

## Distribution of the national debt at end-March 1975

*This article continues the annual series which was begun in June 1962. A short final section describes the pattern of the central government's receipts and payments of interest over the past decade.*

### Analysis by type of debt

During the financial year 1974/75 the nominal amount of the sterling national debt [1] rose by about £5 billion (13%) to £44.5 billion, by far the largest increase since 1958. Of the net increase of £15.7 billion over the seventeen years to March 1975, almost half occurred in the final two years.

Changes in the size of the national debt are, of course, broadly associated with the central government's borrowing requirement, but because of large differences in accounting, in definitions and in valuation, no attempt is made here to reconcile the figures for the two concepts. 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. As shown in Table 2 of the statistical annex, the central government's borrowing requirement in 1974/75 was £5.1 billion – as it happens, not very different on this occasion from the increase in the national debt.

On 31st March 1975 the national debt was composed as follows:

**Table A**  
**Classification by type of debt**

£ millions nominal: *percentage of total debt in italics*

	End-March 1974		Change	End-March 1975	
<b>Marketable debt:</b>					
Government and government-guaranteed stocks	27,656	70.0	+3,069	30,725	69.1
Treasury bills	5,509	14.0	+2,013	7,522	16.9
<b>Non-marketable debt:</b>					
National savings securities	4,075	10.3	– 61	4,014	9.0
Tax reserve certificates	73	0.2	– 50	23	0.1
Tax deposit accounts	6		– 2	4	
Ways and means advances	830	2.1	+ 147	977	2.2
Terminable annuities due to the National Debt Commissioners	137	0.3	– 53	84	0.2
Interest-free notes due to the International Monetary Fund	1,185	3.0	– 56	1,129	2.5
Other	19	0.1	– 2	17	
<b>Total debt</b>	<b>39,490</b>	<b>100.0</b>	<b>+5,005</b>	<b>44,495</b>	<b>100.0</b>

As the table shows, the only significant changes during the year were in marketable debt.

Nine stocks were issued during the year, of which all except two were short-dated. Six of the issues took place in the first quarter of 1975 when demand for gilt-edged was particularly heavy.

18th April 1974	£600 million 11½% Treasury Stock 1977
23rd May	£400 million 12¾% Treasury Loan 1995
19th September	£600 million 11½% Treasury Stock 1979
2nd January 1975	£600 million 3% Treasury Stock 1977
23rd January	£500 million 10½% Treasury Stock 1978 £300 million 10½% Treasury Stock 1976A
5th February	£600 million 10½% Treasury Stock 1979
13th March	£500 million 9% Treasury Stock 1978A £500 million 12½% Treasury Loan 1993

[1] See notes on page 364 for the definition of national debt used in this article.

The issue of 3% Treasury Stock 1977 was designed to enable holders of 3% Savings Bonds 1965/75 (of which £1,073 million was due to mature in August 1975) to switch into a comparable stock, offering a low running yield but assured capital appreciation at maturity. At the other end of the scale, for the second year in succession the coupon on British government stocks reached a new high with the issue of 12¾% Treasury Loan 1995 at £94.50. In the three years to end-1974, interest payments by the central government rose by over 50%, of which about half was due to the impact of historically high interest rates, especially on Treasury bills and on stocks issued since 1973.

Four stocks totalling £1.5 billion were redeemed in full:

15th June 1974	£299 million	5¼% Conversion Stock 1974
10th September	£400 million	5½% Treasury Stock 1974
11th December	£300 million	6¾% Treasury Stock 1974
1st February 1975	£500 million	6% Treasury Stock 1975

A further £30 million of other stock was redeemed, mainly through the operation of sinking funds.

The issue during the year of predominantly short-dated stocks, together with changes in the maturity pattern as a result of the passage of time, resulted in a very large increase in the amount of stock outstanding within five years of maturity. Between 1970 and 1974 such short-dated stocks accounted for between 26% and 29% of total outstanding government and government-guaranteed stocks: by March 1975 the proportion had risen to 37%, the average life of dated stocks in market hands having fallen for the second successive year, on this occasion from 13.3 years to 12.0 years.

At end-March 1975 stocks for the following amounts were due for redemption in each financial year through to March 1980:

£ millions					
1975/76	1976/77	1977/78	1978/79	1979/80	Total
2,123	2,755	2,552	1,514	2,554	11,498

In the previous five years, redemptions amounted to some £7,200 million, an average of less than £1,450 million per year.

Besides the shortening in the maturity structure of stocks, Treasury bills outstanding have more than doubled over the last two years; and by end-March 1975 Treasury bills and short-dated stocks together accounted for 50% of the national debt, compared with figures ranging between 33% and 40% in the years 1970 to 1973.

Within non-marketable debt, tax reserve certificates, which ceased to be issued after June 1973, fell by £49 million to £23 million, persons holding £21 million of them. Their replacement, tax deposit accounts, was suspended in October 1974. Total national savings securities fell for the second successive year because of net repayments of both British savings bonds and national savings certificates. However, premium savings bonds outstanding continued to rise, by £43 million; and a further £24 million was invested in the Save As You Earn scheme, although for the first year since its inception the number of contracts actually declined slightly – perhaps because investors were awaiting the introduction of the index-linked SAYE scheme. Net drawings in sterling by other member countries accounted for the fall of £56 million in interest-free notes due to the International Monetary Fund.

#### Analysis by holder

There was virtually no change during the year in the proportion of debt held by the various sectors.

Table B

Changes in holdings end-March 1974 to end-March 1975<sup>[a]</sup>£ millions nominal<sup>[b]</sup>

	Total debt	Treasury bills	Stocks <sup>[c]</sup>			Non-market-able debt	
			Total	Up to 5 years to maturity	Over 5 and up to 15 years		Over 15 years and undated
Official holdings	+1,011	+ 415	+ 483	+ 957	- 448	- 26	+113
Market holdings							
Public bodies	- 93	..	- 93	- 30	- 20	- 43	..
Banking sector	+ 382	+ 437	- 52	+ 46	- 98 <sup>[d]</sup>		- 3
Other financial institutions:							
Insurance companies	+ 836	+ 26	+ 810	+ 446	+ 108	+256	..
Building societies	+ 322	-	+ 322	+ 397	- 58	- 17	-
Superannuation funds	+ 408	+ 3	+ 405	+ 434	- 6	- 23	-
Other	+ 145	+ 4	+ 141	+ 120	+ 58	- 37	-
Total other financial institutions	+1,711	+ 33	+1,678	+1,397	+ 102	+179	-
Overseas holders:							
International organisations	- 81	- 15	+ 12	+ 6	+ 6	-	- 78
Central monetary institutions	+ 872	+1,124	- 252	- 260	+ 37	- 29	-
Other	+ 306	+ 2	+ 306	+ 87	+ 3	+216	- 2
Total overseas holders	+1,097	+1,111	+ 66	- 167	+ 46	+187	- 80
Other holders	+ 897	+ 17	+ 987	+1,949	-962 <sup>[d]</sup>		-107
Total market holdings	+3,994	+1,598	+2,586	+3,195	- 904	+295	-190
Total debt	+5,005	+2,013	+3,069	+4,152	-1,352	+269	- 77

.. not available.

- nil or less than £½ million.

[a] These changes are mainly in nominal amounts and do not, therefore, equal the cash flows into or out of the central government, shown in Tables 1 and 3 of the statistical annex.

[b] With some exceptions: see notes on sources and definitions.

[c] The changes analysed by maturity include the changes brought about by the passage of time: during the year £1,914 million of stock passed in this way from the 5-15 year band to the 0-5 year band and £602 million from the over 15-year band to the 5-15 year band.

[d] Statistics for the banking sector do not distinguish between stocks up to 15 years' maturity and stocks over 15 years. On the assumption that the banking sector holds, say, £100 million long-dated stock, the residual figure for 'other holders' comprises falls of about £830 million in medium-dated and of about £130 million in long-dated.

*Official holdings*

Of the £5 billion increase in the national debt, £1 billion was absorbed by official holders. Among these, the *Issue Department* of the Bank of England increased its holdings of Treasury bills (+£0.6 billion) and of gilt-edged (+£0.1 billion) roughly in line with the rise in its liabilities (Bank of England notes). As in the previous year, the department held about half of total Treasury bills outstanding, compared with 13% in March 1973. Although its total holdings of stocks rose by only £0.1 billion, there were larger changes within the various maturity bands. Short and long-dated stocks each rose by £0.3 billion, reflecting the issue just before the close of the financial year of the tap stocks 9% Treasury Stock 1978 'A' and 12½% Treasury Loan 1993; but holdings of the medium-dated tap stock, 12% Treasury Loan 1983, issued in March 1974, had been exhausted by July and there was no replacement.

The *Banking Department's* holdings of Treasury bills fell following the repayment of special deposits in April 1974.

The *National Debt Commissioners'* investments in gilt-edged stocks rose from £4.7 billion to £5.1 billion, largely because the National Insurance Funds were again in substantial surplus. The maturity structure of the Commissioners' holdings changed considerably during the year, with short and long-dated stocks accounting for 33% and 35% respectively of the total, compared with 23% and 44% a year earlier.

*Market holdings*

The central government borrowing requirement more than doubled in 1974/75 to £5.1 billion, but less than 10% of the total was financed by the *banking sector*: this was provided entirely in the form of Treasury bills, which rose by £0.4 billion to £0.8 billion. On the other hand, special deposits for a similar amount were repaid.



Table C

## Estimated distribution of the national debt: 31 March 1975

£ millions

Nominal values: [a] percentage of total debt in italics

	Total		Treasury bills	Stocks				Non-market-able debt
	Total	<i>28.8</i>		Total	Up to 5 years to maturity	Over 5 and up to 15 years	Over 15 years and undated	
<b>Official holdings</b>	12,785	<i>28.8</i>	4,859	6,871	2,491	1,841	2,539	1,055
<b>Market holdings</b>								
Public bodies:								
Public corporations	32	—	—	32	26	4	2	—
Local authorities [b]	20	—	..	20	6	4	10	..
<b>Total public bodies</b>	52	<i>0.2</i>	..	52	32	8	12	..
Banking sector: [c]								
Deposit banks	1,878		323	1,555	1,402	153	—	—
National Giro	23		—	23	17	6	—	—
Accepting houses, overseas banks and other banks	479		94	385	213	172	—	—
Discount houses	457		424	33	30	3	—	—
<b>Total banking sector</b>	2,837	<i>6.4</i>	841	1,996	1,662	334	—	—
Other financial institutions:								
Insurance companies	5,341		26	5,315	643	1,085	3,587	..
Building societies	1,651		—	1,651	1,224	400	27	—
National Savings Bank, investment account	378		3	375	44	95	236	—
Trustee savings banks, special investment departments	647		—	647	97	287	263	—
Local authority superannuation funds	487		..	487	98	57	332	—
Other public sector superannuation funds	408		1	407	129	94	184	—
Private sector superannuation funds	1,278		2	1,276	338	214	724	—
Investment trusts	137		—	137	77	48	12	—
Unit trusts	44		—	44	16	27	1	—
Other	107		12	95	70	6	19	—
<b>Total other financial institutions</b>	10,478	<i>23.6</i>	44	10,434	2,736	2,313	5,385	..
Overseas holders:								
International organisations	1,277		4	140	48	92	—	1,133
Central monetary institutions	2,996		1,716	1,280	462	374	444	—
Other	1,700		7	1,679	226	234	1,219	14
<b>Total overseas holders</b>	5,973	<i>12.9</i>	1,727	3,099	736	700	1,663	1,147
Other holders:								
Public Trustee and various non-corporate bodies	251		26	223	34	60	129	2
Private funds and trusts	9,297		..	5,514	1,789	1,298	2,427	3,783
Industrial and commercial companies	109		25	77 [d]	2,019	517 [e]	7	7
Other (residual)	2,713		..	2,459	..	..	254	254
<b>Total other holders</b>	12,370	<i>28.1</i>	51	8,273	3,842	4,431 [f]	4,046	4,046
<b>Total market holdings</b>	31,710	<i>71.2</i>	2,663	23,854	9,008	4,635	10,211	5,193
<b>Total debt</b>	44,495	<i>100.0</i>	7,522	30,725	11,499	6,476	12,750 [g]	6,248
<i>of which, nationalised industries' stocks guaranteed by the Government</i>	908			908	654	30	224	

.. not available.

— nil or less than £½ million.

[a] With some exceptions: see notes on sources and definitions.

[b] At end-March 1974 this classification included municipal banks' holdings of £68 million, which now form part of other financial institutions.

[c] Stocks shown at book value or cost except for those of the discount market where nominal values are used.

[d] Represents a sample only of companies' holdings: see notes on sources and definitions.

[e] On the assumption that the banking sector holds approximately £230 million of medium-dated and £100 million of long-dated stock, this figure represents mainly long-dated stock.

[f] On the above assumption, this figure comprises approximately £1,380 million medium-dated and £3,050 million long-dated.

[g] Of which undated £3,385 million.

Purchases of gilt-edged stocks by *other financial institutions* rose from £0.7 billion in the previous year to £1.7 billion. Insurance companies increased their holdings by £0.8 billion: with most of their investments financed out of life assurance funds, these companies normally prefer longer-term securities, but in the year under review more than half their purchases were at the short end. The total cost of their purchases of gilt-edged during the year represented 34% of funds invested, compared with around 15% in 1973/74. Superannuation funds' holdings rose by about £0.4 billion, and they too bought short-dated stocks which are not normally attractive to these funds. Building societies bought some £0.4 billion of short-dated stocks.



*Overseas holdings* rose on balance by £1.1 billion: oil-exporting countries invested part of their surplus revenues in Treasury bills (+£1.2 billion) and in gilt-edged (+£0.2 billion), but some other countries drew down their sterling reserves which had been held mainly in the form of gilt-edged.

Within 'other holders', private funds and trusts held £5.5 billion at end-March 1975, again more than any other category of market holder; the number of accounts of this type on the Bank's register increased by 83,000 to 1,693,000. Although the figures are somewhat distorted by nominee accounts (see the notes at the end), they nevertheless provide a broad indication of the part played in the gilt-edged market by individuals, private trusts, and executor and trustee companies.

Industrial and commercial companies' holdings of gilts (as measured by the Department of Industry's sample survey of the liquid assets of large companies) were run down, reflecting the severe liquidity problems experienced during 1974/75.

**Table D**  
**Central government payments and receipts of interest [a]**

£ millions							
Calendar years	1964	1967	1970	1971	1972	1973	1974
Payments[b]	937	1,105	1,298	1,384	1,599	1,801	2,117
Receipts from:							
Local authorities	125	203	340	399	453	539	669
Public corporations	297	414	660	740	803	889	1,024
Other	94	119	130	173	228	162	283
Total receipts	516	736	1,130	1,312	1,484	1,590	1,976
Payments of debt interest less receipts of interest and dividends	421	369	168	72	115	211	141

[a] This table shows payments and receipts by the central government only, and does not indicate the cost of debt service to the public sector as a whole.

[b] Not directly comparable with payments of interest on the national debt as defined in the main body of this article. For example, government debt interest excludes payments within the central government, but includes interest on debt payable in external currencies and charges on drawings from the IMF, payments to depositors with the ordinary department of the National Savings Bank and the trustee savings banks, and accruals of interest on national savings certificates.

In the March 1971 *Bulletin* it was noted (on page 79) that the cost of debt service to the central government might, in due course, come to be fully offset by interest receipts and dividends. During that particular year the difference between interest receipts and payments by the central government did, in fact, virtually disappear. But in the following three years the gap widened again, largely because the rise in the national debt exceeded central government loans to other public sector bodies by around £1 billion. Even so, net payments in the year to end-March 1974 were only a third as large as they had been ten years earlier.



## Notes on sources and definitions .

### National debt

The total of liabilities in sterling of the National Loans Fund, together with nationalised industries' stocks guaranteed by the Government (as contingent liabilities of the Government these are not strictly part of the national debt, but the markets, and the sources used for the estimates, do not generally distinguish them from government stocks). Excludes that part of the debt which is payable in external currencies (£2,323 million at 31 March), accrued interest on national savings certificates (approximately £594 million), securities tendered in payment of death duties and held by the National Debt Commissioners until redeemed (£13 million), Consolidated Fund liabilities, liabilities of other central government funds, and sundry other contingent liabilities and guaranteed loans. Provisional figures for the national debt as at 31 March (excluding nationalised industries' stocks, but including debt payable in external currencies) are given annually in the May issue of *Financial Statistics*. Firmer figures appear in the *Annual Abstract of Statistics*, and full details are given in the *Consolidated Fund and National Loans Fund Accounts Supplementary Statements* published by HMSO in December.

### Stocks

Classified by final redemption date. 9% Treasury Convertible Stock is classified as maturing in 1980.

### Non-marketable debt

Comprises national savings securities (see below), tax reserve certificates, tax deposit accounts, 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 [a] to Table 5 in the statistical annex and pages 56-7 of the Bank's 1971 *Report and accounts*), 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 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

Comprises the deposit banks, National Giro, discount houses and accepting houses, overseas banks and other banks, but excludes 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 are based largely on figures appearing in *Financial Statistics*. Stock holdings are calculated on nominal holdings at end-1974 and cash transactions in the quarter to end-March 1975.

### Overseas holders

Treasury bills held by central monetary institutions and international organisations are as in Table 20 (and additional notes) of the annex. Holdings and maturities of stocks are each 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 *Consolidated Fund and National Loans Fund Accounts Supplementary Statements*.

### 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*

Derived chiefly from an analysis of the principal government stock register, which is maintained by the Bank. The accuracy of the analysis is impaired by the large number of nominee accounts, which conceal the beneficial owners' identities. The figures shown in Table C also include an estimate of private holdings on the National Savings Bank's and trustee savings banks' stock registers. The bulk of national savings securities has been allocated to 'private funds and trusts'. The remainder (some £200 million) is no more than a broad estimate covering other holders (for example, charities and friendly societies are allowed to hold national savings certificates and British savings bonds, and the latter may be held also by corporate bodies).

#### *Industrial and commercial companies*

Gilt-edged holdings are based on quarterly returns to the Department of 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.