

Distribution of the national debt: end-March 1986

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

The change in debt outstanding (Table A)

During the year ended 31 March 1986 the total nominal value of the national debt⁽¹⁾ rose by over £13.3 billion, £1.7 billion less than in the previous twelve months (the rate of increase fell by just over two percentage points to 8.4%). Debt held by official funds⁽²⁾ showed an underlying rise of £1.5 billion over the year; market holdings rose by £11.8 billion (8.0%), compared with £15.6 billion (12.2%) in the previous year. The central government borrowing requirement (CGBR) was £10.9 billion in 1985/86, an

Table A
Market and official holdings of national debt

£ millions, nominal value

Percentage of market holdings in italics

	End-March 1985		End-March 1986	
Market holdings(a)				
Sterling marketable debt:				
Government and government-guaranteed stocks: index-linked	9,482	6.5	11,089	7.0
other	103,715	70.7	110,672	69.8
Treasury bills	1,241	0.8	1,365	0.9
Sterling non-marketable debt:				
National savings: index-linked	3,592	2.4	3,182	2.0
other	18,821	12.8	20,538	13.0
Interest-free notes due to the IMF	3,190	2.2	3,519	2.2
Certificates of tax deposit(b)	3,186	2.2	3,612	2.3
Other	518	0.4	609	0.4
Total	143,745	98.0	154,586	97.6
Foreign currency debt: (c)				
North American government loans	2,173		1,719	
Foreign currency bonds	299		102	
Debt assigned to the government	437		349	
Floating-rate note due 1992	—		1,691	
Total	2,909	2.0	3,861	2.4
Total market holdings	146,654	100.0	158,447	100.0
Official holdings(a)				
	11,598		13,144	
Total	158,252		171,591	

of which,

nationalised industries' stocks guaranteed by the government 224 224

(a) Market and official holdings have been adjusted to include within market holdings gilt-edged stocks held temporarily by the Bank of England Issue Department under purchase and resale agreements with the monetary sector.

(b) Includes a negligible amount of tax reserve certificates.

(c) Sterling valuation rates:
End-March 1985: £1 = \$1.2300, Can. \$1.6847.
End-March 1986: £1 = \$1.4780, Can. \$2.0648.

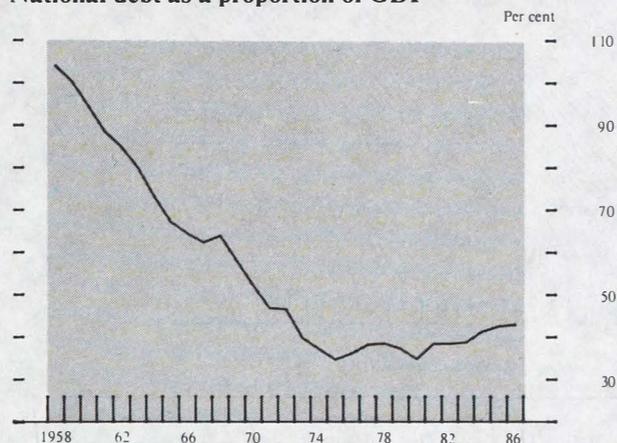
(1) All figures are at nominal value unless otherwise indicated. Provisional figures for the national debt, analysed by instrument, but excluding nationalised industries' stocks guaranteed by the government, were published in the June 1986 issue of *Financial Statistics* (pages 151-3). Further details of individual instruments, and changes in the amount of each outstanding, are shown in the *Consolidated Fund and National Loans Fund Accounts 1985-86 Supplementary Statements*, published by HM Stationery Office. For details of the composition of the sterling national debt, see the appendix to this article. The increase of £13 billion in the sterling debt includes £821 million representing the attributable capital uplift during the financial year on the index-linked issues of government stock; this is somewhat higher than the 1984/85 uplift of £489 million partly because several further tranches of index-linked stock were issued during 1985/86, and partly because the increase in the retail price index in the relevant period (July 1984 to July 1985) was higher than the year before.

(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, but not including gilt-edged stock held by the Bank of England under purchase and resale agreements, of which the nominal value outstanding at 31 March 1986 was £358 million. The levels, proportions and changes in national debt referred to in this article have been calculated on the basis that the underlying ownership of these securities rested with the monetary sector and therefore with the market.

(3) The variant of GDP has been changed since last year's article: see footnote to Chart 1 for current definition.

(4) Although this proportion includes the accrued liability from the index-linking of certain government stocks, it excludes accrued liabilities from index-linking on national savings certificates and SAYE contracts which, together with accrued interest on all national savings, are normally excluded from the definition of national debt: if included, the proportion of index-linked debt would be 9.8% of total national debt in market hands, compared with 9.5% at end-March 1985. As a proportion of market holdings of debt denominated in sterling, the comparable figures are 10.1% and 9.7% respectively.

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 (average measure) at current market prices in years centred on 31 March.

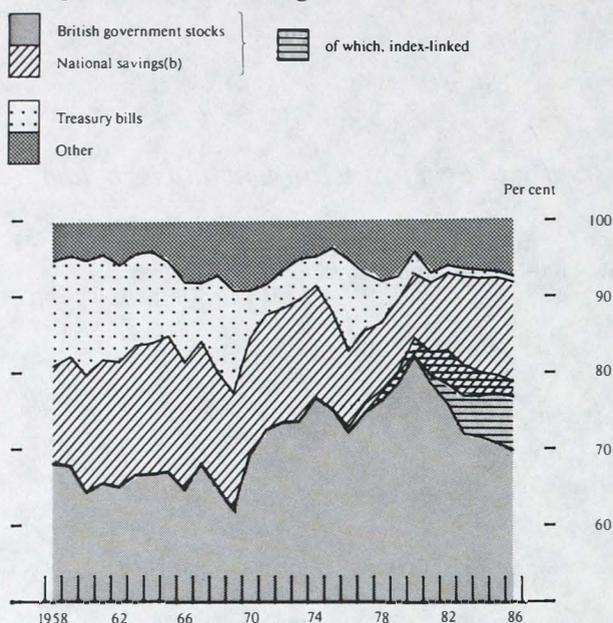
increase of £0.8 billion on a year earlier. A reconciliation of the CGBR and the national debt is carried out on page 562.

Market holdings of national debt, when expressed at nominal value as a proportion of annual gross domestic product,⁽³⁾ rose by 0.4 percentage points from last year, to 42.9% (Chart 1).

Analysis by instrument

During the year the proportion of total national debt in market hands held in the form of non-index-linked government stock fell from 70.7% to 69.8%, but the proportion held in the form of index-linked stock rose from 6.5% to 7.0%. In the case of the next largest group of instruments, national savings, the shift was in the other direction: whereas index-linked national savings fell from 2.4% to 2.0%, fixed-interest national savings rose slightly from 12.8% to 13.0%. The overall total of index-linked debt therefore rose slightly from 8.8% to 9.0% of market holdings of national debt.⁽⁴⁾ These movements continued

Chart 2
Composition of the sterling national debt (a)



(a) Market holdings at 31 March of each year.

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

the trend of the previous year. There was, however, a rise in the share of external (foreign currency) debt from 2.0% to 2.4%, as the issue of a floating-rate note outweighed repayments, and a fall in the valuation, of earlier debt.

Gilt-edged stocks

During 1985/86 the authorities issued new stock with a nominal value of £15.1 billion. There were eight issues of new non-index-linked stock totalling £6.0 billion (plus a further tranche of two of them totalling £0.25 billion)⁽¹⁾ and one new issue of convertible stock totalling £1.1 billion.⁽²⁾ Further tranches of 9½% Conversion Stock 2005'A' and 9% Conversion 2000'A' were issued direct to the Bank in February and March 1986 respectively (£0.8 billion and £1.0 billion). Thirty small additional tranches of existing stock totalling £6.2 billion were issued, fully paid, to the Bank of England; these included six tranches of index-linked stock totalling £0.85 billion. Six tranches totalling £0.75 billion were issued (also fully paid) to the National Debt Commissioners. Details of individual issues may be found in the series of articles on the operation of monetary policy.⁽³⁾

During 1985/86 the nominal amount of gilt-edged stock in market hands increased by £9.0 billion. The cash value of net official sales amounted to £5.2 billion:⁽⁴⁾ gross sales totalled £11.7 billion, but during the year some

£4.0 billion matured while in market hands and the authorities bought in another £2.5 billion from the market prior to redemption. As a proportion of total market holdings of national debt, gilt-edged stocks fell by 0.4 percentage points from last year to 76.8%.

The average life of dated stocks in market hands was 10.4 years at end-March 1986, the same as at end-March 1985.⁽⁵⁾ When index-linked stocks are excluded the average is 9.5 years, again the same as the 1985 average (Table B). The average amount of stock to be redeemed

Table B
Average life of dated stock in market hands

	Years to maturity at end March:				
	1982	1983	1984	1985	1986
Assumptions					
Latest possible redemption:					
All dated stocks:(a)					
No conversions	12.1	11.6	10.7	10.4	10.4
Maximum conversions	12.2	11.8	11.6	11.3	10.8
Excluding index-linked stocks:					
No conversions	11.8	11.0	10.1	9.5	9.5
Maximum conversions	11.9	11.2	11.0	10.5	9.9
Earliest possible redemption date for stocks standing above par on 31 March:					
All dated stocks:(a)					
No conversions	11.9	11.1	10.3	10.0	10.0
Maximum conversions	12.0	11.3	11.2	10.9	10.5
Excluding index-linked stocks:					
No conversions	11.6	10.6	9.6	9.1	9.1
Maximum conversions	11.7	10.8	10.5	10.0	9.6

(a) Index-linked stocks are given a weight reflecting capital uplift accrued to 31 March.

annually in each of the next five years is detailed in Table C. When outstanding options on convertible stocks are ignored the average amount to be redeemed rises from £7.9 billion at end-March 1985 to £8.0 billion at end-March 1986—a smaller rise than in recent years (Charts 3 and 4).⁽⁶⁾

The market value of gilt-edged stocks in market hands rose by £15.0 billion to £126.2 billion. This is £8.6 billion more than the rise in their nominal value, the difference reflecting the rise in gilt prices over the year. Yields fell during the year, on short-dated stocks by 2.4 percentage points, on medium-dated stocks by 1.9 percentage points,

Table C
Average amount of stock in market hands to be redeemed annually over the following five years

	£ billions, at end-March				
	1982	1983	1984	1985	1986
With no conversions	4.5	4.8	6.4	7.9	8.0
Maximum conversions	4.3	4.4	5.4	6.7	7.1

(1) These were 3% Treasury Stock 1989, 10% Treasury Stock 2004, 3% Treasury Stock 1990, 9½% Treasury Stock 2002, 10% Treasury Stock 2001, 2½% Exchequer Stock 1990, 10% Treasury Stock 2003 and 10% Treasury Loan 1993; the additional tranches were of 3% Treasury Stock 1989 and 3% Treasury Stock 1990.

(2) This was 10½% Exchequer Convertible Stock 1989.

(3) See in particular the tables entitled 'Issues of gilt-edged stock' in the June 1985 *Bulletin*, page 192; September 1985, page 368; December 1985, page 523; March 1986, page 35; and June 1986 page 195.

(4) The difference is explained in footnotes (b) and (d) of the reconciliation in the box on page 562.

(5) The aggregation of indexed and non-index-linked stock for the purposes of measuring average maturity presents a conceptual difficulty (see the December 1982 *Bulletin*, page 540). This calculation, which gives index-linked stocks a weight reflecting the capital uplift accrued so far, assumes that stocks will mature on their latest possible redemption date and that holders of convertible stocks will not exercise their option to convert into stocks of a later maturity. Table B also illustrates alternatives to these assumptions, viz that stocks which stood above par on 31 March 1986 will be redeemed at the earliest possible date and that all convertible stocks will be converted into stocks of a later maturity.

(6) If the calculation is made on the assumption that all options to convert will be exercised, the rise is from £6.7 billion to £7.1 billion.

Chart 3
Residual maturity of market holdings of stocks

At 31 March of each year

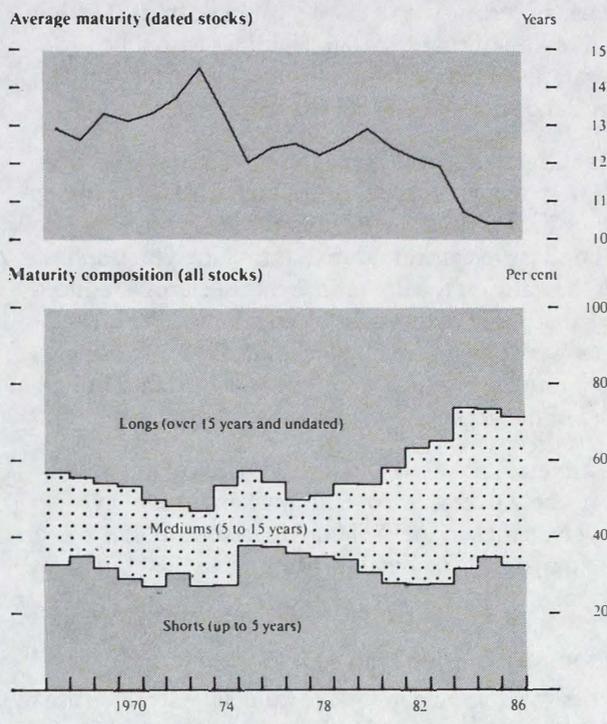
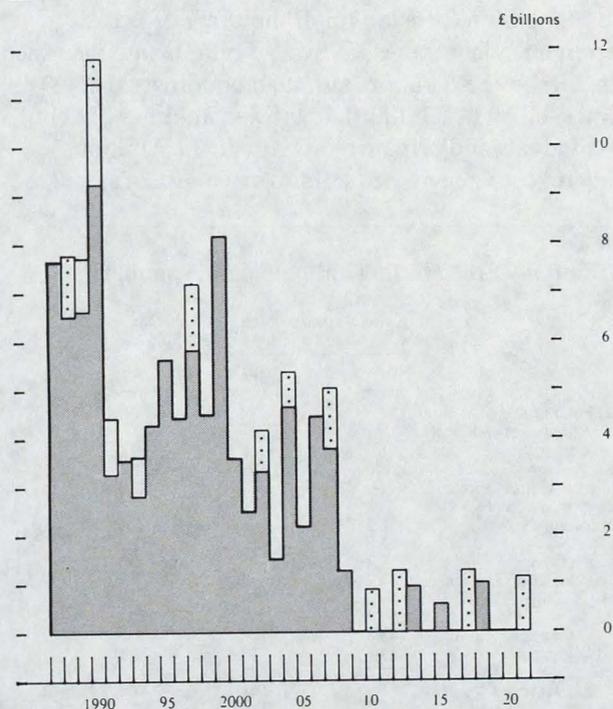


Chart 4
Maturities of dated stocks in market hands

Years ending 31 March

Convertible stocks
Index-linked stocks
Other stocks



(1) After falling in the summer of 1985, yields began to climb again in the autumn so that by the end of January 1986 they were higher than they had been at the end of the previous March, but thereafter they fell sharply. The pattern of yields meant that there was very little occasion for the exercise of conversion rights (into longer-term issues) attached to certain stocks.

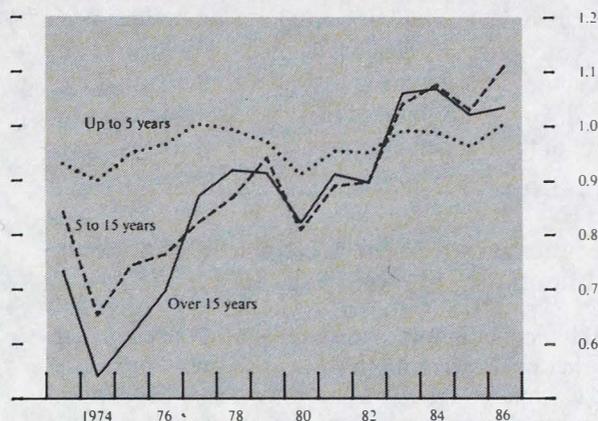
(2) Accrued interest, index-linked increments and bonuses outstanding on national savings certificates and Save as You Earn contracts, and non-capitalised interest on the National Savings Bank investment account, deposit bonds and the Yearly Plan totalled £5.5 billion compared with £4.6 billion a year earlier.

(3) As part of a general lowering of interest rates the 30th issue (which offered 8.85% over five years) was replaced in September 1985 by the 31st issue offering 7.85%. This remained on sale when competing rates rose once more later in the year.

and on long-dated stocks by 1.7 percentage points.⁽¹⁾ At end-March 1986 the total market value of fully-paid stocks in market hands exceeded their total nominal value. For long-dated stocks the ratio of market to nominal value rose from 1.02 to 1.04, for medium-dated stocks from 1.03 to 1.11, for short-dated stocks from 0.96 to 1.00, and for undated stocks from 0.34 to 0.38 (Chart 5).

Chart 5
Market value/nominal value ratios of fully-paid dated British government stocks in market hands

At 31 March each year



National savings

National savings raised £2.1 billion financing for the PSBR in 1985/86—but this figure includes some £0.9 billion for the net increase in accrued interest and index-linking which is not included in the national debt;⁽²⁾ excluding this (and making certain timing adjustments) national savings rose by £1.3 billion. This was rather less than in recent years, and as a proportion of outstanding debt the share of national savings fell slightly.

For the first time income bonds raised most of this total (£0.9 billion), while fixed-interest certificates rose only negligibly (apart from the accrued interest element).⁽³⁾ There were net withdrawals of £0.3 billion from index-linked certificates; this was rather less than in the previous two years, partly because of the introduction of the third issue (see below). There were also net withdrawals of £0.1 billion from index-linked SAYE as contracts reached their maturity dates; the non-indexed Yearly Plan scheme (which replaced index-linked SAYE in July 1984) contributed £0.1 billion; National Savings Bank investment account deposits rose by £0.5 billion and premium savings bonds and deposit bonds each contributed £0.1 billion.

The third issue of index-linked national savings certificates was introduced on 1 July 1985. In addition to index-linking the capital, as earlier index-linked NSCs

had done (with added bonuses and sometimes later supplements) these offered a guaranteed return of 3.54% tax free if held for a full five years.

In addition it was announced that the 3% supplements due in November 1986 on earlier index-linked certificates and in December 1986 on index-linked SAYE would become payable in August and September giving an effective annual rate of 4% tax free for the nine months. On 10 July 1985 the maximum monthly payment to the Yearly Plan was raised from £100 to £200.

In November the Indexed-Income Bond was introduced, which offered a monthly income for a guaranteed period of ten years protected against changes in interest rates and the effects of inflation over that period; the capital was not indexed. Only £5 million of these bonds had been sold by the end of the financial year.

Reconciliation of the CGBR and change in debt outstanding for 1985/86

A full reconciliation of the CGBR and the change in market holdings of national debt was contained in the December 1982 *Bulletin*, page 541. In 1985/86, as in most recent years, the market's holdings of national debt rose by rather more than the CGBR. The components of the reconciliation for 1985/86 may be summarised as follows:

	£ billions
Central government borrowing requirement	+10.9
<i>Add</i> the net acquisition of certain financial assets which are not netted off from the national debt ^(a)	- 1.2
<i>Add</i> the net increase in the value of certain liabilities, which are excluded from the definition of the CGBR ^(b)	+ 0.1
<i>Subtract</i> the increase in certain liabilities excluded from the definition of market holdings of national debt ^(c)	- 1.2
Other items ^(d)	+ 3.2
Equals Increase in market holdings of national debt	+11.8

(a) Although the acquisition of such assets causes the national debt to increase, it does not add to the CGBR. These assets consist of a net claim by the central government on the Banking Department of the Bank of England, and also include the Issue Department's holdings of commercial and local authority bills, of British government securities and export and shipbuilding credit acquired under purchase and resale agreements, the National Debt Commissioners' holdings of other public sector debt and the Exchange Equalisation Account's holdings of gold and foreign exchange reserves.

(b) Includes the capital uplift on index-linked stocks and the fall in sterling value of liabilities in foreign currency.

(c) Principally accrued interest and index-linking on national savings instruments, and notes and coin in circulation.

(d) Includes the increase in outstanding calls on partly-paid stocks and the net discount on new issues of stock (in both cases the national debt includes the full nominal value of these stocks, but the CGBR is financed only by the payments actually received).

Other sterling debt

The market's holdings of Treasury bills at 31 March 1986 were £1.4 billion, £0.1 billion higher than a year earlier. Holdings of certificates of tax deposit rose by £0.4 billion to £3.6 billion during 1985/86. Holdings by public corporations of temporary deposits with the National Loans Fund rose by £0.1 billion.

External (foreign currency) debt

There were repayments of £0.3 billion on existing foreign currency debt (including the major tranche of the New York bond issue which matured during the year), and the fall in the value of the dollar in terms of sterling reduced the sterling value of this debt by £0.5 billion. These changes were outweighed by the issue of \$2.5 billion floating-rate notes which were equivalent to £1.7 billion at the end of the year.

It is estimated that at 31 March 1986 £2.2 billion of this debt was held overseas, £0.4 billion was eurodollar lending by banks in the United Kingdom and £1.2 billion was held by other financial institutions in the United Kingdom.

Analysis by holder (Table D)

Holdings of national debt by the monetary sector⁽¹⁾ rose by £1.0 billion; within this, holdings of British government stocks by the discount market rose by £0.3 billion. Holdings of certificates of tax deposit by the banks increased by £0.2 billion, as these became of greater utility once the banks became liable to pay each quarter composite-rate tax on interest on their deposits. Other financial institutions increased their holdings of debt by some £7.9 billion (pension funds' holdings of British government stocks increased by £3.5 billion and insurance companies' by £5.6 billion, although building societies' holdings fell by £1.3 billion). Identified holdings of debt by individuals and private trusts rose by £1.4 billion, mainly reflecting increased holdings of national savings;

Table D
Distribution of the sterling national debt: summary^(a)

	Amounts outstanding at 31 March		Change in 1985/86
	1985	1986	
Market holdings^(b)			
Public corporations and local authorities	1.0	1.1	+ 0.1
Monetary sector	8.0	9.0	+ 1.0
Other financial institutions:			
Insurance companies and pension funds	57.5	66.6	+ 9.1
Other	13.8	12.6	- 1.2
Overseas residents	13.2	16.0	+ 2.8
Individuals and private trusts	34.7	36.1	+ 1.4
Other (including residual)	15.6	13.2	- 2.4
Total market holdings	143.8	154.6	+10.8
Official holdings^(b)	11.6	13.1	+ 1.5
Total sterling debt	155.4	167.7	+12.3

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

(b) Market and official holdings have been adjusted to include within market holdings gilt-edged stocks held temporarily by the Bank of England Issue Department under purchase and resale agreements with the monetary sector.

(1) See footnote 2 on page 559.

their holdings of gilt-edged stocks are estimated to have risen by £0.2 billion.⁽¹⁾

Externally-held debt denominated in sterling rose by £2.8 billion: there was a £0.3 billion increase in the value of non-interest-bearing notes issued to the IMF, and overseas residents' holdings of gilt-edged stocks and Treasury bills rose by a total of £2.5 billion.

(1) These are broad estimates derived from the stock registers and other information. They do not include stock held through nominee companies as the beneficial ownership of these cannot be derived from the registers. There were some 1,792,800 identified accounts on the Bank of England stock register for individuals and private trusts at end-March 1986, a fall of nearly 79,000 on twelve months earlier.

Appendix

Estimated distribution of the sterling national debt: 31 March 1986

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

	Total debt	Percentage of market holdings	Treasury bills	Stocks		Up to 5 years to maturity	Over 5 years and up to 15 years	Over 15 years and undated	Non-marketable debt
				Total	Market value				
Market holdings									
Other public sector:									
Public corporations	1,018		50	94		47	47	—	874
Local authorities	96		4	88		22	22	44	4
Total	1,114	1	54	182	191	69	69	44	878
Monetary sector:(c)									
Discount market	703		108	595		526	63	6	—
Other	8,286		336	7,598		6,046	1,336	216	352
Total	8,989	6	444	8,193	8,380	6,572	1,399	222	352
Other financial institutions:									
Insurance companies	37,440		20	37,420	40,000	4,237	18,679	14,504	—
Building societies	11,638		1	11,080	11,243	9,743	1,052	285	557
Local authority pension funds	4,686		—	4,686	4,970	260	1,698	2,728	—
Other public sector pension funds	8,489		—	8,489	9,005	830	3,254	4,405	—
Private sector pension funds	15,939		—	15,906	17,080	316	8,355	7,235	33
Investment trusts	437		—	437	464	111	210	116	—
Unit trusts	549		—	549	594	46	356	147	—
Other	47		—	47	49	9	22	16	—
Total	79,225	51	21	78,614	83,405	15,552	33,626	29,436	590
Overseas holders:									
International organisations	4,345		23	803		748	55	—	3,519
Central monetary institutions	4,351		407	3,944		2,731	1,095	118	—
Other	7,344		177	7,166		2,344	4,528	294	1
Total	16,040	10	607	11,913	12,575	5,823	5,678	412	3,520
Other holders:(e)									
Public Trustee and various non-corporate bodies	694		112	582	623	135	342	105	—
Individuals and private trusts:(d)	36,065		—	14,628	15,393	6,319	5,995	2,314	21,437
Industrial and commercial companies	3,964		127(e)	1,520					2,317
Other (residual)	8,495		—	6,129	5,652	4,910	501	2,238	2,366
Total	49,218	32	239	22,859	21,668	11,364	6,838	4,657	26,120
Total market holdings(c)	154,586	100	1,365	121,761	126,219	39,381	47,609	34,771	31,460
Official holdings(c)	13,144		844	8,312	8,584	4,285	3,092	935	3,988
Total sterling debt	167,730		2,209	130,073	134,802	43,666	50,701	35,706(f)	35,448

of which:
nationalised industries' stocks guaranteed by the government

224 224 164 — 224 —

— 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, certain others rely on broad nominal/market value ratios.

(c) Official holders include the Bank of England Issue Department and, exceptionally, the Banking Department. Issue Department's holdings of stocks acquired under purchase and resale agreements, however, have been reclassified in this article to the monetary sector. Monetary sector holdings are at book value.

(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 £3,234 million.

The data used to estimate the distribution of holdings of the sterling-denominated debt are gathered from various sources, 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 £7.7 billion (4.6%) of debt outstanding cannot be allocated in 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.

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 1986 (excluding nationalised industries' stocks) were given in the June 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 Funds Accounts 1985-86 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 1987 issue, to include figures up to 31 March 1986.

Stocks

Classified by final redemption date, eg 5 $\frac{3}{4}$ % Funding Stock 1987-91, whose latest redemption is 5 April 1991, is classified in the over 5 years and up to 15 years 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 1986.

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, premium savings bonds, the contractual savings scheme (Save as You Earn) of the Department for National Savings, income bonds, deposit bonds, the Yearly Plan, gift tokens and deposits with the National Savings Bank investment account (in all cases excluding any accrued or non-capitalised interest, bonus or index-linking); the definition also includes outstanding holdings of British savings bonds and national savings stamps (these instruments are no longer issued). 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 (see below under 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 and of Girobank p.l.c. 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, (including Girobank p.l.c. and 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 monetary control arrangements introduced in August 1981, but, in this article exceptionally, excludes the Bank of England Banking Department, which 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 on figures reported by the institutions and published in *Financial Statistics*. Most stock holdings are estimates from market value holdings at end-1985 and using cash transactions in the quarter to end-March 1986. '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 relate solely to holdings identified in returns provided by the UK banking system, but the coverage is thought to be reasonably complete. Any underrecording will be reflected in an overestimate for holdings by the residual category, industrial and commercial companies (see below). 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; in the case of stocks, the residual category is 'other (residual)' and any underrecording of overseas holdings will appear there (see below).

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 1985-86 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 are 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 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 £2.4 billion) is no more than a broad estimate covering other holders not identified elsewhere (for example, charities, friendly societies, 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 250 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.