

Rachel Reeves has to get her numbers right, and those o...

Published: January 12, 2026, 10:42 pm

Most of the data being used when discussing the economy is hopelessly incorrect. We even have up to six figures for the national debt in the UK – and all of them are wrong. It really is time for Rachel Reeves to start publishing decent data so we can have a proper economic debate in the UK.

This is longer than average and more complicated than average video and blog, but trust me, it's worth going through it.

<https://www.youtube.com/watch?v=jAvROErTk1k&si=asZ1D6w5tNHlIGt1>

This is the audio version:

https://www.podbean.com/player-v2/?i=ij6x7-17050ea-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=c73a3a&font-color=&logo_link=episode_page&btn-skin=ff6d00

This is the transcript:

Rachel Reeves has to get her numbers right.

I say that for good reason, because she hasn't. Simply, straightforwardly, a great deal of the data that is used to make decisions about the UK economy is what I might technically call CRAp. CRAp is an acronym that I created, and it stands for a 'completely rubbish approximation' to the truth.

And I say that because, well - let's explore the information in this video.

Let's also highlight the fact that it is incredibly difficult to find the information that is very often talked about by journalists and economists and politicians and others because that data is buried deep within the national statistics.

For example, and I just use this as an example because it's really important, in the last month it has been reported that the UK's national debt is equal to the UK's gross domestic product or national income. So, I went and had a look at the press release issued by the Office for National Statistics where this fact was trumpeted and I looked to see what the number in question was. And it wasn't there.

And then, I went to the Office for Budget Responsibility and had a look at their data on what that figure was. They publish a review every month of this financial information published by the Office for National Statistics. And guess what? Neither of the figures for debt or the figure for GDP were there.

There were lots of percentage change figures. But if you wanted to find out just what the national debt was and what our Gross Domestic Product was, you wouldn't have found it from either of these sources from the information readily made available to the public. In fact, let me tell you how you find that information, because it's really important that you understand how difficult it is to get good data on debt.

To get it, you have to go to the Office for National Statistics figures for the public finances for the month. I'm using those for August here, by the way, because they're the most recent ones [ab page in question.](#)



The screenshot shows the homepage of the Office for National Statistics. The top navigation bar includes links for Home, Business, industry and trade, Economy, Employment and labour market, People, population and community, and Taking part in a survey. There are also links for English (EN) | Cymraeg (CY), Release calendar, Methodology, Media, About, and Blog. A search bar is located at the top right. Below the navigation, a purple banner reads "census 2021 Data and analysis from Census 2021". The main content area is titled "Public sector finances, UK: August 2024" and discusses the relationship between UK public sector monthly income and expenditure. It includes a link to "View previous releases". At the bottom, there are sections for "Contact: Public Sector Finance Delivery team", "Release date: 20 September 2024", and "Next release: 22 October 2024".

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You have to follow the links to additional information on that web page, which are not very obvious. When you [get to the web page for additional information](#), you will find there's quite a lot of it. You have to download Appendix A. You couldn't be sure that that was the case if you didn't know, but that's the table you have to get.



The screenshot shows the same page as the previous one, but with a different URL in the address bar: "Page 2/10". The rest of the page content is identical to the previous screenshot.

And it is a very large set of spreadsheets.

On that set of spreadsheets, you have to go to table PSA8B_2. Which is glaringly obvious, isn't it, unless you're a geek, when you know that fact. And once you've got there, to find the figure for UK national debt which is used for the purposes of comparison with gross domestic product, you have to go to column C, line 497.

It isn't highlighted that that's the number you're looking for. There's nothing to tell you that this is the answer to the ultimate question; 'what is the UK's national debt as per the discussions that go on in the public domain?' But that's where you'll find it.

That is totally unacceptable. You should not have to be a geek, like me, to know how to get that information. It should be trumpeted on the front of the ONS website. It should be published by the Office for Budget Responsibility in a very clear way in their written documentation, again, instead of being hidden inside spreadsheets that they produce.

This opacity makes sensible discussion of the national debt incredibly difficult, because even getting a figure for it, is very hard.

So let me actually now begin to explore what those numbers are using that data in Appendix A to the public finances that I've already explained exists. And if you go to that spreadsheet and you look at the range of data published broadly under the headings PSA8, with various extra letters and numbers added afterwards, you'll find there are no less than six figures for the national debt. I'm putting them up on the screen now. Look at them. There they go.

Total central government gross debt	General government consolidated gross debt (Maastricht)	Public Sector Net Debt excluding public sector banks and Bank of England	Public sector excluding public sector banks	Public sector net debt including public sector banks	General government net debt
£million	£million	£million	£million	£million	£million
2,835,783	2,850,074	2,546,359	2,768,037	2,768,037	2,598,165

They vary, and I will reorganise them for the sake of clarity, between £2.85 trillion down to a bit over £2.5 trillion. That's a difference of £300 billion between the figures in question.

General government consolidated gross debt (Maastricht)	Total central government gross debt	Public sector excluding public sector banks	Public sector net debt including public sector banks	General government net debt	Public Sector Net Debt excluding public sector banks and Bank of England
£million	£million	£million	£million	£million	£million
2,850,074	2,835,783	2,768,037	2,768,037	2,598,165	2,546,359

Do you now begin to see why I'm saying Rachel Reeves might need to get her figures right? Because there are six figures for the national debt, two of which, as you will notice, are now the same, but which weren't until a very few months ago, and all of them can be claimed to be right. Now, this is nonsense, because not only do we need to have a figure, but we need to have a correct figure. And none of those are even remotely close to the truth.

I should just do a little explanation of what the difference between the numbers is. I'm going to go back to that first table, because the figures on that first table flow in the way that they do through the government's calculations.

That first figure of £2,835 billion is made up of a number of other numbers, of course.

The first is the figure for UK government bonds in issue. There are £2,382 billion worth, supposedly, of these bonds in issue. We'll be coming back to that.

Then there are treasury bills in issue. These are just short-term bonds, by the way, for practical purposes. £112 billion of those.

And then there's National Savings and Investments. Yes, Premium Bonds are part of the national debt, and so is any money that you might save with NS&I. How much is there? £232 billion.

And then there's various other bits and pieces, we won't go into the detail, that come to £109 billion. And so we get to £2,835 billion of debt.

The next figure is the version which is on the EU basis of calculation. It's very close as you'll see, £2,850 billion, so we won't worry about the difference.

So, having dismissed the EU's version, let's look at the next figure. That figure is for the public sector net debt, excluding public sector banks and the Bank of England. This figure is £2,546 billion, therefore almost £300bn short again of what we are on the first number.

This figure effectively brings into account £289 billion of cash and other very short-term financial assets that the government owns. In other words, it says that parts of the sums deposited with the government - and regular viewers of this channel will know that I think that all national debt is simply savings with the government - is represented by cash held by the government. And some of that is undoubtedly in NS&I. £289 billion pounds of that is taken off the total figure for debt to come to this figure of £2,546 billion.

But then suddenly in the next column you'll see that the public sector excluding public sector banks figure goes up significantly and is now £2,768 billion.

Why the increase? That's because it is claimed that the Bank of England contributes to

the national debt. How much does it contribute? Roughly £222bn, overall, at this period.

Can you find that figure on the Bank of England's own balance sheet? Is there such a liability owing by the Bank of England to anyone who can be identified? The answer is no. It's quite straightforwardly, no. There is no such figure in existence, and no one is owed this money.

So why do we add in £220 plus billion of debt, apparently owed by the Bank of England, which doesn't exist? That's because the Office for National Statistics claim that there is a potential loss on the sale of the bonds which are owned by the Bank of England as a consequence of the QE processes undertaken since 2009. And that potential loss is represented by this supposed liability.

It's a made-up number. Those bonds don't need to be sold. If they were held to the time that they were redeemed, the figure would be nothing like as big as this. But they claim that this loss exists. And therefore, they add it into their national debt because they want to come to the biggest number they can think possible.

Because of the ways in which the public sector banks, this was, once upon a time, all those banks like Northern Rock and NatWest and Lloyds and RBS and everything else that were owned by the state, have now been moved off the balance sheet, the figures including and excluding public sector banks have very recently become the same, as you will see.

But there is still a final figure left over, which is general government net debt. And what is that figure? Well, that figure takes into account the fact that the government does hold a £179 billion pounds of foreign currency reserves which, are of course, assets. And, therefore, it brings them into account and brings the figure for net debt down because, well, if we did have a claim against the UK for repayable debt, these assets could be used to pay it.

The trouble is, having explained all those numbers and explained that the figures are £300 billion different, which is the true number? Well, according to the Office for National Statistics, it is the public sector, excluding public sector banks. That's £2,768 billion.

Well, there you go. Now, does that mean the figure is right? I'm afraid to say it doesn't, because at this point I'm going to introduce you to a completely different statement of the national debt. The UK government does actually publish a set of accounts for itself. A set of accounts that look remarkably like those for a business or a very large company.

Now they are incredibly behind with the publication of these accounts. [The most recent that are available are to March 2022](#), which is not a measure of confidence in the government's ability to prepare accounts. If they were a large company, they would

have basically ceased to exist by now. There would have been a winding-up order brought against them. They would have been told to stop trading because their accounts were so overdue.

Frankly, if they were a small company, the Revenue would by now be taking them to cleaners for tax due on the basis of non-declaration of income for the purposes of taxation. But the government can apparently get away with not publishing its accounts for two and a half years, and nobody seems to worry. The 2023 figures should have been out ages ago.

We only got those for 2022 in March 2024. So we'll have to use the 2022 figures because there's nothing else available to us. Now the first thing I'm going to put up are the assets that are shown on the government's own accounts, and, as you'll see there, the total assets owned by the government amount to £2,414 billion.

Statement of Financial Position

As at 31 March 2022

	Note	2021-22 £bn	2020-21 £bn
Non-current assets			
Property, plant and equipment	12	1,340.4	1,270.3
Investment properties	13	14.8	16.5
Intangible assets	14	43.7	41.0
Trade and other receivables	15	22.4	20.6
Other financial assets	16	456.9	340.8
		1,878.2	1,689.2
Current assets			
Inventories	17	13.5	15.3
Trade and other receivables	15	193.2	182.3
Other financial assets	16	267.9	264.9
Cash and cash equivalents	18	45.6	39.6
Gold holdings	33	14.7	12.3
Assets held for sale		1.2	3.1
		536.1	517.5
Total assets		2,414.3	2,206.7

Compare that to the figure for the national debt of £2,768 billion. And the national debt becomes not a lot really, doesn't it?

In practice, there are assets that represent most of the money that we've borrowed. Some of those assets are things like property, plant and equipment, hospitals, roads, schools, all sorts of things like that: £1,340 billion worth.

Some of those assets are financial assets. And we've referred to some of those, foreign reserves and cash holdings. Those things are all assets. But the government refuses to recognise them. when recognising whether it has debt or not.

It also has a very odd position when it comes to publishing its liabilities. Look at the figures in here.

Current liabilities			
Trade and other payables	19	(160.8)	(169.3)
Government borrowings	20	(340.0)	(274.0)
Other financial liabilities	21	(1,030.4)	(943.3)
Provisions	22	(29.7)	(28.4)
		(1,560.9)	(1,415.0)
Non-current liabilities			
Trade and other payables	19	(51.8)	(52.0)
Government borrowings	20	(1,235.7)	(1,246.3)
Other financial liabilities	21	(303.6)	(175.5)
Provisions	22	(498.1)	(338.0)
Net public sector pension liability	24	(2,639.1)	(2,306.2)
Total non-current liabilities		(4,728.3)	(4,118.0)

For total liabilities, apparently they are £4,728 billion. That would of course wipe out the net position that we've got on the assets and turn the overall situation into liabilities, which is what the government wants to represent.

But before we jump to the conclusion that that is correct, I want to draw your attention to some numbers. In particular, I want to look at the figure for government borrowing, because, if we put that figure up, it is a total of £1,575 billion at this time.

Note 20. Government borrowings

	2021-22 £bn	2020-21 £bn
Non-Current:		
Gilts	1,235.7	1,246.3
Total non-current government borrowings	1,235.7	1,246.3
Current:		
National Savings and Investment products (NS&I)	207.6	202.9
Treasury bills	36.1	52.6
Gilts	96.3	18.5
Total current government borrowings	340.0	274.0
Total government borrowings	1,575.7	1,520.3

Now, that's really confusing because, at the time in question, the UK government said on those spreadsheets that we've already been talking about that the UK government debt was much higher than that. In fact, if we look at the total figure for government bonds owing on this balance sheet, which was audited and is therefore considered to be in accounting terms, correct, the total comes to, well, just over £1,340 billion. But

according to the government, at the time, on the Office for National Statistics, the true figure was £2,004 billion.

The difference is obviously coming on for £670 billion. How can we get the figure for the gilts in issue, the bonds in issue, so wrong? Well, the answer is found in another number, which is to be found on that balance sheet. And I'm rounding the number slightly because if we went into absolute detail, it would become impossible.

But if we go back to look at the overall figures for the liabilities of the government, you'll see there's a figure called other financial liabilities. And those are for the current liabilities, and they're what matters in this context, those figures are made up of two numbers. £951 billion at the time was cash on deposit with the Bank of England. Most of the rest was banknotes in issue. In other words, just over £1,000 billion represents money created by the government.

Now, is that a liability earned by the government? Because if it tried to repay it, it would have to repay it by creating more money. And what would happen if it paid the banks who hold this money, because all these sums are held by commercial banks with the Bank of England - they're the only people who are allowed to have deposit accounts with the Bank of England. If the Bank of England tried to repay those deposits to those banks, those banks would basically have to immediately re-deposit the money with the Bank of England.

In fact, technically, these banks can't ask for repayment as a group. Each bank in question can change the figure on its own account with the Bank of England. But in aggregate, they can't. These figures are fixed in total, except by choice of the government. So, that £1,030 billion; is it really a liability owing? Or is it just money in creation?

And is that money in creation really the equivalent, in accounting terms, of the equity owned by the people of this country? We have a share in that money supply, in effect. My argument is that it is. In other words, this isn't a liability at all.

And there's another figure on these accounts which I'd also say isn't a liability at all, and that's the net public sector pension liability, which is stated to be £2,639 billion.

That's the pension payable to nurses and civil servants and the armed forces and a whole range of other people, excluding people who work for local government, who do actually have a funded pension fund, and university lecturers who are also in that position, and I'm a member of that fund. Those people do have pension funds, but the vast majority of civil servants and public employees don't.

So, their pensions will be paid out of future taxation. That is shown as a liability. But is it? It would be if the government was a company, and for some bizarre reason, it uses the rules of company accounting to prepare its accounts of the sort we're looking at

here. But it isn't a company. It's nothing like a company.

A company cannot require you by law to return to keep buying from it. Therefore, a company, if it has a bill for something in the past, can't rely on having any future income to match it with. And, therefore, it has to record it now on its balance sheet. But the government is nothing like a company because, as we all know, the government is going to tax us in future. And as we all know, all these pensions have always been paid out of taxation in the past, and the world has not fallen apart as a result. So, they will be paid out of taxation in the future and legally, we're going to have to pay it. So, for these accounts to be properly stated, given the situation of the government, the future income stream that the government can demand to cover this liability should have been included in the accounts as well, or alternatively, there is no liability at all. In accounting terms, that figure of £2,639 billion is, then, nonsense.

In other words, over £3,600 billion of the total liabilities shown on these accounts is either money in existence, which the government has created for us to use and therefore is not something that needs to be repaid, or is a liability which we know will be paid out of future taxation and which doesn't therefore need to be taken into account now.

What I'm trying to say as a result is that the claim that we actually have anything like the scale of liabilities in existence that the government says here.

If we take the total assets that the government owns according to these accounts of over £2,400 billion and then take off that the true liabilities excluding those pension funds which will be covered by future taxation and excluding the money which we can't repay without creating more money, then we come down to a net situation where the total liabilities are actually, total assets because £2,400 billion less liabilities, which are running at only about £1,100 billion comes to a positive number of about £1,300 billion.

That's the true figure for our national debt. We don't have a debt crisis. We have a positive surplus of assets in this country.

So why does the government talk about the fact that we owe £2,768 billion, that number we saw a long time ago in this video?

Because it wants to stop itself spending by frightening itself about the scale of the debt as if the debt is going to crush us all.

As I've just shown, it isn't.

We don't have a debt crisis in the UK.

We do have a problem with some very bad numbers.

We do have a problem with some very bad comprehension of what makes up those

numbers.

We do have a problem of communication because the Treasury keeps on insisting that we are in enormous quantities of debt that don't exist.

We do have a problem that the reality of money creation throughout the QE process has been ignored in the statement of the national debt.

We do, therefore, have a problem with falsehoods being presented as if they are fact.

But what we don't have is a problem with national debt. Because overall, we're in quite a good financial position. We've got strong assets. We have the ability to make money. We have the ability to raise taxation in the future. And when it comes down to it, we do as a result, have a net surplus of assets on the national accounts.

Let's stop fussing, Rachel Reeves.

Rachel Reeves, please understand this data. If only you did proper accounting; if only you got your accounts up to date, we wouldn't be in the mess we're in.

It's time you got your numbers right, Rachel.