

Statistical bulletin

UK government debt and deficit: June 2019

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 £1,821.9 billion at the end of the financial year ending March 2019, equivalent to 84.2% of gross domestic product (GDP) and 24.2 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 the financial year ending March 2010, when it was 69.1% of GDP.
- General government deficit (or net borrowing) was £41.5 billion in the financial year ending March 2019, equivalent to 1.9% of GDP and 1.1 percentage points below the reference value of 3.0% set out in the protocol on the excessive deficit procedure.
- This is the third 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 total revenue and total spending. 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 the impact on general government debt and deficit. On 28 January 2019, then National Statistician John Pullinger released a [statement outlining our legislative preparations for a possible no-deal EU exit](#).

3 . Background to this release

The UK government debt and deficit statistical bulletin is published quarterly in January, April, July and October each year. This is 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 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, Czechia, 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 European Union 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 has 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.

Corporation Tax receipts and Corporation Tax credits

On 24 September 2019, our main supplier of taxes data, HM Revenue and Customs (HMRC), published corrected data for Corporation Tax receipts and Corporation Tax credits. These latest figures have been used to compile the data in this release.

The error mainly relates to the treatment of Corporation Tax credits, which are included within total Corporation Tax receipts as well as within total central government expenditure.

HMRC recently identified that the Corporation Tax credits had erroneously been included twice within total Corporation Tax receipts. Although this problem affected the data from the financial year ending March 2011 onwards, the impact on general government deficit is for a longer time period, beginning from the financial year ending March 2008. This is because the reported data are time-adjusted to ensure consistency with the national accounts statistical framework.

Corporation Tax credits have generally increased during the period from 2011 onwards and so the impact of the correction is larger in recent years. For example, for the latest full financial year ending March 2019, total Corporation Tax receipts have been reduced by £2.6 billion and general government deficit has been increased by the same amount.

Some other improvements to Corporation Tax data have also been implemented in this release, but these have a smaller impact and only affect earlier years.

Student loans

In September 2019, we introduced the new statistical treatment of student loans, in accordance with the [2019 version of the Manual on Government Deficit and Debt](#). The new treatment adds £12.4 billion to general government deficit in the financial year ending March 2019.

Outlays are no longer all treated as conventional loans. Instead, we split lending into two components: a genuine loan to students and government spending. This new approach recognises that a significant proportion of student loan debt will never be repaid. We record government expenditure related to the expected cancellation of student loans as capital transfers (D.99) in the period that loans are issued. Further, government revenue no longer includes interest accrued that will never be paid.

In June 2019, we published a methodological guide explaining the [new approach to recording student loans](#).

Winter fuel payments

The winter fuel payment is a social benefit to assist the elderly with their heating costs. The payments are made in November each year, but we have recently identified that the obligation on government to make the payments is irrevocably fixed in September. Up to now, we have been recording the payments at the time of the cash flows, but we have now improved the recording by moving the associated expenditure from November to September within the same year and recording an associated accounts payable. These changes have no impact on the full year net borrowing or gross debt position, but there is an equal and offsetting change between Quarter 3 (July to Sept) and Quarter 4 (Oct to Dec).

Public sector pensions

Following a substantial amount of work and user consultation, we have adopted a new, gross presentation of funded employment-related pensions. This change, predominantly presentational in nature, has greatly increased the volume of assets recorded on the public sector balance sheet but consolidated many inter-public sector balances and transactions. We now also include the Pension Protection Fund within the public sector boundary.

However, as this new “public sector pension” sector exists outside of the general government boundary, it has very little impact on general government deficit and no impact on debt. The impacts that are observed are a result of the inclusion of the Pension Protection Fund levy and Pension Protection Fund subsidy in the government accounts. This is an example of a rearranged transaction where the levy is paid to the Pension Protection Fund but as it is a tax, we rearrange the levy through government. The small impact on general government deficit, ranging between £2 million and £9 million per quarter, reflects the contribution made by government towards the administrative costs of the Pension Protection Fund.

Capital consumption

Following a high-profile review, the Office for National Statistics (ONS) has introduced a number of [improvements to the estimation of capital stocks](#) and therefore the consumption of fixed capital. These include:

- the life length of fixed assets
- the classification of stocks by asset, industry and the institutional sector
- the modelling of the age-efficiency profile of capital assets

Updates to capital consumption do not affect net borrowing, but components of net borrowing are affected. We have therefore updated all affected components of net borrowing in all time periods transmitted.

5 . How much is the general government gross debt?

At the end of the financial year ending March 2019, UK general government gross debt was £1,821.9 billion, equivalent to 84.2% of gross domestic product (GDP) (Table 1 and Figure 1). This represents an increase of £57.4 billion since the end of the financial year ending March 2018, although debt as a percentage of GDP decreased over the same period from 84.6%. This reduction in the ratio of debt to GDP implies that GDP is currently growing at a greater rate than government debt.

The average general government gross debt across the 28 EU member states at the end of March 2019 was 80.7% of GDP.

UK general government gross debt first exceeded the 60.0% Maastricht reference value at the end of the financial year ending March 2010, when it was 69.1% of GDP (or £1,076.6 billion) and it continues to remain above this reference value.

At the end of the calendar year 2018, UK government gross debt was £1,838.2 billion (85.9% of GDP).

Table 1: General government gross debt

UK, financial year ending March 2011 to financial year ending March 2019 and calendar years 2010 to 2018

	£ billion ³								
Financial year ending March¹	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt ²	1,214.5	1,349.7	1,425.6	1,522.5	1,604.1	1,652.3	1,720.5	1,764.5	1,821.9
as % GDP	74.9	80.9	82.6	84.3	85.7	85.4	85.2	84.6	84.2
Calendar years	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt ²	1,194.3	1,328.8	1,424.8	1,499.8	1,604.9	1,666.2	1,731.8	1,786.7	1,838.2
as % GDP	74.6	80.1	83.2	84.2	86.2	86.9	86.8	86.2	85.9

Source: Office for National Statistics – UK government debt and deficit

Notes:

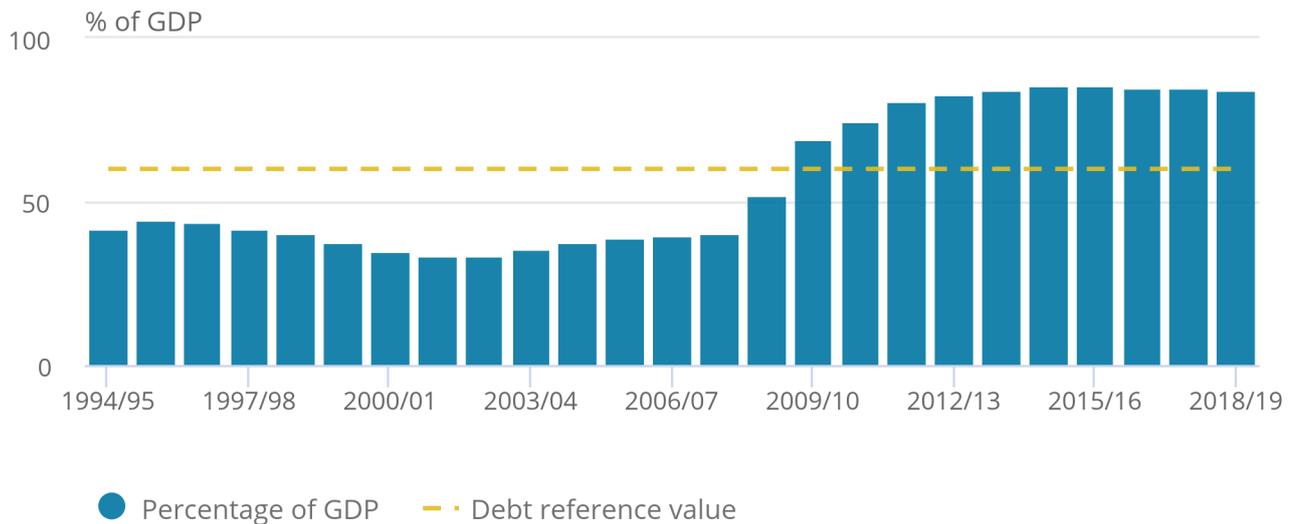
1. Financial year represents the period of April to March
2. Consolidated and at nominal values.
3. Unless otherwise stated.

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

General government gross debt as a percentage of GDP¹, UK, financial year ending March 1995 to financial year ending March 2019

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

General government gross debt as a percentage of GDP¹, UK, financial year ending March 1995 to financial year ending March 2019



Source: Office for National Statistics – UK government debt and deficit

Notes:

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

6 . How much is the general government deficit?

In the financial year ending March 2019, the UK general government deficit was £41.5 billion, equivalent to 1.9% of gross domestic product (GDP) (Table 2 and Figure 2); this is the lowest since the financial year ending March 2002 when it was 0.4%. This represents a decrease of £14.7 billion compared with the financial year ending March 2018.

In the calendar year 2018, the UK government deficit was £49.1 billion (or 2.3% of GDP), a decrease of £1.5 billion compared with the previous calendar year.

Table 2: General government deficit

UK, financial year ending March 2011 to financial year ending March 2019 and calendar years 2010 to 2018

	£ billion ²								
Financial year ending March¹	2011	2012	2013	2014	2015	2016	2017	2018	2019
Deficit	142.8	125.4	127.0	103.9	94.7	83.7	56.4	56.2	41.5
as % GDP	8.8	7.5	7.4	5.8	5.1	4.3	2.8	2.7	1.9
Calendar years	2010	2011	2012	2013	2014	2015	2016	2017	2018
Deficit	148.7	124.6	139.7	98.5	103.5	88.0	66.9	50.6	49.1
as % GDP	9.3	7.5	8.2	5.5	5.6	4.6	3.4	2.4	2.3

Source: Office for National Statistics – UK government debt and deficit

Notes:

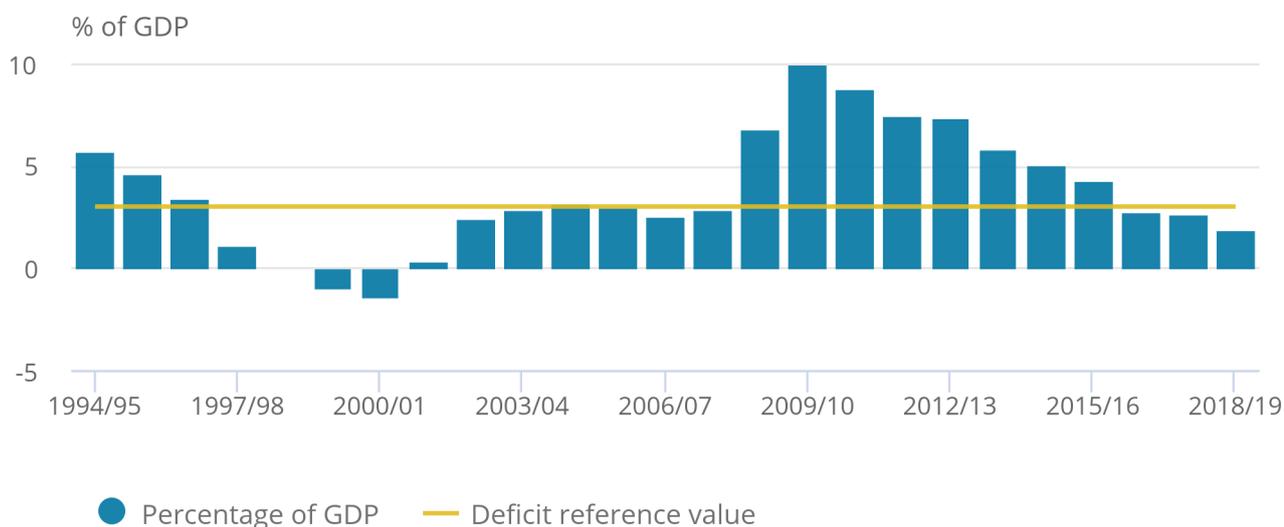
1. Financial year represents the period of April to March
2. Unless otherwise stated.

Figure 2: General government net borrowing has been below 3% of GDP for the third consecutive year since the financial year ending 2008

General government net borrowing (deficit) as a percentage of GDP¹, UK, financial year ending March 1995 to financial year ending March 2019

Figure 2: General government net borrowing has been below 3% of GDP for the third consecutive year since the financial year ending 2008

General government net borrowing (deficit) as a percentage of GDP¹, UK, financial year ending March 1995 to financial year ending March 2019



Source: Office for National Statistics – UK government debt and deficit

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: August 2019 statistical bulletin](#), published on 24 September 2019.

There are two main differences between the headline debt and deficit measures published in the public sector finances and between the debt and deficit figures published in this bulletin. First, this bulletin includes only the debt and deficit of central and local government bodies. The public sector finances' measures also include the debt and deficit of other public sector bodies, including public non-financial corporations and the Bank of England. Secondly, this bulletin reports gross debt, while 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 that 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 October 2019](#) in context with the other 27 EU member states.

According to the [latest published figures](#) (19 July 2019), there were 14 member states (including the UK) that had a gross debt at the end of March 2019 that exceeded the 60% of gross domestic product (GDP) reference value. The average gross debt as a percentage of GDP across all 28 member states at the end of March 2019 was 80.7%, exceeding the 60% of GDP reference value by 20.7%.

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

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

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 bulletin reports the second published estimate of UK general government debt and deficit figures for the financial year ending March 2019 and the third set of estimates for the full calendar year 2018.

Since the [last publication of this bulletin in July 2019](#), we have introduced:

- a revised treatment of student loans, resulting in an upward revision of £12.4 billion to general government deficit in the financial year ending March 2019 along with successively smaller upward revisions to deficit in back to the financial year ending March 2000; this change had no impact on debt
- corrections to Corporation Tax receipts and Corporation Tax credits, which have added £2.6 billion to the deficit in the financial year ending March 2019 along with successively smaller upward revisions to deficit going back to the financial year ending March 2008; this correction had no impact on debt
- a “public sector pension” sector in the UK public finances, which has had a relatively small impact on deficit (an increase of £25 million in the financial year ending March 2019) and no impact on debt because it exists outside of the general government boundary

Further information about these changes can be found in [Section 4](#).

[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 March 2019. 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](#) statistical bulletins should expect to see methodological and data-related revisions. Details 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
- the 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](#) and related publications, including this release.

The guide sets out the conceptual and fiscal policy context, identifies the main fiscal measures, and explains how these are derived and interrelated. Additionally, it details the data sources.

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 statistical bulletin](#) and related publications.

On 31 May 2019, we published the second in our series of development articles, [Looking ahead – developments in public sector finance statistics: 2019](#). In this article, we listed several short-term areas of work that we aim to implement in public sector finances statistics within 18 months from the date of this publication. Some of these pieces of work were implemented in September 2019:

- treatment of student loans
- presentation of pension data on a gross basis
- treatment of depreciation

While others are ongoing:

- International Monetary Fund's Government Finance Statistics framework
- continuous development of public sector net financial liabilities
- the recording of leases

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 financial year and calendar year main tables

The excessive deficit procedure [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 ESA Table 27 provides a [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 ESA Table 28 provides a summary of [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.

