

Does the UK government have a debt problem right now? No.

025/03/21/does-the-uk-government-have-a-debt-problem-right-now-no-except-for-the-self-imposed

Published: January 12, 2026, 8:04 pm

Public sector finance figures are out today [from the Office for National Statistics](#). They are relevant simply because Rachel Reeves is planning to impose massive austerity next week in an attempt to reduce government borrowing, and so this data sets the scene.

This chart is interesting:

<https://www.ons.gov.uk/visualisations/dvc3210/table1/index.html>

You can scroll down it. Four things stand out.

First, the rate of borrowing is fairly, stable despite inflation.

Second, unsurprisingly, given tax rises, public sector receipts are growing.

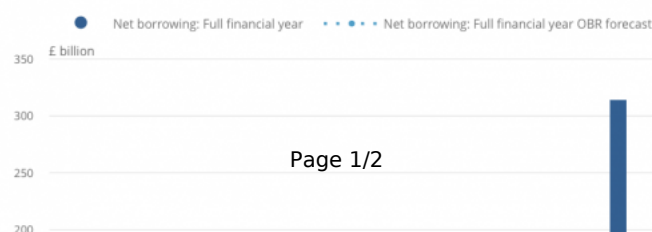
Third, the public sector net debt as a percentage of GDP is declining.

In other words, if you were so unwise as to think that debt is more important than meeting the needs of the people of the UK, running the economy at full employment and solving the problems within our public services, then you have little cause for concern. Debt is clearly under control.

However, this is the chart people will no doubt obsess about:

Figure 4: Borrowing in the financial year ending March 2024 was more than in the financial year ending March 2023 and more than was forecast by the Office for Budget Responsibility

Public sector net borrowing excluding public sector banks, £ billion, UK

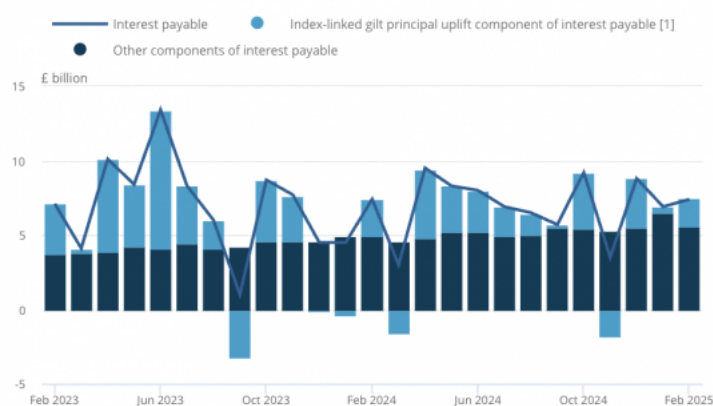


This chart is not inflation-adjusted. Nor is it expressed as a proportion of GDP or per head. It is expressed in pounds of differing periods that cannot, in principle, be compared with each other because they are not the same thing: a pound in 1994 was worth more than it is now. Therefore, borrowing the same real sum now is bound to cost a lot more. That is even true of last year. So, comparing these figures makes no sense, but it will be done as an excuse for austerity and not because oppressing the most vulnerable in our society is necessary.

Where matters are a little more complicated is with regard to interest costs. This is the chart:

Figure 2: The interest payable on index-linked gilts rises and falls with the Retail Prices Index, adding volatility to central government debt interest costs

Central government debt interest payable, £ billion, UK, February 2023 to February 2025



Note that this data is also deeply distorted. The pale blue figures represent costs that will, on average, be settled in fifteen or so years' time, but the Office for National Statistics chooses to claim those figures are current costs so that the overall figures can look much worse than they really are. To account for them now in full in a single lump sum when the only logical accounting treatment - which would be consistent with what markets do, is to spread them over a fifteen-year period - makes no sense at all. This is, then, ridiculous data that is meant to be and is misleading. The real current costs of interest are lower than shown and closer to the dark blue section.

And why is that higher? That's because the Bank of England has chosen to force up interest costs in the UK. That's it. In other words, the rising interest cost of the government is by self-imposed choice. That is the nub of this.

So, is there a debt problem in the UK right now? Yes, but only to the extent that the Bank of England keeps interest rates far too high. That is it. Otherwise, there are no causes for concern here. Everything else that will be said about this is an excuse for action to cut government activity when that is the last thing our society needs.