

Turnover in British government stocks

This note introduces a new analysis of turnover in gilt-edged stocks by main type of holder. The groups shown in the table are:

- a official holders (the Issue and Banking Departments of the Bank of England, the National Debt Commissioners, and Government departments);
- b banks, including accepting houses and overseas banks in the United Kingdom;
- c the discount market;
- d other financial institutions; and
- e other holders (residual).

Monthly figures of total stock exchange turnover have been published since late 1964;¹ official turnover and estimates for financial institutions other than banks have been recorded for some years,² but figures for banks and discount houses only since the second quarter of 1966. This is the starting point for the present table; it ends with the third quarter of 1967, the latest period for which figures for the "other financial institutions" are available. Short-dated stocks (those with five years or less to maturity) and other stocks are shown separately. The nominal amounts of stock held by the various sections of the market are also given.

There are certain features of the statistics to which attention should be drawn. The figures relate to the London stock exchange only.³ They are of the cash value of purchases plus sales, so that the value of securities changing ownership is about half the total turnover. Transactions are recorded under dealing (contract) date, not value date. The figures reported by some sections of the market include certain transactions which do not pass through stockbrokers and which are not therefore included in stock exchange turnover; such transactions, mainly cash subscriptions to new issues, and redemption payments on maturing stocks, have been eliminated, so far as possible, from the present series.

The table covers a period of widely varying conditions in the gilt-edged market and includes quarters of very low and of very high turnover. Short-dated stocks, which represent considerably less than half the total nominal value of stocks, accounted in all periods for more than half of turnover. The proportion of turnover attributable to longer-dated stocks was relatively large in quarters when turnover in the aggregate was high; but throughout the period changes from quarter to quarter were always in the same direction for the two categories of stock.

The table shows the percentage of total holdings and of total turnover which is attributable to each group of holders. In shorts, official turnover has fluctuated widely from quarter to quarter but on average was in line with the official share of holdings. The discount houses, which are concentrated at the short end of the market, were outstandingly active, with around 40% of turnover but only 9% of holdings; the banks, with about 6% of turnover, but 18% of holdings, were relatively inactive, and so, though less markedly,

¹ Recent figures appear in Table 16 of the annex.

² Figures for the other financial institutions in the fourth quarter of 1964 were given on page 150 of the June 1965 *Bulletin*, in the article "The financial institutions". A supplementary table to *Financial Statistics*, January 1967, included quarterly figures of gross purchases and sales of gilt-edged by other financial institutions, from the first quarter 1963 to the third quarter 1966.

³ Figures for the Scottish stock exchange are not used because there is an unknown element of duplication between the London and the Scottish series. No figures are available for the other stock exchanges.

were the other financial institutions and the other (residual) group.

In over-5 year stocks, the share of turnover of each main group of holders has been generally in line with share of holdings. This is, perhaps, surprising in the case of the other (residual) group, which includes persons and unincorporated businesses – and which might have been expected to be less active than the essentially financial sections of the market. Among the other financial institutions, pension funds stand out with a share of turnover larger than their share of holdings. For insurance companies, on the other hand, share of turnover was on average a little less than that of holdings. This difference is probably due in part to capital gains tax, which is payable by insurance companies but generally not by pension funds, and which reduces for the former the attractiveness of switching their holdings of gilt-edged.

The series of statistics introduced here will be continued in the statistical annex of future *Bulletins*.

Gilt-edged turnover on the London stock exchange

Purchases plus sales

£ millions: percentages of total in italics

	Average of holdings at 31.3.1966 and 31.3.1967 ^a		Turnover in quarter ended					
			1966					
			June		September		December	
0-5 year stocks								
Official holders	1,326	23	270	15	487	24	1,169	31
Banks^c	1,029	18	75	4	125	6	165	4
Discount market^d	532	9	808	45	930	46	1,350	36
Other financial institutions								
Insurance companies	54	1	32	2	35	2	49	1
Pension funds	80	1	26	1	16	1	37	1
Building societies	273	5	34	2	46	2	46	1
Post Office Savings Bank, investment accounts; and trustee savings banks, special investment departments	116	2	21	1	17	1	27	1
Investment and unit trusts	24	—	7	—	8	—	31	1
Total other financial institutions	547	9	120	7	122	6	190	5
Other holders (residual)	2,373	41	530	29	371	18	870	23
Total	5,807	100	1,803	100	2,035	100	3,744	100
Over-5 year stocks								
Official holders	4,463	30	292	32	540	37	816	32
Banks^c	899	6	30	3	75	5	125	5
Other financial institutions								
Insurance companies	2,241	15	139	15	205	14	372	14
Pension funds	1,195	8	122	13	195	13	315	12
Building societies	189	1	3	—	3	—	23	1
Post Office Savings Bank, investment accounts; and trustee savings banks, special investment departments	162	1	7	1	5	—	18	1
Investment and unit trusts	49	—	3	—	3	—	28	1
Total other financial institutions	3,835	26	274	30	411	28	756	29
Other holders (residual)	5,648	38	315	35	435	30	893	34
Total	14,845	100	911	100	1,461	100	2,590	100

^a Mostly nominal values. As in the articles "Distribution of the national debt" in the *Bulletin* for March 1967 and in this issue.

^b Transactions in securities of the re-nationalised steel companies in the two weeks immediately before vesting day (28 July), which in certain tables in the annex are shown under British government stocks, are not included here.

^c Figures of turnover are estimates and therefore rounded to the nearest £5 million.

^d For the discount market the turnover figures relate to stocks of all maturities; dealings in over-5 year stocks are very small.

Turnover in quarter ended

		1967			
March		June		September ^b	
1,307	28	769	19	689	20
320	7	315	8	155	4
1,706	36	1,569	39	1,322	38
67	1	116	3	173	5
46	1	83	2	108	3
86	2	159	4	71	2
29	1	28	1	19	1
25	1	23	1	31	1
253	5	409	10	402	11
1,096	23	936	23	928	27
4,682	100	3,998	100	3,496	100

1,163	29	1,103	31	497	31
260	6	220	6	125	8
386	10	339	9	265	16
409	10	326	9	146	9
59	1	46	1	10	1
28	1	31	1	16	1
56	1	41	1	17	1
938	23	783	22	454	28
1,691	42	1,481	41	549	34
4,052	100	3,587	100	1,625	100