

# An inventory of UK external assets and liabilities: end-1977

## Introduction

This article continues the annual series of estimates, in sterling terms, of the United Kingdom's external assets and liabilities, and gives provisional figures for the end of 1977. These show that the net liability position widened somewhat during last year.

The compilation and presentation of the estimates, which are set out in detail in Table F, follow the pattern of last year's article. [1] As in previous articles, it is as well to emphasise the inevitable limitations of an inventory of this nature: for a start there are gaps in the data— for example, no estimates exist for UK-owned property abroad or for foreign-owned property in this country; more generally, difficulties in valuing investments and problems of identification may entail considerable margins of error, and some of the estimates are no more than broad indications of magnitude. In particular, the estimates for both inward and outward private investment are especially liable to revision. [2]

## Summary

Revised estimates now show that at the end of 1976 the value of the United Kingdom's total external liabilities exceeded the total value of external assets by £1½ billion, slightly less than in 1975, and slightly less than first suggested in last year's article. However, by the end of 1977 the deficit had widened to nearly £2½ billion, with a fall in the net external assets of the private sector of nearly £6 billion outweighing a fall of £5 billion in the net liabilities of the public sector (as shown in Table A).

But, in some senses, the picture of a larger net deficit at the end of 1977 than at end-1976 is misleading: sterling's effective depreciation of 16% during 1976 is estimated to have added around £1½ billion more to total assets than to total liabilities in sterling terms, whereas the pound's effective appreciation last year of 7% [3] reduced assets by £1 billion more than liabilities. Accordingly, an attempt has been made in Table B to eliminate the effects of exchange rate movements on the changes in the United Kingdom's net external position over the last few years. Although these figures are only rough estimates, it is apparent that after the large increase in net liabilities in 1975 there was a smaller increase in 1976 and hardly any change in 1977. The estimates for the last two years compare with a deficit on current account in 1976 of £1.1 billion and approximate balance in 1977. Although it is reasonable to expect an improvement in the current balance to be reflected in an improvement in the net external asset/liability position, the closeness of the comparison is somewhat of a coincidence, because the inventory figures include wherever possible changes in the market valuation of outstanding assets and liabilities, whereas the balance of payments estimates merely record transactions; furthermore, the balance of payments accounts for 1977 include a very large positive balancing item of some £2½ billion, much of which possibly represents unidentified capital inflows which have not yet been reflected in the corresponding figures for assets and liabilities.

The detailed analysis which follows relates to the figures in Table F. In these no attempt has been made to estimate the effects of depreciation or appreciation on individual items. The text, however, tries to take account of these effects wherever they are thought to be particularly important.

- [1] Both sterling and foreign currency items are included; assets and liabilities are classified as 'public sector' or 'private sector', according to the status of the domestic creditor or debtor; private sector items are grouped under the headings of 'investment' and 'banking and commercial'; and public sector items are treated as in the balance of payments accounts, where reserves and official financing transactions are shown separately from other official assets and liabilities.
- [2] Recent refinements to the methods used in calculating the stock of UK portfolio investment overseas have resulted in quite large upward revisions to the figures which were published in last year's article. Figures for direct investment for recent years must remain provisional until the results of the Department of Trade's next census of outstanding investment are available.
- [3] Indeed, so far as external assets and liabilities are concerned, the appreciation in 1977 was probably somewhat larger than this because quite a high proportion of such assets and liabilities is denominated in currencies (in particular the US dollar) against which sterling appreciated by rather more than 7%.

**Table A**  
Net external assets (+)/liabilities (-): summary

£ billions	End-1974	End-1975	End-1976	End-1977
Investment	+5.9	+6.2	+9.3	+4.8
Banking and commercial	-1.6	-2.1	-0.9	-2.4
Net external assets of the private sector	+4.3	+4.1	+8.3	+2.4
Public sector (other than reserves and other official financing)	-4.1	-4.1	-3.8	-5.9
Reserves and other official financing	—	-1.7	-6.0	+1.1
Net external liabilities of the public sector	-4.1	-5.8	-9.8	-4.8
<b>Total net external assets/liabilities of the United Kingdom</b>	<b>+0.2</b>	<b>-1.6</b>	<b>-1.5</b>	<b>-2.4</b>

**Table B**  
Change in value of total net external liabilities, 1975-77[a]

£ billions	End-1974 — end-1975	End-1975 — end-1976	End-1976 — end-1977
Change in value of total net external liabilities (expressed in sterling terms)	-1.8	+0.1	-0.9
less			
Change due to depreciation/appreciation of sterling	+1.0	+1.5	-1.0
Change after eliminating the effects of depreciation/appreciation	-2.8	-1.4	+0.1

[a] Increase in net liability/reduction in net assets —.  
Reduction in net liability/increase in net assets +.

## Private sector

The private sector's total net assets fell by £5,900 million in 1977, with assets falling and liabilities rising; this was in sharp contrast to the net rise of £4,200 million (revised from £3,500 million in last year's article) which occurred in 1976.

The book value of *UK companies' direct investment abroad* is estimated to have risen by only £300 million, after increasing by roughly £3,000 million in 1976. New investment amounted to £1,210 million (of which over 85% represented the reinvestment of unremitted profits), but this was largely offset by the effect of sterling's appreciation on the stock of assets denominated in foreign currencies, and other revaluations in companies' books. On the other hand, *overseas direct investment in the United Kingdom* increased by as much as £850 million (also largely the result of unremitted profits, which again accounted for 85% of new investment), rather more than in 1976.

*UK oil companies' net assets abroad* rose by some £150 million (in spite of a reduction in the sterling value of outstanding assets) reflecting investment in Alaska, in chemicals manufacturing in Europe and North America, and the acquisition of coal mining interests in Australia. *Overseas oil companies' net assets in the United Kingdom* rose by £1,150 million. This increase, even more substantial than the increases of preceding years, was mainly due to the continuing large capital expenditure by these companies on North Sea operations.

The stock of *UK portfolio investment overseas* fell by £1,350 million (compared with a rise of £1,750 million in 1976). Net sales by UK residents during the year, however, amounted to only £100 million — a smaller disinvestment than in the previous year — and the fall in the stock of assets largely reflects the effect of the pound's appreciation on the sterling value of overseas currency securities and, to a lesser extent, the depressed state of most overseas stock markets.

In previous articles the large degree of estimation of these figures has been emphasised. However, it is possible to build up this item by a different approach, namely by aggregating data on overseas investments made by individual sectors and sub-sectors. The latest year for which data are available for all sectors is 1975, and the figures are as follows:

£ millions	
Investment trusts	2,128
Unit trusts	401
Pension funds	687
Insurance companies	1,023
Banking sector	737
Households [a]	1,636
Other known holdings (non-profit-making bodies, building societies, etc.)	384
	6,996

[a] This estimate is derived from estate duty statistics compiled by the Inland Revenue. Figures for the personal sector provided by the Royal Commission on the Distribution of Incomes and Wealth, were, however, obtained by taking the total figure established by the external inventory series (at that time £6,800 million), adjusting for the investment currency premium and then deducting identified holdings of other sectors.

It should be emphasised that some of these figures are not valued in the same way as the normal inventory figures; for example, some of them include the investment currency premium, while, on the other hand, insurance companies' holdings are at book value. Figures are not available for holdings by industrial and commercial companies, and it has to be emphasised that some of the figures are very rough estimates. Nevertheless, the total compares very well with the figure obtained by the normal method, £6,900 million, and gives increased confidence in its relative accuracy.

In contrast to the fall in UK portfolio investment abroad, overseas residents invested £225 million in *UK companies' sterling securities*, attracted by the relative strength of the UK stock market and by the British Petroleum share sale in particular; rising market prices also brought about a large rise in valuation. UK companies also raised a larger amount than usual from the international bond market in 1977, borrowing about

**Table C**  
**Portfolio investment**

£ millions	UK investment overseas	Overseas investment in UK companies' securities	
		Sterling	Foreign currency
	Market value:		
End-1976	8,650	2,410	970
End-1977	7,300	3,560	1,160
Change in 1977	- 1,350	+ 1,150	+ 190
of which:			
Transactions	- 105	+ 225	+ 215
Valuation (including currency adjustment)	- 1,245	+ 925	- 25

£215 million (net) through the issue of *foreign currency securities*. They also raised more funds in the form of *direct borrowing abroad* than in previous years (£285 million net of repayments, most of which was used to finance overseas investment); however, after taking account of sterling's appreciation against most major currencies, the amount of outstanding borrowing was only about £220 million larger than in 1976.

Net banking and commercial liabilities rose by around £1,450 million to £2,360 million. There was an especially steep rise (of £1,600 million) in the sterling deposit liabilities of UK banks; this was almost entirely attributable to private overseas holders (i.e. holders other than central banks and other official bodies) from a wide spectrum of countries and was concentrated particularly in the second half of the year, when there were expectations that sterling would be allowed to appreciate. However, on the assets side (within 'commercial bills discounted'), there was further growth (by some £600 million) in banks' ECGD-backed sterling bill business, which reflected the continuing expansion of UK exports, and an increase in foreign currency bills of over £100 million; offsetting this somewhat, sterling acceptances fell by over £100 million largely because of the exchange control measures affecting third-country trade introduced in the latter half of 1976. Partly for the same reason and partly because of sterling's relative strength during the year, sterling advances rose by less than they might otherwise have done in 1977.

The euro-currency markets continued to expand: the recorded external foreign currency assets and liabilities of UK banks [1] and certain other institutions (which had each risen by around £23,000 million in the previous year) each rose by only some £1,800 million in 1977; but after allowing for changes in exchange rates between sterling and other currencies, new business in 1977 amounted to roughly £10,000 million (only slightly less than the amount of new business generated in 1976). Within net external liabilities in foreign currencies, £500 million (net) was borrowed during 1977 to finance direct investment abroad; however, there was little net borrowing for portfolio investment.

### Public sector

The net external liabilities of *the public sector (excluding official financing items)* rose by over £2,000 million to £5,900 million after falling by £200 million in 1976. Over £1,600 million of this increase is accounted for by a rise in foreign holdings of gilt-edged stocks. Private overseas residents invested nearly £1,000 million in this way last year, a record figure nearly ten times larger than in 1976, the previous highest year, and roughly double the total net purchases of gilt-edged stocks by private overseas residents during the previous decade. The reasons for this spectacular increase are not difficult to pinpoint: very attractive yields, the prospect of capital gains as interest rates in the United Kingdom fell, and the likelihood of exchange rate profits as pressure built up for an appreciation of sterling. A large proportion of these purchases was of long-dated stocks, which showed the highest capital appreciation over the year. The valuation increase on stocks held by central monetary institutions was rather less marked, and over the year their net purchases were negligible. As far as the official holders of sterling are concerned, however, it must be remembered that in April 1977 the UK Government issued £395 million of foreign currency bonds; this issue, which was designed to reduce further the international reserve rôle of sterling, was financed from overseas monetary authorities' holdings of sterling assets.

Another new development was the large loan (\$785 million drawn in 1977) raised abroad for the British National Oil Corporation, which was the chief component of the £580 million rise in 'other borrowing abroad by public corporations'. Partly offsetting these increases in public sector

[1] Lending in foreign currencies to the Government, and to public sector bodies under the exchange cover scheme, is classified as official financing, and its counterpart in the banks' liabilities is thus excluded from these figures.

**Table D**  
**Overseas investment in British government stocks**

£ millions	By overseas monetary authorities	By other holders
Market value:		
End-1976	1,145	1,050
End-1977	1,330	2,490
Change in 1977	+ 185	+1,440
of which:		
Transactions	+ 5	+ 980
Valuation	+ 180	+ 460

liabilities, net indebtedness in respect of inter-government loans fell by £380 million: roughly £300 million of this amount reflected the reduction in sterling terms of the US and Canadian post-war loans, owing to sterling's heavy appreciation against the US and Canadian dollars (13% and 22% respectively) during the year; the remainder reflects repayments.

The recovery of confidence in the exchange markets, and the United Kingdom's improved position on current account, led to a massive inflow of capital in 1977. For much of the year, the authorities were content to limit the appreciation of the exchange rate and to take the inflow into the *official reserves*. From their very depleted end-1976 position the reserves increased by £8,500 million to a new record level of £11,000 million. *Official financing* liabilities still rose, however, though largely in the early part of the year. The Government drew the whole of a medium-term loan of \$1½ billion raised on their behalf by a group of UK and foreign banks, and also amounts totalling SDR 1,640 million from the International Monetary Fund — consisting of the remainder of the first credit tranche (SDR 315 million), the whole of the second credit tranche (SDR 1,015 million) and part of the third credit tranche (SDR 310 million). Overall, these borrowings totalled £2,000 million, although the increase over the year in the amounts outstanding in sterling terms was only £1,600 million. Net foreign currency borrowing by the public sector under the exchange cover scheme brought in a further £240 million, albeit not a large figure compared with the £1,800 million borrowed in 1976, but the sterling value outstanding at the end of the year was some £200 million lower at £5,650 million.

In spite of the rise in official financing liabilities, the exceptional increase in the reserves turned a net official financing liability in 1976 into a net asset position of over £1,100 million at end-1977.

**Table E**  
**Amounts outstanding of foreign currency borrowing by public sector bodies under the exchange cover scheme**

£ millions	1974	1975	1976	1977
Foreign currency borrowed through UK banks by:				
Public corporations	1,131	1,312	1,988	1,745
Local authorities	381	415	450	399
Foreign currency securities issued by:				
Public corporations	316	585	1,506	1,476
Local authorities	101	159	210	192
Other borrowing abroad by:				
Public corporations	354	653	1,641	1,772
Local authorities	49	47	56	72
<b>Total</b>	<b>2,332</b>	<b>3,171</b>	<b>5,851</b>	<b>5,656</b>

Table F

## UK external assets and liabilities

£ millions

## External assets

End:	1974	1975	1976	1977
<b>Private sector</b>				
Private UK investment abroad:				
Direct investment (excluding oil, insurance and banking) [a]	10,120	11,520	14,400	14,700
Oil companies' net assets abroad [a]	2,600	3,000	3,600	3,750
Banks' and insurance companies' direct investment in the United States [b]	365	470	680	650
Portfolio investment [c]	5,400	6,900	8,650	7,300
<b>Total private investment abroad</b>	<b>18,485</b>	<b>21,890</b>	<b>27,330</b>	<b>26,400</b>
<b>UK banks' assets:</b>				
Advances and overdrafts in:				
Sterling	817	816	1,056	1,083
Foreign currencies	43,275	58,163	80,753	82,536
Commercial bills discounted	3,524	4,215	5,216	5,799
Suppliers' trade credit on exports	2,439	2,585	3,137	3,000
Advance and progress payments on imports by UK businesses	354	248	273	217
Other identified assets held abroad by UK companies	270	140	185	185
<b>Total banking and commercial claims</b>	<b>50,680</b>	<b>66,165</b>	<b>90,620</b>	<b>92,820</b>
<b>Total external assets of the private sector</b>	<b>69,165</b>	<b>88,055</b>	<b>117,950</b>	<b>119,220</b>
<b>Public sector</b>				
Inter-government loans by the United Kingdom	1,152	1,231	1,248	1,242
Subscriptions to international financial organisations (excluding the IMF)	555	662	764	831
Other official assets	249	284	300	326
<b>Total public sector lending etc.</b>	<b>1,956</b>	<b>2,177</b>	<b>2,312</b>	<b>2,400</b>
<b>Total official reserves</b>	<b>2,955</b>	<b>2,700</b>	<b>2,485</b>	<b>10,975</b>
<b>Total external assets of the public sector</b>	<b>4,911</b>	<b>4,877</b>	<b>4,797</b>	<b>13,375</b>
<b>Total of identified external assets</b>	<b>74,076</b>	<b>92,932</b>	<b>122,747</b>	<b>132,595</b>

[a] Estimated book value of net assets.

[b] Derived from US Department of Commerce estimates; these include market valuation of securities held by branches and subsidiaries of UK insurance companies.

[c] At estimated market value.

## External liabilities

	End:	1974	1975	1976	1977
<b>Private sector</b>					
Overseas investment in the UK private sector:					
Direct investment (excluding oil, insurance and banking) [a]		6,585	7,030	7,650	8,500
Overseas oil companies' net assets in the United Kingdom [a]		2,900	3,850	4,700	5,850
Portfolio investment in UK companies' sterling securities [c]		1,150	2,390	2,410	3,560
Portfolio investment in UK companies' foreign currency securities [c]		475	610	970	1,160
Direct borrowing abroad by UK companies		1,435	1,810	2,350	2,570
Total overseas investment in the private sector		12,545	15,690	18,080	21,640
UK banks' liabilities in:					
Sterling		4,082	4,566	4,189	5,787
Foreign currencies [d]		45,654	60,657	83,691	85,481
Suppliers' trade credit on imports		1,611	1,824	2,259	2,231
Advance and progress payments on exports by overseas customers		946	1,180	1,414	1,683
Total banking and commercial liabilities		52,295	68,225	91,555	95,180
<b>Total external liabilities of the private sector</b>		<b>64,840</b>	<b>83,915</b>	<b>109,635</b>	<b>116,820</b>
<b>Public sector</b>					
Inter-government loans to the United Kingdom		1,823	2,021	2,390	2,017
Overseas investment in the UK public sector:					
British government stocks held by: [c]					
Overseas monetary authorities		1,055	1,145	1,145	1,330
Others		760	930	1,050	2,490
British government foreign currency bonds		—	—	—	393
Local authorities' securities and mortgages		100	100	115	145
Foreign currency securities issued by:					
Public corporations [c] [e]		136	174	296	317
Local authorities [c] [e]		34	45	71	74
Other borrowing abroad by:					
Public corporations [e]		118	189	246	827
Local authorities [e]		3	3	3	8
Overseas holdings of Treasury bills and notes [f]		1,752	1,288	672	652
Overseas deposits with local authorities		247	332	159	28
Total public sector borrowing (other than official financing)		6,030	6,225	6,145	8,280
Official financing liabilities:					
Net drawings on the IMF excluding gold tranche*		—	—	1,160	2,129
Foreign currency borrowing by the Government		638	1,235	1,469	2,085
Foreign currency borrowing by public sector bodies under the exchange cover scheme		2,332	3,171	5,851	5,656
Total official financing liabilities		2,970	4,405	8,480	9,870
<b>Total external liabilities of the public sector</b>		<b>9,000</b>	<b>10,630</b>	<b>14,625</b>	<b>18,150</b>
<b>Total of identified external liabilities</b>		<b>73,840</b>	<b>94,545</b>	<b>124,260</b>	<b>134,970</b>
* Total net drawings on the IMF		258	229	1,638	2,575
Gold tranche		258	229	478	446

[d] Excludes borrowing by UK banks on behalf of the Government, and of other public bodies under the Treasury's exchange cover scheme, which is included under official financing liabilities.

[e] Excludes borrowing under the Treasury's exchange cover scheme.

[f] Excludes official financing liabilities.

## Notes and definitions

Assets and liabilities denominated in overseas currencies are valued at the exchange rates ruling at the time. All sub-totals and many of the individual items, are rounded to the nearest £5 million.

### Assets

#### Private sector

##### *Direct investment*

This represents investment by UK companies in their overseas branches, subsidiaries and associates. The figures are based on the Department of Trade's surveys, the most recent of which relates to 1974, covering total net asset values attributable to investing companies, i.e. book values of fixed assets less accumulated depreciation provisions, plus current assets, less current liabilities. Book values of fixed assets acquired some years ago may differ considerably from current market or replacement values, and in individual cases may be quite unrealistic. However, only book values are readily available. Also, the effect of sterling's depreciation or appreciation against other currencies on the value of overseas assets as shown in UK companies' books cannot be evaluated precisely, because companies have in the past adopted different methods of valuation.

Estimates for 1975, 1976 and 1977 have been extrapolated by the Department from end-1974 figures, by adding investment flows in each year and making an adjustment for changes in sterling's exchange rate. The results of previous surveys show that this method tends to overestimate, perhaps because companies write down assets during the period. So on this occasion, the figures for 1975, 1976 and 1977 have been written down somewhat in an attempt to eliminate any overestimation.

##### *Oil companies' net assets abroad*

The estimates are approximate book values of the net external assets of UK oil companies, and include the Shell Transport and Trading Company's 40% share of the net assets of the Royal Dutch/Shell Group outside the United Kingdom. The treatment of fixed assets varies, but an attempt has been made to allow for sterling's depreciation or appreciation against other currencies.

##### *Banks' and insurance companies' direct investment in the United States*

The 1977 estimate is an extrapolation from the previous year's figure. The figures for this series, derived from US Department of Commerce estimates, differ from those published last year because of technical revisions to the series (involving a benchmark change and changes in definitions).

##### *Portfolio investment*

Estimates of the value of UK portfolio investment overseas are based on surveys, and exchange control information compiled mainly for measuring capital flows; broad adjustments have been made to allow for deficiencies of coverage, and changes in the market values resulting from price fluctuations have been estimated. The resultant total is accordingly an imprecise estimate, the full composition and geographical distribution of which are not known. Recent refinements to the methods used in calculating the estimates have resulted in upward revisions to the figures published in last year's article.

##### *UK banks' assets*

The assets included in this group consist of claims by banks and certain other financial institutions on non-residents. 'Commercial bills discounted' excludes bills drawn by UK residents and lodged with banks for collection (which are covered instead by 'suppliers' trade credit on exports'); sterling — but not foreign currency — acceptances are included.

##### *Suppliers' trade credit on exports*

This comprises trade credit extended by UK traders to overseas concerns other than affiliates or parent companies. Trade credit extended to parent companies and affiliates overseas is included under direct investment.

##### *Other identified assets held abroad by UK companies*

These represent the working balances of various UK companies held direct with banks abroad. The figures are partly estimated.

#### Public sector

##### *Official reserves*

From July 1972, the figures include, where applicable, the reserve position in the International Monetary Fund. Gold is valued at the official price of \$42.2222 per fine ounce. All foreign currencies have been converted into sterling at end-year middle market rates. This differs slightly from the series published monthly where foreign currencies other than the US dollar are converted into US dollars at parity or central rates, and the resulting total is

then converted into sterling at the middle market rate ruling at the end of the period.

##### *Other official assets*

These comprise other overseas assets of the central government, including holdings of Suez Finance Company shares, and of such official organisations as the Commonwealth Development Corporation and the UK Atomic Energy Authority.

### Liabilities

#### Private sector

##### *Direct investment*

This represents investment by companies incorporated abroad in their UK branches, subsidiaries and associates. The estimates are based on book values and are comparable with those for outward direct investment. Estimates for 1975, 1976 and 1977 have been extrapolated (from 1974 figures) by the Department of Trade and take account solely of annual flows; no adjustment has been made to take account of any revaluations in companies' books.

##### *Overseas oil companies' net assets in the United Kingdom*

The estimated book value of assets includes the 60% share of the net assets of the Royal Dutch/Shell Group in the United Kingdom owned by the Royal Dutch Petroleum Company.

##### *Portfolio investment in UK companies' sterling securities*

The market value of inward portfolio investment in listed ordinary shares has been obtained from the Department of Industry's survey of UK company share registers at end-1975, adjustments being made to exclude holdings of a direct investment nature. An estimate of holdings of debentures and preference shares has then been added. The result has been used as a benchmark for subsequent years, the estimates for which are calculated by applying changes in market values and adding or subtracting transactions.

##### *Portfolio investment in UK companies' foreign currency securities*

Issues abroad by oil companies are not covered in this item: they are deducted instead from 'oil companies' net assets abroad'.

##### *Direct borrowing abroad by UK companies*

The figures for borrowing outside the Scheduled Territories — whether for the purchase of foreign currency securities, or direct investment abroad, or for use in the United Kingdom — are derived from information supplied to the UK exchange control. Borrowing of overseas currencies from banks in the United Kingdom is excluded.

##### *UK banks' liabilities*

These figures, which relate to banks and certain other financial institutions, are in line with the figures now included in Tables 19 and 20 in the statistical annex, except that borrowing by UK banks to finance the Government's \$2.5 billion and \$1.5 billion loans and loans to other public sector bodies under the Treasury's exchange cover scheme are included in 'official financing liabilities'. Commercial bills for imports drawn on UK residents and lodged with UK banks by non-residents are included in 'suppliers' trade credit on imports'.

##### *Suppliers' trade credit on imports*

This comprises trade credit received on imports from non-residents, other than affiliates or parents. Trade credit received from affiliates or parents overseas is included under direct investment.

#### Public sector

##### *British government stocks*

The figures comprise British government stocks and government-guaranteed stocks of nationalised industries. The market values are estimated from an analysis of the stock registers at the Bank of England. No detailed geographical distribution is available. Overseas monetary authorities comprise central monetary institutions and international organisations (other than the IMF). The figures of stocks held by this group are based on estimated end-year valuations; they differ slightly from the figures in Table 19 in the statistical annex, which are based on a valuation at mid-November, adjusted for flows (but not changes in market prices) in the final six weeks of the year.

##### *British government foreign currency bonds*

This represents the bonds denominated in US dollars, deutschemarks, Swiss francs and yen, which were sold to overseas official holders of sterling in April 1977 in order to help promote an orderly reduction in the international reserve rôle of sterling. The total sterling value of the bonds sold amounted to £395 million. (£393 million at middle market end-year rates as in Table F.)

*Local authorities' securities and mortgages*

The estimates relate mainly to amounts held directly by non-residents or lodged with the Crown Agents and banks in the United Kingdom. Information about holdings through other UK agents is not available.

*Foreign currency securities issued by public corporations and local authorities*

These figures represent issues outstanding which are not covered by the Treasury's exchange cover scheme. Each issue has been valued at the end-year market price and then converted into sterling at end-year middle market rates. Any holdings of public sector foreign currency bonds by UK residents have been excluded.

*Other borrowing abroad from banks etc. by public corporations and local authorities*

These figures comprise borrowings, net of repayments, which are not covered by the Treasury's exchange cover scheme, expressed in sterling at end-year exchange rates. Any foreign currency borrowing from UK banks is excluded.

*Net drawings on the IMF*

This comprises drawings on the International Monetary Fund, less repayments, less other countries' net purchases of sterling from the Fund. Sterling liabilities to the IMF resulting from the UK sterling subscription are excluded, as is the sterling subscription from the assets side.

*Foreign currency borrowing by the Government*

This represents drawings under the \$2.5 billion facility announced in the March 1974 Budget and the \$1.5 billion facility taken up last year, and includes borrowing from both UK and overseas banks. Total drawings have been valued at the end-year middle market exchange rate.

*Foreign currency borrowing by public sector bodies under the exchange cover scheme*

This includes foreign currency borrowed through UK banks, the issue of foreign currency securities, and other borrowings abroad from banks etc., by public corporations and local authorities: details are given in Table E. Each issue has been valued at the end-year market price. Any holdings of public sector foreign currency bonds by UK residents (other than banks) have been excluded. Conversions from all currencies into sterling are at end-year middle market rates. (These estimates differ slightly from other published figures, where issues are included at nominal prices, and where currencies other than the US dollar are converted into US dollars at parity or central rates, and the resulting total is then converted into sterling at the middle market exchange rate ruling at the end of the period.)