

Commentary on the Public Sector Finances: November

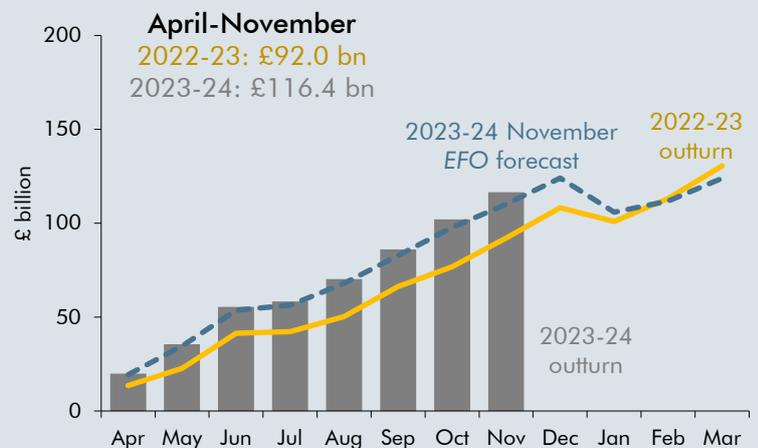
Office for
**Budget
Responsibility**

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So far this year borrowing remains higher than last year

The ONS release this morning shows borrowing in the first eight months of 2023-24 totalled £116.4 billion, £24.4 billion above the same period last year and £6.3 billion above the monthly profile consistent with our November forecast. For the remainder of the year, we expect borrowing to rise more slowly than last year, primarily due to stronger receipts. The difference with our forecast profile in the year to date is largely explained by lower central government receipts. This mainly reflects time lags in the outturn statistics which we expect to close in coming months.

Public sector net borrowing in the year to date:
November 2023 OBR forecast vs latest ONS outturns



Headlines

- **Public sector net borrowing (PSNB)** was £14.3 billion in November and £116.4 billion in the first eight months of 2023-24. The latter is £24.4 billion (26.6 per cent) above the same period last year and £6.3 billion (5.7 per cent) above our November 2023 forecast profile.
- **Central government accrued receipts** (excluding PSNB-neutral transfers related to quantitative easing) were £77.6 billion in November, up £3.6 billion (4.9 per cent) on last year and £1.6 billion (2.0 per cent) below our November profile. Year-to-date accrued receipts are £6.1 billion (1.0 per cent) below our profile. A large part of this difference reflects lags in the outturn statistics which we would expect to close in coming months.
- **Central government accrued spending** (excluding PSNB-neutral local authority grants and transfers related to quantitative easing) was £77.3 billion in November, up £0.5 billion (0.7 per cent) on last year, and £0.7 billion (0.9 per cent) above profile. Year-to-date spending is £0.7 billion (0.1 per cent) higher than profile.
- **Net debt** in November 2023 was 97.5 per cent of GDP, up 1.8 per cent of GDP on a year earlier and 0.9 per cent of GDP above the monthly profile consistent with our November forecast, due to higher cash debt.
- **Revisions:** Borrowing in the first seven months of 2023-24 was revised up by £3.8 billion, due to higher central government expenditure.

Detail

1. The Office for National Statistics (ONS) and HM Treasury published their Statistical Bulletin on the November 2023 Public Sector Finances this morning. Each month the OBR provides a brief analysis of the data and a comparison with our most recent forecast – in this instance our November 2023 *Economic and fiscal outlook (EFO)*. We compare the latest outturns with the monthly profiles consistent with this forecast that we published today alongside this commentary.
2. Borrowing in the first eight months of 2023-24 was £116.4 billion, up £24.4 billion (26.6 per cent) on last year, and £6.3 billion (5.7 per cent) higher than our November forecast profile. The overshoot against profile is largely explained by central government accrued receipts coming in £6.1 billion below profile, alongside higher central government spending (£0.7 billion above profile) and borrowing by public corporations (£0.1 billion above profile). This is partly offset by lower local authority net borrowing, which was £0.6 billion below profile.¹
3. The shortfall in central government accrued receipts compared to our November forecast reflects lower onshore corporation tax (£4.6 billion, or 7.5 per cent, below forecast) and PAYE income tax and NICs (£2.1 billion or 0.8 per cent, below forecast). The accrued tax data in this release reflect cash payments of tax up to the end of November, plus forecasts for future months where cash receipts will be accrued back to earlier months. These forecasts will be aligned fully with our November EFO forecast in next month's PSF release. This will particularly affect onshore corporation tax because the forecast for the remainder of the year was revised sharply higher in the November EFO. Other things equal, this would lead to upward revisions to the initial estimates of accrued tax data.
4. HMRC cash receipts, a more timely indicator of tax performance, albeit one that can be influenced by timing effects and one-offs, were £1.1 billion (1.9 per cent) lower than our forecast, and £0.1 billion (0.1 per cent) lower than in November last year:
 - **PAYE income tax and NICs** cash receipts in November were broadly in line with profile, just £0.2 billion (0.8 per cent) below our November forecast profile and £0.3 billion (1.0 per cent) higher than last year. For the year to date, receipts are £0.8 billion (0.3 per cent) below the November forecast profile.
 - **Cash VAT receipts** were £0.7 billion (4.6 per cent) below profile in November and £0.6 billion (0.5 per cent) below profile for the first eight months of 2023-24. The deficit this month reflects higher repayments than forecast.
 - **Onshore corporation tax cash receipts** in November were £0.5 billion (15.7 per cent) below profile and £1.5 billion (3.2 per cent) below profile in the year to date. November is a non-peak month for instalment payments. Very large companies make their next instalment payment in December, which will be a key month for assessing performance against forecast.

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).

5. Spending data remain provisional at this stage of the year, but with that in mind, year-to-date central government spending (excluding local authority grants and transfers related to quantitative easing) was up by £0.7 billion against its November forecast profile. This was driven by:
- Lower **net current grants** (£1.7 billion below profile) and **central government net investment** (£1.5 billion below profile), the latter due to higher depreciation.
 - **Depreciation** is £1.7 billion above its year-to-date profile, largely driven by revisions to outturn data from earlier in the year. This upwards revision offsets the downwards revision to central government net investment.
 - **Consumption spending on goods and services** was £2.6 billion, or 1.0 per cent, above our November forecast profile in the year to date.
6. In our November EFO, we forecast full year borrowing for 2023-24 of £123.9bn, which would be £6.6bn lower than last year. This is despite the higher borrowing of £24.4bn so far this year. For the remainder of the year we expect borrowing to rise more slowly than last year, primarily due to stronger receipts, in particular in January when most self-assessment is received, and also due to lower spending on energy subsidies compared to last year.
7. Borrowing between April and August was revised up by £3.8 billion from last month's estimate. This was due primarily to higher central government spending, reflecting upwards revisions to debt interest spending.
8. Public sector net debt (PSND) in November 2023 was 97.5 per cent of GDP, up 1.8 per cent of GDP on a year earlier and 0.9 per cent of GDP above the monthly profile consistent with our November forecast, due to higher cash debt.

Public sector receipts, expenditure and net borrowing¹

	November					April to November				
	2023 outturn	2022 outturn	Change	2023 forecast	Outturn vs forecast	2023-24 outturn	2022-23 outturn	Change	2023-24 forecast	Outturn vs forecast
Central government current receipts	77.6	73.9	3.6	79.2	-1.6	618.1	591.7	26.3	624.2	-6.1
<i>of which:</i>										
Income tax	18.6	17.1	1.4	18.2	0.4	155.8	141.8	13.9	156.8	-1.0
National Insurance contributions	14.2	13.8	0.4	14.4	-0.2	114.0	117.1	-3.2	114.1	-0.1
VAT	15.8	14.3	1.4	15.2	0.6	115.6	107.3	8.3	115.3	0.3
Corporation tax ²	7.4	6.5	0.8	8.3	-0.9	59.0	51.7	7.3	63.7	-4.8
Other taxes and receipts	21.6	22.1	-0.5	23.1	-1.5	173.8	173.8	0.0	174.4	-0.6
Central government expenditure	87.6	87.0	0.7	87.2	0.5	754.9	684.2	70.8	753.5	1.5
<i>of which:</i>										
Interest payments	7.7	7.6	0.1	7.9	-0.1	61.1	71.8	-10.7	60.9	0.2
Net social benefits	24.2	22.9	1.2	23.2	1.0	195.2	173.6	21.6	194.8	0.4
Net current grants	11.9	13.9	-2.0	13.5	-1.6	112.1	115.0	-3.0	113.8	-1.7
Consumption expenditure on goods and services	33.6	30.7	2.9	32.7	0.9	267.1	244.7	22.4	264.5	2.6
Subsidies	2.2	5.4	-3.1	2.2	0.1	20.7	22.9	-2.2	21.0	-0.3
Central government depreciation	3.3	3.0	0.3	3.2	0.1	26.0	23.5	2.5	24.3	1.7
Central government net investment	4.7	3.4	1.3	4.5	0.2	72.8	32.7	40.1	74.3	-1.5
<i>Memo: CGNI ex APF and LA capital grants</i>	<i>3.9</i>	<i>2.6</i>	<i>1.3</i>	<i>3.6</i>	<i>0.2</i>	<i>28.2</i>	<i>23.3</i>	<i>4.9</i>	<i>30.3</i>	<i>-2.1</i>
Public sector net borrowing	14.3	15.2	-0.9	12.5	1.9	116.4	92.0	24.4	110.1	6.3
<i>of which:</i>										
Central government net borrowing	10.1	13.1	-3.0	8.0	2.1	136.9	92.4	44.4	129.3	7.6
Local authorities net borrowing	2.4	2.3	0.1	2.8	-0.3	-1.4	4.4	-5.8	0.0	-1.4
Public corporations net borrowing	1.8	-0.2	2.0	1.7	0.1	-19.1	-4.8	-14.2	-19.2	0.1
Central government current receipts ex Asset Purchase Facility ³	77.6	73.9	3.6	79.2	-1.6	618.1	587.6	30.5	624.2	-6.1
Central government expenditure ex local authority grants and APF ³	77.3	76.8	0.5	76.7	0.7	620.2	589.8	30.4	619.6	0.7
Local authorities net borrowing ex local authority grants ³	12.7	12.5	0.2	13.3	-0.5	100.1	97.9	2.2	100.7	-0.6
Public corporations net borrowing ex Asset Purchase Facility ³	1.8	-0.2	2.0	1.7	0.1	14.1	-8.2	22.3	14.0	0.1

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/november2023>

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 November 2023 <https://obr.uk/efo/economic-and-fiscal-outlook-november-2023/>

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.