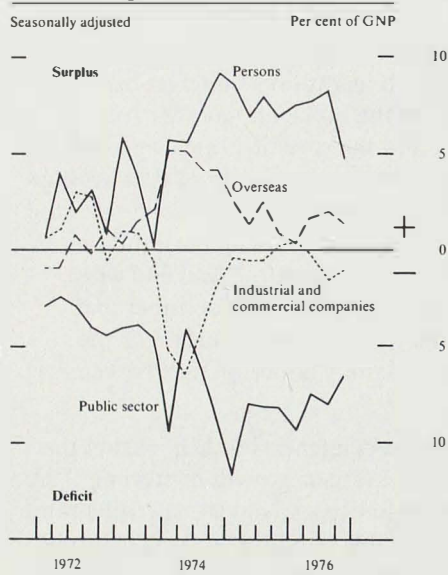


Sector financing: 1976

This article reviews the main developments in the flow of funds between sectors of the economy in 1976.[1]

As the table shows, the sectoral surpluses and deficits were much the same in money terms as in 1975: a small deterioration in the position of the public, overseas and company sectors was matched by a moderate increase in the personal sector surplus (see also the chart).

Sector surpluses and deficits



Sector surpluses and deficits in 1975 and 1976

	Public sector	Overseas sector	Personal sector	Industrial and commercial companies	Financial companies (including banks)	Residual error
1975	-8.4	+1.6	+7.1	-0.3	-1.0	+1.0
1976	-8.6	+1.4	+7.6	-0.7	-1.0	+1.2

£ billions

However, if allowance is made for a rate of inflation of 13% (as measured by the GDP deflator), the public sector deficit narrowed rather than increased; and the personal sector surplus, which rose by nearly 8% in money terms, fell by 5% in real terms.

During the year, the public sector deficit narrowed from £4.5 billion in the first six months to £4.1 billion in the second. Industrial and commercial companies reached approximate balance during the first half-year, but reverted to deficit in the second, mainly because of renewed stockbuilding. On the same comparison, the overseas surplus increased from £0.5 billion to £0.9 billion, reflecting a larger balance of payments deficit on current account; and the personal sector surplus declined sharply, from a quarterly average of £2.1 billion in the first nine months to £1.4 billion in the fourth quarter, as saving fell in reaction to the tightening squeeze on real incomes.

Public sector

Although the size of the public sector deficit in nominal terms was a record for a calendar year, it fell as a proportion of GDP at current market prices from 7.5% to 6.7%; and the public sector borrowing requirement – a wider concept than the deficit (see table on page 176) – declined not only as a proportion of GDP (from 9.5% to 7.4%), but also in absolute size (from £10.5 billion to £9.5 billion). The decline was particularly steep in the fourth quarter, when the borrowing requirement fell to £1.8 billion.

The sizable public sector deficit and borrowing requirement during the year reflected continued slow economic growth, combined with inflation. Public expenditure in general is boosted by inflation, while particular forms of spending (e.g. social security payments) also increase during a recession. On the revenue side, inflation raises total tax receipts, but this is partly offset by the impact of higher unemployment on income tax and of lower spending in real terms on indirect taxation. In such circumstances, the public sector deficit and borrowing requirement might have been expected to rise further in 1976. However, the new system of cash limits introduced in 1976/77 helped to contain the growth of central government expenditure; and local authorities also appear to have cut back spending (and hence their borrowing) below expectations.

Over the year as a whole, the public sector borrowing requirement was financed almost without recourse to the banking system. Although market conditions varied widely, the authorities were able to sell over £5 billion of gilt-edged stocks to the general public – mostly in the fourth quarter, when confidence improved

[1] Some of the figures, particularly those derived from the national income and balance of payments accounts, are subject to revision. Quarterly estimates are seasonally adjusted.

after the series of monetary and fiscal measures taken from September onwards. Treasury bills held outside the banking system fell by £0.1 billion, after rising by an exceptional £0.5 billion in 1975; and currency in circulation with the public increased by the same amount as in 1975 (£0.8 billion). But there were larger sales of national savings certificates and of local authority debt. In all, the amount financed from domestic sources other than banks rose slightly, from £6.4 billion in 1975 to £6.5 billion in 1976.

The rest of the borrowing requirement was covered by the official external transactions required in a year when the current account of the balance of payments remained in substantial deficit, and when there were large capital outflows, especially in the spring and autumn. The main constituents of the external finance were heavy net borrowing in foreign currencies by public sector bodies under the exchange cover scheme (£1.4 billion), IMF drawings amounting to £1.0 billion, and a fall of £0.9 billion in the official reserves. On the other hand, Treasury bills held abroad fell by £0.6 billion.

Industrial and commercial companies

In 1975, industrial and commercial companies had run down stocks heavily and almost returned to financial balance, after incurring a very large deficit in the previous year. In the first half of 1976, companies had a small surplus, but reverted to deficit in the second half, mainly because of a turn-round from destocking to a moderate amount of stockbuilding, together with a fairly small increase in fixed investment. The deficit widened over the year as a whole because the increase in expenditure on fixed-capital formation and on stocks combined, at £2.0 billion, was larger than the rise in undistributed income net of stock appreciation (£1.7 billion – see table).

Capital account of industrial and commercial companies

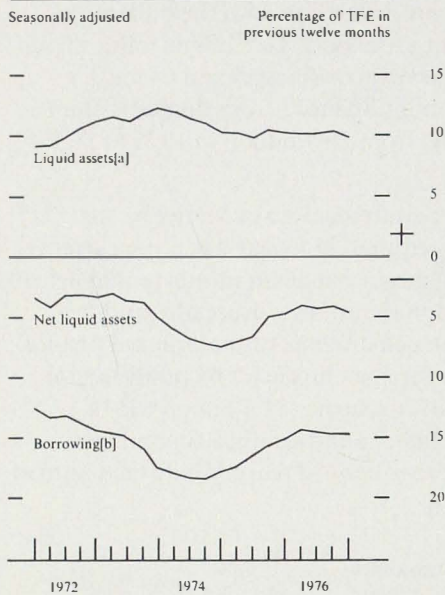
£ billions: *seasonally adjusted*

	1974	1975		1976			
	Year	Year	Year	1st qtr	2nd qtr	3rd qtr	4th qtr
Saving[a]	3.6	4.6	6.3	1.6	1.6	1.5	1.6
Capital transfers	0.3	0.4	0.4	0.1	0.1	0.1	0.1
Gross domestic fixed-capital formation (increase –)	– 5.9	– 7.0	– 7.5	– 1.7	– 2.0	– 2.0	– 1.9
Physical rise (–)/fall (+) in stocks	– 1.2	1.7	0.2	0.1	0.2	0.1	– 0.1
Financial deficit (–)	– 3.2	– 0.3	– 0.7	0.1	–	0.4	– 0.3
[a] Excluding stock appreciation of:	4.9	4.1	5.4	1.1	1.3	1.4	1.6

Part of the rise in companies' income stemmed from the first significant flow of earnings from North Sea oil production. At the same time, North Sea oil companies expanded their heavy investment programmes and so remained in large overall deficit. Other industrial and commercial companies thus continued to be in small surplus in 1976, but as the year progressed their relative position may have worsened as the North Sea oil companies increased their production.

Purchases of securities from other sectors, either during take-overs or as trade investments, remained small in 1976. But long-term investment abroad rose strongly to almost £2 billion, compared with a revised £1.2 billion in 1975, and was thus much the same as in 1973 and 1974 (though smaller in real terms). This increase, together with the larger deficit, raised the financing requirement of industrial and commercial companies from £1.9 billion to £3.1 billion. The main sources of external finance were overseas investment in UK companies (£1.7 billion), capital issues (which were still substantial, at £0.8 billion, though smaller than

Industrial and commercial companies' liquidity



[a] Comprises notes and coin, bank deposits, holdings of local authority temporary debt, Treasury bills, certificates of tax deposit (and their predecessors), and deposits with finance houses and building societies.

[b] Comprises bank advances, commercial bills and call money.

in 1975) and, in particular, bank borrowing (£2.5 billion, following an unusually small £0.4 billion in the previous year). This last rise partly reflected the turn-round in stockbuilding, but was also probably associated with leads and lags in commercial payments.[1] Some of the rise early in the fourth quarter may represent drawing on unused facilities (in spite of higher interest rates) in anticipation of possible restrictions by the authorities.

Companies were able to add about £2 billion to their liquid assets, including £1.1 billion in the form of bank deposits. Nevertheless, as the chart shows, both gross and net liquidity declined as a proportion of turnover[2] – again reflecting companies' tighter financial position.

Personal sector

Personal disposable incomes are estimated to have risen by almost 15%, and consumer prices by 16½%, in 1976, so that real disposable incomes fell slightly over the year. In the first three quarters, real disposable incomes actually rose – though in the third quarter only because of the back-payment of tax reliefs introduced in the Budget. But in the fourth quarter they fell sharply, by over 3%, not only because incomes had been temporarily boosted in the previous three months, but also because of the combined effects of incomes policy and higher prices (resulting from sterling's depreciation). Personal saving also fell sharply in the fourth quarter, and the saving ratio declined to under 12%, after fluctuating between 14% and 16% during the previous two years. The decline probably owed something to the temporary surge in spending ahead of the Chancellor's December measures as well as to the fall in real incomes.

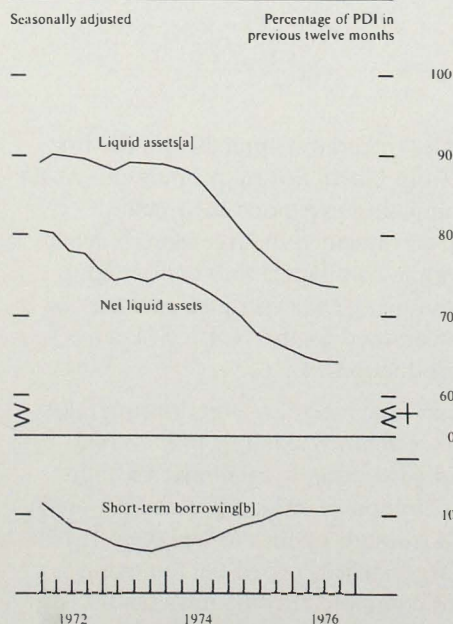
In the year as a whole, saving rose by £1.1 billion, but this was largely offset by an increase of £0.8 billion in housing and other capital expenditure. The sector's surplus rose by only £0.5 billion, the smallest increase for five years.

Bank borrowing rose only moderately in 1976, by around £100–150 million a quarter. As usual, borrowing for house purchase (net of repayments of principal) was much larger, averaging almost £1 billion a quarter. For much of the year, mortgages were more readily available after earlier inflows of funds into the building societies; while mortgage rates were reduced in April and not raised again in line with other interest rates until October. With house prices rising on average more slowly than incomes, borrowers were better placed (at least until October) to take on new commitments.

Although the personal sector surplus rose more slowly, contributions to life assurance and pension funds again increased substantially, by over £1 billion (24%) to £5.4 billion – an appreciable rise in real, as well as in money, terms. Part of the latest increase probably reflected a further 'topping up' of company pension funds by employers to make good the shortfall in the funds' earnings relative to their prospective outgoings.[3]

Net receipts by building societies, though smaller than in 1975, were still as large as £3.6 billion. But with interest rates on competing assets rising during the year, receipts fell to only £0.5 billion in the fourth quarter, after a record £1.4 billion in the first. In the second and third quarters, persons' liquid savings appear to have been directed primarily into bank deposits, which rose by £1.2 billion; but in the fourth, after interest rates had

Personal sector liquidity



[a] Comprises the assets listed in footnote [a] to above chart, but excluding Treasury bills and including national savings.

[b] Comprises bank advances (excluding borrowing for house purchase) and hire-purchase debt.

[1] See the September 1976 *Bulletin*, page 308.

[2] Figures for turnover are not available, and total final expenditure in the previous twelve months is used as a proxy.

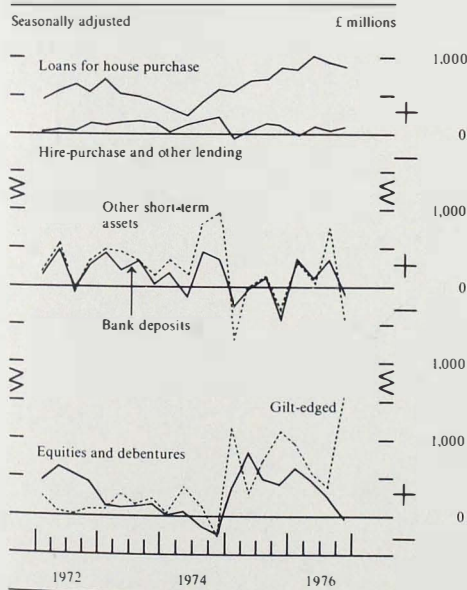
[3] In the national income accounts, company contributions are classified as personal income, and the net inflow into pension funds is then treated as an investment in financial assets by the personal sector.

risen steeply, persons bought over £1 billion of gilt-edged stocks (bringing the total for the year to an exceptionally large £1.7 billion) and £0.3 billion of local authority debt. They also invested a moderate amount (£0.6 billion) in national savings during the year, particularly in the first quarter when competing interest rates were low, and in December when the sixteenth issue of national savings certificates – which was particularly attractive to investors paying higher rates of tax – was an immediate success.

The sector again sold equities heavily (£1.2 billion), but less so than in recent years.

The liquidity of the personal sector continued to deteriorate in 1976, though not as sharply as in 1975. Gross liquid assets declined as a proportion of personal disposable incomes from 75% at the end of 1975 to 73% at the end of 1976, and net liquidity (measured by deducting borrowing other than for house purchase from gross liquid assets) from 66% to 64% (see second chart on previous page).

Acquisition of assets by other financial institutions



Assets of insurance companies and pension funds

£ billions	End-year	1974	1975	1976[a]
Insurance companies				
Gilt-edged stocks		4.9	6.5	8.3
Local authority securities		0.6	0.7	0.7
Short-term assets (net)		2.0	1.8	1.9
UK company and overseas securities		8.1	9.1	9.4
Land, property and ground rents		3.9	4.8	5.2
Other		4.9	5.0	5.2
Total		24.4	27.9	30.7
Pension funds				
Gilt-edged stocks		1.1	2.2	3.3
Local authority securities		0.3	0.3	0.4
Short-term assets (net)		1.4	1.0	1.1
UK company and overseas securities		4.1	8.1	9.2
Land, property and ground rents		1.6	1.9	2.4
Other		0.7	0.8	0.8
Total		9.2	14.3	17.2

[a] Figures are provisional and not yet adjusted for changes in valuation.

Other financial institutions

Inflows into the institutions as a whole rose by about 9% in 1976. This increase was much less than in 1975 (46%), mainly because of lower net receipts by building societies: inflows into life assurance and pension funds rose at much the same rate as in the previous year. New capital issues by financial institutions and sales of unit trust units also declined, but more was borrowed from banks.

At the beginning of 1976, the building societies were highly liquid and were thus able to increase their mortgages outstanding during the year broadly in line with net receipts (about £3.6 billion). Their holdings of liquid assets were accordingly little changed, and the average liquidity ratio fell from a peak of 22.2% in March to 18.2% in December.

The other institutions bought fewer equities and debentures than in 1975: although pension funds in particular bought heavily in the first half of the year, they invested much less subsequently. In the third quarter, when market confidence was impaired by a weak exchange rate, the institutions also bought fewer gilt-edged, and instead built up their liquid assets. In the final quarter, however, when confidence had been restored and gilt-edged yields again became attractive, the institutions ran down their liquid assets and bought nearly £1.6 billion of gilt-edged, bringing the total for the year to £3.4 billion – even more than the very large amount bought in the previous year (see chart).

Pension funds and insurance companies (including general insurance, as well as life assurance, companies) invested heavily in gilt-edged stocks, both in 1975 and 1976; the share of gilt-edged in their respective portfolios rose in each case by seven percentage points during this period, to 19% and 27% (see table).

Institutional investment in land and property (which is treated as capital expenditure in the national income accounts) rose by £0.2 billion in 1976, to £1.0 billion.

Banking sector

Bank lending to the private sector accelerated in the second quarter and, with lending to the public sector also increasing in the third quarter (when the gilt-edged market weakened), bank deposits began to rise faster than was consistent with the authorities' aim for the growth of M_3 (in July, the Chancellor had announced a guideline of 12% for the rise in M_3 during 1976/77). A series of official measures from September onwards promptly reduced bank finance to the public sector, but their full effect on

bank lending as a whole did not come through until the first quarter of 1977.

Over the year as a whole, bank lending to the private sector rose much in line with total final expenditure, though within the total persons increased their borrowing less than companies and financial institutions. Lending in sterling to the public sector fell slightly, after a large rise in 1975, but public corporations borrowed much more in foreign currencies.

There was slightly more variation in the rate of growth of bank deposits. Persons' deposits rose by around 7% – only about half as fast as those of companies and financial institutions – partly because they preferred to buy public sector debt, particularly in the fourth quarter.

Table A
Flow of funds: 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[a]	less Capital transfers (net payments—)	less Gross fixed-capital formation	less Stockbuilding	equals Financial surplus/deficit[d]
Public sector									
1972	+ 1,821	+ 23,369	- 11,772	- 10,428	+ 2,990	+ 52	- 4,652	- 108	- 1,718
1973	+ 2,197	+ 26,354	- 13,366	- 12,101	+ 3,084	+ 16	- 5,702	- 183	- 2,785
1974	+ 2,652	+ 32,452	- 16,637	- 16,200	+ 2,267	- 24	- 7,196	- 403	- 5,356
1975	+ 3,041	+ 41,854	- 22,847	- 20,513	+ 1,535	- 92	- 8,961	- 875	- 8,393
1976	+ 4,143	+ 49,213	- 26,359	- 24,766	+ 2,231	- 167	- 9,915	- 718	- 8,569
1975 3rd qtr	+ 640	+ 10,946	- 5,874	- 5,257	+ 455	- 19	- 2,219	- 173	- 1,956
4th "	+ 951	+ 11,411	- 6,182	- 5,511	+ 669	- 45	- 2,463	- 227	- 2,066
1976 1st qtr	+ 953	+ 11,474	- 6,230	- 5,895	+ 302	- 1	- 2,663	- 92	- 2,454
2nd "	+ 998	+ 12,261	- 6,517	- 6,074	+ 668	- 29	- 2,396	- 258	- 2,015
3rd "	+ 1,016	+ 12,380	- 6,711	- 6,263	+ 422	- 32	- 2,332	- 249	- 2,191
4th "	+ 1,176	+ 13,098	- 6,901	- 6,534	+ 839	- 105	- 2,524	- 119	- 1,909
Overseas sector[d]									
1972					- 131	-			- 131
1973					+ 752	+ 59			+ 811
1974					+ 3,380	+ 75			+ 3,455
1975					+ 1,635	-			+ 1,635
1976					+ 1,423	-			+ 1,423
1975 3rd qtr					+ 566	-			+ 566
4th "					+ 230	-			+ 230
1976 1st qtr					+ 80	-			+ 80
2nd "					+ 439	-			+ 439
3rd "					+ 536	-			+ 536
4th "					+ 368	-			+ 368
Personal sector									
1972	+ 37,598	+ 16,640	- 39,785	- 9,999	+ 4,454	- 371	- 2,472	- 324	+ 1,287
1973	+ 43,291	+ 19,400	- 45,072	- 11,821	+ 5,798	- 346	- 2,370	- 692	+ 2,390
1974	+ 52,498	+ 23,415	- 51,811	- 15,550	+ 8,552	- 318	- 2,173	- 761	+ 5,300
1975	+ 68,255	+ 28,087	- 63,333	- 22,037	+ 10,972	- 295	- 3,008	- 596	+ 7,073
1976	+ 77,751	+ 33,542	- 73,128	- 26,075	+ 12,090	- 64	- 3,714	- 695	+ 7,617
1975 3rd qtr	+ 17,661	+ 7,240	- 16,298	- 5,710	+ 2,893	- 64	- 776	- 164	+ 1,889
4th "	+ 18,017	+ 7,593	- 16,779	- 6,043	+ 2,788	- 38	- 823	- 173	+ 1,754
1976 1st qtr	+ 18,517	+ 8,174	- 17,450	- 6,189	+ 3,052	- 69	- 863	- 149	+ 1,971
2nd "	+ 19,392	+ 8,175	- 17,746	- 6,733	+ 3,088	- 36	- 886	- 144	+ 2,022
3rd "	+ 19,840	+ 8,385	- 18,521	- 6,307	+ 3,397	- 10	- 927	- 196	+ 2,264
4th "	+ 20,002	+ 8,808	- 19,411	- 6,846	+ 2,553	+ 51	- 1,038	- 206	+ 1,360
Industrial and commercial companies									
1972	+ 8,351	+ 1,743	-	- 4,713	+ 5,381	+ 380	- 3,796	- 943	+ 1,022
1973	+ 10,370	+ 3,207	-	- 5,600	+ 7,977	+ 347	- 4,755	- 3,526	+ 43
1974	+ 11,800	+ 3,666	-	- 6,989	+ 8,477	+ 333	- 5,905	- 6,092	- 3,187
1975	+ 11,739	+ 3,223	-	- 6,310	+ 8,652	+ 403	- 6,987	- 2,388	- 320
1976	+ 14,809	+ 4,001	-	- 7,132	+ 11,678	+ 360	- 7,540	- 5,156	- 658
1975 3rd qtr	+ 2,811	+ 811	-	- 1,542	+ 2,080	+ 85	- 1,930	- 364	- 129
4th "	+ 3,150	+ 861	-	- 1,657	+ 2,354	+ 83	- 1,691	- 710	+ 36
1976 1st qtr	+ 3,399	+ 895	-	- 1,631	+ 2,663	+ 102	- 1,656	- 1,008	+ 101
2nd "	+ 3,514	+ 967	-	- 1,572	+ 2,909	+ 97	- 1,965	- 1,076	- 35
3rd "	+ 3,713	+ 1,037	-	- 1,857	+ 2,893	+ 74	- 2,035	- 1,333	- 401
4th "	+ 4,183	+ 1,102	-	- 2,072	+ 3,213	+ 87	- 1,884	- 1,739	- 323
Financial institutions									
1972	- 695	+ 3,794	-	- 2,490	+ 609	- 61	- 760	- 17	- 229
1973	- 818	+ 5,856	-	- 4,216	+ 822	- 76	- 1,327	+ 58	- 523
1974	- 1,550	+ 7,749	-	- 5,430	+ 769	- 66	- 1,416	+ 13	- 700
1975	- 1,778	+ 8,188	-	- 5,762	+ 648	- 16	- 1,553	- 45	- 966
1976	- 2,143	+ 9,799	-	- 6,636	+ 1,020	- 129	- 1,879	- 24	- 1,012
1975 3rd qtr	- 439	+ 2,009	-	- 1,435	+ 135	- 2	- 468	- 30	- 365
4th "	- 446	+ 2,118	-	- 1,546	+ 126	-	- 380	- 18	- 272
1976 1st qtr	- 529	+ 2,128	-	- 1,377	+ 222	- 32	- 407	+ 2	- 215
2nd "	- 526	+ 2,316	-	- 1,556	+ 234	- 32	- 404	- 29	- 231
3rd "	- 541	+ 2,499	-	- 1,758	+ 200	- 32	- 593	+ 2	- 423
4th "	- 547	+ 2,856	-	- 1,945	+ 364	- 33	- 475	+ 1	- 143

- 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] See the note on line 5 to Tables K, L and M.

Table B
Flow of funds: public sector

£ millions

Seasonally adjusted

	1972	1973	1974	1975	1976	1975			1976			1977
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr
Capital expenditure	+ 4,760	+ 5,885	+ 7,599	+ 9,836	+ 10,633	+ 2,392	+ 2,690	+ 2,755	+ 2,654	+ 2,581	+ 2,643	
less Saving	- 2,990	- 3,084	- 2,267	- 1,535	- 2,231	- 455	- 669	- 302	- 668	- 422	- 839	
less Capital transfers (net)	- 52	- 16	+ 24	+ 92	+ 167	+ 19	+ 45	+ 1	+ 29	+ 32	+ 105	
<i>equals</i> Financial surplus - /deficit +	+ 1,718	+ 2,785	+ 5,356	+ 8,393	+ 8,569	+ 1,956	+ 2,066	+ 2,454	+ 2,015	+ 2,191	+ 1,909	
Lending and other transactions (increase in assets +) [a]	+ 641	+ 1,554	+ 1,245	+ 2,021	+ 1,547	+ 247	+ 826	+ 447	+ 462	+ 286	+ 352	
Unidentified	- 321	- 177	- 270	+ 101	- 658	+ 350	- 204	- 486	+ 339	- 36	- 475	
Borrowing requirement (increase +)	+ 2,038	+ 4,162	+ 6,331	+ 10,515	+ 9,458	+ 2,553	+ 2,688	+ 2,415	+ 2,816	+ 2,441	+ 1,786	
Financed by (borrowing -): †												
Central government:												
External transactions	- 1,395	+ 546	- 979	- 188	- 1,302	+ 392	- 71	- 534	- 912	- 176	+ 320	+ 1,879
Notes and coin with the public	- 495	- 305	- 709	- 814	- 811	- 189	- 333	- 128	- 163	- 265	- 65	- 233
Bank borrowing	+ 1,203	- 1,219	- 599	- 2,376	+ 44	- 1,503	+ 352	- 164	- 10	- 679	+ 707	- 116
Other domestic transactions [b]	- 909	- 1,343	- 1,204	- 4,998	- 4,717	- 1,106	- 1,855	- 1,313	- 922	- 685	- 1,797	- 2,737
Local authorities:												
External finance	- 149	- 317	+ 78	- 106	+ 160	+ 23	- 64	+ 120	- 24	+ 75	- 11	- 15
Bank borrowing	- 31	- 21	+ 175	- 865	- 11	- 140	- 210	- 236	+ 191	- 127	+ 161	- 198
Other domestic borrowing [c]	- 332	- 1,010	- 2,378	- 682	- 1,274	- 34	- 148	- 144	- 464	- 204	- 462	
Public corporations:												
External finance	- 20	- 105	- 561	- 443	- 1,500	- 54	- 148	- 304	- 541	- 352	- 303	- 102
Domestic borrowing [c] [d]	+ 90	- 388	- 154	- 43	- 47	+ 58	- 211	+ 288	+ 29	- 28	- 336	
Total net borrowing	+ 70	- 493	- 715	- 486	- 1,547	+ 4	- 359	- 16	- 512	- 380	- 639	
Total net borrowing	- 2,038	- 4,162	- 6,331	- 10,515	- 9,458	- 2,553	- 2,688	- 2,415	- 2,816	- 2,441	- 1,786	

† of which net borrowing (-) in foreign currencies, including unguaranteed borrowing:

Central government:												
From UK banks			- 506	- 314	- 28	-	-	-	-	- 28	-	- 515
Direct from overseas			- 138	- 109	+ 28	-	-	-	-	+ 28	-	- 69
Payments under the exchange cover scheme [e]	-	+ 2	-	+ 8	+ 54	+ 5	+ 1	+ 39	+ 13	+ 1	+ 1	+ 4
Local authorities:												
From UK banks	-	- 88	- 270	+ 21	+ 24	-	+ 3	- 1	+ 23	+ 2	-	+ 2
Direct from overseas	-	- 134	- 52	- 16	+ 1	+ 9	- 7	+ 1	+ 2	- 1	- 1	- 2
Receipts from central government under the exchange cover scheme [e]	-	-	-	- 4	- 13	- 4	-	-	- 13	-	-	-
Public corporations:												
From UK banks	-	- 745	- 325	+ 1	- 430	-	-	- 16	- 77	- 132	- 205	+ 1
Direct from overseas	-	- 138	- 595	- 428	- 1,413	- 52	- 148	- 268	- 528	- 361	- 256	- 102
Receipts from central government under the exchange cover scheme [e]	-	- 2	-	- 4	- 41	- 1	- 1	- 39	-	- 1	- 1	- 4

- 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 (for definition, see the note on line 19 to 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. Includes payments to local authorities and public corporations under the exchange cover scheme.
- [c] Includes receipts from the central government under the exchange cover scheme.
- [d] Including payments to the central government for the redemption of government-guaranteed stocks.
- [e] Repayments of foreign currency borrowing under the exchange cover scheme are recorded at current market rates, as are the corresponding transactions in the official reserves. The differences from the sterling actually paid (at the original borrowing rates) by the local authorities and public corporations are entered as receipts from the central government.

Table C

Flow of funds: overseas sector^[a]

£ millions

Seasonally adjusted

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

	1972	1973	1974	1975	1976	1975		1976				1977
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr
Financial surplus + /deficit -	- 131	+ 811	+ 3,455	+ 1,635	+ 1,423	+ 566	+ 230	+ 80	+ 439	+ 536	+ 368	
Transactions with the UK private sector												
Investment flows:												
Transactions in company and overseas securities	- 459	+ 333	+ 1,031	- 7	+ 225	+ 41	+ 37	- 137	+ 79	+ 66	+ 217	
Miscellaneous private investment	- 132	- 524	+ 124	+ 468	+ 63	+ 579	+ 159	+ 409	- 182	- 127	- 37	
Other transactions:												
Net external transactions by UK banks ^[b]	- 72	+ 1,560	+ 1,010	+ 1,248	- 209	+ 76	- 26	- 372	- 638	+ 78	+ 723	+ 1,165
Other identified	- 12	- 95	+ 251	- 1	- 314	+ 541	- 83	- 161	- 35	+ 111	- 229	
Balancing item	- 703	+ 14	+ 128	- 190	- 267	- 151	+ 21	- 190	- 17	+ 97	- 157	
	- 1,378	+ 1,288	+ 2,544	+ 1,518	- 502	+ 1,086	+ 108	- 451	- 793	+ 225	+ 517	
Transactions with the UK public sector												
Lending etc. ^[c]	- 317	- 353	- 551	- 620	- 717	- 159	- 161	- 187	- 245	- 142	- 143	
External finance: ^[d]												
Central government	+ 1,395	- 546	+ 979	+ 188	+ 1,302	- 392	+ 71	+ 534	+ 912	+ 176	- 320	- 1,879
Local authorities	+ 149	+ 317	- 78	+ 106	- 160	- 23	+ 64	- 120	+ 24	- 75	+ 11	+ 15
Public corporations	+ 20	+ 105	+ 561	+ 443	+ 1,500	+ 54	+ 148	+ 304	+ 541	+ 352	+ 303	+ 102
	+ 1,247	- 477	+ 911	+ 117	+ 1,925	- 520	+ 122	+ 531	+ 1,232	+ 311	- 149	

[a] It has not been possible to include in this table the balance of payments estimates for the first quarter of 1977, and revisions to previous quarters, which were released early in June.

[b] Other than net purchases of securities. Includes foreign currency borrowing from abroad to finance lending to the 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 (see Table B).

Table D

Flow of funds: personal sector

£ millions

Seasonally adjusted

	1972	1973	1974	1975	1976	1975		1976				1977
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr
Saving	+ 4,454	+ 5,798	+ 8,552	+ 10,972	+ 12,090	+ 2,893	+ 2,788	+ 3,052	+ 3,088	+ 3,397	+ 2,553	
Capital transfers (net)	- 371	- 346	- 318	- 295	- 64	- 64	- 38	- 69	- 36	- 10	+ 51	
Capital expenditure	- 2,796	- 3,062	- 2,934	- 3,604	- 4,409	- 940	- 996	- 1,012	- 1,030	- 1,123	- 1,244	
Financial surplus + /deficit -	+ 1,287	+ 2,390	+ 5,300	+ 7,073	+ 7,617	+ 1,889	+ 1,754	+ 1,971	+ 2,022	+ 2,264	+ 1,360	
Borrowing (-)												
For house purchase	- 2,779	- 2,831	- 2,278	- 3,532	- 3,971	- 871	- 977	- 902	- 1,092	- 1,024	- 953	
Bank borrowing ^[a]	- 1,927	- 1,027	- 24	+ 446	- 509	+ 217	- 30	- 130	- 112	- 124	- 143	- 340
Hire-purchase debt	- 253	- 183	+ 66	- 57	- 193	- 11	- 21	- 22	- 34	- 78	- 59	
Other ^[b]	- 33	- 287	- 264	- 34	- 289	- 43	- 84	- 169	+ 38	+ 82	- 240	
	- 4,992	- 4,328	- 2,500	- 3,177	- 4,962	- 708	- 1,112	- 1,223	- 1,200	- 1,144	- 1,395	
Acquisition of financial assets (+)												
Life assurance and pension funds	+ 2,603	+ 3,093	+ 3,490	+ 4,331	+ 5,368	+ 1,093	+ 1,151	+ 1,446	+ 1,309	+ 1,331	+ 1,282	
Government stocks	- 15	+ 732	+ 588	+ 959	+ 1,677	- 50	+ 517	+ 116	+ 242	+ 248	+ 1,071	
Company and overseas securities	- 1,475	- 2,250	- 1,226	- 1,411	- 1,221	- 123	- 317	- 435	- 165	- 324	- 297	
Unit trust units	+ 203	+ 162	+ 25	+ 113	+ 79	+ 32	+ 11	+ 21	+ 16	+ 18	+ 24	
Bank deposits, notes and coin	+ 2,007	+ 3,616	+ 3,327	+ 1,394	+ 1,636	+ 399	+ 152	+ 15	+ 527	+ 873	+ 221	+ 119
Building society shares and deposits	+ 2,139	+ 2,188	+ 2,017	+ 4,165	+ 3,580	+ 1,012	+ 1,020	+ 1,399	+ 876	+ 812	+ 493	+ 985
National savings	+ 459	+ 102	- 17	+ 423	+ 592	+ 118	+ 101	+ 169	+ 141	+ 147	+ 135	+ 475
Local authority debt	- 92	+ 356	+ 774	- 181	+ 275	- 153	+ 99	- 139	+ 179	- 41	+ 276	
Other	+ 326	+ 87	- 15	+ 200	+ 231	+ 84	- 14	+ 111	+ 13	+ 94	+ 13	
	+ 6,155	+ 8,086	+ 8,963	+ 9,993	+ 12,217	+ 2,412	+ 2,720	+ 2,703	+ 3,138	+ 3,158	+ 3,218	
Unidentified												
Identified financial transactions	+ 1,163	+ 3,758	+ 6,463	+ 6,816	+ 7,255	+ 1,704	+ 1,608	+ 1,480	+ 1,938	+ 2,014	+ 1,823	
	+ 124	- 1,368	- 1,163	+ 257	+ 362	+ 185	+ 146	+ 491	+ 84	+ 250	- 463	

[a] Other than for house purchase.

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

Table E

Flow of funds: industrial and commercial companies

£ millions

Seasonally adjusted

Assets: increase + /decrease -

Liabilities: increase - /decrease +

	1972	1973	1974	1975	1976	1975		1976				1977
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr
Capital expenditure	+ 4,739	+ 8,281	+ 11,997	+ 9,375	+ 12,696	+ 2,294	+ 2,401	+ 2,664	+ 3,041	+ 3,368	+ 3,623	
less Saving	- 5,381	- 7,977	- 8,477	- 8,652	- 11,678	- 2,080	- 2,354	- 2,663	- 2,909	- 2,893	- 3,213	
less Capital transfers (net)	- 380	- 347	- 333	- 403	- 360	- 85	- 83	- 102	- 97	- 74	- 87	
<i>equals</i> Financial surplus - /deficit +	- 1,022	- 43	+ 3,187	+ 320	+ 658	+ 129	- 36	- 101	+ 35	+ 401	+ 323	
Trade investments, mergers, etc. in the United Kingdom	+ 802	+ 993	+ 384	+ 356	+ 470	+ 98	+ 80	+ 94	+ 96	+ 123	+ 157	
Long-term investment abroad	+ 767	+ 2,121	+ 1,859	+ 1,210	+ 1,978	+ 12	+ 305	+ 294	+ 561	+ 537	+ 586	
Total requiring financing (+)	+ 547	+ 3,071	+ 5,430	+ 1,886	+ 3,106	+ 239	+ 349	+ 287	+ 692	+ 1,061	+ 1,066	
Capital issues (including euro-currency issues)	- 737	- 271	+ 1	- 1,165	- 824	- 397	- 392	- 221	- 455	- 140	- 8	- 22
Overseas investment in UK companies	- 519	- 1,161	- 1,808	- 1,577	- 1,722	- 621	- 429	- 616	- 258	- 358	- 490	
Import credit and advance payments on exports	- 305	- 516	- 536	- 369	- 504	- 191	- 177	- 62	- 183	- 121	- 138	
Export credit and advance payments on imports	+ 201	+ 335	+ 515	+ 28	+ 383	- 86	+ 165	+ 125	+ 103	+ 18	+ 137	
Bank borrowing	- 2,988	- 4,504	- 4,411	- 418	- 2,494	+ 236	- 184	+ 270	- 813	- 906	- 855	- 861
Other borrowing[a]	- 18	- 1,296	- 320	- 669	- 586	- 284	- 41	- 6	- 172	- 56	- 352	
Bank deposits, notes and coin	+ 2,294	+ 2,500	+ 92	+ 1,478	+ 1,567	+ 1,078	+ 200	+ 175	+ 506	+ 928	- 232	+ 214
Other liquid assets[b]	+ 92	+ 147	- 4	+ 365	+ 349	+ 255	+ 47	+ 280	+ 159	- 290	+ 200	
Other items[c]	+ 9	+ 164	+ 270	+ 259	+ 143	+ 115	+ 35	+ 113	+ 132	- 127	+ 25	
Other overseas transactions (including the balance of payments balancing item)[d]	+ 696	+ 210	- 207	+ 722	+ 603	- 99	+ 65	+ 454	+ 111	- 152	+ 190	
Unidentified domestic transactions[d]	+ 728	+ 1,321	+ 978	- 540	- 21	- 245	+ 362	- 799	+ 178	+ 143	+ 457	
Total financing (-)	- 547	- 3,071	- 5,430	- 1,886	- 3,106	- 239	- 349	- 287	- 692	- 1,061	- 1,066	

[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, refunds of SET, and national insurance etc. contributions.

[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
Flow of funds: banking sector

£ millions

Seasonally adjusted

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

	1972	1973	1974	1975	1976	1975			1976				1977
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	
Changes in domestic assets													
Public sector	- 1,026	+ 1,995	+ 701	+ 3,364	+ 271	+ 1,642	+ 62	+ 148	- 154	+ 949	- 482	+ 224	
Industrial and commercial companies	+ 3,130	+ 4,654	+ 4,438	+ 384	+ 2,522	- 265	+ 171	- 235	+ 807	+ 907	+ 853	+ 872	
Other financial institutions	+ 1,032	+ 837	+ 119	+ 141	+ 382	+ 291	- 247	+ 199	- 44	+ 95	+ 132	+ 27	
Personal sector	+ 2,272	+ 1,337	+ 114	- 386	+ 579	- 197	+ 40	+ 140	+ 142	+ 144	+ 153	+ 330	
	+ 5,408	+ 8,823	+ 5,372	+ 3,503	+ 3,754	+ 1,471	+ 26	+ 252	+ 751	+ 2,095	+ 656	+ 1,453	
Changes in domestic deposits													
Public sector	- 80	- 100	+ 69	- 281	- 24	+ 175	- 240	- 4	- 200	+ 231	- 51	- 69	
Industrial and commercial companies	- 2,039	- 2,430	+ 263	- 1,070	- 1,065	- 983	- 33	- 111	- 424	- 795	+ 265	- 77	
Other financial institutions	- 918	- 1,016	- 871	+ 630	- 771	- 113	+ 440	- 390	- 118	- 347	+ 84	- 92	
Personal sector	- 1,767	- 3,381	- 2,973	- 988	- 1,327	- 305	+ 14	+ 49	- 446	- 741	- 189	- 23	
	- 4,804	- 6,927	- 3,512	- 1,709	- 3,187	- 1,226	+ 181	- 456	- 1,188	- 1,652	+ 109	- 261	
Changes in:													
Net claims on overseas sector [a]	+ 93	- 1,468	- 1,000	- 1,067	+ 250	- 116	+ 71	+ 411	+ 640	- 89	- 712	- 1,112	
Non-deposit liabilities etc. (net)	- 697	- 428	- 860	- 727	+ 817	- 129	- 278	- 207	- 203	- 354	- 53	- 80	

[a] Including foreign currency borrowing to finance loans to UK public sector.

Table G
Flow of funds: financial institutions other than banks

£ millions

Seasonally adjusted

	1972	1973	1974	1975	1976	1975			1976				1977
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	
Increase in financial liabilities (-)													
Life assurance and pension funds	- 2,603	- 3,093	- 3,490	- 4,331	- 5,368	- 1,093	- 1,151	- 1,446	- 1,309	- 1,331	- 1,282		
Building society shares and deposits	- 2,187	- 2,160	- 1,989	- 4,168	- 3,571	- 1,011	- 1,020	- 1,416	- 883	- 806	- 466	- 985	
Other deposits	- 256	- 285	- 188	- 429	- 321	- 103	- 92	- 316	- 165	- 18	+ 178		
Capital issues	- 447	- 79	- 95	- 323	- 134	- 43	- 55	- 25	- 51	- 6	- 52	- 23	
Unit trust units	- 203	- 162	- 25	- 113	- 79	- 32	- 11	- 21	- 16	- 18	- 24		
Other[a]	- 1,073	- 854	- 475	+ 215	- 485	- 250	+ 250	- 250	+ 73	- 137	- 171		
	- 6,769	- 6,633	- 6,262	- 9,149	- 9,958	- 2,532	- 2,079	- 3,474	- 2,351	- 2,316	- 1,817		
Increase in financial assets (+)													
Short-term assets[b]	+ 1,036	+ 1,380	+ 2,201	- 803	+ 772	+ 133	- 295	+ 349	+ 77	+ 760	- 414		
Government stocks	+ 422	+ 703	+ 309	+ 3,358	+ 3,377	+ 778	+ 1,101	+ 916	+ 548	+ 349	+ 1,564		
Company and overseas securities:													
Ordinary shares	+ 1,834	+ 457	- 293	+ 1,959	+ 1,284	+ 410	+ 415	+ 598	+ 461	+ 206	+ 19		
Fixed-interest	+ 252	+ 96	- 4	+ 137	+ 20	+ 73	+ 1	+ 19	+ 12	+ 42	- 53		
Loans for house purchase	+ 2,217	+ 2,120	+ 1,610	+ 2,835	+ 3,655	+ 719	+ 858	+ 830	+ 1,005	+ 946	+ 874		
Long-term lending to local authorities	+ 139	+ 97	+ 344	+ 877	+ 40	+ 142	+ 50	+ 230	+ 177	- 67	- 300		
Hire-purchase claims etc.[c]	+ 163	+ 166	- 60	- 8	+ 145	- 1	- 5	+ 4	+ 36	+ 56	+ 49		
Other lending[d]	+ 122	+ 420	+ 593	+ 225	+ 62	+ 137	+ 126	- 25	+ 55	- 12	+ 44		
	+ 6,185	+ 5,439	+ 4,700	+ 8,580	+ 9,355	+ 2,391	+ 2,251	+ 2,921	+ 2,371	+ 2,280	+ 1,783		
Net identified financial transactions	- 584	- 1,194	- 1,562	- 569	- 603	- 141	+ 172	- 553	+ 20	- 36	- 34		

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

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

[c] Includes other lending by finance houses.

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

Table H

Financial institutions other than banks 1976: detail by institutional group

£ millions

Total	Insurance companies	Pension funds and property unit trusts	Building societies	Finance houses	Savings banks' investment accounts	Investment and unit trusts	Others and unallocated
Increase in financial liabilities (-)							
Inflow to life assurance and pension funds	- 5,368						
Deposits	- 106		- 3,575	- 81	- 206	-	- 276
Capital issues						+ 15	- 43
Sales of units		- 60[a]				- 168	
Bank borrowing	+ 18	+ 24		- 65		- 40	- 372
Other borrowing	+ 2	- 108	- 45	- 19		+ 7	- 7
	- 5,598		- 3,620	- 165	- 206	- 186	- 698
Increase in financial assets (+)							
Bank deposits, notes and coin	+ 198	+ 49	+ 49	- 6	+ 41	+ 86	+ 354
Deposits with other financial institutions	- 31	- 33			+ 162	+ 8	+ 140
Local authority temporary debt	+ 39	- 50	- 99		- 27	+ 24	+ 156
Treasury bills, tax reserve certificates, tax deposit accounts, and certificates of tax deposit	- 62	- 43	- 32	+ 12	+ 15	+ 2	- 63
Government stocks	+ 1,828	+ 1,170	+ 172	+ 5	+ 270	+ 11	- 79
UK company securities:[b]		+ 1,024		+ 23		+ 83	- 80[c]
Ordinary shares	+ 228						
Fixed-interest	+ 9	- 3		+ 3	- 1	+ 18	+ 15
Overseas securities:[b]							
Ordinary shares	-	+ 89				- 98	+ 15
Fixed-interest	+ 24	- 8				- 1	- 36
Investment in units	+ 148	+ 59[a]					
Loans for house purchase	+ 3,655	+ 13	+ 3,647				- 5
Long-term lending to local authorities	+ 40	+ 97	+ 38		- 159	- 3	- 1
Hire-purchase claims	+ 145			+ 145			
Other lending	- 42	+ 353	- 3	+ 38	- 28	+ 26	- 32
	+ 2,361	+ 2,704	+ 3,772	+ 220	+ 273	+ 156	+ 384
Net identified financial transactions	- 603	- 533	+ 152	+ 55	+ 67	- 30	- 314

Note: Differences from Table G arise through the inclusion 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.

... not available.

- nil or less than £½ million.

[a] Pension funds bought £59 million of property unit trust units.

[b] The breakdown by type of security has been partly estimated. The insurance companies' 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		- 334	- 6	- 349	+ 14	+146	-1,449	+ 515	+103	+1,360
UK fixed-interest		- 403	- 37	- 98		+176	- 83	+ 191	+ 34	+ 220
Overseas ordinary shares	- 6					-765	+ 97	+ 187	+ 9	+ 478
Overseas fixed-interest	+ 34					- 44	- 40	+ 10	+ 12	+ 28
1972 Total	+ 28	- 737	- 43	- 447	+ 14	- 487	- 1,475	+ 903	+ 158	+ 2,086
UK ordinary shares		- 107	- 19	- 37	+ 15	+420	-1,575	+ 600	+199	+ 504
UK fixed-interest		- 164	- 42	- 42		+183	- 340	+ 240	+ 66	+ 99
Overseas ordinary shares	- 4					-225	- 308	+ 535	+ 51	- 49
Overseas fixed-interest	+ 34					- 75	- 27	+ 28	+ 41	+ 1
1973 Total	+ 30	- 271	- 61	- 79	+ 15	+ 303	- 2,250	+ 1,403	+ 357	+ 553
UK ordinary shares		- 44	- 15	- 68	+ 35	+578	- 704	+ 85	+ 58	+ 75
UK fixed-interest		+ 45	- 72	- 27		+ 78	- 124	+ 85	+ 20	- 5
Overseas ordinary shares	-					+433	- 499	+ 361	+ 73	- 368
Overseas fixed-interest	+ 58					-116	+ 101	+ 19	- 63	+ 1
1974 Total	+ 58	+ 1	- 87	- 95	+ 35	+ 973	- 1,226	+ 550	+ 88	- 297
UK ordinary shares		- 1,079	- 107	- 263	+ 575	+186	- 912	- 43	- 19	+1,662
UK fixed-interest		- 86	- 48	- 60		+ 78	- 65	+ 84	- 6	+ 103
Overseas ordinary shares	- 14					-242	- 310	+ 222	+ 52	+ 291
Overseas fixed-interest	+ 51					- 66	- 124	+ 12	+ 88	+ 40
1975 Total	+ 37	- 1,165	- 155	- 323	+ 575	- 44	- 1,411	+ 275	+ 115	+ 2,096
UK ordinary shares		- 791	- 213	- 138	+ 255	+272	- 887	+ 241	- 17	+1,278
UK fixed-interest		- 33	- 79	+ 4		+ 83	- 122	+ 112	- 6	+ 41
Overseas ordinary shares	- 2					-209	- 112	+ 269	+ 48	+ 6
Overseas fixed-interest	+ 76					+ 5	- 100	+ 14	+ 26	- 21
1976 Total	+ 74	- 824	- 292	- 134	+ 255	+ 151	- 1,221	+ 636	+ 51	+ 1,304

[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]		
		1974	1975	1976	1974	1975	1976
Capital account							
Saving	1	+ 2,267	+ 1,535	+ 2,231	+ 3,380	+ 1,635	+ 1,423
Taxes on capital and capital transfers	2	- 24	- 92	- 167	+ 75	-	-
<i>less:</i>							
Gross fixed-capital formation at home	3	- 7,196	- 8,961	- 9,915			
Increase in value of stocks and work in progress	4	- 403	- 875	- 718			
Financial surplus + /deficit - [b]	5	- 5,356	- 8,393	- 8,569	+ 3,455	+ 1,635	+ 1,423
Changes in financial assets and liabilities							
<i>Assets: increase + /decrease-</i>							
<i>Liabilities: increase - /decrease+</i>							
Government debt to Banking Department	6	+ 241	+ 103	- 412			
Life assurance and pension funds	7						
Loans by the UK Government	8	+ 438	- 138	-	- 75	- 79	- 19
Central government external transactions:							
Direct official financing	9.1	- 33	- 764	- 1,809	+ 33	+ 764	+ 1,809
Other	9.2	- 946	+ 576	+ 507	+ 946	- 576	- 507
Other public sector direct official financing	9.3	- 512	- 409	- 1,391	+ 512	+ 409	+ 1,391
Banks' net external transactions (excluding securities):							
Borrowing for official financing	10.1				+ 1,101	+ 292	+ 428
Other	10.2				+ 87	+ 888	- 1,459
Miscellaneous investment overseas (net)	11	+ 375	+ 491	+ 590	- 397	- 56	- 95
Notes and coin	12	- 788	- 673	- 837			
Bank deposits of domestic sectors	13	- 69	+ 281	+ 24			
Deposits with other financial institutions	14		+ 59	+ 5	+ 219	+ 100	+ 76
National savings	15.1	+ 17	- 423	- 592			
Tax reserve certificates etc.	15.2	+ 122	+ 30	- 4			
Bank lending to domestic sectors	16	- 782	- 438	- 320			
Hire-purchase and other instalment debt[c]	17	- 21	- 8	+ 8			
Loans for house purchase	18	+ 578	+ 637	+ 246			
Other loans and accruals	19	- 405	+ 120	+ 754			
Marketable government debt held by domestic sectors:							
Treasury bills	20	- 502	- 2,034	+ 716			
Stocks	21	- 712	- 5,220	- 5,250			
Other local authority debt	22	- 2,122	- 1,259	- 401	- 130	+ 90	- 159
UK company and overseas securities:							
Capital issues	23				+ 58	+ 37	+ 74
Other transactions	24	+ 35	+ 575	+ 255	+ 973	- 44	+ 151
Unit trust units	25						
Identified financial transactions	26	- 5,086	- 8,494	- 7,911	+ 3,327	+ 1,825	+ 1,690
Unidentified[b]	27	- 270	+ 101	- 658	+ 128	- 190	- 267
Total = Financial surplus + /deficit - [b]	28	- 5,356	- 8,393	- 8,569	+ 3,455	+ 1,635	+ 1,423

- nil or less than £½ million.

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

1974	1975	1976
+ 488	+ 971	+ 1,199

[c] Includes other lending by finance houses.

Table L
Flow of funds accounts

£ millions

Not seasonally adjusted

		1976						
		4th quarter						
Line		Public sector	Overseas sector[a]	Personal sector	Industrial and commercial companies	Banking sector	Other financial institutions	Residual error
Capital account								
Saving	1	+ 988	+ 336	+ 1,595	+ 3,478		+ 758	
Taxes on capital and capital transfers	2	- 94	-	+ 44	+ 89		- 39	
<i>less:</i>								
Gross fixed-capital formation at home	3	- 2,475		- 1,030	- 2,099		- 536	
Increase in value of stocks and work in progress	4	- 92		- 209	- 1,783		+ 1	
Financial surplus + /deficit -	5	- 1,673	+ 336	+ 400	- 315		+ 184	+ 1,068
Changes in financial assets and liabilities								
<i>Assets: increase + /decrease -</i>								
<i>Liabilities: increase - /decrease +</i>								
Government debt to Banking Department	6	- 85				+ 85		
Life assurance and pension funds	7			+ 1,282			- 1,282	
Loans by the UK Government	8	- 20	+ 2	- 2	+ 20			
Central government external transactions:								
Direct official financing	9.1	+ 308	- 308					
Other	9.2	- 21	+ 21					
Other public sector direct official financing	9.3	- 236	+ 236					
Banks' net external transactions (excluding securities):								
Borrowing for official financing	10.1		+ 205			- 205		
Other	10.2		+ 411			- 411		
Miscellaneous investment overseas (net)	11	+ 73	- 282		+ 157	- 62	+ 114	
Notes and coin	12	- 575		+ 74	+ 145	+ 356		
Bank deposits of domestic sectors	13	+ 51		+ 390	+ 65	- 695	+ 189	
Deposits with other financial institutions	14	- 102	- 86	+ 623	- 27		- 408	
National savings	15.1	- 96		+ 96				
Tax reserve certificates etc.	15.2	- 4		+ 3				
Bank lending to domestic sectors	16	- 379		- 248	- 1,004	+ 1,826	- 195	
Hire-purchase and other instalment debt[b]	17	+ 7		- 127	+ 83		+ 37	
Loans for house purchase	18	+ 69		- 921		+ 10	+ 842	
Other loans and accruals	19	+ 726		- 437	- 268	- 161	+ 140	
Marketable government debt held by domestic sectors:								
Treasury bills	20	+ 1,424			- 55	- 1,015	- 354	
Stocks	21	- 3,074		+ 1,071	+ 41	+ 398	+ 1,564	
Other local authority debt	22	- 30	+ 19	+ 276	+ 226	- 109	- 382	
UK company and overseas securities:								
Capital issues	23		+ 13		- 8	- 9	- 52	
Other transactions	24	+ 14	+ 204	- 297	+ 157	+ 12	- 34	
Unit trust units	25			+ 20			- 20	
Identified financial transactions	26	- 1,950	+ 435	+ 1,803	- 467	+ 20	+ 159	
Unidentified	27	+ 277	- 99	- 1,403	+ 152		+ 5	+ 1,068
Total = Financial surplus + /deficit -	28	- 1,673	+ 336	+ 400	- 315		+ 159	+ 1,068

- nil or less than £1 million.

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

[b] Includes other lending by finance houses.

Table M
Flow of funds accounts

£ millions

Seasonally adjusted

		1976						
		4th quarter						
Line		Public sector	Overseas sector[a]	Personal sector	Industrial and commercial companies	Banking sector	Other financial institutions	Residual error
Capital account								
Saving	1	+ 839	+ 368	+ 2,553	+ 3,213		+ 364	
Taxes on capital and capital transfers	2	- 105	-	+ 51	+ 87		- 33	
<i>less:</i>								
Gross fixed-capital formation at home	3	- 2,524		- 1,038	- 1,884		- 475	
Increase in value of stocks and work in progress	4	- 119		- 206	- 1,739		+ 1	
Financial surplus +/deficit -	5	- 1,909	+ 368	+ 1,360	- 323		- 143	+ 647
Changes in financial assets and liabilities								
<i>Assets: increase + decrease -</i>								
<i>Liabilities: increase - decrease +</i>								
Government debt to Banking Department	6	+ 61				- 61		
Life assurance and pension funds	7			+ 1,282			- 1,282	
Loans by the UK Government	8	- 16	- 2	- 2	+ 20			
Direct official financing and other central government external transactions	9	+ 84	- 84					
Banks' net external transactions (excluding securities)	10			+ 723		- 723		
Miscellaneous investment overseas (net)	11	+ 73	- 253		+ 128	- 62	+ 114	
Notes and coin	12	- 242		+ 32	+ 33	+ 177		
Bank deposits of domestic sectors	13	+ 51		+ 189	- 265	+ 109	- 84	
Deposits with other financial institutions	14	- 102	- 86	+ 503	- 27		- 288	
National savings	15.1	- 135		+ 135				
Tax reserve certificates etc.	15.2	- 4		+ 3	+ 1			
Bank lending to domestic sectors	16	- 379		- 143	- 855	+ 1,556	- 179	
Hire-purchase and other instalment debt[b]	17	+ 7		- 59	+ 3		+ 49	
Loans for house purchase	18	+ 69		- 953		+ 10	+ 874	
Other loans and accruals	19	+ 513		- 238	- 350	+ 31	+ 44	
Marketable government debt held by domestic sectors:								
Treasury bills	20	+ 1,629			- 55	- 1,220	- 354	
Stocks	21	- 3,074		+ 1,071	+ 41	+ 398	+ 1,564	
Other local authority debt	22	+ 17	+ 10	+ 276	+ 240	- 161	- 382	
UK company and overseas securities:								
Capital issues	23		+ 13		- 8	- 9	- 52	
Other transactions	24	+ 14	+ 204	- 297	+ 157	+ 12	- 34	
Unit trust units	25			+ 24			- 24	
Identified financial transactions	26	- 1,434	+ 525	+ 1,823	- 937	+ 57	- 34	
<i>Unidentified</i>	27	- 475	- 157	- 463	+ 614		- 166	+ 647
Total = Financial surplus +/deficit -	28	- 1,909	+ 368	+ 1,360	- 323		- 143	+ 647

- nil or less than £½ million.

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

[b] Includes other lending by finance houses.

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).

Line numbers refer only to Tables K, L and M.

Sources

The main statistical series used in compiling the tables appear in the statistical annex or in the Central Statistical Office's *Financial Statistics* or *Economic Trends*. Most of the seasonally-adjusted figures are not published elsewhere.

Definitions

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 in 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 Oversea 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 [d] to Table 7 in the annex.

Line 7

The increase in persons' net claims on these funds.

Line 9.1

Central government transactions, apart from foreign currency borrowing from UK banks, included in the counterpart of the *balance for official financing* in the balance of payments (the sum of lines 9.1, 9.3 and 10.1 is equal to the total 'balance for official financing').

Line 9.2

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

Line 9.3

Net borrowing by public corporations and local authorities directly from abroad under the exchange cover scheme (see under the heading 'change in presentation' in the additional notes to Table 30 in the annex to the September 1976 *Bulletin*). Repayments are recorded at current market rates.

Line 10.1

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

Line 10.2

Other changes in overseas deposits with the banking sector less bank lending to overseas by way of advances, market loans and commercial 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 in 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 in 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 bank credit for domestic shipbuilding, 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 selective employment tax, national insurance etc. contributions and interest charges (the basis of entries in the national accounts) and the corresponding cash payments.

Lines 20 and 21

As defined in the additional notes to Tables 8 / 1 and 8 / 2. 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 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 scheme (line 9.3).

Line 23

Net issues in the United Kingdom and euro-currency issues by UK companies.

Line 24

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

Line 25

Net sales of units to persons by authorised unit trusts.

Line 27

The net total for all sectors corresponds to the residual error in the national accounts.

Seasonal adjustments

The adjustments allow for purely seasonal adjustments and certain other factors, taking full account of the data up to the end of 1975.

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.

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 were adjusted).

Revisions to 1975 second quarter

The tables include revised figures for bank deposits and lending (see the additional notes to Table 6 in the annex). Persons, companies, and other financial institutions are the sectors affected.