Analysis of financial statistics July-September 1966

At the beginning of the third quarter sterling came under heavy pressure. Bank rate was raised from 6% to 7% on 14th July and official measures to reduce domestic demand were taken soon afterwards.[1] Nevertheless, after allowing for seasonal factors, output was maintained during the quarter; the volume of personal consumption fell, but public spending increased and exports rose after the end of the seamen's strike.

Trends in the financial positions of the various domestic sectors were particularly distorted by the timing of company dividend payments. Companies brought dividends forward into the early months of the year, to take advantage of the transitional arrangements in the Finance Act 1965; thus the financial positions of companies improved after April, while the recipients of the dividends, especially persons, tended to have lower incomes than usual. Taking the first nine months of 1966 together, however, industrial and commercial companies had a much larger financial deficit than a year earlier, and persons a slightly smaller surplus, while the public sector had a smaller deficit and the overseas sector a larger surplus. Within the public sector, higher taxes brought a much bigger surplus for the Government, but public corporations had a larger deficit.

The personal sector's financial surplus, seasonally adjusted, fell again in the third quarter. With lower dividend receipts, and with earnings restrained by the July measures, incomes declined, but consumers' expenditure did not fall; less was bought but there was a further rise in prices, mainly because of increased taxes. Meanwhile, personal borrowing was severely restricted by the tightness of bank credit and the change in hire purchase controls, and the sector invested much less in financial assets than in the second quarter.

Industrial and commercial companies improved their financial position in the third quarter; this was mainly because, as noted above, dividend payments were smaller. They repaid bank borrowing and built up liquid assets, particularly bank deposits.

The central government's borrowing requirement was again large for the time of year, in spite of buoyant tax revenue, because the Exchequer lent a large amount to local authorities, through the Public Works Loan Board, and had to cover the public corporations' heavy financial deficit. But overseas residents withdrew substantial amounts of sterling from the banks, and these withdrawals, together with the balance of payments deficit, led to another sizable receipt of sterling from "external transactions".[2] So the Government's need for domestic finance was again quite small.

The banks acquired more government debt than in the previous quarter, but their rigorous pruning of non-priority lending brought a fall in their claims on the private sector. Nevertheless, there was an underlying increase in domestic deposits. The money supply, seasonally adjusted, grew faster than in the second quarter, although it still rose more slowly than during 1965. The growth of funds available to the other financial institutions continued to slow down. They reduced their liquid assets, lent less to other sectors,

1 September 1966 *Bulletin*, pages 207 and 213.
2 Table 1 of the statistical annex.

and invested less in the security markets.

The financial transactions of the individual sectors in the third quarter are described in detail below, and some preliminary comment on the fourth quarter is made at the end. Table H gives the detailed quarterly statistics.

Personal sector

Personal income, seasonally adjusted, fell again in the third quarter. The most important factor was the fall in dividends received from companies; at the same time, as a result of the measures to restrain incomes, the rise in wages and salaries, which had been averaging about £80 million a quarter, was limited to some £25 million. The value of consumer spending, after seasonal adjustment, was little changed. Saving therefore fell and, although capital expenditure on fixed investment and stockbuilding was reduced, the financial surplus was smaller than in the second quarter.

The financial statistics show that the sector borrowed some £115 million less than in the previous quarter; the fall is considerably greater when seasonal factors are taken into account. Nearly £100 million of bank credit was repaid, much more than could be attributed solely to seasonal influences; in the previous quarter, after seasonal adjustment, there had been a moderate increase. Unincorporated businesses appeared to have been responsible for the earlier borrowing,[1] and it is possible that they were now borrowing less, or repaying advances. Individuals, who were under strong pressure from the banks to reduce their outstanding borrowing, probably repaid much more than in the second quarter. Borrowing through hire purchase was restricted by the tightening of terms control in July, and the personal sector's outstanding debt fell by £40 million. Borrowing for house purchase, seasonally adjusted, was somewhat smaller than earlier in the year; it had become more difficult to get mortgages from the building societies and, during the summer, temporary bridging finance for house purchase was also difficult to obtain.

The personal sector acquired financial assets on a smaller scale than in the second quarter. Holdings of bank deposits and notes and coin, however, taken together and roughly adjusted for seasonal factors, rose no less than before. It seems likely that much of the rise took place early in the quarter, when security markets were generally weak, while the interest on deposit accounts with the banks had risen after the increase in Bank rate. In September, however, bank deposits may have been drawn down; the market in government stocks revived – as investors took the view that interest rates might have passed their peak – and, over the quarter as a whole, the personal sector, which in recent years has sold a large amount of gilt-edged stocks, bought a little. But net sales of company and overseas securities, taken together and after seasonal adjustment, were no smaller than in the second quarter.

Investment in other financial assets, however, was considerably smaller than in the second quarter; and the pattern of investment was influenced, as usual, by the changing pattern of interest rates. There was some switching from ordinary Post Office Savings Bank accounts into the higher yielding Post Office investment accounts. The special investment departments of the trustee savings banks, many of which had recently raised their rates, also drew in more funds. Local authority temporary money proved attractive because interest rates had risen, and personal investment was large for the

Table A
Personal sector
Seasonally adjusted figures
£ millions

	1966	
	2nd qtr.	**3rd qtr.**
Personal disposable income	6,480	6,404
Consumers' expenditure	5,987	5,976
Personal saving	**493**	**428**
Capital expenditure[a]	324	298
Financial surplus	**169**	**130**

a Including capital transfers.

1 December 1966 *Bulletin*, page 327.

time of year. But rates on building society shares and deposits remained unchanged and the societies received less. There were substantial withdrawals from national savings securities – despite the issue of new national development bonds, offering a higher rate of interest, in July – and from the ordinary departments of the Post Office Savings Bank and the trustee savings banks. Growth in life assurance and pension funds slackened further.

Table B

Personal sector

£ millions	1966 1st qtr.	2nd qtr.	3rd qtr.
Borrowing –			
From banks and through hire purchase	+ 17	– 38	+138
For house purchase	–171	–197	–209
Other	– 44	– 3	– 53
	–198	**–238**	**–124**
Acquisition of financial assets +			
Bank deposits/notes and coin	+161	+ 70	+ 36
Government stocks	–152	+ 11	+ 7
U.K. company, and overseas securities	–104	–152	–118
Life assurance and pension funds	+315	+290	+245
Building society shares and deposits	+250	+176	+156
National savings	– 27	– 15	– 92
Other deposits[a]	+ 31	+ 40	+ 66
Other public sector debt[b]	– 8	+ 85	+ 33
	+466	**+505**	**+333**
Identified financial transactions	**+268**	**+267**	**+209**
Unidentified	+140	– 49	–184
Financial surplus	**+408**	**+218**	**+ 25**

a Deposits in P.O.S.B. investment accounts, in special investment departments of trustee savings banks and with finance houses.
b Local authority debt and tax reserve certificates.

All companies

Company profits,[1] seasonally adjusted, fell again in the third quarter. But whereas stock appreciation – which forms part of profits – had been particularly large in the previous quarter, it was now smaller, mainly because of the decline in prices of copper and copper products; and if stock appreciation is excluded, other profits[2] may well have been higher in the third quarter than in the second, and perhaps as high as in the first quarter. Such a rise, at a time when there was little change in output, probably reflected the relative stability of wage costs and some slight widening of profit margins.

Other current income continued to rise, but so did interest payments. Tax payments were also larger: from mid-September companies began paying over to the Exchequer the tax they had deducted from dividend and interest payments between April and August. But dividend payments themselves fell sharply, partly because many dividends usually paid at this time had, as already mentioned, been paid earlier in the year and partly because of the Government's policy of restraint: few dividends were increased and a number were cut. In all, company saving, seasonally adjusted, fell in the third

1 After payment of selective employment tax, rebates of which were not paid until the first quarter of 1967.
2 Before paying interest, providing for depreciation and adding to reserves.

quarter; but if allowance is made for the change in stock appreciation it probably rose considerably.

Industrial and commercial companies

The gross saving of industrial and commercial companies, taken alone, was £45 million smaller in the third quarter than in the second: after allowing for seasonal factors, however, and for the change in stock appreciation, there was probably a substantial rise. Fixed investment was also smaller, and the financial surplus, at £283 million, was the largest for nearly three years.

The financial surplus was used mainly to build up liquid assets, which had been run down considerably earlier in the year. Companies had increased their cash holdings (bank deposits, and notes and coin) by a very small amount in the second quarter – a time when there is usually a substantial rise – and now built them up much more than seasonally: the rate paid by the clearing banks on deposit accounts was high. Purchases of tax reserve certificates were large (£40 million); the new certificates with a higher yield had been issued towards the end of June and the interest rate was raised early in August.

Companies acquired other financial assets on much the same scale as in the previous quarter. Purchases of the securities of other companies, as trade investments or as a means of obtaining control, remained modest compared with 1965; and miscellaneous net investment overseas, which had fallen steeply in the second quarter, was again small.

Borrowing, in total, was on a very small scale. Companies repaid nearly £150 million to the banks, a movement which was partly seasonal; and although net trade credit taken from public corporations (included in "other" borrowing in Table C), was seasonally high, it was £25 million smaller than a year earlier. The amount raised through capital issues fell away considerably – to only half

Table C
Industrial and commercial companies

£ millions	1966 1st qtr.	2nd qtr.	3rd qtr.
Saving[a]	− 83	+952	+907
Capital expenditure[a] (less capital transfers)	−751	−763	−624
Financial surplus +/deficit −	**−834**	**+189**	**+283**
Borrowing −			
From banks	−345	− 29	+144
Capital issues	−202	−128	−113
Other[b]	− 79	+ 49	− 86
	−626	**−108**	**− 55**
Acquisition of financial assets+			
Bank deposits/notes and coin	−226	+ 25	+142
Other liquid assets	−200	+ 8	+ 58
U.K. company, and overseas securities	+ 90	+ 79	+ 70
Miscellaneous investment overseas (net)	+ 78	+ 9	+ 17
Hire purchase claims	− 26	− 18	− 20
	−284	**+103**	**+267**
Identified financial transactions	**−910**	**− 5**	**+212**
Unidentified	+ 76	+194	+ 71

a Stock appreciation is reflected in saving and is included in capital expenditure (where it is inseparable from stockbuilding).
b Including hire purchase debt.

the level six months before. The deterioration in companies' financial positions earlier in the year, and expectations that bank credit would remain difficult to obtain, had brought a long queue of companies wanting to issue new capital. In September, however, the queue began to shorten; some companies cancelled prospective issues because they had curtailed their investment plans or had found other sources of funds – thus avoiding committing themselves to high interest rates for long-term borrowing.

Financial institutions other than banks

The inflow of funds to the other financial institutions, which had slackened sharply in the second quarter, slowed down further. But whereas in the previous quarter all the main sources of funds had contributed less, new capital issues now raised more and as much was taken on deposit in the third quarter as in the second.

Among deposits, Post Office investment accounts, which were available from 20th June, attracted funds on a substantial scale – they drew in £7 million in June and £23 million in July to September – and the special investment departments of the trustee savings banks also received somewhat more. Building societies, however, received less, and deposits with hire purchase finance companies fell. Sales of units by unit trusts, which had been exceptionally heavy earlier in the year, decreased sharply; and the growth of life assurance and pension funds, which had been declining since the end of 1965, was smaller than in any quarter since the beginning of 1963 – partly because the funds' receipts of dividends were reduced.

Among the institutions' assets, loans for house purchase, seasonally adjusted, grew more slowly than in the previous quarter. Building societies, whose inflow of funds had begun to decline earlier in the year, lent less; and loans by insurance companies rose only a little. There was a substantial reduction in the finance houses' outstanding hire purchase claims, following the tightening of terms control in July.

As a whole, the institutions invested more in local authority debt

Table D

Other financial institutions

£ millions

	1966		
	1st qtr.	**2nd qtr.**	**3rd qtr.**
Increase in liabilities —			
Life assurance and pension funds	−296	−272	−228
Deposits (including building society shares)	−325	−211	−211
Capital issues	− 54	− 11	− 23
Unit trust units (net)	− 38	− 35	− 14
Other (mainly bank) borrowing	− 5	+ 23	+ 7
	−718	**−506**	**−469**
Increase in assets +			
Loans for house purchase	+174	+210	+206
Hire purchase claims	+ 3	+ 23	− 30
Other loans[a]	+ 41	+ 48	+ 52
Bank deposits	− 15	+ 28	− 30
Marketable government debt	+ 2	+ 32	− 10
Local authority debt	+119	+ 15	+ 57
U.K. company, and overseas securities:			
Ordinary shares	+124	+117	+ 73
Other	+141	+105	+100
	+589	**+578**	**+418**

a Including miscellaneous investment overseas (net).

than in the second quarter, and less in company and overseas securities; they sold a small amount of marketable government debt. The Post Office investment accounts and the special investment departments of the trustee savings banks put larger amounts into local authority debt and government stocks, while building societies, which were not receiving enough funds to match their lending on mortgage, ran down their holdings. The other institutions put most of their accruing funds – which, as noted above, were smaller than in the previous quarter – into company securities. Purchases of equities declined much more than those of debentures; equity prices were falling sharply, and there were fewer new issues of ordinary shares but more of loan capital.

Overseas sector

The overseas sector's financial surplus (the U.K. balance of payments deficit on current account) was £131 million, compared with £82 million in the second quarter; the increase was wholly due to seasonal factors. Identified financial transactions indicate a surplus of no more than £87 million in the third quarter, so that there was a balancing item of £44 million.

Table E
Overseas sector

£ millions	1966		
	1st qtr.	**2nd qtr.**	**3rd qtr.**
Increase in assets or decrease in liabilities +			
Bank deposits/borrowing	+ 81	−119	−206
Other private sector (net)	− 1	− 24	+ 11
Government debt etc.[a]	−185	+186	+271
U.K. reserves[b]	+113	+106	+ 41
Other public sector (net)[c]	− 19	− 29	− 30
Identified financial transactions	**− 11**	**+120**	**+ 87**
Unidentified	+ 32	− 38	+ 44
Financial surplus	**+ 21**	**+ 82**	**+131**

a Lines 10, 20 and 21, and parts of lines 8 and 11 of Table H.
b See footnote *c* to Table 1 of the annex.
c Line 22 and parts of lines 8 and 11 of Table H.

Although overseas residents added to their financial assets in total, they again reduced their claims on the private sector. Net claims on the banks fell by much more than in the previous quarter, and for a different reason. In the second quarter overseas residents' foreign currency borrowing had risen more than their foreign currency deposits, but in the third there was a very large fall in their sterling deposits. In contrast, overseas claims (net) on the rest of the private sector rose, because of transactions in securities – foreign direct investment in the form of share and loan capital increased and liabilities fell, following the redemption of an Australian government stock. Altogether, however, there was a fall of £195 million in net overseas claims on the private sector.

Overseas claims on the public sector increased by about £280 million. Holdings of government debt, including the counterpart of U.K. drawings on central bank facilities, rose more than in the second quarter, but the U.K. reserves fell less, and the total of £312 million for these two items (the Government's "external transactions") was little different from that in the previous quarter.

Public sector

The public sector had a financial deficit of nearly £500 million in the third quarter. In total, this was much the same as in the two previous years – but its composition was different. The central government had a larger financial surplus than usual because of buoyant revenue – reflecting mainly the first receipts of selective employment tax and of the accumulated tax on company distributions. Public corporations, however, were in very heavy financial deficit – the largest in any quarter for at least five years – because of increasing capital expenditure and interest payments. Local authorities too were spending more, both on current and capital account; but their receipts also grew, and their financial deficit was about the same as a year earlier.

The central government lent more to local authorities, through the P.W.L.B., than in the previous quarter. Some holders of local authority mortgages were invoking 'break' clauses, to take advantage of the higher rates available on new lending;[1] these withdrawals increased local authorities' need for new borrowing, and thus their rights to draw on the P.W.L.B. – at rates well below those prevailing in the market. Government lending to the public corporations was also heavy. So despite the improvement in the Government's own financial position, the borrowing requirement[2] was large – over £100 million greater than a year earlier. But, as described above, the Government received a substantial amount of sterling through "external transactions". Consequently, domestic borrowing, at £123 million, was quite small for the time of year.

Net indebtedness to the Banking Department increased by nearly £60 million, reflecting the call for Special Deposits, but the note circulation fell more than usual. Particularly heavy withdrawals from national savings were counterbalanced by larger receipts from tax reserve certificates, which attracted money from the banks as well

Table F
Public sector

£ millions	1966 1st qtr.	1966 2nd qtr.	1966 3rd qtr.
Saving	+1,493	+208	+311
Capital expenditure (less capital transfers)	− 692	−714	−798
Financial surplus +/deficit −	**+ 803**	**−506**	**−487**
Of which:			
Central government	*+1,183*	*−205*	*+ 84*
Local authorities	*− 187*	*−187*	*−208*
Public corporations	*− 193*	*−114*	*−363*
Increase in assets or decrease in liabilities +			
Government "external transactions"[a]	+ 72	−292	−312
Government domestic borrowing:			
Marketable debt	+ 548	− 31	− 96
Other	+ 213	−115	− 27
Local authority debt	− 101	−113	− 54
Miscellaneous	+ 81	+ 8	+ 50
Identified financial transactions	**+ 813**	**−543**	**−439**
Unidentified	− 10	+ 37	− 48

a As defined in Table 1 of the annex.

1 See the article "Local authorities and the capital and money markets" in the December 1966 *Bulletin*.

2 The "net balance" in Table 1 of the annex.

as from industrial and commercial companies. In total, these items contributed £27 million.

Thus £96 million was left to be financed through domestic sales of marketable government debt. There was little change, on balance, in holdings outside the banks – for the gilt-edged market did not improve until September. The banks bought £70 million of government stocks and were left to take up only £20 million of Treasury bills, a very small figure for the time of year.

Banking sector

Marketable government debt held by the banks increased by £90 million. Their holdings of other kinds of government debt rose by £50 million, rather more than in the previous quarter. The increase in the Banking Department's net claims on the Exchequer, and the banks' purchases of tax reserve certificates, were partly offset by a fall in notes and coin; the third quarter ended on a Friday, when tills are low. In all, the banks acquired over £100 million more government debt than in the second quarter.

Their net lending to the overseas sector increased by more than in the previous quarter, for the reasons discussed above, but there was a very large reduction, greater than seasonally expected, in their lending to the private sector. This reflected the heavy repayments of bank advances by persons – for the banks were making strong efforts to reduce their outstanding advances to non-priority borrowers. Holdings of local authority debt fell, for the first time for over a year, but some £30 million was lent to public corporations, compared with a repayment of about £25 million in the previous quarter.

Domestic deposits rose less than in the second quarter, but after rough seasonal adjustment – and allowing for the fact that the quarter ended on a Friday – there was probably a sizable increase, compared with a small fall between March and June. The public's holdings of notes and coin showed a much smaller underlying increase than in the second quarter, but this was not sufficient to offset the adjusted rise in deposits; the money supply grew faster, although the upward trend was not so steep as during 1965.

Table G

Banking sector

£ millions		**1966**	
	1st qtr.	**2nd qtr.**	**3rd qtr.**
Increase in assets +			
Marketable government debt	−385	− 6	+ 90
Other government debt	− 56	+ 36	+ 50
Lending to private sector	+374	+ 47	−248
Lending to overseas (net of deposits)	− 81	+119	+206
Local authority debt	+ 32	+ 42	− 18
Other (net)[a]	+ 19	− 98	+ 41
Increase in domestic deposits +	**− 97**	**+140**	**+121**

a A residual, which includes advances to public corporations and purchases of company and overseas securities.

Fourth quarter

The figures so far available for the fourth quarter of 1966 indicate that the personal sector's finances were again under strain. After seasonal adjustment, total borrowing was probably much the same as in the third quarter, but persons seem to have acquired fewer financial assets. Bank advances fell further, though not so fast as in the previous quarter; hire purchase debt again declined; and borrowing from building societies, after seasonal adjustment, was much smaller. The personal sector's bank deposits, seasonally adjusted, probably rose in the third quarter but fell sharply in the fourth – partly, no doubt, a reflection of the strength of the gilt-edged market. Investment in building societies, after allowing for seasonal factors, was little different from that in the previous quarter: the trend of withdrawals from national savings was also unchanged.

Industrial and commercial companies had heavy tax payments to meet in the fourth quarter – including a full quarter's selective employment tax, but no refunds. Nevertheless, it appears that although their financial position may have deteriorated a little, they were still able to build up liquid assets. After rough allowance for seasonal factors, bank deposits increased somewhat faster than in the previous quarter. Their borrowing, too, may have been higher: after seasonal adjustment a small amount was borrowed from the banks and more was raised through new capital issues. Companies' financial position would doubtless have deteriorated further had there not been less stockbuilding, and perhaps reduced expenditure on fixed investment.

The central government had a borrowing requirement of £490 million[1] – which was quite large for the time of year, though after allowance for seasonal factors it appears to have been considerably smaller than in the previous quarter. But the improvement in the balance of payments led to a further requirement on account of "external transactions", and the Exchequer had to borrow heavily from domestic sources (£560 million). Despite continued withdrawals from national savings, a sizable part (some £170 million) of the finance required was found from outside the banks – for there was a strong demand for gilt-edged stocks.

The banks were left to take up £392 million of government debt, considerably more than seasonally expected. They too bought a large amount of government stocks; they again acquired tax reserve certificates; and there was a more than seasonal increase in their holdings of notes and coin. Treasury bill holdings fell slightly. Net lending to overseas increased by very much less than in the third quarter, because overseas residents were rebuilding their sterling deposits, which had been run down substantially between June and September. Lending to the private sector, after rough seasonal adjustment, was probably little changed. On balance, domestic deposits, after rough allowance for seasonal factors and for the different days of the week on which the quarters began and ended, rose rather less in the fourth quarter than in the third. The public's holdings of notes and coin, similarly adjusted, fell – and there was probably no underlying increase in the money supply.

1 Table 1 of the annex.

Notes on sources and definitions[1]

Sources

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

Definitions

Public sector The central government, local authorities and public corporations.

Overseas sector As defined for the balance of payments estimates.

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

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

Banks The banking sector as in Table 8 of the annex.

Other financial institutions Insurance companies, pension funds, building societies, investment trusts, hire purchase finance companies, Post Office Savings Bank investment accounts, special investment departments of the trustee savings banks, unit trusts, special finance agencies and certain other institutions which accept deposits but which are outside the banking sector.

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

Line 5 Financial surplus/deficit For domestic sectors the excess/shortfall of saving and net receipts of capital transfers compared with capital expenditure on physical assets. The overseas sector's surplus/deficit is the counterpart of a deficit/surplus on current account in the U.K. balance of payments. For all sectors together, financial surpluses/deficits should add to nil, but they do not because of the residual error in the national income accounts (£ millions: 1966, 2nd qtr., 97; 3rd qtr., 52).

Line 6 Net indebtedness of Government to Bank of England, Banking Department See footnote [e] to Table 1 of the annex.

Line 7 Life assurance and pension funds Includes the increase in persons' net claims on the Government under certain pension schemes for which no separate fund is maintained.

Line 8 Government loans Loans to building societies, industrial companies and housing associations; and intergovernment 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 Government transactions with I.M.F. The United Kingdom's subscription to the I.M.F. less changes in the Fund's 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 12 Notes and coin Includes changes in banks' liabilities on account of issues of Scottish and Northern Irish notes.

Line 13 Bank deposits Changes in current and deposit accounts, except that entries under the banking sector are changes in net deposits (see Table 8 of the annex) and figures for industrial and commercial companies include the total net change in transit items *i.e.* amounts due to be debited or credited to bank customers' accounts.

Line 14 Deposits with other financial institutions Includes building society shares (plus accrued interest).

Line 15 Non-marketable government debt Tax reserve certificates and all forms of national savings (including accrued interest) other than deposits in P.O.S.B. investment accounts and with the special investment departments of the trustee savings banks (included in line 14).

Line 16 Bank lending The banks' advances and overdrafts, money at call and short notice (excluding tax reserve certificates), and transactions in commercial bills; excluding all lending to local authorities (included in line 22).

Line 17 Hire purchase debt Entries relate to capital sums only; unearned finance charges are excluded.

Line 18 Loans for house purchase New loans, less repayments; such loans by banks are included indistinguishably in line 16.

Line 19 Other loans Entries include trade credit given or received by public corporations, and lending by other financial institutions not elsewhere included.

Lines 20 and 21 Marketable government debt See Table 3 (1) of the annex. The residual entries under industrial and commercial companies in line 20 include any changes in personal and unidentified overseas holdings. The residual entries for persons in line 21 include any transactions by industrial and commercial companies and unidentified overseas transactions.

Line 22 Local authority debt Total identified borrowing by local authorities from outside the public sector, including bank advances.

Lines 23 and 24 U.K. company, and overseas securities:

Capital issues Includes 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 Includes acquisitions of share and loan capital in overseas companies, subscriptions to new capital issues, and estimated purchases by industrial and commercial companies

continued on page 28

1 More detailed notes were given in the June 1966 *Bulletin*, page 137.

Table H
Sector financing: 1966

£ millions

	Line	Public sector 2nd qtr.	Public sector **3rd qtr.**	Public sector *4th qtr.*	Overseas sector 2nd qtr.	Overseas sector **3rd qtr.**	Overseas sector *4th qtr.*
Financial surplus +/deficit −							
Saving	1	+208	**+311**				
Taxes on capital and capital transfers	2	+ 46	**+ 35**				
less:							
Gross fixed capital formation at home	3	−716	**−802**				
Increase in value of stocks and work in progress	4	− 44	**− 31**				
Financial surplus +/deficit −	5	**−506**	**−487**		**+ 82**	**+131**	
Changes in financial assets and liabilities							
assets increase +/decrease − liabilities increase −/decrease +							
Net indebtedness of Government to Bank of England, Banking Department	6	+ 4	**− 59**	*+ 8*			
Life assurance and pension funds	7	− 18	**− 17**				
Government loans	8	− 14	**+ 17**		+ 21	**− 13**	
Gold and foreign exchange reserves	9	−106	**− 41**	*− 22*	+106	**+ 41**	*+ 22*
Government transactions with I.M.F.	10	+ 9	**− 3**		− 9	**+ 3**	
Miscellaneous investment overseas (net)	11	+ 36	**− 18**		− 38	**− 2**	
Notes and coin	12	−101	**+ 41**	*−143*			
Bank deposits	13	+ 85	**− 11**	*− 43*	+175	**+ 17**	*+321*
Deposits with other financial institutions	14				− 19	**− 3**	
Non-marketable government debt	15	− 18	**− 9**	*− 3*			
Bank lending	16	+ 24	**− 29**	*− 14*	−294	**−223**	*−337*
Hire purchase debt	17	—	**—**				
Loans for house purchase	18	− 13	**+ 3**				
Other loans	19	−122	**+ 92**				
Marketable government debt:							
Treasury bills	20	−122	**−262**	*+ 47*	+102	**+249**	*− 26*
Stocks	21	− 91	**− 89**	*−410*	+ 80	**+ 6**	*− 33*
Local authority debt	22	−113	**− 54**		− 3	**− 22**	
U.K. company, and overseas securities:							
Capital issues	23				− 1	**+ 15**	*+ 3*
Other transactions	24	+ 17	**—**		—	**+ 19**	
Identified financial transactions	25	**−543**	**−439**		**+120**	**+ 87**	
Unidentified	26	**+ 37**	**− 48**		**− 38**	**+ 44**	
Total = Financial surplus +/deficit −	27	**−506**	**−487**		**+ 82**	**+131**	

Private sector												
Persons			Industrial and commercial companies			Banks			Other financial institutions			
2nd qtr.	**3rd qtr.**	*4th qtr.*	2nd qtr.	**3rd qtr.**	*4th qtr.*	2nd qtr.	**3rd qtr.**	*4th qtr.*				**Line**
+551	**+325**		+952	**+907**		+157	**+145**					1
− 50	**− 42**		+ 4	**+ 7**								2
−241	**−236**		−568	**−558**		− 43	**− 45**					3
− 42	**− 22**		−199	**− 73**								4
+218	**+ 25**		+189	**+283**		+114	**+100**					5
						2nd qtr.	**3rd qtr.**	*4th qtr.*	2nd qtr.	**3rd qtr.**	*4th qtr.*	
						− 4	**+ 59**	*− 8*				6
+290	**+245**								−272	**−228**		7
− 2	**− 3**		− 5	**− 2**					—	**+ 1**	*+ 1*	8
												9
												10
			+ 9	**+ 17**					− 7	**+ 3**		11
+ 34	**− 12**	*− 3*	+ 34	**+ 28**	*− 13*	+ 33	**− 57**	*+159*				12
+ 36	**+ 48**	*+ 34*	− 9	**+114**	*+232*	−315	**−138**	*−627*	+ 28	**− 30**	*+ 83*	13
+216	**+222**		+ 14	**− 8**					−211	**−211**		14
− 1	**− 79**	*− 55*	+ 12	**+ 40**	*+ 28*	+ 7	**+ 48**	*+ 30*				15
− 41	**+ 98**	*+ 51*	− 29	**+144**	*− 21*	+317	**+ 4**	*+294*	+ 23	**+ 6**	*+ 27*	16
+ 3	**+ 40**		− 26	**− 10**					+ 23	**− 30**	*− 68*	17
−197	**−209**								+210	**+206**		18
− 1	**− 50**		+ 62	**− 94**		+ 6	**+ 3**	*− 1*	+ 55	**+ 49**		19
			− 6	**+ 9**		+ 18	**+ 20**	*− 9*	+ 8	**− 16**		20
+ 11	**+ 7**					− 24	**+ 70**	*+220*	+ 24	**+ 6**		21
+ 71	**+ 20**		− 12	**+ 17**		+ 42	**− 18**	*+ 25*	+ 15	**+ 57**		22
			−128	**−113**	*−123*	− 1	**− 19**	*—*	− 46	**− 37**	*− 30*	23
−152	**−118**		+ 79	**+ 70**	*+ 50*	+ 10	**+ 10**	*+ 6*	+222	**+173**		24
+267	**+209**		**− 5**	**+212**		**+ 89**	**− 18**	**+ 89**	**+ 72**	**− 51**		25
− 49	**−184**		**+194**	**+ 71**		**− 47**	**+169**					26
+218	**+ 25**		**+189**	**+283**		**+114**	**+100**					27

of trade investments and in connection with take-over deals (see Table 15 of the annex). The entries for persons are residuals.

Line 26 Unidentified The net totals for all sectors together represent the national income residual error quoted in the note on line 5. Figures for individual sectors also reflect the balancing item in the balance of payments accounts and deficiencies in the sector division of the national income accounts as well as in the estimates of financial transactions.