

Press Release

IFS analysis of today's public finance figures

Today the Office for National Statistics and HM Treasury published *Public Sector Finances April 2009*. We now have details of central government receipts, central government spending, public sector net investment, borrowing and debt for the first month of financial year 2009–10 and revised outturns for the whole of financial year 2008–09.

Gemma Tetlow, a Senior Research Economist at the IFS, said:

“Today's figures suggest that Government borrowed about £3 billion less in 2008–09 than the Treasury thought in last month's Budget. This is mainly because current spending is now estimated to have been lower and tax revenues higher than the Treasury thought at Budget time.

Figures for the first month of the 2009–10 financial year suggest that cash tax receipts have fallen compared to the same month last year, while spending – particularly on social benefits – has grown strongly, as last month's Budget forecast. However, as this is only the first month of the financial year, these figures on their own give us little clue as to how borrowing will compare to the Treasury's Budget forecasts over the year as a whole.”

Headline Comparisons

- **Public sector surplus on the current budget** in 2008–09 is now estimated to have been minus £49.5bn (i.e. in deficit) compared to the initial estimated outturn published in last month's Budget of minus £52.3bn.
- **Public sector net borrowing** in 2008–09 is now estimated to have been £86.7bn compared to the initial estimated outturn published in last month's Budget of £90.0bn.
- **Public sector net debt** at the end of 2008–09 is now estimated to have been £609.0bn, or 42.9% of national income, fractionally lower than the April 2009 Budget estimate of 43.0%. This figure excludes the impact of the financial sector interventions. The interventions that have been incorporated into the official figures, which include the nationalisation of Northern Rock and Bradford & Bingley, amounted at the end of March 2009 to £134.5bn or 9.5% of national income. The ONS has confirmed that Lloyds Banking Group and Royal Bank of Scotland will also be classed as public sector corporations. However these two banking groups have not yet been fully incorporated into the public finances.
- **Central government current receipts** in April were 9.5% lower than in the same month last year. The 2009 Budget

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implied that central government current receipts for the whole of 2009–10 would be 7.5% below 2008–09 levels.

- **Central government current spending** in April was 5.4% higher than in the same month last year. The 2009 Budget implied that central government current spending for the whole of 2009–10 would be 7.4% above 2008–09 levels.
- **Public sector net investment** in April was £1.5bn compared to £1.1bn in the same month last year. The Budget predicted that net investment in 2009–10 would be £43.8bn, which is 17.6% above last year's level.

Further Analysis

Little can be inferred or extrapolated about the public finances in 2009–10 from information about only the first month of the financial year. Bearing this in mind, the figures for receipts and spending in April 2009 show:

Central government current receipts

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for April 2009 were 8.6% lower than in the same month last year. The Budget forecasts imply that these taxes' receipts will fall by 7.2% over the whole of 2009–10.

VAT receipts in April 2009 were 22.5% lower than the same month last year. The Budget forecast implies that VAT receipts will fall by 18.8% over the whole of 2009–10.

Corporation Tax receipts for April 2009 were 26.7% lower than the same month last year. The Budget forecast implies that Corporation Tax receipts will fall by 20.5% over the whole of 2009–10. April is one of the four months in the year when a substantial proportion of Corporation Tax payments are made.

Central government current spending

Expenditure on net social benefits was 8.9% higher in April 2009 than in April 2008. The Budget forecast implies that central government net social benefit expenditure will grow by 8.3% over 2009–10.

Spending on debt interest (which is relatively small as a share of spending overall) was £3.1bn in April 2009, the same as in April 2008.

Other current spending by central government, including spending on the delivery of public services, was 4.9% higher in April 2009 than in April 2008. The Budget forecast implies that this component of spending will grow by 8.6% over the year as a whole.

Further information and contacts

For further information on today's public finance release please contact: Robert Chote, Rowena Crawford or Gemma Tetlow on 020 7291 4800, or email rchote@ifs.org.uk, rowena_c@ifs.org.uk or gtetlow@ifs.org.uk.

Next month's public finances release is due to be published on Thursday 18th June.

Relevant links:

This, and previous editions of this press release, can be downloaded from <http://www.ifs.org.uk/publications/browse?type=pf>

Useful links and analysis of Budget 2009 can be found at: <http://www.ifs.org.uk/projects/304>

Office for National Statistics & HM Treasury, Public Sector Finances, May 2009: <http://www.statistics.gov.uk/pdfdir/psf0509.pdf>

Office for National Statistics press release on the classification of RBS and Lloyds Banking Group: <http://www.statistics.gov.uk/pdfdir/crbslbg0209.pdf>

HM Treasury, Budget 2009: http://www.hm-treasury.gov.uk/bud_bud09_index.htm

HM Treasury, Public Finance Statistics Index: http://www.hm-treasury.gov.uk/economic_data_and_tools/pubfinance/data_pubfinance_index.cfm

IFS Green Budget, January 2009, containing in-depth public finance analysis, can be found at: <http://www.ifs.org.uk/publications/4417>

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Notes to Editors:

1. Central government current spending includes depreciation.
2. Where possible we compare figures on an accruals basis with the HM Treasury forecast.