

Campaign for UK Fiscal Responsibility

Transcript of video outlining what the UK National Debt is, how it has built up and the various ways its significance can be measured.

Welcome

In this video I want to describe what is broadly referred to as the UK National Debt. I will outline how it has built up and summarise the various ways in which it is measured.

As with all the videos in this series I will first present an easy, less technical summary, followed by a more detailed description.

So, first, what is the UK National Debt?

It is sometimes described as the total amount of money the British government has borrowed and not yet repaid, accumulated over time.

The Bank of England was created in 1694 and it was used as a vehicle to obtain additional funding for the government. At the end of 1694 the National Debt stood at £1.2million.

Fast forward to today and our public sector net debt (PSND) stands at around £2.9 trillion which is equivalent to around £102,000 per household.

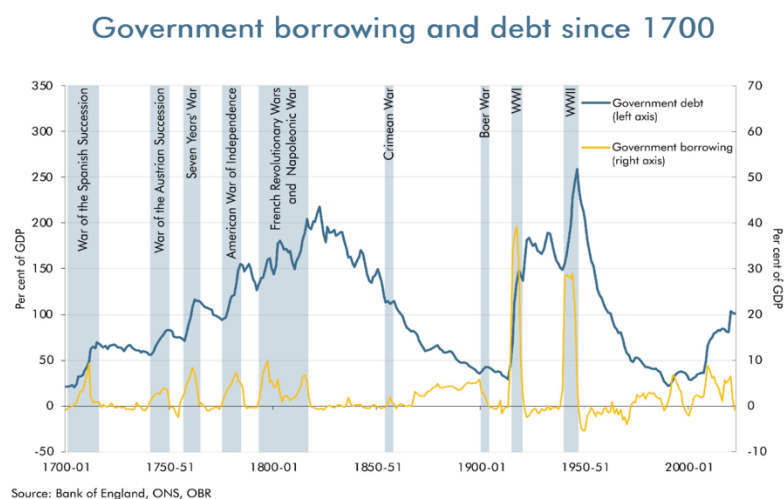
In very broad terms public sector net debt is the sum of all the UK public sector spending deficits and surpluses since the 1690's. In some years governments have run surpluses where their income has been greater than its expenditure. More frequently though governments have run a deficit, these being particularly large in times of war or adverse fiscal events such as the 2008 financial crisis.

A measure of the significance of the National debt is its relationship to our Gross Domestic Product, or GDP. GDP is basically the total monetary value of all final goods and services produced within a country's borders in a specific time period, usually a year.

The reason for identifying this debt to GDP ratio is related to our ability to pay the interest on the money borrowed in response to that debt. According to the Office for Budget Responsibility our UK debt to GDP ratio is currently around 95%. This is saying that in theory it would take almost everything that the country produces in a year to pay off the national debt. With a high level of debt we need a high national output to create the funding to pay the interest. Unfortunately, of late we are having to borrow more money to pay the interest, which in turn adds to the National debt. A second factor in this respect is how high the interest rates that we pay actually are. This varies a lot depending on how much government and the markets have to or are willing to pay.

The OBR expects public sector net debt to fall gradually from its peak of 97.0 per cent of national income in 2028-29 to 96.1 per cent of national income in 2030-31, which is equivalent to around £3.5 trillion.

This chart shows how the debt expressed as a ratio to our GDP has fluctuated since the 1690's.



It also shows the ratio of annual government borrowing has changed, again expressed as a ratio to our GDP.

Interesting elements are the impact of wars and the recovery periods following them. I will return to this in the next video.

That was the easy bit.

The first complication is the fact that whilst the public sector net debt way of identifying the National Debt is useful in terms of being able to

make simple comparisons it can be slightly misleading. So, there are other ways in which our net public sector debt can be measured. If you look at it in accounting terms there are different assets and liabilities that can be brought into the equation to give more meaningful information.

This chart shows the different ways in which the net debt can be quantified. Bear in mind none of these reflect the borrowing of private companies or households.

	General government gross debt (GGGD)	Public sector net debt (PSND)	Public sector net financial liabilities (PSNFL)	Public sector net worth (PSNW)	WGA Net liabilities
Assets		Liquid financial assets	Liquid financial assets	Liquid financial assets	Liquid financial assets
			Illiquid financial assets ²	Illiquid financial assets	Illiquid financial assets
				Non-financial assets	Non-financial assets
Liabilities	Government debt ¹	Government debt	Government debt	Government debt	Government debt
			Other liabilities	Other liabilities	Other liabilities
				Unfunded public sector pensions ³	Unfunded public sector pensions
				PFI contracts ⁴	PFI contracts
					Provisions

Notes:

- 1. Includes cash, debt securities and loans.
- 2. Includes funded public sector pensions.
- 3. Included in GFSM 2014 net financial liabilities and net worth but not ESA10.
- 4. Contracts in addition to those already included under ESA10.

Source: Office for Budgetary Responsibility Working Paper No.16
Forecasting the balance sheet: Public sector net worth

The most common measure and the one I referred to earlier is what is called the Public Sector Net Debt, the second column on the chart. This is the measure of debt that had been adopted by chancellors as the target of UK fiscal rules between 1997 and 2022.

It is a measure of the amount of money the public sector owes to the private sector and overseas (in the form of loans, debt securities, deposit holdings and currency), net of liquid financial assets held (for example, foreign exchange reserves).

Another way to understand PSND is the cumulative difference between public sector cash receipts (mostly taxes) and cash outlays (such as spending on public services) over time.

Between 2022 and 2024 the treasury moved more towards using Public sector net debt excluding the Bank of England. This measure excludes the impact of public sector banks that we still own following the 2008 financial crisis and the temporary effects of the Bank of England's quantitative easing or tightening. By excluding the Bank of England aspect the government hopes to get a better understanding of what is happening in the wider economy.

The UK government currently uses Public Sector Net Financial Liabilities (PSNFL) the third column as the primary measure for its main fiscal rule (the "investment rule"), which dictates that this debt measure must be on course to fall as a share of GDP by the 2029/30 forecast year. It differs from the public sector net debt measure by, as you can see taking account of illiquid financial assets such as student loans, equity stakes in private companies, and other financial assets as well as what is deemed to be other liabilities such as net liability of funded public sector pension schemes, including Local Government Pension Schemes. At the risk of creating a further complication it uses PSNFL 'exc', again excluding the impact of the public sector banks and quantitative easing.

According to the Office for National Statistics as of December 2025, the UK's Public Sector Net Financial Liabilities (PSNFL ex) was provisionally estimated at 85.0% of GDP, representing a 2.5 percentage point increase compared to December 2024.

If we go back to the first column we have the General Government Gross Debt or GGGD. General government gross debt is a narrower measure than Public Sector Net Debt, including only the liabilities held by central and local governments, thus excluding the wider public sector. It does not net off any assets.

This measure is used more widely in other countries. Typically it is the target used for the EU's fiscal rules, which require that member states' public finances be on a path towards General Government Gross Debt being below 60% of GDP.

International Monetary Fund data indicates that our debt to GDP measured this way is currently around 104.8%, way off what the EU would have wanted us to be trying to achieve.

The next measure in the 4th column is public sector net worth (PSNW). In short PSNW represents the most comprehensive measure of the economic value of all that the government owns and owes. Typically it includes the value of the road network.

It includes both funded and unfunded pensions plus a full coverage of public-private partnerships. The breadth of coverage means it gives a good account of all the liabilities that the public sector has entered into to date and the total value of the assets acquired.

For the period July to September 2025 the UK public sector net worth (PSNW) excluding public sector banks was -£691 billion. This measure, representing total assets minus liabilities, reflects a deficit in the net worth of the public sector, with total liabilities of £4,095 billion outweighing assets of £3,404 billion

The final measure on the table is WGA net liabilities. This stands for Whole of Government Accounts. The WGA net liability figure includes long-term, non-cash liabilities such as future pension obligations.

Every year HM Treasury must prepare a set of accounts, have them audited and lay them in front of parliament. In some respects, if our public sector was a company these would be the company accounts. WGA puts the UK at the global forefront of fiscal transparency and government financial reporting.

The latest information was for the financial year 2034 – 24, published in July 2025.

1.2 The requirement to produce WGA is set out in the Government Resources and Accounts Act 2000 (GRAA), and every year HM Treasury must prepare a set of accounts, have them audited and lay them in Parliament.

1.3 The financial statements in WGA 2023-24 show the changes since WGA began:

£ billion	First WGA 2009-10	Mid-point 2016-17	This WGA 2023-24
Income	582.0	720.8	1,019.9
Expenditure	665.7	760.7	1,076.3
Total assets	1,207.5	1,903.0	2,651.3
Total liabilities	2,419.3	4,323.7	5,024.5

1.4 The 2023-24 WGA figures are shown in comparison to the first WGA and the mid-point. There are many factors that influence these figures and details can be found throughout the performance report and the notes to the financial statements to aid understanding of long term trends in public sector finances.

1.5 This publication presents the financial statements for the 2023-24 financial year as well as information on more recent events which are useful to the reader and an analysis of long term trends over the 15 year history of WGA. While WGA is prepared centrally by HM Treasury (HMT), multiple other central government departments may contribute sections in the performance report where they are better placed to comment on significant events throughout the year.

Source: HM Treasury

The summary of the HM Treasury report shows that UK had total assets of £2.651 trillion versus total liabilities of £5.024 trillion. A deficit of £2.373 trillion. There are qualifications in the report regarding some data that is used to derive these figures but it does give a reasonable snapshot at that time. The summary report also shows how the deficit has increased significantly since 2009/10.

From what I have presented you can see that no matter how you measure the nation's finances we are currently significantly in debt and have a lot of future liabilities to deal with.

In the next video I will look in more detail at how our current National Debt compares to that of previous years and how it compares with that of other countries.

Thank you for watching.

22/02/2026

