

Analysis of financial statistics

Recent extensions to the quarterly estimates of national income⁽¹⁾ now make it possible to present quarterly sector financing accounts on broadly similar lines to the annual accounts published in this *Bulletin* in September 1963 and June 1964. A set of tables, together with notes on sources and definitions, appears at the end of this analysis. These start with the first quarter of 1963, the first period for which many of the new quarterly financial statistics were compiled, and are complete, within the limits of the information available, up to the third quarter of 1964. No national income data and only incomplete financial data are as yet available for the fourth quarter of 1964, with which this analysis is mainly concerned.

The tables show changes in the financial position of the six main sectors of the economy: persons (including unincorporated businesses), industrial and commercial companies, the public sector, the overseas sector, the banking sector, and other financial institutions.

The starting point is a sector's financial surplus or deficit, where a "surplus" is defined as the excess of current income over current expenditure (sector saving), less additions to fixed assets, stocks and work in progress in the United Kingdom (sector investment). The surplus of domestic sectors may be used to acquire financial claims on other domestic sectors or to make net real or financial investments abroad. The financial surplus or deficit of the overseas sector is the counterpart of the deficit or surplus on current account in the U.K. balance of payments, which is taken as a measure of the United Kingdom's net external capital transactions.

Persons

In recent issues of this *Bulletin* it has been estimated that the underlying financial surplus of persons, that is, the surplus after making rough allowance for apparent seasonal fluctuations, was rising during the first half of 1964, but may have levelled off during the third quarter because the trend of personal saving ceased to rise. National income estimates for that quarter, with revisions of earlier figures, are now available. They suggest that the surplus may actually have declined somewhat.

The main cause of the weakening trend in persons' financial surplus has been a rise in their current expenditure. This rise probably continued in the fourth quarter of 1964, and although it seems possible that the growth of personal incomes accelerated a little, saving and the surplus—still in seasonally-adjusted terms—probably declined further in that quarter.

The actual surplus will have declined sharply, because of the usual heavy fall in saving before Christmas. Before discussing the disposal of the surplus, it may be mentioned that in most quarters—as the new tables show—identified net financial claims of persons rise more than their estimated financial surplus. The opposite is true of industrial and commercial companies. The reason for the discrepancy is not known. It could be that these consistent, and largely offsetting, movements are due to persistent net sales of securities from persons to companies, about which there is very little information.⁽²⁾ It may be, too, that persons are taking progressively more trade credit from companies, though this again is guesswork.

(1) *Economic Trends*, October 1964, and *Financial Statistics*, November 1964.

(2) June 1964 *Bulletin*, pages 114 and 115.

During the fourth quarter persons added to their claims on the Central Government; and, as in the two preceding quarters, the increase was greater than it had been a year earlier. National Savings assets rose by £27 million: this was only £4 million more than in the fourth quarter of 1963, but if accrued interest is excluded net subscriptions (at £17 million) were nearly twice as great. Persons' holdings of Tax Reserve Certificates rose by £19 million, against £12 million. On balance, persons usually lend money to local authorities, but figures for the fourth quarter are not yet available.

Persons' (and companies') holdings of Bank of England notes and coin—which are here regarded as public sector debt—rose considerably more than a year earlier: but this could be largely due to the different days of the week on which the fourth quarter began and ended in 1964 compared with 1963.

Persons also appear to have added over £200 million to their net claims on the banks, much as they had done a year earlier. In both years the increase was almost all in deposits.⁽¹⁾ Deposits with other financial institutions rose, too, by about £150 million; but persons' borrowing from these institutions (notably for house purchase) probably rose even more.

Industrial and commercial companies In December it was suggested that the underlying financial surplus of industrial and commercial companies, after declining sharply during the second quarter, might have changed little during the third. The national income estimates tend to confirm this, although they put rather more emphasis on a decline in the rate of stockbuilding and less on a rise in company saving than was previously supposed.

It seems that in the fourth quarter both stockbuilding and fixed investment continued at a substantial rate, and perhaps rose a little. As savings may also have risen a little, it is unlikely that there was much underlying change in the financial surplus of companies. There was, however, almost certainly an increase in the unadjusted surplus, which in this quarter

seems to be affected by a substantial seasonal rise in saving, mainly because dividend payments are relatively low at this time.

It is probable that companies' claims on the public sector rose (so far as they can be identified, and leaving aside notes and coin), but not very strongly. Their holdings of Tax Reserve Certificates rose by £25 million while those of Treasury Bills may have fallen by some £40 million—movements broadly similar to those a year earlier. Information on companies' lending to local authorities is not yet available, but there are grounds, discussed later, for supposing that it may have been heavy.

In strong contrast to the previous fourth quarter, companies' estimated net claims on the banks fell heavily—by £275 million, against a rise of some £100 million. It is difficult to explain so large a change. Some of it took the form of a much larger rise in transit items in the most recent quarter (due in part to the fact that the fourth quarters of the two years began and ended on different days of the week): whereas net deposits are estimated to have fallen by £58 million, against a rise of £222 million in 1963, current and deposit accounts on a gross basis rose, by £107 million against £252 million.⁽¹⁾ On the other side of the account, borrowing from banks by way of advances and commercial bills increased by £217 million, against £121 million.

What did, then, happen to companies' financial surplus, which was probably not very much smaller than in the previous fourth quarter? As mentioned earlier, there appears to have been a larger increase in note holdings than in the same quarter of 1963. The smaller volume of new capital issues (£57 million against £98 million) may also have been a factor. In addition, it has already been suggested that companies lent more to local authorities. Another part of the answer probably lies in increases in companies' net claims on overseas residents. It is almost certain that delayed payments to U.K. exporters of goods and services by overseas residents and advanced payments by U.K. importers, because of the exchange situation, will have substantially expanded net trading claims on the overseas sector.

⁽¹⁾ See the note on page 28 concerning line 14 of the tables. The correct allocation of transit items between sectors is not known, but the new convention described there produces fewer anomalies than that previously used in this analysis. This was to divide the change in transit items between persons and companies in proportion to the change in their current and deposit accounts.

Public sector The financial position of the public sector is subject to an exceptionally wide range of influences, and tends to change less smoothly than that of other sectors. The general impression emerging from the tables, however, is that the sector's underlying deficit was increasing through 1963 and the first quarter of 1964, but that in the following two quarters it flattened out abruptly. The Central Government was mainly responsible for this change.

The only firm statistics yet available for the public sector in the fourth quarter relate to the Exchequer Group. This Group is nearly identical with the Central Government. But because it is impossible to distinguish some government loan operations within budget and extra-budgetary funds, it is also impossible to use the Exchequer figures to discover the Central Government's financial surplus or deficit. The relationship between the Exchequer Group's accounts and the concepts used in this analysis must therefore remain blurred.

The composition of the Group's cash deficit was as follows :

	£ millions	
	1963 IV	1964 IV
Budget: above the line ...	-207	-127
below the line ...	-226	-386
overall ...	-433	-513
Internal extra-budgetary funds ...	+ 4	+ 29
	-429	-484
Exchange Equalisation Account ...	+ 33	+ 87
Other external items ...	- 34	+350
Cash deficit ...	-430	- 47

At the end of December the cumulative deficit on budget and extra-budgetary account was £55 million larger than a year earlier. This was a smaller increase than was implied in the original budget estimates. Throughout the year the deficit had appeared to grow more slowly than expected, while in the fourth quarter the rate of increase was further reduced by the first effects of the import surcharges and the extra oil duty imposed in November.

Although there was a larger deficit on budget and extra-budgetary account, the cash deficit in the fourth quarter was negligible compared with

a year earlier (£47 million against £430 million). Higher net receipts from the Exchange Equalisation Account reflected the larger fall in the reserves; these receipts would have been higher but for the drawing on the International Monetary Fund and the aid received from overseas central banks. The I.M.F. drawing and part of the aid appear under "other external items" (see the statistical note on page 15). Without these, "other external items" would have been negative by some £20 million.

The contributions of the various sectors to financing the deficit, so far as they can yet be distinguished, were as follows :

	Over-seas sector	Bank-ing sector	Other domestic sectors	Total financing
Net Exchequer indebtedness to Bank of England, Banking Department ...		+ 39		+ 39
Bank of England notes and coin ...		+ 14	+123	+137
Non-marketable debt:				
National Savings Tax Reserve Certificates ...			+ 27	+ 27
			+ 44	+ 44
Marketable debt:				
Stocks ...	+64	+ 46	- 23	+ 87
Treasury Bills ...	-62	-178	- 47	-287
	+ 2	- 79	+124	+ 47

Apart from the much smaller total to be financed, the major change compared with a year earlier appears in the banking sector, where Treasury Bills fell by £178 million against a rise of £171 million. The overseas sector had also bought large amounts of Treasury Bills in the fourth quarter of 1963, but the swing here was partly offset by a change from small net sales of stocks to substantial net purchases. (Holdings of Treasury Bills under this head would have fallen much further if they had not included part of the central bank aid)

Official sales of stocks raised £87 million after four successive quarters in which the authorities had, on balance, bought stock in from the market. They sold £166 million net of long maturities (over 15 years), and bought £79 million net of short and medium-dated stocks. Details are shown in Table 1 of the statistical annex.

Full figures of local authority borrowing are available only to the third quarter, in which the total (excluding net borrowing from the Exchequer) was £145 million. Most of this money came, as was suggested in December, from the banking and overseas sectors. In the fourth quarter the local authorities almost certainly borrowed much less outside the public sector than they had in either the previous quarter or the fourth quarter of 1963; but as the banking and overseas sectors both withdrew funds from them, they must have borrowed unusually large amounts from other domestic sectors.

Overseas sector The underlying financial surplus of the overseas sector increased sharply in the first quarter of 1964, and less so in the second. In the third quarter the growth was quite small while in the fourth, to judge from the trade figures, the underlying surplus may well have declined quite sharply. This is also true of the actual surplus, for the fourth quarter is seasonally better for the United Kingdom than the third.

The disposal of the surplus between sectors changed markedly, as a result of the deteriorating balance of payments positions of some sterling area countries, and because of the crisis of confidence in sterling. In the second and third quarters of 1964 taken together the sector's net claims on the public sector had risen by less than the amount of its surplus. In the fourth quarter these claims would have fallen sharply (despite the sector's continuing surplus) had it not been for the I.M.F. drawing and assistance from overseas central banks. As it was, claims rose by several times the amount of the surplus. The sector's holdings of marketable government debt (which were also affected by some of this assistance) changed little, as the table on page 18 shows.

In marked contrast to the earlier quarters of 1964, net overseas claims on the banking sector fell substantially during the fourth quarter. Although deposits in foreign currencies increased considerably, those in sterling were reduced. The resulting increase in current and deposit accounts was no more than £38 million, much less than in the earlier quarters of the year. Net borrowing, on the other hand, rose sharply, and the increase in the total of advances (mainly in foreign currencies), money

at call, and commercial bills, exceeded £200 million. This was the largest increase for any quarter since these banking sector figures started in 1963.

Net overseas liabilities to the other domestic sectors almost certainly continued to rise, and perhaps more strongly than in earlier quarters of the year. Few details are yet available. Nevertheless, in view of the sterling crisis, it is safe to assume that changes in portfolio investment and in trade credit were such as to increase net U.K. claims substantially.

Banking sector The main changes in the banking sector's liabilities to, and claims on, other sectors during the fourth quarters of 1963 and 1964 are summarised in the following table. Transactions in other currencies as well as in sterling are included.

	<i>£ millions</i>	
	1963 IV	1964 ^(a) IV
Current and deposit accounts	+494	+403
Adjustment for transit items	- 30	-165
Net deposits	<u>+464</u>	<u>+238</u>
Claims on:		
Public sector:		
Notes and coin ...	+136	+ 14
Treasury Bills ...	+171	-178
Government stocks ...	+ 44	+ 46
Advances and other securities	+ 1	-109
Bank of England, Banking Department, net claims on Exchequer ...	- 15	+ 39
Other domestic sectors:		
Advances	+ 92	+116
Overseas sector:		
Advances	- 12	+194
Miscellaneous claims ^(b) ...	+ 56	+133

(a) There were ten additional contributors from the first quarter of 1964. See Table 9 of the statistical annex.

(b) Call money, commercial and other bills discounted and securities.

The rise in net deposits in the fourth quarter of 1964 was only half as great as a year earlier. But claims on the public sector, which in 1963 had risen by £337 million, fell by as much as £188 million. This mainly reflects the effect of the sterling crisis on the banking system. The most obvious difference between the two years is in Treasury Bills, but the reduction in advances is also notable. Most of it was due to the withdrawal of funds from local authorities: although the domestic banks lent them

£34 million more, the accepting houses and overseas banks withdrew as much as £124 million. (See Table 9 of the annex)

For the first time since the previous fourth quarter, current and deposit accounts with the domestic banks rose more than those with the accepting houses and overseas banks, by £270 million against £109 million. But—in contrast to the previous fourth quarter—the latter group increased their advances more, by £121 million against £90 million. If allowance is made for the changes in loans to local authorities already described, the contrast is even more striking: the accepting houses and overseas banks increased their advances to customers other than local authorities by £245 million, against only £56 million for the domestic banks. A large part of the £245 million was due to currency advances to overseas residents, arising from additional currency deposits; but overseas residents also withdrew large amounts of sterling from deposit while at the same time taking significantly more sterling advances. Details of the accepting houses' and overseas banks' transactions in sterling and in currencies are given in Table 11 of the annex.

The strong rise during the most recent quarter in "miscellaneous claims" in the table above was mostly in commercial bills. (See Table 9 of the annex) The greater use of such bills at this time is described on page 8 of the Commentary. The domestic banks increased their holdings of bills by £59 million, against £17 million a year earlier, and the discount houses increased theirs by £70 million against £33 million. The general expansion of commercial bill finance also shows up in the rise of £55 million (against £15 million) in acceptances for U.K. residents by accepting houses and overseas banks.

Other financial institutions The main institutions included here are insurance companies, pension funds, hire purchase finance companies, building societies, the Special Investment Departments of the Trustee Savings Banks, and investment and unit trusts. Information about their transactions in the fourth quarter is still incomplete.

For the group as a whole, current and deposit accounts with the banking sector rose by £26 million during the quarter, and bank

advances fell by £22 million. This net increase of £48 million in claims on the banks was very similar to that a year earlier.

Full details of insurance companies' and pension funds' financial investments in the fourth quarter have not yet been published, but private pension funds were net investors in gilt-edged stocks for the first time since the quarterly statistics began in 1963.

Finance houses' holdings of hire purchase claims rose by £10 million, whereas last year there was no rise.

Building societies' net advances on mortgage, at £131 million, were much the same as a year earlier. In previous quarters the 1964 figures had been well above those of 1963, and some decline in the underlying trend seems to have occurred. Their net receipts on shares and deposits (including accrued interest) totalled £105 million, substantially less than in the previous fourth quarter.

The net increase in deposits with the Special Investment Departments of the Trustee Savings Banks was £35 million, much the same as a year earlier. Net receipts by unit trusts from the sale of units totalled £18 million, and new issues by investment trusts £4 million.

Comment In the fourth quarter the crisis left its mark on the whole interlocking pattern of sector finance, and not least on the local authority markets. Comparatively little is known about these markets, considering their size and importance in the financial structure, and it may be worth using the widening range of sector finance figures now available to examine recent experience in a little more detail. For ease of reference, the figures from the new quarterly tables of non-public sector lending to local authorities are reproduced below.

		Industrial and commercial com-			Other financial institu-		£ millions
		Persons	panies	Over-	Banks	tions	Total
		Over-	Over-	seas			
		seas	seas				
1963	I ...	+72	-10	-17	+ 23	+116	+184
	II ...	+48	+59	+ 2	+ 5	+ 31	+145
	III ...	+43	+45	+10	+ 20	+ 38	+156
	IV ...	+54	+39	+ 2	+ 18	+ 37	+150
1964	I ...	+17	- 5	+11	+ 73	+116	+212
	II ...	+ 9	+41	+13	+ 45	+ 30	+138
	III ...	-12	—	+10	+133	+ 14	+145
	IV ...				- 99		

Several features stand out in the table. One is the reduced reliance on borrowing from persons; in 1963 they supplied a quarter to a third of the total amount borrowed, but in 1964 the proportion was much lower and indeed in the third quarter persons withdrew funds, on balance. Another is the way in which other financial institutions (principally building societies and insurance companies) appear to step in during the first quarter to make good the falling off in lending by companies, associated presumably with the payment of taxes. More generally, it would seem that companies' lending may vary widely from quarter to quarter, no doubt as their liquidity position eases and tightens.

As mentioned earlier, companies probably lent quite heavily to local authorities in the fourth quarter of 1964. It seems unlikely that local authorities can have borrowed much less than £75 million outside the public sector, yet the banking sector withdrew about £100 million, and the overseas sector also withdrew funds. This implies that persons, companies and other financial institutions may together have supplied some £200 million. While some of this probably came from persons, and a substantial amount was no doubt lent by the institutions,

it seems reasonable to suppose that companies may have lent around £80-100 million.

In the last two years, as the table shows, the local authorities have been able, presumably through offering competitive terms, to switch their borrowing readily from one non-public sector to another as circumstances changed. This has wider ramifications affecting, for example, the liquidity of the banking system.

If all local authority borrowing were from the Exchequer as lender of last resort, it would obviously raise the total amount the Exchequer needed to borrow and the chances are that at least part of this increased requirement would have to be provided by the banks and so increase bank liquidity. To the extent that local authorities avoid going to the Exchequer by borrowing non-bank funds which would otherwise have been invested in some form of government debt, the expansionary effect on bank liquidity will be similar. However, to the extent that they borrow non-bank funds which would not otherwise have been lent to the Exchequer, local authority borrowing will tend to increase bank liquidity less; while to the extent that they borrow from the banks themselves they will tend actually to squeeze liquidity ratios.

		1963 I					
		Persons	Industrial and commercial companies	Public sector	Over-seas sector	Financial institutions	
						Banks	Other
Financial surplus (+)/deficit (-)							
	Line						
Saving ^(a)	1	+552	-103	+1,065			- 95
Taxes on capital and capital transfers	2	- 57	+ 3	+ 54			
less Gross fixed capital formation at home	3	-162	-417	- 484			- 26
Increase in value of stocks and work in progress	4	- 25	- 69	+ 39			
FINANCIAL SURPLUS (+)/DEFICIT (-)	5	+308	-586	+ 674	- 94		-121
Financing assets increase (+)/decrease (-)							
<i>liabilities increase (-)/decrease (+)</i>							
Net indebtedness of Government to Bank of England, Banking Department	6			+ 11		- 11	
Life assurance and superannuation funds	7	+254		- 23			-231
Government loans	8		- 12	+ 22	- 11		+ 1
Gold and foreign exchange reserves	9			+ 3	- 3		
International organisations: interest-free notes and subscriptions	10			+ 3	- 3		
Miscellaneous investment overseas (net)	11		+ 27	- 88	+ 57		+ 4
	12	+254	+ 15	- 72	+ 40	- 11	-226
Notes and coin	13	+ 31	+ 31	+ 90		-152	
Bank deposits	14	- 91	-202	- 32	+104	+263	- 42
Deposits with other financial institutions	15	+159	- 5		+ 15		-169
Non-marketable government debt	16	+ 92	-148	+ 56			
Bank lending	17	-104	-299	+ 1	-172	+591	- 17
Hire purchase debt	18	+ 15	- 6	-			- 9
Loans for house purchase	19	- 69		+ 5			+ 64
Other loans	20	- 34	- 21	+ 54		- 4	+ 5
	21	- 1	-650	+ 174	- 53	+698	-168
Marketable government debt:							
Treasury Bills	22		+ 87	+ 547	- 32	-605	+ 3
Stocks	23		-124	+ 219	- 14	-140	+ 59
Local authority debt	24	+ 72	- 10	- 184	- 17	+ 23	+116
U.K. company and overseas securities:							
Capital issues	25		- 82		- 3	- 12	- 29
Other transactions	26		- 18	- 2	- 10	+ 3	+153
	27	+ 72	- 142	+ 580	- 76	-731	+302
TOTAL IDENTIFIED FINANCING	28	-457		+ 682	- 89	- 44	- 92
Unidentified	29	+179		- 8	- 5	+ 15	
TOTAL = FINANCIAL SURPLUS (+)/DEFICIT (-)	30	+308	-586	+ 674	- 94		-121

(a) The surplus of current income over current expenditure before providing for depreciation, stock appreciation and additions to reserves.

financing

£ millions

1963 II						1963 III						Line
Persons	Industrial and commercial companies	Public sector	Over-seas sector	Financial institutions		Persons	Industrial and commercial companies	Public sector	Over-seas sector	Financial institutions		
				Banks	Other					Banks	Other	
+462	+820	- 8		+ 82		+489	+761	- 11		+101		1
- 61	+ 1	+ 60				- 55	+ 2	+ 53				2
-219	-442	-483		- 25		-227	-440	-567		- 30		3
- 16	- 46	- 19				- 5	- 28	- 10				4
+166	+333	-450	- 68	+ 57		+202	+295	-535	+ 42	+ 71		5
+245		- 43		+ 43				+ 49		- 49		6
	- 1	- 9			-236	+268		- 12			-256	7
		+ 10	- 10		+ 1	- 1	- 6	+ 32	- 25			8
		- 36	+ 36					+ 8	- 8			9
		- 3	+ 3					+ 1	- 1			10
	+ 48	+ 93	-141				+ 37	+ 3	- 38		- 2	11
+245	+ 47	+ 12	-112	+ 43	-235	+267	+ 31	+ 81	- 72	- 49	-258	12
+ 22	+ 22	- 66		+ 22		- 30	- 30	- 18		+ 78		13
+104	+188	+ 28	+120	-467	+ 27	+135	-	+ 39	+167	-335	- 6	14
+139	+ 22		- 1		-160	+156	+ 31	- 57	- 2		-185	15
+ 28	+ 28	- 56				+ 32	+ 25					16
- 75	-126	+ 14	- 68	+282	- 27	+ 25	+ 60	- 36	- 65	- 3	+ 19	17
- 17	- 8	+ 2			+ 23	- 24	+ 4	+ 4			+ 16	18
-119		+ 10			+109	-154		+ 16			+138	19
+ 11	- 22	- 23			+ 34	- 29	- 31	+ 34			+ 26	20
+ 93	+104	- 91	+ 51	-163	+ 6	+111	+ 59	- 18	+100	-260	+ 8	21
	-109	-128	+ 33	+204			+ 39	-195	- 29	+195	- 10	22
	- 23	- 30	+ 5	+ 18	+ 30		- 48	-100	+ 37	+ 66	+ 45	23
+ 48	+ 59	-145	+ 2	+ 5	+ 31	+ 43	+ 45	-156	+ 10	+ 20	+ 38	24
	- 67		- 8		- 30		- 81		+ 8	- 8	- 33	25
	- 85	- 13		+ 14	+189		- 71	- 7	- 11	+ 2	+201	26
	-108						-119					
+ 48	-117	-316	+ 32	+241	+220	+ 43	+ 3	-458	+ 15	+275	+241	27
	+312	-395	- 29	+121	- 9		+395	-395	+ 43	- 34	- 9	28
	+187	- 55	- 39		- 55		+102	-140	- 1		+114	29
+166	+333	-450	- 68		+ 57	+202	+295	-535	+ 42		+ 71	30

		1963 IV					
		Persons	Indus- trial and com- mercial com- panies	Public sector	Over- seas sector	Financial institutions	
						Banks	Other
Financial surplus (+)/deficit (-)							
	Line						
Saving ^(a)	1	+ 339	+ 960	—			+ 91
Taxes on capital and capital transfers	2	- 49	+ 3	+ 46			
less Gross fixed capital formation at home	3	-236	-502	-605			- 31
Increase in value of stocks and work in progress	4	- 25	-166	+ 11			
FINANCIAL SURPLUS (+)/DEFICIT (-)	5	+ 29	+ 295	-548	+ 7		+ 60
Financing assets increase (+)/decrease (-)							
<i>liabilities increase (-)/decrease (+)</i>							
Net indebtedness of Government to Bank of England,							
Banking Department	6			+ 15		- 15	
Life assurance and superannuation funds	7	+291		- 12			-279
Government loans	8	- 1	- 1	+ 48	- 51		+ 5
Gold and foreign exchange reserves	9			- 28	+ 28		
International organisations: interest-free notes and subscriptions	10			+ 4	- 4		
Miscellaneous investment overseas (net)	11		- 28	- 9	+ 31		+ 6
	12	+290	- 29	+ 18	+ 4	- 15	-268
Notes and coin	13	+ 13	+ 13	-160		+134	
Bank deposits	14	+220	+222	- 25	- 14	-464	+ 61
Deposits with other financial institutions	15	+175	+ 3		+ 8		-186
Non-marketable government debt	16	+ 35	+ 34	- 69			
Bank lending	17	+ 4	-121	+ 16	+ 1	+113	- 13
Hire purchase debt	18	- 19	+ 16	+ 3			
Loans for house purchase	19	-158		+ 21			+137
Other loans	20	+ 37	- 8	- 78		+ 4	+ 45
	21	+307	+159	-292	- 5	-213	+ 44
Marketable government debt:							
Treasury Bills	22		- 45	-248	+119	+171	+ 3
Stocks	23		43	+ 32	- 21	+ 44	- 12
Local authority debt	24	+ 54	+ 39	-150	+ 2	+ 18	+ 37
U.K. company and overseas securities:							
Capital issues	25		- 98		- 13	- 4	- 54
Other transactions	26		- 59		- 15	+ 6	+237
	27	+ 54	-102	-366	+ 72	+235	+211
TOTAL IDENTIFIED FINANCING	28	+ 575		-640	+ 71	+ 7	- 13
Unidentified	29	-251		+ 92	- 64		+ 66
TOTAL=FINANCIAL SURPLUS (+)/DEFICIT (-)	30	+ 29	+ 295	-548	+ 7		+ 60

(a) The surplus of current income over current expenditure before providing for depreciation, stock appreciation and additions to reserves.

financing

£ millions

1964 I						1964 II						Line		
Persons	Industrial and commercial companies	Public sector	Over-seas sector	Financial institutions		Persons	Industrial and commercial companies	Public sector	Over-seas sector	Financial institutions				
				Banks	Other					Banks	Other			
+694	+217	+1,039		- 97		+586	+885	+ 93		+ 96		1		
- 58	+ 4	+ 54				- 53	+ 2	+ 51				2		
-230	-462	- 673		- 30		-251	-508	-584		- 29		3		
- 50	-167	+ 16				- 27	-211	- 26				4		
+356	-408	+ 436	+ 49	-127		+255	+168	-466	+ 67	+ 67		5		
+290	- 3	- 35	- 25	+ 35	-274	+285	- 5	- 13	- 18	+ 13	-270	6		
		- 16						- 15				+ 1	7	
		+ 28						+ 23				+ 16	+ 1	8
		+ 1						+ 16				- 16		9
		-						+ 4				- 4		10
+ 6	+ 8	- 17	+ 3	+136	- 18	-115	- 3				11			
+290	+ 3	- 14	- 43	+ 35	-271	+284	+131	- 3	-153	+ 13	-272	12		
+ 30	+ 30	+ 39		- 99		+ 10	+ 10	- 56		+ 36		13		
- 73	-242	+ 9	+110	+235	- 39	+166	+ 93	+ 8	+169	-472	+ 36	14		
+200	- 10		+ 14		-204	+159	+ 32		+ 3		-194	15		
+ 60	-145	+ 85				+ 65	+ 58	-123				16		
- 78	-254	- 3	- 40	+388	- 13	- 84	-155	- 2	- 60	+332	- 31	17		
- 11	- 19	+ 1			+ 29	- 29	- 26	+ 1			+ 54	18		
-147		+ 22			+125	-176		+ 24			+152	19		
- 38	- 57	+ 65		- 4	+ 34	+ 23	- 43	- 46		+ 4	+ 62	20		
- 57	-697	+ 218	+ 84	+520	- 68	+134	- 31	-194	+112	-100	+ 79	21		
+ 17	+ 19	+ 472	- 24	-481	+ 14	+ 9	- 36	-181	+ 96	+129	- 8	22		
	+ 19	+ 63	+ 22	-112	+ 8		- 72	+123	- 8	- 76	+ 33		23	
	- 5	- 212	+ 11	+ 73	+116		+ 41	-138	+ 13	+ 45	+ 30		24	
	-133		- 28	- 3	- 59		-109		- 19	- 14	- 34		25	
	+ 24	-	- 20	+ 2	+217		- 49	-	- 1	+ 11	+215		26	
+ 43						-121						27		
+ 17	-119	+ 323	- 39	-521	+296	+ 9	-104	-196	+ 81	+ 95	+236			
-520		+ 527	+ 2	+ 34	- 43	+302		-393	+ 40	+ 8	+ 43	28		
+468		- 91	+ 47	-118		+121		- 73	+ 27	+ 16		29		
+356	-408	+ 436	+ 49	-127		+255	+168	-466	+ 67	+ 67		30		

		1964 III					
		Persons	Indus- trial and com- mercial com- panies	Public sector	Over- seas sector	Financial institutions	
						Banks	Other
Financial surplus (+)/deficit (-)							
	Line						
Saving ^(a)	1	+446	+827	+123		+126	
Taxes on capital and capital transfers	2	-46	+4	+42			
less Gross fixed capital formation at home	3	-247	-529	-634		-31	
Increase in value of stocks and work in progress	4	-13	-142	-23			
FINANCIAL SURPLUS (+)/DEFICIT (-)	5	+140	+160	-492	+183	+95	
Financing assets increase (+)/decrease (-)							
<i>liabilities increase (-)/decrease (+)</i>							
Net indebtedness of Government to Bank of England, Banking Department	6			+19		-19	
Life assurance and superannuation funds	7	+285		-12			-273
Government loans	8	-1	-7	+34	-27		+1
Gold and foreign exchange reserves	9			-59	+59		
International organisations: interest-free notes and subscriptions	10			-1	+1		
Miscellaneous investment overseas (net)	11		+25	-43	+16		+2
	12	+284	+18	-62	+49	-19	-270
Notes and coin	13	—	+1	-3		+2	
Bank deposits	14	+140	+125	-16	+211	-443	-17
Deposits with other financial institutions	15	+141	-1		+10		-150
Non-marketable government debt	16	+45	+18	-63			
Bank lending	17	-26	-32	+4	-132	+208	-22
Hire purchase debt	18	-28	-6				+34
Loans for house purchase	19	-176		+18			+158
Other loans	20	-30	-47	+51		—	+26
	21	+66	+58	-9	+89	-233	+29
Marketable government debt:							
Treasury Bills	22		-5	-203	+16	+199	-7
Stocks	23	-	1	+15	+18	-73	+41
Local authority debt	24	-12	—	-145	+10	+133	+14
U.K. company and overseas securities:							
Capital issues	25		-106		-6	-7	-37
Other transactions	26	-	8	—	-28	+2	+190
	27	-12	-111	-333	+10	+254	+201
TOTAL IDENTIFIED FINANCING	28	+294		-404	+148	+2	-40
Unidentified	29	+6		-88	+35		+133
TOTAL=FINANCIAL SURPLUS (+)/DEFICIT (-)	30	+140	+160	-492	+183	+95	

(a) The surplus of current income over current expenditure before providing for depreciation, stock appreciation and additions to reserves.

1964 IV						
Persons	Industrial and commercial companies	Public sector	Over-seas sector	Financial institutions		
				Banks	Other	
						Line
						1
						2
						3
						4
						5
		- 39		+ 39		6
			- 33		+ 1	7
		- 80	+ 80			8
		-358	+358			9
						10
						11
				+ 39		12
+ 64	+ 64	-137		+ 9		13
+223	- 58	+ 9	+ 38	-238	+ 26	14
+150	+ 9		- 11		-148	15
+ 46	+ 25	- 71				16
- 8	-217	+ 8	-201	+430	- 12	17
(-165)		(+ 20)			+ 10	18
				+ 4	(+145)	19
						20
				+205		21
	- 47	+287	- 62	-178		22
- 23	- 87	- 87	+ 64	+ 46		23
			(- 18)	- 99		24
	- 57		- 13		- 30	25
				+ 5		26
				-226		27
				+ 18		28
						29
						30

Note

As explained in the text of the "Analysis of financial statistics", complete data for the fourth quarter of 1964 are not yet available. The figures appearing in brackets in this quarter are those which in consequence have been partly estimated.

In line 22, transactions by "other financial institutions" are included indistinguishably under "industrial and commercial companies" and in line 23 under the combined figure for "industrial and commercial companies" and "persons".

Sector financing tables

Notes on sources and definitions

Sources

The main statistical series used in compiling these tables appear in the statistical annex to this *Bulletin*, or in *Financial Statistics* and *Economic Trends*, both issued by the Central Statistical Office.

Definitions

Persons: unincorporated businesses, private non-profit-making bodies and individuals.

Industrial and commercial companies: all corporate bodies other than public corporations, banks and other financial institutions.

Public sector: the Central Government, local authorities and public corporations.

Overseas sector: as defined for the balance of payments estimates.

Banks: *i.e.*, the banking sector as in Table 9 of the annex.

Other financial institutions: insurance companies, hire purchase finance companies, building societies, the Special Investment Departments of Trustee Savings Banks, superannuation funds, investment trusts, unit trusts, special finance agencies, *e.g.*, the Agricultural Mortgage Corporation, and certain other institutions which accept deposits but which are outside the banking sector.

Line 5. Financial surplus/deficit: for domestic sectors, a surplus, calculated as shown in the table, represents the amount available for the net acquisition of financial claims on other domestic sectors or for net investment, in real or financial assets, abroad. A financial surplus of the overseas sector is the counterpart of a deficit on current account in the U.K. balance of payments, which is taken as a measure of the United Kingdom's net external capital transactions. For all sectors together, financial surpluses/deficits should add to nil, but they do not because of the "residual error" between the independent estimates of national income and national expenditure (£ millions: 1963 I, -181; 1963 II, -38; 1963 III, -75; 1963 IV, +157; 1964 I, -306; 1964 II, -91; 1964 III, -86).

Financial transactions: the full list of transactions in financial assets and liabilities, which are defined below, is divided into three broad groupings (lines 12, 21 and 27) for the convenience of presentation and analysis.

Line 6. Net indebtedness of Government to Bank of England, Banking Department: see the additional notes to Table 9.

Line 7. Life assurance and superannuation funds: the increase in persons' net claims on other financial institutions in respect of these funds and on the Government under certain pension schemes for which no separate fund is maintained.

Line 8. Government loans: loans to building societies and to industrial companies, and inter-government loans (net).

Line 9. Gold and foreign exchange reserves: changes in the sterling equivalent of gold and convertible and non-convertible currencies held in the Exchange Equalisation Account.

Line 10. International organisations: interest-free notes and subscriptions: the United Kingdom's subscriptions to international lending bodies less changes in those bodies' holdings of interest-free notes issued by the U.K. Government.

Line 11. Miscellaneous investment overseas (net): domestic sectors' net investment overseas not elsewhere included.

Line 13. Notes and coin: changes in bank notes and coin (including changes in banks' liabilities on account of issues of Scottish and Northern Irish notes); changes in non-bank holdings have been arbitrarily divided into equal parts between persons and industrial and commercial companies.

Line 14. Bank deposits: changes in current and deposit accounts, except for the banking sector and industrial and commercial companies. Entries under the banking sector are changes in the net deposits with the sector (see Table 9). Figures for industrial and commercial companies are the changes in this sector's current and deposit accounts together with the net change in items in transit between banks, *i.e.*, amounts due to be debited or credited to bank customers' accounts. The proper allocation of these transit items is not known, but it is believed that most of the net change arises out of transactions between industrial and commercial companies. For convenience in drawing up the tables it has been arbitrarily assumed that the net change attributable to other sectors is nil in each quarter. Figures for the first quarter of 1963 are partly estimated.

Line 15. Deposits with other financial institutions: shares and deposits with building societies (including accrued interest), deposits with Trustee Savings Banks (Special Investment Departments) and with hire purchase finance houses.

Line 16. Non-marketable government debt: Tax Reserve Certificates and all forms of National Savings (including accrued interest) other than deposits with the Special Investment Departments of the Trustee Savings Banks (included in line 15).

Line 17. Bank lending: the banks' advances and overdrafts, money at call and short notice, and transactions in commercial bills, excluding all loans to local authorities (included in line 24); figures for the first quarter of 1963 are partly estimated.

Line 18. Hire purchase debt: changes in hire purchase and other instalment credit extended by finance houses and household goods shops (including nationalised gas and electricity undertakings). Entries relate to capital sums only; unearned finance charges are excluded.

Line 19. Loans for house purchase: new loans, less repayments, by building societies, insurance companies and local authorities. Loans for house purchase by banks are indistinguishable in line 17.

Line 20. Other loans: loans between domestic sectors not elsewhere included. Entries include the difference between accruals and payments of purchase tax and local authority rates.

Lines 22 and 23. Marketable government debt: see Table 3. The residual entries under industrial and commercial companies in line 22 include any changes in personal and unidentified overseas holdings of Treasury Bills. The residual entries in line 23 for industrial and commercial companies and persons taken together may include unidentified overseas transactions.

Line 24. Local authority debt: total identified borrowing by local authorities from outside the public sector, including bank advances.

Lines 25 and 26. U.K. company securities and overseas securities:

Capital issues: these include net sales of unit trust units and issues by U.K. companies in overseas centres as well as issues on the U.K. market.

Other transactions: the entries for industrial and commercial companies and persons taken together are calculated as residuals from the other entries in lines 25 and 26.

Line 29. Unidentified: the net totals for all sectors together represent the errors and omissions in the national income data quoted in the note on line 5. Figures for individual sectors also reflect the balancing item in the balance of payments and deficiencies in the sector division of the national income accounts as well as in the estimates of financial transactions.