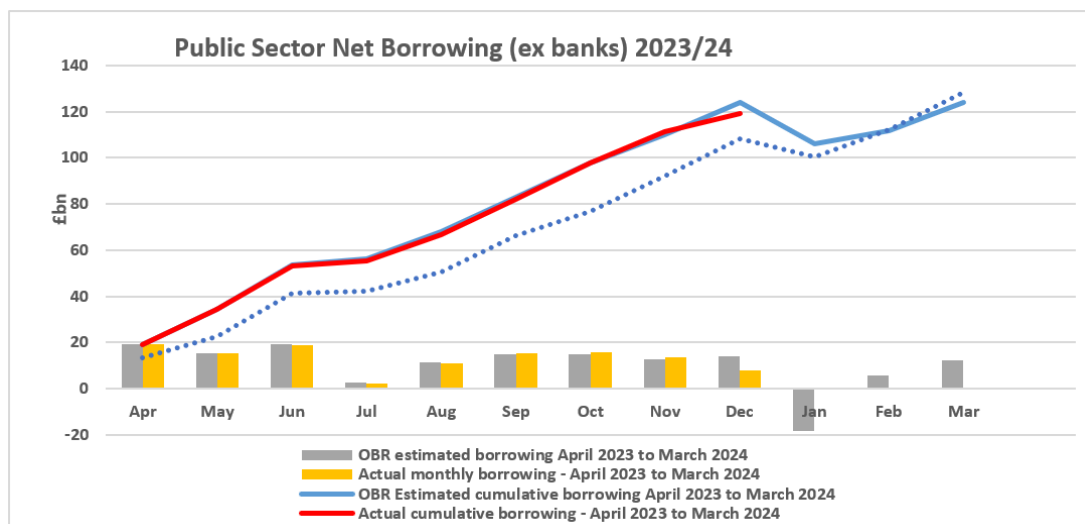


December's Government borrowing figures

Synopsis: As he heads towards the 6 March Budget, December's monthly government finance numbers gave the Chancellor more wriggle room than November's data suggested.

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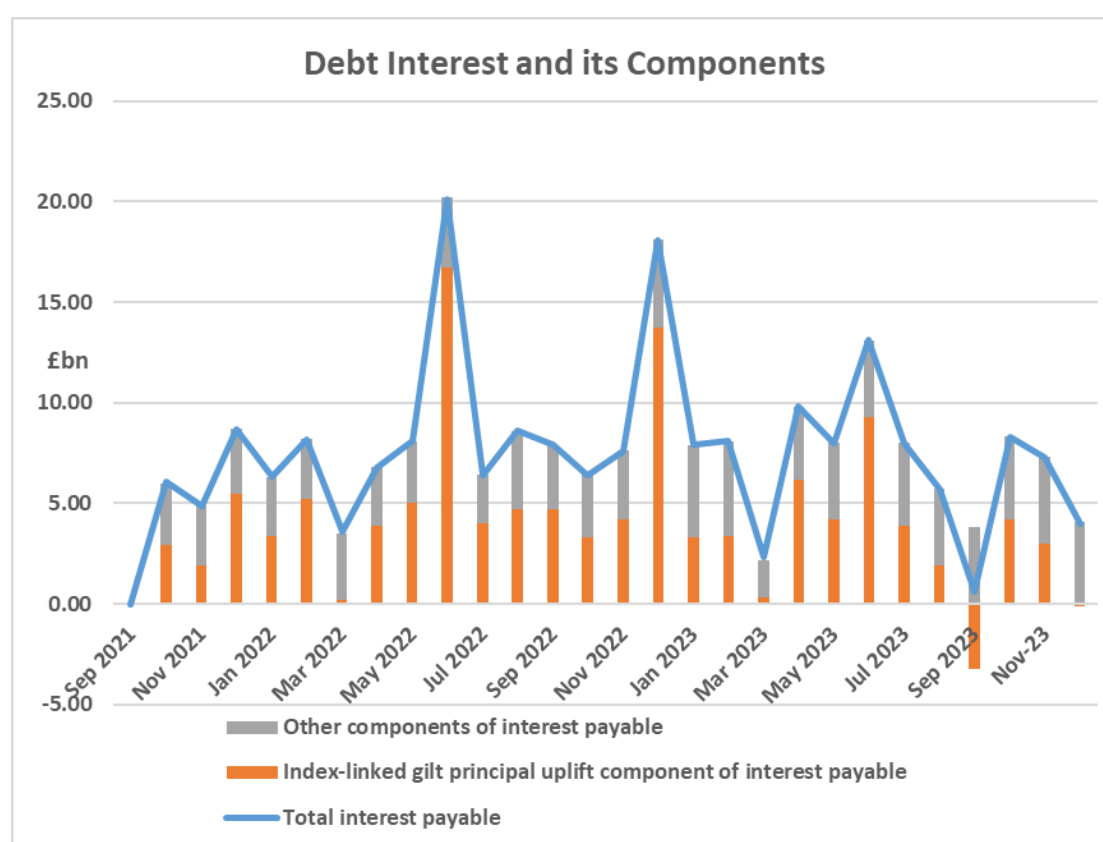
On Tuesday the Office for National Statistics (ONS) published the monthly public sector borrowing [data](#) for December 2023. The overall borrowing figures looked better than November's thanks to revisions which cut £5.0bn from the previous cumulative (April-November 2023) figure. By coincidence, the £5.0bn figure matched an upward revision to estimated corporation tax receipts. The other data showed that three quarters of the way through the fiscal year...

- The public sector net deficit ex banks (PSNB ex) in December 2023 is estimated to have been £7.8bn, meaning it was...
 - The lowest December borrowing since 2019;
 - £8.4bn less than a year ago;
 - £2.3bn more than in December 2021;
 - £16.3bn less than in December 2020;
 - £6.2bn below the OBR's November monthly profile projection; and
 - £6.2bn below the Reuters economists' median forecast.
- Borrowing so far in 2023/24 amounts to £119.1bn, £11.1bn more than in the same nine-month period last year, but £4.9bn less than the OBR's revised forecast issued at the time of the Autumn Statement.
- The latest estimate of total borrowing for the 2022/23 was revised down £0.4bn to £130.1bn - £9.1bn below the ONS April 2023 estimate.

- Overall public sector net debt excluding banks (PSND ex) was £2,685.6bn, equivalent to 97.7% of GDP (up 0.3% on a revised November figure).

When the Prime Minister made reducing the debt/GDP ratio one of his five pledges in early January 2023, the latest published ratio (for December 2022) was 95.8%, based on the latest update of ONS calculations.

- At £4.0bn, the December 2023 interest payments were £3.3bn less than November’s revised figure, and £14.1bn lower than a year ago. This was the lowest December interest payable since 2020, primarily because of a 0.2% fall in the RPI between September and October, resulting in a net £0.1bn *negative* revaluation of index-linked debt.



Total interest in the first nine months of 2023/24 amounts to £64.8bn, about 2.4% of GDP.

- Bank of England holdings of gilts (at redemption value) fell by £2.2bn to £640.0bn. The gap between the reserves the Bank created to purchase the gilts under QE and their redemption value fell to £103.8bn (counted as government debt, as the Treasury indemnified the Bank against losses).

The OBR [commentary](#) is headlined with words to please Mr Hunt: ‘Year-to-date borrowing moves below our forecast’. It includes the following observations...

- HMRC cash receipts were £1.8bn (2.7%) below profile in December but up £1.0bn (0.3%) on last December. This result is explained by...
 - PAYE income tax and NICs cash receipts in December were £1.1bn higher than last year, but £0.3 billion (0.9%) below the November forecast. For the year to date, receipts are £1.0bn (0.3%) below profile.
 - Cash VAT receipts were £0.9bn (9.5%) below profile in December and £0.2bn (2.0 %) lower than last year. The OBR says the drop is driven by lower VAT payments on domestic goods and large payments made in December 2022. For the year to date, receipts were £1.5 billion (1.2 per cent) below the forecast profile.
 - Onshore corporation tax cash receipts in December were £0.3bn (2.5 %) above forecast and in the year-to-date receipts are £1.1bn (1.8%) below profile, but £8.1bn (14.8%) higher than last year. The OBR notes that ‘Some payments were recorded late and may feed into stronger receipts in January.’
- On the spending front, a surprising £8.3bn undershoot against forecast for year-to-date central government spending was the result of...
 - Lower debt interest payments than forecast (£5.7bn below profile, of which all but £0.2bn related to the December 2023 figure). RPI inflation has fallen faster than the projected in November which means the OBR expects debt interest payments should again be below profile in January 2024 (currently projected at £7.1bn).
 - Central government net investment, which is £4.2bn below profile, in large part due to depreciation (an offsetting number), which is £1.8bn above profile.
 - Consumption expenditure on goods and services was £3.1bn above profile, driven in particular by pay.

Comment

This month’s figures underline the impact of the OBR’s inflation assumptions on what the Chancellor will be able to do in March. So far this year, RPI-driven revaluation has accounted for 45% of total debt servicing costs, despite index-linked gilts being only about a quarter of all government debt.

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