Press Release

IFS analysis of today’s public finance figures

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

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

“A large slice of annual corporation tax revenues is received in October and today’s figures show these were significantly up on the same month last year. Offsetting this good news for the Chancellor is weaker growth in receipts of income tax, National Insurance Contributions and VAT than forecast for the year as a whole by the Office for Budget Responsibility in June.

These are the last set of public finance figures before Robert Chote and his colleagues on the new Budget Responsibility Committee publish the OBR Autumn Forecast on Monday 29th November. The trend for borrowing so far this year is very close to that implied by the OBR’s June forecast for the year as a whole: a simple extrapolation of borrowing so far this year implies it will fall from £156bn last year to £145 billion in 2010–11, whereas the June forecast was that it would fall to £149 billion.”

Headline Comparisons

- **Central government current receipts** in October were 6.8% higher than in the same month last year. Receipts between April and October 2010 were 9.2% higher than in the same months of 2009. The June 2010 Budget implied that central government current receipts for the whole of 2010–11 would be 6.7% higher than 2009–10 levels.

- **Central government current spending** in October was 5.4% higher than in the same month last year. Spending between April and October 2010 was 6.3% higher than in the same months of 2009. The June 2010 Budget implied that central government current spending for the whole of 2010–11 would be 5.6% above 2009–10 levels.

- **Public sector net investment** in October was £3.2bn, the same as was spent in October last. Public sector net investment between April and October 2010 has been £17.8bn, which is 2.9% lower than in the same seven months of 2009. The June Budget predicted that net investment in 2010–11 would be £38.9bn, which is 13.6% below last year’s level.

What would happen if these trends continued?

- Public sector net borrowing during the first seven months of 2010–11 was £81.6bn, which is 6.7% lower than the amount borrowed during the same period last year. If this level of growth in borrowing were to continue for the remaining five months of this financial year, borrowing for the whole of financial year 2010–11 would be about £145bn. This is
very similar to the £149bn forecast by the Office for Budget Responsibility in the June 2010 Budget. In practice there are many reasons why borrowing over the next five months is unlikely to follow the path implied by the last seven: for example accrued receipts of the bank payroll tax are frontloaded whereas the in-year public service cuts announced in May will be back loaded. The former will tend to make the extrapolation of borrowing an underestimate, whereas the latter will tend to make it an overestimate, of what we might expect.

**Further Analysis**

We should be cautious of inferring or extrapolating likely outcomes over the financial year as a whole from information on only the first seven months, particularly as some factors are likely to affect the profile of receipts and spending differently in 2010–11 than in 2009–10. However, bearing this in mind, the figures for receipts and spending in October 2010 show:

**Central government current receipts**

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for October 2010 were 1.9% lower than in the same month last year. Together, the receipts for these taxes during the first seven months of 2010–11 were 4.3% higher than those for the same months of 2009–10. The June Budget forecasts imply that these taxes’ receipts will increase by 3.6% over the whole of 2010–11.

Corporation Tax receipts for October 2010 were 29.0% higher than the same month last year. October is one of four months in the year when a large fraction of Corporation Tax revenues are received. Corporation Tax receipts between April and October 2010 were 28.2% higher than in the same months of 2009. The June Budget forecast implies that Corporation Tax receipts will increase by 18.7% over the whole of 2010–11.

VAT receipts in October 2010 were 8.5% higher than the same month last year. Together, the VAT receipts during the first seven months of 2010–11 were 20.0% higher than those for the first seven months of 2009–10. The June Budget forecast implies that VAT receipts will increase by 15.0% over the whole of 2010–11.

**Central government current spending**

Expenditure on net social benefits was 4.1% higher in October 2010 than in October 2009. Expenditure between April and October 2010 was 3.5% higher than in the same months of 2009. The June Budget forecast implies that central government net social benefit expenditure will grow by 3.1% over 2010–11.

Spending on debt interest was £3.9bn in October 2010, £0.5bn higher than in October 2009. Total spending on debt interest between April and October 2010 was £25.4bn. The June Budget forecast that total debt interest spending by central government in 2010–11 would be £43.3bn.

Other current spending by central government, including spending on the delivery of public services, was 5.0% higher in October 2010 than in October 2009. Expenditure between April and October 2010 was 3.5% higher than in the same months of 2009. The June Budget forecast implies that this component of spending will grow by 3.9% over the year as a whole.

In October 2010 public sector net investment was £3.2bn, the same as was spent in October 2009. So far in 2010–11, a total of £17.8bn has been spent on
public sector net investment, compared to the £18.3bn that had been spent by the same point in 2009–10. The June Budget predicted that net investment in 2010–11 would be £38.9bn, which is 13.6% below last year’s level.

Further information and contacts

For further information on today’s public finance release please contact: Rowena Crawford or Carl Emmerson on 020 7291 4800, or email rowena_c@ifs.org.uk or carl_e@ifs.org.uk.

The Autumn Forecast is due to be published on Monday 29th November. Next month’s public finances release is due to be published on Tuesday 21st December.

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 publications can be found at http://budgetresponsibility.independent.gov.uk/


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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.