

The net debt of the public sector: end-March 1995

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This article continues a long-standing annual series analysing the public sector debt position, the national debt and its distribution. It has been compiled with the help of the Central Statistical Office and others. Its main points are:

- In 1994/95, the nominal value of the net debt of the public sector and market holdings of the national debt rose by around £39 billion and £31 billion respectively. As a proportion of GDP, these measures increased respectively by 3.8 and 2.6 percentage points—to 42.0% and 44.2%.
- In the twelve months to the end of March 1995, general government consolidated gross debt as a proportion of GDP (calculated on a Maastricht basis) rose by 2.2 percentage points to 50.5%. This meant that it remained well below the 60% reference level specified in the Maastricht Treaty.

The net debt of the public sector

This article analyses developments in the net debt position of the public sector to the end of March 1995. The net public sector debt reflects the cumulative effect of past fiscal policy; and trends in the ratio of public sector net debt to GDP give a guide to the effect of the current fiscal stance. The interest payments on the debt are a current payment for past expenditure and can influence fiscal policy. If interest payments rise, other government spending net of receipts—ie the *primary deficit*—would need to be reduced to meet a given target for the public sector borrowing requirement (PSBR). Debt interest totalled £22 billion (7.9% of total current and capital expenditure) in 1994/95 and is forecast to total £23.4 billion in 1995/96. In addition, inflation reduces the real value of the government's debt, since it is largely denominated in nominal terms.

At the end of March 1995, the net debt of the public sector was £290.8 billion (see Table A), an increase of £39.1 billion (15.5%) on a year earlier. The net debt was 42.0% of GDP, its highest proportion since 1986, as Chart 1 shows. Its rate of increase has slowed, however, from a peak of 23.0% (£47.2 billion) in 1993/94, and this has been mirrored by a fall in the PSBR from £45.5 billion to £35.9 billion in 1994/95 (see Table B). (The box on reconciliation on page 349 outlines the main reasons why the figure for the change in debt is not exactly equal to the PSBR.)

The main component of the increase in gross debt in the year was a rise of around £22.9 billion in market holdings of gilts. In addition, market holdings of Treasury bills more than doubled during the year and holdings of national savings also increased. A drop of about £7.7 billion in public sector liquid assets served to increase the net debt position (see Table C). Most of this drop was the result of a reduction in the stock of money-market assistance held by the Issue

Table A
Net public sector debt^(a)

£ millions, nominal values; percentages in italics

31 March	1994	1995	Changes 1994–95
Central government			
Market holdings of national debt	274,653	305,917	31,264
as a percentage of GDP	41.6	44.2	
Net indebtedness to Bank of England			
Banking Department	729	869	140
Savings banks	1,444	1,445	1
Accrued interest and indexing on			
national savings	3,103	3,317	214
Notes and coin in circulation	21,447	21,771	324
Other	280	391	111
Total central government gross debt	301,656	333,710	32,054
Local authorities			
Total gross debt	49,290	49,573	283
less:			
Central government holdings of local authority debt	40,997	40,324	-673
Local authority holdings of central government debt	124	159	35
General government consolidated gross debt	309,825	342,800	32,975
as a percentage of GDP	47.0	49.5	
Public corporations			
Total gross debt	23,868	32,271	8,403
less:			
Central government holdings of public corporation debt	22,951	31,529	8,578
Local authority holdings of public corporation debt	69	5	-64
Public corporation holdings of central government debt	2,854	4,186	1,332
Public corporation holdings of local authority debt	961	1,057	96
Public sector consolidated total debt	306,858	338,294	31,436
as a percentage of GDP	46.5	48.9	
Public sector total liquid assets (Table C)	55,181	47,527	-7,654
as a percentage of GDP	8.4	6.9	
Net public sector debt	251,677	290,767	39,090
as a percentage of GDP	38.2	42.0	
Memo item:			
General government consolidated gross debt (Maastricht basis)	307,834	340,859	33,025
as a percentage of GDP (ESA) (b)	48.3	50.5	

(a) Data from 1970 to 1995 are published in the Bank of England Statistical Abstract 1995, Part 1, Table 17.1.
(b) See footnote (2) on page 348.

Department of the Bank; in addition, since no prepaid government stocks were issued in 1994/95, instalments due on such stocks fell to zero.

Chart 1
Measures of public sector debt relative to GDP

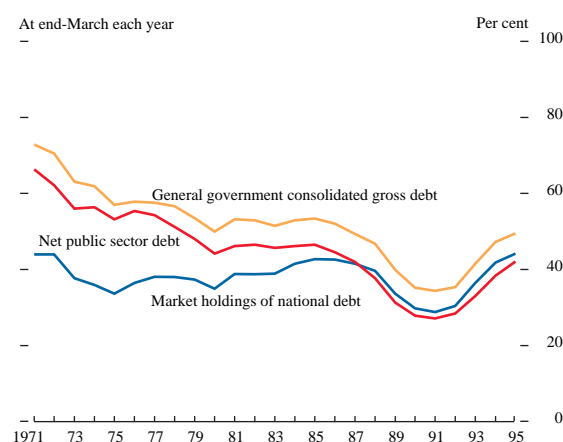


Table B
Composition of the PSBR

£ millions; percentages in italics

	1993/94	1994/95
Central government borrowing requirement (CGBR):		
on own account	48,101	38,285
for on-lending to local authorities	-655	-392
for on-lending to public corporations	1,504	458
CGBR	48,950	38,352
Local authorities' net borrowing from markets (adjusted)	-2,126	-572
Public corporations' net borrowing from markets (adjusted)	-1,294	-1,875
Public sector borrowing requirement (PSBR)	45,530	35,904
Alternative analysis:		
CGBR on own account (CGBR[O])	48,101	38,285
Local authority borrowing requirement (LABR)	-2,781	-964
Public corporations' borrowing requirement (PCBR)	210	-1,417
As a percentage of GDP:		
CGBR	7.6	5.7
CGBR (on own account)	7.5	5.7
LABR	-0.4	-0.1
PCBR	—	-0.2
PSBR	7.1	5.3

The sharp increase in the net debt to GDP ratio in the early 1990s has been brought under control by measures introduced in recent budgets. The budgets in 1993 introduced structural tightening through tax increases and a reduction in the share of government spending in the economy. The 1994 budget was fairly neutral itself but maintained these tight fiscal measures. Further consolidation is due, following this spring's tax increases, through the planned tight control on real spending. As a result, the Treasury, in its Summer Economic Forecast, expected the PSBR to fall by 2% of GDP in 1995/96 and 1¼% in 1996/97. The expected reduction reflects structural tightening and some cyclical improvement.

Further PSBR reductions were projected after 1996/97 in the 1994 budget, and a small fiscal surplus was expected in 1999/2000. The current plans, if met, would mean that the ratio of public sector debt to GDP will peak at just under

43% at end-March 1996 and then fall steadily thereafter. Chart 2 provides a longer-term comparison of levels of gross national debt. (The differences between the national debt and net public sector debt are explained in the notes and definitions at the end of this article.)

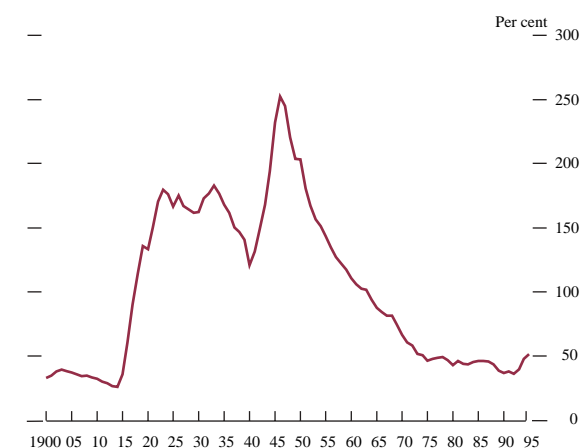
Table C
Public sector liquid assets

£ millions, nominal values

31 March (a)	1994	1995	Changes 1994-95
Central government			
Official reserves	28,908	28,330	-578
Commercial bills, including bills held under purchase and resale agreements	5,388	1,726	-3,662
British government stock held under purchase and resale agreements	3,097	989	-2,108
Treasury bills held under purchase and resale agreements	1,112	—	-1,112
Loans against export credit and shipbuilding paper	890	84	-806
Bank deposits	1,748	1,795	47
Instalments due on British government stocks	1,250	—	-1,250
Total	42,393	32,924	-9,469
Local authorities			
Bank deposits	4,907	5,480	573
Building society deposits	3,855	3,927	72
Other short-term assets	2,424	2,621	197
Total	11,186	12,028	842
Public corporations			
Bank deposits	1,376	2,349	973
Other short-term assets	226	226	—
Total	1,602	2,575	973
Public sector total liquid assets	55,181	47,527	-7,654

(a) Data from 1970 to 1995 are published in the *Bank of England Statistical Abstract 1995*, Part 1, Table 17.1.

Chart 2
Gross national debt as a percentage of GDP:^(a) 1900-95



(a) Source: HM Treasury.

In March of this year, the Treasury published its second remit to the Bank, outlining plans for the Bank's operations in the gilt market in 1995/96; in July, the Treasury and the Bank jointly issued the *Report of the Debt Management Review*, which describes the objectives of debt management policy and the overall framework for gilt-edged funding. The two publications demonstrate the importance attached by the monetary authorities to minimising the cost over the long run of servicing government debt.⁽¹⁾

(1) Both may be obtained by contacting the Bank's Gilt-Edged and Money Markets Division (telephone: 0171-601-3297).

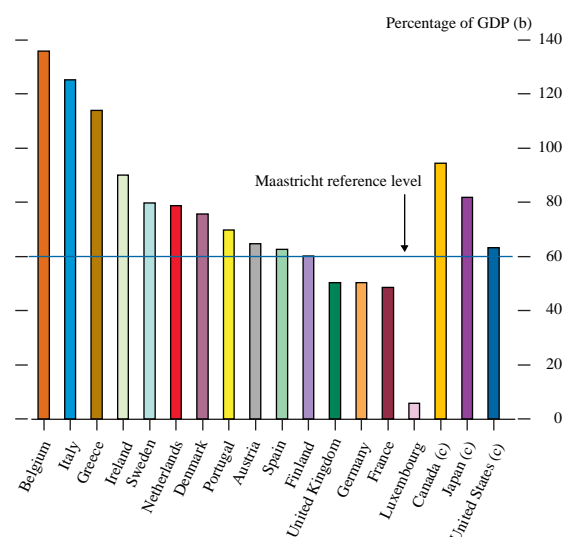
General government debt

The measure of debt used in the criterion to be met by countries wishing to participate in Stage 3 of Economic and Monetary Union is general government consolidated gross debt (shown as a memorandum item in Table A). The Maastricht Treaty states that such countries should avoid excessive government debt and deficit levels.⁽¹⁾ Although the Treaty does not specify what constitutes 'excessive', it does establish reference levels. These are 60% of GDP for gross debt (unless the ratio is diminishing sufficiently and approaching this value at a satisfactory pace), and 3% of GDP for deficits (unless the ratio has declined substantially and continuously, and is close to the reference value, or the excess is exceptional and temporary).

EU Member States are required to report their debt and deficit levels to the European Commission at the beginning of March and September each year. As Chart 3 shows, at the end of 1994 the United Kingdom's debt to GDP ratio, at 50.3% on the common reporting basis,⁽²⁾ compared favourably with that in many other OECD countries; at the end of March this year, the proportion was 50.5%. Of the Member States, only Luxembourg, France, Germany and the United Kingdom had debt ratios below the 60% reference level at the end of 1994. (By way of comparison, Japan, Canada and the United States were all above 60%.) But the UK deficit was above the reference level: only Germany, Ireland and Luxembourg had a deficit of less than 3% at end-December 1994.

Chart 3

General government debt: at 31 December 1994^(a)



- (a) Source: unless otherwise stated, European Commission.
 (b) GDP as defined by the European System of Integrated Accounts.
 (c) Source: *OECD Economic Outlook* 57, June 1995.

The national debt

As Chart 2 illustrates, although the national debt has been rising as a percentage of GDP in recent years, it remains much lower than for much of this century. The debt ratio

rose markedly during and immediately after the two World Wars, reaching a peak of 252% in 1946. In the post-war period, it fell to 37% in 1990 before picking up again.

Change in debt outstanding

Table D shows that the nominal value of the national debt increased by £42.2 billion in 1994/95 to a total of £349.5 billion, in line with the increase in net public sector debt. The proportion of marketable debt (that which can be traded in a secondary market—including gilts, Treasury bills

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

£ millions, nominal values

Percentage of market holdings in italics

	End-March 1994	End-March 1995
Market holdings		
Sterling marketable debt:		
Government and government-guaranteed stocks:		
index-linked	34,709	39,201
other	166,806	185,191
Treasury bills	3,077	7,887
Sterling non-marketable debt:		
National savings:		
index-linked	6,769	7,088
other	37,014	39,991
Interest-free notes due to the IMF	5,441	5,598
Certificates of tax deposits	2,133	1,612
Other	1,843	2,435
Total	257,792	289,004
	<i>93.9</i>	<i>94.5</i>
Foreign currency debt: (b)		
North American government loans	1,000	822
US dollar floating-rate note	2,631	2,399
Ecu Treasury bills	2,723	2,863
Ecu 9 ¹ / ₈ % 2001 bond	1,945	2,045
Ecu Treasury notes	3,890	4,499
Deutsche Mark 7 ¹ / ₈ % 1997 bond	2,018	2,245
US dollar 7 ¹ / ₄ % 2002 bond	2,021	1,843
Multi-currency revolving credit facility	385	—
Debt assigned to the government	248	196
Total	16,861	16,913
	<i>6.1</i>	<i>5.5</i>
Total market holdings	274,653	305,917
	<i>100.0</i>	<i>100.0</i>
Official holdings	32,654	43,615
Total debt	307,307	349,532

- (a) Data from 1970 to 1995 are published in the *Bank of England Statistical Abstract* 1995, Part 1, Table 17.2.
 (b) Sterling valuation rates:
 31 March 1994: £1 = US\$ 1.4845, Can \$ 2.0531, ECU 1.2853, DM 2.4776.
 31 March 1995: £1 = US\$ 1.6280, Can \$ 2.2833, ECU 1.2224, DM 2.2271.

and some foreign currency instruments) in market hands was 81% at the end of March 1995. The only significant change in the share of individual instruments was in respect of Treasury bills—up by 1.5 percentage points. Although foreign currency debt fell as a percentage of market holdings in 1994/95, the actual level of this debt remained stable. Chart 4 provides a breakdown of the market holdings of national debt by type of instrument.

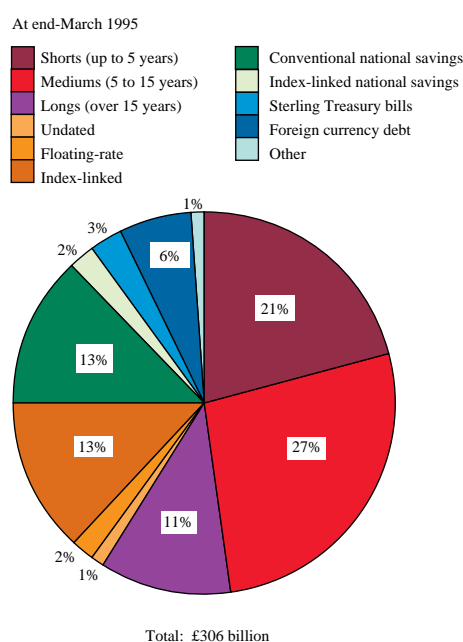
Analysis of debt by instrument

Gilt-edged stocks

By end-March 1995, index-linked and conventional gilts together accounted for 73% of the market's holdings of the national debt and 90% of marketable debt. The authorities have been introducing a series of reforms to help enhance

- (1) Article 104c of the Treaty on European Union.
 (2) The data for Member States are compiled on a common basis, as defined in the European System of Integrated Economic Accounts (ESA). In accordance with the ESA, IMF interest-free notes are excluded from the calculation of general government debt for the European Union. As they are a liability of the National Loans Fund, however, they are included in government debt in the remainder of this article.

Chart 4
Composition of market holdings of national debt



the efficiency and liquidity of the gilt market. Further details are given in the note on the introduction of an open gilt repo market on pages 325–30 of this *Bulletin* and in ‘Gilts and the Gilt Market: review 1994–5’.⁽¹⁾

A total of £29.6 billion nominal of gilts were issued in 1994/95, of which £2.4 billion were further tranches of

Reconciliation

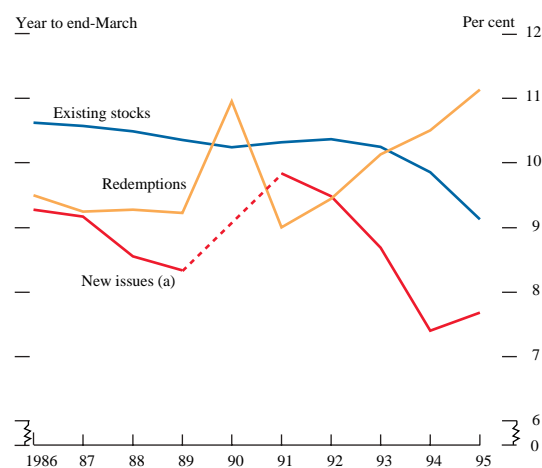
There are several reasons why the borrowing requirement figures, which relate to transactions and are on a cash-flow basis, are not the same as the changes in debt—which are on a nominal, accrued basis:

- 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 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.

index-linked stocks. Four new conventional stocks were created: 8% Treasury 2000, 8½% Treasury 2005, 8% Treasury 2015 and 7% Treasury Convertible 1997. The first three have become the five-year, ten-year and long-dated benchmarks for 1995. A further £2.6 billion of the Floating-Rate Treasury 1999 stock—originally issued at the end of 1993/94—was issued, taking the total nominal value outstanding to £5.1 billion.

Six stocks, with a total nominal value of £9.0 billion, were redeemed in the year, one of which was an index-linked stock for £0.7 billion (including indexation uplift on the capital repayment). The average coupon on stocks redeemed during the year—weighted by size of stock—rose for the fourth successive year, from 10.5% to 11.1%, while the weighted-average coupon on conventional stocks issued during the year rose to 7.7% from 7.4% (Chart 5).

Chart 5
Average coupon on conventional British government stocks



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

Over the year, the average maturity⁽²⁾ of all dated stocks in market hands fell from 10.6 to 10.4 years, while the average excluding index-linked stocks remained steady at 9.1 years (Table E and Charts 6 and 7). Table F shows that the

Table E
Average life of dated stocks in market hands

Years to maturity at 31 March:	1990	1991	1992	1993	1994	1995
Assumptions (a)						
Latest possible redemption:						
All dated stocks (b)	10.2	9.9	10.0	10.8	10.6	10.4
Excluding index-linked stocks	8.4	8.0	8.4	9.4	9.1	9.1
Earliest possible redemption date:						
All dated stocks (b)	10.1	9.6	9.8	10.5	10.4	10.1
Excluding index-linked stocks	8.2	7.7	8.1	9.0	8.9	8.8

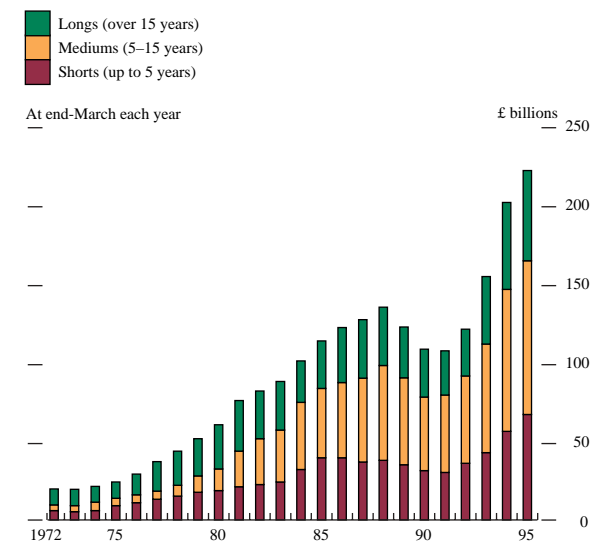
(a) No conversions (no conversion options were available between 1990 and 1994).
(b) Index-linked stocks are given a weight reflecting capital uplift accrued to 31 March.

average amount of stock to be redeemed annually over the following five years has been rising since 1991 and is now £13.3 billion.

(1) Available from the Bank of England, PO Box 96, Gloucester, GL1 1YB.

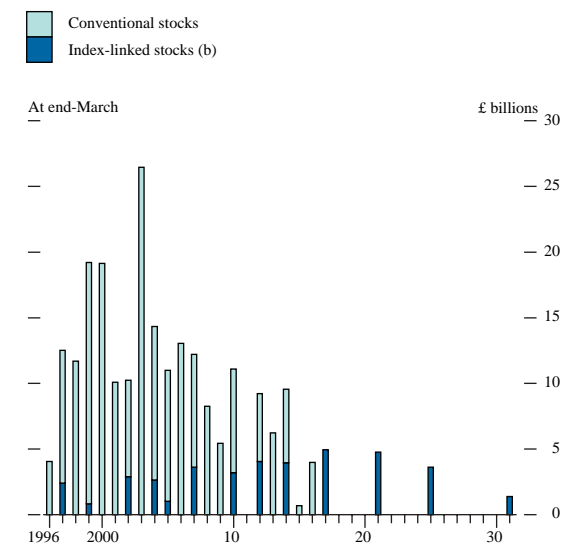
(2) The aggregation of index-linked and non index linked stock for the purpose of measuring average maturity presents a conceptual difficulty (see the December 1982 *Quarterly Bulletin*, page 540). This calculation, which gives index-linked stocks a weight reflecting the capital uplift accrued so far, assumes that stocks will mature on their latest maturity.

Chart 6
Breakdown of market holdings of dated British government stocks^(a)



(a) Figures include index-linked stocks and the Floating Rate Treasury 1999 stock in their appropriate maturity bands.

Chart 7
Maturities of dated stocks^(a)



(a) The latest possible redemption date is assumed for double-dated stocks.
(b) Figures include accrued uplift up to 31 March.

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

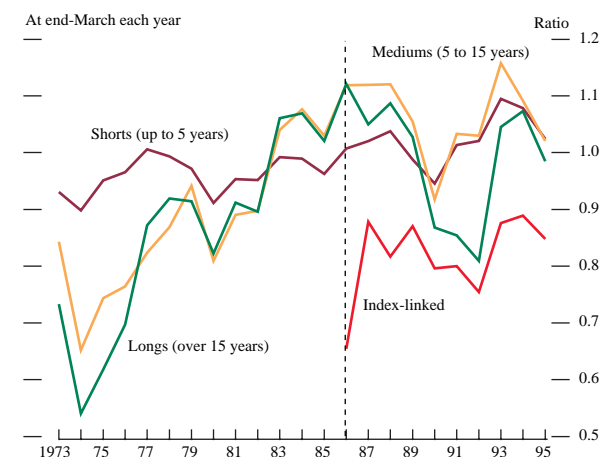
£ billions, at end-March

	1990	1991	1992	1993	1994	1995
With no conversions (a)	6.2	6.0	7.2	8.5	11.2	13.3

(a) No conversion options were available between 1990 and 1994, and no conversions are assumed for 1995.

The market value of all gilts in market hands (including undated stocks, such as the 3½% War Loan, which currently trade at a large discount) was 2.7% lower than their nominal value at end-March 1995, compared with a premium of 3.4% a year earlier. The fall reflected the weakness of world bond

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.

markets in 1994. Chart 8 shows that the ratio of market value to nominal value fell sharply for all maturity bands during the year. The ratio for long gilts fell most sharply, from 1.07 to 0.98. Index-linked stocks remained at a large discount, falling from 0.89 to 0.85.⁽¹⁾ Shorts and mediums both fell to 1.02, from 1.08 and 1.09 respectively.

National savings

National savings rose by £3.5 billion to £51.8 billion in 1994/95. Accrued interest and index-linked increments, as well as deposits with the National Savings Bank, do not form part of the national debt, however. Adjusting for this, the total contribution of national savings to the national debt was £47.1 billion. Holdings of most instruments grew steadily in the year, but holdings of Pensioners' Guaranteed Income Bonds, introduced in 1992/93, doubled.

Sterling Treasury bills

Market holdings of sterling Treasury bills more than doubled in the year to £7.9 billion, reflecting large increases in the amounts sold at the weekly tender made in order to influence the stock of money-market assistance.⁽²⁾ These were raised from £200 million at the end of March 1994 to £900 million a year later.

Foreign currency debt

The sterling value of debt denominated in foreign currency was little changed over the year, at £16.9 billion; as a percentage of total market holdings of the national debt, it dropped from 6.1% to 5.5%. Over the year, sterling strengthened against the US and Canadian dollars, while falling against the Ecu and the Deutsche Mark. So debt denominated in dollars—North American government loans, the floating-rate note and the 7¼% 2002 bond—fell in sterling terms, whereas the sterling value of the 7½% 1997 Deutsche Mark bond and the Ecu debt increased. In

(1) Calculated for index-linked stocks on the basis of the nominal value and accrued uplift to date.
(2) See the articles on operation of monetary policy in the February 1995 Quarterly Bulletin, pages 5–14, and the May 1995 Bulletin, pages 125–37, for further details.

addition, the total of Ecu Treasury notes outstanding rose by ECU 0.6 billion nominal. The multi-currency revolving credit facility, raised after the suspension of sterling's membership of the Exchange Rate Mechanism, was repaid in April 1994.

Sterling debt: analysis by holder⁽¹⁾ (Tables G and H)

Insurance companies' and pension funds' holdings⁽²⁾ of sterling debt accounted for 44.8% of total market holdings in 1995, up from 41.7% the year before. This is thought to have been largely the result of increased holdings of gilts by pension funds, prompted by the increasing maturity of funds and reassessment of optimal asset allocation in the light of the debate over the Minimum Funding Requirement contained in the Pensions Act. A large increase in banks' holdings of Treasury bills accounted for the rise of £6.2 billion in their debt holdings. The total sterling debt held by individuals and private trusts was up by £2 billion, as a result of larger holdings of national savings instruments. Two sectors—building societies and overseas residents—

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

	Amounts outstanding at 31 March (b)		Change in 1994/95
	1994	1995	
Market holdings			
Public corporations and local authorities	2.5	3.4	0.9
Banking sector	16.3	22.5	6.2
Building societies	5.8	5.3	-0.5
Institutional investors:			
Insurance companies and pension funds	107.4	129.4	22.1
Other	2.7	3.3	0.7
Overseas residents	43.9	41.1	-2.8
Individuals and private trusts	51.4	53.4	2.0
Other (including residual)	27.8	30.6	2.8
Total market holdings	257.8	289.0	31.2
Official holdings	31.2	42.0	10.8
Total sterling debt	289.0	331.0	42.0

(a) See Table H for a more detailed analysis. Data for 1970 to 1995 are published in the *Bank of England Statistical Abstract 1995*, Part 1 Table 17.3.

(b) Figures shown may not sum to totals because of rounding.

reduced their holdings during the year, as they were net sellers of Treasury bills and gilts respectively.

Table H
Estimated distribution of the sterling national debt: 31 March 1995

£ 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	3,217		3	709		355	354	—	2,505
Local authorities	149		7	142		71	35	36	—
Total	3,366	1.2	10	851	863	426	389	36	2,505
Banking sector: (d)									
Discount market	281		183	98		91	8	—	—
Other	22,235		6,805	15,249	<i>15,494</i>	5,959	7,483	1,808	180
Total	22,516	7.8	6,988	15,348	15,494	6,049	7,491	1,808	180
Building societies									
	5,266	1.8	66	5,199	<i>5,309</i>	4,682	312	205	1
Institutional investors:									
Insurance companies	82,717		26	82,690	<i>81,490</i>	9,741	40,375	32,575	—
Pension funds	46,705		347	46,359	<i>42,779</i>	3,738	24,000	18,621	—
Investment trusts	2,092			2,092	<i>2,088</i>	219	860	1,013	—
Unit trusts	1,244			1,237	<i>1,252</i>	390	735	112	7
Total	132,757	45.9	373	132,377	127,609	14,088	65,969	52,321	7
Overseas holders:									
International organisations	6,632		—	1,034	<i>1,040</i>	114	820	100	5,598
Central monetary institutions	13,041		332	12,709	<i>12,924</i>	7,799	4,668	242	—
Other	21,437		115	21,322	<i>21,628</i>	12,992	6,478	1,852	—
Total	41,110	14.2	447	35,065	35,592	20,905	11,966	2,194	5,598
Other holders:									
Public trustee and various non-corporate bodies	334			334	<i>335</i>	52	225	57	—
Individuals and private trusts (e)	53,356			10,697	<i>10,779</i>	4,033	4,980	1,684	42,659
Industrial and commercial companies	7,797		3	2,020	<i>22,452</i>	16,337	6,118	2,066	5,774
Other (residual)	22,502			22,502					—
Total	83,989	29.1	3	35,552	33,567	20,422	11,322	3,808	48,433
Total market holdings (d)	289,004	100.0	7,887	224,392	218,433	66,572	97,449	60,371	56,724
Official holdings (d)	42,041		1,108	8,091	7,757	2,438	4,511	1,142	32,842
Total sterling debt	331,044		8,995	232,483	226,190	69,010	101,960	61,513	89,566

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

— nil or less than £1 million.

(a) For explanations see the notes 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 1995 is published in the *Bank of England Statistical Abstract 1995*, Part 1 Table 17.4.

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

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

(1) The Bank conducted a survey of Central Gilts Office (CGO) members at end-March 1994 to improve its knowledge of the sectoral distribution of holdings of government stocks at that date. A summary of the survey—and of a further survey at end-December 1994—was included in the publication, 'Gilts and the Gilt Market: review 1994–5'. The estimate of the sectoral holdings there cannot, however, be directly reconciled to the gilts data in Tables G and H, since these include maturity data in arriving at the market value of holdings. It is intended to repeat the survey at the end of each calendar year.

(2) Figures for pension funds are based on the Central Statistical Office's regular statistical enquiries to a stratified sample of larger funds, with an allowance for smaller funds.

Notes and definitions

The national debt

The *national debt* comprises the total liabilities of the National Loans Fund. The total excludes accrued interest (including index-linked increases) on national savings, Consolidated Fund liabilities (including contingent liabilities, *eg* coin), liabilities of other central government funds (notably the Issue Department's note liabilities, Northern Ireland government debt and stocks issued by certain government funds), and sundry other contingent liabilities and guaranteed debt.

The national debt includes the whole nominal value of all issued stocks, even where there are outstanding instalments due from market holders: in such circumstances a counter entry is included in public sector liquid assets. The nominal value of index-linked gilt-edged stocks has been raised by the amount of index-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 1994/95 Supplementary Statements*. Provisional figures (some of which are revised in this article) are from *Financial Statistics*, September 1995.

Market holdings of the national debt, etc

Market holdings exclude holdings by other bodies within the central government sector (principally the funds of the National Investment and Loans Office, the Exchange Equalisation Account, government departments and the Issue Department of the Bank of England) and by the Banking Department of the Bank of England (together called 'official holders'). The term 'market' includes local authorities and public corporations as defined for national income statistics (see below). Exceptionally in these articles, Issue Department's holdings under purchase and resale agreements are included in market holdings; such holdings are therefore included in Table C as a central government liquid asset.

Gross domestic product (GDP)

The percentage data shown in Table A 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 1993/94 and 1994/95.

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 (*qv*) but any market holdings of other central government debt. In addition it includes all local authority debt. All holdings of each other's debt by these two parts of the public sector are then netted off to produce a consolidated total—which is the total of general government debt held outside general government.

Public sector consolidated total debt

This includes not only market holdings of the national debt (*qv*) but also any market holdings of other central government debt. 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, and of which further estimates (and a fuller analysis) are published each year by the Central Statistical Office in Table S1 of *Financial Statistics*.

The net debt of the public sector

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

Official reserves

These are at the official dollar valuation (see notes and definitions to Table 8.1 in the February 1995 *Bulletin*) converted into sterling at the end-March middle-market closing rate.

Instalments due on British government stocks

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

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Figures are taken from *Financial Statistics*, September 1995.