

Distribution of the national debt at end-March 1980

This article, which continues the annual series, analyses the national debt by instrument and by holder.

At 31 March 1980, the nominal total of the national debt was £95.6 billion,⁽¹⁾ some £8 billion higher than at end-March 1979. Official holdings⁽²⁾ rose only slightly, to £18.2 billion; but market holdings increased by £7.5 billion to £77.4 billion, broadly reflecting the central government borrowing requirement (CGBR) of £8.2 billion in the financial year 1979/80.⁽³⁾

Analysis by instrument (Table A)

The nominal amount of gilt-edged stocks held by the market rose during 1979/80 by £8.8 billion and at the end of the year represented 78% of the total market holdings of debt (74% in March 1979). During the year, sixteen stocks were issued, including four further tranches of existing stocks; a total nominal value of £14.2 billion was offered to the public. Details of these stocks can be found in the financial review in previous issues of the *Bulletin*, and in Table 3.9 of *Financial Statistics*. Twelve were payable in instalments, and for the first time short-dated stocks were issued in partly-paid form.⁽⁴⁾ In addition, about £4 million of 9¾% Treasury Stock 1981, and £3 million of 10% Exchequer Stock 1983 were issued during the year as further compensation for the nationalisation of parts of the aircraft and shipbuilding industries.

Five stocks in market hands were redeemed, totalling £3.4 billion. Of these, two were British Electricity stocks, leaving only two government-guaranteed nationalised industry stocks in market hands at the end of the financial year.⁽⁵⁾ About £13 million of other stock was cancelled, mainly through the operation of sinking funds.

The average life of dated stocks rose by 0.4 years to 12.9 years,⁽⁶⁾ and the average amount of such stock to be redeemed annually over the next five years increased from £3.5 billion to £3.7 billion.

Market holdings of Treasury bills, at £2.3 billion, were virtually unchanged, but they continued to decline as a proportion of the total debt.

The total of national savings securities in issue (excluding accrued interest and index-linked increases) rose by

Table A
Official and market holdings of national debt

	End-March 1979		End-March 1980	
£ millions, nominal				
<i>Percentage of market holding in italics</i>				
Official holdings	17,741		18,161	
Market holdings				
Sterling marketable debt:				
Government and government-guaranteed stocks	51,525	73.7	60,297	77.9
Treasury bills	2,225	3.2	2,281	2.9
Sterling non-marketable debt:				
National savings securities	7,149	10.2	7,902	10.2
Interest-free notes due to the IMF(a)	3,176	4.5	2,157	2.8
Certificates of tax deposit(b)	1,571	2.3	618	0.8
Other	4	—	203	0.3
Total	65,650	93.9	73,458	94.9
Foreign currency debt:(c)				
HMG syndicated credits	1,936		1,848	
North American government loans	1,727		1,580	
Anglo-German Offset Agreement	60		—	
New York bond issue	169		162	
Other foreign currency bonds	396		359	
Total	4,288	6.1	3,949	5.1
Total market holdings	69,938	100.0	77,407	100.0
Total	87,679		95,568	
<i>of which,</i>				
<i>nationalised industries' stocks guaranteed by the Government</i>	794		254	
(a) Includes the sterling counterpart of IMF drawings.				
(b) Includes a negligible amount of tax reserve certificates.				
(c) Sterling valuation rates:				
End-March 1979				
£1 \$2.0665	Can.\$2.4002	DM3.8612	Yen 433.50	Sw.fr.3.5062
End-March 1980				
£1 \$2.1640	Can.\$2.5800	DM4.2162	Yen 540.87	Sw.fr.4.0012

£0.8 billion to £7.9 billion, representing about 10% of the national debt in market hands. In December 1979, the limit on individual holdings of index-linked retirement certificates was increased from £700 to £1,200, leading to an immediate and substantial boost in receipts. The nineteenth issue of national savings certificates, available from February 1980, also contributed to the increase; yielding 10.33% per annum free of tax (if held for five years), the new issue was more attractive than the eighteenth issue, which yielded 8.45%. From February 1980, British savings bonds ceased to be issued.

At 31 March 1980, certificates of tax deposit represented just under 1% of market holdings of debt, compared with over 2% a year earlier. Two changes relating to certificates of tax deposit were announced during the year; in June, the

(1) Provisional figures for the national debt, analysed by instrument, but excluding nationalised industries' stocks guaranteed by the Government, were published in the May 1980 issue of *Financial Statistics* (page 146). Further data are shown in the *Consolidated Fund and National Loans Fund Accounts 1979-80 Supplementary Statements*, published by HM Stationery Office. For details of the composition of the national debt, see the notes at the end of this article.

(2) All debt held by central government funds and accounts and by the Bank of England.

(3) The change in the nominal value of the debt in market hands during the financial year may differ substantially from the CGBR. The differences are explained in previous articles and in greater detail in an article by D. J. Reid in the May 1977 issue of *Economic Trends*.

(4) Although payable in instalments, the whole nominal amount of partly-paid stocks is included in the national debt from their date of issue.

(5) 3½% North of Scotland Electricity Stock 1977/80 and 3% British Gas 1990/95.

(6) Because some of the constituents of the national debt do not have final maturity dates, it is not possible to calculate the average maturity of total debt outstanding.

bonus applicable to certificates held for more than six months was suspended and, from July, the certificates could be used to pay petroleum royalties.

In contrast, other sterling non-marketable debt rose to £0.2 billion, representing deposits by the British Gas Corporation with the National Loans Fund.

External liabilities fell. The United Kingdom made further repayments to the International Monetary Fund (IMF), mainly relating to drawings under the 1977 stand-by arrangement. These repayments, involving the use of foreign currencies and special drawing rights, had as their counterpart a reduction in interest-free sterling notes held by the IMF; largely for this reason, holdings of such notes fell by over £1 billion. The sterling equivalent of debt payable in foreign currencies also fell, from £4.3 billion to £3.9 billion, but most of this reflected the appreciation of sterling.⁽¹⁾

Analysis by holder (Table B)

The information on holders of debt payable in sterling is drawn from a variety of sources, and in some cases the figures are only broad estimates (see notes on sources and definitions).

There was one relevant change in sector boundaries during the year. The Crown Agents, which had previously been classified as a non-bank financial institution, were reconstituted as two public corporations from 1 January 1980. These bodies are therefore included within public corporations in Table B.

Non-bank financial institutions were mainly responsible for the increase in total market holdings. Insurance companies

held the majority of debt within this category, and their share slightly increased during the year to about 25% of the total. Pension funds also increased their holdings—to about 14% of that in market hands—but the holdings of building societies were unchanged, at about 6%. At 31 March 1980, the non-bank financial institutions as a whole accounted for £36.3 billion, some 49% of market holdings of sterling debt.

In contrast, the proportion of this debt held by the banking sector fell back from about 8% to 6% (£4.3 billion). The banks' holdings of stocks at the end of the financial year were depressed by £0.7 billion because of official purchase and re-sale agreements designed to reduce pressure on the reserve asset position of the banking system. Overseas holdings of sterling debt rose by £1.3 billion to £8.3 billion. Overseas residents increased their holdings of gilt-edged stocks by £2 billion but, as noted above, there was a fall in interest-free notes due to the IMF. At the end of the year, overseas holdings accounted for 11% of the sterling debt in market hands.

Within the £24.1 billion classified as belonging to 'other holders', the total debt identified as held by individuals and private trusts⁽²⁾ rose by £1.6 billion (£1 billion in gilt-edged stocks). The holdings of industrial and commercial companies, on the other hand, dropped sharply, to only £0.9 billion at end-March 1980,⁽³⁾ entirely due to a fall in holdings of certificates of tax deposit.

Some £5.8 billion of debt cannot be classified. This includes holdings of unincorporated businesses, charities, individuals and companies not already identified; it is also affected by valuation and other errors elsewhere in the analysis.

(1) This analysis excludes outstanding foreign borrowing by public sector bodies other than the central government, which amounted to \$10.8 billion at end-March 1980 (of which \$8.8 billion was under the exchange cover scheme). Schedules of capital repayments and interest payments on government and other public sector foreign borrowing outstanding at end-September 1980 are shown in Tables 19.2 and 19.3 of the statistical annex.

(2) This is a broad estimate derived from the stock registers. It does not include individuals' stock held through nominee companies, as the beneficial ownership of these cannot be identified from the registers. There were just under 1,895,000 identified accounts on the Bank of England stock register for individuals and private trusts at end-March 1980, a rise of about 25,000 over the year.

(3) The figures for stocks apply only to about 200 large companies covered by the Department of Industry's survey of company liquidity. As mentioned in previous articles, they are almost certainly an understatement.

Table B
Estimated distribution of the sterling national debt: 31 March 1980

£ millions
 Nominal values(a)
 Market values in italics(b)

	Total debt	Percentage of market holdings	Treasury bills	Stocks				Non-marketable debt	
				Total	Up to 5 years to maturity	Over 5 years and up to 15 years	Over 15 years and undated		
Official holdings	18,161		2,327	10,688	<i>9,073</i>	5,796	2,878	2,014	5,146
Market holdings									
Other public sector:									
Public corporations	353		104	42	<i>38</i>	21	21	—	207
Local authorities	51		—	51	<i>46</i>	13	13	25	..
Total	404	0.5	104	93	<i>84</i>	34	34	25	207
Banking sector:(c)									
Banks	3,187		914	2,174		1,670	404	100	99
Discount market	1,084		312	772		765	7	—	—
Total	4,271	5.8	1,226	2,946	<i>2,744</i>	2,435	411	100	99
Other financial institutions:									
Insurance companies	18,309		..	18,309	<i>14,314</i>	1,918	3,729	12,662	—
Building societies	4,281		—	4,201	<i>3,778</i>	3,726	472	3	80
National Savings Bank investment account	1,227		—	1,227	<i>1,076</i>	450	599	178	—
Trustee savings banks	1,892		—	1,892	<i>1,720</i>	1,342	375	175	—
Local authority pension funds	1,980		—	1,980	<i>1,515</i>	23	321	1,636	—
Other public sector pension funds	2,852		—	2,852	<i>2,191</i>	104	427	2,321	—
Private sector pension funds	5,321		12	5,309	<i>4,115</i>	263	1,270	3,776	—
Investment trusts	272		—	271	<i>219</i>	65	93	113	1
Unit trusts	50		—	50	<i>39</i>	7	14	29	—
Other	121		29	89	<i>66</i>	55	1	33	3
Total	36,305	49.4	41	36,180	<i>29,033</i>	7,953	7,301	20,926	84
Overseas holders:									
International organisations	2,462		24	281	<i>250</i>	209	72	—	2,157
Central monetary institutions	1,989		771	1,218	<i>1,032</i>	627	268	323	—
Other	3,894		31	3,862	<i>3,110</i>	890	1,046	1,926	1
Total	8,345	11.4	826	5,361	<i>4,392</i>	1,726	1,386	2,249	2,158
Other holders:									
Public Trustee and various non-corporate bodies	368		18	347	<i>277</i>	78	116	153	3
Individuals and private trusts(d)	17,132		..	9,854	<i>8,045</i>	2,763	3,290	3,801	7,278
Industrial and commercial companies	881		66(e)	556(f)}	<i>4,553</i>	3,448	1,356	712	259
Other (residual)	5,752		—	4,960	<i>4,960</i>	—	—	—	792
Total	24,133	32.9	84	15,717	<i>12,875</i>	6,289	4,762	4,666	8,332
Total market holdings	73,458	100.0	2,281	60,297	<i>49,128</i>	18,437	13,894	27,966	10,880
Total debt	91,619		4,608	70,985	<i>58,201</i>	24,233	16,772	29,980(g)	16,026
<i>of which,</i>									
nationalised industries' stocks guaranteed by the Government	254			254	<i>127</i>	30	10	214	

.. not available, assumed negligible.
 — nil or less than £1 million.

(a) With some exceptions; see notes on sources and definitions.

(b) Some of these estimates are based on reported market values at end-December 1979 and cash transactions in the first quarter of 1980; certain others rely on broad nominal: market value ratios.

(c) Excludes the Bank of England, Banking Department (which is included among official holders). Holdings of stocks are at book value or cost.

(d) Direct holdings only; see notes on sources and definitions.

(e) The residual after holders of Treasury bills have been identified; the total may thus include unidentified holdings of other sectors.

(f) Holdings (at book value) of some 200 large companies covered by the Department of Industry's survey of company liquidity.

(g) Of which undated £3,294 million.

Notes on sources and definitions

National debt

Comprises the total liabilities 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, while the authorities carry out transactions in them in the same way as in government stocks). The total excludes accrued interest (including index-linked increases) on national savings securities (approximately £1,430 million), Consolidated Fund liabilities (including contingent liabilities, e.g. coin), liabilities of other central government funds (notably the Issue Department's note liabilities, Northern Ireland government debt and stocks issued by certain government funds), and sundry other contingent liabilities and guaranteed debt. Provisional figures for the national debt as at 31 March 1980 (excluding nationalised industries' stocks) were given 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 1979-80 Supplementary Statements*.

Stocks

Classified by final redemption date, e.g. 9% Treasury Loan 1992/96 is classified as maturing in 1996 and therefore in the over 15-year band.

Non-marketable debt

Comprises national savings securities (see below), certificates of tax deposit, tax reserve certificates, the International Monetary Fund's holdings of interest-free notes drawn on the National Loans Fund, deposits with the National Loans Fund, terminable annuities due to the National Debt Commissioners (issued between 1943 and 1950 and finally run off during 1979/80), 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 page 56 of the Bank's 1971 *Report and accounts*—and a sterling loan from an overseas government.

National savings securities comprise national savings certificates (excluding accrued interest and index-linked increases), British savings bonds, premium savings bonds, national savings stamps and gift tokens, and the contractual savings scheme (Save As You Earn) of the Department for National Savings (excluding accrued interest and index-linked increases). Ordinary deposits with the National Savings Bank and the trustee savings banks' claim on the Fund for Banks for Savings are only included in this analysis indirectly, to the extent that the funds are reinvested in government debt, when they are included within official holdings.

Official holdings

The holdings of the Issue and Banking Departments of the Bank of England, government departments (including the Paymaster General), the Northern Ireland Government, and the National Debt Commissioners (excluding funds held for the National Savings Bank investment account).

In accordance with national accounting practice, the ordinary department of the National Savings Bank is included in the central government, and its holdings of government debt (invested through the National Debt Commissioners) are included in official holdings. Holdings of the National Savings Bank investment account (which is managed by the National Debt Commissioners) and of the trustee savings banks are regarded as 'market' holdings, as are those of local authorities and public corporations.

Public bodies

Public corporations

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

Local authorities

As defined for national income statistics.

Banking sector

Comprises the banks and the discount market, but excludes the Bank of England, Banking Department (which, in this article, is included among official holders). The maturity analysis of stock holdings is partly estimated from the principal government stock register, which is maintained by the Bank.

Other financial institutions

Estimates are based largely on figures appearing in *Financial Statistics*. Some stock holdings are estimates from nominal and/or market value holdings at end-1979 using cash transactions in the quarter to end-March 1980.

Overseas holders

Treasury bills held by overseas residents are as in Table 18 in the statistical annex. Holdings and maturities of stocks are each partly 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 the International Monetary Fund, and a sterling loan from an overseas government. Details are given in the table of National Loans Fund liabilities in the *Consolidated Fund and National Loans Fund Accounts 1979-80 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 Official Custodian for Charities.

Individuals and private 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 identity of the beneficial owners. The figures shown in Table B also include an estimate of private holdings on the national savings stock register. The bulk of national savings securities has been allotted to 'individuals and private trusts'. The remainder (about £800 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

Holdings of gilt-edged stocks are taken from 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 or market values. An estimate of certificates of tax deposit held by these companies is shown under 'non-marketable debt'. Figures for Treasury bills held by all companies are obtained by residual, after other holders of market Treasury bills have been identified; these figures thus include unidentified holdings by other sectors.