Press Release

IFS analysis of today’s public finance figures

Today the Office for National Statistics and HM Treasury published Public Sector Finances July 2012. We now have details of central government receipts, central government spending, public sector net investment, borrowing and debt for the first four months of financial year 2012–13.

Rowena Crawford, a Senior Research Economist at the IFS, said:

“Today’s figures continue to be disappointing, with further weak growth in receipts in July, particularly from corporation tax. Relatively low growth in receipts so far this year, combined with relatively high growth in spending on net social benefits, has contributed to borrowing being £11.6 billion greater than over the first four months of 2011–12. The government will need receipts to grow more rapidly and spending growth to slow over the remainder of the year if they are to meet the OBR’s latest forecast that borrowing will fall from £125 billion last year to around £122 billion this year. However, it is still early in the financial year and we should be cautious about inferring too much from data on only the first four months.”

Headline Comparisons

- **Central government current receipts** in July were 0.8% lower than in the same month last year. Receipts over the four months April to July were 1.1% higher than in the same months of 2011. The Office for Budget Responsibility’s (OBR’s) forecast at the time of the March 2012 Budget implied that central government current receipts for the whole of 2012–13 would be 3.9% above 2011–12 levels.

- **Central government current spending** in July was 5.1% higher than in the same month last year. Spending over the four months April to July was 3.6% higher than in the same months of 2011. The OBR’s forecast at the time of the March 2012 Budget implied that central government current spending for the whole of 2012–13 would be 3.1% above 2011–12 levels.

- **Public sector net investment** in July was £1.7bn, £0.4 billion more than was spent in July last year. Together, public sector net investment during the first four months of 2012–13 has been £5.2bn (excluding the impact of the transfer of assets from the Royal Mail Pension Plan to the public sector and the closure of the Special Liquidity Scheme (SLS)). This is 9.3% more than was spent between April and July in 2011. The OBR’s forecast at the time of the March 2012 Budget predicted that net investment over the whole of 2012–13 would be £26.9 billion (excluding the impact of Royal Mail and the SLS), which is 3.1% above last year’s level.

Further Analysis
Little can be inferred or extrapolated about the public finances in 2012–13 from information about only the first four months of the financial year. Bearing this in mind, the figures for receipts and spending in July 2012 show:

**Central government current receipts**

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for July 2012 were 2.1% higher than in the same month last year. Together the receipts for these taxes during the first four months of 2012–13 were 1.5% higher than those for the first four months of 2011–12. The forecasts from the March 2012 Budget imply that these taxes’ receipts will grow by 2.4% over the whole of 2012–13.

Cash receipts of Corporation Tax in June 2012 were 20.0% lower than the same month last year. July is one of the four months in the year when a substantial proportion of Corporation Tax payments are made. Corporation Tax receipts for the four months April to July 2012 together were 11.3% lower than in the same months of 2011. The forecast from the March 2012 Budget implies that Corporation Tax receipts will grow by 3.9% over the whole of 2012–13.

VAT receipts in June 2012 were 6.3% higher than the same month last year. Together the VAT receipts during the first four months of 2012–13 were 4.8% higher than in the same months of 2011–12. The forecast from the March 2012 Budget implies that VAT receipts will grow by 4.5% over the whole of 2012–13.

**Central government current spending**

Expenditure on net social benefits was 6.2% higher in July 2012 than in July 2011, while expenditure between April and July 2012 was 7.0% higher than in the same months of 2011. The OBR’s Budget forecast implies that central government net social benefit expenditure will grow by 5.8% over 2012–13.

Spending on debt interest (which is relatively small as a share of spending overall) was £3.3bn in July 2012, £0.8bn less than was spent in July 2011. Spending on debt interest between April and July 2012 was £17.4bn. The OBR forecast at the time of the March 2012 Budget that total debt interest spending by central government in 2012–13 would be £44.8bn.

Other current spending by central government, including spending on the delivery of public services, was 7.9% higher in July 2012 than in July 2011. Comparing the first four months of 2012–13 with the first four months of 2011–12, spending was 2.6% higher. The OBR’s Budget forecast implies that this component of spending will grow by 2.8% over the year as a whole.

**Further information and contacts**

For further information on today’s public finance release please contact: Rowena Crawford or Gemma Tetlow on 020 7291 4800, or email rowena_c@ifs.org.uk or gemma_t@ifs.org.uk.

Next month’s public finances release is due to be published on Friday 21st September.

**Relevant links:**

This, and previous editions of this press release, can be downloaded from http://www.ifs.org.uk/publications/browse?type=pf


Useful links and background information on Budget 2012 can be found at: [http://www.ifs.org.uk/projects/375](http://www.ifs.org.uk/projects/375)


IFS Green Budget, February 2012, containing in-depth public finance analysis, can be found at: [http://www.ifs.org.uk/publications/6003](http://www.ifs.org.uk/publications/6003)


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Notes to Editors:

1. All figures are on a basis that excludes the impact of temporary financial sector interventions.
2. Central government current spending includes depreciation.
3. Where possible we compare figures on an accruals basis with the Office for Budget Responsibility forecast.