

UK monetary aggregates: main definitional changes

An article in the October 2002 edition of *Bankstats*¹ noted how institutional and product innovations had led to many changes in the definition of (broad) money in the UK. The following table provides details of the main definitional changes to the UK monetary measures, and gives references where more detail can be found. The starting point of 1970 was chosen because it was when the Bank of England began publishing a range of monetary aggregates in the *Bank of England Quarterly Bulletin (BEQB)*.

Date	Measure	Event	Detail	Reference
1970	M1	First published	<ul style="list-style-type: none"> Notes and coin in circulation with the public; <i>plus</i> UK private sector's (defined as non-bank private sector) sterling current accounts held with banks in the UK. 	BEQB, September 1970 - p. 320
	M2	First published	<ul style="list-style-type: none"> M1; <i>plus</i> UK private sector's sterling time deposits held with deposit banks, and similar accounts held with discount houses. 	BEQB, September 1970 - p. 320
	M3	First published	<ul style="list-style-type: none"> Notes and coin in circulation with the public; <i>plus</i> UK private and public sectors' sterling and non-sterling deposits held with the UK banking sector. 	BEQB, September 1970 - p. 321
1972	M2	Discontinued	Distinction between deposit accounts with deposit banks and discount houses, and similar deposit accounts with other banks was no longer valid.	BEQB, March 1972 - p. 77
1975	M1	Re-defined	'Current accounts' replaced by a more precisely defined category of sight deposits, which included money at call and money placed overnight. This allowed funds placed by the UK private sector with discount houses that fell within the new definition of sight deposits to be included in M1.	BEQB, June 1975 - p. 164-165
1977	£M3	Introduced	M3, excluding foreign currency deposits.	BEQB, March 1977 - p. 39.
1980	PSL1 ²	Introduced	<ul style="list-style-type: none"> M1; <i>plus</i> UK private sector's sterling time deposits with an original maturity of up to two years held with banks in the UK; <i>plus</i> UK private sector's holdings of sterling bank certificates of deposit, money market instruments (banks bills, Treasury bills, local authority deposits) and certificates of tax deposits. 	BEQB, March 1984 - p. 79
	PSL2	Introduced	<ul style="list-style-type: none"> PSL1; <i>plus</i> UK private sector's holdings of building society deposits (excluding term shares and SAYE³) UK private sector's holdings of National Savings instruments (excluding certificates, SAYE and other long term deposits). <p>Building societies' holdings of bank deposits and money market instruments were excluded.</p>	BEQB, March 1984 - p. 79

¹ 'Compilation methods of the components of broad money and its balance sheet counterparts', Karen Westley and Stefan Brunken, October 2002.

² Private Sector Liquidity

³ Save As You Earn

Date	Measure	Event	Detail	Reference
1981	Wide monetary base (M0)	Introduced	<ul style="list-style-type: none"> Notes and coin in circulation with the public; <i>plus</i>, Banks' till money; <i>plus</i> Banks' operational balances with the Bank of England. <p>After December 1983 was referred to as M0.</p>	BEQB, March 1981 – p. 59-61
1982	All measures	Re-definition of UK banking sector	The UK banking sector as defined for the calculation of monetary aggregates was extended and called the monetary sector. It included all recognised banks and licensed deposit takers ⁴ (LDTs), the National Girobank, the trustee savings banks, the Banking Department of the Bank of England, and those banking institutions incorporated in the Channel Island and Isle of Man which opted to comply with the new monetary control arrangements.	BEQB, December 1981 – p. 531-537
	M2	Re-introduced	<ul style="list-style-type: none"> Notes and coin in circulation with the public; <i>plus</i>, UK private sector's non-interest-bearing sterling sight deposits with banks in the UK; <i>plus</i> UK private sector's interest-bearing retail sterling deposits with banks in the UK. <p>Retail was defined by reference to size, transferability and maturity.</p>	BEQB, June 1982 – p. 224 - 225 & BEQB, December 1982 – p. 531
1983	M2	Re-defined	Expanded to include:- <ul style="list-style-type: none"> All shares and deposits with building societies that were within one month of maturity; and. Deposits with the National Savings Bank ordinary account. 	BEQB, March 1983 - p. 78
1984	M0	Re-defined	Published as a weekly average instead of being measured as a level at the end of each banking month.	BEQB, March 1984 - p. 78
	M3, £M3	Re-defined	Re-defined to exclude the UK public sector's sterling deposits with banks in the UK.	BEQB, March 1984 - p. 78
1986	PSL2	Re-defined	Expanded to include:- <ul style="list-style-type: none"> Building society term shares and SAYE deposits; and UK private sector's sterling deposits with an original term longer than two years held with banks in the UK. 	BEQB, June 1986 - p. 186.
1987	M3, £M3, M3c	Re-named	£M3 renamed M3 Old M3 renamed M3c.	BEQB, August 1987 Statistical annex
	M4	Introduced	UK private sector's (for first time defined as the non-bank non-building society private sector) holdings of:- <ul style="list-style-type: none"> Sterling notes and coin; <i>plus</i> Sterling deposits (including certificates of deposit) with banks in the UK; <i>plus</i> Building society shares, deposits, and sterling certificates of deposit. 	BEQB, May 1987 – p. 212-219
	M5	Re-named	New name for PSL2.	BEQB, May 1987 – p. 212-219
	PSL1	Discontinued	PSL1 discontinued. Last published in BEQB May 1987 Statistical annex.	

⁴ With the exception of **branches** in the Channel Islands and Isle of Man that 'opted-out' from complying with the new monetary control arrangements

Date	Measure	Event	Detail	Reference
1990	M3, M1, M3c	Discontinued	Ceased to be published due to the conversion of Abbey National Building Society to a bank, which caused a major break in each series. The non-interest-bearing component of M1 (nib M1) continued to be published.	BEQB, August 1989 – p. 352-353
	M4c	Introduced	<ul style="list-style-type: none"> M4; <i>plus</i> UK private sector's foreign currency deposits with banks and building societies in the UK. 	BEQB, August 1989 – p. 352-353
1991	M2	Re-defined	This was re-defined to form a subset of M4. Deposits with the National Savings Bank and building societies' holdings of notes and coin were removed.	BEQB, February 1991 Statistical annex
	Nib M1 ⁵ , M5, M4c	Discontinued	No longer published.	BEQB, February 1991 Statistical annex & BEQB, May 1991 Statistical annex
1992	M3H	Introduced	<ul style="list-style-type: none"> M4; <i>plus</i> UK private sector's foreign currency deposits held with banks and building societies in the UK; <i>plus</i> UK public corporations' sterling and foreign currency deposits held with banks and building societies in the UK. 	BEQB, August 1992 - p. 332
1993	M2	Re-defined	'Retail' deposits were re-defined. Building societies' 'retail' deposits included all shares held by, or sums deposited by, individuals. Banks' 'retail' deposits are defined as those which arise from a customer's acceptance of an advertised rate (including nil) for a particular product. This series is also known as the 'retail' component of M4.	BEQB, February 1993 Statistical annex
	Divisia	Introduced	The Divisia index is based on the components of M4, weighted according to their liquidity.	BEQB, May 1993 – p. 240-255 & BEQB, August 1993 Statistical annex
1997	M2, M3H, M4	Re-defined	Any banks in the Channel Islands and Isle of Man that had 'opted in' to the monetary control arrangements were removed from the monetary sector. Business with the Channel Islands and Isle of Man was re-classified as non-resident.	'Outcome of the review of banking statistics, including effects on monetary and other banking statistics' September 1997 edition of <i>Monetary and financial statistics</i>
1999	Estimate of euro-area M3 for the UK	Introduced	This measure provides an estimate of the European Central Bank's broad money aggregate M3, but for the UK . This series replaced the M3H European harmonised aggregate that was previously published for comparison purposes.	Explanatory notes of <i>Monetary and financial statistics</i>

⁵ The non-interest-bearing component of M1

