

insights

Recapping the Highlights: UK Spring Budget 2023

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Highlights

Inflation reached its highest level in **40 years**, with a peak of **11.1%** in **October 2022**.



The Bank of England has taken measures to control inflation by **increasing interest rates**.

The **government's Energy Price** Guarantee (EPG) has lowered energy bills for millions of people.



The Office for Budget Responsibility (OBR) predicts that Consumer Price Index (CPI) inflation will decrease to **2.9%** by the end of **2023**.

To further assist families with the cost of essential items, the government is extending the EPG at **£2,500** for an additional three months starting from **April 2023**.



Administrative costs have significantly increased, indicating **domestic inflation**.



Highlights



Inflation has been lower than predicted by the **OBR**, with easing energy costs and production chain pressures.

The **government** maintains a disciplined approach to public spending and will support debt reduction in **future economic events**.



Borrowing will remain high in the near term but is projected to decrease over the forecast period, reaching **£49.3 billion** (1.7% of GDP) by **2027-28**.

The focus is on three key priorities: controlling inflation, promoting economic growth, and **reducing debt**.



The **government** aims to turn its vision for the UK project into reality by supporting development in **future-oriented sectors**.

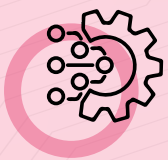
Opportunities to accelerate the advancement of **key technologies** will be provided through investment and **smarter regulation**.





Highlights

The Spring Budget demonstrates the government's ambition through initiatives such as extending the British Patient Capital program for 10 years and **investing £3 billion** in **R&D-intensive ventures**.



The government plans to launch the Long-term Investment for Technology and Science (LIFTS) drive to facilitate investment in science and tech companies.



Local Government **Pension Scheme** assets will be pooled to increase investment in creative and other valuable assets. By pursuing accelerated transfer of the **£364 billion** Local Government Pension Scheme assets into pools to support increased investment in innovative companies and other productive assets.



The **Debt Management Office** (DMO) aims to secure **£246.1 billion** in net funding for **2023-24**. The funding will be obtained through **£241.1 billion** of overlaid deals and **£5.0 billion** from net Depository bill deals for debt management purposes.



Highlights



National Savings and Investments (NS&I) has a net funding objective of **£7.5** billion in **2023-24**,

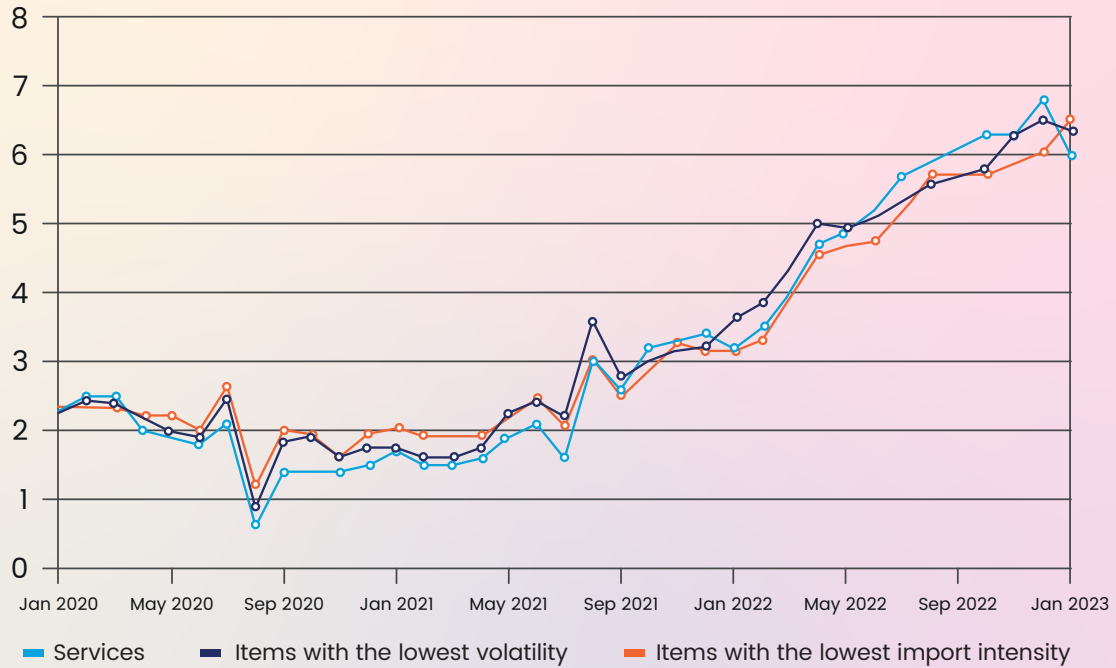
The government plans to reduce its shareholding in NatWest Group below **42%** by **March 1, 2023**, and complete its program of sales by **2025-26** to maximize value for taxpayers.



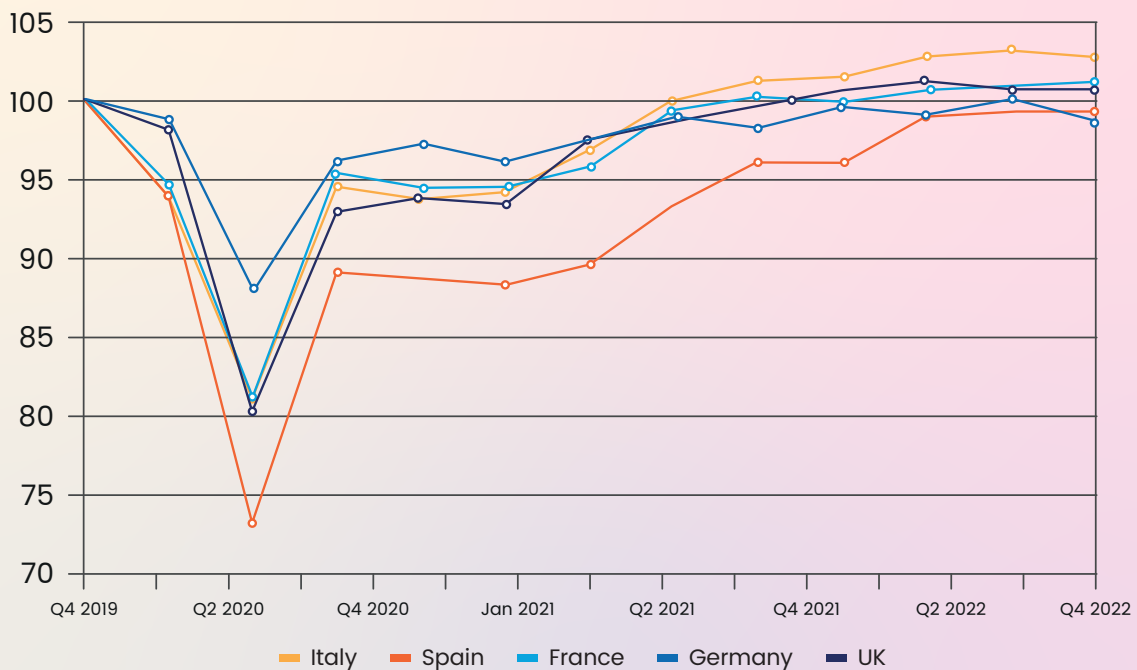


Economic and fiscal context

Percentage change in a year earlier



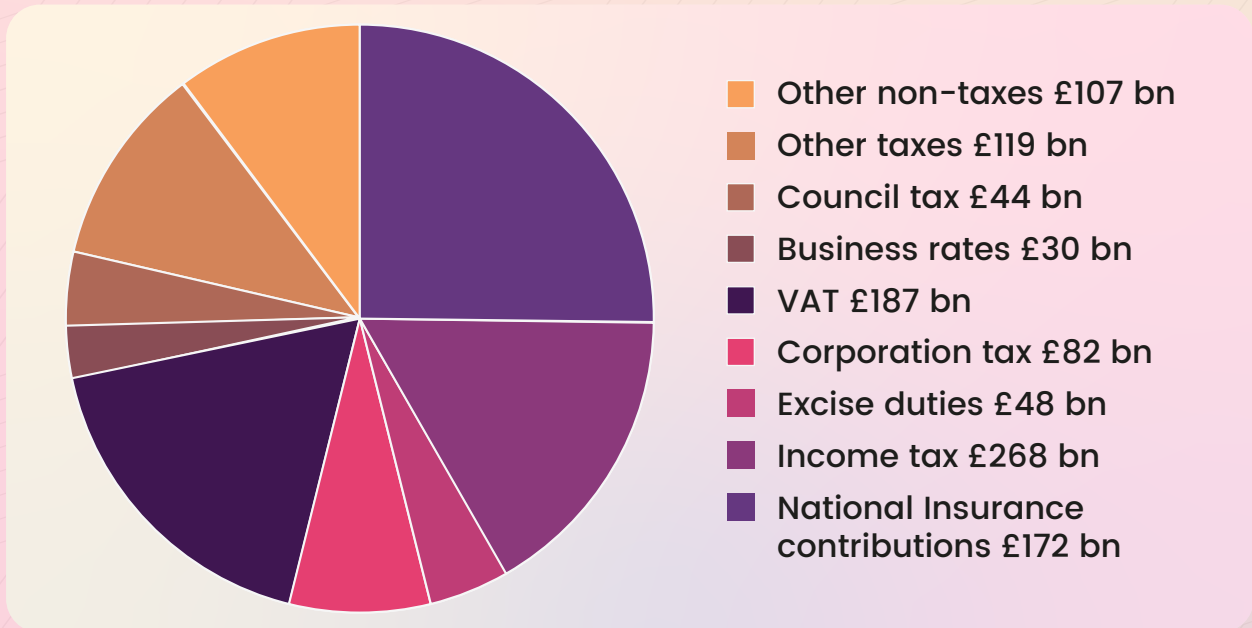
Source: <https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html#annex-a-financing>



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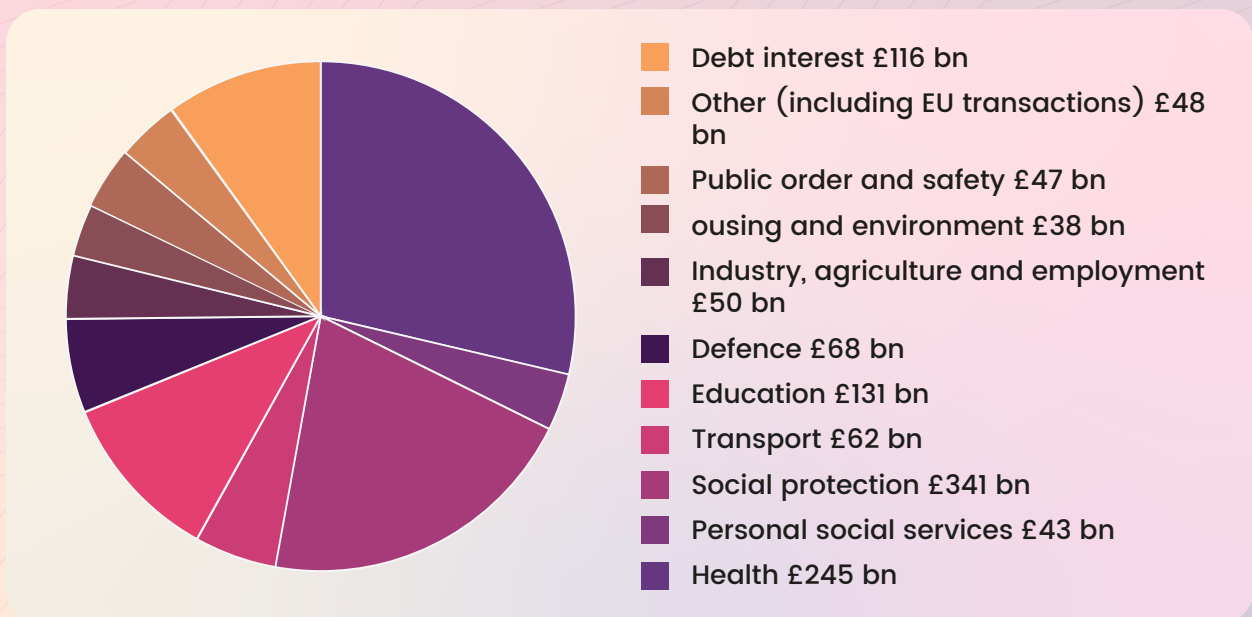


Public sector receipts and spending



Source: <https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html#annex-a-financing>

It shows public area receipts by the principal type. Public area receipts are supposed to be around **£1,058** billion out of **2023-24**.



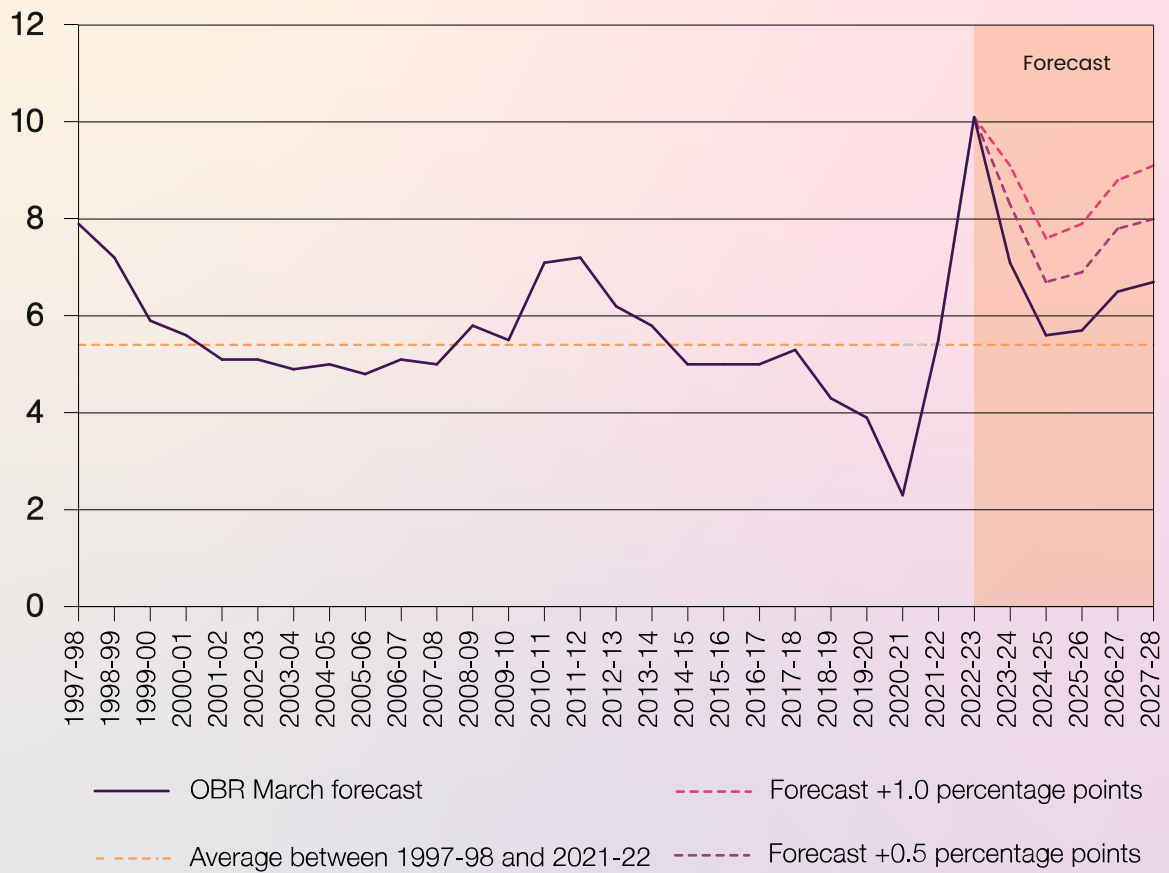
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Debt

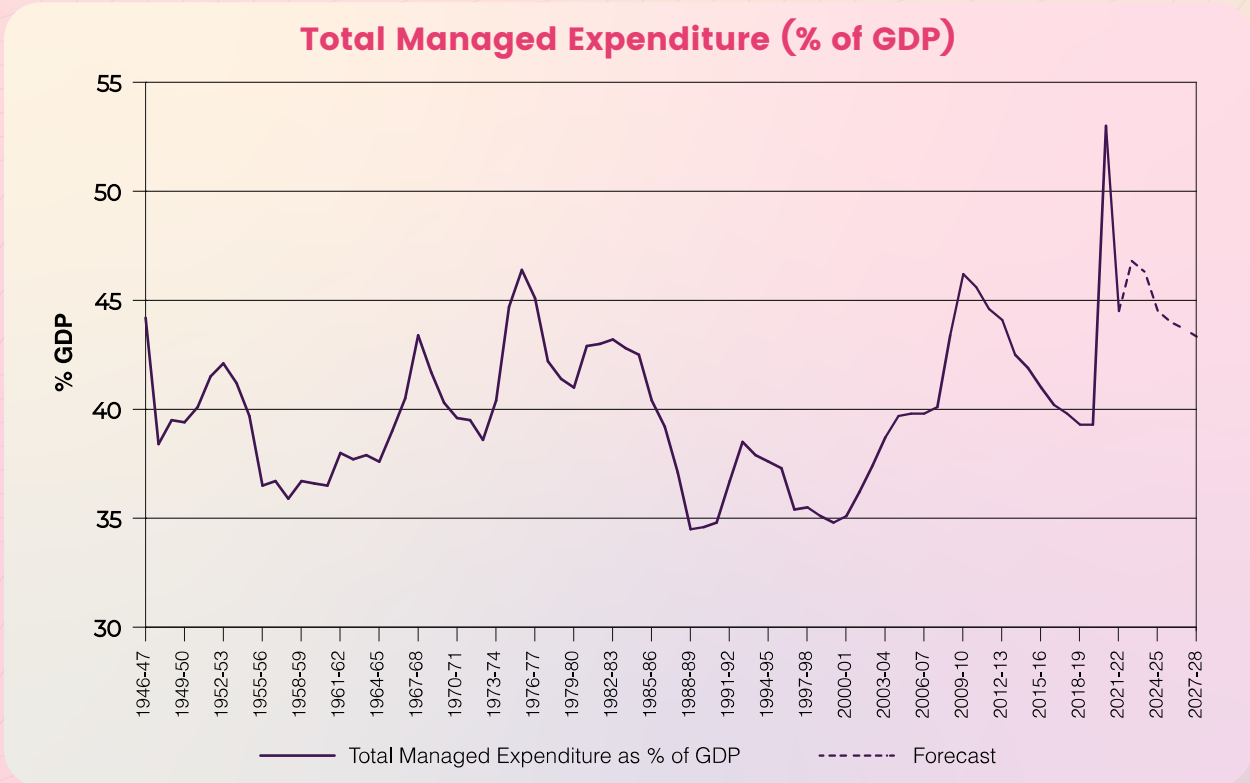
Debt interest to revenue ratio with illustrative interest rates and RPI shocks



Source: <https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html#executive-summary>



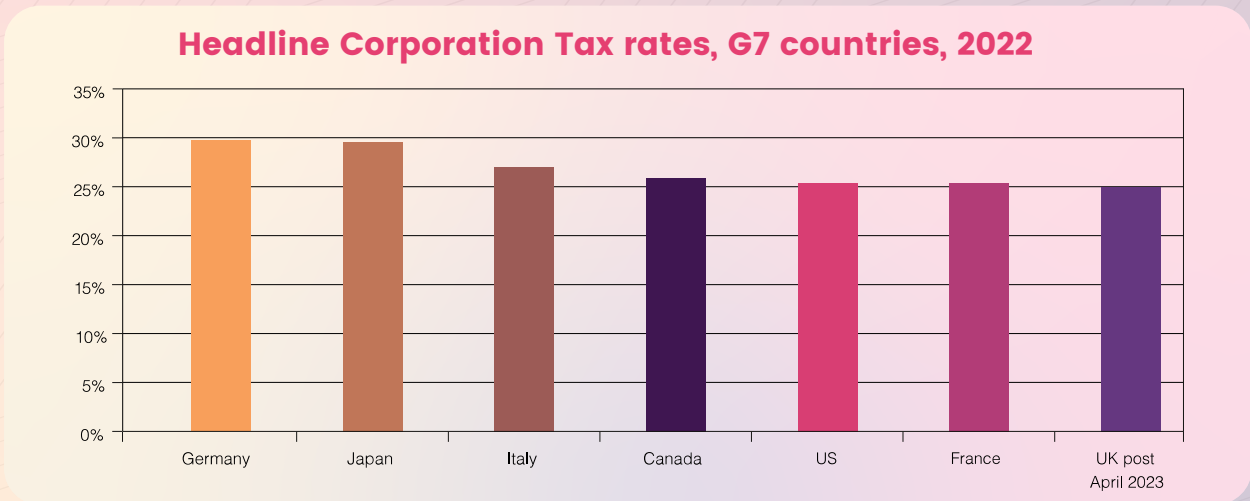
Cost of living and public services



Source: <https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html#executive-summary>



Growing the economy



Source: <https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html#executive-summary>



Financing

Financing arithmetic in 2022-23 and 2023-24 (£ billion)(1)

	2022-23	2023-24
CGNCR (ex NRAM, B&B, and NR) (2)	115.4	159.5
Gilt redemptions	107.1	117.0
Financing adjustment carried forward from previous financial years (3)	-33.1	-21.3
Gross financing requirement	189.4	255.1
less		
NS&I net financing	6.1	7.5
NS&I Green Savings Bonds	0.5	-
Other financing (4)	1.4	1.5
Net financing requirement (NFR) for the Debt Management Office (DMO)	181.4	246.1
DMO's NFR will be financed through		
Gilt sales, through sales of		
Short conventional gilts	66.5	86.7
Medium conventional gilts (including green gilts) (5)	44.6	65.3
Long conventional gilts (including green gilts) (6)	40.8	50.9
Index-linked gilts	17.5	26.2
Unallocated amount of gilts	0.0	12.0
Total gilt sales for debt financing	169.5	241.1
Total net contribution of Treasury bills for debt financing	33.2	5.0
Total financing	202.7	246.1
DMO net cash position	23.6	2.3

Source: <https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html#executive-summary>