

The net debt of the public sector: end-March 1992

This article continues the series begun in the March 1986 Bulletin (page 74) and last updated in the November 1991 Bulletin (page 538). From the November 1988 Bulletin 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 and others.

The main points are:

- The net debt of the public sector and market holdings of the national debt (see notes and definitions for explanation of terms) both rose in 1991/92, by around £14 billion and £16 billion respectively.
- In relation to GDP, these measures increased by between one and two percentage points.
- General government gross debt had risen to 35.5% of GDP at end-March 1992.

The net debt of the public sector

At the end of March 1992 the net debt of the public sector⁽¹⁾ stood provisionally at £167.9 billion (see Table A), compared with £153.9 billion at the end of March 1991. This increase, a rise of £14.0 billion (9.1%), is the second largest in value terms since the series began in 1970 and the largest in percentage terms since 1984/85. As Table C shows, the rise reflects the move of the public sector from debt repayment in 1990/91 to a borrowing requirement of £13.8 billion in 1991/92. (For the principal reasons why the figures for changes in net debt are not the same as those for the borrowing requirement see the box on page 436.) As a proportion of gross domestic product,⁽²⁾ the net debt of the public sector rose by 1.4 percentage points to 28.5% (Chart 1), after a period of six years during which the ratio

Chart 1
Measures of public sector debt in relation to GDP

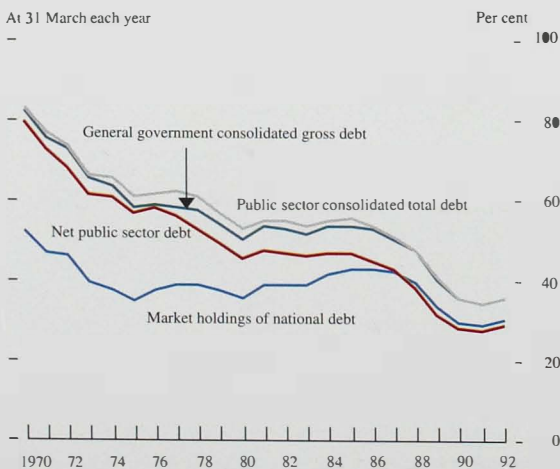


Table A
Net public sector debt

£ millions. nominal values; percentages in italics

31 March (a)	1991	1992	Changes 1991-92
Central government			
Market holdings of national debt	163,668	179,188	15,520
as percentage of GDP	28.8	30.4	
Net indebtedness to Bank of England			
Banking Department	1,245	1,249	4
Savings banks	1,474	1,434	- 40
Accrued interest and indexing on national savings	4,311	4,370	59
Notes and coin in circulation	18,730	17,661	- 1,069
Other	217	185	- 32
Total central government gross debt	189,645	204,087	14,442
Local authorities			
Total gross debt	53,771	54,374	603
less:			
Central government holdings of local authority debt	48,814	49,180	366
Local authority holdings of central government debt	149	167	18
General government consolidated gross debt as percentage of GDP	194,453	209,114	14,661
	<i>34.2</i>	<i>35.5</i>	
Public corporations			
Total gross debt	14,412	13,900	- 512
less:			
Central government holdings of public corporation debt	12,809	12,701	- 108
Local authority holdings of public corporation debt	26	31	5
Public corporation holdings of central government debt	1,619	1,227	- 392
Public corporation holdings of local authority debt	838	829	- 9
Public sector consolidated total debt as percentage of GDP	193,573	208,226	14,653
	<i>34.1</i>	<i>35.3</i>	
Public sector total liquid assets (Table B) as percentage of GDP	39,711	40,364	653
	<i>7.0</i>	<i>6.9</i>	
Net public sector debt as percentage of GDP	153,862	167,862	14,000
	<i>27.1</i>	<i>28.5</i>	

(a) Data from 1970 to 1990 are published in the Bank of England Statistical Abstract 1992, Part 1 Table 17.1.

had steadily declined. The figure is, however, still well below the proportions seen in earlier years.

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

(2) See notes and definitions following this article.

The increase in net public sector debt in 1991/92 was more than accounted for by a rise in the gross debt of the central government which grew by £14.4 billion to stand at £204.1 billion—£1.3 billion higher than the previously recorded peak of £202.8 billion in 1988. This increase primarily reflects net issues (£13.7 billion) of British government securities which were taken up by the market, increased balances with national savings and the launch of the Ecu Treasury note programme in early 1992 (see Table E). Of the instruments outside the national debt, notes and coin in circulation declined by £1.1 billion, reversing last year's increase (which was influenced by the incidence of Easter).

As Table B shows, public sector liquid assets rose by £0.7 billion in the year ending March 1992. Central government assets increased by £1.8 billion. But this increase was largely offset by a fall of £1.1 billion in local authorities' holdings of liquid assets.

Table B
Public sector liquid assets

£ millions, nominal values

31 March (a)	1991	1992	Changes 1991-92
Central government			
Gold and foreign exchange reserves	24,307	25,952	1,645
Commercial bills, including bills held under purchase and resale agreements	5,381	4,390	- 991
Bank deposits	1,299	1,657	358
Instalments due on British government stocks	—	739	739
Total	30,987	32,738	1,751
Local authorities			
Bank deposits	5,173	3,412	-1,761
Building society deposits	1,776	2,436	660
Other short-term assets	210	238	28
Total	7,159	6,086	-1,073
Public corporations			
Bank deposits	1,339	1,314	- 25
Other short-term assets	226	226	—
Total	1,565	1,540	- 25
Public sector total liquid assets	39,711	40,364	653

(a) Data from 1970 to 1990 are published in the *Bank of England Statistical Abstract 1992*, Part 1 Table 17.1.

Within central government liquid assets, the sterling value of the reserves increased by £1.6 billion and central government bank deposits rose by £0.4 billion. Additionally, there were further instalments due on British government stocks amounting to £0.7 billion.⁽¹⁾ Holdings of commercial bills by the Issue Department of the Bank of England fell, however, by £1 billion.

Private and overseas holdings of the debt of the rest of the public sector continued their long-term decline (Chart 2). Despite a local authority borrowing requirement of £1.7 billion in 1991/92, market holdings of local authority debt rose by only £0.2 billion. Local authorities' bank and building society deposits continued to decline from their peak of £8.1 billion in 1990 to stand at £5.8 billion. The public corporation's borrowing requirement was £0.3 billion, but market holdings of their debt fell by £0.4 billion.

Chart 2
Market holdings of public sector debt

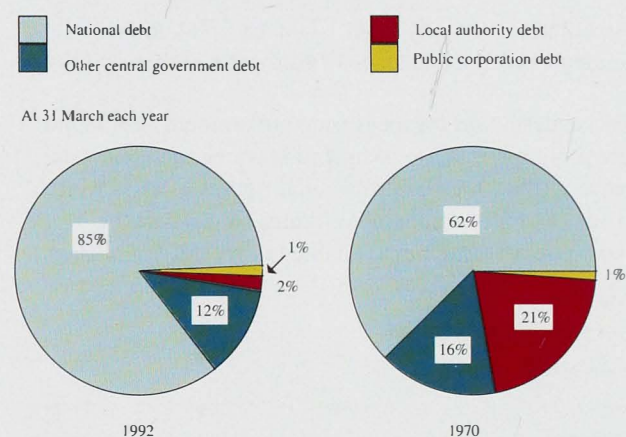


Table C
Composition of the PSBR

£ millions; percentages in italics

	1990/91	1991/92
Central government borrowing requirement:		
on own account	-2,922	11,745
for on-lending to local authorities	1,472	639
for on-lending to public corporations	-1,015	551
CGBR	-2,465	12,935
Local authorities' net borrowing from markets	1,971	1,066
Public corporations' net borrowing from markets	37	- 232
Public sector borrowing requirement (PSBR)	- 457	13,769
Alternative analysis:		
CGBR on own account (CGBR(O))	-2,922	11,745
Local authority borrowing requirement (LABR)	3,443	1,689
Public corporations' borrowing requirement (PCBR)	- 978	335
As percentage of GDP:		
CGBR	- 0.4	2.2
CGBR (on own account)	- 0.5	2.0
LABR	0.6	0.3
PCBR	- 0.2	0.1
PSBR	- 0.1	2.4

General government debt

Article 104c of the Treaty on European Union, signed in Maastricht in February 1992, provides for a Commission report on a government deficit if a member state does not fulfil one or both of the following criteria:

- whether the ratio of the planned or actual government deficit to gross domestic product exceeds 3% of GDP, unless: either the ratio has declined substantially and continuously and reached a level that comes close to the reference value of 3%; or, alternatively, the excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value;
- whether the ratio of government debt to gross domestic product exceeds 60% unless the ratio is sufficiently

(1) See the notes and definitions regarding the treatment of instalments due on British government stocks.

diminishing and approaching the reference value at a satisfactory pace.

These criteria will apply from 1 January 1994, at the beginning of the second stage of European Monetary Union.

A precise definition for measuring government debt in the latter criterion has yet to be agreed between member states. However, Table A gives provisional figures as at 31 March each year.⁽¹⁾ Fully comparable figures for each of the member countries are not available but recently published

Table D
Gross government debt

Percentage of GDP

Country	1990	1991	1992
Luxembourg (a)	6.4 (b)
United Kingdom	34.9	35.4 (b)	38.5
Germany (c)	40.4 (b)	42.0	43.5
Spain	44.1 (b)	45.8	48.0
France	46.4	47.4 (b)	48.5
Denmark	59.7	60.7 (b)	61.6
Portugal (a)	62.7 (b)
Netherlands	79.2 (b)	78.9	79.9
Greece	80.7	84.1 (b)	87.1
Italy	100.5	102.9 (b)	107.8
Ireland (c)	117.0 (b)	113.3	108.8
Belgium	130.0 (b)	131.9	132.9

Source: Unless stated otherwise, *OECD Economic Outlook*, December 1991.

.. not available.

(a) EC estimates.

(b) Estimates for this year and thereafter.

(c) Percentage of nominal GNP.

estimates (assumed to be as at 31 December each year) are shown in Table D.

The national debt

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

The change in debt outstanding (Table E)

Market holdings of the national debt at nominal value rose by £15.5 billion (9.5%) in the year to March 1992, compared with an increase of £3.6 billion (2.3%) in the previous year. This was a direct result of the central government borrowing requirement for 1991/92 which was £12.9 billion, in contrast to the central government surplus of £2.5 billion for the previous year (see Table C). Debt held by official funds⁽²⁾ fell by £0.6 billion in 1991/92. The total nominal national debt⁽³⁾ therefore increased by £14.9 billion. Market holdings of national debt, when expressed at nominal value as a proportion of annual gross domestic product, rose by 1.6 percentage points over the year to stand at 30.4%, reversing the downward trend of the past five years.

Analysis by instrument (Chart 3)

During the year the proportion of the total national debt in market hands held in the form of conventional, ie non-index-linked, government stock rose to 55.7% from 53.7%. The share held in the form of index-linked stock

Table E
Market and official holdings of national debt

£ millions, nominal values

Percentage of market holdings in italics

	End-March 1991		End-March 1992	
Market holdings				
Sterling marketable debt:				
Government and government-guaranteed stocks: index-linked	19,176	11.7	20,924	11.7
other	87,819	53.7	99,790	55.7
Treasury bills	10,295	6.3	9,069	5.1
Sterling non-marketable debt:				
National savings: index-linked	4,105	2.5	5,159	2.9
other	27,036	16.5	28,396	15.8
Interest-free notes due to the IMF	3,963	2.4	3,916	2.2
Certificates of tax deposit (a)	2,692	1.6	2,713	1.5
Other	697	0.5	562	0.3
Total	155,783	95.2	170,529	95.2
Foreign currency debt: (b)				
North American government loans	1,127		1,044	
Floating-rate notes	2,301		2,251	
Ecu Treasury bills	2,495		2,585	
Ecu bond	1,733		1,790	
Ecu Treasury notes	—		717	
Debt assigned to the government	229		272	
Total	7,885	4.8	8,659	4.8
Total market holdings	163,668	100.0	179,188	100.0
Official holdings	35,027		34,384	
Total	198,695		213,572	

(a) Includes a negligible amount of tax reserve certificates.

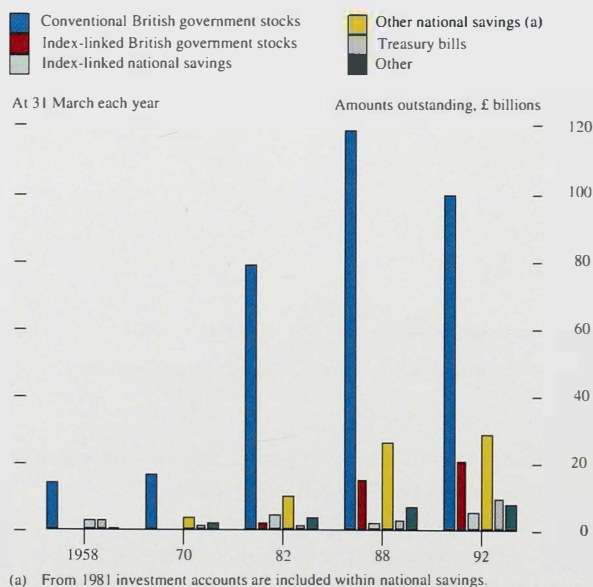
(b) Sterling valuation rates:

End-March 1991: £1 = US\$1.7385, Can.\$2.0144, Ecu 1.4433.

End-March 1992: £1 = US\$1.7350, Can.\$2.0646, Ecu 1.3975.

Chart 3

Composition of the sterling national debt



(a) From 1981 investment accounts are included within national savings.

remained at 11.7% (although the nominal value rose by £1.7 billion). Index-linked national savings rose by 0.4 percentage points. Despite the launch of the Children's Bonus Bond in the summer of 1991 and a rise in the nominal value of £1.4 billion, other national savings fell in percentage terms. Overall, the total of index-linked debt as a proportion of market holdings of national debt rose by 0.4 percentage points.

(1) Data back to 1970 are contained in the *Bank of England Statistical Abstract 1992*, Part 1 Table 17.1.

(2) 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 the Bank of England.

(3) The overall increase of £14.9 billion in the total debt included a net increase of £1.4 billion in capital uplift over the financial year included in the nominal value of the outstanding index-linked issues of government stock; this is £0.4 billion less than the rise in the previous year, mainly because of the slower rise in the retail prices index between July 1990 and July 1991 (the relevant dates for the calculation of the uplift) than in the previous twelve months.

Gilt-edged stocks

During 1991/92, the Bank issued stock with a total nominal value of £16.65 billion (£0.7 billion was index-linked), of which £0.9 billion was issued to or reserved for the National Debt Commissioners. Nine of the stocks were issued on a partly-paid basis. There was one issue (direct to the Bank) of new stock—9% Treasury 2012 (the first new stock since 1988/89)—totalling £1.5 billion (of which £0.25 billion was reserved for the National Debt Commissioners) and further issues were made of twenty-four stocks. Issues took a variety of forms: one tender, four issues to the National Debt Commissioners, and five auctions. The remaining issues were made direct to the Bank, and included two further large tranches of existing stock totalling £2.0 billion. Thirty-six small tranches of existing stock totalling £13.15 billion were also issued, of which four (totalling £0.45 billion) were issued to the National Debt Commissioners. Details of individual issues may be found in the quarterly series of articles on the operation of monetary policy.⁽¹⁾

Seven conventional stocks and one index-linked stock reached maturity and were redeemed at a total cost of £7.6 billion, which includes accrued uplift of £0.24 billion on the index-linked stock.

The average life of dated stocks in market hands was 10.0 years at end-March 1992, 0.1 years longer than the end-March 1991 average.⁽²⁾ If index-linked stocks are excluded, the average falls to 8.4 years, 0.4 years above the end-March 1991 average (see Table F and Chart 4).⁽³⁾ The

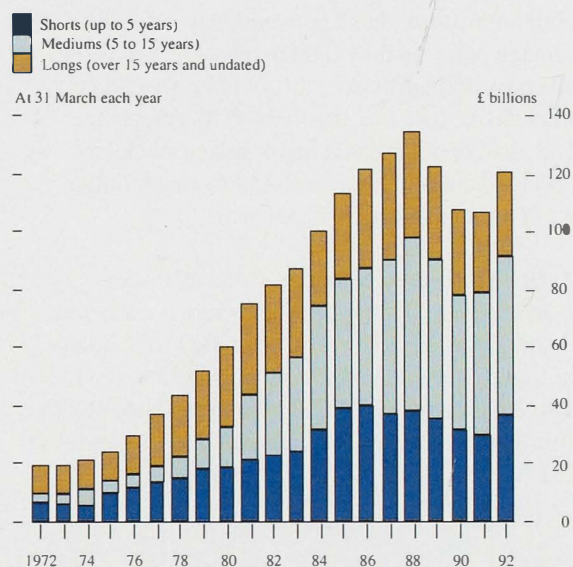
Table F
Average life of dated stock in market hands

Years to maturity at end-March:	1988	1989	1990	1991	1992
Assumptions					
Latest possible redemption:					
All dated stocks: (a)					
No conversions	10.6	10.2	10.2	9.9	10.0
Maximum conversions	10.8	10.4	(b)	(b)	(b)
Excluding index-linked stocks:					
No conversions	9.3	8.7	8.4	8.0	8.4
Maximum conversions	9.5	8.9	(b)	(b)	(b)
Earliest possible redemption date for stocks standing above par on 31 March:					
All dated stocks: (a)					
No conversions	10.2	9.9	10.1	9.6	9.8
Maximum conversions	10.5	10.1	(b)	(b)	(b)
Excluding index-linked stocks:					
No conversions	8.9	8.3	8.2	7.7	8.1
Maximum conversions	9.1	8.5	(b)	(b)	(b)

(a) Index-linked stocks are given a weight reflecting capital uplift accrued to 31 March.
(b) No conversion options were available.

average amount of stock to be redeemed each year in each of the next five years rose by £1.2 billion over the year to £7.2 billion at end-March 1992 owing to larger redemptions

Chart 4
Breakdown of market holdings of British government stocks



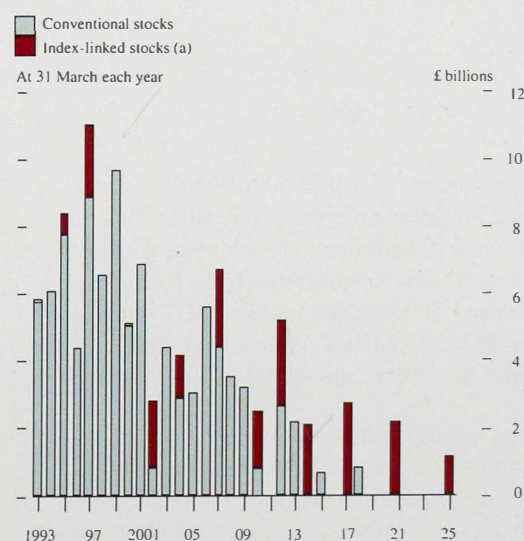
in 1996/97 compared with the year to end-March 1992 (see Table G and Chart 5).

Table G
Average amount of stock in market hands to be redeemed annually over the following five years

£ billions, at end-March	1986	1987	1988	1989	1990	1991	1992
With no conversions	7.9	7.3	7.5	7.0	6.2	6.0	7.2
Maximum conversions	7.0	6.9	7.1	6.7	(a)	(a)	(a)

(a) No conversion options were available.

Chart 5
Maturities of dated stocks in market hands



(a) Figures include accrued uplift up to 31 March 1992.

(1) See in particular tables entitled 'Issues of gilt-edged stock' in the August 1991 *Bulletin*, page 349; November 1991, page 484; February 1992, page 37; and May 1992, page 163 (part of the table). None of the figures above include the securities specifically designated as NLO stocks, which are never sold to the market.

(2) The aggregation of index-linked and non-index-linked stock for the purpose 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 maturity. Table F also illustrates alternatives to these assumptions, viz that stocks which stood above par on 31 March will be redeemed at the earliest possible date and that any convertible stocks will be converted into stocks of a later maturity.

(3) There were no conversions of short-term convertible stock into medium or long-term stock during 1991/92.

During the year the market value of gilt-edged stocks held by the market rose by £11.8 billion to £114.4 billion, compared with a rise of £13.7 billion in their nominal value. Yields (which were distorted by the imminent general election) fell on medium-dated conventional stocks by 0.31 percentage points and by 0.09 percentage points on long-dated conventional stocks; the yield on short-dated conventional stocks rose marginally by 0.01 percentage points. The yield on long-dated index-linked stocks rose by 0.54 percentage points. These resulted in a much flatter yield curve at the end of the financial year.

At end-March 1992, the total market value of stocks (including index-linked) in market hands remained below their total nominal value. The ratio of market to nominal value rose slightly for undated stocks from 0.33 to 0.34, remained broadly unchanged at 1.01 for short-dated stocks, but fell from 1.02 to 1.01 for medium-dated stocks and from 0.85 to 0.81 for long-dated stocks (Chart 6).

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



National savings

National savings rose by £3.1 billion in 1991/92. This largely reflected the greater emphasis placed on them to achieve a part of the government's funding requirement⁽¹⁾ by keeping the interest rates payable attractive. Excluding accrued interest and index-linked increments,⁽²⁾ which are not included in the national debt, national savings' contribution rose by £2.4 billion in 1991/92.

Of this, national savings certificates accounted for £2.0 billion, with index-linked certificates attracting £1.1 billion and fixed-interest certificates attracting £0.9 billion. Sales of Income Bonds, at £0.6 billion, were slightly less than in 1990/91. Sales of Capital Bonds contributed £0.3 billion and sales of the Children's Bonus Bonds, introduced during the year, accounted for just over

Reconciliation

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

- 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 or decrease 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 are not affected by changes in assets and liabilities that arise from changes in the boundary of the public sector (eg in 1991/92, the exclusion from the public sector of the Scottish electricity companies because of privatisation). The receipt of privatisation proceeds themselves is, however, a determinant of the PSBR.

Summary reconciliations of the central government borrowing requirement/debt repayment and the changes in the national debt covering the years 1989/90 and 1990/91 were published in the *Consolidated Fund and National Loans Fund Accounts 1990/91 Supplementary Statements*.⁽²⁾

(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 the holders on demand.

(2) Published by HMSO, ISBN 0-10-210092-6.

£0.1 billion of the overall increase. These rises were partially offset by net withdrawals of £0.6 billion from investment accounts.

Other sterling debt

At the end of March 1992, market holdings of Treasury bills were £9.1 billion, down £1.2 billion over the year. This was largely owing to the reduction in the size of the weekly Treasury bill tender to £0.4 billion between September 1991 and February 1992. Although the terms of certificates of tax deposit were made less attractive relative to other

(1) For details, see Annex A in Chapter 2 of the 1989-90 *Financial Statement and Budget Report*. For details of the funding calculation, see pages 40-43 of the *Treasury Bulletin*, Summer 1991.

(2) 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 totalled £4.4 billion at 31 March 1992 compared with £3.9 billion a year earlier.

instruments, market holdings were largely unchanged from 31 March 1991. Public corporations' temporary deposits with the National Loans Fund fell by £0.1 billion.

Foreign currency debt

The sterling value of foreign currency debt held by the market increased by £0.8 billion during 1991/92. This rise corresponded to the sale of ECU 1 billion of three-year Ecu notes in the first tender (January 1992) under the government's Ecu Treasury note programme. The programme is intended to provide a large and liquid security in an underdeveloped part of the Ecu market, building on past initiatives in this area. There was no change during 1991/92 in the amount of other HMG marketable debt denominated in foreign currency. Ecu Treasury bill maturities were matched by regular auctions of replacement bills.

Analysis by holder (Tables H and J)

Holdings of the sterling national debt by overseas residents increased by £5.6 billion in 1991/92, with a rise of £6.7 billion in holdings of British government stocks partially offset by a fall of £1.1 billion in holdings of Treasury bills and non-marketable debt. Insurance companies and pension funds increased their holdings by £2.9 billion.⁽¹⁾ The rise was accounted for by an increase of £2.8 billion in holdings of gilt-edged stocks and £0.1 billion in holdings of Treasury bills. Combined holdings of debt by banks⁽²⁾ and building societies increased by £1.4 billion, with holdings of British government stocks rising by £0.9 billion and holdings of Treasury bills and non-marketable debt increasing by £0.5 billion. Holdings

Table H
Distribution of the sterling national debt: summary ^(a)

£ billions

	Amounts outstanding at 31 March					Change in 1991/92
	1990 revised (b)	1990 revised (c)	1991 original (b)	1991 revised (c)	1992	
Market holdings						
Public corporations and local authorities	1.6	1.6	1.2	1.4	1.2	-0.2
Banking sector	8.3	8.3	7.0	7.0	8.9	+1.9
Building societies	4.9	5.0	5.2	5.2	4.7	-0.5
Institutional investors:						
Insurance companies and pension funds	60.6	72.1	67.3	68.6	71.5	+2.9
Other	0.6	0.5	0.8	0.8	0.7	-0.1
Overseas residents	22.1	22.1	21.6	21.5	27.1	+5.6
Individuals and private trusts	38.1	38.1	39.1	39.3	41.2	+1.9
Other (including residual)	17.4	5.9	13.3	12.0	15.2	+3.2
Total market holdings	153.6	153.6	155.6	155.8	170.5	+14.7
Official holdings	32.3	32.3	34.6	34.6	33.7	-0.9
Total sterling debt	185.9	185.9	190.2	190.4	204.2	+13.8

(a) See Table J for a more detailed analysis. Data for 1970 to 1989 are published in the *Bank of England Statistical Abstract 1992*, Part 1 Table 17.2.

(b) Data as published in the November 1991 *Bulletin*.

(c) As a result of improved data from the CSO, 1990 and 1991 figures have been revised.

by individuals and private trusts rose by £1.9 billion;⁽³⁾ although holdings of gilts fell by £0.2 billion, other non-marketable debt (primarily national savings) rose by £2.1 billion. 'Other holders', which includes industrial and commercial companies, increased their holdings by £3.2 billion. Holdings of gilts increased by £3.7 billion (possibly partly reflecting improved measurements of other sectors' holdings), holdings of Treasury bills declined by £0.7 billion and holdings of non-marketable debt increased by £0.3 billion. In contrast to most other sectors, public corporations and local authorities reported an overall decline of £0.2 billion in holdings of debt, with falls of £0.1 billion in holdings of non-marketable debt and £0.1 billion in holdings of Treasury bills.

(1) Since the corresponding *Bulletin* article last year, the Central Statistical Office has published new pension fund data. Accordingly, the split in Table J of holdings of government stocks by pension funds and insurance companies has been reinstated for 1991 and 1992. A revised version of Table J covering the year ended 31 March 1991 is available from the Bank of England at the address on the inside front cover of this issue.

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

(3) These are broad estimates derived from the stock register and other information. There were some 1,006,900 identified accounts on the Bank of England stock register for individuals and private trusts at end-March 1992, a decline of 133,700 over the year.

Table J
Estimated distribution of the sterling national debt: 31 March 1992

£ millions

Nominal values (a)

Market values in italics (b)

	Total debt	Percentage of market holdings	Treasury bills	Stocks (c)		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	1,021		3	375		188	187	—	643
Local authorities	168		11	148		74	37	37	9
Total	1,189	0.7	14	523	533	262	224	37	652
Banking sector: (d)									
Discount market	317		227	90		68	17	5	—
Other	8,542		3,680	4,538		1,098	2,111	1,329	324
Total	8,859	5.2	3,907	4,628	4,660	1,166	2,128	1,334	324
Building societies	4,736	2.8	1,864	2,818	2,877	2,401	297	120	54
Institutional investors:									
Insurance companies	42,390		107	42,283	41,579	5,081	25,069	12,133	—
Pension funds	29,105		9	29,018	25,848	3,063	13,010	12,945	78
Investment trusts	216		—	216	223	30	64	122	—
Unit trusts	458		—	458	466	161	242	55	—
Total	72,169	42.3	116	71,975	68,116	8,335	38,385	25,255	78
Overseas holders:									
International organisations	4,615		17	683	673	265	301	117	3,915
Central monetary institutions	10,443		1,242	9,201	9,424	4,231	4,933	37	—
Other	12,018		858	11,160	11,336	4,471	5,129	1,560	—
Total	27,076	15.9	2,117	21,044	21,433	8,967	10,363	1,714	3,915
Other holders:									
Public trustee and various non-corporate bodies	1,036		439	597	608	130	393	74	—
Individuals and private trusts (e)	41,186		—	10,797	10,970	5,628	3,846	1,323	30,389
Industrial and commercial companies	5,090		612	2,479	2,479	8,998	-432	-233	1,999
Other (residual)	9,188		—	5,854	5,213	—	—	—	3,334
Total	56,500	33.1	1,051	19,727	16,791	14,756	3,807	1,164	35,722
Total market holdings (d)	170,529	100.0	9,069	120,715	114,410	35,887	55,204	29,624	40,745
Official holdings (d)	33,645		1,181	12,408	12,059	4,477	6,034	1,897	20,056
Total sterling debt	204,174		10,250	133,123	126,469	40,364	61,238	31,521 (f)	60,801

Owing to the rounding of figures, the sum of separate items will sometimes differ from the total shown.
 — nil or less than £1 million.

(a) With some exceptions, explained in the accompanying notes and definitions.

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

(c) A sectoral analysis of gilts holdings from 1970 to 1991 is published in the *Bank of England Statistical Abstract 1992*, Part 1 Table 17.3.

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

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

(f) Of which undated £3,202 million.

Notes and definitions

National debt

The *national debt* comprises the total liabilities of the National Loans Fund. The total *excludes* accrued interest (including index-linked increases) on national savings, Consolidated Fund liabilities (including contingent liabilities, eg coin), liabilities of other central government funds (notably the Issue Department's note liabilities, Northern Ireland government debt and stocks issued by certain government funds), and sundry other contingent liabilities and guaranteed debt.

The national debt includes the whole nominal value of all issued stocks, even where there are outstanding instalments due from market holders; in such circumstances a counter entry is included in public sector liquid assets. The nominal value of index-linked gilt-edged stocks has been raised by the amount of index-related capital uplift accrued to 31 March each year where applicable. Definitive figures for the national debt will be published in the *Consolidated Fund and National Loans Fund Accounts 1991/92 Supplementary Statements*. Provisional figures (some of which are revised in this article) were published in *Financial Statistics*, August 1992.

Market holdings exclude holdings by other bodies within the central government sector (principally the funds of the National Investment and Loans Office, the Exchange Equalisation Account, 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 as defined for national income statistics (see below), but excluding the Bank of England. 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.

Gross domestic product (GDP)

The percentage data shown are based on the average measure of GDP at current market prices in four quarters centred on 31 March, adjusted to remove the distortion caused by the abolition of domestic rates and the introduction of the community charge.

Net indebtedness to the Bank of England Banking Department

The Banking Department's holdings of central government debt (principally sterling Treasury bills and British government stocks) less its deposit liabilities to the National Loans Fund and Paymaster General.

Savings banks

Deposits on ordinary accounts of the National Savings Bank and a 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).

Notes and coin in circulation

Excludes holdings by the Banking Department of the Bank of England which are subsumed within the figure for 'Net indebtedness' (see above).

Other central government gross debt

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

General government consolidated gross debt

This includes not only market holdings of the national debt (*qv*) but any market holdings of other central government debt. In addition it includes all local authority debt. All holdings of each other's debt by these two parts of the public sector are then netted off to produce a consolidated total—which is the total of general government debt held outside the general government.

Public sector consolidated total debt

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, and of which further estimates (and a fuller analysis) are published each year by the Central Statistical Office in Table S1 of the February issue of *Financial Statistics*.

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 exchange reserves

These are at the official dollar valuation (see notes and definitions to Table 17.1 in the February 1992 *Bulletin*) translated 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 when there are outstanding instalments due from market holders: a counter entry is, therefore, included in assets.

PSBR

Figures are taken from *Financial Statistics*, September 1992.

Sectoral analysis (Tables H and J)

The data used to estimate the distribution of holdings of the sterling-denominated debt are gathered from various sources, principally the major investing institutions. The quality of individual estimates varies because they are based on statistics supplied primarily for other purposes and, eg where based on survey data, may be subject to substantial revision. Figures shown for individual types of holder, therefore, indicate only broad orders of magnitude and should be used with caution. Treasury bills which cannot be allocated to specific sectors are equally split between overseas holders and insurance companies. The residual category includes holdings by unincorporated businesses, charities, individuals and companies not elsewhere identified, and any net inconsistencies of valuation or definition elsewhere in the table.

Public corporations

As defined for national income statistics, but excluding the Bank of England.

Local authorities

As defined for national income statistics.

Banking sector

Comprises the UK offices of institutions authorised under the Banking Act 1987 together with certain institutions in the Channel Islands and the Isle of Man which have opted to join the UK banking sector. No figures for the Bank of England Banking Department are included here because they are counted among 'official' holders elsewhere in the table. Holdings of gilts are reported at book value and the market value is calculated from these data.

Institutional investors—pension funds

The Central Statistical Office has warned that the figures for 1988 onwards should be used with caution because its sample of funds may be unrepresentative of the pensions industry as a whole. The CSO is planning a full benchmark study to be carried out, probably in early 1993. The present figures will be reconsidered by the CSO when the results of the benchmark study become available.

Overseas residents

The figures for Treasury bills held by overseas residents show changes in book value. Any difference between the nominal and book values for this sector is offset in the residual figures for unidentified holdings which are allocated between the overseas sector (to allow for direct, rather than identified custodial, holdings) and other financial institutions (in respect of non-reporting institutions). Non-marketable debt comprises interest-free notes held by the International Monetary Fund, and a sterling debt to an overseas government. Details will be contained in the table of National Loans Fund liabilities in the *Consolidated Fund and National Loans Fund Accounts 1991–92 Supplementary Statements*.

Other holders

Individuals and private trusts data are derived chiefly from an analysis of the principal government stock register, which is maintained by the Bank. The accuracy of the analysis is impaired by the large number of nominee accounts, which conceal the identity of the beneficial owners. The figures shown in the table also include an estimate of private holdings on the national savings stock register. The bulk of national savings securities has been allotted to 'individuals and private trusts'. The remainder is no more than a broad estimate covering other holders not identified elsewhere [for example, charities, friendly societies, registered companies and other corporate bodies trading for profit are allowed to place deposits with the National Savings Bank investment account (this facility was restricted to *existing* non-personal accounts with effect from 1 January 1990); national savings certificates may also be held by trustees, friendly societies and other bodies approved by the Director of Savings].

Industrial and commercial companies holdings are grossed-up estimates based on book value data reported by large companies in the Central Statistical Office's Financial Assets and Liabilities Survey and, for earlier years, the Department of Industry's Survey of Company Liquidity.

The *other (including residual)* data include a small number of individually identified holders (eg the Public Trustee, the Church Commissioners and the Official Custodian for Charities) together with the residual of unidentified holdings. As noted above, this category also reflects the net effect of any deficiencies in coverage or inconsistencies in valuation elsewhere in the table.

Official holdings

The holdings of the Issue and Banking Departments of the Bank of England, the National Debt Commissioners, government departments and the Northern Ireland government. The ordinary account and investment account of the National Savings Bank are included in the central government throughout and their holdings of government debt (invested through the National Debt Commissioners) are included in 'Official' holdings.