

An inventory of U.K. external assets and liabilities: end-1968

This is a further article in the series listing the United Kingdom's external assets and liabilities.¹ There are broadly speaking two ways of depicting the United Kingdom's overseas financial position: first, as in the balance of payments accounts, by measuring transactions between U.K. and overseas residents during a period of time; and secondly, as in this article, by drawing up an inventory of all U.K. external assets and liabilities showing the value outstanding at various dates.² For most purposes the first method is more useful. It helps to show the reasons for changes in the United Kingdom's monetary position over short periods and is particularly relevant when considering the effect of overseas transactions on the domestic economy. The second method, however, is not without its uses, in spite of the several statistical limitations mentioned below. An account of the various types of asset and liability presents a broad picture of the United Kingdom's overseas position at a particular point of time. This broad picture does not normally change greatly from year to year; nevertheless, changes over a longer period often reveal significant features not apparent in the balance of payments presentation, which makes no allowance for valuation changes in assets and liabilities.

The table following this article gives estimates of the value of U.K. external assets and liabilities as at the end of 1968, together with comparable figures for 1962, 1964, 1966 and 1967 – the earlier years for which estimates have already been published.³

Previous articles have emphasised the limitations of such an inventory, which brings together a variety of claims and obligations that are very dissimilar in kind, in degree of liquidity, and in method of valuation. The values shown against individual categories of assets and liabilities are often not the same as those which would be received on realisation: some are probably undervalued, but others could be realised only with great difficulty, if at all. Furthermore, there are inevitably some omissions from the lists of both assets and liabilities because of lack of information, and some of the estimates included are known to be incomplete or very approximate. For these reasons the grand totals of identified external assets and liabilities are of less practical significance than the broad relationships between the various groups.

All external assets and liabilities are classified in the table as either "monetary" or "long-term", according to the concepts followed in the U.K. balance of payments accounts. The category "monetary" comprises all items shown in previous articles as "short-term", with the addition of the

¹ Earlier articles were published in the March 1964, December 1965, September 1967 and September 1968 issues of this *Bulletin*.

² External assets in this context broadly comprise assets situated outside the United Kingdom which are owned by U.K. residents and U.K. financial claims on overseas residents; external liabilities comprise overseas residents' assets within the United Kingdom and U.K. financial liabilities to such residents.

³ Some of the figures for these years have been revised.

United Kingdom's position with the International Monetary Fund and certain types of trade credit which were previously shown separately.¹ The category has been redefined, and renamed "monetary", because the former title "short-term" may wrongly have suggested that the distinction between the assets and liabilities in this group and those classified as "long-term" was based solely on the term to maturity of the obligation concerned. This has never been so. Thus, all banking assets and liabilities are classified as monetary, even though some of them are known to be medium or long-term; furthermore, British government stocks held by central monetary institutions and banks overseas are regarded as "monetary", but similar holdings held by other overseas residents are classified as "long-term".²

As before, assets and liabilities are also classified as "official" or "private", according to the status of the domestic creditor or debtor. "Official" for this purpose means H.M. Government and other central government institutions, public corporations, local authorities, the Crown Agents, and the Bank of England; "private" means all other corporate bodies, unincorporated businesses, and individuals.

The table is shown throughout in terms of sterling, though a large part of U.K. external assets and liabilities are in fact denominated in overseas currencies or are subject to provisions for the maintenance of their value in terms of gold or U.S. dollars. Overseas currencies have generally been converted into sterling at exchange rates ruling at the date of the inventory. Thus, much of the increase in the sterling value of both assets and liabilities between end-1966 and end-1967 was the direct result of the devaluation of the pound in November 1967 – though the effect was larger on assets than on liabilities.

The article now examines the main categories of assets and liabilities and compares the figures for end-1968 with those for end-1962, when this series first began.

Monetary assets and liabilities

At the end of 1968 monetary assets, private and official together, totalled £11,525 million. At the same date monetary liabilities amounted to £15,140 million, so there were net liabilities of £3,615 million. This compares with net liabilities of £1,375 million at the end of 1962.

Official

Official monetary assets comprise the gold and convertible currency holdings of the Exchange Equalisation Account, the U.K. subscription to the I.M.F. and, before it was transferred to the reserves in 1966 and 1967, the market value of H.M. Government's portfolio of U.S. dollar securities. The total value of such assets at the end of 1968 was much the same – in terms of sterling – as at end-1962. By contrast, the sterling value of official liabilities rose over the six years by about £3,080 million. The increase was mainly in the United Kingdom's liability to the I.M.F., in overseas hold-

Monetary assets and liabilities ^a

£ millions

	End-1962	End-1968	Change during period ^b
Assets			
Official	2,060	2,025	- 35
Private	2,375	9,500	+7,125
	4,435	11,525	+7,090
Liabilities			
Official	3,045	6,125	-3,080
Private	2,765	9,015	-6,250
	5,810	15,140	-9,330
Net ^c			
Official	- 985	-4,100	-3,115
Private	- 390	+ 485	+ 875
	-1,375	-3,615	-2,240

^a Some figures are estimates and/or known to be incomplete.

^b Increase in assets = +; increase in liabilities = -.

^c Net assets = +; net liabilities = -.

¹ The series of figures of trade credit has been revised – see notes and definitions.

² This distinction is necessarily arbitrary. It assumes, as in the balance of payments accounts, that British government stocks held by overseas monetary institutions represent the employment of liquid funds, but that other overseas holdings of these stocks are, in the main, portfolio investments.

Official monetary liabilities

£ millions

	End- 1962	End- 1968	Change during period ^a
To I.M.F.	517	1,982	+1,465
Foreign currency liabilities	—	211	+ 211
Sterling liabilities to central monetary institutions in:			
N. America and W. Europe	228	2,073	+1,845
Overseas sterling area	1,772	1,636	- 136
Other	527	222	- 305
Total^b	3,045	6,125	+3,080

^a Increase in liabilities +.

^b Rounded.

ings of British government Treasury bills (which include the sterling counterpart of special facilities received from overseas by means of swaps) and, to a lesser extent, in official liabilities in foreign currencies (which include facilities received in the form of foreign currency deposits or loans).

The figures of official monetary liabilities presented in the table conceal a change in the nature of the liabilities and in the creditors involved. In 1962, £1,772 million, or about 58% of the total, represented sterling liabilities to central monetary institutions in countries in the overseas sterling area, mainly in the form of British government stocks and Treasury bills held as part of these countries' reserve funds. By 1968 such liabilities, although having declined by less than £140 million, accounted for only about 27% of the total; furthermore the character of these funds was somewhat changed by the agreements reached in September 1968, whereby sterling area countries agreed to maintain a specified proportion of their official external reserves in sterling in return for a guarantee by the United Kingdom to maintain the value, in terms of U.S. dollars, of that part of their official sterling holdings which exceeded 10% of their total official reserves. In contrast, about 70% of the total in 1968 – compared with less than 25% in 1962 – represented liabilities to the I.M.F., sterling liabilities to central monetary institutions in North America and Western Europe, and official liabilities in foreign currencies, which collectively had risen by £3,521 million over the six years to a total of £4,266 million, mainly as a result of drawings on the I.M.F. (together with additional subscription payments to that organisation) and the special facilities already referred to.

Private

An outstanding feature of this group is the big increase in both assets and liabilities resulting from the rapid rise in U.K. banks' foreign currency business, due to their operations in the euro-dollar market. U.K. banks' external claims and liabilities in foreign currencies each rose by about £6,000 million, in terms of sterling, between 1962 and 1968 – nearly one half of the rise occurring in 1968 alone; their net foreign currency liability to overseas residents rose only marginally, from £32 million to £47 million. The rise in the banks' external sterling assets and liabilities was very much smaller: their sterling claims on overseas residents rose by £618 million, mainly as a result of increased credit to finance U.K. exports; their external sterling liabilities, by contrast, rose by only £183 million. At the same time, credit for exports extended by U.K. suppliers (other than to overseas parents and subsidiaries) rose by some £380 million, while credit received from overseas suppliers on imports rose by only about £80 million.

Long-term assets and liabilities

It has been emphasised before that the estimates of the value of long-term assets and liabilities are much more precarious than those of monetary assets and liabilities. In particular there is no uniform method of valuing long-term investments: direct investments, for example, are shown at book value which itself may vary in concept from company

Long-term assets and liabilities^a

£ millions

	End-1962	End-1968	Change during period ^b
Assets			
Official	710	1,115	+ 405
Private	7,885	13,555	+5,670
	8,595	14,670	+6,075
Liabilities			
Official	2,670	2,995	- 325
Private	3,185	6,085	-2,900
	5,855	9,080	-3,225
Net^c			
Official	-1,960	-1,880	+ 80
Private	+4,700	+7,470	+2,770
	+2,740	+5,590	+2,850

^a Some figures are estimates and/or known to be incomplete.

^b Increase in assets = +; increase in liabilities = -.

^c Net assets = +; net liabilities = -.

to company; portfolio investments, on the other hand, are shown at an estimated market value. In many cases the totals in the table are heavily rounded to emphasise their imprecision, and little significance should be attached to the apparent change from one year to another. Nevertheless it is clear that there was a substantial improvement in the United Kingdom's long-term position over the six years taken together. At the end of 1962 long-term assets, official and private together, net of liabilities, amounted to some £2,700 million; by 1968 they amounted to about £5,600 million.

Official

Official long-term assets comprise chiefly U.K. external claims in respect of overseas aid, both direct and through international institutions. Between 1962 and 1968 the total value of these assets increased by some £400 million.

Official long-term liabilities consist of two main elements. First, there are overseas residents' holdings of British government stocks (other than those treated in the table as monetary liabilities) and of other types of U.K. public sector debt and, secondly, there are liabilities arising from long-term loans received by the U.K. Government in the past. Overseas residents invest in public sector debt for a number of reasons, but the total of such holdings depends on the readiness of such residents to hold sterling assets in preference to assets in other currencies, as well as on the relative merits of public sector debt compared with other forms of investment in the United Kingdom. During the six years under review overseas residents (excluding central monetary institutions and banks overseas) were steady net buyers of British government stocks; the total market value of their holdings rose by about £70 million between end-1962 and end-1966, but in 1967 and 1968 the increase in their holdings was offset by a fall in gilt-edged prices and the total market value remained unchanged.

The other element in this group – long-term government debt outstanding – declined steadily up to 1966. In 1967 and 1968, however, it rose again, reflecting not only the increase in the sterling value caused by devaluation but also drawings on credit to finance purchases of military aircraft, and a loan of £21 million from the Deutsche Bundesbank in 1968 to help offset the costs of stationing U.K. forces in Western Germany.

Private

Private long-term assets, so far as they are known, are estimated to have risen in total by nearly £6,000 million between 1962 and 1968. About half of this rise is accounted for by portfolio investments overseas. The current value of outstanding portfolio investments cannot be measured precisely, but it is thought that at end-1968 it amounted to about £5,800 million – though a fall in stock exchange prices overseas may have caused a decline since then. Of this some £3,000 million was in overseas sterling area countries and £2,800 million in other countries, respectively some £1,700 million and £1,100 million more than in 1962. The bulk of the increase represents capital appreciation (including the increase in sterling values consequent on devaluation) and has not therefore called for external financing.

The book value of direct investments overseas also rose substantially over the six years. The Board of Trade's latest estimates (which are still provisional as they anticipate the results of the 1968 survey) suggest that the book value of U.K. direct investments overseas (excluding investments of oil companies, insurance companies and banks) was about £5,630 million at end-1968, some £2,220 million more than in 1962. At the same date the overseas assets of U.K. oil companies were valued at approximately £1,650 million – a rise of about £550 million since 1962.

Much of the new investment overseas in recent years – both portfolio and direct – has been financed by borrowing in foreign currency. Where funds have been raised by borrowing direct from institutions overseas the outstanding amount is included in the table as a long-term liability. A large part of the borrowing has however been from U.K. banks which provide the finance out of foreign currency deposits received from overseas: in such cases it is the banks' liability to repay their depositors – private monetary liabilities – which are included in the table following this article, not the liabilities of the U.K. companies or institutions making the overseas investments.

Private long-term liabilities rose by some £3,000 million over the six years, considerably less than the rise in assets. Although in most years overseas residents were net sellers of U.K. company securities the total market value of these securities in overseas hands at end-1968 was some £1,150 million higher than in 1962. The greater part of the rise reflects the rise in prices on the London stock exchange in 1968; the subsequent fall in the market will have reduced this total substantially.

The total book value of direct investments in the United Kingdom by overseas companies other than oil and insurance companies and banks at the end of 1968, and the increase of some £1,140 million over the previous six years, were both substantially smaller than the corresponding figure of overseas direct investment by U.K. companies. This is also true of oil company investment, taking the period as a whole; though in the two latest years overseas oil companies invested more in the United Kingdom, for refinery building and to exploit North Sea gas discoveries, than U.K. oil companies invested abroad.

It is something of an over-simplification, however, to look at some of the items discussed above in isolation. For example, because of the division into "official" and "private", U.K. portfolio liabilities appear in two different sections of the table. Any comparative assessment of overseas portfolio investment in the United Kingdom therefore needs to take into account overseas residents' holdings of British government and local authority securities (both included among official liabilities) and their investment in U.K. company securities (which is included among private liabilities); the resulting total is some £3,000 million.⁷ Thus, overseas portfolio holdings in the United Kingdom are still substantially less than the United Kingdom's overseas portfolio assets of about £5,800 million.

⁷ Excluding holdings of British government stocks by central monetary institutions and banks overseas.

Net external assets and liabilities: summary

Net assets = + ; net liabilities = -

£ millions

	End- 1962	End- 1967	End- 1968
Monetary			
Official	- 985	-2,890	-4,100
Private	- 390	+ 60	+ 485
	-1,375	-2,830	-3,615
Long-term			
Official	-1,960	-1,860	-1,880
Private	+4,700	+7,050	+7,470
	+2,740	+5,190	+5,590
Total			
Official	-2,945	-4,750	-5,980
Private	+4,310	+7,110	+7,955
	+1,365	+2,360	+1,975

Conclusion

At end-1968, a crude addition of the various components in the table shows the United Kingdom's external assets, so far as they can be identified, to be about £2,000 million larger than external liabilities. This surplus was some £400 million less than a year before, but about £600 million larger than at end-1962. By contrast, the balance of payments accounts recorded a net fall of more than £1,200 million in external assets (or a rise in liabilities) over the six years. The difference of about £1,800 million represents the increase in net overseas assets attributable to valuation changes, of which perhaps a third or more resulted directly from the increase in sterling values following devaluation in November 1967.

More important than the grand totals of external assets and liabilities is their composition. At end-1968 the value of long-term assets exceeded that of liabilities by over £5,500 million; this was an increase of approaching £3,000 million in terms of sterling compared with six years earlier which, because of valuation increases, was more than twice as much as the net acquisition of long-term assets recorded in the balance of payments accounts. Many of the assets which contribute to this surplus are of a semi-permanent nature or could be realised only at a substantial loss, and are not therefore available to relieve short-term monetary difficulties. Nevertheless the improvement in the country's long-term position apparent during the six years under review should lead to further increases in 'invisible' income in the future.

In contrast, in the monetary account there was an excess of liabilities over assets of more than £3,600 million at end-1968, an increase over the six years of nearly £2,250 million. Most of the increase reflects the balance of payments deficit on current and long-term capital account combined.⁷ Official monetary liabilities to overseas, net of assets, rose from just under £1,000 at end-1962 to £4,100 million at end-1968; but the monetary position on private account changed from net liabilities of £390 million at end-1962 to net assets of £485 million at end-1968. The main elements were, on the one hand, the large official borrowing from the I.M.F. and overseas central banks (though the totals include also sterling assets of countries of the overseas sterling area) and, on the other, an increase in credit for exports granted by banks and suppliers in the United Kingdom. Taking the period as a whole, the net change in other monetary assets and liabilities was small; there was a significant rise in net liabilities during the early years of the period, but the movement was later reversed.

⁷ The balance of payments accounts for the six years show a deficit on current and long-term capital account combined of £1,903 million and an unfavourable balancing item of £104 million, so that net monetary movements as recorded in these estimates totalled £2,007 million. The difference between this figure and the increase of £2,240 million in net monetary liabilities shown in this article can be explained by forward contracts entered into by the E.E.A. before devaluation which matured afterwards - the foreign exchange was provided by the reserves at the old parity, whereas the fall in the reserves was recorded at the new parity - and by valuation changes.

U.K. external assets and liabilities^a

£ millions

External assets

	1962	1964	1966	1967	1968
Monetary					
Official					
Gold and convertible currency reserves	1,002	827	1,107	1,123	1,009
H.M. Government's dollar portfolio	(360)	(445)	(180)	—	—
U.K. subscription to the I.M.F.	696	696	871	1,017	1,017
Total official	(2,060)	(1,970)	(2,160)	2,140	2,025
Private					
U.K. banking system's external claims:					
Sterling	634	866	940	1,013	1,252
Foreign currencies	996	1,595	2,983	4,328	7,051
Overseas sterling area currencies	48	67	41	44	70
Other U.K. residents' external claims in:					
Foreign currencies	(225)	(225)	(225)	(250)	(275)
Overseas sterling area currencies	..	..	..	..	..
Suppliers' credit on exports	474	572	712	755	(852)
Total private	(2,375)	(3,325)	(4,900)	(6,390)	(9,500)
Long-term					
Official					
Intergovernment loans by the United Kingdom	396	505	618	679	739
Other official lending	145	150	163	168	159
Subscriptions to international financial organisations (excluding the I.M.F.)	141	159	182	194	195
H.M. Government's holding of Suez Finance Company securities	(27)	(25)	(20)	(20)	(20)
Total official	(710)	(840)	(985)	(1,060)	(1,115)
Private					
Portfolio investments ^b	(3,000)	(3,700)	(3,450)	(4,600)	(5,800)
Direct investments (except oil, insurance and banking) ^c	(3,410)	(3,910)	(4,500)	(5,280)	(5,630)
Net assets abroad of U.K. oil companies ^c	(1,100)	(1,275)	(1,475)	(1,600)	(1,650)
Direct investments of U.K. insurance companies (incomplete, United States only)	(375)	(400)	(425)	(475)	(475)
Direct investments of U.K. banks	..	..	..	..	..
Individuals' holdings of overseas property	..	..	..	..	..
Total private	(7,885)	(9,285)	(9,850)	(11,955)	(13,555)
Total of identified items	(13,030)	(15,420)	(17,895)	(21,545)	(26,195)

.. not available.

^a The figures are at end-years; those in brackets are precarious estimates and/or known to be incomplete; sub-totals and totals are rounded.

^b At estimated market value. Foreign currency assets are converted at official rates.

^c Estimated book value of net assets.

External liabilities

	1962	1964	1966	1967	1968
Monetary					
Official					
Treasury bills and non-interest-bearing notes ^d	1,096	1,217	1,347	1,864	2,565
British government stocks held by overseas monetary institutions ^e	1,225	1,263	1,221	1,207	1,152
Current and deposit accounts in sterling with					
Bank of England and Crown Agents ^d	113	151	217	174	143
Official liabilities in foreign currencies	—	72	14	193	211
Local authorities' temporary borrowing	93	132	135	135	71
I.M.F. holdings of sterling ^f	517	881	1,538	1,439	1,965
I.M.F. gold deposits	—	—	15	18	17
Total official	3,045	3,715	4,485	5,030	6,125
Private					
U.K. banking system's external liabilities:					
Sterling	1,419	1,606	1,717	1,671	1,602
Foreign currencies	1,028	1,775	2,952	4,323	7,098
Overseas sterling area currencies	120	141	77	104	84
U.K. hire purchase finance companies' temporary borrowing	98	87	137	102	51
Suppliers' credit on imports	101	120	121	132	(178)
Total private	2,765	3,730	5,005	6,330	(9,015)
Long-term					
Official					
Intergovernment and other loans to the United Kingdom	1,930	1,849	1,834	2,169	2,242
British government stocks (excluding those shown above) ^b	(630)	(670)	(705)	(705)	(705)
Local authority mortgages and stocks	(110)	(100)	(40)	(45)	(50)
Total official	(2,670)	(2,620)	(2,580)	(2,920)	(2,995)
Private					
Portfolio investment in U.K. company securities ^b	(1,050)	(1,150)	(1,100)	(1,450)	(2,200)
Direct investments (except oil, insurance and banking) ^c	(1,430)	(1,780)	(2,170)	(2,320)	(2,570)
Net U.K. assets of overseas oil companies ^c	(700)	(750)	(850)	(1,000)	(1,150)
Direct investments of overseas insurance companies	..	..	..	..	..
Direct investments of overseas banks	..	..	..	..	..
Individuals' holdings of U.K. property	..	..	..	..	..
Borrowing outside the sterling area by U.K. concerns (excluding oil companies)	(5)	(50)	(90)	(135)	(165)
Total private	(3,185)	(3,730)	(4,210)	(4,905)	(6,085)
Total of identified items	(11,665)	(13,795)	(16,280)	(19,185)	(24,220)

^d Excluding I.M.F. holdings.

^e Those held by central monetary institutions and banks overseas.

^f Cash and non-interest-bearing notes.

Notes and definitions

Assets and liabilities denominated in overseas currencies are valued in the table in terms of sterling, generally at the exchange parities ruling at the time. The totals of assets and liabilities shown in the table differ from the totals shown in Tables 37 and 38 of *United Kingdom Balance of Payments 1969* (H.M.S.O., August 1969) because, in the latter presentation, net figures are given for the assets and liabilities of the I.M.F. and for most of the foreign currency assets and liabilities of banks in the United Kingdom.

Assets

Monetary

Private

The assets included in this group comprise, in the main, the external claims of banks and other financial institutions on overseas residents as included in Tables 19 and 20 of the annex. Bills lodged with such institutions but not discounted by them have, however, been omitted, as they are covered in the new figures for suppliers' credit on exports. These bills were not deducted from the banking figures in previous articles.

"Other U.K. residents' external claims in foreign currencies" mainly represent the working balances of insurance and oil companies held directly with banks abroad. The figures quoted are partly estimates.

"Suppliers' credit on exports" comprises trade credit extended by U.K. traders to overseas concerns other than affiliates or parent companies, less the value of advance and progress payments for exports already received. The figures differ from those shown in previous articles for trade credit on the assets side, which comprised credit extended for exports – less export bills lodged with banks – plus advance and progress payments made on imports. Trade credit extended to parent companies and affiliates overseas is included under direct investment.

Long-term

Private

Portfolio Estimates of the value of U.K. portfolio investments overseas are based on surveys compiled mainly for measuring capital flows: broad adjustments have been made to allow for deficiencies of coverage, and changes in market values resulting from price fluctuations have been estimated. The resultant total is accordingly a very precarious estimate, the full composition and geographical distribution of which are not known.

Direct Direct investment is defined as the investment of U.K. companies in their overseas branches, subsidiaries and associates. The figures, which exclude investment by U.K. oil and insurance companies and banks, are based on Board of Trade surveys which relate to total net asset values attributable to investing companies *i.e.* book values of fixed assets, less accumulated depreciation provisions, plus current assets, less current liabilities. Book values of fixed assets acquired some years ago may be considerably below current market or replacement values, and in individual cases may be quite unrealistic.

Net assets abroad of U.K. oil companies The estimates are approximate book values of the net external assets of U.K. oil companies and include the 40% share of the net assets of the Royal Dutch/Shell Group outside the United Kingdom owned by the Shell Transport and Trading Company. The oil companies' current assets are generally valued in terms of sterling at exchange rates ruling at the time; the treatment of fixed assets varies, and a large part has not been revalued to take account of the change in the sterling exchange rate in November 1967.

Direct investments of U.K. insurance companies Comprehensive statistics of the value of the overseas interests of U.K. insurance companies are not available. Tentative estimates are shown of the value of U.K. insurance companies' direct investments in the United States. The resultant total is certain to be considerably lower than the current value of U.K. insurance companies' interests abroad.

Liabilities

Monetary

Official

To the extent that these liabilities are in sterling they form part of the liabilities shown in Table 20 of the annex. Part is represented by British government stocks held by banks and central monetary institutions overseas. These stocks will usually be long-term liabilities of the U.K. Government; nevertheless they are classified here as "monetary" because they are freely marketable assets held for banking or central monetary purposes rather than for long-term investment.

"Official liabilities in foreign currencies" represent monetary assistance received by the United Kingdom in the form of foreign currency deposits and loans from central banks and the Bank for International Settlements; also included here is a loan received by the U.K. Government from a consortium of Swiss banks in October 1967. (The sterling counterpart of the bulk of central bank assistance to the United Kingdom – through the medium of foreign currency swaps – is included in the total of "Treasury bills and non-interest-bearing notes".)

Private

The remaining sterling liabilities recorded in Table 20 of the annex are included here, except for commercial import bills drawn on U.K. residents and lodged with U.K. banks by overseas residents, which are now included in "suppliers' credit on imports" and not in the banking figures, as previously.

The figures for the banking system's foreign currency liabilities in 1966 and 1967 exclude the outstanding amount of a medium-term loan received by an oil company through certain London banks; for consistency with the balance of payments accounts this is included in "net assets abroad of U.K. oil companies". They are otherwise in line with those in Table 19 of the annex, except that commercial import bills lodged with banks have again been switched to the new item "suppliers' credit on imports".

"Suppliers' credit on imports" comprises trade credit received on imports from overseas residents other than affiliates or parents, less advance and progress payments made on imports. The figures

differ from those shown in previous articles for trade credit on the liabilities side, which comprised credit received for imports – less import bills lodged by overseas residents with U.K. banks – plus advance and progress payments received for exports. Trade credit received from affiliates or parents overseas is included under direct investment.

Long-term

Official

British government stocks (excluding holdings of banks and central monetary institutions overseas)

The nominal amounts of these holdings are derived largely from returns from U.K. banks and the Crown Agents of external liabilities and claims, and from an analysis of the stock registers held at the Bank of England. The market values are estimated; no detailed geographical distribution is available.

Local authority mortgages and stocks The figures relate mainly to amounts held direct by overseas residents and to those held through the Crown Agents and banks in the United Kingdom. Information regarding holdings through other U.K. agents is not available.

Private

Portfolio investment in U.K. company securities

As in the case of the survey of outward investment, the market value of inward portfolio investment has to be derived from statistics primarily produced for measuring capital flows. The valuation shown therefore is only approximate.

Direct Direct investment in the United Kingdom is defined as investment by companies incorporated abroad, other than overseas oil and insurance companies and banks, in their U.K. branches, subsidiaries and associate companies. The estimates relate to book values and are comparable with those for outward direct investment.

Net U.K. assets of overseas oil companies The estimated book value of assets includes the 60% share of the net assets of the Royal Dutch/Shell Group in the United Kingdom owned by the Royal Dutch Petroleum Company.

Borrowing outside the sterling area The figures for long-term borrowing outside the sterling area – whether for the purchase of foreign currency securities, for direct investment abroad, or for use in the United Kingdom – are derived from information supplied to the U.K. Exchange Control. Borrowing (in the euro-dollar market) of foreign currencies from banks in the United Kingdom is excluded because, to the extent that the foreign currency deposits which are being on-lent originated abroad, they are already reflected in the totals of U.K. banks' external liabilities in foreign currencies. Public issues abroad of U.K. companies' bonds denominated in foreign currencies are included in the estimates of overseas portfolio investment in U.K. company securities (except in the case of oil companies, whose issues are deducted from "net assets abroad of U.K. oil companies").