

## European Rates Watch

# UK public finances data for April: mixed messages

### CGNCR: slightly better than expected start

Today's set of UK public sector finance data for April suggested that the DMO's Remit had a slightly better than expected start to the new fiscal year. The CGNCR came in at £18.8bn in April, slightly below the OBR's March 2023 projection of £24.4bn for April (Exhibit 1). Despite a £5.6bn undershoot relative to the OBR's forecast, this April's CGNCR was the third largest increase in the month of April since FY 2000/21, only lower than the Covid years of FY 2020/21 and 2021/22 (Exhibit 2).

### APF transfer larger than we would have expected in April

One reason why this April's CGNCR was larger than historical monthly figures is the quarterly capital transfer to the APF to cover negative carry and realised losses on the BoE QE portfolio over January to March 2023 (paid quarterly in arrears). In April, the transfer was £9.8bn, the largest transfer since they began in October 2022 (Exhibit 3). This was higher than we would have expected, given January also saw realised profits on the final sales of the emergency Gilt purchases made in the LDI episode.

### NS&I flows in line with fiscal year target

The NS&I monthly flow was £1.7bn in April, less than £3.95bn in March. Since the first NS&I interest rate increases in December 2022, monthly inflows have increased to £2.7bn on average in the last three months (Exhibit 4). While still very early into the new fiscal year, such a quarterly pace would be in line with the DMO's £7.5bn NS&I fiscal year projection. Overall, April's public sector finance data does not suggest meaningful deviations from the Remit; not surprising in the early days of the new fiscal year.

### Slowing receipts

More broadly, April public sector net borrowing was £4.7bn higher than the budget forecaster, the Office for OBR, expected (Exhibit 5). Borrowing in fiscal year 2022/23 was revised down £2.1bn to £15.3bn below the OBRs' forecasts. As this is the first month of the fiscal year and data can be revised substantially there is relatively little that can be read into this outturn for the full year total. Higher than expected borrowing reflected slowing tax receipts growth and accelerating spending. Central government tax receipts fell year-on-year for the first time since 2020, dragged into negative territory by falling interest receipts (Exhibit 5). That reflects in part the shift from QE providing income to requiring transfers from the government to cover losses. Excluding interest, receipts rose marginally year-on-year but were still weaker than the OBR expected due to weaker than expected income tax and non-APF interest and dividends. Weakening receipts growth at the margin would be consistent with an economy growing weakly. Central government spending growth meanwhile rose as debt interest spending surged because of high inflation and energy subsidies continued (Exhibit 6).

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#### Abbreviations

FY: Fiscal Year  
DMO: Debt Management Office  
OBR: Office for Budget Responsibility  
APF: Asset Purchase Facility  
CGNCR: Central Government Net Cash Requirement  
NS&I: National Savings and Investment  
QE: Quantitative Easing  
LDI: Liability Driven Investment  
B&B: Bradford & Bingley  
NRAM: NRAM Ltd  
NIC: National Insurance contribution  
CCFF: Covid Corporate Financing Facility  
VAT: Value added tax

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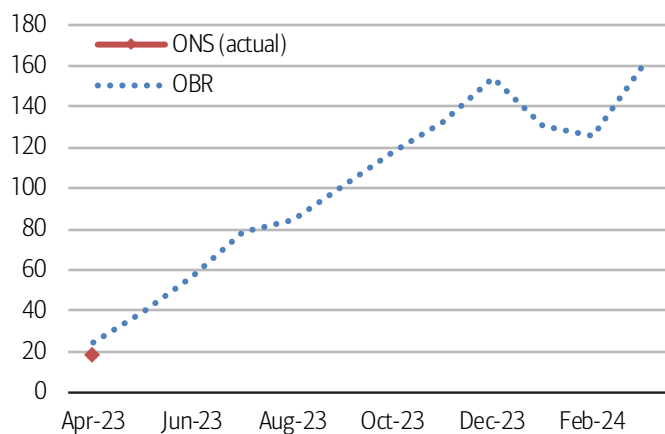
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**Exhibit 1: CGNCR ex. B&B, NRAM, Network Rail and CCFF (GBPbn, cum.)**

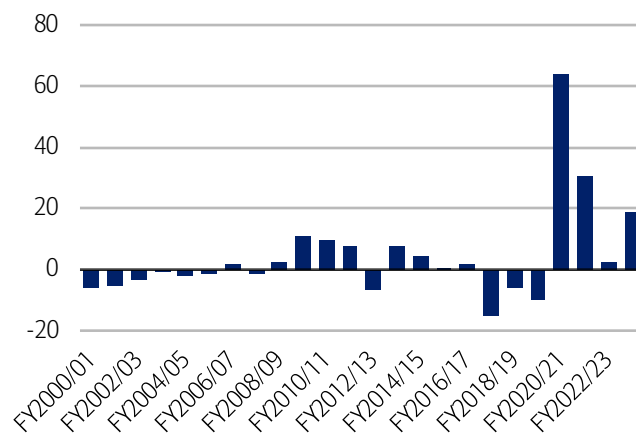
April's outcome slightly better than projected by the OBR



Source: BofA Global Research, Office for Budget Responsibility, Office for National Statistics  
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**Exhibit 2: April CGNCR ex. B&B, NRAM, Network Rail and CCFF (GBPbn)**

Third highest April CGNCR on record, partially explained by transfers to APF

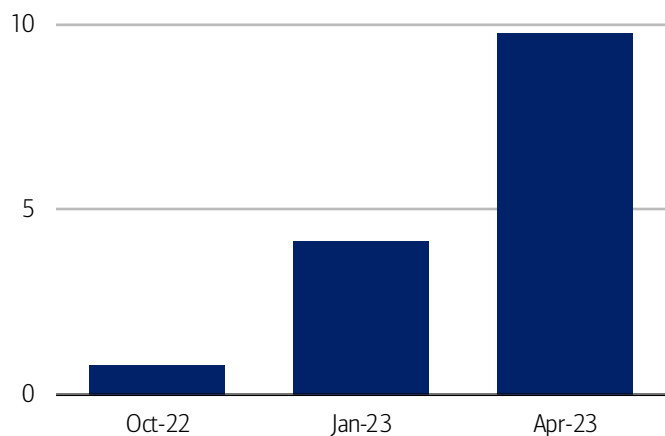


Source: BofA Global Research, Office for Budget Responsibility

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**Exhibit 3: Quarterly capital transfers to APF, £bn**

£9.8bn in April – the largest transfer so far

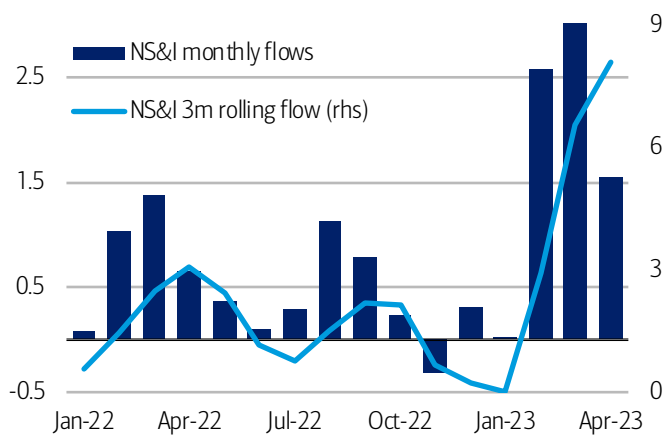


Source: BofA Global Research, Office for Budget Responsibility

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**Exhibit 4: NS&I monthly and 3m. cum. flows, £bn**

Latest 3m average broadly consistent with DMO's FY target

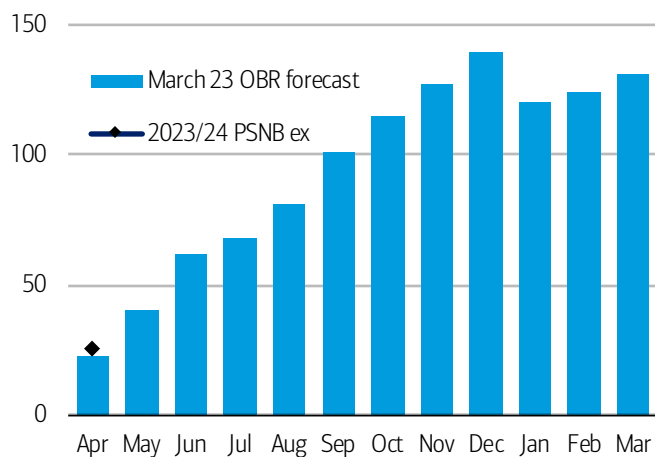


Source: BofA Global Research, Office for Budget Responsibility

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**Exhibit 5: Public sector net borrowing (PSNB), £bn, cumulative**

Borrowing £5bn higher than expected at start of year

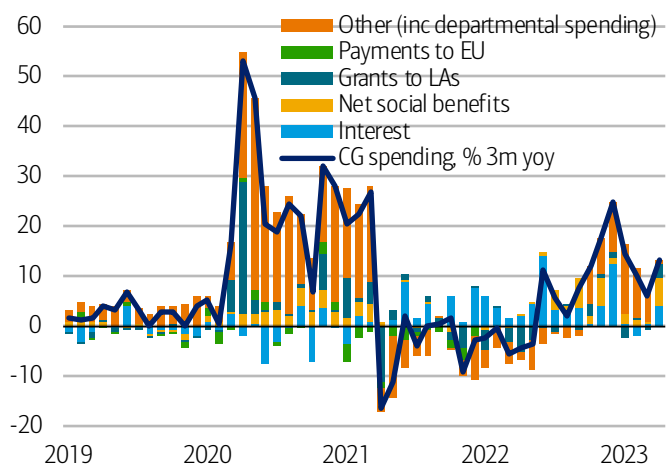


Source: BofA Global Research, ONS, OBR

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**Exhibit 7: Central government (CG) current spending, % yoy**

Spending growth boosted by debt interest and energy subsidies

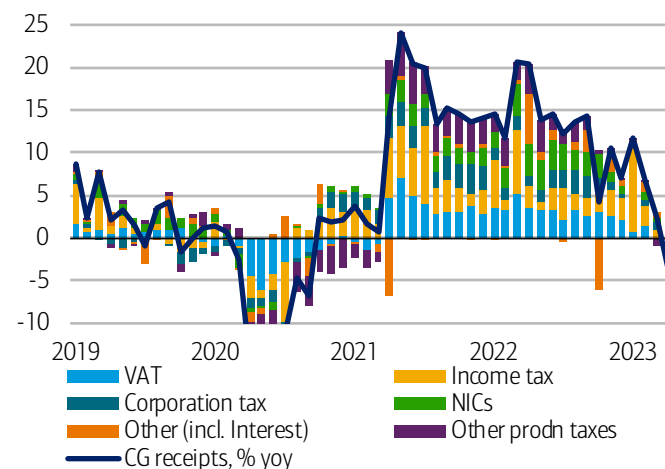


Source: BofA Global Research, ONS

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**Exhibit 6: Central government tax receipts, % yoy**

First yoy fall in central government receipts since lockdown



Source: BofA Global Research, ONS

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