Distribution of the national debt at end-March 1982

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

- *National savings rose by £4.2 billion over the year and now account for 15% of sterling debt in market hands—the highest proportion for nearly a decade.*
- *Gilt-edged stocks increased by £6 billion during the year with an appreciable proportion of new stocks issued in index-linked form: the main purchasers were private pension funds.*
- *External indebtedness fell from 5½% to 4% of the total partly reflecting repayment of syndicated borrowing from the eurocurrency market.*

The article also describes longer-term trends in the maturity and distribution of the debt, and shows the increasingly important role played by non-bank financial institutions.

The annual series of articles describing the composition of the national debt by instrument, and its distribution by class of holder, has now been running for twenty years. It began as an extension of evidence to the Committee on the Working of the Monetary System (the Radcliffe Committee) and has continued since. There has been a general improvement in the availability and quality of the sources of data over the years, and this has enabled a more detailed analysis of the figures in recent years than was initially possible. This year's article retains the general framework which has become familiar, but includes also a description of the broad trends which emerge over the twenty-five year period for which data are available.

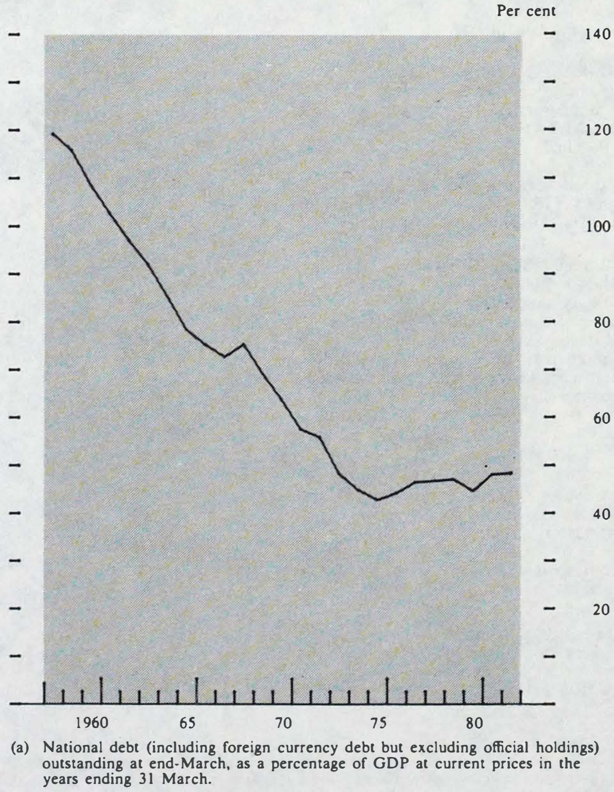
The change in debt outstanding

The total nominal value of the national debt[1] rose by £5.3 billion to £118.6 billion in the year to 31 March 1982. But debt held by official funds[2] fell by £3.8 billion, so that market holdings increased by £9.1 billion. (Except for Tables A and B, the appendix and where the wider definition is clearly indicated, this article deals with market holdings of debt.)

In statistical terms, the total of items financing the central government borrowing requirement (CGBR), which corresponds broadly to net borrowing from the market, was only £7.5 billion. There are a number of reasons why the change in the nominal value of market holdings of the national debt may differ from items financing the CGBR over a period:[3] the table in the box on page 541 reconciles these quantities.

The national debt, as a proportion of gross domestic product, fell almost continuously from 1958 to 1975 (Chart 1)—as indeed it had between 1945 and 1958. In the

Chart 1
National debt as a proportion of GDP[a]



(a) National debt (including foreign currency debt but excluding official holdings) outstanding at end-March, as a percentage of GDP at current prices in the years ending 31 March.

(1) Figures throughout are nominal values except in the appendix table where market values also are shown. Provisional figures for the national debt, analysed by instrument but excluding nationalised industries' stocks guaranteed by the Government, were published in the May 1982 issue of *Financial Statistics* (page 142). Further details of individual instruments, and changes in the amounts of each outstanding, are shown in the *Consolidated Fund and National Loans Fund Accounts 1981–82 Supplementary Statements*, published by HM Stationery Office. For details of the composition of the national debt, see the appendix at the end of this article. The increase of £5.3 billion includes just over £200 million representing the capital uplift to 31 March 1982 on the index-linked issues of Government stock.

(2) Debt held by the National Debt Commissioners (other than for the national savings stock register), certain other central and Northern Ireland government funds and accounts, and by the Bank of England.

(3) Some of these reasons are explained in an article by D J Reid, 'Public sector debt' in *Economic Trends*, May 1977, published by HM Stationery Office.

wake of the first oil price shock, this proportion stabilised, reflecting both the reduced output of the economy and the higher level of government borrowing: but it would have risen appreciably had the real value of debt not been eroded by inflation. Nominal interest rates have generally risen to compensate—albeit imperfectly—for inflation, and these higher rates can be viewed as accelerated capital repayments—they make up for the lower real value of the principal at redemption.

Most recently, inflation has declined and nominal interest rates have fallen; and substantial amounts of new debt have been sold in index-linked form. At end-March 1979, index-linked debt comprised less than 2% of sterling debt in market hands, but it had risen to 4.2% by end-March 1981, and 7.2% by end-March 1982.

Analysis by instrument (Table A)

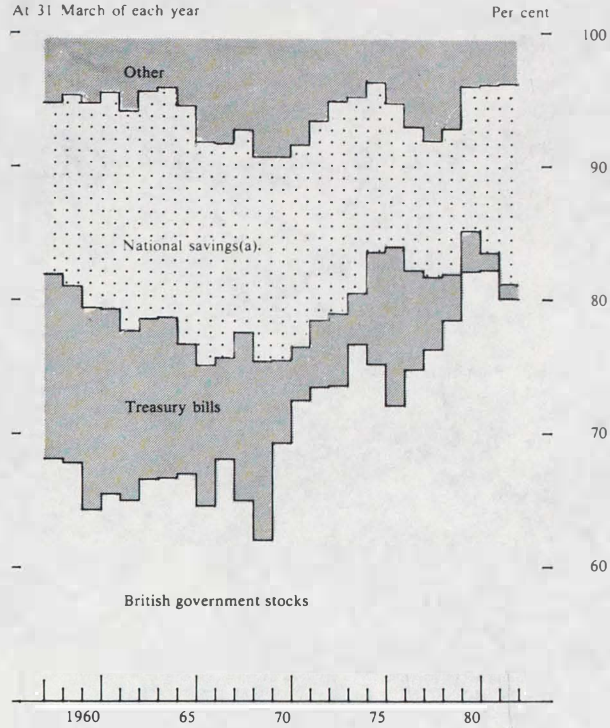
The main changes in the disposition, by instrument, of national debt in the course of the last financial year were the increase (from 12.1% to 14.6%) in the proportion the market held in national savings;[1] and the fall (from 5.5% to 4.1%) in the proportion accounted for by external indebtedness (defined here as foreign currency denominated debt, together with interest-free notes due to the International Monetary Fund).

Table A
Market and official holdings of national debt
£ millions, nominal
Percentage of market holdings in italics

	End-March 1981		End-March 1982	
Market holdings				
Sterling marketable debt:				
Government and government-guaranteed stocks: index-linked	1,000	*1.1*	2,567	*2.5*
other	74,536	*78.5*	78,967	*75.9*
Treasury bills	1,209	*1.3*	1,104	*1.0*
Sterling non-marketable debt:				
National savings: index-linked	2,895	*3.0*	4,774	*4.5*
other	8,661	*9.1*	10,521	*10.1*
Interest-free notes due to the IMF(a)	2,189	*2.3*	1,847	*1.8*
Certificates of tax deposit(b)	1,108	*1.2*	1,666	*1.6*
Other	302	*0.3*	302	*0.3*
Total	91,900	*96.8*	101,748	*97.7*
Foreign currency debt:(c)				
HMG syndicated credits	1,115		—	
North American government loans	1,467		1,753	
New York bond issue	156		196	
Other foreign currency bonds	345		411	
Total	3,083	*3.2*	2,360	*2.3*
Total market holdings	94,983	*100.0*	104,108	*100.0*
Official holdings	18,277		14,506	
Total	**113,260**		**118,614**	
of which, nationalised industries' stocks guaranteed by the Government	224		224	

(a) Includes the sterling counterpart of IMF drawings.
(b) Includes a negligible amount of tax reserve certificates.
(c) Sterling valuation rates:
End-March 1981
£1 = \$2.2420 Can. \$2.6560 DM 4.6962 Yen 472.87 Sw.Fcs. 4.2862.
End-March 1982
£1 = \$1.7833 Can. \$2.1942 DM 4.3015 Yen 441.60 Sw.Fcs. 3.4440.

Chart 2
Composition of the sterling national debt



(a) NSB investment accounts included within national savings from 1981.

Over the last 25 years, there has been a marked increase in funding, through sales of British government stocks, and a decline in short-term debt in the form of Treasury bills (Chart 2). This in turn reflects the increased importance of debt management as an instrument of monetary policy. National savings declined in importance from the early sixties until 1980 when renewed emphasis was given to increasing the contribution of national savings to funding, with a more vigorous approach both to marketing and to maintaining the competitiveness of the range of instruments on offer. The 'other' category consists chiefly of tax instruments and of interest-free notes due to the IMF; the latter include the sterling counterpart of UK drawings on the Fund.

Gilt-edged stocks

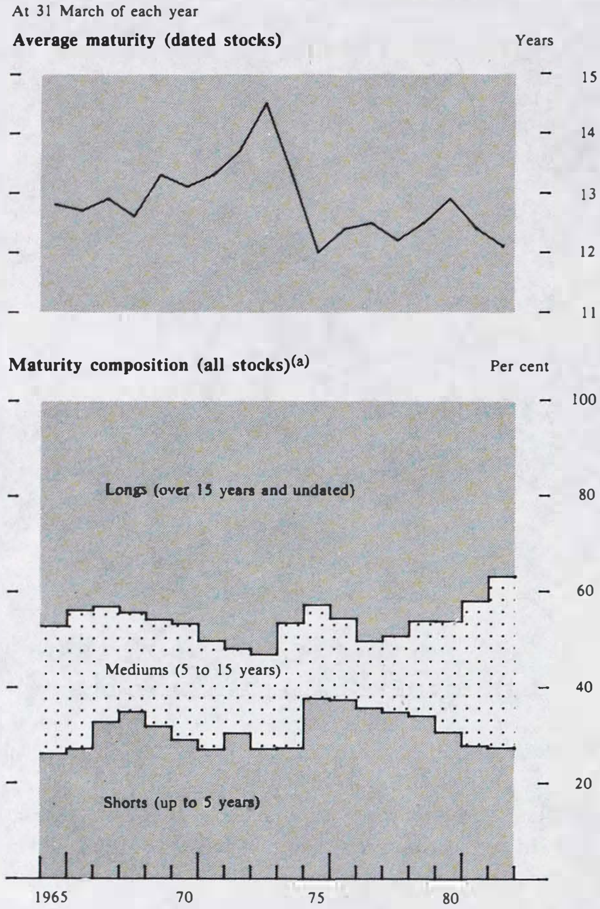
During 1981/82, the nominal amount of gilt-edged stocks in market hands increased by £6 billion. (Gross sales were larger but £6.1 billion of stocks matured during the year; some £4 billion of these had already been bought in from the market by the authorities prior to redemption.) As a proportion of total market holdings of debt, gilt-edged stocks fell to 78.4% at 31 March 1982 from 79.6% a year earlier. A notable development during the year was the removal, in the 1982 Budget, of restrictions on eligibility[2] to hold index-linked stocks.

Among the issues of new stocks, three were index-linked stocks (2% Index-Linked Treasury Stock 2006, 2½% Index-Linked Treasury Stock 2011 and 2% Index-Linked

(1) Recent trends in national savings, and their contribution to the financing of the public sector borrowing requirement, were described in the September 1982 *Bulletin*, page 350.

(2) Previously this had been confined, essentially, to approved pension schemes or funds and, in respect of their UK pension business, life insurance companies and registered friendly societies.

Chart 3
Residual maturity of market holdings of stocks



(a) Figures for 1965 and 1966 include official holdings.

Treasury Stock 1988) and one other was a 'conventional' low-coupon issue, 3% Treasury Stock 1987—the only new stock to be offered on terms requiring payment in full on application. For the remaining new stocks, payment was again required in instalments so as to co-ordinate receipts with the expected funding needs of the Government. In addition to these issues of new stocks, a number of small new tranches of existing stocks were created,(1) and there were certain other minor transactions.(2)

The average life of dated stocks in market hands fell slightly (by nearly 0.3 year to just over 12.1 years(3)) and the average amount of such stock to be redeemed annually over the next five years rose, from £4.2 billion to £4.5 billion (see Charts 3(4) and 4). There is a conceptual difficulty in aggregating conventional and index-linked stocks for the purpose of measuring average maturity.

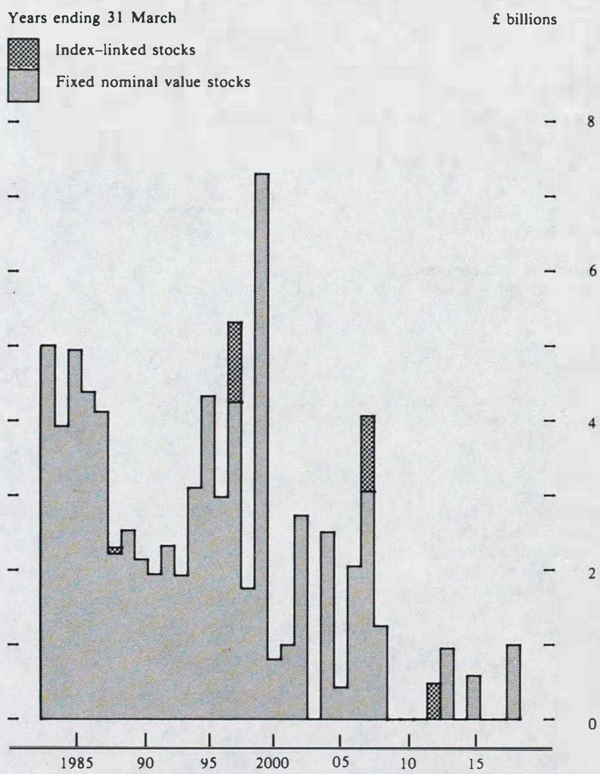
With index-linked stocks the bulk of the return comes in the form of the capital uplift on redemption so their effective maturity for the same redemption date is considerably longer than for conventional stocks. On the other hand, if the measure of average maturity in Chart 3 were restricted to conventional stocks alone, maturity would be biased downwards in a period when a substantial shift of emphasis has occurred from conventional to index-linked stocks. The measures used here combine both types of debt, but should be interpreted with care.

Average maturity lengthened during the sixties and early seventies, but there was a sharp drop in 1974 and 1975 when the CGBR rose very strongly and heavy short-term borrowing was undertaken. On balance, average maturity has changed little since then. Short-dated stock nevertheless declined in importance—as have 'longs' since 1977, and particularly so in the last two years.

Other sterling debt

The market's holding of Treasury bills at 31 March 1982, £1.1 billion, was little changed from a year earlier. The

Chart 4
Maturities of dated stocks in market hands at 31 March 1982



(1) Two additional tranches of two stocks, 12¼% Exchequer Stock 1992 and 12½% Exchequer Stock 1994, were issued during 1981/82, and three tranches of 12% Treasury Stock 1995. Details of individual issues in 1981/82 were given in the following issues of the *Bulletin*: June 1981, page 175; September 1981, page 335; December 1981, page 476; March 1982, page 30; and June 1982, page 204.

(2) Holders of some £1.5 million of 12% Exchequer Convertible Stock 1985 exercised their option to convert their holdings into 13½% Exchequer Stock 1992 in broadly equal amounts at the first two possible conversion dates, 22 September 1981 and 22 March 1982. Some £6 million of 10% Exchequer Stock 1983 was issued during 1981/82 as the final instalment of compensation for the nationalisation of parts of the aircraft and shipbuilding industries under the Aircraft and Shipbuilding Industries Act 1977. Some £13 million of stock was cancelled mainly by means of sinking fund purchases.

(3) In calculating the average life, and for constructing Chart 3, stocks are assumed to mature on their latest possible redemption date and index-linked stocks are given a weight which reflects the capital uplift accrued so far. The average life of dated 'conventional' stocks in market hands was just under 12.4 years as at 31 March 1981 and had fallen to 11.8 years at 31 March 1982. However, if it is assumed that those stocks with optional maturity dates which were standing above par on 31 March are to be redeemed at their earliest possible redemption dates, the average life for all stocks becomes just over 12.2 years at 31 March 1981 and 11.9 years at 31 March 1982: for conventional stocks only, the figures are just under 12.2 years and 11.6 years respectively.

(4) The chart begins in 1965 because, for earlier years, the maturity analysis was restricted to 'shorts' and 'other'.

Reconciliation of CGBR and change in debt outstanding in 1981/82

£ billions

Items financing the CGBR		Coverage differences: Official reserves	Coverage differences: Other	Valuation differences: Discount on new stocks sold to market	Valuation differences: Capital uplift on index-linked stocks	Valuation differences: National savings accrued interest adjustment	Timing adjustments: Calls due on new issues in market hands at 31.3.81 (−)	Timing adjustments: Calls due on new issues in market hands at 31.3.82 (+)	Other (Including exchange rate effects)	Change in market holdings of debt	
External and foreign currency finance(a)	+1.3	−2.7							+0.4	−1.0	Foreign currency debt and interest-free notes due to the IMF
Notes and coin in circulation	+0.2		−0.2								
Treasury bills	−0.1									−0.1	Treasury bills
British government stocks	+6.0			+1.0	+0.2		−1.8	+0.3	+0.3	+6.0	British government stocks
National savings	+4.2					−0.5				+3.7	National savings
Tax instruments	+0.5									+0.5	Tax instruments
Commercial bills held by Issue Department	−4.2		+4.2								
Other items(b)	−0.4		+0.4								
CGBR	+7.5									+9.1	Change in market holdings of debt, at nominal value

(a) Excluding overseas residents' holdings of British government stocks and Treasury bills.
(b) Including local authority and public corporations' debt held by Issue Department and the National Debt Commissioners.

In 1981/82 the market's holdings of national debt rose by considerably more than the CGBR. (The market includes banks and overseas holders as well as the non-bank private sector; for this and other reasons, the difference between the two sides of the table does not correspond to the amount of 'overfunding' or 'underfunding' that may occur in any year.) The most important single factor accounting for the difference was that sales of debt were offset by a rise of £4.2 billion in commercial bills held by the Issue Department of the Bank of England: the Issue Department is treated as part of the central government accounts, and market operations by it are included (negatively) among the items financing the CGBR rather than contributing to it.

Another important difference between the CGBR and the change in the nominal total of debt in market hands is that the repayment of foreign currency debt, financed by drawing on the reserves, cancels out within the CGBR; the statistics of outstanding debt, however, register the fall. Other changes in the reserves are included in the second column of the table but these are financed by (opposite) changes in the Exchange Equalisation Account's holdings of sterling (reinvested with the central government) but are offset within the first column by changes in other items; both the totals of the CGBR and the change in outstanding debt are unaffected.

The remainder of the table illustrates the valuation and other differences which have to be taken into account to reconcile the cash proceeds of the borrowing with the change over the year in the nominal value of the debt outstanding. In 1981/82 the discount on new stocks and capital uplift on index-linked stocks led to an upward adjustment to the nominal value of market holdings of debt. But the net effect of timing adjustments, with receipts from stocks issued before 31 March 1981 exceeding calls due after 31 March 1982, led to a broadly similar adjustment in the other direction.

amount of bills allotted during the year at each weekly tender was, with few exceptions,(1) only £100 million (as it had been since January 1981) compared with £200 million a week from August 1980 to January 1981 and, with one exception, £300 million a week from December 1978 to August 1980. The diminished role of Treasury bills in financing the central government reflects funding outside the banking system in support of monetary objectives. It has, in turn, brought about a change in the instruments used by the authorities in their market operations.(2)

The financial year 1981/82 was a very successful one for national savings; against a target of £3.5 billion,(3) national savings actually raised £4.2 billion. As a proportion of debt outstanding,(4) national savings instruments accounted for 15.0% of sterling debt in market hands, the highest for nearly a decade.

In order to meet this target, it was necessary to ensure that interest rates on national savings instruments did not fall below those on competing instruments, and to take various other steps to widen the market for national savings and keep them competitive. Thus the interest rate on National Savings Bank (NSB) investment accounts was 15% gross until 1 May 1981 when it was cut by 2% following falls in other rates. Sales of index-linked certificates were boosted by the reduction in the minimum age of eligible holders from 60 to 50 years announced in the 1981 Budget (and the introduction on 6 April of a 4% terminal bonus). The 19th Issue conventional certificate (which carried a tax-free yield of 10.33% per annum if held for five years) proved popular, particularly just before it was replaced on 11 May 1981 by the lower yielding 21st Issue (9.02%). Sales of certificates revived in the autumn when eligibility to hold index-linked certificates was extended on 7 September 1981

(1) £200 million of 91-day bills were allotted on both 17 and 24 July. Additional tenders for bills of shorter maturities were made on the following dates: on 24 July (£800 million allotted), 31 July (£100 million allotted) and 18 August (£100 million allotted) to mature on 1 September; on 29 September (£300 million allotted) to mature on 21 October; and on 6 October (£100 million allotted) to mature on 2 November 1981 to cope with the effects of the Civil Service strike.

(2) See the March 1982 *Bulletin*, page 88; also article on page 514 of this *Bulletin*.

(3) Initially set at £3.0 billion.

(4) Excluding accrued interest and index-linked increases. Accrued interest, index-linked increments and bonuses outstanding on national savings certificates, Save As You Earn contracts and interest accrued but not yet credited to the National Savings Bank investment account totalled some £2.5 billion at 31 March 1982 compared with £1.9 billion a year earlier.

to individuals of all ages, trustees, friendly societies and charities; the maximum individual holdings of 2nd Issue index-linked certificates was increased from £3,000 to £5,000 on 19 October 1981; and the 21st Issue was replaced on 9 November 1981 by the 23rd Issue which carried a tax-free yield of 10.51% per annum over five years. Moreover, at the beginning of October 1981, registered companies and other corporate bodies were permitted to open NSB investment accounts; on 1 November 1981 the interest rate on such deposits was raised to $14\frac{1}{2}$%; and on 1 December 1981 was raised again to 15%. The 23rd Issue certificates proved popular, but were withdrawn from sale on 10 March 1982 as competing rates started to fall.

Holdings of certificates of tax deposit (CTDs) rose from £1.1 billion to just over £1.6 billion during 1981/82. A new schedule to the Series 5 prospectus (described in last year's article) was issued in August 1981 which extended the list of taxes against which CTDs could be surrendered to include, *inter alia*, supplementary petroleum duty.

A minor change in national debt instruments, affecting official holdings of debt only, was made in April 1981, when an arrangement was introduced to allow non-marketable stocks—the terms of which reflect those on existing government stocks—to be issued to the National Debt Commissioners. This was intended to maintain the investment flexibility of the Commissioners, while at the same time reducing the possibility of conflict with the Bank's objectives in managing the gilt-edged market. At 31 March 1982, one such stock was outstanding, £100 million of $11\frac{3}{4}$% Exchequer (NILO) Stock 1986 (in the analysis of official holdings of debt by instrument shown in the appendix, it has been included within 'non-marketable debt').

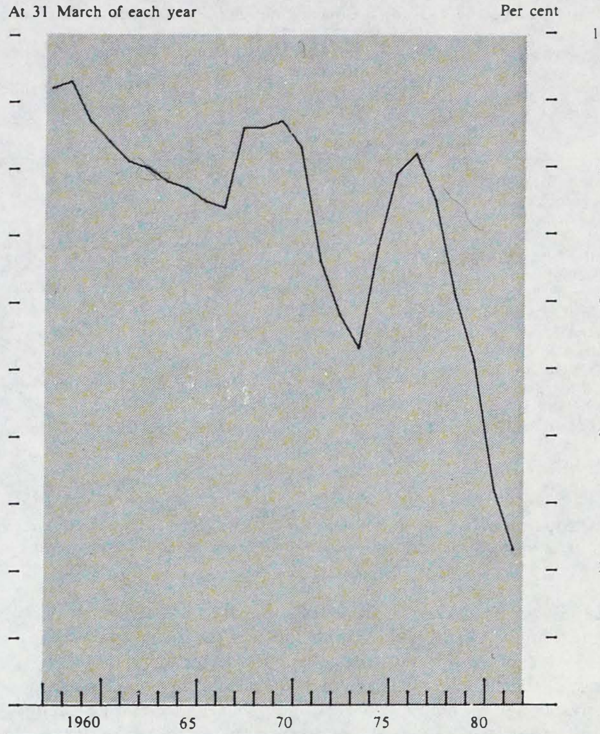
Foreign currency debt

External debt[1] fell by just over £1 billion in 1981/82. Within this, non-interest-bearing notes held by the IMF fell by £0.3 billion, largely representing the sterling counterpart of repayments of earlier UK borrowing under the oil facility. The Government also repaid, largely ahead of schedule, the $2.5 billion syndicated eurocurrency credit arranged in 1974. The depreciation of sterling during the financial year, however, increased the sterling equivalent of the remaining foreign currency debt outstanding by £0.4 billion.

The proportion of the national debt denominated in foreign currencies has fallen markedly over the past twenty-five years, the decline being punctuated by peaks in the late sixties and mid-seventies when further borrowing was undertaken to support the reserves (Chart 5). The decline in the proportion of debt denominated in foreign currencies reflects both the net repayment of a considerable part of such debt, particularly since 1977, and the very substantial

Chart 5
Proportion of foreign currency debt

At 31 March of each year



growth of sterling debt. In 1958, 85% of the foreign currency denominated debt consisted of long-term post-war loans from the governments of the United States and Canada; the gradual decline throughout the early sixties largely reflected the repayment of instalments on these loans. The sterling value of debt has also changed with exchange rate movements,[2] notably the devaluation of the pound in 1967 and the floating of sterling since June 1972.

The total of foreign currency debt rose in the latter part of the sixties with the opening of lines of credit with the Export-Import Bank of America, and fell again in the early seventies as repayments on these loans were added to those on the earlier borrowing. The sharp upturn between 1974 and 1977, prominent on the chart, reflects in part the external borrowing undertaken to finance balance of payments deficits after the large increases in oil prices; in particular the Government raised $2.5 billion and $1.5 billion syndicated bank credits in the eurocurrency market in 1974 and 1977 respectively and issued $0.4 billion of bonds on the New York market in 1978. Moreover, in 1977, in order to reduce the international role of sterling as a reserve currency, the Government offered foreign currency bonds to overseas official holders of sterling, in exchange for their sterling holdings. Bonds equivalent, at the time, to £0.4 billion were issued, representing about 17% of total exchange reserves then held in sterling. The recent considerable fall in the proportion of foreign currency debt largely represents the repayment of the

(1) Comprising foreign currency borrowing by the central government only, plus interest-free notes held by the IMF. Other public bodies had outstanding foreign currency denominated debt of £5.0 billion at end-March 1982, £4.2 billion of it under official exchange cover, but this debt is not included in the analyses in this article.

(2) That part of the foreign currency debt denominated in US dollars was incorporated into the national debt statistics for 31 March 1973, 1974 and 1975 using an 'equivalent of parity' of £1 = $2.89524; at other dates exchange translations have been based on market exchange rates ruling at the time.

Table B
Distribution of the sterling national debt: summary[(a)]

£ billions

	Amounts outstanding at 31 March 1981	1982	Change in 1981/82
Market holdings			
Public corporations and local authorities	0.5	0.7	+ 0.2
Monetary sector(b)	6.3	7.1	− 1.5(c)
Other financial institutions:			
Insurance companies and pension funds	34.7	41.2	+ 3.5(c)
Other	8.3	8.0	+ 2.0(c)
Overseas residents	10.1	9.9	− 0.2
Individuals and private trusts	21.9	26.1	+ 4.2
Other (including residual)	10.1	8.8	+ 1.7(c)
Total market holdings	91.9	101.8	+ 9.9
Official holdings	18.3	14.5	− 3.8(c)
Total sterling debt	**110.2**	**116.3**	**+ 6.1**

(a) The detailed table showing the distribution of the sterling debt at 31 March is included in the appendix to this article.

(b) Formerly 'banking sector': see appendix.

(c) Adjusted for the reclassification of the trustee savings banks; the incorporation of new data for private sector pension funds not included in the figures of amounts outstanding for 31 March 1981 and earlier; and for other items: see appendix for detailed explanation.

medium-term eurocurrency borrowing, in line with the policy of achieving a substantial reduction in official external debt, much of it contracted during the mid-seventies.

Analysis by holder (Table B)

The monetary sector's holdings of debt fell by some £1.5 billion in 1981/82, all but £120 million in reduced holdings of British government stocks (the discount market's holdings falling by £0.8 billion). Recorded holdings of Treasury bills by the monetary sector were little changed over the year, but there was an underlying fall of nearly £0.3 billion if bills held by the Bank of England at 31 March 1981 under purchase and resale agreements (and therefore included in official holdings) are added back into the banking sector's holdings for that date. On the other hand, other financial institutions increased their holdings of debt during the year by some £5.5 billion and holdings by individuals and private trusts rose by £4.2 billion. Much of the latter represents the large increase in national savings, while holdings of gilt-edged stocks by this category[(1)] are estimated to have risen by some £0.8 billion.

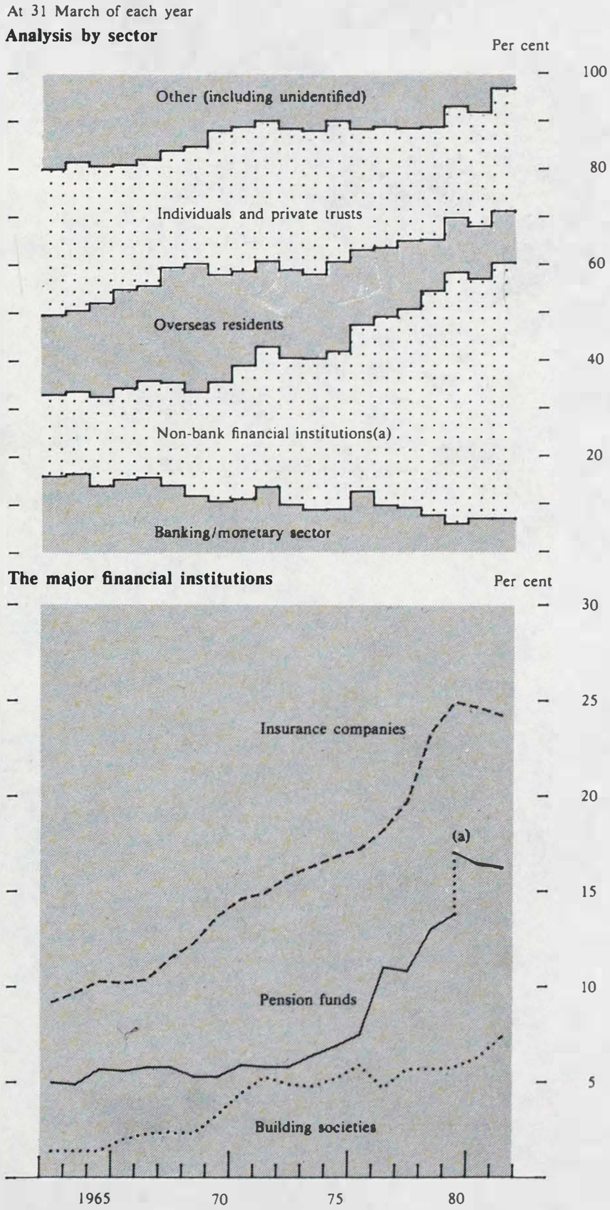
Longer term trends

There has been a striking concentration of debt into the hands of financial institutions other than banks (Chart 6). The proportion held by insurance companies[(2)] has grown at a fairly constant rate, whereas pension funds have only really come to prominence over the past ten years; the proportion of debt held by building societies grew during the sixties, was more stable for most of the seventies but has risen somewhat in the last few years. Moreover, British government stocks have come to form a much larger proportion of institutional investors' portfolios over the last decade (Chart 7).

Personal holdings of debt (the largest component of holdings by the non-financial sector) have declined somewhat. The fall in their share of gilt-edged stocks was partly offset by the recent revival of national savings. Overseas official holders of debt have become less significant in the last decade, reflecting moves to reduce the international reserve currency role of sterling, most recently through the Basle Agreement of 1977, at the same time as the foreign currency bond conversion offer mentioned

Chart 6
Shares of total sterling debt

At 31 March of each year



(a) Incorporates rebased survey data for private sector pension funds.

(1) This is a broad estimate derived from the stock registers and other information. It does not include stock held by individuals through nominee companies, as the beneficial ownership of these cannot be ascertained from the registers. There were 1,989,500 identified accounts on the Bank of England stock register for individuals and private trusts at end-March 1982, a rise of nearly 33,000 on twelve months before.

(2) Insurance company figures include holdings of debt by both long-term (life) and general funds. Life funds include some pension business.

above. Indeed, overseas private holdings of British government stocks have exceeded official overseas holdings for the past eight years. The falling share of central government finance obtained from the banking system reflects the increased emphasis on non-monetary methods of financing government deficits.

Chart 7
Non-bank financial institutions' gross financial wealth held in British government stocks

Source for non-bank financial institutions' gross financial wealth: *Financial Statistics*, HM Stationery Office.

Appendix

Estimated distribution of the sterling national debt: 31 March 1982

£ 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	
Market holdings									
Other public sector:									
Public corporations	619		6	58	*53*	29	29	—	555
Local authorities	61		—	60	*52*	15	15	30	1
Total	680	0.7	6	118	*105*	44	44	30	556
Monetary sector:(c)									
Discount market	531		82	449		419	30	—	—
Other	6,530		437	6,001		4,185	1,725	91	92
Total	7,061	6.9	519	6,450	*6,762*	4,604	1,755	91	92
Other financial institutions:									
Insurance companies	24,638		9	24,629	*21,218*	2,120	7,612	14,897	—
Building societies	7,538		—	7,380	*6,848*	5,559	1,820	1	158
Local authority pension funds	2,569		—	2,569	*2,174*	23	631	1,915	—
Other public sector pension funds	4,259		—	4,259	*3,601*	69	945	3,245	—
Private sector pension funds	9,692		—	9,690	*8,310*	185	4,024	5,481	2
Investment trusts	198		—	198	*174*	54	57	87	—
Unit trusts	231		..	231	*199*	17	97	117	—
Other	48		22	22	*19*	2	2	18	4
Total	49,173	48.3	31	48,978	*42,543*	8,029	15,188	25,761	164
Overseas holders:									
International organisations	2,244		6	391	*373*	359	32	—	1,847
Central monetary institutions	3,027		356	2,671	*2,439*	1,495	947	229	—
Other	4,659		30	4,628	*4,091*	434	3,316	878	1
Total	9,930	9.8	392	7,690	*6,903*	2,288	4,295	1,107	1,848
Other holders:									
Public Trustee and various non-corporate bodies	508		105	402	*354*	66	192	144	1
Individuals and private trusts(d)	26,092		..	12,253	*10,896*	3,190	6,147	2,916	13,839
Industrial and commercial companies	2,142		51(e)	997}	*4,348*	4,143	1,441	59	{1,094
Other (residual)	6,162		—	4,646}					{1,516
Total	34,904	34.3	156	18,298	*15,598*	7,399	7,780	3,119	16,450
Total market holdings	101,748	100.0	1,104	81,534	*71,911*	22,364	29,062	30,108	19,110
Official holdings	14,506		873	9,616	*8,511*	3,106	5,235	1,275	4,017
Total sterling debt	**116,254**		**1,977**	**91,150**	***80,422***	**25,470**	**34,297**	**31,383**(f)	**23,127**
of which, nationalised industries' stocks guaranteed by the Government	224			224	*100*	—	224	—	

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

(a) With some exceptions; explained in the accompanying notes.

(b) Some of these estimates are based on reported market values at end-December 1981 and cash transactions in the first quarter of 1982; 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; explained in the accompanying notes.

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

(f) Of which, undated £3,269 million.

The data used to estimate the distribution of holdings of the sterling-denominated debt are gathered from various sou rces, principally the major investing institutions. The quality of individual estimates varies because they are based on statistics supplied primarily for other purposes. Figures shown for individual types of holder, therefore, indicate only broad orders of magnitude and should be used with caution. Some £6.1 billion (5%) of debt outstanding cannot be allocated within the breakdown shown here: the residual category includes holdings by unincorporated businesses, charities, individuals and companies not elsewhere identified, and any net inconsistencies of valuation or definition elsewhere in the table.

There are two differences between the table above and the corresponding table in previous articles. First, the 'banking sector' was replaced by the 'monetary sector' during the year. The most significant consequence of this change is that the trustee savings banks now form part of the monetary sector rather than 'other financial institutions'; at the time of the reclassification, in November 1981, the trustee savings banks held £2.1 billion of British government stocks.

Second, besides the removal of the trustee savings banks, the other financial institutions' figures reflect a rebasing by the Department of Trade of survey data on private sector pension funds. This has produced for these funds a significantly higher estimate of their holdings of British government stocks for the last three years than was shown in last year's and earlier tables.

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, Consolidated Fund liabilities (including contingent liabilities, eg 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 1982 (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 1981–82 Supplementary Statements.*

Statistics covering the nominal amount of debt outstanding of central government as defined in the national accounts, local authorities and public corporations (ie the public sector as a whole), are published annually as a Supplementary Table in *Financial Statistics.* The table will next appear in the February 1983 issue, to include figures up to 31 March 1982.

Stocks

Classified by final redemption date, eg $6\frac{3}{4}$% Treasury Loan 1995/98 is classified as maturing in 1998 and therefore in the over 15-year band.

The nominal value of index-linked gilt-edged stocks has been raised by the amount of index-related capital uplift accrued to 31 March 1982.

Non-marketable debt

Comprises national savings (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, 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*; non-marketable stocks issued to the National Debt Commissioners; and a sterling debt to an overseas government.

National savings comprise national savings certificates (excluding accrued interest and index-linked increases), British savings bonds, premium savings bonds, national savings stamps and gift tokens, the contractual savings scheme (Save As You Earn) of the Department for National Savings (excluding accrued interest and index-linked increases), and deposits with the National Savings Bank investment account (excluding interest not yet credited to accounts). 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.

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 trustee savings banks are regarded as 'market' holdings, as are those of local authorities and public corporations.

Market holdings

Public corporations

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

Local authorities

As defined for national income statistics.

Monetary sector

Comprises the UK offices of institutions either recognised as banks or licensed to take deposits under the Banking Act 1979, together with the National Girobank, the trustee savings banks and those institutions (including branches of mainland banks) in the Channel Islands and the Isle of Man which opted to participate in the new monetary control arrangements introduced in August 1981, but excludes the Bank of England, Banking Department (which, in this article, is included among official holders). Market values are based on information reported by the banks at end-1981, using cash transactions in the quarter to end-March 1982. 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 reported by the institutions and published in *Financial Statistics.* Most stock holdings are estimates from market value holdings at end-1981 using cash transactions in the quarter to end-March 1982. 'Non-marketable debt' now includes deposits with the National Savings Bank investment account, which are estimated from records of the Department for National Savings.

Overseas holders

The figures for Treasury bills held by overseas residents are holdings identified in returns provided by the UK banking system only but the coverage is thought to be reasonably complete. Any underrecording will be reflected in an overestimate for holdings by industrial and commercial companies (see below) the residual category. 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 debt to an overseas government. Details are given in the table of National Loans Fund liabilities in the *Consolidated Fund and National Loans Fund Accounts 1981–82 Supplementary Statements.*

Other holders

Public Trustee and various non-corporate bodies

Comprises 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 the appendix table 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 £1,500 million) is no more than a broad estimate covering other holders not identified elsewhere (for example, charities, friendly societies and, with effect from October 1981, registered companies and other corporate bodies trading for profit are allowed to place deposits with the National Savings Bank investment account; national savings certificates may also be held by charities, trustees and friendly societies).

Industrial and commercial companies

Holdings of gilt-edged stocks are based on quarterly returns to the Department of Industry by about 200 large companies, grossed up roughly to give a broad estimate for all industrial and commercial companies. The holdings are at book values (generally purchase values) and no attempt has been made to convert them to nominal or market values. An estimate of holdings of certificates of tax deposit 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.