

Distribution of the national debt at end-March 1976

This article continues the annual series which was begun in June 1962.

Analysis by type of debt

On 31st March the nominal total of the sterling national debt [1] was £54 billion. The increase of £9.5 billion over the financial year was almost double the largest rise recorded in this series of articles, which covers the period since 1958, and brings the increase over the last two years to 37%. The central government borrowing requirement in 1975/76 was £0.7 billion less than the increase in the national debt because of differences in accounting, definition and valuation. [2]

Between March 1975 and March 1976 the national debt changed as follows:

Table A
Classification by type of debt

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

	End-March 1975		Change	End-March 1976	
Marketable debt:					
Government and government-guaranteed stocks	30,725	<i>69.1</i>	+4,855	35,580	<i>65.8</i>
Treasury bills	7,522	<i>16.9</i>	+3,327	10,849	<i>20.1</i>
Non-marketable debt:					
National savings securities	4,014	<i>9.0</i>	+ 320	4,334	<i>8.0</i>
Certificates of tax deposit	—		+ 13	13	
Ways and means advances	977	<i>2.2</i>	+ 168	1,145	<i>2.1</i>
Interest-free notes due to the International Monetary Fund	1,129	<i>2.5</i>	+ 930	2,059	<i>3.8</i>
Other	128	<i>0.3</i>	— 67	61	<i>0.2</i>
Total debt	44,495	<i>100.0</i>	+9,546	54,041	<i>100.0</i>

As in previous years, the largest increases were in marketable debt.

The size of the public sector borrowing requirement meant that heavy official sales of gilt-edged were necessary in order to moderate the growth in the money stock. Thirteen stocks (including additional tranches of existing stocks) were issued during the year, with a total value of £7 billion: of these, six were short-dated and five of the remaining seven long-dated.

12th June 1975	£250 million 3% Treasury Stock 1977
	£250 million 3% Treasury Stock 1979
	£600 million 9½% Treasury Stock 1980
3rd July	£500 million 12¾% Treasury Loan 1995
17th July	£750 million 13¼% Treasury Loan 1997
7th August	£600 million 12¾% Treasury Loan 1992
25th September	£400 million 9% Treasury Stock 1978
16th October	£600 million 11½% Treasury Stock 1981
27th November	£600 million 10½% Treasury Stock 1979
4th December	£750 million 13¼% Treasury Loan 1997
15th January 1976	£600 million 13% Treasury Stock 1990
	£500 million 9½% Treasury Stock 1980
12th February	£600 million 12½% Treasury Loan 1993

The two further tranches of 3% Treasury Stock 1977 and 3% Treasury Stock 1979 issued in June were aimed primarily at investors paying higher rates of tax and were early replacements for 3% Savings Bonds 1965/75 which was redeemed in August: this was the last outstanding war-time issue of Savings Bonds and at redemption just under half was held by the public. The coupon on long-dated gilt-edged rose to a new peak with the issue of two tranches of 13¼% Treasury Loan 1997.

[1] See notes on page 452 for the definition of the national debt used in this article.

[2] 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.

Three stocks totalling £2.1 billion were redeemed:

15th May 1975	£450 million 8% Treasury Stock 1975
15th August	£1,073 million 3% Savings Bonds 1965/75
1st March 1976	£600 million 6½% Exchequer Stock 1976

About £26 million of other stock was redeemed, mainly through the operation of sinking funds.

The increase in total outstanding short-dated stocks raised the average amount of stock to be redeemed in each of the next five years from £2.3 billion to £2.7 billion per year, compared with an average of less than £1.5 billion during 1970 to 1974.

In spite of the large number of stocks issued, the proportion of the total national debt in the form of gilt-edged stocks fell from 69.1% to 65.8% during the year. At the same time, the proportion in the form of Treasury bills rose from 16.9% to 20.1%.

Within non-marketable debt, national savings (excluding accrued interest) rose by £320 million (8%), largely in the form of index-linked retirement certificates which were introduced in mid-1975. (Index-linked Save As You Earn, introduced at about the same time, brought in £25 million by end-March 1976.) The sharp increase in non-interest-bearing notes due to the International Monetary Fund reflects the UK drawings on the gold tranche and oil facility in January 1976, and a payment to offset the fall in the value of the Fund's holdings of sterling resulting from the pound's depreciation.

A new instrument, the certificate of tax deposit, was introduced on 6th October 1975; it is available to taxpayers generally and may be used in payment of most taxes. Its predecessors were the tax reserve certificate and tax deposit account (the latter could be used solely by companies to anticipate payments of corporation tax), of which only £10 million altogether was outstanding at end-March 1976.

Analysis by holder

Table B

Changes in holdings end-March 1975 to end-March 1976^[a]

£ millions nominal^[b]

	Total debt	Treasury bills	Stocks ^[c]				Non-marketable debt
			Total	Up to 5 years to maturity	Over 5 and up to 15 years	Over 15 years and undated	
Official holdings	+ 849	+1,162	- 439	+ 373	-251	- 561	+ 126
Market holdings							
Public bodies	+ 2	..	+ 2	- 2	+ 1	+ 3	..
Banking sector	+2,253	+1,878	+ 375 ^[d]	+ 456	- 81 ^[e]		-
Other financial institutions:							
Insurance companies	+1,612	+ 65	+1,547	+ 165	+214	+1,168	..
Building societies	+ 745	+ 19	+ 726	+ 706	+ 21	- 1	-
Superannuation funds	+ 866	+ 13	+ 853	- 179	+291	+ 741	-
Other	+ 362	+ 205	+ 157	+ 78	+ 68	+ 11	-
Total other financial institutions	+3,585	+ 302	+3,283	+ 770	+594	+1,919	..
Overseas holders:							
International organisations	+ 931	+ 43	- 38	- 32	- 6	-	+ 926
Central monetary institutions	- 518	- 561	+ 43	+ 298	-170	- 85	-
Other	- 53	+ 1	- 50	- 6	- 9	- 35	- 4
Total overseas holders	+ 360	- 517	- 45	+ 260	-185	- 120	+ 922
Other holders	+2,497	+ 502	+1,679	+ 397	+1,282^[e]		+ 316
Total market holdings	+8,697	+2,165	+5,294	+1,881	+275	+3,138	+1,238
Total debt	+9,546	+3,327	+4,855	+2,254	+ 24	+2,577	+1,364

.. 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 7 and 8 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 £1,175 million of stock passed in this way 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.

[d] The discount market's holdings of gilt-edged at March 1976 are valued at book cost rather than at nominal as in earlier years, so the change over the year may be distorted.

[e] Statistics for the banking sector do not distinguish between these two broad maturity bands. On the assumption that the sector usually holds little long-dated stock - an earlier estimate that £100 million was held at end-March 1975 has since been revised to zero - the increase in the residual figure for 'other holders' is largely in long-dated stocks.

Official holdings

Official holdings rose by less than £1 billion, and by the end of March 1976 they represented only 25% of the national debt, compared with 29% a year earlier.

Table C
Estimated distribution of the national debt: 31 March 1976

£ millions

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

	Total		Treasury bills	Stocks			Non-marketable debt	
		<i></i>		Total	Up to 5 years to maturity	Over 5 and up to 15 years		Over 15 years and undated
Official holdings	13,634	25.2	6,021	6,432	2,864	1,590	1,978	1,181
Market holdings								
Public bodies:								
Public corporations	33		—	33	26	5	2	—
Local authorities	21		..	21	4	4	13	..
Total public bodies	54	0.1	..	54	30	9	15	..
Banking sector: [b]								
Banks	4,084		1,814	2,270	2,026	244		—
National Giro	39		7	32	27	5		—
Discount market	967		898	69	65	4		—
Total banking sector	5,090	9.5	2,719	2,371	2,118	253		—
Other financial institutions:								
Insurance companies	6,953		91	6,862	808	1,299	4,755	..
Building societies	2,396		19	2,377	1,930	421	26	..
National Savings Bank, investment account	395		8	387	62	112	213	..
Trustee savings banks, special investment departments	717		—	717	187	357	173	..
Local authority superannuation funds	732		—	732	79	61	592	..
Other public sector superannuation funds	760		9	751	56	331	364	..
Private sector superannuation funds	1,547		7	1,540	251	264	1,025	..
Investment trusts	235		10	225	51	52	122	..
Unit trusts	27		—	27	6	7	14	..
Other	301		202	99	76	3	20	..
Total other financial institutions	14,063	26.0	346	13,717	3,506	2,907	7,304	..
Overseas holders:								
International organisations	2,208		47	102	16	86	—	2,059
Central monetary institutions	2,478		1,155	1,323	760	204	359	—
Other	1,647		8	1,629	220	225	1,184	10
Total overseas holders	6,333	11.7	1,210	3,054	996	515	1,543	2,069
Other holders:								
Public Trustee and various non-corporate bodies	270		28	239	51	43	145	3
Private funds and trusts	10,192		..	6,186	2,216	1,150	2,820	4,006
Industrial and commercial companies	745		525[c]	216[d]	1,972	1,555[e]		4
Other (residual)	3,660		—	3,311				
Total other holders	14,867	27.5	553	9,952	4,239	5,713[f]		4,362
Total market holdings	40,407	74.8	4,828	29,148	10,889	4,910	13,349	6,431
Total debt	54,041	100.0	10,849	35,580	13,753	6,500	15,327[g]	7,612
<i>of which, nationalised industries' stocks guaranteed by the Government</i>	908			908	684	—	224	

.. not available.

— nil or less than £½ million.

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

[b] In previous articles the discount market's holdings of stock were shown at nominal values.

[c] The residual after other holders of Treasury bills have been identified; the total may thus include unidentified holdings of other sectors.

[d] Holdings (at book values) of some 200 large companies covered by the Department of Industry's survey of liquid assets.

[e] On the assumption that the banking sector's holdings of long-dated stock are negligible, this figure represents mainly long-dated stock.

[f] On the assumption made in [e] above, this figure comprises about £1,230 million medium-dated and £4,490 million long-dated.

[g] Of which undated £3,381 million.

Government debt held by the *Issue Department* rose by £0.8 billion, with an increase of £1.2 billion in Treasury bills partly offset by a fall of £0.4 billion in gilt-edged (mainly short-dated stocks). The short-dated stock issued in January, 9½% Treasury Stock 1980, was almost entirely taken up by the market at issue and no successor was offered until 1st April.

The *Banking Department's* holdings rose by £0.3 billion (almost wholly in the form of Treasury bills), broadly matching the rise in bankers' deposits. Special deposits rose only slightly.

Under the Social Security Act 1973, the *National Debt Commissioners* were granted wider investment powers, enabling them to channel National Insurance Funds into investments other than central government securities. Thus, although the National Insurance Funds were in surplus by £0.3 billion in 1975/76, the Commissioners' holdings of gilt-edged and Treasury bills actually fell: this was partly because of heavy purchases of local authority debt, and partly because some undated gilt-edged investments were switched into shorter-dated stocks (resulting in lower holdings at nominal values).

Market holdings

The market's share of the national debt rose from 71% to 75% during the year. Most of the increase (£5.3 billion) was in the form of gilt-edged stocks – the average life of dated stocks in market hands, which had declined in the previous two years, rose from 12.0 to 12.4 years^[1] – but holdings of Treasury bills also rose sharply.

At end-March 1976 Treasury bills represented 12% of the debt held by the market, compared with 4% in March 1971, with most of this increase occurring in the last two years. As holdings of short-dated gilt-edged also rose – from 19% of the debt in 1971 to 27% in 1976 (mainly the insurance companies, building societies and private superannuation funds) – the market's holding of both types of debt increased from 23% to 39% over the five years.

Treasury bills held by the *banking sector* rose by £1.9 billion during the year, to £2.7 billion. The banks also bought £0.4 billion of gilt-edged, and at end-March 1976 the sector accounted for 12.6% of market holdings, compared with 8.9% a year earlier.

Other financial institutions (34% of market holdings in March 1976) were again heavy buyers of gilt-edged stocks. When insurance companies – the largest institutional holders of gilt-edged – acquire gilt-edged for their life assurance funds, they usually buy long-dated stocks, but in 1974/75 more than half of their purchases had been at the short end. The pattern in 1975/76 was more normal, with over three quarters of the companies' net purchases of gilt-edged devoted to long-dated stocks. Superannuation funds also reverted to their normal investment pattern by purchasing long-dated stocks. Building societies bought £0.7 billion of short-dated stocks, reflecting the heavy net inflow of funds. Unusually, both insurance companies and building societies purchased Treasury bills during the year and between them held over £100 million at end-March 1976: after mid-1975 domestic holders generally (other than banks) built up their holdings of Treasury bills which, for most of this period, yielded more than bank deposits or certificates of deposit of similar maturity.

Overseas holdings of government debt (excluding IMF notes) fell by around £0.5 billion – largely in the form of Treasury bills held by oil-exporting countries.

Some 40% of the market's holdings was spread among '*other holders*'. Within this residual group, the largest category is private funds and trusts (even though the amount shown in the table is understated because it excludes holdings of gilt-edged stocks registered in nominee names). The number of accounts in this category on the Bank of England register rose by over 15,000 during the year to more than 1,708,000, and the average holding increased by £500 to £3,513: total stocks held rose by £0.8 billion. The increase of £0.4 billion at the short end was almost entirely in low-coupon stocks, partly because 3½% Treasury Stock 1979/81 and 3½% Treasury Stock 1977/80 became short-dated stocks through the passage of time.

[1] Because some constituents of the national debt – such as national savings – do not have a specific maturity date, it is not possible to calculate the maturity of the total debt outstanding.

Industrial and commercial companies increased their holdings of Treasury bills by some £500 million during the year – evidence that the company sector was gradually rebuilding its liquidity after the sharp run-down in 1974/75.

In the March 1973 *Bulletin* it was stated that the Bank were 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. Figures for 1969 to 1971 inclusive can now be obtained by writing to the Economic Intelligence Department, at the address given on the reverse of the contents page.

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). The total excludes that part of the debt which is payable in external currencies (£3,444 million at 31 March), accrued interest on national savings certificates (approximately £545 million), securities tendered in payment of death duties and held by the National Debt Commissioners until redeemed (£0.3 million), Consolidated Fund liabilities, liabilities of other central government funds, and sundry other contingent liabilities and guaranteed debt. 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, certificates of tax deposit, 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 1 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.

Banking sector

Comprises the banks, National Giro and discount market, but excludes the Bank of England, Banking Department (which is included among official holders). The figures for stocks are at book value or cost. Before March 1976 the discount market's holdings of stock were shown at nominal values.

Other financial institutions

Estimates are based largely on figures appearing in *Financial Statistics*. Stock holdings are calculated on nominal holdings at end-1975 and cash transactions in the quarter to end-March 1976.

Overseas holders

Treasury bills held by central monetary institutions and international organisations are as in Table 20 (and additional notes) in the statistical 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 allotted 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 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. Other companies' holdings thus 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, tax deposit accounts and certificates of tax deposit held by these companies is shown under 'non-marketable debt'. Figures for Treasury bills held by all companies 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.