IFS analysis of today’s public finance figures

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

**Headline Comparisons**

- **Public sector surplus on current budget** in 2002–03 is now estimated to be minus £12.0bn (i.e. in deficit), compared to the April 2003 Budget estimate of minus £11.7bn.

- **Public sector net borrowing** in 2002–03 is now estimated to be £23.4bn, compared to the £24.0bn estimate in the Budget.

- **Central government current receipts** in April 2003 were 7.9% up on the same month last year. The Budget forecast for 2003–04 implies an increase of 7.0%.

- **Central government current spending** in April 2003 was 0.9% down on the same month last year. The Budget forecast for 2003–04 implies an increase of 6.1%.

- **Public sector net investment** in April 2003 was 157.5% up on the same month last year. The Budget forecast for 2003–04 implies an increase of 64.7% for the year as a whole.

**Further Analysis**

Both the **public sector surplus on current budget** and **public sector net borrowing** in 2002–03 are now estimated to have been in line with the Treasury’s April 2003 Budget estimate. This was not the case in last month’s press release. This is largely due to a downward revision to central government public service expenditure (by £1.7bn), although central government current receipts are now thought to have come in slightly stronger (£0.5bn) than one month ago.

As we now only have information from one month of the financial year very little can be extrapolated for the coming eleven months. Bearing this in mind the figures for receipts and spending in April 2003 show:

- **Central government current receipts** came in 7.9% higher in April 2003 than in the same month in 2002. This is just below the increase for the whole of 2003–04 implied by the April 2003 Budget. **Central government current spending** was 0.9% lower in April than in the same month in 2003, well below the increase implied by the Budget forecast for the whole year. Expenditure on net social benefits grew in line with the Budget forecast. Other current spending by central government, including spending on the delivery of public services, was lower in April 2003 than in April 2002. In April 2003, **public sector net investment** was £1.6bn compared to £0.6bn in the same month in 2002.
Christine Frayne, a senior research economist at the IFS, said: “Very little can be learned about the likely path of the public finances in 2003–04 from just one month’s data. More interestingly, today’s figures reveal that, as a result of revisions to the data from 2002–03, the Treasury’s Budget estimates for last year were more accurate than was suggested by the previous figures.

We remain concerned that the Chancellor’s medium-term forecasts for tax revenue may be too optimistic, even if the economy bounces back as sharply as he expects. If we are correct, fresh tax increases would be required for the government to be confident that it could continue to meet its fiscal rules with the comfort that the Chancellor has looked for in the past, let alone be able to provide any extra money he might be seeking for next year’s spending review.”

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

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

Relevant links:

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

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Notes:
Central government current spending includes depreciation.

Where possible we compare figures on an accruals basis with the HM Treasury forecast.