

## New banking statistics

During the last few years the Bank, with the help of the British Bankers' Association, have conducted a major review of the statistical information collected from banks and discount houses. As a result, some changes are being introduced during the course of this year in the banking statistics published regularly in this *Bulletin*.

The scheme of statistics hitherto collected from banks in the United Kingdom dates from the early sixties when, following the Radcliffe Committee's report on the working of the monetary system, the whole range of UK financial statistics was reviewed and extended, in particular to obtain data required for the flow of funds system of accounts between different sectors of the economy. The pre-Radcliffe returns collected from the clearing banks, based essentially upon their own published balance sheets, were then extended, and new regular returns in a somewhat different form were introduced for the accepting houses and other banks.

Since that time the returns have been developed in various ways, usually piecemeal to meet particular needs, for example, to monitor bank lending; to compile figures of the money supply and domestic credit; to calculate the banks' eligible liabilities, reserve ratios and special deposits; or to improve balance of payments statistics. The result has been a profusion of returns, not always mutually consistent. In particular, the returns collected from the clearing and non-clearing banks respectively have tended to evolve along different lines, making it difficult to compile integrated figures for the banking sector as a whole. There have also been serious inconsistencies — both in concept and coverage — in the information provided by the banks for internal banking statistics (Tables 7-12)[1] and for external statistics (Tables 23-26).

Over the last fifteen years, the development of financial analysis and the introduction of new statistical techniques have increased the need for more consistent banking statistics. At the same time, the existing returns have not always allowed for changes in the financial system, such as the development of new markets and new financial instruments. Against this background, it seemed right to carry out a thorough revision of banks' statistical returns.

In devising the new series of returns the two purposes for which banking statistics are required, namely, administrative and analytical, had to be borne carefully in mind. The first comprises exchange control, credit control and general banking supervision. The emphasis here is on the detailed examination of individual banks' figures to ensure conformity to the limits, controls, guidelines or general banking criteria currently in operation. In considering the second, analytical, purpose for which the returns are required, the needs of the Treasury, the Central Statistical Office, and other government departments were taken into account, as well as those of the Bank themselves. These needs relate to the interpretation of trends in the economy — both domestic and in relation to other countries — as revealed by the size of funds held in, and flowing through, the banking system. This information, together with figures from other sectors of the economy, provides an essential foundation for monetary and fiscal policy. The returns also help in

[1] All table numbers refer to the statistical annex of the March *Bulletin*.

the study of institutional developments within the banking sector and of developments in the financial markets. So far as possible they are designed to produce information that will also be useful to the banks themselves.

To a large extent, the same information serves both administrative and analytical needs and the new reporting system seeks to accommodate both in a single set of returns.

The new system provides for integrated returns made on common reporting dates and based on common definitions. The principal form is a balance-sheet type of return which all banks are required to submit at mid-months and at end-quarters (previously, only the London and Scottish clearing banks gave full details of their assets and liabilities). This new return provides a breakdown into sterling and other currencies of all items, together with an analysis by main sector of the main categories of liability and asset. Some of the information contained in the monthly balance-sheet return is then further analysed in supplementary returns, some monthly, some quarterly, giving for instance type or country of borrower or lender, or breakdown by maturity or by currency. Additional returns provide some extra information on financial flows during particular periods instead of totals outstanding at particular dates. To help the banks, figures are usually asked for at the valuation shown in their own books. An exception is made when expressing foreign currency items in sterling: in this respect, individual banks' accounting practices have hitherto varied widely, but under the new system banks convert all their foreign currency entries into sterling values at the middle market spot closing rates on the relevant day. In this way, a truer picture of monetary developments in the banking sector should be obtained.

The new returns have been agreed in detail by a working party comprising representatives of the Bank of England and of the banks which are members of the British Bankers' Association.

The Bank are most grateful to those who have joined in these discussions. The Bank have been able both to explain why certain statistics were required and also to understand some of the banks' difficulties in providing particular kinds of information. They recognise that the new statistics impose a considerable burden upon the reporting banks, but hope that, as a result of the working party's discussions, the new returns (and the accompanying instructions and definitions) provide the necessary information at the least cost.

With the co-operation of the London Discount Market Association, new returns have also been introduced for the discount houses: these are designed to be fully consistent with those reported by banks.

The new reporting system is being introduced at a time when many banks, and also the Bank of England's Economic Intelligence Department, are installing new computer systems. The first of the new returns, covering the banks' foreign currency business and non-residents' liabilities and claims in sterling, were introduced at the end of 1974, and the principal domestic returns followed in mid-May. Certain other returns will start later in the year.

The new statistical system will not only provide the authorities with better information on which to base their policy decisions, but will also gradually improve both the quality and quantity of banking statistics published regularly by the Bank.

The analyses of banks' external liabilities and claims (Tables 23-26) already incorporate information from the new returns. From the beginning of this year, the figures relate to the third Wednesday of each month and the end of each calendar quarter, rather than to the last day of each month, in order to fit in with other banking statistics. The form of these tables is otherwise virtually unchanged, though it is intended to introduce further information, particularly about the banks' foreign currency business, later in the year. Changes in definitions will inevitably have led to some lack of consistency between figures for 1975 and those for earlier years, but the differences should not be significant apart from an alteration in the method of valuation of British government stocks held by non-residents (Table 25).

The monthly figures of banks' assets and liabilities (Table 8) will be published in a new form from May 1975. There will be a full balance sheet for all banks and a fuller distinction than hitherto between sterling and other currencies. Sight and time deposits will also be shown separately. On the assets side, funds placed through specialised financial markets such as the local authority market will be distinguished from loans and advances made in the course of ordinary banking business direct to customers, and a separate total will be included for investment in assets leased to customers. The table will also incorporate information about the banks' eligible liabilities, reserve assets and reserve ratios hitherto shown separately (Table 9).

As in the past, separate figures will be published for various groups of banks, though the group tables will now be somewhat less detailed than the combined aggregates. However, the opportunity has been taken to reclassify the banks in a way which, it is hoped, will be more useful for analysis. There will now be three main classifications, namely, UK, overseas, and consortium banks, instead of groups based primarily upon the various banking associations. For publication, the UK banks will be subdivided into the London clearing banks, Scottish clearing banks, Northern Ireland banks, accepting houses, and other UK banks. The overseas banks will be divided into the American banks, Japanese banks, and other overseas banks; within the latter, EEC banks may in due course also be shown separately.

The fundamental changes in the form of the table make it impossible to provide a complete connecting link between the old and new series; apart from the changes in the types of assets and liabilities actually shown, there have been a number of changes in the definitions of items reported to the Bank. Changes in banks' assets and liabilities during the five weeks between the reporting dates in April and May will, however, be shown as usual in the table which gives consolidated figures for the banking sector as a whole (Table 11/4). Reporting banks have been asked to provide links between the old and new returns in certain key items to enable these changes to be calculated; but it must be accepted that for this one month the figures will be less soundly based.

The form of the analysis of advances (Table 10) will also be amended with the publication of the May figures; in particular, the total of advances analysed will relate more closely to the total outstanding (as in Table 8).

The introduction of the new information at mid-May will necessitate a slight break in the statistics of the money supply (Tables 12/1 and 12/2). In particular, the composition of  $M_1$  will

be rather different as from May: the term 'current accounts' will be replaced by a more precisely defined category of sight deposits, including money at call and money placed overnight. The new statistics will also enable funds placed by the UK private sector with the discount houses and falling within the new definition of sight deposits to be included in  $M_1$ . Despite the inconsistencies between the April and May figures of money stock outstanding, the Bank will publish estimates of the 'true' change in each version of the money stock between the two mid-month reporting dates, based on the figures for changes in the banking sector's liabilities (Table 11/4) mentioned above.

The new information will also affect the quarterly series of banking and money figures at end-June 1975, and some changes in the presentation of such figures will be made in the September *Bulletin*.