

Financial review

The first part of this review describes the course of interest rates and other developments in the various financial markets during November to January; the second part considers the flow of funds by sector for the third and fourth quarters of last year, and includes the regular flow of funds tables.

Financial markets

Short-term interest rates: rates in the main foreign industrial countries fell and UK rates followed.

Foreign exchange and gold markets: sterling and the US dollar continued to weaken; the French franc joined the deutschemark and the Swiss franc in strengthening; gold reached a new peak at end-December, then fell back.

Euro-currency business: the quarterly maturity analysis for end-November presented few changes in the size of the market or in shares of the various groups of banks; oil exporters continued to deposit large sums.

Oil money movements: estimates are given of oil exporters' total revenue in 1974, their cash surplus, and how and where it was invested.

Sterling guarantee arrangements: they expired at the end of 1974 with no further payments.

The money market: conditions were generally easy, if with occasional shortages; interest rates in the parallel markets fluctuated, while Treasury bill rates were steady until towards the end of the period, when minimum lending rate fell twice.

Capital markets: after further depression, the markets strengthened dramatically in January; the authorities were then heavy sellers of gilt-edged stock.

Sector financing

Public sector: there was another large deficit in the third quarter, while in the fourth quarter the central government borrowing requirement more than doubled.

Industrial and commercial companies: the third quarter deficit was only slightly smaller than in the second; the bulk of the finance again came from banks.

Personal sector: the third quarter surplus was very large.

Financial institutions other than banks: the inflow of funds remained low in the third quarter, but building societies attracted a large inflow in the fourth.

Banking sector: deposits grew strongly in the fourth quarter and, with comparatively little demand for funds by the private sector, the banks took up a large amount of government debt.

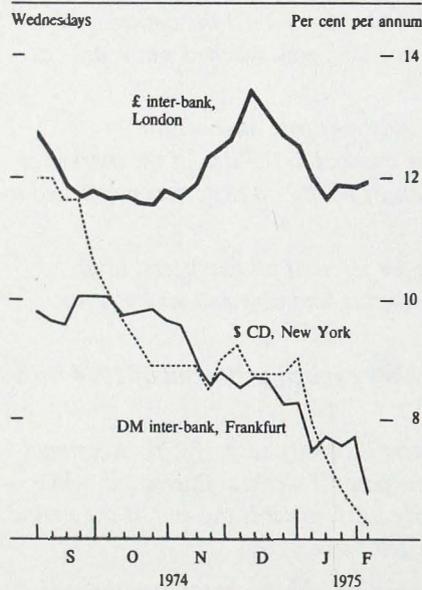
Financial markets

Short-term interest rates

Short-term rates in the United States fell during the three months November to January, as the official emphasis on containing inflation was tempered by concern about the deepening recession. Rates in the main continental markets also fell, the authorities in a number of countries pursuing rather easier monetary policies as part of a cautious move towards reflation. Rates in this country tended to rise at first, but

Comparative three-month interest rates

UK rates rose for a time, partly because of sterling's weakness, but then declined in sympathy with foreign rates.



from the middle of December they fell in sympathy with the trend abroad.

Inflows of foreign exchange, especially in the first half of the period, made for easier conditions in Western Germany, and the official discount rate was reduced from 6½% to 6% in the middle of December. Italy soon followed suit, with a 1% cut, to 8%; and in January French commercial banks reduced their base lending rates by ½% to just under 12%, and bank rate was reduced from 13% to 12% – still the highest rediscount rate in Europe. Denmark's official discount rate was also cut by 1%, to 9%, and Belgium's by ½% to 8¾%.

Short-term market rates in the United States fell only slightly in November after the substantial declines in preceding months. While the main banks' prime rates were generally reduced by 1% to 10%-10½%, they remained above competing money-market rates, which even began to rise a little at the end of the month in response to a seasonal demand for funds. Seasonal demand kept market rates under some pressure until the end of the year, even though the monetary authorities, in adopting an easier monetary stance, reduced average reserve requirements in November and cut Federal Reserve rediscount rates from 8% to 7¾% in December. Once the end-year pressures were over, market rates fell sharply, spurred by a further cut in rediscount rates to 7¼%, while prime rates were reduced more gradually to around 9% at the end of January. The deepening recession was now the main concern of monetary and fiscal policy.

UK interest rates rose in the first half of the period (see the later section on the money market). The average discount rate on three-month Treasury bills increased slightly at the outset, then held steady, while rates in the parallel markets experienced a much larger and sustained increase: the three-month inter-bank rate rose from 11¾% at the end of October to around 14% by mid-December. Thereafter, parallel market rates turned sharply down, with three-month inter-bank deposits falling as low as 11½%, and ending the period at under 12%. The Treasury bill discount rate also eased in January, producing two consecutive ¼% reductions in minimum lending rate, from 11½% to 11%.

The uncovered comparison between three-month euro-dollars and inter-bank sterling favoured the pound throughout November to January, while the covered differential in favour of euro-dollars widened sharply during the period before narrowing on balance: it rose from 2¼% per annum at the end of October to 6½% around the turn of the year, but was less than 1% at the end of January. These fluctuations reflected sharp movements in the discounts on forward sterling. On balance they rose over the period, as sterling interest rates fell more slowly than their euro-dollar counterparts and confidence in sterling lessened. Thus the three-month discount was under 4% at the end of October but over 5% at the end of January. In November, discounts had widened substantially in unsettled trading around the time of the Budget, narrowing again as sterling came into demand and with the placing of oil funds in the euro-sterling market. The news that Saudi Arabia would in future require payment of oil receipts wholly in dollars had led in mid-December to temporary pressure on the forward rate, as well as on the spot rate. But in the immediately following weeks besides a strengthening of the spot rate there was some narrowing of forward margins, particularly in January when oil exporters were active in the euro-sterling market. [1]

[1] The difference between interest rates on dollar and sterling deposits in the euro-currency market – for example, on dollar deposits with London banks and sterling deposits in Paris – is usually very close to the forward dollar quotation for the same term. The same relationship holds among euro-currency deposits denominated in other currencies and the relevant forward premium or discount. This depends on very sensitive arbitrage among such deposits, which are free of exchange controls. However, rates on euro-currency deposits are often some way out of line with interest rates on domestic deposits in the same currency, to some extent because the deposits are not exactly comparable, but also because exchange controls often restrict arbitrage between euro-currency deposits and domestic bank deposits in the same currency.

Foreign exchange and gold markets

During 1974 banks in a number of countries reported substantial losses from operations in foreign exchange. This prompted a general reappraisal by banks of the internal controls which they applied to these operations. Following discussions in a number of centres, the Bank concluded that it would be helpful to outline some of the ways in which these controls might be made more effective, and a memorandum on this subject was sent to all authorised banks on 20th December. The Bank also asked all banks registered in the United Kingdom to keep them informed of the scope of the foreign exchange dealing authorities delegated to branches and subsidiaries abroad.

During November to January activity in foreign exchange markets continued to recover from the shocks administered earlier in the year by bank losses and failures, though there was the usual seasonal falling-off in activity in December once dealers had squared their books for the end of the year. The US dollar weakened on balance and sterling also lost ground.

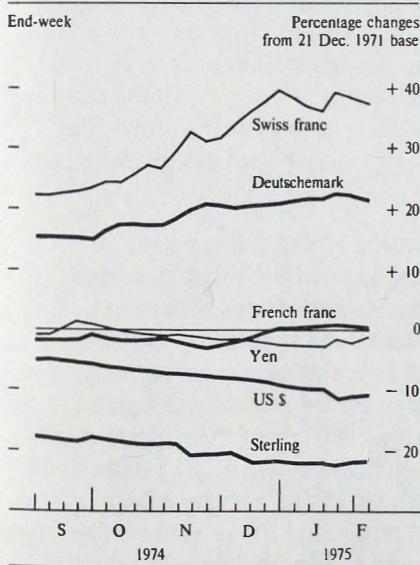
In these months *sterling* was at times given considerable support by the authorities. Early in November some movement of funds from the dollar and the pound into the deutschemark and the Swiss franc, together with anxiety ahead of the Budget, led to a slight weakening of the pound. On Budget day, the 12th, there was heavy selling of sterling, especially after the Chancellor's announcement that the sterling guarantee arrangements would not be renewed on their expiry at the end of the year; and despite intervention the effective depreciation of the pound since the Smithsonian settlement of 1971 widened to 19.8% (having been 18.6% at the end of October). For the remainder of November sterling continued to weaken — though briefly helped by the restoration of the Swiss ban on the payment of interest on non-resident deposits — and the effective depreciation was 20.8% towards the end of the month. Around mid-December, when the Saudi Arabian decision not to take any further payments for oil in sterling led to the sale by oil companies of sterling which had been built up for mid-month payment, the pound was again supported. For a while the market feared that other oil-exporting countries might follow suit and that existing sterling holdings might be run down. The effective depreciation widened to 21.9% on 12th December when the record November trade deficit was announced, but after reassurances from the Chancellor and from the Saudi Arabians it narrowed again somewhat. For the rest of the period it fluctuated at over 21%, reaching 22.1% on 28th January, before closing at 21.6%.

The *US dollar* weakened in November as banks' prime rates fell amid growing evidence of recession, and as some funds were moved into the Swiss and West German currencies. The strength of sentiment in favour of these currencies and the prospect of a deutschemark appreciation in the succeeding months overshadowed the improved US third quarter balance of payments outturn and the unexpected trade surplus for October. Early in December the dollar briefly strengthened when domestic interest rates temporarily stopped falling and the Swiss authorities took steps to discourage inflows; but it weakened again on official comments on the likely severity and duration of the US recession and prospects of continued rising unemployment, which reinforced the effect of the underlying decline in domestic interest rates. The dollar remained weak in January as domestic interest rates fell again with monetary stimulus taking the initial strain of reflating the economy.

Among *other currencies*, the 'EEC snake' (comprising the Belgian, Danish, Dutch, Norwegian, Swedish, and West German currencies) generally came under little tension, and only modest intervention was needed to maintain the band. The effective appreciation of the deutschemark since the Smithsonian settlement increased in the three

Effective changes in exchange rates

Sterling and the US dollar continued to weaken in the latest three months; the French franc joined the deutschemark and the Swiss franc in strengthening.



months from 17½% to 22½%, mostly in the first half of the period when inflows were quite sizable; expectations of a continued strengthening, and official acceptance of this trend as a means of reducing the payments surplus, outweighed the reductions in December in official discount and Lombard rates. Outside the 'snake', the lira lost ground in November, steadied in December, and resumed its decline in January; in all, its effective post-Smithsonian depreciation increased from nearly 22% to 23½%, although the Bank of Italy provided frequent support. The pressure on the Swiss franc led the Swiss authorities to restore the ban on the payment of interest on non-resident deposits less than a month after its removal in October, and later to take much severer measures, including a negative rate of interest of 10% per quarter on increases in non-resident deposits. The attraction of the Swiss franc was reflected in its effective appreciation, which increased in the three months from 26½% to over 38%, despite these measures and some market intervention by the authorities in January. After losing ground in November, the French franc benefited in December from end-year demand and from the conversion of dollars borrowed by the public sector; it changed little in January, ending the period at an effective appreciation of nearly 1% compared with a 1% depreciation at the end of October. The yen weakened from an effective depreciation of ½% to one of over 3%, despite intervention by the Japanese authorities, including heavy support at the turn of the year; it then started to recover, ending January with a depreciation of some 2%.

The London *gold market* experienced several active periods in the three months under review. Initially the price was lifted by disquiet over world economic developments, disenchantment with most important currencies, and the general trend towards lower interest rates; it ended November at US \$184 per fine ounce, having been \$167 at the end of October. In December the market was dominated by widely varying estimates of the likely effects of the removal at the end of the year of the prohibition on gold holding by US residents, the accord between the United States and French governments that official holdings might be valued at market prices, and the announcement that early in January the United States was to auction 2 million ounces of gold – out of a total holding of 276 million ounces. For the most part the price rose strongly, reaching a new peak of \$197.50 on 30th December. In the event, private US demand proved to be well below most expectations, less than half of the gold put up for auction was bid for, and a large part of that was by foreigners. After the first reaction, in a less active market the price fluctuated for most of January in the range \$170–180, ending the month at \$176.

Euro-currency business

Between August and November, the latest two dates for which a maturity analysis of banks' positions is available, [1] the euro-currency market steadied and confidence improved; the main causes were discussed in the December 1974 *Bulletin* (page 404). Since November the steadier tone has been maintained, though more because of the absence of adverse influences than because of specifically favourable developments.

Between end-August and end-November the size of the euro-currency market in London measured by the total of banks' foreign currency liabilities (or claims) rose by about £900 million, to around £66,400 million, having fallen in the previous three months. However, allowing for changes in the valuation of balances, [2] there was probably little growth in the market.

[1] See Table 24 of the statistical annex.

[2] When reporting, the banks generally measure the sterling value of their foreign currency balances at market rates on the reporting date; fluctuations in exchange rates can produce significant changes in valuation.

Liabilities and claims by customer

The big increase in deposits by overseas central monetary institutions mainly reflected oil exporters' funds.

£ millions	1974		
	End-Aug.	End-Nov.	Change
Foreign currency liabilities of			
UK banks to:			
Other UK banks[a]	17,270	16,640	- 630
Other UK residents	2,430	2,450	+ 20
Overseas central monetary institutions	8,820	11,290	+2,470
Banks overseas	28,570	27,360	-1,210
Other non-residents	8,370	8,620	+ 250
	65,460	66,360	+ 900
Foreign currency claims of			
UK banks on:			
Other UK banks[a]	17,510	16,950	- 560
Other UK residents	5,510	5,870	+ 360
Banks overseas	29,320	29,650	+ 330
Other non-residents	13,130	13,950	+ 820
	65,470	66,420	+ 950

[a] Liabilities to UK banks and claims on them should be the same. The figures as reported differ. There will be compensating differences in the other components of total liabilities and claims.

Maturity structure of net foreign currency position

The banks' net liabilities at short term and their net lending at longer term each grew further.

£ millions	1974	
	End-Aug.	End-Nov.
Net liabilities -/net assets +		
Less than 8 days[a]	-2,870	-3,150
	<i>-1,560</i>	<i>-1,800</i>
8 days to less than 3 months	-4,090	-5,070
3 months to less than 1 year	- 790	- 930
Net borrowing up to 1 year	-7,750	-9,150
Net lending at 1 year and over	+7,760	+9,210
	+ 10	+ 60

[a] Figures in italics show the net position at less than eight days after including holdings of London dollar certificates of deposit of all maturities, these being immediately realisable assets for the holding bank.

Estimated revenues of oil-exporting countries

The proportion of revenues paid in sterling declined somewhat over the year.

\$ billions	1974				
	1st qtr	2nd qtr	3rd qtr	4th qtr	Year
US dollars	8.6	18.8	24.1	23.3	74.8
Sterling	3.1	5.6	5.1	5.2	19.0
	11.7	24.4	29.2	28.5	93.8

The recorded increase of £900 million in liabilities in the November returns was more than accounted for by a very large rise of nearly £2,500 million in liabilities to central monetary institutions (see the first table). The latter reflected larger deposits by the oil-exporting countries, and was more than double the increase that had taken place between May and August. There is evidence that oil exporters are increasing the number of banks with which they are placing deposits. Business with overseas commercial banks fell once again — liabilities to them were reduced by over £1,200 million, although claims on them increased by over £300 million (compared with only £60 million in the previous period). There was also another contraction in the inter-bank market, with outstanding lending between UK banks falling by some £600 million.

There was little change in the proportion of business undertaken by various groups of banks. Deposits with 'other foreign banks' grew by 1% to form 14% of the market, while deposits with consortium banks contracted somewhat, though still accounting for some 7% of the market; otherwise, the shares of the various groups were unchanged.

The second table summarises the changes in the maturity pattern. Reflecting the increased deposits by oil exporters, the banks' net liabilities up to one year continued to rise strongly, by £1,400 million, compared with an increase of £1,000 million between May and August; as before, the greatest growth was in net liabilities up to three months. The banks' extra funds were effectively on lent for periods of three years and over.

The British banks' net borrowing at less than eight days rose by nearly £300 million, but after allowing for holdings of dollar certificates of deposit they remained with a net asset position of nearly £200 million, and they had nearly £200 million net available through irrevocable stand-by credits from abroad. Their net liability position up to six months increased by some £250 million, but this was offset by an increase in lending for three years and over, reflecting drawings by the British Government on the \$2.5 billion loan.

Net lending at one year and over by American banks increased by some £660 million and by the Commonwealth banks by some £350 million.

The only group whose business declined significantly was the consortium banks: their liabilities and claims each contracted by some £400 million. Their net liabilities at less than eight days increased by some £200 million to just over £300 million, but against this they had holdings of dollar certificates of deposit of £260 million and irrevocable stand-by credits from abroad of £310 million net.

Oil money movements

Total estimated oil revenues of the exporting countries[1] in 1974 were \$94 billion. Revenues paid in sterling amounted to \$19 billion, some 20% of the total. Over the year, however, the sterling proportion declined and, following the decision in December by Saudi Arabia to take payment for future oil dues wholly in dollars, it has declined further to about 14% in the current quarter.

After allowance for exports other than oil, for imports, for other current transactions, and for trade credit given on oil exports, the surplus available to oil-exporting countries for government loans, capital investment, or additions to reserves is estimated to have been about \$56 billion. The table over page gives estimates of how it was deployed; many of the figures are provisional and several elements, such as purchases of equities and property, are particularly difficult to measure.

The estimates show that the total surplus rose sharply between the first and second quarters, and then remained fairly steady. Of the total

[1] As listed in Table 25 of the statistical annex.

Estimated deployment of oil exporters' surpluses
Nearly 40% of the surplus in 1974 was held in the United Kingdom, much of it in the euro-dollar market.

\$ billions	1974				
	1st qtr	2nd qtr	3rd qtr	4th qtr	Year
United Kingdom					
British government stocks	0.4	0.1	0.2	0.2	0.9
Treasury bills	0.4	0.7	0.7	0.9	2.7
Sterling deposits	-0.1	0.7	1.1	-	1.7
Other sterling investments[a]	0.1	0.2	0.3	0.1	0.7
Foreign currency deposits	2.5	4.5	3.4	3.4	13.8
Other foreign currency borrowing	-	0.5	0.3	0.4	1.2
	3.3	6.7	6.0	5.0	21.0
United States					
Government and agency securities	0.5	1.4	2.3	1.8	6.0
Bank deposits	0.6	0.8	2.3	0.3	4.0
Other[a]	-	0.1	0.4	0.5	1.0
	1.1	2.3	5.0	2.6	11.0
Other countries					
Foreign currency deposits	1.5	3.5	1.5	2.5	9.0
Special bilateral facilities and other investments[a] [b]	1.1	2.5	3.0	5.0	11.6
	2.6	6.0	4.5	7.5	20.6
International organisations	-	0.5	0.8	2.3	3.6
Total	7.0	15.5	16.3	17.4	56.2

[a] Includes holdings of equities and property.

[b] Includes loans to less developed countries.

for the year, 37% was held in the United Kingdom, much of it in the euro-dollar market, 20% in the United States, 37% in other countries, and 6% with international organisations; bank deposits in the United Kingdom, the United States and other OECD countries accounted for about a half of the total.

Sterling investments in the United Kingdom, as a proportion of the total surplus, fluctuated between 11% and 14% during the first nine months, but in the fourth quarter they dropped sharply, to 7%. At the same time, additions to foreign currency deposits in the London market declined from 36% of the total surplus in the first quarter to 20% in the fourth. Additions to foreign currency deposits in countries other than the United Kingdom and the United States fell away sharply in the third quarter with the temporary loss of confidence in the markets, but were soon growing faster again. Total investments in the United States benefited from the uncertainties in the euro-currency markets, and their share, previously around 15%, temporarily doubled in the third quarter.

Other forms of investment, which include special bilateral facilities, loans to less developed countries, and loans to international organisations, accounted for about 17% of the total for the first nine months of the year, and then jumped to over 30% in the fourth quarter with the increased drawings on the IMF oil facility financed by the oil exporters. In all, in the fourth quarter, the volume of funds going into the US and UK markets was for the first time less than the amount going elsewhere.

The figures confirm both the magnitude of the total increase which has already occurred and the extent to which it has been placed on deposit with banks largely at short term. Although 1975 may see the IMF playing an increasingly important role in recycling these surpluses and the oil-exporting countries possibly extending more loans to particular countries and perhaps making more direct investments abroad, the international banking system will also doubtless continue to play a big role.

Sterling guarantee arrangements

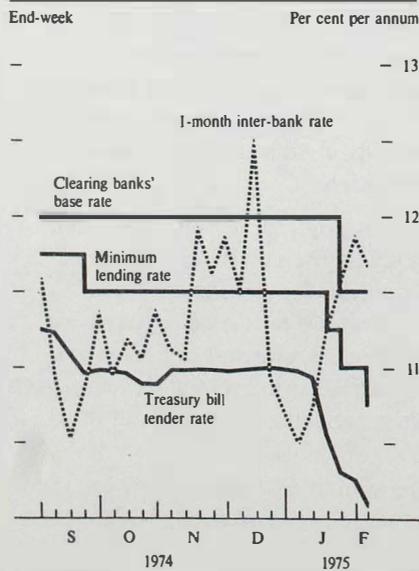
Unlike the 1968 Sterling Agreements and the six-month arrangement of September 1973, the sterling guarantee arrangements which expired at the end of 1974[1] did not fall to be implemented, for the average effective depreciation of sterling since the Smithsonian settlement in the period 1st April to 31st December 1974 was 18.15%, less than the 'guarantee rate' of 18.35%. The Chancellor of the Exchequer had already announced in the Budget speech in mid-November that the guarantee would not be continued.[2]

The money market

In November conditions in the money market were generally easy. Government disbursements usually provided ample funds, although on occasion assistance was given by purchases of Treasury and local authority bills. But around the end of the month oil revenue payments, the seasonal rise in the note circulation, and repayments of the official loans by building societies all contributed to a very tight market, and the Bank provided large-scale assistance, as before, through purchases of Treasury and local authority bills. Conditions then eased again for the first two weeks of December, and the Bank sold Treasury bills on a number of days to absorb surplus funds. The temporary pressure on sterling in the middle of the month led to some expectation of a rise in minimum lending rate, and market rates rose in anticipation. In the event the authorities judged that higher interest rates were not appropriate, the foreign exchange outflow slowed down, and, with continued large government disbursements, conditions again became

Short-term interest rates in London

Rates in the parallel markets fluctuated a lot in the latest three months; those in the official market fell in January after a very steady period.



[1] June 1974 *Bulletin*, pages 143 and 171.

[2] December 1974 *Bulletin*, page 404.

much easier towards the end of the month and during the first half of January. During this period rates eased steadily; but with heavy tax payments and oil revenues becoming due in the third and fourth weeks of January, coupled with settlements for exceptionally heavy official sales of gilt-edged stocks, money became extremely short; and at the end of the month the shorter rates again rose sharply, and substantial assistance, including lending to the discount houses at minimum lending rate, was provided.

Offerings at the weekly Treasury bill tender were large for most of the period, reflecting the magnitude of the government deficit. Despite this, the average rate of discount remained steady, with the discount houses content to take up the bills at prices which showed an acceptable margin over the average cost of their borrowed funds. In January, the easy conditions in the market and falling interest rates abroad encouraged hopes of lower rates at home, and it became clear that the authorities were prepared to see some easing. On 17th January minimum lending rate fell from 11½% to 11¼%, and shortly afterwards the clearing banks lowered their base rates from 12% to 11½%, the first change in eight months. On 24th January, minimum lending rate fell by a further ¼% to 11%, but was unchanged at the last tender in the month.

Capital markets

During November and December, prices in the *gilt-edged market* generally continued the tendency to fall which had begun in late September. Overseas interest rates were declining, but there was little else to hearten the market, and at times the authorities bought stocks across a wide range of maturities. Prices fell sharply in the middle of November after the Budget statement had revealed a greatly enlarged public sector borrowing requirement. The market then steadied for a while, but in early December the weakness of sterling, with its possible implication for domestic interest rates, together with the publication of the very poor trade figures for November, once more brought a sharp fall in prices. Short-dated stocks were particularly affected, so that the yield curve became somewhat flatter even though some long-dated issues were then yielding 17½%. Sentiment improved slightly before Christmas, helped by the Chancellor's reassuring statement after his visit to Saudi Arabia.

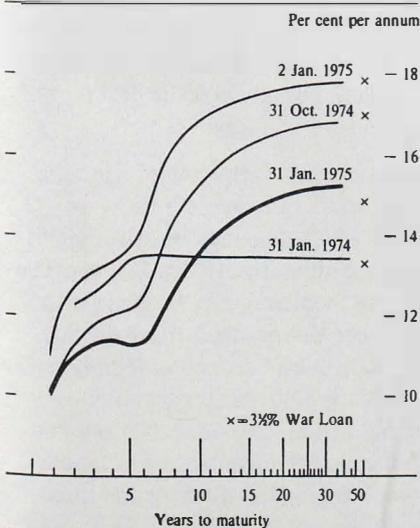
On Christmas Eve a new issue was announced: £600 million nominal of 3% Treasury Stock 1977 at £84.50 per cent. It was issued in the light of the need to meet substantial maturities in 1975, especially the £1,073 million of 3% Savings Bonds 1965/75, which matures in August; and designed to enable holders of the latter to switch into a comparable stock.

Because the market was mostly weak in the December quarter, the authorities were able to sell stock only occasionally and were more frequently buyers. In all they acquired over £400 million of stock net – the first net purchase in a quarter since the June quarter of 1972. The larger part, some £240 million, consisted of near-maturing stocks, and some £50 million of 6¾% Treasury Stock 1974, still in market hands on 11th December, was redeemed. But the authorities also bought nearly £120 million net of stocks with over one year to maturity. Banks and most other domestic holders, particularly insurance companies, reduced their holdings, while overseas holders added to theirs.

Early in the new year, news of the Burmah Oil Company's difficulties and the announcement of a large fall in the reserves in December led to another fall in prices. But thereafter the market began to pick up, particularly at the short end as international short-term interest rates declined further. The recovery quickly gathered strength, and the authorities became heavy net sellers of stock in the last three weeks of January. Official holdings of the 11½% Treasury Stock 1979

Time/yield curves of British government stocks

Yields rose to new heights at the start of January but then fell dramatically, and there was some flattening of the curve.[a]



[a] The lines measure the nominal rate of interest which a stock at each maturity should bear if issued at par. The curve runs from the shortest-dated stock with a life of more than one year to the longest-dated stock. The construction of the curves is discussed in the September 1973 *Bulletin*, page 315.

issued in September were exhausted on 14th January, and on 17th January the issue of two more short tap stocks was announced. The first, to help meet the future need of the banks for reserve assets, was a further £300 million of 10½% Treasury Stock 1976 at £99.50 per cent; the second, £500 million of 10½% Treasury Stock 1978 at £96.00 per cent, was priced broadly in line with the market, but by the opening of the lists prices had risen so much that it appeared cheap, and more than usual was subscribed at the time of issue; it was all sold within two days. Meanwhile, by 21st January the long-dated tap stock, 12¾% Treasury Loan 1995, had also been exhausted: though issued in May 1974, it too was virtually all sold during January. On 31st January another short tap stock was announced: £600 million of 10½% Treasury Stock 1979 at £96.00 per cent, again in line with current market rates. The dramatic change in the demand for gilt-edged stocks during January caused yields to fall very sharply, despite the substantial official sales. The yields on medium and long-dated stocks fell by some 3½% and 3% respectively, and those on short-dated by a little less.

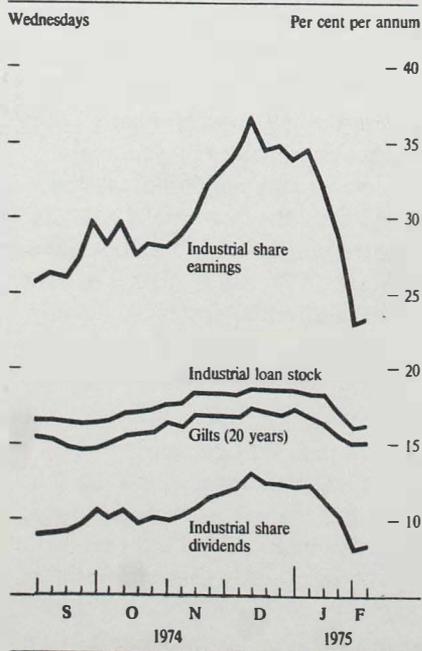
In the *equity market* prices continued to fall almost continuously in November and the first half of December, the FT-Actuaries industrial (500) share price index falling from 82 to 63. A number of poor company results, disappointment that the Budget did not do more for the company sector's serious deficiency of liquidity and profitability, a large rise in the retail price index, and the coal miners' rejection of a productivity scheme had all contributed to a fall in prices to their lowest for twenty years. The market then rallied a little, partly with the announcement of the removal of commercial rent controls, and the index ended the year at 68 (compared with 150 at the end of 1973). Once again the rally appeared short-lived, the news of Burmah Oil's troubles causing prices to fall back sharply, with the index once more at 63. Thereafter, however, there was a sharp increase in buying, no doubt triggered by the recovery of the gilt-edged market but soon carried by its own momentum with buyers wary of being left out of the sharply rising market at a time when jobbers were short of stock. The continuing decline in interest rates at home and abroad, reflationary measures in certain countries, the improved trade deficit in December, and speculation about the possibility of strong measures in the next Budget were all regarded as favourable signs. Despite small bouts of profit-taking, the index ended the month at 104, a rise of over 60% since the low point of 6th January, but still less than half the high point reached in August 1972. Turnover, which had remained low in the fourth quarter, was much heavier: indeed January was the best month since March last year.

In November and December yields on equities (measured from the last declared results) continued to rise more quickly than those on long-dated gilt-edged stocks. Dividend yields remained less than yields on gilt-edged, but earnings yields were at times over twice as great. The chart shows the dramatic turn-round in the markets in January, with yields on equities then falling much more sharply than those on gilts. New equity issues during November to January were considerably larger than for some time, but the total of nearly £80 million consisted very largely of a single issue by Commercial Union Assurance. Net sales of unit trust units remained low until the change in sentiment in January: then some £20 million net were sold, bringing the total for the three months to £34 million.

The *debenture market* was fairly quiet during November and December, with turnover low and prices falling. Yields, as measured by the Bank's index, tended as usual to follow those on long-dated gilt-edged, rising from over 17½% at end-October to over 18½% around the end of the year. In common with other markets, yields fell sharply in January and ended the period at 16%. New money raised in the period, including that on preference shares, was only £6 million, and it was easily exceeded by redemptions of £30 million.

Security yields

In January the markets recovered strongly and yields fell.



In the first part of February the improvement in the securities markets continued, and the opportunity was taken to make the first issue of fixed-interest stock by Finance for Industry Ltd under the arrangements published in November for a considerable expansion in its activities.[1] Accordingly, £75 million of 13% unsecured loan stock, maturing in 1981, was offered for sale on 13th February with a redemption yield of 13.1%; the issue was oversubscribed. The demand for loans from Finance for Industry Ltd had proved such as to justify raising a first tranche of medium-term finance as well as the stand-by facilities and additional equity capital made available by the shareholding banks.

[1] December 1974 *Bulletin*, pages 394 and 401.

Sector financing

The following sections review the flow of funds by sector. Seasonally-adjusted figures are used unless it is otherwise stated.

Public sector

In the second quarter there had been a comparatively small public sector deficit. In part this was because the pattern of local government expenditure was disturbed as a result of the reorganisation on 1st April. In the third quarter, the current accounts of the central government and local authorities deteriorated sharply while the sector's capital expenditure at current prices was little changed. The consequent financial deficit was £1,180 million, much greater than in the previous quarter, though still somewhat less than the record amount in the first quarter. On the other hand, despite contributing £280 million through three further tranches of lending to the building societies, public sector lending rose by only £440 million compared with £570 million in the quarter before; this mainly reflected a net repayment of trade credit to public corporations and a reduction in the outstanding amount of unpaid revenue. Also, net unidentified transactions reduced the borrowing requirement a little in the third quarter, whereas in the second quarter they had added £280 million to it. Consequently, the public sector borrowing requirement, at £1,560 million, was almost as large as the record amount in the second quarter.

Rather more of the sector's borrowing requirement was financed by direct external flows than in the second quarter (£360 million as against £190 million): there was heavy buying of government debt, particularly by the oil-exporting countries, and public corporations again borrowed substantial amounts of foreign currency. [1] The domestic borrowing requirement was therefore somewhat smaller than in the second quarter (£1,200 million against £1,390 million) and was entirely financed by the private sector (other than banks) which, besides increasing its holdings of notes and coin by £190 million, took up £340 million of gilt-edged stocks and £490 million of local authority debt, each rather less than in the previous quarter; the general public also bought an exceptional £120 million of Treasury bills and, after three quarters of disinvestment, some £50 million of national savings. The Bank's Issue Department realised some £50 million of its stock of commercial bills, and the public sector as a whole repaid £40 million to the banking system.

Figures for the combined borrowing requirement of the public sector in the fourth quarter are not yet available. The central government borrowing requirement, however, more than doubled to £1,730 million. The net effect of external transactions was to provide the Government with £1,160 million of finance. [2] Thus only £570 million, a little less than in the third quarter, remained to be borrowed from other domestic sources.

Whereas in the third quarter the general public had more than covered this financing requirement, in the fourth quarter they reduced their lending to some £60 million. In particular, they sold £390 million of gilt-edged stocks; thus, despite an unusually large take-up of notes and coin by the public (perhaps to carry them over the long Christmas and new year holiday) the central government was obliged to borrow

[1] In the flow of funds statistics public sector foreign currency borrowing is treated as external financing of the public sector borrowing requirement. This is because the Government's need for sterling finance is reduced to the extent that foreign currency is available to meet a reserve outflow.

[2] Including £640 million drawn on the \$2.5 billion euro-dollar facility arranged last March (see June 1974 *Bulletin*, page 126, and December 1974 *Bulletin*, page 389). In the statistics (see Table B) there is a difference of treatment according to whether the participating banks are located in the United Kingdom or abroad: £500 million was drawn on UK banks and is shown as bank borrowing, and £140 million was drawn on overseas banks and is included in external transactions.

Public sector borrowing requirement

The borrowing requirement was again very large in the third quarter.

£ millions: seasonally adjusted

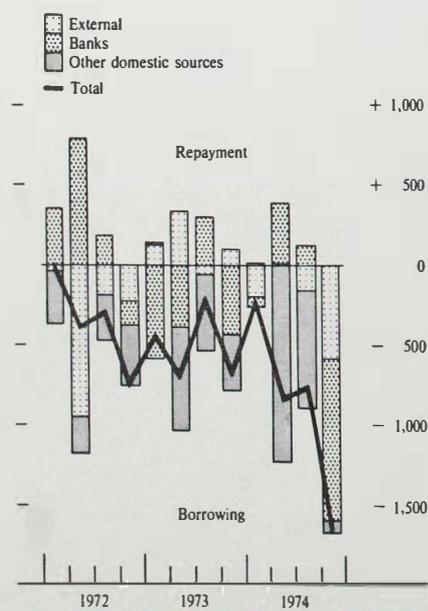
	1973		1974		
	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr
Financial deficit(+)	+ 700	+ 730	+1,340	+ 730	+1,180
Lending and other transactions[a]	+ 440	+ 490	- 70	+ 570	+ 440
Unidentified	- 10	+ 120	- 520	+ 280	- 60
Borrowing requirement (increase +)	+1,130	+1,340	+ 750	+1,580	+1,560

[a] Increase in assets +. See footnote[a] to Table B.

Finance of the central government's borrowing requirement (—)

The central government borrowing requirement in the fourth quarter was more than double that of the previous quarter: it was financed largely by the banks and external transactions.

Seasonally adjusted £ millions



Capital account of industrial and commercial companies

Companies incurred another very large financial deficit in the third quarter.

£ millions: seasonally adjusted

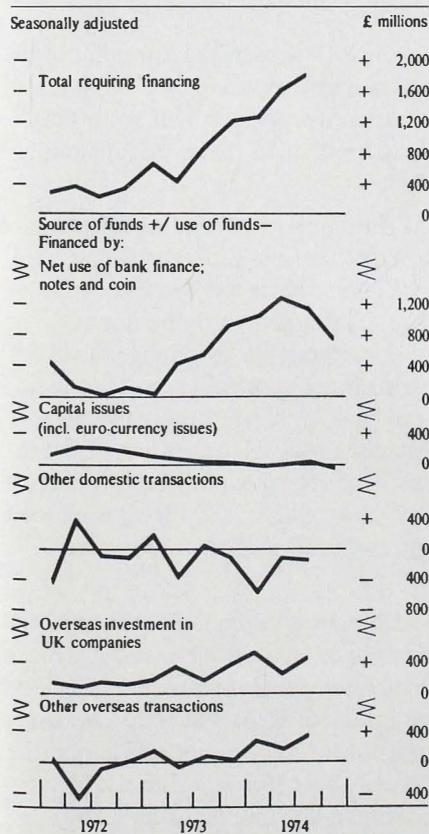
	1973		1974		
	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr
Saving[a]	980	1,020	200	440	680
Capital transfers (net receipts)	100	70	90	80	70
<i>less:</i>					
Gross domestic capital formation[a]	-1,340	-1,510	-1,040	-1,800	-1,970
Financial deficit	-260	-420	-750	-1,280	-1,220

[a] Excluding stock appreciation of:

	750	820	1,760	1,300	820
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Transactions of industrial and commercial companies

Companies' financing needs continued to grow in 1974 and were met largely by bank borrowing. Further detail is in Table E.



some £520 million in sterling from the banking system, besides the £500 million of foreign currency borrowing referred to above.

Industrial and commercial companies

Gross trading profits of all companies (including, indistinguishably, financial companies) were a little down in the third quarter; a smaller, although still large, share was taken by stock appreciation. Companies' UK tax payments again rose sharply, in part a reflection of the advance corporation tax surcharge, payments of which had by the end of September amounted to some £180 million. Thus, after paying for fixed investment and stocks, companies in general, and industrial and commercial companies in particular, had only a slightly smaller financial deficit than in the second quarter and still a very large one. Indeed, the cumulative deficit of industrial and commercial companies was over seven times as large in the first nine months of 1974 as in the same period of 1973.

Industrial and commercial companies' financing requirements further increased in the third quarter as a result of a sharp rise, from £220 million to £500 million, in their net long-term investment abroad. (The second quarter had included large sales of assets in Abu Dhabi by an oil company.) In all, the sector required some £1,820 million of finance (see Table E).

The bulk of the finance again came from the banks, which provided a net £1,280 million as against £1,360 million in the second quarter. Equity issues were again negligible. On the other hand overseas investment in UK companies was £120 million greater than in the second quarter. A sign of the financial stringency surrounding companies is the sharp turn-round in unidentified transactions, both domestic and overseas, since the last quarter of 1973: whereas in that quarter companies appear to have acquired some £590 million net of unidentified assets, in the third quarter of 1974 they incurred as much as £430 million net of unidentified liabilities.

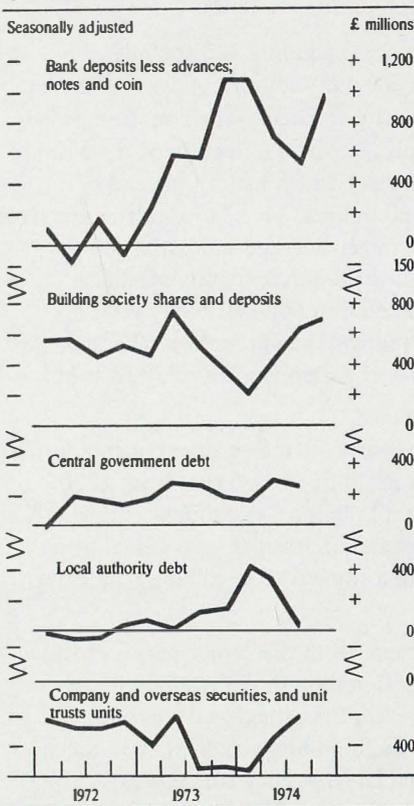
In the fourth quarter, companies' reliance on bank finance was cut considerably from the high figures of the previous four quarters, and this is consistent with growing reports of a cutback in capital expenditure and a general reduction in activity; also, both banks and their company customers have been increasingly unwilling to see companies' debt/equity ratios deteriorate further. Bank deposits were also run down very sharply, by £300 million, possibly because the announcement in the November Budget of tax relief on stock appreciation allowed companies to reduce their liquid assets. Redemptions of fixed-interest stocks exceeded new equity and preference issues in the quarter; indeed, in 1974 as a whole net capital issues by industrial and commercial companies totalled a mere £10 million compared with £260 million in 1973 and £730 million in 1972.

Personal sector

Largely as a result of higher wages and salaries, total personal disposable income rose by about 7½% in the third quarter. Consumption increased by a much smaller percentage, and the recorded savings ratio rose sharply, to a record 13.1%. Capital expenditure, on the other hand, fell slightly. In consequence, the personal sector's financial surplus was extremely large – £1,210 million, nearly 70% greater than in the second quarter. Yet net identified transactions in financial assets were in total smaller than before, entailing an enormous fall in net unidentified borrowing. In the past, the national income data from which the financial surplus is measured have been thought to have provided the larger element of these discrepancies; in the third quarter, however, the large recorded rise in persons' financial surplus seems entirely reasonable whereas a smaller take-up of financial assets is surprising. The difference could in part reflect repayment of trade

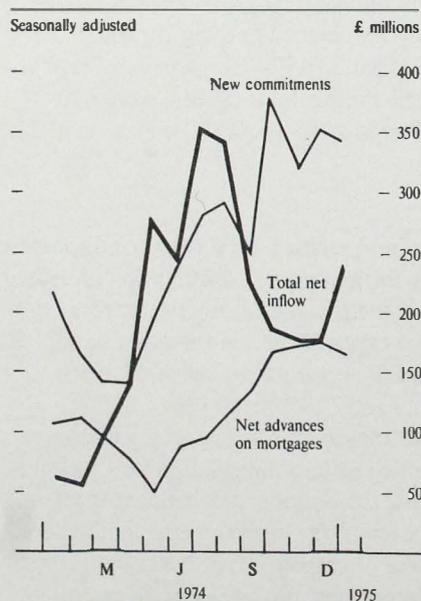
Personal sector holdings of financial assets

Persons continue to prefer liquid assets. Further detail is in Table D.



Building society funds

From October onwards the societies' net inflow has been reduced by repayments of official loans (see figures below). Nevertheless, new commitments and advances have remained stronger.



Month	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
New commitments	+125	+75	+146	+109	+28	-23	-63	-67	-52

credit taken earlier in the year, for little of this is recorded in the statistics.

Total identified personal borrowing increased by some £510 million, rather less than in the previous quarter: much more was borrowed for house purchase but bank borrowing for other purposes fell a little. On the assets side, persons' funds with the building societies rose by £630 million, the largest quarterly inflow for over a year, while their bank deposits increased by only £420 million, the smallest amount for two years. They also appear to have increased their holdings of local authority debt by far less than for some time. [1] Meanwhile purchases of government stocks returned to more normal proportions after the record second quarter; and there was a marked improvement in national savings following the introduction in the summer of the more favourable terms announced in the March Budget.

Preliminary indications suggest a further very large financial surplus in the fourth quarter, with persons continuing to take up mostly liquid assets: deposits with banks and with building societies each increased very sharply, as indeed did holdings of notes and coin. On the other hand it seems likely that there were substantial sales of equities and debentures, and no more than small purchases of gilt-edged stock.

Financial institutions other than banks

Taking the institutions as a whole, the inflow since the low point in the first quarter of last year (when personal savings fell quite sharply during short-time working) has remained rather low, especially if net official loans to the building societies of £200 million in the second quarter and £280 million in the third are excluded.

The most notable feature of the third quarter, apart from the marked recovery in lending for house purchase, has been the sector's first large net sale of company securities since quarterly figures became available in 1963. Equity prices continued to fall sharply, partly no doubt because the institutions were not, as customarily, absorbing individuals' sales but were themselves reducing their own portfolios; most of these securities were taken up by non-residents. The institutions also bought less gilt-edged stock, instead allowing their regular accruals of funds to swell their liquid assets. Their bank deposits, which had been run down in the first half of the year, rose by £360 million; and they placed some £320 million of temporary money, and £120 million at somewhat longer term, with local authorities.

Only limited information is available on developments in the fourth quarter. *Building society* shares and deposits, however, rose by as much as £680 million, on top of £630 million in the third quarter — a marked recovery from the heavily reduced inflow of £220 million in the first quarter. The strength of the latest inflows doubtless reflects in part the increased preference of persons, noted above, for liquid assets. In October the societies drew the remaining £20 million of the £500 million of official loans but, in accordance with the agreed formula for repayments, [2] they began from that month on to repay the loans, reducing them by £170 million by the end of the year. Nevertheless, their combined liquidity ratio remained as high as 18½% throughout the quarter.

Inevitably, after a period of diminished inflows, the societies' lending on mortgage had been only modest in the third quarter, though commitments had increased very sharply; but in the fourth quarter net advances amounted to £510 million, compared with £340 million in the third. With new commitments even greater than in the previous quarter and with the societies' liquidity strong, net advances in the early part of this year have continued at a high rate.

[1] Statistics on holdings of local authority debt include a large unallocated element; in the flow of funds accounts these are attributed to the personal sector.

[2] December 1974 *Bulletin*, page 411.

Although sales of cars and other durable goods have risen quite sharply in value since the depressed first quarter, this has not been matched by a corresponding rise in instalment credit outstanding. Indeed, in 1974, terms control having been reintroduced in December 1973, [1] outstanding debt owed to *finance houses* fell by £160 million, while debt owed to retailers was unchanged. This was because the market for cars, in which the finance houses are mainly interested, was more depressed than the market for other durable goods; and because the tighter terms control meant that for each purchase the amount of credit extended is smaller and has to be repaid more quickly.

Banking sector

There was a very marked slackening in the private sector's demand for credit in the fourth quarter, and it borrowed only £330 million net, the smallest quarterly amount for nearly four years. Lending to industrial and commercial companies, at £580 million, was less than half the average of the three previous quarters, and no doubt reflected the continuing downturn in economic activity. Lending to the personal sector fell back a little, and other financial institutions, which had made substantial calls on bank finance in 1973 and early 1974, made net repayments of £190 million. Bank deposits, on the other hand, rose strongly, so that, as mentioned above, the banks took up large amounts of government debt.

[1] March 1974 *Bulletin*, page 22.

Flow of funds accounts

Table A
Income and expenditure[a]

£ millions

Seasonally adjusted

	Income from employment and trading[b] [c]	Transfer incomes etc. [c]	less Consumption[d]	less Current transfer payments	equals Saving	less Gross domestic capital formation[b] [e]	less Capital transfers (net payments -)	equals Financial surplus/deficit[f]
Public sector								
1971 4th qtr	419	5,473	- 2,726	-2,204	962	-1,188	- 5	- 231
1972 1st qtr	355	5,622	- 2,818	-2,317	842	-1,145	- 1	- 304
2nd "	470	5,652	- 2,876	-2,390	856	-1,212	11	- 345
3rd "	502	5,564	- 2,975	-2,385	706	-1,181	21	- 454
4th "	507	5,781	- 3,107	-2,547	634	-1,224	11	- 579
1973 1st qtr	498	6,124	- 3,162	-2,573	887	-1,405	- 27	- 545
2nd "	543	5,996	- 3,241	-2,684	614	-1,382	- 17	- 785
3rd "	558	6,417	- 3,374	-2,846	755	-1,456	- 1	- 702
4th "	595	6,730	- 3,493	-3,057	775	-1,510	10	- 725
1974 1st qtr	560	6,935	- 3,676	-3,404	432	-1,786	13	-1,341
2nd "	654	7,490	- 3,733	-3,372	1,039	-1,752	- 16	- 729
3rd "	659	8,113	- 4,241	-3,936	595	-1,755	- 22	-1,182
Overseas sector[g]								
1971 4th qtr					- 246			- 246
1972 1st qtr					- 84			- 84
2nd "					- 121			- 121
3rd "					110			110
4th "					23			23
1973 1st qtr					192		38	230
2nd "					197		19	216
3rd "					272		1	273
4th "					537		1	538
1974 1st qtr					964		-	964
2nd "					990		29	1,019
3rd "					781		40	821
Personal sector								
1971 4th qtr	8,662	3,753	- 9,098	-2,429	888	- 581	- 86	221
1972 1st qtr	8,882	3,810	- 9,357	-2,550	785	- 611	-103	71
2nd "	9,245	4,088	- 9,692	-2,431	1,210	- 667	- 96	447
3rd "	9,483	4,018	-10,022	-2,480	999	- 628	- 88	283
4th "	9,876	4,315	-10,401	-2,597	1,193	- 740	- 84	369
1973 1st qtr	10,193	4,509	-10,993	-2,826	883	- 792	- 93	- 2
2nd "	10,577	4,741	-10,939	-2,924	1,455	- 693	- 69	693
3rd "	10,866	4,891	-11,319	-2,978	1,460	- 768	- 84	608
4th "	11,254	4,938	-11,604	-3,118	1,470	- 729	- 74	667
1974 1st qtr	11,490	5,227	-11,984	-3,350	1,383	- 683	- 93	607
2nd "	12,202	5,333	-12,409	-3,636	1,490	- 692	- 82	716
3rd "	13,294	5,739	-12,973	-4,104	1,956	- 673	- 76	1,207
Company sector[h]								
1971 4th qtr	1,475	1,296		-1,786	985	-1,071	91	5
1972 1st qtr	1,513	1,369		-1,811	1,071	-1,190	104	- 15
2nd "	1,619	1,398		-1,949	1,068	-1,204	85	- 51
3rd "	1,722	1,507		-1,841	1,388	-1,429	67	26
4th "	1,809	1,622		-1,884	1,547	-1,528	73	92
1973 1st qtr	2,047	1,839		-2,229	1,657	-1,923	82	- 184
2nd "	2,106	1,928		-2,275	1,759	-1,936	67	- 110
3rd "	2,147	2,163		-2,367	1,943	-2,370	84	- 343
4th "	2,176	2,628		-2,705	2,099	-2,592	63	- 430
1974 1st qtr	2,560	2,892		-3,118	2,334	-3,072	80	- 658
2nd "	2,384	2,991		-3,250	2,125	-3,379	69	-1,185
3rd "	2,327	2,878		-3,307	1,898	-3,083	58	-1,127

[a] Some of the national income figures in this table have been revised since the January issue of *Economic Trends* (Tables B, E, and J are also affected).

[b] Without deduction of depreciation or stock appreciation.

[c] Rent and income from self-employment are included with transfer incomes and not with income from trading.

[d] Other than depreciation.

[e] Including changes in the value of stocks.

[f] The sum of sector surpluses and deficits corresponds to the residual error in the national income accounts.

[g] See the note on line 5 at the end.

[h] Including financial institutions.

Table B
Public sector

£ millions
Seasonally adjusted

	1971	1972				1973				1974			
	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr
Capital expenditure	+1,188	+1,145	+1,212	+1,181	+1,224	+1,405	+1,382	+1,456	+1,510	+1,786	+1,752	+1,755	
less Saving	- 962	- 842	- 856	- 706	- 634	- 887	- 614	- 755	- 775	- 432	-1,039	- 595	
less Capital transfers (net)	+ 5	+ 1	- 11	- 21	- 11	+ 27	+ 17	+ 1	- 10	- 13	+ 16	+ 22	
<i>equals</i> Financial surplus -/deficit +	+ 231	+ 304	+ 345	+ 454	+ 579	+ 545	+ 785	+ 702	+ 725	+1,341	+ 729	+1,182	
Lending and other transactions (increase in assets +)[a]	+ 214	- 18	+ 150	+ 157	+ 341	+ 67	+ 415	+ 439	+ 491	- 72	+ 570	+ 444	
Unidentified	- 62	- 264	+ 116	- 69	- 37	- 62	+ 1	- 8	+ 122	- 517	+ 280	- 63	
Borrowing requirement (increase +)	+ 383	+ 22	+ 611	+ 542	+ 883	+ 550	+1,201	+1,133	+1,338	+ 752	+1,579	+1,563	
<i>Financed by (borrowing -): †</i>													
Central government:													
External transactions	+ 973	- 35	- 955	- 184	- 221	+ 136	+ 341	- 55	+ 106	- 192	+ 8	- 151	- 661
Notes and coin with the public	- 45	- 134	- 125	- 95	- 141	- 138	- 125	- 6	- 170	- 86	- 157	- 189	- 309
Bank borrowing	- 527	+ 367	+ 799	+ 184	- 147	- 580	+ 384	+ 311	- 432	- 59	+ 387	+ 130	-1,018
Other domestic borrowing[b]	- 640	- 198	- 102	- 198	- 244	+ 145	- 532	- 467	- 184	+ 102	-1,063	- 547	+ 261
	- 239	-	- 383	- 293	- 753	- 437	- 700	- 217	- 680	- 235	- 825	- 757	-1,727
Local authorities:													
External finance	- 26	- 29	+ 3	- 68	- 55	- 57	- 28	- 105	- 128	+ 21	+ 25	- 49	+ 78
Bank borrowing	- 158	+ 57	- 28	- 67	+ 7	+ 131	+ 37	- 90	- 99	+ 304	- 9	+ 59	- 179
Other domestic borrowing[c]	+ 66	- 119	- 63	- 47	- 112	- 258	- 358	- 151	- 243	- 717	- 682	- 498	
	- 118	- 91	- 88	- 182	- 160	- 184	- 349	- 346	- 470	- 392	- 666	- 488	
Public corporations:													
External finance	- 7	- 22	- 9	+ 10	+ 1	- 27	- 11	+ 22	- 88	- 9	- 226	- 157	- 193
Domestic borrowing	- 19	+ 91	- 131	- 77	+ 29	+ 98	- 141	- 592	- 100	- 116	+ 138	- 161	
	- 26	+ 69	- 140	- 67	+ 30	+ 71	- 152	- 570	- 188	- 125	- 88	- 318	
Total net borrowing	- 383	- 22	- 611	- 542	- 883	- 550	-1,201	-1,133	-1,338	- 752	-1,579	-1,563	

†Borrowing in foreign currencies in recent year has been as follows:

Central government:													
From UK banks													+ 499
Direct from overseas													+ 145
Local authorities:													
From UK banks						+ 20	+ 57	+ 5	+ 6	+ 97	+ 170	-	-
Direct from overseas						+ 10	+ 38	+ 25	+ 62	+ 34	+ 19	-	+ 4
Public corporations:													
From UK banks						+ 19	+ 177	+ 342	+ 201	+ 180	+ 93	+ 52	-
Direct from overseas						+ 50	+ 10	- 9	+ 86	+ 28	+ 219	+ 163	+ 185

- nil or less than £½ million.

[a] Consisting principally of lending to overseas and private sectors (including loans to building societies and to persons for house purchase, refinancing of export credits, and public corporations' identified trade credit); also changes in bank deposits, and accruals adjustments (see the note on line 19 at the end).

[b] Issue Department's transactions in commercial bills and local authority debt are included here.

[c] Including Issue Department's transactions in local authority debt.

Table C

Overseas sector [a]

£ millions

Seasonally adjusted

Claims on UK: increase +/decrease -

Liabilities to UK: increase -/decrease +

	1971	1972				1973				1974			
	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr
Financial surplus +/deficit -	- 246	- 84	-121	+110	+ 23	+230	+216	+273	+538	+964	+1,019	+821	
Transactions with the UK private sector													
Investment flows:													
Transactions in company and overseas securities	+ 3	-173	-135	- 68	- 88	+137	+159	+ 61	+150	+201	+ 121	+243	
Miscellaneous private investment	+ 40	+ 5	- 43	- 1	-113	-109	+ 61	- 68	-212	+266	+ 142	- 25	
Other transactions:													
Net external transactions by UK banks [b]	+ 583	+146	-274	+ 17	+ 39	+260	+464	+125	+588	+141	+ 492	- 15	+555
Other identified	- 141	- 86	-148	- 63	+318	-103	+ 34	-152	+ 96	+ 35	+ 234	-145	
Balancing item	+ 290	+ 8	-379	+ 44	-324	+209	-124	+239	-102	+255	- 30	+550	
	+ 775	-100	-979	- 71	-168	-394	+594	+205	+520	+898	+ 959	+608	
Transactions with the UK public sector													
Lending etc. [c]	- 81	- 70	-103	- 61	- 84	-112	- 76	- 70	- 92	-114	- 133	-144	
External finance: [d]													
Central government	- 973	+ 35	+955	+184	+221	-136	-341	+ 55	-106	+192	- 8	+151	+661
Local authorities	+ 26	+ 29	- 3	+ 68	+ 55	+ 57	+ 28	+105	+128	- 21	- 25	+ 49	- 78
Public corporations	+ 7	+ 22	+ 9	- 10	- 1	+ 27	+ 11	- 22	+ 88	+ 9	+ 226	+157	+193
	-1,021	+ 16	+858	+181	+191	-164	-378	+ 68	+ 18	+ 66	+ 60	+213	

[a] It has not been possible to include in this table the balance of payments estimates for the 4th quarter of 1974, and revisions to previous quarters, which were released in March.

[b] Other than purchases of securities. Includes the adjustments mentioned in the notes to line 11 of Tables H and J.

[c] These overseas transactions of the public sector contribute to its borrowing requirement.

[d] These overseas transactions of the public sector are among the items financing its borrowing requirement.

Table D
Personal sector
£ millions
Seasonally adjusted

	1971				1972				1973				1974			
	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr			
Saving	+ 888	+ 785	+1,210	+ 999	+1,193	+ 883	+1,455	+1,460	+1,470	+1,383	+1,490	+1,956				
Capital transfers (net)	- 86	- 103	- 96	- 88	- 84	- 93	- 69	- 84	- 74	- 93	- 82	- 76				
Capital expenditure	- 581	- 611	- 667	- 628	- 740	- 792	- 693	- 768	- 729	- 683	- 692	- 673				
Financial surplus +/-deficit -	+ 221	+ 71	+ 447	+ 283	+ 369	- 2	+ 693	+ 608	+ 667	+ 607	+ 716	+1,207				
Borrowing (-)																
For house purchase	- 550	- 576	- 700	- 746	- 735	- 815	- 707	- 718	- 556	- 463	- 409	- 577				
Bank borrowing[a]	- 234	- 437	- 575	- 280	- 635	- 440	- 278	- 385	+ 84	- 44	- 73	+ 32	+ 51			
Hire-purchase debt	- 71	- 68	- 58	- 60	- 55	- 79	- 35	- 22	- 47	+ 54	+ 20	+ 16				
Other[b]	- 82	+ 85	+ 15	- 5	- 128	- 4	- 51	+ 32	- 159	+ 106	- 120	+ 21				
	- 937	- 996	-1,318	-1,091	-1,553	-1,338	-1,071	-1,093	- 678	- 347	- 582	- 508				
Acquisition of financial assets (+)																
Life assurance and pension funds	+ 513	+ 567	+ 638	+ 596	+ 654	+ 814	+ 681	+ 611	+ 711	+ 790	+ 680	+ 660				
Government stocks	+ 101	- 130	+ 33	+ 56	+ 46	+ 126	+ 220	+ 193	+ 243	+ 217	+ 316	+ 209				
Company and overseas securities	- 344	- 258	- 343	- 352	- 312	- 449	- 263	- 589	- 565	- 571	- 376	- 239				
Unit trust units	+ 21	+ 26	+ 54	+ 60	+ 63	+ 59	+ 49	+ 33	+ 15	+ 12	+ 9	+ 22	+ 18			
Bank deposits, notes and coin	+ 378	+ 552	+ 460	+ 440	+ 561	+ 665	+ 863	+ 961	+1,013	+1,130	+ 776	+ 511	+936			
Building society shares and deposits	+ 571	+ 574	+ 576	+ 465	+ 524	+ 468	+ 766	+ 523	+ 371	+ 233	+ 456	+ 634	+685			
National savings	+ 150	+ 126	+ 160	+ 107	+ 82	+ 53	+ 65	+ 74	- 48	- 65	- 19	+ 51	+ 43			
Local authority debt	- 73	- 23	- 64	- 44	+ 49	+ 64	+ 9	+ 136	+ 149	+ 430	+ 346	+ 47				
Other	+ 104	+ 82	+ 58	+ 94	+ 93	+ 38	- 15	+ 23	+ 37	- 97	- 6	- 25				
	+1,421	+1,516	+1,572	+1,422	+1,760	+1,838	+2,375	+1,965	+1,926	+2,079	+2,182	+1,870				
Identified financial transactions	+ 484	+ 520	+ 254	+ 331	+ 207	+ 500	+1,304	+ 872	+1,248	+1,732	+1,600	+1,362				
Unidentified	- 263	- 449	+ 193	- 48	+ 162	- 502	- 611	- 264	- 581	-1,125	- 884	- 155				

[a] Other than for house purchase.

[b] Including accruals adjustments and trade credit extended by public corporations.

Table E
Industrial and commercial companies
£ millions
Seasonally adjusted

Assets: increase +/decrease -
Liabilities: increase -/decrease +

	1971				1972				1973				1974			
	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr			
Domestic capital formation	+946	+1,057	+1,081	+1,231	+1,359	+1,727	+1,706	+2,090	+2,327	+2,799	+3,099	+2,790				
less Saving	-890	- 976	- 953	-1,225	-1,409	-1,479	-1,585	-1,736	-1,834	-1,959	-1,742	-1,501				
less Capital transfers (net)	-102	- 116	- 97	- 80	- 87	- 94	- 80	- 97	- 76	- 93	- 82	- 71				
equals Financial surplus -/deficit +	- 46	- 35	+ 31	- 74	- 137	+ 154	+ 41	+ 257	+ 417	+ 747	+1,275	+1,218				
Trade investments, mergers, etc. in the United Kingdom	+ 81	+ 141	+ 152	+ 146	+ 203	+ 162	+ 131	+ 245	+ 185	+ 231	+ 121	+ 97				
Long-term investment abroad	+193	+ 190	+ 173	+ 175	+ 264	+ 359	+ 269	+ 359	+ 627	+ 311	+ 221	+ 504				
Total requiring financing (+)	+228	+ 296	+ 356	+ 247	+ 330	+ 675	+ 441	+ 861	+1,229	+1,289	+1,617	+1,819				
Capital issues (including euro-currency issues)	-149	- 136	- 203	- 212	- 176	- 109	- 99	- 27	- 26	+ 10	- 2	- 12	+ 10			
Overseas investment in UK companies	-145	- 146	- 116	- 153	- 117	- 187	- 342	- 194	- 391	- 532	- 293	- 409				
Import credit and advance payments on exports	- 47	- 69	- 15	- 94	- 103	- 50	- 52	- 56	- 123	- 62	- 55	- 40				
Export credit and advance payments on imports	+ 18	+ 34	+ 55	+ 47	+ 10	+ 77	+ 3	+ 45	+ 13	+ 118	+ 118	+ 74				
Bank borrowing	-337	- 715	- 736	- 642	- 895	- 610	- 585	-1,613	-1,747	-1,039	-1,333	-1,375	-608			
Other borrowing[a]	- 68	+ 7	- 53	+ 56	- 78	- 335	- 127	- 440	- 334	- 114	+ 146	+ 27				
Bank deposits, notes and coin	+401	+ 277	+ 610	+ 623	+ 778	+ 585	+ 162	+1,081	+ 828	- 30	+ 53	+ 188	-140			
Other liquid assets[b]	+ 60	+ 19	+ 23	+ 1	+ 37	+ 11	+ 82	+ 6	- 6	- 2	+ 48	+ 87				
Other items[c]	+ 60	+ 61	- 30	+ 23	+ 1	+ 152	- 11	+ 54	- 31	+ 85	- 91	+ 71				
Other overseas transactions (including the balance of payments balancing item)[d]	- 86	+ 22	+ 458	+ 88	+ 71	- 170	+ 138	- 57	+ 102	- 335	- 222	- 379				
Unidentified domestic transactions [d]	+ 65	+ 350	- 349	+ 62	+ 142	- 39	+ 390	+ 340	+ 486	+ 612	+ 14	- 51				
Total financing (-)	-228	- 296	- 356	- 247	- 330	- 675	- 441	- 861	-1,229	-1,289	-1,617	-1,819				

[a] Including transactions in commercial bills by the Issue Department, and also accruals adjustments for local authority rates, bank advances and deposits, purchase tax, SET, and VAT.

[b] Treasury bills, local authority debt, tax reserve certificates, tax deposit accounts, and deposits with other financial institutions.

[c] Trade credit to public corporations, and hire-purchase lending.

[d] 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.

Table F

Banking sector

£ millions

Seasonally adjusted

Lending: increase +/decrease -

Deposits: increase -/decrease +

	1971		1972				1973				1974			
	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	
Lending														
Public sector	+ 705	- 501	- 641	- 14	+ 130	+ 363	+ 477	+ 385	+ 636	- 129	- 389	- 43	+1,223	
Industrial and commercial companies	+ 341	+ 765	+ 809	+ 650	+ 906	+ 624	+ 587	+1,651	+1,843	+1,105	+1,306	+1,389	+ 582	
Other financial institutions	+ 222	+ 270	+ 353	+ 153	+ 256	+ 283	+ 78	+ 147	+ 329	+ 182	+ 123	+ 24	- 189	
Personal sector	+ 274	+ 492	+ 665	+ 380	+ 735	+ 510	+ 373	+ 475	- 29	+ 74	+ 108	- 7	- 61	
Total domestic lending	+1,542	+1,026	+1,186	+1,169	+2,027	+1,780	+1,515	+2,658	+2,779	+1,232	+1,148	+1,363	+1,555	
Deposits														
Public sector	- 25	+ 10	+ 9	- 5	- 94	+ 12	- 56	+ 24	- 80	+ 15	+ 86	- 41	+ 9	
Industrial and commercial companies	- 378	- 210	- 547	- 575	- 707	- 516	- 99	-1,078	- 743	+ 73	+ 26	- 94	+ 295	
Other financial institutions	- 208	- 141	- 478	+ 7	- 306	- 247	- 213	- 315	- 223	+ 44	+ 106	- 364	- 585	
Personal sector	- 356	- 485	- 398	- 393	- 491	- 596	- 801	- 958	- 928	-1,087	- 698	- 416	- 782	
Total domestic deposits	- 967	- 826	-1,414	- 966	-1,598	-1,347	-1,169	-2,327	-1,974	- 955	- 480	- 915	-1,063	
Net lending to overseas sector[a] [b]	- 601	- 165	+ 350	+ 6	- 98	- 177	- 469	- 133	- 566	- 111	- 443	- 16	- 593	
Non-deposit liabilities (net)[b]	+ 26	- 35	- 122	- 209	- 331	- 256	+ 123	- 198	- 239	- 166	- 225	- 432	+ 101	

[a] Claims on overseas sector net of overseas deposits. Including foreign currency borrowing to finance loans to UK public sector.

[b] The adjustments mentioned in the notes to line 11 of Tables H and J are included with net lending to the overseas sector, rather than with non-deposit liabilities. The latter figures therefore differ from those in Table 12/3 of the annex.

Table G

Financial institutions other than banks

£ millions

Seasonally adjusted

	1971		1972				1973				1974			
	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	
Increase in financial liabilities (-)														
Life assurance and pension funds	- 513	- 567	- 638	- 596	- 654	- 814	- 681	- 611	- 711	- 790	- 680	- 660		
Building society shares and deposits	- 606	- 602	- 596	- 465	- 524	- 463	- 783	- 498	- 356	- 218	- 456	- 634	-685	
Other deposits	- 109	+ 2	- 58	- 111	- 91	- 117	- 5	- 101	- 51	+ 63	- 56	- 3		
Capital issues	- 50	- 99	- 230	- 78	- 32	- 46	- 4	- 4	- 7	- 6	- 8	- 18	- 61	
Unit trust units	- 21	- 26	- 54	- 60	- 63	- 59	- 49	- 33	- 15	- 12	- 9	- 22	- 18	
Other borrowing[a]	- 206	- 269	- 352	- 152	- 256	- 282	- 77	- 146	- 329	- 181	- 222	- 342		
	-1,505	-1,561	-1,928	-1,462	-1,620	-1,781	-1,599	-1,393	-1,469	-1,144	-1,431	-1,679		
Increase in financial assets (+)														
Short-term assets[b]	+ 198	+ 151	+ 491	- 34	+ 361	+ 298	+ 376	+ 290	+ 275	+ 130	+ 134	+ 689		
Government stocks	+ 310	+ 240	+ 66	+ 13	+ 99	+ 77	+ 282	+ 124	+ 205	+ 10	+ 363	+ 132		
Company and overseas securities:														
Ordinary shares	+ 254	+ 377	+ 582	+ 466	+ 354	+ 127	+ 87	+ 80	+ 120	- 3	+ 50	- 152		
Fixed-interest	+ 34	+ 86	+ 32	+ 49	+ 83	+ 34	+ 12	+ 20	+ 32	- 2	+ 32	+ 7		
Loans for house purchase	+ 466	+ 482	+ 561	+ 600	+ 574	+ 672	+ 530	+ 515	+ 403	+ 330	+ 252	+ 389		
Long-term lending to local authorities	+ 39	+ 66	+ 15	+ 54	+ 8	+ 21	+ 27	+ 63	+ 2	- 7	+ 55	+ 116		
Hire-purchase claims	+ 42	+ 49	+ 45	+ 24	+ 45	+ 78	+ 28	+ 34	+ 26	- 30	- 14	- 14		
Other lending	+ 73	- 2	+ 36	+ 29	+ 101	+ 100	+ 75	+ 153	+ 142	+ 36	+ 39	+ 154		
	+1,416	+1,449	+1,828	+1,201	+1,625	+1,407	+1,417	+1,279	+1,205	+ 464	+ 911	+1,321		
Net identified financial transactions	- 89	- 112	- 100	- 261	+ 5	- 374	- 182	- 114	- 264	- 680	- 520	- 358		

[a] Includes bank borrowing and official lending to building societies.

[b] Bank deposits, tax reserve certificates, tax deposit accounts, Treasury bills, and local authority temporary debt.

Table H
Flow of funds: third quarter 1974

£ millions

Not seasonally adjusted

	Line	Public sector	Overseas sector [a]	Personal sector	Industrial and commercial companies	Banking sector	Other financial institutions	Residual error
Capital account								
Saving	1	+ 196	+ 853	+1,899	+1,464		+611	
Taxes on capital and capital transfers	2	- 43	+ 40	- 72	+ 82		- 7	
less:								
Gross fixed capital formation at home	3	-1,626		- 529	-1,527		-270	
Increase in value of stocks and work in progress	4	- 111		- 163	-1,239		- 1	
Financial surplus +/-deficit -	5	-1,584	+ 893	+1,135	-1,220		+333	
Changes in financial assets and liabilities								
<i>Assets: increase +/decrease -</i>								
<i>Liabilities: increase -/decrease +</i>								
Government debt to Banking Department	6	- 53				+ 53		
Life assurance and pension funds	7			+ 660			-660	
Loans by the UK Government	8	+ 285	- 3				-282	
Total external currency flow	9.1	+ 183	- 183					
Other central government external transactions	9.2	- 324	+ 324					
Banks' net external transactions	10		+ 22			- 22		
Miscellaneous investment overseas (net)	11	- 16	- 273		+ 230	+ 80	- 21	
Notes and coin	12	- 214		- 20	+ 25	+209		
Bank deposits of domestic sectors	13	+ 2		+ 445	+ 68	-829	+314	
Deposits with other financial institutions	14		+ 67	+ 566	- 36		-597	
National savings	15.1	- 12		+ 12				
Tax reserve certificates/tax deposit accounts	15.2	+ 5		- 9	+ 4			
Bank lending to domestic sectors	16	- 119		+ 179	- 977	+931	- 14	
Hire-purchase and other instalment debt	17	- 6		+ 10	+ 9		- 13	
Loans for house purchase	18	+ 163		- 603		+ 25	+415	
Other loans and accruals	19	- 307		- 10	- 29	+255	+ 91	
Marketable government debt held by domestic sectors:								
Treasury bills	20	- 152			+ 116	+ 28	+ 8	
Stocks	21	- 271		+ 209		- 70	+132	
Local authority debt	22	- 470	+ 45	+ 47	+ 24	- 75	+429	
UK company and overseas securities:								
Capital issues	23		+ 9		- 12		- 18	
Other transactions	24	+ 19	+ 234	- 239	+ 140	+ 12	-145	
Unit trust units	25			+ 15			- 15	
Identified financial transactions	26	-1,287	+ 242	+1,262	- 438	+597	-376	
Unidentified	27	- 297	+ 651	- 127	- 782		+112	-443
Total=Financial surplus +/-deficit -	28	-1,584	+ 893	+1,135	-1,220		+333	-443

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

Table J

Flow of funds: third quarter 1974

£ millions

Seasonally adjusted

	Line	Public sector	Overseas sector[a]	Personal sector	Industrial and commercial companies	Banking sector	Other financial institutions	Residual error
Capital account								
Saving	1	+ 595	+ 781	+1,956	+1,501		+397	
Taxes on capital and capital transfers	2	- 22	+ 40	- 76	+ 71		- 13	
less:								
Gross fixed capital formation at home	3							
Increase in value of stocks and work in progress	4			- 673	-2,790		-293	
Financial surplus+/deficit -	5	-1,182	+ 821	+1,207	-1,218		+ 91	
Changes in financial assets and liabilities								
<i>Assets: increase +/decrease -</i>								
<i>Liabilities: increase -/decrease +</i>								
Government debt to Banking Department	6	- 124				+ 124		
Life assurance and pension funds	7			+ 660			-660	
Loans by the UK Government	8	+ 285	- 3				-282	
Central government external transactions	9	- 151	+ 151					
Banks' net external transactions	10		+ 65			- 65		
Miscellaneous investment overseas (net)	11	- 16	- 299		+ 256	+ 80	- 21	
Notes and coin	12	- 265		+ 95	+ 94	+ 76		
Bank deposits of domestic sectors	13	+ 41		+ 416	+ 94	- 915	+364	
Deposits with other financial institutions	14		+ 65	+ 618	- 46		-637	
National savings	15.1	- 51		+ 51				
Tax reserve certificates/tax deposit accounts	15.2	+ 5		- 9	+ 4			
Bank lending to domestic sectors	16	- 146		+ 32	-1,375	+1,513	- 24	
Hire-purchase and other instalment debt	17	- 6		+ 16	+ 4		- 14	
Loans for house purchase	18	+ 163		- 577		+ 25	+389	
Other loans and accruals	19	- 254		+ 21	+ 95	- 1	+139	
Marketable government debt held by domestic sectors:								
Treasury bills	20	+ 135			+ 116	- 259	+ 8	
Stocks	21	- 271		+ 209		- 70	+132	
Local authority debt	22	- 483	+ 49	+ 47	+ 13	- 59	+433	
UK company and overseas securities:								
Capital issues	23		+ 9		- 12		- 18	
Other transactions	24	+ 19	+ 234	- 239	+ 140	+ 12	-145	
Unit trust units	25			+ 22			- 22	
Identified financial transactions	26	-1,119	+ 271	+1,362	- 617	+ 461	-358	
Unidentified	27	- 63	+ 550	- 155	- 601		- 12	+281
Total=Financial surplus +/deficit -	28	-1,182	+ 821	+1,207	-1,218		+ 91	+281

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

Notes on sources, definitions and seasonal adjustments[1]

Sources

The main statistical series used in compiling Tables H and J appear in the statistical annex to this *Bulletin* or in the Central Statistical Office's *Financial Statistics* or *Economic Trends*. Most of the seasonally-adjusted figures are not published elsewhere. Some of the seasonally-adjusted national income figures in Table J have been revised since the January issue of *Economic Trends*.

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 Oversea 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 accounts. For the overseas sector, the entry is the counterpart of the UK balance of payments on current account plus, from the first quarter of 1973, capital transfer payments.

Line 6

See footnote [b] to Table 2 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 2 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 UK banks which is refinanced by the central government is included here. Includes adjustments correcting the banks' external transactions for changes in foreign currency assets and liabilities arising from movements in exchange rates. The adjustments are entered here, rather than in line 10, so that the latter remains consistent with the relevant figures in Tables 11/4 and 12/3 of the annex.

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 UK 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.

[1] 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, 1972).

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 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 bank lending, 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, central government refinance of fixed-rate credits for domestic shipbuilding extended by UK banks, and the Issue Department's transactions in commercial bills (treated as lending by the central government to industrial and commercial companies); and differences between accruals of local authority rates, purchase tax, value added 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 Tables 3/1 and 3/2 of the annex. The entries for Treasury bills under industrial and commercial companies are residuals and include any changes in personal and unidentified overseas holdings. Likewise, the entries for stocks under persons are residuals and include any changes in industrial and commercial company and unidentified overseas holdings.

Line 22

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

Line 23

Net issues on the UK market, and euro-currency issues by UK 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 accounts.

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 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 full account of the data up to the end of 1973.