

*N. C. U. (in David's absence)*



*Prime Minister*

*No honours here.*

*N. C. U.*

Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

18 May 1987

David Norgrove Esq  
10 Downing Street  
LONDON  
SW1

*Dear David,*

*MS*

**MONTHLY NOTE ON PUBLIC SECTOR BORROWING**

I enclose this month's note on the PSBR. The outturn for April will be published tomorrow at 11.30 am.

*Yours  
Alex*

ALEX ALLAN  
Principal Private Secretary

## PUBLIC SECTOR BORROWING

### Summary

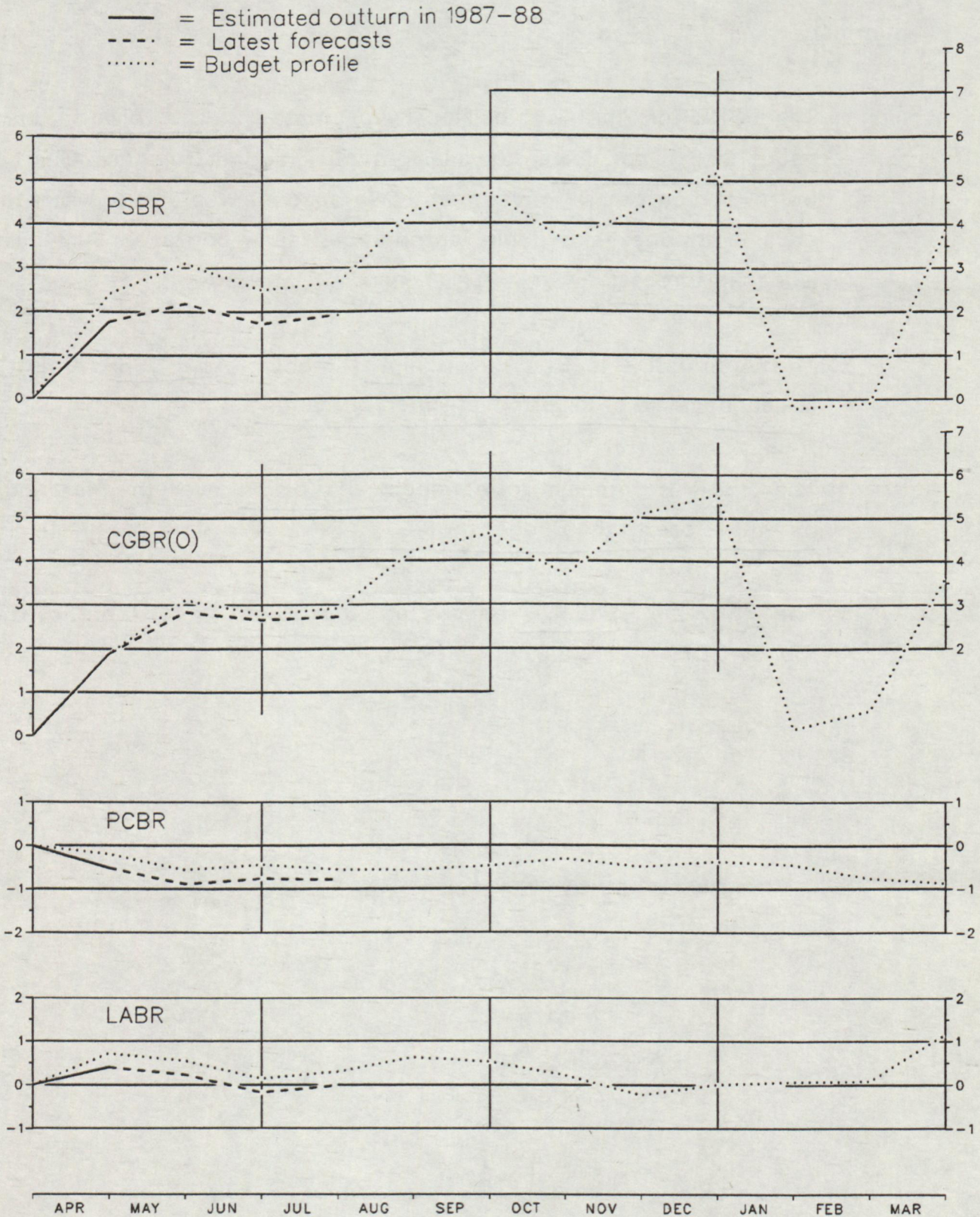
- The PSBR for April is provisionally estimated at £1.8 billion. This is about £0.6 billion lower than last month's Budget forecast (Chart 1). Borrowing on central government own account was close to forecast. Local authorities and public corporations each borrowed £0.3 billion less than forecast.
- The April PSBR is £1.1 billion higher than in April 1986 (Chart 2), largely because of lower privatisation proceeds.
- The PSBR is forecast to be about £¼ billion over the next three months, close to the Budget profile.
- The PSBR for 1986-87 remains at £3.3 billion, ¾ to 1 per cent of money GDP.

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Figures in this report are not seasonally adjusted and also may not sum precisely because of rounding.

**Chart 1 : 1987-88: Comparisons with 1987 Budget profiles**

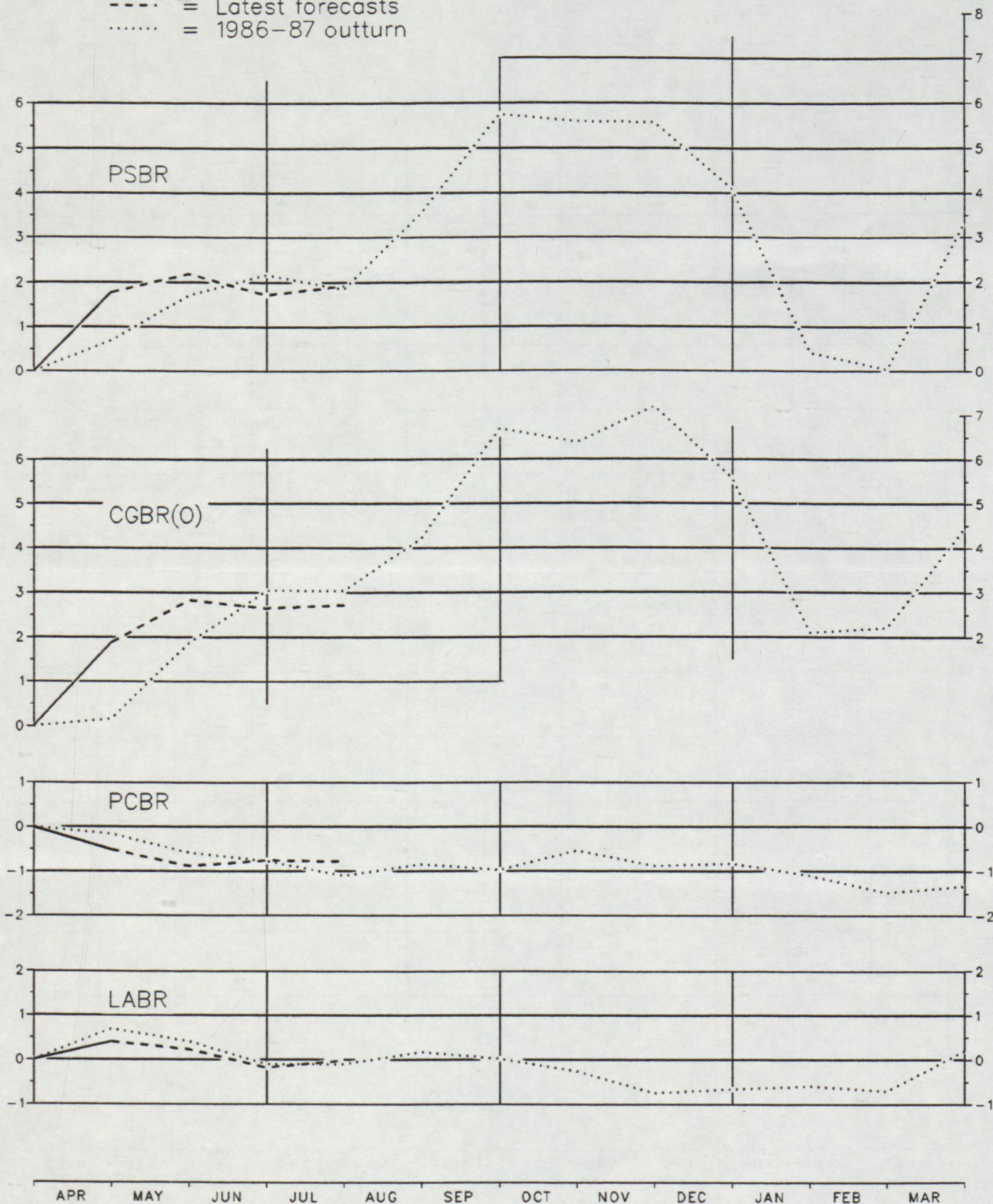
£ billion cumulative



**Chart 2: 1987-88: Comparisons with outturns for 1986-87**

£ billion cumulative

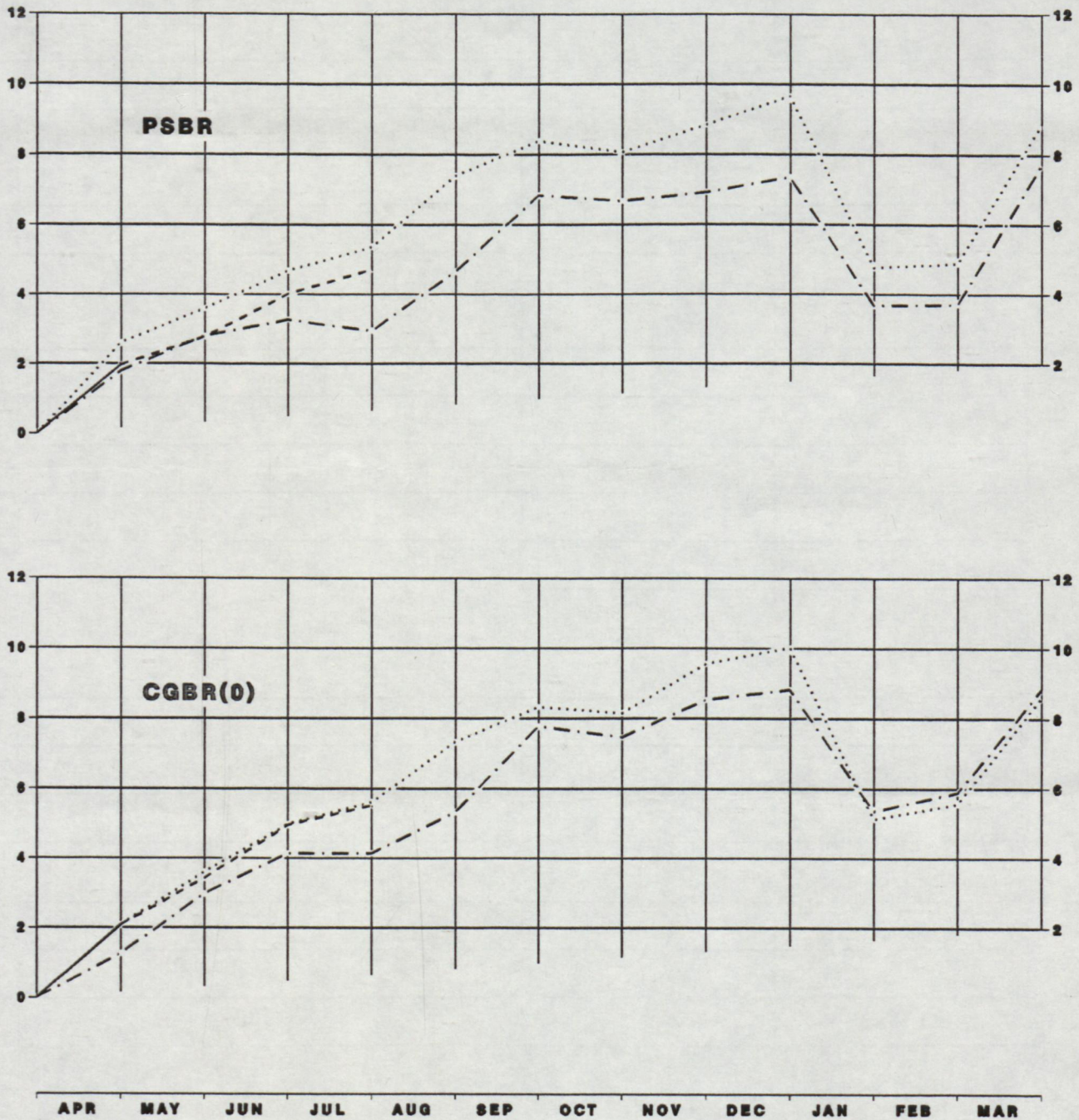
- = Estimated outturn in 1987-88
- - - = Latest forecasts
- ..... = 1986-87 outturn



**Chart 3: Comparisons excluding privatisation proceeds**

£ billion cumulative

- = Estimated outturn in 1987-88
- - - = Latest forecasts
- · - = 1986-87 outturn
- ..... = 1987-88 Budget profiles



**Borrowing in April**

(Outturn compared with last month's Budget forecast)

1. The provisional estimate of the PSBR in April is £1.8 billion, compared with last month's forecast of £2.4 billion. The differences between forecast and outturn on the individual sub-sectors are shown in the table below.

**Table 1: April 1987 borrowing requirements**

£ billion

	PSBR	Comprising		
		CGBR(O)	LABR	PCBR
Forecast*	2.4	1.9	0.7	-0.2
Outturn	1.8	1.9	0.4	-0.5
Difference	-0.6	-	-0.3	-0.3

\*made on 15 April

2. Borrowing on central government's own account was as forecast last month. The main differences on components were higher Inland Revenue receipts (by £0.2 billion, mainly Corporation Tax), lower National Insurance contributions (by £0.2 billion) and higher Supply expenditure (by £0.1 billion). The monthly profile for National Insurance contributions over April-June has been erratic in recent years, so it is not possible at this stage to assess the effect of the April shortfall.

3. Local authorities provisionally showed net borrowing of £0.4 billion in April, a month with low rate receipts and seasonally high borrowing. The April outturn was £0.3 billion lower than last month's forecast and £0.3 billion below April 1986.

4. Public corporations made a net repayment of debt of £0.5 billion in April, compared with a forecast repayment of £0.2 billion. Currently available information from individual industries, which is not always consistent with the aggregate PCBR figure, indicates that

Electricity, British Steel and British Rail each borrowed around £0.1 billion less than forecast. Borrowing in the last three months has been much lower than in the corresponding months of 1986.

April to July

5. The PSBR for the period May-July is forecast to be about £¼ billion, close to the Budget forecast. This brings the total for the first four months of 1987-88 to £2 billion, about £¾ billion below the Budget profile (Chart 1 and Table 2).

6. Table 4 shows the latest detailed profile of borrowing on central government own account for April to July; a comparison with the Budget forecast for those months and with the outturn in April-July 1986 is shown in Table 5.

7. The CGBR(O) is forecast to be about £¼ billion below the Budget profile over the next three months, due mainly to higher Corporation Tax receipts (by £0.1 billion), higher privatisation proceeds (by £0.1 billion, from the sale of Rolls Royce), and higher receipts of Vehicle Excise Duty (by £0.1 billion, as a result of later information from the Post Office).

8. The monthly path of the CGBR(O) is as follows:

- In May, the CGBR(O) is forecast to be £1 billion. High debt interest payments and relatively low Inland Revenue receipts are partly offset by proceeds from the Rolls Royce sale.
- In June, the CGBR(O) is forecast to be in surplus by about £¼ billion, benefitting from the £1¾ billion proceeds from the second call on British Gas.
- In July, the CGBR(O) is forecast to be close to zero. Receipts of Advanced Corporation Tax will exceed £1 billion, but net debt interest payments are very high. The forecast assumes (as in the Budget profile) that the sale of British Airports Authority will raise £½ billion in the month.

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9. Local authorities are assumed to show net borrowing close to the Budget profile over the next three months, and hence the cumulative total is assumed to remain about £¼ billion below it.

10. The PCBR in the next three months is forecast to be about £0.1 billion more than in the Budget profile, on account of higher forecast borrowing in July by British Coal. Public corporations are assumed to make a further net repayment in May – Electricity is assumed to continue repayments, and seasonal repayments by the Post Office and Water Authorities are expected. Small positive borrowing in total is forecast for June and broad balance for July.

### 1986-87

11. The estimate for the PSBR outturn for 1986-87 remains at £3.3 billion,  $\frac{3}{4}$ -1 per cent of GDP. The estimate of the CGBR(O) has been revised downwards by nearly £0.2 billion following an increase in the estimate of on-lending, while the LABR and PCBR have risen correspondingly.

### 1987-88





12. As foreshadowed in last month's note, the PCBR (and hence the PSBR) monthly profile for 1987-88 has been revised slightly following receipt of information from individual industries. The final Budget profiles are shown in Table 6.

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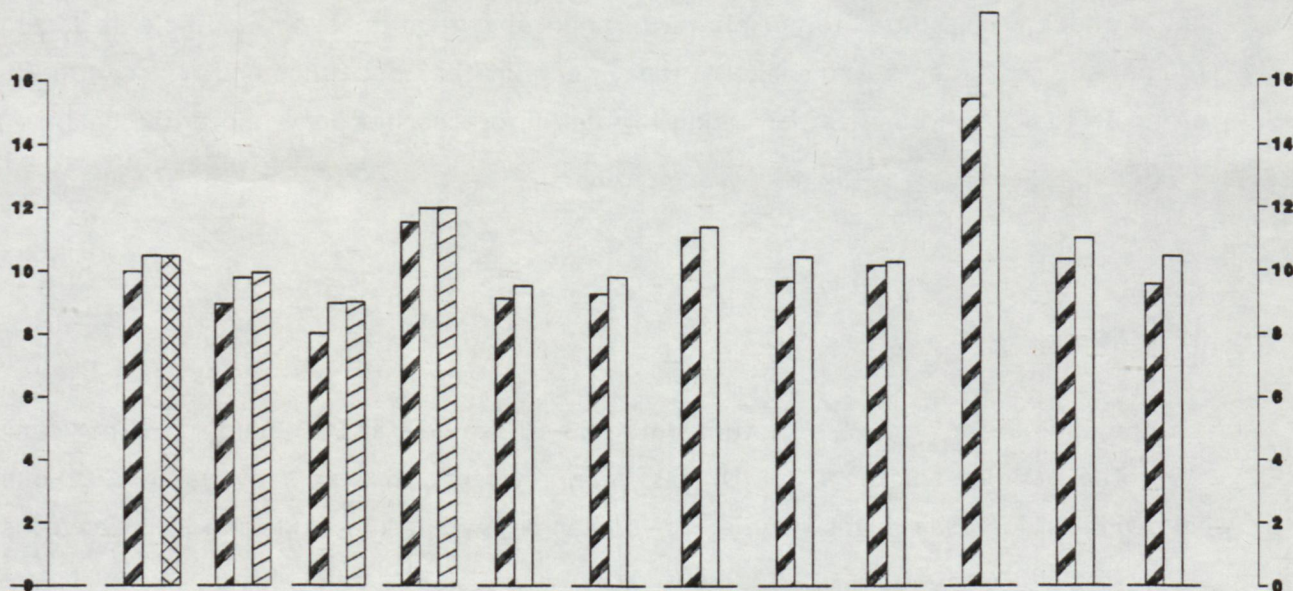


**Chart 4: Components of central government receipts and expenditure**

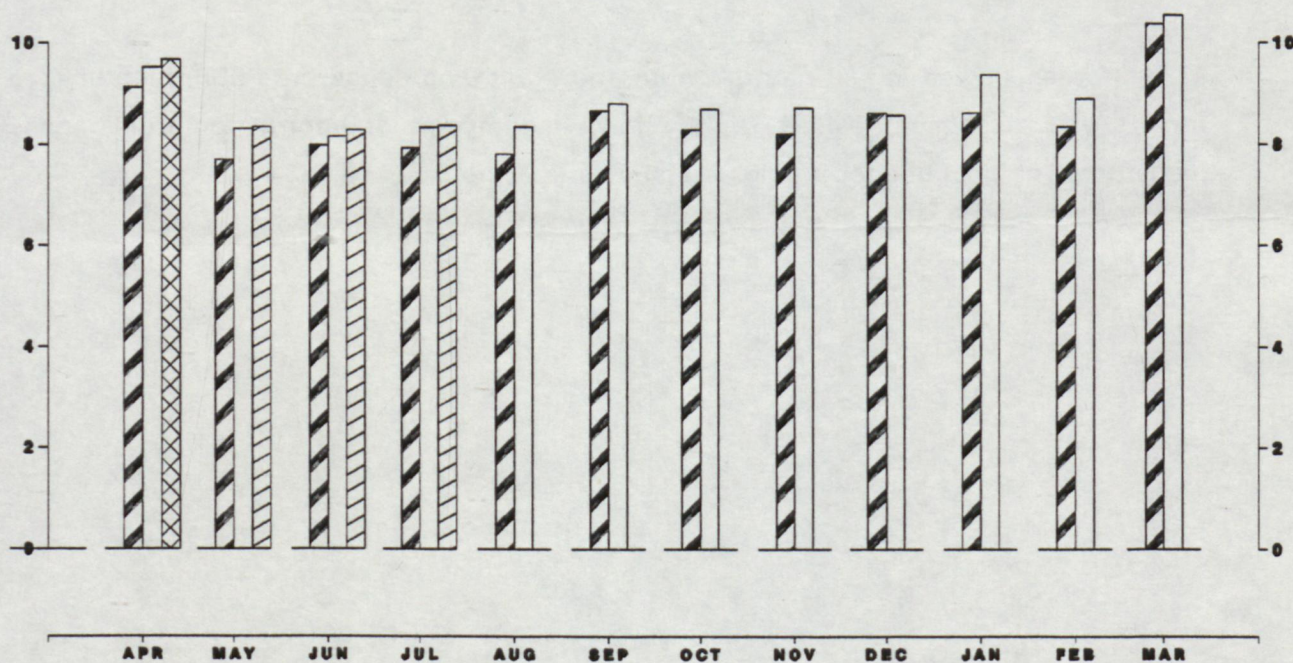
£ billion

-  = 1987-88: Outturns
-  = 1987-88: Latest profiles
-  = 1987-88 Budget forecasts
-  = Outturn in 1986-87

**(I) NON OIL TAX AND NATIONAL INSURANCE RECEIPTS**



**(II) SUPPLY EXPENDITURE**



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**Table 2: Borrowing requirement monthly profiles May-July**  
(Budget profiles in italics for comparison)

£ billion

	PSBR		Comprising					
			CGBR(O)		LABR		PCBR	
1987-88								
Apr	<i>1.8</i>	<i>2.4</i>	<i>1.9</i>	<i>1.9</i>	<i>0.4</i>	<i>0.7</i>	<i>-0.5</i>	<i>-0.2</i>
May	<i>0.4</i>	<i>0.7</i>	<i>0.9</i>	<i>1.2</i>	<i>-0.2</i>	<i>-0.2</i>	<i>-0.4</i>	<i>-0.4</i>
Jun	<i>-0.5</i>	<i>-0.6</i>	<i>-0.2</i>	<i>-0.3</i>	<i>-0.4</i>	<i>-0.4</i>	<i>0.1</i>	<i>0.1</i>
Jul	<i>0.2</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>0.2</i>	<i>-</i>	<i>-0.1</i>
Cumulative								
Apr	<i>1.8</i>	<i>2.4</i>	<i>1.9</i>	<i>1.9</i>	<i>0.4</i>	<i>0.7</i>	<i>-0.5</i>	<i>-0.2</i>
May	<i>2.2</i>	<i>3.1</i>	<i>2.8</i>	<i>3.1</i>	<i>0.2</i>	<i>0.6</i>	<i>-0.9</i>	<i>-0.6</i>
Jun	<i>1.7</i>	<i>2.5</i>	<i>2.7</i>	<i>2.8</i>	<i>-0.2</i>	<i>0.1</i>	<i>-0.8</i>	<i>-0.4</i>
Jul	<i>1.9</i>	<i>2.7</i>	<i>2.7</i>	<i>2.9</i>	<i>-</i>	<i>0.3</i>	<i>-0.8</i>	<i>-0.6</i>

Figures for April are outturns

**Table 3: PSBR for 1987-88 - comparisons with 1986-87 and 1987 Budget profile**

£ billion

	1986-87	1987-88		Differences from	
	Outturn	Budget profile	Latest update <sup>(1)</sup>	1986-87 outturn	Budget profile
	1	2	3	3-1	3-2
Apr	0.7	2.4	<b>1.8</b>	1.1	-0.6
May	1.0	0.7	<b>0.4</b>	-0.6	-0.3
Jun	0.5	-0.6	<b>-0.5</b>	-0.9	0.2
Q2	2.2	2.5	<b>1.7</b>	-0.5	-0.8
Jul	-0.3	0.2	<b>0.2</b>	0.5	-
Aug	1.7	1.6			
Sep	2.2	0.4			
Q3	3.6	2.2			
Oct	-0.2	-1.1			
Nov	-	0.8			
Dec	-1.5	0.8			
Q4	-1.7	0.5			
Jan	-3.7	-5.4			
Feb	-0.4	0.1			
Mar	3.3	4.0			
Q1	-0.8	-1.3			
Cumulative					
Apr	0.7	2.4	<b>1.8</b>	1.1	-0.6
May	1.7	3.1	<b>2.2</b>	0.5	-0.9
Jun	2.2	2.5	<b>1.7</b>	-0.5	-0.8
Jul	1.9	2.7	<b>1.9</b>	0.1	-0.7
Aug	3.6	4.3			
Sep	5.7	4.7			
Oct	5.6	3.6			
Nov	5.6	4.4			
Dec	4.1	5.2			
Jan	0.4	-0.2			
Feb	-	-0.1			
Mar	3.3	3.9			

<sup>(1)</sup>Figures for April are outturns

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**Table 4: Central government transactions - April outturn and latest forecasts for May-July**

£ billion

	April		Latest forecasts		
	forecast	outturn <sup>(1)</sup>	May	Jun	Jul
<b>Receipts</b>					
<i>Consolidated Fund</i>					
Inland Revenue	4.6	4.8	3.9	3.8	6.2
Customs and Excise	3.7	3.7	3.6	2.9	3.3
Other <sup>(2)</sup>	0.7	0.2	1.5	2.3	1.0
<i>National Loans Fund</i>					
Interest etc. receipts	0.6	0.3	0.4	0.6	0.4
<b>Total Receipts</b>	<b>9.5</b>	<b>8.9</b>	<b>9.3</b>	<b>9.6</b>	<b>10.8</b>
<b>Expenditure</b>					
<i>Consolidated Fund</i>					
Supply expenditure <sup>(3)</sup>	9.5	9.7	8.3	8.3	8.4
Adjustment to Supply Services basis <sup>(4)</sup>	-	0.2	0.2	-0.1	0.1
Other	0.5	0.5	0.5	0.5	0.5
<i>National Loans Fund</i>					
Service of the national debt	1.1	1.1	1.6	0.6	2.0
Net lending	0.3	1.0	0.3	0.2	0.3
<b>Total Expenditure</b>	<b>11.4</b>	<b>12.5</b>	<b>11.0</b>	<b>9.5</b>	<b>11.2</b>
<b>Other funds and accounts</b> (+ increases borrowing) (- reduces borrowing)	<b>0.3</b>	<b>-1.1</b>	<b>-0.3</b>	<b>0.2</b>	<b>-</b>
<b>CGBR</b>	<b>2.2</b>	<b>2.5</b>	<b>1.4</b>	<b>-</b>	<b>0.4</b>
<b>On-lending</b>	<b>0.3</b>	<b>0.6</b>	<b>0.4</b>	<b>0.2</b>	<b>0.3</b>
<b>CGBR(O)</b>	<b>1.9</b>	<b>1.9</b>	<b>0.9</b>	<b>-0.2</b>	<b>0.1</b>

<sup>(1)</sup>Due to time lags in some items reaching their final accounting destination, figures of forecast and outturn may not be strictly comparable for the components identified, but there is no effect on the overall CGBR.

<sup>(2)</sup>Includes privatisation proceeds, except where these are temporarily lodged in "other funds and accounts."

<sup>(3)</sup>On a cheques issued basis. Supply includes an element of on-lending in the form of public dividend capital etc. It also includes advance payments to the EEC.

<sup>(4)</sup>Reflects changes in balances of departmental accounts with the Paymaster General, timing and other differences between cheques issued by departments and payments to them from the Consolidated Fund. An offset to this item is included in "Other funds and accounts".

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**Table 5: Central government transactions<sup>(1)</sup> – comparisons for April–July**

£ billion

	1986	1987	
	Outturn	Budget forecast	Latest update
<b>Receipts</b>			
<i>Consolidated Fund</i>			
Inland Revenue	18.0	18.3	18.5
Customs and Excise	12.7	13.5	13.5
Other <sup>(2)</sup>	1.9	5.0	4.9
<i>National Loans Fund</i>			
Interest etc. receipts	2.0	2.0	1.7
<b>Total Receipts</b>	<b>34.6</b>	<b>38.7</b>	<b>38.7</b>
<b>Expenditure</b>			
<i>Consolidated Fund</i>			
Supply expenditure <sup>(3)</sup>	32.7	34.3	34.6
Adjustment to Supply Services basis <sup>(4)</sup>	0.9	0.2	0.4
Other	1.3	1.9	2.0
<i>National Loans Fund</i>			
Service of the national debt	5.2	5.2	5.3
Net lending	3.4	0.4	1.8
<b>Total Expenditure</b>	<b>43.5</b>	<b>42.1</b>	<b>44.1</b>
Other funds and accounts (+ increases borrowing) (- reduces borrowing)	-2.2	0.2	-1.2
<b>CGBR</b>	<b>6.7</b>	<b>3.5</b>	<b>4.2</b>
On-lending	3.6	0.6	1.5
<b>CGBR(O)</b>	<b>3.0</b>	<b>2.9</b>	<b>2.7</b>

<sup>(1)</sup>Due to differences in treatment of some items in the accounts between the periods/forecasts shown, and time lags in some items reaching their final accounting destination, figures for the components identified may not be strictly comparable.

<sup>(2)</sup>Includes privatisation proceeds, except where these are temporarily lodged in "other funds and accounts."

<sup>(3)</sup>On a cheques issued basis. Supply includes an element of on-lending in the form of public dividend capital etc. It also includes advance payments to the EEC.

<sup>(4)</sup>Reflects changes in balances of departmental accounts with the Paymaster General, timing and other differences between cheques issued by departments and payments to them from the Consolidated Fund. An offset to this item is included in "Other funds and accounts".

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**Table 6: Borrowing requirement Budget profiles 1987-88**  
(1986-87 outturns in italics for comparison)

£ billion

	PSBR		Comprising					
			CGBR(O)		LABR		PCBR	
1987-88								
Apr	2.4	<i>0.7</i>	1.9	<i>0.2</i>	0.7	<i>0.7</i>	-0.2	<i>-0.2</i>
May	0.7	<i>1.0</i>	1.2	<i>1.7</i>	-0.2	<i>-0.3</i>	-0.4	<i>-0.4</i>
Jun	-0.6	<i>0.5</i>	-0.3	<i>1.2</i>	-0.4	<i>-0.5</i>	0.1	<i>-0.2</i>
Jul	0.2	<i>-0.3</i>	0.1	-	0.2	-	-0.1	<i>-0.3</i>
Aug	1.6	<i>1.7</i>	1.3	<i>1.2</i>	0.3	<i>0.3</i>	-	<i>0.3</i>
Sep	0.4	<i>2.2</i>	0.4	<i>2.5</i>	-0.1	<i>-0.1</i>	0.1	<i>-0.1</i>
Oct	-1.1	<i>-0.2</i>	-1.0	<i>-0.3</i>	-0.3	<i>-0.3</i>	0.2	<i>0.4</i>
Nov	0.8	-	1.4	<i>0.8</i>	-0.5	<i>-0.5</i>	-0.2	<i>-0.3</i>
Dec	0.8	<i>-1.5</i>	0.5	<i>-1.6</i>	0.2	<i>0.1</i>	0.1	<i>0.1</i>
Jan	-5.4	<i>-3.7</i>	-5.4	<i>-3.5</i>	0.1	<i>0.1</i>	-0.1	<i>-0.3</i>
Feb	0.1	<i>-0.4</i>	0.4	<i>0.1</i>	-	<i>-0.1</i>	-0.3	<i>-0.4</i>
Mar	4.0	<i>3.3</i>	3.0	<i>2.2</i>	1.1	<i>0.9</i>	-0.1	<i>0.1</i>
Cumulative								
Apr	2.4	<i>0.7</i>	1.9	<i>0.2</i>	0.7	<i>0.7</i>	-0.2	<i>-0.2</i>
May	3.1	<i>1.7</i>	3.1	<i>1.9</i>	0.6	<i>0.4</i>	-0.6	<i>-0.6</i>
Jun	2.5	<i>2.2</i>	2.8	<i>3.0</i>	0.1	<i>-0.1</i>	-0.4	<i>-0.8</i>
Jul	2.7	<i>1.9</i>	2.9	<i>3.0</i>	0.3	<i>-0.1</i>	-0.6	<i>-1.1</i>
Aug	4.3	<i>3.6</i>	4.2	<i>4.2</i>	0.6	<i>0.2</i>	-0.6	<i>-0.8</i>
Sep	4.7	<i>5.7</i>	4.6	<i>6.7</i>	0.5	-	-0.5	<i>-1.0</i>
Oct	3.6	<i>5.6</i>	3.7	<i>6.4</i>	0.2	<i>-0.3</i>	-0.3	<i>-0.5</i>
Nov	4.4	<i>5.6</i>	5.1	<i>7.2</i>	-0.2	<i>-0.7</i>	-0.5	<i>-0.9</i>
Dec	5.2	<i>4.1</i>	5.5	<i>5.6</i>	-	<i>-0.7</i>	-0.4	<i>-0.8</i>
Jan	-0.2	<i>0.4</i>	0.2	<i>2.1</i>	0.1	<i>-0.6</i>	-0.4	<i>-1.1</i>
Feb	-0.1	-	0.6	<i>2.2</i>	0.1	<i>-0.7</i>	-0.8	<i>-1.5</i>
Mar	3.9	<i>3.3</i>	3.6	<i>4.5</i>	1.2	<i>0.2</i>	-0.9	<i>-1.3</i>