

Lord Bridges of Headley MBE  
Chair  
Economic Affairs Committee  
House of Lords  
London SW1A 0PW

**Richard Hughes**  
*Chair*  
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Dear Lord Bridges,

### **Foreign Holdings of UK Public Debt**

Thank you for your letter of 1 August regarding the latest data on foreign holdings of UK government debt.

Since the publication of our last *Fiscal risks and sustainability report (FRS)*, the IMF has made some significant revisions to their data on the composition of UK debt holdings. These revisions do not materially alter their estimates for the share of UK government debt in foreign hands. This remains around 28 per cent over the past two years, almost double the proportion twenty years ago.

However, the IMF has significantly revised the *composition* of foreign-held debt between official and non-bank holders. As you can see from the table below, at the time of our July 2023 *FRS*, the IMF's *Sovereign Debt Investor Base for Advanced Economies* database classified the majority of UK government debt in foreign hands to the 'non-bank' sector. However, in its latest release from June 2024, the IMF database classifies the majority of UK government debt in foreign hands to the 'official' sector.<sup>1</sup>

**Table 1. Share of UK government debt in foreign hands, 2022 average**

	Per cent	
	July 2023 FRS dataset	June 2024 dataset
<b>Total foreign ownership</b>	<b>28.4%</b>	<b>28.2%</b>
of which:		
Official	2.9%	16.0%
Banks	1.0%	0.9%
Non-banks	24.5%	11.2%

Source: IMF

We have been in contact with the authors of the IMF dataset, and they gave the following reason for the revisions:

*"We were recently informed by the UK authorities (ONS) that the data on foreign official holding of gilts (which we understand the Bank of England provides to the ONS) only captures the central bank holdings of gilts that are held in custody at the Bank of England (i.e. it does not capture foreign official holdings held outside the UK). Hence, we reverted back to using COFER (Composition of Official Foreign Exchange Reserve) to estimate the foreign official holdings of UK government debt securities, as described in our 2014 paper here: <https://link.springer.com/journal/41308/volumes-and-issues/62-3>."*

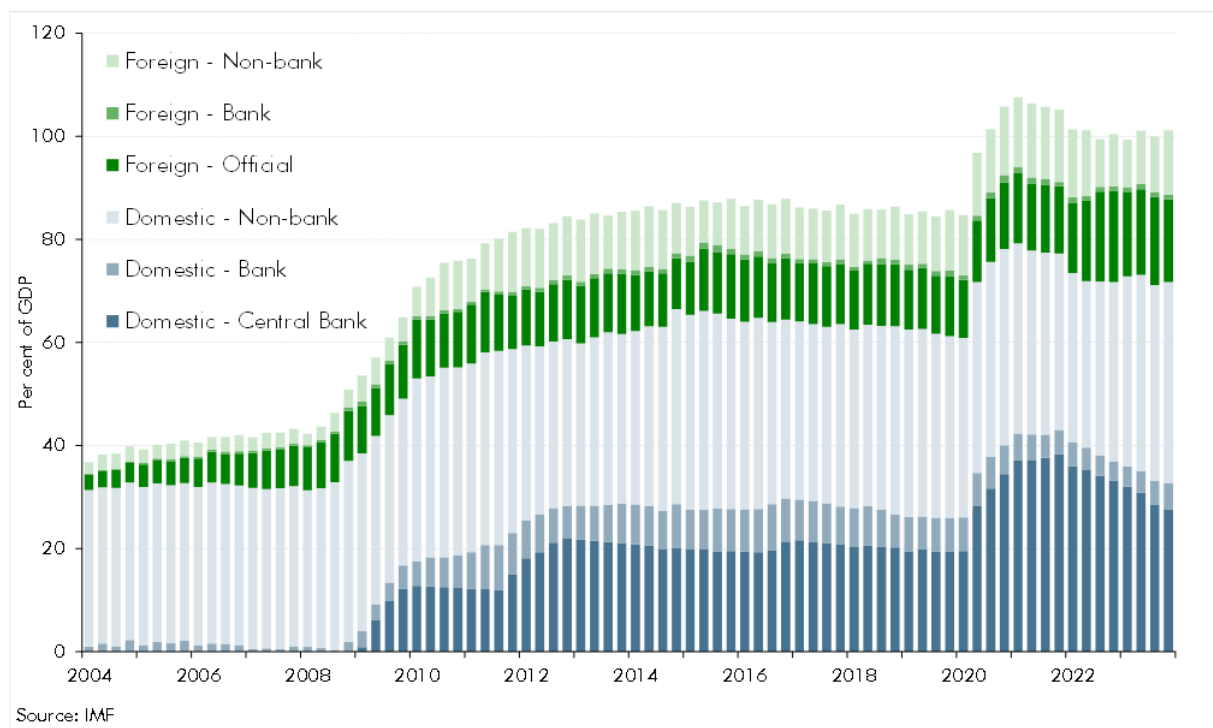
These significant revisions to the *composition* of foreign holdings of UK government debt underscore the concerns we have raised in our evidence to the House of Commons' Public Accounts Committee and elsewhere about the quality of currently available data in this area.<sup>2</sup>

<sup>1</sup> [https://www.imf.org/-/media/Websites/IMF/importeddatasets/external/pubs/ft/wp/2012/Data/\\_wp12284.ashx](https://www.imf.org/-/media/Websites/IMF/importeddatasets/external/pubs/ft/wp/2012/Data/_wp12284.ashx)

<sup>2</sup> <https://committees.parliament.uk/work/7921/managing-government-borrowing/>

However, these revisions do not fundamentally alter the conclusion we drew in the 2023 *FRS* that foreign holdings of UK sovereign debt have risen over the past two decades and, all else equal, this makes the UK debt position more vulnerable. As shown in the chart below using the latest IMF data, over the past twenty years, the share of UK government debt in foreign hands rose from 15 per cent in Q1 2004 to 29 per cent in Q4 2023. While the revised IMF data suggest that more of that debt is held by official rather than private investors, the same concerns about their lack of ‘home bias’ and susceptibility to shifts in global investor sentiment applies. In addition, foreign official investors may also be susceptible to geopolitical considerations in structuring their portfolios.

**Chart 1: Composition of UK government debt holdings, per cent of GDP**



I hope you find this a helpful response to your letter. I have attached, in case useful, the latest (June 2024) data from the IMF on the composition of government debt-holding for the UK and other advanced economies.

Let me close by expressing my continued appreciation for the Economic Affairs Committee’s inquiry into the UK’s national debt and attention that it has brought to important issues around long-term fiscal sustainability. Our next *Fiscal risks and sustainability* report will be published on 12 September 2024 with a particular focus on the long-term fiscal implications of climate change-related damage, long-term health trends, and the latest demographic projections.<sup>3</sup> As promised in my letter to you of 9 April, this report will also explore the implications of alternative productivity assumptions for long-term fiscal sustainability.

Yours Sincerely,

Richard Hughes  
**Chair**

<sup>3</sup> <https://obr.uk/new-publication-date-for-fiscal-risks-and-sustainability-2024/>