

# United Kingdom

## Government borrowing set to beat target as deficit falls 9.4% in year to date

- **Borrowing falls £1bn on year ago in September**
- **Deficit down 9.4% on year ago over first six months of 2013-14 (excluding transfers)**
- **Revenues buoyed by stronger economic growth and housing market**

Higher tax revenues are providing a boost to government borrowing plans, helping drive the deficit down sharply on last year. The deficit is on course to beat the government's target for the year by a good margin, as long as the economy continues to recover in coming months.

The public sector deficit narrowed to £11.1 in September (excluding bank bailouts), £1bn lower than last year, according to the office for National Statistics.

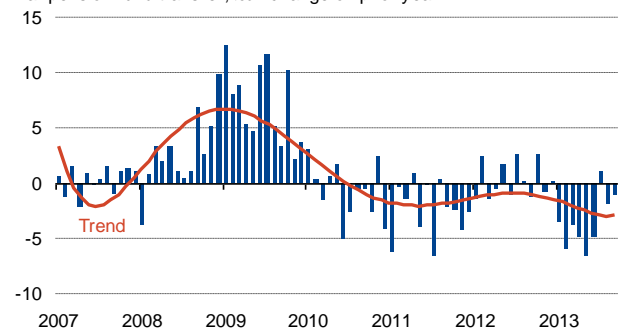
The September figures take total borrowing for the first six months of the year to £56.7bn after allowing for one-off factors such as transfers from the Royal Mail pension fund and the Bank of England's asset purchase programme, some 9.4% lower than the comparable figure of £62.6bn last year. The government's current target for the full year is £120bn, which should be easily achieved given the current strength of the economy.

Tax revenues rose 7.0% on a year ago in September, supporting evidence from business surveys that the pace of economic growth has strengthened in the third quarter. Higher revenues from stamp duty, reflecting the recent property market upturn, buoyed revenues, as did higher VAT receipts as consumer spending continued to rise. Government spending meanwhile rose just 2.5% on last year.

Strong economic growth is likely to persist in coming months, boosting the government's tax-take further, especially from corporation tax, which should more than keep the deficit on target. A figure of £105bn for the year is currently looking more likely than the government's £120bn target, which was set at a time when the economy was showing signs of renewed weakness, in contrast to today's picture of robust expansion.

### UK government borrowing v. one year ago

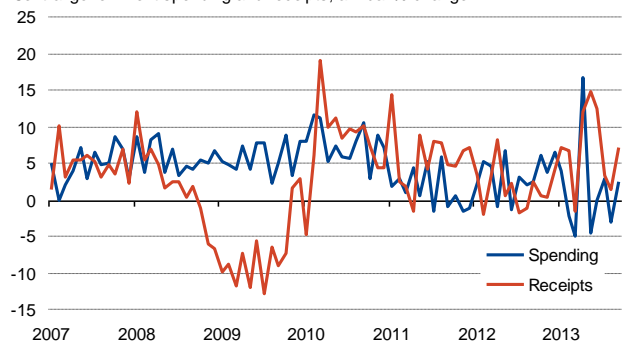
UK public sector net borrowing excluding financial interventions & Royal Mail pension fund transfer, £bn change on prior year



Source: Markit, ONS via Ecowin.

### Government spending and revenues

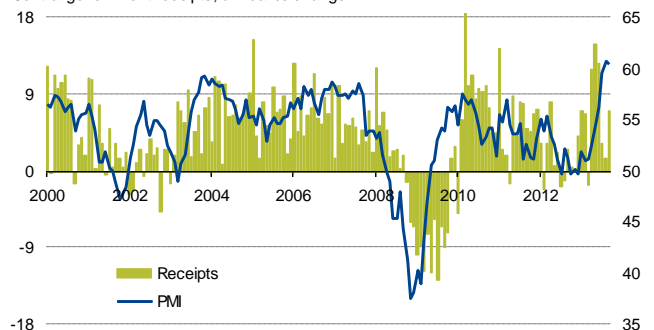
Central government spending and receipts, annual % change



Source: Markit, ONS via Ecowin.

### Tax revenues and economic growth

Central government receipts, annual % change



Source: Markit, ONS via Ecowin.

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