

## Analysis of financial statistics: Third quarter 1972

*The analysis deals mainly with the flow of funds between the various sectors in the third quarter of 1972, the latest period for which a full set of statistics is available. Comment on the fourth quarter is largely confined to the banking sector, money supply, external currency flow, and central government financing. The analysis is based throughout on seasonally adjusted figures. Unadjusted flows for the third quarter are given in Table H and a seasonally adjusted matrix in Table J. Notes on sources, definitions and seasonal adjustments appear on pages 32–3.*

### **Economic developments**

The present estimates of the expenditure and income measures of economic activity in the third quarter of 1972 show a much wider divergence than usual. From the expenditure side, the statistics suggest that the value of the gross domestic product at current prices was about 2% greater than in the second quarter. Consumers' expenditure and public consumption continued to rise quite strongly, but exports were well down, largely under the influence of the dock strike in July and August. Spending on capital formation as a whole was very little greater than in the June quarter – fixed investment increased slightly but stocks were reduced at about the same rate as in the previous quarter.

On the income side, domestic incomes at current prices were some 3½% greater on present estimates, but this was partly due to large stock appreciation in the September quarter, without which company profits would have fallen instead of rising slightly. Income from employment was particularly buoyant, in part a result of accelerating wage rates, and underpinned the continuing increase in consumers' expenditure. In all, the estimate of G.D.P. at current prices derived from income data suggests a growth of as much as 2¾% in the third quarter.

The financial surpluses or deficits resulting from the income and expenditure of each sector broadly followed the pattern evident in the second quarter of the year (see Table A). Thus persons were in large surplus, companies (here including banks and other financial institutions) roughly in balance, and the public sector heavily in deficit. However, the current account of the U.K. balance of payments moved from surplus into deficit – the deterioration being accentuated by the immediate effects of the depreciation of sterling as well as by the impact of the dock strike. The overseas sector was therefore in surplus for the first time since 1968.

Personal saving was rather smaller than in the second quarter; wages and salaries continued to rise, but the increase, after tax, was outweighed by the further growth of consumption. Even so, persons did not have a very much smaller financial surplus, for their capital spending (which is predominantly on housing) dropped below the particularly high rate seen in the June quarter, possibly in part as a result of

strikes in the construction industry. The company sector (including financial companies) is thought to have increased its saving substantially, partly because the higher interest rates prevailing in the period brought the banks and other financial institutions greater income from other sectors. But as the sector increased its capital expenditure by about as much as its current saving, its overall financial position was again apparently one of rough balance. By contrast, the public sector had an appreciably smaller current surplus (saving) in the third quarter than in the second, principally because its current expenditure was greater; and, as its

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

£ millions

Seasonally adjusted

|                                    | Income from employment and trading <sup>a,b</sup> | Transfer incomes etc. <sup>b</sup> | less Consumption <sup>c</sup> | less Current transfer payments | equals Saving | less Gross domestic capital formation <sup>d</sup> | less Capital transfers (net payments -) | equals Financial surplus/deficit <sup>e</sup> |
|------------------------------------|---|------------------------------------|-------------------------------|--------------------------------|---------------|--|---|---|
| <b>Personal sector</b>             |   |                                    |                               |                                |               |  |   |   |
| 1970 3rd qtr.                      | 7,708   | 3,171                              | -7,924                        | -2,195                         | 760           | - 382  | - 85                                    | 293   |
| 4th qtr.                           | 7,914   | 3,233                              | -8,076                        | -2,256                         | 815           | - 391  | - 88                                    | 336   |
| 1971 1st qtr.                      | 8,044   | 3,195                              | -8,152                        | -2,217                         | 870           | - 369  | - 65                                    | 436   |
| 2nd qtr.                           | 8,269   | 3,349                              | -8,561                        | -2,344                         | 713           | - 463  | - 90                                    | 160   |
| 3rd qtr.                           | 8,508   | 3,431                              | -8,798                        | -2,355                         | 786           | - 461  | - 89                                    | 236   |
| 4th qtr.                           | 8,670   | 3,622                              | -8,993                        | -2,459                         | 840           | - 506  | - 92                                    | 242   |
| 1972 1st qtr.                      | 8,757   | 3,673                              | -9,137                        | -2,543                         | 750           | - 536  | -102                                    | 112   |
| 2nd qtr.                           | 9,168   | 3,878                              | -9,511                        | -2,383                         | 1,152         | - 603  | - 95                                    | 454   |
| 3rd qtr.                           | 9,490   | 3,838                              | -9,788                        | -2,485                         | 1,055         | - 540  | - 85                                    | 430   |
| <b>Company sector<sup>f</sup></b>  |   |                                    |                               |                                |               |  |   |   |
| 1970 3rd qtr.                      | 1,272   | 1,093                              |                               | -1,606                         | 759           | -1,228   | 104                                     | -365  |
| 4th qtr.                           | 1,339   | 1,150                              |                               | -1,618                         | 871           | -1,291   | 126                                     | -294  |
| 1971 1st qtr.                      | 1,360   | 1,210                              |                               | -1,495                         | 1,075         | -1,202   | 164                                     | 37  |
| 2nd qtr.                           | 1,427   | 1,247                              |                               | -1,819                         | 855           | -1,166   | 119                                     | -192  |
| 3rd qtr.                           | 1,520   | 1,256                              |                               | -1,728                         | 1,048         | -1,028   | 114                                     | 134   |
| 4th qtr.                           | 1,462   | 1,259                              |                               | -1,782                         | 939           | -1,044   | 80                                      | - 25  |
| 1972 1st qtr.                      | 1,480   | 1,290                              |                               | -1,743                         | 1,027         | - 978  | 100                                     | 149   |
| 2nd qtr.                           | 1,625   | 1,315                              |                               | -1,982                         | 958           | -1,030   | 76                                      | 4   |
| 3rd qtr.                           | 1,665   | 1,438                              |                               | -1,943                         | 1,160         | -1,205   | 59                                      | 14  |
| <b>Public sector</b>               |   |                                    |                               |                                |               |  |   |   |
| 1970 3rd qtr.                      | 374   | 5,123                              | -2,324                        | -1,871                         | 1,302         | -1,037   | - 19                                    | 246   |
| 4th qtr.                           | 368   | 5,135                              | -2,365                        | -1,907                         | 1,231         | -1,079   | - 38                                    | 114   |
| 1971 1st qtr.                      | 336   | 4,940                              | -2,434                        | -1,887                         | 955           | -1,203   | - 99                                    | -347  |
| 2nd qtr.                           | 416   | 5,482                              | -2,531                        | -1,997                         | 1,370         | -1,146   | - 29                                    | 195   |
| 3rd qtr.                           | 444   | 5,243                              | -2,628                        | -2,052                         | 1,007         | -1,129   | - 25                                    | -147  |
| 4th qtr.                           | 408   | 5,470                              | -2,685                        | -2,212                         | 981           | -1,172   | 12                                      | -179  |
| 1972 1st qtr.                      | 317   | 5,545                              | -2,724                        | -2,357                         | 781           | -1,173   | 2                                       | -390  |
| 2nd qtr.                           | 449   | 5,691                              | -2,805                        | -2,377                         | 958           | -1,252   | 19                                      | -275  |
| 3rd qtr.                           | 478   | 5,686                              | -2,953                        | -2,356                         | 855           | -1,232   | 26                                      | -351  |
| <b>Overseas sector<sup>g</sup></b> |   |                                    |                               |                                |               |  |   |   |
| 1970 3rd qtr.                      |   |                                    |                               |                                |               |  |   | - 81  |
| 4th qtr.                           |   |                                    |                               |                                |               |  |   | -228  |
| 1971 1st qtr.                      |   |                                    |                               |                                |               |  |   | -124  |
| 2nd qtr.                           |   |                                    |                               |                                |               |  |   | -297  |
| 3rd qtr.                           |   |                                    |                               |                                |               |  |   | -361  |
| 4th qtr.                           |   |                                    |                               |                                |               |  |   | -260  |
| 1972 1st qtr.                      |   |                                    |                               |                                |               |  |   | - 38  |
| 2nd qtr.                           |   |                                    |                               |                                |               |  |   | - 84  |
| 3rd qtr.                           |   |                                    |                               |                                |               |  |   | 106   |

<sup>a</sup> Before providing for depreciation and stock appreciation.

<sup>b</sup> Rent and income from self-employment are included with transfer incomes and not with income from trading.

<sup>c</sup> Other than depreciation.

<sup>d</sup> Including stocks.

<sup>e</sup> The sum of sector surpluses and deficits corresponds to the residual error in the national income accounts.

<sup>f</sup> Including financial institutions.

<sup>g</sup> An overseas sector deficit corresponds to a balance of payments surplus on current account.

capital formation was only slightly down, it moved deeper into financial deficit.

### Public sector finance and banking transactions

In the September quarter the public sector once again had a large borrowing requirement, though over £100 million less than in the previous quarter. The sector's financial deficit was considerably larger, but other transactions which contribute to the borrowing requirement required much less finance in total. Within the public sector's requirement, there was a slight increase in the borrowing of the local authorities, but this was more than matched by reductions for the central government and, more particularly, the public corporations.

Sterling was floating throughout the period, and the heavy currency outflow of June was not repeated; the central government thus obtained much less sterling finance from its external transactions as a whole—see Tables B and C. Among domestic transactions, the redemption of two gilt-edged stocks in August was one reason for the relatively

**Table B**  
**Public sector**  
£ millions  
Seasonally adjusted

|   | 1970              |              | 1971         |              |              |              | 1972        |              |              |          |
|---|-------------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|----------|
|   | 3rd qtr.          | 4th qtr.     | 1st qtr.     | 2nd qtr.     | 3rd qtr.     | 4th qtr.     | 1st qtr.    | 2nd qtr.     | 3rd qtr.     | 4th qtr. |
| Capital expenditure   | +1,037            | +1,079       | +1,203       | +1,146       | +1,129       | +1,172       | +1,173      | +1,252       | +1,232       |          |
| less Saving   | -1,302            | -1,231       | - 955        | -1,370       | -1,007       | - 981        | - 781       | - 958        | - 855        |          |
| less Capital transfers (net)  | + 19              | + 38         | + 99         | + 29         | + 25         | - 12         | - 2         | - 19         | - 26         |          |
| <i>equals</i> Financial surplus -/deficit +                           | - 246             | - 114        | + 347        | - 195        | + 147        | + 179        | + 390       | + 275        | + 351        |          |
| Lending and other transactions<br>(increase in assets +) <sup>a</sup> | + 110             | + 143        | + 104        | + 123        | + 85         | + 170        | - 73        | + 157        | + 90         |          |
| Import deposits (repayments +)  | + 80              | + 123        | + 170        | + 110        | + 1          |              |             |              |              |          |
| Unidentified  | - 16              | + 118        | - 67         | + 144        | + 4          | + 53         | - 245       | + 170        | + 49         |          |
| <b>Borrowing requirement<br/>(increase -)</b>                         | <b>+ 72</b>       | <b>- 270</b> | <b>- 554</b> | <b>- 182</b> | <b>- 237</b> | <b>- 402</b> | <b>- 72</b> | <b>- 602</b> | <b>- 490</b> |          |
| <i>Comprising:</i>  |                   |              |              |              |              |              |             |              |              |          |
| <i>Central government:</i>  |                   |              |              |              |              |              |             |              |              |          |
| External transactions   | + 57 <sup>b</sup> | + 446        | + 605        | + 510        | + 809        | + 951        | - 64        | - 922        | - 154        | - 277    |
| Notes and coin with the public  | - 87              | - 57         | - 117        | - 12         | - 52         | - 39         | - 132       | - 133        | - 91         | - 139    |
| Bank borrowing  | - 93 <sup>b</sup> | - 279        | - 13         | - 157        | - 264        | - 484        | + 294       | + 856        | + 136        | - 61     |
| Other domestic borrowing  | + 183             | - 76         | - 761        | - 280        | - 617        | - 641        | - 202       | - 113        | - 185        | - 214    |
|   | + 60              | + 34         | - 286        | + 61         | - 124        | - 213        | - 104       | - 312        | - 294        | - 691    |
| <i>Local authorities:</i>   |                   |              |              |              |              |              |             |              |              |          |
| External finance  | + 10              | + 23         | - 9          | - 49         | + 4          | - 29         | - 41        | + 14         | - 64         |          |
| Bank borrowing  | - 101             | - 183        | - 189        | - 239        | - 152        | - 192        | + 102       | - 61         | - 49         | - 26     |
| Other domestic borrowing  | + 27              | - 47         | + 41         | + 49         | + 14         | + 92         | - 116       | - 83         | - 56         |          |
|   | - 64              | - 207        | - 157        | - 239        | - 134        | - 129        | - 55        | - 130        | - 169        |          |
| <i>Public corporations:</i>   |                   |              |              |              |              |              |             |              |              |          |
| External finance  | - 1               | + 2          | - 83         | - 29         | - 6          | - 7          | - 22        | - 9          | + 5          |          |
| Domestic borrowing  | + 77              | - 99         | - 28         | + 25         | + 27         | - 53         | + 109       | - 151        | - 32         |          |
|   | + 76              | - 97         | - 111        | - 4          | + 21         | - 60         | + 87        | - 160        | - 27         |          |

<sup>a</sup> Consisting principally of lending to overseas and private sectors (including refinancing of export credits and public corporations' identified trade credit) and changes in bank deposits.

<sup>b</sup> These items are affected by a change in method of accounting; see additional notes to Table 5 of the statistical annex.

Table C

Overseas sector<sup>a</sup>

£ millions

## Seasonally adjusted

Claims on U.K.: increase + /decrease -  
 Liabilities to U.K.: increase - /decrease +

|  | 1970              |             | 1971        |             |             |             | 1972        |             |             |             |
|--|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 3rd<br>qtr.       | 4th<br>qtr. | 1st<br>qtr. | 2nd<br>qtr. | 3rd<br>qtr. | 4th<br>qtr. | 1st<br>qtr. | 2nd<br>qtr. | 3rd<br>qtr. | 4th<br>qtr. |
| <b>Financial surplus +/deficit -</b>                 | <b>- 81</b>       | <b>-228</b> | <b>-124</b> | <b>-297</b> | <b>-361</b> | <b>-260</b> | <b>- 38</b> | <b>- 84</b> | <b>+106</b> |             |
| <b>Transactions with the<br/>U.K. private sector</b> |                   |             |             |             |             |             |             |             |             |             |
| Investment flows:                                    |                   |             |             |             |             |             |             |             |             |             |
| Transactions in company<br>and overseas securities   | - 39              | - 47        | - 75        | -127        | +205        | + 90        | -179        | -157        | -132        |             |
| Miscellaneous private<br>investment                  | - 34              | + 30        | + 27        | + 41        | + 29        | - 5         | + 15        | - 63        | + 10        |             |
| Other transactions:                                  |                   |             |             |             |             |             |             |             |             |             |
| Net external transactions by                         |                   |             |             |             |             |             |             |             |             |             |
| U.K. banks <sup>b</sup>                              | +132 <sup>c</sup> | +305        | +180        | +263        | +156        | +532        | +208        | -215        | - 4         | + 10        |
| Other identified                                     | + 32              | + 1         | +170        | + 15        | +227        | -132        | - 43        | -168        | -144        |             |
| Balancing item                                       | - 59              | + 50        | +160        | + 35        | - 71        | +241        | -107        | -287        | +224        |             |
|  | <b>+ 32</b>       | <b>+339</b> | <b>+462</b> | <b>+227</b> | <b>+546</b> | <b>+726</b> | <b>-106</b> | <b>-890</b> | <b>- 46</b> |             |
| <b>Transactions with the<br/>U.K. public sector</b>  |                   |             |             |             |             |             |             |             |             |             |
| Lending etc. <sup>d</sup>                            | - 47              | - 96        | - 73        | - 92        | -100        | - 71        | - 59        | -111        | - 61        |             |
| External finance: <sup>e</sup>                       |                   |             |             |             |             |             |             |             |             |             |
| Central government                                   | - 57 <sup>c</sup> | -446        | -605        | -510        | -809        | -951        | + 64        | +922        | +154        | +277        |
| Local authorities                                    | - 10              | - 23        | + 9         | + 49        | - 4         | + 29        | + 41        | - 14        | + 64        |             |
| Public corporations                                  | + 1               | - 2         | + 83        | + 29        | + 6         | + 7         | + 22        | + 9         | - 5         |             |
|  | <b>-113</b>       | <b>-567</b> | <b>-586</b> | <b>-524</b> | <b>-907</b> | <b>-986</b> | <b>+ 68</b> | <b>+806</b> | <b>+152</b> |             |

<sup>a</sup> It has not been possible to include in this table the balance of payments estimates for the 4th quarter of 1972 and revisions to previous quarters, which were released in March and appear in the statistical annex, Table 20.

<sup>b</sup> Other than purchases of securities.

<sup>c</sup> These items are affected by a change in the method of accounting: see additional notes to Table 5 of the annex.

<sup>d</sup> These overseas transactions of the public sector contribute to its borrowing requirement.

<sup>e</sup> These overseas transactions of the public sector are among the items financing its borrowing requirement.

small net purchases of stock by the general public – persons actually invested rather more in gilt-edged than in the second quarter, but financial institutions outside the banking sector bought a much smaller amount on balance than in any quarter for some years. The banks sold £235 million of stock, but this was more than offset by the £360 million repurchased from the authorities under the temporary arrangements announced immediately after the sterling crisis. The counterpart of this repurchase was a fall of £360 million in the banks' holdings of Treasury bills. As a result of all these changes, the banking sector reduced its holdings of government debt by much less in the third quarter than in the second (£140 million as against some £860 million).

Bank lending to the private sector (see Table D) increased by over £750 million less than in the second quarter. A part of the explanation may be in an unwinding of the exceptional advances taken up by companies immediately after the sterling crisis in June, when interest rate differentials made it profitable to buy sterling certificates of deposit with funds borrowed from the banks.

The slower increase in bank lending to the private sector was mirrored by a much smaller growth of the money stock than the repetition of a large public sector borrowing requirement might otherwise have implied, especially as external finance of the central government was on a much smaller

scale than in the previous quarter and as purchases of debt by the general public were relatively modest. Notwithstanding the much smaller growth in the money stock, persons and industrial and commercial companies increased their bank deposits by almost as much as in the previous period, whereas financial institutions ran down their holdings, after increasing them by over £500 million in the June quarter.

**Table D**  
**Banking sector**

£ millions

Seasonally adjusted

Lending: increase +/decrease -

Deposits: increase -/decrease +

|   | 1970               |          | 1971     |          |          |          | 1972     |          |          |          |
|---|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|   | 3rd qtr.           | 4th qtr. | 1st qtr. | 2nd qtr. | 3rd qtr. | 4th qtr. | 1st qtr. | 2nd qtr. | 3rd qtr. | 4th qtr. |
| Lending to:                                 |                    |          |          |          |          |          |          |          |          |          |
| Public sector                               | + 134 <sup>a</sup> | + 556    | + 226    | + 362    | + 400    | + 731    | - 491    | - 640    | - 30     | + 117    |
| Company sector <sup>b</sup>                 | + 254              | + 260    | + 189    | + 103    | + 404    | + 481    | +1,088   | +1,170   | + 776    | +1,149   |
| Personal sector                             | + 25               | + 9      | + 73     | + 83     | + 234    | + 293    | + 514    | + 671    | + 298    | + 796    |
| Total domestic lending                      | + 413              | + 825    | + 488    | + 548    | +1,038   | +1,505   | +1,111   | +1,201   | +1,044   | +2,062   |
| Deposits by:                                |                    |          |          |          |          |          |          |          |          |          |
| Public sector                               | + 15               | - 40     | - 11     | + 19     | - 7      | - 40     | + 19     | + 12     | + 2      | - 112    |
| Company sector <sup>b</sup>                 | - 40               | - 162    | - 162    | - 225    | - 93     | - 607    | - 333    | -1,095   | - 502    | -1,030   |
| Personal sector                             | - 238              | - 225    | - 227    | - 182    | - 287    | - 328    | - 469    | - 401    | - 382    | - 497    |
| Total domestic deposits                     | - 263              | - 427    | - 400    | - 388    | - 387    | - 975    | - 783    | -1,484   | - 882    | -1,639   |
| Net lending to overseas sector <sup>c</sup> | - 133 <sup>a</sup> | - 295    | - 66     | - 85     | - 360    | - 550    | - 227    | + 291    | + 27     | - 69     |
| Non-deposit liabilities (net)               | - 17               | - 103    | - 22     | - 75     | - 291    | + 20     | - 101    | - 8      | - 189    | - 354    |

<sup>a</sup> These items are affected by a change in accounting: see additional notes to Table 5 of the statistical annex.

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

<sup>c</sup> Claims on overseas sector net of overseas deposits.

### Other financial flows

In the third quarter, *industrial and commercial companies* appear to have required about the same amount of finance as in the previous quarter, but a substantial swing in their unidentified domestic and overseas transactions makes a close comparison between the periods perilous (see Table E). Once again these companies relied heavily for funds on the capital markets and the banks, and continued to build up their liquid assets—in particular, they again bought substantial amounts of sterling certificates of deposit.

*Persons* increased both their liabilities and their assets at a slower rate in the third quarter than in the second, after a year's unbroken increase in new borrowing and financial investment. Nevertheless, the figures in Table F show that in general they acquired or disposed of funds in more or less the same pattern as in the June quarter, though a notable exception was a much smaller increase in their borrowing from banks. On the assets side, the flow of personal funds to the building societies slowed as interest rate differentials—for example with short-dated gilt-edged—became less favourable, though the announcement in September of a rise in the societies' rates reversed the decline before the end of the quarter. People invested considerably less in national savings, and indeed acquired fewer financial assets overall.

Table E

## Industrial and commercial companies

£ millions

Seasonally adjusted

Assets: increase +/decrease -

Liabilities: increase -/decrease +

|   | 1970         |              | 1971        |              |             |              | 1972        |              |              |             |
|---|--------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|--------------|-------------|
|   | 3rd<br>qtr.  | 4th<br>qtr.  | 1st<br>qtr. | 2nd<br>qtr.  | 3rd<br>qtr. | 4th<br>qtr.  | 1st<br>qtr. | 2nd<br>qtr.  | 3rd<br>qtr.  | 4th<br>qtr. |
| Domestic capital formation  | +1,053       | +1,154       | +1,070      | +1,037       | + 884       | + 916        | + 853       | + 887        | +1,035       |             |
| less Saving   | - 644        | - 748        | - 947       | - 728        | - 901       | - 872        | - 890       | - 801        | - 920        |             |
| less Capital transfers (net)  | - 120        | - 142        | - 182       | - 138        | - 133       | - 100        | - 120       | - 96         | - 79         |             |
| <i>equals</i> Financial surplus -/<br>deficit +   | + 289        | + 264        | - 59        | + 171        | - 150       | - 56         | - 157       | - 10         | + 36         |             |
| Trade investments, mergers, etc.<br>in the United Kingdom   | + 45         | + 53         | + 31        | + 53         | + 98        | + 56         | + 83        | + 101        | + 73         |             |
| Long-term investment abroad   | + 207        | + 129        | + 209       | + 179        | + 127       | + 117        | + 149       | + 135        | + 112        |             |
| Import deposits   | - 70         | - 108        | - 153       | - 99         | - 1         |              |             |              |              |             |
| <b>Total requiring<br/>financing (+)</b>  | <b>+ 471</b> | <b>+ 338</b> | <b>+ 28</b> | <b>+ 304</b> | <b>+ 74</b> | <b>+ 117</b> | <b>+ 75</b> | <b>+ 226</b> | <b>+ 221</b> |             |
| Capital issues (including<br>euro-currency issues)  | - 44         | - 108        | - 99        | - 81         | - 119       | - 140        | - 124       | - 194        | - 212        | - 176       |
| Overseas investment in U.K.<br>companies  | - 91         | - 124        | - 206       | - 160        | - 150       | - 128        | - 138       | - 64         | - 114        |             |
| Import credit and advance<br>payments on exports  | - 37         | - 12         | - 50        | - 35         | - 42        | - 31         | - 76        | - 30         | - 47         |             |
| Export credit and advance<br>payments on imports  | + 8          | + 33         | + 39        | + 32         | + 14        | + 11         | + 11        | + 33         | + 46         |             |
| Bank borrowing  | - 263        | - 225        | - 183       | - 25         | - 261       | - 248        | - 755       | - 757        | - 617        | - 857       |
| Other borrowing   | - 116        | - 95         | - 114       | - 55         | - 27        | - 13         | + 3         | - 60         | + 33         |             |
| Bank deposits, notes and coin   | + 30         | + 157        | + 248       | + 217        | + 149       | + 401        | + 229       | + 646        | + 623        | + 783       |
| Other liquid assets <sup>a</sup>  | - 29         | - 20         | + 38        | - 15         | + 85        | + 32         | + 22        | + 11         | + 28         |             |
| Other items <sup>b</sup>  | - 2          | + 41         | + 105       | - 95         | + 26        | + 62         | + 78        | - 24         | - 29         |             |
| Other overseas transactions<br>(including the balance of<br>payments balancing item) <sup>c</sup> | + 88         | - 25         | - 309       | + 6          | - 122       | - 54         | + 141       | + 435        | - 41         |             |
| Unidentified domestic<br>transactions <sup>c</sup>  | - 15         | + 40         | + 503       | - 93         | + 373       | - 9          | + 534       | - 222        | + 109        |             |
| <b>Total financing</b>  | <b>- 471</b> | <b>- 338</b> | <b>- 28</b> | <b>- 304</b> | <b>- 74</b> | <b>- 117</b> | <b>- 75</b> | <b>- 226</b> | <b>- 221</b> |             |

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

<sup>b</sup> Trade credit to public corporations and hire purchase lending.

<sup>c</sup> Most of the balancing item in the balance of payments accounts, especially when large, reflects unidentified transactions between companies and overseas. The whole of it is here regarded in this light in order to distinguish roughly between companies' domestic transactions and their overseas ones. It is deducted from the total amount unidentified in the accounts to leave a rough estimate of unidentified domestic transactions.

The *financial institutions* outside the banking sector, had accumulated funds at an increasing rate for a considerable period, but they experienced a smaller inflow in the September quarter (see Table G). The building societies, for example, obtained less; institutions (mainly the investment trusts) raised less from the capital market than the exceptionally large sums obtained in the second quarter; and the flow to the life assurance and pension funds, even though mainly contractual and linked to income, seems to have grown at a slightly slower rate. In all, the recorded net inflow was some £470 million less than in the second quarter. Meanwhile, as recorded, the institutions invested £600 million less in financial assets. This further divergence between their inflow of funds and their financial investment is an indication that, amongst other things, they were acquiring more property

than usual, both at home and abroad. The other notable feature of their disposal of funds was their running down of bank deposits. This may well have been to accommodate a sustained increase in their investment in more profitable assets at a time when the inflow of funds was flagging. The building societies, for example, were running down their liquid assets in order to satisfy the demand for mortgages.

As already mentioned, the income and expenditure estimates of G.D.P. diverged considerably in the third quarter – in fact by some £200 million. This disparity (the residual error), which was twice as great as in the June quarter, not only bedevils comparisons between the two quarters, but also affects surpluses and deficits as at present recorded. If, as seems quite likely, expenditure has been under-estimated relative to income, the recorded surpluses are at present too large, and the deficits too small. Nevertheless, if subsequent revisions were to bring the income and expenditure figures closer together and consequently rectify these discrepancies in sector positions, then further problems would be created for the financial accounts, in that the pattern of unidentified transactions would become less plausible.

**Table F**  
**Personal sector**  
£ millions  
*Seasonally adjusted*

|  | 1970         |              | 1971         |              |              |              | 1972         |              |              |          |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------|
|  | 3rd qtr.     | 4th qtr.     | 1st qtr.     | 2nd qtr.     | 3rd qtr.     | 4th qtr.     | 1st qtr.     | 2nd qtr.     | 3rd qtr.     | 4th qtr. |
| Saving                                       | + 760        | + 815        | + 870        | + 713        | + 786        | + 840        | + 750        | +1,152       | +1,055       |          |
| Capital transfers (net)                      | - 85         | - 88         | - 65         | - 90         | - 89         | - 92         | - 102        | - 95         | - 85         |          |
| Capital expenditure                          | - 382        | - 391        | - 369        | - 463        | - 461        | - 506        | - 536        | - 603        | - 540        |          |
| <b>Financial surplus</b>                     | <b>+ 293</b> | <b>+ 336</b> | <b>+ 436</b> | <b>+ 160</b> | <b>+ 236</b> | <b>+ 242</b> | <b>+ 112</b> | <b>+ 454</b> | <b>+ 430</b> |          |
| <b>Borrowing ( - )</b>                       |              |              |              |              |              |              |              |              |              |          |
| For house purchase                           | - 338        | - 363        | - 339        | - 419        | - 495        | - 521        | - 556        | - 671        | - 724        |          |
| Bank borrowing <sup>a</sup>                  | - 5          | + 1          | - 63         | - 68         | - 209        | - 253        | - 459        | - 581        | - 198        | - 716    |
| Hire purchase debt                           | - 8          | - 15         | - 2          | - 31         | - 84         | - 78         | - 71         | - 52         | - 65         |          |
| Other  | - 26         | - 39         | - 54         | + 94         | + 47         | - 91         | + 98         | + 58         | - 36         |          |
|  | - 377        | - 416        | - 458        | - 424        | - 741        | - 943        | - 988        | -1,246       | -1,023       |          |
| <b>Acquisition of financial assets ( + )</b> |              |              |              |              |              |              |              |              |              |          |
| Life assurance and pension funds             | + 444        | + 476        | + 428        | + 501        | + 533        | + 504        | + 557        | + 595        | + 582        |          |
| Government stocks                            | - 283        | - 58         | + 229        | - 34         | + 170        | + 99         | - 125        | + 34         | + 59         |          |
| Company and overseas securities              | - 222        | - 192        | - 106        | - 457        | - 286        | - 313        | - 200        | - 267        | - 200        |          |
| Unit trust units                             | + 23         | + 13         | + 6          | + 10         | + 8          | + 22         | + 24         | + 57         | + 57         | + 65     |
| Bank deposits, notes and coin                | + 282        | + 254        | + 286        | + 188        | + 314        | + 347        | + 535        | + 467        | + 427        | + 566    |
| Building society shares and deposits         | + 415        | + 422        | + 401        | + 450        | + 527        | + 583        | + 584        | + 579        | + 448        | + 508    |
| National savings                             | - 10         | + 39         | + 65         | + 83         | + 73         | + 150        | + 127        | + 175        | + 91         | + 81     |
| Local authority debt                         | - 57         | - 32         | - 28         | - 34         | - 67         | - 106        | - 6          | - 65         | - 26         |          |
| Other  | + 51         | + 59         | + 64         | + 38         | + 52         | + 117        | + 81         | + 82         | + 58         |          |
|  | + 643        | + 981        | +1,345       | + 745        | +1,324       | +1,403       | +1,577       | +1,657       | +1,496       |          |
| <b>Identified financial transactions</b>     | <b>+ 266</b> | <b>+ 565</b> | <b>+ 887</b> | <b>+ 321</b> | <b>+ 583</b> | <b>+ 460</b> | <b>+ 589</b> | <b>+ 411</b> | <b>+ 473</b> |          |
| <i>Unidentified</i>                          | + 27         | - 229        | - 451        | - 161        | - 347        | - 218        | - 477        | + 43         | - 43         |          |

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

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

£ millions

*Seasonally adjusted*

|  | 1970         |               | 1971         |               |               |               | 1972          |               |               |             |
|--|--------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
|  | 3rd<br>qtr.  | 4th<br>qtr.   | 1st<br>qtr.  | 2nd<br>qtr.   | 3rd<br>qtr.   | 4th<br>qtr.   | 1st<br>qtr.   | 2nd<br>qtr.   | 3rd<br>qtr.   | 4th<br>qtr. |
| <b>Increase in financial liabilities ( - )</b> |              |               |              |               |               |               |               |               |               |             |
| Life assurance and pension funds               | - 444        | - 476         | - 428        | - 501         | - 533         | - 504         | - 557         | - 595         | - 582         |             |
| Building society shares and deposits           | - 415        | - 421         | - 414        | - 465         | - 545         | - 606         | - 602         | - 597         | - 465         | - 525       |
| Other deposits                                 | - 67         | - 72          | - 47         | - 50          | - 74          | - 108         | - 5           | - 62          | - 77          |             |
| Capital issues                                 | - 9          | - 5           | - 32         | - 49          | - 55          | - 50          | - 99          | - 230         | - 78          | - 24        |
| Unit trust units                               | - 23         | - 13          | - 6          | - 10          | - 8           | - 22          | - 24          | - 57          | - 57          | - 65        |
| Other (mainly bank) borrowing                  | - 4          | - 20          | - 20         | - 31          | - 139         | - 213         | - 274         | - 339         | - 150         |             |
|  | <b>- 962</b> | <b>-1,007</b> | <b>- 947</b> | <b>-1,106</b> | <b>-1,354</b> | <b>-1,503</b> | <b>-1,561</b> | <b>-1,880</b> | <b>-1,409</b> |             |
| <b>Increase in financial assets ( + )</b>      |              |               |              |               |               |               |               |               |               |             |
| Short-term assets <sup>a</sup>                 | + 102        | + 101         | - 115        | + 22          | - 23          | + 231         | + 159         | + 545         | - 111         |             |
| Government stocks                              | + 104        | + 80          | + 498        | + 232         | + 343         | + 311         | + 240         | + 61          | + 11          |             |
| Company and overseas securities:               |              |               |              |               |               |               |               |               |               |             |
| Ordinary shares                                | + 150        | + 179         | + 122        | + 307         | + 266         | + 261         | + 386         | + 552         | + 472         |             |
| Fixed interest                                 | + 36         | + 53          | + 24         | + 60          | + 84          | + 32          | + 86          | + 30          | + 45          |             |
| Loans for house purchase                       | + 298        | + 326         | + 310        | + 393         | + 450         | + 460         | + 482         | + 562         | + 608         |             |
| Long-term lending to local authorities         | + 17         | + 39          | + 16         | + 15          | + 6           | + 39          | + 66          | + 16          | + 52          |             |
| Hire purchase claims                           | + 9          | + 16          | + 15         | + 16          | + 67          | + 42          | + 47          | + 47          | + 22          |             |
| Other lending                                  | + 40         | + 71          | + 13         | - 22          | + 23          | + 58          | - 19          | - 34          | + 103         |             |
|  | <b>+ 756</b> | <b>+ 865</b>  | <b>+ 883</b> | <b>+1,023</b> | <b>+1,216</b> | <b>+1,434</b> | <b>+1,447</b> | <b>+1,779</b> | <b>+1,202</b> |             |
| <b>Net identified financial transactions</b>   | <b>- 206</b> | <b>- 142</b>  | <b>- 64</b>  | <b>- 83</b>   | <b>- 138</b>  | <b>- 69</b>   | <b>- 114</b>  | <b>- 101</b>  | <b>- 207</b>  |             |

<sup>a</sup> Bank deposits, tax reserve certificates, Treasury bills, and local authority temporary debt.**Developments in the fourth quarter**

The central government had a very substantial borrowing requirement in the last quarter of 1972. External finance (the counterpart of a currency outflow) was available on a larger scale than in the third quarter, and finance from domestic sectors other than the banks also increased—in particular, the general public bought rather more gilt-edged stocks. In the end, as well as the net inflow of funds from these sources, some £65 million remained to be provided by the banking sector, which had reduced its holdings of central government debt in each of the three previous quarters. Within this total, payment of £325 million of Special Deposits was channelled through the Banking Department of the Bank of England, while other bank holdings of government debt fell by £260 million.

There was a massive increase in bank lending to the private sector in the fourth quarter. Persons borrowed some £800 million from the banks, compared with £300 million in the September quarter, and industrial and commercial companies obtained £880 million. Together with the central government's borrowing requirement, the expansionary effects were such that the rise in the money stock was considerably greater than in the previous quarter. Persons, companies and financial institutions all added to their bank deposits on a large scale.

**Table H**  
**Flow of funds: third quarter 1972**

£ millions

*Not seasonally adjusted*

|   | Line       | Public sector | Overseas sector <sup>a</sup> | Personal sector | Industrial and commercial companies | Banking sector | Other financial institutions | Residual error |
|---|------------|---------------|------------------------------|-----------------|-------------------------------------|----------------|------------------------------|----------------|
| <b>Capital account</b>  |            |               |                              |                 |                                     |                |                              |                |
| Saving  | 1          | + 432         |                              | +939            | +1,162                              |                | +307                         |                |
| Taxes on capital and capital transfers                              | 2          | + 2           |                              | - 81            | + 84                                |                | - 5                          |                |
| <i>less:</i>  |            |               |                              |                 |                                     |                |                              |                |
| Gross fixed capital formation at home                               | 3          | -1,143        |                              | -520            | - 877                               |                | -152                         |                |
| Increase in value of stocks and work in progress                    | 4          | - 100         |                              | - 36            | - 130                               |                | - 5                          |                |
| <b>Financial surplus +/deficit</b>                                  | <b>- 5</b> | <b>- 809</b>  | <b>+135</b>                  | <b>+302</b>     | <b>+ 239</b>                        |                | <b>+145</b>                  | <b>-12</b>     |
| <b>Changes in financial assets and liabilities</b>                  |            |               |                              |                 |                                     |                |                              |                |
| Assets: increase +/decrease -<br>Liabilities: increase -/decrease + |            |               |                              |                 |                                     |                |                              |                |
| <b>Net indebtedness of Government to</b>                            |            |               |                              |                 |                                     |                |                              |                |
| Bank of England, Banking Department                                 | 6          | - 85          |                              |                 |                                     | + 85           |                              |                |
| Life assurance and pension funds                                    | 7          |               |                              | +567            |                                     |                | -567                         |                |
| Loans by the U.K. Government  | 8          | - 10          | - 8                          | —               | + 17                                |                | + 1                          |                |
| Total external currency flow  | 9.1        | - 79          | + 79                         |                 |                                     |                |                              |                |
| Other central government external transactions                      | 9.2        | - 94          | + 94                         |                 |                                     |                |                              |                |
| Banks' net external transactions                                    | 10         |               | + 25                         |                 |                                     | - 25           |                              |                |
| Miscellaneous investment overseas (net)                             | 11         | + 57          | -150                         |                 | +112                                |                | - 19                         |                |
| Notes and coin  | 12         | - 46          |                              | + 22            | + 23                                | + 1            |                              |                |
| Bank deposits of domestic sectors                                   | 13         | - 35          |                              | +368            | +623                                | -912           | - 44                         |                |
| Deposits with other financial institutions                          | 14         |               | + 11                         | +501            | + 26                                |                | -538                         |                |
| National savings  | 15.1       | - 73          |                              | + 73            |                                     |                |                              |                |
| Tax reserve certificates  | 15.2       | + 7           |                              | + 2             | - 4                                 | - 3            | - 2                          |                |
| Bank lending to domestic sectors                                    | 16         | - 85          |                              | -198            | -358                                | +797           | -156                         |                |
| Hire purchase debt  | 17         | + 13          |                              | - 61            | + 23                                |                | + 25                         |                |
| Loans for house purchase  | 18         | + 16          |                              | -745            |                                     | +100           | +629                         |                |
| Other loans and accruals  | 19         | - 6           |                              | - 45            | -194                                | +223           | + 22                         |                |
| <b>Marketable government debt held by domestic sectors:</b>         |            |               |                              |                 |                                     |                |                              |                |
| Treasury bills  | 20         | + 97          |                              |                 | + 4                                 | -100           | - 1                          |                |
| Stocks  | 21         | -195          |                              | + 59            |                                     | +125           | + 11                         |                |
| Local authority debt  | 22         | -143          | + 66                         | - 45            | + 44                                | + 53           | + 25                         |                |
| <b>U.K. company and overseas securities:</b>                        |            |               |                              |                 |                                     |                |                              |                |
| Capital issues  | 23         |               | + 1                          |                 | -212                                | - 4            | - 78                         |                |
| Other transactions  | 24         | + 3           | -133                         | -200            | + 87                                | + 19           | +517                         |                |
| Unit trust units  | 25         |               |                              | + 53            |                                     |                | - 53                         |                |
| <b>Identified financial transactions</b>                            | <b>26</b>  | <b>-658</b>   | <b>- 15</b>                  | <b>+351</b>     | <b>+191</b>                         | <b>+359</b>    | <b>-228</b>                  |                |
| <i>Unidentified</i>   | 27         | -151          | +150                         | - 49            | + 48                                | + 14           |                              | -12            |
| <b>Total = Financial surplus + /deficit</b>                         | <b>28</b>  | <b>-809</b>   | <b>+135</b>                  | <b>+302</b>     | <b>+239</b>                         | <b>+145</b>    |                              | <b>-12</b>     |

— nil or less than £½ million.

<sup>a</sup> It has not been possible to incorporate in the table the revised balance of payments estimates released in March.

Table J

## Flow of funds: third quarter 1972

£ millions

Seasonally adjusted

|  | Line      | Public sector | Overseas sector <sup>a</sup> | Personal sector | Industrial and commercial companies | Banking sector | Other financial institutions | Residual error |
|--|-----------|---------------|------------------------------|-----------------|-------------------------------------|----------------|------------------------------|----------------|
| <b>Capital account</b>                               |           |               |                              |                 |                                     |                |                              |                |
| Saving   | 1         | + 855         |                              | +1,055          | + 920                               |                | +240                         |                |
| Taxes on capital and capital transfers               | 2         | + 26          |                              | - 85            | + 79                                |                | - 20                         |                |
| less:  |           |               |                              |                 |                                     |                |                              |                |
| Gross fixed capital formation at home                | 3         |               |                              |                 |                                     |                |                              |                |
| Increase in value of stocks and work in progress     | 4         |               |                              |                 |                                     |                |                              |                |
|  |           | -1,232        |                              | - 540           | -1,035                              |                | -170                         |                |
| <b>Financial surplus +/-deficit</b>                  | <b>5</b>  | <b>- 351</b>  | <b>+106</b>                  | <b>+ 430</b>    | <b>- 36</b>                         |                | <b>+ 50</b>                  | <b>-199</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         | -162          |                              |                 |                                     | + 162          |                              |                |
| Life assurance and pension funds                     | 7         |               |                              | +582            |                                     |                | -582                         |                |
| Loans by the U.K. Government                         | 8         | - 9           | - 9                          | —               | + 17                                |                | + 1                          |                |
| Total central government external transactions       | 9         | -154          | +154                         |                 |                                     |                |                              |                |
| Banks' net external transactions                     | 10        |               | - 4                          |                 |                                     | + 4            |                              |                |
| Miscellaneous investment overseas (net)              | 11        | + 57          | -203                         |                 | +165                                |                | - 19                         |                |
| Notes and coin                                       | 12        | -101          |                              | + 45            | + 46                                | + 10           |                              |                |
| Bank deposits of domestic sectors                    | 13        | - 2           |                              | +382            | +577                                | - 882          | - 75                         |                |
| Deposits with other financial institutions           | 14        |               | + 12                         | +511            | + 19                                |                | -542                         |                |
| National savings                                     | 15.1      | - 91          |                              | + 91            |                                     |                |                              |                |
| Tax reserve certificates                             | 15.2      | + 42          |                              | - 5             | - 32                                | - 3            | - 2                          |                |
| Bank lending to domestic sectors                     | 16        | - 57          |                              | -198            | -617                                | +1,023         | -151                         |                |
| Hire purchase debt                                   | 17        | + 13          |                              | - 65            | + 30                                |                | + 22                         |                |
| Loans for house purchase                             | 18        | + 16          |                              | -724            |                                     | + 100          | +608                         |                |
| Other loans and accruals                             | 19        | - 40          |                              | - 36            | - 42                                | - 4            | +122                         |                |
| Marketable government debt held by domestic sectors: |           |               |                              |                 |                                     |                |                              |                |
| Treasury bills                                       | 20        | +423          |                              |                 | + 4                                 | - 426          | - 1                          |                |
| Stocks   | 21        | -195          |                              | + 59            |                                     | + 125          | + 11                         |                |
| Local authority debt                                 | 22        | -143          | + 64                         | - 26            | + 37                                | + 49           | + 19                         |                |
| U.K. company and overseas securities:                |           |               |                              |                 |                                     |                |                              |                |
| Capital issues                                       | 23        |               | + 1                          |                 | -212                                | - 4            | - 78                         |                |
| Other transactions                                   | 24        | + 3           | -133                         | -200            | + 87                                | + 19           | +517                         |                |
| Unit trust units                                     | 25        |               |                              | + 57            |                                     |                | - 57                         |                |
| <b>Identified financial transactions</b>             | <b>26</b> | <b>-400</b>   | <b>-118</b>                  | <b>+473</b>     | <b>+ 79</b>                         | <b>+ 173</b>   | <b>-207</b>                  |                |
| <i>Unidentified</i>                                  | 27        | + 49          | +224                         | - 43            | -115                                |                | + 84                         | -199           |
| <b>Total = Financial surplus +/-deficit</b>          | <b>28</b> | <b>-351</b>   | <b>+106</b>                  | <b>+430</b>     | <b>- 36</b>                         |                | <b>+ 50</b>                  | <b>-199</b>    |

— nil or less than £½ million.

<sup>a</sup> It has not been possible to incorporate in the table the revised balance of payments estimates released in March.

## Notes on sources, definitions and seasonal adjustments<sup>1</sup>

### Sources

The main statistical series used in compiling Table H appear in the statistical annex to this *Bulletin* or in the Central Statistical Office's *Financial Statistics* or *Economic Trends*. The seasonally adjusted figures are not published elsewhere.

### Definitions (line numbers refer to Tables H and J)

*Public sector* The central government, local authorities, and nationalised industries and other public corporations.

*Overseas sector* Non-residents 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* As in Table 11 of the statistical annex.

*Other financial institutions* Insurance companies, pension funds, building societies, investment trusts, finance houses, savings banks investment accounts, authorised unit trusts, property unit trusts, special finance agencies and Crown Agents for Overseas Governments and Administrations.

*Lines 1-4* As defined in the national income and expenditure accounts.

*Line 5* The sum of the financial surpluses/deficits for all sectors equals the residual error in the national income accounts. For the overseas sector, the entry is the counterpart of the U.K. balance of payments on current account.

*Line 6* See footnote (d) to Table 1 of the annex.

*Line 7* The increase in persons' net claims on these funds.

*Lines 9.1 and 9.2* See additional notes to Table 1 of the annex.

*Line 10* Broadly, changes in overseas deposits with the banking sector less lending to overseas by the banking sector.

*Line 11* Those parts of the balance of payments items classified as investment and other capital flows which are not elsewhere included. That part of export credit extended by U.K. banks which is refinanced by the central government is included here.

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

*Line 13* Changes in gross current and deposit accounts of U.K. residents, after the entries for the banking sector and industrial and commercial companies have been adjusted for 60% of transit items (see additional notes to Table 11 of the annex). Changes in domestic holdings of sterling certificates of deposit are included here.

*Line 14* Includes building society shares. Deposits by banks with finance houses are in line 16.

*Lines 15.1 and 15.2* As in Table 3 (2) of the annex.

*Line 16* Advances and overdrafts, money at call and short notice, and transactions in commercial bills; excluding loans for house purchase (included in line 18); lending to local authorities (line 22); and lending to the Northern Ireland Government (line 19). Recorded advances to industrial and commercial companies are adjusted for 40% of the change in transit items (see also line 13).

*Line 18* New loans less repayments, including estimates for banks, and lending by the public sector to housing associations.

*Line 19* Loans between domestic sectors not entered elsewhere, including trade credit given or received by public corporations; and differences between accruals of local authority rates, purchase tax and interest charges (the basis of entries in the national accounts) and the corresponding cash payments.

*Lines 20 and 21* As defined in additional notes to Table 3 (1) of the annex. For Treasury bills (stocks), the entries for persons (industrial and commercial companies) are residuals and include unidentified transactions by industrial and commercial companies (persons) and overseas.

*Line 22* Total identified borrowing by local authorities from outside the public sector.

*Line 23* Net issues on the U.K. market, and euro-currency issues by U.K. companies.

*Line 24* All other transactions. The entries for persons are residuals from the estimates in lines 23 and 24 for all other sectors.

*Line 25* Net sales of units to persons by authorised unit trusts.

*Line 27* The net total for all sectors corresponds to the residual error in the national income accounts.

<sup>1</sup> Fuller notes were given in the June 1972 *Bulletin*, pages 202-4. A detailed description is given in *An introduction to flow of funds accounting: 1952-70* (Bank of England, August 1972).

## Seasonal adjustments

After preliminary adjustments have been obtained for each item which displays seasonality, consistent adjustments have been estimated by a system of balancing, under which the sum of the adjustments for each item over the four quarters in each calendar year is zero and the sum of the adjustments of all sectors for a particular line entry in any quarter is zero. Also, for certain series (such as notes and coin) an adjustment is made to allow for the days of the week on which a quarter begins and ends ; but these will not usually completely cancel out over the year. The adjustments take account of the data up to the end of 1971.