

The net debt of the public sector: end-March 1994

This article continues a series begun in the March 1986 Bulletin (page 74) and last updated in the November 1993 Bulletin (page 513). Since November 1988, the analysis of the public sector position has been combined with the long-standing series of articles analysing the national debt and its distribution. The article has been compiled with the help of the Central Statistical Office and others. Its main points are:

- The net debt of the public sector and market holdings of the national debt rose by around £47 billion and £49 billion respectively in 1993/94. As a proportion of GDP, both measures increased by 5.4 percentage points—to 38.4% and 41.8% respectively.
- In the 12 months to the end of March 1994, general government consolidated gross debt as a proportion of GDP (calculated on a Maastricht basis) rose by 5.9 percentage points to 48.4%.

The net debt of the public sector

This article analyses developments in the net debt position of the public sector to the end of March 1994. The net debt position is important for several reasons. First, it reflects the cumulative effect of past fiscal policy; and trends in the ratio of public sector net debt to GDP give a guide to the effect of the current fiscal stance. The interest payments on the debt are a current payment for past expenditure and can influence fiscal policy. If interest payments rise, other government spending net of receipts—ie the primary deficit—would need to be reduced to meet a given target for the public sector borrowing requirement (PSBR). Second, since the government's debt is mainly denominated in nominal terms, inflation reduces its real value. This effect is reflected in the net debt to GDP ratio, which provides an additional guide to the stance of fiscal policy.

It is provisionally estimated that the net debt of the public sector⁽¹⁾ was £252.0 billion at the end of March 1994 (see Table A), compared with a revised figure of £204.8 billion 12 months earlier. The increase of £47.2 billion (23.0%) over the year is the largest in value terms since the series began in 1970. 1993/94 was the fourth successive year in which there was an increase; the overall percentage rise during that time was 67.9%. The continued increase reflects the move from debt repayment in the late 1980s and early 1990s to a period of government borrowing.

As a proportion of GDP, the net debt of the public sector rose by 5.4 percentage points to 38.4% in 1993/94 (see Chart 1). The PSBR for 1993/94 was £45.4 billion (see Table B), compared with £36.2 billion in the previous financial year. (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 349.)

Table A
Net public sector debt^(a)

£ millions, nominal values; percentages in italics

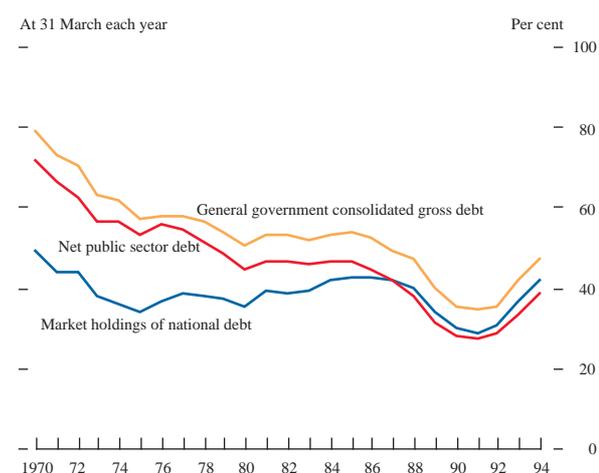
31 March	1993	1994	Changes 1993–94
Central government			
Market holdings of national debt	225,457	274,243	48,786
<i>as percentage of GDP</i>	<i>36.4</i>	<i>41.8</i>	
Net indebtedness to Bank of England			
Banking Department	437	729	292
Savings banks	1,438	1,444	6
Accrued interest and indexing on national savings	3,831	3,534	-297
Notes and coin in circulation	18,520	21,448	2,928
Other	221	171	-50
Total central government gross debt	249,904	301,569	51,665
Local authorities			
Total gross debt	49,227	49,582	355
<i>less:</i>			
Central government holdings of local authority debt	41,527	40,980	-547
Local authority holdings of central government debt	81	125	44
General government consolidated gross debt	257,523	310,046	52,523
<i>as percentage of GDP</i>	<i>41.5</i>	<i>47.2</i>	
Public corporations			
Total gross debt	16,950	19,632	2,682
<i>less:</i>			
Central government holdings of public corporation debt	15,955	18,691	2,736
Local authority holdings of public corporation debt	11	64	53
Public corporation holdings of central government debt	2,595	2,745	150
Public corporation holdings of local authority debt	910	945	35
Public sector consolidated total debt	255,002	307,233	52,231
<i>as percentage of GDP</i>	<i>41.1</i>	<i>46.8</i>	
Public sector total liquid assets (Table C)	50,165	55,228	5,063
<i>as percentage of GDP</i>	<i>8.1</i>	<i>8.4</i>	
Net public sector debt	204,837	252,005	47,168
<i>as percentage of GDP</i>	<i>33.0</i>	<i>38.4</i>	
Memo item:			
General government consolidated gross debt (Maastricht basis)	255,353	307,894	52,541
<i>as percentage of GDP (ESA) (b)</i>	<i>42.5</i>	<i>48.4</i>	

(a) Data from 1970 to 1994 are published in the *Bank of England Statistical Abstract 1994*, Part 1 Table 17.1.

(b) See footnote (3) on page 349.

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

Chart 1
Measures of public sector debt relative to GDP



Concern about the trend in the debt ratio was one reason why the Government introduced measures in the March and November 1993 budgets to tighten fiscal policy by nearly 2% of GDP in 1994/95 and a further 1% by 1996/97. It is planned to reduce the PSBR from 7.0% of GDP in 1993/94 to around 3% by 1996/97, and to achieve a broad balance by 1998/99. These plans mean that the ratio of net public sector debt to GDP is forecast to rise much more slowly in the near future, and to peak at just below 45% in 1996/97 before starting to decline.

A £51.7 billion increase in the gross debt of the central government was the principal factor behind the rise in the public sector's debt (see Table A). The main counterpart to the increase in central government debt was, following substantial gilt sales, an increase in market holdings of the national debt—to £274.2 billion, their highest ever level.

Table B
Composition of the PSBR

£ millions; percentages in italics

	1992/93	1993/94
Central government borrowing requirement (CGBR):		
on own account	42,370	47,888
for on-lending to local authorities	-7,266	-659
for on-lending to public corporations	1,184	1,521
CGBR	36,288	48,750
Local authorities' net borrowing		
from markets	1,443	-2,124
Public corporations' net borrowing		
from markets	-1,496	-1,181
Public sector borrowing requirement (PSBR)	36,235	45,445
Alternative analysis:		
CGBR on own account (CGBR(O))	42,370	47,888
Local authority borrowing requirement (LABR)	-5,823	-2,783
Public corporations' borrowing requirement (PCBR)	-312	340
As percentage of GDP:		
CGBR	5.9	7.4
CGBR(O)	6.8	7.3
LABR	-0.9	-0.4
PCBR	-0.1	0.1
PSBR	5.8	7.0

(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 £3,097 million) held by Issue Department of the Bank of England under sale and repurchase agreements (which would otherwise be treated as official holdings) on the basis that, in economic though not in legal terms, underlying ownership of these securities rests with the market.

Official holdings of the national debt also rose, by £9.3 billion.⁽¹⁾ Apart from the national debt, the only other movement of any significance was an increase of £2.9 billion in notes and coin in circulation, partly the result of Easter's falling at the beginning of April (ie just after the period end).

Private and overseas holdings of the debt of the rest of the public sector increased by £0.8 billion to £8.5 billion, continuing the trend seen in the previous year. Local authorities again made a debt repayment (of £2.8 billion), while market holdings of their debt rose, by £0.9 billion. Public corporations had a borrowing requirement of £0.3 billion in 1993/94; market holdings of their debt fell by £0.1 billion.

An increase of £5.1 billion in public sector liquid assets (see Table C) partly offset the rise in public sector gross debt. It reflected substantial increases in asset holdings by local

Table C
Public sector liquid assets

£ millions, nominal values

31 March (a)	1993	1994	Changes 1993-94
Central government			
Official reserves	27,153	28,908	1,755
Commercial bills, including bills held under purchase and resale agreements	4,957	5,388	431
British government stock held under purchase and resale agreements	1,209	3,097	1,888
Treasury bills held under purchase and resale agreements	846	1,112	266
Loans against export credit and shipbuilding paper	1,276	890	-386
Bank deposits	1,631	1,749	118
Instalments due on British government stocks	3,386	1,250	-2,136
Total	40,458	42,394	1,936
Local authorities			
Bank deposits	3,485	4,949	1,464
Building society deposits	2,870	3,855	985
Other short-term assets	1,932	2,424	492
Total	8,287	11,228	2,941
Public corporations			
Bank deposits	1,194	1,380	186
Other short-term assets	226	226	—
Total	1,420	1,606	186
Public sector total liquid assets	50,165	55,228	5,063

(a) Data from 1970 to 1994 are published in the *Bank of England Statistical Abstract 1994*, Part 1 Table 17.1.

authorities and central government. Assets held by local authorities—mostly in the form of bank and building society deposits—rose by £2.9 billion, following the surge in their capital receipts in November and December 1993 before the ending of the temporary relaxation of the rules governing the spending of receipts.

Central government assets increased by £1.9 billion. The rise was partly the result of a £1.8 billion increase in the foreign exchange reserves. In addition, the money-market assistance provided by the Bank rose; the main element in this was an increase of £1.9 billion in the facilities offered to banks, building societies and gilt-edged market-makers (GEMMs) through gilt sale and repurchase agreements. This

increase was offset by a fall of £2.1 billion in the amount outstanding on partly-paid gilts (only one such stock—the 7% Treasury 2001 ‘A’—was outstanding at end-March 1994, compared with three at end-March 1993). Bank deposits accounted for the rise of £0.2 billion in public corporations’ liquid assets.

General government debt

During Stages 2 and 3 of Economic and Monetary Union, the Maastricht Treaty requires Member States to avoid excessive government deficits and debt levels.⁽¹⁾ Although the Treaty does not specify what constitutes an excessive deficit, it does establish reference levels—which are 3% of GDP for deficits and 60% of GDP for gross debt levels.

There are a number of reasons why the setting of such levels was considered desirable. First, if an excessive deficit in one

Reconciliation

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

- 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 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 changes in the national debt covering the years 1991/92 and 1992/93 were published in the *Consolidated Fund and National Loans Fund Accounts 1992/93 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 0–10–205294–8.

country were to lead to an unsustainable fiscal position, this would put pressure on other governments to ‘bail out’ the state in excessive deficit. (To eliminate this possibility, the Treaty includes a ‘no bail out’ clause.) An excessive deficit in one country might also have ‘spill-over’ effects in other countries: added pressure on the government bond yields of the deficit country could, in a world with internationally mobile capital, lead to pressure on yields elsewhere.

Countries are required to report their actual and planned deficits and debt levels to the European Commission at the beginning of March and September each year.⁽²⁾ For the United Kingdom, the ratio of general government debt to GDP (ESA)⁽³⁾ at end-March 1994 was 48.4% (compared with 42.5% a year earlier), while the deficit was 7.8% of GDP (ESA). No comparative data on debt levels have been published formally, but estimates of Member States’ debt figures—together with data for the other G7 countries—have been produced by the Commission (see Table D).

Table D
General government debt

Percentage of GDP (ESA)

End-December	1991	1992	1993
Belgium (a)	129.5	131.9	138.4
Canada (b)	80.0	87.5	92.3
Denmark	64.2	68.4	80.6
France	35.5	39.5	44.1
Germany	42.1	44.8	48.9
Greece (c)	103.9	110.2	121.2
Ireland	97.0	94.5	99.0
Italy	101.4	108.0	118.1
Japan (b)	67.7	71.1	74.7
Luxembourg (d)	6.2	7.3	10.0
Netherlands	79.0	79.7	81.4
Portugal	69.4	61.7	66.4
Spain	45.2	48.2	55.9
United Kingdom	35.8	41.8	48.8 (e)
Actual (f)	35.7	41.9	48.5
United States (b)	58.9	62.0	63.9

Source: Unless stated otherwise, *European Economy, Annual Economic Report 1994*.

- (a) Social security debt not included.
(b) Ratio of gross public debt to GDP. Data from *OECD Economic Outlook 55*, June 1994.
(c) Military debt not included.
(d) Not consolidated. Social security debt not included.
(e) Commission estimate of the figure at end of financial year (31 March 1994); the actual figure at that date is given in the text.
(f) As at end-December.

The national debt

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

The change in debt outstanding (Table E)

The total nominal value of the national debt increased by £58.1 billion during the financial year 1993/94,⁽⁴⁾ compared with an increase of £34.3 billion in the previous year. Market holdings of the national debt rose by £48.8 billion (21.6%) during the year, £3.5 billion more than in the previous year. Official holdings rose by £9.3 billion to £32.7 billion, although this was still below the record levels seen in 1991 and 1992.

(1) Article 109e(3) of the Treaty on European Union.
(2) The UK data are published by the Central Statistical Office shortly before each submission date in a news release which includes a summary reconciliation between the deficit and changes in debt levels.
(3) The data for Member States are compiled on a common basis, as defined in the European System of Integrated Economic Accounts (ESA). In accordance with the ESA, IMF interest-free notes are excluded from the calculation of general government debt for the European Union. As they are regarded as a liability of the National Loans Fund, however, they are included in government debt in the remainder of this article. By contrast, the category of general government debt for the European Union includes certain miscellaneous items, totalling £3.3 billion at end-March 1994, which are neither part of the national debt nor included elsewhere in the net public sector debt data. Furthermore, the definition of GDP used for the purposes of the European Union calculation differs from that used elsewhere in this article.
(4) Includes a net increase of £2.8 billion in capital uplift over the financial year within the nominal value of the index-linked issues of government stock. This is £0.3 billion higher than the rise in the previous year. Accrued uplift at the time of further issues of existing stock, totalling £2.4 billion, more than offset a slower rise in the retail price index between July 1992 and July 1993 (the relevant dates for the calculation of the uplift) than in the previous 12 months.

Table E
Market and official holdings of national debt^(a)

£ millions, nominal values

Percentage of market holdings in italics

	End-March 1993		End-March 1994	
Market holdings				
Sterling marketable debt:				
Government stocks: index-linked	27,483	<i>12.2</i>	34,709	<i>12.7</i>
other	126,528	<i>56.1</i>	166,806	<i>60.8</i>
Treasury bills	4,826	<i>2.1</i>	3,077	<i>1.1</i>
Sterling non-marketable debt:				
National savings: index-linked	6,287	<i>2.8</i>	6,800	<i>2.5</i>
other	32,591	<i>14.5</i>	36,572	<i>13.3</i>
Interest-free notes due to the IMF	4,745	<i>2.1</i>	5,441	<i>2.0</i>
Certificate of tax deposits (b)	2,385	<i>1.1</i>	2,134	<i>0.8</i>
Other	1,719	<i>0.8</i>	1,843	<i>0.7</i>
Total	206,564	<i>91.6</i>	257,382	<i>93.9</i>
Foreign currency debt: (c)				
North American government loans	1,097		1,000	
Floating-rate loans	2,593		2,631	
Ecu Treasury bills	2,878		2,723	
Ecu bond	1,998		1,945	
Ecu Treasury Note Programme	1,999		3,890	
7 ¹ / ₈ % 1997 bond	2,062		2,018	
7 ¹ / ₄ % 2002 bond	1,992		2,021	
Multi-currency revolving credit facility	3,997		385	
Debt assigned to the government	277		248	
Total	18,893	<i>8.4</i>	16,861	<i>6.1</i>
Total market holdings	225,457	<i>100.0</i>	274,243	<i>100.0</i>
Official holdings	23,324		32,654	
Total debt	248,781		306,897	

(a) Data for 1970 to 1994 are published in the *Bank of England Statistical Abstract 1994*, Part 1 Table 17.2.

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

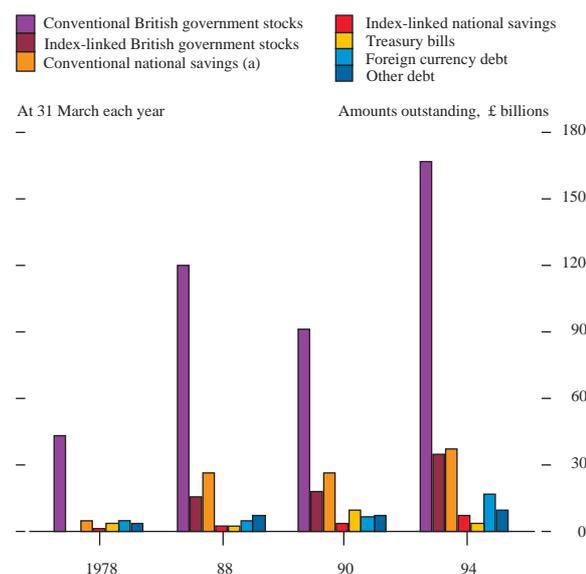
(c) Sterling valuation rates:

End-March 1993: £1 = US\$1.5062, Can.\$ 1.8925, ECU 1.2510, DM 2.4254.
End-March 1994: £1 = US\$1.4845, Can.\$ 2.0531, ECU 1.2853, DM 2.4776.

Analysis by instrument (Chart 2)

Within the total of national debt in market hands, the share accounted for by gilts increased by 5.2 percentage points. Much of the rise seen in 1992/93 in the proportion of foreign currency debt was reversed in 1993/94; its share fell to 6.1%. These were declines also in the proportions of

Chart 2
Composition of market holdings of national debt



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

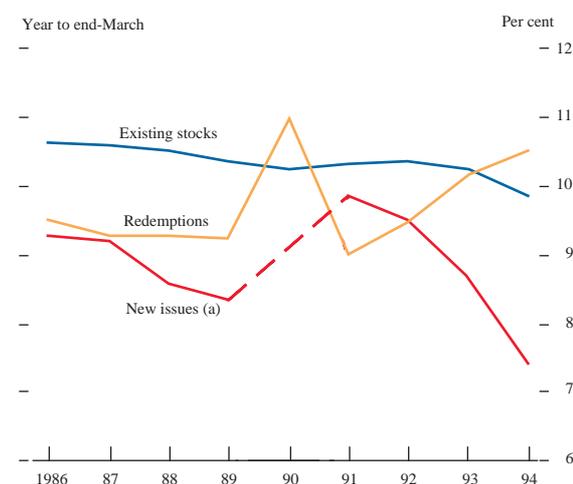
national savings products and sterling Treasury bills (down by 1.5 and 1.0 percentage points respectively).

Gilt-edged stocks

During 1993/94, the Government issued a record £53.7 billion nominal of stocks, of which £7.1 billion were index-linked stocks (including £2.4 billion of accrued uplift at the time of issue).⁽¹⁾ Seven new stocks were created; all were conventionals, with six fixed-rate stocks (6% Treasury 1999, 7% Treasury 2001, 6³/₄% Treasury 2004, 7³/₄% Treasury 2006, 6¹/₄% Treasury 2010 and 8% Treasury 2013), and one floating-rate stock (Floating-Rate Treasury Stock 1999). This last was the first floating-rate gilt to be issued on which the coupon is fixed quarterly in accordance with the prevailing level of the London interbank bid rate (LIBID) minus ¹/₈%. (Three issues of variable-rate gilt-edged stocks were made in 1977 and 1979, the interest on which was linked to Treasury bill tender rates.) Additional issues were made of a further 24 stocks, of which 12 were index-linked and four (with a nominal value of £4.2 billion) were new tranches. £33 billion of the new gilts were offered for sale via the 11 auctions for which payment was made during the year; stocks of a similar value were issued on a partly-paid basis.

Six conventional stocks with a total nominal value of £7.3 billion were redeemed. The average coupon on the conventional stocks issued during the year, weighted by size of stock, continued to decline—falling from 8.7% to 7.4% (see Chart 3). The fall in the average coupon on stocks

Chart 3
Average coupon on conventional British government stocks



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

issued was consistent with a reduction in inflationary expectations over the year. The average coupon on the conventional stocks redeemed rose to 10.5% from 10.1%. The weighted average coupon on conventional stocks that remained outstanding throughout the year was 9.9%, compared with 10.2% in the previous year.

(1) 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 in the tables entitled 'Issues of gilt-edged stock' in the August 1993 *Bulletin*, page 351; November 1993 *Bulletin*, page 467; February 1994 *Bulletin*, page 10; and May 1994 *Bulletin*, page 111.

The average maturity⁽¹⁾ of all dated stocks in market hands fell from 10.8 years at end-March 1993 to 10.6 years at end-March 1994 (see Table F and Charts 4 and 5). Excluding index-linked stocks, the average fell to 9.1 years, from 9.4 years at end-March 1993. The average amount of stock to be redeemed annually during the next five years has risen to £11.2 billion (nominal amount, excluding uplift on index-linked stocks), in part reflecting higher annual repayments towards the turn of the century (see Table G).

Table F
Average life of dated stock in market hands

Years to maturity at end-March:

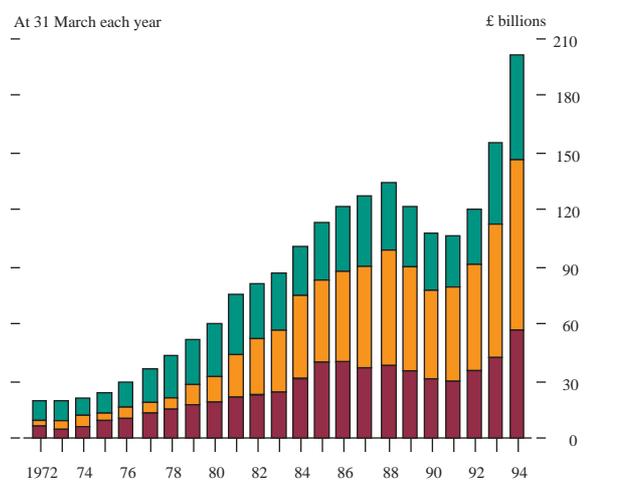
	1990	1991	1992	1993	1994
Assumptions (a)					
Latest possible redemption:					
All dated stocks (b)	10.2	9.9	10.0	10.8	10.6
Excluding index-linked stocks	8.4	8.0	8.4	9.4	9.1
Earliest possible redemption date for stocks standing above par on 31 March					
All dated stocks (b)	10.1	9.6	9.8	10.5	10.4
Excluding index-linked stocks	8.2	7.7	8.1	9.0	8.9

(a) No conversion options were available between 1990 and 1994.

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

Chart 4
Breakdown of market holdings of British government stocks

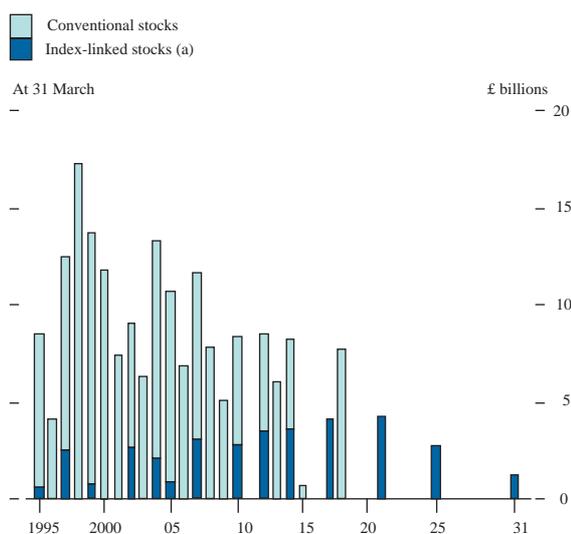
Longs (over 15 years and undated)
Mediums (5 to 15 years)
Shorts (up to 5 years)



The yield spread between short and long-term conventional stocks narrowed during the year, as average yields on short-dated stocks rose by 0.36 percentage points to 7.08%, while yields on medium and long-dated stocks fell by 0.23 and 0.67 percentage points to 7.48% and 7.68% respectively. The yields on long-dated index-linked stocks fell marginally to 3.46%.

At end-March 1994, the total market value of fully-paid dated stocks (including index-linked) held by the market was greater than their total nominal value, but the ratio of market to nominal value fell over the financial year to 1.05 from

Chart 5
Maturities of dated stocks



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

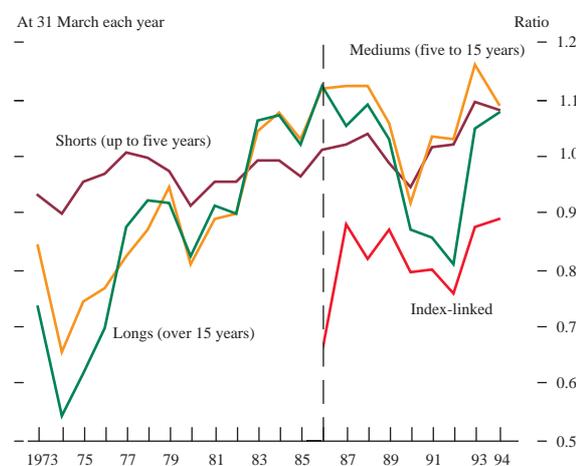
Table G
Average amount of stock in market hands to be redeemed annually over the following five years

£ billions, at end-March	1990	1991	1992	1993	1994
With no conversions (a)	6.2	6.0	7.2	8.5	11.2

(a) No conversion options were available between 1990 and 1994.

1.07 (see Chart 6). The ratio for short-dated stocks fell from 1.09 to 1.08 and that for medium-dated stocks from 1.15 to 1.09; the issue of new lower-coupon stocks, which traded closer to nominal value, was the main reason behind the fall for medium-dated stocks. The ratio for long-dated (excluding undated) stocks increased from 1.05 to 1.07. The ratios also increased for undated stocks—from 0.41 to 0.44—and for index-linked stocks, from 0.88 to 0.89.⁽²⁾

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.

(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. There were no conversions of short-term convertible stocks into medium or long-term stocks during 1993/94.

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

National savings

National savings rose by £4.2 billion in 1993/94. Excluding accrued interest and index-linked increments⁽¹⁾—which are not included in the national debt—national savings' contribution rose by £4.5 billion.

As in recent years, the largest rise was seen in national savings certificates (up £1.2 billion in 1993/94), followed by Income Bonds and the newest national savings product, Pensioners' Guaranteed Income Bonds (introduced in the first quarter of 1994), each with a contribution of £0.9 billion. Net sales of premium bonds of £0.8 billion more than trebled the contribution they made in 1992/93. Smaller contributions were made by Capital Bonds (up £0.4 billion) and the Investment Account (£0.3 billion). There were only small changes in other national savings instruments.

Other sterling debt

Market holdings of Treasury bills declined by £1.7 billion in 1993/94, as the amount sold at the weekly tenders continued to fall. The amount of 91-day bills on offer was doubled to £200 million in August 1993 and the 182-day tender suspended. Some direct issues were also made at other maturities. Of the other instruments included in the national debt, the only other sizable change was an increase of £0.7 billion in sterling liabilities to the International Monetary Fund (IMF), in the form of interest-free notes.

Foreign currency debt (Table E)

During the year, the sterling value of foreign currency debt held by the market fell by £2.0 billion. This was mainly because of the early repayment (starting in December 1993) of most of the tranches of the ECU 5 billion three-year multicurrency revolving credit facility arranged in August 1992. Repayment of the final tranche of ECU 500 million was made in April this year.

The Ecu Treasury note programme continued, with four tenders during the year raising a total of ECU 2.5 billion (£1.9 billion); these partly offset the repayment of the revolving credit facility. The three-year notes were first issued in January 1992, and start to mature next year with the expiry of the 1995 Note.

Analysis by holder (Tables H and J)

All sectors increased their holdings of sterling national debt.⁽²⁾ Insurance companies and pension funds⁽³⁾ showed the largest rise, of £14.8 billion. This was more than accounted for by a rise of £15.1 billion in their gilt holdings, while their Treasury bill holdings fell slightly. 'Other holders' (which include industrial and commercial companies) also increased their holdings of gilts, by £13.0 billion; in addition their holdings of non-marketable debt rose by £0.3 billion, but they reduced the Treasury bills they held by £0.1 billion.

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

	Amounts outstanding at 31 March		Change in 1993/94
	1993	1994	
Market holdings			
Public corporations and local authorities	2.2	2.5	0.3
Banking sector	11.3	16.3	5.0
Building societies	4.3	5.8	1.5
Institutional investors:			
Insurance companies and pension funds	87.4	102.2	14.8
Other	1.8	2.0	0.2
Overseas residents	32.6	44.0	11.4
Individuals and private trusts	46.7	51.1	4.4
Other (including residual)	20.3	33.5	13.2
Total market holdings	206.6	257.4	50.8
Official holdings	22.0	31.2	9.2
Total sterling debt	228.6	288.6	60.0

(a) See Table J for a more detailed analysis. Data for 1970 to 1994 are published in the *Bank of England Statistical Abstract 1994*, Part 1 Table 17.3.

Total debt held by overseas residents is estimated to have risen by £11.4 billion, with government stocks and non-marketable debt accounting for £11.2 billion and £0.7 billion respectively (the latter being the IMF interest-free notes). These increases were partly offset by a fall of £0.5 billion in holdings of Treasury bills. The combined holdings of debt by banks⁽⁴⁾ and building societies increased by £6.5 billion: their holdings of gilts rose by £7.4 billion but, as in most other sectors, their Treasury bill holdings fell—by £0.9 billion. There was a rise of £4.4 billion in the debt held by individuals and private trusts, the result mainly of increased holdings of national savings instruments (£4.0 billion) and a £0.4 billion rise in gilts held.⁽⁵⁾ Holdings by public corporations and local authorities rose by £0.3 billion, with gilts accounting for £0.2 billion.

(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 £3.5 billion at 31 March 1994, compared with £3.8 billion a year earlier.

(2) The Bank conducted a survey of Central Gilts Office (CGO) members at 31 March 1993 to improve its knowledge of the sectoral distribution of holdings of government stocks at that date. A summary of the survey was included in the article, 'The gilt-edged market: developments in 1993', in the February 1994 *Bulletin* (pages 55–9). The estimate of the sectoral holdings in that article cannot, however, be directly reconciled to the gilts data in Tables H and J, since these include maturity data in arriving at the market value of holdings. A further survey of CGO members was undertaken at 31 March 1994 and it is intended in future to repeat the survey at the end of each calendar year.

(3) Figures for pension funds are based on the Central Statistical Office's regular statistical enquiries to a stratified sample of larger funds, with an allowance for smaller funds. The Central Statistical Office is planning to carry out a comprehensive survey of self-administered pension funds this year. The figures for 1988 onwards may need to be reconsidered in the light of the results.

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

(5) These are broad estimates derived from the stock register and other sources. These were some 829,000 identified accounts on the stock register for individuals and private trusts at end-March 1994, a decline of almost 100,000 over the year.

Table J
Estimated distribution of the sterling national debt: 31 March 1994

£ 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	2,332		19	336		168	168	—	1,977
Local authorities	125		6	119		60	29	30	—
Total	2,457	1.0	25	455	488	228	197	30	1,977
Banking sector: (d)									
Discount market	319		28	291		234	57	—	—
Other	15,974		1,043	14,745		5,680	7,271	1,794	186
Total	16,293	6.3	1,071	15,036	16,093	5,914	7,328	1,794	186
Building societies	5,836	2.3	447	5,384	5,803	4,370	829	185	5
Institutional investors:									
Insurance companies	69,246		9	69,237	72,847	6,206	33,274	29,757	—
Pension funds	32,883		118	32,765	31,949	2,846	16,448	13,471	—
Investment trusts	1,075			1,075	1,156	75	638	362	—
Unit trusts	898			890	958	153	570	167	8
Total	104,102	40.4	127	103,967	106,910	9,280	50,930	43,757	8
Overseas holders:									
International organisations	6,051		—	610	586	174	436	—	5,441
Central monetary institutions	15,032		184	14,848	15,958	8,294	6,554	—	—
Other	22,933		98	22,835	24,454	10,998	9,311	2,526	—
Total	44,016	17.1	282	38,293	40,998	19,466	16,301	2,526	5,441
Other holders:									
Public trustee and various non-corporate bodies	586		171	411	438	85	233	93	4
Individuals and private trusts (e)	51,106			11,875	12,676	4,097	5,380	2,398	39,231
Industrial and commercial companies	5,149		954	2,588	25,023	12,750	8,972	4,372	1,607
Other (residual)	27,837			23,506					4,331
Total	84,678	32.9	1,125	38,380	38,137	16,932	14,585	6,863	45,173
Total market holdings (d)	257,382	100.0	3,077	201,515	208,429	56,190	90,170	55,155	52,790
Official holdings (d)	31,207		722	7,992	8,029	2,246	4,139	1,607	22,493
Total sterling debt	288,589		3,799	209,507	216,458	58,436	94,309	56,762 (f)	75,283

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 explanations 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 1994 is published in the *Bank of England Statistical Abstract 1994*, Part 1 Table 17.4.

(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 stocks amounted to £3,194 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 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 1993/94 Supplementary Statements*. Provisional figures (some of which are revised in this article) are from *Financial Statistics*, September 1994.

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 (see below). Exceptionally in these articles, Issue Department holdings under purchase and resale agreements are included in market holdings; such holdings are therefore included in Table C 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

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 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 *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 notes and definitions to Table 8.1 in the February 1994 *Bulletin*) converted into 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 1994.