Press Release

IFS analysis of today’s public finance figures

Today the Office for National Statistics and HM Treasury published Public Sector Finances February 2012. 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 2011–12.

Rowena Crawford, a Research Economist at the IFS said:

“As the Chancellor puts the finishing touches on his Budget speech he will doubtless be disappointed by today’s public finance figures. A month ago official figures suggested that tax revenues were growing less quickly than had been forecast by the OBR for the year as a whole but this was more than offset by lower-than-forecast growth in spending. However, today’s figures (which the Chancellor will have seen yesterday) show that in February there was a fall in receipts of taxes on incomes, and a sharp rise in spending on welfare benefits and central government spending on the administration and delivery of public services, relative to the same month last year. This has weakened the picture for the year but leaves borrowing over the first eleven months of 2011−12 running in line with the OBR’s November forecast for the year as a whole of £127 billion, rather than below as it appeared to be a month ago. The latest OBR forecasts will be published this afternoon. More important for the Chancellor than projected borrowing this year is whether the OBR judges that the medium term outlook for public finances has changed significantly.”

Headline Comparisons

- **Central government current receipts** in February were 2.7% lower than in the same month last year. The Office for Budget Responsibility’s (OBR) latest Economic and Fiscal Outlook, published in November 2011, forecast an increase in receipts relative to last year’s levels of 5.0% for the year as a whole and of 5.8% for the period from November 2011 to March 2012. The latest figures show an increase relative to last year’s level of 3.9% for the year to date, with a 3.0% increase between November 2011 and February 2012 compared to the same four months last year.

- **Central government current spending** in February was 8.3% higher than in the same month last year. The latest figures show an increase relative to last year’s level of 1.8% for the year to date, with an increase of 1.5% between November 2011 and February 2012 compared to the same four months of 2010–11. The OBR’s latest forecast implies an increase relative to last year’s level of 3.2% for the year as a whole and of 4.8% for the period from November 2011 to March 2012.

- **Public sector net investment** in February was £4.1bn, £0.4bn lower than was spent in February 2011. Public sector net investment between April 2011 and February 2012 was £22.0bn, which is 28% lower than in the same eleven months of 2010–11. The OBR’s latest forecast was that
What would happen if these trends continued?

- Public sector net borrowing during the first 11 months of 2011–12 was £110.0bn, which is 7.5% lower than the amount borrowed during the same period last year. If borrowing in March 2012 were also 7.5% below borrowing in March 2011, borrowing for the whole of financial year 2011–12 would be about the £127bn forecast by the OBR in its November 2011 Economic and Fiscal Outlook.

- At 12.30pm today the Chancellor will deliver his Budget statement and present the OBR’s updated estimate for borrowing this year.

Further Analysis

Information is now available for the first eleven months of financial year 2011–12. Figures for receipts and spending in February 2012 show:

**Central government current receipts**

Accrued receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for February 2012 were 7.6% lower than in the same month last year. The OBR’s November 2011 forecasts imply that the receipts from these taxes will be 3.5% up on last year’s levels over the whole year and 4.1% up over the period from November 2011 to March 2012. Together, the receipts for these taxes during the first eleven months of 2011–12 were 1.7% higher than those for the same months of 2010–11, while receipts for the period November 2011 to February 2012 were just 0.1% higher than over the same period in 2010–11.

Accrued receipts of VAT in February 2012 were 2.6% higher than the same month last year. Together, accrued VAT receipts during the first eleven months of 2011–12 were 13.8% higher than those for the first eleven months of 2010–11, while receipts for November 2011 to February 2012 were 7.8% higher than the same four months of 2010–11. The OBR’s November 2011 forecasts imply that the receipts from this tax will be 11.8% up on last year’s levels over the whole year and 4.6% up over the period from November 2011 to March 2012.

Cash Corporation Tax receipts for February 2012 were 7.4% lower than in the same month last year, however February is a relatively unimportant month for these receipts. The OBR’s November 2011 forecasts imply that the receipts from this tax will be 2.6% up on last year’s levels over the whole year and 8.8% up over the period from November 2011 to March 2012. Corporation Tax receipts during the first 11 months of 2011–12 were 2.0% higher than in the same months of 2010–11, while receipts for November 2011 to February 2012 were 7.6% higher than the same four months of 2010–11.

**Central government current spending**

Expenditure on net social benefits was 11.2% higher in February 2012 than in February 2011. Expenditure during the first eleven months of 2011–12 was 4.7% higher than in the same months of 2010–11, while spending in November 2011 to February 2012 was 4.0% higher than in the same four months of 2010–11. The latest OBR forecast implies that this spending will be 5.2% up on last year’s levels over the whole year and 5.3% up over the period from November 2011 to March 2012.
Spending on debt interest was £3.9bn in February 2012, £0.1bn lower than in February 2011. Total spending on debt interest between April 2011 and February 2012 was £45.9bn. In November 2011, the OBR forecast that total debt interest spending by central government in 2011–12 would be £47.6bn.

Other current spending by central government, including spending on the delivery of public services, was 8.5% higher in February 2012 than in February 2011. Expenditure between April 2011 and February 2012 was 0.9% lower than in the same months of 2010–11, while spending between November 2011 and February 2012 was 0.6% lower than the same months in 2010–11. The OBR’s November 2011 forecast implies that this spending will be 1.4% up on last year’s levels over the whole year and 4.6% up over the period from November 2011 to March 2012.

In February 2012 public sector net investment was £4.1bn, £0.4bn less than was spent in February 2011. So far in 2011–12, a total of £22.0bn has been spent on public sector net investment, compared to the £30.5bn that had been spent by the same point in 2010–11. The latest OBR forecast is that net investment in 2011–12 will be £28.6bn, which is 25% below last year’s level.

Further information and contacts

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

Later today the Chancellor will make his Budget statement. IFS will hold a briefing at 1pm tomorrow (22nd March) to present our analysis of the Budget. If you would like to attend this event, please contact our conference organiser Bonnie Brimstone (bbrimstone@ifs.org.uk). Slides and Paul Johnson's opening remarks will be available after the event from the IFS website.

Next month's public finances release is due to be published on Tuesday 24th April 2012.

Relevant links:

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


The Office for Budget Responsibility's Economic and Fiscal Outlook – November 2011 can be found at http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-november-2011/


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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 Office for Budget Responsibility forecast.