

22 May 2013

Commentary on the Public Sector Finances release: April 2013

1. The Office for National Statistics and HM Treasury published their Statistical Bulletin on the April 2013 Public Sector Finances this morning.¹ This is the first month of the 2013-14 financial year and thus provides a very limited guide to likely trends over the rest of the year. Each month the OBR provides a brief analysis of the data and a comparison with our most recent forecast.

Summary

2. Public sector net borrowing (PSNB) was £6.3 billion in April, £2.2 billion lower than market expectations and £25.4 billion higher than a year ago. The headline measure of PSNB is distinctly higher than in April last year as a result of a number of special factors.
 - There was a record surplus last April as a result of the £28 billion transfer of the Royal Mail pension fund deficit and associated assets into the public sector and a payment of £2.3 billion related to the closure of the Special Liquidity Scheme (SLS). These payments significantly reduced net borrowing; and
 - This year, there was a transfer of £3.9 billion from the Asset Purchase Facility (APF) to the Exchequer. This also reduced net borrowing, but clearly to a much lesser extent than the one-off effects a year earlier.
3. Abstracting from these three one-off effects, PSNB was £10.2 billion, which is £1.0 billion lower than last year. Central government expenditure was £0.7 billion higher than last April, whilst central government receipts were £2.1 billion higher.
4. At this very early stage of the year the estimate of central government spending is largely a forecast, as some departments have yet to provide any outturn data. On the revenue side, PAYE estimates are also more uncertain than usual because of the effects of the introduction of the 45p additional rate of income tax. Local authority borrowing figures are also volatile and prone to revisions. So, it is far too soon to conclude whether the April figures provide a meaningful guise to the trend we will see in PSNB over the rest of the financial year.
5. Meanwhile, the initial estimate for PSNB excluding Royal Mail and APF for 2012-13 was revised down by £1.1 billion to £119.5 billion. This is now £1.4 billion lower

¹ <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/april-2013/stb---april-2013.html>

than our estimate in the March *Economic and fiscal outlook (EFO)*. This reflects upward revisions to central government receipts and small downward revisions to central government expenditure. Past experience shows that this outturn remains very provisional and subject to significant change.

April 2012 outturn

6. Central government receipts grew by 8.5 per cent in April 2013. This partly reflects the effect of the APF transfer. Without the APF and SLS transfers, receipts growth would have been 4.9 per cent, compared to our March *EFO* forecast of a 4.0 per cent increase over the year as a whole. Underlying receipts growth came from strength in income tax receipts, primarily from lower repayments (mainly of PAYE) than last year and some temporary effects from non-PAYE elements of income tax.
7. Central government current expenditure rose by 1.1 per cent in April, compared with our March *EFO* forecast of a 2.3 per cent full year increase. However many departments have yet to supply outturn data on their spending in 2012-13, and apart from debt interest, the central government spending figures for April are largely based on estimates derived from full year plans and the March *EFO* forecast and so are likely to be revised considerably in future months.

Provisional 2012-13 outturn

8. The provisional outturn for PSNB excluding Royal Mail and APF for 2012-13 was revised down by £1.1 billion to £119.5 billion. This is £1.4 billion lower than the March 2013 *EFO* estimate and £1.4 billion lower than in 2011-12. The lower outturn since the initial estimate last month reflects:
 - an upward revision of £1.1 billion in central government receipts. This chiefly reflected higher than expected PAYE and NIC cash receipts in April. These relate to March salaries and have therefore been accrued back to 2012-13. Stronger receipts were recorded in both the financial and non-financial sectors. Financial sector bonuses seem to have been stronger than the 10 per cent fall that we assumed in the March forecast. Higher than expected receipts from the non-financial sector may reflect the fact that fewer high income taxpayers than expected deferred earnings into 2013-14 to take advantage of the introduction of the 45p additional rate of income tax. Alternatively, it may imply stronger underlying growth in receipts than assumed in the *EFO*. The upward revision for income tax was partially offset by lower accrued VAT receipts; and
 - a downward revision of £0.1 billion in central government expenditure.

Issues for next month's release

9. There are a number of factors that will affect the May PSNB:
 - we expect there to be £3.9 billion of APF transfers in both May and June which will reduce PSNB. Receipts from these APF transfers will mean that growth in current receipts will be front-loaded during 2013-14;

- the ONS have confirmed that the initial payment from the UK-Swiss tax agreement will be accrued to May 2013; and
- the ONS have announced that Blue Book 2013 will reconcile the National Accounts and Public Sector Finances datasets, which are currently inconsistent.² ONS have announced in today's release that the Blue Book changes will mean that, in next month's release, PSNB and PSNB ex are likely to be revised down by around £2 billion in recent years.³

² <http://www.ons.gov.uk/ons/rel/naa1-rd/national-accounts-articles/content-of-blue-book-2013/index.html>

³ Further details are available here: <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/april-2013/stb---april-2013.html#tab-Recent-events-and-methodological-changes>

Public sector receipts, expenditure and net borrowing

£ billion	April				Implied May to March				Budget 2013 forecast			
	2013	2012	change		2013-14	2012-13	change		2013-14 Mar EFO*	2012-13 outturn	change	
			£bn	%			£bn	%			£bn	%
Central Government (CG) current receipts												
Taxes on production	16.7	16.2	0.6	3.6	199.3	190.4	8.9	4.7	216.0	206.6	9.4	4.6
<i>Of which: VAT (accrued)</i>	9.4	9.1	0.2	2.6	106.1	103.2	3.0	2.9	115.5	112.3	3.3	2.9
Taxes on income and wealth	16.4	15.4	1.0	6.5	182.4	179.4	2.9	1.6	198.8	194.8	3.9	2.0
<i>Of which:</i>												
<i>Income tax and CGT (accrued)</i>	11.5	10.2	1.3	12.5	144.8	141.9	2.9	2.1	156.3	152.1	4.2	2.8
<i>Corporation tax</i>	4.7	4.9	-0.2	-4.1	33.6	34.5	-1.0	-2.8	38.3	39.4	-1.2	-3.0
Other taxes	1.3	1.2	0.1	8.8	18.6	14.2	4.4	31.1	19.9	15.4	4.5	29.4
Compulsory social contributions	8.8	8.5	0.3	3.3	97.9	96.1	1.8	1.8	106.7	104.6	2.1	2.0
Interest & dividends	4.8	3.0	1.8	61.1	16.5	13.9	2.6	18.9	21.3	16.9	4.4	26.2
Other receipts	0.7	0.7	0.0	0.6	8.2	7.6	0.6	8.5	8.9	8.3	0.6	7.8
Total CG current receipts	48.7	44.9	3.8	8.5	522.8	501.6	21.2	4.2	571.5	546.5	25.0	4.6
CG Current expenditure												
Interest payments	5.1	5.2	-0.1	-1.5	44.4	41.8	2.7	6.4	49.5	47.0	2.6	5.5
Net social benefits	15.9	15.8	0.1	0.8	179.4	175.8	3.5	2.0	195.3	191.6	3.6	1.9
Other	32.7	32.1	0.5	1.6	366.6	358.8	7.8	2.2	399.3	390.9	8.4	2.1
Total current expenditure	53.7	53.1	0.6	1.1	590.4	576.4	14.0	2.4	644.1	629.5	14.6	2.3
Depreciation	0.7	0.7	0.0	0.6	7.6	7.1	0.5	6.6	8.3	7.8	0.5	6.0
CG Surplus on current budget	-5.7	-8.9	3.2	36.1	-75.2	-82.0	6.8	-8.2	-80.9	-90.9	10.0	-11.0
CG Net investment	2.6	-25.5	28.1	110.1	26.3	22.4	4.0	17.7	28.9	-3.1	32.1	-
CG Net borrowing	8.3	-16.6	24.9	149.9	101.5	104.3	-2.8	-2.7	109.8	87.7	22.1	25.2
Local Authorities net borrowing	-1.7	-2.3	0.6	25.9	0.4	2.4	-1.9	-81.8	-1.3	0.1	-1.3	-1745.7
Public Corporations net borrowing	-0.3	-0.2	-0.1	-33.2	-0.6	-2.5	1.9	-77.2	-0.9	-2.7	1.8	-67.8
Public sector net borrowing	6.3	-19.1	25.4	132.9	101.4	104.2	-2.8	-2.7	107.7	85.1	22.6	26.6
Public sector net borrowing (ex. Royal Mail)	6.3	8.9	-2.6	-29.0	101.4	104.2	-2.8	-2.7	107.7	113.1	-5.4	-4.8
Public sector net borrowing (ex Royal Mail and APF)	10.2	8.9	1.3	15.0	109.6	110.6	-1.0	-0.9	119.8	119.5	0.3	0.3
Public sector net borrowing (ex Royal Mail, APF & SLS)	10.2	11.2	-1.0	-8.7	109.6	110.6	-1.0	-0.9	119.8	121.8	-2.0	-1.6
Public sector net investment	0.7	-27.3	28.0	102.5	23.5	21.5	2.0	9.3	24.2	-5.8	30.0	-
Public sector current budget	-5.6	-8.2	2.5	31.1	-77.9	-82.7	4.8	-5.8	-83.5	-90.9	7.4	-8.1

March 2013 EFO forecast published 20 March 2013 excluding temporary effects of financial interventions on a National Accounts basis