Press Release

IFS analysis of today’s public finance figures

Today the Office for National Statistics and HM Treasury published Public Sector Finances April 2011. We now have details of central government receipts, central government spending, public sector net investment, borrowing and debt for the first month of financial year 2011–12 and revised outturns for the whole of financial year 2010–11.

Carl Emmerson, Deputy Director of the IFS, said:

“Today’s figures suggest that the public sector borrowed about £1.5 billion less in 2010–11 than suggested by the provisional outturns published a month ago. This is mainly because of an upward revision to receipts of VAT and national insurance contributions, offset slightly by higher borrowing by local authorities.

Figures for April 2011 suggest that tax receipts have fallen compared to April 2010. But this is more than explained by the £3.5 billion that was received in April 2010 from the temporary Bank Payroll Tax. Stripping this out suggests that growth in receipts in April 2011 was in line with the OBR’s forecast for the year as a whole, with particularly strong receipts of national insurance contributions offsetting growth in corporation tax that was much weaker in April than forecast for the year as a whole.

Spending grew more strongly in April than was forecast by the OBR for the year as a whole in last month’s Budget – this was due to strong growth in welfare payments. However, as this is only the first month of the financial year, these figures on their own give us little clue as to how borrowing will compare to the OBR’s Budget forecasts for the year as a whole.”

Headline Comparisons

- **Public sector current budget** in 2010–11 is now estimated to have been in deficit by £99.5bn compared to the initial estimated outturn published last month of a deficit of £100.9bn and the Office for Budget Responsibility’s (OBR’s) forecast from the March 2011 Budget of a £104.8bn deficit. These figures exclude the impact of temporary financial sector interventions.

- **Public sector net borrowing** in 2010–11 is now estimated to have been £139.4bn compared to the initial estimated outturn published last month of £141.1bn and the OBR’s Budget 2011 forecast of £145.9bn, excluding the impact of temporary financial sector interventions.

- **Public sector net debt** at the end of 2010–11 is now estimated to have been £905.0bn, or 60.0% of national income, fractionally higher than the initial estimated outturn published last month but still fractionally lower than the OBR’s forecast from Budget 2011. These figures exclude the impact of temporary financial sector interventions.
- **Central government current receipts** in April were 0.8% lower than in the same month last year. However, April 2010 figures were flattered by receipts from the temporary Bank Payroll Tax, which today’s release suggests boosted revenues by £3.5bn. Excluding these receipts from the April 2010 figures suggests that underlying receipts grew by 8.0% in April 2011 compared to the same month a year ago. The OBR’s forecast at the time of the March 2011 Budget implied that central government current receipts for the whole of 2011–12 would be 7.1% above 2010–11 levels.

- **Central government current spending** in April was 5.0% higher than in the same month last year. The OBR’s forecast at the time of the March 2011 Budget implied that central government current spending for the whole of 2011–12 would be 3.8% above 2010–11 levels.

- **Public sector net investment** in April was £1.6bn compared to £1.7bn in the same month last year. The OBR’s forecast at the time of the March 2011 Budget predicted that net investment in 2011–12 would be £31.8bn, which is 20.3% below last year’s level.

**Further Analysis**

Little can be inferred or extrapolated about the public finances in 2011–12 from information about only the first month of the financial year. Bearing this in mind, the figures for receipts and spending in April 2011 show:

**Central government current receipts**

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for April 2011 were 5.6% higher than in the same month last year. The forecasts from the March 2011 Budget imply that these taxes’ receipts will grow by 4.1% over the whole of 2011–12.

Cash receipts of Corporation Tax in April 2011 were 7.5% higher than the same month last year. The forecast from the March 2011 Budget implies that Corporation Tax receipts will grow by 14.5% over the whole of 2011–12. April is one of the four months in the year when a substantial proportion of Corporation Tax payments are made.

VAT receipts in April 2011 were 14.7% higher than the same month last year (when the main rate of VAT was 17.5%, rather than 20% as it now is). The forecast from the March 2011 Budget implies that VAT receipts will grow by 16.0% over the whole of 2011–12.

**Central government current spending**

Expenditure on net social benefits was 5.1% higher in April 2011 than in April 2010. The OBR’s Budget forecast implies that central government net social benefit expenditure will grow by 4.2% over 2011–12.

Spending on debt interest (which is relatively small as a share of spending overall) was £4.6bn in April 2011, £1.0bn higher than in April 2010.

Other current spending by central government, including spending on the delivery of public services, was 2.7% higher in April 2011 than in April 2010. The OBR’s Budget forecast implies that this component of spending will grow by 2.7% over the year as a whole.

**Further information and contacts**
For further information on today’s public finance release please contact: Carl Emmerson or Gemma Tetlow on 020 7291 4800, or email cemmerson@ifs.org.uk or gtetlow@ifs.org.uk.

Next month’s public finances release is due to be published on Tuesday 21st June.

Relevant links:

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

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

IFS Green Budget, February 2011, containing in-depth public finance analysis, can be found at: http://www.ifsl.org.uk/publications/5460


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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.