

Statistical bulletin

UK government debt and deficit: December 2015

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 deficit (net borrowing) was £82.2 billion in the calendar year 2015 (4.4% of Gross Domestic Product (GDP)), a decrease of £20.0 billion compared with the calendar year 2014 (when it was 5.6% of GDP).

General government gross debt was £1,663.0 billion at the end of 2015 (89.2% of GDP), an increase of £60.8 billion compared with the end of 2014 (when it was 88.2% of GDP).

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

The figures for 1997 onwards in this statistical bulletin are fully consistent with the data published in the Public Sector Finances statistical bulletin of 22 March 2016.

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 2 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 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 2016](#) statistical bulletin published on 22 March 2016. There are 2 main differences between the main borrowing and debt measures published in the Public Sector Finances 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 UK Public Sector Finances' measures also include the debt and deficit of other public sector bodies
2. this bulletin reports gross debt, that is, the financial liabilities (that is, debt securities, loans and deposits) of central and local government, whereas the Public Sector Finances' headline measure is net debt, calculated as financial liabilities less liquid assets (that is, official reserve assets and other cash or cash-like assets)

3 . Summary of general government deficit and gross debt

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

The [Public Sector Finances: February 2016](#) statistical bulletin published estimates for the headline measures of general government net borrowing and general government gross debt on 22 March 2016. 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 calendar year and financial year basis both as £ billion values and as a percentage of Gross Domestic Product (GDP).

Table 1: Government deficit and debt

UK, calendar years 2008 to 2015 and financial year ending March 2008 to financial year ending March 2015

	£ billion ³							
Calendar Years	2008	2009	2010	2011	2012	2013	2014	2015
Deficit	76.2	159.2	150.0	124.0	137.5	97.5	102.2	82.2
as % GDP	5.0	10.7	9.6	7.7	8.3	5.6	5.6	4.4
Debt ²	786.3	975.5	1,190.9	1,324.2	1,420.7	1,495.9	1,602.2	1,663.0
as % GDP	51.7	65.7	76.6	81.8	85.3	86.2	88.2	89.2
Financial Years	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 ¹
Deficit	45.6	101.3	162.1	143.2	124.2	125.4	103.3	91.1
as % GDP	3.0	6.7	10.8	9.1	7.6	7.5	5.9	5.0
Debt ²	640.7	823.5	1,074.0	1,212.6	1,345.7	1,420.8	1,521.4	1,601.3
as % GDP	42.7	54.8	71.4	77.0	82.6	84.6	86.6	87.4

Source: Office for National Statistics

Notes:

1. 2014/15 refers to the financial year ending March 2015
2. At face values
3. Unless otherwise stated

General government deficit

In the calendar year 2015, the UK government deficit (net borrowing) was £82.2 billion (4.4% of GDP). This represents a decrease of £20.0 billion since 2014 and is the lowest value since 2007 when it was 3.0% of GDP (£44.3 billion).

In the financial year ending March 2015, the UK government deficit (net borrowing) was £91.1 billion (5.0% of GDP). This represents a decrease of £12.2 billion since the financial year ending March 2014 and is the lowest value as a percentage of GDP since the financial year ending March 2008 when it was 3.0% of GDP (£45.6 billion). However, the deficit remains above the Maastricht reference value of 3.0%.

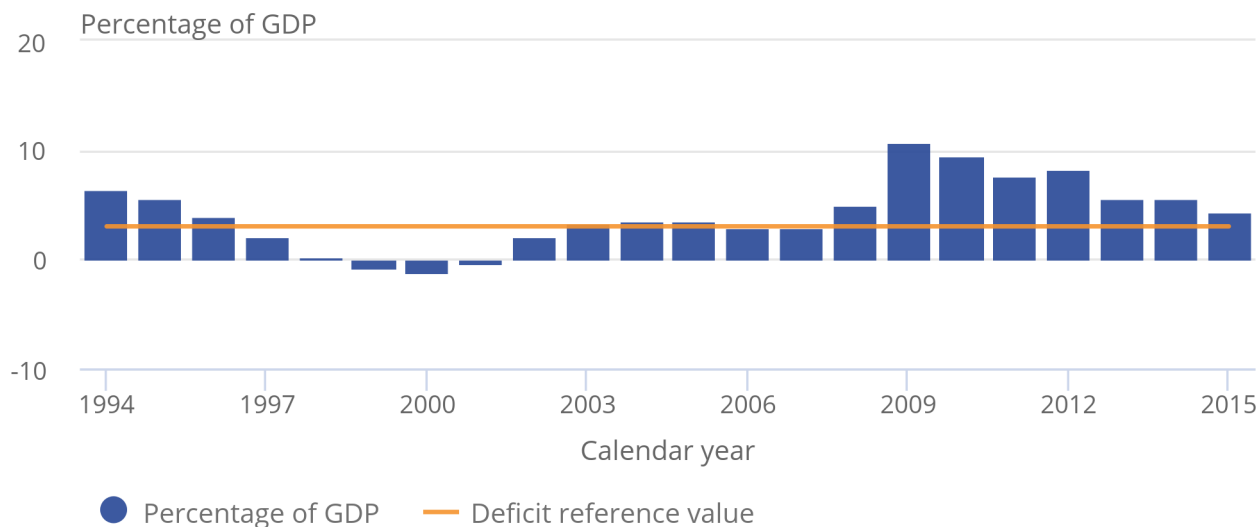
The long-term general government deficit (net borrowing) as a percentage of GDP is illustrated in Figure 1.

Figure 1: General government net borrowing ('deficit') as a percentage of GDP, 1994 to 2015

UK

Figure 1: General government net borrowing ('deficit') as a percentage of GDP, 1994 to 2015

UK



Source: Office for National Statistics

Notes:

1. GDP = Gross Domestic Product
2. Deficit to GDP ratio reference value is 3%

General government gross debt

At the end of the calendar year 2015, UK government gross debt was £1,663.0 billion (89.2% of GDP). As a proportion of GDP, this is the 13th consecutive annual increase.

At the end of the financial year ending March 2015, UK government gross debt was £1,601.3 billion (87.4% of GDP). This represents an increase of £79.9 billion since the end of the financial year ending March 2014. The general government gross debt first exceeded the 60% Maastricht reference value at the end of the financial year ending March 2010 when it was 71.4% of GDP (£1,074.0 billion).

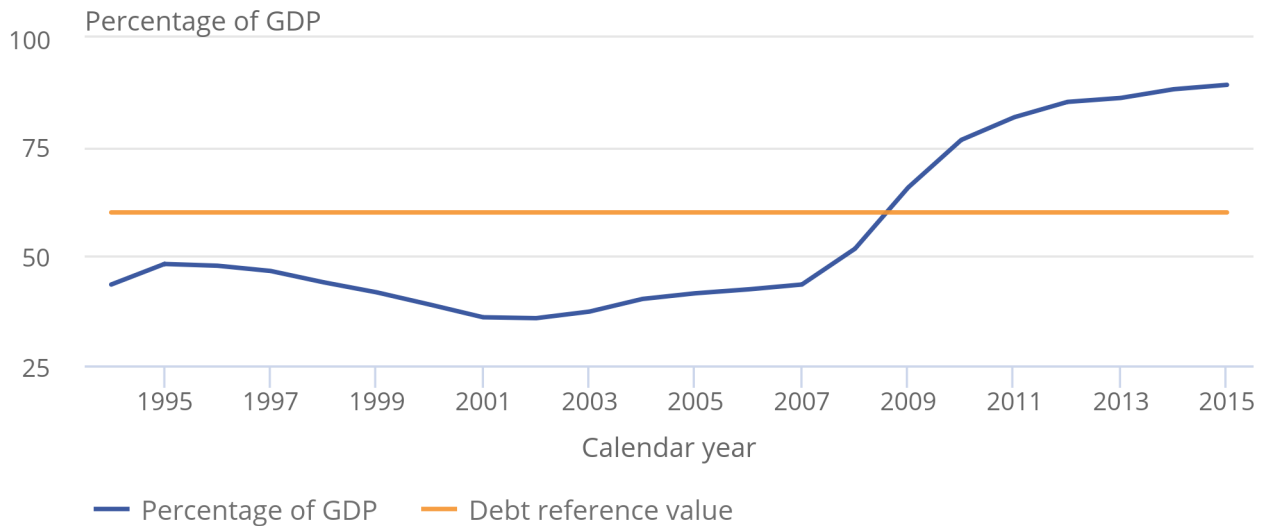
The long-term general government gross debt as a percentage of GDP is illustrated in Figure 2.

Figure 2: General government gross debt as a percentage of GDP, 1994 to 2015

UK

Figure 2: General government gross debt as a percentage of GDP, 1994 to 2015

UK



Source: Office for National Statistics

Notes:

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

4 . Recent events and methodological changes

The last edition of this bulletin in January 2016, included a number of methodological changes. This edition includes 1 methodological change relating to the data coverage in the bulletin:

Additional central government revenue

A program of quality assurance has identified a number of additional sources of central government department revenue that were not previously being reported. These are now included in the accounts and impact on central government deficit from 2008, with the combined effect in 2014 being a downward revision to deficit of £0.8 billion.

In addition to this methodological change, some of the more significant recent events that impact on the reported government deficit and debt are summarised below. For more information on the methodological changes and events impacting these statistics, please see the relevant section of the [Public Sector Finances: February 2016](#) statistical bulletin.

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 deficit is limited by the entrepreneurial income earned by the Bank of England in the previous year.

In the calendar year 2015, there was a £8.7 billion transfer from the Asset Purchase Facility to HM Treasury. The Bank of England entrepreneurial income for 2014 was calculated as £12.4 billion; as the amount of dividend transfers made did not exceed the entrepreneurial income, the impact of these transfers was to reduce deficit by £8.7 billion.

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 deficit 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 23 to 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.

Share sales in 2015

Further share sales have occurred in 2015. These are as follows:

- the sale of the government's 40% stake in the cross-Channel train operator Eurostar raised £757 million in May
- the sale of half of the government's retained shareholding in Royal Mail (a 15% stake) raised £750 million in June
- the sale of 5.4% of the government's stake in the Royal Bank of Scotland raised £2.1 billion in August
- the ongoing sale of shares in Lloyds Banking group has raised a total of £8.7 billion throughout 2015

5 . International comparability

Under the Excessive Deficit Procedure 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. Both the biannual and quarterly returns are published by [Eurostat](#) (the European statistical agency).

Both the debt and deficit figures in this statistical bulletin will be published by Eurostat on 21 April 2016. More detailed statistics on quarterly debt of European member states will be published on 22 April 2016.

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). In March 2016, the UK provided to Eurostat first estimates for the calendar year 2015 and revised estimates for the financial year ending in March 2015. Estimates for the financial year ending in March 2015 were first provided in June 2015.

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 latest deficit and debt figures published on 22 January 2016, 13 member states had a deficit exceeding the 3% of GDP reference value in 2014 and 16 member states had gross debts exceeding the 60% of GDP reference value as at the end of 2014.

While the main statistics provided to Eurostat are those of general government consolidated gross debt and general government net borrowing (or deficit), supplementary government finance statistics are also supplied by member states. A full set of government finance tables provided by the UK to Eurostat in March 2016 are included in this release.

6 . Revisions

This is the first time that deficit and debt figures for the calendar year 2015 have been reported in this statistical bulletin series; it is the fifth time that deficit and debt figures for 2014 have been reported. Since the last publication of the EU Government Deficit and Debt Return in January 2016, the deficit in the calendar year 2014 has been revised down by £843 million (0.8%) and debt as at the end of 2014 has been revised down by £3 million (0.0%).

Table M8R presents the revisions to main aggregates since the last publication of the EU Government Deficit and Debt Return in January 2016. Revisions to the data are consistent with revisions incorporated within the Public Sector Finances statistical bulletin.

Main methodological changes and recent events that affect data movements are described under “Recent events and methodological changes”.

7. Annex A – Data tables

There are 9 tables included as part of this bulletin. Most tables extend back to the financial year ending March 1993 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 British pounds million and as a percentage of GDP).

Table M2 shows the general government debt by financial instrument (in British pounds million).

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

Table M4 shows how the deficit can be reconciled with the changes in gross debt (in British pounds 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 British pounds 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 British pounds 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 2016](#) statistical bulletin published on 22 March 2016 (in £ million and as a percentage of GDP). The implementation of ESA 2010 in September 2014 has resulted in both outputs having consistent net borrowing figures from the financial year ending March 1998 onwards.

Table M8R shows revisions in deficit and debt between the figures published in this bulletin and those published in [the last bulletin](#) in January 2016 (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 in 2 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. Following guidance from Eurostat, there has been a slight change to the presentation of figures in this table, and the liabilities of defeasance structures that do not impact on government debt are no longer included in the balance sheet information.

In addition, the Maastricht supplementary tables are included within this release. Information on these tables can be found within Annex B.

8. Annex B – Maastricht supplementary data tables

The tables in this release are copies of the data supplied to Eurostat in January 2016.

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 or recorded.

All tables cover UK general government, that is UK central government and local government. The ESA tables 2, 25, 27, 28 are published 4 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), and ESA Table 9 and the ESA Questionnaire (National Tax List) are published once a year (in October). All table valuations are in current prices and reported values are in British pounds millions.

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. The time series covered for the calendar years is 2012 to 2015 and for the financial years from 2012/13 to 2014/15. 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 or 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 (that is, 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](#) is a complete set of annual (calendar years) non-financial accounts for the time series 1990 to 2015 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](#) is a complete set of quarterly non-financial accounts for the time series Quarter 1 (Jan to Mar) 1987 to Quarter 4 (Oct to Dec) 2015 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](#) (also known as QFAGG – quarterly financial accounts of general government) is a complete set of quarterly financial accounts for the time series Quarter 1 (Jan to Mar) 1987 to Quarter 4 (Oct to Dec) 2015 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](#) shows government debt on a quarterly basis for the time series Quarter 1 (Jan to Mar) 2000 to Quarter 4 (Oct to Dec) 2015, 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 that 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 1997 to 2014. Three tables are produced:

[Central Government](#)

[Local Government](#)

[General Government](#) (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 Organisation for Economic Co-operation and Development (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 2016](#)

9. Annex C – Glossary

The main terms used in this bulletin are:

- net borrowing (also known as deficit) – 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
- 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
- Maastricht deficit – general government net borrowing as defined within the Maastricht Treaty and Stability and Growth Pact (and as supplied to Eurostat)
- Maastricht debt – general government gross debt as defined within the Maastricht Treaty and Stability and Growth Pact (and as supplied to Eurostat)
- public sector net borrowing (PSNB ex) – includes central government, local government, public corporations and Bank of England but excludes public sector banks
- public sector net debt (PSND ex) – includes central government, local government, public sector corporations and Bank of England but excludes public sector banks

We value feedback

The public sector finances can be complex. 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

10. 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 2 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 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.

The debt measure reported includes liabilities of currency, deposits, debt securities and loans at face value. Excluded are contingent liabilities as well as those related to equity, derivatives, pensions and accounts payable.

2. Data quality

Data in this bulletin are consistent with those published in the latest Public Sector Finances statistical bulletin. A [summary quality report](#) for this publication and the public sector finances is available on our 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: February 2016](#) of 22 March 2016.

The estimate of GDP used in this bulletin is consistent with that published on 31 March 2016 in the UK National Accounts.

In accordance with European Commission practice, debt as a percentage of GDP is calculated as the debt at the end of a period divided by the GDP for the preceding year. This differs from the treatment in the Public Sector Finances where debt at a period in time is divided by the annual GDP centred at that same point in time. We have recently published an article describing [The use of GDP in fiscal ratio statistics](#).

4. Relevance to users

The UK Statistics Authority last conducted an assessment of the EU Government Deficit and Debt Return statistical bulletin in 2015 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 8 October 2015. We are working to comply with the requirements itemised in the Authority's report.

The 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
- 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 bulletin](#) is available on our 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](#).

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

An inventory of [the data sources used within the data supplied for the Excessive Deficit Procedure](#) is available on our website.

6. Publication policy

A [complete set of Maastricht supplementary data tables](#) included in this release are available on our website. Prior to December 2014, statistical bulletins for [EU government deficit and debt returns](#) were published separately from the supplementary tables. An electronic dataset is made available within the supplementary data release, which is consistent with the headline figures described in this bulletin.

7. Revisions

We publish [revisions analysis](#) on our website, showing the average revision for initial estimates compared with those calculated one year later over the last 10 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 on revisions observed in that period. 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 Table 2.

Table 2: Summary table of revision indicators

UK		£ million		
General government	Value in latest period	Average revision ¹ over the last 10 years	Absolute average revision ² over the last 10 years	
Net borrowing – Calendar year	82,221	-1,965		3,335
Net borrowing – Financial year	91,117	4,834		5,827
Gross debt – Calendar year	1,662,984	8,296		8,377
Gross debt – Financial year	1,601,284	9,765		9,896

Source: Office for National Statistics

Notes:

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

Further information on these and other revisions can be found in the [Public Sector Finances bulletin](#) and the [summary quality report](#) relating to EDP and PSF statistics.