

## Financial review

The first part of this review describes developments in various financial markets during February to April. The second part considers the flow of funds between sectors during 1975 and includes the regular flow of funds tables; but as explained in the text, a separate analysis of the latest quarter has been discontinued.

### Financial markets

**The money market** Issues of Treasury bills at the weekly tender remained very large; the average rate of discount initially continued to decline, bringing the Bank's minimum lending rate down by a further 1% to 9% by early March; but with sterling markedly weak after Easter, the rate went up by 1½% after the tender on 23rd April and by a further 1% four weeks later.

**Capital markets** The gilt-edged market was relatively subdued and the authorities sold much less stock in the first quarter than in the previous quarter. Trading in the equity market was also lighter and prices were little changed over the period.

**Foreign exchange and gold markets** Sterling was under pressure for much of the period and its effective depreciation continued to widen; the 'snake' came under severe strain and the French franc was withdrawn from the arrangement in March; the gold price was virtually unchanged on balance.

**Euro-currency markets** After allowing for the build-up – and subsequent unwinding – of end-year positions, the London market probably grew faster in the first quarter than in the previous three months.

**Oil money movements** In spite of a further rise in revenues, the oil-exporting countries had a smaller surplus in the first quarter than in earlier quarters; sterling investments in the United Kingdom fell slightly.

### Sector financing

In 1975 the public sector deficit rose sharply while the overseas surplus was much reduced; companies' deficit was virtually eliminated and there was a larger personal sector surplus.

### Financial markets

#### The money market

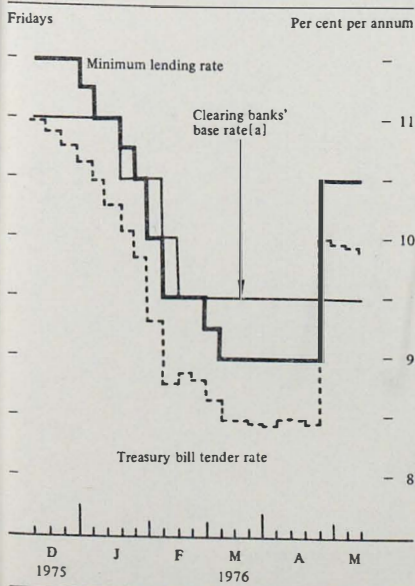
Conditions in the money market were mixed during February to April. The Bank gave assistance when necessary by purchasing Treasury bills and local authority bills and, on nine occasions, by lending overnight at minimum lending rate. On 22nd April, the Bank lent for seven days in order to bring about a rise in short-term interest rates; and after the Treasury bill tender on the following day, minimum lending rate went up by 1½% to 10½%.

Issues of Treasury bills at the weekly tender generally continued to be very large. Periodically, there was a small yield differential in favour of Treasury bills against sterling certificates of deposit of similar maturity, and the non-bank private sector continued to invest in Treasury bills, particularly in the first half of the period.

The average rate of discount at the tender initially continued to decline, dropping sharply on 6th February to nearly 8¾%, and bringing

### Short-term interest rates in London

Rates rose sharply towards the end of April after declining fairly steadily since the beginning of November.

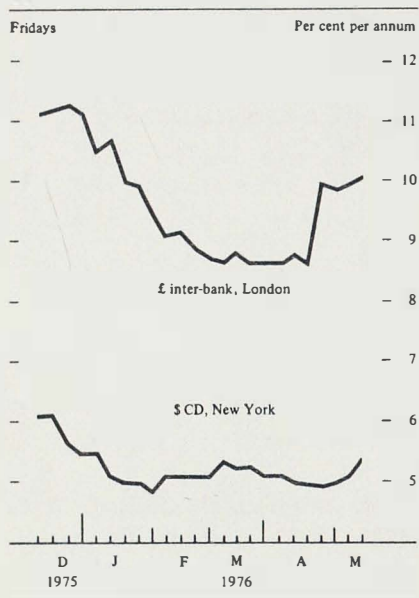


[a] Changes are recorded when at least three of the major London clearing banks have changed their rate.



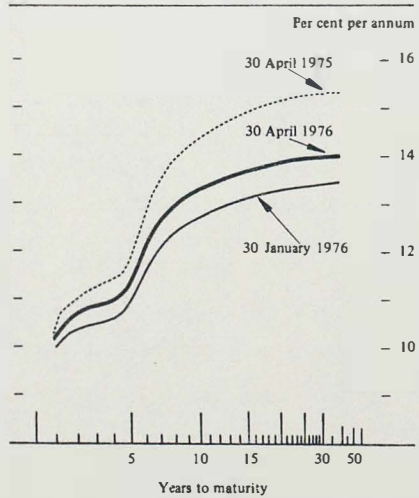
## UK and US three-month interest rates

The differential in favour of UK rates narrowed from February to mid-April but then widened sharply.



## Time/yield curves of British government stocks [a]

Yields rose slightly during February to April, when the gilt-edged market was relatively subdued.



[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. A small change in the method of construction of the curve is described on page 212.

the Bank's minimum lending rate down by  $\frac{1}{2}\%$  to  $9\frac{1}{2}\%$ . However, the authorities regarded this reduction as rather precipitate, and the Bank did not follow it in full in setting their dealing rates for Treasury bills during the following week. The average rate of discount at the tender was then slightly higher for two weeks, but subsequently declined further to around  $8\frac{1}{4}\%$ , with minimum lending rate coming down in two steps, to  $9\frac{1}{4}\%$  on 27th February and to  $9\%$  on 5th March. The average rate of discount thereafter moved within narrow margins for several weeks, but on 22nd April, with sterling markedly weak after Easter, the Bank lent a sizable amount at minimum lending rate for seven days, a signal that an increase in short-term interest rates was needed. The average discount rate went up to just under  $10\%$  at the tender on the next day, and minimum lending rate rose to  $10\frac{1}{2}\%$ . [1]

The special deposits temporarily released in January were duly redeposited on 10th February. [2]

At the beginning of February the clearing banks reduced their base and deposit rates, in two steps of  $\frac{1}{2}\%$  each, to  $9\frac{1}{2}\%$  and  $5\frac{1}{2}\%$  respectively, where they remained for the rest of the period. [3]

## Capital markets

The *gilt-edged market* was relatively subdued during February to April. At the beginning of the period, expectations of a rise in US rates, together with uncertainties about the course of domestic inflation, encouraged the belief that the decline in UK interest rates was coming to an end. The resulting weakness of the market became more pronounced early in March because of renewed pressure on sterling and, later, political uncertainties associated with the resignation of the Prime Minister. Yields drifted up until mid-March but thereafter edged down again; turnover throughout the period was well below the high rate in January.

Gilt-edged yields had begun to decline in December; and by not immediately announcing any new tap stocks to replace  $9\frac{1}{2}\%$  Treasury Stock 1980 and  $13\%$  Treasury Stock 1990 (which were exhausted on 15th and 23rd January), the authorities indicated that they remained content with this trend. However, the announcement on 6th February of a second tranche of £600 million  $12\frac{1}{2}\%$  Treasury Loan 1993 at £95.25 per cent showed that, in the authorities' view, the decline had for the time being gone far enough: yields immediately began to turn up, particularly on long-dated securities. With market sentiment improving towards the end of March, the authorities gave themselves scope to resume sales by announcing (on 26th March) a large issue of £800 million  $9\frac{3}{4}\%$  Treasury Stock 1981 at £95.50 per cent. However, this new tap stock did not become operative until mid-April, when the market responded to the encouraging trade figures for March.

The authorities sold £770 million net of stock during the March quarter, mainly in January. Sales were spread fairly evenly over the broad maturity bands: net sales of stocks within one to five years of maturity amounted to £560 million, sales of medium-dated to £455 million and of long-dated to £355 million. Against this, the authorities bought a net £475 million of stocks within one year of maturity, and  $6\frac{1}{2}\%$  Exchequer Stock 1976 was redeemed on 1st March with £125 million in market hands. Over the quarter, the banking sector sold a total of £315 million of stock, their first net sales since the December quarter of 1974.

Total net sales by the authorities for the whole financial year 1975/76 amounted to a record £4,140 million, of which £2,810 million were long-dated.

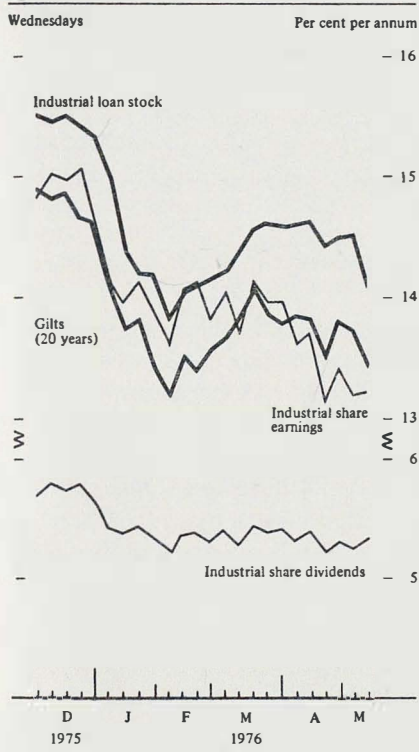
[1] The rate rose further to  $11\frac{1}{2}\%$  after the tender on 21st May.

[2] See March *Bulletin*, pages 14 and 18.

[3] On 25th and 26th May, most of the clearing banks raised their base rates to  $10\frac{1}{2}\%$  and their deposit rates to  $6\frac{1}{2}\%$ ; two banks raised their base and deposit rates to  $11\%$  and  $7\%$  respectively.

## Security yields

*Yields on long-dated gilt-edged and on debentures were little changed on balance during February to April.*



On 4th March, the Greater London Council made an unprecedentedly large issue for a local authority – £100 million of 12½% Stock 1983, at £96.50 per cent. About a quarter of the issue was taken up by the public and the remainder by the underwriters.

After the strong rise in both turnover and prices in January, trading in the *equity market* was lighter throughout the period and prices were little changed on balance. The FT-Actuaries industrial (500) share price index, which had reached 179 at end-January, stood at 181 at end-April. New issues of equity capital raised about £315 million, over £120 million more than during November to January; some 40% of the new capital was raised by manufacturing companies.

Net sales of unit trust units amounted to £55 million during February to April, compared with £45 million in the preceding three months.

Turnover in the *debenture market* also fell back after January: yields, as measured by the Bank's index, rose in the first half of the period but subsequently fell back a little. Net new money raised by companies by way of loan capital and preference shares during the period amounted to some £40 million, compared with net redemptions of £25 million in the preceding three months.

It was announced in the Budget that stamp duty on transfers of fixed-interest stocks, other than convertible stocks, was to be abolished with effect from 17th May.

## Foreign exchange and gold markets

During February to April rates fluctuated widely in the foreign exchange markets. Sterling weakened sharply during the first half of March, when the pound fell below \$2, and again during April in persistent nervous selling. The EEC joint float also came under severe pressure in the first half of February and in mid-March, when the French franc was forced to leave the 'snake'.

*Sterling* was little affected by the disturbances surrounding Continental currencies in early February, and throughout the month remained steady against the dollar at around \$2.02, and at an effective depreciation of just over 30% since the Smithsonian settlement in 1971. The authorities were reluctant to see any significant appreciation of sterling above these rates, which might prove unsustainable. Thus, on 4th March, when a substantial but short-lived demand for sterling appeared in the late morning and early afternoon, it was met by them. By mid-afternoon of that day, however, the dollar was strengthening sharply; and against that abrupt turnaround, the authorities' sales of sterling earlier in the day were misinterpreted by the market. The pound fell below \$2; and after coming under renewed pressure during the following ten days, it weakened further to \$1.90½, before recovering to \$1.92. The rate then steadied during the second half of March in spite of the trade figures for February – which were worse than expected – and the political uncertainties following the Prime Minister's resignation.

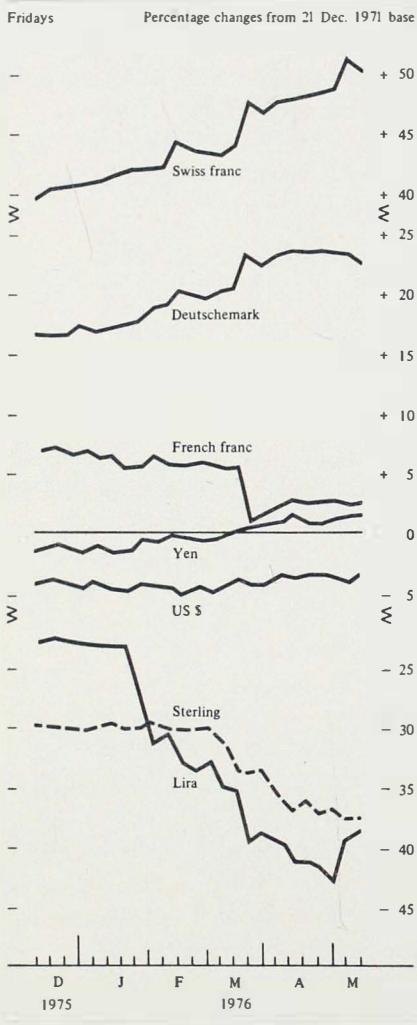
Sterling's effective depreciation widened sharply in March, particularly during the first two weeks, and by the end of the month was 34.1%. Throughout most of the month the authorities intervened heavily in an attempt to moderate movements in the rate and to maintain orderly conditions in markets, and the official reserves fell by \$1.1 billion after \$158 million of net borrowing in foreign currencies by the public sector.

At the beginning of April, nervousness in advance of the Budget and the change of Prime Minister, together with continuing labour problems in the motor industry, generated renewed pressure against the pound; and by the 8th of the month the rate had fallen below \$1.84. After the publication of improved trade and retail price figures had temporarily



## Effective changes in exchange rates

After remaining steady for three months, sterling weakened sharply in March and April.



steadied the rate at around \$1.85, unfavourable reactions by some trades union leaders to the Chancellor's proposal for a 3% pay limit further unsettled the market: by 22nd April the pound had fallen to below \$1.81. On the following day, the increase of 1½% in the Bank's minimum lending rate had little initial effect, but by the end of the month the pound had recovered to \$1.84. Sterling's effective depreciation was 36.9% at the end of April, having touched 38.2% on the 26th. The authorities continued to intervene heavily in order to calm the markets, and during April the official reserves fell by nearly \$1.1 billion, in spite of \$429 million of net borrowing in foreign currencies by the public sector.

Throughout this period, markets appeared thin; but this appearance was superficial. After the initial movement of sterling in early March, the markets were largely one-way; intervention by the authorities as buyers of sterling, to test the market and to ensure that movements in the rate did not over-represent the volume of business, brought out each time a considerable weight of selling. The amount of intervention indicated the authorities' view that the adjustment of the rate had gone too far. It is consistent with this view, and with past experience of similar periods of rapid exchange rate adjustments, that a large part of the outflow is explained by relatively small adjustments in the timing of payments to and from this country. This part of the outflow is likely to be reversed over a period.

After coming under heavy pressure towards the end of January, the lira and the French franc remained weak in February: this was reflected in heavy demand for deutschemarks, which spread quickly to some other Continental currencies and brought the 'snake' under severe strain. As the deutschemark moved up to the top of the band, the Danish krone and the Belgian franc required support at the lower limits of the 'snake' and the Benelux 'worm' arrangements respectively, and expectations of a realignment of parities began to increase. The French franc came under particularly heavy pressure and required substantial support at just above the 'snake's' lower limit. Official denials of any realignment were repeatedly made, but calmer conditions were restored only after reports on 11th February of a special agreement between the Banque de France and the Deutsche Bundesbank to intervene jointly in each other's currencies and to keep the franc in the 'snake'. Thereafter, the pressure quickly abated. The demand for some Continental currencies, combined with heavy sales of dollars by other Continental central banks in support of their own currencies, kept the dollar weak in the first half of February; but as the crisis passed, the dollar recovered to end the month little changed on balance.

The strains on the 'snake' arrangements re-emerged in the second week of March in the wake of the pressure on sterling: the deutschemark was again in heavy demand while the French franc fell to the lowest position in the 'snake'; the Belgian franc came under renewed pressure at the 'worm's' lower limit, and the Danish krone was also weak. Very heavy support was given (mostly in Continental currencies) in an attempt to preserve the joint float, but as pressure on the franc intensified the French authorities were forced to abandon the 'snake' arrangement on 15th March and to permit the franc to float independently. On the same day, the 'worm' arrangement was abandoned, though the Benelux currencies remained within the 'snake'. Thereafter, pressure on the 'snake' gradually eased. These developments, together with domestic economic and political problems, also affected the lira which continued to weaken during March and April.

In April the deutschemark remained at the top of the 'snake', with the other currencies generally grouped closely together in the lower half; but after the French franc had left the joint float, the band remained comfortably within its limits.

In the generally uncertain conditions between February and April, the Swiss franc strengthened very sharply and moved to a small premium against the deutschemark. The Canadian dollar benefited from heavy capital inflows induced by high domestic interest rates; and the yen also appreciated because of capital inflows combined with buoyant exports.

The three months' euro-dollar rate remained around 5½% per annum throughout most of the period, reflecting the stability of short-term rates in the United States – though it fell briefly to a low of 5¼% towards the end of April (for only the second time in nearly four years). Comparable inter-bank sterling rates fell by about ¾% in February and thereafter remained around 8¾% per annum until the increase in minimum lending rate on 23rd April, after which they rose to as high as 10¼% before falling back to around 10% by the end of the month. The uncovered comparison in favour of the pound fell from 4½% in early February to within the range 2¾% to 3½% until the last week in April. It then rose briefly to 4¾% after the increase in minimum lending rate, before narrowing to 4¾% per annum at the end of the month. The forward discount on three months' sterling against the dollar fluctuated widely during the period. After narrowing by 1½% to 3% per annum in February, reflecting the fall in the uncovered differential and a build-up of euro-sterling deposits, the discount widened sharply to 6½% in mid-March when sterling came under pressure and sizable short positions were being financed. A further build-up of euro-sterling deposits reduced the discount to less than 4¾% by the end of March; but when sterling came under renewed pressure in April it widened again to reach 6¾% at the time of the increase in minimum lending rate on the 23rd, before ending the month at 5½% per annum.

The volatility of the foreign exchange markets increased the demand for gold coin, which in turn raised the price of bullion on the *London gold market* from \$128 per fine ounce at end-January to \$134 by mid-March. However, the early prospect of gold sales by the International Monetary Fund continued to generate nervous selling, and the price fell back to \$128 by the end of April.

### Euro-currency markets

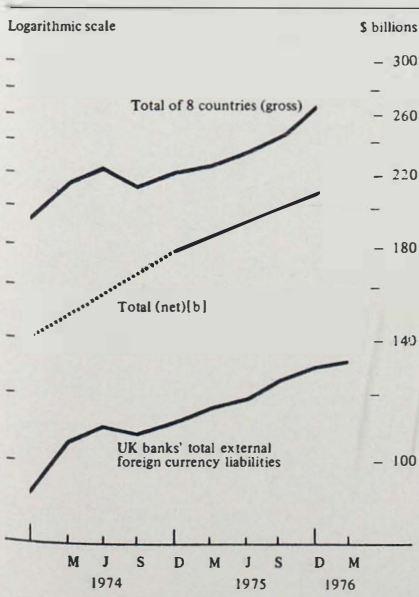
In the fourth quarter of 1975 the euro-currency market continued to grow strongly (see chart). Figures published by the Bank for International Settlements[1] show that external liabilities and assets of banks in reporting countries rose by around \$20 billion during the quarter. However, after allowing for changes in currency valuation and for the temporary building up of end-year positions, the underlying rate of growth was probably around \$13–14 billion. This was broadly equivalent to an annual rate of growth of 22%, rather faster than the rate in the previous quarter.

Much of the growth in the fourth quarter was in transactions between the commercial banks of the European reporting countries. If this inter-bank activity is excluded, the BIS calculate that some \$9 billion (net) was channelled through the euro-currency market – similar to the increase in the third quarter. Within the total, some \$3 billion was supplied by the Group of Ten countries (mainly Western Germany, the United Kingdom and the United States); and \$2 billion came from the oil-exporting countries, after a large increase in oil revenues during the quarter. The largest borrowers outside the reporting area were Eastern Europe (\$2 billion, making nearly \$6 billion in the year as a whole), the non-oil developing countries (\$1.5 billion, mainly by Latin American countries), and the off-shore banking centres (\$3 billion). Most of the latter was probably on lent to developing countries which also borrowed some \$1.5 billion directly from banks in the United States.

[1] Measured in terms of the external foreign currency liabilities and assets of the commercial banks in the eight European countries reporting to the BIS, viz., Belgium/Luxembourg, France, Western Germany, Italy, Netherlands, Sweden, Switzerland, and the United Kingdom.

### Growth of the euro-currency market as measured by the BIS[a]

The market grew strongly in 1975; UK banks broadly maintained their share of the business.



[a] Based on the foreign currency liabilities of the countries listed in the footnote on this page. Adjusted to remove the effects of changes in exchange rates, with December 1974 as the base.  
 [b] Excluding transactions between banks in the reporting area. For 1974 only annual data are available; quarterly data are shown from 1975 onwards.



## Liabilities and assets by customer [a]

The underlying growth of the London euro-currency market was probably faster in the first quarter of 1976 than in the previous quarter.

\$ billions

|  | 1975         |              |              |              | 1976         |
|--|--------------|--------------|--------------|--------------|--------------|
|  | 27 Mar.      | 30 June      | 30 Sept.     | 31 Dec.      | 31 Mar.      |
| Foreign currency liabilities of UK banks to: |              |              |              |              |              |
| Other UK banks                               | 42.2         | 42.2         | 43.3         | 44.5         | 45.2         |
| Other UK residents                           | 5.8          | 4.7          | 5.1          | 5.5          | 5.3          |
| Overseas central monetary institutions       | 29.5         | 29.1         | 29.5         | 30.6         | 31.4         |
| Other banks overseas                         | 71.0         | 74.3         | 77.3         | 81.3         | 82.4         |
| Other non-residents                          | 16.9         | 16.5         | 16.7         | 16.6         | 17.5         |
| Other liabilities [b]                        | 1.3          | 1.1          | 1.2          | 1.4          | 1.2          |
| <b>Total liabilities</b>                     | <b>166.7</b> | <b>167.9</b> | <b>173.1</b> | <b>179.9</b> | <b>183.0</b> |
| Foreign currency assets of UK banks with:    |              |              |              |              |              |
| Other UK banks                               | 42.7         | 42.6         | 43.1         | 44.4         | 44.9         |
| Other UK residents                           | 15.4         | 15.8         | 16.0         | 15.8         | 15.9         |
| Banks overseas                               | 74.8         | 76.7         | 81.0         | 86.5         | 88.7         |
| Other non-residents                          | 32.5         | 31.5         | 31.6         | 32.2         | 32.7         |
| Other assets [b]                             | 2.3          | 1.9          | 1.9          | 2.1          | 2.0          |
| <b>Total assets</b>                          | <b>167.7</b> | <b>168.5</b> | <b>173.6</b> | <b>181.0</b> | <b>184.2</b> |

[a] Figures differ from those in Table 6; see additional notes to Tables 21 and 22.

[b] Mainly capital and other internal funds denominated in foreign currencies.

In the first quarter of 1976, newly-announced international medium-term euro-currency credits (which will not enter the BIS figures until the loans are taken up) were higher than in the previous quarter, and the average size (nearly \$70 million) was larger than in any quarter of 1975. On the other hand, the average maturity of the loans was little changed, at around 5½ years. In the same quarter, the foreign and international bond markets also provided substantial amounts of finance.

Total foreign currency liabilities of banks in the United Kingdom rose by only around \$3 billion in the first quarter – less than half the increase in the fourth. However, after allowing for the build-up of end-year positions in December 1975, and the subsequent reversal in January 1976, the underlying growth of the London euro-currency market (as measured by the banks' liabilities) was probably faster in the first quarter than in the previous three months.

Among the areas which have regularly been net suppliers of funds to the London market in recent quarters, the only source of new funds in the first quarter was 'other Western Europe' (largely Switzerland), which lent a net \$1.4 billion to bring the amount outstanding from this source to \$14.9 billion. There was also a rise in gross liabilities to the off-shore banking centres, and net lending to those areas fell by \$2.2 billion, more than reversing the rise in the previous quarter. Japan and Eastern Europe each borrowed about \$1 billion more.

The latest quarterly maturity analysis of the foreign currency positions of banks in the United Kingdom was completed as at 18th February (see Table 22 in the statistical annex). Between mid-November 1975 and mid-February 1976, the banks' net borrowing up to one year rose by \$0.9 billion, compared with a rise of \$2.4 billion in the previous three months. Within the up to one-year category, net liabilities at less than eight days rose by \$0.8 billion (partly reversing a sharp decline in the previous three months). This took them to \$7.3 billion, or 24% of net borrowing up to one year – a little higher than in November 1975 but still below August 1975 (29%). Net liabilities from eight days to less than three months again increased, and their share of net borrowing up to one year has risen steadily from 43% in August to 54% in February. On the other hand, there was a fall in net liabilities in the three months to one-year category, reducing them to only 22% of net liabilities up to one year, compared with 28% in August and 30% in November. This shortening of maturities in the latest period, which largely reflected the activities of American and other foreign banks in London, partly reversed the trend towards longer-term deposits

## UK banks' liabilities and claims by country or area

The main suppliers of new funds in the first quarter were 'other Western Europe' and the off-shore banking centres; the main users were Eastern Europe and Japan.

\$ billions

Net source of funds to London –/net use of London funds +

|  | 1975    |         |          |         |         | 1976 |
|--|---------|---------|----------|---------|---------|------|
|  | 27 Mar. | 30 June | 30 Sept. | 31 Dec. | 31 Mar. |      |
| United States                          | - 0.1   | - 1.3   | - 1.6    | - 3.2   | - 2.8   |      |
| Canada                                 | - 1.9   | - 1.6   | - 2.0    | - 2.4   | - 2.1   |      |
| European Economic Community            | + 0.6   | - 0.4   | - 3.0    | - 1.2   | - 0.8   |      |
| Other Western Europe                   | -14.8   | -14.2   | -13.9    | -13.5   | -14.9   |      |
| Eastern Europe                         | + 3.5   | + 3.7   | + 3.9    | + 4.4   | + 5.3   |      |
| Japan                                  | +12.2   | +12.4   | +12.9    | +12.7   | +13.7   |      |
| Oil-exporting countries[a]             | -17.8   | -17.7   | -17.8    | -19.3   | -19.0   |      |
| Countries engaged in off-shore banking | + 7.0   | + 4.7   | + 7.7    | + 9.7   | + 7.5   |      |
| Other countries                        | + 1.8   | + 3.2   | + 2.9    | + 2.8   | + 2.8   |      |
|  | - 9.5   | -11.2   | -10.9    | -10.0   | -10.3   |      |

[a] Listed in the footnote to Table 20 of the statistical annex.

## Maturity structure of UK banks' net foreign currency position

Net borrowing up to one year rose only slightly between November and February, but there were wide fluctuations within the main maturity bands.

\$ billions

Net liabilities –/net assets +

|                                | 1975     | 1976     |
|--------------------------------|----------|----------|
|                                | mid-Nov. | mid-Feb. |
| Less than 8 days [a]           | - 6.5    | - 7.3    |
|                                | - 2.7    | - 3.3    |
| 8 days to less than 3 months   | -14.1    | -16.2    |
| 3 months to less than 1 year   | - 8.7    | - 6.7    |
| Net borrowing up to 1 year     | -29.3    | -30.2    |
| Net lending at 1 year and over | +29.4    | +30.4    |
|                                | + 0.1    | + 0.2    |

[a] Figures in italics include all holdings of London dollar certificates of deposit, regardless of maturity, as these are immediately realisable assets for the holding bank.



throughout most of 1975, when depositors generally expected interest rates to decline. By mid-February 1976, such expectations had been much reduced.

### Oil money movements

The estimates of total oil revenues of the oil-exporting countries in 1974 and 1975 have been revised downwards in the light of more up-to-date figures of exports from one of the main producers, but the pattern of receipts is much the same as before (see table).

Payment for oil exports is normally made about two months after shipment; and the sharp rise in revenues in the fourth quarter mainly reflected a high volume of exports in the third, in anticipation of the price increase announced in September. The price rise itself did not begin to affect receipts until December. Oil revenues rose again slightly in the succeeding March quarter, when the full effects of higher prices were partly offset by a decline in the volume of exports in the previous quarter. The percentage paid in sterling declined further to 6%. Exports have increased sharply since the beginning of this year, implying a further rise in receipts in the June and subsequent quarters.

The exporting countries' cash surplus available for investment abroad, for government loans or for additions to reserves is provisionally estimated at \$6.7 billion in the first quarter (see table). This is rather less than in earlier quarters, in spite of the further increase in oil revenues, and suggests that the volume of imports rose again after changing little in the fourth quarter.

Investments in the United Kingdom declined slightly during the quarter, entirely because of a withdrawal of sterling deposits from UK banks: holdings of British government stocks and Treasury bills were little changed, as were foreign currency deposits with UK banks after a large increase in the fourth quarter. Long-term investment in the United States continued at much the same rate as in recent quarters; deposits with US banks were again unchanged. According to the latest available information, deposits with banks in other countries continued to increase, but by less than in the previous quarter.

The net addition to financial reserves in the first quarter was thus quite small (under \$2 billion, or about one quarter of the total surplus) – an indication that the number of oil-exporting countries accumulating reserves is diminishing. Half of the total surplus was channelled into special bilateral facilities and other loans and investments outside the United Kingdom and the United States. Part of the remainder was used to finance the IMF oil facility under which the United Kingdom drew \$1.2 billion.

### Estimated oil revenues of exporting countries

*Oil revenues continued to rise in the first quarter, reflecting the full impact of the price rise announced in September.*

|            | 1974 |         | 1975    |         |         |         | 1976 |
|------------|------|---------|---------|---------|---------|---------|------|
|            | Year | 1st qtr | 2nd qtr | 3rd qtr | 4th qtr | 1st qtr |      |
| US dollars | 74.8 | 89.6    | 21.0    | 21.8    | 22.0    | 24.9    | 26.6 |
| Sterling   | 19.0 | 12.0    | 3.8     | 3.0     | 2.7     | 2.4     | 1.6  |
|            | 93.8 | 101.6   | 24.8    | 24.8    | 24.7    | 27.3    | 28.2 |

### Estimated deployment of oil exporters' surpluses

*Despite a further increase in oil revenues in the first quarter, the total surplus was smaller, with comparatively little added to reserves.*

|   | 1974 |         | 1975    |         |         |                       | 1976 |
|---|------|---------|---------|---------|---------|-----------------------|------|
|   | Year | 1st qtr | 2nd qtr | 3rd qtr | 4th qtr | 1st qtr (provisional) |      |
| <b>United Kingdom</b>                                     |      |         |         |         |         |                       |      |
| British government stocks                                 | 0.9  | 0.4     | 0.2     | 0.1     | —       | 0.1                   |      |
| Treasury bills  | 2.7  | -0.9    | 0.5     | -0.3    | -0.9    | -0.1                  |      |
| Sterling deposits   | 1.7  | 0.2     | 0.1     | -0.2    | 0.3     | -0.4                  |      |
| Other sterling investments[a]                             | 0.7  | 0.3     | —       | 0.1     | 0.1     | 0.1                   |      |
| Foreign currency deposits                                 | 13.8 | 4.1     | 1.8     | 0.3     | 0.2     | 1.8                   |      |
| Other foreign currency borrowing                          | 1.2  | 0.2     | —       | 0.2     | —       | —                     |      |
|   | 21.0 | 4.3     | 2.6     | 0.2     | -0.3    | 1.8                   |      |
| <b>United States</b>                                      |      |         |         |         |         |                       |      |
| Government and agency securities                          | 6.0  | 3.4     | 0.8     | 0.9     | 0.7     | 1.0                   |      |
| Bank deposits   | 4.0  | 0.5     | -0.5    | -0.2    | 1.2     | —                     |      |
| Other[a]  | 1.0  | 2.6     | 0.4     | 0.7     | 0.7     | 0.8                   |      |
|   | 11.0 | 6.5     | 0.7     | 1.4     | 2.6     | 1.8                   |      |
| <b>Other countries</b>                                    |      |         |         |         |         |                       |      |
| Bank deposits   | 9.0  | 5.0     | 2.5     | 1.5     | -0.5    | 1.5                   |      |
| Special bilateral facilities and other investments[a] [b] | 11.9 | 12.4    | 1.6     | 4.6     | 3.6     | 2.6                   |      |
|   | 20.9 | 17.4    | 4.1     | 6.1     | 3.1     | 4.1                   |      |
| <b>International organisations</b>                        |      |         |         |         |         |                       |      |
|   | 3.5  | 4.0     | 1.5     | 0.6     | 1.4     | 0.5                   |      |
| <b>Total</b>  | 56.4 | 32.2    | 8.9     | 8.3     | 6.8     | 8.2                   |      |

[a] Includes holdings of equities and property etc.

[b] Includes loans to developing countries.



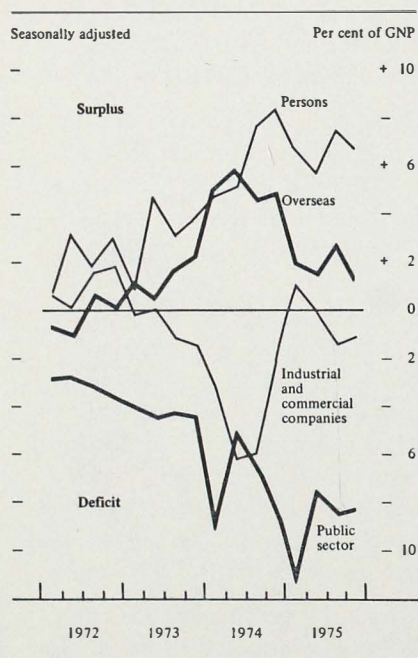
## Sector financing

As in previous June issues of the Bulletin, the section below reviews the main developments in the flow of funds by sector during the latest calendar year. This time, however, there is no discussion about the latest quarter for which figures are available: the economic commentary has gradually been expanded in recent years and now itself includes a regular analysis of recent trends in various sectors. Instead of a flow of funds analysis each quarter, a fuller annual article will now be published each June. It is also intended to publish occasional analytical articles on particular sectors, covering a longer period.

Although a quarterly text will no longer appear, the usual quarterly flow of funds accounts will continue to be published (at the end of the statistical annex).

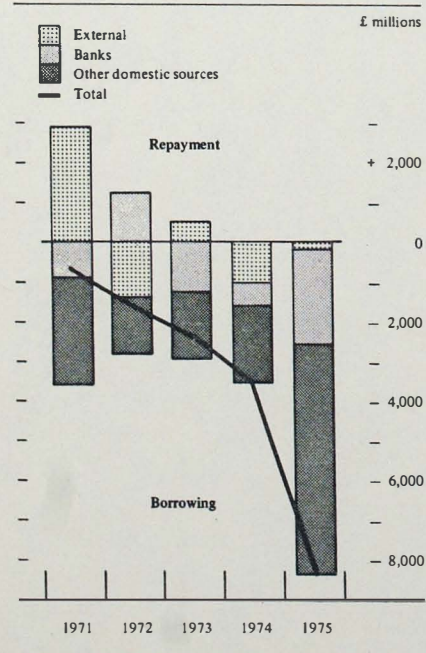
### Sector surpluses and deficits

In 1975 the public sector deficit again rose sharply, while the overseas surplus was more than halved. The counterparts were the virtual elimination of companies' deficit and a larger personal sector surplus.



### Finance of the central government borrowing requirement (-)

The very large deficit in 1975 was mainly financed by the private sector (other than banks).



### Financial positions

During 1975 there was another very large increase (of £2,800 million) in the public sector deficit while the surplus of the overseas sector (equivalent to the balance of payments deficit on current account) was more than halved. The counterparts were a substantial improvement in companies' financial position (their deficit was almost eliminated over the year as a whole) and a rise in the personal sector's surplus.

### Public sector

The severity of the recession in the United Kingdom in 1975 was partly moderated by a very large public sector borrowing requirement amounting to 10.3% of gross domestic product at market prices, compared with 7.8% in 1974. Public expenditure (including net lending) rose by around 30%, almost wholly because of inflation; and the borrowing requirement was also increased by the recession which not only reduced the buoyancy of tax revenue, but also raised expenditure (for example, on social security payments).

The unidentified item in the public sector accounts, which reconciles estimates of income and expenditure on goods and services with the financial accounts, mainly reflects incomplete information about local authorities. However, measures to improve local authority statistics are now in hand, and these should enable the authorities' transactions to be more promptly and accurately identified in due course.

In spite of the very heavy public sector borrowing requirement, the proportion which had to be financed by the banking system was not unduly large, mainly because purchases of gilt-edged stocks by the rest of the private sector amounted to over £4,400 million, more than five times as much as in 1974. Buying was concentrated in the first and fourth quarters, stimulated initially by a decline in interest rates (offering the prospect of capital gains), and also later by growing expectations of a lower rate of inflation (and hence of positive real interest rates). Purchases of Treasury bills by the private sector (other than banks) were also unusually large at £525 million (compared with £140 million in 1974): with the banks not bidding actively for funds, for much of the year the yield on Treasury bills was higher than that on bank deposits or certificates of deposit of similar maturity. On the other hand, external transactions provided much less finance for the public sector than in the previous year: although the official reserves fell by some £670 million (after rising by £80 million in 1974), overseas residents ran down their holdings of Treasury bills by about £500 million, having bought £1,040 million in the previous year.

In 1974 a large amount of local authority debt had been acquired by persons and financial institutions, notably insurance companies and pension funds which were accumulating liquid assets while other



markets remained unattractive. This allowed local authorities to repay bank borrowing. But in 1975, when the private sector preferred to invest in central government debt, local authorities reverted to the banks for much of their finance.

As usual, the borrowing needs of public corporations were met largely by the central government. Most of the balance of £460 million was, as in 1974, raised abroad.

### Personal sector

Persons' disposable income (i.e. after tax and national insurance contributions) rose by as much as 22% between 1974 and 1975, but prices rose by a similar amount and real personal disposable income was thus virtually unchanged. Over the year as a whole, the saving ratio remained at the historically high rate of 1974 (for some possible explanations see the March issue of the *Bulletin*, page 53). In absolute terms saving was much higher in 1975 and, in spite of increased expenditure on houses, the personal sector's surplus rose during the year (see Table D).

Demand for bank loans by the personal sector remained very slack throughout 1975, with borrowing exceeding repayments only in the final quarter. However, borrowing for house purchase, at £3,700 million, was much higher than in the previous year. Within the total, some £2,770 million was lent by the building societies, and about two thirds of the remainder was borrowed from local authorities. This upsurge in borrowing for house purchase, at a time when other forms of debt were generally being reduced, may have reflected both the relative stability of house prices while nominal incomes were rising rapidly, and the easier availability of mortgages after heavy inflows of funds into building societies.

With the sector's surplus remaining large, and the rate of inflation still high, inflows into life assurance and pension funds are estimated to have been much larger in nominal terms than in 1974; they also rose as a percentage of personal disposable income. This was partly because many company pension funds needed to be 'topped up' to make good the shortfall in earnings relative to present and, more particularly, prospective outgoings.<sup>[1]</sup> Persons again sold equities and debentures, partly perhaps because potential sellers in 1974 who, in the event, held off to avoid capital losses, were keen to take advantage of rising equity prices last year. In a better year for unit trusts, the personal sector invested £120 million through this channel, mostly in high-income trusts but also in low-yielding growth funds. With competing interest rates relatively unattractive throughout the year, net inflows into the building societies more than doubled in 1975 (£4,200 million, compared with £2,000 million in 1974). Part of this inflow perhaps reflected a switch by persons out of local authority debt (after substantial net purchases in the previous year).

Purchases of national savings during the year were boosted by the introduction of two index-linked schemes in June and July. Persons also invested heavily in gilt-edged in the first and fourth quarters (see 'public sector').

With demand for credit subdued, the banks were not actively bidding for funds, and persons ran down their deposits by £80 million during the year, after building them up by £2,970 million in 1974.

The statistics for the personal sector showed an unidentified outflow of £830 million during 1975, instead of a more usual inflow. One known source of part of this apparent outflow was the more precise definition of the personal sector in the new statistical returns by banks introduced in May: the revised forms recorded a large fall in persons'

[1] In the national accounts, company contributions are classified as personal income, and the net inflow into pension funds is then treated as an investment in financial assets by the personal sector.



bank deposits in the second quarter, but there was no corresponding increase in other personal sector assets during that period. It is likely that the returns correspondingly overstated the increase in companies' bank deposits: the unidentified outflow from the personal sector was matched by a similar inflow into the company sector. Among other factors, persons may have been repaying trade credit (nearly all of which is not recorded in the financial accounts), but the size of the amount unidentified implies more widespread errors and omissions in the accounts – either in the national income figures or in the financial statistics.

#### Industrial and commercial companies

Industrial and commercial companies came much closer to financial balance in 1975, when their deficit was reduced to only £340 million compared with some £3,200 million in 1974. In the first half of last year companies were, in fact, in surplus by £230 million. The contraction of the deficit between the two years was the result of a very large cutback, of £1,600 million, in stocks during 1975 (after a build-up of £1,100 million in the previous year), together with a rise in saving of £1,260 million (excluding stock appreciation, which was rather less than in 1974). These two factors far outweighed an increase of £1,200 million in fixed-capital formation, mainly reflecting price rises but also a higher volume of expenditure on North Sea oil and gas installations. In the second half of 1975 companies' financial position deteriorated somewhat, largely because the rate of de-stocking slowed down.

Long-term investment abroad was slightly higher than in 1974, at £1,860 million, but expenditure on the acquisition of UK subsidiaries and on UK trade investments was much lower than usual, and the total requiring financing (£2,430 million) was less than half as large as in 1974. Moreover, in sharp contrast to 1974, companies were able to raise as much as £1,000 million on the capital market (mostly in the form of rights issues) and, most unusually, received over £1,200 million from unidentified domestic sources. Hence, companies' need for bank credit was sharply reduced and their bank borrowing was, in fact, less than one sixth of the total for the previous year. At the same time, companies were able to rebuild their liquid assets by over £2,500 million. Over the year as a whole, they were net suppliers of funds to the banks (for the first time since 1971). Among other liquid assets, companies bought an unusually large amount (£280 million) of Treasury bills, mainly in the second half of the year (see 'public sector').

As mentioned above, a large part of company financing in 1975 still remains unidentified. Part of this is likely to be the counterpart of the large unidentified acquisition of assets by the personal sector associated with the statistical discrepancies in the second quarter and also, perhaps, with a reduction in net trade credit extended by companies during the year.

#### Capital account of industrial and commercial companies

*Companies came close to financial balance in 1975, because of heavy de-stocking and a rise in saving.*

£ millions: seasonally adjusted

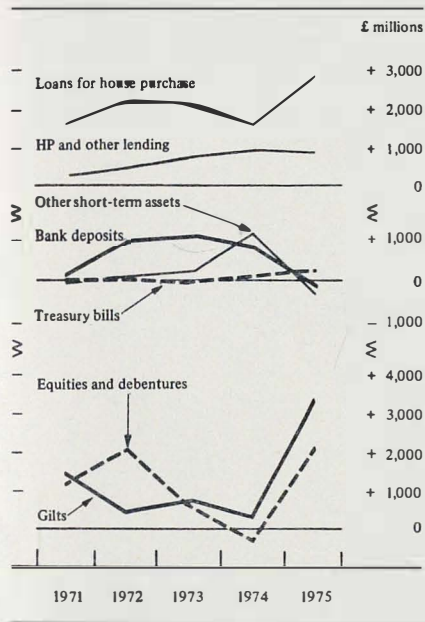
|  | 1974   | 1975   | 1975    |         |         |         |
|--|--------|--------|---------|---------|---------|---------|
|  |        |        | 1st qtr | 2nd qtr | 3rd qtr | 4th qtr |
| Year                                   | Year   | Year   |         |         |         |         |
| Saving[a]                              | 3,420  | 4,680  | 1,040   | 1,180   | 1,210   | 1,250   |
| Capital transfers                      | 330    | 400    | 170     | 70      | 80      | 80      |
| less:                                  |        |        |         |         |         |         |
| Gross domestic fixed capital formation | 5,850  | 7,050  | 1,600   | 1,730   | 2,000   | 1,720   |
| Physical rise (+)/ fall (-) in stocks  | 1,120  | -1,630 | - 630   | - 470   | - 410   | - 120   |
| Financial deficit (-)                  | -3,220 | - 340  | 240     | - 10    | - 300   | - 270   |

[a] Excluding stock appreciation of: 4,900 4,010 1,250 960 880 920



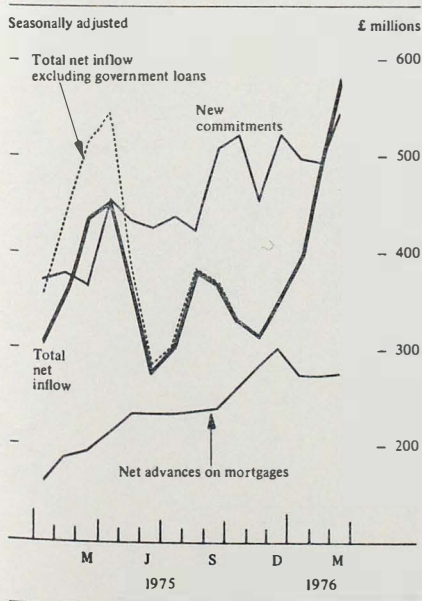
## Acquisition of assets by other financial institutions

In 1975, the institutions invested heavily in gilt-edged and other securities, and lent much more for house purchase.



## Building society funds

The societies lent very heavily in 1975 but net receipts were even larger.



## Other financial institutions

Inflows into the institutions in 1975 were about 50% larger than in the previous year. The main reasons were the relative attraction of building society interest rates compared with rates on other outlets for personal funds; and the 'topping-up' of pension funds to match the rapidly rising cost of their future obligations (though separate figures are not available for this). The revival of the stock market enabled a total of £320 million to be raised by way of capital issues, including £75 million by Finance for Industry Limited, £66 million by the Royal Insurance Company Limited, and £48 million by Prudential Assurance Company Limited. Net sales of unit trust units also recovered strongly, amounting to £120 million compared with only £25 million in 1974. The institutions as a whole repaid £170 million net of bank advances, and the building societies repaid almost all of the amount outstanding (£330 million) of the official loans extended in 1974.

The steady accumulation of liquid assets by the financial institutions in 1973 and 1974 was partly reversed last year when £3,360 million was invested in gilt-edged stocks and £2,100 million in equities and other company securities. Purchases of gilt-edged were particularly large in the first and fourth quarters; but in the June quarter, when a rather weaker gilt-edged market coincided with a spate of company issues, there was a preference for equities. Another important outlet for funds was lending for house purchase: the building societies advanced as much as £2,770 million – nearly twice the amount lent in 1974. Nevertheless, inflows into the societies were even larger, and their combined liquidity ratio rose to around 20% compared with 18½% at the end of 1974.

Institutional investment in land and property (treated as capital expenditure in the national income accounts) amounted to £790 million in 1975 – much the same as in the previous year.

## Banking sector

Demand from the private sector for bank credit was very slack in 1975. As recorded, bank lending to the private sector rose by around £200 million, compared with £4,670 million in 1974. The banks accordingly had little incentive to bid for deposits, and this was reflected in the generally lower rates of return offered: the London clearing banks' base rates were 2½% above the rate offered on seven-day deposits at the beginning of the year, but the differential had widened to 4% at the end.

In contrast, bank lending to the public sector rose sharply during 1975, by a little under £3,400 million, the bulk of which (£3,120 million) was in sterling. In the previous year the banks provided a total of £700 million to the public sector, and most of this was in foreign currencies. Within the total for 1975, £2,400 million net was lent to the central government, of which over £800 million was in the form of British government stocks (after net sales of nearly £150 million in 1974), and over £1,500 million by way of Treasury bills. The latter were taken up mainly in the June and September quarters, when sales of debt outside the banking system were lower than in the rest of the year.

Local authorities had a large current account surplus in the second quarter and built up their bank deposits by a record £165 million; but this increase was almost wholly reversed in the following quarter.

Industrial and commercial companies increased their bank deposits by over £1,700 million over the year, after a fall of some £250 million in 1974. This very sharp turn-round reflected the marked improvement in their financial position, and also the revival of the stock market, which enabled companies to raise very much more by way of capital issues.



On the other hand, the financial institutions ran down their deposits heavily in the first quarter in order to invest on a rising stock market, and again in the December quarter (when insurance companies bought an unusually large amount of gilt-edged).

The personal sector's deposits, as recorded, fell slightly over the year as a whole, but after allowing as far as possible for the distortions in the second quarter mentioned above, there was probably an increase — though much smaller than in 1974, largely because they invested particularly heavily in gilt-edged stocks last year.



## Flow of funds accounts

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

£ millions  
Seasonally adjusted

|                            | Income from employment and trading [a] [b] | Transfer incomes etc. [b] | less Consumption [c] | less Current transfer payments | equals Saving | less Gross domestic capital formation [a] [d] | less Capital transfers (net payments -) | equals Financial surplus/deficit [e] |
|----------------------------|--|---------------------------|----------------------|--------------------------------|---------------|---|---|--------------------------------------|
| <b>Public sector</b>       |  |                           |                      |                                |               |   |   |                                      |
| 1971                       | + 1,695                                    | +21,279                   | -10,353              | - 8,138                        | + 4,483       | - 4,629                                       | -168                                    | - 314                                |
| 1972                       | + 1,823                                    | +22,587                   | -11,776              | - 9,648                        | + 2,986       | - 4,759                                       | + 52                                    | -1,721                               |
| 1973                       | + 2,195                                    | +25,347                   | -13,340              | -11,193                        | + 3,009       | - 5,766                                       | - 11                                    | -2,768                               |
| 1974                       | + 2,546                                    | +31,129                   | -16,733              | -14,949                        | + 1,993       | - 7,318                                       | - 65                                    | -5,390                               |
| 1975                       | + 2,945                                    | +40,115                   | -22,790              | -18,790                        | + 1,480       | - 9,537                                       | -127                                    | -8,184                               |
| 1974 3rd qtr               | + 662                                      | + 8,247                   | - 4,339              | - 3,981                        | + 589         | - 1,844                                       | - 34                                    | -1,289                               |
| 4th "                      | + 660                                      | + 8,644                   | - 4,713              | - 4,194                        | + 397         | - 2,091                                       | - 8                                     | -1,702                               |
| 1975 1st qtr               | + 737                                      | + 8,942                   | - 5,297              | - 4,334                        | + 48          | - 2,415                                       | - 75                                    | -2,442                               |
| 2nd "                      | + 680                                      | + 9,828                   | - 5,416              | - 4,588                        | + 504         | - 2,228                                       | + 21                                    | -1,703                               |
| 3rd "                      | + 577                                      | +10,450                   | - 5,893              | - 4,777                        | + 357         | - 2,326                                       | - 20                                    | -1,989                               |
| 4th "                      | + 951                                      | +10,895                   | - 6,184              | - 5,091                        | + 571         | - 2,568                                       | - 53                                    | -2,050                               |
| <b>Overseas sector [f]</b> |  |                           |                      |                                |               |   |   |                                      |
| 1971                       |  |                           |                      |                                | - 1,058       |   |   | -1,058                               |
| 1972                       |  |                           |                      |                                | - 131         |   |   | - 131                                |
| 1973                       |  |                           |                      |                                | + 842         |   | + 59                                    | + 901                                |
| 1974                       |  |                           |                      |                                | + 3,650       |   | + 75                                    | +3,725                               |
| 1975                       |  |                           |                      |                                | + 1,702       |   | -                                       | +1,702                               |
| 1974 3rd qtr               |  |                           |                      |                                | + 861         |   | + 40                                    | + 901                                |
| 4th "                      |  |                           |                      |                                | + 965         |   | + 6                                     | + 971                                |
| 1975 1st qtr               |  |                           |                      |                                | + 435         |   | -                                       | + 435                                |
| 2nd "                      |  |                           |                      |                                | + 336         |   | -                                       | + 336                                |
| 3rd "                      |  |                           |                      |                                | + 625         |   | -                                       | + 625                                |
| 4th "                      |  |                           |                      |                                | + 306         |   | -                                       | + 306                                |
| <b>Personal sector</b>     |  |                           |                      |                                |               |   |   |                                      |
| 1971                       | +33,500                                    | +14,290                   | -35,093              | - 9,294                        | + 3,403       | - 2,168                                       | -324                                    | + 911                                |
| 1972                       | +37,485                                    | +16,628                   | -39,674              | -10,054                        | + 4,385       | - 2,804                                       | -371                                    | +1,210                               |
| 1973                       | +43,182                                    | +19,289                   | -45,085              | -11,852                        | + 5,534       | - 3,206                                       | -319                                    | +2,009                               |
| 1974                       | +52,410                                    | +22,798                   | -51,507              | -15,568                        | + 8,133       | - 3,031                                       | -278                                    | +4,824                               |
| 1975                       | +67,804                                    | +27,131                   | -62,649              | -22,197                        | +10,089       | - 3,641                                       | -263                                    | +6,185                               |
| 1974 3rd qtr               | +13,620                                    | + 5,929                   | -13,186              | - 4,102                        | + 2,261       | - 716   | - 65                                    | +1,480                               |
| 4th "                      | +14,820                                    | + 5,986                   | -13,745              | - 4,539                        | + 2,522       | - 794   | - 61                                    | +1,667                               |
| 1975 1st qtr               | +15,848                                    | + 6,085                   | -14,549              | - 5,003                        | + 2,381       | - 825   | - 95                                    | +1,461                               |
| 2nd "                      | +16,422                                    | + 6,738                   | -15,457              | - 5,455                        | + 2,248       | - 876   | - 82                                    | +1,290                               |
| 3rd "                      | +17,535                                    | + 7,033                   | -16,035              | - 5,804                        | + 2,729       | - 917   | - 57                                    | +1,755                               |
| 4th "                      | +17,999                                    | + 7,275                   | -16,608              | - 5,935                        | + 2,731       | - 1,023                                       | - 29                                    | +1,679                               |
| <b>Company sector [g]</b>  |  |                           |                      |                                |               |   |   |                                      |
| 1971                       | + 6,095                                    | + 5,029                   |                      | - 6,918                        | + 4,206       | - 4,771                                       | +492                                    | - 73                                 |
| 1972                       | + 6,932                                    | + 5,979                   |                      | - 7,487                        | + 5,424       | - 5,321                                       | +319                                    | + 422                                |
| 1973                       | + 8,720                                    | + 8,996                   |                      | - 9,569                        | + 8,147       | - 9,143                                       | +271                                    | - 725                                |
| 1974                       | + 9,800                                    | +12,003                   |                      | -12,677                        | + 9,126       | -13,027                                       | +268                                    | -3,633                               |
| 1975                       | + 9,516                                    | +11,984                   |                      | -11,802                        | + 9,698       | -10,721                                       | +390                                    | - 633                                |
| 1974 3rd qtr               | + 2,394                                    | + 2,962                   |                      | - 3,311                        | + 2,045       | - 3,367                                       | + 59                                    | -1,263                               |
| 4th "                      | + 2,489                                    | + 3,039                   |                      | - 3,155                        | + 2,373       | - 2,956                                       | + 63                                    | - 520                                |
| 1975 1st qtr               | + 2,466                                    | + 2,954                   |                      | - 2,851                        | + 2,569       | - 2,488                                       | +170                                    | + 251                                |
| 2nd "                      | + 2,316                                    | + 3,010                   |                      | - 2,968                        | + 2,358       | - 2,514                                       | + 61                                    | - 95                                 |
| 3rd "                      | + 2,247                                    | + 3,079                   |                      | - 2,970                        | + 2,356       | - 2,887                                       | + 77                                    | - 454                                |
| 4th "                      | + 2,487                                    | + 2,941                   |                      | - 3,013                        | + 2,415       | - 2,832                                       | + 82                                    | - 335                                |

- 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 of Tables K, L and M.

[g] Including financial institutions.



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

|  | 1971          | 1972          | 1973          | 1974          | 1975           | 1974          |               | 1975          |               |               |               | 1976    |
|--|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------|
|  | Year          | Year          | Year          | Year          | Year           | 3rd qtr       | 4th qtr       | 1st qtr       | 2nd qtr       | 3rd qtr       | 4th qtr       | 1st qtr |
| Capital expenditure  | +4,629        | +4,759        | +5,766        | +7,318        | + 9,537        | +1,844        | +2,091        | +2,415        | +2,228        | +2,326        | +2,568        |         |
| less Saving  | -4,483        | -2,986        | -3,009        | -1,993        | - 1,480        | - 589         | - 397         | - 48          | - 504         | - 357         | - 571         |         |
| less Capital transfers (net)                                 | + 168         | - 52          | + 11          | + 65          | + 127          | + 34          | + 8           | + 75          | - 21          | + 20          | + 53          |         |
| <i>equals</i> Financial surplus -/deficit +                  | + 314         | +1,721        | +2,768        | +5,390        | + 8,184        | +1,289        | +1,702        | +2,442        | +1,703        | +1,989        | +2,050        |         |
| Lending and other transactions<br>(increase in assets +) [a] | + 696         | + 628         | +1,449        | +1,227        | + 2,158        | + 475         | + 119         | + 341         | + 513         | + 204         | +1,100        |         |
| Import deposits (repayments +)                               | + 281         | -             | -             | -             | -              | -             | -             | -             | -             | -             | -             |         |
| Unidentified   | + 80          | - 311         | - 41          | - 262         | + 105          | - 103         | + 350         | - 431         | + 541         | + 521         | - 526         |         |
| Borrowing requirement (increase +)                           | +1,371        | +2,038        | +4,176        | +6,355        | +10,447        | +1,661        | +2,171        | +2,352        | +2,757        | +2,714        | +2,624        |         |
| <i>Financed by (borrowing -): †</i>                          |               |               |               |               |                |               |               |               |               |               |               |         |
| <i>Central government:</i>                                   |               |               |               |               |                |               |               |               |               |               |               |         |
| <i>External transactions</i>                                 | +2,876        | -1,395        | + 528         | -1,005        | - 182          | - 151         | - 672         | - 169         | - 388         | + 396         | - 21          | -489    |
| Notes and coin with the public                               | - 273         | - 495         | - 305         | - 709         | - 814          | - 255         | - 253         | - 200         | - 78          | - 185         | - 351         | - 82    |
| Bank borrowing   | - 865         | +1,203        | -1,219        | - 599         | - 2,395        | - 42          | - 726         | - 263         | - 872         | -1,626        | + 366         | -281    |
| Other domestic transactions [b]                              | -2,372        | - 909         | -1,345        | -1,224        | - 4,990        | - 507         | + 260         | -1,217        | - 748         | -1,110        | -1,915        |         |
| Local authorities:   | - 634         | -1,596        | -2,341        | -3,537        | - 8,381        | - 955         | -1,391        | -1,849        | -2,086        | -2,525        | -1,921        |         |
| External finance   | - 83          | - 149         | - 318         | + 76          | - 99           | - 38          | + 81          | + 24          | - 62          | + 11          | - 72          | +134    |
| Bank borrowing   | - 772         | - 31          | - 21          | + 175         | - 865          | + 108         | - 187         | - 293         | - 261         | - 130         | - 181         | -198    |
| Other domestic borrowing                                     | + 181         | - 332         | -1,006        | -2,363        | - 645          | - 484         | - 446         | - 227         | - 224         | - 50          | - 144         |         |
| Public corporations:   | - 674         | - 512         | -1,345        | -2,112        | - 1,609        | - 414         | - 552         | - 496         | - 547         | - 169         | - 397         |         |
| External finance   | - 123         | - 20          | - 104         | - 561         | - 431          | - 152         | - 174         | - 72          | - 174         | - 52          | - 133         | -245    |
| Domestic borrowing [c]                                       | + 60          | + 90          | - 386         | - 145         | - 26           | - 140         | - 54          | + 65          | + 50          | + 32          | - 173         |         |
| Total net borrowing  | - 63          | + 70          | - 490         | - 706         | - 457          | - 292         | - 228         | - 7           | - 124         | - 20          | - 306         |         |
| <b>Total net borrowing</b>                                   | <b>-1,371</b> | <b>-2,038</b> | <b>-4,176</b> | <b>-6,355</b> | <b>-10,447</b> | <b>-1,661</b> | <b>-2,171</b> | <b>-2,352</b> | <b>-2,757</b> | <b>-2,714</b> | <b>-2,624</b> |         |

†Of which borrowing in foreign currencies, including unguaranteed borrowing:

|                             |      |     |       |       |       |       |       |       |       |      |       |      |
|-----------------------------|------|-----|-------|-------|-------|-------|-------|-------|-------|------|-------|------|
| <i>Central government:</i>  |      |     |       |       |       |       |       |       |       |      |       |      |
| From UK banks               |      |     |       | + 506 | + 314 |       | + 506 | + 314 | -     | -    | -     | -    |
| Direct from overseas        |      |     |       | + 138 | + 109 |       | + 138 | + 109 | -     | -    | -     | -    |
| <i>Local authorities:</i>   |      |     |       |       |       |       |       |       |       |      |       |      |
| From UK banks               | + 10 | + 2 | + 88  | + 270 | - 21  | + 1   | + 2   | - 7   | - 11  | -    | - 3   | + 1  |
| Direct from overseas        | -    | -   | + 135 | + 54  | + 15  | - 2   | + 3   | + 7   | + 10  | - 6  | + 4   | -    |
| <i>Public corporations:</i> |      |     |       |       |       |       |       |       |       |      |       |      |
| From UK banks               | + 8  | + 2 | + 745 | + 325 | - 1   | + 53  | -     | -     | - 1   | -    | -     | -    |
| Direct from overseas        | + 77 | -   | + 138 | + 594 | + 421 | + 163 | + 185 | + 69  | + 165 | + 53 | + 134 | +254 |

- 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 of Tables K, L and M).

[b] Other domestic borrowing, less net acquisitions of local authority debt and commercial bills and receipts from public corporations for the redemption of government-guaranteed stocks.

[c] Including payments to the central government for the redemption of government-guaranteed stocks.

**Table C**

**Overseas sector [a]**

£ millions

Seasonally adjusted

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

|   | 1971   | 1972   | 1973   | 1974   | 1975   | 1974    |         | 1975    |         |         |         | 1976    |
|---|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
|   | Year   | Year   | Year   | Year   | Year   | 3rd qtr | 4th qtr | 1st qtr | 2nd qtr | 3rd qtr | 4th qtr | 1st qtr |
| <b>Financial surplus +/-deficit -</b>           | -1,058 | - 131  | + 901  | +3,725 | +1,702 | +901    | +971    | +435    | +336    | + 625   | +306    |         |
| <b>Transactions with the UK private sector</b>  |        |        |        |        |        |         |         |         |         |         |         |         |
| Investment flows:                               |        |        |        |        |        |         |         |         |         |         |         |         |
| Transactions in company and overseas securities | + 126  | - 465  | + 314  | +1,038 | + 45   | +254    | +476    | + 62    | - 67    | + 30    | + 20    |         |
| Miscellaneous private investment                | + 121  | - 173  | - 756  | - 801  | - 523  | +115    | -573    | -266    | -513    | + 328   | - 72    |         |
| Other transactions:                             |        |        |        |        |        |         |         |         |         |         |         |         |
| Net external transactions by UK banks [b]       | +1,181 | - 72   | +1,560 | +1,010 | +1,227 | - 39    | +542    | +424    | +969    | - 78    | - 88    | - 30    |
| Other identified                                | + 264  | + 17   | + 36   | +1,176 | - 203  | - 26    | - 52    | + 9     | -525    | + 440   | -127    |         |
| Balancing item                                  | + 267  | - 684  | + 204  | + 363  | +1,020 | +406    | - 30    | +104    | + 25    | + 446   | +445    |         |
|   | +1,968 | -1,377 | +1,358 | +2,786 | +1,566 | +710    | +363    | +333    | -111    | +1,166  | +178    |         |
| <b>Transactions with the UK public sector</b>   |        |        |        |        |        |         |         |         |         |         |         |         |
| Lending etc. [c]                                | - 356  | - 318  | - 351  | - 551  | - 576  | -150    | -157    | -115    | -177    | - 186   | - 98    |         |
| External finance: [d]                           |        |        |        |        |        |         |         |         |         |         |         |         |
| Central government                              | -2,876 | +1,395 | - 528  | +1,005 | + 182  | +151    | +672    | +169    | +388    | - 396   | + 21    | +489    |
| Local authorities                               | + 83   | + 149  | + 318  | - 76   | + 99   | + 38    | - 81    | - 24    | + 62    | - 11    | + 72    | -134    |
| Public corporations                             | + 123  | + 20   | + 104  | + 561  | + 431  | +152    | +174    | + 72    | +174    | + 52    | +133    | +245    |
|   | -3,026 | +1,246 | - 457  | + 939  | + 136  | +191    | +608    | +102    | +447    | - 541   | +128    |         |

[a] It has not been possible to include in this table the balance of payments estimates for the 1st quarter of 1976, and revisions to previous quarters, which were released in June.

[b] Other than net purchases of securities. Includes foreign currency borrowing from abroad to finance lending to UK public sector.

[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

|  | 1971   | 1972   | 1973   | 1974   | 1975    | 1974    |         | 1975    |         |         |         | 1976    |
|--|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | Year   | Year   | Year   | Year   | Year    | 3rd qtr | 4th qtr | 1st qtr | 2nd qtr | 3rd qtr | 4th qtr | 1st qtr |
| <b>Saving</b>                              | +3,403 | +4,385 | +5,534 | +8,133 | +10,089 | +2,261  | +2,522  | +2,381  | +2,248  | +2,729  | +2,731  |         |
| Capital transfers (net)                    | - 324  | - 371  | - 319  | - 278  | - 263   | - 65    | - 61    | - 95    | - 82    | - 57    | - 29    |         |
| Capital expenditure                        | -2,168 | -2,804 | -3,206 | -3,031 | - 3,641 | - 716   | - 794   | - 825   | - 876   | - 917   | -1,023  |         |
| <b>Financial surplus +/-deficit -</b>      | + 911  | +1,210 | +2,009 | +4,824 | + 6,185 | +1,480  | +1,667  | +1,461  | +1,290  | +1,755  | +1,679  |         |
| <b>Borrowing (-)</b>                       |        |        |        |        |         |         |         |         |         |         |         |         |
| For house purchase                         | -1,835 | -2,765 | -2,803 | -2,299 | - 3,685 | - 635   | - 748   | - 745   | - 931   | -1,008  | -1,001  |         |
| Bank borrowing [a]                         | - 576  | -1,927 | -1,027 | - 24   | + 445   | + 123   | - 31    | + 156   | + 142   | + 301   | - 154   | - 159   |
| Hire-purchase debt                         | - 191  | - 253  | - 183  | + 66   | - 57    | + 13    | + 3     | - 15    | - 51    | - 5     | + 14    |         |
| Other [b]                                  | - 34   | - 33   | - 273  | - 243  | - 74    | - 60    | - 43    | + 233   | - 108   | - 66    | - 133   |         |
|  | -2,636 | -4,978 | -4,286 | -2,500 | - 3,371 | - 559   | - 819   | - 371   | - 948   | - 778   | -1,274  |         |
| <b>Acquisition of financial assets (+)</b> |        |        |        |        |         |         |         |         |         |         |         |         |
| Life assurance and pension funds           | +1,930 | +2,601 | +2,957 | +3,115 | + 4,420 | + 716   | + 858   | + 920   | +1,050  | +1,150  | +1,300  |         |
| Government stocks                          | + 451  | - 15   | + 732  | + 572  | + 955   | + 231   | - 155   | + 482   | - 31    | - 69    | + 573   |         |
| Company and overseas securities            | -1,336 | -1,468 | -2,229 | -1,234 | -1,655  | - 251   | - 63    | - 747   | - 396   | - 174   | - 338   |         |
| Unit trust units                           | + 46   | + 203  | + 162  | + 25   | + 118   | + 13    | + 12    | + 36    | + 36    | + 33    | + 13    |         |
| Bank deposits, notes and coin              | +1,060 | +2,007 | +3,616 | +3,327 | + 328   | + 717   | + 834   | + 280   | - 548   | + 429   | + 167   | + 33    |
| Building society shares and deposits       | +1,961 | +2,139 | +2,188 | +2,000 | + 4,220 | + 633   | + 684   | +1,095  | +1,087  | +1,045  | + 993   | +1,457  |
| National savings                           | + 371  | + 459  | + 102  | + 3    | + 406   | + 11    | + 60    | + 91    | + 75    | + 136   | + 104   | + 174   |
| Local authority debt                       | - 212  | - 92   | + 352  | + 766  | - 256   | + 16    | - 28    | + 44    | - 189   | - 160   | + 49    |         |
| Other                                      | + 271  | + 318  | + 83   | - 16   | + 194   | - 21    | + 72    | - 36    | + 104   | + 77    | + 49    |         |
|  | +4,542 | +6,152 | +7,963 | +8,558 | + 8,730 | +2,065  | +2,274  | +2,165  | +1,188  | +2,467  | +2,910  |         |
| <b>Identified financial transactions</b>   | +1,906 | +1,174 | +3,677 | +6,058 | + 5,359 | +1,506  | +1,455  | +1,794  | + 240   | +1,689  | +1,636  |         |
| <b>Unidentified</b>                        | - 995  | + 36   | -1,668 | -1,234 | + 826   | - 26    | + 212   | - 333   | +1,050  | + 66    | + 43    |         |

[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 +

|   | 1971         | 1972          | 1973          | 1974           | 1975          | 1974          |               | 1975         |              |              |              | 1976    |
|---|--------------|---------------|---------------|----------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|---------|
|   | Year         | Year          | Year          | Year           | Year          | 3rd qtr       | 4th qtr       | 1st qtr      | 2nd qtr      | 3rd qtr      | 4th qtr      | 1st qtr |
| Capital expenditure   | +4,235       | +4,686        | +8,123        | +11,870        | +9,424        | +3,068        | +2,654        | +2,218       | +2,214       | +2,465       | +2,527       |         |
| less Saving   | -3,760       | -4,878        | -7,317        | -8,313         | -8,682        | -1,816        | -2,148        | -2,282       | -2,138       | -2,091       | -2,171       |         |
| less Capital transfers (net)  | - 554        | - 380         | - 347         | - 334          | - 406         | - 76          | - 80          | - 178        | - 67         | - 79         | - 82         |         |
| <i>equals</i> Financial surplus -/deficit +   | - 79         | - 572         | + 459         | + 3,223        | + 336         | +1,176        | + 426         | - 242        | + 9          | + 295        | + 274        |         |
| Trade investments, mergers, etc.<br>in the United Kingdom                               | + 338        | + 802         | + 993         | + 454          | + 226         | + 77          | + 65          | + 55         | + 59         | + 65         | + 47         |         |
| Long-term investment abroad   | + 791        | + 821         | +2,163        | + 1,841        | +1,863        | + 406         | + 733         | + 565        | + 659        | + 165        | + 474        |         |
| Import deposits   | - 253        | -             | -             | -              | -             | -             | -             | -            | -            | -            | -            |         |
| <b>Total requiring financing (+)</b>  | <b>+ 797</b> | <b>+1,051</b> | <b>+3,615</b> | <b>+ 5,518</b> | <b>+2,425</b> | <b>+1,659</b> | <b>+1,224</b> | <b>+ 378</b> | <b>+ 727</b> | <b>+ 525</b> | <b>+ 795</b> |         |
| Capital issues (including<br>euro-currency issues)                                      | - 458        | - 737         | - 271         | + 1            | -1,034        | - 13          | + 10          | - 5          | - 336        | - 354        | - 339        | -221    |
| Overseas investment in UK companies   | - 747        | - 532         | - 970         | - 942          | -1,255        | - 447         | - 256         | - 296        | - 100        | - 495        | - 364        |         |
| Import credit and advance payments<br>on exports  | - 231        | - 281         | - 387         | - 370          | - 215         | - 63          | - 175         | + 2          | - 16         | - 52         | - 149        |         |
| Export credit and advance payments<br>on imports  | + 93         | + 149         | + 282         | + 276          | + 89          | + 20          | + 60          | + 9          | - 43         | + 3          | + 120        |         |
| Bank borrowing  | - 730        | -2,988        | -4,504        | - 4,411        | - 700         | -1,536        | - 597         | - 355        | - 414        | + 132        | - 63         | + 23    |
| Other borrowing[a]  | - 329        | - 11          | -1,234        | - 263          | - 428         | - 5           | - 169         | - 222        | + 219        | - 69         | - 356        |         |
| Bank deposits, notes and coin   | +1,085       | +2,294        | +2,500        | + 92           | +2,159        | + 3           | - 124         | + 571        | + 403        | +1,038       | + 147        | +202    |
| Other liquid assets[b]  | + 127        | + 97          | + 140         | + 3            | + 356         | + 81          | - 93          | - 30         | + 49         | + 280        | + 57         |         |
| Other items[c]  | + 94         | + 9           | + 164         | + 270          | + 259         | + 59          | + 227         | - 111        | + 145        | + 144        | + 81         |         |
| Other overseas transactions<br>(including the balance of<br>payments balancing item)[d] | - 317        | + 672         | - 174         | - 1,247        | - 445         | - 272         | + 263         | + 30         | + 593        | - 840        | - 228        |         |
| Unidentified domestic transactions[d]   | + 616        | + 277         | + 839         | + 1,073        | -1,211        | + 514         | - 370         | + 29         | -1,227       | - 312        | + 299        |         |
| <b>Total financing (-)</b>  | <b>- 797</b> | <b>-1,051</b> | <b>-3,615</b> | <b>- 5,518</b> | <b>-2,425</b> | <b>-1,659</b> | <b>-1,224</b> | <b>- 378</b> | <b>- 727</b> | <b>- 525</b> | <b>- 795</b> |         |

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

[b] Treasury bills, British government stocks, local authority debt, tax reserve certificates, tax deposit accounts, certificates of tax deposit, and deposits with other financial institutions. The figures for government stocks relate only to transactions by those large companies covered by the Department of Industry's survey of company liquidity.

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

|                                     | 1971   | 1972   | 1973   | 1974   | 1975   | 1974    |         | 1975    |         |         |         | 1976    |
|-------------------------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
|                                     | Year   | Year   | Year   | Year   | Year   | 3rd qtr | 4th qtr | 1st qtr | 2nd qtr | 3rd qtr | 4th qtr | 1st qtr |
| <b>Changes in domestic assets</b>   |        |        |        |        |        |         |         |         |         |         |         |         |
| Public sector                       | +1,666 | -1,026 | +1,995 | + 701  | +3,383 | + 66    | + 970   | +526    | +1,083  | +1,774  | -       | +226    |
| Industrial and commercial companies | + 771  | +3,130 | +4,654 | +4,438 | + 666  | +1,550  | + 571   | +366    | + 411   | - 161   | + 50    | + 12    |
| Other financial institutions        | + 419  | +1,032 | + 837  | + 119  | - 91   | + 63    | - 252   | - 42    | - 105   | + 326   | -270    | +127    |
| Personal sector                     | + 666  | +2,272 | +1,337 | + 114  | - 385  | - 98    | + 31    | -166    | - 102   | + 281   | +164    | +169    |
|                                     | +3,522 | +5,408 | +8,823 | +5,372 | +3,573 | +1,581  | +1,320  | +684    | +1,287  | +1,658  | - 56    | +534    |
| <b>Changes in domestic deposits</b> |        |        |        |        |        |         |         |         |         |         |         |         |
| Public sector                       | - 39   | - 80   | - 100  | + 69   | - 284  | - 2     | - 33    | - 30    | - 186   | + 175   | -243    | - 1     |
| Industrial and commercial companies | - 919  | -2,039 | -2,430 | + 263  | -1,751 | + 124   | + 251   | -471    | - 364   | - 945   | + 29    | -161    |
| Other financial institutions        | - 182  | - 918  | -1,016 | - 871  | + 240  | - 464   | - 543   | +554    | - 401   | - 146   | +233    | - 50    |
| Personal sector                     | - 953  | -1,767 | -3,381 | -2,973 | + 78   | - 589   | - 708   | -180    | + 587   | - 337   | + 8     | + 8     |
|                                     | -2,093 | -4,804 | -6,927 | -3,512 | -1,717 | - 931   | -1,033  | -127    | - 364   | -1,253  | + 27    | -204    |
| <b>Changes in:</b>                  |        |        |        |        |        |         |         |         |         |         |         |         |
| Net claims on overseas sector[a]    | -1,111 | + 93   | -1,468 | -1,000 | -1,046 | + 8     | - 580   | -328    | - 889   | + 38    | +133    | + 81    |
| Non-deposit liabilities etc. (net)  | - 318  | - 697  | - 428  | - 860  | - 810  | - 658   | + 293   | -229    | - 34    | - 443   | -104    | -411    |

[a] Including foreign currency borrowing to finance loans to UK public sector. The figures here differ from those in Table 11 / 3 in which banks' external transactions in foreign currencies up to, and including, the second quarter of 1975 are not adjusted to allow for the effects of changes in exchange rates. There are also small differences from the third quarter of 1975, because the figures for working capital invested by UK banks in overseas branches and subsidiaries are those used in the balance of payments accounts.

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

£ millions  
Seasonally adjusted

|  | 1971   | 1972   | 1973   | 1974   | 1975   | 1974    |         | 1975    |         |         |         | 1976    |
|--|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
|  | Year   | Year   | Year   | Year   | Year   | 3rd qtr | 4th qtr | 1st qtr | 2nd qtr | 3rd qtr | 4th qtr | 1st qtr |
| <b>Increase in financial liabilities (-)</b> |        |        |        |        |        |         |         |         |         |         |         |         |
| Life assurance and pension funds             | -1,930 | -2,601 | -2,957 | -3,115 | -4,420 | - 716   | - 858   | - 920   | -1,050  | -1,150  | -1,300  | -       |
| Building society shares and deposits         | -2,030 | -2,187 | -2,160 | -1,989 | -4,235 | - 633   | - 684   | -1,095  | -1,097  | -1,050  | - 993   | -1,457  |
| Other deposits                               | - 279  | - 249  | - 282  | - 229  | - 340  | - 12    | - 182   | - 101   | - 32    | - 84    | - 123   | -       |
| Capital issues                               | - 186  | - 447  | - 79   | - 95   | - 324  | - 20    | - 61    | - 46    | - 180   | - 43    | - 55    | - 28    |
| Sales of unit trust units                    | - 46   | - 203  | - 162  | - 25   | - 118  | - 13    | - 12    | - 36    | - 36    | - 33    | - 13    | -       |
| Other borrowing[a]                           | - 403  | -1,029 | - 835  | - 483  | + 475  | - 381   | + 306   | + 252   | + 223   | - 286   | + 286   | -       |
|  | -4,874 | -6,716 | -6,475 | -5,936 | -8,962 | -1,775  | -1,491  | -1,946  | -2,172  | -2,646  | -2,198  | -       |
| <b>Increase in financial assets (+)</b>      |        |        |        |        |        |         |         |         |         |         |         |         |
| Short-term assets[b]                         | + 111  | + 974  | +1,272 | +2,138 | - 317  | + 798   | +1,017  | - 830   | + 488   | + 168   | - 143   | -       |
| Government stocks                            | +1,415 | + 422  | + 703  | + 309  | +3,358 | + 129   | - 246   | +1,167  | + 312   | + 778   | +1,101  | + 538   |
| Company and overseas securities:             |        |        |        |        |        |         |         |         |         |         |         |         |
| Ordinary shares                              | + 961  | +1,833 | + 454  | - 291  | +1,966 | - 138   | - 225   | + 336   | + 798   | + 410   | + 422   | -       |
| Fixed-interest                               | + 204  | + 252  | + 96   | - 5    | + 135  | + 5     | - 27    | + 38    | + 24    | + 73    | -       | -       |
| Loans for house purchase                     | +1,613 | +2,217 | +2,120 | +1,610 | +2,834 | + 447   | + 541   | + 553   | + 672   | + 784   | + 825   | -       |
| Long-term lending to local authorities       | + 72   | + 139  | + 97   | + 344  | + 906  | + 119   | + 173   | + 308   | + 378   | + 140   | + 80    | -       |
| Hire-purchase claims                         | + 140  | + 163  | + 166  | - 60   | - 8    | - 14    | - 5     | - 1     | + 4     | - 3     | - 8     | -       |
| Other lending[c]                             | + 71   | + 133  | + 504  | + 638  | - 34   | + 198   | + 260   | - 182   | - 28    | + 174   | + 2     | -       |
|  | +4,587 | +6,133 | +5,412 | +4,683 | +8,840 | +1,544  | +1,488  | +1,389  | +2,648  | +2,524  | +2,279  | -       |
| <b>Net identified financial transactions</b> | - 287  | - 583  | -1,063 | -1,253 | - 122  | - 231   | - 3     | - 557   | + 476   | - 122   | + 81    | -       |

[a] Borrowing from banks and from central government together with funds from identified sales of property to overseas residents.

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

[c] Net of borrowing not included in 'other borrowing' above; it is not always possible to gross up the figures between borrowing and lending.



Table H

## Financial institutions other than banks 1975: 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 |
|---|--------|---------------------|--|--------------------|----------------|------------------------------------|----------------------------|------------------------|
| <b>Increase in financial liabilities (-)</b>  |        |                     |  |                    |                |                                    |                            |                        |
| Inflow to life assurance and pension funds  | -4,420 | -4,420              |  |                    |                |                                    |                            |                        |
| Deposits  | -4,710 |                     |  | -4,239             | - 59           | -212                               |                            | -200                   |
| Capital issues  | - 324  | - 247               |  |                    |                |                                    |                            | - 77                   |
| Sales of units  | - 279  |                     | - 89[a]                                |                    |                |                                    | -190                       |                        |
| Bank borrowing  | + 140  | + 25                | - 38                                   |                    | +116           |                                    | - 28                       | + 65                   |
| Other borrowing   | + 186  | - 4                 | + 1                                    | + 335              |                |                                    | - 21                       | -125                   |
|   | -9,407 | -4,772              |  | -3,904             | + 57           | -212                               | -239                       | -337                   |
| <b>Increase in financial assets (+)</b>   |        |                     |  |                    |                |                                    |                            |                        |
| Bank deposits, notes and coin   | - 240  | - 97                | - 136                                  | + 19               | - 16           | - 66                               | -183                       | +239                   |
| Deposits with other financial institutions  | + 135  | + 16                | - 67                                   |                    | - 2            | + 94                               | - 13                       | +107                   |
| Local authority temporary debt  | - 325  | - 202               | - 12                                   | - 92               |                | - 31                               | -100                       | +112                   |
| Treasury bills, tax reserve certificates, tax deposit accounts, and certificates of tax deposit | + 248  | + 41                | + 44                                   | + 48               |                | - 1                                | + 5                        | +111                   |
| Government stocks   | +3,358 | +1,604              | + 929                                  | + 641              |                | + 31                               | + 80                       | + 73                   |
| UK company securities: [b]  |        |                     |  |                    |                |                                    |                            |                        |
| Ordinary shares   | +1,698 | + 339               | +1,066                                 |                    | + 13           |                                    | +361                       | - 81[c]                |
| Fixed-interest  | + 103  | + 75                | + 5                                    |                    | + 1            |                                    | + 23                       | - 1                    |
| Overseas securities: [b]  |        |                     |  |                    |                |                                    |                            |                        |
| Ordinary shares   | + 268  |                     | + 113                                  |                    |                |                                    | +155                       | -                      |
| Fixed-interest  | + 32   | + 29                | + 22                                   |                    |                |                                    | - 11                       | - 8                    |
| Investment in units   | + 159  | + 71                | + 87[a]                                |                    |                |                                    |                            | + 1                    |
| Loans for house purchase  | +2,834 | + 67                |  | +2,767             |                |                                    |                            |                        |
| Long-term lending to local authorities  | + 906  | + 78                | - 37                                   | + 653              |                | +180                               | - 13                       | + 45                   |
| Hire-purchase claims  | - 8    |                     |  |                    | - 8            |                                    |                            |                        |
| Other lending   | + 117  | - 52                | + 229                                  | - 14               | - 61           |                                    | -105                       | +120                   |
|   | +9,285 | +1,969              | +2,243                                 | +4,022             | - 73           | +207                               | +199                       | +718                   |
| <b>Net identified financial transactions</b>  | - 122  | - 560               |  | + 118              | - 16           | - 5                                | - 40                       | +381                   |

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

[a] Pension funds bought £87 million of property unit trust units.

[b] The breakdown by type of security has been partly estimated. An estimate has not yet been made for insurance companies; their figures for UK company securities include transactions in overseas securities, while their figures for overseas fixed-interest securities relate only to overseas government, provincial, and municipal issues.

[c] This figure includes - £80 million to adjust for the costs of transactions (the institutions generally record sales net of costs, and purchases including costs).

**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 ordinary shares       |                          | - 157                               | - 36           | -101                            | + 79          | +246            | -1,161          | + 137                               | +108           | + 885                        |
| UK fixed-interest        |                          | - 301                               | - 14           | - 85                            |               | +129            | - 39            | + 81                                | + 35           | + 194                        |
| Overseas ordinary shares | - 2                      |                                     |                |                                 |               | -236            | - 70            | + 218                               | + 14           | + 76                         |
| Overseas fixed-interest  | +12                      |                                     |                |                                 |               | - 23            | - 66            | + 11                                | + 56           | + 10                         |
| <b>1971 Total</b>        | <b>+10</b>               | <b>- 458</b>                        | <b>- 50</b>    | <b>-186</b>                     | <b>+ 79</b>   | <b>+116</b>     | <b>-1,336</b>   | <b>+ 447</b>                        | <b>+213</b>    | <b>+1,165</b>                |
| UK ordinary shares       |                          | - 334                               | - 6            | -349                            | + 14          | +139            | -1,442          | + 516                               | +103           | +1,359                       |
| UK fixed-interest        |                          | - 403                               | - 37           | - 98                            |               | +177            | - 83            | + 190                               | + 34           | + 220                        |
| Overseas ordinary shares | - 6                      |                                     |                |                                 |               | -765            | + 97            | + 187                               | + 9            | + 478                        |
| Overseas fixed-interest  | +34                      |                                     |                |                                 |               | - 44            | - 40            | + 10                                | + 12           | + 28                         |
| <b>1972 Total</b>        | <b>+28</b>               | <b>- 737</b>                        | <b>- 43</b>    | <b>-447</b>                     | <b>+ 14</b>   | <b>-493</b>     | <b>-1,468</b>   | <b>+ 903</b>                        | <b>+158</b>    | <b>+2,085</b>                |
| UK ordinary shares       |                          | - 107                               | - 19           | - 37                            | + 15          | +403            | -1,555          | + 600                               | +199           | + 501                        |
| UK fixed-interest        |                          | - 164                               | - 42           | - 42                            |               | +182            | - 339           | + 240                               | + 66           | + 99                         |
| Overseas ordinary shares | - 3                      |                                     |                |                                 |               | -227            | - 308           | + 536                               | + 51           | - 49                         |
| Overseas fixed-interest  | +33                      |                                     |                |                                 |               | - 74            | - 27            | + 28                                | + 41           | - 1                          |
| <b>1973 Total</b>        | <b>+30</b>               | <b>- 271</b>                        | <b>- 61</b>    | <b>- 79</b>                     | <b>+ 15</b>   | <b>+284</b>     | <b>-2,229</b>   | <b>+1,404</b>                       | <b>+357</b>    | <b>+ 550</b>                 |
| UK ordinary shares       |                          | - 43                                | - 15           | - 68                            | + 42          | +503            | - 691           | + 138                               | + 58           | + 76                         |
| UK fixed-interest        |                          | + 44                                | - 72           | - 27                            |               | + 73            | - 135           | + 102                               | + 20           | - 5                          |
| Overseas ordinary shares | -                        |                                     |                |                                 |               | +516            | - 509           | + 288                               | + 73           | - 368                        |
| Overseas fixed-interest  | +58                      |                                     |                |                                 |               | -112            | + 101           | + 15                                | - 63           | + 1                          |
| <b>1974 Total</b>        | <b>+58</b>               | <b>+ 1</b>                          | <b>- 87</b>    | <b>- 95</b>                     | <b>+ 42</b>   | <b>+980</b>     | <b>-1,234</b>   | <b>+ 543</b>                        | <b>+ 88</b>    | <b>- 296</b>                 |
| UK ordinary shares       |                          | - 948                               | - 63           | -263                            | +567          | +106            | -1,180          | + 97                                | - 14           | +1,698                       |
| UK fixed-interest        |                          | - 86                                | - 48           | - 61                            |               | + 74            | - 30            | + 52                                | - 4            | + 103                        |
| Overseas ordinary shares | -14                      |                                     |                |                                 |               | -107            | - 336           | + 135                               | + 54           | + 268                        |
| Overseas fixed-interest  | +52                      |                                     |                |                                 |               | - 66            | - 109           | + 8                                 | + 83           | + 32                         |
| <b>1975 Total</b>        | <b>+38</b>               | <b>-1,034</b>                       | <b>-111</b>    | <b>-324</b>                     | <b>+567</b>   | <b>+ 7</b>      | <b>-1,655</b>   | <b>+ 292</b>                        | <b>+119</b>    | <b>+2,101</b>                |

[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. See also footnote [b] to Table H.



**Table K**  
**Flow of funds: annual figures**

£ millions

|  | Line | Public sector |        |        | Overseas sector[a] |        |        |
|--|------|---------------|--------|--------|--------------------|--------|--------|
|  |      | 1973          | 1974   | 1975   | 1973               | 1974   | 1975   |
| <b>Capital account</b>                                   |      |               |        |        |                    |        |        |
| Saving   | 1    | +3,009        | +1,993 | +1,480 | + 842              | +3,650 | +1,702 |
| Taxes on capital and capital transfers                   | 2    | - 11          | - 65   | - 127  | + 59               | + 75   | -      |
| less:  |      |               |        |        |                    |        |        |
| Gross fixed-capital formation at home                    | 3    | -5,579        | -6,918 | -8,693 |                    |        |        |
| Increase in value of stocks and work in progress         | 4    | - 187         | - 400  | - 844  |                    |        |        |
| <b>Financial surplus +/-deficit -[b]</b>                 | 5    | -2,768        | -5,390 | -8,184 | + 901              | +3,725 | +1,702 |
| <b>Changes in financial assets and liabilities</b>       |      |               |        |        |                    |        |        |
| <i>Assets: increase +/decrease -</i>                     |      |               |        |        |                    |        |        |
| <i>Liabilities: increase -/decrease +</i>                |      |               |        |        |                    |        |        |
| Government debt to Banking Department                    | 6    | -1,027        | + 241  | + 84   |                    |        |        |
| Life assurance and pension funds                         | 7    |               |        |        |                    |        |        |
| Loans by the UK Government                               | 8    | + 113         | + 438  | - 144  | - 62               | - 75   | - 80   |
| Central government external transactions:                |      |               |        |        |                    |        |        |
| Direct official financing[c]                             | 9.1  | + 210         | - 59   | - 778  | - 210              | + 59   | + 778  |
| Other  | 9.2  | + 318         | - 946  | + 596  | - 318              | + 946  | - 596  |
| Other public sector direct official financing[c]         | 9.3  | - 175         | - 513  | - 409  | + 175              | + 513  | + 409  |
| Banks' net external transactions (excluding securities): |      |               |        |        |                    |        |        |
| Borrowing for official financing[c]                      | 10.1 |               |        |        | + 824              | +1,100 | + 292  |
| Other  | 10.2 |               |        |        | + 679              | + 88   | + 867  |
| Miscellaneous investment overseas (net)[c]               | 11   | + 256         | + 374  | + 459  | - 991              | - 443  | -1,217 |
| Notes and coin   | 12   | - 544         | - 788  | - 673  |                    |        |        |
| Bank deposits of domestic sectors                        | 13   | + 100         | - 69   | + 284  |                    |        |        |
| Deposits with other financial institutions               | 14   |               |        | - 1    | + 72               | + 266  | + 100  |
| National savings   | 15.1 | - 102         | - 3    | - 406  |                    |        |        |
| Tax reserve certificates etc.                            | 15.2 | + 206         | + 122  | + 30   |                    |        |        |
| Bank lending to domestic sectors                         | 16   | - 755         | - 782  | - 438  |                    |        |        |
| Hire-purchase and other instalment debt                  | 17   | + 13          | - 21   | - 8    |                    |        |        |
| Loans for house purchase                                 | 18   | + 373         | + 599  | + 791  |                    |        |        |
| Other loans and accruals                                 | 19   | + 860         | - 451  | + 235  |                    |        |        |
| Marketable government debt held by domestic sectors:     |      |               |        |        |                    |        |        |
| Treasury bills   | 20   | - 28          | - 502  | -2,033 |                    |        |        |
| Stocks   | 21   | -1,439        | - 696  | -5,217 |                    |        |        |
| Other local authority debt[c]                            | 22   | -1,121        | -2,114 | -1,228 | + 214              | - 130  | + 84   |
| UK company and overseas securities:                      |      |               |        |        |                    |        |        |
| Capital issues   | 23   |               |        |        | + 30               | + 58   | + 38   |
| Other transactions                                       | 24   | + 15          | + 42   | + 567  | + 284              | + 980  | + 7    |
| Unit trust units   | 25   |               |        |        |                    |        |        |
| <b>Identified financial transactions</b>                 | 26   | -2,727        | -5,128 | -8,289 | + 697              | +3,362 | + 682  |
| <i>Unidentified[b]</i>                                   | 27   | - 41          | - 262  | + 105  | + 204              | + 363  | +1,020 |
| <b>Total=Financial surplus +/-deficit -[b]</b>           | 28   | -2,768        | -5,390 | -8,184 | + 901              | +3,725 | +1,702 |

- 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:

|      |      |      |
|------|------|------|
| 1973 | 1974 | 1975 |
| +583 | +474 | +930 |

[c] Borrowing by public corporations and local authorities directly from abroad under the exchange cover schemes, previously included in lines 11 and 22, is now shown in line 9.3 (see notes to this table). In the case of indirect official financing, the borrowing by UK banks is in line 10.1 and their on lending to the public sector remains in lines 16, 19 (public corporation bonds) and 22 (local authority bonds). The sum of lines 9.1, 9.3 and 10.1 equals the balance for official financing in the balance of payments.



| Personal sector |        |         | Industrial and commercial companies |        |        | Banking sector |        |        | Other financial institutions |        |        | Line |
|-----------------|--------|---------|-------------------------------------|--------|--------|----------------|--------|--------|------------------------------|--------|--------|------|
| 1973            | 1974   | 1975    | 1973                                | 1974   | 1975   | 1973           | 1974   | 1975   | 1973                         | 1974   | 1975   |      |
| +5,534          | +8,133 | +10,089 | +7,317                              | +8,313 | +8,682 | + 830          | + 813  | +1,016 |                              |        |        | 1    |
| - 319           | - 278  | - 263   | + 347                               | + 334  | + 406  | - 76           | - 66   | - 16   |                              |        |        | 2    |
| -2,537          | -2,309 | - 3,074 | -4,621                              | -5,850 | -7,049 | -1,078         | -1,170 | -1,290 |                              |        |        | 3    |
| - 669           | - 722  | - 567   | -3,502                              | -6,020 | -2,375 | + 58           | + 13   | - 7    |                              |        |        | 4    |
| +2,009          | +4,824 | + 6,185 | - 459                               | -3,223 | - 336  | - 266          | - 410  | - 297  |                              |        |        | 5    |
|                 |        |         |                                     |        |        |                |        |        |                              |        |        |      |
|                 |        |         |                                     |        |        | 1973           | 1974   | 1975   | 1973                         | 1974   | 1975   |      |
| +2,957          | +3,115 | + 4,420 |                                     |        |        | +1,027         | - 241  | - 84   | -2,957                       | -3,115 | -4,420 | 6    |
| - 5             | - 4    | - 4     | - 48                                | - 31   | - 107  |                |        |        | + 2                          | - 328  | + 335  | 7    |
|                 |        |         |                                     |        |        |                |        |        |                              |        |        | 8    |
|                 |        |         |                                     |        |        |                |        |        |                              |        |        | 9.1  |
|                 |        |         |                                     |        |        |                |        |        |                              |        |        | 9.2  |
|                 |        |         |                                     |        |        |                |        |        |                              |        |        | 9.3  |
|                 |        |         |                                     |        |        | - 824          | -1,100 | - 292  |                              |        |        | 10.1 |
|                 |        |         |                                     |        |        | - 679          | - 88   | - 867  |                              |        |        | 10.2 |
|                 |        |         |                                     |        |        | - 57           | + 178  | - 94   | + 85                         | + 59   | - 139  | 11   |
| + 235           | + 354  | + 406   | + 707                               | - 168  | + 991  | + 239          | + 79   | - 141  |                              |        |        | 12   |
| +3,381          | +2,973 | - 78    | + 70                                | + 355  | + 408  | -6,927         | -3,512 | -1,717 | +1,016                       | + 871  | - 240  | 13   |
| +2,361          | +2,063 | + 4,430 | + 9                                 | - 111  | + 46   |                |        |        | -2,442                       | -2,218 | -4,575 | 14   |
| + 102           | + 3    | + 406   |                                     |        |        |                |        |        |                              |        |        | 15.1 |
| - 90            | - 79   | - 16    | - 67                                | - 26   | - 14   | - 41           | - 12   | -      | - 8                          | - 5    | -      | 15.2 |
| -1,027          | - 24   | + 445   | -4,504                              | -4,411 | - 700  | +7,123         | +5,336 | + 553  | - 837                        | - 119  | + 140  | 16   |
| - 183           | + 66   | - 57    | + 4                                 | + 15   | + 73   |                |        |        | + 166                        | - 60   | - 8    | 17   |
| -2,803          | -2,299 | - 3,685 | -1,026                              | + 23   | - 135  | + 310          | + 90   | + 60   | +2,120                       | +1,610 | +2,834 | 18   |
| - 268           | - 239  | - 70    |                                     |        |        | + 15           | + 124  | - 135  | + 419                        | + 543  | + 105  | 19   |
|                 |        |         |                                     |        |        |                |        |        |                              |        |        |      |
|                 |        |         |                                     |        |        | + 42           | + 360  | +1,508 | - 9                          | + 104  | + 248  | 20   |
| + 732           | + 572  | + 955   | + 39                                | - 39   | + 93   | - 35           | - 146  | + 811  | + 703                        | + 309  | +3,358 | 21   |
| + 352           | + 766  | - 256   | + 164                               | + 141  | - 46   | + 21           | - 175  | + 865  | + 370                        | +1,512 | + 581  | 22   |
|                 |        |         |                                     |        |        |                |        |        |                              |        |        |      |
|                 |        |         |                                     |        |        | - 61           | - 87   | - 111  | - 79                         | - 95   | - 324  | 23   |
| -2,229          | -1,234 | - 1,655 | +1,404                              | + 543  | + 292  | + 357          | + 88   | + 119  | + 550                        | - 296  | +2,101 | 24   |
| + 162           | + 25   | + 118   |                                     |        |        |                |        |        | - 162                        | - 25   | - 118  | 25   |
| +3,677          | +6,058 | + 5,359 | -1,094                              | -3,933 | +1,895 | + 510          | + 894  | + 475  | -1,063                       | -1,253 | - 122  | 26   |
|                 |        |         |                                     |        |        |                |        |        |                              |        |        |      |
| -1,668          | -1,234 | + 826   | + 635                               | + 710  | -2,231 |                |        |        | + 287                        | - 51   | - 650  | 27   |
| +2,009          | +4,824 | + 6,185 | - 459                               | -3,223 | - 336  |                |        |        | - 266                        | - 410  | - 297  | 28   |



**Table L**

**Flow of funds: fourth quarter 1975**

£ millions

Not seasonally adjusted

|  | Line | Public sector | Overseas sector [a] | Personal sector | Industrial and commercial companies | Banking sector | Other financial institutions | Residual error |
|--|------|---------------|---------------------|-----------------|-------------------------------------|----------------|------------------------------|----------------|
| <b>Capital account</b>                                   |      |               |                     |                 |                                     |                |                              |                |
| Saving   | 1    | + 505         | +120                | +2,319          | +2,386                              | +558           |                              |                |
| Taxes on capital and capital transfers                   | 2    | - 68          |                     | - 33            | + 112                               | - 11           |                              |                |
| <i>less:</i>   |      |               |                     |                 |                                     |                |                              |                |
| Gross fixed-capital formation at home                    | 3    | -2,331        |                     | - 847           | -1,853                              | -367           |                              |                |
| Increase in value of stocks and work in progress         | 4    | - 204         |                     | - 162           | - 781                               | + 20           |                              |                |
| Financial surplus +/-deficit -                           | 5    | -2,098        | +120                | +1,277          | - 136                               | +200           |                              | +637           |
| <b>Changes in financial assets and liabilities</b>       |      |               |                     |                 |                                     |                |                              |                |
| <i>Assets: increase +/decrease -</i>                     |      |               |                     |                 |                                     |                |                              |                |
| <i>Liabilities: increase -/decrease +</i>                |      |               |                     |                 |                                     |                |                              |                |
| Government debt to Banking Department                    | 6    | - 33          |                     |                 |                                     | + 33           |                              |                |
| Life assurance and pension funds                         | 7    |               |                     | +1,300          |                                     |                | -1,300                       |                |
| Loans by the UK Government                               | 8    | + 62          | - 8                 | - 1             | - 55                                |                | + 2                          |                |
| Central government external transactions:                |      |               |                     |                 |                                     |                |                              |                |
| Direct official financing [b]                            | 9.1  | - 219         | +219                |                 |                                     |                |                              |                |
| Other  | 9.2  | + 170         | -170                |                 |                                     |                |                              |                |
| Other public sector direct official financing [b]        | 9.3  | - 141         | +141                |                 |                                     |                |                              |                |
| Banks' net external transactions (excluding securities): |      |               |                     |                 |                                     |                |                              |                |
| Borrowing for official financing [b]                     | 10.1 |               |                     |                 |                                     |                |                              |                |
| Other  | 10.2 |               | -167                |                 |                                     | +167           |                              |                |
| Miscellaneous investment overseas (net) [b]              | 11   | + 87          | -318                |                 | + 266                               | - 13           | - 22                         |                |
| Notes and coin   |      |               |                     |                 |                                     |                |                              |                |
| Bank deposits of domestic sectors                        | 12   | - 509         |                     | + 210           | + 211                               | + 88           |                              |                |
| Deposits with other financial institutions               | 13   | + 243         |                     | + 183           | + 216                               | -515           |                              |                |
| National savings   | 14   | + 12          | + 45                | +1,142          | + 13                                |                | - 127                        |                |
| Tax reserve certificates etc                             | 15.1 | - 62          |                     | + 62            |                                     |                |                              |                |
|  | 15.2 | - 1           |                     | - 1             | + 2                                 |                |                              |                |
| Bank lending to domestic sectors                         | 16   | - 201         |                     | - 117           | - 154                               | +223           | + 249                        |                |
| Hire-purchase and other instalment debt                  | 17   | + 3           |                     | - 89            | + 103                               |                | - 17                         |                |
| Loans for house purchase                                 | 18   | + 166         |                     | -1,001          |                                     | + 10           | + 825                        |                |
| Other loans and accruals                                 | 19   | + 522         |                     | - 410           | - 98                                | -146           | + 132                        |                |
| Marketable government debt held by domestic sectors:     |      |               |                     |                 |                                     |                |                              |                |
| Treasury bills   | 20   | + 8           |                     |                 | - 31                                | -154           | + 177                        |                |
| Stocks   | 21   | -2,132        |                     | + 573           | + 27                                | +431           | +1,101                       |                |
| Other local authority debt [b]                           | 22   | - 219         | + 59                | + 49            | + 18                                | +100           | - 7                          |                |
| UK company and overseas securities:                      |      |               |                     |                 |                                     |                |                              |                |
| Capital issues   | 23   |               | + 10                |                 | - 339                               | - 30           | - 55                         |                |
| Other transactions                                       | 24   | + 260         | + 10                | - 338           | + 66                                | - 6            | + 422                        |                |
| Unit trust units   | 25   |               |                     | + 12            |                                     |                | - 12                         |                |
| Identified financial transactions                        | 26   | -1,984        | -179                | +1,574          | + 245                               | +188           | + 156                        |                |
| Unidentified   | 27   | - 114         | +299                | - 297           | - 381                               | -144           |                              | +637           |
| Total=Financial surplus +/-deficit -                     | 28   | -2,098        | +120                | +1,277          | - 136                               | +200           |                              | +637           |

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

[b] See footnote [c] to Table K.



Table M

## Flow of funds: fourth quarter 1975

£ millions

Seasonally adjusted

|   | Line | Public sector | Overseas sector[a] | Personal sector | Industrial and commercial companies | Banking sector | Other financial institutions | Residual error |
|---|------|---------------|--------------------|-----------------|-------------------------------------|----------------|------------------------------|----------------|
| <b>Capital account</b>  |      |               |                    |                 |                                     |                |                              |                |
| Saving  | 1    | + 571         | +306               | +2,731          | +2,171                              | +244           |                              |                |
| Taxes on capital and capital transfers  | 2    | - 53          |                    | - 29            | + 82                                |                |                              |                |
| less:   |      |               |                    |                 |                                     |                |                              |                |
| Gross fixed-capital formation at home   | 3    |               |                    |                 |                                     |                |                              |                |
| Increase in value of stocks and work in progress                                | 4    | -2,568        |                    | -1,023          | -2,527                              | -305           |                              |                |
| Financial surplus +/-deficit -  | 5    | -2,050        | +306               | +1,679          | - 274                               | - 61           |                              | +400           |
| <b>Changes in financial assets and liabilities</b>                              |      |               |                    |                 |                                     |                |                              |                |
| <i>Assets: increase +/decrease -</i>  |      |               |                    |                 |                                     |                |                              |                |
| <i>Liabilities: increase -/decrease +</i>                                       |      |               |                    |                 |                                     |                |                              |                |
| Government debt to Banking Department   | 6    | + 76          |                    |                 |                                     | - 76           |                              |                |
| Life assurance and pension funds  | 7    |               |                    | +1,300          |                                     |                | -1,300                       |                |
| Loans by the UK Government  | 8    | + 65          | - 11               | - 1             | - 55                                |                | + 2                          |                |
| Direct official financing and other central government external transactions[b] | 9    | - 161         | +161               |                 |                                     |                |                              |                |
| Banks' net external transactions (excluding securities)                         | 10   |               | - 88               |                 |                                     | + 88           |                              |                |
| Miscellaneous investment overseas (net)[b]                                      | 11   | + 87          | -331               |                 | + 279                               | - 13           | - 22                         |                |
| Notes and coin  | 12   | - 193         |                    | + 175           | + 176                               | -158           |                              |                |
| Bank deposits of domestic sectors   | 13   | + 243         |                    | - 8             | - 29                                | + 27           | - 233                        |                |
| Deposits with other financial institutions                                      | 14   | + 12          | + 45               | +1,043          | + 16                                |                | -1,116                       |                |
| National savings  | 15.1 | - 104         |                    | + 104           |                                     |                |                              |                |
| Tax reserve certificates etc  | 15.2 | - 1           |                    | - 1             | + 2                                 |                |                              |                |
| Bank lending to domestic sectors  | 16   | - 186         |                    | - 154           | - 63                                | +119           | + 284                        |                |
| Hire-purchase and other instalment debt   | 17   | + 3           |                    | + 14            | - 9                                 |                | - 8                          |                |
| Loans for house purchase  | 18   | + 166         |                    | -1,001          |                                     | + 10           | + 825                        |                |
| Other loans and accruals  | 19   | + 253         |                    | - 132           | - 211                               | + 66           | + 24                         |                |
| Marketable government debt held by domestic sectors:                            |      |               |                    |                 |                                     |                |                              |                |
| Treasury bills  | 20   | + 419         |                    |                 | - 31                                | -565           | + 177                        |                |
| Stocks  | 21   | -2,132        |                    | + 573           | + 27                                | +431           | +1,101                       |                |
| Other local authority debt[b]   | 22   | - 331         | + 65               | + 49            | + 43                                | +181           | - 7                          |                |
| UK company and overseas securities:   |      |               |                    |                 |                                     |                |                              |                |
| Capital issues  | 23   |               | + 10               |                 | - 339                               | - 30           | - 55                         |                |
| Other transactions  | 24   | + 260         | + 10               | - 338           | + 66                                | - 6            | + 422                        |                |
| Unit trust units  | 25   |               |                    | + 13            |                                     |                | - 13                         |                |
| Identified financial transactions   | 26   | -1,524        | -139               | +1,636          | - 128                               | + 74           | + 81                         |                |
| Unidentified  | 27   | - 526         | +445               | + 43            | - 146                               | -216           |                              | +400           |
| Total=Financial surplus +/-deficit -  | 28   | -2,050        | +306               | +1,679          | - 274                               | - 61           |                              | +400           |

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

[b] See footnote [c] to Table K.



## Notes on sources, definitions, seasonal adjustments and valuation

Fuller notes are given in the Bank of England Statistical Abstract Number 2, 1975, including details on the content of each line in Tables B to H. A general description of flow of funds accounts is given in An introduction to flow of funds accounting: 1952-70 (Bank of England, 1972).

### Sources

The main statistical series used in compiling the tables 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.

### 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.

#### Personal sector

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.

#### Banking sector

As in Table 6 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, Crown Agents for Overseas Governments and Administrations, etc.

#### 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 UK capital transfer payments.

#### Line 6

See footnote [c] to Table 7 of the annex.

#### Line 7

The increase in persons' net claims on these funds.

#### Line 9.1

Central government transactions included in the counterpart of the balance for 'official financing' in the balance of payments, apart from foreign currency borrowing from UK banks.

#### Line 9.2

All the other central government 'external transactions' included in Table 7 of the annex.

#### Line 9.3

Borrowing by public corporations and local authorities directly from abroad under the exchange cover schemes.

#### Line 10.1

Borrowing from abroad to finance lending in foreign currencies to the central government, and to other public sector bodies under the exchange cover schemes.

#### Line 10.2

Other changes in overseas deposits with the banking sector less bank lending to overseas by way of advances, market loans and bills.

#### 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.

#### 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 6 of the annex). Changes in domestic holdings of certificates of deposit are included here.

#### Line 14

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

#### Line 15.1

As in Table 7 of the annex.

#### Line 15.2

Tax reserve certificates, tax deposit accounts and certificates of tax deposit.

#### Line 16

Advances and overdrafts, market loans 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, domestic transactions in public corporations' foreign currency bonds and the Issue Department's transactions in commercial bills (treated as lending by the central government to industrial and commercial companies). Also differences between accruals of local authority rates, purchase tax, value added tax, car tax, refunds of SET, 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 8 / 1 and 8 / 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 unidentified changes in holdings by industrial and commercial companies (see footnote [b] to Table E) and by overseas residents.

#### Line 22

Borrowing by local authorities from outside the public sector, except for direct borrowing abroad under the exchange cover schemes.

#### Line 23

Net issues on the UK market, euro-currency issues by UK companies, and investment in UK banks by overseas parents.

#### 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

The adjustments allow for purely seasonal adjustments and certain other factors.

*Purely seasonal adjustments* For each item which displays seasonality, preliminary seasonal adjustments are obtained which sum to zero over the four quarters in each calendar year. Consistent adjustments are then estimated by a system of balancing under which, in any quarter, the sum of the adjustments for all sectors in any line entry is zero, and the sum of the adjustments for all line entries in any sector is zero.

*Other adjustments* These are made to certain series (such as notes and coin) in order to remove recurrent variations not adequately measured by moving average seasonal adjustments (for example, the half-yearly crediting of interest on some bank deposits), distortions due to the calendar (such as the effect of the particular days of the week on which a quarter begins and ends, and of the proximity of Easter to the last working day in March), and distortions due to tax changes. It should be noted that, unlike the purely seasonal adjustments, the other adjustments may not add to zero over a calendar year.

The adjustments take full account of the data up to the end of 1974.

### Valuation

From the second quarter of 1975, all figures of transactions by UK banks in foreign currencies have been adjusted to exclude changes in value arising from movements in exchange rates (prior to that, only net transactions with overseas and lending to the central government were adjusted, the former adjustment being entered in line 11, so that line 10 remained consistent with Table 6 / 3 of the annex).