

There is one thing you need to understand about today's...

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The Office for National Statistics [has just issued new public debt statistics](#). The headlines will be all about the issues that they highlight in their own report:

Debt (public sector net debt excluding public sector banks, PSND ex) at the end of May 2020 was 100.9% of gross domestic product (GDP), the first time that debt as a percentage of GDP has exceeded 100% since the financial year ending March 1963.

Debt (PSND ex) at the end of May 2020 was £1,950.1 billion, an increase of £173.2 billion (or 20.5 percentage points) compared with May 2019, the largest year-on-year increase in debt as a percentage of GDP on record (monthly records began in March 1993).

Central government net cash requirement (excluding UK Asset Resolution Ltd, Network Rail and the COVID Corporate Financing Facility) in May 2020 was £62.7 billion, £46.1 billion more than in May 2019, the highest cash requirement in any May on record (records began in 1984).

So, the official story is debt is skyrocketing.

But before anyone panics hidden down in the depths of the report is this note:

The Bank of England's contribution to debt

The Bank of England's contribution to debt is largely a result of its quantitative easing activities via the Bank of England Asset Purchase Facility Fund and Term Funding Schemes.

Bank of England Asset Purchase Facility Fund

In March 2020, the [Bank of England announced the expansion of its Asset Purchase Facility Fund \(APF\)](#) by £200 billion to a total of £645 billion in total, made up of £190 billion in gilts and £10 billion in corporate bonds.

At the end of May 2020, the gilt holdings of the APF have increased by £46.7 billion (at nominal value) compared with the end of April 2020, to £475.1 billion in total. This increase is of a similar order of magnitude to the new issuance by the DMO in May 2020, which means that gilt holdings by units other than the APF have changed very little since April 2020.

And just to put that last point in context they note that:

Latest published figures from the Office for Budget Responsibility's (OBR) [coronavirus reference scenario](#) suggest that borrowing in the current financial year (April 2020 to March 2021) could be £298.4 billion, around five times the amount borrowed in the latest full financial year (April 2019 to March 2020).

And yesterday [I noted that the Bank of England has announced £300 billion of QE now](#).

So, in summary, it's not just in May that the increase in gilt holdings by the Asset Purchase Facility will mean that government debt ownership by anyone but the government will not change much at all. That will be true for the next year.

So, the question then is, has government debt increased to 100.9% of GDP when the entire increase is owed to the government, as owner of the Bank of England?

No, of course it hasn't. Government debt is effectively unchanged. What has increased is the central bank reserves in the economy. But they make good the shortfall in cash generation that would have otherwise occurred in the private sector. The Office for National Statistics is, yet again, issuing wholly bogus statistics. We might as well begin to call it the Office for Public Misinformation so frequently is it doing this now.

All the talk of debt exceeding 100% of GDP is pure nonsense. The simple fact is that government cannot owe itself money, and it won't all the newly issued so-called debt.

And the QE will not be unwound - because markets will never be able to or want to absorb £735 billion of extra gilts. And if they did, then new gilts should anyway be issued to fund a Green New Deal.

So this morning read all the nonsense that will be said and tell everyone that it is all just that: hysteria to make us feel vulnerable as a precursor for cuts in government spending that will impose real hardship in society that are unnecessary because the total government debt has not changed at all.