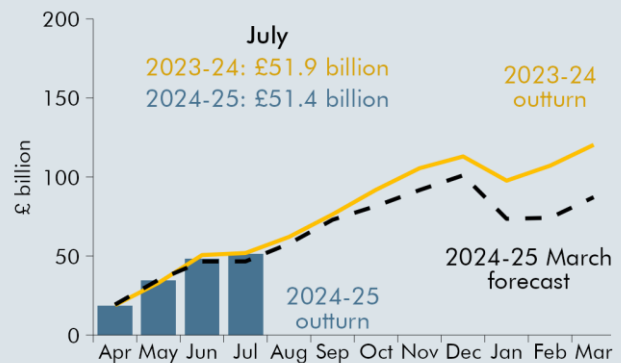


Year-to-date borrowing remains above forecast

This morning's ONS release¹ shows that borrowing in the first four months of 2024-25 totalled £51.4 billion. This is £0.5 billion below the same period last year and £4.7 billion above the monthly profile consistent with our March forecast. The difference with our forecast profile is driven primarily by higher-than-forecast consumption spending by government departments (£5.8 billion), which appears related to strong growth in public sector pay. Receipts are broadly in line with profile in the year to date.

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



Data on central government spending remain highly provisional at this time of year. Nevertheless, they indicate that departmental spending for 2024-25 could significantly exceed the March 2024 forecast. Due to this risk, on 29 July the OBR initiated a review of the preparation of our March forecast for departmental spending,² which will conclude in advance of our next forecast which is on 30 October.

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

² See <https://obr.uk/obr-review-of-the-march-2024-forecast-for-departmental-expenditure-limits/>

Borrowing and debt

- **Public sector net borrowing** was £51.4 billion in the first four months of 2024-25. This was £0.5 billion (1 per cent) below the same period last year and £4.7 billion (10.1 per cent) higher than our March forecast profile. This reflects central government borrowing coming in £10.0 billion above our forecast profile, offset by local authority borrowing £5.6 billion below profile³ – with the respective overshoot and undershoot partly driven by stronger current grants from central government to local authorities than expected.
- **Net debt** in July stood at 99.4 per cent of GDP, up 3.8 percentage points on a year earlier.

Central government receipts

Central government accrued receipts in the first four months of 2024-25 were close to profile, just £0.8 billion (0.3 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, were £0.9 billion (1.1 per cent) above forecast in July. Within this:

- **PAYE income tax and NICs** cash receipts were £36.0 billion in July, £0.2 billion (0.6 per cent) above forecast, but £0.6 billion (1.5 per cent) below last year. This year-on-year fall largely reflects the 4p cut in employee NICs, and the base effect of last year's one-off payments to NHS workers, more than offsetting the effect of stronger-than-expected earnings growth this year and frozen tax thresholds.
- **Self-assessed income tax and capital gains tax** cash receipts were £13.0 billion in July, £0.7 billion (5.2 per cent) below forecast, and £1.1 billion (9.3 per cent) above last year. As receipts are due at the end of the month it is necessary to wait for August cash receipts data to judge whether this undershoot is a timing effect or a genuine surprise relative to our forecast.
- **Cash VAT receipts** were £18.6 billion in July, £1 billion (6 per cent) above forecast, and £0.1 billion (0.3 per cent) above last year. For the year to date, cash VAT receipts are £1.3 billion (2.1 per cent) below forecast, likely reflecting weak retail sales in recent months.
- **Corporation tax** cash receipts were £5.4 billion in July, £0.4 billion (6.9 per cent) below forecast, and £0.5 billion (9.3 per cent) above last year.

Central government spending

Central government spending was £9.2 billion (2.3 per cent) above forecast over the first four months of 2024-25. This data remains highly provisional at this time of year. Within this:

- **Consumption expenditure on goods and services** by government departments was £5.8 billion (4.3 per cent) above forecast over the first four months of 2024-25. This seems to have been partly driven by strong growth in public sector pay.

³ Public corporations net borrowing was just £0.3 billion above profile.

- Spending on **net current grants** and **debt interest** also exceeded our forecast, by £3.9 billion (6.5 per cent) and £1.4 billion (4.4 per cent) respectively. This was partly offset by **net social benefits** spending, which was £2.4 billion (2.3 per cent) below forecast.

Revisions

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

- In the year to June, borrowing has been revised down by £1.5 billion, primarily due to upward revisions to receipts, particularly VAT.
- Borrowing over 2023-24 has been revised down by £1.8 billion. This reflected the partial incorporation of receipts information HMRC's Trust Statement.

Table 1.1: Public sector receipts, expenditure and net borrowing¹

	July					April to July				
	2024 outturn	2023 outturn	Change	2024 forecast	Outturn vs forecast	2024-25 outturn	2023-24 outturn	Change	2024-25 forecast	Outturn vs forecast
Public sector net borrowing	3.1	1.3	1.8	0.1	3.0	51.4	51.9	-0.5	46.6	4.7
<i>of which:</i>										
Central government net borrowing	16.5	14.6	1.9	11.3	5.1	79.2	76.4	2.9	69.2	10.0
Local authorities net borrowing	-2.7	-0.8	-2.0	-0.6	-2.1	-10.9	-6.5	-4.4	-5.3	-5.6
Public corporations net borrowing	-10.6	-12.6	1.9	-10.6	0.0	-17.0	-17.9	0.9	-17.3	0.3
Central government current receipts	91.0	89.3	1.7	92.1	-1.2	325.9	320.1	5.8	326.8	-0.8
<i>of which:</i>										
Income tax	31.2	29.5	1.7	31.9	-0.7	89.9	86.4	3.5	90.7	-0.8
National Insurance contributions	13.8	14.9	-1.1	13.5	0.3	53.5	58.3	-4.8	52.8	0.8
VAT ²	14.1	13.9	0.2	14.3	-0.1	57.6	56.2	1.4	57.9	-0.3
Onshore corporation tax ³	8.3	7.8	0.5	8.2	0.1	32.2	29.1	3.1	31.2	1.0
Other taxes and receipts	23.5	23.2	0.4	24.3	-0.8	92.8	90.1	2.7	94.2	-1.5
Central government expenditure	107.4	103.9	3.5	103.4	4.0	405.2	396.5	8.7	396.0	9.2
<i>of which:</i>										
Interest payments	7.0	8.0	-1.0	7.3	-0.3	32.3	39.0	-6.7	30.9	1.4
Net social benefits	25.9	23.2	2.7	26.5	-0.6	101.9	95.1	6.8	104.3	-2.4
Net current grants	15.8	14.1	1.7	13.8	2.0	63.4	60.2	3.2	59.5	3.9
Consumption expenditure on goods and services	35.7	34.4	1.3	34.5	1.1	139.7	133.5	6.2	133.9	5.8
Subsidies	2.4	2.2	0.1	2.1	0.3	9.3	12.7	-3.4	8.5	0.8
Central government depreciation	3.6	3.3	0.4	3.5	0.1	14.1	12.9	1.2	14.0	0.2
Central government net investment	17.2	18.7	-1.6	15.8	1.4	44.4	43.2	1.3	44.8	-0.4

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/july2024>

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 March 2024: <https://obr.uk/efo/economic-and-fiscal-outlook-march-2024>

² Excluding VAT refunds.

³ Less bank surcharge and residential property developer tax.