

Distribution of the national debt: March 1966

This article continues the annual series¹ analysing the distribution of the national debt² by type of holder. It discusses holdings of debt at 31st March 1966 and net changes in these holdings during 1965/66. The information is drawn from a variety of sources and, although nominal values are shown wherever possible, only book or market values are available for certain categories. For other categories, especially overseas residents, individuals, and industrial and commercial companies, the figures are little more than broad estimates. Nevertheless, the analysis is thought to give a reasonable guide to the distribution of the debt.

Distribution at March 1966

Details of holdings of debt are shown in Table B at the end of this article. At 31st March 1966 the total debt amounted to £31,318 million. Of this, official holdings accounted for almost 30% (£9,278 million). Of the £22,040 million not in official hands, the banking sector and other financial institutions in the United Kingdom (notably the insurance companies) between them held £7,572 million (24% of the total debt), and overseas residents held £4,527 million (14%). Among other holders the largest group consisted of private individuals, with approximately £5,730 million (18%).

Of the total national debt, some 60% consisted of stocks; and these formed by far the greater part of the holdings of the U.K. banking sector and of the other financial institutions. Although stocks were also the largest element in overseas holdings, almost as large a proportion of the total amount of such holdings was in the form of non-interest-bearing notes, belonging mainly to the International Monetary Fund and shown under non-marketable debt. Stocks also accounted for a large part of the holdings of private individuals in the United Kingdom but, as might be expected, not as large a part as non-marketable debt – mainly small savings securities and tax reserve certificates.

Table B includes for the first time a separate estimate (£100 million at 31st March 1966) of stocks held by unquoted industrial and commercial companies. These holdings have been calculated by reference to sample enquiries conducted by the Inland Revenue and the Board of Trade.

The category "other" shown under "other holders" is a residual item, amounting to £3,278 million (some 10% of the total debt outstanding) and consisting mostly of stocks. In part this figure reflects underestimates in the rest of the table; but to a large extent it probably represents holdings, which cannot be separately identified, of private funds and of trusts, charities and partnerships – a view which is supported by an examination of the stock registers maintained by the Bank. As mentioned in the article in this series a year ago, the registers are being transferred to computers and it is hoped that when this work is completed it will be possible to provide some additional information about the distribution of the national debt.

¹ The previous article in this series was published in the March 1966 *Bulletin*.

² 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.

Table A
Changes 1965/66

£ millions nominal

	Total	Treas- ury bills	Stocks	Non- market- able debt
Official holdings	+352	+239	+245	-132
Non-official holdings				
Public corporations and local authorities	- 6	- 3	- 3	..
Banking sector	+379	+415	- 36	..
Other financial institutions	+171	+ 1	+170	..
Overseas residents	+359	-185	-120	+654
Other holders:				
Individuals	-349	..	-176	-173
Industrial and commercial companies	- 90	..	- 20	- 70
Others (residual)	+ 41	- 17	+ 13	+ 45
Total non-official holdings	+505	+211	-172	+466
Total debt	+857	+450	+ 73	+334

Changes during 1965/66

The total amount of debt outstanding rose by £857 million (2.8%) during the year ended 31st March 1966, compared with an increase of £239 million (0.8%) in 1964/65. The increase was greater than in 1964/65 mainly because the central government's deficit was larger and because the gold and foreign exchange reserves rose, making it necessary to increase the capital of the Exchange Equalisation Account; in 1964/65 the reserves had fallen and the E.E.A.'s capital had been reduced.

Of the total increase in 1965/66, Treasury bills accounted for £450 million and non-marketable debt for a further £334 million; the increase in non-marketable debt was attributable to a rise in overseas holdings of non-interest-bearing notes, partly offset by a fall in small savings securities. Stocks rose by £73 million. The changes among the main groups of holders,¹ by type of debt, are shown in Table A. Of the increase of £352 million in official holdings – by coincidence, almost the same as in the previous year – nearly £200 million was, in effect, attributable to borrowing at one remove from the general public: the note issue – the backing for which is held by the Issue Department of the Bank of England mainly in Treasury bills and stocks – increased by £150 million; while deposits with the Post Office Savings Bank and the ordinary departments of the trustee savings banks – which, by statute, are invested by the National Debt Commissioners in government debt – rose by £46 million. Official holdings were also affected during 1965/66 by the Bank's call for Special Deposits from the London clearing banks and the Scottish banks, which amounted to £97 million and which led to an increase in the Bank's holding of Treasury bills.

The increase in the banking sector's government debt was concentrated in Treasury bills; these rose by £415 million, almost exactly the same amount by which they had fallen in the previous year. The larger central government deficit and the change in the Exchequer's "external transactions", shown in Table 1 of the statistical annex, gave rise to a substantial amount of domestic borrowing by the Exchequer in 1965/66 (compared with a large repayment in 1964/65); nearly all of this domestic borrowing came from the banking sector.

Other financial institutions as a whole continued to benefit from a steady inflow of funds, and they increased their holdings of debt at a remarkably constant rate – about £170 million in each of the last two years;² in each case, the rise consisted wholly of stocks. But among these institutions the pattern changed; in 1965/66 insurance companies invested heavily in industrial debentures and bought a net amount of only £28 million of government debt, as against more than £100 million in 1964/65. Building societies, on the other hand, which were receiving more funds from shareholders and depositors during the greater part of 1965/66 than they were lending on mortgage, increased their holdings of government debt by approximately £70 million, compared with little change in the previous year.

International organisations more than accounted for the net rise in the total debt held by overseas residents (£359 million). Their holdings indeed rose by £675 million, of which £669 million was in respect of non-interest-bearing notes issued to the I.M.F., mainly as a result of currency drawings by the United Kingdom. On the other hand, the holdings of central monetary institutions fell by £317

¹ Because of revisions to the figures for 31st March 1965, some of the changes in Table A will not match changes deduced from a comparison of Table B and the similar table published a year ago.

² Some of the figures for 1964/65 have been revised.

million, the greater part of which (£185 million) was a decrease in Treasury bills. A large proportion of the total fall is attributable to the repayment of earlier drawings made by the United Kingdom on inter-central bank facilities.

Debt held by individuals is estimated to have fallen by about £350 million, divided almost equally between stocks and small savings securities; the fall in stocks was more than accounted for by a reduction in longer-dated securities. Although these figures are broad estimates, there seems little doubt that the trends which they indicate are correct, especially with regard to small savings securities; figures published by the National Savings Committee indicate a large net fall in these securities during 1965/66.

The holdings of quoted industrial and commercial companies are estimated to have decreased by £90 million (23%), of which £70 million was tax reserve certificates. Companies' holdings of both stocks and tax reserve certificates have fallen for several years.

The average life of dated stocks held by the market shortened very slightly during the year (from 12·8 to 12·7 years), continuing a trend which has been generally apparent since the end of 1962.

Table B
Estimated distribution of the national debt and nationalised industries' stocks guaranteed by H.M. Government: 31 March 1966

£ millions nominal^a

	Total	Treasury bills	Stocks			Non-market-able debt
			Total	0-5 years to maturity	Over 5 years and undated	
Official holdings	9,278	2,817	5,439	1,001	4,438	1,022
Non-official holdings						
Public bodies:						
Public corporations	77	—	77	20	57	..
Local authorities	112	..	112	33	79	..
Total public bodies	189	..	189	53	136	..
Banking sector:						
Domestic banks	1,941	671	1,270	612	658	..
Overseas banks in the United Kingdom	489	51	438	165	273	..
Accepting houses	85	29	56	46	10	..
Discount market	844	400	444	437	7	..
Total banking sector	3,359	1,151	2,208	1,260	948	..
Other financial institutions:						
Insurance companies	2,239	—	2,239	54	2,185	..
Building societies	431	7	420	262	158	4
Trustee savings banks (special investment departments)	247	—	247	97	150	—
Local authority pension funds	245	—	245	5	240	—
Other public sector pension funds	227	—	227	13	214	—
Private sector pension funds	770	4	766	61	705	—
Investment and unit trusts	54	—	54	22	32	..
Total other financial institutions	4,213	11	4,198	514	3,684	4
Overseas residents:						
International organisations	1,626	60	7	7	—	1,559
Central monetary institutions	1,913	911	1,002	622	380	—
Overseas banks	988	26	136	25	111	—
Other			788	161	627	38
Total overseas residents	4,527	997	1,933	815	1,118	1,597
Other holders:						
Public Trustee and various other non-corporate bodies	200	2	195	19	176	3
Individuals	5,734	..	2,480	346	2,134	3,254
Industrial and commercial companies:						
Quoted companies	295	..	175	1,344	1,706	120
Unquoted companies	100	..	100			
Friendly societies etc.	145	..	145			
Other (residual)	3,278	144	2,630			504
Total other holders	9,752	146	5,725	1,709	4,016	3,881
Total non-official holdings	22,040	2,305	14,253	4,351	9,902	5,482
Total debt	31,318	5,122	19,692	5,352	14,340	6,504
<i>Of which:</i>						
National debt	29,545	5,122	17,919	5,115	12,804	6,504
Nationalised industries' stocks guaranteed by H.M. Government	1,773		1,773	237	1,536	

^a Some of the holdings are at book value and at dates other than 31 March, see notes on sources and definitions.
 .. Not available but, apart from industrial and commercial companies' holdings of Treasury bills, thought to be small.
 — Nil or less than ½.

Notes on sources and definitions

National debt

Excluding debt payable in overseas currencies (£1,795 million at 31st March 1966) and securities tendered in payment of death duties and held by the National Debt Commissioners until redeemed (£83 million at 31st March 1966).

Stocks

Classified according to final redemption date.

Official holdings

Includes 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. 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 those 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; and by members of the Association of Collecting Friendly Societies.

Building societies Estimates 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.

Overseas residents

The figures for Treasury bills, together with those of stocks held by international organisations, central monetary institutions and overseas banks come from Table 21 of the annex and include the sterling counterpart of central bank facilities drawn upon 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 1965, 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

1 Quoted companies The figure for stocks is based on a large number of published accounts of public companies. In these accounts, British government securities are often included indistinguishably with total investments and the figure is therefore an estimate. Also, investments are invariably shown at book or market values in companies' accounts and no attempt has been made to convert the figure to a nominal amount. An estimate of tax reserve certificates held by companies is shown under "non-marketable debt". Companies' holdings of Treasury bills are included in the residual category.

2 Unquoted companies The figure is based on an Inland Revenue sample of accounts of exempt private companies engaged in manufacturing and distribution, and a Board of Trade sample of accounts of public unquoted and non-exempt private industrial and commercial companies. In these accounts, British government securities are often included indistinguishably with total investments and the figure is therefore an estimate. Also, investments are invariably shown at book or market values in companies' accounts and no attempt has been made to convert the figure to a nominal amount.

Friendly societies etc. 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 cooperative banks. Holdings (at book value and at the end of 1965) are estimated from information in the *Report of the Chief Registrar of Friendly Societies*.