Office for
Budget Responsibility

Budget forecast

June 2010

C OBR Budget forecast

C.1 The interim Office for Budget Responsibility's (OBR) Terms of Reference (TOR) require it to produce a forecast at the Budget, incorporating the impact of policy measures announced at or before the Budget, and to make a judgement on whether the Government's policy is consistent with a better than 50 per cent chance of achieving the fiscal mandate set by the Government.

C.2 We have produced a Budget forecast which incorporates the effects of all measures, plus a number of updated assumptions and judgements. Our Budget economic forecast is for GDP to grow by 1.2 per cent in 2010 and 2.3 per cent in 2011, rising to 2.7 to 2.9 per cent in the later years of the forecast.

C.3 Table C1 sets out an overview of our Budget fiscal forecast. The fiscal forecast is for:

- public sector net borrowing (PSNB) to fall from 11.0 per cent of GDP in 2009-10 to 1.1 per cent in 2015-16;
- public sector net debt (PSND) to increase from 53.5 per cent of GDP in 2009-10 to a peak of 70.3 per cent in 2013-14, falling to 69.4 per cent in 2014-15 and 67.4 per cent in 2015-16; and
- the cyclically-adjusted current budget deficit of 5.3 per cent of GDP in 2009-10 to be eliminated by 2014-15 and reach a surplus of 0.8 per cent of GDP in 2015-16.

Table C1: Fiscal forecast overview

	Per cent of GDP							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Surplus on current budget	-3.5	-7.5	-7.5	-5.7	-4.0	-2.3	-0.9	0.0
Public sector net borrowing	6.7	11.0	10.1	7.5	5.5	3.5	2.1	1.1
Public sector net debt[1]	44.0	53.5	61.9	67.2	69.8	70.3	69.4	67.4
Cyclically-adjusted surplus on current budget	-3.1	-5.3	-4.8	-3.2	-1.9	-0.7	0.3	0.8
Cyclically-adjusted net borrowing	6.3	8.7	7.4	5.0	3.4	1.8	0.8	0.3

[1] *Debt at end March; GDP centred on end March.*

C.4 We have continued to illustrate the uncertainty around this central projection using fan charts which are based on past forecast errors. They therefore make no allowance for the possibility that the Budget itself may have reduced the probability of tail events associated with a loss of confidence in the sustainability of the pre-Budget path for fiscal deficits.

C.5 The key policy measures affecting the economic and fiscal forecasts are:

- a policy decision to reduce total spending by an additional £32 billion a year by 2014-15, including debt interest savings;
- an increase in the standard rate of VAT from 17.5 per cent to 20 per cent with effect from 4 January 2011;
- an increase in the employer NICs threshold by £21 per week in addition to indexation from April 2011. The personal tax allowance for under 65s will increase by £1,000 to £7,475 in 2010-11;
- a bank levy based on banks' balance sheets will be introduced from 1 January 2011. It is proposed that the levy will be set at a rate of 0.07 per cent, with a lower initial rate of 0.04 per cent in 2011; and
- a reduction in the main rate of corporation tax from 28 per cent to 24 per cent over four years, with a one per cent reduction from 1 April 2011, and a reduction in capital allowances from 2012, including a reduction in the capital allowance on the general pool of plant and machinery from 20 per cent to 18 per cent in April 2012.

C.6 To incorporate the effects of policy measures on the economic and fiscal forecasts, we have certified the Government's policy costings, which reflect the direct impact of policy changes, and have made judgements as to the indirect effects of policy changes on the economy and public finances.

C.7 The Budget announces the Government's forward-looking fiscal mandate to achieve cyclically-adjusted current balance by the end of the rolling, five-year forecast period. At this Budget, the end of the forecast period is 2015-16.

C.8 The fiscal mandate is supplemented by a target for public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16.

C.9 We judge that the Government's policy is consistent with a greater than 50 per cent chance of achieving the fiscal mandate set for 2015-16. Our forecast also shows that there is a greater than 50 per cent chance of achieving the fiscal mandate in 2014-15, a year ahead of the date set in the Government's mandate.

C.10 We have also assessed the probability of meeting the Government's target for debt. Taken independently, and on the basis of our central forecast, there is a greater than 50 per cent chance of this target being met in 2015-16. There is also a greater than 50 per cent chance of it being met a year early, in 2014-15.

C.11 As noted at the time, the pre-Budget forecast's use of market expectations to derive the path of interest rates probably resulted in an upward bias to that forecast. The market may have been expecting lower interest rates as a result of additional fiscal tightening in the Budget. If that tightening had not occurred then interest rates would probably have been higher and economic activity lower in the pre-Budget forecast. As a result, the pre-Budget forecast does not provide a firm basis for comparison to produce an estimate of the effects of the Budget measures on the economy.

Terms of reference

C.12 This annex sets out the OBR's economic and fiscal forecasts up to 2015-16. They take into account the effects of policy measures announced at or before the Budget on the economy and public finances. We have made or agreed all judgements in the forecasts. There has been no ministerial involvement in the forecast at any stage.

C.13 The Terms of Reference for the interim OBR were agreed with the Chancellor on 8 June 2010. They set out the interim OBR's role for the Budget, which is to publish:

- an updated forecast for the public finances and the economy, incorporating the impact of policy measures announced at the Budget; and
- a judgement on whether the Government's policy is consistent with a better than 50 per cent chance of achieving the Government's fiscal policy mandate.

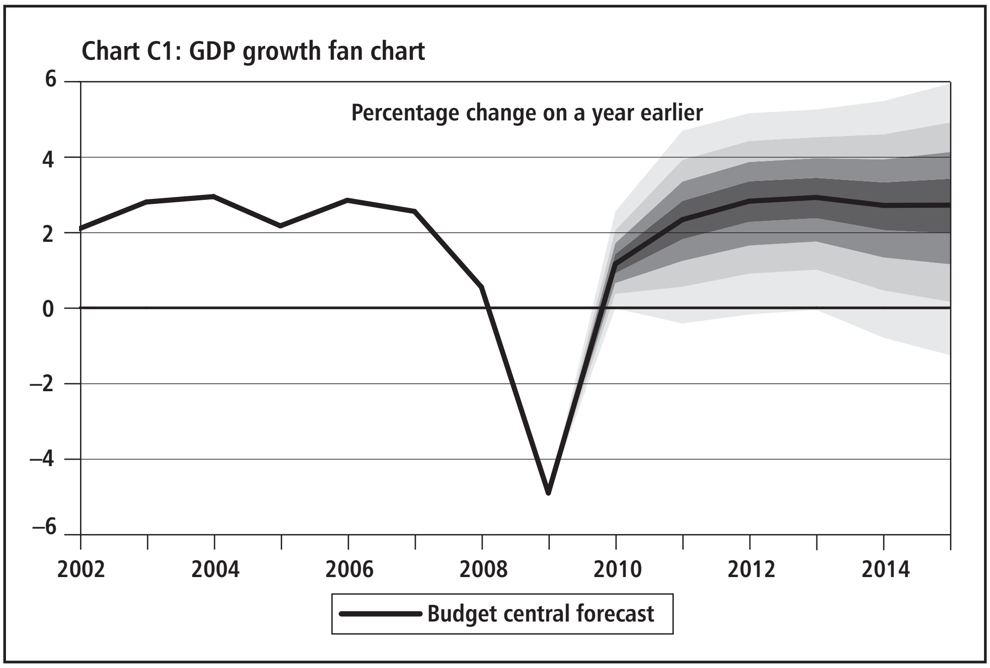
C.14 The TOR also require the interim OBR to provide advice to the Chancellor on the appropriate arrangements for the permanent OBR. We will report on this in the coming weeks, in the light of our reflections on how the interim OBR has operated for this Budget.

The Budget forecast

Economic forecast

C.15 Our central GDP growth forecast to 2015 is shown in black in Chart C1. Pairs of probability bands show the range of risks surrounding the central forecast. Each band represents 10 per cent of the probability distribution.[1] The distribution suggests that the probability of growth in 2010 being within 1 percentage point of our central forecast (i.e. between 0.2 per cent and 2.2 per cent) is 70 per cent. The probability of growth being within 1 percentage point of our central forecast in 2011 (i.e. between 1.3 per cent and 3.3 per cent) falls to below 40 per cent and to around 30 per cent in 2014.

[1] The top and bottom 10 per cent bands are not shown in the chart.



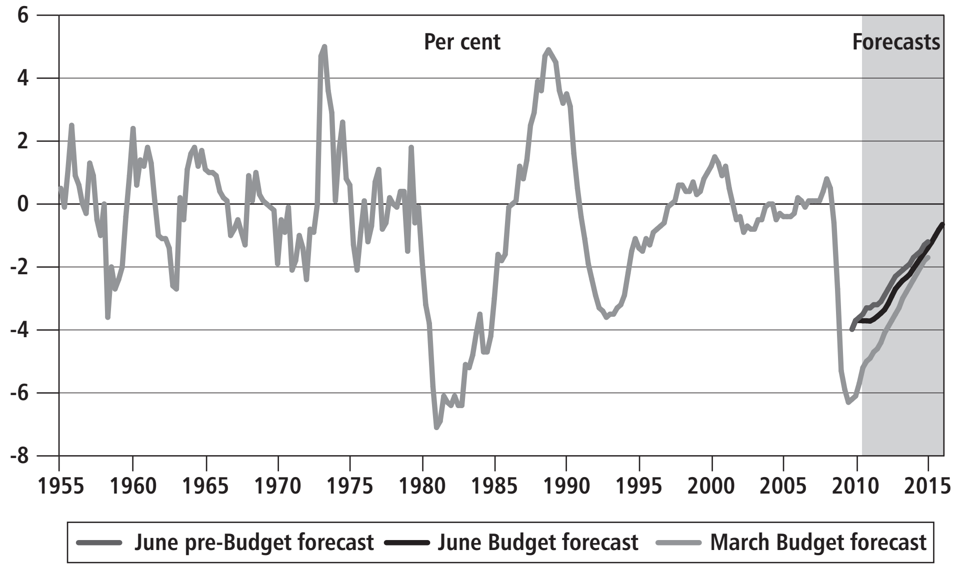
C.16 As discussed in Annex A of the OBR *Pre-Budget forecast* document, the fan chart is based on past errors in Treasury forecasts. We have therefore used the same distribution of errors as in the pre-Budget forecast. No allowance has been made for the possibility that the Budget itself may have reduced the probability of tail events associated with a loss of confidence in the sustainability of the pre-Budget path for fiscal deficits.

GDP growth

C.17 GDP growth rises from 2010, reaching 2.9 per cent in 2013. Growth then eases in 2014 and 2015 as demographic changes reduce the growth of the potential labour supply, though actual growth remains above trend.

C.18 In the near term, economic activity is weaker than in the pre-Budget forecast. On the demand side this reflects Budget measures which restrain government spending and real household disposable income, holding back consumer demand. In 2010 as a whole GDP is forecast to rise by 1.2 per cent followed by 2.3 per cent in 2011 (against 1.3 per cent and 2.6 per cent in the pre-Budget forecast). From 2012 onwards GDP growth recovers as prices and wages adjust and monetary policy continues to support demand. Compared with the pre-Budget forecast, growth is stronger from 2013 onwards as the economy adjusts back towards potential output. By the end of the forecast the adjustment is still not quite complete, so that the output gap is slightly larger in 2014 than it was in the pre-Budget forecast, as shown in Chart C2.

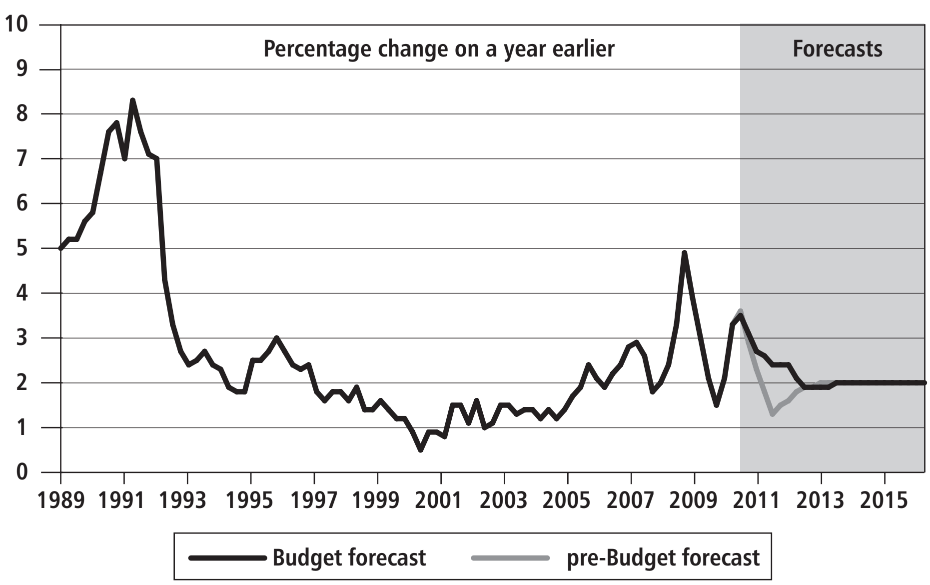
Chart C2: The output gap[1]



[1]Output gap estimates on a quarterly basis, based on the latest National Accounts data and expressed as actual output less trend output as a percentage of trend output (non-oil basis).

Inflation **C.19** CPI inflation stays around 3 per cent in the near term. It then declines more gradually than in the pre-Budget forecast because of the rise in the standard rate of VAT to 20 per cent in January 2011 and the higher oil price assumed in the Budget forecast. Once the short-term effects of the VAT increase have passed through, the larger output gap and cuts in public spending place downward pressure on inflation in line with the pre-Budget forecast. CPI inflation falls back to a little under 2 per cent in early 2012 and then settles at the 2 per cent target over the medium term, as shown in Chart C3.

Chart C3: CPI[1]



[1]Outturns until 2010Q1; forecast for every second quarter from 2010Q2 to 2015Q4.

Labour market **C.20** The decline in employment appears to be coming to an end and we expect a modest recovery in employment in the second half of 2010. Even so, for 2010 as a whole employment is around ½ per cent lower than in 2009. From 2011, as GDP growth gathers momentum and demographic factors boost the population of working age, employment rises more rapidly, reaching 30 million by 2015. In the near term the increase in employment is not enough to offset the rise in the population of working age with the result that the ILO unemployment rate continues to rise, reaching a peak of 8.1 per cent by the end of the year. Thereafter, the more rapid increase in employment is sufficient to lower unemployment, so that the ILO unemployment rate falls to 6 per cent in 2015. Claimant count unemployment continues to fall throughout the forecast period.

C.21 A simple comparison of the two forecasts would show that unemployment is higher, and employment lower, than in the pre-Budget forecast. The differences in the ILO unemployment rate are small initially, reaching a peak of 0.2 percentage points in 2013 before narrowing slightly.

Households **C.22** Wages and salaries growth rises gradually throughout the forecast, reaching 5½ percent in 2014. Consumption growth rises in the forecast to rates of over 2 per cent from 2013, but it remains below the rate of growth of GDP.

C.23 Nominal household disposable incomes are lower than in the pre-Budget forecast. There are positive effects from the personal allowance and NICs threshold changes. But there are offsetting effects, primarily from lower labour income as a result of tightening measures, and reduced transfers. The direct effect on incomes is partially offset by a decline in saving: while the saving ratio remained in a narrow 7¼-7½ per cent range in the pre-Budget forecast, it falls to 5½ per cent by 2015 in the Budget forecast. The level of real consumption is weaker than in the pre-Budget forecast, particularly in 2011 and 2012, as lower household incomes and the rise in VAT reduce household demand.

Companies **C.24** Business investment is forecast to pick up during 2010, though in the year as a whole it rises by only 1½ per cent. The recovery is maintained in 2011, although it takes until 2013 before investment returns to its pre-recession peak. From 2011 onwards business investment rises at rates between 8 and 11 per cent.

C.25 The measures to reform corporation tax, which are estimated to reduce the cost of capital faced by firms by about 3 per cent, should have a positive effect on investment. The introduction of the bank levy may partially offset the fall in the cost of capital should banks pass on some or all of the levy in the form of a higher cost of corporate finance. Even this partial offset is likely to be moderated to the extent that the levy is reflected in lower bank profits and remuneration.

C.26 Business investment growth is higher than in the pre-Budget forecast as the boost from the lower cost of capital feeds through. Business investment also strengthens as resources released from the government sector flow into the private sector. The level of business investment is around 1 per cent higher in 2014 than in the pre-Budget forecast.

C.27 Firms are expected to absorb some of the rise in VAT through lower profit margins and not to pass through the full increase to consumers. As a result, company profits as a share of GDP are lower, by 0.4 percentage points in 2014, than in the pre-Budget forecast.

External sector

C.28 Net trade is forecast to subtract from growth in 2010, as relatively robust import growth outweighs still-sluggish exports. As the recovery in UK export markets strengthens and sterling's past depreciation boosts UK export volumes, net trade is forecast to contribute positively to growth.

C.29 The lower overall level of domestic demand in the Budget forecast feeds through to imports, which are about ½ per cent lower by 2014 than in the pre-Budget forecast. The reduction in imports is slightly less than in domestic demand as a result of the composition of the Budget – business investment (which has a relatively high import content) is higher while public spending (which has a low import content) is reduced.

C.30 The depreciation of sterling has boosted exporters' profits as firms have not passed all of the fall in sterling through to prices. This should encourage existing firms to strive to increase exports and new firms to enter the UK export market and export volumes to rise as a result. The corporate tax measures and release of resources from the government sector should support this supply-side response. By 2014 the volume of exports is about ¾ per cent higher than in the pre-Budget forecast.

C.31 The combination of stronger export and weaker import volumes has a positive effect on the non-oil trade balance. There is a partial offset from the oil account since the Budget forecast is based on a higher oil price than the pre-Budget forecast. Overall, the trade deficit narrows by around £35 billion over the forecast period. The reduction in the current account deficit is rather smaller but it still falls from over £25 billion in 2010 to near-balance in 2015 (that is, from 1¾ per cent of GDP to near zero). The current account deficit is about ¼ per cent of GDP lower than in the pre-Budget forecast in 2014.

Table C2: Detailed summary of central economic forecast[1]

	Percentage change on a year earlier, unless otherwise stated						
		Forecasts					
	2009	2010	2011	2012	2013	2014	2015
World economy							
World GDP at purchasing power parity	-0.8	4.0	4.2	4.5	4.5	4.6	4.6
Euro Area GDP	-4.0	0.7	1.4	1.7	1.9	2.3	2.4
World trade in goods and services	-11.0	6.1	6.2	7.2	7.3	7.3	7.4
UK export markets[2]	-11.5	4.1	4.7	6.4	6.6	6.5	6.4
UK economy							
Gross domestic product (GDP)	-4.9	1.2	2.3	2.8	2.9	2.7	2.7
Expenditure components of GDP							
Domestic demand	-5.3	1.6	1.4	1.9	2.2	2.2	2.3
Household consumption[3]	-3.2	0.2	1.3	1.7	2.1	2.2	2.2
General government consumption	2.2	1.7	-1.1	-2.0	-2.3	-3.0	-2.1
Fixed investment	-14.9	-0.5	3.9	7.9	8.8	8.0	6.9
Business	-19.3	1.4	8.1	10.0	10.9	9.5	8.2
General government	15.7	-4.9	-19.0	-8.5	-6.6	0.6	2.0
Private dwellings	-19.7	-6.5	5.6	8.2	8.5	7.1	6.6
Change in inventories[4]	-1.2	1.2	0.4	0.0	0.0	0.0	0.0
Exports of goods and services[5]	-10.6	4.3	5.5	6.3	6.1	5.9	5.7
Imports of goods and services[5]	-11.9	5.6	2.1	2.7	3.6	4.0	4.2
Balance of payments current account							
£ billion	-18	-25	-28	-22	-15	-9	-2
Per cent of GDP	-1.3	-1.7	-1.8	-1.4	-0.9	-0.5	-0.1
Inflation							
CPI (Q4)	2.1	2.7	2.4	1.9	2.0	2.0	2.0
RPI (Q4)	0.6	3.7	3.2	3.2	3.3	3.4	3.5
Terms of trade[6]	-0.8	-0.9	-2.4	-1.0	-0.1	0.0	0.0
GDP deflator at market prices	1.3	3.2	2.1	2.1	2.6	2.7	2.7
Labour market							
Employment (millions)	29.0	28.8	28.9	29.2	29.5	29.8	30.1
Wages and salaries	-1.0	1.2	2.3	3.1	4.9	5.4	5.4
Average earnings[7]	1.0	2.1	1.9	2.3	3.8	4.4	4.4
ILO unemployment (% rate)	7.6	8.1	8.0	7.6	7.0	6.5	6.1
Claimant count (Q4, millions)	1.6	1.5	1.5	1.4	1.3	1.2	1.1
Household sector							
Real household disposable income	3.2	0.2	1.2	1.3	1.5	1.7	1.8
Saving ratio (level, per cent)	7.0	6.9	6.8	6.4	6.0	5.6	5.4
House prices	-7.8	5.9	1.6	3.9	4.5	4.5	4.5
Nominal indicators							
Nominal GDP	-3.6	4.4	4.4	5.0	5.6	5.4	5.5
Non-oil PNFC profits[8]	-5.1	1.5	9.0	10.1	9.3	7.6	8.7

[1] *All growth rates in this table are rounded to the nearest 1 decimal place. This is not intended to convey a degree of unwarranted accuracy.*

[2] *Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports.*

[3] *Includes households and non-profit institutions serving households.*

[4] *Contribution to GDP growth, percentage points.*

[5] *Trade levels are distorted by MTIC fraud.*

[6] *Ratio of export to import prices.*

[7] *Wages and salaries divided by employees.*

[8] *Private non-oil non-financial corporations' gross trading profits.*

Table C3: Contributions to GDP growth[1]

	Percentage points, unless otherwise stated						
		Forecasts					
	2009	2010	2011	2012	2013	2014	2015
GDP growth, per cent	-4.9	1.2	2.3	2.8	2.9	2.7	2.7
Main contributions							
Private consumption	-2.1	0.2	0.8	1.1	1.3	1.4	1.4
Business investment	-2.1	0.1	0.8	1.0	1.1	1.1	1.0
Dwellings investment[2]	-0.6	-0.2	0.2	0.2	0.3	0.2	0.2
Government[3]	0.8	0.3	-0.7	-0.6	-0.6	-0.6	-0.4
Change in inventories	-1.2	1.2	0.4	0.0	0.0	0.0	0.0
Net trade	0.7	-0.5	0.9	0.9	0.7	0.5	0.5

[1] Components may not sum to total due to rounding, omission of transfer costs of land and existing buildings, and the statistical discrepancy.
[2] The sum of public corporations and private sector investment in new dwellings and improvements to dwellings.
[3] The sum of government consumption and general government investment.

Table C4: Quarterly GDP growth profile

	Percentage change on previous quarter											
						Forecasts						
	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	-2.6	-0.7	-0.3	0.4	0.3	0.6	0.6	0.6	0.5	0.6	0.6	0.7

Fiscal forecast

C.32 In our report published on 14 June 2010 we set out fiscal forecasts based on the policies announced or introduced by the previous Government, our own view of economic prospects, and market expectations of interest rates. Our new forecasts embody the effects of all firm and final policy announcements made by the Government, including the public expenditure cuts announced on 24 May 2010 and the measures announced in this Budget. They do not take account of any proposals whose effects are not quantifiable or where final decisions have yet to be taken.

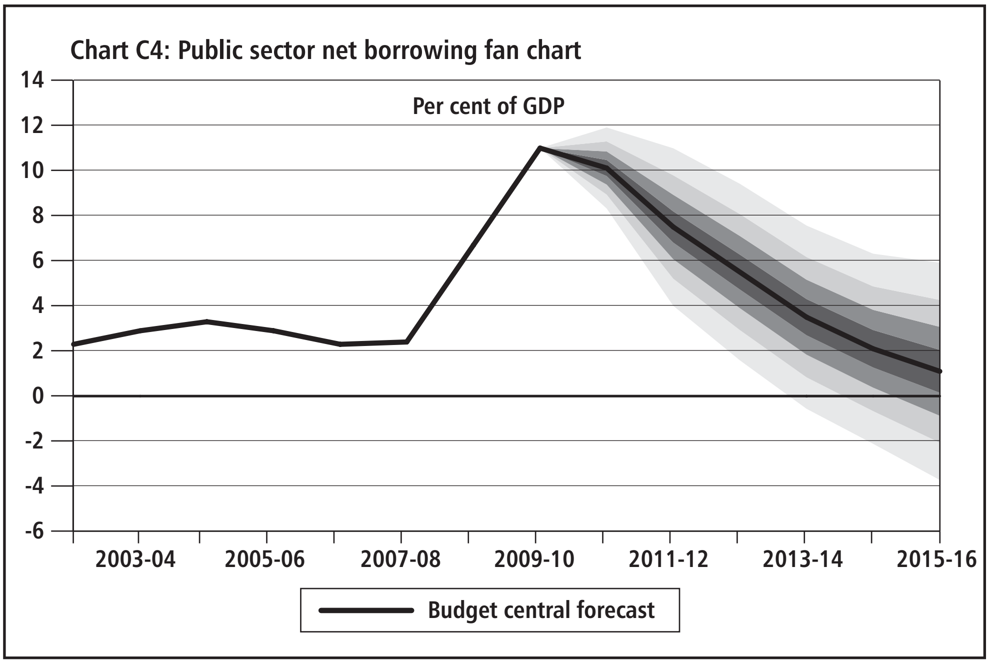
Scorecard costings

C.33 To produce the Budget forecast, the OBR has scrutinised the Government's assessment of the direct cost or yield of Budget policy decisions that affect the economy and public finance forecasts, and has certified that the Government's assessment represents a reasonable and central view given information currently available.[2] The costings have been produced on the basis of our Budget economic forecast. As with all forecasts, these costings are inevitably subject to a degree of uncertainty, particularly where full information from administrative data or supporting research evidence is not available. The behavioural response to the bank levy is particularly uncertain, as is the fiscal impact of the introduction of new benefit rules in housing and disability benefits. We would expect that some Budget policy costings will develop further as new evidence on the impact of policy measures becomes available.

[2] In the case of pensions tax relief, the OBR has included in its forecasts the projected yield from the measure in Finance Act 2010 – a restriction of relief on pension contributions for individuals on high incomes. The OBR has noted that the Chancellor intends to change this legislation and will consider the revised approach in future forecasts.

C.34 The forecast for the public finances set out in this annex is a central view of future prospects. But significant uncertainties apply to all forecasts at all times, and particularly to fiscal forecasts at the present time. The degree of uncertainty increases during the forecast period. We attempt to quantify the range of uncertainty through the use of fan charts. The methodology for this is set out in detail in the *Pre-Budget forecast* document.

C.35 Chart C4 shows our central forecast for PSNB as a share of GDP – the solid black line – and the probability of outcomes deviating from that forecast. The distribution shows that the probability of PSNB in 2010-11 being within one percentage point of the central forecast is around 50 per cent. The probability of PSNB being within one percentage point of the central forecast in 2011-12 falls to around 30 per cent and to around 20 per cent in 2014-15. There is a 50 per cent probability of PSNB being 1.1 per cent of GDP or lower in 2015-16.



Forecast approach and assumptions

C.36 Our fiscal forecast approach is as set out in detail in the *Pre-Budget forecast* document. In particular we have produced a central forecast. This differs from the approach used by the previous Government, under which some assumptions were designed to add caution to the fiscal forecast. Table C5 shows the key determinants of the Budget forecast. The changes to the economy forecast set out above result in revised paths for GDP and its components, prices and claimant count unemployment. We have also updated equity prices, oil prices and interest rates for the Budget forecast. In all other cases, this forecast is based on the same assumptions as in our pre-Budget forecast. The *Pre-Budget forecast* document explains these assumptions and our judgements in detail.

C.37 Our forecasts for expenditure are based on the totals announced by the Government in this Budget. The final allocation between Annually Managed Expenditure (AME) and Departmental Expenditure Limits (DEL) will be decided in the Spending Review. In our forecast, implied levels of DEL are derived by subtracting our forecasts of AME from the announced spending totals. The AME forecasts include the effect of the measures announced in this Budget, but not the effect of any further measures the Government may announce in the Spending Review.

Table C5: Determinants of the fiscal forecast

	Percentage change on a year earlier, unless otherwise specified							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
GDP and its components								
Real GDP	-1.4	-3.7	1.8	2.4	2.9	2.8	2.7	2.7
Nominal GDP (£ billion)[1]	1434	1408	1474	1539	1620	1710	1803	1902
Nominal GDP[1]	1.1	-1.8	4.7	4.4	5.3	5.5	5.4	5.5
Wages and salaries[2]	1.9	-0.6	1.7	2.4	3.5	5.3	5.4	5.4
Non-oil PNFC profits[2, 3]	0.6	-5.1	1.5	9.0	10.1	9.3	7.6	8.7
Consumer spending[2, 3]	4.0	-1.9	4.3	4.3	4.3	4.8	4.9	5.0
Prices and earnings								
GDP deflator	2.5	1.9	2.9	1.9	2.3	2.6	2.7	2.7
RPI (September)[4]	5.0	-1.4	4.2	3.4	3.0	3.2	3.4	3.5
Rossi (September)[5]	6.3	1.8	4.4	3.0	2.4	2.5	2.5	2.5
Whole economy earnings growth	1.8	1.5	2.0	1.9	2.6	4.1	4.4	4.4
Other key fiscal determinants								
Claimant count unemployment (Q4, millions)[6]	1.10	1.62	1.50	1.45	1.37	1.26	1.17	1.08
VAT gap (per cent)	15.3	13.3	12.7	12.6	12.7	12.7	12.7	12.8
Financial and property sectors								
Equity prices (index)[7]	2383	2619	2677	2795	2943	3106	3274	3455
HMRC financial sector profits[1, 3, 8]	-17.0	2.7	8.9	5.5	5.5	6.0	6.0	6.0
Residential property prices[9]	-5.6	-3.0	4.1	2.3	4.2	4.5	4.5	4.5
Residential property transactions[10]	-47.4	14.0	5.2	22.6	17.0	12.1	4.3	1.0
Commercial property prices[11]	-27.3	5.9	6.7	7.8	9.8	6.5	4.7	3.6
Commercial property transactions[10]	-21.0	-17.5	9.0	6.5	4.5	5.4	5.2	4.8
Oil and gas								
Oil prices ($ per barrel)[3]	98	62	78	82	85	87	88	90
Oil production (million tonnes)[3, 12]	71.7	67.8	64.6	61.5	58.2	55.6	52.7	50.1
Gas production (billion therms)[3, 12]	25.5	21.6	20.3	19.3	18.4	17.5	16.8	15.9
Interest rates								
Market short-term interest rates (per cent)[13]	4.6	0.8	1.1	1.8	2.4	3.2	3.8	4.2
Market gilt rates (per cent)[14]	3.8	3.1	3.4	4.0	4.5	4.8	5.0	5.1

[1] Not seasonally adjusted.
[2] Nominal.
[3] Calendar year.
[4] Used for revalorising excise duties in current year and uprating income tax allowances and bands in the following year.
[5] RPI excluding housing costs.
[6] UK seasonally-adjusted claimant count.
[7] FTSE All-share index.
[8] HMRC Gross Case 1 trading profits.
[9] Communities and Local Government (CLG) property prices index.
[10] ONS property transactions series.
[11] Outturn data from HMRC information on stamp duty land tax.
[12] DECC forecasts available at www.og.decc.gov.uk.
[13] 3-month sterling interbank rate (LIBOR).
[14] Weighted average interest rate on conventional gilts.

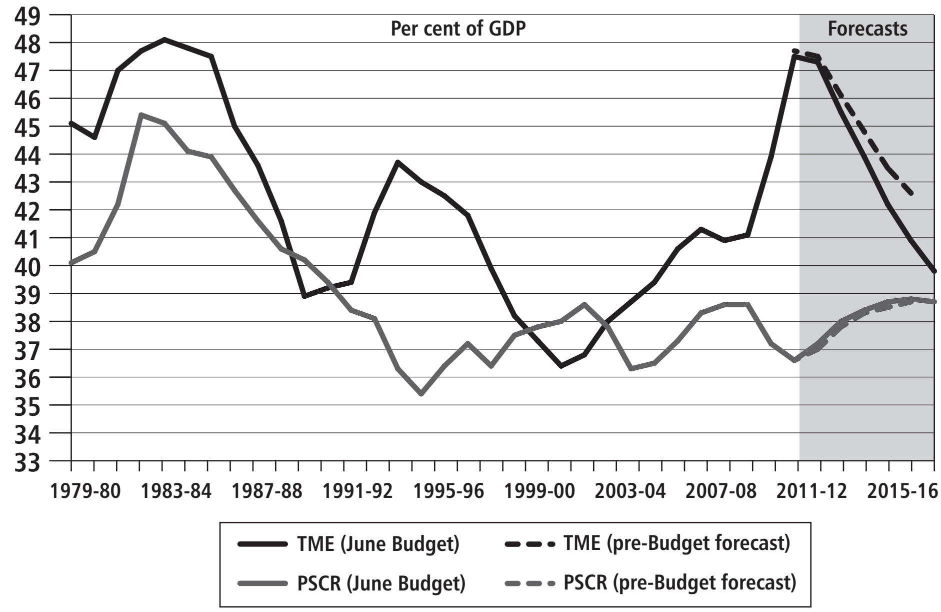
Budget forecast

C.38 The key fiscal aggregates are set out in Table C6 and Table C7. Public sector net borrowing falls from 11.0 per cent of GDP in 2009-10 to 1.1 per cent in 2015-16. The current budget deficit falls from 7.5 per cent of GDP to 0.0 per cent over the same period. Public sector net debt is forecast to rise to a peak of 70.3 per cent of GDP in 2013-14, before falling to 67.4 per cent in 2015-16. The cyclically-adjusted current budget moves from a deficit of 5.3 per cent of GDP in 2009-10 to a surplus of 0.8 per cent in 2015-16.

C.39 The pre-Budget forecast included projections up to 2014-15. To be consistent with the Government's fiscal mandate the Budget forecast includes projections for 2015-16. Total public sector current receipts in 2015-16 fall slightly from 2014-15 as a share of GDP. Rising income tax receipts as a percentage of GDP in 2015-16 are offset by declines in VAT, offshore corporation tax and some excise duties. Offshore corporation tax falls as a share of GDP due to our assumption of declining UK oil and gas production. Fuel duties and vehicle excise duty decline as a percentage of GDP due to assumptions of increased fuel efficiency. VAT declines because of our assumption of rebalanced economic growth with consumption growing more slowly than the economy as a whole.

C.40 Overall Resource AME rises by 2 per cent in real terms in 2015-16. Social security increases by around 1½ per cent in real terms driven primarily by the linking of the Basic State Pension and pension credits to average earnings, and demographic changes. The net cost of public service pensions continues to rise, to £10 billion in 2015-16.

Chart C5: Receipts and expenditure[1]



[1] *Public sector current receipts (PSCR) and Total Managed Expenditure (TME).*

Table C6: Fiscal aggregates

	Per cent of GDP							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Receipts and expenditure								
Public sector current receipts	37.2	36.6	37.2	38.0	38.4	38.7	38.8	38.7
Total managed expenditure	43.9	47.5	47.3	45.5	43.9	42.2	40.9	39.8
Deficit								
Surplus on current budget	-3.5	-7.5	-7.5	-5.7	-4.0	-2.3	-0.9	0.0
Public sector net borrowing	6.7	11.0	10.1	7.5	5.5	3.5	2.1	1.1
Cyclically-adjusted surplus on current budget	-3.1	-5.3	-4.8	-3.2	-1.9	-0.7	0.3	0.8
Cyclically-adjusted net borrowing	6.3	8.7	7.4	5.0	3.4	1.8	0.8	0.3
Financing								
Central government net cash requirement	11.3	14.1	9.9	7.8	5.5	3.8	2.0	1.1
Public sector net cash requirement	4.2	9.6	9.3	7.7	5.6	4.3	2.5	1.5
Sustainability								
Public sector net debt[1]	44.0	53.5	61.9	67.2	69.8	70.3	69.4	67.4
Net worth[2]	22.4	13.8	6.9	2.4	-0.8	-2.5	-2.2	-0.2
Primary balance	-5.0	-9.0	-7.4	-4.8	-2.7	-0.6	0.9	1.9
Stability and Growth Pact								
Treaty deficit[3]	6.8	11.3	10.1	7.6	5.6	3.6	2.2	1.2
Cyclically-adjusted Treaty deficit[3]	6.4	9.0	7.5	5.1	3.5	1.9	0.9	0.4
Treaty debt ratio[4]	55.8	71.2	78.9	83.6	85.5	84.9	83.1	80.4
	£ billion							
Surplus on current budget	-49.7	-105.6	-110	-88	-65	-40	-17	0
Net investment	46.4	49.0	39	27	24	20	21	21
Public sector net borrowing	96.1	154.7	149	116	89	60	37	20
Central government net cash requirement	162.4	198.9	146	121	90	65	35	21
Public sector net debt	616.9	771.5	932	1,059	1,162	1,235	1,284	1,316
Memo: Output gap (% of GDP)	*-1.0*	*-4.1*	*-3.7*	*-3.5*	*-2.8*	*-2.3*	*-1.6*	*-0.9*

Note: All measures are shown on the basis which excludes the temporary effect of the financial interventions except the aggregates shown in the Financing and Stability and Growth Pact sections.

[1] Debt at end March; GDP centred on end March.

[2] Estimate at end December; GDP centred on end December.

[3] General government net borrowing on a Maastricht basis.

[4] General government gross debt on a Maastricht basis.

Table C7: Components of net borrowing

	£ billion							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Current budget								
Current receipts	533.8	514.6	548	584	622	662	700	737
Current expenditure	564.7	600.6	637	651	665	679	693	711
Depreciation	18.7	19.7	21	22	22	23	24	25
Surplus on current budget	-49.7	-105.6	-110	-88	-65	-40	-17	0
Capital budget								
Gross investment[1]	65.1	68.7	59	49	47	43	45	46
Less depreciation	-18.7	-19.7	-21	-22	-22	-23	-24	-25
Net investment	46.4	49.0	39	27	24	20	21	21
Net borrowing	96.1	154.7	149	116	89	60	37	20

[1] *Net of asset sales; for a breakdown see June Budget 2010: the economy and public finances - supplementary material.*

Fiscal mandate

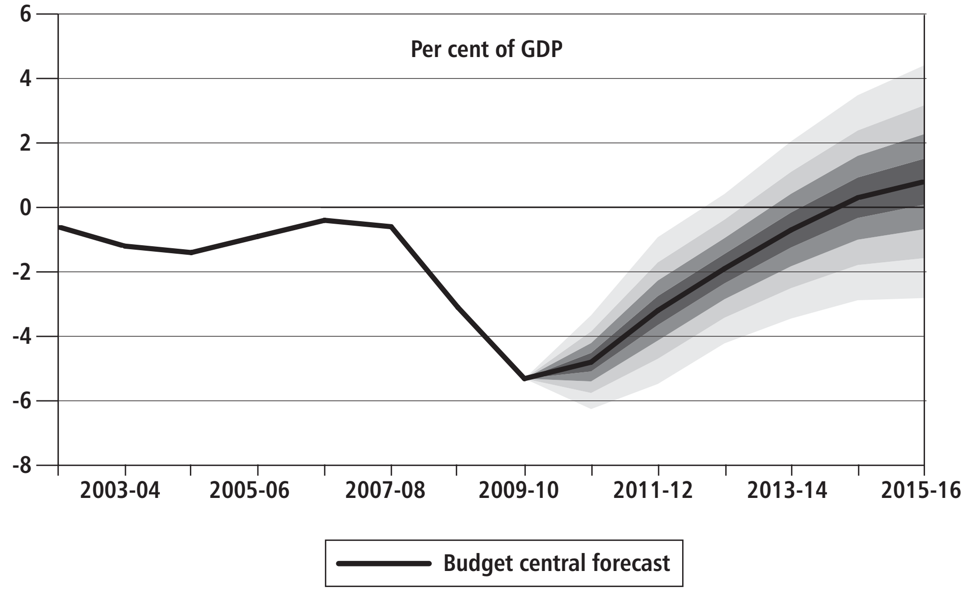
C.41 The Budget announces the Government's forward-looking fiscal mandate to achieve cyclically-adjusted current balance by the end of the rolling, five-year forecast period. At this Budget, the end of the forecast period is 2015-16.

C.42 The fiscal mandate is supplemented by a target for public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16.

C.43 Chart C6 shows the central (median) forecast for the cyclically-adjusted surplus on current budget – the solid black line – and an illustration of the scale of uncertainty around our forecast, based on past forecasting errors made by the Treasury. The successive pairs of lighter shaded areas represent 10 per cent probability bands, implying that there is an 80 per cent chance that the actual outturn will lie within the range captured by the lightest bands shown on the chart.[3] The chart indicates that in 2014-15 and 2015-16 there is a greater than 50 per cent chance of the cyclically-adjusted current budget being balanced or in surplus.[4,5]

[3] The top and bottom 10 per cent bands are not shown on the chart.
[4] The method used to construct this chart is consistent with that set out in Annex A of the pre-Budget forecast for PSNB. The sample uses errors since 1998. The data, which are unavoidably based on a small sample size, show a smaller standard deviation for the four- and five-year ahead forecast errors than the three-year ahead forecast errors. Given our expectation that uncertainty increases over the forecast period we have assumed that the standard deviation increases in line with the average increase over the first three years. We have also made this assumption for 2015-16, as there are no data on forecasting errors six years ahead.
[5] The outturn for the cyclically-adjusted surplus on current budget, and cyclically-adjusted net borrowing, is based on HM Treasury estimates of the output gap, and does not necessarily represent the OBR's view of the cyclical position of the economy before 2009-10.

Chart C6: Cyclically-adjusted current budget fan chart



C.44 On this basis, we judge that the Government's policy is consistent with a greater than 50 per cent chance of achieving the fiscal mandate set for 2015-16. Our forecast also shows that there is a greater than 50 per cent chance of achieving the fiscal mandate in 2014-15, a year ahead of the date set by the Government.

C.45 We have also assessed the probability of meeting the Government's target for debt. Given our central forecast for economic growth and the path of net debt, PSND will fall as a percentage of GDP in 2014-15 or 2015-16 if PSNB is less than 3 per cent of GDP in those years. Our central forecast implies that in 2014-15 there is a 50 per cent probability that PSNB will be below 2.1 per cent and in 2015-16 there is a 50 per cent probability that PSNB will be below 1.1 per cent. On this basis, our assessment is that there is a more than 50 per cent chance of debt as a percentage of GDP falling in 2015-16[6]. There is a smaller, but still more than 50 per cent, chance of debt falling in 2014-15, a year earlier than the target.

Comparisons with the Pre-Budget forecast

C.46 In this section we describe and explain the differences between the pre-Budget and Budget forecasts. The Budget forecast includes the effect of all firm policy announcements made by the Government and a number of other changes.

C.47 The other changes include updating the assumptions on market interest rates, oil prices and equity prices. Oil prices are assumed to move in line with the prices implied by futures markets as of 3 June 2010, whereas the pre-Budget forecast used prices from 25 May 2010. Oil prices are $5-8 a barrel higher than previously assumed. Starting points for equity prices and market expectations of interest rates are based on an average for the ten working days ending 3 June 2010. The pre-Budget forecast used the average for the ten working days to 26 May 2010.

[6] Our assessment applies to the probability of achieving the fiscal mandate and the target for debt separately, rather than jointly.

Direct effect of Budget policy measures

C.48 The traditional way of reporting the effect of Budget measures, whether announced in the Budget or in the Pre-Budget Report, has been in the form of a table like Table 2.1 in Chapter 2. This table sets out the direct effects of the policy measures on the fiscal forecast. The explanation for the changes is provided in the Budget supplementary document *Policy costings: methodology paper*.

C.49 The main measures set out are:

- a policy decision to reduce total spending by an additional £32 billion a year by 2014-15, including debt interest savings;
- an increase in the standard rate of VAT from 17.5 per cent to 20 per cent with effect from 4 January 2011;
- an increase in the employer NICs threshold by £21 per week in addition to indexation from April 2011. The personal tax allowance for under 65s will increase by £1,000 to £7,475 in 2010-11;
- a bank levy based on banks' balance sheets will be introduced from 1 January 2011. It is proposed that the levy will be set at a rate of 0.07 per cent, with a lower initial rate of 0.04 per cent in 2011; and
- a reduction in the main rate of corporation tax from 28 per cent to 24 per cent over four years, with a one per cent reduction from 1 April 2011, and a reduction in capital allowances from 2012, including a reduction in the capital allowance on the general pool of plant and machinery from 20 per cent to 18 per cent in April 2012.

C.50 Table 2.1 shows the *direct* effect of individual measures. The effect of each Budget measure is generally calculated as the difference between applying the pre-Budget and Budget regime to the levels of total incomes and spending at factor cost expected after the Budget. Such calculations do not show the *total* effect on receipts or spending after possible changes in the level or pattern of spending or other macroeconomic variables induced by that change. For example, a change in duties, in addition to indexation, might change consumption of the good bearing the duty and thereby reduce the dutiable base. It might also have an effect on GDP, through its effects on aggregate demand. The table would show the yield of the measure incorporating the effect of the change in duties applied to the reduced base. It would not necessarily show the total effect on duty receipts, since it would not show the possible effects which come through the reduction in aggregate demand.

C.51 The economic and fiscal forecasts which accompanied previous Budgets and Pre-Budget Reports did embody the total effects of policy measures, including both direct and indirect effects. The judgement on the indirect effect of policy measures has typically been made in the round, taking account of all the measures and based on the prevailing macroeconomic circumstances at the time. However, since many things change between fiscal events, it was not possible to distinguish indirect effects of policy changes from the many other factors affecting the forecasts.

C.52 On this occasion, matters are rather different since the OBR has recently published a pre-Budget forecast. Although as described above, there have been other changes since the pre-Budget forecast was completed, the main source of changes is the Budget measures. It is therefore desirable to explain how the measures have changed the economic forecast and hence the fiscal forecast.

Monetary policy response

C.53 The pre-Budget forecast does not provide a firm basis for an estimate of the effects of the Budget measures on the economy because the pre-Budget and Budget forecasts are both based on market expectations of interest rates. These are likely to have incorporated some expectation of further fiscal tightening but it is impossible to judge how much, as described in Box C1. This may have introduced an upward bias into the pre-Budget forecast and make comparison misleading.

Box C1: Short and long-term interest rates in the pre-Budget and Budget forecasts

In the pre-Budget forecast, we emphasised that the use of market expectations to derive the path of interest rates was potentially inconsistent. It may have biased the economic forecast upwards, with consequential effects on the fiscal forecasts. That inconsistency might have been present in both short and long-term interest rates.

It is very difficult to calculate the possible degree of bias, but a thought experiment might provide a guide to its upper limit. It would be normal to expect some monetary policy response to additional fiscal tightening, to help offset the impact on aggregate demand if that were necessary to meet the inflation target. Suppose that:

- markets had correctly predicted the degree of tightening in the Budget and the MPC's reaction to it; and
- the MPC was able to offset precisely the demand effects of the Budget measures, and aimed to do so.

If this were the case, the short-term interest rates used in the pre-Budget forecast, which assumed no further fiscal tightening, would be too low. To be consistent, they would instead be higher to the degree required to compensate for the smaller fiscal tightening. Applying those higher interest rates would mean that, under these strong assumptions, the output path in the pre-Budget forecast would be the same as in the Budget projections.

There is a similar argument for long-term interest rates. Long-term interest rates are determined in international financial markets, and can be affected by many factors including expectations of future monetary policy, the fiscal position and risk premia. Empirically, lower debt and deficits are associated with lower long-term bond yields, though the relationship is complicated and probably non-linear. The likely effect of the Budget on long-term interest rates can nevertheless be estimated by using regression estimates of the relationship between bond yields and government deficits, debt, the output gap and inflation. This calculation suggests that bond yields could have been around 30 basis points higher over the next three years without the measures in this Budget.

Taking these points together, if the market expected further fiscal tightening in the Budget, then following the path of fiscal policy in the pre-Budget forecast would imply higher interest rates than those used. If higher interest rates had been assumed in the pre-Budget forecast, the implied path of output would have been lower. In other words, the differences in the path of output between the two forecasts would be at least partly offset by the effect of the different interest rate paths.

These calculations are illustrative, highly uncertain and depend on a range of assumptions. For example, although there was a widespread expectation of further fiscal tightening in the Budget, it is not possible to establish what exactly the market was expecting. The MPC is also unlikely to be able to offset precisely the demand effects of the Budget. Consequently, were it possible to produce one, it is unlikely that an adjusted pre-Budget profile for output would be identical to the Budget profile. Nonetheless, this illustration helps explain why it is potentially misleading to interpret the difference between the pre-Budget and Budget forecasts as the economic impact of the Budget measures.

Fiscal multipliers

C.54 The OBR has applied a range of fiscal multipliers to key Budget measures to help inform its judgement on the overall impact of the Budget forecasts. These multipliers are shown in Table C8. A figure of 0.6, for example, means that a measure which has a direct effect of raising revenue by 1 per cent of GDP is estimated to reduce GDP by 0.6 per cent in the short run. The multipliers are based on a range of empirical studies[7] which, together with judgement, can be applied to specific policy changes. The table shows the impact multipliers, which show the immediate effect of the change. We assume that the immediate effect is reduced over time through a number of processes as the economy adjusts. These include a monetary policy response as well as real wage adjustments which allow those who have become unemployed to find jobs elsewhere and higher private sector investment as the private sector expands its capacity in order to make use of the resources no longer employed in the public sector.

Table C8: Estimates of fiscal multipliers

	Impact multipliers
Change in VAT rate	0.35
Changes in the personal tax allowance and National Insurance Contributions (NICs)	0.3
AME welfare measures	0.6
Implied Resource Departmental Expenditure Limits (RDEL)	0.6
Implied Capital Departmental Expenditure Limits (CDEL)	1.0

C.55 While the multipliers help inform the judgement over the impact of the Budget package on aggregate demand they provide only a partial and summary estimate of the economic effects that we have considered in preparing the forecast.

C.56 The Budget measures to increase the personal allowance for income tax and the employer NICs threshold will change post-tax labour income. The overall effect on aggregate labour supply will reflect both the income effect, where employees need to work fewer hours for the same income, and the substitution effect that encourages the supply of labour since the opportunity cost of leisure has risen. The net effect on aggregate labour supply is ambiguous since some people may be encouraged into work while others already employed may work fewer hours. Our central judgement is that in the long run and in aggregate the effects are offsetting so that the elasticity of labour supply is zero. This implies that in the long run the incidence of these two measures falls on real wages so that labour income is permanently higher.

C.57 The Budget measures relating to the changes in the corporation tax regime are not explicitly incorporated via multipliers. The cost of capital, which is the fundamental determinant of business investment in the long run, will be altered by the reforms to corporation tax. The cuts in the corporation tax rate more than offset the cuts in investment allowances so that the estimated cost

[7] A review of estimates for fiscal multipliers for different policy instruments and countries is available in *Fiscal Multipliers*, Antonio Spilimbergo, Steve Symansky, Martin Schindler (IMF Staff Position Note), May 2009. Further evidence was taken from papers including: *Fiscal Policy Action in the Banking Crisis*, National Institute Economic Review, January 2009; *Fiscal Stabilisation and EMU*, HM Treasury, 2003; *Public Investment and the Golden Rule: Another (Different) Look*, Roberto Perotti (IGIER Working Paper No 277), 2006; and *Estimating Tax and Benefit Multipliers in Europe*, Ali J Al-Eyd and Ray Barrell, Economic Modelling (Vol 22), 2005.

of capital for new investment is lower for all non-financial companies, and the rate of return from the existing capital stock is higher. Our judgement is that this measure will promote a higher level of business investment throughout the forecast than would otherwise have been the case.

C.58 An appropriate multiplier has informed the judgement on the effect of the increase in the rate of VAT on demand. The initial incidence of an increase in the rate of VAT will depend on how selling prices change in response. If firms leave their price net of tax unchanged the increase in VAT will be fully reflected in prices; alternatively if they reduce this price some of the incidence will be borne by firms in lower profits. Drawing on evidence of domestic and international changes in VAT rates, we judge that around two thirds of the VAT increase will be passed on relatively quickly to prices, with further adjustment in the following year. The increase in prices lowers real incomes and hence, all else equal, consumption. The remaining incidence of the VAT increase is borne by the firm.

C.59 It could be argued that the impact multipliers for policies which have been pre-announced for later years should be smaller since people and firms will have had longer to anticipate them and act accordingly, but we have not made any adjustment for that possible effect. Against that, the multipliers may be larger if cuts to benefits, for example, affect households without ready access to credit. The multipliers we have used go some way to correcting the potential error in using what might be inconsistent assumptions on interest rates in the pre-Budget forecast since they are partly estimated over periods in which there has been a monetary policy response to fiscal tightening.

Long-run effect

C.60 It is possible for policy changes to have permanent effects to the extent that they improve or worsen the supply-side performance of the economy. Our judgement on the effect of the Budget policy package is based on the assumption that trend output will not be changed.

Comparison of the pre-Budget and Budget fiscal forecasts

C.61 Table C9 reconciles our pre-Budget and Budget forecasts by summarising the changes in PSNB and the cyclically-adjusted current budget for the period to 2014-15.

C.62 As Table C9 shows, PSNB is £33 billion lower in 2014-15, compared with the pre-Budget forecast, because:

- the direct effects of total policy decisions, excluding debt interest savings, reduce PSNB by £37 billion in 2014-15;
- debt interest payments, excluding the effect of moving to updated interest rates, reduce borrowing by £3 billion in 2014-15;
- the updated market assumptions reduce borrowing by £2 billion in 2014-15. This includes the effect of updated interest rates, which reduce debt interest costs by around £1 billion; and
- other changes raise borrowing by £9 billion in 2014-15.

C.63 Table C9 also shows the change in the cyclically-adjusted current balance in 2014-15 between the pre-Budget and Budget forecast. Our forecast is for a slightly larger output gap than in the pre-Budget forecast. This means that a larger proportion of total borrowing is estimated to be cyclical rather than structural in the Budget forecast.

Table C9: Changes to the fiscal aggregates since the pre-Budget forecast

	£ billion					
	Estimate	Forecasts				
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Public sector net borrowing						
Pre-Budget forecast	156.1	155	127	106	85	71
Direct effect of total policy decisions[1]	0.0	-8	-16	-23	-31	-37
Changes from updated market assumptions	0.0	0	-1	-2	-2	-2
Debt interest, excluding effect of updated interest rates	0.0	1	1	-1	-2	-3
Other changes	-1.5	2	5	9	9	9
Budget	154.7	149	116	89	60	37
	Per cent of GDP					
Cyclically-adjusted surplus on current budget						
Pre-Budget forecast	-5.3	-5.2	-4.2	-3.1	-2.3	-1.6
Direct effect of total policy decisions[1]	0.0	0.5	1.0	1.4	1.8	2.1
Other	0.1	-0.2	-0.1	-0.2	-0.2	-0.1
Budget	-5.3	-4.8	-3.2	-1.9	-0.7	0.3

[1] *Equivalent to the 'total policy decisions excluding debt interest savings' line in Table 2.1.*

Changes in receipts compared to the pre-Budget forecast

C.64 Table C10 shows the changes in the key fiscal aggregates compared to the pre-Budget forecast. Tables C11 to C14 show the detailed Budget forecasts for receipts and expenditure, and the changes compared to the pre-Budget forecast. The key changes to the receipts forecast are:

- **income tax and NICs** are around £10 billion lower than in the pre-Budget forecast by 2014-15. This is primarily the direct effect of the increases in the employer NICs threshold and the personal allowance. It is also partly due to the effect on receipts of our Budget forecast for earnings and employment;
- **VAT** receipts are higher than the pre-Budget forecast by £11 billion by 2014-15. This is due to the direct yield of the increase in the VAT rate, with a partial offset from the change to the forecast of real consumption;
- **onshore corporation tax** is around £2½ billion lower than the pre-Budget forecast in 2014-15. The direct effects of the Budget enterprise package reduce corporation tax by around £1¼ billion by 2014-15. In addition, corporation tax receipts are affected by the lower Budget forecast for company profits;
- **offshore corporation tax** is around £1 billion higher in 2014-15 than in the pre-Budget forecast. This is due to updating oil price futures to 3 June 2010; and
- **further changes to receipts** primarily reflect the direct effect of Budget policy measures, such as the yield from the new bank levy. There is also an increase in VAT refunds as a result of the VAT rate change, which is fiscally neutral as it is offset in AME.

Changes in expenditure compared to the pre-Budget forecast

C.65 The key changes to the components of AME are:

- **social security** is around £6 billion lower than in the pre-Budget forecast by 2014-15. This is primarily due to the direct effects of the Budget social security policy measures. There is a partial offset from the change to the Budget forecast for inflation;
- **tax credits** are around £2 billion lower than in the pre-Budget forecast in 2014-15, predominantly due to the tax credit reforms announced in this Budget;
- **debt interest costs** are £4 billion lower in 2014-15 than in the pre-Budget forecast. Approximately £1 billion of this is due to the use of updated interest rates from 3 June. The remaining £3 billion is due to the lower borrowing profile as a result of the Budget policy measures; and
- **further changes to AME** include small changes to pensions, local authority self-financed expenditure and other capital expenditure reflecting the effects of Budget policy measures, and an increase in VAT refunds which is offset by higher receipts.

C.66 The Budget sets out the Government's overall spending plans in the period to 2015-16, with public sector current expenditure (PSCE) rising to £711 billion and public sector gross investment (PSGI) falling to £43 billion in 2013-14, before rising to £46 billion in 2015-16. In 2014-15, the plans for PSCE are £28 billion lower than in our pre-Budget forecast, which assumed that PSCE grew at the same nominal rates as in the March Budget. The plans for PSGI in 2014-15 are £2 billion lower than in our pre-Budget forecast which was based on the March Budget assumption for PSNI as a share of GDP.

C.67 Our Budget forecast shows implied Resource DEL (RDEL) derived as the difference between Resource AME and PSCE, and implied Capital DEL (CDEL) derived as the difference between PSGI and Capital AME. They do not represent the Government's plans for RDEL and CDEL.

C.68 Compared to the pre-Budget forecast implied RDEL is lower by £15.5 billion in 2014-15. This is derived from the lower PSCE plans offset by the reduced Resource AME forecast. Similarly, implied CDEL is £1.6 billion below the pre-Budget forecast, derived from lower PSGI plans offset by the reduced Capital AME forecast.

Table C10: Changes to the fiscal forecast

	Outturn	Estimate	Forecasts				
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Surplus on current budget (£ billion)							
March Budget	-48.9	-116.6	-124	-102	-84	-67	-51
Change	-0.4	10.2	10	4	3	3	3
OBR pre-Budget forecast	-49.3	-106.4	-114	-98	-80	-63	-48
Change	-0.4	0.7	4	10	15	23	31
June Budget	-49.7	-105.6	-110	-88	-65	-40	-17
Net investment (£ billion)							
March Budget	47.2	50.0	40	29	26	22	23
Change	0.0	-0.3	1	0	0	0	0
OBR pre-Budget forecast	47.2	49.7	41	29	26	22	23
Change	-0.8	-0.6	-2	-2	-2	-2	-2
June Budget	46.4	49.0	39	27	24	20	21
Net borrowing (£ billion)							
March Budget	96.1	166.5	163	131	110	89	74
Change	0.4	-10.4	-8	-4	-3	-4	-3
OBR pre-Budget forecast	96.5	156.1	155	127	106	85	71
Change	-0.4	-1.5	-6	-12	-17	-25	-33
June Budget	96.1	154.7	149	116	89	60	37
Net borrowing (per cent of GDP)							
March Budget	6.7	11.8	11.1	8.5	6.8	5.2	4.0
Change	0.0	-0.8	-0.7	-0.3	-0.2	-0.2	-0.1
OBR pre-Budget forecast	6.7	11.1	10.5	8.3	6.6	5.0	3.9
Change	0.0	-0.1	-0.4	-0.8	-1.1	-1.5	-1.8
June Budget	6.7	11.0	10.1	7.5	5.5	3.5	2.1
Cyclically-adjusted surplus on current budget (per cent of GDP)							
March Budget	-2.5	-4.8	-4.6	-3.4	-2.5	-1.8	-1.3
Change	-0.6	-0.5	-0.6	-0.8	-0.7	-0.5	-0.3
OBR pre-Budget forecast	-3.1	-5.3	-5.2	-4.2	-3.1	-2.3	-1.6
Change	0.0	0.1	0.4	0.9	1.2	1.6	1.9
June Budget	-3.1	-5.3	-4.8	-3.2	-1.9	-0.7	0.3
Cyclically-adjusted net borrowing (per cent of GDP)							
March Budget	5.8	8.4	7.3	5.3	4.1	3.1	2.5
Change	0.6	0.5	0.6	0.8	0.7	0.5	0.3
OBR pre-Budget forecast	6.4	8.8	8.0	6.1	4.7	3.5	2.8
Change	0.0	-0.1	-0.5	-1.0	-1.4	-1.7	-2.0
June Budget	6.3	8.7	7.4	5.0	3.4	1.8	0.8
Net debt (per cent of GDP) [1]							
March Budget	43.8	54.1	63.6	69.5	73.0	74.5	74.9
Change	0.2	-0.6	-1.5	-1.3	-1.1	-0.8	-0.5
OBR pre-Budget forecast	44.0	53.5	62.2	68.2	71.8	73.7	74.4
Change	0.0	0.0	-0.3	-1.1	-2.0	-3.4	-5.0
June Budget	44.0	53.5	61.9	67.2	69.8	70.3	69.4

Note: Totals may not sum due to rounding.

[1] *Debt at end March; GDP centred on end March.*

Table C11: Current receipts

	£ billion							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
HM Revenue and Customs								
Income tax (gross of tax credits)[1]	153.5	145.6	150.2	156.3	167.6	181.4	195.2	208.5
of which: Pay as you earn	*128.5*	*122.9*	*130.1*	*133.3*	*137.7*	*147.6*	*158.4*	*169.2*
Self assessment	*22.5*	*21.7*	*21.5*	*24.2*	*29.2*	*32.5*	*35.1*	*37.1*
Income tax credits	-5.6	-5.6	-5.8	-6.1	-6.0	-5.8	-5.9	-5.9
National insurance contributions	96.9	95.6	98.9	102.6	106.4	113.9	120.9	127.7
Value added tax	78.4	70.1	80.7	96.3	99.1	102.6	106.7	111.0
Corporation tax[2]	43.7	36.5	43.3	46.7	50.8	54.1	56.9	59.7
of which: Onshore	*33.4*	*30.9*	*35.7*	*38.4*	*42.1*	*45.2*	*48.3*	*51.4*
Offshore	*10.4*	*5.6*	*7.6*	*8.3*	*8.7*	*8.9*	*8.6*	*8.3*
Corporation tax credits[3]	-0.6	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Petroleum revenue tax	2.6	0.9	1.7	1.8	1.8	1.7	1.6	1.4
Fuel duties	24.6	26.2	27.3	28.9	30.3	31.8	33.4	34.7
Capital gains tax	7.8	2.5	2.6	3.3	2.7	3.3	3.9	4.3
Inheritance tax	2.8	2.4	2.2	2.3	2.4	2.6	2.9	3.1
Stamp duty land tax	4.8	4.9	5.8	7.1	9.3	11.1	12.5	13.5
Stamp taxes on shares	3.2	2.9	3.1	3.2	3.4	3.6	3.9	4.2
Tobacco duties	8.2	8.8	9.4	9.5	9.5	9.7	9.9	10.1
Spirits duties	2.4	2.6	2.6	2.6	2.7	2.8	2.9	3.0
Wine duties	2.7	2.9	3.2	3.3	3.5	3.7	4.0	4.3
Beer and cider duties	3.4	3.5	3.7	3.7	3.8	3.9	4.1	4.2
Air passenger duty	1.9	1.9	2.3	2.9	3.0	3.3	3.5	3.8
Insurance premium tax	2.3	2.3	2.3	2.8	2.7	2.8	2.8	2.8
Temporary bank payroll tax	0.0	0.0	2.5	0.0	0.0	0.0	0.0	0.0
Bank levy	0.0	0.0	0.0	1.2	2.3	2.5	2.4	2.3
Other HMRC receipts[4]	6.1	5.9	6.4	6.8	7.1	7.3	7.6	7.7
Total HMRC	439.1	409.1	441.7	474.4	501.8	535.5	568.2	599.6
Vehicle excise duties	5.6	5.6	5.9	6.0	6.1	6.2	6.3	6.4
Business rates	22.9	24.3	24.9	26.0	26.9	28.1	29.3	30.2
Council tax	24.4	25.0	25.3	25.6	26.6	27.7	28.9	29.8
VAT refunds	12.0	11.2	13.5	13.7	15.2	15.2	15.3	15.8
Other taxes and royalties[5]	4.0	4.5	4.3	5.4	6.1	8.3	8.6	9.1
Net taxes and NICs	508.0	479.7	515.5	551.2	582.7	621.0	656.5	690.8
Accruals adjustments on taxes	-4.7	6.7	2.7	1.2	4.2	3.2	3.2	3.3
Less own resources contribution to EU budget	-5.1	-3.8	-4.8	-4.8	-5.0	-5.1	-5.3	-5.5
Interest and dividends	7.7	3.5	4.5	5.5	7.5	9.0	10.5	11.6
Gross operating surplus	23.3	23.9	24.7	25.9	27.0	28.0	29.0	30.1
Other receipts[6]	4.6	4.5	5.1	5.3	5.5	5.9	6.2	6.6
Current receipts	533.8	514.6	547.7	584.2	621.9	661.9	700.1	737.0
Memo:								
Current receipts (% of GDP)	*37.2*	*36.6*	*37.2*	*38.0*	*38.4*	*38.7*	*38.8*	*38.7*
UK oil and gas revenues[7]	*12.9*	*6.5*	*9.4*	*10.2*	*10.6*	*10.5*	*10.1*	*9.7*

[1] Income tax includes PAYE and Self Assessment receipts, and also includes tax on savings income and other minor income tax components.

[2] National Accounts measure, gross of enhanced and payable tax credits.

[3] Includes enhanced company tax credits.

[4] Consists of landfill tax, climate change levy, aggregates levy, betting and gaming duties and customs duties and levies.

[5] Includes EU ETS receipts and money paid into the National Lottery Distribution Fund.

[6] Includes TV licences and business rate payments by local authorities.

[7] Consists of offshore corporation tax and petroleum revenue tax.

Table C12: Changes to current receipts since the pre-Budget forecast

	Changes since the pre-Budget forecast (£ billion)						
	Outturn	Estimate	Forecasts				
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
HM Revenue and Customs							
Income tax (gross of tax credits)[1]	0.0	0.0	-0.1	-3.4	-5.5	-4.1	-3.8
of which: Pay as you earn	*0.0*	*0.0*	*-0.1*	*-3.5*	*-5.0*	*-4.3*	*-4.0*
Self assessment	*0.0*	*0.0*	*0.0*	*0.2*	*-0.3*	*0.5*	*0.5*
Income tax credits	0.0	0.0	0.0	0.0	0.2	0.3	0.4
National insurance contributions	0.0	0.0	-0.1	-4.1	-5.6	-6.2	-6.2
Value added tax	0.0	0.0	0.1	9.9	9.9	10.2	10.7
Corporation tax[2]	0.0	0.0	0.1	-0.2	-0.6	-0.7	-1.4
of which: Onshore	*0.0*	*0.0*	*-0.4*	*-1.3*	*-1.6*	*-1.7*	*-2.4*
Offshore	*0.0*	*0.0*	*0.5*	*1.1*	*1.1*	*1.1*	*1.0*
Corporation tax credits[3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum revenue tax	0.0	0.0	0.1	0.2	0.2	0.2	0.2
Fuel duties	0.0	0.0	-0.1	0.1	0.0	0.0	0.0
Capital gains tax	0.0	0.0	0.0	0.1	0.1	0.2	0.2
Inheritance tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stamp duty land tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stamp duty reserve tax	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
Tobacco duties	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Spirits duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wine duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Beer and cider duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Air passenger duty	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Insurance premium tax	0.0	0.0	0.0	0.4	0.4	0.4	0.4
Temporary bank payroll tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank levy	0.0	0.0	0.0	1.2	2.3	2.5	2.4
Other HMRC receipts[4]	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Total HMRC	0.0	0.0	-0.1	4.1	1.5	2.8	3.1
Vehicle excise duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business rates	0.0	0.0	0.0	-0.1	0.2	0.2	0.2
Council tax	0.0	0.0	0.0	-0.6	-0.6	-0.6	-0.6
VAT refunds	0.0	0.0	-0.3	-0.1	1.1	0.9	0.8
Other taxes and royalties[5]	0.0	-0.3	0.0	-0.2	-0.2	-0.2	-0.2
Net taxes and NICs	0.1	-0.3	-0.4	3.2	2.1	3.1	3.3
Accruals adjustments on taxes	-0.5	0.7	1.8	-0.6	-0.2	0.1	0.2
Less own resources contribution to EU budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest and dividends	0.0	-0.3	-0.1	0.0	0.0	-0.2	-0.3
Gross operating surplus	-0.2	-0.7	0.0	0.0	0.0	0.0	0.0
Other receipts[6]	0.4	-0.1	0.0	0.0	0.0	0.0	0.0
Current receipts	-0.2	-0.7	1.2	2.7	1.9	3.0	3.2
Memo:							
Current receipts (% of GDP)	*0.0*	*0.0*	*0.2*	*0.1*	*0.1*	*0.2*	*0.2*
UK oil and gas revenues[7]	*0.0*	*0.0*	*0.6*	*1.3*	*1.3*	*1.3*	*1.2*

[1] Income tax includes PAYE and Self Assessment receipts, and also includes tax on savings income and other minor income tax components.

[2] National Accounts measure, gross of enhanced and payable tax credits.

[3] Includes enhanced company tax credits.

[4] Consists of landfill tax, climate change levy, aggregates levy, betting and gaming duties and customs duties and levies.

[5] Includes EU ETS receipts and money paid into the National Lottery Distribution Fund.

[6] Includes TV licences and business rate payments by local authorities.

[7] Consists of offshore corporation tax and petroleum revenue tax.

Table C13: Total Managed Expenditure

	£ billion							
	Outturn	Estimate	Forecasts					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
CURRENT EXPENDITURE								
Resource Departmental Expenditure Limits[1]	313.5	334.8	342.7	*343.1*	*341.4*	*341.2*	*337.7*	*340.0*
Resource Annually Managed Expenditure	251.3	265.8	294.6	308.0	323.1	337.4	355.0	371.4
of which:								
Social security benefits[2]	149.7	163.7	169.3	174.2	178.2	180.8	186.5	194.4
Tax credits[2]	19.9	22.9	23.9	24.8	25.3	25.9	27.1	28.5
Net public service pensions[3]	3.1	3.1	4.0	5.1	5.8	7.3	8.9	10.3
National Lottery	1.0	0.9	0.9	0.9	1.0	0.7	0.7	0.7
BBC domestic services	3.4	3.5	3.7	3.8	3.9	4.1	4.2	4.3
Other departmental expenditure	1.3	0.0	-0.5	2.0	2.0	2.0	2.0	2.1
Net expenditure transfers to EU institutions	3.1	6.4	8.3	8.3	8.3	9.3	10.3	8.7
Locally-financed expenditure	26.8	26.4	27.6	27.0	28.1	29.4	30.5	31.7
Central government gross debt interest	30.5	30.9	43.3	46.5	52.4	57.8	63.0	66.5
Accounting adjustments	12.6	7.9	14.1	15.3	18.1	20.1	21.8	24.0
Public sector current expenditure	564.7	600.6	637.3	651.1	664.5	678.6	692.7	711.4
CAPITAL EXPENDITURE								
Capital Departmental Expenditure Limits[1]	48.5	56.6	51.6	*41.4*	*39.6*	*37.0*	*38.7*	*40.8*
Capital Annually Managed Expenditure	16.6	12.1	7.8	7.3	6.9	6.3	6.2	5.2
of which:								
National Lottery	0.5	1.0	0.9	0.7	0.6	0.6	0.6	0.6
Locally-financed expenditure	7.5	6.3	5.4	4.8	4.6	4.4	4.4	3.6
Public corporations' own-financed capital expenditure	7.1	7.7	7.4	7.4	7.3	7.3	7.3	7.3
Central government grants to public sector banks	9.4	4.7	0.0	0.0	0.0	0.0	0.0	0.0
Other capital expenditure	0.2	1.3	2.1	1.6	1.6	1.6	1.6	1.6
Accounting adjustments	-8.2	-8.8	-7.9	-7.1	-7.2	-7.5	-7.7	-7.9
Public sector gross investment	65.1	68.7	59.5	48.7	46.5	43.3	44.9	46.1
Less public sector depreciation	-18.7	-19.7	-20.6	-21.6	-22.5	-23.4	-24.3	-25.2
Public sector net investment	46.4	49.0	38.9	27.2	24.0	19.9	20.6	20.9
TOTAL MANAGED EXPENDITURE[4]	629.8	669.3	696.8	699.8	711.0	722.0	737.5	757.5
of which:								
Departmental Expenditure Limits[1, 5]	*350.4*	*378.0*	*380.0*	*370.2*	*366.7*	*363.8*	*362.0*	*366.5*
Annually Managed Expenditure[6]	*279.5*	*291.2*	*316.8*	*329.6*	*344.4*	*358.1*	*375.6*	*391.0*
Memo:								
TME (% of GDP)	*43.9*	*47.5*	*47.3*	*45.5*	*43.9*	*42.2*	*40.9*	*39.8*
RDEL if grown in line with general economy inflation			*342.7*	*349.4*	*357.3*	*366.6*	*376.4*	*386.5*
CDEL if grown in line with general economy inflation			*51.6*	*52.7*	*53.8*	*55.3*	*56.7*	*58.3*

Note: All measures on a Clear Line of Sight basis.

[1] *Implied DEL numbers from 2011-12 onwards. Calculated as the difference between Resource AME and PSCE in the case of Resource DEL, and between Capital AME and PSNI in the case of Capital DEL.*

[2] *For 2008-09 to 2010-11, child allowances in Income Support and Jobseekers' Allowance have been included in the tax credits line and excluded from the social security benefits line.*

[3] *Net public service pensions expenditure is reported on a National Accounts basis.*

[4] *TME is equal to the sum of PSCE, PSNI and public sector depreciation, on a basis which excludes temporary effects of financial interventions.*

[5] *Total DEL is given by resource DEL plus capital DEL less depreciation in DEL.*

[6] *Total AME is given by resource AME plus capital AME plus depreciation in DEL.*

Table C14: Changes to Total Managed Expenditure since the pre-Budget forecast

	Changes since the pre-Budget forecast (£ billion)						
	Outturn	Estimate	Forecast				
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
CURRENT EXPENDITURE							
Resource Departmental Expenditure Limits	0.0	0.0	-3.4	*-5.4*	*-9.3*	*-11.5*	*-15.5*
Resource Annually Managed Expenditure	0.2	-1.5	0.9	-1.6	-4.0	-8.6	-12.4
of which:							
Social security benefits	0.0	0.0	0.0	-0.8	-1.0	-3.7	-5.6
Tax credits	0.0	0.0	0.0	-0.1	-0.9	-1.4	-1.9
Net public service pensions	0.0	0.0	0.0	-0.4	-0.4	-0.7	-0.5
National Lottery	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BBC domestic services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other departmental expenditure	0.0	0.0	0.0	0.0	-0.1	-0.2	-0.3
Net expenditure transfers to EU institutions	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Locally-financed expenditure	0.0	0.0	0.0	-0.6	-0.6	-0.4	-0.4
Central government gross debt interest	0.0	0.0	1.1	0.4	-1.8	-2.8	-4.2
Accounting adjustments	0.2	-1.6	-0.3	-0.1	0.9	0.7	0.5
Public sector current expenditure	0.2	-1.5	-2.5	-7.1	-13.3	-20.1	-27.9
CAPITAL EXPENDITURE							
Capital Departmental Expenditure Limits[1]	0.0	0.0	-1.5	*-1.5*	*-1.5*	*-1.6*	*-1.6*
Capital Annually Managed Expenditure	-0.8	-0.6	-0.4	-0.5	-0.4	-0.4	-0.4
of which:							
National Lottery	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Locally-financed expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public corporations' own-financed capital expenditure	-0.7	0.9	0.0	0.0	0.0	0.0	0.0
Central government grants to public sector banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other capital expenditure	0.0	0.0	-0.3	-0.5	-0.6	-0.6	-0.6
Accounting adjustments	-0.1	-1.5	0.0	0.0	0.2	0.2	0.2
Public sector gross investment	-0.8	-0.6	-1.8	-2.0	-1.9	-1.9	-2.0
Less public sector depreciation	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Public sector net investment	-0.8	-0.6	-1.8	-2.1	-1.9	-1.9	-1.9
TOTAL MANAGED EXPENDITURE	-0.6	-2.1	-4.4	-9.1	-15.2	-22.0	-29.9
of which:							
Departmental Expenditure Limits	*0.0*	*0.0*	*-4.9*	*-6.9*	*-10.8*	*-13.1*	*-17.1*
Annually Managed Expenditure	*-0.6*	*-2.1*	*0.5*	*-2.2*	*-4.4*	*-8.9*	*-12.8*
Memo: TME (% of GDP)	*0.0*	*-0.1*	*-0.2*	*-0.6*	*-0.9*	*-1.3*	*-1.7*

Note: See footnotes to Table C13.

Table C15: Historical series of public sector balances, receipts and debt

	Per cent of GDP								
	Public sector current budget	Cyclically-adjusted surplus on current budget[1]	Public sector net borrowing	Cyclically-adjusted public sector net borrowing[1]	Public sector net cash requirement	Net taxes and national insurance contributions	Public sector current receipts	Public sector net debt[2]	Public sector net worth[3]
1970-71	6.8		-0.6		1.2	36.3	43.3		
1971-72	4.2		1.1		1.4	35.0	41.5		
1972-73	2.0		2.8		3.6	32.6	39.0		
1973-74	0.4	-0.7	4.9	6.0	5.8	31.9	39.5		
1974-75	-0.9	-2.5	6.5	8.1	8.9	34.5	42.1	52.1	
1975-76	-1.4	-1.6	7.0	7.2	9.2	35.3	42.7	53.8	
1976-77	-1.1	-0.6	5.5	5.0	6.3	35.1	43.0	52.3	
1977-78	-1.3	-1.2	4.3	4.1	3.6	34.1	41.3	49.0	
1978-79	-2.5	-2.3	5.0	4.8	5.2	33.1	40.1	47.1	
1979-80	-1.8	-1.7	4.1	4.0	4.6	33.5	40.5	43.9	
1980-81	-2.9	-1.5	4.8	3.4	5.1	35.5	42.2	46.0	
1981-82	-1.3	2.5	2.3	-1.5	3.3	38.0	45.4	46.2	
1982-83	-1.4	2.9	3.0	-1.4	3.1	38.2	45.1	44.8	
1983-84	-1.9	1.8	3.7	0.0	3.1	37.7	44.1	45.1	
1984-85	-2.1	0.9	3.6	0.6	3.0	38.2	43.9	45.3	
1985-86	-1.2	0.6	2.4	0.6	1.6	37.4	42.7	43.5	
1986-87	-1.4	-1.2	2.0	1.9	0.9	37.0	41.6	41.0	
1987-88	-0.4	-1.7	1.0	2.2	-0.7	36.8	40.6	36.8	74.0
1988-89	1.6	-1.0	-1.3	1.3	-3.0	36.1	40.2	30.5	79.0
1989-90	1.4	-1.4	-0.2	2.6	-1.3	35.4	39.4	27.7	70.9
1990-91	0.3	-1.2	1.0	2.6	-0.1	34.9	38.4	26.2	60.1
1991-92	-2.0	-1.5	3.7	3.3	2.3	33.8	38.1	27.4	52.8
1992-93	-5.6	-3.7	7.4	5.5	5.8	32.7	36.3	31.4	40.2
1993-94	-6.3	-4.0	7.7	5.4	6.9	31.8	35.4	36.5	29.7
1994-95	-4.8	-3.3	6.2	4.7	5.2	33.0	36.4	40.1	28.9
1995-96	-3.3	-2.4	4.7	3.8	4.2	33.6	37.2	41.9	21.6
1996-97	-2.7	-2.2	3.4	2.8	2.9	34.0	36.4	42.5	17.7
1997-98	-0.1	-0.1	0.7	0.6	0.1	35.1	37.5	40.6	15.3
1998-99	1.2	0.9	-0.5	-0.2	-0.7	35.5	37.8	38.4	14.4
1999-00	2.2	1.7	-1.6	-1.1	-0.9	35.5	38.0	35.6	17.4
2000-01	2.4	1.6	-1.9	-1.1	-3.7	36.3	38.6	30.7	23.0
2001-02	1.2	0.9	0.0	0.2	0.4	35.8	37.8	29.7	29.6
2002-03	-1.0	-0.6	2.3	1.9	2.2	34.3	36.3	30.8	28.2
2003-04	-1.5	-1.2	2.9	2.6	3.3	34.3	36.5	32.1	28.5
2004-05	-1.6	-1.4	3.3	3.1	3.2	35.2	37.3	34.0	28.6
2005-06	-1.1	-0.9	2.9	2.8	3.2	35.9	38.3	35.3	28.7
2006-07	-0.4	-0.4	2.3	2.3	2.6	36.1	38.6	36.0	28.9
2007-08	-0.3	-0.6	2.4	2.6	1.5	36.4	38.6	36.5	28.9
2008-09[4]	-3.5	-3.1	6.7	6.3	4.2	35.4	37.2	44.0	22.4

Source: Office for National Statistics and HM Treasury

[1] The outturn for the cyclically-adjusted measures are based on HM Treasury estimates of the output gap, and do not necessarily represent the OBR's view of the cyclical position of the economy between 2006-07 and 2009-10.

[2] At end-March; GDP centred on end-March.

[3] At end-December; GDP centred on end-December.

[4] All measures are presented on the basis which excludes the temporary effect of financial interventions for 2008-09 except net worth which is presented on the basis that includes financial interventions.

Table C16: Historical series of government expenditure

	£ billion (2008-09 prices)				Per cent of GDP			
	Public sector current expenditure	Public sector net investment	Public sector gross investment[1]	Total Managed Expenditure	Public sector current expenditure	Public sector net investment	Public sector gross investment[1]	Total Managed Expenditure
1970-71	195.3	37.3	59.7	254.9	32.7	6.2	10.0	42.7
1971-72	204.8	32.4	56.0	260.8	33.4	5.3	9.1	42.6
1972-73	213.1	31.2	55.7	268.8	33.2	4.9	8.7	41.9
1973-74	234.1	35.0	62.5	296.5	35.0	5.2	9.3	44.3
1974-75	258.1	37.5	66.4	324.5	38.7	5.6	10.0	48.6
1975-76	263.6	36.8	65.9	329.5	39.7	5.6	9.9	49.7
1976-77	270.8	30.2	60.3	331.1	39.7	4.4	8.8	48.5
1977-78	267.1	20.7	51.0	318.1	38.3	3.0	7.3	45.6
1978-79	275.1	18.0	49.1	324.2	38.2	2.5	6.8	45.1
1979-80	281.8	16.8	48.3	330.1	38.1	2.3	6.5	44.6
1980-81	290.0	13.5	45.5	335.5	40.6	1.9	6.4	47.0
1981-82	302.8	7.2	38.9	341.7	42.3	1.0	5.4	47.7
1982-83	309.7	11.4	42.2	352.0	42.3	1.6	5.8	48.1
1983-84	319.5	13.9	44.6	364.0	42.0	1.8	5.9	47.8
1984-85	327.8	12.2	41.4	369.2	42.2	1.6	5.3	47.5
1985-86	327.8	9.4	36.3	364.1	40.5	1.2	4.5	45.0
1986-87	333.1	5.7	32.7	365.8	39.7	0.7	3.9	43.6
1987-88	336.6	5.2	30.6	367.1	38.1	0.6	3.5	41.6
1988-89	329.1	3.2	28.6	357.8	35.8	0.3	3.1	38.9
1989-90	331.5	11.6	36.7	368.2	35.3	1.2	3.9	39.2
1990-91	333.7	12.6	35.6	369.3	35.6	1.3	3.8	39.4
1991-92	353.8	16.5	35.8	389.6	38.0	1.8	3.8	41.9
1992-93	371.5	17.2	36.1	407.6	39.8	1.8	3.9	43.7
1993-94	381.6	13.6	32.3	413.9	39.7	1.4	3.4	43.0
1994-95	393.4	14.0	32.7	426.1	39.3	1.4	3.3	42.5
1995-96	398.8	14.0	31.9	430.7	38.7	1.4	3.1	41.8
1996-97	397.8	7.3	24.1	421.9	37.6	0.7	2.3	39.9
1997-98	397.3	6.2	22.2	419.5	36.2	0.6	2.0	38.2
1998-99	399.8	7.6	23.4	423.2	35.2	0.7	2.0	37.3
1999-00	407.5	6.9	22.8	430.3	34.5	0.6	1.9	36.4
2000-01	426.8	6.3	22.5	449.3	35.0	0.5	1.8	36.8
2001-02	441.7	14.4	30.7	472.5	35.5	1.2	2.4	38.0
2002-03	461.0	16.1	33.0	494.1	36.1	1.3	2.5	38.7
2003-04	484.3	17.8	34.8	519.1	36.8	1.3	2.6	39.4
2004-05	505.6	22.8	40.0	545.6	37.6	1.7	2.9	40.6
2005-06	526.7	25.5	43.3	570.0	38.2	1.8	3.1	41.3
2006-07	535.6	27.3	45.5	581.0	37.7	1.9	3.2	40.9
2007-08	549.3	29.6	48.0	597.3	37.8	2.0	3.2	41.1
2008-09[2]	564.7	46.4	65.1	629.8	39.4	3.2	4.5	43.9

Source: Office for National Statistics and HM Treasury

[1] *Net of sales of fixed assets.*

[2] *All measures are presented on the basis which excludes the temporary effect of financial interventions for 2008-09.*