

Press Release

IFS analysis of today's public finance figures

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

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

“Last month's Budget forecast that public sector borrowing this financial year would total £149 billion – slightly less than was borrowed last year. Today's figures show that growth in central government current spending so far this year has been in line with the forecasts from last month's Budget, while central government revenues have been growing slightly more quickly than forecast for the year as a whole. This will be somewhat reassuring news for George Osborne as he faces the challenge this summer of allocating limited government spending over the next four years to individual departments.”

Headline Comparisons

- **Central government current receipts** in June were 4.0% higher than in the same month last year. Receipts between April and June 2010 were 7.8% 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 June was 4.6% higher than in the same month last year. Spending between April and June 2010 was 5.6% 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 June was £1.9bn compared to £2.8bn in the same month last year. Together, public sector net investment between April and June 2009 has been £5.7bn, which is 3.6% lower than in the same three months of 2009. The June Budget predicted that net investment in 2010–11 would be £38.9bn, which is 12.6% below last year's level.

Further Analysis

Last month the new Chancellor, George Osborne, set out the coalition government's plans for reducing government borrowing and the new Office for Budget Responsibility (OBR) published its forecasts for revenues, spending and borrowing on the basis of these plans. The analysis below compares the growth in individual components of receipts and spending so far this financial year with that forecast for the year as a whole by the OBR in its June 2010 Budget forecast.

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

Central government current receipts

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for June 2010 were 1.8% lower than in the same month last year. Together, the receipts for these taxes during the first three months of 2010–11 were 6.0% higher than those for the first three months of 2009–10. The June Budget forecasts imply that these taxes' receipts will increase by 3.5% over the whole of 2010–11.

VAT receipts in June 2010 were 19.4% higher than the same month last year. Together, the VAT receipts during the first three months of 2010–11 were 23.5% higher than those for the first three 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.

Corporation Tax receipts for June 2010 were 11.0% higher than the same month last year. Corporation Tax receipts between April and June 2010 were 12.8% higher than in the same months of 2009. The June Budget forecast implies that Corporation Tax receipts will increase by 19.0% over the whole of 2010–11.

Central government current spending

Expenditure on net social benefits was 3.6% higher in June 2010 than in June 2009. Expenditure between April and June 2010 was 3.5% 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 £3.8bn in June 2010, £2.1bn higher than in June 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 1.2% lower in June 2010 than in June 2009. Expenditure between April and June 2010 was 2.7% 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 June 2010, public sector net investment was £1.9bn compared to £2.8bn in the same month in 2009. So far in 2010–11, a total of £5.7bn has been spent on public sector net investment, compared to the £5.9bn 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 12.6% below last year's level.

Further information and contacts

For further information on today's public finance release please contact: Robert Chote, Rowena Crawford, or Gemma Tetlow on 020 7291 4800, or email rchote@ifs.org.uk, rowena_c@ifs.org.uk, or gtetlow@ifs.org.uk.

Next month's public finances release is due to be published on Thursday 19th August.

Relevant links:

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

Office for National Statistics & HM Treasury, Public Sector Finances, June 2010: <http://www.statistics.gov.uk/pfdir/psf0710.pdf>

HM Treasury, June 2010 Budget: http://www.hm-treasury.gov.uk/2010_june_budget.htm

Useful links and analysis of the June Budget 2010 can be found at: <http://www.ifs.org.uk/projects/330>

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

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.