

CAPITAL ISSUES ON THE UNITED KINGDOM MARKET

The Bank of England have published estimates of capital issues since 1928.^(a) This series, which has remained virtually unchanged in scope over the years, is not well suited to the general scheme of new financial statistics now being assembled. It is therefore being replaced by a new series to be found in Table 15 of the Statistical Annex. To ease the transition, the new figures have been calculated back to 1954; the old series will end with 1961.^(b)

The new series, which seeks to measure the amount of new finance raised by issues on the U.K. market, is designed to be used with other information—some available, some still to be collected—in a set of financial accounts showing changes in the liabilities and assets of the various sectors of the U.K. economy. Generally speaking, it records the cash raised by issues, less redemptions, of long-term capital on the U.K. market by various categories of borrower.^(c) Most new issues and redemptions are well publicised in the press and official Stock Exchange publications at the time when they are made and the details can be assembled with little delay into a statistical table. The series does not deal with the other side of such transactions—the sources of new finance provided—because precise information of this kind is not usually published nor otherwise capable of being collected promptly.

The borrowers with which the series is concerned are U.K. local authorities, including public bodies such as water, dock and harbour boards;^(d) public companies registered in the United Kingdom that have at least part of their capital quoted on a U.K. Stock Exchange; overseas-registered companies whether or not their securities are quoted in the United King-

dom; and overseas governments and other public authorities, including international organisations. The figures for U.K. local authorities are restricted to quoted securities, but those for other categories of borrower relate to quoted or unquoted capital, other than mortgages and any loans repayable in twelve months or less.

The estimates of redemptions, which include purchases for cancellation out of sinking funds, relate to fixed interest securities only but are not, as in the old series, confined to redemptions directly linked with the issue of new securities, *i.e.*, refunding and conversion issues. The new figures of issues less redemptions, therefore, indicate the net amount of new capital raised in each period, except that no allowance is as yet made for company liquidations or other repayments of share capital.

Information about unquoted capital is not always published and the estimates of such issues (less redemptions), shown separately for U.K. public companies, may not be complete. Issues and redemptions of British government and nationalised industries' stocks are not included because such statistics are less useful in the general scheme of financial statistics than figures which combine issues and redemptions with movements in official holdings, and which therefore show the movements in the general public's holding of such securities. Those figures are already available elsewhere.^(e)

The U.K. market is defined as comprising the general body of private and institutional investors, whether residents of the United Kingdom or not, who subscribe to new issues made in the United Kingdom. For most types of issues (public issues, offers for sale, placings and issues by tender) there is generally no

(a) From 1928 to 1939 in the Bank of England's "Statistical Summary" and, after the war, in the "Monthly Digest of Statistics", the "Annual Abstract of Statistics" and earlier issues of this Bulletin.

(b) Figures for the third quarter of 1961 are given in the Additional Notes to the Statistical Annex, page 78.

(c) "Borrower" here means the issuer of any type of capital, including equity.

(d) Local authorities are now, therefore, defined as in "National Income Statistics: Sources and Methods", H.M.S.O., 1956, Chapter IX.

(e) See Tables 1 and 2 of the Statistical Annex, and page 75 of the Additional Notes, to this Bulletin; and the table entitled "Exchequer Financing" in the "Monthly Digest of Statistics". Official holdings are there confined to those of the Bank of England and the National Debt Commissioners.

doubt whether the securities are issued in the United Kingdom or elsewhere. A company making an issue to its existing shareholders, however, goes not to one particular centre but to a particular group of investors. There are several criteria which, provided the necessary information were available, might be used to determine the amount of such issues "made in the United Kingdom": for example, the location of the share register, the residence of subscribers or the currency of subscription. In the new series, principally in order to facilitate prompt compilation, a relatively simple test has been chosen: such an issue is regarded as made in the United Kingdom, and is therefore included in full, if the sole or principal register of shareholders is maintained in the United Kingdom; similar issues by companies whose sole or principal register is abroad are excluded.

Calls on subscriptions to new issues may be spread over several months or even longer, and therefore a record of issues announced, or of subscriptions invited, in any period is not necessarily a guide to the flow of funds between lender and borrower. In order to help the systematic study of financial transactions between the principal sectors of the U.K. economy and, in particular, to enable the estimates of capital issues to be linked with movements in other liabilities and assets, subscriptions are entered in the new series under the periods in which instalments are due to be paid. Issues are valued at the price paid by the subscriber and therefore include the costs of issue which the borrower has to bear.

So far as possible issues are confined to those where cash accrues to the borrower.^(a) Thus the estimates do not include 'bonus issues', share exchanges and other issues to vendors (arising, for example, out of amalgamations of companies), nor issues that yield funds not to the company concerned but to its existing shareholders (for example, where a company seeking a Stock Exchange quotation for its existing securities arranges for some part of them to be made available to the market for the first time). It needs to be borne in mind, however, that the proceeds of some cash issues are used wholly or partly for the purchase of existing securities. It is not possible to segregate

all funds destined to be used in this way but a separate analysis made in the new series of funds raised by investment trusts, special finance agencies and insurance companies goes some way towards doing so.

The main division in the classification of issues by borrower is between those resident in the United Kingdom (local authorities and quoted public companies registered in the United Kingdom) and overseas borrowers (central and local authorities, international organisations and public companies registered overseas). Figures for U.K. companies are further sub-divided according to the primary occupation of the company or group. This classification is essentially by borrower and not by the use made of sums raised. It therefore follows that the amounts shown as raised by an industry may include funds to be spent either outside that industry or overseas.

The new series described above differs in many ways from the old one compiled by the Bank of England, and also from the well-known statistics of new issues published by the Midland Bank. The following notes summarise the main differences.

Types of issue The Midland Bank's statistics are confined to securities quoted in the United Kingdom, while both of the Bank of England's series include some unquoted securities.

The Bank of England's old series includes some issues where cash accrues not to the company concerned but to its existing shareholders; such issues are excluded from the new series and from the Midland Bank's figures.

General scope Within the limits of the information available the Bank of England's old series and the Midland Bank's series are confined to subscriptions by U.K. residents; but they include subscriptions to some issues which the new series regards as made abroad and therefore excludes. Thus the new series *includes* some amounts excluded from the other two (subscriptions by overseas residents to issues regarded as made in the United Kingdom) and *excludes* some amounts included in them (subscriptions by U.K. residents to issues regarded as made overseas).

^(a) Conversions are included in the gross figures for both issues and redemptions.

Timing of issues

In the Midland Bank's series and in the Bank of England's old series subscriptions are included in full at the time when they are invited to be made instead of, as in the new estimates, when calls on subscriptions are due to be paid.

Redemptions

In the two older series no account is taken of redemptions not linked to new issues, while the new series includes, so far as known, all redemptions of fixed interest securities.

Nationalised industries' stock issues

These are included in the two older series but omitted from the new one.

Classification

In the two older series amounts raised by public companies are divided between the United Kingdom and overseas, so far as possible, according to the destination of the funds; in the new series the division is made by reference to the country of registration of the borrowing companies.