Press Release

IFS analysis of today’s public finance figures

Today the Office for National Statistics and HM Treasury published Public Sector Finances April 2012. We now have details of central government receipts, central government spending, public sector net investment, borrowing and debt for the first month of financial year 2012–13 and revised outturns for the whole of financial year 2011–12.

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

“Today’s figures suggest that the public sector borrowed about £1.6 billion less in 2011–12 than suggested by the provisional outturn published a month ago. This is mainly because of an upward revision to receipts of income tax and national insurance contributions and slightly lower spending on net social benefits, partially offset by higher net investment spending.

“The transfer of Royal Mail Pension assets to the public sector this month has had the short term effect of reducing public sector net debt. However, this positive effect will ultimately be more than offset by the liabilities which have also been transferred, the estimated value of which exceeds the assets by £10 billion.

“Figures for April 2012 suggest that spending grew at broadly the same rate as was forecast by the Office for Budget Responsibility back in March for the year as a whole. Receipts grew less quickly than forecast for the year as a whole, primarily due to weak corporation tax receipts. However, as this is only the first month of the financial year, these figures on their own give us little clue as to how borrowing will compare to the OBR’s Budget forecasts for the year as a whole.”

Headline Comparisons

- **Public sector current budget** in 2011–12 is now estimated to have been in deficit by £94.8bn compared to the initial estimated outturn published last month of a deficit of £97.3bn and the Office for Budget Responsibility’s (OBR’s) forecast from the March 2012 Budget of a £98bn deficit.

- **Public sector net borrowing** in 2011–12 is now estimated to have been £124.4bn compared to the initial estimated outturn published last month of £126.0bn and the OBR’s Budget 2012 forecast of £126.0bn.

- **Public sector net debt** at the end of 2011–12 is now estimated to have been £1022.6bn, or 66% of national income.

- **Central government current receipts** in April were 1.3% higher than in the same month last year. The 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 3.8% above 2011–12 levels.
Central government current spending in April was 4.0% higher than in the same month last year. 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 3.2% above 2011–12 levels.

Public sector net investment in April was −£28.9bn. This is largely explained by the transfer of assets from the Royal Mail Pension Plan to the public sector, which had the effect of reducing net investment in April 2012 by £28 billion, and the closure of the Special Liquidity Scheme, which reduced net investment by £2.3 billion. Removing the effect of this suggests that underlying public sector net investment was £1.4 billion, compared to £1.0 billion in April 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 −£3bn including the impact of the transfer of Royal Mail assets and the closure of the SLS. Excluding these the forecast would be £27.3 billion, which is 8% below 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 month of the financial year. Bearing this in mind, the figures for receipts and spending in April 2012 show:

Central government current receipts

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for April 2012 were 3.7% higher than in the same month last year. 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 April 2012 were 12.5% lower than the same month last year. The forecast from the March 2012 Budget implies that Corporation Tax receipts will grow by 4.3% over the whole of 2012–13. April is one of the four months in the year when a substantial proportion of Corporation Tax payments are made.

VAT receipts in April 2012 were 4.9% higher than the same month last year. The forecast from the March 2012 Budget implies that VAT receipts will grow by 4.3% over the whole of 2011–12.

Central government current spending

Expenditure on net social benefits was 5.4% higher in April 2012 than in April 2011. The OBR’s Budget forecast implies that central government net social benefit expenditure will grow by 6.0% over 2011–12.

Spending on debt interest (which is relatively small as a share of spending overall) was £5.2bn in April 2012, £0.4bn higher than in April 2011.

Other current spending by central government, including spending on the delivery of public services, was 2.7% higher in April 2012 than in April 2011. The OBR’s Budget forecast implies that this component of spending will grow by 2.9% over the year as a whole.

Further information and contacts

For further information on today’s public finance release please contact: Rowena Crawford or 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 Tuesday 26th June.

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


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


ENDS

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.