

UK: Government borrowing hits new record for December

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Alistair Darling in the pre-budget report said that the government would have to borrow £180bn to balance the books. Photograph: Stefan Wermuth/Reuters

Britain borrowed £15.7bn to balance the books last month, the highest December figure on record, as two-and-a-half years of financial crisis and recession took a toll of the public finances.

Despite some signs that the pace of decline may be easing, the government's net borrowing stood at £120bn in the first nine months of the financial year, almost double the total for the same period in 2008-09.

The Office for National Statistics said the gap between government spending and tax receipts received by HM Revenue and Customs was the highest since recent records began in 1993.

With an election only months away, today's data is certain to renew the debate at Westminster over the pace at which the UK should cut the budget deficit as the economy recovers from the sharpest one-year fall in output since the 1920s.

The ONS said that high borrowing over the past two years had pushed Britain's debt to 61.7% of gross domestic product last month, the highest since records began in 1974.

Analysts – who had been expecting even higher borrowing last month – said one bright spot in the figures was that tax revenues were just 0.4% lower last month than a year earlier. That was the smallest year-on-year drop in receipts since September 2008, when the collapse of Lehman Brothers triggered the most serious phase of the two-and-a-half-year crisis.

The flattening out in tax receipts will reinforce conviction in the City that ONS data to be released next week will show that the economy returned to modest growth in the fourth quarter of 2008. Alistair Darling said in his pre-budget report last month that he expected to have to borrow almost £180bn to balance the books this year.