

# Distribution of the national debt: end-March 1987

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

## The change in debt outstanding (Table A)

During the year ended 31 March 1987, the total nominal value of the national debt<sup>(1)</sup> rose by nearly £14.2 billion, £0.9 billion more than in the previous twelve months (the rate of increase was much the same, at 8.3%). Debt held by official funds<sup>(2)</sup> showed an underlying rise of £4.3 billion over the year; market holdings rose by £9.8 billion (6.2%), compared with £11.8 billion (8.0%) in the previous year. The central government borrowing requirement (CGBR) was £10.5 billion in 1986/87, a reduction of £0.4 billion on a year earlier. A reconciliation

**Table A**  
Market and official holdings of national debt

£ millions, nominal value

Percentage of market holdings in *italics*

	End-March 1986		End-March 1987	
<b>Market holdings(a)</b>				
<b>Sterling marketable debt:</b>				
Government and government-guaranteed stocks: index-linked	11,091	7.0	14,376	8.6
other	110,670	69.9	112,553	66.9
Treasury bills	1,365	0.8	2,035	1.2
<b>Sterling non-marketable debt:</b>				
National savings: index-linked	3,189	2.0	2,663	1.6
other	20,531	13.0	23,915	14.2
Interest-free notes due to the IMF	3,519	2.2	3,572	2.1
Certificates of tax deposit(b)	3,612	2.3	2,930	1.7
Other	593	0.4	309	0.2
<b>Total</b>	<b>154,570</b>	<b>97.6</b>	<b>162,353</b>	<b>96.5</b>
<b>Foreign currency debt: (c)</b>				
North American government loans	1,719		1,522	
Foreign currency bonds	102		73	
Debt assigned to the government	349		268	
Floating-rate notes	1,691		4,051	
<b>Total</b>	<b>3,861</b>	<b>2.4</b>	<b>5,914</b>	<b>3.5</b>
<b>Total market holdings</b>	<b>158,431</b>	<b>100.0</b>	<b>168,267</b>	<b>100.0</b>
<b>Official holdings(a)</b>	<b>13,160</b>		<b>17,494</b>	
<b>Total</b>	<b>171,591</b>		<b>185,761</b>	

of which,  
nationalised industries' stocks  
guaranteed by the government

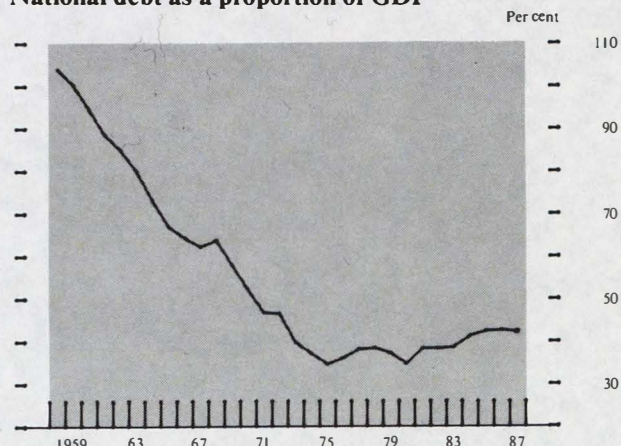
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(a) Market and official holdings have been adjusted to include within market holdings gilt-edged stocks held temporarily by the Bank of England Issue Department under purchase and resale agreements with the monetary sector.

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

(c) Sterling valuation rates:  
End-March 1986: £1 = \$1.4780, Can. \$2.0648.  
End-March 1987: £1 = \$1.6042, Can. \$2.0988.

**Chart 1**  
National debt as a proportion of GDP<sup>(a)</sup>



(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.

of the CGBR and the change in national debt is carried out on page 553.

Market holdings of national debt, when expressed at nominal value as a proportion of annual gross domestic product, fell by 0.4 percentage points from last year, to 42.3% (Chart 1). The last time there was a fall relative to the previous year was between 31 March 1979 and 31 March 1980 (although the net debt to the market of the whole public sector, as a proportion of GDP, fell between March 1985 and March 1986).<sup>(3)</sup>

## Analysis by instrument

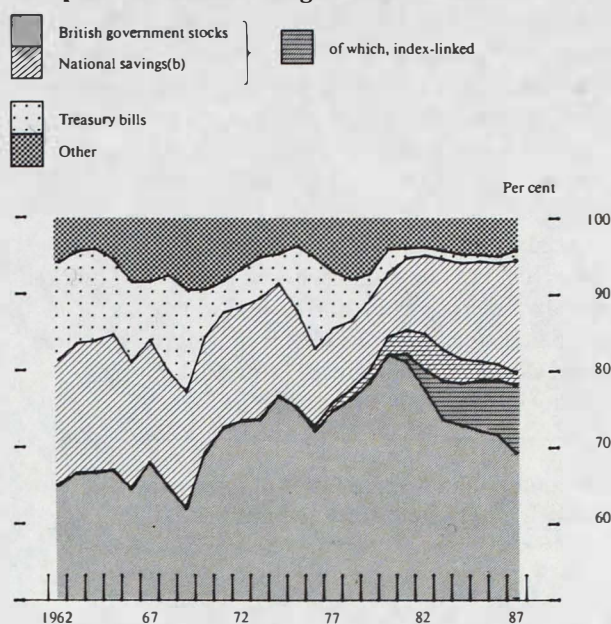
During the year the proportion of total national debt in market hands held in the form of non-index-linked government stock fell from 69.9% to 66.9%, and the proportion held in the form of index-linked stock rose from 7.0% to 8.6%. In the case of the next largest group of instruments, national savings, the shift was in the other direction: whereas index-linked national savings fell from 2.0% to 1.6%, fixed-interest national savings rose from 13.0% to 14.2%. The overall total of index-linked debt therefore rose from 9.0% to 10.1% of market holdings of

(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 1987 issue of *Financial Statistics* (pages 150-3). Further (possibly revised) details of individual instruments, and changes in the amount of each outstanding, will be shown in the *Consolidated Fund and National Loans Fund Accounts 1986-87 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 £14.2 billion in the sterling debt includes £544 million representing the attributable capital uplift during the financial year on the index-linked issues of government stock: this is only two thirds of the rise in the previous year, in spite of the issue of further index-linked 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, 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 1987 was £108 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 last securities rested with the monetary sector and therefore with the market.

(3) See the May 1987 *Bulletin* page 265.

**Chart 2**  
Composition of the sterling national debt<sup>(a)</sup>



(a) Market holdings at 31 March of each year.  
(b) NSB investment accounts are included within national savings from 1981.

national debt.<sup>(1)</sup> These movements continued the trend of the previous two years. There was, however, a rise in the share of external (foreign currency) debt from 2.4% to 3.5%, as the issue of a second floating-rate note outweighed repayments, and a fall in the valuation, of earlier debt.

### Gilt-edged stocks

During 1986/87 the authorities issued stock with a nominal value of £15.05 billion, of which £2.5 billion was index-linked. There were nine issues of new stocks totalling £7.6 billion, of which two were index-linked (£1.0 billion) and one was convertible (£1.0 billion). Two further large tranches of existing stocks totalling £1.5 billion (including one issue of index-linked stock of £0.4 billion) and fifty-seven small tranches of existing stock totalling £6.0 billion (including eleven tranches of index-linked stock totalling £1.1 billion) were issued, fully paid, to the Bank. Included in the above figures is £1.65 billion of stock issued to or reserved for the National Debt Commissioners. Details of individual issues may be found in the series of articles on the operation of monetary policy.<sup>(2)</sup> In addition the NLF assumed liability for £214 million 3% Exchequer Gas Stock 1990/95 (formerly 3% British Gas Guaranteed Stock 1990/95) prior to the privatisation of British Gas.<sup>(3)</sup>

During 1986/87 the nominal amount of gilt-edged stock in market hands increased by £5.1 billion. The cash value of net official sales amounted to £5.9 billion:<sup>(4)</sup> gross sales totalled £14.7 billion, but during the year some £5.8 billion matured while in market hands and the authorities bought in another £3.0 billion from the market prior to redemption. As a proportion of total market holdings of national debt, gilt-edged stocks fell by 1.5 percentage points from last year to 75.4%.

**Table B**  
Average life of dated stock in market hands

	Years to maturity at end March:				
	1983	1984	1985	1986	1987
<b>Assumptions</b>					
Latest possible redemption:					
All dated stocks:(a)					
No conversions	11.6	10.7	10.4	10.4	10.9
Maximum conversions(b)	11.8	11.6	11.3	10.8	12.0
Excluding index-linked stocks:					
No conversions	11.0	10.1	9.5	9.5	9.7
Maximum conversions(b)	11.2	11.0	10.5	9.9	11.0
Earliest possible redemption date for stocks standing above par on 31 March:					
All dated stocks:(a)					
No conversions	11.1	10.3	10.0	10.0	10.5
Maximum conversions(b)	11.3	11.2	11.9	10.5	11.6
Excluding index-linked stocks:					
No conversions	10.6	9.6	9.1	9.1	9.3
Maximum conversions(b)	10.8	10.5	10.0	9.6	10.6

(a) Index-linked stocks are given a weight reflecting capital uplift accrued to 31 March.  
(b) In 1987, for the first time, in respect of two stocks with conversion rights, stockholders had a choice of stocks into which they could convert. This calculation has therefore been made with certain assumptions: in the case of stock where no conversions had yet occurred it is assumed that 50% of the original stock would be converted into one of the 'new' stocks and 50% into the other; in the case of stock where some conversions had already occurred, the conversion pattern to date has been used, on a pro rata basis, to calculate likely future conversions.

The average life of dated stocks in market hands was 10.9 years at end-March 1987, compared with 10.4 at end-March 1986.<sup>(5)</sup> When index-linked stocks are excluded the average is 9.7 years, just above the 1986 average of 9.5 (Table B and Chart 3).<sup>(6)</sup> The amount of stock to be redeemed in each of the next five years is detailed in

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

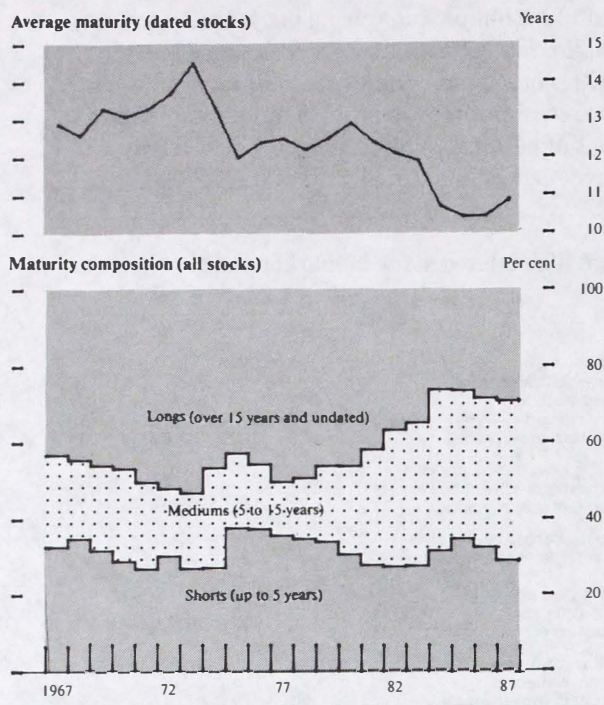
£ billions, at end-March	1982	1983	1984	1985	1986	1987
With no conversions	4.5	4.8	6.4	7.9	7.9	7.3
Maximum conversions	4.3	4.4	5.4	6.7	7.0	6.9

Table C. When outstanding options on convertible stocks are ignored the average amount to be redeemed falls from £7.9 billion at end-March 1986 to £7.3 billion at end-March 1987 (Chart 4).

(1) 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 SAVE 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 10.6% of total national debt in market hands, compared with 9.6% at end-March 1986. As a proportion of market holdings of debt denominated in sterling, the comparable figures are 11.0% and 9.8% respectively.  
(2) See in particular the tables entitled 'Issues of gilt-edged stock' in the June 1986 *Bulletin*, page 195; September 1986, page 341; December 1986, page 483; February 1987, page 34; and May 1987, page 199.  
(3) In the statistics in this series of articles, however, government-guaranteed stocks of the nationalised industries have always been included with British government stocks, although they were not part of the national debt.  
(4) The difference is explained in footnotes (b) and (d) of the reconciliation in the box on page 553.  
(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 1987 will be redeemed at the earliest possible date and that all convertible stocks will be converted into stocks of a later maturity.  
(6) Over £1 billion of short-term convertible stock was converted into medium or long-term stock during 1986/87—much more than in any year since 1982/83.

**Chart 3**  
Residual maturity of market holdings of stocks

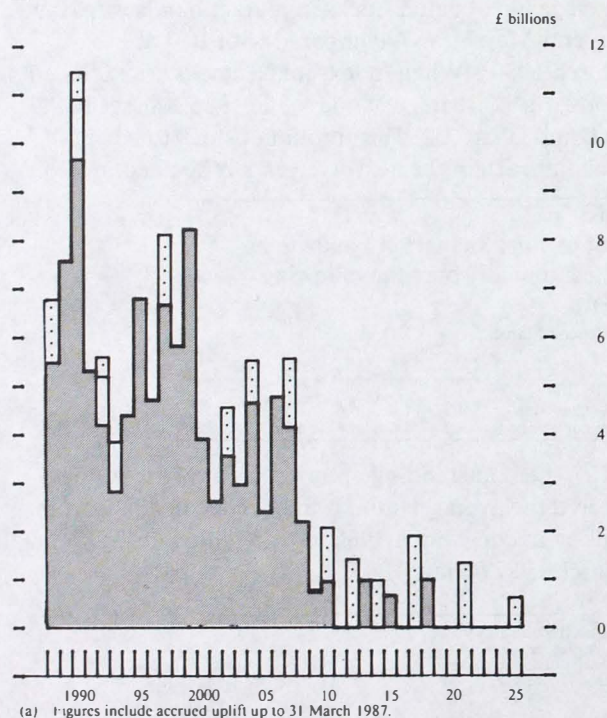
At 31 March of each year



**Chart 4**  
Maturities of dated stocks in market hands

Years ending 31 March

Convertible stocks with outstanding conversion options  
 Index-linked stocks(a)  
 Other stocks

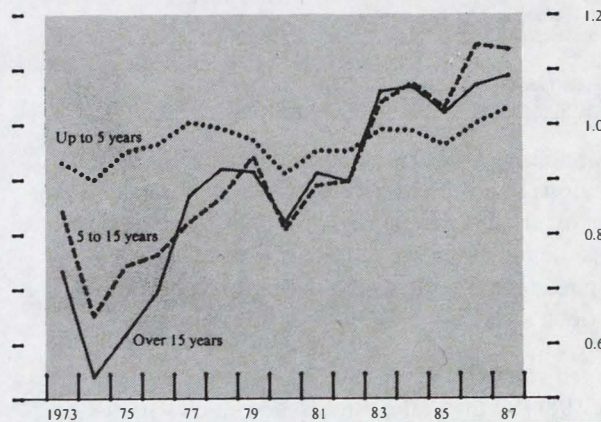


(a) Figures include accrued uplift up to 31 March 1987.

The market value of gilt-edged stocks in market hands rose by £8.8 billion to £135.0 billion. This is £3.6 billion more than the rise in their nominal value, the difference reflecting the rise in average gilt prices over the year. Yields on short-dated conventional stocks fell during the year by 0.35 percentage points, while on medium and long-dated conventional stocks they rose by 0.13 and 0.26 percentage points respectively.<sup>(1)</sup> At end-March 1987 the total market value of fully-paid stocks (including index-linked) in market hands exceeded their total nominal value. For short-dated stocks the ratio of market to nominal value rose from 1.00 to 1.03, for medium-dated stocks the ratio fell from 1.15 to 1.14, for long-dated stocks it rose from 1.07 to 1.09, and for undated stocks from 0.38 to 0.41 (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 £3.4 billion financing for the PSBR in 1986/87—but this figure includes some £0.6 billion for the net increase in accrued interest and index-linking which is not included in the national debt;<sup>(2)</sup> excluding this, national savings rose by £2.9 billion. This was much as in the years before 1985/86 (when only £1.3 billion was raised) and as a proportion of outstanding debt the share of national savings rose by 0.8%. Once again income bonds raised most of this total (£1.8 billion), while fixed-interest certificates rose by only £0.3 billion (apart from the accrued interest element).<sup>(3)</sup> There were net withdrawals of £0.4 billion from index-linked certificates.<sup>(4)</sup> There were also net withdrawals of £0.1 billion from index-linked SAYE largely as contracts reached their initial maturity dates; the non-indexed Yearly Plan scheme contributed £0.1 billion, National Savings Bank investment account deposits rose by £0.8 billion, deposit bonds contributed £0.2 billion and premium savings bonds £0.1 billion.

(1) After falling in the spring of 1986 to the lowest for several years, yields began to climb again in the summer and autumn to peak in November 1986. Thereafter they fell steadily throughout the rest of the financial year.

(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 £6.1 billion compared with £5.5 billion a year earlier.

(3) The 31st issue, which offered 7.85% over five years, was replaced in November 1986 by the 32nd issue offering 8.75%. Sales of 32nd Issue were suspended on 10 March following reductions in base rates.

(4) The fourth issue of index-linked national savings certificates was introduced in August 1986. These offered a guaranteed return of 4.04% tax free (as against 3.54% for the third issue) if held for a full five years.

### Reconciliation of the CGBR and change in debt outstanding for 1986/87

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 1986/87, unlike most recent years, the market's holdings of national debt rose by rather less than the CGBR. The components of the reconciliation for 1986/87 may be summarised as follows:

	£ billions
<b>Central government borrowing requirement</b>	<b>+10.5</b>
<i>Add</i> the net acquisition of certain financial assets which are not netted off from the national debt <sup>(a)</sup>	+ 0.6
<i>Add</i> the net increase in the value of certain liabilities which are excluded from the definition of the CGBR <sup>(b)</sup>	+ 0.3
<i>Subtract</i> the increase in certain liabilities excluded from the definition of market holdings of national debt <sup>(c)</sup>	- 0.4
Other items <sup>(d)</sup>	- 1.2
<b>Equals Increase in market holdings of national debt</b>	<b>+ 9.8</b>

- (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 (which was reversed during the year), 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 less the fall in sterling value of liabilities in foreign currency, and the establishment during the year of a net liability to the Banking Department of the Bank of England.
- (c) Principally accrued interest and index-linking on national savings instruments, and notes and coin in circulation.
- (d) Includes the net discount on new issues of stock less the reduction in outstanding calls on partly-paid stocks (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 during the year).

Between the end of May and mid-July the maximum holding limits of the income bond, indexed-income bond, deposit bond and investment account were each doubled to £100,000. The limit on the 31st issue savings certificates was also doubled, to £10,000, on 1 September.

#### Other sterling debt

The market's holdings of Treasury bills at 31 March 1987 were £2.0 billion, £0.7 billion higher than a year earlier. Holdings of certificates of tax deposit, however, fell by £0.7 billion to £2.9 billion during 1986/87, as companies took advantage of higher interest rates available in other instruments. The £300 million long-term deposit by British Gas with the National Loans Fund was repaid prior to privatisation.

#### External (foreign currency) debt

There were repayments of £0.2 billion on existing foreign currency debt, and the fall in the value of the dollar in terms of sterling reduced the sterling value of this debt by £0.3 billion. These changes were outweighed by the issue of \$4.0 billion floating-rate notes which were valued at £2.8 billion at the time of their issue and £2.5 billion at the end of the year.

It is estimated that at 31 March 1987 £2.9 billion of this debt was held overseas: £0.5 billion was eurodollar lending by banks in the United Kingdom and £2.5 billion was held by other UK residents.

#### Analysis by holder (Table D)

Holdings of national debt by the monetary sector<sup>(1)</sup> rose by £0.8 billion (within which holdings of British government stocks by the discount market fell by £0.5 billion). Holdings of certificates of tax deposit by the banks increased by £0.1 billion. Other financial institutions reduced their holdings of debt by some £0.9 billion:

**Table D**  
Distribution of the sterling national debt: summary<sup>(a)</sup>

	Amounts outstanding at 31 March		Change in 1986/87
	1986	1987	
<b>Market holdings<sup>(b)</sup></b>			
Public corporations and local authorities	1.1	0.5	- 0.5 <sup>(c)</sup>
Monetary sector	9.0	9.8	+ 0.8
Other financial institutions:			
Insurance companies and pension funds	65.3	66.8	+ 1.5
Other	12.4	10.0	- 2.4
Overseas residents	16.0	18.8	+ 2.8
Individuals and private trusts	36.1	38.6	+ 2.5
Other (including residual)	14.7	17.9	+ 3.2 <sup>(c)</sup>
<b>Total market holdings</b>	<b>154.6</b>	<b>162.4</b>	<b>+ 7.8</b>
<b>Official holdings<sup>(b)</sup></b>	<b>13.1</b>	<b>17.5</b>	<b>+ 4.4</b>
<b>Total sterling debt</b>	<b>167.7</b>	<b>179.9</b>	<b>+12.2</b>

- (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.
- (c) These contrary movements are partly due to privatisations.

building societies' holdings of British government stocks fell by £2.3 billion; public sector pension funds' holdings increased by £0.1 billion and private sector funds' holdings by £0.3 billion.<sup>(2)</sup> Holdings of debt by individuals and private trusts rose by £2.5 billion, mainly reflecting increased holdings of national savings; their holdings of gilt-edged stocks are estimated to have fallen by £0.1 billion.<sup>(3)</sup>

Externally-held debt denominated in sterling rose by £2.8 billion: overseas residents' holdings of gilt-edged stocks and Treasury bills rose by a total of £2.7 billion.

(1) See footnote (2) on page 550.

(2) Part of these changes reflects a switch in classification of certain funds because of the privatisation of the companies to which they relate.

(3) 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 1,676,500 identified accounts on the Bank of England stock register for individuals and private trusts at end-March 1987, a fall of 116,300 on twelve months earlier.

## Appendix

## Estimated distribution of the sterling national debt: 31 March 1987

£ 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				
<b>Market holdings</b>									
Other public sector:									
Public corporations	475		3	99		50	50		373
Local authorities	9		—	4		1	1	2	5
<b>Total</b>	<b>484</b>	<b>1</b>	<b>3</b>	<b>103</b>	<b>111</b>	<b>51</b>	<b>51</b>	<b>2</b>	<b>378</b>
Monetary sector:(c)									
Discount market	413		313	100		35	36	28	—
Other	9,355		408	8,649		2,253	3,556	2,840	298
<b>Total</b>	<b>9,767</b>	<b>6</b>	<b>721</b>	<b>8,748</b>	<b>9,397</b>	<b>2,288</b>	<b>3,592</b>	<b>2,868</b>	<b>298</b>
Other financial institutions:									
Insurance companies	37,727		26	37,701	40,795	3,927	18,144	15,630	—
Building societies	8,867		42	8,507	8,833	7,824	683	—	318
Local authority pension funds	3,596			3,596	3,874	113	1,449	2,034	—
Other public sector pension funds	6,432			6,432	6,959	615	3,076	2,740	—
Private sector pension funds	19,000		—	18,957	20,476	979	8,435	9,543	43
Investment trusts	573			573	624	117	340	116	—
Unit trusts	514			514	566	30	373	111	—
Other	55			55	58	10	7	38	—
<b>Total</b>	<b>76,764</b>	<b>47</b>	<b>68</b>	<b>76,335</b>	<b>82,185</b>	<b>13,616</b>	<b>32,507</b>	<b>30,212</b>	<b>361</b>
Overseas holders:									
International organisations	4,272		50	650	608	354	210	86	3,572
Central monetary institutions	5,393		643	4,750	5,059	2,287	1,608	855	—
Other	9,172		194	8,977	9,764	3,057	5,414	506	1
<b>Total</b>	<b>18,837</b>	<b>11</b>	<b>887</b>	<b>14,377</b>	<b>15,431</b>	<b>5,698</b>	<b>7,232</b>	<b>1,447</b>	<b>3,573</b>
Other holders:									
Public Trustee and various non-corporate bodies	713		134	579	629	127	330	122	—
Individuals and private trusts(d)	38,574			14,529	15,514	6,600	5,351	2,578	24,045
Industrial and commercial companies	3,445		221(e)	1,140	11,731	8,318	3,867	73	2,084
Other (residual)	13,768			11,118					2,651
<b>Total</b>	<b>56,501</b>	<b>35</b>	<b>355</b>	<b>27,366</b>	<b>27,874</b>	<b>15,046</b>	<b>9,548</b>	<b>2,773</b>	<b>28,779</b>
<b>Total market holdings(c)</b>	<b>162,352</b>	<b>100</b>	<b>2,034</b>	<b>126,929</b>	<b>134,998</b>	<b>36,699</b>	<b>52,929</b>	<b>37,301</b>	<b>33,389</b>
<b>Official holdings(c)</b>	<b>17,495</b>		<b>534</b>	<b>9,590</b>	<b>9,031</b>	<b>3,979</b>	<b>3,360</b>	<b>2,251</b>	<b>7,371</b>
<b>Total sterling debt</b>	<b>179,847</b>		<b>2,568</b>	<b>136,519</b>	<b>144,029</b>	<b>40,678</b>	<b>56,289</b>	<b>39,552(f)</b>	<b>40,760</b>
<i>of which:</i>									
nationalised industries' stocks guaranteed by the government	10			10			10		

Figures may not add to totals because of roundings.

— 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.

(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 £3,228 million.

Some figures relating to Other financial institutions shown for March 1986 in the Appendix on page 564 of the December 1986 *Bulletin* have been recalculated, with some substantial revisions:

Other financial institutions:									
Insurance companies	36,730		20	36,710	39,227	4,136	18,137	14,437	—
Building societies	11,381		1	10,823	10,975	9,770	1,042	11	557
Local authority pension funds	3,668			3,668	3,904	102	1,480	2,086	—
Other public sector pension funds	6,223			6,223	6,653	453	3,010	2,760	—
Private sector pension funds	18,673		—	18,640	19,916	936	8,692	9,012	33
Investment trusts	437			437	464	116	210	110	—
Unit trusts	490			490	529	76	319	96	—
Other	47			47	50	9	21	17	—
<b>Total</b>	<b>77,649</b>	<b>50</b>	<b>21</b>	<b>77,038</b>	<b>81,718</b>	<b>15,598</b>	<b>32,911</b>	<b>28,529</b>	<b>590</b>

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 £13.7 billion (7.6%) 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*. Former figures appear in the *Annual Abstract of Statistics* and full details are given in the *Consolidated Fund and National Loans Funds Accounts 1986-87 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 1988 issue, to include figures up to 31 March 1987.

### Stocks

Classified by final redemption date, eg 3½% Funding Stock 1999-2004, whose latest redemption is 14 July 2004, is classified in the over 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 1987.

### 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 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-1986 and using cash transactions in the quarter to end-March 1987. '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 1986-87 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 £2.7 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.