

Commentary on the Public Sector Finances: February 2024

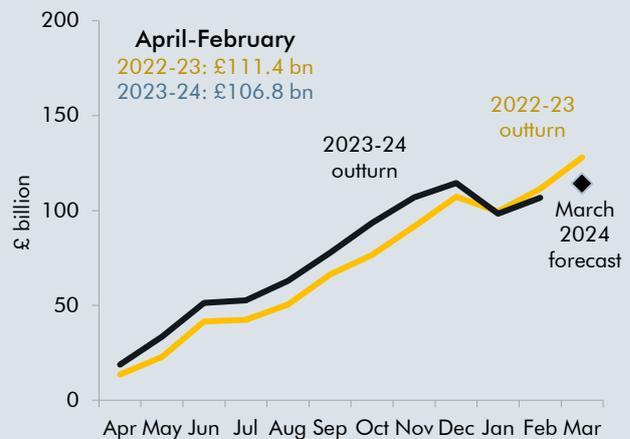
Office for
**Budget
Responsibility**

21 March 2024

Year-to-date borrowing lower than last year

Government borrowing in February 2024 is estimated by the Office for National Statistics (ONS) at £8.4 billion, down £3.4 billion on last year, in part driven by strength in income tax receipts. Borrowing in the first 11 months of the year is estimated to be £106.8 billion, £4.6 billion below the same period last year. In our March 2024 *Economic and fiscal outlook*, we forecast that borrowing for the full-year 2023-24 would be £114.1 billion, which would be £14.6 billion below 2022-23.

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



Headlines

- **Public sector net borrowing (PSNB)** is estimated to be £8.4 billion in February 2024, down £3.4 billion on last year. Year-to-date borrowing is estimated to be £106.8 billion, £4.6 billion (4.1 per cent) lower than the same period last year.
- **Central government accrued receipts** (excluding PSNB-neutral transfers related to quantitative easing) were £86.4 billion in February 2024, up £7.2 billion (9.0 per cent) on last year. For the year to date receipts are 6.4 per cent higher than the same period last year.
- **Central government accrued spending** (excluding PSNB-neutral local authority grants and transfers related to quantitative easing) was £78.8 billion in February 2024, up £2.1 billion (2.8 per cent) on a year earlier. For the year to date spending is 2.2 per cent higher than the same period last year.
- **Net debt** in February stood at 97.1 per cent of GDP. This is 2.3 percentage points higher than last February as cash debt has grown faster than nominal GDP.
- **Revisions:** borrowing in the first ten months of 2023-24 was revised up by £1.8 billion, primarily due to revisions to borrowing by local authorities based on new quarterly data.

Detail

1. The Office for National Statistics (ONS) and HM Treasury published their Statistical Bulletin on the February 2024 Public Sector Finances this morning. Each month the OBR provides a brief analysis of the data and a comparison to our most recent forecast – in this instance our March 2024 *Economic and fiscal outlook (EFO)*. In this release we mainly compare the latest 2023-24 data to outturns over the same period in 2022-23. Next month, we will compare our full-year March 2024 forecast for 2023-24 to the ONS's initial and provisional estimate of the full-year outturn. We plan to publish monthly profiles for 2024-25 consistent with this forecast ahead of the May Public Sector Finances release.
2. Public sector net borrowing (PSNB) in the first 11 months of 2023-24 is estimated to be £106.8 billion, down 4.1 per cent (£4.6 billion) on the same period last year. By comparison, in our March 2024 EFO we forecast that PSNB in 2023-24 as a whole will be 11.3 per cent lower than in 2022-23. Breaking down the year-to-date decrease compared to last year:
 - **Central government accrued receipts** (excluding transfers from the APF) in the first 11 months of 2023-24 are £906.2 billion, up 6.4 per cent (£54.2 billion) on the same period last year.¹
 - **Central government accrued spending** (excluding PSNB-neutral grants to local authorities and transfers to the APF) is £851.4 billion in the first 11 months of 2023-24, up 2.2 per cent (£18.7 billion) on the same period last year.
 - Year-to-date **local authorities net borrowing** (excluding grants from central government) is £143.8 billion, up 3.5 per cent (£4.8 billion) on the same period last year.
 - **Public corporations net borrowing** (excluding transfers between the Treasury and the APF related to quantitative easing) in the first 11 months of 2023-24 is a £17.9 billion deficit, compared to a surplus of £8.1 billion over same period last year.
3. The 6.4 per cent increase in central government accrued receipts in the first 11 months of 2023-24, compared to the same period last year, is driven by stronger PAYE income tax receipts (up 12.2 per cent), and higher corporation tax and VAT in the first half of the financial year. Notable movements in the cash receipts data include:
 - Taken together, January and February cash receipts of **self-assessment income tax and capital gains tax (CGT)** were down £0.8 billion (1.9 per cent) on a year earlier, driven mostly by a 7.9 per cent fall in CGT compared to 2022-23. The fall in CGT is partly a return to a more normal level after two years of unusually high-value disposals.
 - Cash receipts of **PAYE income tax (IT)** in February (which mainly relate to January salaries) were up £1.1 billion (5.9 per cent) on a year earlier, having been up by £2.1 billion (11.4 per cent) in January relative to last year. Bonus payments from January to

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).

April can cause monthly volatility in the profile of PAYE receipts. Over the year to date, PAYE IT cash receipts are up £22.9 billion (12.0 per cent) compared to the same period last year.

- Cash **NICs** receipts in February were down £0.3 billion (2.2 per cent) on a year earlier. The 2 per cent cut in the employee NICs rate in place from January explains this fall. The 3 per cent cut in self-employed NICs and further 2 per cent cut in employee NICs will take effect in April. In our March 2024 EFO we estimated this would drive a 6.2 per cent fall in total NICs in 2024-25 relative to 2023-24.
 - Compared to the previous year, cash receipts of **onshore corporation tax** and **VAT** in February were down £0.6 billion (16.3 per cent), and up £1.1 billion (7.4 per cent) respectively. February is a non-peak month for instalment payments of onshore CT. Very large companies make their next instalment payment in March.
4. The £18.7 billion (2.2 per cent) increase in central government spending in the first 11 months of 2023-24 relative to the same period last year reflects offsetting factors. Inflation-driven spending on net social benefits and government consumption (up £33.4 billion and £31.3 billion respectively) and higher net investment (up £15 billion, largely relating to a £10 billion downward revision to student loans recorded in 2022-23), are partly offset by lower debt interest spending (down £30.3 billion) and subsidies (down £17.8 billion) as the previous year's energy support schemes have unwound.
 5. Borrowing between April and January was revised up by £1.8 billion. This is mostly explained by local authority net borrowing, which was revised up by £1.9 billion, due to new quarterly data. Receipts were revised down by £1.2 billion, mainly due to lower PAYE IT and NICs receipts, and largely offset by a downward revision to spending (£1.0 billion). Borrowing over 2022-23 was revised down by £0.7 billion, largely due to an upward revision to receipts.
 6. Public sector net debt (PSND) at the end of February 2024 was 97.1 per cent of GDP, up 2.3 percentage points on a year earlier, as cash debt has grown faster than nominal GDP. In our March 2024 EFO we forecast that headline debt will reach 97.6 per cent of GDP by the end of 2023-24.