	4.2k	-	5.0	4.0 (LBS)	6.0 (NIESR)	-	-	-	M0 growth
M3 growth	4-8	8.0	7.3	7.5k	7.6k	9.5	-	-	-	-	-	9.7	8.6	7.3 (LBS)	9.7 (Oxford)	8.0	-	14.0	M3 growth
PSBR (£bn)	7.5	8.5	6.7	9.7	7.5	8.7	-	6.9	-	-	8.7k	7.7	8.0	6.7 (LBS)	9.7 (P&D)	7.5	7.5	8.6	PSBR (£bn)

## NOTES:

- (c) non durable consumption  
 (d) current and capital including stockbuilding  
 (e) private sector investment and stockbuilding and durable consumption  
 (A) average measure  
 (O) output measure  
 (E) expenditure measure  
 (f) 1985H1 to 1986H1  
 (g) for definition see individual forecast summaries  
 (j) 1980 = 100  
 (k) calendar year 1986  
 (l) 1985Q2 to 1986Q2  
 (m) Industry Act forecast  
 (n) 1986H1 at annual rate  
 (p) fiscal year 1986-87  
 (r) 1986H1 at annual rate

'Consensus' is defined as an unweighted average of comparable outside forecasts



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