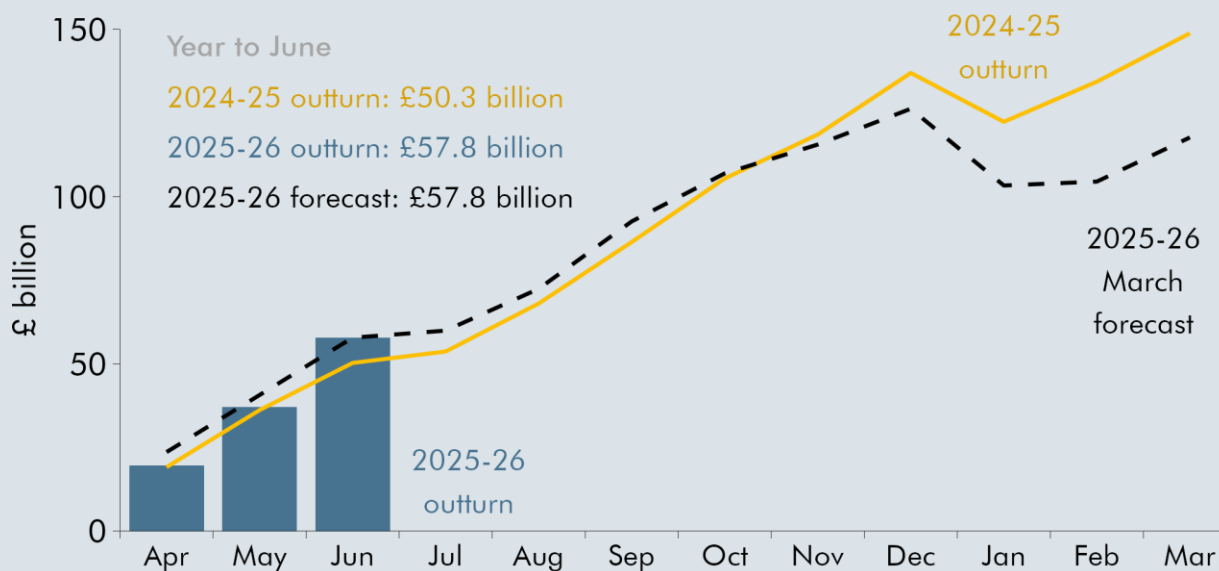


Borrowing in line with forecast in first quarter of 2025-26

This morning's ONS release¹ estimates that borrowing in the first three months of 2025-26 totalled **£57.8 billion**. This is £7.5 billion above the same period last year, which is exactly in line with our March forecast monthly profile. Central government receipts and spending are both broadly in line with the forecast profile. These initial outturn estimates are provisional and typically prone to revision later in the year.

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



In the monthly profile consistent with the forecast in the *March Economic and fiscal outlook* we expect lower borrowing in the second half of 2025-26 relative to 2024-25. This is based on a sharp expected rise in capital gains tax around the end-January due date, lower debt interest payments in the second half of the year, and lower central government net social benefits which were unusually backloaded last year.

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 £57.8 billion in the first three months of 2025-26. This was £7.5 billion (15.0 per cent) above the same period last year, exactly in line with our forecast profile. Within this, central government net borrowing was £62.9 billion, £0.6 billion (1.0 per cent) above forecast, while borrowing by local authorities was -£4.1 billion (a surplus), £2.1 billion above forecast, and borrowing by public corporations was -£1.0 billion (a surplus), £1.5 billion below forecast.

The current budget deficit was £44.5 billion in the first three months of 2025-26, £5.0 billion (12.7 per cent) above forecast, while the central government net cash requirement was £55.7 billion, £6.7 billion (13.6 per cent) above forecast.

Net debt in June stood at 96.3 per cent of GDP, up 0.5 per cent of GDP on a year earlier, and 0.1 per cent of GDP above forecast.

Central government receipts

Central government accrued receipts in the first three months of 2025-26 were close to forecast, just £1.5 billion (0.6 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 £1.8 billion (2.6 per cent) below forecast and £3.0 billion (4.8 per cent) above last year in June. Over the year to date, HMRC cash receipts are also close to forecast profile – at only £0.6 billion (0.3 per cent) below forecast. Within this:

- **PAYE income tax and NICs** cash receipts were £36.6 billion in June, £0.2 billion (0.4 per cent) below forecast, and £3.5 billion (10.7 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 23.8 per cent in June from a year earlier. For the year to date, PAYE income tax and NICs receipts are £0.6 billion (0.5 per cent) above forecast.
- **Cash VAT receipts** were £9.7 billion in June, £0.6 billion (5.7 per cent) below forecast, and £0.6 billion (5.5 per cent) below last year. For the year to date, cash VAT receipts are £0.3 billion (0.7 per cent) below forecast.
- **Corporation tax** cash receipts were £13.0 billion in June, £0.5 billion (3.8 per cent) above forecast, and £0.6 billion (5.1 per cent) above last year. For the year to date, corporation tax receipts are £0.3 billion (1.3 per cent) above forecast. June is a key month for corporation tax with very large companies paying their first or second instalment payments on 2025 profits. In particular, stronger-than-expected receipts from the financial sector more than explain the year-to-date surplus against forecast.

Central government accrued spending

Central government accrued spending was close to forecast at £314.9 billion over the first quarter of 2025-26 – which is just £0.9 billion (0.3 per cent) below forecast. 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 £3.0 billion (11.8 per cent) below forecast in the first quarter. However, outturn data on departmental CGNI is highly provisional at this time of year.
- Partially offsetting this, **net social benefits** spending was £1.0 billion (1.3 per cent) above forecast and **consumption expenditure on goods and services** was £0.9 billion (0.8 per cent) above forecast over the first three months of 2025-26.
- **Debt interest** spending was £0.8 billion (2.4 per cent) above forecast in the first quarter. This mainly reflects higher-than-expected RPI inflation in April, which led to interest payments £2.4 billion (16.9 per cent) above forecast in the month of June.
- Other central government spending was close to forecast, with **subsidies** £0.3 billion (4.2 per cent) below forecast and **net current grants** £0.3 billion (0.6 per cent) below forecast respectively.

Revisions

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

- In the year to May, borrowing has been revised down by £0.6 billion. This includes a £1.5 billion downward revision to CGNI, primarily due to updated data on fixed capital formation by departments, offset by smaller revisions to some areas of current spending.
- Borrowing over 2024-25 has been revised up by £0.2 billion.

Table 1.1: Public sector receipts, expenditure and net borrowing¹

	June					April to June				
	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	20.7	14.1	6.6	17.1	3.5	57.8	50.3	7.5	57.8	0.0
<i>of which:</i>										
Central government net borrowing	20.2	13.0	7.2	16.9	3.4	62.9	61.2	1.8	62.3	0.6
Local authorities net borrowing	-0.5	-0.8	0.3	-0.3	-0.2	-4.1	-5.1	1.0	-2.0	-2.1
Public corporations net borrowing	0.9	1.8	-0.9	0.5	0.4	-1.0	-5.8	4.8	-2.5	1.5
Central government current receipts	86.8	81.1	5.7	88.0	-1.2	252.0	236.1	15.9	253.5	-1.5
<i>of which:</i>										
Income tax	22.7	21.6	1.0	24.1	-1.5	64.1	60.5	3.6	66.3	-2.2
National Insurance contributions	17.0	14.1	3.0	16.4	0.6	47.5	40.0	7.6	45.9	1.7
VAT ²	14.8	14.0	0.8	14.8	0.0	44.1	42.5	1.7	44.5	-0.3
Onshore corporation tax ³	7.8	7.6	0.3	7.6	0.2	23.4	22.1	1.2	22.5	0.9
Other taxes and receipts	24.5	23.8	0.7	25.1	-0.6	72.9	71.1	1.8	74.4	-1.5
Central government expenditure	107.1	94.2	12.9	104.9	2.2	314.9	297.3	17.6	315.8	-0.9
<i>of which:</i>										
Interest payments	16.4	8.0	8.4	14.0	2.4	33.2	25.8	7.4	32.4	0.8
Net social benefits	26.5	25.0	1.5	25.9	0.6	80.7	75.6	5.1	79.6	1.0
Net current grants	14.6	14.1	0.4	15.6	-1.0	48.0	47.1	0.9	48.2	-0.3
Consumption expenditure on goods and services	37.2	35.2	2.0	37.7	-0.5	112.5	103.9	8.6	111.6	0.9
Subsidies	2.4	2.4	0.0	2.4	0.0	7.0	7.0	0.0	7.4	-0.3
Central government depreciation	3.8	3.4	0.3	3.8	0.0	11.3	10.3	1.0	11.3	0.0
Central government net investment	6.3	6.0	0.2	5.5	0.7	22.3	27.6	-5.3	25.3	-3.0

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/june2025>

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.