Press Release

IFS analysis of today’s public finance figures


Soumaya Keynes, a Research Economist at the IFS, said:

"Today’s figures leave estimates of last year’s borrowing little changed; borrowing in April 2014 is estimated to be about £2 billion higher than in April last year. However, the higher level of borrowing this April compared to last is at least in part explained by receipts last April having been artificially boosted by people shifting their income to avoid the 50p rate of tax that applied until the end of March 2013."

Headline Comparisons

- The public sector current budget in 2013–14 is now estimated to have been in deficit by £82.9bn, excluding the impact of transfers related to the Asset Purchase Facility. This is almost exactly the same as the initial estimated outturn published last month of a deficit of £82.8bn and somewhat lower than the Office for Budget Responsibility’s (OBR’s) forecast from the March 2014 Budget of a £83.7bn deficit. The OBR’s March 2014 forecast is for the public sector current budget deficit to fall to £67.6bn this financial year.

- Public sector net borrowing in 2013–14 is now estimated to have been £107.4bn excluding the impact of transfers related to the Asset Purchase Facility, marginally lower than the initial estimated outturn published last month of £107.7bn. The OBR’s March 2014 forecast is for the public sector to borrow £95.5bn this financial year. Borrowing in April 2014 was £11.5bn, which is £1.9bn higher than in April 2013.

- Public sector net debt at the end of 2013–14 is now estimated to have been £1,271.9bn, or 76.0% of national income. The OBR’s March 2014 forecast is that this will rise to 77.3% by the end of this financial year.

- Central government current receipts were forecast to increase by 3.2% between 2013–14 and 2014–15 by the OBR in its March 2014 Economic and Fiscal Outlook, adjusting for the effects of the Asset Purchase Facility. This forecast growth is higher than the growth in receipts in April 2014 compared to the same month last year, which actually fell by 0.8%. This fall is largely driven by weak receipts of income and capital gains tax, most likely reflecting the fact that receipts in April 2013 were artificially boosted by individuals shifting their income to avoid the 50p tax rate that applied until the end of March 2013. With 11 months left of the financial
year still to come, there is as yet little reason to think that the OBR’s forecast for the year as a whole will be incorrect.

- **Central government current spending** in April was 1.0% lower than in April last year, in contrast to the 1.9% increase forecast by the OBR for the year as a whole.

- **Public sector net investment** in April was £1.3bn, the same as was spent in April 2013. The OBR’s forecast at the time of the March 2014 Budget was that net investment over the whole of 2014–15 would be £27.9bn, 13.9% above last year’s level.

**Further Analysis**

Little can be inferred or extrapolated about the public finances in 2014–15 from information about only the first month of the financial year. Bearing this in mind, the figures for receipts and spending in April 2014 show:

**Central government current receipts**

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for April 2014 were 5.5% lower than in the same month last year. This is driven by receipts from PAYE income tax having been boosted in April 2013 as income was moved into this month to avoid the 50p higher rate of tax that applied during 2012–13. The OBR’s March 2014 forecast implies that receipts from these taxes will pick up over the rest of the year, growing by 5.7% over the whole of 2014–15.

Cash receipts of Corporation Tax in April 2014 were 9.0% higher than in 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 OBR’s March 2014 forecast implies that Corporation Tax receipts will increase by 2.9% over the whole of 2014–15.

VAT receipts in April 2014 were 4.1% higher than the same month last year. The OBR’s March 2014 forecast implies that VAT receipts will grow by 4.5% over the whole of 2014–15.

**Central government current spending**

Expenditure on net social benefits was 3.3% higher in April 2014 than in April 2013. The OBR’s latest forecast implies that central government net social benefit expenditure will grow by 2.1% over 2014–15.

Spending on debt interest was £5.3bn in April 2014, very slightly higher than the £5.2bn that was spent in April 2013. The OBR’s forecast from the time of the March 2014 Budget was that debt interest spending over the whole of 2014–15 would be £52.1bn.

Other current spending by central government, including spending on the delivery of public services, was 3.1% lower in April 2014 than in April 2013. The OBR’s March 2014 forecast implies that this component of spending will grow by 1.2% over the year as a whole.

**Further information and contacts**

For further information on today’s public finance release please contact: Soumaya Keynes or Gemma Tetlow on 020 7291 4800, or email soumaya_k@ifs.org.uk or gemma_t@ifs.org.uk.

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

Relevant links:

This, and previous editions of this press release, can be downloaded from http://www.ifs.org.uk/publications/pf


Useful links and background information on Budget 2014 can be found at: http://www.ifs.org.uk/tools_and_resources/budget/426


IFS Green Budget, February 2014, containing in-depth public finance analysis, can be found at: http://www.ifs.org.uk/publications/7072

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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.