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 2013–14.

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

“At first sight, today’s figures look disappointing. The Treasury ran a deficit in July this year, whereas they normally run a surplus in this month as a significant chunk of corporation tax payments are made in July. But underlying this headline figure is the continuation of two trends that might not - yet - give us cause for concern.

Receipts of taxes on both corporate and personal income have grown more quickly so far this year than forecast by the OBR for the year as a whole. But we should be cautious of inferring too positive a message from this, as income tax payments are likely to be more front-loaded this year than last as people shifted income to take advantage of the new, lower 45p top rate of income tax and receipts of VAT have grown more sluggishly than forecast for the year as a whole.

On the other hand central government current spending has grown more quickly so far than forecast for the year as a whole. But some of this could be merely differences in the timing of payments this year compared to last, and therefore might unwind later on.”

Headline Comparisons

- **Central government current receipts** in July were 3.5% higher than in the same month last year, excluding the impact of transfers related to the Asset Purchase Facility. Receipts over the four months April to July were 4.9% higher than in the same months of 2012. The Office for Budget Responsibility’s (OBR’s) forecast at the time of the March 2013 Budget implied that central government current receipts for the whole of 2013–14 would be 3.0% above 2012–13 levels.

- **Central government current spending** in July was 3.7% higher than in the same month last year. Spending over the four months April to July was 4.3% higher than in the same months of 2012. The OBR’s forecast at the time of the March 2013 Budget implied that central government current spending for the whole of 2013–14 would be 2.2% above 2012–13 levels.

- **Public sector net investment** in July was £1.8bn, £0.2 billion more than was spent in July last year. Together, public sector net investment during the first four months of 2013–14 has been £5.6bn. This is 9.3% more than was spent between April and July in 2012, excluding the impact of the transfer of assets from the Royal Mail Pension Plan to the public
Further information and contacts

Further Analysis

Little can be inferred or extrapolated about the public finances in 2013–14 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 2013 were 4.9% higher than in the same month last year. Together the receipts for these taxes during the first four months of 2013–14 were 6.2% higher than those for the first four months of 2012–13. The forecasts from the March 2013 Budget imply that these taxes’ receipts will grow by 2.3% over the whole of 2013–14.

Cash receipts of Corporation Tax in July 2013 were 0.6% higher 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 2013 together were 0.4% higher than in the same months of 2012. The forecast from the March 2013 Budget implies that Corporation Tax receipts will fall by 2.9% over the whole of 2013–14.

VAT receipts in July 2013 were 1.7% higher than the same month last year. Together the VAT receipts during the first four months of 2013–14 were 1.8% higher than in the same months of 2012–13. The forecast from the March 2013 Budget implies that VAT receipts will grow by 3.1% over the whole of 2013–14.

Central government current spending

Expenditure on net social benefits was 3.0% higher in July 2013 than in July 2012, while expenditure between April and July 2013 was 1.5% higher than in the same months of 2012. The OBR’s Budget forecast implies that central government net social benefit expenditure will grow by 2.0% over the whole of 2013–14.

Spending on debt interest (which is relatively small as a share of spending overall) was £3.5bn in July 2013, the same as was spent in July 2012. Spending on debt interest between April and July 2013 was £17.5bn. The OBR forecast at the time of the March 2013 Budget that total debt interest spending by central government in 2013–14 would be £49.5bn.

Other current spending by central government, including spending on the delivery of public services, was 4.4% higher in July 2013 than in July 2012. Comparing the first four months of 2013–14 with the first four months of 2012–13, spending was 6.0% higher. This figure is, however, affected by a change in the timing of payments to local authorities, which has frontloaded spending in this year relative to last year. The OBR’s Budget forecast implies that other current spending by central government will grow by 1.9% over 2013–14 as a whole.
For further information on today’s public finance release please contact: Rowena Crawford, Soumaya Keynes or Gemma Tetlow on 020 7291 4800, or email rowena_c@ifs.org.uk or soumaya_k@ifs.org.uk or gemma_t@ifs.org.uk.

Next month’s public finances release is due to be published on Friday 20th 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 2013 can be found at: http://www.ifs.org.uk/projects/415


HM Treasury Budget 2013: https://www.gov.uk/government/topical-events/budget-2013

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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.