

# Commentary on the Public Sector Finances: November 2019

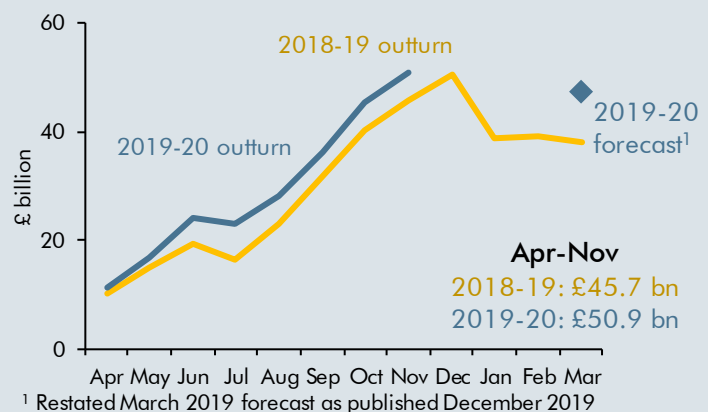
Office for  
**Budget  
Responsibility**

20 December 2019

## Rise in borrowing slower than forecast so far in 2019-20

Borrowing has risen so far this year, but, following substantial revisions over the past two months, the year-to-date rise is now slower than the full-year rise in our restated March forecast. That said, with four months of the year to go, risks remain: January is a big month for receipts, while bonus season and end-year departmental spending are always sources of uncertainty.

Cumulative public sector net borrowing



## Headlines

- We compare latest outturns with our **restated March 2019 forecast**, which reflects several recent ONS statistical changes and means comparisons are now on a like-for-like basis.
- **Public sector net borrowing (PSNB)** is estimated at £5.6 billion in November, £0.2 billion higher than a year earlier. It has risen in six out of eight months so far in 2019-20.
- **Year-to-date borrowing** was up £5.1 billion (11.3 per cent) on the same period last year. Our restated PSNB forecast for 2019-20 implies a £9.5 billion (24.9 per cent) full-year rise.
- **ONS revisions** again significantly lowered estimated borrowing in the earlier months of the financial year. Last month, borrowing was revised down by £5.2 billion for earlier months while this month's release reduced borrowing by a further £1 billion.
- The ONS has also revised down **2018-19 borrowing** by £3.3 billion in this month's release.
- **Central government receipts** (excluding PSNB-neutral transfers related to 'quantitative easing') were up 1.6 per cent in November. Year-to-date receipts growth of 2.6 per cent is a little above our restated March forecast of a 2.3 per cent rise in 2019-20 as a whole.
- **Central government spending** (excluding PSNB-neutral grants to local authorities) was up by 1.6 per cent in November and up 3.5 per cent for the year to date. Year-to-date spending growth is only modestly above our restated March forecast of a 3.2 per cent rise in 2019-20.
- **Net debt** was 0.8 per cent of GDP lower in November 2019 than a year earlier.

## Full commentary

1. The Office for National Statistics and HM Treasury published their Statistical Bulletin on the November 2019 Public Sector Finances this morning, covering the first eight months of 2019-20.<sup>1</sup> Each month the OBR provides a brief analysis of the data and a comparison with our most recent forecast. This is currently from the March 2019 *Economic and fiscal outlook (EFO)*, which we have restated to be on a consistent basis with the substantial classification and other statistical changes that were incorporated into September's Public Sector Finances release.<sup>2</sup> Our restated forecast for borrowing in 2019-20 is £18.3 billion higher than the original one.

### Public sector net borrowing

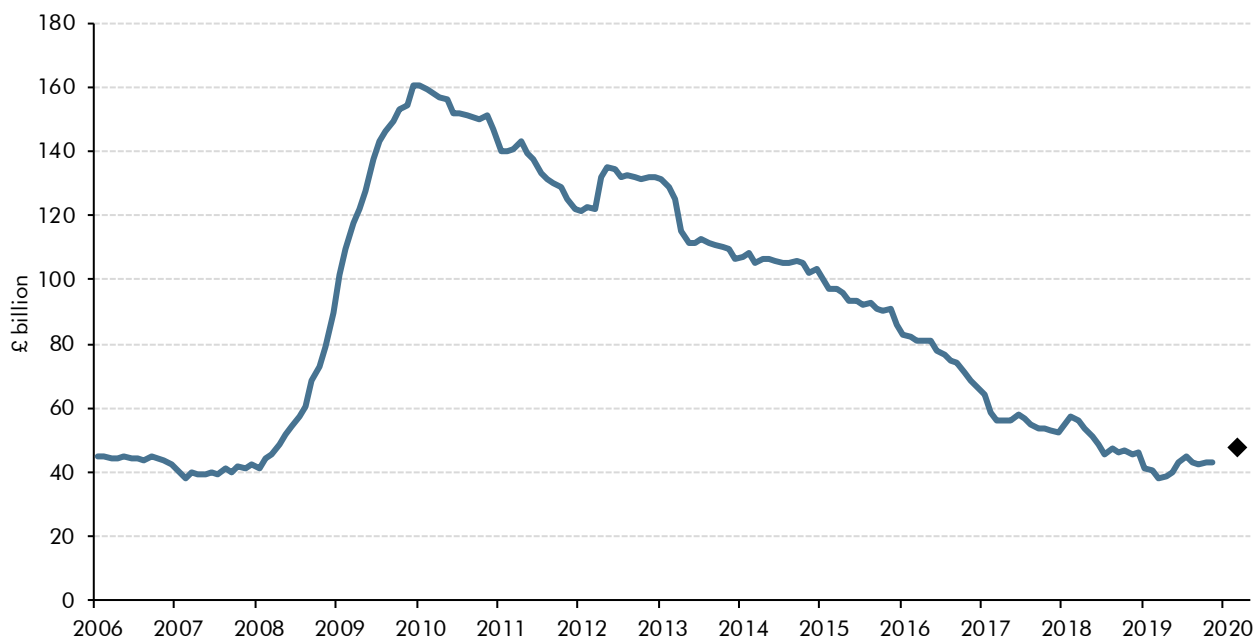
2. Public sector net borrowing (PSNB) was £5.6 billion in November, £0.2 billion higher than last year but £0.5 billion lower than market expectations. Central government (CG) borrowing fell on a year earlier, thanks to flat CG spending and a £0.9 billion rise in CG receipts. Lower grants from central government pushed up local authorities' borrowing by £1.2 billion on a year earlier, while borrowing by public corporations was down £0.1 billion.
3. The deficit for the first eight months of 2019-20 is up by £5.1 billion (11.3 per cent) on a year earlier. To meet our restated forecast for borrowing of £47.6 billion for 2019-20 as a whole requires a £9.5 billion (24.9 per cent) rise over the full financial year – relative to the downwardly revised latest estimate of borrowing in 2018-19. This would require a materially worse performance for the public finances over the rest of the year than was the case last year, when a surplus of £7.6 billion was recorded across the final four months of the year. But last year was boosted by particularly strong self-assessment receipts and risks remain around prospects for borrowing through the rest of this year: January is a big month for receipts, while bonus season and end-year departmental spending are always sources of uncertainty.
4. Borrowing for earlier months of the financial year was revised down by £5.2 billion in last month's release. There has been a further £1.0 billion downward revision to earlier months of the financial year in this month's release. Around £5 billion of these revisions reflects lower estimates of CG spending, the strength of which had been the main reason for year-to-date borrowing apparently running ahead of our March forecast in earlier data releases.
5. Chart 1.1 shows outturn PSNB on a 12-month rolling basis relative to our restated full-year forecast for 2019-20. It is currently a little below that full-year forecast, which in part will reflect the boost from strong self-assessment receipts in January 2019.

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<sup>1</sup> <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/november2019>

<sup>2</sup> [https://obr.uk/docs/dlm\\_uploads/Restated\\_March\\_2019\\_forecast.pdf](https://obr.uk/docs/dlm_uploads/Restated_March_2019_forecast.pdf)

Chart 1.1: Public sector net borrowing: rolling 12-month total

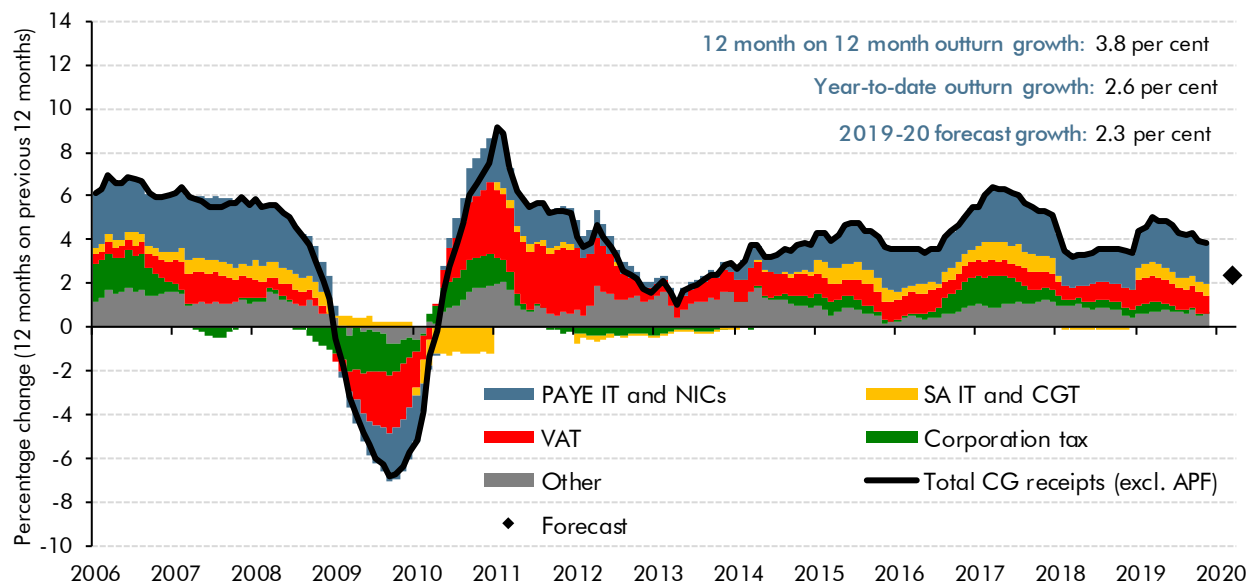


Source: ONS, OBR

## Central government receipts

6. Relative to last year, CG receipts (excluding APF transfers) were up 1.6 per cent in November. They are up 2.6 per cent in the first eight months of 2019-20, which is a little above the 2.3 per cent full-year rise in our restated March forecast. Weak growth in November receipts mainly reflected no growth in VAT or income tax (the latter due to the weakness of smaller income tax streams rather than PAYE or self-assessment), while corporation tax receipts were lower. Higher NICs receipts provided the only material offset to these sources of weakness.
7. As in previous months, year-to-date growth of 3.7 per cent in PAYE income tax and NICs receipts outpaces our full-year forecast for 2019-20 of 2.2 per cent. While earnings growth eased a little in the latest ONS labour market release, earnings growth so far this year has been stronger than we forecast back in March. Overall year-to-date receipts growth has also benefited from the £1.8 billion of RBS special dividends received so far this year, which exceeds the £1.0 billion we predicted for the year as a whole.
8. In contrast to these positives, year-to-date growth in several smaller tax streams has been weaker than our full-year forecasts for them, with fuel duty, tobacco and alcohol duties, and inheritance tax all down on the same period last year. In recent years, fuel duty receipts have risen modestly, helped by growth in miles driven particularly by small vans. By contrast, fuel duty receipts are down 1.4 per cent on a year earlier so far this year, which, if sustained, would represent the largest fall since 2011-12. Inheritance tax is down 8.7 per cent, probably due to some payments having been brought forward to March to avoid the sharp rise in probate fees for high-value estates that was slated to take effect in April, but was subsequently delayed.
9. Chart 1.2 shows the rolling 12-month average growth in CG receipts. On this metric, growth is currently being boosted by January 2019 self-assessment receipts. We would expect it to slow towards the year-to-date and forecast growth rates as 2019-20 progresses.

Chart 1.2: Growth in central government receipts: rolling 12-month average

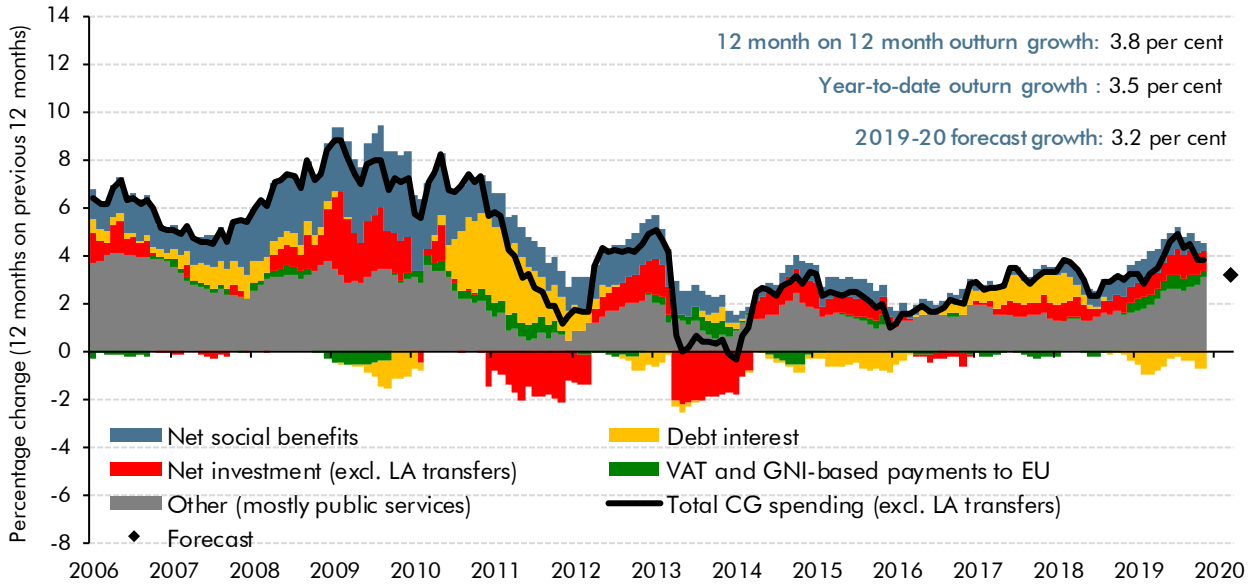


We have adjusted these figures for differences between our forecasts and ONS outturns that stem from classification decisions the ONS has taken but not yet implemented. Full details are available in a supplementary table on our website.  
 Source: ONS, OBR

## Central government spending

10. Relative to last year, total CG spending (excluding grants to local authorities) was up 1.6 per cent in November and up 3.5 per cent for the year to date. The £0.8 billion rise in CG spending on this basis in November was more than explained by a £2.5 billion rise in other CG current spending (mostly spending on public services) with debt interest spending, net social benefits and UK contributions to the EU all lower than a year earlier.
11. As noted above, spending growth in earlier months of 2019-20 has been revised down substantially in the past two releases. Overall CG spending has been revised down by around £5 billion in that period. For the year to date, CG spending growth of 3.5 per cent is now only a little above the full-year growth of 3.2 per cent in our restated March forecast. With debt interest and EU contributions down on a year earlier and net social benefits little changed on a year ago (due to the large rise in employer pension contribution rates for public service pension schemes), much of the rise reflects the rise in other CG current spending. This was up 6.9 per cent year to date relative to last year, compared with our full-year forecast of 4.9 per cent growth. Several factors contribute to this strength, including the more generous NHS settlement and the higher employer pension contributions (which have raised staff costs).
12. Chart 1.3 shows CG spending growth on a 12-month rolling basis. Two months ago, spending growth on this metric was still picking up in the latest month. The substantial revisions over the past two months mean that it is now slowing from its peak earlier in the year.

Chart 1.3: Growth in central government spending: rolling 12-month average

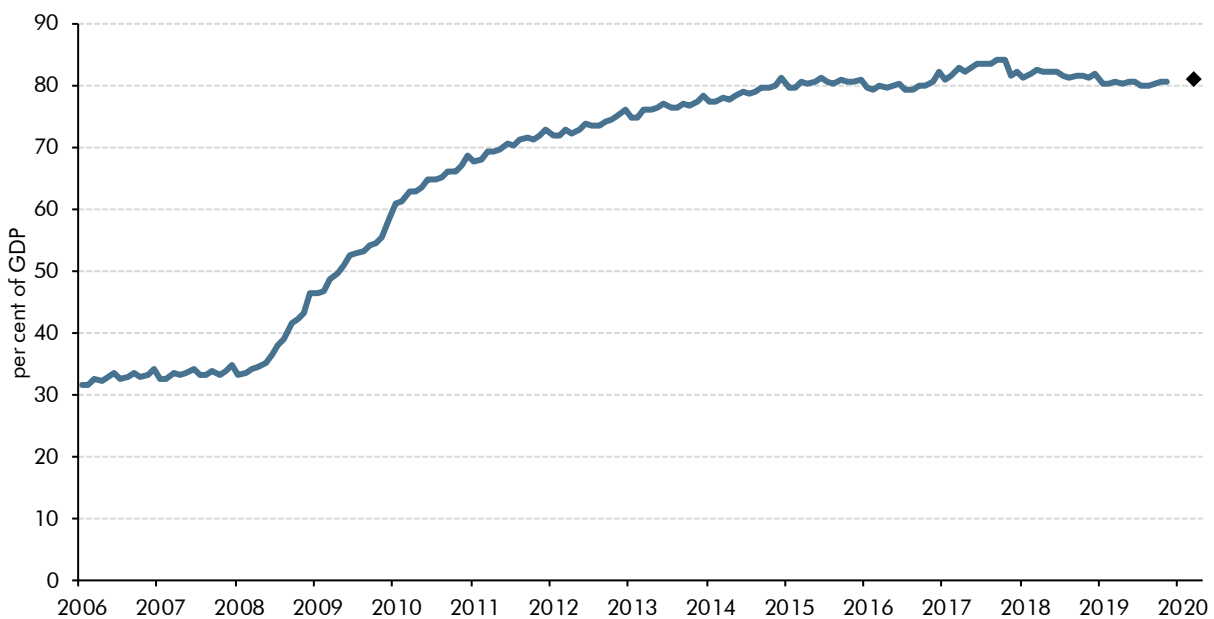


We have adjusted these figures for differences between our forecasts and ONS outturns that stem from classification decisions the ONS has taken but not yet implemented. Full details are available in a supplementary table on our website.  
 Source: ONS, OBR

## Debt

13. Public sector net debt (PSND) in November 2019 was down 0.8 per cent of GDP from a year earlier. Around 0.5 percentage points of this drop is explained by the £4.9 billion sale of Bradford and Bingley mortgages by UK Asset Resolution (UKAR) in April and £8.5 billion in early repayments of Term Funding Scheme (TFS) loans since the start of the financial year. The UKAR sale was part of the £16.4 billion of financial asset sales expected during 2019-20 in our March forecast, but we did not assume that any further TFS loans would be repaid early.

Chart 1.4: Public sector net debt



Source: ONS, OBR

Table 1.1: Public sector receipts, expenditure and net borrowing<sup>1</sup>

£ billion	November				April to November				Implied December to March				Restated March forecast			
	2019	2018	change		2019-20	2018-19	change		2019-20	2018-19	change		2019-20	2018-19	change	
			£bn	%			£bn	%			£bn	%	Forecast	outturn	£bn	%
<b>Central government (CG) current receipts</b>																
Taxes on production	23.9	23.8	0.1	0.4	191.3	188.4	2.9	1.6	95.8	92.0	3.8	4.1	287.2	280.4	6.7	2.4
Of which: VAT (accrued)	13.0	13.0	0.0	0.1	104.0	100.7	3.3	3.3	51.0	50.7	0.3	0.6	155.0	151.4	3.6	2.4
Taxes on income and wealth	17.6	17.8	-0.3	-1.5	153.1	151.3	1.7	1.1	108.0	108.8	-0.8	-0.7	261.1	260.1	1.0	0.4
Of which:																
Income tax and CGT (accrued)	13.2	13.2	0.0	0.2	115.1	112.4	2.8	2.5	89.7	89.4	0.3	0.3	204.8	201.7	3.1	1.5
Corporation tax	4.4	4.6	-0.3	-5.9	37.7	38.8	-1.1	-2.9	18.3	19.6	-1.3	-6.8	55.9	58.4	-2.5	-4.2
Other taxes	1.5	1.5	0.0	0.7	12.1	12.4	-0.3	-2.3	6.3	6.0	0.3	5.2	18.3	18.3	0.0	0.2
Compulsory social contributions	11.4	10.8	0.6	5.6	91.8	87.1	4.8	5.5	51.6	50.2	1.4	2.7	143.4	137.3	6.1	4.5
Interest & dividends	0.9	0.6	0.3	45.4	14.8	14.7	0.0	0.1	5.1	3.9	1.3	32.4	19.9	18.6	1.3	6.9
Other receipts	2.9	2.8	0.2	6.3	22.7	22.0	0.7	3.0	11.7	11.4	0.3	2.8	34.4	33.4	1.0	3.0
<b>Total CG current receipts</b>	<b>58.1</b>	<b>57.2</b>	<b>0.9</b>	<b>1.6</b>	<b>485.7</b>	<b>475.9</b>	<b>9.8</b>	<b>2.1</b>	<b>278.6</b>	<b>272.3</b>	<b>6.3</b>	<b>2.3</b>	<b>764.3</b>	<b>748.2</b>	<b>16.1</b>	<b>2.2</b>
<b>CG current expenditure</b>																
Interest payments	2.1	3.0	-0.9	-28.7	35.5	36.9	-1.3	-3.6	15.5	11.9	3.6	30.3	51.1	48.8	2.3	4.7
Net social benefits	17.3	17.5	-0.2	-1.2	145.0	144.6	0.4	0.2	66.5	70.1	-3.7	-5.2	211.4	214.7	-3.3	-1.5
CG current grants to LAs	8.1	8.3	-0.2	-2.7	75.7	76.8	-1.1	-1.5	38.6	35.9	2.7	7.5	114.3	112.7	1.6	1.4
VAT and GNI-based payments to EU <sup>2</sup>	0.3	1.1	-0.7	-68.4	7.0	7.6	-0.6	-8.1	6.4	5.3	1.1	21.2	13.4	12.9	0.5	4.0
Other	29.5	27.0	2.5	9.3	224.4	209.8	14.6	6.9	109.9	108.9	1.1	1.0	334.3	318.7	15.6	4.9
<b>Total current expenditure</b>	<b>57.4</b>	<b>57.0</b>	<b>0.5</b>	<b>0.8</b>	<b>487.5</b>	<b>475.7</b>	<b>11.9</b>	<b>2.5</b>	<b>237.0</b>	<b>232.1</b>	<b>4.8</b>	<b>2.1</b>	<b>724.5</b>	<b>707.8</b>	<b>16.7</b>	<b>2.4</b>
Depreciation	2.5	2.4	0.2	6.6	19.4	18.9	0.5	2.7	9.9	9.6	0.3	3.7	29.3	28.4	0.9	3.0
<b>CG current budget deficit</b>	<b>1.8</b>	<b>2.1</b>	<b>-0.3</b>	<b>-13.1</b>	<b>21.2</b>	<b>18.6</b>	<b>2.6</b>	<b>13.7</b>	<b>-31.7</b>	<b>-30.6</b>	<b>-1.1</b>		<b>-10.5</b>	<b>-12.0</b>	<b>1.4</b>	<b>-12.0</b>
CG net investment	2.2	2.9	-0.6	-22.1	27.0	24.8	2.2	8.9	23.5	20.6	2.9	14.0	50.5	45.4	5.1	11.2
of which: CG capital grants to LA	0.6	1.2	-0.6	-52.2	7.8	7.5	0.4	5.0	3.7	4.1	-0.3	-7.7	11.6	11.5	0.1	0.5
<b>CG net borrowing</b>	<b>4.0</b>	<b>4.9</b>	<b>-0.9</b>	<b>-18.3</b>	<b>48.2</b>	<b>43.4</b>	<b>4.8</b>	<b>10.9</b>	<b>-8.2</b>	<b>-10.0</b>	<b>1.8</b>	<b>-17.7</b>	<b>40.0</b>	<b>33.4</b>	<b>6.5</b>	<b>19.5</b>
Local authorities net borrowing	2.4	1.2	1.2		2.6	-0.4	3.0		6.6	5.6	1.0	18.7	9.3	5.2	4.0	77.2
Public corporations net borrowing	-0.8	-0.8	-0.1	6.6	0.1	2.7	-2.6	-97.3	-1.7	-3.2	1.5	-47.7	-1.6	-0.5	-1.1	
<b>Public sector net borrowing</b>	<b>5.6</b>	<b>5.3</b>	<b>0.2</b>	<b>4.6</b>	<b>50.9</b>	<b>45.7</b>	<b>5.1</b>	<b>11.3</b>	<b>-3.3</b>	<b>-7.6</b>	<b>4.3</b>		<b>47.6</b>	<b>38.1</b>	<b>9.5</b>	<b>24.9</b>
<b>Public sector net investment</b>	<b>2.8</b>	<b>2.5</b>	<b>0.3</b>	<b>11.1</b>	<b>26.1</b>	<b>22.3</b>	<b>3.8</b>	<b>17.0</b>	<b>21.7</b>	<b>21.9</b>	<b>-0.2</b>	<b>-0.9</b>	<b>47.8</b>	<b>44.2</b>	<b>3.6</b>	<b>8.1</b>
<b>Public sector current budget</b>	<b>2.8</b>	<b>2.8</b>	<b>0.0</b>	<b>-1.1</b>	<b>24.8</b>	<b>23.4</b>	<b>1.4</b>	<b>5.8</b>	<b>-25.6</b>	<b>-29.5</b>	<b>3.9</b>		<b>-0.8</b>	<b>-6.1</b>	<b>5.2</b>	
<i>Restated March 2019 EFO forecast published 16 December 2019 excluding public sector banks on a National Accounts basis.</i>																
Memo: CG receipts ex. APF flows	58.1	57.2	0.9	1.6	478.9	466.7	12.2	2.6	276.9	271.8	5.1	1.9	755.8	738.5	17.3	2.3
Memo: CG spending ex. grants to LAs	53.5	52.7	0.8	1.6	450.4	435.1	15.3	3.5	228.0	222.3	5.7	2.6	678.4	657.4	21.0	3.2

<sup>1</sup> Data and forecasts contained in this table can be found from the following sources:

ONS public sector finances: <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/november2019>

HMRC tax receipts and national insurance contributions: <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk>

OBR Economic and fiscal outlook: [https://cdn.obr.uk/EFO\\_March-2019.pdf](https://cdn.obr.uk/EFO_March-2019.pdf)

<sup>2</sup> Net of abatement.