HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dame Meg Hillier MP
Chair of the Treasury Committee
House of Commons
Committee Office
London
SW1 0AA

3 March 2026

Dear Dame Meg,

Spring Forecast 2026

This government has the right economic plan for Britain – a plan that is even more important in a world that in the last few days has become yet more uncertain. It is more important than ever that the government continues to provide stability in our public finances, investment in our infrastructure and reform to our economy.

At Budget 2025, the government took action to bring down inflation, create the conditions for growth and bring down debt and borrowing. This forecast shows that we have the right plan.

Inflation & household finances

In February, the Bank of England confirmed that inflation will fall faster because of the action that I took in the Budget – including cutting energy bills, freezing prescription charges and freezing rail fares. Today, the Office for Budget Responsibility (OBR) confirm that they expect inflation to come down even faster than it forecast in the Autumn.

Inflation has fallen from its peak of 11.1% in October 2022 and inflationary pressure gradually eased over 2025. This has allowed the Bank of England to cut interest rates again since the Budget. This translates to a saving of £1,300 a year for someone taking out a representative new two-year fixed rate mortgage in December 2025 compared to June 2024.

Living standards are also improving, with real household disposable income per person now set to rise by 3.5% this Parliament. GDP per capita is also £2,300 higher in the last year of the forecast compared to the first.

Debt, borrowing & public finances

This government is succeeding in getting borrowing down. Borrowing this year will be at the lowest level for 6 years and will fall in every year of the forecast, and in 2026 UK borrowing will fall below the G7 average for the first time since 2004.

We will now spend £3 billion a year less on debt interest by the end of the Parliament than the OBR forecast at the Budget – money that can now be spent on the British people's priorities.

Growth

The only way to sustainably increase living standards in the long-term is through growth.

To achieve this, the government is maintaining public investment at the highest sustained level in four decades, supported by an increase in departmental capital spending of over £120 billion over the Parliament, compared to previous plans. This was made possible because of the decisions the government has taken, including the government's non-negotiable fiscal rules.

We're delivering the plans and reforms we set out in 2025 that are improving public services: doubling funding to repair local roads, committing to 12 new towns, catalysing major investment in the North including up to £45bn to deliver Northern Powerhouse Rail, and freezing rail fares saving commuters on the most expensive routes more than £300 per year. This is underpinned by investment in our NHS and national security to safeguard the UK.

Growth has been resilient. Despite global shocks and other headwinds, the UK economy grew by 1.3% in 2025 – with the fastest growth amongst the European G7 economies. Businesses and consumers are feeling more confident – flash PMIs in February indicated a robust increase in private sector activity, with the overall rate of expansion reaching its fastest rate since April 2024.

The government is determined to unlock the potential of people across all nations and regions of the UK. That is why we have increased funding for employment support to more than £3.75 billion per year by 2028-29, helping people access the skills they need and supporting more people to get better jobs. Our Youth Guarantee measures announced at Budget will start rolling out later this Spring, including the first young people starting new jobs under our Jobs Guarantee.

This government has beaten growth forecasts in the past and is taking the necessary action to beat them again, through the approach of stability, investment and reform. In my second Mais lecture in two weeks, I will set out major choices that will determine the course of our economy into the future.

The government has the right economic plan to build a stronger and more secure economy by cutting the cost of living, cutting the national debt and creating the conditions for growth and investment in every part of the country.

Rachel Reeves.

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Chancellor of the Exchequer