

The net debt of the public sector: end-March 1993

This article continues the series begun in the March 1986 Bulletin (page 74) and last updated in the November 1992 Bulletin (page 432). Since 1988, 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 both rose sharply in 1992/93, by around £37 billion and £45 billion respectively. These are the largest rises since the series began in 1970.
- In relation to GDP, these measures increased by 5.0 and 6.2 percentage points respectively to 32.9% and 36.0%.
- General government gross debt at nominal value had risen to 41.4% of GDP at end-March 1993; this was still lower than at any time between 1970 and 1988.

The net debt of the public sector

This article analyses developments in the net debt position of the public sector to end-March 1993. The net debt position is important for several reasons. First, the current indebtedness of the public sector reflects the cumulative effect of past fiscal policy. The interest paid on that debt represents a current payment for past expenditure and can influence fiscal policy. So, if debt interest payments rise, a given target for the PSBR would necessitate a reduction in other government expenditure net of receipts (ie the primary deficit).⁽¹⁾ Second, as most debt is denominated in nominal terms, inflation reduces the real value of government debt. This effect is reflected in the change in the net debt to GDP ratio, which provides an additional guide to the stance of fiscal policy.

At end-March 1993 the net debt of the public sector⁽²⁾ was provisionally £201.7 billion (see Table B), compared with a revised £165.0 billion twelve months earlier.⁽³⁾ This is the largest increase (of £36.7 billion or 22.3%) in value terms since the series began in 1970 and partly reflected the cyclical downturn in the economy, as seen in the increasing public sector borrowing requirement (£36.7 billion) in 1992/93 (see Table A). (The box on page 517 sets out the principal reasons why the figures for changes in net debt are not the same as those for the borrowing requirement.) As a proportion of GDP, the net debt of the public sector

rose by 5.0 percentage points to 32.9% in 1992/93 (see Chart 1). In previous periods when government debt rose markedly, for example in 1976, the increase in net debt relative to nominal GDP was less, as high rates of inflation reduced the real effect. Comparatively lower rates of inflation have meant that the rise in real net debt in the year to March 1993 was exceptionally large by historical standards. It has resulted in the PSBR, adjusting for the

Table A
Composition of the PSBR

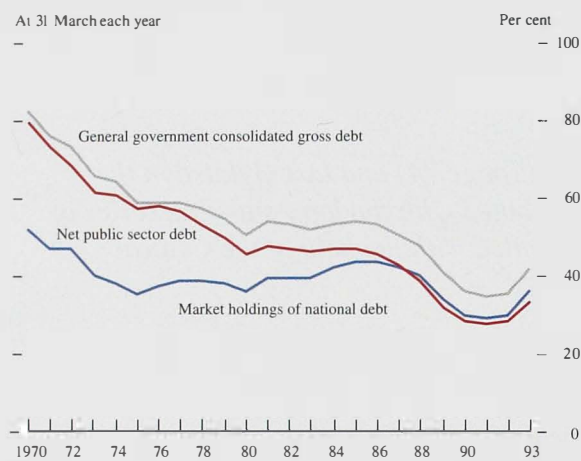
£ millions; percentages in italics	1991/92	1992/93
Central government borrowing requirement:		
on own account	11,708	42,402
for on-lending to local authorities	639	- 7,267
for on-lending to public corporations	551	1,185
CGBR	12,898	36,320
Local authorities' net borrowing		
from markets	1,046	1,481
Public corporations' net borrowing		
from markets	- 213	- 1,100
Public sector borrowing requirement (PSBR)	13,731	36,701
Alternative analysis:		
CGBR on own account (CGBR(O))	11,708	42,402
Local authority borrowing requirement (LABR)	1,685	- 5,786
Public corporations' borrowing requirement (PCBR)	338	85
As percentage of GDP:		
CGBR	2.2	6.0
CGBR (on own account)	2.0	7.0
LABR	0.3	- 1.0
PCBR	0.1	—
PSBR	2.4	6.0

(1) However, net financial debt does not measure the overall public sector balance sheet because it excludes public sector physical assets. For example, privatisation proceeds reduce financial indebtedness, but also reduce the value of public sector physical assets. Moreover, a complete analysis of the relative stance of current fiscal policy should take account of the future as well as the present net asset position. For example, a revenue-neutral change to tax policy that increased the efficiency of the economy would not affect the present PSBR or net debt position, but would reduce PSBRs, and correspondingly increase the net asset position, in the future.

(2) Full definitions are at the end of the article. All figures are at nominal value unless stated otherwise.

(3) In accordance with the European System of National Accounts, IMF interest-free notes have been treated in this article as no longer being part of government debt.

Chart 1
Measures of public sector debt relative to GDP



effect of inflation on outstanding debt, rising to its highest level in the post-war period.

As Table B shows, the rise in the net debt of the public sector was more than accounted for by an increase of £44.6 billion in the gross debt of the central government to

Table B
Net public sector debt

£ millions, nominal values; percentages in *italics*

31 March (a)	1992	1993	Changes 1992-93
Central government			
Market holdings of national debt	176,091	220,728	44,637
as percentage of GDP	29.8	36.0	
Net indebtedness to Bank of England			
Banking Department	1,249	447	- 802
Savings banks	1,434	1,438	4
Accrued interest and indexing on national savings	3,870	3,739	- 131
Notes and coin in circulation	17,582	18,520	938
Other	224	221	- 3
Total central government gross debt	200,450	245,093	44,643
Local authorities			
Total gross debt	55,449	50,228	- 5,221
less:			
Central government holdings of local authority debt	49,315	41,655	- 7,660
Local authority holdings of central government debt	102	94	- 8
General government consolidated gross debt	206,482	253,572	47,090
as percentage of GDP	34.9	41.4	
Public corporations			
Total gross debt	12,880	13,904	1,024
less:			
Central government holdings of public corporation debt	11,683	12,908	1,225
Local authority holdings of public corporation debt	29	11	- 18
Public corporation holdings of central government debt	1,592	2,828	1,236
Public corporation holdings of local authority debt	824	942	118
Public sector consolidated total debt	205,234	250,787	45,553
as percentage of GDP	34.7	40.9	
Public sector total liquid assets (Table C)	40,276	49,111	8,835
as percentage of GDP	6.8	8.0	
Net public sector debt	164,958	201,676	36,718
as percentage of GDP	27.9	32.9	

(a) Data from 1970 to 1992 are published in the *Bank of England Statistical Abstract 1993*, Part 1 Table 17.1.

(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 the Bank of England. An adjustment has been made for gilt-edged stocks (with a nominal value of £1.209 million) held by the Issue Department of the Bank of England under sale and repurchase agreements (and which would otherwise be treated as official holdings) on the basis that the underlying ownership of these securities rests with the market.

(2) A more detailed breakdown of local authorities' short-term assets was available for the first time at end-March 1993: up to £1.6 billion recorded as held in externally managed funds may have been recorded as other assets in earlier years though it is thought that little was recorded in categories which are classed as short-term assets.

its highest ever figure of £245.1 billion in nominal terms. The main components of the rise in market holdings of the national debt were new issues of gilts, combined with reduced official holdings,⁽¹⁾ and additional foreign currency borrowings; these resulted in market holdings of gilts rising by £33.3 billion and an increase of £10.2 billion in foreign currency debt. The only movement of any size in instruments outside the national debt was an increase of £0.9 billion in notes and coin.

Private and overseas holdings of the debt of the rest of the public sector have been falling over the longer term. But in 1992/93 the debt outstanding rose by £2.1 billion to £8.6 billion. This reflected a sectoral shift, as central government holdings of local authority debt fell by £7.7 billion and market holdings of debt increased by only £2.3 billion. Overall, local authorities made a debt repayment of £5.8 billion in 1992/93. The borrowing requirement of £0.1 billion by public corporations in 1992/93 coincided with a fall of £0.2 billion in market holdings of their debt.

Table C
Public sector liquid assets

£ millions, nominal values

31 March (a)	1992	1993	Changes 1992-93
Central government			
Official reserves	25,952	27,153	1,201
Commercial bills, including bills held under purchase and resale agreements	4,401	4,957	556
British government stock held under purchase and resale agreements	—	1,209	1,209
Export credit and shipbuilding paper held under purchase and resale agreements	—	1,276	1,276
Bank deposits	1,655	1,630	- 25
Instalments due on British government stocks	739	3,386	2,647
Total	32,747	39,611	6,864
Local authorities			
Bank deposits	3,407	3,507	100
Building society deposits	2,436	2,870	434
Other short-term assets	256	1,758	1,502
Total	6,099	8,135	2,036
Public corporations			
Bank deposits	1,313	1,192	- 121
Other short-term assets	117	173	56
Total	1,430	1,365	- 65
Public sector total liquid assets	40,276	49,111	8,835

(a) Data from 1970 to 1992 are published in the *Bank of England Statistical Abstract 1993*, Part 1 Table 17.1.

The rise in public sector gross debt was partly offset by an increase in public sector liquid assets of up to £8.8 billion (Table C).⁽²⁾ The £6.9 billion increase in central government assets was partly the result of £2.5 billion of temporary facilities offered to banks, building societies and gilt-edged market-makers (GEMMs), through sale and repurchase agreements, in the aftermath of the United Kingdom's exit from the ERM. In addition, the amount outstanding on partly-paid gilts was £2.6 billion higher than at end-March 1992; and official reserves rose by a modest £1.2 billion.

Apart from the increase in other short-term assets (see footnote 2), local authorities' bank and building society

deposits rose by £0.5 billion, reversing the trend of recent years. Public corporations' liquid assets fell marginally.

General government debt

At end-March 1993, the ratio of general government debt to GDP for the United Kingdom was 41.4%, some 6.5 percentage points higher than last year. In comparison with the G7 and other EC countries, only Luxembourg had a lower ratio than the United Kingdom at end-1992, as Table D shows. Under the Maastricht Treaty, from the

Table D
General government debt

Percentage of GDP			
Country	1991 end-year	1992(a) end-year	1993(a) end-year
Belgium	130.1	132.2	134.3
Canada (b)	77.6	83.0	86.2
Denmark	72.2	74.0	76.2
France	48.5	50.1	52.4
Western Germany	45.0	45.9	48.5
Greece	100.9	105.6	106.0
Ireland	100.9	99.0	98.7
Italy	101.3	106.8	112.2
Japan (b)	68.2	66.2	66.0
Luxembourg	6.1	6.8	7.8
Netherlands	78.3	79.8	81.7
Portugal	68.5	66.2	66.3
Spain	45.6	47.4	49.5
United Kingdom	41.1	45.9	52.6
Actual	34.7	40.7	..
United States (b)	59.8	63.2	65.1

.. not available.

Source: Unless stated otherwise, *European Economy, Annual Economic Report 1993*.

(a) 1992 and 1993 data are Commission forecasts.
(b) Source: *OECD Economic Outlook 53*, June 1993.

beginning of Stage 2 of European Monetary Union, a Commission report on a government deficit may be made if, among other things, the ratio exceeds 60%, unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace.⁽¹⁾ Given the PSBR profile assumed in the 1993/94 Financial Statement and Budget Report, it is unlikely that the United Kingdom will breach this criterion in the foreseeable future.

The national debt

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

The change in debt outstanding (Table E)

During the year ended 31 March 1993, the total nominal value of the national debt⁽²⁾ rose by £33.6 billion—more than double the increase in the previous twelve months. Market holdings of the national debt rose by £44.6 billion (25.3%) in the year, compared with an increase of £12.4 billion (7.6%) in the previous year, as official funds reduced their

Table E
Market and official holdings of national debt

£ millions, nominal values

Percentage of market holdings in italics

	End-March 1992		End-March 1993	
Market holdings				
Sterling marketable debt:				
Government stocks: index-linked	20,924	11.9	27,483	12.4
other	99,790	56.7	126,528	57.3
Treasury bills	9,069	5.2	4,826	2.2
Sterling non-marketable debt:				
National savings: index-linked	5,159	2.9	6,283	2.8
other	29,226	16.6	32,621	14.8
Certificates of tax deposits(a)	2,713	1.5	2,384	1.1
Other	562	0.3	1,712	0.8
Total	167,443	95.1	201,837	91.4
Foreign currency debt: (b)				
North American government loans	1,044		1,097	
Floating-rate notes	2,251		2,593	
Ecu Treasury bills	2,576		2,878	
Ecu bond	1,789		1,998	
Ecu Note Programme	716		1,998	
7¼% 1997 bond	—		2,062	
7¼% 2002 bond	—		1,992	
Multi-currency credit facility	—		3,997	
Debt assigned to the government	272		276	
Total	8,648	4.9	18,891	8.6
Total market holdings	176,091	100.0	220,728	100.0
Official holdings				
	34,396		23,325	
Total	210,487		244,053	

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

(b) Sterling valuation rates:

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

End-March 1993: £1 = US\$1.5062, Can \$1.8925, ECU's 1.2510, DM 2.4254.

holdings by £11.1 billion to £23.3 billion, the lowest level since 1988.

Analysis by instrument (Chart 2)

During the year the proportion of the total national debt in market hands increased from 83.7% to 90.4%. Of the amount held by the market, the proportion of foreign currency debt rose by 3.7 percentage points to 8.6% (partly reflecting the exchange rate instability in the late summer); market holdings of both index-linked and conventional gilts increased to 12.4% and 57.3% respectively; and some miscellaneous items increased from 0.3% to 0.8%. The relative proportions of other instruments fell.

Gilt-edged stocks

During 1992/93 the government issued stocks with a total nominal value of £36.6 billion, of which £5.6 billion (including accrued uplift at the time of issue of £1.5 billion) were index-linked stocks.⁽³⁾ Six new stocks were created during the year; three were conventional stocks (8¾% Treasury 2017, 7¼% Treasury 1998 and 8% Treasury 2003) and three were index-linked (4¼% Index-Linked Treasury 2030, 4½% Index-Linked Treasury 1998 and 4¾% Index-Linked Treasury 2004). There were further issues of

(1) Article 104c of the Treaty on European Union.

(2) Includes a net increase of £2.5 billion in capital uplift over the financial year within the nominal value of the index-linked issues of government stock. This is £1.1 billion higher than the rise in the previous year. Despite the slower rise in the retail prices index between July 1991 and July 1992 (the relevant dates for the calculation of the uplift) than in the previous twelve months, accrued uplift at the time of further issues of existing

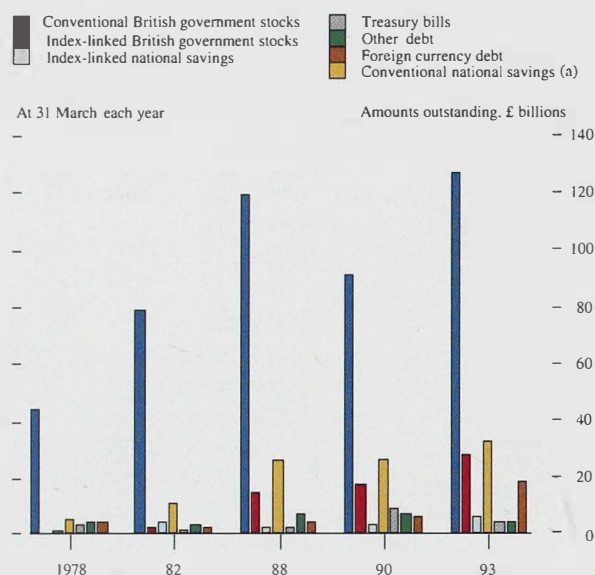
stocks, amounting to £1.5 billion, more than offset this.

(3) Details of individual issues (excluding uplift on index-linked stocks) may be found in the quarterly series of *Bulletin* articles on the operation of monetary policy, in particular the tables entitled 'Issues of gilt-edged stock' in the May 1992 *Bulletin*, page 192 (part of table); August 1992 *Bulletin*, page 277; November 1992 *Bulletin*, page 391; February 1993 *Bulletin*, page 66; and May 1993 *Bulletin*, page 208. In addition, two issues were omitted from the May 1993 table: the details are as follows:

Stock	Amount issued (£ millions)	Date announced	Date issued	Method of issue	Price at issue (per £100 stock)	Details of payment	Yield at issue	Yield when exhausted	Date exhausted
8% Treasury 2003	600	31. 3.93	31. 3.93	To Bank	52.0938	Partly paid (a)	7.70	7.68	1.4.93
8% Treasury 2003	100	31. 3.93	31. 3.93	To CRND					

(a) With £52.0938 payable on issue, and balance on 5 April.

Chart 2
Composition of market holdings of national debt

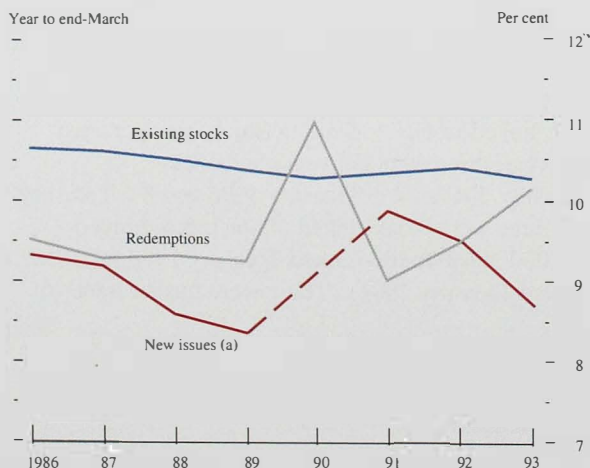


(a) From 1981 investment accounts are included within national savings.

another 34 stocks, of which ten were index-linked and nine (with a nominal value of £13.9 billion) were new tranches. Most issues were made direct to the Bank (£31.6 billion nominal) and stocks issued to, or reserved for, the National Debt Commissioners totalled £2.5 billion. Five auctions were conducted during the year. £23.4 billion of stocks were initially issued on a partly-paid basis.

Six conventional stocks with a total nominal value of £7.3 billion reached maturity and were redeemed. In addition one stock—9% Treasury 1992–96—with a nominal value of £0.7 billion was redeemed early at par. The average coupon on conventional stocks issued during 1992/93, weighted by size of stock, was 8.7% (down from 9.5% in the previous year), compared with the average

Chart 3
Average coupon on conventional British government stocks



(a) No British government stocks were issued between November 1988 and December 1990.

coupon on conventional stocks redeemed of 10.1% (9.4% in 1991/92). By redeeming stocks with a higher coupon than those issued during the year, the cost of financing the deficit is reduced, partly mitigating the impact of the current fiscal deficit (see Chart 3). The weighted average coupon on conventional stocks outstanding throughout the year was 10.2%. The reduction in the average coupon on stocks is consistent with a reduction in inflationary expectations over the year and, to the extent that issues are made at a premium, the cost of the funds is further reduced.

The average life of all dated stocks in market hands was 10.8 years at end-March 1993, 0.8 years longer than the end-March 1992 average.⁽¹⁾ If index-linked stocks are excluded, the average falls to 9.4 years, 1.0 years above the end-March 1992 average (see Table F and Charts 4 and 5).⁽²⁾ The average amount of stock to be redeemed in each of the

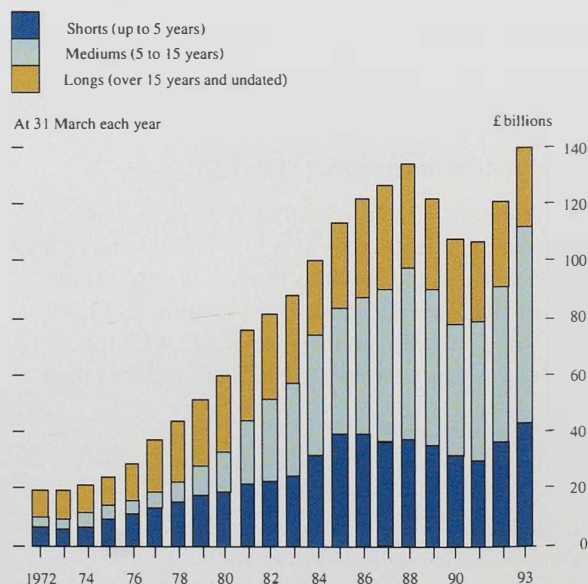
Table F
Average life of dated stock in market hands

Years to maturity at end March:

	1989	1990	1991	1992	1993
Assumptions					
Latest possible redemption:					
All dated stocks: (a)					
No conversions	10.2	10.2	9.9	10.0	10.8
Maximum conversions	10.4	(b)	(b)	(b)	(b)
Excluding index-linked stocks:					
No conversions	8.7	8.4	8.0	8.4	9.4
Maximum conversions	8.9	(b)	(b)	(b)	(b)
Earliest possible redemption date for stocks standing above par on 31 March:					
All dated stocks: (a)					
No conversions	9.9	10.1	9.6	9.8	10.5
Maximum conversions	10.1	(b)	(b)	(b)	(b)
Excluding index-linked stocks:					
No conversions	8.3	8.2	7.7	8.1	9.0
Maximum conversions	8.5	(b)	(b)	(b)	(b)

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

Chart 4
Breakdown of market holdings of British government stocks



(1) 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.
(2) There were no conversions of short-term convertible stocks into medium or long-term stock during 1992/93.

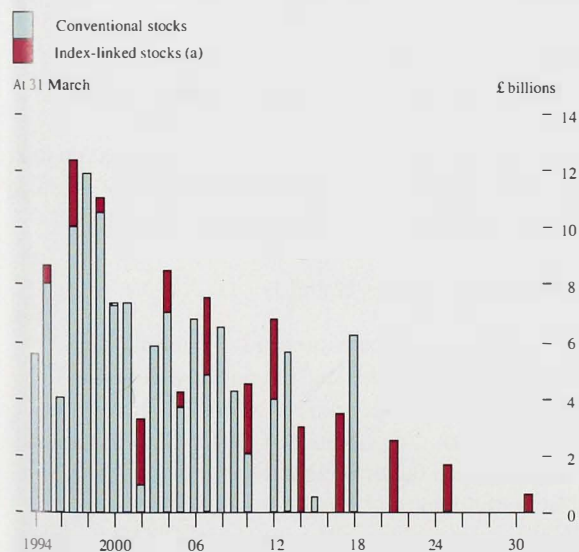
next five years rose by £1.3 billion over the year to £8.5 billion at end-March 1993 owing to larger redemptions in 1997/98 compared with 1992/93 (see Table G and Chart 5).

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

£ billions, at end-March	1987	1988	1989	1990	1991	1992	1993
With no conversions	7.3	7.5	7.0	6.2	6.0	7.2	8.5
Maximum conversions	6.9	7.1	6.7	(a)	(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 1993.

As interest rates in the United Kingdom fell, gilt prices rose and the market value of gilt-edged stocks held by the market rose by £45.2 billion, compared with the nominal value of their holdings which rose by only £33.3 billion. The yields on gilts fell substantially during the year: from the yields seen at end-March 1992, the falls in short, medium and long-dated conventional gilts were 3.53, 2.29 and 1.37 percentage points respectively. The yield on long-dated index-linked stocks also fell, by 1.05 percentage points. For the first time since 1988, the yield curve ended the year sloping upwards. (Subsequent developments in the yield curve are discussed in the *Inflation Report* on pages 409-46 of this *Bulletin*.)

At end-March 1993, the total market value of fully paid dated stocks (including index-linked) in market hands was higher than their total nominal value (ratio of 1.07). For conventionals, the ratio of market to nominal value rose from 1.02 to 1.09 for short-dated stocks, from 1.03 to 1.15 for medium-dated stocks and from 0.81 to 1.05 for long-dated stocks. The ratio also increased from 0.34 to 0.41 for undated stocks and from 0.75 to 0.88 for index-linked stocks (see Chart 6).⁽¹⁾

(1) Calculated for index-linked stocks on the basis of the nominal value and accrued uplift to date.

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:

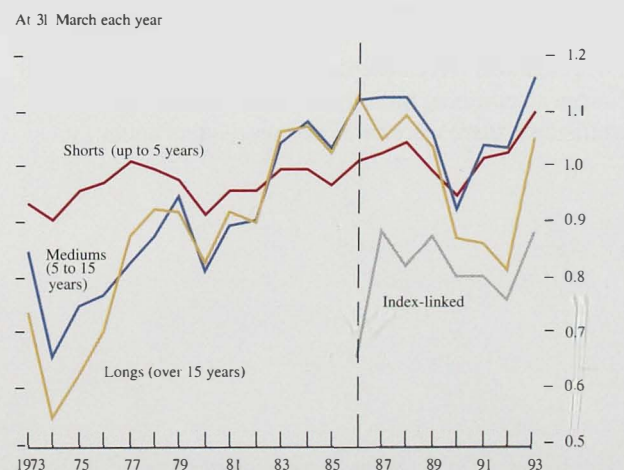
- Changes in exchange rates affect the value of foreign currency liabilities and assets independently of transactions.
- When British government stocks are issued (or bought in by the Bank of England ahead of redemption) at a discount or premium, the borrowing requirement is financed by the actual amount 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.

Summary reconciliations of the central government borrowing requirement/debt repayment and the change in nominal national debt covering the years 1990/91 and 1991/92 were published in the *Consolidated Fund and National Loans Fund Accounts 1991/92 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 holders on demand.

(2) Published by HMSO, ISBN 0-10-232493-X.

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



Data before 1986 include index-linked British government stocks within the three main maturity bands.

National savings

National savings, excluding accrued interest and index-linked increments,⁽¹⁾ which are not included in the national debt, rose by £4.5 billion in 1992/93. This reflected the continued emphasis placed on them to achieve part of the government's funding requirement by offering competitive interest rates. By contrast, building society retail receipts (excluding interest re-deposited), with which national savings compete, were £4.1 billion in 1991/92 but only £0.9 billion in 1992/93.

National savings certificates accounted for £2.4 billion of the rise, with index-linked and fixed-interest certificates each attracting £1.2 billion. In the nine months after their launch, FIRST Option Bonds contributed £0.9 billion, and net sales of Capital Bonds were £0.6 billion. Net sales of Income Bonds continued to slow, rising by £0.3 billion, but net sales of premium bonds doubled (to £0.2 billion). Sales of Children's Bonus Bonds increased by £0.1 billion.

Other sterling debt

The market's holdings of Treasury bills at 31 March 1993 stood at £4.2 billion, £4.2 billion less than a year earlier. The decline reflected the continued reduction in the size of the weekly Treasury bill tender. During September, because of the increase in the level of money-market assistance, the weekly Treasury bill tenders for three and six-month bills were each reduced to a minimal size of £100 million. Market holdings of other debt, which largely comprise temporary deposits by public corporations with central government, grew by £0.8 billion.

Foreign currency debt (Table E)

Market holdings of foreign currency debt, when converted at the rates of exchange at each end-March, rose by £10.2 billion during 1992/93 to £18.9 billion, more than double the amount outstanding at end-March 1992. £8.1 billion of this increase can be attributed to the launch of two new bond issues (DM 5.5 billion 7 $\frac{1}{8}$ % 1997 and \$3 billion 7 $\frac{1}{4}$ % 2002) and a new three-year multicurrency revolving credit facility of ECU 5 billion. Conditions in the ecu debt markets were unsettled during and after the period of European currency turbulence in the summer of 1992. Nevertheless, there were three further tenders under the

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

£ billions	Amounts outstanding at 31 March		Change in 1992/93
	1992	1993	
Market holdings			
Public corporations and local authorities	1.0	2.1	+1.1
Banking sector	8.9	11.4	+2.5
Building societies	4.8	4.4	-0.4
Institutional investors:			
Insurance companies and pension funds	70.7	90.1	+19.4
Other	0.8	1.6	+0.8
Overseas residents	23.4	25.2	+1.8
Individuals and private trusts	41.9	46.7	+4.8
Other (including residual)	16.0	20.3	+4.3
Total market holdings	167.5	201.8	+34.3
Official holdings	33.6	22.1	-11.5
Total sterling debt	201.1	223.9	+22.8

(a) See Table J for a more detailed analysis. Data for 1970 to 1992 are published in the *Bank of England Statistical Abstract 1993*, Part 1 Table 17.2.

government's ecu Treasury note programme which raised ECU 1.5 billion and the regular auctions of ecu Treasury bills continued, with the amount of bills outstanding unchanged over the year to end-March 1993. Exchange rate changes over the year increased the sterling value of existing government foreign currency debt by about £1.0 billion.

Analysis by holder (Tables H and J)

Insurance companies and pension funds⁽²⁾ continued to increase their holdings of the sterling national debt by £19.4 billion (accounted for entirely by British government stocks) over the year. An increase of £4.1 billion in national savings was the main factor behind the rise of £4.8 billion in holdings by individuals and private trusts, with £0.7 billion⁽³⁾ attributable to gilt-edged stocks. Holdings by 'other holders' (which includes industrial and commercial companies) rose by £4.3 billion in 1992/93; £3.2 billion of this was gilts, £0.9 billion Treasury bills, and £0.2 billion non-marketable debt. Overseas residents also raised their holdings of gilts, by £3.6 billion, but reduced their Treasury bill holdings by £1.8 billion as Treasury bills in issue declined. The combined holdings of debt by banks⁽⁴⁾ and building societies rose by £2.1 billion; an increase of £5.5 billion in gilt-edged stocks was partially offset by falls in Treasury bills and non-marketable debt totalling £3.4 billion. Local authorities and public corporations also increased their holdings of debt, by £1.1 billion, almost entirely attributable to non-marketable debt.

(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, totalled £3.7 billion at 31 March 1993 compared with £3.9 billion a year earlier.

(2) Figures for pension funds come from the CSO's regular statistical inquiries covering, mainly, the largest funds. The CSO is planning a comprehensive survey of self-administered pension funds which is expected to be carried out in 1994. Figures for 1988 onwards may need to be reconsidered in the light of the results of this survey.

(3) These are broad estimates derived from the stock register and other sources. There were some 929,000 identified accounts on the stock register for individuals and private trusts at end-March 1993, a decline of 77,900 over the year.

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

Table J
Estimated distribution of the sterling national debt: 31 March 1993

£ millions

Nominal values (a)

Market values in italics (b)

	Total debt	Percentage of market holdings	Treasury bills	Stocks (c) Total	Market value	Up to 5 years to maturity	Over 5 years and up to 15 years	Over 15 years and undated	Non-marketable debt
Market holdings									
Other public sector:									
Public corporations	2,006		4	210		105	105	—	1,792
Local authorities	95		7	75		37	19	19	13
Total	2,101	1.0	11	285	310	142	124	19	1,805
Banking sector:(d)									
Discount market	294		180	114		74	40	—	—
Other	11,084		1,998	8,861		3,880	3,884	1,097	225
Total	11,378	5.6	2,178	8,975	9,739	3,954	3,924	1,097	225
Building societies	4,426	2.2	338	4,034	4,421	3,200	761	73	54
Institutional investors:									
Insurance companies	60,630		55	60,575	63,449	6,131	28,687	25,757	—
Pension funds	29,471		116	29,276	28,882	1,496	14,467	13,313	79
Investment trusts	900		—	900	935	75	533	292	—
Unit trusts	670		—	670	730	205	400	65	—
Total	91,671	45.4	171	91,421	93,996	7,907	44,087	39,427	79
Overseas holders:									
International organisations	694		—	694	743	390	214	90	—
Central monetary institutions	9,000		490	8,510	9,322	5,152	3,252	106	—
Other	15,508		61	15,447	16,658	7,628	5,051	2,768	—
Total	25,202	12.5	551	24,651	26,723	13,170	8,517	2,964	—
Other holders:									
Public trustee and various non-corporate bodies	1,214		535	679	728	112	383	184	—
Individuals and private trusts (e)	46,685		—	11,477	12,379	4,581	4,766	2,130	35,208
Industrial and commercial companies	4,522		1,042	1,729	11,280	9,512	6,049	- 3,072	1,751
Other (residual)	14,638		—	10,760	—	—	—	—	3,878
Total	67,059	33.2	1,577	24,645	24,387	14,205	11,198	- 758	40,837
Total market holdings (d)	201,837	100.0	4,826	154,011	159,576	42,578	68,611	42,822	43,000
Official holdings (d)	22,040		523	8,631	8,597	3,441	4,001	1,189	12,886
Total sterling debt	223,877		5,349	162,642	168,173	46,019	72,612	44,011 (f)	55,886

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) For explanation, see the notes accompanying the similar tables on pages 439-40 of the November 1992 *Bulletin*.

(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 1992 is published in the *Bank of England Statistical Abstract 1993*, 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 £3.198 million.

Notes and definitions

The 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 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 will be published in the *Consolidated Fund and National Loans Fund Accounts 1992/93 Supplementary Statements*. [Provisional figures (some of which are revised in this article) are from *Financial Statistics*, September 1993.]

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 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. 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 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 its deposit liabilities to the National Loans Fund and Paymaster General.

Savings banks

This comprises deposits on ordinary accounts of the National Savings Bank.

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 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 authorities and public corporation debt. All holdings of each others' debt by these three parts of the public sector are then netted off to produce a consolidated total which is the total of the 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.

Official reserves

These are at the official dollar valuation (see the notes and definitions to Table 8.1 in the February 1993 *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 where there are outstanding instalments due from holders; a counter entry is, therefore, included in assets.

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Figures are taken from *Financial Statistics* September 1993.