

## August's Government borrowing figures

Synopsis: August's monthly Government borrowing figures, which were marginally better than had been expected.

Date published: 25.09.2023

On Thursday the Office for National Statistics (ONS) published the monthly public sector borrowing data for August 2023. The borrowing figures were marginally better than had been expected...

- The public sector net deficit ex banks (PSNB ex) in August 2023 is estimated to have been £11.6bn, meaning it was...
  - The fourth highest August borrowing since monthly records began in 1993;
  - £3.5bn more than a year ago;
  - £2.61bn less than in August 2021;
  - £12.4bn less than in August 2020;
  - £1.4bn below the Office for Budget Responsibility (OBR) monthly profile projection; and
  - £0.3bn greater the Reuters economists' median forecast.
- The latest estimate of total borrowing for 2022/23 was revised down (again) by £2.2bn to £128.4bn.
- Overall public sector net debt excluding banks (PSND ex) was £2,594.1bn, equivalent to 98.8% of GDP (up 0.2%). Last month's initial July figure was revised up to 98.6% due to fresh data showing increased local Government borrowing.

In August 2022, debt was 96.5% of GDP and £190.4bn less in cash terms. When the Prime Minister made reducing the debt/GDP ratio one of his five pledges in early January 2023, the then latest figure (for November 2022) was 97.3%. That has since been revised to 96.6%.

- At £5.6bn, the August 2023 interest payments were £0.3bn more than July's revised figure, and £3.0bn lower than a year ago. The interest bill was £2.2bn below the OBR forecast, although it still ranked as the third highest interest payable for any August since records began in 1997.

Total interest in the first five months of 2023/24 amounts to £43.5bn, about 1.7% of GDP. A £100bn interest bill for the year continues to look likely.

- Bank of England holdings of gilts (at redemption value) fell by £3.4bn from July to £674.3bn. The gap between the reserves the Bank created to purchase the gilts under QE and their redemption value narrowed by £0.2bn

to £107.2bn (counted as Government debt, as the Treasury indemnified the Bank against losses).

The OBR commentary made the following comments...

- Borrowing in the first five months of 2023/24 totalled £69.6bn, £19.3bn above the same period last year but £11.3bn below the OBR's monthly profile based on its March forecast. This downside surprise reflects higher central Government receipts (£12.6bn above profile), a product of inflation.
- Those higher-than-expected tax receipts were partly offset by heavier central Government spending which was £8.2bn above profile, in part reflecting those higher-than-forecast public sector pay awards, which have boosted earnings growth figures.
- HMRC cash receipts were £2.7bn (3.3%) above the OBR profile in August and were up £2.4bn (4.1%) on last August. For the year-to-date, HMRC cash receipts were £15.8bn (5.0%) above profile. This strength is explained by...
  - PAYE income tax and national insurance (NICs) cash receipts in August were £1.1bn (3.4 %) higher than last year and £1.0 billion (3.3%) above profile. This surplus in PAYE and NICs cash receipts this month is likely to be primarily due to stronger earnings growth and backdated pay awards and one-off payments from the Civil Service pay agreement.
  - Cash VAT receipts were £2.2bn (16.9%) above profile in August and £8.1bn (12.0%) higher than profile for the first five months of 2023/24. Real consumer spending has held up better than expected, core inflation has surprised on the upside and possibly the composition of spending has been more VAT-friendly than expected. many of whom were paying their first instalment payment on 2023 profits.
- On the spending front, the upside surprise in year-to-date central Government spending was driven by...
  - Higher consumption spending (£10.3bn, or 6.6% above the OBR March profile), partly reflecting an increase in spending on pay agreements, where the difference includes the £2.7bn increase in May from the non-consolidated part of the NHS pay agreement. These agreements were announced after the Budget, so missed the OBR March forecast.
  - There was a partial offset by lower-than-expected social benefits (£2.0bn, or 1.6% below profile and current grants (£1.5bn below profile or 9.9%).

- Public sector net debt (PSND) in August 2023 was 98.8% of GDP, 3.8% of GDP below the OBR monthly profile. The OBR notes that this estimate will be revised following updated GDP figures from the ONS, due on 29 September.

### **Comment**

The £11.3bn undershoot from the OBR monthly profile is most unlikely to be translated into tax cuts in the Autumn Statement, according to a Reuters report of a forthcoming interview with Jeremy Hunt. The Bank of England's steer towards higher-for-longer interest rates may be weighing on the Chancellor's mind.

**020 7183 3931**  
**[www.riskassured.co.uk](http://www.riskassured.co.uk)**