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Neil Williams, Group Chief Economist at Hermes Fund Managers, reacts to today's Budget:

"With today's Budget so far ahead of the general election, fiscal policy was always going to play second fiddle to monetary policy driven by the BoE. However, it contained a few key elements. It's a warmer economic outlook than the chancellor expected just three months ago, but not hot enough to bring forward that first rate hike.

The UK's 'sugar rush' recovery is still going, so conventional gilts and equities should welcome the upgrade to growth projections and the fact that Osborne is keeping budget consolidation ahead of fiscally 'expensive' give-aways.

The Chancellor has set in train far-reaching pension reforms, which market practitioners will need to digest in coming weeks. Meantime, many will take heart by the measures for saving, and the much smaller-than-expected (£128bn) gilts issuance plan for the year ahead.

The fiscal screw should remain tight, with Osborne still aiming to whittle down the underlying budget deficit, and ultimately return it to the black in 2018/19. Better growth means it was inevitable that headline deficits would be lower than planned, allowing Osborne to claim 'Plan A' is working.

Let's not get too carried away. First, the deficit is still high. Excluding special items like the transfer of the Royal Mail Pension Plan and QE profits, the hoped-for 6.6%-of-GDP deficit for 2013/14 will still be the G7's widest after Japan.

Second, while the headline deficit falls on better growth, the structural, less growth-sensitive part of the deficit will fall by less, begging further reform and consolidation.

As a result, the net-debt-to-GDP ratio will not even peak (at 79%) until 2015/16. This is admittedly one year sooner than Osborne predicted this time last year, but still one year later than the coalition had originally mandated.

So, growth may be better, but with some hard work still to do on deficit and debt reduction, Osborne - from a gilts-market perspective - was probably right at this stage to limit his 'giveaways' and keep his powder dry for future years.

With the 'devil in the detail', there's always a risk that a euro-zone relapse exposes the OBR's optimistic revenue projections. And, don't forget, even with the GDP up-revisions, the UK's loss over the cycle of a quarter of a percentage point a year in potential growth may take years to claw back.

This, plus chance of more benign CPI inflation in 2014, an unfixed euro-zone, and geopolitical risk elsewhere stress the importance of keeping a loose monetary stance. The BoE is thus right to defer any Bank rate hike till economic 'slack' is reduced, which still looks off the radar till 2015."

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Notes to Editors:

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