Press Release

IFS analysis of today’s public finance figures

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

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

“Weak accrued receipts from VAT and strong growth in spending by central government on public services combined to make borrowing in November even higher than that recorded last November. As the monthly data are very volatile this does not necessarily imply that borrowing over the whole of this financial year will be significantly higher than the £148.5 billion forecast by the Office for Budget Responsibility last month. In particular, investment in public services could slow over coming months as the new Government’s in-year spending cuts are likely to be back-loaded.”

Headline Comparisons

- **Central government current receipts** in November were 3.1% higher than in the same month last year. Receipts between April and November 2010 were 8.2% higher than in the same months of 2009. The Office for Budget Responsibility’s (OBR) latest Economic and Fiscal Outlook, published last month, forecast an increase in receipts relative to last year’s levels of 9.0% for the year as a whole and of 9.0% for the period from November 2010 to March 2011.

- **Central government current spending** in November was 10.7% higher than in the same month last year. Spending between April and November 2010 was 6.8% higher than in the same months of 2009. The OBR’s latest forecast implies an increase relative to last year’s level of 5.4% for the year as a whole and of 4.4% for the period from November 2010 to March 2011.

- **Public sector net investment** in November was £3.4bn, the same as was spent in November 2009. Public sector net investment between April and November 2010 has been £21.4bn, which is 1.3% lower than in the same eight months of 2009. The OBR’s latest forecast was that net investment in 2010–11 would be £42.6bn, which is 5% below last year’s level.

What would happen if these trends continued?

- Public sector net borrowing during the first eight months of 2010–11 was £104bn, which is very slightly lower than the amount borrowed during the same period last year. If this were to continue for the remaining four months of this financial year, borrowing for the whole of financial year 2010–11 would be about £155bn. This is somewhat higher than the £148.5bn forecast by the OBR in its November 2010 Economic and Fiscal Outlook. In practice there are many reasons why borrowing over the next
four months is unlikely to follow the path implied by the last eight: for example accrued receipts of the bank payroll tax are frontloaded, whereas the in-year public service cuts announced in May will be back loaded. The former will tend to make the extrapolation of borrowing an underestimate, whereas the latter will tend to make it an overestimate, of what we might expect.

Further Analysis

We should be cautious of inferring or extrapolating likely outcomes over the financial year as a whole from information on only the first eight months, particularly as some factors are likely to affect the profile of receipts and spending differently in 2010–11 than in 2009–10. However, bearing this in mind, the figures for receipts and spending in November 2010 show:

Central government current receipts

Accrued receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for November 2010 were 4.5% higher than in the same month last year. Together, the receipts for these taxes during the first eight months of 2010–11 were 3.0% higher than those for the same months of 2009–10. Last month’s OBR forecasts imply that the receipts from these taxes will be 2.5% up on last year’s levels over the whole year and 2.3% up over the period from November 2010 to March 2011.

Accrued receipts of VAT in November 2010 were 0.1% lower than the same month last year. Together, accrued VAT receipts during the first eight months of 2010–11 were 13.9% higher than those for the first eight months of 2009–10. Last month’s OBR forecasts imply that the receipts from this tax will be 17.8% up on last year’s levels over the whole year and 19.9% up over the period from November 2010 to March 2011.

Cash Corporation Tax receipts for November 2010 were 6.5% lower than the same month last year. However, only a small fraction of annual Corporation Tax payments are received in November. Corporation Tax receipts between April and November 2010 were 26.2% higher than in the same months of 2009. Last month’s OBR forecasts imply that the receipts from this tax will be 19.0% up on last year’s levels over the whole year and 5.0% up over the period from November 2010 to March 2011.

Central government current spending

Expenditure on net social benefits was 4.3% higher in November 2010 than in November 2009. Expenditure between April and November 2010 was 3.8% higher than in the same months of 2009. Last month’s OBR forecast implies that this spending will be 3.8% up on last year’s levels over the whole year and 3.9% up over the period from November 2010 to March 2011.

Spending on debt interest was £4.5bn in November 2010, £1.5bn higher than in November 2009. Total spending on debt interest between April and November 2010 was £31.0bn. Last month the OBR forecast that total debt interest spending by central government in 2010–11 would be £42.7bn.

Other current spending by central government, including spending on the delivery of public services, was 10.4% higher in November 2010 than in November 2009. Expenditure between April and November 2010 was 3.6% higher than in the same months of 2009. Last month’s OBR forecast implies that this spending will be 3.5% up on last year’s levels over the whole year and 4.7% up over the period from November 2010 to March 2011.
In November 2010 public sector net investment was £3.4bn, the same as was spent in November 2009. So far in 2010–11, a total of £21.4bn has been spent on public sector net investment, compared to the £21.7bn that had been spent by the same point in 2009–10. Last month the OBR predicted that net investment in 2010–11 would be £42.6bn, which is 5% below last year’s level.

Further information and contacts

For further information on today’s public finance release please contact: Rowena Crawford, Carl Emmerson or Gemma Tetlow on 020 7291 4800, or email rowena_c@ifs.org.uk, carl_e@ifs.org.uk or g.tetlow@ifs.org.uk.

Next month's public finances release is due to be published on Friday 21st January 2011.

The IFS Green Budget – analysing the issues and challenges facing George Osborne as he prepares for the coalition government’s spring Budget – will be launched at the British Museum on Wednesday 2nd February 2011. The 2011 Green Budget will be produced in collaboration with Barclays Capital and Barclays Wealth. For more details see http://www.ifs.org.uk/events/637.

Relevant links:

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


The Office for Budget Responsibility’s Economic and Fiscal Outlook – November 2010 can be found at http://budgetresponsibility.independent.gov.uk/econ-fiscal-outlook.html


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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.