

Commentary on the Public Sector Finances: March 2024

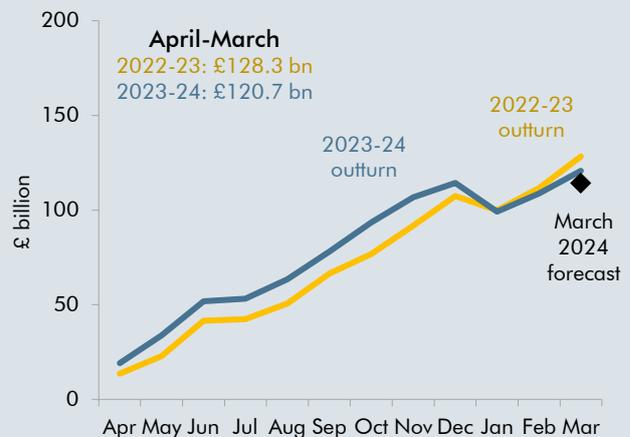
Office for
**Budget
Responsibility**

23 April 2024

First estimate of 2023-24 borrowing higher than forecast

The initial full-year estimate of government borrowing in 2023-24 is £120.7 billion (4.4 per cent GDP), a £7.6 billion (5.9 per cent) decrease on the previous year. This is £6.6 billion (5.8 per cent) higher than our March forecast. This difference is largely driven by the initial estimate of central government receipts, which is £5.3 billion lower than the March forecast. This is the first full-year estimate from the ONS, which is likely to be revised as additional data becomes available.

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 at £11.9 billion in March, down £4.7 billion on last year. Over 2023-24 as a whole, PSNB is estimated at £120.7 billion (4.4 per cent GDP), down £7.6 billion (5.9 per cent) on last year. This is £6.6 billion (5.8 per cent) above our March 2024 forecast.
- **Central government accrued receipts** (excluding PSNB-neutral transfers related to quantitative easing) are estimated at £997.7 billion in 2023-24, up £61.8 billion (6.6 per cent) on 2022-23 but £5.3 billion (0.5 per cent) below our March forecast, largely driven by weaker PAYE income tax and NICs receipts than expected.
- **Central government accrued spending** (excluding PSNB-neutral local authority grants and transfers related to quantitative easing) is estimated at £940.9 billion in 2023-24, up £21.9 billion (2.4 per cent) on the previous year but just £0.5 billion higher than forecast. Spending roughly in line with our forecast reflects lower-than-expected debt interest costs being offset by higher-than-expected spending on subsidies.
- **Net debt** stood at 98.3 per cent of GDP in 2023-24, up 2.6 percentage points on 2022-23 as cash debt has grown faster than nominal GDP, compared to 97.6 per cent in our March forecast.
- **Revisions:** borrowing in the first eleven months of 2023-24 was revised up by £1.9 billion, primarily due to updated central government consumption expenditure. The full-year estimate of borrowing in 2023-24 will change further as additional data becomes available.

Detail

1. The Office for National Statistics (ONS) and HM Treasury published their Statistical Bulletin on the March 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 compare our full-year March 2024 forecast for 2023-24 to the ONS's initial and provisional estimate of full-year outturn. We plan to publish monthly profiles for 2024-25 consistent with this forecast ahead of the next Public Sector Finances release.
2. The receipts data in this release reflect cash payments of tax up to the end of March, plus forecasts for future months where these cash receipts will be accrued back to 2023-24.¹ These figures will be revised as cash forecasts are replaced with outturns. The main drivers of the £5.3 billion difference between our March forecast and the initial estimates for 2023-24 receipts are:
 - Accrued **PAYE income tax and NICs** receipts were £4.5 billion (1.1 per cent) lower than expected. This is likely to primarily reflect weaker-than-expected bonuses, particularly from the financial sector. This is supported by average weekly earnings data published since we closed our forecast indicating bonus pay fell relative to a year earlier (an annual fall of 3.6 per cent in the three months to January and 1.2 per cent in the three months to February). Around half of bonuses in the December-to-March bonus season are paid out in March with the tax largely received in April, so this initial estimate could be revised in next month's release.
 - Accrued receipts of **onshore and offshore corporation tax** were £1.5 billion above our March estimate for 2023-24. This estimate is likely to be revised down in future, once March EFO forecast information is incorporated.
 - Accrued **VAT receipts** were £0.8 billion (0.5 per cent) lower than we forecast in March. This figure will be subject to revision as some cash receipts received between April and June relate to spending at the start of 2024 and so will be accrued back to 2023-24.
 - **Other central government receipts** were £2.1 billion lower than we forecast in March, largely driven by interest and dividends receipts (£1.2 billion below forecast) and lower central government depreciation (£0.9 billion below forecast). The latter is offset in spending and is neutral for borrowing.
3. The first estimate of central government accrued spending came in roughly in line with our March forecast for 2023-24 (just £0.5 billion above), reflecting offsetting differences:
 - Lower **debt interest spending** (£3.9 billion, or 4.7 per cent, below forecast), due to lower-than-expected inflation in January. This is a provisional estimate that may be revised in future months.

¹ Throughout this commentary when we refer to central government accrued receipts and spending 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).

- Higher **subsidies** (£3.2 billion, or 11.1 per cent, above forecast), largely reflecting a £2.5 billion upwards revision to the ONS's estimate of spending on the contracts for difference scheme (this revision was neutral for borrowing, with a corresponding increase in central government receipts).
 - Higher **net investment** (£1.1 billion, or 1.9 per cent, above forecast). This estimate remains uncertain in terms of both the overall level and the components of investment, and may change as more data become available.
4. Provisional estimates of borrowing by local authorities and public corporations came in respectively £0.2 billion below and £1.0 billion above our March forecast. The change in public corporations' borrowing in 2023-24 largely relates to losses incurred by the Asset Purchase Facility, which are offset in higher central government borrowing.

Table 1.1: Public sector receipts, expenditure and net borrowing in 2023-24

	£ billion				
	2023-24 outturn	2022-23 outturn	Change	2023-24 forecast	Outturn vs forecast
Central government current receipts	997.7	940.0	57.6	1003.0	-5.3
<i>of which:</i>					
Income tax	276.6	250.5	26.1	279.2	-2.6
National Insurance contributions	177.9	177.1	0.7	179.2	-1.4
VAT	169.9	162.1	7.8	170.7	-0.8
Corporation tax ²	96.3	79.1	17.2	94.8	1.5
Other taxes and receipts	277.0	271.2	5.8	279.1	-2.1
Central government expenditure	1138.3	1066.4	71.8	1137.9	0.4
<i>of which:</i>					
Interest payments	78.3	107.6	-29.3	82.2	-3.9
Net social benefits	291.4	254.6	36.9	290.6	0.9
Net current grants	168.9	178.6	-9.7	170.0	-1.1
Consumption expenditure on goods and services	406.4	372.6	33.8	405.6	0.9
Subsidies	32.3	53.3	-21.1	29.0	3.2
Central government depreciation	39.2	36.0	3.2	40.1	-0.9
Central government net investment	121.7	63.7	58.0	120.4	1.3
<i>Memo: CGNI ex APF and LA capital grants</i>	<i>58.6</i>	<i>43.3</i>	<i>15.4</i>	<i>57.5</i>	<i>1.1</i>
Public sector net borrowing	120.7	128.3	-7.6	114.1	6.6
<i>of which:</i>					
Central government net borrowing	140.6	126.4	14.2	134.9	5.7
Local authorities net borrowing	5.5	10.7	-5.2	6.3	-0.9
Public corporations net borrowing	-25.4	-8.8	-16.6	-27.1	1.7
Central government current receipts ex Asset Purchase Facility ³	997.7	935.9	61.8	1003.0	-5.3
Central government expenditure ex local authority grants and APF ³	940.9	918.9	21.9	940.4	0.5
Local authorities net borrowing ex local authority grants ³	158.5	153.2	5.3	158.7	-0.2
Public corporations net borrowing ex Asset Purchase Facility ³	19.0	-8.0	27.0	18.0	1.0

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/march2024>

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 Less bank surcharge, electricity generator levy and energy profits levy.

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