

Commentary on the Public Sector Finances: April

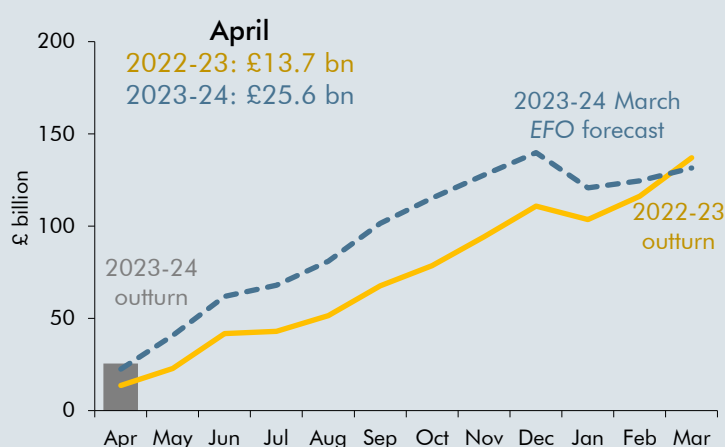
Office for
**Budget
Responsibility**

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Debt interest and energy subsidies raise budget deficit

Borrowing in April 2023 of £25.6 billion was £3.1 billion above our March 2023 forecast profile – thanks to both slightly lower-than-expected receipts and slightly higher-than-expected spending – and almost double the £13.7 billion figure from a year ago. This year-on-year increase largely reflects higher inflation pushing up spending on debt interest payments (£3.1 billion higher than a year ago) and net social benefits (£4.5 billion higher). The latter, and spending on subsidies (£1.8 billion higher), were also affected by energy support schemes in the form of cost-of-living payments and energy price caps.

Public sector net borrowing in April 2023:
March 2023 OBR forecast vs latest ONS outturn



Headlines

- **Public sector net borrowing (PSNB)** was £25.6 billion in April, up £11.9 billion (86.6 per cent) on last year and £3.1 billion (14.0 per cent) above our March forecast profile.
- **Central government accrued receipts** (excluding PSNB-neutral transfers related to quantitative easing) were £69.7 billion in April, up £0.4 billion (0.6 per cent) on last year but £2.5 billion (3.5 per cent) below our March profile.
- **Central government accrued spending** (excluding PSNB-neutral local authority grants and transfers related to quantitative easing) in April was £82.6 billion, up £9.9 billion (13.6 per cent) on last year and £2.2 billion (2.7 per cent) above our March profile.
- **Net debt** in April stood at 99.2 per cent of GDP. This is 2.4 per cent of GDP up on a year earlier but 1.8 per cent of GDP below the monthly profile consistent with our March forecast, thanks to both lower cash debt and higher outturn GDP.
- **Revisions:** The estimate for 2022-23 PSNB has been revised down by £2.1 billion, meaning it is now £15.3 billion lower than our initial estimate from our March 2023 forecast.

Detail

1. The Office for National Statistics (ONS) and HM Treasury published their Statistical Bulletin on the April 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 March 2023 *Economic and fiscal outlook (EFO)*. We compare the latest outturns with monthly profiles consistent with this forecast that were published on 18 May.
2. Borrowing in April 2023 of £25.6 billion was up £11.9 billion (86.6 per cent) on last April – making 2023 the second-highest April borrowing figure since monthly records began in 1993 – and is £3.1 billion (14.0 per cent) higher than our forecast. Central government borrowed somewhat more than expected (£4.7 billion, or 57.1 per cent, above profile), with central government spending £2.2 billion (2.7 per cent) above profile while receipts were £2.5 billion (3.5 per cent) below profile. In contrast, the figures for borrowing by local authorities and public corporations were respectively £1.5 billion (11.5 per cent) and £0.1 billion (6.4 per cent) lower than expected.¹
3. April saw a £9.8 billion transfer from the Treasury to the Bank of England’s Asset Purchase Facility (APF) to cover losses associated with the APF’s quantitative easing-related gilt holdings. This is the first instalment of our forecast of £30.1 billion in transfers this year. (The losses that prompt these transfers are largely the result of Bank Rate, paid on the APF’s liabilities, now exceeding the average coupon paid on the gilts it holds, with losses on active sales of gilts also contributing – see Box 4.4 of our March 2023 *EFO* for a fuller discussion.) As a purely internal public sector flow this transaction does not affect PSNB, instead losses in the APF largely show up in PSNB as higher debt interest spending net of the APF. The transfer does however crystallise losses in the measure of debt excluding the Bank of England that the Government targets for fiscal policy.
4. Central government accrued receipts (excluding PSNB-neutral transfers related to quantitative easing) in April 2023 were £69.7 billion, up £0.4 billion (0.6 per cent) on same period last year but £2.5 billion (3.5 per cent) below profile. The largest downside surprises relative to profile were from a £0.5 billion shortfall in self-assessment income tax and a £0.6 billion shortfall in interest and dividend receipts. The latter may be due to very provisional data.
5. HMRC cash receipts, a more timely indicator of tax performance albeit one that can be influenced by timing effects and one-offs, were £0.5 billion (0.7 per cent) above profile in April:
 - **Corporation tax cash receipts** were £0.9 billion above profile and £0.3 billion up on last April. Instalment payments this month are primarily from large onshore companies (those with profits between £1.5 million and £20 million) and are mainly final payments in respect of 2022 profits. These receipts accrue back to 2022-23 in the public sector finances data.

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).

- **Cash VAT receipts** were £0.8 billion above profile, and £0.5 billion higher than last year. These receipts primarily relate to spending between January and March, and also accrue back to 2022-23 in the public sector finances data.
- **PAYE income tax and NICs cash receipts** were £0.1 billion above profile and £2.5 billion up on last April. April cash receipts relate to March salaries, which are boosted by bonus payments. Data on average weekly earnings from the ONS suggests that bonuses have been weaker than we assumed in the March forecast, but this was more evident in the cash receipts data for earlier months of the bonus season at the end of 2022-23 than in the latest data.
- **Self-assessed income tax** receipts were £0.5 billion below profile, driven by a combination of low receipts and high repayments. This is not unusual for this time of year, since the majority of payments take place in July and January each year. The shortfall relative to profile could therefore simply reflect pandemic-related distortions having too great an influence on our assumed monthly profile for this year.

6. Central government spending (excluding local authority grants and transfers related to quantitative easing) in April was £2.2 billion (2.7 per cent) above profile and £9.9 billion (13.6 per cent) up on the same period last year. As this is the first month of the fiscal year and spending data are highly provisional at this stage, differences relative to profile should not be over-interpreted. But with the caveat in mind, the largest differences include:

- **Debt interest** spending was £9.8 billion in April 2023, £3.1 billion (46.3 per cent) up on last year and £2.9 billion (41.9 per cent) above our March forecast profile. This reflects higher-than-forecast spending on index-linked gilts – these are uprated with a lag and so this month's surprise results primarily from RPI inflation in February being 0.8 percentage points above our March forecast of 13.0 per cent.
- **Central government net investment** (excluding local authority grants and APF-related transfers) was £1.9 billion (23.4 per cent) below profile. These data are particularly provisional at this stage of the year.
- **Spending on net social benefits** was £1.1 billion (4.4 per cent) above profile. This is likely due to cost-of-living payments (£2.2 billion) coming in higher than forecast.

7. Borrowing in 2022-23 has been revised down by £2.1 billion to £137.1 billion, largely due to upward revisions to central government receipts (excluding APF-related transfers), which were revised up by £1.9 billion, while central government spending (excluding APF-related transfers and local authority grants) was revised down by £0.2 billion. This means the downside surprise relative to our March forecast has increased to £15.3 billion.

8. Public sector net debt (PSND) in April 2023 was 99.2 per cent of GDP, up 2.4 per cent of GDP on a year earlier, but 1.8 per cent of GDP below the monthly profile consistent with our March forecast, thanks to both lower cash debt and higher outturn GDP.

Table 1.1: Public sector receipts, expenditure and net borrowing¹

	April 2023 (£ billion)				
	2023 outturn	2022 outturn	Change	2023 forecast	Outturn vs forecast
Central government current receipts	69.7	72.4	-2.7	72.2	-2.5
<i>of which:</i>					
Income tax	18.1	16.8	1.3	18.8	-0.7
National Insurance contributions	12.9	14.2	-1.3	12.8	0.0
VAT	12.3	12.3	0.0	12.4	0.0
Corporation tax ²	5.9	5.8	0.1	5.9	-0.1
Other taxes and receipts	20.5	23.3	-2.8	22.3	-1.8
Central government expenditure	109.0	87.0	22.0	106.1	2.9
<i>of which:</i>					
Interest payments	9.8	6.7	3.1	6.9	2.9
Net social benefits	25.4	20.8	4.5	24.3	1.1
Net current grants	18.7	20.2	-1.5	17.8	0.9
Consumption expenditure on goods and services	31.5	29.0	2.4	30.7	0.8
Subsidies	3.9	2.1	1.8	4.1	-0.2
Central government depreciation	2.9	2.8	0.1	2.9	0.0
Central government net investment	17.0	5.4	11.6	19.5	-2.5
<i>Memo: CGNI ex APF and LA capital grants</i>	<i>6.1</i>	<i>4.4</i>	<i>1.7</i>	<i>7.9</i>	<i>-1.9</i>
Public sector net borrowing	25.6	13.7	11.9	22.4	3.1
<i>of which:</i>					
Central government net borrowing	39.3	14.6	24.7	33.9	5.4
Local authorities net borrowing	-5.1	-2.8	-2.3	-3.1	-2.0
Public corporations net borrowing	-8.6	1.9	-10.5	-8.3	-0.3
Central government current receipts ex Asset Purchase Facility ³	69.7	69.3	0.4	72.2	-2.5
Central government expenditure ex local authority grants and APF ³	82.6	72.8	9.9	80.5	2.2
Local authorities net borrowing ex local authority grants ³	11.4	11.4	0.0	12.9	-1.5
Public corporations net borrowing ex Asset Purchase Facility ³	1.2	-1.2	2.4	1.3	-0.1

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/april2023>

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

² Less bank surcharge and energy profits levy.

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