

Angus Brendan MacNeil MP
House of Commons
London SW1A 0AA

December 2010

Dear Mr MacNeil

As Director General of the Office for National Statistics, I have been asked to reply to your Parliamentary Question to Her Majesty's Government on whether the Office for National Statistics' calculation of public sector net debt takes account of the recapitalisation of banks (27859).

The Office for National Statistics (ONS) produces statistics according to internationally agreed national accounts standards. These statistics include those on government borrowing and debt. Estimates of Public sector net debt (PSND) are published jointly by ONS and HM Treasury.

An alternative measure of PSND that excludes the temporary effects of financial interventions was introduced in Budget 2008. This is referred to as PSNDex. Together with the parallel measure of public sector net borrowing, PSNBex, this measure of debt is intended to show the underlying state of the public finances. The 'ex' measures are used by the Office for Budget Responsibility to forecast the public finances and by HM Treasury for the purposes of fiscal policy. To arrive at the 'ex' measures adjustments are made to remove temporary aspects/effects of the financial sector interventions. Permanent effects of the interventions are, however, included in the 'ex' measures.

The effects of the financial sector interventions on the public sector finances and the national accounts and their impacts on the key fiscal aggregates, including PSND, are explained in ONS articles available at: <http://www.statistics.gov.uk/cci/article.asp?ID=2301> and at <http://www.statistics.gov.uk/cci/article.asp?ID=2380>

Yours sincerely,



Stephen Penneck
Director General for ONS