

# Commentary on the Public Sector Finances release: May 2015

1. The Office for National Statistics and HM Treasury published their Statistical Bulletin on the May 2015 Public Sector Finances this morning.<sup>1</sup> Each month the OBR provides a brief analysis of the data and a comparison with our most recent forecast, currently the March 2015 *Economic and fiscal outlook (EFO)*. We will be publishing an updated forecast and *EFO* alongside the Government's summer Budget, which the Chancellor has announced will take place on 8 July.

## Summary

2. Public sector net borrowing (PSNB) was £10.1 billion in May, £2.2 billion lower than last year and £0.2 billion below market expectations. Lower borrowing in May reflected stronger growth in central government accrued receipts (4.1 per cent) than in central government spending (current expenditure was up 0.6 per cent, while net investment was down 8.7 per cent).
3. Meeting our March *EFO* forecast for PSNB in 2015-16 would require a £13.9 billion reduction in borrowing over the full financial year. Two months into the year, PSNB was £5.1 billion lower than a year earlier. Income tax, NICs and corporation tax receipts have all recorded stronger growth so far this year than the full-year rates we forecast in March. Central government spending growth has been low, but so early in the year this is unlikely to provide a meaningful guide to the trend in PSNB over 2015-16 as a whole.
4. Last month's estimate of PSNB in 2014-15 has been revised up by £1.5 billion. PSNB was £89.2 billion in 2014-15, £9.3 billion lower than 2013-14 and £1.0 billion lower than our estimate in the March *EFO*. Past experience shows that this outturn will continue to be revised over the coming months.

## Detailed commentary

5. PSNB was £10.1 billion in May 2015, £2.2 billion lower than a year earlier. Lower borrowing this May reflects a £1.8 billion rise in central government receipts on last year, a rise of £0.2 billion in total central government spending and £0.6 billion lower local authority borrowing.

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<sup>1</sup><http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/may-2015/index.html>

6. PSNB in April was revised down by £0.5 billion. Estimates for both spending and receipts in the early months of the year are particularly prone to revision.
7. Central government accrued receipts were up 4.1 per cent on a year earlier in May, reflecting growth in the major taxes: income tax, NICs and VAT. Accrued VAT receipts increased by 5.6 per cent in May, although this may be revised in future as cash receipts from later months are accrued back to May. May receipts also included the £284 million Financial Conduct Authority fine on Barclays Bank. Taking April and May together, central government receipts (excluding APF transfers) increased by 4.9 per cent on a year earlier – stronger than the 3.3 per cent we expected for the full year in March. This reflected stronger growth in PAYE, NICs and corporation tax receipts. The steep year-on-year fall expected in corporation tax payments from oil and gas firms in 2015-16 will only have an effect from July when firms make their first instalment payment on 2015 profits.
8. Total central government spending was £0.2 billion higher than in May 2014. Lower debt interest spending – reflecting the monthly path of RPI inflation – was more than offset by higher other current spending. Net social benefits spending was little changed on the previous May. Central government net investment fell by £0.2 billion on a year earlier. Central government spending over April to May was £3.5 billion lower than a year earlier, largely due to changes in the size and timing of central government grants to local authorities – in particular, the revenue support grant – as discussed in more detail in last month’s commentary.

## Provisional 2014-15 outturn

9. The latest provisional estimate for PSNB in 2014-15 was revised up by £1.5 billion from last month, but remains £1.0 billion lower than our latest *EFO* forecast at £89.2 billion. Future revisions are likely, due to various factors:
  - some cash receipts, received in June (particularly for VAT) will relate to economic activity in 2014-15 and will be accrued back to that year;
  - estimates for central government current expenditure and investment will be revised as firmer information from departments becomes available; and
  - firmer data for local authorities and public corporations will not become available before September or October, and will not be final for a further 3 to 9 months.

Public sector receipts, expenditure and net borrowing<sup>1</sup>

£ billion	May		April to May				Implied June to March				March forecast					
	2015	2014	change		2015-16	2014-15	change		2015-16	2014-15	change		2015-16 March EFO	2014-15 outturn	change	
			£bn	%			£bn	%			£bn	%			£bn	%
<b>Central government (CG) current receipts</b>																
Taxes on production	19.5	18.9	0.6	3.2	38.7	37.5	1.3	3.4	199.8	194.1	5.8	3.0	238.5	231.5	7.0	3.0
Of which: VAT (accrued)	10.7	10.1	0.6	5.6	21.4	20.4	1.0	4.9	106.9	104.5	2.4	2.3	128.3	124.8	3.4	2.8
Taxes on income and wealth	12.4	11.9	0.5	3.9	30.5	28.7	1.8	6.1	189.8	183.9	5.9	3.2	220.3	212.6	7.6	3.6
Of which:																
Income tax and CGT (accrued)	10.8	10.2	0.5	5.3	22.6	21.7	0.9	4.1	154.4	147.5	7.0	4.7	177.0	169.2	7.9	4.6
Corporation tax	1.5	1.5	0.0	-2.8	7.5	6.6	0.9	13.5	34.6	35.5	-0.9	-2.6	42.1	42.1	0.0	0.0
Other taxes	1.6	1.5	0.0	2.6	3.0	2.9	0.1	3.7	15.3	14.5	0.8	5.4	18.3	17.4	0.9	5.2
Compulsory social contributions	8.8	8.5	0.3	3.4	18.0	17.4	0.6	3.4	95.2	92.9	2.3	2.5	113.2	110.3	2.9	2.6
Interest & dividends	0.7	0.6	0.1	8.3	5.2	5.3	-0.1	-1.7	12.9	13.8	-0.9	-6.2	18.1	19.1	-1.0	-5.0
Other receipts	2.0	1.7	0.3	20.3	4.0	3.4	0.6	18.7	17.9	18.3	-0.4	-2.0	21.9	21.7	0.3	1.2
<b>Total CG current receipts</b>	<b>45.0</b>	<b>43.2</b>	<b>1.8</b>	<b>4.1</b>	<b>99.4</b>	<b>95.1</b>	<b>4.2</b>	<b>4.5</b>	<b>531.0</b>	<b>517.5</b>	<b>13.5</b>	<b>2.6</b>	<b>630.3</b>	<b>612.6</b>	<b>17.8</b>	<b>2.9</b>
<b>CG current expenditure</b>																
Interest payments	4.1	4.2	-0.2	-3.7	9.2	9.6	-0.4	-4.3	36.8	35.8	1.0	2.9	46.0	45.4	0.6	1.3
Net social benefits	16.9	16.9	0.0	0.1	33.9	33.9	0.0	0.0	169.9	168.7	1.2	0.7	203.7	202.5	1.2	0.6
Other	31.5	31.1	0.4	1.4	68.8	72.0	-3.1	-4.4	336.1	329.8	6.3	1.9	404.9	401.8	3.2	0.8
<b>Total current expenditure</b>	<b>52.5</b>	<b>52.2</b>	<b>0.3</b>	<b>0.6</b>	<b>111.9</b>	<b>115.4</b>	<b>-3.5</b>	<b>-3.1</b>	<b>542.8</b>	<b>534.3</b>	<b>8.5</b>	<b>1.6</b>	<b>654.7</b>	<b>649.7</b>	<b>5.0</b>	<b>0.8</b>
Depreciation	1.5	1.4	0.1	5.1	3.0	2.9	0.1	5.1	15.9	14.4	1.5	10.5	18.9	17.3	1.6	9.6
<b>CG current budget deficit</b>	<b>9.0</b>	<b>10.5</b>	<b>-1.4</b>	<b>-13.6</b>	<b>15.5</b>	<b>23.2</b>	<b>-7.6</b>	<b>-33.0</b>	<b>27.7</b>	<b>31.2</b>	<b>-3.5</b>	<b>-11.2</b>	<b>43.3</b>	<b>54.4</b>	<b>-11.1</b>	<b>-20.5</b>
CG net investment	2.0	2.1	-0.2	-8.7	4.6	4.7	-0.1	-2.5	31.6	31.7	-0.1	-0.2	36.2	36.4	-0.2	-0.5
<b>CG net borrowing</b>	<b>11.0</b>	<b>12.6</b>	<b>-1.6</b>	<b>-12.7</b>	<b>20.1</b>	<b>27.9</b>	<b>-7.8</b>	<b>-27.8</b>	<b>59.4</b>	<b>62.9</b>	<b>-3.5</b>	<b>-5.6</b>	<b>79.5</b>	<b>90.8</b>	<b>-11.3</b>	<b>-12.4</b>
Local authorities net borrowing	0.2	0.9	-0.6		-5.4	-8.3	2.9		7.1	10.8	-3.8		1.7	2.6	-0.9	
Public corporations net borrowing	-1.1	-1.1	0.0		1.6	1.8	-0.2		-7.5	-6.0	-1.6		-5.9	-4.2	-1.7	
<b>Public sector net borrowing</b>	<b>10.1</b>	<b>12.4</b>	<b>-2.2</b>	<b>-18.0</b>	<b>16.4</b>	<b>21.4</b>	<b>-5.1</b>	<b>-23.6</b>	<b>58.9</b>	<b>67.8</b>	<b>-8.9</b>	<b>-13.1</b>	<b>75.3</b>	<b>89.2</b>	<b>-13.9</b>	<b>-15.6</b>
<b>Public sector net investment</b>	<b>0.8</b>	<b>1.3</b>	<b>-0.5</b>	<b>-37.3</b>	<b>1.5</b>	<b>2.2</b>	<b>-0.7</b>	<b>-32.4</b>	<b>28.0</b>	<b>28.6</b>	<b>-0.6</b>	<b>-2.1</b>	<b>29.5</b>	<b>30.8</b>	<b>-1.3</b>	<b>-4.3</b>
<b>Public sector current budget</b>	<b>9.3</b>	<b>11.0</b>	<b>-1.7</b>	<b>-15.6</b>	<b>14.9</b>	<b>19.2</b>	<b>-4.3</b>	<b>-22.6</b>	<b>30.9</b>	<b>39.1</b>	<b>-8.2</b>	<b>-21.1</b>	<b>45.7</b>	<b>58.3</b>	<b>-12.6</b>	<b>-21.6</b>

March 2015 EFO forecast published 18 March 2015 excluding public sector banks on a National Accounts basis.

<sup>1</sup> Data and forecasts contained in this table can be found from the following sources:

ONS public sector finances: <http://ons.gov.uk/ons/taxonomy/index.html?nscl=Public+Sector+Finance>

HMRC tax receipts and national insurance contributions: <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk>

OBR Economic and fiscal outlook: [http://cdn.budgetresponsibility.independent.gov.uk/March2015EFO\\_18-03-webv1.pdf](http://cdn.budgetresponsibility.independent.gov.uk/March2015EFO_18-03-webv1.pdf)

OBR supplementary fiscal tables: [http://budgetresponsibility.org.uk/pubs/Fiscal\\_Supplementary\\_Tables\\_March\\_20151.xls](http://budgetresponsibility.org.uk/pubs/Fiscal_Supplementary_Tables_March_20151.xls)