

An inventory of UK external assets and liabilities: end-1978

Introduction

This article continues the annual series of estimates of the United Kingdom's external assets and liabilities. The provisional figures show that, in sterling terms, the net external liability fell slightly in 1978.

The compilation and presentation of the estimates, which are set out in detail in Table E, follow the pattern of previous articles. As before, the inevitable limitations of an inventory of this nature must be emphasised: there are gaps in the data—for example, no estimates exist either for UK-owned property abroad or for foreign-owned property in this country; and difficulties in valuing investments and problems of identification entail considerable margins of error; indeed, some of the estimates are no more than broad orders of magnitude. Furthermore, some of the estimates are particularly liable to revision: for example, those for direct investment were substantially revised when the results of the Department of Trade's last census (for end-1974) became available, and the estimates for more recent years will almost certainly be similarly revised when the results of the latest census (for end-1978) are to hand.

Summary

Revised estimates for the end of 1977 have reduced the United Kingdom's net external liability at that date from £2.4 billion to £1.6 billion. Provisional figures for the end of 1978 indicate that the net liability fell slightly last year, to £1.2 billion. The net external assets of the private sector, which had fallen in 1977—though by less than previously thought—recovered slightly in 1978 and offset a small increase in the net liabilities of the public sector (see Table A).

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

£ billions	End-1975	End-1976	End-1977	End-1978
Investment	+6.0	+9.2	+5.0	+4.5
Banking and commercial	-2.0	-0.6	-2.0	-0.8
Net external assets of the private sector	+4.0	+8.6	+3.0	+3.7
Public sector (other than reserves and other official financing)	-4.1	-3.8	-5.7	-4.9
Reserves and other official financing	-1.7	-6.0	+1.1	+0.1
Net external liabilities of the public sector	-5.8	-9.8	-4.6	-4.8
Total net external liabilities of the United Kingdom	-1.7	-1.2	-1.6	-1.2

Changes in the United Kingdom's external balance sheet reflect not only the current account surplus or deficit but also changes in prices and exchange rates, and other revaluations. Although in recent years the net effect of such changes has been sizable, [1] in 1978 it was less so. The current account was in surplus by some £250 million while the net liability position fell by around £400 million. The overall net revaluation effect was therefore relatively small. In part, this reflected the relative stability of sterling. During 1978, sterling's effective rate fell only 1.8%, while against the dollar (the currency in which just over half of UK assets and nearly two thirds of liabilities are denominated) sterling appreciated by 6.4%. Hence, this particular factor, which is estimated to have reduced liabilities by about £0.1 billion more than it reduced assets, was not as important as in previous years.

The United Kingdom's external 'balance sheet' has now shown a net liability for four consecutive years; and for a number of years before then the size of the United Kingdom's net external assets was diminishing. This downward trend has naturally been reflected both in the figures for interest, profits and dividends (IPD) received by the United Kingdom on its external assets and in the IPD paid abroad on foreign-owned assets held in this country. Since 1974, IPD credits have risen by only 49% while IPD debits have increased by 122%, thus reducing the IPD surplus from £1.3 billion to £0.5 billion.

As stated earlier, because of the problems of valuation and identification, these figures should be taken as no more than broad orders of magnitude. When total assets and total liabilities are each estimated at over £150 billion, the small difference between them, of just over £1 billion, may be regarded as a position of approximate balance. This impression is strengthened when it is considered that the gold holdings in the official reserves were still valued, at the end of 1978, at the old official price.[2]

Private sector

After falling sharply in 1977, by £5,595 million to £3,000 million, the net assets of the private sector recovered in 1978 to £3,680 million: the net stock of private investment overseas fell, but this was offset by a larger fall in banking and commercial liabilities (see

[1] See the June 1978 *Bulletin*, page 222.

[2] The method of valuing the reserves used until recently understated their market value, principally because gold was valued at the old official price of SDR 35 per fine ounce. From March 1979 the reserves are to be revalued annually to bring them more into line with a market valuation. Earlier figures have not been revalued, but, using such a method for December 1978, would have added some £1.5 billion to the level of reserves at that date.

Table A). Revisions to the figures for 1976 and 1977 indicate greater net assets in both years than previously estimated.

The book value of *UK companies' direct investment abroad* rose faster in 1978 (+4%) than in the previous year but this was still below the rate of increase from 1972 to 1976, which averaged 17%. Movements in currencies, particularly sterling's appreciation against the US and Canadian dollars, may well have reduced the sterling value of these assets by around £400 million. The flow of net investment recovered to £1,915 million after the fall in 1977, but was still below what it had been in 1976. The principal method of investment was again the reinvestment of profits, which contributed 66% of the total. *Overseas direct investment in the United Kingdom* (+13%) rose more markedly than UK investment overseas in 1978, continuing the steadily rising trend in recent years. New investment, at £1,245 million (net), was much the same as in 1977.

UK oil companies' net assets abroad increased by some £350 million (9%) in 1978, reflecting exploration and production projects, as well as the further acquisition of chemical interests in Europe. *Overseas oil companies' net assets in the United Kingdom* rose by £750 million (14%). This was mainly because of continuing capital expenditure by these companies in the North Sea (although the rate of increase was slower than in 1977) together with higher expenditure on related activities, such as refining, petrochemicals and distribution.

The stock of *UK portfolio investment overseas* recovered by £1,050 million but remained 4% below the 1976 peak (see Table B). Unlike 1977, when most of the large fall resulted from valuation changes (including currency adjustments), the rise in 1978 was mainly accounted for by net purchases of securities and was the first substantial portfolio investment overseas since 1972. Much of it was stimulated by the relative attraction of Wall Street, caused by the dollar's weakness; and the ending of the 25% surrender rule [1] probably encouraged investment, particularly in the first half of the year. There was also substantial investment in Irish securities, partly on speculative grounds.[2]

Table B
Portfolio investment

£ millions	UK investment overseas	Overseas investment in UK companies' securities	
		Sterling	Foreign currency
Market value:			
End-1976	8,550	2,420	970
End-1977	7,150	3,540	1,160
End-1978	8,200	3,350	1,290
Change in 1978	+1,050	-190	+130
of which:			
Transactions	+ 910	-105	+170
Valuation (including currency adjustment)	+ 140	- 85	- 40

Last year's article described an alternative approach to estimating the stock of this investment, by building up data on the overseas investments made by individual sectors.[3] Estimates for 1976 are now available and are as follows:

£ millions	1975	1976
Investment trusts	2,128	2,575
Unit trusts	401	469
Pension funds [a]	678	959
Insurance companies	1,251	1,656
Households	1,636	2,068
Other known holdings [b]	1,234	1,597
Total	7,328	9,324

[a] Includes an estimate of the market value of holdings by local authority pension funds at end-December—holdings are only reported at end-March.

[b] Banks, other financial institutions and non-profit-making bodies.

Clearly there are differences between these figures and the usual inventory figures; both contain a degree of estimation and neither may be regarded as exact. Nevertheless, this alternative approach does provide a check on the inventory figures and tends to confirm the stocks of assets and liabilities at both dates and the movement in 1976.

After the large rise in 1977 in the stock of *overseas investment in UK companies' sterling securities*, there were net sales of over £100 million in 1978; there was also a similar fall in valuation as market prices fell. In contrast, overseas purchases of *UK companies' foreign currency securities* were £170 million (net), although lower valuation offset this to a certain extent. Although smaller than the record borrowing of £215 million in 1977, the 1978 figure is still historically quite high; banks, in particular, raised considerable amounts in this way, partly to finance their planned acquisitions of banks overseas. UK companies also raised a record amount by *direct borrowing abroad*; at £600 million (net) this was nearly double the amount raised in 1977. Most of this was to finance direct investment abroad, especially in countries outside the European Economic Community (EEC); there was also a large increase in borrowing from abroad to finance portfolio investment overseas. There was a marked rise in borrowing for investment in this country: this included, for the first time, small amounts of loans from the European Investment Bank (EIB) to private sector companies under the Department of Industry's Agency and Exchange Risk Guarantee schemes.

Net banking and commercial liabilities were reduced by £1,160 million to £825 million. The principal factor was a fall of £500 million in the net liabilities in foreign currencies of UK banks and certain other institutions.[4] The largest outflow occurred in the second quarter when the banks and, through them, other UK residents, were increasing their net holdings of foreign currencies; this was to be expected at a time when sterling was weakening and relative interest rates made increased foreign currency holdings attractive.

[1] See the March 1978 *Bulletin*, page 30.

[2] See the March 1979 *Bulletin*, page 27.

[3] See the June 1978 *Bulletin*, page 223.

[4] 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.

These outflows were partially offset by borrowing to finance UK investment abroad (in particular, direct investment outside the EEC and portfolio investment) which, at £865 million, was £345 million higher than in 1977.

The euro-currency markets continued to expand in 1978: the recorded external foreign currency assets and liabilities of UK banks [1] and certain other institutions each rose by some £16,000 million last year. In sterling terms, the growth was almost ten times that in the previous year but, after allowing for changes in exchange rates, the volume of new business in 1978 amounted to some £20,000 million, roughly twice as much as in 1977.

Advances and overdrafts in sterling rose by over £300 million and *commercial bills discounted* by nearly £500 million. The latter rise reflects the continuing increase in UK exports, which led to further growth of nearly £400 million in Export Credits Guarantee Department-backed sterling lending. Sterling acceptances were also almost £150 million higher and exceeded the amounts reached before the curtailment of sterling financing of third-country trade in 1976; this growth reflects the increased use of sterling acceptance facilities for UK trade with those parts of the world such as Scandinavia which traditionally use this method of finance. In contrast, holdings of foreign currency bills fell by £80 million. On the liabilities side, *sterling deposits* rose by only £100 million: overseas central monetary institutions ran down their balances by over £200 million, partly offsetting a rise of almost £300 million in private balances. The rise took place in the second half of the year when there were expectations of a recovery in sterling's performance after the sharp fall in the second quarter.

Public sector

The net external liabilities of the *public sector* (excluding official financing items) were reduced in 1978, by £830 million to £4,900 million. The major contribution was a fall of over £500 million in the value of *overseas holdings of gilt-edged stocks* as shown in Table C. Most of this was in private holdings, where a massive inflow had been recorded in 1977, and the fall was entirely accounted for by lower prices at the end of the year. The absence of any reversal of the record net purchases of £980 million in the previous year, despite

Table C
Overseas investment in British government stocks

£ millions	By overseas	By other
	monetary authorities	holders
Market value:		
End-1976	1,145	1,050
End-1977	1,330	2,490
End-1978	1,115	2,195
Change in 1978	- 215	- 295
of which:		
Transactions	- 115	+ 15
Valuation	- 100	- 310

[1] See footnote [4] on the previous page.

[2] Excluding issues and borrowing made under the exchange cover scheme.

[3] Pages 15-16.

the weakness of the market, is noteworthy: there was a small inflow in the first quarter, probably representing a continuation of the 1977 purchases, followed by net sales in the middle of 1978 as sterling weakened, but small net purchases in the fourth quarter. Central monetary institutions made net sales in 1978 of £115 million, bringing the value of their holdings back to what they had been at the end of 1976.

The fall in *inter-government loans to the United Kingdom* of £215 million reflects a reduction of about £150 million in the value of the US and Canadian post-war loans, partly resulting from appreciation of sterling against these currencies and partly because of scheduled repayments.

The value of *foreign currency securities issued by public corporations and local authorities* [2] fell for the first time as scheduled repayments were made; there were no new issues in the year. In contrast, *other borrowing abroad by public corporations and local authorities* [2] rose, despite an early repayment by the British National Oil Corporation of £75 million in November. This increase reflects that part of borrowing from the EIB and the European Coal and Steel Community (ECSC) which is in external sterling; most of the borrowing from these institutions was under the exchange cover scheme, which is included under official financing, but any external sterling component of such loans is included here. *Overseas holdings of Treasury bills and notes* increased by £215 million: central monetary institutions' holdings of Treasury bills rose, as did non-interest-bearing notes reflecting the increased UK subscription to the International Development Association, which, on the assets side, largely accounted for the rise in *subscriptions to international financial organisations*.

In 1978 the Government were able to make significant reductions in *official financing liabilities*, which fell by £1,575 million to slightly below their end-1976 level. Some details were given in the March *Bulletin*. [3] The most significant reductions were the early repayments to the International Monetary Fund (IMF) totalling £1,016 million. The Government made only one new borrowing in 1978—a \$350 million bond issue on the New York market—the first such issue by the UK public sector. Borrowing outstanding under the exchange cover scheme also fell considerably, as can be seen in Table D.

Borrowing through UK banks by public corporations showed the greatest fall; this was largely accounted for by early repayments of nearly £425 million, notably by the Electricity Council (£172 million), the Post Office (£144 million) and the National Water Council (£92 million). Only one new syndicated credit was arranged in 1978, by the Electricity Council for the equivalent of £250 million. Local authorities also reduced this type of

Table D

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

£ millions	1975	1976	1977	1978
Foreign currency borrowed through UK banks by:				
Public corporations	1,312	1,988	1,745	1,234
Local authorities	415	450	399	242
Foreign currency securities issued by:				
Public corporations	585	1,506	1,476	1,175
Local authorities	159	210	192	184
Other borrowing abroad by:				
Public corporations	653	1,641	1,772	1,942
Local authorities	47	56	72	74
Total	3,171	5,851	5,656	4,851

debt and, again, early repayments were the major factor, with Glasgow City Council repaying £98 million in advance. Overseas holdings of *foreign currency securities* issued by public sector bodies fell by over £300 million, principally because of scheduled repayments, although some £60 million was repaid ahead of time. There were no bond issues by these bodies in 1978; however, the British Gas Corporation began to issue commercial paper on the New York market at the end of the year. This was the first such issue by a British public sector body, and, although it only amounted to some \$14 million at the end of 1978, it is intended to borrow up to \$250 million in this way.

The Post Office has also announced its intention of borrowing in this market. In contrast to the fall in market issues and in euro-dollar borrowing, public corporations' *direct borrowing abroad* rose by £170 million, almost entirely from the EIB and ECSC. The main borrowers were the National Water Council, on behalf of regional authorities, and the National Coal Board.

The fall in official financing liabilities was, however, offset by a decline of £2,615 million in *official reserves*. [1] This was partly caused by the reduction in the sterling value of the dollars held by the Exchange Equalisation Account (EEA) as sterling gained against the dollar, which was only offset to a limited extent by sterling's fall against other currencies (since the dollar forms the greater part of EEA's convertible currency holdings). More important, however, was the fact that the pattern of official financing in 1978 was very different from that of 1977: in 1978 the United Kingdom made net repayments of £1,200 million, compared with net borrowings of over £2,200 million in 1977. There was also a major turn-round in investment and other capital transactions in 1978 of over £7,000 million, from an inflow of £5,000 million to an outflow of over £2,000 million. Despite their fall during 1978, the reserves were still historically high at the end of the year and exceeded official financing liabilities for the second year running.

[1] On the old basis of valuation, see footnote [2] on page 160.

Table E
UK external assets and liabilities

£ millions

External assets	End	1975	1976	1977	1978
Private sector					
Private UK investment abroad:					
Direct investment (excluding oil, insurance and banking)[a]		11,520	14,600	14,800	15,400
Oil companies' net assets abroad[a]		3,050	3,350	3,700	4,050
Banks' and insurance companies' direct investment in the United States[b]		470	710	740	770
Portfolio investment[c]		6,850	8,550	7,150	8,200
Total private investment abroad		21,890	27,210	26,390	28,420
UK banks' assets:					
Advances and overdrafts in:					
Sterling		816	1,056	1,112	1,443
Foreign currencies		58,163	80,753	82,536	99,027
Commercial bills discounted		4,215	5,216	5,799	6,263
Suppliers' trade credit on exports		2,585	3,231	3,264	3,500
Advance and progress payments on imports by UK businesses		309	390	318	256
Other identified assets held abroad by UK companies		180	265	240	275
Total banking and commercial claims		66,270	90,910	93,270	110,765
Total external assets of the private sector		88,160	118,120	119,660	139,185
Public sector					
Inter-government loans by the United Kingdom		1,231	1,248	1,243	1,267
Subscriptions to international financial organisations (excluding the IMF)		662	764	965	1,193
Other official assets		284	300	336	375
Total public sector lending etc.		2,175	2,310	2,544	2,835
Total official reserves		2,700	2,485	10,975	8,360
Total external assets of the public sector		4,875	4,795	13,520	11,195
Total of identified external assets		93,035	122,920	133,180	150,380

[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.

Notes and definitions

Assets and liabilities denominated in overseas currencies are valued at the exchange rates ruling at the end of each year. 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, excluding banks and insurance and oil 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 the years 1975-78 have been extrapolated by the Department of Trade 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 to 1978 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 1978 estimate is an extrapolation from the previous year's figure, which is derived from US Department of Commerce estimates.

Figures for 1977 and 1978 differ from those for earlier years 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.

External liabilities

	End	1975	1976	1977	1978
Private sector					
Overseas investment in the UK private sector:					
Direct investment (excluding oil, insurance and banking)[a]		7,030	7,600	8,700	9,800
Overseas oil companies' net assets in the United Kingdom[a]		4,100	4,650	5,400	6,150
Portfolio investment in UK companies' sterling securities[c]		2,390	2,420	3,540	3,350
Portfolio investment in UK companies' foreign currency securities[c]		610	970	1,160	1,290
Direct borrowing abroad by UK companies		1,810	2,350	2,595	3,325
Total overseas investment in the private sector		15,940	17,990	21,395	23,915
UK banks' liabilities in:					
Sterling		4,566	4,189	5,797	5,863
Foreign currencies[d]		60,657	83,691	85,475	101,468
Suppliers' trade credit on imports		1,816	2,237	2,309	2,430
Advance and progress payments on exports by overseas customers		1,180	1,429	1,674	1,830
Total banking and commercial liabilities		68,220	91,540	95,255	111,590
Total external liabilities of the private sector		84,160	109,530	116,650	135,510
Public sector					
Inter-government loans to the United Kingdom		2,021	2,390	2,017	1,804
Overseas investment in the UK public sector:					
British government stocks held by:[c]					
Overseas monetary authorities		1,145	1,145	1,330	1,115
Others		930	1,050	2,490	2,195
British government foreign currency bonds		—	—	393	413
Local authorities' securities and mortgages		100	115	145	150
Foreign currency securities issued by:					
Public corporations[c][e]		174	296	317	199
Local authorities[c][e]		45	71	74	62
Other borrowing abroad by:					
Public corporations[e]		189	246	827	875
Local authorities[e]		3	3	8	20
Overseas holdings of Treasury bills and notes[f]		1,288	672	652	867
Overseas deposits with local authorities		332	159	28	44
Total public sector borrowing (other than official financing)		6,225	6,145	8,280	7,740
Official financing liabilities:					
Net drawings on the IMF excluding gold tranche[g]		—	1,160	2,129	1,142
Foreign currency borrowing by the Government		1,235	1,469	2,085	2,131
New York bond issue by the Government		—	—	—	171
Foreign currency borrowing by public sector bodies under the exchange cover scheme		3,171	5,851	5,656	4,851
Total official financing liabilities		4,405	8,480	9,870	8,295
Total external liabilities of the public sector		10,630	14,625	18,150	16,035
Total of identified external liabilities		94,780	124,155	134,800	151,545

[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.

[g] The breakdown of net drawings on the IMF is no longer provided as the United Kingdom repaid the gold tranche in October 1978.

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. Banks' direct investment is excluded.

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 SDR 35 per fine ounce. All foreign currencies and SDRs have been converted into sterling at end-year middle market rates. This differs from the series published monthly where foreign currencies other than the US dollar have been converted into US dollars at parity or central rates, and gold at \$42.2222 per fine ounce, 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 (excluding banks and insurance and oil 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 the years 1975-78 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, with adjustments 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 Table 12 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
These comprise British government stocks and government-guaranteed stocks of nationalised industries. Overseas monetary authorities comprise central monetary institutions and international organisations (other than the IMF); figures for their holdings are based on a valuation reported at mid-November, which is adjusted for changes in market prices and transactions between then and end-December. Figures for other holdings are estimated partly by the same method (where the holdings are through UK listed banks) and partly by analysis of the stock registers at the Bank of England.

British government foreign currency bonds
This represents the bonds denominated in US dollars, deutschmarks, 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. (£413 million at middle market end-year rates as in Table E.)

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 originally taken up in 1977, 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 D. 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.)