UK Borrowing Drops on Strong Tax Revenues

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Britain's public borrowing fell sharply in July, coming in at £1.1 billion, well below the Office for Budget Responsibility's (OBR) forecast of £2.1 billion. The improvement was driven by higher-than-expected self-assessment tax receipts and reduced debt interest payments.

According to official data from the Office for National Statistics (ONS), the Treasury collected £77.6 billion in tax revenues last month, boosted by stronger income tax receipts. This was enough to offset part of the spending rise, with government expenditure climbing to £92.1 billion during the same period.

The unexpectedly low borrowing figure provides Chancellor Rachel Reeves with short-term fiscal relief ahead of her first autumn Budget. Economists noted that falling interest costs, helped by lower inflation-linked payments, eased pressure in July. However, the broader picture shows that Britain's national debt continues to grow, with cumulative borrowing for the financial year to date slightly above OBR forecasts.

The OBR has previously cautioned that demographic pressures, sluggish economic growth and rising welfare spending could make balancing the public finances increasingly difficult.

July’s figures underline the scale of the challenge facing the Treasury in maintaining fiscal discipline while managing demand for public services.

For households and businesses, the immediate impact of the borrowing figures is limited. Families continue to face high living costs and taxes, while firms contend with elevated borrowing conditions as the Bank of England keeps interest rates high to control inflation.

With the autumn Budget approaching, attention will turn to how the government intends to balance fiscal responsibility with economic pressures. While July’s data marked an improvement on expectations, the overall trend suggests sustained strain on the UK’s public finances.