Press Release

IFS analysis of today’s public finance figures

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

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

“While the monthly data are volatile, the picture over the first five months of this financial year is one of faster growth in receipts than the Office for Budget Responsibility forecast for the year as a whole. A simple extrapolation of borrowing would suggest that borrowing this year, while still historically high, could come in around £13 billion lower than forecast by the OBR. This may in part be the result of economic growth having turned out stronger than forecast by the OBR at the time of the March Budget. However, the overall receipts figures so far this year are also complicated by some high income individuals pushing part of their income from last tax year into this tax year to take advantage of the reduction in the top rate of income tax. Therefore we should be cautious about inferring too much good news from developments over the past few months.”

Headline Comparisons

- **Central government current receipts** in August were 1.4% higher than in the same month last year. Receipts over the five months April to August were 4.0% 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 August was 2.1% lower than in the same month last year. Spending over the five months April to August was 2.6% 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 2.0% above 2012–13 levels.

- **Public sector net investment** in August was £1.9 billion, £0.3 billion more than was spent in August last year. Together, public sector net investment during the first five months of 2013–14 has been £7.2 billion. This is 6.3% more than was spent between April and August 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 7.8% 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 five months of the financial year. Bearing this in mind, the figures for receipts and spending in August 2013 show:

Central government current receipts

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for August 2013 were 2.1% lower than in the same month last year. Together the receipts for these taxes during the first five months of 2013–14 were 3.7% higher than those for the first five 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 August 2013 were 4.4% higher than the same month last year. Together the VAT receipts during the first five months of 2013–14 were 2.5% 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 August 2013 were 7.4% higher than the same month last year. Corporation Tax receipts for the five months April to August 2013 together were 1.0% 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 the same in August 2013 as it was in August 2012, while expenditure between April and August 2013 was 1.1% 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 £3.3bn in August 2013, £0.5 bn higher than in August 2012. Spending on debt interest between April and August 2013 was £20.8bn. 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 4.7% lower in August 2013 than in August 2012. Comparing the first five months of 2013–14 with the first five months of 2012–13, spending was 3.3% higher. This figure is, however, affected by a change in the timing of payments to local authorities, which has frontloaded spending in this year relative to last year. 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

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 22nd October.
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, August 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

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.