

The net debt of the public sector: end-March 1990

This article continues the series of notes begun in the March 1986 Bulletin (page 74) and last updated in the November 1989 Bulletin (page 552). From the November 1988 Bulletin it has been combined with the long-standing series of articles on the national debt and its distribution. It has been compiled with the help of the Central Statistical Office.

The main points are:

- The net debt of the public sector and market holdings of the national debt (see appendix for explanation of terms) both fell by around £7 billion in 1989/90. The consolidated debt of the public sector fell by £10 billion.
- On all these measures, there was a sharp decline in relation to GDP (3½ percentage points in the case of the net debt).
- The proportion of national debt in market hands which was in index-linked form continued to rise.

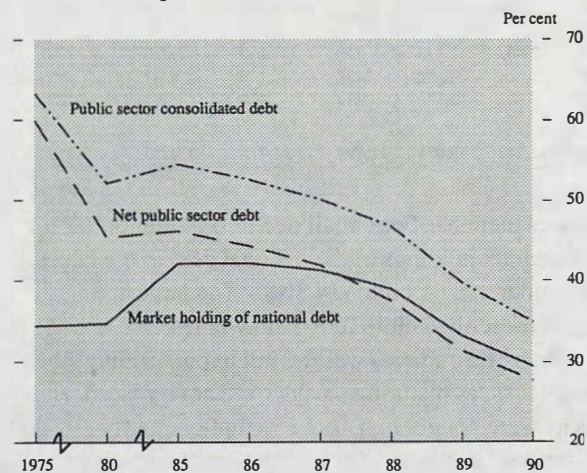
Net public sector debt

It is provisionally estimated that at the end of March 1990 the net debt of the public sector⁽¹⁾ amounted to £150.6 billion (Table A)—£7.2 billion (4.6%) less than at the end of March 1989. 1989/90 was the second year running in which there had been a substantial decrease; over the two years there has been a fall of 12.1%. The main cause was another substantial 'negative' public sector borrowing requirement, or public sector debt repayment, measuring net debt transactions in 1989/90 (Table C—the principal reasons why the figures for changes in net debt are not the same as those for the borrowing requirement are noted in the box on page

522). As a proportion of gross domestic product⁽²⁾ the net debt fell by 3.6 percentage points to 27.7% (Chart 1). Over the five years since 31 March 1985 it has fallen by 18.4 percentage points so that the ratio itself has fallen about 40%.

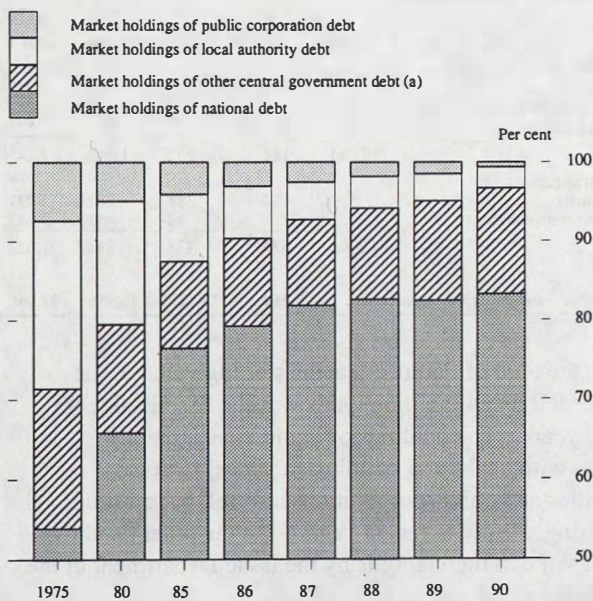
The fall was even larger on the liabilities side of the public sector balance sheet; unlike recent years, public sector liquid assets fell back, by £3.2 billion (7.5%) (Table B).

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.

Chart 2
Market holdings of public sector debt



(a) Less LA and PC holdings of national debt.

(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 grossed up to an annual rate in 1990.

Table A
Net public sector debt

£ millions, nominal values; percentages in italics

31 March	1975	1980	1985	1986	1987	1988	1989	1990	Increases				
									1975-80	1980-85	1985-89	1989-90	
Central government													
Market holdings of national debt etc <i>as percentage of GDP</i>	34,510 <i>34.4</i>	78,121 <i>34.7</i>	146,684 <i>42.1</i>	158,432 <i>42.2</i>	169,341 <i>41.3</i>	178,076 <i>38.9</i>	167,176 <i>33.2</i>	160,031 <i>29.4</i>	43,611	68,563	20,492	-7,145	
Net indebtedness to Bank of England													
Banking Department	1,255	599	—	—	319	583	969	1,444	-656	-599	969	475	
Savings banks	3,132	3,087	2,052	1,791	1,668	1,657	1,632	1,562	-45	-1,035	-420	-70	
Accrued interest and indexing on national savings	547	1,429	4,629	5,229	5,754	6,109	5,440	4,571	882	3,200	811	-869	
Notes and coin in circulation	5,994	10,667	13,794	14,539	14,232	16,105	16,907	17,626	4,673	3,127	3,113	719	
Other	142	253	369	327	284	227	225	191	111	116	-144	-34	
Total	45,580	94,156	167,528	180,318	191,598	202,757	192,349	185,425	48,576	73,372	24,821	-6,924	
less held by local authorities and public corporations	-297	-931	-1,657	-1,836	-1,279	-1,789	-2,235	-2,064	-634	-726	-578	171	
Net total	45,283	93,225	165,871	178,482	190,319	200,968	190,114	183,361	47,942	72,646	24,243	-6,753	
Local authorities													
Total debt	24,319	34,113	41,021	43,428	45,948	48,804	51,879	52,355	9,794	6,908	10,858	476	
less held by central government and public corporations	-10,875	-15,808	-24,932	-30,397	-36,125	-40,185	-44,936	-47,211	-4,933	-9,124	-20,004	-2,275	
Net total	13,444	18,305	16,089	13,031	9,823	8,619	6,943	5,144	4,861	-2,216	-9,146	-1,799	
Public corporations													
Total debt	18,828	30,027	31,559	30,723	27,728	26,398	21,856	14,881	11,199	1,532	-9,703	-6,975	
less held by central government and local authorities	-14,123	-24,271	-23,802	-24,642	-22,523	-22,473	-18,845	-13,671	-10,148	469	4,957	5,174	
Net total	4,705	5,756	7,757	6,081	5,205	3,925	3,011	1,210	1,051	2,001	-4,746	-1,801	
Public sector: consolidated total debt <i>as percentage of GDP</i>	63,432 <i>63.3</i>	117,286 <i>52.1</i>	189,717 <i>54.4</i>	197,594 <i>52.6</i>	205,347 <i>50.1</i>	213,512 <i>46.7</i>	200,068 <i>39.7</i>	189,715 <i>34.9</i>	53,854	72,431	10,351	-10,353	
Public sector: consolidated liquid assets (Table B) <i>as percentage of GDP</i>	3,414 <i>3.4</i>	15,207 <i>6.8</i>	28,985 <i>8.3</i>	31,068 <i>8.3</i>	33,539 <i>8.2</i>	42,162 <i>9.2</i>	42,240 <i>8.4</i>	39,071 <i>7.2</i>	11,793	13,778	13,255	-3,169	
Net public sector debt <i>as percentage of GDP</i>	60,018 <i>59.9</i>	102,079 <i>45.4</i>	160,732 <i>46.1</i>	166,526 <i>44.3</i>	171,808 <i>41.9</i>	171,350 <i>37.5</i>	157,828 <i>31.3</i>	150,644 <i>27.7</i>	42,061	58,653	-2,904	-7,184	
Memorandum item: GDP (£ billions)	100.2	225.0	348.3	375.8	410.1	457.3	504.2	544.2					

Table B
Public sector liquid assets

£ millions, nominal values

31 March	1975	1980	1985	1986	1987	1988	1989	1990	Increases			
									1975-80	1980-85	1985-89	1989-90
Central government												
Gold and foreign exchange reserves	2,458	12,460	10,998	12,686	16,855	25,216	27,844	23,880	10,002	-1,462	16,486	-3,964
Commercial bills	270	789	7,148	8,710	7,012	8,312	2,456	3,657	519	6,359	-4,692	1,201
British government stock held under purchase and resale agreements	—	713	813	358	108	—	—	—	713	100	-813	—
Export credit and shipbuilding paper held under purchase and resale agreements	—	—	2,599	1,926	954	—	—	—	—	2,599	-2,599	—
Net claim on Bank of England Banking Department	—	—	4,297	527	—	—	—	—	—	4,297	-4,297	—
Bank deposits	331	559	791	768	839	822	894	920	228	232	103	26
Instalments due on British government stocks	—	31	—	2,826	1,876	366	—	—	31	-31	—	—
Total	3,059	14,552	26,646	27,801	27,644	34,716	31,194	28,457	11,493	12,094	4,548	-2,737
Local authorities												
Bank deposits	181	228	1,329	2,041	3,516	4,566	6,622	6,257	47	1,101	5,293	-365
Building society deposits	..	4	113	204	929	998	1,367	1,811	4	109	1,909	444
Other short-term assets	..	..	..	..	..	320	655	373	..	..	..	-282
Total	181	232	1,442	2,245	4,445	5,884	8,644	8,441	51	1,210	7,202	-203
Public corporations												
Bank deposits	174	384	844	977	1,443	1,562	2,402	2,173	210	460	1,558	-229
Other short-term assets	..	39	53	45	7	—	—	—	39	14	-53	—
Total	174	423	897	1,022	1,450	1,562	2,402	2,173	249	474	1,505	-229
Public sector: consolidated liquid assets	3,414	15,207	28,985	31,068	33,539	42,162	42,240	39,071	11,793	13,778	13,255	-3,169

Within the total of liquid assets the sterling value of the reserves fell by £4.0 billion—this was the first decline for several years. The holdings of liquid assets (mainly deposits with banks and building societies) by local authorities and public corporations also fell back a little, after rising sharply in recent years. On the other hand the holdings of commercial bills by the Issue Department of the Bank of England rose by £1.2 billion.

Within the fall of £10.4 billion in public sector consolidated debt, private and overseas holdings of central government debt fell by £6.8 billion (3.6%) to £183.4 billion. (Over the

last two years there has been a fall of £17.6 billion or 8.8%.) The fall in market holdings of the national debt in the latest year was similar at £7.1 billion (4.3%). The largest contribution (described more fully below in the analysis of national debt by instrument) was the fall in outstanding gilt-edged stocks, as maturing stocks were not replaced, and other stocks were bought in before redemption, partly through 'reverse' auctions. Of the instruments which are outside the national debt, notes and coin in circulation were £0.7 billion higher at the end of the year, but there was again a substantial reduction (of £0.9 billion) of outstanding accrued interest on national savings.

Private and overseas holdings of the debt of the rest of the public sector also fell substantially. In the case of local authorities this reflected the continued restructuring of their debt away from market borrowing towards borrowing from the central government through the agency of the Public Works Loan Board. In the case of public corporations it was largely because they, like the central government, had a 'negative' borrowing requirement.⁽¹⁾ These features of the rest of the public sector continued developments that have prevailed in recent years (Chart 2).

Table C
Composition of the PSBR

£ millions; percentages in italics

	1980/81- 1984/85 (annual rate)		1985/86- 1988/89 (annual rate)		1989/90	
Central government borrowing requirement:						
on own account	7,650	76.7	-1,817	-83.1	-5,336	-67.5
for on-lending to local authorities	1,929	19.3	5,127	234.4	2,262	28.6
for on-lending to public corporations	1,502	15.0	507	23.2	-2,523	-31.9
CGBR	11,081	111.0	3,817	174.5	-5,597	-70.8
Local authorities' net borrowing from markets	-815	-8.1	-4,248	-194.2	-942	-11.9
Public corporations' net borrowing from markets	-287	-2.9	-1,756	-80.3	-1,372	-17.3
Public sector borrowing requirement (PSBR)	9,979	100.0	-2,187	-100.0	-7,911	-100.0
Alternative analysis:						
CGBR on own account (CGBR(0))	7,650	76.7	-1,817	-83.1	-5,336	-67.5
Local authority borrowing requirement (LABR)	1,115	11.2	879	40.2	1,320	16.7
Public corporations' borrowing requirement (PCBR)	1,214	12.1	-1,249	-57.1	-3,895	-49.2
As percentage of GDP:						
CGBR	3.9		-1.0		-1.1	
CGBR (on own account)	2.7		-0.4		-1.0	
LABR	0.4		0.2		0.2	
PCBR	0.4		-0.3		-0.7	
PSBR	3.5		-0.5		-1.5	
Memorandum item:						
GDP (£ billions)	284.6		401.1		523.0	

The national debt

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

The change in debt outstanding (Table D)

Market holdings of the national debt at nominal value fell by £7.1 billion (4.3%) during the year ended 31 March 1990, compared with a fall of £10.9 billion (6.1%) in the previous year. The central government borrowing requirement was -£5.6 billion (Table C), ie a central government surplus, again somewhat lower than the surplus in the previous year. Debt held by official funds⁽²⁾ showed a rise of £2.4 billion

Table D
Market and official holdings of national debt

£ millions, nominal values
Percentage of market holdings in italics

	End-March 1989		End-March 1990	
Market holdings				
Sterling marketable debt:				
Government and government-guaranteed stocks: index-linked	16,739	10.0	17,478	10.9
other	105,468	63.1	90,534	56.6
Treasury bills	3,290	2.0	9,026	5.7
Sterling non-marketable debt:				
National savings: index-linked	2,844	1.7	3,038	1.9
other	27,035	16.2	26,096	16.3
Interest-free notes due to the IMF	3,660	2.2	3,813	2.4
Certificates of tax deposits(a)	2,273	1.3	2,542	1.6
Other	595	0.3	1,049	0.6
Total	161,904	96.8	153,576	96.0
Foreign currency debt: (b)				
North American government loans	1,317		1,272	
Foreign currency bonds	20		10	
Floating-rate notes	2,373		2,431	
ECU Treasury bills	1,562		2,198	
Debt assigned to the government	—		544	
Total	5,272	3.2	6,455	4.0
Total market holdings	167,176	100.0	160,031	100.0
Official holdings	30,147		32,514	
Total	197,323		192,545	
of which:				
nationalised industry stock guaranteed by the government	10		—	
(a) Includes a negligible amount of tax reserve certificates.				
(b) Sterling valuation rates: End-March 1989: £1 = US\$1.6855, Can.\$2.0118, ECU's 1.5371. End-March 1990: £1 = US\$1.6455, Can.\$1.9261, ECU's 1.3646.				

over the year. The total nominal national debt⁽³⁾ therefore fell by £4.8 billion—the first substantial fall for over twenty years.

Market holdings of national debt, when expressed at nominal value as a proportion of annual gross domestic product, fell by 3.8 percentage points from March 1989, to 29.4%, continuing the trend over the previous three years.

Analysis by instrument

During the year the proportion of the total national debt in market hands held in the form of conventional, ie non-index-linked, government stock fell from 63.1% to 56.6%, while the proportion held in the form of index-linked stock rose from 10.0% to 10.9%. This again reflected the considerable fall in conventional stock outstanding, in the absence of any new issues. In the case of the next largest group of instruments, national savings, index-linked national savings rose from 1.7% to 1.9% and fixed-interest national savings rose very slightly from 16.2% to 16.3%. The overall total of index-linked debt therefore rose from 11.7% to 12.8% of market holdings of national debt.⁽⁴⁾

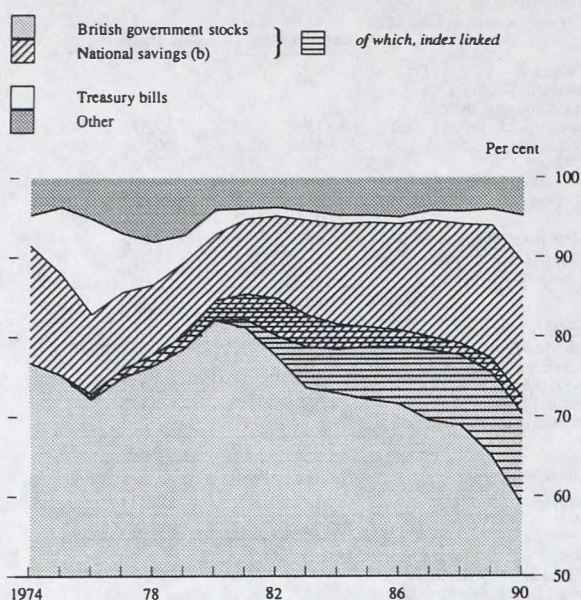
(1) This was exceptionally large in 1989/90 as British Coal received a grant of £3.0 billion, but this sum was used to repay debt to the central government. These transactions reduced the central government surplus on own account (but not the total CGBR) and did not themselves contribute to the reductions in debt owed to the private and overseas sectors. Similar effects resulted from grants of £0.9 billion to Scottish local authorities.

(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.

(3) The overall decrease of £4.8 billion in the total debt occurred despite a net increase of £1.2 billion in capital uplift over the financial year included in the nominal value of the outstanding index-linked issues of government stock; this is £0.3 billion more than the rise in the previous year (in spite of the repayment of £0.2 billion relating to the maturing stock), mainly because of a faster rise in the retail price index between July 1988 and July 1989 (the relevant dates for the calculation of the uplift) than in the previous twelve months.

(4) Although this proportion includes the accrued liability for 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 the index-linked bonuses were included the proportion of index-linked debt would be 13.7% of total national debt in market hands, compared with 12.6% at end-March 1989. As a proportion of market debt denominated in sterling, the comparable figures are 14.2% and 12.9% respectively.

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.

Gilt-edged stocks

There were no new issues of government stocks for cash during 1989/90; this is the first financial year with no such issues for 21 years. There were £11.6 billion redemptions on maturity of ten conventional stocks and a £0.7 billion redemption (including £0.2 billion payment of accrued uplift) of 2% Index-Linked Treasury Stock 1990.⁽¹⁾ In addition, on 6 December £3.6 billion of nineteen conventional stocks which were on the books of the Bank of England's Issue Department (largely as a result of buying back stock from the market in the previous eighteen months) were bought by the National Loans Fund and cancelled.⁽²⁾

During 1989/90 the nominal amount of conventional gilt-edged stock held by the market fell by £14.9 billion. The cash value of net official purchases of conventional stock amounted to £15.3 billion. £9.1 billion matured while in market hands and the authorities bought in another £0.4 billion of stock under 1 year to redemption. In addition gross official sales of conventional stock (which has always been defined as *net* transactions in stocks of over 1 year to maturity) were again negative, the authorities buying back a net £5.8 billion. This was done as usual mostly through the market, but in addition the authorities held three further 'reverse auctions'. During the year the nominal amount of index-linked gilt-edged stock held by the market rose by £0.7 billion although there were net official purchases of £0.5 billion.⁽³⁾

There were no significant conversions of short-dated into medium-dated or long-dated stock during 1989/90, and at end-March 1990 there were no remaining stocks with such conversion rights. In order to assist the liquidity of the market, however, the authorities decided to give investors opportunities to convert holdings of smaller stocks into larger, more liquid issues. These stocks were of broadly similar coupons and maturity dates, and the operations in 1989/90 did not give rise to any crossing of the conventional maturity bands shown in Table 8 of the statistical annex.

The average life of dated stocks in market hands was 10.2 years at end-March 1990, the same as a year before, if the conversion possibilities that existed then are ignored at end-March 1989.⁽⁴⁾ When index-linked stocks are excluded the average is 8.4 years, 0.3 below the end-March 1989

Reconciliation

There are several reasons why the borrowing requirement figures, which relate solely to transactions,⁽¹⁾ are not the same as the changes 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 (or bought in by the Bank of England ahead of redemption) at a discount or premium, the borrowing requirement is financed by the actual amount received or paid out, while the level of debt is deemed to increase or decrease by the nominal value.
- The borrowing figures include the uplift on index-linked British government stocks only when it is paid out, but the figures for debt outstanding include it as it accrues over the life of the stock in market hands.
- Borrowing requirements do not include the changes in assets and liabilities that arise from changes in the boundary of the public sector (eg in 1989/90, the exclusion from the public sector of the water authorities of England and Wales because of privatisation). The receipt of privatisation proceeds themselves is, however, included in the PSBR.

(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.

(1) 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.

(2) In addition £0.9 billion of non-marketable 'NILO' stocks held by the Issue Department were similarly bought and cancelled.

(3) The difference arises mainly because the amount outstanding includes the capital uplift on index-linked stocks over the year, less the amount of uplift paid out on the maturing stock.

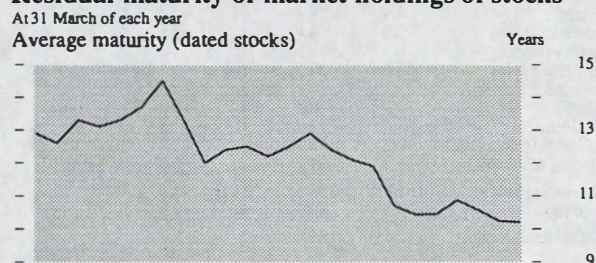
(4) The aggregation of index-linked and non-index-linked stock for the purposes of measuring average maturity presents a conceptual difficulty (see the December 1982 *Bulletin*, page 540). This calculation, which gives index-linked stocks a weight reflecting the capital uplift accrued so far, assumes that stocks will mature on their latest maturity. Table E also illustrates alternatives to these assumptions, viz that stocks which stood above par on 31 March will be redeemed at the earliest possible date and that any convertible stocks will be converted into stocks of a later maturity.

Table E
Average life of dated stock in market hands

Years to maturity at end-March	1986	1987	1988	1989	1990
Assumptions					
Latest possible redemption:					
All dated stocks: (a)					
No conversions	10.4	10.9	10.6	10.2	10.2
Maximum conversions	10.8	11.2	10.8	10.4	(b)
Excluding index-linked stocks:					
No conversions	9.5	9.7	9.3	8.7	8.4
Maximum conversions	9.9	10.1	9.5	8.9	(b)
Earliest possible redemption date for stocks standing above par on 31 March:					
All dated stocks: (a)					
No conversions	10.0	10.5	10.2	9.9	10.1
Maximum conversions	10.5	10.9	10.5	10.1	(b)
Excluding index-linked stocks:					
No conversions	9.1	9.3	8.9	8.3	8.2
Maximum conversions	9.6	9.7	9.1	8.5	(b)

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

Chart 4
Residual maturity of market holdings of stocks



Maturity composition (all stocks)

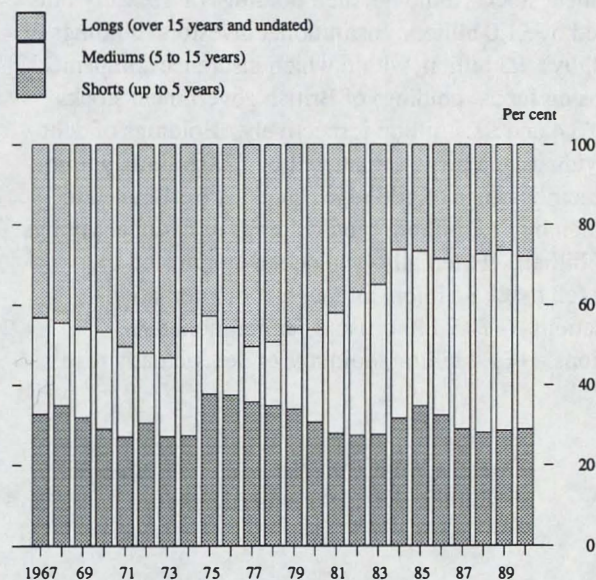


Table F
Average amount of stock in market hands to be redeemed annually over the following five years

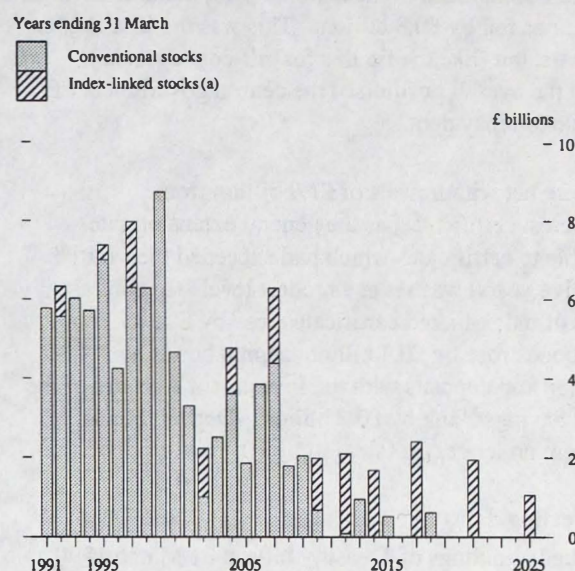
£ billions, at end-March	1984	1985	1986	1987	1988	1989	1990
With no conversions	6.4	7.9	7.9	7.3	7.5	7.0	6.2
Maximum conversions	5.4	6.7	7.0	6.9	7.1	6.7	(a)

(a) No conversion options were available.

average (Table E and Chart 4).⁽¹⁾ The average amount of stock to be redeemed annually over the following five years is detailed in Table F. There were no outstanding options

on convertible stocks at end-March 1990: ignoring those at the end of the previous year, the average amount to be redeemed annually over the following five years fell by £0.8 billion over the year to £6.2 billion at end-March 1990 (Chart 5).

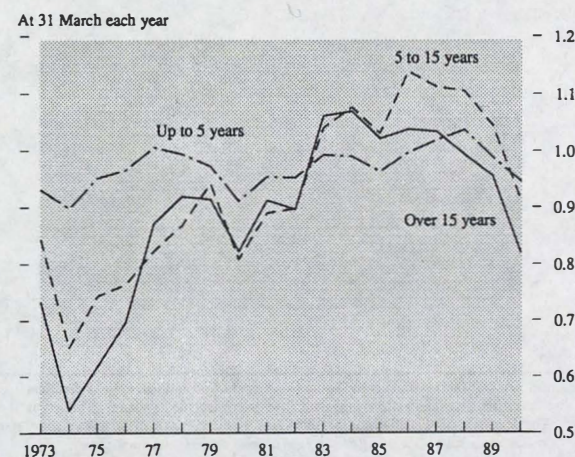
Chart 5
Maturities of dated stocks in market hands



(a) Figures include accrued uplift to 31 March 1990.

The market value of gilt-edged stock in market hands fell by £25.8 billion to £95.2 billion. This compares with a £14.9 billion fall in their nominal value, the difference reflecting the fall in average gilt prices over the year. Yields on conventional stocks rose correspondingly during the year, by 2.76 percentage points for short-dated stocks, 2.43 percentage points for medium-dated stocks and 2.23 percentage points for long-dated stocks. At end-March 1990 the total market value of stocks (including index-linked) in market hands was below their total nominal value. Within this the ratio of market to nominal value fell

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



(1) There were no significant conversions of short-term convertible stock into medium or long-term stock during 1989/90.

from 0.99 to 0.95 for short-dated stocks, from 1.04 to 0.91 for medium-dated stocks, from 0.96 to 0.82 for long-dated stocks and from 0.38 to 0.30 for undated stocks.

National savings

National savings fell by £1.7 billion in 1989/90. However, excluding accrued interest and index-linking increments⁽¹⁾ which are not included in the national debt, national savings' contributions fell by £0.8 billion. This was the first fall for many years, but (like the figures for gilt-edged stocks) reflected the overall position of the central government of being able to repay debt.

There were net withdrawals of £1.9 billion from fixed-interest certificates, as the general extension rate (applicable to certificates which had exceeded their initial term of five years) was set at a modest level. In contrast, holdings of index-linked certificates rose by £0.2 billion. Income bonds rose by £0.4 billion, capital bonds by £0.3 billion and deposits with the Investment Account of the National Savings Bank by £0.2 billion. Deposit bonds, which were no longer on sale, fell by £0.1 billion.

Other sterling debt

The market's holdings of Treasury bills at 31 March 1990 was £9.0 billion, £5.7 billion higher than a year earlier. The Treasury bill issue was increased to assist money-market management operations. Holdings of certificates of tax deposit rose by £0.3 billion, and public corporations' temporary deposits with the National Loans Fund by £0.4 billion.

Foreign currency debt

During the year there was an increase of ECU 0.6 billion in the outstanding amount of ECU Treasury bills in market hands; including the effects of a rise in the value of the ECU against sterling, the sterling value of market holdings rose by £0.6 billion. The government also assumed the liability for some foreign currency debt which was previously the

liability of certain public corporations; at 31 March 1990 there was £0.5 billion of this outstanding.

Analysis by holder (Table G)

Holdings of national debt by the banking sector⁽²⁾ rose by £3.4 billion, with a rise in holdings of Treasury bills of £3.7 billion partially offset by a fall in holdings of British government stocks of £0.3 billion. Building societies reduced their holdings of debt by £2.8 billion, largely owing to a reduction of £3.7 billion in their holdings of British

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

	Amounts outstanding at 31 March		Change in 1989/90
	1989	1990	
Market holdings			
Public corporations and local authorities	1.6	1.6	—
Banking sector	4.9	8.3	+3.4
Building societies	7.6	4.8	-2.8
Institutional investors:			
Insurance companies and pension funds	62.6	57.5	-5.1
Other	0.7	0.5	-0.2
Overseas residents	23.0	21.7	-1.3
Individuals and private trusts	40.2	38.1	-2.1
Other (including residual)	21.3	21.1	-0.2
Total market holdings	161.9	153.6	-8.3
Official holdings	30.2	32.3	+2.1
Total sterling debt	192.1	185.9	-6.2

(a) See Table H for a more detailed analysis.

government stocks, although their holdings of Treasury bills increased by £1.0 billion. Institutional investors' holdings of debt fell by £5.3 billion, within which insurance companies' and pension funds' holdings of British government stocks fell by £3.4 and £1.7 billion respectively. Holdings of debt by individuals and private trusts fell by £2.0 billion, within which their holdings of gilt-edged stocks are estimated to have fallen by £1.3 billion⁽³⁾ and holdings of national savings by £0.7 billion. Externally-held debt denominated in sterling fell by £1.3 billion, although both international organisations' (+£0.2 billion) and central monetary institutions' (+£1.4 billion) holdings of debt actually rose.

(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 £4.6 billion at 31 March 1990 compared with £5.4 billion a year earlier. The decrease, the second in consecutive years, was largely due to the repayment of fixed-interest certificates, including the conversion of mature certificates (including the accrued interest on them) into new issues.

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

(3) 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 1,255,400 identified accounts on the Bank of England stock register for individuals and private trusts at end-March 1990, a fall of 151,800 on twelve months earlier.

Table H
Estimated distribution of the sterling national debt: 31 March 1990

£ millions

Nominal values (a)

Market values in italics (b)

	Total debt	Percentage of market holdings	Treasury bills	Stocks 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	1,370		15	267		134	133	—	1,088
Local authorities	181		2	171		86	42	43	8
Total	1,551	1.0	17	438	403	220	175	43	96
Banking sector:(c)									
Discount market	438		423	15		14	—	1	—
Other	7,855		3,440	4,192		962	1,942	1,288	223
Total	8,293	5.4	3,863	4,207	3,752	976	1,942	1,289	223
Building societies									
	4,829	3.1	1,077	3,686	3,579	2,780	890	16	66
Institutional investors:									
Insurance companies	34,944		—	34,944	33,831	2,328	18,239	14,377	—
Local authority pension funds	2,423		—	2,423	2,301	77	1,063	1,283	—
Other public sector pension funds	4,717		—	4,717	4,465	168	1,991	2,558	—
Private sector pension funds	15,372		—	15,302	14,698	858	7,431	7,013	70
Investment trusts	133		—	133	135	36	93	4	—
Unit trusts	363		—	363	365	80	234	49	—
Total	57,953	37.7	—	57,883	55,795	3,548	29,051	25,284	70
Overseas holders:									
International organisations	4,596		286	497	462	390	107	—	3,813
Central monetary institutions	8,126		2,033	6,093	5,584	2,150	3,432	511	—
Other	9,021		361	8,660	7,979	3,668	4,500	492	—
Total	21,743	14.2	2,680	15,250	14,025	6,208	8,039	1,003	3,813
Other holders:									
Public trustee and various non-corporate bodies	692		220	472	429	129	278	65	—
Individuals and private trusts(d)	38,142		—	11,709	10,736	5,933	4,217	1,559	26,433
Industrial and commercial companies	3,588		1,170(e)	480	6,449	11,420	1,937	1,010	1,938
Other (residual)	16,786		—	13,887					2,902
Total	59,207	38.6	1,390	26,548	17,615	17,482	6,432	2,634	31,269
Total market holdings(c)	153,576	100.0	9,026	108,012	95,168	31,215	46,529	30,269	36,538
Official holdings(c)	32,293		2,545	17,005	15,453	5,308	6,866	4,830	12,743
Total sterling debt(f)	185,870		11,572	125,017	110,621	36,523	53,395	35,099 (g)	49,281

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) Now relates solely to national debt; nationalised industries stocks guaranteed by the government, which used to be included, were all repaid by 31 March 1990.

(g) Of which, undated £3.211 million.

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 will be published in the *Consolidated Fund and National Loans Fund Accounts 1989/90 Supplementary Statements*. Provisional figures (some of which are revised in this article) are from *Financial Statistics*, June 1990.

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 were also included (there are now no issues outstanding).

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* in March 1990.

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.

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 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.

Gold and foreign currency reserves

These are at the official dollar valuation (see notes and definitions to Table 17.1 in the February 1990 *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

Figures are taken from *Financial Statistics*, September 1990.