IFS analysis of today’s public finance figures

Today the Office for National Statistics and HM Treasury published Public Sector Finances January 2011. We now have details of central government receipts, central government spending, public sector net investment, borrowing and debt for the first ten months of financial year 2010–11.

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

“Today’s figures show that last month’s receipts of taxes on income and profits were sharply up from the low level received in January 2010. This was more than sufficient to offset the continued weaker-than-expected growth in VAT receipts that were perhaps depressed by December’s snow. Spending grew in line with the Office for Budget Responsibility’s latest forecast, with high growth in central government spending on the delivery of public services being offset by low growth in benefit spending.

In the November 2010 Economic and Fiscal Outlook the OBR forecast that borrowing over the whole of 2010–11 would be £148.5 billion, whereas earlier this month our IFS Green Budget forecast was for a similar level of borrowing at £145.6 billion. A mechanical extrapolation of the data on borrowing over the last ten months suggest that borrowing is on course to come in at around £139 billion. This would be below both the OBR and our Green Budget forecast, although it is important to bear in mind that borrowing over the next two months might not follow the pattern seen over the previous ten.

Were borrowing to come in lower than the OBR forecast—which it might not—the Chancellor would no doubt be pleased. But the level of borrowing seen in 2010–11 would still be the second highest since the Second World War surpassed only by the amount borrowed in 2009–10. Given the uncertainty over borrowing going forwards, and the store that Mr Osborne has set by his fiscal consolidation plan, he might best be advised to bank any improvement in the public finances in next month's Budget rather than engage in significant net giveaways.”

Headline Comparisons

- Central government current receipts in January were 12.4% higher than in the same month last year. The Office for Budget Responsibility's (OBR) Economic and Fiscal Outlook forecast an increase in receipts relative to last year’s levels of 8.9% for the year as a whole and of 8.9% for the period from November 2010 to March 2011. The latest figures show an increase relative to last year’s level of 8.4% for the year to date, with an 7.2% increase between November 2010 and January 2011 compared to the same three months last year.

- Central government current spending in January was 4.3% higher than in the same month last year. 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. The latest figures show an increase relative to last year's level of 6% for the year to date, with an increase of 5.7% between November 2010 and January 2011 compared to the same three months last year.

- **Public sector net investment** in January was £4.7bn, compared to £5.4bn spent in January 2010. Together, public sector net investment over the first ten months of this financial year has been £28.1bn, which is 20.8% lower than in the same months of 2009–10. The OBR's latest forecast was that net investment in 2010–11 would be £42.3bn, which is 9.4% below last year's level.

**What would happen if these trends continued?**

- Public sector net borrowing during the first ten months of 2010–11 was £113.0bn, which is 11.1% lower than the amount borrowed during the same period last year. If this were to continue for the remaining two months of this financial year, borrowing for the whole of financial year 2010–11 would be about £139bn. This is below the £148.5bn forecast by the OBR in its November 2010 Economic and Fiscal Outlook and the £145.6bn forecast in the February 2011 IFS Green Budget. In practice borrowing over the next two months might not follow the path implied by the last ten: 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**

Information is now available for the first ten months of financial year 2010–11. Figures for receipts and spending in January 2011 show:

**Central government current receipts**

Accrued receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for January 2011 were 15.3% higher than in the same month last year. The latest OBR forecasts imply that the receipts from these taxes will be 2.4% up on last year's levels over the whole year and 2.6% up over the period from November 2010 to March 2011. Together, the receipts for these taxes during the first ten months of 2010–11 were 4.0% higher than those for the same months of 2009–10, while receipts for the period November 2010 to January 2011 were 7.5% higher than over the same period in 2009–10.

Cash Corporation Tax receipts for January 2011 were 13.2% higher than the same month last year. The latest 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. Corporation Tax receipts during the first ten months of 2010–11 were 19.1% higher than in the same months of 2009–10, while receipts for November 2010 to January 2011 were 2.1% higher than the same three months of 2009–10.

Accrued receipts of VAT in January 2011 were 8.4% higher than the same month last year. The latest OBR forecasts imply that the receipts from this tax will be 17.8% up on last year’s levels over the whole year and 13.1% up over the period from November 2010 to March 2011. Today's figures show that accrued VAT receipts during the first ten months of 2010–11 were 15.4% higher than those for the first ten months of 2009–10, while receipts for
November 2010 to January 2011 were 11.5% higher than the same months last year.

Central government current spending

Expenditure on net social benefits was 1.6% higher in January 2011 than in January 2010. Expenditure during the first ten months of 2010–11 was 3.9% higher than in the same months of 2009–10, while spending in November 2010 to January 2011 was 4.0% higher than in the same three months of 2009–10. The latest OBR forecast implies that this spending will be 3.7% up on last year’s levels over the whole year and 3.7% up over the period from November 2010 to March 2011.

Spending on debt interest was £4.0bn in January 2011, around the same level as in January 2010. Total spending on debt interest over the first ten months of 2010–11 was £36.7bn. The latest OBR forecast was 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 5.5% higher in January 2011 than in January 2010. The latest OBR forecast implied that this spending will be 3.5% up on last year’s levels over the whole year and 3.9% up over the period from November 2010 to March 2011. Expenditure during the first ten months of 2010–11 was 3.8% higher than in the same months of 2009–10, while spending in November 2010 to January 2011 was 5.4% higher than in the same three months of 2009–10.

In January 2011 public sector net investment was £4.7bn, £0.7bn lower than was spent in January 2010. So far in 2010–11, a total of £28.1bn has been spent on public sector net investment, compared to the £35.4bn that had been spent by the same point in 2009–10. The latest OBR forecasts predicted that net investment in 2010–11 would be £42.3bn, which is 9.4% below last year’s level.

Further information and contacts

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

Next month’s public finances release is due to be published on Tuesday 22nd March 2011.

The Budget will take place on Wednesday 23rd March. IFS will hold a briefing the following day to present our analysis of the Budget. This briefing will be held at 12:30pm on Thursday 24th March (http://www.ifs.org.uk/events/650). If you would like to attend this event, please contact our conference organiser Bonnie Brimstone (bbrimstone@ifs.org.uk). Slides will be available after the event from the IFS website.

Relevant links:

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

IFS Green Budget, February 2011, containing in-depth public finance analysis, can be found at: [http://www.ifs.org.uk/publications/5460](http://www.ifs.org.uk/publications/5460)

Useful links and background information on Budget 2011 can be found at: [http://www.ifs.org.uk/projects/347](http://www.ifs.org.uk/projects/347)

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](http://budgetresponsibility.independent.gov.uk/econ-fiscal-outlook.html)

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