

The net debt of the public sector: end-March 1989

This article continues the series of notes begun in the March 1986 Bulletin (page 74) and last updated in the November 1988 Bulletin (page 530), from which date it has been combined with the long-standing series of articles on the national debt and its distribution. It has been compiled with the help of the Central Statistical Office.

The main points are:

- The consolidated debt of the public sector and the net debt of the public sector (see appendix for explanation of terms) both fell by around £13 billion in 1988/89. Market holdings of national debt fell by nearly £11 billion.
- On all these measures, there was a large decline in relation to GDP (6 percentage points in the case of the net debt).
- A somewhat higher proportion of national debt in market hands was in indexed form, continuing the upward trend which was interrupted last year.

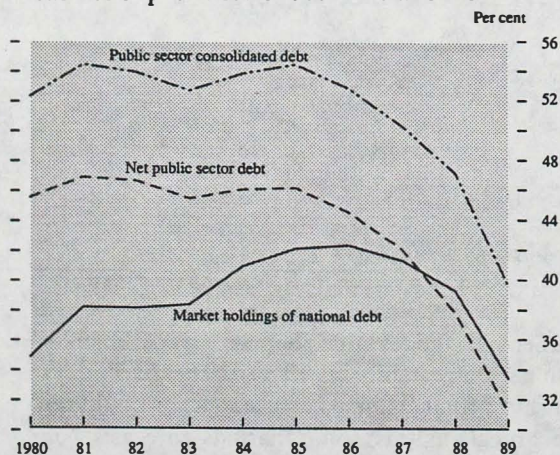
Net public sector debt

It is provisionally estimated that at the end of March 1989 the net debt of the public sector⁽¹⁾ amounted to £158.5 billion (Table A). This was £13.0 billion (7.6%) less than the total figure at the end of March 1988; this is the first financial year since this series began (1975) that there has not been an increase. The main cause was the substantial 'negative' public sector borrowing requirement, or public sector debt repayment, measuring net debt transactions in 1988/89 (Table C—the principal reasons why the figures are not the same are noted in the box on page 555). As a proportion of gross domestic product⁽²⁾ the net debt fell by 6.1 percentage points to

31.8%; this is the lowest percentage recorded since the series began (Chart 1), and represents a very sharp reduction since 1985.

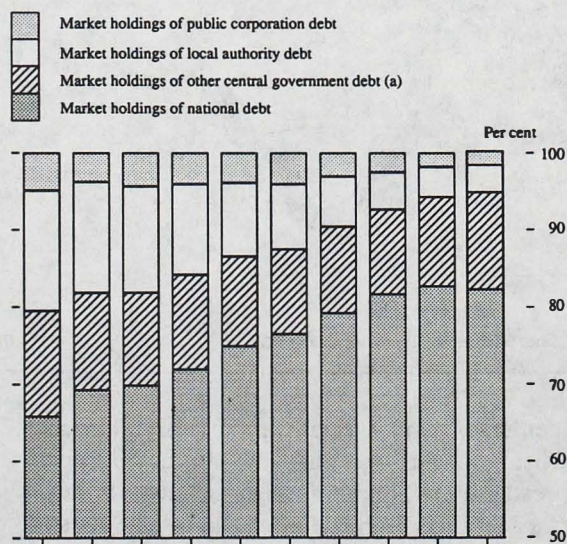
The fall was entirely on the liabilities side of the public sector balance sheet; unlike recent years, public sector liquid assets were scarcely changed in total (Table B). Within the total of liquid assets, the sterling value of the reserves rose by £2.6 billion—partly because of the fall in value of sterling—but the holding of commercial bills by

Chart 1
Measures of public sector debt in relation to GDP^(a)



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

Chart 2
Market holdings of public sector debt



(a) Less LA and PC holdings of national debt.

(1) Full definitions are at the end of the article. All figures are at nominal value except where stated.

(2) Average measure of GDP at current market prices in four quarters centred on 31 March (two quarters centred on 31 March, grossed-up to an annual rate in 1989).

Table A
Net public sector debt

£ millions, nominal values; percentages in italics

31 March	1980	1982	1983	1984	1985	1986	1987	1988	1989	Increases		
										1980-85	1985-88	1988-89
Central government												
Market holdings of national debt etc <i>as percentage of GDP</i>	78,121 34.9	104,108 38.2	114,213 38.4	130,907 41.0	146,684 42.2	158,432 42.4	168,365 41.4	178,084 39.4	167,209 33.5	68,563	31,400	-10,875
Net indebtedness to Bank of England												
Banking Department	599	725	676	474	—	—	319	583	969	- 599	583	386
Savings banks	3,087	2,640	2,480	2,396	2,052	1,796	1,666	1,658	1,633	- 1,035	- 394	- 25
Accrued interest and indexing on national savings	1,430	2,493	3,002	3,795	4,629	5,508	6,076	6,103	5,440	3,199	1,474	- 663
Notes and coin in circulation	10,667	11,386	12,590	12,895	13,794	14,539	14,232	16,105	16,907	3,127	2,311	802
Other	242	372	399	429	369	327	283	233	227	127	- 136	- 6
Total	94,146	121,724	133,360	150,896	167,528	180,602	190,941	202,766	192,385	73,382	35,238	-10,381
<i>less held by local authorities and public corporations</i>	-931	- 1,293	- 1,421	- 1,936	- 1,657	- 1,836	- 1,279	- 1,789	- 2,384	- 726	- 132	- 595
Net total	93,215	120,431	131,939	148,960	165,871	178,766	189,662	200,977	190,001	72,656	35,106	-10,976
Local authorities												
Total debt	34,113	36,325	36,967	38,225	40,962	43,361	46,042	48,986	52,099	6,849	8,024	3,113
<i>less held by central government and public corporations</i>	-15,808	-16,048	-18,533	-21,796	-24,934	-30,398	-36,128	-40,185	-44,950	- 9,126	-15,251	- 4,765
Net total	18,305	20,277	18,434	16,429	16,028	12,963	9,914	8,801	7,149	- 2,277	- 7,227	- 1,652
Public corporations												
Total debt	30,026	31,603	32,430	33,451	31,640	30,920	28,274	27,374	23,821	1,614	- 4,266	- 3,553
<i>less held by central government and local authorities</i>	-24,270	-25,145	-26,006	-26,659	-23,883	-24,839	-23,069	-23,447	-20,255	387	436	3,192
Net total	5,756	6,458	6,424	6,792	7,757	6,081	5,205	3,927	3,566	2,001	- 3,830	- 361
Public sector: consolidated total debt as percentage of GDP	117,276 52.4	147,166 54.0	156,797 52.7	172,181 53.9	189,656 54.5	197,810 52.9	204,781 50.4	213,705 47.2	200,716 40.2	72,380	24,049	-12,989
Public sector: consolidated liquid assets (Table B) as percentage of GDP	15,207 6.8	19,967 7.3	21,520 7.2	24,903 7.8	28,985 8.3	31,068 8.3	33,539 8.3	42,278 9.3	42,247 8.4	13,778	13,293	- 31
Net public sector debt as percentage of GDP	102,069 45.6	127,199 46.7	135,277 45.5	147,278 46.1	160,671 46.2	166,742 44.6	171,242 42.1	171,427 37.9	158,469 31.8	58,602	10,756	-12,958
Memorandum item: GDP (£ billions)	224.0	272.6	297.2	319.4	347.7	373.8	406.4	452.3	498.9			

Table B
Public sector liquid assets

£ millions, nominal values

31 March	1980	1982	1983	1984	1985	1986	1987	1988	1989	Increases		
										1980-85	1985-88	1988-89
Central government												
Gold and foreign exchange reserves	12,460	10,637	11,702	11,619	10,998	12,686	16,855	25,216	27,844	-1,462	14,218	2,628
Commercial bills	789	7,044	6,257	9,843	7,148	8,710	7,012	8,312	2,456	6,359	1,164	-5,856
British government stock held under purchase and resale agreements	713	—	158	—	813	358	108	—	—	100	- 813	—
Export credit and shipbuilding paper held under purchase and resale agreements	—	—	440	—	2,599	1,926	954	—	—	2,599	-2,599	—
Net claim on Bank of England Banking Department	—	—	—	—	4,297	527	—	—	—	4,297	-4,297	—
Bank deposits	559	807	766	851	791	768	839	822	894	232	31	72
Instalments due on British government stocks	31	328	653	801	—	2,826	1,876	366	—	- 31	366	- 366
Total	14,552	18,816	19,976	23,114	26,646	27,801	27,644	34,716	31,194	12,094	8,070	-3,522
Local authorities												
Bank deposits	228	492	772	1,001	1,329	2,041	3,516	4,632	6,633	1,101	3,303	2,001
Building society deposits	4	21	28	42	113	204	929	998	1,384	109	1,255	386
Other short-term assets	—	—	—	—	—	—	—	370	632	—	—	262
Total	232	513	800	1,043	1,442	2,245	4,445	6,000	8,649	1,210	4,558	2,649
Public corporations												
Bank deposits	384	612	715	697	844	977	1,443	1,562	2,404	460	718	842
Other short-term assets	39	26	29	49	53	45	7	—	—	14	- 53	—
Total	423	638	744	746	897	1,022	1,450	1,562	2,404	474	665	842
Public sector: consolidated liquid assets	15,207	19,967	21,520	24,903	28,985	31,068	33,539	42,278	42,247	13,778	13,293	- 31

the Bank of England fell by £5.9 billion. Against this was another large rise of £2.9 billion in public sector bank deposits, particularly holdings of local authorities, who also increased their holdings of building society deposits and other short-term assets.

Within the fall of £13.0 billion in public sector consolidated debt, the fall in private and overseas holdings of central government debt was £11.0 billion (5.2%) to £190.0 billion. The fall in market holdings of the national debt was similar (£10.9 billion or 6.1%). The largest feature in this (described more fully below in the analysis of

national debt by instrument) was the fall in outstanding gilt-edged stocks, as maturing stocks were not replaced and other stocks were bought-in well before redemption, partly through a 'reverse' auction. Of the instruments which are outside the national debt, notes and coin in circulation were £0.8 billion higher at the end of the year, but for the first time there was a substantial repayment (of £0.7 billion) of accrued interest on national savings.

Private and overseas holdings of the debt of the rest of the public sector also fell substantially. In the case of local authorities this reflected the continued restructuring of their

debt towards borrowing from the central government, through the agency of the Public Works Loan Board, and away from market borrowing. In the case of public corporations it was largely because they, like the central government, had a 'negative' borrowing requirement. In both cases, their actual debt would have fallen more if they had not also increased their bank deposits. These features of the rest of the public sector continued developments that have prevailed in recent years.

Table C
Composition of the PSBR

	1980/81- 1984/85		1985/86- 1987/88		1988/89	
	(annual rate)		(annual rate)			
Central government borrowing requirement: on own account	7,650	76.7	1,843	99.3	-12,845	-89.0
for on-lending to local authorities	1,929	19.3	5,241	282.4	4,963	34.4
for on-lending to public corporations	1,502	15.0	348	18.7	984	6.8
CGBR	11,081	111.0	7,432	400.4	-6,898	-47.8
Local authorities' net borrowing from markets	-815	-8.1	-4,220	-227.4	-4,579	-31.8
Public corporations' net borrowing from markets	-287	-2.9	-1,356	-73.0	-2,947	-20.4
Public sector borrowing requirement (PSBR)	9,979	100.0	1,856	100.0	-14,424	-100.0
Alternative analysis:						
CGBR on own account (CGBR (O))	7,650	76.7	1,843	99.3	-12,845	-89.0
Local authority borrowing requirement (LABR)	1,115	11.2	1,021	55.0	384	2.6
Public corporation borrowing requirement (PCBR)	1,214	12.1	-1,008	-54.3	-1,963	-13.6
As percentage of GDP:						
CGBR	3.9		1.9		-1.4	
CGBR (on own account)	2.7		0.5		-2.7	
LABR	0.4		0.3		0.1	
PCBR	0.4		-0.3		-0.4	
PSBR	3.5		0.5		-3.0	
Memorandum item:						
GDP (£ billions)	284.6		393.1		476.1	

The national debt

The remainder of this article is concerned only with the national debt.

The change in debt outstanding (Table D)

Market holdings of the national debt at nominal value fell by £10.9 billion (6.1%) during the year ended 31 March 1989, compared with a rise of £9.7 billion (5.8%) in the previous year. The central government borrowing requirement was -£6.9 billion (ie a CG surplus) in contrast to the CGBR of £0.9 billion in 1987/88. Debt held by official funds⁽¹⁾ showed a rise of £10.8 billion over the year. The total nominal national debt⁽²⁾ therefore fell by just £0.1 billion—nevertheless, this was the first fall for twenty years.

Market holdings of national debt, when expressed at nominal value as a proportion of annual gross domestic

Table D
Market and official holdings of national debt

	End-March 1988		End-March 1989	
	£ millions	Percentage of market holdings	£ millions	Percentage of market holdings
Market holdings				
Sterling marketable debt:				
Government and government-guaranteed stocks: index-linked	15,151	8.5	16,739	10.0
other	119,444	67.1	105,470	63.1
Treasury bills	2,817	1.6	3,286	2.0
Sterling non-marketable debt:				
National savings: index-linked	2,516	1.4	2,844	1.7
other	26,054	14.6	27,070	16.2
Interest-free notes due to the IMF	3,848	2.2	3,660	2.2
Certificates of tax deposits (a)	2,909	1.6	2,274	1.4
Other	620	0.3	595	0.4
Total	173,359	97.3	161,938	96.8
Foreign currency debt: (b)				
North American government loans	1,240		1,316	
Foreign currency bonds	35		20	
Floating-rate notes	3,450		2,373	
ECU Treasury bills	—		1,562	
Total	4,725	2.7	5,271	3.2
Total market holdings	178,084	100.0	167,209	100.0
Official holdings	19,364		30,147	
Total	197,448		197,356	
of which:				
nationalised industry stock guaranteed by the government	10		10	
(a) Includes a negligible amount of tax reserve certificates.				
(b) Sterling valuation rates: End-March 1988: £1 = US\$1.8845, Can. \$2.3243 End-March 1989: £1 = US\$1.6855, Can. \$2.0118, ECUs 1.5371.				

product, fell by 5.9 percentage points from March 1988, to 33.5% (Chart 1), accelerating the trend set over the previous two years.

Analysis by instrument

During the year the proportion of total national debt in market hands held in the form of conventional, ie non-index-linked, government stock fell from 67.1% to 63.1%, while the proportion held in the form of index-linked stock rose from 8.5% to 10.0%. This reflected the modest rise in the total of index-linked stocks outstanding and the considerable fall in conventional stock. In the case of the next largest group of instruments, national savings, index-linked national savings rose from 1.4% to 1.7% and fixed-interest national savings rose from 14.6% to 16.2%. The overall total of index-linked debt therefore rose from 9.9% to 11.7% of market holdings of national debt.⁽³⁾ These movements continued the upward trend which was interrupted last year.

The proportion of the market's holdings of national debt represented by external (foreign currency) debt rose from 2.7% to 3.2%, owing largely to the increase (of nearly 12%) in the value of the dollar in terms of sterling.

Gilt-edged stocks

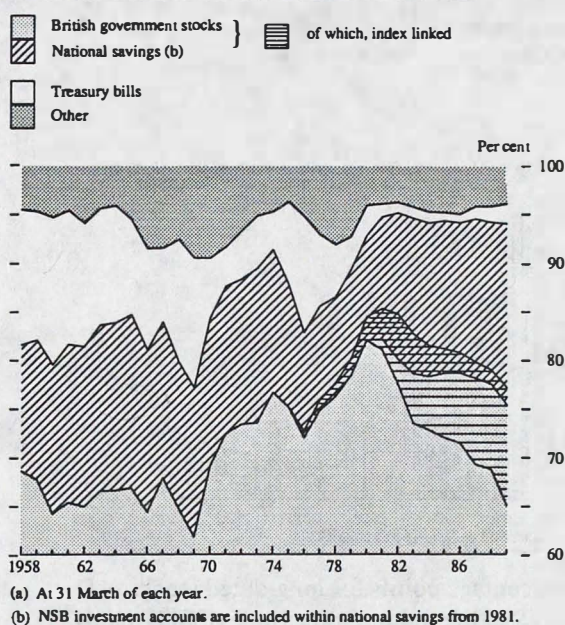
A total of £2.8 billion nominal value of stock was issued during 1988/89 of which £0.15 billion was issued direct to the National Debt Commissioners. There were two new

(1) Debt held by the National Debt Commissioners (other than for the national savings stock register), certain other central and Northern Ireland government funds and accounts, and by the Bank of England.

(2) The overall decrease of £0.7 billion in the sterling debt is despite an increase of £0.9 billion representing the attributable capital uplift during the financial year on the index-linked issues of government stock; this is £0.3 billion more than the rise in the previous year, mainly because of a faster rise in the retail price index between July 1987 and July 1988 (the relevant dates for the calculation of the uplift) than in the previous twelve months.

(3) Although this proportion includes the accrued liability from the index-linking of certain government stocks, it excludes accrued liabilities from index-linking on national savings certificates and SAYE contracts which, together with accrued interest on all national savings, are normally excluded from the definition of national debt; if the index-linked bonuses are included, the proportion of index-linked debt would be 12.6% of total national debt in market hands, compared with 10.6% at end-March 1988. As a proportion of market holdings of debt denominated in sterling, the comparable figures are 12.9% and 10.9% respectively.

Chart 3
Composition of the sterling national debt ^(a)



stocks issued—£0.8 billion of 8½% Treasury Stock 1993 and £0.4 billion of 2% Index-Linked Treasury Stock 1994. There was also a further tranche of £0.75 billion of 8½% Treasury Stock 1994 'A' issued by auction. In addition there was a tranchette of £0.15 billion of 8% Treasury Loan 1992 and six tranchettes totalling £0.7 billion of various index-linked stocks. Further details may be found in the series of articles on the operation of monetary policy.⁽¹⁾

There were redemptions of £8.2 billion of five conventional stocks, and a remaining £0.2 billion (including accrued uplift) was paid out on 2% Index-Linked Treasury Stock 1988, which had matured on 30 March 1988.⁽²⁾

During 1988/89 the nominal amount of gilt-edged stock in market hands fell by £12.4 billion. The cash value of net official purchases amounted to £13.3 billion:⁽³⁾ £7.0 billion matured while in market hands and the authorities bought in another £1.6 billion of stock under 1 year to redemption. In addition 'gross sales' (which has always been defined as *net* transactions in stocks of over 1 year to maturity) were negative, the authorities buying back a net £4.7 billion. This was done as usual mostly through the market, but in addition the first 'reverse auction' was held in January 1989, whereby holders of two stocks, 10% Exchequer Stock 1989 and 11% Exchequer Stock 1989, were invited to offer stock on a competitive offer-price

(1) See in particular the tables entitled 'Issues of gilt-edged stocks': in the August 1988 *Bulletin*, page 331; November 1988, page 490; February 1989, page 31; also the table entitled 'Revers: auctions of gilt-edged stock' in the May 1989 *Bulletin*, page 205. None of the figures above includes the securities specifically designated as NILO stocks, which are never sold to the market.
(2) In the system of financial statistics only the original nominal value is treated as being repaid; the uplift accrued over the whole life of the stock is charged to the PSBR on redemption.
(3) The difference arises because the amount outstanding includes the capital uplift on index-linked stocks and also the net discount on new issues of stock less the reduction in outstanding calls on partly-paid stocks (in both cases the national debt includes the full nominal value of these stocks, but the CGBR is financed only by the payments actually received during the year).
(4) The aggregation of index-linked and non-index-linked stock for the purposes of measuring average maturity presents a conceptual difficulty (see the December 1982 *Bulletin*, page 540). This calculation, which gives index-linked stocks a weight reflecting the capital uplift accrued so far, assumes that stocks will mature on their latest possible redemption date and that holders of convertible stocks will not exercise their option to convert into stocks of a later maturity. Table E also illustrates alternatives to these assumptions, viz that stocks which stood above par on 31 March 1989 will be redeemed at the earliest possible date and that all convertible stocks will be converted into stocks of a later maturity.
(5) £0.4 billion of short-term convertible stock was converted into medium or long-term stock during 1988/89.

Reconciliation

There are several reasons why the borrowing requirement figures, which relate solely to transactions,⁽¹⁾ are not the same as the changes in net debt. Among these are the following:

- Changes in exchange rates affect the value of foreign currency liabilities and assets independently of transactions.
- When British government stocks are issued (or bought-in by the Bank of England ahead of redemption) at a discount or premium, the borrowing requirement is financed by the actual amount received or paid out, while the level of debt is deemed to increase by the nominal value.
- The borrowing figures include the uplift on index-linked British government stocks only when it is paid out, but the figures for debt outstanding include it as it accrues over the life of the stock in market hands.
- Borrowing requirements do not include the changes in assets and liabilities that arise from changes in the boundary of the public sector (eg in 1988/89, the exclusion from the public sector of British Steel because of privatisation). The receipt of privatisation proceeds themselves is, however, included in the PSBR.

(1) Exceptionally the interest (including index-linking) on national savings certificates and SAYE contracts is counted in the CGBR and PSBR as it accrues, because it can be withdrawn by holders on demand.

basis or, for small amounts of stock, on a non-competitive basis. As a proportion of total market holdings of national debt, gilt-edged stocks fell by 2.5 percentage points from last year to 73.1%.

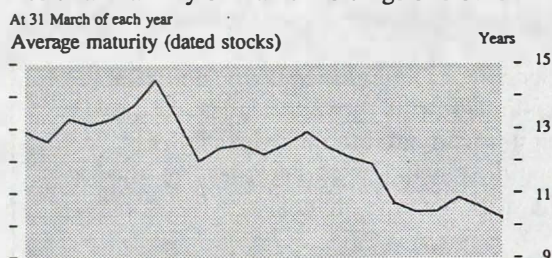
The average life of dated stocks in market hands was 10.2 years at end-March 1989, compared with 10.6 years at March 1988.⁽⁴⁾ When index-linked stocks are excluded the average is 8.7 years, below the 1988 average of 9.3 (Table E and Chart 4).⁽⁵⁾ The average amount of stock to be redeemed in each of the next five years is detailed in Table F. When outstanding options on convertible stocks are ignored, this amount falls from £7.5 billion at end-March 1988 to £7.0 billion at end-March 1989 (Chart 5).

Table E
Average life of dated stock in market hands

Years to maturity at end-March	1985	1986	1987	1988	1989
Assumptions					
Latest possible redemption:					
All dated stocks: (a)					
No conversions	10.4	10.4	10.9	10.6	10.2
Maximum conversions	11.3	10.8	11.2	10.8	10.4
Excluding index-linked stocks:					
No conversions	9.5	9.5	9.7	9.3	8.7
Maximum conversions	10.5	9.9	10.1	9.5	8.9
Earliest possible redemption date for stocks standing above par on 31 March:					
All dated stocks: (a)					
No conversions	10.0	10.0	10.5	10.2	9.9
Maximum conversions	10.9	10.5	10.9	10.5	10.1
Excluding index-linked stocks:					
No conversions	9.1	9.1	9.3	8.9	8.3
Maximum conversions	10.0	9.6	9.7	9.1	8.5

(a) Index-linked stocks are given a weight reflecting capital uplift accrued to 31 March.

Chart 4
Residual maturity of market holdings of stocks



Maturity composition (all stocks)

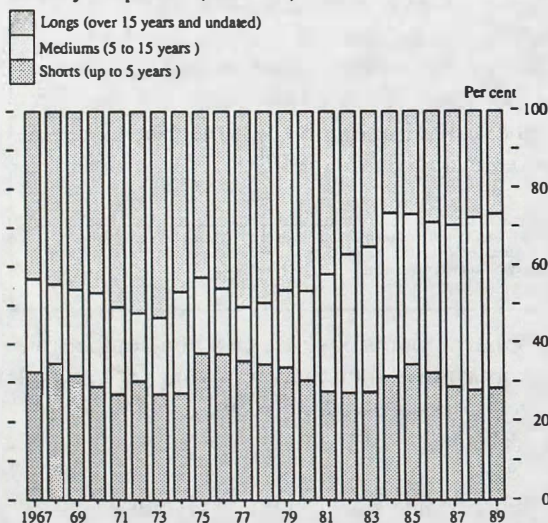
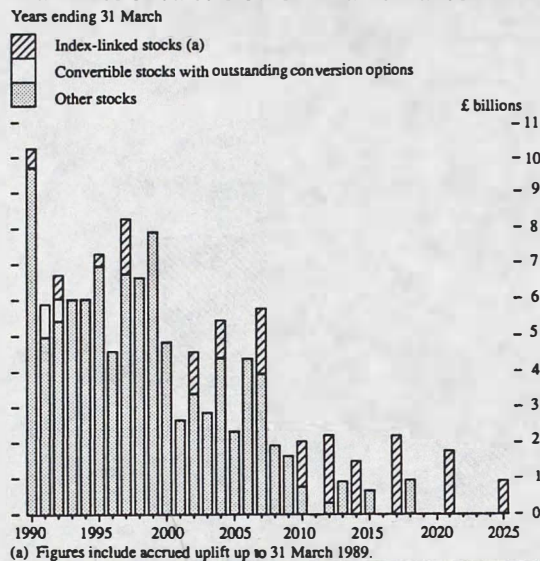


Table F
Average amount of stock in market hands to be redeemed annually over the following five years
£ billions, at end-March

	1983	1984	1985	1986	1987	1988	1989
With no conversions	4.8	6.4	7.9	7.9	7.3	7.5	7.0
Maximum conversion	4.4	5.4	6.7	7.0	6.9	7.1	6.7

The market value of gilt-edged stocks in market hands fell by £17.2 billion to £125.9 billion. This compares with a £12.4 billion fall in their nominal value, the difference reflecting the fall in average gilt prices over the year. Yields on conventional stocks rose correspondingly during the year, by 2.36 percentage points for short-dated stocks, 0.98 percentage points for medium-dated stocks,

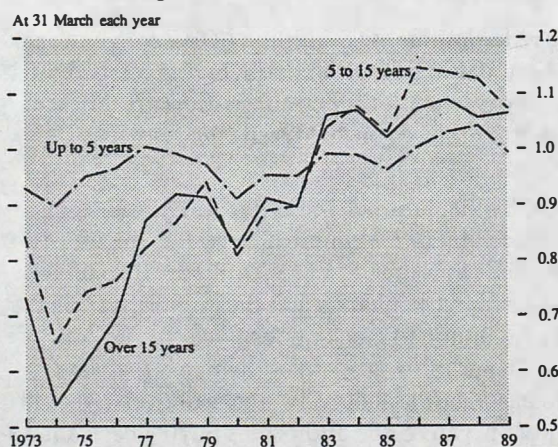
Chart 5
Maturities of dated stocks in market hands



(a) Figures include accrued uplift up to 31 March 1989.

and 0.37 percentage points for long-dated stocks. At end-March 1989 the total market value of fully-paid stocks (including index-linked) in market hands exceeded their total nominal value but, within this, the ratio of market to nominal value fell from 1.04 to 0.99 for short-dated stocks, and from 1.13 to 1.07 for medium-dated stocks. The ratio for long-dated stocks was unchanged at 1.06 but for undated stocks it rose marginally from 0.37 to 0.38 (Chart 6).

Chart 6
Market value / nominal value ratios of fully-paid dated British government stocks in market hands



National savings

National savings increased by £0.6 billion in 1988/89. However, excluding accrued interest and index-linking uplifts,⁽¹⁾ which are not included in the national debt, national savings' contribution rose by £1.3 billion. This is a lower figure than in recent years but, nevertheless, the share of national savings in total outstanding debt rose by 1.9%. Income bonds again showed the largest growth by value (£0.8 billion) of the national savings instruments. There were net withdrawals of £0.7 billion of

(1) Accrued interest, index-linked increments and bonuses outstanding on national savings certificates and Save as You Earn contracts, and non-capitalised interest on the National Savings Bank investment account, deposit bonds and the Yearly Plan totalled £5.4 billion compared with £6.1 billion a year earlier. The decrease, which was the first for many years, is largely due to the repayment of matured certificates.

fixed-interest certificates, as the general extension rate, applicable to certificates which had exceeded their initial term of five years, was set at a modest level.⁽¹⁾ In contrast, holdings of index-linked certificates rose by £0.4 billion.⁽²⁾

The level of deposits with the National Savings Bank investment account rose by £0.4 billion and premium savings bonds by £0.2 billion. The Yearly Plan savings scheme raised £0.1 billion.

The deposit bond, introduced in October 1983, was withdrawn in November 1988 (although £0.8 billion remained outstanding) and the capital bond was launched in January 1989, offering a compound taxable interest rate of 12% a year if held for five years.

Other sterling debt

The market's holdings of Treasury bills at 31 March 1989 were £3.3 billion, £0.5 billion higher than a year earlier. Holdings of certificates of tax deposit, however, were £0.6 billion lower, at £2.3 billion. Public corporations' temporary deposits with the National Loans Fund fell by £0.1 billion.

External (foreign currency) debt

In October 1988, the government exercised its option to repay early at par the £1.3 billion floating-rate notes issued in 1985. A new programme of Treasury bills denominated in ECUs, of one, three and six-month maturities, was launched in October 1988, and at the end of the financial year £1.6 billion of these bills were in market hands.

Analysis by holder (Table G)

Holdings of national debt by the banking sector⁽³⁾ fell by £4.2 billion (within which holdings of British government

Table G
Distribution of the sterling national debt: summary^(a)
£ billions

	Amounts outstanding at 31 March		Change in 1988/89
	1988	1989	
Market holdings			
Public corporations and local authorities	1.2	1.6	+ 0.4
Banking sector	9.1	4.9	- 4.2
Building societies	8.3	7.6	- 0.7
Institutional investors:			
Insurance companies and pension funds	68.4	62.6	- 5.8
Other	1.2	0.7	- 0.5
Overseas residents	22.1	23.0	+ 0.9
Individuals and private trusts	40.4	40.2	- 0.2
Other (including residual)	22.6	21.3	- 1.3
Total market holdings	173.3	161.9	-11.4
Official holdings	19.4	30.2	+10.8
Total sterling debt	192.7	192.1	- 0.6

(a) See Table H for a more detailed analysis.

stocks fell by £3.8 billion, holdings of Treasury bills fell by £0.3 billion and holdings of certificates of tax deposit by the banks decreased by £0.2 billion). Building societies reduced their holdings of debt by £0.7 billion, largely owing to a reduction in their holdings of British government stocks, although their holdings of Treasury bills increased by £0.1 billion. Institutional investors' holdings of debt fell by £6.2 billion, with insurance companies' and pension funds' holdings of British government stocks each falling by £2.9 billion. Holdings of debt by individuals and private trusts fell by £0.1 billion, although within this their holdings of gilt-edged stocks are estimated to have fallen by £1.4 billion,⁽⁴⁾ while holdings of national savings increased by £1.3 billion. Externally-held debt denominated in sterling rose by £0.9 billion (all in the form of British government stocks), although central monetary institutions' holdings of debt actually fell by £0.6 billion.

(1) The 33rd issue, which offered 7.0% over five years, was withdrawn in July 1988, to be replaced by the 34th issue, offering 7.5% over 5 years. Only £1,000 could be purchased directly but £5,000 (raised in October 1988 to £10,000) could be acquired by conversion of matured certificates.

(2) The fourth issue of index-linked national savings certificates offered 4.04% above the rate of inflation over five years with the maximum holding limit remaining at £5,000. They were on offer throughout the financial year.

(3) Exceptionally in this analysis excluding Bank of England Banking Department.

(4) These are broad estimates derived from the stock registers and other information. They do not include stock held through nominee companies as the beneficial ownership of these cannot be derived from the registers. There were some 1,407,200 identified accounts on the Bank of England stock register for individuals and private trusts at end-March 1989, a fall of 134,600 on twelve months earlier.

Table H
Estimated distribution of the sterling national debt: 31 March 1989

£ millions
 Nominal values (a)
 Market values in italics (b)

	Total debt	Percentage of market holdings	Treasury bills	Stocks		Up to 5 years to maturity	Over 5 years and up to 15 years	Over 15 years and undated	Non-marketable debt
				Total	Market value				
Market holdings									
Other public sector:									
Public corporations	1,481		577	227		114	113	—	677
Local authorities	147		—	139		70	34	35	8
Total	1,628	1	577	366	378	184	147	35	685
Banking sector(c)	4,852	3	162	4,554	4,784	1,140	2,103	1,311	136
Building societies	7,585	5	104	7,413	7,566	4,870	2,542	—	68
Institutional investors:									
Insurance companies	36,675		11	36,664	38,914	3,905	19,686	13,073	—
Local authority pension funds	2,869		—	2,869	3,059	79	1,305	1,485	—
Other public sector pension funds	5,780		—	5,780	6,165	155	2,851	2,774	—
Private sector pension funds	17,293		—	17,227	18,359	699	8,580	7,948	66
Investment trusts	231		—	231	239	113	112	6	—
Unit trusts	431		—	431	458	42	296	92	—
Total	63,279	39	11	63,202	67,194	4,993	32,830	25,379	66
Overseas holders:									
International organisations	4,400		12	728	733	592	109	26	3,660
Central monetary institutions	6,732		1,527	5,205	5,365	2,716	2,021	468	—
Other	11,864		242	11,621	12,075	4,857	6,041	723	1
Total	22,996	14	1,781	17,554	18,173	8,165	8,171	1,217	3,661
Other holders:(d)									
Public Trustee and various non-corporate bodies	752		196	556	586	120	354	82	—
Individuals and private trusts(e)	40,269		—	13,156	13,626	5,954	5,316	1,887	27,113
Industrial and commercial companies	2,660		455	470	470	—	—	—	1,735
Other(residual)	17,918		—	14,939	13,613	9,472	3,509	2,427	2,980
Total	61,599	38	651	29,121	27,825	15,546	9,179	4,396	31,827
Total market holdings (c)	161,938	100	3,286	122,209	125,920	34,899	54,973	32,337	36,443
Official holdings (c)	30,147		993	17,266	17,681	6,343	6,604	4,319	11,888
Total sterling debt	192,085		4,279	139,475	143,600	41,242	61,577	36,656 (f)	48,331
<i>of which:</i>									
nationalised industries' stocks guaranteed by the government	10		—	10		10	—	—	—

Figures may not add to totals because of roundings.
 — nil or less than £1 million.

(a) For explanation see the notes accompanying the similar table on page 555 of the November 1987 Bulletin.

(b) Some of these estimates are based on reported market values: certain others rely on broad nominal/market value ratios.

(c) Official holders include the Bank of England Issue Department and, exceptionally, the Banking Department.

(d) The residual after holders of Treasury bills have been identified; the total may thus include unidentified holdings, and differences in valuation, in other sectors.

(e) Direct holdings only; explained in the notes.

(f) Of which, undated £3,216 million.

Notes and definitions

The national debt

This consists of the liabilities of the National Loans Fund (which is responsible for raising most of the central government's debt). For full details of instruments see the article 'Distribution of the national debt: end-March 1987' in the November 1987 *Bulletin*, page 555. Definitive figures will be published in the *Consolidated Fund and National Loans Fund Accounts 1988-1989 Supplementary Statements*. Provisional figures (some of which are revised in this article) are from *Financial Statistics*, June 1989.

Consolidated debt of the public sector

This includes not only market holdings of the national debt (qv) but any other market holdings of central government debt. In addition it includes all local authority and public corporation debt. All holdings of each other's debt by these three parts of the public sector are then netted off to produce a consolidated total—which is the total of public sector debt held outside the public sector, as published by the Central Statistical Office in Table S1 of *Financial Statistics* each February. (The figures differ slightly in some years because of the exceptional treatment of purchase and resale agreements in British government stocks, described below.)

Market holdings of the national debt etc

Market holdings exclude holdings by other bodies within the central government sector (principally the funds of the National Investment and Loans Office, the EEA, government departments and the Issue Department of the Bank of England) and by the Banking Department of the Bank of England (together called 'official holders'). The term 'market' includes local authorities and public corporations. Exceptionally in these articles Issue Department temporary holdings under purchase and resale agreements are included in market holdings; such holdings are therefore included in Table B as a central government liquid asset. Holdings of British government-guaranteed stocks of the nationalised industries are also included (there is now only one issue of £10 million outstanding, all officially held).

Net indebtedness of the Bank of England Banking Department

The Banking Department's holdings of central government debt (principally sterling Treasury bills and British government stocks) less the deposits of the National Loans Fund and Paymaster General. At end-March 1985 and end-March 1986 this was a net claim—see Table B.

Savings banks

Deposits on ordinary accounts of the National Savings Bank and the liability (now zero) to the TSB of the Fund for the Banks for Savings (a government fund operated by the National Investment and Loans Office).

Other central government debt

Now includes only market holdings of Northern Ireland government debt (principally Ulster Savings Certificates) and the balances of certain public corporations with the Paymaster-General.

The net debt of the public sector

This is derived from the consolidated debt of the public sector by deducting the public sector's holdings of liquid assets.

Gold and foreign currency reserves

These are at the official dollar valuation (see notes and definitions to Table 17.1 in the February 1989 *Bulletin*) converted to sterling at the end-March middle market closing rate.

Instalments due on British government stocks

The national debt includes the whole nominal value of all issued stocks, even where there are outstanding instalments due from market holders; a counter entry is therefore included in assets.

PSBR

Figures are taken from *Financial Statistics*, September 1989.