

# UK public sector borrowing

## Public debt tops £1trillion, but borrowing continues to fall on last year

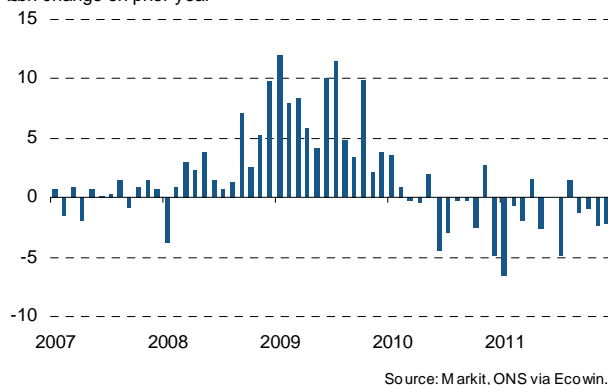
- Public debt tops £1trillion in December, but has fallen on a year ago for the fourth straight month
- Spending fell 0.9% and receipts rose 7.3%
- Progress puts the government debt target for the year within range, but much will depend on economic growth in the first quarter

Public sector net debt, excluding financial interventions made during the financial crisis, edged above the £1 trillion mark for the first time ever in December. However, more importantly, borrowing continued to come down compared to the previous year, dropping £2.2bn in December.

The fourth consecutive monthly decline followed a £2.4bn drop in November, taking the total borrowing for the fiscal year so far to £103bn, down from £115bn in the same period of the 2010-11 fiscal year. The average saving of £1.3bn seen over the nine months of the fiscal year to date suggests that the government may just beat its new target of £127bn for the current year (or 8.4% of GDP), down from £136bn in 2010-11, although much will depend on the pace of economic growth in the first quarter.

### Borrowing edges lower again in December

UK net public sector borrowing excluding financial interventions  
£bn change on prior year

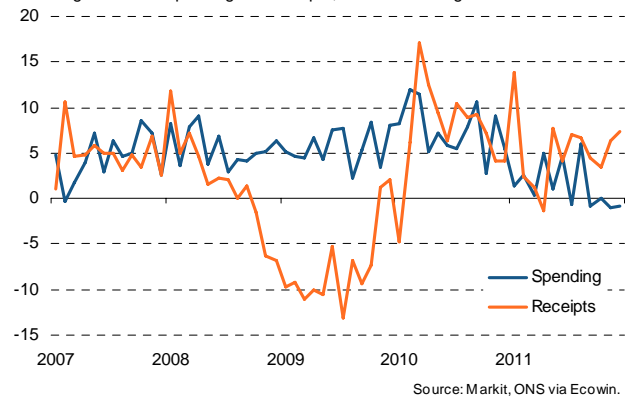


The improvement in the public finances in December reflected a 7.3% jump in central government receipts compared to a year ago and a 0.9% year-on-year drop in spending. So far this fiscal year, receipts are up 5%

on 2010-11 while spending is up just 1.5%, although declines in the latter have now been seen in four of the past six months, suggesting a downward trend in spending since earlier in the year.

### Government spending and receipts

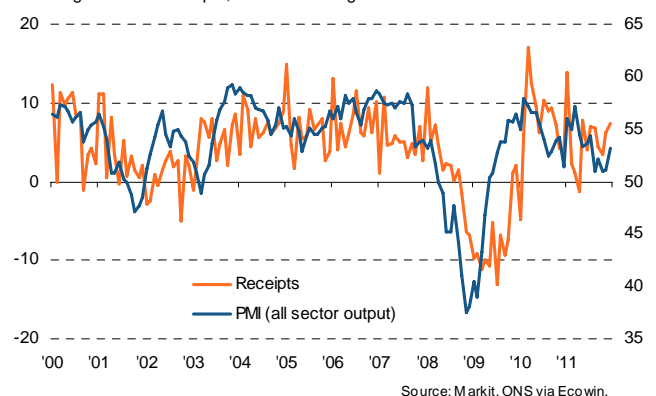
Central government spending and receipts, annual % change



Lower spending in part reflects the government's deficit reduction initiatives, while the increase in receipts in part reflects the bank levy. However, higher tax receipts also reflect the ongoing expansion of private sector economic activity in the fourth quarter, as indicated by the improvements in the PMI surveys late last year. The data therefore add to hopes that the UK economy may avoid a slide back into recession. However, any deterioration in the business situation in the first quarter could jeopardise the government's target by reducing tax receipts and driving up welfare costs as unemployment moves higher.

### Ongoing business sector growth boosts revenues

Central government receipts, annual % change



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