

Statistical bulletin

# UK government debt and deficit: December 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 £1,837.5 billion at the end of 2018, equivalent to 86.7% of gross domestic product (GDP) and 26.7 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 end of 2009, when it was 63.7% of GDP.
- General government deficit (or net borrowing) was £32.3 billion in 2018, equivalent to 1.5% of GDP and 1.5 percentage points below the reference value of 3.0% set out in the Protocol on the Excessive Deficit Procedure.
- This is the second consecutive year in which 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](#).

### EU withdrawal agreement

Although the Office for Budget Responsibility (OBR) discusses the EU settlement in their [Economic and Fiscal Outlook – March 2019](#), the details in the report are still subject to negotiation.

There is insufficient certainty at this stage for us to complete a formal assessment of impact on the UK public sector finances.

On 28 January 2019, National Statistician John Pullinger [released a statement outlining our legislative preparations for a possible no-deal EU exit](#).

## 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.

### Fines and penalties

Having reviewed our recording of fines and penalties for the late payment of taxes to HM Revenue and Customs (HMRC), we identified additional fine and penalty revenue not previously recorded in our calculation of net borrowing. The inclusion of these additional receipts have increased central government revenue from 2010 to date and subsequently reduced net borrowing in the range of £0.2 billion in 2010 and £0.8 billion in 2018.

### Sale of UK Asset Resolution mortgage portfolio

On 27 September 2018, [the government announced its intention to sell a £860 million equity release mortgage portfolio](#), owned by Bradford and Bingley, and NRAM Limited (formerly part of Northern Rock). This sale was completed in October 2018 and raised £0.9 billion for government.

## **Business rates retention**

The Ministry of Housing, Communities and Local Government (MHCLG) is currently operating 100% business rate retention pilot schemes for local authorities in England. As part of the scheme, local authorities are required to make tariff payments to central government and the way the scheme operates altered in April 2018.

Subsequently, we have improved our estimates for the tariff payments and the impact is to reduce the net current transfer from central government to local government by approximately £1 billion per quarter from April 2018 to date. Such grants are government borrowing neutral, reducing central government net borrowing and increasing local government net borrowing by an equal and offsetting amount.

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

In October 2018, there was a £2.8 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 was reduced by an amount equivalent to the transferred.

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

At the end of December 2018, UK general government gross debt was £1,837.5 billion, equivalent to 86.7% of gross domestic product (GDP) (Table 1 and Figure 1). This represents an increase of £51.4 billion since the end of December 2017, although debt as a percentage of GDP fell by 0.4 percentage points from 87.1% over the same period. 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 end of 2009, when it was 63.7% of GDP (or £979.8 billion) and continues to remain above this reference value.

At the end of the financial year ending March 2018, UK government gross debt was £1,763.8 billion (85.3% of GDP).

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

									£ billion <sup>3</sup>
<b>Financial 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>	<b>2018</b>
	<b>/11</b>	<b>/12</b>	<b>/13</b>	<b>/14</b>	<b>/15</b>	<b>/16</b>	<b>/17</b>	<b>/18</b>	<b>/19<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	85.3	-
<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>	<b>2018</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	1837.5
as % GDP	75.2	80.8	84.1	85.2	87.0	87.9	87.9	87.1	86.7

Source: Office for National Statistics

Notes:

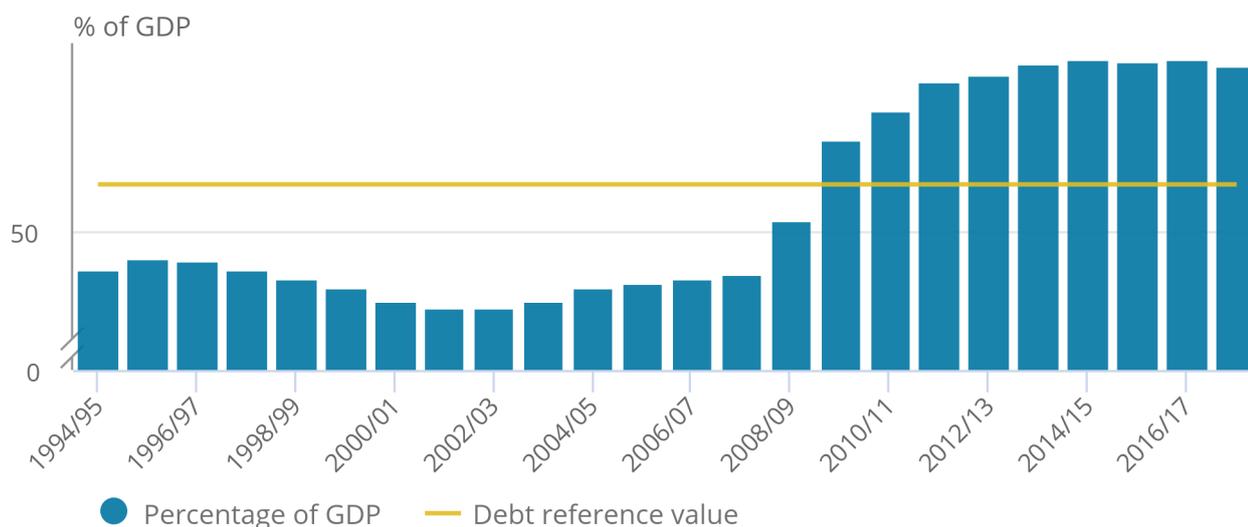
1. 2018/19 refers to the financial year ending March 2019
2. Consolidated and at nominal values
3. Unless otherwise stated

## Figure 1: General government gross debt has been above the 60% of gross domestic product reference value since the financial year ending 2010

General government gross debt as a percentage of GDP, UK, financial year ending March 1995 to financial year ending March 2018

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General government gross debt as a percentage of GDP, UK, financial year ending March 1995 to financial year ending March 2018



Source: Office for National Statistics – Public Sector Finances

#### Notes:

1. Gross Domestic Product.
2. Debt to GDP ratio reference value is 60%.

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

In 2018, UK general government deficit was £32.3 billion, equivalent to 1.5% of gross domestic product (GDP) (Table 2 and Figure 2); the lowest annual deficit since 2001. This represents a decrease of £5.8 billion compared with borrowing in 2017.

In the financial year ending March 2018, the UK government deficit was £43.3 billion (or 2.1% of GDP), a decrease of £3.0 billion compared with the previous financial year.

**Table 2: General government deficit, UK, financial year ending March 2011 to financial year ending March 2018 and calendar years 2010 to 2018**

£ 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</b>	<b>2018 /19<sup>1</sup></b>
Deficit	141.3	123.6	123.5	99.3	89.3	74.8	46.4	43.4	-
as % GDP	8.8	7.5	7.2	5.6	4.8	3.9	2.3	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>	<b>2018</b>
Deficit	147.3	122.9	136.8	94.0	98.6	79.6	57.1	38.1	32.3
as % GDP	9.3	7.5	8.1	5.3	5.3	4.2	2.9	1.9	1.5

Source: Office for National Statistics

Notes:

1. 2018/19 refers to the financial year ending March 2019

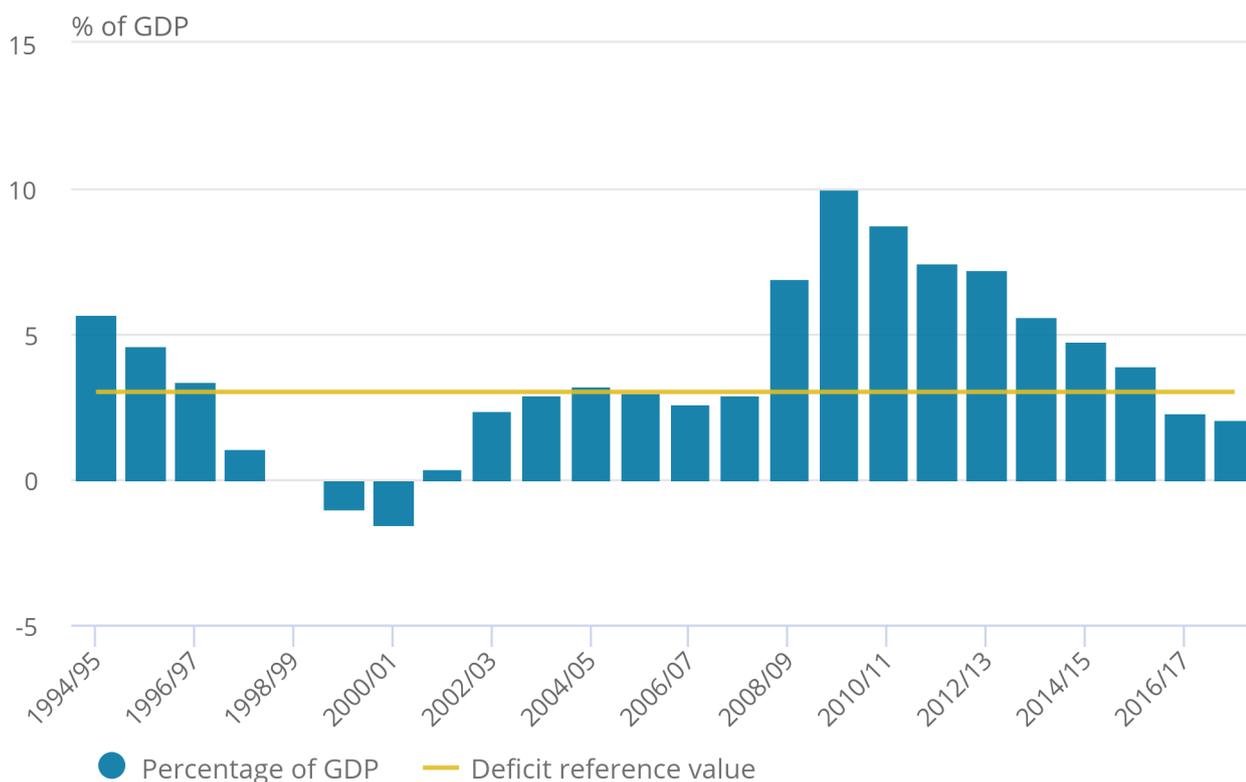
2. Unless otherwise stated

**Figure 2: General government net borrowing has been below 3% of gross domestic product for the second consecutive year since the financial year ending 2008**

General government net borrowing ("deficit") as a percentage of GDP, UK, financial year ending March 1995 to financial year ending March 2018

Figure 2: General government net borrowing has been below 3% of gross domestic product for the second consecutive year since the financial year ending 2008

General government net borrowing ("deficit") as a percentage of GDP, UK, financial year ending March 1995 to financial year ending March 2018



Source: Office for National Statistics – Public Sector Finances

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: January 2019 statistical bulletin](#), published on 21 February 2019.

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 23 April 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 24 April 2019.

According to the [latest published figures \(PDF, 316KB\)](#) (21 January 2019), there were 14 member states (including the UK) that had a gross debt at the end of September 2018 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 these are the first estimates for the calendar year 2018. In June 2019, the UK will provide Eurostat with the first estimates of the financial year ending March 2019 and the second estimates for the calendar year 2018.

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 are included in this release.

## 9 . Revisions since previous release

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

Since the last [publication of this bulletin in January 2019](#), the deficit for the financial year ending March 2018 has been revised downwards by £0.5 billion and for the calendar year ending 2017 has been revised upwards by £0.1 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 December 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.

### **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 public sector finances 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**

### **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 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.](#)

### **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.](#)

## ESA Table 11 Annual expenditure of general government

Reports on annual UK government expenditure broken down by function using the Classification of Functions of Government (COFOG), for [central government](#), [local government](#) and [general government](#). [Notes explaining the COFOG codes can be found on the Listpoint website](#).

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**Date of next publication:** 17-Jul-19

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