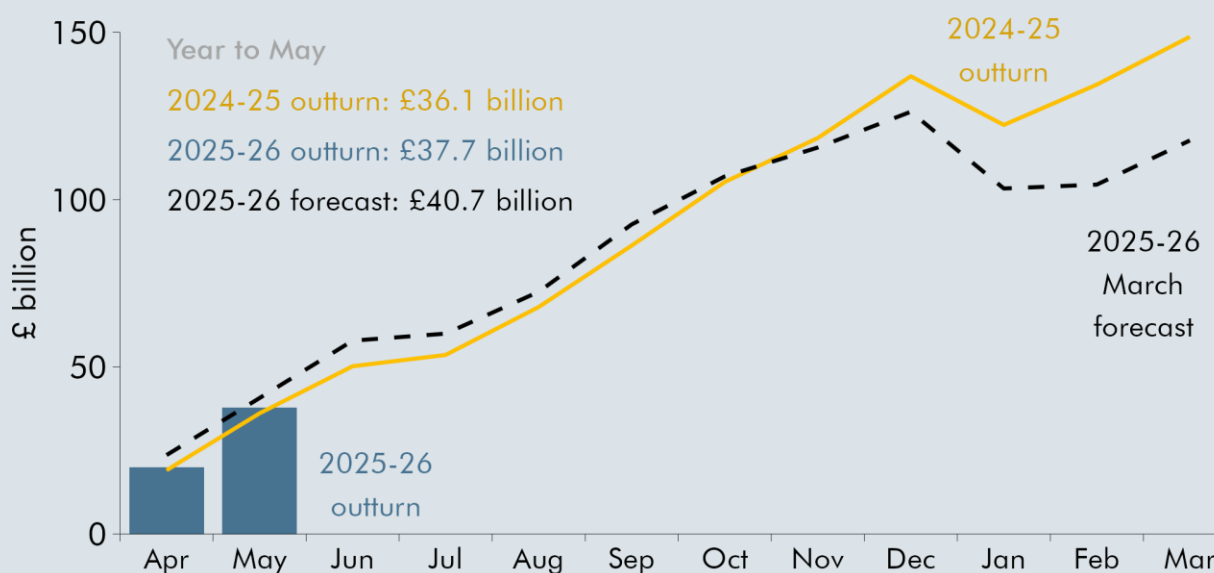


Receipts data in the first two months of the year remains close to forecast

This morning's ONS release¹ estimates that borrowing in the first two months of 2025-26 totalled **£37.7 billion**. This is £1.6 billion above the same period last year, but £2.9 billion below the monthly profile consistent with our March forecast. Central government spending is £1.6 billion below the forecast profile, though spending data is always highly provisional early in the year. Receipts outturn data in the first two months of the year remains close to the forecast profile, only £0.3 billion lower than expected.

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



These data remain highly provisional at this time of year, in particular departmental spending and local authority and public corporations borrowing, which are often subject to large revisions later in the year.

In the monthly profile consistent with our March 2025 forecast, we expect lower borrowing in the second half of 2025-26 relative to 2024-25. This reflects the sharp rise in capital gains tax expected 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 estimated to be £37.7 billion in the first two months of 2025-26. This was £1.6 billion (4.5 per cent) above the same period last year and £2.9 billion (7.2 per cent) below forecast. Within this, central government net borrowing was £44.2 billion, £1.2 billion (2.7 per cent) below forecast, while local authorities and public corporations ran surpluses of £4.4 billion (£2.7 billion higher than forecast) and £2.0 billion (£1.0 billion lower than forecast) respectively.

The current budget deficit was £27.4 billion in the first two months of 2025-26, £0.3 billion (1.0 per cent) above forecast, while the central government net cash requirement was £39.9 billion, £7.4 billion (22.6 per cent) above forecast.

Net debt in May stood at 96.4 per cent of GDP, up 0.5 per cent of GDP on a year earlier, and 0.5 per cent of GDP above forecast.

Central government receipts

Central government accrued receipts in the first two months of 2025-26 were close to expectations, just £0.3 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 also very close to forecast in May at £0.2 billion (0.3 per cent) below forecast and £4.1 billion (7.1 per cent) above last year in May. Within this:

- **PAYE income tax and NICs** cash receipts were £37.2 billion in May, £0.2 billion (0.6 per cent) below forecast, and £3.2 billion (9.5 per cent) above last year. Cash receipts in May mainly relate to April salaries, so the year-on-year comparison has been boosted by the rate and threshold changes to employer NICs. Receipts of employer NICs in May were up 22 per cent on a year earlier. For the year to date, PAYE income tax and NICs receipts are £0.8 billion (0.9 per cent) above forecast.
- **Cash VAT receipts** were £14.5 billion in May, £0.1 billion (0.9 per cent) above forecast, and £1.0 billion (7.1 per cent) above last year. For the year to date, cash VAT receipts are £0.2 billion (0.7 per cent) above forecast.
- **Corporation tax** cash receipts were £3.0 billion in May, £0.3 billion (9.5 per cent) above forecast, and £0.1 billion (3.4 per cent) below last year. For the year to date, corporation tax receipts are £0.2 billion (2.9 per cent) below forecast. June will be a more important month for corporation tax with very large companies paying either their first or second instalment payments on 2025 profits.

Central government accrued spending

Central government accrued spending was provisionally estimated to be £1.6 billion (0.8 per cent) below forecast over the first two 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 £2.3 billion (11.4 per cent) below forecast. Partially offsetting this, **consumption expenditure on goods and services** was £1.7 billion (2.3 per cent) above forecast over the first two months of 2025-26. Monthly data on

departmental spending is highly provisional and prone to revision, especially in the early part of the financial year.

- **Debt interest** spending was £1.6 billion (8.8 per cent) below forecast. This reflects weaker-than-forecast RPI inflation in February and March (the two-month-lagged effect of which drives index-linked debt interest spending in April and May, respectively). RPI inflation for April was higher than forecast, so we expect the year-to-date weakness in spending to fully unwind in June.
- **Net current grants** and **net social benefits** spending were £0.7 billion (2.2 per cent) above forecast and £0.2 billion (0.4 per cent) above forecast respectively, while **subsidies** were £0.4 billion (7.2 per cent) below forecast in the first two months of 2025-26.

Revisions

There have been small revisions to borrowing over the current and previous fiscal years:

- Borrowing over 2024-25 has been revised up by £0.4 billion, with offsetting revisions within central government receipts and current spending, and both higher local authority borrowing and a larger public corporations' surplus.
- Borrowing in April is largely unchanged, with largely offsetting revisions in current grants to local authorities and local authority borrowing.

Table 1.1: Public sector receipts, expenditure and net borrowing¹

	May					April to May				
	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	17.7	17.0	0.7	17.1	0.6	37.7	36.1	1.6	40.7	-2.9
<i>of which:</i>										
Central government net borrowing	16.5	15.4	1.1	16.4	0.0	44.2	48.1	-3.9	45.4	-1.2
Local authorities net borrowing	0.3	-0.2	0.5	0.1	0.2	-4.4	-4.3	-0.1	-1.7	-2.7
Public corporations net borrowing	0.9	1.8	-0.9	0.5	0.4	-2.0	-7.6	5.6	-3.0	1.0
Central government current receipts	82.5	77.2	5.3	83.0	-0.5	165.1	155.1	10.0	165.4	-0.3
<i>of which:</i>										
Income tax	20.9	19.1	1.8	20.9	-0.1	41.8	38.9	2.9	42.1	-0.4
National Insurance contributions	15.0	13.1	1.9	15.0	0.0	30.0	25.9	4.1	29.5	0.5
VAT ²	15.1	14.3	0.8	15.1	0.0	29.7	28.5	1.3	29.7	0.0
Onshore corporation tax ³	7.5	7.3	0.3	7.4	0.1	15.0	14.6	0.5	14.9	0.2
Other taxes and receipts	24.0	23.4	0.6	24.6	-0.6	48.6	47.2	1.3	49.3	-0.7
Central government expenditure	99.0	92.6	6.4	99.5	-0.5	209.3	203.1	6.2	210.9	-1.6
<i>of which:</i>										
Interest payments	7.6	8.3	-0.7	8.7	-1.1	16.7	17.8	-1.0	18.4	-1.6
Net social benefits	27.1	25.1	2.0	26.8	0.3	53.9	50.6	3.3	53.7	0.2
Net current grants	14.3	14.3	0.0	14.4	-0.1	33.4	33.0	0.4	32.6	0.7
Consumption expenditure on goods and services	37.9	35.0	2.8	37.4	0.5	75.6	68.7	6.9	73.9	1.7
Subsidies	2.3	2.4	-0.1	2.5	-0.2	4.6	4.6	0.0	5.0	-0.4
Central government depreciation	3.8	3.4	0.3	3.8	0.0	7.5	6.9	0.7	7.5	0.0
Central government net investment	6.1	4.1	2.0	6.0	0.1	17.6	21.6	-4.0	19.8	-2.3

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/may2025>

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.