
Banking statistics: recent and prospective developments

The Bank of England collects banking and related data for a variety of purposes—including the conduct of prudential supervision, the compilation of monetary, banking and similar financial statistics, and as a contribution to the national accounts and balance of payments statistics compiled by the Central Statistical Office. The aim is to collect the data as efficiently and economically as possible. This article briefly recounts developments since the start of the last review of banking statistics in 1987 and outlines the statistics currently available. It lists the main bids for new statistics of which the Bank is already aware, and invites comments from users on their existing and prospective needs.

The last review

The results of the last review of banking statistics were described in the August 1992 *Quarterly Bulletin*.⁽¹⁾ The main new statistical requirements decided on are listed below:

- *To assist supervision of individual banks*

Two new forms—the LE and BSD1—were introduced to help monitor, respectively, banks' large exposures and capital adequacy. They were designed to meet the requirements of the 1987 Banking Act and the 1988 Basle Convergence Agreement (as well as a number of subsequent European Directives).

- *To improve the national accounts*

New and revised forms (the A3 and BP) were introduced to measure the flows of income and expenditure between the banks and the domestic and overseas sectors more comprehensively and more often. Supplementary estimates are now provided by a small sample of banks to enable interest flows to be allocated more accurately to each domestic sector. And to allow transactions in assets to be estimated more accurately (excluding valuation effects), existing forms reporting amounts outstanding were supplemented by a new form [Q1(R)], which shows transactions in UK investments and revaluations (eg write-offs) of loans.

- *To improve the analysis by industry of lending to, and deposits from, UK residents*

It was agreed to redefine the industrial categories according to the latest (1992) Standard Industrial Classification. Additional categories were to be introduced to analyse the large amounts of business with non-bank financial institutions, and to allow a parallel analysis of deposits.

- *To give more detail of lending to the personal sector*

A new form [the Q1(D)] was introduced to obtain from the main banks involved monthly detail about gross

and net lending—and approvals of future lending—secured on residential property, and about gross and net consumer credit. Previously, information had been provided quarterly.

- *To redefine bank retail deposits*

Retail deposits on the previous definition—based on the maturity and size of deposit—had proved difficult to measure, and the definition did not meet its original aim of capturing 'transactions balances'. It was therefore simplified. *Retail* deposits (the main component of the monetary aggregate, M2, and therefore of the retail element of M4) are now defined as deposits which arise from a customer's acceptance of an advertised rate (including a nil rate) for a particular product, typically offered through the banks' branch networks.

Other changes decided in the last review

More detail was to be provided in various areas to tailor the statistics more closely to developments in the markets; for example Ecu business was to be reported more explicitly.

Progress in introducing the changes

Almost all of the changes agreed in the last review have been implemented. One introduced recently is the greater monthly detail of lending to the personal sector, provided since April 1993; this is now fully used to provide detailed coverage of personal borrowing (both secured on dwellings and consumer credit, from banks, building societies and other lenders) in the full monetary statistics release each month.

With the exception of changing its timing to end-quarters, however, the proposed changes to the industrial analysis have not been made, because the banks have wished to be sure of future European needs before they recode their accounts. Besides the need to update and extend the classification used in these statistics, the data—including the new analysis of deposits—will probably be required

(1) See the article, 'Banking statistics review', *Quarterly Bulletin*, August 1992, pages 314–21.

Monetary, banking and related statistical releases

An extensive list of monetary and banking data releases is made for each reporting date. To illustrate this, the list below gives the actual and planned releases for data to the end of December 1994. All the releases shown are monthly, except those labelled Q (quarterly), H (half-yearly) and A (annual). Major releases other than monetary and banking statistics are shown in italics. Sources other than the Bank of England are also given in brackets: BBA = British Bankers' Association; BIS = Bank for International Settlements, Basle; and CSO = Central Statistical Office. UK statistics are released at 9.30 am.

1995

3 January	M0: provisional (fuller data: 20 January).
4 January	<i>UK official reserves (HM Treasury).</i>
13 January	Capital issues and redemptions.
16 January	<i>Producer price index (CSO).</i>
18 January	<i>Retail price index (CSO).</i> <i>Public sector borrowing requirement (CSO).</i> <i>Labour market (Employment Department) (fuller data: 15 February).</i>
19 January	<i>Retail sales (CSO).</i>
20 January	M4, lending and other counterparts of M4: provisional; major British banks' data, including analysis of lending (BBA); building societies' data (Building Societies Association); final M0.
23 January	<i>Gross domestic product: preliminary (CSO) (Q) (fuller data: 22 February).</i>
26 January	<i>Overseas trade with non European Union (CSO).</i>
30 January	Major British banks' mortgage lending (BBA) (fuller data: 3 February).
3 February	Full monetary statistics (final M4 and lending, sectoral M4 and lending, personal borrowing, Divisia money, liquid assets outside M4, bank and building society balance sheets, money market, public sector funding, bill and sterling CD transactions by discount houses, sterling commercial paper issues and holdings, sterling medium-term note issues); industrial analysis of major British banks' lending (BBA) (Q) (fuller data: 10 February).
7 February	<i>Index of production (CSO).</i>
10 February	Industrial analysis of bank lending (Q).
15 February	<i>Labour market (Employment Department).</i>
22 February	<i>Output, income and expenditure: provisional (CSO) (Q) (fuller data: 24 March).</i>
23 February	<i>Capital expenditure, and stocks and work in progress: provisional (CSO) (Q) (fuller data: 27 March).</i>
10 March	<i>Visible trade (CSO).</i>
22 March	External business of banks in the United Kingdom, including country analysis (Q).
24 March	<i>National accounts, balance of payments (CSO) (Q).</i>
27 March	<i>Capital expenditure, and stocks and work in progress (CSO) (Q).</i>
3 May	External claims of UK-registered banks' worldwide offices, including country and maturity analysis (H).
Mid-May	Global international banking and financial market developments, including country analysis (BIS) (Q).
Mid-July	Maturity and sectoral distribution of international bank lending (BIS) (H).
Early August	<i>National accounts 'Blue Book', balance of payments 'Pink Book' (CSO) (A).</i>

as an input to the industrial analysis of GDP, if the Central Statistical Office (CSO) moves to measure the contribution of financial services to GDP more fully by introducing 'financial intermediation services indirectly measured'.

Although the data on revaluations have been useful in improving the accuracy of the statistics on loan flows, the new data on transactions in UK investments have not yet been fully used. It has proved difficult to ensure that they give a more accurate picture than the existing method of comparing the opening and closing amounts outstanding in a period. A particular problem is lack of clarity over the treatment of repos: this will need to be solved in or before the next review.

A new review?

In the past, the intention has been to review the banking statistics every five years. In practice, reviews have been less frequent, because the changes considered have been so substantial that their discussion—and the subsequent implementation of those agreed—has taken a long time. The last review, for example, began in 1987 but the final set of changes was not implemented until the spring of 1993. Although the banks and the collectors of the statistics might have hoped for a sizable interval before the start of a new review, it is already clear that some new needs will have to be met soon. The Bank has therefore compiled a list of all reasonable bids of which it is aware at this stage, to allow priorities to be assessed. It will then discuss with the British Bankers' Association how to go forward.

It will be important to be economical in any new requirements, especially for costly items, and to look for any possible economies in the existing system. An economical system of collecting statistics is valuable not only in keeping costs down, so helping to maintain UK banks' competitiveness, but also in helping to focus on what is important.

The main bids already identified are listed below:

To assist supervision of individual banks

- A new form to obtain additional information on capital adequacy will be needed in order to monitor compliance with the new EU Capital Adequacy Directive (CAD), which comes into effect on 1 January 1996. The Directive sets capital requirements to cover trading risks in various markets, and applies both to banks in respect of this part of their business and to non-bank investment firms, such as securities dealers (who will report to their regulatory organisation). The new form will provide data on risks arising from interest rate, equity and foreign exchange positions, and on counterparty and settlement risk. Complementary changes to other forms may be needed; for example the existing capital adequacy return (BSD1) may be restricted to just the banking book. Other EU Directives (eg the Investment Services Directive) may also require changes to bank reporting.
- A new form will also be needed to enable the Bank to meet its responsibility, under the European Union's Second Banking Co-ordination Directive, for the supervision of branches of UK-incorporated banks throughout the European Economic Area.
- The Bank will need to revise its requirements for data relevant to monitoring banks' liquidity (including the maturity analysis on forms Q6 and S5). The data need to capture cash flows from off-balance sheet positions and to provide more detail on concentrated deposits and marketable assets (to permit banks to discount a wider range of assets to their sight value).
- Refinements to the half-yearly form B7 are already being discussed with the British Bankers' Association. The B7 reports profits, large exposures and certain other information for UK branches of foreign banks; it enables the Bank to fulfil its obligation to supervise the branches of non-EU banks operating in the United Kingdom.

To assist surveillance of markets

- More data are needed on derivatives (supplementing those already collected for the supervision of individual institutions and by the International Swaps and Derivatives Association): first to measure the size and structure of the markets more accurately; and second to improve the coverage of derivatives in the formal national accounts and monetary statistics.

The first requirement will be met initially by an addition to the next international triennial foreign exchange survey in

April 1995 (which covers non-banks such as securities firms as well as banks). It may be the precursor of more frequent reporting by the most active derivatives dealers. The format of this reporting would probably be agreed internationally, as for the April 1995 survey.

The Bank and the Central Statistical Office are discussing how to meet the second requirement. It may be possible to modify existing report forms, but because of the complexity of the transactions data in particular a separate form may be needed. The banking supervisors' needs in this area will be met either by existing forms or by the proposed new Capital Adequacy Directive form (see above); a review being carried out by a Bank for International Settlements working party may identify a need for some extra reporting, but is also expected to emphasise the importance of co-ordination with other data-collection, to minimise the reporting burden.

To assist monetary analysis and monetary policy-making

- More comprehensive data on interest rates in banking business would be valuable, to throw light on the transmission of monetary policy (particularly the relationship between changes in base rates and the rates on deposits and borrowing).

There is already publicly available information about the rates paid on the large deposits of business customers (proxied by money-market rates), on retail deposits and on mortgage and credit card loans. In addition, a small sample of banks already provide information which enables the Bank to estimate quarterly average rates on each economic sector's sterling deposits and borrowing (for use in compiling the national accounts). The main gap is data on rates on business borrowing, ideally split by small, medium and large companies. Co-ordinated data on the rates applied to mortgages and personal loans, and to deposits by individuals and small, medium and large companies, would also be helpful—even though such data are to some degree already publicly available.

What are needed are frequent data (eg for a stated day in each month), perhaps expressed as a range, with an indication of where in the range most business is done, and separating new and existing business, and floating and fixed-rate lending. In each category, an indication of the size of business would be needed.

- The more comprehensive data on derivatives mentioned above would also assist monetary analysis (for example by indicating how, as a result of changes in the floating-rate component of interest rate swaps, net interest flows shift between economic sectors).
- Data on cash-loaded 'smart' cards will be needed when the amounts concerned become material, to complement the series covering notes and coin within M0.
- To supplement the monthly personal borrowing series introduced following the last review (see above), a fuller

monthly sectoral analysis of M4 and lending would add considerable value to these aggregate statistics, partly by allowing an estimate of Divisia money to be compiled monthly instead of only quarterly.⁽¹⁾

- Analogously to the demand for data to improve understanding of the impact of interest rate changes on different sizes of company, there is a demand for general economic data that differentiate small, medium and large companies—including on bank deposits and borrowing. US academic studies have made much use of such data.
- Banks in each EU country will need to be ready, from the start of their country's participation in monetary union, to divide their non-domestic business between that within the monetary union (with a broad sectoral analysis) and that outside; the data will enable the European Central Bank to compile monthly monetary and balance of payments statistics for the monetary union. There is also likely to be a demand, from European institutions if not domestically, for greater geographical detail in the balance of payments accounts.

To improve the national accounts, including the balance of payments statistics

- Further detail may be needed to implement the revised internationally agreed standards recommended in the *European System of Integrated Economic Accounts* (ESA 95, which is itself based on the 1993 UN/IMF System of National Accounts). It is aimed to implement these standards by 1998, applying them retrospectively to cover periods back to the beginning of 1995. Some of the changes (eg separate identification of a central bank sector, if this is decided on) may not require changes to banks' reporting. But it is likely that others that do

require new reporting (eg other modifications to the sectoral analysis, and possibly a change to an accruals rather than a cash basis) will have to be based on estimates for the early part of the period after 1994, since they could probably not be introduced quickly.

- More data are needed on derivatives (see above).
- Besides the possible use of the industrial analysis of lending and deposits to allocate the income and expenditure implicit in banks' financial intermediation services (mentioned above), there may be a demand for more detail of banks' explicit service earnings (eg their monthly overseas earnings if it is judged worthwhile to measure the monthly balance of payments current account in such detail).
- The international benchmark survey of portfolio investment, proposed by the IMF and scheduled for end-1997, would give additional geographical information on UK liabilities as well as assets—provided the major countries participate—and improve the estimates of total UK net external assets. If the survey goes ahead, the banks will be asked to participate, unless their existing forms provide sufficient data.

Comments

This list of bids, some of which will have to be met because of legal requirements, is already substantial. As emphasised above, it is important to keep the statistics-collecting system economical. The Bank would welcome any comments on the value of the existing statistics and on the above list—including any suggestions for additions, bearing in mind the need for strong justification for any costly changes to the existing statistics.⁽²⁾

(1) For the contribution of sectoral analysis to an understanding of M4 and lending see, for example, the articles on the determination of M0 and M4 in the February 1994 *Quarterly Bulletin*, pages 46–50, on Divisia money in the May 1993 *Quarterly Bulletin* pages 240–55, and the May 1994 *Inflation Report*, pages 16–17, and the article on pages 46–53 of this *Bulletin*.

(2) Comments or proposals for additions should be sent to John Thorp in the Bank's Monetary and Financial Statistics Division, if possible by the end of February.

Statistical returns currently submitted by banks⁽¹⁾

	Deadline ⁽²⁾	Prime purpose ⁽³⁾
Balance sheet returns		
Balance sheet (Form BS): monthly (422) or quarterly (42)	5–9 days	M, N, S
Selected balance sheet items (Form W1): weekly (95)	4 days	M
Balance sheet for small banks (Form QBS): quarterly (34)	10 days	M, N, S
Further analysis of the balance sheet		
Sector details (Form Q1): quarterly (422)	12 days	M, N
Analysis of sterling loans secured on dwellings [Form Q1(A)]: quarterly (11)	15 days	L
Monthly and annual analysis of personal lending [Form Q1(D)]: monthly (47)	15 days	M, L
Write-offs, other revaluations, transactions in investments [Form Q1(R)]: quarterly (410) ⁽⁴⁾	20 days	M, N
Industrial etc analysis of lending and facilities granted to UK residents (Form Q3): quarterly (422)	10 days	L
Residual maturity of liabilities and assets (Forms Q6, S5, QMA): quarterly (Q6 449, S5 391, QMA 34)	10 days	S
Capital expenditure (Form Q8): quarterly (393)	15 days	N
Country analysis of sterling liabilities to, and claims on, overseas residents (Form S1): quarterly (deposits 311, custody holdings 97, claims 300) or annual (deposits 116, claims 112)	15 days	I
Country analysis of non-sterling liabilities and claims on overseas residents (Form S2) (liabilities 316, claims 304) or annual (liabilities 116, claims 100)	20 days	I
Currency analysis of liabilities and claims (Form S2, Section 2): quarterly (315)	15 days	I, M, N
Foreign currency exposure (Form S3): monthly (346; but annex A 23, annex B 76)	10 days	M, S
Country exposure of worldwide offices of UK-registered banks (Form C1): half yearly (92) ⁽⁵⁾	2 months	I, S
Other returns		
Capital adequacy (Form BSD1): quarterly (226)	10–20 days	S
Large exposures (Form LE): quarterly (226)	10 days– 1 month	S
Profits, exposures etc of UK branches of foreign banks (Form B7): half yearly (159)	10 days	S
Revenue and expenditure (Form A3): quarterly (100)/annual (340)	7 weeks	N
Current account transactions with overseas residents (Form BP): quarterly (186)/annual(286)	7 weeks	N
Overseas direct investment (Form H1): annual (498)/triennial (498)	10 weeks	N
Securities transactions affecting the balance of payments (Form P1): quarterly (113)	1 month	N
Market value of securities etc (Form A1): annual (394)	1 month	N
Market value of British government stocks held for overseas residents (Form A2): annual (98)	1 month	N
Transactions in gold bullion and coin with certain UK residents (Form G): quarterly (23)	10 days	N
Discount houses' transactions in sterling CDs (Form CD (DM)): monthly (10)	5 days	S
Bill turnover in the money market (Form MM): monthly (10)	5 days	S
Market-makers' holdings of loan capital issued by banks (Form M1): quarterly (8)	10–20 days	S
Representative interest rates, quarterly (to estimate interest flows) (24)	6 weeks	N

(1) Figures in brackets give the approximate number of banks submitting the form. The building societies' input to the monetary statistics (including the monthly personal borrowing statistics) and the national accounts is derived largely from a monthly form (MFS1) and a quarterly form (QFS2) submitted to the Building Societies Commission, which sends aggregate data to the Bank of England.

(2) Days are working days.

(3) I = international banking statistics, L = analysis of domestic lending, M = monetary statistics, N = national accounts (including the balance of payments and sector balance sheets), S = supervisory (including supervision of markets as well as banking supervision).

(4) Part of the form is submitted by a smaller sample.

(5) A similar form (B1) is submitted by 165 foreign banks in respect of their UK branches' lending.