Coronavirus (COVID-19) Review: data and analysis, March to October 2020

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Sector accounts and government finance

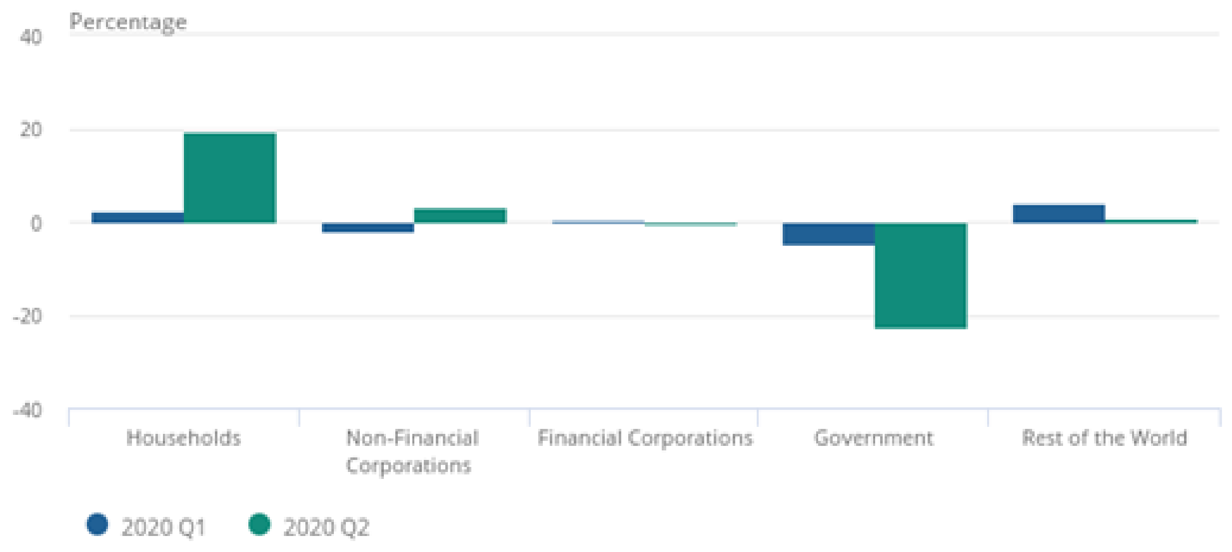
This section includes our analysis on the financial position of households, the government and corporations during the pandemic

There have been large movements in the financial positions of households and the government in response to the pandemic

- The sharp increase in the net lending position of households to 20.0% of gross domestic product (GDP) in Quarter 2 (Apr to June) 2020, reflects the record contraction in consumption expenditure.
- General government saw a record increase in their net borrowing position to 22.6% of GDP driven by the continuation of the Coronavirus Job Retention Scheme, the introduction in this quarter of the Coronavirus Self Employment Income Support Scheme and the Small Business Grant Fund.
- There was an improvement in the financial position of private non-financial corporations, which became net lenders at 3.2% of GDP in Quarter 2 for the first time since the years that followed the 2008 economic downturn; this was the result of government support through tax deferrals, subsidies and grants combined with reduced capital investment outpacing a reduction in gross operating surplus (partially reflecting enforced restrictions).
- The Business Impact of Coronavirus (COVID-19) Survey estimates show that in late September, 48% of businesses experienced a decreased in turnover, continuing the flattened trend since mid-August and following a decreasing trend since June.
- In the financial accounts, financial corporations saw record increases in the holdings of currency and loan repayments of households and non-financial corporations.

There was a sharp increase in the net lending position of households to in Quarter 2 2020

Net lending and borrowing, UK, Quarter 1 (Jan to Mar) 2020 to Quarter 2 (Apr to June) 2020



Source: [Quarterly sector accounts, UK: April to June 2020](#) and [Quarterly economic commentary: April to June 2020](#)

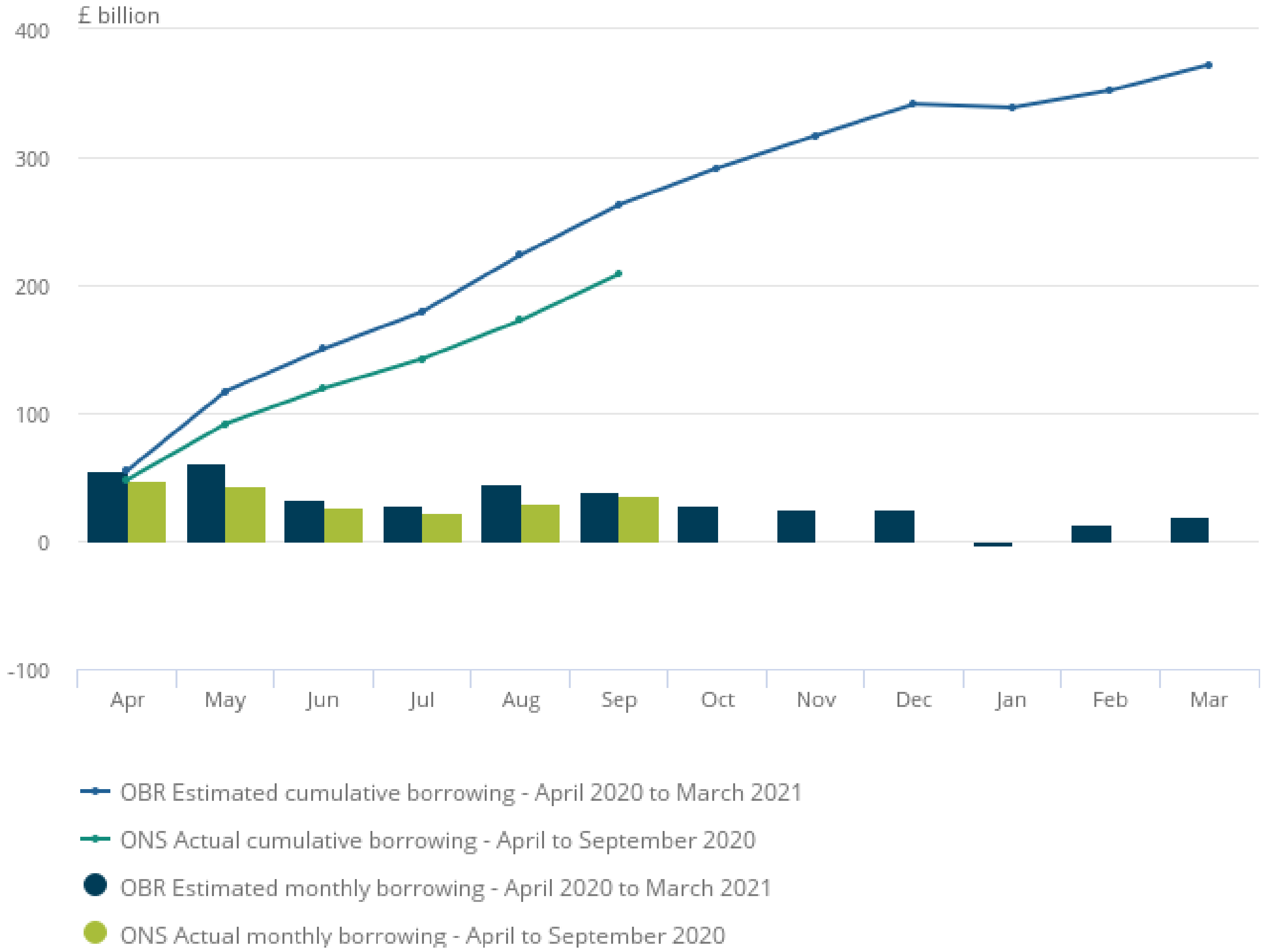
Lead analyst: [Michael Rizzo](#) and [Sumit Dey-Chowdhury](#)

The ongoing unprecedented impact of the COVID-19 lockdown, and the government's support for individuals and businesses, have had a substantial impact on the UK's public sector finances

- Provisional estimates indicate that the amount borrowed in the first half of the current financial year (Apr to Sept 2020) was nearly four times the £54.5 billion borrowed in the whole of the last full financial year (Apr 2019 to Mar 2020) at £208.5 billion.
- Borrowing estimates are subject to greater than usual uncertainty because of their partial reliance on forecast tax receipts and National Insurance contributions data.
- The COVID-19 lockdown has meant central government tax receipts and National Insurance contributions in the six months to September 2020 were down by 11.6% on a year earlier.
- Over the same period, the government's support for individuals and businesses contributed to an increase of 34.0% in central government's day-to-day spending compared with a year earlier; the job furlough schemes alone have added £59.8 billion to borrowing since the start of the financial year.
- The extra funding required to support government coronavirus support schemes combined with reduced cash receipts and a fall in gross domestic product (GDP) have all helped push public sector net debt at the end of September 2020 to 103.5% of GDP, the highest debt ratio since the financial year ending 1960.

The stark fiscal impact of the pandemic is still emerging and it will take many months before the true scale of the shock becomes clear

Public sector net borrowing excluding public sector banks, UK, cumulative financial year-to-date (April to September 2020) compared with official borrowing estimates for the financial year ending March 2021 (April 2020 to March 2021)



Source: [Public sector finances, UK: September 2020]

Lead analyst: [Fraser Munro]