Today the Office for National Statistics and HM Treasury published *Public Sector Finances July 2003*. We now have details of central government receipts, central government spending, public sector net investment, borrowing and debt for the first four months of the financial year 2003–04.

**Headline Comparisons**

- **Central government current receipts** are 6.0% up on the first 4 months of last year. The Budget 2003 forecast for 2003–04 implies an increase of 7.0% for the year as a whole.

- **Central government current spending** is 9.0% up on the first 4 months of last year. The Budget 2003 forecast for 2003–04 implies an increase of 6.5% for the year as a whole.

- **Public sector net investment** is 175.9% up on the first 4 months of last year. The Budget 2003 forecast for 2003–04 implies an increase of 67.2% for the year as a whole.

**Further Analysis**

With information available for only the first four months of the current financial year, it is important to be cautious in extrapolating over the year as a whole. Bearing this in mind the figures for receipts and spending in July 2003 show:

**Central government current receipts** came in 2.7% higher in July 2003 than in the same month in 2002. This is below the increase for the whole of 2003–04 implied by the April 2003 Budget. The second large instalment of corporation tax is paid in July, and last year this totalled almost one-fifth of the receipts received for the whole year. This July’s receipts are just 1.7% above those received last July. This is lower than the 4.1% growth in corporation tax receipts for the year as a whole implied by the April 2003 Budget forecast. In contrast receipts from VAT came in higher than implied by the Budget forecast for the year as a whole.

**Central government current spending** was 5.6% higher in July than in the same month in 2002. This is in line with the increase implied by the Budget forecast for the whole year. Expenditure on net social benefits is currently running below the Budget forecast for the whole year – this is expected as the new Pension Credit does not come in until October. Spending on debt interest is currently running above the Budget forecast for the whole year.

Other current spending by central government, including spending on the delivery of public services, was 7.3% higher in July 2003 than in July 2002. This, and revisions to previous data, brings the cumulative growth in this category of expenditure in the four months so far this year up to 13.0%, higher than the 7.4% for the year as a whole that the Budget forecast now implies.

In July 2003, **public sector net investment** was £1.1bn compared to just £0.4bn in the same month in 2002. Cumulatively, in the first four months of this financial year £4.2bn of public sector net investment has been undertaken, compared with £1.5bn in the same four months last year.
Carl Emmerson, a programme director at the IFS, said: “Today’s figures reveal that central government receipts are continuing to grow less quickly than the Chancellor has forecast for the year as a whole. The Government always receives a large slice of corporation tax receipts in July, but receipts this July were only slightly above those received in July 2002. Spending, and in particular public sector net investment, continues to grow faster than implied by the Budget forecast for the year as a whole. In part this is good news for the Government, as it should aid the delivery of improved public services.

Despite this the Chancellor is still on course to meet both his fiscal rules over the current economic cycle. A key question is whether we can expect these to continue to be met. We are concerned that, even if the economy performs as the Chancellor expects, receipts, and corporation tax receipts in particular, might fall short of current Treasury expectations. If this were to be the case, either cuts in public spending or further tax increases would be needed to be confident of continuing to meet the Government’s fiscal rules with the comfort that the Chancellor has looked for in the past.”

Further information and contacts
For further information on today’s public finance release please contact: Carl Emmerson on 020 7291 4800, or email cemmerson@ifs.org.uk

Relevant links:
This, and previous editions of this press release, can be downloaded from http://www ifs org uk/press/pub_fin.shtml
Useful links and background information on the Budget can be found at http://www ifs org uk/budgetindex.shtml.
Office for National Statistics & HM Treasury, Public Sector Finances, July 2003:
http://www.statistics gov uk/pdfdir/psf0803 pdf
HM Treasury, Budget 2003:
http://www hm-treasury gov uk/budget/bud bud03/bud bud03_index cfm
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.