

Sector financing: 1979

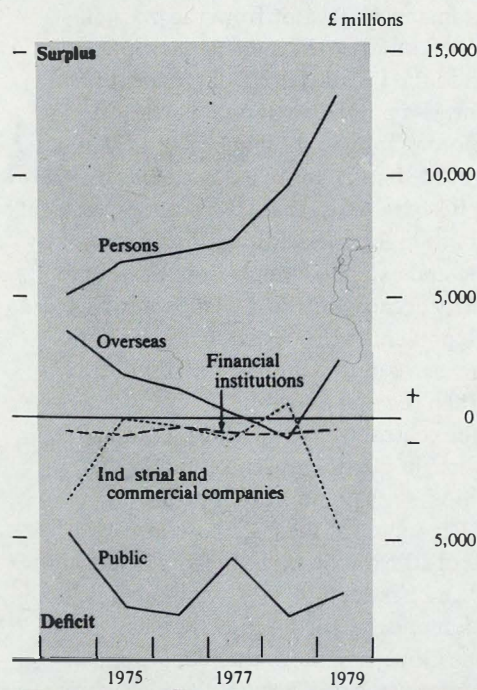
Introduction

This article reviews the main developments in the flow of funds between sectors of the economy in 1979.⁽¹⁾ It also provides a full set of flow of funds tables, including transactions by individual groups of 'other financial institutions' and a breakdown by type of security of the various sectors' transactions in 'UK company and overseas securities'.⁽²⁾

Chart A and Table A show the sectoral surpluses and deficits, as measured by national income statistics. In the last year there have been some sizable revisions to the figures for 1978 and earlier years, notably to those for the gross trading profits of industrial and commercial

personal sector surplus rose by as much as 38% in nominal terms (25% in real terms), while the surplus of the overseas sector reflected the swing from a small surplus to a deficit on the current account of the balance of payments. For the third successive year, however, the residual error in the national accounts was negative (in contrast to the normal pattern in earlier years), and it was much bigger than in either 1977 or 1978. This makes the sector positions difficult to assess; in fact, figures for financial transactions (Table B) suggest that the position of industrial and commercial companies may have deteriorated by more than indicated in the national accounts, that the financial deficit of the public sector may have risen rather than fallen, and that the personal sector surplus may have been even larger.

Chart A
Financial surpluses and deficits



companies; the effect of these is to improve the financial position of companies from what it appeared to be when last year's article was written. On the figures as they are now shown, the main changes in 1979 were large increases in the surpluses of both the personal and overseas sectors and a sharp deterioration in the position of industrial and commercial companies. The deficit of the public sector was a little smaller than in 1978 (when it had risen sharply). The

Table A
Sector surpluses and deficits as measured by national income statistics in 1978 and 1979

	Public sector	Overseas sector	Personal sector	Industrial and commercial companies	Financial institutions	Residual error
1978	-8.0	-0.9	+ 9.7	+0.6	-0.6	-0.8
1979	-7.2	+2.4	+13.3	-4.5	-0.4	-3.6

Table B
Identified financial transactions in 1978 and 1979

	Public sector	Overseas sector	Personal sector	Industrial and commercial companies	Financial institutions
1978	-7.9	-2.1	+ 9.6	+0.1	+0.3
1979	-8.8	+1.8	+14.7	-6.1	-1.6

Public sector

The public sector deficit, as estimated from national income statistics, fell as a proportion of GDP at market prices from 5% in 1978 to under 4% in 1979, much below the 7½% peak in 1975. Figures for financial transactions, on the other hand, indicate a larger public sector deficit than in 1978; this may represent a timing difference, or, perhaps, errors in national income statistics. The public sector borrowing requirement (PSBR), which includes lending to the private and overseas sectors and certain other financial transactions, also increased, rising from £8.3 billion in 1978 to £12.6 billion in 1979. The PSBR was £5.4 billion greater than the public sector deficit; most (£3.2 billion) of this

(1) Some of the figures, particularly those derived from the national income and balance of payments accounts, are still provisional.
 (2) The *Bulletin* now provides only a selection of flow of funds tables in the statistical annex to the March, September and December issues, while the figures published in *Financial Statistics* are on a different classification of transactions and are not seasonally adjusted. Long runs of the Bank's full set of tables are available as computer print-outs on request to the Bank at the address given on the reverse of the contents page.

difference is explained by 'accruals adjustments'.⁽¹⁾ Over three quarters of the public sector accruals adjustment in 1979 arose from the timing of cash receipts from taxes on expenditure. Most of this was due to the imposition of a 15% rate of VAT in the June Budget; actual cash receipts from this lagged behind the accruals, so that the PSBR was larger than the accruals-based financial deficit. As a proportion of GDP, the PSBR rose from 5¼% in 1978 to 6¾% in 1979, but this is still much lower than in the mid-1970s. (It was as large as 10% in 1975.)

The fall of £0.8 billion in the public sector financial deficit in 1979 shown in national income statistics was wholly attributable to central government transactions, which improved by £2.1 billion. The local authority deficit increased by £0.6 billion, after falling for the previous four years, and that of the public corporations increased by £0.7 billion, after falling for the previous three years. The central government improvement arose from a smaller deficit on current account, where receipts grew by 20½% but expenditure by only 15¾%. Receipts from taxes on expenditure increased particularly sharply, helped in the second half of the year by the increased rate of VAT, while taxes on income, which rose much more slowly, included £0.7 billion from petroleum revenue tax, which was paid in significant amounts for the first time in 1979. Within expenditure, current grants to the personal sector (including increased national insurance and child benefits) and to the European Community continued the strong growth seen in 1978, but capital transfers to the private sector and public corporations fell. Debt interest payments grew at the same rate as in 1978, and the three branches of the public sector together increased their fixed investment by over £1 billion after a small fall in the previous year.

The central government borrowing requirement (CGBR), at an unprecedented £10.4 billion, was £2 billion greater than in 1978, mainly because of a rise of £1.7 billion in net lending (mostly to public corporations). Nearly all of the CGBR was financed by sales of government stocks (£10.1 billion). Interest rates rose steeply during the year, with minimum lending rate and the banks' base rates moving from 12½% to 17%. However, the Government's firm commitment to monetary targets and the strength of sterling created favourable conditions in the gilt-edged market, which resulted in substantial sales of stocks. The non-bank private sector took up £10.5 billion of central government debt, mainly gilt-edged stocks (£8.8 billion), for which the largest buyers (£4.9 billion) were insurance companies and pension funds. Receipts from national savings, at £1.1 billion, were lower than in the two previous years, but sales of the index-linked retirement issue were buoyant.

External transactions by the central government played a minor role in the funding programme in 1979; they

increased the need for sterling finance by £0.2 billion, in contrast to the net receipt of funds from overseas in 1978 of £1.4 billion. The current account of the balance of payments was in deficit by £2.4 billion in 1979,⁽²⁾ but there were large net capital inflows; in particular, there was a big increase in overseas sterling deposits with banks in the United Kingdom, and, with UK banks switching into sterling for much of the year, increases in their overseas foreign currency liabilities were bigger than in their assets. The relaxation and subsequent abolition of exchange controls led to some outflows in the second half of the year, but these were offset by other inflows. Identified overseas purchases of central government debt were £1.3 billion, mainly in the form of gilt-edged stocks, and, after repayments to the International Monetary Fund of £0.6 billion, these offset the sterling cost of a rise in the official reserves of £0.9 billion (excluding an allocation of £0.2 billion special drawing rights). Such was the success of the authorities in raising funds from the non-bank private sector that, despite the very large borrowing requirement, recourse to the banking system was limited to £0.1 billion overall.

The local authorities' borrowing requirement, at £2.3 billion, was more than double that in 1978. Although they borrowed rather more from the central government in 1979, most of their finance still came from the market, particularly from banks and other financial institutions. Their contribution to the PSBR (borrowing, except from central government, less purchases of public sector debt) was £1.8 billion, more than twice as much as in 1978. Public corporations also needed much more finance than in 1978. Their trading surplus barely rose, but their fixed investment and lending were both higher. In addition, they did slightly more stockbuilding and extended much more trade credit (largely involuntarily because the Post Office was affected by the strike which prevented the despatch of telephone bills). Their borrowing requirement was £3.7 billion, £2.6 billion more than the previous year. They borrowed £3.2 billion from the central government, £1.5 billion of which was in the form of public dividend capital. The remaining £0.5 billion—the public corporations' contribution to the financing of the PSBR—consisted of sterling borrowing of £0.6 billion (mainly from banks in the United Kingdom) and a reduction of £0.4 billion in holdings of government debt, partly offset by the payment of £0.5 billion to the Government for the redemption of government-guaranteed stocks of nationalised industries.

Industrial and commercial companies

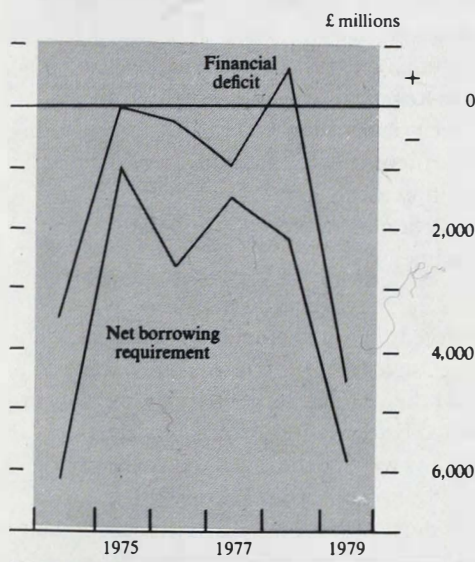
National income statistics show that the financial position of industrial and commercial companies worsened very sharply in 1979 to a deficit of £4.5 billion from a surplus of £0.6 billion in 1978, while statistics for financial transactions suggest an even bigger deterioration. Total income (excluding stock appreciation) was £26.2 billion

(1) In the national income accounts, income and expenditure are recorded as they accrue, whereas the financial transactions, including the PSBR, reflect cash receipts and payments. An accruals adjustment has therefore to be entered in the financial accounts to reconcile the two sets of figures.

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

in 1979, 13½% higher than in 1978, but, within this, gross trading profits rose by only 7½%; indeed, apart from North Sea oil, profits fell by 6%. Profits of companies operating in the North Sea doubled between 1978 and 1979 and accounted for one quarter of all company profits in 1979. These companies, whose activities contributed to an 80% increase in profits due abroad, made special dividend payments and were in a large part responsible for payments of ordinary dividends being 47% higher, with most of the increase coming in the second half of the year after the removal of dividend controls from the beginning of August. Undistributed income (again excluding stock appreciation) fell from £12 billion to £9.8 billion, while spending on fixed investment and stocks was, respectively, £0.8 billion and £2 billion more than in 1978.

Chart B
Industrial and commercial companies' financial deficit and net borrowing requirement



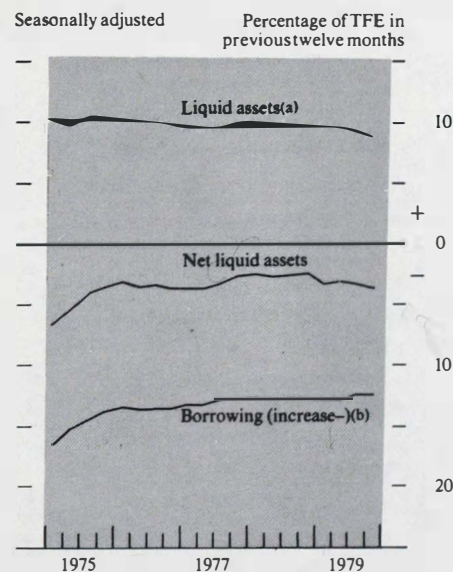
The companies' net borrowing requirement, which is a better measure of companies' cash position than the financial deficit, was £5.9 billion in 1979—over two and a half times that in 1978, but considerably less in real terms than the £6.2 billion in 1974. The first quarter figure of £2.6 billion was particularly high, partly because of widespread industrial disruption caused by strikes, but the figures for the other three quarters were each larger than any individual quarter in either 1977 or 1978. The increase in the borrowing requirement was somewhat less than that in the financial deficit. This was partly because net unremitted profits payable overseas, which increase the financial deficit but not the borrowing requirement, were inflated by the increased earnings of overseas oil companies and rose by over £0.6 billion. More importantly, companies' cash position was helped by the fact that taxes etc. due but not yet paid, which had increased by £0.5 billion in 1978, rose by £2.4 billion in 1979, because of delays in the settlement of telephone bills, as mentioned above, and in the transfer of VAT to the Customs and Excise.

Table C
Borrowing requirement of industrial and commercial companies

£ billions	1977	1978	1979
Saving(a)	+9.8	+12.0	+9.8
Capital transfers	+0.2	+0.4	+0.3
Gross domestic fixed-capital formation(-)	-9.7	-11.1	-11.9
Physical increase in stocks(-)	-1.3	-0.7	-2.7
Financial deficit(-)	-1.0	+0.6	-4.5
less:			
Net unremitted profits	—	-0.1	+0.6
UK trade investments and mergers	-0.7	-0.8	-1.1
Long-term investment abroad	-0.7	-1.5	-1.9
Identified trade credit accruals etc.	+0.1	+0.1	+2.6
Unidentified	+0.7	-0.5	-1.6
Net borrowing requirement(-)	-1.6	-2.2	-5.9
Financed by:			
Borrowing	+4.6	+5.1	+6.9
Decrease in liquid assets(+)	-3.0	-2.9	-1.0
(a) Excluding stock appreciation of:	3.8	3.0	6.9

Companies relied very heavily on the banks for finance in 1979, borrowing £4.9 billion; this was £2 billion more than in either 1977 or 1978, and £0.5 billion more than in 1974 (but much less than this in real terms). Borrowing from other sources was less than in 1978, largely because the inflow of funds from overseas parent companies was considerably below that of the past few years, although

Chart C
Industrial and commercial companies' liquidity



- (a) Comprises notes and coin, bank deposits, holdings of local authority temporary debt, Treasury bills, tax instruments, and deposits with finance houses and building societies.
(b) Comprises bank advances, commercial bills and call money.

overseas investment in the North Sea was much the same as in the previous twelve months; also, in the second half of the year, when exchange controls were relaxed and eventually abolished, UK subsidiaries repaid £0.5 billion to overseas parent companies. Issues of ordinary shares (£0.8 billion) were the highest since 1976, but these included £150 million by BL Ltd (mainly to the National Enterprise Board). For the third successive year, there were net redemptions of

debentures (although only on a small scale) because companies were unwilling to incur fixed-rate debt when the outlook for inflation was so uncertain.

Total borrowing exceeded the borrowing requirement by only £1.0 billion and companies increased their liquid assets by less than in the previous four years when their borrowing had exceeded the borrowing requirement by much larger amounts. Holdings of bank deposits and notes and coin together rose by only £0.6 billion, compared with £2.5 billion in 1978, but acquisitions of local authority temporary debt went up by much the same amount as before. Holdings of tax instruments were reduced, as were deposits with other financial institutions.

Personal sector

In 1979, personal disposable incomes are estimated to have risen by 18.7% and consumer prices by 12½%, so that real disposable incomes rose by 6%, which was less than in 1978. The increase in wages and salaries was 16.3%, while most other types of income rose somewhat faster—government grants in the form of national insurance benefits and family allowances by 17.3%, personal income from self-employment and dividend receipts by 19.9%, and pension contributions from employers by 17.4%. Tax and national insurance payments rose by only 11½%. Consumers' expenditure grew by 16½% and the saving ratio rose by 1.6 percentage points to 15.8%. In the last quarter of the year, when incomes were boosted by the full effect of the tax changes and rebates announced in the Budget and by the pensioners' Christmas bonus, real disposable

incomes rose by almost 5%, and, because this additional income was not all spent immediately (real consumers' expenditure rose in the quarter by less than 2%), the saving ratio rose to 18½%. Personal saving increased by a very large £5.1 billion over the year as a whole. This was partly offset by an increase of £1.3 billion in capital expenditure, although, within this, investment in new dwellings fell in real terms by 11.0%, under the impact of the high mortgage rates. Allowing for this, and for small net receipts of capital transfers, the financial surplus as calculated from national income statistics rose by £3.6 billion to £13.3 billion, an increase of 25% in real terms. Figures for financial transactions show an even bigger increase (£5.1 billion).

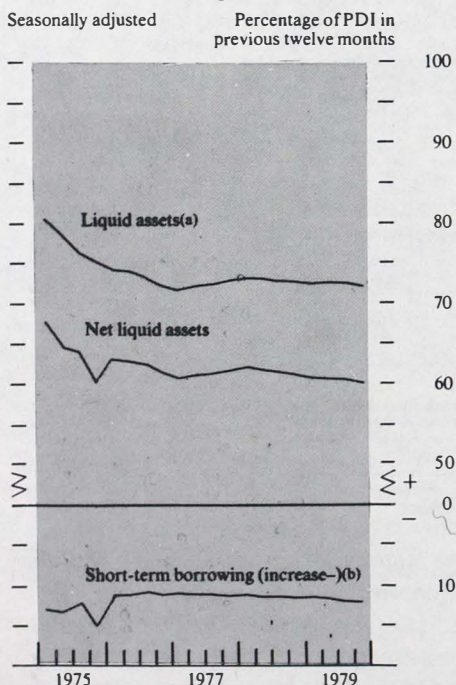
The personal sector borrowed more for house purchase from all sources in 1979, but the increase was smaller than that in 1978, despite a larger inflow to the building societies. Persons borrowed £0.2 billion less from the building societies, but £1 billion more from other sources, including banks and local authorities. Borrowing from banks, other than for house purchase, rose by £2.6 billion (28%), well above the rise in consumers' expenditure. Much of this, however, was by unincorporated businesses which are included within the personal sector. Overall, the proportion of persons' disposable income held as liquid assets dropped slightly after a small increase in 1978. Short-term borrowing, as a proportion of income, continued to rise and thus net liquidity declined.

The pattern of investment in liquid assets was, as usual, influenced by relative movements in interest rates. Rates were high throughout the year, although they fell slightly in the March–June period before rising strongly to a peak in mid-November. Persons were encouraged to increase their bank deposits by £6.4 billion, or 26%. The growth in deposit accounts was particularly marked in the second half of the year after the banks increased their deposit rates to 11½% in mid-June and to 15% in mid-November. The flow of personal funds into the building societies recovered somewhat from the position in 1978 as the societies raised their rates in December 1978 and in August and December 1979. The inflow to the societies—£5.6 billion—was £0.8 billion (16%) more than in the previous year, but £0.3 billion less than in 1977. Persons' holdings of notes and coin rose by £0.5 billion; their holdings of local authority temporary debt also rose (by £0.1 billion), but national savings were less attractive than in 1978 (£1.1 billion compared with £1.5 billion).

The inflow to life assurance and pension funds continued to grow and at a somewhat faster rate than in the previous year, reflecting the personal sector's usual preference for investing in company securities through the medium of these financial institutions rather than directly. The personal sector's direct holdings of company securities are again estimated to have fallen, and more sharply than in 1978. On the other hand, persons bought over £2 billion of gilt-edged stocks, the largest figure on record.

Chart D

Personal sector liquidity

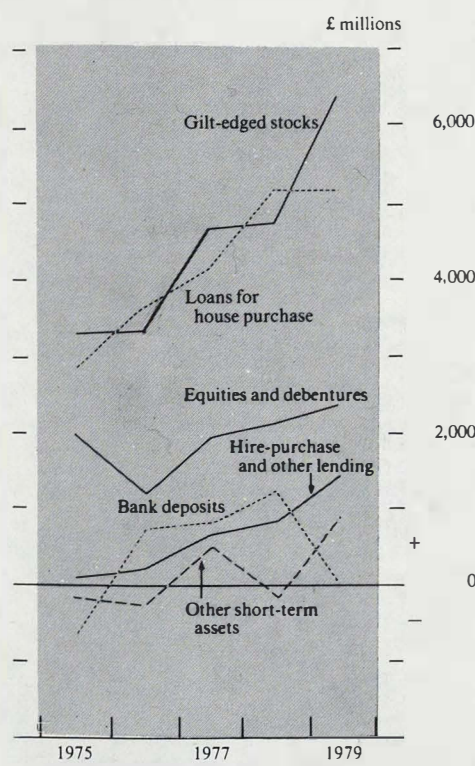


- (a) Comprises the assets listed in footnote (a) to Chart C, but excluding Treasury bills and including national savings.
 (b) Comprises bank advances (excluding borrowing for house purchase) and hire-purchase debt.

Other financial institutions

Inflows to these institutions were £18 billion in 1979, 28% more than in 1978. Contributions to life assurance and pension funds remained the largest element, increasing by 31% over the previous year, which was faster than the growth in personal disposable income. Most of the deposit-taking institutions—building societies, trustee savings banks, the National Savings Bank investment account and finance houses—attracted more funds than in 1978. The institutions as a whole borrowed even more from banks in the United Kingdom than in the previous record year of 1978, despite repayments of foreign currency borrowing in the second half of the year, especially by the investment and unit trusts. Unit trusts had a bad year, selling fewer units (net) than in any year since 1962. Net sales of units were only £58 million, compared with £236 million in 1978, as conditions in the equity market were difficult.

Chart E
Acquisition of assets by other financial institutions



Building societies lent £0.2 billion less for house purchase than in 1978 and, as their inflow of funds was greater, they increased both their liquid assets and their investments. They purchased £0.9 billion of gilt-edged stocks and acquired short-term local authority debt while continuing to reduce their holdings of longer-term debt. Their liquidity ratio fell from 18.4% in 1978 to 18.0%. Both unit and investment trusts ran down their short-term assets, particularly their bank deposits, and the investment trusts, in selling UK company securities and in buying gilt-edged stocks and overseas securities, again reduced their total investments, but only to a small extent. The unit trusts, with their smaller inflow, increased their investments by only

£53 million (after £169 million in 1978) and, once exchange controls were removed in the fourth quarter, they repaid foreign currency loans by reducing their short-term assets.

The insurance companies and pension funds, with their very large inflows, invested heavily in gilt-edged stocks. Together, they bought £4.9 billion, compared with £3.9 billion in 1978. Pension funds, with purchases of £2.0 billion, bought £0.7 billion more than in the previous year, but the life funds, with purchases of £2.5 billion, made the largest contribution to the Government's funding needs. Insurance companies and pension funds both bought more UK and overseas ordinary shares than in 1978, but the pattern was different for debentures, with insurance companies buying fewer, and pension funds buying instead of selling. The institutions as a whole bought fewer UK shares than in 1978, but in the last six months of the year, with the relaxation and abolition of exchange controls, they bought £0.5 billion of overseas shares.

New institutional investment in land and property (which is treated as capital expenditure in the national income accounts) amounted to £1.3 billion, much the same as in the previous year.

Banking sector

Total domestic bank lending rose by 17% (£10.4 billion) in 1979, broadly in line with the growth in final expenditure, and rather more than the 9 $\frac{3}{4}$ % increase in lending in 1978, which had been below the rise in final expenditure. Because of the success of the authorities in selling gilt-edged stocks to the private sector, bank lending to the public sector grew by only 5 $\frac{3}{4}$ %, but lending to the private sector rose strongly, by 21% (£9.5 billion), that to companies rising by 17 $\frac{1}{2}$ % (£4.9 billion), to persons (which includes unincorporated businesses) by 29% (£3.2 billion), and to other financial institutions by 24 $\frac{1}{2}$ % (£1.4 billion).

Domestic deposits, however, grew by only 14% (£6.6 billion), somewhat less rapidly than in 1978 (15 $\frac{1}{4}$ %). Almost all the increase was from persons. The larger increase in domestic lending than in domestic deposits in 1979 was matched by an inflow to the banks from overseas of £3 billion, compared with an outflow of £1.9 billion in 1978 when domestic deposits exceeded lending.

The authorities sold sufficient government debt to the private sector to finance most of the requirements of the public sector but, with bank lending to the private sector increasing sharply, domestic credit expansion amounted to £10.3 billion—£2.3 billion greater than in 1978 and £9.2 billion greater than in 1977. However, because of the outflow of sterling from the private sector resulting from the deficit on the current account of the balance of payments, and the inflow on the capital account, the increase in sterling M_3 was much less than the expansion in domestic credit and, at £6.6 billion, was £0.2 billion less than in 1978. This represented a rise of 13%, compared with 15.3% in 1978, and was rather less than the 15% rise in nominal GDP.

Table D
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									
1975	+ 3,248	+42,429	- 23,050	-20,496	+ 2,131	- 34	- 9,000	- 976	- 7,879
1976	+ 4,638	+49,729	- 26,683	-24,797	+ 2,887	-204	-10,050	- 774	- 8,141
1977	+ 5,262	+56,674	- 29,153	-28,449	+ 4,334	-232	- 9,511	- 323	- 5,732
1978	+ 5,596	+62,614	- 32,817	-32,877	+ 2,516	-573	- 9,462	- 529	- 8,048
1979	+ 5,829	+74,924	- 37,593	-38,660	+ 4,500	-291	-10,645	- 786	- 7,222
1978 Q3	+ 1,429	+15,497	- 8,325	- 8,253	+ 348	-103	- 2,416	- 120	- 2,291
Q4	+ 1,436	+16,474	- 8,587	- 8,652	+ 671	- 92	- 2,377	- 145	- 1,943
1979 Q1	+ 1,591	+17,120	- 8,707	- 9,115	+ 889	- 60	- 2,486	- 366	- 2,023
Q2	+ 1,368	+18,529	- 9,117	- 9,714	+ 1,066	-123	- 2,513	- 70	- 1,640
Q3	+ 1,336	+19,381	- 9,768	- 9,588	+ 1,361	- 64	- 2,832	- 234	- 1,769
Q4	+ 1,534	+19,894	- 10,001	-10,243	+ 1,184	- 44	- 2,814	- 116	- 1,790
Overseas sector(d)									
1975					+ 1,732	—			+ 1,732
1976					+ 1,202	—			+ 1,202
1977					+ 224	—			+ 224
1978					- 932	—			- 932
1979					+ 2,437	—			+ 2,437
1978 Q3					- 256	—			- 256
Q4					- 534	—			- 534
1979 Q1					+ 1,215	—			+ 1,215
Q2					+ 310	—			+ 310
Q3					+ 238	—			+ 238
Q4					+ 674	—			+ 674
Personal sector									
1975	+ 68,199	+28,163	- 63,905	-22,068	+10,389	-305	- 3,122	- 523	+ 6,439
1976	+ 78,014	+33,410	- 73,966	-25,965	+11,493	- 57	- 3,510	-1,092	+ 6,834
1977	+ 85,981	+38,754	- 84,010	-27,881	+12,844	+ 76	- 4,253	-1,249	+ 7,418
1978	+ 97,366	+44,829	- 96,308	-29,948	+15,939	+276	- 5,501	-1,029	+ 9,685
1979	+113,493	+53,304	-112,245	-33,512	+21,040	+146	- 6,262	-1,597	+13,327
1978 Q3	+ 24,797	+11,283	- 24,659	- 7,240	+ 4,181	+ 75	- 1,463	- 262	+ 2,531
Q4	+ 25,411	+11,850	- 25,139	- 7,657	+ 4,465	+ 62	- 1,471	- 253	+ 2,803
1979 Q1	+ 26,414	+12,188	- 25,991	- 7,951	+ 4,660	+ 27	- 1,323	- 353	+ 3,011
Q2	+ 27,651	+12,968	- 27,948	- 8,479	+ 4,192	+ 61	- 1,417	- 470	+ 2,366
Q3	+ 29,075	+13,481	- 28,505	- 8,605	+ 5,446	+ 23	- 1,632	- 333	+ 3,504
Q4	+ 30,353	+14,667	- 29,801	- 8,477	+ 6,742	+ 35	- 1,890	- 441	+ 4,446
Industrial and commercial companies									
1975	+ 12,909	+ 2,937		- 6,973	+ 8,873	+404	- 6,770	-2,508	- 1
1976	+ 16,306	+ 3,962		- 7,631	+12,637	+358	- 8,014	-5,219	- 238
1977	+ 19,321	+ 3,849		- 9,612	+13,558	+257	- 9,731	-5,061	- 977
1978	+ 21,435	+ 4,726		-11,101	+15,060	+362	-11,133	-3,683	+ 606
1979	+ 26,687	+ 6,441		-16,476	+16,652	+338	-11,950	-9,548	- 4,508
1978 Q3	+ 5,476	+ 1,229		- 2,795	+ 3,910	+ 85	- 2,845	- 959	+ 191
Q4	+ 5,695	+ 1,317		- 3,277	+ 3,735	+ 87	- 2,840	-1,113	- 131
1979 Q1	+ 5,739	+ 1,482		- 3,422	+ 3,799	+ 48	- 2,864	- 2,516	- 1,533
Q2	+ 7,029	+ 1,544		- 3,793	+ 4,780	+121	- 2,911	- 2,443	- 453
Q3	+ 6,849	+ 1,716		- 4,303	+ 4,262	+105	- 3,029	- 2,555	- 1,217
Q4	+ 7,070	+ 1,699		- 4,958	+ 3,811	+ 64	- 3,146	- 2,034	- 1,305
Financial institutions									
1975	- 1,774	+ 8,303		- 5,456	+ 1,073	- 65	- 1,653	- 45	- 690
1976	- 1,984	+10,125		- 6,407	+ 1,734	- 97	- 2,010	- 24	- 397
1977	- 2,170	+10,567		- 6,534	+ 1,863	-101	- 2,395	+ 40	- 593
1978	- 2,270	+12,128		- 7,125	+ 2,733	- 65	- 3,235	+ 13	- 554
1979	- 2,436	+16,840		-10,808	+ 3,596	-193	- 3,848	+ 27	- 418
1978 Q3	- 573	+ 3,218		- 1,860	+ 785	- 57	- 710	- 9	+ 9
Q4	- 578	+ 3,562		- 2,159	+ 825	- 57	- 846	+ 41	- 37
1979 Q1	- 580	+ 3,847		- 2,348	+ 919	- 15	- 868	+ 30	+ 66
Q2	- 606	+ 3,934		- 2,511	+ 817	- 59	- 1,144	+ 2	- 384
Q3	- 615	+ 4,357		- 2,758	+ 984	- 64	- 857	- 5	+ 58
Q4	- 635	+ 4,702		- 3,191	+ 876	- 55	- 979	—	- 158

— nil or less than £½ million.

(a) Without deduction of depreciation or of 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 P and Q (line 5).

Table E
Flow of funds: public sector
 £ millions; seasonally adjusted

	1975	1976	1977	1978	1979	1978		1979				1980
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
Capital expenditure	+ 9,976	+10,824	+9,834	+9,991	+11,431	+2,536	+2,522	+2,852	+2,583	+3,066	+2,930	
less Saving	- 2,131	- 2,887	-4,334	-2,516	- 4,500	- 348	- 671	- 889	-1,066	-1,361	-1,184	
less Capital transfers (net)	+ 34	+ 204	+ 232	+ 573	+ 291	+ 103	+ 92	+ 60	+ 123	+ 64	+ 44	
<i>equals</i> Financial surplus - / deficit +	+ 7,879	+ 8,141	+5,732	+8,048	+ 7,222	+2,291	+1,943	+2,023	+1,640	+1,769	+1,790	
Lending and other transactions (increase in assets +)(a)	+ 2,428	+ 1,506	+ 340	+ 417	+ 3,790	+ 157	+ 438	+ 665	+ 722	+1,681	+ 722	
Unidentified	+ 213	- 517	- 77	- 115	+ 1,608	- 128	+ 178	- 235	+ 680	+ 240	+ 923	
Borrowing requirement (increase +)	+10,520	+ 9,130	+5,995	+8,350	+12,620	+2,320	+2,559	+2,453	+3,042	+3,690	+3,435	
Financed by (borrowing-): †												
Central government:												
External transactions	- 190	- 1,282	+7,130	-1,396	+ 225	+ 97	+ 313	+ 535	+ 349	- 591	- 68	+ 48
Notes and coin with the public	- 816	- 810	- 985	-1,205	- 797	- 339	- 93	- 551	- 37	- 306	- 121	- 452
Bank borrowing	- 2,375	+ 59	-1,844	+ 427	- 115	- 547	- 542	+1,548	- 713	+ 164	- 896	+1,837
Other domestic transactions(b)	- 4,964	- 4,753	-8,770	-6,197	- 9,712	-1,604	-2,132	-2,588	-2,873	-2,092	-2,159	- 550
	- 8,345	- 6,786	-4,469	-8,371	-10,399	-2,393	-2,454	-1,056	-3,274	-2,825	-3,244	+ 883
Local authorities:												
External finance	- 105	+ 160	+ 76	- 26	+ 50	+ 41	+ 2	- 46	+ 49	+ 19	+ 28	- 7
Bank borrowing	- 884	- 38	- 365	- 423	- 708	+ 107	+ 251	- 417	+ 73	- 424	+ 60	- 651
Other domestic borrowing(c)	- 665	- 1,224	+ 106	- 211	- 1,092	- 319	+ 394	- 493	+ 16	- 287	- 328	
	- 1,654	- 1,102	- 183	- 660	- 1,750	- 171	+ 145	- 956	+ 138	- 692	- 240	
Public corporations:												
External finance	- 447	- 1,469	-1,078	+ 41	- 286	+ 38	- 4	- 179	+ 20	- 63	- 64	+ 98
Domestic borrowing(c)(d)	- 74	+ 227	- 265	+ 640	- 185	+ 206	- 246	- 262	+ 74	- 110	+ 113	
	- 521	- 1,242	-1,343	+ 681	- 471	+ 244	- 250	- 441	+ 94	- 173	+ 49	
Total net borrowing	-10,520	- 9,130	-5,995	-8,350	-12,620	-2,320	-2,559	-2,453	-3,042	-3,690	-3,435	

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

Central government:												
From UK banks	- 314	- 28	- 729	- 22	-	- 25	-	-	-	-	-	-
Direct from overseas	- 109	+ 28	- 142	- 169	-	+ 25	-	-	-	-	-	-
Payments under the exchange cover scheme(e)	+ 8	+ 54	+ 17	+ 99	+ 148	+ 18	+ 17	+ 51	+ 44	+ 23	+ 30	+ 21
Local authorities:												
From UK banks	+ 21	+ 24	+ 3	+ 145	+ 210	-	+ 7	-	+ 107	+ 103	-	+ 2
Direct from overseas	- 16	+ 1	- 23	+ 4	+ 63	+ 4	+ 11	+ 8	- 10	+ 28	+ 37	+ 12
Receipts from central government under the exchange cover scheme(e)	- 4	- 13	-	- 38	- 28	- 1	- 2	- 2	- 16	- 10	-	- 1
Public corporations:												
From UK banks	+ 1	- 430	+ 44	+ 291	+ 375	+ 85	- 122	+ 152	+ 44	+ 48	+ 131	+ 180
Direct from overseas	- 428	- 1,413	-1,010	+ 114	- 248	+ 41	+ 23	- 170	+ 34	- 67	- 45	+ 113
Receipts from central government under the exchange cover scheme(e)	- 4	- 41	- 17	- 61	- 120	- 17	- 15	- 49	- 28	- 13	- 30	- 20

- nil or less than £½ million.

- (a) Consisting principally of lending to overseas and private sectors (including refinancing of export and shipbuilding credits, and purchases of securities), 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 P and Q).
- (b) Other domestic borrowing, less net acquisitions of local authority debt by the Issue Department of the Bank of England and by the National Insurance Fund, the Issue Department's purchases of 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 stock.
- (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 F
Flow of funds: overseas sector^(a)

£ millions; seasonally adjusted

Claims on UK: increase + / decrease -

Liabilities to UK: increase - / decrease +

	1975	1976	1977	1978	1979	1978		1979				1980
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
Financial surplus + / deficit -	+1,732	+1,202	+ 224	- 932	+2,437	-256	-534	+1,215	+310	+ 238	+674	
Transactions with the UK private sector												
Investment flows:												
Transactions in company and overseas securities	- 43	+ 172	+ 229	-1,370	-1,139	-186	-464	- 345	-452	- 211	-131	
Miscellaneous private investment ^(b)	+ 497	- 219	+ 701	- 100	- 722	-481	-296	- 457	+661	- 740	-186	
Other transactions:												
Net external transactions by UK banks ^(c)	+1,203	- 440	+2,932	-1,658	+3,676	+727	+137	+1,173	+930	+1,285	+288	+75
Other identified	- 225	- 764	- 359	- 293	- 303	-132	+197	- 206	+ 57	- 499	+345	
Balancing item	+ 141	+ 589	+3,179	+1,141	+ 623	+ 42	+343	+1,347	-388	- 197	-139	
	+1,573	- 662	+6,682	-2,280	+2,135	- 30	- 83	+1,512	+808	- 362	+177	
Transactions with the UK public sector												
Lending etc. ^(d)	- 583	- 727	- 330	- 33	+ 291	- 50	-140	+ 13	- 80	- 35	+393	
External finance: ^(e)												
Central government	+ 190	+1,282	-7,130	+1,396	- 225	- 97	-313	- 535	-349	+ 591	+ 68	-48
Local authorities	+ 105	- 160	- 76	+ 26	- 50	- 41	- 2	+ 46	- 49	- 19	- 28	+ 7
Public corporations	+ 447	+1,469	+1,078	- 41	+ 286	- 38	+ 4	+ 179	- 20	+ 63	+ 64	-98
	+ 159	+1,864	-6,458	+1,348	+ 302	-226	-451	- 297	-498	+ 600	+497	

(a) It has not been possible to include in this table the balance of payments estimates for the first quarter of 1980, and revisions to previous quarters, which were released early in June.

(b) Private long-term direct, oil and miscellaneous investment abroad (-) and overseas investment in the United Kingdom (+), excluding securities.

(c) Other than net purchases of securities. Includes foreign currency borrowing from abroad to finance lending to the UK public sector.

(d) These overseas transactions of the public sector increase its borrowing requirement.

(e) These overseas transactions of the public sector are among the items financing its borrowing requirement (see Table E).

Table G
Flow of funds: personal sector
 £ millions; seasonally adjusted

	1975	1976	1977	1978	1979	1978		1979				1980
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
Saving	+10,389	+11,493	+12,844	+15,939	+21,040	+4,181	+4,465	+4,660	+4,192	+5,446	+6,742	
Capital transfers (net)	- 305	- 57	+ 76	+ 276	+ 146	+ 75	+ 62	+ 27	+ 61	+ 23	+ 35	
Capital expenditure	- 3,645	- 4,602	- 5,502	- 6,530	- 7,859	-1,725	-1,724	-1,676	-1,887	-1,965	-2,331	
Financial surplus+ /deficit-	+ 6,439	+ 6,834	+ 7,418	+ 9,685	+13,327	+2,531	+2,803	+3,011	+2,366	+3,504	+4,446	
Borrowing (-)												
For house purchase	- 3,658	- 3,877	- 4,290	- 5,347	- 6,083	-1,277	-1,378	-1,467	-1,456	-1,614	-1,546	
Bank borrowing(a)	+ 471	- 519	- 1,164	- 1,597	- 2,649	- 430	- 398	- 541	- 724	- 764	- 620	- 785
Instalment borrowing from retailers	- 42	- 141	- 125	- 190	- 250	- 44	- 54	- 57	- 78	- 41	- 74	
Other(b)	- 105	- 385	- 296	- 547	- 1,084	- 161	- 121	- 277	- 283	- 503	- 21	
	- 3,334	- 4,922	- 5,875	- 7,681	-10,066	-1,912	-1,951	-2,342	-2,541	-2,922	-2,261	
Acquisition of financial assets (+)												
Life assurance and pension funds	+ 4,549	+ 5,663	+ 6,366	+ 7,706	+10,096	+1,837	+2,113	+2,355	+2,283	+2,308	+3,150	
Government stocks	+ 1,006	+ 1,754	+ 816	+ 269	+ 2,249	+ 144	+ 178	+ 612	+ 465	+ 478	+ 694	
Company and overseas securities	- 1,107	- 1,555	- 1,885	- 1,476	- 2,442	- 595	- 256	- 519	- 651	- 746	- 526	
Unit trust units	+ 100	+ 79	+ 25	+ 116	- 35	+ 14	+ 7	- 16	- 22	+ 18	- 15	
Bank deposits, notes and coin	+ 1,398	+ 1,628	+ 1,047	+ 3,839	+ 6,876	+1,216	+ 615	+1,384	+1,598	+2,037	+1,857	+1,544
Building society shares and deposits	+ 4,161	+ 3,301	+ 5,932	+ 4,849	+ 5,627	+1,222	+1,355	+1,338	+1,234	+1,540	+1,515	+1,353
National savings	+ 423	+ 592	+ 1,290	+ 1,525	+ 1,065	+ 490	+ 329	+ 444	+ 190	+ 140	+ 291	+ 425
Local authority debt	- 210	+ 245	- 20	- 147	+ 271	+ 147	- 52	+ 33	+ 65	- 82	+ 255	
Other	+ 233	+ 223	+ 759	+ 656	+ 1,117	+ 115	+ 123	+ 372	+ 243	+ 302	+ 200	
	+10,553	+11,930	+14,330	+17,337	+24,824	+4,590	+4,412	+6,003	+5,405	+5,995	+7,421	
Identified financial transactions	+ 7,219	+ 7,008	+ 8,455	+ 9,656	+14,758	+2,678	+2,461	+3,661	+2,864	+3,073	+5,160	
Unidentified	- 780	- 174	- 1,037	+ 29	- 1,431	- 147	+ 342	- 650	- 498	+ 431	- 714	

(a) Other than for house purchase.

(b) Includes accruals adjustments, instalment borrowing from finance houses and trade credit received from public corporations.

Table H
Flow of funds: industrial and commercial companies

£ millions; seasonally adjusted
Assets: increase+ /decrease--
Liabilities: increase-- /decrease+

	1975	1976	1977	1978	1979	1978		1979				1980
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
Capital expenditure	+9,278	+13,233	+14,792	+14,816	+21,498	+3,804	+3,953	+5,380	+5,354	+5,584	+5,180	
less Saving	-8,873	-12,637	-13,558	-15,060	-16,652	-3,910	-3,735	-3,799	-4,780	-4,262	-3,811	
less Capital transfers (net)	-404	-358	-257	-362	-338	-85	-87	-48	-121	-105	-64	
equals Financial surplus/-deficit+	+1	+238	+977	-606	+4,508	-191	+131	+1,533	+453	+1,217	+1,305	
less Unremitted profits (net)	+622	+1,136	+10	+67	-586	+70	-64	+126	-113	-117	-482	
Trade investments, mergers, etc. in the United Kingdom	+366	+857	+687	+766	+1,054	+226	+206	+205	+235	+261	+353	
Long-term investment abroad	+228	+687	+712	+1,551	+1,896	+450	+862	+732	+181	+713	+270	
Import deposits												
Instalment credit granted	+50	+132	+109	+149	+233	+41	+42	+46	+81	+35	+71	
Net identified trade credit(a)	+47	+360	-111	+276	-135	-30	-235	+207	+209	-136	-415	
Accruals adjustment	-457	-166	-37	-562	-2,703	+19	-66	-537	-545	-1,100	-521	
Unidentified transactions	+70	-645	-711	+542	+1,591	+231	-529	+271	+678	+172	+470	
Net borrowing requirement (+)	+927	+2,599	+1,636	+2,183	+5,858	+816	+347	+2,583	+1,179	+1,045	+1,051	
Capital issues	-1,191	-853	-744	-684	-794	-263	-86	-242	-357	+20	-215	-15
Overseas investment in UK companies	-1,214	-1,406	-1,419	-1,428	-600	-83	-514	-324	-574	+33	+265	
Bank borrowing	-479	-2,398	-2,966	-2,890	-4,913	-711	-705	-1,845	-1,333	-971	-982	-1,901
Other borrowing(b)	-554	-368	-138	-205	-612	-32	-48	-111	-150	-252	-99	
Bank deposits, notes and coin	+1,459	+1,546	+2,600	+2,554	+562	-49	+671	-448	+1,307	-563	+484	-432
Other liquid assets(c)	+403	+268	+356	+318	+255	+343	+224	+415	+69	-	-229	
Other domestic assets(d)	+59	+78	+33	+112	+83	+55	+23	+4	-31	+77	+33	
Miscellaneous overseas transactions	+590	+534	+642	+40	+161	-76	+88	-32	-110	+611	-308	
Total financing (-)	-927	-2,599	-1,636	-2,183	-5,858	-816	-347	-2,583	-1,179	-1,045	-1,051	

(a) Import credit and advance payments on exports, export credit and advance payments on imports and net trade credit with public corporations.

(b) Includes transactions in commercial bills by the Issue Department of the Bank of England.

(c) Tax instruments, Treasury bills, British government stocks, local authority temporary debt. The figures for government stocks relate only to transactions by those large companies covered by the Department of Industry's survey of company liquidity.

(d) Includes deposits with other financial institutions and long-term local authority debt.

Table J
Flow of funds: banking sector

£ millions; seasonally adjusted
Assets: increase+ /decrease--
Liabilities: increase-- /decrease+

	1975	1976	1977	1978	1979	1978		1979				1980
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
Changes in domestic assets												
Public sector	+3,379	+288	+2,378	-291	+955	+265	+1,013	-1,284	+651	+425	+945	-1,501
Industrial and commercial companies	+493	+2,405	+2,983	+2,863	+4,938	+661	+703	+1,843	+1,330	+972	+1,011	+1,889
Other financial institutions	+42	+393	+430	+1,061	+1,372	+349	+106	+276	+716	+275	+105	+265
Personal sector	-411	+589	+1,294	+1,867	+3,169	+493	+498	+593	+819	+966	+791	+847
	+3,503	+3,675	+7,085	+5,500	+10,434	+1,768	+2,320	+1,428	+3,516	+2,638	+2,852	+1,500
Changes in domestic deposits(a)												
Public sector	-281	-120	-466	+128	+35	+220	-225	+76	+73	+50	-164	+120
Industrial and commercial companies	-1,051	-1,043	-2,100	-1,950	-274	+218	-625	+723	-1,289	+716	-424	+658
Other financial institutions	+629	-751	-839	-1,257	-1	-184	-425	+70	+111	+153	-195	-438
Personal sector	-990	-1,321	-562	-3,238	-6,367	-1,046	-568	-1,108	-1,579	-1,884	-1,796	-1,318
	-1,693	-3,235	-3,967	-6,317	-6,607	-792	-1,843	-379	-2,684	-965	-2,579	-978
Changes in:												
Net claims on overseas sector(b)	-968	+564	-2,672	+1,936	-3,024	-628	-128	-1,061	-504	-1,090	-369	+112
Non-deposit liabilities etc. (net)	-842	-1,004	-446	-1,119	-803	-348	-349	+12	-328	-583	+96	-634

(a) The treatment of funds oversubscribed in the offer for sale of shares in British Petroleum Limited in 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 K
Flow of funds: financial institutions other than banks

£ millions; *seasonally adjusted*

	1975	1976	1977	1978	1979	1978		1979		1980	
						Q3	Q4	Q1	Q2	Q3	Q4
Increase in financial liabilities (-)											
Life assurance and pension funds	-4,262	-5,348	-6,118	-7,461	-9,741	-1,790	-2,004	-2,192	-2,222	-2,261	-3,066
Building society shares and deposits	-4,166	-3,405	-6,099	-4,814	-5,583	-1,203	-1,334	-1,328	-1,225	-1,527	-1,503
Other deposits	-429	-362	-572	-301	-663	-10	-55	-96	-248	-290	-29
Capital issues	-329	-130	-133	-7	-38	+12	+19	-3	-39	+11	-7
Unit trust units	-100	-79	-25	-116	+35	-14	-7	+16	+22	-18	+15
Other(a)	-4	-611	-459	-1,383	-2,029	-560	-244	-535	-635	-651	-208
	-9,290	-9,935	-13,406	-14,082	-18,019	-3,565	-3,625	-4,138	-4,347	-4,736	-4,798
Increase in financial assets (+)											
Short-term assets(b)	-778	+527	+1,370	+1,148	+902	+111	+498	+725	-23	+488	-288
Government stocks	+3,309	+3,330	+4,689	+4,773	+6,398	+918	+1,043	+1,458	+1,941	+1,465	+1,534
Company and overseas securities:											
Ordinary shares	+1,876	+1,163	+2,015	+1,871	+2,359	+569	+398	+608	+643	+497	+611
Fixed-interest	+120	+48	-42	+245	+22	+92	+129	-6	-3	+17	+14
Loans for house purchase	+2,846	+3,637	+4,129	+5,195	+5,191	+1,230	+1,274	+1,332	+1,298	+1,321	+1,240
Long-term lending to local authorities	+901	+4	+779	-369	-275	-14	-129	-165	-86	-2	-22
Other lending	+101	+210	+682	+859	+1,422	+194	+277	+209	+280	+356	+577
	+8,375	+8,919	+13,622	+13,722	+16,019	+3,100	+3,490	+4,161	+4,050	+4,142	+3,666
Net identified financial transactions	-915	-1,016	+216	-360	-2,000	-465	-135	+23	-297	-594	-1,132

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

(b) Includes bank deposits, tax instruments, Treasury bills, and local authority temporary debt.

Table L
Flow of funds: all financial institutions

£ millions; *seasonally adjusted*

	1975	1976	1977	1978	1979	1978		1979		1980	
						Q3	Q4	Q1	Q2	Q3	Q4
Net identified financial transactions:											
Banks	+268	+612	+205	+646	+357	+288	+274	+40	+186	+484	-353
Other financial institutions	-915	-1,016	+216	-360	-2,000	-465	-135	+23	-297	-594	-1,132
Total	-647	-404	+421	+286	-1,643	-177	+139	+63	-111	-110	-1,485
Unidentified transactions	-43	+7	-1,014	-840	+1,225	+186	-176	+3	-273	+168	+1,327
Financial surplus+ /deficit-	-690	-397	-593	-554	-418	+9	-37	+66	-384	+58	-158

Table M
Financial institutions other than banks, 1979: 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	- 9,741	- 9,741						
Deposits	- 6,246			- 5,564	- 174	- 849		+ 341
Capital issues	- 38	+ 2					- 8	- 32
Sales of units	- 241		- 100(a)				- 141	
Bank borrowing	- 1,353	+ 30	+ 45		- 489		+ 280	- 1,219
Other borrowing	- 676		- 116	- 196	- 203		+ 34	- 195
	- 18,295	- 9,880		- 5,760	- 866	- 849	+ 165	- 1,105
Increase in financial assets (+)								
Bank deposits, notes and coin	+ 1	+ 55	+ 64	- 69	+ 8	+ 70	- 296	+ 169
Deposits with other financial institutions		+ 4	+ 25			+ 448	- 4	- 473
Local authority temporary debt	+ 747	+ 19	+ 106	+ 236		+ 168	+ 36	+ 182
Treasury bills and tax instruments	+ 145	- 3	+ 4	+ 132		- 7	+ 1	+ 18
Government stocks	+ 6,398	+ 2,941	+ 1,958	+ 887		+ 502	+ 77	+ 33(c)
UK company securities:(b)								
Ordinary shares	+ 1,799	+ 758	+ 1,348				- 114	- 193(c)
Fixed-interest	- 22	+ 20	- 29			- 1	- 7	- 5(c)
Overseas securities:(b)								
Ordinary shares	+ 560	+ 140	+ 352				+ 69	- 1
Fixed-interest	+ 44	+ 27	- 7			- 2	+ 21	+ 5
Investment in units	+ 276	+ 76	+ 117(a)					+ 83
Loans for house purchase	+ 5,191	+ 251	+ 1	+ 4,914				+ 25
Long-term lending to local authorities	- 275	+ 95	+ 17	- 337		- 40		- 10(c)
Other lending	+ 1,431	+ 375	+ 412	- 3	+ 843	+ 193	- 9	- 380
	+ 16,295	+ 4,758	+ 4,368	+ 5,760	+ 851	+ 1,331	- 226	- 547
Net identified financial transactions	- 2,000	- 754			- 15	+ 482	- 61	- 1,652

Note: Differences from Table K 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.

— nil or less than £½ million.

(a) Pension funds bought £100 million of property unit trust units.

(b) The breakdown by type of security has been partly estimated. The figures for overseas fixed-interest securities relate only to overseas government, provincial, and municipal issues.

(c) These figures include adjustments for the cost of transactions (the institutions generally record sales net of costs and purchases including costs). The amounts are -47 for government stocks, -251 for UK ordinary shares, -11 for UK fixed-interest securities and -4 for long-term lending to local authorities.

Table N
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		-1,128	-292	-263	+572	+184	-835	—	+61	+1,701
UK fixed-interest		-63	-183	-66		+56	+80	+89	-1	+88
Overseas ordinary shares	-14					-254	-313	+222	+184	+175
Overseas fixed-interest	+51					-66	-39	+12	+10	+32
1975 Total	+37	-1,191	-475	-329	+572	-80	-1,107	+323	+254	+1,996
UK ordinary shares		-807	-218	-97	+262	+398	-1,202	+460	+2	+1,202
UK fixed-interest		-46	-150	-33		+144	-169	+205	+17	+32
Overseas ordinary shares	-2					-356	-88	+437	+48	-39
Overseas fixed-interest	+76					-88	-96	+23	+69	+16
1976 Total	+74	-853	-368	-130	+262	+98	-1,555	+1,125	+136	+1,211
UK ordinary shares		-746	-68	-77	-439	+363	-1,394	+397	+66	+1,898
UK fixed-interest		+2	-168	-56		+240	-111	+165	+35	-107
Overseas ordinary shares	—					-372	-140	+363	+32	+117
Overseas fixed-interest	+42					-44	-240	+19	+158	+65
1977 Total	+42	-744	-236	-133	-439	+187	-1,885	+944	+291	+1,973
UK ordinary shares		-797	-154	-28	+463	+198	-1,502	+338	-113	+1,595
UK fixed-interest		+113	-211	+21		+175	-327	+179	+58	-8
Overseas ordinary shares	—					-1,178	+193	+645	+64	+276
Overseas fixed-interest	+61					-626	+160	+34	+118	+253
1978 Total	+61	-684	-365	-7	+463	-1,431	-1,476	+1,196	+127	+2,116
UK ordinary shares		-879	-150	+4	+122	+596	-1,663	+103	-17	+1,884
UK fixed-interest		+85	-215	-42		+178	-248	+228	+48	-34
Overseas ordinary shares	+1					-1,942	-247	+1,208	+505	+475
Overseas fixed-interest	+24					+4	-284	+64	+136	+56
1979 Total	+25	-794	-365	-38	+122	-1,164	-2,442	+1,603	+672	+2,381

— nil or less than £1 million.

(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 M.

Table P
Flow of funds: annual figures

£ millions

	Line	Public sector			Overseas sector(a)		
		1977	1978	1979	1977	1978	1979
Capital account							
Saving	1	+ 4,334	+ 2,516	+ 4,500	+ 224	- 932	+ 2,437
Taxes on capital and capital transfers	2	- 232	- 573	- 291	-	-	-
<i>less:</i>							
Gross fixed-capital formation at home	3	- 9,511	- 9,462	- 10,645			
Increase in value of stocks and work in progress	4	- 323	- 529	- 786			
Financial surplus + /deficit-(b)	5	- 5,732	- 8,048	- 7,222	+ 224	- 932	+ 2,437
Changes in financial assets and liabilities							
<i>Assets: increase + /decrease -</i>							
<i>Liabilities: increase - /decrease +.</i>							
Government debt to Banking Department	6	+ 264	- 150	+ 251			
Life assurance and pension funds	7	- 248	- 245	- 355			
Loans by the UK Government	8	+ 35	+ 98	+ 50	+ 4	- 25	- 13
Central government external transactions:							
Direct official financing	9.1	+ 8,333	- 1,482	+ 1,445	- 8,333	+ 1,482	- 1,445
Other	9.2	- 1,203	+ 86	- 1,220	+ 1,203	- 86	+ 1,220
Other public sector direct official financing	9.3	- 290	- 59	- 320	+ 290	+ 59	+ 320
Banks' net external transactions (excluding securities):							
Borrowing for official financing	10.1				+ 682	- 414	- 585
Other	10.2				+ 2,250	- 1,244	+ 4,261
Miscellaneous investment overseas (net)	11	- 477	+ 108	- 258	+ 759	- 45	- 654
Notes and coin	12	- 1,044	- 1,286	- 1,199			
Bank deposits of domestic sectors	13	+ 466	- 128	- 35			
Deposits with other financial institutions	14	- 52	+ 74	- 130	+ 60	- 456	- 113
National savings	15.1	- 1,290	- 1,525	- 1,065			
Tax instruments	15.2	- 711	- 306	- 204			
Bank lending to domestic sectors	16	- 893	+ 268	- 125			
Instalment lending by retailers	17	+ 16	+ 41	+ 17			
Loans for house purchase	18	+ 31	- 118	+ 372			
Other loans and accruals	19	- 150	+ 169	+ 4,168			
Marketable government debt held by domestic sectors:							
Treasury bills	20	- 898	+ 1,248	+ 269			
Stocks	21	- 6,307	- 5,056	- 9,027			
Other local authority debt	22	- 798	- 133	- 1,586	- 99	+ 26	- 38
UK company and overseas securities:							
Capital issues	23				+ 42	+ 61	+ 25
Other transactions	24	- 439	+ 463	+ 122	+ 187	- 1,431	- 1,164
Unit trust units	25						
Identified financial transactions	26	- 5,655	- 7,933	- 8,830	- 2,955	- 2,073	+ 1,814
Unidentified(b)	27	- 77	- 115	+ 1,608	+ 3,179	+ 1,141	+ 623
Total = financial surplus + /deficit -(b)	28	- 5,732	- 8,048	- 7,222	+ 224	- 932	+ 2,437

— nil or less than £½million.

(a) It has not been possible to incorporate in this table the revised balance of payments estimates which were 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:

1977	1978	1979
- 340	- 757	- 3,616

Personal sector			Industrial and commercial companies			Banking sector			Other financial institutions			Line
1977	1978	1979	1977	1978	1979	1977	1978	1979	1977	1978	1979	
+12,844	+15,939	+21,040	+13,558	+15,060	+16,652	+1,863	+2,733	+3,596				1
+ 76	+ 276	+ 146	+ 257	+ 362	+ 338	- 101	- 65	- 193				2
- 4,253	- 5,501	- 6,262	- 9,731	-11,133	-11,950	-2,395	-3,235	-3,848				3
- 1,249	- 1,029	- 1,597	- 5,061	- 3,683	- 9,548	+ 40	+ 13	+ 27				4
+ 7,418	+ 9,685	+13,327	- 977	+ 606	- 4,508	- 593	- 554	- 418				5
						1977	1978	1979	1977	1978	1979	
+ 6,366	+ 7,706	+10,096				- 264	+ 150	- 251	-6,118	-7,461	-9,741	6
+ 1	+ 1	+ 3	- 45	- 79	- 44				+ 5	+ 5	+ 4	7
												8
												9.1
												9.2
												9.3
						- 682	+ 414	+ 585				10.1
			- 620	- 340	+ 373	-2,250	+1,244	-4,261				10.2
			+ 500	+ 604	+ 288	+ 2	- 22	- 59	+ 336	+ 299	+ 598	11
+ 485	+ 601	+ 509	+ 2,100	+ 1,950	+ 274	+ 59	+ 81	+ 402	+ 839	+1,257	+ 1	12
+ 562	+ 3,238	+ 6,367	+ 171	+ 76	- 91	-3,967	-6,317	-6,607	-6,671	-5,115	-6,246	13
+ 6,492	+ 5,421	+ 6,580	+ 472	+ 232	- 30				+ 72	+ 31	+ 142	14
+ 1,290	+ 1,525	+ 1,065	- 2,966	- 2,890	- 4,913	+ 55	+ 26	+ 62	+ 416	-1,098	-1,353	15.1
+ 112	+ 17	+ 30	+ 109	+ 149	+ 233	+5,439	+5,317	+9,040	+ 261	+ 394	+ 153	15.2
- 1,164	- 1,597	- 2,649	+ 105	- 91	- 3,375	+ 130	+ 270	+ 520	+4,129	+5,195	+5,191	16
- 125	- 190	- 250				- 6	+ 9	+ 7	+ 261	+ 394	+ 153	17
- 4,290	- 5,347	- 6,083	- 24	- 162	+ 51	+ 555	- 711	- 323	+ 367	- 375	+ 3	18
- 210	- 481	- 953	+ 88	+ 14	+ 153	+ 714	-	+ 227	+4,689	+4,773	+6,398	19
			- 356	+ 89	+ 173	+ 365	+ 423	+ 708	+ 908	- 258	+ 472	20
			- 744	- 684	- 794	- 236	- 365	- 365	- 133	- 7	- 38	21
+ 816	+ 269	+ 2,249	+ 944	+ 1,196	+ 1,603	+ 291	+ 127	+ 672	+1,973	+2,116	+2,381	22
- 20	- 147	+ 271							- 25	- 116	+ 35	23
- 1,885	- 1,476	- 2,442										24
+ 25	+ 116	- 35										25
+ 8,455	+ 9,656	+14,758	- 266	+ 64	- 6,099	+ 205	+ 646	+ 357	+ 216	- 360	-2,000	26
							1977	1978	1979			
- 1,037	+ 29	- 1,431	- 711	+ 542	+ 1,591		-1,014	- 840	+1,225			27
+ 7,418	+ 9,685	+13,327	- 977	+ 606	- 4,508		- 593	- 554	- 418			28

Table Q
Flow of funds accounts
 £ millions; seasonally adjusted

	Line	1979: Q4						
		Public sector	Overseas sector(a)	Personal sector	Industrial and commercial companies	Banking sector	Other financial institutions	Residual error
Capital account								
Saving	1	+1,184	+674	+6,742	+3,811		+876	
Taxes on capital and capital transfers	2	- 44	-	+ 35	+ 64		- 55	
less:								
Gross fixed-capital formation at home	3	-2,814		-1,890	-3,146		-979	
Increase in value of stocks and work in progress	4	- 116		- 441	-2,034		-	
Financial surplus +/deficit-	5	-1,790	+674	+4,446	-1,305		-158	-1,867
Changes in financial assets and liabilities								
<i>Assets: increase +/decrease -</i>								
<i>Liabilities: increase -/decrease +</i>								
Government debt to Banking Department	6	- 165					+ 165	
Life assurance and pension funds	7	- 84		+3,150				-3,066
Loans by the UK Government	8	+ 1	+ 3	+ 1	- 6			+ 1
Direct official financing and other central government external transactions	9	- 151	+151					
Banks' net external transactions (excluding securities)	10		+288				- 288	
Miscellaneous investment overseas (net)	11	- 385	+609		- 479		- 40	+ 295
Notes and coin	12	- 485		+ 61	+ 60		+ 364	
Bank deposits of domestic sectors	13	+ 164		+1,796	+ 424		-2,579	+ 195
Deposits with other financial institutions	14	- 83	- 65	+1,697	- 17			-1,532
National savings	15.1	- 291		+ 291				
Tax instruments	15.2	+ 274		+ 6	- 291		+ 5	+ 6
Bank lending to domestic sectors	16	- 112		- 620	- 982		+1,789	- 75
Instalment lending by retailers	17	+ 3		- 74	+ 71			
Loans for house purchase	18	+ 135		-1,546			+ 171	+1,240
Other loans and accruals	19	+1,098		- 10	- 903		- 34	- 151
Marketable government debt held by domestic sectors:								
Treasury bills	20	- 568			+ 202		+ 382	- 16
Stocks	21	-2,117		+ 694	- 93		- 18	+1,534
Other local authority debt	22	+ 68	- 42	+ 255	- 25		- 60	- 196
UK company and overseas securities:								
Capital issues	23		+ 2		- 215		- 136	- 7
Other transactions	24	- 15	-133	- 526	+ 479		- 74	+ 625
Unit trust units	25			- 15				+ 15
Identified financial transactions	26	-2,713	+813	+5,160	-1,775		- 353	-1,132
Unidentified	27	+ 923	-139	- 714	+ 470		+1,327	-1,867
Total = financial surplus +/deficit -	28	-1,790	+674	+4,446	-1,305		- 158	-1,867

- nil or less than £1 million.

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

Notes on sources, definitions, seasonal adjustment and valuation

The complete set of flow of funds tables appear only in this annual article each June. Quarterly data from 1963 for all sectors are available on application to the Bank at the address given on the reverse of the contents page.

Fuller notes on all the flow of funds accounts, including details on the content of the alternative presentation for each sector and a detailed account of the method of seasonal adjustment, are given in *United Kingdom flow of funds accounts: 1963-1976* published by the Bank of England in May 1978.

Line numbers refer only to Tables P and Q.

Sources

The main statistical series used in compiling the table 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, 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 and other consumer credit companies, the National Savings Bank investment account, all trustee savings bank accounts, investment trust companies, authorised unit trusts, property unit trusts, special finance agencies and the Central Trustee Savings Bank. The trustee savings banks: ordinary department formed part of national savings, and was treated as a central government account, until the end of the third quarter of 1979. The Crown Agents for Overseas Governments and Administrations were treated as an other financial institution until the end of 1979 when they became a public corporation.

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.

Line 6

See footnote (c) to Table 7 in the annex.

Line 7

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

Line 8

All loans by the UK government except those to private housing associations (line 18); those to international organisations and private companies abroad (line 11); and those to refinance export and shipbuilding credits (lines 11 and 19).

Line 9.1

Central government transactions, apart from foreign currency borrowing from the UK banks (indirect financing), 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 11

Those parts of the balance of payments items classified as 'investment and other capital transactions' which are not elsewhere included. That part of export credit extended by UK banks which is refinanced by the central government, the trustee savings banks and the Central Trustee Savings Bank 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 sight and time deposits 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 17

Changes in hire purchase and other instalment credit granted by department stores etc.

Line 18

New loans less repayments, including estimates for bank lending, lending by the central government to housing associations and by local authorities for house purchase and improvements.

Line 19

Loans between domestic sectors not entered elsewhere, including hire purchase and other instalment credit extended by finance houses, ways and means advances to the central government, 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 transactions by the Issue Department of the Bank of England in commercial bills (treated as lending by the central government to industrial and commercial companies). The differences between the figures entered in the national income accounts on an accruals basis (such as local authority rates, various royalties and taxes, subsidies and other public sector receipts and expenditure, and interest charges) and the corresponding cash payments are also included here.

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 (c) to Table H] 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).

Line 23

Net issues in the United Kingdom (including identified unlisted issues) 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 1978.

Purely seasonal adjustments

For each item which displays seasonality, preliminary seasonal adjustments are obtained which sum to zero over the four quarters in each calendar year. Consistent adjustments are then estimated by a system of balancing under which, in any quarter, the sum of the adjustments for all sectors in any line entry is zero, and the sum of the adjustments for all line entries in any sector is zero.

Other adjustments

These are made to certain series (such as notes and coin) in order to remove recurrent variations not adequately measured by moving average seasonal adjustments (for example, the half-yearly crediting of interest on some bank deposits), distortions due to the calendar (such as the effect of the particular days of the week on which a quarter begins and ends, and of the proximity of Easter to the last working day in March), and distortions due to tax changes. It should be noted that, unlike the purely seasonal adjustments, the other adjustments may not add to zero over a calendar year.