Public sector debt: end-March 1996

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This article continues the annual series analysing the public sector debt position and the composition and distribution of the national debt. It has been compiled with the help of the Office for National Statistics (ONS) and others. Its main points are:

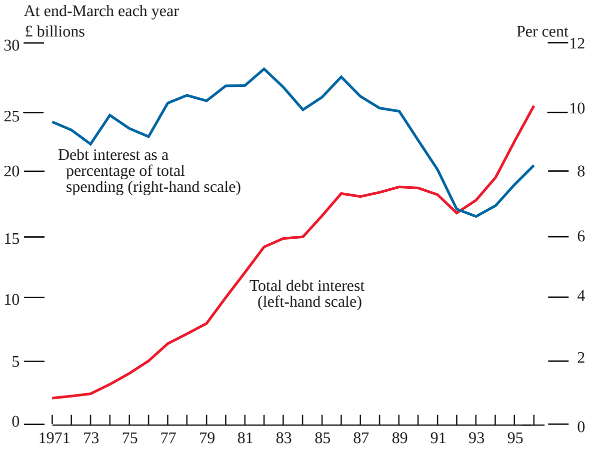
- *In 1995/96, the nominal value of the net debt of the public sector rose by around £33 billion, while market holdings of the national debt rose by around £38 billion. As a proportion of GDP, these measures increased by 2.7 and 3.4 percentage points respectively, to 44.6% and 47.5%.*

- *In the twelve months to the end of March 1996, the ratio of general government consolidated gross debt to GDP (calculated on a Maastricht basis) rose by 3.3 percentage points to 53.8%, remaining well below the 60% reference level specified in the Maastricht Treaty.*

Public sector debt

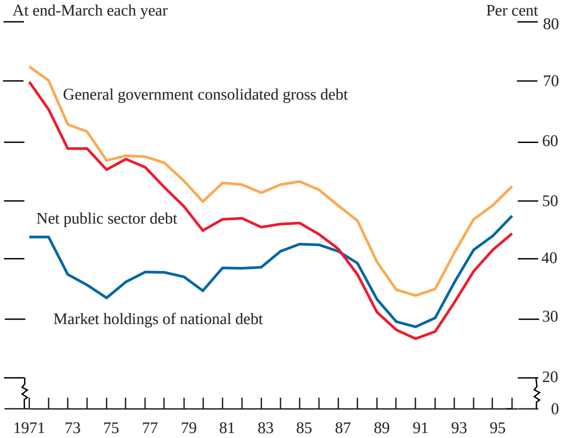
This article looks at developments in the net and gross debt[(1)] position of the public sector in the financial year to the end of March 1996. The debt stock position reflects the cumulative effect of past financial deficits and surpluses and for this reason the change in debt over a financial year normally corresponds closely to the public sector borrowing requirement (PSBR).[(2)] Trends in the ratio of public sector debt to GDP give a guide to the sustainability of the current fiscal stance. Interest payments on the debt are a current payment arising from past borrowing and can influence fiscal policy. If interest payments rise, other government spending net of receipts—the primary deficit—would need to fall to meet a given target for the PSBR. Public sector debt interest payments in 1995/96 rose for the fourth successive year to £25.2 billion (8.2% of public sector current and capital expenditure), although as Chart 1 shows this is still low by recent historical standards.

Chart 1
Public sector debt interest



At the end of March 1996, net public sector debt was £322.7 billion (see Table A), an increase of £32.6 billion (11.2%) on a year earlier. Net debt as a percentage of GDP has continued to rise from its low point of 27.0% (£153.3 billion) in 1990/91 to 44.6% in 1995/96, its highest level for ten years (see Chart 2). The rate of increase has slowed over the past two years; in 1995/96 this was due to a fall in the PSBR from £35.9 billion to £32.2 billion (see Table B). Concern about the trend in the public sector finances led the Government to set in motion a programme tightening its fiscal policy stance in the two 1993 budgets.

Chart 2
Measures of public sector debt relative to GDP



(1) Net debt is gross debt less liquid assets (see notes and definitions for further explanation of terms). Full definitions are at the end of the article. All figures are at nominal value and include accrued uplift on index-linked gilts unless otherwise stated.
(2) The box on page 428 outlines the main reasons for the difference between the two.

Table A
Net public sector debt(a)

£ millions, nominal values (b); *percentages in italics*

31 March	1995	1996	Changes 1995–96
Central government			
Market holdings of national debt	305,917	343,942	38,025
as a percentage of GDP	*44.2*	*47.5*	*3.4*
Net indebtedness to Bank of England Banking Department	869	0	-869
Savings banks	1,446	1,432	-14
Accrued interest and indexing on national savings	3,316	3,517	201
Notes and coin in circulation	21,771	23,427	1,656
Other	391	349	-41
Total central government gross debt	333,710	372,667	38,957
Local authorities			
Total gross debt	49,255	49,563	308
less holdings of other public sector debt:			
Central government holdings of local authority debt	40,707	41,266	559
Local authority holdings of central government debt	149	153	4
General government consolidated gross debt	**342,109**	**380,811**	**38,702**
as a percentage of GDP	*49.4*	*52.6*	*3.2*
Public corporations			
Total gross debt	26,854	27,291	437
less holdings of other public sector debt:			
Central government holdings of public corporation debt	26,217	26,670	453
Local authority holdings of public corporation debt	3	0	-3
Public corporation holdings of central government debt	4,066	6,050	1,985
Public corporation holdings of local authority debt	911	215	-696
Public sector consolidated total debt	**337,766**	**375,167**	**37,401**
as a percentage of GDP	*48.8*	*51.8*	*3.1*
Public sector total liquid assets (Table C)	**47,660**	**52,464**	**4,804**
as a percentage of GDP	*6.9*	*7.3*	*0.4*
Net public sector debt	**290,106**	**322,703**	**32,597**
as a percentage of GDP	*41.9*	*44.6*	2.7
Memo item:			
General government consolidated gross debt (Maastricht basis)	**340,897**	**379,435**	**38,538**
as a percentage of GDP (ESA) (c)	*50.5*	*53.8*	*3.3*

(a) Data from 1970 to 1996 are published in the *Bank of England Statistical Abstract 1996*, Part 1, Table 19.1.
(b) Figures shown may not sum to totals because of rounding.
(c) See footnote on page 428.

Consolidation of the public finances has continued (albeit at a reduced pace from that originally envisaged) in the last two budgets, resulting in a slowing of the rate of growth of public sector debt. The Treasury's 1996 Summer Economic Forecast estimated that the rate of growth of public sector debt would continue to fall over the next two years, with the level of debt peaking at 46.5% of GDP in 1997/98.

The principal element of the rise in public sector debt was an increase of around £39.0 billion in central government gross debt to £372.7 billion, of which £38.0 billion was a rise in market holdings of national debt. The largest component of this was an increase in market holdings of gilts of £29.2 billion (see Table C). In addition, holdings of national savings increased by £5.0 billion and holdings of Treasury bills also rose. The rise in public sector gross debt was partially offset by an increase of £4.8 billion in public sector liquid assets (see Table D). Most of this was due to an increase in gold and foreign exchange reserves of £2.1 billion and a rise of £1.5 billion in central government's claims under the market's gilt repo agreements with the Issue Department of the Bank.

Table B
Composition of the PSBR

£ millions; *percentages in italics*

	1994/95	1995/96
Central government borrowing requirement (CGBR):		
on own account	38,278	35,648
for on-lending to local authorities	-392	473
for on-lending to public corporations	458	-656
CGBR	**38,344**	**35,465**
Local authorities' net borrowing from markets (adjusted)	-572	-1,616
Public corporations' net borrowing from markets (adjusted)	-1,874	-1,681
Public sector borrowing requirement (PSBR)	**35,898**	**32,168**
Alternative analysis:		
CGBR on own account (CGBR[O])	38,278	35,648
Local authority borrowing requirement (LABR)	-964	-1,143
Public corporations' borrowing requirement (PCBR)	-1,416	-2,337
As a percentage of GDP:		
CGBR	*5.7*	*5.0*
CGBR (on own account)	*5.7*	*5.0*
LABR	*-0.1*	*-0.2*
PCBR	*-0.2*	*-0.3*
PSBR	*5.3*	*4.5*

Although the net debt of the public sector provides a method of looking at the public sector accounts, it is only one of several accounting frameworks. Net debt fails to take into account factors that have an affect on the balance sheet of the public sector, such as the level of illiquid public sector assets and depreciation of public infrastructure. Other frameworks can take account of this by considering the net worth of the public sector, rather than its debt alone, by building up a public sector balance sheet. This allows transactions such as privatisations to be incorporated. These

Table C
Market and official holdings of national debt(a)

£ millions, nominal values; *percentage of market holdings in italics*

	End-March 1995		End-March 1996	
Market holdings				
Sterling marketable debt:				
Government and government-guaranteed stocks: index-linked	39,201	*12.8*	46,127	*13.4*
other	185,191	*60.5*	207,439	*60.3*
Treasury bills	7,888	*2.6*	10,781	*3.1*
Sterling non-marketable debt:				
National savings: index-linked	7,090	*2.3*	7,620	*2.2*
other	39,990	*13.1*	44,411	*12.9*
Interest-free notes due to the IMF	5,598	*1.8*	5,544	*1.6*
Certificates of tax deposits	1,612	*0.5*	1,222	*0.4*
Other	2,435	*0.8*	4,009	*1.2*
Total	289,005	*94.5*	327,153	*95.1*
Foreign currency debt: (b)				
North American government loans	822		788	
US dollar floating-rate note	2,399		2,559	
Ecu Treasury bills	2,863		2,883	
Ecu 9 1/8% 2001 bond	2,045		2,059	
Ecu Treasury notes	4,499		4,118	
Deutsche Mark 7 1/8% 1997 bond	2,245		2,219	
US dollar 7 1/4% 2002 bond	1,843		1,966	
Debt assigned to the government	196		198	
Total	16,912	*5.5*	16,789	*4.9*
Total market holdings	305,917	*100.0*	343,942	*100.0*
Official holdings	**43,618**		**47,244**	
Total debt	**349,535**		**391,186**	

(a) Data from 1970 to 1996 are published in the *Bank of England Statistical Abstract 1996*, Part 1, Table 19.2.
(b) Sterling valuation rates:
31 March 1995: £1 = US $ 1.6280, Can $ 2.2833, ECU 1.2224, DM 2.2271.
31 March 1996: £1 = US $ 1.5262, Can $ 2.0798, ECU 1.2142, DM 2.2531.

Table D
Public sector liquid assets

£ millions, nominal values

31 March (a)	1995	1996	Changes 1995–96
Central government			
Official reserves	28,330	30,463	2,133
Commercial bills, including bills held under sale and repurchase agreements	1,726	1,093	-633
Claims on British government stocks under sale and repurchase agreements (b)	989	2,465	1,476
Loans against export credit and shipbuilding paper	84	286	202
Net claim on Bank of England Banking Department	0	135	135
Bank deposits	1,795	1,801	6
Total	32,924	36,243	3,319
Local authorities			
Bank deposits	5,408	6,020	612
Building society deposits	3,927	4,205	278
Other short-term assets	2,621	2,826	205
Total	11,956	13,051	1,095
Public corporations			
Bank deposits	2,650	3,117	467
Other short-term assets	130	53	-77
Total	2,780	3,170	390
Public sector total liquid assets	**47,660**	**52,464**	**4,804**

(a) Data from 1970 to 1996 are published in the *Bank of England Statistical Abstract 1996*, Part 1, Table 19.1.
(b) Excludes repos between public sector bodies. Claims arise in connection with the Bank of England's provision of liquidity to the money markets through its gilt repo facility. Take-up of liquidity is variable, depending on the prevailing and expected level of interest rates and forecasts of money-market liquidity.

transactions clearly impact on the net worth of the public sector, but cannot be encompassed by use of the net debt concept. No such wider balance sheet statistics currently exist in the United Kingdom.

Reconciliation

The PSBR figure relates to transactions and is calculated on a cash-flow basis. The debt figure is a stock and its change is calculated on a nominal, accrued basis. This results in slight differences between the change in debt and the PSBR, on account of the following:

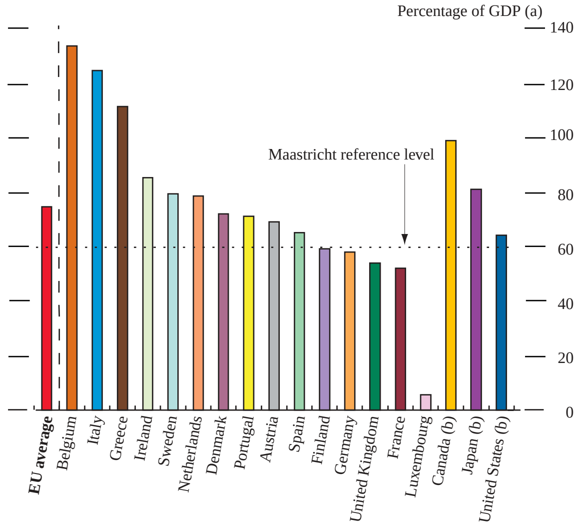
- Changes in exchange rates affect the value of foreign currency liabilities and assets independently of transactions.
- When British government stocks (gilts) are issued (or bought in ahead of their redemption date) at a discount or premium, the borrowing requirement is financed by the actual amount received or paid out, while the level of debt is deemed to change by the nominal value of gilts issued (or redeemed).
- The borrowing figures include the uplift on index-linked gilts only when it is paid out, while the figures for debt outstanding include it as it accrues over the life of the stock.

General government debt

The measure used in the debt criterion to be met by countries wishing to participate in Stage 3 of Economic and Monetary Union (EMU) is general government consolidated gross debt on a European System of Accounts (ESA) basis[1] (shown as a memo item in Table A). Article 104c of the Maastricht Treaty states that countries should avoid excessive government deficit and debt levels. Although the Treaty itself does not specify what constitutes 'excessive', a protocol to the Treaty establishes reference levels. For debt, 'excessive' is defined as greater than 60% of GDP unless the ratio is sufficiently diminishing and approaching 60% at a satisfactory pace.

The position of each EU member state against this reference level will be an element in considering membership of the proposed EMU, although protocols to the Maastricht Treaty note that both the United Kingdom and Denmark will not move to the third stage of EMU unless they notify the European Council that they wish to do so. To assess fiscal discipline, each state is required to report and update its annual debt and deficit levels to the European Commission at the beginning of March and September every year. At the end of December 1995, the United Kingdom's reported debt to GDP ratio on an ESA basis was 54.1% (£377.7 billion), well within the reference value for debt. By the end of March 1996 it had fallen to 53.8% (£379.4 billion), but is forecast to rise to 55.25% by end-March 1997. This still compares favourably with the EU average of 74.8% (see Chart 3).

Chart 3
General government debt: at 31 December 1995



Source: European Commission report on government debt and deficit levels unless otherwise stated.

(a) GDP as defined by the European System of Integrated Accounts.
(b) Data from *OECD Economic Outlook 59*, June 1996.

(1) In accordance with the ESA, IMF interest-free notes are excluded from the calculation of general government debt on a Maastricht basis. As they are a liability of the National Loans Fund, however, they are included in government debt in the other measures used in this article. There are other miscellaneous instruments included in government debt on an ESA basis but excluded on a domestic basis since they are not a liability of the National Loans Fund.

The national debt

By twentieth century standards, current debt levels remain low (see Chart 4).(1) Although at its highest for over two decades, the ratio of national debt to GDP is still lower than at any time between 1914 and 1972. It is useful to express public sector debt as a proportion of nominal GDP because nominal GDP is closely related to the tax base of the economy and hence the economy's theoretical ability to redeem the debt; however, this masks the impact of inflation. Since public sector debt is largely denominated in nominal terms, inflation reduces the real value of the government's debt. During the 1970s, public sector debt as a percentage of GDP fell by 24 percentage points, despite a substantial increase in the nominal debt stock over the period. The reason for this was the high level of inflation in the 1970s, which led to increases in nominal GDP, which more than offset the rise in the debt stock. In recent years the debt to GDP ratio has risen sharply due to high financial deficits, with increases in the debt stock not being offset by large rises in nominal GDP.

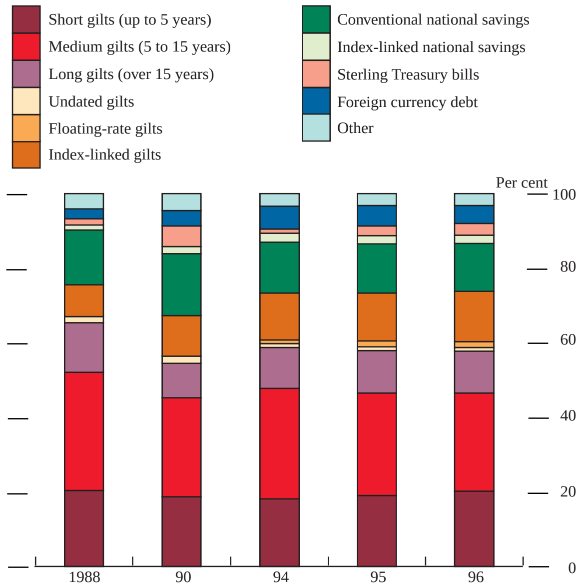
Chart 4
Gross national debt as a percentage of nominal GDP: 1900–96

Source: HM Treasury.

Total debt outstanding

The national debt is almost entirely comprised of six types of instrument: gilt-edged stocks, Treasury bills, national savings, interest-free notes due to the IMF, certificates of tax deposit and foreign currency debt. The total nominal value of the national debt rose by £41.7 billion to £391.2 billion (54.1% of GDP) in 1995/96 (see Table C). Most of the rise was accounted for by market holdings (up by £38.0 billion) with a £3.6 billion increase in official holdings. The proportion of debt in market hands that is marketable (instruments which can be traded in a secondary market—including gilts, Treasury bills and some foreign currency instruments) remained unchanged at 81%. There were few significant changes in the share of market holdings of individual instruments (see Chart 5).

Chart 5
Composition of market holdings of national debt by instrument



Analysis of debt by instrument

Gilt-edged stocks

Gilt-edged stocks are the largest single component of the national debt by instrument, accounting for 74% of market holdings of national debt and 91% of marketable debt, with £253.6 billion outstanding in market hands at the end of March 1996. A total of £32.7 billion nominal of gilts were issued in 1995/96, of which £5.5 billion (including £2.4 billion of accrued uplift) was index-linked. Two new conventional stocks were created: 7½% Treasury 2006 and 8% Treasury 2021. Of the conventional stock, £25 billion was issued via nine auctions of between £2 billion and £3 billion each. The remaining £2.2 billion, including £600 million of Floating Rate Treasury 1999 stock, was issued by tap, as were all issues of index-linked stock. Four stocks, with a total nominal value of £4.3 billion, were redeemed over the year.

The structure of the gilt market altered substantially during 1995/96. Debt issuance was made more transparent by the advance announcement of auction dates for the first time and quarterly pre-announcements of the maturity ranges of the stocks to be issued. In addition, with the introduction of gilt repo trading in January 1996, previous restrictions on the borrowing and lending of gilts were removed. The tax regime was also changed to allow most investors to receive gilt dividends gross of tax. Reform of the market is to continue, with a gilt stripping facility to be introduced in 1997. These changes are all designed to enhance the attractiveness and liquidity of the gilt market. Increasing demand for gilts should have the effect of reducing gilt yields, making it cheaper for the Government to service public sector debt.(2)

(1) The differences between the national debt and net public sector debt are explained in the notes and definitions at the end of this article.
(2) For further details on the gilt market reform programme, see 'Gilts and the Gilt Market: Review 1995-6', available from the Bank's Gilt-Edged & Money Markets Division (telephone 0171-601 5535), and the Press Notice of 13 August 1996 on taxation of strippable gilts.

As Table E indicates, the gilt portfolio at end-March 1996 had a shorter maturity structure than the previous year's. The average maturity(1) of all stocks in market hands fell from 10.4 to 10.1 years while the average maturity

Table E
Average remaining life of dated stocks in market hands

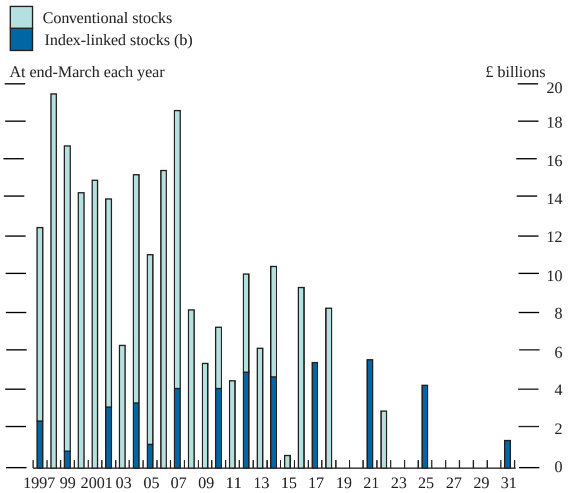
Years to maturity at 31 March:

	1990	1991	1992	1993	1994	1995	1996
Assumptions (a)							
Latest possible redemption: (b)							
All dated stocks (c)	10.2	9.9	10.0	10.8	10.6	10.4	10.1
Excluding index-linked stocks	8.4	8.0	8.4	9.4	9.1	9.1	8.8
Earliest possible redemption date:							
All dated stocks (c)	10.1	9.6	9.8	10.5	10.4	10.2	9.9
Excluding index-linked stocks	8.2	7.7	8.1	9.0	8.9	9.1	8.8

(a) No conversions (no conversion options were available between 1990 and 1994).
(b) Table is as at 31 March 1996 and so does not include the early call of 6¾ Treasury 1995–98 announced on 26 July 1996.
(c) Index-linked stocks are given a weight reflecting capital uplift accrued to 31 March.

excluding index-linked stocks also fell by 0.3 years. Chart 6 gives the maturity profile of dated stock. The proportion of short (up to 5 years), medium (5 to 15 years) and long-dated (15 years and over) gilts outstanding in market hands was virtually unchanged (see Chart 7).(2) In accordance with the Government's funding requirement and remit to the Bank for 1995/96, an approximately equal proportion of each maturity band was issued in 1995/96. The prospective maturity profile for gilt issuance included in the Government's remit for 1996/97 specified that once again an approximately equal proportion of short, medium and long gilts would be issued.

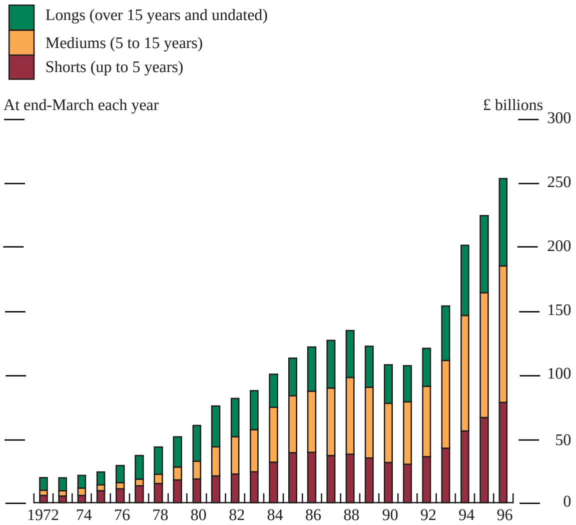
Chart 6
Maturities of dated stocks in market hands(a)



(a) The chart is as at 31 March 1996, so does not include the early call of 6¾ Treasury 1995–98, which was announced on 26 July 1996.
(b) Figures include accrued uplift to 31 March 1996.

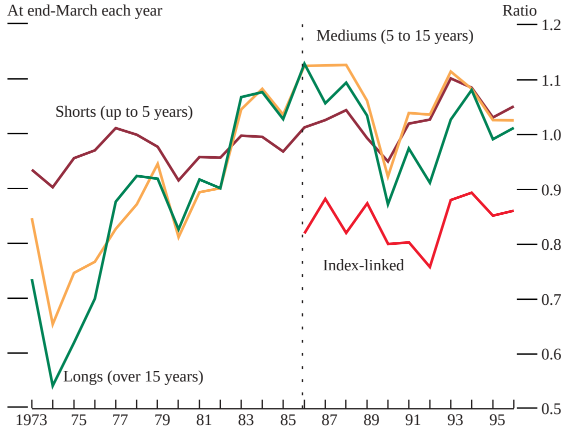
The market value of all gilts in market hands was £250.4 billion at end-March 1996, 1.3% lower than the nominal value. This compares with a discount of 2.3% at end-March 1995, reflecting a slight rise in gilt prices over the year. The discount is inflated by undated stocks such as

Chart 7
Breakdown of market holdings of British government stocks



3½% War Loan which trade at a large discount, usually less than half their nominal value. The ratio of market to nominal value rose most significantly in long gilts (see Chart 8), which edged back up to a small premium at 1.01, and short gilts. The ratio for medium-dated gilts continued to fall, albeit by a small margin. Index-linked gilts continued to trade at a large discount because real yields on conventional stocks are higher than the low nominal yields available on index-linked gilts.

Chart 8
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.

As shown by the rise in overall market prices, yields tended to fall over the year, most markedly at the short end of the yield curve. The average daily yield on the benchmark five-year stock as calculated on the last working day of the financial year fell by 0.8 percentage points to 7.70%, while the yield on the ten-year benchmark also fell, by

(1) The aggregation of index-linked and conventional stock for the purpose of measuring average maturity presents a conceptual difficulty (see the December 1982 *Quarterly Bulletin*, page 540).
(2) This article adopts the same definition of short and medium-dated gilts as in the National Loans Fund accounts. In the financing requirement, however, and in general market usage, short-dated gilts are defined as 3–7 years and medium-dated as 7–15 years.

CGO survey of beneficial gilt ownership 1995

To improve its knowledge of the sectoral distribution of holdings of government stocks, the Bank conducts a survey of Central Gilts Office (CGO) members at the end of each year. CGO members accounted for 89% of gilts outstanding by market value at end-December 1995. The results of the survey are amalgamated with the remaining gilts registered directly to give a sectoral breakdown of total gilt holdings as shown in the table below.

Survey of distribution of gilt-edged stocks

	31 December 1994		31 December 1995	
	£ billions	Per cent	£ billions	Per cent
Total UK market holdings	**173.7**	**81.7**	**215.1**	**85.6**
of which:				
Public sector	3.3	1.6	4.6	1.8
Banks	17.4	8.2	24.9	9.9
Building societies	4.9	2.3	2.1	0.8
Other financial institutions	124.8	58.7	155.3	61.8
of which:				
Insurance companies	68.1	32.0	80.5	32.0
Pension funds	36.8	17.3	52.4	20.8
Other	19.9	9.4	22.4	8.9
Industrial and commercial companies	3.6	1.7	3.5	1.4
Persons	19.7	9.3	24.7	9.8
Overseas holdings	**38.8**	**18.3**	**36.3**	**14.4**
Total market holdings	**212.5**	**100**	**251.4**	**100**
Official holdings	8.2		7.9	
Market value of all gilts	**220.7**		**259.3**	

As a percentage of total market holdings, the most significant increases were those of banks, pension funds and the personal sector. The increase in pension funds' holdings was particularly marked, rising by £15.6 billion to £52.4 billion. This may be due to the increased maturity of pension funds or a reassessment of optimal asset allocation in the light of the minimum funding requirement. As a result of that increase, insurance companies and pension funds now account for just over half of all gilts in market hands. Banks' holdings increased by £7.5 billion; they now hold just under 10% of the total market holding of gilts. Those sectors that increased their holdings did so largely at the expense of overseas residents. This confirms that overseas residents' holdings of debt have fallen as a percentage of the total (see Table F).

The figures in Table G calculate holdings at market value using broad nominal/market value ratios which draw on maturity data whereas the CGO survey obtains figures direct from account holders at market value. In addition the CGO survey is undertaken at end-December to allow direct comparison with National Accounts data. However, the CGO survey provides an important cross check on the distribution of the gilts element of the national debt. The main differences between the two are the holdings of insurance companies, banks and the personal sector. One reason for the differences is that many CGO accounts are held via nominee companies, making it difficult for respondents to identify the sector of the beneficial owner. Much of the data in Table G are obtained by surveying companies in each sector directly, avoiding the problem. However, the CGO survey has the advantage of deriving all its data from the same source at market value, as opposed to the variety of sources from which Tables F and G are compiled. This avoids the problems of a large residual figure (see Table G).

0.37 percentage points to 8.13%. The yield on a liquid 20-year stock fell by only 0.05 percentage points, meaning that the yield spread between short and long-dated stocks widened considerably during the year. Current practice is to issue gilts at coupons close to the yields available in the market; in line with this, 99% of stock issued at fixed coupons in 1995/96 had a coupon of between 7% and 8%.

National savings

Total national savings rose by £5.1 billion to £57.0 billion in 1995/96, well above the initial assumption of £2.5 billion made in the funding remit for 1995/96. The total outstanding includes deposits with the National Savings Bank and accrued interest and index-linked increments, which are not included in the national debt (although they are included in the debt of the public sector). Adjusting for this, the national savings component of the national debt grew by 10.5% (£5.0 billion) to £52.0 billion. Of the ten instruments currently on sale, three accounted for all but £0.1 billion of this growth. Holdings of Pensioners' Guaranteed Income Bonds, introduced in 1992/93, increased by £2.3 billion, more than doubling in size for the second successive year. This followed a reduction in the qualifying age limit from 65 to 60 and an increase in the holding limit. Holdings of National Savings Certificates increased by £1.2 billion and of Premium Bonds by £1.5 billion. The assumption for national savings in the 1996/97 financing requirement is £3.0 billion.

Sterling Treasury bills

Market holdings of sterling Treasury bills increased by £2.9 billion to £10.8 billion in 1995/96. This reflected an average weekly tender of £1.2 billion compared with an average of £0.5 billion in 1994/95. It is not planned that net Treasury bill issuance will contribute to financing the Borrowing Requirement in 1996/97, although the stock of Treasury bills and the pattern of issuance will fluctuate in the light of the needs of money-market management.

Foreign currency debt

The sterling value of debt denominated in foreign currency fell slightly over the year to £16.8 billion. As a proportion of total market holdings of national debt this meant a fall of 0.6 percentage points to 4.9%. This was largely due to an

ECU 500 million nominal fall in the amount of Ecu Treasury notes outstanding, the only significant change in the nominal value of foreign currency debt. Sterling fell against the Ecu, US dollar and Canadian dollar, meaning that debt denominated in those currencies rose in sterling terms, while its appreciation against the Deutsche Mark reduced the sterling value of the $7^{1}/_{8}$% 1997 Deutsche Mark bond.

Sterling debt: analysis by holder (Tables F and G)[1]

Insurance companies and pension funds remain by far the largest holders of debt, having increased their holdings by £22.6 billion over the year. The long-term liabilities of such institutions incline them towards medium and long-dated gilts and away from instruments such as Treasury bills. Banks, by contrast, prefer more short-term debt. They continue to be the largest holders of Treasury bills but have shifted towards gilts in their overall holdings of debt, having increased their holdings of medium-dated gilts by £4.5 billion. The total sterling debt held by individuals and private trusts increased by £4.5 billion, almost entirely as a result of increased holdings of national savings. Overseas residents' holdings rose by £2.2 billion, but for the second year in succession fell as a percentage of total market holdings.

Table F
Distribution of the sterling national debt: summary[(a)]

£ billions; *percentage of market holdings in italics*

	Amounts outstanding at 31 March (b) 1995		1996		Change in 1995/96
Market holdings					
Public corporations and local authorities	3.4	*1.2*	5.3	*1.6*	1.9
Banking sector	22.5	*7.8*	26.8	*8.2*	4.3
Building societies	5.3	*1.8*	7.8	*2.4*	2.5
Institutional investors:					
Insurance companies and pension funds	129.4	*44.8*	152.0	*46.5*	22.6
Other	3.3	*1.1*	3.2	*1.0*	-0.1
Overseas residents	41.1	*14.2*	43.3	*13.2*	2.2
Individuals and private trusts	53.4	*18.5*	57.9	*17.7*	4.5
Other (including residual)	30.6	*10.6*	30.9	*9.4*	0.3
Total market holdings	289.0	*100.0*	327.2	*100.0*	38.2
Official holdings	42.0		45.7		3.7
Total sterling debt	**331.0**		**372.9**		**41.9**

(a) See Table G for more detailed analysis. Data for 1970 to 1996 are published in the *Bank of England Statistical Abstract 1996*, Part 1, Table 19.3.
(b) Figures shown may not sum to totals because of rounding.

Table G
Estimated distribution of the sterling national debt: 31 March 1996

£ 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	5,149		93	977		489	488	0	4,079
Local authorities	155		0	155		77	39	39	0
Total	5,304	2	93	1,132	*979*	566	527	39	4,079
Banking sector: (d)									
Discount market	414		192	222		220	1	1	0
Other	26,391		7,156	19,091		5,540	12,024	1,527	144
Total	26,805	8	7,348	19,313	*19,758*	5,760	12,025	1,528	144
Building societies	7,808	2	1,620	6,187	*6,400*	5,088	657	442	1
Institutional investors:									
Insurance companies	95,783		41	95,742	*95,648*	10,348	44,539	40,856	0
Pension funds	56,206		532	55,674	*51,900*	4,462	28,337	22,875	0
Investment trusts	1,716		0	1,716	*1,744*	349	377	990	0
Unit trusts	1,474		0	1,470	*1,501*	224	979	268	4
Total	155,179	47	573	154,602	*150,793*	15,383	74,231	64,988	4
Overseas holders:									
International organisations	6,457		0	913	*933*	158	750	5	5,544
Central monetary institutions	14,992		782	14,210	*14,642*	8,571	4,028	1,611	0
Other	21,852		271	21,581	*22,263*	13,370	6,361	1,850	0
Total	43,301	13	1,053	36,704	*37,838*	22,099	11,140	3,465	5,544
Other holders:									
Public trustee and various non-corporate bodies	236		0	236	*240*	50	126	60	0
Individuals and private trusts (e)	57,909		0	10,868	*11,106*	3,701	5,399	1,768	47,041
Industrial and commercial companies	7,533		94	1,446	*23,316*	25,756	2,759	-3,990	5,993
Other (residual)	23,079			23,079					0
Total	88,757	27	94	35,629	*34,662*	29,507	8,284	-2,162	53,034
Total market holdings (d)	327,153	100	10,781	253,566	*250,429*	78,402	106,863	68,301	62,806
Official holdings (d)	45,704		821	8,695	*8,738*	2,720	4,647	1,329	36,189
Total sterling debt	**372,857**		**11,602**	**262,262**	***259,168***	**81,122**	**111,510**	**69,630**	**98,994**

Owing to the rounding of figures, the sum of separate items will sometimes differ from the total shown.

(a) For explanations see the notes to 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 gilt holdings from 1970 to 1996 is published in the *Bank of England Statistical Abstract 1996*, Part 1, Table 19.4.
(d) Official holders include the Bank of England Issue Department and exceptionally, the Banking Department.
(e) Direct holdings only.

(1) Compiled from a variety of sources, although the majority of the data are taken from the ONS' quarterly and annual survey data of various financial and non-financial companies.

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 central government funds), and sundry other contingent liabilities and government 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-linked 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 1995/96 Supplementary Statements*. Provisional figures (some of which are revised in this article) are from *Financial Statistics*, September 1996.

Market holdings of the national debt, etc

Market holdings exclude holdings of 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 of the Banking Department of the Bank of England (together called 'official holders'). They include Issue Department's holdings under repo agreements; such holdings are therefore included in Table D as a central government liquid asset. The term 'market' includes local authorities and public corporations as defined for national income statistics.

Gross domestic product (GDP)

The percentage data shown in Table A (with the exception of the memo item) and Chart 4, are based on the average measure of GDP at current market prices in four quarters centred on 31 March. The data in Table B are based on GDP for the financial years 1994/95 and 1995/96.

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 the 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 but also any market holdings of other central government gross debt (*qv*). 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 general government.

Public sector consolidated total debt

This includes not only market holdings of the national debt but also any market holdings of other central government gross debt (*qv*). In addition it includes all local authority and public corporation debt. All holdings of one another'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. Further estimates of this (and a fuller analysis) are published each year by the Office for National Statistics 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 1996 *Bulletin*) converted into sterling at the end-March middle-market closing rate.

PSBR

Figures are taken from *Financial Statistics*, September 1996.