



Statistical Release: UK official holdings of international reserves – March 2023

Date: 5 April 2023

Theme: The Economy

Coverage: United Kingdom

This monthly press notice shows details of movements in March 2023 in the UK’s official holdings of international reserves, which consist of gold, foreign currency assets and International Monetary Fund assets. Further background detail on the reserves can be found in the accompanying Background Note. We welcome any feedback on this release at:

statistics-enquiries@hmtreasury.gov.uk.

I. Executive Summary

- No intervention operations were undertaken in this month.
- The UK government’s gross reserves increased by \$5,909 million to \$186,090 million at the end of March 2023.
- The Bank of England’s gross reserves increased by \$1,085 million to \$24,548 million at the end of March 2023.

Table A.1: Movements and end-month holdings of UK official international reserves (\$ million)

	Movement in March 2023	Level at end- March 2023
UK government’s net official reserves	3,270	84,179
UK government’s gross official reserves	5,909	186,090
Bank of England net foreign currency holdings	-11	-27
Bank of England gross foreign currency holdings	1,085	24,548

‘Gross’ foreign currency reserves represent the government’s total holdings of foreign currency reserves. ‘Net’ foreign currency reserves deduct foreign currency liabilities from gross foreign currencies reserves. This is explained in further detail in the Background Note.

II. UK Foreign Currency Reserves: Overview

The UK government's holdings of gross reserves increased between 2008-09 and 2020-21. A time series of this data is available at:

<https://www.bankofengland.co.uk/statistics/uk-international-reserves/2023/march-2023>

One driver of this increase was government provision of a total of £72 billion of additional financing which came to an end in April 2020. Other drivers included an increase in the UK's allocation of Special Drawing Rights (SDR) from the IMF in 2009 and 2021, and a rise in the value of gold. In aggregate that equates to a 5% increase in the size of the UK's reserves as a percentage of UK GDP during that period bringing them in line with other comparable economies. The proportion of the reserves that is unhedged for currency risk has been increased since 2017, in part due to the outcome of an investment strategy review of the UK's foreign currency assets.¹ The growth in the reserves can be seen in the diagrams below.²

Chart 1.1: UK Government's Official Reserves

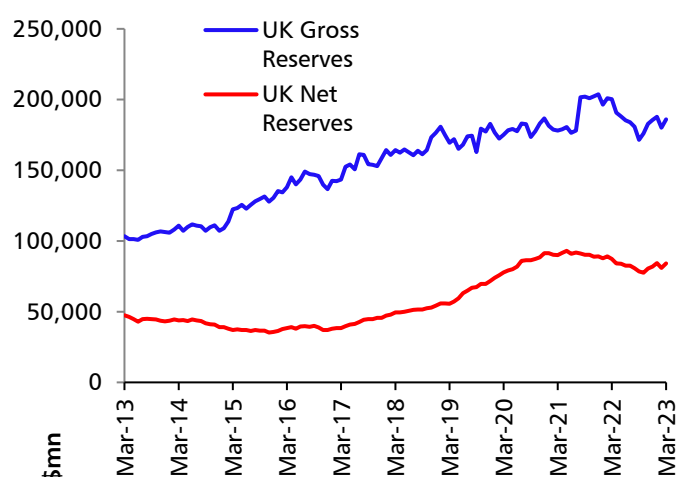


Chart 1.2: Bank of England's Official Holdings

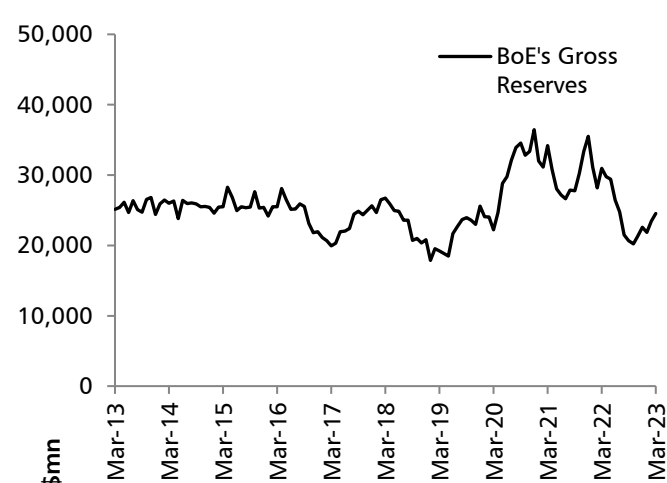


Table A.2: UK foreign currency assets and liabilities at end-March 2023 (market value, \$ million)

	UK Government			Bank of England		
	Assets (\$mn)	Liabilities (\$mn)	Net assets (\$mn)	Assets (\$mn)	Liabilities (\$mn)	Net assets (\$mn)
Mar-23	186,090	-101,911	84,179	24,548	-24,575	-27

A historical version of this table can be found in the accompanying Background Note.

¹ Further details regarding the EEA's investment strategy review can be found in the *Management of the Official Reserves, 2020*. This report is available at: <https://www.gov.uk/government/publications/management-of-the-official-reserves>.

² More information on the growth of the reserves can be found in the accompanying Background Note. Figures may not sum due to rounding.

III. UK Government Foreign Currency Assets and Liabilities³

- The UK government's net reserves increased by \$3,270 million in March 2023. The end-March 2023 total was \$84,179 million (£68,117 million⁴) compared with \$80,909 million (£66,817 million⁵) at end-February 2023.

Table A.3: UK government's official reserve assets and liabilities (market value, \$ million)

	End-Feb 2023	End-March 2023	Movement in Mar 2023
Gross Reserves⁶	180,181	186,090	5,909
Liabilities	-99,273	-101,911	-2,639
<i>of which:</i>			
<i>foreign currency forwards and swaps (net)⁷</i>	-50,343	-48,740	1,603
<i>repo transactions⁸</i>	-9,794	-13,552	-3,758
Net Reserves⁹	80,909	84,179	3,270
Change in net reserves			3,270
<i>of which:</i>			
<i>valuation effects</i>			3,195
<i>transactions against sterling¹⁰</i>			75
<i>of which:</i>			
<i>UK public sector customers¹¹</i>			-1,478
<i>Other¹²</i>			1,553

- No intervention operations were undertaken in March.** If the government so instructs, the Bank, acting as its agent, could intervene in the foreign exchange market by buying or selling government foreign exchange reserves. If intervention is undertaken, the monthly press release will provide details of the amount and date of the intervention and an explanation of why it was undertaken.

³Past data can be revised; the most up to date historical data for end-July 1999 onwards are available on the Bank of England website at: <https://www.bankofengland.co.uk/statistics/uk-international-reserves/2023/march-2023>

⁴When converted at a closing market rate of £1 = \$1.2358 on 31 March 2023.

⁵When converted at a closing market rate of £1 = \$1.2109 on 28 February 2023.

⁶In this presentation, gross reserves in part 1 and assets in part 2 exclude market valuation of foreign currency forwards and swaps. These derivatives are shown (excluding sterling leg) within liabilities.

⁷Net present value of foreign currency forwards, interest rate and cross currency swaps (excluding sterling leg).

⁸Market value of liabilities to repay foreign currency received in repo transactions.

⁹Figures may not sum due to rounding.

¹⁰These are foreign currency transactions that are exchanged into sterling.

¹¹These are transactions undertaken on behalf of government departments.

¹²This is a balancing figure between 'transactions against sterling' and 'UK public customers'.

IV. Bank of England Foreign Currency Assets and Liabilities¹³

- The Bank of England's net holdings of foreign currency decreased by -\$11 million in March 2023. The end-March 2023 total was -\$27 million (-£22 million¹⁴) compared with -\$16 million (-£13 million¹⁵) at end-February 2023.

Table A.4: Bank of England's foreign currency assets and liabilities (market value, \$ million)

	End-Feb 2023	End-Mar 2023	Movement in Mar 2023
Assets¹⁶	23,463	24,548	1,085
Liabilities	-23,479	-24,575	-1,096
<i>of which:</i>			
<i>foreign currency forwards and swaps (net)¹⁷</i>	-1,096	-869	227
<i>repo transactions¹⁸</i>	0	0	0
Net assets¹⁹	-16	-27	-11
Change in net holdings			-11
<i>of which:</i>			
valuation effects			-10
transactions against sterling ²⁰			-2
<i>of which:</i>			
<i>UK public sector customers²¹</i>			0
<i>Other²²</i>			-2

- No intervention operations were undertaken in March.** The Bank could also undertake foreign exchange operations to intervene in support of its monetary policy objective. If intervention is undertaken, the monthly press release will provide details of the amount and date of intervention and an explanation of why it was undertaken.
- The Bank of England's foreign currency assets and liabilities mainly arise from the Bank's foreign exchange reserves, deposits placed with the Bank by overseas central banks and other customers, and other capital items.

¹³ Past data can be revised; the most up to date historical data for end-July 1999 onwards are available on the Bank of England website at: <https://www.bankofengland.co.uk/statistics/uk-international-reserves/2023/march-2023>

¹⁴ When converted at a closing market rate of £1 = \$1.2358 on 31 March 2023.

¹⁵ When converted at a closing market rate of £1 = \$1.2109 on 28 February 2023.

¹⁶ In this presentation, gross reserves in part 1 and assets in part 2 exclude market valuation of foreign currency forwards and swaps. These derivatives are shown (excluding sterling leg) within liabilities.

¹⁷ Net present value of foreign currency forwards, interest rate and cross currency swaps (excluding sterling leg).

¹⁸ Market value of liabilities to repay foreign currency received in repo transactions.

¹⁹ Figures may not sum due to rounding.

²⁰ These are foreign currency transactions that are exchanged into sterling.

²¹ These are transactions undertaken on behalf of government departments.

²² This is a balancing figure between 'transactions against sterling' and 'UK public customers'.

Background Note

Introduction

The Reserves are a pool of liquid financial assets. The government's official holdings of international reserves comprise gold, foreign currency assets and International Monetary Fund (IMF) Special Drawing Rights (SDRs).²³ With the exception of the SDR assets that constitute the UK's Reserve Tranche Position (RTP) at the IMF and other loans to the IMF, these assets are held in the Exchange Equalisation Account (EEA).

Origin and purpose

The EEA was established in 1932 to provide a fund that could be used, when necessary, to regulate the exchange value of sterling and, therefore, is the mechanism through which any government exchange rate intervention would be conducted.

There has been no intervention for the purposes of influencing the sterling exchange rate since 1992. Against this background, foreign exchange reserves are held on a precautionary basis – to meet any change in exchange rate policy in the future, if required, or in the event of any unexpected shocks. The reserves are also used to: provide foreign currency services for government departments and agencies to provide foreign exchange for making payments abroad; and to buy, sell and hold Special Drawing Rights (SDRs) as required by the UK's membership of the IMF. The way the reserve assets are invested, financed and managed is primarily designed to meet these policy objectives.

Bank of England's role

The Bank acts as HMT's Agent in the day-to-day management of the EEA, dealing in foreign exchange and investing the reserves within the framework of a Service Level Agreement (SLA) set annually by HMT.²⁴ The Bank also acts as HMT's Agent for foreign currency liability management, including any issuance of foreign currency debt. This allows the foreign currency part of the government's balance sheet to be managed in an integrated way by the Bank as Agent. In addition to the United Kingdom's Official Reserves, the Bank of England manages its own holdings of foreign currency assets and gold. The Bank can intervene in the foreign exchange market in support of its monetary policy objectives.

Gross and net reserves

The gross reserves represent the government's holdings of foreign currency assets, the IMF position (consisting of the Reserve Tranche Position at the IMF, other loans to the IMF and the net SDR

²³ The SDR is an international reserve asset created by the IMF. Its value is defined in terms of a basket of the US dollar, euro, yen, sterling and renminbi. More information on the SDR can be found at: <http://www.imf.org/external/np/exr/facts/sdr.htm>.

²⁴ A summary of the SLA has been published in the *Management of the Official Reserves, 2020*. This report is available at: <https://www.gov.uk/government/publications/management-of-the-official-reserves>.

position) and gold holdings. The government also holds foreign currency liabilities; these largely represent transactions undertaken to hedge interest and exchange rate movements in the government's foreign currency assets. The difference between these two is called the "net" or "unhedged" reserves. This represents the portion of the government's foreign currency assets that is not hedged in any way.

The gross reserves assets are volatile over the course of the year. The general volatility in reserves can be caused by a number of factors including:

- Volatility in foreign currency markets
- Volatility in the US\$ value of gold

The changes in the UK foreign currency assets and liabilities over the last twelve months can be seen in the table below.

Table B.1: End-month holdings of UK official reserve assets and liabilities (market value, \$ million)

	UK Government			Bank of England		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Apr-22	190,766	-106,546	84,221	29,791	-29,798	-6.251
May-22	187,988	-104,132	83,856	29,410	-29,413	-2.741
Jun-22	185,230	-102,710	82,520	26,467	-26,482	-15.594
Jul-22	184,043	-101,493	82,551	24,758	-24,768	-9.775
Aug-22	180,782	-100,029	80,753	21,509	-21,513	-3.935
Sep-22	171,551	-93,149	78,402	20,672	-20,679	-6.935
Oct-22	176,104	-98,481	77,623	20,216	-20,216	-0.320
Nov-22	182,790	-102,234	80,556	21,356	-21,357	-0.681
Dec-22	185,565	-103,805	81,760	22,597	-22,601	-4.288
Jan-23	187,698	-103,426	84,272	21,837	-21,841	-4.306
Feb-23	180,181	-99,273	80,909	23,463	-23,479	-15.805
Mar-23	186,090	-101,911	84,179	24,548	-24,575	-27.060

Purpose of the Statistical Release

The purpose of the Official Reserves Statistical Release is to inform the public, Parliament, international institutions and markets as to the position of the UK's foreign currency reserves and operations on a month-by-month basis.

It is published on the third working day following the end of each month in order to provide users with timely information on relevant data. Given this timescale, detailed commentary on monthly movements in the reserves (mainly resulting from volatility in foreign exchange markets and the value of gold) is not included; however the Release does include a more meaningful assessment of longer term trends and reports intervention operations. It also serves as a precursor to the more

substantial reporting provided in the Exchange Equalisation Account annual accounts, which can be found on the Treasury website at: <https://www.gov.uk/government/organisations/hm-treasury/series/hmt-eea>.

Users of the Release can compare the latest information on the UK's Official Reserves across time, with other countries and with the underlying data published by the Bank of England.²⁵ It is also where users can see the size of any intervention operations undertaken. In addition the information presented assists users in understanding global capital flows and the UK's public sector finances. It provides data on one element of the financial account and International Investment Position of the UK's balance of payments, and on a financing item of the Central Government Net Cash Requirement, and on liquid assets that are netted off in the UK's Public Sector Net Debt.²⁶

Users may also wish to use these statistics to conduct research into the efficiency and effectiveness of reserves management. Additionally, as these statistics are, in the UK, one relatively small financing item of the Central Government Net Cash Requirement, they could be used in conjunction with other information on financing items published in the Public Sector Finances Release to assess the capacity of the government to service and repay its debt, a key element in determining sovereign risk and risk premia.²⁷ The government's Statistical Releases, including this one, and financial reports, contain relevant information for this analysis. Finally, as the statistics provide data on one element of the financial account and the International Investment Position of the UK's balance of payments, these statistics could be used in conjunction with other statistics published by the ONS to inform users' understanding of these accounts of the Balance of Payments.

Users are likely to include UK and foreign research bodies and financial institutions, academics, foreign governments, credit rating agencies, news media organisations, and the general public.

Monthly data are published in accordance with the IMF International Reserves Template, based on more detailed information published by the Bank

Since July 2000, the UK government has published reserves data in this monthly press notice in accordance with the IMF/G10's International Reserves Template, which is based on the Special Data Dissemination Standard (SDDS).²⁸ This measures the value of the UK's foreign currency and gold

²⁵ Underlying data released by the Bank of England is available at: <https://www.bankofengland.co.uk/statistics/uk-international-reserves/2023/march-2023>

²⁶ Data on the UK's balance of payments is published by the ONS at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments>.

²⁷ Data on the UK's public sector finance is released by the ONS at: <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance>.

²⁸ The IMF SDDS was established in 1996 to guide countries that have, or that might seek, access to international capital markets in the dissemination of economic and financial data to the public.

assets, liabilities and derivatives on a marked-to-market basis (that is, using current and market valuations).²⁹

The format of this information is aligned with the information published by the Bank of England in their reserves data statistical release, which uses the same IMF template. The IMF has published the *International Reserves and Foreign Currency Liquidity, Guidelines for a Data Template*, which can be found at: <https://data.imf.org/?sk=2DFB3380-3603-4D2C-90BE-A04D8BBCE237>

Data on many other countries' international reserves and foreign currency liquidity are also available on the IMF's website: <http://www.imf.org/external/np/sta/ir/IRProcessWeb/colist.aspx>

This press notice uses data compiled by the Bank, which the Bank also uses for their own statistical release. The Bank's statistical release includes further detailed information, including the composition of both the UK government's and the Bank of England's foreign currency assets and liabilities.

Data quality, reconciliation with published annual accounts, and revision policy

This release uses the latest financial management data compiled by the Bank of England, as explained above. The data are validated by the Bank under a well-established system of reporting and associated controls, including management review, reconciliation to source data and balance sheet attestation, all of which are subject to independent audit. The annual data are also reconciled with the audited account of the EEA's balance sheet assets and liabilities, in an annual reconciliation statement, which is published in the EEA annual accounts.³⁰

The Bank does very occasionally revise the data, and if they do this, then they provide explanations on their statistical release website. Revised data are clearly indicated in their time series. In line with HM Treasury's statistical revisions policy (see: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191042/statistics_revisions_policy.pdf) they would also be highlighted in this release.

A National Statistics publication

National Statistics are quantitative information produced by the government and its nominated agents, which are produced and published in accordance with the provisions set out in the Statistics and Registration Service Act 2007 and in supplementary statistical legislation. National Statistics are assessed by the UK Statistics Authority to ensure that they are compliant with the high professional standards set out in the UK Statistics Authority's Code for Practice for Official Statistics. National

²⁹ Past data can be revised; the most up to date historical data for end-July 1999 onwards are available on the Bank of England website at: <https://www.bankofengland.co.uk/statistics/uk-international-reserves/2023/march-2023>

³⁰ Under the Finance Act 2000 (section 4 of the EEA Act 1979) the Treasury has a statutory obligation to publish a full set of annual financial accounts for the EEA. The accounts are audited by the National Audit Office and laid before both Houses of Parliament. The EEA annual accounts are available at: <https://www.gov.uk/government/organisations/hm-treasury/series/hmt-eea>.

Statistics undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference.

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

For more information about HM Treasury statistics visit:

<https://www.gov.uk/government/statistics?departments%5B%5D=hm-treasury>

Next publication date

The figures for April 2023 are due for publication on 4th May 2023.

Feedback and enquiries

We would welcome enquiries, comments and feedback from users of these statistics on any changes that users would like to see. Please send all comments or enquiries on our statistics to:

Statistical Contact: Malaika Khan

Email: ReservesStatistics@hmtreasury.gov.uk

This Press Release and other Treasury publications are available on the HM Treasury website: <https://www.gov.uk/government/organisations/hm-treasury>. For the latest information from HM Treasury you can subscribe to our RSS feeds or email service.

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You can also find National Statistics on the Internet at <http://www.statistics.gov.uk>