

## Analysis of financial statistics: January – March 1969

The first part of the analysis is concerned with the flows of funds between the various sectors in the first quarter of 1969. Preliminary comments on the second quarter follow on page 352. These sections are based on seasonally adjusted series, which must be regarded with some caution until more is known about the reliability of the adjustments used. The unadjusted figures are presented in Table H at the end, where there are also notes on sources and definitions. The analysis ends with a discussion of changes in domestic credit and the money supply in the second quarter (page 353 and Table J).

### Background

In the first quarter of 1969, the gross domestic product estimated from expenditure data and measured at current prices was a little smaller than in the previous quarter. Personal consumption, the largest component, was virtually unchanged following the measures taken in November 1968,<sup>1</sup> but public consumption increased a little as did exports of goods and services. The biggest change was a fall in recorded gross fixed investment, which almost certainly occurred because a good deal of capital expenditure had been brought forward into the last quarter of 1968 in order to qualify for investment grants before the rate was cut in the New Year. The rate of stockbuilding was much the same in both the fourth and first quarters. Because of the fluctuations in fixed capital expenditure, the recorded figures probably overestimate the trend of total expenditure in the last quarter of 1968, and underestimate it in the first quarter of this year. This supposition is strengthened by the estimates of gross domestic product based on income data, which grew by 1½% between these two quarters.

### Public sector

For the first time for many years, the public sector had a financial surplus in the first quarter of the year which was rather larger than can be explained by seasonal factors. The central government's revenue, which would in any case have been high following the 1968 Budget, was swollen further by the additional taxation imposed in November. At the same time, the public corporations' trading surplus increased after a rise in Post Office charges. Public sector capital formation on the other hand fell slightly. Taking account also of the £270 million accruing over the quarter from the import deposit scheme introduced in November (which is treated as government borrowing for the purpose of this analysis), the sector as a whole was able to repay a large amount of other debt.

Because total repayments were so unusually large, the seasonal adjustment of the various forms of debt is rather hazardous, but some broad comments can be made. Part of the surplus was required to finance external transactions, for sterling was generally firm during the quarter. Nevertheless repayments of domestic debt, mainly to the banks, were also substantial. The banking sector's sales of Treasury bills were

**Table A**  
**Financial surplus +/-deficit —**

£ millions	1968	1969
Seasonally adjusted	4th qtr.	1st qtr.
Public sector	-87	+ 14
Overseas sector <sup>a</sup>	+77	+ 20
Private sector	-49	+140
<i>of which:</i>		
<i>Personal sector</i>	+ 6	+172
<i>Companies<sup>b</sup></i>	-55	- 32
Residual error <sup>c</sup>	+59	-174

<sup>a</sup> The deficit on current account in the balance of payments, before making any adjustment for the under-recording of exports.

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

<sup>c</sup> The residual error in the national income accounts is the difference between estimates of the gross domestic product based on expenditure and income data.

<sup>1</sup> December 1968 *Bulletin*, pages 342 and 358.

not large for the time of the year, mainly because the amount of outstanding bills was already low and holders wished to retain much of what remained for liquidity reasons. Instead the banks sold very large amounts of gilt-edged stocks. The public also sold gilts, but increased their holdings of notes and coin. The local authorities borrowed heavily in the market during the quarter – mainly from banks and other financial institutions – but took less than usual from the Public Works Loan Board. No doubt this was partly due to a reluctance to borrow at long term when interest rates were so high, but it might also have owed something to new regulations which came into force in the financial year 1968/69. These have the effect of spreading the Board's loans more evenly through the year, a pattern not yet reflected in the seasonal adjustments used.

**Table B**  
**Public sector**

	1968		1969
	3rd qtr.	4th qtr.	1st qtr.
Saving	+804	+917	+899
Capital transfers	- 49	- 39	+ 45
Capital expenditure	-946	-965	-930
<b>Financial surplus +/-deficit-</b>	<b>-191</b>	<b>- 87</b>	<b>+ 14</b>
<b>Lending etc. +</b>	<b>+ 2</b>	<b>+ 73</b>	<b>+ 36</b>
<b>Import deposits</b>	<b>-</b>	<b>- 77</b>	<b>-268</b>
<b>External transactions</b> (increase in liabilities-)			
Central government	+151	-262	+ 66
Local authorities	+ 4	- 3	- 5
Public corporations	-	-	- 7
	<b>+155</b>	<b>-265</b>	<b>+ 54</b>
<b>Domestic borrowing</b> (increase in liabilities-)			
Central government:			
From banks	-279	+184	+376
Other	+ 19	+186	+ 90
Local government <sup>a</sup>	-115	-168	-135
Public corporations <sup>b</sup>	- 25	+ 65	+ 70
	<b>-400</b>	<b>+267</b>	<b>+401</b>
<b>Identified financial transactions</b>	<b>-243</b>	<b>- 2</b>	<b>+223</b>
Unidentified	+ 52	- 85	-209

<sup>a</sup> Including the Northern Ireland Government.

<sup>b</sup> Including bank borrowing by central government trading bodies etc.

**Table C**  
**All companies**

	1968	1969
	4th qtr.	1st qtr.
Gross trading profits	1,302	1,284
Other current income	873	934
	<b>2,175</b>	<b>2,218</b>
Dividends and interest	815	844
U.K. taxes on income	246	275
Profits due, and taxes paid, abroad	257	231
	<b>1,318</b>	<b>1,350</b>
<b>Saving</b>	<b>857</b>	<b>868</b>

### Companies

Total income of all companies in the first quarter was marginally higher than in the last quarter of 1968. Profits fell slightly but interest receipts (of financial companies in particular) rose, and income from abroad was higher because of larger receipts by oil companies. There were increased payments of dividends and interest, and of U.K. taxes on income, but profits due abroad (which tend to move erratically) fell. These contrasting movements left the undistributed income of companies (their saving) little changed.

### Industrial and commercial companies

Within the company group, the saving of industrial and commercial companies also changed little. The squeeze bore most heavily on their capital transactions even though,

because of the distortions between the fourth and first quarters already mentioned, fixed capital expenditure was lower. They had to find £244 million for import deposits, and to finance an increase in stocks as consumers' expenditure stopped rising. Companies were unable to borrow as much from the banks; and although their capital issues were still high, the amount raised in this way was a little less than in the fourth quarter. As a result, they ran down their bank balances.

As always, however, some important flows between companies and other sectors went unrecorded in the quarter. Normally, the total of unidentified transactions by companies is large and positive, indicating an unrecorded acquisition of financial assets – in part associated with the extension of trade credit to the personal sector (which includes unincorporated businesses). The figure for the first quarter of 1969 is surprisingly large given the reduction in recorded net assets and the probability that companies were taking credit from overseas concerns in order to make import deposits. Part of any inflow of credit from overseas is likely to have been unrecorded, to judge from the large balancing item in the balance of payments estimates; and this would have reduced the positive element in the "unidentified" figure for companies. The implication is that trade credit granted by companies to domestic customers might have increased even more than these figures suggest, perhaps because of longer delays than usual in the payment of bills. However, judgment must necessarily be tentative, because of uncertainties about the seasonal adjustments used.

**Table D**  
**Industrial and commercial companies**

£ millions  
Seasonally adjusted

	1968		1969
	3rd qtr.	4th qtr.	1st qtr.
Saving	+795	+795	+768
Capital transfers	+105	+111	+ 97
Fixed investment	-656	-726	-598
Stocks	-126	-224	-306
<b>Financial surplus +/-deficit-</b>	<b>+118</b>	<b>- 44</b>	<b>- 39</b>
<b>Increase in liabilities-</b>			
Overseas investment in U.K. companies	-150	- 70	- 92
Bank borrowing	+108	-386	-236
Capital issues and borrowing abroad	-158	-198	-187
Other borrowing	- 20	- 42	- 55
	<b>-220</b>	<b>-696</b>	<b>-570</b>
<b>Acquisition of financial assets+</b>			
Import deposits	—	+ 76	+244
Bank deposits, notes and coin	-203	+320	-245
Other liquid assets <sup>a</sup>	- 30	- 63	+ 67
Investment abroad	+ 78	+179	+189
Company securities	+ 96	+100	+ 80
Other	- 3	- 68	- 69
	<b>- 62</b>	<b>+544</b>	<b>+266</b>
<b>Identified financial transactions</b>	<b>-282</b>	<b>-152</b>	<b>-304</b>
Unidentified	+400	+108	+265

<sup>a</sup> Deposits with other financial institutions, tax reserve certificates, Treasury bills and local authority debt.

*Personal sector*

Incomes continued to rise in the first quarter, but personal consumption was little changed; spending on durable goods

seems to have been particularly affected by the measures taken last November. Consequently recorded personal saving rose sharply. Payments of taxes on capital were nearly doubled by the incidence of the special charge on investment income, but none the less the sector's financial surplus was greatly enlarged at £172 million.

The recorded net increase in personal borrowing was again quite small. Although more finance was made available by the building societies (which reflected their lending commitments made in the latter part of 1968), repayments of bank borrowing increased as the banks sought to comply with official requests for restraint in low-priority lending, including loans to persons. Debt was also repaid to hire purchase finance houses, but there was some increase in borrowing from other sources, including insurance companies. The personal sector's net unidentified transactions were smaller than in recent quarters despite the possibility, already mentioned, that companies were granting additional amounts of trade credit.

**Table E**  
**Personal sector**

£ millions  
Seasonally adjusted

	1968		1969
	3rd qtr.	4th qtr.	1st qtr.
Saving	+524	+424	+619
Capital transfers	- 56	- 72	-142
Capital expenditure	-313	-346	-305
<b>Financial surplus</b>	<b>+155</b>	<b>+ 6</b>	<b>+172</b>
<b>Borrowing-</b>			
For house purchase	-244	-191	-224
Bank borrowing <sup>a</sup>	- 70	+ 67	+108
Hire purchase debt	+ 4	- 14	+ 11
Other	- 3	- 13	- 56
	<b>-313</b>	<b>-151</b>	<b>-161</b>
<b>Acquisition of financial assets+</b>			
Life assurance and pension funds	+350	+365	+360
Government stocks	+ 50	-175	-165
Company and overseas securities	-208	-117	-195
Unit trust units	+ 69	+ 72	+ 91
Bank deposits, notes and coin	+260	+ 42	+108
Building society shares and deposits	+173	+243	+190
Other	+ 82	+ 83	+ 90
	<b>+776</b>	<b>+513</b>	<b>+479</b>
<b>Identified financial transactions</b>	<b>+463</b>	<b>+362</b>	<b>+318</b>
Unidentified	-308	-356	-146

<sup>a</sup> Other than for house purchase.

Flows of personal funds into life assurance and pension funds – the largest outlets – are not normally affected by short run considerations, and in the first quarter they were virtually unchanged. Persons have been running down their direct holdings of marketable securities for some years, and their sales in the first quarter were particularly heavy. However, their purchases in unit trusts rose to new heights in the quarter as a whole, though they fell back in March after the drop in equity prices during February. The inflow into building society shares and deposits slackened; a rise in share and deposit rates was recommended by the Building Societies Association in mid-March and came into effect after the end of the quarter.

### *Financial institutions other than banks*

The total inflow into these institutions was a little greater than in the previous quarter. Despite the downturn in equity prices in February and March, both investment and unit trusts attracted considerably more new money during the first quarter of 1969 taken as a whole. Among the deposit-taking institutions the building societies, whose rates had become less attractive with the rise in competing interest rates, had a smaller inflow, but other institutions received more deposits from overseas.

With the revival of debenture issues, the amount taken up by the institutions was greatly increased, though a larger proportion than usual came to them as underwriters. Equity purchases, which had fallen in the fourth quarter, partly recovered, largely because of the increase in the unit trusts' activities; the investment trusts, despite their large issues, reduced their purchases of U.K. equities sharply, and instead built up their liquid assets. There were further sales of gilt-edged, especially by the pension funds. As usual, it was only the savings banks which put any appreciable funds into longer-term local authority debt. The lending activities of the institutions generally increased. The building societies were lending the extra funds they had attracted in the latter part of 1968, and the insurance companies lent more to persons and companies. The hire purchase companies, however, after the tightening of controls the previous November, suffered a net reduction in their outstanding hire purchase claims.

**Table F**  
**Financial institutions other than banks**

£ millions Seasonally adjusted	1968		1969
	3rd qtr.	4th qtr.	1st qtr.
<b>Sources of funds</b> (increase-)			
Life assurance and pension funds	-350	-365	-360
Building society shares and deposits	-173	-244	-190
Other deposits	- 14	- 53	-125
Capital issues	- 61	- 31	- 47
Unit trust units	- 69	- 72	- 91
Other (mainly bank) borrowing	+ 37	+ 21	+ 15
	<b>-630</b>	<b>-744</b>	<b>-798</b>
<b>Increase in financial assets+</b>			
Short-term assets	- 10	+126	+ 69
Government stocks	+ 21	- 18	- 28
Company and overseas securities:			
Ordinary shares	+185	+149	+170
Debentures	+ 84	+ 79	+132
Other	- 15	- 14	+ 3
Loans for house purchase	+225	+186	+224
Long-term lending to local authorities	+ 28	+ 29	+ 25
Hire purchase claims	+ 2	+ 4	- 6
Other lending	+ 45	+ 39	+ 93
	<b>+565</b>	<b>+580</b>	<b>+682</b>

As well as investing in financial assets, the institutions (including the property unit trusts) have increased their purchases of property over the past year. This form of investment increased further in the first quarter. The pension funds, in particular, put nearly one third of their new money into property.

### Banks

The banks' domestic deposits fell in the first quarter, reflecting the unusually large Exchequer surplus. Lending to the private sector was severely restricted. Credit ceilings had been lowered as part of the November measures, and the banks were reminded during the quarter of the importance attached by the authorities to the maintenance of restraint. In the event the personal sector and financial institutions repaid bank credit, and industrial and commercial companies borrowed substantially less than in the previous quarter. The banks' holdings of government debt fell sharply as a result of the Government's large surplus, their sales of gilts being particularly heavy. Their lending to local authorities on the other hand increased, as the authorities relied more on short-term borrowing in the face of very high interest rates. There was a large increase in the banks' net claims on overseas.

**Table G**  
**Banking sector**

£ millions  
Seasonally adjusted

	1968		1969
	3rd qtr.	4th qtr.	1st qtr.
<b>Increase in assets+</b>			
Central government debt	+279	-184	-376
Local government debt <sup>a</sup>	+ 79	+ 54	+ 63
Lending to public corporations and central government trading bodies etc.	+ 26	+ 20	- 9
Lending to the private sector <sup>b</sup>	- 43	+315	+133
Net claims on overseas	-101	+ 85	+135
	<b>+240</b>	<b>+290</b>	<b>- 54</b>
<b>Increase in liabilities-</b>			
Domestic deposits	-153	-387	+126
Capital issues <sup>c</sup>	- 11	+ 16	- 16
	<b>-164</b>	<b>-371</b>	<b>+110</b>
<b>Identified financial transactions</b>	<b>+ 76</b>	<b>- 81</b>	<b>+ 56</b>

<sup>a</sup> Including the Northern Ireland Government.

<sup>b</sup> Including purchases of company securities.

<sup>c</sup> Net of purchases by banks of securities of other banks.

### Second quarter

Economic activity seems to have increased, perhaps quite briskly, in the second quarter. There was very probably a further improvement in the balance of payments on current account; private industry's fixed investment is likely to have recovered from the low figure in the first quarter; and personal consumption rose.

The personal sector repaid much less to the banks, but also borrowed rather less from building societies. Equity prices continued to fall sharply, and persons invested less in unit trusts; instead they put more with the building societies, which had raised their rates. On balance, they also bought a large amount of gilt-edged stocks, which benefited from Budget concessions on capital gains tax; these purchases seem to have been partly at the expense of national savings.

Industrial and commercial companies again raised a large amount on capital issues (although announcements of new issues fell away sharply towards the end of the quarter). Bank borrowing by companies was much smaller than in the first quarter.

The transactions of the public sector and of the banks in the second quarter are discussed below.

### **Domestic credit and money supply**

*(The figures in this section have not been adjusted for seasonal factors.)*

An accompanying article explains the concept of domestic credit expansion and describes various ways of presenting it. This section discusses changes in the components of domestic credit and money supply in the second quarter. Table J is designed to show how these two indicators are constructed, and the influences which bear upon them.

One method of measuring domestic credit expansion starts from the public sector's borrowing requirement, from which is deducted net sales of debt to the private sector (apart from the banks). However, firm figures are not yet available for either of these quantities. To judge from the out-turn for the central government, the public sector's borrowing requirement will have been small; indeed the sector may, on balance, have repaid debt. This is unusual for the second quarter of the year, and reflects the continued effect of the increases in taxation imposed last year. The turn-round in the gilt-edged market almost certainly means that, on balance, the public sector sold debt to investors outside the banks, following large purchases from these holders in the previous quarter.

In the absence as yet of comprehensive figures of the public sector's transactions in the second quarter, it is necessary to concentrate on an alternative approach, in terms of lending by the banks and by the overseas sector, for which the figures are already available. The public sector repaid borrowing from both sources. The repayment was very much smaller than in the first (revenue) quarter, but any repayment at all is unusual in the June quarter. Repayments of overseas debt were smaller because of the pressure on sterling early in May; as a consequence the Exchange Equalisation Account acquired less foreign currency, and the central government thus had to find less sterling to finance its external transactions. In addition, the Gas Council issued £31 million of bearer bonds in Western Germany.

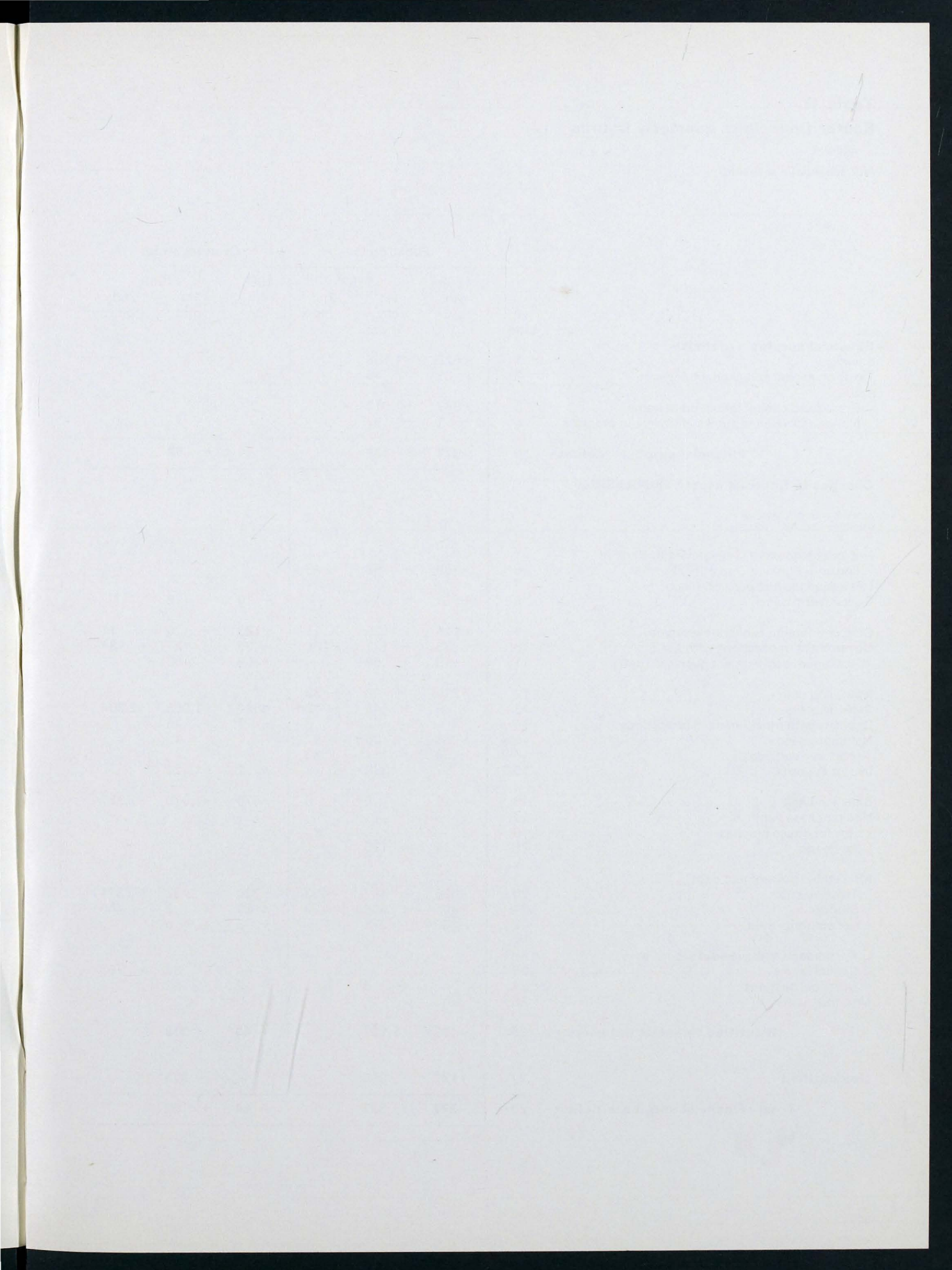
The other bank assets included in domestic credit consist of nearly all their lending to the private sector, together with their sterling lending to overseas customers (which is used largely to finance expenditure on U.K. products). The total amount lent in these ways was much smaller in the second quarter.

In total, domestic credit contracted by £77 million in the second quarter. This is the first time that there has been a reduction in domestic credit in this quarter in the years for which comparable quarterly data are available (1963 onwards).

The banks' remaining assets consist largely of overseas lending in foreign currencies, which went up by £2,337 million in the second quarter, more than twice as much as in the first. This reflected the greatly increased activity in the euro-dollar market, and the rise in the banks' lending was accompanied by a similarly sharp rise in foreign currency deposits taken from overseas residents. In total, bank

assets and liabilities rose by £2,337 million (as compared with £644 million in the first quarter). Domestic assets and liabilities both changed relatively little. The small rise in domestic bank deposits, accompanied by a slight fall in currency in circulation, meant that there was barely any change in money supply—which increased by only £4 million.





**Table H**  
**Sector financing: quarterly figures**

£ millions

*Not seasonally adjusted*

Line	Public sector			Overseas sector		
	1968 4th qtr.	1969 1st qtr.	1969 2nd qtr.	1968 4th qtr.	1969 1st qtr.	1969 2nd qtr.
<b>Financial surplus +/deficit—</b>						
Saving	1	+628	+1,768			
Taxes on capital and capital transfers	2	- 39	+ 45			
<i>less:</i>						
Gross fixed capital formation at home	3	-967	-1,013			
Increase in value of stocks and work in progress	4	+ 1	+ 37			
<b>Financial surplus+/deficit—</b>	5	<b>-377</b>	<b>+ 837</b>	<b>+ 44</b>	<b>+ 62</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	- 67	+ 86	+ 43		
Life assurance and pension funds	7					
Government loans	8	+ 23	+ 9	- 10	- 6	
Gold and foreign exchange reserves	9	-123	+ 20	- 11	+123	- 20 + 11
Government transactions with I.M.F.	10	+ 35	+ 127	-134	- 35	- 127 + 134
Miscellaneous investment overseas (net)	11	+113	+ 58		-205	- 66
Notes and coin	12	-210	+ 98	- 39		
Bank deposits	13	+ 9	+ 48	- 12	+544	+1,056 +2,304
Deposits with other financial institutions	14				- 7	+ 25
National savings	15.1	+ 36	- 25	+ 92		
Tax reserve certificates	15.2	- 68	+ 114	- 33		
Import deposits	15.3	- 77	- 268		+ 1	+ 24
Bank lending	16	- 20	+ 9	+ 6	-676	-1,075 -2,357
Hire purchase debt	17	+ 3	—			
Loans for house purchase	18	—	—			
Other loans	19	+ 39	+ 125			
Marketable government debt :						
Treasury bills	20	-536	+ 487	+493	+330	- 32 - 371
Stocks	21	+405	+ 506	- 95	+ 22	+ 2 + 55
Local authority debt	22	- 60	- 278		+ 3	+ 5
U.K. company and overseas securities :						
Capital issues	23				- 44	- 82 - 63
Other transactions	24	—	+ 6		- 2	+ 83
Unit trust units	25					
<b>Identified financial transactions</b>	26	<b>-498</b>	<b>+1,122</b>	<b>+ 44</b>	<b>- 213</b>	
<b>Unidentified</b>	27	<b>+121</b>	<b>- 285</b>	<b>—</b>	<b>+ 275</b>	
<b>Total=Financial surplus +/deficit—</b>	28	<b>-377</b>	<b>+ 837</b>	<b>+ 44</b>	<b>+ 62</b>	

## Private sector

Persons			Industrial and commercial companies			Banks			Other financial institutions			Line
1968 4th qtr.	1969 1st   2nd qtr.   qtr.		1968 4th qtr.	1969 1st   2nd qtr.   qtr.		1968 4th qtr.	1969 1st   2nd qtr.   qtr.		1968 4th qtr.	1969 1st   2nd qtr.   qtr.		
+307	+902		+1,031	+116		+156	-141					1
- 72	-142		+ 111	+ 97								2
-277	-243		- 773	-581		- 83	- 92					3
- 49	- 71		- 162	-305								4
<b>- 91</b>	<b>+446</b>		<b>+ 207</b>	<b>-673</b>		<b>+ 73</b>	<b>-233</b>					5
+365	+360		- 13	- 3		+ 67	- 86	- 43	-365	-360		6
- 1	-								+ 1	-		7
												8
												9
			+ 92	+ 4					-	+ 4		10
												11
+ 38	+ 18	- 2	+ 18	+ 38	- 2	+ 154	- 154	+ 43				12
+138	- 18	+ 69	+ 408	-462	-134	-1,170	- 618	-2,312	+ 71	- 6	+ 85	13
+310	+268		+ 10	+ 8					-313	-301		14
- 36	+ 25	- 92										15.1
+ 33	- 33	+ 5	+ 35	- 84	+ 26	+ 2	+ 3	+ 4	- 2	-	- 2	15.2
			+ 76	+244								15.3
+ 90	+ 83	- 6	- 375	-412	- 44	+ 955	+1,400	+2,409	+ 26	- 5	- 8	16
- 43	+ 44		+ 58	- 36					- 18	- 8	+ 9	17
-191	-212					+ 5	-	-	+186	+212		18
+ 40	-105		- 138	- 95		+ 6	- 10	+ 2	+ 53	+ 85		19
			- 24	- 2		+ 220	- 443	- 108	+ 10	- 10		20
-175	-165					- 234	- 315	- 68	- 18	- 28		21
+ 37	+ 19		- 40	- 19		- 40	+ 226	+ 75	+100	+ 47		22
			- 166	-194	-162	- 1	- 5	- 3	- 31	- 47	- 23	23
-117	-195		+ 111	+104		+ 34	+ 12	+ 13	+216	+318		24
+ 72	+ 91								- 72	- 91		25
<b>+560</b>	<b>+180</b>		<b>+ 52</b>	<b>-909</b>		<b>- 2</b>	<b>+ 10</b>	<b>+ 12</b>	<b>-156</b>	<b>-190</b>		26
<b>-651</b>	<b>+266</b>		<b>+ 155</b>	<b>+236</b>		<b>+231</b>	<b>- 53</b>					27
<b>- 91</b>	<b>+446</b>		<b>+ 207</b>	<b>-673</b>		<b>+ 73</b>	<b>-233</b>					28

**Table J**  
**Domestic credit expansion and increase in the money supply**

£ millions

Changes in period: not seasonally adjusted

	Public sector borrowing				Bank assets	
	Total public sector borrowing [= Cols. 2 to 5]	Sales+ of debt to private sector (other than banks)	Currency in circulation with the public	Overseas lending to public sector	Bank lending to public sector	Bank lending to private sector <sup>a</sup>
	1	2	3	4	5	6
<b>Financial years</b>						
1966/67	1,188	623	125	29	411	- 98
1967/68	1,953	432	106	1,441	- 26	675
1968/69	437	-137	69	412	93	529
<b>Quarters</b>						
1968 Jan.-Mar.	- 344	- 39	39	481	-825	331
Apr.-June	547	51	61	345	90	342
July-Sept.	568	145	-104	- 69	596	-339
Oct.-Dec.	521	- 72	56	342	195	207
1969 Jan.-Mar.	-1,199	-261	56	- 206	-788	319
Apr.-June	..	..	- 4	- 58	-101	50

	Money supply		
	Total money supply [= Cols. 13 +14]	Currency in circulation with the public	Bank deposits of domestic sectors
	12	13	14
<b>Financial years</b>			
1966/67	390	125	265
1967/68	1,239	106	1,133
1968/69	919	69	850
<b>Quarters</b>			
1968 Jan.-Mar.	- 314	39	- 353
Apr.-June	519	61	458
July-Sept.	100	-104	204
Oct.-Dec.	682	56	626
1969 Jan.-Mar.	- 382	56	- 438
Apr.-June	4	- 4	8

.. not available.

<sup>a</sup> Other than in foreign currency for investment abroad.

<sup>b</sup> D.C.E. also equals *columns 1 - 2 + 6 + 7*.

included in D.C.E.		Other bank assets			
Bank lending in sterling to overseas	Total D.C.E. <sup>b</sup> [= Cols. 3 to 7]	Bank lending in foreign currency to overseas	Bank lending in foreign currency to private sector for investment overseas	Total bank assets = liabilities [= Cols. 5 to 7, 9 and 10]	
7	8	9	10	11	
36	503	817	15	1,181	<b>Financial years</b>
66	2,263	1,510	75	2,300	1966/67
72	1,175	3,147	160	4,001	1967/68
					1968/69
60	86	673	30	269	<b>Quarters</b>
77	915	1,030	22	1,561	1968 Jan.-Mar.
-13	71	365	35	644	Apr.-June
16	816	666	68	1,152	July-Sept.
- 8	- 627	1,086	35	644	Oct.-Dec.
36	- 77	2,337	15	2,337	1969 Jan.-Mar.
					Apr.-June

#### Bank liabilities

Bank deposits of overseas	Non-deposit liabilities (net)	Total bank liabilities = assets [= Cols. 14 to 16]	
15	16	17	
774	142	1,181	<b>Financial years</b>
1,118	49	2,300	1966/67
3,054	97	4,001	1967/68
			1968/69
628	- 6	269	<b>Quarters</b>
1,057	46	1,561	1968 Jan.-Mar.
397	43	644	Apr.-June
544	- 18	1,152	July-Sept.
1,056	26	644	Oct.-Dec.
2,304	25	2,337	1969 Jan.-Mar.
			Apr.-June

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

### Sources

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

### Definitions (line numbers refer to Table H)

**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 7 of the annex (including the National Giro).

**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, authorised unit trusts, property 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 and stock appreciation. It includes additions to tax, dividend and interest 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: 1968, 4th qtr. +144; 1969, 1st qtr. -439).

**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 public sector pension schemes where separate pension funds are not maintained.

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

**Line 9 Gold and foreign exchange reserves** Changes in the sterling equivalent of gold and convertible and non-convertible currencies held 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. Includes exchange adjustments – see footnote *d* to Table 17 of the annex.

**Line 12 Notes and coin** Changes in Bank of England notes – treated here as liabilities of the public sector – in banks' liabilities on account of issues of Scottish and Northern Irish notes, and in coin.

**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 7 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. Changes in negotiable dollar certificates of deposit held outside the banking sector are attributed to overseas residents, and changes in negotiable sterling certificates – in the absence of other information, and assuming that holdings by other financial institutions are small – to industrial and commercial companies. Changes in overseas deposits also include unallocated items, thought to relate mainly to overseas funds placed through other U.K. banks acting as agents; because of this, the figures in this table will be different from changes derived from Table 7 (2) of the annex.

**Line 14 Deposits with other financial institutions** Includes building society shares.

**Line 15.1 National savings** Includes accrued interest. Excludes 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 estimates of 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, and lending by the public sector to housing associations.

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

<sup>1</sup> More detailed notes were given in the June *Bulletin*, page 167.

*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.

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

*Capital issues* 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 13 of the annex); capital issues by U.K. companies in overseas centres are also included here. Commission and other costs paid by other financial institutions are deducted from their transactions. The entries for persons are residuals.

*Line 25 Unit trust units* Purchases less sales of units of authorised unit trusts. It is assumed that all transactions are between unit trust managers and persons.

*Line 27 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.