Press Release

IFS analysis of today’s public finance figures

Today the Office for National Statistics and HM Treasury published Public Sector Finances April 2013. 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 2013–14 and revised outturns for the whole of financial year 2012–13.

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

“Today’s figures suggest that the public sector borrowed about £1.1 billion less in 2012–13 than suggested a month ago, largely due to an upward revision to receipts. Borrowing is therefore now estimated to have been £1.4 billion lower in 2012–13 than in 2011–12; with the bigger picture remaining that borrowing was essentially unchanged over this period.

Figures for April 2013 suggest that receipts grew faster last month than was forecast by the Office for Budget Responsibility back in March for the year as a whole, with rapid growth in income tax receipts more than offsetting weak growth in corporation tax receipts. However, little can be inferred from just April’s figures about the likely path of receipts over the whole of 2012–13, not least because receipts in April will have been boosted by high income individuals shifting income such as bonuses and special dividends from 2012–13 to 2013–14 in anticipation of the fall in the top rate of income tax from 50% to 45%. Central government spending grew more slowly in April 2013 than forecast by the OBR for the year as a whole, but again these figures alone give only a very limited indication of as to how things will turn out over the rest of the financial year.”

Headline Comparisons

- The **public sector current budget** in 2012–13 is now estimated to have been in deficit by £97.3bn, excluding the impact of transfers related to the Asset Purchase Facility. This compares to the initial estimated outturn published last month of a deficit of £98.5bn and the Office for Budget Responsibility’s (OBR’s) forecast for 2012–13 from the March 2013 Budget of a £98.9bn deficit. The OBR’s March 2013 forecast is for the public sector current budget deficit to fall to £95.7bn this financial year.

- **Public sector net borrowing** in 2012–13 is now estimated to have been £119.5bn excluding the impact of transfers related to the Royal Mail Pension Scheme and the Asset Purchase Facility, compared to the initial estimated outturn published last month of £120.6bn and borrowing in 2011–12 of £120.9bn. The OBR’s March 2013 forecast is for the public sector to borrow £119.9bn this financial year, which would be more than was borrowed in 2012–13.
• **Public sector net debt** at the end of 2012–13 is now estimated to have been £1,186bn, or 75.4% of national income. The OBR’s March 2013 forecast is that this will rise to 79.2% by the end of this financial year.

• **Central government current receipts** in April were 0.2% lower than in the same month last year, after adjusting for the financial transfers related to the Asset Purchase Facility in April 2013. However, receipts in April 2012 were flattered by the closure of the Special Liquidity Scheme; also adjusting for this would imply underlying receipts in April 2013 were 5.2% higher than in April 2012. The OBR’s forecast at the time of the March 2013 Budget implied that central government current receipts for the whole of 2013–14, excluding the impact of transfers associated with the Asset Purchase Facility, would be 3.6% above 2012–13 levels.

• **Central government current spending** in April was 1.1% higher than in the same month last year. 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 2.4% above 2012–13 levels.

• **Public sector net investment** in April was £0.7bn, the same as was spent in April 2012 (once the impact of transfers related to the Royal Mail Pension Plan is excluded). The OBR’s forecast at the time of the March 2013 Budget was that net investment over the whole of 2013–14 would be £24.2bn, 9.1% above last year’s level.

**Further Analysis**

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

**Central government current receipts**

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for April 2013 were 8.3% higher than in the same month last year. The forecasts from the March 2013 Budget imply that these taxes’ receipts will grow by 2.7% over the whole of 2013–14.

Cash receipts of Corporation Tax in April 2013 were 4.1% lower than the same month last year. April is one of the four months in the year when a substantial proportion of Corporation Tax payments are made. 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 April 2013 were 2.6% higher than the same month last year. The forecast from the March 2013 Budget implies that VAT receipts will grow by 2.9% over the whole of 2013–14.

**Central government current spending**

Expenditure on net social benefits was 0.8% higher in April 2013 than in April 2012. The OBR’s Budget forecast implies that central government net social benefit expenditure will grow by 1.9% over 2013–14.

Spending on debt interest (which is relatively small as a share of spending overall) was £5.1bn in April 2013, essentially the same as the £5.2bn that was spent in April 2012. The OBR’s forecast from the time of the March 2013 Budget was that debt interest spending over the whole of 2013–14 would be £49.5bn.
Other current spending by central government, including spending on the
delivery of public services, was 1.6% higher in April 2013 than in April 2012.
The OBR's Budget forecast implies that this component of spending will grow
by 2.2% 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, Soumaya Keynes or Gemma Tetlow on
020 7291 4800, or email rowena_c@ifs.org.uk, carl_e@ifs.org.uk,
soumaya_k@ifs.org.uk or gemma_t@ifs.org.uk.

Next month's public finances release is due to be published on Friday 21st
June.

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 National Statistics & HM Treasury, Public Sector Finances, April
2013: http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/april-
2013/stb---april-2013.html

Office for Budget Responsibility analysis of monthly Public Sector Finances,
May 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

Office for Budget Responsibility, Economic and Fiscal Outlook, March 2013:
http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-
outlook-march-2013/

HM Treasury Budget 2013: https://www.gov.uk/government/news/budget-
2013-an-overview

IFS Green Budget, February 2013, containing in-depth public finance analysis,
can be found at: http://www.ifs.org.uk/publications/6562

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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.