

Statistical bulletin

# UK government debt and deficit: September 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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# 1 . Main points

- General government gross debt was £1,763.8 billion at the end of the financial year ending March 2018, equivalent to 85.4% of gross domestic product (GDP), 25.4 percentage points above the reference value of 60% set out in the Maastricht 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 £42.9 billion in the financial year ending March 2018, a decrease of £4.1 billion compared with the financial year ending March 2017; this is equivalent to 2.1% of GDP, 0.9 percentage points below the reference value of 3.0% set out in the Maastricht Protocol on the Excessive Deficit Procedure.
- This is the second consecutive financial year in which general government deficit has been below the 3.0% Maastricht reference value.

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

In the UK, the general government consists of two sub-sectors: central government and local government.

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 borrowing (or the deficit) represents the difference between total spending and receipts over a period of time, debt represents the total amount of money owed at a point in time.

The 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. So [reducing the deficit is not the same as reducing the debt](#).

## 3 . 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.

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.

Article 126 of the Treaty on the Functioning of the 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 (or 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.

## **4 . What's changed in this release?**

This section presents information on aspects of data or methodology that have been introduced or improved since the publication of the previous bulletin, along with supporting information users may find useful.

### **VAT refunds**

We have completed a review of our recording of Value Added Tax (VAT) refunds data, in collaboration with both HM Revenue and Customs (HMRC) and HM Treasury (HMT).

VAT refunds provide an estimate of the amount of VAT that would have been claimed back by local authorities and central government departments had they paid VAT. This adjustment is required to ensure that the sales of services consumed by government are recorded on an equivalent basis, whether they are provided by government or by the private sector.

This is a notional process, whereby the transactions are recorded but no payments made.

Given that this tax is recorded as income and expenditure for both local government or central government, any updates to VAT refunds data have no impact on public sector net borrowing.

This work has highlighted opportunities to improve our recording of the VAT refunds associated with the National Health Service, Academies, the BBC and Police Commissioners.

We have introduced these improvements to our recording of VAT refunds data for financial year ending (FYE) March 2018 and FYE March 2019. We are currently compiling improved VAT refunds data for periods prior to FYE March 2018 and these will be reflected in our data in parallel with their implementation in the national accounts.

### **Bank of England Asset Purchase Facility Fund**

In July 2018, there was a £2.3 billion dividend transfer from the Bank of England Asset Purchase Facility Fund (BEAPFF) to HM Treasury. As with other such transfers, central government net borrowing is reduced by the amount transferred.

The Bank of England entrepreneurial income for the financial year ending March 2018 (April 2017 to March 2018) was calculated as £14.1 billion. This is the total amount of dividend transfers that can impact on central government net borrowing in the financial year ending March 2019 (April 2018 to March 2019). So far in this financial year-to-date (April to September 2018), £5.3 billion in dividends have transferred from the BEAPFF to HM Treasury, compared with £5.0 billion in the same period last year.

## 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 85.4% of gross domestic product (GDP) (Table 1 and Figure 1). 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 1.1 percentage points from 86.5%. This fall in the ratio of debt to GDP implies that GDP is currently growing more quickly 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 (87.1% 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 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](#).

**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	85.4
<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	87.1

Source: Office for National Statistics

Notes:

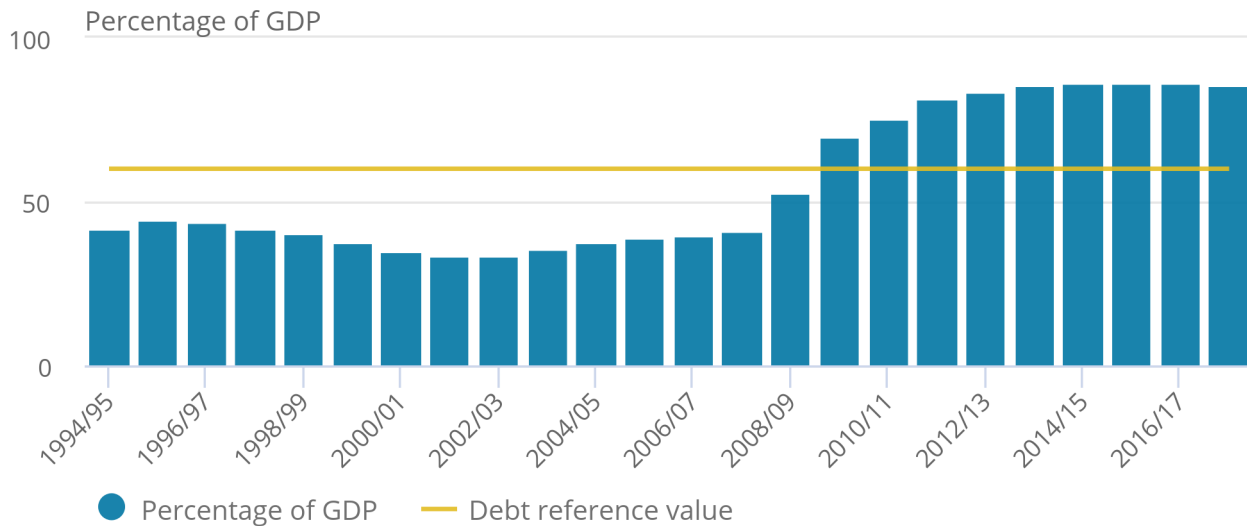
1. 2017/18 refers to the financial year ending March 2018.
2. Consolidated and at nominal values.
3. Unless otherwise stated.

## 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

### 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

#### Notes:

1. GDP – gross domestic product.
2. Debt to GDP ratio reference value is 60%.

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

In the financial year ending March 2018, UK general government deficit was £42.9 billion, equivalent to 2.1% of gross domestic product (GDP) (Table 2 and Figure 2); the lowest annual deficit since the financial year ending March 2002 when it was 0.4%. This represents a decrease of £4.1 billion compared with the financial year ending March 2017.

In the calendar year 2017, the UK government deficit was £38.2 billion (or 1.9% of GDP), a decrease of £19.6 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>							
<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>
Deficit	141.7	124.0	124.0	99.9	89.9	75.5	47.0	42.9
as % GDP	8.8	7.5	7.2	5.6	4.8	3.9	2.4	2.1
<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>
Deficit	147.5	123.3	137.2	94.5	99.2	80.2	57.8	38.2
as % GDP	9.3	7.5	8.1	5.4	5.4	4.2	2.9	1.9

Source: Office for National Statistics

Notes:

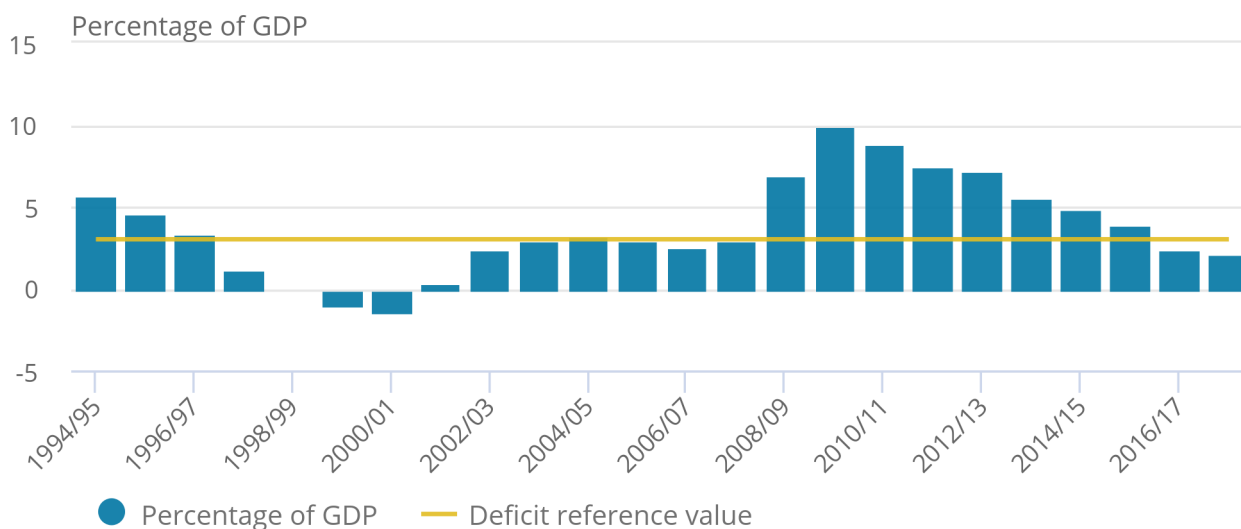
1. 2017/18 refers to the financial year ending March 2018.
2. Unless otherwise stated.

## 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 (&quot;deficit&quot;) as a percentage of gross domestic product

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



Source: Office for National Statistics

#### Notes:

1. GDP – gross domestic product.
2. Deficit to GDP ratio reference value is 3%.

## 7. How do these figures compare with other publications?

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: November 2018 statistical bulletin](#), published on 21 December 2018.

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

## 8 . 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 21 January 2019](#) in context with the other 27 EU member states. More detailed statistics on quarterly deficit and debt of European member states will be published on 31 January 2019.

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 is included in this release.

## 9 . Revisions since previous release

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

Since the [last publication of this bulletin in October 2018](#), the deficit for the financial year ending March 2018 has been revised downwards by £1.9 billion and for the calendar year ending 2017 has been revised downwards by £1.3 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](#).

## 10 . 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 a 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.

## 11 . Looking ahead

This section presents information on aspects of data or methodology that are planned but not yet included in the public sector finances.

Further, 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 central government net borrowing.

Based on our ongoing investigation, we expect net borrowing to reduce by around £0.7 billion in the financial year ending (FYE) March 2018 due to this revenue increase. We will introduce these changes in the next publication (17 April 2019).

## Accounting for student loans: how we are improving the recording of student loans in government accounts

We announced on 24 April 2018 that we would review [the treatment of student loans in the UK government's accounts](#). This is to ensure that the way these loans are treated reflects how the system works in practice as well as being in line with international best practice. This review followed recommendations from both the [Treasury Select Committee](#) and the [House of Lords Economic Affairs Committee \(PDF, 1.6MB\)](#).

On 17 December 2018, we announced our decision on [how we will treat student tuition fee and maintenance loans in the government's accounts](#). We have published a [blog explaining our role and why we have taken this decision](#).

In addition, we have published a [technical note](#), giving further information about how we came to our decision.

It is anticipated that implementation of this decision into the headline statistics will take some time and that any change will be reflected in the government finance statistics in September 2019.

Further information on the review can be found in the [Looking ahead – developments in public sector finance statistics: 2018](#) article, published on 17 July 2018.

## 12 . 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.](#)

## 13 . Annex B: Supplementary tables

### European System of Accounts 2010: ESA 2010 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.](#)