

Statistical bulletin

# UK government debt and deficit: June 2018

Quarterly estimates of UK government deficit and debt, given to the European Commission under the excessive deficit procedure protocol, as part of the Maastricht Treaty.



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## Table of contents

1. [Main points](#)
2. [What's changed in this release?](#)
3. [Things you need to know about this release](#)
4. [How do these figures compare internationally?](#)
5. [How much is the general government gross debt?](#)
6. [How much is the general government deficit?](#)
7. [Revisions since previous release](#)
8. [Quality and methodology](#)
9. [Annex A: Government deficit and debt return dataset](#)
10. [Annex B: Supplementary tables](#)

# 1 . Main points

- General government gross debt was £1,763.8 billion at the end of the financial year ending March 2018, equivalent to 85.6% of gross domestic product (GDP), 25.6 percentage points above the reference value of 60% set out in the Protocol on the Excessive Deficit Procedure.
- General government gross debt first exceeded the 60% Maastricht reference value at the financial year ending March 2010, when it was 69.6% of GDP.
- General government deficit (or net borrowing) was £41.0 billion in the financial year ending March 2018, a decrease of £5.9 billion compared with the financial year ending March 2017; this is equivalent to 2.0% of GDP, 1.0 percentage point below the reference value of 3.0% set out in the Protocol on the Excessive Deficit Procedure.
- This is the second consecutive financial year in which government deficit has been below the 3.0% Maastricht reference value.

## 2 . What's changed in this release?

This section presents information on aspects of data or methodology, introduced since the last publication in July 2018.

There have been no methodological changes introduced since the last publication.

## 3 . Things you need to know about this release

### What countries are in the EU?

The [European Union \(EU\)](#) is an economic and political union of 28 countries. It operates an internal (or single) market, which allows free movement of goods, capital, services and people between member states.

The EU countries are:

Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.

### The background to this release

The EU government debt and deficit statistical bulletin is published quarterly in January, April, July and October each year, to coincide with when the UK and other EU member states are required to report on their deficit (or net borrowing) and debt to the European Commission.

Article 126 of the Treaty on the Functioning of the European Union (EU) obliges member states to avoid excessive budgetary deficits. The Protocol on the Excessive Deficit Procedure, annexed to the Maastricht Treaty, defines two criteria and reference values with which member states' governments should comply. These are:

- a deficit (net borrowing) to gross domestic product (GDP) ratio of 3%
- a debt to GDP ratio of 60%

For the UK, financial year (April to March) figures are used by the European Commission when assessing against the Protocol on the Excessive Deficit Procedure.

## **What are the most important terms I need to know?**

Deficit (or net borrowing) measures the gap between revenue raised (current receipts) and total spending (current expenditure plus net investment). A positive value indicates borrowing while a negative value indicates a surplus.

Debt represents the amount the public sector owes to UK private sector organisations and overseas institutions, largely a result of government financial liabilities on the bonds (gilts) and Treasury bills it has issued.

While deficit represents the difference between income and spending over a period of time, debt represents the total amount of money owed at a point in time. This debt has been built up by successive government administrations over many years. When the government borrows (that is, runs a deficit), this normally adds to the debt total.

Reducing the deficit is not the same as reducing the debt.

## **Are our figures adjusted for inflation?**

The monetary values quoted are in current prices, that is, they represent the price of debt and deficit in the year to which they relate without any adjustments for inflation. For comparisons over time, the figures as a percentage of GDP (also measured in current prices) are used to provide comparable time series.

## **Is this release consistent with UK public sector finances?**

The general government debt and deficit figures published in this bulletin (for the time period 1997 onwards) are fully consistent with those published in the [Public sector finances, UK: August 2018](#) statistical bulletin, published on 21 September 2018.

## **What are the differences between the figures quoted in this release and the figures published in the public sector finances statistical bulletin?**

There are two main differences between the headline debt and deficit measures published in the public sector finances and the debt and deficit figures published in this bulletin:

- coverage – this bulletin includes only the debt and deficit of central and local government bodies, whereas the public sector finances' measures also include the debt and deficit of other public sector bodies, including public non-financial corporations and Bank of England
- the treatment of liquid assets in debt – this bulletin reports gross debt, whereas the public sector finances' focus is net debt; gross debt represents only the financial liabilities (debt securities, loans and deposits) of central and local government, while net debt deducts any liquid assets (official reserve assets and other cash or cash-like assets) from these financial liabilities

## 4 . How do these figures compare internationally?

This release is fully consistent with the latest data transmission on UK government deficit (or net borrowing) and debt that the UK and other EU member states are required to report quarterly to the European Commission.

Eurostat analyses all data provided by member states and publishes a press release, which places the [UK figures in a European context and provides commentary on any issues specific to member states](#).

The debt and deficit figures in this statistical bulletin will be published by Eurostat on 22 October 2018 in context with the other 27 EU member states. More detailed statistics on quarterly deficit and debt of European members states will be published on 23 October 2018.

According to the latest figures published in April 2018, there were two member states that had a deficit in 2017 equal to or higher than the 3% of gross domestic product (GDP) reference value, while 15 member states (including the UK) had gross debt as at the end of 2017 that exceeded the 60% of GDP reference value.

The tables in this bulletin present the UK government debt and deficit position at the end of both the financial and calendar years.

The UK, uniquely within the EU, is assessed against the deficit and debt on a UK financial year basis (that is, April to March).

Estimates for the financial year ending March 2018 were first provided to Eurostat in June 2018, while estimates for the calendar year 2017 were first provided in March 2018. In September 2018, the UK provided Eurostat with revised estimates for both the financial year ending March 2018 and the calendar year 2017.

While the main statistics provided to Eurostat are those of general government consolidated gross debt and deficit, supplementary government finance statistics are also supplied by member states. A full set of government finance tables provided by the UK to Eurostat in September 2018 are included in this release.

## 5 . How much is the general government gross debt?

At the end of the financial year ending March 2018, UK general government gross debt was £1,763.8 billion, equivalent to 85.6% of gross domestic product (GDP). This represents an increase of £43.8 billion since the end of the financial year ending March 2017, although debt as a percentage of GDP fell by 0.9 percentage points from 86.5% to 85.6%. This fall in the ratio of debt to GDP implies that GDP is currently growing at a greater rate than government debt.

General government gross debt first exceeded the 60.0% Maastricht reference value at the financial year ending March 2010, when it was 69.6% of GDP (or £1,076.6 billion) and continues to remain above this reference value.

At the end of the calendar year 2017, UK government gross debt was £1,786.1 billion (87.4% of GDP). This represents an increase of £54.7 billion since the end of the calendar year 2016.

The higher gross debt value at the end of the calendar year 2017, compared with at the end of the financial year ending March 2018, mainly reflects the drop in the stock of Treasury bills in issuance over the first quarter of 2018 of around £15 billion, coupled with a reduction in liabilities on gilts and deposits. This drop is partly offset by an increase in the liabilities on loans. See the [Government deficit and debt return dataset for more information](#).

**Table 1: General government gross debt****UK, financial year ending March 2011 to financial year ending March 2018 and calendar years 2010 to 2017**

|                        | £ billion <sup>3</sup> |                |                |                |                |                |                |                            |
|------------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------------|
| <b>Financial years</b> | <b>2010/11</b>         | <b>2011/12</b> | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18<sup>1</sup></b> |
| Debt <sup>2</sup>      | 1,214.5                | 1,349.7        | 1,425.6        | 1,522.5        | 1,604.0        | 1,652.0        | 1,720.0        | 1,763.8                    |
| as % GDP               | 75.6                   | 81.8           | 83.3           | 85.5           | 86.5           | 86.4           | 86.5           | 85.6                       |
| <b>Calendar years</b>  | <b>2010</b>            | <b>2011</b>    | <b>2012</b>    | <b>2013</b>    | <b>2014</b>    | <b>2015</b>    | <b>2016</b>    | <b>2017</b>                |
| Debt <sup>2</sup>      | 1,194.3                | 1,328.8        | 1,424.8        | 1,499.8        | 1,604.8        | 1,666.0        | 1,731.4        | 1,786.1                    |
| as % GDP               | 75.2                   | 80.8           | 84.1           | 85.2           | 87.0           | 87.9           | 87.9           | 87.4                       |

Source: Office for National Statistics

Notes:

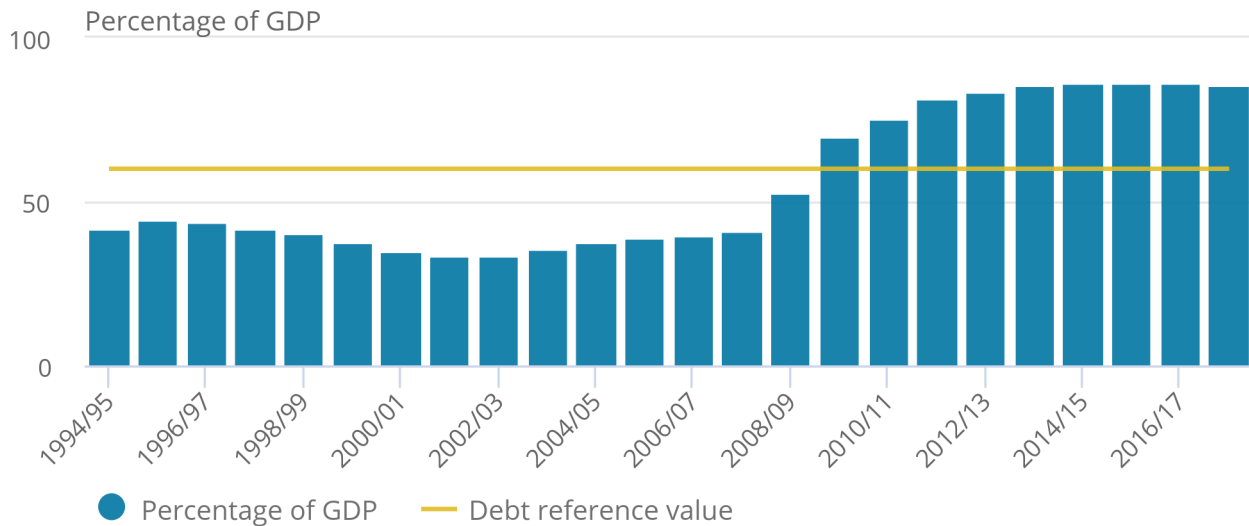
1. 2017/18 refers to the financial year ending March 2018.
2. Consolidated and at nominal values.
3. Unless otherwise stated.

**Figure 1: General government gross debt as a percentage of gross domestic product**

UK, financial year ending March 1995 to financial year ending March 2018

Annotation 1: Automagic  
**Figure 1: General government gross debt as a percentage of gross domestic product**

UK, financial year ending March 1995 to financial year ending March 2018



Source: Office for National Statistics

## 6 . How much is the general government deficit?

In the financial year ending March 2018, UK general government deficit was £41.0 billion, equivalent to 2.0% of gross domestic product (GDP); the lowest annual deficit since the financial year ending March 2002 when it was 0.4%. This represents a decrease of £5.9 billion compared with the financial year ending March 2017.

In the calendar year 2017, the UK government deficit was £36.9 billion (or 1.8% of GDP), a decrease of £20.9 billion compared with the calendar year 2016.

**Table 2: General government deficit**

**UK, financial year ending March 2011 to financial year ending March 2018 and calendar years 2010 to 2017**

|                 |         |         |         |         |         |         |         | £ billion <sup>2</sup> |
|-----------------|---------|---------|---------|---------|---------|---------|---------|------------------------|
| Financial Years | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 <sup>1</sup>   |
| Deficit         | 141.7   | 124.0   | 124.0   | 99.9    | 89.9    | 75.5    | 46.9    | 41.0                   |
| as % GDP        | 8.8     | 7.5     | 7.2     | 5.6     | 4.8     | 3.9     | 2.4     | 2.0                    |
| Calendar Years  | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | 2017                   |
| Deficit         | 147.5   | 123.3   | 137.2   | 94.5    | 99.2    | 80.2    | 57.8    | 36.9                   |
| as % GDP        | 9.3     | 7.5     | 8.1     | 5.4     | 5.4     | 4.2     | 2.9     | 1.8                    |

Source: Office for National Statistics

Notes:

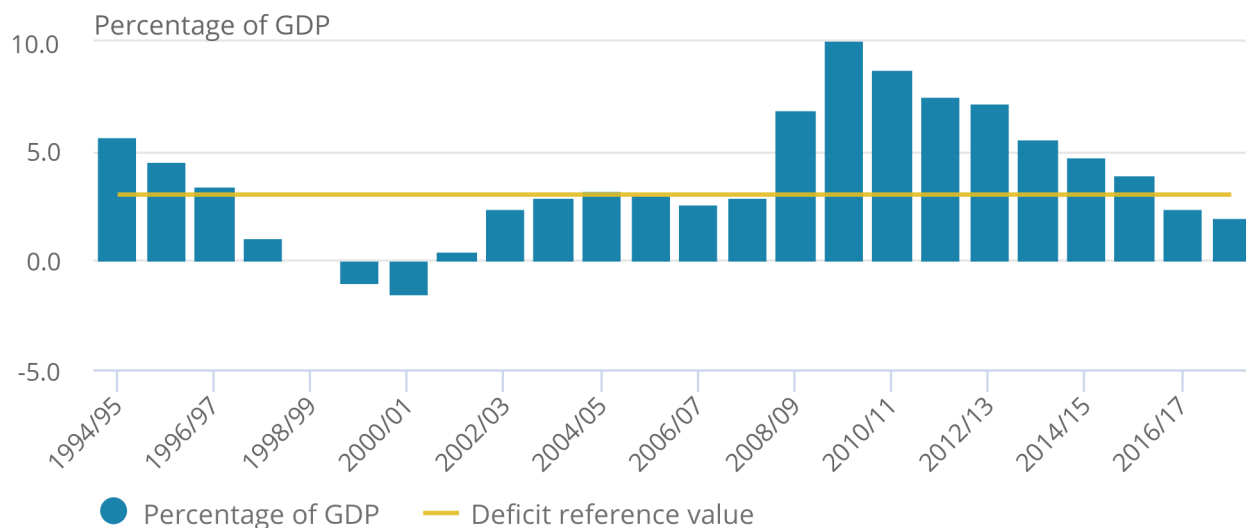
1. 2017/18 refers to the financial year ending March 2018
2. Unless otherwise stated

**Figure 2: General government net borrowing (deficit) as a percentage of gross domestic product**

**UK, financial year ending March 1995 to financial year ending March 2018**

Figure 2: General government net borrowing (deficit) as a percentage of gross domestic product

UK, financial year ending March 1995 to financial year ending March 2018



Source: Office for National Statistics

## 7 . Revisions since previous release

This is the second time that debt and deficit figures for the financial year ending March 2018 have been reported in this statistical bulletin series; it is the third time that debt and deficit figures for the full calendar year ending 2017 have been reported.

Since the [last publication of this bulletin in July 2018](#), the deficit for the financial year ending March 2018 has been revised downwards by £0.3 billion and for the calendar year ending 2017 has been revised downwards by £0.7 billion. These revisions are primarily the result of improved departmental (and other government bodies) data replacing previous estimates.

[Table M8R](#) presents the revisions to our main aggregates since the last publication of the government debt and deficit return, as reported to the European Commission in July 2018. These revisions are consistent with revisions incorporated within the Public sector finances statistical bulletin.

The [Public sector finances revisions policy](#) provides information on when users of the statistics published in the Public sector finances and UK government debt and deficit for Eurostat statistical bulletins should expect to see methodological and data-related revisions. More detail of the methodology and sources employed can be found in the [Public sector finances methodological guide](#).

## 8 . Quality and methodology

The public sector finances [Quality and Methodology Information \(QMI\) report](#) contains important information on:

- the strengths and limitations of the data and how it compares with related data
- uses and users of the data
- how the output was created
- the quality of the output including the accuracy of the data

The public sector finances [methodological guide](#) provides comprehensive contextual and methodological information concerning the monthly [Public sector finances statistical bulletin](#).

The guide sets out the conceptual and fiscal policy context for the bulletin, identifies the main fiscal measures, and explains how these are derived and inter-related. Additionally, it details the data sources used to compile the monthly estimates of the fiscal position.

### Future developments in public sector finance statistics

In our article [Looking ahead: developments in public sector finance statistics](#), we provide users with early sight of those areas where the fiscal statistics may be significantly impacted upon by methodological or classification changes during the coming 24 months.

### Fines and penalties

We are currently investigating our recording of fines and penalties for the late payment of taxes to HM Revenue and Customs (HMRC).



Any additional revenue identified and recorded by the inclusion of such payments will increase central government receipts and so reduce general government net borrowing.

Based on our ongoing investigation, we expect net borrowing to reduce by around £0.7 billion in the financial year ending March 2018 due to this revenue increase.

We will introduce these changes at the earliest opportunity. The Office for Budget Responsibility (OBR) has been informed of these expected data changes and they will be reflected in its Autumn Budget forecasts.

## The Sale of Railway Arches

On 11 September 2018, Network Rail announced it had [agreed terms for the sale of its Commercial Estate business in England and Wales](#), the majority of the properties in which are railway arches. We are currently investigating the nature of the transaction to ensure that the impacts will be fully reflected in the public sector finances.

## Classification decisions

Each quarter we publish a forward [workplan](#) outlining the classification assessments we expect to undertake over the coming 12 months. To supplement this, each month a [classifications update](#) is published, which announces classification decisions made and includes expected implementation points (for different statistics) where possible. Classification decisions are reflected in the public sector finances at the first available opportunity and, where necessary, outlined in this section of the statistical bulletin.

## Supporting documentation

Documentation supporting this publication is available in appendices to the bulletin.

## 9 . Annex A: Government deficit and debt return dataset

[Summary, reconciliation, and revisions information on UK government deficit and debt figures by calendar and financial year.](#)

## 10 . Annex B: Supplementary tables

### Excessive Deficit Procedure (EDP) calendar year and financial year main tables

The EDP [financial year](#) and [calendar year](#) main tables report annually on UK government deficit and debt levels.

### European System of Accounts 2010 (ESA) Table 2

Main aggregates of general government

[ESA Table 2 provides a breakdown of general government expenditure \(both current and capital\) and general government revenue.](#)

## **ESA Table 25**

Quarterly non-financial accounts of general government

[ESA Table 25 provides a breakdown of general government expenditure \(both current and capital\) and general government revenue.](#)

## **ESA Table 27**

Quarterly financial accounts of general government

[Complete set of quarterly financial accounts of the general government sector and its sub-sectors compiled according to ESA 2010.](#)

## **ESA Table 28**

Quarterly government debt (Maastricht debt) for general government

[Government debt on a quarterly basis, for general government and its sub-sectors.](#)

## **ESA Table 9**

Detailed tax and social contribution receipts by type of tax or social contribution and receiving sub-sector

[ESA Table 9 shows tax receipts on a calendar year basis for general government and its sub-sectors, compiled according to ESA 2010. The table provides a breakdown of receipts for the different types of tax and social contributions.](#)

## **ESA Questionnaire on the detailed list of taxes and social contributions according to national classification**

[Otherwise known as the National Tax List, or NTL, this table shows a complete list of taxes and social contributions received by general government and its sub-sectors, compiled according to ESA 2010.](#)