Press Release
The Institute for Fiscal Studies

IFS analysis of today’s public finance figures

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

Headline Comparisons

- **Central government current receipts** are 5.6% up on the first 3 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 8.2% up on the first 3 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 180.8% up on the first 3 months of last year. The Budget 2003 forecast for 2003-04 implies an increase of 67.2% for the year as a whole.

- **Public sector net debt** has risen from 31.1% of GDP in May 2003 to 31.9% of GDP in June 2003, the highest figure since December 2000.

Further Analysis

With information available for only the first three 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 June 2003 show:

**Central government current receipts** came in 4.5% higher in June 2003 than in the same month in 2002. This is below the increase for the whole of 200304 implied by the April 2003 Budget. Within this total, revenues from income tax and social security contributions for this year have come in lower than the Budget forecast for the year as a whole while receipts from VAT have come in slightly higher. The increase in corporation tax receipts for the year to date is lower than that implied by April 2003 Budget forecast for the year as a whole. The underlying picture will be clearer next month when the second large instalment for corporation tax this year is due.

**Central government current spending** was 11.7% higher in June than in the same month in 2002, higher than the increase implied by the Budget forecast for the whole year. Expenditure on net social benefits and interest payments is currently running below the Budget forecast. Other current spending by central government, including spending on the delivery of public services, was 17.6% higher in June 2003 than in June 2002. This brings the cumulative growth in this component of central government expenditure in the three months so far this year up to 13.0%, higher than the 7.4% that the Budget forecast now implies.
In June 2003, public sector net investment was 0.7bn compared to just 0.1bn in the same month in 2002. Cumulatively, in the first three months of this financial year 3.1bn of public sector net investment has been undertaken (compared with 1.1bn in the same three months last year).

Christine Frayne, a senior research economist at the IFS, said: "The government's current budget is not yet showing the improvement Gordon Brown was looking for in April's Budget, with borrowing up on the same three months last year rather than shrinking as he had forecast for the year as a whole. Central government spending is rising more quickly than the Chancellor forecast for the year as a whole, while tax receipts are growing more slowly. But with only a quarter of the financial year elapsed it is still early days.

“Even if the current pattern persists, the Chancellor still appears on course to meet his "golden rule"over the current economic cycle. But it is important to be forward looking. We fear the Chancellor's medium-term forecasts may be too optimistic, even if the economy bounces back as sharply as he expects. If so, further tax increases would then 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, let alone to provide any extra money he might be seeking for next year's spending review.

“Within the spending totals, the government will be pleased to see the robust growth in public sector net investment, which is well above last year's levels. In recent years the government has found it difficult to deliver the investment spending it has planned.”

Further information and contacts
For further information on today’s public finance release please contact: Chris Frayne or Robert Chote on 020 7291 4800, or email cfrayne@ifs.org.uk or rchote@ifs.org.uk.

Relevant links:
Useful links and background information on the Budget can be found at http://www.ifs.org.uk/budgetindex.shtml

This, and previous editions of this press release, can be downloaded from http://www.ifs.org.uk/press/pub_fin.shtml

Office for National Statistics & HM Treasury, Public Sector Finances, April 2003:

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

*** Ends ***

Notes
1. Central government current spending includes depreciation.
2. Where possible we compare figures on an accruals basis with the HM Treasury forecast.