

Distribution of the national debt: end-March 1983

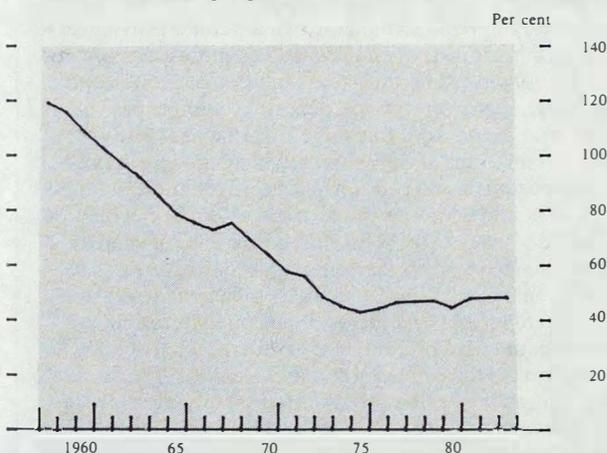
This article, which continues an annual series, analyses the national debt by instrument and by holders.

The change in the debt outstanding (Table A)

During the year ended 31 March 1983, the total nominal value of the national debt⁽¹⁾ rose by just over £9.5 billion (8.0%). Over the year, debt held by official funds⁽²⁾ fell by £0.4 billion, so that market holdings increased by £9.9 billion (9.6%). In the previous year, market holdings had risen by £9.1 billion (also 9.6%). Market holdings of national debt, when expressed as a proportion of gross domestic product, remained unchanged from last year, at 48.4% (Chart 1).

At end-March, 1983 index-linked debt accounted for 9.2% of sterling debt in market hands, a rise of 2 percentage points since end-March 1982 (this proportion excludes accrued liabilities from index-linking on national savings certificates and SAYE contracts, which, together with accrued interest, are normally excluded from the definition of national debt; if they were included, the proportion of index-linked debt would rise to 9.8%). The proportion of index-linked debt has built up rapidly over the last four years; it comprised less than 2% of the total at 31 March 1979.

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.

Table A
Market and official holdings of national debt

£ millions, nominal
Percentage of market holdings in italics

	End-March 1982		End-March 1983	
Market holdings				
Sterling marketable debt:				
Government and government-guaranteed stocks: index-linked	2,567	2.5	5,679	5.0
other	78,967	75.9	81,996	71.9
Treasury bills	1,104	1.0	1,300	1.1
Sterling non-marketable debt:				
National savings: index-linked	4,757	4.5	4,541	4.0
other	10,538	10.1	13,219	11.6
Interest-free notes due to the IMF(a)	1,847	1.8	1,714	1.5
Certificates of tax deposit(b)	1,666	1.6	2,700	2.3
Other	302	0.3	301	0.3
Total	101,748	97.7	111,450	97.7
Foreign currency debt:(c)				
North American government loans	1,753		2,015	
New York bond issue	196		236	
Other foreign currency bonds	411		350	
Total	2,360	2.3	2,601	2.3
Total market holdings	104,108	100.0	114,051	100.0
Official holdings	14,506		14,100	
Total	118,614		128,151	
<i>of which,</i>				
nationalised industries' stocks guaranteed by the Government	224		224	

(a) In 1982 this included the sterling counterpart of IMF drawings.

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

(c) Sterling valuation rates:

End-March 1982
£1 = \$1.7833 Can. \$2.1942 DM 4.3015 Yen 441.60 Sw.Fcs. 3.4440.

End-March 1983
£1 = \$1.4816 Can. \$1.8266 DM 3.5944 Yen 353.98 Sw.Fcs. 3.0877.

Analysis by holder (Table B)

Holdings of national debt by the monetary sector fell by some £0.5 billion in 1982/83, of which £0.3 billion reflected a fall in holdings of British government stocks.⁽³⁾ Other financial institutions increased their holdings of debt by some £6.4 billion, with insurance companies and pension funds accounting for nearly three-quarters of the rise. Holdings by individuals and private trusts rose by £2.5 billion, much of it representing the increase in holdings of national savings; although holdings of index-linked gilt-edged stocks by this category are estimated to have risen by £0.4 billion, their holdings of other government stocks fell by nearly £0.1 billion.⁽⁴⁾

(1) All figures are at nominal values 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 May 1983 issue of *Financial Statistics* (page 139). Further details of individual instruments, and changes in the amount of each outstanding, are shown in the *Consolidated Fund and National Loans Fund Accounts 1982-83 Supplementary Statements*, published by HM Stationery Office. For details of the composition of the sterling national debt, see the appendix at the end of this article. The increase of £9.5 billion includes some £385 million representing the capital uplift during the financial year 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) The monetary sector's holdings of gilt-edged stocks was reduced by some £0.2 billion in respect of stock held by the Bank of England at 31 March 1983 under purchase and resale agreements (and therefore included in official holdings).

(4) 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 1,924,100 accounts on the Bank of England stock register identified as for individuals and private trusts at end-March 1983, a fall of over 65,000 on twelve months before.

Public sector debt in private sector portfolios

Over the last twenty years non-bank financial institutions have emerged as the dominant group of holders of national debt. In the early 1960s they held less than 20% of the sterling national debt but by 1982 this had risen to over 50%. These institutions have expanded their total balance sheet very sharply as well over this period so it is interesting to consider whether the growing share of the national debt that they hold is just a product of their expanding size, or whether they have been increasing the proportion of their assets held in the form of national debt instruments. Indeed, this question could be put in more general terms: to what extent have the different domestic sectors⁽¹⁾ changed the proportion of their financial assets held in the form of claims on the public sector?

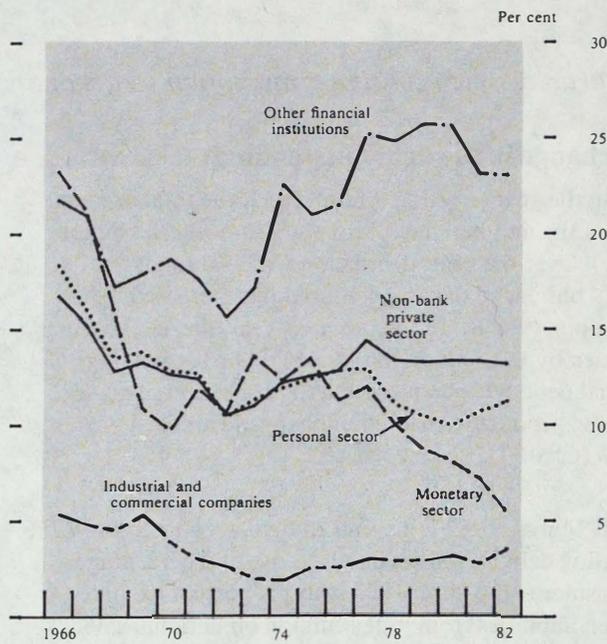
It is helpful to consider this question in terms of the broader concept of public sector debt, rather than national debt, because of the close financial links between the various components of the public sector. Changes in the way the public sector borrowing requirement (PSBR) is financed can distort a narrower definition such as national debt.⁽²⁾ For example, if the central government borrows in order to on-lend to local authorities and public corporations, rather than these bodies borrowing directly in the market, the national debt will rise relative to public sector debt as a whole. Since mid-1982 these other public sector bodies have been given special encouragement⁽³⁾ to obtain more of their finance from central government as this alleviates cash shortages in the money market and reduces the overall cost of borrowing to the public sector as a whole.

Changes in debt holdings are related to sector imbalances and also to valuation changes. Thus in the late 1960s, when the PSBR was low and gilt prices stable, the proportion of public sector debt in gross financial assets of the private sector fell (see chart). In the mid-1970s this proportion rose again as public sector deficits rose, particularly in the wake of the large oil price rises; and it was also affected by the boom and subsequent collapse of equity prices. More recently, this proportion has stabilised. Relative to GDP, public sector debt, after falling sharply up to 1975, has been more stable.

Changing portfolio preferences and government policy have also affected the pattern of holdings of public sector debt by the various parts of the private sector. From the early 1970s the balance sheets of non-bank financial institutions, particularly the pension funds but also building societies, have grown rapidly. But since 1980 public sector debt has fallen as a proportion of the portfolios of insurance companies and pension funds partly because the PSBR has fallen, partly because the institutions have used the opportunity afforded by the abolition of exchange controls to build up their overseas investments, and partly because more of the PSBR has been financed directly from the personal sector through national savings. Also, equity prices have generally improved relative to gilt-edged prices since 1980 and this will have tended to reduce the proportion (at market values) of gilts in institutional portfolios.

The share of public sector debt in the monetary sector's balance sheet has declined since the mid-1970s. This reflects government policy which has sought to sell sufficient public sector debt to the non-bank private sector to restrain the broad monetary aggregates at a time of rapid growth in bank lending to the private sector. In part, the strength of bank

Investment in public sector as a proportion of gross financial assets



lending reflected a deterioration in companies' financial positions and their unwillingness to go to the long-term capital market for funds at a time when nominal interest rates were high and profitability low. Deregulation and greater competition in the banking system may also have increased the supply of bank lending. More recently, the personal sector's demand for bank credit has also risen as inflation and savings ratios have fallen.

Direct holdings of public sector debt have declined as a proportion of personal sector financial assets. In fact the personal sector has reduced its share of marketable instruments generally, acquiring instead on the one hand more claims on life assurance and pension funds (see article on page 502), and on the other hand various types of deposit. A number of influences have encouraged this shift. Taxation has clearly favoured certain forms of committed saving—notably in this context life assurance and pension provision. Inflation and the sharp rise in nominal interest rates in the 1970s reduced the market value of marketable debt, and the low level of company profitability tended to keep share prices low in real terms. The greater economic uncertainty which accompanied these financial developments, and the rise in unemployment, may also have encouraged a precautionary rise in the share of savings held in the form of more readily accessible deposits. And increasing competition between banks, building societies and national savings has broadened the range and attractiveness of short-term capital-certain instruments available. Thus direct holdings of marketable debt, which accounted for 36% of personal sector financial assets in 1966, were only half as important fifteen years later; claims on life assurance and pension funds on the other hand had risen from 20% to 32%, and deposits and national savings instruments (including those in indexed form) had risen from 33% to 40% over the same period.

(1) Although this note does not consider overseas holdings, they have in fact fallen fairly continuously from over a fifth of total public sector debt in the late 1960s to about one ninth now—the rate of decline being fastest since 1978. As a share of UK gross external liabilities, public sector debt has fallen more dramatically from about a third in the late 1960s to about 5% in 1982.

(2) The national debt excludes the direct market borrowing of local authorities and public corporations and various central government liabilities of accounts other than the National Loans Fund, the largest of which being notes and coin.

(3) This has been achieved by expanding the lending facilities of the Public Works Loan Board (for local authorities) and the National Loans Fund (for public corporations).

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

	Amounts outstanding at 31 March		Change in 1982/83
	1982	1983	
Market holdings			
Public corporations and local authorities	0.7	0.9	+ 0.2
Monetary sector	7.1	6.6	- 0.5
Other financial institutions:			
Insurance companies and pension funds	41.2	45.8	+ 4.6
Other	8.0	9.8	+ 1.8
Overseas residents	9.9	9.9	—
Individuals and private trusts	26.1	28.6	+ 2.5
Other (including residual)	8.8	9.8	+ 1.0
Total market holdings	101.8	111.4	+ 9.6
Official holdings	14.5	14.1	- 0.4
Total sterling debt	116.3	125.5	+ 9.2

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

Externally-held debt was broadly unchanged. The £0.1 billion fall in non-interest-bearing promissory notes held by the IMF reflected the final repayments of UK drawings on the special oil facility (see article on page 546). Drawings of sterling by other countries were outweighed by a payment by the United Kingdom to maintain the value in SDR terms of its holdings of sterling.

Despite further repayments of foreign currency loans, exchange rate movements against sterling prevented a further reduction in the proportion of national debt denominated in foreign currency⁽¹⁾ which had fallen continuously and rapidly since 1978. Overseas holdings of sterling debt, including gilt-edged stocks, fell slightly.

Analysis by instrument

The main change in the disposition, by instrument, of the national debt in the course of the year was the fall (from 75.9% to 71.9%) in the proportion of market holdings of national debt in the form of 'conventional' government stock. Market holdings of non-indexed national savings instruments rose, however, by 1.5 percentage points to 11.6%.

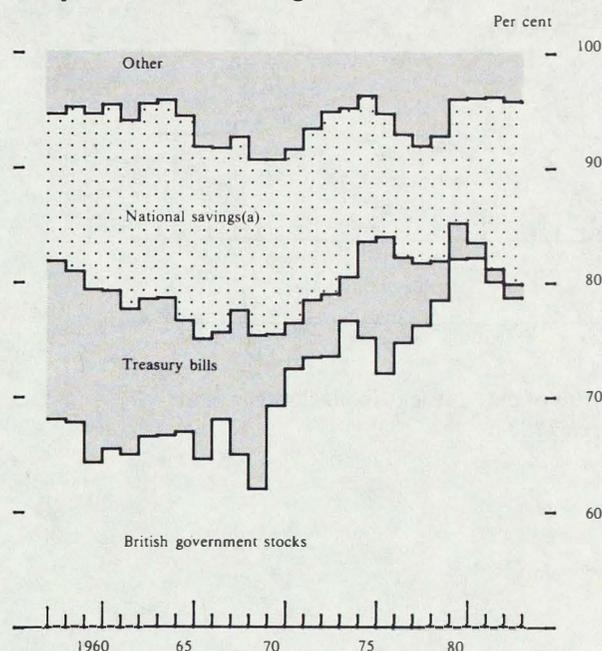
Gilt-edged stocks

During 1982/83 the authorities issued £12.9 billion of new stock. Thirteen additional tranches of existing stock were issued, fully paid up, to the Bank of England;⁽²⁾ there were four new issues of index-linked stocks⁽³⁾ and four new issues

of non-index-linked stock (plus a further tranche of one of them);⁽⁴⁾ also, three convertible stocks were issued.⁽⁵⁾ Details of individual issues and tranches may be found in earlier issues of the *Bulletin*: September 1982, page 349; December 1982, page 485; and March 1983, page 25.

During 1982/83 the nominal amount of gilt-edged stocks in market hands increased by £6.1 billion. Gross sales were nearly twice as large, but £6.1 billion of stocks matured during the year; of this, some £3.3 billion was bought in from the market by the authorities prior to redemption. As a proportion of total market holdings of national debt, gilt-edged stocks fell to 76.9% at 31 March 1983, from 78.4% a year earlier.

Chart 2
Composition of the sterling national debt



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

The average life of dated stocks in market hands fell slightly, from 12.1 years at end-March 1982 to just under 11.9 years at end-March 1983 (when index-linked stocks are excluded, the fall is from 11.8 to 11.4 years),⁽⁶⁾ and the average amount of such stock to be redeemed annually over the next five years rose, from £4.5 billion to £4.9 billion (Charts 3 and 4). But there is a conceptual difficulty in aggregating indexed and non-indexed stocks for the purpose of measuring average maturity (see the December 1982 *Bulletin*, page 540).

(1) Foreign currency borrowing by the central government only. Other public bodies had outstanding foreign currency denominated debt of £5.8 billion at end-March 1983, £5.0 billion of which was under official exchange cover schemes, but this debt is not included in the analyses in this article.

(2) Three tranches of £200 million each were issued on 28 May, six tranches of £100 million each on 12 July and two tranches of £300 million each on 21 July; single tranches were issued on 3 August (£500 million) and on 10 December (£250 million).

(3) These were 2½% Index-Linked Treasury Stock 2001, 2½% Index-Linked Treasury Stock 2003, 2½% Index-Linked Treasury Stock 2009 and 2½% Index-Linked Treasury Stock 2016.

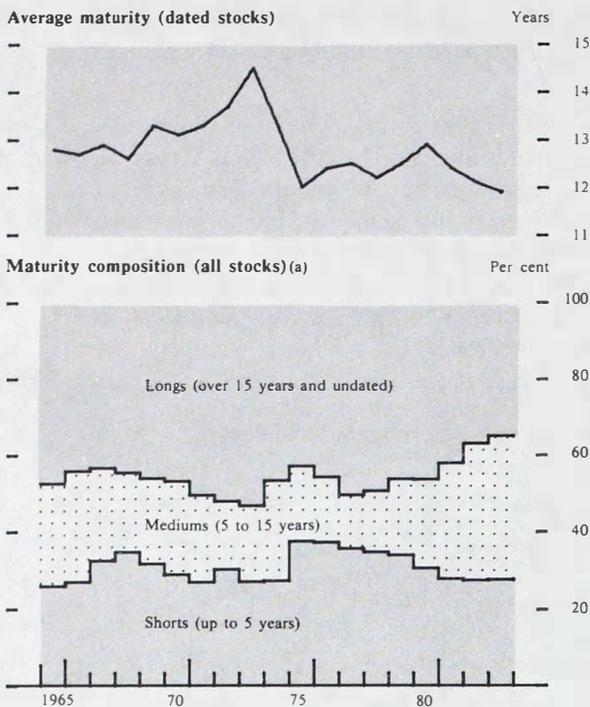
(4) 2½% Exchequer Stock 1987, 10½% Exchequer Stock 1987, 9½% Treasury Stock 1988 and 10½% Exchequer Stock 1988. An additional tranche of 10½% Exchequer Stock 1987 was offered to the public in February 1983.

(5) 8½% Treasury Convertible Stock 1985 (convertible into 9% Conversion Stock 2000), 10½% Exchequer Convertible Stock 1986 (convertible into 10½% Treasury Stock 1999) and 12½% Treasury Convertible Stock 1986 (convertible into 13% Treasury Stock 2000). During 1982/83 the market converted £783.4 million of 12% Exchequer Convertible Stock 1985 into £755.2 million of 13½% Exchequer Stock 1992 and £481.9 million of 12½% Treasury Convertible Stock 1986 into £467.5 million of 13% Treasury Stock 2000.

(6) This calculation assumes that stocks will mature on their latest possible redemption date and gives index-linked stocks a weight reflecting capital uplift accrued so far. However, if it is assumed that stocks with optional maturity dates which stood above par on 31 March will be redeemed at the earliest possible maturity date, the average life for dated stocks falls to 11.4 years (11.9 years at end-March 1982). When index-linked stocks are excluded, the average life falls to 10.9 years (11.6 years at end-March 1982).

Chart 3
Residual maturity of market holdings of stocks

At 31 March of each year

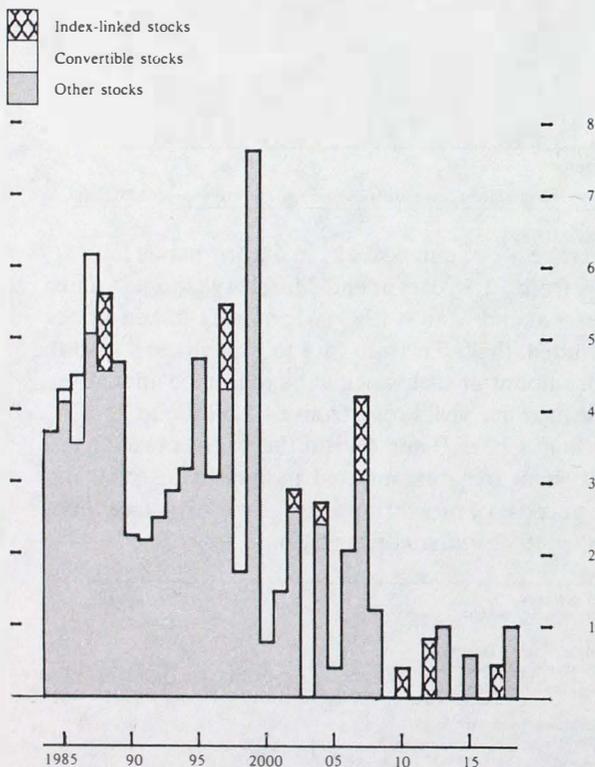


(a) Figures for 1965 and 1966 include official holdings.

Chart 4
Maturities of dated stocks in market hands at 31 March 1983

Years ending 31 March

£ billions



The market value of fully paid gilt-edged stocks in market hands rose by £16.0 billion in the year to 31 March 1983. This partly represented new holdings, but nearly £10 billion was due to a rise in gilt prices, reflecting an overall fall in yields during the year; on long-dated stocks yields fell by some 2.7 percentage points and on short-dated stocks by some 2.9 percentage points. For the first time for many years (certainly since 1973 when the market value information was first recorded in this series of articles), 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 0.90 to 1.06, for medium-dated stocks from 0.90 to 1.04 and only for short-dated stocks (and undated, for which it was 0.34) did it remain below 1, rising from 0.95 to 0.99 (Chart 5).

Other debt

National savings raised nearly £3 billion during 1982/83, reaching the government's target for funding in this form. As a proportion of debt outstanding, ⁽¹⁾ national savings instruments accounted for 15.9% of sterling debt in market hands, the highest percentage since 1973. In contrast to the experience of the last few years, however, none of the net increase was attributable to index-linked instruments, although there were some net purchases of index-linked certificates in the first half of the year, partly reflecting the doubling of the limit on holdings to £10,000. The general improvement in inflationary expectations may have made these instruments appear less attractive. In October 1982 the government raised the return to index-linked certificates by introducing a supplement for the year to 1 November 1983; this supplement was also extended to the index-linked SAYE scheme.

A major innovation was introduced on 2 August 1982. This was the income bond, the first national savings instrument to offer a monthly income. The minimum subscription was £5,000, ⁽²⁾ with the rate of interest initially set at 13½%, falling to 11½% in December and 11% in March 1983. This new instrument proved popular, raising nearly £900 million in its first eight months.

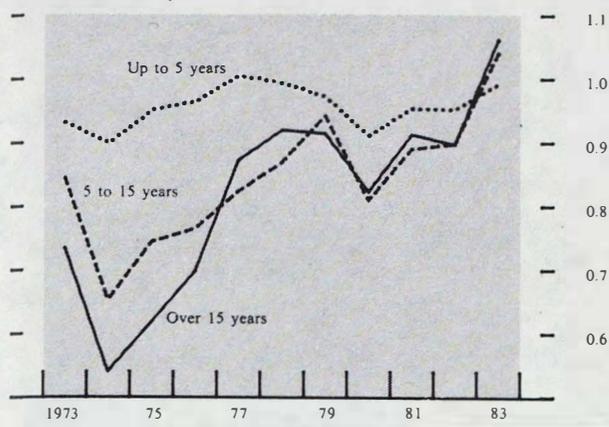
Other non-indexed national savings instruments were also popular although, as with the income bond, the terms offered were steadily reduced throughout the year. The amount deposited with the investment account of the National Savings Bank rose by a record £950 million although the interest offered, which was 14% in March 1982, was reduced five times during the year in line with competing market rates to stand at 10½% in March 1983. Non-indexed national savings certificates brought in £850 million (there was also a rise of over £400 million in accrued interest outstanding). On 19 April 1982 the 24th issue was introduced, carrying a tax-free yield of 8.92% if held for five years. This replaced the 23rd issue (withdrawn in the March 1982 Budget), which had offered 10.51%.

(1) Excluding accrued interest and index-linked increases (the net increase in these items is, however, included in the £3 billion target). 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 £3.0 billion at 31 March 1983 compared with some £2.5 billion a year earlier. If these items are included in the national debt, national savings accounted for 18.1% of the sterling debt in market hands, compared with 17.1% in the previous year.

(2) This was reduced to £2,000 on 3 May 1983.

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

At 31 March of each year



Sales started fairly slowly but accelerated as competing rates fell, and after gross purchases of over £500 million in October 1982 it was withdrawn without notice on 4 November, to be replaced by the 25th issue, offering 7.51%, on 17 November.⁽¹⁾

Certificates of tax deposit (CTD) holdings rose by £1 billion to £2.7 billion during 1982/83. A new prospectus (series 6) was introduced in October 1982, under which the interest rate paid depends on both the size of a deposit and the length of time for which the certificate is held.

Treasury bills in market hands at 31 March 1983 were £1.3 billion, little changed from a year earlier. The amount of bills allotted during the year at each weekly tender was £100 million.

Reconciliation of CGBR and change in debt outstanding for 1982/83

A full reconciliation of the CGBR and the change in market holdings of national debt for 1981/82 was given in the last national debt article (December 1982 *Bulletin*, page 541). There are no significant new items in the reconciliation this year. The components of the reconciliation may be summarised as follows:

	£ billions
Central government borrowing requirement	+ 12.6
<i>Add back</i> the acquisition of certain financial assets ^(a)	- 2.7
<i>Add</i> the increase in valuation of certain liabilities, which is excluded from the definition of the CGBR ^(b)	+ 0.8
<i>Subtract</i> the increase in certain liabilities not included in the definition of national debt ^(c)	- 1.4
Other items (net) ^(d)	+ 0.6
<i>Equals</i> Increase in market holdings of national debt	+ 9.9

(a) Gold and foreign exchange reserves, Issue Department's holdings of commercial bills, local authority debt, export credit refinance and the National Debt Commissioners' holdings of other public sector debt (these assets, which are not netted off from the national debt, fell in aggregate during the year).

(b) Debt expressed in foreign currency and capital uplift on index-linked stocks.

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

(d) Principally the discount on issues, and the increase in outstanding instalments, on new issues of stocks in market hands.

(1) In June a new system offering common extension terms (effectively a form of tax-free variable interest) was announced to simplify arrangements for extending certificates reaching their maturity or the end of their existing extension terms.

Appendix

Estimated distribution of the sterling national debt: 31 March 1983

£ 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	791		8	59	59	29	30	724
Local authorities	74		—	71	69	18	18	35
Total	865	0.8	8	130	128	47	48	35
Monetary sector:(c)								
Discount market	341		60	280		240	20	1
Other	6,268		318	5,875		4,462	1,343	70
Total	6,609	5.9	378	6,155	6,291	4,702	1,363	90
Other financial institutions:								
Insurance companies	27,401		..	27,401	27,494	2,699	11,228	13,474
Building societies	9,206		11	9,023	8,883	6,618	2,383	22
Local authority pension funds	2,946		..	2,946	2,950	23	891	2,032
Other public sector pension funds	5,256		..	5,256	5,233	99	1,240	3,917
Private sector pension funds	10,181		..	10,180	10,161	347	2,902	6,931
Investment trusts	205		..	205	205	56	93	56
Unit trusts	344		..	344	347	33	148	163
Other	40		..	40	42	—	34	6
Total	55,579	49.9	11	55,395	55,315	9,875	18,919	26,601
Overseas holders:								
International organisations	2,191		464	471	463	366	105	1,714
Central monetary institutions	2,927		..	2,469	2,452	1,443	917	109
Other	4,773		72	4,700	4,798	466	3,368	866
Total	9,891	8.9	536	7,640	7,713	2,275	4,390	975
Other holders:								
Public Trustee and various non-corporate bodies	520		99	420	413	60	237	123
Individuals and private trusts(d)	28,642		..	12,593	12,681	3,263	6,460	2,870
Industrial and commercial companies	3,353		268(e)	1,110	1,124	3,893	1,378	71
Other (residual)	5,991		—	4,232	4,232	—	—	1,975
Total	38,506	34.5	367	18,355	18,218	7,216	8,075	3,064
Total market holdings	111,450	100.0	1,300	87,675	87,665	24,115	32,795	30,765
Official holdings	14,100		684	8,739	8,653	3,520	3,695	1,524
Total sterling debt	125,550		1,984	96,414	96,318	27,635	36,490	32,289(f)
<i>of which,</i> nationalised industries' stocks guaranteed by the Government	224			224	140	—	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 1982 and cash transactions in the first quarter of 1983; 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 £3,259 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 £6 billion (5%) 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 1983 (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 1982-83 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 1984 issue to include figures up to 31 March 1983.

Stocks

Classified by final redemption date, eg 6 $\frac{3}{4}$ % Treasury Loan 1995/98, whose latest redemption date is 1 May 1998, is classified to 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 1983.

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), income bonds, premium savings bonds, 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); 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 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 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-1982, using cash transactions in the quarter to end-March 1983. 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-1982 and using cash transactions in the quarter to end-March 1983. '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 1982-83 Supplementary Statements*.

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 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 £1,780 million) 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 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.