Press Release

IFS analysis of today’s public finance figures

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

Gemma Tetlow, a Senior Research Economist at the IFS, said:

“Though tax receipts were higher in August than in the same month a year ago, spending was even higher meaning that the government borrowed more in August this year than last. However, looking at spending and revenues over the whole of the current financial year suggests that tax revenues have grown more quickly so far than was forecast in the June Budget for the year as a whole, while current spending has only grown slightly more quickly. The faster than forecast growth in spending over the year to date has been driven entirely by growth in debt interest spending. Other elements of current spending have, so far this financial year, grown at about the rate that was forecast by the June Budget for the year as a whole.

Tax receipts over the last five months have been inflated somewhat by revenues from the one-off bank payroll tax, which is now thought to have raised £3.5 billion – £1 billion more than was forecast in the June Budget.”

Headline Comparisons

- **Central government current receipts** in August were 6.3% higher than in the same month last year. Receipts between April and August 2010 were 9.0% 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 6.6% higher than 2009–10 levels.

- **Central government current spending** in August was 10.8% higher than in the same month last year. Spending between April and August 2010 was 6.5% 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 August was £2.6bn compared to £3.1bn in the same month last year. Together, public sector net investment between April and August 2010 has been £11.7bn, which is 3.6% higher than in the same five months of 2009. The June Budget predicted that net investment in 2010–11 would be £38.9bn, which is 13% below last year's level.
Further Analysis

Little can be inferred or extrapolated about the public finances in 2010–11 from information about only the first five months of the financial year. Bearing this in mind, the figures for receipts and spending in August 2010 show:

Central government current receipts

Receipts from Income Tax, Capital Gains Tax and National Insurance Contributions for August 2010 were 4.0% higher than in the same month last year. Together, the receipts for these taxes during the first five months of 2010–11 were 5.2% higher than those for the first five months of 2009–10. The June Budget forecasts imply that these taxes’ receipts will increase by 3.6% over the whole of 2010–11.

VAT receipts in August 2010 were 43.6% higher than the same month last year. This continues the trend for strong growth in VAT receipts over the last five months: together, the VAT receipts during the first five months of 2010–11 were 26.7% higher than those for the first five months of 2009–10. The June Budget forecast implies that VAT receipts will increase by 15.0% over the whole of 2010–11. The increase in the main rate of VAT to 20% from 4 January 2011 (announced in the June 2010 Budget) will tend to cause VAT receipts to grow more quickly later this financial year.

Corporation Tax receipts for August 2010 were 116.8% higher than the same month last year. However, only a small fraction of annual payments of Corporation Tax are received in August. Corporation Tax receipts between April and August 2010 were 28.3% 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.

Central government current spending

Expenditure on net social benefits was 5.4% higher in August 2010 than in August 2009. Expenditure between April and August 2010 was 3.3% 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 £3.8bn in August 2010, £2.5bn higher than in August 2009. Total spending on debt interest between April and August 2010 was £19.2bn. 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 5.6% higher in August 2010 than in August 2009. Expenditure between April and August 2010 was 3.2% 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 August 2010, public sector net investment was £2.6bn compared to £3.1bn in the same month in 2009. So far in 2010–11, a total of £11.7bn has been spent on public sector net investment, compared to the £11.3bn 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% 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 gtetlow@ifs.org.uk.

Next month’s public finances release is due to be published on Wednesday 20th October.

On Wednesday 20th October the Chancellor will also set out the governments’ spending plans for the years 2011-12 to 2014-15. IFS will hold a briefing to present our analysis of this report on the following day, Thursday 21st October. This briefing will be held at 12:30pm in the Drill Hall, near our offices in Bloomsbury (http://www.ifs.org.uk/events/617). If you would like to attend this event, please contact our conference organiser Bonnie Brimstone (bbrimstone@ifs.org.uk). Slides and opening remarks will be available after the event from the IFS website.

Relevant links:

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


Useful links and analysis of the June Budget 2010 can be found at: http://www.ifs.org.uk/projects/330


IFS Green Budget, February 2010, containing in-depth public finance analysis, can be found at: http://www.ifs.org.uk/publications/4732

ENDS

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.