

## Press Release

# IFS analysis of today's public finance figures

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

Rowena Crawford, a senior research economist at the IFS, said:

“Two weeks ago the Office for Budget Responsibility updated its forecasts to predict lower borrowing, lower spending and higher receipts than it had previously forecast in March. Today's figures are consistent with that overall picture; receipts from many of the major taxes continue to grow strongly and central government spending continues to grow less quickly than the OBR forecast for the year as a whole.

A £2.6 billion upward revision to estimated borrowing over the year so far means that borrowing is now estimated to have been higher than was thought last month. However, with four months of the financial year left much uncertainty remains, and the OBR's forecast for borrowing this year may still prove to be correct.”

### Headline Comparisons

- **Central government current receipts** in November were 4.6% higher than in the same month last year. Receipts between April and November 2013 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) latest Economic and Fiscal Outlook, published earlier this month, forecast an increase in receipts relative to last year's levels of 3.6% for the year as a whole and a fall of 1.1% for the period from November 2013 to March 2014. This forecast growth for the year as a whole is slightly higher than the 2.8% forecast by the OBR at the time of the March 2013 Budget.
- **Central government current spending** in November was 1.8% lower than in the same month last year. Spending between April and November 2013 was 1.8% higher than in the same months of 2012. The OBR's latest forecast implies an increase relative to last year's level of 1.9% for the year as a whole and of 1.4% for the period from November 2013 to March 2014. This is forecast growth for the year as a whole is largely unchanged from the 2.1% previously forecast by the OBR at the time of the March 2013 Budget.
- **Public sector net investment** in November was £2.3 billion, £0.6 billion more than was spent in November last year. Public sector net investment between April and November 2013 has been £13.1bn (excluding the impact of the transfer of assets from the Royal Mail Pension Plan to the public sector), which is 7.2% higher than in the same eight months of

### Embargo

For immediate release

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2012. The OBR's latest forecast was that net investment in 2013–14 would be £24.9bn (excluding the impact of the transfer of assets from the Royal Mail Pension Plan to the public sector), which is 9.8% above last year's level.

### **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 eight months, particularly as some factors are likely to affect the profile of receipts and spending differently in 2013–14 than in 2012–13. Bearing this in mind, the figures for receipts and spending in November 2013 show:

#### **Central government current receipts**

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for November 2013 were 4.9% higher than in the same month last year. Together the receipts for these taxes during the first eight months of 2013–14 were 3.4% higher than those for the first eight months of 2012–13. The forecasts from the December 2013 Autumn Statement imply that these taxes' receipts will grow by 3.8% over the whole of 2013–14, and 4.4% over the period from November 2013 to March 2014. This forecast for growth over the whole year is slightly higher than the 2.3% previously forecast by the OBR at the time of the March 2013 Budget.

VAT receipts in November 2013 were 5.2% higher than the same month last year. Together the VAT receipts during the first eight months of 2013–14 were 5.5% higher than in the same months of 2012–13. The forecast from the December 2013 Autumn Statement implies that VAT receipts will grow by 4.9% over the whole of 2013–14, and 4.2% over the period November 2013 to March 2014. This latest forecast for growth over the whole year is higher than the 3.1% previously forecast by the OBR at the time of the March 2013 Budget.

Cash receipts of Corporation Tax in November 2013 were 5.1% lower than the same month last year. However, only a small fraction of annual Corporation Tax payments are received in November. Corporation Tax receipts between April and November of 2013 were 1.0% lower than in the same months of 2012–13. The forecast from the December 2013 Autumn Statement implies that Corporation Tax receipts will fall by 2.4% over the whole of 2013–14 and fall by 5.2% over the period from November 2013 to March 2014. This forecast for the year as a whole is slightly more optimistic than the 2.9% fall previously forecast by the OBR at the time of the March 2013 Budget.

#### **Central government current spending**

Expenditure on net social benefits was 1.8% lower in November 2013 than in November 2012, while expenditure between April and November 2013 was 0.7% higher than in the same months of 2012. The OBR's Economic and Fiscal Outlook at the December Autumn Statement forecast implies that central government net social benefit expenditure will grow by 1.1% over the whole of 2013–14 and 1.0% over the period from November 2013 to March 2014. This is somewhat lower than the 2.0% growth for the year as a whole previously forecast by the OBR at the time of the March 2013 Budget.

Spending on debt interest (which is relatively small as a share of spending overall) was £4.5 billion in November 2013, around the same as was spent in November 2012. Spending on debt interest over the first seven months of this

financial year was £33.5 billion. The OBR forecast at the time of the December 2013 Autumn Statement that total debt interest spending by central government in 2013–14 would be £49.5bn, the same as they forecast at the time of the March 2013 Budget.

Other current spending by central government, including spending on the delivery of public services, was 2.4% lower in November 2013 than in November 2012. Comparing the first eight months of 2013–14 with the first eight months of 2012–13, spending was 1.9% higher. The OBR's December 2013 forecast implies that other current spending by central government will grow by 2.1% over 2013–14 as a whole, and by 1.5% over the period from November 2013 to March 2014. This forecast is largely unchanged from the 1.9% grow forecast over the year as a whole by the OBR in March 2013.

#### Further information and contacts

For further information on today's public finance release please contact: Rowena Crawford, Soumaya Keynes or Gemma Tetlow on 020 7291 4800, or email [rowena\\_c@ifs.org.uk](mailto:rowena_c@ifs.org.uk), [soumaya\\_k@ifs.org.uk](mailto:soumaya_k@ifs.org.uk), or [gemma\\_t@ifs.org.uk](mailto:gemma_t@ifs.org.uk).

Next month's public finances release is due to be published on Friday 22<sup>nd</sup> January.

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

Office for Budget Responsibility analysis of monthly Public Sector Finances, November 2013: <http://budgetresponsibility.independent.gov.uk/category/topics/monthly-public-finance-data/>

Useful links and background information on Autumn Statement 2013 can be found at: <http://www.ifs.org.uk/projects/423>

Office for Budget Responsibility, Economic and Fiscal Outlook, December 2013: <http://budgetresponsibility.org.uk/economic-fiscal-outlook-december-2013/>

HM Treasury Autumn Statement 2013: <https://www.gov.uk/government/topical-events/autumn-statement-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.