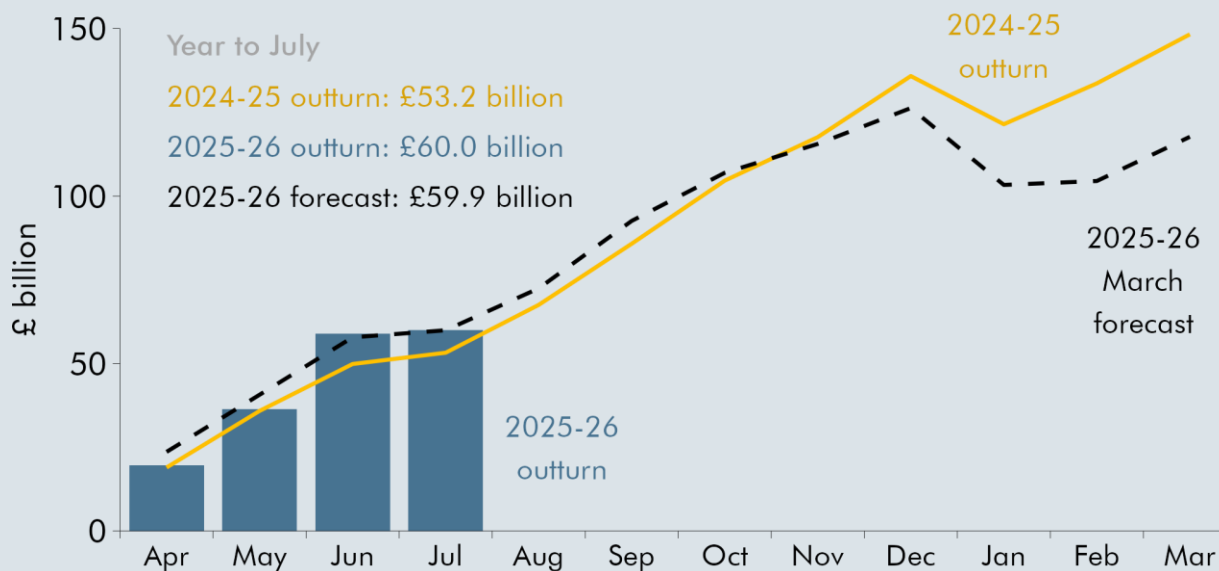


Borrowing is close to forecast profile

This morning's ONS release¹ estimates that borrowing in the first four months of 2025-26 totalled **£60.0 billion**. This is £6.7 billion above the same period last year and in line with the monthly profile consistent with our March forecast, with accrued receipts and spending both close to the March forecast profile.

Public sector net borrowing in the year to date:
March 2025 OBR forecast vs latest ONS outturns



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

Borrowing and debt

Public sector net borrowing was £60.0 billion in the first four months of 2025-26. This was £6.7 billion (12.7 per cent) above the same period last year and £0.0 billion (0.1 per cent) above forecast. Within this, central government net borrowing was £69.3 billion, £0.8 billion (1.1 per cent) above forecast, while borrowing by local authorities was -£5.9 billion (a surplus), a £3.3 billion lower surplus than forecast and borrowing by public corporations was -£3.4 billion (a surplus), a £2.6 billion smaller surplus than forecast.

The current budget deficit was £42.8 billion in the first four months of 2025-26, £5.7 billion (15.3 per cent) above forecast, while the central government net cash requirement² was £62.0 billion, £9.0 billion (16.9 per cent) above forecast.

Net debt in July stood at 96.1 per cent of GDP, up 0.5 per cent of GDP on a year earlier, and 0.4 per cent of GDP above forecast.

Central government receipts

Central government accrued receipts in the first four months of 2025-26 were £0.8 billion (0.2 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 £1.0 billion (1.1 per cent) above forecast and £8.4 billion (10.1 per cent) above last year in July. Over the year to date, HMRC cash receipts are also close to forecast profile – at only £0.5 billion (0.2 per cent) above forecast. Within this:

- **PAYE income tax and NICs** cash receipts were £40.9 billion in July, £0.3 billion (0.6 per cent) below forecast, and £3.7 billion (10.0 per cent) above last year. The year-on-year comparison is being boosted by the rate and threshold changes to employer NICs. Receipts of employer NICs were up 23.5 per cent in July from a year earlier. For the year to date, PAYE income tax and NICs receipts are £0.3 billion (0.2 per cent) above forecast.
- **Self-assessed income tax and capital gains tax** cash receipts were £15.7 billion in July, £0.5 billion (3.6 per cent) above forecast, and £2.7 billion (20.9 per cent) above last year. The second payment for SA income tax was due at the end of July, so we will need to look at July and August combined to assess whether this a timing effect or not. For the year to date, SA income tax and CGT receipts are £0.3 billion (1.8 per cent) above forecast.
- **Cash VAT receipts** were £19.6 billion in July, £0.5 billion (2.7 per cent) above forecast, and £1.0 billion (5.7 per cent) above last year. For the year to date, cash VAT receipts are £0.1 billion (0.2 per cent) above forecast.
- **Corporation tax** cash receipts were £5.8 billion in July, £0.2 billion (2.9 per cent) below forecast, and £0.4 billion (6.8 per cent) above last year. For the year to date, corporation tax receipts are £0.1 billion (0.3 per cent) above forecast.

² Central government net cash requirement excluding NRAM, B&B and Network Rail

Central government accrued spending

Central government accrued spending was on profile over the first four months of 2025-26. 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:

- **Central government net investment (CGNI)** was £2.9 billion (8.5 per cent) below forecast. However, outturn data on departmental CGNI is highly provisional at this time of year.
- Below forecast CGNI is more than offset by above forecast day-to-day spending. Over the first four months of 2025-26, **consumption expenditure on goods and services** was £2.0 billion (1.3 per cent) above forecast, and **net social benefits** spending was £1.4 billion (1.3 per cent) above forecast.
- Other central government spending was close to forecast, with **debt interest** spending £0.4 billion (1.0 per cent) above forecast, **subsidies** £0.3 billion (3.6 per cent) below forecast and **net current grants** £0.6 billion (0.9 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 up by £1.1 billion. This includes a £1.0 billion upward revision to central government spending, with higher consumption and debt interest spending offset by lower gross investment.
- Borrowing over 2024-25 has been revised down by £0.5 billion.

Table 1.1: Public sector receipts, expenditure and net borrowing¹

	July					April to July				
	2025 outturn	2024 outturn	Change	2025 forecast	Outturn vs forecast	2025-26 outturn	2024-25 outturn	Change	2025-26 forecast	Outturn vs forecast
Public sector net borrowing	1.1	3.4	-2.3	2.1	-1.1	60.0	53.2	6.7	59.9	0.0
<i>of which:</i>										
Central government net borrowing	5.4	15.9	-10.5	6.2	-0.8	69.3	76.6	-7.3	68.5	0.8
Local authorities net borrowing	-1.9	-2.2	0.3	-0.6	-1.3	-5.9	-7.3	1.3	-2.6	-3.3
Public corporations net borrowing	-2.4	-10.3	7.9	-3.5	1.1	-3.4	-16.1	12.7	-6.0	2.6
Central government current receipts	100.1	91.3	8.8	99.5	0.6	352.3	327.9	24.4	353.0	-0.8
<i>of which:</i>										
Income tax	36.1	31.6	4.5	35.3	0.8	100.1	92.5	7.6	101.5	-1.4
National Insurance contributions	16.0	13.4	2.6	15.6	0.4	63.0	53.3	9.6	61.5	1.5
VAT ²	14.9	14.1	0.8	14.9	0.0	59.6	56.6	2.9	59.4	0.2
Onshore corporation tax ³	7.9	7.7	0.1	7.8	0.1	31.5	29.8	1.7	30.3	1.2
Other taxes and receipts	25.3	24.5	0.7	25.9	-0.7	98.1	95.6	2.5	100.3	-2.2
Central government expenditure	105.5	107.2	-1.7	105.7	-0.2	421.6	404.5	17.1	421.5	0.0
<i>of which:</i>										
Interest payments	7.1	6.9	0.2	8.6	-1.5	41.4	32.7	8.7	41.0	0.4
Net social benefits	27.6	26.0	1.6	27.1	0.5	108.1	101.6	6.5	106.7	1.4
Net current grants	16.4	15.9	0.5	16.4	0.0	64.1	63.0	1.1	64.6	-0.6
Consumption expenditure on goods and services	38.7	35.7	2.9	38.7	0.0	152.2	139.6	12.6	150.2	2.0
Subsidies	2.4	2.4	0.0	2.4	0.0	9.4	9.4	0.0	9.8	-0.3
Central government depreciation	3.8	3.5	0.3	3.8	0.0	15.1	13.7	1.3	15.1	0.0
Central government net investment	9.6	16.9	-7.3	8.8	0.8	31.3	44.5	-13.2	34.2	-2.9

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/july2025>

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 2025: <https://obr.uk/efo/economic-and-fiscal-outlook-march-2025>

² Excluding VAT refunds.

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