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## Record levels of UK Debt

The total amount of UK debt has now passed £2 trillion for the first time in history after the UK government borrowed a further £35.9bn in August, as tackling the economic fallout of the pandemic has taken its toll on the public finances, official figures from the Office for National Statistics (ONS) have shown. The figure, the difference between spending and tax income, was £30.5bn more than it borrowed in August last year and has taken the total amount of borrowing between April and August to £173.7bn, also a record, and £249.5bn more than the same time in 2019.

The rising borrowing figures are down to the government absorbing much of the cost of the Covid-19 crisis. The government has been forced to cover a wide range coronavirus-related costs, from the furlough scheme and bailouts for rail firms to business rates holidays and VAT cuts for hospitality and tourism. It has also set aside £500m to cover the cost of the Eat Out to Help Out scheme.

The latest figures from the ONS also show that while billions have been pumped into propping up the economy, tax receipts have dropped sharply. The amount collected by central government in taxes dropped to £37.3bn in August, which is £7.5bn less than a year ago. The amount of VAT, corporation tax and income tax collected also fell considerably, the ONS said. The ONS also revised down its estimate for UK borrowing in July, by more than £11bn, to £15.4bn, demonstrating how difficult tracking the economy during the pandemic can be.

The new figures have come after Chancellor Rishi Sunak has announced a series of extensions to existing coronavirus programmes, including a replacement for the furlough scheme which is due to finish at the end of October. The was concern that fiscal support would fade over the autumn causing many more job losses to be realised. Under the new wage top-up scheme, if bosses bring back workers part-time, the government will help top up their wages to at least three-quarters of their full-time pay.

That total amount of debt now exceeds the size of the UK economy, and is the highest level of debt seen since the 1960s. Looking ahead, the ONS said that the chancellor was likely to borrow further this year making a total of about £370bn in the 2020 financial year. However, the government's borrowing figures may partly correct themselves next year as several the chancellor's measures will expire.

At some point the chancellor will have to consider bringing down the level of debt and will have some difficult decisions to make on fiscal policy. But with the current focus on trying to maintain the recovery, this is not the time to do that.

## Market Snapshot (18.09.20 – 25.09.20)

| Market Snapshot<br>(18.09.20 – 25.09.20) |          |        | 10 Year Bond Yields |       |         | Currency |          |        | Commodities |           |        |
|------------------------------------------|----------|--------|---------------------|-------|---------|----------|----------|--------|-------------|-----------|--------|
| FTSE 100                                 | 5842.67  | ↓2.74% | UK                  | 0.19  | ↑18.75% | £/\$     | 1.2747   | ↓1.34% | Brent Crude | \$41.78   | ↓2.93% |
| S&P 500                                  | 3298.46  | ↓0.63% | US                  | 0.66  | ↓1.49%  | £/€      | 1.0959   | ↑0.45% | Gold        | \$1856.30 | ↓4.90% |
| NIKKEI 225                               | 23204.62 | ↓0.67% | Germany             | -0.53 | ↓8.02%  | €/£      | 1.1630   | ↓1.77% |             |           |        |
| DAX 30                                   | 12469.20 | ↓4.93% | Japan               | 0.02  | ↑0.00%  | £/¥      | 134.6400 | ↓0.32% |             |           |        |
| CAC 40                                   | 4729.66  | ↓4.99% |                     |       |         |          |          |        |             |           |        |

Figures quoted are in local currency  
Source: FE Analytics & Financial Times

## Week Ahead

Monday – Euro: ECB President Lagarde Speaks

Tuesday – China: Manufacturing PMI (Sep)

Wednesday – UK: GDP (QoQ) (Q2)

Thursday – US: Initial Jobless Claims

Friday – US: Unemployment Rate

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