

Press Release

IFS analysis of today's public finance figures

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

Headline Comparisons

- **Central government current receipts** in October were 3.2% higher than in the same month last year. Receipts over the seven months April to October were 4.6% higher than in the same months of 2012, excluding the impact of transfers related to the Asset Purchase Facility. The Office for Budget Responsibility's (OBR's) forecast at the time of the March 2013 Budget implied that central government current receipts for the whole of 2013–14 would be 2.8% above 2012–13 levels.
- **Central government current spending** in October was 1.2% higher than in the same month last year. Spending over the first seven months of 2013–14 was 2.2% higher than over the same period in 2012–13. 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 2.0% above 2012–13 levels.
- **Public sector net investment** in October was £2.3 billion, £0.5 billion more than was spent in October last year. Together, public sector net investment during the first seven months of 2013–14 has been £10.5 billion. This is 2.4% more than was spent during the first seven months of 2012–13, 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 8.9% above last year's level excluding the impact of Royal Mail.

Public sector net borrowing

- The OBR forecast at the time of the March Budget that, after adjusting for one-off impacts from transactions involving the Royal Mail Pension Scheme and the Asset Purchase Facility, borrowing would fall from £120.9 billion in 2012–13 to £119.9 billion in 2013–14. The latest estimate of last year's borrowing now stands below this at £115.5 billion.
- Public sector net borrowing during the first half of 2013–14 has been 8.1% lower than that over the first half of 2012–13 (adjusting for the impact of Royal Mail and the Asset Purchase Facility). If this trend were to continue for the rest of the year, borrowing in 2013–14 would come in around £14 billion lower than forecast by the OBR in March.

Embargo

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- If we also adjust these figures to take account of one-off receipts from the Special Liquidity Scheme in April 2012, borrowing so far this year has been 11.0% lower than during the first half of 2012–13. Extrapolating this trend to the rest of 2013–14 suggests borrowing would come in around £15.5 billion lower than forecast by the OBR.
- This could suggest that stronger economic growth than forecast by the OBR in March has had a beneficial impact on the public finances. However, a large proportion of this projected undershoot in borrowing actually seems to be the result of borrowing by local government and public corporations having grown by less so far this year than the OBR forecast for the year as a whole. Since borrowing outside of central government can be very volatile, we should be cautious about extrapolating this trend for borrowing so far this year to the whole of 2013–14.
- Extrapolating the trend in central government receipts seen over the first seven months to the year as a whole (adjusting for the Special Liquidity Scheme and the Asset Purchase Facility) suggests that receipts could come in around £7 billion higher than forecast by the OBR in March. However, it is important to note that some of the strong growth in receipts observed earlier in the year may not be expected to persist for the rest of the financial year, as it may be the result of some high income individuals pushing part of their income from last year into the beginning of this tax year in order to take advantage of the reduction in the higher rate of income tax.

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 seven months of the financial year. Bearing this in mind, the figures for receipts and spending in October 2013 show:

Central government current receipts

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for October 2013 were 2.6% higher than in the same month last year. Together the receipts for these taxes during the first seven months of 2013–14 were 4.0% higher than those for the first half 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 October 2013 were 6.4% higher than the same month last year. Together the VAT receipts during the first seven months of 2013–14 were 5.8% higher than in the same months of 2012–13. The forecast from the March 2013 Budget implies that VAT receipts will grow by 3.1% over the whole of 2013–14.

Cash receipts of Corporation Tax in October 2013 were 8.1% lower than the same month last year. October is one of four months in the year when a large fraction of Corporation Tax revenues are received. Corporation Tax receipts for the first half of this financial year were 0.8% lower than in the same months of 2012–13. 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 1.1% higher in October 2013 than in October 2012, while expenditure between April and October 2013 was 1.0%

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 the whole of 2013–14.

Spending on debt interest (which is relatively small as a share of spending overall) was £5.0 billion in October 2013, £0.7 billion lower than in October 2012. Spending on debt interest over the first seven months of this financial year was £29.0bn. 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 0.7% lower in October 2013 than in October 2012. Comparing the first seven months of 2013–14 with the first seven months of 2012–13, spending was 2.4% higher. The OBR's Budget forecast implies that other current spending by central government will grow by 1.8% over 2013–14 as a whole.

Further information and contacts

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Next month's public finances release is due to be published on Friday 20th December.

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, October 2013: <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/october-2013/stb---october-2013.html>

Office for Budget Responsibility analysis of monthly Public Sector Finances, October 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/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.