

Statistical bulletin

EU Government Deficit and Debt Return including Maastricht Supplementary Data Tables: Q4 2014

UK general government deficit and gross debt figures expressed as proportion of GDP as well as £s, with supporting information and commentary.



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1. Main points

- This release is consistent with the information on UK deficit (or net borrowing) and debt that the UK and other European Union (EU) Member States are required to report to the European Commission under the terms of the Maastricht Treaty.
- General government net borrowing ('deficit') was £101.8 billion in the calendar year 2014 (5.7% of GDP), an increase of £3.5 billion compared with 2013.
- General government gross debt at the end of the calendar year 2014 was £1,601 billion (89.4% of GDP), an increase of £105 billion compared to the end of 2013.
- A methodological revision to the treatment of Multilateral Development Banks leads to a positive contribution of £1.1 billion to net borrowing in 2014, and upwards revisions in previous years, but is offset in 2013 by updated data sources.
- The figures in this bulletin are fully consistent with the data published in the Public Sector Finances bulletin of 20 March 2015 for 1997 onwards.

2. Background

The EU Government Deficit and Debt statistical bulletin is published quarterly in January, April, July and October each year, to coincide with when the UK and other European Union (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%

The deficit is a measure of how much the government has to borrow to cover its expenditure once revenue has been netted off, for this reason it is also known as net borrowing. The monetary values quoted are in 'current prices', that is, they represent the price of borrowing in the year to which they relate without any adjustments for inflation. Thus for comparisons over time the figures as a percentage of GDP (also measured in current prices) are used to provide a comparable time series.

The source data, and therefore the Maastricht debt and deficit figures published in this bulletin (for the time period 1997 onwards), are the same as those published in the [Public Sector Finances, February 2015](#) statistical bulletin published on 20 March 2015. Although the Public Sector Finances bulletin now includes Maastricht debt and deficit figures there are two key differences between the main borrowing and debt measures published in the Public Sector Finances (i.e. PSNB ex and PSND ex) and the deficit and debt figures published in this bulletin:

1. this bulletin includes only debt and deficit recorded to central and local government, whereas the Public Sector Finances' measures also include the debt and deficit of other public sector bodies
2. this bulletin reports gross debt, that is all financial liabilities of central and local government, whereas the Public Sector Finances' headline measure is net debt, that is the financial liabilities minus liquid assets (i.e. official reserve assets and other cash or cash-like assets)

3. Summary of general government net borrowing and gross debt

This section provides the latest headline data for deficit (net borrowing) and debt, and supporting information.

The [Public Sector Finances, February 2015](#) statistical bulletin published estimates for the headline measures of general government net borrowing and general government gross debt on 20 March 2015. This bulletin provides further information of these estimates and presents them in the context of the European Union (EU) requirements.

Table 1 shows the headline measures on a financial year and calendar year basis both as £ billion values and as a percentage of Gross Domestic Product (GDP).

Table 1: Government deficit and debt

Calendar Years	2008	2009	2010	2011	2012	2013	2014
General government deficit £bn	77.6	160.4	150.8	123.5	137.6	98.3	101.8
as a percentage of GDP	5.1	10.8	9.7	7.6	8.3	5.7	5.7
General government debt at nominal values £bn	786.3	975.3	1190.4	1323.7	1420.6	1495.7	1600.9
as a percentage of GDP	51.8	65.8	76.4	81.8	85.8	87.3	89.4
Financial Years	2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14
General government deficit £bn	45.8	103.1	163.3	144	124.7	126	101.6
as a percentage of GDP	3.1	6.9	10.9	9.1	7.7	7.6	5.9
General government debt at nominal values £bn	640.7	823.3	1073.8	1212.1	1345.2	1420.6	1521.2
as a percentage of GDP	42.8	54.8	71.5	76.9	82.6	85.4	87.9

Source: Office for National Statistics

General government net borrowing

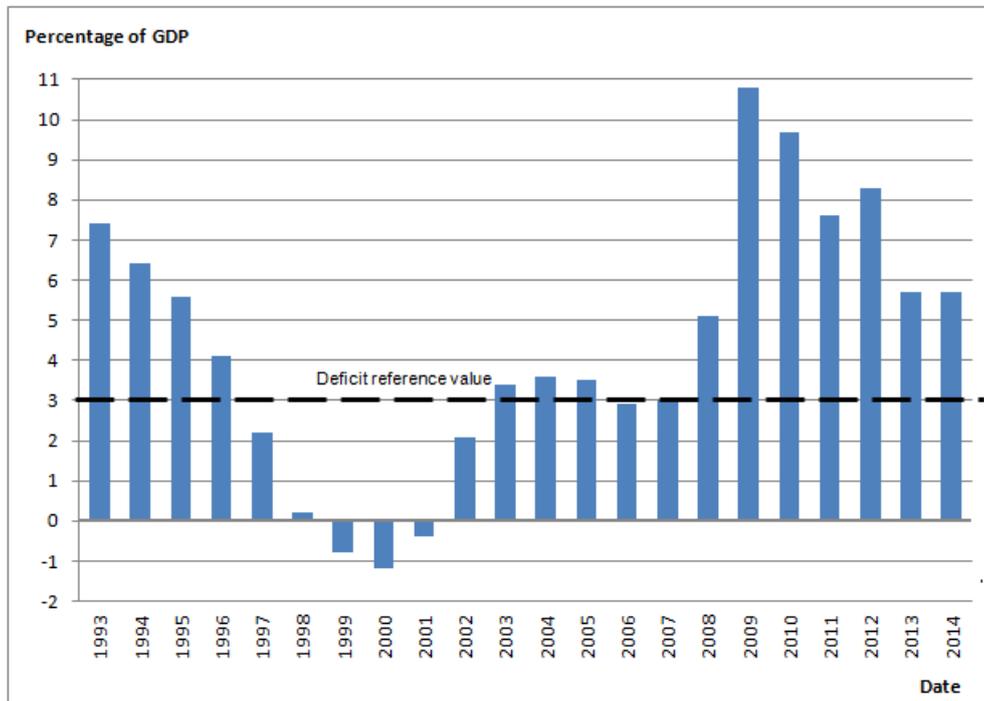
In the calendar year 2014, the UK government deficit (net borrowing) was £101.8 billion (5.7% of GDP). This represents an increase of £3.5 billion since 2013, but is below the 2012 value of £137.6 billion (8.3% of GDP).

The deficit was above the 3% Maastricht 'Excessive Deficit' reference value between 2003 and 2005, and just below it in 2006. Since then it has been above the reference value.

In the financial year 2013/14, the UK government deficit (net borrowing) was £101.6 billion (5.9% of GDP). As a proportion of GDP, this is the fourth annual reduction in net borrowing since the financial year 2009/10 when it was £163.3 billion (10.9% of GDP).

The long term general government net borrowing as a percentage of GDP is illustrated in Figure 1.

Figure 1: General government net borrowing ('deficit') as a percentage of GDP



Source: Office for National Statistics

Notes:

1. GDP = Gross Domestic Product

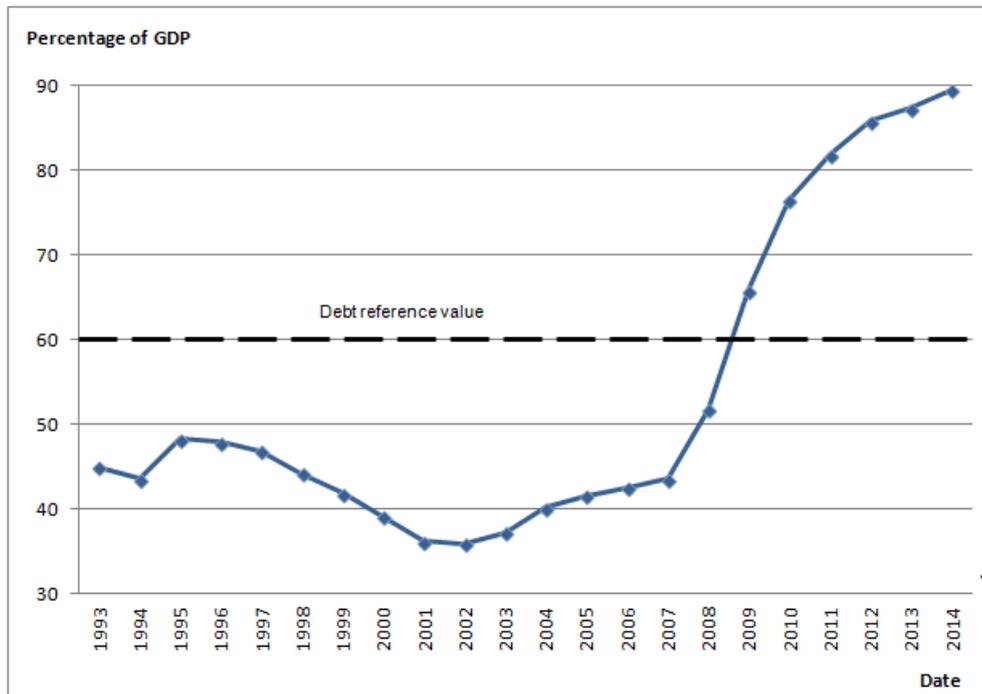
General government gross debt

At the end of the calendar year 2014, UK government gross debt was £1,600.9 billion (89.4% of GDP). As a proportion of GDP, this is the 12th consecutive annual increase. The general government gross debt first exceeded the 60% Maastricht 'Excessive Deficit' reference value in 2009 when it was £975.3 billion (65.8% of GDP).

At the end of the financial year 2013/14, UK government gross debt was £1,521.2 billion (87.9% of GDP).

The long term general government gross debt as a percentage of GDP is illustrated in Figure 2. It shows that the general government debt has increased steeply from 2007 and that between 1995 and 2001 general government gross debt as a percentage of GDP was falling.

Figure 2: General government gross debt as a percentage of GDP



Source: Office for National Statistics

Notes:

1. GDP = Gross Domestic Product

4. Recent events and methodological changes

Foreign exchange trading fines

A number of UK banks were fined in November 2014 by the [Financial Conduct Authority \(FCA\)](#) for failures in their foreign currency operations. The fines amounted to £1.1 billion and these are included in Government receipts, and reduce the deficit (net borrowing) in 2014.

Multilateral development banks

The UK Government subscribes to international institutions that provide loans for economic and social development activities in developing countries. These institutions are referred to as multilateral development banks; examples are the International Development Agency (IDA), the European Bank for Reconstruction and Development (EBRD) and the African Development Banks (AfDB).

In this report, the treatment of UK Government subscriptions to the IDA has changed to record them as capital transfers (which impact net borrowing) instead of the previous treatment as equity injections (which don't affect net borrowing). The impact of this change is to increase net borrowing by £1.1 billion in 2014. All years from 1997 are affected, and net borrowing has been revised upwards accordingly for example by £0.9 billion in 2013.

Full details of the classification decision underlying this change is available on the [ONS website](#).

Bank of England Asset Purchase Facility Fund

The [Chancellor announced](#) on 9 November 2012 that it had been agreed with the Bank of England to transfer to the Exchequer the excess cash in the Asset Purchase Facility Fund. In line with European guidance ([from Eurostat](#)) the amount of cash that reduces net borrowing is limited by the entrepreneurial income earned by the Bank of England in the previous year.

In 2014 there was a £10.9 billion transfer from the Asset Purchase Facility to HM Treasury, of which £8.7 billion affected net borrowing.

In 2013/14 there was a £31.1 billion transfer from the Asset Purchase Facility to HM Treasury. The Bank of England entrepreneurial income for 2013/14 was calculated as £12.8 billion, and this is the amount of Bank of England dividend payments that impacted on net borrowing (although only £12.2 billion of the dividend payments related to the Asset Purchase Facility).

Lloyds Banking Group

On 17 September 2013 the UK Government began selling part of its share holding in Lloyds Banking Group. The sale of the shares does not directly impact on general government net borrowing or general government gross debt because it is purely a financial transaction exchanging equity for cash.

The cash received from the September 2013 sale of the government's 6% stake (at 75p a share) was £3.2 billion.

A further sale was held on the 23/24 March 2014 of a 7.5% stake which raised £4.2 billion.

Following the March 2014 sale of shares Lloyds Banking Group was reclassified from being a public financial corporation to a private financial corporation.

Air Travel Organisers' Licensing (ATOL)

ATOL protection contributions are classified as taxes on production as they are compulsory, unrequited payments. A recent quality assurance exercise by ONS has identified that these payments have not been recorded within taxes on production or elsewhere in the UK accounts. Data for these receipts have been included here for the first time, and reduce the deficit (net borrowing) back to 2008 by less than £0.1 billion a year.

5. International comparability

All European Union (EU) Member States report their latest detailed deficit and debt information to the European Commission twice a year. Supporting statistical information, including deficit and debt values, are reported quarterly. Highlight information from both the six monthly and quarterly returns are then published by Eurostat (the European statistical agency). The debt figures in this statistical bulletin will be published by Eurostat on 21 April 2015 and the deficit figures in this statistical bulletin will be published by Eurostat on 23 April 2015.

The tables in this bulletin present the UK Government debt and deficit position at the end of both the financial and calendar years. The United Kingdom, uniquely within the European Union, is assessed against the deficit and debt on a UK financial year basis (i.e. April to March). In March 2015, the UK provided to Eurostat new estimates for the calendar year 2014, and revised estimates for the financial year 2013/14 (originally reported in September 2014).

The UK figures may be compared with those of other EU Member States on the [Government Finance Statistics](#) section of the Eurostat website. The latest UK government deficit and debt figures exceed the reference values set out in the Protocol on the Excessive Deficit Procedure.

According to the last deficit and debt figures published on 20 January 2015, 8 Member States had a deficit exceeding the 3% of GDP reference value in 2014 Q3, and 16 Member States had gross debts exceeding the 60% of GDP reference value as at the end of 2014 Q3.

While the key statistics provided to Eurostat are those of general government consolidated gross debt and general government net borrowing (or deficit), detailed datasets showing the components of the debt and deficit statistics, as well as supplementary government finance statistics, are also supplied by Member States. A full set of government finance tables provided by the UK to Eurostat in March 2015 are included in this release.

6. Revisions

Table M8R presents the revisions to key aggregates since the last publication of the EU Government Deficit and Debt Return in January 2015. Revisions to the data are consistent with revisions incorporated within the Public Sector Finances statistical bulletin since September 2014.

These revisions are a combination of methodological changes and data revisions. Key methodological revisions are described under 'Recent events and methodological changes'.

7. Annex A - Data tables

There are nine tables included as part of this bulletin. Most tables extend back to 1992/93 in financial years and 1992 in calendar years. However, table M7 extends back to 1995, and tables M5, M6 and M9 only cover more recent periods.

All values in the tables are at current prices and are not seasonally adjusted. The debt figures are at nominal value. That is the debt is valued at the face value of the debt, which is what the government will be liable to pay, and not the market value of the debt.

Table M1 shows the general government deficit and debt (in £ million and as a percentage of GDP)

Table M2 shows the general government debt by financial instrument (in £ million)

Table M3 shows transactions (or changes) in general government debt by financial instrument (in £ million)

Table M4 shows how the deficit can be reconciled with the changes in gross debt (in £ million)

Table M5 shows how the unconsolidated financial liabilities of central government and local government are consolidated to arrive at general government consolidated gross debt (in £ million)

Table M6 shows how the unconsolidated transactions (or changes) in financial liabilities of central government and local government are consolidated to arrive at consolidated transactions in general government gross debt (in £ million)

Table M7 shows how general government net borrowing (or deficit) is consistent with the general government net borrowing reported in the [Public Sector Finances, February 2015](#) statistical bulletin published on 20 March 2015 (in £ million and as a percentage of GDP). The implementation of ESA 2010 in September 2014 has resulted in both outputs having comparable numbers from 1997 onwards and so Table M7 no longer shows the reconciliation between the two measures of net borrowing.

Table M8R shows revisions in deficit and debt between the figures published in this bulletin and those published in the [last bulletin](#) in January 2015 (in £ million and as a percentage of GDP).

Table M9 relates to government activities undertaken to support financial institutions during the financial crisis. It does not include wider economic stimulus packages. The table is presented into two parts. Part 1 shows the

impact on government deficit from both the expenditure undertaken by government and the revenue received as part of these support measures.

Part 2 shows the impact on the government balance sheet from the support measures. Part 2 also includes estimates of the contingent liabilities that government is exposed to through the activities undertaken to support financial institutions. All figures are in £ million. In addition, the Maastricht supplementary tables are included within this release for the first time. Information on these tables can be found within the Background Notes.

8. Annex B - Maastricht Supplementary Data Tables

Maastricht Supplementary data tables

The tables in this release are copies of the data supplied to Eurostat in March 2015.

In all tables the Eurostat convention for recording missing values is used. This convention uses “M” when something is not applicable or the requested data does not exist, and “L” when the requested data is not available or the data exists but has not been collected/recorded.

All tables cover UK General Government, that is UK Central Government and Local Government. The ESA tables 2, 25, 27, 28 are published four times a year in January, April, July and October. The EDP tables are published twice a year in April and October. ESA Table(s) 11 is published once a year in April. All table valuations are in current prices.

Excessive Deficit Procedure (EDP) Calendar Year and Financial Year main tables

The [EDP Financial Year \(337.5 Kb Excel sheet\)](#) ([657.5 Kb Excel sheet](#)) and [Calendar Year \(337 Kb Excel sheet\)](#) ([670 Kb Excel sheet](#)) Main Tables report annually on UK Government Deficit and Debt Levels. The time series covered for the calendar years is 2011 to 2014 and for the financial years from 2011/12 to 2013/14. The definitions of deficit and debt are those defined by the Maastricht Treaty Annex and the EU Stability and Growth Pact. These state that:

- government deficit is general government net borrowing (calculated as current expenditure plus net investment minus current revenue)
- government debt is general government gross consolidated debt at nominal value

Sub-component Tables;

- EDP Table 1 reports government deficit/surplus by government sector and debt levels by financial liability category
- EDP Tables 2A to 2D show the adjustments that must be made to transform the working balances for each government sub-sector (i.e. net borrowing as published in the Public Sector Finances statistical bulletin) into the deficit as defined under the Maastricht Treaty
- EDP Tables 3A to 3E show how the deficit for the consolidated general government and each sub-sector reconciles with the change in government gross debt
- EDP Table 4 contains further memoranda data items requested by Eurostat

European System of Accounts (ESA) Table 2 main aggregates of general government

[ESA Table 2 \(3.8 Mb Excel sheet\)](#) is a complete set of annual (calendar years) non-financial accounts for the time series 1990 to 2014 of the general government sector, compiled according to ESA 2010. Table 2 provides a breakdown of general government expenditure (both current and capital) and general government revenue. The table uses ESA 2010 codes to identify the different transactions with “OTE” representing the total general government expenditure and “OTR” representing the total general government revenue. The table also shows the general government net borrowing (B.9) which is the difference between total revenue and total expenditure. The data is an annual presentation of the quarterly general government data in ESA table 25.

European System of Accounts (ESA) Table 25 quarterly non-financial accounts of general government

[ESA Table 25 \(12.42 Mb Excel sheet\)](#) is a complete set of quarterly non-financial accounts for the time series 1987Q1 to 2014Q4 of the general government sector, compiled according to ESA 2010. Table 25 provides a breakdown of general government expenditure (both current and capital) and general government revenue. This table shows the general government net borrowing (B.9) which is the difference between total revenue and total expenditure. The data is a quarterly presentation of the annual general government data in ESA table 2.

European System of Accounts (ESA) Table 27 quarterly financial accounts of general government

[ESA table 27 \(19.29 Mb Excel sheet\)](#) (also known as QFAGG - quarterly financial accounts of general government) is a complete set of quarterly financial accounts for the time series 1987Q1 to 2014Q4 of the general government sector and its sub-sectors, compiled according to ESA 2010. The table deals with both financial transactions and the financial balance sheets. Data are consolidated within each sub-sector and are available both consolidated and unconsolidated at the General Government level.

European System of Accounts (ESA) Table 28 quarterly government debt (Maastricht Debt) for general government

[ESA Table 28 \(976 Kb Excel sheet\)](#) shows government debt on a quarterly basis for the time series 2000Q1 to 2014Q4, for general government and its sub-sectors, compiled according to ESA 2010. The table provides a breakdown of all debt instruments that are relevant in the EDP reporting of 'Maastricht Debt'. These instruments are categorised under ESA 2010 as F.2 (cash and deposits), F.33 (securities other than shares) and F.4 (loans). Data are consolidated within each sub-sector and at the general government level; that is any debt liabilities of government which are held as assets by another part of government are removed.

European System of Accounts (ESA) Table 11 annual expenditure of general government by function

ESA Table(s) 11 reports on annual (calendar years) UK Government Expenditure by function, for the time series 1996 to 2013. Three tables are produced: [Central Government \(872 Kb Excel sheet\)](#); [\(432 Kb Excel sheet\)](#) [Local Government \(1.04 Mb Excel sheet\)](#); [\(432 Kb Excel sheet\)](#) [General Government \(890 Kb Excel sheet\)](#) [\(424.5 Kb Excel sheet\)](#) (consolidated for central and local government).

The data are broken down by function using the Classification Of Functions Of Government (COFOG). This classification system was developed by the OECD and adopted as standard in National Accounts. [Notes explaining the COFOG codes can be found on the UNStats website.](#)

Associated publications: [Public Sector Finances, February 2015.](#)

9. Annex C - Glossary

- net borrowing - measures the gap between revenue raised (current receipts) and total spending (current expenditure plus net investment). A positive value indicates borrowing (also known as a deficit) while a negative value indicates a surplus
- gross debt - is a measure of how much the government owes at a point in time
- gross domestic product (GDP) - a measure of the total economic activity in a country or region. Therefore a country's gross debt, represented as a proportion of their GDP, can be thought of as a measurement of that country's ability to pay back its debt
- asset purchase facility fund – an arm of the Bank of England able to purchase financial assets including government securities (gilts). The APF has earned interest which is periodically transferred back to central government

10. We value feedback

The public sector finances can be complex. In order to make sure these important statistics are accessible to all we need users to provide us with feedback on how best to explain concepts and trends in the data. Please contact us at: psa@ons.gsi.gov.uk

11. Background notes

1. Government deficit and debt under the Maastricht Treaty

Article 126 of the Treaty on the Functioning of the European Union (commonly known as the Maastricht Treaty) 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 for compliance. These are a deficit to Gross Domestic Product (GDP) ratio of 3 %, and a debt to GDP ratio of 60 %.

EU Member States have to report their actual and planned government deficits, and their levels of debt, to the European Commission to specific deadlines twice each year. Supporting information, including current values for deficit and debt, are reported quarterly. The estimates in this statistical bulletin are supplied to the European Commission by ONS in accordance with the schedules in the Excessive Deficit Procedure.

The first deadline (1 April) is designed so that the European Commission can gain an early sight of Member States' debt and deficit for the previous calendar year, and the second deadline (1 October) is to receive updates to these figures. However, for the United Kingdom, uniquely within the European Union, the Stability and Growth Pact sets the reference period to be the financial year (1 April to 31 March), recognising the different budgetary year arrangements in the United Kingdom. The second deadline (1 October) thus provides for the UK the first estimate for the latest financial year.

The Protocol on the Excessive Deficit Procedure defines Government deficit and debt following the rules and principles laid out in the [European System of Accounts 2010](#). This is also the manual that governs the United Kingdom's National Accounts.

2. Data quality

Data in this bulletin are consistent with those published in the latest Public Sector Finances statistical bulletin. A [summary quality report \(201.4 Kb Pdf\)](#) for the public sector finances is available on the ONS website. This report describes in detail the intended uses of the statistics presented in this publication, their general quality and the methods used to produce them.

3. Coherence

The net borrowing (or deficit) data in this statistical bulletin are based on those published in the [Public Sector Finances statistical bulletin](#) of 20 March 2015. The estimate of GDP used in this bulletin is consistent with that published on 31 March 2015 in the UK National Accounts.

4. Relevance to users

The UK Statistics Authority (UKSA) conducted an assessment of the Government Deficit and Debt Statistical Bulletin in 2011 to ensure that the bulletin and its compilation methods fully comply with all requirements of the National Statistics Code of Practice. A [report](#) of their findings was published on 3 November 2011. Following work to comply with the requirements itemised in the UKSA report, the Public Sector Finances has had designation as National Statistics confirmed.

The United Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs
- are well explained and readily accessible
- are produced according to sound methods and

- are managed impartially and objectively in the public interest

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

As part of our continuous engagement strategy, we welcome comments on how else we might improve the Government Deficit and Debt Statistical Bulletin. If you have recommendations for the improvement of the Government Deficit and Debt Statistical Bulletin, please email them to psa@ons.gsi.gov.uk or see the contact details below.

5. Relevant links

The latest [public sector finances statistical bulletin](#) is available on the ONS website.

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

Details of the revisions policy for this and the other public sector finances statistical bulletins are available at [Public Sector Statistics Revisions' policy \(59.3 Kb Pdf\)](#) .

Information on the classification of institutional units for the purposes of National Accounts can be found at [National Accounts classifications](#).

An [inventory \(133.3 Kb Pdf\)](#) of the data sources used within the data supplied for the Excessive Deficit Procedure is available on the ONS website.

6. Pre-release access

A list of ministers and officials with [pre-publication access](#) to the contents of this bulletin is available on request. In addition some members of the Treasury's Fiscal Statistics and Policy (FSP) team will have access to them at all stages, because they are involved in the compilation or quality assurance of the data.

7. Publication policy

A complete set of EU Government Deficit and Debt Return publications are available to download free of charge on the [National Statistics' website](#). A complete set of Maastricht Supplementary Data Tables included in this release are also available. An electronic dataset is made available within the Supplementary Data release, which is consistent with the headline figures described in this bulletin.

8. Revisions

[Revisions analysis is available on the ONS website \(64.4 Kb ZIP\)](#) , showing the average revision for initial estimates compared to those calculated one year later over the last 9 years. It should be noted that methodological changes can have a significant effect on revisions observed; for example the implementation of ESA 2010 in September 2014 has a significant effect that can be observed in the revision of financial year estimates for 2012/13 within the analysis. Therefore while this revisions analysis may be of interest, users should be wary about using the size of revisions as a measure of the reliability of early estimates of data.

A summary of the information in the revisions analysis linked above can be found in the Summary table of revision indicators attached below.

Table 2: Summary table of revision indicators

General Government	Value in latest period	Average revision ¹ over the last 9 years	Absolute average revision ² over the last 9 years
Net borrowing - Calendar year	101,798	-2,016	3,212
Net borrowing - Financial year	101,595	5,445	6,400
Gross debt - Calendar year	1,600,862	9,840	9,940
Gross debt - Financial year	1,521,156	10,853	10,993

Source: Office for National Statistics

Notes:

1. Average revision of the initial estimate compared to the estimate made one year later.
2. Average revision of the initial estimate compared to the estimate made one year later without regard to sign.

Further information on these and other revisions can be found in the [PSF statistical bulletin](#) and the summary quality report (201.4 Kb Pdf) relating to EDP and PSF statistics.

9. **Following ONS**

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10. **Code of practice**

Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.