

Distribution of the national debt: March 1971

This article analyses the national debt at the end of March 1971 and discusses the changes which took place during the preceding financial year. A concluding section reviews changes over the period from March 1966 to March 1971.

Analysis by type of debt

On 31st March 1971 the national debt¹ totalled £32,806 million in nominal terms, comprising:

Table A

	£ millions	per cent
Government and government-guaranteed stocks	23,067	70
Treasury bills	3,291	10
Non-marketable debt ^a	6,448	20

^a Comprises national savings securities (see notes on sources and definitions), tax reserve certificates, non-interest-bearing notes, terminable annuities, ways and means advances, life annuities, debt to the Bank of England and sundry sterling loans.

Details are given in Table E, on page 73.

The national debt rose by £440 million (nearly 1½%) during the financial year 1970/71, mainly because foreign exchange reserves rose, necessitating an increase of £250 million in the Exchange Equalisation Account's sterling capital. Also the central government had a deficit of some £80 million. Although there is a connection between a central government deficit and an increase in the national debt, the central government deficit does not account wholly for the rest of the increase in the national debt because of differences in accounting and definition. For example, the change in the national debt is shown here, as far as possible, in nominal terms and refers to holdings both inside and outside the central government sector, whereas the central government deficit or surplus (net balance) reflects the flow of cash between the central government and the rest of the economy.

The changes in government debt in the hands of the main groups of holders shown in Table B reflect two main influences. First, the marked improvement in the United Kingdom's balance of payments at this time enabled all short-term central bank assistance to be repaid by end-March 1971 and this is reflected in the reduction in overseas residents' holdings of Treasury bills. Secondly, the gilt-edged market was generally strong from June 1970 onwards, as international interest rates were moving downwards; and in the early months of 1971, when expectations of a reduction in U.K. interest rates became widespread, demand for stocks was exceptionally heavy; indeed during the March quarter, turnover on the London stock exchange in gilt-edged stocks of all maturities totalled nearly £12,700 million,² very much larger than in any other quarter since figures began to be

¹ Here defined as the total of the national debt payable in sterling, as given in the supplementary statements to the *Consolidated Fund and National Loans Fund Accounts 1970/71*, together with stocks issued by certain nationalised industries and guaranteed by H.M. Government. In most of the data from which the figures of holdings are derived, such guaranteed stocks are indistinguishable from British government stocks.

² *i.e.* the sum of brokers' purchases on behalf of clients plus the sum of their sales on behalf of clients. The transfer of a security from one holder to another counts as two deals.

Table B
Changes during 1970/71^a

£ millions
Nominal values

	Total	Treasury bills	Stocks	Non-marketable debt
Official holdings	+182	- 777	+ 887	+ 72
Market holdings				
Public bodies	- 43	. .	- 17	- 26
Banking sector	+172	+ 124	+ 61	- 13
Other financial institutions	+780	—	+ 775	+ 5
Overseas residents	-607	- 612	+ 218	-213
Other holders	- 44	- 5	- 97	+ 58
Total market holdings	+258	- 493	+ 940	-189
Total debt	+440	-1,270	+1,827	-117

. . not available.

^a Because of minor revisions to the figures for 31st March 1970 (published in the March 1971 *Bulletin*) some of the changes in this table cannot be deduced from the tables of holdings. The comparison also takes account of changes in the Northern Ireland Government's holdings of British government stocks, which are now included as part of official holdings.

compiled in 1964. The authorities sold unprecedented amounts of stock during these three months – a net total of nearly £1,250 million – and, to replenish official holdings, four new issues were made to a nominal total of £2,300 million. This activity is reflected in an increase of over £1,825 million during the year in the total amount of gilt-edged in issue. Market holdings rose by £940 million, and official holdings by over £885 million; this official increase was largely balanced by a fall of over £775 million in Treasury bills. The changes in official holdings are mainly accounted for by movements in the Issue Department's assets discussed below.

There were in all six new issues of gilt-edged stock during the year totalling £3,200 million:

- £600 million 8½% Treasury Loan 1984/86
- £300 million 6¾% Treasury Stock 1974
- £600 million 6½% Treasury Loan 1976 (2nd tranche)
- £500 million 9% Treasury Loan 1994 (2nd tranche)
- £600 million 6½% Exchequer Stock 1976
- £600 million 9% Treasury Loan 1992/96

Two large stocks, 3% Savings Bonds 1960/70 and 6½% Treasury Stock 1971, totalling some £1,325 million,¹ were redeemed.

Although central government holdings of non-marketable debt rose (mainly because of an increase in the Exchange Equalisation Account's holdings of ways and means advances), total non-marketable debt fell. This was because the U.K. liability to the International Monetary Fund (in the shape of interest free notes) was reduced, mainly by the repayment of drawings on stand-by facilities and partly by other Fund members' purchases of sterling.

¹ £8 million of 3% North of Scotland Electricity Stock 1968/70 was also redeemed during the year. There were some other debt reducing operations, mainly cancellations of stocks purchased by sinking funds.

Analysis by holder

*U.K. Official holdings*¹ accounted for £9,166 million, or 28% of the total debt, the same proportion as at 31st March 1970. Similarly, the proportions held by the various official institutions have changed very little over the past two years. Just under half was held by the National Debt Commissioners, who manage the two funds through which is invested money deposited in the ordinary departments of the National Savings Bank and the trustee savings banks, as well as the national insurance funds and several other official accounts. More than a third of the total was held by the Issue Department of the Bank of England and formed the major part of the backing for the note issue. The remainder was divided between the Banking Department of the Bank of England, and government departments (including the Exchange Equalisation Account) having money temporarily available for investment.

The note issue increased by £325 million in 1970/71. This unusually steep rise no doubt partly reflected the very rapid increases in incomes and prices during the year and partly some additional notes held because of the postal strike towards the end of the year under review. The rise in the note circulation was matched in the Issue Department mainly by an increase of £855 million in stocks (market value), of about £200 million in refinance of export and shipbuilding credit paper, and of £60 million in local authority and commercial bills, offset by a fall of nearly £800 million in Treasury bills.

In replenishing its own gilt-edged portfolio, the department ended the year with more stocks than it started with. Of the three new long-dated stocks issued during the year, two – 9% Treasury Loan 1994 (£500 million nominal issued) and 8½% Treasury Loan 1984/86 (£600 million) – were largely absorbed by the market; most of the third – 9% Treasury Loan 1992/96 (£600 million) – was still in official hands at 31st March 1971 since it had been issued only three weeks previously. Sales by the department of other long and undated stocks totalled roughly £90 million, and the net rise in the department's long-term portfolio was some £450 million over the year. The Issue Department sold £430 million of medium-dated stocks (mainly 8½% Treasury Loan 1980/82). It also disposed of most of the second tranche of 6½% Treasury Loan 1976 (£600 million). However, the Issue Department's holdings of stocks with less than five years to maturity rose by nearly £850 million. More than £560 million of stocks within twelve months of maturity (including 5% Conversion Stock 1971 and 6¾% Exchequer Loan 1971) were acquired, and the department also still held some £360 million 6½% Exchequer Stock 1976 (issued in February 1971). Its holdings of other short-dated stocks fell by about £100 million.

Net movements in other U.K. official portfolios were smaller. Taken together, their holdings of gilt-edged stocks and Treasury bills hardly altered but their non-marketable debt went up by about £70 million. The main changes were an increase in ways and means advances of some £130 million as government departments lent their funds overnight

¹ See notes on sources and definitions.

to the central government, and redemptions of some £80 million in terminable annuities held by the National Debt Commissioners. These annuities, which were mostly issued during the last war are entirely in the hands of the Commissioners. The total outstanding at end-March 1971 was £312 million.

Market holdings (belonging to investors both at home and overseas, and shown in detail in Table E) rose by some £260 million to £23,640 million (or 72% of the total debt). Of this, stocks rose by £940 million, to £17,149 million (73%), Treasury bills fell by some £495 million, to £955 million (4%) and non-marketable debt fell by almost £190 million, to £5,536 million (23%).

As usual, financial institutions other than the banks formed the most important group of market investors and added £780 million to their investment in government debt during the year under review, bringing it to over £6,600 million by 31st March 1971, all but some £20 million being in gilt-edged stocks. The insurance companies, the largest institutional holders of gilt-edged, acquired a further £260 million, so that they held £3,390 million of medium, long and undated stocks at the end of the period but only about £70 million in shorter stocks. Public and private sector pension funds, another group which concentrates its investment in longer-dated stocks, bought £165 million, bringing its holdings of stocks of all maturities to nearly £1,400 million. Next came the building societies, which increased their holdings by more than 25% from some £750 million to nearly £1,030 million, an unprecedented rise which reflected the record growth of their share and deposit funds. With money coming in faster than it could be lent on mortgage, the societies' liquid reserves rose, some being invested in short-dated stocks and some in medium and longer-dated issues. The investment account of the National Savings Bank and the special investment departments of the trustee savings banks together purchased some £95 million to match the expansion of their deposits,¹ so that at the end of the period they held stocks totalling over £580 million, £480 million of which had more than five years to run to maturity. In the whole group of "other financial institutions" only the investment and unit trusts ran down their holdings. The group as a whole continued to concentrate its gilt-edged investments in medium or long-dated stocks and on 31st March 1971 held less than 15% in short-dated stocks; of this 10% was held by the building societies.

By contrast, overseas residents' holdings of total government debt fell by over £605 million, to just under £4,650 million. This drop, which continued the trend set in the previous year, was again mainly brought about by the repayment of assistance given under foreign central bank swap facilities, the sterling counterpart of which was held in U.K. Treasury bills. All such swap transactions were finally paid off by end-March 1971; overseas holdings of Treasury bills were more than halved, falling to just over £450 million. Nearly all this figure represented overseas countries'

¹ Because their deposits do not have to be invested wholly in government debt, holdings of the National Savings Bank investment account, which is managed by the National Debt Commissioners and trustee savings banks' special investment departments are, unlike those of their ordinary accounts, regarded as 'market' holdings.

reserves held in sterling.¹ Similarly, the United Kingdom's strong balance of payments made possible repurchases of sterling acquired by the I.M.F. under the United Kingdom's stand-by arrangements, and overseas holdings of non-marketable debt, mainly in the form of non-interest-bearing notes held by the I.M.F., fell by over £210 million. In fact, repayments of debt effectively amounted to over £300 million, but the United Kingdom also subscribed more than £100 million of new money in November 1970.

Holdings of stocks by overseas residents rose by over £200 million; central monetary institutions and private investors each added about £100 million to their portfolios. The former tended to prefer medium and long-dated stocks while private investors tended to buy shorter-dated issues.

As at the end of the previous year, the financial institutions – other than the banks – and the overseas sector together held somewhat under half of total market holdings of the national debt. The remainder was in the hands of those public bodies which are not classified in this analysis as official, of banks and of other holders in the United Kingdom.

Debt held by public bodies – public corporations and local authorities – fell by some £45 million, to about £175 million (all gilt-edged stocks).

The banking sector's domestic deposits increased by about £1,740 million (some 13%) in the year ending March 1971; this was mainly because of the heavy inflow of funds from abroad and the return to deficit of the public sector. These extra resources were used mainly to lend more to the private sector, public corporations and local authorities, but partly also to acquire more government debt. Although investment in government debt fell as a proportion of the sector's total assets, its holdings increased in absolute terms by nearly £175 million. Treasury bills held by the banks and discount houses, which had been very low at the beginning of the year, grew by £125 million and stocks by £60 million. This modest rise in stocks conceals a marked lengthening in the maturities held.

Within the banking sector, the deposit banks had unusually large liquid assets at the end of the revenue season in March 1971 – perhaps partly because of delays in tax payments caused by the postal strike – and built up their depleted Treasury bill holdings by £120 million. They added some £30 million to their gilt-edged portfolio but, in doing so, allowed their investment in short-dated stocks to fall by nearly £75 million whilst taking up £105 million of stocks with over five years to run to maturity. Holdings of gilt-edged by the accepting houses, overseas and other banks fell slightly by £25 million. The discount houses' holdings of Treasury bills remained unchanged at just under £200 million but they added some £50 million to their gilt-edged holdings; again there was some lengthening of portfolios.

The final group, the "other holders", ended the year with nearly £9,580 million of debt, some £45 million less than the year before. The figures shown for most of the categories in the group should be regarded as no more than reasonable estimates, partly because of difficulties of valuation

¹ The figures for overseas holdings of Treasury bills are affected by a change in the method of accounting: see notes on sources and definitions.

(wherever possible nominal values have been used, but sometimes the only figures available are at book or market values), and partly because comprehensive statistics do not exist of the holdings of industrial and commercial companies or private funds. Table E leaves unallocated some £1,890 million (some 6% of the total debt). As well as holdings of unincorporated businesses such as stockbrokers, jobbers, solicitors and most charities – categories whose holdings have not been estimated – this residual probably also reflects errors and omissions elsewhere in the estimates. For example, the difference between the book value or cost of gilt-edged shown for holders such as the banks and the true nominal holding will be reflected in the other (residual) figure.

Private funds and trusts form the most important single category in this final group, with estimated holdings of gilt-edged of £3,640 million, even larger than those of the insurance companies. The government stock register maintained by the Bank indicates that these private holdings rose by over £40 million in 1970/71. The number of accounts representing private funds fell by about 130,000 to some 1.7 million, so that the average holding rose to nearly £2,150. By contrast, the remaining 300,000 accounts on the register had an average holding of about £65,000. This year, unlike the previous year, there was little sign that gilt-edged were acquired by private investors with proceeds from national savings. The flow of funds out of national savings was stemmed after September 1970 largely because the decimal issue of national savings certificates was offered in October 1970 at a rate of compound interest, tax free, which became increasingly attractive as other competing interest rates declined. Altogether, private funds invested some £30 million in non-marketable debt. This reflects an estimated rise of about £15 million each in personal tax reserve certificates and national savings. National savings may be held other than by persons and private trusts. For example, charities and friendly societies are allowed to hold national savings certificates, British savings bonds and national development bonds, and the last two may also be held by corporate bodies. The residual figure of £235 million which covers this type of holder is no more than a broad estimate, as little published information exists on holders of national savings.

Of the main forms of national savings, certificates outstanding increased by £15 million (excluding accrued interest), the first increase since 1967/68. Premium savings bonds and S.A.Y.E. continued to do well and between them increased by nearly £70 million. Although there was substantial investment in the most recent series of British savings bonds, this was more than offset by the continued run-down of previous series and of defence and national development bonds. Taken as a whole, investment in bonds fell by just over £65 million.

Industrial and commercial companies' identified holdings of government debt remained broadly unchanged during the year, their non-marketable holdings rising by £30 million and their holdings of gilt-edged stock falling correspondingly, whilst their Treasury bill holdings remained constant.

Changes in market holdings over the five years to March 1971

The proportion of the national debt in market hands remained very stable over the five years to March 1971 at somewhat over 70%.

Table C
Market holdings as at 31 March

£ millions							% of total	
	1966	1967	1968	1969	1970	1971	1966	1971
Outstanding at 31 March								
Stocks:								
0-5 years	4,340	4,601	5,703	4,786	4,807	4,634	20	20
5 years and over	9,867	10,827	10,173	10,136	11,402	12,515	45	53
	<u>14,207</u>	<u>15,428</u>	<u>15,876</u>	<u>14,922</u>	<u>16,209</u>	<u>17,149</u>	<u>65</u>	<u>73</u>
Treasury bills	2,305	1,723	3,077	3,218	1,448	955	10	4
Non-marketable debt:								
National savings	3,664	3,630	3,683	3,676	3,559	3,574	17	15
Tax reserve certificates	189	287	307	340	292	326	1	1
Other	1,629	1,580	1,492	1,896	1,874	1,636	7	7
	<u>5,482</u>	<u>5,497</u>	<u>5,482</u>	<u>5,912</u>	<u>5,725</u>	<u>5,536</u>	<u>25</u>	<u>23</u>
Total market holdings	21,994	22,648	24,435	24,052	23,382	23,640	100	100
Total national debt	31,318	31,921	33,647	33,485	32,366	32,806		

Table C shows that, within total market holdings, the proportion held in stocks rose, the proportion in Treasury bills fell, and that in non-marketable debt remained roughly the same. The rising trend in market holdings of gilt-edged stocks was due mainly to the steady accumulation of institutional investment (see Table D below). Financial institutions other than banks added to their gilt-edged holdings in every year – even in 1968/69 when the gilt-edged market was particularly weak. The total for the five years amounted to nearly £2,400 million. The insurance companies provided more than half of this, nearly all in maturities of over five years. The acquisition on a large scale of gilt-edged, rather than other securities, reflects the tendency of the life funds to match a substantial part of maturing liabilities with assets of a similar span of life. The building societies took up over a quarter, as their liquid reserves increased; more than two thirds of this went into short-dated stocks. For the rest, nearly £200 million came from purchases by the National Savings Bank investment account, which did not exist in March 1966. However, a large part of these purchases does not represent new money invested in government debt as it was originally held in ordinary deposits with the National Savings Bank and was thus already invested in gilt-edged stocks by the National Debt Commissioners. Since the establishment of the investment account in June 1966, £145 million has been transferred from these ordinary accounts to the investment account. Among other groups, overseas residents added over £600 million to their holdings of gilt-edged (£350 million by central monetary institutions). Interest rates in this country were comparatively high; and overseas sterling countries were running balance of payments surpluses.

During the five years under review there was a general lengthening of the maturities of stocks held by the market, mainly because of the large take up of medium and long-dated stocks by financial institutions, particularly the insurance companies. Holdings of stocks with less than 5 years to run to maturity as a proportion of total market holdings of stocks, fell from over 30% to about 27%. During the period, the average life of all dated stocks held by the market rose fairly steadily from 12.7 years to 13.3 years.

Table D
Change in market holdings 1966/71

£ millions nominal

	Total	Treasury bills	Stocks			Non-market-able debt
			Total	0-5 years	5 years and over	
Banking sector:						
Deposit banks	- 722	- 488	+ 88	+ 89	- 1	+31
Other		- 228	- 125	- 202	+ 77	
Total	- 722	- 716	- 37	- 113	+ 76	+ 31
Other financial institutions:						
Insurance companies	+ 1,220	—	+ 1,220	+ 14	+ 1,206	..
Building societies	+ 616	- 6	+ 609	+ 411	+ 198	+ 13
Pension funds	+ 156	- 1	+ 157	—	+ 157	—
Other	+ 400	—	+ 400	+ 3	+ 397	—
Total	+ 2,392	- 7	+ 2,386	+ 428	+ 1,958	+ 13
Overseas residents:						
Central monetary institutions	- 129	- 478	+ 349	+ 101	+ 248	—
Other	+ 248	- 66	+ 258	+ 47	+ 211	+ 56
Total	+ 119	- 544	+ 607	+ 148	+ 459	+ 56
Other holders	- 143	- 83	- 14	- 169	+ 155	- 46
Total	+ 1,646	- 1,350	+ 2,942	+ 294	+ 2,648	+ 54

.. not available.

— nil or less than £500,000.

Of the main forms of government debt, Treasury bill holdings have fluctuated most and, as Table C shows, their share contracted greatly between March 1966 and March 1971. The banking sector's portfolio declined by nearly £720 million and holdings of overseas central monetary institutions declined by more than £475 million. Changes in the banking sector's holdings were influenced by the central government's borrowing requirements and by foreign exchange flows as well as by the extent to which the authorities were successful in selling other government debt to the general public. Treasury bills held by the deposit banks fell more than those held by the rest of the banking sector, the deposit banks having tended to switch a greater proportion of their liquid funds into call money. Another reason for the decline was probably the growth of other short-term money markets such as certificates of deposit and the inter-bank money market. Overseas residents' holdings rose sharply both before and after devaluation as heavy borrowing was undertaken from central banks abroad and the sterling counterpart set aside in bills, but holdings fell just as markedly over the last two years as this borrowing was repaid.

Holdings of non-marketable debt outside official hands remained constant over the period at about a quarter of total holdings. Despite a relatively large fall in 1969/70 in national savings, the recovery from which was only becoming perceptible by March 1971, the total invested in national savings securities as defined in this article represented a remarkably stable block of investment. This was largely because the total invested in national savings certificates remained steady at around £2,000 million, and reductions in holdings of savings bonds were offset by the steady accumulation of premium bond holdings. "Other" non-marketable debt held outside official hands is mainly in the form of interest free notes held in the name of the I.M.F. Changes in the total reflect increases in the sterling portion of the United Kingdom's subscription to the Fund, other countries' use of the Fund's sterling resources, and, most important, U.K. drawings on and repayments to the I.M.F. under the Fund's stand-by arrangements. Drawings rose to a peak in 1968/69 but subsequent repayments reduced the amount by March 1971 to £1,630 million, some £95 million more than five years previously.

Table E

Estimated distribution of the national debt: 31 March 1971

£ millions

Nominal values^a

	Total	Treasury bills	Stocks			Non-market-able debt
			Total	Up to 5 years to maturity	Over 5 years and undated	
U.K. official holdings	9,166	2,336	5,918	1,640	4,278	912
Market holdings						
Public bodies:						
Public corporations	69	—	69	16	53	—
Local authorities	105	..	105	26	79	..
Total public bodies	174	..	174	42	132	..
Banking sector:						
Deposit banks	2,637	183	1,358	701	657	31
National Giro		—	8	4	4	
Accepting houses, overseas banks and other banks		54	426	189	237	
Discount market		198	379	253	126	
Total banking sector	2,637 ^b	435	2,171	1,147	1,024	31
Other financial institutions:						
Insurance companies	3,459	—	3,459	68	3,391	—
Building societies	1,047	1	1,029	673	356	17
National Savings Bank, investment account	193	—	193	25	168	—
Trustee savings banks, special investment departments	389	—	389	76	313	—
Local authority pension funds	366	—	366	6	360	—
Other public sector pension funds	205	—	205	16	189	—
Private sector pension funds	827	3	824	57	767	—
Investment and unit trusts	119	—	119	21	98	—
Total other financial institutions	6,605	4	6,584	942	5,642	17
Overseas residents:						
International organisations	1,745	17 ^c	91	5	86	1,637
Central monetary institutions	1,784	433 ^c	1,351	723	628	—
Banks overseas	1,117	3	123	27	96	—
Other			975	208	767	16
Total overseas residents	4,646	453	2,540	963	1,577	1,653
Other holders:						
Public Trustee and various non-corporate bodies	186	4	181	21	160	1
Private funds and trusts	7,120	..	3,640	875	2,765	3,480
Industrial and commercial companies	271	59	92 ^d	644	1,215	120
Friendly societies etc.	110	..	110			
Other (residual)	1,891	..	1,657			234
Total other holders	9,578	63	5,680	1,540	4,140	3,835
Total market holdings	23,640	955	17,149	4,634	12,515	5,536
Total debt	32,806	3,291	23,067	6,274	16,793	6,448
Of which:						
Nationalised industries' stocks guaranteed by H.M. Government	1,512		1,512	604	908	

^a .. not available.

— nil or less than £500,000.

^b Some of the holdings are at book or market values and at dates other than 31st March: see notes on sources and definitions.^c Includes total identified non-marketable debt which cannot be allocated between the various constituents of the sector; see notes on sources and definitions.^d These holdings are affected by a change in the method of accounting; see notes on sources and definitions.^e Represents a sample only of companies' holdings: see notes on sources and definitions.

Notes on sources and definitions

National debt

As defined in footnote 1 on page 64. Excludes debt payable in overseas currencies (£2,149 million at 31st March 1971), and securities tendered in payment of death duties and held by the National Debt Commissioners, until redeemed (£55 million at 31st March 1971).

Stocks

Classified according to final redemption date: Victory Bonds according to their average life to maturity (*i.e.* now up to 5 years).

National savings

National savings certificates, defence bonds, national development bonds, British savings bonds, premium savings bonds, national savings stamps and gift tokens, and the contractual savings schemes of the Department for National Savings and the trustee savings banks. The figures exclude £568 million accrued interest on national savings certificates. Ordinary deposits with the National Savings Bank and trustee savings banks do not come into this category, even though they are normally considered a part of national savings since the various forms of government debt in which these funds are invested by the National Debt Commissioners are included in the figures for official holdings.

Official holdings

Holdings of U.K. official bodies including both the Issue and the Banking Departments of the Bank of England, the Exchange Equalisation Account, the National Debt Commissioners (excluding the National Savings Bank investment account), government departments and the Northern Ireland Government. Because, in the context of this article, the national debt is the debt of, or guaranteed by, the central government and not of the public sector as a whole, official holders are limited to the above-mentioned as they are either part of the central government sector or (as in the case of the Banking Department of the Bank of England) have a role in the management of the debt. Local authorities and public corporations are therefore considered to be part of 'the market'.

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 for national income statistics, but excluding the Bank of England.

Local authorities The holdings of local government and miscellaneous local authorities in the United Kingdom.

Banking sector

As in Table 11 of the 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 or cost (except for the discount market, where nominal values are used).

Non-marketable debt consists only of tax reserve certificates acquired by the banking sector since the introduction of company certificates in June 1966; it is not possible to allocate the total figure between the various constituents of the sector.

Other financial institutions

Insurance companies Holdings of 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; also the holdings of the U.K. life funds of Commonwealth insurance companies which are B.I.A. members, and of 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*.

Overseas residents

Including overseas official holders. The figures for Treasury bills come from Table 25 of the annex. They reflect a change in the method of accounting introduced from 1st September 1970. Since then certain sterling holdings of official institutions overseas, which had hitherto been employed on behalf of those institutions by the Bank of England under their guarantee – primarily in Treasury bills but occasionally in other liquid assets – have been accounted as direct, rather than contingent, liabilities of the Bank of England; and the assets in which the funds are invested are included among the assets of the Banking Department.

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. Details are given in the table of National Loans Fund Liabilities in the supplementary statements to the *Consolidated Fund and National Loans Fund Accounts 1970/71*.

Other holders

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

Private funds and trusts The figures are estimated but are derived chiefly from an analysis of the principal government stock register maintained by the Bank. Levels and changes in holdings of all government stocks are recorded and holders are split into broad categories. The accuracy of most of the categories is adversely affected by the large number of holdings in nominee names where the true ownership is not evident. The main source is the category "private funds and trusts" (from which the holdings of the Public Trustee have been extracted); while

affected by the nominee problem, this category nevertheless gives a good indication of the activity in the gilt-edged market of individuals, private trusts and executor and trustee companies. The figures also include an estimate of private holdings on the National Savings Bank's and trustee savings banks' stock registers. Non-marketable debt includes life annuities as well as national savings securities and tax reserve certificates.

Industrial and commercial companies Gilt-edged holdings are based on quarterly returns to the Department of Trade and Industry by just over 230 large companies. This category therefore represents a sample only of company holdings, many of which remain unidentified in the residual category. The holdings are at book values and

no attempt has been made to convert them to nominal amounts. An estimate of tax reserve certificates held by companies is shown under "non-marketable debt". Their Treasury bills are obtained as a residual after other holders of market Treasury bills have been identified and therefore the figure includes unidentified holdings by other sectors.

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 co-operative banks. Holdings (at book value and at the end of 1970) are estimated from information in the *Report of the Chief Registrar of Friendly Societies*.