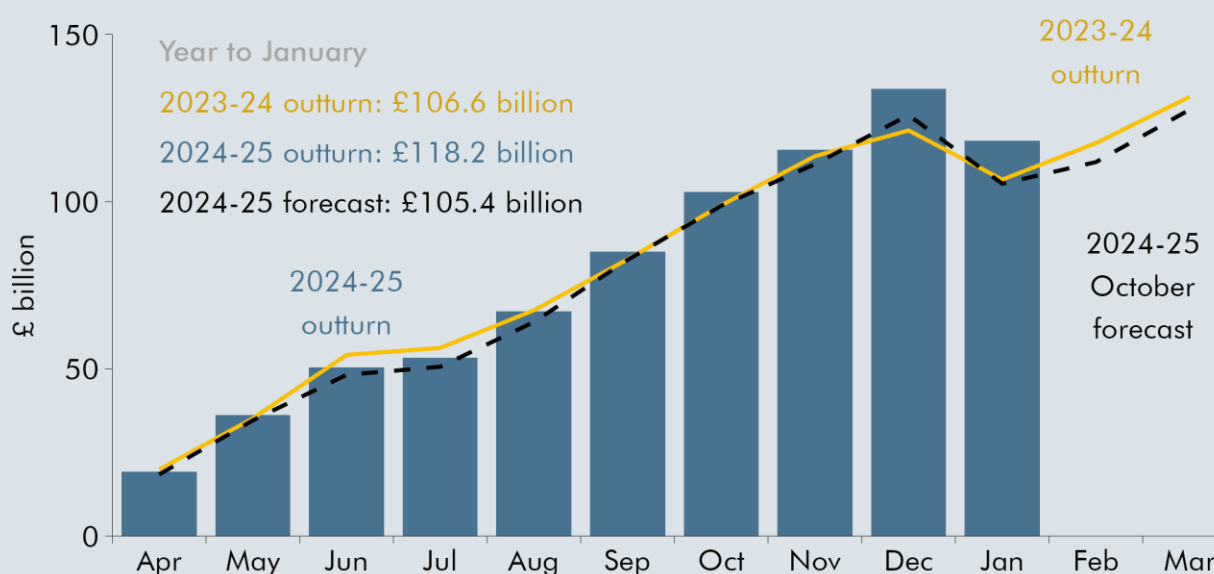


Lower-than-expected January receipts push borrowing further above forecast

This morning's ONS release¹ estimates that borrowing in the first ten months of 2024-25 totalled **£118.2 billion**. This is £11.6 billion above the same period last year and £12.8 billion above the monthly profile consistent with our October forecast. The year-to-date shortfall against forecast is driven by lower-than-expected receipts, particularly self-assessed tax receipts and corporation tax, and to a lesser extent by higher borrowing by local authorities. Within central government, this shortfall increased substantially in January compared to last month mainly due to lower-than-expected self-assessed tax receipts and an upward revision to debt interest payments over the year to date.

Public sector net borrowing in the year to date: October 2024 OBR forecast vs latest ONS outturns



The central government net cash requirement (CGNCR) is £10.9 billion higher than forecast over the year to date. This is mainly explained by the weakness in self-assessed and corporation tax receipts, as well as a payment of around £6 billion by the Ministry of Defence to acquire Annington Homes. This payment has been made earlier in the fiscal year than expected and so while it increases the year-to-date position relative to forecast, it will not affect the full-year CGNCR outturn relative to forecast.

¹ In this commentary we compare latest outturns with monthly profiles consistent with our October *Economic and fiscal outlook*.

Borrowing and debt

Public sector net borrowing was £118.2 billion in the first ten months of 2024-25. This was £11.6 billion (10.9 per cent) above the same period last year and £12.8 billion (12.2 per cent) higher than our October forecast profile. Within this, central government net borrowing was £132.5 billion, £8.1 billion (6.5 per cent) above forecast, while borrowing by local authorities and public corporations, combined, was £4.8 billion above forecast.

Net debt in January stood at 95.3 per cent of GDP, up 0.1 per cent of GDP on a year earlier, while net financial liabilities stood at 82.7 per cent of GDP, up 2.0 per cent of GDP on the previous year.

Central government receipts

Central government accrued receipts in the first ten months of 2024-25 were £7.7 billion (0.9 per cent) below forecast. Monthly HMRC cash receipts, a more timely indicator of tax performance albeit one that can be influenced by timing effects and one-offs, in January were £5.6 billion (4.8 per cent) below forecast and £3.9 billion (3.6 per cent) above last year. Within this:

- **PAYE income tax and NICs** cash receipts were £40.0 billion in January, £1.5 billion (3.9 per cent) above forecast, and £1.3 billion (3.5 per cent) above last year. For the year to date, PAYE income tax and NICs receipts are £0.9 billion (0.2 per cent) above forecast. The stronger-than-expected earnings growth in recent months is likely to be the main driver of the surplus against forecast.
- **Self-assessed income tax and capital gains tax** cash receipts were £36.2 billion in January, £4.1 billion (10.1 per cent) below forecast, and £3.8 billion (11.8 per cent) above last year. This means that for the year to date, SA income tax and CGT receipts are £3.7 billion (6.2 per cent) below forecast. A material portion of SA receipts are typically also received in February so there is still some uncertainty around the full year position. The full-year forecast had been for strong growth in employment income, reflecting the freezes to personal tax thresholds in 2023-24 and reduction in the additional rate of income tax threshold from April 2023, and a strong rise in savings income due to higher interest rates.
- **Cash VAT receipts** were £19.4 billion in January, £0.8 billion (4.1 per cent) below forecast, and £0.4 billion (1.9 per cent) below last year. For the year to date, cash VAT receipts are £0.3 billion (0.2 per cent) above forecast. As noted in the ONS release, methodological improvements to VAT receipts reporting will be introduced from next month's release which will have a small impact on receipts over 2024-25.
- **Corporation tax** cash receipts were £7.0 billion in January, £2.3 billion (24.7 per cent) below forecast, and £1.1 billion (13.2 per cent) below last year. For the year to date, corporation tax receipts are £3.3 billion (4.2 per cent) below forecast. Weakness relates to both small and larger companies and likely partly reflects lower profits this year than expected in the October forecast.

Central government accrued spending

Central government accrued spending was very close to forecast, just £0.3 billion above forecast over the first ten months of 2024-25. Monthly figures for government consumption and net

investment can be volatile, so the year-to-date position provides a better indicator of progress against the forecast. Within this:

- **Consumption expenditure on goods and services** and **net social benefits** spending, the largest components of central government spending, were both in line with the forecast.
- **Debt interest** spending was £0.6 billion (0.9 per cent) above forecast, reflecting updated estimates of accrued spending on conventional gilts issued this year and higher-than-expected RPI inflation.
- **Subsidies** were £0.7 billion (3.1 per cent) above forecast.
- **Net current grants** were £0.3 billion (0.2 per cent) below forecast.
- **Central government net investment (CGNI)** was £0.3 billion (0.3 per cent) below forecast.

Revisions

Borrowing over the current and previous fiscal years has been revised.

- In the year to December, borrowing has been revised up by £3.7 billion. This largely reflects an increase of £2.3 billion in central government debt interest payable and a decrease in central government receipts of £1.3 billion.
- Borrowing over 2023-24 has been revised up by £0.3 billion due to lower estimates of corporation tax receipts.

Table 1.1: Public sector receipts, expenditure and net borrowing¹

	January					April to January				
	2025 outturn	2024 outturn	Change	2025 forecast	Outturn vs forecast	2024-25 outturn	2023-24 outturn	Change	2024-25 forecast	Outturn vs forecast
Public sector net borrowing	-15.4	-14.7	-0.8	-20.5	5.1	118.2	106.6	11.6	105.4	12.8
<i>of which:</i>										
Central government net borrowing	-13.8	-7.8	-6.0	-20.3	6.5	132.5	126.9	5.7	124.4	8.1
Local authorities net borrowing	3.1	3.1	0.0	2.8	0.4	7.0	8.1	-1.1	2.8	4.2
Public corporations net borrowing	-4.8	-10.0	5.2	-3.0	-1.8	-21.3	-28.4	7.0	-21.9	0.6
Central government current receipts	117.6	109.8	7.8	122.2	-4.6	854.1	822.6	31.4	861.8	-7.7
<i>of which:</i>										
Income tax	48.8	41.5	7.3	51.8	-3.0	247.4	223.5	23.9	250.5	-3.1
National Insurance contributions	14.2	14.5	-0.3	14.2	0.0	137.6	146.2	-8.6	135.7	2.0
VAT ²	14.1	14.1	0.1	14.1	0.1	143.4	141.6	1.8	143.0	0.4
Onshore corporation tax ³	8.2	7.8	0.5	8.4	-0.2	79.5	72.7	6.8	82.4	-2.9
Other taxes and receipts	32.1	31.9	0.3	33.6	-1.5	246.1	238.6	7.5	250.2	-4.2
Central government expenditure	103.8	102.0	1.8	101.9	1.9	986.6	949.5	37.1	986.2	0.3
<i>of which:</i>										
Interest payments	6.5	4.5	2.0	6.1	0.4	73.8	72.5	1.3	73.2	0.6
Net social benefits	26.2	23.7	2.5	25.4	0.8	256.1	242.9	13.2	256.1	0.0
Net current grants	14.5	13.7	0.9	14.0	0.5	145.7	140.4	5.3	146.0	-0.3
Consumption expenditure on goods and services	36.8	34.2	2.6	37.1	-0.3	358.0	336.2	21.8	358.2	-0.1
Subsidies	2.4	2.6	-0.2	2.4	0.1	24.0	27.4	-3.4	23.3	0.7
Central government depreciation	3.7	3.4	0.3	3.7	-0.1	35.0	32.6	2.3	35.3	-0.4
Central government net investment	13.7	19.9	-6.2	13.2	0.5	94.0	97.5	-3.4	94.3	-0.3

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/january2025>

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 October 2024: <https://obr.uk/efo/economic-and-fiscal-outlook-october-2024>

² Excluding VAT refunds.

³ Less bank surcharge, residential property developer tax, electricity generators levy and Pillar 2.