

Financial Statistics

NOTES AND DEFINITIONS

This Supplement gives definitions of items and units employed in the monthly publication *Financial Statistics* in more detail than is possible in the headings and footnotes to the tables in the publication itself. The notes and definitions given in this Supplement were previously included in an appendix to *Financial Statistics*. They relate to the tables as they appear in Issue No. 22 for February 1964. If further new series are added or changes are made before the next issue of the Supplement, additional definitions will be given where necessary in footnotes to the tables.

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I. EXCHEQUER AND CENTRAL GOVERNMENT

The Exchequer

The Exchequer is the central cash account of the government kept by the Treasury at the Bank of England (and, for a limited range of transactions, at the Bank of Ireland, Belfast). Full descriptions of Exchequer management and sources of Exchequer financing were given in the Treasury evidence to the Committee on the Working of the Monetary System (Memoranda of Evidence, Volume 1, pages 77 to 83) and in an article published in *Economic Trends*, October 1959.

The Exchequer is so managed that at the end of every working day the account at the Bank of England carries no more than a small working credit balance. Any excess of payments over receipts is covered by borrowing. Any excess of receipts over payments is used to redeem debt. The result is therefore that apart from small fluctuations in the Exchequer balance from day to day, the total of all the receipts on the Exchequer accounts is the same as the total of all the payments.

Exchequer receipts and issues

Summary budget totals

This provides summary totals of receipts and payments on the Budget Account. The definition of above and below the line and of expenditure and revenue are as in the annual *Financial Statement*, presented to Parliament at the time of the Budget.

Exchequer receipts and issues

These tables summarise the information given in the Exchequer Return: terms such as revenue and expenditure are used in precisely the same sense as they are used in that Return. The Exchequer Return is published weekly and at the end of calendar quarters.

Summary

The figures are arranged to show sub-totals of receipts and issues comparable with those in the *Financial Statement*. The form of the Exchequer Return was changed for the financial year 1961/62. The items of self-balancing revenue and expenditure disappeared because the Post Office was no longer financed from the Votes. Post Office capital borrowing is now met from the Exchequer below the line in the same way as that of the nationalised industries.

Terminable annuities: these were issued to the National Debt Commissioners during and immediately after the war for the investment of the Savings Banks' funds managed by them.

Other debt: this item mainly reflects transactions with foreign governments and international bodies. Borrowing under this head is classified as Internal when it is repayable in sterling but as External when it carries an obligation to repay the lender in foreign currencies or gold. Thus the Canadian credit and direct loans made by the government of the United States are classified as External debt but borrowing from the International Monetary Fund of the major part of its sterling holding appears as Internal debt.

Civil Contingencies Fund

Issues: advances to the Fund to provide temporary finance mainly for expenditure not yet voted by Parliament.
Receipts: repayment of these advances.

Revenue and expenditure

Revenue: payments into the Exchequer as distinct from receipts by the Revenue Departments.

Miscellaneous receipts: receipts by departments which they are not authorised to appropriate in aid of the Votes, and receipts payable direct to the Exchequer but not applicable to interest on the national debt or to debt redemption. The composition of these receipts differs from year to year.

Issues and receipts below the line

Interest below the line: receipts of interest are mainly in respect of below the line loans, but also include:

- (a) amounts received from the Bank of England, the National Coal Board and Cable and Wireless Limited to cover interest on compensation stock, etc.;
- (b) payments from Votes representing interest on below the line advances to Votes for certain capital expenditure;
- (c) interest received on debts due from other countries following the liquidation of the European Payments Union; and
- (d) interest on amounts subscribed to the European Fund.

Issues are payments of national debt interest financed by the receipts of interest below the line.

The tables on Exchequer financing present in an alternative form the information on national debt and other transactions.

Exchequer financing

The conventional Exchequer account as shown in the Exchequer Return is not a convenient form for the purpose of general financial analysis because 'national debt and other transactions' are categorised by types of debt rather than sources of borrowing. The Exchequer financing tables set out the Exchequer's requirements of cash and the sources from which those requirements are met.

Some of the Exchequer transactions included in 'national debt and other transactions' are with official agencies themselves engaged in transactions with the public. For instance, national insurance payments and contributions are brought to account in the National Insurance Funds, all of whose capital is government debt, and as the balance on these funds rises and falls, the Exchequer's indebtedness to the funds is increased or diminished. Similarly the assets of the Issue Department of the Bank of England are virtually all government debt.

In order to arrive at a figure of borrowing from the public, it is necessary therefore to produce what might be described as a consolidated cash account starting from the budget surplus or deficit and showing how the Exchequer's indebtedness to the various official agencies rose or fell. If these agencies reduce their lending to the Exchequer, the Exchequer has to borrow more from the public and vice versa. After bringing to account the budget surplus or deficit and changes in the Exchequer's net liabilities to the agencies in the 'Exchequer group' (1) and to the Banking Department of the Bank of England, the residue represents the change in the Exchequer's liability in one form of debt or another to the public. The Banking Department and some of the agencies within the Exchequer group themselves engage in transactions in the various types of government debt with the public. These transactions must also be included in order to show the change in borrowing on the various types of debt by the Exchequer group from the public.

In the summary table, transactions within the Exchequer group are so far as possible excluded. Thus a sale of a security by the Issue Department of the Bank of England to the National Debt Commissioners is not shown. But the Budget includes a number of transactions by the Exchequer with other agencies in the group. These transactions in the Budget are offset by countervailing entries in other sections of the table. For example, interest on the government debt held by the Issue Department is included in the expenditure above the line in the budget; in so far as the interest is not required to meet the costs of the note issue, it comes back as Issue Department income in Extra-budgetary funds, etc.

Total issues by the Exchequer equal total receipts, apart from the small changes in the Exchequer balance; the small fluctuations which occur in the Exchequer balances are taken up in the item Net indebtedness to the Bank of England Banking Department.

Budget

The content of the Budget figures in this table is the same as that of the figures in the summary Budget tables in the *Financial Statement*. It may be noted that not all transactions of the Exchequer are included in the Budget. The Budget includes all revenue receipts and the greater part of government expenditure; but it does not include issues to or repayments by the Exchange Equalisation Account or transactions with international financial organisations, or transactions in the national debt.

(1) The term 'Exchequer group' is used here as in the Bank of England Quarterly Bulletin to denote the Exchequer, the National Debt Commissioners, the Exchange Equalisation Account, certain other government departments and funds and the Issue Department of the Bank of England. The Exchequer group is thus almost, but not quite, the same as the central government as defined in the national income accounts.

Extra-budgetary funds

This item shows the net changes in the Exchequer's liability to certain official funds and agencies; it also includes Issue Department income and issues to sinking funds.

National Insurance Funds: the net surplus or deficit on National Insurance and Industrial Injury Funds.

Iron and Steel Realisation Account: the net surplus on the Iron and Steel Realisation Account (that is net receipts of the Iron and Steel Holding Account less payments by the Agency into the Budget).

Issue Department income: the profits arising in the Issue Department of the Bank of England, i.e. interest on securities held by the Department and cash payments to the Department on conversions of government securities, less expenses of the note issue. This income accrues to the Exchange Equalisation Account and is added to the sterling capital of the Account. Increases in the Account's sterling balance as a result of receipts of Issue Department income are shown in the tables as Issue Department income and excluded from the item Exchange Equalisation Account: sterling receipts.

Departmental balances: changes in balances on the accounts kept by most public departments with the Paymaster General.

Sinking funds: Exchequer issues for sinking funds are part of ordinary expenditure and as such are included in the Budget. Since, however, these issues are applied to the reduction of market debt and so reduce the borrowing from the public by way of marketable securities, the amounts are here brought back into the table as receipts so that the table will balance.

German arms deposits: advance payments by the Federal German Republic, to be drawn on from time to time to pay for arms.

Post Office: the net change in the Postmaster General's cash surplus invested with the Exchequer.

British Transport Stock Redemption Fund: the fund's assets were transferred to the Exchequer on 1 January 1963, when the Exchequer assumed liability for British Transport Stock.

External transactions

The sterling balance of the Exchange Equalisation Account (that part of the Account's sterling capital which has not been used for operations) is lent to the Exchequer. When the Account buys gold or foreign exchange in the market against sterling, that sterling is obtained by drawing on the balance lent to the Exchequer, which has to replace the sterling from other sources. On the other hand, when the Account sells gold or foreign exchange to the market against sterling, the sterling so acquired is lent to the Exchequer, which thus borrows less from other sources.

The governmental payments and receipts in external currencies, unlike sales or purchases of foreign exchange in the market, do not result in any net movement of cash into and out of the Exchequer. For example, in order to finance governmental payments in external currencies, the government buys gold or foreign exchange from the E.E.A. against sterling; the sterling is issued from the Exchequer, but goes to increase the sterling balance of the E.E.A. which is lent to the Exchequer.

The net increase or decrease in the E.E.A. sterling balance in respect of governmental transactions is included in the table under Exchange Equalisation Account: sterling receipts. This is offset by corresponding Exchequer issues or receipts elsewhere in the table, either in the section on the Budget or on that of External transactions.

Exchange Equalisation Account: sterling receipts: changes in the sterling balance of the account arising from Exchange operations.

International financial organisations: the item is the net increase in the organisations' holdings of non-interest-bearing sterling notes less any increase in the United Kingdom subscriptions to the organisations. The amounts included in the table for subscriptions were: quarter ended 30 June 1959—£232 million; 30 September 1959—£2 million; 31 December 1959—£1 million; 31 December 1960—£11 million; 31 December 1961—£9 million; 31 December 1962—£9 million; 31 December 1963—£9 million.

The organisations will usually in the first instance invest that part of the subscriptions paid in sterling in non-interest-bearing notes. The holdings by organisations of non-interest-bearing notes also change as a result of their lending operations, e.g. see notes to International Monetary Fund: United Kingdom position.

United States and Canadian loans: receipts and redemptions of

loans from the United States and Canadian governments or agencies of those governments.

Other: this includes receipts and redemptions in connection with various smaller items of debt, including the redemption of the loan from the government of Portugal and of the loans created on the liquidation of the European Payments Union. A full list is available in the *Finance Accounts*.

Net indebtedness to the Bank of England, Banking Department

The Exchequer has a net liability to the Banking Department of the Bank of England, which holds government debt of various kinds and at the same time has liabilities to the government, in the shape of the balances of the Exchequer and the Paymaster General at the Bank of England.

This item comprises the sum of the increases in:

Assets of the Banking Department

- (i) Ways and Means advances;
- (ii) holdings of bank notes;
- (iii) holdings of tax reserve certificates;
- (iv) British government and government-guaranteed securities;
- (v) holdings of Treasury bills.

Less increases in:

Liabilities of the Banking Department

- (vi) the balances of the Exchequer and Paymaster General at the Bank of England.

The amount of the Exchequer's net liability changes as a result of the Bank of England's central banking operations. A rise in this net liability helps to finance the Exchequer cash requirement, while a fall in the net liability means an addition to the amount which the Exchequer must borrow from other sources.

Notes in circulation

The increase in notes in circulation is the increase in the fiduciary note issue less the increase in the holdings of notes in the Banking Department of the Bank of England (included in the previous item).

Borrowing from the public

Small savings: comprises the net cash receipts into the Exchequer from the sale of national savings certificates, defence bonds, premium savings bonds, national savings stamps and gift tokens. It also includes the net receipts into the Savings Banks Funds held by the National Debt Commissioners, so that it reflects changes in the net sums invested by the public in the Post Office Savings Bank and the trustee savings banks (ordinary departments). See also notes on National savings.

Tax reserve certificates: this item represents the net receipts from the issue of tax reserve certificates less net purchases by the Banking Department of the Bank of England (which are included in Net indebtedness to the Bank of England Banking Department).

Marketable securities: this item shows the net purchases by the public of marketable securities: that is, total net cash issues less net purchases by government sinking funds, the Bank of England and National Debt Commissioners. Marketable securities comprise government and government guaranteed securities.

Market Treasury bills: the increase in Treasury bills outstanding other than those held by the National Debt Commissioners, the Exchange Equalisation Account, certain other government departments and the Bank of England. Market Treasury bills are not necessarily tender Treasury bills. See notes to Market Treasury bills table.

In the analysis by type of holder, changes in public holdings of government securities are shown at cash value except those of banks, which relate to changes in book value, and those of the discount market, which relate to nominal value.

The coverage of each group of holder of government securities and Treasury bills is defined in the notes to the main table covering that group. Overseas official holders comprise overseas central banks, currency boards, Crown Agents and certain other official bodies. The new estimates for changes in total overseas holdings are based partly on the series of United Kingdom external claims and liabilities in sterling, and partly on information extracted from

the registers of government securities. The category 'central monetary institutions' comprises the holdings of central banks, currency boards, the General and Note Security Fund of the Crown Agents, the Bank for International Settlements and a few other accounts known to be used for central monetary purposes. The figures for central monetary institutions' holdings of Treasury bills include certain bills issued as the counterpart for foreign currency deposits by such institutions. These bills are not included in United Kingdom external liabilities and claims in sterling since the United Kingdom liability is a foreign currency deposit.

Inland Revenue duties

The figures show the aggregate amount of tax actually collected and brought into the department's accounts in the period shown, less the repayments made during the same period. They differ from the figures of amounts paid into the Exchequer owing to the time taken to realise remittances. In the main the difference represents the variation between the amount of unrealised remittances brought forward from the previous period and that carried forward to the following period.

Amounts collected by other departments on behalf of the Inland Revenue, such as stamp duties paid by means of postage stamps, are included. Amounts collected by the Inland Revenue on behalf of other departments, for example, war damage contribution and fee and patent stamps, are excluded. Excess profits tax, post-war refunds and the income tax deducted therefrom are also excluded.

Customs and Excise duties

The figures show the aggregate amounts of duty collected and brought into the department's accounts in the period, less drawbacks and other repayments. The difference between the net receipts and payments into the Exchequer arises from changes in

working balances held by collectors;
remittances in transit;
advances out of revenue to meet expenditure under authority of the Exchequer and Audit Departments Act, 1866, Sec. 10.

Purchase tax is remitted to collectors during the first month of the quarter following that in which the registered traders have charged the tax. Accordingly, changes in tax rates, etc. are not reflected in receipts until the quarter subsequent to that in which the change became effective. Similarly, beer duty and television advertisement duty are collected a month in arrear.

Protective duties, charged under the Import Duties Act, 1958, serve to protect United Kingdom industries and to give preference to Commonwealth trade.

National savings

There are differences between the various series concerning national savings. The series are as follows:

- (i) The series issued by the National Savings Committee.
- (ii) National savings as shown in the central government capital account.
- (iii) Small savings as shown in the Exchequer financing tables.
- (iv) Receipts into, and issues from, the Exchequer on various national savings items, as shown in the Exchequer Returns.

The main differences between the series arise as follows:

1. Series (i) includes figures for the trustee savings banks (special investment departments) whereas these departments are not covered by central government capital account or by Small savings in the Exchequer financing tables.

Part of the funds of these departments are invested by the trustees in British government guaranteed securities, Treasury bills and defence bonds. Such purchases are included in:

- (a) New issues (net) in the central government capital account.
- (b) Borrowing from the public in the Exchequer financing tables.
- (c) The receipts and issues in the Exchequer Return for Treasury bills, defence bonds and government securities (new issues and redemption of maturing issues only).

There is a slight amount of double counting in Series (i) as purchase of defence bonds by the special investment departments are included in the sales of defence bonds.

2. Series (i) includes estimates of the accrued interest on national savings certificates as does the central government capital account.

In Exchequer accounting, however, interest is taken into account as ordinary expenditure at the time of repayment of the certificates. The interest on repayment of certificates does not appear in the figures of small savings in the Exchequer financing tables and is included in the Exchequer Return as part of the item Interest and management of the national debt (the item in the Return for repayment of national savings certificates refers to principal only).

3. Series (i) shows deposits with the Post Office Savings Bank and the trustee savings banks (ordinary departments) including accrued interest; these figures also form part of national savings in the central government capital account. Small savings in the Exchequer financing tables refers to net receipts into savings banks funds held by the National Debt Commissioners; although these figures are computed on a very different basis from those in Series (i) they differ only slightly in amount. The Exchequer Return includes only the amounts received from, or repaid to, the savings banks funds on Treasury bills, on new issues of government securities or on the redemption of maturing government securities (including terminable annuities).

4. National savings in Series (i) include government stocks held by investors on the Post Office register. In the central government capital account these stocks form part of Net receipts from market transactions; in the Exchequer financing tables, part of Borrowing from the public; and in the Exchequer Return, part of redemption of government securities on maturity where appropriate.

5. Series (i) does not include issues of national savings stamps and gift tokens. Since August 1961, these are included as part of small savings in the Exchequer financing tables, and as a separate item in the Exchequer Return. In the central government capital account they are in Other financial receipts and changes in cash balances since 1 April 1961. The Exchequer Returns covering August 1961 included a once for all transfer from floating debt to the new item of the amount of the stamps and gift tokens then outstanding (£22.1 million). Since this transfer did not result in new money to the Exchequer, it did not appear in the Exchequer financing tables or in the central government account.

6. The timing of transactions differs slightly between the various series.

The terms offered on the main forms of national savings from the period 1955 onwards, giving the dates from which the changes were operative, are shown below. The standard rate of income tax was:

1953/54 and 1954/55	..	9/-
1955/56 to 1958/59	..	8/6
1959/60 to 1963/64	..	7/9

National savings certificates

Interest is free of income tax and surtax.

1954 November 1 9th issue, 15/- units. Maximum holding £750 (1,000 units). Compound interest if held for ten years £3.0.11 per cent. per annum equal to £5.10.9 per cent. per annum grossed up for income tax at 9/-.

1955 November 1 Maximum holding £900 (1,200 units).

1956 April 23 Maximum holding £1,050 (1,400 units).

1956 August 1 10th issue, 15/- units. Maximum holding £450 (600 units). Compound interest if held for seven years £4.3.11 per cent. per annum equal to £6.17.0 per cent. per annum grossed up for income tax at 7/9.

1958 May 5 Maximum holding £750 (1,000 units).

1960 April 11 Maximum holding £900 (1,200 units).

1963 March 13 Sales of 10th issue ceased.

1963 May 13 11th issue, £1 units. Maximum holding £300. Compound interest if held for six years £3.15.9 per cent. per annum equal to £6.3.8 per cent. per annum grossed up for income tax at 7/9.

Defence bonds

Sold for £5 and multiples of £5. Interest, payable half-yearly, is assessable for income tax and surtax: bonuses are free of income tax and surtax.

1952 September 1 Maximum holding £1,000. Interest 3½ per cent. per annum. Bonus £3 per cent. if held for ten years. Equivalent to a £3.19.10 per cent. per annum grossed up net redemption yield assuming standard rate of income tax at 9/-.

1954 November 1 Maximum holding £2,000.
1955 November 1 Maximum holding £1,000. Interest 4 per cent. per annum. Bonus £3 per cent. if held for ten years. Equivalent to a £4.9.2 per cent. per annum grossed up net redemption yield assuming standard rate of income tax at 8/6.

1956 May 1 Maximum holding £1,000. Interest 4½ per cent. per annum. Bonus £5 per cent. if held for ten years. Equivalent to a £5.5.1 per cent. per annum grossed up net redemption yield assuming standard rate of income tax at 8/6.

1958 May 1 Maximum holding £2,000. Interest 5 per cent. per annum. Bonus £3 per cent. at end of seven years. Equivalent to a £5.13.6 per cent. per annum grossed up net redemption yield assuming standard rate of income tax at 8/6.

1960 June 15 2nd issue. Maximum holding £5,000. Interest 5 per cent. per annum. Bonus £3 per cent. at end of seven years. Equivalent to a £5.12.6 per cent. per annum grossed up net redemption yield assuming standard rate of income tax at 7/9.

1963 March 13 Sales of 5% 2nd issue ceased.

1963 March 25 Maximum holding £5,000. Interest 4½ per cent. per annum. Bonus £2.10.0 per cent. at end of seven years. Equivalent to a £5.0.7 per cent. per annum grossed up net redemption yield assuming standard rate of income tax at 7/9.

The net redemption yield is obtained by adding to the rate of interest (less income tax at standard rate) the tax-free bonus discounted over the life of the bond. The yields shown above are grossed up for the standard rate of income tax.

Premium savings bonds

First issued 1 November 1956. Prizes are free of income tax and surtax.

1956 November 1 £1 units. Maximum holding £500. Interest was calculated at 4 per cent. per annum free of tax (equivalent to £6.19.1 per cent. per annum grossed up for income tax at 8/6 and to £6.10.7 per cent. per annum at 7/9) and formed the pool for prize drawings. Bonds were eligible for the draw six months after purchase. Prizes ranged from £25 to £1,000.

1960 August 1 Maximum holding £800. Interest at 4½ per cent. per annum free of tax (equivalent to £7.6.11 per cent. per annum grossed up for income tax at 7/9). Bonds eligible for draw after three months. Prizes range from £25 to £5,000.

Deposits with Post Office Savings Bank and trustee savings banks (ordinary departments)

Interest 2½ per cent. per annum.

1952 March 1 Maximum deposit £3,000.

1956 April 6 Interest up to £15 per annum free of income tax but not surtax. Interest on first £600 is equivalent to £4.1.7 per cent. per annum grossed up for income tax at 7/9.

1960 May 2 Maximum deposit £5,000 on individual holdings.

Deposits with trustee savings banks (special investment departments) Rates of interest paid on deposits are shown in the table in Section VII. Interest rates and security prices.

1953 July 16 Maximum deposit £1,000 (previously £500).

1956 June 11 Maximum deposit £2,000.

1960 August 1 Maximum deposit £3,000.

Tax reserve certificates

The figures of issues and surrenders of tax reserve certificates for persons are taken from Bank of England records. So that the figures may be used with statistics of personal saving in national income accounts, they are related as far as possible to the dates on which the holder's bank account was debited. Applications are usually made through a commercial bank. An allowance is therefore made for the delay between this bank's debiting the holder's

account and the application reaching the Bank of England. All applications received at the Bank of England during the first three working days of a quarter are included in the figures for the previous quarter.

The figures for other holders are calculated by subtracting figures for persons from the total amount received into or paid out of the Exchequer in each calendar quarter on account of tax reserve certificates. So far as issues are concerned, the figures for other holders also reflect the timing difference between Exchequer returns and the figures for persons.

Market Treasury bills

Market Treasury bills are the total of Treasury bills outstanding other than those held by the National Debt Commissioners, the Exchange Equalisation Account, other government departments and the Bank of England. They comprise bills issued at the weekly tenders, other than those issued to the Banking Department of the Bank of England for its own account, plus any bills—including bills originally issued outside the tender (tap bills)—sold to the market by government departments or the Bank of England less any bills purchased from the market by such bodies.

The groups of holders used in this table have the same coverage as those in the analysis of marketable securities and Treasury bills in Exchequer financing tables.

Treasury bill tender

The figures relate to bills issued at the weekly (normally Friday) tenders. Members of the London Discount Market Association undertake together to tender for the full amount of bills on offer. Other applications are made, for their own account or for the account of their customers in the United Kingdom or overseas, by the Banking Department of the Bank of England and by commercial banks and money-brokers in the United Kingdom.

Current and capital accounts of the central government

These accounts relate to the central government as defined in the national income accounts. In addition to the ordinary government departments they include a number of bodies (e.g. Regional Hospital Boards) administering public policy, but without the substantial degree of financial independence which characterises the public corporations; they also include certain extra-budgetary funds and accounts controlled by departments, of which the National Insurance Funds are the most important.

The tables cover substantially the same bodies as those in the Exchequer group, referred to in the Exchequer financing tables, the main differences being that they include the transactions of the government of Northern Ireland and the changes in cash balances held by Revenue Departments, and from 1 April 1961, exclude the transactions of the Post Office.

The central government accounts are based mainly on cash payments and receipts but also include certain accrual items, such as those arising out of trading activities and the accrued interest on national saving certificates. The classification of receipts and payments into current and capital items differs from the budget above and below the line; some items above the line are treated as capital and some below the line as revenue. Detailed notes on the central government accounts are included in *National Income Statistics: Sources and Methods* (H.M.S.O., 1956) and notes to the *National Income Blue Book*.

The revised presentation of certain items in the capital account, which was introduced in the *National Income Blue Book* 1963, has been adopted.

Certain transactions which arise from the reorganisation of the British Transport Commission under the Transport Act, 1962, appear in the capital accounts of the central government and of public corporations for the 1st quarter of 1963. The table below shows how the transfer of liability for Transport Stock to the Treasury, the associated transfer of capital redemption funds to the Treasury and the write-off of British Transport Commission debt to central government have been treated in the central government capital account.

	£ million			
	Total	Transfer of liability for Transport Stock	Transfer of capital redemption funds	Write-off of B.T.C. debt to central government
Receipts				
Other financial receipts and changes in cash balances.....	-9	—	-9 ⁽¹⁾	—
Increase in non-marketable debt: Other.....	-4	—	-4 ⁽²⁾	—
Net receipts from market transactions	1,402	1,444	-42 ⁽³⁾	—
Total	1,389	1,444	-55	—
Payments				
Capital grants to public corporations.	487	—	—	487
Net lending to public corporations.	902	1,444	-55	-487
Total	1,389	1,444	-55	—

⁽¹⁾ Receipts of cash by Exchequer.

⁽²⁾ Local authority mortgages.

⁽³⁾ Government and government guaranteed securities.

A similar write-off of £10 million in respect of loans to the Ulster Transport Authority is recorded in the 1st quarter of 1962 as a capital transfer offset by a loan repayment from public corporations.

Corresponding transactions are recorded in the capital account of public corporations.

II LOCAL AUTHORITIES AND PUBLIC CORPORATIONS

Local authority borrowing

This table relates to local authorities as defined in the national income accounts and includes both local government authorities, such as county councils, county boroughs, etc. and miscellaneous authorities such as harbour boards, and water boards, etc. Estimates have been included for authorities not making statistical returns. Local authority superannuation funds are not included in the local authority sector.

The figures cover the external borrowing by local authorities and exclude internal borrowing whether from own revenue balances or from other sources. The figures exclude borrowing by one local authority from another except that the figures for net borrowing on quoted stock does not allow for changes in holdings of these stocks by local authorities. Borrowing from another local authority is also included in the analysis of the terms of repayment of temporary borrowing outstanding.

Temporary borrowing covers money repayable in twelve months or less including borrowing on bills and bank overdrafts (whether for revenue or capital purposes), excluding all securities, bonds and mortgages even if due to mature, or subject to repayment on notice, in twelve months or less.

The maturity classification of securities, bonds and mortgages is according to their expectation of life on the last day to which the return relates. Securities are classified by date of final maturity. Mortgages are classified according to date of next ensuing break at lender's option (other than option exercisable by virtue of a stress clause). Where a loan or mortgage expires and is renewed during the quarter to which the return relates it is included both as new mortgage and as a repayment.

Appropriation and capital accounts of public corporations

This table relates to public corporations as defined in the national income accounts and thus includes the Bank of England except for

transactions of the Issue Department which are treated as transactions of the central government, the companies held by Iron and Steel Holding and Realisation Agency and, from April 1961, the Post Office.

The trading surplus is the total balance of trading account before making any charge for depreciation, interest and taxation. The trading surplus includes subsidies and Exchequer grants received by the corporations; these comprise the subsidies received by the housing corporations and the Exchequer grants paid or payable from 1960 onwards to the British Transport Commission. Detailed notes on public corporation accounts are included in *National Income Statistics: Sources and Methods* (H.M.S.O., 1956) and notes to the *National Income Blue Book*.

III BANKING AND BANKING INSTITUTIONS

United Kingdom banking sector

The banking sector comprises the domestic banks, overseas banks, accepting houses and discount market. The figures relate to the United Kingdom offices of the banking sector. They exclude transactions within the banking sector and, therefore, are not comparable with those shown in other tables in *Financial Statistics*.

Domestic banks

These comprise the London clearing banks, the Scottish banks, the Northern Ireland banks (United Kingdom offices only) the Bank of England, Banking Department and certain other banks whose business in the United Kingdom is mainly concerned with domestic banking (C. Hoare & Co., Isle of Man Bank Ltd., Lewis's Bank Ltd., Royal Bank of Ireland Ltd., Yorkshire Bank Ltd.) and the banking departments of the Co-operative Wholesale Society Ltd., and the Scottish Co-operative Wholesale Society Ltd.

Overseas banks and accepting houses

Sterling investments (other than government securities) and foreign currency assets (other than advances), which in the detailed tables relating to overseas banks and accepting houses are combined under 'other assets' have been allocated to the appropriate headings such as notes and coin, bills discounted, etc.

Current and deposit accounts

Current and deposit accounts (other than those held for United Kingdom banks and discount houses) including net liabilities to offices abroad and deposits and advances from banks abroad. Banks' own internal funds, all inter-bank items and transactions between the banks and the discount market are excluded. No adjustment is made for items in transit. Deposits at the Bank of England, Banking Department (other than bankers' deposits and balances of the Exchequer and Paymaster General) and funds borrowed by the discount market from outside the banking sector are also included.

Net deposits

Current and deposit accounts (other than those held for United Kingdom banks and discount houses) and credits in course of transmission, less cheques in course of collection and items in transit between offices of the same bank. They overstate the banks' true deposit liability to the public in that they contain items which have been debited to customers' accounts but where the corresponding credits are in suspense or in course of transmission and will ultimately be debited to overdrawn accounts. On the other hand, they understate the banks' liability by items which have been credited to customers' accounts but where the corresponding debit items are in the course of collection or in transit and will be ultimately debited to overdrawn accounts.

Bank advances

Advances (including overdrafts and loans) are before providing for bad and doubtful debts. They exclude transactions within the banking sector.

Sectors

The sectors into which gross deposits and advances are analysed are as defined in the national income accounts except that public corporations here exclude the Bank of England, Banking Department. The company sector in national income accounts covers all corporate bodies other than public corporations and includes banks and other

financial institutions. Financial institutions comprise insurance companies, hire purchase finance companies, building societies, the special investment departments of trustee savings banks, superannuation funds, investment trusts, unit trusts and certain special finance agencies.

Currency circulation and bank deposits

Notes on the individual items in this table are mostly included in the notes to the various tables for the individual banking groups.

While the figures for currency in circulation with the public in the first table are compiled in the same way as those in Currency circulation, they differ in that they are at the London clearing banks' make-up dates, except for Northern Ireland notes outstanding before April 1963 and the estimates for coin, both of which are monthly averages.

Neither total deposits nor net deposits show the true deposit liabilities of the banks to the public. Total deposits overstate the banks' true deposit liabilities to the public because

- (1) they include that part of 'Other accounts' which comprises the internal accounts of the banks themselves;
- (2) they include deposits of other banks; and
- (3) they are inflated by
 - (a) items which have been credited to customers' accounts, but where the corresponding debit items are still in course of collection or in transit and have yet to be debited to drawers' deposits; and
 - (b) items which have been debited to customers' accounts but where the corresponding credit items are in suspense or in course of transmission (and included in 'Other accounts') and will ultimately be credited to overdrawn accounts.

These three factors cannot be measured; in particular, it is not possible to distinguish those debit or credit transit items which have affected, or will affect, overdrawn accounts rather than deposits.

Similar difficulties arise with the monthly series of net deposits [as defined in the footnote to the table] where all debit items in course of collection or in transit are deducted. Net deposits overstate the banks' true deposit liabilities to the public because

- (i) they include that part of 'Other accounts' which comprises the internal accounts of the banks themselves;
 - (ii) they include deposits of other banks; and
 - (iii) they contain, in the 'Other accounts', items which have been debited to customers' accounts but where the corresponding credits are in suspense or in course of transmission and will ultimately be credited to overdrawn accounts.
- Net deposits understate the banks' true deposit liabilities to the public, however, by
- (iv) items which have been credited to customers' accounts but where the corresponding debit items are in course of collection or in transit and will ultimately be debited to overdrawn accounts.

In the table relating to the banking sector as a whole (described above), transactions within the banking sector are excluded and limitations (i) and (ii) do not apply.

Currency circulation

The series showing the estimated circulation of notes and coin with the public relates to the total note issues of the Bank of England, the Scottish banks and Northern Ireland banks, plus the estimated total of United Kingdom silver, cupro-nickel, bronze and nickel-brass coin in circulation (excluding coin in the Bank of England, Issue Department), less notes and coin held by the Bank of England (Banking Department), by the Scottish and Northern Ireland banks (as published in the London and Belfast Gazettes) and by the London clearing banks.

Bank advances

Advances and other accounts as published by the London clearing, Scottish and Northern Ireland banks include, in addition to bank advances, some internal accounts of the banks, for example, certain foreign currency balances.

Analysis of bank advances

The figures of bank advances analysed by type of borrower which are given in this table relate to all advances made by member banks of the British Bankers' Association through offices located within Great Britain, irrespective of the borrower's country of residence.

The fifty-six current members of the British Bankers' Association comprise the London clearing banks, the Scottish banks, the Northern Ireland banks, together with The Royal Bank of Ireland Limited, the members of the British Overseas Banks Association, except the Bank of Ceylon, British and French Bank Ltd., Ghana Commercial Bank and The National Bank of Nigeria Ltd., and three other banks (C. Hoare and Co., Isle of Man Bank Limited, Yorkshire Bank Limited).

The figures for the London clearing banks, and since November 1960, for the Scottish banks, relate mainly to the third Wednesday in the month; those for other member banks (and before November 1960, for the Scottish banks) relate to various dates, mostly about the middle of the month. The definition of 'advances' excludes bills discounted and foreign bills negotiated or bought and also 'impersonal' or 'internal' accounts.

Except for the 'personal' advances included in the 'Personal and professional' category, the classification is based on the business of the borrower and no account is taken of the object of the advance or the nature of the security held.

The classification adopted differs in several respects from the *Standard Industrial Classification* (H.M.S.O. 1958). In particular, (a) brokers, merchants, agents, wholesalers, importers, exporters, etc., who specialise in a particular class of commodity, are classified under the same heading as the producers of that commodity, and (b) transport undertakings and public utilities owned by local authorities are classified as 'Local government authorities' rather than as 'Transport' or 'public utilities'.

The following notes give particulars of some of the headings:

Iron and steel and allied trades

Includes railway rolling stock (other than locomotives), bridge and constructional ironwork, tools (other than machine tools), nuts, bolts, rivets, etc., hardware, hollow-ware and metal small-ware.

Engineering, etc.

Includes locomotives, motor vehicles, cycles and aircraft, machine tools, electrical engineering, wireless apparatus, cutlery, jewellery, clocks and watches and abrasives, but excludes marine engineering.

Other textiles

Includes clothing (except footwear).

Leather and rubber

Includes footwear.

Food, drink and tobacco

Includes oil seed crushing and refining, etc.

Building materials

Includes cement, refractory fire-clay, bricks, tiles, glazed fire-clay and earthenware, sanitary pipes, asbestos cement and saw-milling.

Public utilities (other than transport)

Electricity, gas and water supply undertakings.

Transport and communications

Includes road, rail, air and inland water transport, docks, wireless and cable services.

Shipping and shipbuilding

Includes shipowners as well as shipbuilding and marine engineering.

Retail trade

Includes hotels, restaurants, etc. and motor garages.

Unclassifiable industry and trade

Includes glass and glass bottles, china and earthenware, paper, printing and publishing, furniture and other woodworking, laundries, etc., together with all minor industries and trades not appropriate to other headings.

Other financial

Includes banking, insurance, building societies, investment trusts, moneylenders and bookmakers.

Personal and professional

Includes executor and trust accounts.

Seasonally adjusted series

The series are obtained using seasonal variations as calculated by computer using a modification of Census method II. Some details

on the methods used and on the limitations of the results are given in the Bank of England *Quarterly Bulletin*, Vol. III, Nos. 2 and 3 (June and September 1963). The estimates are subject to revision as later data become available.

Bank of England

Issue Department

Government debt (£11 million) is included in government securities. Issue Department assets excluded from the table (other securities, gold coin and bullion, and coin other than gold coin) were all small in the periods shown.

Banking Department

The only liabilities not shown are Capital (constant at £14.6 million) and Rest (which has fluctuated between £3.1 million and £4.0 million in the periods shown).

Public deposits

All government balances held at the Bank, including the accounts of H.M. Exchequer and H.M. Paymaster General, Savings Banks and Dividend Accounts, those of the National Debt Commissioners, and those connected with tax collection and various government funds.

Special deposits

Deposits called, under the Special Deposits Scheme announced in July 1958, from the London clearing banks and the Scottish banks and not at their free disposal. The first call was made in April 1960. Amounts were calculated as percentages of the latest available monthly total deposits of each bank (excluding for the London clearing banks deposits with branches outside Great Britain).

Interest was paid on Special deposits at a rate adjusted weekly to the nearest $\frac{1}{8}$ per cent. per annum to the average rate for Treasury bills issued at the latest weekly tender.

Bankers' deposits

Include the balances, held at the Bank, of the London clearing banks, Scottish banks, the offices in the United Kingdom of other deposit banks (apart from overseas central banks), accepting houses and discount houses. Balances of overseas central banks are included in Other accounts.

Other accounts

These also include balances held at the Bank by the Crown Agents for Oversea Governments and Administrations, and the dividend accounts of stocks managed by the Bank other than the direct obligations of the British government.

Discount market

The discount houses included in the table are those institutions which belong to the London Discount Market Association, currently Alexanders Discount Co. Ltd., Allen, Harvey & Ross Ltd., Cater Ryder & Co. Ltd., Clive Discount Co. Ltd., Gerrard & Reid Ltd., Gillett Bros. Discount Co. Ltd., Jessel, Toynbee & Co. Ltd., King & Shaxson Ltd., National Discount Co. Ltd., Seccombe Marshall & Campion Ltd., Smith, St. Aubyn & Co. Ltd., and The Union Discount Co. of London Ltd.

Assets

Other bills

Mostly commercial bills drawn on banks and firms resident in the United Kingdom and on the London offices of overseas banks. The maximum maturity is not ordinarily longer than six months.

Treasury bills of the Northern Ireland government are included.

British government and government guaranteed securities

These are given at nominal value and are mostly with redemption dates of under five years to the final date of maturity.

Other assets

Including a small amount of cash in hand and at banks.

Borrowed funds

Very short-term interest-bearing loans, mainly from United Kingdom and overseas banks. 'Other domestic banks' comprise the Northern Ireland banks and certain other banks whose business is mainly in the United Kingdom: C. Hoare & Co., Isle of Man Bank Ltd., Lewis's Bank Ltd., Royal Bank of Ireland Ltd., Yorkshire

Bank Ltd., and the banking departments of the Co-operative Wholesale Society Ltd. and the Scottish Co-operative Wholesale Society Ltd. 'Overseas banks and accepting houses', until March 1963, comprised banks whose main business was conducted outside the British Isles; from June 1963 they comprise Accepting houses and overseas banks: United Kingdom offices as listed below.

London clearing banks

The London clearing banks are the eleven banks (Barclays Bank Ltd., Coutts & Co., District Bank Ltd., Glyn, Mills & Co., Lloyds Bank Ltd., Martins Bank Ltd., Midland Bank Ltd., The National Bank Ltd., National Provincial Bank Ltd., Westminster Bank Ltd., and Williams Deacon's Bank Ltd.) forming the membership of the London Bankers' Clearing House. They are the principal commercial banks operating in England and Wales.

Seasonally adjusted net deposits and advances

The series are obtained using seasonal variations as calculated by computer using a modification of Census method II: figures for the latest months are added by extrapolation. Some details on the methods used and on the limitations of the results are given in the Bank of England *Quarterly Bulletin*, Vol. III, Nos. 2 and 4 (June and December 1963). The estimates are subject to revision as later data become available.

Deposits

Balances on current accounts may be withdrawn or transferred on demand, usually by cheque.

Deposit accounts are not ordinarily operated upon by cheque; balances are subject to agreed notice of withdrawal (seven days' notice since January 1955).

Other accounts cover such items as credits in course of transmission, contingency reserves and various other internal funds and accounts of the banks themselves.

Total liquid assets

Comprises coin, notes and balances with Bank of England, etc.; money at call and short notice; bills discounted. Excludes special deposits with Bank of England.

The ratio of Total liquid assets to Deposits (the liquidity ratio) is the conventional measure of the London clearing banks' liquidity. It does not take account of the extent to which they hold other assets of comparable liquidity, or of the terms on which the deposits are held.

Special deposits with Bank of England

The amounts of special deposits are calculated as percentages of the latest available monthly total deposits of each bank (excluding for certain banks deposits with branches outside England and Wales).

See note under Bank of England.

Investments

These are given at book value.

British government and government guaranteed securities normally have definite and relatively early redemption dates.

Other investments include securities issued by local authorities, by Commonwealth governments (other than British government) and by public companies. Investments in affiliated banks and subsidiary companies as shown by the respective balance sheets are not included here.

Advances to customers and other accounts

These include both loans and overdrafts, whether secured (by Stock Exchange securities, title-deeds, life assurance policies, etc.) or unsecured, to public bodies, business undertakings and private borrowers.

The figures of advances to nationalised industries are obtained from the industries themselves and published by H.M. Treasury. The nationalised industries comprise those portions of the coal, transport, airways, gas and electricity industries which are in public ownership and to which bank advances may be made under Treasury Guarantee.

Balances with other banks, items in transit, etc.

This item comprises balances with and cheques in course of collection on, other banks in the United Kingdom and Republic of Ireland and items in transit between offices of the same bank.

Coin, notes and balances with the Bank of England, etc.

The cash holdings of the banks.

Money at call and short notice

Money at call, etc. to the money market comprises all loans to members of the London Discount Market Association for carrying bills of exchange, Treasury bills and other short-term government securities.

Other money at call, etc. includes loans for periods not exceeding one month, to members of the Stock Exchange, on the security of readily marketable stocks and shares; to bullion brokers; and to money markets in other centres. It also includes balances, in sterling and in specified foreign currencies, with other banks, both in the United Kingdom and overseas.

Bills discounted

These are normally held until maturity, and ordinarily the maximum maturity is something under three months.

Treasury bills are those issued by the United Kingdom government.

Other United Kingdom bills are commercial bills drawn on United Kingdom residents.

Other bills include Treasury bills of Commonwealth (other than United Kingdom) and foreign governments.

That part of medium-term export credits covered by E.C.G.D. guarantee and re-financeable by the Bank of England, is excluded from Advances to customers and other accounts and included in Bills discounted.

Scottish banks

The Scottish banks are the five banks (Bank of Scotland, British Linen Bank, Clydesdale Bank Ltd., National Commercial Bank of Scotland Ltd., and The Royal Bank of Scotland) represented on the Committee of Scottish Bank General Managers. They transact virtually all the commercial banking business in Scotland, where they maintain a clearing system; they also have offices in London and a few in the northern counties of England.

The table continues the series published in the *Memoranda of Evidence* submitted to the Committee on the Working of the Monetary System (Volume 2, Statistical Appendix, Table 3).

Deposits

Balances on current accounts may be withdrawn or transferred on demand, usually by cheque.

Deposit accounts comprising deposit receipts and savings accounts, are not operated upon by cheque but are repayable on demand. Interest is paid on Deposit Receipts if lodged for at least 30 days and on the minimum monthly balance in Savings Accounts.

Other accounts are such items as credits in course of transmission, contingency reserves and various other internal funds and accounts of the banks themselves.

Notes outstanding

By virtue of the Bank Notes (Scotland) Act, 1845, as amended by the Currency and Bank Notes Act, 1928, and the Coinage Act, 1946, each of the Scottish banks has the right to issue notes. A small part of this issue, approximately £2.7 million for all banks together, is authorised by the governing Acts, the remainder being covered by Bank of England notes and coin.

Total liquid assets

Comprises coin, notes and balances with Bank of England (excluding special deposits); balances with other banks, money at call and short notice and bills discounted.

Special deposits with Bank of England

The amounts of special deposits were calculated as percentages of the latest available monthly total deposits of each bank. See note under Bank of England.

Investments

Other investments include securities issued by local authorities, by Commonwealth governments and by public companies. Investments in affiliated banks and subsidiary companies are not included here.

Advances and other accounts

These include both loans and overdrafts whether secured (by Stock Exchange securities, heritable property, life assurance policies, etc.) or unsecured, to public bodies, business undertakings and private borrowers.

The figures of advances to nationalised industries are obtained from the industries themselves and published by H.M. Treasury.

The nationalised industries comprise those portions of the coal, transport, airways, gas and electricity industries which are in public ownership and to which bank advances may be made under Treasury Guarantee.

Items in transit

This item comprises cheques and other items in course of transmission between offices of the same bank.

Coin, notes and balances with Bank of England

Includes the banks' holdings of each other's notes (but not of a bank's own notes) and Bank of England notes and coin maintained as cover for their note issues in excess of the 'authorised' circulation.

Balances with other banks, etc.

Balances with, and cheques in course of collection on, other banks in the United Kingdom and, before October 1961, the Republic of Ireland.

Money at call and short notice

Money at call, etc. comprises all loans to members of the London Discount Market Association for carrying bills of exchange, Treasury bills and other short-term government securities. It also includes loans, for periods not exceeding one month, to members of the Stock Exchange, on the security of readily marketable stocks and shares, and to bullion brokers; and balances, in sterling and in specified foreign currencies, with other banks both in the United Kingdom and overseas.

Bills discounted

These are normally held until maturity.

Treasury bills are those issued by the United Kingdom government.

Other bills include commercial bills drawn on United Kingdom and overseas residents and Treasury bills of Commonwealth (other than United Kingdom) and foreign governments. They also include that part of medium-term export credits covered by E.C.G.D. guarantee and are re-financeable by the Bank of England.

Northern Ireland banks

The table covers the following seven banks: Bank of Ireland, Belfast Banking Co. Ltd., The Hibernian Bank Ltd., The Munster and Leinster Bank Ltd., Northern Bank Ltd., Provincial Bank of Ireland Ltd. and Ulster Bank Ltd. These banks, together with The National Bank Ltd. (which is also a London clearing bank and is therefore excluded from the table) form the Northern Ireland Bankers' Association. The Association's members are the only commercial banks operating in Northern Ireland; all but the Belfast Banking Co. Ltd. have offices in the Irish Republic, and the Provincial Bank of Ireland Ltd. has an office in London.

Before March 1963 the figures of certain assets (Balances with Bank of England, Money at call and short notice, Treasury bills and Investments) represented a proportion of the banks' total holdings of such assets equal to the proportion of their total current and deposit accounts which was held at each date by offices in Northern Ireland. From 16 April 1963 the series has been revised, to include the assets held by U.K. offices only.

Notes outstanding

By virtue of the Bankers (Northern Ireland) Acts, 1845 and 1928, as amended by the Currency and Bank Notes Act, 1928, and the Coinage Act, 1946, six banks (Bank of Ireland, Belfast Banking Co. Ltd., Northern Bank Ltd., Provincial Bank of Ireland Ltd., Ulster Bank Ltd., and The National Bank Ltd.) have the right to issue notes. Part of this issue, approximately £2 million for all banks together, is authorised by the governing Acts, the remainder being covered by Bank of England notes and coin. Before April 1963 notes issued by The National Bank (see above) are included in the table; thereafter they are excluded.

Deposits

Balances on current accounts may be withdrawn or transferred on demand, usually by cheque.

Deposit accounts are not operated upon by cheque and are subject to agreed notice of withdrawal.

Other accounts cover such items as credits in course of transmission, contingency reserves and various other internal funds and accounts of the banks themselves.

Coin, notes and balances with Bank of England

Includes the banks' holdings of each other's notes (but not of a bank's own notes) and Bank of England notes and coin set aside as cover for their note issues.

Balances with other banks, etc.

Balances with, and cheques in course of collection on, other banks in the United Kingdom. Before April 1963 the figures included some balances outside the United Kingdom.

Items in transit

This item arises from transfer arrangements between offices of the same bank. Before April 1963 some items in transit between banks were also included.

Money at call and short notice

This consists of very short-term loans, primarily to members of the London discount market for carrying bills of exchange, Treasury Bills and other short-term government securities.

Bills discounted

These are normally held until maturity, and ordinarily the maximum maturity is something under three months. British government Treasury bills are those issued by the government. Other bills include Treasury bills of the Northern Ireland government and commercial bills drawn on United Kingdom and overseas residents.

Investments

These are given at book value. The division of investments held by U.K. offices between British government and government guaranteed securities and other securities is not available before April 1963. Total holdings of British government and government guaranteed securities by all offices of the Northern Ireland banks, both in Northern Ireland and in the Irish Republic, are shown in earlier issues of *Financial Statistics*.

Advances and other accounts

These include both loans and overdrafts, whether secured (by Stock Exchange securities, title-deeds, life assurance policies, etc.) or unsecured, to public bodies, business undertakings and private borrowers.

Accepting houses and overseas banks: United Kingdom offices

The tables continue those first published in the *Memoranda of Evidence* submitted to the Committee on the Working of the Monetary System, Vol. 2, Statistical Appendix, Tables 6-9. From September 1962 the series has been extensively revised; and comparable figures have been obtained from some other banks.

A list of the individual banks covered by the figures up to 1958 appears in the Radcliffe Committee's *Memoranda of Evidence*, Vol. 2, page 200; subsequent figures cover the members at each of the reporting dates shown. Current lists of members of the various groups are given below.

The figures cover the business of all offices of these banks within the United Kingdom. The definitions used, and the changes in definition from September 1962, are described below: fuller details are given in the Bank of England *Quarterly Bulletin*, Volume II, No. 4 (December 1962).

Overseas residents

Overseas banking offices

All banking offices located outside the United Kingdom, irrespective of the location of the registered (or head) offices.

Other overseas residents

Governments, companies, persons, etc., whose registered address or permanent domicile is outside the United Kingdom.

From September 1962 no separate figures are given for overseas banking offices and for other overseas residents.

Current and deposit accounts

Bank customers' funds whether transferable or withdrawable on demand (current accounts), or lodged for a definite period or subject to agreed notice of withdrawal (deposit accounts). Sterling equivalents of foreign currency deposits are included. An important point of difference, from September 1962, is that from this date the

figures include, in addition to the banks' deposit liabilities, their liabilities on loans and advances (including money at call and short notice) received from other U.K. banks and their net liabilities on internal accounts to their offices, or to their head office, overseas.

Balances with other U.K. banks

From September 1962 the figures include all balances, in sterling and in foreign currency, with other U.K. banks, together with loans and advances to these banks (including any money lent at call or short notice), some of which may previously have been excluded. U.K. banks are defined as banking offices situated within the United Kingdom of members of the groups of banks covered by these tables, of the British Bankers' Association, and of certain other banks carrying on a similar business. (For full details see the Bank of England *Quarterly Bulletin*, Volume II, No. 4 (December 1962)).

Money at call and short notice

The term 'money market' is confined, from September 1962, to the members (at present twelve) of the London Discount Market Association. Other money at call, and at short notice (up to one month), is shown separately, and is defined as follows:

Loans to jobbers and stockbrokers, including those from Account to Account, to money brokers on the Stock Exchange, to bill brokers and similar money market institutions which are not members of the London Discount Market Association, and to bullion brokers. The banks' own holdings of tax reserve certificates are also included.

Money lent at call and short notice to U.K. banks is excluded from this heading and included under 'Balances with other U.K. banks'.

Loans to U.K. local authorities

This column includes all deposits with, and loans and advances made to, U.K. local authorities, but it excludes any money which might be placed by the banks with local authorities where the banks were acting solely as agents and had no corresponding deposit liabilities.

British government and government guaranteed securities

The figures are given at book value or cost.

Advances and other accounts

Before September 1962 these comprised amounts outstanding on loan and overdrawn accounts, the banks' foreign currency balances with banks and financial institutions overseas (the coverage of which may not have been complete) and the 'other accounts' of the banks themselves. From September 1962 the figures are shown without deduction of provisions for bad and doubtful debts and excluding the 'other accounts': they also exclude advances to other U.K. banks and to U.K. local authorities.

Other assets

Before September 1962 these comprised sterling securities, other than British government and government guaranteed securities (excluding trade investments and investments in affiliated banks and subsidiary companies). From September 1962, the figures include trade investments but exclude all investments in other U.K. banks or in other affiliated and subsidiary banks; also included since September 1962 are foreign currency assets not included elsewhere, such as investments and discounted bills denominated in currencies other than sterling.

Accepting houses

Comprises the seventeen current members of the Accepting Houses Committee, namely:

Arbuthnot Latham & Co. Ltd., Baring Brothers & Co. Ltd., Wm. Brandt's Sons & Co. Ltd., Brown, Shipley & Co. Ltd., Antony Gibbs & Sons Ltd., Guinness Mahon & Co. Ltd., Hambros Bank Ltd., Philip Hill, Higginson, Erlangers Ltd., S. Japhet & Co. Ltd., Kleinwort, Benson Ltd., Lazard Brothers & Co. Ltd., Samuel Montagu & Co. Ltd., Morgan Grenfell & Co. Ltd., N. M. Rothschild & Sons, M. Samuel & Co. Ltd., J. Henry Schroder, Wagg & Co. Ltd., S. G. Warburg & Co. Ltd. (incorporating Seligman Brothers).

British overseas banks

Comprises thirty-two of the thirty-three current members of the British Overseas Banks Association, namely:

Australia and New Zealand Bank Ltd., The Bank of Adelaide, Bank of Ceylon, The Bank of India Ltd., Bank of London and South America Ltd., Bank of Montreal, Bank of New South Wales, Bank of New Zealand, The Bank of Nova Scotia, Bank of West Africa Ltd.,

Barclays Bank D.C.O., The British Bank of the Middle East, Canadian Imperial Bank of Commerce, The Chartered Bank, The Commercial Bank of Australia Ltd., The Commercial Banking Company of Sydney Ltd., Commonwealth Trading Bank of Australia, The Eastern Bank Ltd., The English, Scottish and Australian Bank Ltd., Ghana Commercial Bank, The Hong Kong and Shanghai Banking Corporation, Lloyds Bank (Foreign) Ltd., Mercantile Bank Ltd., National and Grindlays Bank Ltd., The National Bank of Australasia Ltd., The National Bank of New Zealand Ltd., The National Bank of Nigeria Ltd., Netherlands Bank of South Africa Ltd., The Royal Bank of Canada, The Standard Bank Ltd., State Bank of India, The Toronto-Dominion Bank.

The British and French Bank Ltd. is also a member of this Association but contributes to the figures for Foreign banks and affiliates only.

American banks

Comprises nine American banks in London, namely:

The American Express Company Inc., Bank of America National Trust and Savings Association, Bankers Trust Company, The Chase Manhattan Bank, Chemical Bank New York Trust Company, Continental Illinois National Bank and Trust Company of Chicago, First National City Bank, Manufacturers Hanover Trust Company, Morgan Guaranty Trust Company of New York.

Foreign banks and affiliates

Comprises the nineteen current members of the Foreign Banks and Affiliates Association, namely:

Anglo-Israel Bank Ltd., Anglo-Portuguese Bank Ltd., Banco de Bilbao, Banco Español en Londres S.A., Bank of China, Banque Belge Ltd., Banque Belgo-Congolaise S.A., Banque de l'Indochine, British and Continental Banking Company Ltd., British and French Bank Ltd.⁽¹⁾, Comptoir National d'Escompte de Paris S.A., Crédit Industriel et Commercial, Crédit Lyonnais, Italo-Belgian Bank, National Bank of Greece, Société de Banque (C.F.A.T) S.A., Société Générale, Swiss Bank Corporation, Zivnostenská Banka National Corporation.

Other overseas banks

Comprises the Ottoman Bank; six Japanese banks, namely Bank of Tokyo Ltd., Fuji Bank Ltd., Mitsubishi Bank Ltd., Mitsu Bank Ltd., Sanwa Bank Ltd., Sumitomo Bank Ltd.; and twenty other banks, namely Afghan National Bank Ltd., African Continental Bank Ltd., Bangkok Bank Ltd., The Bank of Baroda Ltd., Bank of Cyprus (London) Ltd., Bank Saderat va Ma'aden Iran, Central Bank of India Ltd., Commercial Bank of the Near East Ltd., Habib Bank (Overseas) Ltd., Intra Bank S.A., Ionian Bank Ltd., Malayan Banking Ltd., Moscow Narodny Bank Ltd., National Bank of Pakistan, Palestine British Bank, Rafidian Bank, Rea Brothers Ltd., E. D. Sassoon Banking Co. Ltd., Swiss-Israel Trade Bank, The United Commercial Bank Ltd.

Bank clearings

Debit clearing

The clearings reported by the London Bankers' Clearing House represent the total of bankers' effects (cheques, drafts, bills, interest warrants, etc.) passed through the clearing house for collection from the banks. They exclude cheques, bills, etc. drawn on and paid into offices of the same bank.

The figures are published under two regions: (a) Town, restricted to cheques, bills, etc. paid into and drawn on Town Clearing Offices in the City of London, and (b) General, which covers cheques, bills, etc. drawn on Offices in the rest of England and Wales (apart from those passed through the Provincial and other purely local clearings) and includes those drawn on but not paid into Town Clearing Offices.

Provincial clearings represent, with certain minor exceptions, cheques, bills, etc. paid into and drawn on selected branches in the following twelve towns:

Birmingham, Bradford, Bristol, Hull, Leeds, Leicester, Liverpool, Manchester, Newcastle-upon-Tyne, Nottingham, Sheffield and Southampton.

Credit clearing

A general credit clearing, similar to the debit clearing (see above), was instituted at the London Bankers' Clearing House in April 1960, to cover, in the first instance, payment by traders' credit (including salary and pension payments effected through the traders'

⁽¹⁾ Also a member of the British Overseas Banks Association

credit machinery) and standing order payments. In October 1960, the scheme was extended to include credits paid in over the counter by customers for transmission to accounts at other banks. In March 1961, a further stage was introduced enabling credits to be paid in at any clearing bank by a member of the public (whether having a banking account or not) for credit to any banking account elsewhere with a clearing bank; for certain organisations this stage was delayed until October 1961.

The figures exclude credit transfers between offices of the same bank.

IV OTHER FINANCIAL INSTITUTIONS

Trustee savings banks: special investment departments

The special investment departments are not included in the Exchequer group nor in the central government as defined for national income purposes. In the Exchequer financing table the purchases by the special investment departments of British government and government guaranteed securities, Treasury bills, tax reserve certificates and defence bonds are included in the sales to the public. Deposits received by the special investment departments are not included in small savings in Exchequer financing but are shown as part of the National Savings Committee series.

Hire purchase finance companies

The figures, which are partly estimated, relate to the same hire purchase finance companies as those in the table in Section VI on Hire purchase and other instalment credit.

In the Assets and liabilities table, the item Hire purchase, credit sale and other instalment credit outstanding relates to agreements entered into directly by finance companies plus amounts owed on agreements discounted with them by retailers; the figures in Section VI, on the other hand, relate only to the amount owed on direct agreements with the finance companies.

The figures are not presented as an aggregate balance sheet of the finance companies; for instance, some fixed assets such as buildings and office equipment are omitted. Prior to December 1962, while the amount of hire-purchase, credit sale and other instalment credit outstanding included unearned finance charges (the 'service charge' element which will accrue to the finance companies from future repayments under hire-purchase contracts), their counterpart was not provided for amongst the liabilities. However, from December 1962, unearned finance charges have been included in the liabilities. The change has led to amendment of the total of issued capital and reserves by £9 million at 31 December 1962, because some respondents had included unearned finance charges in this figure.

Also from December 1962, loans on inter-company account have been excluded from the figures in order to give a truer picture of loans made in the ordinary way of business and to prevent the figures being affected by these 'institutional' arrangements. Assets in the form of such loans amounted to £74 million at 31 December 1962, which was previously included as:

	£ million
Assets with United Kingdom financial institutions other than banks	4
Advances and loans	54
Trade investments (including investments in unconsolidated subsidiaries)	16

The liabilities on inter-company account included in the earlier figures totalled £69 million at 31 December 1962, which was shown as:

	£ million
Other borrowing:	
United Kingdom financial institutions other than banks	58
United Kingdom non-financial companies	11

For fuller details see *Board of Trade Journal* 19 October 1962, and 24 May 1963.

Superannuation funds: summary

The figures combine the results given in the separate sector tables. Estimates are included for private sector funds which do not make returns to the Board of Trade including funds of co-operative societies. The figures do not cover central government funds which are not separately administered.

Superannuation funds: local authorities

The figures of annual holdings are compiled from returns covering virtually all of the local authority superannuation funds in the United Kingdom. The quarterly figures are based on returns from a sample covering over 90 per cent. of the assets of these funds. Estimates are included for the non-reporting funds.

Superannuation funds: public sector (excluding local authorities)

The figures are based on quarterly and annual returns received from those funds which are available for investment by their trustees. The main superannuation arrangements in the central government sector are excluded. The funds cover mainly employees currently employed in the nationalised industries, but also include some pre-nationalisation funds and certain other funds (these are: British Council superannuation scheme, Commonwealth War Graves Commission superannuation scheme, Indian Family Pension funds and National Industrial Fuel Efficiency Service superannuation scheme).

Superannuation funds: private sector

The figures are compiled from returns received by the Board of Trade. They relate to holdings of, and transactions in, the assets of a sample of self-administered pension and superannuation funds of the private sector, including those of companies (including funds of any subsidiary companies), and of non-profit making bodies, whose investment policy is managed from within the United Kingdom. Assets of funds of co-operative societies, which are in the main invested with the parent society, of funds which operate through insurance companies are not included. No estimates have been included in the statistics for funds which do not make returns. Some funds operate two or more pension schemes; such funds have been treated as a single fund in the statistics.

All funds are asked to give their holdings of assets at end-year at current market values. For the holdings of assets at end-1962, about one-third either gave figures for the accounting date nearest to 31 December 1962 or valued their assets at cost or at book values.

The assets of the funds contributing to the figures are estimated to amount to about 80 per cent. of the assets of all private sector self-administered pension funds.

For further details see *Board of Trade Journal*, 26 July 1963.

Insurance companies

The figures cover all members of the British Insurance Association (B.I.A.) whose parent company is registered and whose head office is in the United Kingdom. The Commonwealth companies which are members of the B.I.A. were not approached. Figures for five members of the Association of Collecting Friendly Societies are included.

The returns include assets held in respect of money remitted by overseas branches and subsidiaries but they exclude direct investment by a United Kingdom company in its overseas branches or subsidiaries as well as financial assets held by or on behalf of these branches, even if held in the United Kingdom.

'Agents' balances, etc. consists of agents' balances, outstanding premiums, accrued interest, outstanding interest, dividends and rents and life interests and reversions. Inward treaty balances and amounts due from reinsurers are included when due by overseas companies as well as by companies in the United Kingdom. Marine department inward treaty balances are also included, but not amounts due from overseas agents. No deduction has been made for amounts due to reinsurance companies, outstanding claims and sundry creditors.

For further details see *Board of Trade Journal*, 19 July 1963.

Building societies

The figures, which are partly estimated, cover all building societies in the United Kingdom. The annual totals as compiled by the Registrar of Building Societies (and the Registrar of Friendly Societies in Northern Ireland) from the statutory annual returns have been adjusted to provide estimates on a calendar year basis. The quarterly figures are based on returns from a statistical panel

of members of the Building Societies' Association, together with returns from the Halifax Building Society. These cover societies with about 90 per cent. of the total assets of all building societies. Estimates are included for the quarterly transactions of non-reporting societies.

Interest accrued is that accruing in the quarter, whether or not credited to accounts, less amounts paid out. Interest on shares and deposits includes dividends and bonuses.

Government loans: advances to societies under the House Purchase and Housing Act, 1959.

Advances on mortgages (net) are advances less repayments of principal.

Other assets consist mainly of office premises.

The figures for persons relate to individuals and unincorporated bodies.

Unit trusts

The returns cover all unit trusts authorised by the Board of Trade under the Prevention of Fraud (Investments) Act, 1958. They are collected in the main through the Association of Unit Trust Managers but include also the returns of trusts whose managers are not members of the Association.

Investment trusts

The investment trusts invited to contribute returns are members of the Association of Investment Trusts and other companies listed as investment trusts by the London Stock Exchange. If further returns are received, figures will be amended.

Net current assets exclude contingent assets and liabilities such as claims on, or sums due to, the Inland Revenue or the accrued liability for loan interest. They include (in Other short-term assets or borrowing) sums due from, or to, stockbrokers on account of securities sold or purchased and still awaiting settlement.

V COMPANIES

Gross trading profits of companies

Gross trading profits of companies, as defined in the national income accounts, relate to the profits before providing for depreciation and stock appreciation of companies operating in the United Kingdom. Nationalised industries and other public enterprises are excluded. As far as possible the profits are for calendar years and quarters, based partly on estimates from quarterly reports received by the Inland Revenue. Detailed notes are included in *National Income Statistics: Sources and Methods* (H.M.S.O. 1956) and in the *National Income Blue Book*.

Income and finance of quoted companies

The figures in these tables are derived from an analysis by the Board of Trade of the annual accounts of about 2,000 companies whose shares are quoted on a United Kingdom stock exchange.

The companies included are those with assets of £0.5 million or more, or income of £50,000 or more, who are mainly engaged in the United Kingdom in manufacturing, distribution, construction, transport and certain other services. Companies are not included whose main interests are in agriculture, shipping, insurance, banking, finance and property and those operating wholly or mainly overseas.

Wherever possible the analysis is based on the consolidated accounts of groups of companies, including the balance sheets and profit and loss accounts of subsidiary companies within each group. The statistics are not therefore confined to activities in the United Kingdom but include the activities of some subsidiaries operating overseas whose accounts are consolidated with those of the group. The figures relate to a fixed population of quoted companies in 1960: thus, if companies within this population amalgamate, their place is taken by the new companies. Companies granted stock exchange quotations after 1960 are not included. The figures relate to companies' accounting years ending between 6 April of the year shown and 5 April of the following year.

For full notes see *Board of Trade Journal* for 7 December 1962 and subsequent issues.

VI CAPITAL ISSUES AND CREDIT

Capital issues

The estimates relate to new money raised by issues of ordinary preference and loan capital (public issues, offers for sale, issues by tender, placings, and issues to shareholders and employees) by quoted public companies and local authorities in the United Kingdom and by overseas public companies and public authorities (including local authorities and international organisations). Mortgages, bank advances and any other loans redeemable in twelve months or less are excluded, as also are loans from United Kingdom government funds. Issues to shareholders are included only if the sole or principal share register is maintained in the United Kingdom. Issues in foreign currencies are included to the extent of estimated subscriptions made in the United Kingdom to those loans which United Kingdom institutions took a leading part in arranging. Estimates of issues are based on the prices at which securities are offered to the market. Subscriptions are recorded under the periods in which they are due to be paid. Redemptions relate to fixed interest securities of the kinds included as issues; conversions are included in the gross figures of both issues and redemptions.

The division between United Kingdom and overseas company borrowers is determined by the location of the registered office. United Kingdom local authorities include, in addition to local governments, such public bodies as water, dock and harbour boards. Special finance agencies are quoted public companies engaged in the provision of medium and long-term finance to industry (e.g. I.C.F.C.). The industrial classification in the third part of the table is according to the primary occupation of the borrowing company or group and is based on the *Standard Industrial Classification* (H.M.S.O., 1958).

A fuller description of the estimates is given in the *Bank of England Quarterly Bulletin*, Volume 1, No. 5 (December 1961) where they were first published.

Hire purchase and other instalment credit

Instalment credit

The figures relate mainly to hire purchase agreements, but include other forms of instalment credit, for example, credit sale agreements and personal loans repayable by instalments. Excluded from the figures are forms of instalment credit used mainly for non-durable goods, for example, budget accounts and sales against checks or tickets, and non-instalment credit such as ordinary monthly charge accounts.

Goods covered

Hire purchase and other instalment credit sales of durable goods are nearly all financed by household goods shops and finance houses. Household goods shops (covering sales of furniture, carpets, soft furnishings, radio and television sets, cookers, refrigerators and other domestic electrical goods and hardware, pedal cycles and perambulators) directly finance most of their instalment credit sales, the balance being directly financed by finance houses. Finance houses also directly finance nearly all instalment credit sales of motor vehicles and caravans, together with a substantial amount of farm, industrial and commercial equipment and other non-household goods, such as portable sheds and garages.

Debt

Estimates relate to the balance of instalments to be paid. Some of the debt owing directly to shops is discounted with finance houses, but this discounted debt is included in the figures for shops. The figures for finance houses comprise only the debt on agreements entered into by them directly with users of goods, and exclude debt on their other financing activities (discounting of retailers' agreements, financing of dealers' stocks, etc.).

New business

Hire purchase and other instalment credit sales of shops are valued at the credit price of the goods (that is, including deposits and, where the credit is provided by the shop, credit charges). Figures relate to all the instalment credit sales of shops whether financed by the shops or by finance houses, in contrast to figures of debt for shops which relate only to that part which is directly financed by the shops. Figures of new business of shops therefore duplicate to some extent the figures of new business of finance houses.

New credit extended by finance houses is the credit price of the goods less deposits but including charges. As with their figures

of debt, figures relate only to agreements entered into by finance houses with users of goods.

Sources of the figures

The values of credit sales by household goods shops (£315 million) and of new credit extended by finance houses (£351 million) in 1957 were derived from the Census of Distribution. The index numbers are projections of these figures calculated by means of monthly returns from a sample of household goods shops comprising showrooms of the gas and electricity boards, co-operative societies and panels of retailers, multiple and independent, and department stores and from a sample of finance houses reporting a high proportion of the business of all finance houses. The totals of debt outstanding for household goods shops and for all finance houses are likewise projections of the end-1957 figures, £195 million and £253 million respectively, by means of the same samples.

Statistics are published in greater detail each month in the *Board of Trade Journal*.

Quarterly series

Details of the derivation of these estimates were given in the September 1961 issue of *Economic Trends*. The figures have been revised in the light of more comprehensive information about deposits on household goods derived from the Family Expenditure Surveys.

Finance houses

Members of the Finance Houses Association

Currently, the principal members are: Astley Industrial Trust Ltd., Bentinck Ltd., Bowmaker Ltd., British Wagon Company Ltd., Castle Finance Ltd., Charterhouse Credit Company Ltd., Forward Trust Ltd., Lloyds and Scottish Finance Ltd., Lombank Ltd., Mercantile Credit Company Ltd., North Central Finance Ltd., North West Securities Ltd., Northern & General Finance Ltd., St. Margaret's Trust Ltd., United Dominions Trust (Commercial) Ltd. A list of subsidiary and associate companies who are also members of the Association may be had on application to the Association.

Deposits held with the Lombard Banking Group are excluded from the figures.

Total instalments owing at end June 1962, to all companies which had ceased to be members between end June 1961 and end June 1962, were about £20 million and their deposits £5 million.

VII INTEREST RATES AND SECURITY PRICES

Short-term money rates

Bank rate

The minimum rate at which members of the Discount Market may discount British government Treasury bills or approved bills of exchange at the Bank of England. The Bank of England also makes advances to the Discount market, against the security of such bills or of British government securities with five years or less to final maturity, at a rate which is not less than Bank rate.

British government and government guaranteed securities: prices and yields

Yields

The gross flat yield on a security is the annual amount receivable in interest expressed as a percentage of the purchase price. The net flat yield is the gross flat yield less income tax at the standard rate. These yields are used mainly for irredeemable or undated stocks, where the absence of a fixed redemption date does not permit the calculation of any certain capital gain or loss; and they are comparable with rates of interest obtainable on deposits, mortgages and other investments that offer no capital gain or loss. For investors whose only concern is annual receivable income (e.g. life interests) these yields are a measure of their return on dated securities also; but most investors in these stocks will be concerned, in addition to the annual income, with the capital gain or loss arising from the difference between the price at which they were purchased and the price at which they will be redeemed at a known date (or range of dates).

The gross redemption yield comprises the gross flat yield together with an annual apportionment of the calculated capital gain or loss on dated securities held to redemption. It is an appropriate measure of the gross annual return on these securities, if held to maturity,

for investors who either pay no tax (e.g. pension funds) or pay tax on income and capital profits alike (e.g. security dealers). It provides a convenient means of comparing the annual return on dated securities with different nominal rates of interest.

The net redemption yield is similar to the gross redemption yield except that income tax at the standard rate is deducted from dividends, but not from capital appreciation. It therefore indicates the net return to investors in the form of taxed dividend income and untaxed capital gains.

The net redemption yield grossed up at the standard rate of income tax is not an actual return to any class of holder. It provides, for those who pay tax only on income, a notional gross return on dated securities which can be compared with other gross returns containing no tax-free element, such as income (before tax) on investments which offer no capital gain or loss, e.g. deposits, or on which the capital gain or loss cannot be calculated in advance, e.g. equities.

Grossed-up net yields on national savings are shown in notes on Section I.

Tax reserve certificates

The rates of interest (free of tax) paid on tax reserve certificates for the period from 1955 to end-1959 were as follows:

From 1954	July 14.....	1 %
1955	February 21.....	1½ %
	March 21.....	1½ %
	July 11.....	1½ %
	September 10.....	2½ %
1956	February 29.....	3 %
1957	September 25.....	3½ %
1958	March 29.....	3½ %
	June 7.....	3 %
	August 20.....	2½ %
	November 29.....	2½ %

Industrial security prices and yields

The Times index of industrial ordinary shares

These figures are taken from *The Times* daily index numbers of Stock Exchange security prices. Full details on the composition and compilation of the index numbers are given in the booklet, *The Times daily index numbers of Stock Exchange security prices* (The Times Publishing Company Ltd.).

Each index number is a weighted arithmetic average of the prices of all shares included in that index. The weight given to each share is proportionate to the average market value of the issue on two dates: 1 July 1958 and 27 October 1959. The base date for each index number is 2 June 1959.

The index for all classes cover 150 shares: 50 large companies (over £30 million market capitalisation) and 100 smaller companies. The indices for capital goods and consumer goods each relate to 43 companies producing wholly or mainly capital goods or consumer goods respectively.

The prices used for computation of the indices are the daily closing prices given in the Stock Exchange price list in the City columns of *The Times*. Where any price is affected by a new issue of shares through a 'rights' issue, capitalisation of reserves, etc., the price used for computation of the index number is adjusted accordingly.

Since March 1960, the monthly figures are the averages of working days. Before March 1960, the figures are based on quotations on alternate Wednesdays.

Financial Times index of industrial ordinary shares

This is a geometric index, calculated and published by the *Financial Times* twice daily, at noon and at the close of Stock Exchange business for the day. Figures shown in the table are closing figures. The base date is 1 July 1935, which equals 100. Constituents of the index are thirty market leaders, representing a cross-section of British industry. Dividend and earnings yield calculations are also geometric.

A fuller description of the composition and compilation of the index is given in the *Financial Times*, 5 March 1960, page 7.

Actuaries' Investment Index

Monthly prices are those on the last Tuesday of each month computed as geometric means, and the annual prices are the geometric means of these monthly series.

Yields are based on gross market prices without deduction of accrued interest for ordinary shares, but calculated after deduction of accrued interest in the case of debentures and preference shares: they are computed as arithmetic means. The yields of fixed interest stocks have been calculated without allowance for redemption.

This series ceased in December 1962; a new series, the F.T.-Actuaries share index, has been published from 26 November 1962.

F.T.—Actuaries share indices

This new series has been published from 26 November 1962. The figures are taken from the F.T.—Actuaries share indices which are published daily in the *Financial Times*. Details of the constituents and computation of the indices are given in the booklet *Guide to the F.T.—Actuaries Share Indices* (St. Clements Press Limited). The prices taken are middle market prices at close of business. The base date is 10 April 1962 (the starting date of the short-term capital gains tax). Monthly figures are arithmetic averages of those for working days.

Ordinary shares

These indices are weighted arithmetic averages of the percentage price changes of the constituent shares since 10 April 1962; weights for each constituent are the total market values of the shares issued at the base date but are modified to maintain continuity when capital changes occur, e.g. rights issues, or when constituents change, e.g. when companies disappear owing to take-overs or new companies become large enough to qualify for the indices.

The 500-Industrial share index comprises three main groups (capital goods, consumer durable goods and consumer non-durable goods) together with chemical, oil, shipping and miscellaneous groups. To form the All-Share Index an index for 94 equity shares of financial and property companies is combined with the 500-Industrial share index.

Dividend yields: these are the totals of the last year's dividends, up to the most recently declared, payable on the capital of constituents expressed as percentages of total market valuation.

Earnings yields: earnings, as calculated from the latest available reports and accounts, are expressed as percentages of total market valuation.

Commercial and industrial preference stocks

The prices used are middle market prices at close of business adjusted for accrued interest less income tax at the standard rate. There are 20 component stocks and the price index is 1/20th of the sum of the percentage changes in prices of these stocks. Yields are the arithmetic averages of those calculated on each stock.

Redeemable debentures

The index for redeemable debentures is calculated from the price changes of fifteen medium-term stocks with an average term to maturity of about twenty years. The stocks are divided into three groups according to redemption date and the price factors for the three groups are combined in a weighted average to provide a price index appropriate to a stock of exactly twenty years duration. The weights for the various groups change daily.

Building societies: rates of interest

The new rates recommended by the Building Societies Association are maximum rates for shares and deposits and minimum rates for mortgages. The quoted rates on shares and deposits are net of income tax where this is paid by societies at the agreed composite rate. The latest composite rates for fiscal years are as follows: 1958/59, 5s. 7d.; 1959/60, 5s. 1½d.; 1960/61, 5s. 4d.; 1961/62, 5s. 5d.; 1962/63, 5s. 6d.; 1963/64, 5s. 5d. Changes in the rates by individual societies which are members of the Association are not made simultaneously.

VIII OVERSEAS FINANCE

Balance of payments

The items in this table are more fully defined in *United Kingdom Balance of Payments*, 1963.

Current account

Imports f.o.b., exports and re-exports f.o.b.

The *Trade and Navigation Accounts* are the basis of the balance of payments figures, but certain adjustments are made in respect

of valuation and coverage. The principal adjustment is the deduction of freight and insurance from the *Trade Accounts* figures of imports.

Government

All United Kingdom government current expenditure and receipts not appropriate to visible trade or to other invisible transactions.

Transport—shipping

Receipts and payments for freight, charter hire, port disbursements and passage money. Includes tankers and dry cargo vessels.

Transport—civil aviation

Overseas transactions of B.O.A.C., B.E.A. and the British independent airlines and net payments to overseas airlines by United Kingdom residents.

Travel

Personal expenditure by United Kingdom residents in foreign countries and by foreign residents in the United Kingdom.

Other services

All other service transactions. Components include payments and receipts in respect of education, royalties, commissions and banking (excluding interest earnings); foreign government agencies' expenditure in the United Kingdom, including United States and Canadian Forces' expenditure other than payments to United Kingdom government departments; and net earnings in respect of insurance and merchanting transactions.

Interest, profits and dividends

Investment income remitted from, or to, the United Kingdom for payment of interest and dividends (after deduction of local taxes) and profits remitted or retained for reinvestment. Components include income on direct and portfolio investment and interest on external sterling liabilities and claims, inter-government loans, bank credits and medium and long-term trade credits.

Private transfers

The net value of private assets passing from resident to non-resident ownership, or vice versa without a *quid pro quo*. The item includes private gifts of money and of goods sent by parcel post to or from non-residents (other than Forces abroad) but excludes migrants' personal or household belongings.

Long-term capital account

Inter-government loans (net)

The total of loans by the United Kingdom government to other governments and vice versa less repayments.

Other United Kingdom official long-term capital (net)

Long-term investment and disinvestment in the rest of the world by official bodies.

Private investment (net)

The net total of all other long-term investment and disinvestment by the United Kingdom in the rest of the world and investment and disinvestment by the rest of the world in the United Kingdom. The figures include re-investment of retained profits.

Balancing item

The amount necessary to balance the account; it represents the net total of the errors and omissions in other items.

Monetary movements

Miscellaneous capital

Changes in foreign currency balances held outside the Exchange Equalisation Account, for example, by banks and oil companies and all other identified transactions (mainly of a short-term monetary nature) not specifically provided for in other items.

Change in external sterling liabilities (net)

Changes in external liabilities less claims in sterling: see below.

United Kingdom balance in the European Payments Union

Changes in the sterling equivalent of the United Kingdom balance in the books of the European Payments Union. The balance at the liquidation of the Union in January 1959 was converted into bilateral debts due to and by member countries. Repayments of these debts are included in inter-government loans.

Change in official holdings of non-convertible currencies

The change in the sterling equivalent of the Exchange Equalisation Account's currency holdings which were not convertible at the relevant dates.

Gold and convertible currency reserves

The change in the sterling equivalent of the gold and convertible currencies held in the Exchange Equalisation Account.

United Kingdom external liabilities and claims in sterling

This series replaces the former series of Overseas sterling holdings which last appeared in the May 1963 issue of *Financial Statistics*.

The categories of sterling liabilities and claims which make up the new series are as follows:

Liabilities

Current and deposit accounts.
United Kingdom Treasury bills.
Commercial bills and promissory notes: bills of exchange (sight and usance), including cheques for collection, and documents drawn on, and promissory notes made by, United Kingdom residents and lodged on account of overseas residents, where the proceeds have still to be received.
British government and government guaranteed stocks held for banks and central monetary institutions overseas, but not for other holders: at nominal value and excluding issues by overseas public authorities guaranteed by the United Kingdom government.

Claims

Advances and overdrafts.
Commercial bills and promissory notes: bills of exchange (sight and usance), documents drawn on, and promissory notes made by, overseas residents held for a United Kingdom resident where the proceeds have still to be received.
Acceptances outstanding.
A full description of the new series and of the differences between the new series and the former series of overseas sterling holdings appeared in the *Bank of England Quarterly Bulletin*, June 1963.

Gold and currency reserves and acceptances

Gold and convertible currency reserves

These are the sterling equivalents of the gold and convertible currencies held in the Exchange Equalisation Account and in the accounts into which the interest due on 31 December 1956, on certain loans from the United States and Canada was temporarily paid. (The interest was returned to the Exchange Equalisation Account in April 1957.) Gold is valued at 250s. per ounce fine and currencies at parity.

Acceptances

Acceptances outstanding represent claims on overseas residents arising from acceptances given by banks in the United Kingdom.

International Monetary Fund: United Kingdom position

The amount of United Kingdom gold subscription to the International Monetary Fund is not included in the figures for gold and convertible currency reserves. The amount the United Kingdom may draw from the fund is related to the size of the United Kingdom quota and the Fund's holding of sterling. The quota was increased in September 1959, from \$1,300 million (£464 million) to \$1,950 million (£696 million).

United Kingdom government economic aid

This table shows the economic aid given from public funds by the United Kingdom government to developing countries. A full description of this aid, including a table setting out the analysis by recipient country or institution, is given in *Aid to Developing*

Countries (Cmnd. 2147). An analysis by recipient country or institution is also included in the *Annual Abstract of Statistics*.

The figures in the table relate to disbursements made during the relevant period, and not to commitments entered into. The payments are of two kinds:

- (a) payments under arrangements made directly with the recipient country (Bilateral aid);
- (b) contributions to international bodies working in this field (Multilateral aid).

Bilateral aid

Technical assistance includes education and training in Britain for people from overseas, sending British experts to teach and work in the developing countries, and providing services to advise, investigate and undertake research for the benefit of those countries.

Grants, other than those for technical assistance, include those made to extend facilities for education and other social services; for the improvement of communications, agriculture and fisheries; for the relief of distress resulting from famine, flood etc.; for assistance during emergencies and for budget support.

Loans are mainly for development projects and general development programmes. In certain cases loans are made to assist the recipient countries' balance of payments, and for reconstruction and rehabilitation following natural disasters. The figures are gross. That is, they show the total amount disbursed, no account having been taken of receipts in respect of capital repayments or interest.

Multilateral aid

Technical assistance consists of contributions to the United Nations Expanded Programme of Technical Assistance, the United Nations Special Fund and the United Nations Children's Fund. The figures do not include subscriptions to the United Nations and its Specialised Agencies, only part of whose budgets are spent on technical assistance.

Other contributions include drawings by the International Bank for Reconstruction and Development and the International Development Association on the United Kingdom's subscription to those organisations, and contributions to the United Nations Relief and Works Agency, the United Nations Fund for Civil Assistance to the Congo, and the Indus Basin Development Fund.

Developing countries

The definition of developing countries used in constructing this table is that adopted by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (O.E.C.D.). This comprises all countries except members of O.E.C.D. (other than Greece, Spain and Turkey, which are treated as developing countries), the Sino/Soviet Bloc, Australia, New Zealand, South Africa, Finland and Japan.

Foreign exchange rates

The exchange rates for Australia, New Zealand, South Africa, Bombay and Karachi were:

Australia (£A to £100) (selling rate): 125 throughout.
New Zealand (£NZ to £100) (selling rate): 100.375 throughout.
South Africa (£SA to £100) (selling rate): 1955 to 13 February 1961, 99.875.

From 14 February 1961 a new unit—the Rand—was established on the basis of £SA 1 = Rand 2. The new selling rate (Rand to £100) = 199.75.

Bombay (pence per rupee) (averages of daily mean rates): 18.00 throughout.

Karachi (pence per rupee) (averages of daily mean rates): 1 January 1955, to 31 July 1955, 25.89; thereafter 18.00.