

## Analysis of financial statistics: January-March 1967

In earlier issues of the *Bulletin* this analysis has contained a detailed description of the financial transactions of each sector in the latest quarter for which full figures were available. This has now been reduced to summary form, so that the analysis can concentrate on trends in one particular sector. The present account summarises the statistics for each sector during the first quarter of 1967, with some preliminary comment on the second quarter. It then deals in more detail with developments in the personal sector since the beginning of 1966. The quarterly statistics (not seasonally adjusted) are presented in Table F, and are accompanied by notes on sources and definitions.

### First quarter of 1967

#### *Background and summary, seasonally adjusted*

Economic activity, which had been checked during 1966, recovered a little in the first quarter of 1967. Consumers' expenditure contributed most to the increase in demand; there were also increases in public expenditure and in exports. Stockbuilding was resumed – though mainly by unincorporated businesses (particularly retailers), which are included in the personal sector, rather than by companies. Private fixed investment was unchanged.

The public sector's financial deficit rose quite sharply, partly because of the first out-payments to industry under the selective employment tax, and partly because other public expenditure was increasing. The balance of payments was in surplus, but less so than in the fourth quarter of 1966. The counterpart to these movements, shown in Table A, was a net increase in the financial surplus of both the personal and company sectors.

Companies used their surplus mainly to engage more heavily in take-over deals. Persons increased their investment in financial assets, on balance, rebuilding their cash holdings and lending more to building societies. The personal sector was thus able to borrow more for house purchase, while still repaying bank advances.

Sterling was increasing in strength during the period and interest rates were still falling. Heavy purchases of gilt-edged stock – not only by banks and other financial institutions, but also by persons – kept the gilt-edged market buoyant.

#### *Personal sector*

After seasonal adjustment, personal income rose – partly because some wages were increased after the end of the standstill. The rise was greater than that in consumption, so saving also rose. However, capital expenditure and transfers were higher; so that the sector's financial surplus increased less than saving.

Persons borrowed much the same amount as in the previous quarter, after allowing for seasonal movements. They repaid a larger amount of bank credit, and their hire purchase debt continued to fall; but they obtained more housing loans. Their holdings of financial assets, however, increased by much more than in the previous quarter; sales of company securities were greater, and less was invested in gilt-edged stocks and in other financial assets, but persons increased their bank deposits, whereas they had run them down, after seasonal adjustment, in the fourth quarter of 1966.

**Table A**  
**Financial surplus +/deficit –**

Seasonally adjusted: £ millions

	1966 4th qtr.	1967 1st qtr.
Public sector	– 80	–373
Overseas sector	–142	– 41
Persons	+174	+230
Companies <sup>a</sup>	+ 48	+113
Residual error	—	+ 71

<sup>a</sup> Including banks and other financial institutions.

The personal sector's transactions from the beginning of 1966 to the end of March 1967 are described in greater detail later in this article.

#### *All companies*

Gross trading profits, after seasonal adjustment, increased in the first quarter of 1967. The figures include, however, the first receipts on account of selective employment tax; and after allowing for this there was probably a fall. Trends in payments of tax and dividends are difficult to measure because of changing seasonal patterns, but there appears to have been some increase in company saving.

#### *Industrial and commercial companies*

The saving of industrial and commercial companies, after seasonal correction, was likewise somewhat greater than in the fourth quarter. At the same time, they spent slightly less on fixed investment and reduced their stocks; but they bought considerably more securities for cash in connection with take-overs. They needed rather more finance than in the previous quarter. Companies met their needs by running down liquid assets, rather than by stepping up their borrowing. Bank deposits, deposits with hire purchase finance companies, and holdings of local authority debt all fell substantially. On the other hand, net surrenders of tax reserve certificates were less than seasonally expected. Companies were probably buying these certificates because they expected interest rates to fall; the rate was in fact reduced by  $\frac{1}{2}\%$  during the quarter, but competing rates – such as those for local authority temporary money and for deposits with finance houses – fell more.

The amount raised by new capital issues was larger than in the fourth quarter, but the increase was probably less than seasonally expected. Other borrowing by companies, seasonally adjusted, was also smaller; and they received slightly less finance from abroad, because of a fall in foreign direct investment.<sup>1</sup>

#### *Overseas sector*

U.K. imports rose sharply, after seasonal adjustment, partly because some arrivals were delayed until the surcharge had been removed. Exports remained high, although they showed little further increase, and invisibles improved, so the current account was again in surplus. But the surplus – that is, the overseas sector's deficit – was about £100 million less than in the previous quarter.

Before seasonal adjustment, the overseas sector's deficit was about £165 million lower than in the fourth quarter; but there was a bigger fall in overseas residents' identified net financial assets, rather than a smaller one, because there was a big swing in the balancing item (from a moderate minus to a substantial plus).

Net overseas claims on the public sector fell appreciably. Most of the fall in net claims was in government debt, including the counterpart of U.K. repayments of central bank facilities; overseas liabilities, in the form of the U.K. reserves, rose. On the other hand, overseas residents rebuilt their holdings of local authority debt.

While net claims on the public sector fell, those on the banks rose considerably. Sterling deposits increased, and so did the banks' net liabilities in foreign currency, for some foreign currency assets were switched into sterling. Overseas net claims on the rest of

<sup>1</sup> Excluding foreign investment in existing share and loan capital – which is assumed to be purchased from outside the company sector.

the private sector increased faster than in the previous quarter; investment by foreign oil companies was greater and so were overseas purchases of U.K. company securities.

#### *Public sector*

The central government's financial surplus was very large, as is usual in the main revenue season; but after allowing so far as possible for seasonal movements it showed a marked deterioration compared with the fourth quarter of 1966, partly because of the first payments on account of selective employment tax.

The current surplus of local authorities fell, but by less than seasonally expected, because their current expenditure rose less than usual in this quarter. The trends of local authorities' fixed investment and of their lending for house purchase, however, were both strongly upwards. Local authorities borrowed some £125 million more than in the fourth quarter, though the increase was much as expected on seasonal grounds; of the extra borrowing about £75 million came from the Public Works Loan Board and nearly £50 million from market sources.

The current surplus of public corporations, which usually falls in this quarter, was unchanged. Although their fixed investment continued to rise, they borrowed somewhat less from the central government than in the previous quarter.

As well as lending more to local authorities, the Exchequer had to pay out much more sterling on account of external transactions than in the fourth quarter, because of the decline in overseas holdings of government debt and the rise in the reserves. Because the central government's own financial position had worsened at the same time, the repayment of domestic borrowing was much smaller than usual in the first quarter of the year.

The gilt-edged market was exceptionally strong, as investors bought while yields were still high; purchases by domestic investors outside the banks, at nearly £300 million, were even greater than in the previous quarter. At the same time, companies were more willing to hold tax reserve certificates than usual. Thus, although there were further withdrawals from national savings, domestic holdings of government debt outside the banks, which usually fall in this quarter, rose by well over £200 million. Even so, because the amount of government domestic borrowing that was repaid was so much smaller than usual, the banks' holdings of government debt fell by less than seasonally expected.

#### *Banking sector*

The banks, too, bought a large amount of government stock (nearly £300 million), while their holdings of other forms of government debt were all reduced: the decline in their Treasury bills, however, was not much greater than expected for seasonal reasons.

Bank lending to the private sector, after seasonal correction, probably fell rather more than in the fourth quarter; there were larger repayments by the personal sector and somewhat less borrowing by companies. There was a much larger increase, however, in lending to local authorities, mainly because the accepting houses and overseas banks were receiving more sterling deposits from abroad, and were also switching funds out of foreign currency.

Domestic bank deposits, seasonally adjusted, rose modestly: company deposits fell, but personal and public sector deposits rose more. The money supply (domestic bank deposits and the public's holdings of notes and coin), after seasonal adjustment, rose

more than in the previous quarter;<sup>1</sup> but the fluctuations in these quarters were partly due to changes in the seasonal pattern of taxation, and particularly to selective employment tax.

#### *Other financial institutions*

The flow of funds into the other financial institutions increased seasonally. There was a considerable rise in investment in building society shares and deposits, on which higher interest rates were paid from 1st January; but the finance houses provoked some withdrawals of deposits by offering uncompetitive rates, for their credit business was still contracting.

The institutions, as a group, ran down their more liquid assets – bank deposits, Treasury bills and local authority temporary money – but invested more in marketable securities and in longer-term local authority debt. They invested over £200 million in government stocks, more than twice as much as in the previous quarter, but put slightly less into company securities. Insurance companies and pension funds bought fewer debentures and equities, but investment trusts and unit trusts stepped up their purchases – while continuing to sell overseas securities.

#### **Second quarter of 1967**

The rise in economic activity was not maintained in the second quarter: although public spending probably continued to increase, demand for exports slackened and so did consumers' expenditure. Bank rate was reduced to 5½% on 4th May and hire purchase restrictions on cars were eased early in June. Sentiment turned against sterling, a change which was accentuated by the situation in the Middle East. The gilt-edged market weakened in May; and during the quarter the authorities bought a substantial amount of stock.

Personal holdings of cash (bank deposits, and notes and coin) rose considerably; people put more into building societies; and investment in national savings exceeded withdrawals for the first time for two years. Part, at least, of these increases was probably associated with sales of government stock. Personal bank borrowing, seasonally adjusted, began to rise again and hire purchase debt probably fell less than in the previous quarter.

Companies acquired fewer securities through take-over deals than in the first quarter, when their purchases had been very large. Their holdings of cash and tax reserve certificates after seasonal adjustment, were little changed. Companies repaid some bank credit; while the amount raised through new capital issues was relatively small, and less than half as much as in the previous quarter.

The central government's net balance showed a deficit of some £425 million, while external transactions, in total, were roughly in balance. The domestic borrowing requirement was much greater than usual in this quarter. The Exchequer was able to raise very little finance from outside the banking sector: increases in holdings of national savings, notes and coin, tax reserve certificates and Treasury bills were largely offset by sales of government stocks – some of which had been acquired on speculative grounds while the market had been strong.

The banking sector was left to take up nearly £400 million of government debt: the clearing banks bought gilt-edged stocks but other banks and the discount houses sold, so that the sector as

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<sup>1</sup> *Financial Statistics*, August 1967, page 56.

a whole disposed of almost £200 million of stocks; its holdings of Treasury bills rose considerably. Meanwhile, bank lending to the private sector, which had been reduced in the previous quarter, was little changed, after seasonal adjustment; as noted above, persons borrowed moderately and companies repaid some bank advances. The banks were no longer switching foreign currency deposits into sterling, and their holdings of local authority debt fell. Domestic deposits, seasonally adjusted, rose more than in the first quarter.

#### Trends in the personal sector: January 1966-March 1967

The personal sector's financial transactions since the beginning of 1966<sup>1</sup> have been greatly affected by the restriction of credit, by changes in taxation, and by prices and incomes policy. Interest rates have also been important; many rates reached a peak during the period and then began to fall. Bank rate was raised from 6% to 7% in July 1966 and was brought down to 6% again in two steps, in January and in March 1967,<sup>2</sup> while yields on government stocks began to fall after August 1966.

It must be borne in mind that the personal sector includes not only individuals, but also unincorporated businesses – covering some retailers and financial intermediaries as well as some manufacturing activity.

The sector's saving, capital expenditure and financial surplus were all on a downward trend in 1966, though it is possible that they may have recovered in the first quarter of 1967. Borrowing, which is closely linked to expenditure on durable goods and on fixed investment and stockbuilding, followed much the same course. Persons' investment in non-marketable assets was little changed over the period (see the chart on page 239), while there was a marked reduction in their net sales of marketable securities. The pattern of these transactions, and of the financial surplus, resulted in a significant fall in cash holdings<sup>3</sup> during 1966, though these holdings were partly restored in the first quarter of 1967.

#### Income, consumption and saving

The trend of real personal income during 1966 (after taking account of the change in consumer prices) was obscured by the exceptional timing of dividend receipts. Many dividends usually received in the second and third quarters of the year were brought forward to the first quarter;<sup>4</sup> as a result, personal income was particularly large then, declined in the next two quarters, and rose somewhat in the fourth quarter. But if the fourth quarter is compared with the average of the first three (see Table B), it becomes clear that at some point in the first nine months of 1966 the trend of real income began to fall – affected by a slackening in economic activity and by the standstill imposed in July. In the first quarter of 1967, however, it rose again. Receipts of dividends were higher (although this may have been due to a change in the seasonal pattern<sup>5</sup>); and income from employment rose because a number of wage increases were paid when the standstill ended in January.

The volume of personal consumption, seasonally adjusted, reached a peak in the first quarter of 1966, when there was some buying in anticipation of the Budget; but throughout the rest of the year, and particularly after the measures taken in July, it fell.

**Table B**  
**Personal saving**

Seasonally adjusted: £ millions at 1958 prices

	1965	1966		1967
	4th qtr.	1st-3rd qtrs. (average)	4th qtr.	1st qtr.
Disposable income	5,279	5,340	5,185	5,383
Consumption	4,834	4,923	4,830	4,965
<b>Saving</b>	<b>445</b>	<b>417</b>	<b>355</b>	<b>418</b>

<sup>1</sup> Transactions in 1951-65 were described in an article in the September 1966 *Bulletin*.

<sup>2</sup> It was further reduced in May, after the period under review.

<sup>3</sup> As defined in the footnote on page 239.

<sup>4</sup> June 1966 *Bulletin*, page 116.

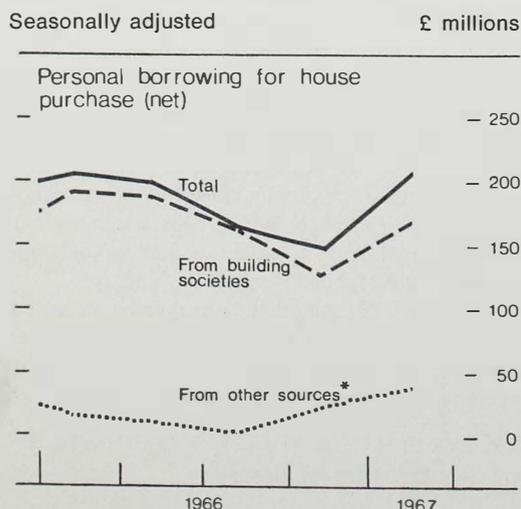
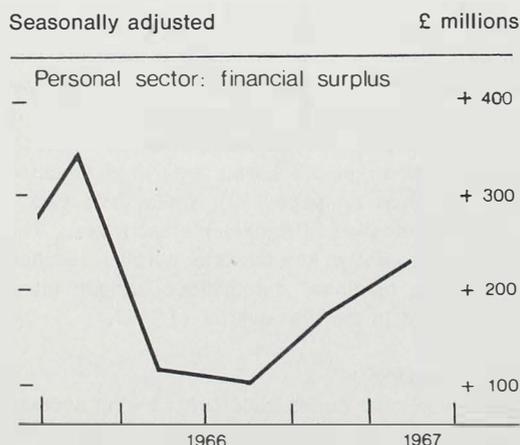
<sup>5</sup> *Economic Trends*, July 1967, page xi.

**Table C**  
**The personal sector's financial surplus**

Seasonally adjusted: £ millions at current prices

	1965	1966		1967
	4th qtr.	1st-3rd qtrs. (average)	4th qtr.	1st qtr.
Saving	+ 533	+ 508	+ 444	+ 519
Capital transfers <sup>a</sup>	- 39	- 47	- 37	- 46
Fixed investment and stockbuilding	- 284	- 271	- 233	- 243
<b>Financial surplus</b>	<b>+ 210</b>	<b>+ 190</b>	<b>+ 174</b>	<b>+ 230</b>

<sup>a</sup> Not seasonally adjusted.



\* Banks, insurance companies and local authorities.

In the first nine months of the year, consumption rose more than real income, and in the fourth quarter it fell less than income; so real saving must have been declining for most of the year.

In the first quarter of 1967 the volume of consumption rose sharply (by 2½%). It is unlikely that it was much affected this year by purchases in anticipation of tax changes in the Budget; and while there is some suspicion that the seasonal pattern was changing, such a change will not have accounted for all of the rise. The increase in consumption was less than that in real income (3½%); and there was a substantial rise in real saving. It is too soon yet to conclude that the increases in personal income, expenditure and saving in the first quarter of 1967 represent a change of trend; as noted in the Commentary, there are some indications that consumption may not have risen further in the second quarter.

#### Financial surplus

The sector's capital expenditure and transfers were high early in 1966 – when fixed investment by unincorporated businesses (which, as noted above, are included in the personal sector) reached a peak, after seasonal adjustment, and when large amounts of death duty were paid. During the course of the year, however, both fixed investment by businesses and persons' investment in new houses declined, and there was less stockbuilding – indeed there was some running down of stocks in the fourth quarter. The reduction in capital expenditure, however, was less than that in saving, and the sector's financial surplus fell (see Table C).

The trend of fixed investment continued slightly downwards in the first quarter of this year, but stockbuilding was resumed.<sup>1</sup> The financial surplus rose, but by less than the rise in saving.

#### Borrowing for house purchase

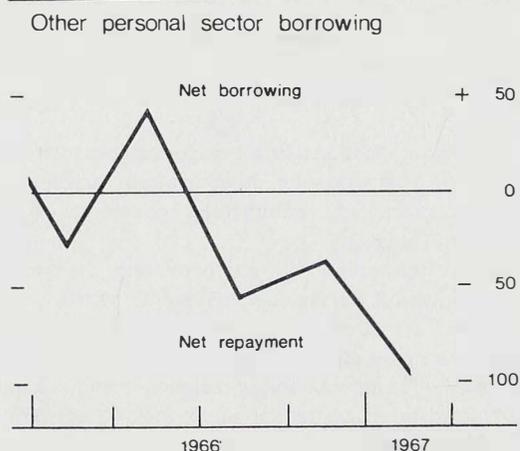
After seasonal adjustment, borrowing for house purchase, which had been heavy in the first quarter of 1966, fell during the rest of the year, but recovered in the first quarter of 1967. These movements were largely determined by the availability of building society funds, though some bank credit was repaid in the second half of last year, when the housing market was less active and demand for temporary bridging finance smaller. In the first quarter of 1967, building societies had more money to lend, after the rise in their share and deposit rates on 1st January; borrowing from the banks also started to rise again.

#### Other borrowing

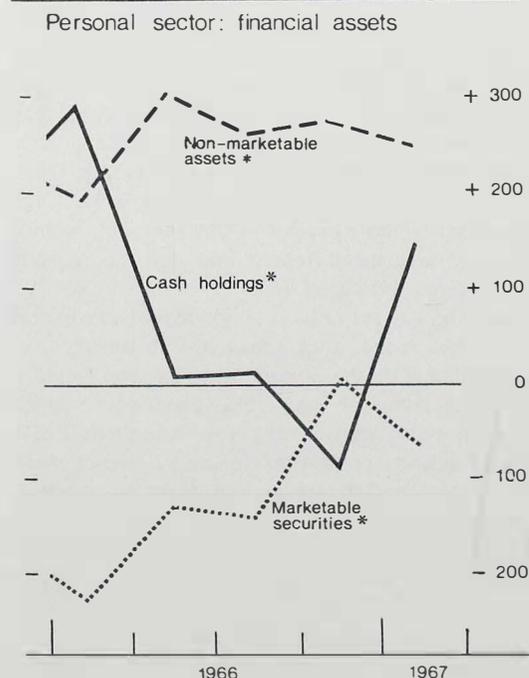
In the first quarter of 1966 the personal sector had ample funds, as noted earlier, while the banks were nearing the 105% limit on their lending because industry was borrowing heavily; thus personal borrowing from the banks (other than for house purchase) rose less than seasonally. It seems likely that it was persons, rather than unincorporated businesses, which were borrowing less. At the same time, persons' hire purchase debt, which had been increasing only slowly after terms control was tightened during 1965, began to fall. In the second quarter, persons borrowed more than usual from the banks; it is probable that unincorporated businesses were still obtaining bank finance, while advances to individuals were reduced.

<sup>1</sup> Retailers, among which are many unincorporated businesses, ran down their stocks in the fourth quarter of 1966 and rebuilt them in the first quarter of 1967, a movement which may have been associated with the removal of the import surcharge at the end of November.

Seasonally adjusted £ millions



Quarterly changes: seasonally adjusted £ millions



\* Defined in the text.

After July, however, the banks made strong efforts to reduce their outstanding advances to non-priority borrowers,<sup>1</sup> and those to the personal sector fell sharply. Hire purchase debt also fell substantially, mainly because terms control was tightened further in July; and this fall continued during the rest of the year. The sector's bank advances, however, after seasonal adjustment, fell rather more slowly in the fourth quarter than in the third. They had already dropped very substantially; moreover, companies' demand for advances had fallen and the banks were well within the 105% limit – and so had less need to press for a further reduction in their non-priority lending. During the fourth quarter, too, the personal sector borrowed more through call money; this may have been taken mainly by stockbrokers, reflecting the very active gilt-edged market at this time.

In the first quarter of 1967, when the financial surplus rose, the personal sector's bank advances rose less than usual, while stockbrokers repaid a sizable amount of the call money that they had taken in the previous quarter. Outstanding hire purchase debt, seasonally adjusted, continued to fall.

#### Cash holdings<sup>2</sup>

The sector's large financial surplus in the first quarter of 1966 was accompanied by a particularly sharp increase in holdings of cash; after seasonal adjustment, the rise was almost twice as great as the average quarterly increase during 1965. The increase was much larger than might have been expected from the rise in the financial surplus, partly because many extra dividends were received near the end of the quarter and had not been spent or invested by the end of March: in addition, many people preferred to remain liquid, because of uncertainties associated with the general election and with prospects for the economy.

In the following six months cash holdings, after seasonal adjustment, rose only slightly: the sector's financial surplus was smaller; investment in other financial assets increased; and moreover, in the third quarter, bank borrowing was repaid. An important special factor in these months was the introduction in June of Post Office Savings Bank investment accounts, which brought considerable switching out of ordinary P.O.S.B. accounts, in order to obtain the higher rate of interest. In the fourth quarter, persons bought a large amount of gilt-edged stock, bank advances were still being repaid, and more funds were switched out of ordinary P.O.S.B. accounts; although the sector's financial surplus rose, cash holdings, seasonally adjusted, fell.

In the first quarter of this year, however, holdings of cash, after seasonal adjustment, again rose considerably – although there were further repayments of bank credit: the sector's financial surplus rose and less was invested in other financial assets.

#### Marketable securities<sup>3</sup>

In recent years the personal sector's holdings of gilt-edged stocks and of company and overseas securities have both declined. There was a very large fall in the first quarter of 1966 when, as mentioned above, people preferred more liquid assets; but net sales of marketable securities were smaller in the next two quarters. In the

<sup>1</sup> March *Bulletin*, page 9.

<sup>2</sup> Notes, coin, and deposits at banks (including ordinary accounts with the Post Office and with the trustee savings banks).

<sup>3</sup> The figures exclude marketable securities of local authorities, which cannot be distinguished from other local authority debt. They include purchases of unit trust units.

**Table D**  
**Net transactions in government stocks**

Not seasonally adjusted: £ millions

	1966 4th qtr.	1967 1st qtr.
<b>Purchases +/sales — by</b>		
Banking sector:		
Discount market	+ 86	+ 136
Accepting houses and overseas banks	+ 34	+ 68
Other <sup>a</sup>	+ 100	+ 92
Other financial institutions:		
Building societies	+ 16	+ 44
Insurance companies	+ 37	+ 54
Other	+ 46	+ 105
Overseas sector	- 33	+ 11
Persons	+ 125	+ 90
<b>Total</b>	<b>+ 411</b>	<b>+ 600</b>

<sup>a</sup> Excluding Bank of England, Banking Department.

**Table E**  
**Net transactions in company and overseas securities**

Not seasonally adjusted: £ millions

	1966 4th qtr.	1967 1st qtr.
<b>Net new issues — by</b>		
Companies	- 123	- 141
Financial institutions <sup>a</sup>	- 36	- 27
Overseas sector	+ 3	- 27
	<b>- 156</b>	<b>- 195</b>
<b>Purchases +/sales — by</b>		
Companies	+ 54	+ 126
Financial institutions <sup>a</sup>	+ 153	+ 152
Overseas sector	+ 19	+ 93
Public sector	+ 7	+ 2
Persons	- 77	- 178
	<b>+ 156</b>	<b>+ 195</b>

<sup>a</sup> Including the banks, whose transactions were small in both the quarters shown.

final quarter of the year, when the gilt-edged market was very strong and personal sales of company and overseas securities were relatively small, the sector actually increased its holdings of marketable securities. Purchases of gilt-edged stocks were again large in the first quarter of 1967, though somewhat smaller than in the previous quarter; but sales of company and overseas securities increased and, in total, the sector again became a net seller of marketable securities.

Figures for the sector's transactions in gilt-edged stocks, which are obtained as a residual from those for other sectors (assuming that transactions by industrial and commercial companies are negligible), are shown in Table D.

The personal sector's transactions in company and overseas securities are likewise obtained by residual. Table E shows that in the first quarter of 1967 the other sectors effectively took up all the new issues which were made and also absorbed, partly through company take-overs, a significant amount of existing securities — so that persons disinvested on a substantial scale; their sales were twice as large as in the previous quarter.

#### *Life assurance and pension funds*

Investment in life assurance and pension funds<sup>1</sup> grew very rapidly in the three years 1962-64, but slackened in 1965-66, partly because single premium payments for life assurance were very large in 1963 and 1964 but fell later, following restrictions imposed by the main life offices. Net investment in the funds was also reduced in 1966 by particularly large maturities of endowment policies — many of which may have been taken out twenty years earlier, just after the war — and continued to fall in the first quarter of 1967.

#### *Other financial assets*

The sector's remaining assets (here described as 'non-marketable' assets) comprise national savings (apart from ordinary deposits with the Post Office and the trustee savings banks — which are treated as holdings of cash), tax reserve certificates, building society shares and deposits, deposits with hire purchase finance companies, and local authority debt. Personal investment in these assets was relatively small in the first quarter of 1966, after rough seasonal adjustment, despite the increase in the sector's financial surplus; bank borrowing was being repaid and, for the reasons noted earlier, cash holdings increased.

There was an increase in the acquisition of non-marketable assets in the second quarter, but a fall, after seasonal adjustment, over the following nine months. In the second quarter the financial surplus was smaller, but some of the liquid funds accumulated earlier in the year were being reinvested. The introduction of a higher-yielding national savings certificate attracted some of these funds; investment in building society shares and deposits, on which interest rates were unchanged, fell. After July, however, bank advances were being repaid; and from the autumn, as noted earlier, demand for marketable securities was strong. In the first quarter of this year the financial surplus rose, but persons were rebuilding their cash holdings, and they were still buying government stocks and repaying bank borrowing. Investment in building societies increased strongly, however, after the rise in interest rates from 1st January.

<sup>1</sup> The excess of premiums, contributions, dividends and interest, etc. over pensions, other benefits, taxes and administrative costs.

## Notes on sources and definitions<sup>1</sup>

### Sources

The main statistical series used in compiling Table F 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 only), special investment departments of trustee savings banks, unit trusts, special finance agencies and certain other institutions which accept deposits but which are not included in the banking sector.

**Line 1 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 at home on physical assets. A surplus/deficit of the overseas sector 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, 4th qtr., 148<sup>2</sup>; 1967, 1st qtr., -205).

**Line 6 Net indebtedness of Government to Bank of England, Banking Department** See footnote d 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 by 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 holding 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 gross current and deposit accounts, except that entries for the banking sector are changes in net deposits (see Table 8 of the annex) and those for industrial and commercial companies are the changes in gross current and deposit accounts less the total net change in transit items.

**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 special investment departments of 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 loans for house purchase (included in line 18) and 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, including lending by banks.

**Line 19 Other loans** Includes 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 for 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 and overdrafts.

<sup>1</sup> More detailed notes were given in the June 1967 *Bulletin*, page 142.  
<sup>2</sup> See footnote to Table F.

[continued on page 244]

Table F

## Sector financing: quarterly figures

Not seasonally adjusted: £ millions

Line	Public sector			Overseas sector		
	1966 4th qtr.	1967 1st qtr.	1967 2nd qtr.	1966 4th qtr.	1967 1st qtr.	1967 2nd qtr.
<b>Financial surplus +/deficit —</b>						
Saving	1	+ 333	+ 1,462			
Taxes on capital and capital transfers	2	+ 33	+ 39			
less:						
Gross fixed capital formation at home	3	- 816	- 905			
Increase in value of stocks and work in progress	4	- 6	- 18			
<b>Financial surplus +/deficit —<sup>a</sup></b>	<b>5</b>	<b>- 456</b>	<b>+ 578</b>	<b>- 169</b>	<b>- 3</b>	
<b>Changes in financial assets and liabilities</b>						
assets Increase +/decrease —						
liabilities Increase —/decrease +						
Net indebtedness of Government to Bank of England, Banking Department	6	+ 8	+ 23	- 76		
Life assurance and pension funds	7	- 15	- 10			
Government loans	8	+ 54	+ 13	- 48	- 8	
Gold and foreign exchange reserves	9	- 22	+ 57	- 152	+ 22	- 57
Government transactions with I.M.F.	10	+ 3	+ 21	+ 166	- 3	- 21
Miscellaneous investment overseas (net)	11	+ 1	+ 11		+ 1	- 47
Notes and coin	12	- 142	+ 79	- 27		
Bank deposits	13	- 43	+ 36	- 2	+ 321	+ 234
Deposits with other financial institutions	14				- 5	+ 10
Non-marketable government debt	15	- 4	+ 132	- 98		
Bank lending	16	- 14	+ 27	- 1	- 338	+ 44
Hire purchase debt	17	- 3	- 4			- 223
Loans for house purchase	18	+ 21	+ 18			
Other loans	19	- 80	+ 9			
Marketable government debt:						
Treasury bills	20	+ 47	+ 919	- 544	- 26	- 419
Stocks	21	- 411	- 600	+ 324	- 33	+ 11
Local authority debt	22	- 131	- 171		- 13	+ 30
U.K. company and overseas securities:						
Capital issues	23				+ 3	- 27
Other transactions	24	+ 7	+ 2		+ 19	+ 93
<b>Identified financial transactions</b>	<b>25</b>	<b>- 724</b>	<b>+ 562</b>	<b>- 100</b>	<b>- 157</b>	
<b>Unidentified</b>	<b>26</b>	<b>+ 268</b>	<b>+ 16</b>	<b>- 69</b>	<b>+ 154</b>	
<b>Total = Financial surplus +/deficit —<sup>a</sup></b>	<b>27</b>	<b>- 456</b>	<b>+ 578</b>	<b>- 169</b>	<b>- 3</b>	

<sup>a</sup> As shown in *Financial Statistics*, August 1967, except that the overseas sector's deficit in the fourth quarter of 1966 has been revised (see Table 19 of the annex); the implied residual error, therefore, also differs slightly.

Private sector

Persons			Industrial and commercial companies			Banks			Other financial institutions			Line
1966 4th qtr.	1967 1st qtr.	1967 2nd qtr.	1966 4th qtr.	1967 1st qtr.	1967 2nd qtr.	1966 4th qtr.	1967 1st qtr.	1967 2nd qtr.	1966 4th qtr.	1967 1st qtr.	1967 2nd qtr.	
+358	+611		+856	+74		+139	-161					1
-37	-46		+4	+7								2
-232	-220		-624	-548		-57	-45					3
+16	-34		+54	-8								4
<b>+105</b>	<b>+311</b>		<b>+290</b>	<b>-475</b>		<b>+82</b>	<b>-206</b>					5
						1966 4th qtr.	1967 1st qtr.	1967 2nd qtr.	1966 4th qtr.	1967 1st qtr.	1967 2nd qtr.	
+325	+285		-4	-1		-8	-23	+76	-310	-275		6
-3	-4								+1			7
												8
			-7	+31					+5	+5		9
												10
-4	+24	+21	-13	+34	+22	+159	-137	-16				12
+34	+42	+237	+232	-347	+90	-627	+68	-632	+83	-33	+94	13
+225	+289		+9	-48					-229	-251		14
-54	-54	+39	+28	-61	+48	+30	-17	+11				15
+41	+14	-51	-19	-156	+14	+303	+102	+246	+27	-31	+15	16
+19	+74		+52	-31					-68	-39	-4	17
-157	-175					-10	+4	+12	+146	+153		18
+23	-50		-35	+44		-1	-8	+2	+93	+5		19
			-8	-10		-9	-479	+518	-4	-11		20
+125	+90					+220	+296	-195	+99	+203		21
+121			-17	-61		+25	+167	-48	+15	+35		22
			-123	-141	-63				-36	-27	-30	23
-77	-178		+54	+126		+7	+11	+48	+146	+141		24
<b>+618</b>	<b>+357</b>		<b>+149</b>	<b>-621</b>		<b>+89</b>	<b>-16</b>	<b>+22</b>	<b>-32</b>	<b>-125</b>		25
<b>-513</b>	<b>-46</b>		<b>+141</b>	<b>+146</b>					<b>+25</b>	<b>-65</b>		26
<b>+105</b>	<b>+311</b>		<b>+290</b>	<b>-475</b>					<b>+82</b>	<b>-206</b>		27

*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 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 residual error in the national income accounts referred to 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.