

An inventory of UK external assets and liabilities: end-1980

This article continues an annual series. It is estimated that the United Kingdom had a net external asset position of £15 billion at the end of 1980, some £4 billion higher than the (revised) estimate for end-1979. Gross external assets and liabilities now each exceed £200 billion.

Introduction

As in previous articles, it is as well to stress the limitations of an inventory of this nature. Certain assets and liabilities are barely covered at all, for example UK insurance companies' direct investment abroad (except in the United States), foreign insurance companies' direct investment in the United Kingdom, and also investment directly in UK property by overseas residents. In other cases, difficulties of valuation and identification give rise to considerable margins of error: some of the estimates should therefore be regarded as no more than broad orders of magnitude. An added complication this year is that information previously obtained from the operation of exchange controls is now being sought through a variety of new channels, and the discontinuity is leading to some problems of interpretation. Details of the various sources are given in the notes and definitions at the end of the article.

Revisions to past data and changes in coverage

There have been several large revisions to figures for past years, relating in particular to the book value of inward and outward direct investment and also to the value of portfolio investment abroad; and a change has been made in the presentation of direct investment. There are also two important changes in coverage. Information on UK non-bank residents' bank deposits abroad has been incorporated, most of it for the first time; this has been obtained from information provided to the Bank for International Settlements by banks in major overseas countries, and the other data for previous years have been adjusted to take account of it. The same source has been used for 1979 and 1980 to provide figures for borrowing by these UK residents from banks abroad; this replaces information lost after the ending of exchange control during 1979. In the second place, a very rough estimate of personal investment in property abroad has been included for the first time. The effect of these and some other minor changes is to improve significantly the United Kingdom's net external position (see the bottom two lines in Table A, and also the notes and definitions). All subsequent references to changes between years are based on these revised data.

Overall position at end-1980

At end-1980, it is estimated that the United Kingdom had a net external asset position of some £15 billion in sterling terms—an improvement of some £4 billion over the year.

Table A

Net external assets (+)/liabilities (—): summary
£ billions

End-years	1977	1978	1979	1980
Investment	+7.1	+ 9.4	+12.2	+15.2
Banking and other commercial	-0.3	+ 1.0	- 2.1	- 1.9
Net external position of the private sector	+6.8	+10.4	+10.1	+13.3
Public sector (excluding reserves and other official financing items)	-5.7	- 4.8	- 5.5	- 6.8
Reserves and other official financing items	+1.1	+ 2.4	+ 6.6	+ 8.3
Net external position of the public sector	-4.6	- 2.4	+ 1.1	+ 1.5
Total net external position of the United Kingdom	+2.2	+ 8.0	+11.2	+14.8
<i>As shown in June 1980</i>	-1.4	+ 2.5	+ 4.3	

Gross external assets rose by £29 billion and external liabilities by £25 billion; both sides of the balance sheet now exceed £200 billion.

The change in the net position during 1980 basically reflects the surplus on the current account of the balance of payments, which, at the time when this article was prepared, was estimated at £2.7 billion.⁽¹⁾ But the net position has also been affected by the appreciation of sterling (the currency in which these estimates are presented) and by other valuation changes. Sterling continued to appreciate during 1980 against all leading currencies except the yen, and this is estimated to have reduced the sterling value of assets by between £2 billion and £3 billion more than the value of liabilities. But movements in the market prices of assets and liabilities, particularly those affecting the value of portfolio investment abroad, are thought to have increased net assets by as much as £4 billion.

The detailed analysis which follows relates to figures in Table F.

Private sector

The net external assets of the private sector rose by £3.2 billion to £13.3 billion. Net private investment abroad grew by £3.0 billion but net banking and other commercial liabilities showed little change.

The book value of *direct investment abroad* rose by £1.8 billion to £31.7 billion, after a rise of £3.8 billion in the

(1) This article was prepared before the release in early June of the latest balance of payments estimates.

previous year.⁽¹⁾ Although net new investment amounted to some £4 billion, the effect of this on the outstanding stock was partly offset by the appreciation of sterling. Of the new investment by non-oil companies (£2.9 billion), a significant proportion reflected several major acquisitions of US companies in the first half of the year; just over half the total represented reinvested profits. Net investment overseas by oil companies was less than a third of that in 1979, reflecting the fall in earnings. (The smaller average increase in oil prices—35% in 1980, compared with a doubling in 1979—resulted in correspondingly smaller stock profits.)

The book value of *overseas direct investment in the United Kingdom* rose by some £3.4 billion to £24.7 billion. Non-oil companies invested £1.4 billion (net), slightly more than in 1979, in spite of a sharp fall in reinvested profits. Net investment by overseas oil companies (about £1.0 billion) was slightly lower than in the previous year, with a substantial rise in capital expenditure on the UK Continental Shelf offset by an even greater reduction in net inward investment onshore, reflecting the fall in downstream demand and earnings.

The stock of *UK portfolio investment overseas* rose substantially, by £4.8 billion (Table B); of this rise, £2.9 billion represented net investment transactions, and £1.9 billion a net change in value, enhanced security prices being only partly offset by the effects of the appreciation of sterling. The main interest seems to have been in US, Japanese and Australian shares. *Overseas holdings of UK company securities* went up by £0.6 billion, rather more than half of the increase being a net valuation change; with the introduction of a new reporting system, the split into sterling and foreign currency securities previously shown in the *Bulletin* has ceased to be available.

Table B
Portfolio investment

£ millions

	UK investment overseas	Overseas investment in UK company securities(a)
Market value:		
End-1977	7,800	4,700
End-1978	9,000	4,580
End-1979	10,700	4,539
End-1980	15,500	5,100
Change in 1980	+ 4,800	+ 570
of which:		
Transactions	+ 2,925	+ 230
Valuation (including currency adjustment)	+ 1,875	+ 340

(a) From end-1980, includes overseas-held foreign currency bonds issued by UK oil companies. Earlier investment in such securities has been included within oil companies figures in Table F.

Net banking and other commercial liabilities fell by £0.2 billion to £1.9 billion. The outstanding amount of sterling lending overseas, which had been tightly restrained by exchange control, jumped from £1.4 billion to £3.8 billion, with the fastest growth in the period following

the termination in mid-June 1980 of the supplementary special deposits scheme (the 'corset'); the bulk of the new lending was to banks overseas, mainly in the neighbouring continental eurosterling centres, and is thought to represent a widening of the sterling inter-bank market. *Sterling deposits with UK banks* rose even faster, by £2.9 billion, to £11.6 billion. Much of the rise came from banks in eurosterling centres and again may in part reflect the internationalisation of the inter-bank market.

UK banks' gross external foreign currency assets and liabilities increased during the year by £18 billion and £19 billion respectively, against £22 billion and £23 billion in 1979. After adjusting for the effects of exchange rate movements, the value of net new lending by the banks during the year was £29 billion; their new borrowing was slightly higher, at about £31 billion. This increase in net external liabilities was mainly due to switching into sterling by the banks.

Deposits with banks abroad by other (non-bank) UK residents rose by £1.5 billion. Those denominated in sterling doubled to £1.1 billion, while non-sterling deposits grew by £0.4 billion to £2.8 billion (after adjustment for exchange rate effects and a break in the series); both these increases doubtless owe something to the ending of exchange control.

Public sector

The net external liabilities of the public sector (excluding the reserves and other official financing items) rose by £1.3 billion. As in 1979, the overall rise was more than accounted for by an increase in overseas residents' holdings of *British government stocks* (Table C). Private overseas residents invested £0.6 billion (net) in this way, after £0.9 billion the previous year, and central monetary institutions bought £0.9 billion net, compared with £0.2 billion in 1979.

Table C
Overseas investment in British government stocks

£ billions

	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
End-1980	2,234	3,939
Change in 1980	+ 945	+ 835
of which:		
Transactions	+ 930	+ 568
Valuation	+ 15	+ 267

Overseas holdings of foreign currency securities issued by public corporations and local authorities⁽²⁾ were virtually unchanged, but other borrowing abroad declined by £115 million, mainly because of a \$400 million (£185 million) early repayment by the British National Oil Corporation of a loan taken out in 1977.

(1) Certain changes in the treatment of direct investment in Table F are described in the accompanying notes and definitions.

(2) These items exclude issues and other borrowing under the exchange cover scheme, which are treated as official financing liabilities.

Official financing liabilities fell from £6.6 billion to £5.0 billion. There was a reduction in net drawings on the International Monetary Fund (IMF), reflecting repayments of SDR 250 million (£150 million) under the oil facility. There were also repayments of SDR 700 million (£420 million) to the IMF under the 1977 stand-by; but because these led to the reconstitution of the United Kingdom's reserve position in the IMF, they were recorded as a rise in assets (within official reserves, offsetting the fall in foreign currency assets) rather than as a reduction in official financing liabilities.

A reduction of £750 million in foreign currency borrowing by the Government reflected the early repayment of the whole of the \$1.5 billion loan raised in 1977. (In March 1981, it was announced that the \$2.5 billion loan raised in 1974 would be repaid during 1981, mostly ahead of schedule.)

Outstanding foreign currency borrowing by public bodies under the exchange cover scheme fell during the year from £4.2 billion to £3.5 billion (Table D). Of the new borrowing in 1980, the major part was from European Community institutions (£0.4 billion). Repayments of borrowing were £0.8 billion, of which £0.3 billion was ahead of schedule. The appreciation of sterling and changes in the market value of bonds reduced the value of borrowing outstanding by a further £0.4 billion.

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

End-years	1977	1978	1979	1980
Borrowing through UK banks by:				
Public corporations	1,745	1,234	785	603
Local authorities	399	242	20	4
Securities issued by:				
Public corporations	1,476	1,086	1,167	836
Local authorities	192	179	94	32
Other borrowing abroad by:				
Public corporations	1,772	1,942	2,027	1,867
Local authorities	72	74	109	122
Total	5,656	4,757	4,202	3,464

Table E provides a schedule of capital repayments (measured in US dollars) of those public sector liabilities in Table F for which a schedule is appropriate. In addition to official financing liabilities, the table includes inter-government loans, foreign currency bonds issued by the Government in 1977 to promote an orderly reduction in the reserve role of sterling, and borrowing abroad (including through the issue of securities) by local authorities and public corporations outside the exchange cover scheme. The table is thus on the same basis as the capital repayments schedule in Table 17 in the statistical annex in the March *Bulletin*.

The market value of the official reserves, as calculated for these estimates, was virtually unchanged.

Table E
Schedule of capital repayments of certain public sector foreign currency liabilities outstanding as at end-1980^(a)

\$ billions	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 onwards	Total
HM Government												
\$2.5 billion syndicated credit ^(b)	2.5	—	—	—	—	—	—	—	—	—	—	2.5
\$350 million New York bond issue ^(b)	—	—	—	—	0.2	—	—	—	—	—	0.1	0.4
Other foreign currency bonds	—	0.2	—	0.6	—	—	—	—	—	—	—	0.8
IMF oil facility ^(b)	0.3	0.3	0.1	—	—	—	—	—	—	—	—	0.7
Inter-government loans	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	2.0	3.3
Local authorities and public corporations												
Under exchange cover scheme ^(b)	1.5	0.5	0.5	0.6	0.8	0.7	0.9	0.9	0.5	0.4	1.2	8.4
Other external borrowing ^(c)	0.3	0.4	0.2	0.4	0.1	0.1	0.1	0.1	0.1	—	0.2	2.0
Total	4.7	1.5	0.9	1.7	1.2	1.0	1.2	1.1	0.7	0.6	3.4	18.0

(a) The schedule excludes overseas holdings of British government stocks, Treasury bills, non-interest-bearing notes, and local authority securities, mortgages and deposits. It takes into account early repayments by the public sector announced before 30 April 1981. In the first quarter of 1981, new borrowing and repayments (all scheduled) each amounted to \$0.5 billion.

(b) Included within official financing liabilities in Table F.

(c) Includes approximately \$0.6 billion of external sterling.

Table F
UK external assets and liabilities

£ millions

External assets	End-years	1977	1978	1979	1980
Private sector					
Private UK investment abroad:					
Direct(a)		22,265	26,140	29,955	31,730
Portfolio		7,800	9,000	10,700	15,500
Property		710	740	770	800
Miscellaneous		—	156	267	267
Total private investment abroad		30,775	36,035	41,690	48,295
UK banks' assets:					
Balances, advances and overdrafts in:					
Sterling		1,112	1,432	1,449	3,823
Foreign currencies		82,450	98,940	120,932	138,847
Commercial bills discounted		5,828	6,288	5,931	6,284
Deposits held abroad (other than by banks)(b)		1,687	2,039	2,393	3,898
Suppliers' trade credit on exports		3,485	3,963	4,652	4,569
Advance and progress payments on imports by UK businesses		483	235	345	321
Total banking and other commercial claims		95,045	112,895	135,700	157,740
Total external assets of the private sector		125,820	148,930	177,390	206,035
Public sector					
Inter-government loans by the United Kingdom		1,243	1,269	1,281	1,251
Subscriptions to international financial organisations (excluding the IMF)		1,027	1,250	1,490	1,502
Other official assets		332	351	364	386
Total public sector lending etc.		2,600	2,870	3,135	3,140
Total official reserves					
		10,975	10,380	13,220	13,275
Total external assets of the public sector		13,575	13,250	16,355	16,415
Total identified external assets		139,395	162,180	193,745	222,450

(a) Estimated book value of net assets.

(b) There are breaks in the series: see the notes and definitions.

External liabilities

End-years	1977	1978	1979	1980
Private sector				
Overseas investment in the UK private sector:				
Direct(a)	16,000	17,900	21,310	24,725
Portfolio	4,700	4,580	4,530	5,100
Direct borrowing abroad by UK companies(b)	2,991	4,171	3,631	3,318
Total overseas investment in the private sector	23,690	26,650	29,470	33,145
UK banks' deposit liabilities in:				
Sterling	5,797	5,855	8,640	11,551
Foreign currencies(c)	85,475	101,805	124,467	143,498
Suppliers' trade credit on imports	2,307	2,407	2,488	2,229
Advance and progress payments on exports by overseas customers	1,742	1,877	2,177	2,336
Total banking and other commercial liabilities	95,320	111,945	137,770	159,615
Total external liabilities of the private sector	119,010	138,595	167,240	192,760
Public sector				
Inter-government loans to the United Kingdom	2,017	1,804	1,547	1,376
Overseas investment in the UK public sector:				
British government stocks held by:				
Overseas central monetary institutions	1,341	1,114	1,289	2,234
Others	2,490	2,182	3,104	3,939
British government foreign currency bonds	393	412	376	335
Local authority securities and mortgages	145	150	175	200
Foreign currency securities issued by:				
Public corporations(d)	317	199	175	168
Local authorities(d)	74	62	—	—
Other borrowing abroad by:				
Public corporations(d)	827	800	735	600
Local authorities(d)	8	20	16	35
Overseas holdings of Treasury bills and non-interest-bearing notes	652	867	1,220	1,054
Overseas deposits with local authorities	28	44	18	23
Total public sector borrowing (other than official financing)	8,290	7,655	8,655	9,965
Official financing liabilities:				
Net drawings on the IMF	2,129	1,142	480	304
Foreign currency borrowing by the Government	2,085	1,960	1,798	1,045
New York bond issue by the Government	—	171	157	146
Foreign currency borrowing by public bodies under the exchange cover scheme	5,656	4,757	4,202	3,464
Total official financing liabilities	9,870	8,030	6,635	4,960
Total external liabilities of the public sector	18,160	15,685	15,290	14,925
Total identified external liabilities	137,170	154,280	182,530	207,685

(c) 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.

(d) Excludes borrowing under the Treasury's exchange cover scheme.

Notes and definitions

Assets and liabilities denominated in foreign currencies are valued at exchange rates ruling at the end of each year, while all securities (other than those included as direct investment) are valued at closing market prices or estimated market prices. 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

As mentioned on the first page of the article, there have been substantial revisions to some of the estimates for earlier years, including an alteration in the coverage of oil companies' figures. The changes are summarised below.

£ billions	1977	1978	1979
UK companies (excluding oil, banking and insurance)	+2.0	+3.4	+3.5
Banks	—	—	+0.1
Oil companies	+0.2	+1.0	+1.9
Insurance companies (in the United States)	—	+0.1	+0.1
Total revisions	+2.2	+4.5	+5.6

All industries (except oil, banking and insurance) represents investment by UK companies in their overseas branches, subsidiaries and associates. The figures are extrapolated from Department of Trade surveys 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 1977, 1979 and 1980 have been calculated by the Department of Trade from the 1978 survey and investment flows in each year, making an adjustment for changes in the sterling exchange rate.

UK banks' direct investment overseas 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 subsequent years, 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.

Investment abroad by oil companies is measured on a basis broadly comparable with the other estimates of direct investment, except that unrelated trade credit is included. Borrowing abroad, which had hitherto been deducted, is now included within *direct borrowing abroad by UK companies* or, for end-1980 only, within *portfolio investment in UK company securities*, when appropriate. The estimates 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 movements in the value of sterling.

Insurance companies' direct investment in the United States is derived from US Department of Commerce estimates, the 1980 figure being an extrapolation by the Bank of England.

Portfolio investment

Up to those for 1979, estimates of the value of UK portfolio investment are based on surveys and other sources (including exchange control information until 23 October of that year) used 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: since the previous article, the market valuations have been completely re-worked, and this has resulted in substantial revisions, but the estimates remain necessarily imprecise.

The 1980 total has been calculated using a combination of the results of a new portfolio investment enquiry, which was introduced with effect from July 1980, and of temporary reporting arrangements which bridged the gap after the ending of exchange control, with information available, or estimated, on a sectoral basis. Full sectoral information is available only up to 1978, and prior to the ending of exchange control the figures will have contained an unmeasurable element representing the investment currency premium. A sectoral breakdown for the years 1975 to 1977, containing this element, was given in the notes and definitions in last year's article, and figures for 1976 to 1978 are given below.

£ millions	End-years	1976	1977	1978
Investment trusts		2,575	1,975	2,190
Unit trusts		469	424	605
Pension funds(a)		967	997	1,524
Insurance companies		1,657	1,616	2,062
Households		2,068	1,460	1,455
Other known holdings(b)		1,546	1,735	2,202
Total		9,282	8,207	10,038

(a) Includes an estimate of the market value of holdings by local authority pension funds at end-December; holdings are reported only at end-March.

(b) Banks, other financial institutions, and non-profit-making bodies.

Personal investment directly in property

The estimates, shown in this article for the first time, are taken from an article by C W Pettigrew, 'National and sector balance sheets for the United Kingdom' (*Economic Trends*, November 1980) with some crude extrapolation. The article itself made use of figures originally published in *The financial interdependence of the economy 1957-1966* by A R Roe (A Programme for Growth, Paper No. 11—published by Chapman & Hall for the Department of Applied Economics, University of Cambridge, October 1971).

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

These consist of claims by banks and certain other financial institutions on non-residents. 'Commercial bills discounted' excludes bills drawn on overseas 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 included elsewhere.

Suppliers' trade credit on exports

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

Deposits by UK non-banks with banks overseas

These estimates, included for the first time, are derived from the banking statistics of countries in the BIS reporting area (as defined in the additional notes to Table 13 in the statistical annex). They will include the working balances of various UK companies previously identified as a separate item. There are breaks in the series of +£215 million in 1979 and +£685 million in 1980 which are due to expansion in coverage.

Public sector

Official reserves

For the purposes of this article, gold is valued at end-1977 at the then official price of SDR 35 per fine ounce, and for subsequent years 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-1980, the market valuation used here exceeded the valuation in the monthly release by about £1.8 billion.

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.

Liabilities**Private sector***Direct investment*

Revisions to estimates published in last year's article are as follows.

£ billions	1977	1978	1979
UK companies (excluding oil, banking and insurance)	+0.9	+1.2	+2.0
Oil companies	+0.4	+0.2	+0.2
Total revisions	+1.3	+1.4	+2.2

All industries (except oil, banking and insurance) represents investment by companies incorporated abroad in their UK branches, subsidiaries and associates. The estimates are based on the 1978 survey by the Department of Trade and are comparable with those for outward direct investment.

Foreign banks' direct investment in the United Kingdom 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*.

Investment by overseas oil companies 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 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 reported transactions. Up to July 1980, details of issues and redemptions of foreign currency securities, other than those issued by oil companies, were obtained from various sources, including the press: nominal amounts outstanding for each issue were estimated and adjusted for changes in the market price of the security. The new portfolio investment enquiry introduced with effect from July 1980, which covers inward investment also, does not distinguish between sterling and foreign currency securities issued by UK companies.

Since the new enquiry thus embraces transactions in foreign currency securities issued by oil companies, outstanding issues abroad by these companies are included here from end-1980; for previous years, they are netted off from the oil companies' assets abroad.

Direct borrowing abroad by UK companies

The figures relate to borrowing outside the former Scheduled Territories for the purchase of foreign currency securities, or direct investment abroad, or for use in the United Kingdom. Estimates for 1977 and 1978 are derived from information supplied under UK exchange control regulations. Estimates for 1979 and 1980 are derived from the banking statistics of countries in the BIS reporting area (as defined in the additional notes to Table 13 in the statistical annex). Adjustments have been made to avoid overlap with other items (in particular, to exclude borrowing by the UK public sector) and the figures are therefore not necessarily exact. There is a break of +£110 million in the series in 1980 which is due to an expansion of coverage.

UK banks' liabilities

These figures, which relate to banks and certain other financial institutions, exclude 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, which is 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 include 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 net drawings on the IMF, less other countries' net purchases of sterling, except where such transactions affect the UK reserve position in the IMF. 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 1974 and the \$1.5 billion facility originally taken up in 1977, and includes borrowing from both UK and overseas banks.

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 by public corporations and local authorities. Each issue has been valued at the end-year market price. Identified holdings of public sector foreign currency bonds by UK residents have been excluded. (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.)