

Commentary on the Public Sector Finances: December

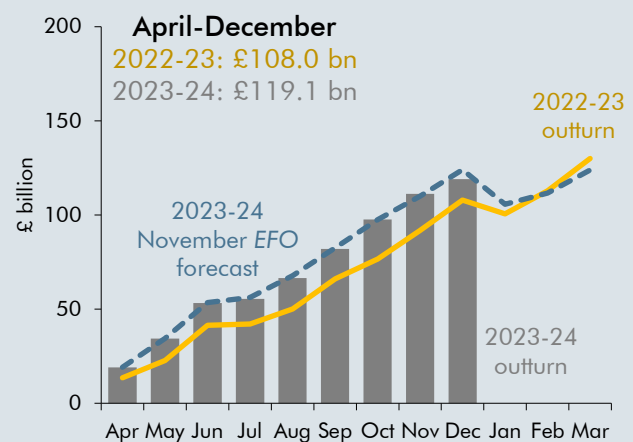
Office for
**Budget
Responsibility**

23 January 2024

Year-to-date borrowing moves below our forecast

This morning's ONS release shows that borrowing in the first nine months of 2023-24 totalled £119.1 billion. This is £11.1 billion above the same period last year and £4.9 billion below the monthly profile consistent with our November forecast. The difference with our forecast is primarily explained by debt interest payments, which were £5.7 billion below our forecast profile, reflecting lower than expected inflation. Receipts growth in the year-to-date is slightly less strong than our profile, but next month's data release for January 2024 will be key ahead of our upcoming March forecast.

Public sector net borrowing in the year to date:
November 2023 OBR forecast vs latest ONS outturns



Headlines

- **Public sector net borrowing (PSNB)** was £7.8 billion in December and £119.1 billion in the first nine months of 2023-24. The latter is £11.1 billion (10.2 per cent) above the same period last year and £4.9 billion below our November 2023 forecast profile.
- **Central government accrued receipts** (excluding PSNB-neutral transfers related to quantitative easing) were £81.5 billion in December 2023, up £4.8 billion (6.2 per cent) on last year but £1.8 billion (2.2 per cent) below our November profile. Year-to-date accrued receipts are £3.7 billion below profile.
- **Central government accrued spending** (excluding PSNB-neutral local authority grants and transfers related to quantitative easing) was £74.7 billion in December, down £5.4 billion (6.7 per cent) on last year, and £8.3 billion (1.2 per cent) below profile. This is largely due to lower debt interest payments in December than forecast.
- **Net debt** in December 2023 was 97.7 per cent of GDP, up 1.9 per cent of GDP on a year earlier and close to the monthly profile consistent with our November forecast.
- **Revisions:** borrowing in the first eight months of 2023-24 was revised down £4.2 billion, largely due to higher central government current receipts.

Detail

1. The Office for National Statistics (ONS) and HM Treasury published their Statistical Bulletin on the December 2023 Public Sector Finances this morning. Each month the OBR provides a brief analysis of the data and a comparison with our most recent forecast – in this instance our November 2023 *Economic and fiscal outlook (EFO)*. We compare the latest outturns with monthly profiles consistent with this forecast.
2. Borrowing in the first nine months of 2023-24 was £119.1 billion, up £11.1 billion (10.2 per cent) on the same period last year and £4.9 billion below our November 2023 forecast profile. The undershoot compared against profile is largely explained by lower debt interest payments (£5.5 billion below profile in December and £5.7 billion for the year to date) and lower central government net investment (£4.2 billion below profile for the year to December). The former is driven by lower than expected inflation, which is likely to also be the case in January. This is partially offset by lower receipts lower than profile (by £3.7 billion). Borrowing by local government and public corporations was £12.7 billion and £1.8 billion respectively, similar to profile.¹
3. The overall picture on central government accrued receipts will become clearer in January's data release, which will include a large share of self-assessed income tax and capital gains tax for the year. Central government accrued receipts in the year-to-date are a little below our November forecast profile. This reflects lower VAT (£1.5 billion, or 1.2 per cent, below our forecast profile), which may reflect lower inflation than expected in the final quarter of 2023, and PAYE income tax (£1.2 billion, or 0.7 per cent, below forecast).
4. HMRC cash receipts, a more timely indicator of tax performance, albeit one that can be influenced by timing effects and one-offs, were £1.8 billion (2.7 per cent) lower than our forecast, but £1.7 billion (2.7 per cent) higher than in December last year:
 - **PAYE income tax and NICs cash receipts** were £0.3 billion (0.9 per cent) lower than our November forecast profile, and £1.1 billion higher than last year. For the year to date, receipts were £1.0 billion (0.3 per cent) below forecast.
 - **Cash VAT receipts** were £0.9 billion (9.5 per cent) lower than our November forecast profile, compared to £0.2 billion (2.0 per cent) below the previous year. The deficit in this month is driven by lower VAT payments on domestic goods, and also reflects large payments made in December last year. For the year to date, receipts were £1.5 billion (1.2 per cent) below the forecast profile.
 - **Corporation tax cash receipts** were £0.3 billion (2.5 per cent) above our forecast and £3.6 billion above last December. Year-on-year growth reflects both the rise in the main rate of corporation tax and profits growth. Stronger receipts from the financial sector explain the surplus against profile in December. For the year to date, corporation tax cash receipts are £1.1 billion (1.8 per cent) below our November forecast profile, but £8.1 billion (14.8 per

¹ Throughout this commentary we exclude two PSNB-neutral intra-public sector transfers that can be large and uneven from month to month, thereby distorting the signal from the monthly path of the public finances data. These relate to: (1) the Asset Purchase Facility (APF, affecting central government receipts, central government expenditure and public corporations net borrowing); and (2) grants to local authorities (affecting central government expenditure and local authorities net borrowing).

cent) above the same period last year. Some payments were recorded late and may feed into stronger receipts in January.

5. Spending data remain provisional at this stage of the year, but with that in mind, year-to-date central government spending (excluding local authority grants and transfers related to quantitative easing) was down £8.3 billion against the November 2023 profile. This is due to:
 - Lower **debt interest payments** than forecast (£5.7 billion below profile, of which £5.5 billion was in December 2023). Our November forecast incorporated outturn RPI inflation up to September 2023, which has since fallen faster than our forecast profile assumed. We therefore expect debt interest payments to again be below profile in January 2024, before we update our forecast in March.
 - **Central government net investment**, which is £4.2 billion below profile, in large part due to **depreciation**, which is £1.8 billion above profile.
 - This is partially offset by **consumption expenditure on goods and services** (£3.1 billion above profile), driven in particular by pay.
6. Borrowing between April and November was revised down by £4.2 billion from last month's estimate. This is due to the full incorporation of our November 2023 forecast assumptions for onshore corporation tax.
7. Public sector net debt (PSND) in December 2023 was 97.7 per cent of GDP, up 1.9 per cent of GDP on a year earlier consistent with the monthly profile from our November forecast.
8. Next month's data, for January 2024, will contain key data on self-assessed income tax and capital gains tax for the year, ahead of our March forecast. Our next release will be in March, covering February 2024.

Table 1.1: Public sector receipts, expenditure and net borrowing¹

	December					April to December				
	2023 outturn	2022 outturn	Change	2023 forecast	Outturn vs forecast	2023-24 outturn	2022-23 outturn	Change	2023-24 forecast	Outturn vs forecast
Central government current receipts	81.5	76.7	4.8	83.3	-1.8	703.8	668.5	35.3	707.5	-3.7
<i>of which:</i>										
Income tax	21.5	20.1	1.4	21.8	-0.4	178.1	162.0	16.1	178.6	-0.5
National Insurance contributions	15.3	14.6	0.7	15.1	0.2	129.8	131.7	-1.9	129.2	0.6
VAT	15.1	14.2	1.0	15.1	0.0	128.9	121.5	7.4	130.4	-1.5
Corporation tax ²	8.2	6.6	1.6	8.1	0.1	72.3	58.8	13.5	71.9	0.4
Other taxes and receipts	21.4	21.3	0.2	23.1	-1.7	194.7	194.6	0.1	197.5	-2.7
Central government expenditure	86.1	91.4	-5.4	94.5	-8.5	840.6	775.6	65.0	848.0	-7.4
<i>of which:</i>										
Interest payments	4.0	18.1	-14.1	9.5	-5.5	64.7	89.9	-25.2	70.4	-5.7
Net social benefits	23.7	21.0	2.7	24.3	-0.5	218.9	194.6	24.3	219.1	-0.2
Net current grants	13.6	16.5	-2.9	14.4	-0.8	126.0	131.5	-5.5	128.2	-2.2
Consumption expenditure on goods and services	33.7	31.4	2.3	33.1	0.6	300.6	276.0	24.6	297.5	3.1
Subsidies	2.4	6.5	-4.2	2.2	0.2	23.1	29.4	-6.3	23.2	-0.1
Central government depreciation	3.3	3.0	0.3	3.2	0.1	29.3	26.5	2.8	27.5	1.8
Central government net investment	5.4	-5.1	10.5	7.9	-2.5	78.0	27.6	50.4	82.2	-4.2
<i>Memo: CGNI ex APF and LA capital grants</i>	<i>4.3</i>	<i>-6.0</i>	<i>10.3</i>	<i>7.0</i>	<i>-2.6</i>	<i>32.1</i>	<i>17.4</i>	<i>14.8</i>	<i>37.3</i>	<i>-5.1</i>
Public sector net borrowing	7.8	16.2	-8.4	14.0	-6.2	119.1	108.0	11.1	124.1	-4.9
<i>of which:</i>										
Central government net borrowing	4.6	14.7	-10.1	11.3	-6.7	136.8	107.0	29.8	140.5	-3.7
Local authorities net borrowing	1.4	1.2	0.2	1.4	0.1	-0.4	5.6	-5.9	1.4	-1.7
Public corporations net borrowing	1.8	0.3	1.5	1.4	0.4	-17.3	-4.6	-12.7	-17.8	0.5
Central government current receipts ex Asset Purchase Facility ³	81.5	76.7	4.8	83.3	-1.8	703.8	664.4	39.4	707.5	-3.7
Central government expenditure ex local authority grants and APF ³	74.7	80.1	-5.4	82.8	-8.1	694.2	669.9	24.2	702.4	-8.3
Local authorities net borrowing ex local authority grants ³	12.7	12.5	0.2	13.1	-0.3	112.9	110.4	2.5	113.8	-0.9
Public corporations net borrowing ex Asset Purchase Facility ³	1.8	0.3	1.5	1.4	0.4	15.9	-7.9	23.8	15.4	0.5

¹ 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/december2023>

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 November 2023 <https://obr.uk/efo/economic-and-fiscal-outlook-november-2023/>

² Less bank surcharge, electricity generator levy and energy profits levy.

³ Excluding PSNB-neutral intra-public sector flows (the Asset Purchase Facility and local authority grants) to aid monthly monitoring.