Today, the Office for National Statistics and HM Treasury published *Public Sector Finances February 2003*. We now have details of central government receipts, central government spending, public sector net investment, borrowing and debt for the first eleven months of the financial year 2002–03.

**Headline Comparisons**

- **Central government current receipts** are 1.5% up on the first 11 months of last year. The November 2002 Pre-Budget Report (PBR) forecast for 2002–03 implies an increase of 2.2% for the year as a whole.

- **Central government current spending** is 7.4% up on the first 11 months of last year. The PBR forecast for 2002–03 implies an increase of 6.8% for the year as a whole.

- **Public sector net investment** is 35.5% up on the first 11 months of last year. The PBR forecast for 2002–03 implies an increase of 53.9% for the year as a whole.

**Further Analysis**

**Central government current receipts** came in (3.3%) higher in February 2003 than in the same month last year. The biggest three taxes – income tax, social security contributions and VAT – came in 4.5%, 1.9% and 6.2% higher than in the same month last year respectively. Despite February’s figures, with just one month of the financial year to go, receipts look likely to undershoot the Treasury’s PBR forecast.

**Central government current spending** was (11.1%) higher in February than in the same month last year. Central government current spending over the year so far is higher than forecast. Expenditure on net social benefits is in line with the PBR forecast while spending on debt interest and dividends is lower than the PBR anticipates. Other current spending by central government, including spending on the delivery of public services, was 13.8% higher in February 2003 than in February 2002. This brings the cumulative growth in this component of central government expenditure in the eleven months so far this year up to 9.7%, higher than the 8.6% that the PBR implies.

The numbers released today reveal substantial revisions to **public sector net investment** (for more details see [http://www.statistics.gov.uk/pdfdir/psfbrief0303.pdf](http://www.statistics.gov.uk/pdfdir/psfbrief0303.pdf)). As a result the four months from October 2002 to January 2003 now score £1.6bn more PSNI than the data suggested one month ago. In February 2003, PSNI was £2.2bn compared to £1.3bn in the same month last year. Total PSNI in the eleven months of this financial year stands at £9.9bn compared to the Treasury’s PBR forecast for the year as a whole of £14.3bn. In order for this target to be met, an additional £4.4bn of PSNI need to be undertaken in March 2003 – the corresponding figure for March 2002 was £2.0bn.
Carl Emmerson, a programme director at the IFS said: “February’s figures reveal continued strong growth in current spending on public services, and a sharp increase in public sector investment spending, albeit from an historically low level. In terms of the Government’s aspirations to deliver world class public services this is good news for the Chancellor. However, receipts look increasing likely to underperform the Treasury’s forecasts and as a result borrowing in 2002–03 is likely to be higher than anticipated by the Treasury. Whether further tax increases will be required to pay for the Government’s pledged spending increases will depend more on whether receipts recover in the medium term, as the Treasury expects, or if the growth is less strong, as, for example, forecast in the recent IFS Green Budget.”

When interpreting today’s figures, it should be noted that there is a large margin of error in any public finance forecast.

Further information and contacts
For more information of the medium term outlook, along with IFS forecasts see the IFS 2003 Green Budget at http://www.ifs.org.uk/gbfiles/gb2003.shtml.

The 2003 Budget will be on the 9th April. Useful links and background information can be found at http://www.ifs.org.uk/budgetindex.shtml. In addition IFS will be holding a press briefing the day after the Budget – for further information contact Emma Hyman on 020 7291 4800.

For further information on today’s public finance release please contact: Robert Chote, Carl Emmerson or Christine Frayne on 020 7291 4800, or send an email to rchote@ifs.org.uk, cemmerson@ifs.org.uk or cfrayne@ifs.org.uk.

Relevant links:
Office for National Statistics & HM Treasury, Public Sector Finances, March 2003:

HM Treasury, Pre-Budget Report 2002:
http://www.hm-treasury.gov.uk/Pre_Budget_Report/prebud_pbr02/prebud_pbr02_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:
Central government current spending includes depreciation.

Where possible we compare figures on an accruals basis with the HM Treasury forecast. However when looking at individual taxes comparisons are only possible on a cash basis since the Treasury only publishes forecasts for individual taxes in this way.