IFS analysis of today’s public finance figures

Today the Office for National Statistics and HM Treasury published Public Sector Finances March 2011. 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 2010–11.

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

“Chancellor George Osborne will doubtless be pleased that he looks to have borrowed £4.8 billion less last year than the Office for Budget Responsibility predicted a month ago. This reflects lower than expected borrowing by central government and public corporations, somewhat offset by higher than expected borrowing by local government.

The estimated deficit of £141.1 billion is still, however, the second highest level of borrowing as a share of national income since the Second World War, surpassed only by the amount borrowed in 2009–10. Furthermore lower borrowing in 2010–11 will not necessarily feed through into lower borrowing in future years. As the source of lower borrowing last year was primarily due to lower borrowing by public corporations and lower than expected spending by central government on public services, it could turn out to be a one-off windfall for the Government rather than reflecting a permanently better underlying fiscal position.”

Headline Comparisons

- **Public sector net borrowing**, excluding the impact of financial interventions, totalled £141.1bn in 2010–11. This is £4.8bn lower than the £145.9bn forecast by the Office for Budget Responsibility (OBR) in their March 2011 Economic and Fiscal Outlook, and lower than the £156.5bn borrowed in 2009–10.

- **Public sector net investment**, excluding the impact of financial interventions, was £40.2bn in 2010–11. This compares to the £41.1bn forecast by the OBR in March 2011.

- The **current budget deficit** in 2010–11 was £100.9bn, excluding the impact of financial interventions, which is £3.9bn lower than the £104.8bn forecast by the OBR in March 2011.

- Underlying **public sector net debt** at the end of March 2011 stood at 59.9% of national income, which is slightly lower than the 60.3% forecast by the OBR in March. Including the impact of the financial interventions raises headline public sector net debt to 148.5%.

Further Analysis

Today’s figures show that public sector net borrowing in 2010–11 is now estimated to have been £141.1bn, which is £4.8bn lower than the £145.9bn
forecast by the OBR last month. Central government borrowing is estimated to have been £2.3bn lower than the OBR expected last month, while local government borrowing was £1.5bn higher and borrowing by public corporations was £4.0bn lower.

The ONS figures provide some more detail of where the difference between the forecast and outturn for central government borrowing has arisen. As shown in Table 1, overall central government receipts have come in very close to the OBR’s forecast, while both net investment and current (i.e. non-investment) spending have been slightly lower than the OBR forecast last month. Within non-investment spending; spending on net social benefits and debt interest were in line with what the OBR forecast; the underspend was accounted for by lower than forecast other central government spending.

Table 1: Comparison of forecasts and outturns for the central government account

<table>
<thead>
<tr>
<th>£ billion</th>
<th>OBR Forecast (March 2011 EFO)</th>
<th>Provisional outturn</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current receipts</td>
<td>509.1</td>
<td>508.9</td>
<td>-0.2</td>
</tr>
<tr>
<td>Current expenditure</td>
<td>613.0</td>
<td>611.0</td>
<td>-2.0</td>
</tr>
<tr>
<td><strong>Current budget surplus</strong></td>
<td><strong>-103.9</strong></td>
<td><strong>-102.0</strong></td>
<td>+1.9</td>
</tr>
<tr>
<td>Net investment</td>
<td>37.6</td>
<td>37.3</td>
<td>-0.4</td>
</tr>
<tr>
<td><strong>Net borrowing</strong></td>
<td><strong>141.6</strong></td>
<td><strong>139.3</strong></td>
<td>-2.3</td>
</tr>
</tbody>
</table>

Further information and contacts

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

Next month’s public finances release is due to be published on Tuesday 24th 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 2011 can be found at: http://www.ifs.org.uk/projects/347
IFS Green Budget, February 2011, containing in-depth public finance analysis, can be found at: http://www.ifs.org.uk/publications/5460
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.