

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. This issue replaces that published in April 1969. The definitions relate to the tables as they appear in Issue No. 96 for April 1970. 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.

2. In *Financial Statistics* and this *Supplement* the term British government securities covers both British government marketable securities and British government guaranteed securities.

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I. FINANCIAL ACCOUNTS

Financial accounts are designed to set out the financial transactions of the different sectors of the economy systematically and in a convenient form. They provide a statistical framework for considering financial transactions and enable the transactions of one sector to be directly related to those of other sectors.

The capital accounts given in Tables 1 and 2 of *Financial Statistics* provide the link between the traditional national income accounts (which are published quarterly in the January, April, July and October issues of *Economic Trends*) and the quarterly financial transactions accounts given in Tables 3 to 10. Separate capital accounts are given for each of the sectors into which the economy is divided. On the receipts side of these accounts are the sectors' saving or undistributed income (before providing for depreciation, stock appreciation and additions to reserves) and capital transfers. On the payments side are gross domestic fixed capital formation and the increase in the value of stocks and work in progress. The balancing item in the capital account is the sector's net acquisition of financial assets or liabilities. This shows the extent to which each sector's saving (*plus* capital transfers) is on balance more than, or less than, sufficient to cover its expenditure on physical assets. The aggregate of the item 'net acquisition of financial assets' for all sectors, including the overseas sector, should in theory be zero, but in practice it is not. This is because there is a statistical discrepancy in the national income accounts between the estimates of total saving and of total investment by all sectors. This discrepancy is the residual error.

The financial transactions accounts continue the story. They provide details of the financial assets and liabilities acquired by each of the different sectors of the economy, and show the various ways in which the surplus in a sector's capital account is channelled directly, or indirectly, through financial intermediaries, to finance the deficits of other sectors.

Table 3 brings together in the form of a matrix the various financial transactions of each of the different sectors. The matrix provides a two-way classification of assets and sectors, and gives details of the transactions in the various kinds of financial assets by each of the various sectors in the calendar quarter. Assets and liabilities are classified in a uniform way so that it is possible to relate the acquisition of a particular financial asset by one sector to the associated changes in the assets and liabilities of that sector and of each of the other sectors. The final row in the matrix is equal to the total net acquisition of financial assets by each sector, which is also the total in the financial transactions accounts of each of the various sectors. In theory, the aggregate of the various items in each sector's financial transactions account should be equal to the balancing item in the sector's capital account. But in practice it is not. The difference between the two estimates is shown against the heading Unidentified items. The difference arises partly because it is not yet possible to identify all the different transactions in financial assets, partly because of differences in valuation and timing and other statistical discrepancies and partly because the estimates of saving and of investment in physical assets given in the various sector capital accounts are subject to error. The large unidentified items in the financial transactions accounts for the personal sector and for industrial and commercial companies represent, to some extent, unrecorded transactions in stocks and shares and also movements in trade credit. The unidentified item in the account for the over-

seas sector is the 'Balancing item' in the balance of payments accounts.

A full description of the sources and methods used in compiling the financial accounts can be found in *National Accounts Statistics: Sources and Methods*. (HMSO 1968).

Definition of sectors

Public sector

The public sector comprises the central government, local authorities and public corporations, except that only the Issue Department, but not the Banking Department, of the Bank of England is included. It has been found to be convenient in practice to include the transactions of the Banking Department with the banking sector, and to record all transactions between the central government and the Banking Department as a single net figure under the heading Net Exchequer indebtedness to the Bank of England, Banking Department. There are two minor disadvantages to this treatment. One is that it gives rise to a slight inconsistency, because the figures of saving and of gross fixed capital formation for public corporations include those for the whole of the Bank of England. The second is that all transactions between the Bank of England, Banking Department and the rest of the banking sector are netted out. In a similar way the Giro in operation from 18 October 1968 is treated in the financial accounts as part of the banking sector, with a consequent discrepancy in the public sector accounts.

The banking sector

The banking sector comprises the United Kingdom offices of four main categories of banks: (a) deposit banks (including the Bank of England, Banking Department), (b) accepting houses and overseas banks, (c) the discount market and (d) the National Giro (from October 1968). In all, about 200 separate institutions are covered.

Other financial institutions

The institutions covered by this sector are finance houses, building societies, the special investment departments of trustee savings banks, the Investment Account of the National Savings Bank and certain other deposit seeking institutions, insurance companies and superannuation funds, unit trusts, investment trusts quoted on stock exchanges and certain special finance agencies such as the Agricultural Mortgage Corporation and the Industrial and Commercial Finance Corporation. Property unit trusts are included but not property investment companies and other similar organisations deriving their income from ground rents or from owning and letting. The ordinary departments of National Savings Bank (formerly, the Post Office Savings Bank) and of trustee savings banks and the Exchange Equalisation Account are included in the public sector, as their activities are an integral part of the financing operations of the government. Stockbrokers and jobbers are included in the personal sector.

Industrial and commercial companies

These are the companies included within the company sector, as defined in the *National Income Blue Book*, other than those classified as banks and other financial institutions. They are privately controlled corporate enterprises, which are organised for making profits and which are resident in the United Kingdom.

The personal sector

This is defined as in the *National Income Blue Book*. It includes non-profit-making bodies, private trusts and unincorporated enterprises. The net increase in life assurance and pension funds is included in personal saving. These funds are regarded as an asset of the personal sector and as a liability of the other financial institutions sector.

Overseas sector

This is defined as in the *National Income Blue Book* and in the balance of payments accounts. Net acquisition of assets by this sector is equal, with sign reversed, to net

investment abroad by United Kingdom residents. This is equal to the balance of payments surplus on current account *plus* capital grants from overseas. The account for this sector covers all financial and capital flows between residents and non-residents. These transactions are recorded partly in the long-term capital account of the balance of payments accounts and partly as monetary movements. In theory, the sum of the transactions included under these two headings should be equal, with sign reversed, to the balance of payments surplus on current account. In practice it is not. The statistical difference between the two is the so-called 'Balancing item' in the balance of payments accounts, which is shown as the unidentified item in the financial transactions account for the overseas sector.

II. PUBLIC SECTOR

Public sector current and capital accounts

These tables are built up from the current and capital accounts of central government and local authorities, and the appropriation account and capital account of public corporations. Transactions within the public sector have been eliminated, except where the payment by one part of the sector falls within a different economic category from the receipt by the other part (see *National Accounts Statistics: Sources and Methods* page 320).

Identified financial transactions (net). Comprises loan repayments from overseas governments, central govern-

ment receipts from certain pension funds, adjustment for accruals of taxes on expenditure and subsidies, import deposits, bank deposits and lending through hire purchase by public corporations.

Net lending to private sector and overseas. Comprises net lending to the private sector, loans to overseas governments, drawings from United Kingdom subscriptions to international lending bodies, other net lending and investment abroad, and cash expenditure on company securities, etc. (net).

III. CENTRAL GOVERNMENT

Consolidated Fund and National Loans Fund

Up to 31 March 1968, the Consolidated Fund was virtually synonymous with the term 'Exchequer' which was then the Government's central cash account. From 1 April 1968, the National Loans Fund was set up with a separate cash account at the Bank of England. From that date all the transactions relating to the National Debt and most transactions connected with government lending were transferred to the new Fund from the Consolidated Fund.

This table summarises the information given in the latest account of the Consolidated Fund and National Loans Fund transactions which is published monthly in a form comparable with that used in the *Financial Statement and Budget Report*.

Consolidated Fund

Revenue

Includes payments into the Consolidated Fund of broadcast receiving licence receipts, interest, dividends and other miscellaneous receipts in addition to tax revenue. Interest and dividends receipts include amounts received from the Bank of England and Cable and Wireless Ltd., to cover interest on compensation stock, as well as interest on amounts advanced from Votes and dividends on capital investment and shares. Other miscellaneous receipts consist of receipts by departments, other than interest, which they are not authorised to appropriate in aid of their Votes; and certain receipts paid direct to the Treasury. The composition of these receipts varies from year to year.

Expenditure

The bulk of expenditure is for issues to Votes on supply services. The remaining expenditure is for standing services and comprises the following items:

- (i) Debt interest—reimbursement to the National Loans Fund of interest and management charges of the National Debt to the extent that they are not matched by interest received by the Fund on its own lending and by profits of the Issue Department of the Bank of England.
- (ii) Payments to Northern Ireland in respect of their share of reserved taxes, etc.
- (iii) Other expenditure—the largest items are the repayment of post-war credits, together with interest and the net advances made to the Civil Contingencies Fund from time to time to finance urgent expenditure in advance of Parliamentary authority.

National Loans Fund—net lending

The loans are shown net of repayments. Loans to nationalised industries are classified by purpose; thus Electricity covers the North of Scotland Hydro-Electric Board and the South of Scotland Electricity Board, as well as the Electricity Council, whilst Aviation covers the British Airports Authority, as well as the British Overseas Airways Corporation and the British European Airways Corporation. Amongst other types of loans, those to Local Authorities include loans to harbour authorities; loans to the private sector are to housing associations, building societies and shipbuilders (under the Ship Credit

Scheme); whilst lending within the central government includes advances to the Redundancy Fund, the Land Commission and the Northern Ireland Government as well as certain lending to Votes for capital purposes. Lending associated with the redemption of government guaranteed stock is now shown separately.

Central government borrowing requirement (net balance)

The conventional account of the Consolidated Fund and National Loans Fund transactions is not a convenient form for the purpose of general financial analysis, because transactions are categorised by types of debt rather than by sources of borrowing. Moreover, most of the transactions of the central government are with official funds and agencies which are 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. As the balance on these funds rises and falls, so the central government's indebtedness to the funds is increased or diminished.

In order to arrive at a figure of borrowing by the central government from the figures given in the account of Consolidated Fund and National Loans Fund transactions, it is necessary to take account of changes in the central government's net indebtedness to these various official funds and agencies, known collectively as Other Central Government funds. The consolidated total represents the government's borrowing requirement which is the amount the government has to borrow *less* increase (or *plus* decrease) in its holdings of official reserves.

Departmental balances and miscellaneous: this item comprises

- (i) changes in balances on the accounts kept by government departments, mainly with the Paymaster General; and
- (ii) Prior to October 1969 changes in the Postmaster General's cash surplus invested with the central government and subsequently changes in cash surpluses of the Director of Savings.

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 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 savings certificates. Detailed notes on the central government accounts are included in Chapter IX *National Accounts Statistics: Sources and Methods* (HMSO 1968) and in the notes to the *National Income Blue Book*.

Central government borrowing requirement (net balance)

The borrowing requirement is the balancing item in the central government's capital account. It is equal to

government borrowing *less* the increase (or *plus* the decrease) in its holdings of official reserves. The borrowing requirement can also be derived from the accounts of the Consolidated Fund and the National Loans Fund. An analysis of the borrowing requirement is given in a table following the capital account. The table is in two parts. The first part gives details of the changes in the financial assets and liabilities of the central government which in aggregate match the borrowing requirement. The second part shows the changes in the net indebtedness of the central government to each sector by giving estimates of the total amount of government debt acquired by each of the different sectors, changes in the official reserves being included in the figures for the overseas sector. The estimated changes in net indebtedness recorded in the second part of the table arise not only from transactions between the government and other sectors, but also from transactions between the various non-government sectors. These changes can be regarded as a measure of each sector's contribution towards financing the central government's borrowing requirement. In order to maintain consistency with the treatment followed in the financial accounts, notes and coin acquired by Scottish and Northern Ireland banks, to cover increases in notes issued by them, are excluded from the figures for the banking sector and included in the figures for the other sectors.

Definition of sectors

The sectors are defined as in the financial accounts.

Definition of items

Net indebtedness to the Bank of England, Banking Department: The government 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 National Loans Fund and the Paymaster General at the Bank of England.

This item comprises the sum of the increases in the assets of the Banking Department: ways and means advances; holdings of bank notes and coin; holdings of tax reserve certificates; British government securities; holdings of Treasury bills; holdings of Treasury interest-free notes; *less* increases in the liabilities of the Banking Department: the balances of the National Loans Fund and Paymaster General at the Bank of England.

The amount of the government'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 government's borrowing requirement.

Notes and coin: Includes both the increase in notes in circulation (i.e. the increase in the fiduciary note issue *less* the increase in the holding of notes in the Banking Department of the Bank of England) and the increase in issued coin.

National savings: Net receipts from the sale of national savings certificates, defence bonds, national development bonds, British savings bonds and premium savings bonds *plus* the estimated increase in accrued interest on national savings certificates. It also includes the net increase in deposits (including accrued interest) with the National Savings Bank and the Trustee savings banks (ordinary departments) and net receipts under the government Save As You Earn scheme. The figures record changes in savings at the time when payments and withdrawals are made by the public.

Tax reserve certificates: Net receipts from the issue of tax reserve certificates *less* net purchases by the Banking Department of the Bank of England.

Treasury bills: The change in Treasury bills outstanding other than those held by the National Debt Commissioners, the Exchange Equalisation Account, government departments and the Bank of England. Treasury bills held on behalf of central monetary institutions as the sterling equivalent of foreign currency deposits are included under 'Direct borrowing (net) from overseas governments and institutions'.

Marketable securities: Total cash issues of British government and government guaranteed securities *less* redemptions including the operations of government sinking funds, and *less* net purchases of government and government guaranteed securities by the Bank of England and the National Debt Commissioners.

Direct borrowing (net) from overseas governments and institutions: This heading covers the following items which appear in the detailed capital account of the central government given in Table 39 of the *National Income Blue Book*:

- (i) borrowing from overseas governments *less* repayments;
- (ii) increase in holdings of interest-free notes by the International Monetary Fund;
- (iii) *less* capital subscriptions to the International Monetary Fund;
- (iv) exchange adjustments;
- (v) other: this includes the sterling equivalent of foreign currency deposits by overseas central banks, and German deposits.

Net change in official reserves: The figure appearing in the balance of payments accounts.

Write-off of debt: Transactions arising from the write-off of debt of certain public corporations affect the figures in the capital accounts of the central government and public corporations. Details of these transactions are given in the table below. In the capital account of the government, the increases in liabilities of public corporations to the central government resulting from transfers to the Consolidated Fund of liability for stock, are included in 'Miscellaneous capital receipts'. The details are as follows:

	£ million
<i>First quarter 1963</i>	
Transfer of liability for British Transport Stock	1,444
<i>less</i> Transfer of cash and securities in British Transport Commission capital redemption funds	-55
	1,389
<i>Second quarter 1965</i>	
Transfer of liability for British Overseas Airways Stock	52
<i>Second quarter 1968</i>	
Transfer of liability for British European Airways Corporation Stock	16

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.

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 transactions in marketable securities and Treasury bills in the financial accounts.

Tax reserve certificates

On 27 June 1966 separate certificates were introduced for persons and for companies—at different rates of interest and usable in settlement of different taxes. From that date the figures for issues relate strictly to the amounts received by the central government on account of personal and company tax reserve certificates, respectively. The figures of surrenders, however, include the amounts paid out by the central government on account of the previous type of certificate, which is still being surrendered, though now in only very small amounts: ultimately the figures of surrenders will be on the same basis as those of issues.

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 Consolidated Fund 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 Board of Inland Revenue, such as stamp duties paid by means of postage stamps, are included. Amounts collected by the Board of Inland Revenue on behalf of other departments, for example, national insurance graduated contributions and fee stamps are excluded. Excess profits tax post-war refunds are excluded but the income tax deducted therefrom is included; the amounts involved are now negligible.

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 Consolidated Fund arises from changes in:

- (i) working balances held by collectors;
- (ii) remittances in transit; and
- (iii) advances out of revenue to meet expenditure under authority of the Exchequer and Audit Departments Act, 1866, Section 10.

Purchase tax is remitted to collectors during 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 is collected a month in arrear.

The figures shown as the cost of export rebates include also relief for shipbuilders under the Finance Act 1966, Section 2. Exports rebates are payable quarterly in arrear; but under the Revenue Act 1968, they are not due on goods exported after 31 March 1968, unless the goods were exported under certain contracts made before the announcement of devaluation. Shipbuilders' relief continues however, and is payable on delivery of the ship. The amounts shown are the total payments; payments to H.M. Customs and Excise from the Ministry of Transport (in respect of the motor vehicle licence duty element in export rebates and shipbuilders' relief) are included as a receipt in the column for Other revenue. Similarly the receipts of hydrocarbon oil duty and purchase tax are unabated in respect of payments of export rebates and shipbuilders' relief.

Taxes received by other departments

Selective employment tax: payments by employers: Estimates of the amounts paid by employers in each quarter. They differ from payments into the Consolidated Fund by:

- (i) remittances in transit held by the Post Office and Department of Health and Social Security
- (ii) costs of collection, which are not deducted.

Selective employment payments. Cash payments made mainly by the Department of Employment and Productivity. *Refunds* are repayments of the tax originally paid by employers. *Additional payments* are amounts in excess of the original tax payments which were paid in respect of tax payments in the period up to 31 March 1968 to all employers in manufacturing industry. In the following two years, to 31 March 1970 tax payments by employers in the development areas only qualified for additional payments; after which, additional payments were withdrawn altogether. *Regional employment premiums* are further payments to employers in manufacturing industry in the development areas.

Motor vehicle duties: net value of licences issued. Gross receipts *less* refunds of revenue from motor vehicle licences and driving licences. The figures differ from the amount paid into the Consolidated Fund by

- (i) remittances in transit
- (ii) payments to H.M. Customs and Excise in respect of the motor vehicle licence duty element of export rebates, which are not deducted.

Betterment levy: receipts by Land Commission. Figures do not include amounts assessed on the value of purchases by the Land Commission.

National savings

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

- (i) the series issued by the Department for National Savings; and

- (ii) national savings as shown in the central government capital account (analysis of the borrowing requirement by type of asset).

The main differences between the series arise as follows:

1. Series (i) includes figures for the trustee savings banks special investment departments and the National Savings Bank Investment Account which are not covered by the national savings figures in the central government capital account.

Part of the funds of the special investment departments and Investment Account are invested by the trustees in British government securities, Treasury bills, defence bonds and national development bonds. Such purchases are included in net receipts from transactions in marketable securities in the central government capital account.

There is a slight amount of double counting in Series (i) as purchases of defence bonds and national development bonds by the trustee savings banks special investment departments are also included in the sales of bonds.

2. National savings in Series (i) include government stocks held by investors on the National Savings Stock register. In the central government capital account changes in these stocks are included under marketable debt.

3. These series do not include issues of national savings stamps and gift tokens. In the central government capital account they are in Miscellaneous capital receipts.

4. 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 1964/65	..	7/9
1965/66 .. .. .	..	8/3

National savings certificates: Interest is free of income tax, surtax and capital gains tax.

1954 1 November	9th issue, 15s. units. Maximum holding £750 (1,000 units). Compound interest if held for ten years £3 0s. 11d. per cent per annum equal to £5 10s. 9d. per cent per annum grossed up for income tax at 9s.
1955 1 November	Maximum holding £900 (1,200 units).
1956 23 April	Maximum holding £1,050 (1,400 units).
1956 1 August	10th issue, 15s. units. Maximum holding £450 (600 units). Compound interest if held for seven years £4 3s. 11d. per cent per annum equal to £7 5s. 11d. per cent per annum grossed up for income tax at 8s. 6d. and £6 17s. 0d. per cent per annum grossed up for income tax at 7s. 9d.
1958 1 May	Maximum holding £750 (1,000 units).
1960 11 April	Maximum holding £900 (1,200 units).
1963 12 March	Sales of 10th issue ceased.
1963 13 May	11th issue, £1 units. Maximum holding £300. Compound interest if held for six years £3 15s. 9d. per cent per annum equal to £6 3s. 8d. per cent per annum grossed up for income tax at 7s. 9d.

1964 21 April	Maximum holding £600. Compound interest if held for six years £3 15s. 9d. per cent per annum equal to £6 3s. 8d. per cent per annum grossed up for income tax at 7s. 9d. and £6 8s. 11d. per cent per annum grossed up for income tax at 8s. 3d.
1966 28 March	12th issue, £1 units. Maximum holding £500. Compound interest if held for five years £4 11s. 3d. per cent per annum equal to £7 15s. 4d. per cent per annum grossed up for income tax at 8s. 3d.
1967 14 April	Maximum holding £750.
1968 22 March	Maximum holding £1,000.
1969 18 April	Maximum holding £1,500.

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, surtax, capital gains tax and corporation tax.

1952 1 September	Maximum holding £1,000. Interest 3½ per cent per annum. Bonus £3 per cent if held for ten years. Equivalent to a £3 19s. 10d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 9s.
1954 1 November	Maximum holding £2,000.
1955 1 November	Maximum holding £1,000. Interest 4 per cent per annum. Bonus £3 per cent if held for ten years. Equivalent to a £4 9s. 2d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 8s. 6d.
1956 1 May	Maximum holding £1,000. Interest 4½ per cent per annum. Bonus £5 per cent if held for ten years. Equivalent to a £5 5s. 1d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 8s. 6d.
1958 1 May	Maximum holding £2,000. Interest 5 per cent per annum. Bonus £3 per cent at end of seven years. Equivalent to a £5 13s. 6d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 8s. 6d.
1960 15 June	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 12s. 6d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 7s. 9d.
1963 12 March	Sales of 5% 2nd issue ceased.
1963 25 March	Maximum holding £5,000. Interest 4½ per cent per annum. Bonus £2 10s. 0d. per cent at end of seven years. Equivalent to a £5 0s. 7d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 7s. 9d.

1964 14 May Sales ceased.

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.

National development bonds: First issued 15 May 1964. Sold for £5 and multiples of £5. Interest, payable half-yearly is assessable for income tax and surtax; bonuses are free of income tax, surtax, capital gains tax and corporation tax.

1964 15 May 1st issue. Maximum holding £2,500. Interest 5 per cent per annum. Bonus £2 per cent if held for five years. Equivalent to a £5 12s. 1d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 7s. 9d., or £5 12s. 8d. grossed up net redemption yield assuming standard rate of income tax at 8s. 3d.

1965 15 September 2nd issue. Maximum holding £2,500.

1966 11 July 1st issue. Maximum holding £2,500. Interest 5½ per cent per annum. Bonus £2 per cent if held for five years. Equivalent to £6 2s. 7d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 8s. 3d.

1968 31 March Sales ceased.

British savings bonds: First issued 1 April 1968. Sold for £5 and multiples of £5. Interest payable half-yearly, is assessable for income tax and surtax; bonuses are free of income tax, surtax, capital gains tax and corporation tax.

1968 1 April 1st issue. Maximum holding £10,000. Interest 6 per cent per annum. Bonus £2 per cent if held for five years. Equivalent to £6 12s. 7d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 8s. 3d.

1969 26 April Sales ceased.

1969 28 April 2nd issue. Maximum holding £10,000. Interest 7 per cent per annum. Bonus £2 per cent if held for five years. Equivalent to £7 12s. 6d. per cent per annum grossed up net redemption yield assuming standard rate of income tax at 8s. 3d.

Save as you Earn Scheme: Parallel schemes which commenced 1 October 1969 are operated by the Department for National Savings and the Trustee Savings Banks. Fixed monthly amounts of £1 to £10 are contracted for 5 years. In the case of contractors with one or more contracts registered with the Department for National Savings and/or Trustee Savings Banks, the £10 maximum is applicable to the total aggregate of each month's subscriptions on all contracts. Terms as follows: (a) 5 year bonus equal to 1 year's savings at a nominal annual rate of £6 19s. 11d. per cent (grossed-up, equal to £11 18s. 2d. per cent at 8s. 3d. in the £) compounded monthly. Alternatively, for savings left invested a further 2 years: (b) 7 year bonus equal to 2 years

savings, at nominal annual rate £7 8s. 11d. per cent (grossed-up equal to £12 13s. 6d. per cent at 8s. 3d. in £) compounded monthly for 5 years and annually for 2 years: (c) No interest paid for savings withdrawn in first year of contracts' registration: (d) 2½ per cent per annum is paid on savings withdrawn after first but before the end of the fifth year (but see (f)); (e) 4½ per cent per annum is paid on savings left for remainder of full 5 years after payments have been discounted and contracts lapse: (f) 4½ per cent per annum is paid on sums subscribed over a complete year by a deceased contractor. Terms (a) to (f) are paid free of income tax, surtax and capital gains tax.

Premium savings bonds: First issued 1 November 1956. Prizes are free of income tax, surtax and capital gains tax.

1956 1 November £1 units. Maximum holding £500. Interest was calculated at 4 per cent per annum free of tax (equivalent to £6 19s. 1d. per cent per annum grossed up for income tax at 8s. 6d. and to £6 10s. 7d. per cent per annum at 7s. 9d.) and formed the pool for prize drawings. Bonds were eligible for the monthly draw six months after purchase. Prizes ranged from £25 to £1,000.

1960 1 August Maximum holding £800. Interest at 4½ per cent per annum free of tax (equivalent to £7 6s. 11d. per cent per annum grossed up for income tax at 7s. 9d.). Bonds eligible for draw after three months. Prizes range from £25 to £5,000.

1964 21 April Maximum holding £1,000. Interest at 4½ per cent per annum free of tax (equivalent to £7 6s. 11d. per cent per annum grossed up for income tax at 7s. 9d. or £7 13s. 2d. per cent per annum grossed up for income tax at 8s. 3d.).

1966 1 February A prize of £25,000 in February, May, August and November each year in addition to monthly prizes.

1967 14 April Maximum holding £1,250.

1968 1 September Interest at 4½ per cent per annum free of tax (equivalent to £7 17s. 6d. per cent per annum grossed up for income tax at 8s. 3d.). A prize of £25,000 awarded weekly in addition to monthly prizes.

Deposits with National Savings Bank and trustee savings banks (ordinary departments): Interest 2½ per cent per annum.

1952 1 March Maximum deposit £3,000.

1956 6 April Interest up to £15 per annum free of income tax but not surtax. Interest on first £600 is equivalent to £4 1s. 7d. per cent per annum grossed up for income tax at 7s. 9d. or £4 5s. 0d. per cent per annum grossed up for income tax at 8s. 3d.

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

1969 1 July Maximum deposit £10,000 on individual holdings.

Deposits with National Savings Bank Investment Account:

1966 20 June Interest 5½ per cent per annum. Maximum deposit £5,000.

1967 1 January Interest 6 per cent per annum.

1968 1 October Interest 6½ per cent per annum.

1969 1 July Maximum deposit £10,000.

1969 1 October Interest 7 per cent per annum.

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

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

1956 11 June Maximum deposit £2,000.

1960 1 August Maximum deposit £3,000.

1966 24 June Maximum deposit £5,000.

1969 1 July Maximum deposit £10,000.

IV. LOCAL AUTHORITIES

Local authorities are defined as in the national income accounts, that is, as bodies obliged to make annual returns of income and expenditure under Part XI of the Local Government Act of 1933 and similar legislation in respect of Scotland and Northern Ireland; the local authority sector therefore includes not only authorities with general administrative functions, such as county councils and county boroughs, but also local bodies with special functions, such as water boards, harbour boards and passenger transport authorities.

Current and capital accounts of local authorities

Items in these accounts are described fully in Chapter X of *National Accounts Statistics: Sources and Methods* (HMSO 1968) and in the notes to the annual *National Income Blue Book*.

Net lending to local authorities

This table brings together statistics of net lending to local authorities supplied by certain of the sources of local authority finance. It is to be contrasted with Tables 29 and 30 which are based upon returns of borrowing made by the local authorities themselves. The coverage of lenders comprises the central government, financial companies and the overseas sector. Unlike estimates drawn from local authorities' records which can only accurately assign the source of borrowing by sector in the case of non-marketable debt, the sector allocation of lending covers all types of debt. The figures do not include loans made as an intermediary on behalf of a client.

Central government: comprising net advances from (a) the Public Works Loan Board (b) the Consolidated Fund to harbour authorities (c) the Northern Ireland Government Loans Fund (d) certain government departments, mainly for the financing of tunnels and bridges.

Overseas sector: the figures are as estimated in the balance of payments accounts.

Total net borrowing by local authorities: the figures are those based on returns from local authorities shown in the table 'Local authority borrowing.'

Other lending (including errors and omissions): this series includes differences in timing between borrowing as recorded by local authorities and lending as recorded by the identified lenders to local authorities; also included is lending by public corporations, industrial and commercial companies and the personal sector, for which borrowing figures are given in the 'Local authority borrowing' table.

Local authority borrowing

Net borrowing is gross borrowing less repayments.

The figures cover borrowing from all sources outside the local authority sector, including borrowing from

authorities' own superannuation funds. The figures exclude borrowing by one local authority from another, except that no allowance is made for the possible take-up of local authority quoted securities or negotiable bonds by other authorities. Inter-authority debt is however included in the analysis of temporary debt outstanding by term of repayment.

Borrowing is divided into temporary and longer-term borrowing. Temporary borrowing covers all loans repayable, other than under a stress clause or on the death of a lender, within a year of their inception, including longer-term mortgages repayable by invoking a break clause, unless they were in being at 31 October 1963; longer-term debt within one year of maturity or running on at short notice after maturity is not included. Borrowing by bank overdraft is measured net, that is, where an authority has more than one current bank account it is asked to report any overdraft arising on all such accounts taken together.

The figures for total temporary borrowing, for total longer-term borrowing and for total (longer-term) borrowing from the Public Works Loan Board and the Northern Ireland Government Loans Fund are based on quarterly returns from nearly all local authorities in the United Kingdom. The analysis by source, however, showing separate figures for negotiable bonds and for quoted securities other than bonds, and showing the sectors from which other loans and mortgages are obtained, is based on returns from a sample of authorities. This sample comprises all the larger authorities (county councils, county boroughs, London boroughs and, in Scotland, counties of cities) and a selection of the smaller authorities, including each quarter in the case of temporary borrowing all authorities whose net temporary borrowing or repayments exceed £100,000 and similarly, in the case of longer-term borrowing, all authorities whose net longer-term borrowing or repayments exceeds £100,000. The analysis by source of local authority loans relates to the immediate source, which will not in some cases be the ultimate source; loans from banks, for example, will include sums advanced by banks on behalf of their clients as well as direct advances; loans which authorities know to be from bank or other nominees are included in unclassified borrowing.

The maturity classification of gross longer-term borrowing is according to expectation of life on the last day to which a particular quarterly return relates. Securities are classified according to date of next ensuing break at lender's option.

Where a loan or mortgage expires and is renewed it is included both as a repayment and as new borrowing.

Direct borrowing from abroad: loans from an overseas address or in the name of a person, company or other body with an overseas address. It includes borrowing in foreign currency or sterling in overseas markets. This series forms part of the series for lending to local authorities by overseas residents shown in the table 'Net lending to local authorities.'

V. PUBLIC CORPORATIONS

Public corporations are defined as in the national income accounts. They include the Bank of England (except for transactions of the Issue Department which are treated as transactions of the central government).

Appropriation account

Gross trading surplus is the total balance on trading account including subsidies before making any charge for depreciation, interest and taxation.

Sources and uses of capital funds

Trade credit (net): Changes in credit given less that received are obtained from returns made by the corporations.

Stock issued less stock redeemed: Figures are in terms of cash received or paid. Issues of stock relate only to corporations in Northern Ireland. Redemptions of government-guaranteed stock which are treated as not affecting the central government borrowing requirement are shown separately.

Bank lending comprises bank loans, overdrafts and commercial bills and is obtained from the returns made by institutions classified to the United Kingdom banking sector.

Net lending to private sector: Loans (less repayments) by the Industrial Reorganisation Corporation, Housing Corporation, National Research Development Corporation and National Film Finance Corporation.

Net lending to overseas sector: Net lending by the Commonwealth Development Corporation together with investment overseas by other public corporations.

Other public sector debt: British government securities, local authority securities and import deposits.

Accruals adjustment: The difference between accruals of subsidies and interest charges (the basis on which these items are entered in the national accounts) and the corresponding cash payments.

Other financial assets comprising in 1963 transfer of capital redemption funds of the British Transport Commission and subsequently repayments of loans by the British Steel Corporation.

Write-off debt: Transactions arising from the write-off of debt of certain public corporations affect the figures in the table on Sources and uses of capital funds. The treatment is as follows:

£ million				
	Sources of funds			Uses of funds
	Capital transfers	Loans from central government	Stock issued less stock redeemed	Other financial assets
British Transport Commission (1st quarter 1963)				
Write-off of government loans ..	487	-487	—	—
Transfer of liability for stock ..	—	1,444	-1,444	—
Transfer of capital redemption funds ..	-55	—	—	-55*
Total	432	957	-1,444	-55
National Coal Board (1st quarter 1965)				
Write-off of government loans ..	415	-415	—	—
British Overseas Airways Corporation (2nd quarter 1965)				
Write-off of government loans ..	58	-58	—	—
Transfer of liability for stock ..	52	—	-52	—
Total	110	-58	-52	—
Raw Cotton Commission (1st quarter 1968)				
Write-off of government loan ..	8	-8	—	—
British European Airways Corporation (2nd quarter 1968)				
Write-off of government loans ..	9	-9	—	—
Transfer of liability for stock ..	16	—	-16	—
Total	25	-9	-16	—
Nationalised transport undertakings covered by the Transport Act, 1969				
Write-off of government loans ..	1,258	-1,258	—	—

*Of which £42 million is British government securities.

VI. BANKING SECTOR

United Kingdom banking sector

The banking sector comprises the deposit banks, the National Giro (from October 1968), accepting houses, overseas banks, other banks 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*.

Deposit 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. (Co-operative Bank), and the Scottish Co-operative Wholesale Society Ltd.)

Accepting houses, overseas banks and other banks: Sterling investments (other than government securities) and foreign currency assets (other than advances), which in the detailed tables relating to accepting houses, overseas banks and other banks 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 are excluded. No adjustment is made for collections and 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 institutions in the banking sector), issues of dollar and sterling certificates of deposit (from June 1966 and December 1968 respectively) other than those held for or by the banking sector, plus credits in course of transmission, less cheques in course of collection and items in transit between offices of the same bank. They overstate the bank's 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 credited 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) 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,

finance houses, building societies, the special investment departments of trustee savings banks, the investment account of the Post Office Savings Bank, superannuation funds, investment trusts, unit trusts and certain special finance agencies.

In considering quarterly changes in this series, adjustments need to be made to the published figures to allow for the inclusion at December 1967 of new contributors—which may be identified from the notes on pages 17 and 18. From that date, the new contributors are treated by other contributors as members of the banking sector and not, as previously, 'companies'. For comparison with the figures at September 1967, current and deposit accounts of previous contributors at December 1967 (the upper line in the tables) should be increased by £107 million (to £18,324 million) and advances by £66 million (to £12,291 million); deposits and advances of 'companies' should be similarly increased. (These were the amounts reported at December 1967 by the new contributors as claims on U.K. banks and liabilities to U.K. banks, respectively.)

The foreign currency element of the banking sector figures at December 1967 is inflated by the revaluation of foreign currency balances at 18 November. For deposits and advances this increased the sterling equivalents by approximately the following amounts:

	Current and deposits accounts (£ million)	Advances (£ million)
U.K. residents (largely companies)	.. + 35	+ 35
Overseas residents	.. + 575	+ 535

Bank of England

Issue Department

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

Other securities include refinance provided by the Issue Department under the export and shipbuilding scheme (for details see *Bank of England Quarterly Bulletin* for September 1969).

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 the National Loans Fund and H.M. Paymaster General, the National Debt Commissioners and Dividend Accounts.

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 are calculated as percentages of the previous month's total deposits of each bank.

Interest is usually paid on Special Deposits at a rate adjusted weekly to the nearest $\frac{1}{4}$ 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, a number of overseas and other banks and the discount market. 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.

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 banks operating in the United Kingdom.

The figures for the London clearing banks and for the Scottish banks, relate mainly to the third Wednesday in the month; those for other member 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. Figures for the Northern Ireland banks, which relate to the third Tuesday in each quarter, are only available from February 1968. These are comparable with those provided by the other contributors to the table but are in less detail.

Classification: This classification of advances, which is based so far as possible on the Standard Industrial Classification, was introduced in an article in the *Bank of England Quarterly Bulletin* for March 1967. Classification in the analysis is by industry, irrespective of ownership (i.e. private, local authority or government) and where an advance cannot be attributed to any particular activity it is classed according to the most important activity of the borrower—if necessary within the specific residual groups provided within the broad divisions of manufacturing, financial and services. Advances to merchants, brokers, importers and exporters are classed under the relevant distributive trade. The analysis includes advances both in sterling and in foreign currencies. It is intended to cover only loans and overdrafts provided by banks to their customers, and does not include funds placed through the specialised financial markets with other banks (both in the United Kingdom and overseas) or with local authorities or finance houses.

London clearing banks

The London clearing banks comprise the eight banks (Barclays Bank Ltd., Coutts & Co., Glyn, Mills & Co., Lloyds Bank Ltd., Midland Bank Ltd., The National Bank Ltd., National Westminster Bank Ltd., and Williams Deacon's Bank Ltd.) forming the membership of the London Bankers' Clearing House. (As from 15 December 1969, Barclays Bank Ltd. incorporates Martins Bank Ltd. National Westminster Bank Ltd. was formed by the amalgamation of District Bank Ltd., National Provincial Bank Ltd. and Westminster Bank Ltd. on 1 January 1970). They are the principal commercial banks operating in England and Wales.

Seasonally adjusted net deposits and advances: The method used to obtain seasonally adjusted series is described in the *Bank of England Quarterly Bulletin* for March 1966. The series should not be regarded as exact; moreover, it cannot fully take account of the changed pattern of tax payments since 1965. The estimates are subject to revision as later data become available.

The figures were affected by the transfer of the Irish business of the National Bank to the National Bank of Ireland on 31 March 1966; deposits with the National Bank fell by about £80 million and advances and investments by about £40 million and £20 million respectively.

Changes in accounting procedures: Some changes have been made by these banks in their accounting procedures in connection with the disclosure of their profits. Changes in the treatment of transit items at mid-January 1970 are estimated to have reduced gross deposits by about £350 million.

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).

Net deposits: Net deposits are defined as gross deposits less (a) balances with and cheques in course of collection on, other banks in the United Kingdom and the Republic of Ireland and (b) items in transit between offices of the same bank. A fuller description was given in the *Bank of England Quarterly Bulletin* December 1963, page 285.

Total liquid assets: Comprises coin, notes and balances with the Bank of England (excluding Special Deposits), balances with other banks etc., money at call and short notice, and bills discounted, which include refinancable export credits, and some fixed-rate shipbuilding finance.

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 the Bank of England:

See note under Bank of England.

Investments: These are given at book value.

British government 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 by H.M. Treasury. The nationalised industries comprise those portions of the coal, transport, airways, gas, electricity and (from July 1967) steel industries which are in public ownership and to which bank advances may be made under Treasury guarantee.

The overdrafts of the nationalised steel companies (which have been repaid and replaced by centralised borrowing by the British Steel Corporation) stood at £79 million on the vesting day, 28 July 1967, of which £76 million was from the clearing banks.

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 primarily 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 bill brokers and similar money market institutions which are not members of the L.D.M.A. It also includes balances, in sterling and other currencies, with other banks both in the United Kingdom and overseas, and the banks' own holdings of tax reserve certificates.

Bills discounted: These are normally held until maturity, and ordinarily the maximum maturity is slightly 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.

Bills discounted also include refinanceable export and shipbuilding finance (the present refinance facilities were described in the *Bank of England Quarterly Bulletin* for September 1969).

Scottish banks

The Scottish banks are currently the four banks (Bank of Scotland, The British Linen Bank, Clydesdale Bank Ltd., and The Royal Bank of Scotland Ltd.) represented on the Committee of Scottish Bank General Managers. (The Royal Bank of Scotland Ltd., was formed by the amalgamation of National Commercial Bank of Scotland Ltd. with The Royal Bank of Scotland on 1 April 1969.) 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).

Changes in accounting procedures: Some changes have been made by these banks in their accounting procedures, in connection with the disclosure of their profits. Changes in the treatment of transit items at mid-January 1970 are estimated to have reduced gross deposits by over £60 million.

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

Deposit accounts, which include deposit receipts, 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 deposit accounts.

Net deposits: Net deposits are defined as gross deposits less items in transit between offices of the same bank. A fuller description was given in the *Bank of England Quarterly Bulletin* December 1963, page 285.

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 the Bank of England (excluding Special deposits); balances with other banks, etc.; money at call and short notice; and bills discounted, which include refinanceable export and shipbuilding finance.

Special deposits with the Bank of England: 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 by H.M. Treasury. The nationalised industries comprise those portions of the coal, transport, airways, gas, electricity and (from July 1967) steel industries which are in public ownership and to which bank advances may be made under Treasury guarantee.

The overdrafts of the nationalised steel companies (which have been repaid and replaced by centralised borrowing by the British Steel Corporation) stood at £79 million on the vesting day, 28 July 1967, of which £3 million was from the Scottish banks.

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.

Money at call and short notice: Money at call, etc. comprises all loans to members of the London Discount Market Association primarily 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; to bullion brokers; and to bill brokers and similar money market institutions which are not members of the L.D.M.A. It also includes balances, in sterling and other currencies, with other banks both in the United Kingdom and overseas, and the banks' own holdings of tax reserve certificates.

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 refinanceable export and shipbuilding finance (the present refinance facilities were described in the *Bank of England Quarterly Bulletin* for September 1969).

Northern Ireland banks

The table covers the following eight banks: Bank of Ireland, Belfast Banking Co. Ltd., The Hibernian Bank Ltd., The Munster and Leinster Bank Ltd., The National Bank of Ireland Ltd., Northern Bank Ltd., Provincial Bank of Ireland Ltd. and Ulster Bank Ltd. These banks form the Northern Ireland Bankers' Association. The Association's members are the principal 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.

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.

Changes in accounting procedures: The three clearing bank subsidiaries (Belfast Banking Co. Ltd., Northern Bank Ltd. and Ulster Bank Ltd.) have made some accounting changes similar to those of their parent banks.

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.

Coin, notes and balances with the 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.

Money at call and short notice: This consists of very short-term loans, primarily to members of the London Discount Market Association mainly 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: Total holdings of British government 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 in the United Kingdom

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. The series was extensively revised from September 1962 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* for December 1962.

Overseas residents: These comprise:

- (i) all banking offices located outside the United Kingdom, irrespective of the location of the registered (or head) offices; and
- (ii) governments, companies, persons, etc., whose registered address or permanent domicile is outside the United Kingdom.

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. 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 sterling liabilities to their offices, or to their head office, overseas.

For the individual groups of banks negotiable dollar certificates of deposit which were first issued in London in May 1966, are included in the total of deposit liabilities in non-sterling currencies to overseas residents. Similarly negotiable sterling certificates of deposit which were first issued in London in October 1968 are included in the total of deposit liabilities in sterling to other United Kingdom residents.

Balances with other United Kingdom 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. For the definition of U.K. banks, see United Kingdom Banking sector.

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 securities: The figures are given at book value or cost.

Advances: From September 1962 the figures are shown without deduction of provisions for bad and doubtful debts: they also exclude advances to other U.K. banks and to U.K. local authorities, but include net sterling claims on their offices or on their head office, overseas and balances with other banks overseas.

Other assets: From September 1962, the figures include trade investments but exclude all investments in other U.K. banks; also included since September 1962 are foreign currency assets not included elsewhere, such as investments, negotiable dollar and sterling certificates of deposit and discounted bills denominated in currencies other than sterling.

Accepting houses

Comprises the seventeen current members of the Accepting-Houses Committee and their subsidiaries, namely:

Arbuthnot Latham and Company Ltd., Baring Brothers and Company Ltd., Wm. Brandt's Sons and Company Ltd., Brown, Shipley and Company Ltd., Charterhouse Japhet and Thomasson Ltd., Antony Gibbs and Sons Ltd., Guinness Mahon and Company Ltd., Hambros Bank Ltd., Hambros (Guernsey) Ltd., Hambros (Jersey) Ltd., Hill, Samuel and Company Ltd., Hill, Samuel and Company (Guernsey) Ltd., Hill, Samuel and Company (Jersey) Ltd., Kleinwort, Benson Ltd., Kleinwort, Benson (Channel Islands) Ltd., Kleinwort, Benson (Guernsey) Ltd., Lazard Brothers and Company Ltd., Samuel Montagu and Company Ltd., Morgan Grenfell and Company Ltd., Rea Brothers Ltd., N. M. Rothschild & Sons, N. M. Rothschild & Sons (C.I.) Ltd., J. Henry Schroder Wagg and Company Ltd., S. G. Warburg and Company Ltd., (incorporating Seligman Brothers).

British overseas and Commonwealth banks

Comprises the thirty-seven current members of the British Overseas and Commonwealth Banks Association and their subsidiaries, namely:

Australia and New Zealand Bank Ltd., The Bank of Adelaide, Bank of Ceylon, Bank of Cyprus (London, Ltd.), The Bank of India, Bank of London and South America Ltd., Bank of Montreal, Bank of New South Wales, Bank of New Zealand, The Bank of Nova Scotia, 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 Europe 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., Pakistan Overseas Standard Bank, The Royal Bank of Canada, E. D. Sassoon Banking Co. Ltd., The Standard Bank Ltd., Standard Bank (Channel Islands) Ltd., Standard Bank of West Africa Ltd., State Bank of India, The Toronto-Dominion Bank, United Bank Ltd., Westminster Foreign Bank Ltd.

American banks

Currently comprises twenty-eight American banks and their subsidiaries in the United Kingdom, namely:

Allied Bank International, American Express International Banking Corporation (formerly the American Express Company Inc.), American National Bank and Trust Company of Chicago, Bank of America National Trust and Savings Association, The Bank of New York, Bankers Trust Company, The Chase Manhattan Bank N.A., Chemical Bank, City National Bank of Detroit, Continental Illinois National Bank and Trust Company of Chicago, Crocker-Citizens National Bank, Detroit Bank and Trust Company, First National Bank of Boston, First National Bank of Chicago, First National City Bank, First National City Bank (Channel Islands), First Pennsylvania Banking & Trust Company, First Wisconsin National Bank of Milwaukee, Girard Trust Bank, Irving Trust Company, Manufacturers Hanover Trust Company, Marine Midland Grace Trust Company of New York, Mellon National Bank and Trust Company, Morgan Guaranty Trust Company of New York,

National Bank of Commerce of Seattle, National Bank of Detroit, Northern Trust Company, Security Pacific National Bank, United California Bank.

Foreign banks and affiliates

Comprises the twenty-six current members of the Foreign Banks and Affiliates Association, namely:

Algemene Bank Nederland N.V., 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 S.A., Banque de Paris et des Pays-Bas, Banque Italo-Belge S.A., British and Continental Banking Company Ltd., British and French Bank Ltd., Crédit Industriel et Commercial, Credit Lyonnais, Discount Bank Overseas, National Bank of Greece, Netherlands Bank of South Africa Ltd., Scandinavian Bank Ltd., Société Centrale de Banque, Société Générale, Swiss Bank Corporation, Swiss-Israel Trade Bank, Trade Development Bank, Union Bank of Switzerland, Zivnostenská Banka National Corporation.

Other overseas banks

Currently comprises eleven Japanese banks, namely: Bank of Kobe Ltd., Bank of Tokyo Ltd., Dai-Ichi Bank Ltd., Daiwa Bank Ltd., Fuji Bank Ltd., Mitsubishi Bank Ltd., Mitsui Bank Ltd., Nippon Kangyo Bank Ltd., Sanwa Bank Ltd., Sumitomo Bank Ltd., Tokai Bank Ltd.; and twenty-six other overseas banks, namely: Afghan National Bank Ltd., African Continental Bank Ltd., Julius Baer International Ltd., Bangkok Bank Ltd., Bank of Baroda, Bank Melli Iran, Bank Saderat Iran, Central Bank of India, Chase and Bank of Ireland (International) Ltd., Commercial Bank of the Near East Ltd., Fleming Suez, Brown Brothers Ltd., French Bank of Southern Africa Ltd., Habib Bank (Overseas) Ltd., International Credit Bank Geneva, Israel-British Bank (London) Ltd., Malayan Banking Ltd., Moscow Narodny Bank Ltd., Muslim Commercial Bank Ltd., National Bank of Pakistan, Ottoman Bank, Overseas Chinese Banking Corporation Ltd., Overseas Union Bank Ltd., Rafidain Bank, United Bank of Kuwait Ltd., United Commercial Bank, Western American Bank (Europe) Ltd.

Other banks

(prior to June 1968 listed under other overseas banks)

Currently comprises thirty-five other banks, namely:

Henry Ansbacher & Company Ltd., Atlantic International Bank Ltd., Bank of Scotland Finance Company Ltd., Bankers Trust International Ltd., (formerly Rodo International Ltd.), Barclays Export Finance Company Ltd., Barclays Bank Finance Co. (Jersey) Ltd., Barclays Bank (London and International) Ltd., (formerly Barclays Bank (France) Ltd.), Burston and Texas Commerce Bank Ltd., (formerly Burston, Howard de Walden Co. Ltd.), Clydesdale Bank Finance Corporation Ltd., Co-operative Commercial Bank, County Bank Ltd., Coutts Finance Ltd., Glyn, Mills Finance Company, Inter-continental Banking Services Ltd., International Commercial Bank Ltd., Ionian Bank Ltd., Johnson Matthey (Bankers) Ltd., Joseph (Leopold) and Sons Ltd., Keyser Ullmann Ltd., Lloyds Bank Finance (Jersey) Ltd., Manufacturers Hanover Ltd., Midland and International Banks Ltd., Midland Bank Finance Corporation, Midland Bank Finance Corporation (Guernsey) Ltd., Midland Bank Finance Corporation (Jersey) Ltd., National Commercial and Glyns, National and Grindlays Finance and Development Corporation

Ltd., National Westminster Bank Finance (C.I.) Ltd., (previously N. P. Bank Finance (C.I.) Ltd.) National and Grindlays Bank (Jersey) Ltd., Singer and Friedlander Ltd., Rothschild Intercontinental Bank Ltd., (formerly National Provincial and Rothschild (International) Ltd.), Slater, Walker Ltd., (incorporating Ralli Brothers, (Bankers Ltd.), Williams Deacon's Bank (Finance) Ltd., Williams Deacon's Investment and Finance Ltd., Williams Deacon's Investment and Finance (Guernsey) Ltd.

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., Seacombe Marshall & Campion Ltd., Smith, St. Aubyn & Co. Ltd., and The Union Discount Co. of London Ltd.

Assets

Other sterling 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, and bills issued by local authorities are included.

British government 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 foreign currency bills and 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 deposit banks' in this table comprise the United Kingdom offices of the Northern Ireland banks and of 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. (Co-operative Bank), the Scottish Co-operative Wholesale Society Ltd. and from December 1968 the National Giro.

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 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 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 Liverpool and other purely local clearings) and includes those drawn on but not paid into Town clearing offices.

Prior to January 1968 provincial clearings represented, 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.

After January 1968 all provincial clearings were abolished and transferred to General clearing with the exception of the afternoon clearing at Liverpool.

Credit clearing

A 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' 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 transmission to a banking account anywhere in the United Kingdom; for certain organisations this stage was delayed until October 1961.

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

VII. MONEY SUPPLY AND DOMESTIC CREDIT EXPANSION

The tables in this section present estimates of the broad monetary indicators and show their relation to each other within a financial accounting framework.

Money supply

Any definition of the money supply is to some extent arbitrary and different definitions will be required for different analytical purposes. In the existing definition, money supply covers (a) notes and coin held by United Kingdom residents other than banks, and (b) net deposits by United Kingdom residents with the institutions classified to the banking sector. Broadly, the banking sector comprises the deposit banks, the National Giro, accepting houses, overseas and other banks together with the discount market, (see page 16 for further details). The figures for deposits relate to both sterling and non-sterling deposits on current and deposit account, after deducting items in transit, etc., inter-bank deposits and including estimated resident holdings of sterling certificates of deposit.

Seasonally adjusted estimates of changes in the money supply are shown in italics. These estimates are now derived from a process of adjustment of the whole of the financial transactions matrix and therefore take account of the additional constraints imposed by that process. In particular:

- (i) in any quarter, the sum of the adjustments of all sectors for a particular asset or liability is zero; and
- (ii) in any quarter, the sum of the adjustments for the identified assets and liabilities of a particular sector is related, where possible, to the adjustment for that sector's financial surplus.

In addition, adjustments have been made to allow for the effect of varying days of the week on which a quarter begins and ends. These will not usually cancel out over the year since successive years end on different days of the week. (For a further explanation see pages 416-7 of the *Bank of England Quarterly Bulletin* December 1969).

Money supply and public sector borrowing requirement

Table 53 sets out the accounting identities between the money supply and the public sector borrowing requirement. It is based broadly upon an analysis by G. L. Bell and L. S. Berman, 'Changes in the money supply in the United Kingdom, 1954 to 1964,' published in *Economica*, May 1966, except that the concept of public sector borrowing requirement replaces that of the central government borrowing requirement.

Public sector borrowing requirement

The borrowing requirements of the central government, local authorities and public corporations together with borrowing by the Northern Ireland government, *less* any intra-sector debt transactions (local authority and public corporations' acquisitions of government debt and public corporations' acquisitions of local authority debt.)

Central government borrowing requirement: (See page 8).

Local authority borrowing requirement: Borrowing other than from central government.

Public corporations borrowing requirement: Borrowing other than through trade credit or from the central government. The composition of the borrowing requirement is shown in the sources and uses of funds table relating to public corporations (table 32 in the April 1970 edition).

Money supply and domestic credit expansion

Table 54 shows the relationship between changes in money supply and the newer concept of domestic credit expansion (DCE; for definition see next section) via the accounting identity of the banking sector's financial liabilities and domestic assets. As transactions with non-residents are now so large (reflecting in the main the growth of the Euro-dollar market) the presentation shows only increase in deposits by (*less* lending to) non-residents, to avoid swamping the figures of direct relevance to the domestic sectors. Shown gross, the increase in non-residents' deposits was £2,626 million for example in 1968, and on the assets side the increase in lending to non-residents was £2,868 million.

Domestic credit expansion

DCE can be regarded as either an adjusted money supply concept or as a credit creation concept. The first approach is presented in Table 54 which shows that the connection between money supply on the one hand and DCE on the other is affected by the adjustment for the external financing of the public sector, by the net change in the banking sector's position with regard to non-residents, and by changes in banks' non-deposit liabilities (in particular, liabilities to shareholders).

Table 55 builds up to the DCE total from its various credit components, the principal ones being changes in notes and coin in circulation, bank lending to the public and private sectors, and external financing of the public sector. In addition two further detailed adjustments are made; bank lending in sterling to non-residents is included within DCE, while lending to residents in foreign currencies for purposes of investment overseas is excluded (see 'Money supply and domestic credit', *Economic Trends*, May 1969, in particular the Notes to the Annex). This method of presentation makes it clear that DCE does not measure the *total* volume of credit provided by financial institutions as part of the process of channelling funds from surplus to deficit units, but includes only such funds as flow across the frontiers of the public and banking sectors. *annual*

A long run of ~~arrival~~ data was published in the September 1969 *Bank of England Quarterly Bulletin*.

DCE and public sector borrowing requirement

An alternative method of building up DCE from credit components is shown in Table 56. This proceeds from the consolidation of public sector and banking sector flow-of-funds accounts, which can conveniently be made because of the banking sector's position as lender of last resort to the central government.

This consolidation, with rearrangement of some of the items, forms the basis for Tables 53, 54 and 56. The total on the right-hand side, *less* item 12 (public sector debt sold to the non-banking private sector) can be regarded as showing the credit-creating activities of the public sector and banking sector combined.

Using estimates for 1968/69, the sector accounts can be summarised as*:

Public sector 1968/69

Increase in liabilities:					£ million
1.	Notes and coin				
(a)	<i>held by banks</i>	..	..	..	127
(b)	other	..	..	..	69
2.	Other debt				
(a)	<i>held by banks</i>	..	..	..	- 19
(b)	held by other residents	..	..	..	- 144
(c)	held by non-residents	..	..	..	417
	Borrowing requirement	..	..	..	450

Banking Sector 1968/69

	£ million		£ million
3. Increase in liabilities:		4. Increase in domestic assets	
(a) residents' deposits	845	(a) lending to public sector	108
(b) non-deposit liabilities	97	(b) lending to private sector	667
(c) non-residents' deposits (net of advances)	-167		
Total	775		775

Consolidating the two statements, the items in *italics* disappear to give:

Consolidated account 1968/69

Increases in:					£ million			£ million
5.	Money supply					14.	Public sector borrowing requirement ..	450
	(a) notes and coin			69		15.	Bank lending to private sector	667
	(b) residents' deposits			845				
6.	Non-residents' deposits (net of lending)			-167				
7.	Non-deposit liabilities			97				
8.	External financing of public sector ..			417				
9.	Adjustments†			-86				
10.	Total above (equals DCE)			1,175				
11.	Adjustments† (contra-entry)			86				
12.	Public sector debt held by non-banking private sector			-144				
13.	Total			1,117				1,117

*This presentation follows a suggestion of Professor Brian Tew, University of Nottingham.

†See definition of DCE, above.

VIII. OTHER FINANCIAL INSTITUTIONS

Summary of other financial institutions

The institutions covered by this table are finance houses, building societies, the Investment Account of the National Savings Bank, special investment departments of trustee savings banks, and certain other deposit seeking institutions: insurance companies, superannuation funds, unit trusts, investment trusts quoted on United Kingdom stock exchanges, property unit trusts and certain special finance agencies which are quoted public companies engaged in the provision of medium and long-term finance to industry. Special Finance Agencies at 31 December 1969 comprised: Agricultural Mortgage Corporation, Charterhouse Industrial Development Co. Ltd., Commonwealth Development Finance Co. Ltd., Exporters Refinance Corporation; Finance Corporation for Industry Ltd., Industrial and Commercial Finance Corporation Ltd., Industrial Mergers Ltd., Insurance Export Finance Co. Ltd., Private Enterprises Investment Co. Ltd., Scottish Agricultural Securities Corporation Ltd., Scottish Industrial Finance Co. Ltd., Ship Mortgage Finance Company Ltd., Technical Development Capital Ltd. The summary shows the sources and uses of the capital funds of these institutions. As far as possible, transactions between the constituent institutions are excluded.

Savings banks: Investment accounts

The trustee savings bank's special investment departments and the National Savings Bank Investment Account are not included in the Exchequer group nor in the central government sector. Deposits received by these departments are included in the figures of national savings by the personal sector, but are not included in the figures of receipts of national savings by the public sector. The figures are shown as part of the series provided by the Department for National Savings.

Finance Houses

The figures, relate to the same finance houses as are in the table on Hire purchase and other instalment credit.

The series on finance house business have been rebased using the results of an inquiry taken in respect of business in the year 1965. This inquiry was designed to provide new benchmark figures for the monthly and quarterly series of finance house new credit, debt and assets and liabilities.

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 the Hire purchase and other instalment credit table, 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. Also loans on inter-company account are 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 from being affected by these 'institutional' arrangements.

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. Sales against credit checks, issued by check-issuing companies and exchanged in shops, are not included. Sales on non-instalment credit terms, such as against monthly charge accounts, are also not included.

Goods covered

Hire purchase and other instalment credit sales of durable goods are nearly all financed by durable goods shops and finance houses.

Durable goods shops (covering sales of furniture, carpets, soft furnishings, radio and television sets, cookers, refrigerators, washing machines and other domestic electrical goods, pedal cycles and perambulators) directly finance most of their instalment credit sales, the balance being directly financed by finance houses. The durable goods shops category corresponds with that distinguished in the statistics of retail trade. Department stores are excluded.

The main business of finance houses, however, is the direct financing of nearly all credit sales of motor vehicles and caravans together with a substantial amount of farm, industrial and commercial equipment and other non-household goods.

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 to 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 household goods 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 value of credit sales by durable goods shops (£303 million) in 1961 was derived from the census of distribution. The index numbers are projections of this figure calculated by means of monthly returns from a sample of durable goods shops comprising showrooms of gas and electricity boards, co-operative societies and a panel of retailers, multiple and independent.

The series on finance house business have been rebased using the results of the inquiry taken in respect of business in the year 1965. The index numbers of new credit are related to the 1966 averages. On this basis the value of new credit extended by finance houses in 1966 is estimated at £670 million. As in the case of the durable goods shops, the index numbers are projections of figures calculated by means of monthly returns from a sample of finance houses—all the largest and a selection of the smaller ones.

The totals of debt outstanding to retailers are projections of the end-1961 figures, £289 million for durable goods shops, £27 million for department stores and £107 million for other instalment credit retailers. For finance houses the end-1966 figure of £797 million reflects the 1965 finance house inquiry.

Quarterly series

The method used in deriving this series differs slightly from that described in the September 1961 issue of *Economic Trends*. The figures for new credit extended by finance houses now include household goods whereas formerly they were excluded. The estimates of new credit extended by shops now relate only to goods which the shops finance.

Building societies

The statistics are based on returns from a sample of about 90 societies, with assets amounting to 90 per cent. of total building society assets; all societies with assets exceeding £50 million are included together with about 3 in 4 of societies with less than £50 million but exceeding £10 million and about 1 in 13 of all other societies. Each year the figures of assets and liabilities are reconciled with the statutory returns made to the Registrar of Friendly Societies by all building societies.

The pre-1965 statistics are based on annual and quarterly samples smaller than the sample now used, together with the annual statistics of the Registrar of Friendly Societies based on the annual statutory returns made to the Registrar of all building societies.

The estimates of the net acquisition of other liabilities are obtained as the residual in the table and therefore do not allow for differences between bank and cash values of securities; they also include bank loans and sundry creditors. The liquidity ratio is the holdings of cash and investments as a percentage of total assets, including interest accrued on investments.

Property unit trusts

The statistics cover all United Kingdom property unit trusts subscriptions to which are restricted to pension funds and charities.

Unit trusts

The returns cover virtually 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 trust companies

Returns are made by members of the Association of Investment Trust Companies and other companies listed as investment trusts by the London Stock Exchange.

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.

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. From the first quarter of 1968, figures include the life funds of the Commonwealth companies that are members of the B.I.A. Figures for Collecting Friendly Societies, the two largest of which are members of the B.I.A., 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.: Consist of agents' balances, outstanding premiums, reinsurance balances, 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*, 30 July 1969 (page 294).

Superannuation funds: summary

The estimates cover the funded schemes of local authorities, the public sector (excluding local authorities) and the private sector, as separately analysed in subsequent tables, together with the superannuation funds of co-operative societies and net receipts by the central government from certain pension funds, such as those of the National Health Service, teachers, Forestry Commission, etc., which are considered to be loans to the parent organisation (central government). The pension funds of the Stationery Office and the Atomic Energy Commission are not included in this item.

Superannuation funds: public sector (excluding local authorities)

The figures are based on quarterly and annual returns received from funded schemes which are managed by their trustees. As the main superannuation arrangements in the central government sector are unfunded, these are excluded from the statistics. The schemes included 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, National Industrial Fuel Efficiency Service superannuation scheme and Royal Seamen's Pension Fund). From the fourth quarter of 1967 the estimates include the funded schemes of nationalised steel companies and from the fourth quarter of 1969 the Post Office Staff Superannuation Scheme.

Superannuation funds: local authorities

The figures of holdings are compiled from a four-yearly survey of investments and current assets and liabilities, the latest results of which relate to 31 March 1966. The survey covers all 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 non-reporting funds.

Information on the maturity classification of holdings of public sector securities is provided annually at 31 March by the funds and published as a supplementary table, normally in September.

Superannuation funds: private sector

The figures are compiled from returns received by the Board of Trade from a sample of self-administered superannuation and pension funds of the private sector. They relate to holdings of, and transactions in, the assets of private sector funds, including those of companies (including funds of any subsidiary companies) and non-profit-making bodies, whose investment policy is managed from within the United Kingdom. Estimates are included for funds not included in the sample or which have not responded. Funds which operate pri-

marily through insurance companies and funds of local authorities, public corporations or central government are not included.

All funds approached are asked to give their holdings of assets at end-year at current market values. For end-1968, 232 funds (about 83 per cent of the funds submitting returns) showed their assets at current market values. The assets of the 232 funds totalled about £3,760 million, about 85 per cent of the total value of holdings of all funds submitting returns. The remainder showed their assets at book or at cost values. About 44 per cent of the 277 funds submitting returns of holdings at end-1968 (with about 37 per cent of the total assets of all funds submitting returns) gave figures for an accounting date other than 31 December 1968.

The assets of the funds making returns to the Board of Trade 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*, 30 July 1969 (page 298).

IX. COMPANY SECTOR

Appropriation account of companies

The estimates in this table refer to privately controlled corporate enterprises organised for profit and resident in the United Kingdom. They cover registered public companies, private companies, co-operative societies and building societies. The area covered by the company sector changes substantially over time, because of nationalisation and denationalisation, the transfer of residence between this country and abroad, and because of the incorporation of unincorporated businesses. The steel companies which were nationalised in 1967 are treated as public corporations after vesting day (28 July 1967). For further details of the sources and methodology of estimates contained in the income and appropriation account see *National Accounts Statistics: Sources and Methods* (HMSO 1968) Chapter VII.

Gross trading profits relate to profits before providing for depreciation and stock appreciation and before deduction of tax and interest payments. The estimates are based upon tax data and seek to measure the actual profits made during the period.

Rent and non-trading income refers solely to income arising in the United Kingdom. It consists mainly of interest paid on public debt held by companies; interest accruing on hire purchase debt, building society mortgages and on bank advances made to the personal and public sectors; and rent received by property companies from letting land and buildings. Income from investments in other companies is excluded.

Income from abroad is calculated after deduction of depreciation but before payment of taxes. Company income from abroad consists of income on portfolio investment abroad and on direct investment. Income on direct investment includes the earnings (whether remitted to United Kingdom or not) of non-resident branches; the dividends and parent companies' share of undistributed income of non-resident subsidiaries; and interest on loans by United Kingdom parent companies to these branches and subsidiaries.

Dividends on ordinary shares are the dividends paid out in the period reckoned before deduction of income tax. Payments to other companies are excluded. Dividends paid by United Kingdom subsidiaries to their overseas parent companies are also excluded, since these are included in profits due abroad and taxes paid abroad.

Other interest payments etc. consist largely of debenture interest and interest accruing on bank and building society deposits. Also included in this item are dividends on preference shares, companies' current transfers to charities and co-operative society dividends and interest.

Profits due abroad and taxes paid abroad include the whole of the profits of United Kingdom subsidiaries—whether distributed or not—accruing to non-resident parent companies. Profits are reckoned after deducting depreciation. Included with these United Kingdom branches and subsidiaries are those of non-resident oil companies.

Payments of United Kingdom taxes on income. The taxes covered by this item were changed by the Finance Act, 1965, under which companies became subject to corporation tax instead of income tax and profits tax. Most companies were first assessed to corporation tax during 1966/67 and the tax first became payable on 1 January 1967. Prior to that, companies had been assessed to profits tax on their whole profits *plus* income tax on

their undistributed profits. Since the change, in addition to corporation tax companies have to account to the Inland Revenue for income tax on their distributed profits. For a further discussion of the tax estimates and the treatment of overspill relief etc. see *National Accounts Statistics: Sources and Methods* (HMSO 1968) especially pages 211–213.

From the 17 January 1966 the series is affected by the withdrawal of investment allowances, the changes in initial allowances and the introduction of investment grants.

Undistributed income is the balancing item in the table and is equivalent to company saving before providing for depreciation, stock appreciation, and additions to tax and dividend reserves.

Sources and uses of capital funds of industrial and commercial companies

Industrial and commercial companies are defined as in the financial accounts; they relate to all companies other than those classified as banks and other financial institutions. This table brings together, in summary form, the various series which are set out in full in the capital and financial transactions accounts of industrial and commercial companies.

Bank lending covers advances, commercial bills and money at call.

Other loans and mortgages comprises hire purchase debt, loans from the public sector (including the repayment of loans made by industrial and commercial companies to the British Steel Corporation) and loans by financial institutions.

Bank deposits include cheques in course of collection and items in transit.

Other liquid assets comprise Treasury bills, tax reserve certificates, local authority temporary debt and deposits with building societies and hire purchase finance companies.

Cash expenditure on acquiring subsidiaries in the United Kingdom: these figures include a small allowance for cash purchases of unincorporated businesses as going concerns and shares of retail co-operative societies. The series is based largely on reports of bids and deals published in the press. Also included are estimates from balance of payments statistics of overseas share and loan capital (excluding expenditure by oil companies which is classified as 'other identified overseas assets').

Other domestic assets comprise trade debt of the public corporations, accruals adjustment—the difference between accruals of local authority rates, purchase tax and interest flows (the basis on which these items are entered in the national accounts) and the corresponding cash payments—and certain other identified home assets.

Other identified overseas assets: the figures cover both short and long-term assets, including the acquisition of overseas share and loan capital by oil companies.

Unidentified items (residual) is the balancing item in the table. This represents to some extent, unrecorded acquisitions of stocks and shares (trade investments and marketable securities) and movements in trade credit. Any statistical errors in the appropriation and capital accounts of companies would also be reflected in this item.

Selected liquid assets of industrial and commercial companies

This table shows holdings by industrial and commercial companies of selected liquid assets as defined in the financial transactions accounts.

Treasury bills: obtained as a residual after other holders of market Treasury bills have been identified and therefore includes unidentified holdings by other sectors.

Tax reserve certificates: based on estimates of holdings by quoted companies and includes unidentified holdings by financial institutions.

Deposits with the banking sector are obtained from the sector analysis of gross deposits of the banking sector. They exclude cheques in course of collection and items in transit. Deposits with banks, other than deposit banks, include estimated holdings of negotiable sterling certificates of deposits.

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 manufac-

turing, 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 1964; thus, if companies within this population amalgamate, their place is taken by the new companies. Companies granted stock exchange quotations after 1964 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.

These tables replace those showing appropriation of income, balance sheet summary and sources and uses of capital funds published since December 1962, and reflect a revised system of analysing company accounts introduced at the end of 1964.

For details of the changes arising from the revisions see *Board of Trade Journal* for 11 February 1966.

Detailed figures corresponding to those in the tables for each of 22 industry groups are published annually by the Board of Trade in the *Business Monitor—Miscellaneous series*, under the title *Company finance*.

X. PERSONAL SECTOR

The personal sector is made up mainly of households and individuals resident in the United Kingdom as distinct from corporate businesses or organs of government. It includes individuals living in hostels and other institutions as well as those living in private households. The sector extends beyond households and individuals to include unincorporated private businesses of sole traders and partnerships such as farms, retail shops and independent professional men. It also includes private non-profit-making bodies serving persons and private trusts.

Personal income, expenditure and saving

Personal income is shown before tax divided into categories of income from employment, current grants from public authorities and 'other personal income' (income from self-employment, rent, dividends, and net interest and transfers to charters from companies). Income is estimated before providing for depreciation and stock appreciation. Deduction from total personal income of payments of taxes on income, national insurance, etc. contributions and transfers and taxes paid abroad gives personal disposable income. The figure for personal saving is obtained by subtracting consumers' expenditure from personal disposable income. Resulting as it does from the difference between two large aggregates, the figure for personal saving is subject to wide margin of error. The quarterly estimate of saving is before providing for stock appreciation, depreciation and additions to tax reserves.

The personal income and expenditure account is described in detail in Chapter VI (particularly pages 101-12) of *National Accounts Statistics: Sources and Methods* (HMSO 1968).

Sources and uses of funds of the personal sector

This table brings together various series which are set out in full in the capital and financial accounts of the personal sector.

Capital transfers (net) from 1967 includes a small amount of investment grants in respect of capital expenditure after 17 January 1966.

Bank advances exclude loans for house purchase.

Other loans and mortgages includes estimates of trade credit given by public corporations.

Accruals adjustment is the difference between accruals of local authority rates, subsidies and interest flows (the basis on which these items are entered in the national income accounts) and the corresponding cash payments.

Unidentified is the balancing item in the table. It is thought that one of the main omissions in the accounts represents trade credit granted to the personal sector by industrial and commercial companies. Any statistical errors in the personal income and expenditure accounts and in the capital accounts would also be reflected in this item.

Other local authority debt is derived from the analysis of total borrowing by the local authorities (Table 29). The unidentified element of that borrowing is allocated to the personal sector together with identified borrowing from persons.

Selected liquid assets of the personal sector

The table shows the personal sector's holdings of selected liquid assets as defined in the financial transactions accounts.

National savings comprises all national savings outstanding on the National Savings register.

Deposits with the banking sector are obtained from the sector analysis of gross deposits of the banking sector.

XI. OVERSEAS SECTOR

Balance of payments

The items in this table are more fully defined in *United Kingdom Balance of Payments, 1969* (HMSO 1969).

Current account

Exports and re-exports f.o.b., imports f.o.b.: the *Overseas Trade Statistics* of the United Kingdom 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 Statistics* figures of imports.

Government: this covers 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. The figures relate to both tankers and dry cargo vessels.

Transport—civil aviation: receipts and payments for passenger fares, freight, charter hire and airport disbursements.

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 films, telecommunications, education, royalties, commissions and banking (excluding interest earnings), overseas 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: this covers investment income remitted from, or to, the United Kingdom for payment of interest and dividends (after deduction of local taxes) plus profits (after deduction of depreciation) whether 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. From 1963, the item includes the direct investment income of United Kingdom insurance companies from the operations of their overseas branches, subsidiaries and associates; previously this was included as part of the credit entry for general insurance earnings in 'other services'.

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) and transfers of assets by migrants other than their 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 accounts; it represents the net total of the errors and omissions in all other items.

Monetary movements

E.E.A. loss on forwards: this item records the loss arising from the fact that the Exchange Equalisation Account's forward commitments entered into before devaluation have been recorded as being settled on maturity at the new parity.

Miscellaneous capital: changes in foreign currency balances held outside the Exchange Equalisation Account and all other identified transactions (mainly of a short-term monetary nature) not specifically provided for in other items. In the balance of payments presentation in *Financial Statistics* Miscellaneous capital also includes changes in official holdings of non-convertible currencies.

Change in liabilities in overseas sterling area currencies (net): changes in the net total of United Kingdom banks' external liabilities and claims in overseas sterling area currencies from 1963. For a description of the categories of liabilities and claims included see below. Before 1963, net liabilities in overseas sterling area currencies were included in overseas sterling holdings.

Change in external liabilities in non-sterling currencies (net): changes in official liabilities and in the net total of United Kingdom banks' liabilities and claims in non-sterling currencies. For a description of the categories of liabilities and claims included in the United Kingdom banks' series see below.

Change in external sterling liabilities (net): for periods to the end of 1962, the figures shown are changes in the net total of overseas sterling holdings and sterling acceptances outstanding; for subsequent periods they represent changes in external liabilities less claims in sterling. Liabilities to the International Monetary Fund are excluded from both series; they are taken into account in the item Change in account with I.M.F. For a description of the categories of sterling liabilities and claims which make up the series see below.

Change in account with I.M.F.: the figures are the net total of:

- (i) the United Kingdom subscription in gold to the I.M.F. on the increase in quotas in 1966 (-);
- (ii) I.M.F. gold deposits in the United Kingdom to alleviate the impact of gold purchases from the United Kingdom by other Fund members in order to pay the increase in their gold subscriptions (+);
- (iii) United Kingdom drawings from the Fund (+);
- (iv) United Kingdom repurchases from the Fund (-);
- (v) drawings in sterling from the Fund by other countries (-);
- (vi) repurchases in sterling by other countries (+);
- (vii) I.M.F. administrative and operational expenditure (-) and receipts (+). Receipts include charges payable in sterling on drawings from the Fund.

Transfer from dollar portfolio to reserves: the transfer of the government's portfolio of dollar securities to the gold and convertible currency reserves.

Change in official reserves: the change in the sterling equivalent of the gold, convertible currencies and S.D.R. held in the Exchange Equalisation Account.

United Kingdom external liabilities and claims in sterling

The categories of sterling liabilities and claims included in the 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 held for account of overseas residents, where the proceeds have still to be credited to overseas account.

Certificates of deposit, issued by United Kingdom banks, held for account of overseas residents.

British government and government guaranteed stocks known to be held for banks and central monetary institutions overseas, but not for other holders: at mainly nominal value and excluding issues by overseas public authorities guaranteed by the United Kingdom government.

Temporary loans to local authorities and deposits with hire purchase finance companies.

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 and held for United Kingdom residents where the proceeds have still to be received.

Acceptances outstanding.

A full description of the series and of the ways in which it differs from the former series of overseas sterling holdings appeared in the *Bank of England Quarterly Bulletin*, for June 1963.

External liabilities and claims of United Kingdom banks in non-sterling currencies

The categories of liabilities and claims included in the series are as follows:

Liabilities: Deposits and advances received from overseas residents; commercial bills drawn on United Kingdom residents and held by the banks on behalf of their overseas customers; and, from June 1966, negotiable dollar certificates of deposit issued in London.

Claims: Deposits with, and advances to, overseas residents; notes and coin; Treasury bills and similar short-term paper; commercial bills drawn on overseas residents and owned by the reporting institutions or held by them on behalf of their United Kingdom customers; and claims on overseas customers arising from acceptances.

Official reserves

These are the sterling equivalents of the gold and convertible currencies and, from January 1970, Special Drawing Rights held in the Exchange Equalisation Account. Gold is valued at 291s. 8d. per fine ounce and currencies at parity. Special Drawing Rights are valued at the same parity as the U.S. dollar.

International Monetary Fund

The United Kingdom total tranche position is the amount which the United Kingdom may draw from the Fund without raising the Fund's holding of sterling beyond 200 per cent. of quota. The quota was increased

from \$1,950 million (£696 million) to \$2,440 million (£871 million) in 1966. (The sterling equivalent of the United Kingdom quota after revaluation in November 1967 is £1,017 million.)

British government economic aid

This table shows the economic aid given from public funds by the United Kingdom government to developing countries under the British Aid Programme. A full description has been given in a series of White Papers published by the Ministry of Overseas Development, the most recent of which is 'Overseas Development—The Work in Hand' (Cmnd. 3180). An analysis by recipient country or institution is also included in the *Annual Abstract of Statistics*. A detailed analysis of British Aid Programme and other official flows is published annually by the Ministry of Overseas Development in *British Aid—Statistics of Economic Aid to Developing Countries* (HMSO price 27s. 6d.).

Bilateral aid

British bilateral economic aid is extended in two ways; financial aid for capital development and technical assistance.

Financial aid is given in the form of grants and loans for development projects, general development programmes, relief and reconstruction following natural disasters, assistance during emergencies and for budget support. The loans include Exchequer advances to the Commonwealth Development Corporation, but not total investment overseas by the Corporation.

Technical assistance includes education and training in Britain for persons from overseas; assistance towards the training of overseas nationals in their own countries; the supply of advisers, teachers and other operational personnel to work overseas and to maintain overseas public services; the supply of equipment and the conduct of surveys and research. It does not include expenditure in the fields of training and teacher supply by the British Council as part of its own overseas activities prior to 1 April 1967 (when such expenditure was included within the 'aid programme').

The loans figures are gross, but figures of grants and technical assistance are reported net of minor receipts and overissues.

Multilateral aid

The figures show the total contributions to multilateral aid giving agencies.

Agencies offering financial aid include the International Bank for Reconstruction and Development, the International Development Association, the United Nations Relief and Works Agency, the United Nations Fund for Civil Assistance in the Congo and the United Nations World Food Programme.

Agencies offering technical assistance consist mainly of the United Nations Development Programme and the United Nations Children's Fund. The figures do not include contributions to the United Nations and its specialised agencies, only part of whose budgets are spent on technical assistance.

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 countries (except Yugoslavia—also treated as a developing country), Australia, New Zealand, South Africa and Finland.

XII. CAPITAL ISSUES AND STOCK EXCHANGE TRANSACTIONS

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 companies and public authorities (including local authorities and international organisations). The estimates include United Kingdom local authority negotiable bonds (of not less than one year) issued to or through the agency of banks, discount houses, issuing houses or brokers. Mortgages, bank advances and any other loans redeemable in less than twelve months are excluded, as also are loans from United Kingdom government funds—but not government subscriptions made *pari passu* with the market to company issues. 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 where United Kingdom institutions took a leading part in arranging them. The amounts included are estimates of the proportions for which United Kingdom institutions arranged subscriptions. Estimates of the amounts raised 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; conversion

issues in lieu of cash repayment 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. ICFC). 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*.

A fuller description of the estimates is given in the *Bank of England Quarterly Bulletin* for June 1966.

Stock exchange transactions

The figures for the London stock exchange represent the sum of brokers' purchases on behalf of clients plus the sum of their sales on behalf of clients; that is, the transfer of a security from one member of the public to another counts as two deals. The Scottish figures are not comparable because any such transfer negotiated between two Scottish brokers is regarded as one deal. There is also an unknown element of duplication between the two series.

XIII. EXCHANGE RATES, INTEREST RATES AND SECURITY PRICES

Foreign exchange rates

The exchange rates for Australia, New Zealand, South Africa, India and Pakistan are:

Australia (£A to £100) (selling rate): 125 to 13 February 1966: From 14 February 1966 a new unit—the dollar—was established on the basis of £A1 = \$A2 with a selling rate of \$A2.50 = £1. Since the sterling devaluation of November 1967 the selling rate has been \$A2.1429 = £1.

New Zealand (£NZ to £100) (selling rate): 100.375 to end-June 1967: From 10 July 1967 a new unit—the dollar—was established on the basis of £NZ1 = \$NZ2. Since the sterling and New Zealand dollar devaluations of November 1967 the selling rate has been \$NZ2.1367 = £1.

South Africa: From 14 February 1961 a new unit—the Rand—with a selling rate (Rand to £100) of 199.75 was established on the basis of £SA1 = Rand 2. Since the sterling devaluation of November 1967 the selling rate has been £100 = R171.214.

India (Bombay): (average of daily mean rates) 18.00 pence per rupee to 5 June 1966. The par value of the Indian rupee was revised with effect from 6 June 1966 to give a selling rate of 100 rupees = £4.7660. Since the sterling devaluation of November 1967 the selling rate has been 100 Rupees = £5.5605.

Pakistan (Karachi): (averages of daily mean rates) 18.00 pence per rupee to November 1967. After the sterling devaluation of November 1967 the selling rate was 1s. 9½d. per rupee, but the basis of quotation of the Pakistan rupee was revised from 15 July 1968 to give a selling rate of Rupees 100 = £8.763.

British government 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 (currently 8/3 in the £). 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 apportionment of the calculated capital gain or loss on dated securities held to redemption: more precisely it is the rate of interest which if used to discount future dividends and the sum due at redemption will make their present value equal to the present price of the stock. 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. From April 1965 to March 1969 the net redemption yield allows also for tax (currently at 30% for individuals) on capital gains to redemption. From May 1965 to March 1969, however, it ignores any appreciation between the lowest price at which the stock was issued and its redemption price; such appreciation was exempt from capital gains tax. After March 1969 the deduction for capital gains tax is made only on stocks with less than one year to redemption.

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 or low-taxed 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 III.

Tax reserve certificates

The rates of interest (free of tax) paid on tax reserve certificates for the period from 1955 to end-1964 were as follows:

From 1954	14 July	..	..	1%
1955	21 February	..	..	1½%
	21 March	..	..	1½%
	11 July	..	..	1½%
	10 September	..	..	2½%
1956	29 February	..	..	3%
1957	25 September	..	..	3½%
1958	29 March	..	..	3½%
	7 June	..	..	3%
	20 August	..	..	2½%
	29 November	..	..	2½%
1960	27 January	..	..	2½%
	28 May	..	..	2½%
	29 June	..	..	3½%
	26 November	..	..	3%
1961	12 August	..	..	3½%
	25 November	..	..	3½%
1962	24 March	..	..	3%
	28 April	..	..	2½%
	25 August	..	..	2½%
1963	19 January	..	..	2½%
1964	28 March	..	..	2½%
	28 November	..	..	3½%

Company security prices and yields

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 and annual 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 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 Industrial share index for 500 shares 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 Classes Index an index for 100 equity shares of financial and property companies is combined with the 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. From August 1965 earnings are taken as gross profit less corporation tax and other charges and gross preference dividends; the yields given relate to earnings with corporation tax at 40% up to end-November 1967, 42½% from 6 December 1967 and 45% from 8 May 1969. Previously earnings were taken as net profit (gross profit less income tax, profits tax and other charges and net preference dividends) grossed up for income tax.

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.

Debenture and loan stocks: The index and yield for debenture and loan stocks are calculated from the price changes of fifteen medium-termed 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 and yields for the three groups are combined in a weighted average to provide a price index and gross redemption yield appropriate to a stock of exactly twenty years duration. The weights for the various groups change daily.

'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.

'The Times' indices of industrial ordinary share prices

These figures are taken from *The Times* daily index numbers of Stock Exchange security prices. Full details of the composition and compilation of the index numbers are given in the booklet, *The history, method of calculation*

and first revision of *The Times Stock Exchange indices* (The Times Publishing Company Ltd.).

The base date for index numbers before 1964 is 2 June 1959 and thereafter 2 June 1964. 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 market value of the issue on 31 March 1964 (or, before June 1964, to the average market value on two dates: 1 July 1958 and 27 October 1959).

The index for all classes covers 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.

Monthly and annual figures are the averages of working days.

Short-term money rates

Commercial bills: discount market buying rates: Trade bills (3 months): the rate at which trade bills are discounted depends on their quality. The figures shown are market rates for bills of good average quality. Some trade bills are discounted at lower rates.

Deposits with hire purchase finance houses: The spread of rates quoted are those given by some of the main hire purchase finance houses for new deposits of a fixed term of three or six months. These 'fixed' rates do not vary automatically with Bank rate during the currency of the deposit. Rates are to some extent subject to negotiation and different rates may be paid on large amounts.

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 market rates or at Bank rate.

Bank rate for the period 1932 to end-1962 was as follows:

From 1932	30 June	..	..	..	2%
1939	24 August	..	..	..	4%
	28 September	..	..	..	3%
	26 October	..	..	..	2%
1951	8 November	..	..	..	2½%
1952	12 March	..	..	..	4%
1953	17 September	..	..	..	3½%
1954	13 May	..	..	..	3%
1955	27 January	..	..	..	3½%
	24 February	..	..	..	4½%
1956	16 February	..	..	..	5½%
1957	7 February	..	..	..	5%
	19 September	..	..	..	7%
1958	20 March	..	..	..	6%
	22 May	..	..	..	5½%
	19 June	..	..	..	5%
	14 August	..	..	..	4½%
	20 November	..	..	..	4%
1960	21 January	..	..	..	5%
	23 June	..	..	..	6%
	27 October	..	..	..	5½%
	8 December	..	..	..	5%

1961	25 July	..	..	..	7%
	5 October	..	..	..	6½%
	2 November	..	..	..	6%
1962	8 March	..	..	..	5½%
	22 March	..	..	..	5%
	26 April	..	..	..	4½%

Clearing banks: rates of interest on advances

The rates of interest charged by the clearing banks for their advances are in general linked to Bank rate. The rates charged depend on the nature and status of the customer, but most lending is currently at rates between Bank rate + ½% and Bank rate + 2½%; the rates so calculated may not, however, fall below a specified minimum.

In detail:

Customer	Rate
Nationalised industries (with Treasury guarantee)	Bank rate + ½% (4½% minimum)
Local authorities	Bank rate + 1% (5% minimum)
Building societies	The 'blue-chip' rate.
Insurance companies	
First-class industrial and commercial borrowers	
Hire-purchase companies	Bank rate + 1½% or more (6½% minimum) Minimum rate.

Customer	Rate
Export loans (EGCD guaranteed)	(i) Up to 2 years. Bank rate (4½% minimum) (ii) 2-15 years. 5½%
Other industrial and commercial, and private	At discretion, but in no case less than 1% over Bank rate (5% minimum)

Building societies: rates of interest

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: 1959/60, 5s. 1½d.; 1960/61, 5s. 4d.; 1961/62, 5s. 5d.; 1962/63, 5s. 6d.; 1963/64, 5s. 5d.; 1964/65, 5s. 10d.; 1965/66, 6s. 2d.; 1966/67 and 1967/68, 6s. 3d.; 1968/69, 6s. 5d.; 1969/70, 6s. 5½d. Changes in the rates by individual societies which are members of the Association are not made simultaneously.

Trustee savings banks: special investment departments

Mean nominal deposit rates are higher than the actual average rates paid because interest is paid on complete pounds deposited for full monthly periods reckoned to the 20th day of each calendar month. It is estimated that the average rates paid are about 0.05 lower than mean nominal rates.