

## Analysis of financial statistics: July-September 1969

The analysis deals mainly with flows of funds between the various sectors in the third quarter of 1969, the latest period for which complete statistics are available. There is comment on the fourth quarter where information permits, but this is quite limited; in particular, it has not been possible to include banking sector figures for this quarter because of the delay, for the reasons mentioned on page 67, in publishing the details for some groups of banks at 31st December. As a consequence no figures of domestic credit or money supply are given in the analysis, though changes are briefly discussed in the Commentary. The analysis uses seasonally adjusted figures. Unadjusted figures are given in Table J and notes on sources and definitions begin on page 27.

### **Background**

The course of demand has been discussed in the Commentary in constant price terms. It is flows of income and expenditure at current prices which impinge most directly upon financial flows between the sectors, and it is these which are considered here. Components of demand are set out in summary form in Table A. Exports of goods and services were the most buoyant element in the first nine months of 1969. In the third quarter they rose by 4% at current prices. Imports on the other hand grew more slowly – and in the third quarter hardly at all. Fixed investment rose quite sharply in this quarter. The course of private fixed investment (apart from housing) had been obscured around the end of 1968 by movements associated with the reduction in the rate of investment grants after the end of that year. But in the third quarter of 1969 it was at least 5% higher than in the second – a rise which owed little or nothing to the earlier distortions. In the public sector, house-building recovered from a dip in the second quarter and investment in public services rose, but other fixed investment, particularly by the nationalised industries, fell further. Personal consumption continued to rise modestly and, largely because of price increases, current spending by public authorities rose quite sharply. Against these increases in demand must be set a reduction in the rate of stock-building. In the third quarter, excluding stock appreciation, there can have been little change in total holdings of stocks, which were historically low in relation to output.

Demand, whether from the public or private sectors, or from overseas, generates income for the most part in the private sector (in the form of wages and salaries, company profits, etc.) – although part finds its way to the public sector in the form of indirect taxation and the income of the nationalised industries. The public sector finances the greater part of its expenditure through large net accruals from the private sector; receipts by way of taxation are only partly offset by transfer payments such as welfare benefits

**Table A**  
**Income and expenditure**

£ millions					
Seasonally adjusted					
	1969 Quarters	Public	Persons	Companies	Overseas
Gross income <sup>a</sup>	1st	4,816	9,514	2,341	535
	2nd	4,905	9,481	2,416	556
	3rd	5,078	9,661	2,404	573
<hr/>					
<i>minus</i>					
Transfer payments <sup>b</sup>	1st	-1,899	-2,022	-1,417	-631
	2nd	-1,872	-2,005	-1,408	-625
	3rd	-1,943	-2,056	-1,402	-627
Consumption	1st	-1,984	-6,927		
	2nd	-1,990	-7,082		
	3rd	-2,053	-7,192		
Capital formation	1st	- 919	- 304	- 999	
	2nd	- 907	- 267	-1,028	
	3rd	- 954	- 304	- 957	
Exports <i>less</i> imports	1st				70
	2nd				4
	3rd				- 87
<hr/>					
<i>equals</i>					
Financial surplus/deficit <sup>c</sup>	1st	14	261	- 75	- 26
	2nd	136	127	- 20	- 65
	3rd	128	109	45	-141

a Including stock appreciation and receipts of dividends, interest, taxes and transfers.

b Payments of dividends, interest, taxes and transfers.

c The net total of the surpluses and deficits is the residual error in the national income accounts.

and investment grants. In recent quarters, largely because rates of taxation have been raised while public expenditure has been kept in check, the balance of income, expenditure and transfers has meant that the public sector has had, first a smaller financial deficit, then, since the beginning of 1969, a financial surplus; and the private sector's surplus has been generally reduced. However, this process seems to have been checked in the third quarter of 1969: because of an increase in public expenditure and the continued improvement in the balance of payments, the financial surplus of the private sector probably rose.

#### Public sector

In the third quarter, as can be seen from Table B, the public sector remained in surplus as it had been, most unusually, throughout the year. But, for the first time in two years, the out-turn was not better than in the previous quarter. The sector's *current* surplus continued upwards, current expenditure on goods and services rising less fast than tax revenue; the increase in rates of selective employment tax in July had a particularly marked effect, because refunds to the private sector continued at the old rate during the quarter. On the other hand, capital spending, which had been falling, rose in the third quarter as local authority housebuilding and investment in public services revived. In all, the sector was able to repay about the same large amount of debt as in the second quarter. Net receipts from the import deposit scheme (here treated as a form of borrowing) had been considerable in the previous three quarters, but receipts and repayments were roughly in balance during the third quarter, so that there was less

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

£ millions

Seasonally adjusted

	1968				1969		
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Saving (current surplus)	+ 579	+ 699	+ 798	+ 936	+ 901	+ 1,070	+ 1,132
Capital transfers (net)	- 51	- 51	- 49	- 39	+ 32	- 27	- 50
Capital expenditure	- 992	- 971	- 949	- 963	- 919	- 907	- 954
<b>Financial surplus + /deficit -</b>	<b>- 464</b>	<b>- 323</b>	<b>- 200</b>	<b>- 66</b>	<b>+ 14</b>	<b>+ 136</b>	<b>+ 128</b>
Lending etc. (increase +) <sup>a</sup>	+ 94	- 56	+ 33	+ 210	+ 141	- 23	- 28
Import deposits (increase -)				- 77	- 268	- 217	+ 7
External finance (increase in liabilities -):							
Central government	- 600	- 451	+ 155	- 270	+ 83	+ 32	+ 38
Local authorities	+ 13	+ 60	- 5	- 11	+ 7	-	- 41
Public corporations	-	-	-	-	- 7	- 31	- 28
	<u>- 587</u>	<u>- 391</u>	<u>+ 150</u>	<u>- 281</u>	<u>+ 83</u>	<u>+ 1</u>	<u>- 31</u>
Domestic borrowing (increase in liabilities -):							
Central government:							
From banks	+ 227	- 12	- 216	+ 235	+ 211	+ 305	+ 269
Other	- 67	+ 150	- 49	+ 144	+ 185	- 4	- 119
Local authorities: <sup>b</sup>							
From banks	- 96	- 31	- 80	- 54	- 134	- 88	+ 103
Other	- 58	- 169	- 56	- 102	- 57	- 35	- 119
Public corporations	+ 96	+ 7	- 34	- 27	+ 14	+ 7	- 31
	<u>+ 102</u>	<u>- 55</u>	<u>- 435</u>	<u>+ 196</u>	<u>+ 219</u>	<u>+ 185</u>	<u>+ 103</u>
<b>Identified financial transactions</b>	<b>- 391</b>	<b>- 502</b>	<b>- 252</b>	<b>+ 48</b>	<b>+ 175</b>	<b>- 54</b>	<b>+ 51</b>
Unidentified	- 73	+ 179	+ 52	- 114	- 161	+ 190	+ 77

<sup>a</sup> Consisting principally of public corporations' trade credit, other loans by the public sector, and bank deposits.

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

scope than before for the repayment of other more regular forms of debt.

The improvement in the balance of payments was not reflected in the external financing position of the public sector in the third quarter. Indeed, the sector as a whole received a small amount of net finance from overseas. More overseas money went to the local authorities (including their first loan raised abroad), but the central government could reduce their net external finance only slightly more than in the second quarter, for funds generally were moving out of sterling in anticipation of the Deutschemark revaluation. In the fourth quarter, by contrast, the central government reduced their net liabilities to overseas by as much as £430 million.

The central government's repayments of domestic debt - other than import deposits - were considerably smaller in total in the third quarter than in the second. But they borrowed much more from the general public than for a long time. The public's encashment of national savings was, at £50 million, only half as large as in the previous quarter, and their purchases of gilt-edged stocks totalled as much as £200 million. The Government were therefore able to continue to repay debt to the banks (their residual source of finance) on much the same scale as in the previous quarter.

To meet the revival in their fixed investment programmes, the local authorities needed more finance in the third quarter than in the second. As rates charged by the Public

Works Loan Board were up to  $\frac{3}{4}$ % below those for market mortgages, local authorities preferred to take a large part of their finance from the central government. (Such intra-sector transactions do not appear in Table B.) Their total borrowing from outside the public sector therefore fell away, but as they obtained a considerable amount from the general public they made unusual and large repayments to the banks.

### Overseas sector

The increasing current surplus in the balance of payments is reflected in the sector accounts by the growing financial deficit of the overseas sector. Table C shows the course of this deficit, and the ways in which the overseas sector's net liabilities to the United Kingdom have increased.

**Table C**

### Overseas sector<sup>a</sup>

£ millions

Seasonally adjusted

	1968				1969		
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
<b>Financial surplus +/deficit -</b>	+ 91	+101	+ 7	+ 66	- 26	- 65	-141
<b>Financial transactions by overseas sector</b>							
Claims on U.K. increase +/decrease -							
Liabilities to U.K. increase -/decrease +							
<b>Transactions with the U.K. private sector</b>							
Long term:							
Capital issues in United Kingdom:							
Sterling	+ 5	+ 8	+ 30	+ 1	- 4	- 10	+ 22
Foreign currency	- 64	- 87	- 81	- 45	- 80	- 53	- 37
Other transactions in company and overseas securities	+ 2	+ 20	+101	- 7	+ 66	+119	+ 86
Miscellaneous private investment	- 73	- 5	+ 59	- 69	- 8	- 63	- 12
	-130	- 64	+109	-120	- 26	- 7	+ 59
Monetary:							
Deposits with U.K. banks	-181	- 68	+ 94	- 82	-106	- 47	-107
less claims of U.K. banks <sup>b</sup>	+ 11	-143	- 41	- 60	+ 84	- 16	- 34
Other	-170	-211	+ 53	-142	- 22	- 63	-141
Balancing item	-190	+ 6	- 4	+ 58	+105	- 1	- 52
	-490	-269	+158	-204	+ 57	- 71	-134
<b>Transactions with the U.K. public sector</b>							
Lending etc. <sup>c</sup>	- 6	- 21	- 1	- 11	-	+ 6	- 31
External finance of: <sup>d</sup>							
Central government	+600	+451	-155	+270	- 83	- 32	- 38
Local authorities	- 13	- 60	+ 5	+ 11	- 7	+ 1	+ 35
Public corporations	-	-	-	-	+ 7	+ 31	+ 27
	+581	+370	-151	+270	- 83	+ 6	- 7

a It has not been possible to include in this table the balance of payments estimates for the fourth quarter and revisions to previous quarters released in March and appearing in the annex, Table 18.

b Other than purchases of securities.

c Those overseas transactions with the U.K. public sector which are not included in D.C.E.

d Those overseas transactions with the U.K. public sector which are included in D.C.E.

The long-term capital account has improved as well as the current balance. Thus the outward flow of long-term capital from the private sector has fallen away in recent quarters, and in the third quarter there was a net inflow. There was less investment by U.K. companies in affiliated companies overseas; capital raised in sterling by the

overseas sector was outweighed by the redemption of an Australian stock which cost some £30 million; and although overseas purchases of U.K. company securities fell back somewhat, they were still unusually large. There were, however, further withdrawals from monetary balances in the third quarter. Despite the improvement in the current account, uncertainties in the currency markets associated with the devaluation of the French franc and the prospective revaluation of the Deutschmark caused a considerable outflow, both recorded and unrecorded.

#### Private sector

The financial position of the private sector has been helped in recent quarters both by the considerable expansionary effect of greater export sales (and restrained imports) and, to a smaller extent, by the growth in public expenditure. But increased payments of taxes have worked in the opposite direction. The net effect of these influences seems to have been to reduce the financial surplus of the private sector from the middle of 1968 up to the second quarter of 1969 (when the sector may have been in deficit). In the third quarter the position eased somewhat. The movements shown in the national income accounts need to be considered in the light of changes in the residual error (the difference between the independent estimates of total income and total expenditure) because much of this error probably affects the statistics of the private sector. Indirect estimates of the private sector's deficit derived from the sum of the surpluses and deficits of the public and overseas sectors are therefore used here.

**Table D**  
**Summary of sector positions**

£ millions

Seasonally adjusted

	1968				1969		
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
<b>Financial surpluses +/ deficits -</b>							
Public sector	-464	-323	-200	-66	+ 14	+136	+128
Overseas sector	+ 91	+101	+ 7	+66	- 26	- 65	-141
	-373	-222	-193	—	- 12	+ 71	- 13
Private sector	+349	+370	+227	-29	+186	+107	+154
Residual error	+ 24	-148	- 34	+29	-174	-178	-141

#### Personal sector

It is difficult to know how much of the financial stringency of the private sector has been borne by each of its constituent parts, but persons have apparently been less affected than companies. The measured financial surplus of the personal sector has fluctuated in recent quarters (the difficulties of measuring personal income and expenditure are well known) but, in the aggregate, personal finances do not seem to have become any more difficult in 1969 than in the previous year.

Even so, the net position of the sector as a whole is not an adequate indicator of the ease or tightness of conditions at particular points within it. For example, people have certainly found it harder to borrow; and, for most purposes,

borrowing has also been made more costly since the 1969 Budget disallowed tax relief on most loans. Housing finance has been quite tight for several quarters, mainly because the building societies have for much of the time had difficulty in attracting funds. The banks, in pursuit of credit control directives, have been pressing people to repay debt, and the hire purchase finance houses too have been subject to restraint.

**Table E**

**Personal sector**

£ millions

Seasonally adjusted

	1968				1969		
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
<b>Financial surplus</b>	<b>+110</b>	<b>+279</b>	<b>+150</b>	<b>+107</b>	<b>+261</b>	<b>+127</b>	<b>+109</b>
<b>Borrowing —</b>							
For house purchase	-279	-249	-244	-191	-223	-201	-214
Bank borrowing <sup>a</sup>	-23	-30	-70	+80	+98	+19	+56
Hire purchase debt	-29	+17	+4	-14	+9	+12	+17
Other	-25	+3	-5	-13	-64	-14	-13
	-356	-259	-315	-138	-180	-184	-154
<b>Acquisition of financial assets +</b>							
Life assurance and pension funds	+433	+380	+384	+406	+395	+425	+375
Government stocks	-3	-127	+51	-180	-161	+28	+101
Company and overseas securities	-231	-215	-188	-105	-190	-84	-164
Unit trust units	+51	+67	+68	+72	+91	+42	+29
Bank deposits, notes and coin	+144	+292	+257	+36	+133	+28	+48
Building society shares and deposits	+150	+207	+168	+241	+205	+256	+205
National savings	-5	-51	-19	-18	+4	-103	-51
Local authority debt	+36	+113	+103	-7	+20	+29	+132
Other	+65	+50	+38	+64	+57	+12	+1
	+640	+716	+862	+509	+554	+633	+676
<b>Identified financial transactions</b>	<b>+284</b>	<b>+457</b>	<b>+547</b>	<b>+371</b>	<b>+374</b>	<b>+449</b>	<b>+522</b>
<i>Unidentified</i>	-174	-178	-397	-264	-113	-322	-413

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

The largest financial flow from persons is into the life assurance and pension funds. This flow had increased over many years, but it seems to have levelled off since early in 1968. In the third quarter it fell by £50 million to £375 million. People also reduced their direct holdings of equities and debentures by more than in the second quarter and, as the equity market was still unsettled, put less into unit trusts. Their purchases of government stocks and local authority debt, however, increased and there were smaller encashments of national savings than in the second quarter. Personal holdings of cash and bank deposits grew only modestly.

**Companies**

Gross trading profits of companies have not changed very much since the beginning of 1968. In the third quarter of 1969 they fell 3% to £1,268 million. Receipts and payments of interest, and income received from and paid abroad, have all risen. Payments of dividends and taxes have not changed much on balance, and company saving has been fairly static as well.

### Industrial and commercial companies

Saving by industrial and commercial companies has also been reasonably stable for some time. Their fixed capital formation (particularly in manufacturing industry) rose in the third quarter, but investment in stocks, already at a low rate, slackened further; indeed, leaving aside stock appreciation (which is included in the figures in Table F), there will have been little change in total holdings of stocks. This may have been partly due to strikes and expectations that the import deposit scheme would soon be terminated, but it may also have owed something to the increasing financial restraints on companies and to higher interest rates. In sum, the financial surplus of companies as given in the national income accounts rose in the third quarter to about £100 million. There is, however, considerable doubt about this; the statistics of financial flows suggest that they were still substantially in deficit.

Payments and repayments of import deposits were roughly in balance in the third quarter, whereas companies had had to find over £500 million in deposits in the previous three quarters. In these circumstances, they might have

**Table F**  
**Industrial and commercial companies**

£ millions

Seasonally adjusted

	1968				1969		
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Saving	+794	+768	+779	+703	+714	+818	+809
Capital transfers (net)	+108	+106	+105	+112	+128	+123	+135
Fixed investment	-571	-583	-632	-708	-603	-661	-704
Stocks	-65	-187	-126	-226	-290	-226	-139
<b>Financial surplus + /deficit -</b>	<b>+266</b>	<b>+104</b>	<b>+126</b>	<b>-119</b>	<b>-51</b>	<b>+54</b>	<b>+101</b>
<b>Increase in liabilities -</b>							
Overseas investment in U.K. companies	-39	-78	-137	-78	-121	-66	-95
Bank borrowing	-161	-130	+100	-361	-264	-1	-375
Capital issues and long-term borrowing abroad	-51	-122	-164	-194	-190	-172	-71
Identified overseas trade credit	-5	+11	+4	+24	-83	-52	-29
Other borrowing	-36	-46	-44	-79	-3	-116	-67
	-292	-387	-241	-688	-661	-407	-637
<b>Acquisition of financial assets +</b>							
Import deposits				+76	+244	+195	-10
Bank deposits, notes and coin	+35	+154	-177	+246	-101	-203	+91
Other liquid assets <sup>a</sup>	+12	-5	-39	-34	+41	-19	-56
Investment abroad	+125	+175	+94	+212	+175	+184	+202
Company securities	+34	+81	+96	+100	+91	+68	+94
Other	-43	+62	+1	-114	-71	+42	+61
	+163	+467	-25	+486	+379	+267	+382
<b>Identified financial transactions</b>	<b>-129</b>	<b>+80</b>	<b>-266</b>	<b>-202</b>	<b>-282</b>	<b>-140</b>	<b>-255</b>
<i>Unidentified</i>	+395	+24	+392	+83	+231	+194	+356

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

been expected to borrow less in the third quarter; in fact they borrowed much more than in the second. Although capital issues were more than halved (debenture yields rose to about 10½% during the quarter) and less was lent to companies by financial institutions other than banks,

companies' borrowing from banks increased enormously, by £375 million. Why they borrowed so much is not clear and the statistics may exaggerate the position.<sup>7</sup> Possibly some companies were already preparing the ground for unusually large tax payments in the New Year. For the time being, however, a good deal of the borrowing was used within the company sector and so went to rebuild its bank deposits. Companies will also have been able to acquire assets which have not been identified. These may have included gilt-edged stocks – judging by an analysis of the registers which is partly obscured by nominee holdings – but no direct estimates of companies' purchases of gilts are available. Companies were also able to maintain a steady rate of investment abroad.

#### Financial institutions other than banks

The growth of the financial institutions slackened further in the third quarter. Investment in the life assurance and pension funds fell; the building societies received less than in the second quarter (when they had raised their rates); there was hardly any investment in the savings banks (whose interest rates remained low); and sales of unit trust units were at their lowest for nearly two years.

**Table G**  
**Financial institutions other than banks**

£ millions	1968				1969		
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Seasonally adjusted							
<b>Sources of funds</b> (increase –)							
Life assurance and pension funds	– 433	– 380	– 384	– 406	– 395	– 425	– 375
Building society shares and deposits	– 150	– 207	– 168	– 241	– 205	– 256	– 205
Other deposits	– 38	+ 20	– 17	– 48	– 114	+ 4	– 11
Capital issues	– 26	– 13	– 61	– 32	– 47	– 22	– 15
Unit trust units	– 51	– 67	– 68	– 72	– 91	– 42	– 29
Other (mainly bank) borrowing	+ 1	– 95	+ 50	+ 7	+ 23	– 3	– 8
	<b>– 697</b>	<b>– 742</b>	<b>– 648</b>	<b>– 792</b>	<b>– 829</b>	<b>– 744</b>	<b>– 643</b>
<b>Acquisition of financial assets +</b>							
Short-term assets	– 17	+ 21	– 29	+ 150	+ 58	+ 54	+ 83
Government stocks	+ 28	+ 16	+ 21	– 18	– 29	+ 78	+ 94
Company and overseas securities:							
Ordinary	+ 172	+ 215	+ 186	+ 147	+ 175	+ 23	+ 45
Debentures	+ 62	+ 68	+ 84	+ 80	+ 134	+ 102	+ 21
Other	– 2	–	– 15	– 14	+ 3	– 5	– 12
Loans for house purchase	+ 283	+ 238	+ 225	+ 186	+ 224	+ 207	+ 218
Long-term lending to local authorities	+ 7	+ 32	+ 28	+ 29	+ 25	+ 10	+ 7
Hire purchase claims	+ 16	– 16	+ 2	+ 4	– 6	– 13	– 2
Other lending	+ 55	+ 48	+ 44	+ 37	+ 89	+ 91	+ 60
	<b>+ 604</b>	<b>+ 622</b>	<b>+ 546</b>	<b>+ 601</b>	<b>+ 673</b>	<b>+ 547</b>	<b>+ 514</b>

Taken as a group, the institutions made considerable purchases of gilt-edged stocks during the quarter. The savings banks, short of new funds, necessarily bought little, and the building societies, whose net lending to house purchasers was rising faster than the inflow of deposits, were sellers of stocks. But the insurance companies more than doubled their purchases, and pension funds bought where they had previously sold. The unit trusts and invest-

<sup>1</sup> See December 1969 *Bulletin*, page 415.



ment trusts (each essentially investors in equities) also continued to buy relatively sizable amounts of gilt-edged.

By contrast, the institutions put less money into companies' stocks and shares. The unit trusts were not in a position to invest much. The investment trusts sold ordinary shares (both U.K. and overseas), added to their liquid assets and repaid some short-term debt. Insurance companies bought a moderate amount of ordinary shares but, most unusually, were net sellers of debentures and loan stocks. The pension funds spent less on both equities and debentures. This continued low demand for equities from the institutions must have helped to keep share prices depressed.

All told, the institutions provided companies with considerably less finance. They spent much less on debentures, because their purchases tend to be of new issues and companies were not coming to the market. Nor did the institutions replace marketable finance with additional non-marketable loans to companies, for this lending was also reduced. Finally, institutional purchases of property, which had been growing rapidly, were slightly smaller than in the second quarter; these purchases can be a way of providing companies with finance through sale and lease-back arrangements.

#### Banking sector and domestic credit

Changes in the banks' assets and liabilities in the third quarter were described in the December 1969 *Bulletin*. Briefly, the public sector, which was in surplus and selling debt to the general public, made large repayments of debt to the banks. Even though its financial position was somewhat easier, the private sector increased its borrowing from the banks, largely because the capital market was weak. The outstanding total of bank lending to domestic sectors was thus little changed. But some sterling was lent overseas and the public sector received a small amount of external finance, so that domestic credit expanded a little in the third quarter, having contracted in the previous six months.

**Table H**  
**Banking sector**

£ millions

Seasonally adjusted

Lending: increase +/decrease -  
Deposits: increase -/decrease +

	1968				1969		
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
<b>Private sector:</b>							
Lending	+182	+288	-48	+291	+163	-7	+342
Deposits	-113	-435	-103	-261	-75	+137	-194
<b>Net lending</b>	<b>+69</b>	<b>-147</b>	<b>-151</b>	<b>+30</b>	<b>+88</b>	<b>+130</b>	<b>+148</b>
<b>Public sector:</b>							
Lending	-227	+33	+332	-159	-88	-223	-341
Deposits	+15	+42	-13	-10	-73	+49	-17
<b>Net lending</b>	<b>-212</b>	<b>+75</b>	<b>+319</b>	<b>-169</b>	<b>-161</b>	<b>-174</b>	<b>-358</b>
Total domestic lending	-45	+321	+284	+132	+75	-230	+1
Total domestic deposits	-98	-393	-116	-271	-148	+186	-211
Net lending overseas <sup>a</sup>	+188	+67	-95	+88	+109	+63	+103
Non-deposit liabilities (net)	-45	+5	-73	+51	-36	-19	+107

<sup>a</sup> Claims on overseas net of overseas deposits.

## Table J – notes on sources and definitions<sup>1</sup>

### Sources

The main statistical series used in compiling Table J 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 J)

**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 (including the National Giro).

**Other financial institutions** Insurance companies, pension funds, building societies, investment trusts, hire purchase finance companies, National Savings Bank (investment accounts only), special investment departments of trustee savings banks, 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: 1969, 1st qtr. -389; 2nd qtr. -145; 3rd qtr. +23).

**Line 6 Net indebtedness of Government to Bank of England, Banking Department** See footnote *f* 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. Bills drawn on overseas residents which have been refinanced with the Issue Department of the Bank of England are included here.

**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 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. 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 8 (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 National Savings Bank investment accounts and with special investment departments of trustee savings banks (included in line 14).

**Line 15.3 Import deposits** The figures for the overseas sector are for direct payments only.

**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.

(continued on page 30)

<sup>1</sup> More detailed notes were given in the June 1969 *Bulletin*, page 167.

**Table J**
**Sector financing: quarterly figures**

£ millions

Not seasonally adjusted

	Line	Public sector			Overseas sector <sup>a</sup>		
		1969			1969		
		1st qtr.	2nd qtr.	3rd qtr.	1st qtr.	2nd qtr.	3rd qtr.
<b>Financial surplus + /deficit -</b>							
Saving	1	+1,786	+799	+783			
Taxes on capital and capital transfers	2	+ 32	- 27	- 50			
<i>less:</i>							
Gross fixed capital formation at home	3	-1,008	-836	-920			
Increase in value of stocks and work in progress	4	+ 42	- 23	- 28			
<b>Financial surplus + /deficit -</b>	<b>5</b>	<b>+ 852</b>	<b>- 87</b>	<b>-215</b>	<b>+ 11</b>	<b>- 136</b>	<b>- 124</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	+ 86	+ 43	+ 38			
Life assurance and pension funds	7						
Government loans	8	+ 10	+ 13	+ 28	- 6	- 9	- 25
Gold and foreign exchange reserves	9	+ 20	- 11	- 4	- 20	+ 11	+ 4
Government transactions with I.M.F.	10	+ 127	-134	+ 11	- 127	+ 134	- 11
Miscellaneous investment overseas (net)	11	+ 59	- 83	- 85	- 5	+ 23	+ 46
Notes and coin	12	+ 98	- 39	+ 7			
Bank deposits	13	+ 48	- 12	+ 6	+1,061	+2,325	+ 913
Deposits with other financial institutions	14				+ 25	- 16	- 11
National savings	15.1	- 25	+ 90	+ 67			
Tax reserve certificates	15.2	+ 114	- 33	- 18			
Import deposits	15.3	- 268	-217	+ 7	+ 24	+ 22	+ 3
Bank lending	16	+ 11	+ 6	- 32	-1,077	-2,357	-1,072
Hire purchase debt	17	-	+ 1	-			
Loans for house purchase	18	- 1	- 6	- 9			
Other loans	19	+ 126	-113	+ 19			
Marketable government debt:							
Treasury bills	20	+ 487	+493	+ 61	- 32	- 372	- 61
Stocks	21	+ 505	- 95	-166	-	+ 57	+ 34
Local authority debt	22	- 278	-127	- 79	+ 6	+ 5	+ 26
U.K. company and overseas securities:							
Capital issues	23				- 84	- 63	- 15
Other transactions	24	+ 6	- 30	- 16	+ 66	+ 150	+ 107
Unit trust units	25						
<b>Identified financial transactions</b>	<b>26</b>	<b>+1,125</b>	<b>-254</b>	<b>-165</b>	<b>- 169</b>	<b>- 90</b>	<b>- 62</b>
<i>Unidentified</i>	27	- 273	+167	- 50	+ 180	- 46	- 62
<b>Total = Financial surplus + /deficit -</b>	<b>28</b>	<b>+ 852</b>	<b>- 87</b>	<b>-215</b>	<b>+ 11</b>	<b>- 136</b>	<b>- 124</b>

a It has not been possible to incorporate in this table the revised balance of payments estimates released in March.

**Private sector**

Persons			Industrial and commercial companies			Banks			Other financial institutions			Line
1969			1969			1969			1969			
1st qtr.	2nd qtr.	3rd qtr.	1st qtr.	2nd qtr.	3rd qtr.	1st qtr.	2nd qtr.	3rd qtr.	1st qtr.	2nd qtr.	3rd qtr.	
+869	+415	+520	+130	+1,078	+887							1
-141	-86	-78	+128	+123	+135	-141	+151	+141				2
						-19	-10	-7				
-241	-241	-282	-582	-652	-688	-109	-128	-107				3
-71	-40	-25	-297	-242	-180							4
<b>+416</b>	<b>+48</b>	<b>+135</b>	<b>-621</b>	<b>+307</b>	<b>+154</b>	<b>-269</b>	<b>+13</b>	<b>+27</b>				5
						1969			1969			
						1st qtr.	2nd qtr.	3rd qtr.	1st qtr.	2nd qtr.	3rd qtr.	
+395	+425	+375	-4	-4	-4	-86	-43	-38	-395	-425	-375	6
	-1									+1	+1	7
												8
			-58	+43	+64				+4	+17	-25	9
												10
+18	-2	-12	+38	-2	-33	-154	+43	+38	+4	+17	-25	11
-18	+69	+11	-467	-155	+225	-618	-2,312	-1,201				12
+268	+250	+210	+8	+16	+20				-6	+85	+46	13
+25	-90	-67							-301	-250	-219	14
-33	+5	+2	-84	+26	+10	+3	+4	+6		-2		15.1
			+244	+195	-10							15.2
												15.3
+83	-5	+86	-412	-43	-180	+1,400	+2,408	+1,195	-5	-9	+3	16
+44	+7	+16	-36	-18	-15				-8	+10	-1	17
-211	-203	-223							+212	+209	+227	18
-105	+7	-41	-91	+20	-40	-10	+2	-2	+80	+84	+64	19
-161	+28	+101	-2	-11	+2	-443	-108	-14	-10	-2	+12	20
+21	+24	+92	-19	-5	-12	-315	-68	-63	-29	+78	+94	21
						+226	+75	-68	+44	+28	+41	22
-190	-84	-164	-194	-162	-66	5	3	1	-47	-22	-15	23
+91	+42	+29	+114	+91	+108	+12	+13	+13	+322	+110	+49	24
									-91	-42	-29	25
<b>+227</b>	<b>+472</b>	<b>+415</b>	<b>-963</b>	<b>-9</b>	<b>+69</b>	<b>+10</b>	<b>+11</b>	<b>-130</b>	<b>-230</b>	<b>-130</b>	<b>-127</b>	26
+189	-424	-280	+342	+316	+85				-49	+132	+284	27
<b>+416</b>	<b>+48</b>	<b>+135</b>	<b>-621</b>	<b>+307</b>	<b>+154</b>				<b>-269</b>	<b>+13</b>	<b>+27</b>	28

*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.

*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; capital issues by U.K. companies and public corporations 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. Purchases of property units by charities are included in line 19.

*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.