Press Release

IFS analysis of today’s public finance figures

Today the Office for National Statistics and HM Treasury published *Public Sector Finances July 2010*. We now have details of central government receipts, central government spending, public sector net investment, borrowing and debt for the first four months of financial year 2010–11.

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

“Following weak growth in tax receipts in June, tax receipts grew strongly in July compared to the same month last year. Corporation Tax and VAT receipts have grown particularly strongly. Growth in tax receipts over the year so far remains ahead of the OBR’s forecast for growth over the year as a whole, while central government spending has also been growing slightly more quickly than forecast for the year as a whole.

The Bank of England revised down its central forecast for GDP growth last week. However, their central forecast for growth in 2010 and 2011 remains above the OBR’s central forecast from last month’s Budget, which formed the basis for the forecast of public borrowing.”

Headline Comparisons

- **Central government current receipts** in July were 10.5% higher than in the same month last year. Receipts between April and July 2010 were 8.5% higher than in the same months of 2009. The June 2010 Budget implied that central government current receipts for the whole of 2010–11 would be 6.5% higher than 2009–10 levels.

- **Central government current spending** in July was 5.8% higher than in the same month last year. Spending between April and July 2010 was 6.0% higher than in the same months of 2009. The June 2010 Budget implied that central government current spending for the whole of 2010–11 would be 5.5% above 2009–10 levels.

- **Public sector net investment** in July was £3.3bn compared to £2.3bn in the same month last year. Together, public sector net investment between April and July 2010 has been £8.6bn, which is 5.8% lower than in the same four months of 2009. The June Budget predicted that net investment in 2010–11 would be £38.9bn, which is 13% below last year’s level.

Further Analysis

Little can be inferred or extrapolated about the public finances in 2010–11 from information about only the first four months of the financial year. Bearing this in mind, the figures for receipts and spending in July 2010 show:
Central government current receipts

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for July 2010 were 4.1% lower than in the same month last year. Together, the receipts for these taxes during the first four months of 2010–11 were 5.4% higher than those for the first four months of 2009–10. The June Budget forecasts imply that these taxes’ receipts will increase by 3.6% over the whole of 2010–11.

Corporation Tax receipts for July 2010 were 37.7% higher than the same month last year. July is one of four months in the year when a large fraction of Corporation Tax revenues are received. Corporation Tax receipts between April and July 2010 were 24.8% higher than in the same months of 2009. The June Budget forecast implies that Corporation Tax receipts will increase by 18.7% over the whole of 2010–11.

VAT receipts in July 2010 were 21.2% higher than the same month last year. This continues the trend for strong growth in VAT receipts over the last four months: together, the VAT receipts during the first four months of 2010–11 were 22.8% higher than those for the first four months of 2009–10. The June Budget forecast implies that VAT receipts will increase by 15.0% over the whole of 2010–11. The increase in the main rate of VAT to 20% from 4 January 2011 (announced in the June 2010 Budget) will tend to cause VAT receipts to grow more quickly later this financial year.

Central government current spending

Expenditure on net social benefits was 0.7% higher in July 2010 than in July 2009. Expenditure between April and July 2010 was 2.6% higher than in the same months of 2009. The June Budget forecast implies that central government net social benefit expenditure will grow by 3.1% over 2010–11.

Spending on debt interest was £3.9bn in July 2010, £1.5bn higher than in July 2009. The June Budget forecast that total debt interest spending by central government in 2010–11 would be £43.3bn.

Other current spending by central government, including spending on the delivery of public services, was 3.7% higher in July 2010 than in July 2009. Expenditure between April and July 2010 was 3.5% higher than in the same months of 2009. The June Budget forecast implies that this component of spending will grow by 3.8% over the year as a whole.

In July 2010, public sector net investment was £3.3bn compared to £2.3bn in the same month in 2009. So far in 2010–11, a total of £8.6bn has been spent on public sector net investment, compared to the £8.2bn that had been spent by the same point in 2009–10. The June Budget predicted that net investment in 2010–11 would be £38.9bn, which is 13% below last year’s level.

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 21st September.

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 the June Budget 2010 can be found at: http://www.ifs.org.uk/projects/330


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

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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.