

The net debt of the public sector: end-March 1988

This article continues the series of notes begun in the March 1986 Bulletin (page 74) and last updated in the February 1988 Bulletin (page 83). Compiled with the help of the Central Statistical Office, it has been combined with the long-standing series of articles on the national debt and its distribution, the last of which appeared in the November 1987 Bulletin (page 550).

The main points are:

- Market holdings of national debt, and the consolidated debt of the public sector (see appendix for explanation of terms) each rose by £8–10 billion in 1987/88.
- Virtually all the increase was matched by a rise in public sector holdings of liquid assets, especially gold and foreign exchange reserves; net public sector debt was little changed.
- On all these measures, public sector debt declined in relation to GDP.
- A slightly lower proportion of national debt in market hands was in indexed form, reversing the trend of recent years.
- The average life of stocks in market hands fell slightly in the year to March 1988.

Net public sector debt

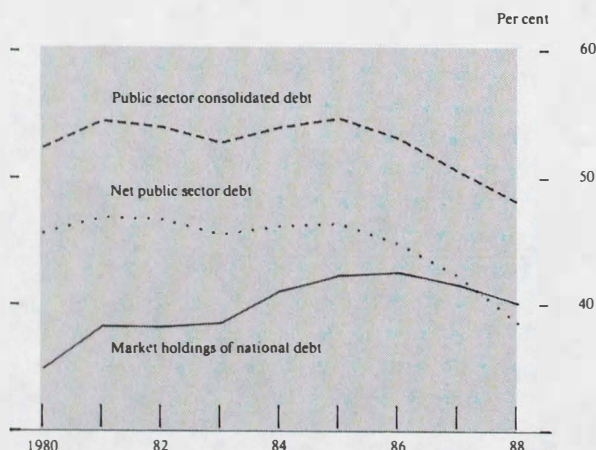
At the end of March 1988 the net debt of the public sector⁽¹⁾ amounted to £171.3 billion (Table A). This was only £0.2 billion above the total figure as at the end of March 1987; this is the first financial year since the earliest date for which this series has been compiled (1975) that there has not been a substantial increase. (The principal reasons why there was not actually a fall, in line with the 'negative' public sector borrowing requirement which measured debt transactions in 1987/88, are noted

in the box on page 532.) As a proportion of gross domestic product⁽²⁾ the net debt fell by 3.7 percentage points to 38.6%; this is also the lowest percentage recorded since the series began (Chart 1).

Although there was little change in net debt, both sides of the balance sheet increased. Public sector liquid assets grew by £8.6 billion, an increase of 25.7%. (This was mainly accounted for by an increase of £8.4 billion in the gold and foreign exchange reserves. In addition, there was a rise of £1.2 billion in bank deposits—mostly of local authorities—offset by a fall of £1.5 billion in outstanding calls on British government stocks.⁽³⁾) This was matched on the other side of the balance sheet by a rise in liabilities of the same order; the consolidated debt of the public sector grew by £8.8 billion (an increase of 4.3%).

Within the public sector consolidated debt, there was a larger rise of £11.5 billion, or 6.1%, in central government debt. This arose because, as in recent years, the central government borrowed large sums which were on-lent to local authorities, enabling them to repay other debt, while the public corporations were also repaying debt as a result of their own negative borrowing requirement. Borrowing requirement details can be seen in Table C. Market holdings of national debt rose by £9.7 billion or 5.8%; this was somewhat lower than the rise in the net total of central government debt held outside the public sector. The difference is largely attributable to a large rise in the

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



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

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

(2) Average measure of GDP at current market prices in four quarters centred on 31 March (two quarters grossed-up to an annual rate in 1988).

(3) The national debt records the total nominal value of stocks even when they are only partly paid.

Table A
Net public sector debt

£ millions, nominal value; percentages in italics

31 March	1980	1981	1982	1983	1984	1985	1986	1987	1988	Increases		
										1980-85	1985-87	1987-88
Central government												
Market holdings of national debt etc <i>as percentage of GDP</i>	78,121 <i>34.9</i>	94,983 <i>38.3</i>	104,108 <i>38.2</i>	114,213 <i>38.5</i>	130,907 <i>41.1</i>	146,684 <i>42.3</i>	158,432 <i>42.6</i>	168,247 <i>41.6</i>	177,926 <i>40.1</i>	68,563	21,563	9,679
Net indebtedness to Bank of England Banking Department	599	650	725	676	474	—	—	319	583	- 599	319	264
Savings banks	3,087	2,856	2,640	2,480	2,396	2,052	1,796	1,666	1,679	- 1,035	- 386	13
Accrued interest and indexing on national savings	1,430	1,954	2,493	3,002	3,795	4,629	5,508	6,091	6,246	3,199	1,462	155
Notes and coin in circulation	10,667	11,204	11,386	12,590	12,895	13,794	14,539	14,232	16,105	3,127	438	1,873
Other	242	256	372	399	429	369	327	283	305	127	- 86	22
Total	94,146	111,903	121,724	133,360	150,896	167,528	180,602	190,838	202,844	73,382	23,310	12,006
less held by local authorities and public corporations	- 931	- 1,196	- 1,293	- 1,421	- 1,936	- 1,657	- 1,836	- 1,283	- 1,788	- 726	374	- 505
Net total	93,215	110,707	120,431	131,939	148,960	165,871	178,766	189,555	201,056	72,656	23,684	11,501
Local authorities												
Total debt	34,113	36,382	36,325	36,673	38,248	41,021	43,425	45,948	48,613	6,908	4,927	2,665
less held by central government and public corporations	-15,808	-16,973	-16,048	-18,533	-21,794	-24,932	-30,397	-36,127	-40,207	-9,124	-11,195	-4,080
Net total	18,305	19,409	20,277	18,140	16,454	16,089	13,028	9,821	8,406	-2,216	-6,268	-1,415
Public corporations												
Total debt	30,026	31,278	31,603	32,430	33,451	31,640	30,920	28,223	28,558	1,614	-3,417	335
less held by central government and local authorities	-24,270	-26,058	-25,145	-26,006	-26,659	-23,883	-24,839	-23,018	-24,631	387	865	-1,613
Net total	5,756	5,220	6,458	6,424	6,792	7,757	6,081	5,205	3,927	2,001	-2,552	-1,278
Public sector: consolidated total <i>as percentage of GDP</i>	117,276 <i>52.4</i>	135,336 <i>54.5</i>	147,166 <i>54.0</i>	156,503 <i>52.8</i>	172,206 <i>54.0</i>	189,717 <i>54.7</i>	197,875 <i>53.2</i>	204,581 <i>50.6</i>	213,389 <i>48.1</i>	72,441	14,864	8,808
Public sector: consolidated liquid assets (Table C) <i>as percentage of GDP</i>	15,207 <i>6.8</i>	18,848 <i>7.6</i>	19,967 <i>7.3</i>	21,520 <i>7.3</i>	24,903 <i>7.8</i>	28,985 <i>8.4</i>	31,068 <i>8.3</i>	33,521 <i>8.3</i>	42,121 <i>9.5</i>	13,778	4,536	8,600
Net public sector debt <i>as percentage of GDP</i>	102,069 <i>45.6</i>	116,488 <i>46.9</i>	127,199 <i>46.7</i>	134,983 <i>45.5</i>	147,303 <i>46.2</i>	160,732 <i>46.4</i>	166,807 <i>44.8</i>	171,060 <i>42.3</i>	171,268 <i>38.6</i>	58,663	10,328	208
Memorandum item: GDP (£ billions)	223.6	248.2	272.4	296.4	318.8	246.7	372.2	404.6	443.3			

Table B
Public sector liquid assets

£ millions, nominal values

31 March	1980	1981	1982	1983	1984	1985	1986	1987	1988	Increases		
										1980-85	1985-87	1987-88
Central government												
Gold and foreign exchange reserves	12,460	12,583	10,637	11,702	11,619	10,998	12,686	16,855	25,216	- 1,462	5,857	8,361
Commercial bills	789	2,804	7,044	6,257	9,843	7,148	8,710	7,012	8,312	6,359	- 136	1,300
British government stock held under purchase and resale agreements	713	—	—	158	—	813	358	108	—	100	- 705	- 108
Export credit and shipbuilding paper held under purchase and resale agreements	—	—	—	440	—	2,599	1,926	954	—	2,599	-1,645	- 954
Net claim on Bank of England Banking Department	—	—	—	—	—	4,297	527	—	—	4,297	-4,297	—
Bank deposits	559	682	807	766	851	791	768	839	822	232	48	- 17
Instalments due on British government stocks	31	1,803	328	653	801	—	2,826	1,876	366	- 31	1,876	-1,510
Total	14,552	17,872	18,816	19,976	23,114	26,646	27,801	27,644	34,716	12,094	998	7,072
Local authorities												
Bank deposits	228	334	492	772	1,001	1,329	2,041	3,498	4,556	1,101	2,169	1,058
Other short-term assets	4	33	21	28	42	113	204	929	1,288	109	816	359
Total	232	367	513	800	1,043	1,442	2,245	4,427	5,844	1,210	2,985	1,417
Public corporations												
Bank deposits	384	587	612	715	697	844	977	1,443	1,561	460	599	118
Other short-term assets	39	22	26	29	49	53	45	7	—	14	- 46	- 7
Total	423	609	638	744	746	897	1,022	1,450	1,561	474	553	111
Public sector: consolidated liquid assets	15,207	18,848	19,967	21,520	24,903	28,985	31,068	33,521	42,121	13,778	4,536	8,600

note circulation in 1987/88 (not included in market holdings of national debt) following an unusual fall in 1986/87—reflecting the fact that the end of the 1987/88 financial year coincided with the pre-Easter peak in the note circulation, whereas Easter 1987 had fallen some weeks after the end of fiscal 1986/87. In so far as the central government is financed from this source it can reduce its other borrowing from the market (or increase its holdings of liquid assets).

Market holdings of national debt have risen as a proportion of consolidated public sector debt in each of

the eight years since 1980, while market holdings of local authority and to a lesser extent public corporation debt have fallen (Chart 2). This mainly reflects the continuing switch by local authorities away from market borrowing towards borrowing from the central government; to a lesser extent it also reflects the reduction in the use of the rest of the public sector to borrow foreign currency for the reserves in favour of direct borrowing by the central government.

Market holdings of national debt at end-March 1988 have actually exceeded for the first time the net public sector

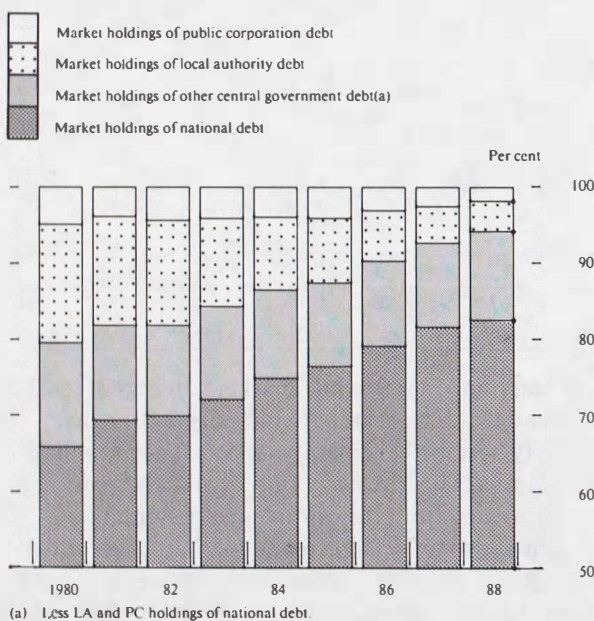
Table C
Composition of the PSBR

£ millions; percentages in italics

	1980/81- 1984/85 (annual rate)		1985/86- 1986/87 (annual rate)		1987/88	
Central government borrowing requirement:						
on own account	7,650	76.4	4,408	97.0	-3,393	-95.7
for on-lending to local authorities	1,929	19.2	5,813	127.9	4,097	115.6
for on-lending to public corporations	1,502	15.0	508	11.2	29	0.8
CGBR	11,081	110.6	10,729	236.1	733	20.7
Local authorities' net borrowing from markets	- 815	- 8.1	-4,859	-106.9	-2,703	-76.3
Public corporations' net borrowing from markets	- 287	- 2.5	-1,326	-29.2	-1,573	-44.4
Public sector borrowing requirement (PSBR)	9,979	100.0	4,544	100.0	-3,543	-100.0
Alternative analysis:						
CGBR on own account (CGBR [O])	7,650	76.4	4,408	97.0	-3,393	-95.7
Local authority borrowing requirement (LABR)	1,115	11.1	954	21.0	1,394	39.3
Public corporation borrowing requirement (PCBR)	1,214	12.5	- 818	- 18.0	-1,544	-43.6
As percentage of GDP:						
CGBR	3.9		2.9		0.2	
CGBR (on own account)	2.7		1.2		- 0.8	
LABR	0.4		0.2		0.3	
PCBR	0.4		- 0.2		- 0.3	
PSBR	3.5		1.2		- 0.8	
Memorandum item:						
GDP (£ billions)	284.1		373.4		424.5	

debt (Chart 1). This is because of the sharp growth of public sector liquid assets, not only in 1987/88 as mentioned above but over the past eight years. In this period these assets have grown by 177%, whereas market holdings of the national debt have grown by 128% and

Chart 2
Market holdings of public sector debt



(1) The increase of £12.8 billion in the sterling debt includes £562 million representing the attributable capital uplift during the financial year on the index-linked issues of government stock; this is slightly more than the rise in the previous year, in spite of the payment of six years of accrued uplift on the redemption of 2% Index-Linked Treasury Stock 1988 during the 1987/88 financial year. This was largely because of a faster rise in the retail price index between July 1986 and July 1987 (the relevant dates for the calculation of the uplift) than in the previous twelve months.

(2) Debt held by the National Debt Commissioners (other than for the National Savings Stock Register), certain other central and Northern Ireland government funds and accounts, and by the Bank of England.

Reconciliation

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

- Changes in exchange rates affect the value of foreign currency liabilities and assets independently of transactions.
- When British government stocks are issued at a discount or premium, the borrowing requirement is financed by the actual amount received, while the debt increases by the nominal value.
- The borrowing figures include the uplift on index-linked British government stocks only when it is paid out, but the national debt figures include it as it accrues over the life of the stock in market hands.
- Borrowing requirements do not include the changes in assets and liabilities that arise from changes in the boundary of the public sector (eg in 1987/88, the exclusion from the public sector of British Airports Authority because of privatisation).

(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.

consolidated public sector debt by only 82%. Net public sector debt has grown by 68%. (Over the same period the retail price index has grown by 63%.) Within the public sector liquid assets, gold and foreign exchange reserves have risen by the greatest amount (£12.8 billion or 102%) but bank deposits and other short-term assets (particularly of local authorities) have grown particularly strongly (£7.0 billion or 578%).

The national debt

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

The change in debt outstanding (Table D)

During the year ended 31 March 1988 the total nominal value of the national debt⁽¹⁾ rose by nearly £11.6 billion, £2.7 billion less than in the previous twelve months (the rate of increase was lower, at 6.2%). Debt held by official funds⁽²⁾ showed a rise of £1.9 billion over the year; market

Table D
Market and official holdings of national debt

£ millions, nominal value

Percentage of market holdings in italics

	End-March 1987		End-March 1988	
Market holdings				
Sterling marketable debt:				
Government and government-guaranteed stocks: index-linked	14,376	8.6	15,151	8.5
other	112,553	66.9	119,408	67.1
Treasury bills	2,036	1.2	2,809	1.6
Sterling non-marketable debt:				
National savings: index-linked	2,663	1.6	2,435	1.4
other	23,894	14.2	26,020	14.6
Interest-free notes due to the IMF	3,572	2.1	3,848	2.2
Certificates of tax deposit(a)	2,930	1.7	2,909	1.6
Other	308	0.2	621	0.3
Total	162,332	96.5	173,201	97.3
Foreign currency debt: (b)				
North American government loans	1,522		1,240	
Foreign currency bonds	73		35	
Debt assigned to the government	268		—	
Floating-rate notes	4,052		3,450	
Total	5,915	3.5	4,725	2.7
Total market holdings	168,247	100.0	177,926	100.0
Official holdings				
	17,494		19,404	
Total	185,741		197,330	

of which,
nationalised industries' stocks
guaranteed by the government

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

(b) Sterling valuation rates:
End-March 1987: £1 = \$1.6042, Can. \$2.0988.
End-March 1988: £1 = \$1.8845, Can. \$2.3243.

holdings (as noted above) rose by £9.7 billion (5.8%), compared with £9.8 billion (6.2%) in the previous year. The central government borrowing requirement (CGBR) was only £0.7 billion in 1987/88, a reduction of £9.8 billion on a year earlier, but the change in debt raised was much larger, mainly because of the need to finance the acquisition of foreign currency reserves.

Market holdings of national debt, when expressed at nominal value as a proportion of annual gross domestic product, fell by 1.5 percentage points from March 1987, to 40.1% (Chart 1), continuing the trend set last year.

Analysis by instrument

During the year the proportion of total national debt in market hands held in the form of non-index-linked government stock rose from 66.9% to 67.1%, and the proportion held in the form of index-linked stock fell from 8.6% to 8.5%. In the case of the next largest group of instruments, national savings, index-linked national savings fell from 1.6% to 1.4% and fixed-interest national savings rose from 14.2% to 14.4%. The overall total of index-linked debt therefore fell from 10.1% to 9.9% of market holdings of national debt.⁽¹⁾ These movements reverse the trend of recent years.

(1) Although this proportion includes the accrued liability from the index-linking of certain government stocks, it excludes accrued liabilities from index-linking on national savings certificates and SAYE contracts which, together with accrued interest on all national savings, are normally excluded from the definition of national debt; if included, the proportion of index-linked debt would be 10.6% of total national debt in market hands, compared with 10.9% at end-March 1987. As a proportion of market holdings of debt denominated in sterling, the comparable figures are 10.9% and 11.3% respectively.

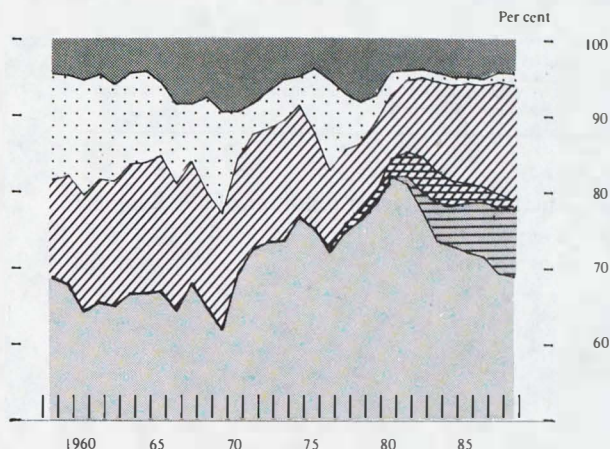
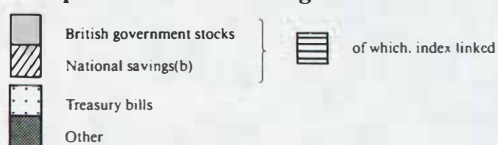
(2) See in particular the tables entitled 'Issues of gilt-edged stocks': in the August 1987 *Bulletin*, page 352; November 1987, page 505; February 1988, page 34; and May 1988, page 189. None of the figures above includes the securities specifically designated as NILO stocks, which are never sold to the market.

There was a fall in the market's holdings of external (foreign currency) debt from 3.5% to 2.7% due largely to the sharp fall (of nearly 15%) in the value of the dollar in terms of sterling.

Gilt-edged stocks

During 1987/88 the authorities issued stock with a nominal value of £15.0 billion (£1.2 billion was index-linked), of which £2.9 billion was issued to or reserved for the National Debt Commissioners. There were six issues of new stocks totalling £6.0 billion (one being a convertible of £1.0 billion), of which £0.7 billion was reserved for the National Debt Commissioners. There were no issues of new index-linked stock. Three further

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



(a) At 31 March of each year.
(b) NSB investment accounts are included within national savings from 1981.

large tranches of existing stocks totalling £2.9 billion were issued to the Bank, of which £0.1 billion was reserved for the National Debt Commissioners. In addition, forty-seven small tranches of existing stock totalling £6.2 billion (including thirteen tranches of index-linked stock totalling £1.2 billion) were issued, of which sixteen (totalling £2.1 billion) were issued to the National Debt Commissioners. Details of individual issues may be found in the series of articles on the operation of monetary policy.⁽²⁾ Also during the year seven stocks with a nominal value of £8.3 billion were redeemed, including £1.2 billion (including accrued uplift) of 2% Index-Linked Treasury Stock 1988—the first index-linked stock to reach maturity. (Because this did not take place until 30 March 1988, a further £0.2 billion was not repaid until 1988/89.)

During 1987/88 the nominal amount of gilt-edged stock in market hands increased by £7.6 billion. The cash value of net official sales amounts to £7.1 billion:⁽¹⁾ gross sales totalled £13.5 billion, but during the year some £5.5 billion matured while in market hands, including £0.9 billion (excluding uplift) of 2% Index-Linked Treasury Stock 1988.⁽²⁾ The authorities bought in another

£1.0 billion of stocks from the market prior to redemption. As a proportion of total market holdings of national debt, gilt-edged stocks rose by 0.2 percentage points from last year to 75.6%.

Table E
Average life of dated stock in market hands

Years to maturity at end March	1984	1985	1986	1987	1988
Assumptions					
Latest possible redemption:					
All dated stocks:(a)					
No conversions	10.7	10.4	10.4	10.9	10.6
Maximum conversions(b)	11.6	11.3	10.8	11.2	10.8
Excluding index-linked stocks:					
All dated stocks:					
No conversions	10.1	9.5	9.5	9.7	9.3
Maximum conversions(b)	11.0	10.5	9.9	10.1	9.5
Earliest possible redemption date for stocks standing above par on 31 March:					
All dated stocks:(a)					
No conversions	10.3	10.0	10.0	10.5	10.2
Maximum conversions(b)	11.2	10.9	10.5	10.9	10.5
Excluding index-linked stocks:					
All dated stocks:					
No conversions	9.6	9.1	9.1	9.3	8.9
Maximum conversions(b)	10.5	10.0	9.6	9.7	9.1

(a) Index-linked stocks are given a weight reflecting capital uplift accrued to 31 March.
 (b) At end-March 1987 and 1988, in respect of two stocks with conversion rights, stockholders had a choice of stocks into which they could convert. In these calculations it is assumed that 50% of the original stock would be converted into one of the 'new' stocks and 50% into the other.

Chart 4
Residual maturity of market holdings of stocks

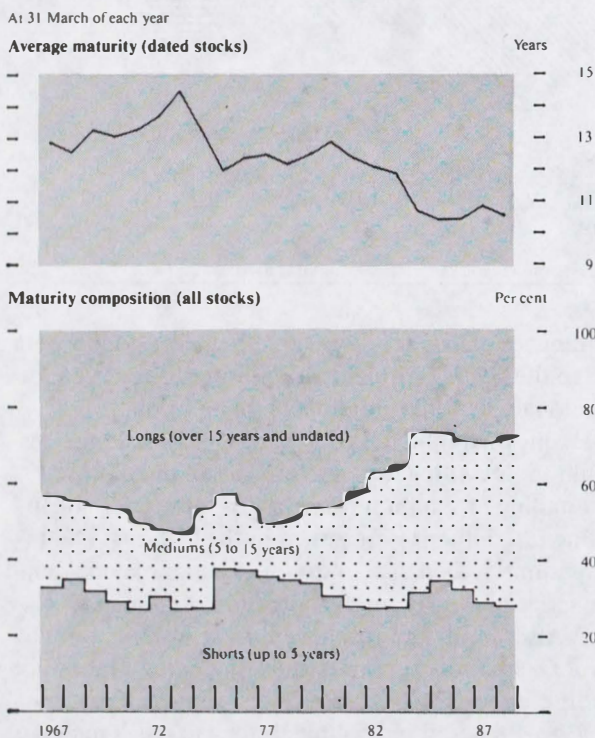
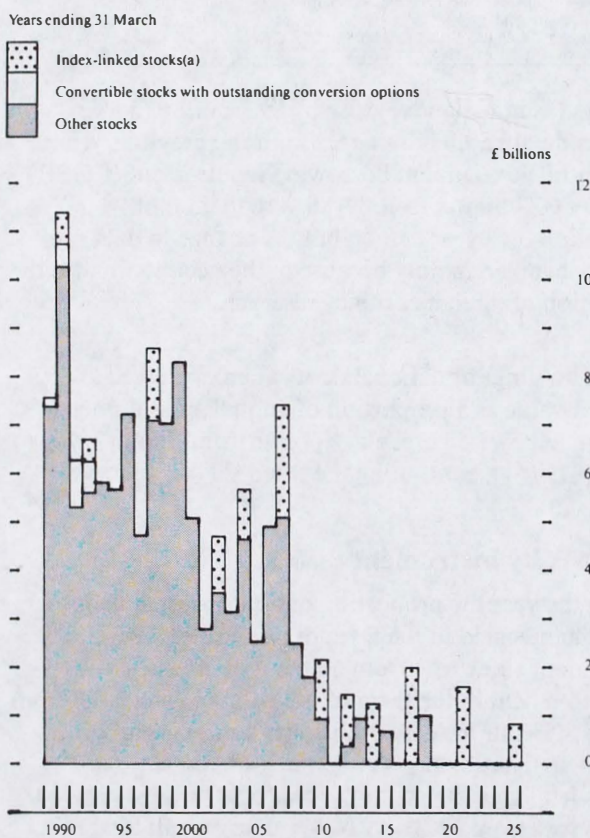


Table F
Average amount of stock in market hands to be redeemed annually over the following five years

£ billions, at end-March	1982	1983	1984	1985	1986	1987	1988
With no conversions	4.5	4.8	6.4	7.9	7.9	7.3	7.5
Maximum conversions	4.3	4.4	5.4	6.7	7.0	6.9	7.1

The average life of dated stocks in market hands was 10.6 years at end-March 1988, compared with 10.9 at March 1987.⁽³⁾ When index-linked stocks are excluded the average is 9.3 years, below the 1987 average of 9.7 (Table E and Chart 4).⁽⁴⁾ The average amount of stock to be redeemed in each of the next five years is detailed in Table F. When outstanding options on convertible stocks are ignored, the average amount to be redeemed annually rises from £7.3 billion at end-March 1987 to £7.5 billion at end-March 1988 (Chart 5). Gross redemptions were scheduled to reach a peak of £11.4 billion in 1989/90.

Chart 5
Maturities of dated stocks in market hands

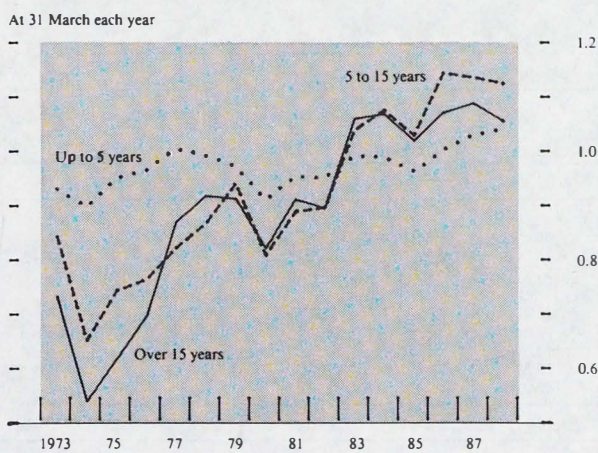


(a) Figures include accrued uplift up to 31 March 1988.

(1) The difference arises because the amount outstanding includes the capital uplift on index-linked stocks and also the net discount on new issues of stock less the reduction in outstanding calls on partly-paid stocks (in both cases the national debt includes the full nominal value of these stocks, but the CGBR is financed only by the payments actually received during the year).
 (2) In the system of financial statistics only the original nominal value is treated as being repaid; the uplift accrued over the whole life of the stock is charged to the PSBR on redemption.
 (3) The aggregation of index-linked and non-index-linked stock for the purposes of measuring average maturity presents a conceptual difficulty (see the December 1982 Bulletin, page 540). This calculation, which gives index-linked stocks a weight reflecting the capital uplift accrued so far, assumes that stocks will mature on their latest possible redemption date and that holders of convertible stocks will not exercise their option to convert into stocks of a later maturity. Table E also illustrates alternatives to these assumptions, viz that stocks which stood above par on 31 March 1988 will be redeemed at the earliest possible date and that all convertible stocks will be converted into stocks of a later maturity.
 (4) £0.4 billion of short-term convertible stock was converted into medium or long-term stock during 1987/88.

The market value of gilt-edged stocks in market hands rose by £8.1 billion to £143.1 billion. This compares with a £7.7 billion rise in their nominal value, the difference reflecting the rise in average gilt prices over the year. Yields on conventional stocks fell during the year, by 0.29 percentage points for short-dated stocks, 0.11 percentage points for medium-dated stocks, and 0.15 percentage points for long-dated stocks.⁽¹⁾ At end-March 1988 the total market value of fully-paid stocks (including index-linked) in market hands exceeded their total nominal value. The ratio of market to nominal value rose from 1.03 to 1.04 for short-dated stocks, but fell from 1.14 to 1.13 for medium-dated stocks, from 1.07 to 1.06 for long-dated stocks, and from 0.41 to 0.37 for undated stocks (Chart 6).

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



National savings

National savings raised £2.1 billion financing in 1987/88—but this figure includes some £0.1 billion for the net increase in accrued interest and index-linking which is not included in the national debt;⁽²⁾ excluding this, national savings rose by £2.0 billion, a lower rise than in recent years, but as a proportion of outstanding debt the share of national savings rose by 0.2%. Once again income bonds raised most of this total (£1.5 billion). The outstanding stock of fixed-interest certificates fell by £0.8 billion, the first decrease for over ten years;⁽³⁾ there were also net withdrawals of £0.2 billion from index-linked certificates.⁽⁴⁾

The level of deposits with the National Savings Bank investment account rose by £1.0 billion, deposit bonds rose by £0.2 billion and premium savings bonds also by £0.2 billion. The Yearly Plan savings scheme raised £0.1 billion.

The indexed-income bond, launched in November 1985, was withdrawn this year.

Other sterling debt

The market's holdings of Treasury bills at 31 March 1988 were £2.8 billion, £0.8 billion higher than a year earlier. Holdings of certificates of tax deposit, however, were unchanged during 1987/88, at £2.9 billion. Public corporations' temporary deposits with the National Loans Fund increased by £0.3 billion.

External (foreign currency) debt

There were repayments of £0.4 billion on existing foreign currency debt; the majority represented the early repayment of all the remaining public corporation debt assigned to the Treasury in 1984/85, with a small amount being the scheduled repayment of the final instalment of the foreign currency bonds issued to overseas official holders of sterling in April 1977.

It is estimated that at 31 March 1988 the sectoral breakdown for holders of floating-rate notes was as follows: £0.8 billion was held by overseas residents, £0.1 billion was eurodollar lending by banks in the United Kingdom and £2.6 billion was held by other United Kingdom residents.

Analysis by holder (Table G)

Holdings of national debt by the monetary sector⁽⁵⁾ fell by £0.7 billion (within which holdings of British government stocks by the discount market rose by £0.2 billion), reversing the previous trend. Holdings of certificates of tax deposit by the banks increased marginally. Other

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

£ billions	Amounts outstanding at 31 March		Change in 1987/88
	1987	1988	
Market holdings^(b)			
Public corporations and local authorities	0.5	1.0	+ 0.5
Monetary sector	9.8	9.1	- 0.7
Other financial institutions:			
Insurance companies and pension funds	66.8	68.4	+ 1.6
Other	10.0	9.5	- 0.5
Overseas residents	18.8	22.1	+ 3.3
Individuals and private trusts	38.6	40.4	+ 1.8
Other (including residual)	17.8	22.7	+ 4.9
Total market holdings	162.3	173.2	+10.9
Official holdings^(b)	17.5	19.4	+ 1.9
Total sterling debt	179.8	192.6	+12.8

(a) A detailed table showing the distribution of the sterling debt at 31 March is included in the appendix to this article.

(b) Market and official holdings for 1987 have been adjusted to include within market holdings gilt-edged stocks held temporarily by the Bank of England Issue Department under purchase and resale agreements with the monetary sector. There were no such holdings at end-March 1988.

(1) After falling in the spring of 1987 to their lowest levels for several years, yields began to climb again in the summer to peak in early October 1987. They fell sharply in mid-October following the equity market crash but recovered somewhat during the winter, falling again towards the end of the financial year.

(2) Accrued interest, index-linked increments and bonuses outstanding on national savings certificates and Save as You Earn contracts, and non-capitalised interest on the National Savings Bank investment account, deposit bonds and the Yearly Plan totalled £6.2 billion compared with £6.1 billion a year earlier. The increase was smaller than in recent years because of the high level of repayments of matured certificates.

(3) The 33rd issue, which offered 7.0% over five years, was introduced in May 1987 and remained on offer throughout the financial year. Apart from a provision (limited to £5,000) for conversion from previous issues, the maximum permitted holding was £1,000.

(4) The fourth issue of index-linked national savings certificates offered 4.04% above the rate of inflation over five years. They were on offer throughout the financial year.

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

financial institutions increased their holdings of debt by some £1.1 billion, again in contrast to last year's fall: building societies' holdings of British government stocks rose by £0.5 billion; public sector pension funds' holdings increased by £0.3 billion and those of private sector funds by £0.6 billion.⁽¹⁾ Holdings of debt by individuals and private trusts rose by £1.8 billion, mainly reflecting

increased holdings of national savings; their holdings of gilt-edged stocks are estimated not to have changed over the year.⁽²⁾

Externally-held debt denominated in sterling rose by £3.3 billion: overseas residents' holdings of gilt-edged stocks and Treasury bills rose by a total of £3.0 billion.

Table H
Estimated distribution of the sterling national debt: 31 March 1988

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

	Total debt	Percentage of market holdings	Treasury bills	Stocks		Up to 5 years to maturity	Over 5 years and up to 15 years	Over 15 years and undated	Non-marketable debt
				Total	Market value				
Market holdings									
Other public sector:									
Public corporations	1,032		135	222		111	111	—	675
Local authorities	120		—	113		57	28	28	7
Total	1,152	1	135	335	360	168	139	28	682
Monetary sector: ^(c)									
Discount market	328		125	203		160	21	22	—
Other	8,799		306	8,150		1,888	3,543	2,718	343
Total	9,126	5	431	8,352	9,012	2,049	3,564	2,740	343
Other financial institutions:									
Insurance companies	39,562		11	39,551	42,998	3,549	20,638	15,363	—
Building societies	8,336		—	8,068	8,467	7,222	839	7	268
Local authority pension funds	3,622		—	3,622	3,926	102	1,640	1,880	—
Other public sector pension funds	6,751		—	6,751	7,320	390	3,150	3,211	—
Private sector pension funds	18,457		—	18,395	19,947	662	8,511	9,222	62
Investment trusts	504		—	504	541	231	189	84	—
Unit trusts	598		—	598	653	149	377	73	—
Other	70		—	70	76	12	42	15	—
Total	77,900	45	11	77,559	83,928	12,317	35,386	29,856	330
Overseas holders:									
International organisations	4,514		88	578	651	439	129	10	3,848
Central monetary institutions	7,343		1,288	6,055	6,452	3,599	1,772	684	—
Other	10,240		240	9,999	10,915	2,995	6,469	535	1
Total	22,097	13	1,616	16,632	18,018	7,033	8,370	1,229	3,849
Other holders: ^(e)									
Public Trustee and various non-corporate bodies	761		179	582	636	127	370	85	—
Individuals and private trusts: ^(d)	40,350		—	14,592	15,675	6,043	5,699	2,850	25,758
Industrial and commercial companies	3,235		437	760	15,518	9,973	6,478	55	2,038
Other (residual)	18,581		—	15,747					2,835
Total	62,926	36	616	31,680	31,829	16,143	12,547	2,990	30,630
Total market holdings^(c)	173,201	100	2,809	134,559	143,147	37,709	60,006	36,844	35,834
Official holdings^(c)	19,404		882	9,544	9,833	3,771	4,527	1,246	8,977
Total sterling debt	192,605		3,691	144,103	152,980	41,480	64,533	38,090^(f)	44,811
<i>of which:</i>									
nationalised industries' stocks guaranteed by the government	10			10		10			

Figures may not add to totals because of roundings.

— nil or less than £1 million.

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

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

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

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

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

(f) Of which, undated £3,221 million.

(1) Part of these changes reflects a switch in classification of certain funds because of the privatisation of the companies to which they relate.

(2) These are broad estimates derived from the stock registers and other information. They do not include stock held through nominee companies as the beneficial ownership of these cannot be derived from the registers. There were some 1,541,800 identified accounts on the Bank of England stock register for individuals and private trusts at end-March 1988, a fall of 134,700 on twelve months earlier.

Notes and definitions

The national debt

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

Consolidated debt of the public sector

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

Market holdings of the national debt etc

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

Net indebtedness of the Bank of England Banking Department

The Banking Department's holdings of central government debt (principally Treasury bills and British government stocks) less the

deposits of the National Loans Fund and Paymaster General. At end-March 1985 and end-March 1986 this was a net claim—see Table B.

Savings banks

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

Other central government debt

Now includes only market holdings of Northern Ireland government debt (principally Ulster Savings Certificates) and the balances of certain public corporations with the Paymaster-General. As from this article it no longer includes certain other liabilities, transactions in which are not included in the calculation of the CGBR.

The net debt of the public sector

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

Gold and foreign currency reserves

These are at the official dollar valuation (see notes and definitions to Table 17.1 in the February 1988 *Bulletin*) converted to sterling at the end-March middle market closing rate.

Instalments due on British government stocks

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

PSBR

In a change of compilation since the last article in this series the PSBR now excludes changes in public corporations' holdings of notes and coin. This brings it into line with the net public sector debt coverage already established.

Figures are taken from *Financial Statistics* September 1988.