Press Release

IFS analysis of today’s public finance figures

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

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

“Much attention might be focused on today’s revision to the last two financial years’ data which means that borrowing in 2012–13 is now estimated to have been £0.2 billion higher than in 2011–12. This is of no direct economic consequence, and the difference is so small that subsequent revisions could easily reverse this.

Of more interest is the revision made to accrued receipts of income tax and capital gains tax in April 2013. These are now estimated to have been 27.8% higher than in April 2012. While month-on-month fluctuations are often large, this is the largest since the monthly data began in 1998. Unfortunately rather than reflecting strong growth in underlying incomes, this growth is more likely to reflect some high income individuals pushing part of their income – such as bonuses and special dividends – 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.”

Headline Comparisons

- **Central government current receipts** in May were 2.7% higher than in the same month last year, excluding the impact of transfers related to the Asset Purchase Facility and the £3.2bn of expected receipts from the Swiss Tax Agreement in May 2013. Receipts in April and May together were 6.3% 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 2.9% above 2012–13 levels.

- **Central government current spending** in May was 4.4% lower than in the same month last year. Spending in April and May was 6.1% 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 May was £1.4bn, the same as was spent in May last year. Together, public sector net investment during April and May 2013 has been £2.7bn. This is £0.6bn 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 5.5% below 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 two months of the financial year. Bearing this in mind, the figures for receipts and spending in May 2013 show:

Central government current receipts

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for May 2013 were 0.3% higher than in the same month last year. Together the receipts for these taxes during the first two months of 2013–14 were 10.1% higher than those for the first two months of 2012–13. The forecasts from the March 2013 Budget imply that these taxes’ receipts will grow by 2.9% over the whole of 2013–14.

VAT receipts in May 2013 were 2.1% higher than the same month last year. Together the VAT receipts during the first two months of 2013–14 were 2.0% 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 May 2013 were 4.4% higher than the same month last year. However, only a small fraction of annual payments of Corporation Tax are received in May. Corporation Tax receipts for April and May 2013 together were 2.3% lower 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 0.8% higher in May 2013 than in May 2012, while expenditure in April and May 2013 was 0.5% 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 2013–14.

Spending on debt interest (which is relatively small as a share of spending overall) was £4.6bn in May 2013, the same as was spent in May 2012. Spending on debt interest in April and May 2013 was £9.7bn. 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 7.7% lower in May 2013 than in May 2012. Comparing the first two months of 2013–14 with the first two months of 2012–13, the figure is an increase of 9.8%. 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, Carl Emmerson or Gemma Tetlow on 020 7291 4800, or email rowena.c@ifs.org.uk, carl.e@ifs.org.uk or gemma.t@ifs.org.uk.

Next month’s public finances release is due to be published on Friday 19th July.

On Wednesday 26th June the Chancellor will set out the governments’ spending plans for 2015–16. IFS will hold a briefing to present our analysis of this report on the following day, Thursday 27th June at 12:30pm (http://www.ifs.org.uk/events/896). If you would like to attend this event,
please contact events@ifs.org.uk) Slides will be available after the event from the IFS website.

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.