Press Release

IFS analysis of today’s public finance figures

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

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

“Today’s figures suggest that, if borrowing continues to grow at the same rate in March as it has over the last eleven months, the Government would be on course to borrow £7 billion less this financial year than was forecast by the Office for Budget Responsibility last November. The level of borrowing seen in 2010–11 is, however, already the second highest since the Second World War, surpassed only by the amount borrowed in 2009–10.

The potential lower total borrowing appears to be driven by local authorities and public corporations borrowing less so far this year to finance their day-to-day expenditure, coupled with a larger than forecast cut in public sector net investment. In contrast, central government receipts have grown less quickly, and central government current spending more quickly, than was forecast last November for the year as a whole.

The possibility of a lower deficit, in spite of lower than forecast economic growth, could mean that the OBR will tomorrow improve their estimate of the underlying strength of the public finances in the current year. However, given the origins of the potential lower borrowing, this may well not feed through into a significantly stronger outlook for the underlying position in future years.

Therefore, Mr Osborne might not have much new scope for significant permanent net giveaways in his Budget tomorrow, and indeed given the uncertainty over borrowing going forwards and the store that he has set by his fiscal consolidation plan, he might best be advised simply to bank any improvement in the public finances.”

Headline Comparisons

- **Central government current receipts** in February were 0.9% lower 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 7.7% for the year to date, with a 5.7% increase between November 2010 and February 2011 compared to the same four months last year.

- **Central government current spending** in February was 4.6% 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
4.2% for the period from November 2010 to March 2011. The latest figures show an increase relative to last year's level of 5.9% for the year to date, with an increase of 5.1% between November 2010 and February 2011 compared to the same four months last year.

- **Public sector net investment** in February was £5.2bn, compared to £5.8bn spent in February 2010. Together, public sector net investment over the first eleven months of this financial year has been £32.7bn, which is 20% 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 7% below last year’s level.

**What would happen if the trend in borrowing continued in March?**

- Public sector net borrowing during the first eleven months of 2010–11 was £123.5bn, which is 9.6% lower than the amount borrowed during the same period last year. If this were to continue in the final month of this financial year, borrowing for the whole of financial year 2010–11 would be about £141bn. 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. However, borrowing may not follow the same path as last year; it is still plausible that borrowing could end up above what we and the OBR have most recently forecast.

**Further Analysis**

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

**Central government current receipts**

Accrued receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for February 2011 were 6.6% lower 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 eleven months of 2010–11 were 3.1% higher than those for the same months of 2009–10, while receipts for the period November 2010 to February 2011 were 4.2% higher than over the same period in 2009–10.

Accrued receipts of VAT in February 2011 were 17.3% 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 10.5% up over the period from November 2010 to March 2011. Today’s figures show that accrued VAT receipts during the first eleven months of 2010–11 were 15.9% higher than those for the first eleven months of 2009–10, while receipts for November 2010 to February 2011 were 13.9% higher than the same months last year.

Cash Corporation Tax receipts for February 2011 were 22.9% lower 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 eleven months of 2010–11 were 17.3% higher than in the same months of 2009–10, while receipts for November 2010 to February 2011 were 0.7% lower than the same four months of 2009–10.
Central government current spending

Expenditure on net social benefits was 3.7% higher in February 2011 than in February 2010. Expenditure during the first eleven months of 2010–11 was 3.7% higher in the same months of 2009–10, while spending in November 2010 to February 2011 was 3.6% higher than in the same four months of 2009–10. The latest OBR forecast implies that this spending will be 3.9% up on last year’s levels over the whole year and 4.1% up over the period from November 2010 to March 2011.

Spending on debt interest was £4.0bn in February 2011, £0.4bn more than was spent in February 2010. Total spending on debt interest over the first eleven months of 2010–11 was £40.8bn. The OBR forecast in November 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 4.2% higher in February 2011 than in February 2010. The latest OBR forecast implied that this spending will be 3.5% up on last year’s levels over the whole year and 3.6% up over the period from November 2010 to March 2011. Expenditure during the first eleven months of 2010–11 was 3.8% higher than in the same months of 2009–10, while spending in November 2010 to February 2011 was 4.5% higher than in the same four months of 2009–10.

In February 2011 public sector net investment was £5.2bn, £0.6bn lower than was spent in February 2010. So far in 2010–11, a total of £32.7bn has been spent on public sector net investment, compared to the £41.0bn that had been spent by the same point in 2009–10. The OBR forecast published in November last year predicted that net investment in 2010–11 would be £42.3bn, which is 7% 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, g.tetlow@ifs.org.uk.

Next month’s public finances release is due to be published on Thursday 21st April 2011.

The Chancellor will announce his Budget tomorrow. IFS will hold a briefing on Thursday 24th March to present our analysis of the Budget. This briefing will be held at 12:30pm (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


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

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.