

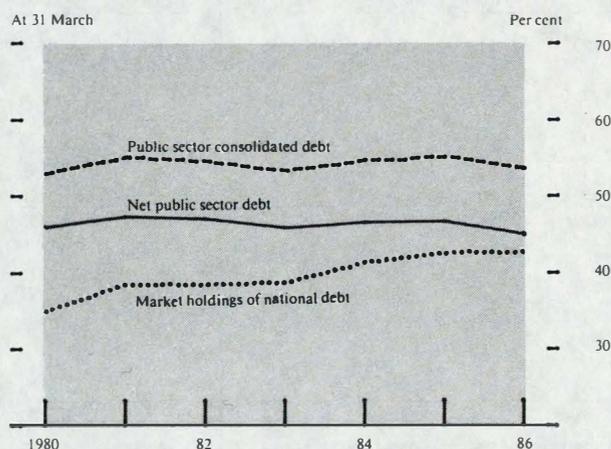
# The net debt of the public sector: end-March 1986

A note on the net debt of the public sector in the March 1986 Bulletin (page 74) introduced this concept, explaining how it might diverge from the national debt or the consolidated debt of the public sector. This note updates the figures to end-March 1986.

At the end of March 1986 the net debt of the public sector amounted to £167.4 billion, an increase of £6.2 billion (3.8%) over the year before. This was a smaller rate of increase than in recent years, and as a proportion of gross domestic product<sup>(1)</sup> the net debt fell by 1.7 percentage points to 45.1%. Market holdings of the national debt (a narrower concept) by contrast rose more strongly (by £11.8 billion or 8.0%), and also rose slightly as a proportion of gross domestic product, by 0.2 percentage points to 42.7%.<sup>(2)</sup>

This contrasting increase arose because, to a much greater extent than before, the central government had borrowed

## Measures of public sector debt in relation to GDP<sup>(a)</sup>



(a) Average measure of GDP at current market prices in four quarters centred on 31 March.

**Table A**  
**Composition of the PSBR**

£ millions; percentages in italics

	1980/81– 1984/85 (annual rate)		1985/86	
Central government borrowing requirement:				
on own account	7,503	74.9	4,086	71.0
for on-lending to local authorities	1,929	19.2	5,743	99.9
for on-lending to public corporations	1,665	16.6	1,109	19.3
<b>CGBR</b>	<b>11,097</b>	<b>110.7</b>	<b>10,938</b>	<b>190.2</b>
Local authorities' net borrowing from markets	– 815	– 8.1	– 4,071	– 70.8
Public corporations' net borrowing from markets	– 262	– 2.6	– 1,116	– 19.4
<b>Public sector borrowing requirement (PSBR)</b>	<b>10,020</b>	<b>100.0</b>	<b>5,751</b>	<b>100.0</b>
<i>As percentage of GDP:</i>				
CGBR (on own account)		2.7		1.1
CGBR		3.9		3.0
PSBR		3.5		1.6

more than its own requirements, lending the excess to local authorities and, to a lesser degree, to public corporations, enabling these bodies to repay substantial amounts of market borrowing. Whereas the whole public sector borrowing requirement in 1985/86 amounted to only 1.6% of gross domestic product during the year, the central government borrowing requirement amounted to 3.0% (see Table A).

The consolidated debt of the public sector rose in step with the net public sector debt; the liquid assets, offset in the latter measure, rose by £2.1 billion—their proportion of GDP remaining unchanged at 8.4%.

(1) Average measure of GDP at current market prices in four quarters centred on 31 March.

(2) This figure is slightly different from that given in the article on distribution of the national debt in the December 1986 Bulletin (page 559) because of revisions to the GDP figures.

**Table B**  
**Public sector debt**

£ millions, nominal values; percentages in italics

31 March	1980	1981	1982	1983	1984	1985	1986	Increases	
								1980-85	1985-86
<b>Central government</b>									
Market holdings of national debt etc	78,121	94,983	104,108	114,213	130,907	146,684	158,447	68,563	11,763
as percentage of GDP	35.0	38.4	38.4	38.8	41.4	42.5	42.7		
Net indebtedness to Bank of England Banking Department	599	650	725	676	474	—	—	- 599	—
Savings banks	3,087	2,856	2,640	2,480	2,396	2,052	1,796	-1,035	- 256
Accrued interest and indexing on national savings	1,430	1,954	2,493	3,002	3,795	4,629	5,501	3,199	872
Notes and coin in circulation	10,667	11,204	11,386	12,590	12,895	13,794	14,539	3,127	745
Other	1,001	892	848	754	852	926	992	- 75	66
Total	94,905	112,539	122,200	133,715	151,319	168,085	181,275	73,180	13,190
less held by local authorities and public corporations	- 931	- 1,196	- 1,333	- 1,446	- 1,953	- 1,698	- 1,896	- 767	- 198
Net total	93,974	111,343	120,867	132,269	149,366	166,387	179,379	72,413	12,992
<b>Local authorities</b>									
Total debt	34,113	36,382	36,325	36,673	38,248	41,021	43,425	6,908	2,404
less held by central government and public corporations	-15,808	-16,973	-16,048	-18,533	-21,794	-24,932	-30,397	-9,124	-5,465
Net total	18,305	19,409	20,277	18,140	16,454	16,089	13,028	-2,216	-3,061
<b>Public corporations</b>									
Total debt	30,595	32,170	32,707	34,036	35,045	33,055	32,550	2,460	- 505
less held by central government and local authorities	-24,839	-26,950	-26,249	-27,612	-28,253	-25,298	-26,469	- 459	-1,171
Net total	5,756	5,220	6,458	6,424	6,792	7,757	6,081	2,001	-1,676
<b>Public sector: consolidated total</b>									
as percentage of GDP	118,035	135,972	147,602	156,833	172,612	190,233	198,488	72,198	8,255
	52.9	55.0	54.5	53.3	54.6	55.2	53.5		

**Table C**  
**Public sector liquid assets**

£ millions, nominal values; percentages in italics

31 March	1980	1981	1982	1983	1984	1985	1986	Increases	
								1980-85	1985-86
<b>Central government</b>									
Gold and foreign exchange reserves	12,460	12,583	10,637	11,702	11,619	10,998	12,686	-1,462	1,688
Commercial bills	789	2,804	7,044	6,257	9,843	7,148	8,710	6,359	1,562
British government stocks held under purchase and resale agreements	713	—	—	158	—	813	358	100	- 455
Export credit and shipbuilding paper held under purchase and resale agreements	—	—	—	440	—	2,599	1,926	2,599	- 673
Net claim on Bank of England Banking Department	—	—	—	—	—	4,297	527	4,297	-3,770
Bank deposits	559	665	773	729	702	706	723	147	17
Instalments due on British government stocks	31	1,803	328	653	801	—	2,826	- 31	2,826
Total	14,552	17,855	18,782	19,939	22,965	26,561	27,756	12,009	1,195
<b>Local authorities</b>									
Bank deposits	228	334	492	772	1,001	1,329	2,041	1,101	712
Other short-term assets	4	33	21	28	42	113	204	109	91
Total	232	367	513	800	1,043	1,442	2,245	1,210	803
<b>Public corporations</b>									
Bank deposits	389	604	646	752	846	929	1,022	540	93
Other short-term assets	39	22	26	35	35	54	61	15	7
Total	428	626	672	787	881	983	1,083	555	100
<b>Public sector consolidated liquid assets</b>									
as percentage of GDP	15,212	18,848	19,967	21,526	24,889	28,986	31,084	13,774	2,098
	6.8	7.6	7.4	7.3	7.9	8.4	8.4		
Consolidated public sector debt (Table B)	118,035	135,972	147,602	156,833	172,612	190,233	198,488	72,198	8,255
Net public sector debt	102,823	117,124	127,635	135,307	147,723	161,247	167,404	58,424	6,157
as percentage of GDP	46.1	47.4	47.1	46.0	46.7	46.8	45.1		
Memorandum item: GDP (£ billions)	223.0	247.2	270.9	294.1	316.3	344.9	370.9		

## Notes and definitions

For the main notes and definitions, see the article in the March 1986 *Bulletin*. There are two refinements since then:

- (1) 'Other' liabilities of the central government now include balances with the Paymaster General of certain public corporations. (As these are also now included in public corporations' holdings, this does not lead to any change in the central government or public sector net liabilities.)
- (2) Public corporations' holdings of central government debt now also include estimates of notes and coins held, slightly reducing estimates of the net debt of the public sector.