

Sector financing: 1982

This note sets out some of the main financial transactions between the principal sectors of the economy during 1982. A full set of the Bank's flow of funds tables, which have hitherto accompanied annual articles in this series, are to be found in the statistical annex (Table 19). These include transactions by individual groups of 'other financial institutions' and a breakdown, by type of security, of transactions by the various sectors in the equity and debenture markets. This year, for the first time, figures are included for issues through the unlisted securities market.

Interpretation of financial flows for some sectors is made difficult, and at times almost impossible, by the large differences between the financial surplus or deficit in the national income accounts (line 5, Table D), and the transactions in financial assets and liabilities that sum to line 39. Notably, in 1982 there was a £13 billion surplus for the personal sector as measured by the national income figures, whilst the sector's financial transactions come out as much as £3 billion less. For the company sector, the two totals differ by even more, with the national accounts giving a small financial surplus and financial transactions indicating a very large deficit (Table A).

Table A
Sector financial balances

£ billions

	Sector financial surpluses or deficits(a)	Identified financial transactions(b)
Public sector	- 6.7	-4.8
Financial institutions	- 2.0	-0.7
Industrial and commercial companies	+ 0.7	-4.4
Personal sector	+13.0	+9.8
Overseas sector	- 3.9	+0.1
Residual error	- 1.0	

(a) Line 5, Table D.

(b) Line 39, Table D.

For the **public sector**, the deficit on financial transactions is the smallest since 1977⁽¹⁾ and the public sector borrowing requirement (£5.4 billion: the sum of lines 6 to 20) was the smallest since 1973 (Table B). The borrowing was mainly undertaken by central government through sales of gilt-edged stocks, national savings, and tax instruments, together totalling £11 billion; though against this, the local authorities reduced their borrowing from the market and the Issue Department of the Bank of England took up £4.7 billion of commercial bills.

The **monetary sector's** substantial increase in its sterling lending included some £5 billion for house purchase—36% of housing finance provided in 1982, with the building societies providing 56% (see chart on page 216). Although

the new facilities granted put the banks almost into the same league as the building societies for 1982, the societies have a much larger share of the total amount outstanding, and moreover some easing of the rate of increase of bank housing finance was apparent in the fourth quarter.

The **other financial institutions** continued to be the major buyers of gilts, with purchases equivalent to over 80% of the central government's net sales. This sector again invested substantially more in overseas securities than in UK company securities.

The **company sector's** flows are difficult to interpret because of the difference between the national income and the financial transactions statistics. Its net borrowing from the banks was apparently modest but nearly £5 billion of commercial bills were refinanced by the Issue Department. This is not defined as lending by banks, but is identical to it from the companies' viewpoint: it therefore needs to be aggregated with finance obtained from the banks in making year to year comparisons. The UK company security figures (line 31) include, for the first time, new money raised on the unlisted securities market (USM) as well as through the main Stock Exchange. (The USM is the subject of an article on page 227.) The new series begins in the fourth quarter of 1980; in 1982 some £80 million was raised through the USM. (Some aspects of company finance are also described in the article on page 232.)

Large as the **personal sector's** identified net acquisition of financial assets was in 1982, it was well down on 1981⁽²⁾. As noted on page 13 of the March *Bulletin*, there was a further

Table B
The public sector's deficit on financial transactions and borrowing requirement

£ billions

	1980	1981	1982
Public sector deficit on financial transactions	-10.8	- 7.9	-4.8
After adjusting for inflation	+ 1.4	+ 3.1	+2.5
Public sector borrowing requirement	-12.2	-10.9	-5.4
After adjusting for inflation	—	+ 0.1	+1.9

(1) In money terms: after using the method described on page 169 to adjust for inflation it was a surplus of £2.5 billion.

(2) In money terms: after using the method described on page 169 to adjust for inflation the 1982 surplus was £0.7 billion.

drop in the personal saving ratio during the year. From a peak of over 16% in second half of 1980, it fell to 13.7% in 1981 and 11.8% in 1982. This is reflected in the sector's financial investments and increased borrowings (Table C). Investment through life assurance and pension funds has continued to increase steadily, albeit modestly, over

the last three years, and national savings and building society deposits have also generally increased each year. Investment in government stocks and sterling time deposits with the monetary sector grew much less rapidly in 1982 than in 1980, whereas borrowing for house purchase and for consumption increased sharply.

Table C
Personal sector net acquisition of financial assets

£ billions

Increase in assets +/
increase in liabilities—

	1980	1981	1982
Total	+17.0	+15.0	+ 9.8
<i>of which:</i>			
Life assurance and pension funds	+11.8	+13.0	+13.2
National savings	+ 1.4	+ 4.2	+ 3.4
Building society deposits	+ 7.2	+ 7.1	+10.1
Government stocks	+ 1.9	+ 2.0	+ 0.5
Sterling time deposits with monetary sector	+ 5.5	+ 2.8	+ 1.5
Borrowing for house purchase	- 7.4	- 9.6	-13.9
Other sterling borrowing from monetary sector	- 2.8	- 4.0	- 4.7

The sum of the domestic sectors' financial surpluses and deficits in the national income accounts for 1982 is a net surplus of £4.9 billion, leaving the **overseas sector** with a deficit of £3.9 billion, and a residual error of £1 billion.

However, the financial transactions account records a £1.1 billion net acquisition of assets by the overseas sector. So once again statistical discrepancies obscure the picture. (The main financial flows between domestic sectors and overseas are described in the article on page 240).

On this occasion, revisions to previously published figures have not been so large as sometimes, though most items for 1980 and 1981, and for the first three quarters of 1982, have been adjusted.

Table D
Flow of funds: annual matrix 1981

£ millions

		Central government	Local authorities	Public corporations	Public sector	Monetary sector	Other financial institutions	Industrial and commercial companies	Personal sector	Overseas sector	Residual error
Line											
Capital account											
Saving	1	- 3,733	+2,866	+5,211	+ 4,344		+3,413	+17,285	+23,889	- 5,961	
Taxes on capital and capital transfers	2	- 984	+ 43	+ 645	- 296		- 515	+ 591	+ 220	-	
<i>less:</i>											
Gross fixed-capital formation at home	3	- 1,773	-2,809	-6,925	-11,507		-5,423	-15,046	- 7,129		
Increase in value of stocks and work in progress	4	- 58		- 506	- 564		+ 20	- 837	- 107		
Financial surplus + / deficit	5	- 6,548	+ 100	-1,575	- 8,023		-2,505	+ 1,993	+16,873	- 5,961	-2,377
Changes in financial assets and liabilities											
<i>Assets: increase + / decrease -</i>											
<i>Liabilities: increase - / decrease +</i>											
Notes and coin	6	- 672			- 672	+ 70		+ 412	+ 190		-
Market Treasury bills	7	+ 1,242		- 27	+ 1,215	- 1,159	+ 38	+ 16		- 110	
British government securities	8	- 8,135	+ 14	+ 4	- 8,117	- 446	+ 6,302	- 238	+ 2,031	+ 468	
National savings	9	- 4,192	+ 1		- 4,191		+ 27	+ 1	+ 4,163		
Tax instruments	10	- 71		+ 251	+ 180	- 26	+ 27	- 193	+ 12		
Net government indebtedness to Banking Department	11	+ 309			+ 309	- 309					
Northern Ireland central government debt	12	- 41			- 41	- 9			+ 50		
Government liabilities under exchange cover scheme	13	- 61	- 7	+ 68							
Other non-marketable government debt	14	+ 178			+ 178		- 178				
Issue Department's transactions in commercial bills	15	+ 2,559			+ 2,559			- 2,559			
Government foreign currency debt	16	+ 1,375			+ 1,375	- 1,002				- 373	
Other government overseas financing	17	- 84			- 84					+ 84	
Official reserves	18	- 2,419			- 2,419					+ 2,419	
Local authority debt:											
Temporary	19.1	- 168	+ 63	+ 224	+ 119	+ 401	- 432	- 68	- 40	+ 20	
Foreign currency	19.2		+ 4		+ 4	+ 1				+ 5	
Other listed securities	19.3	- 3	+ 179	+ 7	+ 183	- 73	- 49		- 61		
Other long-term	19.4	- 666	- 640	+ 1	- 1,305	+ 1,543	- 323	- 2	+ 83	+ 4	
Public corporation debt:											
Foreign currency	20.1			+ 330	+ 330	+ 202				- 532	
Other	20.2	+ 989	- 30	-1,164	+ 205	+ 260	- 31		3	- 21	
Deposits with banks:											
Sterling sight	21.1	- 146	+ 48	+ 45	- 53	- 2,810	+ 679	+ 907	+ 883	+ 394	
Sterling time	21.2	- 5	+ 71	+ 70	+ 136	- 8,542	+ 1,433	+ 2,004	+ 2,805	+ 2,164	
Foreign currency	21.3	- 16	+ 3	+ 39	+ 26	- 39,617	- 124	+ 2,014	+ 290	+ 37,411	
Deposits with building societies	22						- 7,142	+ 60	+ 7,082		
Deposits with other financial institutions	23						- 299	+ 24	+ 281	- 6	
Bank lending (excluding public sector):											
Foreign currency	24.1					+ 39,540	- 145	- 2,621	- 7	- 36,767	
Sterling	24.2					+ 9,563	- 703	- 1,820	- 3,983	- 3,057	
Credit extended by retailers	25			- 15	- 15			+ 74	- 59		
Identified trade credit:											
Public corporations (domestic)	26.1			- 150	- 150			+ 499	- 349		
Import and export	26.2	- 440		- 23	- 463			+ 230		+ 233	
Loans for house purchase:											
Building societies	27.1						+ 6,331		- 6,331		
Other	27.2		+ 252	+ 348	+ 600	+ 2,265	+ 421		- 3,286		
Other public sector lending	28	+ 818	+ 5	- 33	+ 790		- 6	- 561	- 11	- 212	
Other lending by financial institutions	29						+ 749	- 325	- 424		
Unit trust units	30						- 189		+ 189		
UK company securities	31	+ 1,002		-1,169	- 167	- 178	+ 2,204	- 1,495	- 1,379	+ 1,015	
Overseas securities	32					+ 1,732	+ 2,918	+ 1,668	+ 122	- 6,440	
Life assurance and pension funds	33	- 179			- 179		- 12,824		+ 13,003		
Miscellaneous domestic instruments	34						+ 21	+ 10	- 31		
Direct and other investment abroad	35					+ 157	+ 106	+ 3,871		- 4,134	
Overseas direct and other investment in United Kingdom	36					- 96	+ 44	- 2,104		+ 2,156	
Miscellaneous overseas instruments	37	- 278		+ 164	- 114		+ 154	+ 908		- 948	
Accruals adjustment	38	+ 2,801	- 342	- 170	+ 2,289	- 18	- 125	- 1,947	- 199		
Financial transactions	39	- 6,303	- 379	-1,200	- 7,882	+ 1,449	- 1,116	- 1,235	+15,021	- 6,237	
Unidentified	40	- 245	+ 479	- 375	- 141		- 2,838	+ 3,228	+ 1,852	+ 276	- 2,377

- nil or less than £½ million.

Table D continued
Flow of funds: annual matrix 1982
 £ millions

		Central government	Local authorities	Public corporations	Public sector	Monetary sector	Other financial institutions	Industrial and commercial companies	Personal sector	Overseas sector	Residual error
Capital account											
Saving	1	- 3,256	+4,011	+5,683	+ 6,438	+3,970		+16,050	+22,004	- 3,948	
Taxes on capital and capital transfers	2	- 1,157	- 44	+ 572	- 629	- 403		+ 598	+ 434	-	
less:											
Gross fixed-capital formation at home	3	- 2,101	-1,823	-7,368	-11,292	-5,600		-15,554	- 9,211		
Increase in value of stocks and work in progress	4	- 214		-1,037	- 1,251	+ 31		- 443	- 193		
Financial surplus + /deficit	5	- 6,728	+2,144	-2,150	- 6,734	-2,002		+ 651	+13,034	- 3,948	- 1,001
Changes in financial assets and liabilities											
<i>Assets: increase + /decrease -</i>											
<i>Liabilities: increase - /decrease +</i>											
Notes and coin	6	- 463			- 463	- 9		+ 278	+ 194		
Market Treasury bills	7	+ 359		- 13	+ 346	- 561	+ 2	+ 81		+ 132	
British government securities	8	- 6,457	+ 2	+ 21	- 6,434	- 147	+ 5,374	+ 201	+ 542	+ 464	
National savings	9	- 3,536	+ 1	- 56	- 3,591		+ 13	+ 220	+ 3,358		
Tax instruments	10	- 1,360		+ 347	- 1,013	- 31	- 23	+ 1,049	+ 18		
Net government indebtedness to											
Banking Department	11	- 156			- 156	+ 156					
Northern Ireland central government debt	12	- 19			- 19	+ 3			+ 16		
Government liabilities under exchange cover scheme	13	+ 68	- 1	- 67							
Other non-marketable government debt	14	+ 192			+ 192	- 192					
Issue Department's transactions in commercial bills	15	+ 4,714			+ 4,714			- 4,714			
Government foreign currency debt	16	+ 163			+ 163					- 163	
Other government overseas financing	17	+ 202			+ 202					- 202	
Official reserves	18	- 1,421			- 1,421					+ 1,421	
Local authority debt:											
Temporary	19.1	+ 19	+1,437	+ 91	+ 1,547	- 638	- 439	- 234	- 220	- 16	
Foreign currency	19.2		- 56		- 56					+ 56	
Other listed securities	19.3		+ 167	+ 2	+ 169	- 173	+ 158		- 161	+ 7	
Other long-term	19.4	+ 1,388	-1,231	- 4	+ 153	- 618	+ 420	- 34	+ 80	- 1	
Public corporation debt:											
Foreign currency	20.1			+ 169	+ 169	- 52				- 117	
Other	20.2	+ 2,352	- 20	-2,255	+ 77	- 3	- 4			- 70	
Deposits with banks:											
Sterling sight	21.1	- 101	+ 74	+ 35	+ 8	- 4,187	+ 857	+ 509	+ 2,127	+ 686	
Sterling time	21.2	+ 21	+ 446	+ 31	+ 498	- 7,874	+ 1,958	+ 92	+ 1,516	+ 3,810	
Foreign currency	21.3	+ 35	+ 6	- 3	+ 38	-20,403	- 224	+ 1,033	+ 193	+19,363	
Deposits with building societies	22						-10,154	+ 88	+10,059	+ 7	
Bank lending (excluding public sector):											
Foreign currency	24.1					+17,785	- 894	- 611	- 213	-16,067	
Sterling	24.2					+11,747	- 913	- 1,940	- 4,860	- 4,034	
Credit extended by retailers	25			- 3	- 3			+ 112	- 109		
Identified trade credit:											
Public corporations (domestic)	26.1			+ 738	+ 738			- 710	- 28		
Import and export	26.2	- 462		+ 90	- 372			+ 228		+ 144	
Loans for house purchase:											
Building societies	27.1						+ 7,855		- 7,855		
Other	27.2		+ 541	+ 325	+ 866	+ 5,041	+ 161		- 6,068		
Other public sector lending	28	+ 538		+ 78	+ 616			- 374	- 27	- 215	
Other lending by financial institutions	29						+ 427	- 267	- 160		
Unit trust units	30						- 177		+ 177		
UK company securities	31	- 380		+ 76	- 304	- 791	+ 2,892	- 307	- 1,963	+ 473	
Overseas securities	32					+ 2,173	+ 4,008	+ 1,104	- 135	- 7,150	
Life assurance and pension funds	33	- 132			- 132		-13,090		+13,222		
Miscellaneous domestic instruments	34						+ 6	- 5	- 1		
Direct and other investment abroad	35					- 3	+ 73	+ 2,794		- 2,864	
Overseas direct and other investment in United Kingdom	36					- 129	- 129	- 2,586		+ 2,844	
Miscellaneous overseas instruments	37	- 465		+ 32	- 433		- 27	- 1,166		+ 1,626	
Accruals adjustment	38	- 1,075	+ 90	+ 131	- 854	- 14	+ 72	+ 732	+ 64		
Financial transactions	39	- 5,976	+1,456	- 235	- 4,755	+ 1,080	- 1,798	- 4,427	+ 9,766	+ 134	
Unidentified	40	- 752	+ 688	-1,915	- 1,979	-1,284		+ 5,078	+ 3,268	- 4,082	-1,001

- nil or less than £1 million.

Notes on definitions and seasonal adjustment

Introduction

A complete set of financial transactions tables and accompanying notes appear in the *Bulletin* only in the June issue each year. This year some changes have been made to the position (but not the content) of these tables. As previously, annual flow of funds matrices accompany this article; the notes that follow relate particularly to these matrices. The other annual tables which hitherto have accompanied the article now appear in the statistical annex as tables 19.5 to 19.10. They follow the quarterly matrix and financial transactions of the public, personal and industrial and commercial companies sectors, which are updated in each issue and have been numbered 19.1 to 19.4. Much of the data in tables 19.5 to 19.10 is updated regularly in the CSO's *Financial Statistics* (albeit mostly not seasonally adjusted and classified somewhat differently).

Further notes on the accounts, including information on sources, are provided annually in the *Financial Statistics Explanatory Handbook*.

Definitions

Central government

Government departments, bodies and accounts (including Northern Ireland government departments), national insurance and other social security funds, the Exchange Equalisation Account, and the Issue Department of the Bank of England.

Local authorities

Public authorities and bodies making returns under the Local Government Acts.

Public corporations

Public enterprises having a substantial degree of independence, including the nationalised industries, other public corporations and their UK subsidiaries (except for those of the National Enterprise Board), government trading funds and companies which are publicly owned and controlled.

Monetary sector

As in Table 6 in the statistical annex. From the beginning of 1982 this sector (previously called the 'banking sector') was enlarged to include all recognised banks, licensed deposit-taking institutions and certain other institutions, eg the trustee savings banks. (See the article on page 531 of the December 1981 *Bulletin*.) The general term 'banks' is still used for statistics for the sector, so 'bank deposits' or 'bank lending' cover transactions by all monetary sector institutions.

Other financial institutions

Trustee savings banks (up to the end of 1981, when they became monetary sector institutions—the ordinary department was treated as a central government account until the end of September 1979); National Savings Bank investment account (until the end of 1980, when it became a central government account); certain finance houses and other consumer credit grantors (those licensed to take deposits became monetary sector institutions from the beginning of 1982); building societies; investment trusts; unit trusts; property unit trusts; insurance companies; pension funds; special finance agencies; the Crown Agents (until the end of 1979, when they were reconstituted as two public corporations); the Central Trustee Savings Bank (until the end of 1981, when it became a monetary sector institution); and, from the beginning of 1982, other miscellaneous institutions—those banking institutions in the Channel Islands and Isle of Man which are not in the monetary sector, gold dealers not in the monetary sector, and certain institutions which lend abroad but do not take deposits from the public.

Industrial and commercial companies

All corporate bodies other than public enterprises, monetary sector institutions and other financial institutions.

Personal sector

Individuals, unincorporated businesses, and private non-profit-making bodies.

Overseas sector

Non-residents as defined for the balance of payments estimates.

Lines 1–4⁽¹⁾

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

Changes in Bank of England notes (treated as liabilities of the central government), in banks' liabilities on account of issues of Scottish and Northern Irish notes, and in coin (treated as liabilities of the central government), other than changes in notes and coin held by the Banking Department.

Lines 7 and 8

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 government securities under persons are residuals and include unidentified changes in holdings by industrial and commercial companies—see footnote (c) to Table 19.3—and by overseas residents.

Line 9

Defined as in Table 7 in the statistical annex.

Line 10

Certificates of tax deposit, tax reserve certificates and tax deposit accounts.

Line 11

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

Line 12

Northern Ireland government securities, Ulster savings certificates and Ulster development bonds (including accrued interest outstanding), and advances from banks (including trustee savings banks). Northern Ireland borrowing from the European Investment Bank is in line 16.

Line 13

Entries here represent differences between the sterling originally obtained by local authorities and public corporations through foreign currency borrowings under the exchange cover scheme and the cost to the reserves of repayments at current market rates, which are treated as reductions in central government liabilities to local authorities and public corporations.

Line 14

Ways and means advances by the National Coal Board and (up to the fourth quarter of 1980) the National Savings Bank investment account, repayments by the Fund for Banks for Savings to the trustee savings banks, and deposits by the British Gas Corporation with the National Loans Fund.

Line 15

Market transactions in commercial bills by the Issue Department of the Bank of England are treated as increases or decreases in central government claims on industrial and commercial companies (matched by reductions or increases in banks' claims on these companies).

Line 16

Foreign currency borrowing by the central government from banks in the United Kingdom or from overseas under eurodollar facilities and from central monetary institutions abroad (including foreign currency deposits), transactions in British government foreign currency bonds, drawings from the IMF, and borrowing by the Northern Ireland Government from the European Investment Bank under the exchange cover scheme.

Line 17

All transactions with overseas which finance the central government borrowing requirement and which are not included elsewhere. This line

(1) Line numbers refer only to Table D.

includes sterling borrowing from governments or central monetary institutions with a sterling counterpart invested in Treasury bills, changes in IMF holdings of non-interest-bearing notes (other than those arising from drawings or subscriptions), allocations of special drawing rights and part of 'official short-term transactions' in the balance of payments.

Line 18

The sterling equivalent of changes in the gold and convertible currencies and special drawing rights held in the Exchange Equalisation Account, together with changes in the UK reserve position in the IMF.

Line 19

Borrowing from the central government largely comprises loans from the Public Works Loan Board but also includes transactions in local authority debt by the Issue Department of the Bank of England and by the National Insurance Fund. Temporary borrowing is money originally borrowed for less than twelve months, but includes all bills and bank overdrafts. Sterling securities comprise local authority listed stocks and bonds. Returns from monetary sector institutions do not provide a breakdown of market loans between temporary debt and other; figures for their transactions in temporary debt are from local authority returns and are thus suspect, for they may include transactions by the institutions acting as agents. Figures for industrial and commercial companies exclude any transactions in sterling securities. Transactions by the personal sector are residuals.

Line 20

Figures for the central government include public corporations' payments for the redemption of government-guaranteed stocks as well as central government lending to public corporations.

Public sector borrowing requirement

Lines 6 to 20 are transactions financing the public sector borrowing requirement, so their total is equal to the PSBR.

Line 21

Changes in sterling sight and time deposits and in foreign currency deposits of UK and overseas residents. The entries for the monetary sector and industrial and commercial companies have been adjusted by deducting 60% of the change in sterling net debit transit items. Transactions in certificates of deposit and other negotiable paper issued by monetary sector institutions are included here.

Line 22

This covers shares, deposits, and receipts of SA YE by building societies, and represents receipts by the societies, together with interest credited, less withdrawals.

Line 23

Deposits with the National Savings Bank investment account were included in this line until the end of 1980; those with the ordinary department of the trustee savings bank from the fourth quarter of 1979 and the new department up to the end of 1981; and those with the Central Trustee Savings Bank also up to the end of 1981. The finance houses and consumer credit companies were the only other contributors to line 23, but after the fourth quarter 1981, those institutions which remained outside the monetary sector were no longer able to accept deposits as defined in the Banking Act 1979. Since deposits from banks with these institutions are in line 24, there are no transactions in line 23 for 1982.

Line 24

Advances and overdrafts, market loans and transactions in commercial bills; excludes ways and means advances (by the Banking Department, line 11), loans for house purchase (included in line 27), lending to the Northern Ireland Government (line 12), to local authorities (line 19), and to public corporations (line 20). Recorded advances to industrial and commercial companies are adjusted by adding 40% of the change in sterling net debit transit items (see also line 21).

Line 25

Changes in hire purchase and certain other forms of credit granted by department stores, durable goods retailers, general mail-order houses and other general stores. The figures exclude what are probably large amounts of unpaid bills (trade credit) and credit extended by other types of retailer. The figures for the public sector relate to credit granted by gas and electricity showrooms.

Line 26

Public corporations' trade credit includes amounts owing on unpaid gas and electricity accounts and telephone bills. Import and export credit comprises suppliers' trade credit and advance and progress payments on exports and imports and 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. No estimates are available for other kinds of trade credit.

Line 27

New loans less repayments by building societies, by local authorities for house purchase and improvements, by the central government to housing associations, by insurance companies and pension funds, and by monetary sector institutions (including trustee savings banks).

Line 28

Net lending by the central government to building societies, industrial and commercial companies, persons, overseas governments and international lending bodies. It also includes net lending by public corporations to the private sector (other than for house purchase).

Line 29

Includes instalment credit and other loans and advances by finance houses and other consumer credit companies, loans made to their parent organisation by private sector superannuation funds, and loans by insurance companies and special finance agencies. Loans by public corporation and local authority pension funds to their parent bodies are in lines 20 and 19.

Line 30

Net sales of units to persons by authorised unit trusts.

Line 31

All transactions in UK securities, including capital issues and inward direct investment in the form of securities. The figures for the personal sector are residuals, obtained as the difference between total capital issues and aggregate transactions by all other sectors. They are therefore subject to a wide margin of error.

Line 32

All transactions in overseas securities, including UK direct investment abroad in the form of securities. The figures for the personal sector are residuals and are thus subject to considerable error.

Line 33

In the national accounts, the net income of life insurance and pension funds is treated as belonging to the policy holders and contributors, and is therefore included in personal saving, whereas the funds themselves are classified as financial institutions. The net income is thus attributed to the personal sector, and is matched by entries in this line, representing increases in net claims on the funds by policy holders and contributors. There are also entries for net personal claims on the central government in respect of increases in funds under certain public sector schemes which are contributory, but where separate funds are not maintained.

Line 34

Transactions in domestic instruments not included elsewhere. For the public sector this comprises advance receipts for oil by the British National Oil Corporation. For financial institutions the entries include amounts due to and from stockbrokers, borrowing by finance houses (except in the form of deposits), property unit trust units sold to charities, and assets and liabilities not separately identified in the reporting forms. Transactions in shares in retail co-operative societies between persons and companies are also included.

Line 35

Private direct investment abroad (other than in the form of securities—line 32), and oil and miscellaneous investment as in the balance of payments (less identified transactions in securities), less public corporations' investment abroad (line 37).

Line 36

Private direct investment in the United Kingdom (other than in the form of securities—line 31), and oil and miscellaneous investment in the United Kingdom as in the balance of payments, less UK oil company issues (also line 31).

Line 37

Miscellaneous transactions in the balance of payments which are not allocated elsewhere; comprising part of 'other official long-term capital (net)' and 'other official short-term transactions' in the balance of payments, net lending and investment abroad by public corporations, various short-term transactions overseas by other financial institutions, and discrepancies between figures from balance of payments and other sources (entered under industrial and commercial companies).

Line 38

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 flows) and the corresponding cash payments.

Line 39

The sum of lines 6 to 38.

Line 40

One estimate of gross domestic product is obtained by adding estimated factor incomes; another is obtained by adding expenditures on goods and services. Although in concept these estimates are identical, the sources for these calculations are different, and the totals differ by what is called the residual error. In the national accounts a balance is struck for each sector between current income plus capital transfers received and current plus capital expenditure; this is the financial surplus or deficit. Transfer items net out over all sectors, so the sum of the financial surpluses and deficits in line 5 is equal to the residual error. The corresponding totals of transactions in financial assets and liabilities for each sector are entered in line 39, where they sum to zero, because the entries for each of the constituent lines (6 to 38) have been made to sum to zero. (The entries in each line frequently stem from a common source—when two sources are available and provide different figures for the same sector, the one considered to be the best source is used, and one sector is sometimes used for a residual entry.) The differences between the financial surplus or deficit for each sector and its identified financial transactions are named 'unidentified transactions'. The net total of the unidentified for all sectors equals the residual error. The unidentified transactions may arise from errors and omissions either in income and expenditures or in financial transactions, and include the results of misallocations by sector.

Money stock

In the matrix:

the change in M_1 = line 6 (persons and industrial and commercial companies) plus line 21.1 (persons, other financial institutions and industrial and commercial companies);

the change in sterling M_3 = the change in M_1 plus lines 21.1 and 21.2 (public sector) plus line 21.2 (persons, other financial institutions and industrial and commercial companies);

the change in total M_3 = the change in sterling M_3 plus line 21.3 (public sector, other financial institutions, persons, and industrial and commercial companies).

Seasonal adjustments

The adjustments allow for purely seasonal movements and certain other factors, taking full account of the data up to the end of 1980.

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. Unlike the purely seasonal adjustments, the other adjustments may not add up to zero over a calendar year.