

Distribution of the national debt at end-March 1972

Analysis by type of debt

On 31st March 1972 the national debt⁷ totalled £35,400 million in nominal terms. The main types of debt and the changes during the financial year 1971/72 are set out below:

Table A

£ millions nominal: *percentage in italics*^a

	End-March 1971		Change	End-March 1972	
Marketable debt:					
Government and government-guaranteed stocks	23,067	<i>70</i>	+2,275	25,342	<i>72</i>
Treasury bills	3,291	<i>10</i>	+ 295	3,586	<i>10</i>
Non-marketable debt:					
National savings securities	3,574	<i>11</i>	+ 393	3,967	<i>11</i>
Tax reserve certificates	326	<i>1</i>	+ 46	372	<i>1</i>
Ways and means advances	556	<i>2</i>	- 54	502	<i>1</i>
Terminable annuities due to the National Debt Commissioners	312	<i>1</i>	- 62	250	<i>1</i>
Interest free notes due to the International Monetary Fund	1,630	<i>5</i>	- 278	1,352	<i>4</i>
Other	49	—	- 20	29	—
Total debt	32,805	<i>100</i>	+2,595	35,400	<i>100</i>

^a See footnote *a* to Table C.

The rise of £2,595 million – nearly 8% – during the year was due in part to the central government's borrowing requirement of £515 million. Borrowing (or repayment) by the central government naturally affects the national debt but does not necessarily cause an equal rise (or fall). This is due to considerable differences of accounting and definition. For example the borrowing requirement measures the net flow of cash between the central government and the rest of the economy, whereas the national debt is defined here mainly in terms of nominal values and covers holdings, within as well as outside, the central government.⁷ In 1971/72, in fact, a much more potent influence on the size of the national debt was the exceptionally large currency inflow from abroad (which does not contribute to the borrowing requirement). The inflow amounted to some £2,310 million, even more than in the previous year, and led to heavy expenditure by the central government on the acquisition of currency for the official reserves and on other overseas assets.

⁷ See the notes on definitions and sources on page 42 for the definition of the national debt used here.

Table B

Changes end-March 1971 to end-March 1972^{ab}£ millions nominal^c

	Total debt	Treasury bills	Total	Stocks			Non-market-able debt
				Up to 5 years to maturity	Over 5 and up to 15 years	Over 15 years and undated	
Official holdings	- 385	- 71	- 134	- 204	+ 37	+ 33	-180
Market holdings							
Public bodies	+ 46	..	- 6	- 1		- 5	+ 52
Banking sector	+ 940	+125	+ 819	+1,204		-385	- 4
Other financial institutions:							
Insurance companies	+ 499	+ 2	+ 497	+ 36	-116	+ 577	..
Building societies	+ 368	—	+ 369	- 19	+287	+ 101	- 1
Savings banks' investment accounts	+ 198	—	+ 198	+ 24	+ 38	+ 136	—
Superannuation funds	+ 131	- 2	+ 133	+ 2	+ 13	+ 118	—
Other	+ 6	—	+ 6	+ 13	- 17	+ 10	..
Total other financial institutions	+1,202	—	+1,203	+ 56	+205	+ 942	- 1
Overseas holders:							
International organisations	- 273	- 11	+ 18	+ 18	+ 60	- 60	-280
Central monetary institutions	+ 273	+260	+ 13	+ 4	- 73	+ 82	—
Other	+ 121	—	+ 127	- 42	- 3	+ 172	- 6
Total overseas holders	+ 121	+249	+ 158	- 20	- 16	+ 194	-286
Other holders	+ 671	- 8	+ 235	+ 77	+156		+444
Total market holdings	+2,980	+366	+2,409	+1,316	-439	+1,532	+205
Total debt	+2,595	+295	+2,275	+1,112	-402	+1,565	+ 25

.. not available.

— nil or less than £½ million.

^a This table shows changes in the nominal amounts outstanding. These changes differ from the cash flows into or out of the central government e.g. those shown in Tables 1 and 3 of the statistical annex. The changes shown here for stocks by length of maturity include the effect of the passage of time: during the year £1,002 million passed from the 5-15 year band to the 0-5 year band and £600 million from the over 15 year band to the 5-15 year band.

^b Because of minor revisions to the figures for 31 March 1971 (as published in the March 1972 *Bulletin*) some of the changes in holdings cannot be derived from this year's and last year's tables of total holdings.

^c See footnote ^a to Table C.

Within the rise in the total debt, there was an exceptionally big increase of £2,275 million in stocks. Official holdings fell, so that the rise in market holdings was even larger, at £2,409 million (see Table B). This included £769 million taken up by the London clearing banks in September 1971 under the transitional arrangements introducing the new system of credit control. None the less, ordinary market purchases were exceptionally large, and turnover in British government stocks on the London stock exchange, at some £46,000 million, was about double the average for the eight years since 1964 (when the figures began to be compiled).¹

Nearly three quarters of the total rise of £2,275 million was in long-dated stocks (those with over fifteen years to maturity), and of this almost all was in market holdings. Within the rise of £1,532 million in the market's holdings of long-dated stock, financial institutions outside the banking

¹ The figure for turnover represents the sum of brokers' purchases on behalf of clients plus the sum of their sales on behalf of clients, so that the transfer of a security from one holder to another counts twice in the total (see Tables 13 and 14 in the statistical annex).

sector took up £942 million and overseas holders £194 million; and, assuming that the banking sector continued, as usual, to hold little long-dated stock, the personal and company sectors would have taken up the balance of some £400 million. Medium-term debt (stocks with over five and up to fifteen years to maturity) fell by £402 million as a result of the passage of time (see footnote *a* to Table B), which also explains part of the rise of £1,112 million in short-dated stock. With official holdings of short-dated falling by £204 million, market holdings rose by over £1,300 million; the banks were responsible for nearly the whole of this increase, and much of it reflected the special transaction mentioned above.

As a result of the heavy buying of long-dated stock the average life of all dated stocks held by the market rose from 13.3 years to 13.7 years.

In all there were eight new issues totalling £4,000 million during the year:

£550 million 5¼% Treasury Stock 1973

£400 million 5½% Treasury Stock 1974

£500 million 6% Treasury Stock 1975

£350 million 6¼% Treasury Stock 1977

£600 million 8¼% Treasury Loan 1987/90

£400 million 8¾% Treasury Loan 1997 (2nd tranche)

£600 million 8% Treasury Loan 2002/06

£600 million 7¾% Treasury Loan 2012/15

Four stocks totalling £1,680 million were redeemed:

£409 million 5% Conversion Stock 1971

£72 million 3½% British Gas Guaranteed Stock 1969/71

£900 million 6¾% Exchequer Loan 1971

£299 million 6% Conversion Stock 1972.

A further £45 million of other stocks were redeemed, mainly through the operation of sinking funds.

Treasury bills outstanding increased by almost £300 million: official holdings fell by some £70 million, but the market took up £370 million, of which £260 million went to overseas central monetary institutions.

The small increase of £25 million in non-marketable debt masks two large offsetting movements. Interest free notes due to the International Monetary Fund fell by £278 million as the United Kingdom repaid a further part of the debt incurred in the latter part of the 1960s. At the same time national savings securities attracted the record net sum of just under £400 million.⁷ This was the first sizable inflow for several years: other interest rates were falling and the yields on national savings securities were unusually competitive for most of the financial year, and

⁷ The definition of national savings securities used in this article excludes accounts with the National Savings Bank and trustee savings banks, and accrued interest on national savings certificates (see notes on definitions and sources).

there were also increases in the limits on holdings. National savings certificates outstanding rose by £172 million to £2,113 million and 7% British savings bonds by £228 million (including £99 million directly converted from earlier issues of bonds). The total of this issue and earlier issues of similar bonds outstanding at end-March 1972 was £835 million. Premium savings bonds, which have their own particular form of attraction, also rose strongly, by £103 million to £913 million; this may have owed something not only to the increase in the limit on holdings but also to the introduction of a £50,000 prize during the year. They are at present a comparatively cheap form of borrowing for the central government—the prize fund is equivalent to an interest rate of $4\frac{3}{4}\%$ (tax free) on the total invested. Save As You Earn also had a good year, and the principal outstanding more than doubled to £62 million.

Analysis by holder

Official holdings fell by £385 million during the year to £8,781 million, the lowest figure for several years. A large part of the fall was in the Treasury bill holdings of the Bank of England, Banking Department, which had substantially smaller resources at its disposal following the repayment of some £400 million of Special Deposits to the London and Scottish clearing banks in September 1971.

Government debt held by the Issue Department fell by just under £100 million over the year: although the note issue at end-March 1972 was £150 million higher than a year earlier, there was a larger net rise in non-government debt held by the department – local authority and commercial bills and refinanced export and shipbuilding credits. Within its portfolio of government debt, gilt-edged stocks fell by £300 million. This was concentrated in short-dated holdings, which fell by £262 million. The department sold the £360 million of the short tap stock ($6\frac{1}{2}\%$ Exchequer Stock 1976) which it had held at the beginning of the period; it had no short tap stock at end-March 1972 but its holdings of stocks maturing within twelve months of that date (together with its holding of $5\frac{1}{4}\%$ Treasury Stock 1973, one of the special stocks issued in September 1971) were some £100 million larger than the corresponding amount at end-March 1971. Holdings of medium-dated stocks were little changed, but long-dated holdings fell by £53 million. The department held nearly £550 million of 9% Treasury Loan 1992/96 at the beginning of the year, and, after selling this and three further long-dated issues (see the list above), was holding at the end of the period most of the £600 million of $7\frac{3}{4}\%$ Treasury Loan 2012/15 issued two months previously.

In connection with the new approach to credit control, since 14th May 1971 the Bank have no longer generally been prepared to support the gilt-edged market by buying stocks outright, except when these have one year or less to maturity. But the Bank are still prepared to consider exchanges of stock with the market; and have reserved the right to make outright purchases even of stocks with more than a year to maturity. The new policy has not significantly affected the composition of the Issue Department's gilt-edged portfolio,

for the bulk of its holdings still consists of stocks bought in shortly before maturity and new stocks yet to be sold through the tap.

The National Debt Commissioners increased their holdings of government debt by some £80 million during the year. Within this figure, their holdings of stocks rose by £186 million – fairly evenly spread over the three maturity bands. The funds to meet these purchases came essentially from redemptions of £62 million in terminable annuities (reducing the amount outstanding to £250 million), sales of Treasury bills of £39 million, and a rise of some £70 million in deposits with the ordinary departments of the trustee savings banks (which the Commissioners are responsible for investing in government debt).

Other official holdings fell by £120 million, almost wholly in the form of ways and means advances to the National Loans Fund from various government departments, including the Exchange Equalisation Account.

Market holdings rose by £2,980 million (13%) to £26,619 million. Financial institutions outside the banking sector have steadily increased their holdings of stocks in recent years; in 1971/72 they invested £1,200 million, or half as much again as in the previous year. This sum, which mainly went into long-dated issues, represents a very high proportion of the heavy inflow of funds which the institutions received, and raised their share of total market holdings of stocks from 38.4% to 39.9%. Insurance companies, which account for about half of the sector's investment in government debt, added just under £500 million (14%) to their holdings: as would be expected, this shows up in long-dated stocks, and indeed there was some switching out of medium-dated. However the largest increase in percentage terms was for the building societies (by 35%, from £1,030 million to £1,400 million), a reflection of the record growth of their funds. With money coming in faster than it was being lent on mortgage, the societies' liquid assets rose to a new peak. Typically, they invested a large proportion in medium-dated stocks, but, unusually, they also put a considerable amount into long-dated (this reflects their high liquidity ratios: a building society is permitted to invest in long-dated only to the extent that its ratio exceeds 15%).⁷ The holdings of the National Savings Bank investment account and the trustee savings banks' special investment departments also increased by over one third, matching the big expansion in their deposits: as usual they bought mainly long-dated stocks. Superannuation funds invested over £100 million in gilt-edged for the second consecutive year – again mainly in long-dated. The only institutions to run down their holdings were the unit trusts, but they hold a very small part of their assets in gilt-edged; they reduced their holdings by £8 million to £23 million. During the year the finance houses built up a holding of £6 million of stocks, largely assets held as part of the reserve ratio requirements inaugurated during the year for the larger houses.

⁷ The figures for net acquisition of stocks (cash value) show total stocks +£324 million, of which short-dated -£90 million, medium-dated +£320 million, long-dated +£94 million i.e. the societies' disinvestment in short-dated was much greater than is apparent from the changes in nominal levels shown in Table B, because during the year certain stocks passed from the medium to the short category.

The main item in the rise of £940 million for the banking sector (defined in this article to exclude the Bank of England, Banking Department) was the special take-up of £769 million stock in September 1971. Nearly £400 million of this represented a transfer of government indebtedness from the Banking Department to the London clearing banks as Special Deposits were repaid. The sector's holdings of short-dated stocks (apart from the special transaction) rose by £435 million, largely offset by a fall of £385 million in medium-dated and long-dated holdings, but this pattern no doubt owed a good deal to the large volume of stock changing from medium to short-dated during the year. Within the sector, there was a similar pattern – on a smaller scale – in the discount market's portfolio (where short-dated stocks form part of their public sector lending ratios). Their short-dated holdings rose by £157 million and the remainder fell by £79 million, from the unusually high figure of £126 million at end-March 1971. The sector's Treasury bill portfolio rose by £125 million: the discount market added some £230 million to their holdings, but the deposit banks ran off more than £100 million, reducing the amount they held to an unusually low £75 million.

The new reserve ratio requirements do not affect the role of the banking sector as the residual source of finance for the Government. But the new régime may be expected to have some influence on the composition of the sector's debt portfolio in favour of those items which, before the new arrangements, did not count as liquid assets for the clearing banks but are now either reserve assets for the banks in general (stocks with a year or less to maturity) or public sector debt for the discount market's lending ratio (stocks with five years or less to maturity). The new arrangements might also widen the distribution of government debt within the sector, because many banks are subject to formal reserve requirements for the first time; but this had not shown up in the figures up to end-March 1972, presumably because the banks preferred to hold other reserve assets, especially money at call with the discount market.

Overseas holdings rose by £121 million to £4,767 million, or 13% of the total. Within this rise there were two sizable offsetting movements. Debt due to international organisations was reduced by £273 million, reflecting the repayments to the I.M.F. mentioned above. At the same time, central monetary institutions – mainly in the overseas sterling area – built up their holdings by the same amount, almost entirely in Treasury bills. They also lengthened the average term of their gilt-edged portfolio, though their holdings, being part of their monetary reserves, are, unlike those of private overseas holders, still predominantly short-dated. Private overseas holders invested some £130 million in stocks – more even than in the previous year – reflecting the substantial inflow of overseas funds in 1971, when U.K. interest rates were relatively high and the dollar was weak.

"Other holders" ended the year with about £10,190 million of debt, some £670 million more than the year before. The figures shown in Table C for most of the categories in the group should be regarded as no more than reasonable estimates, partly because of difficulties in valuation (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 for the holdings of industrial and commercial companies and of private funds. Some £1,840 million (5% of the total debt) is left unallocated in Table C: as well as the holdings of unincorporated businesses such as jobbers and most charities (categories whose holdings have not been estimated), this residual amount includes effects of errors and omissions elsewhere in the estimates, for example the difference between the nominal values and the book values (or cost) of the gilt-edged holdings of the banks.

"Private funds and trusts" forms the most important single category in the "other holders" group, with estimated holdings of gilt-edged of £3,910 million, nearly as much as was held by the insurance companies. The government stock register maintained by the Bank indicates that these private holdings rose by some £270 million in 1971/72; but this was not enough to maintain their share of market holdings, which fell from 21.2% to 20.0%. The number of accounts representing private funds fell by 53,000 to 1,654,000 (out of a total of 1,920,000 accounts on the register), so that the average holding rose by £200 to £2,360.

The record rise of £400 million in national savings securities has already been mentioned. The great majority of the amount outstanding at the end of the year has been allocated to private funds and trusts. The remainder (some £300 million) is no more than a broad estimate covering other holders: for example charities and friendly societies are allowed to hold national savings certificates, British savings bonds and national development bonds, and corporate bodies may hold the last two.

The Bank are now prepared to make available for research purposes figures for total market holdings (defined for this purpose as all holdings except those of the Issue and Banking Departments of the Bank of England and the National Debt Commissioners) of individual government and government-guaranteed stocks at 31st March of each year from 1960 to 1968. The information can be obtained by writing to the Economic Intelligence Department, Bank of England, London EC2R 8AH.

Table C

Estimated distribution of the national debt: 31 March 1972

£ millions

Nominal values: *percentage of total debt in italics*^a

	Total		Treasury bills	Total	Stocks			Non-market-able debt
		<i></i>				Up to 5 years to maturity	Over 5 and up to 15 years	
U.K. official holdings	8,781	24.8	2,265	5,784	1,436	938	3,410	732
Market holdings								
Public bodies:								
Public corporations	117	0.3	—	65	12	53		52
Local authorities	103	0.3	..	103	29	18	56	..
Total public bodies	220	0.6	..	168	41	127		52
Banking sector:								
Deposit banks	2,126	6.0	75	2,022	1,624	398		29
National Giro	23	—	1	22	14	8		..
Accepting houses, overseas banks and other banks	595	1.7	55	512	326	186		28
Discount market	887	2.5	430	457	410	47		—
Total banking sector	3,631	10.2	561	3,013	2,374	639		57
Other financial institutions:								
Insurance companies	3,958	11.2	2	3,956	104	337	3,515	..
Building societies	1,415	4.0	1	1,398	654	629	115	16
National Savings Bank, investment account	259	0.7	—	259	30	51	178	—
Trustee savings banks, special investment departments	521	1.5	—	521	95	211	215	—
Local authority superannuation funds	416	1.2	..	416	6	20	390	—
Other public sector superannuation funds	230	0.7	—	230	17	46	167	—
Private sector superannuation funds	888	2.5	1	887	58	143	686	—
Investment trusts	96	0.3	—	96	19	12	65	—
Unit trusts	23	—	—	23	9	8	6	—
Finance houses	6	—	—	6	6	—	—	..
Total other financial institutions	7,812	22.1	4	7,792	998	1,457	5,337	16
Overseas holders:								
International organisations	1,472	4.2	6	109	23	86	—	1,357
Central monetary institutions	2,057	5.8	693	1,364	727	156	481	—
Other	1,238	3.5	3	1,225	193	246	786	10
Total overseas holders	4,767	13.5	702	2,698	943	488	1,267	1,367
Other holders:								
Public Trustee and various non-corporate bodies	200	0.6	8	190	24	32	134	2
Private funds and trusts	7,760	21.9	..	3,910	800	870	2,240	3,850
Industrial and commercial companies	282	0.8	46	81 ^b				155
Friendly societies etc.	111	0.3	..	111	771	1,016		..
Other (residual)	1,836	5.2	..	1,595				241
Total other holders	10,189	28.8	54	5,887	1,595	4,292		4,248
Total market holdings	26,619	75.2	1,321	19,558	5,951	3,444	10,163	5,740
Total debt:	35,400	100.0	3,586	25,342	7,387	4,382	13,573^c	6,472
<i>Of which:</i>								
Nationalised industries' stocks guaranteed by the Government	1,440			1,440	632	584	224	

.. not available.

— nil or less than £½ million.

^a Some of the holdings are at book or market values and at dates other than 31 March: see notes on definitions and sources.^b Represents a sample only of companies' holdings: see notes on definitions and sources.^c Of which undated 3,476.

Notes on definitions and sources

National debt

The total of the liabilities in sterling of the National Loans Fund, together with nationalised industries' stocks guaranteed by H.M. Government (in most of the data from which the figures of holdings are derived such stocks are indistinguishable from government stocks). Excludes debt payable in external currencies (£1,879 million at 31st March 1972), accrued interest on national savings certificates (estimated at about £540 million), securities tendered in payment of death duties and held by the National Debt Commissioners until redeemed (£46 million), Consolidated Fund liabilities, and sundry other contingent liabilities and guaranteed loans. Full details are given in the *Consolidated Fund and National Loans Fund Accounts 1971-72, Supplementary Statements* published by H.M.S.O.

Stocks

Classified according to final redemption date.

Non-marketable debt

Comprises national savings securities (see below), tax reserve certificates, international organisations' holdings of non-interest-bearing notes drawn on the National Loans Fund, terminable annuities due to the National Debt Commissioners (issued between 1943 and 1950 and now gradually being run off), life annuities, ways and means advances (through which government departments etc. lend overnight to the National Loans Fund), debt to the Bank of England (see footnote to Table 5 in the statistical annex), and various sterling loans from overseas governments. National savings securities comprise national savings certificates (excluding accrued interest), defence bonds, national development bonds, British savings bonds, premium savings bonds, national savings stamps and gift tokens, and the contractual savings schemes (Save As You Earn) of the Department for National Savings and of the trustee savings banks. Ordinary deposits with the National Savings Bank and trustee savings banks are included indirectly, as part of official holdings under the various forms of government debt in which the funds are invested by the National Debt Commissioners. Holdings of the National Savings Bank investment account (which is managed by the National Debt Commissioners) and of the trustee savings banks' special investment departments are regarded as 'market' holdings, because their deposits do not have to be invested wholly in government debt.

Official holdings

The holdings of the Issue and the Banking Departments of the Bank of England, the Exchange Equalisation Account, government departments,

the Northern Ireland Government, and the National Debt Commissioners (excluding the National Savings Bank investment account).

Because this article discusses the debt of, or guaranteed by, the central government and not the debt of the whole public sector, official holders are limited to the central government sector and (as in the case of the Bank of England, Banking Department) to bodies which have a role in the management of the debt. Local authorities and public corporations are considered to be part of 'the market'.

Public bodies

Public corporations As defined for national income statistics, but excluding the Bank of England. The figures are estimated from information published in public corporations' annual reports.

Local authorities As defined for national income statistics: local government and miscellaneous local authorities in the United Kingdom.

Banking sector

As in Table 11 of the annex, but excluding the Bank of England, Banking Department (which is included among official holders). The figures for stocks are at book value or cost (except for the discount market, where nominal values are used).

Other financial institutions

Estimates based largely on figures appearing in *Financial Statistics*. The maturity analysis of finance houses' holdings of stocks is estimated.

Overseas holders

Treasury bills and stocks held by central monetary institutions and international organisations are as in Table 24 (and additional notes) of the statistical annex. 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 from 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 1971/72*.

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 derived chiefly from an analysis of the principal government stock register, which is maintained by the Bank.

Levels and changes in holdings of government stocks are recorded by broad categories of holders. 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. While affected by the nominee problem, the category "private funds and trusts" 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 about 200 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 these companies is shown under "non-marketable debt". Figures for their Treasury bills are obtained as a residual after other holders of market Treasury bills have been identified, and these figures thus include 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 at end-1971 or, in the case of Trade Unions, end-1970) are estimated from information in the *Report of the Chief Registrar of Friendly Societies*.