

Press Release

IFS analysis of today's public finance figures

Today the Office for National Statistics and HM Treasury published *Public Sector Finances March 2010*. We now have provisional details of central government receipts, central government spending, public sector net investment, borrowing and debt for the whole of financial year 2009–10.

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

“Chancellor Alistair Darling will doubtless be pleased that he looks to have borrowed £3.1 billion less last year than he predicted in the Budget a month ago. The deficit of £163.4 billion is still the highest level of borrowing as a share of national income since the Second World War. Reducing borrowing to acceptable levels will be the biggest domestic policy challenge for whoever forms the next government. All three main UK parties agree that public spending cuts should bring about the majority of the reduction in borrowing, but none have provided anything like enough detail of where the axe would fall.”

Headline Comparisons

- **Public sector net borrowing**, excluding the impact of financial interventions, totalled £163.4bn in 2009–10. This is £3.1bn lower than the £166.5bn forecast in the March 2010 Budget, but higher than the £96.5bn in 2008–09.
- **Public sector net investment**, excluding the impact of financial interventions, was £49.7bn in 2009–10. This compares to the £50.0bn forecast in the March 2010 Budget for 2009–10.
- The **current budget deficit** in 2009–10 was £113.7bn, excluding the impact of financial interventions, which is £2.9bn lower than the £116.6bn forecast in the March 2010 Budget.
- Underlying **public sector net debt** at the end of March 2010 stood at 53.8% of national income, which is lower than the 54.1% forecast in March's Budget. Including the impact of the financial interventions raises headline public sector net debt to 62.0%.

Further Analysis

Direct comparisons of data on central government current receipts and current spending for 2009–10 with the Budget 2010 forecasts are not possible since the Budget forecasts were exclusive of the financial interventions while the outturn data are inclusive. It is therefore difficult to identify exactly why the current budget deficit (and thus borrowing) has turned out lower than was forecast by Mr Darling last month.

What we are able to deduce from these data is that a large part of the lower than forecast deficit is due to tax revenues for 2009–10 coming in stronger

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than expected. Receipts from five taxes – income tax and capital gains tax, corporation tax, national insurance and VAT – together brought in £1.9bn more in 2009–10 than the Treasury forecast in Budget 2010. We also know that none of the improvement in borrowing is due to lower than forecast spending on debt interest payments and net social benefits.

Further information and contacts

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

Next month's public finances release is due to be published on Friday 21st May.

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 background information on Budget 2010 can be found at: <http://www.ifs.org.uk/projects/322>

IFS Green Budget, January 2010, containing in-depth public finance analysis, can be found at: <http://www.ifs.org.uk/publications/4732>

Office for National Statistics & HM Treasury, Public Sector Finances, March 2010: <http://www.statistics.gov.uk/pdffdir/psf0410.pdf>

HM Treasury, Pre-Budget Report 2009: http://www.hm-treasury.gov.uk/prebud_pbr09_index.htm

HM Treasury, Budget 2010: <http://www.hm-treasury.gov.uk/budget2010.htm>

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

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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.