

# The scale of national debt reduction

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## Introduction

In November, the chancellor of the exchequer, Rachel Reeves, will deliver the budget. Attention will focus on the tax and spending measures announced, but alongside these, the Office for Budget Responsibility (OBR) will update its forecasts on the state of the public finances and its outlook for the economy. Central to this will be the level and trajectory of government debt. General government gross debt (GGGD) was 101 per cent of GDP in 2024-25,<sup>1</sup> while 30-year gilt yields reached 5.7 per cent in September 2025 - the highest level since 1998 - leaving the UK with the highest borrowing costs in the G7.<sup>2,3</sup>

With the effective interest rate on government debt now exceeding sustainable GDP growth, even stabilising the debt requires primary budget surpluses of between 1 and 1.5 per cent of GDP.<sup>4,5</sup> Instead, the UK ran a primary deficit of 2.2 per cent in 2024-25.<sup>6</sup> Consequently, debt interest payments are now above £100 billion a year,<sup>7</sup> and the OBR has warned that, without action, debt could rise to 270 per cent of GDP by the early 2070s.<sup>8</sup>

This note examines the scale of the challenge facing the government in reducing debt. It models four scenarios for reducing GGGD from 101 per cent to the Maastricht target of 60 per cent over 10, 15, 20 and 25 years. The 60 per cent benchmark, established by the 1992 Maastricht Treaty, represents the internationally recognised threshold for sustainable public debt.

This analysis is not a policy proposal. It does not attempt to say how surpluses would be achieved, whether through tax rises, spending cuts, or growth measures, nor does it account for recessions, political constraints, or future shocks. Its purpose is to provide a clear, credible estimate of the scale of fiscal adjustment required to reduce debt meaningfully under different timeframes.

## Key findings

- UK GGGD was **101 per cent of GDP**, equivalent to over **£2.9 trillion** in 2024-25.<sup>9</sup>
- The OBR found that between 2019 and 2024, UK general government net debt rose by **17.9 percentage points**, compared with an average rise of just **0.7 percentage points** across advanced economies.<sup>10</sup>
- The UK had a primary balance deficit of 2.2 per cent of GDP, or £63 billion in 2024-25.<sup>11</sup> Reducing GGGD to the Maastricht Treaty benchmark of 60 per cent within:

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<sup>1</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, [www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](http://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

<sup>2</sup> Espiner, T. & Edser, N., *UK borrowing costs hit 27-year high adding pressure on Reeves*, BBC, 2 September 2025, [www.bbc.co.uk/news/articles/cy989njnq2wo](http://www.bbc.co.uk/news/articles/cy989njnq2wo) (accessed 1 October 2025).

<sup>3</sup> Smith I. & Fleming, S., *Why are UK borrowing costs so high?*, *Financial Times*, 30 August 2025.

<sup>4</sup> Aikman, D., *Some Unpleasant Fiscal Arithmetic*, National Institute of Economic and Social Research, 26 September 2025, [niesr.ac.uk/blog/some-unpleasant-fiscal-arithmetic](http://niesr.ac.uk/blog/some-unpleasant-fiscal-arithmetic) (accessed 1 October 2025).

<sup>5</sup> Office for Budget Responsibility, *The rise of public sector net debt over the past 25 years*, July 2025, [obr.uk/box/the-rise-of-public-sector-net-debt-over-the-past-25-years/](http://obr.uk/box/the-rise-of-public-sector-net-debt-over-the-past-25-years/) (accessed 1 October 2025).

<sup>6</sup> Office for Budget Responsibility, *Public finances databank – September 2025*, 24 September 2025, [obr.uk/download/public-finances-databank-september-2025/?tmstv=1761030212](http://obr.uk/download/public-finances-databank-september-2025/?tmstv=1761030212) (accessed 21 October 2025).

<sup>7</sup> Ibid.

<sup>8</sup> Office for Budget Responsibility, *Fiscal risks and sustainability*, 2025, p.5.

<sup>9</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, [www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](http://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

<sup>10</sup> Office for Budget Responsibility, *The UK's fiscal position in international context*, July 2025, [obr.uk/box/the-uks-fiscal-position-in-international-context/](http://obr.uk/box/the-uks-fiscal-position-in-international-context/) (accessed 1 October 2025).

<sup>11</sup> Office for Budget Responsibility, *Public finances databank – September 2025*, 24 September 2025, [obr.uk/download/public-finances-databank-september-2025/?tmstv=1761030212](http://obr.uk/download/public-finances-databank-september-2025/?tmstv=1761030212) (accessed 21 October 2025).

- ◆ 10 years would require a primary annual surplus of 4.7 per cent of GDP, equivalent to £137 billion in 2025-26.
  - ◆ 15 years would require a primary annual surplus of 3.2 per cent of GDP, equivalent to £94 billion in 2025-26.
  - ◆ 20 years would require a primary annual surplus of 2.5 per cent of GDP, equivalent to £72 billion in 2025-26.
  - ◆ 25 years would require a primary annual surplus of 2 per cent of GDP, equivalent to £59 billion in 2025-26.
- Achieving the 25-year scenario would require a total fiscal adjustment of **4.2 percentage points of current GDP** - approximately **£122 billion** in 2025-26.
  - Over 25 years, the cumulative primary surpluses required would total **£2.7 trillion** in nominal terms, equal to 92 per cent of the economy in 2024-25. Faster consolidation scenarios would reduce the cumulative costs.
  - At 101 per cent of GDP, UK GGGD is above academic thresholds for sustainable debt. European Central Bank research found that the growth benefits of debt fade above **67 per cent of GDP**, with interest rate pressures rising above 70 per cent.<sup>12</sup>
  - Eight successive fiscal charters since 2011 promised falling debt, including the most recent, Rachel Reeves' Autumn 2024 charter.<sup>13,14</sup> GGGD is now **24.8 percentage points** higher than when the first charter was published.

## The debt challenge

In 2024-25, the UK's GGGD was 101 per cent of GDP, equivalent to more than £2.9 trillion against an annual GDP of just under £2.9 trillion.<sup>15</sup> In 2000-01, the situation was significantly different. GGGD was 35.7 per cent of GDP, public sector net debt was 28.3 per cent, and the UK ran a budget surplus.<sup>16</sup> Since then, GGGD has almost tripled as a share of the economy, driven primarily by two systemic shocks: the 2008 financial crisis and the covid-19 pandemic. Most of this increase occurred in the two years immediately after each of these crises.<sup>17</sup>

The UK's fiscal deterioration stands out in international comparison. Between 2019 and 2024, UK general government net debt rose by 17.9 percentage points, compared with an average rise of 0.7 percentage points across advanced economies.<sup>18</sup> At the height of the pandemic, the UK had the second-largest deficit in the developed world. By 2024, it still had the third-highest deficit in Europe and the fifth-highest among 36 advanced economies, surpassed only by the United States, France, Slovakia, and Israel. As a result, the UK's net debt-to-GDP ratio ranked fifth among 33 comparable advanced economies for which consistent data exists.<sup>19</sup>

<sup>12</sup> Baum, A., et al., *Debt and growth: new evidence for the euro area*, ECB Working Paper No. 1450, 2012, p.1.

<sup>13</sup> Office for Budget Responsibility, *The challenges of getting debt to fall as a share of GDP*, March 2023, obr.uk/box/the-challenges-of-getting-debt-to-fall-as-a-share-of-gdp/ (accessed 1 October 2025).

<sup>14</sup> HM Treasury, *Charter for Budget Responsibility: Autumn 2024*, 2025, p.4.

<sup>15</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx (accessed 29 September 2025).

<sup>16</sup> Office for Budget Responsibility, *Public finances databank – September 2025*, 24 September 2025, obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210 (accessed 29 September 2025).

<sup>17</sup> Office for Budget Responsibility, *The challenges of getting debt to fall as a share of GDP*, March 2023, obr.uk/box/the-challenges-of-getting-debt-to-fall-as-a-share-of-gdp/ (accessed 1 October 2025).

<sup>18</sup> Office for Budget Responsibility, *The UK's fiscal position in international context*, July 2025, obr.uk/box/the-uks-fiscal-position-in-international-context/ (accessed 1 October 2025).

<sup>19</sup> Ibid.

The UK has not had GGGD below 60 per cent since 2008-09, nor has it run a primary surplus since 2001-02.<sup>20</sup> Eight successive fiscal charters since 2011 have committed to reducing debt as a share of GDP, yet GGGD is now 24.8 percentage points higher than in 2010-11, just before the first charter was published.<sup>21,22,23</sup> These charters are formal HM Treasury documents outlining the government's framework for fiscal policy, including specific rules on borrowing and debt. Current fiscal rules require debt to fall only in the fifth year of the forecast period - a commitment which, as the National Institute of Economic and Social Research (NIESR) notes, represents the "softest imaginable commitment to delivering debt sustainability".<sup>24</sup> Yet even this minimal target has proven difficult to meet.

## Why debt is harder to manage now

The OBR identifies five reasons why debt has proven so difficult to reduce: more frequent and severe economic shocks that require emergency spending; shrinking fiscal room for manoeuvre in successive forecasts; growth in items other than borrowing that add to debt; weaker medium-term growth prospects; and substantially higher interest rates.<sup>25</sup> The combined effect is that the debt-stabilising primary surplus required - the balance needed to stop debt rising as a share of GDP, excluding net debt interest payments - now stands at 1.3 per cent of GDP in the OBR's 2025 analysis, one of the highest levels in any forecast since the body was established in 2010.<sup>26</sup> The NIESR's September 2025 analysis similarly estimates that a surplus of between 1 to 1.5 per cent of GDP is required to stabilise debt.<sup>27</sup>

In the decade following the 2008 financial crisis, governments benefitted from borrowing costs being lower than the rate of economic growth, allowing debt to stabilise without surpluses. That is no longer the case. With gilt yields at over four per cent and sustainable nominal growth between 3 and 3.5 per cent, debt grows automatically unless offset by deliberate fiscal restraint.<sup>28</sup> However, the UK runs a primary deficit, being 2.2 per cent of GDP in 2024-25, meaning that before servicing existing debt, spending exceeded revenues by £63 billion.<sup>29,30</sup> Stabilisation would therefore require an adjustment of 3.5 percentage points of GDP; meaningful reduction demands sustained surpluses twice as large.

## The 60 per cent debt-to-GDP target

Economic crises generally push debt higher, but recoveries rarely bring it back down. The 2008 financial crash added 34 percentage points to the UK's GGGD ratio, while the covid-19 pandemic and the energy crisis combined added a further 17 percentage points.<sup>31</sup> Without actively reducing debt during periods

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<sup>20</sup> Office for Budget Responsibility, *Public finances databank – September 2025*, 24 September 2025, [obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210](https://obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210) (accessed 29 September 2025).

<sup>21</sup> Office for Budget Responsibility, *The challenges of getting debt to fall as a share of GDP*, March 2023, [obr.uk/box/the-challenges-of-getting-debt-to-fall-as-a-share-of-gdp/](https://obr.uk/box/the-challenges-of-getting-debt-to-fall-as-a-share-of-gdp/) (accessed 1 October 2025).

<sup>22</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, [www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](https://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

<sup>23</sup> HM Treasury, *Charter for Budget Responsibility: Autumn 2024*, 2025, p.4.

<sup>24</sup> Aikman, D., *Some Unpleasant Fiscal Arithmetic*, National Institute of Economic and Social Research, 26 September 2025, [niesr.ac.uk/blog/some-unpleasant-fiscal-arithmetic](https://niesr.ac.uk/blog/some-unpleasant-fiscal-arithmetic) (accessed 1 October 2025).

<sup>25</sup> Office for Budget Responsibility, *The challenges of getting debt to fall as a share of GDP*, March 2023, [obr.uk/box/the-challenges-of-getting-debt-to-fall-as-a-share-of-gdp/](https://obr.uk/box/the-challenges-of-getting-debt-to-fall-as-a-share-of-gdp/) (accessed 1 October 2025).

<sup>26</sup> Office for Budget Responsibility, *The rise of public sector net debt over the past 25 years*, 2025, [obr.uk/box/the-rise-of-public-sector-net-debt-over-the-past-25-years/](https://obr.uk/box/the-rise-of-public-sector-net-debt-over-the-past-25-years/) (accessed 1 October 2025).

<sup>27</sup> Aikman, D., *Some Unpleasant Fiscal Arithmetic*, National Institute of Economic and Social Research, 26 September 2025, [niesr.ac.uk/blog/some-unpleasant-fiscal-arithmetic](https://niesr.ac.uk/blog/some-unpleasant-fiscal-arithmetic) (accessed 1 October 2025).

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Office for Budget Responsibility, *Public finances databank – September 2025*, 24 September 2025, [obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210](https://obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210) (accessed 29 September 2025).

<sup>31</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, [www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](https://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

of relative stability, each successive crisis increases the burden, shrinking the room for manoeuvre when the next shock arrives. This is the pattern the UK has followed since 2000.

The 60 per cent gross debt-to-GDP target originates from the 1992 Maastricht Treaty forming part of the EU's convergence criteria.<sup>32</sup> Although the UK is no longer subject to EU rules, the 60 per cent threshold remains a credible, internationally recognised target. It reflected the average GGGD ratio across EU members at the time and broadly reflected normal peacetime levels, providing a practical guide to what sustainable public finances look like. For the UK specifically, returning to a debt-to-GDP ratio of approximately 60 per cent would be a key step in restoring the fiscal space needed to respond to future crises without triggering market stress. At that level, even a shock on the scale of the 2008 financial crisis (adding 34 percentage points) would leave debt below 95 per cent of GDP, thereby still within the range academic research considers sustainable.

Academic research is clear: high debt constrains growth. While moderate levels of borrowing can support investment, beyond certain thresholds the relationship reverses. Research by the European Central Bank examining 12 euro area countries found that the limited growth support from higher debt diminishes above 67 per cent of GDP and turns negative beyond 95 per cent, while long-term interest rate pressures rise above 70 per cent.<sup>33</sup> Similarly, a Bank for International Settlements analysis of 18 OECD countries concluded that government debt is "bad for growth" beyond approximately 85 per cent of GDP.<sup>34</sup> With GGGD at 101 per cent of GDP, the UK is firmly above every threshold identified in the literature, in a range where the evidence shows that higher debt is damaging to growth.

For more than 25 years prior to 2008, the UK functioned with GGGD remaining approximately 40 per cent of GDP, comfortably within the range where debt can have a less damaging impact on growth.<sup>35</sup> Reducing the current ratio from 101 per cent to 60 per cent is an ambitious but necessary medium-term objective. Achieving it would substantially reduce economic vulnerability, rebuild credibility and support preparedness to respond to future crises.

## The 25-year debt reduction scenario

Reducing GGGD from 101 per cent to 60 per cent of GDP over 25 years represents the most gradual of the scenarios examined. These projections assume nominal GDP growth in line with the OBR's long-term economic determinants. It would require consistent primary surpluses of 2 per cent of GDP from 2026 to 2050 - equivalent, in 2025-26 terms, to approximately £59 billion annually. This is equivalent to 30 per cent of NHS England's resource departmental expenditure limit, 58 per cent of the Department of Education's total departmental expenditure limit (TDEL), or 95 per cent of the Ministry of Defence's TDEL in 2025-26.<sup>36</sup>

However, with the UK running a primary deficit of 2.2 per cent of GDP in 2024-25 (approximately £63 billion), reaching that target would require a total fiscal adjustment of 4.2 percentage points of GDP, or £122 billion. This represents the combined challenge of first eliminating the existing deficit and then generating a sustained surplus to reduce debt. Over 25 years, the cumulative primary surpluses required would total £2.7 trillion in nominal terms. Achieving this would require a level of discipline that would need to be maintained through successive general elections and multiple spending reviews.

Historical precedent underlines the scale of the challenge. The post-war debt reduction, when Britain reduced debt from approximately 270 per cent of GDP to around 50 per cent of GDP over three decades,

<sup>32</sup> Gaspar, V. & Buti, M., *Maastricht values*, Centre for Economic Policy Research, 8 July 2021, [cepr.org/voxeu/columns/maastricht-values](https://cepr.org/voxeu/columns/maastricht-values) (accessed 1 October 2025).

<sup>33</sup> Baum, A., et al., *Debt and growth: new evidence for the euro area*, ECB Working Paper No. 1450, 2012, p.1.

<sup>34</sup> Cecchetti, S. et al., *The real effects of debt*, Bank for International Settlements, 2011, p.1.

<sup>35</sup> Office for Budget Responsibility, *Public finances databank – September 2025*, 24 September 2025, [obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210](https://obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210) (accessed 29 September 2025).

<sup>36</sup> HM Treasury, *Spending review 2025*, 2025, pp.44-48.

occurred under fundamentally different conditions.<sup>37</sup> The fall in debt was not driven by tight fiscal policy but by “financial repression” and inflation, which suppressed interest rates below the rate of economic growth.<sup>38</sup> From the 1950s to 1970s, this negative gap between interest rates and growth meant debt ratios declined automatically even as governments ran modest deficits. No such advantage exists today. With interest rates now exceeding growth, debt will not fall unless the government makes deliberate and sustained fiscal choices to cut it. Moreover, as the TaxPayers' Alliance has previously demonstrated, slower growth prospects mean debt is less affordable than historical comparisons suggest. Debt must ultimately be repaid from future tax revenues, which depend on future GDP. When measured against future GDP, the actual tax base from which debt will be repaid, debt is 67.3 per cent of future GDP today compared to just 36.3 per cent in 1963-64, even though current debt-to-GDP ratios appear similar.<sup>39</sup>

During the late 1990s consolidation, often regarded as a successful example of debt reduction, primary surpluses peaked at 3.2 per cent of GDP in 1998-99 and 3.4 per cent of GDP in 2000-01.<sup>40</sup> That effort, sustained for 5 years, reduced GGGD from 43 per cent to 35 per cent of GDP.<sup>41</sup> The current challenge is proportionally larger: reducing GGGD by 41 percentage points from a substantially higher starting position, in an economic environment characterised by stagnant growth, higher interest rates, and more frequent shocks.

## Alternative scenarios

While the 25-year scenario represents the longest examined in this note to restore sustainability, highlighting faster consolidation scenarios shows the trade-offs between ambition and practicality. A 20-year scenario would require primary surpluses of 2.5 per cent of GDP each year, equivalent to £72 billion in 2025-26 terms. With the UK running a primary deficit of 2.2 per cent of GDP in 2024-25, this implies a total fiscal adjustment of 4.7 percentage points, or approximately £135 billion. In total, such a scenario would demand £2.3 trillion in cumulative primary surpluses over two decades.

Accelerating further, a 15-year scenario would mean primary surpluses of 3.2 per cent of GDP each year, a total fiscal adjustment of 5.4 per cent of GDP and £2.1 trillion in cumulative surpluses. The most aggressive option examined, the 10-year scenario, would require maintaining surpluses of 4.7 per cent of GDP. This faster consolidation would entail approximately £1.8 trillion in total surpluses.

Each option carries fundamental fiscal and political trade-offs. Faster consolidation would cut interest costs more quickly, restore fiscal flexibility sooner and strengthen the UK's resilience against future crises. However, it also imposes greater short-term costs through deeper spending restraint, risks depressing aggregate demand during the consolidation period and may prove politically unsustainable if economic conditions continue to deteriorate. Conversely, a slower consolidation would spread the burden over more years, easing the annual strain on public services and taxpayers alike, allowing more time to adjust. Yet it would prolong fiscal vulnerability, leaving the UK more exposed to economic shocks and increasing the cumulative debt interest cost.

## Political constraints

The scenarios outlined above rest on two assumptions: stable economic conditions and sustained political commitment across multiple parliamentary terms. In practice, neither is likely. The UK economy

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<sup>37</sup> Office for Budget Responsibility, *Post-World War II debt reduction*, July 2013, [obr.uk/box/post-world-war-ii-debt-reduction/](https://obr.uk/box/post-world-war-ii-debt-reduction/) (accessed 29 October 2025).

<sup>38</sup> Aikman, D., *Some Unpleasant Fiscal Arithmetic*, National Institute of Economic and Social Research, 26 September 2025, [nieer.ac.uk/blog/some-unpleasant-fiscal-arithmetic](https://nieer.ac.uk/blog/some-unpleasant-fiscal-arithmetic) (accessed 1 October 2025).

<sup>39</sup> Meakin, R., *Debt to future GDP*, TaxPayers' Alliance, 2025, pp.5-6.

<sup>40</sup> Office for Budget Responsibility, *Public finances databank – September 2025*, 24 September 2025, [obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210](https://obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210) (accessed 29 September 2025).

<sup>41</sup> *Ibid.*

has experienced two major shocks in less than two decades, yet the OBR's central projections assume an uninterrupted period of stability over the next 25 years. Even minor deviations from forecast growth or interest rates would require larger surpluses to remain on course.

Future consolidation efforts will also face structural pressures absent from past episodes. The UK, like most advanced economies, has accumulated spending commitments that exceed its current tax base. Without reform, an ageing population will continue to push up pension costs, while rising demand for health and social care adds persistent upward pressure on public expenditure. At the same time, defence spending is climbing toward 5 per cent of GDP. These trends will intensify over the projected period, making sustained surpluses harder to deliver as they become more necessary.

The political barriers are also daunting. No post-war government has maintained primary surpluses above two per cent of GDP for more than five years.<sup>42</sup> Yet the 25-year scenario to sustainability would require doing so across at least five general election periods, under successive government of varying political composition, and through multiple economic cycles. Such discipline has no precedent in modern British history and the incentives of short-term politics work against the decisions that are necessary.

This does not make debt reduction impossible, but it does show that the UK's conventional fiscal framework is inadequate to meet the objective. Successive fiscal charters have failed to anchor discipline beyond a single election cycle. Binding fiscal institutions, statutory limits on certain categories of spending, or constitutional constraints on borrowing have all been proposed as options to sustain consolidation beyond a single parliamentary term. However, the doctrine of parliamentary sovereignty means that no UK Parliament can bind its successors. Legal mechanisms alone cannot solve the problem. What debt reduction ultimately requires is sustained political will: successive governments and parliamentarians willing to prioritise long-term fiscal sustainability over short-term electoral advantage. Without such commitment, the 25-year debt reduction scenario should be viewed as a measure of the scale of effort required, and of how far current institutions fall short of making it achievable.

Ultimately, the cost of weak fiscal discipline by the government falls on taxpayers. Each year that debt remains high means billions more spent on interest. In the last five years, debt interest payments have risen, in 2024-25 prices, from £29.6 billion in 2020-21 to £106.2 billion in 2024-25.<sup>43</sup> Without a credible long-term plan to reduce the debt, this burden will continue to grow, forcing future administrations to choose between higher taxes, poorer services, or both.

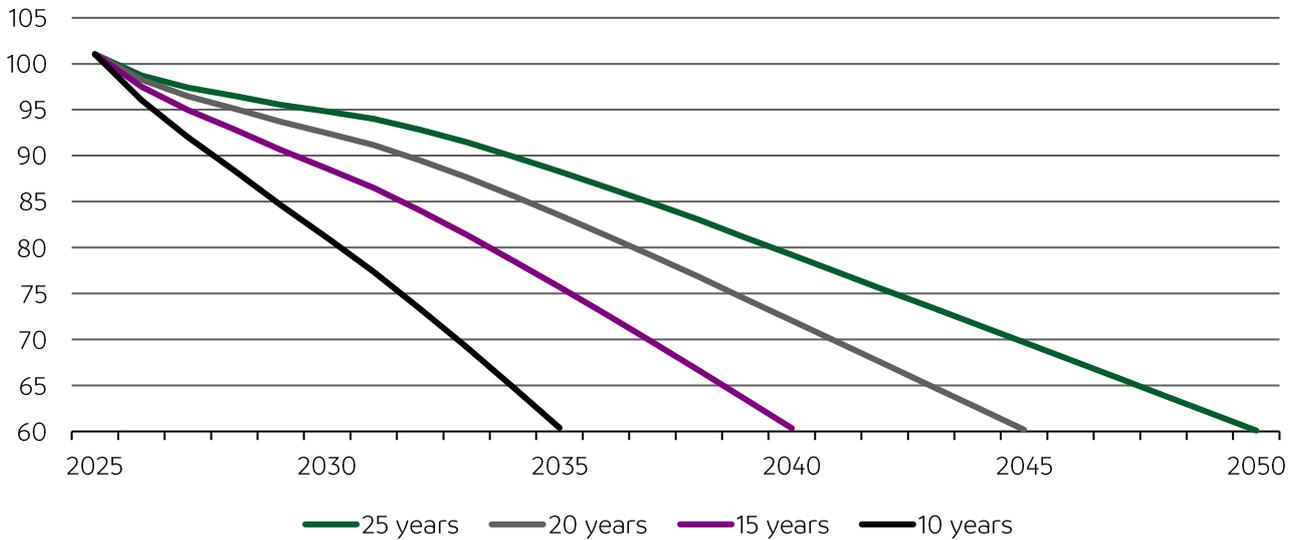
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<sup>42</sup> Office for Budget Responsibility, *Public finances databank – September 2025*, 24 September 2025, [obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210](https://obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210) (accessed 29 September 2025).

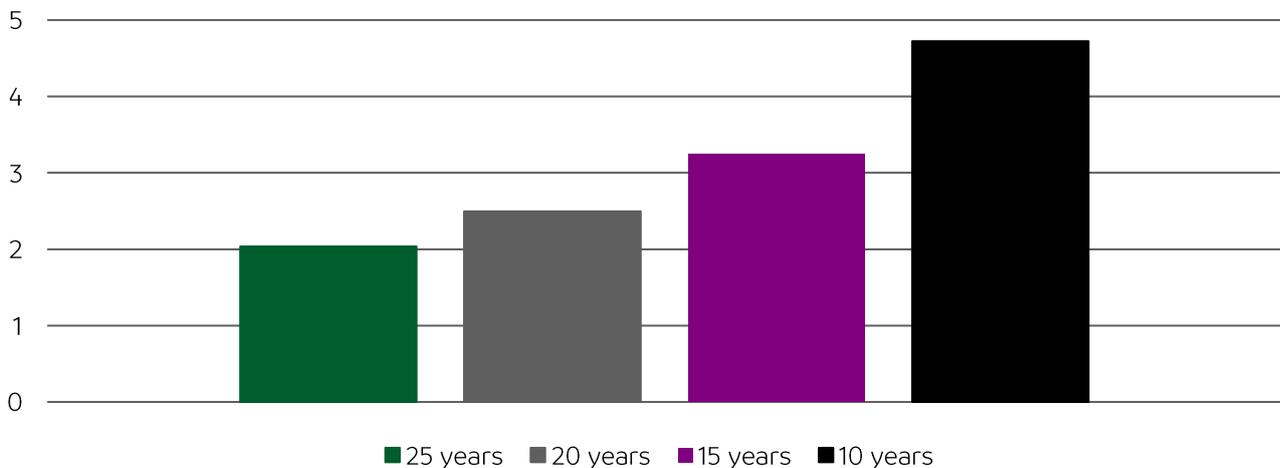
<sup>43</sup> Office for Budget Responsibility, *Public finances databank – September 2025*, 24 September 2025, [obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210](https://obr.uk/download/public-finances-databank-september-2025/?tmstv=1759333210) (accessed 29 September 2025).

## Data

**Chart 1: GGGD reduction scenarios to reach the 60 per cent debt-to-GDP target (per cent of GDP)<sup>44,45</sup>**



**Chart 2: annual required primary surplus to reach the 60 per cent debt-to-GDP target (per cent of GDP)<sup>46,47</sup>**



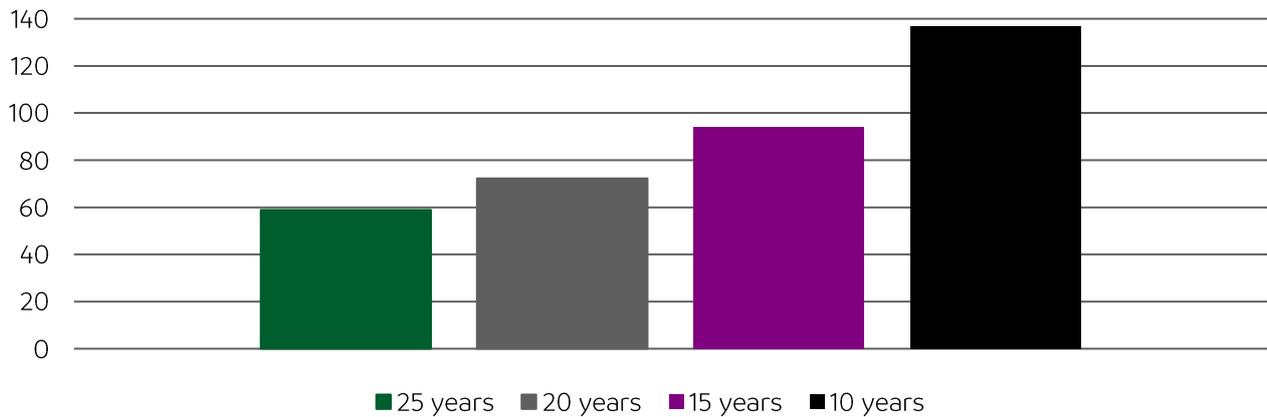
<sup>44</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, [www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](http://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

<sup>45</sup> Office for Budget Responsibility, *Long-term economic determinants – March 2025 Economic and fiscal outlook*, 19 June 2025, [obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729](http://obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729) (accessed 29 September 2025).

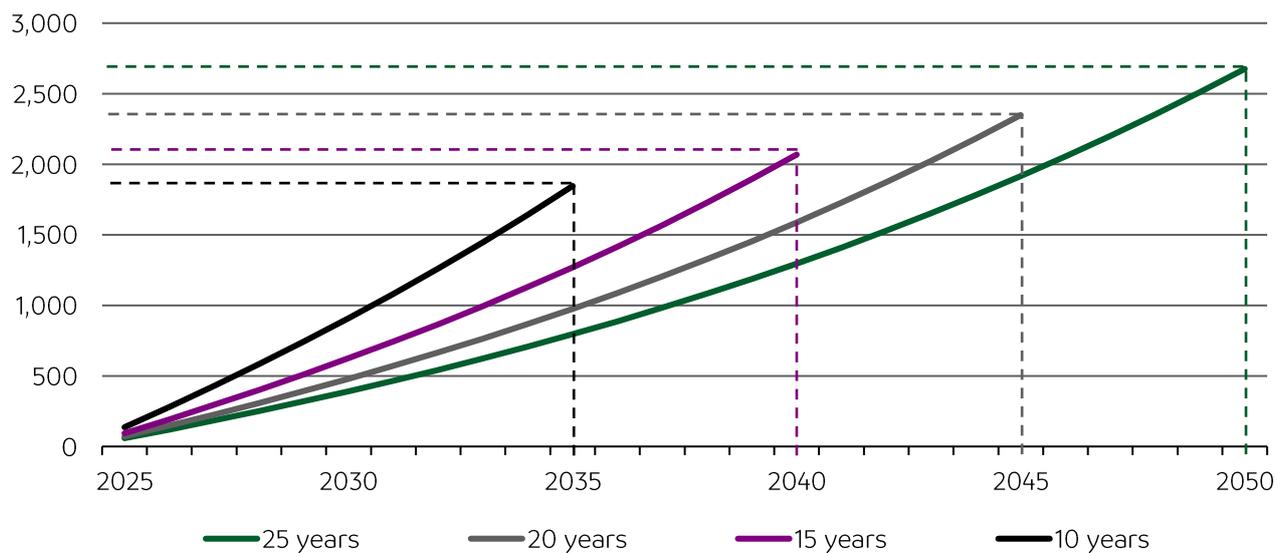
<sup>46</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, [www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](http://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

<sup>47</sup> Office for Budget Responsibility, *Long-term economic determinants – March 2025 Economic and fiscal outlook*, 19 June 2025, [obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729](http://obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729) (accessed 29 September 2025).

**Chart 3: required primary surplus in 2025-26 to meet the respective debt reduction scenarios (£ billion)<sup>48,49</sup>**



**Chart 4: nominal cumulative primary surpluses over time to meet the respective debt reduction scenarios (£ billion)<sup>50,51</sup>**



<sup>48</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, [www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](http://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

<sup>49</sup> Office for Budget Responsibility, *Long-term economic determinants – March 2025 Economic and fiscal outlook*, 19 June 2025, [obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729](http://obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729) (accessed 29 September 2025).

<sup>50</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, [www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](http://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

<sup>51</sup> Office for Budget Responsibility, *Long-term economic determinants – March 2025 Economic and fiscal outlook*, 19 June 2025, [obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729](http://obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729) (accessed 29 September 2025).

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Table: primary surplus requirements and debt projections under four debt reduction scenarios<sup>52,53</sup>

Year	GDP levels (£ billion)	Required annual primary surplus (£ billion)				GGGD stock (£ billion)				Debt-to-GDP (%)				Interest-growth ratio
		25 years	20 years	15 years	10 years	25 years	20 years	15 years	10 years	25 years	20 years	15 years	10 years	
2024-25	2,895.1	58.9	72.2	94	136.7	2,925.3	2,925.3	2,925.3	2,925.3	101.0	101.0	101.0	101.0	0.995
2025-26	3,034.4	61.8	75.7	98.6	143.3	2,996.1	2,982.2	2,959.3	2,914.6	98.7	98.3	97.5	96.1	1.006
2026-27	3,153	64.2	78.7	102.4	148.9	3,071.5	3,042.4	2,994.7	2,901.4	97.4	96.5	95	92	1.010
2027-28	3,266.2	66.5	81.5	106.1	154.3	3,152.7	3,107.2	3,032.6	2,886.6	96.5	95.1	92.8	88.4	1.010
2028-29	3,390.9	69	84.6	110.1	160.1	3,240.1	3,176.8	3,073	2,869.8	95.6	93.7	90.6	84.6	1.012
2029-30	3,517	71.6	87.7	114.2	166.1	3,334.4	3,251.6	3,116	2,850.5	94.8	92.5	88.6	81	1.013
2030-31	3,648.2	74.3	91	118.5	172.3	3,429	3,325.3	3,155.3	2,822.6	94	91.1	86.5	77.4	1.010
2031-32	3,796.5	77.3	94.7	123.3	179.3	3,523.7	3,397.4	3,190.2	2,784.9	92.8	89.5	84	73.4	1.008
2032-33	3,955.4	80.5	98.7	128.5	186.8	3,618.2	3,467.3	3,220.1	2,736.4	91.5	87.7	81.4	69.2	1.006
2033-34	4,127.8	84	103	134.1	194.9	3,711.9	3,534.7	3,244.3	2,675.9	89.9	85.6	78.6	64.8	1.005
2034-35	4,309.3	87.7	107.5	140	203.5	3,804.8	3,599.1	3,262.1	2,602.5	88.3	83.5	75.7	60.4	1.004
2035-36	4,499.7	91.6	112.3	146.2		3,896.3	3,660	3,272.9		86.6	81.3	72.7		1.004
2036-37	4,698.9	95.6	117.2	152.6		3,986.2	3,717.1	3,276.1		84.8	79.1	69.7		1.003
2037-38	4,907.7	99.9	122.4	159.4		4,074.1	3,769.7	3,271		83	76.8	66.7		1.002
2038-39	5,129	104.4	128	166.6		4,159.5	3,817.4	3,256.9		81.1	74.4	63.5		1.002
2039-40	5,356.8	109	133.6	174		4,242.2	3,859.8	3,233		79.2	72.1	60.4		1.002
2040-41	5,591.6	113.8	139.5			4,321.8	3,896.2			77.3	69.7			1.002
2041-42	5,832.7	118.7	145.5			4,397.9	3,926.3			75.4	67.3			1.002
2042-43	6,081.3	123.8	151.7			4,470.2	3,949.6			73.5	64.9			1.002
2043-44	6,337.4	129	158.1			4,538.1	3,965.5			71.6	62.6			1.002
2044-45	6,602.3	134.4	164.7			4,601.4	3,973.5			69.7	60.2			1.002
2045-46	6,876.6	140				4,660.4				67.8				1.002

<sup>52</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025,

[www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](http://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

<sup>53</sup> Office for Budget Responsibility, *Long-term economic determinants – March 2025 Economic and fiscal outlook*, 19 June 2025, [obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstsv=1759413729](https://obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstsv=1759413729) (accessed 29 September 2025).

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Year	GDP levels (£ billion)	Required annual primary surplus (£ billion)				GGGD stock (£ billion)				Debt-to-GDP (%)				Interest-growth ratio
		25 years	20 years	15 years	10 years	25 years	20 years	15 years	10 years	25 years	20 years	15 years	10 years	
2046-47	7,160,151	145.7				4,715.5				65.9				1.002
2047-48	7,454,386	151.7				4,766.2				63.9				1.002
2048-49	7,759,413	157.9				4,812				62				1.002
2049-50	8,075,667	164.4				4,852.5				60.1				1.002

## Methodology

This note estimates how much of the UK's GDP would need to be set aside each year, through primary budget surpluses, to bring GGGD from 101 per cent down to the 60 per cent Maastricht Treaty benchmark over four different timeframes: 10, 15, 20, and 25 years.

To do this, we use a standard debt dynamics equation to size a single, constant primary surplus (per cent of GDP) that, applied each year, takes GGGD from today's level to 60 per cent by the end of the chosen timescale. Debt dynamics describe how the debt-to-GDP ratio evolves over time based on three factors: interest rates, economic growth, and the primary budget balance. The logic is mortgage-style: a fixed annual "repayment" set against interest and a growing economy.

Each year's GGGD equals last year's debt plus interest minus the primary surplus, while GDP grows with the OBR's time-varying nominal path. We summarise this with an interest-growth ratio (the debt-vs-GDP factor) that compares the interest rate to nominal growth. When this ratio is above one, the debt ratio tends to rise unless offset by larger surpluses; when it is below one, growth helps the ratio fall. The model captures the effects of compounding, so both the debt stock and the economy grow year by year.

This note uses data from the Office for National Statistics release *Government debt and deficit* for GGGD levels from January to March 2025 and GDP in 2024-25.<sup>54</sup> Data is also taken from the Office for Budget Responsibility release *Long-term economic determinants - March 2025 Economic and fiscal outlook* for long-term nominal GDP growth and long-term interest rates (gilt yields).<sup>55</sup>

<sup>54</sup> Office for National Statistics, *Government debt and deficit*, 19 September 2025, [www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx](https://www.ons.gov.uk/file?uri=/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn/current/rftm17tables.xlsx) (accessed 29 September 2025).

<sup>55</sup> Office for Budget Responsibility, *Long-term economic determinants - March 2025 Economic and fiscal outlook*, 19 June 2025, [obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729](https://obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1759413729) (accessed 29 September 2025).