

# An inventory of UK external assets and liabilities: end-1979

## Introduction

This article continues the annual series of estimates of the external assets and liabilities of the United Kingdom and gives provisional figures for the end of 1979. These show a net external asset position somewhat larger than a year earlier.

The compilation and presentation of the estimates, which are set out in detail in Table E, are on basically the same lines as in previous articles. There are, however, two noteworthy changes: these are the introduction, for the purpose of these estimates, of a different method of valuing gold in the official reserves (consistent with the methodology used for other assets),<sup>(1)</sup> and the inclusion for the first time of inward and outward direct investment by banks.<sup>(2)</sup>

It is important to emphasise the inevitable limitations of an inventory of this nature. First, the coverage of external assets and liabilities is still incomplete. For example, no estimates exist for either inward or outward investment in real estate. Second, where some data are available, difficulties of valuation 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.

## Summary

At the end of 1979, the net external assets of the United Kingdom are provisionally estimated at £4.3 billion, compared with a revised figure of £2.5 billion for 1978. (The original estimate for 1978 in last year's article showed a net liability of £1.2 billion; some £2.2 billion of the revision is due to the changes mentioned above.)

There was a swing to a net external asset position for the public sector in 1979, largely because of the increase in the value of gold in the official reserves; the price of gold rose by nearly \$300 per fine ounce during the year, which enhanced the market value of the gold in the reserves by some £2.4 billion. The change in the position of the public sector more than offset a reduction in the net external assets of the private sector, which fell back from £5.0 billion in 1978 to £3.2 billion (see Table A).

In addition to the effect of the rise in the price of gold, these estimates, being presented in sterling terms, are affected by

**Table A**

### Net external assets (+)/liabilities (-): summary

£ billions	End-years	1976	1977	1978	1979
Investment		+9.6	+5.0	+5.5	+7.3
Banking and commercial		-0.5	-1.8	-0.5	-4.1
Net external position of the private sector		+9.1	+3.2	+5.0	+3.2
Public sector (excluding reserves and other official financing)		-3.8	-5.7	-4.8	-5.5
Reserves and other official financing		-6.0	+1.1	+2.3	+6.6
Net external position of the public sector		-9.8	-4.6	-2.5	+1.1
<b>Total net external position of the United Kingdom</b>		<b>-0.7</b>	<b>-1.4</b>	<b>+2.5</b>	<b>+4.3</b>

the appreciation of sterling: in particular, sterling rose by 9% against the US dollar, the currency in which approximately half of the United Kingdom's assets, and two thirds of liabilities, are denominated. It is estimated that exchange rate movements reduced external liabilities by at least £1 billion more than assets. After discounting the effects of these two valuation changes, and other price movements, the change in the external position broadly reflects outflows on the current account in 1979 (for which provisional estimates show a deficit of £2.4 billion).<sup>(3)</sup>

The removal of exchange controls seems to have had a more significant effect on the financing of existing overseas investment than on the size of the flow of new investment. In particular, there have been substantial repayments of foreign currency borrowing which had been incurred to finance such investment.

## Private sector

After rising in 1978 by £1.8 billion to £5.0 billion, the net external assets of the private sector dropped back again during 1979 to £3.2 billion. The net stock of private investment overseas rose (see Table A), but this was offset by a much greater increase in net banking and commercial liabilities.

The book value of **UK companies' direct investment abroad** increased in 1979 by 4½% to £16.5 billion while **overseas direct investment in UK companies** rose by 11% to £10.8 billion.<sup>(4)</sup> Thus the United Kingdom's net asset position in this sector was reduced by £0.4 billion, to stand at £5.7 billion.

(1) This has been adopted for 1978 and 1979: see the notes and definitions at the end of the article.

(2) These figures are based on a census of overseas assets and liabilities which was completed by listed banks as at the end of 1977. Levels of investment for 1976, 1978 and 1979 are estimated using the flows of direct investment reported by the banks concerned.

(3) It has not been possible to take account in this article of the revised balance of payments estimates which were released early in June.

(4) The figures exclude oil, insurance and banking.

**UK banks' direct investment overseas** jumped by 41% (£0.6 billion) to £1.9 billion. Virtually all of the increase can be attributed to the acquisition by UK banks of banks in the United States. However, this new investment by UK banks had little net effect on the external balance sheet because it was almost entirely financed by borrowing abroad. **Inward investment by foreign banks** rose by £0.2 billion.

There was a sharp rise in the value of **UK oil companies' net assets abroad**, to £5.3 billion—an increase of some £1.4 billion (35%) during the year. This mainly reflected the doubling of the price of oil in 1979, which resulted in massive increases in the value of oil companies' stocks.

In the United Kingdom, **overseas oil companies' net assets** also jumped, by £1.4 billion (24%) to £7.3 billion. Apart from the revaluation of stock caused by higher oil prices, there was continued capital expenditure in the North Sea.

After the slump in the outstanding value of **UK portfolio investment overseas** in 1977, it recovered in the next two years to reach a new peak of £9.5 billion at the end of 1979 (see Table B). Over £1 billion of the £1.5 billion rise in the latest year can be attributed to increases in market prices, but this was partly offset by an estimated £½ billion depreciation on account of the rise in sterling. Investment in North American securities accounted for the largest proportion of total net purchases of some £0.9 billion. The overall level of **overseas portfolio investment in UK companies' sterling securities** was unchanged in 1979: there were net purchases of some £¼ billion, but these were offset by a fall in the prices of leading shares. There is thought to have been a net acquisition of **UK companies' foreign currency securities** by overseas residents, but the strength of sterling and falling market prices caused a slight downturn in the stock outstanding. **Direct borrowing abroad by UK companies** fell back after reaching a record level at the end of 1978. Most of the overall fall during the year can be attributed to the appreciation of sterling, but there were net repayments of about £½ billion in the second half, following the removal of exchange controls, which more than offset heavy borrowing earlier in the year. The majority of this new borrowing was for direct investment outside the European Community; new borrowing for portfolio investment overseas appears to have been insignificant after being very high in 1978.

**Net banking and commercial liabilities** jumped by £3.6 billion, to reach £4.1 billion. The size of the increase was moderated by the lifting of exchange controls. As the first round of relaxations<sup>(1)</sup> took effect, there were significant repayments by UK residents of foreign currency borrowing from their UK banks, previously taken out mainly to finance direct investment; and these repayments will have had a counterpart in the banks' net external liabilities.

**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	6,900	3,540	1,160
End-1978	8,050	3,350	1,230
End-1979	9,500	3,350	1,180
Change in 1979	+ 1,450	—	50
of which:			
Transactions	+ 873	+ 245	+ 105
Valuation (including currency adjustment)	+ 577	- 245	- 155

Large repayments continued in the fourth quarter, mainly of borrowing taken to finance overseas portfolio investment, following the abolition of controls on 23 October.<sup>(2)</sup> Over the year, however, the strength of sterling led overseas residents to place substantial **sterling deposits** with UK banks; these jumped by £2.8 billion (48%). For much of the year, as the banks themselves switched into sterling, their net external foreign currency liabilities increased, so that, over the year as a whole, they rose by £1.0 billion.<sup>(3)</sup> There was continued rapid growth in the euro-currency markets in 1979; this was reflected in an increase during the year, in sterling terms, of some £22 billion each in the gross **external foreign currency assets and liabilities of UK banks and certain other financial institutions** compared with an increase of £16 billion in 1978. However, after adjusting for exchange rate movements, the value of new business undertaken in the latest year was in the region of £30 billion, representing a growth rate 50% greater than in 1978.

**Advances and overdrafts in sterling** were little changed from 1978. **Commercial bills discounted**, however, declined by nearly £0.4 billion, which included a fall of £0.2 billion in sterling acceptances (possibly associated with the break between the Irish pound and sterling) and a slight decline in sterling lending under the Export Credits Guarantee Department's fixed-rate schemes.

### Public sector

The net external liabilities of the public sector (excluding official financing items) rose in 1979 by £0.7 billion, after falling by £0.9 billion in 1978. The rise was more than accounted for by very large (£1.2 billion) purchases by overseas residents of **British government stocks**, principally by holders other than central monetary institutions (CMIs). Over two thirds of the inflow came in the second half of the year, when UK interest rates were relatively high and after the attraction of sterling-denominated assets had been enhanced by large oil price increases. Non-CMI holdings of British government stocks are now about three times as great as at the end of 1976.

(1) Announced on 12 June and 18 July 1979.

(2) Apart from those affecting Rhodesia, which were lifted on 13 December.

(3) See the December 1979 and March 1980 issues of the *Bulletin*, pages 371 and 14 respectively.

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

£ millions

	By central monetary institutions	By other holders
Market value:		
End-1977	1,341	2,490
End-1978	1,114	2,182
End-1979	1,289	3,104
Change in 1979	+ 175	+ 922
of which:		
Transactions	+ 247	+ 1,000
Valuation	- 72	- 78

In November 1979, the Government raised approximately £22 million through the sale of its 7.7% shareholding in the Suez Finance Company, the successor to the company set up more than a century ago to develop the Suez Canal. The sale forms part of the Government's policy of public asset disposals. Until the end of 1978, this equity holding was included in **other official assets**.

The fall in **inter-government loans to the United Kingdom** reflects the scheduled repayment of the US\$125 million (£55 million) Anglo-German Offset agreement, and a further reduction—of about £0.2 billion—in the outstanding amount of the postwar North American loans. Nearly two thirds of the change in the latter was due to the appreciation of sterling, the remainder being scheduled repayments.

The total of **foreign currency securities issued by public corporations and local authorities** and held by non-residents<sup>(1)</sup> continued to decline as further repayments were made. Indeed, following the prepayment by the Greater London Council (GLC) of Sw. Fr. 200 million (£58 million), no such issues by local authorities remain. **Other borrowing abroad by public corporations and local authorities<sup>(1)</sup>** also declined, despite new borrowing in sterling of nearly £60 million from the European Investment Bank (EIB).<sup>(2)</sup>

**Overseas holdings of Treasury bills and non-interest-bearing notes** increased by £0.3 billion: holdings by central monetary institutions of Treasury bills rose, as did non-interest-bearing notes, reflecting the increased UK subscription to the International Development Association, which is shown, on the assets side, in a rise in **subscriptions to international financial organisations**.

The new Government announced in June 1979 that it intended to reduce substantially the volume of official external debt over the life of this Parliament. Over the whole of 1979, **official financing liabilities** were reduced by £1.4 billion, bringing the amount outstanding to some £3.2 billion below the record 1977 level. The most significant reduction was in **net drawings from the**

**International Monetary Fund (IMF)**, as approximately £0.5 billion of drawings in the credit tranches was prepaid in April. This was the third advance repayment of part of the 1977 stand-by credit and effectively reduced the amount outstanding to nil. (Subsequent repayments, other than those on the oil facility, lead to an offsetting increase in the reserves because they reconstitute the United Kingdom's reserve position in the IMF. Such repayments are therefore excluded from net drawings on the IMF in Table E.)

As in 1978, early repayments of public corporation and local authority debt under the exchange cover scheme were mainly of **euro-dollar syndicated credits**, nearly all to UK banks (see Table D). The largest prepayments, both of \$500 million, were by the Electricity Council and the GLC. Towards the end of the year, the Electricity Council also began to prepay the outstanding balance of a \$1 billion euro-dollar loan; during 1979, £215 million of this loan was repaid, of which £135 million was ahead of schedule. The remainder of the loan was repaid by the end of March 1980. On the other hand, new borrowing by British Airways in 1979 included several euro-dollar credits totalling £108 million.

**Table D**  
**Foreign currency borrowing by public sector bodies under the exchange cover scheme: amounts outstanding**

£ millions

	End-years	1976	1977	1978	1979
Foreign currency borrowed through					
UK banks by:					
Public corporations		1,988	1,745	1,234	785
Local authorities		450	399	242	20
Foreign currency securities issued by:					
Public corporations		1,506	1,476	1,086	1,167
Local authorities		210	192	179	94
Other borrowing abroad by:					
Public corporations		1,641	1,772	1,942	2,027
Local authorities		56	72	74	109
<b>Total</b>		<b>5,851</b>	<b>5,656</b>	<b>4,757</b>	<b>4,202</b>

Overseas holdings of **foreign currency securities issued by public corporations** under the exchange cover scheme rose by £81 million, despite several large scheduled repayments and lower market prices. The increase was due to issues of commercial paper in New York by the British Gas Corporation and the Post Office, which together had raised nearly £230 million by the end of the year.

**Direct borrowing abroad** increased by £120 million. As before, nearly all the new borrowing was from the EIB and the European Coal and Steel Community. These two institutions now account for about 20% of total outstanding public sector foreign debt.

While official financing liabilities fell in 1979, the market value of the official reserves, as calculated for these estimates, went up by £2.8 billion; thus, the excess of the reserves over financing liabilities rose by £4.3 billion, to £6.6 billion.

(1) These items exclude issues and other borrowing under the exchange cover scheme.

(2) Almost all borrowing from the EIB and the European Coal and Steel Community in foreign currency is taken under the exchange cover scheme and is therefore included in official financing. Some EIB loans are made partly in sterling. This sterling element is not regarded as official financing and is therefore included here, together with any loans in foreign currency which are not taken under the exchange cover scheme.

## 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; some items are more heavily rounded, indicating their relative unreliability.

### 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 extrapolated from Department of Trade 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 subsequent years 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 it does not allow for any writing down of assets by companies during the period. The figures for 1976 to 1979 have therefore been written down somewhat in an attempt to eliminate any overestimation.

##### UK banks' direct investment overseas

This represents investment by UK listed banks in their overseas branches, subsidiaries and associates. The figures are based on a census of overseas assets and liabilities which was completed by listed banks as at the end of 1977. For the years 1976, 1978 and 1979, estimates are derived from the flows of direct investment reported by those banks which completed the census. The level of investment is defined as the sum of equity, loan and working capital plus reserves.

##### 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.

##### Insurance companies' direct investment in the United States

These are derived from US Department of Commerce estimates, the 1979 figure being an extrapolation by the Bank of England.

##### Portfolio investment

Estimates of the value of UK portfolio investment overseas are based on surveys and other sources, including exchange control information (until 23 October 1979), compiled mainly for measuring capital flows; broad adjustments have been made to allow for deficiencies of coverage, and changes in market values resulting from price fluctuations have been estimated. The resultant total is accordingly imprecise.

In the last two annual articles an alternative estimate of the stock of this investment, has been made by aggregating data on overseas investments

made by individual sectors. Estimates for 1977 are now available and are as follows:

£ millions			
	1975	1976	1977
Investment trusts	2,121	2,571	1,973
Unit trusts	399	468	423
Pension funds(a)	678	959	1,001
Insurance companies	1,350	1,657	1,616
Households	1,636	2,068	1,460
Other known holdings(b)	1,211	1,661	1,717
<b>Total</b>	<b>7,395</b>	<b>9,384</b>	<b>8,190</b>

(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 data; both contain a degree of estimation and neither may be regarded as exact. The differences emphasise the reservations with which many of the figures in Table E should be interpreted. Nevertheless, the alternative approach confirms at least the broad movements in such investment between the dates shown.

##### Miscellaneous

This comprises currency exchanges, which in 1978 and 1979 were used as a means to finance investment abroad. The corresponding entry on the liabilities side is included in *direct borrowing abroad by UK companies*. Their attractiveness has disappeared since the abolition of exchange controls because foreign currency is now freely available to all UK residents.

##### 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 lodged with banks for collection which are covered instead by *suppliers' trade credit on exports*; sterling—but not foreign currency—acceptances are included, because it is believed that most are held by UK banks and discount houses. Direct investment by banks 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

For the purposes of this article, gold is valued until end-1977 at the then official price of SDR 35 per fine ounce, and for 1978 and 1979 at end-year market rates. Foreign currencies and SDRs are valued throughout at end-year market rates. These valuations differ from those used in the figures released each month by the Treasury (see the additional notes to Table 17 in the statistical annex), but are consistent with those used for foreign currency assets elsewhere in the table. For end-1979, the market valuation used here exceeded the valuation in the monthly release by just over £3 billion.

##### Subscriptions to international financial organisations (excluding the IMF)

There have been some revisions to past figures following a minor change in the methodology used to calculate the estimates.

##### Other official assets

These comprise other overseas assets of the central government, including (until the end of 1978) its holding of Suez Finance Company shares, together with the assets of such official bodies as the Commonwealth Development Corporation and the UK Atomic Energy Authority.

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Table E

## UK external assets and liabilities

£ millions

## External assets

End-years	1976	1977	1978	1979
<b>Private sector</b>				
Private UK investment abroad:				
Direct investment (excluding oil, insurance and banking)(a)	14,600	14,800	15,800	16,500
UK banks' direct investment	1,028	1,152	1,341	1,897
Oil companies' net assets abroad(a)	3,400	3,550	3,900	5,250
Insurance companies' direct investment in the United States(b)	585	595	610	710
Portfolio investment(a)	8,550	6,900	8,050	9,500
Miscellaneous	—	—	156	267
Total private investment abroad	28,165	26,995	29,855	34,125
<b>UK banks' assets:</b>				
Advances and overdrafts in:				
Sterling	1,056	1,112	1,432	1,449
Foreign currencies	80,753	82,536	99,027	120,979
Commercial bills discounted	5,216	5,799	6,270	5,914
Suppliers' trade credit on exports	3,237	3,485	3,963	4,611
Advances and progress payments on imports by UK businesses	598	483	235	264
Other identified assets held abroad by UK companies	267	239	309	281
Total banking and commercial claims	91,125	93,655	111,235	133,500
<b>Total external assets of the private sector</b>	<b>119,290</b>	<b>120,650</b>	<b>141,090</b>	<b>167,625</b>
<b>Public sector</b>				
Inter-government loans by the United Kingdom	1,248	1,243	1,269	1,280
Subscriptions to international financial organisations (excluding the IMF)	802	1,027	1,250	1,493
Other official assets	300	332	351	357
Total public sector lending etc.	2,350	2,600	2,870	3,130
Total official reserves	2,485	10,975	10,380	13,220
<b>Total external assets of the public sector</b>	<b>4,835</b>	<b>13,575</b>	<b>13,250</b>	<b>16,350</b>
<b>Total identified external assets</b>	<b>124,125</b>	<b>134,225</b>	<b>154,340</b>	<b>183,975</b>

(a) Estimated book value of net assets.

(b) Derived from US Department of Commerce estimates: these include market valuation of securities held by branches and subsidiaries of UK insurance companies.

## External liabilities

End-years	1976	1977	1978	1979
<b>Private sector</b>				
Overseas investment in the UK private sector:				
Direct investment (excluding oil, insurance and banking)(a)	7,600	8,700	9,700	10,800
Foreign banks' direct investment	683	801	950	1,107
Overseas oil companies' net assets in the United Kingdom(a)	4,600	5,200	5,850	7,250
Portfolio investment in UK company sterling securities(c)	2,420	3,540	3,350	3,350
Portfolio investment in UK company foreign currency securities(c)	970	1,160	1,230	1,180
Direct borrowing abroad by UK companies	2,350	2,596	3,327	3,093
Total overseas investment in the private sector	<u>18,625</u>	<u>21,995</u>	<u>24,405</u>	<u>26,780</u>
UK banks' liabilities in:				
Sterling	4,189	5,797	5,855	8,642
Foreign currencies(d)	83,691	85,475	101,468	124,437
Suppliers' trade credit on imports	2,237	2,415	2,515	2,389
Advance and progress payments on exports by overseas customers	1,474	1,742	1,877	2,175
Total banking and commercial liabilities	<u>91,590</u>	<u>95,430</u>	<u>111,715</u>	<u>137,645</u>
<b>Total external liabilities of the private sector</b>	<b><u>110,215</u></b>	<b><u>117,425</u></b>	<b><u>136,120</u></b>	<b><u>164,425</u></b>
<b>Public sector</b>				
Inter-government loans to the United Kingdom	2,390	2,017	1,804	1,547
Overseas investment in the UK public sector:				
British government stocks held by:(c)				
Overseas central monetary institutions	1,145	1,341	1,114	1,289
Others	1,050	2,490	2,182	3,104
British government foreign currency bonds	—	393	412	376
Local authority securities and mortgages	115	145	150	175
Foreign currency securities issued by:				
Public corporations(c)(e)	296	317	199	175
Local authorities(c)(e)	71	74	62	—
Other borrowing abroad by:				
Public corporations(e)	246	827	800	735
Local authorities(e)	3	8	20	16
Overseas holdings of Treasury bills and non-interest-bearing notes(f)	672	652	867	1,205
Overseas deposits with local authorities	159	28	44	18
Total public sector borrowing (other than official financing)	<u>6,145</u>	<u>8,290</u>	<u>7,655</u>	<u>8,640</u>
Official financing liabilities:				
Net drawings on the IMF	1,160	2,129	1,142	480
Foreign currency borrowing by the Government	1,469	2,085	1,960	1,798
New York bond issue by the Government	—	—	171	157
Foreign currency borrowing by public sector bodies under the exchange cover scheme	5,851	5,656	4,757	4,202
Total official financing liabilities	<u>8,480</u>	<u>9,870</u>	<u>8,030</u>	<u>6,635</u>
<b>Total external liabilities of the public sector</b>	<b><u>14,625</u></b>	<b><u>18,160</u></b>	<b><u>15,685</u></b>	<b><u>15,275</u></b>
<b>Total identified external liabilities</b>	<b><u>124,840</u></b>	<b><u>135,585</u></b>	<b><u>151,805</u></b>	<b><u>179,700</u></b>

(c) At estimated market value.

(d) Excludes borrowing by 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.

## 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 subsequent years have been extrapolated from 1974 figures by the Department of Trade and take account solely of annual flows; no adjustment has been made for any revaluations in companies' books.

#### *Foreign banks' direct investment in the United Kingdom*

This represents investment in UK listed banks which are branches, subsidiaries or affiliates of overseas parent or affiliated companies. The figures are calculated on a basis comparable with that for *UK banks' direct investment overseas*.

#### *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 company sterling securities*

The market value of inward portfolio investment in listed ordinary shares at end-1975 is available from the Department of Industry's survey of UK company share registers at that time. Adjustments have been made to exclude holdings of a direct investment nature, and an estimate of holdings of debentures and preference shares has 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 company foreign currency securities*

Details of issues and redemptions are obtained from various sources, including the press; nominal amounts outstanding for each issue are estimated and adjusted for changes in the market price of the security. 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 former Scheduled Territories—whether for the purchase of foreign currency securities, or direct investment abroad, or for use in the United Kingdom—have been mainly derived from information supplied under UK exchange control regulations. Exchange control information ceased to be available after the removal of exchange controls on 23 October 1979. An estimate for the fourth quarter of 1979 was based on the experience of the previous two years. 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 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 nationalised industry stocks guaranteed by the Government. Central monetary institutions includes international organisations; figures for their holdings are based on mid-November data, 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 from the stock registers at the Bank of England.

#### *British government foreign currency bonds*

This represents the bonds denominated in US dollars, deutschemarks, Swiss francs and yen, which were sold to overseas official holders of sterling in April 1977 in order to help promote an orderly reduction in the international reserve role of sterling.

#### *Local authority 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 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 identified 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 IMF, 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 identified 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.)