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Coverage
United Kingdom
Theme
The Economy

Government deficit and debt under the Maastricht Treaty

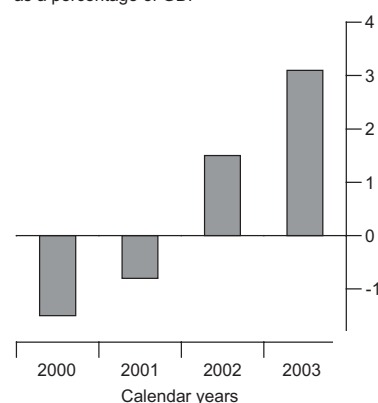
Provisional estimates show that in the calendar year 2003 general government net borrowing was £33.9 billion. This compares with net borrowing of £15.2 billion in 2002. Net borrowing is referred to as “government deficit” in the Maastricht Treaty.

General government net borrowing in 2003 was equivalent to 3.1 per cent of gross domestic product, compared with 1.5 per cent in 2002.

The provisional net borrowing for 2003 exceeded three per cent, the reference value in the protocol for an excessive deficit, for the first time since 1996.

At end 2003 general government gross consolidated debt at nominal value was £438.4 billion, equivalent to 39.8 per cent of gross domestic product, compared with £401.3 billion (38.5 per cent) at the end of 2002. This is substantially below the reference point value of 60 per cent for excessive debt.

General government net borrowing as a percentage of GDP



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	2000	2001	2002	2003
General government deficit				
net borrowing (£ bn)	-14.2	-8.0	15.2	33.9
as a percentage of GDP	-1.5	-0.8	1.5	3.1
General government debt				
debt at nominal value (£ bn)	400.4	386.4	401.3	438.4
As a percentage of GDP	42.1	38.9	38.5	39.8

The estimates in this first release have been supplied to the European Commission for the Excessive Deficit Procedure in accordance with the Maastricht Treaty.

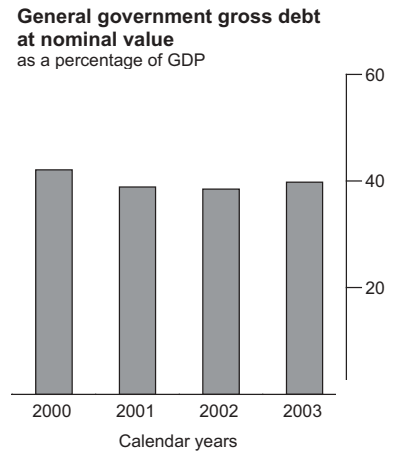
This release follows the European Regulation that requires payments on swaps to be treated as interest payments. This means they are part of general government net borrowing as reported for the Excessive Deficits Procedure under the Maastricht Treaty. The Regulation does not amend general government net borrowing for National Accounts purposes, which is used in the Public Sector Finances First Release. For these purposes swaps are treated as financial items. The UK government does not use swaps to the same extent as some European Union member states. The reconciliation between these two versions of net borrowing is shown in the first part of table M7.

In July 2003 the ONS announced that NHS Trusts were being reclassified from public corporations to central government. More details are available from the National Statistics website at <http://www.statistics.gov.uk/nhsfoundationtrusts>

Although the reclassification has not taken place in National Accounts yet, for the purposes of the Excessive Deficit's Procedure it has been implemented. This raises net borrowing by 0.1 per cent of GDP in some years.

The ONS has also presented in table M7 an alternative version of the deficit, which is consistent with a Eurostat decision on the treatment of receipts for use of the spectrum; the derivation is explained in the notes to table M7. Eurostat's decision differs from the ONS interpretation of the 1995 European System of Accounts, which is consistent with that proposed by the Inter-Secretariat Working Group on National Accounts (ISWGNA) and agreed by the United Nations Statistical Commission (UNSC) and used in National Accounts. After the August 2003 release the European Commission included both versions of the UK figures in their publication. The alternative version for the year 2003 is £34.9 billion, equivalent to 3.2 per cent of GDP. In 2000, the year of cash receipts, the surplus would be boosted from 1.5% to 3.8% if the alternative version was used. Deficit data in 1999 and earlier years are the same under both definitions. The debt data are unaffected.

The Maastricht Treaty does not itself determine what constitutes excessive general government deficit or debt. A protocol to the Treaty does, however, specify reference percentages for general government deficit (which should not exceed 3 per cent of GDP) and gross consolidated debt (which should not exceed 60 per cent of GDP).



Net borrowing exceeded 3 per cent of GDP from 1991 to 1996. Net borrowing reached a record high of £50.9 billion (7.9 per cent of GDP) in 1993, then fell steadily, moving into net lending (or surplus) in 1998. In 2001 it started to rise again, but remained in surplus. In 2002 there was net borrowing for the first time since 1997.

General government gross consolidated debt at nominal value, has for the last decade always been substantially below 60 per cent of GDP; the highest percentage was 52.2 per cent in 1996. As a percentage of GDP it has fallen in every year until 2003. At end 2003 gross debt had risen to £438.4 billion, compared with £401.3 billion at end of 2002, the percentage rose from 38.5 per cent to 39.8 per cent.

Notes to Tables

Table M1

Table M1 shows general government net borrowing (also referred to as “government deficit”) and the nominal value of general government gross consolidated debt, in £ million and as percentages of gross domestic product (GDP) at current market prices, which is also shown in £ million.

Tables M2 and M3

These tables show general government gross consolidated debt at nominal value, and the corresponding general government transactions in Maastricht debt instruments, broken down between loans from central bank, other loans, currency and deposits, bills and short-term bonds and medium and long-term bonds. The main component of total gross debt is medium and long-term bonds, which in 2003 accounted for 68.8 per cent of total gross debt. This category mainly consists of British Government Securities (gilts).

Table M4

Table M4 explains how general government net borrowing reconciles with the increase in general government gross consolidated debt at nominal prices. Conceptually, the following equation holds:

net borrowing (Maastricht deficit definition)
+ net acquisition of financial assets
- swaps
+ consolidating transactions in Maastricht debt instruments (i.e. transactions between central and local government),
- other accounts payable (which mainly consists of trade credit and accruals adjustments, which are excluded from Maastricht debt)

- + adjustment for holding gains/losses,
 - + adjustment from market to nominal value
 - + other adjustments
- = the increase in general government gross consolidated debt at nominal value.

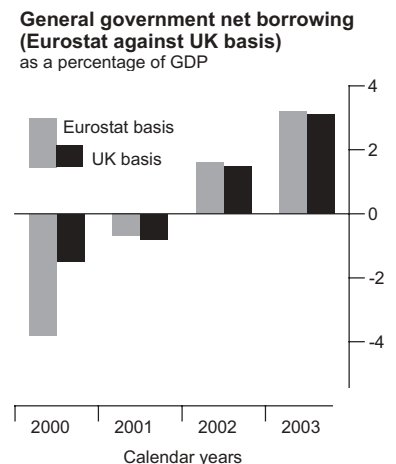
The other adjustments category includes Other Changes in Volume (K.10 in ESA95) for financial liabilities excluding other accounts payable, the Statistical Discrepancy Item from the Sector Account, and a further discrepancy item required to reconcile general government net borrowing with the increase in general government gross consolidated debt at nominal prices.

Tables M5 and M6

These tables reconcile general government gross consolidated debt and the corresponding transactions in Maastricht debt instruments with National Accounts estimates; the tables show how the ONS calculates gross debt and the corresponding transactions. General government total liabilities from the Financial Balance Sheet (NPVQ) and the corresponding financial transactions (NFSK) are recorded on an unconsolidated basis (i.e., including transactions between central and local government) and at market prices in accordance with ESA95. Estimates for other accounts payable (which consists of trade credit and accruals adjustments) are deducted from total financial liabilities to get unconsolidated Maastricht debt at market prices. The consolidating debt (which mainly consists of local government borrowing from central government) is then deducted to get consolidated Maastricht debt at market prices. British government securities (gilts) at market prices are then deducted and gilts at nominal prices added to get general government consolidated Maastricht debt at nominal prices.

Table M7

Table M7 shows the reconciliation of the three different versions of general government net borrowing. It starts with net borrowing consistent with National Accounts as published at December 2003. Net borrowing for 2003 is based on estimates in the *Public Sector Finances First Release* published on 19 February 2004. In the second column this is restated with NHS Trusts reclassified to central government from public corporations. It then shows, in the fourth column, net borrowing incorporating the Regulation treating swaps as interest. These are the figures in the body of this release. Finally the table shows, in the seventh column, net borrowing formed from an alternative treatment of receipts by government for allowing



the use of the spectrum by third generation mobile phone companies. Eurostat request that, for the Excessive Deficit Procedure, these are reported as being for the sale of assets and this is the third version of net borrowing shown. Cash receipts of £22.5 billion were paid to government by mobile phone companies during the second and third quarters of 2000. ONS interpretation of ESA95, which is consistent with ISWGNA and UNSC, is that these receipts should be treated as rents. In the National Accounts and the *Public Sector Finances First Release* they are treated as pre-payments of rent at the rate of £1 billion per annum over the life of the licences. For more detail please refer to the PSA page under Articles www.statistics.gov.uk/psa/

To derive the numbers consistent with the Eurostat decision, net borrowing (including *swaps* interest payments) is adjusted by adding the rent estimates in column five and deducting the adjusted cash receipts in column six. Adopting the Eurostat treatment has the effect of more than doubling the government surplus for 2000, (£36.1 billion as opposed to £14.2 billion). The ONS believe this disguises the true picture by scoring over 20 years of receipts in one year. Such a surplus would be consistent with the spectrum being sold, however it is just being leased to the Mobile Phone Companies. The debt data are unaffected.

Revisions since last data release

Data in this First Release have been revised since last published on 29 August 2003. They include revisions arising from the annual ONS National Accounts published in September 2003.

The ONS annual National Accounts is the time when a number of methodological and data improvements are taken into the accounts. There are numerous reasons for the revisions to this release, and these have different effects in different time periods. The main two revisions arise from improved methodology for accrued national non-domestic rate (NNDR) receipts and changes to data and assumptions made in the ONS's depreciation model. The data in this release are consistent with the *Public Sector Accounts First Release* and National Accounts published on 23 December 2003 and the *Public Sector Finances First Release* published on 19 February 2004.

Table M8R has been introduced to present revisions to key aggregates.

A new summary table of past revisions to key indicators is being introduced in many other ONS First Releases. It is not included here because this First Release has been published an insufficient number of times to support the analyses.

Details of the revisions policy for this and the other public sector statistics releases is available at http://www.statistics.gov.uk/about/Methodology_by_theme/Public_sector_accounts/default.asp

BACKGROUND NOTES

1. This First Release presents Government deficit and debt under the Maastricht Treaty calculated according to the ONS's interpretation of the 1995 European System of Accounts (ESA95). It also publishes the deficit consistent with a Eurostat decision on the treatment of receipts for use of the spectrum.
2. The Treaty establishing the European Union requires member states to endeavour to avoid excessive government deficit (defined as general government net borrowing), and to report their planned and actual deficit and the levels of their debt promptly to the European Commission. The data are reported to Eurostat by 1 March and 1 September each year. The March notification includes the first estimate of the calendar year outturn. The notification in September revises the data supplied in March. Copies of the tables reported to Eurostat are available on the National Statistics website at www.statistics.gov.uk.
3. Apart from the *swaps* modification and the reclassification of NHS Trusts, the deficit data in this First Release are consistent with data published in the *Public Sector Finances First Release* 19 February 2004. It includes revisions incorporated into the National Accounts since the Maastricht data were last published in August. Details of the revisions policy for this and the other public sector first releases is available at http://www.statistics.gov.uk/about/Methodology_by_theme/Public_sector_accounts/default.asp
The debt data include some data revisions that have not yet been included in the National Accounts financial balance sheets.
4. Further information concerning the definitions of National Accounts general government net borrowing can be found in *Monthly Statistics on Public Sector Finances: a Methodological Guide*, no. 12 in the Government Statistical Service methodology series at www.statistics.gov.uk/psa
5. Details of the policy governing the release of new data are available from the Press Office, including a description of the release categories featured on the front page of the releases.
6. **National Statistics** are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. © Crown copyright 2004

M1 Government Deficit and Debt Under the Maastricht Treaty

Summary Table

Not seasonally adjusted

£ million

	General government net borrowing	General government gross consolidated debt at nominal value	Gross domestic product (GDP) at current market prices	Net borrowing as a percentage of GDP	Gross consolidated debt as a percentage of GDP
	-MDUK	YEQG	BKTL		YEQQ
1990	8 849	189 672	557 300	1.6	34.0
1991	18 222	201 439	586 149	3.1	34.4
1992	39 421	239 605	610 854	6.5	39.2
1993	50 932	291 444	642 327	7.9	45.4
1994	46 150	330 662	681 327	6.8	48.5
1995	41 999	372 231	719 176	5.8	51.8
1996	32 071	398 541	763 290	4.2	52.2
1997	17 818	410 181	810 944	2.2	50.6
1998	-471	408 250	859 436	-0.1	47.5
1999	-9 438	406 934	903 865	-1.0	45.0
2000	-14 174	400 440	951 265	-1.5	42.1
2001	-8 031	386 397	994 037	-0.8	38.9
2002	15 233	401 290	1 042 908	1.5	38.5
2003	33 900	438 425	1 100 462	3.1	39.8

M2 General Government Gross Debt at Nominal Value

Consolidated

Not seasonally adjusted

£ million

	Loans from central bank	Other loans	Currency and deposits	Bills and short-term bonds	Medium and long-term bonds	General govt. gross consolidated debt at nominal value
	YEQC	YEQD	LSJH	YEQE	YEQF	YEQG
1990	8 323	11 013	44 108	13 564	112 664	189 672
1991	7 533	9 805	46 043	11 847	126 211	201 439
1992	1 821	17 608	51 060	7 850	161 266	239 605
1993	11	15 376	57 568	7 159	211 330	291 444
1994	10 410	12 879	63 681	8 289	235 403	330 662
1995	12 478	13 139	67 831	19 673	259 110	372 231
1996	14 286	12 191	74 904	5 975	291 185	398 541
1997	12 375	10 778	76 741	4 239	306 048	410 181
1998	13 390	9 954	75 785	4 431	304 690	408 250
1999	19 451	9 169	74 866	3 631	299 817	406 934
2000	13 370	19 219	78 085	2 095	287 671	400 440
2001	13 370	13 208	75 569	10 747	273 503	386 397
2002	13 370	15 637	77 682	20 957	273 644	401 290
2003	13 370	18 553	81 119	23 618	301 765	438 425

M3 General Government Transactions in Maastricht Debt Instruments

Consolidated

Not seasonally adjusted (+ = increase in liabilities, - = decrease in liabilities)

£ million

	Loans from central bank	Other loans	Currency and deposits	Bills and short-term bonds	Medium and long-term bonds	General govt. transactions in Maastricht debt instruments
	YEQC	YEQL	NFSO	YEQN	YEQQ	YEQR
1990	1 276	29	2 013	2 765	-6 793	-710
1991	-790	-643	1 962	-2 000	11 517	10 046
1992	-5 712	5 941	4 750	-4 873	30 486	30 592
1993	-1 811	-2 288	5 053	-447	53 095	53 602
1994	10 400	-2 853	6 055	1 069	24 291	38 962
1995	2 068	-138	4 169	11 541	22 605	40 245
1996	1 808	-1 223	7 139	-13 504	31 503	25 723
1997	-1 911	-1 437	1 941	-1 595	16 608	13 606
1998	1 015	-294	-1 026	-26	-3 290	-3 621
1999	6 062	-686	-653	-608	-4 545	-430
2000	-6 081	5 431	3 302	-1 434	-12 518	-11 300
2001	-	-7 003	-2 868	8 505	-17 410	-18 776
2002	-	2 200	1 486	10 471	1 927	16 084
2003	-	783	3 463	2 342	32 671	39 259

M4 Reconciliation of General Government Net Borrowing with General Government Gross Consolidated Debt at Nominal Value

Not seasonally adjusted

£ million

	General Government Net borrowing	Net acquisition of financial assets	LESS Swaps	Consolidating transactions in Maastricht debt instruments	LESS Other accounts payable (F.7)	Adjustment for holding gains/losses ¹	Adjustment from market to nominal value ²	Other adjustments	Increase in general gov. gross consolidated debt at nominal value
1996	-MDUK 32 071	NFPG -6 421	-CFZG -	YEQP 678	-NFVL 421	EYVC -2 036	YEQT -362	MDQA 1 959	26 310
1997	17 818	589	-	1 836	-2 707	-663	-128	-5 105	11 640
1998	-471	-720	-	1 098	-421	352	1 370	-3 139	-1 931
1999	-9 438	9 490	-	2 228	981	-662	2 574	-6 489	-1 316
2000	-14 174	29 652	185	987	-24 625	429	2 000	-948	-6 494
2001	-8 031	-11 279	103	225	181	141	1 519	3 098	-14 043
2002	15 233	-4 583	-238	-2 072	3 568	-145	1 006	2 124	14 893
2003	33 900	3 107	-136	-3 581	-969	-125	-941	5 880	37 135

1 (+) = holding gain, (-) = holding loss.
2 Market value minus nominal value.

M5 Reconciliation of General Government Gross Consolidated Debt at Nominal Value with National Accounts

£ million

		1995	1996	1997	1998	1999	2000	2001	2002	2003
GENERAL GOVERNMENT TOTAL FINANCIAL LIABILITIES	NPVQ	434 820	457 327	492 929	525 552	505 963	527 565	501 348	520 275	548 609
LESS Other Accounts payable (F.7)	-NNMI	-14 113	-13 688	-16 509	-16 868	-16 323	-41 414	-41 706	-39 270	-42 289
General gov. gross unconsolidated debt at market prices	YEQQ	420 707	443 639	476 420	508 684	489 640	486 151	459 642	481 005	506 320
Consolidation										
Local gov. borrowing from central government	APDP	41 369	42 049	43 784	44 709	46 479	47 879	47 793	46 131	42 192
Local gov. holdings of Treasury Bills	NJEX	-	-	142	248	452	235	382	201	382
Central gov. holdings of local gov. short-term debt	NIFU	563	445	256	172	228	315	140	242	-
Local gov. holdings of British central gov. securities	NJFK	151	149	717	813	672	467	660	375	498
Total consolidation	MDQD	42 083	42 643	44 899	45 942	47 831	48 896	48 975	46 949	43 072
General gov. gross consolidated debt at market prices	MDQE	378 624	400 996	431 521	462 742	441 809	437 255	410 667	434 056	463 248
LESS British central government securities at market prices	-NIJI	-251 556	-281 028	-318 504	-348 999	-324 301	-315 462	-292 855	-306 140	-327 064
PLUS British central government securities at nominal prices	BKPM	..	..	297 164	294 507	289 426	278 647	268 585	273 374	302 241
General gov. gross consolidated debt at nominal prices ¹	YEQG	372 231	398 541	410 181	408 250	406 934	400 440	386 397	401 290	438 425

1 General gov. gross consolidated debt as defined in the Maastricht Treaty.

M6 Reconciliation of Transactions in Maastricht Debt Instruments with National Accounts

£ million

		1995	1996	1997	1998	1999	2000	2001	2002	2003
GENERAL GOVERNMENT TRANSACTIONS IN FINANCIAL LIABILITIES	NFSK	43 584	25 980	18 149	-2 102	817	14 312	-18 732	10 444	36 647
LESS Other Accounts payable (F.7)	-NFVL	-1 633	421	-2 707	-421	981	-24 625	181	3 568	-969
General gov. unconsolidated transactions in Maastricht debt instruments	MDQF	41 951	26 401	15 442	-2 523	1 798	-10 313	-18 551	14 012	35 678
Consolidation										
Local gov. borrowing from central gov.	ABEC	1 715	680	1 735	897	2 041	1 400	-85	-1 667	-3 943
Local gov. transactions in Treasury Bills	NBZA	-24	-	31	106	204	-218	119	-141	251
Central gov. transactions in local gov. short-term debt	NASF	-	-	-	-	-	-	-	-	-
Local gov. transactions in British central gov. securities	NBZN	15	-2	70	95	-17	-195	191	-264	111
Total consolidating transactions	YEQP	1 706	678	1 836	1 098	2 228	987	225	-2 072	-3 581
General gov. consolidated transactions in Maastricht debt instruments	YEQR	40 245	25 723	13 606	-3 621	-430	-11 300	-18 776	16 084	39 259

M7 Government Deficit under the Maastricht Treaty

Reconciliation of versions of net borrowing

Not seasonally adjusted

£ million

	General government net borrowing (UK National Accounts) ²		General government net borrowing (EDP version)		Spectrum Use Adjustments		General government net borrowing (Eurostat version) ³	Gross domestic product (GDP) at current market prices	Net borrowing as a percentage of GDP (UK National Accounts revised) ^{1 5}	Net borrowing as a percentage of GDP (EDP version) ¹	Net borrowing as a percentage of GDP (Eurostat version) ^{1 3 4}
	General government net borrowing (UK National Accounts) ²	General government net borrowing (EDP version)	General government net borrowing (EDP version)	General government net borrowing (EDP version)	accrued rent	adjusted cash receipts					
Calendar years from 1990											
	-NNBK	-MDZC	-CFZG	-MDUK	BKTK	-LSNY	LSNP	BKTL			
1990	8 849	8 849	-	8 849	-	-	8 849	557 300	1.6	1.6	1.6
1991	18 337	18 222	-	18 222	-	-	18 222	586 149	3.1	3.1	3.1
1992	39 176	39 421	-	39 421	-	-	39 421	610 854	6.5	6.5	6.5
1993	50 862	50 932	-	50 932	-	-	50 932	642 327	7.9	7.9	7.9
1994	45 844	46 150	-	46 150	-	-	46 150	681 327	6.8	6.8	6.8
1995	41 443	41 999	-	41 999	-	-	41 999	719 176	5.8	5.8	5.8
1996	31 726	32 071	-	32 071	-	-	32 071	763 290	4.2	4.2	4.2
1997	17 829	17 818	-	17 818	-	-	17 818	810 944	2.2	2.2	2.2
1998	-637	-471	-	-471	-	-	-471	859 436	-0.1	-0.1	-0.1
1999	-10 020	-9 438	-	-9 438	-	-	-9 438	903 865	-1.0	-1.0	-1.0
2000	-15 016	-14 359	185	-14 174	545	-22 477	-36 106	951 265	-1.5	-1.5	-3.8
2001	-8 117	-8 134	103	-8 031	1 044	-	-6 987	994 037	-0.8	-0.8	-0.7
2002	15 276	15 471	-238	15 233	1 044	-	16 277	1 042 908	1.5	1.5	1.6
2003	34 010	34 036	-136	33 900	1 045	-	34 945	1 100 462	3.1	3.1	3.2

1 Net borrowing as a percentage of GDP is calculated by dividing net borrowing by non seasonally adjusted GDP.

2 Version used in UK National Accounts, classification of spectrum use as rent. Net borrowing is equivalent to negative net lending

3 Version used by Eurostat, classification as sale of asset. -LSNP= MDUK-BKTK+LSNY

4 The Eurostat decision has wider implications for the National Accounts System. These will affect the level of net borrowing and GDP. These wider implications have been ignored in the construction of this measure.

5 National accounts version adjusted to include reclassification of NHS Trusts to central government.

M8R Government Deficit and Debt Under the Maastricht Treaty

Summary Table

Not seasonally adjusted

£ million

	General government net borrowing	General government gross consolidated debt at nominal value	Gross domestic product (GDP) at current market prices	Net borrowing as a percentage of GDP	Gross consolidated debt as a percentage of GDP
	-MDUK	YEQG	BKTL		YEQJ
1990	164	-	-	-	-
1991	112	-	-	-	-
1992	-7	-	-	-	-
1993	-235	-	-	-0.1	-
1994	-447	-	-	-	-
1995	-545	-	-	-0.1	-
1996	-2 539	-	1 076	-0.3	-0.1
1997	-530	-	-123	-0.1	-
1998	684	-	52	-	-
1999	-346	-	1 406	-	-0.1
2000	30	-87	850	-	-
2001	167	-33	913	-	-
2002	876	-325	-715	0.1	-
2003	..	..	..	..	..