

Distribution of the national debt: March 1965

A series of articles analysing the distribution of the national debt⁽¹⁾ by type of holder at 31st March each year has been published in the *Bulletin* annually since 1962 and has covered the years 1958 to 1964.⁽²⁾ This article discusses the figures for 31st March 1965 as set out in Table III.

As before, the figures are drawn from a variety of sources and show nominal values where possible. For certain of the categories, however, only book values are available, and some of the figures are at dates other than 31st March. Moreover, some figures, particularly those for overseas residents, individuals, and industrial and commercial companies, are little more than broad estimates. Subject to these qualifications, the figures are thought to give a reasonable guide to the distribution of the national debt. Because the figures are mainly at nominal values, the changes during the year 1964/65 do not correspond with the cash values of transactions given elsewhere in this *Bulletin*.

Distribution at March 1965 At 31st March 1965 the total debt amounted to £30,461 million. Of this, £8,932 million (29%) was in official hands. Almost two-thirds of the £8,932 million represented, in effect, holdings of the general public at one remove. These were, first, the investments of the funds, administered by the National Debt Commissioners, in which

are held moneys deposited with the Post Office Savings Bank and the ordinary departments of the trustee savings banks and, secondly, the holdings of the Issue Department of the Bank of England as backing for the fiduciary note issue. The rest of the £8,932 million consisted of various government funds, mainly the National Insurance and Industrial Injuries Funds, and the holdings of the Exchange Equalisation Account and of the Banking Department of the Bank of England.

Non-official holdings amounted to £21,529 million; some three-fifths of this was held, collectively, by four categories of holder. Individuals held 29%, overseas central monetary institutions 10%, the insurance companies 10% and the domestic banks 8%. Over half of individuals' holdings were in the form of non-marketable debt, mainly small savings securities. The portfolios of the central monetary institutions were divided almost equally between Treasury bills, which provide liquid funds available to cover day-to-day changes in their sterling cash balances, and stocks, which form a more permanent investment. The insurance companies, whose obligations are largely long term in character, had 97% of their holdings of government debt in stocks of over five years to maturity. By contrast, the domestic banks, to whom liquidity is a primary consideration, had 64% of their holdings in Treasury bills and stocks with five years or less to maturity.

(1) Here defined as the total of the national debt payable in sterling as given in the *Finance Accounts of the United Kingdom*. The analysis also includes stocks issued by the nationalised industries and guaranteed by H.M. Government; in most financial statistics such stocks are indistinguishable from British government stocks.

(2) June 1962 *Bulletin*; March 1963, 1964 and 1965 *Bulletins*.

Changes during 1964/65 Total debt increased by £239 million during the year ended 31st March 1965. Changes under the main headings are shown in Table I.⁽¹⁾

Table I
Changes 1964/65

	£ millions nominal			
	Total	Treasury bills	Stocks	Non-market-able debt
Official holdings ...	+340	+755	-367	-48
Non-official holdings:				
Public corporations and local authorities ...	-1	-	-1	..
Banking sector ...	-559	-418	-141	..
Other financial institutions ...	+184	-11	+194	+1
Overseas residents	+551	+44	+163	+344
Other holders:				
Individuals ...	-203	..	-210	+7
Industrial and commercial companies ...	-85	..	-35	-50
Others ...	+12	-116	+23	+105
Total ...	-101	-501	-7	+407
Total debt ...	+239	+254	-374	+359

Of the increase of £340 million in official holdings, about £200 million represented indirect borrowing from the public—both through a rise in the note circulation and through an increase in deposits with the Post Office Savings Bank and the ordinary departments of the trustee savings banks. Of the rest of the increase, £100 million represented the sterling counterpart of assistance received in the form of currency deposits from overseas central banks; this counterpart was invested in Treasury bills.

The comparatively small fall of £101 million in the total of non-official holdings concealed some marked changes in ownership. Two groups—other financial institutions and overseas residents—added about £180 million and £550 million respectively to their holdings. The increase in the holdings of the other financial institutions can be attributed mainly to investment in stocks by the insurance companies, by the special investment departments of the trustee savings banks, and by the private sector pension funds. The rise in overseas holdings was mostly due to an increase of £352 million in non-interest-bearing notes held by international organisations—mainly by the International Monetary Fund as a result of currency drawings from the Fund by the United Kingdom—but there was also a rise of £173 million in stocks and Treasury bills held by overseas central monetary institutions. This rise includes the sterling side of the assistance received in the form of swaps from these institutions; had it not been for such assistance, their holdings would have fallen.

The holdings of two other categories—the banking sector and “other holders”—declined by about £560 million and £280 million respectively. The fall in the banking sector's holdings was concentrated mainly in the bill holdings of the domestic banks and the discount houses. The portfolios of these institutions respond largely to changes in the total of Treasury bills in the market and in the portfolios of other institutions and holders. The fall for “other holders” was a continuation of a decline apparent in recent years. Most of it was due to individuals; their estimated holdings of stocks fell by £210 million, a drop of some £250 million in longer-dated issues being partly offset by a rise of about £40 million in stocks maturing in five years or less. There was also a decline of £85 million in the total holdings of industrial and commercial companies, divided between a fall of £35

⁽¹⁾ Owing to revisions during the year, certain of the figures in Table III cannot be compared directly with the corresponding figures published in the *Bulletin* a year ago. First, a revised figure for the stock holdings of private sector pension funds at 31st March 1964 was published in the June 1965 *Bulletin* (page 149) increasing the estimate from £601 million to £720 million. Secondly, the stock holdings of “overseas residents: other” are now estimated at £750 million, against £740 million. Thirdly, more up-to-date Inland Revenue figures suggest that the nominal value of individuals' stock holdings should be reduced by some £360 million to £2,900 million. Fourthly, a study of published company accounts made recently by the Bank indicates that the stock holdings of those companies included in the analysis—the category is not comprehensive—should be reduced by £65 million to £230 million. As a consequence of these changes, the residual item “other” published last year should be increased from £2,916 million to £3,215 million.

million in stocks of all maturities and one of £50 million in tax reserve certificates. This decline takes no account of a fall of £116 million in "other" holdings of Treasury bills, a substantial but unknown part of which can no doubt be attributed to companies.

The residual item "other" in Table III showed little change, in total, during 1964/65. It is mainly composed of unidentified stock holdings of £2,660 million. These account for nearly 9% of total debt and, though they partly represent errors and omissions elsewhere, it is probable that they consist largely of unidentified holdings of U.K. residents, together with the relatively small amount of British government loans held in bearer form by both home and overseas residents. It is hoped within the next year or two, when all the registers of stocks for which the Bank are responsible will have been transferred to computers, that it will be possible to analyse the distribution of the national debt more fully than at present, and that the residual item will then be much reduced.

Changes since 1960

Comparisons of statistics over a period as long as five years become difficult when there have been changes in the sources of the information. Nevertheless, some points of general interest emerge from the comparison in Table II of the current figures with those relating to March 1960, which were published in the June 1962 *Bulletin*. Before making this comparison the 1960 figures were amended to allow for the inclusion in the national debt, as now defined, of certain terminable annuities, formerly the liability of the Post Office, and of national savings stamps and gift tokens. They were also adjusted to allow for the reclassification of municipal banks with local authorities instead of with savings banks. But no other revisions have been made to them. Furthermore, not all the categories shown in the current analysis can be identified in that for 1960. Table II should, therefore, be taken to indicate trends rather than precise changes: this is especially so for the banking sector, which was less comprehensive in 1960 than it is now.

Table II
Changes 1960/65

£ millions nominal

	Total	Treasury bills	Stocks	Non-market-able debt
Official holdings...	+1,316	+ 643	+ 944	-271
Non-official holdings:				
Public corporations and local authorities ...	- 47	+ 3	- 50	..
Overseas official ...	+ 40	+ 155	- 241	+126
Banking sector ...	- 990	- 764	- 226	..
Building societies ...	+ 97	- 12	+ 121	- 12
Trustee savings banks (special investment departments) ...	+ 141	-	+ 140	+ 1
Other ...	+ 699	- 555	+ 800	+454
Total ...	- 60	-1,173	+ 544	+569
Total debt ...	+1,256	- 530	+1,488	+298

The table indicates that the increase in total debt was concentrated entirely in official holdings, which rose by £1,316 million; but over half of this reflected increases in debt held indirectly by the public—through an increase in the fiduciary note issue and a rise in deposits with the Post Office Savings Bank and the ordinary departments of the trustee savings banks.

The total of debt outside official hands changed very little during the five years, falling only from £21,589 million in 1960 (74% of the grand total of £29,205 million then outstanding) to £21,529 million in 1965 (71% of the grand total of £30,461 million). There were again, however, some marked changes in the distribution between groups. In particular, the banking sector's holdings fell by about £1,000 million over the five years, a period in which there was a marked rise in bank advances. The growth of both the building society movement and of the special investment departments of the trustee savings banks was reflected in rises of £100 million and £140 million respectively. "Other" holdings rose by nearly £700 million in total during the five years. Holdings of Treasury bills fell, probably mainly because companies preferred to invest their liquid funds in local authority temporary money instead, but there was a large increase

in stock holdings and in non-marketable debt (small savings). It is probable that about £500 million of the increase in stock holdings was due to the insurance companies, whose total investments were growing strongly year by year.

Another feature of the five-year period was a marked increase of over £2,000 million in the amount of short-dated government stocks outstanding. At the end of March 1960, the total of all government and nationalised industries' stocks guaranteed by H.M. Government amounted to £18,131 million, of which about 17%—£3,028 million—was due to mature within five years; in 1965 the total was £19,619

million of which 26%—£5,109 million—was due to mature within five years. Much the same proportions apply to the amount of the stock outside official portfolios: in 1960 about 18% was due to mature in five years or less—in 1965 about 27%. By themselves these figures might suggest that the average life of dated stock held by the market shortened over the period: but, in fact, it lengthened slightly, from 12·7 to 12·8 years. The main explanation for this lies in the issue during the period of £1,000 million of a very long-dated stock, 5½% Treasury Stock 2008/12, the major part of which is held in the market.

Table III

Estimated distribution of the national debt and nationalised industries' stocks guaranteed by H.M. Government

£ millions nominal^(a)

	At 31st March 1965					Non-marketable debt
	Total	Treasury bills	Stocks			
			Total	0-5 years to maturity	Over 5 years and undated	
Official holdings	8,932	2,578	5,200	1,159	4,041	1,154
Non-official holdings						
Public bodies:						
Public corporations	78	—	78	20	58	..
Local authorities	117	3	114	24	90	..
	195	3	192	44	148	..
Banking sector:						
Domestic banks	1,629	430	1,199	620	579	..
Overseas banks in the United Kingdom	527	60	467	206	261	..
Accepting houses	88	31	57	46	11	..
Discount market	736	215	521	501	20	..
	2,980	736	2,244	1,373	871	..
Other financial institutions:						
Insurance companies	2,211	2	2,209	51	2,158	..
Building societies	311	4	307	169	138	..
Trustee savings banks (special investment departments)	236	—	235	74	161	1
Local authority pension funds	242	—	242	2	240	..
Other public sector pension funds	243	1	242	9	233	..
Private sector pension funds	744	3	741	31	710	..
Investment and unit trusts	35	—	35	6	29	..
Other	4	—	4	—	4	..
	4,026	10	4,015	342	3,673	1
Overseas residents:						
International organisations	951	54	6	6	—	891
Central monetary institutions	2,230	1,096	1,134	671	463	—
Overseas banks	1,009	32	135	41	94	—
Other			800	90	710	42
	4,190	1,182	2,075	808	1,267	933
Other holders:						
Public Trustee and various other non-corporate bodies	204	2	198	12	186	4
Individuals	6,137	..	2,690	290	2,400	3,447
Industrial and commercial companies	385	..	195	1,081	1,924	190
Friendly societies	150	..	150			
Other (including errors and omissions)	3,262	161	2,660			441
	10,138	163	5,893	1,383	4,510	4,082
Total non-official holdings	21,529	2,094	14,419	3,950	10,469	5,016
Total debt	30,461	4,672	19,619	5,109	14,510	6,170
Of which:						
National debt	28,634	4,672	17,792	4,866	12,926	6,170
Nationalised industries' stocks guaranteed by H.M. Government	1,827	—	1,827	243	1,584	—

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

— Nil or less than ½.

^(a) Some of the holdings are at book value and at dates other than 31st March, see notes on sources and definitions.

Notes on sources and definitions

National debt

Excluding debt payable in overseas currencies (£1,806 million at 31st March 1965) and securities tendered in payment of death duties and held by the National Debt Commissioners until redeemed (£86 million at 31st March 1965).

Stocks

Classified according to final redemption date.

Official holdings

The holdings of the Bank of England, the Exchange Equalisation Account, the National Debt Commissioners and certain government departments. The figures include the sterling counterpart of overseas aid received by the United Kingdom in the form of currency deposits.

Non-marketable debt consists mainly of terminable annuities due to the National Debt Commissioners and ways and means advances. Non-marketable Treasury bills are included under Treasury bills.

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.

Banking sector

As in Table 8 of the statistical annex, but excluding the Banking Department of the Bank of England (which is included in official holdings). The figures for stocks are at book value (except for the discount market, where nominal values are used).

Other financial institutions

Insurance companies Holdings by U.K. branches of all members of the British Insurance Association whose parent companies are registered in the United Kingdom and whose head offices are there; 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 Special finance agencies.

Overseas residents

The figures for Treasury bills, together with the holdings of stocks by international organisations, central monetary institutions and overseas banks, come from Table 20 of the annex and include the sterling side of overseas aid in the form of swaps received by the United Kingdom. The maturity analysis of stocks 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 1964, compiled from statistics of death duties. Stocks have been converted approximately to nominal values. Non-marketable debt includes £6 million of life annuities, as well as national savings securities and tax reserve certificates.

Industrial and commercial companies The figure for stocks is an estimate based on a large number of published accounts of public companies. No allowance has been made for other companies. An estimate of companies' holdings of tax reserve certificates is shown under "non-marketable debt". Companies' holdings of Treasury bills are included in the residual category.

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 super-annuation societies and co-operative banks. Holdings (at book value and at the end of 1964) are estimated from information in the *Report of the Chief Registrar of Friendly Societies*.