Press Release

IFS analysis of today's public finance figures

Today the Office for National Statistics and HM Treasury published Public Sector Finances June 2013. We now have details of central government receipts, central government spending, public sector net investment, borrowing and debt for the first three months of financial year 2013–14.

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

"Today's figures add to a complicated picture. Both receipts and spending by central government have grown more rapidly so far this year than was forecast by the Office for Budget Responsibility for the year as a whole, but both are affected by timing changes. Spending by central government includes transfers to local government, which have been much more frontloaded in this financial year than previously, while particularly high income tax receipts at the start of this financial year are likely to reflect some high income individuals moving part of their income from the last tax year into the current tax year so as to benefit more from the reduction in the top rate of income tax from 50p to 45p.

These timing effects illustrate the difficulties in inferring the likely outcome for borrowing in 2013–14 from only three months' data. That said, the government is likely to take some heart from June's figures, which show that combined receipts from income tax, national insurance and capital gains tax grew in line with the forecast for the year as a whole. Benefit spending has also grown broadly in line with that forecast for the year, while other spending by central government, excluding that on debt interest, has grown less rapidly than forecast. However, VAT receipts were weak last month."

Headline Comparisons

- **Central government current receipts** in June were 3.0% higher than in the same month last year, excluding the impact of transfers related to the Asset Purchase Facility. Receipts between April and June were 5.3% 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 on this basis for the whole of 2013–14 would be 3.0% above 2012–13 levels.

- **Central government current spending** in June was 1.8% higher than in the same month last year. Spending between April and June was 4.5% 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 June was £1.5bn, £0.2bn more than was spent in June last year. Together, public sector net investment between April and June 2013 has been £4.0bn. This is £0.5bn higher than over the same months in 2012, excluding the impact of the transfer of
assets from the Royal Mail Pension Plan to the public sector. The OBR’s forecast at the time of the March 2013 Budget predicted that net investment over the whole of 2013–14 would be £24.2 billion, which is 5.6% above last year’s level excluding the impact of Royal Mail.

Further Analysis

Little can be inferred or extrapolated about the public finances in 2013–14 from information about only the first three months of the financial year. Bearing this in mind, the figures for receipts and spending in June 2013 show:

Central government current receipts

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for June 2013 were 2.6% higher than in the same month last year. Together the receipts for these taxes during the first three months of 2013–14 were 7.0% higher than those for the first three 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.

VAT receipts in June 2013 were 0.4% higher than the same month last year. Together the VAT receipts during the first three months of 2013–14 were 2.2% higher than in the same months of 2012–13. The forecast from the March 2013 Budget implies that VAT receipts will grow by 3.0% over the whole of 2013–14.

Cash receipts of Corporation Tax in June 2013 were 14.2% higher than the same month last year. However, only a small fraction of annual payments of Corporation Tax are received in June. Corporation Tax receipts for April, May and June 2013 together were 0.2% 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.

Central government current spending

Expenditure on net social benefits was 2.3% higher in June 2013 than in June 2012, while expenditure in April, May and June 2013 was 0.9% 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 2013–14.

Spending on debt interest (which is relatively small as a share of spending overall) was £4.4bn in June 2013, £0.4bn more than was spent in June 2012. Spending on debt interest in April, May and June 2013 was £14.0bn. 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 0.4% higher in June 2013 than in June 2012. Comparing the first three months of 2013–14 with the first three months of 2012–13, the figure is an increase of 6.6%. The OBR’s Budget forecast implies that this component of spending will grow by 1.9% over the year as a whole.

Further information and contacts

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

Next month’s public finances release is due to be published on Friday 21st August.
Relevant links:

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


Office for Budget Responsibility analysis of monthly Public Sector Finances, June 2013: http://budgetresponsibility.independent.gov.uk/category/topics/monthly-public-finance-data/

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.