

## Distribution of the National Debt: March 1964

The table on page 48 brings forward to March 1964 the analysis of the National Debt by type of holder which was published in this *Bulletin* a year ago. It is derived largely from published statistics, and shows details of the holdings at nominal value where possible. Because in most financial statistics government guaranteed stocks issued by the nationalised industries are indistinguishable from government stocks, the total amount of such guaranteed stocks outstanding is added to the total of the National Debt as given in the *Finance Accounts of the United Kingdom*. Debt payable in overseas currencies is, however, excluded. Some of the figures, particularly those for holdings of overseas residents and individuals, are no more than broad estimates. Nevertheless the table as a whole probably gives a reasonably accurate picture of the distribution of the various forms of government debt.

**Distribution at March 1964** On the 31st March 1964 the total debt, as defined above, stood at £30,222 million. Of this amount £8,592 million, or 28% of the total, was in official hands. Some of this reflects the investment of cash balances temporarily surplus to requirements by Government Departments, and does not necessarily represent a liability of the Central Government as a whole. Over £5,500 million, however, is accounted for by government securities held by the Issue Department of the Bank of England against the fiduciary note issue and by the two funds, administered by the National Debt Commissioners, into which monies deposited with the Post Office Savings Bank and the Ordinary Departments of the Trustee Savings Banks are placed for investment. Thus, this part of the National Debt

reflects the indirect claims on the Government of holders of Bank of England notes and savings bank deposits, and its distribution between Treasury Bills, stocks and non-marketable debt depends on rather different considerations from those which determine the distribution of non-official holdings. For example, the relationship between the Issue Department's holdings of stocks and Treasury Bills at any one time results partly from the course and timing of official operations in the gilt-edged market; and its holding of stocks is likely to be relatively large immediately after a government issue for cash and immediately before a maturity.

Non-official holdings stood at £21,630 million on the 31st March 1964. Three categories—the banking sector, other financial institutions and overseas residents—each held rather more than £3,500 million, leaving a little over £10,500 million for other holders. It is now possible to identify most of these holders, but there nevertheless remains nearly £3,000 million (about 10% of the total debt), mainly in stocks, which cannot be placed in any particular category. Although some of this is no doubt due to under-estimates in other parts of the table, it is probably largely accounted for by holdings of private companies, charities and other non-corporate bodies, such as private trust funds and partnerships.

About two-thirds of the total debt outside official hands in March 1964 was in the form of stocks, £4,018 million maturing within five years and £10,408 million of a longer maturity. Treasury Bills accounted for 12% of the total; and non-marketable forms of debt—largely National Savings securities—for 21%.

Comparatively few Treasury Bills were held by the public other than the banks and overseas official holders. Out of £2,595 million Bills

outside official portfolios, the banks and discount houses held £1,154 million, and overseas holders—almost entirely central monetary institutions—£1,138 million (44% in each case). Other financial institutions held only £21 million, leaving £282 million (11%) for all other holders. Although no separate figures are available, the bulk of this was probably held by industrial and commercial companies.<sup>(1)</sup>

The banks and discount houses were also the largest holders of short-dated stocks, their holdings amounting to £1,460 million, or 36% of the total outside official hands. Of the rest, 19% was held by overseas residents, only 7% by other financial institutions, and 38% by all other holders. Longer-dated stocks were more widely distributed: £3,417 million (or 33% of the amount in the market) was held by financial institutions other than banks—largely the insurance companies; overseas residents held 11%; the banking sector 9%; and all other holders 47%.

**Changes during 1963/64** A comparison with the analysis for March 1963 published a year ago shows that during the year ended March 1964 the total debt rose by £415 million. Allowing for a few changes in definition which have been made since the earlier analysis was compiled,<sup>(2)</sup> the increase can be divided among the main groups of holders as follows:

|   | £ millions |                |                       |                      |
|---|------------|----------------|-----------------------|----------------------|
|   | Total      | Treasury Bills | Stocks <sup>(a)</sup> | Non-market-able debt |
| Official holdings ...                         | +310       | + 82           | +230                  | - 2                  |
| Non-official holdings:                        |            |                |                       |                      |
| Public corporations and local authorities ... | - 1        | —              | + 1                   | ..                   |
| Banking sector                                | +105       | + 89           | + 16                  | ..                   |
| Other financial institutions ...              | +106       | + 11           | + 95                  | ..                   |
| Overseas residents                            | +120       | +100           | + 18                  | + 2                  |
| Other holders ...                             | -225       | -101           | -106                  | -18                  |
| Total ... ..                                  | +105       | + 99           | + 22                  | -16                  |
| Total debt ... ..                             | +415       | +181           | +252                  | -18                  |

<sup>(a)</sup> These figures show estimated changes in the nominal value of holdings and therefore differ from the cash value of transactions given in Table 3 of the statistical annex.

Within the banking sector the rise was about equally divided between the domestic banks and the overseas banks; and there was little net change in the holdings of either the accepting houses or the discount market. The increase in other financial institutions' holdings was mainly accounted for by the insurance companies, but the amounts held by building societies and by the Trustee Savings Banks also rose. On the other hand pension funds reduced their holdings. The large fall in the amount of debt held by the residual category "other holders" is a reflection of the trend, which has been apparent in recent years, for industrial and commercial companies and persons to reduce their holdings of marketable government debt. A fuller analysis of transactions between sectors during 1963/64 can be obtained from the tables on pages 22 to 27.

<sup>(1)</sup> Some discussion on the use of Treasury Bills appears in the September 1964 issue of this *Bulletin*, page 186.

<sup>(2)</sup> The changes have been made in order to keep the analysis in line with other financial statistics. They are:

- (i) Municipal banks are now included with local authorities instead of, as formerly, with savings banks under "other financial institutions".
- (ii) The figures for the banking sector for 1964 cover ten extra banks.
- (iii) Treasury Bills representing the sterling equivalent of foreign currency deposits arising from Basle arrangements (£89 million in March 1963) are included with official holdings instead of with those of overseas residents.

**Estimated distribution of the National Debt<sup>(a)</sup> and  
nationalised industries' stocks guaranteed by H.M. Government**

*£ millions nominal<sup>(b)</sup>*

| At the 31st March 1964 <sup>(b)</sup>                                      |               |                                    |               |  |   |   |
|--|---------------|------------------------------------|---------------|--|---|---|
|  | Total         | Treasury Bills<br>( <sup>c</sup> ) | Stocks        |  |   | Non-<br>marketable<br>debt <sup>(c)</sup> |
|  |               |                                    | Total         | 0-5<br>years to<br>maturity <sup>(d)</sup> | Over 5<br>years and<br>undated <sup>(d)</sup> |   |
| <b>Official holdings</b> ... ..  | <b>8,592</b>  | <b>1,823</b>                       | <b>5,567</b>  | <b>1,384</b>                               | <b>4,183</b>                                  | <b>1,202</b>                              |
| <b>Non-official holdings</b>   |               |                                    |               |  |   |   |
| Public bodies  |               |                                    |               |  |   |   |
| Public corporations ... ..   | 78            | —                                  | 78            | 21   | 57  | ..  |
| Local authorities ... ..   | 118           | 3                                  | 115           | 20   | 95  | ..  |
|  | 196           | 3                                  | 193           | 41   | 152   | ..  |
| Banking sector   |               |                                    |               |  |   |   |
| Domestic banks ... ..  | 2,098         | 683                                | 1,415         | 789  | 626   | ..  |
| Overseas banks in the<br>United Kingdom ... ..                             | 541           | 64                                 | 477           | 196  | 281   | ..  |
| Accepting houses ... ..  | 100           | 44                                 | 56            | 46   | 10  | ..  |
| Discount market ... ..   | 800           | 363                                | 437           | 429  | 8   | ..  |
|  | 3,539         | 1,154                              | 2,385         | 1,460                                      | 925   | ..  |
| Other financial institutions   |               |                                    |               |  |   |   |
| Insurance companies ... ..   | 2,095         | 5                                  | 2,090         | 61   | 2,029   | ..  |
| Building societies ... ..  | 312           | 11                                 | 301           | 134  | 167   | ..  |
| Savings banks ... ..   | 200           | —                                  | 200           | 50   | 150   | ..  |
| Local authority pension<br>funds ... ..                                    | 227           | —                                  | 227           | 2  | 225   | ..  |
| Other public sector pen-<br>sion funds ... ..                              | 236           | 1                                  | 235           | 6  | 229   | ..  |
| Private sector pension funds   | 604           | 3                                  | 601           | 21   | 580   | ..  |
| Investment and unit trusts   | 42            | 1                                  | 41            | 8  | 33  | ..  |
| Other ... ..   | 7             | —                                  | 7             | 3  | 4   | ..  |
|  | 3,723         | 21                                 | 3,702         | 285  | 3,417   | ..  |
| Overseas residents   |               |                                    |               |  |   |   |
| International organisations  | 598           | 55                                 | 4             | 3  | 1   | 539                                       |
| Central monetary institu-<br>tions ... ..                                  | 2,057         | 1,033                              | 1,024         | 633  | 391   | —   |
| Overseas banks ... ..  | 973           | 50                                 | 132           | 14   | 118   | —   |
| Other ... ..   |               |                                    | 741           | 99   | 642   | 50  |
|  | 3,628         | 1,138                              | 1,901         | 749  | 1,152   | 589                                       |
| Other holders  |               |                                    |               |  |   |   |
| Public Trustee and various<br>other non-corporate<br>bodies ... ..         | 239           | 4                                  | 231           | 13   | 218   | 4   |
| Individuals ... ..   | 6,704         | ..                                 | 3,264         | 407  | 2,857   | 3,440                                     |
| Industrial and commercial<br>companies ... ..                              | 535           | ..                                 | 295           | 1,063                                      | 1,687   | 240                                       |
| Friendly societies ... ..  | 150           | ..                                 | 150           |  |   |   |
| Other (including errors and<br>omissions) ... ..                           | 2,916         | 275                                | 2,305         |  |   | 336                                       |
|  | 10,544        | 279                                | 6,245         | 1,483                                      | 4,762   | 4,020                                     |
| <b>Total non-official holdings</b>   | <b>21,630</b> | <b>2,595</b>                       | <b>14,426</b> | <b>4,018</b>                               | <b>10,408</b>                                 | <b>4,609</b>                              |
| <b>TOTAL DEBT</b> ... ..   | <b>30,222</b> | <b>4,418</b>                       | <b>19,993</b> | <b>5,402</b>                               | <b>14,591</b>                                 | <b>5,811</b>                              |
| Of which:  |               |                                    |               |  |   |   |
| National Debt ... ..   | 28,391        | 4,418                              | 18,162        | 5,374                                      | 12,788  | 5,811                                     |
| Nationalised industries'<br>stocks guaranteed by<br>H.M. Government ... .. | 1,831         |                                    | 1,831         | 28   | 1,803   |   |

.. not available but, apart from industrial and commercial companies' holdings of Treasury Bills, thought to be small.

— nil or less than ½.

(a) Excluding debt payable in overseas currencies (1,835 at the 31st March 1964) and securities tendered in payment of death duties and held by the National Debt Commissioners until redeemed (88 at the 31st March 1964).

(b) Some of the holdings are at book value and at dates other than the 31st March; see definitions on the following page.

(c) Non-marketable Treasury Bills in official holdings are included under "Treasury Bills".

(d) Classified according to final redemption date.

## Notes on sources and definitions

### Official holdings

The holdings of the Bank of England, the Exchange Equalisation Account, the National Debt Commissioners and certain Government Departments.

"Non-marketable" debt consists mainly of Terminable Annuities due to the National Debt Commissioners and Ways and Means Advances.

### Public bodies

*Public corporations* As defined in national income statistics, but excluding the Bank of England.

*Local authorities* The holdings of local government and miscellaneous local authorities in the United Kingdom, including holdings of municipal banks. In previous analyses such holdings of municipal banks as were available were included under savings banks.

### Banking sector

As in Table 9 of the statistical annex to this *Bulletin*. The figures for stocks are at book value (except for the discount market, where nominal values are used).

The figures cover ten more banks than those in the analysis for 1963.

### Other financial institutions

*Insurance companies* Holdings of U.K. branches of all members of the British Insurance Association whose parent companies are registered and whose head offices are in the United Kingdom; the holdings of five members of the Association of Collecting Friendly Societies are also included.

*Building societies* Estimates, at book value, based on figures appearing in *Financial Statistics* and in the *Report of the Chief Registrar of Friendly Societies*.

*Trustee Savings Banks* The Special Investment Departments of the Trustee Savings Banks. Municipal banks are included with local authorities.

*Other* Hire purchase finance companies and special finance agencies (such as the Agricultural Mortgage Corporation). The figures are partly estimated.

### Overseas residents

The figures of "Treasury Bills" are taken from Table 21 of the annex.

The holdings of "stocks" by international organisations, central monetary institutions and overseas banks come from Table 21 and the maturity analysis is partly estimated; "other" overseas holdings are estimated from information extracted from the registers of government stocks and from returns rendered by banks and the Crown Agents.

"Non-marketable debt" comprises interest-free notes held by international organisations and various sterling loans from overseas governments.

### Other holders

*Public Trustee and various other non-corporate bodies* A few identified holders, in particular the Public Trustee, the Church Commissioners and the Charity Commissioners.

*Individuals* The figures are based on the Inland Revenue's estimates of individuals' holdings in 1963, compiled from statistics of death duties. In the case of stocks they have been converted approximately to nominal values. "Non-marketable debt", in addition to National Savings securities and Tax Reserve Certificates, includes £7 million of Life Annuities.

*Industrial and commercial companies* The figure for stocks is based on holdings of "gilt-edged securities" in the analysis of published consolidated accounts of about 2,000 public companies compiled by *The Economist*, with whose permission the figures are published; no allowance has been made for companies not included in the analysis. No figures are available for companies' holdings of Treasury Bills.

An estimate of companies' holdings of Tax Reserve Certificates is shown under "non-marketable debt".

*Friendly societies* Societies registered under the Friendly Societies Acts, the Industrial and Provident Societies Acts and the Trade Union Acts with the exception of collecting societies, insurance and superannuation societies and co-operative banks. Their holdings—at book value—are estimated from information in the *Report of the Chief Registrar of Friendly Societies*.