

Sector financing: 1977

This article reviews the main developments in the flow of funds between sectors of the economy in 1977. [1]

As the chart and the table below show, the main changes from the previous year in the sectoral surpluses and deficits were the marked reduction in the public sector deficit and the elimination of the surplus of the overseas sector, mirroring the swing from deficit to balance on the current account of the balance of payments. The personal sector surplus rose by 8% in nominal terms, but fell slightly in real terms, while the increase in the annual deficit of industrial and commercial companies concealed a change from large deficit in the first half-year to small surplus in the second. The figures show a larger deficit for financial companies (mainly because of higher fixed investment); identified financial transactions, however, which are probably a more reliable guide for this sector in particular, suggest an improvement in their position.

Sector surpluses and deficits in 1976 and 1977

£ billions	Public sector	Overseas sector	Personal sector	Industrial and commercial companies	Financial companies (including banks)	Residual error
1976	-8.4	+1.1	+8.2	-1.0	-0.9	+1.0
1977	-5.7	—	+8.9	-1.8	-1.4	—

Public sector

The public sector deficit fell as a proportion of GDP at market prices from just under 7% in 1976 to just over 4% in 1977. The public sector borrowing requirement (PSBR) fell even more — from 7 $\frac{3}{4}$ % of GDP in 1976 to just over 4%.

The fall of £2.7 billion in the public sector deficit was divided fairly evenly between the central government and public corporations. The central government had a smaller deficit on current account and spent less on fixed-capital formation, partly reflecting, no doubt, the expenditure cuts announced in December 1976 as well as the continued enforcement of cash limits on expenditure. The public corporations achieved an increase in their trading surpluses of some £0.7 billion, while the value of their stocks increased by £0.5 billion less than in 1976.

The fall of £3.7 billion in the PSBR reflected not only the reduction in the public sector deficit but also the Government's sale of British Petroleum shares and lower government lending under the export credit and shipbuilding finance arrangements. [2]

In spite of the much lower PSBR, there was no corresponding reduction in the scale of the sterling finance which the public sector had to raise at home: indeed this greatly increased. The explanation lies in the powerful recovery of external confidence in 1977. Whereas in 1976 external outflows had reduced the public sector's need to borrow domestically in sterling by £3 billion, in 1977 external inflows increased it by as much as £5.5 billion (see table). [3]

The authorities faced a domestic requirement for sterling finance of unprecedented size. At the same time, the conditions which had restored confidence to the foreign exchange market were also favourable for sales of gilt-edged stocks and other public sector debt. In particular, with the exchange rate strengthening and inflation decelerating, interest rates were falling throughout most of the year. As in 1976, the authorities were able to

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

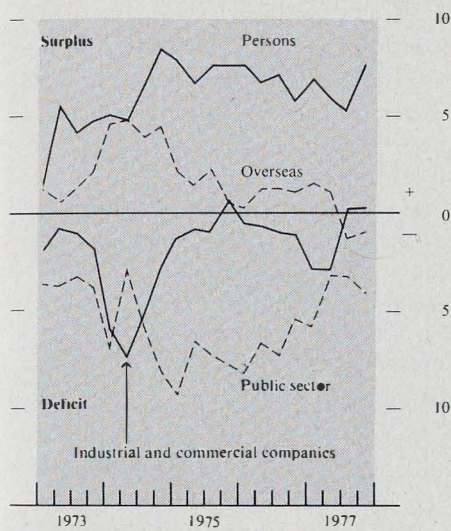
[2] See the article in the March *Bulletin*, page 61.

[3] The increase in the reserves was much greater than this (£9.6 billion) but £3.3 billion of this resulted from public sector foreign currency borrowing and £0.9 billion from foreign purchases of government debt.

Sector surpluses and deficits

Seasonally adjusted

Per cent of GDP at market prices



Financing of the public sector borrowing requirement

£ billions	1976	1977
1 Notes and coin	0.8	1.0
2 Bank borrowing in sterling	-0.2	1.8
3 Other domestic borrowing	5.8	8.4
4 External finance [a]	3.0	-5.5
5 (= 1 + 2 + 3 + 4) Public sector borrowing requirement	9.4	5.7
6 (= 5 - 4) Requirement for domestic sterling finance	6.4	11.2

[a] Includes borrowing in foreign currency from UK banks.

sell over £5 billion of gilt-edged stocks to the non-bank private sector. With competing interest rates falling more rapidly, they were also able to attract considerable sums into national savings and certificates of tax deposit. Inflows into national savings increased from £0.6 billion in 1976 to £1.3 billion, though almost half this amount was raised in the first quarter of 1977 as a result of the success of the special sixteenth issue of national savings certificates. The receipts of £0.6 billion from sales of certificates of tax deposit (to purchasers other than banks) represented the first substantial net receipts from these or comparable tax instruments since 1971.

In all, when sales of local authority debt and of Treasury bills are added, the authorities succeeded in raising over £8 billion from sales of public sector debt to the non-bank private sector, over £2 billion more than in 1976. To this extent, the expansionary effects of the borrowing requirement on the money supply were broadly neutralised. Such was the effect of the external inflows on the size of the requirement for sterling finance, however, that £2.8 billion still remained to be financed by other means: currency in circulation with the public rose by £1 billion and borrowing from the banking system by £1.8 billion.

Industrial and commercial companies

The financial deficit of industrial and commercial companies increased from £1 billion in 1976 to £1.8 billion in 1977. Undistributed income, excluding stock appreciation, rose from £6.2 billion to £7.8 billion, but this rise was more than offset by an increase in fixed investment from £7.7 billion to £9 billion, and a turn-round from destocking of £0.1 billion to stockbuilding of £0.8 billion. There was a marked contrast, however, between the two halves of the year. In the first half companies had a deficit of £1.9 billion, but this changed to a small estimated surplus of £0.1 billion in the second half. Gross trading profits were much the same in both half-years, but stock appreciation was lower in the second half when the cost of raw materials was falling. Gross trading profits less stock appreciation, rose from £5.9 billion in the first half-year to £7.1 billion in the second and, after tax payments and payments of interest, profits and dividends at home and overseas, undistributed income less stock appreciation rose from £3.5 billion to £4.3 billion. Moreover, in the second half-year companies reduced the volume of stocks by £0.3 billion after increasing them by £1.1 billion in the first.

Capital account of industrial and commercial companies

£ billions: *seasonally adjusted*

	1975	1976	1977				
	Year	Year	Year	1st qtr	2nd qtr	3rd qtr	4th qtr
Saving [a]	4.0	6.2	7.8	1.6	1.9	2.2	2.1
Capital transfers	0.4	0.4	0.2	0.1	0.1	—	—
Gross domestic fixed-capital formation (increase -)	-7.0	-7.7	-9.0	-2.1	-2.4	-2.3	-2.2
Physical change, increase (-)/fall (+) in stocks	1.9	0.1	-0.8	-0.5	-0.6	0.1	0.2
Financial deficit (-)	-0.6	-1.0	-1.8	-0.9	-1.0	0.1	0.1
[a] Excluding stock appreciation of:	4.1	5.2	3.5	1.5	1.0	0.6	0.5

The increase in the financial deficit of the sector as a whole as compared with 1976 concealed an estimated improvement of about £ $\frac{3}{4}$ billion in the position of oil companies on account of their North Sea activities: their gross trading profits rose sharply, whereas their capital expenditure and distributed income increased by less. Nevertheless, these companies are estimated to have remained in financial deficit, albeit a much smaller one than in 1976. Other companies, therefore, can be deduced to have moved from modest surplus in 1976 to a deficit of about £1 billion in 1977, though, as with the sector as a whole, this probably

disguised a movement from large deficit in the first half of the year to small surplus in the second.

Long-term investment abroad by industrial and commercial companies fell from £2 billion in 1976 to £1.5 billion in 1977, but purchases of securities from other domestic sectors, through take-overs or trade investments, rose by £0.2 billion. As a consequence of these changes and of the increase in their sectoral deficit, companies' financing requirement, as defined in Table E, rose by £0.5 billion to almost £4 billion.

The largest source of funds for industrial and commercial companies in 1977 (excluding funds generated internally within their own sector) was the overseas sector — further evidence of the impact of the recovery of sterling during the year. Overseas transactions provided £4.6 billion. However the net impact of overseas transactions was rather less than this (£3.1 billion) when account is taken of the £1.5 billion of outward investment referred to above. Direct overseas investment in the United Kingdom brought in £2.4 billion, favourable movements in international trade credit £0.5 billion, and other overseas transactions £1.7 billion. The last category consists of the unidentified inflows recorded under the balance of payments balancing item (£2.6 billion), which are attributed to industrial and commercial companies in the sector accounts, together with miscellaneous outflows for investment overseas not recorded elsewhere.

The other main sources of finance for companies were capital issues (at £0.8 billion little changed from the previous year) and bank borrowing, which rose by £2.9 billion. The increase in bank borrowing was slightly smaller (about 13%) than the 14½% increase in total final expenditure (TFE) at market prices.

In spite of their large financing requirement, companies were able to add £2.5 billion to their liquid assets, including £1.9 billion in the form of bank deposits. Although they made unusually large purchases of certificates of tax deposit (£0.5 billion), and small purchases of gilt-edged stocks, these were offset by sales of local authority debt and of Treasury bills, so that their total holdings of public sector debt were virtually unchanged. As the chart shows, companies' overall liquidity, expressed as a percentage of turnover, was little changed in gross terms but net liquidity improved slightly, though this was mainly because of the rise in the exchange rate: companies' outstanding foreign currency borrowings from banks being greater than their holdings of foreign currency deposits, a rise in the exchange rate reduces their net liabilities in sterling terms.

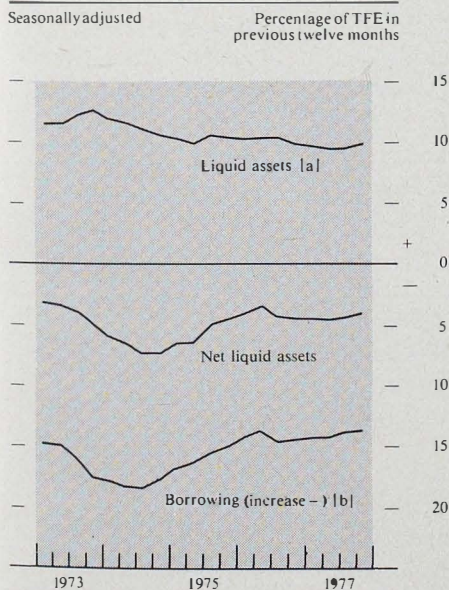
Personal sector

Personal disposable incomes are estimated to have risen by about 13% and consumer prices by about 14% between 1976 and 1977, so that real disposable incomes fell by about 1%. Consumers' expenditure followed a similar course, rising by 13% in nominal terms but falling by 1% in real terms. Consequently the saving ratio for the year as a whole was little changed at 14½%. In the last quarter of the year, however, when personal incomes were boosted by the tax changes and rebates introduced by the Chancellor in October and prices were rising more slowly, real disposable incomes rose by almost 5%. Because the increments to incomes from the tax rebates were not fully spent at once, the saving ratio also rose in the final quarter to about 16%.

Personal saving rose by £1.2 billion in the year as a whole. This was partly offset by an increase of £0.8 billion in housing and other capital expenditure. Allowing for this and for receipts from capital transfers, the personal sector surplus rose by just over £0.6 billion to £8.9 billion.

Bank borrowing other than for house purchase rose by £1.1 billion, or 18% — a rate of increase rather faster than that of consumers' expenditure. This fairly strong rise contrasted with the modest rise in the previous year and no doubt partly reflected the fall in the cost of borrowing as interest rates fell over the year and also, perhaps, the sharp increase in purchases

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.

of cars in the latter part of the year. Borrowing for house purchase rose by just under £4 billion, much the same as in 1976, but more strongly in the second half-year as the mortgage rate fell (from 12¼% at the start of the year to 9½% in the last quarter).

Personal sector deposits with building societies rose by as much as £5.7 billion in 1977, and the increase was particularly large in the final quarter (£2 billion). The societies reduced their share rate in May, July and November but, because of the fall in competing market rates, were able to maintain significant differentials in their own favour. The fall in competing market interest rates also partly explained persons' increased purchases of national savings, though the attractiveness, particularly to higher-rate taxpayers, of the sixteenth issue of national savings certificates [1] was also an important factor. Conversely, persons ran down their holdings of local authority debt slightly and increased their holdings of bank deposits by merely 3% — in sharp contrast to the rise of 22% in deposits with building societies.

This further enhanced the trend, noted in the Governor's speech of 18th May to the Building Societies Association (see page 245), whereby deposits with building societies have grown much more rapidly than bank deposits during the 1970s. In 1970 personal sector deposits with banks and with building societies each stood at just over £10 billion. By the end of 1977 personal sector deposits with banks had doubled, to £21.3 billion, but those with building societies had trebled, to £31.5 billion.

Purchases of gilt-edged stocks by the personal sector were much smaller (£0.8 billion) than in 1976, when, however, they had been exceptionally large (£1.7 billion). Persons also sold more equities and debentures (£2 billion) than they had in 1976 (£1.3 billion), including unusually large sales of overseas securities (£0.6 billion — see Table K). This continued a trend of net selling of UK company and overseas securities by the personal sector which has gone on since figures were first recorded in the early 1950s. Persons have preferred to invest in company securities indirectly through the medium of financial institutions, because of the tax advantages and the spreading of risks. The main intermediaries have been the life assurance and pension funds. Contributions to those funds increased in 1977 by £0.8 billion to £6.5 billion, a rise of 14% — slightly faster than the rise in personal disposable incomes.

Persons tilted the balance of their acquisitions of financial assets more towards liquid assets in 1977, and their holdings of liquid assets rose at a slightly faster rate than disposable incomes. Consequently gross liquidity as a proportion of personal disposable incomes rose slightly. Because of the rise in persons' short-term borrowing, however, net liquidity remained virtually unchanged (see chart).

Other financial institutions

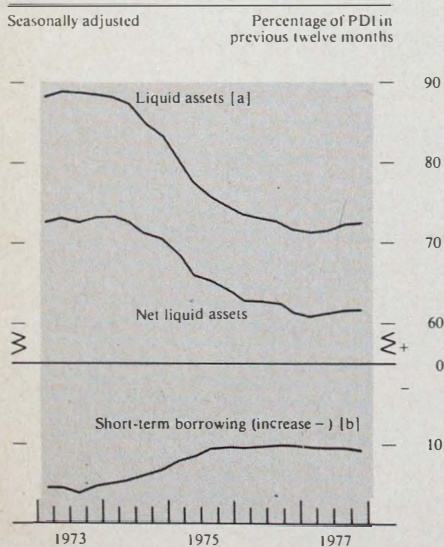
Inflows into these institutions as a whole amounted to over £13 billion, 33% more than in the previous year. Contributions to life assurance and pension funds (£6.3 billion) remained the largest component, but were almost overhauled by the net inflows of £5.8 billion received by the building societies, which were no less than £2.4 billion greater than in 1976. Deposits with the investment accounts of the national and trustee savings banks increased by £0.6 billion (see Table H); capital issues and sales of unit trust units raised only small amounts; and borrowing from banks increased by little more than in 1976.

Because their net receipts rose most rapidly in the last four months of the year, and because it takes time to convert new receipts into new mortgages, building societies' mortgage lending did not rise as fast as their receipts. Their mortgage loans outstanding rose by the less exceptional, though still large, amount of £3.8 billion, slightly more than in 1976. The societies' holdings of liquid assets consequently rose by £2.3 billion, [2] including acquisitions of £0.6 billion gilt-edged stocks

[1] Available for a limited period up to the end of March 1977.

[2] This figure allows for additions to reserves of £0.3 billion.

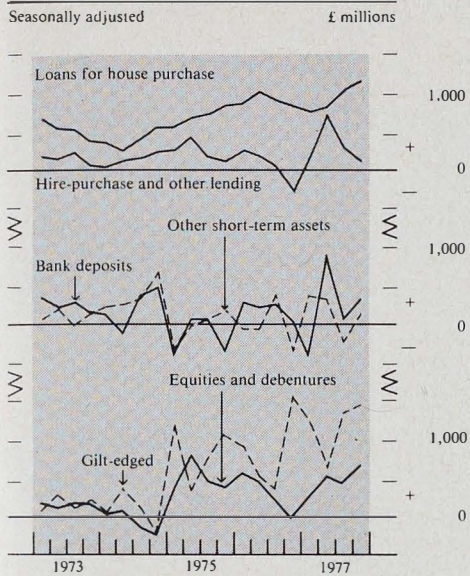
Personal sector liquidity



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

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

Acquisition of assets by other financial institutions



and £1.1 billion other public sector (mainly local authority) debt. The societies' average liquidity ratio rose from 18.2% in December 1976 to 21.2% in December 1977.

The financial institutions as a whole invested heavily in gilt-edged stocks in 1977, increasing their purchases from £3.3 billion in 1976 to £4.6 billion (see chart). Within this total, insurance companies and pension funds combined bought £3.3 billion; purchases were heaviest in the first quarter when yields, though falling, were at their highest, but, after a lull in the second quarter, were also substantial in the last two quarters. With share prices rising fairly steadily throughout most of the year, both insurance companies and pension funds also bought more equities in 1977 (£2 billion compared with £1.3 billion in 1976). Having committed so much of their funds to purchases of long-term securities, both pension funds and insurance companies added virtually nothing to their holdings of liquid assets.

The heavy purchases of gilt-edged stocks by insurance companies and pension funds in each of the last three years, together with the appreciation in market values in 1977, have increased the share of such stocks in their portfolios steeply. Precisely accurate comparisons cannot be made because balance-sheet figures are not yet available for 1977. Moreover, those for insurance companies would in any case be complicated by the change in the basis of valuation of their assets from book values to market values which was introduced in 1976. A provisional estimate can, however, be made for the pension funds. This suggests that the share of gilt-edged stocks in their portfolios rose from 13% at the end of 1974 to about 22% at the end of 1977. This would be the highest share which pension funds had allotted to gilt-edged stocks since 1963.

New institutional investment in land and property (which is treated as capital expenditure in the national income accounts) amounted to about £1 billion, about the same as in the previous year.

Banking sector

Total domestic bank lending grew by 14% in 1977, broadly in line with total final expenditure. Lending to the public sector rose somewhat faster (16%) than lending to the private sector (13%), accelerating sharply in the second half of the year as the need to finance external inflows increased. Within the private sector, lending to persons grew more rapidly (17%) than lending to industrial and commercial companies (13%) and financial institutions (10%).

Domestic bank deposits increased by 10%. In contrast to the pattern of bank lending, deposits by industrial and commercial companies (17%) and by financial institutions (16%) rose much more rapidly than deposits by the personal sector (3%). Most of the rise in deposits by industrial and commercial companies occurred in the second half of the year, reflecting both the improvement in their financial position and the inflows from overseas in that period.

Thus the movements in bank lending and in bank deposits, like the financing of the public sector and of industrial and commercial companies, were strongly influenced by the huge external inflows experienced during the year. These naturally also affected the growth of the main monetary aggregates. The restoration of financial confidence and improvement in inflationary expectations which occurred in 1977 enabled the authorities to achieve sales of public sector debt on a scale which offset the bulk of the domestic borrowing requirements of both the public and private sectors. Hence, domestic credit expanded by the very low figure of £1.2 billion. But, mainly in reflection of the external inflows, sterling M_3 grew more rapidly, by £4.1 billion. This represented a rate of growth of 10% (similar to that of its main component, bank deposits). Gross domestic product (in nominal terms), however, increased by rather more than this, so that the velocity of sterling M_3 rose.

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									
1973	+ 2,203	+26,430	-13,269	-12,086	+ 3,278	- 5	- 5,721	- 171	-2,619
1974	+ 2,686	+32,948	-16,591	-16,360	+ 2,683	- 18	- 7,188	- 375	-4,898
1975	+ 3,218	+42,227	-22,908	-20,497	+ 2,040	- 85	- 8,926	- 952	-7,923
1976	+ 4,649	+49,463	-26,514	-24,769	+ 2,829	-166	-10,169	- 859	-8,365
1977	+ 5,335	+56,621	-29,101	-28,552	+ 4,303	-187	- 9,400	- 404	-5,688
1976 3rd qtr	+ 1,235	+12,330	- 6,768	- 6,301	+ 496	- 40	- 2,447	- 289	-2,280
4th ..	+ 1,253	+13,286	- 6,884	- 6,618	+ 1,037	- 53	- 2,573	- 147	-1,736
1977 1st qtr	+ 1,407	+13,432	- 6,945	- 6,921	+ 973	- 88	- 2,523	- 297	-1,935
2nd ..	+ 1,279	+14,179	- 7,268	- 7,057	+ 1,133	- 69	- 2,256	+ 89	-1,103
3rd ..	+ 1,374	+14,482	- 7,440	- 7,162	+ 1,254	- 15	- 2,286	- 123	-1,170
4th ..	+ 1,275	+14,528	- 7,448	- 7,412	+ 943	- 15	- 2,335	- 73	-1,480
Overseas sector [d]									
1973					+ 883	+ 59			+ 942
1974					+ 3,515	+ 75			+ 3,590
1975					+ 1,614	—			+ 1,614
1976					+ 1,107	—			+ 1,107
1977					+ 35	—			+ 35
1976 3rd qtr					+ 377	—			+ 377
4th ..					+ 338	—			+ 338
1977 1st qtr					+ 505	—			+ 505
2nd ..					+ 364	—			+ 364
3rd ..					- 483	—			- 483
4th ..					- 351	—			- 351
Personal sector									
1973	+43,571	+19,521	-45,204	-11,809	+ 6,079	-325	- 2,172	- 749	+2,833
1974	+52,738	+23,382	-51,962	-15,516	+ 8,642	-324	- 2,237	- 958	+5,123
1975	+68,674	+28,210	-63,303	-22,032	+11,549	-302	- 3,169	- 497	+7,581
1976	+78,624	+33,762	-73,424	-26,098	+12,864	- 64	- 3,591	- 983	+8,226
1977	+86,314	+38,891	-83,239	-27,857	+14,109	+ 83	- 4,199	-1,134	+8,859
1976 3rd qtr	+20,010	+ 8,366	-18,646	- 6,324	+ 3,406	- 15	- 903	- 278	+2,210
4th ..	+20,541	+ 8,913	-19,394	- 6,960	+ 3,100	+ 27	- 975	- 312	+1,840
1977 1st qtr	+20,972	+ 9,472	-19,890	- 7,026	+ 3,528	+ 33	- 894	- 380	+2,287
2nd ..	+21,229	+ 9,436	-20,325	- 7,069	+ 3,271	+ 21	- 1,007	- 294	+1,991
3rd ..	+21,679	+ 9,738	-21,314	- 6,977	+ 3,126	+ 24	- 1,054	- 230	+1,866
4th ..	+22,434	+10,245	-21,710	- 6,785	+ 4,184	+ 5	- 1,244	- 230	+2,715
Industrial and commercial companies									
1973	+ 9,915	+ 3,223		- 5,824	+ 7,314	+347	- 4,826	-3,809	- 974
1974	+11,205	+ 3,691		- 7,355	+ 7,541	+333	- 6,048	-6,119	-4,293
1975	+11,546	+ 3,245		- 6,627	+ 8,164	+403	- 6,961	-2,204	- 598
1976	+14,553	+ 4,186		- 7,282	+11,457	+359	- 7,744	-5,100	-1,028
1977	+16,501	+ 3,997		- 9,136	+11,362	+246	- 9,014	-4,352	-1,758
1976 3rd qtr	+ 3,737	+ 1,094		- 1,781	+ 3,050	+ 80	- 2,089	- 1,329	- 288
4th ..	+ 4,202	+ 1,175		- 2,120	+ 3,257	+ 88	- 1,982	- 1,705	- 342
1977 1st qtr	+ 4,209	+ 1,109		- 2,355	+ 2,963	+ 85	- 2,053	- 1,943	- 948
2nd ..	+ 4,098	+ 1,043		- 2,179	+ 2,962	+ 85	- 2,460	- 1,583	- 996
3rd ..	+ 4,142	+ 961		- 2,305	+ 2,798	+ 30	- 2,260	- 493	+ 75
4th ..	+ 4,052	+ 884		- 2,297	+ 2,639	+ 46	- 2,241	- 333	+ 111
Financial institutions									
1973	- 818	+ 5,863		- 4,163	+ 882	- 76	- 1,356	+ 58	- 492
1974	- 1,550	+ 7,754		- 5,421	+ 783	- 66	- 1,445	+ 13	- 715
1975	- 1,778	+ 8,182		- 5,725	+ 679	- 16	- 1,652	- 45	-1,034
1976	- 2,110	+ 9,945		- 6,566	+ 1,269	-129	- 2,024	- 24	- 908
1977	- 2,070	+10,108		- 6,864	+ 1,174	-142	- 2,448	+ 40	-1,376
1976 3rd qtr	- 537	+ 2,513		- 1,589	+ 387	- 25	- 570	+ 2	- 206
4th ..	- 559	+ 2,950		- 1,952	+ 439	- 62	- 543	+ 1	- 165
1977 1st qtr	- 510	+ 2,754		- 1,838	+ 406	- 30	- 522	+ 2	- 144
2nd ..	- 515	+ 2,498		- 1,699	+ 284	- 37	- 529	+ 28	- 254
3rd ..	- 520	+ 2,510		- 1,662	+ 328	- 39	- 761	- 16	- 488
4th ..	- 525	+ 2,346		- 1,665	+ 156	- 36	- 636	+ 26	- 490

— 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 notes to Tables L, M and N (line 5).

Table B
Flow of funds: public sector

£ millions

Seasonally adjusted

	1973	1974	1975	1976	1977	1976		1977				1978
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr
Capital expenditure	+ 5,892	+ 7,563	+ 9,878	+ 11,028	+ 9,804	+ 2,736	+ 2,720	+ 2,820	+ 2,167	+ 2,409	+ 2,408	
less Saving	- 3,278	- 2,683	- 2,040	- 2,829	- 4,303	- 496	- 1,037	- 973	- 1,133	- 1,254	- 943	
less Capital transfers (net)	+ 5	+ 18	+ 85	+ 166	+ 187	+ 40	+ 53	+ 88	+ 69	+ 15	+ 15	
<i>equals</i> Financial surplus—/deficit+	+ 2,619	+ 4,898	+ 7,923	+ 8,365	+ 5,688	+ 2,280	+ 1,736	+ 1,935	+ 1,103	+ 1,170	+ 1,480	
Lending and other transactions (increase in assets +) [a]	+ 1,553	+ 1,720	+ 2,267	+ 1,465	+ 457	+ 95	+ 324	+ 638	- 77	- 109	+ 5	
Unidentified	+ 23	- 244	+ 331	- 641	- 221	- 112	- 434	- 558	+ 624	+ 9	- 296	
Borrowing requirement (increase +)	+ 4,195	+ 6,374	+ 10,521	+ 9,189	+ 5,924	+ 2,263	+ 1,626	+ 2,015	+ 1,650	+ 1,070	+ 1,189	
Financed by (borrowing -): †												
Central government:												
External transactions	+ 547	- 979	- 189	- 1,283	+ 7,125	- 168	+ 294	+ 1,886	+ 688	+ 2,675	+ 1,876	- 159
Notes and coin with the public	- 305	- 709	- 814	- 811	- 985	- 273	- 57	- 231	- 214	- 211	- 326	- 278
Bank borrowing	- 1,219	- 599	- 2,376	+ 44	- 1,913	- 682	+ 711	- 318	- 535	- 571	- 492	- 105
Other domestic transactions [b]	- 1,344	- 1,204	- 4,997	- 4,736	- 8,690	- 685	- 1,808	- 2,846	- 1,463	- 2,146	- 2,235	- 846
Local authorities:	- 2,321	- 3,491	- 8,376	- 6,786	- 4,463	- 1,808	- 860	- 1,509	- 1,524	- 253	- 1,177	- 1,388
External finance	- 317	+ 78	- 105	+ 160	+ 80	+ 53	- 20	- 3	+ 109	- 8	- 18	- 63
Bank borrowing	- 21	+ 175	- 865	- 11	- 397	- 30	+ 82	- 90	+ 198	- 377	- 128	- 334
Other domestic borrowing [c]	- 1,010	- 2,377	- 684	- 1,279	+ 87	- 202	- 456	- 331	+ 24	- 15	+ 409	
Public corporations:	- 1,348	- 2,124	- 1,654	- 1,130	- 230	- 179	- 394	- 424	+ 331	- 400	+ 263	
External finance	- 136	- 600	- 447	- 1,446	- 1,038	- 350	- 301	- 145	+ 518	- 162	- 213	+ 62
Domestic borrowing [c] [d]	- 390	- 159	- 44	+ 173	- 193	+ 74	- 71	+ 63	+ 61	- 255	- 62	
Total net borrowing	- 4,195	- 6,374	- 10,521	- 9,189	- 5,924	- 2,263	- 1,626	- 2,015	- 1,650	- 1,070	- 1,189	

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

Central government:												
From UK banks		- 506	- 314	- 28	- 729	- 28	-	- 506	-	- 249	+ 26	+ 3
Direct from overseas		- 138	- 109	+ 28	- 142	+ 28	-	- 78	-	- 38	- 26	- 3
Payments under the exchange cover scheme [e]		-	+ 8	+ 54	+ 17	+ 1	+ 1	+ 4	-	+ 2	+ 11	- 10
Local authorities:												
From UK banks	- 88	- 270	+ 21	+ 24	+ 3	+ 2	-	+ 2	-	-	+ 1	+ 26
Direct from overseas	- 134	- 52	- 16	+ 1	- 28	- 1	- 1	- 2	-	-	- 26	- 17
Receipts from central government under the exchange cover scheme [e]	-	-	- 4	- 13	-	-	-	-	-	-	-	- 6
Public corporations:												
From UK banks	- 745	- 325	+ 1	- 430	+ 44	- 132	- 205	+ 1	-	-	+ 43	+ 200
Direct from overseas	- 142	- 597	- 428	- 1,413	- 1,044	- 361	- 256	- 159	- 511	- 157	- 217	+ 62
Receipts from central government under the exchange cover scheme [e]	- 2	-	- 4	- 41	- 17	- 1	- 1	- 4	-	- 2	- 11	+ 16

- nil or less than £½ million.

- [a] Consisting principally of lending to overseas and private sectors (including refinancing of export credits), advance payments on imports by public corporations and their identified domestic trade credit, changes in bank deposits, and accruals adjustments (for definition, see the note on line 19 to Tables L, M and N).
- [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] Includes 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 +

	1973	1974	1975	1976	1977	1976		1977				1978
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr
Financial surplus +/- deficit -	+ 942	+ 3,590	+ 1,614	+ 1,107	+ 35	+ 377	+ 338	+ 505	+ 364	- 483	- 351	
Transactions with the UK private sector												
Investment flows:												
Transactions in company and overseas securities	+ 333	+ 1,031	- 19	+ 272	+ 422	+ 70	+ 211	+ 62	+ 153	+ 190	+ 17	
Miscellaneous private investment	- 510	+ 121	+ 393	- 279	+ 868	- 10	- 256	+ 333	+ 18	+ 354	+ 163	
Other transactions:												
Net external transactions by UK banks ^(b)	+ 1,560	+ 1,010	+ 1,248	- 291	+ 2,936	+ 146	+ 402	+ 1,296	- 497	+ 1,287	+ 850	- 686
Other identified	- 112	+ 232	- 94	- 700	- 248	- 13	- 97	+ 131	+ 126	- 593	+ 88	
Balancing item	+ 122	+ 260	- 54	+ 285	+ 2,596	- 117	+ 206	+ 579	+ 947	+ 832	+ 238	
	+ 1,393	+ 2,654	+ 1,474	- 713	+ 6,574	+ 76	+ 466	+ 2,401	+ 747	+ 2,070	+ 1,356	
Transactions with the UK public sector												
Lending etc. ^(c)	- 357	- 565	- 601	- 749	- 372	- 164	- 155	- 158	- 104	- 48	- 62	
External finance: ^(d)												
Central government	- 547	+ 979	+ 189	+ 1,283	- 7,125	+ 168	- 294	- 1,886	- 688	- 2,675	- 1,876	+ 159
Local authorities	+ 317	- 78	+ 105	- 160	- 80	- 53	+ 20	+ 3	- 109	+ 8	+ 18	+ 63
Public corporations	+ 136	+ 600	+ 447	+ 1,446	+ 1,038	+ 350	+ 301	+ 145	+ 518	+ 162	+ 213	- 62
	- 451	+ 936	+ 140	+ 1,820	- 6,539	+ 301	- 128	- 1,896	- 383	- 2,553	- 1,707	

(a) It has not been possible to include in this table the balance of payments estimates for the first quarter of 1978, 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

	1973	1974	1975	1976	1977	1976		1977				1978
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr
Saving	+ 6,079	+ 8,642	+ 11,549	+ 12,864	+ 14,109	+ 3,406	+ 3,100	+ 3,528	+ 3,271	+ 3,126	+ 4,184	
Capital transfers (net)	- 325	- 324	- 302	- 64	+ 83	- 15	+ 27	+ 33	+ 21	+ 24	+ 5	
Capital expenditure	- 2,921	- 3,195	- 3,666	- 4,574	- 5,333	- 1,181	- 1,287	- 1,274	- 1,301	- 1,284	- 1,474	
Financial surplus +/- deficit -	+ 2,833	+ 5,123	+ 7,581	+ 8,226	+ 8,859	+ 2,210	+ 1,840	+ 2,287	+ 1,991	+ 1,866	+ 2,715	
Borrowing (-)												
For house purchase	- 2,831	- 2,314	- 3,562	- 3,834	- 3,888	- 978	- 858	- 750	- 909	- 1,046	- 1,183	
Bank borrowing ^(a)	- 1,027	- 24	+ 446	- 509	- 1,208	- 145	- 227	- 263	- 311	- 250	- 384	- 190
Instalment borrowing from retailers	- 112	+ 4	- 42	- 141	- 125	- 31	- 64	- 38	- 19	- 18	- 50	
Other ^(b)	- 345	- 53	- 132	- 372	- 251	- 18	- 254	- 226	+ 13	+ 20	- 38	
	- 4,315	- 2,387	- 3,290	- 4,856	- 5,472	- 1,172	- 1,403	- 1,277	- 1,226	- 1,294	- 1,675	
Acquisition of financial assets (+)												
Life assurance and pension funds	+ 3,369	+ 3,526	+ 4,686	+ 5,713	+ 6,523	+ 1,432	+ 1,381	+ 1,720	+ 1,620	+ 1,639	+ 1,544	
Government stocks	+ 743	+ 607	+ 1,006	+ 1,739	+ 834	+ 246	+ 1,097	+ 416	- 149	+ 484	+ 83	
Company and overseas securities	- 2,194	- 1,124	- 1,215	- 1,253	- 1,977	- 310	- 381	- 537	- 179	- 659	- 602	
Unit trust units	+ 162	+ 18	+ 101	+ 95	+ 19	+ 15	+ 24	- 16	- 9	+ 10	+ 34	
Bank deposits, notes and coin	+ 3,690	+ 3,327	+ 1,394	+ 1,541	+ 1,049	+ 857	+ 100	+ 294	+ 347	+ 307	+ 101	+ 764
Building society shares and deposits	+ 2,188	+ 1,969	+ 4,161	+ 3,301	+ 5,688	+ 705	+ 497	+ 923	+ 1,469	+ 1,323	+ 1,973	+ 1,454
National savings	- 102	- 17	+ 423	+ 592	+ 1,288	+ 147	+ 146	+ 567	+ 202	+ 177	+ 342	+ 367
Local authority debt	+ 356	+ 734	- 163	+ 290	- 9	- 21	+ 249	+ 301	- 95	- 106	- 109	
Other	+ 67	- 97	+ 240	+ 230	+ 767	+ 80	+ 24	+ 76	+ 153	+ 261	+ 277	
	+ 8,483	+ 8,943	+ 10,633	+ 12,248	+ 14,182	+ 3,151	+ 3,137	+ 3,744	+ 3,359	+ 3,436	+ 3,643	
Identified financial transactions	+ 4,168	+ 6,556	+ 7,343	+ 7,392	+ 8,710	+ 1,979	+ 1,734	+ 2,467	+ 2,133	+ 2,142	+ 1,968	
Unidentified	- 1,335	- 1,433	+ 238	+ 834	+ 149	+ 231	+ 106	- 180	- 142	- 276	+ 747	

(a) Other than for house purchase.

(b) Includes accruals adjustments, instalment borrowing from finance houses 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 +

	1973	1974	1975	1976	1977	1976		1977				1978
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr
Capital expenditure	+ 8,635	+ 12,167	+ 9,165	+ 12,844	+ 13,366	+ 3,418	+ 3,687	+ 3,996	+ 4,043	+ 2,753	+ 2,574	
less Saving	- 7,314	- 7,541	- 8,164	- 11,457	- 11,362	- 3,050	- 3,257	- 2,963	- 2,962	- 2,798	- 2,639	
less Capital transfers (net)	- 347	- 333	- 403	- 359	- 246	- 80	- 88	- 85	- 85	- 30	- 46	
<i>equals</i> Financial surplus-/deficit +	+ 974	+ 4,293	+ 598	+ 1,028	+ 1,758	+ 288	+ 342	+ 948	+ 996	- 75	- 111	
Trade investments, mergers, etc. in the United Kingdom	+ 993	+ 384	+ 356	+ 470	+ 683	+ 123	+ 157	+ 151	+ 144	+ 191	+ 197	
Long-term investment abroad	+ 2,007	+ 1,784	+ 1,168	+ 2,029	+ 1,490	+ 446	+ 668	+ 430	+ 535	+ 216	+ 309	
Total requiring financing (+)	+ 3,974	+ 6,461	+ 2,122	+ 3,527	+ 3,931	+ 857	+ 1,167	+ 1,529	+ 1,675	+ 332	+ 395	
Capital issues (including euro-currency issues)	- 301	- 74	- 1,213	- 852	- 736	- 142	- 10	- 27	- 407	- 208	- 94	- 25
Overseas investment in UK companies	- 1,206	- 1,838	- 1,527	- 1,616	- 2,362	- 417	- 396	- 724	- 579	- 580	- 479	
Import credit and advance payments on exports	- 516	- 528	- 350	- 520	- 287	- 147	- 161	- 139	- 28	- 50	- 70	
Export credit and advance payments on imports	+ 335	+ 518	+ 34	+ 574	- 211	+ 82	+ 134	- 150	- 154	+ 116	- 23	
Bank borrowing	- 4,504	- 4,411	- 418	- 2,494	- 2,923	- 980	- 726	- 861	- 789	- 381	- 889	- 129
Other borrowing[a]	- 1,378	- 580	- 958	- 566	- 199	+ 102	- 447	- 81	- 63	+ 194	- 249	
Bank deposits, notes and coin	+ 2,426	+ 92	+ 1,478	+ 1,657	+ 2,576	+ 854	+ 90	+ 463	+ 278	+ 348	+ 1,484	+ 717
Other liquid assets[b]	+ 118	- 152	+ 406	+ 258	+ 269	- 250	+ 60	- 9	+ 81	+ 307	- 110	
Other items[c]	+ 283	+ 354	+ 330	+ 358	+ 275	+ 12	+ 132	+ 103	+ 137	+ 45	- 10	
Other overseas transactions (including the balance of payments balancing item)[d]	+ 119	- 328	+ 654	+ 336	- 1,870	+ 82	- 278	- 305	- 939	- 444	- 182	
Unidentified domestic transactions[d]	+ 650	+ 486	- 558	- 662	+ 1,537	- 53	+ 435	+ 201	+ 788	+ 321	+ 227	
Total financing (-)	- 3,974	- 6,461	- 2,122	- 3,527	- 3,931	- 857	- 1,167	- 1,529	- 1,675	- 332	- 395	

[a] Includes transactions in commercial bills by the Issue Department and accruals adjustments.

[b] Treasury bills, British government stocks, local authority temporary 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] Includes long-term local authority debt, net trade credit with public corporations and instalment credit granted by retailers.

[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 +

	1973	1974	1975	1976	1977	1976		1977				1978	
	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	+ 1,995	+ 701	+ 3,364	+ 271	+ 2,475	+ 777	- 452	+ 388	+ 250	+ 1,093	+ 747	+ 124	
Industrial and commercial companies	+ 4,654	+ 4,438	+ 384	+ 2,522	+ 2,951	+ 981	+ 724	+ 872	+ 811	+ 371	+ 894	+ 142	
Other financial institutions	+ 837	+ 119	+ 141	+ 414	+ 456	+ 95	+ 164	+ 11	+ 111	+ 190	+ 144	+ 322	
Personal sector	+ 1,337	+ 114	- 386	+ 579	+ 1,308	+ 157	+ 246	+ 263	+ 340	+ 282	+ 423	+ 220	
	+ 8,823	+ 5,372	+ 3,503	+ 3,786	+ 7,190	+ 2,010	+ 682	+ 1,534	+ 1,512	+ 1,936	+ 2,208	+ 808	
Changes in domestic deposits(a)													
Public sector	- 100	+ 69	- 281	- 122	- 466	+ 149	+ 45	- 87	- 265	- 109	- 5	+ 251	
Industrial and commercial companies	- 2,430	+ 263	- 1,070	- 1,060	- 2,081	- 660	- 23	- 369	- 187	- 204	- 1,321	- 532	
Other financial institutions	- 1,016	- 871	+ 630	- 775	- 829	- 263	- 9	+ 422	- 902	- 83	- 266	- 608	
Personal sector	- 3,381	- 2,973	- 988	- 1,327	- 559	- 778	- 110	- 157	- 224	- 240	+ 62	- 671	
	- 6,927	- 3,512	- 1,709	- 3,284	- 3,935	- 1,552	- 97	- 191	- 1,578	- 636	- 1,530	- 1,560	
Changes in:													
Net claims on overseas sector(b)	- 1,468	- 1,000	- 1,067	+ 399	- 2,591	- 157	- 324	- 1,225	+ 558	- 1,213	- 711	+ 793	
Non-deposit liabilities etc. (net)	- 428	- 860	- 727	- 901	- 664	- 301	- 261	- 118	- 492	- 87	+ 33	- 41	

(a) The treatment of funds oversubscribed in the offer for sale for shares in British Petroleum Limited in the second quarter of 1977 is described in the additional notes to Table 6 of the statistical annex.

(b) Includes foreign currency borrowing to finance loans to UK public sector.

Table G

Flow of funds: financial institutions other than banks

£ millions

Seasonally adjusted

	1973	1974	1975	1976	1977	1976		1977				1978	
	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	- 3,232	- 3,311	- 4,399	- 5,398	- 6,321	- 1,387	- 1,299	- 1,696	- 1,542	- 1,608	- 1,475		
Building society shares and deposits	- 2,160	- 1,989	- 4,166	- 3,405	- 5,800	- 727	- 513	- 938	- 1,501	- 1,350	- 2,011	- 1,454	
Other deposits	- 285	- 286	- 429	- 367	- 584	- 34	+ 141	- 76	- 169	- 49	- 290		
Capital issues	- 79	- 88	- 330	- 134	- 135	- 6	- 52	- 22	- 22	+ 8	- 99	- 13	
Unit trust units	- 162	- 18	- 101	- 95	- 19	- 15	- 24	+ 16	+ 9	- 10	- 34		
Other(a)	- 982	- 434	- 4	- 578	- 432	- 134	- 135	- 194	+ 13	- 149	- 102		
	- 6,900	- 6,126	- 9,429	- 9,977	- 13,291	- 2,303	- 1,882	- 2,910	- 3,212	- 3,158	- 4,011		
Increase in financial assets (+)													
Short-term assets(b)	+ 1,454	+ 2,376	- 768	+ 583	+ 1,222	+ 618	- 371	- 31	+ 1,229	- 205	+ 229		
Government stocks	+ 693	+ 290	+ 3,310	+ 3,330	+ 4,601	+ 350	+ 1,536	+ 1,245	+ 600	+ 1,299	+ 1,457		
Company and overseas securities:													
Ordinary shares	+ 544	- 283	+ 1,873	+ 1,196	+ 1,912	+ 194	+ 6	+ 267	+ 511	+ 439	+ 695		
Fixed-interest	+ 96	- 4	+ 137	+ 55	- 20	+ 43	- 16	- 19	+ 20	-	- 21		
Loans for house purchase	+ 2,120	+ 1,609	+ 2,835	+ 3,631	+ 3,785	+ 939	+ 816	+ 775	+ 820	+ 1,043	+ 1,147		
Long-term lending to local authorities	+ 97	+ 342	+ 875	+ 9	+ 867	- 70	- 311	+ 128	+ 536	+ 116	+ 87		
Other lending	+ 544	+ 193	+ 116	+ 238	+ 529	+ 116	+ 22	+ 40	+ 165	+ 179	+ 145		
	+ 5,548	+ 4,523	+ 8,378	+ 9,042	+ 12,896	+ 2,190	+ 1,682	+ 2,405	+ 3,881	+ 2,871	+ 3,739		
Net identified financial transactions	- 1,352	- 1,603	- 1,051	- 935	- 395	- 113	- 200	- 505	+ 669	- 287	- 272		

- nil or less than £½ million.

(a) Includes borrowing from banks and from central government.

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

Table H

Flow of funds: all financial institutions

£ millions

Seasonally adjusted

	1973	1974	1975	1976	1977	1976		1977				1978	
	Year	Year	Year	Year	Year	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	
Net identified financial transactions:													
Banks	+ 508	+ 890	+ 388	+ 526	+ 412	+ 160	+ 207	+ 59	+ 345	+ 53	- 45	- 7	
Other financial institutions	- 1,352	- 1,603	- 1,051	- 935	- 395	- 113	- 200	- 505	+ 669	- 287	- 272		
Total	- 844	- 713	- 663	- 409	+ 17	+ 47	+ 7	- 446	+ 1,014	- 234	- 317		
Unidentified transactions	+ 352	- 2	- 371	- 499	- 1,393	- 253	- 172	+ 302	- 1,268	- 254	- 173		
Financial surplus +/deficit-	- 492	- 715	- 1,034	- 908	- 1,376	- 206	- 165	- 144	- 254	- 488	- 490		

Table J

Financial institutions other than banks 1977: 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	- 6,321	-6,321						
Deposits	- 6,384			-5,800	+ 11	-604		+ 9
Capital issues	- 135	- 75	- 157[a]				+ 23	- 83
Sales of units	- 271		+ 36				-114	
Bank borrowing	- 439	+ 25	+ 180		-218		- 55	-227
Other borrowing	+ 7	+ 5	- 180	- 20	- 28		+ 1	+229
	-13,543	-6,667		-5,820	-235	-604	-145	- 72
Increase in financial assets (+)								
Bank deposits, notes and coin	+ 829	+ 178	+ 62	+ 261	- 23	+ 65	- 84	+370
Deposits with other financial institutions	-	- 14	+ 60	- 8	- 67	-439	- 10	+478
Local authority temporary debt	+ 31	- 158	- 100	+ 309		+ 68	- 17	- 71
Treasury bills, tax reserve certificates, tax deposit accounts, and certificates of tax deposit	+ 471	- 44	+ 16	+ 88		+332	+ 2	+ 77
Government stocks	+ 4,601	+2,223	+1,111	+ 585		+584	+129	- 31
UK company securities:[b]								
Ordinary shares	+ 1,811	+ 576	+1,347				+184	-296[c]
Fixed-interest	- 100	- 18	- 44			- 5	- 6	- 27
Overseas securities:[b]								
Ordinary shares	+ 101		+ 163				- 62	
Fixed-interest	+ 80	+ 73	+ 8	- 1		- 1	- 4	+ 5
Investment in units	+ 252	+ 79	+171[a]					+ 2
Loans for house purchase	+ 3,785	+ 22	+ 1	+3,760				+ 2
Long-term lending to local authorities	+ 867	+ 155	+ 10	+ 698		- 17	- 2	+ 23
Other lending	+ 420	+ 3	+ 163	+ 316	+316	- 4	+ 4	-378
	+13,148	+3,075	+2,968	+6,008	+226	+583	+134	+154
Net identified financial transactions	- 395	-624		+ 188	- 9	- 21	- 11	+ 82

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.

[a] Pension funds bought £157 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 company securities (estimates of which are not yet available) while their figures for overseas fixed-interest securities relate only to overseas government, provincial, and municipal issues.

[c] This figure includes -£160 million to adjust for the costs of transactions (the institutions generally record sales net of costs and purchases including costs).

Table K

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		- 137	- 19	- 37	+ 15	+420	-1,386	+ 492	+199	+ 453
UK fixed-interest		- 164	- 42	- 42		+183	- 343	+ 235	+ 66	+ 107
Overseas ordinary shares	- 4					-225	- 446	+ 535	+ 51	+ 89
Overseas fixed-interest	+34					- 75	- 19	+ 28	+ 41	- 9
1973 Total	+30	- 301	- 61	- 79	+ 15	+303	-2,194	+1,290	+357	+ 640
UK Ordinary shares		- 119	- 15	- 68	+ 32	+578	- 681	+ 45	+ 59	+ 169
UK fixed-interest		+ 45	- 72	- 20		+ 78	- 118	+ 84	+ 19	- 16
Overseas ordinary shares	-					+433	- 425	+ 361	+ 73	+ 442
Overseas fixed-interest	+58					-116	+ 100	+ 19	- 63	+ 2
1974 Total	+58	- 74	- 87	- 88	+ 32	+973	-1,124	+ 509	+ 88	- 287
UK ordinary shares		-1,010	-107	-263	+570	+186	- 823	- 80	- 19	+1,546
UK fixed-interest		- 203	- 48	- 67		+ 78	+ 85	+ 83	- 6	+ 78
Overseas ordinary shares	-14					-254	- 328	+ 222	+ 54	+ 320
Overseas fixed-interest	+51					- 66	- 149	+ 12	+ 86	+ 66
1975 Total	+37	-1,213	-155	-330	+570	- 56	-1,215	+ 237	+115	+2,010
UK ordinary shares		- 808	-245	-138	+261	+340	- 807	+ 227	+ 7	+1,163
UK fixed-interest		- 44	- 79	+ 4		+ 97	- 104	+ 112	+ 2	+ 12
Overseas ordinary shares	- 2					-237	- 159	+ 314	+ 48	+ 36
Overseas fixed-interest	+76					- 2	- 183	+ 16	+ 53	+ 40
1976 Total	+74	- 852	-324	-134	+261	+198	-1,253	+ 669	+110	+1,251
UK ordinary shares		- 740	-114	- 77	-446	+413	-1,238	+ 327	+ 64	+1,811
UK fixed-interest		+ 4	-105	- 58		+227	- 150	+ 161	+ 21	-100
Overseas ordinary shares	-					-271	- 193	+ 329	+ 34	+ 101
Overseas fixed-interest	+42					+ 11	- 396	+ 17	+246	+ 80
1977 Total	+42	-736	-219	-135	-446	+380	-1,977	+ 834	+365	+1,892

[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 J.

Table L

Flow of funds: annual figures

£ millions

	Line	Public sector			Overseas sector [a]		
		1975	1976	1977	1975	1976	1977
Capital account							
Saving	1	+2,040	+ 2,829	+4,303	+1,614	+1,107	+ 35
Taxes on capital and capital transfers	2	- 85	- 166	- 187			
<i>less:</i>							
Gross fixed-capital formation at home	3	-8,926	-10,169	-9,400			
Increase in value of stocks and work in progress	4	- 952	- 859	- 404			
Financial surplus +/-deficit - b	5	-7,923	-8,365	-5,688	+1,614	+1,107	+ 35
Changes in financial assets and liabilities							
<i>Assets: increase +/decrease-</i>							
<i>Liabilities: increase -/decrease+</i>							
Government debt to Banking Department	6	+ 103	- 412	+ 264			
Life assurance and pension funds	7	- 287	- 315	- 202			
Loans by the UK Government	8	- 138	+ 2	+ 32	- 79	- 17	- 8
Central government external transactions:							
Direct official financing	9.1	- 764	- 1,809	+8,333	+ 764	+1,809	-8,333
Other	9.2	+ 575	+ 526	-1,208	- 575	- 526	+1,208
Other public sector direct official financing	9.3	- 409	- 1,391	- 290	+ 409	+1,391	+ 290
Banks' net external transactions (excluding securities):							
Borrowing for official financing	10.1				+ 292	+ 428	+ 682
Other	10.2				+ 888	- 719	+2,254
Miscellaneous investment overseas (net)	11	+ 468	+ 678	- 407	- 201	-1,736	+ 967
Notes and coin	12	- 673	- 837	-1,044			
Bank deposits of domestic sectors	13	+ 281	+ 122	+ 466			
Deposits with other financial institutions	14	+ 59	+ 5	- 52	+ 100	+ 79	+ 60
National savings	15.1	- 423	- 592	-1,288			
Tax reserve certificates etc.	15.2	+ 30	- 4	- 711			
Bank lending to domestic sectors	16	- 438	- 320	- 892			
Instalment lending by retailers	17	- 8	+ 9	+ 16			
Loans for house purchase	18	+ 667	+ 133	+ 3			
Other loans and accruals	19	+ 646	+ 907	- 14			
Marketable government debt held by domestic sectors:							
Treasury bills	20	-2,034	+ 876	- 898			
Stocks	21	-5,219	- 5,265	-6,302			
Other local authority debt	22	-1,260	- 298	- 827	+ 89	- 159	- 103
UK company and overseas securities:							
Capital issues	23				+ 37	+ 74	+ 42
Other transactions	24	+ 570	+ 261	- 446	- 56	+ 198	+ 380
Unit trust units	25						
Identified financial transactions	26	-8,254	- 7,724	-5,467	+1,668	+ 822	-2,561
Unidentified b	27	+ 331	- 641	- 221	- 54	+ 285	+2,596
Total = Financial surplus +/-deficit - b	28	-7,923	- 8,365	-5,688	+1,614	+1,107	+ 35

—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:

1975	1976	1977
+360	+968	- 72

Personal sector			Industrial and commercial companies			Banking sector			Other financial institutions			Line
1975	1976	1977	1975	1976	1977	1975	1976	1977	1975	1976	1977	
+ 11,549	+ 12,864	+ 14,109	+ 8,164	+ 11,457	+ 11,362	+ 679	+ 1,269	+ 1,174				1
- 302	- 64	+ 83	+ 403	+ 359	+ 246	- 16	- 129	- 142				2
- 3,169	- 3,591	- 4,199	- 6,961	- 7,744	- 9,014	- 1,652	- 2,024	- 2,448				3
- 497	- 983	- 1,134	- 2,204	- 5,100	- 4,352	- 45	- 24	+ 40				4
+ 7,581	+ 8,226	+ 8,859	- 598	- 1,028	- 1,758	- 1,034	- 908	- 1,376				5
						1975	1976	1977	1975	1976	1977	
+ 4,686	+ 5,713	+ 6,523				- 103	+ 412	- 264	- 4,399	- 5,398	- 6,321	6
- 7	- 9	+ 1	- 112	+ 20	- 30				+ 336	+ 4	+ 5	7
												8
												9-1
												9-2
												9-3
						- 292	- 428	- 682				10-1
						- 888	+ 719	- 2,254				10-2
						- 53	- 15	- 1	- 32	+ 189	+ 236	11
+ 406	+ 214	+ 490	+ 408	+ 597	+ 495	- 141	+ 26	+ 59				12
+ 988	+ 1,327	+ 559	+ 1,070	+ 1,060	+ 2,081	- 1,709	- 3,284	- 3,935	- 630	+ 775	+ 829	13
+ 4,377	+ 3,545	+ 6,256	+ 59	+ 143	+ 120				- 4,595	- 3,772	- 6,384	14
+ 423	+ 592	+ 1,288										15-1
- 16	+ 2	+ 112	- 14	+ 1	+ 474			+ 55		+ 1	+ 70	15-2
+ 446	- 509	- 1,208	- 418	- 2,494	- 2,923	+ 509	+ 3,758	+ 5,462	- 99	- 435	- 439	16
- 42	- 141	- 125	+ 50	+ 132	+ 109							17
- 3,562	- 3,834	- 3,888				+ 60	+ 70	+ 100	+ 2,835	+ 3,631	+ 3,785	18
- 85	- 379	- 165	- 301	- 429	+ 2	- 139	- 26	- 9	- 121	- 73	+ 186	19
+ 1,006	+ 1,739	+ 834	+ 276	- 126	- 58	+ 1,508	- 576	+ 555	+ 250	- 174	+ 401	20
- 163	+ 290	- 9	+ 92	+ 123	+ 84	+ 811	+ 73	+ 783	+ 3,310	+ 3,330	+ 4,601	21
			- 46	+ 191	- 356	+ 865	+ 11	+ 397	+ 515	- 35	+ 898	22
- 1,215	- 1,253	- 1,977	- 1,213	- 852	- 736	- 155	- 324	- 219	- 330	- 134	- 135	23
+ 101	+ 95	+ 19	+ 237	+ 669	+ 834	+ 115	+ 110	+ 365	+ 2,010	+ 1,251	+ 1,892	24
									- 101	- 95	- 19	25
+ 7,343	+ 7,392	+ 8,710	- 94	- 81	- 699	+ 388	+ 526	+ 412	- 1,051	- 935	- 395	26
+ 238	+ 834	+ 149	- 504	- 947	- 1,059				- 371	- 499	- 1,393	27
+ 7,581	+ 8,226	+ 8,859	- 598	- 1,028	- 1,758				- 1,034	- 908	- 1,376	28

Table M
Flow of funds accounts

£ millions

Not seasonally adjusted

		1977: 4th quarter						
		Public sector	Overseas sector ^(a)	Personal sector	Industrial and commercial companies	Banking sector	Other financial institutions	Residual error
Line								
Capital account								
Saving	1	+1,095	- 376	+3,010	+2,927		+555	
Taxes on capital and capital transfers	2	- 24	—	+ 17	+ 50		- 43	
less:								
Gross fixed-capital formation at home	3	-2,314		-1,238	-2,487		-715	
Increase in value of stocks and work in progress	4	- 64		- 248	- 627		+ 26	
Financial surplus + /deficit—	5	-1,307	- 376	+1,541	- 137		-177	+456
Changes in financial assets and liabilities								
<i>Assets: increase + /decrease—</i>								
<i>Liabilities: increase—/decrease +</i>								
Government debt to Banking Department	6	- 169				+ 169		
Life assurance and pension funds	7	- 69		+1,534			-1,465	
Loans by the UK Government	8	+ 16	- 9	+ 1	- 9		+ 1	
Central government external transactions:								
Direct official financing	9.1	+1,980	-1,980					
Other	9.2	- 140	+ 140					
Other public sector direct official financing	9.3	- 118	+ 118					
Banks' net external transactions (excluding securities):								
Borrowing for official financing	10.1		- 70			+ 70		
Other	10.2		+1,030			-1,030		
Miscellaneous investment overseas (net)	11	- 68	+ 167		- 162	- 1	+ 64	
Notes and coin	12	- 856		+ 206	+ 206	+ 444		
Bank deposits of domestic sectors	13	+ 123		+ 184	+1,247	-2,010	+ 456	
Deposits with other financial institutions	14	- 17	+ 85	+2,171	+ 32		-2,271	
National savings	15.1	- 292		+ 292				
Tax reserve certificates etc.	15.2	- 194		+ 53	+ 126	- 11	+ 26	
Bank lending to domestic sectors	16	- 148		- 393	- 950	+1,633	- 142	
Instalment lending by retailers	17	+ 11		- 134	+ 123			
Loans for house purchase	18	- 3		-1,173		+ 30	+1,146	
Other loans and accruals	19	+ 440		- 231	- 121	- 191	+ 103	
Marketable government debt held by domestic sectors:								
Treasury bills	20	- 356			- 217	+ 524	+ 49	
Stocks	21	-1,587		+ 83	+ 20	+ 27	+1,457	
Other local authority debt	22	+ 95	- 3	- 109	- 129	+ 98	+ 48	
UK company and overseas securities:								
Capital issues	23		+ 10		- 94	- 18	- 99	
Other transactions	24	- 238	+ 7	- 602	+ 219	+ 141	+ 674	
Unit trust units	25			+ 28			- 28	
Identified financial transactions	26	-1,590	- 505	+1,910	+ 291	- 125	+ 19	
Unidentified	27	+ 283	+ 129	- 369	- 428	- 71		+456
Total = Financial surplus + /deficit—	28	-1,307	- 376	+1,541	- 137	-177		+456

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

Table N
Flow of funds accounts

£ millions

Seasonally adjusted

		1977: 4th quarter						
		Public sector	Overseas sector ¹	Personal sector	Industrial and commercial companies	Banking sector	Other financial institutions	Residual error
Capital account								
Saving	1	+ 943	- 351	+4,184	+2,639		+156	
Taxes on capital and capital transfers	2	- 15	—	+ 5	+ 46		- 36	
<i>less:</i>								
Gross fixed-capital formation at home	3	-2,335		-1,244	-2,241		-636	
Increase in value of stocks and work in progress	4	- 73		- 230	- 333		+ 26	
Financial surplus + /deficit -	5	-1,480	- 351	+2,715	+ 111		-490	-505
Changes in financial assets and liabilities								
<i>Assets: increase + /decrease -</i>								
<i>Liabilities: increase - /decrease +</i>								
Government debt to Banking Department	6	- 62				+ 62		
Life assurance and pension funds	7	- 69		+1,544			-1,475	
Loans by the UK Government	8	+ 21	- 14	+ 1	- 9		+ 1	
Direct official financing and other central government external transactions	9	+1,758	-1,758					
Banks' net external transactions (excluding securities)	10		+ 850			- 850		
Miscellaneous investment overseas (net)	11	- 68	+ 234		- 229	- 1	+ 64	
Notes and coin	12	- 543		+ 163	+ 163	+ 217		
Bank deposits of domestic sectors	13	+ 5		- 62	+1,321	-1,530	+ 266	
Deposits with other financial institutions	14	- 17	+ 85	+2,183	+ 50		-2,301	
National savings	15.1	- 342		+ 342				
Tax reserve certificates etc.	15.2	- 194		+ 53	+ 126	- 11	+ 26	
Bank lending to domestic sectors	16	- 101		- 384	- 889	+1,504	- 130	
Instalment lending by retailers	17	+ 11		- 50	+ 39			
Loans for house purchase	18	- 3		-1,183		+ 39	+1,147	
Other loans and accruals	19	+ 245		- 45	- 249	+ 14	+ 35	
Marketable government debt held by domestic sectors:								
Treasury bills	20	- 65			- 217	+ 233	+ 49	
Stocks	21	-1,587		+ 83	+ 20	+ 27	+1,457	
Other local authority debt	22	+ 65	- 3	- 109	- 129	+ 128	+ 48	
UK company and overseas securities:								
Capital issues	23		+ 10		- 94	- 18	- 99	
Other transactions	24	- 238	+ 7	- 602	+ 219	+ 141	+ 674	
Unit trust units	25			+ 34			- 34	
Identified financial transactions	26	-1,184	- 589	+1,968	+ 122	- 45	- 272	
Unidentified	27	- 296	+ 238	+ 747	- 11		-173	-505
Total = Financial surplus + /deficit -	28	-1,480	- 351	+2,715	+ 111		-490	-505

— nil or less than £½ million.

1a) It has not been possible to incorporate in this table the revised balance of payments estimates released early in June.

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 G and J. A general description of flow of funds accounts is given in *United Kingdom flow of funds accounts: 1963-1976* (Bank of England 1978).

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

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 [e] to Table 7 in the annex.

Line 7

The increase in persons' net claims on these funds. The entry under public sector is for public sector schemes which are contributory but not funded.

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 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 hire-purchase and other instalment credit extended by finance houses, 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, various royalties and taxes, subsidies and other public sector receipts and expenditure, and interest charges (the basis of entries in the national accounts) and the corresponding cash payments.

Lines 20 and 21

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 1976.

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 adjustment 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 through an entry in line 11).