Financial review

The first part of this review describes the course of interest rates and other developments in the various financial markets during February to April; the second part considers the flow of funds by sector, first for the year 1974 and then for the first quarter of 1975, and includes the regular flow of funds tables.

Financial markets

Short-term interest rates: there were widespread falls in the main industrial countries, but US and, later, UK rates became somewhat firmer in April.

Foreign exchange and gold markets: the US dollar and the French franc strengthened; the deutschemark and sterling lost ground; special measures checked the appreciation of the Swiss franc; gold fell back as the US dollar strengthened.

Euro-currency business: the quarterly maturity analysis for mid-February showed that the London market was cautiously expanding again, although activity in the inter-bank market had generally remained low.

Oil money movements: oil exporters' revenues fell in the first quarter. Investments in sterling were well maintained; fewer funds went to the United States but more to other centres; longer-term investment increased.

The money market: conditions in February and March were frequently tight, and after some easing in April, became tighter once more at the end of the month; until then, the Treasury bill tender rate fell steadily and the Bank's minimum lending rate was regularly lowered.

Capital markets: prices continued to rise strongly in February and early March; thereafter uncertainty developed, apart from a burst of enthusiasm for equities after the Budget; sales of gilt-edged stock by the authorities were very heavy in the first quarter, and there was a spate of rights issues by companies in March and April.

Sector financing

Developments in 1974: the public sector and industrial and commercial companies were in much heavier deficit than in 1973, and the overseas and personal sectors had correspondingly larger surpluses. A large part of the public sector borrowing requirement was financed by external transactions or by sales of debt outside the banking system. Companies continued to obtain finance predominantly from banks — they raised no net new money in the capital markets. The personal sector and financial institutions other than banks accumulated large amounts of liquid assets.

Developments in the first quarter of 1975: the central government again had a massive borrowing requirement after seasonal adjustment; the private sector outside the banks bought very large amounts of gilt-edged stock; bank lending was subdued, perhaps because companies had a better cash flow; the building societies had a heavy inflow of funds; and unit trust units proved attractive with the recovery in the equity market.

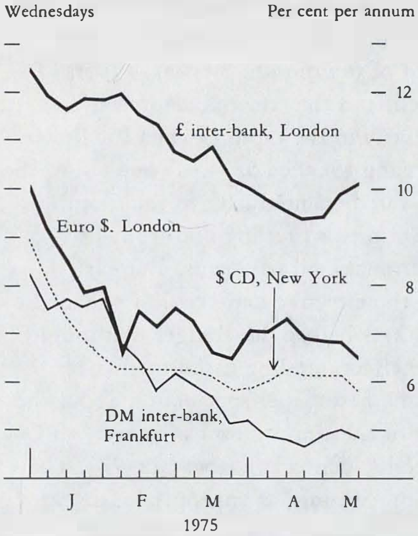
Financial markets

Short-term interest rates

In the United States and on the Continent, short-term interest rates fell in the period under review, as recession reduced the demand for

Comparative three-month interest rates

Rates generally fell further during February to April, but US rates, in particular, were steadier.



credit and monetary policy was progressively eased. Rates declined throughout February and much of March, but in the United States were a little firmer in April. In the United Kingdom, short-term interest rates followed a broadly similar pattern, falling quite rapidly in the first two months, but hardening somewhat at the end of April.

On the Continent, monetary conditions eased in several countries. Official policy encouraged rates to fall as the recession deepened, and in some centres inflows of foreign exchange also helped to depress them. In Western Germany, the discount rate was cut by 1% in two stages to 5%, and Lombard rate by 2% in three stages to 6%; in France, bank rate was reduced by 2% in two stages to 10%; and there were reductions too in Belgium, the Netherlands, Switzerland, and Denmark.

In Japan, bank rate was cut by ½% to 8½% in mid-April, the first change since December 1973.

In the United States, monetary policy continued to be directed against the recession, and two further cuts in Federal rediscount rates, each of ½%, were made in early February and early March, lowering them to 6¼%. Short-term interest rates, however, fell by less, having fallen rapidly in January. The three-month Treasury bill rate fell on balance by around ¼% in February, and the three-month commercial paper rate by ⅜%; rates declined gently through most of March but became somewhat firmer early in April — partly because of pressures arising from the prospective Treasury financing requirement — and then changed little for the rest of the month. With business demand for loans still slack and the margin over market rates wide, the main banks' prime lending rates at first fell more rapidly — by 1% in February to around 8½%, and by another 1% in March — but were not lowered further in April.

UK short-term interest rates declined until late April, the authorities allowing the falls in other centres to be reflected here. The average discount rate on three-month Treasury bills fell steadily, from around 10¼% at the end of January to 9¼% in mid-April, lowering the Bank's minimum lending rate from 11% to 9¾%. Rates in the parallel markets fell too: the three-month inter-bank rate, for example, dropped by 2¾% to 9⅛%, the lowest for nearly two years, but, like other short-term rates, was firmer at the end of April. Minimum lending rate reverted to 10% on 2nd May.

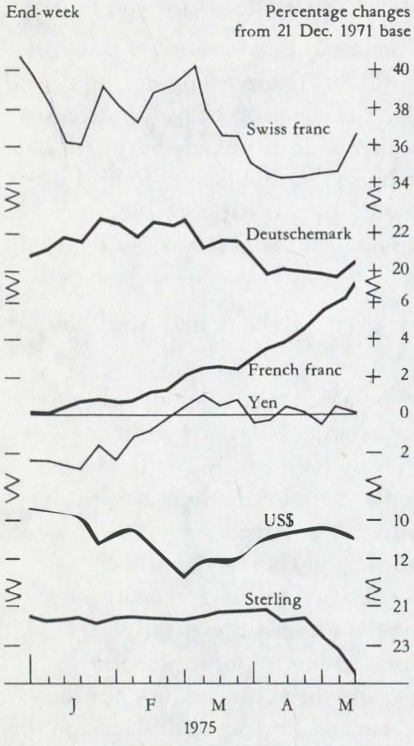
The uncovered comparison between three-month euro-dollars and inter-bank sterling favoured the pound throughout February to April, although sterling's interest advantage narrowed from 5¼% in early February to just under 2% in April, with sterling inter-bank rates falling more rapidly than euro-dollar rates. The covered differential in favour of euro-dollars fluctuated rather less: from around 1% at the beginning of February, it widened to just under 3% by the end of the month, because the forward discount on sterling remained steady (around 6%) while the uncovered differential narrowed; by mid-April the forward discount on sterling had fallen to 4½%-5%, reflecting partly the strength of sterling at the end of March and early in April and partly some sizable placements by oil exporters in the euro-sterling market, and the covered differential fell back to 2%-2½%.

Foreign exchange and gold markets

During February to April the foreign exchange markets were generally more confident than at any time since the Herstatt failure. Tighter supervision was being exercised by individual bank managements as well as by central monetary authorities. The US dollar, after weakening further in February, began to strengthen from the beginning of March and continued to improve in April.

Effective changes in exchange rates

Sterling had been steadier than most other main currencies, but weakened at the end of April.



Sterling was steady for the first half of the period and then strengthened for a time. It weakened, however, during April, losing ground on balance over the three months. In February the effective depreciation of the pound since the Smithsonian settlement of 1971 fluctuated narrowly around 21½%, widening a little on the 14 th after a second successive cut in minimum lending rate, but briefly narrowing again towards the end of the month. Sterling was in steady demand for most of March, and the effective depreciation narrowed to a little over 21%. Early in the month, when the dollar was weak, the dollar rate for sterling touched $2·43 at one point, the highest for ten months; and the rate benefited later in the month from the unwinding of short positions in sterling and from substantial demand for sterling to make oil payments. But early in April the pound weakened, and the effective depreciation widened to 22% on the 14th in nervous markets before the Budget. Although the Budget itself had no adverse effect, sterling eased further in the last part of the month on some newspaper speculation about the authorities' intentions in respect of the sterling exchange rate, and at the end of the month the effective depreciation was 22·7%. The Bank continued their policy of intervening, as appropriate, to moderate undue fluctuations in the sterling rate.

The *US dollar* rallied briefly early in February in response to heavy intervention by the Federal Reserve and by European central banks. This followed consultations between the US, West German and Swiss authorities on joint support for the dollar. Despite continuing support, the dollar subsequently weakened on further cuts in US interest rates and on rumours that oil-exporting countries might press for payments in other currencies, and it ended the month weaker on balance. In March it began to recover, although the improvement was temporarily retarded by further cuts in banks' prime rates and by the decision of some oil exporters to link their currencies to the special drawing right. However, in late March and in April, the dollar strengthened markedly after the announcement of a record trade surplus and after prime rates had steadied and other short-term interest rates had become slightly firmer.

Among *other currencies*, the 'EEC snake' came under little tension and, apart from two brief periods in mid-February and early April, only small intervention was needed to maintain the band. Despite the cuts in official discount and Lombard rates, and heavy intervention in support of the dollar, the effective appreciation of the deutschemark since the Smithsonian settlement was little changed in February, ending the month at 22¾%. In March and April, however, the deutschemark lost ground as domestic interest rates continued to decline and the dollar began to gain strength; and its effective appreciation ended April at 19¾%.

Outside the 'snake', the Swiss franc continued to appreciate in February despite earlier measures to discourage inflows and some intervention in the market by the authorities: its post-Smithsonian effective appreciation rose by 2% to 40% by the end of the month. This prompted the Swiss authorities to take further action against inflows: Swiss banks were required to balance their positions daily in each main currency rather than in foreign currency as a whole; and it was agreed that all deals over $5 million would be reported. By the end of April the franc's effective appreciation had fallen to 34¾%.

The French franc was helped throughout the period by domestic interest rates, which despite some cuts, remained above those in other continental centres apart from Italy, and it effectively appreciated on balance by 5¼% to 6%. The lira remained very steady, and the Bank of Italy was able to buy a substantial amount of dollars; at the end of the period, the lira's effective depreciation was 22¾%. The yen strengthened in February, but eased back in March: at the end of April its effective value was virtually the same as at the Smithsonian settlement.

The *London gold market* was generally quiet in the three months under review. Initially the price moved narrowly around $175 per fine ounce, but it rose by some $10 in the middle of February with a firmer trend in American markets and the continuing weakness of the dollar. The market was subdued in March and early April — a period of recovery for the dollar — and turnover remained very low. Prices drifted gently to $172 by mid-April, and when no buyers emerged at what was thought to be the psychological barrier of $170, fell by $8 in two days, to $164 on 15th April, the lowest for nearly six months, before ending the month at $167.

Euro-currency business

Between end-November and mid-February, the latest dates for which a maturity analysis of banks' positions is available,[1] the euro-currency market in London cautiously began to expand again. The size of the market as measured by the banks' foreign currency liabilities (or claims) rose by about $6½ billion to $161 billion. But after allowing as far as possible for fluctuations in exchange rates (the deutschemark, the Swiss franc, and the guilder all appreciated against the dollar during this period), the growth was probably around $5 billion, compared with little or no increase in the previous three months.

The market seems to have grown further since mid-February, but this has not greatly affected the scale of activity in the London inter-bank market, which — apart from seasonal increases at the end of December and March — has fluctuated narrowly around the low point reached in the closing months of 1974.

Liabilities to central monetary institutions and other banks abroad rose by nearly $7½ billion between end-November and mid-February, of which some $4½ billion was to oil-exporting countries — a slightly greater increase than in the previous period; other liabilities to overseas fell slightly (see table).

Changes in the proportion of business undertaken by the various groups of banks were again small. Deposits with American banks fell by 1% to 38% of the market, while deposits with Japanese banks rose by 1% to 13%. The shares of other banks were unchanged.

The second table summarises the changes in the maturity pattern. The banks' net borrowing up to one year, which had increased by $3½ billion in the previous period, rose by another $4½ billion. The rise was spread over most maturity bands rather than, as earlier, concentrated at the short end. This no doubt partly reflected the return of confidence; and because most of the increase in borrowing was from abroad, particularly from oil exporters, it is possible that the latter were placing funds at slightly longer term. Most of the banks' extra funds were on lent for periods of three years and over.

Nearly all the groups of banks reported increased net liabilities in the maturity banks up to one year, apart from consortium banks, whose net liabilities fell slightly. For British banks, net liabilities at less than eight days rose from $700 million to $1·2 billion, but, after taking account of holdings of London dollar certificates of

Liabilities and claims by customer

The euro-currency market in London cautiously began to expand again.

$ millions

	Amounts outstanding 1974 end-Nov.	1975 mid-Feb.	Change
Foreign currency liabilities of UK banks to:			
Other UK banks [a]	38,700	39,150	+ 450
Other UK residents	5,695	5,330	— 365
Overseas central monetary institutions	26,260	29,675	+3,415
Other banks overseas	63,645	67,620	+3,975
Other non-residents	20,045	19,160	— 885
	154,345	160,935	+6,590
Foreign currency claims of UK banks on:			
Other UK banks [a]	39,420	39,475	+ 55
Other UK residents	13,645	15,570	+1,925
Banks overseas	68,970	73,775	+4,805
Other non-residents	32,450	33,130	+ 680
	154,485	161,950	+7,465

[a] Liabilities to banks in the United Kingdom 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 rise in the banks' net borrowing at short term was spread over most maturity bands.

$ billions

Net liabilities —/net assets +	1974 end-Nov.	1975 mid-Feb.
Less than 8 days [a]	— 7.3	— 8.8
	— 4.2	*— 5.6*
8 days to less than 3 months	— 11.8	— 12.9
3 months to less than 1 year	— 2.2	— 3.9
Net borrowing up to 1 year	— 21.3	— 25.6
Net lending at 1 year and over	+ 21.4	+ 26.6
	+ 0.1	+ 1.0

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

[1] As from February 1975, the reporting dates for the three-monthly analysis have been changed from end to mid-month, in line with other changes in reporting; the figures are not likely to have been greatly affected. The banks report their foreign currency balances in sterling, converting at middle market closing rates; to reduce distortions caused by fluctuating exchange rates, the figures have been reconverted into US dollars at the relevant middle market closing rates: $2.3260 at end-November and $2.3975 at mid-February. However, because some 20% of the market's business is in currencies other than the US dollar (particularly deutschemarks, guilders, and Swiss francs) fluctuations in exchange rates may still affect the figures.

Estimated oil revenues of exporting countries

In the first quarter oil exporters' revenues, and the proportion paid in sterling, each fell.

$ billions

	1974					1975
	1st qtr	2nd qtr	3rd qtr	4th qtr	Year	1st qtr
US dollars	8.6	18.8	24.1	23.3	74.8	21.3
Sterling	3.1	5.6	5.1	5.2	19.0	4.0
	11.7	24.4	29.2	28.5	93.8	25.3

Estimated deployment of oil exporters' surpluses

The surplus fell by a half in the first quarter; investment in sterling was well maintained.

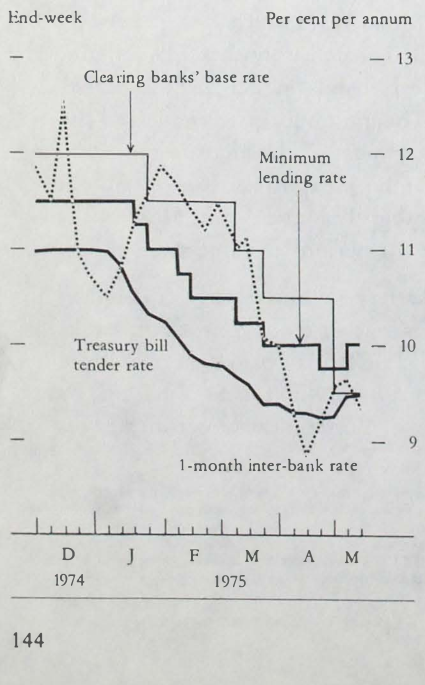
$ billions

	1974					1975
	1st qtr	2nd qtr	3rd qtr	4th qtr	Year	1st qtr (provisional)
United Kingdom						
British government stocks	0.4	0.1	0.2	0.2	0.9	0.2
Treasury bills	0.4	0.7	0.7	0.9	2.7	0.6
Sterling deposits	-0.1	0.7	1.1	-	1.7	0.2
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	1.7
Other foreign currency borrowing	-	0.5	0.3	0.4	1.2	-
	3.3	6.7	6.0	5.0	21.0	2.7
United States						
Government and agency securities	0.5	1.4	2.3	1.8	6.0	0.9
Bank deposits	0.6	0.8	2.3	0.3	4.0	-0.5
Other[a]	-	0.1	0.4	0.5	1.0	0.3
	1.1	2.3	5.0	2.6	11.0	0.7
Other countries						
Foreign currency deposits	1.5	3.5	1.5	2.5	9.0	2.5
Special bilateral facilities and other investments[a][b]	1.1	2.5	3.0	5.0	11.6	1.8
	2.6	6.0	4.5	7.5	20.6	4.3
International organisations	-	0.5	0.8	2.3	3.6	1.2
Total	7.0	15.5	16.3	17.4	56.2	8.9

[a] Includes holdings of equities and property.
[b] Includes loans to developing countries.

Short-term interest rates in London

Rates fell sharply until the end of April and the banks' base rates fell below minimum lending rate.



deposit, these banks had net assets of nearly $200 million at mid-February. They also had available some $650 million of unused standby credit facilities. Total net lending at one year and over rose by over $5 billion, of which $3 billion was by British banks, partly reflecting drawings by the Government on the $2·5 billion loan, and $2 billion was by American banks.

Oil money movements

Total estimated oil revenues of the exporting countries[1] in the first quarter were nearly $25½ billion (see the first table), of which $4 billion, or almost 16%, was paid in sterling: the share is expected to decline to about 12%-13% in the second quarter.

As may be seen from the table, total receipts were about $3 billion less than in the two preceding quarters: this reflected lower output and prices because of a fall in demand, and some delay in company payments to exporting countries. At the same time these countries were importing more goods, and the cash surplus available for government loans, capital investment abroad, or addition to reserves is estimated to have fallen by a half, to around $9 billion (see the second table).

Sterling investments in the United Kingdom accounted for about 11% of the total invested, and foreign currency deposits with UK banks remained at about 20%. On the other hand, investments in the United States fell sharply — from an average of about 20% of the total last year to about 8%; and there was a noticeable swing towards longer-term forms of investment. The share going to foreign currency deposits outside the UK and US markets apparently doubled, to nearly 30%.

Special bilateral facilities, loans to developing countries, and loans to international organisations accounted for just over a quarter of the total surplus. This was slightly less than in the previous quarter and reflects fewer drawings on the IMF oil facility financed by oil exporters.

The money market

Despite heavy official sales of gilt-edged stocks, the redemption of 6% Treasury Stock 1975 and large government disbursements made for easy conditions in the money market during the first three weeks of February. Consequently the Bank found it necessary to sell a large amount of Treasury bills to absorb surplus funds. Towards the end of the month conditions tightened sharply: the Bank gave substantial help by buying commercial bills as well as Treasury and local authority bills, and, on one occasion, by lending for seven days at minimum lending rate as a warning against too rapid a fall in interest rates. During most of March the Bank continued to provide large-scale assistance, including some further buying of commercial and local authority bills and some further lending. In early April, with a quieter market in gilt-edged and the public sector in heavy deficit, conditions became easier again. But towards the end of the month there were severe shortages and on some days exceptionally large assistance was given, including, on one occasion, lending for seven days.

Competition at the weekly Treasury bill tender was very keen during most of the period, the average discount rate fell steadily, and the Bank's minimum lending rate was thereby regularly lowered, in all from 11% to 9¾% (see chart).[2] At the same time, the

[1] Algeria, Bahrain, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates, and Venezuela.

[2] It fell to 10¾% on 7th February, 10½% on 14th February, 10¼% on 7th March, 10% on 21st March, and 9¾% on 18th April: it reverted to 10% on 2nd May.

clearing banks cut their base rates from 11½% to 9½%, generally in three main stages, which took them below the Bank's minimum lending rate for the first time since the autumn of 1973.

Capital markets

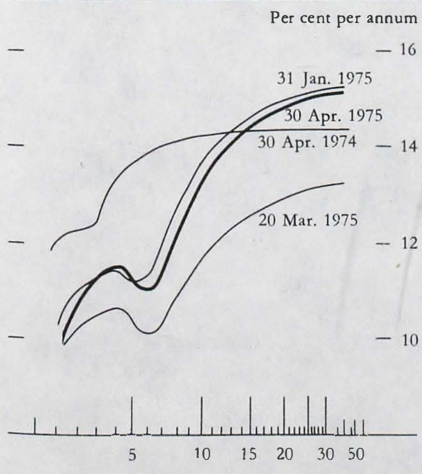
After their recovery in January, prices in the *gilt-edged market* continued generally firm during February and March as domestic and overseas short-term interest rates declined: turnover was very heavy, particularly in short-dated stocks.

The authorities sold an unprecedented £1,820 million net of stock in the March quarter, most of which was within one to five years of maturity. Tap sales of the short stock announced in September (£600 million of 11½% Treasury Stock 1979) were completed early in the new year; and three new short stocks (a £300 million second tranche of 10½% Treasury Stock 1976, £500 million of 10½% Treasury Stock 1978, and £600 million of 10½% Treasury Stock 1979) were announced during January and effectively exhausted in a few weeks. The issue of a £500 million second tranche of 9% Treasury Stock 1978 at £96·50 per cent was announced on 7th March. Sales of the £600 million of 3% Treasury Stock 1977, announced on Christmas Eve, were also completed during the quarter. Altogether, the authorities made net sales of over £2,000 million in the one to five-year category. Net sales of long-dated stocks were also substantial, at nearly £290 million. The long tap stock, 12¾% Treasury Loan 1995, was effectively exhausted in January, and a new long-dated stock, £500 million of 12½% Treasury Loan 1993 at £97·25 per cent, was announced on 7th March. The authorities bought about £260 million of near-maturing stocks during the quarter, and 6% Treasury Stock 1975 was redeemed on 1st February with nearly £250 million in market hands. Nearly all types of holder increased their net holdings during the quarter.

Net official sales for the whole financial year 1974/75 amounted to some £2,175 million, with particularly heavy sales of short-dated stocks. Over the year the banking and overseas sectors slightly reduced their holdings: other domestic investors increased theirs by as much as £2,250 million.

Time/yield curves of British government stocks

Yields on medium and long-dated stocks generally reached a low point about the middle of March, after which the yield curve steepened a little. [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.

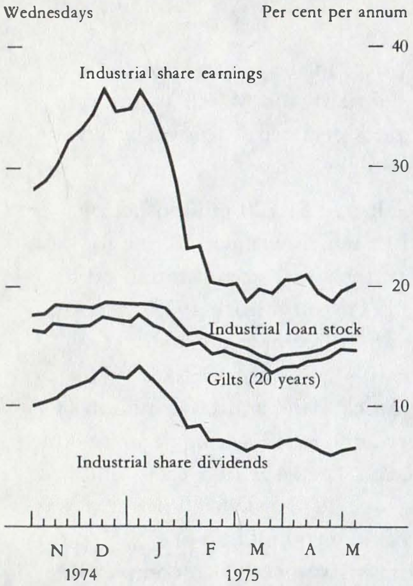
The upturn in prices from the low point reached early in January reduced yields in the third week of March to their lowest of the financial year. The recovery faltered at the end of March and early in April, particularly in medium and long-dated stocks, because of uncertainties about the approaching Budget and the course of domestic inflation and US interest rates. The unsettled situation in the Middle East was also a disturbing influence. The size of the public sector borrowing requirement in the year ahead as revealed by the Budget confirmed the market in the view that yields at the longer end had fallen far enough, and there was some steepening of the yield curve (see chart). By the end of the month short-term rates were also rising because of the tightness in the money market and the weakening of sterling.

The Greater London Council issued £75 million loan stock on 10th April, the largest issue ever made by a local authority. The 12½% stock was dated 1982 and issued at £97·75 per cent, a redemption yield of just under 13%. At the time of the announcement, this was broadly in line with market yields on local authority issues but the market weakened somewhat before applications were due. About an eighth of the issue was taken up by the public and the remainder by the underwriters.

In the *equity market*, prices and turnover rose very strongly in February and the first week in March, encouraged by the strength

Security yields

Yields have declined sharply since the new year.



of the gilt-edged market. On 7th March, the FT-Actuaries industrial (500) share price index reached 134, the highest for almost a year. For the rest of March prices fell back somewhat, partly because of the domestic and international uncertainties which influenced gilt-edged, but also because of a spate of announcements of rights issues. Early in April, however, the recovery resumed, and after the Budget prices surged ahead. The index reached 147 on the 23rd, but then prices again fell back, partly on fears of higher interest rates, and the index ended the month at 139. Turnover was heavy throughout the month.

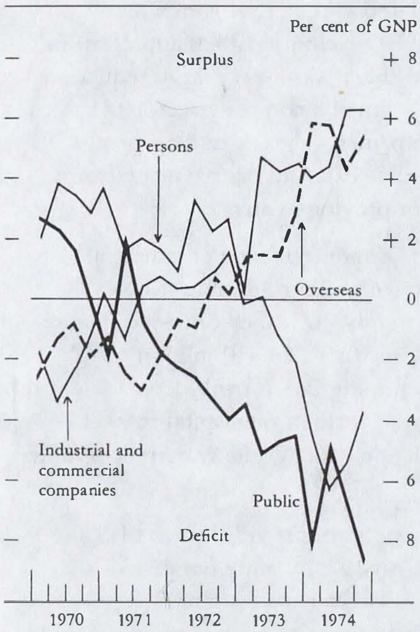
As prices rose, yields on equities (measured from the last declared results), which had fallen sharply in January, continued to fall in February and early March. Both dividend yields and earnings yields fell to about half of what they had been at the beginning of the year, but tended to rise during most of March and April. New issues of equity capital in February were negligible, but in the latter part of March a stream of rights issues began. The queue of prospective borrowers who had notified their intentions to the Bank reappeared in February, and by the end of March was the longest for over two years. In all, during March and April, equity issues announced totalled as much as £330 million, including over £230 million by industrial and commercial companies. Net sales of unit trust units, which had recovered in January, continued strongly: during February to April they totalled £56 million, compared with £34 million in the previous three months.

Turnover in the *debenture market* also increased in the first four months of the year. Yields as measured by the Bank's index fell back until the third week in March and then began to rise again: the gap between yields on debentures and those on long-dated gilt-edged, which had widened slightly in the second half of 1974, now tended to close (see chart). Net new money raised by companies by way of loan capital and preference shares during the three months to April amounted to £45 million, including calls on an issue of unsecured loan stock by Finance for Industry Ltd.[1]

[1] March *Bulletin*, page 27.

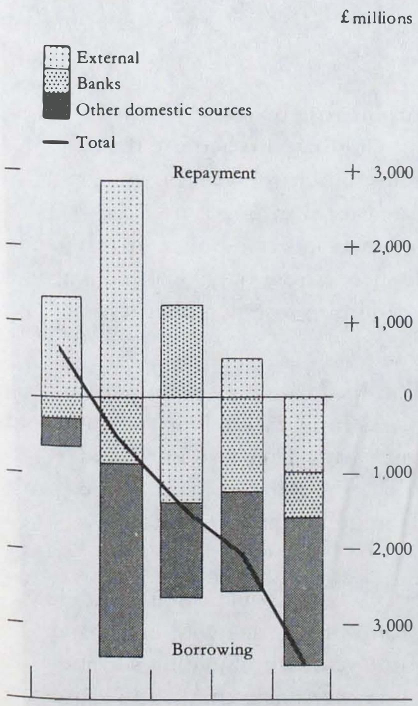
Sector surpluses and deficits

The public sector and companies were in heavy deficit in 1974. Persons and the overseas sector were in corresponding surplus. Further details are in Table A.



Finance of central government's borrowing requirement (−)

The borrowing requirement increased substantially in 1974, but much less finance was provided by the banking system than in 1973. Further details are in Table B.



Sector financing

The following sections review the flow of funds by sector. Seasonally-adjusted figures are used except where otherwise stated.

Developments in 1974

Financial positions

In 1974, the pattern of sector surpluses and deficits was similar to that of 1973 — the public and the industrial and commercial company sectors in heavy deficit, and the overseas and personal sectors in substantial surplus — but the magnitudes were much greater. This is illustrated by the chart, which shows the surpluses and deficits of these sectors quarterly since 1970 (see also Table A).

The public sector deficit, already large, increased by £2,300 million in 1974 and the deficit of industrial and commercial companies, previously moderate, increased by £3,070 million, thus continuing the trend begun in the second half of 1973. The corresponding growth in the surpluses of the overseas and personal sectors was £2,730 million and £1,690 million respectively. The overseas sector's surplus (the counterpart of the balance of payments deficit on current account plus capital transfers) doubled in the first quarter of 1974 after the huge rise in oil prices and then changed little thereafter. Most of the increase in the personal sector's surplus came in the last two quarters.

Public sector finance

In 1974, the public sector borrowing requirement rose by £2,130 million to £6,360 million, mainly because of the effect of inflation on public expenditure, both capital and current. (Inflation had less effect on the sector's current receipts because a good deal of revenue comes from taxes levied on volume rather than value.)

The financing of the central government borrowing requirement had a markedly different pattern from 1973 (see chart and Table B). Then, external transactions had added £530 million to the Government's domestic financing requirement, whereas in 1974 an unusually large part of the borrowing requirement of £3,540 million was financed directly or indirectly from external sources: £1,040 million of Treasury bills were taken up, particularly by oil-exporting countries, and in the last quarter the Government drew over £640 million of their $2·5 billion euro-dollar facility (of which £510 million was through the banks).[1] The private sector other than banks also took up more debt than in 1973. This left the Government to borrow very little in sterling from the banks (only £90 million compared with over £1,200 million in 1973).

Borrowing from domestic sources other than banks financed less of the borrowing requirement than in 1973, though the amount borrowed was considerably bigger. Here too the pattern was different: sales of gilt-edged stocks and national savings were some £750 million less than in 1973, but notes and coin in circulation rose more than before, and there were unusually large purchases of Treasury bills from outside the banking system; and the Issue Department allowed almost all of the £390 million of commercial bills and local authority debt taken up in open-market operations the previous year to run off.

[1] Only that part of the loan borrowed directly from overseas is included in 'external finance' in the tables and charts.

Borrowing requirements

The total requirement rose very strongly again last year, mainly because of the effect of inflation on expenditure.

£ millions	1971	1972	1973	1974
Central government	560	1,430	2,040	3,540
Local authorities	660	520	1,350	2,080
Public corporations	160	110	840	740
Total	1,380	2,060	4,230	6,360

Capital account of industrial and commercial companies

Companies incurred a massive financial deficit in 1974: profits were well down and tax payments were heavier.

£ millions: *seasonally adjusted*	1973	1974	1974			
			1st qtr	2nd qtr	3rd qtr	4th qtr
Saving[a]	4,450	2,670	250	590	940	880
Capital transfers	350	330	100	80	70	80
less: Gross domestic capital formation[a]	5,340	6,610	1,090	1,770	2,060	1,690
Financial deficit(-)	- 540	-3,610	- 740	-1,100	-1,050	- 730
[a] Excluding stock appreciation of:	2,510	4,830	1,750	1,310	840	920

The borrowing requirement of local authorities rose by £730 million to £2,080 million over the year; the increase was entirely covered by sales of debt to persons and to other financial institutions. The borrowing requirement of public corporations fell slightly in 1974, to £740 million, and was more than financed by borrowing in foreign currency.

Industrial and commercial companies

The financial deficit of industrial and commercial companies increased by £3,070 million in 1974: excluding stock appreciation, capital expenditure increased and there was a very large reduction in undistributed income (saving). For the company sector as a whole — including financial companies — gross trading profits were down by nearly 20% over the year, and tax payments were larger, reflecting profits earned in previous years.

The net financing requirement of industrial and commercial companies in 1974 was nearly £6,000 million, double that of the previous year (see Table E). As in 1973, they obtained finance predominantly from the banking sector — £4,410 million by borrowing and £290 million by running down bank deposits, entirely in the last quarter. They raised very little in the capital market — indeed, for the first time since the Second World War, redemptions outweighed new issues.

Overseas investment in UK companies provided over £1,500 million of finance, a big increase on 1973, mainly because of the growth of oil company funds. Other overseas transactions provided £1,000 million, much of which is thought to have been increases in credit extended by oil-exporting countries to UK oil companies after the big increase in prices.

The net flow of unidentified domestic transactions was reversed during the year, with companies acquiring assets in the earlier part but incurring large liabilities later on. This movement may reflect the progressive tightening of companies' liquidity and associated pressures to shorten trade credit.

Personal sector

The personal sector's financial surplus rose by over 75% in 1974, mainly because of an increase in saving but also because their capital expenditure (mainly on house purchase) went down (see Table D). Wages and salaries rose faster than prices after the ending of the third stage of the counter-inflation policy in July; and over the year personal disposable income rose by £7,820 million (15½%), whereas consumers' expenditure rose by rather less — £6,500 million (14½%).

Persons borrowed £1,840 million less than in 1973; in particular they borrowed very little from banks (only £20 million net compared with £1,030 million in the previous year). They also borrowed less for house purchase and, particularly in the first half of the year after the reimposition of controls, reduced their outstanding hire-purchase debt.

As in 1973, the personal sector substantially increased its holdings of financial assets, mainly in the form of deposits with banks and, particularly in the second half of the year, with building societies. In the first three quarters of the year, persons continued to acquire gilt-edged stocks about as heavily as in the latter part of 1973; but in the fourth quarter they sold some £160 million of stocks, making the net increase over the year £560 million, or £220 million less than in the previous year. By contrast they bought more local authority debt than in 1973, particularly in the earlier months when local authority interest rates were attractive. They continued to sell equities and debentures heavily in the first half of the year, but there after the rate of selling diminished.

Unidentified flows varied particularly widely in 1974, and may partly reflect a big extension of trade credit to persons during the period of short-time working early in the year, some of which was presumably repaid later on.

Banking sector

The main developments affecting the banking system have already been touched on (see also Table F). Companies, whose finances were acutely squeezed, increased their net recourse to the banks very considerably. Although the increase in their actual borrowing was, at £4,560 million, in fact less than in 1973 (£5,490 million), they increased their bank deposits by only £590 million as against £3,430 million the previous year. Persons, on the other hand, lent much more to the banks: their deposits net of their borrowing increased by £2,860 million compared with £2,040 million in 1973.

In total, bank lending to the private sector was rather less than in 1973; and with the banks required to finance only a small part of the public sector borrowing requirement, the money supply (M_3) grew much more slowly, by 12½% compared with 28% in the previous year.

Other financial institutions

Deposits with financial institutions other than banks, mostly with building societies, increased by £2,230 million in 1974, much the same as in 1973. The rate of inflow, however, was unusually uneven: it was very small to start with but larger than usual at the end, reflecting the increased competitiveness of building society interest rates. The societies obtained £500 million in official loans, about £330 million of which was outstanding at the end of the year. The inflow into life assurance and pension funds, the group's largest source of funds, was greater than in 1973. On the other hand, the institutions borrowed much less from the banks, so that their total liabilities rose by rather less than in 1973 (see Table G).

The institutions correspondingly acquired fewer financial assets, and the pattern of investment changed a great deal from 1973. The institutions were concerned to increase their liquidity, and almost half their net investment in 1974 was in short-term assets (£2,090 million, of which over half in turn was in local authority temporary debt). Their investment in gilt-edged stocks was unevenly spread through the year, with heavy purchases in the second quarter, but net sales in the fourth. As prices on world stock markets fell during the year, the institutions were net sellers of equities and loan stocks — for the first time since the statistics became available in 1952. Investment trusts used the sale proceeds not only to increase liquidity, but also to reduce foreign currency borrowing from banks (particularly in the fourth quarter). Most of their sales, and of those by the unit trusts, were of overseas equities, which are commonly financed by foreign currency loans. Repayments of these loans may partly explain the comparatively small total of bank borrowing by the institutions as a whole. Building societies lent less for house purchase, though mortgages became more freely available towards the end of the year. Outstanding hire-purchase debt owed to finance houses fell steadily with the reimposition of terms controls from December 1973.

Further details of the sector's transactions in 1974, analysed by institutional group, are given in Table H. A breakdown by sector of transactions in equities and loan stocks is given in Table J.

Developments in the first quarter of 1975

Central government

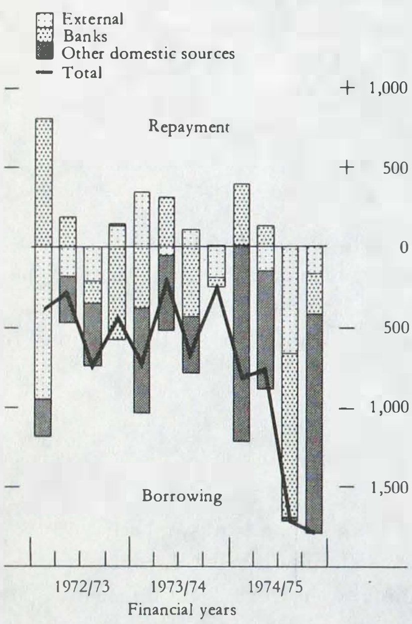
Within the public sector, complete figures for the first quarter are available only for the central government, which again had a massive borrowing requirement (£1,780 million), partly reflecting tax reliefs to companies in the November Budget. The net effect of external transactions was to provide the Government with only £170 million of finance compared with £670 million in the previous quarter. The Government continued to borrow in foreign currency, drawing the remainder, £420 million, of the $2·5 billion euro-dollar facility. Some of this was provided direct by overseas banks and is included in external transactions, but the greater part came from UK banks (see Table B).

The private sector outside the banks bought as much as £1,650 million of gilt-edged stocks and continued to invest in national savings. Consequently, although the Issue Department took up nearly £440 million of local authority and commercial bills, the central government was able to repay a small amount of bank borrowing in sterling.

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

The central government borrowing requirement was again very large in the March quarter, but this time it was largely financed by domestic sources outside the banking system. Further details are in Table B.

Seasonally adjusted £ millions



Banking sector

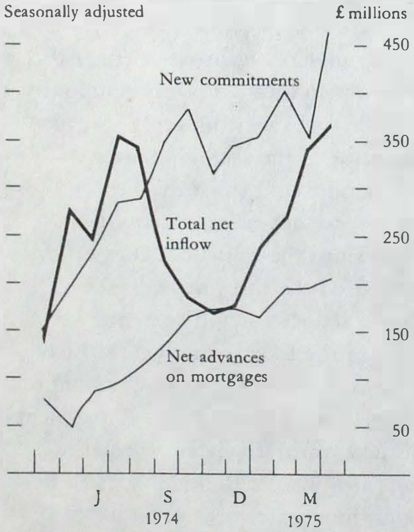
Domestic bank deposits rose by only £120 million in the first quarter, the smallest quarterly increase for five years. Persons increased their deposits by only £220 million — well below the recent average — preferring to put their funds into building societies or gilt-edged stocks. Other financial institutions reduced their bank deposits by £530 million — almost reversing the rise in the previous quarter — so as to buy gilt-edged stocks and equities. On the other hand, deposits of industrial and commercial companies rose by £420 million after falling by £300 million in the previous quarter.

Domestic bank lending, at only £480 million, was well below the recent past. Borrowing by industrial and commercial companies was subdued and this, together with the increase in their deposits, may well indicate an improvement in their cash flow, partly stemming from reduced tax payments because of the tax relief on stocks introduced in the November Budget. The personal sector continued to repay loans, by £200 million net.

Building society funds

The societies' net inflow has grown strongly despite continuing repayment of official loans (see figures below); new commitments have also risen sharply.

Seasonally adjusted £ millions



1974			1975			
II	III	IV	Jan.	Feb.	Mar.	Apr.
200	283	—153	—52	—80	—79	—92

Other financial institutions

In the first quarter, *building societies'* deposits became increasingly attractive as other short-term interest rates fell. Receipts net of withdrawals amounted to £1,060 million, or £380 million more than in the previous quarter. Net advances, however, rose by only £40 million, and the societies' liquidity ratio increased from 18·5% at the end of December to 19·0% in March.

The societies repaid a further £210 million of the official loans of £500 million, leaving only £120 million outstanding at the end of March.

With the stock market recovering strongly, investment in *unit trusts* was much more attractive in the first quarter: net sales of units, at nearly £50 million, were more than double those in the previous quarter as was the monthly rate of inflow compared with the average last year.

Notes on sources, definitions and seasonal adjustments [1]

Sources

The main statistical series used in compiling Tables K, L and M 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. References to the statistical annex relate to the March issue of the *Bulletin*.

Definitions (line numbers refer to Tables K, L and M)

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, finance houses, savings banks investment accounts, investment trust companies, 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 [c] to Table 2 of the annex.

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

Line 9.1
From the fourth quarter of 1974, the net financing of the 'total currency flow' in the balance of payments accounts differs from the entry here by the amount of central government foreign currency borrowing from UK banks, the latter being included in line 16.1.

Line 9.2
All the other central government 'external transactions' included in 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.

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 16.1
See note to line 9.1.

Line 16.2
Other 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, car 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) adjustments are 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.

[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).

Flow of funds accounts

Table A
Income and expenditure

£ millions

Seasonally adjusted

	Income from employment and trading[a] [b]	Transfer incomes etc. [b]	*less* Consumptions[c]	*less* Current transfer payments	*equals* Saving	*less* Gross domestic capital formation[a] [d]	*less* Capital transfers (net payments —)	*equals* Financial surplus/ deficit[e]
Public sector								
1970	1,598	20,043	— 9,095	— 7,553	4,993	— 4,207	— 61	725
1971	1,695	21,293	—10,353	— 8,133	4,502	— 4,623	—182	— 303
1972	1,834	22,616	—11,776	— 9,636	3,038	— 4,762	42	—1,682
1973	2,194	25,210	—13,270	—11,174	2,960	— 5,753	— 35	—2,828
1974	2,522	31,090	—16,440	14,884	2,288	— 7,344	— 74	—5,130
1973 3rd qtr	549	6,370	— 3,374	— 2,848	697	— 1,456	— 1	— 760
4th ,,	595	6,719	— 3,493	— 3,058	763	— 1,510	10	— 737
1974 1st qtr	582	6,854	— 3,659	— 3,393	384	— 1,770	13	—1,373
2nd ,,	643	7,510	— 3,839	— 3,351	963	— 1,736	— 29	— 802
3rd ,,	645	8,129	— 4,263	— 3,939	572	— 1,776	— 28	—1,232
4th ,,	652	8,597	— 4,679	— 4,201	369	— 2,062	— 30	—1,723
Overseas sector[f]								
1970					— 698			— 698
1971					—1,052			—1,052
1972					— 82			— 82
1973					1,117		59	1,176
1974					3,828		75	3,903
1973 3rd qtr					231		1	232
4th ,,					492		1	493
1974 1st qtr					971		—	971
2nd ,,					985		29	1,014
3rd ,,					797		40	837
4th ,,					1,075		6	1,081
Personal sector								
1970	30,254	12,900	—31,365	— 8,561	3,228	— 1,491	—358	1,379
1971	33,484	14,266	—34,859	— 9,294	3,597	— 2,147	—324	1,126
1972	37,440	16,508	—39,428	—10,054	4,466	— 2,800	—371	1,295
1973	42,944	19,426	—44,785	—11,857	5,728	— 3,225	—320	2,183
1974	51,360	22,619	—51,282	—15,634	7,063	— 2,919	—268	3,876
1973 3rd qtr	10,893	4,987	—11,309	— 2,977	1,594	— 817	— 84	693
4th ,,	11,263	5,071	—11,591	— 3,126	1,617	— 799	— 74	744
1974 1st qtr	11,468	5,266	—11,950	— 3,292	1,492	— 749	— 91	652
2nd ,,	12,295	5,384	—12,443	— 3,616	1,620	— 786	— 68	766
3rd ,,	13,364	5,882	—13,109	— 4,141	1,996	— 715	— 70	1,211
4th ,,	14,233	6,087	—13,780	— 4,585	1,955	— 669	— 39	1,247
Company sector[g]								
1970	5,447	4,389		— 6,265	3,571	— 5,271	419	—1,281
1971	6,077	5,042		— 6,934	4,185	— 4,782	506	— 91
1972	6,947	5,894		— 7,499	5,342	— 5,340	329	331
1973	8,749	8,676		— 9,621	7,804	— 8,816	296	— 716
1974	9,865	11,804		—12,662	9,007	—12,610	267	—3,336
1973 3rd qtr	2,215	2,194		— 2,390	2,019	— 2,371	84	— 268
4th ,,	2,246	2,659		— 2,711	2,194	— 2,605	63	— 348
1974 1st qtr	2,558	2,899		— 3,085	2,372	— 3,113	78	— 663
2nd ,,	2,466	2,990		— 3,200	2,256	— 3,360	68	—1,036
3rd ,,	2,508	2,918		— 3,253	2,173	— 3,200	58	— 969
4th ,,	2,333	2,997		— 3,124	2,206	— 2,937	63	— 668

— nil or less than £½ million.

[a] Without deduction of depreciation or stock appreciation.

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

[c] Other than depreciation.

[d] Including changes in the value of stocks.

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

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

[g] Including financial institutions.

Table B
Public sector

£ millions

Seasonally adjusted

	1970	1971	1972	1973	1974	1973		1974				1975
						3rd	4th	1st	2nd	3rd	4th	1st
	Year	Year	Year	Year	Year	qtr	qtr	qtr	qtr	qtr	qtr	qtr
Capital expenditure	+4,207	+4,623	+4,762	+5,753	+7,344	+1,456	+1,510	+1,770	+1,736	+1,776	+2,062	
less Saving	—4,993	—4,502	—3,038	—2,960	—2,288	— 697	— 763	— 384	— 963	— 572	— 369	
less Capital transfers (net)	+ 61	+ 182	— 42	+ 35	+ 74	+ 1	— 10	— 13	+ 29	+ 28	+ 30	
equals Financial surplus —/deficit +	— 725	+ 303	+1,682	+2,828	+5,130	+ 760	+ 737	+1,373	+ 802	+1,232	+1,723	
Lending and other transactions (increase in assets +)[a]	+ 434	+ 696	+ 630	+1,349	+1,266	+ 395	+ 472	— 115	+ 582	+ 471	+ 323	
Import deposits (repayments +)	+ 257	+ 281										
Unidentified	+ 30	+ 98	— 254	+ 49	— 38	— 21	+ 131	— 507	+ 191	— 148	+ 431	
Borrowing requirement (increase +)	— 4	+1,378	+2,058	+4,226	+6,358	+1,134	+1,340	+ 751	+1,575	+1,555	+2,477	
Financed by (borrowing —): *												
Central government:												
External transactions	*+1,341*	*+2,876*	*—1,395*	*+ 528*	*—1,005*	*— 55*	*+ 106*	*— 192*	*+ 8*	*— 151*	*— 670*	*— 171*
Notes and coin with the public	*— 321*	*— 273*	*— 495*	*— 305*	*— 709*	*— 6*	*— 170*	*— 86*	*— 157*	*— 189*	*— 309*	*— 166*
Bank borrowing	*— 304*	*— 865*	*+1,203*	*—1,219*	*— 599*	*+ 311*	*— 432*	*— 59*	*+ 387*	*+ 130*	*—1,025*	*— 253*
Other domestic borrowing [b]	*— 38*	*—2,300*	*— 742*	*—1,038*	*—1,231*	*— 467*	*— 184*	*+ 102*	*—1,062*	*— 548*	*+ 277*	*—1,192*
	+ 678	*— 562*	*—1,429*	*—2,034*	*—3,544*	*— 217*	*— 680*	*— 235*	*— 824*	*— 758*	*—1,727*	*—1,782*
Local authorities:												
External finance	*+ 39*	*— 83*	*— 149*	*— 318*	*+ 78*	*— 105*	*— 128*	*+ 21*	*+ 25*	*— 48*	*+ 80*	*+ 53*
Bank borrowing	*— 483*	*— 772*	*— 31*	*— 21*	*+ 175*	*— 90*	*— 99*	*+ 304*	*— 9*	*+ 59*	*— 179*	*— 203*
Other domestic borrowing [c]	*— 83*	*+ 195*	*— 341*	*—1,013*	*—2,332*	*— 152*	*— 244*	*— 716*	*— 678*	*— 498*	*— 440*	
	— 527	*— 660*	*— 521*	*—1,352*	*—2,079*	*— 347*	*— 471*	*— 391*	*— 662*	*— 487*	*— 539*	
Public corporations:												
External finance	*— 30*	*— 125*	*— 20*	*— 104*	*— 586*	*+ 22*	*— 88*	*— 9*	*— 226*	*— 160*	*— 191*	
Domestic borrowing	*— 117*	*— 31*	*— 88*	*— 736*	*— 149*	*— 592*	*— 101*	*— 116*	*+ 137*	*— 150*	*— 20*	
	— 147	*— 156*	*— 108*	*— 840*	*— 735*	*— 570*	*— 189*	*— 125*	*— 89*	*— 310*	*— 211*	
Total net borrowing	+ 4	—1,378	—2,058	—4,226	—6,358	—1,134	—1,340	— 751	—1,575	—1,555	—2,477	

*Borrowing in foreign currencies in recent years has been as follows:

	1970 Year	1971 Year	1972 Year	1973 Year	1974 Year	1973 3rd qtr	1973 4th qtr	1974 1st qtr	1974 2nd qtr	1974 3rd qtr	1974 4th qtr	1975 1st qtr
Central government:												
From UK banks					+ 506						+ 506	+ 314
Direct from overseas					+ 138						+ 138	+ 109
Local authorities:												
From UK banks				+ 88	+ 269	+ 5	+ 6	+ 97	+ 170	+ 1	+ 2	— 7
Direct from overseas				+ 135	+ 57	+ 25	+ 62	+ 34	+ 18	— 1	+ 2	+ 7
Public corporations:												
From UK banks				+ 739	+ 325	+ 342	+ 201	+ 180	+ 93	+ 52	—	—
Direct from overseas				+ 137	+ 595	— 9	+ 86	+ 28	+ 219	+ 163	+ 185	+ 70

— 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] Net purchases of commercial bills and local authority debt by the Issue Department of the Bank of England have been deducted.

[c] Including borrowing from the Issue Department.

Table C
Overseas sector [a]

£ millions

Seasonally adjusted

Claims on UK: increase +/decrease —
Liabilities to UK: increase —/decrease +

	1970 Year	1971 Year	1972 Year	1973 Year	1974 Year	1973 3rd qtr	1973 4th qtr	1974 1st qtr	1974 2nd qtr	1974 3rd qtr	1974 4th qtr	1975 1st qtr
Financial surplus +/deficit —	— 698	—1,052	— 82	+1,176	+3,903	+ 232	+ 493	+ 971	+1,014	+ 837	+1,081	
Transactions with the UK private sector												
Investment flows:												
Transactions in company and overseas securities	— 76	+ 65	— 464	+ 322	+1,058	+ 26	+ 123	+ 202	+ 119	+ 260	+ 477	
Miscellaneous private investment	+ 52	+ 122	— 137	— 320	— 271	— 93	— 212	+ 295	+ 93	+ 8	— 667	
Other transactions:												
Net external transactions by UK banks[b]	+ 789	+1,181	— 72	+1,579	+1,025	+ 148	+ 643	+ 46	+ 485	+ 6	+ 488	+ 312
Other identified	+ 4	+ 299	+ 21	— 125	— 18	— 152	+ 96	+ 35	+ 256	— 162	— 147	
Balancing item	+ 108	+ 305	— 676	+ 176	+1,147	+ 235	— 175	+ 327	—	+ 517	+ 303	
	+ 877	+1,972	—1,328	+1,632	+2,941	+ 164	+ 475	+ 905	+ 953	+ 629	+ 454	
Transactions with the UK public sector												
Lending etc. [c]	— 225	— 356	— 318	— 350	— 551	— 70	— 92	— 114	— 132	— 151	— 154	
External finance: [d]												
Central government	—1,341	—2,876	+1,395	— 528	+1,005	+ 55	— 106	+ 192	— 8	+ 151	+ 670	+ 171
Local authorities	— 39	+ 83	+ 149	+ 318	— 78	+ 105	+ 128	— 21	— 25	+ 48	— 80	— 53
Public corporations	+ 30	+ 125	+ 20	+ 104	+ 586	— 22	+ 88	+ 9	+ 226	+ 160	+ 191	
	—1,575	—3,024	+1,246	— 456	+ 962	+ 68	+ 18	+ 66	+ 61	+ 208	+ 627	

[a] It has not been possible to include in this table the balance of payments estimates for the 1st quarter of 1975, and revisions to previous quarters, which were released in June.

[b] Other than net purchases of securities. Includes the adjustments mentioned in the notes to line 11 at the end.

[c] These overseas transactions of the public sector increase 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

	1970 Year	1971 Year	1972 Year	1973 Year	1974 Year	1973 3rd qtr	1973 4th qtr	1974 1st qtr	1974 2nd qtr	1974 3rd qtr	1974 4th qtr	1975 1st qtr
Saving	+3,228	+3,597	+4,466	+5,728	+7,063	+1,594	+1,617	+1,492	+1,620	+1,996	+1,955	
Capital transfers (net)	— 358	— 324	— 371	— 320	— 268	— 84	— 74	— 91	— 68	— 70	— 39	
Capital expenditure	—1,491	—2,147	—2,800	—3,225	—2,919	— 817	— 799	— 749	— 786	— 715	— 669	
Financial surplus +/deficit —	+1,379	+1,126	+1,295	+2,183	+3,876	+ 693	+ 744	+ 652	+ 766	+1,211	+1,247	
Borrowing (—)												
For house purchase	—1,246	—1,835	—2,757	—2,796	—2,184	— 718	— 556	— 464	— 410	— 578	— 732	
Bank borrowing [a]	— 59	— 576	—1,927	—1,027	— 24	— 385	+ 84	— 44	— 73	+ 32	+ 61	+ 189
Hire-purchase debt	— 43	— 191	— 241	— 183	+ 66	— 22	— 47	+ 54	+ 20	+ 16	— 24	
Other [b]	— 67	— 23	— 33	— 176	— 211	+ 36	— 157	+ 111	— 122	— 26	— 169	
	—1,415	—2,625	—4,958	—4,182	—2,353	—1,089	— 676	— 343	— 585	— 556	— 864	
Acquisition of financial assets (+)												
Life assurance and pension funds	+1,763	+2,004	+2,455	+2,817	+2,930	+ 611	+ 711	+ 790	+ 680	+ 660	+ 800	
Government stocks	— 222	+ 470	+ 5	+ 784	+ 562	+ 194	+ 244	+ 214	+ 303	+ 207	— 162	+ 826
Company and overseas securities	— 892	—1,328	—1,314	—1,937	—1,264	— 598	— 609	— 568	— 368	— 265	— 63	
Unit trust units	+ 89	+ 46	+ 203	+ 156	+ 60	+ 33	+ 15	+ 12	+ 8	+ 22	+ 18	+ 47
Bank deposits, notes and coin	+ 942	+1,153	+2,013	+3,510	+3,343	+ 961	+1,013	+1,130	+ 776	+ 511	+ 926	+ 307
Building society shares and deposits	+1,484	+1,961	+2,139	+2,128	+2,000	+ 523	+ 371	+ 228	+ 455	+ 633	+ 684	+1,063
National savings	— 51	+ 371	+ 475	+ 144	+ 10	+ 74	— 48	— 65	— 19	+ 51	+ 43	+ 67
Local authority debt	— 79	— 232	— 82	+ 356	+ 799	+ 135	+ 149	+ 418	+ 349	+ 47	— 15	
Other	+ 176	+ 271	+ 318	+ 83	— 14	+ 23	+ 37	— 97	— 1	— 25	+ 109	
	+3,210	+4,716	+6,212	+8,041	+8,426	+1,956	+1,883	+2,062	+2,183	+1,841	+2,340	
Identified financial transactions	+1,795	+2,091	+1,254	+3,859	+6,073	+ 867	+1,207	+1,719	+1,598	+1,285	+1,476	
Unidentified	*— 416*	*— 965*	*+ 41*	*—1,676*	*—2,197*	*— 174*	*— 463*	*—1,067*	*— 832*	*— 74*	*— 229*	

[a] Other than for house purchase.

[b] Including accruals adjustments and trade credit received from public corporations.

Table E
Industrial and commercial companies

£ millions

Seasonally adjusted

Assets: increase +/decrease —
Liabilities: increase —/decrease +

	1970	1971	1972	1973	1974	1973		1974				1975
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr
Domestic capital formation	+4,710	+4,246	+4,717	+7,845	+11,435	+2,091	+2,340	+2,840	+3,081	+2,907	+2,607	
less Saving	—3,274	—3,733	—4,831	—6,960	— 7,495	—1,804	—1,919	—2,006	—1,902	—1,785	—1,802	
less Capital transfers (net)	— 483	— 556	— 380	— 347	— 333	— 97	— 76	— 94	— 84	— 75	— 80	
equals Financial surplus —/deficit +	+ 953	— 43	— 494	+ 538	+ 3,607	+ 190	+ 345	+ 740	+1,095	+1,047	+ 725	
Trade investments, mergers, etc. in the United Kingdom	+ 251	+ 338	+ 642	+ 723	+ 534	+ 245	+ 185	+ 231	+ 121	+ 97	+ 85	
Long-term investment abroad	+ 688	+ 806	+ 806	+1,927	+ 1,831	+ 456	+ 720	+ 392	+ 271	+ 465	+ 703	
Import deposits	— 225	— 253										
Total requiring financing (+)	+1,667	+ 848	+ 954	+3,188	+ 5,972	+ 891	+1,250	+1,363	+1,487	+1,609	+1,513	
Capital issues (including euro-currency issues)	— 243	— 454	— 684	— 271	+ 1	— 29	— 30	+ 7	— 3	— 13	+ 10	— 17
Overseas investment in UK companies	— 601	— 720	— 553	—1,170	— 1,481	— 217	— 413	— 643	— 294	— 403	— 141	
Import credit and advance payments on exports	— 154	— 231	— 281	— 281	— 225	— 56	— 123	— 62	— 55	— 34	— 74	
Export credit and advance payments on imports	+ 153	+ 95	+ 146	+ 138	+ 290	+ 45	+ 13	+ 118	+ 118	+ 66	— 12	
Bank borrowing	—1,125	— 730	—2,988	—4,504	— 4,411	—1,613	—1,747	—1,039	—1,333	—1,379	— 618	— 221
Other borrowing [a]	— 373	— 345	— 62	—1,174	— 164	— 401	— 313	— 105	+ 135	+ 19	— 210	
Bank deposits, notes and coin	+ 322	+ 992	+2,288	+2,605	+ 48	+1,081	+ 828	— 31	+ 44	+ 134	— 141	+ 504
Other liquid assets [b]	— 126	+ 141	+ 81	+ 101	+ 55	+ 6	— 6	+ 2	+ 48	+ 87	— 82	
Other items [c]	+ 36	+ 94	+ 9	+ 164	+ 265	+ 54	— 31	+ 85	— 91	+ 71	+ 200	
Other overseas transactions (including the balance of payments balancing item) [d]	— 50	— 383	+ 663	+ 53	— 989	— 55	+ 173	— 407	— 269	— 322	+ 9	
Unidentified domestic transactions [d]	*+ 494*	*+ 693*	*+ 427*	*+1,151*	*+ 639*	*+ 294*	*+ 399*	*+ 712*	*+ 213*	*+ 165*	*— 454*	
Total financing (—)	—1,667	— 848	— 954	—3,188	— 5,972	— 891	—1,250	—1,363	—1,487	—1,609	—1,513	

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

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

[c] Net trade credit with public corporations, and hire-purchase lending.

[d] Most of the balancing item in the balance of payments accounts, especially when large, probably reflects unidentified transactions between companies and overseas. It is deducted from the total amount unidentified in the company accounts to leave a rough estimate of unidentified domestic transactions.

Table F
Banking sector

£ millions

Seasonally adjusted

Lending: increase +/decrease —
Deposits: increase —/decrease +

	1970	1971	1972	1973	1974	1973		1974				1975
						3rd	4th	1st	2nd	3rd	4th	1st
	Year	Year	Year	Year	Year	qtr	qtr	qtr	qtr	qtr	qtr	qtr
Lending												
Public sector	+ 913	+1,666	—1,026	+1,995	+ 701	+ 385	+ 636	— 129	— 389	— 43	+1,230	+ 453
Industrial and commercial companies	+1,135	+ 771	+3,130	+4,654	+4,438	+1,651	+1,843	+1,105	+1,306	+1,393	+ 592	+ 232
Other financial institutions	+ 81	+ 419	+1,032	+ 837	+ 119	+ 147	+ 329	+ 182	+ 123	+ 20	— 206	— 10
Personal sector	+ 99	+ 666	+2,272	+1,337	+ 114	+ 475	— 29	+ 74	+ 108	— 7	— 61	— 199
Total domestic lending	+2,228	+3,522	+5,408	+8,823	+5,372	+2,658	+2,779	+1,232	+1,148	+1,363	+1,555	+ 476
Deposits												
Public sector	— 44	— 39	— 80	— 100	+ 69	+ 24	— 80	+ 15	+ 86	— 41	+ 9	— 8
Industrial and commercial companies	— 121	— 919	—2,039	—2,429	+ 291	—1,078	— 743	+ 74	+ 35	— 40	+ 296	— 421
Other financial institutions	— 278	— 182	— 918	— 998	— 882	— 315	— 223	+ 43	+ 97	— 418	— 604	+ 529
Personal sector	— 822	— 953	—1,767	—3,381	—2,973	— 958	— 928	—1,087	— 698	— 416	— 772	— 224
Total domestic deposits	—1,265	—2,093	—4,804	—6,908	—3,495	—2,327	—1,974	— 955	— 480	— 915	—1,071	— 124
Net lending to overseas sector[a] [b]	— 753	—1,111	+ 93	—1,487	—1,015	— 156	— 621	— 16	— 436	— 37	— 526	— 216
Non-deposit liabilities (net)[b]	— 210	— 318	— 697	— 428	— 862	— 175	— 184	— 261	— 232	— 411	+ 42	— 136

[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 at the end are included with net lending to the overseas sector, rather than with non-deposit liabilities. The latter figures therefore differ from those in tables concerning the money stock.

Table G
Financial institutions other than banks

£ millions

Seasonally adjusted

	1970	1971	1972	1973	1974	1973		1974				1975
						3rd	4th	1st	2nd	3rd	4th	1st
	Year	Year	Year	Year	Year	qtr	qtr	qtr	qtr	qtr	qtr	qtr
Increase in financial liabilities (—)												
Life assurance and pension funds	—1,763	—2,004	—2,455	—2,817	—2,930	— 611	— 711	— 790	— 680	— 660	— 800	
Building society shares and deposits	—1,481	—2,030	—2,187	—2,100	—1,989	— 498	— 356	— 217	— 455	— 633	— 684	—1,063
Other deposits	— 218	— 279	— 249	— 282	— 241	— 101	— 51	+ 64	— 61	— 3	— 241	
Capital issues	— 55	— 186	— 439	— 61	— 93	— 4	— 7	— 6	— 8	— 18	— 61	— 37
Sales of unit trust units	— 89	— 46	— 203	— 156	— 60	— 33	— 15	— 12	— 8	— 22	— 18	— 47
Other borrowing[a]	— 80	— 403	—1,029	— 834	— 481	— 146	— 329	— 181	— 222	— 338	+ 260	
	—3,686	—4,948	—6,562	—6,250	—5,794	—1,393	—1,469	—1,142	—1,434	—1,674	—1,544	
Increase in financial assets (+)												
Short-term assets[b]	+ 489	+ 113	+ 969	+1,257	+2,089	+ 300	+ 280	+ 139	+ 143	+ 741	+1,066	
Government stocks	+ 320	+1,382	+ 418	+ 690	+ 280	+ 124	+ 206	+ 13	+ 376	+ 134	— 243	+ 825
Company and overseas securities:												
Ordinary shares	+ 637	+ 937	+1,779	+ 414	— 324	+ 80	+ 120	— 5	+ 48	— 140	— 227	
Fixed-interest	+ 180	+ 205	+ 250	+ 98	+ 2	+ 20	+ 32	— 4	+ 29	+ 5	— 28	
Loans for house purchase	+1,124	+1,613	+2,217	+2,120	+1,500	+ 515	+ 403	+ 331	+ 253	+ 390	+ 526	
Long-term lending to local authorities	+ 83	+ 76	+ 143	+ 97	+ 333	+ 54	— 3	— 4	+ 48	+ 119	+ 170	
Hire-purchase claims	+ 47	+ 140	+ 163	+ 166	— 60	+ 34	+ 26	— 30	— 14	— 14	— 2	
Other lending	+ 230	+ 95	+ 166	+ 472	+ 500	+ 153	+ 144	+ 68	+ 35	+ 127	+ 267	
	+3,110	+4,561	+6,105	+5,314	+4,320	+1,280	+1,208	+ 508	+ 918	+1,362	+1,529	
Net identified financial transactions	— 576	— 387	— 457	— 936	—1,474	— 113	— 261	— 634	— 516	— 312	— 15	

[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
Financial institutions other than banks 1974: detail by institutional group

£ millions

	Total	Insurance companies	Pension funds and property unit trusts	Building societies	Finance houses	Savings banks investment accounts	Investment and unit trusts	Others and unallocated
Increase in financial liabilities (—)								
Inflow to life assurance and pension funds	—2,930	—2,930						
Deposits	—2,302			—1,989	+122	— 64		—371
Capital issues	— 93	— 62					— 4	— 27
Sales of units	— 78		+ 7[a]				— 85	
Bank borrowing	— 119	+ 42	+ 49		—123		+249	—336
Other borrowing	— 339	— 31	— 6	— 349	+ 3		+ 35	+ 9
	—5,861	—2,931		—2,338	+ 2	— 64	+195	—725
Increase in financial assets (+)								
Bank deposits, notes and coin	+ 882	+ 309	+ 252	+ 233	— 16	+ 74	+134	—104
Deposits with other financial institutions	+ 72	+ 42	+ 26		— 1		+ 11	— 6
Local authority temporary debt	+1,111	+ 282	+ 380	+ 395		+ 31	+ 19	+ 4
Treasury bills, tax reserve certificates, and tax deposit accounts	+ 96	+ 71	+ 8	— 5		+ 4	+ 3	+ 15
Government stocks	+ 280	+ 69	+ 100	+ 61		— 4	+ 42	+ 12
Company and overseas securities:								
Ordinary shares	— 324	+ 12	+ 187		+ 7		—459	— 71
Fixed-interest	+ 2	+ 29	— 31	+ 1	+ 1	+ 1	+ 6	— 5
Investment in units	+ 20	+ 25	— 5[a]					
Loans for house purchase	+1,500	+ 118		+1,382				
Long-term lending to local authorities	+ 333	+ 42	+ 7	+ 315		— 40	+ 17	— 8
Hire-purchase claims	— 60				— 60			
Other lending	+ 475	+ 124	+ 292	+ 2	+ 12		+ 3	+ 42
	+4,387	+1,123	+1,216	+2,384	— 57	+ 66	—224	—121
Net identified financial transactions	—1,474	—592		+ 46	— 55	+ 2	— 29	—846

Note: Differences from Table G arise through the identification here of intra-sector transactions (involving deposits, and property and other unit trust units) netted out when the sector is considered as a whole.

[a] Pension funds sold £5 million of property unit trust units.

Table J
UK company and overseas securities

£ millions

	Capital issues (line 23)				Other transactions (line 24)[a]					
	Overseas sector	Industrial and commercial companies	Banking sector	Other financial institutions	Public sector	Overseas sector	Personal sector	Industrial and commercial companies	Banking sector	Other financial institutions
UK equities		— 49	—27	— 10	+ 6	+141	— 847	+ 156	+ 44	+ 586
UK fixed-interest		—194		— 45		+ 70	— 49	+ 23	+ 14	+ 181
Overseas	+12					—299	+ 4	+ 197	+ 36	+ 50
1970 Total	+12	—243	—27	— 55	+ 6	— 88	— 892	+ 376	+ 94	+ 817
UK equities		—157		—101	+ 79	+216	—1,211	+ 188	+107	+ 879
UK fixed-interest		—297	—21	— 85		+159	— 16	+ 30	+ 36	+ 194
Overseas	+11					—321	— 101	+ 272	+ 70	+ 69
1971 Total	+11	—454	—21	—186	+ 79	+ 54	—1,328	+ 490	+213	+1,142
UK equities		—305	— 6	—349	+ 14	+112	—1,365	+ 477	+103	+1,319
UK fixed-interest		—379	—37	— 90		+205	— 70	+ 69	+ 34	+ 268
Overseas	+28					—809	+ 121	+ 197	+ 21	+ 442
1972 Total	+28	—684	—43	—439	+ 14	—492	—1,314	+ 743	+158	+2,029
UK equities		—107	—20	— 19	+ 6	+366	—1,391	+ 490	+199	+ 476
UK fixed-interest		—164	—42	— 42		+219	— 215	+ 80	+ 66	+ 98
Overseas	+30					—293	— 331	+ 564	+ 92	— 62
1973 Total	+30	—271	—62	— 61	+ 6	+292	—1,937	+1,134	+357	+ 512
UK equities		— 43	—15	— 68	+ 25	+462	— 637	+ 250	+ 59	— 33
UK fixed-interest		+ 44	—72	— 25		+ 95	— 179	+ 79	+ 19	+ 39
Overseas	+59					+442	— 448	+ 265	+ 10	— 328
1974 Total	+59	+ 1	—87	— 93	+ 25	+999	—1,264	+ 594	+ 88	— 322

[a] The breakdown by type of security has been partly estimated and some of the figures are very rough, particularly those for the personal sector, which are residuals.

Table K
Flow of funds: annual figures

£ millions

	Line	Public sector 1972	Public sector 1973	Public sector 1974	Overseas sector[a] 1972	Overseas sector[a] 1973	Overseas sector[a] 1974
Capital account							
Saving	1	+3,038	+2,960	+2,288	— 82	+1,117	+3,828
Taxes on capital and capital transfers	2	+ 42	— 35	— 74	—	+ 59	+ 75
less:							
Gross fixed capital formation at home	3	—4,655	—5,557	—6,936			
Increase in value of stocks and work in progress	4	— 107	— 196	— 408			
Financial surplus +/deficit —[b]	5	—1,682	—2,828	—5,130	— 82	+1,176	+3,903
Changes in financial assets and liabilities							
Assets: increase +/decrease —							
Liabilities: increase —/decrease +							
Government debt to Banking Department	6	— 443	—1,027	+ 241			
Life assurance and pension funds	7						
Loans by the UK Government	8	+ 25	+ 113	+ 442	— 76	— 62	— 75
Central government external transactions:							
Direct financing of currency flow	9·1	—1,265	+ 210	— 59	+1,265	— 210	+ 59
Other	9·2	— 130	+ 318	— 946	+ 130	— 318	+ 946
Banks' net external transactions	10				— 27	+1,522	+1,205
Miscellaneous investment overseas (net)	11	+ 222	+ 184	— 110	— 302	— 644	— 625
Notes and coin	12	— 578	— 544	— 788			
Bank deposits of domestic sectors	13	+ 80	+ 100	— 69			
Deposits with other financial institutions	14				— 81	+ 72	+ 266
National savings	15·1	— 475	— 144	— 10			
Tax reserve certificates/tax deposit accounts	15·2	+ 113	+ 206	+ 122			
Bank lending to domestic sectors:							
In foreign currency to central government	16·1			— 506			
Other	16·2	— 146	— 775	— 276			
Hire-purchase and other instalment debt	17	+ 42	+ 13	— 21			
Loans for house purchase	18	+ 195	+ 366	+ 594			
Other loans and accruals	19	+ 33	+ 776	— 402			
Marketable government debt held by domestic sectors:							
Treasury bills	20	+ 617	— 28	— 502			
Stocks	21	+ 691	—1,439	— 696			
Local authority debt	22	— 423	—1.232	—2,131	+ 149	+ 318	— 78
UK company and overseas securities:							
Capital issues	23				+ 28	+ 30	+ 59
Other transactions	24	+ 14	+ 6	+ 25	— 492	+ 292	+ 999
Unit trust units	25						
Identified financial transactions	26	—1,428	—2,877	—5,092	+ 594	+1,000	+2,756
Unidentified[b]	27	*— 254*	*+ 49*	*— 38*	*— 676*	*+ 176*	*+1,147*
Total = Financial surplus +/deficit —[b]	28	—1,682	—2,828	—5,130	— 82	+1,176	+3,903

— nil or less than £½ million.

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

[b] Financial surpluses/deficits for all sectors combined do not in practice sum to zero, although in principle they should do so. The discrepancy arises because the respective estimates of gross domestic product derived from income sources and from expenditure sources do not match. The net total of the 'unidentified' entries for all sectors is the counterpart of this discrepancy (the residual error), which in the years shown in this table was as follows:

1972	1973	1974
+138	+185	+687

Personal sector 1972	Personal sector 1973	Personal sector 1974	Industrial and commercial companies 1972	Industrial and commercial companies 1973	Industrial and commercial companies 1974	Banking sector and Other financial institutions 1972	Banking sector and Other financial institutions 1973	Banking sector and Other financial institutions 1974	Line
+4,466	+5,728	+7,063	+4,831	+6,960	+7,495	+511	+844	+1,512	1
−371	−320	−268	+380	+347	+333	−51	−51	−66	2
−2,506	−2,666	−2,212	−3,818	−4,831	−5,942	−606	−1,029	−1,190	3
−294	−559	−707	−899	−3,014	−5,493	−17	+58	+15	4
+1,295	+2,183	+3,876	+494	−538	−3,607	−163	−178	+271	5

Personal sector 1972	Personal sector 1973	Personal sector 1974	Industrial and commercial companies 1972	Industrial and commercial companies 1973	Industrial and commercial companies 1974	Banking sector 1972	Banking sector 1973	Banking sector 1974	Other financial institutions 1972	Other financial institutions 1973	Other financial institutions 1974	Line
						+443	+1,027	−241				6
+2,455	+2,817	+2,930							−2,455	−2,817	−2,930	7
−1	−5		+49	−49	−41				+3	+3	−326	8
												9·1
												9·2
						+27	−1,522	−1,205				10
			+4	+432	+513	+45	−57	+180	+31	+85	+42	11
+246	+129	+370	+249	+176	+339	+83	+239	+79				12
+1,767	+3,381	+2,973	+2,039	+2,429	−291	−4,804	−6,908	−3,495	+918	+998	+882	13
+2,465	+2,301	+2,065	+52	+9	−101				−2,436	−2,382	−2,230	14
+475	+144	+10										15·1
−8	−90	−79	−76	−67	−26	−21	−41	−12	−8	−8	−5	15·2
								+506				16·1
−1,927	−1,027	−24	−2,988	−4,504	−4,411	+6,093	+7,123	−4,830	−1,032	−837	−119	16·2
−241	−183	+66	+36	+4	+15				+163	+166	−60	17
−2,757	−2,796	−2,184				+345	+310	+90	+2,217	+2,120	+1,500	18
−32	−171	−211	−138	−965	+127	+2	−27	+64	+135	+387	+422	19
			−20	−5	+41	−599	+42	+360	+2	−9	+101	20
+5	+784	+562				−1,114	−35	−146	+418	+690	+280	21
−82	+356	+799	+125	+164	+141	+31	+21	−175	+200	+373	+1,444	22
			−684	−271	+1	−43	−62	−87	−439	−61	−93	23
−1,314	−1,937	−1,264	+743	+1,134	+594	+158	+357	+88	+2,029	+512	−322	24
+203	+156	+60							−203	−156	−60	25
+1,254	+3,859	+6,073	−609	−1,513	−3,099	+646	+467	+836	−457	−936	−1,474	26

Personal sector 1972	Personal sector 1973	Personal sector 1974	Industrial and commercial companies 1972	Industrial and commercial companies 1973	Industrial and commercial companies 1974	Banking sector and Other financial institutions 1972	Banking sector and Other financial institutions 1973	Banking sector and Other financial institutions 1974	Line
+41	*−1,676*	*−2,197*	*+1,103*	*+975*	*−508*	*−352*	*+291*	*+909*	27
+1,295	+2,183	+3,876	+494	−538	−3,607	−163	−178	+271	28

Table L
Flow of funds: fourth 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	+ 118	+ 915	+1,557	+2,051	+693		
Taxes on capital and capital transfers	2	− 41	+ 6	− 38	+ 83	− 10		
less:								
Gross fixed capital formation at home	3	−1,942		− 491	−1,731	−352		
Increase in value of stocks and work in progress	4	− 122		− 158	−1,021	− 11		
Financial surplus +/deficit −	5	−1,987	+ 921	+ 870	− 618	+320		+494
Changes in financial assets and liabilities								
Assets: increase +/decrease −								
Liabilities: increase −/decrease +								
Government debt to Banking Department	6	− 304				+ 304		
Life assurance and pension funds	7			+ 800			−800	
Loans by the UK Government	8	− 17	− 14		− 23		+ 54	
Central government external transactions:								
Direct financing of currency flow	9·1	− 314	+ 314					
Other	9·2	− 386	+ 386					
Banks' net external transactions	10		+ 551			− 551		
Miscellaneous investment overseas (net)	11	− 56	−1,027		+ 915	+ 104	+ 64	
Notes and coin	12	− 603		+ 172	+ 141	+ 290		
Bank deposits of domestic sectors	13	+ 33		+ 941	− 3	−1,648	+677	
Deposits with other financial institutions	14		+ 132	+ 861	− 21		−972	
National savings	15·1	− 22		+ 22				
Tax reserve certificates/tax deposit accounts	15·2	+ 9		− 6		− 3		
Bank lending to domestic sectors:								
In foreign currency to central government	16·1	− 506				+ 506		
Other	16·2	− 70		− 24	− 723	+ 606	+211	
Hire-purchase and other instalment debt	17	+ 2		− 82	+ 94		− 14	
Loans for house purchase	18	+ 206		− 710			+504	
Other loans and accruals	19	− 39		− 215	+ 206	− 205	+253	
Marketable government debt held by domestic sectors:								
Treasury bills	20	− 549			− 75	+ 541	+ 83	
Stocks	21	+ 527		− 162		− 122	−243	
Local authority debt	22	− 524	− 88	− 15	− 12	+ 98	+541	
UK company and overseas securities:								
Capital issues	23		+ 5		+ 10	− 51	− 61	
Other transactions	24	+ 3	+ 472	− 63	− 16	− 44	−255	
Unit trust units	25			+ 18			− 18	
Identified financial transactions	26	−2,610	+ 731	+1,537	+ 493	− 175	+ 24	
Unidentified	27	*+ 623*	*+ 190*	*− 667*	*−1,111*	*+471*		*+494*
Total = Financial surplus +/deficit −	28	−1,987	+ 921	+ 870	− 618	+320		+494

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

Table M
Flow of funds: fourth 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	+ 369	+1,075	+1,955	+1,802	+404		
Taxes on capital and capital transfers	2	— 30	+ 6	— 39	+ 80	— 17		
less:								
Gross fixed capital formation at home	3	—2,062		— 669	—2,607	—330		
Increase in value of stocks and work in progress	4							
Financial surplus +/deficit —	5	—1,723	+1,081	+1,247	— 725	+ 57		+63
Changes in financial assets and liabilities								
Assets: increase +/decrease —								
Liabilities increase —/decrease +								
Government debt to Banking Department	6	— 152				+ 152		
Life assurance and pension funds	7			+ 800			—800	
Loans by the UK Government	8	— 12	— 19		— 23		+ 54	
Central government external transactions	9	— 670	+ 670					
Banks' net external transactions	10		+ 592			— 592		
Miscellaneous investment overseas (net)	11	— 56	—1,001		+ 889	+ 104	+ 64	
Notes and coin	12	— 408		+ 154	+ 155	+ 99		
Bank deposits of domestic sectors	13	— 9		+ 772	— 296	—1,071	+604	
Deposits with other financial institutions	14		+ 139	+ 799	— 13		—925	
National savings	15·1	— 43		+ 43				
Tax reserve certificates/tax deposit accounts	15·2	+ 9		— 6		— 3		
Bank lending to domestic sectors	16	— 532		+ 61	— 618	+ 883	+206	
Hire-purchase and other instalment debt	17	+ 2		— 24	+ 24		— 2	
Loans for house purchase	18	+ 206		— 732			+526	
Other loans and accruals	19	— 22		— 169	— 11	— 1	+203	
Marketable government debt held by domestic sectors:								
Treasury bills	20	— 358			— 75	+ 350	+ 83	
Stocks	21	+ 527		— 162		— 122	—243	
Local authority debt	22	— 639	— 80	— 15	+ 6	+ 179	+549	
UK company and overseas securities:								
Capital issues	23		+ 5		+ 10	— 51	— 61	
Other transactions	24	+ 3	+ 472	— 63	— 16	— 44	—255	
Unit trust units	25			+ 18			— 18	
Identified financial transactions	26	—2,154	+ 778	+1,476	+ 32	— 117	— 15	
Unidentified	27	*+ 431*	*+ 303*	*— 229*	*— 757*	*+189*		*+63*
Total = Financial surplus +/deficit –	28	—1,723	+1,081	+1,247	— 725	+ 57		+63

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