

European Rates Watch

UK public finances data for February: heading for a larger overfund

February's CGNCR potentially implies higher carry-over

Today's set of UK public sector finance data suggests that the DMO's 2022/23 fiscal year Remit is potentially heading for a slightly higher than projected "overfund" as of February, with one month of fiscal year remaining. The CGNCR came in at £6.75bn in February. For the cumulative fiscal-year-to-February, the CGNCR stood at £86.19bn - £29.2bn away from DMO's updated FY 2022/23 target of 115.4bn (Exhibit 1, Exhibit 5).

Previously, we noted that the OBR's projection for March 2023 diverged significantly from the historical pattern, at nearly double the average monthly figure. This should not be APF-related, we thought, given the next payment is due in April, and there are no obvious special factors to deliver this that we can see (such as a linker redemption). The updated projections imply £29.2bn in March, more in line with the £22.0bn seen on average since FY 2010/11, but still slightly above the current projection (Exhibit 2).

If CGNCR came in closer to the average seasonal March number, it would potentially imply a slightly higher carry-over into FY 2023/24, reducing Gilt financing need.

Pickup in NS&I inflows in February

NS&I saw a £2.58bn inflow in February – the largest monthly flow so far this fiscal year – bringing the cumulative total to £6.15bn, exceeding the original £6.0bn goal and only slightly shy of the higher £6.6bn set in the Budget, including £0.5bn green NS&I bonds (Exhibit 3 and Exhibit 4). Another strong month of inflows of similar magnitude would increase the overfund carried over into FY 2023/24, reducing Gilt financing need further.

As highlighted in [Budget review: optimistic](#) (see report), published on 15 March, our expected ambitious expansion in NS&I programme did not materialise in the FY 2023/24 Remit projection. The DMO expects to raise £7.5bn in 2023/24. The DMO's current plan for £241bn of Gilt sales implies that net Gilt sales to private investors will more than double from the current fiscal year (and almost double the previous historical record).

UK public sector finances data for March will be published on 25 April, together with current fiscal year's Remit outturn. Based on February numbers, we suspect the carry-over to next fiscal year will be slightly larger than current projection of £21.3bn.

Borrowing broadly on track

Public sector borrowing overshot consensus expectations in February, at £16.7bn vs consensus of £11.7bn. Borrowing was £3bn higher than the monthly profile consistent with the November fiscal forecasts. The Office for Budget Responsibility will update on how it compares to the February forecasts later today but it seems unlikely that the data will materially shift the outlook.

(continued on next page)

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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

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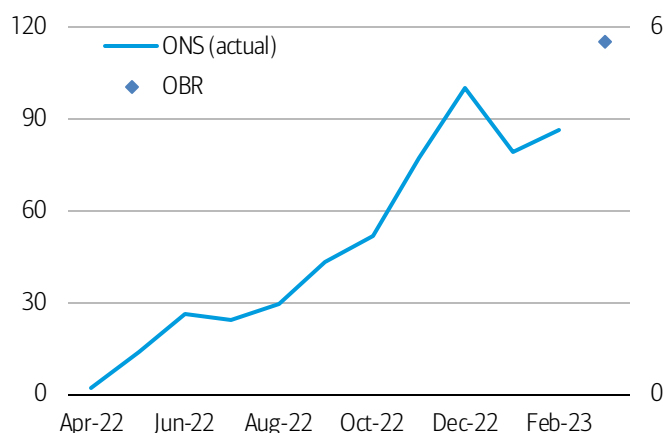
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The £5bn borrowing overshoot compared to consensus this month was offset by a £1.4bn downward revision to borrowing in the year-to-date. Accounting for the £8.6bn student loans adjustment to borrowing that the OBR includes in its forecasts but the ONS (Office for National Statistics) does not yet include in the hard data, borrowing April-February was £124bn compared to the OBRs full year forecast of £152bn, leaving £28bn room for borrowing in March and any upward revisions to back data.

In the November fiscal forecasts, the OBR expected £25bn borrowing in March, as public sector investment jumps in the final month of the fiscal year. There may be risks of an undershoot relative to the full year borrowing forecasts, but we suspect the difference will be small relative to the uncertainty around initial figures.

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

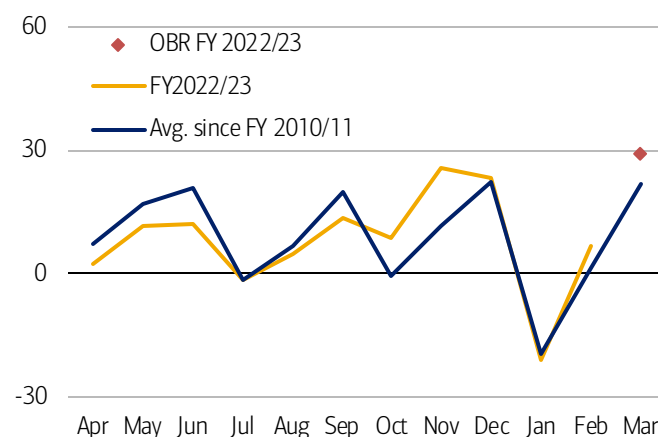
£29.2bn away from fiscal year 2022/23 target of £115.4bn as of February



Source: BofA Global Research, Office for Budget Responsibility, Office for National Statistics
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Exhibit 2: CGNCR ex. B&B, NRAM and NR monthly fluctuations, £bn

OBR's March target slightly above the usual seasonal pattern

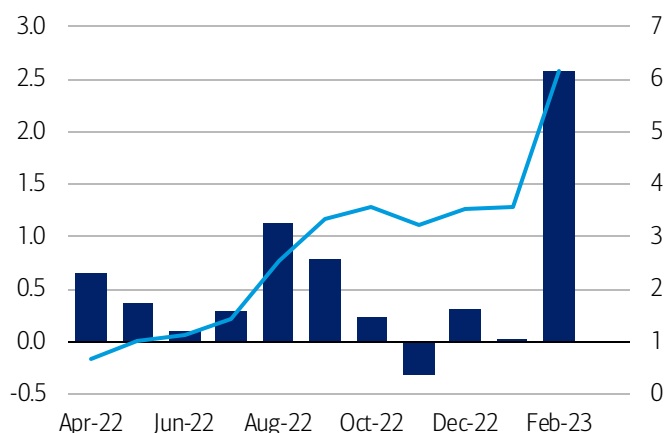


Source: OBR, ONS, BofA Global Research

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Exhibit 3: FY 2022/23 NS&I monthly flows and cumulative, £bn

Slightly over DMO's £6.1bn projection with one month to go



Source: Office for National Statistics, BofA Global Research

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Exhibit 4: 12-months rolling NS&I flows, £bn

Strong inflows need to persist to make a difference on 12m MA basis



Source: Office for National Statistics, BofA Global Research

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Exhibit 5: DMO financing arithmetic for Fiscal Year (FY) 2022/23 and 2023/24, £bn

CGNCR projected at £115.4bn and NS&I at £6.1bn this fiscal year

UK DMO financing Remit arithmetic (£bn)	FY 2022/23 (DMO - Nov'22)	FY 2023/24 (DMO - Nov'22)	FY 2022/23 (DMO - Mar'22)	FY 2023/24 (DMO - Mar'23)
CGNCR	136.1	188.1	115.4	159.5
Redemptions	107.1	117.0	107.1	117.0
Adj. from prev. FY	-33.1		-33.1	-21.3
Gross Financing Req. (GFR)	210.1	305.1	189.4	255.2
Less:				
NS&I & NS&I green	6.0		6.1	7.5
UK Sukuk	n/a		0.5	
Other financing	1.4		1.4	1.5
Net Financing Req. (NFR)	202.7		181.9	246.1
To be financed through:				
Gilt sales, through:	169.5		169.5	241.1
Net T-bill sales	33.2		33.2	5.0
Total financing	202.7		202.7	246.1
DMO net cash position	2.3		23.6	2.3

Source: DMO, BofA Global Research

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