Press Release

IFS analysis of today’s public finance figures

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

Rowena Crawford, a senior research economist at the IFS, said:

“Two weeks ago the Office for Budget Responsibility revised down the official forecasts for tax receipts this year. Today’s figures confirm that receipts from many of the major taxes continue to grow slowly, with receipts from income tax, national insurance and capital gains tax being only 0.5% higher so far this financial year than they were over the same months last year.

The OBR also revised down their forecast for spending by central government departments – in particular, assuming that they will underspend their budgets for day-to-day spending by £4.5 billion this year. However, so far this year central government current spending, excluding that on welfare and debt interest, has grown by 2.5%. The OBR’s forecast for the year as a whole is for growth in this component of spending of just 1.3% which, to be correct, would require spending to be 0.8% lower over the remaining four months of this financial year than it was over the same months last year.”

Headline Comparisons

- **Central government current receipts** in November were 0.6% higher than in the same month last year. Receipts between April and November 2012 were 0.1% lower than in the same months of 2011. The Office for Budget Responsibility’s (OBR) latest Economic and Fiscal Outlook, published earlier this month, forecast an increase in receipts relative to last year’s levels of 1.2% for the year as a whole and of 3.0% for the period from November 2012 to March 2013 (excluding the impact of financial transactions relating to the Asset Purchase Facility, Bradford and Bingley, and Northern Rock Asset Management). This is significantly lower than the 3.6% growth for the year as a whole previously forecast by the OBR at the time of the March 2012 Budget.

- **Central government current spending** in November was 6.3% higher than in the same month last year. Spending between April and November 2012 was 2.8% higher than in the same months of 2011. The OBR’s latest forecast implies an increase relative to last year’s level of 2.5% for the year as a whole and of 2.7% for the period from November 2012 to March 2013 (excluding the impact of financial transactions relating to Bradford and Bingley, and Northern Rock Asset Management). This is slightly
lower than the 3.0% growth for the year as a whole previously forecast by the OBR at the time of the March 2012 Budget.

- **Public sector net investment** in November was £1.7bn, £0.2bn higher than was spent in November 2011. Public sector net investment between April and November 2012 has been £9.5bn (excluding the impact of the transfer of assets from the Royal Mail Pension Plan to the public sector), which is 19% lower than in the same eight months of 2010. The OBR’s latest forecast was that net investment in 2011–12 would be £18.9bn (excluding the impact of financial transactions relating to the Asset Purchase Facility, Bradford and Bingley, Northern Rock Asset Management and Royal Mail), which is 33% below last year’s level.

**Further Analysis**

We should be cautious of inferring or extrapolating likely outcomes over the financial year as a whole from information on only the first eight months, particularly as some factors are likely to affect the profile of receipts and spending differently in 2012–13 than in 2011–12. However, bearing this in mind, the figures for receipts and spending in November 2012 show:

**Central government current receipts**

Accrued receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for November 2012 were 4.8% lower than in the same month last year. Together, the receipts for these taxes during the first eight months of 2012–13 were 0.5% higher than those for the same months of 2011–12. The latest OBR forecasts imply that the receipts from these taxes will be 1.5% up on last year’s levels over the whole year and 1.9% up over the period from November 2012 to March 2013. This forecast for growth over the whole year is lower than the 2.4% growth for the year as a whole previously forecast by the OBR at the time of the March 2012 Budget.

Accrued receipts of VAT in November 2012 were 5.8% higher than the same month last year. Together, accrued VAT receipts during the first eight months of 2012–13 were 1.6% higher than those for the first eight months of 2010–11. The OBR’s Autumn Statement forecasts imply that the receipts from this tax will be 2.7% up on last year’s levels over the whole year and 5.2% up over the period from November 2012 to March 2013. This latest forecast for growth over the whole year is lower than the 4.4% growth for the year as a whole previously forecast by the OBR at the time of the March 2012 Budget.

Cash Corporation Tax receipts for November 2012 were 21.6% higher than the same month last year. However, only a small fraction of annual Corporation Tax payments are received in November. Corporation Tax receipts between April and November 2012 were 8.6% lower than in the same months of 2011. The OBR’s Autumn Statement forecasts imply that the receipts from this tax will be 7.7% down on last year’s levels over the whole year and 3.8% down over the period from November 2012 to March 2013. This latest forecast for growth over the whole year is significantly lower than the 3.9% growth for the year as a whole previously forecast by the OBR at the time of the March 2012 Budget.

**Central government current spending**

Expenditure on net social benefits was 5.0% higher in November 2012 than in November 2011. Expenditure between April and November 2012 was 5.9% higher than in the same months of 2011. The latest OBR forecast implies that this spending will be 5.6% up on last year’s levels over the whole year and
5.0% up over the period from November 2012 to March 2013. This is almost exactly the same as the 5.7% growth for the year as a whole previously forecast by the OBR at the time of the March 2012 Budget.

Spending on debt interest was £4.5bn in November 2012, £0.3bn lower than in November 2011. Total spending on debt interest between April and November 2012 was £31.6bn. Last month the OBR forecast that total debt interest spending by central government in 2012–13 would be £47.1bn.

Other current spending by central government, including spending on the delivery of public services, was 8.9% higher in November 2012 than in November 2011. Monthly growth in this component of expenditure has been very volatile this year – ranging from −5.8% to +4.2% in previous months. Overall, expenditure between April and November 2012 was 2.5% higher than in the same months of 2011. The OBR's Autumn Statement forecast implies that this spending will be 1.3% up on last year’s levels over the whole year and 1.0% up over the period from November 2012 to March 2013 (excluding the impact of financial transactions relating to Bradford and Bingley and Northern Rock Asset Management). This is somewhat lower than the 2.7% growth for the year as a whole previously forecast by the OBR at the time of the March 2012 Budget, reflecting at least in part the OBR’s assumption that central government departments will underspend their 2012–13 budget allocations this year.

In November 2012 public sector net investment was £1.7bn, £0.3bn lower than was spent in November 2011. So far in 2012–13, a total of £9.5bn has been spent on public sector net investment (excluding the impact of the transfer of assets from the Royal Mail Pension Plan to the public sector), compared to the £11.8bn that had been spent by the same point in 2011–12. Last month the OBR predicted that net investment in 2012–13 would be £18.9bn (excluding the impact of financial transactions relating to the Asset Purchase Facility, Bradford and Bingley, Northern Rock Asset Management and Royal Mail), which is 33% below last year’s level.

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 g.tetlow@ifs.org.uk.

Next month’s public finances release is due to be published on Tuesday 22nd January 2013.

Relevant links:

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


The Office for Budget Responsibility's Economic and Fiscal Outlook – December 2012 can be found at

HM Treasury, Public Finance Statistics Index:
http://hm-treasury.gov.uk/psf_statistics.htm

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Notes to Editors:
1. Central government current spending includes depreciation.
2. Where possible we compare figures on an accruals basis with the Office for Budget Responsibility forecast.

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