



The Hidden Debt Bombshell

- The Office of Budget Responsibility will be producing a report into public sector liabilities and fiscal sustainability in the summer of 2011.
- At the end of September 2009, the UK's official Public Sector Net Debt (PSND) was £825 billion. This figure is now recorded at £2,252 billion by the ONS (or 149% of GDP).¹
- This massive increase arises because the official statistics now (for the first time) take full consideration of the total liabilities of the banks which have been rescued, and the full cost of all measures that have been used in the financial crisis that broke in 2008.
- But these official PSND figures do not even include projects financed through PFI,² unfunded public sector pension liabilities,³ nor contingent liabilities such as Network Rail.⁴ These hidden liabilities total an additional £1,373 billion (or 91% of GDP).
- Overall, the true public debt is now therefore £3,625 billion (240% of GDP or £138,359 per household).
- The official net debt excluding financial interventions best highlights the underlying structural weakness of the public finances. The 2011 Budget⁵ shows that even with government spending cuts and tax rises, this will continue to increase from 58% of GDP to a peak of 70.9% by 2013/14. It will then decline to 70.5% in 2014/15 and 69.1% in 2015/16.
- This is because the government will continue to run a budget deficit until the last year of the Parliament. If the Government had not embarked on its fiscal consolidation programme however, the official net debt would have increased much more rapidly.
- It is clear that the extent of UK indebtedness is such that the Coalition must be relentless in its efforts to cut the deficit as quickly as possible.

TABLE 1: TRUE UK GOVERNMENT DEBT (February 2011)

	£ billion	% of GDP	Debt per household
Official net debt (excl. interventions)	876	58%	£33,427
Official net debt (incl. interventions)	2,252	149%	£85,954
Public pensions	1,180	78%	£45,038
PFI	169	11%	£6,450
Network Rail	24	2%	£916
Total hidden liabilities	1,373	91%	£52,405
TOTAL	3,625	240%	£138,359

¹<http://www.hm-treasury.gov.uk/d/psf.pdf>

²http://www.hm-treasury.gov.uk/ppp_pfi_stats.htm

³<http://www.mindfulmoney.co.uk/?lid=3242#>

⁴<http://www.independent.co.uk/news/business/news/profits-down-and-debts-up-at-network-rail-1990567.html#>

⁵http://cdn.hm-treasury.gov.uk/2011budget_complete.pdf