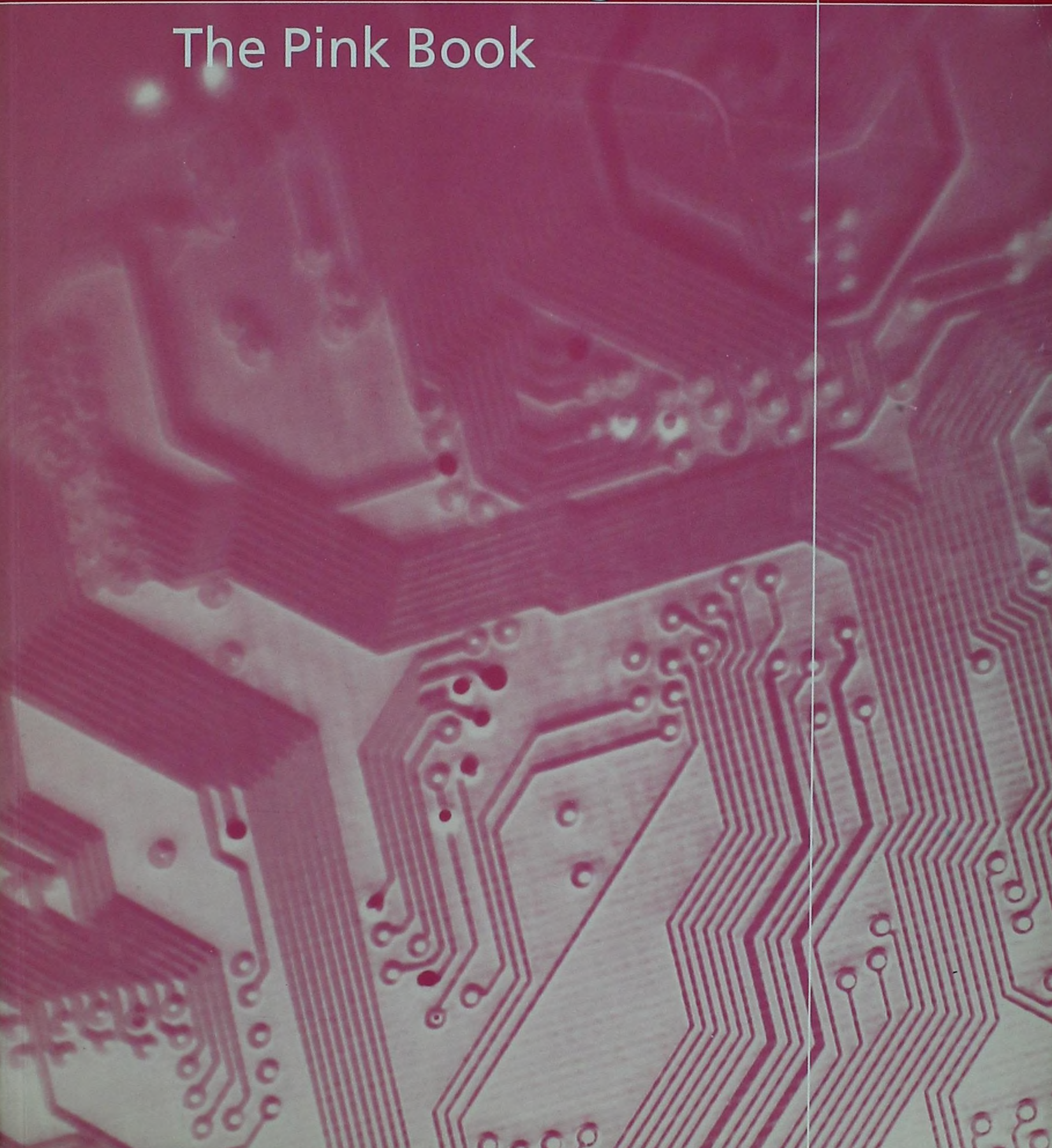


# **United Kingdom Balance of Payments**

## **The Pink Book**





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The Office for National Statistics (ONS) is the government agency responsible for compiling, analysing and disseminating many of the United Kingdom's economic, social and demographic statistics, including the retail prices index, trade figures and labour market data, as well as the periodic census of the population and health statistics. The Director of ONS is also the National Statistician and the Registrar General for England and Wales, and the agency that administers the statutory registration of births, marriages and deaths there.



# United Kingdom Balance of Payments



Editor: Perry Francis

The  
Pink  
Book  
  
*2000*



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## Preface

The annual National Statistics Pink Book contains estimates of the balance of payments of the United Kingdom. The presentation of the accounts is based on the IMF Balance of Payments Manual 5th edition (BPM5).

### Pink Book data in computer-readable form

This publication is available in electronic format via the National Statistics DataBank Service and StatBase/TimeZone® Services.

The DataBank Service provides electronic versions of various National Statistics business and economic publications and press notices on diskette, or as files downloadable via the internet. A DataBank catalogue can be found on the National Statistics website at <http://www.statistics.gov.uk/databank/dbcatalog.asp>.

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### Quarterly estimates

Quarterly estimates of the main components of the balance of payments for the last two years are published in a quarterly National Statistics First Release and in more detail in *"UK Economic Accounts"*.

Long run quarterly and annual estimates consistent with the *Pink Book* are published in the *Economic Trends Annual Supplement*. The latest estimates are also given in summary form in the *Monthly Digest of Statistics* and in *Financial Statistics*.

### Comments and inquiries

The Office for National Statistics (ONS) is keen to receive comments on this publication and suggestions for improvements which can be considered for future editions of the *Pink Book*. Comments can be sent, in writing, to

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### Acknowledgements

The balance of payments accounts are prepared by the Balance of Payments and Financial Sector Division of the ONS, in collaboration with other divisions within the ONS and with other government departments and the Bank of England. Acknowledgement is made of the assistance provided by these organisations together with information and advice supplied by various private sector bodies.

In addition, the editor is personally indebted to the Pink Book production team of Matthew Badger, Jusnara Khanom and Shahana Muslim and to colleagues at the Australian Bureau of Statistics for the use of much of the material in the conceptual introduction and link to the national accounts section.

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# An introduction to the United Kingdom balance of payments

## Introduction

The balance of payments is one of the UK's key economic statistics. It measures the economic transactions between United Kingdom residents and the rest of the world. It also draws a series of balances between inward and outward transactions, provides an overall net flow of transactions between UK residents and the rest of the world and reports how that flow is funded. Economic transactions include:

- (i) exports and imports of goods, such as oil, agricultural products, other raw materials, machinery and transport equipment, computers, white goods and clothing;
- (ii) exports and imports of services such as international transport, travel, financial and business services;
- (iii) income flows, such as dividends and interest earned by foreigners on investments in the UK and by the UK investing abroad;
- (iv) financial flows, such as direct investment, investment in shares, debt securities, loans and deposits; and
- (v) transfers, which are offsetting entries to any one-sided transactions listed above, such as foreign aid and funds brought by migrants to the UK.

The international investment position measures the levels of financial investment with the rest of the world, inward and outward.

## International statistical standards

The ONS follows the international standards relating to balance of payments and international investment position statistics. There are several reasons for this. First, domestic and foreign analysts will be assured that the UK's official balance of payments and international investment position statistics comply with objective, coherent international standards that reflect current, global analytic needs. Second, the UK is a member of the international community and international users need comparable data for comparison between countries. Third, the UK, as a member of the European Union, as well as organisations such as the IMF and OECD, needs to compile its various economic statistics in conformity with standards set by those organisations. Fourth, the UK can compare and reconcile its data with those of other countries. Statistics need to be as comparable as possible in order to carry out this validation.

To facilitate such consistency and to provide guidelines for its members, the IMF issued the *Balance of Payments Manual*. The first edition appeared in 1948 and the most recent (fifth) edition in 1993. The conceptual framework of the UK balance of payments corresponds to that underlying the fifth edition of the IMF Manual, referred to as *BPM5*. *BPM5* was implemented in the UK's balance of payments accounts and international investment position statistics in September 1998.

A process of reviewing the existing international standards started in the mid 1980s with the specific objective of harmonising, to the maximum

extent possible, the statistical concepts, definitions, statistical units, classifications and terminology. Release of the revised standards started in 1993 with *BPM5* and the third edition of the *System of National Accounts* (*SNA93*). *BPM5* was prepared by the IMF in close cooperation with national compilers and with the Statistical Office of the European Communities, the OECD, the United Nations and the World Bank. Those five organisations jointly published *SNA93*. In 1995 the EU produced its own version of *SNA93*, the European System of Accounts (*ESA95*) upon which the UK's national accounts are based and which is consistent with *BPM5*.

## Conceptual framework definitions

### Balance of payments

Broadly speaking, the UK balance of payments is a statistical statement designed to provide a systematic record of the UK's economic transactions with the rest of the world. It may be described as a system of consolidated accounts in which the accounting entity is the UK economy and the entries refer to economic transactions between residents of the UK and residents of the rest of the world (non-residents).

The balance of payments accounts are concerned not only with payments made but also any economic transactions during a period that give rise to a payment in an earlier or later period, e.g. goods may change ownership in one period, though payment may be made in an earlier period (pre-payment) or in a later period (trade credit). They also include transactions for which there may never be a payment, e.g. goods shipped under foreign aid or goods shipped between related enterprises. There is also more than one 'balance': the balance of payments is a system of accounts in which many balances can be derived, such as the balance of goods and services, the balance on current account, and the balance on capital and financial account.

Balance of payments statements cover a wide range of economic transactions which include:

- (i) goods, services, income and current transfers; and
  - (ii) capital transactions, such as capital transfers, and financial transactions involving the UK claims on, and liabilities to, non-residents.
- Category (i) is shown in the current account and category (ii) in the capital and financial account.

### International investment position

The UK's international investment position is a closely related set of statistics. It can be viewed as the balance sheet recording the UK's stock (or level) of foreign financial assets and liabilities at a particular date. The net international investment position is the difference between the stock of foreign financial assets and foreign liabilities at a particular date.



Viewed more broadly, the international investment position can be shown as a reconciliation statement of the stock of investment at two different points in time by showing financial transactions and other changes (non-transaction changes) such as price changes, exchange rate variations and other adjustments that occurred during the period. Financial transactions which are included in the reconciliation statement are equivalent to the transactions measured in the financial account of the balance of payments. The ONS does not currently compile such a reconciliation of the international investment position.

Classifications such as assets and liabilities, type of investment (direct, portfolio and other investment and reserve assets), and instrument of investment, are used consistently in both the balance of payments and the international investment position.

### Concepts of territory and residence

In compiling the UK balance of payments and international investment position, the UK economy is conceived as comprising the economic entities that have a closer association with the territory of the UK than with any other territory. Each such economic entity is described as a resident of the UK. Any economic entity which is not regarded as a resident of the UK is described as a non-resident. The concept of residency is not based on nationality.

The UK's economic territory is defined to include the territories lying within its political frontiers and territorial seas, and in the international waters over which it has exclusive jurisdiction. It also includes its territorial enclaves abroad holding embassies, consulates, military bases, scientific stations, information or immigration offices, aid agencies etc., whether owned or rented by the UK governments with the formal agreement of the countries where they are located.

The UK offshore islands – Jersey, Guernsey and Isle of Man – are classified as non-resident to the UK. Thus transactions between UK residents and the islands are in the balance of payments, but transactions between islanders are not counted in the UK balance of payments. The islands are not part of the EU, so statistics relating to them are not required under ESA95 and they have to be excluded from the UK's economic territory to ensure full UK consistency with ESA95. This treatment is also technically consistent with BPM5 recommendations which states that 'In a maritime country, economic territory includes islands that belong to the country and are subject to the same fiscal and monetary authorities as the mainland; goods and persons move freely to and from the mainland and islands...'. The offshore islands are subject to their own fiscal authorities and have their own tax systems. Furthermore there are impediments to taking up residency on the Channel Islands.

The residents of the UK comprise:

(i) Resident general government institutions including the Scottish Parliament, Welsh Assembly and local government authorities and statutory bodies. The UK embassies, consulates, military establishments,

etc. physically located abroad are included in the UK's economic territory and are therefore residents; similar entities of other countries physically located within the UK are outside the UK's economic territory and are therefore non-residents.

(ii) Resident financial and trading enterprises which include all enterprises engaged in the production of goods and services on a commercial or equivalent basis within the territory of the UK. Enterprises may be incorporated or unincorporated; privately or government owned and/or controlled; and locally or foreign owned and/or controlled. The definition of an enterprise in terms of the territory in which it is located often makes it necessary to divide a single legal entity into a head office operating in one economy and a branch operating in another economy. Resident enterprises include UK branches of foreign companies and exclude foreign branches of UK companies.

(iii) Resident non-profit bodies which are those in which individuals and/or enterprises combine, as owners, to produce goods and services within the territory of the UK for purposes other than to provide a financial return for themselves. Examples are churches, charitable organisations and representative business organisations such as Chambers of Commerce.

(iv) Resident households and individuals which broadly encompass all persons residing in the territory of the UK for one year or more, whose general centre of economic interest is considered to be the UK. The UK's official diplomatic and consular representatives, the UK's armed forces, other UK government personnel stationed abroad and their dependants, and UK students studying abroad are also included even though they may all be abroad for one year or more. They are treated as UK residents since their centre of interest is considered to be the UK. Generally, the centre of interest of persons visiting the UK for less than one year is considered to be outside the UK and they are therefore regarded as non-residents but if they stay for one year or more they are considered to be residents for balance of payments purposes. Irrespective of their length of stay, non-residents also include foreign diplomatic, consular, military and other government personnel, their dependants, and foreign students studying in the UK.

### Double-entry system

Conceptually, an economic transaction has two sides: something of economic value is provided and something of equal value is received. The double-entry recording system in the balance of payments reflects this. When an economic value is provided (e.g. UK exports a car) a credit entry is made, and when the corresponding economic value is received (e.g. a payment for the car) a debit entry is made. For example, when an exporter sells (provides) goods to a non-resident, the exporter may receive cash (a financial asset) or another type of financial asset (e.g. a trade credit claim) in return. The export is represented by a credit entry and the financial asset acquired is represented by an offset debit entry. Similar entries are made when an importer buys a car (debit) and pays for it (credit). So a credit entry represents a change in rest of world ownership



<p><b>Rules for the UK double entry system</b></p> <p><b>Credit entries</b>, changes in all economic resources provided by the UK to non-residents, including:</p> <p>Export of goods and services.</p> <p>Income accruing on the resources to UK from non-residents.</p> <p>Financial liabilities of the UK to non-residents</p> <p>Transfers which are offsets to debit entries.</p>	<p><b>Debit entries</b>, changes in all economic resources received by the UK from non-residents, including:</p> <p>Imports of goods and services.</p> <p>Income accruing on the resources to non-residents from UK.</p> <p>Financial claims of UK on non-residents</p> <p>Transfers which are offsets to credit entries.</p>
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Examples of UK double entry recording		Credits	Debits
1. Sale of goods (value 100) to non-residents for foreign exchange (i.e. goods provided and bank payment (a bank deposit) received in an account held abroad)			
Goods	100		
Bank deposits, foreign currency assets			100
2. Purchase of goods (value 120) from a non-resident using trade credit (i.e. goods received and a claim on a resident (trade credit liability) provided)			
Goods			120
Trade credit liabilities	120		
3. Food aid (value 5) provided to non-residents (i.e. goods provided and transfer imputed)			
Goods	5		
Current transfers			5
4. Repayment of a loan (value 25) by a resident company to a non-resident lender (i.e. liability to a non-resident reduced and a reduction in bank deposits held abroad)			
Loan repayment	-25		
Bank deposits, foreign currency, assets			-25

of any sort of UK asset (real or financial); a debit entry represents a change in UK ownership of rest of world assets.

An understanding of the double-entry recording system is necessary for a complete understanding of balance of payments statistics.

Under the double-entry system, by definition credit entries must equal debit entries. Credit entries are required for exports of goods and services, income receivable, and increases in financial liabilities or reductions in assets. Likewise, debit entries are required for imports of goods and services, income payable, and increases in assets or reductions in liabilities. Where something of economic value is provided without something of economic value in exchange (i.e. without a quid pro quo) the double-entry system requires an offset to be imputed (a transfer entry) of equivalent value. For example, food exported as aid requires a credit entry for the goods provided and a debit transfer as the aid offset.

**Sign convention in the UK balance of payments statistics**

The sign convention used in presenting the UK balance of payments statistics is to give a positive sign to an increase in either credit or debit entries and a negative sign to a decrease in credit or debit entries. Balances or items which are net credits have no sign, while balances which are net debits have a negative sign.

When considering making international comparisons it should be borne in mind that there is no unique or correct sign convention and other countries/institutions use variations. In particular the convention used by the IMF in their publications gives no sign to credit entries and a minus sign to all debit entries (e.g. imports and acquisitions of assets).

**Errors and omissions**

It follows that, in principle, under a double-entry accounting system, the difference between the sum of credit and debit entries must be zero. In practice, some transactions are not measured accurately (i.e. errors) and



some are not measured at all (i.e. omissions). Data sources used to compile the accounts often measure the credit and debit sides from different data sources and may not always do so consistently. There could be many reasons why these sources may not measure the acquisition side of the transaction and the corresponding payments, either in the same accounting period or at the same value. To restore the equality of credit and debit entries, a net errors and omissions item is included in the balance of payments accounts. The item indicates whether credit or debit transactions would be needed to balance the accounts, but does not show where the discrepancy lies. Usually the financial account is considered to be the most likely source.

### Valuation

It is important that the balance of payments and international investment position statistics carry values that have economic meaning to enable useful analysis, and to provide meaningful indicators of cross-border economic activity. It is also important for the double-entry accounting system that a uniform valuation is adopted. This means that the credit and debit entries of each transaction—which in practice may be derived from independent sources—should be valued at the same price. In addition, a uniform valuation is essential to sum different types of transactions on a consistent and comparable basis. The use of a uniform valuation principle aids understanding by users. Moreover, statistics for different countries will not be comparable unless both parties to a transaction adopt the same valuation principle. It is also important to use a principle which is consistent with national accounting principles. For all these reasons, market price is used in UK economic statistics for valuing transactions.

Market price is the amount of money that a willing buyer pays to acquire something from a willing seller, when such an exchange is between independent parties and involves only commercial considerations. In practice, one or more of the conditions needed to establish a market price may be absent and other valuations may be used.

For the most part, the price at which a transaction is recorded in the accounts of the transactors or in the administrative records used as data sources will be the market price or a very close approximation of it. This valuation is known as the transactions price and is the practical valuation basis used in the balance of payments, both because it aids consistent recording of credits and debits and because of its usual proximity to the ideal market valuation. The following paragraph discusses a special case of transactions where market prices may not apply, namely transfer pricing between affiliated enterprises in different countries.

#### *Transfer pricing*

Where transactions are between affiliated enterprises in different countries, the prices adopted in their books for recording transactions in goods and services and any associated indebtedness and interest—referred to as transfer prices—may not correspond to prices that would be charged to independent parties. There will be some departure from

the market price principle if transfer prices are different from those charged to enterprises outside the group. However there are practical difficulties in identifying and suitably adjusting individual cases. Transfer pricing to avoid tax is illegal in the UK so the distortions in the international accounts caused by transfer pricing are not considered widespread. For both reasons, adjustments to account for transfer pricing are rarely made in practice.

### Assets and liabilities

As with all international investment position statistics, foreign financial assets and liabilities should, in principle, be valued at their current market price at the reference date. In practice this is not always possible and valuation guidelines are adopted in order to approximate market valuation, particularly for those financial assets and liabilities that are only rarely transacted. For example, in measuring the value of direct investment in equity capital, much of which is never traded or is traded infrequently, market value is approximated by one of the following methods: a recent transaction price; directors' value; or net asset value.

### Unit of account and conversion

Transactions and stock positions originally denominated in foreign currencies need to be converted to pounds sterling using market rates of exchange prevailing at the time of the transaction (balance of payments) or at the reference date (international investment position). Transactions should be converted at the mid-point of the buying and selling exchange rates applying at the time of transaction. Stocks should be converted at the mid-point of the buying and selling exchange rates applying at the beginning or end of the period. In practice, the actual rate used varies according to the source of the transaction or stock data.

### Time of recording

#### Transactions

The time of recording of transactions in balance of payments and international investment position statistics is, in principle, the time of change of ownership (either actual or imputed). Under the double-entry system, both sides of a transaction should be recorded in the same period. This is consistent with the principle of accrual accounting, which requires that transactions be recorded when economic value is created, transformed, exchanged, transferred or extinguished.

Change of ownership is considered to occur when legal ownership of goods changes, when services are rendered and when income accrues. In the case of transfers, those which are imposed by one party on another, such as taxes and fines, should ideally be recorded at the moment at which the underlying transactions or other flows occur which give rise to the liability to pay; other transfers should be recorded when the goods, services etc. change ownership.

For financial transactions, the time of change of ownership is taken to be the time when transactions are entered in the books of the transactors. That is taken to be the time when a foreign financial asset or liability is



acquired, relinquished by agreement, sold or repaid. The commitment or pledging of an asset does not constitute an economic transaction, and no entry should be shown unless a change of ownership actually occurs in the period covered. Likewise, the entries for loan drawings should be based on actual disbursements and not on commitments or authorisations. Entries for loan repayments should be recorded at the time they are due rather than on the actual payment date.

Both sides of a transaction should be recorded in the same period. In practice the time of recording of transactions in the balance of payments and international investment position statistics will reflect the practices in data sources, and may diverge from the principle of time of change of ownership. For the UK, transactions in goods credits (exported goods) are mainly recorded at the time when goods are shipped as this is assessed to be a generally good practical approximation of the time when ownership changes. Goods debits (imported goods) are recorded when customs records relating to the movement of the goods across the frontier are processed, again in the expectation that this is the best practical approximation to change of ownership that can be generally achieved. For the remainder of the current account, the time of the recording of transactions generally complies with the time of change of ownership. Exceptions occur mainly because the record-keeping practices of some data providers may not be on this basis. Financial account transactions usually are recorded appropriately, that is, when the parties record transactions in their books. However, some transactions may be derived from information supplied by intermediaries that are not party to the transactions and may not be aware of the time of change of ownership. Also, some enterprises may adopt accounting practices that lead to inconsistent time of recording; a simple example is that different enterprises may close off their accounts at different times of day.

## Stock

The time of recognising the stock of a foreign financial asset or liability follows naturally from the time of recording of a transaction in that asset or liability. For example, if a transaction is undertaken to acquire a foreign financial asset, there will also be a consequential increase in the stock of foreign financial assets at the end of that period. Of course, if the asset is disposed of before the end of the period, it will not contribute to the stocks statistics to be recorded for the period, but the disposal will have given rise to another transaction to be recorded for the period.

## Types of transactions in the balance of payments

An economic transaction occurs when something of economic value is provided by one party to another. Transactions that are considered to have economic value comprise those in goods, services, income and financial assets and liabilities. The transactions recorded in a balance of payments statement stem from dealings between two parties, one usually being a resident and the other a non-resident. The types of transactions included in the balance of payments are exchanges, one-sided transactions and imputed transactions.

## Exchanges

Exchanges are the most important and numerous type of transaction. They include transactions in which one transactor provides something of economic value to another transactor and receives in return something of equal value.

## Special cases of imputation/estimation

### *Migrants' transfers*

A special statistical treatment is required when a person migrates, that is when the person's status changes from non-resident to resident (or vice versa). When this change occurs, the property owned by the migrant becomes the property of a resident instead of that of a non-resident (or vice-versa). This change of ownership of net worth between economies is included in the balance of payments. For example, any financial assets held abroad by the migrant become claims by the UK on the rest of the world.

Offset entries are made corresponding to the transfer of net worth and, by their nature, these are included as transfers in the capital account. This treatment amounts to envisaging a transfer of property from the person in their capacity as a non-resident to the person in their capacity as a resident (or vice versa). In principle, this transaction embraces all the migrant's property, whether or not it accompanies the migrant. However, the way in which the UK investment abroad is estimated will not usually capture the increased resident household investments abroad. In practice only cash flows are likely to be recorded through the banking system, whereas the source of the transfers entries made to offset the cash flows appear elsewhere in the accounts.

A number of special cases of imputed transactions feature in balance of payments compilation. One case involves the reinvestment of earnings in resident enterprises by their non-resident direct investors. These *reinvested earnings* are regarded as being paid out as investment income and then reinvested in the enterprises from which they originated. They are, therefore, recorded both as a component of investment income in the current account and as a component of direct investment in the financial account. It is considered analytically useful to identify these transactions separately in economic statistics because of the substantial contribution they make to the stock of direct investment finance in a country.

A further case relates to estimation for the implicit fees (financial services) associated with foreign exchange trading. Estimates of the implicit service fees being earned on foreign exchange trading with non-resident counterparties are made by splitting the total service fees reported by exchange traders into resident/non-resident shares using a number of assumptions and other published information.

## Exceptions to change of ownership

In economic statistics, transactions are considered to occur when the goods and financial assets change ownership between transactors, when services are provided by one transactor to another, or when income is



earned by one transactor from another. However, there are certain situations in which no change of ownership legally occurs, but where transactions are nonetheless considered to have occurred for balance of payments purposes. The situations include financial leases, goods imported into or exported from the UK for processing and return, and transactions between a head office in one country and a branch in another.

### *Financial leases*

A financial lease is regarded as a method of obtaining all the rights, risks and rewards of ownership of real resources without holding legal ownership. Although legal ownership remains with the lessor during the term of the lease, all the risks and responsibilities apply to the lessee. In these cases, the basic nature of the transaction is given precedence over its legal form by imputing a change of ownership of the resource to the lessee. As a result of this imputation, a financial liability is recognised and lease payments are classified as partly loan repayments in the financial account and partly interest in the current account, rather than as services in the current account.

### *Goods for processing*

In economic statistics, the value of goods entering or leaving the UK for processing and returning to the country of origin after processing should be recorded on a gross basis, i.e. recording the goods both when they enter (as imports) and when they leave (as exports), even though there is no legal change of ownership of those goods. Thus a good entering the UK to be processed and returned to the country of origin is recorded as an import at the appropriate value and subsequently as an export—recorded by the customs system at the original value plus the added value of the processing. A symmetrical treatment should be applied to UK goods exported for processing and return. The basis for this treatment is that such goods lose their identity during processing by being transformed or incorporated into different goods. On the other hand, for goods undergoing repairs only the value of the repair, not the gross value of the goods, is included in the goods credits or debits.

### *Branches*

In economic statistics, it is usually necessary to split the activities of a legal entity and recognise two units, a head office in one country and a branch in another. Flows of goods, services, income and finance between the branch and its head office are therefore treated as transactions, even though they are legally part of the same unit. For example, goods and services sent from the head office to its branch are to be treated as exports of goods and services by the head office.

There are two cases where such splitting becomes necessary. The first occurs when production of goods and services is undertaken by the personnel, plant and equipment of the legal entity in an economic territory outside the economic territory of the head office, provided certain conditions apply. These conditions include: the intention to operate in the separate economy indefinitely or over a long period (12 months is used as a rule of thumb); keeping a set of accounts of the branch's activity (i.e. income statement, balance sheet, transactions with the parent

entity); eligibility to pay income tax in the host country; having a substantial physical presence; and receiving funds for the branch's work which are paid into its own bank account.

The second case occurs when a person or legal entity resident in one economy owns land and buildings located in another economy. Ownership of immovable assets is always attributed in balance of payments and international investment position statistics to residents of the economy in which the assets are located. Thus land in the domestic territory, which is in fact owned by a non-resident, is treated as being owned by a notional resident entity, which in turn has a foreign direct investment liability to the real owner. It should also be recalled that the territorial enclaves associated with embassies, military bases etc. are regarded as part of the economic territory of the economy they represent. When these institutions buy and sell the land in these enclaves they are effectively adding to and subtracting from the economic territory of their government. Such transactions in land owned by foreign embassies are recorded in the capital account as the acquisition/disposal of non-produced, non-financial assets.

## **Other changes in the international investment position**

In addition to the financial transactions included in the balance of payments, the international investment position reconciliation statement includes the other changes which contribute to differences between opening and closing positions for a period.

*Other changes in position* may occur through price changes, exchange rate changes and other adjustments. Price changes are valuation changes that occur because of changes in the market price of a financial instrument, such as a change in the price of a share or debt security or through revaluing a company's net worth.

Exchange rate changes are due to fluctuations in the value of the pound, in which the accounts are compiled, relative to the currencies in which foreign assets and liabilities are denominated.

Other adjustments can arise from a number of causes such as write-off of bad debts, classification changes, monetisation/demonetisation of gold, and the allocation/cancellation of Special Drawing Rights. A reclassification would occur where a foreign investor's equity investment in an enterprise increased during the reporting period and the increase was sufficient to change the classification of the investor's total equity holding at the end of the period from portfolio investment to direct investment. Monetisation of gold occurs when the Bank of England monetises commodity stocks of gold and adds these to its monetary gold holdings as part of the UK's official reserve assets. Special Drawing Rights in the IMF are also included in the UK's official reserve assets. Allocations and cancellations of these instruments are included as other adjustments.



## Gross and net recording

Entries for current and capital account items are generally treated so that credits for each component are recorded separately from debits. Current and capital account transactions, in this context, are described as being recorded *gross*.

Gross recording contrasts to the recording of transactions in the financial account, which is mainly on a net basis, although for long-term trade credits and loans, gross drawings and repayments are included in the financial account. The net recording of other financial account items means that, for each item, credit transactions are combined with debit transactions to arrive at a single result—either a net credit or net debit—reflecting the net effect of all increases and decreases in holdings of that type of asset or liability during the recording period. There are several types of netting in the financial account, e.g. the netting of purchases and sales within an instrument in an asset position, and netting of assets and liabilities as in the case of direct investment.

## Standard balance of payments classification

Balance of payments and international investment position statistics need to be arranged in a coherent structure to facilitate their use and adaptation for purposes such as policy formulation, analytical studies, projections, bilateral comparisons, and regional and global aggregations. *BPM5* contains a *standard classification* and list of *standard components* of the balance of payments and international investment position. These standards were developed taking into account the views of national compilers and analysts, and the requirement to harmonise concepts and definitions with related international statistical standards and classifications. The classification also reflects the separation of categories that may exhibit different economic behaviour, may be important in a number of countries, are readily collectable, and are needed for harmonising with other bodies of statistics.

The standard balance of payments classification comprises two main groups of accounts—the *current account* and the *capital and financial account*. Transactions classified to the *current account* include goods and services, income and current transfers. Within the capital and financial account, the *capital account* includes capital transfers and the net acquisition or disposal of non-produced, non-financial assets. The *financial account* includes transactions in financial assets and liabilities.

Transactions in *current account* and *capital account* items are generally shown on a gross basis (gross debits and credits separately). Transactions in *financial account* items are mainly recorded on a net basis.

### Current account

Table A (overleaf) shows the standard classification of the *current account*. Each of the broad categories is described briefly below, while individual component items are described in detail in subsequent chapters.

*Goods and services* are divided into separate accounts for *goods* and *services*. *Goods* comprise most movable goods that change ownership between UK residents and non-residents.

*Services* comprise services provided between UK residents and non-residents, together with some transactions in goods where, by international agreement, it is not practical to separate the goods and services components (e.g. goods purchased by travellers are classified to services).

*Income* refers to income earned by UK residents from non-residents and vice versa. Income covers compensation of employees and investment income. *Compensation of employees* comprises wages, salaries and other benefits earned by individuals from economies other than those in which they are residents, as well as earnings from extraterritorial bodies such as foreign embassies, which often employ staff from the economy in which they are located. *Investment income* comprises income earned from the provision of financial capital and is classified by direct, portfolio and other investment income and income earned on the UK's reserve assets.

*Transfers* represent offsets to the provision of resources between residents and non-residents with no quid pro quo in economic value (for example, the provision of food aid). *Current transfers* are distinguished from *capital transfers*, which are included in the *capital account*. *Current transfers* represent the offset to the provision of resources that are normally consumed within a short period (less than twelve months) after the transfer is made. In the example of food aid, the food is presumed to be consumed within twelve months of it being received. The classification of current transfers is by general government and other sectors.

### Capital and financial account

The *capital and financial account* of the UK's balance of payments is divided into the *capital account* and the *financial account*.

The *capital account* comprises both capital transfers and the acquisition and disposal of non-produced, non-financial assets (such as copyrights). The latter includes land purchases and sales associated with embassies and other extraterritorial bodies. Capital transfers entries are required where there is no quid pro quo to offset the transfer of ownership of fixed assets, or the transfer of funds linked to fixed assets (e.g. aid to finance capital works), or the forgiveness of debt. It also includes the counterpart to the transfer of net wealth by migrants, referred to as migrants' transfers.

The *financial account* comprises transactions associated with changes of ownership of the UK's foreign financial assets and liabilities. The main classifications used in the financial account are discussed in conjunction with the international investment position classification below.

The *international investment position* measures the UK's stock of external financial assets and liabilities, whereas the *balance of payments financial account* measures transactions in these assets and liabilities. Hence the classifications used in the *financial account* and *international investment position* need to be essentially the same.



# A Summary of balance of payments in 1999

	£ million	
	Credits	Debits
<b>1. Current account</b>		
A. Goods and services	229 649	244 878
1. Goods	165 667	192 434
2. Services	63 982	52 444
2.1. Transportation	11 538	13 930
2.2. Travel	14 293	22 634
2.3. Communications	1 484	1 694
2.4. Construction	267	85
2.5. Insurance	4 111	569
2.6. Financial	6 992	205
2.7. Computer and information	1 928	500
2.8. Royalties and licence fees	4 387	3 840
2.9. Other business	17 083	6 130
2.10. Personal, cultural and recreational	782	490
2.11. Government	1 117	2 367
B. Income	109 099	100 767
1. Compensation of employees	960	759
2. Investment income	108 139	100 008
2.1 Direct investment	33 820	22 302
2.2 Portfolio investment	27 928	27 819
2.3 Other investment (including earnings on reserve assets)	46 391	49 887
C. Current transfers	18 278	22 362
1. Central government	9 464	7 278
2. Other sectors	8 814	15 084
<b>Total current account</b>	<b>357 026</b>	<b>368 007</b>
<b>2. Capital and financial accounts</b>		
A. Capital account	1 562	786
1. Capital transfers	1 476	680
2. Acquisition/disposal of non-produced, non-financial assets	86	106
B. Financial account	185 997	180 144
1. Direct investment	52 326	125 288
Abroad		125 288
1.1. Equity capital		95 024
1.2. Reinvested earnings		19 845
1.3. Other capital <sup>1</sup>		10 419
In United Kingdom	52 326	
1.1. Equity capital	21 402	
1.2. Reinvested earnings	6 875	
1.3. Other capital <sup>2</sup>	24 049	
2. Portfolio investment	115 602	5 432
Assets		5 432
2.1. Equity securities		17 915
2.2. Debt securities		-12 483
Liabilities	115 602	
2.1. Equity securities	74 341	
2.2. Debt securities	41 261	
3. Other investment	18 069	50 063
Assets		50 063
3.1 Trade credits		-435
3.2 Loans		16 815
3.3 Currency and deposits		33 357
3.4 Other assets		326
Liabilities	18 069	
3.1. Trade credits	-	
3.2. Loans	6 616	
3.3. Currency and deposits	12 128	
3.4. Other liabilities	-675	
4. Reserve assets		-639
4.1. Monetary gold		-412
4.2. Special drawing rights		38
4.3. Reserve position in the IMF		626
4.4. Foreign exchange		-891
<b>Total capital and financial accounts</b>	<b>187 559</b>	<b>180 930</b>
<b>Total current, capital and financial accounts</b>	<b>544 585</b>	<b>548 937</b>
Net errors and omissions	4 352	

1 Other capital transaction on direct investment abroad represents claims on affiliated enterprises less liabilities to affiliated enterprises

2 Other capital transactions on direct investment in the United Kingdom represents liabilities to direct investors less claims on direct investors



## Major classifications of the financial account and international investment position

Items in the financial account and international investment position statement are classified on a number of bases. The main ones are *type of investment, assets and liabilities, instrument of investment, sector, and original contractual maturity of financial instruments*.

A comparison of the international investment position statement and the balance of payments financial account shows one minor difference. In the category of direct investment in the financial account, reinvested earnings are shown separately whereas, in the international investment position statement, where no separate market price valuation of reinvested earnings can exist, the reinvested earnings are grouped into a composite category for equity and reinvested earnings.

### Type of investment

The type of investment used in the UK's balance of payments and international investment position consists of four broad categories:

(i) *Direct investment capital* refers to capital provided to or received from an enterprise by an investor in another country (i.e. an individual, enterprise or group of related individuals or enterprises) who is in a direct investment relationship with that enterprise. A *direct investment* relationship exists if the investor has an equity interest in an enterprise, resident in another country, of 10 per cent or more of the ordinary shares or voting stock. The *direct investment* relationship extends to branches, subsidiaries and to other businesses where the enterprise has significant shareholding.

(ii) *Portfolio investment* refers to transactions in equity and debt securities (apart from those included in direct investment and reserve assets). Debt securities comprise bonds and notes, money market instruments and financial derivatives, although data for these are not yet available. In comparison with direct investment, it indicates investment where the investor is not assumed to have any appreciable say in the operation of the enterprise (e.g. less than 10% of the ordinary share or voting stock).

(iii) *Other investment* is a residual category that captures transactions not classified to direct investment, portfolio investment or reserve assets of the compiling economy. *Other investment* covers trade credits, loans (including financial leases), currency and deposits, and a residual category for any other assets and liabilities.

(iv) *Reserve assets* refer to those foreign financial assets that are available to, and controlled by, the monetary authorities such as the Bank of England for financing or regulating payments imbalances. Reserve assets comprise: monetary gold, Special Drawing Rights, reserve position in the IMF, and foreign exchange held by the Bank.

### Assets and liabilities

A financial asset is generally in the form of a financial claim on the rest of

the world that is either represented by a contractual obligation (such as a loan) or is evidenced by a security (such as a share certificate). Two financial assets—monetary gold and Special Drawing Rights in the IMF—are not claims on the rest of the world. They are, however, included in international investment assets because they are readily available for payment of international obligations. A *financial liability* represents a financial claim of the rest of the world on the UK. Assets and liabilities in the international investment position statement are components of the balance sheet of an economy with the rest of the world. In the financial account the asset and liability classifications in essence reflect, respectively, transactions in claims on non-residents (assets) and in claims by non-residents (liabilities).

In the international investment position, the difference between assets and liabilities is the *net international investment position*, also referred to as the *net liability position* in the UK's case.

For *direct investment*, in both the financial account and international investment position the main classification is by direction of investment, i.e. *direct investment abroad* and *direct investment in the UK*. *Direct investment abroad* is derived by netting liabilities of the UK *direct investors* to their *direct investment enterprises* against claims on their direct investment enterprises abroad. Similarly, *direct investment in the UK* is derived after netting claims of the UK direct investment enterprises against their liabilities to those direct investors abroad.

### Instrument of investment

Several instruments of investment are also identified. Some of these are only applicable to one type of capital. For example, the instrument *reinvested earnings* is only applicable to direct investment, while *monetary gold* and *Special Drawing Rights* are only used for reserve assets.

The major instruments and grouping of instruments identified in balance of payments and international investment statistics include:

- (i) monetary gold;
- (ii) Special Drawing Rights;
- (iii) foreign exchange;
- (iv) reserve position in IMF;
- (v) equity;
- (vi) reinvested earnings;
- (vii) debt securities;
- (viii) trade credit;
- (ix) loans;
- (x) currency and deposits; and
- (xi) other assets/liabilities.

Similar instruments may be combined into groups or combined with certain types of investment to make statistical presentations less cluttered.

For example:

- (i) trade credit, loans, deposits, and other forms of finance including all debt securities, but excluding equity capital and reinvested earnings, between non-financial enterprises in a direct investment relationship,



# Introduction

are combined and shown only as *other direct capital*. Similar aggregation applies to finance between a financial enterprise and a non-financial enterprise and between financial enterprises only in case of permanent debt;

(ii) bonds, bills, notes, money market instruments and financial derivatives within portfolio investment are shown separately but under a heading of *debt securities*; and

(iii) a number of financial assets, held as part of the UK's reserves assets (currency and deposits, bills, bonds, notes and money market instruments), are grouped under the category *foreign exchange* within the reserve assets category.

## Foreign equity and debt

At a broader level, instruments may be combined to show foreign equity and foreign debt. Foreign equity includes equity capital, reinvested earnings and equity securities. Foreign debt is a residual item containing all other instruments. They may be compiled on a gross basis (e.g. foreign debt/assets and liabilities) or on a net basis (e.g. net foreign debt).

## Sectorisation

Transactor units within an economy may be grouped together into *institutional sectors*. Units within the same *institutional sector* may be expected to behave similarly in their financial and other dealings and in response to differing economic and political stimuli. The principle of classification by sector, or sectorisation, in the financial account and international investment position is to identify the sector of the domestic creditor for assets and the sector of the domestic debtor for liabilities.

Four sectors are generally distinguished in the standard components of the ONS balance of payments and international investment statistics: *monetary financial institutions*; *central government*; *public corporations*; and *other*.

Within the current and capital accounts, sectorisation is also applied to current and capital transfers, where a split between *general government* and *other* is used.

## Other financial classifications

Other classifications in the financial account and international investment position include the domicile of liabilities issued by residents, drawings and repayments for long-term liabilities in the form of both trade credits and loans, the residual maturity structure of financial claims and liabilities, and the currency of assets and liabilities.

## Country classification

The general principles applying to the compilation of a global balance of payments statement for the UK can be applied to the preparation of a statement for the UK's transactions with an individual country or a group of countries.

## Reliability of estimates

All the value estimates are calculated as accurately as possible, however they cannot always be regarded as being absolutely precise to the last digit shown. Similarly, the index numbers are not necessarily absolutely precise to the last digit shown. Some figures are provisional and may be revised later; this applies particularly to many of the detailed figures for 1997 and 1998.

## Symbols and conventions used in the tables

### Rounding

As figures have been rounded to the nearest final digit, there may be slight discrepancies between the sums of the constituent items and the totals as shown.

### Symbols

The following symbols are used throughout:

- .. = not available
- = nil or less than a million

## References

The internationally agreed framework for the presentation of the Balance of Payments and the National Accounts are described in the following publications.

Balance of Payments Manual (5th edition 1993), International Monetary Fund (ISBN 1-55775-339-3).

Balance of Payments Textbook (1996), International Monetary Fund (ISBN 1-55775-570-1).

Balance of Payments and International Investment Position, Australia: Concepts, Sources and Methods (1998) Australian Bureau of Statistics (ISBN 0-642-25670-5).

European System of Accounts (ESA 1995), Office for Official Publications of the European Communities (ISBN 92-827-7954-8).

System of National Accounts (1993), (ISBN 92-1-161352-3).

Articles describing balance of payments statistics, published in *Economic Trends*, include:

- "Presenting the balance of payments accounts", May 1994;
- "Revisions to the UK balance of payments", December 1996;
- "Deflation of trade in goods statistics", April 1997;
- "Overseas trade in services: publication of monthly estimates", September 1997;
- "Geographical breakdown of exports and imports of UK trade in services by component", January 1998;
- "Geographical breakdown of income in the balance of payments", November 1999.



# *Part 1*

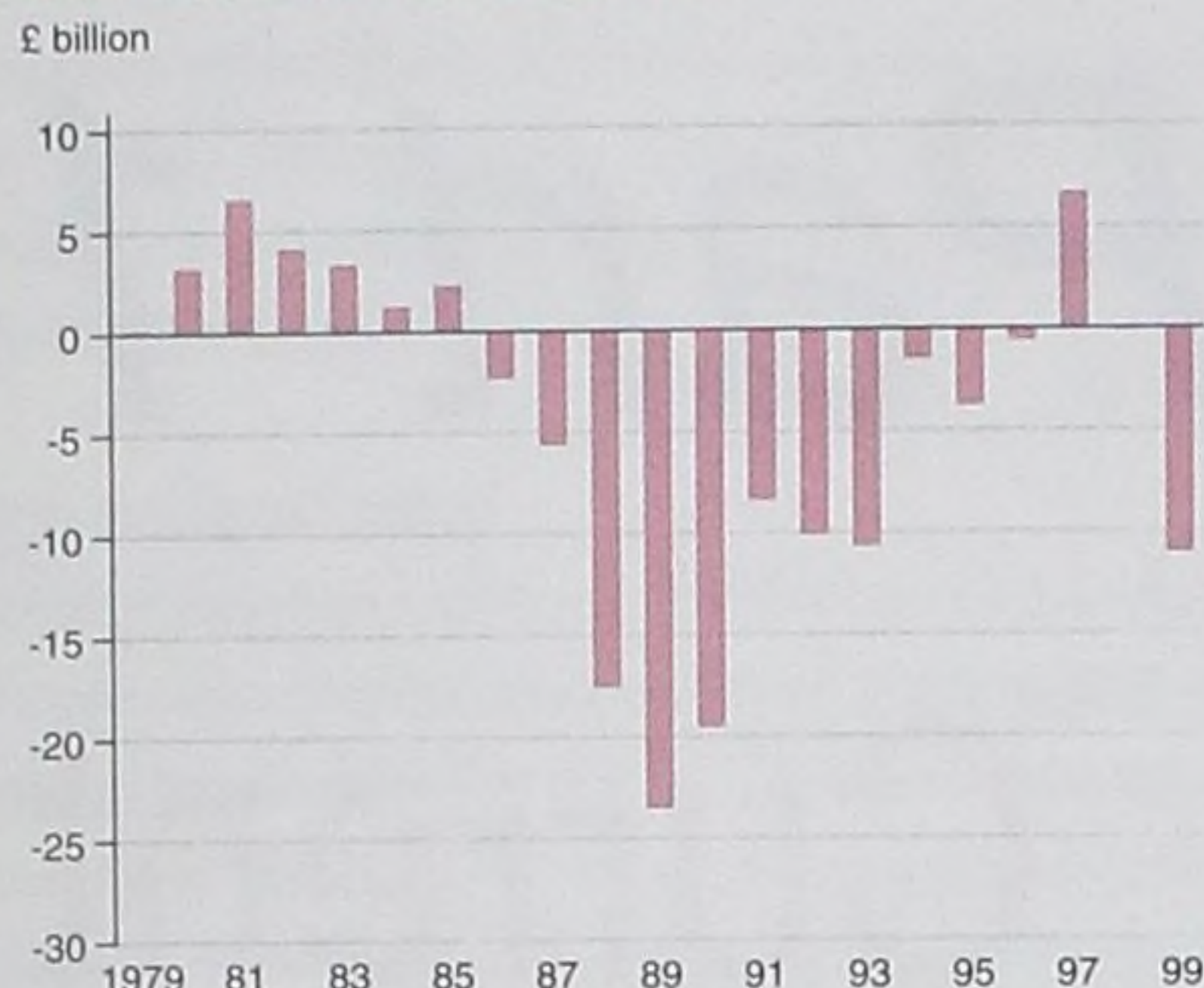
## Current account



# 1

## Summary of balance of payments

### Current account balance



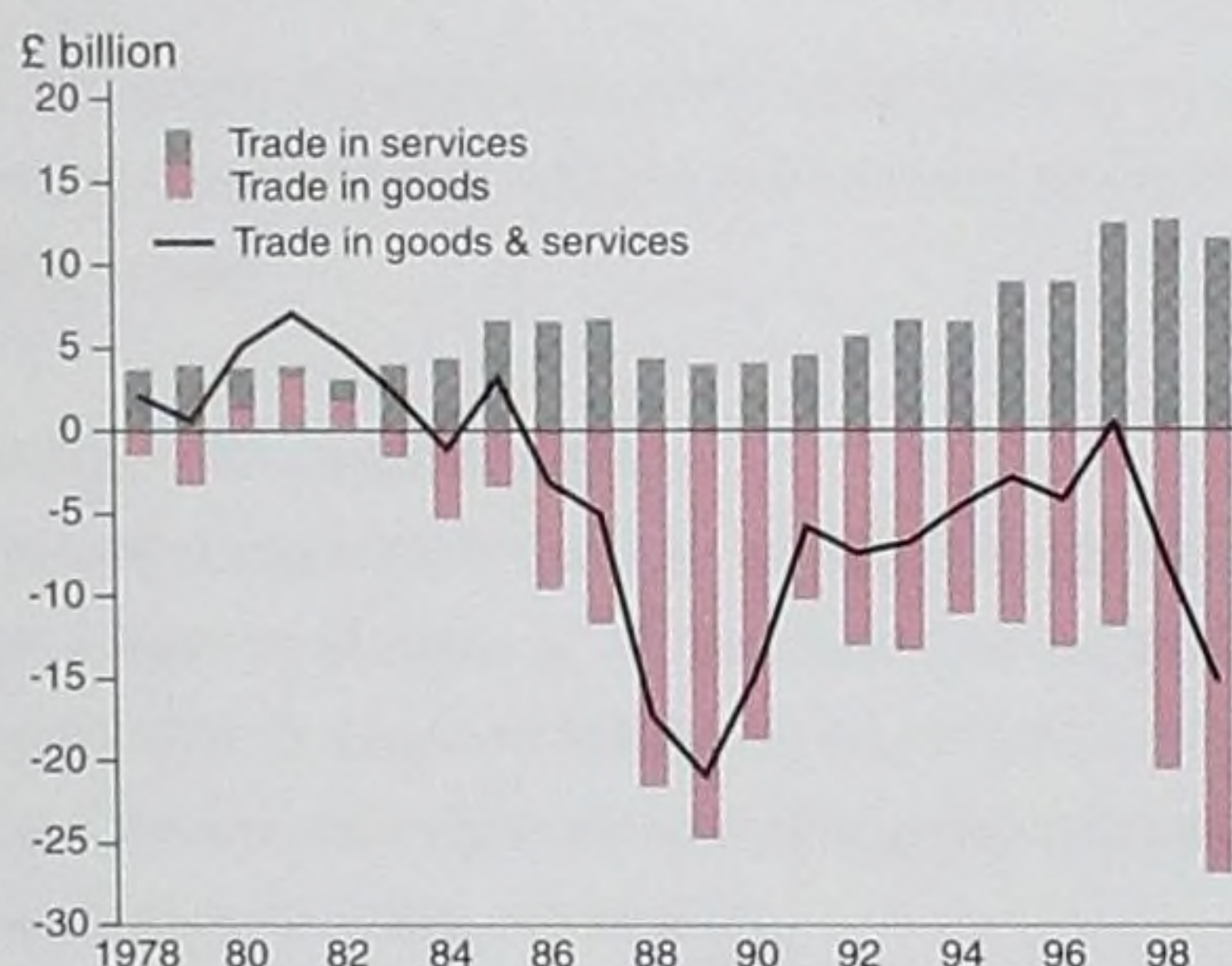
### Current account

In the period 1978 to 1998 there have been three main phases in the development of the current account. In the first phase, from the late 1970s until 1986, the current account balance was mostly in surplus; in the second phase, from 1987 until 1993, the current account recorded large deficits of over £5 billion annually; in the third phase from 1994 until 1998 the current account has been roughly in balance with total debits generally exceeding total credits slightly with the notable exception of 1997 where a net surplus of £6.6 billion was recorded (the highest on record). In 1999, the current account has moved into deficit - £11.0 billion – the highest since 1990, probably indicating the emergence of a phase of large deficits.

The profile for the current account closely follows that of trade in goods, its biggest and most cyclical component. The improvement in the current balance in the mid-1990's was mainly due to substantially higher surpluses being recorded for investment income, together with the trade balance moving into surplus. Since 1997, however, the balance on goods and services has moved from a small surplus to a deficit of £15 billion, reflecting a rapid increase in the goods deficit to a record £26.8 billion in 1999. This together with a fall in the investment income surplus, has led to a rapid worsening of the current balance.

### Trade in goods and services

Credits less debits



### Trade in goods and services

The trade in goods account recorded a net surplus in the early 1980s for three years largely as a result of exports of North Sea oil. Since 1983, however, the trade in goods account has remained in deficit. The deficit grew significantly in the late 1980s to reach a record high of £24.7 billion in 1989 before improving in the 1990s staying around £10 billion until 1998 when the deficit grew significantly to over £26 billion in 1999.

The trade in services account has shown a surplus for every year since 1966. The surplus on services increased fairly steadily until 1987 during which time it broadly offset the deficit on trade in goods. From 1988 to 1994 the surplus was around £5 billion annually. From 1995 the surplus on the account increased significantly to over £12 billion in 1997 and 1998, largely due to the growth in financial and other business services, before falling back slightly to £11.5 billion in 1999.



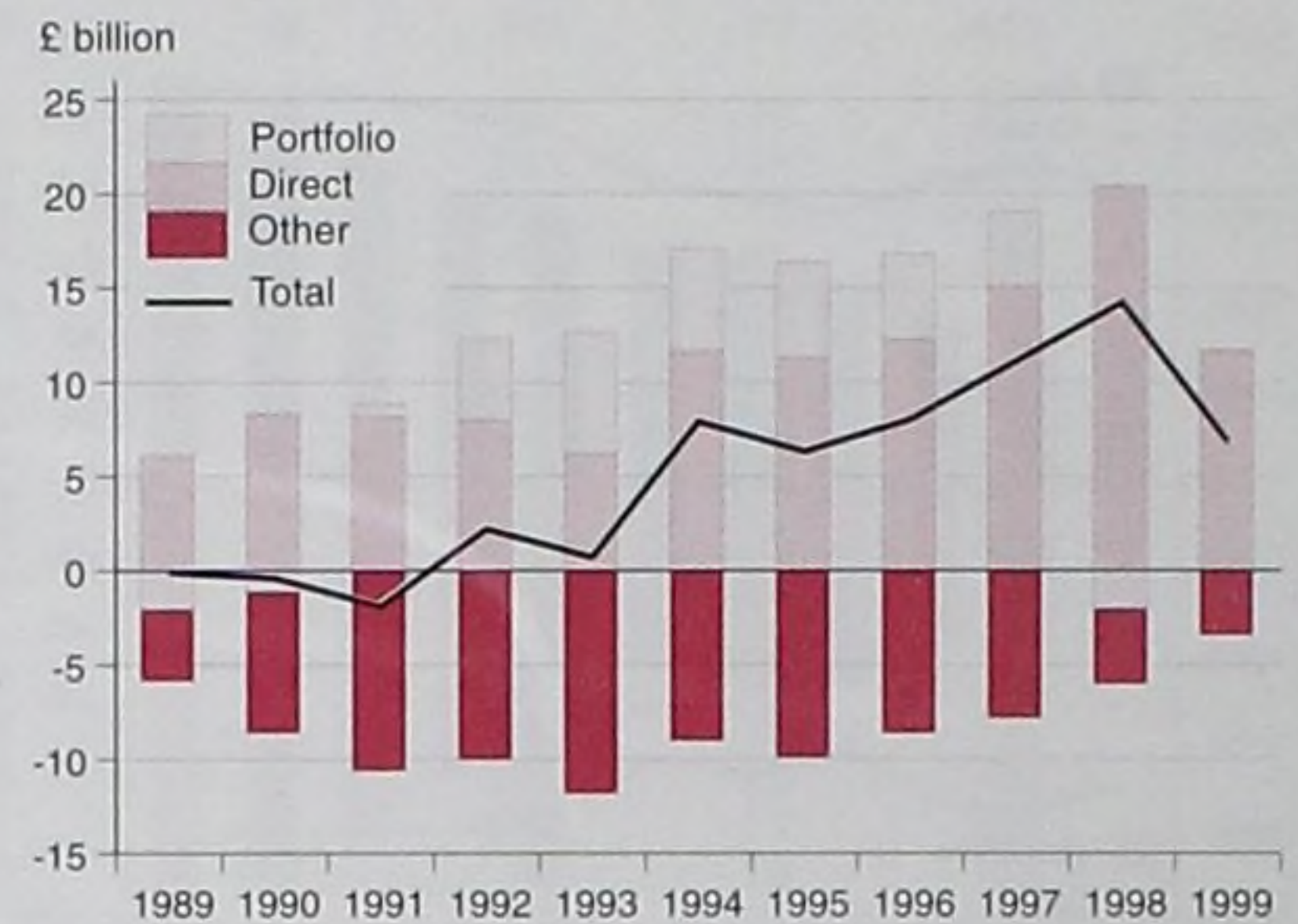
## Income

The income account consists of compensation of employees and investment income; the latter dominates the income account. The balance on compensation of employees has shown a consistent but small deficit with the exception of the years 1993, 1996 and 1997.

The investment income balance has generally shown a surplus (since records began in 1946 there have only been six years in which deficits have been recorded) although it was not until 1994 that it much exceeded £3 billion annually. Surpluses on direct investment income have been partly offset by deficits on other investment (principally banks' earnings on loans and deposits). There has been a substantial improvement in the investment income balance since 1993 due to a larger surplus on direct investment and a smaller deficit on other investment income.

## Investment income

Credits less debits

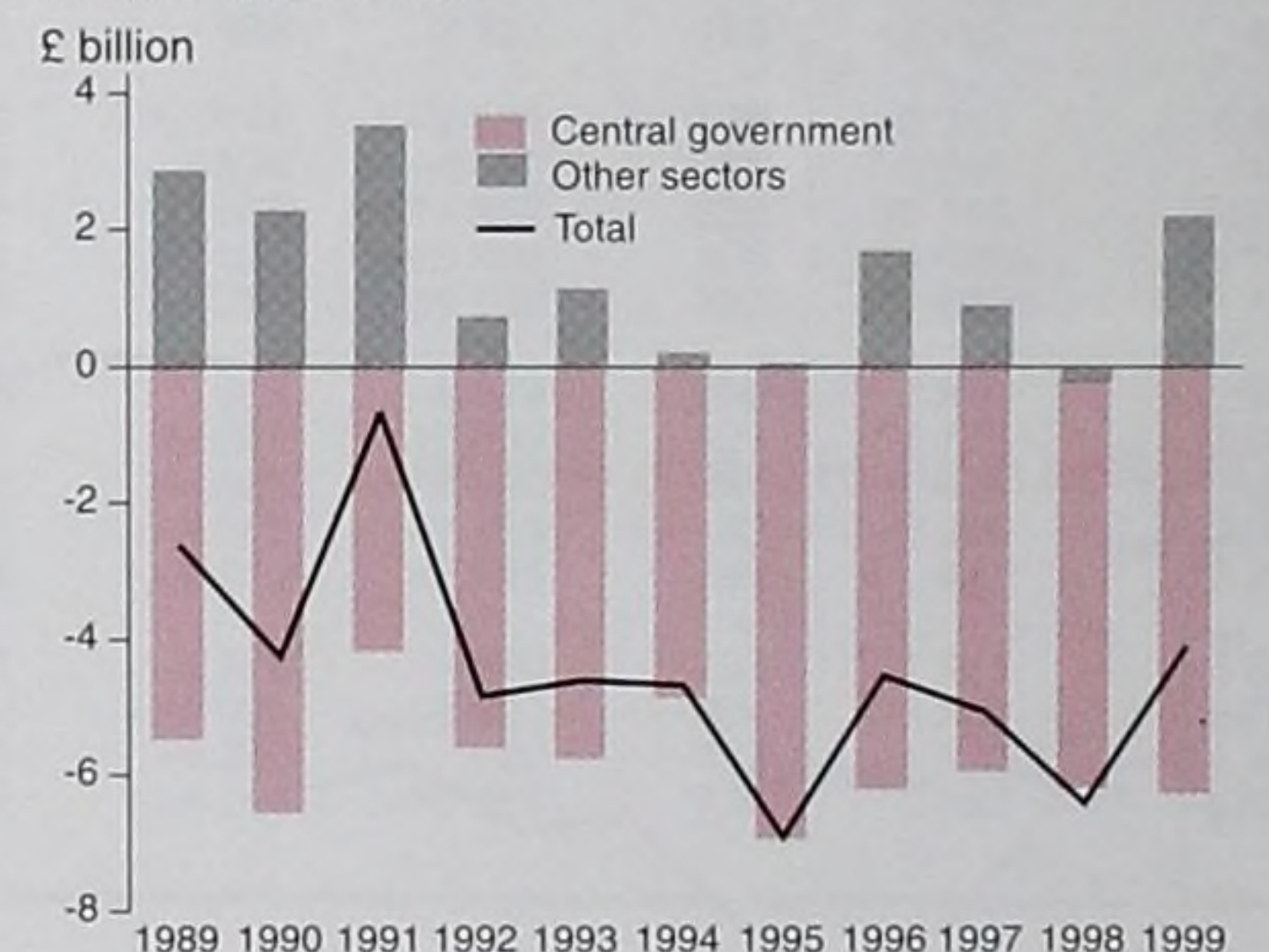


## Current transfers

The transfers account has shown a consistent deficit since the late 1950s. Between 1976 and 1985 the deficit on current transfers was less than £1 billion. Since 1986 however, higher deficits have been recorded on the current transfers account and there have only been two years when the deficit has been below £2 billion. Separate data for central government and other sectors are available from 1986 and show that surpluses on central government current transfers have been consistently outweighed by deficits with other sectors. The majority of payments to and receipts from EU institutions are recorded as other sector transactions as they relate to the original payee or ultimate recipient of the payment/receipt.

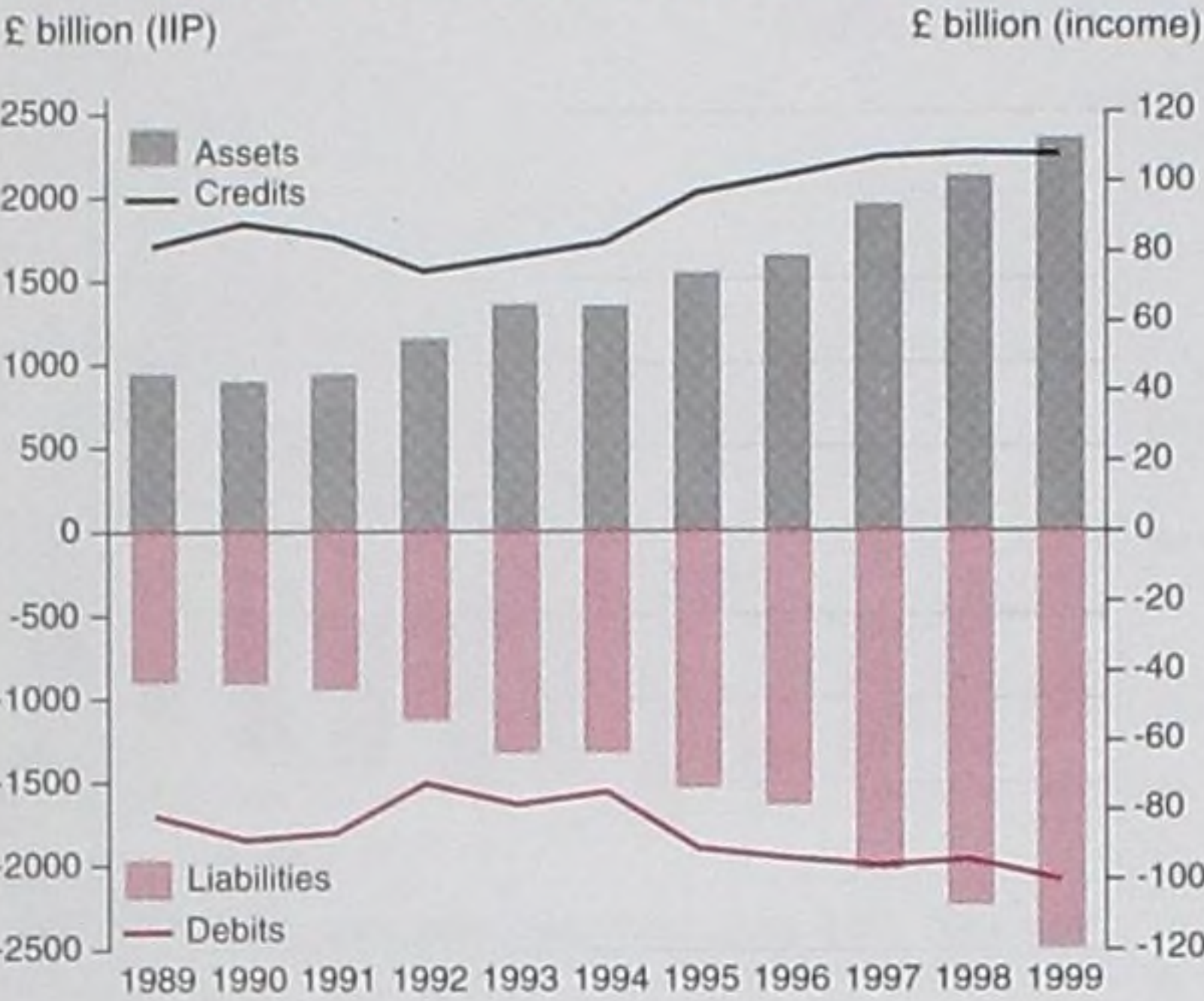
## Current transfers

Credits less debits





International investment position and income



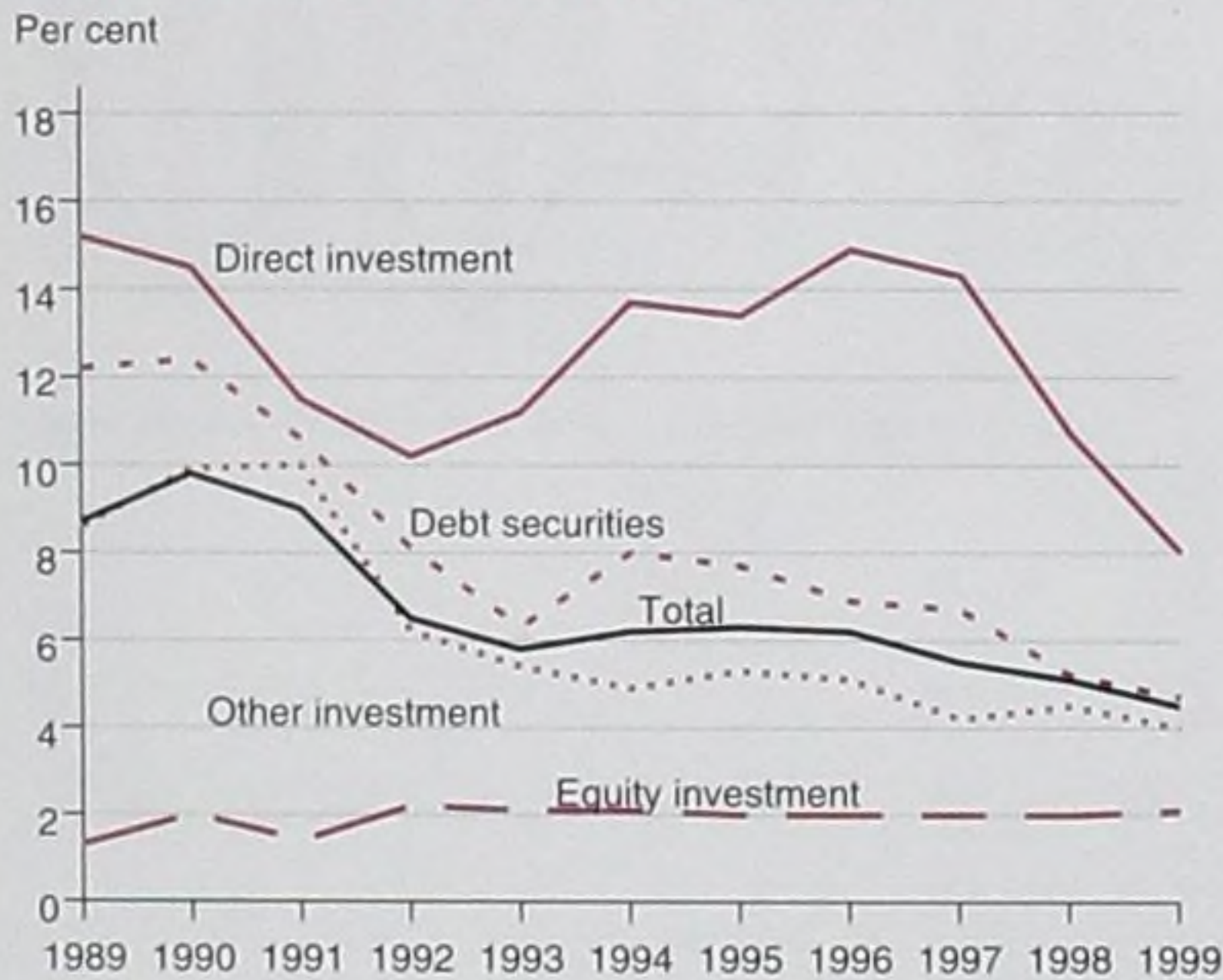
Investment flows, levels and income

One important set of relationships within the balance of payments is the link between the financial account (investment flows) and the international investment position (levels or balance sheets), as well as income deriving from the balance sheets. This is explained in more detail in the Introduction. Although a reconciliation between opening and closing levels and flows, is not officially compiled in the UK, table 1.3 attempts to show the rudiments of this relationship over the years for which consistent detailed data are available. Within the three main categories of investment (direct, portfolio and other) as well as reserve assets it can be seen that the difference in the values of the balance sheet at the end of one year and the previous year, is approximately equal to the value of financial transactions in that year. The difference between the two amounts is explained by valuation, exchange rate and other effects.

The value of both external assets and liabilities in the international investment position has been rising steadily since 1978. Except for 1990, the UK's external assets exceeded external liabilities in every year until 1996. Since 1996, the level of UK's external liabilities has grown more strongly than the level of external assets, so that the net international investment position has moved from a net asset to a net liability position of £148 billion in 1999.

Another important relationship is the one which exists between investment income and the international investment position. This can be considered most easily by looking at the implied 'rates of return' for both assets and liabilities. (Both sets of rates for the investment components follow similar patterns.) In total the implied rate of return on liabilities was higher than assets until around 1993 to 1994 since when although the return on assets has been higher both have been at relatively low levels. Since other investment constitutes around half of the value of the balance sheets it is not surprising therefore that the rates of return have reflected the movements in interest rates on loans and deposits such as LIBOR. The rate of return for direct investment are significantly higher than for other forms of investment. This is probably a consequence in part of comparatively higher valuations since direct investment levels are at book value rather than market value used elsewhere, but may also reflect the higher return required to make the longer term investment worthwhile. Within portfolio investment, debt securities, which are often used as a form of short term financing, have similar rates of return as other investment, whilst equity securities have the lowest returns perhaps reflecting the comparatively lower risk on these instruments.

Implied rates of return on assets





# 1.1 Summary of balance of payments

## Balances (credits less debits)

£ million

	Current account						Current transfers	Current balance	Capital account	Financial account	Net errors & omissions
	Trade in goods	Trade in services	Total goods and services	Compensation of employees	Investment income	Total income					
	LQCT	KTMS	KTMV	KTMP	HMBM	HMBP	KTNF	HBOG	FKMJ	HBNT	HHDH
1946	-101	-274	-375	-20	88	68	166	-141	-21	181	-19
1947	-358	-197	-555	-19	159	140	123	-292	-21	552	-239
1948	-152	-64	-216	-20	252	232	96	112	-17	-58	-37
1949	-137	-43	-180	-20	234	214	29	63	-12	-103	52
1950	-54	-4	-58	-21	426	405	39	386	-10	-447	71
1951	-692	32	-660	-21	365	344	29	-287	-15	426	-124
1952	-272	123	-149	-22	265	243	169	263	-15	-229	-19
1953	-244	123	-121	-25	238	213	143	235	-13	-177	-45
1954	-210	115	-95	-27	261	234	55	194	-13	-174	-7
1955	-315	42	-273	-27	175	148	43	-82	-15	34	63
1956	50	26	76	-30	237	207	2	285	-13	-250	-22
1957	-29	121	92	-32	257	225	-5	312	-13	-313	14
1958	34	119	153	-34	303	269	4	426	-10	-411	-5
1959	-116	118	2	-37	269	232	-	234	-5	-68	-161
1960	-404	39	-365	-35	235	200	-6	-171	-6	-7	184
1961	-144	51	-93	-35	259	224	-9	122	-12	23	-133
1962	-104	50	-54	-37	346	309	-14	241	-12	-195	-34
1963	-123	4	-119	-38	416	378	-37	222	-16	-30	-176
1964	-551	-34	-585	-33	420	387	-62	-260	-17	392	-115
1965	-263	-66	-329	-34	467	433	-66	38	-18	49	-69
1966	-111	44	-67	-39	413	374	-89	218	-19	16	-215
1967	-601	157	-444	-39	411	372	-117	-189	-25	172	42
1968	-708	341	-367	-48	357	309	-89	-147	-26	672	-499
1969	-214	392	178	-47	543	496	-120	554	-23	-838	307
1970	-18	455	437	-56	612	556	-82	911	-22	-864	-25
1971	205	590	795	-63	560	497	-51	1 241	-23	-1 441	223
1972	-736	665	-71	-52	518	466	-51	344	-35	462	-771
1973	-2 573	760	-1 813	-68	1 283	1 215	-316	-914	-39	971	-18
1974	-5 241	1 065	-4 176	-92	1 429	1 337	-340	-3 179	-34	3 162	51
1975	-3 245	1 393	-1 852	-102	706	604	-317	-1 565	-36	1 554	47
1976	-3 930	2 465	-1 465	-140	1 385	1 245	-507	-727	-12	420	319
1977	-2 271	3 219	948	-152	-120	-272	-469	207	11	-3 665	3 447
1978	-1 534	3 679	2 145	-140	386	246	-958	1 433	-79	-2 798	1 444
1979	-3 326	3 965	639	-130	540	410	-961	88	-103	-97	112
1980	1 329	3 717	5 046	-82	-1 346	-1 428	-452	3 166	-4	-3 238	76
1981	3 238	3 834	7 072	-66	-369	-435	-88	6 549	-79	-6 612	142
1982	1 879	3 069	4 948	-95	-461	-556	-285	4 107	6	-2 010	-2 103
1983	-1 618	3 941	2 323	-89	1 205	1 116	-140	3 299	75	-4 068	694
1984	-5 409	4 341	-1 068	-94	2 497	2 403	-126	1 209	107	-8 009	6 693
1985	-3 416	6 619	3 203	-120	132	12	-988	2 227	185	-2 902	490
1986	-9 617	6 505	-3 112	-156	3 028	2 872	-2 045	-2 285	135	-2 341	4 491
1987	-11 698	6 686	-5 012	-174	1 677	1 503	-2 074	-5 583	333	5 065	185
1988	-21 553	4 330	-17 223	-64	1 355	1 291	-1 605	-17 537	235	15 135	2 167
1989	-24 724	3 917	-20 807	-138	74	-64	-2 620	-23 491	270	19 024	4 197
1990	-18 707	4 010	-14 697	-110	-448	-558	-4 258	-19 513	497	17 529	1 487
1991	-10 223	4 471	-5 752	-63	-1 890	-1 953	-669	-8 374	290	9 990	-1 906
1992	-13 050	5 674	-7 376	-49	2 164	2 115	-4 821	-10 082	421	5 716	3 945
1993	-13 319	6 623	-6 696	35	650	685	-4 607	-10 618	309	9 447	862
1994	-11 091	6 528	-4 563	-170	7 940	7 770	-4 665	-1 458	33	-6 082	7 507
1995	-11 724	8 915	-2 809	-296	6 272	5 976	-6 912	-3 745	534	937	2 274
1996	-13 086	8 897	-4 189	93	8 018	8 111	-4 522	-600	736	1 781	-1 917
1997	-11 910	12 414	504	83	11 087	11 170	-5 051	6 623	804	-13 186	5 759
1998	-20 537	12 582	-7 955	-10	14 255	14 245	-6 370	-80	473	-4 677	4 284
1999	-26 767	11 538	-15 229	201	8 131	8 332	-4 084	-10 981	776	5 853	4 352



## Summary tables

# 1.2 Current account

£ million

		1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<b>Credits</b>												
Exports of goods and services												
Exports of goods	LQAD	35 331	40 849	47 493	51 034	55 657	60 984	70 565	78 291	72 997	79 531	80 711
Exports of services	KTMQ	12 048	13 955	15 002	16 281	16 922	18 767	20 944	23 635	24 784	26 906	26 723
Total exports of goods and services	KTMW	47 379	54 804	62 495	67 315	72 579	79 751	91 509	101 926	97 781	106 437	107 434
<b>Income</b>												
Compensation of employees	KTMN	159	176	219	238	252	290	323	344	369	413	445
Investment income	HMBN	12 271	19 213	25 991	41 189	48 728	46 591	56 655	57 083	51 958	52 684	61 932
Total income	HMBQ	12 430	19 389	26 210	41 427	48 980	46 881	56 978	57 427	52 327	53 097	62 377
<b>Current transfers</b>												
Central government	FJUM	..	..	..	..	..	..	..	..	1 932	4 118	5 160
Other sectors	FJUN	..	..	..	..	..	..	..	..	4 374	4 412	4 514
Total current transfers	KTND	2 140	3 070	3 813	4 863	5 572	6 213	7 079	7 508	6 306	8 530	9 674
<b>Total</b>	HBOE	61 949	77 263	92 518	113 605	127 131	132 845	155 566	166 861	156 414	168 064	179 485
<b>Debits</b>												
Imports of goods and services												
Imports of goods	LQBL	36 865	44 175	46 164	47 796	53 778	62 602	75 974	81 707	82 614	91 229	102 264
Imports of services	KTMR	8 369	9 990	11 285	12 447	13 853	14 826	16 603	17 016	18 279	20 220	22 393
Total imports of goods and services	KTMX	45 234	54 165	57 449	60 243	67 631	77 428	92 577	98 723	100 893	111 449	124 657
<b>Income</b>												
Compensation of employees	KTMO	299	306	301	304	347	379	417	464	525	587	509
Investment income	HMBO	11 885	18 673	27 337	41 558	49 189	45 386	54 158	56 951	48 930	51 007	60 577
Total income	HMBR	12 184	18 979	27 638	41 862	49 536	45 765	54 575	57 415	49 455	51 594	61 086
<b>Current transfers</b>												
Central government	FJUO	..	..	..	..	..	..	..	..	1 261	1 316	2 226
Other sectors	FJUP	..	..	..	..	..	..	..	..	7 090	9 288	9 053
Total current transfers	KTNE	3 098	4 031	4 265	4 951	5 857	6 353	7 205	8 496	8 351	10 604	11 279
<b>Total</b>	HBOF	60 516	77 175	89 352	107 056	123 024	129 546	154 357	164 634	158 699	173 647	197 022
<b>Balances</b>												
Trade in goods and services												
Trade in goods	LQCT	-1 534	-3 326	1 329	3 238	1 879	-1 618	-5 409	-3 416	-9 617	-11 698	-21 553
Trade in services	KTMS	3 679	3 965	3 717	3 834	3 069	3 941	4 341	6 619	6 505	6 686	4 330
Total trade in goods and services	KTMV	2 145	639	5 046	7 072	4 948	2 323	-1 068	3 203	-3 112	-5 012	-17 223
<b>Income</b>												
Compensation of employees	KTMP	-140	-130	-82	-66	-95	-89	-94	-120	-156	-174	-64
Investment income	HMBM	386	540	-1 346	-369	-461	1 205	2 497	132	3 028	1 677	1 355
Total income	HMBP	246	410	-1 428	-435	-556	1 116	2 403	12	2 872	1 503	1 291
<b>Current transfers</b>												
Central government	FJUQ	..	..	..	..	..	..	..	..	671	2 802	2 934
Other sectors	FJUR	..	..	..	..	..	..	..	..	-2 716	-4 876	-4 539
Total current transfers	KTNP	-958	-961	-452	-88	-285	-140	-126	-988	-2 045	-2 074	-1 605
<b>Total (Current balance)</b>	HBOG	1 433	88	3 166	6 549	4 107	3 299	1 209	2 227	-2 285	-5 583	-17 537



# 1.2 Current account

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>												
Exports of goods and services												
Exports of goods	LQAD	92 611	102 313	103 939	107 863	122 039	135 260	153 725	167 403	171 783	164 092	165 667
Exports of services	KTMQ	29 272	31 188	31 426	35 428	40 039	43 507	48 687	52 900	57 543	61 382	63 982
Total exports of goods and services	KTMW	121 883	133 501	135 365	143 291	162 078	178 767	202 412	220 303	229 326	225 474	229 649
<b>Income</b>												
Compensation of employees	KTMN	476	543	551	551	595	681	887	911	1 007	840	960
Investment income	HMBN	81 799	88 186	84 419	74 549	78 825	82 639	97 086	101 669	106 898	108 392	108 139
Total income	HMBQ	82 275	88 729	84 970	75 100	79 420	83 320	97 973	102 580	107 905	109 232	109 099
<b>Current transfers</b>												
Central government	FJUM	4 924	4 294	6 746	4 254	5 306	5 008	4 845	6 754	5 979	6 381	9 464
Other sectors	FJUN	5 161	5 956	7 493	7 386	7 958	7 801	8 518	14 632	9 326	9 043	8 814
Total current transfers	KTND	10 085	10 250	14 239	11 640	13 264	12 809	13 363	21 386	15 305	15 424	18 278
<b>Total</b>	HBOE	<b>214 243</b>	<b>232 480</b>	<b>234 574</b>	<b>230 031</b>	<b>254 762</b>	<b>274 896</b>	<b>313 748</b>	<b>344 269</b>	<b>352 536</b>	<b>350 130</b>	<b>357 026</b>
<b>Debits</b>												
Imports of goods and services												
Imports of goods	LQBL	117 335	121 020	114 162	120 913	135 358	146 351	165 449	180 489	183 693	184 629	192 434
Imports of services	KTMR	25 355	27 178	26 955	29 754	33 416	36 979	39 772	44 003	45 129	48 800	52 444
Total imports of goods and services	KTMX	142 690	148 198	141 117	150 667	168 774	183 330	205 221	224 492	228 822	233 429	244 878
<b>Income</b>												
Compensation of employees	KTMO	614	653	614	600	560	851	1 183	818	924	850	759
Investment income	HMBO	81 725	88 634	86 309	72 385	78 175	74 699	90 814	93 651	95 811	94 137	100 008
Total income	HMBR	82 339	89 287	86 923	72 985	78 735	75 550	91 997	94 469	96 735	94 987	100 767
<b>Current transfers</b>												
Central government	FJUO	2 055	1 995	3 218	3 506	4 156	4 795	4 795	5 056	5 087	6 585	7 278
Other sectors	FJUP	10 650	12 513	11 690	12 955	13 715	12 679	15 480	20 852	15 269	15 209	15 084
Total current transfers	KTNE	12 705	14 508	14 908	16 461	17 871	17 474	20 275	25 908	20 356	21 794	22 362
<b>Total</b>	HBOF	<b>237 734</b>	<b>251 993</b>	<b>242 948</b>	<b>240 113</b>	<b>265 380</b>	<b>276 354</b>	<b>317 493</b>	<b>344 869</b>	<b>345 913</b>	<b>350 210</b>	<b>368 007</b>
<b>Balances</b>												
Trade in goods and services												
Trade in goods	LQCT	-24 724	-18 707	-10 223	-13 050	-13 319	-11 091	-11 724	-13 086	-11 910	-20 537	-26 767
Trade in services	KTMS	3 917	4 010	4 471	5 674	6 623	6 528	8 915	8 897	12 414	12 582	11 538
Total trade in goods and services	KTMV	-20 807	-14 697	-5 752	-7 376	-6 696	-4 563	-2 809	-4 189	504	-7 955	-15 229
<b>Income</b>												
Compensation of employees	KTMP	-138	-110	-63	-49	35	-170	-296	93	83	-10	201
Investment income	HMBM	74	-448	-1 890	2 164	650	7 940	6 272	8 018	11 087	14 255	8 131
Total income	HMBP	-64	-558	-1 953	2 115	685	7 770	5 976	8 111	11 170	14 245	8 332
<b>Current transfers</b>												
Central government	FJUQ	2 869	2 299	3 528	748	1 150	213	50	1 698	892	-204	2 186
Other sectors	FJUR	-5 489	-6 557	-4 197	-5 569	-5 757	-4 878	-6 962	-6 220	-5 943	-6 166	-6 270
Total current transfers	KTNF	-2 620	-4 258	-669	-4 821	-4 607	-4 665	-6 912	-4 522	-5 051	-6 370	-4 084
<b>Total (Current balance)</b>	HBOG	<b>-23 491</b>	<b>-19 513</b>	<b>-8 374</b>	<b>-10 082</b>	<b>-10 618</b>	<b>-1 458</b>	<b>-3 745</b>	<b>-600</b>	<b>6 623</b>	<b>-80</b>	<b>-10 981</b>



## Summary tables

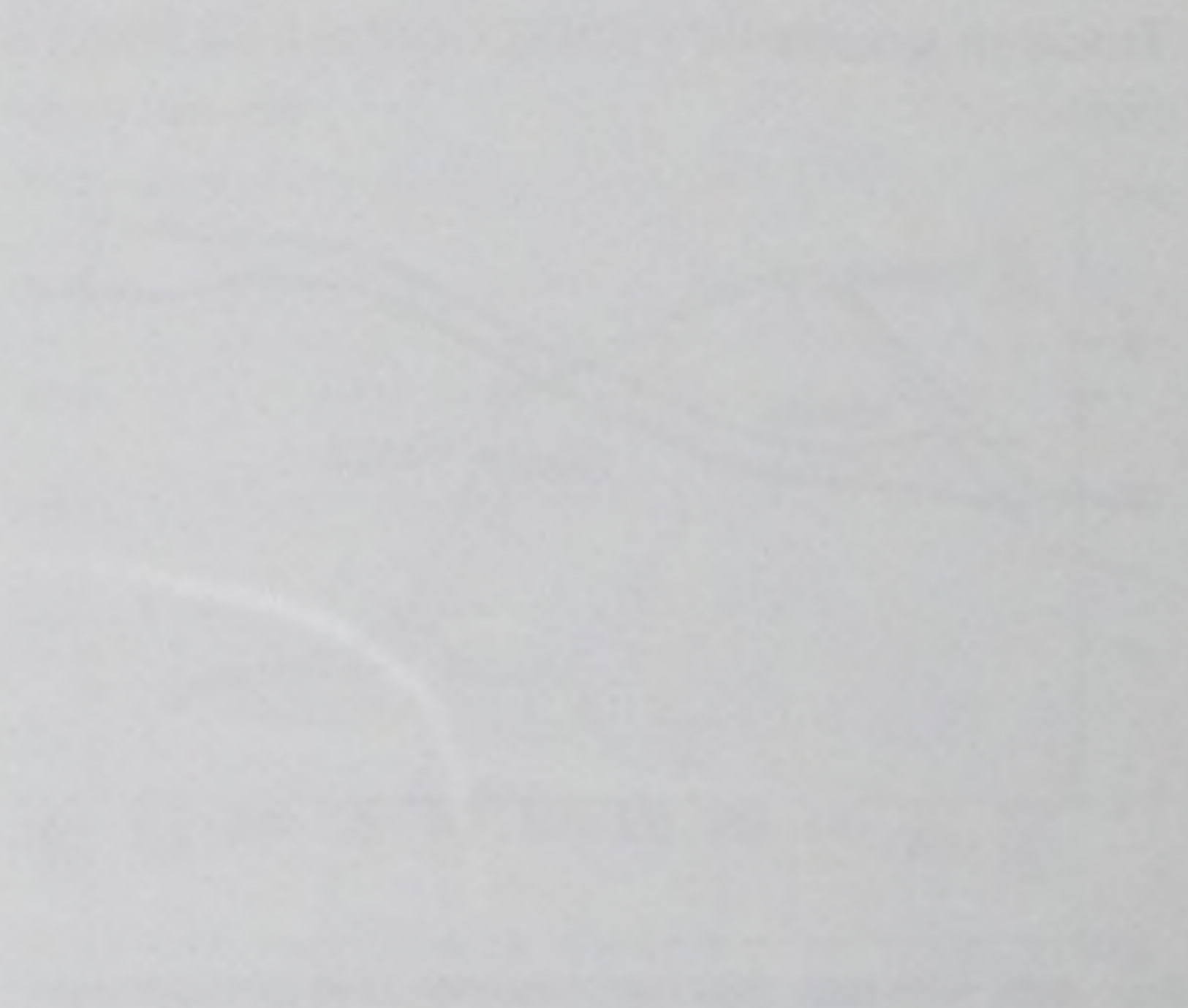
# 1.3 Summary of international investment position, financial account and investment income

£ billion

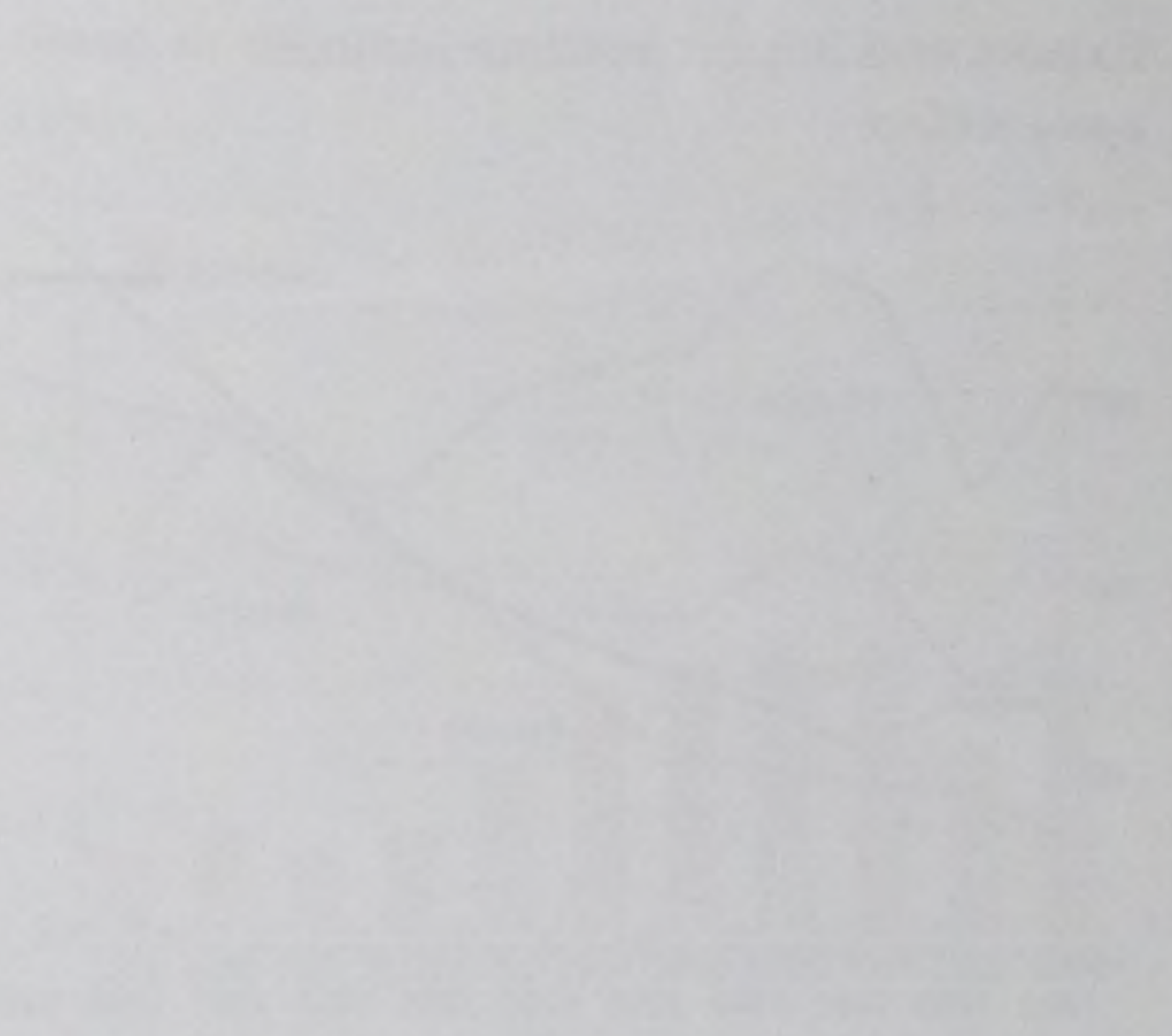
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Investment abroad</b>												
International investment position												
Direct investment	HBWD	123.2	120.7	126.2	149.7	170.3	173.9	200.9	207.8	226.5	301.1	418.5
Portfolio investment	HHZZ	227.3	197.3	253.0	316.9	456.4	414.4	487.2	535.1	626.7	685.5	771.6
Other investment	HLXV	566.0	555.9	533.6	650.0	694.7	719.0	819.5	864.2	1 066.2	1 102.6	1 130.9
Reserve assets	LTEB	26.3	22.5	26.0	28.3	29.7	30.7	31.8	27.3	22.8	23.3	22.2
Total	HBQA	942.8	896.4	938.8	1 144.9	1 351.2	1 337.9	1 539.4	1 634.4	1 942.2	2 112.5	2 343.2
Financial account transactions												
Direct investment	-HJYP	21.5	10.6	9.1	11.1	17.9	22.2	28.2	22.5	38.9	71.9	125.3
Portfolio investment	-HHZC	38.9	15.9	32.4	28.7	89.6	-21.8	39.3	59.8	51.9	36.7	5.4
Other investment	-XBMM	35.5	52.5	-20.5	30.7	45.7	28.9	48.1	137.3	168.4	15.9	50.1
Reserve assets	-LTCV	-5.4	0.1	2.7	-1.4	0.7	1.0	-0.2	-0.5	-2.4	-0.2	-0.6
Total	-HBNR	90.4	79.0	23.6	69.0	153.8	30.4	115.3	219.2	256.8	124.4	180.1
Investment income												
Direct investment	HJYW	18.7	17.5	14.5	15.2	19.1	23.8	26.9	30.9	32.3	32.0	33.8
Portfolio investment	HLXK	12.8	13.9	15.1	17.5	20.4	21.9	25.3	25.3	28.8	25.9	27.9
Other investment	AIOP	48.4	55.1	53.2	40.4	37.8	35.3	43.2	43.9	44.4	49.3	45.2
Reserve assets	HHCBB	1.9	1.7	1.7	1.5	1.5	1.6	1.7	1.6	1.4	1.1	1.2
Total	HMBN	81.8	88.2	84.4	74.5	78.8	82.6	97.1	101.7	106.9	108.4	108.1
<b>Investment in the UK</b>												
International investment position												
Direct investment	HBWI	100.1	113.5	121.0	123.1	128.2	122.6	137.9	147.6	167.1	192.8	243.1
Portfolio investment	HLXW	194.1	189.2	208.8	247.0	306.9	320.0	386.4	429.6	588.4	686.7	882.9
Other investment	HLXD	597.5	602.0	605.9	752.2	879.7	873.1	1 007.5	1 059.1	1 269.3	1 351.2	1 365.4
Total	HBQB	891.8	904.6	935.7	1 122.3	1 314.8	1 315.6	1 531.8	1 636.3	2 024.8	2 230.7	2 491.4
Financial account transactions												
Direct investment	HJYU	18.6	18.6	9.1	9.2	10.3	6.1	12.9	16.6	22.6	38.4	52.3
Portfolio investment	HHZF	18.2	13.4	11.0	9.4	28.4	33.2	37.2	44.2	27.2	17.9	115.6
Other investment	XBMM	72.6	64.6	13.5	56.1	124.6	-15.0	66.1	160.2	193.9	63.4	18.1
Total	HBNS	109.4	96.6	33.6	74.7	163.3	24.3	116.2	220.9	243.7	119.7	186.0
Investment income												
Direct investment	HJYX	12.7	9.3	6.4	7.3	12.9	12.3	15.6	18.7	17.3	11.7	22.3
Portfolio investment	HLZC	14.9	15.1	14.3	13.2	14.0	16.5	20.3	20.7	24.9	28.0	27.8
Other investment	HLZN	54.2	64.3	65.6	51.9	51.3	46.0	54.8	54.2	53.6	54.4	49.9
Total	HMBQ	81.7	88.6	86.3	72.4	78.2	74.7	90.8	93.7	95.8	94.1	100.0
<b>Net investment</b>												
International investment position												
Direct investment	HBWQ	23.1	7.2	5.2	26.6	42.1	51.3	63.0	60.2	59.4	108.3	175.4
Portfolio investment	CGNH	33.2	8.1	44.2	69.9	149.5	94.4	100.8	105.5	38.3	-1.2	-111.3
Other investment	CGNG	-31.5	-46.0	-72.3	-102.2	-184.9	-154.1	-188.0	-194.9	-203.1	-248.5	-234.5
Reserve assets	LTEB	26.3	22.5	26.0	28.3	29.7	30.7	31.8	27.3	22.8	23.3	22.2
Net investment position	HBQC	51.0	-8.2	3.1	22.5	36.4	22.2	7.6	-1.9	-82.6	-118.1	-148.3
Financial account transactions												
Direct investment	HJYV	-2.9	8.0	-	-1.8	-7.6	-16.1	-15.2	-6.0	-16.3	-33.5	-73.0
Portfolio investment	HHZD	-20.7	-2.5	-21.4	-19.3	-61.2	55.0	-2.1	-15.6	-24.8	-18.8	110.2
Other investment	HHYR	37.1	12.1	34.0	25.5	78.9	-44.0	18.1	22.9	25.5	47.5	-32.0
Reserve assets	LTCV	5.4	-0.1	-2.7	1.4	-0.7	-1.0	0.2	0.5	2.4	0.2	0.6
Net transactions	HBNT	19.0	17.5	10.0	5.7	9.4	-6.1	0.9	1.8	-13.2	-4.7	5.9
Investment income												
Direct investment	HJYE	6.0	8.2	8.1	7.9	6.1	11.5	11.2	12.2	15.0	20.3	11.5
Portfolio investment	HLZX	-2.1	-1.2	0.7	4.3	6.4	5.5	5.0	4.5	3.9	-2.1	0.1
Other investment	CGNA	-5.7	-9.2	-12.3	-11.5	-13.5	-10.6	-11.7	-10.2	-9.3	-5.1	-4.7
Reserve assets	HHCBB	1.9	1.7	1.7	1.5	1.5	1.6	1.7	1.6	1.4	1.1	1.2
Net earnings	HMBM	0.1	-0.4	-1.9	2.2	0.6	7.9	6.3	8.0	11.1	14.3	8.1



The first of the two main components of the United Kingdom Balance of Payments is the current account. This consists of the trade in goods and services, the income from investments, and the transfers. The second component is the capital account, which records the flows of capital between the United Kingdom and the rest of the world. The current account is the more important of the two, as it is the one that is most likely to be in surplus or deficit. The capital account is usually in surplus, as the United Kingdom is a net lender to the rest of the world.



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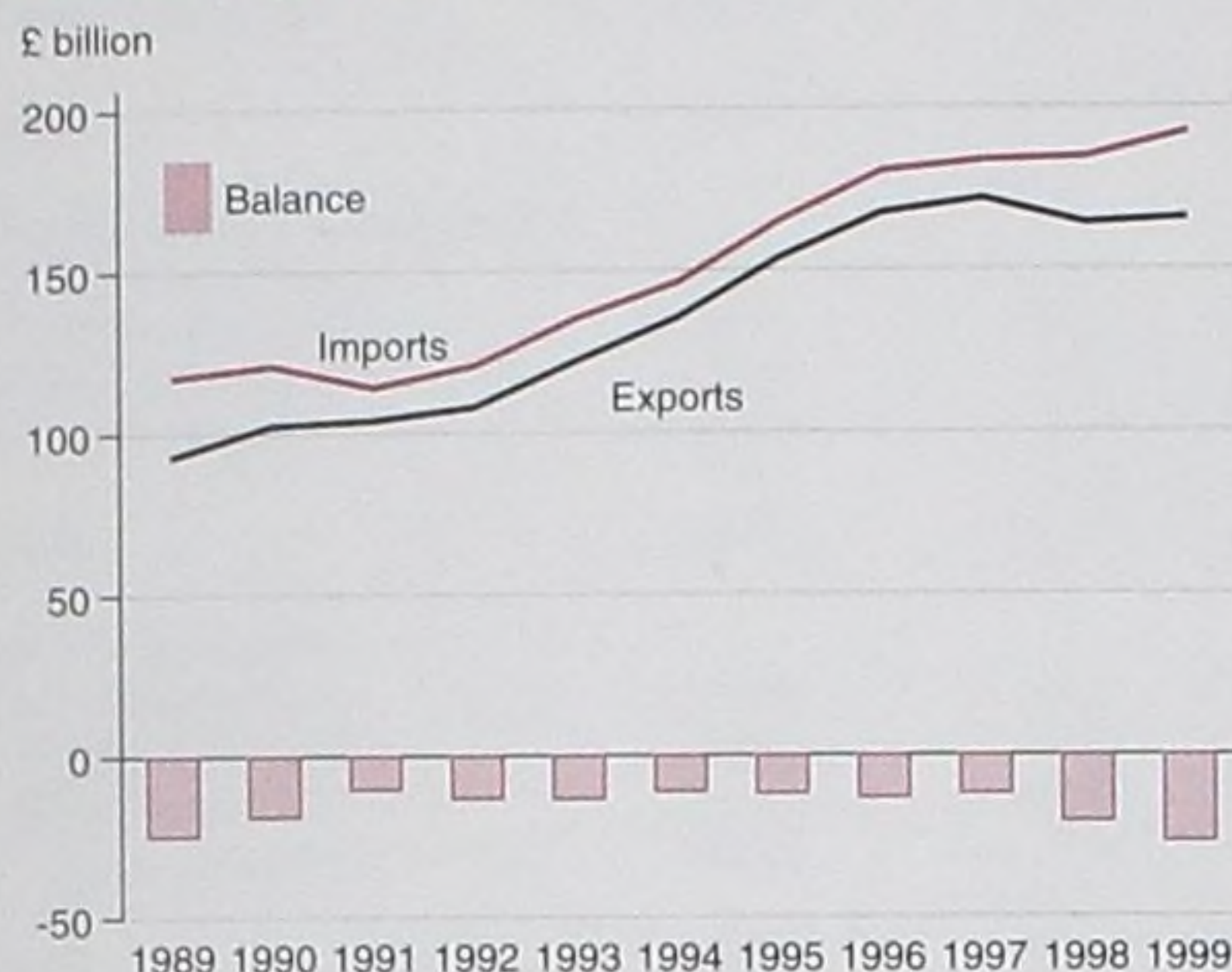




# 2

## Trade in goods

### Trade in goods

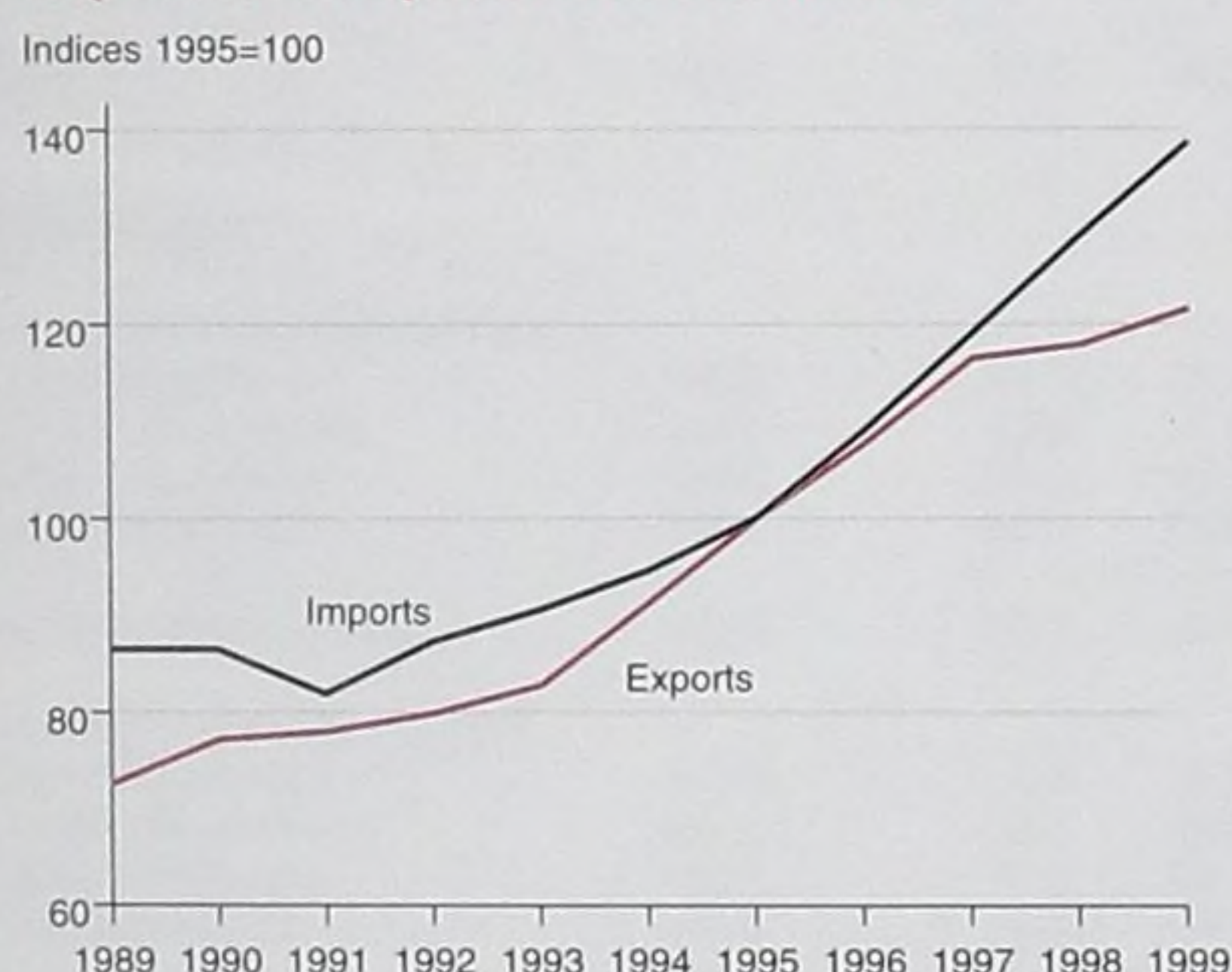


### Summary

The balance on trade in goods has shown a deficit in all but 6 years over the last century with the value of imports exceeding the value of exports. A surplus on trade in goods has not been recorded since 1982. In the period 1991 to 1997 the deficit settled into the range of £10 billion - £13 billion before widening in 1998 to £20.6 billion.

In 1999 the deficit widened further to a record £26.8 billion largely driven by a 4 per cent rise in the value of imports to a record £192.4 billion. A 6 per cent rise in imports from Non-EU countries led to a widening in the deficit with these countries from £15.2 billion to a record £20.3 billion. In value terms half of this rise is attributable to imports from South East Asia. The deficit with EU countries also deteriorated in 1999 to £6.4 billion. This is the worst annual deficit with the EU since 1990 when the deficit with these countries was £11.7 billion.

### Export and import volume indices



### Volume changes

Export volume has increased in every year since 1981. The growth in exports slowed during the years 1991 to 1993 reflecting a decline in economic activity abroad. Since then there was a period of strong growth between 1994 and 1997 followed by a marked slowdown in 1998 and a slight pick up in growth in 1999. Import volume has also been generally increasing since 1981. However a downturn in the UK economy resulted in a fall in the volume of imports in 1991. Since then import growth has resumed.

Export volume rose by 3 per cent in 1999 and import volume rose by 7½ per cent. The growth in exports was shared roughly equally between exports to EU and non-EU countries. However, although the volume of exports to EU countries reached a record annual level to those non-EU countries remained below their 1997 peak. The volume of imports from EU countries rose by 6 per cent in 1999 compared with a growth of 9½ per cent in the volume of imports from non-EU countries. Imports from both areas were at record annual levels in 1999.

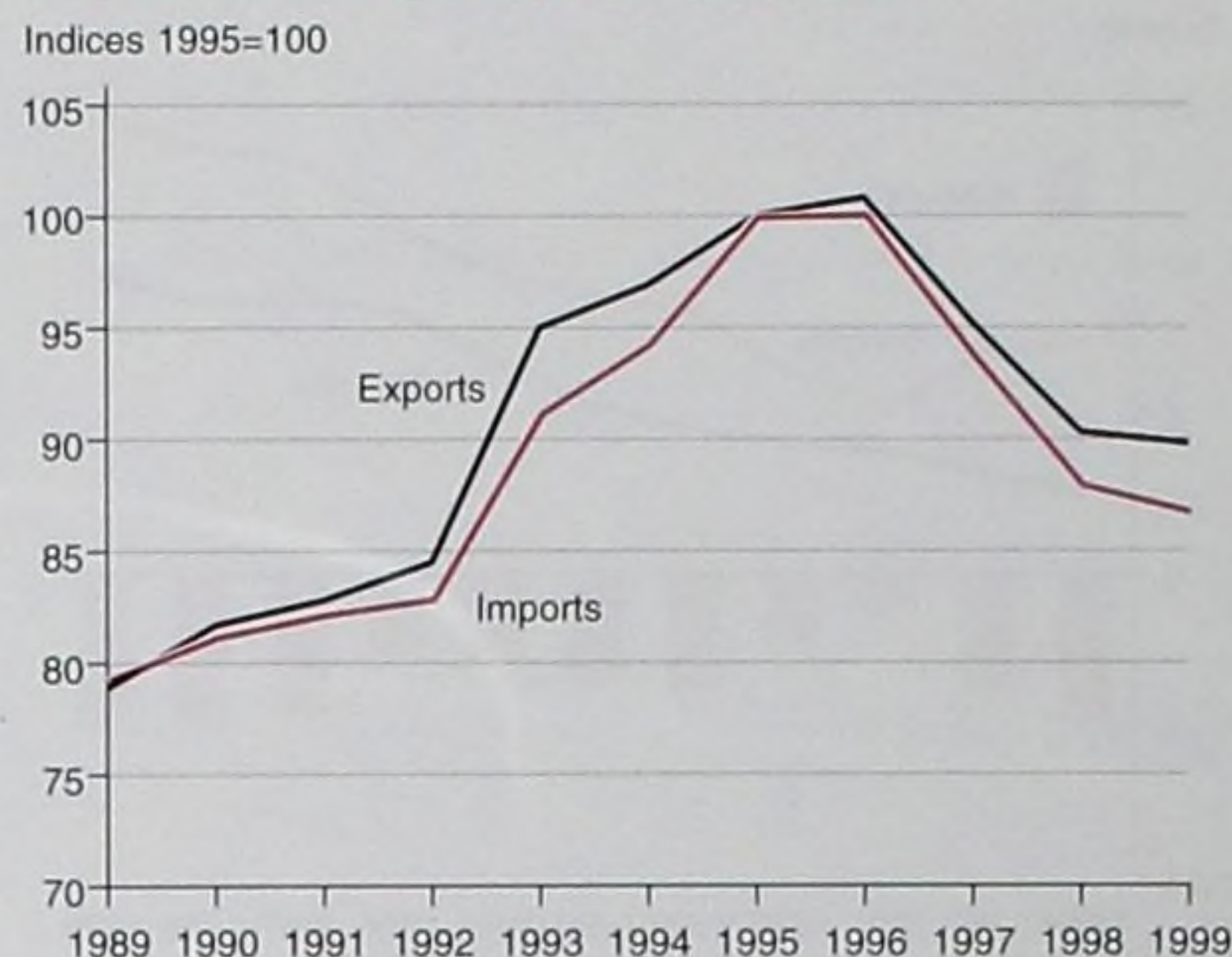


### Price changes

Export and import prices rose for 10 consecutive years between 1986 and 1996. The largest annual rises, 12 per cent for exports and 10 per cent for imports, occurred between 1992 and 1993 when sterling depreciated sharply following the UK's withdrawal from the Exchange Rate Mechanism (ERM). Both exports and import prices fell during 1997 and 1998. This reflected falls in World commodity prices and the price of crude oil feeding through into the price of manufactured goods.

The price of crude oil increased sharply in 1999. As a consequence, on an annual basis, between 1998 and 1999, the overall export price index fell by just 1/2 per cent and the overall import price index fell by only 1 1/2 per cent compared with falls of around 5 per cent for exports and 6 per cent for imports in both the previous years. Excluding the oil price effect export and import prices would have fallen by 2 per cent in 1999

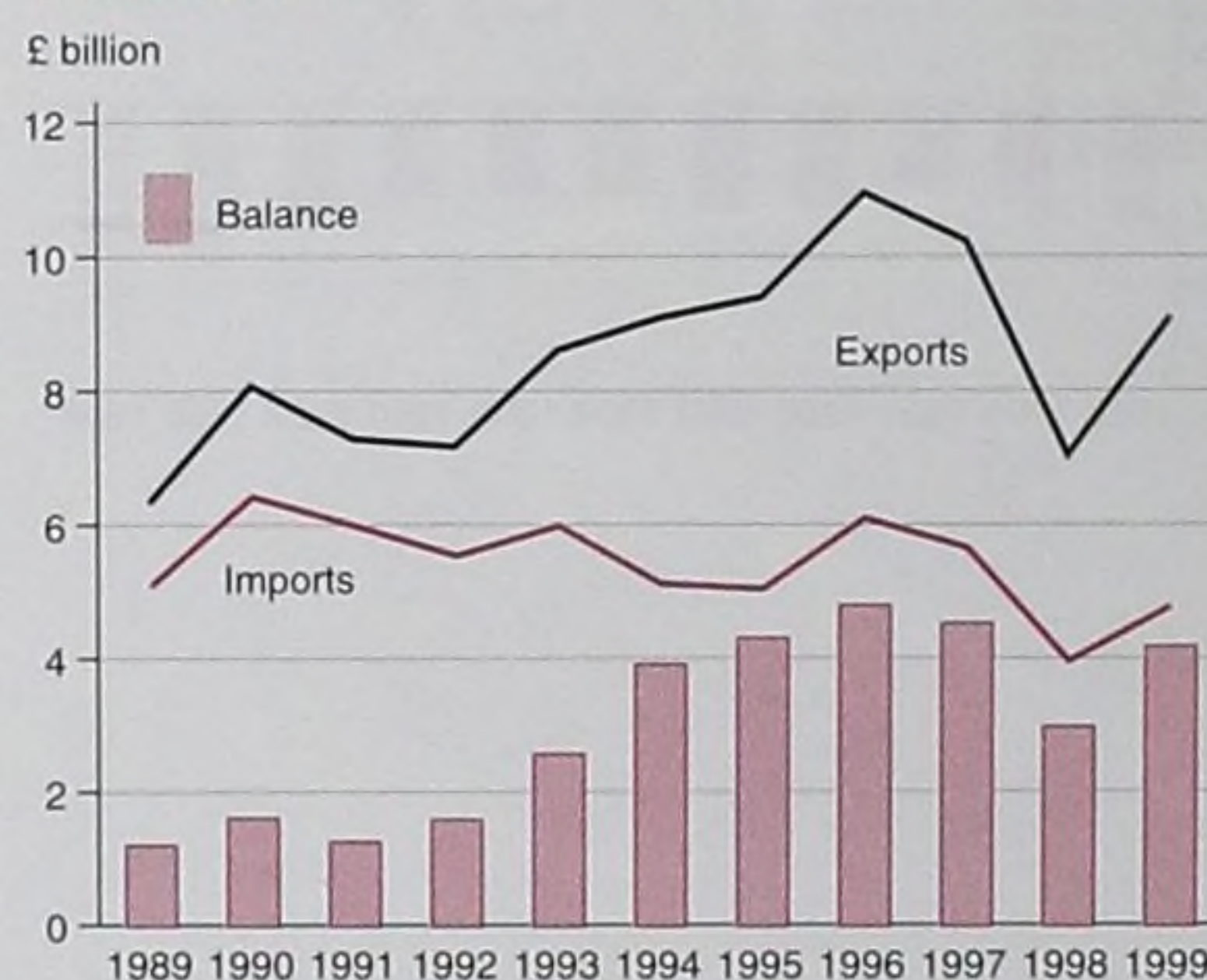
### Export and import price indices



### Trade in oil

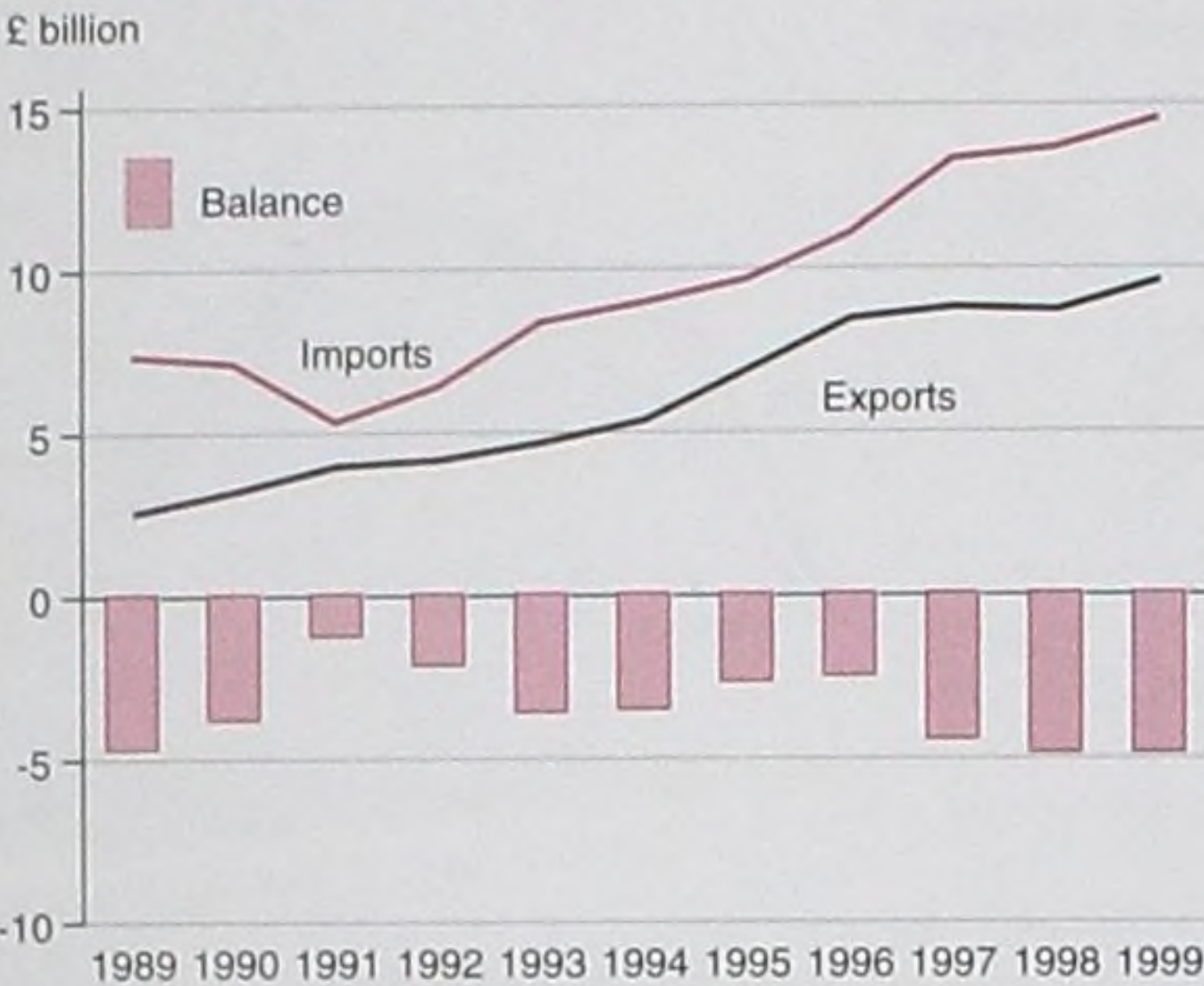
While the overall balance on trade in goods has shown a deficit every year since 1982, exports of oil consistently exceeded imports of oil in each year since 1980. In 1986 trade in oil showed a record surplus of £8.0 billion as oil prices reached record levels. Disruptions to production in the North Sea subsequently diminished the surplus during the period 1988 to 1991. Until 1996 the annual surplus increased steadily as UK production recovered and World crude oil prices increased. Falling oil prices in 1997 and 1998 then led to a reduction in the surplus to £3.0 billion in 1998 before a sharp rise in prices in 1999 saw the surplus increase to £4.2 billion. In addition to the price effect the other main factor behind the increased surplus was a significant fall in the volume of crude oil imports.

### Trade in oil

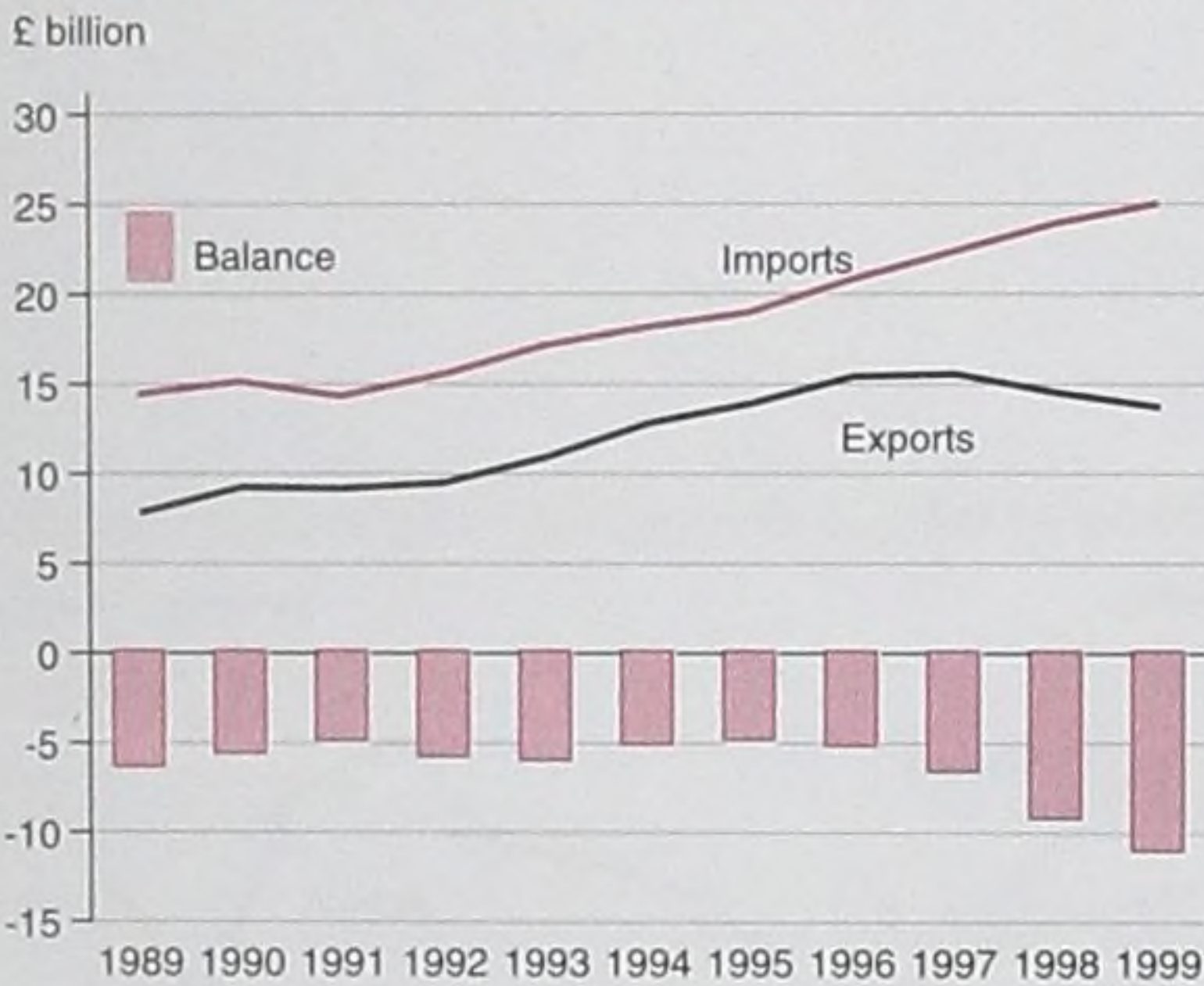




Trade in motor cars



Trade in other consumer goods



Trade in commodities other than oil

Finished manufactures accounted for an increased share of both total exports and total imports in the last ten years. Their share of total exports rose from 52 per cent in 1989 to 60 per cent in 1999; similarly imports rose from 52 per cent to 61 per cent over this period.

Within finished manufactures, the balance on trade in capital goods was in surplus every year since 1990. The balance on trade in ships and aircraft was in surplus every year since 1990 except for 1998 and 1999. Trade in motor cars, other consumer goods and intermediate goods has been in deficit in each of the last ten years. Within semi-manufactured goods the UK has been a net exporter of chemicals and a net importer of other semi-manufactured goods in each of the last ten years.

In 1999 export growth in volume terms was largely confined to cars, chemicals, intermediate and capital goods which rose by 9½ per cent, 8½ per cent, 6½ per cent and 4½ per cent respectively. Import growth, again in volume terms, was particularly strong within finished manufactures with imports of intermediate and capital goods growing by 15 and 12 per cent respectively. Imports of cars rose by 6 per cent and other consumer goods by 5½ per cent. Among semi-manufactured goods, imports of chemicals rose by 9 per cent.







## Trade in goods

# 2.1 Trade in goods

## Summary table

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>												
Food, beverages and tobacco	BQMV	6 454	6 995	7 654	8 677	9 166	10 046	11 204	11 343	11 094	10 219	9 929
Basic materials	ELBK	2 344	2 242	2 008	1 950	2 270	2 571	2 949	2 793	2 750	2 512	2 280
Oil												
Crude oil	BQNX	3 977	5 200	4 370	4 491	5 155	6 023	6 546	7 519	6 445	4 474	6 125
Other oil	BQNY	2 347	2 874	2 914	2 681	3 450	3 062	2 847	3 424	3 784	2 546	2 925
Total oil	BOKL	6 324	8 074	7 284	7 172	8 605	9 085	9 393	10 943	10 229	7 020	9 050
Other fuels	BQNF	256	324	353	307	448	413	558	651	775	495	803
Semi-manufactured goods												
Chemicals	BQOB	12 260	13 079	13 700	14 931	17 708	18 819	21 019	22 194	21 883	22 107	22 999
Precious stones and silver	BQOD	2 306	2 269	2 057	1 828	3 052	3 083	3 120	3 613	3 552	2 833	3 629
Other semi-manufactured goods	BQOC	12 122	13 448	13 438	13 599	14 691	16 511	19 362	19 559	19 103	18 415	16 606
Total semi-manufactured goods	BQMX	26 688	28 796	29 195	30 358	35 451	38 413	43 501	45 366	44 538	43 355	43 234
Finished manufactured goods												
Motor cars	BQOE	2 555	3 214	3 984	4 168	4 686	5 363	6 905	8 462	8 780	8 711	9 585
Consumer goods	BQOF	7 831	9 260	9 183	9 514	10 933	12 825	13 908	15 411	15 542	14 451	13 734
Intermediate goods	BQOG	17 624	19 980	20 738	22 164	24 589	27 379	31 340	34 355	35 854	35 644	36 535
Capital goods	BQOH	15 151	16 266	16 108	16 470	19 742	23 134	27 525	30 586	32 768	33 663	33 215
Ships and aircraft	BQOI	5 035	4 898	5 596	5 032	4 492	4 534	4 614	5 539	7 510	6 125	5 807
Total finished manufactured goods	BQMQ	48 196	53 618	55 609	57 348	64 442	73 235	84 292	94 353	100 454	98 594	98 876
Unspecified goods	BOKJ	2 349	2 264	1 836	2 051	1 657	1 497	1 828	1 954	1 943	1 897	1 495
<b>Total</b>	<b>LQAD</b>	<b>92 611</b>	<b>102 313</b>	<b>103 939</b>	<b>107 863</b>	<b>122 039</b>	<b>135 260</b>	<b>153 725</b>	<b>167 403</b>	<b>171 783</b>	<b>164 092</b>	<b>165 667</b>
<b>Imports</b>												
Food, beverages and tobacco	BQMW	10 771	11 611	11 609	12 613	13 346	13 832	15 347	16 840	16 214	16 204	16 527
Basic materials	BQNA	5 935	5 525	4 588	4 616	5 057	5 544	6 456	6 550	6 277	5 626	5 516
Oil												
Crude oil	BQNM	2 940	3 858	3 763	3 634	3 921	3 105	3 093	3 810	3 414	1 967	2 105
Other oil	BQOA	2 162	2 585	2 247	1 928	2 090	2 039	1 969	2 310	2 266	2 008	2 737
Total oil	BQAQ	5 102	6 443	6 010	5 562	6 011	5 144	5 062	6 120	5 680	3 975	4 842
Other fuels	BQNG	1 482	1 471	1 613	1 561	1 465	1 201	1 100	1 167	1 146	915	783
Semi-manufactured goods												
Chemicals	BQOJ	10 071	10 454	10 599	11 205	13 012	14 177	17 491	18 117	17 423	17 352	18 622
Precious stones and silver	BQOL	2 208	2 172	2 070	1 957	2 676	2 875	3 353	3 632	3 874	4 024	4 721
Other semi-manufactured goods	BQOK	18 757	18 930	17 722	17 948	18 983	20 994	24 420	25 099	24 156	23 637	22 094
Total semi-manufactured goods	BQMR	31 036	31 556	30 391	31 110	34 671	38 046	45 264	46 848	45 453	45 013	45 437
Finished manufactured goods												
Motor cars	BQOM	7 299	7 070	5 273	6 352	8 313	8 909	9 607	10 994	13 269	13 594	14 483
Consumer goods	BQON	14 300	14 996	14 191	15 400	17 018	18 032	18 841	20 676	22 249	23 773	24 878
Intermediate goods	BQOO	20 039	21 180	20 742	22 642	25 654	28 438	33 225	38 109	36 532	37 048	40 597
Capital goods	BQOP	16 019	15 078	14 324	15 767	19 132	21 887	25 571	27 462	29 245	30 155	31 597
Ships and aircraft	BQOQ	3 438	4 176	3 505	3 519	3 283	4 136	3 359	3 958	5 868	6 523	5 985
Total finished manufactured goods	BQMY	61 095	62 500	58 035	63 680	73 400	81 402	90 603	101 199	107 163	111 093	117 540
Unspecified goods	BQAO	1 914	1 914	1 916	1 771	1 408	1 182	1 617	1 765	1 760	1 803	1 789
<b>Total</b>	<b>LQBL</b>	<b>117 335</b>	<b>121 020</b>	<b>114 162</b>	<b>120 913</b>	<b>135 358</b>	<b>146 351</b>	<b>165 449</b>	<b>180 489</b>	<b>183 693</b>	<b>184 629</b>	<b>192 434</b>



# 2.1 Trade in goods

## Summary table

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>												
Food, beverages and tobacco	<b>BQOS</b>	-4 317	-4 616	-3 955	-3 936	-4 180	-3 786	-4 143	-5 497	-5 120	-5 985	-6 598
Basic materials	<b>BQOR</b>	-3 591	-3 283	-2 580	-2 666	-2 787	-2 973	-3 507	-3 757	-3 527	-3 114	-3 236
Oil												
Crude oil	<b>BQMG</b>	1 037	1 342	607	857	1 234	2 918	3 453	3 709	3 031	2 507	4 020
Other oil	<b>BQMH</b>	185	289	667	753	1 360	1 023	878	1 114	1 518	538	188
Total oil	<b>BQNE</b>	1 222	1 631	1 274	1 610	2 594	3 941	4 331	4 823	4 549	3 045	4 208
Other fuels	<b>BQNH</b>	-1 226	-1 147	-1 260	-1 254	-1 017	-788	-542	-516	-371	-420	20
Semi-manufactured goods												
Chemicals	<b>BQMI</b>	2 189	2 625	3 101	3 726	4 696	4 642	3 528	4 077	4 460	4 755	4 377
Precious stones and silver	<b>BQMK</b>	98	97	-13	-129	376	208	-233	-19	-322	-1 191	-1 092
Other semi-manufactured goods	<b>BQMJ</b>	-6 635	-5 482	-4 284	-4 349	-4 292	-4 483	-5 058	-5 540	-5 053	-5 222	-5 488
Total semi-manufactured goods	<b>BQOT</b>	-4 348	-2 760	-1 196	-752	780	367	-1 763	-1 482	-915	-1 658	-2 203
Finished manufactured goods												
Motor cars	<b>BQML</b>	-4 744	-3 856	-1 289	-2 184	-3 627	-3 546	-2 702	-2 532	-4 489	-4 883	-4 898
Consumer goods	<b>BQMM</b>	-6 469	-5 736	-5 008	-5 886	-6 085	-5 207	-4 933	-5 265	-6 707	-9 322	-11 144
Intermediate goods	<b>BQMN</b>	-2 415	-1 200	-4	-478	-1 065	-1 059	-1 885	-3 754	-678	-1 404	-4 062
Capital goods	<b>BQMO</b>	-868	1 188	1 784	703	610	1 247	1 954	3 124	3 523	3 508	1 618
Ships and aircraft	<b>BQMP</b>	1 597	722	2 091	1 513	1 209	398	1 255	1 581	1 642	-398	-178
Total finished manufactured goods	<b>BQOV</b>	-12 899	-8 882	-2 426	-6 332	-8 958	-8 167	-6 311	-6 846	-6 709	-12 499	-18 664
Unspecified goods	<b>BQOU</b>	435	350	-80	280	249	315	211	189	183	94	-294
<b>Total</b>	<b>LQCT</b>	<b>-24 724</b>	<b>-18 707</b>	<b>-10 223</b>	<b>-13 050</b>	<b>-13 319</b>	<b>-11 091</b>	<b>-11 724</b>	<b>-13 086</b>	<b>-11 910</b>	<b>-20 537</b>	<b>-26 767</b>



## Trade in goods

# 2.2 Trade in goods: volume indices

1995 = 100

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>												
Food, beverages and tobacco	BQPP	72	72	76	83	82	93	100	101	105	102	102
Basic materials	BQPQ	93	91	83	79	89	98	100	100	105	107	103
Oil												
Crude oil	BOGH	61	68	65	70	78	99	100	95	88	91	92
Other oil	BOGO	90	97	102	103	124	118	100	106	122	105	104
Total oil	BONC	70	77	76	80	92	105	100	98	99	95	96
Other mineral fuels and lubricants	BOGP	56	59	57	54	82	83	100	98	127	111	159
Semi-manufactured goods												
Chemicals	BQLB	72	75	77	83	91	96	100	105	111	116	126
Precious stones and silver	BQLD	88	87	78	66	100	100	100	117	121	100	133
Other semi-manufactured goods	BQLC	71	77	80	81	84	90	100	102	105	104	97
Total semi-manufactured goods	BQPR	73	77	79	81	88	94	100	104	109	109	113
Finished manufactured goods												
Motor cars	BQLE	52	63	75	76	74	82	100	121	127	128	141
Consumer goods	BQLF	73	84	80	80	81	94	100	112	120	115	112
Intermediate goods	BQLG	71	77	79	82	81	90	100	110	120	125	133
Capital goods	BQLH	62	67	66	67	72	83	100	113	127	138	143
Ships and aircraft	BQLI	159	144	157	133	104	100	100	119	162	135	129
Total finished manufactured goods	BQPS	71	77	78	79	79	88	100	113	125	128	133
<b>Total</b>	<b>BPBP</b>	<b>72.6</b>	<b>77.2</b>	<b>78.0</b>	<b>79.9</b>	<b>82.8</b>	<b>91.3</b>	<b>100.0</b>	<b>107.7</b>	<b>116.5</b>	<b>117.9</b>	<b>121.6</b>
<b>Imports</b>												
Food, beverages and tobacco	BQPT	86	89	89	95	94	97	100	107	111	120	128
Basic materials	BQPU	105	98	89	95	99	100	100	106	106	101	101
Oil												
Crude oil	BQPV	100	114	121	123	129	111	100	101	105	96	69
Other oil	BQPW	111	123	113	102	114	103	100	102	105	106	128
Total oil	ELAM	104	117	118	115	123	108	100	101	105	100	92
Other mineral fuels and lubricants	BQPX	148	137	158	166	127	109	100	108	118	109	111
Semi-manufactured goods												
Chemicals	BQLQ	68	70	73	77	83	92	100	108	114	120	131
Precious stones and silver	BQLS	83	81	77	74	86	87	100	107	120	123	146
Other semi-manufactured goods	BQLR	87	87	85	90	91	96	100	105	109	115	112
Total semi-manufactured goods	BQPY	80	80	79	84	87	94	100	107	112	117	122
Finished manufactured goods												
Motor cars	BQLT	120	110	76	87	100	101	100	112	140	145	154
Consumer goods	BQLU	82	85	80	89	100	101	100	108	120	132	139
Intermediate goods	BQLV	80	82	79	83	83	89	100	116	121	136	157
Capital goods	BQLW	77	69	64	71	79	86	100	109	127	146	164
Ships and aircraft	BQLX	146	164	129	124	109	129	100	112	172	193	170
Total finished manufactured goods	BQPZ	85	84	76	83	89	94	100	112	126	141	156
<b>Total</b>	<b>BQBJ</b>	<b>86.5</b>	<b>86.5</b>	<b>81.9</b>	<b>87.3</b>	<b>90.6</b>	<b>94.6</b>	<b>100.0</b>	<b>109.0</b>	<b>119.0</b>	<b>129.1</b>	<b>138.7</b>



# 2.3 Trade in goods: price indices

1995 = 100

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>												
Food, beverages and tobacco	<b>BPAI</b>	76	82	86	90	98	96	100	102	95	92	92
Basic materials	<b>BPAW</b>	78	77	76	78	84	89	100	96	91	84	79
Oil												
Crude oil	<b>BQAC</b>	98	118	104	99	102	93	100	121	110	74	99
Other oil	<b>BQAD</b>	90	105	99	89	96	91	100	115	110	91	112
Total oil	<b>BQAL</b>	96	114	102	96	100	92	100	119	110	79	103
Other mineral fuels and lubricants	<b>BQAF</b>	65	86	96	91	97	90	100	119	110	80	94
Semi-manufactured goods												
Chemicals	<b>BQLJ</b>	78	80	82	83	94	95	100	102	94	92	88
Precious stones and silver	<b>BQLL</b>	85	83	84	87	97	99	100	99	94	90	88
Other semi-manufactured goods	<b>BQLK</b>	86	86	85	85	91	96	100	99	93	91	88
Total semi-manufactured goods	<b>BQAA</b>	82	83	83	84	93	96	100	100	94	91	88
Finished manufactured goods												
Motor cars	<b>BQPM</b>	70	73	77	80	91	94	100	101	99	98	99
Consumer goods	<b>BQLM</b>	78	79	82	84	96	98	100	96	91	87	85
Intermediate goods	<b>BQLN</b>	77	80	82	84	95	97	100	100	94	91	89
Capital goods	<b>BQLO</b>	85	85	86	88	99	101	100	99	95	90	88
Ships and aircraft	<b>BQLP</b>	67	73	77	82	93	98	100	100	100	99	99
Total finished manufactured goods	<b>BQAB</b>	78	80	82	85	96	98	100	99	94	91	89
<b>Total</b>	<b>BQKR</b>	<b>78.9</b>	<b>81.7</b>	<b>82.8</b>	<b>84.5</b>	<b>95.0</b>	<b>96.9</b>	<b>100.0</b>	<b>100.8</b>	<b>95.2</b>	<b>90.3</b>	<b>89.8</b>
<b>Imports</b>												
Food, beverages and tobacco	<b>ELAN</b>	78	84	84	85	94	94	100	103	97	90	88
Basic materials	<b>ELAO</b>	85	83	77	74	80	89	100	98	93	89	88
Oil												
Crude oil	<b>ELAS</b>	94	110	100	94	98	90	100	121	105	67	98
Other oil	<b>ELAT</b>	108	118	112	103	99	101	100	115	109	96	107
Total oil	<b>ELBB</b>	99	113	104	98	99	94	100	119	107	78	101
Other mineral fuels and lubricants	<b>ELAU</b>	95	104	102	101	107	102	100	99	90	77	65
Semi-manufactured goods												
Chemicals	<b>BQLY</b>	77	78	77	77	87	89	100	98	89	85	82
Precious stones and silver	<b>BQMA</b>	80	79	80	80	94	98	100	101	96	96	96
Other semi-manufactured goods	<b>BQLZ</b>	86	86	84	82	87	90	100	98	91	85	81
Total semi-manufactured goods	<b>ELAQ</b>	83	83	81	80	88	90	100	98	90	86	83
Finished manufactured goods												
Motor cars	<b>BQMB</b>	65	68	75	78	88	92	100	102	99	98	98
Consumer goods	<b>BQMC</b>	91	89	91	89	91	95	100	100	97	94	94
Intermediate goods	<b>BQMD</b>	76	77	81	85	93	96	100	99	92	86	84
Capital goods	<b>BQME</b>	79	82	84	87	96	100	100	99	92	86	83
Ships and aircraft	<b>BQMF</b>	68	76	81	85	89	96	100	104	101	101	104
Total finished manufactured goods	<b>ELAR</b>	78	80	83	86	93	97	100	100	94	89	88
<b>Total</b>	<b>BQKS</b>	<b>79.3</b>	<b>81.2</b>	<b>82.2</b>	<b>82.9</b>	<b>91.2</b>	<b>94.3</b>	<b>100.0</b>	<b>100.1</b>	<b>93.8</b>	<b>88.0</b>	<b>86.8</b>



## Trade in goods

# 2.4 Adjustments to trade in goods on a balance of payments basis

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>												
Overseas trade statistics (f.o.b.)	<b>HGAA</b>	93 798	103 691	104 819	108 507	119 142	135 186	154 971	169 569	173 082	165 856	167 721
Coverage adjustments												
Second-hand ships	<b>HBYK</b>	97	46	225	276	224	175	208	204	193	219	236
Repairs to ships and aircraft	<b>EPAQ</b>	15	15	15	15	12	12	12	12	12	12	12
Goods not changing ownership	<b>HCLJ</b>	-2 236	-2 545	-2 193	-2 368	-1 009	-1 170	-1 710	-1 972	-2 351	-2 565	-2 292
Goods procured in ports	<b>KTPB</b>	452	590	521	515	636	591	593	659	623	564	594
Industrial gold	<b>DEJO</b>	21	19	19	21	51	34	34	31	22	46	33
Other	<b>BQPO</b>	-4	-20	17	9	52	53	53	53	56	55	55
Total coverage adjustments	<b>EHHH</b>	-1 655	-1 895	-1 396	-1 532	-34	-305	-810	-1 013	-1 445	-1 669	-1 362
Other adjustments	<b>EPAR</b>	468	517	516	888	2 931	379	-436	-1 153	146	-95	-692
<b>Total</b>	<b>LQAD</b>	<b>92 611</b>	<b>102 313</b>	<b>103 939</b>	<b>107 863</b>	<b>122 039</b>	<b>135 260</b>	<b>153 725</b>	<b>167 403</b>	<b>171 783</b>	<b>164 092</b>	<b>165 667</b>
<b>Imports</b>												
Overseas trade statistics (c.i.f.)	<b>HGAD</b>	122 001	126 085	118 871	125 867	136 178	149 888	169 609	186 153	189 107	192 027	199 540
Coverage adjustments												
Second-hand ships	<b>HBTY</b>	55	154	48	32	74	381	235	232	160	185	129
Ships delivered abroad	<b>CGER</b>	87	25	46	205	88	209	186	96	165	217	173
Repairs to ships and aircraft	<b>EPBA</b>	14	34	34	34	8	143	69	9	33	35	35
Goods not changing ownership	<b>HBYS</b>	-2 236	-2 545	-2 193	-2 368	-1 009	-1 170	-1 710	-1 972	-2 351	-2 565	-2 292
Goods procured in ports	<b>KTPC</b>	493	488	460	461	495	553	590	703	789	744	945
Industrial gold	<b>DEJP</b>	255	246	213	172	191	221	205	209	194	135	149
Other	<b>EHHI</b>	26	20	30	5	29	29	27	25	136	26	15
Total coverage adjustments	<b>EHHJ</b>	-1 306	-1 578	-1 362	-1 459	-124	366	-398	-698	-874	-1 223	-846
Valuation adjustments												
Freight	<b>BPGF</b>	-2 978	-3 092	-2 969	-3 081	-3 416	-3 538	-3 627	-3 945	-4 171	-4 362	-4 500
Insurance	<b>ENAG</b>	-363	-374	-354	-378	-418	-433	-496	-522	-556	-548	-587
Total	<b>HCLT</b>	-3 341	-3 466	-3 323	-3 459	-3 834	-3 971	-4 123	-4 467	-4 727	-4 910	-5 087
Other adjustments	<b>EPBB</b>	-19	-21	-24	-36	3 138	68	361	-499	187	-1 265	-1 173
<b>Total</b>	<b>LQBL</b>	<b>117 335</b>	<b>121 020</b>	<b>114 162</b>	<b>120 913</b>	<b>135 358</b>	<b>146 351</b>	<b>165 449</b>	<b>180 489</b>	<b>183 693</b>	<b>184 629</b>	<b>192 434</b>







# 3

## Trade in Services

### Trade in Services

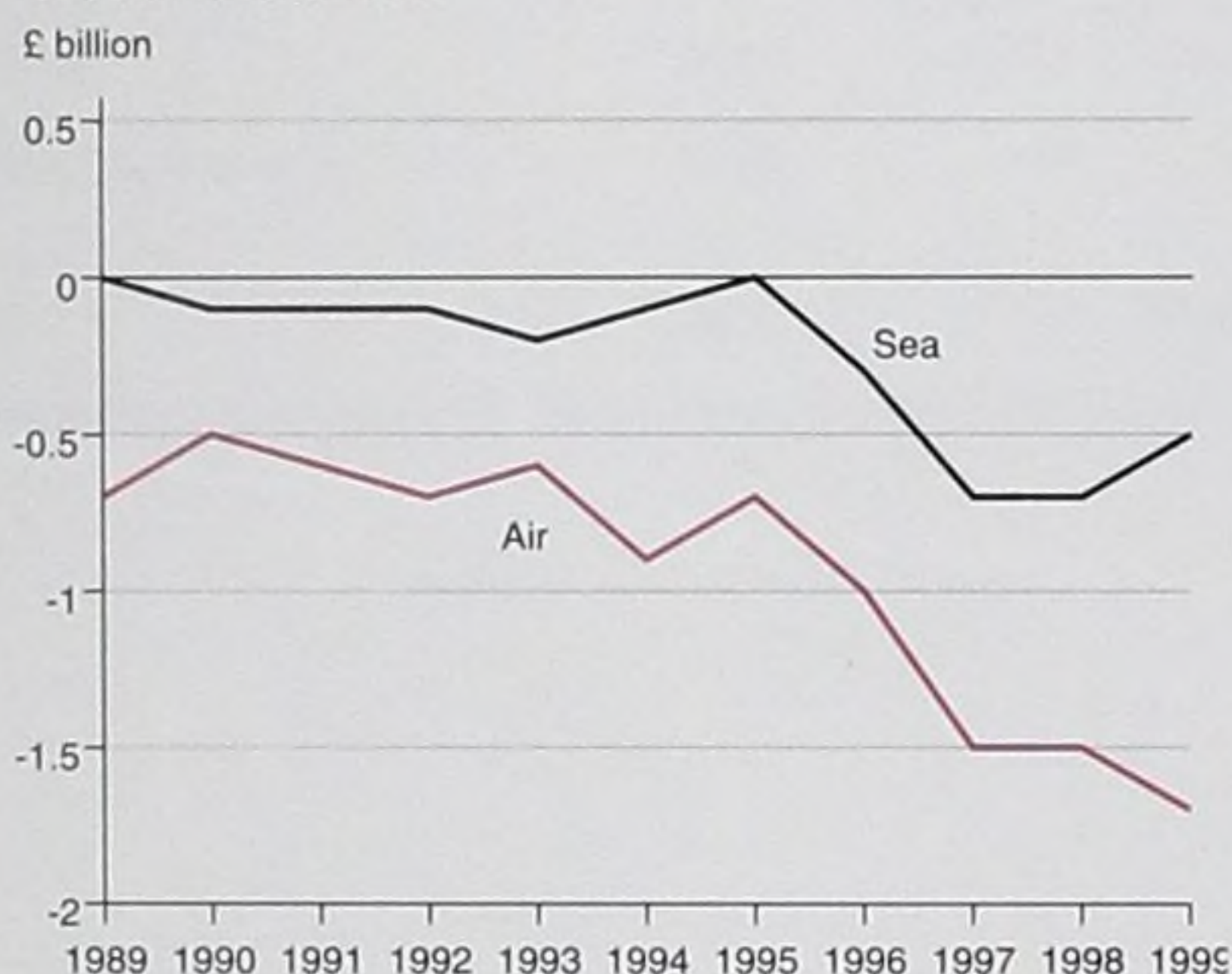


### Summary

A surplus has been recorded for trade in services in every year since 1966. The £11.5 billion surplus recorded for 1999 was £1 billion less than the record surplus of £12.6 billion in the previous year. Between 1993 and 1999, exports of services grew by 60 per cent, while imports increased by 57 per cent. In the year to 1999, exports of services grew by just over 4.2 per cent (compared to a rise of almost 7 per cent the previous year), while imports grew by almost 8 per cent (a very slight fall on 1998). Of the 11 main product groupings, all showed surpluses other than transportation, travel, communications and government services. The fall in balance was due to the £2.5 billion increase to the travel deficit, with offsetting improvements to the balances on insurance, financial, computer and information and other business services.

### Trade in sea & air transport services

Credits less debits



### Transportation

Sea transport exports and imports relate mainly to freight services on exports and imports of goods. Sea transport was close to balance in 1995, but recorded increasing deficits in most years up to 1999. However, the deficit decreased in 1999 to £0.5 billion, £0.2 billion less than in 1998, reflecting lower disbursements by UK ships in foreign ports.

The UK has recorded a deficit on air transport services in every year since the mid 1980's. The deficit of £1.7 billion in 1999 was an increase on the deficit of £1.5 billion in the previous year. While exports of air transport services remained broadly stable, imports recorded a 5 per cent rise between 1998 and 1999, reflecting a rise in passenger expenditure (UK residents' expenditure on non-resident airlines).

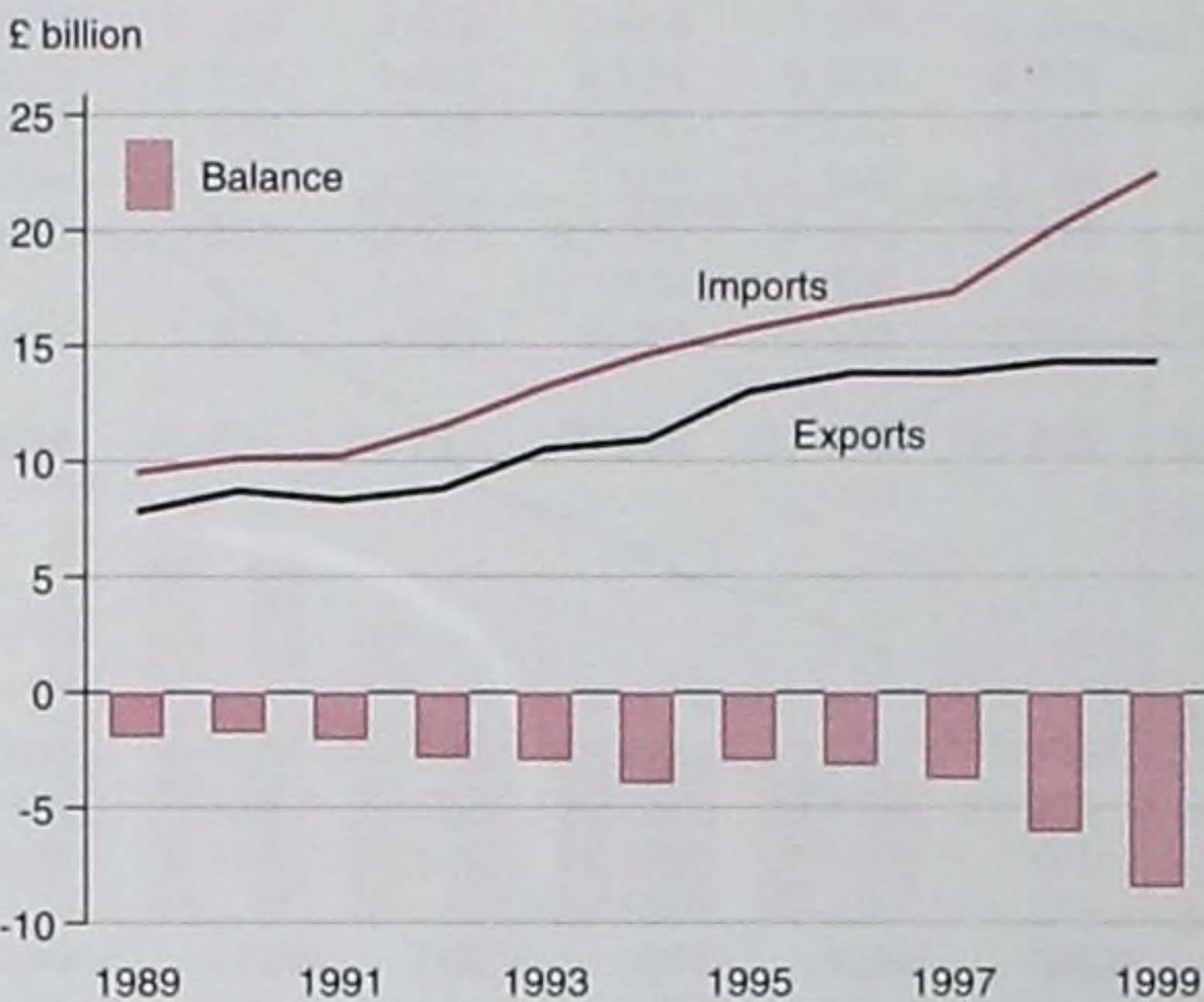


Travel

Travel expenditure by overseas residents in the UK accounts for around a quarter of total exports of trade in services, while expenditure by UK residents abroad accounts for over two fifths of total imports.

The travel deficit has grown significantly since the late 1980's. The £8.3 billion deficit in 1999 was the highest on record, up from a deficit of £5.9 billion in 1998. The increase in the deficit has been driven by record numbers of UK travellers going abroad (up 6 per cent to almost 54 million in 1998). The rising pound and lower flight prices are thought to have encouraged UK travellers to make more foreign trips in recent years. In contrast, the number of overseas visitors to the UK has fallen for the first time since 1991 to around 25 million in 1999 : once again the strength of sterling may have had an effect here.

Trade in travel services



Financial Services

Exports of financial services from banks, fund managers, securities dealers' etc. are currently recorded net of foreign expenses within the trade in services account. The balance on financial services rose by £0.5 billion in the year to 1998, having remained relatively flat the previous year. Within the financial services account, both the overseas service earnings of UK banks and the service earnings of securities dealers rose by just over 10 per cent.

Trade in financial services





Trade in other business services



Other Business Services

Other Business Services covers a broad range of services including trade related services such as merchanting, operational leasing and consultancy services such as advertising, engineering and legal services. Data for other business services are only available consistent with the new BPM5 definitions from 1991. Between 1991 and 1999, both exports and imports of other business services more than doubled. In the year to 1999, exports of other business services rose by almost 4 per cent while imports fell slightly from the 1998 peak of £6.2 billion, producing a record £11 billion surplus. The rise in exports was driven by a 23 per cent rise in exports of research and development services and a 20 per cent rise in merchanting and other trade related services.

Trade in computer and information services



Computer and information services

Both exports and imports of computer and information services have shown strong growth in recent years; the value of exports has more than doubled since 1995, while the value of imports has shown a 70 per cent rise. The surplus on computer and information services has also grown strongly, with total exports almost 4 times the value of total imports in 1998. Between 1998 and 1999, there was a 20 per cent rise in the value of exports and an 11 per cent rise in imports, with the overall surplus rising to £1.4 billion. The preparatory work required to combat the effects of the "Millennium Bug" is thought to have contributed to increased expenditure on such services.



# 3.1 Trade in services

## Summary table

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>												
Transportation	FJOD	7 136	7 595	7 207	7 895	8 770	9 492	10 200	10 820	11 179	11 582	11 538
Travel	FJPF	7 783	8 659	8 330	8 841	10 509	10 882	12 990	13 770	13 805	14 302	14 293
Communications	FJPH	..	..	1 004	895	1 070	1 038	1 009	1 099	1 147	1 277	1 484
Construction	FJPI	..	..	..	..	..	..	..	173	266	298	267
Insurance	FJPJ	1 216	688	1 276	1 374	1 895	2 125	2 835	2 084	3 213	3 228	4 111
Financial <sup>1</sup>	FJPK	..	..	3 040	3 711	3 979	4 310	4 483	4 951	6 268	6 438	6 992
Computer and information	FJPL	..	..	..	469	563	770	795	1 090	1 257	1 585	1 928
Royalties and license fees	FJPM	1 591	1 709	1 887	2 388	2 654	3 200	3 561	3 887	4 148	4 199	4 387
Other business	FJPN	..	..	6 339	7 870	8 413	9 699	10 571	13 112	14 303	16 483	17 083
Personal, cultural and recreational	FJPR	..	..	..	..	..	..	..	734	820	900	782
Government	FJPU	1 484	1 461	1 535	1 474	1 541	1 305	1 423	1 180	1 137	1 090	1 117
<b>Total</b>	<b>KTMQ</b>	<b>29 272</b>	<b>31 188</b>	<b>31 426</b>	<b>35 428</b>	<b>40 039</b>	<b>43 507</b>	<b>48 687</b>	<b>52 900</b>	<b>57 543</b>	<b>61 382</b>	<b>63 982</b>
<b>Imports</b>												
Transportation	FJPV	7 963	8 301	7 840	8 671	9 398	10 328	10 733	11 916	13 291	13 799	13 930
Travel	APQA	9 604	10 224	10 255	11 557	13 319	14 728	15 793	16 729	17 443	20 201	22 634
Communications	FJQZ	..	..	1 143	971	1 274	1 310	1 328	1 346	1 348	1 475	1 694
Construction	FJRA	..	..	..	..	..	..	..	120	168	111	85
Insurance	FJRB	382	405	411	427	427	471	495	567	594	585	569
Financial <sup>1</sup>	FJRE	..	..	166	173	175	178	200	207	181	165	205
Computer and information	FJRF	..	..	..	173	211	253	293	333	405	451	500
Royalties and license fees	FJRG	1 589	2 005	1 904	2 039	2 251	2 758	3 119	3 821	3 747	3 848	3 840
Other business	FJRH	..	..	2 581	3 425	4 102	4 359	5 225	5 923	5 545	6 181	6 130
Personal, cultural and recreational	FJRL	..	..	..	..	..	..	..	556	546	475	490
Government	FJRO	2 196	2 250	2 300	2 064	1 898	2 125	1 998	2 485	1 861	1 509	2 367
<b>Total</b>	<b>KTMR</b>	<b>25 355</b>	<b>27 178</b>	<b>26 955</b>	<b>29 754</b>	<b>33 416</b>	<b>36 979</b>	<b>39 772</b>	<b>44 003</b>	<b>45 129</b>	<b>48 800</b>	<b>52 444</b>
<b>Balances</b>												
Transportation	FJRP	-827	-706	-633	-776	-628	-836	-533	-1 096	-2 112	-2 217	-2 392
Travel	FJSR	-1 821	-1 565	-1 925	-2 716	-2 810	-3 846	-2 803	-2 959	-3 638	-5 899	-8 341
Communications	FJST	..	..	-139	-76	-204	-272	-319	-247	-201	-198	-210
Construction	FJSU	..	..	..	..	..	..	..	53	98	187	182
Insurance	FJSV	834	283	865	947	1 468	1 654	2 340	1 517	2 619	2 643	3 542
Financial <sup>1</sup>	FJTA	..	..	2 874	3 538	3 804	4 132	4 283	4 744	6 087	6 273	6 787
Computer and information	FJTB	..	..	..	296	352	517	502	757	852	1 134	1 428
Royalties and license fees	FJTC	2	-296	-17	349	403	442	442	66	401	351	547
Other business	FJTD	..	..	3 758	4 445	4 311	5 340	5 346	7 189	8 758	10 302	10 953
Personal, cultural and recreational	FJTH	..	..	..	..	..	..	..	178	274	425	292
Government	FJUL	-712	-789	-765	-590	-357	-820	-575	-1 305	-724	-419	-1 250
<b>Total</b>	<b>KTMS</b>	<b>3 917</b>	<b>4 010</b>	<b>4 471</b>	<b>5 674</b>	<b>6 623</b>	<b>6 528</b>	<b>8 915</b>	<b>8 897</b>	<b>12 414</b>	<b>12 582</b>	<b>11 538</b>

<sup>1</sup> The service earnings of financial institutions are recorded net of their foreign expenses. Imports of financial services only cover imports by non-financial institutions.



## Trade in services

# 3.2 Transportation

		£ million										
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>												
Sea transport												
Passenger												
Passenger revenue	<b>FJAL</b>	486	507	479	586	588	594	693	705	697	462	463
Time charter receipts	<b>FJAM</b>	12	9	7	8	8	8	8	9	9	—	9
Total passenger	<b>FJOF</b>	498	516	486	594	596	602	701	714	706	462	472
Freight												
Dry cargo												
Freight on UK exports	<b>HECV</b>	462	411	378	367	384	406	421	409	416	322	375
Freight on cross-trades	<b>HDVI</b>	973	861	869	902	1 129	1 272	1 354	1 345	1 564	1 502	1 412
Time charter receipts	<b>FJAO</b>	150	114	82	97	109	90	125	125	138	109	90
Wet cargo												
Freight on UK exports	<b>HEIX</b>	55	44	47	50	46	66	64	71	68	60	59
Freight on cross-trades	<b>HECX</b>	411	442	469	383	416	502	488	550	536	442	350
Time charter receipts	<b>FJAP</b>	72	113	94	79	96	128	139	120	68	70	87
Total Freight	<b>FJOG</b>	2 123	1 985	1 939	1 878	2 180	2 464	2 591	2 620	2 790	2 505	2 373
Disbursements in the UK	<b>FJAR</b>	707	731	750	840	878	910	946	950	981	1 139	1 006
Total sea transport	<b>FJOE</b>	3 328	3 232	3 175	3 312	3 654	3 976	4 238	4 284	4 477	4 106	3 851
Air transport												
Passenger revenue	<b>FJOJ</b>	2 304	2 656	2 363	2 764	3 163	3 392	3 751	4 110	4 080	4 422	4 368
Freight on UK exports and cross trades	<b>FJOK</b>	280	285	211	275	309	358	361	428	407	408	380
Other												
Disbursements in the UK	<b>FJAX</b>	789	893	880	941	1 018	1 044	983	1 024	1 177	1 565	1 746
Other revenue	<b>HBWB</b>	158	183	180	138	144	154	176	221	242	236	294
Total other	<b>FJOL</b>	947	1 076	1 060	1 079	1 162	1 198	1 159	1 245	1 419	1 801	2 040
Total air transport	<b>FJOI</b>	3 531	4 017	3 634	4 118	4 634	4 948	5 271	5 783	5 906	6 631	6 788
Other transport												
Rail												
Passenger	<b>FJOS</b>	—	—	—	—	—	—	71	77	80	108	132
Freight	<b>FJOT</b>	—	—	—	—	—	3	10	11	8	16	17
Total rail	<b>FJOR</b>	—	—	—	—	—	3	81	88	88	124	149
Road												
Passenger	<b>FJOW</b>	—	—	—	—	—	—	—	—	—	—	—
Freight	<b>FJOX</b>	255	321	367	422	443	511	570	629	672	683	713
Total road	<b>FJOV</b>	255	321	367	422	443	511	570	629	672	683	713
Pipeline transport	<b>FJPD</b>	22	25	31	43	39	54	40	36	36	38	37
Total other transport	<b>FJOM</b>	277	346	398	465	482	568	691	753	796	845	899
<b>Total</b>	<b>FJOD</b>	<b>7 136</b>	<b>7 595</b>	<b>7 207</b>	<b>7 895</b>	<b>8 770</b>	<b>9 492</b>	<b>10 200</b>	<b>10 820</b>	<b>11 179</b>	<b>11 582</b>	<b>11 538</b>



# 3.2 Transportation

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Imports</b>												
<b>Sea transport</b>												
Passenger												
Passenger expenditure	<b>FJBP</b>	282	337	356	428	443	483	457	396	486	494	422
Time charter payments	<b>FJBQ</b>	53	45	47	51	55	62	65	70	92	22	24
Total passenger	<b>FJPK</b>	335	382	403	479	498	545	522	466	578	516	446
Freight												
Dry cargo												
Freight on UK imports	<b>HCJO</b>	1 428	1 444	1 333	1 514	1 682	1 761	1 811	1 846	2 008	2 063	2 154
Time charter payments	<b>FJBS</b>	109	92	95	106	118	129	135	145	190	217	120
Wet cargo												
Freight on UK imports	<b>HCNJ</b>	246	340	288	195	237	222	194	221	315	282	381
Time charter payments	<b>FJBT</b>	136	186	196	214	208	200	186	243	161	181	89
Freight on UK coastal routes	<b>HFAA</b>	70	86	102	81	97	92	116	132	135	135	137
Total Freight	<b>FJFY</b>	1 989	2 148	2 014	2 110	2 342	2 404	2 442	2 587	2 809	2 878	2 881
Other												
Disbursements - dry cargo	<b>FJBU</b>	907	761	716	733	865	1 039	1 134	1 375	1 670	1 291	953
Disbursements - wet cargo	<b>FJBW</b>	141	76	107	104	111	102	107	134	104	78	76
Total other	<b>FJFZ</b>	1 048	837	823	837	976	1 141	1 241	1 509	1 774	1 369	1 029
Total sea transport	<b>FJFW</b>	3 372	3 367	3 240	3 426	3 816	4 090	4 205	4 562	5 161	4 763	4 356
<b>Air transport</b>												
Passenger expenditure	<b>FJQB</b>	2 367	2 546	2 359	2 771	2 894	3 192	3 115	3 505	3 863	4 197	4 505
Freight	<b>FJQC</b>	332	318	289	358	361	375	401	481	543	583	670
Disbursements abroad	<b>FJCA</b>	1 512	1 697	1 583	1 723	1 936	2 298	2 459	2 764	3 015	3 372	3 362
Total air transport	<b>FJQA</b>	4 211	4 561	4 231	4 852	5 191	5 865	5 975	6 750	7 421	8 152	8 537
<b>Other transport</b>												
Rail												
Passenger	<b>FJQK</b>	—	—	—	—	—	2	54	85	98	121	155
Freight	<b>FJQL</b>	—	—	—	—	—	3	13	13	10	21	25
Total rail	<b>FJQJ</b>	—	—	—	—	—	5	67	98	108	142	180
Road												
Passenger	<b>FJQO</b>	—	—	—	—	—	—	—	—	—	—	—
Freight	<b>FJQP</b>	345	337	316	340	337	319	422	457	550	694	809
Total road	<b>FJQN</b>	345	337	316	340	337	319	422	457	550	694	809
Pipeline transport	<b>FJQV</b>	35	36	53	53	54	49	64	49	51	48	48
Total other transport	<b>FJQE</b>	380	373	369	393	391	373	553	604	709	884	1 037
<b>Total</b>	<b>FJFV</b>	<b>7 963</b>	<b>8 301</b>	<b>7 840</b>	<b>8 671</b>	<b>9 398</b>	<b>10 328</b>	<b>10 733</b>	<b>11 916</b>	<b>13 291</b>	<b>13 799</b>	<b>13 930</b>



# Trade in services

## 3.2 Transportation

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>												
Sea transport												
Passenger	<b>FJRR</b>	163	134	83	115	98	57	179	248	128	-54	26
Freight												
Dry cargo	<b>FJNJ</b>	48	-150	-99	-254	-178	-122	-46	-112	-80	-347	-397
Wet cargo	<b>FJNM</b>	156	73	126	103	113	274	311	277	196	109	26
Other	<b>FJVC</b>	-70	-86	-102	-81	-97	-92	-116	-132	-135	-135	-137
Total Freight	<b>FJRS</b>	134	-163	-75	-232	-162	60	149	33	-19	-373	-508
Other												
Dry cargo	<b>FJVF</b>	-907	-761	-716	-733	-865	-1 039	-1 134	-1 375	-1 670	-1 291	-953
Wet Cargo	<b>FJVG</b>	-141	-76	-107	-104	-111	-102	-107	-134	-104	-78	-76
Other	<b>FJVI</b>	707	731	750	840	878	910	946	950	981	1 139	1 006
Total other	<b>FJRT</b>	-341	-106	-73	3	-98	-231	-295	-559	-793	-230	-23
Total sea transport	<b>FJRQ</b>	-44	-135	-65	-114	-162	-114	33	-278	-684	-657	-505
<i>of which</i>												
<i>Ships owned or chartered-in by UK residents</i>	<b>FLMZ</b>	1 275	1 341	1 264	1 264	1 419	1 534	1 665	1 367	1 279	1 178	1 583
<i>Ships operated by non-residents</i>	<b>FLNF</b>	-1 319	-1 476	-1 329	-1 378	-1 581	-1 648	-1 632	-1 645	-1 963	-1 835	-2 088
Air transport												
Passenger	<b>FJRV</b>	-63	110	4	-7	269	200	636	605	217	225	-137
Freight	<b>FJRW</b>	-52	-33	-78	-83	-52	-17	-40	-53	-136	-175	-290
Other	<b>FJRX</b>	-565	-621	-523	-644	-774	-1 100	-1 300	-1 519	-1 596	-1 571	-1 322
Total air transport	<b>FJRU</b>	-680	-544	-597	-734	-557	-917	-704	-967	-1 515	-1 521	-1 749
Other transport												
Rail												
Passenger	<b>FJSE</b>	-	-	-	-	-	-2	17	-8	-18	-13	-23
Freight	<b>FJSF</b>	-	-	-	-	-	-	-3	-2	-2	-5	-8
Total rail	<b>FJSD</b>	-	-	-	-	-	-2	14	-10	-20	-18	-31
Road												
Passenger	<b>FJSI</b>	-	-	-	-	-	-	-	-	-	-	-
Freight	<b>FJSJ</b>	-90	-16	51	82	106	192	148	172	122	-11	-96
Total road	<b>FJSH</b>	-90	-16	51	82	106	192	148	172	122	-11	-96
Pipeline transport	<b>FJSP</b>	-13	-11	-22	-10	-15	5	-24	-13	-15	-10	-11
Total other transport	<b>FJRY</b>	-103	-27	29	72	91	195	138	149	87	-39	-138
<b>Total</b>	<b>FJRP</b>	<b>-827</b>	<b>-706</b>	<b>-633</b>	<b>-776</b>	<b>-628</b>	<b>-836</b>	<b>-533</b>	<b>-1 096</b>	<b>-2 112</b>	<b>-2 217</b>	<b>-2 392</b>



## 3.3 Travel

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>												
Business												
Expenditure by seasonal & border workers <sup>1</sup>	FJJCQ	..	..	..	..	..	53	52	60	53	132	142
Other	FJNO	2 047	2 190	2 142	2 211	2 489	2 580	3 240	3 270	3 533	3 857	3 993
Total business travel	FJPG	2 047	2 190	2 142	2 211	2 489	2 633	3 292	3 330	3 586	3 989	4 135
Personal												
Health related <sup>2</sup>	FJJCX	..	..	..	..	..	91	53	106	112	79	84
Education related	FJDD	1 353	1 500	1 566	1 529	1 774	1 880	2 237	2 525	2 492	2 696	2 606
Other	FJDG	4 383	4 969	4 622	5 101	6 246	6 278	7 408	7 809	7 615	7 538	7 468
Total personal travel	FJTU	5 736	6 469	6 188	6 630	8 020	8 249	9 698	10 440	10 219	10 313	10 158
<b>Total</b>	<b>FJPF</b>	<b>7 783</b>	<b>8 659</b>	<b>8 330</b>	<b>8 841</b>	<b>10 509</b>	<b>10 882</b>	<b>12 990</b>	<b>13 770</b>	<b>13 805</b>	<b>14 302</b>	<b>14 293</b>
<b>Imports</b>												
Business												
Expenditure by seasonal & border workers <sup>1</sup>	FJDO	..	..	..	..	..	28	71	55	56	118	135
Other	FJNP	1 687	1 907	1 885	2 000	2 364	2 629	3 044	3 463	3 451	4 231	4 259
Total business travel	FJQY	1 687	1 907	1 885	2 000	2 364	2 657	3 115	3 518	3 507	4 349	4 394
Personal												
Health related <sup>2</sup>	FJDT	..	..	..	..	..	9	4	3	11	3	9
Education related	FJDV	41	41	47	63	103	91	106	119	111	133	125
Other	APPW	7 876	8 276	8 323	9 494	10 852	11 971	12 568	13 089	13 814	15 716	18 106
Total personal travel	APQW	7 917	8 317	8 370	9 557	10 955	12 071	12 678	13 211	13 936	15 852	18 240
<b>Total</b>	<b>APQA</b>	<b>9 604</b>	<b>10 224</b>	<b>10 255</b>	<b>11 557</b>	<b>13 319</b>	<b>14 728</b>	<b>15 793</b>	<b>16 729</b>	<b>17 443</b>	<b>20 201</b>	<b>22 634</b>
<b>Balances</b>												
Business												
Expenditure by seasonal & border workers <sup>1</sup>	FJCR	..	..	..	..	..	25	-19	5	-3	14	7
Other	FJCW	360	283	257	211	125	-49	196	-193	82	-374	-266
Total business travel	FJSS	360	283	257	211	125	-24	177	-188	79	-360	-259
Personal												
Health related <sup>2</sup>	FJCY	..	..	..	..	..	82	49	103	101	76	75
Education related	FJDE	1 312	1 459	1 519	1 466	1 671	1 789	2 131	2 406	2 381	2 563	2 481
Other	FJDH	-3 493	-3 307	-3 701	-4 393	-4 606	-5 693	-5 160	-5 280	-6 199	-8 178	-10 638
Total personal travel	FJTW	-2 181	-1 848	-2 182	-2 927	-2 935	-3 822	-2 980	-2 771	-3 717	-5 539	-8 082
<b>Total</b>	<b>FJSR</b>	<b>-1 821</b>	<b>-1 565</b>	<b>-1 925</b>	<b>-2 716</b>	<b>-2 810</b>	<b>-3 846</b>	<b>-2 803</b>	<b>-2 959</b>	<b>-3 638</b>	<b>-5 899</b>	<b>-8 341</b>

1 There are no firm data for expenditure by seasonal & border workers before 1994, but for continuity some estimates have been included in other business travel.

2 There are no firm data for health related travel before 1994, but for continuity broad estimates have been included in other personal travel.



## Trade in services

# 3.4 Communications services

£ million

		1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>										
Postal and courier services										
Postal services	<b>FJTN</b>	..	..	..	..	..	127	91	76	68
Courier services	<b>FJTO</b>	..	..	..	..	..	23	18	17	55
Total postal and courier services	<b>FJED</b>	..	..	..	..	..	150	109	93	123
Telecommunications services	<b>FJAS</b>	..	..	..	..	..	949	1 038	1 184	1 361
<b>Total</b>	<b>FJPH</b>	<b>1 004</b>	<b>895</b>	<b>1 070</b>	<b>1 038</b>	<b>1 009</b>	<b>1 099</b>	<b>1 147</b>	<b>1 277</b>	<b>1 484</b>
<b>Imports</b>										
Postal and courier services										
Postal services	<b>FJTP</b>	..	..	..	..	..	223	208	222	239
Courier services	<b>FJTQ</b>	..	..	..	..	..	19	13	22	36
Total postal and courier services	<b>FJEI</b>	..	..	..	..	..	242	221	244	275
Telecommunications services	<b>FJAT</b>	..	..	..	..	..	1 104	1 127	1 231	1 419
<b>Total</b>	<b>FJQZ</b>	<b>1 143</b>	<b>971</b>	<b>1 274</b>	<b>1 310</b>	<b>1 328</b>	<b>1 346</b>	<b>1 348</b>	<b>1 475</b>	<b>1 694</b>
<b>Balances</b>										
Postal and courier services										
Postal services	<b>FJTR</b>	-62	-36	-92	-106	-114	-96	-117	-146	-171
Courier services	<b>FJTS</b>	..	..	..	..	..	4	5	-5	19
Total postal and courier services	<b>FJEE</b>	-59	-34	-87	-107	-109	-92	-112	-151	-152
Telecommunications services	<b>FJAQ</b>	-80	-42	-117	-165	-210	-155	-89	-47	-58
<b>Total</b>	<b>FJST</b>	<b>-139</b>	<b>-76</b>	<b>-204</b>	<b>-272</b>	<b>-319</b>	<b>-247</b>	<b>-201</b>	<b>-198</b>	<b>-210</b>



# 3.5 Insurance services

£ million

		1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>										
Life insurance and pension funds	<b>FJEU</b>	302	396	301	333	367	639	689	1 204	1 827
Freight insurance	<b>FJJL</b>	31	20	26	25	6	20	76	77	76
Other direct insurance <sup>1</sup>	<b>FJEW</b>	-382	-558	-157	99	618	-167	561	360	35
Reinsurance	<b>FJEX</b>	406	482	573	480	711	560	915	420	345
Auxiliary insurance services (insurance brokers)	<b>FJEY</b>	919	1 034	1 152	1 188	1 133	1 032	972	1 167	1 828
<b>Total<sup>2</sup></b>	<b>FJPJ</b>	<b>1 276</b>	<b>1 374</b>	<b>1 895</b>	<b>2 125</b>	<b>2 835</b>	<b>2 084</b>	<b>3 213</b>	<b>3 228</b>	<b>4 111</b>
<b>Imports</b>										
Life insurance and pension funds	<b>FJRC</b>	-	-	-	-	-	-	-	-	-
Freight insurance	<b>FJRD</b>	411	427	427	471	495	567	594	585	569
Other direct insurance	<b>FJFC</b>	-	-	-	-	-	-	-	-	-
Reinsurance	<b>FJFD</b>	-	-	-	-	-	-	-	-	-
Auxiliary insurance services	<b>FJFE</b>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>FJRB</b>	<b>411</b>	<b>427</b>	<b>427</b>	<b>471</b>	<b>495</b>	<b>567</b>	<b>594</b>	<b>585</b>	<b>569</b>
<b>Balances</b>										
Life insurance and pension funds	<b>FJSW</b>	302	396	301	333	367	639	689	1 204	1 827
Freight insurance	<b>FJSX</b>	-380	-407	-401	-446	-489	-547	-518	-508	-493
Other direct insurance	<b>FJJM</b>	-382	-558	-157	99	618	-167	561	360	35
Reinsurance	<b>FJJN</b>	406	482	573	480	711	560	915	420	345
Auxiliary insurance services	<b>FJJO</b>	919	1 034	1 152	1 188	1 133	1 032	972	1 167	1 828
<b>Total</b>	<b>FJSV</b>	<b>865</b>	<b>947</b>	<b>1 468</b>	<b>1 654</b>	<b>2 340</b>	<b>1 517</b>	<b>2 619</b>	<b>2 643</b>	<b>3 542</b>

1 Other direct insurance by UK insurance companies includes facultative reinsurance on marine, aviation and transport business.

2 Exports of insurance services are net of expenditure abroad by UK insurance companies.



## Trade in services

# 3.6 Financial services<sup>1</sup>

		£ million										
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>												
Monetary financial institutions (banks)	<b>FKKE</b>	1 465	1 712	1 569	1 689	1 721	1 588	1 737	1 845	2 331	2 634	2 955
Fund managers <sup>2</sup>	<b>HFZS</b>	..	202	231	282	375	390	425	445	440	510	540
Money market brokers	<b>HCGK</b>	73	85	84	92	107	130	112	134	208	225	217
Securities dealers	<b>HFZR</b>	1 101	724	531	987	1 102	1 467	1 460	1 761	2 721	2 388	2 636
Baltic Exchange	<b>HCPE</b>	427	474	326	300	275	262	292	260	316	297	293
Other	<b>FKID</b>	..	..	299	361	399	473	457	506	252	384	351
<b>Total</b>	<b>FJPK</b>	..	..	3 040	3 711	3 979	4 310	4 483	4 951	6 268	6 438	6 992
<b>Imports total</b>	<b>FJRE</b>	..	..	166	173	175	178	200	207	181	165	205
<b>Balance total</b>	<b>FJTA</b>	..	..	2 874	3 538	3 804	4 132	4 283	4 744	6 087	6 273	6 787

1 The service earnings of financial institutions are recorded net of their foreign expenses. Imports of financial services only cover imports by non- financial institutions.

2 There are no firm data for years prior to 1990, but for continuity some broad estimates for past years have been included in other business services, "other miscellaneous business services".

# 3.7 Computer and information services

		£ million							
		1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>									
Computer services	<b>FJCN</b>	..	..	..	..	956	1 083	1 403	1 679
Information services	<b>FJCO</b>	..	..	..	..	134	174	182	249
<b>Total</b>	<b>FJPL</b>	<b>469</b>	<b>563</b>	<b>770</b>	<b>795</b>	<b>1 090</b>	<b>1 257</b>	<b>1 585</b>	<b>1 928</b>
<b>Imports</b>									
Computer services	<b>FJDL</b>	..	..	..	..	283	339	432	448
Information services	<b>FJDM</b>	..	..	..	..	50	66	19	52
<b>Total</b>	<b>FJRF</b>	<b>173</b>	<b>211</b>	<b>253</b>	<b>293</b>	<b>333</b>	<b>405</b>	<b>451</b>	<b>500</b>
<b>Balances</b>									
Computer Services	<b>FJJP</b>	..	..	..	..	673	744	971	1 231
Information services	<b>FJJQ</b>	..	..	..	..	84	108	163	197
<b>Total</b>	<b>FJTB</b>	<b>296</b>	<b>352</b>	<b>517</b>	<b>502</b>	<b>757</b>	<b>852</b>	<b>1 134</b>	<b>1 428</b>



# 3.8 Royalties and license fees

		£ million										
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>												
Film and television	<b>FJFO</b>	288	289	294	303	294	448	451	513	705	775	777
Other royalties and license fees	<b>FFVJ</b>	1 303	1 420	1 593	2 085	2 360	2 752	3 110	3 374	3 443	3 424	3 610
<b>Total</b>	<b>FJPM</b>	<b>1 591</b>	<b>1 709</b>	<b>1 887</b>	<b>2 388</b>	<b>2 654</b>	<b>3 200</b>	<b>3 561</b>	<b>3 887</b>	<b>4 148</b>	<b>4 199</b>	<b>4 387</b>
<b>Imports</b>												
Film and television	<b>FJFQ</b>	261	326	359	393	383	456	587	608	863	882	794
Other royalties and license fees	<b>FFVP</b>	1 328	1 679	1 545	1 646	1 868	2 302	2 532	3 213	2 884	2 966	3 046
<b>Total</b>	<b>FJRG</b>	<b>1 589</b>	<b>2 005</b>	<b>1 904</b>	<b>2 039</b>	<b>2 251</b>	<b>2 758</b>	<b>3 119</b>	<b>3 821</b>	<b>3 747</b>	<b>3 848</b>	<b>3 840</b>
<b>Balances</b>												
Film and television	<b>FFVV</b>	27	-37	-65	-90	-89	-8	-136	-95	-158	-107	-17
Other royalties and license fees	<b>FFWB</b>	-25	-259	48	439	492	450	578	161	559	458	564
<b>Total</b>	<b>FJTC</b>	<b>2</b>	<b>-296</b>	<b>-17</b>	<b>349</b>	<b>403</b>	<b>442</b>	<b>442</b>	<b>66</b>	<b>401</b>	<b>351</b>	<b>547</b>



## Trade in services

# 3.9 Other Business Services

£ million

		1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>										
Merchanting and other trade related services										
Merchanting	<b>FJFS</b>	344	384	380	459	508	481	306	491	631
Other trade related services	<b>FJFX</b>	282	362	403	487	547	709	657	697	795
Total merchanting and other trade related services	<b>FJPO</b>	626	746	783	946	1 055	1 190	963	1 188	1 426
Operational leasing services	<b>FJPP</b>	..	..	..	..	..	129	113	40	93
Miscellaneous business, professional and technical services										
Legal, accounting and management consulting										
Law society	<b>FJGE</b>	425	473	471	504	511	536	644	791	748
Commercial bar association	<b>FJCP</b>	..	..	..	35	33	41	47	61	62
Other legal services <sup>1</sup>	<b>FJGD</b>	..	..	..	..	..	161	202	257	229
Accounting	<b>FJBX</b>	..	118	129	146	156	178	258	478	568
Business management and management consulting	<b>FJNV</b>	..	491	538	586	610	668	933	932	1 089
Advertising and market research	<b>FJGP</b>	..	..	..	..	..	717	1 022	1 087	985
Research and development	<b>FJDP</b>	..	..	..	..	..	1 311	1 614	1 920	2 357
Architectural, engineering and other technical services										
North Sea oil and gas <sup>2</sup>	<b>FJCV</b>	283	382	356	497	358	331	..	..	..
Architectural	<b>FJGT</b>	..	42	47	51	52	51	83	59	68
Engineering	<b>FJGU</b>	1 003	1 330	1 461	1 689	1 843	2 243	2 491	2 781	2 457
Surveying	<b>FJGV</b>	..	34	37	36	37	37	31	41	26
Other Technical	<b>FJGW</b>	..	..	..	..	..	807	798	1 071	954
Agricultural, mining and on-site processing services	<b>FJHC</b>	..	..	..	..	..	26	21	56	41
Other miscellaneous business services	<b>FJHH</b>	1 935	2 281	2 391	2 596	3 042	4 004	4 212	4 761	5 047
Services between affiliated enterprises, n.i.e.	<b>FJHF</b>	..	..	..	..	..	682	871	960	933
Total miscellaneous business, professional, and technical services	<b>FJ PQ</b>	..	..	..	..	..	11 793	13 227	15 255	15 564
<b>Total</b>	<b>FJPN</b>	<b>6 339</b>	<b>7 870</b>	<b>8 413</b>	<b>9 699</b>	<b>10 571</b>	<b>13 112</b>	<b>14 303</b>	<b>16 483</b>	<b>17 083</b>
<b>Imports</b>										
Merchanting and other trade related services										
Merchanting	<b>FJHN</b>	..	..	..	..	..	110	44	73	63
Other trade related services	<b>FJHR</b>	..	329	410	449	517	652	444	500	573
Total merchanting and other trade related services	<b>FJRI</b>	..	..	..	..	..	762	488	573	636
Operational leasing services	<b>FJRJ</b>	..	..	..	..	..	194	196	193	223
Miscellaneous business, professional and technical services										
Legal, accounting and management consulting										
Legal <sup>1</sup>	<b>FJHX</b>	..	..	..	..	..	145	177	175	192
Accounting	<b>FJVJ</b>	..	69	86	93	105	128	98	97	91
Business management and management consulting	<b>FJNW</b>	..	184	229	242	263	310	327	324	278
Advertising and market research	<b>FJID</b>	..	..	..	..	..	493	460	540	626
Research and development	<b>FJDQ</b>	..	..	..	..	..	767	657	657	629
Architectural, engineering and other technical services										
North Sea oil and gas <sup>2</sup>	<b>FJDR</b>	482	479	484	440	567	442	..	..	..
Architectural	<b>FJIF</b>	..	..	..	..	..	6	7	12	14
Engineering	<b>FJIG</b>	..	..	..	..	..	629	909	1 039	799
Surveying	<b>FJIH</b>	..	..	..	..	..	17	36	26	13
Other Technical	<b>FJII</b>	..	..	..	..	..	232	358	407	356
Agricultural, mining and on-site processing services	<b>FJIN</b>	..	..	..	..	..	7	7	32	45
Other miscellaneous business services	<b>FJIP</b>	540	748	916	971	1 348	1 385	1 368	1 443	1 514
Services between affiliated enterprises, n.i.e.	<b>FJHG</b>	..	..	..	..	..	406	457	663	714
Total miscellaneous business, professional and technical services	<b>FJRK</b>	..	2 893	3 466	3 675	4 457	4 967	4 861	5 415	5 271
<b>Total</b>	<b>FJRH</b>	<b>2 581</b>	<b>3 425</b>	<b>4 102</b>	<b>4 359</b>	<b>5 225</b>	<b>5 923</b>	<b>5 545</b>	<b>6 181</b>	<b>6 130</b>

1 Other legal services are indistinguishably included within other miscellaneous business services for years before 1996.

2 From 1997, service transactions of North Sea oil and gas companies are collected by the Overseas Trade in Services Inquiry and are implicitly included with the various products traded. Industry totals for the North Sea oil and gas industry are as below:

	Exports	Imports
1997	412	421
1998	581	478
1999	551	433



# 3.9 Other Business Services

continued

£ million

		1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>										
Merchanting and other trade related services										
Merchanting	<b>FJFT</b>	..	..	..	..	..	371	262	418	568
Other trade related services	<b>FJFY</b>	..	33	-7	38	30	57	213	197	222
Total merchanting and other trade related services	<b>FJTE</b>	..	..	..	..	..	428	475	615	790
Operational leasing services	<b>FJTF</b>	..	..	..	..	..	-65	-83	-153	-130
Miscellaneous business, professional and technical services										
Legal, accounting and management consulting										
Legal	<b>FJGG</b>	..	..	..	..	..	593	716	934	847
Accounting	<b>FJGI</b>	..	49	43	53	51	50	160	381	477
Business management and management consulting	<b>FJGK</b>	..	307	309	344	347	358	606	608	811
Advertising and market research	<b>FJGQ</b>	..	..	..	..	..	224	562	547	359
Research and development	<b>FJGS</b>	..	..	..	..	..	544	957	1 263	1 728
Architectural, engineering and other technical services	<b>FJGY</b>	..	..	..	..	..	2 143	2 093	2 468	2 323
Agricultural, mining and on-site processing services	<b>FJHD</b>	..	..	..	..	..	19	14	24	-4
Services between affiliated enterprises, n.i.e.	<b>FJHL</b>	..	..	..	..	..	276	414	297	219
Other	<b>FJHI</b>	1 395	1 533	1 475	1 625	1 694	2 619	2 844	3 318	3 533
Total miscellaneous business, professional, and technical services	<b>FJTG</b>	..	..	..	..	..	6 826	8 366	9 840	10 293
<b>Total</b>	<b>FJTD</b>	<b>3 758</b>	<b>4 445</b>	<b>4 311</b>	<b>5 340</b>	<b>5 346</b>	<b>7 189</b>	<b>8 758</b>	<b>10 302</b>	<b>10 953</b>



## Trade in services

# 3.10 Personal, cultural and recreational services

										£ million
		1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>										
Audiovisual and related services										
Film and television	<b>FKJO</b>	208	253	345	330	422	395	461	480	476
Other	<b>FFWH</b>	..	..	..	..	..	101	152	141	156
Total audiovisual and related services	<b>FJPS</b>	..	..	..	..	..	496	613	621	632
Other personal, cultural and recreational services	<b>FJPT</b>	..	..	..	..	..	238	207	279	150
<b>Total</b>	<b>FJPR</b>	..	..	..	..	..	<b>734</b>	<b>820</b>	<b>900</b>	<b>782</b>
<b>Imports</b>										
Audiovisual and related services										
Film and television	<b>FKJX</b>	151	134	211	305	400	441	450	411	397
Other	<b>FFWN</b>	..	..	..	..	..	25	22	25	29
Total audiovisual and related services	<b>FJRM</b>	..	..	..	..	..	466	472	436	426
Other personal, cultural and recreational services	<b>FJRN</b>	..	..	..	..	..	90	74	39	64
<b>Total</b>	<b>FJRL</b>	..	..	..	..	..	<b>556</b>	<b>546</b>	<b>475</b>	<b>490</b>
<b>Balances</b>										
Audiovisual and related services	<b>FJTI</b>	..	..	..	..	..	30	141	185	206
Other personal, cultural and recreational services	<b>FJTJ</b>	..	..	..	..	..	148	133	240	86
<b>Total</b>	<b>FJTH</b>	..	..	..	..	..	<b>178</b>	<b>274</b>	<b>425</b>	<b>292</b>

# 3.11 Government services

		£ million											
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	
<b>Exports</b>													
Expenditure by foreign embassies and consulates in the UK	<b>FJUK</b>	407	429	409	365	368	348	367	393	357	371	385	
Military units and agencies													
Expenditure by US forces in UK	<b>FJKB</b>	639	604	670	635	520	357	364	328	250	293	247	
Other military receipts by UK government	<b>HCOJ</b>	96	52	23	44	196	139	108	91	56	40	29	
Total military units and agencies	<b>FJIX</b>	735	656	693	679	716	496	472	419	306	333	276	
Other													
EU institutions	<b>FKIE</b>	164	198	228	231	278	239	301	144	235	174	267	
Other receipts	<b>HCQO</b>	178	178	205	199	179	222	283	224	239	212	189	
Total other	<b>FJJA</b>	342	376	433	430	457	461	584	368	474	386	456	
<b>Total</b>	<b>FJPU</b>	<b>1 484</b>	<b>1 461</b>	<b>1 535</b>	<b>1 474</b>	<b>1 541</b>	<b>1 305</b>	<b>1 423</b>	<b>1 180</b>	<b>1 137</b>	<b>1 090</b>	<b>1 117</b>	
<b>Imports</b>													
Expenditure abroad by UK embassies and consulates	<b>FJUJ</b>	28	34	69	91	141	187	194	259	208	177	219	
Expenditure abroad by UK military units and agencies	<b>FJJD</b>	2 016	2 064	2 080	1 807	1 624	1 809	1 632	2 030	1 418	1 116	1 972	
Civil non-EU services	<b>FJJF</b>	152	152	151	166	133	129	172	196	235	216	176	
<b>Total</b>	<b>FJRO</b>	<b>2 196</b>	<b>2 250</b>	<b>2 300</b>	<b>2 064</b>	<b>1 898</b>	<b>2 125</b>	<b>1 998</b>	<b>2 485</b>	<b>1 861</b>	<b>1 509</b>	<b>2 367</b>	
<b>Balances</b>													
Embassies and consulates	<b>FJIW</b>	379	395	340	274	227	161	173	134	149	194	166	
Military units and agencies	<b>FJIY</b>	-1 281	-1 408	-1 387	-1 128	-908	-1 313	-1 160	-1 611	-1 112	-783	-1 696	
Other	<b>FJJB</b>	190	224	282	264	324	332	412	172	239	170	280	
<b>Total</b>	<b>FJUL</b>	<b>-712</b>	<b>-789</b>	<b>-765</b>	<b>-590</b>	<b>-357</b>	<b>-820</b>	<b>-575</b>	<b>-1 305</b>	<b>-724</b>	<b>-419</b>	<b>-1 250</b>	



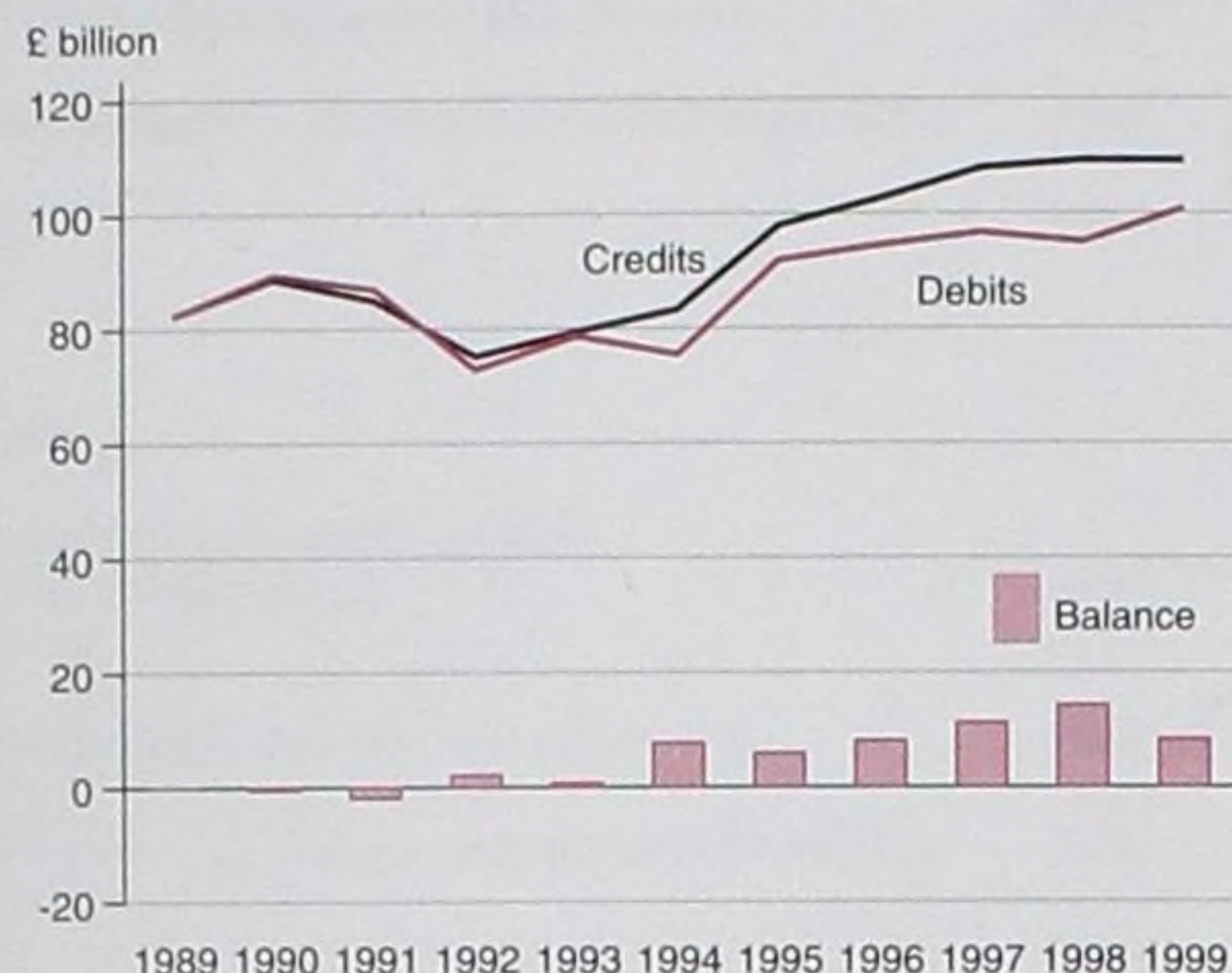




# 4

## Income

### Income

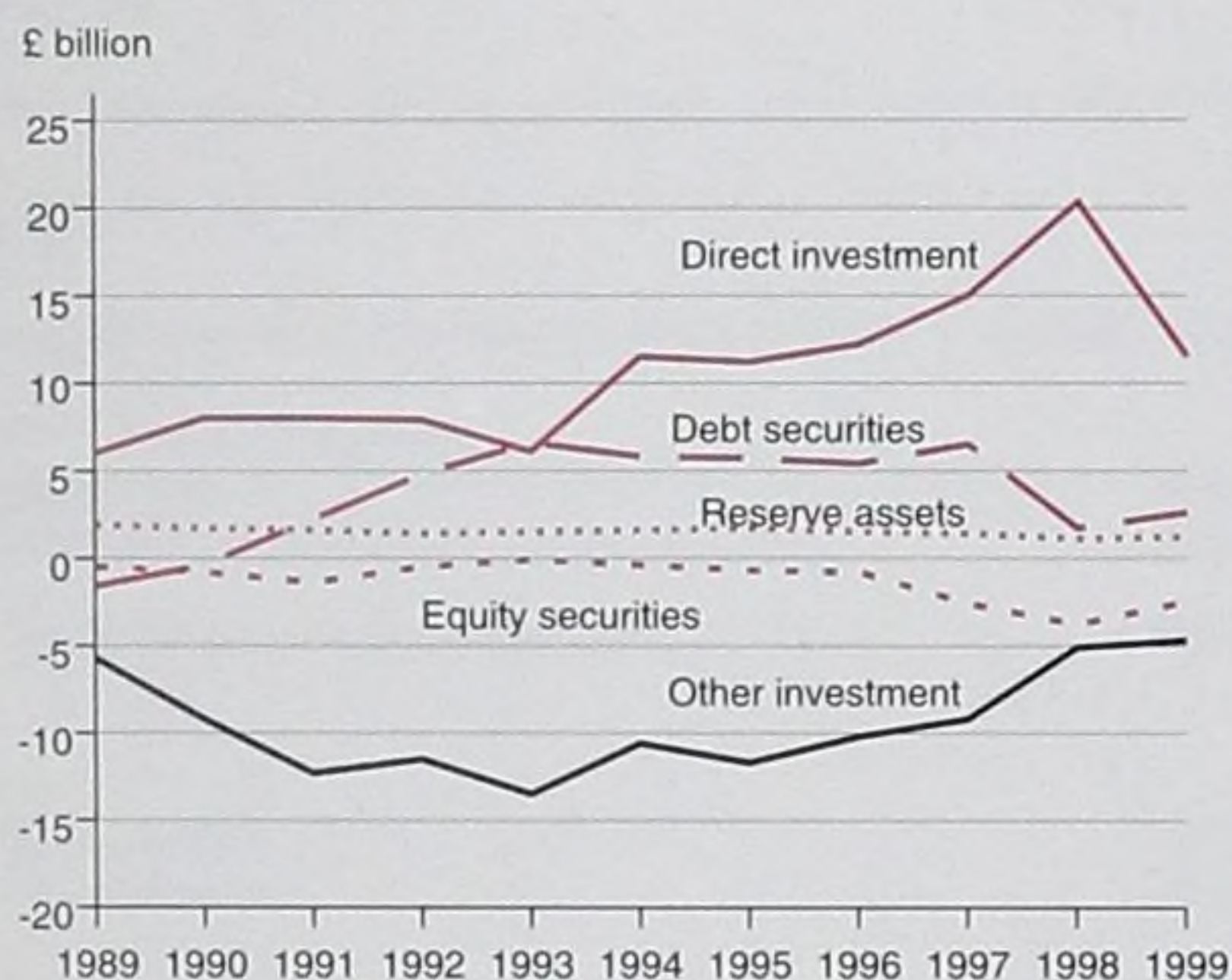


### Summary

Between 1989 and 1999 the balance for compensation of employees has generally been in deficit although a surplus has been recorded in three of the last four years. Over the same period the balance on investment income has been in surplus for all years apart from 1990 and 1991 (1991 was the highest deficit on record). From 1994, investment income has recorded substantially larger surpluses, with a record surplus of £14.2 billion recorded in 1998. This was largely a result of a fall in total debits for the first time since 1994, which in turn was due to a fall of £5.6 billion in earnings on inward direct investment.

### Investment income

Credits less debits



Over the last ten years there has been a gradual shift from earnings (both credits and debits) from other investment towards direct investment and portfolio investment. In 1999, earnings on direct investment abroad accounted for around a third, and earnings on portfolio investment abroad a quarter of total earnings, compared to around 20 per cent and 15 per cent respectively in 1990. Even so, other investment income, which is mostly earnings from loans and deposits, still makes up around half of the total: in 1999 it was 42 per cent of credits and 50 per cent of debits. In net terms there has been a consistent deficit recorded for other investment, although this has been since 1993 - 1999 saw the lowest deficit since 1988. On the other hand, direct investment income has shown a consistent net surplus which has grown to a record of £20.3 billion, before falling back into 1999. Portfolio investment income has been more volatile, recording a net deficit from 1989 to 1990, after which it recorded surpluses in all years except 1998. The deficit in 1998 is largely due to losses on interest rate swaps within debt securities.



Direct investment

Direct investment income credits exceeded debits in every year between 1989 and 1999. During this period there were at least two step changes in the surplus. It remained fairly steady at around £6 billion to £8 billion until 1993 and then almost doubled between 1993 and 1994. For the next three years the surplus was around £12 billion annually but then grew significantly in 1997 and again in 1998 before falling back again in 1999. The surplus in 1999 of £11.5 billion was a decrease of £8.8 billion on the record figure in 1998.

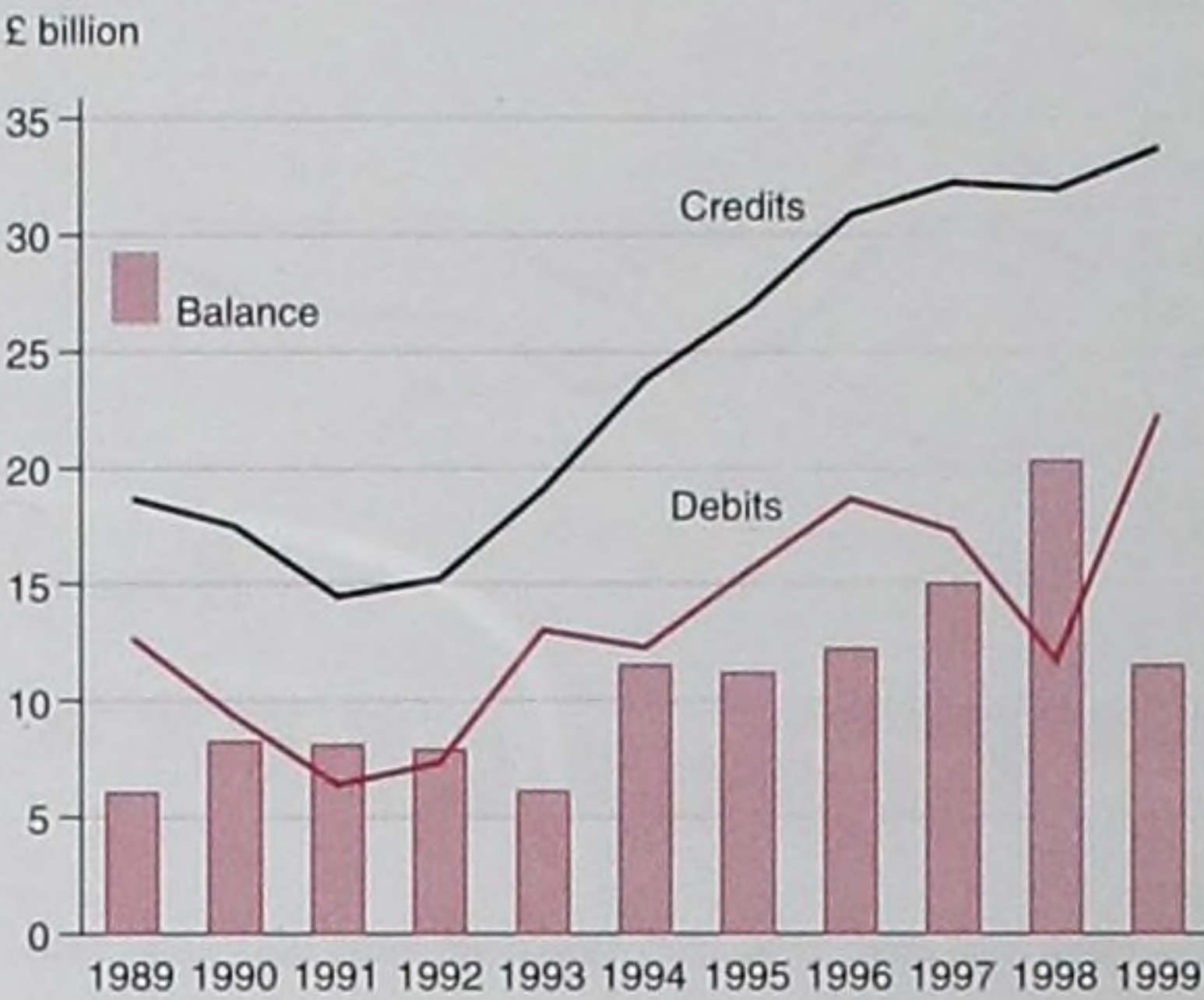
The increases in both 1994 and 1998 were both at least partly due to a fall in debits from income on inward investment. In particular in 1994 foreign owned securities dealers based in the UK recorded losses with foreign owned banks recording less than half their income of the previous year. Similarly in 1998 both foreign owned banks and securities dealers recorded losses. These generally reflected the turbulent financial market conditions globally notably perturbations from Mexico (1994) and East Asia (1997) followed by Russia and Brazil (1998). The decrease in the surplus in 1999 largely represents a reversal of the 1998 movements in debits with foreign owned banks and securities dealers returning to profit. Foreign owned private non-financial corporations also recorded increased profits, up from £12.0 billion in 1998 to £16.2 billion in 1999.

Portfolio investment

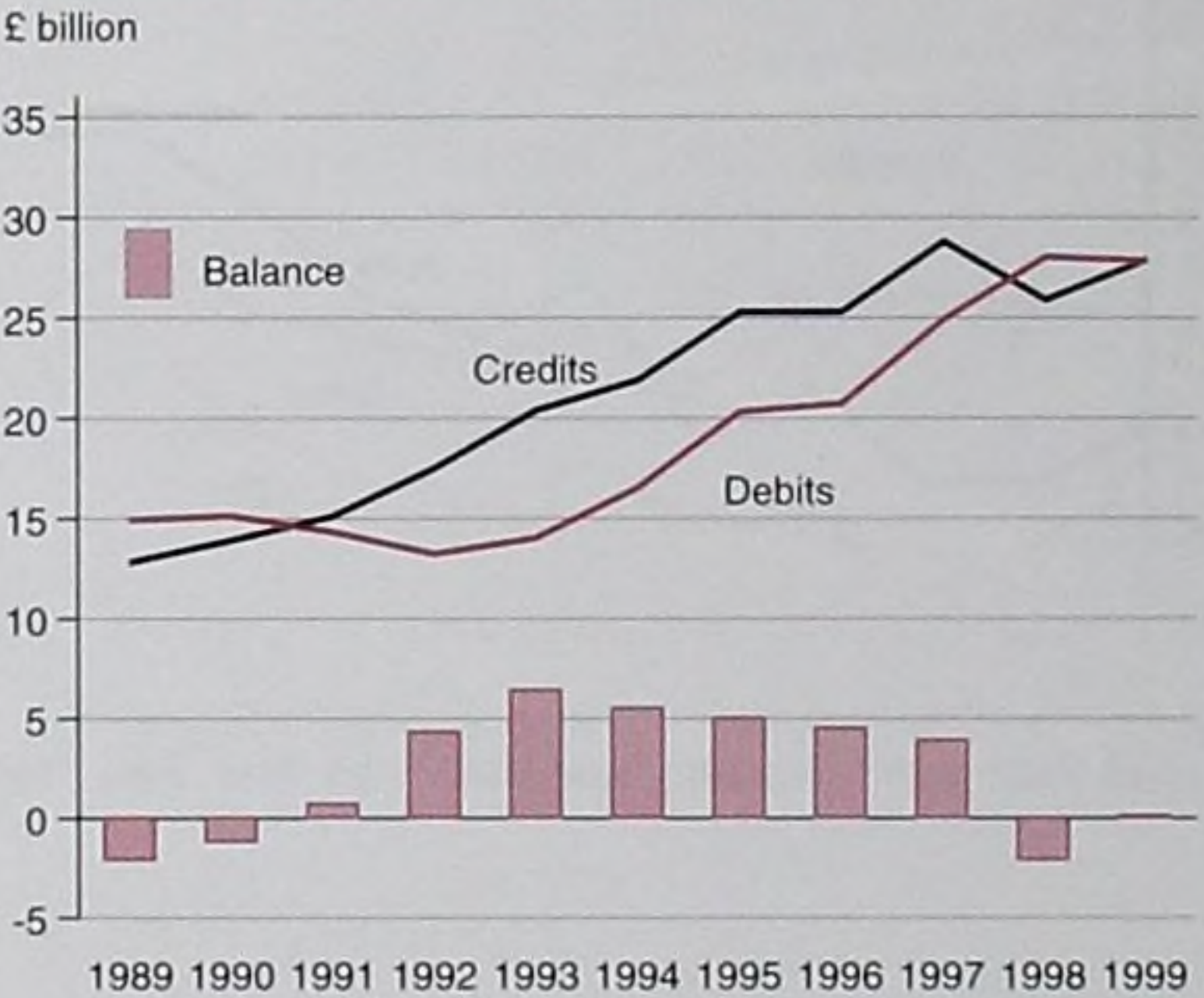
A surplus on portfolio investment has been recorded in all years since 1991, except in 1998, when a loss of £2.1 billion was recorded. Within portfolio investment, UK earnings on equity securities have been lower than foreign earnings on UK equities, in all years since 1987. In contrast, the UK has recorded a surplus on debt securities since 1991. Debt securities includes bonds and notes, money market instruments and interest rate swap derivative net settlement and payments. Since 1997, banks net earnings on interest rate swaps has been very erratic –net receipts of £1 billion in 1997, net payments of £3 billion in 1998 and net receipts of nearly £3 billion in 1999. This erraticism has been a big factor in the switch in the portfolio investment surplus to deficit between 1997 and 1998.

Gross flows of portfolio investment income have roughly doubled between 1989 and 1999, although earnings on equities have increased around five times. The majority of earnings on equity are earned by financial institutions other than banks which hold and issue by far the majority of their portfolio in debt securities. Most of debt securities and nearly all money market instruments credits are earned by banks. On the debits side, foreign earnings from British government stocks (Gilts) accounted for less than a fifth of total debits in 1999, down from around a quarter in 1993 and 1994.

Direct investment income

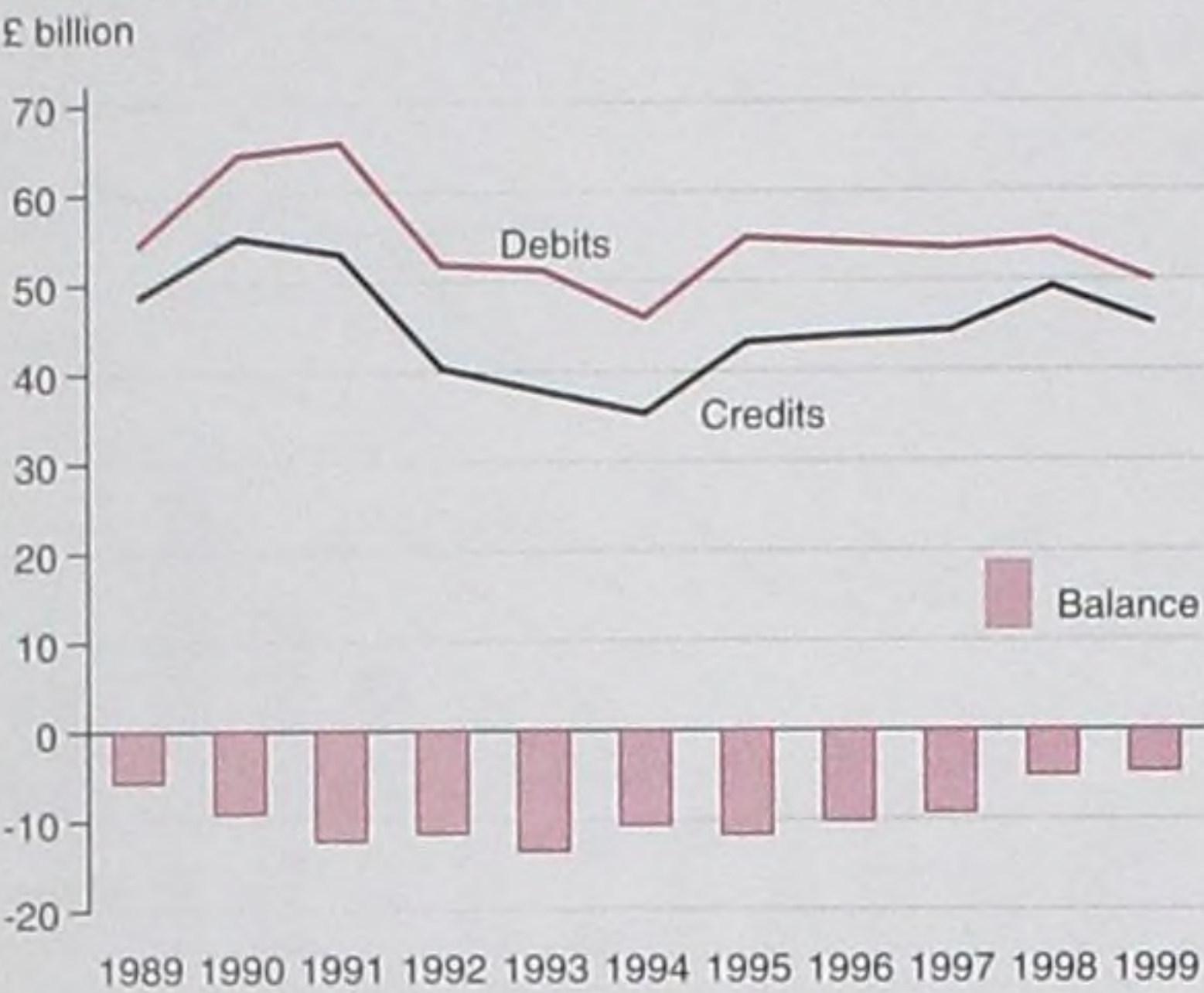


Portfolio investment income





Other investment income



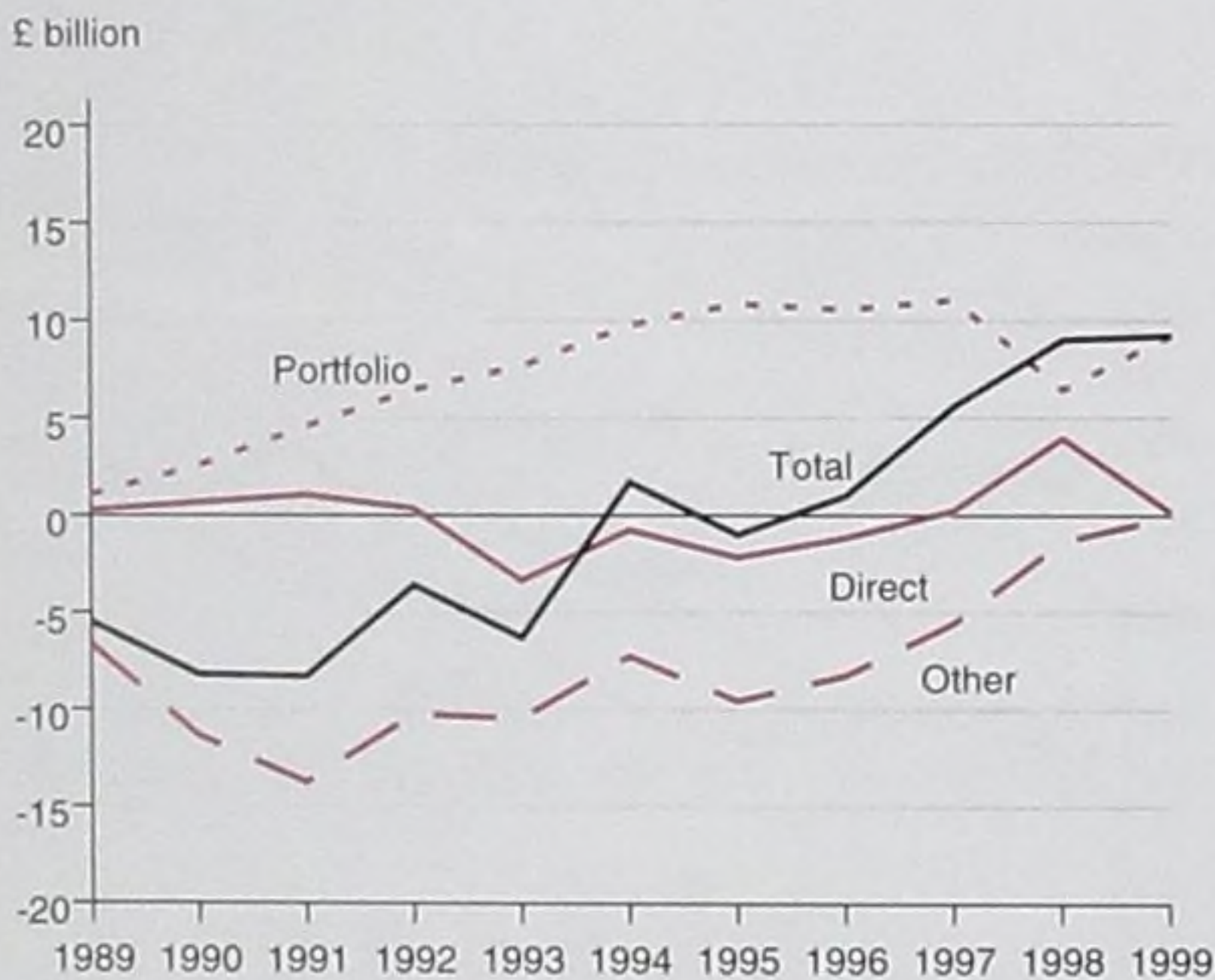
Other investment

Other investment debits exceeded credits in every year between 1987 and 1999. From a high of £13.5 billion in 1993, the deficit has declined steadily to a deficit of less than £5 billion in 1999 - the smallest since 1988. Between 1993 and 1999, earnings on deposits abroad increased from £36 billion to £44 billion, while foreign earnings on deposits with UK banks fell from £41 billion to £36 billion. Partially offsetting this, over the same period foreign earnings on loans, mainly to UK securities' dealers and private non-financial corporations, increased from £9.6 billion to £12.5 billion

Earnings on deposits abroad by UK banks constitute over three quarters of other investment credits. The majority of these earnings are made from foreign currency reflecting the international nature of banking with the United Kingdom. That is many of the banks trading with the rest of the world are actually branches or subsidiaries of foreign banks. There is a similar picture on the debits side where earnings on deposits with UK banks from abroad constituted around three quarters of the total other investment debits, and again foreign currency constituted over four fifths of these amounts.

Investment income of banks

Credits less debits



Sectoral breakdown of investment income

UK banks are the biggest sector within investment income accounting for around half of both credits and debits. Whilst they have been recording consistent losses on their loans and deposits over the period 1989 to 1999 when their income from direct and portfolio investment is added on, the banks have recorded an overall investment income surplus in every year since 1996. In 1999, banks recorded the highest net earnings on record - £9.2 billion. When considering the banking sector's overall contribution to the UK's balance of payments, it is important to include bank's financial service fees and commissions earned from foreign clients - £3 billion in 1999.

Central government has recorded a net annual deficit of around £3 billion (mostly debits on Gilts) whilst other sectors – private financial and non-monetary financial institutions – have historically recorded net surpluses of around £10 billion annually. This dropped to around £2.5 billion in 1999, partly due to strong foreign direct investment earnings of foreign oil companies in the UK.







# Income

## 4.1 Income Summary table

		£ million										
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>												
Compensation of employees	KTMN	476	543	551	551	595	681	887	911	1 007	840	960
Investment income												
Earnings on direct investment abroad	HJYW	18 686	17 507	14 474	15 237	19 094	23 812	26 886	30 899	32 316	32 014	33 820
Earnings on portfolio investment abroad												
Earnings on equity securities	HCPL	1 774	1 951	1 771	3 012	4 034	3 880	4 441	4 751	5 642	6 214	8 891
Earnings on debt securities	HLYW	10 994	11 921	13 304	14 488	16 369	18 050	20 905	20 525	23 189	19 706	19 037
Total portfolio investment	HLYX	12 768	13 872	15 075	17 500	20 403	21 930	25 346	25 276	28 831	25 920	27 928
Earnings on other investment abroad	AIOP	48 432	55 075	53 216	40 356	37 803	35 320	43 168	43 943	44 379	49 326	45 230
Earnings on reserve assets	HHCB	1 913	1 732	1 656	1 456	1 525	1 577	1 686	1 551	1 372	1 132	1 161
Total investment income	HMBN	81 799	88 186	84 419	74 549	78 825	82 639	97 086	101 669	106 898	108 392	108 139
<b>Total</b>	<b>HMBQ</b>	<b>82 275</b>	<b>88 729</b>	<b>84 970</b>	<b>75 100</b>	<b>79 420</b>	<b>83 320</b>	<b>97 973</b>	<b>102 580</b>	<b>107 905</b>	<b>109 232</b>	<b>109 099</b>
<b>Debits</b>												
Compensation of employees	KTMO	614	653	614	600	560	851	1 183	818	924	850	759
Investment income												
Foreign earnings on direct investment in the UK	HJYX	12 658	9 263	6 424	7 330	12 950	12 264	15 642	18 710	17 295	11 700	22 302
Foreign earnings on portfolio investment in the UK												
Earnings on equity securities	HESU	2 304	2 735	3 223	3 478	4 176	4 240	5 158	5 608	8 212	10 003	11 363
Earnings on debt securities	HLZB	12 588	12 316	11 111	9 710	9 781	12 231	15 166	15 141	16 675	18 018	16 456
Total portfolio investment	HLZC	14 892	15 051	14 334	13 188	13 957	16 471	20 324	20 749	24 887	28 021	27 819
Earnings on other investment in the UK	HLZN	54 175	64 320	65 551	51 867	51 268	45 964	54 848	54 192	53 629	54 416	49 887
Total investment income	HMBO	81 725	88 634	86 309	72 385	78 175	74 699	90 814	93 651	95 811	94 137	100 008
<b>Total</b>	<b>HMBR</b>	<b>82 339</b>	<b>89 287</b>	<b>86 923</b>	<b>72 985</b>	<b>78 735</b>	<b>75 550</b>	<b>91 997</b>	<b>94 469</b>	<b>96 735</b>	<b>94 987</b>	<b>100 767</b>
<b>Balances</b>												
<b>(Net earnings)</b>												
Compensation of employees	KTMP	-138	-110	-63	-49	35	-170	-296	93	83	-10	201
Investment income												
Direct investment	HJYE	6 028	8 244	8 050	7 907	6 144	11 548	11 244	12 189	15 021	20 314	11 518
Portfolio investment												
Earnings on equity securities	HLZO	-530	-784	-1 452	-466	-142	-360	-717	-857	-2 570	-3 789	-2 472
Earnings on debt securities	HLZP	-1 594	-395	2 193	4 778	6 588	5 819	5 739	5 384	6 514	1 688	2 581
Total portfolio investment	HLZX	-2 124	-1 179	741	4 312	6 446	5 459	5 022	4 527	3 944	-2 101	109
Other investment	CGNA	-5 743	-9 245	-12 335	-11 511	-13 465	-10 644	-11 680	-10 249	-9 250	-5 090	-4 657
Reserve assets	HHCB	1 913	1 732	1 656	1 456	1 525	1 577	1 686	1 551	1 372	1 132	1 161
Total investment income	HMBM	74	-448	-1 890	2 164	650	7 940	6 272	8 018	11 087	14 255	8 131
<b>Total</b>	<b>HMBP</b>	<b>-64</b>	<b>-558</b>	<b>-1 953</b>	<b>2 115</b>	<b>685</b>	<b>7 770</b>	<b>5 976</b>	<b>8 111</b>	<b>11 170</b>	<b>14 245</b>	<b>8 332</b>



# 4.2 Investment Income

## Sector analysis

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>												
(Earnings of UK residents on investment abroad)												
Monetary financial institutions												
Banks	CGNB	50 589	55 394	53 723	43 425	41 256	42 533	51 602	53 618	54 402	55 275	55 152
Building societies	GJXE	—	—	—	—	23	57	81	121	103	134	172
Total monetary financial institutions	CGND	50 589	55 394	53 723	43 425	41 279	42 590	51 683	53 739	54 505	55 409	55 324
Central government	CGNY	1 919	1 738	1 664	1 459	1 531	1 585	1 695	1 561	1 380	1 267	1 165
Public corporations	CGNP	69	69	70	87	87	104	118	111	122	122	122
Other sectors	CGNW	29 223	30 985	28 969	29 576	35 930	38 361	43 591	46 258	50 891	51 594	51 528
Total	HMBN	81 799	88 186	84 419	74 549	78 825	82 639	97 086	101 669	106 898	108 392	108 139
<b>Debits</b>												
(Foreign earnings on investment in UK)												
Monetary financial institutions (banks and building societies)	CGPN	56 134	63 574	61 978	46 998	47 592	40 920	52 723	52 714	48 866	46 448	46 133
Central government	CGNZ	3 028	3 200	3 215	4 002	4 380	5 206	5 495	4 261	4 482	5 093	4 752
Local authorities	CGOB	73	68	58	54	53	45	38	30	21	16	12
Public corporations	CGOD	243	70	59	55	31	39	43	34	28	20	20
Other sectors	CGSE	22 247	21 721	20 999	21 276	26 119	28 489	32 515	36 612	42 414	42 560	49 091
Total	HMBO	81 725	88 634	86 309	72 385	78 175	74 699	90 814	93 651	95 811	94 137	100 008
<b>Balances</b>												
(Net earnings)												
Monetary financial institutions (banks and building societies)	CGSO	-5 545	-8 180	-8 255	-3 573	-6 313	1 670	-1 040	1 025	5 639	8 961	9 191
Central government	CGOE	-1 109	-1 462	-1 551	-2 543	-2 849	-3 621	-3 800	-2 700	-3 102	-3 826	-3 587
Local authorities	-CGOB	-73	-68	-58	-54	-53	-45	-38	-30	-21	-16	-12
Public corporations	CGOF	-174	-1	11	32	56	65	75	77	94	102	102
Other sectors	CGTX	6 976	9 264	7 970	8 300	9 811	9 872	11 076	9 646	8 477	9 034	2 437
Total	HMBM	74	-448	-1 890	2 164	650	7 940	6 272	8 018	11 087	14 255	8 131



# Income

## 4.3 Earnings on direct investment

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>												
(Earnings of UK residents on direct investment abroad)												
Earnings on equity												
Dividends and distributed branch profits												
Dividends	CNZN	7 826	7 807	7 427	8 887	8 626	9 033	11 454	11 886	15 066	14 974	11 209
Distributed branch profits	HDNG	850	1 089	787	1 459	573	1 428	1 378	1 665	1 473	1 153	1 002
Total dividends and distributed branch profits	HMAE	8 676	8 896	8 214	10 346	9 199	10 461	12 832	13 551	16 539	16 127	12 211
Reinvested earnings	-HDNY	9 115	8 235	5 985	5 052	9 816	13 393	13 863	16 678	15 760	13 547	19 845
Earnings on property investment	HHBW	48	47	79	66	66	66	44	46	13	10	19
Total earnings on equity	HMAK	17 839	17 178	14 278	15 464	19 081	23 920	26 739	30 275	32 312	29 684	32 075
Earnings on debt <sup>1</sup>	HDNQ	848	331	203	-225	15	-106	148	624	4	2 330	1 745
<b>Total</b>	<b>HJYW</b>	<b>18 686</b>	<b>17 507</b>	<b>14 474</b>	<b>15 237</b>	<b>19 094</b>	<b>23 812</b>	<b>26 886</b>	<b>30 899</b>	<b>32 316</b>	<b>32 014</b>	<b>33 820</b>
<b>Debits</b>												
(Foreign earnings on direct investment in the UK)												
Earnings on equity												
Dividends and distributed branch profits												
Dividends	BCEA	7 891	6 508	5 247	5 528	5 726	7 485	7 867	9 507	9 471	10 603	11 528
Distributed branch profits	CYFD	-186	-1 417	-1 920	-398	1 459	503	1 351	1 147	780	-2 600	1 374
Total dividends and distributed branch profits	HMAH	7 705	5 091	3 327	5 130	7 185	7 988	9 218	10 654	10 251	8 003	12 902
Reinvested earnings	CYFV	3 634	1 967	524	172	4 057	3 170	4 433	6 874	5 562	1 156	6 875
Earnings on property investment	HESG	81	110	127	154	178	195	213	219	234	259	276
Total earnings on equity	HMAG	11 420	7 168	3 978	5 456	11 420	11 353	13 864	17 747	16 047	9 418	20 053
Earnings on debt <sup>1</sup>	CYFN	1 238	2 095	2 446	1 874	1 530	911	1 778	963	1 248	2 282	2 249
<b>Total</b>	<b>HJYX</b>	<b>12 658</b>	<b>9 263</b>	<b>6 424</b>	<b>7 330</b>	<b>12 950</b>	<b>12 264</b>	<b>15 642</b>	<b>18 710</b>	<b>17 295</b>	<b>11 700</b>	<b>22 302</b>
<b>Balances</b>												
(Net earnings)												
Earnings on equity												
Dividends and distributed branch profits												
Dividends	LTMA	-65	1 299	2 180	3 359	2 900	1 548	3 587	2 379	5 595	4 371	-319
Distributed branch profits	LTMB	1 036	2 506	2 707	1 857	-886	925	27	518	693	3 753	-372
Total dividends and distributed branch profits	HHZA	971	3 805	4 887	5 216	2 014	2 473	3 614	2 897	6 288	8 124	-691
Reinvested earnings	LTMC	5 481	6 268	5 461	4 880	5 759	10 223	9 430	9 804	10 198	12 391	12 970
Earnings on property investment	LTMD	-33	-63	-48	-88	-112	-129	-169	-173	-221	-249	-257
Total earnings on equity	HHYY	6 419	10 010	10 300	10 008	7 661	12 567	12 875	12 528	16 265	20 266	12 022
Earnings on debt	HMAM	-390	-1 764	-2 243	-2 099	-1 515	-1 017	-1 630	-339	-1 244	48	-504
<b>Total</b>	<b>HJYE</b>	<b>6 028</b>	<b>8 244</b>	<b>8 050</b>	<b>7 907</b>	<b>6 144</b>	<b>11 548</b>	<b>11 244</b>	<b>12 189</b>	<b>15 021</b>	<b>20 314</b>	<b>11 518</b>

<sup>1</sup> Earnings on debt consists of interest accrued to/from direct investors from/to associated enterprises abroad.



# 4.4 Earnings on direct investment Sector analysis

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>												
(Earnings of UK residents on investment abroad)												
Monetary financial institutions (banks)	HCVU	65	-124	-284	405	97	887	268	1 579	1 519	1 791	2 791
Insurance companies	CNZD	487	281	686	655	1 165	664	1 783	1 439	1 788	943	931
Other financial intermediaries	HCWW	510	-32	211	345	1 652	1 546	2 099	2 746	2 883	2 424	2 829
Private non-financial corporations	HCUS	17 616	17 373	13 851	13 814	16 165	20 701	22 711	25 114	26 105	26 838	27 249
Public corporations	HDMG	1	1	6	6	7	6	14	9	12	12	12
Household sector <sup>1</sup>	HHLI	8	8	9	10	10	9	12	12	9	6	8
<b>Total</b>	<b>HJYW</b>	<b>18 686</b>	<b>17 507</b>	<b>14 474</b>	<b>15 237</b>	<b>19 094</b>	<b>23 812</b>	<b>26 886</b>	<b>30 899</b>	<b>32 316</b>	<b>32 014</b>	<b>33 820</b>
<b>Debits</b>												
(Foreign earnings on direct investment in UK)												
Monetary financial institutions (banks)	GPAZ	-100	-752	-1 332	98	3 532	1 665	2 515	2 731	1 310	-2 148	2 734
Insurance companies	HDPK	127	-125	-220	-5	308	660	507	570	1 385	1 455	1 445
Other financial intermediaries												
Securities dealers	HDQX	580	184	762	482	1 450	-742	387	1 057	593	-288	1 399
Other	HFBT	205	110	106	101	78	288	151	239	287	637	559
Total other financial intermediaries	HFCY	785	294	868	583	1 528	-454	538	1 296	880	349	1 958
Private non-financial corporations	BCEB	11 846	9 846	7 108	6 654	7 582	10 393	12 082	14 113	13 720	12 044	16 165
<b>Total</b>	<b>HJYX</b>	<b>12 658</b>	<b>9 263</b>	<b>6 424</b>	<b>7 330</b>	<b>12 950</b>	<b>12 264</b>	<b>15 642</b>	<b>18 710</b>	<b>17 295</b>	<b>11 700</b>	<b>22 302</b>
<b>Balances</b>												
(Net earnings)												
Monetary financial institutions (banks)	LTME	165	628	1 048	307	-3 435	-778	-2 247	-1 152	209	3 939	57
Insurance companies	LTMF	360	406	906	660	857	4	1 276	869	403	-512	-514
Other financial intermediaries	LTMG	-275	-326	-657	-238	124	2 000	1 561	1 450	2 003	2 075	871
Private non-financial corporations	LTMH	5 770	7 527	6 743	7 160	8 583	10 308	10 629	11 001	12 385	14 794	11 084
Public corporations	HDMG	1	1	6	6	7	6	14	9	12	12	12
Households	HHLI	8	8	9	10	10	9	12	12	9	6	8
<b>Total</b>	<b>HJYE</b>	<b>6 028</b>	<b>8 244</b>	<b>8 050</b>	<b>7 907</b>	<b>6 144</b>	<b>11 548</b>	<b>11 244</b>	<b>12 189</b>	<b>15 021</b>	<b>20 314</b>	<b>11 518</b>

<sup>1</sup> The household sector includes non-profit institutions serving households.



# Income

## 4.5 Earnings on portfolio investment

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>												
(Earnings of UK residents on portfolio investment abroad)												
Earnings on equity securities (shares) by:												
Monetary financial Institutions (banks)	<b>HHRX</b>	82	78	71	82	171	250	298	414	411	464	608
Insurance companies and pension funds												
Insurance companies	<b>CGOM</b>	351	373	368	948	1 288	1 146	1 494	1 490	1 511	1 716	1 976
Pension funds	<b>HPDL</b>	800	824	797	1 218	1 408	1 451	1 538	1 544	1 388	2 015	2 294
Total insurance companies and pension funds	<b>CGOX</b>	1 151	1 197	1 165	2 166	2 696	2 597	3 032	3 033	2 899	3 731	4 270
Other financial intermediaries	<b>CGOY</b>	442	598	470	676	1 084	966	1 019	1 203	2 145	1 827	3 836
Private non-financial corporations	<b>EGMS</b>	35	28	23	33	29	22	33	34	8	9	8
Household sector <sup>1</sup>	<b>HEOG</b>	64	50	42	55	54	45	59	67	179	183	169
Total earnings on equity securities	<b>HCPL</b>	1 774	1 951	1 771	3 012	4 034	3 880	4 441	4 751	5 642	6 214	8 891
Earnings on debt securities												
Earnings on bonds and notes by:												
Monetary financial institutions												
Banks	<b>HHRY</b>	2 870	3 024	3 514	4 188	6 038	6 896	9 429	10 283	11 934	13 241	11 021
Building societies	<b>GJXE</b>	—	—	—	—	23	57	81	121	103	134	172
Total monetary financial institutions	<b>HPCQ</b>	2 870	3 024	3 514	4 188	6 061	6 953	9 510	10 404	12 037	13 375	11 193
Insurance companies and pension funds												
Insurance companies	<b>CGON</b>	722	848	974	590	650	565	733	718	770	1 121	1 085
Pension funds	<b>HPDM</b>	602	549	856	312	300	276	315	361	317	423	520
Total insurance companies and pension funds	<b>CGOZ</b>	1 324	1 397	1 830	902	950	841	1 048	1 080	1 087	1 544	1 605
Other financial intermediaries	<b>CGPA</b>	517	740	1 055	2 710	3 804	3 031	2 255	2 631	3 571	3 542	1 435
Private non-financial corporations	<b>EGNF</b>	73	67	64	76	90	95	97	95	218	61	54
Household sector <sup>1</sup>	<b>HEOH</b>	600	502	761	899	937	778	1 404	366	336	312	265
Total earnings on bonds and notes	<b>HCPK</b>	5 384	5 730	7 224	8 775	11 842	11 698	14 314	14 576	17 249	18 834	14 552
Earnings on money market instruments by:												
Monetary financial institutions (banks)	<b>HBMX</b>	5 483	6 025	5 884	4 324	4 126	3 798	4 716	4 761	4 545	3 783	1 653
Other financial intermediaries	<b>NHQP</b>	62	52	71	53	93	91	75	70	113	49	73
Private non-financial corporations	<b>HGBX</b>	65	114	125	83	63	90	133	155	126	83	74
Total earnings on money market instruments	<b>HCHG</b>	5 610	6 191	6 080	4 460	4 282	3 979	4 924	4 986	4 784	3 915	1 800
Net earnings on financial derivatives (banks)	<b>HHSC</b>	—	—	—	1 253	245	2 373	1 667	963	1 156	—3 043	2 685
Total earnings on debt securities	<b>HLYW</b>	10 994	11 921	13 304	14 488	16 369	18 050	20 905	20 525	23 189	19 706	19 037
<b>Total</b>	<b>HLYX</b>	<b>12 768</b>	<b>13 872</b>	<b>15 075</b>	<b>17 500</b>	<b>20 403</b>	<b>21 930</b>	<b>25 346</b>	<b>25 276</b>	<b>28 831</b>	<b>25 920</b>	<b>27 928</b>

<sup>1</sup> The household sector includes non-profit institutions serving households.



# 4.5 Earnings on portfolio investment

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Debits</b>												
(Foreign earnings on portfolio investment in the UK)												
Earnings on equity securities (shares) issued by:												
Monetary financial institutions	HBQJ	138	164	193	209	250	255	310	336	492	600	681
(banks and building societies)	HBQK	2 166	2 571	3 030	3 269	3 926	3 985	4 848	5 272	7 720	9 403	10 682
Other sectors <sup>1</sup>												
Total foreign earnings on UK equity securities	HESU	2 304	2 735	3 223	3 478	4 176	4 240	5 158	5 608	8 212	10 003	11 363
Earnings on debt securities												
Earnings on bonds and notes												
Issues by central government												
UK foreign currency bonds and notes	HESN	113	118	115	190	578	667	880	827	666	412	317
Earnings on British government stocks by:												
Foreign central banks (exchange reserves)	HESK	829	718	794	1 244	1 139	1 390	1 436	1 203	1 035	1 067	1 074
Other foreign residents	HCEV	1 609	1 539	1 727	1 949	2 391	3 006	2 998	2 063	2 628	3 518	3 299
Total foreign earnings on British government stocks	HENI	2 438	2 257	2 521	3 193	3 530	4 396	4 434	3 266	3 663	4 585	4 373
Total issues by central government	HBQU	2 551	2 375	2 636	3 383	4 108	5 063	5 314	4 093	4 329	4 997	4 690
Local authorities' bonds												
Public corporations' bonds	HHGH	—	—	—	—	—	—	—	—	—	—	—
	HESY	5	1	1	—	—	—	—	—	—	—	—
Issues by monetary financial institutions												
(banks and building societies)												
Bonds	HGUV	621	777	886	801	810	1 037	1 293	1 457	1 577	1 441	1 447
European medium term notes and other short-term paper:												
Issued by UK banks	HCEY	136	258	243	297	371	511	745	897	1 025	1 022	1 012
Issued by UK building societies	HCFB	62	149	144	180	159	198	291	234	163	82	74
Total short-term paper	HGMM	198	407	387	477	530	709	1 036	1 131	1 188	1 104	1 086
Total issues by monetary financial institutions	HBOT	819	1 184	1 273	1 278	1 340	1 746	2 329	2 588	2 765	2 545	2 533
Issues by other sectors <sup>1</sup>	HGUW	1 933	2 420	2 758	2 490	2 524	3 231	4 029	4 534	4 909	4 486	4 507
Total foreign earnings on UK bonds and notes	HLZA	5 308	5 980	6 668	7 151	7 972	10 040	11 672	11 215	12 003	12 028	11 730
Earnings on money market instruments												
Earnings on treasury bills												
(issued by central government)												
Sterling treasury bills	XAMR	354	609	355	174	37	22	51	63	68	62	44
Euro treasury bills	HHNV	91	189	198	198	137	95	106	85	67	18	3
Total earnings on treasury bills	HHZU	445	798	553	372	174	117	157	148	135	80	47
Earnings on certificates of deposit												
(Issued by monetary financial institutions)												
Issued by UK banks	HCEB	6 306	4 888	3 268	1 702	1 219	1 417	2 327	2 626	3 249	4 126	2 989
Issued by UK building societies	HGUY	27	74	66	45	23	37	49	37	26	22	22
Total earnings on certificates of deposit	HCEE	6 333	4 962	3 334	1 747	1 242	1 454	2 376	2 663	3 275	4 148	3 011
Earnings on commercial paper												
Issued by monetary financial institutions												
Issued by UK banks	HCEC	126	150	64	38	51	98	177	275	448	854	582
Issued by UK building societies	HHBC	48	120	151	160	104	119	206	205	140	51	100
Total earnings by monetary financial institutions	HCEF	174	270	215	198	155	217	383	480	588	905	682
Issued by other sectors <sup>1</sup>	HHZT	328	306	341	242	238	403	578	635	674	857	986
Total earnings on commercial paper	HHBO	502	576	556	440	393	620	961	1 115	1 262	1 762	1 668
Total foreign earnings on UK Money Market Instruments	HLYZ	7 280	6 336	4 443	2 559	1 809	2 191	3 494	3 926	4 672	5 990	4 726
Total foreign earnings on UK debt securities	HLZB	12 588	12 316	11 111	9 710	9 781	12 231	15 166	15 141	16 675	18 018	16 456
<b>Total</b>	<b>HLZC</b>	<b>14 892</b>	<b>15 051</b>	<b>14 334</b>	<b>13 188</b>	<b>13 957</b>	<b>16 471</b>	<b>20 324</b>	<b>20 749</b>	<b>24 887</b>	<b>28 021</b>	<b>27 819</b>

<sup>1</sup> These series relate to non-governmental sectors other than monetary financial institutions.



## Income

# 4.5 Earnings on portfolio investment

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b> (net earnings)												
Earnings on equity securities (shares)	HLZO	-530	-784	-1 452	-466	-142	-360	-717	-857	-2 570	-3 789	-2 472
Earnings on debt securities												
Earnings on bonds and notes	HLZQ	76	-250	556	1 624	3 870	1 658	2 642	3 361	5 246	6 806	2 822
Earnings on money market instruments	HLZR	-1 670	-145	1 637	1 901	2 473	1 788	1 430	1 060	112	-2 075	-2 926
Earnings on derivatives	HHSC	-	-	-	1 253	245	2 373	1 667	963	1 156	-3 043	2 685
Total foreign earnings on UK debt securities	HLZP	-1 594	-395	2 193	4 778	6 588	5 819	5 739	5 384	6 514	1 688	2 581
<b>Total</b>	<b>HLZX</b>	<b>-2 124</b>	<b>-1 179</b>	<b>741</b>	<b>4 312</b>	<b>6 446</b>	<b>5 459</b>	<b>5 022</b>	<b>4 527</b>	<b>3 944</b>	<b>-2 101</b>	<b>109</b>

1 These series relate to non-governmental sectors other than monetary financial institutions.

# 4.6 Earnings on portfolio investment

## Sector analysis

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b> (Earnings of UK residents on portfolio investment abroad)												
Earnings from portfolio investment abroad by UK:												
Monetary financial institutions												
Banks	AINB	8 435	9 127	9 469	9 847	10 580	13 317	16 110	16 421	18 046	14 445	15 967
Building societies	GJXE	-	-	-	-	23	57	81	121	103	134	172
Total monetary financial institutions	AIND	8 435	9 127	9 469	9 847	10 603	13 374	16 191	16 542	18 149	14 579	16 139
Insurance companies and pension funds	AINE	2 475	2 594	2 995	3 068	3 646	3 438	4 080	4 113	3 986	5 275	5 875
Other financial intermediaries	AINF	1 021	1 390	1 596	3 439	4 981	4 088	3 349	3 904	5 829	5 418	5 344
Private non-financial corporations	AINI	173	209	212	192	182	207	263	284	352	153	136
Household sector <sup>1</sup>	AINK	664	552	803	954	990	822	1 463	433	515	495	434
<b>Total</b>	<b>HLYX</b>	<b>12 768</b>	<b>13 872</b>	<b>15 075</b>	<b>17 500</b>	<b>20 403</b>	<b>21 930</b>	<b>25 346</b>	<b>25 276</b>	<b>28 831</b>	<b>25 920</b>	<b>27 928</b>
<b>Debits</b> (Foreign earnings on portfolio investment in the UK)												
Foreign earnings from portfolio investment in UK:												
Monetary financial institutions (banks and building societies)	HBXI	7 464	6 580	5 015	3 432	2 987	3 672	5 398	6 067	7 120	8 198	6 907
Central government	HBXM	2 996	3 173	3 189	3 755	4 282	5 180	5 471	4 241	4 464	5 077	4 737
Local authorities	HHGH	-	-	-	-	-	-	-	-	-	-	-
Public corporations	HESY	5	1	1	-	-	-	-	-	-	-	-
Other sectors	HBXR	4 427	5 297	6 129	6 001	6 688	7 619	9 455	10 441	13 303	14 746	16 175
<b>Total</b>	<b>HLZC</b>	<b>14 892</b>	<b>15 051</b>	<b>14 334</b>	<b>13 188</b>	<b>13 957</b>	<b>16 471</b>	<b>20 324</b>	<b>20 749</b>	<b>24 887</b>	<b>28 021</b>	<b>27 819</b>
<b>Balances</b> (Net earnings)												
Monetary financial institutions	LTMJ	971	2 547	4 454	6 415	7 616	9 702	10 793	10 475	11 029	6 381	9 232
Central government	-HBXM	-2 996	-3 173	-3 189	-3 755	-4 282	-5 180	-5 471	-4 241	-4 464	-5 077	-4 737
Local authorities	-HHGH	-	-	-	-	-	-	-	-	-	-	-
Public corporations	-HESY	-5	-1	-1	-	-	-	-	-	-	-	-
Other sectors	LTMJ	-94	-552	-523	1 652	3 111	936	-300	-1 707	-2 621	-3 405	-4 386
<b>Total</b>	<b>HLZX</b>	<b>-2 124</b>	<b>-1 179</b>	<b>741</b>	<b>4 312</b>	<b>6 446</b>	<b>5 459</b>	<b>5 022</b>	<b>4 527</b>	<b>3 944</b>	<b>-2 101</b>	<b>109</b>

1 The household sector includes non-profit institutions serving households.







# Income

## 4.7 Earnings on other investment

		£ million										
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>												
(Earnings of UK residents on other investment abroad)												
Earnings on trade credit												
Monetary financial institutions (banks)	<b>AINM</b>	753	714	664	1 032	745	681	786	708	721	635	635
Central government	<b>XBGJ</b>	—	—	—	—	—	—	—	—	—	—	—
Other sectors <sup>1</sup>	<b>HGQD</b>	216	242	203	178	122	117	147	139	157	177	140
Total earnings on trade credit	<b>AIOM</b>	969	956	867	1 210	867	798	933	847	878	812	775
Earnings on loans												
Long-term												
Inter-government loans by the UK	<b>XBGI</b>	6	6	8	3	6	8	9	10	8	9	4
Loans by Commonwealth Development Corporation (public corporations)	<b>HGEN</b>	68	68	64	81	80	98	104	102	110	110	110
Loans by specialist leasing companies <sup>1</sup>	<b>HBXC</b>	20	10	—	—	—	—	—	—	—	—	—
Total long-term loans	<b>AIIO</b>	94	84	72	84	86	106	113	112	118	119	114
Short-term loans	<b>VTUN</b>	57	139	162	179	146	100	83	66	68	54	37
Total earnings on loans	<b>CGKJ</b>	151	223	234	263	232	206	196	178	186	173	151
Earnings on deposits												
By UK monetary financial institutions (banks)												
Sterling deposits	<b>CGEJ</b>	6 661	8 062	7 100	5 458	4 288	3 619	4 633	5 242	7 123	9 156	8 206
Foreign currency deposits	<b>HCAJ</b>	34 645	37 541	36 684	26 575	25 468	24 004	29 793	29 664	26 988	29 245	27 553
Total deposits by UK banks	<b>CGGT</b>	41 306	45 603	43 784	32 033	29 756	27 623	34 426	34 906	34 111	38 401	35 759
Deposits by securities dealers	<b>HGTD</b>	55	153	347	528	1 785	1 543	1 104	1 272	1 080	789	854
Deposits by other UK residents <sup>1</sup>	<b>CGJK</b>	5 835	7 998	7 794	6 129	4 939	4 889	6 217	6 425	7 786	8 673	7 291
Total earnings on deposits abroad	<b>CGJQ</b>	47 196	53 754	51 925	38 690	36 480	34 055	41 747	42 603	42 977	47 863	43 904
Earnings on other assets												
(Non-governmental sectors other than monetary financial institutions)												
Trusts and annuities	<b>HHLF</b>	116	142	190	193	224	261	292	315	338	352	400
Foreign currency exchanges	<b>HHKX</b>	—	—	—	—	—	—	—	—	—	—	—
Miscellaneous central government receipts	<b>HPPK</b>	—	—	—	—	—	—	—	—	—	126	—
Total earnings on other assets	<b>CGKM</b>	116	142	190	193	224	261	292	315	338	478	400
<b>Total</b>	<b>AIOP</b>	<b>48 432</b>	<b>55 075</b>	<b>53 216</b>	<b>40 356</b>	<b>37 803</b>	<b>35 320</b>	<b>43 168</b>	<b>43 943</b>	<b>44 379</b>	<b>49 326</b>	<b>45 230</b>

<sup>1</sup> These series relate to non-governmental sectors other than monetary financial institutions.



# 4.7 Earnings on other investment

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Debits</b>												
(Foreign earnings on other investment in the UK)												
Earnings on trade credit												
Public corporations	<b>XBGW</b>	—	—	—	—	—	—	—	—	—	—	—
Other sectors <sup>1</sup>	<b>HHLW</b>	42	31	64	94	172	158	148	148	139	136	142
Total earnings on trade credit	<b>CGMA</b>	42	31	64	94	172	158	148	148	139	136	142
Earnings on loans												
Loans to:												
Central government	<b>CGLF</b>	32	27	26	247	98	26	24	20	18	16	15
Local authorities	<b>CGLG</b>	73	68	58	54	53	45	38	30	21	16	12
Public corporations	<b>CGLH</b>	238	69	58	55	31	39	43	34	28	20	20
Securities dealers	<b>CGLI</b>	401	785	1 396	2 676	5 124	4 377	3 273	3 354	5 293	5 120	4 762
Other <sup>1</sup>	<b>CGMD</b>	4 202	5 154	5 252	4 777	4 262	5 235	5 904	6 088	7 000	8 032	7 694
Total earnings on loans	<b>CGNO</b>	4 946	6 103	6 790	7 809	9 568	9 722	9 282	9 526	12 360	13 204	12 503
Earnings on deposits												
(Monetary financial institutions)												
Deposits with UK banks												
Sterling deposits	<b>HCEG</b>	11 233	15 058	14 016	9 544	6 494	5 002	6 904	6 660	6 944	7 846	6 863
Foreign currency deposits	<b>HCEH</b>	37 285	42 361	43 959	33 650	34 388	30 372	37 649	37 023	33 161	32 285	29 396
Total deposits with UK banks	<b>HCEQ</b>	48 518	57 419	57 975	43 194	40 882	35 374	44 553	43 683	40 105	40 131	36 259
Deposits with UK building societies	<b>HHLS</b>	252	327	320	274	191	209	257	233	331	267	233
Total earnings on deposits	<b>HMAS</b>	48 770	57 746	58 295	43 468	41 073	35 583	44 810	43 916	40 436	40 398	36 492
Earnings on other liabilities												
(Non-governmental sectors other than monetary financial institutions)												
Imputed income to foreign households from UK insurance companies technical reserves	<b>HBWS</b>	417	439	402	496	455	501	608	602	694	678	750
Other liabilities	<b>CGME</b>	—	—	—	—	—	—	—	—	—	—	—
Total earnings on other liabilities	<b>CGMH</b>	417	439	402	496	455	501	608	602	694	678	750
<b>Total</b>	<b>HLZN</b>	<b>54 175</b>	<b>64 320</b>	<b>65 551</b>	<b>51 867</b>	<b>51 268</b>	<b>45 964</b>	<b>54 848</b>	<b>54 192</b>	<b>53 629</b>	<b>54 416</b>	<b>49 887</b>
<b>Balances</b>												
(Net earnings)												
Trade credit	<b>LTMK</b>	927	925	803	1 116	695	640	785	699	739	676	633
Loans	<b>LTML</b>	-4 795	-5 880	-6 556	-7 546	-9 336	-9 516	-9 086	-9 348	-12 174	-13 031	-12 352
Currency and deposits	<b>LTMN</b>	-1 574	-3 992	-6 370	-4 778	-4 593	-1 528	-3 063	-1 313	2 541	7 465	7 412
Other investment	<b>LTMN</b>	-301	-297	-212	-303	-231	-240	-316	-287	-356	-200	-350
<b>Total</b>	<b>CGNA</b>	<b>-5 743</b>	<b>-9 245</b>	<b>-12 335</b>	<b>-11 511</b>	<b>-13 465</b>	<b>-10 644</b>	<b>-11 680</b>	<b>-10 249</b>	<b>-9 250</b>	<b>-5 090</b>	<b>-4 657</b>

<sup>1</sup> These series relate to non-governmental sectors other than monetary financial institutions.



# Income

## 4.8 Earnings on other investment Sector analysis

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>												
(Earnings of UK residents on other investment abroad)												
Earnings from other investment by UK:												
Monetary financial institutions (banks)	CGMM	42 089	46 391	44 538	33 173	30 579	28 329	35 224	35 618	34 837	39 039	36 394
Central government	CGMN	6	6	8	3	6	8	9	10	8	135	4
Public corporations	HGEN	68	68	64	81	80	98	104	102	110	110	110
Other sectors	CGMR	6 269	8 610	8 606	7 099	7 138	6 885	7 831	8 213	9 424	10 042	8 722
<b>Total</b>	<b>AIOP</b>	<b>48 432</b>	<b>55 075</b>	<b>53 216</b>	<b>40 356</b>	<b>37 803</b>	<b>35 320</b>	<b>43 168</b>	<b>43 943</b>	<b>44 379</b>	<b>49 326</b>	<b>45 230</b>
<b>Debits</b>												
(Foreign earnings on other investment in the UK)												
Foreign earnings from other investment in UK:												
Monetary financial institutions												
Banks	HCEQ	48 518	57 419	57 975	43 194	40 882	35 374	44 553	43 683	40 105	40 131	36 259
Building societies	HHLS	252	327	320	274	191	209	257	233	331	267	233
<b>Total monetary financial institutions</b>	<b>HMAS</b>	<b>48 770</b>	<b>57 746</b>	<b>58 295</b>	<b>43 468</b>	<b>41 073</b>	<b>35 583</b>	<b>44 810</b>	<b>43 916</b>	<b>40 436</b>	<b>40 398</b>	<b>36 492</b>
Central government	CGLF	32	27	26	247	98	26	24	20	18	16	15
Local authorities	CGLG	73	68	58	54	53	45	38	30	21	16	12
Public corporations	CGMV	238	69	58	55	31	39	43	34	28	20	20
Other sectors	CGMZ	5 062	6 409	7 114	8 043	10 013	10 271	9 933	10 192	13 126	13 966	13 348
<b>Total</b>	<b>HLZN</b>	<b>54 175</b>	<b>64 320</b>	<b>65 551</b>	<b>51 867</b>	<b>51 268</b>	<b>45 964</b>	<b>54 848</b>	<b>54 192</b>	<b>53 629</b>	<b>54 416</b>	<b>49 887</b>
<b>Balances</b>												
(Net earnings)												
Monetary financial institutions	LTMO	-6 681	-11 355	-13 757	-10 295	-10 494	-7 254	-9 586	-8 298	-5 599	-1 359	-98
Central government	LTMP	-26	-21	-18	-244	-92	-18	-15	-10	-10	119	-11
Local authorities	-CGLG	-73	-68	-58	-54	-53	-45	-38	-30	-21	-16	-12
Public corporations	LTMQ	-170	-1	6	26	49	59	61	68	82	90	90
Other sectors	LTMR	1 207	2 201	1 492	-944	-2 875	-3 386	-2 102	-1 979	-3 702	-3 924	-4 626
<b>Total</b>	<b>CGNA</b>	<b>-5 743</b>	<b>-9 245</b>	<b>-12 335</b>	<b>-11 511</b>	<b>-13 465</b>	<b>-10 644</b>	<b>-11 680</b>	<b>-10 249</b>	<b>-9 250</b>	<b>-5 090</b>	<b>-4 657</b>



The United Kingdom's balance of payments is a record of the country's economic transactions with the rest of the world. It is divided into two main parts: the current account and the capital account. The current account records the flow of goods, services, and income between the UK and other countries. The capital account records the flow of capital, such as investments and loans, between the UK and other countries. The balance of payments is a key indicator of a country's economic health and its relationship with the rest of the world.

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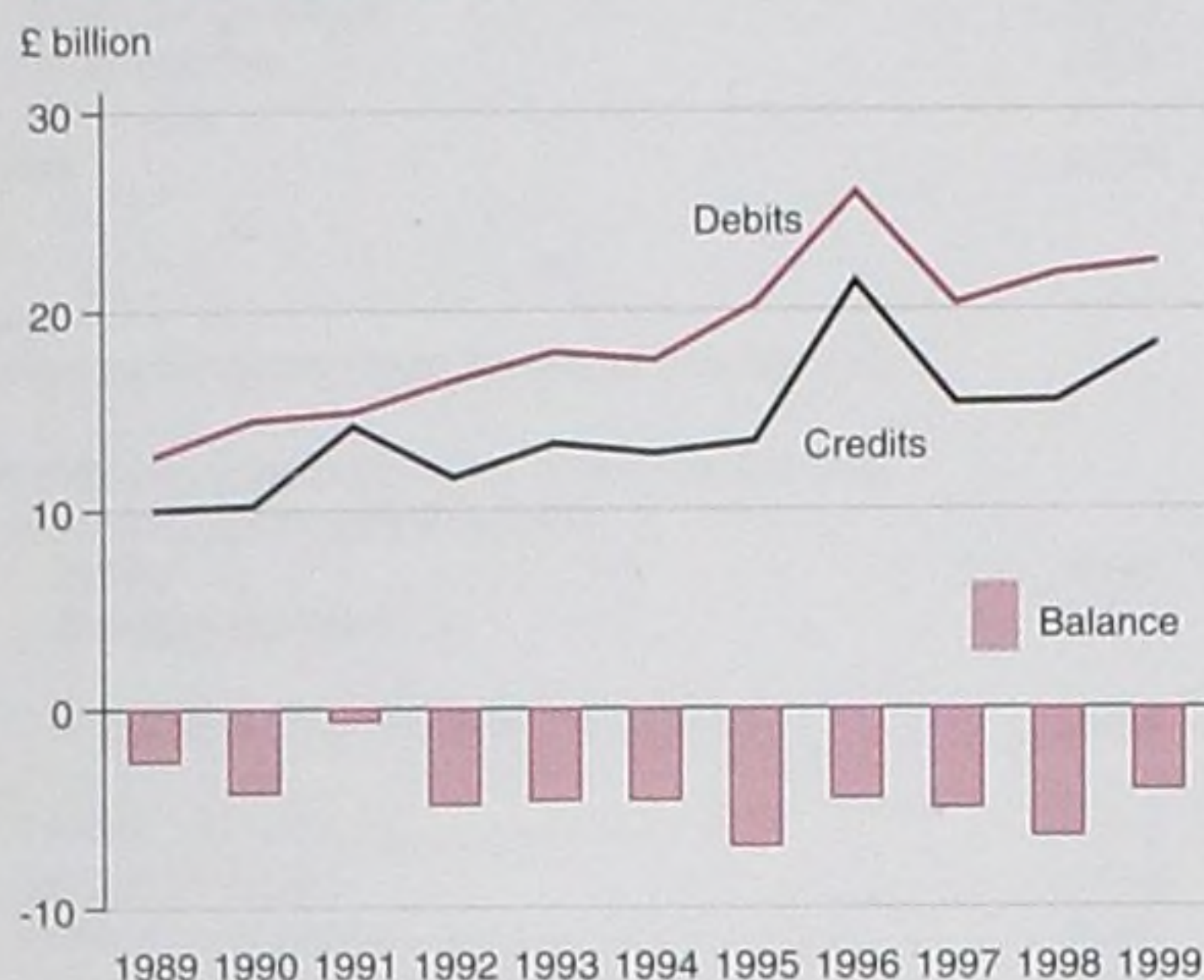
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# 5

## Current transfers

### Current transfers

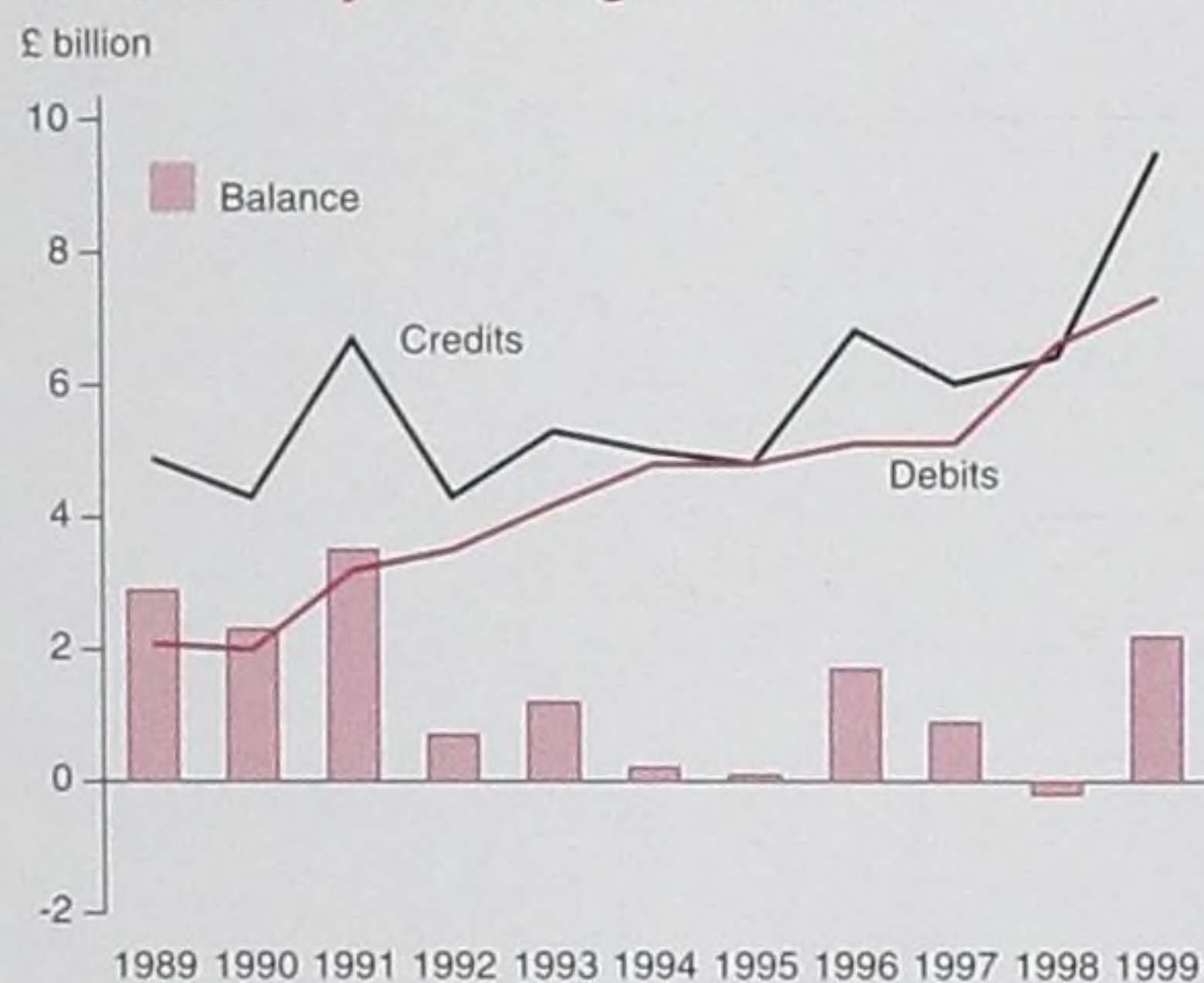


### Summary

The current transfers deficit has generally been increasing over the period from £2.6 billion in 1989 to £4 billion in 1999, though this is the lowest ever deficit since 1991, when the current transfers deficit was unusually low as a result of contributions by other countries to the UK's cost of participating in the Gulf conflict.

The deficit on current transfers decreased by £2.3 billion between 1998 and 1999 to £4.1 billion. The balance on the government sector increased between 1998 and 1999 from a deficit of £0.2 billion to a surplus of £2.2 billion, while the balance for other sector transfers remained stable at around £6.3 billion. These changes have been driven by a smaller deficit with EU Institutions in 1999. Overall receipts from EU Institutions rose by £1.2 billion to £6.3 billion, while payments rose by £0.3 billion to reach £10.5 billion.

### Transfers by central government



### Central Government Transfers

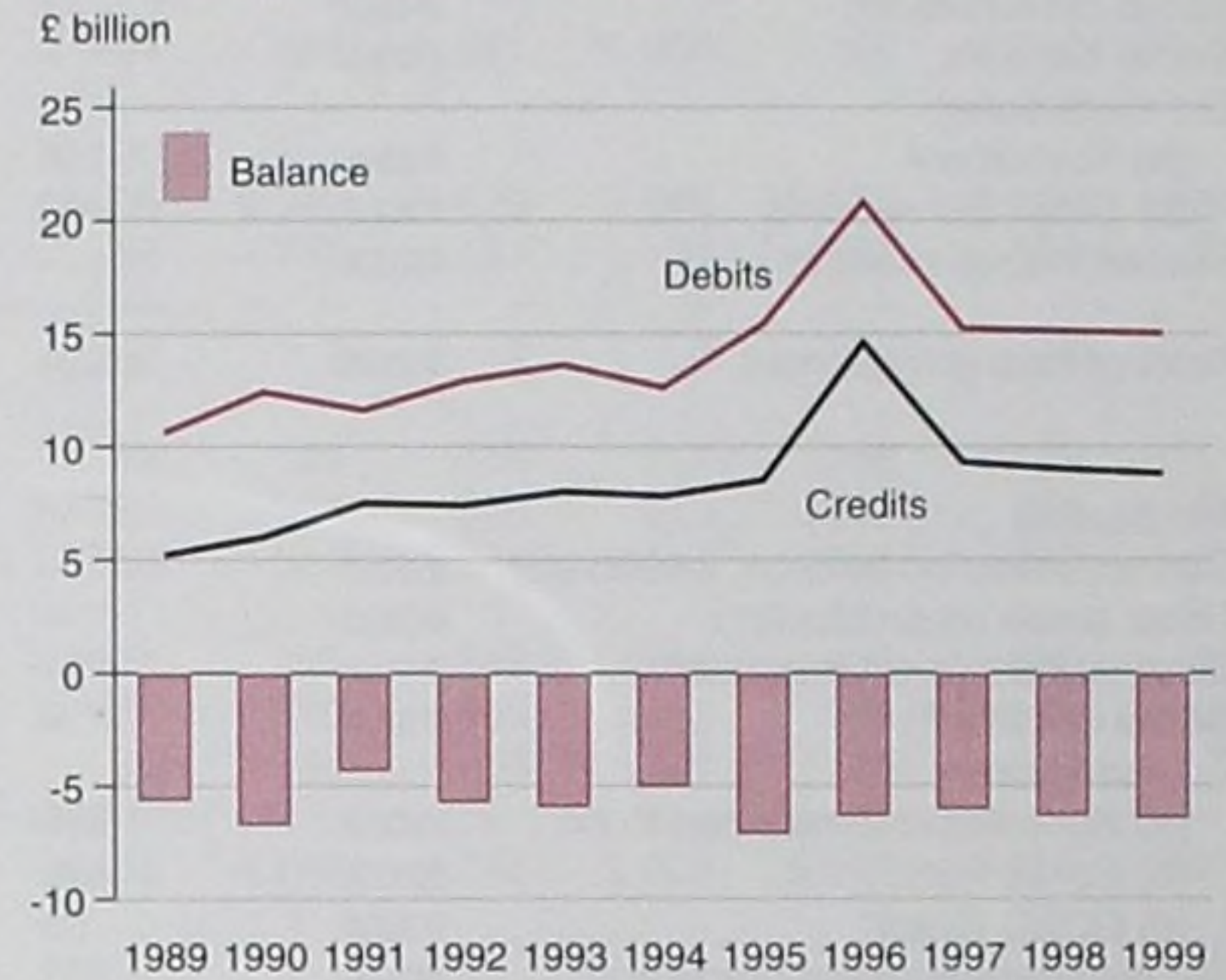
Central government transfers include taxes and social contributions received from non-resident workers and businesses, current transfers with international organisations (eg EU institutions), bilateral aid, social security payments abroad, military grants and miscellaneous (eg Gulf conflict) transfers. For credits, lower VAT abatement from the EU Institutions increased by £1.8 billion between 1998 and 1999, due partly to the fact that £0.8 billion of abatement attributable to 1998 was included in the 1999 budget. The other main contributor to the £2.9 billion rise in total credits was the rise of £1.3 billion in tax receipts from inward direct investors reflecting a large rise in profits from foreign direct investment in the UK. However, the rise in credits was partly offset by a £0.9 billion increase in 4th Resource based payments to EU.



### Other sector transfers

Non-government transfers include those EU transfers where the UK government simply acts as the agent for the final beneficiary (eg social fund and agricultural guidance fund receipts) or original payer (eg VAT based contributions). Other sectors transfers also include taxes on income and wealth paid by UK workers and outward direct investors to foreign governments, insurance premiums and claims and other transfers (workers remittances and other private transfers such as gifts). The deficit on other sectors transfers was £6.3 billion in 1999, hardly changed from £6.2 billion in 1998.

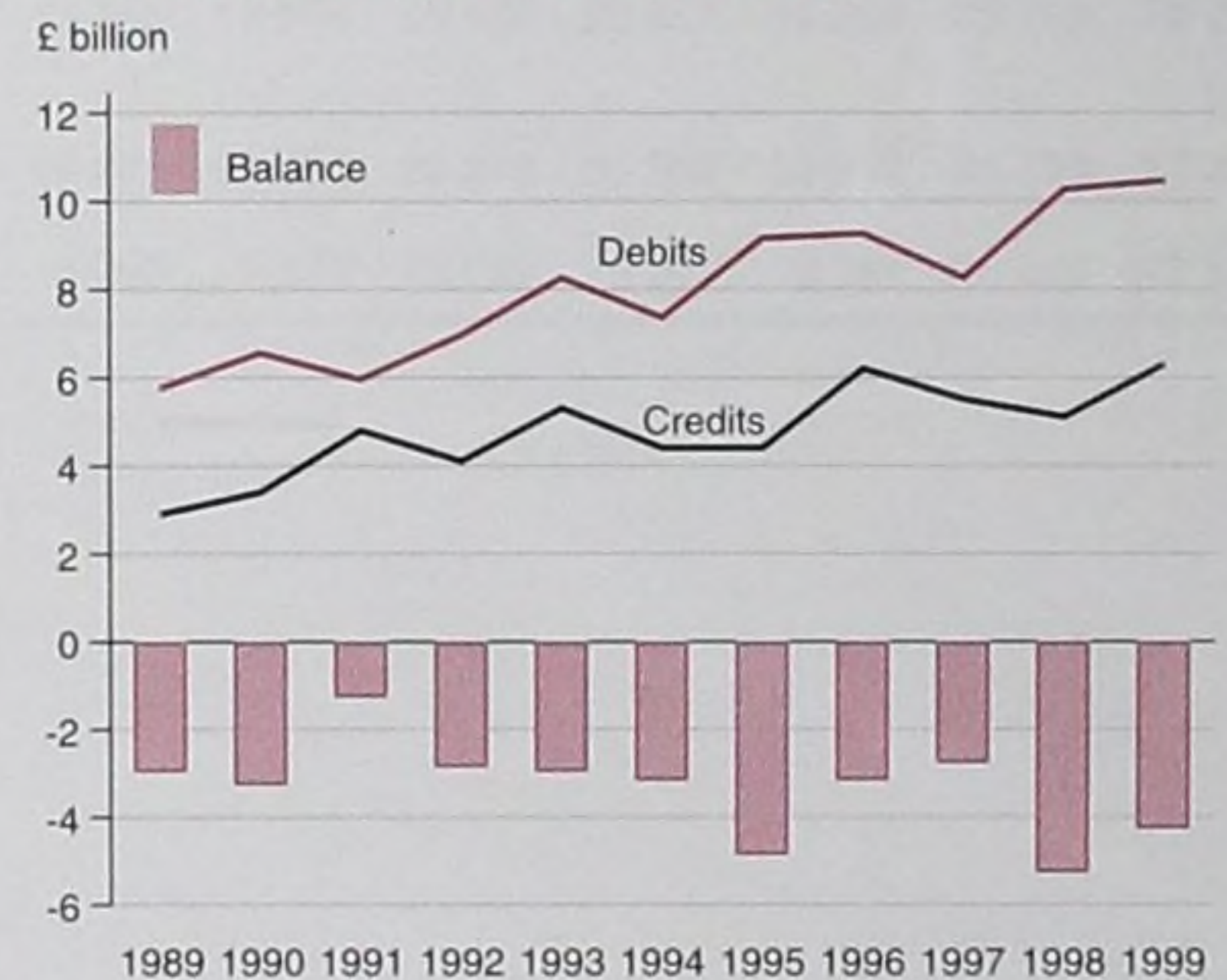
### Transfers by other sectors



### EU Institutions

Transfers with EU institutions constitute the largest single component within current transfers. Transfers with EU institutions showed a deficit in every year from 1989 to 1999; the lowest deficit recorded over this period was £1.2 billion in 1991 and the highest deficit was £5.2 billion in 1998. The deficit with EU Institutions between 1998 and 1999 fell by almost £1.0 billion to £4.2 billion, reflecting an increase in receipts from £5.1 billion in 1998 to £6.3 billion in 1999.

### Transfers with EU institutions





## Current transfers

# 5.1 Current transfers

		£ million										
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>												
Central government												
Current taxes on income, wealth etc.	FJKI	3 708	2 527	2 114	2 333	2 718	3 231	3 587	4 302	4 208	4 968	6 259
Other taxes on production	FJKH	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJBC	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJBH	17	15	16	14	30	25	25	28	32	29	29
Social benefits	FJBL	—	—	—	—	—	—	—	—	—	—	—
EU Institutions:												
(a) Abatement	FKKL	1 156	1 697	2 497	1 881	2 540	1 726	1 208	2 411	1 733	1 377	3 171
(b) Other EU receipts	FKIJ	43	17	9	17	18	26	25	13	6	7	5
Miscellaneous receipts <sup>1</sup>	FKIK	—	38	2 110	9	—	—	—	—	—	—	—
Total central government	FJUM	4 924	4 294	6 746	4 254	5 306	5 008	4 845	6 754	5 979	6 381	9 464
Other sectors												
Current taxes on income, wealth etc.	FJBJ	—	—	—	—	—	—	—	—	—	—	—
Other taxes on production	FJGC	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJBA	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJAB	—	—	—	—	—	—	—	—	—	—	—
EU Institutions:												
(a) Agricultural Guarantee Fund	FJLJ	1 255	1 405	1 679	1 742	2 153	2 245	2 392	2 898	3 169	2 908	2 700
(b) Social Fund	HDIZ	406	225	618	437	588	320	755	804	615	783	434
(c) ECSC Grant	FJKP	32	15	31	61	37	45	39	29	5	1	—
Net non-life insurance premiums <sup>2</sup>	NQQP	1 723	2 298	2 807	2 991	2 639	2 492	2 760	8 307	2 820	2 711	2 939
Non-life insurance claims <sup>3</sup>	FJFA	—	—	—	—	—	—	—	5	5	7	11
Other receipts of households <sup>4</sup>	FKIL	1 745	2 013	2 358	2 155	2 541	2 699	2 572	2 589	2 712	2 633	2 730
Total other sectors	FJUN	5 161	5 956	7 493	7 386	7 958	7 801	8 518	14 632	9 326	9 043	8 814
<b>Total</b>	<b>KTND</b>	<b>10 085</b>	<b>10 250</b>	<b>14 239</b>	<b>11 640</b>	<b>13 264</b>	<b>12 809</b>	<b>13 363</b>	<b>21 386</b>	<b>15 305</b>	<b>15 424</b>	<b>18 278</b>
Of which: Receipts from EU institutions	FKIM	2 892	3 359	4 834	4 138	5 336	4 362	4 419	6 155	5 528	5 076	6 310

1 Includes contributions by other countries towards the UK's cost of the Gulf conflict.

2 Premiums paid to UK insurance companies.

3 Claims paid to UK residents by foreign insurance companies.

4 Includes estimates for workers' remittances and for non-profit institutions serving households.



# 5.1 Current transfers

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Debits</b>												
<b>Central government</b>												
Current taxes on income, wealth etc.	FJKK	-	-	-	-	-	-	-	-	-	-	-
Other taxes on production	FJKN	-	-	-	-	-	-	-	-	-	-	-
Other subsidies on production	FJCE	-	-	-	-	-	-	-	-	-	-	-
Social contributions	FJCH	-	-	-	-	-	-	-	-	-	-	-
Social security benefits	FJCK	555	620	728	661	824	899	951	1 004	1 102	1 162	1 186
<b>Contributions to international organisations</b>												
<b>EU Institutions:</b>												
(a) GNP: 4th Resource	HCSO	303	1	813	934	1 608	2 340	1 639	2 488	2 655	3 516	4 403
(b) GNP adjustments	HCSM	-	-	-	-20	-50	-269	187	-34	-197	404	229
(c) Inter governmental agreements	HCBW	-	-	-	-	-	-	-	-	-	-	-
(d) Other	FKIN	-	-	-	-	2	7	8	8	31	-1	11
<b>Other organisations:</b>												
(a) Military	HDKF	54	71	79	142	74	35	116	112	168	139	118
(b) Multilateral economic assistance	HCHJ	254	310	426	437	355	381	358	273	268	314	245
(c) Other	HCKL	270	311	365	511	563	520	624	417	256	200	272
<b>Bilateral aid:</b>												
(a) Non-project grants	FJKT	308	522	411	346	271	352	249	214	131	142	133
(b) Technical cooperation	FJKU	286	154	372	459	474	516	609	543	644	692	651
Military grants	HDJO	25	6	24	36	35	14	54	31	29	17	30
<b>Total central government</b>	<b>FJJO</b>	<b>2 055</b>	<b>1 995</b>	<b>3 218</b>	<b>3 506</b>	<b>4 156</b>	<b>4 795</b>	<b>4 795</b>	<b>5 056</b>	<b>5 087</b>	<b>6 585</b>	<b>7 278</b>
<b>Other sectors</b>												
Current taxes on income, wealth etc.	FJCI	2 167	2 074	1 862	2 019	2 424	2 800	3 237	3 511	3 863	3 243	3 285
Other taxes on production	FJLB	-	-	-	-	-	-	-	-	-	-	-
Other subsidies on production	FJCC	-	-	-	-	-	-	-	-	-	-	-
Social contributions	FJBG	-	-	-	-	-	-	-	-	-	-	-
Social benefits	FJCM	-	-	-	-	-	-	-	-	-	-	-
<b>EU Institutions:</b>												
(a) Agricultural levies	QYZI	134	127	182	178	164	153	150	181	285	253	349
(b) Sugar levies	GTBA	59	46	48	47	56	98	55	26	91	42	46
(c) Customs duties	QYRD	1 795	1 710	1 724	1 765	2 008	1 981	2 308	2 137	1 999	1 823	1 675
(d) VAT based contributions	HCML	3 143	4 148	3 796	4 356	4 964	4 189	4 635	4 441	3 646	3 758	3 920
(e) VAT adjustments	FSVL	311	516	-538	-297	-493	-1 068	210	30	-249	470	-109
(f) ECSC Production levy	GTBB	12	11	10	7	1	-	-	-	-	-	-
Net non-life insurance premiums <sup>1</sup>	FJDB	-	-	-	-	-	-	-	5	5	3	4
Non-life insurance claims <sup>2</sup>	NQQR	1 723	2 298	2 807	2 991	2 639	2 492	2 760	8 307	2 820	2 711	2 939
Other payments by households <sup>3</sup>	FKIQ	1 306	1 583	1 799	1 889	1 952	2 034	2 125	2 214	2 809	2 906	2 975
<b>Total other sectors</b>	<b>FJUP</b>	<b>10 650</b>	<b>12 513</b>	<b>11 690</b>	<b>12 955</b>	<b>13 715</b>	<b>12 679</b>	<b>15 480</b>	<b>20 852</b>	<b>15 269</b>	<b>15 209</b>	<b>15 084</b>
<b>Total</b>	<b>KTNE</b>	<b>12 705</b>	<b>14 508</b>	<b>14 908</b>	<b>16 461</b>	<b>17 871</b>	<b>17 474</b>	<b>20 275</b>	<b>25 908</b>	<b>20 356</b>	<b>21 794</b>	<b>22 362</b>
<i>Of which: Payments to EU institutions</i>	<b>FKIR</b>	<b>5 757</b>	<b>6 559</b>	<b>6 035</b>	<b>6 970</b>	<b>8 260</b>	<b>7 431</b>	<b>9 192</b>	<b>9 277</b>	<b>8 261</b>	<b>10 265</b>	<b>10 524</b>

1 Premiums paid by UK residents to foreign insurance companies.

2 Claims paid by UK insurance companies to non-residents.

3 Includes estimates for workers' remittances and for non-profit institutions serving households.



## Current transfers

# 5.1 Current transfers

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>												
Central government												
Current taxes on income, wealth etc.	FJKJ	3 708	2 527	2 114	2 333	2 718	3 231	3 587	4 302	4 208	4 968	6 259
Other taxes on production	FJIZ	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJBD	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJBI	17	15	16	14	30	25	25	28	32	29	29
Social benefits	FJBM	-555	-620	-728	-661	-824	-899	-951	-1 004	-1 102	-1 162	-1 186
Other current transfers <sup>1</sup>	FJKW	-301	377	2 126	-938	-774	-2 144	-2 611	-1 628	-2 246	-4 039	-2 916
Total central government	FJUQ	2 869	2 299	3 528	748	1 150	213	50	1 698	892	-204	2 186
Other sectors												
Current taxes on income, wealth etc.	FJHU	-2 167	-2 074	-1 862	-2 019	-2 424	-2 800	-3 237	-3 511	-3 863	-3 243	-3 285
Other taxes on production	FJHT	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJHV	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJHJ	—	—	—	—	—	—	—	—	—	—	—
Social benefits	FJJG	406	225	618	437	588	320	755	804	615	783	434
Other current transfers <sup>1</sup>	FJLT	-3 728	-4 708	-2 953	-3 987	-3 921	-2 398	-4 480	-3 513	-2 695	-3 706	-3 419
Total other sectors	FJUR	-5 489	-6 557	-4 197	-5 569	-5 757	-4 878	-6 962	-6 220	-5 943	-6 166	-6 270
<b>Total</b>	<b>KTNF</b>	<b>-2 620</b>	<b>-4 258</b>	<b>-669</b>	<b>-4 821</b>	<b>-4 607</b>	<b>-4 665</b>	<b>-6 912</b>	<b>-4 522</b>	<b>-5 051</b>	<b>-6 370</b>	<b>-4 084</b>
Of which: EU institutions	FKIS	-2 865	-3 200	-1 201	-2 832	-2 924	-3 069	-4 773	-3 122	-2 733	-5 189	-4 214

1 Includes an estimate for workers' remittances.



# *Part 2*

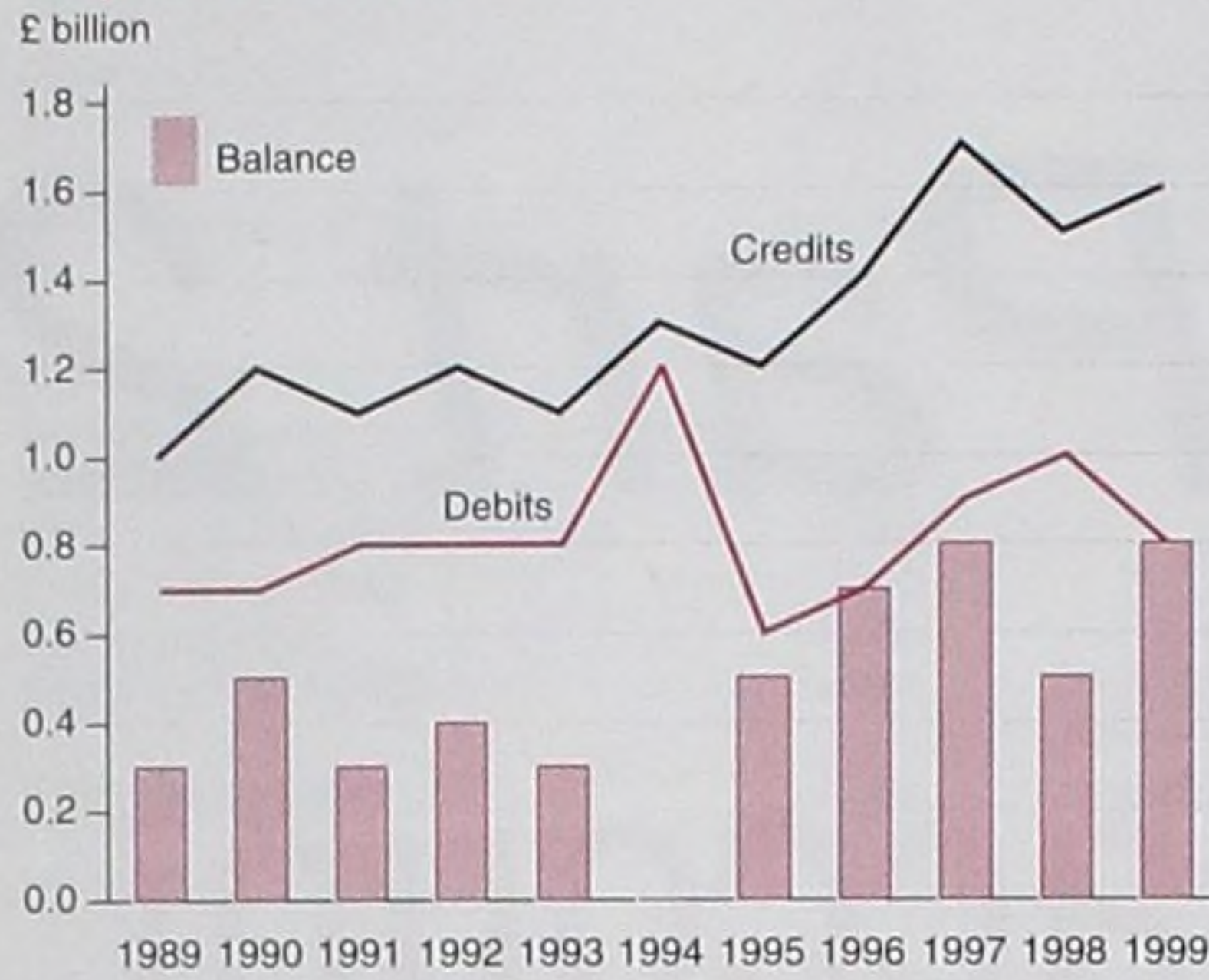
## Capital account, financial account & international investment position



# 6

## Capital account

### Capital account



### Summary

Between 1989 and 1999 the capital account balance remained in surplus throughout, with the highest surplus recorded of £0.8 billion in 1997. In 1994, the surplus was unusually low due to other sectors' debt forgiveness of £0.5 billion. There was an increase in the capital account surplus from £0.5 billion in 1998 to £0.8 billion in 1999, mainly due to the continuing rise in migrants transfers and a fall in central government debt forgiveness from 1998's historically high figure of £0.1 billion.



# 6.1 Capital account

£ million

			1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>													
Capital transfers													
Central government													
Debt forgiveness	FJUU		—	—	—	—	—	—	—	—	—	—	—
Other capital transfers	FJLY		—	—	—	—	—	—	—	—	—	—	—
Total central government	FJMD		—	—	—	—	—	—	—	—	—	—	—
Other sectors													
Migrants' transfers	FJMG		555	628	632	602	584	603	678	703	754	967	1 144
Debt forgiveness	FJNC		—	—	—	—	—	—	—	—	—	—	—
EU Institutions:													
Regional development fund	FKIT		347	441	370	551	425	608	437	620	812	357	285
Agricultural guidance fund	FJXL		60	91	82	71	104	52	48	30	57	56	47
Total EU institutions	FKIV		407	532	452	622	529	660	485	650	869	413	332
Total other sectors	FJMU		962	1 160	1 084	1 224	1 113	1 263	1 163	1 353	1 623	1 380	1 476
Total capital transfers	FJMX		962	1 160	1 084	1 224	1 113	1 263	1 163	1 353	1 623	1 380	1 476
Sales of non-produced, non-financial assets	FJUX		—	—	—	—	—	—	—	49	68	89	86
<b>Total</b>	FKMH		<b>962</b>	<b>1 160</b>	<b>1 084</b>	<b>1 224</b>	<b>1 113</b>	<b>1 263</b>	<b>1 163</b>	<b>1 402</b>	<b>1 691</b>	<b>1 469</b>	<b>1 562</b>
<b>Debits</b>													
Capital transfers													
Central government													
Debt forgiveness	FJUV		24	22	21	20	21	24	28	23	24	146	10
Other capital transfers (project grants)	FJMB		219	158	254	261	201	188	148	143	169	182	171
Total central government	FJME		243	180	275	281	222	212	176	166	193	328	181
Other sectors													
Migrants' transfers	FJMH		449	483	519	522	494	500	453	465	592	531	499
Debt forgiveness <sup>1</sup>	FJNF		—	—	—	—	88	518	—	—	—	—	—
Other capital transfers	FJMS		—	—	—	—	—	—	—	—	—	—	—
Total other sectors	FJMV		449	483	519	522	582	1 018	453	465	592	531	499
Total capital transfers	FJMY		692	663	794	803	804	1 230	629	631	785	859	680
Purchases of non-produced, non-financial assets	FJUY		—	—	—	—	—	—	—	35	102	137	106
<b>Total</b>	FKMI		<b>692</b>	<b>663</b>	<b>794</b>	<b>803</b>	<b>804</b>	<b>1 230</b>	<b>629</b>	<b>666</b>	<b>887</b>	<b>996</b>	<b>786</b>
<b>Balances</b>													
Capital transfers													
Central government													
Debt forgiveness	FJUW		-24	-22	-21	-20	-21	-24	-28	-23	-24	-146	-10
Other capital transfers	FJMC		-219	-158	-254	-261	-201	-188	-148	-143	-169	-182	-171
Total central government	FJMF		-243	-180	-275	-281	-222	-212	-176	-166	-193	-328	-181
Other sectors													
Migrants' transfers	FJMI		106	145	113	80	90	103	225	238	162	436	645
Debt forgiveness	FJNG		—	—	—	—	-88	-518	—	—	—	—	—
Other capital transfers	FJMT		407	532	452	622	529	660	485	650	869	413	332
Total other sectors	FJMW		513	677	565	702	531	245	710	888	1 031	849	977
Total capital transfers	FJMZ		270	497	290	421	309	33	534	722	838	521	796
Non-produced, non-financial assets	NHSG		—	—	—	—	—	—	—	14	-34	-48	-20
<b>Total</b>	FKMJ		<b>270</b>	<b>497</b>	<b>290</b>	<b>421</b>	<b>309</b>	<b>33</b>	<b>534</b>	<b>736</b>	<b>804</b>	<b>473</b>	<b>776</b>

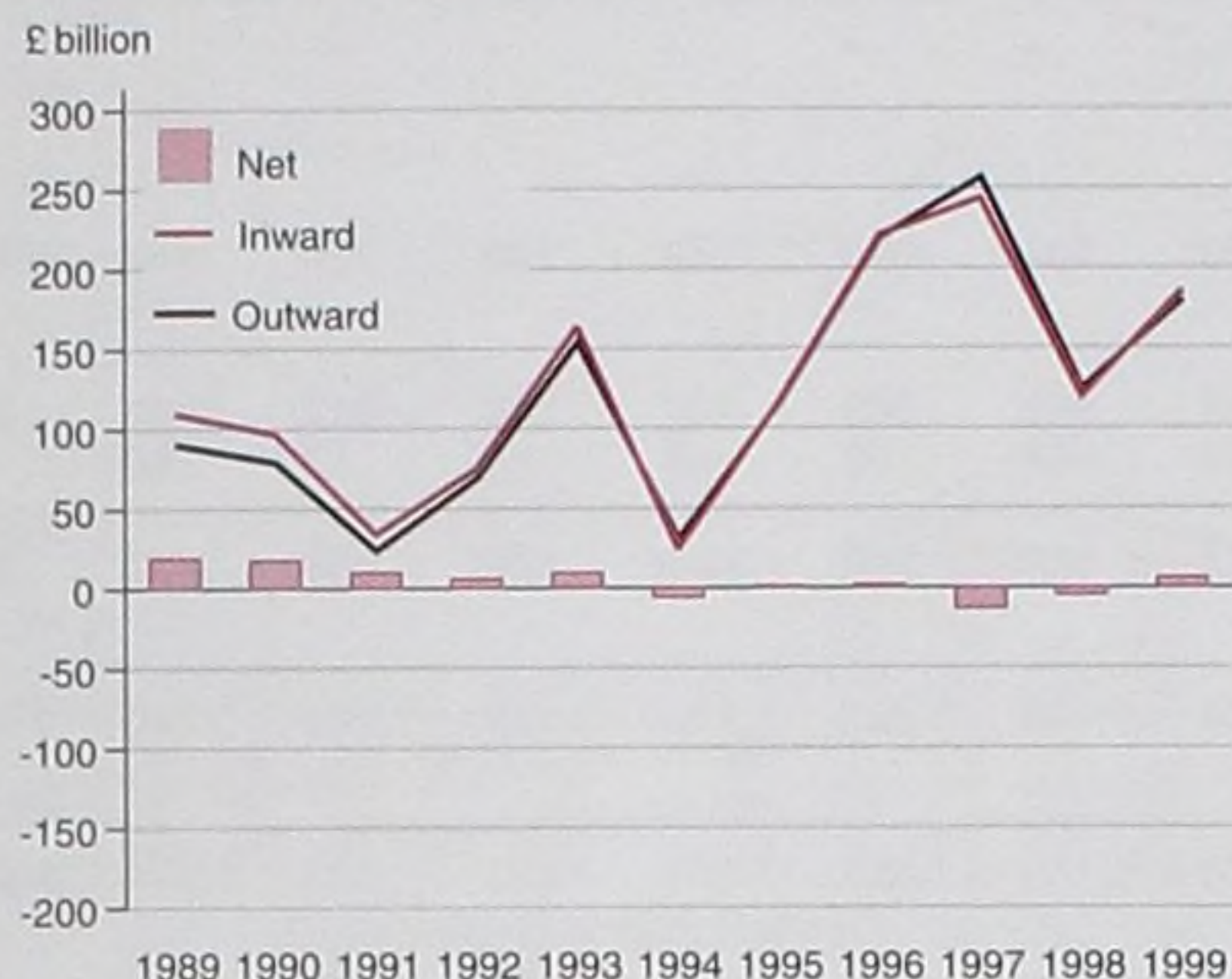
<sup>1</sup> This series also appears in the Financial Account (see Table 7.7).



# 7

## Financial account

### Financial account



### Summary

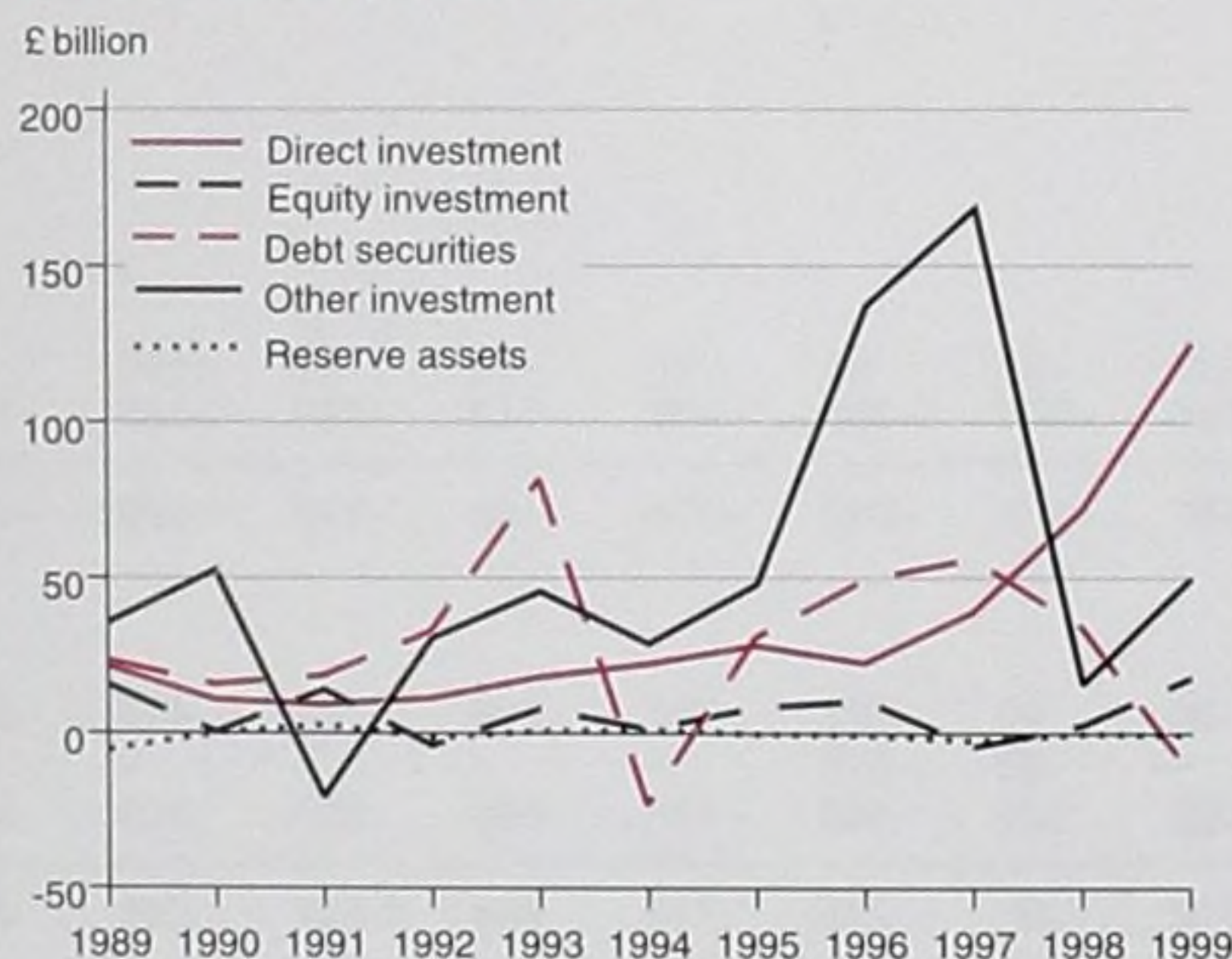
Between 1989 and 1996 inward investment exceeded outward investment in all years except 1994. In other words, over this period the United Kingdom was a net borrower from abroad. In 1997 and 1998 however, when the UK current account was close to balance or in surplus there was net lending to the rest of the world. In 1999, when the current account moved strongly into deficit, financial account transactions again showed net investment in the UK, or that the UK was a net borrower from abroad.

Volatility in the gross financial flows has historically been driven by other investment. In particular 1996 and 1997 were record years for the other investment gross flows although net investment was not exceptional. It can be shown that the amounts recorded in the gross flows of loans and deposits are as much a consequence of how the transaction is carried out between resident and non-resident banks as overall market conditions; these transactions largely balance.

In 1998 and 1999, much of the volatility in the financial flows has come from merger and acquisition activity impacting on direct investment, but also portfolio investment flows when such deals have been financed by the issue of equity.

Between 1989 and 1999 direct investment recorded net investment abroad (net acquisition of assets exceeded net acquisition of liabilities) in all years except 1990 and 1991. Over the same period portfolio investment also generally recorded net investment abroad, although in 1999, there was record net investment in the UK. This resulted from substantial UK acquisitions in the telecom and pharmaceutical sector, which was funded by the issue of shares to foreign shareholders – this is recorded as portfolio investment in the UK. Balancing this, other investment has recorded net inward investment in all years except 1994 and 1999. Investment by central government in reserve assets is comparatively very small though quite volatile.

### UK investment abroad



### UK investment abroad

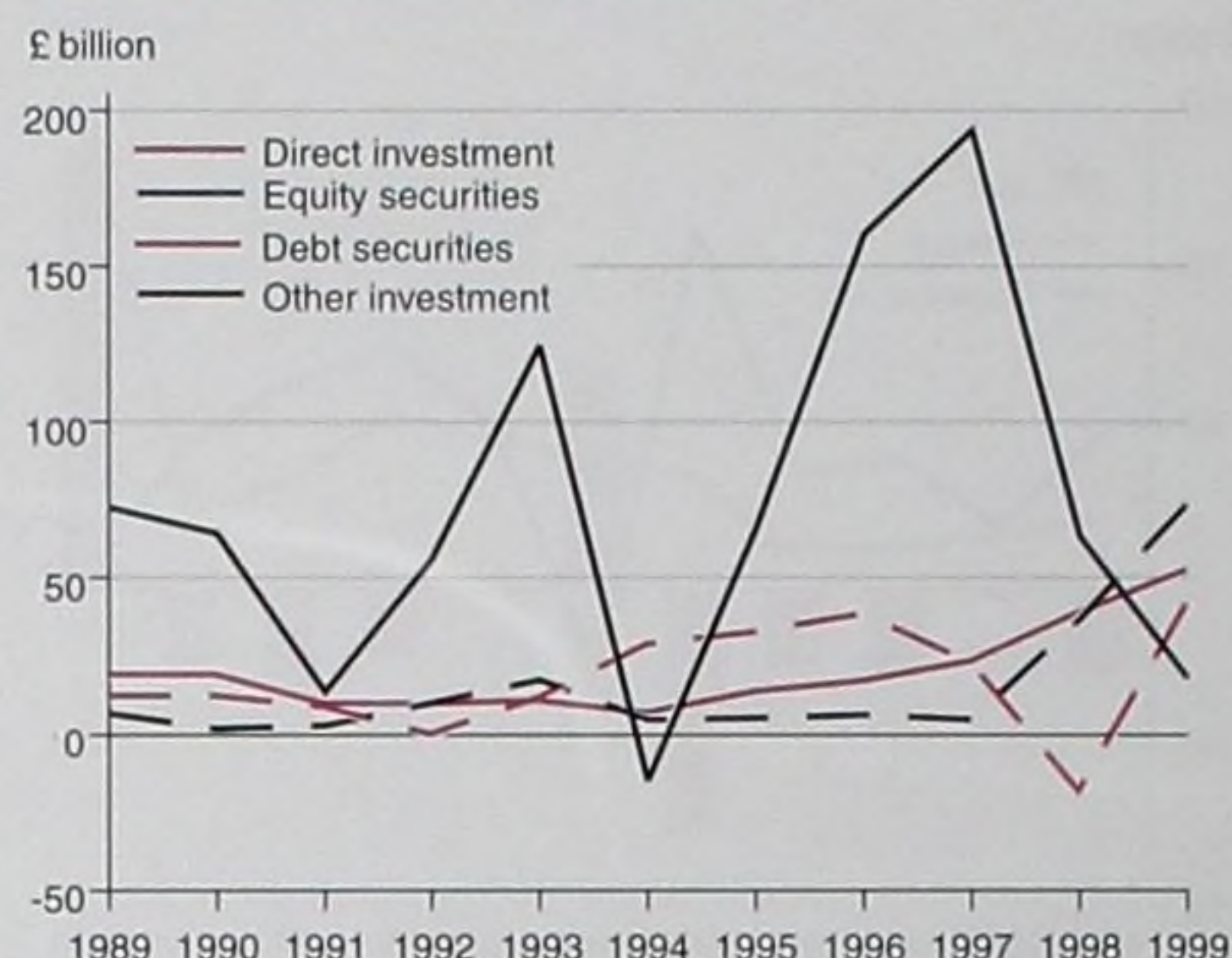
Generally investment flows have increased through the 1990's, with record investment abroad recorded in 1997. This was attributable to an increase in direct investment and other investment abroad. Since 1996, direct investment abroad has increased from £22.5 billion to £125.3 billion, as a result of significant merger and acquisition activity by UK companies. Many of these deals have been financed by the issue of equity to the original shareholders of the foreign companies, resulting in a significant rise in portfolio investment in the UK. Portfolio investment abroad recorded net acquisitions in all years over this period with the exception of 1994 when there was a net disposal of £23.2 billion of debt securities. Otherwise investment in debt securities exceeded purchases of equity in all years except 1999, when there was again a net disposal of debt securities.



### Foreign investment in the UK

Inward direct investment showed a similar pattern to outward investment with net investment increasing strongly in the last three years. Acquisition of equity capital increased from £8 billion in 1996 to over £31 billion in 1998. Inward portfolio investment recorded net investment in all years, with acquisition of equity securities increasing dramatically in recent years – counterparting the direct investment abroad transactions.

### Foreign investment in the UK

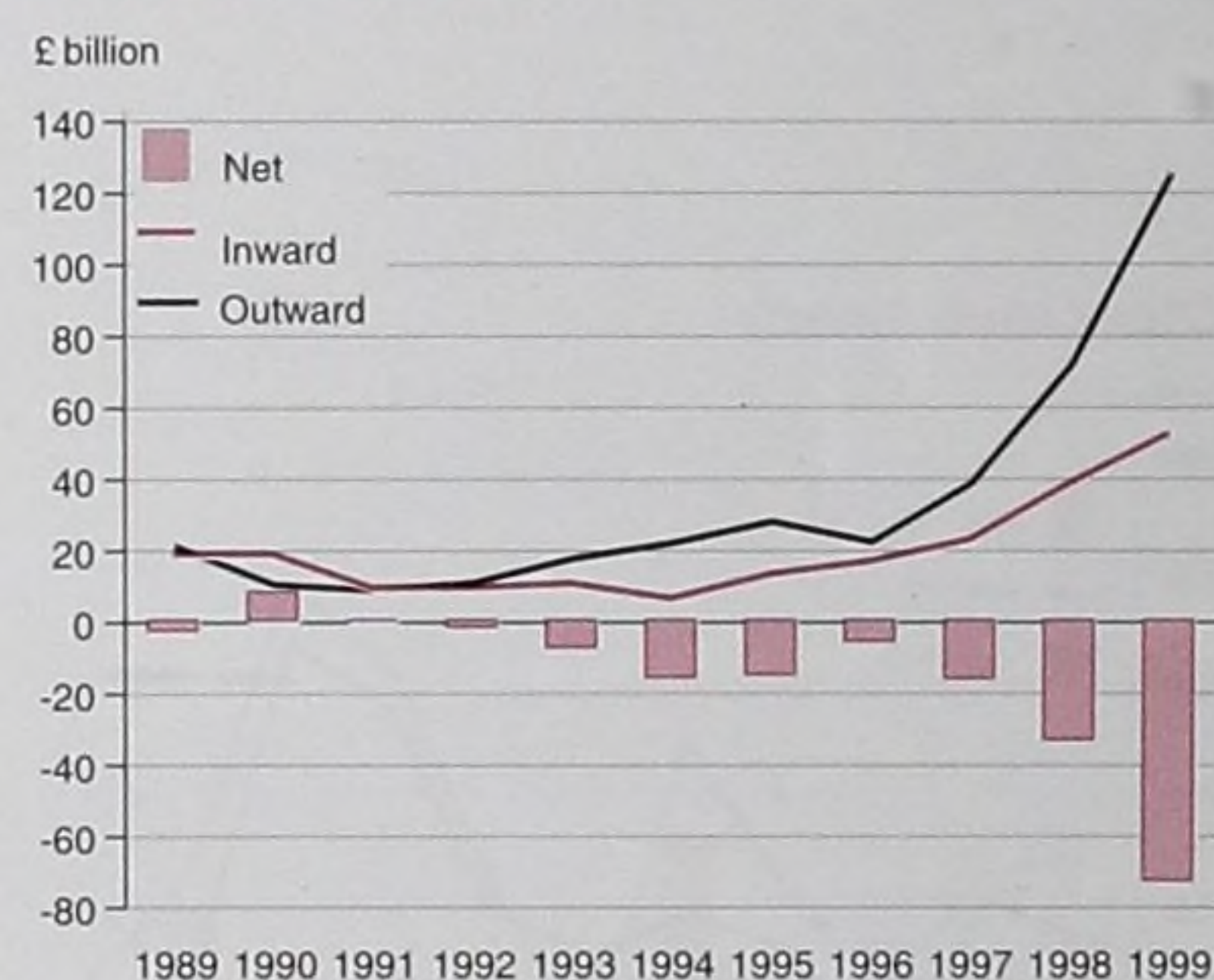


### Direct investment

Outward direct investment after peaking in 1989 at £21.5 billion fell sharply over the following three years to roughly half that amount before picking up once more although not greatly exceeding the 1989 peak until 1997 and reaching a record level in 1999 of £125.3 billion. Until 1997 reinvested earnings constituted around half of direct investment abroad. In 1998 and 1999 it was less than one fifth as the acquisition of equity capital increased reflecting large take-overs.

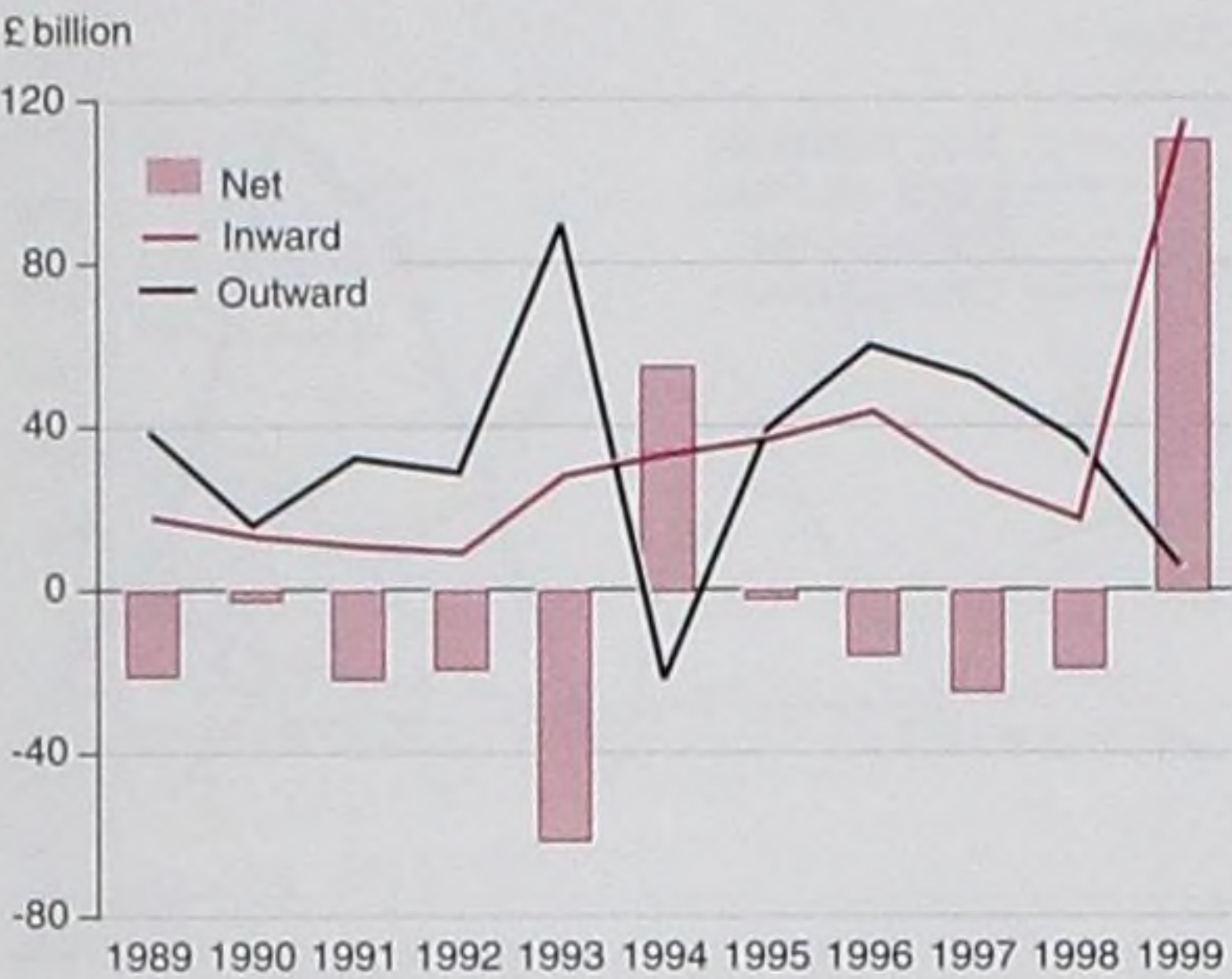
Inward direct investment showed a pattern similar to outward investment although here equity capital generally constituted the majority of the investment until 1999 when other capital transactions rose to be the largest component at £24.0 billion. 1999 was also a record year for inward investment with rises in other capital transactions and reinvested earnings offsetting a fall in the acquisition of equity capital. The largest inward acquisitions during the year were in the telecommunications sector with Mannesmann AG acquiring Orange Plc for a reported £19.5 billion.

### Direct investment





Portfolio investment

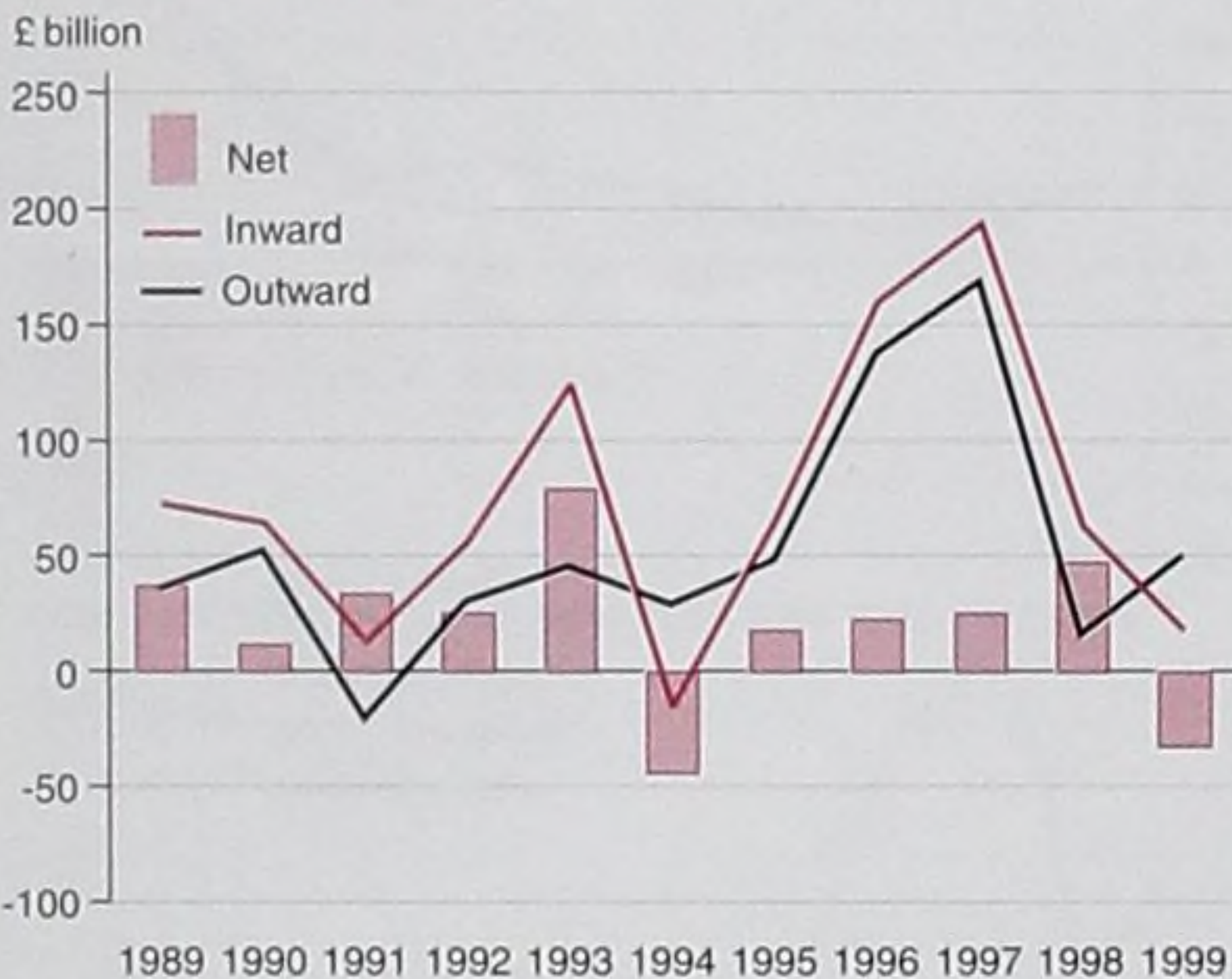


Portfolio investment

Compared with direct investment, portfolio investment abroad was more erratic, recording investment as large as £89.6 billion in 1993 as well as disposals £21.8 billion in 1994. Investment in bonds and notes constituted the largest part of investment throughout the period 1989 to 1999. Net disposals of equity securities occurred in two years coinciding with two significant financial shocks: UK exit from the Exchange Rate Mechanism (1992); and South-East Asia crisis (1997).

Within inward investment, transactions in bonds and notes also form the major component with net acquisitions in all years except 1998, when there were also net disposals in money market instruments, mostly certificates of deposits issued by UK banks (£16.9 billion). In 1999, there was record investment in UK equity reflecting the substantial merger and acquisition activity in the telecom and pharmaceutical sector.

Other investment



Other investment

Deposits by UK banks, and to a lesser extent securities dealers, constitute the major component of other investment. Loans and deposits by UK banks are carried out predominately in foreign currency. Changes in currency and deposits held abroad by banks are partly influenced by relative exchange rates and interest rates as well as the global financial conditions generally. It is noticeable that in 1997 deposits by UK banks reached record levels of £113.6 billion, were almost £100 billion lower in 1998 and fell in 1999.

Other investment in the UK is largely composed of deposits with UK banks as well as short-term loans to securities dealers and other sectors (principally private non-financial corporations). Loans to the UK reached a record amount in 1993 of £84.3 billion though this was largely attributable to short-term loans to securities dealers, as has already been noted, which were used to finance portfolio investment abroad and which were repaid the following year leading to total loans showing a net repayment of £65.4 billion in 1994.







## Financial account

# 7.1 Financial account Summary table

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>UK investment abroad</b> (UK assets = net debits)												
Direct investment abroad												
Equity capital	-HJYM	9 593	7 704	4 622	5 414	4 464	7 645	8 024	5 033	21 437	47 347	95 024
Reinvested earnings	-HDNY	9 115	8 235	5 985	5 052	9 816	13 393	13 863	16 678	15 760	13 547	19 845
Other capital transactions	-HMAE	2 764	-5 351	-1 548	595	3 615	1 170	6 278	797	1 698	11 049	10 419
Total direct investment abroad	-HJYP	21 472	10 588	9 059	11 061	17 895	22 208	28 165	22 508	38 895	71 943	125 288
Portfolio investment abroad												
Equity securities	-HBVI	15 609	354	14 014	-3 903	7 941	1 360	8 403	10 488	-4 218	2 584	17 915
Debt securities	-XBMW	23 255	15 560	18 347	32 586	81 627	-23 159	30 888	49 328	56 151	34 130	-12 483
Total portfolio investment abroad	-HHZC	38 864	15 914	32 361	28 683	89 568	-21 799	39 291	59 816	51 933	36 714	5 432
Other investment abroad	-XBMM	35 498	52 468	-20 500	30 656	45 685	28 910	48 056	137 346	168 398	15 918	50 063
Reserve assets	-LTCV	-5 440	76	2 679	-1 407	698	1 045	-200	-510	-2 380	-164	-639
Total	-HBNR	90 394	79 046	23 599	68 993	153 846	30 364	115 312	219 160	256 846	124 411	180 144
<b>Investment in the UK</b> (UK liabilities = net credits)												
Direct investment in the UK												
Equity capital	HJYR	6 527	11 293	5 764	6 457	5 845	3 260	12 549	8 036	11 712	31 199	21 402
Reinvested earnings	CYFV	3 634	1 967	524	172	4 057	3 170	4 433	6 874	5 562	1 156	6 875
Other capital transactions	HMAE	8 420	5 306	2 798	2 584	424	-327	-4 046	1 644	5 325	6 078	24 049
Total direct investment in the UK	HJYU	18 581	18 566	9 086	9 213	10 326	6 103	12 936	16 554	22 599	38 433	52 326
Portfolio investment in the UK												
Equity securities	XBLW	6 858	1 940	2 624	10 276	17 367	4 888	5 123	6 112	4 793	36 946	74 341
Debt securities	XBLX	11 350	11 473	8 363	-905	11 044	28 333	32 059	38 078	22 390	-19 037	41 261
Total portfolio investment in the UK	HHZF	18 208	13 413	10 987	9 371	28 411	33 221	37 182	44 190	27 183	17 909	115 602
Other investment in the UK	XBMM	72 629	64 596	13 516	56 125	124 556	-15 042	66 131	160 197	193 878	63 392	18 069
Total	HBNS	109 418	96 575	33 589	74 709	163 293	24 282	116 249	220 941	243 660	119 734	185 997
<b>Net transactions</b> (net credits / less net debits)												
Direct investment												
Equity capital	HBWN	-3 066	3 589	1 142	1 043	1 381	-4 385	4 525	3 003	-9 725	-16 148	-73 622
Reinvested earnings	HBWT	-5 481	-6 268	-5 461	-4 880	-5 759	-10 223	-9 430	-9 804	-10 198	-12 391	-12 970
Other capital transactions	HBWU	5 656	10 657	4 346	1 989	-3 191	-1 497	-10 324	847	3 627	-4 971	13 630
Total net direct investment	HJYV	-2 891	7 978	27	-1 848	-7 569	-16 105	-15 229	-5 954	-16 296	-33 510	-72 962
Portfolio investment												
Equity securities	HBWV	-8 751	1 586	-11 390	14 179	9 426	3 528	-3 280	-4 376	9 011	34 362	56 426
Debt securities	HBWX	-11 905	-4 087	-9 984	-33 491	-70 583	51 492	1 171	-11 250	-33 761	-53 167	53 744
Total net portfolio investment	HHZD	-20 656	-2 501	-21 374	-19 312	-61 157	55 020	-2 109	-15 626	-24 750	-18 805	110 170
Other investment	HHYR	37 131	12 128	34 016	25 469	78 871	-43 952	18 075	22 851	25 480	47 474	-31 994
Reserve assets	LTCV	5 440	-76	-2 679	1 407	-698	-1 045	200	510	2 380	164	639
Total	HBNT	19 024	17 529	9 990	5 716	9 447	-6 082	937	1 781	-13 186	-4 677	5 853



# 7.2 Financial account

## Sector analysis

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>UK investment abroad</b> (UK assets = net debits)												
By:												
Monetary financial institutions												
Banks	-HFAM	36 640	45 297	-21 368	33 123	32 703	61 165	50 974	86 899	167 136	71 094	3 387
Building societies	HEQN	-	-	-	317	2 237	322	528	-369	2 557	1 341	951
Total monetary financial institutions	-HFAQ	36 640	45 297	-21 368	33 440	34 940	61 487	51 502	86 530	169 693	72 435	4 338
Central government	-HFAN	-4 567	1 100	3 573	-725	1 307	1 664	437	143	-2 195	-71	-356
Public corporations	-HFAO	59	88	79	161	286	110	163	92	122	-27	215
Other sectors	-HFAP	58 262	32 561	41 315	36 117	117 313	-32 897	63 210	132 395	89 226	52 074	175 947
<b>Total</b>	<b>-HBNR</b>	<b>90 394</b>	<b>79 046</b>	<b>23 599</b>	<b>68 993</b>	<b>153 846</b>	<b>30 364</b>	<b>115 312</b>	<b>219 160</b>	<b>256 846</b>	<b>124 411</b>	<b>180 144</b>
<b>Investment in the UK</b> (UK liabilities = net credits)												
In:												
Monetary financial institutions (banks and building societies)	CGUL	52 532	56 976	-16 714	23 406	29 748	60 748	49 529	93 875	163 097	31 553	39 781
Central government	HFAR	981	808	5 071	7 396	14 593	5 806	494	6 501	-4 296	-1 982	-4 064
Local authorities	HFAS	-113	-111	-99	6	77	-87	-54	11	-51	-87	-106
Public corporations	HFAT	-2 138	-105	-53	-440	-24	-118	-151	-14	-206	-5	-
Other sectors	GGCJ	58 156	39 007	45 384	44 341	118 899	-42 067	66 431	120 568	85 116	90 255	150 386
<b>Total</b>	<b>HBNS</b>	<b>109 418</b>	<b>96 575</b>	<b>33 589</b>	<b>74 709</b>	<b>163 293</b>	<b>24 282</b>	<b>116 249</b>	<b>220 941</b>	<b>243 660</b>	<b>119 734</b>	<b>185 997</b>
<b>Net transactions</b> (net credits less net debits)												
In assets and liabilities of:												
Monetary financial institutions (banks and building societies)	GGCK	15 892	11 679	4 654	-10 034	-5 192	-739	-1 973	7 345	-6 596	-40 882	35 443
Central government	HFAV	5 548	-292	1 498	8 121	13 286	4 142	57	6 358	-2 101	-1 911	-3 708
Local authorities	HFAS	-113	-111	-99	6	77	-87	-54	11	-51	-87	-106
Public corporations	HFAW	-2 197	-193	-132	-601	-310	-228	-314	-106	-328	22	-215
Other sectors	GGCL	-106	6 446	4 069	8 224	1 586	-9 170	3 221	-11 827	-4 110	38 181	-25 561
<b>Total</b>	<b>HBNT</b>	<b>19 024</b>	<b>17 529</b>	<b>9 990</b>	<b>5 716</b>	<b>9 447</b>	<b>-6 082</b>	<b>937</b>	<b>1 781</b>	<b>-13 186</b>	<b>-4 677</b>	<b>5 853</b>



# Financial account

## 7.3 Direct investment

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Direct investment abroad</b> (UK assets = net debits)												
Equity capital												
Claims on affiliated enterprises (net acquisition of ordinary shares)												
Purchases of ordinary shares	-HDOA	13 851	9 376	6 375	7 937	6 894	12 572	11 590	9 620	25 655	62 082	103 744
Sales of ordinary shares	-HDOC	-4 277	-2 102	-1 567	-2 758	-2 460	-4 773	-3 830	-4 398	-4 088	-14 970	-9 321
Total claims on affiliated enterprises	-HJYL	9 574	7 274	4 808	5 179	4 434	7 799	7 760	5 222	21 567	47 112	94 423
Net acquisition of property	-HHVG	19	430	-186	235	30	-154	264	-189	-130	235	601
Total equity capital	-HJYM	9 593	7 704	4 622	5 414	4 464	7 645	8 024	5 033	21 437	47 347	95 024
Reinvested earnings	-HDNY	9 115	8 235	5 985	5 052	9 816	13 393	13 863	16 678	15 760	13 547	19 845
Other capital transactions												
Claims on affiliated enterprises												
Debt securities issued by affiliated enterprises												
Purchases of debt securities	-HDOD	-	-	-	-	-	1 777	1 175	107	516	1 222	2 684
Sales of debt securities	-HDOE	-	-	-	-	-	-	-	-38	-117	-1 131	-948
Other claims on affiliated enterprises												
Change in inter-company accounts	-HDOF	-572	-1 370	1 062	2 927	3 563	1 276	4 667	-725	7 192	19 033	12 267
Change in branch indebtedness	-HDOI	-138	282	1 080	694	177	1 053	673	856	898	-3 081	1 169
Total claims on affiliated enterprises	-HJYN	-710	-1 088	2 142	3 621	3 740	4 106	6 515	200	8 489	16 043	15 172
Liabilities to affiliated enterprises												
Change in inter-company accounts	-HDOG	2 720	-3 830	-3 312	-2 180	294	-2 937	-14	439	-6 614	-5 689	-5 262
Change in branch indebtedness	-HDOJ	754	-433	-378	-846	-419	1	-223	158	-177	695	509
Total liabilities to affiliated enterprises	-HJYO	3 474	-4 263	-3 690	-3 026	-125	-2 936	-237	597	-6 791	-4 994	-4 753
Total other capital transactions	-HMAB	2 764	-5 351	-1 548	595	3 615	1 170	6 278	797	1 698	11 049	10 419
<b>Total</b>	<b>-HJYP</b>	<b>21 472</b>	<b>10 588</b>	<b>9 059</b>	<b>11 061</b>	<b>17 895</b>	<b>22 208</b>	<b>28 165</b>	<b>22 508</b>	<b>38 895</b>	<b>71 943</b>	<b>125 288</b>
<b>Direct investment in the UK</b> (UK liabilities = net credits)												
Equity capital												
Liabilities to direct investors												
Quoted ordinary shares												
Purchases of quoted ordinary shares	CYFY	916	1 596	658	246	651	389	4 255	6 183	7 944	28 839	27 833
Sales of quoted ordinary shares	CYFZ	-	-	-	-	-	-612	-191	-1 293	-1 077	-4 008	-10 525
Unquoted ordinary shares												
Purchases of unquoted ordinary shares	CYGA	5 859	9 626	5 862	7 260	6 063	3 867	11 548	4 055	4 363	7 094	7 014
Sales of unquoted ordinary shares	CYGB	-1 409	-1 291	-1 481	-1 350	-1 329	-856	-3 287	-1 522	-368	-1 424	-3 886
Total liabilities to direct investors	HJYQ	5 366	9 931	5 039	6 156	5 385	2 788	12 325	7 423	10 862	30 501	20 436
Net acquisition of property	CGLO	1 161	1 362	725	301	460	472	224	613	850	698	966
Total equity capital	HJYR	6 527	11 293	5 764	6 457	5 845	3 260	12 549	8 036	11 712	31 199	21 402
Reinvested earnings	CYFV	3 634	1 967	524	172	4 057	3 170	4 433	6 874	5 562	1 156	6 875
Other capital transactions												
Claims on direct investors												
Change in inter-company accounts	CYGF	-496	-54	-280	-685	-1 965	-2 728	-4 401	-1 485	-1 389	-6 354	1 437
Change in branch indebtedness	CYGK	-167	-41	-90	-49	-69	-137	6	24	795	189	47
Total claims on direct investors	HJYS	-663	-95	-370	-734	-2 034	-2 865	-4 395	-1 461	-594	-6 165	1 484
Liabilities to direct investors												
Debt securities issued by affiliated enterprises												
Purchases of debt securities	CYGC	106	433	113	176	32	174	540	717	1 638	992	660
Sales of debt securities	CYGD	-47	-189	-956	-	-135	-21	-	-504	-144	-174	-527
Other liabilities to direct investors												
Change in inter-company accounts	CYGH	8 224	5 004	3 619	3 065	2 463	2 360	-271	3 036	3 813	11 031	22 060
Change in branch indebtedness	CYGL	800	153	392	77	98	25	80	-144	612	394	372
Total liabilities to direct investors	HJYT	9 083	5 401	3 168	3 318	2 458	2 538	349	3 105	5 919	12 243	22 565
Total other capital transactions	HMAD	8 420	5 306	2 798	2 584	424	-327	-4 046	1 644	5 325	6 078	24 049
<b>Total</b>	<b>HJYU</b>	<b>18 581</b>	<b>18 566</b>	<b>9 086</b>	<b>9 213</b>	<b>10 326</b>	<b>6 103</b>	<b>12 936</b>	<b>16 554</b>	<b>22 599</b>	<b>38 433</b>	<b>52 326</b>



# 7.3 Direct investment

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Net transactions</b> (net credits less net debits)												
Equity capital												
Net acquisition of ordinary shares	LTMS	-4 208	2 657	231	977	951	-5 011	4 565	2 201	-10 705	-16 611	-73 987
Net acquisition of property	LTMT	1 142	932	911	66	430	626	-40	802	980	463	365
Total equity capital	HBWN	-3 066	3 589	1 142	1 043	1 381	-4 385	4 525	3 003	-9 725	-16 148	-73 622
Reinvested earnings	HBWT	-5 481	-6 268	-5 461	-4 880	-5 759	-10 223	-9 430	-9 804	-10 198	-12 391	-12 970
Other capital transactions	HBWU	5 656	10 657	4 346	1 989	-3 191	-1 497	-10 324	847	3 627	-4 971	13 630
<b>Total</b>	HJYV	<b>-2 891</b>	<b>7 978</b>	<b>27</b>	<b>-1 848</b>	<b>-7 569</b>	<b>-16 105</b>	<b>-15 229</b>	<b>-5 954</b>	<b>-16 296</b>	<b>-33 510</b>	<b>-72 962</b>

# 7.4 Direct investment Sector analysis

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Direct investment abroad</b> (UK assets = net debits)												
By:												
UK Monetary financial institutions (banks)	-HCWJ	858	669	-844	1 375	1 260	2 311	1 819	1 477	169	1 925	991
Insurance companies	-CNZE	890	586	-161	236	1 121	-412	2 343	513	3 143	995	2 883
Other financial intermediaries	-HCXL	-5 447	-401	-701	634	1 425	1 498	1 977	2 704	5 742	11 648	8 023
Private non-financial corporations	-HCVH	25 145	9 663	10 689	8 698	13 845	18 676	21 929	17 790	29 741	57 323	113 079
Public corporations	-HDND	-3	37	37	84	210	101	64	-9	68	20	280
Household sector <sup>1</sup>	-AAQN	32	32	32	32	32	32	32	32	32	32	32
<b>Total</b>	-HJYP	<b>21 472</b>	<b>10 588</b>	<b>9 059</b>	<b>11 061</b>	<b>17 895</b>	<b>22 208</b>	<b>28 165</b>	<b>22 508</b>	<b>38 895</b>	<b>71 943</b>	<b>125 288</b>

## Direct investment in the UK

(UK liabilities = net credits)

In:												
Monetary financial institutions (banks)	GPBQ	846	3 196	-175	1 032	2 027	1 008	2 092	2 454	3 494	1 092	1 433
Insurance companies	HDQI	798	177	35	88	197	-38	-144	1 466	891	-107	1 128
Other financial intermediaries												
Securities dealers	HDRU	568	170	489	244	1 085	-682	356	905	338	-1 189	821
Other	HFCL	1 569	467	92	70	-116	136	1 449	798	-77	13 235	82
Total other financial intermediaries	HFDR	2 137	637	581	314	969	-546	1 805	1 703	261	12 046	903
Private non-financial corporations	BCEC	14 800	14 556	8 645	7 779	7 133	5 679	9 183	10 931	17 953	25 402	48 862
<b>Total</b>	HJYU	<b>18 581</b>	<b>18 566</b>	<b>9 086</b>	<b>9 213</b>	<b>10 326</b>	<b>6 103</b>	<b>12 936</b>	<b>16 554</b>	<b>22 599</b>	<b>38 433</b>	<b>52 326</b>

## Net transaction

(net credits less net debits)

In assets and liabilities of:												
Monetary financial institutions	LTMU	-12	2 527	669	-343	767	-1 303	273	977	3 325	-833	442
Insurance companies	LTMV	-92	-409	196	-148	-924	374	-2 487	953	-2 252	-1 102	-1 755
Other financial intermediaries	LTMW	7 584	1 038	1 282	-320	-456	-2 044	-172	-1 001	-5 481	398	-7 120
Private non-financial corporations	LTMX	-10 345	4 893	-2 044	-919	-6 712	-12 997	-12 746	-6 859	-11 788	-31 921	-64 217
Public corporations	HDND	3	-37	-37	-84	-210	-101	-64	9	-68	-20	-280
Household sector <sup>1</sup>	AAQN	-32	-32	-32	-32	-32	-32	-32	-32	-32	-32	-32
<b>Total</b>	HJYV	<b>-2 891</b>	<b>7 978</b>	<b>27</b>	<b>-1 848</b>	<b>-7 569</b>	<b>-16 105</b>	<b>-15 229</b>	<b>-5 954</b>	<b>-16 296</b>	<b>-33 510</b>	<b>-72 962</b>

<sup>1</sup> The household sector includes non-profit institutions serving households.



## Financial account

# 7.5 Portfolio investment

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Portfolio investment abroad</b> (UK assets = net debits)												
Transactions in equity securities (shares) by:												
Monetary financial Institutions (banks)	-VTWC	639	-641	-120	-612	272	1 607	161	4 570	-3 138	4 356	431
Insurance companies and pension funds												
Insurance companies	-HBHM	3 948	1 433	4 121	-1 354	4 399	3 654	3 688	3 147	1 335	1 015	5 204
Pension funds	-HBHO	8 799	4 789	7 177	-478	1 579	-5 250	-1 884	2 828	-3 326	2 142	181
Total insurance companies and pension funds	-HBRD	12 747	6 222	11 298	-1 832	5 978	-1 596	1 804	5 975	-1 991	3 157	5 385
Other financial intermediaries												
Securities dealers	-HGLG	41	-3 548	1 580	-812	-1 637	-3 311	3 600	-3 058	810	-7 634	5 783
Unit and Investment Trusts	-HBHQ	2 930	-1 301	1 452	-438	3 563	4 168	3 171	2 990	919	3 567	6 486
Other	-HBRC	-97	-184	-170	-169	-262	-379	-266	-523	-831	-846	-911
Total other financial intermediaries	-HBRE	2 874	-5 033	2 862	-1 419	1 664	478	6 505	-591	898	-4 913	11 358
Private non-financial corporations	-XBNL	-193	-54	-30	-105	141	55	-222	188	-62	84	241
Household sector <sup>1</sup>	HALH	-458	-140	4	65	-114	816	155	346	75	-100	500
Total transactions in equity securities	-HBVI	15 609	354	14 014	-3 903	7 941	1 360	8 403	10 488	-4 218	2 584	17 915
<b>Transactions in debt securities</b>												
Transactions in bonds and notes by:												
Monetary financial institutions												
Banks	-VTWA	5 769	6 596	8 647	13 577	34 426	12 474	23 672	19 034	17 442	42 633	11 899
Building societies	RYWJ	-	-	-	48	661	355	496	67	691	1 424	1 101
Total monetary financial institutions	-HPCP	5 769	6 596	8 647	13 625	35 087	12 829	24 168	19 101	18 133	44 057	13 000
Insurance companies and pension funds												
Insurance companies	-HBHN	1 026	1 628	1 700	3 187	-227	231	1 052	4 096	3 614	11 615	9 475
Pension funds	-HBHP	1 993	1 499	1 589	708	355	357	732	1 650	4 696	3 581	742
Total insurance companies and pension funds	-HBRF	3 019	3 127	3 289	3 895	128	588	1 784	5 746	8 310	15 196	10 217
Other financial intermediaries												
Securities dealers	CGFO	12 671	6 638	3 643	13 381	39 772	-32 564	3 039	26 584	22 318	-28 904	-48 530
Unit and investment trusts	-HBHR	74	92	473	148	292	-148	-126	85	195	1 452	1 140
Other	-HBRG	21	-3	-2	32	-9	-5	-29	231	45	-154	-40
Total other financial intermediaries	-HBRH	12 766	6 727	4 114	13 561	40 055	-32 717	2 884	26 900	22 558	-27 606	-47 430
Private non-financial corporations	-XBNM	-87	-16	138	675	174	666	-135	841	-2 370	553	-1 435
Household sector <sup>1</sup>	HBRI	-404	-406	-431	140	-59	-77	-556	-1 586	186	184	184
Total transactions in bonds and notes	-HEPK	21 063	16 028	15 757	31 896	75 385	-18 711	28 145	51 002	46 817	32 384	-25 464
<b>Transactions in Money Market Instruments</b>												
Transactions in commercial paper by:												
Monetary financial institutions:												
Banks	-HBXH	199	1 733	2 271	2 385	2 619	-4 229	2 233	-3 547	7 303	4 207	9 734
Building societies	TAIH	-	-	-	39	535	-135	-339	14	254	-169	66
Insurance companies and pension funds	-HBVK	-14	6	42	65	51	19	178	292	617	-1 174	-1 043
Other financial intermediaries	-HGIS	-83	-152	-430	-606	1 963	-296	420	1 182	611	-815	499
Private non-financial corporations	-HBRL	309	131	358	-535	912	73	-2	390	279	-956	722
Total transactions in commercial paper	-HGLU	411	1 718	2 241	1 348	6 080	-4 568	2 490	-1 669	9 064	1 093	9 978
Transactions in certificates of deposit by:												
Monetary financial institutions												
(Building societies)	TAIF	-	-	-	-	20	36	-25	2	261	210	-72
Other financial intermediaries	-RZUV	1 781	-2 186	349	-658	142	84	278	-7	9	443	3 075
Total transactions in certificates of deposit	HEPH	1 781	-2 186	349	-658	162	120	253	-5	270	653	3 003
Total transactions in Money Market Instruments	-HHZM	2 192	-468	2 590	690	6 242	-4 448	2 743	-1 674	9 334	1 746	12 981
Total transactions in debt securities	-XBMW	23 255	15 560	18 347	32 586	81 627	-23 159	30 888	49 328	56 151	34 130	-12 483
<b>Total</b>	-HHZC	<b>38 864</b>	<b>15 914</b>	<b>32 361</b>	<b>28 683</b>	<b>89 568</b>	<b>-21 799</b>	<b>39 291</b>	<b>59 816</b>	<b>51 933</b>	<b>36 714</b>	<b>5 432</b>

<sup>1</sup> The household sector includes non-profit institutions serving households.



# 7.5 Portfolio investment

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Portfolio investment in the UK</b> (UK liabilities = net credits)												
Transactions in equity securities (shares) issued by:												
Monetary financial Institutions (banks and building societies)	HBQG	411	116	158	617	1 042	293	308	367	-2 172	-1 728	60
Other sectors <sup>1</sup>	HBQH	6 447	1 824	2 466	9 659	16 325	4 595	4 815	5 745	6 965	38 674	74 281
Total transactions in equity securities	XBLW	6 858	1 940	2 624	10 276	17 367	4 888	5 123	6 112	4 793	36 946	74 341
Transactions in debt securities												
Transactions in bonds and notes												
Issues by central government												
UK foreign currency bonds and notes	HEZP	-57	-76	1 621	4 676	1 220	2 769	115	-1 622	-3 059	-1 587	243
Other central government bonds	HHJM	-	-	-	-	-	-	-	-	-	-	-
Transactions in British government stocks (gilts) by:												
Foreign central banks (exchange reserves)	AING	-685	-164	2 411	2 561	1 462	2 006	-326	1 874	-1 586	-1 085	646
Other foreign residents	VTWG	-1 063	235	3 331	1 598	14 897	528	-1 043	7 181	2 251	1 810	-5 955
Total transactions in British government stocks	HEPC	-1 748	71	5 742	4 159	16 359	2 534	-1 369	9 055	665	725	-5 309
Total issues by central government	HBRX	-1 805	-5	7 363	8 835	17 579	5 303	-1 254	7 433	-2 394	-862	-5 066
Local authorities' bonds	HBQT	-	-	-	-	-	-	-	-	-	-	-
Public corporations' bonds	HCEW	-435	16	-5	-10	-6	-2	-7	-	-	-	-
Issues by monetary financial Institutions (banks and building societies)												
Bonds	HBRY	2 503	1 836	1 945	798	1 656	3 309	3 247	2 985	3 253	-1 037	5 502
European medium term notes and other short-term paper:												
Issued by UK banks	HCEZ	-164	698	1 244	1 034	3 037	4 353	1 572	5 585	3 012	1 575	4 395
Issued by UK building societies	HCFC	574	621	459	336	884	2 066	-399	-315	-116	-139	251
Total	HBRV	410	1 319	1 703	1 370	3 921	6 419	1 173	5 270	2 896	1 436	4 646
Total monetary financial institutions	HMBD	2 913	3 155	3 648	2 168	5 577	9 728	4 420	8 255	6 149	399	10 148
Issues by other sectors <sup>1</sup>	HBRT	7 796	5 710	6 052	2 483	5 154	10 298	10 109	9 291	10 125	-3 229	17 125
Total transactions in bonds and notes	XBLY	8 469	8 876	17 058	13 476	28 304	25 327	13 268	24 979	13 880	-3 692	22 207
Transactions in Money Market Instruments												
Transactions in treasury bills (issued by central government)												
Sterling treasury bills	AARB	1 255	583	-1 627	-1 221	-437	-198	854	-663	-169	-545	788
Euro treasury bills	HHNW	783	432	-17	-1 194	133	59	471	425	-729	-913	-227
Total treasury bills	HHZO	2 038	1 015	-1 644	-2 415	-304	-139	1 325	-238	-898	-1 458	561
Transactions in certificates of deposit (issued by UK monetary financial institutions)												
Issued by banks	HBR5	-3 154	-2 198	-11 861	-6 503	-16 909	1 066	12 718	9 906	5 645	-16 887	13 275
Issued by building societies	HBHH	241	41	277	-218	-29	98	-6	33	141	-20	9
Total certificates of deposit	HBQX	-2 913	-2 157	-11 584	-6 721	-16 938	1 164	12 712	9 939	5 786	-16 907	13 284
Transactions in commercial paper Issued by UK monetary financial Institutions												
Banks	HBHI	1 467	174	90	-4 830	413	328	708	2 174	1 800	255	1 679
Building societies	HBHL	1 120	678	1 008	296	-1 804	-673	2 771	-644	206	336	1 748
Total monetary financial institutions	HBRU	2 587	852	1 098	-4 534	-1 391	-345	3 479	1 530	2 006	591	3 427
Issued by other sectors <sup>1</sup>	HHZN	1 169	2 887	3 435	-711	1 373	2 326	1 275	1 868	1 616	2 429	1 782
Total transactions in commercial paper	HBQW	3 756	3 739	4 533	-5 245	-18	1 981	4 754	3 398	3 622	3 020	5 209
Total transactions in Money Market Instruments	HHZE	2 881	2 597	-8 695	-14 381	-17 260	3 006	18 791	13 099	8 510	-15 345	19 054
Total transactions in debt securities	XBLX	11 350	11 473	8 363	-905	11 044	28 333	32 059	38 078	22 390	-19 037	41 261
<b>Total</b>	HHZF	<b>18 208</b>	<b>13 413</b>	<b>10 987</b>	<b>9 371</b>	<b>28 411</b>	<b>33 221</b>	<b>37 182</b>	<b>44 190</b>	<b>27 183</b>	<b>17 909</b>	<b>115 602</b>

<sup>1</sup> These series relate to non-governmental sectors other than monetary financial institutions.



## Financial account

# 7.5 Portfolio investment

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Net transactions</b> (net credits less net debits)												
Equity securities (shares)	HBWV	-8 751	1 586	-11 390	14 179	9 426	3 528	-3 280	-4 376	9 011	34 362	56 426
Debt securities												
Bonds and notes	LTMV	-12 594	-7 152	1 301	-18 420	-47 081	44 038	-14 877	-26 023	-32 937	-36 076	47 671
Money Market Instruments	LTMZ	689	3 065	-11 285	-15 071	-23 502	7 454	16 048	14 773	-824	-17 091	6 073
Total debt securities	HBWX	-11 905	-4 087	-9 984	-33 491	-70 583	51 492	1 171	-11 250	-33 761	-53 167	53 744
<b>Total</b>	HHZD	-20 656	-2 501	-21 374	-19 312	-61 157	55 020	-2 109	-15 626	-24 750	-18 805	110 170

# 7.6 Portfolio investment Sector analysis

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Portfolio investment abroad</b> (UK assets = net debits)												
<b>Investment by:</b>												
Monetary financial institutions												
Banks	-HBWF	6 607	7 688	10 798	15 350	37 317	9 852	26 066	20 057	21 607	51 196	22 064
Building societies	HEPI	-	-	-	87	1 216	256	132	83	1 206	1 465	1 095
Total monetary financial institutions	-HBRJ	6 607	7 688	10 798	15 437	38 533	10 108	26 198	20 140	22 813	52 661	23 159
Insurance companies and pension funds	-HBRO	15 752	9 355	14 629	2 128	6 157	-989	3 766	12 013	6 936	17 179	14 559
Other financial intermediaries	-HBRP	17 338	-644	6 895	10 878	43 824	-32 451	10 087	27 484	24 076	-32 891	-32 498
Private non-financial corporations	-HBRQ	29	61	466	35	1 227	794	-359	1 419	-2 153	-319	-472
Household sector <sup>1</sup>	-HBRR	-862	-546	-427	205	-173	739	-401	-1 240	261	84	684
<b>Total</b>	-HHZC	38 864	15 914	32 361	28 683	89 568	-21 799	39 291	59 816	51 933	36 714	5 432
<b>Portfolio investment in the UK</b> (UK liabilities = net credits)												
<b>Investment in securities issued by:</b>												
Monetary financial institutions (banks and building societies)	CGPH	2 998	1 966	-6 680	-8 470	-11 710	10 840	20 919	20 091	11 769	-17 645	26 919
Central government	HBSO	233	1 010	5 719	6 420	17 275	5 164	71	7 195	-3 292	-2 320	-4 505
Local authorities	HBQT	-	-	-	-	-	-	-	-	-	-	-
Public corporations	HCEW	-435	16	-5	-10	-6	-2	-7	-	-	-	-
Other sectors	CGPL	15 412	10 421	11 953	11 431	22 852	17 219	16 199	16 904	18 706	37 874	93 188
<b>Total</b>	HHZF	18 208	13 413	10 987	9 371	28 411	33 221	37 182	44 190	27 183	17 909	115 602
<b>Net transactions</b> (net credits less net debits)												
<b>In assets and liabilities of:</b>												
Monetary financial institutions	LTNA	-3 609	-5 722	-17 478	-23 907	-50 243	732	-5 279	-49	-11 044	-70 306	3 760
Central government	HBSO	233	1 010	5 719	6 420	17 275	5 164	71	7 195	-3 292	-2 320	-4 505
Local authorities	HBQT	-	-	-	-	-	-	-	-	-	-	-
Public corporations	HCEW	-435	16	-5	-10	-6	-2	-7	-	-	-	-
Other sectors	LTNB	-16 845	2 195	-9 610	-1 815	-28 183	49 126	3 106	-22 772	-10 414	53 821	110 915
<b>Total</b>	HHZD	-20 656	-2 501	-21 374	-19 312	-61 157	55 020	-2 109	-15 626	-24 750	-18 805	110 170

<sup>1</sup> The household sector includes non-profit institutions serving households.







## Financial account

# 7.7 Other investment

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Other investment abroad</b> (UK assets = net debits)												
<b>Trade credit</b>												
Long-term												
Monetary financial institutions (banks)	-HGBS	-581	-285	-474	-863	-514	291	1 127	-626	643	-7	-355
Central government	-XBMC	604	864	630	340	400	400	400	400	-	-	-
Other sectors <sup>1</sup>	-HCQK	17	383	-98	332	30	-103	-407	-19	-	-	-
Total long-term trade credit	-HBRZ	40	962	58	-191	-84	588	1 120	-245	643	-7	-355
Short-term												
Monetary financial institutions (banks)	-CGTW	89	-116	-44	-32	-	-	-	-	-	-	-
Other sectors <sup>1</sup>	-XBLL	234	190	106	-49	47	-190	49	1 698	-635	-1 119	-80
Total short-term trade credit	-XBMF	323	74	62	-81	47	-190	49	1 698	-635	-1 119	-80
Total trade credit	-XBMB	363	1 036	120	-272	-37	398	1 169	1 453	8	-1 126	-435
<b>Loans</b>												
Long-term												
Inter-government loans by the UK	-HEUC	-47	-51	-46	-32	-57	-53	-59	-44	-51	-176	-19
Loans by Commonwealth Development Corporation (public corporations)	-HETB	62	51	42	77	76	9	99	101	54	-47	-65
Loans by specialist leasing companies <sup>1</sup>	-HGKU	-22	-56	-15	-	-	-	-	-	-	-	-
Total long-term loans	-HBSG	-7	-56	-19	45	19	-44	40	57	3	-223	-84
Short-term loans												
By monetary financial institutions												
By banks												
Sterling loans	NFBE	2 084	1 157	307	1 602	-456	-945	619	4 802	3 340	-613	2 620
Foreign currency loans	NFBF	7 377	9 026	7 365	3 637	-7 002	-2 810	11 183	34 157	27 741	1 580	14 276
Total banks	HEQO	9 461	10 183	7 672	5 239	-7 458	-3 755	11 802	38 959	31 081	967	16 896
By building societies												
	NFBG	-	-	-	-	4	5	-	-9	-	-	-
Total monetary financial institutions	NFBD	9 461	10 183	7 672	5 239	-7 454	-3 750	11 802	38 950	31 081	967	16 896
By other sectors	-XBLN	60	77	128	226	274	-126	34	125	8	-133	3
Total short-term loans	VTUL	9 521	10 260	7 800	5 465	-7 180	-3 876	11 836	39 075	31 089	834	16 899
Total loans	-XBMG	9 514	10 204	7 781	5 510	-7 161	-3 920	11 876	39 132	31 092	611	16 815
<b>Currency and deposits</b>												
Transactions in foreign notes and coin												
Monetary financial institutions (banks)	TAAG	-	-	-6	-14	42	22	-5	35	42	30	-64
Other sectors <sup>1</sup>	-HETF	-6	13	19	-17	40	1	34	50	76	10	48
Total foreign notes and coin	HEOV	-6	13	13	-31	82	23	29	85	118	40	-16
<b>Deposits abroad by UK residents</b>												
Deposits by monetary financial institutions												
Deposits by banks												
Sterling deposits	-HBQY	1 982	2 905	-4 407	7 374	9 057	1 470	1 291	3 810	28 255	6 038	-12 472
Foreign currency deposits	-HBQZ	18 224	24 253	-34 063	4 694	-6 913	51 492	8 874	23 187	85 339	10 945	-23 673
Total deposits by UK banks	-XBMI	20 206	27 158	-38 470	12 068	2 144	52 962	10 165	26 997	113 594	16 983	-36 145
Deposits by building societies	TAID	-	-	-	230	1 017	61	396	-443	1 351	-124	-144
Total deposits by monetary financial institutions	HCES	20 206	27 158	-38 470	12 298	3 161	53 023	10 561	26 554	114 945	16 859	-36 289

<sup>1</sup> These series relate to non-governmental sectors other than monetary financial institutions.



# 7.7 Other investment

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Other investment abroad - continued</b>												
<i>Currency and deposits - continued</i>												
<i>Deposits abroad by UK residents - continued</i>												
Deposits by securities dealers	-HGTJ	-597	3 855	9 171	14 471	45 636	-22 393	18 328	61 179	5 660	-6 117	45 920
Deposits by other UK residents <sup>1</sup>	-HBSI	5 698	9 987	571	-1 698	3 822	2 773	5 781	8 618	16 315	5 358	23 742
Total deposits abroad by UK residents	-HBXV	25 307	41 000	-28 728	25 071	52 619	33 403	34 670	96 351	136 920	16 100	33 373
Total currency and deposits	-HBVN	25 301	41 013	-28 715	25 040	52 701	33 426	34 699	96 436	137 038	16 140	33 357
<i>Other assets</i>												
<i>Central government subscriptions to international organisations</i>												
International Development Association	-HEUB	220	130	232	306	187	182	211	216	173	202	211
Regional development banks	-HEUD	34	40	41	34	42	75	65	56	60	65	50
European Investment Bank (EIB)	-HEUE	26	28	20	22	23	14	16	16	-	-	-
Other subscriptions	-HEUF	37	13	16	12	14	1	4	9	3	2	41
Total central government	-HGLR	316	211	310	374	266	272	296	297	236	269	302
Debt forgiveness (monetary financial institutions - banks) <sup>2</sup>	-FJNF	-	-	-	-	-88	-518	-	-	-	-	-
<i>Other sectors (excluding monetary financial institutions)</i>												
<i>Long-term assets</i>												
<i>Short-term assets</i>												
Public corporations assets abroad	-HBSR	-	-	-	-	-	-	-	-	-	-	-
Other <sup>1</sup>	-HBSK	4	4	4	4	4	-748	16	28	24	24	24
Total short-term assets	-HHZI	4	4	4	4	4	-748	16	28	24	24	24
Total other sectors	-XBLP	4	4	4	4	4	-748	16	28	24	24	24
Total other assets	-XBMK	320	215	314	378	182	-994	312	325	260	293	326
<b>Total</b>	<b>-XBMM</b>	<b>35 498</b>	<b>52 468</b>	<b>-20 500</b>	<b>30 656</b>	<b>45 685</b>	<b>28 910</b>	<b>48 056</b>	<b>137 346</b>	<b>168 398</b>	<b>15 918</b>	<b>50 063</b>

1 This series relates to non-governmental sectors other than monetary financial institutions.

2 This series also appears in the capital account (see Table 6.1).



# Financial account

## 7.7 Other investment

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Other investment in the UK</b> (UK liabilities = net credits)												
Trade credit												
Long-term <sup>1</sup>	CGJF	-44	-18	71	198	335	357	265	18	-	-	-
Short-term <sup>1</sup>	XBLQ	325	24	-3	-29	-3	8	-2	13	-7	-	-
Total trade credit	XBMO	281	6	68	169	332	365	263	31	-7	-	-
Loans												
Long-term												
Drawings by:												
Central government	HBSF	594	-	-	40	-	-	-	-	-	-	-
Local authorities	HBSQ	-	-	1	135	217	76	120	150	58	9	17
Public corporations	HHYT	-	-	-	-	-	-	-	-	-	-	-
Other <sup>1</sup>	HIBY	-	-	-	-	-	-	-	-	-	-	-
Total long-term drawings	HBST	594	-	1	175	217	76	120	150	58	9	17
Repayments from:												
Central government	HBSW	-83	-503	-78	-133	-127	-131	-103	-99	-255	-91	-105
Local authorities	HBSX	-113	-111	-100	-129	-140	-163	-174	-139	-109	-96	-123
Public corporations	HHYU	-1 700	-121	-48	-430	-18	-116	-144	-14	-206	-5	-
Other <sup>1</sup>	HIBZ	-96	-49	-40	-177	-56	-1	-1	-	-	-	-
Total long-term repayments	HBSY	-1 992	-784	-266	-869	-341	-411	-422	-252	-570	-192	-228
Total long-term loans	HBSZ	-1 398	-784	-265	-694	-124	-335	-302	-102	-512	-183	-211
Short-term loans to:												
Central government	HBTB	-	-	-	1 289	-2 825	-	-	-	-	-	-
Local authorities	HBTB	-	-	-	-	-	-	-	-	-	-	-
Public corporations	HIAW	-3	-	-	-	-	-	-	-	-	-	-
Securities dealers	HBTB	16 456	3 235	13 335	18 276	78 614	-58 541	34 398	73 904	28 264	11 901	7 746
Other <sup>1</sup>	HBSS	7 951	9 644	10 253	6 017	8 674	-6 496	4 193	9 682	18 779	3 108	-919
Total short-term loans	HBTC	24 404	12 879	23 588	25 582	84 463	-65 037	38 591	83 586	47 043	15 009	6 827
Total loans	XBMP	23 006	12 095	23 323	24 888	84 339	-65 372	38 289	83 484	46 531	14 826	6 616
Currency and deposits												
Sterling notes and coin												
Notes (issued by Bank of England)	HLVY	53	-20	45	53	48	91	60	32	45	98	58
Coins (issued by Royal Mint)	HMAT	6	-2	4	6	5	10	6	3	5	11	6
Total notes and coin	AASD	59	-22	49	59	53	101	66	35	50	109	64
Deposits from abroad with UK residents												
Deposits with monetary financial institutions												
Deposits with banks												
Sterling deposits	NWXP	13 504	13 268	-10 069	4 670	-1 401	6 550	10 248	-431	16 452	13 703	19 215
Foreign currency deposits	NFAS	34 898	37 393	-740	25 198	39 160	40 814	15 766	70 488	131 502	33 421	-8 400
Total deposits with banks	HBWA	48 402	50 661	-10 809	29 868	37 759	47 364	26 014	70 057	147 954	47 124	10 815
Deposits with building societies	NEWS	233	1 173	905	923	1 624	1 445	444	1 241	-165	884	556
Total deposits with UK monetary financial institutions	HDKE	48 635	51 834	-9 904	30 791	39 383	48 809	26 458	71 298	147 789	48 008	11 371
Deposit liabilities of UK central government	HEUN	26	497	-634	-188	21	950	484	-606	-759	304	693
Total deposits from abroad with UK residents	HBXY	48 661	52 331	-10 538	30 603	39 404	49 759	26 942	70 692	147 030	48 312	12 064
Total currency and deposits	HMAO	48 720	52 309	-10 489	30 662	39 457	49 860	27 008	70 727	147 080	48 421	12 128

<sup>1</sup> These series relate to non-governmental sectors other than monetary financial institutions.



# 7.7 Other investment

continued

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Other investment in the UK - continued</b>												
Other liabilities												
Long-term												
Net equity of foreign households in life insurance reserves and in pension funds	<b>QZEP</b>	14	9	6	6	-1	-3	-2	-2	-2	-2	-2
Prepayments of premiums and reserves against outstanding claims	<b>NQMC</b>	403	371	516	470	185	295	537	4 925	271	33	-520
Total long-term liabilities	<b>VTUG</b>	417	380	522	476	184	292	535	4 923	269	31	-522
Short-term	<b>HJYF</b>	205	-194	92	-70	244	-187	36	1 032	5	114	-153
Total other liabilities	<b>XBMX</b>	622	186	614	406	428	105	571	5 955	274	145	-675
<b>Total</b>	<b>XBMN</b>	<b>72 629</b>	<b>64 596</b>	<b>13 516</b>	<b>56 125</b>	<b>124 556</b>	<b>-15 042</b>	<b>66 131</b>	<b>160 197</b>	<b>193 878</b>	<b>63 392</b>	<b>18 069</b>
<b>Net transactions</b>												
(net credits less net debits)												
Trade credit	<b>LTNC</b>	-82	-1 030	-52	441	369	-33	-906	-1 422	-15	1 126	435
Loans	<b>LTND</b>	13 492	1 891	15 542	19 378	91 500	-61 452	26 413	44 352	15 439	14 215	-10 199
Deposits	<b>LTNE</b>	23 419	11 296	18 226	5 622	-13 244	16 434	-7 691	-25 709	10 042	32 281	-21 229
Other	<b>LTNF</b>	302	-29	300	28	246	1 099	259	5 630	14	-148	-1 001
<b>Total</b>	<b>HHYR</b>	<b>37 131</b>	<b>12 128</b>	<b>34 016</b>	<b>25 469</b>	<b>78 871</b>	<b>-43 952</b>	<b>18 075</b>	<b>22 851</b>	<b>25 480</b>	<b>47 474</b>	<b>-31 994</b>



## Financial account

# 7.8 Other investment Sector analysis

£ million

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Other investment abroad</b> (UK assets = net debits)												
<b>Investment by:</b>												
Monetary financial institutions												
Banks	-HBSL	29 175	36 940	-31 322	16 398	-5 874	49 002	23 089	65 365	145 360	17 973	-19 668
Building societies	HEQR	-	-	-	230	1 021	66	396	-452	1 351	-124	-144
Total monetary financial institutions	HCET	29 175	36 940	-31 322	16 628	-4 853	49 068	23 485	64 913	146 711	17 849	-19 812
Central government	-HBSM	873	1 024	894	682	609	619	637	653	185	93	283
Public corporations	-HBSV	62	51	42	77	76	9	99	101	54	-47	-65
Other sectors	-HBSN	5 388	14 453	9 886	13 269	49 853	-20 786	23 835	71 679	21 448	-1 977	69 657
<b>Total</b>	<b>-XBMM</b>	<b>35 498</b>	<b>52 468</b>	<b>-20 500</b>	<b>30 656</b>	<b>45 685</b>	<b>28 910</b>	<b>48 056</b>	<b>137 346</b>	<b>168 398</b>	<b>15 918</b>	<b>50 063</b>
<b>Other investment in the UK</b> (UK liabilities = net credits)												
<b>Investment in:</b>												
Monetary financial institutions												
Banks	CGOT	48 455	50 641	-10 764	29 921	37 807	47 455	26 074	70 089	147 999	47 222	10 873
Building societies	NEWS	233	1 173	905	923	1 624	1 445	444	1 241	-165	884	556
Total monetary financial institutions	HBWG	48 688	51 814	-9 859	30 844	39 431	48 900	26 518	71 330	147 834	48 106	11 429
Central government	HBWH	748	-202	-648	976	-2 682	642	423	-694	-1 004	338	441
Local authorities	HBWJ	-113	-111	-99	6	77	-87	-54	11	-51	-87	-106
Public corporations	HBWL	-1 703	-121	-48	-430	-18	-116	-144	-14	-206	-5	-
Other sectors	HBWM	25 009	13 216	24 170	24 729	87 748	-64 381	39 388	89 564	47 305	15 040	6 305
<b>Total</b>	<b>XBMN</b>	<b>72 629</b>	<b>64 596</b>	<b>13 516</b>	<b>56 125</b>	<b>124 556</b>	<b>-15 042</b>	<b>66 131</b>	<b>160 197</b>	<b>193 878</b>	<b>63 392</b>	<b>18 069</b>
<b>Net transactions</b> (net credits less net debits)												
<b>In assets and liabilities of:</b>												
Monetary financial institutions												
Banks	LTNG	19 280	13 701	20 558	13 523	43 681	-1 547	2 985	4 724	2 639	29 249	30 541
Building societies	LTNH	233	1 173	905	693	603	1 379	48	1 693	-1 516	1 008	700
Total monetary financial institutions	LTNI	19 513	14 874	21 463	14 216	44 284	-168	3 033	6 417	1 123	30 257	31 241
Central government	LTNJ	-125	-1 226	-1 542	294	-3 291	23	-214	-1 347	-1 189	245	158
Local authorities	HBWJ	-113	-111	-99	6	77	-87	-54	11	-51	-87	-106
Public corporations	LTNK	-1 765	-172	-90	-507	-94	-125	-243	-115	-260	42	65
Other sectors	LTNL	19 621	-1 237	14 284	11 460	37 895	-43 595	15 553	17 885	25 857	17 017	-63 352
<b>Total</b>	<b>HHYR</b>	<b>37 131</b>	<b>12 128</b>	<b>34 016</b>	<b>25 469</b>	<b>78 871</b>	<b>-43 952</b>	<b>18 075</b>	<b>22 851</b>	<b>25 480</b>	<b>47 474</b>	<b>-31 994</b>

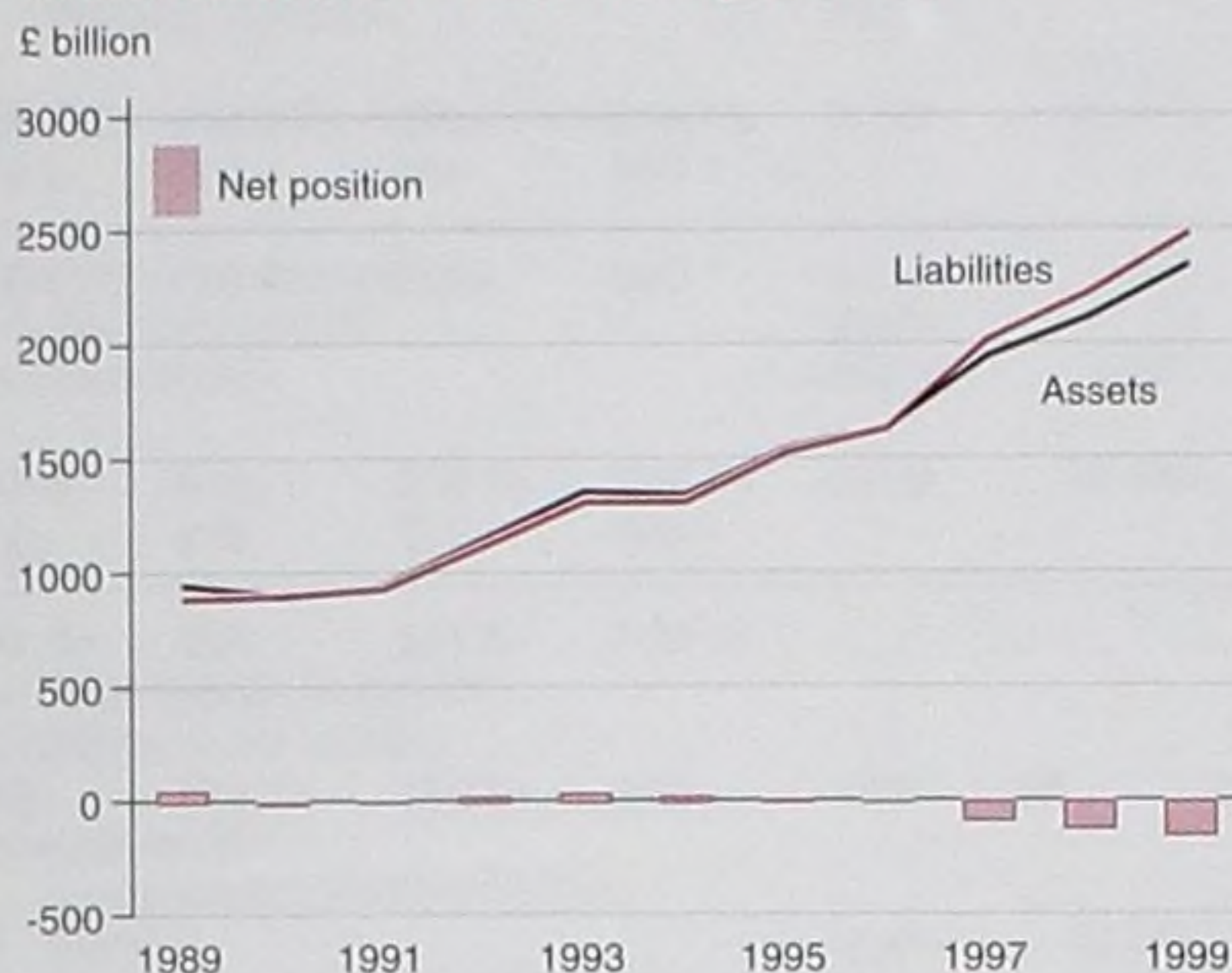


7.9 Reserve assets  
Central government sector  
Net debits

		£ million										
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Monetary gold	-HBOX	-1 009	-222	-196	-269	-212	756	-72	-23	1 115	931	-412
Special drawing rights	-HBOY	-216	17	90	-693	-250	176	-48	-31	84	-16	38
Reserve position in the Fund	-HBOZ	-84	-76	199	274	-138	27	622	57	410	751	626
Foreign Exchange												
Currency and deposits												
With central banks	-HBPC	..	..	..	..	..	..	..	-418	-675	-1 822	239
With other banks	-HBPD	..	..	..	..	..	..	..	1 509	400	-733	2 312
Total currency and deposits	-HBPB	..	..	..	..	..	..	..	1 090	-276	-2 555	2 551
Securities												
Bonds and notes	-HBPG	..	..	..	..	..	..	..	-1 107	-2 936	-214	-3 105
Money market instruments	-HBPH	..	..	..	..	..	..	..	-496	-777	939	-337
Total securities	-HBPE	..	..	..	..	..	..	..	-1 604	-3 712	725	-3 442
Total foreign exchange	-HBPA	-4 131	357	2 586	-719	1 298	86	-701	-514	-3 987	-1 830	-891
Other claims	-HBPI	-	-	-	-	-	-	-	-	-	-	-
Total	-LTCV	-5 440	76	2 679	-1 407	698	1 045	-200	-510	-2 380	-164	-639



## International investment position



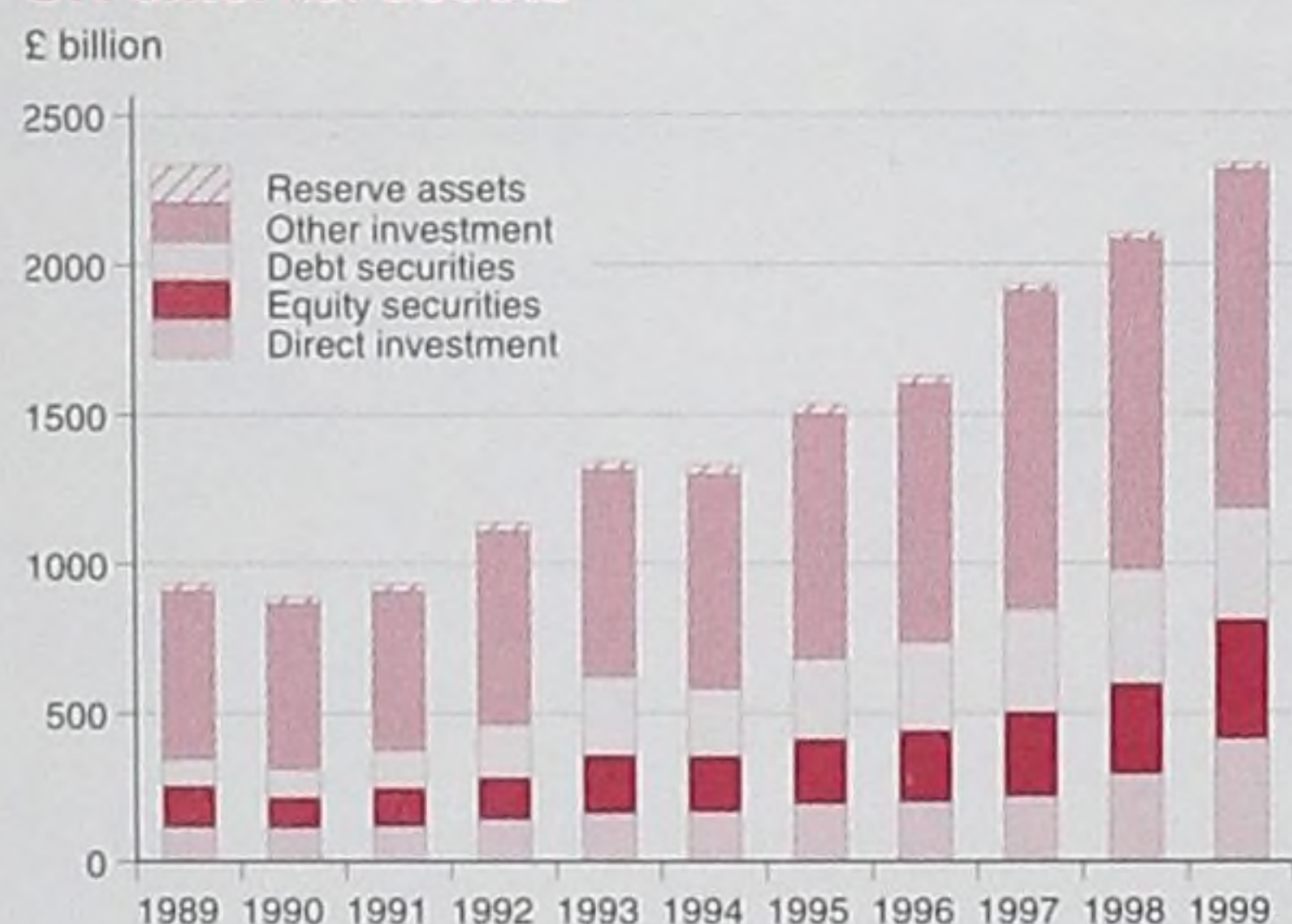
## Summary

The total net IIP represents the net financial worth of the United Kingdom. In all years to 1995, apart from 1990, the UK's assets exceeded its liabilities. Since 1995, however the UK has recorded an increasing net liability position, with a record £148.3 billion recorded in 1999. The value of UK assets and liabilities have both more than doubled since 1992, with total assets being valued at £2343 billion and total liabilities at £2491 billion at the end of 1999.

The majority of UK assets were held by banks, accounting for around half of all assets at end 1999. This proportion has fallen since the late 1980's when banks held around two thirds of total assets. Foreign investment in UK banks accounted for around half of all UK liabilities, down from around three-quarters in the late 1980's. UK banks' liabilities have consistently exceeded their assets in the last 10 years.

UK assets include reserve assets held by central government. Reserves are mainly held in the form of foreign exchange – in particular bonds and notes. For the five years for which detailed data are available, bonds and notes accounted for almost half of the total reserve assets, although this has dropped to around a third in 1999; monetary gold accounted for around a sixth of total assets. Reserve assets account for around 1 per cent of total UK assets, down from around 4 per cent in the late 1980's.

## UK external assets



## UK assets

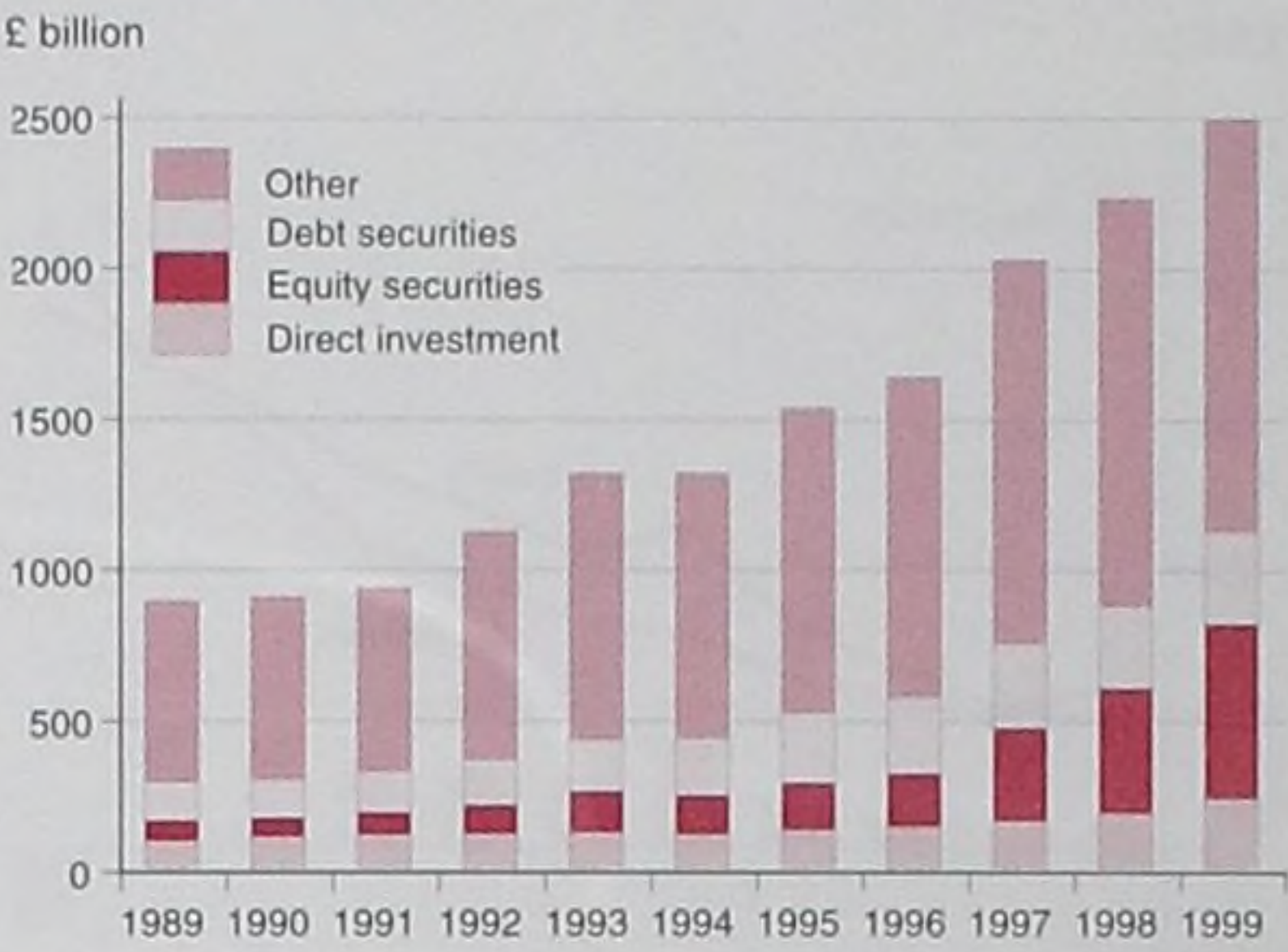
The proportion of direct investment abroad remained fairly constant at around 13 per cent of total UK assets over the last 10 years, until 1999, when it increased to nearly 18 per cent. This rise was primarily due to merger and acquisition activity in 1999. Between 1989 and 1993 the value of portfolio investment abroad increased quite sharply from 24 per cent to 34 per cent; subsequently this has remained at around a third of total assets. The increase in portfolio investment assets as a proportion of total UK assets was reflected by a fall in the share of the value of other investment abroad. In 1989 it represented 60 per cent of total assets but by 1999 this had fallen to a less than a half.



UK liabilities

Direct investment in the UK accounted for around 10 per cent of the total value of UK liabilities throughout the period 1988 to 1998. Portfolio investment increased from just over 20 per cent in 1989 to 35 per cent in 1999. The biggest rise occurred in 1999, reflecting the counterpart to the big direct investment abroad acquisitions. The increase in the proportion of portfolio investment liabilities was reflected by a fall in the share of the value of other investment in the UK. In 1989 it represented two-thirds of total assets, but by 1999 this had fallen to less than 55 per cent.

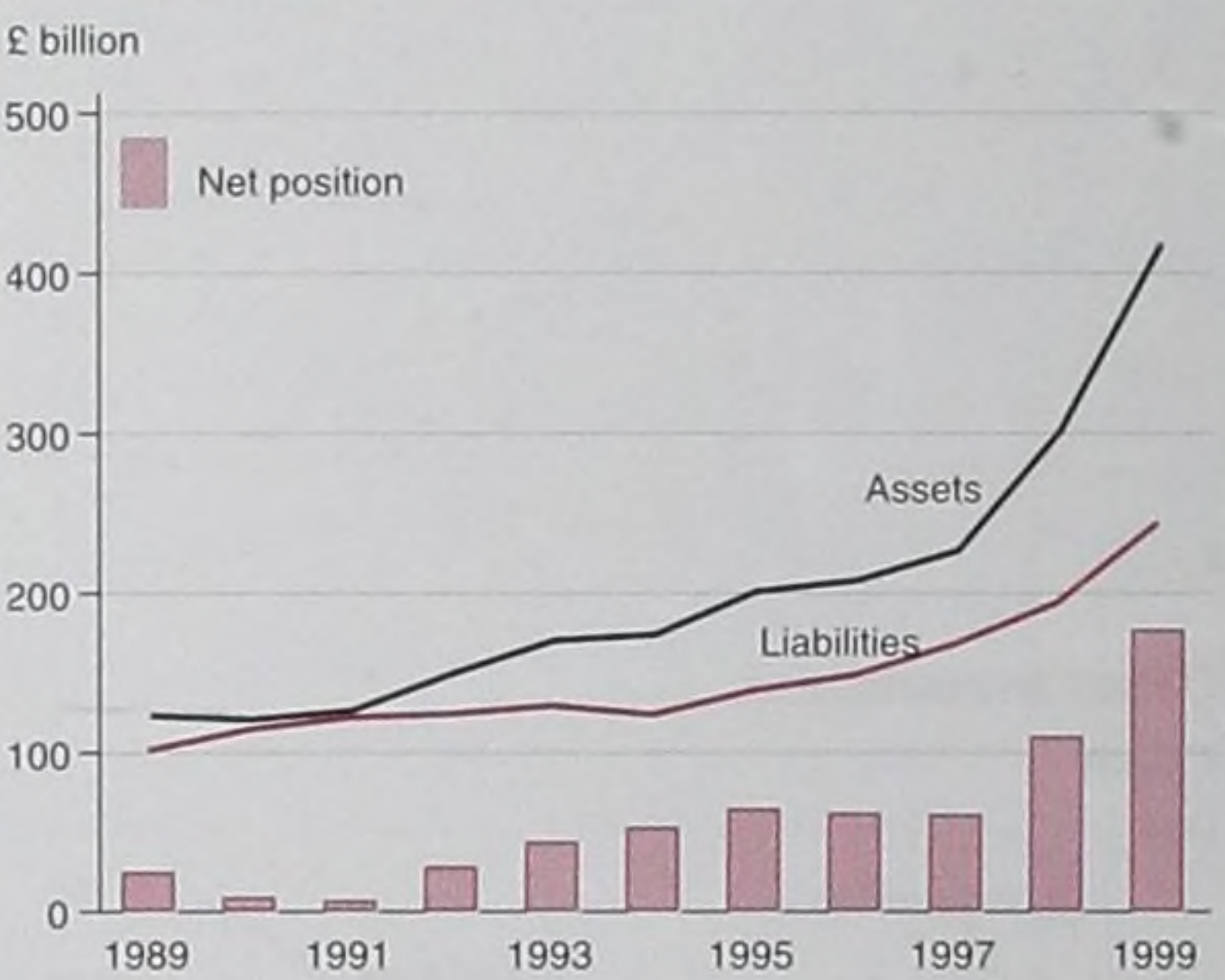
UK liabilities



Direct investment

Between 1989 and 1999 UK direct investment assets increased from £123.2 billion to £418.5 billion. The value of equity capital and reinvested earnings owned by the UK increased more than three times to £387.7 billion over that period. Within other capital assets, both claims and liabilities of UK parent companies on their foreign affiliate enterprises almost doubled between 1989 and 1999, as did the net value, though the movement in net values occurred almost entirely in 1998 and 1999. The value of UK liabilities rose from £100.1 billion at the end of 1989 to £243.1 billion at the end of 1999. Liabilities in the form of equity capital and reinvested earnings more than doubled over the period to £180.3 billion, as did the net value of other capital, though most of the movement was in 1999.

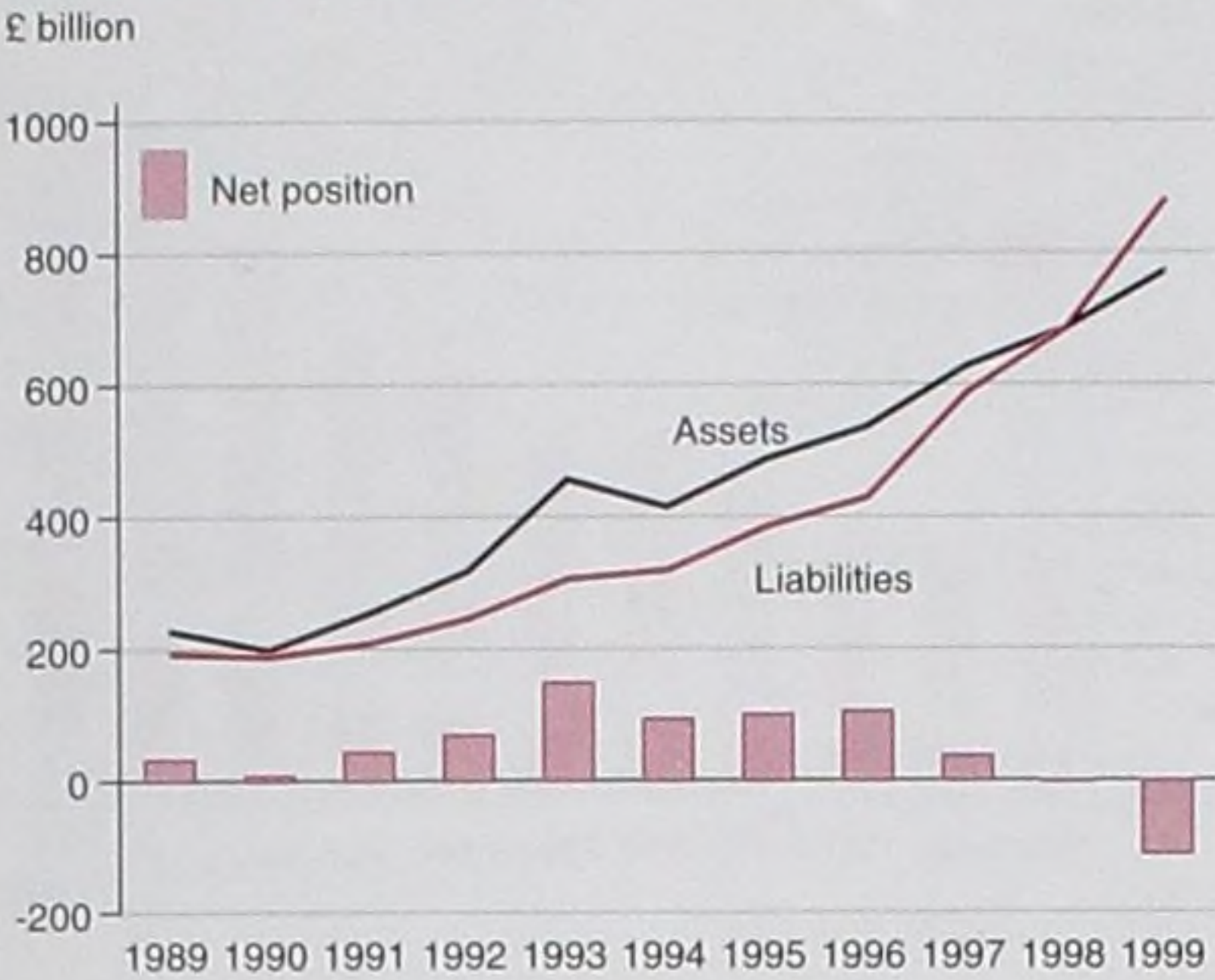
Direct investment



UK private non-financial corporations accounted for 80 per cent of UK direct investment assets at the end 1999, rising from £107.6 billion at the end of 1989 to £349.7 billion at the end of 1999. The value of assets owned by financial intermediaries other than banks and insurance companies increased significantly over the period from £0.6 billion in 1989 to £32.6 billion in 1999. The bulk of foreign direct investment in the UK is held again in private non-financial corporations, accounting for 80 per cent of the total value of liabilities at the end of 1999.



Portfolio investment



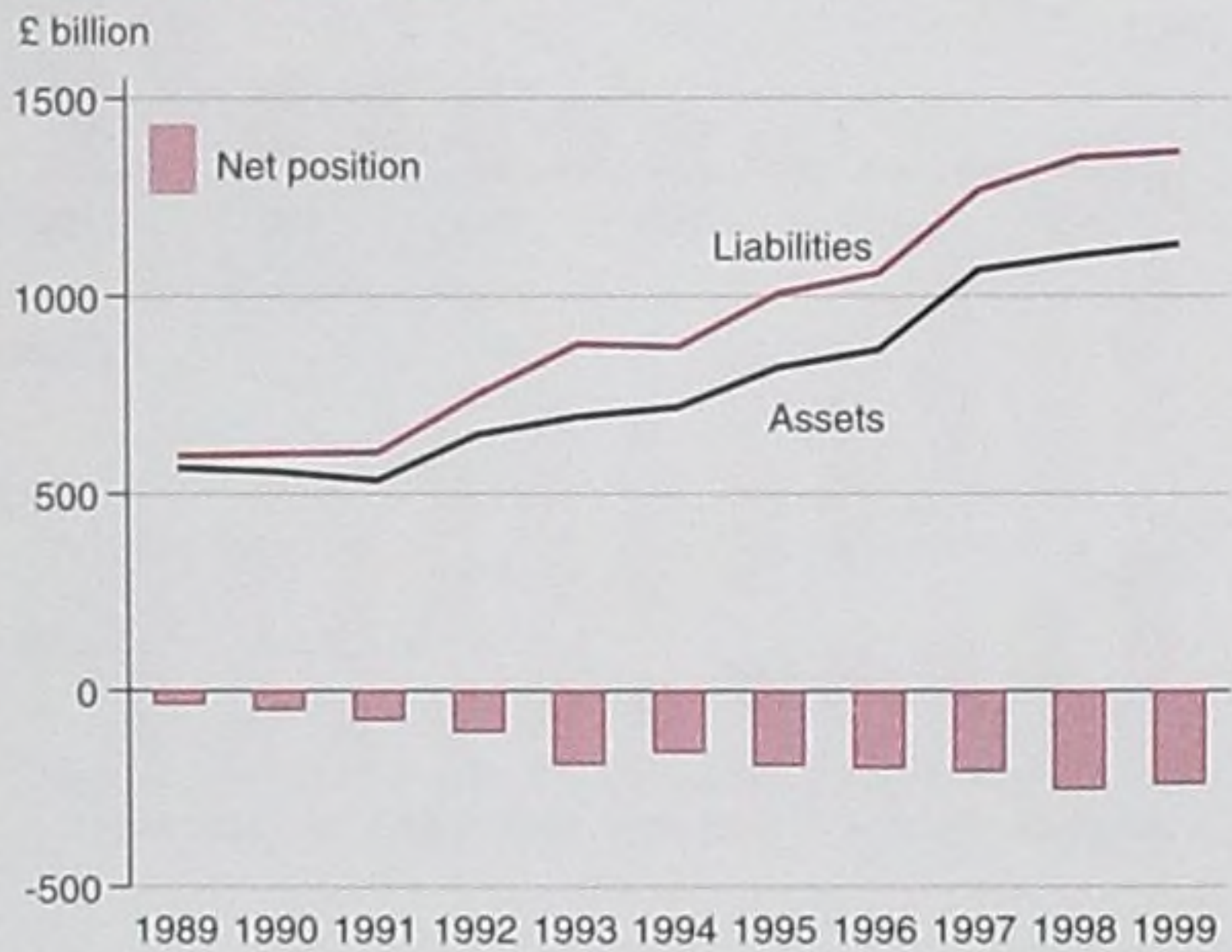
Portfolio investment

Between 1989 and 1999 UK portfolio investment assets increased from £227.3 billion to £771.6 billion. The value of investment in equity securities rose by almost three times to £400.1 billion in 1999 with insurance companies and pension funds holding 60 per cent of foreign equities by value. The value of investment in debt securities rose by four times over this period to reach £371.6 billion in 1999. Within debt securities, the most notable increase was the value of investment in bonds and notes by UK banks, which increased from £39.2 billion in 1989 to £235.4 billion by 1999

Insurance companies and pension funds were the single largest holder of foreign assets, with over 40 per cent of the total in 1999, mostly in equities. Banks hold around a third of total foreign assets, mostly debt securities and especially bonds and notes.

The total value of portfolio investment liabilities of the UK increased by more than four times between 1989 and 1999 to £882.9 billion in 1999. The value of equity securities increased by over nine times during this period to £575.9 billion. The value of equity liabilities has almost doubled in the last two years, partly due to the large UK mergers and acquisitions that have been funded by the issue of equity. In contrast, the value of debt security liabilities increased by less than three times to £307 billion. Holdings of money market instruments were valued at £90 billion at end 1999, up from £71.4 billion in 1998.

Other investment



Other investment

The value of other investment assets doubled between 1989 and 1999, but liabilities grew somewhat faster. UK banks deposits and short term loans to abroad accounted for around three quarters of the total other investment abroad in 1999: this proportion has declined from around four fifths of total other investment in the late 1980's. The bulk of UK bank deposits abroad were in foreign currencies: only 12 per cent was held in sterling in 1999. There was a significant increase in the value of deposits abroad by securities dealers: in 1989 deposits by UK securities dealers were valued at £7.2 billion, growing to a value of £152.2 billion by 1999. The rapid increase in recent years has seen a corresponding fall in the value of securities' dealers investment in debt securities within portfolio investment.

Deposits from abroad held with UK banks represent the largest item in other investment liabilities. In 1989 these accounted for 90 per cent of the total but by 1999 this had shrunk to 75 per cent. Of total deposits with UK banks of just over £1000 billion in 1999, 16 per cent were held in sterling. The fall in the proportionate value of deposits with banks was reflected by the increase in short term loans to UK securities dealers – increasing from £19.9 billion in 1989 to £207.2 billion by 1999.







## International investment position

# 8.1 International investment position

## Summary table

Balance sheets valued at end of year

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>UK Assets</b>												
Direct investment abroad												
Equity capital and reinvested earnings	CGMO	107.8	112.5	117.4	143.3	160.6	162.9	185.7	195.8	217.7	279.3	387.7
Other capital assets	HBWU	15.4	8.2	8.9	6.4	9.7	10.9	15.2	12.0	8.7	21.8	30.8
Total direct investment abroad	HBWD	123.2	120.7	126.2	149.7	170.3	173.9	200.9	207.8	226.5	301.1	418.5
Portfolio investment abroad												
Equity securities	HEPX	137.5	101.3	128.0	138.8	194.0	186.8	217.0	238.3	282.3	303.7	400.1
Debt securities	HHZX	89.8	96.0	125.0	178.1	262.4	227.5	270.2	296.8	344.4	381.8	371.6
Total portfolio investment abroad	HHZZ	227.3	197.3	253.0	316.9	456.4	414.4	487.2	535.1	626.7	685.5	771.6
Other investment abroad	HLXV	566.0	555.9	533.6	650.0	694.7	719.0	819.5	864.2	1 066.2	1 102.6	1 130.9
Reserve assets	LTEB	26.3	22.5	26.0	28.3	29.7	30.7	31.8	27.3	22.8	23.3	22.2
<b>Total</b>	<b>HBQA</b>	<b>942.8</b>	<b>896.4</b>	<b>938.8</b>	<b>1 144.9</b>	<b>1 351.2</b>	<b>1 337.9</b>	<b>1 539.4</b>	<b>1 634.4</b>	<b>1 942.2</b>	<b>2 112.5</b>	<b>2 343.2</b>
<b>UK Liabilities</b>												
Direct investment in the UK												
Equity capital and reinvested earnings	HBUY	72.8	82.6	88.1	89.9	95.1	94.9	113.9	122.3	133.7	154.1	180.3
Other capital liabilities	HBVC	27.3	30.9	32.9	33.2	33.2	27.7	24.0	25.3	33.4	38.7	62.8
Total direct investment in the UK	HBWI	100.1	113.5	121.0	123.1	128.2	122.6	137.9	147.6	167.1	192.8	243.1
Portfolio investment in the UK												
Equity securities	HLXX	64.5	59.2	70.5	92.8	133.7	126.1	152.9	174.5	306.1	412.3	575.9
Debt securities	HLXY	129.7	130.0	138.3	154.2	173.2	193.8	233.5	255.2	282.3	274.4	307.0
Total portfolio investment in the UK	HLXW	194.1	189.2	208.8	247.0	306.9	320.0	386.4	429.6	588.4	686.7	882.9
Other investment in the UK	HLXD	597.5	602.0	605.9	752.2	879.7	873.1	1 007.5	1 059.1	1 269.3	1 351.2	1 365.4
<b>Total</b>	<b>HBQB</b>	<b>891.8</b>	<b>904.6</b>	<b>935.7</b>	<b>1 122.3</b>	<b>1 314.8</b>	<b>1 315.6</b>	<b>1 531.8</b>	<b>1 636.3</b>	<b>2 024.8</b>	<b>2 230.7</b>	<b>2 491.4</b>
<b>Net International Investment Position</b>												
Direct investment												
Equity capital and reinvested earnings	HBSH	35.0	29.9	29.3	53.4	65.6	68.0	71.8	73.5	84.0	125.2	207.5
Other capital	CGKF	-11.9	-22.7	-24.1	-26.8	-23.5	-16.8	-8.8	-13.3	-24.7	-16.8	-32.1
Total net direct investment	HBWQ	23.1	7.2	5.2	26.6	42.1	51.3	63.0	60.2	59.4	108.3	175.4
Portfolio investment												
Equity securities	CGNE	73.1	42.2	57.6	46.0	60.3	60.7	64.0	63.8	-23.7	-108.6	-175.8
Debt securities	CGNF	-39.9	-34.0	-13.3	23.9	89.2	33.7	36.7	41.6	62.0	107.4	64.5
Total net portfolio investment	CGNH	33.2	8.1	44.2	69.9	149.5	94.4	100.8	105.5	38.3	-1.2	-111.3
Other investment	CGNG	-31.5	-46.0	-72.3	-102.2	-184.9	-154.1	-188.0	-194.9	-203.1	-248.5	-234.5
Reserve assets	LTEB	26.3	22.5	26.0	28.3	29.7	30.7	31.8	27.3	22.8	23.3	22.2
<b>Total</b>	<b>HBQC</b>	<b>51.0</b>	<b>-8.2</b>	<b>3.1</b>	<b>22.5</b>	<b>36.4</b>	<b>22.2</b>	<b>7.6</b>	<b>-1.9</b>	<b>-82.6</b>	<b>-118.1</b>	<b>-148.3</b>
Allocations of Special Drawing Rights to the UK by the IMF	HEVP	1.6	1.4	1.5	1.7	1.8	1.8	1.8	1.6	1.6	1.6	1.6



# 8.2 International investment position

## Sector analysis

Balance sheets valued at end of year

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>UK Assets</b>												
Monetary financial institutions												
Banks	CGNI	554.4	532.1	505.1	624.3	659.0	710.9	813.3	808.1	1 027.6	1 137.4	1 124.3
Building societies	VTXF	—	—	—	0.6	2.9	3.2	3.4	3.1	2.9	4.3	5.0
Total monetary financial institutions	CGNJ	554.4	532.1	505.1	625.0	661.9	714.1	816.8	811.2	1 030.5	1 141.7	1 129.2
Central government	CGNK	35.7	32.8	37.2	40.2	42.3	43.9	45.6	41.8	37.5	38.1	37.2
Public corporations	CGNL	0.8	1.1	1.2	1.3	1.6	1.7	1.9	1.9	2.0	1.9	2.0
Other sectors	CGNM	352.0	330.3	395.3	478.3	645.4	578.1	675.2	779.5	872.2	930.9	1 174.7
Total	HBQA	942.8	896.4	938.8	1 144.9	1 351.2	1 337.9	1 539.4	1 634.4	1 942.2	2 112.5	2 343.2
<b>UK Liabilities</b>												
UK Monetary financial institutions (banks and building societies)	HBVJ	636.0	627.4	602.4	719.4	750.0	808.8	922.8	917.3	1 114.0	1 188.0	1 214.8
Central government	CGOG	26.2	26.5	32.5	44.8	62.6	61.5	65.5	70.4	68.0	73.5	63.1
Local authorities	CGOH	1.4	1.3	1.2	1.2	1.3	1.2	1.2	1.2	1.1	1.1	0.9
Public corporations	CGOI	1.0	0.6	0.6	0.2	0.1	0.3	0.2	0.2	—	—	—
Other sectors	HCON	227.2	248.8	299.0	356.8	500.9	443.9	542.2	647.2	841.6	968.1	1 212.7
Total	HBQB	891.8	904.6	935.7	1 122.3	1 314.8	1 315.6	1 531.8	1 636.3	2 024.8	2 230.7	2 491.4
<b>Net International Investment Position</b>												
Monetary financial institutions (banks and building societies)	HDIJ	-81.7	-95.3	-97.3	-94.4	-88.1	-94.7	-106.0	-106.1	-83.5	-46.3	-85.5
Central government	CGOK	9.5	6.4	4.7	-4.6	-20.3	-17.6	-19.9	-28.6	-30.5	-35.4	-25.9
Local authorities	-CGOH	-1.4	-1.3	-1.2	-1.2	-1.3	-1.2	-1.2	-1.2	-1.1	-1.1	-0.9
Public corporations	CGOL	-0.2	0.4	0.6	1.2	1.5	1.4	1.7	1.7	2.0	1.9	2.0
Other sectors	HDKB	124.7	81.6	96.3	121.5	144.5	134.3	132.9	132.3	30.6	-37.2	-38.0
Total	HBQC	51.0	-8.2	3.1	22.5	36.4	22.2	7.6	-1.9	-82.6	-118.1	-148.3



## International investment position

# 8.3 Direct investment

Balance sheets valued at end of year

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Direct investment abroad</b>												
(UK assets)												
Equity capital and reinvested earnings												
Ordinary share capital and reinvested earnings	CVWF	104.8	110.1	114.4	139.9	157.4	160.3	183.2	193.5	215.8	277.5	385.2
Holdings of property	HCHP	2.9	2.3	3.0	3.4	3.2	2.7	2.6	2.4	1.9	1.8	2.6
Total equity capital and reinvested earnings	CGMO	107.8	112.5	117.4	143.3	160.6	162.9	185.7	195.8	217.7	279.3	387.7
Other capital												
Claims on affiliated enterprises												
Debt securities issued by affiliated enterprises	CVWG	-	-	-	-	-	1.8	3.0	3.1	1.7	5.6	7.4
Other claims on affiliated enterprises												
Inter-company balance	CVOK	41.4	33.5	34.5	34.6	39.3	39.1	45.0	44.4	49.9	62.9	72.5
Branch indebtedness balance	CVOP	3.9	2.8	3.6	4.2	3.7	4.8	5.9	6.5	6.3	5.7	6.9
Total claims on affiliated enterprises	CGLS	45.3	36.2	38.0	38.8	43.0	45.6	53.9	54.0	57.8	74.3	86.8
Liabilities to affiliated enterprises												
Inter-company balance	-CVOL	-28.5	-27.0	-28.2	-31.1	-31.8	-33.4	-36.7	-40.3	-48.3	-51.3	-55.4
Branch indebtedness balance	-CVOQ	-1.4	-1.0	-1.0	-1.3	-1.5	-1.3	-2.0	-1.7	-0.8	-1.2	-0.7
Total liabilities to affiliated enterprises	-HHDJ	-29.9	-28.0	-29.1	-32.4	-33.3	-34.7	-38.7	-42.0	-49.1	-52.5	-56.0
Total other capital assets	HBWU	15.4	8.2	8.9	6.4	9.7	10.9	15.2	12.0	8.7	21.8	30.8
<b>Total</b>	<b>HBWD</b>	<b>123.2</b>	<b>120.7</b>	<b>126.2</b>	<b>149.7</b>	<b>170.3</b>	<b>173.9</b>	<b>200.9</b>	<b>207.8</b>	<b>226.5</b>	<b>301.1</b>	<b>418.5</b>
<b>Direct investment in the UK</b>												
(UK liabilities)												
Equity capital and reinvested earnings												
Share capital and reinvested earnings												
Quoted share capital and reinvested earnings	CVVB	-	-	-	-	-	-	-	-	-	-	-
Unquoted share capital and reinvested earnings	CVVC	66.5	75.4	80.3	82.7	87.5	86.4	105.2	113.0	123.6	143.3	168.4
Total share capital and reinvested earnings	HBUX	66.5	75.4	80.3	82.7	87.5	86.4	105.2	113.0	123.6	143.3	168.4
Holdings of UK property	HCQM	6.3	7.2	7.8	7.2	7.6	8.5	8.7	9.3	10.2	10.9	11.8
Total equity capital and reinvested earnings	HBUY	72.8	82.6	88.1	89.9	95.1	94.9	113.9	122.3	133.7	154.1	180.3
Other capital												
Liabilities to direct investors												
Debt securities issued by affiliated enterprises	CVVD	2.2	2.5	2.6	2.7	2.8	3.3	3.5	3.9	5.5	6.0	6.3
Other liabilities to direct investors												
Inter-company balance	CVVJ	34.1	38.6	37.8	38.6	36.0	34.0	35.4	37.8	44.8	56.9	78.9
Branch indebtedness balance	CVVM	4.0	4.6	5.2	4.7	5.3	4.2	4.3	4.2	7.2	7.7	8.0
Total liabilities to direct investors	HBVB	40.3	45.7	45.6	45.9	44.0	41.6	43.2	45.9	57.6	70.5	93.3
Claims on direct investors												
Inter-company balance	-CVVI	-13.9	-14.4	-12.2	-12.4	-10.6	-13.9	-19.1	-20.6	-24.0	-31.7	-30.3
Branch indebtedness balance	-CVVL	0.9	-0.3	-0.4	-0.3	-0.2	-	-0.1	-	-0.2	-0.1	-0.2
Total claims on direct investors	-HBVA	-13.0	-14.7	-12.6	-12.7	-10.8	-13.9	-19.1	-20.6	-24.2	-31.8	-30.5
Total other capital liabilities	HBVC	27.3	30.9	32.9	33.2	33.2	27.7	24.0	25.3	33.4	38.7	62.8
<b>Total</b>	<b>HBWI</b>	<b>100.1</b>	<b>113.5</b>	<b>121.0</b>	<b>123.1</b>	<b>128.2</b>	<b>122.6</b>	<b>137.9</b>	<b>147.6</b>	<b>167.1</b>	<b>192.8</b>	<b>243.1</b>
<b>Net international investment position</b>												
(UK assets less UK liabilities)												
Equity capital												
Ordinary share capital and reinvested earnings	LTNM	38.3	34.7	34.0	57.2	69.9	73.9	77.9	80.4	92.2	134.2	216.8
Holdings of property	LTNN	-3.3	-4.8	-4.8	-3.7	-4.4	-5.8	-6.1	-6.9	-8.2	-9.1	-9.3
Total equity capital and reinvested earnings	HBSH	35.0	29.9	29.3	53.4	65.6	68.0	71.8	73.5	84.0	125.2	207.5
Total other capital	CGKF	-11.9	-22.7	-24.1	-26.8	-23.5	-16.8	-8.8	-13.3	-24.7	-16.8	-32.1
<b>Total</b>	<b>HBWQ</b>	<b>23.1</b>	<b>7.2</b>	<b>5.2</b>	<b>26.6</b>	<b>42.1</b>	<b>51.3</b>	<b>63.0</b>	<b>60.2</b>	<b>59.4</b>	<b>108.3</b>	<b>175.4</b>



# 8.4 Direct investment Sector analysis

Balance sheets valued at end of year

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Direct investment abroad</b> (UK assets)												
By:												
Monetary financial institutions (banks)	CVKH	2.6	2.3	1.6	2.9	3.9	6.2	5.8	5.3	3.2	8.9	9.7
Insurance companies	DPYH	11.8	9.6	10.9	12.7	14.5	12.3	17.0	17.6	22.3	22.7	24.9
Other financial intermediaries	CVWH	0.6	-1.1	0.4	1.0	8.6	7.5	9.3	11.5	15.9	26.7	32.6
Private non-financial corporations	CVLX	107.6	109.2	112.3	131.9	142.0	146.5	167.3	172.1	183.9	241.5	349.7
Public corporations	CVOF	-	0.3	0.3	0.4	0.6	0.7	0.8	0.7	0.8	0.8	1.1
Household sector <sup>1</sup>	AQHH	0.6	0.5	0.7	0.8	0.6	0.6	0.7	0.7	0.3	0.5	0.5
<b>Total</b>	<b>HBWD</b>	<b>123.2</b>	<b>120.7</b>	<b>126.2</b>	<b>149.7</b>	<b>170.3</b>	<b>173.9</b>	<b>200.9</b>	<b>207.8</b>	<b>226.5</b>	<b>301.1</b>	<b>418.5</b>
<b>Direct investment in the UK</b> (UK liabilities)												
In:												
Monetary financial institutions (banks)	CVJW	6.9	9.4	10.7	10.7	13.0	13.4	15.4	17.8	21.3	20.3	19.7
Insurance companies	CVSM	4.1	3.9	4.0	4.2	4.1	3.1	3.1	5.3	9.0	9.1	10.2
Other financial intermediaries												
Securities dealers	CVTC	3.8	4.0	4.2	4.3	6.9	6.2	7.1	8.0	8.4	7.2	8.0
Other	CVTS	1.4	1.5	1.5	1.3	1.1	1.3	2.1	3.3	1.9	10.4	10.5
<b>Total other financial intermediaries</b>	<b>CVUI</b>	<b>5.2</b>	<b>5.5</b>	<b>5.6</b>	<b>5.7</b>	<b>7.9</b>	<b>7.5</b>	<b>9.3</b>	<b>11.3</b>	<b>10.2</b>	<b>17.6</b>	<b>18.5</b>
Private non-financial corporations	CVKW	83.9	94.8	100.7	102.5	103.3	98.6	110.2	113.2	126.6	145.8	194.7
<b>Total</b>	<b>HBWI</b>	<b>100.1</b>	<b>113.5</b>	<b>121.0</b>	<b>123.1</b>	<b>128.2</b>	<b>122.6</b>	<b>137.9</b>	<b>147.6</b>	<b>167.1</b>	<b>192.8</b>	<b>243.1</b>
<b>Net international investment position</b> (UK assets less UK liabilities)												
Monetary financial institutions	LTNO	-4.3	-7.1	-9.2	-7.8	-9.1	-7.2	-9.5	-12.5	-18.1	-11.4	-10.0
Insurance companies	LTNP	7.7	5.7	7.0	8.5	10.5	9.2	13.9	12.3	13.3	13.6	14.7
Other financial intermediaries	LTNQ	-4.6	-6.6	-5.2	-4.7	0.7	-0.1	0.1	0.2	5.7	9.1	14.1
Private non-financial corporations	LTNR	23.7	14.4	11.6	29.3	38.7	48.0	57.2	58.8	57.3	95.7	155.0
Public corporations	CVOF	-	0.3	0.3	0.4	0.6	0.7	0.8	0.7	0.8	0.8	1.1
Household sector <sup>1</sup>	AQHH	0.6	0.5	0.7	0.8	0.6	0.6	0.7	0.7	0.3	0.5	0.5
<b>Total</b>	<b>HBWQ</b>	<b>23.1</b>	<b>7.2</b>	<b>5.2</b>	<b>26.6</b>	<b>42.1</b>	<b>51.3</b>	<b>63.0</b>	<b>60.2</b>	<b>59.4</b>	<b>108.3</b>	<b>175.4</b>

<sup>1</sup> The household sector includes non-profit institutions serving households.



# International investment position

## 8.5 Portfolio investment

Balance sheets valued at end of year

		£ billion										
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Portfolio investment abroad</b> (UK assets)												
Investment in equity securities (shares) by:												
Monetary financial institutions (banks)	VTWF	6.4	4.7	4.6	3.6	2.0	3.5	4.8	5.0	2.7	8.8	6.9
Insurance companies and pension funds												
Insurance companies	CGPB	27.7	21.3	28.4	31.8	48.5	47.3	59.9	62.0	72.3	77.3	104.0
Pension funds	AHVR	62.0	47.5	60.5	63.3	84.1	74.8	82.2	84.2	104.2	108.9	139.3
Total insurance companies and pension funds	CGPV	89.7	68.8	88.8	95.1	132.6	122.1	142.0	146.2	176.5	186.2	243.3
Other financial intermediaries												
Securities dealers	HCEA	3.4	-0.2	1.5	-0.2	1.2	0.8	4.3	8.5	31.4	27.0	38.3
Unit and Investment Trusts	CGSN	31.7	21.2	27.2	33.8	49.8	51.3	55.5	68.4	60.7	69.0	94.8
Other	CGTV	-	-	-	-	-	-	-	-	-	-	-
Total other financial intermediaries	HDIG	35.1	21.0	28.7	33.6	51.0	52.1	59.8	76.9	92.1	96.0	133.1
Private non-financial corporations	XBNN	2.0	1.4	0.3	0.2	0.4	0.4	0.3	0.5	0.5	0.7	0.6
Household sector <sup>1</sup>	HFLX	4.3	5.5	5.6	6.3	8.1	8.7	10.1	9.8	10.6	11.9	16.1
Total investment in equity securities	HEPX	137.5	101.3	128.0	138.8	194.0	186.8	217.0	238.3	282.3	303.7	400.1
<b>Investment in debt securities</b>												
Investment in bonds and notes by:												
Monetary financial institutions												
Banks	VTWJ	39.2	39.6	48.9	72.0	109.8	119.4	144.9	154.7	181.9	225.7	235.4
Building societies	HPEG	-	-	-	-	0.7	1.1	1.6	1.6	1.6	3.0	4.1
Total monetary financial institutions	HPCO	39.2	39.6	48.9	72.1	110.6	120.5	146.5	156.4	183.5	228.7	239.5
Insurance companies and pension funds												
Insurance companies	CGTU	8.8	9.7	13.1	17.5	18.9	16.4	19.8	22.5	24.4	41.4	50.4
Pension funds	JIRX	9.1	10.0	14.9	17.1	16.6	15.9	16.7	22.3	21.6	24.3	26.5
Total insurance companies and pension funds	HBUM	18.0	19.7	28.0	34.7	35.5	32.4	36.6	44.9	46.0	65.7	76.8
Other financial intermediaries												
Securities dealers	HCDZ	13.5	19.6	25.9	43.7	81.1	43.1	49.2	67.3	79.1	49.0	0.7
Unit and investment trusts	HBXZ	1.1	1.0	1.8	2.2	2.4	2.8	4.3	3.0	3.6	4.7	5.8
Other	HCNA	-	-	-	-	-	-	-	-	0.1	-	-
Total other financial intermediaries	HCOR	14.6	20.5	27.7	46.0	83.5	45.9	53.4	70.3	82.9	53.7	6.4
Private non-financial corporations	XBNN	0.8	0.7	0.9	1.8	2.0	2.6	2.5	3.1	0.8	1.4	0.4
Household sector <sup>1</sup>	HCJC	8.1	7.1	8.2	9.3	10.4	10.7	11.9	6.4	6.7	7.1	7.1
Total investment in bonds and notes	HEPW	80.7	87.7	113.6	163.8	242.0	212.0	250.9	281.1	319.9	356.6	330.3
<b>Investment in Money Market Instruments</b>												
Investment in commercial paper by:												
Monetary financial institutions												
Banks	HBMW	4.1	5.5	7.9	12.2	14.8	10.1	13.2	8.6	16.6	21.2	31.3
Building societies	TAIG	-	-	-	-	0.6	0.4	0.1	0.1	0.3	0.2	0.2
Insurance companies and pension funds	HBXX	0.3	0.3	0.5	0.8	0.9	0.9	1.1	1.4	2.0	0.6	0.2
Other financial intermediaries	HGRJ	1.3	1.1	0.9	0.4	2.2	2.1	2.6	3.3	3.0	1.1	4.1
Private non-financial corporations	HFBN	0.8	0.9	1.3	0.8	1.7	1.8	1.8	1.8	2.1	1.2	1.9
Total investment in commercial paper	HGRK	6.5	7.9	10.7	14.2	20.2	15.2	18.8	15.2	24.0	24.2	37.7
Investment in certificates of deposit												
Monetary financial institutions												
(Building societies)	TAIE	-	-	-	-	-	0.1	-	-	-	0.2	0.1
Other financial intermediaries	CDHB	2.7	0.3	0.6	-	0.2	0.2	0.5	0.5	0.5	0.8	3.4
Total transactions in certificates of deposit	VTWN	2.7	0.3	0.6	-	0.2	0.3	0.5	0.5	0.5	1.0	3.6
Total investment in Money Market Instruments	HLJR	9.2	8.2	11.3	14.3	20.4	15.5	19.3	15.7	24.5	25.2	41.3
Total investment in debt securities	HHZX	89.8	96.0	125.0	178.1	262.4	227.5	270.2	296.8	344.4	381.8	371.6
<b>Total</b>	<b>HHZZ</b>	<b>227.3</b>	<b>197.3</b>	<b>253.0</b>	<b>316.9</b>	<b>456.4</b>	<b>414.4</b>	<b>487.2</b>	<b>535.1</b>	<b>626.7</b>	<b>685.5</b>	<b>771.6</b>

<sup>1</sup> The household sector includes non-profit institutions serving households.



# 8.5 Portfolio investment

Balance sheets valued at end of year

continued

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Portfolio investment in the UK</b>												
<b>(UK liabilities)</b>												
Investment in equity securities (shares) issued by:												
Monetary financial institutions (banks and building societies)	HBQD	3.9	3.5	4.2	5.6	8.0	7.6	9.2	10.5	15.0	18.8	25.4
Other sectors <sup>1</sup>	HBQE	60.6	55.6	66.2	87.2	125.7	118.6	143.8	164.0	291.1	393.5	550.5
Total investment in equity securities	HLXX	64.5	59.2	70.5	92.8	133.7	126.1	152.9	174.5	306.1	412.3	575.9
Investment in debt securities												
Investment in bonds and notes												
Issues by central government												
UK foreign currency bonds and notes	HEWE	1.6	1.3	3.0	8.4	9.5	12.4	13.1	10.0	6.4	5.1	4.8
Investment in British government stocks by:												
Foreign central banks (exchange reserves)	HCCH	6.0	5.0	7.7	11.4	14.5	14.1	14.6	16.3	14.1	14.9	16.7
Other foreign residents	HEQF	10.2	11.1	15.0	17.4	34.2	30.1	31.1	38.3	43.8	50.9	38.6
Total investment in British government stocks	HEWD	16.1	16.2	22.7	28.8	48.7	44.2	45.7	54.7	58.0	65.7	55.3
Total issues by central government	HHGF	17.7	17.5	25.7	37.3	58.2	56.6	58.7	64.7	64.4	70.9	60.1
Local authorities' bonds												
Public corporations' bonds	HHGG	—	—	—	—	—	—	—	—	—	—	—
Issues by monetary financial institutions (banks and building societies)												
Bonds	HMBL	5.5	8.2	9.6	10.3	12.6	16.4	20.4	22.1	25.4	25.1	29.5
European medium term notes and other short-term paper:												
Issued by UK banks	HCFA	2.8	3.1	4.3	7.0	10.2	13.9	15.5	19.6	24.9	27.7	34.3
Issued by UK building societies	HCFD	1.0	1.6	2.1	2.6	3.5	5.6	5.1	4.4	1.3	1.1	1.4
Total	HHGI	3.8	4.7	6.4	9.6	13.7	19.6	20.7	24.0	26.3	28.9	35.7
Total monetary financial institutions	HMBF	9.3	12.9	16.0	19.9	26.3	36.0	41.1	46.1	51.7	54.0	65.2
Issues by other sectors <sup>1</sup>	HHGJ	17.0	25.6	30.0	32.0	39.2	51.2	63.6	68.8	79.1	78.2	91.8
Total investment in bonds and notes	HLXZ	44.1	55.9	71.8	89.1	123.7	143.8	163.5	179.6	195.2	203.0	217.1
Investment in Money Market Instruments												
Investment in treasury bills (issued by central government)												
Sterling treasury bills	ACQJ	3.4	4.0	2.3	1.1	0.7	0.5	1.4	0.9	0.8	0.3	0.4
Euro treasury bills	HHNX	1.7	2.1	2.1	1.3	1.2	1.3	1.8	2.0	1.1	0.2	—
Total treasury bills	HLVU	5.1	6.0	4.4	2.4	1.9	1.8	3.2	3.0	1.9	0.6	0.4
Investment in certificates of deposit (issued by monetary financial institutions)												
Issued by UK banks	HHGK	68.5	55.7	46.4	48.6	33.6	33.0	46.3	51.1	59.8	42.5	56.4
Issued by UK building societies	HHGL	0.3	0.6	0.8	0.6	0.6	0.8	0.6	0.6	0.3	0.3	0.5
Total certificates of deposit	HHGM	68.8	56.2	47.3	49.2	34.2	33.8	46.9	51.7	60.1	42.8	56.9
Investment in commercial paper												
Issued by UK monetary financial institutions												
UK banks	HHGN	7.1	6.3	6.6	2.4	2.8	3.0	4.7	6.3	11.1	11.4	12.0
Building societies	HHGO	1.1	1.8	2.8	4.2	2.4	1.7	3.9	3.2	0.7	1.0	2.7
Total monetary financial institutions	HHGP	8.2	8.1	9.4	6.6	5.2	4.8	8.6	9.5	11.8	12.4	14.7
Issued by other sectors <sup>1</sup>	HLVQ	3.5	3.7	5.5	6.9	8.2	9.7	11.3	11.3	13.4	15.6	17.8
Total investment in commercial paper	HHGR	11.8	11.8	14.9	13.4	13.5	14.5	19.9	20.9	25.2	28.0	32.6
Total investment in Money Market Instruments	HLVY	85.6	74.1	66.6	65.1	49.5	50.0	70.0	75.6	87.2	71.4	90.0
Total investment in debt securities	HLXY	129.7	130.0	138.3	154.2	173.2	193.8	233.5	255.2	282.3	274.4	307.0
<b>Total</b>	<b>HLXW</b>	<b>194.1</b>	<b>189.2</b>	<b>208.8</b>	<b>247.0</b>	<b>306.9</b>	<b>320.0</b>	<b>386.4</b>	<b>429.6</b>	<b>588.4</b>	<b>686.7</b>	<b>882.9</b>

<sup>1</sup> These series relate to non-governmental sectors other than monetary financial institutions.



## International investment position

### 8.5 Portfolio investment

Balance sheets valued at end of year

continued

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Net international investment position</b> (UK assets less UK liabilities)												
Equity securities	CGNE	73.1	42.2	57.6	46.0	60.3	60.7	64.0	63.8	-23.7	-108.6	-175.8
Debt securities												
Bonds and notes	LTNS	36.6	31.8	41.9	74.7	118.3	68.2	87.4	101.5	124.8	153.6	113.2
Money market instruments	LTNT	-76.4	-65.8	-55.2	-50.9	-29.1	-34.5	-50.7	-59.9	-62.7	-46.2	-48.7
Total debt securities	CGNF	-39.9	-34.0	-13.3	23.9	89.2	33.7	36.7	41.6	62.0	107.4	64.5
<b>Total</b>	<b>CGNH</b>	<b>33.2</b>	<b>8.1</b>	<b>44.2</b>	<b>69.9</b>	<b>149.5</b>	<b>94.4</b>	<b>100.8</b>	<b>105.5</b>	<b>38.3</b>	<b>-1.2</b>	<b>-111.3</b>

### 8.6 Portfolio investment

#### Sector analysis

Balance sheets valued at end of year

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Portfolio investment abroad</b> (UK assets)												
<b>Investment by:</b>												
Monetary financial institutions												
Banks	HBRW	49.7	49.8	61.5	87.9	126.6	133.0	163.0	168.3	201.1	255.7	273.6
Building societies	VTWM	-	-	-	0.1	1.3	1.6	1.7	1.7	1.9	3.4	4.5
Total monetary financial institutions	HHGQ	49.7	49.8	61.5	88.0	127.9	134.5	164.6	170.1	203.1	259.1	278.1
Insurance companies and pension funds	HHHH	108.0	88.8	117.3	130.5	169.0	155.4	179.7	192.4	224.4	252.6	320.3
Other financial intermediaries	HHNH	53.7	43.0	57.9	80.0	136.9	100.3	116.3	151.1	178.5	151.6	147.0
Private non-financial corporations	AIMH	3.5	3.0	2.5	2.8	4.1	4.8	4.6	5.4	3.4	3.2	2.9
Household sector <sup>1</sup>	AINA	12.4	12.7	13.8	15.6	18.5	19.4	22.0	16.2	17.3	19.0	23.2
<b>Total</b>	<b>HHZZ</b>	<b>227.3</b>	<b>197.3</b>	<b>253.0</b>	<b>316.9</b>	<b>456.4</b>	<b>414.4</b>	<b>487.2</b>	<b>535.1</b>	<b>626.7</b>	<b>685.5</b>	<b>771.6</b>
<b>Portfolio investment in the UK</b> (UK liabilities)												
<b>Investment in securities issued by:</b>												
Monetary financial institutions (banks and building societies)	CGPC	90.2	80.8	77.0	81.3	73.7	82.1	105.8	117.8	138.6	128.0	162.2
Central government	HHGS	22.8	23.5	30.1	39.7	60.1	58.4	61.9	67.7	66.3	71.4	60.5
Local authorities	HHGG	-	-	-	-	-	-	-	-	-	-	-
Public corporations	HEWM	-	-	-	-	-	-	-	-	-	-	-
Other sectors	CGPG	81.2	84.9	101.7	126.1	173.1	179.4	218.6	244.2	383.5	487.3	660.2
<b>Total</b>	<b>HLXW</b>	<b>194.1</b>	<b>189.2</b>	<b>208.8</b>	<b>247.0</b>	<b>306.9</b>	<b>320.0</b>	<b>386.4</b>	<b>429.6</b>	<b>588.4</b>	<b>686.7</b>	<b>882.9</b>
<b>Net international investment position</b> (UK assets less UK liabilities)												
Monetary financial institutions	LTNU	-40.5	-31.0	-15.5	6.7	54.2	52.4	58.8	52.3	64.5	131.1	115.9
Central government	-HHGS	-22.8	-23.5	-30.1	-39.7	-60.1	-58.4	-61.9	-67.7	-66.3	-71.4	-60.5
Local authorities	HHGG	-	-	-	-	-	-	-	-	-	-	-
Public corporations	-HEWM	-	-	-	-	-	-	-	-	-	-	-
Other sectors	LTNV	96.5	62.6	89.8	102.9	155.4	100.4	103.9	120.8	40.1	-60.9	-166.7
<b>Total</b>	<b>CGNH</b>	<b>33.2</b>	<b>8.1</b>	<b>44.2</b>	<b>69.9</b>	<b>149.5</b>	<b>94.4</b>	<b>100.8</b>	<b>105.5</b>	<b>38.3</b>	<b>-1.2</b>	<b>-111.3</b>

<sup>1</sup> The household sector includes non-profit institutions serving households.



Table 7.8.1: United Kingdom Balance of Payments 2000

Current Account										2000		2001	
Exports										£ bn		£ bn	
Merchandise exports	100	100	100	100	100	100	100	100	100	100	100	100	100
Services exports	100	100	100	100	100	100	100	100	100	100	100	100	100
Income exports	100	100	100	100	100	100	100	100	100	100	100	100	100
Current transfers	100	100	100	100	100	100	100	100	100	100	100	100	100
Imports										2000		2001	
Merchandise imports	100	100	100	100	100	100	100	100	100	100	100	100	100
Services imports	100	100	100	100	100	100	100	100	100	100	100	100	100
Income imports	100	100	100	100	100	100	100	100	100	100	100	100	100
Current transfers	100	100	100	100	100	100	100	100	100	100	100	100	100
Balance										2000		2001	
Current account balance	100	100	100	100	100	100	100	100	100	100	100	100	100
Exports less imports	100	100	100	100	100	100	100	100	100	100	100	100	100
Services balance	100	100	100	100	100	100	100	100	100	100	100	100	100
Income balance	100	100	100	100	100	100	100	100	100	100	100	100	100
Current transfers balance	100	100	100	100	100	100	100	100	100	100	100	100	100
Capital Account										2000		2001	
Direct investment	100	100	100	100	100	100	100	100	100	100	100	100	100
Portfolio investment	100	100	100	100	100	100	100	100	100	100	100	100	100
Financial derivatives	100	100	100	100	100	100	100	100	100	100	100	100	100
Other investment	100	100	100	100	100	100	100	100	100	100	100	100	100
Current transfers	100	100	100	100	100	100	100	100	100	100	100	100	100
Balance										2000		2001	
Capital account balance	100	100	100	100	100	100	100	100	100	100	100	100	100
Direct investment less other investment	100	100	100	100	100	100	100	100	100	100	100	100	100
Portfolio investment less financial derivatives	100	100	100	100	100	100	100	100	100	100	100	100	100
Current transfers balance	100	100	100	100	100	100	100	100	100	100	100	100	100



# International investment position

## 8.7 Other investment

Balance sheets valued at end of year

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Other investment abroad</b>												
<b>(UK assets)</b>												
<b>Trade credit</b>												
<b>Long-term</b>												
Monetary financial institutions (banks)	HCFQ	7.0	6.4	6.0	5.4	4.9	5.0	6.3	5.2	5.8	6.0	5.8
Central government	APDU	4.8	5.6	6.2	6.6	7.0	7.4	7.8	8.2	8.2	8.2	8.2
Other sectors <sup>1</sup>	HCLK	0.6	1.1	1.0	1.2	1.1	1.1	0.5	0.5	0.5	0.5	0.5
Total long-term trade credit	HHGU	12.4	13.2	13.2	13.2	13.0	13.6	14.6	13.9	14.5	14.7	14.5
<b>Short-term</b>												
Monetary financial institutions (banks)	HEWR	0.2	0.1	—	—	—	—	—	—	—	—	—
Other sectors <sup>1</sup>	HLXH	1.4	1.4	1.5	1.7	1.8	1.5	1.6	3.2	2.6	1.4	1.4
Total short-term trade credit	HLXU	1.6	1.5	1.5	1.7	1.8	1.5	1.6	3.2	2.6	1.4	1.4
Total trade credit	HLXP	14.0	14.6	14.8	14.9	14.7	15.1	16.2	17.1	17.0	16.1	15.9
<b>Loans</b>												
<b>Long-term</b>												
Inter-government loans by the UK and other central government assets	HCFN	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.3	0.3
Loans by Commonwealth Development Corporation (public corporations)	HEWZ	0.8	0.8	0.8	0.9	1.0	1.0	1.1	1.2	1.2	1.1	1.0
Loans by specialist leasing companies <sup>1</sup>	HGIH	0.1	—	—	—	—	—	—	—	—	—	—
Total long-term loans	HFAX	1.7	1.6	1.6	1.6	1.7	1.6	1.7	1.7	1.6	1.4	1.2
<b>Short-term loans</b>												
<b>By monetary financial institutions</b>												
<b>By banks</b>												
Sterling loans	NLHN	12.8	14.0	13.3	14.8	14.3	13.2	13.9	18.7	23.9	23.4	26.2
Foreign currency loans	NLHO	87.8	83.1	81.4	99.8	92.4	87.5	110.9	127.8	168.6	180.1	189.2
Total banks	HEQS	100.7	97.1	94.8	114.6	106.7	100.7	124.8	146.5	192.5	203.5	215.3
<b>By building societies</b>												
	NLHP	—	—	—	—	—	—	—	—	—	—	—
Total monetary financial institutions	NLHM	100.7	97.1	94.8	114.6	106.7	100.7	124.8	146.5	192.5	203.5	215.3
<b>By other sectors</b>												
	HLXI	0.2	0.3	0.5	0.8	1.1	1.0	0.6	0.7	0.7	0.6	0.5
Total short-term loans	VTUM	100.9	97.4	95.3	115.4	107.7	101.7	125.4	147.2	193.2	204.0	215.9
Total loans	HLXQ	102.6	99.1	96.9	117.0	109.4	103.3	127.0	148.9	194.9	205.4	217.1
<b>Currency and deposits</b>												
<b>Foreign notes and coin</b>												
Monetary financial institutions (banks)	TAAF	0.1	0.1	—	—	0.1	0.1	0.1	0.1	0.1	0.2	0.1
Other sectors <sup>1</sup>	CGML	0.2	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4
Total foreign notes and coin	HEOX	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.5
<b>Deposits abroad by UK residents</b>												
<b>Deposits by monetary financial institutions</b>												
<b>Deposits by banks</b>												
Sterling deposits	HFBB	29.6	33.0	27.6	35.2	44.6	47.0	50.9	56.3	83.2	89.2	75.6
Foreign currency deposits	HFBG	364.6	343.4	313.6	378.2	372.3	418.9	462.4	426.2	541.6	574.0	544.1
Total deposits by UK banks	HLXL	394.2	376.4	341.2	413.5	416.9	465.9	513.3	482.6	624.8	663.2	619.6
<b>Deposits by building societies</b>												
	TAIC	—	—	—	0.5	1.6	1.6	1.8	1.3	1.0	0.9	0.5
Total deposits by monetary financial institutions	VTWL	394.2	376.4	341.2	414.0	418.4	467.5	515.1	483.9	625.8	664.1	620.1
<b>Deposits by securities dealers</b>												
	HGUX	7.2	10.3	22.3	38.4	80.3	59.0	79.2	129.8	129.1	111.5	152.2
Deposits by other UK residents <sup>1</sup>	HHGW	43.8	51.2	53.8	60.5	66.2	68.7	76.5	78.5	93.2	98.5	117.7
Total deposits abroad	HBXS	445.2	437.9	417.3	512.8	564.9	595.2	670.8	692.2	848.1	874.1	890.1
Total currency and deposits	HBVS	445.4	438.0	417.5	513.1	565.2	595.6	671.2	692.6	848.6	874.6	890.5

<sup>1</sup> These series relate to non-governmental sectors other than monetary financial institutions.



# 8.7 Other investment

Balance sheets valued at end of year

continued

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Other investment abroad - continued</b> (UK assets)												
<b>Other assets</b>												
<b>Central government assets</b>												
<b>Central government subscriptions to international organisations</b>												
International Development Association	HEXS	2.7	2.8	3.0	3.4	3.5	3.7	3.9	4.1	4.3	4.5	4.7
Regional development banks	HEXW	0.5	0.5	0.6	0.6	0.6	0.7	0.8	0.8	0.9	1.0	1.0
European Investment Bank (EIB)	HEXX	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other subscriptions	HEXZ	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4
Other long-term central government assets	XBJL	—	—	—	—	—	—	—	—	—	—	—
<b>Total central government</b>	<b>HLXO</b>	<b>3.7</b>	<b>3.9</b>	<b>4.2</b>	<b>4.6</b>	<b>4.9</b>	<b>5.2</b>	<b>5.4</b>	<b>5.7</b>	<b>6.0</b>	<b>6.3</b>	<b>6.6</b>
<b>Other sectors assets</b>												
<b>Long-term assets<sup>1</sup></b>												
<b>Short-term assets</b>												
Public corporations assets abroad	HGJM	—	—	—	—	—	—	—	—	—	—	—
Other <sup>1 2</sup>	HHGY	0.4	0.3	0.2	0.4	0.5	-0.1	-0.4	-0.2	-0.3	0.3	0.8
<b>Total short-term assets</b>	<b>HLXJ</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.4</b>	<b>0.5</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.2</b>	<b>-0.3</b>	<b>0.3</b>	<b>0.8</b>
<b>Total other sectors</b>	<b>HLXN</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.4</b>	<b>0.5</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.2</b>	<b>-0.3</b>	<b>0.3</b>	<b>0.8</b>
<b>Total other assets</b>	<b>HLXS</b>	<b>4.1</b>	<b>4.2</b>	<b>4.5</b>	<b>5.0</b>	<b>5.4</b>	<b>5.0</b>	<b>5.1</b>	<b>5.6</b>	<b>5.7</b>	<b>6.5</b>	<b>7.3</b>
<b>Total</b>	<b>HLXV</b>	<b>566.0</b>	<b>555.9</b>	<b>533.6</b>	<b>650.0</b>	<b>694.7</b>	<b>719.0</b>	<b>819.5</b>	<b>864.2</b>	<b>1 066.2</b>	<b>1 102.6</b>	<b>1 130.9</b>

1 These series relate to non-governmental sectors other than monetary financial institutions.

2 From 1994 this series includes net reinsurance balances of UK insurance companies with the rest of the world which have been negative.



# International investment position

## 8.7 Other investment

Balance sheets valued at end of year

continued

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Other investment in the UK</b>												
<b>(UK liabilities)</b>												
<b>Trade credit</b>												
Long-term <sup>1</sup>	HBWC	0.3	0.3	0.3	0.5	0.8	1.2	1.5	1.5	1.5	1.5	1.5
Short-term <sup>1</sup>	HCGB	1.2	1.1	1.1	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2
Total trade credit	HLYL	1.5	1.4	1.5	1.8	2.2	2.5	2.7	2.7	2.7	2.7	2.7
<b>Loans</b>												
<b>Long-term loans to:</b>												
Central government	HHGZ	1.9	1.2	1.2	1.4	1.3	1.1	1.0	0.8	0.6	0.4	0.4
Local authorities	HHHA	1.4	1.3	1.2	1.2	1.3	1.2	1.2	1.2	1.1	1.1	0.9
Public corporations	HHHB	1.0	0.6	0.6	0.2	0.1	0.3	0.2	0.2	—	—	—
Other <sup>1</sup>	AQBX	0.5	0.4	0.4	0.4	0.4	—	—	—	—	—	—
Total long-term loans	HHHC	4.8	3.6	3.4	3.2	3.1	2.6	2.3	2.2	1.7	1.5	1.3
<b>Short-term loans to:</b>												
Central government	HHHD	—	—	—	2.8	—	—	—	—	—	—	—
Local authorities	HHHE	—	—	—	—	—	—	—	—	—	—	—
Securities dealers	HHHF	19.9	21.0	40.1	61.1	135.7	79.2	113.4	178.0	199.8	190.8	207.2
Other <sup>1</sup>	HHHG	28.0	33.7	41.2	50.7	69.7	68.8	79.5	81.2	98.0	102.0	107.0
Total short-term loans	HHHJ	47.9	54.7	81.2	114.5	205.4	147.9	192.9	259.1	297.8	292.8	314.1
Total loans	HLXI	52.7	58.3	84.6	117.7	208.5	150.5	195.2	261.3	299.5	294.3	315.4
<b>Currency and deposits</b>												
<b>Sterling notes and coin</b>												
Notes (issued by Bank of England)	HLVG	0.4	0.4	0.5	0.5	0.6	0.7	0.7	0.7	0.8	0.9	0.9
Coins (issued by Royal Mint)	HLVH	—	—	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total notes and coin	APME	0.5	0.5	0.5	0.6	0.6	0.7	0.8	0.8	0.9	1.0	1.1
<b>Deposits from abroad with UK residents</b>												
<b>Deposits with monetary financial institutions</b>												
<b>Deposits with banks</b>												
Sterling deposits	NLCZ	83.3	96.4	84.4	87.3	86.2	92.8	103.7	106.5	134.4	147.2	167.5
Foreign currency deposits	NLDA	453.0	436.9	425.6	534.2	569.5	611.3	688.2	664.6	814.9	886.7	859.2
Total deposits with banks	CGEH	536.2	533.4	510.1	621.5	655.7	704.1	791.9	771.1	949.3	1 033.9	1 026.6
Deposits with building societies	NLDB	2.3	3.5	4.2	5.4	7.0	8.5	8.9	9.9	4.0	4.9	5.2
Total deposits with UK monetary financial institutions	HDKG	538.5	536.8	514.3	626.9	662.7	712.6	800.8	781.0	953.4	1 038.8	1 031.8
Deposit liabilities of UK central government	HEYH	0.5	1.0	0.4	0.2	0.2	1.2	1.7	1.1	0.3	0.6	1.3
Total deposits from abroad with UK residents	HBYA	539.0	537.9	514.7	627.1	663.0	713.8	802.5	782.1	953.7	1 039.4	1 033.2
Total currency and deposits	HLVI	539.5	538.3	515.2	627.7	663.6	714.5	803.3	782.9	954.6	1 040.4	1 034.2
<b>Other liabilities</b>												
<b>Long-term</b>												
Net equity of foreign households in life insurance reserves and in pension funds	VTUE	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Prepayments of premiums and reserves against outstanding claims	NQLR	2.8	3.2	3.7	4.2	4.4	4.7	5.2	10.2	10.5	11.6	11.0
Total long-term liabilities <sup>1</sup>	VTUF	2.9	3.3	3.9	4.3	4.5	4.8	5.4	10.4	10.7	11.8	11.2
Short-term <sup>1</sup>	HBMV	0.9	0.7	0.8	0.7	0.9	0.7	0.8	1.8	1.8	1.9	1.8
Total other liabilities	HLYM	3.8	4.0	4.6	5.0	5.5	5.6	6.2	12.2	12.5	13.8	13.0
Total	HLVD	597.5	602.0	605.9	752.2	879.7	873.1	1 007.5	1 059.1	1 269.3	1 351.2	1 365.4

<sup>1</sup> These series relate to non-governmental sectors other than monetary financial institutions.



# 8.7 Other investment

Balance sheets valued at end of year

continued

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Net international investment position</b> (UK assets less UK liabilities)												
Trade credit	LTNW	12.4	13.2	13.3	13.1	12.6	12.6	13.5	14.4	14.3	13.4	13.2
Loans	LTNX	49.9	40.8	12.3	-0.6	-99.0	-47.2	-68.2	-112.4	-104.6	-88.9	-98.3
Currency and deposits	LTNY	-94.1	-100.3	-97.7	-114.6	-98.4	-118.9	-132.1	-90.3	-106.0	-165.8	-143.7
Other	LTNZ	0.3	0.2	-0.2	-	-0.1	-0.5	-1.1	-6.6	-6.8	-7.3	-5.7
<b>Total</b>	<b>CGNG</b>	<b>-31.5</b>	<b>-46.0</b>	<b>-72.3</b>	<b>-102.2</b>	<b>-184.9</b>	<b>-154.1</b>	<b>-188.0</b>	<b>-194.9</b>	<b>-203.1</b>	<b>-248.5</b>	<b>-234.5</b>

# 8.8 Other investment

## Sector analysis

Balance sheets valued at end of year

£ billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Other investment abroad</b> (UK assets)												
<b>Investment by:</b>												
Monetary financial institutions												
Banks	CGEI	502.1	480.0	442.1	533.5	528.5	571.7	644.5	634.5	823.3	872.8	840.9
Building societies	HEQT	-	-	-	0.5	1.6	1.6	1.8	1.3	1.0	0.9	0.5
<b>Total monetary financial institutions</b>	<b>VTXD</b>	<b>502.1</b>	<b>480.0</b>	<b>442.1</b>	<b>534.1</b>	<b>530.0</b>	<b>573.4</b>	<b>646.3</b>	<b>635.8</b>	<b>824.3</b>	<b>873.7</b>	<b>841.4</b>
Central government	CGEN	9.4	10.4	11.2	12.0	12.6	13.2	13.8	14.5	14.7	14.7	15.0
Public corporations	CGEO	0.8	0.8	0.8	0.9	1.0	1.0	1.1	1.2	1.2	1.1	1.0
Other sectors	CGGH	53.8	64.7	79.4	103.1	151.1	131.4	158.3	212.7	226.1	213.1	273.5
<b>Total</b>	<b>HLXV</b>	<b>566.0</b>	<b>555.9</b>	<b>533.6</b>	<b>650.0</b>	<b>694.7</b>	<b>719.0</b>	<b>819.5</b>	<b>864.2</b>	<b>1 066.2</b>	<b>1 102.6</b>	<b>1 130.9</b>
<b>Other investment in the UK</b> (UK liabilities)												
<b>Investment in:</b>												
Monetary financial institutions												
Banks	CGOV	536.6	533.8	510.5	622.0	656.3	704.8	792.7	771.8	950.1	1 034.8	1 027.6
Building societies	NLDB	2.3	3.5	4.2	5.4	7.0	8.5	8.9	9.9	4.0	4.9	5.2
<b>Total monetary financial institutions</b>	<b>CGHB</b>	<b>538.9</b>	<b>537.2</b>	<b>514.7</b>	<b>627.4</b>	<b>663.3</b>	<b>713.2</b>	<b>801.6</b>	<b>781.7</b>	<b>954.2</b>	<b>1 039.7</b>	<b>1 032.8</b>
Central government	CGHG	3.4	3.0	2.4	5.1	2.5	3.1	3.5	2.7	1.8	2.1	2.5
Local authorities	CGHX	1.4	1.3	1.2	1.2	1.3	1.2	1.2	1.2	1.1	1.1	0.9
Public corporations	HHHB	1.0	0.6	0.6	0.2	0.1	0.3	0.2	0.2	-	-	-
Other sectors	CGNC	52.9	59.8	87.0	118.3	212.5	155.2	201.0	273.2	312.2	308.4	329.1
<b>Total</b>	<b>HLVD</b>	<b>597.5</b>	<b>602.0</b>	<b>605.9</b>	<b>752.2</b>	<b>879.7</b>	<b>873.1</b>	<b>1 007.5</b>	<b>1 059.1</b>	<b>1 269.3</b>	<b>1 351.2</b>	<b>1 365.4</b>
<b>Net international investment position</b> (UK assets less UK liabilities)												
Monetary financial institutions												
Banks	LTOA	-34.6	-53.7	-68.4	-88.5	-127.8	-133.0	-148.1	-137.4	-126.9	-161.9	-186.7
Building societies	LTOB	-2.3	-3.5	-4.2	-4.8	-5.4	-6.8	-7.1	-8.6	-3.0	-4.0	-4.7
<b>Total monetary financial institutions</b>	<b>LTOC</b>	<b>-36.8</b>	<b>-57.2</b>	<b>-72.6</b>	<b>-93.4</b>	<b>-133.2</b>	<b>-139.9</b>	<b>-155.3</b>	<b>-146.0</b>	<b>-129.9</b>	<b>-166.0</b>	<b>-191.4</b>
Central government	LTOD	6.0	7.4	8.8	6.8	10.1	10.1	10.3	11.7	12.9	12.7	12.5
Local authorities	-CGHX	-1.4	-1.3	-1.2	-1.2	-1.3	-1.2	-1.2	-1.2	-1.1	-1.1	-0.9
Public corporations	LTOE	-0.2	0.1	0.2	0.8	0.9	0.7	0.9	1.0	1.2	1.1	1.0
Other sectors	LTOF	0.9	4.9	-7.6	-15.3	-61.4	-23.9	-42.7	-60.5	-86.1	-95.3	-55.7
<b>Total</b>	<b>CGNG</b>	<b>-31.5</b>	<b>-46.0</b>	<b>-72.3</b>	<b>-102.2</b>	<b>-184.9</b>	<b>-154.1</b>	<b>-188.0</b>	<b>-194.9</b>	<b>-203.1</b>	<b>-248.5</b>	<b>-234.5</b>



## International investment position

# 8.9 Reserve assets

## Central government sector

Balance sheets valued at end of year

£billion

		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Monetary gold	HCGD	4.7	3.8	3.6	4.1	4.9	4.5	4.6	4.0	3.2	4.0	3.7
Special drawing rights	HCGE	0.7	0.6	0.7	0.4	0.2	0.3	0.3	0.2	0.3	0.3	0.3
Reserve position in the Fund	HCGF	1.0	0.9	1.0	1.3	1.3	1.3	1.6	1.4	1.8	2.6	3.3
Foreign exchange												
Currency and deposits												
With central banks	CGDE	..	..	..	..	..	..	3.5	2.9	3.0	0.8	0.4
With other banks	CGDF	..	..	..	..	..	..	2.2	3.1	2.9	2.6	5.0
Total currency and deposits	CGDD	..	..	..	..	..	..	5.7	5.9	5.9	3.4	5.5
Securities												
Bonds and notes	CGDH	..	..	..	..	..	..	17.0	14.1	10.6	10.9	7.6
Money market instruments	CGDL	..	..	..	..	..	..	2.6	1.7	1.0	2.1	1.8
Total securities	CGDG	..	..	..	..	..	..	19.6	15.8	11.6	13.0	9.5
Total foreign exchange	HCGG	19.8	17.1	20.7	22.5	23.4	24.6	25.3	21.7	17.6	16.4	14.9
Other claims	CGDM	-	-	-	-	-	-	-	-	-	-	-
Total	LTEB	26.3	22.5	26.0	28.3	29.7	30.7	31.8	27.3	22.8	23.3	22.2



# *Part 3*

## Geographical breakdown



# 9

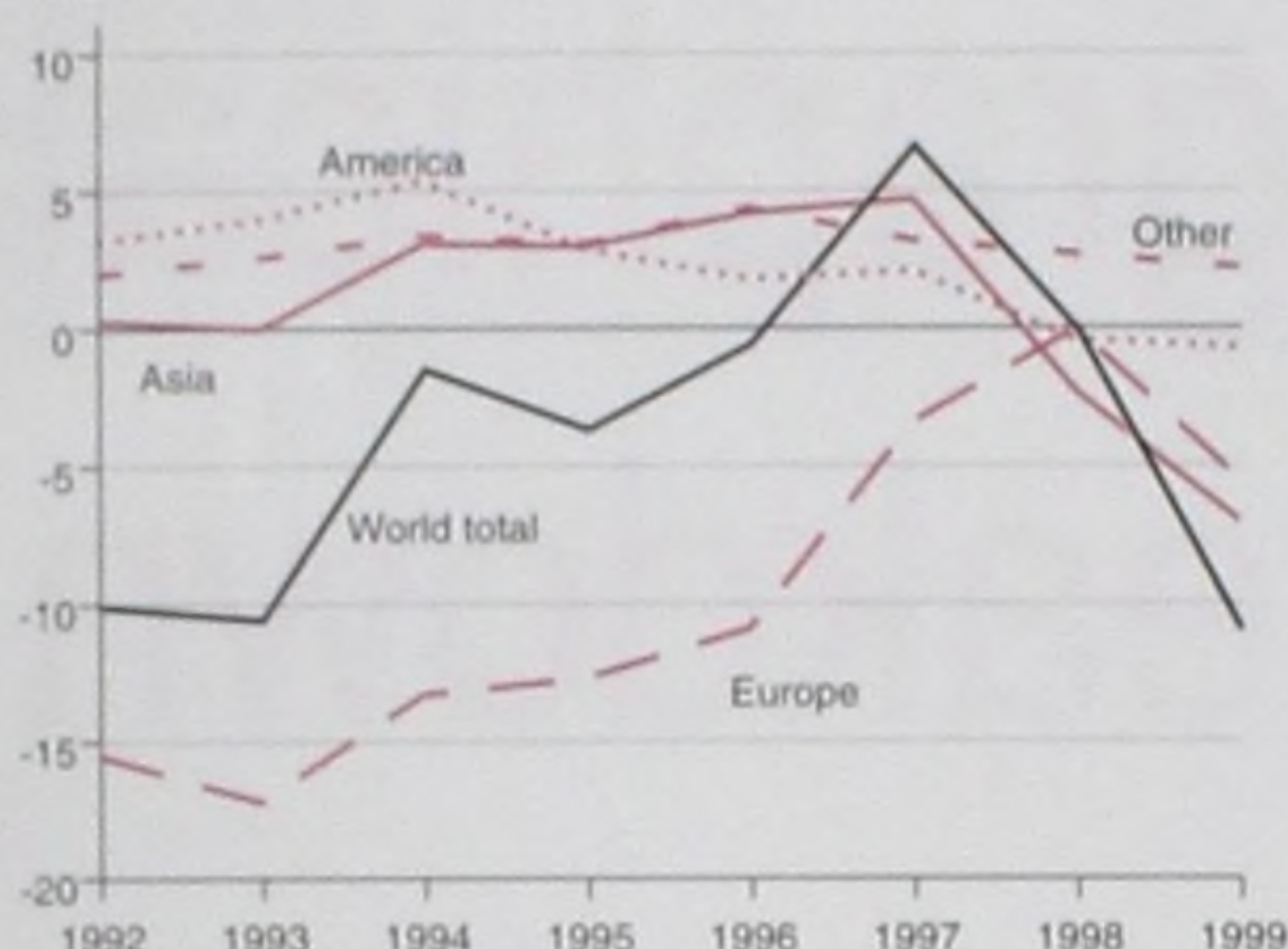
## Geographical breakdown of current account

The tables appearing in this chapter show a geographical breakdown of the current account. The data cover 42 individual countries as well as international organisations. It should be borne in mind that these estimates are less firmly based than the world totals. In general data for earlier years are less reliable than recent figures. In some cases figures are unavailable for the first few years.

### Current account

Credits less debits

£ billion



### Current account by region

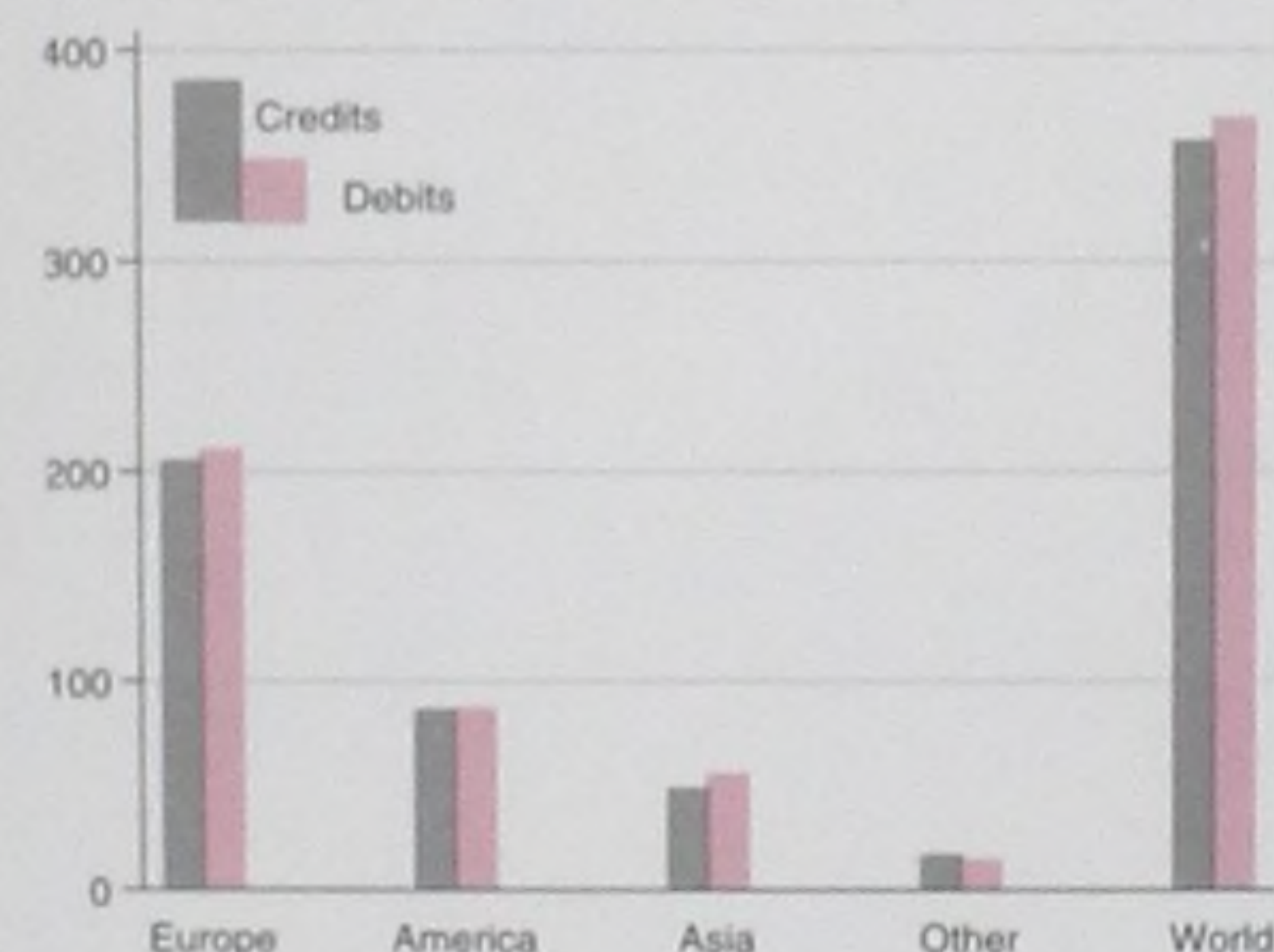
Current account surpluses were recorded with Australasia & Oceania and Africa in all years since 1992. There was a surplus with Asia for the years 1992 to 1997 but an overall deficit in 1998 and 1999. The increase in the Current Account deficit with Asia in 1999 to £7.0 billion was largely due to the increase in the amount of goods imported from the region.

Over half of current account transactions, around 57 per cent of total credits and total debits, were with Europe. The European Union (EU) accounted for around 85 per cent of the total gross flows with Europe and around half of the world total alone. The largest component was trade in goods accounting for around half of the gross flows with Europe, income accounted for a quarter of the total.

America was the second most important continent accounting for just under a quarter of total credits and debits. Income represented around two-fifths of gross flows with America. The United States of America (USA) was the most significant country representing nearly 80 per cent of total current account credits in the region.

### Current account by continent, 1999

£ billion



The proportion of transactions with Asia fell slightly between 1992 and 1999 from around 17 per cent to 14 per cent for both credits and debits. Imports of goods from Asia generated nearly two-thirds of the total debits for the region, with total imports from Asia at £3.6 billion accounting for about 18 per cent of the world goods total. Asia accounted for a fifth of the world income gross flows in 1992 but this has fallen over subsequent years to around 14 per cent, although there was a sharp fall in the year to 1998 probably reflecting the turmoil in the financial markets of the region. The single largest country in Asia was Japan, representing over a quarter of the total current account and income credits with Asia.



### Current account with EU, USA and Japan

Since 1997, a current account surplus has been recorded with the EU. Since 1992 there has been a surplus on income for all years, although there was a deficit on the other items in the current account. Conversely, debits exceeded credits for income and trade in goods with the USA, whilst accounts for trade in services were always in surplus.

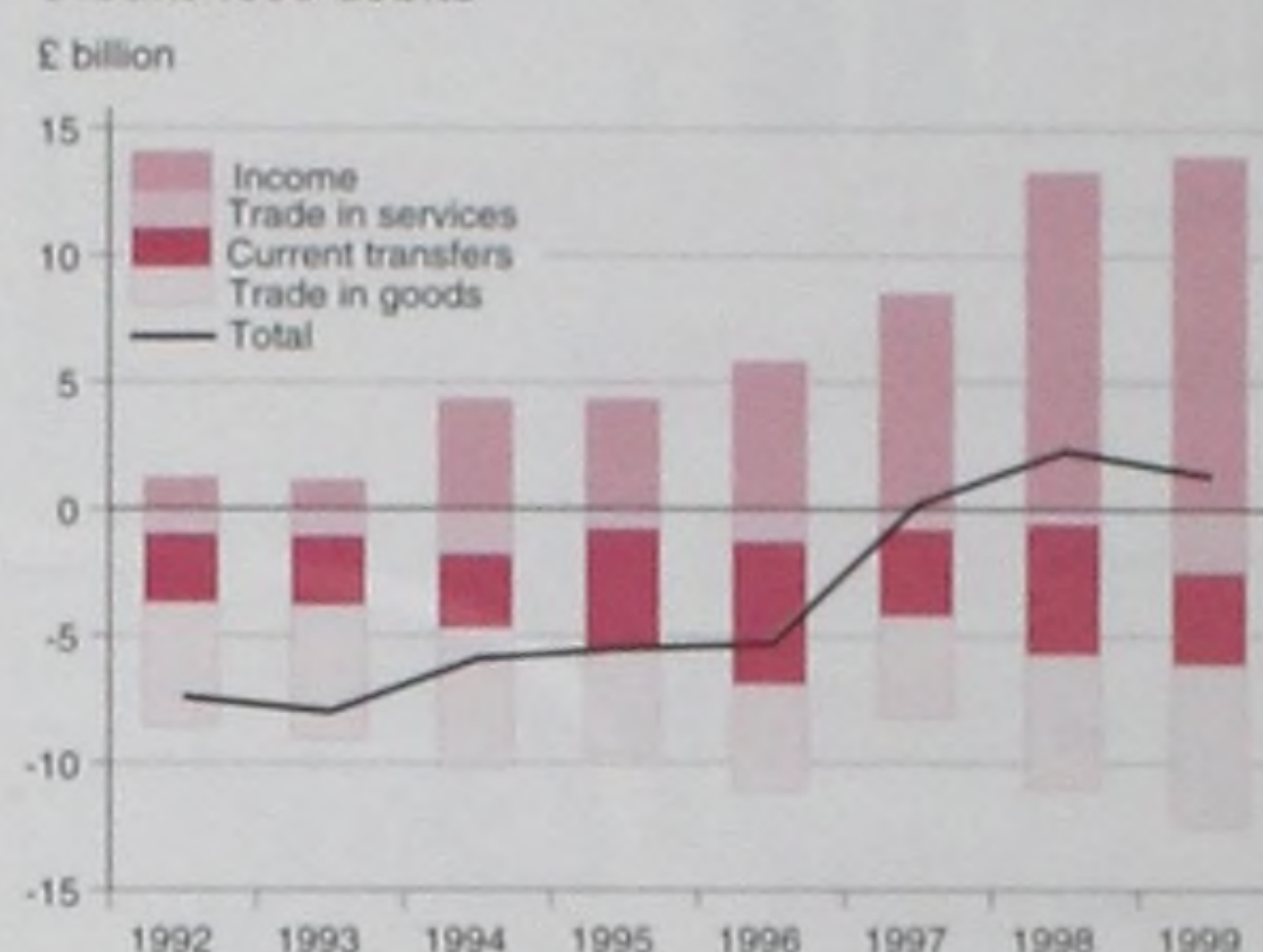
The current account balance with the EU grew considerably from a deficit of £7.4 billion in 1992 to a surplus of £1.3 billion in 1999. Net income received from the EU grew significantly from £1.2 billion in 1992 to £13.9 billion in the latest year. The largest increase in a single year was between 1997 and 1998 when the income balance rose by £4.8 billion. This was partly as a result of higher interest received by UK banks from sterling bank accounts held by EU firms and, to a lesser extent, by UK based subsidiaries with EU parent companies making losses. The trade in goods deficit with the EU remained relatively stable, but increased in the latest year by £1.1 billion to £6.4 billion as imports increased by £2.7 billion, reflecting some of the rise in the strength of the pound. The deficit on current transfers was erratic throughout the period, starting at the lowest position in 1992 (£2.7 billion) and increasing to a peak of £5.6 billion in 1996. The reduction in the balance in 1997 to £3.4 billion helped to change the current account balance with the EU from deficit to surplus. The latest position shows a decreased deficit (£1.4 billion over the year). The main component of current transfers are payments to, and receipts from EU institutions.

The USA was consistently the UK's single largest business partner, representing 19 per cent of both current account credits and debits in 1999. A current account surplus with the USA of £1.6 billion in 1992, has declined over the period to 1999 when a deficit of £3.4 billion was recorded; this being an improvement on the position for 1998 (£4.8 billion deficit). There was a current account surplus with the USA until 1994 (£2.7 billion). In 1995 this surplus was converted to a deficit (£0.2 billion) as the balance on trade in goods worsened from a £0.2 billion deficit in 1994 to a deficit of £1.7 billion in 1995, mainly due to strengthening imports. The current account balance with the USA continued on a downward trend over the next 4 years, culminating in a £4.8 billion current account deficit in 1998. In the latest year the position with the USA has improved slightly to show a deficit of £3.4 billion.

Transactions with Japan remained close to balance throughout the period 1992-1997. From 1997 the current account balance has declined mainly as a result of an increase in the deficit on trade in goods from £4.9 billion in 1997 to around £6.0 billion in 1998 and 1999 this is reflected in a current account deficit for 1999 of £1.7 billion.

### European Union current account

Credits less debits



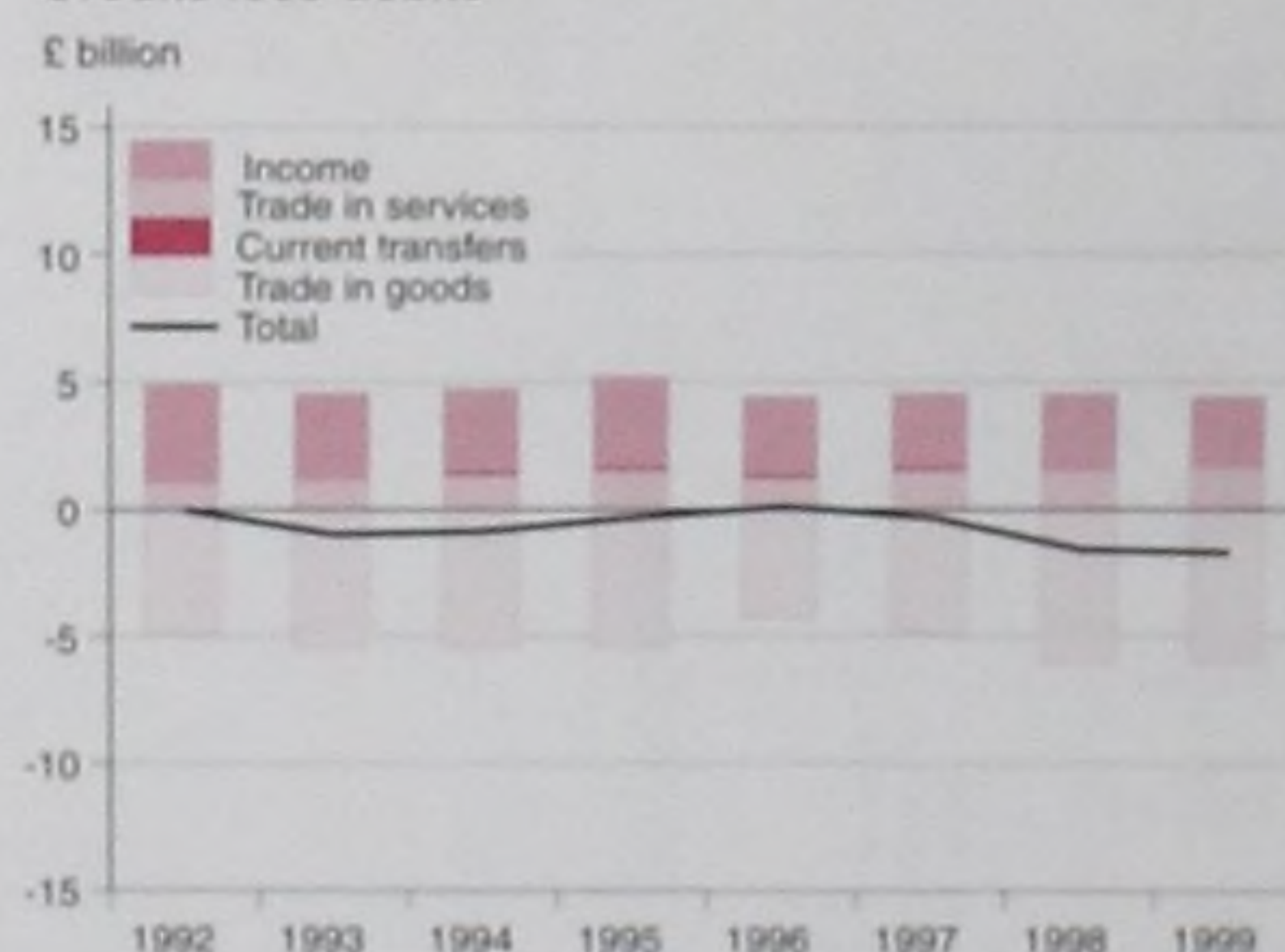
### United States of America current account

Credits less debits



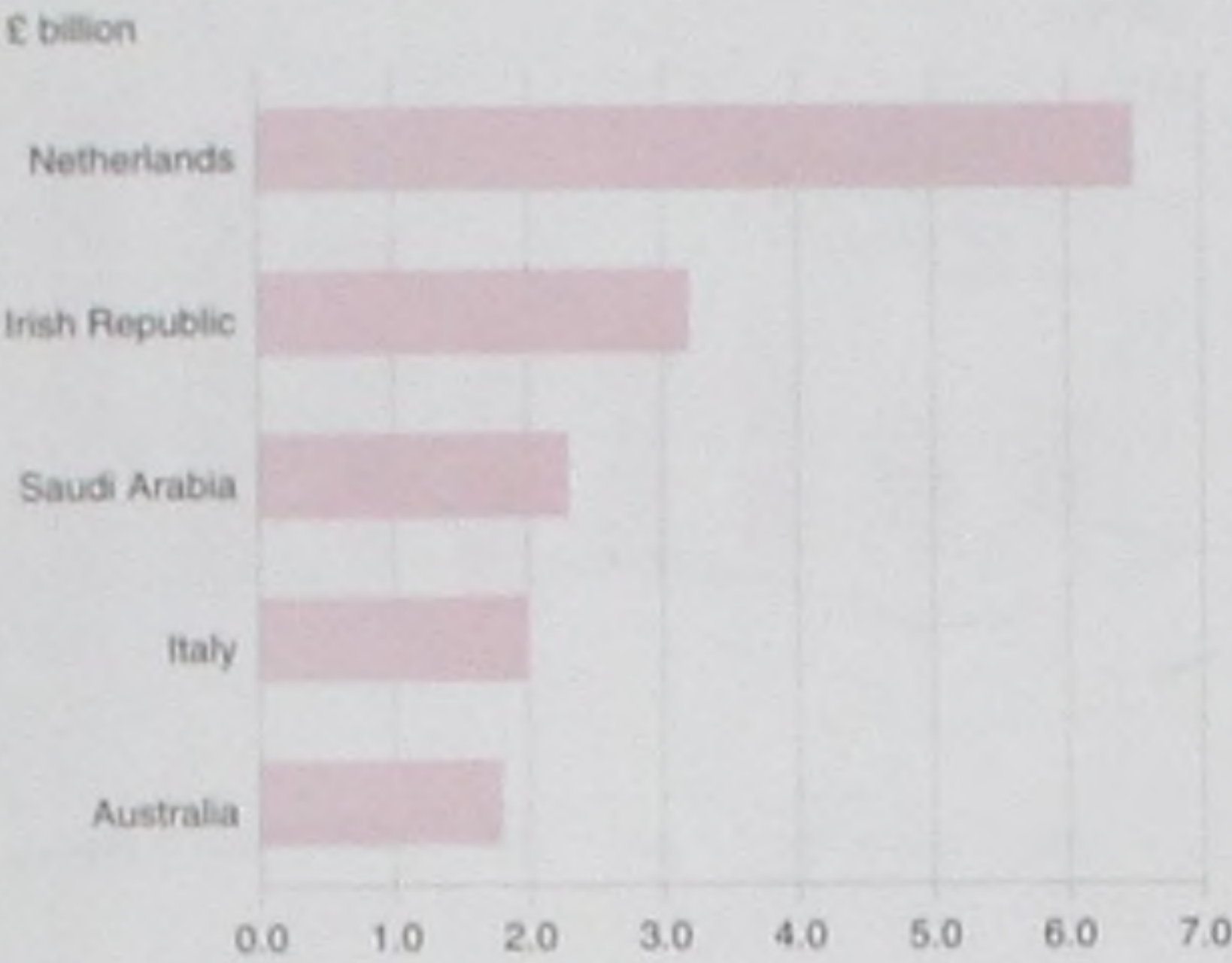
### Japan current account

Credits less debits

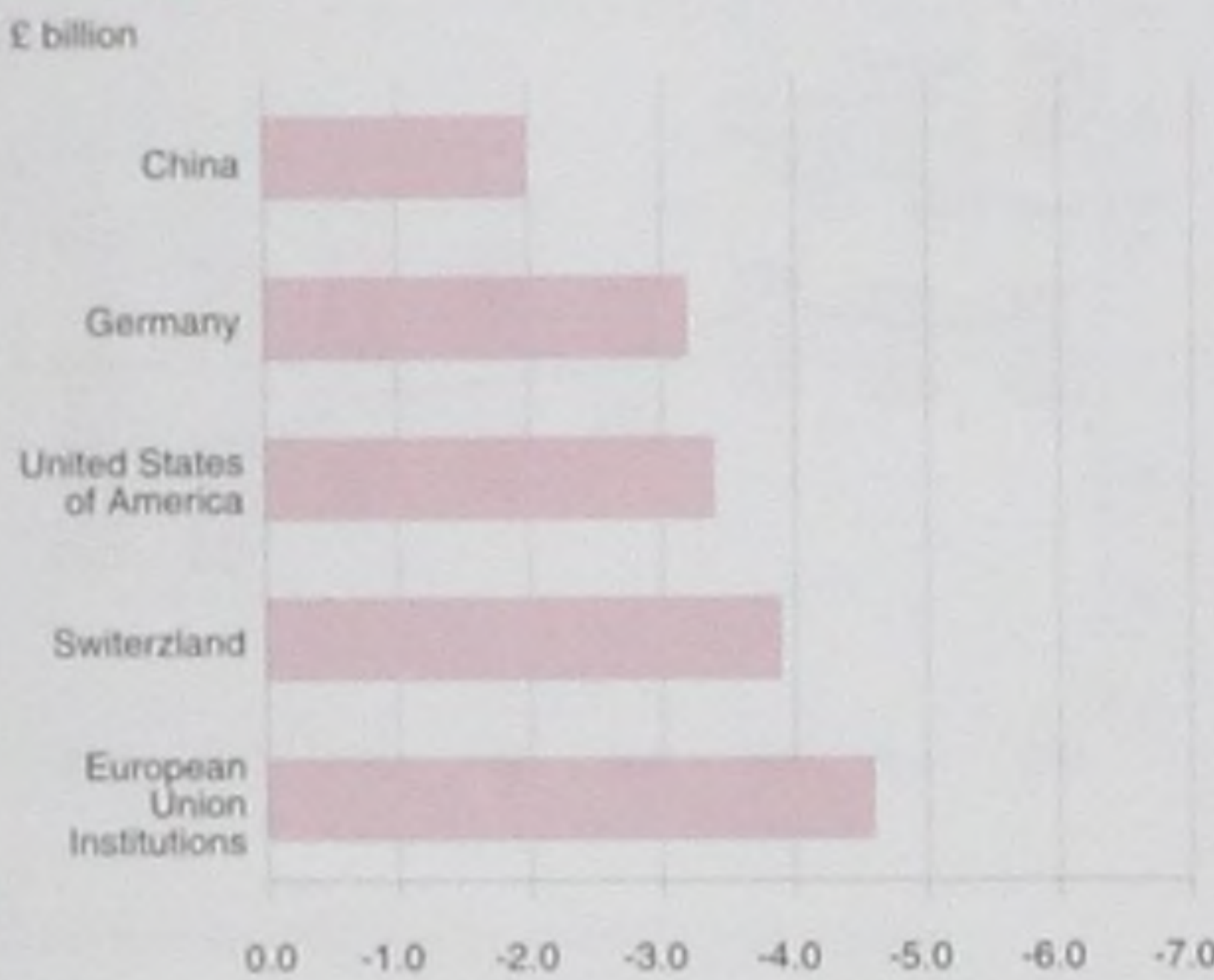




UK current account: largest 5 surpluses in 1999



UK current account: largest 5 deficits in 1999



Current account in 1999: the largest balances

When ranking individual countries by the size of the current account balance in 1999 the largest surpluses were recorded with: Netherlands (£6.5 billion), the Irish Republic (£3.2 billion), Saudi Arabia (£2.3 billion), Italy (£2.0 billion) and Australia (£1.8 billion).

The largest net surplus in 1999 was recorded with the Netherlands, with credits exceeding debits in income (£4.5 billion), trade in services (£1.2 billion), current transfers (£0.7 billion) and trade in goods (£0.1 billion). In 1999 transactions with the Netherlands accounted for 8 per cent of global current account credits and 6 per cent of debits. Since the last recorded current account deficit with the Netherlands in 1993, there has been a consistently strong current account surplus, the highest being in 1997 when it reached £6.8 billion.

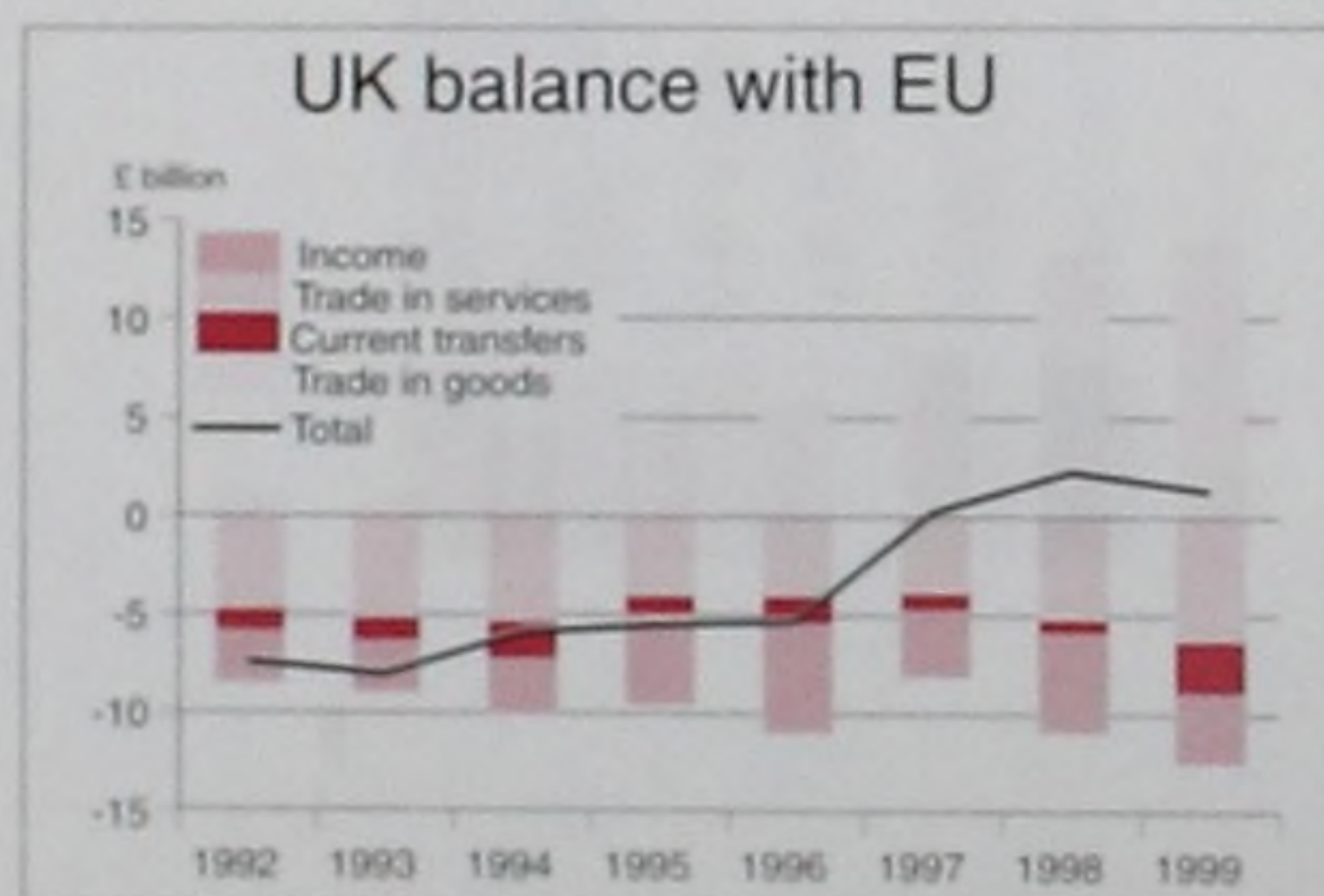
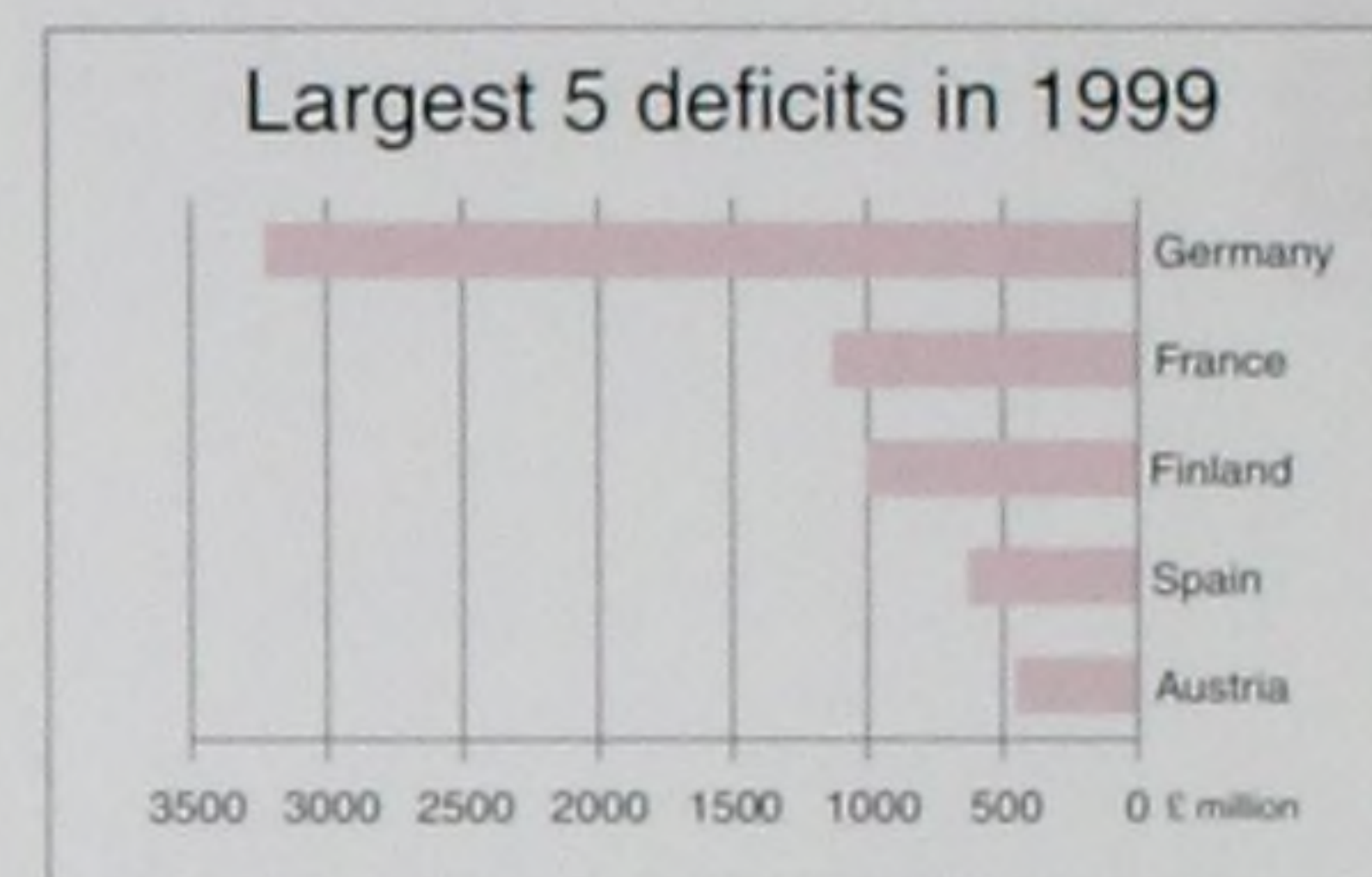
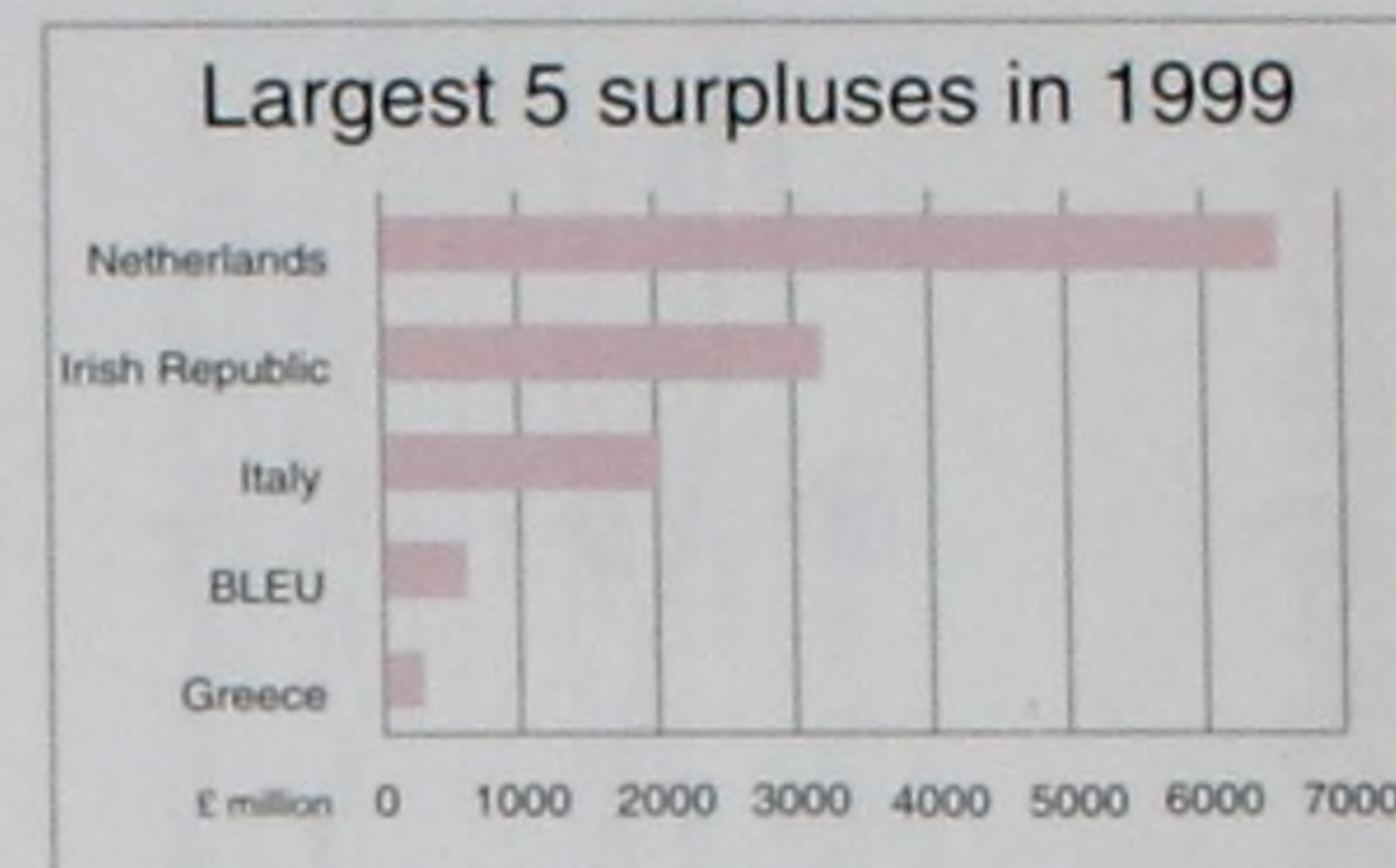
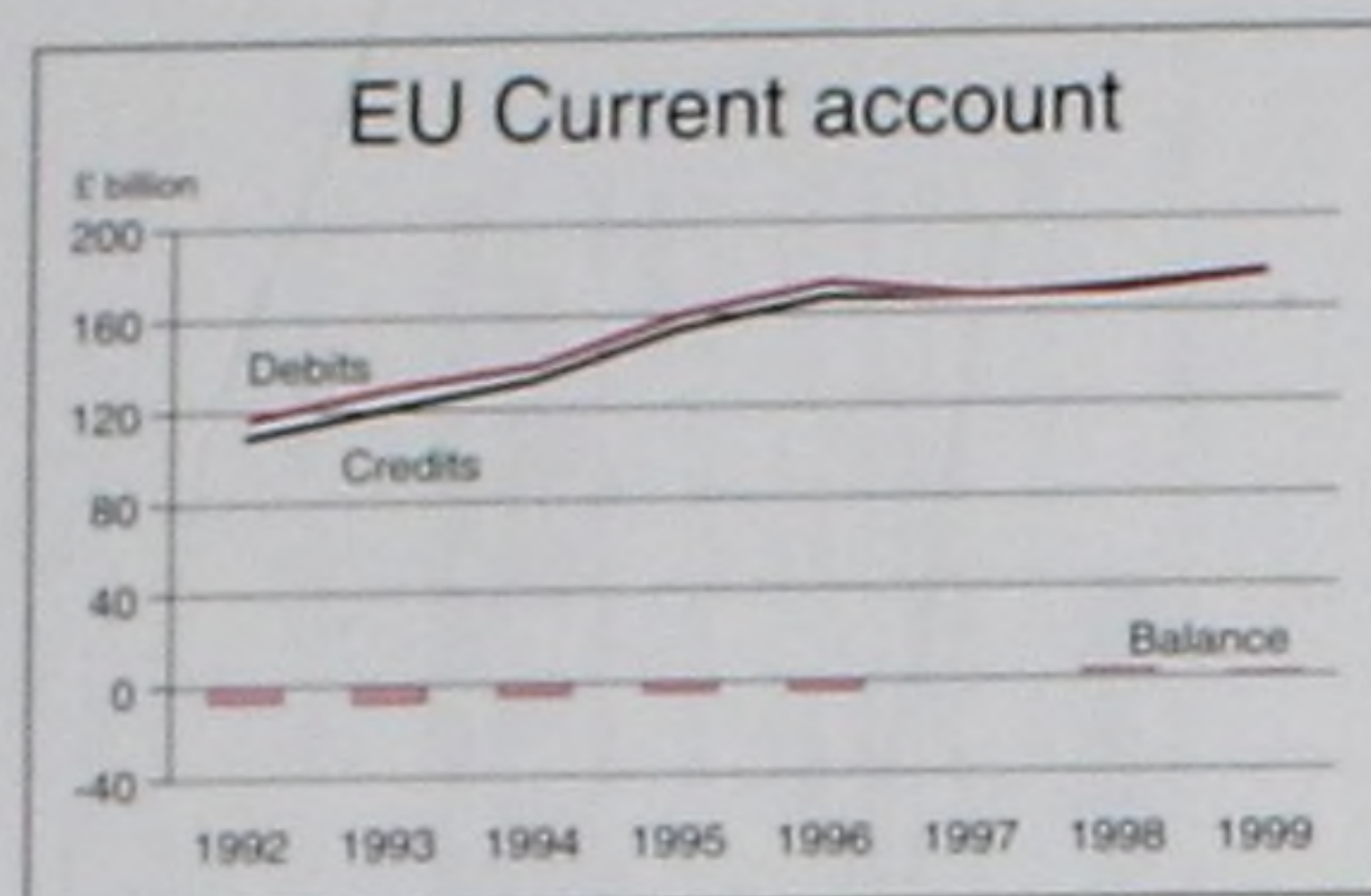
The largest individual deficit in 1999 was with European Union Institutions (£4.6 billion). When ranking individual countries by the size of the current account deficit the four largest deficits were recorded with: Switzerland (£3.9 billion), USA (£3.4 billion), Germany (£3.2 billion) and China (£2.0 billion).

The largest current account deficit with a country in 1999 was recorded with Switzerland, with debits exceeding credits in trade in goods (£2.6 billion) and income (£2.2 billion) slightly offset by a surplus on trade in services (£0.9 billion) while current transfers remained in balance. For the majority of years between 1992 and 1999 the largest individual deficit was recorded with Switzerland. The relative improvement in 1998 was largely due to a smaller income deficit.

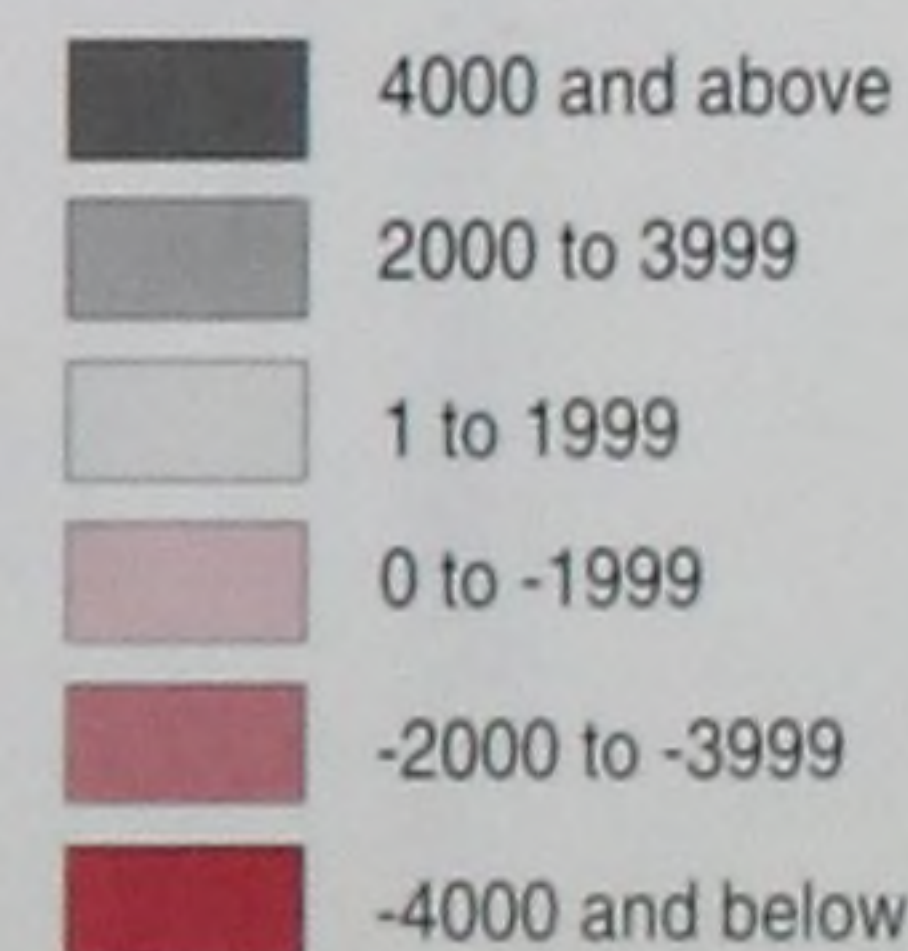
In addition to the above it is worth noting the current account deficit recorded with Asia (£7.0 billion). This was largely driven by a large increase in the current account deficit with Hong Kong from being in balance in 1998 to a deficit of £1.7 billion in 1999 caused by a large increase in the deficit on trade in goods (£0.9 billion) and a decline in the surplus on income (£0.6 billion in 1999 compared to £1.3 billion in 1998).



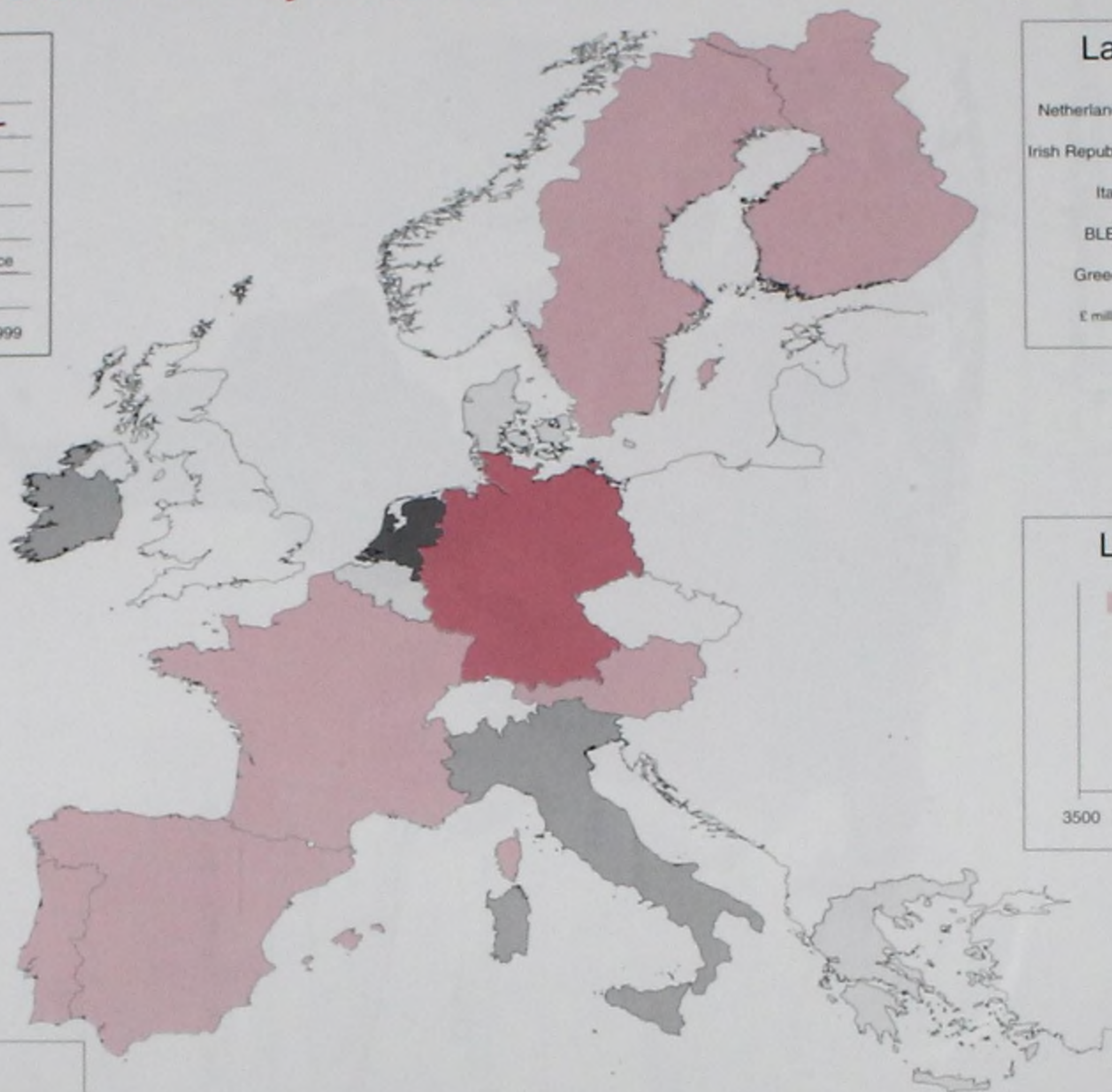
# Balance of Payments Current Account with EU 1999



1999 Balances/£m



Geographical breakdown



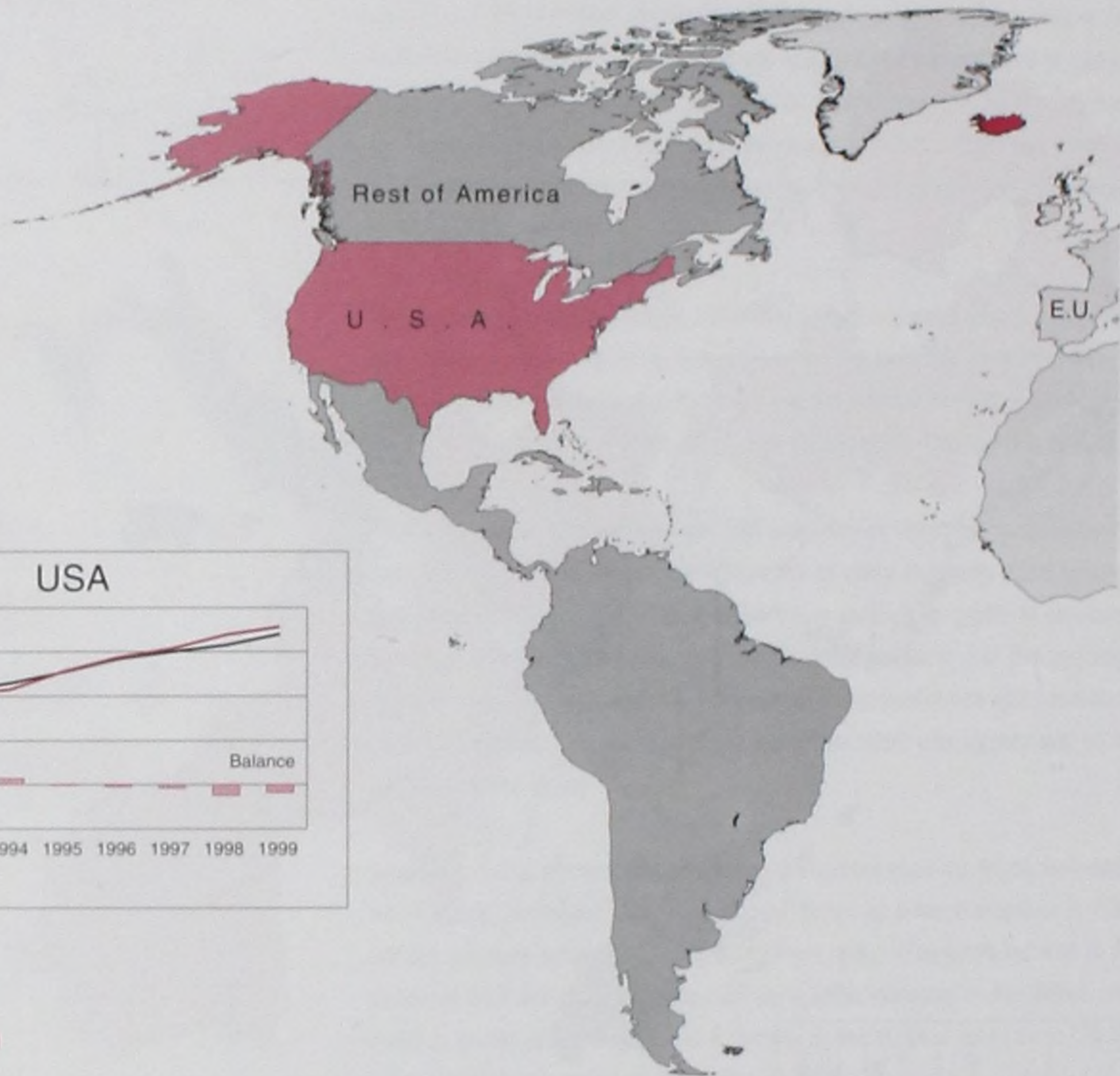
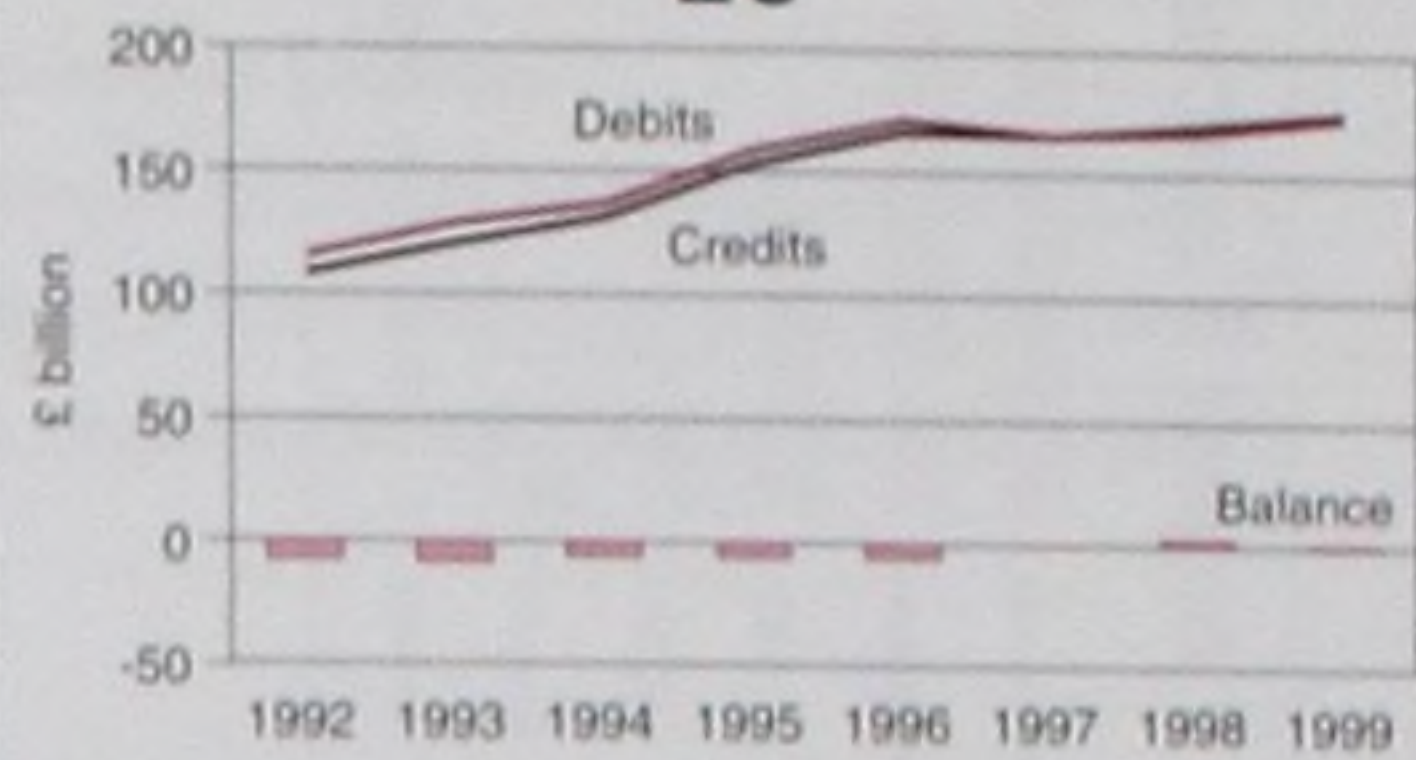


# Balance of Payments

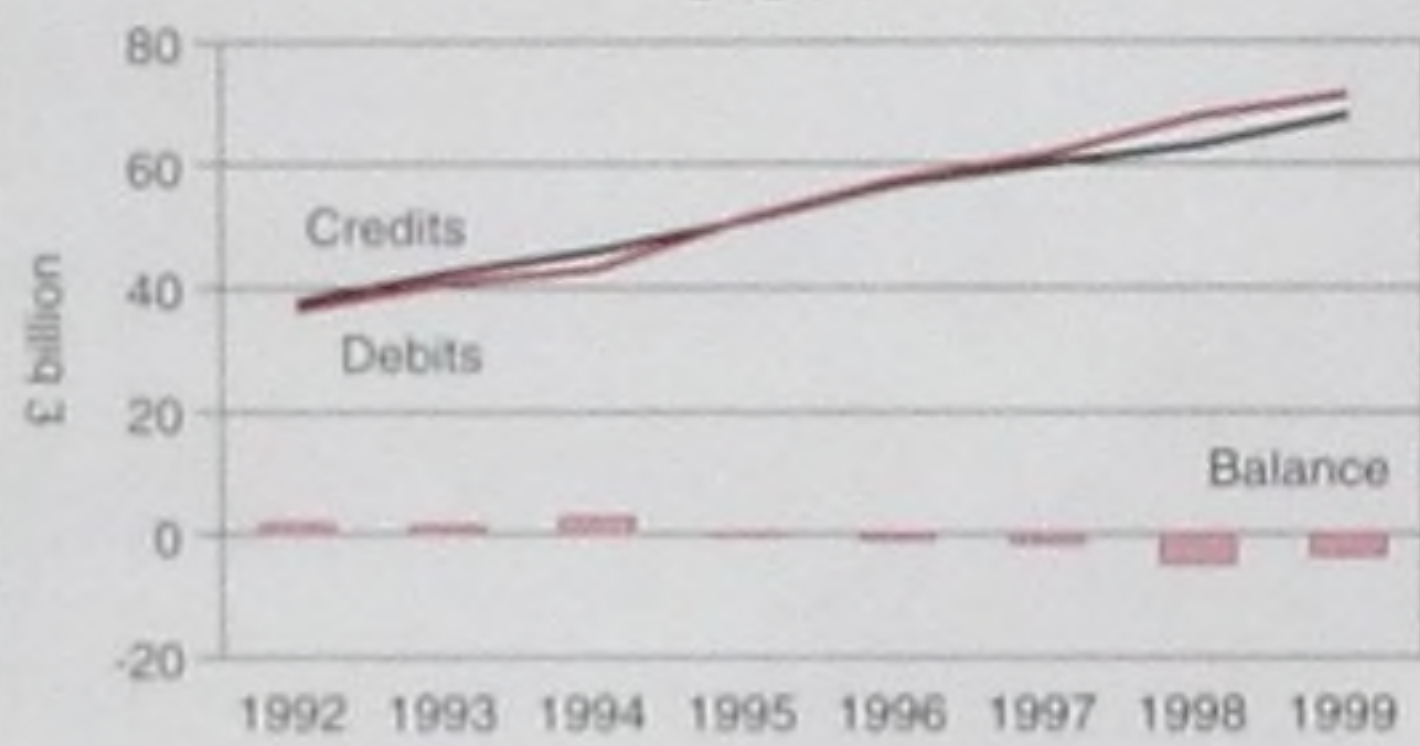
Proportion of Total 1999 Credits



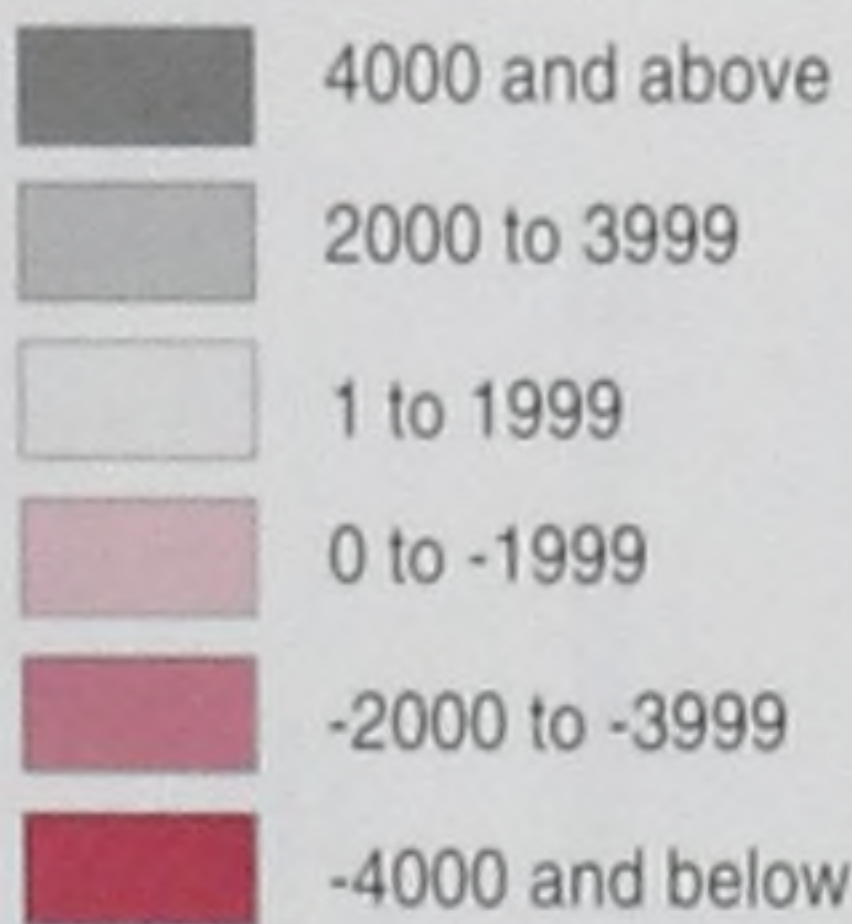
EU



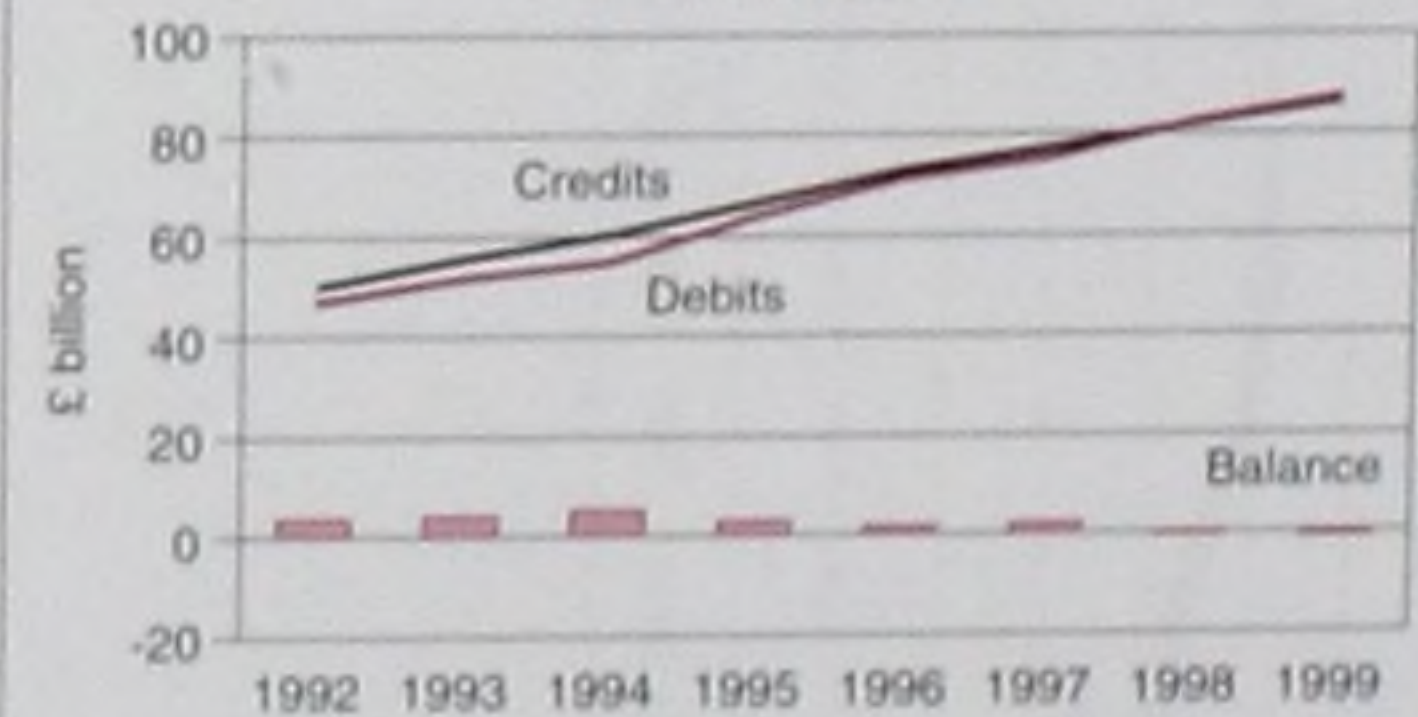
USA



1999 Balances/£m

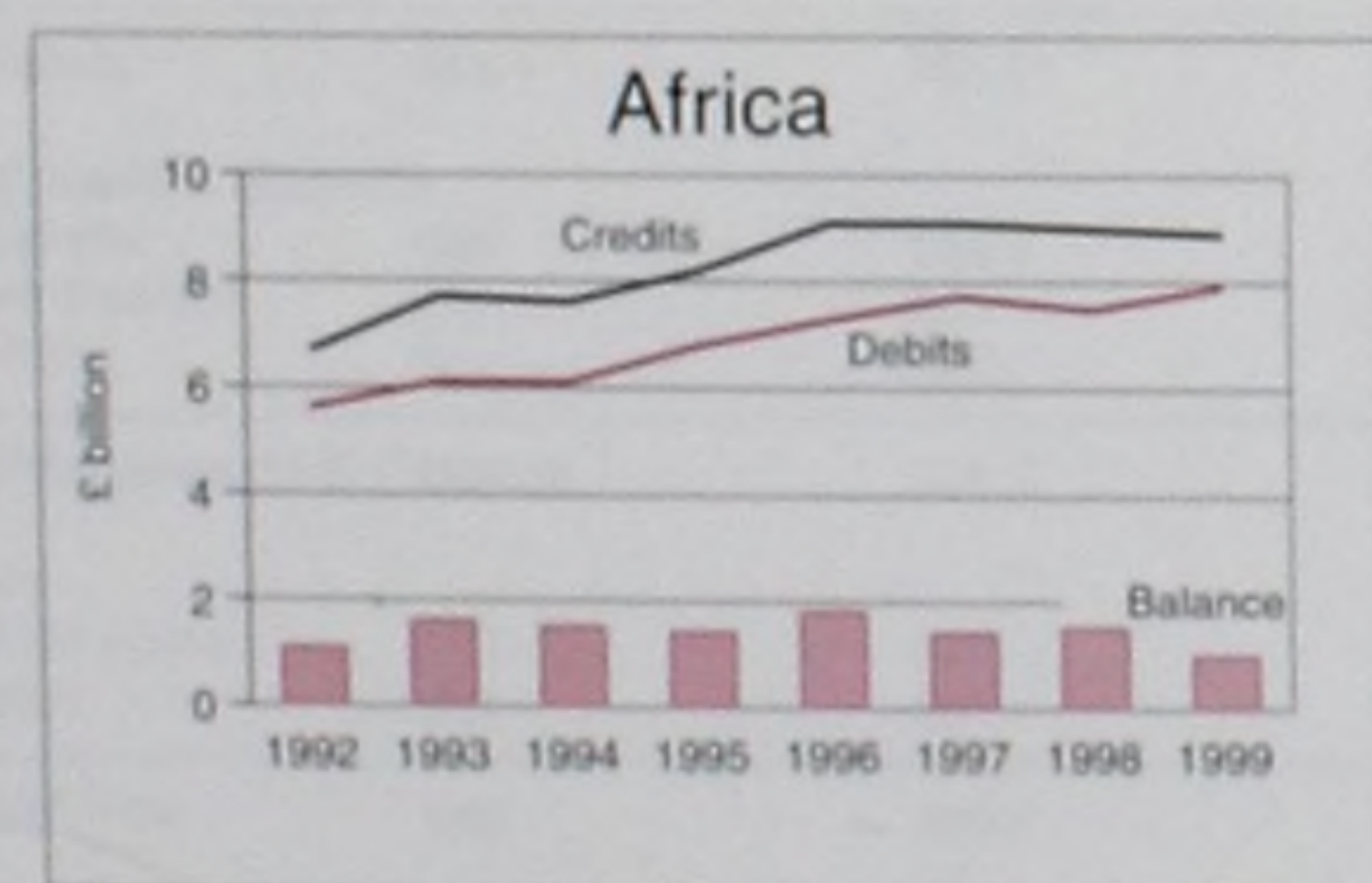
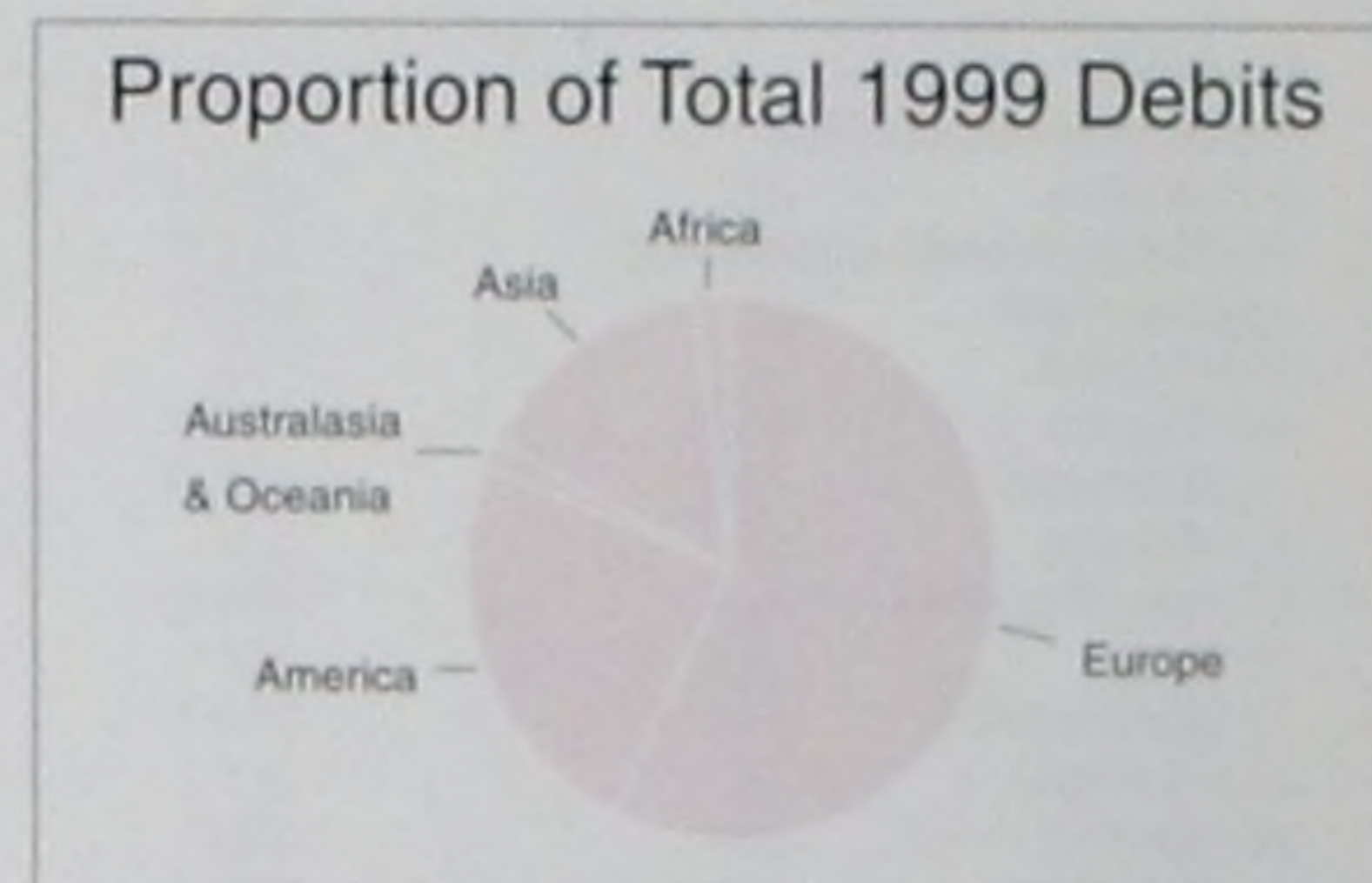
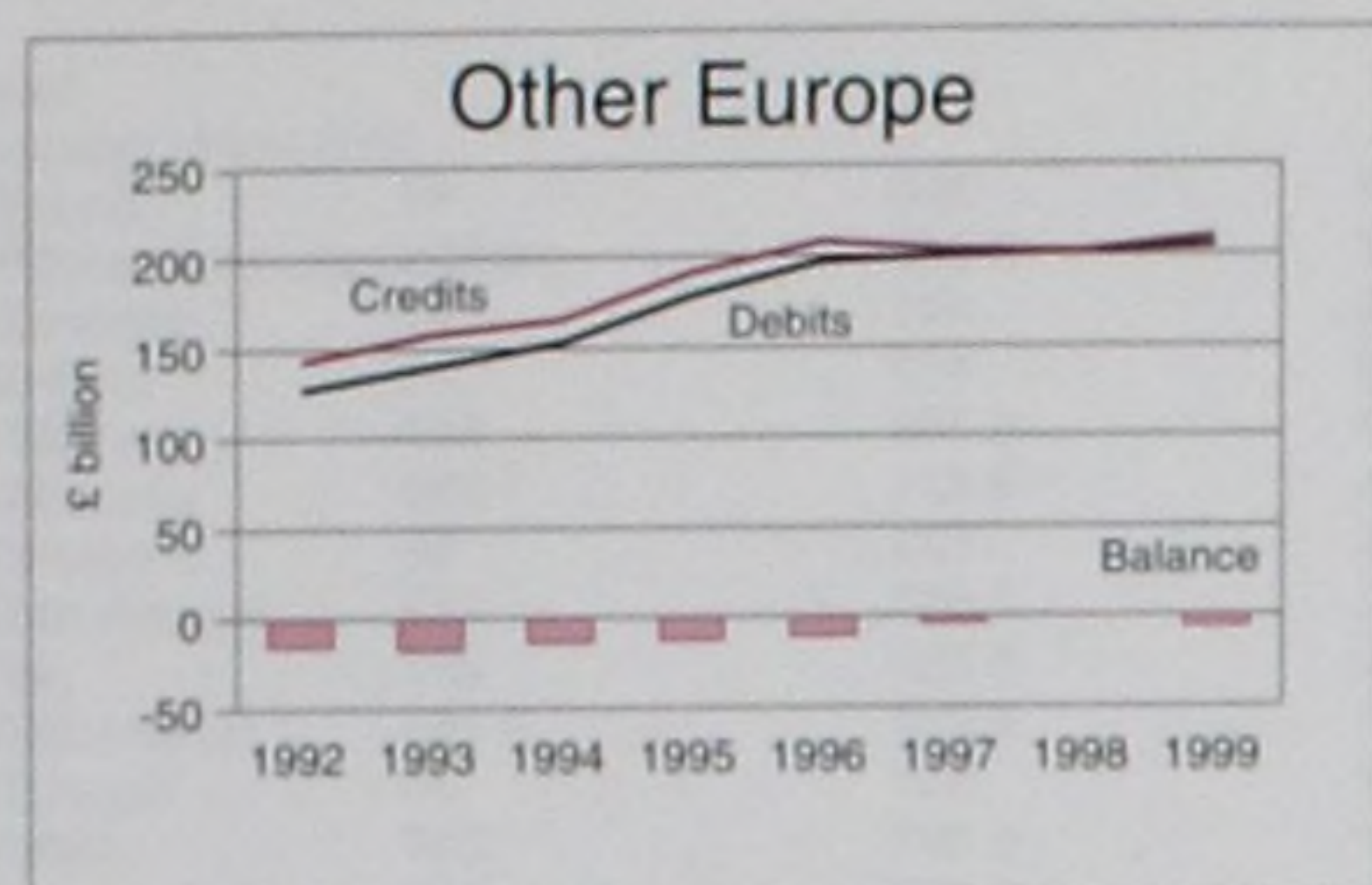


America





# Current Account 1999





# Geographical breakdown

## 9.1 Current account Summary transactions in 1999

£ million

	Trade in goods	Trade in services	Income	Current transfers	Current account
<b>Credits</b>					
<b>Europe<sup>1</sup></b>					
European Union (EU)					
Austria	1 162	359	600	47	2 168
Belgium and Luxembourg	9 188	1 948	3 630	326	15 092
Denmark	2 044	906	941	57	3 948
Finland	1 347	455	427	21	2 250
France	16 809	3 648	6 368	647	27 472
Germany	20 350	4 574	8 421	1 058	34 403
Greece	1 145	738	632	68	2 583
Irish Republic	10 716	2 603	2 861	182	16 362
Italy	7 781	2 031	5 639	297	15 748
Netherlands	13 544	3 008	9 532	1 168	27 252
Portugal	1 701	474	535	35	2 745
Spain	7 484	1 756	2 367	246	11 853
Sweden	4 012	1 147	1 665	115	6 939
EU Institutions <sup>1</sup>	—	281	204	6 310	6 795
<b>Total EU</b>	<b>97 283</b>	<b>23 928</b>	<b>43 822</b>	<b>10 577</b>	<b>175 610</b>
European Free Trade Association (EFTA)					
Iceland	160	33	42	36	271
Liechtenstein <sup>2</sup>	5	24	39	3	71
Norway	2 064	1 097	585	71	3 817
Switzerland <sup>2</sup>	2 751	1 880	4 509	262	9 402
<b>Total EFTA</b>	<b>4 980</b>	<b>3 034</b>	<b>5 175</b>	<b>372</b>	<b>13 561</b>
Other Europe					
Czech Republic	741	137	115	26	1 019
Poland	1 182	243	120	77	1 622
Russia	547	251	141	244	1 183
Turkey	1 215	356	233	41	1 845
Other	1 964	1 568	6 701	117	10 350
<b>Total Europe</b>	<b>107 912</b>	<b>29 517</b>	<b>56 307</b>	<b>11 454</b>	<b>205 190</b>
<b>America</b>					
Brazil	748	333	651	87	1 819
Canada	2 552	1 338	2 039	276	6 205
Mexico	583	162	354	126	1 225
United States of America	24 297	15 537	25 087	3 083	68 004
Other	2 333	1 598	4 657	486	9 074
<b>Total America</b>	<b>30 513</b>	<b>18 968</b>	<b>32 788</b>	<b>4 058</b>	<b>86 327</b>
<b>Asia</b>					
China <sup>3</sup>	1 220	320	239	72	1 851
Hong Kong	2 329	904	2 014	146	5 393
India	1 461	482	366	31	2 340
Indonesia	389	148	142	33	712
Israel	1 306	424	69	42	1 841
Japan	3 303	2 495	7 989	211	13 998
Malaysia	949	395	410	97	1 851
Pakistan	226	295	60	43	624
Philippines	240	108	164	44	556
Saudi Arabia	1 489	1 913	246	516	4 164
Singapore	1 611	770	1 999	110	4 490
South Korea	950	381	194	20	1 545
Taiwan	872	224	149	19	1 264
Thailand	468	198	80	57	803
Other	3 520	1 851	1 410	550	7 331
<b>Total Asia</b>	<b>20 333</b>	<b>10 908</b>	<b>15 531</b>	<b>1 991</b>	<b>48 763</b>
<b>Australasia &amp; Oceania</b>					
Australia	2 164	1 461	2 052	360	6 037
New Zealand	326	296	328	75	1 025
Other	45	54	322	3	424
<b>Total Australasia &amp; Oceania</b>	<b>2 535</b>	<b>1 811</b>	<b>2 702</b>	<b>438</b>	<b>7 486</b>
<b>Africa</b>					
South Africa	1 290	971	716	177	3 154
Other	3 084	1 768	738	160	5 750
<b>Total Africa</b>	<b>4 374</b>	<b>2 739</b>	<b>1 454</b>	<b>337</b>	<b>8 904</b>
<b>International Organisations<sup>1</sup></b>					
	—	39	317	—	356
<b>World total</b>	<b>165 667</b>	<b>63 982</b>	<b>109 099</b>	<b>18 278</b>	<b>357 026</b>

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

3 Totals for China exclude Hong Kong.



# 9.1 Current account

## Summary transactions in 1999

continued

£ million

	Trade in goods	Trade in services	Income	Current transfers	Current account
<b>Debits</b>					
<b>Europe<sup>1</sup></b>					
European Union (EU)					
Austria	1 449	407	728	35	2 619
Belgium and Luxembourg	9 471	1 568	3 235	231	14 505
Denmark	2 222	584	1 052	76	3 934
Finland	2 362	228	617	53	3 260
France	17 851	5 890	4 273	592	28 606
Germany	26 468	4 056	6 326	781	37 631
Greece	399	1 274	614	16	2 303
Irish Republic	8 478	1 742	2 156	794	13 170
Italy	9 311	2 073	2 120	223	13 727
Netherlands	13 401	1 802	5 046	474	20 723
Portugal	1 812	854	138	51	2 855
Spain	5 894	5 361	1 029	196	12 480
Sweden	4 601	577	1 718	154	7 050
EU Institutions <sup>1</sup>	—	4	910	10 524	11 438
<b>Total EU</b>	<b>103 719</b>	<b>26 420</b>	<b>29 962</b>	<b>14 200</b>	<b>174 301</b>
European Free Trade Association (EFTA)					
Iceland	283	22	8	5	318
Liechtenstein <sup>2</sup>	20	5	77	1	103
Norway	3 561	410	731	160	4 862
Switzerland <sup>2</sup>	5 329	970	6 757	228	13 284
<b>Total EFTA</b>	<b>9 193</b>	<b>1 407</b>	<b>7 573</b>	<b>394</b>	<b>18 567</b>
Other Europe					
Czech Republic	580	121	64	26	791
Poland	671	155	120	55	1 001
Russia	1 316	136	50	120	1 622
Turkey	1 214	465	94	38	1 811
Other	2 164	2 137	8 006	248	12 555
<b>Total Europe</b>	<b>118 857</b>	<b>30 841</b>	<b>45 869</b>	<b>15 081</b>	<b>210 648</b>
<b>America</b>					
Brazil	972	148	139	36	1 295
Canada	3 033	954	1 936	197	6 120
Mexico	397	206	—55	15	563
United States of America	24 431	10 791	33 871	2 267	71 360
Other	2 355	1 230	3 612	529	7 726
<b>Total America</b>	<b>31 188</b>	<b>13 329</b>	<b>39 503</b>	<b>3 044</b>	<b>87 064</b>
<b>Asia</b>					
China <sup>3</sup>	3 405	209	128	133	3 875
Hong Kong	4 940	586	1 406	150	7 082
India	1 431	549	302	430	2 712
Indonesia	941	140	39	84	1 204
Israel	1 003	266	134	23	1 426
Japan	9 251	864	5 239	353	15 707
Malaysia	1 965	181	243	72	2 461
Pakistan	321	207	50	156	734
Philippines	987	70	63	46	1 166
Saudi Arabia	794	484	534	29	1 841
Singapore	2 365	291	2 473	90	5 219
South Korea	2 825	116	137	46	3 124
Taiwan	2 641	114	79	40	2 874
Thailand	1 300	231	89	37	1 657
Other	2 020	1 101	1 132	457	4 710
<b>Total Asia</b>	<b>36 189</b>	<b>5 409</b>	<b>12 048</b>	<b>2 146</b>	<b>55 792</b>
<b>Australasia &amp; Oceania</b>					
Australia	1 359	994	1 665	173	4 191
New Zealand	574	220	514	60	1 368
Other	144	20	25	20	209
<b>Total Australasia &amp; Oceania</b>	<b>2 077</b>	<b>1 234</b>	<b>2 204</b>	<b>253</b>	<b>5 768</b>
<b>Africa</b>					
South Africa	1 645	440	152	182	2 419
Other	2 478	1 135	832	1 021	5 466
<b>Total Africa</b>	<b>4 123</b>	<b>1 575</b>	<b>984</b>	<b>1 203</b>	<b>7 885</b>
<b>International Organisations<sup>1</sup></b>	<b>—</b>	<b>56</b>	<b>159</b>	<b>635</b>	<b>850</b>
<b>World total</b>	<b>192 434</b>	<b>52 444</b>	<b>100 767</b>	<b>22 362</b>	<b>368 007</b>

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

3 Totals for China exclude Hong Kong.



# Geographical breakdown

## 9.1 Current account Summary transactions in 1999

continued

£ million

	Trade in goods	Trade in services	Income	Current transfers	Current account
<b>Balances</b>					
<b>Europe<sup>1</sup></b>					
European Union (EU)					
Austria	-287	-48	-128	12	-451
Belgium and Luxembourg	-283	380	395	95	587
Denmark	-178	322	-111	-19	14
Finland	-1 015	227	-190	-32	-1 010
France	-1 042	-2 242	2 095	55	-1 134
Germany	-6 118	518	2 095	277	-3 228
Greece	746	-536	18	52	280
Irish Republic	2 238	861	705	-612	3 192
Italy	-1 530	-42	3 519	74	2 021
Netherlands	143	1 206	4 486	694	6 529
Portugal	-111	-380	397	-16	-110
Spain	1 590	-3 605	1 338	50	-627
Sweden	-589	570	-53	-39	-111
EU Institutions <sup>1</sup>	-	277	-706	-4 214	-4 643
<b>Total EU</b>	<b>-6 436</b>	<b>-2 492</b>	<b>13 860</b>	<b>-3 623</b>	<b>1 309</b>
European Free Trade Association (EFTA)					
Iceland	-123	11	34	31	-47
Liechtenstein <sup>2</sup>	-15	19	-38	2	-32
Norway	-1 497	687	-146	-89	-1 045
Switzerland <sup>2</sup>	-2 578	910	-2 248	34	-3 882
<b>Total EFTA</b>	<b>-4 213</b>	<b>1 627</b>	<b>-2 398</b>	<b>-22</b>	<b>-5 006</b>
Other Europe					
Czech Republic	161	16	51	-	228
Poland	511	88	-	22	621
Russia	-769	115	91	124	-439
Turkey	1	-109	139	3	34
Other	-200	-569	-1 305	-131	-2 205
<b>Total Europe</b>	<b>-10 945</b>	<b>-1 324</b>	<b>10 438</b>	<b>-3 627</b>	<b>-5 458</b>
<b>America</b>					
Brazil	-224	185	512	51	524
Canada	-481	384	103	79	85
Mexico	186	-44	409	111	662
United States of America	-134	4 746	-8 784	816	-3 356
Other	-22	368	1 045	-43	1 348
<b>Total America</b>	<b>-675</b>	<b>5 639</b>	<b>-6 715</b>	<b>1 014</b>	<b>-737</b>
<b>Asia</b>					
China <sup>3</sup>	-2 185	111	111	-61	-2 024
Hong Kong	-2 611	318	608	-4	-1 689
India	30	-67	64	-399	-372
Indonesia	-552	8	103	-51	-492
Israel	303	158	-65	19	415
Japan	-5 948	1 631	2 750	-142	-1 709
Malaysia	-1 016	214	167	25	-610
Pakistan	-95	88	10	-113	-110
Philippines	-747	38	101	-2	-610
Saudi Arabia	695	1 429	-288	487	2 323
Singapore	-754	479	-474	20	-729
South Korea	-1 875	265	57	-26	-1 579
Taiwan	-1 769	110	70	-21	-1 610
Thailand	-832	-33	-9	20	-854
Other	1 500	750	278	93	2 621
<b>Total Asia</b>	<b>-15 856</b>	<b>5 499</b>	<b>3 483</b>	<b>-155</b>	<b>-7 029</b>
<b>Australasia &amp; Oceania</b>					
Australia	805	467	387	187	1 846
New Zealand	-248	76	-186	15	-343
Other	-99	34	297	-17	215
<b>Total Australasia &amp; Oceania</b>	<b>458</b>	<b>577</b>	<b>498</b>	<b>185</b>	<b>1 718</b>
<b>Africa</b>					
South Africa	-355	531	564	-5	735
Other	606	633	-94	-861	284
<b>Total Africa</b>	<b>251</b>	<b>1 164</b>	<b>470</b>	<b>-866</b>	<b>1 019</b>
<b>International Organisations<sup>1</sup></b>	<b>-</b>	<b>-17</b>	<b>158</b>	<b>-635</b>	<b>-494</b>
<b>World total</b>	<b>-26 767</b>	<b>11 538</b>	<b>8 332</b>	<b>-4 084</b>	<b>-10 981</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

<sup>3</sup> Totals for China exclude Hong Kong.



# 9.2

United Kingdom Balance of Payments 2000

Table 9.2

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598</
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# Geographical breakdown

## 9.2 Current account

		£ million							
		1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	CUGP	1 422	1 541	1 753	2 016	2 213	2 061	2 213	2 168
Belgium and Luxembourg	CTFH	9 419	11 050	11 311	13 184	13 426	13 560	14 370	15 092
Denmark	LEQR	2 801	3 000	2 931	3 620	3 790	3 684	3 968	3 948
Finland	LEUD	1 814	2 051	2 367	2 846	2 966	2 566	2 417	2 250
France	LEUM	17 806	19 210	21 258	24 204	26 823	25 784	26 661	27 472
Germany	LEQI	22 513	26 461	28 776	35 004	35 034	34 082	33 902	34 403
Greece	LEUV	1 237	1 386	1 386	1 791	2 190	2 491	2 492	2 583
Irish Republic	BFLV	8 203	9 308	10 252	11 622	13 076	14 220	14 820	16 362
Italy	BFOD	12 068	12 098	13 109	14 967	15 349	15 633	16 991	15 748
Netherlands	BFQF	13 400	14 831	18 415	21 075	24 771	26 102	25 452	27 252
Portugal	BFSH	1 683	1 882	1 934	2 276	2 508	2 446	2 592	2 745
Spain	LEST	6 373	6 714	7 575	9 226	10 770	10 651	11 352	11 853
Sweden	BFTI	4 410	5 036	5 622	6 836	7 290	7 077	7 078	6 939
EU Institutions <sup>1</sup>	CSFH	4 908	5 943	4 961	5 060	6 475	5 955	5 442	6 795
<b>Total EU</b>	<b>LEPZ</b>	<b>108 057</b>	<b>120 511</b>	<b>131 650</b>	<b>153 727</b>	<b>166 681</b>	<b>166 312</b>	<b>169 750</b>	<b>175 610</b>
European Free Trade Association (EFTA)									
Iceland	BFNH	195	239	188	212	264	262	280	271
Liechtenstein <sup>2</sup>	BFPE	..	..	..	63	94	79	66	71
Norway	BFQO	2 715	2 819	3 583	3 466	3 854	4 263	4 537	3 817
Switzerland <sup>2</sup>	LEOY	5 700	6 600	6 445	7 928	8 956	8 694	8 822	9 402
<b>Total EFTA</b>	<b>CTFQ</b>	<b>8 655</b>	<b>9 698</b>	<b>10 253</b>	<b>11 669</b>	<b>13 168</b>	<b>13 298</b>	<b>13 705</b>	<b>13 561</b>
Other Europe									
Czech Republic	LEPQ	..	358	477	717	958	960	1 025	1 019
Poland	BFRY	750	905	920	1 248	1 677	1 739	1 602	1 622
Russia	BFSQ	..	782	1 068	1 273	1 487	1 862	1 831	1 183
Turkey	BFUJ	990	1 423	1 141	1 487	1 989	2 248	2 210	1 845
Other	LEVW	..	6 671	6 905	8 792	11 012	13 372	12 094	10 350
<b>Total Europe</b>	<b>LERA</b>	<b>126 972</b>	<b>140 348</b>	<b>152 414</b>	<b>178 913</b>	<b>196 972</b>	<b>199 791</b>	<b>202 217</b>	<b>205 190</b>
<b>America</b>									
Brazil	LENO	868	1 108	1 569	2 008	2 383	2 205	2 188	1 819
Canada	LEOP	3 768	4 290	4 641	4 851	5 198	5 510	5 949	6 205
Mexico	BFPN	1 611	1 484	1 348	1 143	991	1 189	1 246	1 225
United States of America	BFBV	37 782	42 178	45 755	51 022	56 662	59 957	63 063	68 004
Other	LEVE	6 003	6 664	6 955	7 516	7 721	8 472	9 714	9 074
<b>Total America</b>	<b>LESK</b>	<b>50 032</b>	<b>55 724</b>	<b>60 268</b>	<b>66 540</b>	<b>72 955</b>	<b>77 333</b>	<b>82 160</b>	<b>86 327</b>
<b>Asia</b>									
China <sup>3</sup>	LEPH	666	1 006	1 194	1 184	1 185	1 379	1 405	1 851
Hong Kong	BFJR	4 833	5 624	6 429	6 800	7 427	7 024	6 009	5 393
India	BFMY	1 440	1 498	2 077	2 412	2 370	2 420	2 097	2 340
Indonesia	BPKX	548	535	617	869	1 247	1 153	804	712
Israel	BFMP	838	1 207	1 429	1 505	1 681	1 604	1 487	1 841
Japan	BFOM	13 599	12 916	13 150	15 725	15 199	14 649	13 147	13 998
Malaysia	BFPW	1 425	1 832	2 179	2 090	2 181	2 220	1 684	1 851
Pakistan	BFRP	520	575	618	658	649	616	532	624
Philippines	BFRG	367	510	569	693	670	856	546	556
Saudi Arabia	BFSZ	3 461	3 380	3 241	3 524	4 722	6 049	5 088	4 164
Singapore	BFTR	3 797	4 371	4 493	4 222	5 517	5 360	4 428	4 490
South Korea	BFOV	987	1 193	1 444	1 788	2 183	2 267	1 453	1 545
Taiwan	BFUS	739	947	1 057	1 371	1 376	1 478	1 272	1 264
Thailand	BFUA	759	1 060	1 217	1 398	1 528	1 385	738	803
Other	LEWF	6 571	7 790	7 128	7 705	8 511	9 546	8 603	7 331
<b>Total Asia</b>	<b>LETC</b>	<b>40 550</b>	<b>44 444</b>	<b>46 842</b>	<b>51 944</b>	<b>56 446</b>	<b>58 006</b>	<b>49 293</b>	<b>48 763</b>
<b>Australasia &amp; Oceania</b>									
Australia	CWBG	4 451	5 014	6 033	6 224	6 800	6 545	5 720	6 037
New Zealand	BFQX	859	1 120	1 324	1 361	1 386	1 195	1 009	1 025
Other	LEVN	87	87	138	241	412	339	445	424
<b>Total Australasia &amp; Oceania</b>	<b>LETU</b>	<b>5 397</b>	<b>6 221</b>	<b>7 495</b>	<b>7 826</b>	<b>8 598</b>	<b>8 079</b>	<b>7 174</b>	<b>7 486</b>
<b>Africa</b>									
South Africa	BFWU	2 265	2 664	2 861	3 344	3 484	3 279	3 298	3 154
Other	LEWO	4 483	5 035	4 712	4 893	5 593	5 772	5 693	5 750
<b>Total Africa</b>	<b>LERS</b>	<b>6 748</b>	<b>7 699</b>	<b>7 573</b>	<b>8 237</b>	<b>9 077</b>	<b>9 051</b>	<b>8 991</b>	<b>8 904</b>
<b>International Organisations<sup>1</sup></b>	<b>CTEY</b>	<b>332</b>	<b>326</b>	<b>304</b>	<b>288</b>	<b>221</b>	<b>276</b>	<b>295</b>	<b>356</b>
<b>World total</b>	<b>HBOE</b>	<b>230 031</b>	<b>254 762</b>	<b>274 896</b>	<b>313 748</b>	<b>344 269</b>	<b>352 536</b>	<b>350 130</b>	<b>357 026</b>

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

3 Totals for China exclude Hong Kong.



# 9.2 Current account

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Debits</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	CUGW	1 485	1 821	2 024	1 955	2 201	2 665	2 730	2 619
Belgium and Luxembourg	CTFI	9 523	11 422	12 087	13 766	14 447	14 250	14 590	14 505
Denmark	LEQS	3 106	3 238	3 115	3 398	3 862	3 892	3 785	3 934
Finland	LEUE	2 106	2 304	2 819	3 291	3 497	3 405	3 191	3 260
France	LEUN	18 720	21 981	23 104	26 283	28 274	27 459	27 241	28 606
Germany	LEQJ	27 775	30 632	32 734	39 337	40 793	37 377	35 387	37 631
Greece	LEUW	1 537	1 511	1 691	1 944	1 912	1 966	1 929	2 303
Irish Republic	BFLW	6 692	7 560	8 195	10 151	11 226	11 428	12 252	13 170
Italy	BFOE	9 056	9 444	10 806	11 953	13 909	15 062	14 754	13 727
Netherlands	BFQG	15 599	14 864	16 563	18 323	21 014	19 277	19 622	20 723
Portugal	BFSI	2 202	2 332	2 184	2 568	2 836	2 837	2 696	2 855
Spain	LESU	5 783	7 159	8 011	9 593	10 686	10 592	11 733	12 480
Sweden	BFTJ	4 360	5 423	6 145	6 835	7 377	6 929	6 506	7 050
EU Institutions <sup>1</sup>	CSFI	7 495	8 785	8 026	9 823	9 903	8 936	10 996	11 438
<b>Total EU</b>	<b>LEQA</b>	<b>115 439</b>	<b>128 476</b>	<b>137 504</b>	<b>159 220</b>	<b>171 937</b>	<b>166 075</b>	<b>167 412</b>	<b>174 301</b>
European Free Trade Association (EFTA)									
Iceland	BFNI	267	274	272	280	321	267	301	318
Liechtenstein <sup>2</sup>	BFPF	..	..	..	119	132	138	138	103
Norway	BFQP	4 664	5 018	4 952	5 580	6 197	6 177	4 580	4 862
Switzerland <sup>2</sup>	LEOZ	11 344	12 149	11 170	12 583	13 452	12 875	11 149	13 284
<b>Total EFTA</b>	<b>CTFR</b>	<b>16 382</b>	<b>17 547</b>	<b>16 494</b>	<b>18 562</b>	<b>20 102</b>	<b>19 457</b>	<b>16 168</b>	<b>18 567</b>
Other Europe									
Czech Republic	LEPR	..	336	411	490	609	700	780	791
Poland	BFRZ	516	642	744	896	864	1 024	1 025	1 001
Russia	BFSR	..	1 151	1 138	1 306	1 630	1 887	1 742	1 622
Turkey	BFUK	850	1 062	1 177	1 518	1 755	1 670	1 741	1 811
Other	LEVX	..	8 373	8 231	9 587	11 020	12 406	13 383	12 555
<b>Total Europe</b>	<b>LERB</b>	<b>142 493</b>	<b>157 587</b>	<b>165 699</b>	<b>191 579</b>	<b>207 917</b>	<b>203 219</b>	<b>202 251</b>	<b>210 648</b>
<b>America</b>									
Brazil	LENP	977	1 029	1 032	1 257	1 499	1 338	1 257	1 295
Canada	LEOQ	3 454	3 963	5 014	5 016	4 616	4 919	5 351	6 120
Mexico	BFPO	681	475	463	501	529	631	725	563
United States of America	BFVC	36 215	40 692	43 021	51 252	57 567	61 445	67 838	71 360
Other	LEVF	5 540	5 571	5 360	5 654	6 985	6 907	7 367	7 726
<b>Total America</b>	<b>LESL</b>	<b>46 867</b>	<b>51 730</b>	<b>54 890</b>	<b>63 680</b>	<b>71 196</b>	<b>75 240</b>	<b>82 538</b>	<b>87 064</b>
<b>Asia</b>									
China <sup>3</sup>	LEPI	1 278	1 620	1 953	2 241	2 543	2 784	3 291	3 875
Hong Kong	BFJS	5 189	5 388	5 339	5 809	6 132	6 229	6 017	7 082
India	BFMZ	1 290	1 643	2 029	2 153	2 549	2 670	2 578	2 712
Indonesia	BFKY	797	970	1 024	1 152	1 262	1 159	1 075	1 204
Israel	BPMQ	753	861	906	1 062	1 164	1 326	1 314	1 426
Japan	BFON	13 606	13 895	14 072	15 984	15 091	14 983	14 721	15 707
Malaysia	BFPX	1 373	1 708	1 677	1 961	2 937	2 515	2 428	2 461
Pakistan	BFRQ	491	554	638	648	705	766	710	734
Philippines	BFRH	345	385	362	458	1 006	879	989	1 166
Saudi Arabia	BFTA	2 954	3 419	2 358	2 723	2 661	2 873	2 190	1 841
Singapore	BPTS	2 940	3 771	3 706	4 469	4 968	5 376	4 850	5 219
South Korea	BPOW	1 076	1 228	1 262	1 735	2 278	2 468	2 549	3 124
Taiwan	BFUT	1 742	1 922	1 831	1 915	2 308	2 506	2 466	2 874
Thailand	BFUB	899	1 037	1 207	1 386	1 512	1 478	1 618	1 657
Other	LEWG	5 565	6 020	5 401	5 257	5 144	5 259	4 834	4 710
<b>Total Asia</b>	<b>LETD</b>	<b>40 298</b>	<b>44 421</b>	<b>43 765</b>	<b>48 953</b>	<b>52 260</b>	<b>53 271</b>	<b>51 630</b>	<b>55 792</b>
<b>Australasia &amp; Oceania</b>									
Australia	CWBO	2 457	3 094	3 383	3 453	3 459	4 072	3 918	4 191
New Zealand	BFQY	654	800	1 018	1 074	1 204	1 121	1 295	1 368
Other	LEVO	222	252	246	297	315	239	190	209
<b>Total Australasia &amp; Oceania</b>	<b>LETV</b>	<b>3 333</b>	<b>4 146</b>	<b>4 647</b>	<b>4 824</b>	<b>4 978</b>	<b>5 432</b>	<b>5 403</b>	<b>5 768</b>
<b>Africa</b>									
South Africa	BFWV	1 372	1 593	1 541	1 813	1 803	2 085	2 155	2 419
Other	LEWP	4 305	4 465	4 564	5 021	5 521	5 598	5 369	5 466
<b>Total Africa</b>	<b>LERT</b>	<b>5 677</b>	<b>6 058</b>	<b>6 105</b>	<b>6 834</b>	<b>7 324</b>	<b>7 683</b>	<b>7 524</b>	<b>7 885</b>
<b>International Organisations<sup>1</sup></b>									
	CTEZ	1 445	1 438	1 248	1 623	1 194	1 068	864	850
<b>World total</b>	<b>HBOF</b>	<b>240 113</b>	<b>265 380</b>	<b>276 354</b>	<b>317 493</b>	<b>344 869</b>	<b>345 913</b>	<b>350 210</b>	<b>368 007</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

<sup>3</sup> Totals for China exclude Hong Kong.



# Geographical breakdown

## 9.2 Current account

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	CUGX	-63	-280	-271	61	12	-604	-517	-451
Belgium and Luxembourg	CTFJ	-104	-372	-776	-582	-1 021	-690	-220	587
Denmark	LEQT	-305	-238	-184	222	-72	-208	183	14
Finland	LEUF	-292	-253	-452	-445	-531	-839	-774	-1 010
France	LEUO	-914	-2 771	-1 846	-2 079	-1 451	-1 675	-580	-1 134
Germany	LEQK	-5 262	-4 171	-3 958	-4 333	-5 759	-3 295	-1 485	-3 228
Greece	LEUX	-300	-125	-305	-153	278	525	563	280
Irish Republic	BFLX	1 511	1 748	2 057	1 471	1 850	2 792	2 568	3 192
Italy	BFOF	3 012	2 654	2 303	3 014	1 440	571	2 237	2 021
Netherlands	BFQH	-2 199	-33	1 852	2 752	3 757	6 825	5 830	6 529
Portugal	BFSJ	-519	-450	-250	-292	-328	-391	-104	-110
Spain	LESV	590	-445	-436	-367	84	59	-381	-627
Sweden	BFTK	50	-387	-523	1	-87	148	572	-111
EU Institutions <sup>1</sup>	CSFJ	-2 587	-2 842	-3 065	-4 763	-3 428	-2 981	-5 554	-4 643
<b>Total EU</b>	<b>LEQB</b>	<b>-7 382</b>	<b>-7 965</b>	<b>-5 854</b>	<b>-5 493</b>	<b>-5 256</b>	<b>237</b>	<b>2 338</b>	<b>1 309</b>
European Free Trade Association (EFTA)									
Iceland	BFNJ	-72	-35	-84	-68	-57	-5	-21	-47
Liechtenstein <sup>2</sup>	BFPQ	..	..	..	-56	-38	-59	-72	-32
Norway	BFQQ	-1 949	-2 199	-1 369	-2 114	-2 343	-1 914	-43	-1 045
Switzerland <sup>2</sup>	LEPA	-5 644	-5 549	-4 725	-4 655	-4 496	-4 181	-2 327	-3 882
<b>Total EFTA</b>	<b>CTFS</b>	<b>-7 727</b>	<b>-7 849</b>	<b>-6 241</b>	<b>-6 893</b>	<b>-6 934</b>	<b>-6 159</b>	<b>-2 463</b>	<b>-5 006</b>
Other Europe									
Czech Republic	LEPS	..	22	66	227	349	260	245	228
Poland	BFSA	234	263	176	352	813	715	577	621
Russia	BFSS	..	-369	-70	-33	-143	-25	89	-439
Turkey	BFUL	140	361	-36	-31	234	578	469	34
Other	LEVY	..	-1 702	-1 326	-795	-8	966	-1 289	-2 205
<b>Total Europe</b>	<b>LERC</b>	<b>-15 521</b>	<b>-17 239</b>	<b>-13 285</b>	<b>-12 666</b>	<b>-10 945</b>	<b>-3 428</b>	<b>-34</b>	<b>-5 458</b>
<b>America</b>									
Brazil	LENQ	-109	79	537	751	884	867	931	524
Canada	LEOR	314	327	-373	-165	582	591	598	85
Mexico	BFPP	930	1 009	885	642	462	558	521	662
United States of America	BFVD	1 567	1 486	2 734	-230	-905	-1 488	-4 775	-3 356
Other	LEVG	463	1 093	1 595	1 862	736	1 565	2 347	1 348
<b>Total America</b>	<b>LESM</b>	<b>3 165</b>	<b>3 994</b>	<b>5 378</b>	<b>2 860</b>	<b>1 759</b>	<b>2 093</b>	<b>-378</b>	<b>-737</b>
<b>Asia</b>									
China <sup>3</sup>	LEPJ	-612	-614	-759	-1 057	-1 358	-1 405	-1 886	-2 024
Hong Kong	BFJT	-356	236	1 090	991	1 295	795	-8	-1 689
India	BFNA	150	-145	48	259	-179	-250	-481	-372
Indonesia	BFKZ	-249	-435	-407	-283	-15	-6	-271	-492
Israel	BFMR	85	346	523	443	517	278	173	415
Japan	BFOO	-7	-979	-922	-259	108	-334	-1 574	-1 709
Malaysia	BFPY	52	124	502	129	-756	-295	-744	-610
Pakistan	BFRR	29	21	-20	10	-56	-150	-178	-110
Philippines	BFRI	22	125	207	235	-336	-23	-443	-610
Saudi Arabia	BFTB	507	-39	883	801	2 061	3 176	2 898	2 323
Singapore	BFTT	857	600	787	-247	549	-16	-422	-729
South Korea	BFOX	-89	-35	182	53	-95	-201	-1 096	-1 579
Taiwan	BFUU	-1 003	-975	-774	-544	-932	-1 028	-1 194	-1 610
Thailand	BFUC	-140	23	10	12	16	-93	-880	-854
Other	LEWH	1 006	1 770	1 727	2 448	3 367	4 287	3 769	2 621
<b>Total Asia</b>	<b>LETE</b>	<b>252</b>	<b>23</b>	<b>3 077</b>	<b>2 991</b>	<b>4 186</b>	<b>4 735</b>	<b>-2 337</b>	<b>-7 029</b>
<b>Australasia &amp; Oceania</b>									
Australia	CWJK	1 994	1 920	2 650	2 771	3 341	2 473	1 802	1 846
New Zealand	BFQZ	205	320	306	287	182	74	-286	-343
Other	LEVP	-135	-165	-108	-56	97	100	255	215
<b>Total Australasia &amp; Oceania</b>	<b>LETW</b>	<b>2 064</b>	<b>2 075</b>	<b>2 848</b>	<b>3 002</b>	<b>3 620</b>	<b>2 647</b>	<b>1 771</b>	<b>1 718</b>
<b>Africa</b>									
South Africa	BFWW	893	1 071	1 320	1 531	1 681	1 194	1 143	735
Other	LEWQ	178	570	148	-128	72	174	324	284
<b>Total Africa</b>	<b>LERU</b>	<b>1 071</b>	<b>1 641</b>	<b>1 468</b>	<b>1 403</b>	<b>1 753</b>	<b>1 368</b>	<b>1 467</b>	<b>1 019</b>
<b>International Organisations<sup>1</sup></b>	<b>CTFA</b>	<b>-1 113</b>	<b>-1 112</b>	<b>-944</b>	<b>-1 335</b>	<b>-973</b>	<b>-792</b>	<b>-569</b>	<b>-494</b>
<b>World total</b>	<b>HBOG</b>	<b>-10 082</b>	<b>-10 618</b>	<b>-1 458</b>	<b>-3 745</b>	<b>-600</b>	<b>6 623</b>	<b>-80</b>	<b>-10 981</b>

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

3 Totals for China exclude Hong Kong.



Item	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Exports												
Manufactures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital goods	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Consumer goods	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Services	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Transport	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Tourism	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Business	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Other	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Imports												
Manufactures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital goods	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Consumer goods	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Services	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Transport	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Tourism	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Business	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Other	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Balance												
Manufactures	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Services	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Total	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0



## Geographical breakdown

# 9.3 Trade in goods and services

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	LGHT	1 005	1 163	1 327	1 467	1 627	1 465	1 519	1 521
Belgium and Luxembourg	LGHU	6 580	8 127	8 477	9 752	9 953	10 021	10 229	11 136
Denmark	LGHV	1 940	2 041	2 274	2 617	3 076	2 955	3 032	2 950
Finland	LGHW	1 206	1 346	1 554	2 015	2 284	1 958	1 858	1 802
France	LGHX	13 450	14 395	16 018	17 946	19 908	19 433	19 868	20 457
Germany	LGHY	18 076	19 335	20 907	24 281	24 719	25 034	25 025	24 924
Greece	LGHZ	1 123	1 301	1 352	1 538	1 614	1 598	1 680	1 883
Irish Republic	LGIA	6 772	7 496	8 654	9 732	10 851	11 602	12 023	13 319
Italy	LGIB	7 361	7 336	8 189	9 363	9 624	9 887	10 505	9 812
Netherlands	LGIC	9 730	9 496	11 167	14 137	15 533	16 200	15 622	16 552
Portugal	LGID	1 397	1 621	1 540	1 776	1 998	2 012	2 083	2 175
Spain	LGIE	5 340	5 398	6 099	7 197	7 982	7 909	8 656	9 240
Sweden	LGIF	3 071	3 558	4 112	4 977	5 336	5 392	5 525	5 159
EU Institutions <sup>1</sup>	LGIG	582	358	313	373	145	232	179	281
Total EU	LHRU	77 633	82 971	91 983	107 171	114 650	115 698	117 804	121 211
European Free Trade Association (EFTA)									
Iceland	LGII	127	181	151	177	197	207	209	193
Liechtenstein <sup>2</sup>	LGIJ	..	..	..	14	23	23	23	29
Norway	LGIK	2 047	2 310	2 985	2 927	3 096	3 564	3 803	3 161
Switzerland <sup>2</sup>	LGIL	2 652	3 306	3 413	4 049	5 169	5 014	4 620	4 631
Total EFTA	LGIM	4 826	5 797	6 550	7 167	8 485	8 808	8 655	8 014
Other Europe									
Czech Republic	LGIN	..	357	453	669	827	824	881	878
Poland	LGIO	687	846	863	1 107	1 524	1 564	1 442	1 425
Russia	LGIP	..	749	977	1 154	1 304	1 561	1 316	798
Turkey	LGIQ	819	1 204	966	1 347	1 785	2 028	1 907	1 571
Other	LGIR	..	1 797	2 277	2 799	3 632	3 850	3 748	3 532
Total Europe	LGIS	86 115	93 721	104 069	121 414	132 207	134 333	135 753	137 429
<b>America</b>									
Brazil	LGIT	458	632	758	937	1 115	1 294	1 326	1 081
Canada	LGIU	2 430	2 772	2 863	2 779	2 910	3 327	3 577	3 890
Mexico	LGIV	416	463	525	420	421	573	695	745
United States of America	LGIW	20 706	24 672	27 107	28 675	32 008	34 767	36 280	39 834
Other	LGIX	2 132	2 574	3 206	3 324	3 212	3 916	4 303	3 931
Total America	LGIY	26 142	31 113	34 459	36 135	39 666	43 877	46 181	49 481
<b>Asia</b>									
China <sup>3</sup>	LGIZ	563	916	1 048	1 034	966	1 131	1 134	1 540
Hong Kong	LGJA	2 228	2 953	3 197	3 451	3 798	4 158	3 548	3 233
India	LGJB	1 237	1 501	1 738	2 085	2 058	2 096	1 703	1 943
Indonesia	LGJC	434	470	521	730	992	891	548	537
Israel	LGJD	769	1 135	1 367	1 430	1 528	1 502	1 383	1 730
Japan	LGJE	3 712	4 444	5 118	6 203	6 615	6 635	5 639	5 798
Malaysia	LGJF	948	1 352	1 763	1 663	1 652	1 704	1 201	1 344
Pakistan	LGJG	459	508	544	565	578	476	466	521
Philippines	LGJH	271	391	447	568	485	726	391	348
Saudi Arabia	LGJI	3 353	3 269	3 092	3 364	4 133	5 418	4 395	3 402
Singapore	LGJJ	1 541	1 918	2 333	2 639	2 676	2 607	2 152	2 381
South Korea	LGJK	925	1 117	1 343	1 583	1 763	1 679	1 056	1 331
Taiwan	LGJL	652	846	886	1 175	1 169	1 278	1 095	1 096
Thailand	LGJM	668	906	1 027	1 179	1 220	1 131	598	666
Other	LGJN	5 215	6 354	5 818	6 349	6 922	7 623	6 537	5 371
Total Asia	LGJO	22 975	28 080	30 242	34 018	36 555	39 055	31 846	31 241
<b>Australasia &amp; Oceania</b>									
Australia	LGJP	2 321	2 699	3 127	3 390	3 892	3 943	3 586	3 625
New Zealand	LGJQ	451	552	680	716	723	676	646	622
Other	LGJR	69	82	70	86	157	146	107	99
Total Australasia & Oceania	LGJS	2 841	3 333	3 877	4 192	4 772	4 765	4 339	4 346
<b>Africa</b>									
South Africa	LGJT	1 592	1 784	2 186	2 544	2 528	2 363	2 365	2 261
Other	LGJU	3 478	3 929	3 823	3 998	4 523	4 878	4 954	4 852
Total Africa	LGJV	5 070	5 713	6 009	6 542	7 051	7 241	7 319	7 113
<b>International Organisations<sup>1</sup></b>									
	LGJW	148	118	111	111	52	55	36	39
<b>World total</b>	<b>KTMW</b>	<b>143 291</b>	<b>162 078</b>	<b>178 767</b>	<b>202 412</b>	<b>220 303</b>	<b>229 326</b>	<b>225 474</b>	<b>229 649</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

<sup>3</sup> Totals for China exclude Hong Kong.



# 9.3 Trade in goods and services

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Imports</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	LGJY	1 228	1 323	1 396	1 299	1 496	1 710	1 826	1 856
Belgium and Luxembourg	LGJZ	6 273	7 437	7 769	9 023	9 891	10 285	10 663	11 039
Denmark	LGKA	2 579	2 409	2 493	2 546	2 824	2 870	2 697	2 806
Finland	LGKB	1 738	1 997	2 415	2 640	2 808	2 688	2 501	2 590
France	LGKC	14 860	16 593	18 506	20 133	21 795	22 230	22 843	23 741
Germany	LGKD	21 438	22 785	25 048	29 514	30 953	28 858	28 311	30 524
Greece	LGKE	1 232	1 246	1 428	1 455	1 183	1 181	1 228	1 673
Irish Republic	LGKF	5 645	6 241	6 806	8 099	8 603	8 897	9 350	10 220
Italy	LGKG	7 448	7 576	8 620	9 414	10 447	11 300	11 757	11 384
Netherlands	LGKH	10 877	10 265	11 605	13 143	14 010	14 003	15 189	15 203
Portugal	LGKI	1 662	1 768	1 840	2 110	2 341	2 464	2 454	2 666
Spain	LGKJ	5 073	5 842	6 755	7 838	8 513	8 866	10 065	11 255
Sweden	LGKK	3 510	3 909	4 602	4 994	5 271	5 191	4 839	5 178
EU Institutions <sup>1</sup>	LGKL	—	—	—	—	—	—	4	4
<b>Total EU</b>	<b>LHRV</b>	<b>83 563</b>	<b>89 391</b>	<b>99 283</b>	<b>112 208</b>	<b>120 135</b>	<b>120 543</b>	<b>123 727</b>	<b>130 139</b>
European Free Trade Association (EFTA)									
Iceland	LGKN	252	260	258	268	302	260	291	305
Liechtenstein <sup>2</sup>	LGKO	..	..	..	5	19	24	42	25
Norway	LGKP	4 297	4 575	4 253	4 812	5 335	5 252	3 891	3 971
Switzerland <sup>2</sup>	LGKQ	4 353	5 174	5 509	5 945	6 303	5 605	5 822	6 299
<b>Total EFTA</b>	<b>LGKR</b>	<b>8 902</b>	<b>10 009</b>	<b>10 020</b>	<b>11 030</b>	<b>11 959</b>	<b>11 141</b>	<b>10 046</b>	<b>10 600</b>
Other Europe									
Czech Republic	LGKS	..	315	369	400	440	533	674	701
Poland	LGKT	422	524	622	731	652	728	789	826
Russia	LGKU	..	999	994	1 140	1 361	1 611	1 602	1 452
Turkey	LGKV	624	862	975	1 229	1 440	1 478	1 557	1 679
Other	LGKW	..	2 547	3 212	3 125	4 140	4 044	4 122	4 301
<b>Total Europe</b>	<b>LGKX</b>	<b>96 742</b>	<b>104 647</b>	<b>115 475</b>	<b>129 863</b>	<b>140 127</b>	<b>140 078</b>	<b>142 517</b>	<b>149 698</b>
<b>America</b>									
Brazil	LGKY	876	925	952	1 000	1 045	1 030	1 021	1 120
Canada	LGKZ	2 468	2 493	2 637	3 064	3 078	3 360	3 458	3 987
Mexico	LGLA	173	194	274	343	405	515	551	603
United States of America	LGLB	19 070	22 710	24 366	27 886	31 846	34 036	35 457	35 222
Other	LGLC	1 985	2 354	2 425	2 679	3 386	3 228	3 377	3 585
<b>Total America</b>	<b>LGLD</b>	<b>24 572</b>	<b>28 676</b>	<b>30 654</b>	<b>34 972</b>	<b>39 760</b>	<b>42 169</b>	<b>43 864</b>	<b>44 517</b>
<b>Asia</b>									
China <sup>3</sup>	LGLE	967	1 400	1 738	1 996	2 253	2 562	3 051	3 614
Hong Kong	LGLF	2 751	3 447	3 647	3 827	4 332	4 718	4 827	5 526
India	LGLG	1 059	1 369	1 592	1 717	1 885	1 968	1 840	1 980
Indonesia	LGLH	619	802	879	978	1 018	989	966	1 081
Israel	LGLI	586	688	740	875	952	1 105	1 158	1 269
Japan	LGLJ	7 627	8 811	9 365	10 160	9 667	9 974	10 094	10 115
Malaysia	LGLK	1 167	1 512	1 352	1 608	2 443	2 171	2 138	2 146
Pakistan	LGLL	375	447	497	504	501	524	498	528
Philippines	LGLM	270	318	296	398	909	782	908	1 057
Saudi Arabia	LGLN	1 210	1 609	1 087	1 014	1 037	1 261	1 225	1 278
Singapore	LGLO	1 477	1 959	2 282	2 443	2 704	2 917	2 628	2 656
South Korea	LGLP	947	1 102	1 144	1 599	2 051	2 295	2 326	2 941
Taiwan	LGLQ	1 366	1 626	1 605	1 723	2 092	2 359	2 347	2 755
Thailand	LGLR	766	950	1 092	1 252	1 335	1 350	1 510	1 531
Other	LGLS	2 455	3 140	3 144	2 837	3 155	3 203	3 045	3 121
<b>Total Asia</b>	<b>LGLT</b>	<b>23 642</b>	<b>29 180</b>	<b>30 460</b>	<b>32 931</b>	<b>36 334</b>	<b>38 178</b>	<b>38 561</b>	<b>41 598</b>
<b>Australasia &amp; Oceania</b>									
Australia	LGLU	1 493	1 553	1 716	1 765	2 067	2 237	2 328	2 353
New Zealand	LGLV	544	635	699	746	820	785	738	794
Other	LGLW	136	170	169	215	274	199	162	164
<b>Total Australasia &amp; Oceania</b>	<b>LGLX</b>	<b>2 173</b>	<b>2 358</b>	<b>2 584</b>	<b>2 726</b>	<b>3 161</b>	<b>3 221</b>	<b>3 228</b>	<b>3 311</b>
<b>Africa</b>									
South Africa	LGLY	1 038	1 225	1 185	1 404	1 568	1 765	1 849	2 085
Other	LGLZ	2 402	2 606	2 895	3 241	3 472	3 345	3 347	3 613
<b>Total Africa</b>	<b>LGMA</b>	<b>3 440</b>	<b>3 831</b>	<b>4 080</b>	<b>4 645</b>	<b>5 040</b>	<b>5 110</b>	<b>5 196</b>	<b>5 698</b>
<b>International Organisations<sup>1</sup></b>									
	LGMB	98	82	77	84	70	66	63	56
<b>World total</b>	<b>KTMX</b>	<b>150 667</b>	<b>168 774</b>	<b>183 330</b>	<b>205 221</b>	<b>224 492</b>	<b>228 822</b>	<b>233 429</b>	<b>244 878</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

<sup>3</sup> Totals for China exclude Hong Kong.



## Geographical breakdown

# 9.3 Trade in goods and services

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	LGMG	-223	-160	-69	168	131	-245	-307	-335
Belgium and Luxembourg	LGMH	307	690	708	729	62	-264	-434	97
Denmark	LGMF	-639	-368	-219	71	252	85	335	144
Finland	LGMQ	-532	-651	-861	-625	-524	-730	-643	-788
France	LGMH	-1 410	-2 198	-2 488	-2 187	-1 887	-2 797	-2 975	-3 284
Germany	LGMH	-3 362	-3 450	-4 141	-5 233	-6 234	-3 824	-3 286	-5 600
Greece	LGMJ	-109	55	-76	83	431	417	452	210
Irish Republic	LGMK	1 127	1 255	1 848	1 633	2 248	2 705	2 673	3 099
Italy	LGMH	-87	-240	-431	-51	-823	-1 413	-1 252	-1 572
Netherlands	LGMH	-1 147	-769	-438	994	1 523	2 197	433	1 349
Portugal	LGMH	-265	-147	-300	-334	-343	-452	-371	-491
Spain	LGMH	267	-444	-656	-641	-531	-957	-1 409	-2 015
Sweden	LGMH	-439	-351	-490	-17	65	201	686	-19
EU Institutions <sup>1</sup>	LGMQ	582	358	313	373	145	232	175	277
Total EU	LHRW	-5 930	-6 420	-7 300	-5 037	-5 485	-4 845	-5 923	-8 928
European Free Trade Association (EFTA)									
Iceland	LGMH	-125	-79	-107	-91	-105	-53	-82	-112
Liechtenstein <sup>2</sup>	LGMT	..	..	..	9	4	-1	-19	4
Norway	LGMU	-2 250	-2 265	-1 268	-1 885	-2 239	-1 688	-88	-810
Switzerland <sup>2</sup>	LGMV	-1 701	-1 868	-2 096	-1 896	-1 134	-591	-1 202	-1 668
Total EFTA	LGMW	-4 076	-4 212	-3 470	-3 863	-3 474	-2 333	-1 391	-2 586
Other Europe									
Czech Republic	LGMX	..	42	84	269	387	291	207	177
Poland	LGMH	265	322	241	376	872	836	653	599
Russia	LGMZ	..	-250	-17	14	-57	-50	-286	-654
Turkey	LGMH	195	342	-9	118	345	550	350	-108
Other	LGMH	..	-750	-935	-326	-508	-194	-374	-769
Total Europe	LGNC	-10 627	-10 926	-11 406	-8 449	-7 920	-5 745	-6 764	-12 269
<b>America</b>									
Brazil	LGMH	-418	-293	-194	-63	70	264	305	-39
Canada	LGMH	-38	279	226	-285	-168	-33	119	-97
Mexico	LGMH	243	269	251	77	16	58	144	142
United States of America	LGMH	1 636	1 962	2 741	789	162	731	823	4 612
Other	LGMH	147	220	781	645	-174	688	926	346
Total America	LGNI	1 570	2 437	3 805	1 163	-94	1 708	2 317	4 964
<b>Asia</b>									
China <sup>3</sup>	LGMH	-404	-484	-690	-962	-1 287	-1 431	-1 917	-2 074
Hong Kong	LGMH	-523	-494	-450	-376	-534	-560	-1 279	-2 293
India	LGMH	178	132	146	368	173	128	-137	-37
Indonesia	LGMH	-185	-332	-358	-248	-26	-98	-418	-544
Israel	LGMH	183	447	627	555	576	397	225	461
Japan	LGMH	-3 915	-4 367	-4 247	-3 957	-3 052	-3 339	-4 455	-4 317
Malaysia	LGMH	-219	-160	411	55	-791	-467	-937	-802
Pakistan	LGMH	84	61	47	61	77	-48	-32	-7
Philippines	LGMH	1	73	151	170	-424	-56	-517	-709
Saudi Arabia	LGMH	2 143	1 660	2 005	2 350	3 096	4 157	3 170	2 124
Singapore	LGMH	64	-41	51	196	-28	-310	-476	-275
South Korea	LGMH	-22	15	199	-16	-288	-616	-1 270	-1 610
Taiwan	LGMH	-714	-780	-719	-548	-923	-1 081	-1 252	-1 659
Thailand	LGMH	-98	-44	-65	-73	-115	-219	-912	-865
Other	LGMH	2 760	3 214	2 674	3 512	3 767	4 420	3 492	2 250
Total Asia	LGNY	-667	-1 100	-218	1 087	221	877	-6 715	-10 357
<b>Australasia &amp; Oceania</b>									
Australia	LGMH	828	1 146	1 411	1 625	1 825	1 706	1 258	1 272
New Zealand	LGMH	-93	-83	-19	-30	-97	-109	-92	-172
Other	LGMH	-67	-88	-99	-129	-117	-53	-55	-65
Total Australasia & Oceania	LGOC	668	975	1 293	1 466	1 611	1 544	1 111	1 035
<b>Africa</b>									
South Africa	LGMH	554	559	1 001	1 140	960	598	516	176
Other	LGMH	1 076	1 323	928	757	1 051	1 533	1 607	1 239
Total Africa	LGOF	1 630	1 882	1 929	1 897	2 011	2 131	2 123	1 415
<b>International Organisations<sup>1</sup></b>									
	LGOG	50	36	34	27	-18	-11	-27	-17
World total	KTMH	-7 376	-6 696	-4 563	-2 809	-4 189	504	-7 955	-15 229

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

3 Totals for China exclude Hong Kong.







# Geographical breakdown

## 9.4 Trade in goods

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	CHMY	794	914	1 051	1 126	1 267	1 157	1 192	1 162
Belgium and Luxembourg	CHNQ	5 709	7 130	7 376	8 312	8 538	8 444	8 451	9 188
Denmark	CHNR	1 554	1 605	1 825	2 113	2 216	2 089	2 058	2 044
Finland	CHMZ	993	1 119	1 317	1 718	1 818	1 569	1 436	1 347
France	ENYL	11 495	12 183	13 678	15 290	17 132	16 581	16 455	16 809
Germany	ENYO	15 186	16 053	17 363	20 274	20 761	20 650	20 595	20 350
Greece	CHNT	779	936	939	1 047	1 141	1 046	1 043	1 145
Irish Republic	CHNS	5 723	6 353	7 172	7 806	8 683	9 347	9 611	10 716
Italy	CHNO	6 139	6 080	6 848	7 895	8 043	8 200	8 609	7 781
Netherlands	CHNP	8 489	8 095	9 610	12 362	13 516	13 901	12 989	13 544
Portugal	CHNU	1 164	1 366	1 260	1 471	1 683	1 750	1 722	1 701
Spain	CHNV	4 516	4 484	5 137	6 110	6 738	6 730	7 173	7 484
Sweden	CHNA	2 435	2 894	3 417	4 160	4 429	4 444	4 392	4 012
EU Institutions <sup>1</sup>	EOAY	—	—	—	—	—	—	—	—
<b>Total EU</b>	<b>ENOF</b>	<b>64 976</b>	<b>69 212</b>	<b>76 993</b>	<b>89 684</b>	<b>95 965</b>	<b>95 908</b>	<b>95 726</b>	<b>97 283</b>
European Free Trade Association (EFTA)									
Iceland	EPLW	92	148	110	138	152	153	161	160
Liechtenstein <sup>2</sup>	EPOW	..	..	..	12	14	11	4	5
Norway	EPLX	1 409	1 505	2 047	2 002	2 051	2 607	2 689	2 064
Switzerland <sup>2</sup>	EPLV	1 839	2 282	2 480	2 729	3 185	2 959	2 902	2 751
<b>Total EFTA</b>	<b>EPOT</b>	<b>3 340</b>	<b>3 935</b>	<b>4 637</b>	<b>4 881</b>	<b>5 402</b>	<b>5 730</b>	<b>5 756</b>	<b>4 980</b>
Other Europe									
Czech Republic	FKML	..	290	383	571	722	713	699	741
Poland	ERDR	589	732	716	953	1 364	1 355	1 188	1 182
Russia	ERDQ	..	561	728	871	1 016	1 234	932	547
Turkey	EOBA	690	1 047	821	1 149	1 554	1 734	1 614	1 215
Other	EPMD	..	1 030	1 279	1 697	1 872	2 038	2 010	1 964
<b>Total Europe</b>	<b>EPLM</b>	<b>70 874</b>	<b>76 807</b>	<b>85 557</b>	<b>99 806</b>	<b>107 895</b>	<b>108 712</b>	<b>107 925</b>	<b>107 912</b>
<b>America</b>									
Brazil	FKMO	270	422	539	679	851	1 030	927	748
Canada	EOBC	1 637	1 848	1 935	1 804	1 970	2 147	2 178	2 552
Mexico	EPJX	302	336	393	277	317	428	545	583
United States of America	EOBB	12 640	15 403	17 081	17 901	19 761	20 901	21 721	24 297
Other	ERES	1 350	1 670	2 210	2 309	2 150	2 566	2 526	2 333
<b>Total America</b>	<b>EPLO</b>	<b>16 199</b>	<b>19 679</b>	<b>22 158</b>	<b>22 970</b>	<b>25 049</b>	<b>27 072</b>	<b>27 897</b>	<b>30 513</b>
<b>Asia</b>									
China <sup>3</sup>	ERDN	425	755	868	832	744	924	861	1 220
Hong Kong	ERDQ	1 597	2 177	2 356	2 664	2 942	3 223	2 680	2 329
India	ERDJ	937	1 155	1 340	1 689	1 717	1 575	1 247	1 461
Indonesia	FKMR	315	333	371	518	813	674	368	389
Israel	ERDL	583	895	1 060	1 113	1 274	1 180	1 082	1 306
Japan	EOBD	2 172	2 673	3 047	3 814	4 295	4 177	3 151	3 303
Malaysia	ERDK	633	985	1 346	1 192	1 169	1 211	679	949
Pakistan	FKMU	308	336	362	342	347	270	235	226
Philippines	FKMX	202	313	364	436	397	601	303	240
Saudi Arabia	ERDI	1 969	1 844	1 534	1 621	2 436	3 656	2 614	1 489
Singapore	ERDH	1 137	1 459	1 811	2 072	2 159	2 049	1 604	1 611
South Korea	ERDM	644	805	987	1 162	1 313	1 228	675	950
Taiwan	ERDP	552	681	752	965	949	1 036	875	872
Thailand	ERDO	473	677	769	838	981	866	390	468
Other	EREQ	3 634	4 450	4 013	4 318	4 890	5 420	4 245	3 520
<b>Total Asia</b>	<b>EPLP</b>	<b>15 581</b>	<b>19 538</b>	<b>20 980</b>	<b>23 576</b>	<b>26 426</b>	<b>28 090</b>	<b>21 009</b>	<b>20 333</b>
<b>Australasia &amp; Oceania</b>									
Australia	EPMA	1 340	1 611	1 957	2 140	2 488	2 457	2 218	2 164
New Zealand	EPMB	258	335	422	440	475	409	340	326
Other	EGIZ	48	58	48	58	57	85	45	45
<b>Total Australasia &amp; Oceania</b>	<b>EPLQ</b>	<b>1 646</b>	<b>2 004</b>	<b>2 427</b>	<b>2 638</b>	<b>3 020</b>	<b>2 951</b>	<b>2 603</b>	<b>2 535</b>
<b>Africa</b>									
South Africa	EPME	1 071	1 149	1 452	1 837	1 892	1 637	1 534	1 290
Other	ERER	2 492	2 862	2 686	2 898	3 121	3 321	3 124	3 084
<b>Total Africa</b>	<b>EPLN</b>	<b>3 563</b>	<b>4 011</b>	<b>4 138</b>	<b>4 735</b>	<b>5 013</b>	<b>4 958</b>	<b>4 658</b>	<b>4 374</b>
<b>International Organisations<sup>1</sup></b>									
	<b>EPLR</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>World total</b>	<b>LQAD</b>	<b>107 863</b>	<b>122 039</b>	<b>135 260</b>	<b>153 725</b>	<b>167 403</b>	<b>171 783</b>	<b>164 092</b>	<b>165 667</b>

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

3 Totals for China exclude Hong Kong.



# 9.4 Trade in goods

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Imports</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	CHNB	919	959	1 027	924	1 153	1 392	1 408	1 449
Belgium and Luxembourg	CHNY	5 602	6 681	7 092	8 013	8 618	9 059	9 396	9 471
Denmark	CHNZ	2 323	2 131	2 174	2 201	2 359	2 319	2 150	2 222
Finland	CHNC	1 634	1 876	2 277	2 501	2 646	2 544	2 326	2 362
France	ENYP	11 943	13 439	15 027	16 371	17 846	17 756	17 588	17 851
Germany	ENYS	18 594	19 912	21 904	26 254	27 206	25 641	25 041	26 468
Greece	CHOB	373	327	354	428	399	400	355	399
Irish Republic	CHOA	4 950	5 456	5 908	7 053	7 247	7 393	7 787	8 478
Italy	CHNW	6 610	6 665	7 510	8 269	8 819	9 549	9 724	9 311
Netherlands	CHNX	9 673	8 978	10 081	11 525	12 421	12 332	13 382	13 401
Portugal	CHOC	1 141	1 235	1 286	1 466	1 661	1 764	1 787	1 812
Spain	CHOD	2 948	3 269	3 686	4 360	5 048	5 099	5 725	5 894
Sweden	CHND	3 200	3 569	4 204	4 543	4 776	4 696	4 352	4 601
EU Institutions <sup>1</sup>	EOBS	—	—	—	—	—	—	—	—
<b>Total EU</b>	<b>ENOS</b>	<b>69 910</b>	<b>74 497</b>	<b>82 530</b>	<b>93 908</b>	<b>100 199</b>	<b>99 944</b>	<b>101 021</b>	<b>103 719</b>
European Free Trade Association (EFTA)									
Iceland	EPMW	233	242	233	244	257	229	250	283
Liechtenstein <sup>2</sup>	EPOX	..	..	..	4	19	24	19	20
Norway	EPMX	3 798	4 027	3 711	4 175	4 790	4 687	3 431	3 561
Switzerland <sup>2</sup>	EPNV	3 830	4 590	4 677	4 981	5 210	4 662	4 770	5 329
<b>Total EFTA</b>	<b>EPOU</b>	<b>7 861</b>	<b>8 859</b>	<b>8 621</b>	<b>9 404</b>	<b>10 276</b>	<b>9 602</b>	<b>8 470</b>	<b>9 193</b>
Other Europe									
Czech Republic	FKMM	..	234	271	312	356	447	551	580
Poland	ERED	338	429	533	616	573	597	654	671
Russia	EREC	..	792	781	916	1 218	1 418	1 393	1 316
Turkey	EOBU	446	515	610	768	898	995	1 105	1 214
Other	EPND	..	803	1 229	1 494	1 773	1 858	1 912	2 164
<b>Total Europe</b>	<b>EPMM</b>	<b>79 814</b>	<b>86 129</b>	<b>94 575</b>	<b>107 418</b>	<b>115 293</b>	<b>114 861</b>	<b>115 106</b>	<b>118 857</b>
<b>America</b>									
Brazil	FKMP	830	872	891	936	941	911	884	972
Canada	EOBW	1 824	1 805	1 827	2 300	2 407	2 485	2 518	3 033
Mexico	EPJY	149	160	233	288	322	370	366	397
United States of America	EOBV	13 221	15 886	17 233	19 615	22 069	24 357	24 892	24 431
Other	EREV	1 360	1 584	1 590	1 837	2 202	2 120	2 028	2 355
<b>Total America</b>	<b>EPMO</b>	<b>17 384</b>	<b>20 307</b>	<b>21 774</b>	<b>24 976</b>	<b>27 941</b>	<b>30 243</b>	<b>30 688</b>	<b>31 188</b>
<b>Asia</b>									
China <sup>3</sup>	ERDZ	891	1 279	1 592	1 843	2 112	2 382	2 820	3 405
Hong Kong	ERDS	2 242	2 894	2 988	3 364	3 900	4 154	4 370	4 940
India	ERDV	808	1 050	1 249	1 363	1 542	1 549	1 384	1 431
Indonesia	FKMS	501	665	728	814	855	864	868	941
Israel	ERDX	454	530	555	659	797	840	875	1 003
Japan	EOBX	7 051	8 140	8 584	9 276	8 584	9 042	9 121	9 251
Malaysia	ERDW	1 032	1 350	1 166	1 414	2 277	1 932	1 896	1 965
Pakistan	FKMV	256	312	348	344	372	362	338	321
Philippines	FKMY	225	266	237	335	857	727	855	987
Saudi Arabia	ERDU	900	1 208	757	649	656	840	789	794
Singapore	ERDT	1 113	1 558	1 836	2 101	2 463	2 590	2 342	2 365
South Korea	ERDY	890	1 029	1 068	1 505	1 949	2 153	2 201	2 825
Taiwan	EREB	1 305	1 561	1 535	1 640	2 000	2 236	2 219	2 641
Thailand	EREA	600	746	884	987	1 137	1 169	1 263	1 300
Other	ERET	1 439	1 960	1 770	1 629	1 979	2 042	1 816	2 020
<b>Total Asia</b>	<b>EPMP</b>	<b>19 707</b>	<b>24 548</b>	<b>25 297</b>	<b>27 923</b>	<b>31 480</b>	<b>32 882</b>	<b>33 157</b>	<b>36 189</b>
<b>Australasia &amp; Oceania</b>									
Australia	EPNA	953	954	1 035	1 068	1 239	1 319	1 366	1 359
New Zealand	EPNB	405	474	527	555	604	555	518	574
Other	HFKF	128	144	152	188	207	166	126	144
<b>Total Australasia &amp; Oceania</b>	<b>EPMQ</b>	<b>1 486</b>	<b>1 572</b>	<b>1 714</b>	<b>1 811</b>	<b>2 050</b>	<b>2 040</b>	<b>2 010</b>	<b>2 077</b>
<b>Africa</b>									
South Africa	EPNE	811	964	941	1 058	1 165	1 324	1 352	1 645
Other	EREU	1 711	1 838	2 050	2 263	2 560	2 343	2 316	2 478
<b>Total Africa</b>	<b>EPNN</b>	<b>2 522</b>	<b>2 802</b>	<b>2 991</b>	<b>3 321</b>	<b>3 725</b>	<b>3 667</b>	<b>3 668</b>	<b>4 123</b>
<b>International Organisations<sup>1</sup></b>									
	EPNR	—	—	—	—	—	—	—	—
<b>World total</b>	<b>LQBL</b>	<b>120 913</b>	<b>135 358</b>	<b>146 351</b>	<b>165 449</b>	<b>180 489</b>	<b>183 693</b>	<b>184 629</b>	<b>192 434</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

<sup>3</sup> Totals for China exclude Hong Kong.



# Geographical breakdown

## 9.4 Trade in goods

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	CHVG	-125	-45	24	202	114	-235	-216	-287
Belgium and Luxembourg	CHNF	107	449	284	299	-80	-615	-945	-283
Denmark	CHNG	-769	-526	-349	-88	-143	-230	-92	-178
Finland	CHVH	-641	-757	-960	-783	-828	-975	-890	-1 015
France	ENYT	-448	-1 256	-1 349	-1 081	-714	-1 175	-1 133	-1 042
Germany	ENYW	-3 408	-3 859	-4 541	-5 980	-6 445	-4 991	-4 446	-6 118
Greece	CHNI	406	609	585	619	742	646	688	746
Irish Republic	CHNH	773	897	1 264	753	1 436	1 954	1 824	2 238
Italy	CHOE	-471	-585	-662	-374	-776	-1 349	-1 115	-1 530
Netherlands	CHNE	-1 184	-883	-471	837	1 095	1 569	-393	143
Portugal	CHNJ	23	131	-26	5	22	-14	-65	-111
Spain	CHNM	1 568	1 215	1 451	1 750	1 690	1 631	1 448	1 590
Sweden	CHVI	-765	-675	-787	-383	-347	-252	40	-589
EU Institutions <sup>1</sup>	EOCM	-	-	-	-	-	-	-	-
<b>Total EU</b>	<b>ENPF</b>	<b>-4 934</b>	<b>-5 285</b>	<b>-5 537</b>	<b>-4 224</b>	<b>-4 234</b>	<b>-4 036</b>	<b>-5 295</b>	<b>-6 436</b>
European Free Trade Association (EFTA)									
Iceland	EPNW	-141	-94	-123	-106	-105	-76	-89	-123
Liechtenstein <sup>2</sup>	EPOY	-	-	-	8	-5	-13	-15	-15
Norway	EPNX	-2 389	-2 522	-1 664	-2 173	-2 739	-2 080	-742	-1 497
Switzerland <sup>2</sup>	EPNV	-1 991	-2 308	-2 197	-2 252	-2 025	-1 703	-1 868	-2 578
<b>Total EFTA</b>	<b>EPOV</b>	<b>-4 521</b>	<b>-4 924</b>	<b>-3 984</b>	<b>-4 523</b>	<b>-4 874</b>	<b>-3 872</b>	<b>-2 714</b>	<b>-4 213</b>
Other Europe									
Czech Republic	FKMN	-	56	112	259	366	266	148	161
Poland	EREP	251	303	183	337	791	758	534	511
Russia	EREO	-	-231	-53	-45	-202	-184	-461	-769
Turkey	EOCO	244	532	211	381	656	739	509	1
Other	EPOD	-	227	50	203	99	180	98	-200
<b>Total Europe</b>	<b>EPNM</b>	<b>-8 940</b>	<b>-9 322</b>	<b>-9 018</b>	<b>-7 612</b>	<b>-7 398</b>	<b>-6 149</b>	<b>-7 181</b>	<b>-10 945</b>
<b>America</b>									
Brazil	FKMQ	-560	-450	-352	-257	-90	119	43	-224
Canada	EOCQ	-187	43	108	-496	-437	-338	-340	-481
Mexico	EPJZ	153	176	160	-11	-5	58	179	186
United States of America	EOCP	-581	-483	-152	-1 714	-2 308	-3 456	-3 171	-134
Other	EREY	-10	86	620	472	-52	446	498	-22
<b>Total America</b>	<b>EPNO</b>	<b>-1 185</b>	<b>-628</b>	<b>384</b>	<b>-2 006</b>	<b>-2 892</b>	<b>-3 171</b>	<b>-2 791</b>	<b>-675</b>
<b>Asia</b>									
China <sup>3</sup>	EREL	-466	-524	-724	-1 011	-1 368	-1 458	-1 959	-2 185
Hong Kong	EREE	-645	-717	-632	-700	-958	-931	-1 690	-2 611
India	EREH	129	105	91	326	175	26	-137	30
Indonesia	FKMT	-186	-332	-357	-296	-42	-190	-500	-552
Israel	EREJ	129	365	505	454	477	340	207	303
Japan	EOCR	-4 879	-5 467	-5 537	-5 462	-4 289	-4 865	-5 970	-5 948
Malaysia	EREI	-399	-365	180	-222	-1 108	-721	-1 217	-1 016
Pakistan	FKMW	52	24	14	-2	-25	-92	-103	-95
Philippines	FKMZ	-23	47	127	101	-460	-126	-552	-747
Saudi Arabia	EREG	1 069	636	777	972	1 780	2 816	1 825	895
Singapore	EREF	24	-99	-25	-29	-304	-541	-738	-754
South Korea	EREK	-246	-224	-81	-343	-636	-925	-1 526	-1 875
Taiwan	EREN	-753	-880	-783	-675	-1 051	-1 200	-1 344	-1 769
Thailand	EREM	-127	-69	-115	-149	-156	-303	-873	-832
Other	EREW	2 195	2 490	2 243	2 689	2 911	3 378	2 429	1 500
<b>Total Asia</b>	<b>EPNP</b>	<b>-4 126</b>	<b>-5 010</b>	<b>-4 317</b>	<b>-4 347</b>	<b>-5 054</b>	<b>-4 792</b>	<b>-12 148</b>	<b>-15 856</b>
<b>Australasia &amp; Oceania</b>									
Australia	EPOA	387	657	922	1 072	1 249	1 138	852	805
New Zealand	EPOB	-147	-139	-105	-115	-129	-146	-178	-248
Other	HFKK	-80	-86	-104	-130	-150	-81	-81	-99
<b>Total Australasia &amp; Oceania</b>	<b>EPNQ</b>	<b>160</b>	<b>432</b>	<b>713</b>	<b>827</b>	<b>970</b>	<b>911</b>	<b>593</b>	<b>458</b>
<b>Africa</b>									
South Africa	EPOE	260	185	511	779	727	313	182	-355
Other	EREX	781	1 024	636	635	561	978	808	606
<b>Total Africa</b>	<b>EPNN</b>	<b>1 041</b>	<b>1 209</b>	<b>1 147</b>	<b>1 414</b>	<b>1 288</b>	<b>1 291</b>	<b>990</b>	<b>251</b>
<b>International Organisations<sup>1</sup></b>									
	EPNR	-	-	-	-	-	-	-	-
<b>World total</b>	<b>LQCT</b>	<b>-13 050</b>	<b>-13 319</b>	<b>-11 091</b>	<b>-11 724</b>	<b>-13 086</b>	<b>-11 910</b>	<b>-20 537</b>	<b>-26 767</b>

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Liechtenstein had a customs union with Switzerland until 1995. Totals for Switzerland before 1995 include Liechtenstein's trade in goods.

3 Totals for China exclude Hong Kong.







# Geographical breakdown

## 9.5 Trade in services

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Exports</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	FYVC	211	249	276	341	360	308	327	359
Belgium and Luxembourg	FYVD	871	997	1 101	1 440	1 415	1 577	1 778	1 948
Denmark	FYVE	386	436	449	504	860	866	974	906
Finland	FYVF	213	227	237	297	466	389	422	455
France	FYVG	1 955	2 212	2 340	2 656	2 776	2 852	3 413	3 648
Germany	FYVH	2 890	3 282	3 544	4 007	3 958	4 384	4 430	4 574
Greece	FYVI	344	365	413	491	473	552	637	738
Irish Republic	FYVJ	1 049	1 143	1 482	1 926	2 168	2 255	2 412	2 603
Italy	FYVK	1 222	1 256	1 341	1 468	1 581	1 687	1 896	2 031
Netherlands	FYVL	1 241	1 401	1 557	1 775	2 017	2 299	2 633	3 008
Portugal	FYVM	233	255	280	305	315	262	361	474
Spain	FYVN	824	914	962	1 087	1 244	1 179	1 483	1 756
Sweden	FYVO	636	664	695	817	907	948	1 133	1 147
EU Institutions <sup>1</sup>	FYVP	582	358	313	373	145	232	179	281
<b>Total EU</b>	<b>LGOL</b>	<b>12 657</b>	<b>13 759</b>	<b>14 990</b>	<b>17 487</b>	<b>18 685</b>	<b>19 790</b>	<b>22 078</b>	<b>23 928</b>
European Free Trade Association (EFTA)									
Iceland	FYVR	35	33	41	39	45	54	48	33
Liechtenstein	FYVS	—	—	1	2	9	12	19	24
Norway	FYVT	638	805	938	925	1 045	957	1 114	1 097
Switzerland	FYVU	813	1 024	933	1 320	1 984	2 055	1 718	1 880
<b>Total EFTA</b>	<b>FYVV</b>	<b>1 486</b>	<b>1 862</b>	<b>1 913</b>	<b>2 286</b>	<b>3 083</b>	<b>3 078</b>	<b>2 899</b>	<b>3 034</b>
Other Europe									
Czech Republic	FYVW	60	67	70	98	105	111	182	137
Poland	FYVX	98	114	147	154	160	209	254	243
Russia	FYVY	148	188	249	283	288	327	384	251
Turkey	FYVZ	129	157	145	198	231	294	293	356
Other	FYWA	663	767	998	1 102	1 760	1 812	1 738	1 568
<b>Total Europe</b>	<b>FYWB</b>	<b>15 241</b>	<b>16 914</b>	<b>18 512</b>	<b>21 608</b>	<b>24 312</b>	<b>25 621</b>	<b>27 828</b>	<b>29 517</b>
<b>America</b>									
Brazil	FYWC	188	210	219	258	264	264	399	333
Canada	FYWD	793	924	928	975	940	1 180	1 399	1 338
Mexico	FYWE	114	127	132	143	104	145	150	162
United States of America	FYWF	8 066	9 269	10 026	10 774	12 247	13 866	14 559	15 537
Other	FYWG	782	904	996	1 015	1 062	1 350	1 777	1 598
<b>Total America</b>	<b>FYWH</b>	<b>9 943</b>	<b>11 434</b>	<b>12 301</b>	<b>13 165</b>	<b>14 617</b>	<b>16 805</b>	<b>18 284</b>	<b>18 968</b>
<b>Asia</b>									
China <sup>2</sup>	FYWI	138	161	180	202	222	207	273	320
Hong Kong	FYWJ	631	776	841	787	856	935	868	904
India	FYWK	300	346	398	396	341	521	456	482
Indonesia	FYWL	119	137	150	212	179	217	180	148
Israel	FYWM	186	240	307	317	254	322	301	424
Japan	FYWN	1 540	1 771	2 071	2 389	2 320	2 458	2 488	2 495
Malaysia	FYWO	315	367	417	471	483	493	522	395
Pakistan	FYWP	151	172	182	223	231	206	231	295
Philippines	FYWQ	69	78	83	132	88	125	88	108
Saudi Arabia	FYWR	1 384	1 425	1 558	1 743	1 697	1 762	1 781	1 913
Singapore	FYWS	404	459	522	567	517	558	548	770
South Korea	FYWT	281	312	356	421	450	451	381	381
Taiwan	FYWU	100	165	134	210	220	242	220	224
Thailand	FYWV	195	229	258	341	239	265	208	198
Other	FYWW	1 581	1 904	1 805	2 031	2 032	2 203	2 292	1 851
<b>Total Asia</b>	<b>FYWX</b>	<b>7 394</b>	<b>8 542</b>	<b>9 262</b>	<b>10 442</b>	<b>10 129</b>	<b>10 965</b>	<b>10 837</b>	<b>10 908</b>
<b>Australasia &amp; Oceania</b>									
Australia	FYWY	981	1 088	1 170	1 250	1 404	1 486	1 368	1 461
New Zealand	FYWZ	193	217	258	276	248	267	306	296
Other	FYXA	21	24	22	28	100	61	62	54
<b>Total Australasia &amp; Oceania</b>	<b>FYXB</b>	<b>1 195</b>	<b>1 329</b>	<b>1 450</b>	<b>1 554</b>	<b>1 752</b>	<b>1 814</b>	<b>1 736</b>	<b>1 811</b>
<b>Africa</b>									
South Africa	FYXC	521	635	734	707	636	726	831	971
Other	FYXD	986	1 067	1 137	1 100	1 402	1 557	1 830	1 768
<b>Total Africa</b>	<b>FYXE</b>	<b>1 507</b>	<b>1 702</b>	<b>1 871</b>	<b>1 807</b>	<b>2 038</b>	<b>2 283</b>	<b>2 661</b>	<b>2 739</b>
<b>International Organisations<sup>1</sup></b>	<b>FYXF</b>	<b>148</b>	<b>118</b>	<b>111</b>	<b>111</b>	<b>52</b>	<b>55</b>	<b>36</b>	<b>39</b>
<b>World total</b>	<b>KTMQ</b>	<b>35 428</b>	<b>40 039</b>	<b>43 507</b>	<b>48 687</b>	<b>52 900</b>	<b>57 543</b>	<b>61 382</b>	<b>63 982</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Totals for China exclude Hong Kong.



# 9.5 Trade in services

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Imports</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	GGOR	309	364	369	375	343	318	418	407
Belgium and Luxembourg	GGOS	671	756	677	1 010	1 273	1 226	1 267	1 568
Denmark	GGOT	256	278	319	345	465	551	547	584
Finland	GGOU	104	121	138	139	162	144	175	228
France	GGOV	2 917	3 154	3 479	3 762	3 949	4 474	5 255	5 890
Germany	GGOW	2 844	2 873	3 144	3 260	3 747	3 217	3 270	4 056
Greece	GGOX	859	919	1 074	1 027	784	781	873	1 274
Irish Republic	GGOY	695	785	898	1 046	1 356	1 504	1 563	1 742
Italy	GGOZ	838	911	1 110	1 145	1 628	1 751	2 033	2 073
Netherlands	GGPA	1 204	1 287	1 524	1 618	1 589	1 671	1 807	1 802
Portugal	GGPB	521	533	554	644	680	700	667	854
Spain	GGPC	2 125	2 573	3 069	3 478	3 465	3 767	4 340	5 361
Sweden	GGPD	310	340	398	451	495	495	487	577
EU Institutions <sup>1</sup>	GGPE	—	—	—	—	—	—	4	4
<b>Total EU</b>	<b>LGON</b>	<b>13 653</b>	<b>14 894</b>	<b>16 753</b>	<b>18 300</b>	<b>19 936</b>	<b>20 599</b>	<b>22 706</b>	<b>26 420</b>
European Free Trade Association (EFTA)									
Iceland	GGPG	19	18	25	24	45	31	41	22
Liechtenstein	GGPH	—	—	—	1	—	—	23	5
Norway	GGPI	499	548	542	637	545	565	460	410
Switzerland	GGPJ	523	584	832	964	1 093	943	1 052	970
<b>Total EFTA</b>	<b>GGPK</b>	<b>1 041</b>	<b>1 150</b>	<b>1 399</b>	<b>1 626</b>	<b>1 683</b>	<b>1 539</b>	<b>1 576</b>	<b>1 407</b>
Other Europe									
Czech Republic	GGPL	66	81	98	88	84	86	123	121
Poland	GGPM	84	95	89	115	79	131	135	155
Russia	GGPN	196	207	213	224	143	193	209	136
Turkey	GGPO	178	347	365	461	542	483	452	465
Other	GGPP	1 710	1 744	1 983	1 631	2 367	2 186	2 210	2 137
<b>Total Europe</b>	<b>GGPQ</b>	<b>16 928</b>	<b>18 518</b>	<b>20 900</b>	<b>22 445</b>	<b>24 834</b>	<b>25 217</b>	<b>27 411</b>	<b>30 841</b>
<b>America</b>									
Brazil	GGPR	46	53	61	64	104	119	137	148
Canada	GGPS	644	688	810	764	671	875	940	954
Mexico	GGPT	24	34	41	55	83	145	185	206
United States of America	GGPU	5 849	6 824	7 133	8 271	9 777	9 679	10 565	10 791
Other	GGPV	625	770	835	842	1 184	1 108	1 349	1 230
<b>Total America</b>	<b>GGPW</b>	<b>7 188</b>	<b>8 369</b>	<b>8 880</b>	<b>9 996</b>	<b>11 819</b>	<b>11 926</b>	<b>13 176</b>	<b>13 329</b>
<b>Asia</b>									
China <sup>2</sup>	GGPX	76	121	146	153	141	180	231	209
Hong Kong	GGPY	509	553	659	463	432	564	457	586
India	GGPZ	251	319	343	354	343	419	456	549
Indonesia	GGQA	118	137	151	164	163	125	98	140
Israel	GGQB	132	158	185	216	155	265	283	266
Japan	GGQC	576	671	781	884	1 083	932	973	864
Malaysia	GGQD	135	162	186	194	166	239	242	181
Pakistan	GGQE	119	135	149	160	129	162	160	207
Philippines	GGQF	45	52	59	63	52	55	53	70
Saudi Arabia	GGQG	310	401	330	365	381	421	436	484
Singapore	GGQH	364	401	446	342	241	327	286	291
South Korea	GGQI	57	73	76	94	102	142	125	116
Taiwan	GGQJ	61	65	70	83	92	123	128	114
Thailand	GGQK	166	204	208	265	198	181	247	231
Other	GGQL	1 016	1 180	1 374	1 208	1 176	1 161	1 229	1 101
<b>Total Asia</b>	<b>GGQM</b>	<b>3 935</b>	<b>4 632</b>	<b>5 163</b>	<b>5 008</b>	<b>4 854</b>	<b>5 296</b>	<b>5 404</b>	<b>5 409</b>
<b>Australasia &amp; Oceania</b>									
Australia	GGQN	540	599	681	697	828	918	962	994
New Zealand	GGQO	139	161	172	191	216	230	220	220
Other	GGQP	8	26	17	27	67	33	36	20
<b>Total Australasia &amp; Oceania</b>	<b>GGQQ</b>	<b>687</b>	<b>786</b>	<b>870</b>	<b>915</b>	<b>1 111</b>	<b>1 181</b>	<b>1 218</b>	<b>1 234</b>
<b>Africa</b>									
South Africa	GGQR	227	261	244	346	403	441	497	440
Other	GGQS	691	768	845	978	912	1 002	1 031	1 135
<b>Total Africa</b>	<b>GGQT</b>	<b>918</b>	<b>1 029</b>	<b>1 089</b>	<b>1 324</b>	<b>1 315</b>	<b>1 443</b>	<b>1 528</b>	<b>1 575</b>
<b>International Organisations<sup>1</sup></b>									
	GGQU	98	82	77	84	70	66	63	56
<b>World total</b>	<b>KTMR</b>	<b>29 754</b>	<b>33 416</b>	<b>36 979</b>	<b>39 772</b>	<b>44 003</b>	<b>45 129</b>	<b>48 800</b>	<b>52 444</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Totals for China exclude Hong Kong.



# Geographical breakdown

## 9.5 Trade in services

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	GGQW	-98	-115	-93	-34	17	-10	-91	-48
Belgium and Luxembourg	GGQX	200	241	424	430	142	351	511	380
Denmark	GGQY	130	158	130	159	395	315	427	322
Finland	GGQZ	109	106	99	158	304	245	247	227
France	GGRA	-962	-942	-1 139	-1 106	-1 173	-1 622	-1 842	-2 242
Germany	GGRB	46	409	400	747	211	1 167	1 160	518
Greece	GGRC	-515	-554	-661	-536	-311	-229	-236	-536
Irish Republic	GGRD	354	358	584	880	812	751	849	861
Italy	GGRU	384	345	231	323	-47	-64	-137	-42
Netherlands	GGRF	37	114	33	157	428	628	826	1 206
Portugal	GGRG	-288	-278	-274	-339	-365	-438	-306	-380
Spain	GGRH	-1 301	-1 659	-2 107	-2 391	-2 221	-2 588	-2 857	-3 605
Sweden	GGRJ	326	324	297	366	412	453	646	570
EU Institutions <sup>1</sup>	GGRJ	582	358	313	373	145	232	175	277
Total EU	LGOV	-996	-1 135	-1 763	-813	-1 251	-809	-628	-2 492
European Free Trade Association (EFTA)									
Iceland	GGRK	16	15	16	15	-	23	7	11
Liechtenstein	GGRM	-	-	1	1	9	12	-4	19
Norway	GGRN	139	257	396	288	500	392	654	687
Switzerland	GGRP	290	440	101	356	891	1 112	666	910
Total EFTA	GGRP	445	712	514	660	1 400	1 539	1 323	1 627
Other Europe									
Czech Republic	GGRQ	-6	-14	-28	10	21	25	59	16
Poland	GGRR	14	19	58	39	81	78	119	88
Russia	GGRS	-48	-19	36	59	145	134	175	115
Turkey	GGRU	-49	-190	-220	-263	-311	-189	-159	-109
Other	GGRU	-1 047	-977	-985	-529	-607	-374	-472	-569
Total Europe	GGRV	-1 687	-1 604	-2 388	-837	-522	404	417	-1 324
<b>America</b>									
Brazil	GGRW	142	157	158	194	160	145	262	185
Canada	GGRX	149	236	118	211	269	305	459	384
Mexico	GGRY	90	93	91	88	21	-	-35	-44
United States of America	GGRZ	2 217	2 445	2 893	2 503	2 470	4 187	3 994	4 746
Other	GGSA	157	134	161	173	-122	242	428	368
Total America	GGSB	2 755	3 065	3 421	3 169	2 798	4 879	5 108	5 639
<b>Asia</b>									
China <sup>2</sup>	GGSC	62	40	34	49	81	27	42	111
Hong Kong	GGSD	122	223	182	324	424	371	411	318
India	GGSE	49	27	55	42	-2	102	-	-67
Indonesia	GGSF	1	-	-1	48	16	92	82	8
Israel	GGSG	54	82	122	101	99	57	18	158
Japan	GGSH	964	1 100	1 290	1 505	1 237	1 526	1 515	1 631
Malaysia	GGSI	180	205	231	277	317	254	280	214
Pakistan	GGSJ	32	37	33	63	102	44	71	88
Philippines	GGSK	24	26	24	69	36	70	35	38
Saudi Arabia	GGSL	1 074	1 024	1 228	1 378	1 316	1 341	1 345	1 429
Singapore	GGSM	40	58	76	225	276	231	262	479
South Korea	GGSN	224	239	280	327	348	309	256	265
Taiwan	GGSO	39	100	64	127	128	119	92	110
Thailand	GGSP	29	25	50	76	41	84	-39	-33
Other	GGSQ	565	724	431	823	856	1 042	1 063	750
Total Asia	GGSR	3 459	3 910	4 099	5 434	5 275	5 669	5 433	5 499
<b>Australasia &amp; Oceania</b>									
Australia	GGSS	441	489	489	553	576	568	406	467
New Zealand	GGST	54	56	86	85	32	37	86	76
Other	GGSU	13	-2	5	1	33	28	26	34
Total Australasia & Oceania	GGSV	508	543	580	639	641	633	518	577
<b>Africa</b>									
South Africa	GGSW	294	374	490	361	233	285	334	531
Other	GGSX	295	299	292	122	490	555	799	633
Total Africa	GGSY	589	673	782	483	723	840	1 133	1 164
International Organisations <sup>1</sup>	GGSZ	50	36	34	27	-18	-11	-27	-17
World total	KTMS	5 674	6 623	6 528	8 915	8 897	12 414	12 582	11 538

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Totals for China exclude Hong Kong.







# Geographical breakdown

## 9.6 Income

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	CUGY	412	370	418	542	526	543	651	600
Belgium and Luxembourg	CTFK	2 786	2 800	2 683	3 299	3 091	3 211	3 838	3 630
Denmark	LEQU	856	918	633	940	607	666	885	941
Finland	LEUG	603	705	799	793	625	569	539	427
France	LEUP	4 006	4 405	4 939	5 779	6 211	5 861	6 223	6 368
Germany	LEQL	4 061	6 632	7 368	10 180	9 370	8 340	7 969	8 421
Greece	LEUY	80	20	-51	188	458	816	751	632
Irish Republic	BFLY	1 254	1 570	1 354	1 625	1 902	2 398	2 628	2 861
Italy	BFOG	4 602	4 637	4 725	5 423	5 228	5 420	6 232	5 639
Netherlands	BFQI	2 867	4 753	6 471	6 262	8 523	9 268	8 866	9 532
Portugal	BFSK	286	228	373	476	468	402	478	535
Spain	LESW	962	1 212	1 386	1 929	2 549	2 552	2 484	2 367
Sweden	BFTL	1 339	1 417	1 428	1 771	1 738	1 535	1 443	1 665
EU Institutions <sup>1</sup>	CSFK	188	249	286	268	175	195	187	204
<b>Total EU</b>	<b>LEQC</b>	<b>24 302</b>	<b>29 916</b>	<b>32 812</b>	<b>39 475</b>	<b>41 471</b>	<b>41 776</b>	<b>43 174</b>	<b>43 822</b>
European Free Trade Association (EFTA)									
Iceland	BFNQ	64	55	33	30	28	20	36	42
Liechtenstein	BFPH	43	38	34	47	60	50	40	39
Norway	BFQR	632	451	543	482	603	612	667	585
Switzerland	LEPB	2 613	2 934	2 983	3 628	3 487	3 476	3 985	4 509
<b>Total EFTA</b>	<b>CTFT</b>	<b>3 352</b>	<b>3 478</b>	<b>3 593</b>	<b>4 187</b>	<b>4 178</b>	<b>4 158</b>	<b>4 728</b>	<b>5 175</b>
Other Europe									
Czech Republic	LEPT	-5	-3	20	44	116	126	123	115
Poland	BFSB	55	49	46	131	136	144	99	120
Russia	BFST	-	9	67	93	131	275	322	141
Turkey	BFUM	149	194	149	113	143	182	265	233
Other	LEVZ	6 277	4 703	4 458	5 792	7 039	9 160	8 248	6 701
<b>Total Europe</b>	<b>LERD</b>	<b>34 130</b>	<b>38 346</b>	<b>41 145</b>	<b>49 835</b>	<b>53 214</b>	<b>55 821</b>	<b>56 959</b>	<b>56 307</b>
<b>America</b>									
Brazil	LENR	395	463	798	1 054	1 179	865	793	651
Canada	LEOS	1 115	1 261	1 423	1 805	1 683	1 898	2 120	2 039
Mexico	BFPQ	1 170	995	800	696	487	574	451	354
United States of America	BFVE	14 361	14 964	15 625	19 294	20 063	22 921	24 187	25 087
Other	LEVH	3 552	3 750	3 447	3 903	3 651	4 168	4 995	4 657
<b>Total America</b>	<b>LESN</b>	<b>20 593</b>	<b>21 433</b>	<b>22 093</b>	<b>26 752</b>	<b>27 063</b>	<b>30 426</b>	<b>32 546</b>	<b>32 788</b>
<b>Asia</b>									
China <sup>2</sup>	LEPK	79	65	121	122	175	227	211	239
Hong Kong	BFJU	2 487	2 549	3 092	3 186	3 329	2 655	2 336	2 014
India	BPNB	148	-66	276	263	270	301	372	366
Indonesia	BFLP	91	43	76	116	176	229	225	142
Israel	BFMS	30	34	24	35	59	61	64	69
Japan	BPOP	9 741	8 307	7 820	9 262	7 959	7 613	7 320	7 989
Malaysia	BFPZ	423	420	355	366	466	478	402	410
Pakistan	BFRS	59	65	72	91	60	130	32	60
Philippines	BFRJ	82	107	111	112	143	112	116	164
Saudi Arabia	BFTC	78	79	114	123	120	145	197	246
Singapore	BFTU	2 222	2 418	2 125	1 547	2 692	2 640	2 187	1 999
South Korea	BFOY	45	58	84	186	367	555	381	194
Taiwan	BFUV	70	83	154	178	172	184	159	149
Thailand	BFUD	79	142	177	207	277	240	94	80
Other	LEWI	990	1 071	945	952	964	1 315	1 539	1 410
<b>Total Asia</b>	<b>LETF</b>	<b>16 624</b>	<b>15 375</b>	<b>15 546</b>	<b>16 746</b>	<b>17 229</b>	<b>16 885</b>	<b>15 635</b>	<b>15 531</b>
<b>Australasia &amp; Oceania</b>									
Australia	CKAT	1 783	1 926	2 507	2 412	2 494	2 337	1 826	2 052
New Zealand	BFRA	310	451	522	529	551	437	292	328
Other	LEVQ	12	1	65	150	237	182	335	322
<b>Total Australasia &amp; Oceania</b>	<b>LETX</b>	<b>2 105</b>	<b>2 378</b>	<b>3 094</b>	<b>3 091</b>	<b>3 282</b>	<b>2 956</b>	<b>2 453</b>	<b>2 702</b>
<b>Africa</b>									
South Africa	BFWX	569	756	543	661	719	795	777	716
Other	LEWR	895	924	706	711	909	808	603	738
<b>Total Africa</b>	<b>LERV</b>	<b>1 464</b>	<b>1 680</b>	<b>1 249</b>	<b>1 372</b>	<b>1 628</b>	<b>1 603</b>	<b>1 380</b>	<b>1 454</b>
<b>International Organisations<sup>1</sup></b>	<b>CTFB</b>	<b>184</b>	<b>208</b>	<b>193</b>	<b>177</b>	<b>164</b>	<b>214</b>	<b>259</b>	<b>317</b>
<b>World total</b>	<b>HMBQ</b>	<b>75 100</b>	<b>79 420</b>	<b>83 320</b>	<b>97 973</b>	<b>102 580</b>	<b>107 905</b>	<b>109 232</b>	<b>109 099</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Totals for China exclude Hong Kong.



# 9.6 Income

continued

## Geographical breakdown

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Debits</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	CUGZ	228	472	599	624	630	886	871	728
Belgium and Luxembourg	CTFL	3 119	3 859	4 196	4 622	3 972	3 626	3 722	3 235
Denmark	LEQV	492	782	587	794	878	933	1 015	1 052
Finland	LEUH	354	294	390	636	549	651	639	617
France	LEUQ	3 584	5 160	4 286	5 808	5 418	4 708	3 885	4 273
Germany	LEQM	6 028	7 530	7 296	9 367	8 149	7 675	6 310	6 326
Greece	LEUZ	246	206	240	448	676	741	685	614
Irish Republic	BFLZ	618	855	940	1 552	1 690	1 717	2 073	2 156
Italy	BFOH	1 462	1 728	2 035	2 366	2 879	3 382	2 719	2 120
Netherlands	BFQJ	4 516	4 158	4 471	4 630	6 162	4 839	3 990	5 046
Portugal	BFSL	506	535	299	408	392	316	195	138
Spain	LESX	579	1 181	1 089	1 559	1 811	1 509	1 489	1 029
Sweden	BFTM	806	1 482	1 479	1 758	1 797	1 590	1 531	1 718
EU Institutions <sup>1</sup>	CSFL	525	525	595	631	626	675	727	910
<b>Total EU</b>	<b>LEQD</b>	<b>23 063</b>	<b>28 767</b>	<b>28 502</b>	<b>35 203</b>	<b>35 629</b>	<b>33 248</b>	<b>29 851</b>	<b>29 962</b>
European Free Trade Association (EFTA)									
Iceland	BFNR	8	8	7	4	4	2	5	8
Liechtenstein	BFPI	104	103	97	111	109	110	95	77
Norway	BFQS	276	381	619	688	621	805	550	731
Switzerland	LEPC	6 848	6 831	5 520	6 469	6 673	6 919	5 120	6 757
<b>Total EFTA</b>	<b>CTFU</b>	<b>7 236</b>	<b>7 323</b>	<b>6 243</b>	<b>7 272</b>	<b>7 407</b>	<b>7 836</b>	<b>5 770</b>	<b>7 573</b>
Other Europe									
Czech Republic	LEPU	1	6	26	74	140	148	88	64
Poland	BFSC	62	86	87	130	136	224	175	120
Russia	BFSU	-420	104	92	114	146	176	26	50
Turkey	BFUN	199	171	178	263	237	150	145	94
Other	LEWA	6 254	5 662	4 844	6 279	6 410	7 834	8 995	8 006
<b>Total Europe</b>	<b>LERE</b>	<b>36 395</b>	<b>42 119</b>	<b>39 972</b>	<b>49 335</b>	<b>50 105</b>	<b>49 616</b>	<b>45 050</b>	<b>45 869</b>
<b>America</b>									
Brazil	LENS	77	83	57	232	383	269	202	139
Canada	LEOT	475	901	1 779	1 313	1 276	1 362	1 697	1 936
Mexico	BFPR	477	253	160	128	98	101	160	-55
United States of America	BFVF	15 366	16 389	16 987	21 321	23 710	25 868	30 233	33 871
Other	LEVI	2 958	2 677	2 339	2 308	2 984	3 115	3 408	3 612
<b>Total America</b>	<b>LESO</b>	<b>19 353</b>	<b>20 303</b>	<b>21 322</b>	<b>25 302</b>	<b>28 451</b>	<b>30 715</b>	<b>35 700</b>	<b>39 503</b>
<b>Asia</b>									
China <sup>2</sup>	LEPL	258	172	164	193	123	112	112	128
Hong Kong	BFJV	2 318	1 821	1 579	1 857	1 539	1 357	1 086	1 406
India	BFNC	90	146	297	297	252	284	326	302
Indonesia	BFLQ	108	104	80	105	103	86	36	39
Israel	BFMT	123	131	124	142	168	192	133	134
Japan	BFQJ	5 802	4 923	4 546	5 649	4 883	4 698	4 293	5 239
Malaysia	BFQA	166	158	286	312	353	281	238	243
Pakistan	BFRT	46	44	69	75	49	59	53	50
Philippines	BFRK	40	36	33	26	26	49	39	63
Saudi Arabia	BFTD	1 709	1 777	1 236	1 671	1 542	1 537	954	534
Singapore	BFTV	1 429	1 780	1 392	1 991	2 074	2 315	2 166	2 473
South Korea	BFOZ	114	113	105	122	133	138	191	137
Taiwan	BFUW	364	285	216	181	124	109	90	79
Thailand	BFUE	120	75	102	121	121	98	77	89
Other	LEWJ	2 471	2 175	1 498	1 831	1 544	1 564	1 345	1 132
<b>Total Asia</b>	<b>LETG</b>	<b>15 158</b>	<b>13 740</b>	<b>11 727</b>	<b>14 573</b>	<b>13 034</b>	<b>12 879</b>	<b>11 139</b>	<b>12 048</b>
<b>Australasia &amp; Oceania</b>									
Australia	CXCM	413	951	972	984	1 072	1 539	1 315	1 665
New Zealand	BFRB	13	47	189	190	292	260	482	514
Other	LEVR	15	7	3	3	5	14	7	25
<b>Total Australasia &amp; Oceania</b>	<b>LETY</b>	<b>441</b>	<b>1 005</b>	<b>1 164</b>	<b>1 177</b>	<b>1 369</b>	<b>1 813</b>	<b>1 804</b>	<b>2 204</b>
<b>Africa</b>									
South Africa	BFWY	85	79	76	107	106	192	160	152
Other	LEWS	1 304	1 262	1 099	1 212	1 093	1 221	986	832
<b>Total Africa</b>	<b>LERW</b>	<b>1 389</b>	<b>1 341</b>	<b>1 175</b>	<b>1 319</b>	<b>1 199</b>	<b>1 413</b>	<b>1 146</b>	<b>984</b>
<b>International Organisations<sup>1</sup></b>									
	CTFC	249	227	190	291	311	299	148	159
<b>World total</b>	<b>HMBR</b>	<b>72 985</b>	<b>78 735</b>	<b>75 550</b>	<b>91 997</b>	<b>94 469</b>	<b>96 735</b>	<b>94 987</b>	<b>100 767</b>

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Totals for China exclude Hong Kong.



# Geographical breakdown

## 9.6 Income

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	CUHA	184	-102	-181	-82	-104	-343	-220	-128
Belgium and Luxembourg	CTFM	-333	-1 059	-1 513	-1 323	-881	-415	116	395
Denmark	LEQW	364	136	46	146	-271	-267	-130	-111
Finland	LEUI	249	411	409	157	76	-82	-100	-190
France	LEUR	422	-755	653	-29	793	1 153	2 338	2 095
Germany	LEQN	-1 967	-898	72	813	1 221	665	1 659	2 095
Greece	LEVA	-166	-186	-291	-260	-218	75	66	18
Irish Republic	BFML	636	715	414	73	212	681	555	705
Italy	BFOI	3 140	2 909	2 690	3 057	2 349	2 038	3 513	3 519
Netherlands	BFQK	-1 649	595	2 000	1 632	2 361	4 429	4 876	4 486
Portugal	BFSM	-220	-307	74	68	76	86	283	397
Spain	LESY	383	31	297	370	738	1 043	995	1 338
Sweden	BFTN	533	-65	-51	13	-59	-55	-88	-53
EU Institutions <sup>1</sup>	CSFM	-337	-276	-309	-363	-451	-480	-540	-706
Total EU	LEQE	1 239	1 149	4 310	4 272	5 842	8 528	13 323	13 860
European Free Trade Association (EFTA)									
Iceland	BFNU	56	47	26	26	24	18	31	34
Liechtenstein	BFPJ	-61	-65	-63	-64	-49	-60	-55	-38
Norway	BFQT	356	70	-76	-206	-18	-193	117	-146
Switzerland	LEPD	-4 235	-3 897	-2 537	-2 841	-3 186	-3 443	-1 135	-2 248
Total EFTA	CTFV	-3 884	-3 845	-2 650	-3 085	-3 229	-3 678	-1 042	-2 398
Other Europe									
Czech Republic	LEPV	-6	-9	-6	-30	-24	-22	35	51
Poland	BPSD	-7	-37	-41	1	-	-80	-76	-
Russia	BFSV	420	-95	-25	-21	-15	99	296	91
Turkey	BFUO	-50	23	-29	-150	-94	32	120	139
Other	LEWB	23	-959	-386	-487	629	1 326	-747	-1 305
Total Europe	LERF	-2 265	-3 773	1 173	500	3 109	6 205	11 909	10 438
<b>America</b>									
Brazil	LENT	318	380	741	822	796	596	591	512
Canada	LEOU	640	360	-356	492	407	536	423	103
Mexico	BFPS	693	742	640	568	389	473	291	409
United States of America	BFVG	-1 005	-1 425	-1 362	-2 027	-3 647	-2 947	-6 046	-8 784
Other	LEVJ	594	1 073	1 108	1 595	667	1 053	1 587	1 045
Total America	LESP	1 240	1 130	771	1 450	-1 388	-289	-3 154	-6 715
<b>Asia</b>									
China <sup>2</sup>	LEPM	-179	-107	-43	-71	52	115	99	111
Hong Kong	BFJW	169	728	1 513	1 329	1 790	1 298	1 250	608
India	BFND	58	-212	-21	-34	18	17	46	64
Indonesia	BFLR	-17	-61	-4	11	73	143	189	103
Israel	BFMU	-93	-97	-100	-107	-109	-131	-69	-65
Japan	BFOR	3 939	3 384	3 274	3 613	3 076	2 915	3 027	2 750
Malaysia	BFQB	257	262	69	54	113	197	164	167
Pakistan	BFRU	13	21	3	16	11	71	-21	10
Philippines	BFRL	42	71	78	86	117	63	77	101
Saudi Arabia	BFTE	-1 631	-1 698	-1 122	-1 548	-1 422	-1 392	-757	-288
Singapore	BFTW	793	638	733	-444	618	325	21	-474
South Korea	BFPA	-69	-55	-21	64	234	417	190	57
Taiwan	BFUX	-294	-202	-62	-3	48	75	69	70
Thailand	BFUP	-41	67	75	86	156	142	17	-9
Other	LEWK	-1 481	-1 104	-553	-879	-580	-249	194	278
Total Asia	LETH	1 466	1 635	3 819	2 173	4 195	4 006	4 496	3 483
<b>Australasia &amp; Oceania</b>									
Australia	CYAA	1 370	975	1 535	1 428	1 422	798	511	387
New Zealand	BFRC	297	404	333	339	259	177	-190	-186
Other	LEVS	-3	-6	62	147	232	168	328	297
Total Australasia & Oceania	LETZ	1 664	1 373	1 930	1 914	1 913	1 143	649	498
<b>Africa</b>									
South Africa	BFWZ	484	677	467	554	613	603	617	564
Other	LEWT	-409	-338	-393	-501	-184	-413	-383	-94
Total Africa	LERX	75	339	74	53	429	190	234	470
<b>International Organisations<sup>1</sup></b>									
	CTFD	-65	-19	3	-114	-147	-85	111	158
<b>World total</b>	<b>HMBP</b>	<b>2 115</b>	<b>685</b>	<b>7 770</b>	<b>5 976</b>	<b>8 111</b>	<b>11 170</b>	<b>14 245</b>	<b>8 332</b>

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Totals for China exclude Hong Kong.







# Geographical breakdown

## 9.7 Current transfers

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Credits</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	GKXVQ	5	8	8	7	60	53	43	47
Belgium and Luxembourg	GKXVR	53	123	151	133	382	328	303	326
Denmark	GKXVS	5	41	24	63	107	63	51	57
Finland	GKXVT	5	—	14	38	57	39	20	21
France	GKXVU	350	410	301	479	704	490	570	647
Germany	GKXVV	376	494	501	543	945	708	908	1 058
Greece	GKXVW	34	65	85	65	118	77	61	68
Irish Republic	GKXVX	177	242	244	265	323	220	169	182
Italy	GKXVY	105	125	195	181	497	326	254	297
Netherlands	GKXVZ	803	582	777	676	715	634	964	1 168
Portugal	GKXWA	—	33	21	24	42	32	31	35
Spain	GKXWB	71	104	90	100	239	190	212	246
Sweden	GKXWC	—	61	82	88	216	150	110	115
EU Institutions <sup>1</sup>	GKXWD	4 138	5 336	4 362	4 419	6 155	5 528	5 076	6 310
<b>Total EU</b>	<b>LQPH</b>	<b>6 122</b>	<b>7 624</b>	<b>6 855</b>	<b>7 081</b>	<b>10 560</b>	<b>8 838</b>	<b>8 772</b>	<b>10 577</b>
European Free Trade Association (EFTA)									
Iceland	GKXWF	4	3	4	5	39	35	35	36
Liechtenstein	GKXWG	2	2	2	2	11	6	3	3
Norway	GKXWH	36	58	55	57	155	87	67	71
Switzerland	GKXWI	435	360	49	251	300	204	217	262
<b>Total EFTA</b>	<b>GKXWJ</b>	<b>477</b>	<b>423</b>	<b>110</b>	<b>315</b>	<b>505</b>	<b>332</b>	<b>322</b>	<b>372</b>
Other Europe									
Czech Republic	GKXWK	4	4	4	4	15	10	21	26
Poland	GKXWL	8	10	11	10	17	31	61	77
Russia	GKXWM	25	24	24	26	52	26	193	244
Turkey	GKXWN	22	25	26	27	61	38	38	41
Other	GKXWO	69	171	170	201	341	362	98	117
<b>Total Europe</b>	<b>GKXWP</b>	<b>6 727</b>	<b>8 281</b>	<b>7 200</b>	<b>7 664</b>	<b>11 551</b>	<b>9 637</b>	<b>9 505</b>	<b>11 454</b>
<b>America</b>									
Brazil	GKXWQ	15	13	13	17	89	46	69	87
Canada	GKXWR	223	257	355	267	605	285	252	276
Mexico	GKXWS	25	26	23	27	83	42	100	126
United States of America	GKXWT	2 715	2 542	3 023	3 053	4 591	2 269	2 596	3 083
Other	GKXWU	319	340	302	289	858	388	416	486
<b>Total America</b>	<b>GKXWV</b>	<b>3 297</b>	<b>3 178</b>	<b>3 716</b>	<b>3 653</b>	<b>6 226</b>	<b>3 030</b>	<b>3 433</b>	<b>4 058</b>
<b>Asia</b>									
China <sup>2</sup>	GKXWW	24	25	25	28	44	21	60	72
Hong Kong	GKXWX	118	122	140	163	300	211	125	146
India	GKXWY	55	63	63	64	42	23	22	31
Indonesia	GKXWZ	23	22	20	23	79	33	31	33
Israel	GKXXA	39	38	38	40	94	41	40	42
Japan	GKXXB	146	165	212	260	625	401	188	211
Malaysia	GKXXC	54	60	61	61	63	38	81	97
Pakistan	GKXXD	2	2	2	2	11	10	34	43
Philippines	GKXDE	14	12	11	13	42	18	39	44
Saudi Arabia	GKXDF	30	32	35	37	469	486	496	516
Singapore	GKXDG	34	35	35	36	149	113	89	110
South Korea	GKXDH	17	18	17	19	53	33	16	20
Taiwan	GKXDI	17	18	17	18	35	16	18	19
Thailand	GKXDJ	12	12	13	12	31	14	46	57
Other	GKXDK	366	365	365	404	625	608	527	550
<b>Total Asia</b>	<b>GKXDL</b>	<b>951</b>	<b>989</b>	<b>1 054</b>	<b>1 180</b>	<b>2 662</b>	<b>2 066</b>	<b>1 812</b>	<b>1 991</b>
<b>Australasia &amp; Oceania</b>									
Australia	GKXDM	347	389	399	422	414	265	308	360
New Zealand	GKXDN	98	117	122	116	112	82	71	75
Other	GKXDO	6	4	3	5	18	11	3	3
<b>Total Australasia &amp; Oceania</b>	<b>GKXDP</b>	<b>451</b>	<b>510</b>	<b>524</b>	<b>543</b>	<b>544</b>	<b>358</b>	<b>382</b>	<b>438</b>
<b>Africa</b>									
South Africa	GKXDQ	104	124	132	139	237	121	156	177
Other	GKXDR	110	182	183	184	161	86	136	160
<b>Total Africa</b>	<b>GKXDS</b>	<b>214</b>	<b>306</b>	<b>315</b>	<b>323</b>	<b>398</b>	<b>207</b>	<b>292</b>	<b>337</b>
<b>International Organisations<sup>1</sup></b>									
	GKXDT	—	—	—	—	5	7	—	—
<b>World total</b>	<b>KTND</b>	<b>11 640</b>	<b>13 264</b>	<b>12 809</b>	<b>13 363</b>	<b>21 386</b>	<b>15 305</b>	<b>15 424</b>	<b>18 278</b>

1 For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

2 Totals for China exclude Hong Kong.



# 9.7 Current transfers

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Debits</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	GXXV	29	26	29	32	75	69	33	35
Belgium and Luxembourg	GXXW	131	126	122	121	584	339	205	231
Denmark	GXXK	35	47	35	58	160	89	73	76
Finland	GXXY	14	13	14	15	140	66	51	53
France	GXXZ	276	228	312	342	1 061	521	513	592
Germany	GXYA	309	317	390	456	1 691	844	766	781
Greece	GXYB	59	59	23	41	53	44	16	16
Irish Republic	GXYC	429	464	449	500	933	814	829	794
Italy	GXYD	146	140	151	173	583	380	278	223
Netherlands	GXYE	206	441	487	550	842	435	443	474
Portugal	GXYF	34	29	45	50	103	57	47	51
Spain	GXYG	131	136	167	196	362	217	179	196
Sweden	GXYH	44	32	64	83	309	148	136	154
EU Institutions <sup>1</sup>	GXYI	6 970	8 260	7 431	9 192	9 277	8 261	10 265	10 524
<b>Total EU</b>	<b>LGPL</b>	<b>8 813</b>	<b>10 318</b>	<b>9 719</b>	<b>11 809</b>	<b>16 173</b>	<b>12 284</b>	<b>13 834</b>	<b>14 200</b>
European Free Trade Association (EFTA)									
Iceland	GXYK	7	6	7	8	15	5	5	5
Liechtenstein	GXYL	3	3	3	3	4	4	1	1
Norway	GXYM	91	62	80	80	241	120	139	160
Switzerland	GXYN	143	144	141	169	476	351	207	228
<b>Total EFTA</b>	<b>GXYO</b>	<b>244</b>	<b>215</b>	<b>231</b>	<b>260</b>	<b>736</b>	<b>480</b>	<b>352</b>	<b>394</b>
Other Europe									
Czech Republic	GXYP	14	15	16	16	29	19	18	26
Poland	GXYQ	32	32	35	35	76	72	61	55
Russia	GXYR	51	48	52	52	123	100	114	120
Turkey	GXYs	27	29	24	26	78	42	39	38
Other	GXYT	175	164	175	183	470	528	266	248
<b>Total Europe</b>	<b>GXYU</b>	<b>9 356</b>	<b>10 821</b>	<b>10 252</b>	<b>12 381</b>	<b>17 685</b>	<b>13 525</b>	<b>14 684</b>	<b>15 081</b>
<b>America</b>									
Brazil	GXYV	24	21	23	25	71	39	34	36
Canada	GXYW	511	569	598	639	262	197	196	197
Mexico	GXYX	31	28	29	30	26	15	14	15
United States of America	GXYy	1 779	1 593	1 668	2 045	2 011	1 541	2 148	2 267
Other	GXYZ	597	540	596	667	615	564	582	529
<b>Total America</b>	<b>GXZA</b>	<b>2 942</b>	<b>2 751</b>	<b>2 914</b>	<b>3 406</b>	<b>2 985</b>	<b>2 356</b>	<b>2 974</b>	<b>3 044</b>
<b>Asia</b>									
China <sup>2</sup>	GXZB	53	48	51	52	167	110	128	133
Hong Kong	GXZC	120	120	113	125	261	154	104	150
India	GXZD	141	128	140	139	412	418	412	430
Indonesia	GXZE	70	64	65	69	141	84	73	84
Israel	GXZF	44	42	42	45	44	29	23	23
Japan	GXZG	177	161	161	175	541	311	334	353
Malaysia	GXZH	40	38	39	41	141	63	52	72
Pakistan	GXZI	70	63	72	69	155	183	159	156
Philippines	GXZJ	35	31	33	34	71	48	42	46
Saudi Arabia	GXZK	35	33	35	38	82	75	11	29
Singapore	GXZL	34	32	32	35	190	144	56	90
South Korea	GXZM	15	13	13	14	94	35	32	46
Taiwan	GXZN	12	11	10	11	92	38	29	40
Thailand	GXZO	13	12	13	13	56	30	31	37
Other	GXZP	639	705	759	589	445	492	444	457
<b>Total Asia</b>	<b>GXZQ</b>	<b>1 498</b>	<b>1 501</b>	<b>1 578</b>	<b>1 449</b>	<b>2 892</b>	<b>2 214</b>	<b>1 930</b>	<b>2 146</b>
<b>Australasia &amp; Oceania</b>									
Australia	GXZR	551	590	695	704	320	296	275	173
New Zealand	GXZS	97	118	130	138	92	76	75	60
Other	GXZT	71	75	74	79	36	26	21	20
<b>Total Australasia &amp; Oceania</b>	<b>GXZU</b>	<b>719</b>	<b>783</b>	<b>899</b>	<b>921</b>	<b>448</b>	<b>398</b>	<b>371</b>	<b>253</b>
<b>Africa</b>									
South Africa	GXZV	249	289	280	302	129	128	146	182
Other	GXZW	599	597	570	568	956	1 032	1 036	1 021
<b>Total Africa</b>	<b>GXZX</b>	<b>848</b>	<b>886</b>	<b>850</b>	<b>870</b>	<b>1 085</b>	<b>1 160</b>	<b>1 182</b>	<b>1 203</b>
<b>International Organisations<sup>1</sup></b>	<b>GXZY</b>	<b>1 098</b>	<b>1 129</b>	<b>981</b>	<b>1 248</b>	<b>813</b>	<b>703</b>	<b>653</b>	<b>635</b>
<b>World total</b>	<b>KTNE</b>	<b>16 461</b>	<b>17 871</b>	<b>17 474</b>	<b>20 275</b>	<b>25 908</b>	<b>20 356</b>	<b>21 794</b>	<b>22 362</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Totals for China exclude Hong Kong.



# Geographical breakdown

## 9.7 Current transfers

continued

£ million

		1992	1993	1994	1995	1996	1997	1998	1999
<b>Balances</b>									
<b>Europe<sup>1</sup></b>									
European Union (EU)									
Austria	GZDU	-24	-18	-21	-25	-15	-16	10	12
Belgium and Luxembourg	GZDV	-78	-3	29	12	-202	-11	98	95
Denmark	GZDW	-30	-6	-11	5	-53	-26	-22	-19
Finland	GZDX	-9	-13	-	23	-83	-27	-31	-32
France	GZDY	74	182	-11	137	-357	-31	57	55
Germany	GZDZ	67	177	111	87	-746	-136	142	277
Greece	GZEA	-25	6	62	24	65	33	45	52
Irish Republic	GZEB	-252	-222	-205	-235	-610	-594	-660	-612
Italy	GZEC	-41	-15	44	8	-86	-54	-24	74
Netherlands	GZED	597	141	290	126	-127	199	521	694
Portugal	GZEE	-34	4	-24	-26	-61	-25	-16	-16
Spain	GZEF	-60	-32	-77	-96	-123	-27	33	50
Sweden	GYRO	-44	29	18	5	-93	2	-26	-39
EU Institutions <sup>1</sup>	GYRP	-2 832	-2 924	-3 069	-4 773	-3 122	-2 733	-5 189	-4 214
Total EU	LGPP	-2 691	-2 694	-2 864	-4 728	-5 613	-3 446	-5 062	-3 623
European Free Trade Association (EFTA)									
Iceland	GXEL	-3	-3	-3	-3	24	30	30	31
Liechtenstein	GXEM	-1	-1	-1	-1	7	2	2	2
Norway	GXEN	-55	-4	-25	-23	-86	-33	-72	-89
Switzerland	GZCH	292	216	-92	82	-176	-147	10	34
Total EFTA	GZCI	233	208	-121	55	-231	-148	-30	-22
Other Europe									
Czech Republic	GZCJ	-10	-11	-12	-12	-14	-9	3	-
Poland	GZCK	-24	-22	-24	-25	-59	-41	-	22
Russia	GZCL	-26	-24	-28	-26	-71	-74	79	124
Turkey	GZCM	-5	-4	2	1	-17	-4	-1	3
Other	GZCN	-106	7	-5	18	-129	-166	-168	-131
Total Europe	GZCO	-2 629	-2 540	-3 052	-4 717	-6 134	-3 888	-5 179	-3 627
<b>America</b>									
Brazil	GZCP	-9	-8	-10	-8	18	7	35	51
Canada	GZCQ	-288	-312	-243	-372	343	88	56	79
Mexico	GZCR	-6	-2	-6	-3	57	27	86	111
United States of America	GZCS	936	949	1 355	1 008	2 580	728	448	816
Other	GZCT	-278	-200	-294	-378	243	-176	-166	-43
Total America	GZCU	355	427	802	247	3 241	674	459	1 014
<b>Asia</b>									
China <sup>2</sup>	GZCV	-29	-23	-26	-24	-123	-89	-68	-61
Hong Kong	GZCW	-2	2	27	38	39	57	21	-4
India	GZCX	-86	-65	-77	-75	-370	-395	-390	-399
Indonesia	GZCY	-47	-42	-45	-46	-62	-51	-42	-51
Israel	GZCZ	-5	-4	-4	-5	50	12	17	19
Japan	GZDA	-31	4	51	85	84	90	-146	-142
Malaysia	GZDB	14	22	22	20	-78	-25	29	25
Pakistan	GZDC	-68	-61	-70	-67	-144	-173	-125	-113
Philippines	GZDD	-21	-19	-22	-21	-29	-30	-3	-2
Saudi Arabia	GZDE	-5	-1	-	-1	387	411	485	487
Singapore	GZDF	-	3	3	1	-41	-31	33	20
South Korea	GZDG	2	5	4	5	-41	-2	-16	-26
Taiwan	GZDH	5	7	7	7	-57	-22	-11	-21
Thailand	GZDI	-1	-	-	-1	-25	-16	15	20
Other	GZDJ	-273	-340	-394	-185	180	116	83	93
Total Asia	GZDK	-547	-512	-524	-269	-230	-148	-118	-155
<b>Australasia &amp; Oceania</b>									
Australia	GZDL	-204	-201	-296	-282	94	-31	33	187
New Zealand	GZDM	1	-1	-8	-22	20	6	-4	15
Other	GZDN	-65	-71	-71	-74	-18	-15	-18	-17
Total Australasia & Oceania	GZDO	-268	-273	-375	-378	96	-40	11	185
<b>Africa</b>									
South Africa	GZDP	-145	-165	-148	-163	108	-7	10	-5
Other	GZDQ	-489	-415	-387	-384	-795	-946	-900	-861
Total Africa	GZDR	-634	-580	-535	-547	-687	-953	-890	-866
<b>International Organisations<sup>1</sup></b>									
	GZDS	-1 098	-1 129	-981	-1 248	-808	-696	-653	-635
<b>World total</b>	<b>KTNF</b>	<b>-4 821</b>	<b>-4 607</b>	<b>-4 665</b>	<b>-6 912</b>	<b>-4 522</b>	<b>-5 051</b>	<b>-6 370</b>	<b>-4 084</b>

<sup>1</sup> For the purpose of this table EU Institutions are included in Europe and are excluded from International Organisations.

<sup>2</sup> Totals for China exclude Hong Kong.



## Balance of Payments and the International Accounts

The balance of payments (BOP) is a record of all economic transactions between the United Kingdom and the rest of the world. It is divided into two main parts: the current account and the capital account. The current account records trade in goods and services, income from investments, and transfers. The capital account records transactions in financial assets and liabilities, such as foreign direct investment and portfolio investment.

The BOP is a key indicator of a country's economic health. A persistent current account deficit indicates that a country is spending more on foreign goods and services than it is earning from exports. This can lead to a loss of confidence in the country's currency and a depreciation of the exchange rate. A persistent capital account surplus indicates that a country is attracting more foreign investment than it is losing, which can lead to an appreciation of the exchange rate.

The BOP is also a key indicator of a country's external debt. A persistent current account deficit leads to an accumulation of foreign debt, which can increase the risk of a balance of payments crisis. A persistent capital account surplus can lead to a reduction in foreign debt, which can reduce the risk of a balance of payments crisis.

The BOP is a complex and dynamic system. It is influenced by a wide range of factors, including the exchange rate, interest rates, and government policy. Understanding the BOP is essential for understanding the international economy and for making informed decisions about economic policy.

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## Balance of payments and the relationship to national accounts

This section is intended to help guide users of the Pink Book to gain a better understanding of how the data fit within the broader economic accounts framework. It can be read as a stand-alone although it makes several cross-references to Blue Book tables and so readers are advised to have access to these too if possible. The section is still under development and it is planned in future editions of the Pink Book to incorporate the Blue Book tables as a form of reconciliation between the two sets of accounts. In the meantime comments are welcomed on this section.

### Introduction

Conceptually the balance of payments, including the international investment position, form part of the broader system of the UK national accounts. The national accounts provide a comprehensive and systematic set of statistics for the UK economy, with information on economic transactions, other changes in the levels of assets and liabilities, and the levels of assets and liabilities themselves. The UK national accounts have generally been compiled according to the European System of Accounts (ESA95). Linkages between the UK balance of payments and national accounts are reinforced by the fact that the UK balance of payments are compiled at the same time as the national accounts, as a component of the sector accounts and using many common data sources.

The national accounts are a closed system in which both ends of every transaction involving a resident economic entity are recorded. A set of accounts is introduced to capture transactions that involve economic relationships with non-resident entities. These accounts are known as the *rest of the world accounts* and are presented from the perspective of non-residents rather than residents. Consequently, entries in the balance of payments (which show transactions from the perspective of residents) are reversed in the presentation of the rest of the world accounts. The accounts for resident entities, which consist of the production, income and accumulation accounts, are described in more detail below.

Two important accounting differences occur when one compares the balance of payments and the national accounts. First, each transaction is recorded twice in the balance of payments (double entry) and four times in the national accounts (quadruple entry). This is because in the balance of payments the activity of only one transactor is recorded, that of the resident entity (with a non-resident entity), whereas in the national accounts the activity of both transactors is recorded (i.e. the activity of either two residents or a resident and a non-resident).

Second, in the balance of payments, transactions are shown from the perspective of the resident entity, whereas in the national accounts, transactions are shown from the perspective of the resident in the production, income and accumulation accounts and from the perspective of the non-resident in the rest of the world account.

### Relations between national accounts and balance of payments concepts and classifications

Because the balance of payments, including the international investment position, forms an integral part of the national accounts, there is complete concordance between them in concept and classification, although the extent of cross-classifications may differ between the two systems.

The balance of payments and national accounts identify resident producers and consumers identically, and both invoke the same concepts of economic territory and centre of economic interest. Both use market prices as the primary concept of valuation of transactions and they adopt identical concepts of accrual accounting. The systems use identical conversion procedures to convert transactions, which take place in foreign currency, to UK currency.

While for some purposes it would be convenient if classifications used in the rest of the world accounts and the balance of payments accounts were identical, differences between the two are justifiable because, on occasion, they serve different purposes. For example, in the balance of payments financial account, precedence is given to classification of transactions by type of investment (i.e. direct, portfolio, reserve assets, other), whereas in the rest of the world financial account the instrument of investment is the primary classification. More important is the fact that concepts, definitions and classifications are consistent between the two systems.

### The production, income and capital accounts of the national accounts

The national accounts tables reflect the basic aspects of economic life (production, income, consumption, accumulation and wealth). The tables which follow show summarised versions of the main accounts in the national accounts publications. The tables illustrate the main structure of the national accounts aggregates with particular reference to external transactions. An important element of the system is that in each table a balance is derived which is carried through to the next account.

For many analysts, *Gross Domestic Product (GDP)* is the key economic aggregate as it measures the total value added for the the UK economy in any period. GDP may be measured as:

- (i) the total value of output less the cost of goods and services used in the production process (intermediate consumption) this is referred to as the *output (or production) approach*;
- (ii) the value of income accruing from the production process to each of the factors of production (plus net taxes on production and imports) this is referred to as the *income approach*; or



(iii) total final expenditure on goods and services during the period referred to as the *expenditure approach*.

Conceptually these measures are equal, but because different and imperfect data sources are used to measure each approach, the measures may differ in practice, which is reflected in the *statistical discrepancy* item. The national accounts are regularly benchmarked to balanced annual supply and use (input-output) tables. This ensures that, except for the latest year, the three measures of GDP are equal on an annual basis, though there will still be a statistical discrepancy between the quarterly estimates based on the three approaches.

*Blue Book* table 1.2 shows the *Gross Domestic Product Account* for the whole economy showing the components of the expenditure approach and the income approach to measuring GDP, while table 1.7.1, the *Production Account*, shows the derivation of GDP using the production approach. The expenditure based measure of GDP is derived as final consumption expenditure by government and households, plus *investment* in fixed capital formation and changes in inventories, plus *exports* minus *imports of goods and services*, plus (or minus) the statistical discrepancy. Exports and imports are the same as the balance of payments components, exports and imports of goods and services. The income based measure of GDP shows the components of factor income, namely compensation of employees, gross operating surplus and mixed incomes, plus taxes less subsidies on production and imports. The production based measure of GDP is shown as total gross output at purchasers' prices less intermediate consumption. For the purpose of discussion here, all values are in current prices.

*Blue Book* table 1.7.3 shows the *National Income and Use of Income Account*, showing the derivation of *gross national income*, *gross disposable income* and *use of gross disposable income*. Gross national income is equivalent to GDP plus *primary income receivable from non-residents* less *primary income payable to non-residents*. These primary income items are the same as the balance of payments income components which are used in the derivation of gross saving (gross disposable income less consumption) and net saving (gross saving less consumption of fixed capital). Table 1.7.3 illustrates how the various balance of payments income and current transfers components affect the nation's saving. To derive gross disposable income, net secondary income receivable from non-residents is added to gross national income; secondary income items are equivalent to the net current transfer components in the balance of payments. The segment of table 1.7.3 dealing with use of gross disposable income shows the derivation of gross saving (gross disposable income less consumption) and net saving (gross saving less consumption of fixed capital). Table 1.7.3 illustrates how the various balance of payments income and current transfers components affect the nation's saving.

*Blue Book* table 1.7.4, the *National Capital Account*, shows the link between gross saving and *net lending/borrowing* (to/from the rest of the world). The latter is derived as gross saving plus net capital transfers from non-residents less investment in fixed capital and inventories and the net acquisitions of non-produced, non-financial assets from non-residents. The items net capital transactions and net acquisitions of non-produced non-financial assets are both sourced from the balance of payments capital account. The capital account was introduced into the balance of payments to emphasise this clear relationship between the balance of payments and the national accounts.

### The financial account and balance sheet of the national accounts

Net lending/borrowing is also the balance shown in *Blue Book* table 1.7.8, the *Financial Account*. The financial account shows how the net lending/borrowing is financed through a combination of transactions in financial assets and liabilities. As table 1.7.8 is a summary account for the economy, transactions between resident sectors are offset and eliminated. Therefore table 1.7.8 is also equivalent to the balance of payments financial account. However, there are some important differences in classification emphasis between table 1.7.8 and the balance of payments financial account. In table 1.7.8 the emphasis is on instrument of investment (currency and deposits, securities, loans, equity, etc.), while in the balance of payments financial account, the emphasis is on type of investment (direct investment, portfolio investment, etc.). Both presentations give emphasis to the asset and liability classification.

It is worth noting that, if table 1.7.8 were expanded to include the financial transactions taking place between the various resident sectors, it would show the full financial account for the economy (which is published monthly in *Financial Statistics* and quarterly in *UK Economic Accounts*).

*Blue Book* table 1.7.9, the *National Balance Sheet*, shows the UK's non-financial assets (fixed assets, inventories, tangible and intangible non-produced assets (such as land, copyright, etc.), financial assets, and liabilities and net worth at the end of the period. As table 1.7.9 is a summary account for the economy, financial assets and liabilities only measure financial claims by residents on non-residents and liabilities by residents to non-residents. In other words, in this table the financial assets and liabilities components are the international investment position statement for the UK. Claims and liabilities between resident sectors have been offset and eliminated. Again, there are some important classification differences between table 1.7.9 and the international investment position statement. In table 1.7.9 the emphasis is on instrument of investment, while in the international investment position statement the emphasis is on type of investment. Both presentations give emphasis to the asset and liability classification.



**Rest of the world accounts of the national accounts**

There are five accounts for the rest of the world in the national accounts shown in the *Blue Book*. These are:

- (i) table 7.1.1 the *External account of goods and services*
- (i) table 7.1.2, the *External account of primary incomes and current transfers*;
- (ii) table 7.1.7, the *External capital account*;
- (iii) table 7.1.8, the *External Financial Account*; and
- (iv) table 7.1.9, the *External Balance Sheet Accounts*

The External Financial Account is published quarterly in *UK Economic Accounts*. As mentioned earlier, these accounts are required to close the system of national accounts and, while essentially the same as the balance of payments accounts and international investment position statement, they are compiled from the perspective of the non-resident transactor. Table 7.1.2 is essentially the current account of the balance of payments, table 7.1.7 the capital account, table 7.1.8 the financial account, and table 7.1.9 the international investment position. The reader should be able to readily identify the counterpart entries in all of these tables.







# Methodological notes

## Chapter 2: Trade in goods

### Introduction

The IMF Balance of Payments Manual, 5th edition (BPM5) defines trade in goods as covering general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers, and non-monetary gold.

General merchandise (with some exceptions) refers to moveable goods for which real or imputed changes of ownership occur between UK residents and the rest of the world.

*Goods for processing:* this covers goods that are exported or imported for processing and that comprise two transactions; the export of a good and the re-importation of the good on the basis of a contract and for a fee OR the import of a good and the re-exportation of the good on the basis of a contract and for a fee. The inclusion of these transactions on a gross basis is an exception to the change of ownership principle. The value of the good before and after processing is recorded.

*Repairs on goods:* this covers repairs that involve work performed by residents on movable goods owned by nonresidents (or vice versa). Examples of such goods are ships, aircraft and other transport equipment. The value recorded is the value of the repairs (fee paid or received) rather than the value of the goods before and after repair.

*Goods procured in ports:* this covers goods such as fuels, provisions, stores and supplies procured by UK resident carriers abroad or by nonresident carriers in the UK.

*Non-monetary gold:* this is defined as all gold not held as reserve assets (monetary gold) by the authorities. Non-monetary gold can be subdivided into gold held as a store of value and other (industrial) gold.

### Coverage and other adjustments

The balance of payments statistics of trade in goods compiled by the Office for National Statistics (ONS) are derived principally from data provided by the Tariff and Statistical Office of HM Customs and Excise (TSO) on the physical goods exported from and imported to the UK. However, this information is on a different basis to that required for Balance of Payments statistics. Accordingly in order to conform to the IMF definitions the ONS has to make various adjustments to include certain transactions which are not reported to HM Customs and Excise and to exclude certain transactions which are reported to them but where there is no change of ownership. In addition, since the value required for balance of payments purposes is the value of goods at the point of export (i.e. the Customs border of the exporting country) rather than the value of goods as they arrive in the UK, the freight and insurance costs of transporting the goods to the UK needs to be deducted from the values recorded by the TSO. Table 2.4 summarises this transition onto a Balance of Payments basis for each of the last 11 years.

### Overseas trade statistics compiled by HM Customs & Excise

Statistics of the UK's overseas trade in goods have been collected for over 300 years by HM Customs & Excise. Since 1993 these data comprise statistics of UK imports from and exports to countries outside the EU which have been compiled from declarations made to HM Customs & Excise by importers, exporters or their agents AND statistics of UK arrivals (imports) from and dispatches (exports) to other member states of the EU compiled from the Intrastat returns sent by traders or their agents to HM Customs & Excise.

Prior to 1993 statistics of UK imports from and exports to all countries in the world were compiled from declarations made to HM Customs & Excise by importers, exporters or their agents.



### Information on trade with EU countries

The Intrastat system is linked to Value Added Tax (VAT) and has applied since 1993, with minor variations, in all EU member states. In the UK all VAT registered businesses are required to complete two additional boxes on their VAT returns, which are normally submitted quarterly. These show the total value of exports of goods to customers in other member states (dispatches) and the total value of imports of goods from suppliers in other member states (arrivals).

Traders whose annual value of arrivals or dispatches exceed given "assimilation" thresholds are required to provide a supplementary declaration each month, showing full details of their arrivals and dispatches during the month. These thresholds are reviewed annually. For the calendar year 1999 these thresholds were fixed at £230,000 both for arrivals and for dispatches. These detailed Intrastat declarations cover approximately 97½% of the value of trade.

### Link with VAT

The information on the VAT returns serves three purposes; (i) to establish a register of traders and to determine which exceed the thresholds, (ii) to provide a cross-check with the supplementary declarations, (iii) to provide figures on the total value of trade carried out by traders below the thresholds.

Traders not registered for VAT and private individuals who move goods within the EU have no obligations under the Intrastat system and their trade is therefore not included in the statistics. Examples of commodities where this trade can be significant are works of art and racehorses.

### Below threshold trade

The total values of arrivals and dispatches by traders below the Intrastat thresholds are available from their VAT returns. The figures are included in the month in which the VAT return is received by HM Customs & Excise, although the VAT return itself may relate to a period of more than one month. Detailed information on below threshold trade is not available. However it has been established that the pattern of that trade before the Intrastat system was introduced in 1 January 1993 was similar to that of traders just above the thresholds. Thus estimates enabling detailed allocations of below threshold trade can be made on this basis by the TSO.

### Non-response

Traders who have a legal responsibility to provide Intrastat declarations are required to do so within 10 working days of the end of the calendar month. However, where traders have failed to provide Intrastat returns estimates of the total value of such trade are included. These are based on the trade reported by these traders in a previous period and the growth rate since that period experienced by traders who have provided returns for the current month.

### Late response

Late declarations of trade with EU countries are subsequently incorporated into the month's figures to which they relate with a corresponding reassessment of the initial estimates for non-response.

### Information on trade with non-EU countries

In general the figures for trade with non-EU countries show the trade as declared by importers and exporters or their agents and for which documentation has been received and processed in the TSO during the month.

Importers are usually required to present a Customs declaration before they can obtain Customs clearance and remove the goods. The great majority of imports are cleared immediately by a computerised system. Furthermore the import statistics include documents received by the TSO up to the third working day after the end of the month. Therefore the



import figures correspond fairly closely to goods actually imported during the calendar month. Generally speaking about 75% by value and 85% by number of all entries relate to the calendar month with the bulk of the remainder relating to the immediately preceding month.

Under the procedures for the control of exports the principle is the same - namely that goods cannot be cleared for export until a Customs declaration has been made. Traders can, if they wish, submit a simplified declaration so that the goods can be exported which has to be followed within 14 days after date of shipment with a complete export declaration. Moreover the processing of these complete export documents begins three working days before the end of the calendar month (two working days for December). Thus the export statistics compiled for a month (which are based on the date of receipt of the complete export documents) do not correspond with goods actually shipped in the calendar month. Generally both in terms of the value and the number of documents, 65% relates to the calendar month with the bulk of the remaining 35% relating to the immediately preceding month.

### **Basis of valuation**

For statistical purposes the UK adopts the valuation bases recommended in the 'International Trade Statistics Concepts & Definitions' published by the United Nations.

The valuation of exports (dispatches) is on a *free on board (fob)* basis, i.e. the cost of goods to the purchaser abroad, including:

- packaging;
- inland and coastal transport in the UK;
- dock dues;
- loading charges; and
- all other costs such as profits, charges and expenses (e.g. insurance) accruing up to the point where the goods are deposited on board the exporting vessel or aircraft or at the land boundary of Northern Ireland.

The valuation of imports (arrivals) is on a *cost, insurance and freight (cif)* basis including:

- the cost of the goods ;
- charges for freight & insurance; and
- all other related expenses in moving the goods to the point of entry into the UK (but excluding any duty or tax chargeable in the UK).

When goods are re-imported after process or repair abroad the value includes the cost of the process or repair as well as the value of the goods when exported.

### **Arrivals from and dispatches to EU countries**

Because of its link with VAT the primary valuation for trade in goods with EU countries is that required for VAT accounting purposes, usually the invoice value. Regular sample surveys are conducted by TSO to establish conversion factors to adjust the invoice values to produce the valuation basis required for statistical purposes. Separate factors are imputed for a range of different delivery terms and for trade with each member state.

The value recorded for arrivals and dispatches includes any duties or levies that have been applied to goods originating in non-EU countries but which have since cleared EU Customs procedures in one EU country prior to moving onto other EU countries.



Imports from non-EU countries

The statistical value of imports of goods subject to duty *ad valorem* is the same as the value for Customs purposes. This value is arrived at by the use of specific methods of valuation in the following order of preference:

- (i) the transaction value of the imported goods (i.e. the price paid or payable on the goods);
- (ii) the transaction value of identical goods;
- (iii) the 'deductive method' - value derived from the selling price in the country of importation;
- (iv) computed value based on the built-up cost of the imported goods.

Imported goods are valued at the point where the goods are introduced into the Customs territory of the EU. This means that costs for delivery of the imported goods to that point have to be included in the Customs value.

For all other goods (i.e. goods free or exempted from duty and goods subject to a specific duty) the statistical value is determined in relation to the point at which the goods enter the UK.

An amount expressed in foreign currency is converted to sterling by the importer using a system of "period rates of exchange" published by HM Customs & Excise. These rates are normally operative for a four weekly period unless there is a significant movement in the exchange rate.

Treatment of Taxes

As described above, the value of all goods moving into and out of the UK is based on the transaction value recorded for Customs purposes or, in the case of trade in goods with EU countries, the invoice or contract value. In line with this principle the values recorded *exclude* VAT. For trade in goods with non-EU countries, all other taxes such as duties and levies applied to goods after arrival in the UK are *excluded*. For trade in goods with EU countries, the value recorded for imports and exports includes any duties or levies that have been applied to goods originating in non-EU countries but which have since cleared Customs procedures prior to moving onto other EU countries. However excise duties are *excluded* from the value recorded for trade.

Balance of payments statistics for trade compiled by ONS

Table 2.4 summarises the transition from trade in goods statistics on an Overseas Trade Statistics basis (compiled by the TSO) to those on a Balance of Payments basis (compiled by the ONS).

Valuation adjustments

*Freight:* The cost of freight services for the sea legs of dry cargo imports is estimated by applying freight rates (derived from the rates for a large sample of individual commodities imported from various countries) to tonnages of goods arriving by sea. For the land legs, estimates of freight rates per tonne-kilometre for different commodities and estimated distances are used. Estimates of rail freight through the Channel Tunnel are estimated from data provided by Le Shuttle and freight operators. The cost of freight on imports arriving by air is derived from information on the earnings of UK airlines on UK imports and the respective tonnages landed by UK and foreign airlines at UK airports. Pending investigations of an alternative methodology the cost of freight and insurance on oil and gas imports is projected from data formerly supplied by the Department of Trade and Industry.

Sources: Tonnages from TSO; information on freight rates from Chamber of Shipping, Civil Aviation Authority and road hauliers; information from Le Shuttle.

*Insurance:* The cost of insurance premiums on non-oil imports is estimated as a fixed percentage of the value of imports. Source - ONS estimate.



### Coverage adjustments

*Second-hand ships:* to include purchases and sales of second-hand ships which are excluded from the Overseas Trade Statistics as the transactions are not notified to TSO.

*Source:* Inquiries to UK shipowners conducted by the Department of the Environment, Transport and the Regions.

*New ships delivered abroad:* to include deliveries of new ships built abroad for UK owners while the vessel is still in a foreign port as the transactions are not notified to TSO.

*Source:* Inquiries to UK shipowners conducted by the Department of the Environment, Transport and the Regions.

*North Sea installations:* to include goods (including drilling rigs) directly exported from and imported to the UK production sites in the North Sea. This adjustment is also used when there is a redistribution of the resources of fields which lie in both UK and non-UK territorial waters (e.g. the Frigg, Murchison and Statfjord). In these circumstances the contribution to (or reimbursement of) a proportion of the development costs has been treated as a purchase (or sale) of fixed assets at the date of the re-determination and appears as an adjustment to imports (exports) of goods.

*Source:* ONS inquiries to the petroleum and natural gas industry.

*NAAFI:* to exclude goods exported by the Navy, Army and Air Force Institute for the use of UK forces abroad since these are regarded as sales to UK residents.

*Source:* quarterly returns from NAAFI.

*Goods not changing ownership:* the Overseas Trade Statistics exclude temporary trade (i.e. goods that are to be returned to the original country within two years and there is no change of ownership). However goods may well have originally been recorded as 'genuine' trade but which are subsequently returned to the original country. Examples of these 'returned goods' are goods traded on a 'sale or return' basis; goods damaged in transit and returned for replacement or repair; and contractor's plant. The same amount is deducted from both imports and exports for the month in which the return movement is declared to Customs.

*Source:* TSO (goods identified by reference to Customs Procedure codes (CPCs)).

*Gold:* trade in gold (i.e. gold bullion, gold coin, unwrought or semi-manufactured gold and scrap) is reported to the TSO but it is excluded from the statistics of total exports and imports published in the Overseas Trade Statistics. However, trade in ores and concentrates and finished manufactures of gold (e.g. jewellery) are included in total exports and imports.

For Balance of Payments purposes all trade in non-monetary gold should be included under trade in goods. Non-monetary gold is defined as all gold not held as reserve assets (monetary gold) by the authorities. Non-monetary gold can be subdivided into gold held as a store of value and other (industrial) gold. The UK currently makes adjustments to include industrial gold. In exports the adjustment reflects the value added in refining gold and producing proof coins. In imports the adjustment reflects the value of gold used in finished manufactures (such as jewellery and dentistry).

Within the transactions of the London Bullion Market the UK cannot currently distinguish between monetary gold and non-monetary gold held as a store of value. Accordingly the UK has obtained an exemption from adopting IMF recommendations, as specified in the Balance of Payments Manual 5th edition, on treatment of gold until 2005. For the time being these transactions are included in the Financial Account.

*Source:* ONS estimate.



*Letter post:* to include exports by letter post which are not included in the Overseas Trade Statistics.

*Sources:* Books - ONS estimate based on historic information from publishers and booksellers; other items - ONS estimate based on historic sample inquiry made by the Post Office.

*Additions and alterations to ships:* to include work carried out abroad on UK owned ships and work carried out in UK yards on foreign owned ships.

*Sources:* Inquiries to UK shipowners conducted by the Dept. of the Environment, Transport and the Regions (imports) and ONS estimates (exports).

*Repairs to aircraft:* to include the value of repairs carried out in the UK on foreign owned aircraft.

*Source:* ONS estimate.

*Goods procured in ports:* to include fuels, provisions, stores and supplies purchased for commercial use in ships, aircraft and vehicles.

*Sources:* Chamber of Shipping and Civil Aviation Authority for goods procured in foreign ports by UK transport companies (imports); UK oil companies, Civil Aviation Authority, BAA, municipal airports and port authorities for goods procured in UK ports by overseas transport companies (exports).

*Territorial coverage adjustment:* for the purposes of the Overseas Trade Statistics, "UK" is defined as Great Britain, Northern Ireland, the Isle of Man, the Channel Islands and the Continental Shelf (UK part). Therefore the Overseas Trade Statistics exclude trade between these different parts of the UK but include their trade with other countries.

For Balance of Payments purposes, the Channel Islands and the Isle of Man are not considered part of the UK economic territory. Adjustments are made to exports to *include* UK exports to those islands and to *exclude* their exports to other countries and to imports to *include* UK imports from those islands and to *exclude* their imports from other countries.

*Source:* ONS estimate.

### Other adjustments

*Diamonds:* much of the World's trade in rough (uncut) diamonds is controlled from London by the Central Selling Organisation of De Beers. In order not to distort the trade statistics all imports into and exports from the UK of uncut diamonds which remain in the ownership of foreign principles are excluded from the Overseas Trade Statistics by TSO. In addition the value of diamonds imported into the UK can be reassessed after the diamonds have been cleared by Customs. This adjustment reflects these changes in valuation.

*Source:* Central Selling Organisation.

*Adjustment for under-recording and for currency and other valuation errors:* these adjustments compensate for the following types of error:

- Failure on the part of traders or their agents to submit details of shipments;
- Incorrect valuations recorded;
- Declarations wrongly given in foreign currency instead of sterling.



Regular reviews show the adjustments for non-EU trade remaining broadly constant over time. Those for EU trade have reduced since the early days of the Intrastat system. The adjustments can be expressed as the following percentages of total trade excluding oil and erratics:

	Exports to:		Imports from:	
	EU	non-EU	EU	non-EU
Under recording	+1/4%	+1 1/2%	+1/4%	0
currency errors	0	-1/2%	0	0
other valuation errors	0	-1/4%	0	0
* (+1% for 1997 & +1 1/2% 1993-1996)				

Source - Sample surveys made by TSO

*Adjustments to estimates for non-response:* a review of the introduction of the Intrastat system carried out in 1994 identified a number of difficulties in the initial monthly estimates of trade with EU countries provided by the TSO. The following describes the adjustments made by the ONS to cope with these difficulties.

The TSO method of estimation for non-response relies on linking the values of trade reported by traders in the current period with previous periods. Problems can arise when traders change their VAT registration (perhaps as a result of an internal reorganisation, mergers or sales). Similarly problems can arise when a trader starts submitting returns for the first time. If the trader then becomes a non-responder there may be no history of previous trade upon which to base an estimate. To allow for this, the ONS makes an initial adjustment of +£30 million to both exports and imports (reducing to zero over the following two months).

Furthermore some traders may submit first declarations for a month that do not include all their trade in that month. Later declarations are then received for the rest of their trade. The pattern of receipt at TSO of these partial returns is analysed to enable the ONS to make initial adjustments to both exports and imports to anticipate these later declarations. These initial adjustments are progressively reduced in subsequent months as late declarations are processed.

Currently the profile of these adjustments is as follows:

	£ million	
	Exports	Imports
First published estimates	+210	+295
Second estimates	+125	+155
Third estimates	+75	+90
Fourth estimates	+35	+50
Fifth estimates	+15	+20
All subsequent estimates	0	0

Source- TSO

Finally, the TSO recalculates its initial estimates for non-response for six months after those estimates first appear in the Overseas Trade Statistics. However it continues to process late returns until June of the following year. Accordingly the ONS makes a negative adjustment equal to either the value of these late returns or the value of the last non-response estimate made by the TSO (whichever is the smaller).

Source: ONS estimate.



### Price and volume indices

Any difference between time periods in the total value of trade reflects changes in prices as well as changes in the levels of the underlying economic activity (e.g. the physical amounts of goods exported or imported). Separation of these changes greatly enhances the interpretation of the data and, for this reason, the ONS compiles separate data measuring changes in price and changes in volume. Presentationally these data are shown in index number form.

### References

Aggregate estimates of trade in goods, seasonally adjusted and on a balance of payments basis, are published monthly in a first release by National Statistics. More detailed figures are available from the National Statistics Databank and are also published in the *Monthly Review of External Trade Statistics (Business Monitor MM24)*.

An article entitled 'UK visible trade statistics - the Intrastat system' was published in *Economic Trends*, August 1994.

A fuller version of these methodological notes appears in *Statistics on Trade in Goods (Government Statistical Service Methodological Series)*.

## Chapter 3: Trade in services

### Introduction

Trade in services covers the provision of services by UK residents to non-residents and vice versa. Trade in services are disaggregated into eleven broad categories of services, as follows:

- (a) Transportation (Sea, Air and Other) - Passenger, freight and other
- (b) Travel (Business and Personal)
- (c) Communications services
- (d) Construction services
- (e) Insurance services
- (f) Financial services
- (g) Computer and information services
- (h) Royalties and licence fees
- (i) Other business services (Merchanting and other trade-related services; operational leasing services; miscellaneous business, professional and technical services)
- (j) Personal, cultural and recreational services (Audio-visual and related services; other cultural and recreational services)
- (k) Government services

Separate tables appear at Chapter 3 of this publication for each of the above categories except construction services, which are shown in the trade in services summary table 3.1.

The change from an industry to product based presentation means that trade in services data at the individual product level cannot always be constructed back in time. Preparation to collect trade in services by product commenced in 1996, with the introduction of the new International Trade in Services (ITIS) survey. A full product based dataset is available from this date. Account totals, and some additional product estimates have been constructed back to 1991 or 1992, based on the relationship between the new ITIS data and the previous industry based data. It was not valid to project this relationship further back in time. For the transport, travel, royalties and government services accounts, there are only small changes from the industry based data, and it has been possible to construct longer time series.



Total trade in services data are available back to 1946. While the presentation of trade in services has changed completely, there are only small changes to the overall coverage of trade in services. For these "change series", data have been derived back to 1946. The new trade in services aggregate is therefore the sum of "old" services plus "change series" plus any data revisions. Details of these changes are covered below and in *Introducing ESA95*.

### Construction services (Table 3.1)

Construction services cover work done on construction projects and installations by employees of an enterprise in locations outside their resident economic territory. The source of information is the International Trade in Services (ITIS) survey. For construction services, where a permanent base is established which is intended to operate for a long period of time, the enterprise becomes part of the host economy and its *transactions are excluded from the trade in services account*. Transactions where a permanent base is established are recorded under direct investment, within investment income.

### Transportation services (Table 3.2)

The transportation account covers sea, air and other (i.e. rail, land, and pipeline) transport. It includes the movement of passengers and freight, and other related transport services, including chartering of ships or aircraft with crew, cargo handling, storage and warehousing, towing, pilotage and navigation, maintenance and cleaning, and commission and agents' fees associated with passenger/freight transportation.

The main changes made with the introduction of BPM5 were;

- (i) chartering of ships and aircraft without crew are included within the operational leasing component of "Other Business Services".
- (ii) disbursements in ports are now separately identified for goods and services. Those that relate to goods (ships stores, bunkers etc.) are now included within trade in goods.
- (iii) rail, road and pipeline transport are now included within the transportation account.

### Freight and the valuation of UK trade in goods

The trade in goods estimates included in the balance of payments *value imports* as they arrive in the UK valued f.o.b. (free on board) at the frontiers of the exporting country. This is net of the *cost of freight to the UK border and any loss and damage incurred in transit to the UK*. For UK importers who purchase goods f.o.b. and arrange transport themselves, their payment for the goods at the exporting countries' frontiers comprises:

- (i) the value included in the trade in goods estimates (which is net of subsequent loss and damage);
- (ii) the value of loss and damage incurred in transit.

In addition, such importers bear the costs of:

- (iii) freight services outside the exporting countries;
- (iv) insurance services (the excess of insurance premiums paid for the journeys over claims made).

Where importers purchase goods c.i.f. - (cost, insurance and freight) that is, on arrival in the UK - items (ii) to (iv) are paid by the foreign exporters in the first instance. The c.i.f. prices are set accordingly, however, and the UK importers are regarded as bearing the costs of items (i) to (iv).

So, irrespective of the payment basis, items (ii) to (iv) represent costs to UK importers additional to the trade in goods entries (item i). Item (ii), the value of loss and damage, is part of the price paid to the foreign exporter and so always represents a debit entry in the balance of payments accounts. Items (iii) and (iv), freight and insurance services, also represent debit entries when provided by non-residents; where such services are provided by UK residents there is no balance of payments entry.



The estimates of trade in goods cover exports valued f.o.b. The valuation of exports at the UK frontier must, by definition, include any subsequent loss or damage en route to the importer. Therefore, unlike imports, there is no need to make an explicit adjustment for loss and damage to exports. However, foreign importers must additionally bear the costs of freight and insurance services for the journeys outside the UK and where such services are provided by UK residents this gives rise to credit entries in the services accounts.

The f.o.b. value for UK imports includes the cost of transport within the exporting country. Where this service is provided by a UK operator then the trade valuation of imports overstates the balance of payments effect and an offsetting credit entry is therefore included under "Road transport". Similarly, an offsetting debit entry is included for foreign operators' carriage of UK exports within the UK.

### Sea transport

Exports by UK operators consist of freight services on UK exports (but not imports - see "Freight and the valuation of UK trade in goods", above) and on cross-trades, the carriage of non-resident passengers and the provision to them of services, and the chartering of ships to non-residents. Exports also include port charges and other services purchased in the UK by non-resident operators. Conversely, imports comprise services purchased abroad by UK operators, their chartering of ships from non-residents, and the carriage by non-resident operators of UK imports (but not exports) and goods on UK coastal routes and UK passengers.

Statistics relating to UK operators are provided by the Chamber of Shipping (CoS), which conducts inquiries into its members' participation in foreign trade. Until 1995, inquiries covering all CoS members were made every four years, with sample surveys for intervening years. Since 1995, the CoS has surveyed all its members annually. The services of offshore supply vessels and non-trading ships are not included in "Transportation" but in "Other business services" (Table 3.9).

### Exports

*Passenger revenue:* the value of services provided to non-resident passengers comprises fares and passengers' expenditure on board. Since UK operators are not able to distinguish between fares received from UK residents and non-residents, fares collected abroad are assumed to represent fares received from non-residents (passenger revenue collected abroad from UK residents is thought to be small and is likely to be counter-balanced by that collected in the UK from foreign residents). An estimate of passengers' expenditure on board is added, taking the non-residents' proportionate share of the total to be the same as for fares.

*Freight:* earnings consist of freight services on UK exports and is based on data supplied to the Chamber of Shipping. Time charter receipts include receipts for charters with crew. Time charters without crew are included within the operational leasing component of Other Business Services (Table 3.9).

*Disbursements:* estimates of disbursements in the UK by foreign operators are formed from a variety of sources. UK income from port charges, towage, handling costs and other port related services was collected in 1996 from a survey of port authorities. Crews' expenditure is estimated from information on numbers of visiting seamen, supplied by the Immigration Service. Regular returns are received on light dues from Trinity House. Estimates of expenditure on ships stores and on bunkers are now included within the trade in goods data. Time charter payments made to UK residents are included under "Ships owned or chartered-in by UK residents".



## Imports

*Passenger revenue:* estimates of passenger fares paid to non-resident operators are derived mainly from the results of the International Passenger Survey which is described in the notes below on "Travel". A further allowance is made for on board sales of goods and services. Passenger fares paid to non-resident operators for fly-cruises, however, together with other expenditure by UK passengers on board non-resident shipping, is included, but not separately identified, in "Travel" imports.

*Freight:* Estimates are provided by non-residents take as their starting point the estimates of total freight services on the sea legs of UK imports of goods described in chapter 9. The Chamber of Shipping estimates of the element provided by UK operated ships are then deducted from the freight on imports arriving by sea. The residual being the services supplied by non-resident shipping operators. Charter payments cover payments for charters with crew.

*Disbursements:* disbursements abroad include payments for canal dues, the maintenance of shore establishments, port charges, agency fees, handling charges, crews' expenditure, pilotage and towage, light dues and other miscellaneous port expenditure abroad. Payments for bunkers, ships stores and other goods purchased are now included within the trade in goods data.

## Air transport

The exports of UK airlines comprise the carriage of non-resident passengers to, from or outside the UK, the carriage of UK exports of goods (but not imports - see "Freight and the valuation of UK trade in goods", above) and cross-trades and the chartering of aircraft to non-residents. Exports also include airport charges and services purchased in the UK by foreign airlines. Purchases of fuel and other goods are included within trade in goods.

Imports include expenditure abroad by UK airlines on airport charges, crews' expenses, charter payments, etc. They also include payments to foreign airlines for the carriage etc. of UK imports of goods (but not exports) and of UK mail; and for the carriage of UK passengers on flights covered by tickets for journeys to or from the UK (the carriage of UK passengers on other non-resident flights is included under "Travel").

The transactions of UK airlines are derived from returns supplied by the airlines to the Civil Aviation Authority.

## Exports

*Passenger revenue:* this relates to all tickets sold outside the UK and used on UK aircraft, together with receipts from carrying passengers' excess baggage. An exercise by British Airways plc demonstrated that the value of tickets sold abroad to UK residents is roughly counter-balanced by sales in the UK to non-residents.

*Freight:* this consists of freight services on UK exports and the carriage of non-resident airmails, and is based on data supplied to the Civil Aviation Authority.

*Disbursements and other revenue:* These comprise expenditure in the UK by non-resident airlines on landing fees, other airport charges, handling charges, crews' expenses, office rentals and expenses, salaries and wages of staff at UK offices, commissions to agents and advertising. The estimates are based on returns from the Civil Aviation Authority, BAA plc and municipal airports on their receipts from non-resident airlines for air traffic control, landing fees and other airport charges; and survey information collected from large non-resident airlines operating in the UK on their other UK expenses. Purchases of fuel and other goods are now included within trade in goods.



Also included are receipts from the charter or hire of aircraft, and gross receipts of sums due from non-resident airlines under pooling arrangements and for services such as consultancy and engine overhaul.

### Imports

*Passenger:* The information on fares paid by UK passengers to non-resident airlines is derived from the International Passenger Survey; see notes on "Travel" below. An amount is added for the estimated expenditure of UK residents on flights between the UK and the Republic of Ireland, which is not covered by the survey.

*Freight:* Estimates of non-resident airlines' freight on UK imports are derived by subtracting from the estimates of total freight on imports of goods arriving by air (see chapter 9) the element provided by UK airlines. *The residual being the freight services supplied by non-resident airlines.* Other imports comprise payments to non-resident airlines for carrying UK airmails as reported by the Post Office to the Civil Aviation Authority.

*Disbursements and other payments:* disbursements abroad include airport landing fees, other airport charges, charter payments, crews' expenses, the operating costs of overseas offices, agents' commissions, advertising, settlements with non-resident airlines under pooling arrangements, and miscellaneous expenditure abroad. Purchases of fuel and other goods are now included within trade in goods.

### Other Transport

This covers the movement of passengers and freight, and other related transport services, by rail, road and pipeline.

*Rail:* this consists primarily of expenditure on fares and rail freight through the channel tunnel. Passenger revenue estimates are based on numbers of passengers through the tunnel and average fare information. Estimates of rail freight through the tunnel are based on data provided by Le Shuttle and freight operators.

As the tunnel is a joint UK/French enterprise, half of passenger and freight transactions are taken to accrue to the UK part of the business. That is, all tickets sold in France are assumed to be sold to non-UK residents (likewise, all tickets sold in the UK are assumed sold to UK residents). Of these, 50 per cent are assumed to accrue to the UK as they represent exports of rail transport services.

*Road:* exports comprise the earnings of UK road hauliers for the carriage outside the UK of UK exports of goods and the carriage within the exporting countries of UK imports (although excluding all such earnings from lorries leaving the UK via the Northern Ireland land boundary). Estimates of numbers of journeys to various countries are derived from the International Road Haulage Survey, and rates for each journey are estimated from trade and other sources.

Imports include payments to all non-resident land transport operators for the carriage of UK imports of goods between the frontiers of the exporting countries and the foreign sea ports. Estimates are made by subtracting from the estimate of total freight on imports for land legs (as described in chapter 9) an estimate of the element earned by UK operators (derived as for exports). Imports also include the earnings of non-resident road hauliers for carrying UK exports and imports (other than trade with the Republic of Ireland) within the UK. These are estimated from the statistics of ferry movements of foreign registered lorries, average loads, average lengths of haul within the UK and estimated freight rates. The disbursements abroad by UK road hauliers, and in the UK by non-resident road hauliers, are included within "Travel".

*Pipeline:* this covers the cost of transport of oil freight via undersea pipelines. Data are derived from a survey of North Sea Oil and Gas companies.



**Travel**  
**(Table 3.3)**

Travel covers goods and services provided to UK residents during trips of less than one year abroad (and provided to non-residents during similar trips in the UK), net of any purchases made with money earned or provided locally. Transport to and from the UK is excluded and shown as passenger services under transportation (see above). Internal transport within the country being visited is included within travel.

A traveller is defined as an individual staying, for less than one year, in an economy of which he/she is not a resident. The exceptions are those military and diplomatic personnel, whose expenditure is recorded under government services. The one year rule does not apply to students and medical patients, who remain residents of their country of origin, even if the length of stay in another economy is more than a year.

The estimates are based primarily on the International Passenger Survey, which seeks information on expenditure from samples of non-resident visitors leaving the UK and of UK residents returning from abroad. For package tourists, estimates of the transport elements are deducted from the reported total package costs. Estimates of the expenditure of UK residents visiting the Republic of Ireland and of Irish residents visiting the UK (who are not covered by the survey), are derived from statistics published by the Irish Central Statistics Office.

**Business travel**

Business travel is divided into expenditure by seasonal and border workers (individuals who work some or all of the time in economic territories that differ from their resident households) and other *business travel*. Estimates are based on the International Passenger Survey.

**Personal travel**

Personal travel covers holidays, visits to friends and relatives, the expenditures of people visiting for education and health reasons and miscellaneous purposes. Visits for more than one purpose, where none is distinguished as the main purpose, are classified as other.

Education related travel exports covers the tuition fees and other expenditure of students who are funded from abroad and studying in the UK (imports covers the expenditure of UK students studying abroad). The figures also include the fees and other expenditure of pupils in UK private schools and students at other colleges and language schools. Income received direct from abroad by examining bodies and correspondence course colleges is included within personal, cultural and recreational services.

Fees and other expenditure paid by non-resident students for higher education is collected via a special International Passenger Survey (IPS) trailer which commenced in 1997. Fee information is validated by data provided by the Higher Education Statistical Agency. Expenditure of pupils in UK private schools is validated using data collected by the Independent Schools Information Service (ISIS), who run an annual survey of independent schools. For the 1996/97 academic year the survey included a new question for the balance of payments, which specifically identifies expenditure on school fees by persons classified as non-residents.

Health related travel covers the cost of medical and other expenses of those travelling abroad for medical treatment. Estimates are based on information supplied to the IPS.

**Communication services**  
**(Table 3.4)**

Communication services covers two main categories of international transactions: telecommunications (telephone, telex, fax, e-mail, satellite, cable and business network services) and postal and courier services. Information is obtained through the ONS International Trade in Services survey (ITIS) and direct from Parcel Force and the Post Office.



### Insurance services (Table 3.5)

Insurance services cover the provision of various types of insurance to non-residents by resident insurance enterprises and *vice versa*. Insurance services include freight insurance on goods being imported or exported, direct insurance (life, accident, fire, marine, aviation etc.) and re-insurance. The amounts recorded in the accounts reflect the service charge earned on the provision of insurance services. This is equal to net premiums from overseas (premiums less claims), plus net property income (dividends and interest earned less interest paid) on technical reserves, less any overseas expenses. The figures for insurance companies' and brokers' underwriting activities are derived from annual inquiries conducted by the ONS. Lloyds of London underwriting activity are based on data supplied by the Corporation of Lloyd's; they also include receipts for management services provided to overseas members of Lloyds syndicates.

#### Life insurance and pension funds

Life insurance covers underwriting services associated with long term policies. Data are collected in the ONS inquiry into insurance companies. Pension fund services include service charges relating to occupational and other pension schemes, but not compulsory social security services.

#### Freight

Treatment of freight insurance is consistent with the f.o.b valuation of trade in goods (see "freight and the valuation of trade in goods" above). That is, non-resident importers pay for freight and insurance on journeys outside the UK. Where such services are provided by UK residents, this gives rise to a credit entry.

#### Other direct insurance

Other direct insurance covers accident and health insurance; marine, aviation and other transport insurance; fire and property insurance; pecuniary loss insurance; general liability insurance, and other (such as travel insurance and insurance related to loans and credit cards).

#### Reinsurance

Reinsurance represents subcontracting parts of risks, often to specialised operators, in return for a proportionate share of the premium income. Reinsurance may relate to packages which mix several types of risks. Exports of services are estimated as the balance of flows between resident reinsurers and non-resident insurers. Imports are estimated as the balance of flows between resident insurers and non-resident reinsurers.

#### Auxiliary insurance services

This covers insurance broking and agency services, insurance and pension consultancy services, evaluation and adjustment services, actuarial services, salvage administration services, regulatory and monitoring services on indemnities and recovery services. These are measured by net brokerage earnings on business written in foreign currencies, and sterling business known to relate to non-residents.

The main sources of information on insurance services are ONS inquiries to insurance companies and brokers, the ITIS survey and administrative data from Lloyd's of London.

### Financial services (Table 3.6)

Financial services cover financial intermediary and auxiliary services other than those of insurance companies and pension funds. They include intermediary service fees associated with letters of credit, bankers' acceptances, lines of credit, financial leasing and foreign exchange transactions. Also included are commissions and other fees related to transactions in securities; e.g. brokerage, underwriting, arrangements of swaps, options and other hedging instruments etc.; commissions of commodity futures traders; and services related to asset management, financial market operational and regulatory services, security custody services etc. Estimates are based on returns from the Bank of England (for



banks), ONS inquiries (to securities dealers, fund managers, commodity traders, finance houses and credit guarantors etc.) and directly from other sources including the Baltic Exchange.

The service earnings of financial institutions are presented net of any overseas expenses. Trade in services transactions covered by each type of financial institution are detailed below:

### **Monetary financial institutions (banks)**

This covers UK banks' services giving rise to:

- (i) commissions for credit and bill transactions such as advising, opening and confirming documentary credits, collection of bills, etc.;
- (ii) net receipts on foreign exchange dealing;
- (iii) commission on new issues of overseas securities; and
- (iv) banking charges, income arising from lending activities, fees and commissions in respect of current account operations, overdraft facilities, executor and trustee services, portfolio management, guarantees, securities transactions and similar services.

Estimates are based on inquiries carried out annually from 1986 to 1990 and for some earlier years. A quarterly survey was run in 1991. A new survey was introduced in 1992 to collect data on UK banks' current account transactions including services. The survey is completed quarterly by a selected sample of banks and annually by the full UK banking population. Management services provided to and by offices abroad are also included.

### **Fund management companies**

Service earnings from 1991, covering investment management fees and fees generated from advisory and other related functions, have been derived from a survey of companies whose main activity is fund management. Earnings are net of any foreign expenses by the institutions concerned. They exclude earnings of insurance companies, which are covered by separate returns made to the Office for National Statistics (see above, under "Insurance Services").

### **Securities Dealers**

The earnings of securities dealers are derived from a survey completed by members of the Securities and Futures Authority Ltd. (SFA). From the 1998 edition of the *Pink Book*, security dealers' spread earnings (dealing profits less holding gains) are included as part of securities dealers' overseas earnings. This treatment is consistent with the domestic accounts as described in the European System of Accounts (1995). Estimates of these spread earnings are based on information on acquisitions and realisations of various classes of securities derived from ONS inquiries, together with the bid and offer prices for certain international bonds.

### **Baltic Exchange**

This covers the brokerage and other service earnings of members of the Exchange for chartering, sales and purchases of ships and aircraft and other associated activities. Estimates are based on a survey of Exchange members.

### **Other**

This includes commissions etc. received from abroad by UK residents (other than monetary financial institutions and oil companies, whose earnings are included elsewhere) for dealings in physical goods and in futures and options contracts. From 1990 the Office for National Statistics has carried out an annual survey of dealers in physical commodities. The foreign earnings of financial futures and options dealers are assumed to have moved in line with the corresponding total earnings of such dealers reported in statutory returns to supervisory bodies.



This component also includes those financial services not included elsewhere, including financial service transactions (exports and imports) picked up from the ITIS survey, and service charges on purchases of International Monetary Fund resources.

### **Computer and information services (Table 3.7)**

Computer and information services cover computer data and news related service transactions including databases, such as development, storage and on-line time series; data processing; hardware consultancy; software implementation; maintenance and repair of computers and peripheral equipment; news agency services; and direct, non-bulk subscriptions to newspapers and periodicals. Information is obtained from the ITIS survey.

### **Royalties and license fees (Table 3.8)**

Royalties and licence fees cover the exchange of payments and receipts for the authorised use of intangible, non-produced, non-financial assets and proprietary rights (such as patents, copyrights, trademarks, industrial processes, franchises etc.) and with the use, through licensing agreements, of produced originals or prototypes (such as manuscripts and films).

The heading includes royalties, licenses to use patents, trade marks, designs, copyrights, etc.; manufacturing rights and the use of technical "know-how"; amounts payable or receivable in respect of mineral royalties; and royalties on printed matter, sound recordings and performing rights. Data are obtained through the ITIS survey. Film royalties from the ONS Films and TV Inquiry are also included. Royalties incorporated in the contract prices of UK exports and imports of goods are recorded under "Trade in Goods".

### **Other business services (Table 3.9)**

Other business services cover a range of services including merchanting and other trade-related services, operational leasing (rental) without operators and miscellaneous business, professional and technical services.

#### **Merchanting and other trade related services**

Merchanting is defined as the purchase of a good by a resident from a non-resident and the subsequent resale of the good to another non-resident, without the good entering the compiling economy. The difference between the purchase and sale price is recorded as the value of merchanting services provided.

Estimates of the net profits of UK firms from third country trade in goods are derived from an annual survey. Since 1990 the ONS has carried out a sample survey of export houses. This information is supplemented by merchanting and trade related services reported to the ITIS survey. This component also covers fees charged for ship classifications and other related services, including information supplied by Lloyds Register of Shipping.

#### **Operational leasing**

Operational leasing covers leasing (other than financial leasing) and charters of ships, aircraft and other transportation equipment without crews. Operational leasing data are derived from the ITIS survey and from the Chamber of Shipping.

#### **Miscellaneous business, professional and technical services**

Miscellaneous services include legal, accounting, management consulting and public relations; advertising and market research and development; architectural, engineering and other technical services; agricultural, mining and on-site processing services associated with agricultural crops (protection against disease or insects), forestry, mining (analysis of ores) etc.; and other services such as placement of personnel, security and investigative services, translation, photographic etc. This item includes data from a number of different data sources - the most important of which is the ITIS survey.



Estimates of the earnings of solicitors are based on surveys held in respect of 1980 and annually since 1986 by the Law Society (in which amounts forwarded to barristers are included). From the 2000 edition of Pink Book, earnings of solicitors are collected as part of the ITIS survey. Other legal services also included estimates of the overseas earnings of UK barristers as supplied by the Commercial Bar Association.

The North Sea oil and gas exports data mainly consists of work done abroad by UK owned drilling rigs and offshore supply boats and by UK seismic survey contractors, services provided by UK residents to the owners of foreign drilling rigs, the treatment of Norwegian oil and gas at the Seal Sands and St. Fergus terminals and the transporting of Norwegian gas to the latter terminal and receipts of the UK company operating the Murchison field from the Norwegian partners in respect of their share of the operating costs of the field. The imports item comprises services such as the hire of drilling rigs and marine support vessels, consultancy, diving and insurance (premiums less claims). The estimates are based on returns to the ITIS survey by companies classified to the industry (Class 11.20 of the Standard Industrial Classification, 1992).

**Personal, cultural and  
recreational services  
(Table 3.10)**

Personal, cultural and recreational services are divided into audio-visual and related services and other. The first category covers services and associated fees relating to the production of motion pictures (on film or video tape), radio and television programmes (live or on tape), and musical recordings. It includes rentals, fees received by actors, directors, producers etc. The second category covers all other personal, cultural and recreational services including those associated with museums, libraries, archives, provision of correspondence courses by teachers or doctors etc. Income received direct from abroad by examining bodies and correspondence course colleges is also included. Most of the information is obtained from the ITIS survey but there is a special ONS inquiry for the film and television industry.

**Government services  
(Table 3.11)**

Government services include all transactions by embassies, consulates, military units and defence agencies with residents of staff, military personnel etc. in the economies in which they are located. Other services included are transactions by other official entities such as aid missions and services, government tourist information and promotion offices, and the provision of joint military arrangements and peacekeeping forces (e.g. United Nations). Information comes directly from government departments (including the Ministry of Defence and the Foreign and Commonwealth Office), foreign embassies and United States Air Force bases in the UK.

**Exports**

*Expenditure by foreign embassies/consulates in the UK:* this comprises the cost of operating and maintaining Commonwealth High Commission offices, foreign embassies and consulates in the UK, including the personal expenditure of diplomatic staff, but excluding the salaries of locally engaged staff which are included within income; and similar expenditure by the UK offices of non-territorial organisations. In 1993 the Office for National Statistics conducted an inquiry to all high commission offices, embassies, consulates and international organisations in the UK. This figure has been updated for subsequent years using information obtained from several key high commissions and embassies.

*Military units and agencies:* this includes expenditure by the United States Air Force (USAF) in the UK (excluding the pay of locally engaged staff which is included within compensation of employees), together with receipts for services provided in the UK and elsewhere to non-residents, such as military training schemes.

*European Union institutions exports:* these are services of the UK government in collecting the UK contributions to the EU Budget, and services provided at the site of the EU's Joint European Torus project in Oxfordshire.



*Other:* this comprises goods and services which the government provides to non-residents under its economic aid programmes (these are offset under "Bilateral aid" *transfer debits*) and miscellaneous goods and services supplied by the UK government to foreign countries, including the reimbursement from other member states of the EU for treatment given by the National Health Service to their nationals.

### Imports

*Expenditure abroad by UK embassies and consulates:* goods and services provided by local residents to UK embassies, High Commission offices, Consulates and the British Council account for most of this heading. It also includes the goods and services provided by local residents to UK diplomatic and other non-military personnel stationed abroad, excluding the salaries of locally engaged staff.

*Expenditure abroad by UK military units and agencies:* this includes expenditure on food, equipment, fuel and services purchased locally. These items are recorded partly on a net basis - that is, after deducting receipts arising locally.

*Other:* this includes goods and services provided by local residents to the UK Government, excluding military and diplomatic expenditure. It covers expenditure abroad of the British Council and the reimbursement to other member states of the EU for medical treatment given to UK nationals.

### References

*Sea transport:* an annual analysis describing the international activities of the UK shipping industry is published by the Department of Transport in *Transport Statistics Great Britain* (The Stationery Office).

*Air transport* Information relating to passenger expenditure is published by the Civil Aviation Authority in *CAA Monthly and Annual Statistics*.

*Travel:* details are published regularly in National Statistics monthly *First Releases* and quarterly *Business Monitors* (MQ6), both titled "Overseas Travel and Tourism", and in the annual publication *Travel Trends*. Copies are available through the National Statistics Sales Desk (Tel: 020 7533 5678).

## Chapter 4: Income

### Introduction

The income account covers compensation of employees and investment income. For compensation of employee's estimates for total credits, debits and the balance appear at Table 4.1 but no detailed breakdown of the account is available. Investment income is broken down into four main categories; direct investment, portfolio investment, other investment and reserve assets.

### Compensation of employees (Table 4.1)

Compensation of employees comprises wages, salaries, and other benefits, in cash or in kind, earned by individuals in economies other than those in which they are residents, for work paid for by residents of those economies. Employees in this context, include seasonal or other short term workers (less than one year), and border workers who have centres of economic interest in their own economies. Compensation of employees also includes pay received by local (host country) staff of embassies, consulates and military bases as such entities are considered non-resident of the host economy.

Personal expenditure made by non-resident seasonal and border workers in the economies in which they are employed are recorded under travel within trade in services. Wages and salaries are recorded gross, with taxes paid, recorded under current transfers.



### Credits

(i) wages, salaries and other benefits earned by UK seasonal and border workers, together with employers' contributions. The International Passenger Survey has been amended to collect this information alongside expenditure of non-resident seasonal and border workers from 1998. Estimates for earlier years are based on the growth of travel and average earnings data.

(ii) wages and salaries earned by UK employees in US military bases in the UK. Information is supplied to the ONS by US military bases.

(iii) wages and salaries earned by UK employees of foreign embassies in the UK. In 1993, the ONS conducted an inquiry to all high commission offices, embassies, consulates and international organisations in the UK, asking for information on expenditure - including that of locally employed staff. This figure has been updated for subsequent years using information from a small sample of key embassies.

### Debits

(i) wages, salaries and other benefits earned by non-resident workers employed in the UK for less than one year. The International Passenger Survey has been amended to collect this information alongside expenditure of non-resident seasonal and border workers from 1998. Estimates for earlier years are based on the growth of travel and average earnings data.

(ii) wages, salaries and other benefits earned by foreign workers working in UK embassies and military bases abroad. Information on *pay of locally engaged staff in UK* embassies and military bases abroad is obtained from the Government Expenditure Monitoring System (GEMS) and the Ministry of Defence (MOD).

### Investment income (Tables 4.1 and 4.2)

The investment income account covers earnings (e.g., profits, dividends and interest payments and receipts) arising from foreign investment and financial assets and liabilities. Credits are the earnings of UK residents from their investments abroad and other foreign assets. Debits are the earnings of foreign residents from their investments and funds held in the UK and other UK liabilities. The flow of investment is recorded separately from the earnings in the *Financial account*, although reinvested earnings of companies with foreign affiliates are a component of both - see *Earnings on direct investment* below. The total value of UK assets and liabilities held at any time is also recorded separately under the *International Investment Position*. The presentation of these three sections is almost identical although there are small differences in coverage in some cases, mainly because full information is not available for all items.

Earnings on the credit side of the account cover such items as interest on UK residents' deposits with banks abroad, profits earned by UK companies from their foreign affiliates, and dividends and interest received by UK investors on their portfolio investments in foreign companies' securities, etc. Similarly, debits cover earnings by foreign investors on deposits held with UK banks, profits of foreign companies from their investments in their affiliates in the UK, and dividends and interest paid to foreign investors on their holdings of UK bonds and shares, including British government stocks, etc.

Earnings on assets and liabilities are defined to include all profits earned and interest and dividends paid to UK residents from non-residents or to non-residents by UK residents. They are, where possible, recorded gross of local taxes and, in the case of profits, after allowing for depreciation.

Profits and dividends include the (credit) earnings from foreign affiliates of UK registered companies and the (debit) earnings of profits and dividends by UK based affiliates of foreign based companies. Conceptually, stock appreciation



### Earnings on direct investment (Tables 4.3 and 4.4)

and other unrealised capital gains and losses should be excluded from the flows entered in the balance of payments accounts, because they represent only valuation changes. In practice, stock appreciation and some of these gains and losses are included in earnings and also offset as reinvested profits/losses in the *Financial account*. Profits retained abroad by foreign affiliates or retained in the UK by affiliates of foreign companies are included in the flows of earnings and offset in the financial account. All interest flows between UK residents and non-residents are in principle included.

A direct investment relationship exists if the investor has an equity interest in an enterprise, resident in another country, of 10 per cent or more of the ordinary shares or voting stock. The direct investment relationship extends to branches, subsidiaries and to other businesses where the enterprise has significant shareholding.

#### Credits

Direct investment earnings include interest on inter-company debt, profits from branches or other unincorporated enterprises abroad and the direct investor's share of the profits of subsidiary and associate companies. It includes the direct investor's portion of reinvested earnings, which is also treated as a new investment flow out of the parent's country into the affiliate's and appears in the financial account (Table 7.3) as an offsetting entry to the earnings one.

Estimates of profits are made after providing for depreciation, the companies' own estimates of depreciation being used. Although depreciation is estimated at replacement cost in the national accounts, there is little doubt that the estimates in the balance of payments are, in the main, measured at historic cost. (Different treatments of depreciation simply result in different entries in the current and financial accounts, but the sum of the two entries will always be the same.) They are measured gross of local taxes. Refunds of tax made retrospectively under double-taxation agreements are included in the period when they were made rather than the earlier periods in which they could be deemed to have accrued.

*Monetary financial institutions (banks):* information on the direct investment earnings of UK registered banks, from their foreign branches, subsidiaries and associates and of foreign registered companies from their UK banking affiliates is collected by the Bank of England from a selection of banks quarterly and from all banks which are, or have, a direct investment enterprise annually. The inquiry covered all listed banks up to the end of 1981 and covers all UK banks from 1982 onwards.

*Insurance companies and other financial intermediaries:* an annual inquiry forms the basis for estimates of direct investment earnings by UK insurance companies and other financial intermediaries. Prior to 1991, the insurance part of the inquiry was conducted by the Association of British Insurers (ABI) on behalf of the ONS. Earnings from foreign property by financial companies are also included here. They are estimated from the levels of such assets held by financial companies and information on their total income from abroad.

*Private non-financial and public corporations:* earnings, both credits and debits, of all private and public non-financial corporations are estimated from the results of the ONS's annual direct investment inquiry. This inquiry covers a sample of UK companies that either have foreign affiliates or are affiliated to a foreign parent. Returns are imputed for concerns which are not approached in the inquiry but which are known to have direct investment links. The annual inquiry became statutory in 1987, with the consequent improvement in response. Results of the annual inquiry are available about twelve months after the end of the year and are published in a *National Statistics First Release* and in *Business Monitor MA4*. The estimates for the latest year are based on a quarterly inquiry. As part of the Chancellor's Initiative the basis of the quarterly inquiry was changed from voluntary to fully statutory with effect from the third quarter of 1990. There was also a fourfold increase in the number of concerns approached.



**Debits**

Estimate for income earned from direct investment in the UK are based on the same inquiries to banks, financial institutions and private non-financial corporations as credits. Foreign earnings on property investment in the UK comprises estimates of interest due to foreign owners of residential and certain commercial property in the UK. Holdings of property by foreign parent companies through affiliates in the UK are classified as part of companies' direct investment and are covered in the appropriate category above, not under this heading. Only properties owned directly by foreign residents are covered in this heading. Estimates of earnings on the commercial component are based on estimated liability levels (derived from cumulating and revaluing capital flows) and income rates of return for office property published annually, jointly, by four major estate agents.

*Earnings on foreign assets by the household sector:* this comprises household sector investment in property abroad. Estimates for household sector investment in property abroad are purely notional as no data exists for such earnings.

**Earnings on portfolio  
investment  
(Tables 4.5 and 4.6)**

**Credits**

Earnings of UK residents on portfolio investment abroad are sub-divided into earnings on equity securities and earnings on debt securities; debt securities are further sub-divided into earnings on bonds and notes, money market instruments and financial derivatives.

*Earnings on equity securities:* earnings on equity securities consist of dividends received by UK residents on their holdings of shares of foreign registered companies.

*Earnings on bonds and notes:* earnings on bonds and notes, within debt securities, consist of interest received by UK residents on their holdings of foreign government and municipal loan stock and bonds of foreign registered companies. A large part of the total earnings of UK residents on equity securities and bonds and notes are earned on their investments that are not considered to have led to the acquisition of a foreign affiliate, and so classified as portfolio rather than direct investment.

Estimates of earnings by monetary financial institutions (banks and building societies), insurance companies and pension funds and other financial intermediaries are derived from statistical inquiries conducted by the ONS and the Bank of England. The inquiries to insurance companies and pension funds changed from voluntary to statutory with effect from the 1991 data for annual inquiries and from the first quarter of 1992 for quarterly inquiries. Earnings by securities dealers, included within other financial intermediaries, from 1989 onwards are derived from the statistical inquiry introduced in 1989.

Estimates of earnings by private non-financial corporations on equity securities and bonds and notes are derived from asset levels at end-1990, and each end year from then, measured in a new inquiry to which rates of return on comparable assets shown by financial institutions are applied. Estimates have been included for earlier years. From 1991, estimates are based also on a smaller quarterly inquiry.

Estimates of the household sector largely consist of earnings by members of Lloyd's of London which are supplied annually by Lloyd's. They include portfolio investment income on funds which are held abroad to support business underwritten in those countries. This income, which is generally reinvested in these foreign funds (see *Portfolio investment*) is net of earnings distributed to Lloyd's foreign members. In early years information from the Inland Revenue on UK residents' portfolio earnings from abroad was also used.



*Earnings on money market instruments:* earnings on money market instruments, within debt securities, consist of earnings of UK residents on holdings of foreign commercial paper, certificates of deposit etc. Data are derived from statistical surveys undertaken by the ONS and the Bank of England.

*Earnings on financial derivatives:* earnings on financial derivatives consist of UK banks' earnings on interest rate swaps. Data are derived from a statistical survey undertaken by the Bank of England.

### Debits

Foreign earnings on portfolio investment in the UK are sub-divided into earnings on equity securities and earnings on debt securities while debt securities are further sub-divided into earnings on bonds and notes and money market instruments.

*Earnings on equity securities:* estimates of foreign earnings on equity securities consist of dividends paid to foreign holders of UK company ordinary shares. These estimates are derived from Stock Exchange data on dividend payments, published dividend yields, information derived from the results of the ONS's share register surveys on foreign ownership of shares held annually from 1989 to 1994 and annually from 1997 and details of transactions in ordinary shares recorded in the ONS and Bank of England's portfolio investment inquiries. Estimates of appropriate tax relief refunded by the Inland Revenue under double taxation agreements are also included.

*Earnings on bonds and notes:* interest on UK foreign currency bonds and notes, within debt securities, relates to bonds issued to foreign official holders of sterling in 1977 and HM Government's 1978 US \$350 million New York bond issue. Also included is interest on foreign currency securities originally issued by public corporations under the exchange cover scheme and subsequently assigned to HM Government. This series also covers interest paid to foreign residents on their holdings of HM Government's floating rate notes (part of the US \$2.5 billion issued in 1985 and redeemed in 1988, the US \$4 billion issued in 1986 and redeemed in 1996 and a further US \$2 billion issued in 1996). There was a further US \$2 billion fixed rate bond issue in 1996. These data are estimated from the liability level and known interest rates. Also included is interest on HM Government's 10 year ECU 2.5 billion bond (issued in 1991), interest on the 3 year ECU Treasury Note programme (first issued in January 1992) and interest on the Dm 5 billion and US \$3 billion bonds issued in 1992. The Dm 5 billion bond issue was redeemed in 1997.

Foreign earnings on British government stocks (gilts), within debt securities, is estimated from information on the levels outstanding and appropriate rates of interest. These earnings are calculated gross of UK income tax. Most gilts are issued by the UK government at a discount to the redemption value. This is recorded as interest accruing over the lifetime of the gilt.

Foreign earnings on bonds issued by local authorities and public corporations, within debt securities, have been zero in recent years; for earlier years estimates were made by the Bank of England.

Until 1992, interest due abroad on bonds and notes issued by UK monetary financial institutions and other sectors was estimated from average interest rates on all outstanding bonds and notes issued by UK companies as recorded by the Bank of England. These rates were applied to estimated levels of bond and note liabilities, derived from financial flows cumulated and adjusted to take account of exchange rate changes. From 1992, total interest paid on all bonds and notes issued by UK monetary financial institutions and other sectors (other than domestic debentures and loan stock) has been estimated from records of capital issues held by the London Stock Exchange and the Bank of England. These sources also provide estimates of the total value of bonds on issue, and foreign receipts have been allocated pro rata to their holdings.



**Earnings on other  
investment  
(Tables 4.7 and 4.8)**

*Earnings on money market instruments:* foreign earnings on UK money market instruments, within debt securities, consist of earnings on foreign holdings of UK treasury bills, certificates of deposit and commercial paper. Estimates of interest paid to foreign holders of sterling and, from 1988, ECU denominated treasury bills are calculated on the basis of levels outstanding and appropriate interest rates. Estimates of foreign earnings on holdings of UK certificates of deposit and commercial paper are derived from statistical inquiries conducted by the ONS and the Bank of England.

**Credits**

Earnings of UK residents on other investment abroad are sub-divided into earnings on trade credit, loans, deposits and other assets.

*Earnings on trade credit:* earnings of monetary financial institutions include banks' earnings from UK export credit and credit extended to non-residents on UK imports for which payment is made before shipment. Earnings exclude any supplementary payments made by the Export Credit Guarantee Department (ECGD) to UK banks to bring their receipts in respect of fixed rate export credit up to market rates of interest. Earnings of other sectors include interest on export credit extended by suppliers of goods on their own account. Estimates of UK residents earnings on trade credit are largely derived from data collected by the ECGD and the Bank of England.

*Earnings on loans:* earnings on loans are sub-divided into earnings on long-term loans and earnings on short-term loans; short-term loans are those which are repaid in full within one year. It is not possible to separate out UK monetary financial institutions' earnings on lending abroad from their earnings on deposits abroad and estimates for earnings on such loans are therefore included indistinguishably within earnings on deposits (see below).

Long-term loans consist mainly of loans by the Commonwealth Development Corporation (a public corporation). These estimates are obtained directly from the Corporation. Short-term loans mainly consist of loans by non-governmental sectors other than monetary financial institutions. Earnings on such loans are derived from banking statistics.

*Earnings on deposits:* estimates of earnings on deposits relate to private sector earnings.

Estimates of monetary financial institutions' earnings are sub-divided into earnings on sterling and foreign currency deposits abroad. This heading includes earnings on foreign lending as it is not possible to separate out UK banks' earnings on their lending abroad from earnings on their deposits abroad. These earnings consist of the interest received by UK banks from non-residents on overdrafts and loans made to them in sterling and foreign currencies. UK banks cover all banks in the UK, including (with effect from 1 April 1998) the Banking and Issue Department of the Bank of England which together form the central bank sector within monetary financial institutions. The figures are based on returns made by banks to the Bank of England. In 1992, a new reporting form for UK banks was introduced to improve the cohesiveness of banks' current account transactions (services, interest on non-securitised borrowing and lending and direct investment earnings).

Estimates of securities dealers' earnings on deposits abroad from 1989 have been derived from an ONS statistical inquiry. Estimates of the UK private sector (excluding monetary financial institutions and securities dealers) are largely estimated from levels of such assets (mainly those reported in banking statistics of countries in the IMF reporting area) and appropriate rates of interest. Adjustments are made to remove as far as possible the effects of incomplete coverage and breaks in the reported assets series. Estimates of the appropriate earnings of miscellaneous financial institutions are included. These are derived from information on asset levels and appropriate interest rates.



*Earnings on other assets:* earnings from trusts and annuities are estimated from Inland Revenue data on all reported interest and dividend receipts from abroad. Interest earned from currency exchanges undertaken prior to the abolition of exchange control was estimated from debt levels and appropriate interest rates. There have been no such earnings since 1986. Imputed income to UK households from net equity in life assurance reserves and in pension funds is recorded in the balance of payments because households are regarded as owning the net equity of pension funds and life assurance reserves; i.e. the funds set aside for the purpose of satisfying the claims and benefits foreseen. The estimates are derived from data collected on ONS statistical inquiries.

### Debits

Foreign earnings on other investment in the UK are subdivided into earnings on trade credit, loans, deposits and other liabilities.

*Earnings on trade credit:* estimates for interest on import credit received from abroad are purely notional in recent years as there is no longer a source of data for this item.

*Earnings on loans:* this covers interest on loans raised from commercial banks abroad, the European Investment Bank (EIB) and interest on public corporations borrowing from abroad. It is not possible to separate out earnings on foreign loans to UK banks from earnings on foreign deposits with UK banks. The estimates for foreign earnings on UK banks' loans from abroad are therefore included indistinguishably within earnings on deposits.

Interest paid on central government long-term fixed-interest loans such as Lend-Lease and the Lines of Credit is reported by HM Treasury. Interest on the Very Short-term Financing Facility (VSTFF) taken out during 1992 and repaid in 1993 is also included here. Estimates of interest on local authorities' borrowing from abroad are made by the Bank of England on the basis of levels outstanding and appropriate discount rates. Interest on public corporations' borrowing from abroad are made by the Bank of England.

Estimates of foreign earnings on securities dealers' loans from abroad from 1989 have been derived from an ONS statistical inquiry. For estimates for foreign earnings on loans to the UK private sector (excluding monetary financial institutions and securities dealers) most interest payments are estimated from levels of liabilities to banks abroad (as published in the BIS's international banking statistics) and appropriate interest rates. Information on interest paid by the UK non-bank private sector to the EIB is supplied by the EIB. UK miscellaneous financial institutions' interest payments to banks abroad are included from the beginning of 1982.

*Earnings on deposits:* foreign earnings on deposits with UK monetary financial institutions are sub-divided into earnings on deposits with banks and earnings on deposits with building societies. It is not possible to separate out foreign earnings on deposits with UK banks from foreign earnings on loans to UK banks. The estimates for foreign earnings on loans to UK banks are therefore included indistinguishably within earnings on deposits.

Foreign earnings on deposits with banks consist of interest on foreign residents' deposits in sterling and foreign currencies. They include the interest paid on deposits which are the counterpart to foreign currency loans made to HM Government and, under the public sector exchange cover scheme, to local authorities and other public bodies. Estimates are made from banking statistics. Estimates of interest paid abroad on deposits with UK building societies are estimated by applying appropriate interest rates to levels outstanding.



*Earnings on other liabilities:* imputed income to foreign households from UK insurance companies technical reserves is recorded in the balance of payments because households are regarded as owning the net equity of pension funds and life assurance reserves; i.e., the funds set aside for the purpose of satisfying the claims and benefits foreseen. The estimates are derived from data collected on ONS statistical inquiries.

#### Earnings on reserve assets (Table 4.1)

Interest received on the official foreign exchange reserves and on the UK's holdings of Special Drawing Rights with the IMF and other remuneration received from the IMF (related to its holdings of sterling) is recorded within the Exchange Equalisation Account by the Bank of England.

## Chapter 5: Current transfers

### Introduction

Most entries in the balance of payments accounts represent resources provided (goods and services exported or imported or the use of investments) or changes in financial assets and liabilities. Most transactions between UK residents and non-residents give rise to two such entries, which are theoretically recorded in the accounts with opposite signs. For some transactions however, only one such entry appears. Examples are a gift of goods sent abroad (which appears as a positive entry under "Trade in Goods") and a transfer to abroad of financial assets (which appears as a positive entry in the financial account). The entries in this section represent the counterpart to such entries (the value of the gift of goods or of the assets transferred, with a negative sign in both the examples).

Transfers are separately identified as either current or capital. Capital transfers relate to the transfer of ownership of a fixed asset, or the forgiveness of a liability by a creditor, when no counterpart is received in return. Counterparts to the capital account entries resulting from money being brought to, or taken from, the UK by migrants are included within the *Capital account*.

Current transfers are sub-divided into those of central government and other sectors. UK's contributions to and receipts from the European Union budget are recorded on a gross basis.

### Central government current transfers

Central government transfers include receipts, contributions and subscriptions from or to European Union (EU) institutions and other international bodies, bilateral aid and military grants. Information comes from government departments (HM Treasury, Foreign & Commonwealth Office and Department for International Development).

#### Credits

These comprise receipts to the UK central government from EU institutions (VAT Abatement and other smaller, miscellaneous EU receipts), taxes on income and social contributions paid by non-resident workers and inward direct investors, and payments to the UK in respect of the UK's costs incurred in the Gulf conflict in the early 1990s. From the 1998 edition of the *Pink Book*, VAT Abatement has been treated as a credit entry to the UK balance of payments, rather than simply netted off VAT based contributions.

#### Debits

These comprise payments by the UK central government to international organisations and other non-residents.

*European Union institutions:* payments are part of the UK contribution to the EU budget.



*Other international organisations:* this includes contributions to the military budget of NATO, contributions to the European Development Fund and agencies of the United Nations to provide economic assistance to developing countries, and subscriptions to cover the administrative expenses of various other international bodies.

*Bilateral Aid:* this covers technical co-operation and non-project grants (project grants are included within capital transfers as they fund capital projects). Technical co-operation covers the provision of technical "know-how" to developing and transitional countries either as qualified manpower or as facilities for the training of nationals of these countries. Non-project grants are cash grants to developing countries for use in financing imports and budgetary support, together with the value of goods and services provided by the UK government as food aid or disaster relief.

*Military Grants:* these consist of cash grants for military purposes and the value of goods and services of a military nature provided without charge to foreign countries and international organisations by the UK government.

*Social Security benefits:* these consist of national insurance retirement and war pensions paid abroad.

*Collaborative projects:* these include the UK contribution towards the JET programme.

### Other sectors' transfers

Other sectors transfers cover current taxes paid, receipts and payments to EU institutions, net non-life insurance premiums and claims, and other payments and receipts of households, including workers remittances.

#### Credits

*Receipts from EU institutions:* comprise receipts in respect of the EU's Agricultural Guarantee Fund and Social Fund. They are treated as non-government transfers within the national accounts and balance of payments, as the UK government acts as an agent for the ultimate beneficiary of the transfer.

*Net non-life insurance premiums:* comprise the actual premiums received from non-residents plus the imputed premium supplement (see chapter 10), less the insurance service charge. The source for these data are the ONS surveys of insurance corporations, which collect premiums by type of insurance product, and Lloyd's of London.

*Net non-life insurance claims:* these are based on information supplied to the International Trade in Services survey on insurance claims received from non-resident insurance companies.

*Other receipts of households:* consists of three main components:

- (i) Workers remittances, estimated as the savings from work of UK nationals temporarily resident in Middle East oil exporting countries, estimated from the number of UK passport holders resident in these countries, and assumed average savings per worker. These data are supplemented by information in the global transfer debits of the countries concerned.
- (ii) Pension payments and other transfers (excluding immigrants assets) from OECD countries, estimated mainly from information supplied by these countries on their payments to the UK.
- (iii) Similar transfers from other countries. These are estimated from published current transfer debits figures, supplemented by bilateral information on payments to the UK, supplied directly to the ONS. Also included are UK receipts from voluntary aid agencies or non-profit institutions serving households (NPISH's).

#### Debits

*Current transfers on income:* these are taxes on the incomes of UK seasonal and border workers (recorded as *Compensation of employees*) and taxes on the profits earned abroad by UK direct investment corporations. These



estimates are based on estimates of tax based on seasonal and border income information and the ONS inquiries into foreign direct investment.

*Payments to EU institutions:* these comprise agricultural and sugar levies, customs duties and VAT based contributions.

*Net non-life insurance premiums:* this covers premiums paid by UK companies to non-resident insurance companies collected via the International Trade in Services survey.

*Net non-life insurance claims:* this covers settlement of claims by UK insurance companies to non-resident claimants which are regarded as a transfer debit. The total of claims equals the total of net premiums (service charges having been deducted), as the essential function of non-life insurance being to redistribute resources. The source for these data are the ONS surveys of insurance corporations and Lloyd's of London.

*Other payments of households :* these include a number of separate components:

- (i) Cash gifts from UK households to dependants etc. abroad. Data were obtained from exchange control records until 1979. Estimates for later years are based on information supplied by a number of countries on their receipts from the UK. These data are used in conjunction with historical information on gifts collected in the Family Expenditure Survey and, for recent years, the trend in UK personal disposable income.
- (ii) Payments abroad by voluntary aid agencies or non-profit institutions serving households (NPISHs). Data are supplied by the Institutions.
- (iii) The estimated value of gifts sent abroad by parcel post.

## Chapter 6: Capital account

The capital account comprises two components: capital transfers and the acquisition/disposal of non-produced, non-financial assets.

### Capital transfers

Capital transfers are those involving transfers of ownership of fixed assets, transfers of funds associated with the acquisition or disposal of fixed assets, and cancellation of liabilities by creditors without any counterparts being received in return. As with current transfers, they can be sub-divided into central government transfers and other sectors transfers. The main sources of information are government departments (Department for International Development and HM Treasury) and the Bank of England.

*Central government capital transfers:* these consist of debt forgiveness and project grants (there are no receipts in recent years).

Debt forgiveness is defined as the voluntary cancellation of debt between a creditor, in this case the UK government, and a debtor in another country. Data are supplied by the Department for International Development.

Project grants are cash grants to developing countries for the establishment of production and infrastructure facilities. Such transfers are distinguished from current transfers as they are conditional on the acquisition of fixed assets. Data are supplied by the Department for International Development.



*Other sectors capital transfers:* these include migrant transfers, debt forgiveness and capital transfers from European Union Institutions.

Credits

*Migrants' Transfers:* these are recorded as being equal to the net worth of the migrants, as they arrive in the UK. Estimates are based on information on number of migrants and average assets being transferred as supplied to the International Passenger Survey. These data are supplemented by information on migrants to and from Ireland and asylum seekers, which are not covered by the IPS.

*EU Institutions:* regional development fund and agricultural guidance fund receipts from the EU are considered to be capital rather than current transfers as they relate to infrastructure projects. Data are supplied by HM Treasury.

Debits

*Migrants' transfers:* these represent the net worth of emigrants as they leave the UK. Estimates are based on information on the number of migrants and average assets being transferred as supplied to the International Passenger Survey. These data are supplemented by information on migrants to and from Ireland and asylum seekers, which are not covered by the IPS.

*Debt forgiveness:* this consists of non-government debt forgiveness and is based on information supplied by the Bank of England.

Acquisition/disposal of  
non-produced, non-  
financial assets

This heading covers intangibles such as patents, copyrights, franchises, leases and other transferable contracts, goodwill etc. and transactions involving tangible assets that may be used or needed for the production of goods and services but have not themselves been produced, such as land and sub-soil assets. The use of such assets are recorded under trade in services as royalties and license fees; only the outright purchase or sale of such assets are recorded in the capital account.

The International Trade in Services (ITIS) survey has collected information on the sale and purchase of copyrights, patents and transferable contracts from 1996. It is assumed that such transactions are indistinguishable from other areas of the current account for years before 1996.

Chapter 7: Financial account

Introduction

The financial account covers transactions which result in a change of ownership of financial assets and liabilities between UK residents and non-residents. The financial account is broken down into four main categories; direct investment, portfolio investment, other investment and reserve assets.

In the balance of payments accounts, the term "investment" has a wide coverage. It does not refer only to the creation of physical assets but also, for example, to the purchase (or sale) of paper assets, such as shares, bonds and other securities. Investment also covers the financing of trade movements and other financial transactions between related companies in the UK and abroad. These "other financial transactions" consist mainly of borrowing and lending by banks, both transactions by UK banks with non-residents and transactions of banks abroad with UK residents. Such borrowing and lending may be associated with UK trade in goods. For example, a non-resident may borrow from a UK bank to pay



a UK exporter; alternatively he may use money already on deposit with the bank. Such borrowing or use of deposits will be included in the appropriate item in the financial account offsetting the entry under trade in goods.

Banking transactions may also arise from the financing of other financial transactions. For example, a UK company may borrow from a foreign bank in order to finance investment ("direct investment") in one of its subsidiary companies abroad. In this case, both the bank borrowing and the investment would be recorded in this section of the accounts and the two entries would offset each other; the investment would increase UK assets abroad while the borrowing would increase UK liabilities to foreign residents.

The total value of assets and liabilities held at the end of each year is recorded separately under the International Investment Position (see Chapter 8) and the income earned from them is recorded under investment income within the income account (see Chapter 4). The presentation of these sections are almost identical although there are small differences in coverage in some cases, mainly because full information is not available for all items. The financial account tables appearing at Chapter 7 show net debits above net credits, in order to allow easier read across with the investment income and international investment position tables which appear at chapters 4 and 8.

### Direct investment (Tables 7.3 and 7.4)

The term "direct investment" defines a group of transactions between enterprises, usually companies, that are financially and organisationally related and are situated in different countries. Such related enterprises - "affiliates" - comprise subsidiaries, associates and branches. Further details are given in the Glossary. Direct investment refers to investment that is made to add to, deduct from, or acquire, a lasting interest in an enterprise operating in an economy other than that of the investor and which gives the investor an effective voice in the management of the enterprise. Other investments in which the investor does not have an effective voice in the management of the enterprise (i.e., the investor has less than 10 per cent of the voting shares) are regarded as portfolio investments. The estimates of direct investment include the investor's share of the reinvested earnings of the subsidiary or associated company, the net acquisition of equity capital, changes in inter-company accounts and changes in branch/head office indebtedness.

#### Outward investment abroad

*Direct investment abroad by UK residents* comprises net investment by UK companies in their foreign branches, subsidiaries or associated companies. The figures of outward investment also cover the transactions of a number of concerns which were public corporations. Transactions of central government are excluded from direct investment. Outward direct investment includes property transactions and other financial intermediaries' loans and mortgages to foreign residents.

#### Inward investment in the UK

*Direct investment in the UK by foreign residents* comprises net investment by foreign companies in branches, subsidiaries or associated companies in the UK. Miscellaneous property investments in the UK by foreign residents are those made by individuals or by companies which do not trade in the UK.

Estimates of direct investment are mainly derived from quarterly and annual inquiries by the ONS and the Bank of England, the combined results of which are published periodically in National Statistics First Releases and *Business Monitor MA4*; the latter provides geographical analyses.

Information on property transactions is obtained by the Inland Revenue, the Office for National Statistics and the Bank of England. Some of this is published in *Financial Statistics*, and that relating to transactions by insurance companies and pension funds, in *Business Monitor MQ5*.



### Portfolio investment (Tables 7.5 and 7.6)

Portfolio investment is sub-divided into investment in equity securities and investment in debt securities while debt securities are further sub-divided into investment in bonds and notes and money market instruments. The IMF Balance of Payments Manual 5th edition specifies a further component of debt securities, financial derivatives, but estimates for transactions in these instruments are not currently available.

#### Outward investment abroad

*Transactions in equity securities and bonds and notes:* these represent net transactions by UK residents in shares of foreign registered companies while transactions in bonds and notes, within debt securities, consists of net transactions in foreign government and municipal loan stock and bonds of foreign registered companies. Investment abroad by Lloyd's of London, representing mainly net dollar investment, trust funds held in North America and elsewhere and statutory deposits held abroad, is also covered here, under household sector transactions in bonds and notes.

Until mid-1980 the figures were based partly on exchange control returns (and returns submitted on a voluntary basis after the lifting of controls in October 1979) and partly on a Bank of England inquiry into foreign portfolio investment. From mid-1980 to 1991 a statistical inquiry undertaken by the Bank of England to UK dealers in securities and banks on their customers' transactions was used. Information is now obtained from inquiries to UK monetary financial institutions (banks and building societies), insurance companies and pension funds and other financial intermediaries. From 1989, estimates for securities dealers' foreign investment, within other financial intermediaries, are based on integrated financial returns, with transactions aligned with changes in balance sheets. With effect from 1991 data, the annual inquiries to insurance companies and pension funds have changed from voluntary to statutory (and similarly for the quarterly inquiries with effect from the first quarter of 1992). Adjustments are made to the reported data for insurance companies to remove the commission charges and other local costs included in the gross acquisitions and sales figures which are not appropriate to the financial account.

Estimates of portfolio investment transactions of private non-financial corporations are derived from asset levels at end-1990 and at each end year from then, measured in a new inquiry, linked back to earlier levels of holdings; from 1991, estimates are also based on a smaller quarterly inquiry. Estimates for household sector foreign investments other than Lloyd's of London (see above) are largely based on Inland Revenue data.

*Transactions in money market instruments:* these consist of transactions in foreign commercial paper and certificates of deposit. Estimates are derived from statistical surveys undertaken by the ONS and the Bank of England.

#### Inward investment in the UK

*Transactions in equity securities:* the main source for the estimates of transactions in ordinary shares is the portfolio investment inquiry which was introduced in mid-1980. However, the data from the beginning of 1985 have been adjusted to take account of total levels of foreign investment in shares indicated by the results of the ONS's share register surveys held annually from 1989 to 1994 and annually from 1997.

*Transactions in bonds and notes:* this includes foreign net acquisitions of bonds denominated in US dollars, Deutschmarks, Swiss Francs, and Yen and sold to official holders of sterling in April 1977; an issue in New York in 1978 of US \$350 million of HM Government 7 and 15 year bonds; an issue in 1991 of ECU 2.5 billion HM Government 10 year bonds; issues in 1992 of Dm 5 billion (redeemed in 1997) and US \$3 billion HM Government 5 and 10 year bonds respectively; issues commencing January 1992 of 3 year HM Government ECU/Euro Treasury Notes and an issue in 1996 of a US \$2 billion HM Government 5 year bond. The estimates for foreign currency notes comprise foreign residents' purchases of HM Government's October 1985 US \$2.5 billion floating rate note issue (redeemed in 1988), the September 1986 US \$4



billion issue (partially redeemed in 1991 and fully redeemed in 1996) and a further US \$2 billion floating rate note issue in 1996, and subsequent net transactions by foreign residents.

Foreign transactions in British government stocks, within debt securities, consists of net transactions by central banks and international organisations and private foreign residents in government and government guaranteed stocks. It is measured from banking statistics and other Bank of England sources. Most gilts are issued by the UK government at a discount to the redemption value.

Foreign transactions in bonds issued by local authorities and public corporations, within debt securities, have been zero in recent years. Public corporations' securities include issues under the public sector exchange cover scheme. Any such issues subsequently assigned to HM Government are not included as transactions in the balance of payments accounts; their redemptions will be included in due course as redemptions of British government foreign currency bonds and notes (see above). They are measured from official records.

Foreign transactions in bonds and notes issued by UK monetary financial institutions and other sectors up to the end of 1986 are estimated from the Bank of England's database of all UK bonds and notes known or estimated to have been issued to foreign residents together with information obtained from the portfolio investment inquiry. The latter covers secondary market trading and some new issues but not redemptions. From 1987 onwards estimates of total foreign transactions in bonds have been obtained by assuming that any net transactions in UK securities not attributable to the domestic sectors of the UK (using all available data sources) are attributable to foreign residents. For 1987 to 1991, estimates of capital issues have been obtained from balance sheet returns for banks and building societies; and from the Bank of England's records of capital issues for other UK companies. From 1992, estimates of net capital issues by UK companies come from the London Stock Exchange's records of securities with a listing in London; and from the Bank of England's records for securities listed elsewhere or without a listing. Building society issues are taken from balance sheet returns. Transactions under the exchange cover scheme relate to redemptions by British Airways plc and British Telecom plc after privatisation. The original issues and redemptions before privatisation are included within public corporations' transactions. The estimates are based on information obtained by the Bank of England.

*Transactions in money market instruments:* these consist of net acquisitions of UK treasury bills, certificates of deposit and commercial paper. Foreign residents' net transactions in sterling and, between October 1988 and September 1999, ECU/Euro denominated Treasury bills exclude any bills held by the Bank of England as the sterling counterpart of foreign currency deposits arising from central bank assistance. Estimates of foreign transactions in UK certificates of deposit and commercial paper are derived from statistical inquiries conducted by the ONS and the Bank of England.

## Other investment (Tables 7.7 and 7.8)

Other investment is sub-divided into trade credit, loans, currency and deposits and transactions in other assets.

### Outward investment abroad

*Trade credit:* this represents the extent to which the flow of payments for imports and exports follows or precedes the flow of goods recorded in the current account. Goods received under financial leasing agreements and certain long-term operating leases (e.g. for aircraft) are treated as being purchased by the lessee, with the purchase being financed by trade credit from the lessor. However, goods leased to foreign residents by specialist UK finance leasing companies are treated as being financed by a loan rather than trade credit and are included under loans (below). Trade credit between related firms (i.e. credit received or extended between a UK business and a foreign affiliate or parent company) is treated as an investment in an affiliate or parent company and is therefore recorded under *direct investment*. Monetary financial institutions' long-term export credit extended by UK banks covers that extended under Export Credits Guarantee Department (ECGD) buyer credit schemes and specific bank guarantee schemes.



Other sectors' long-term trade credit relates to advance and progress payments on imports. These are those payments made by UK central government and companies to foreign suppliers. When these advance or progress payments are financed out of credit arranged with foreign banks, both the credit received and the payments made to the foreign manufacturer are recorded separately on opposite sides of the accounts but these transactions should net out within the financial account as a whole.

Only partial information is available for trade credit. Data for monetary financial institutions (banks) is available from the Bank of England and data for other sectors' short-term trade credit is derived from ONS inquiries.

*Loans:* these are sub-divided into long-term and short-term loans; short term loans are those which are repaid in full within one year. Long-term loans consist of inter-government loans by the UK central government, loans by the Commonwealth Development Corporation (a public corporation) and loans by specialist leasing companies. Inter-government loans covers drawings on and repayments of loans between the UK government and foreign governments. Estimates for loans by the Commonwealth Development Corporation are obtained directly from the Corporation.

Estimates for short-term loans mainly consist of loans by UK banks and miscellaneous financial institutions (within "other sectors") and are derived from banking statistics.

*Currency and deposits:* estimates of UK residents' deposits abroad relate to private sector deposits.

Deposits abroad by UK monetary financial institutions are sub-divided into sterling and foreign currency deposits by UK banks. Some transactions in banks' foreign assets and liabilities taking place between two UK residents are also included, sometimes indistinguishably. However, these are matched by offsetting entries elsewhere in the accounts.

Estimates of monetary financial institutions' sterling deposits abroad are derived from banking statistics. Estimates for foreign currency deposits abroad have been calculated from the end-quarter balance sheets as reported by all UK banks and similar institutions to the Bank of England. Adjustments have been made to the reported changes in balance sheets to exclude revaluations resulting from changes in exchange rates.

Estimates of securities dealers' deposits abroad since the second quarter of 1989 have been derived from their asset levels reported to the Bank of England in a statistical inquiry, taken over by the Office for National Statistics from the third quarter of 1992. Estimates for earlier years, back to 1986, are based on information from published annual accounts.

Estimates of the UK private sector (excluding monetary financial institutions and securities dealers) are based on counterpart information obtained from the the Bank for International Settlements (BIS). Due to limitations in the coverage of the BIS data, statistical adjustments have been applied from 1994 to improve the overall coherence of the sector financial accounts. The financial flows are estimated from changes in levels adjusted for exchange rate movements. They omit as far as possible, the effects of any discontinuities in the levels series.

Estimates for transactions in foreign notes and coin by the UK private sector other than monetary financial institutions are based on tourists' expenditure. Transactions in non-monetary gold covers net transactions in gold, which is held as a financial asset by listed institutions in the London Bullion Market (LBM). Estimates are derived from data collected from banking statistics.



*Other assets:* this includes central government subscriptions to international organisations and covers capital subscriptions to international lending bodies other than the IMF, i.e. the International Development Association, regional development banks, the European Investment Bank (EIB), the International Finance Corporation and the International Fund for Agricultural Development. Some transactions are in the form of non interest-bearing promissory notes and are included in the accounts as the subscriptions fall due, irrespective of the time of encashment of the notes. The information is obtained from official records.

The entry for UK banks' debt forgiveness offsets the corresponding entry in the capital account. Other sectors' short-term assets largely relate to assets of UK insurance companies and pension funds and other financial intermediaries other than those classified under portfolio investment, estimates for which are obtained from ONS statistical inquiries.

### **Inward investment in the UK**

*Trade credit:* this represents the extent to which the flow of payments for imports and exports follows or precedes the flow of goods recorded in the current account. Very little data are now available for transactions in trade credit liabilities and estimates must be regarded as being of poor quality.

*Loans:* these are sub-divided into long-term and short-term loans and the former are further sub-divided into drawings and repayments. It is not possible to separate out loans from abroad to UK banks from foreign deposits with UK banks; all such transactions are therefore assumed to be deposits.

Long-term loans consist of drawings and repayments by central government, local authorities and public corporations. Public corporations' borrowing directly from foreign residents under the exchange cover scheme is included. Repayments under the scheme by former public corporations that have since been privatised are included under repayments from central government, to whom their foreign debt was transferred following privatisation; such debt is known as novated debt. In recent years only local authorities have engaged in long-term borrowing from abroad; estimates are obtained from the Department of the Environment, Transport and the Regions. Estimates for other long-term loans are largely obtained from the Bank of England.

Estimates for central government short-term loans from abroad covers the Very Short-term Financing Facility (VSTFF) which was taken out during 1992 and repaid in 1993. Estimates for securities dealers' short-term loans from abroad from 1989 are estimated from levels of liabilities reported in a statistical inquiry. Since 1995 statistical adjustments have been applied to the data for securities dealers' short-term loans in order to improve the overall coherence of the sector financial accounts

Estimates for short-term loans from abroad to the UK private sector other than monetary financial institutions and securities dealers cover predominantly borrowing from commercial banks in the reporting area covered by the IMF. Estimates were derived mainly from exchange control sources until the third quarter of 1979. From the fourth quarter of 1979 to the end of 1983, information on borrowing by UK residents other than banks from commercial banks abroad related to institutions in the BIS reporting area and was obtained from the BIS. The countries covered by these data are therefore fewer than in earlier periods. They are Austria, Belgium/Luxembourg, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Ireland, Sweden, Switzerland and the United States of America; and, additionally, from the fourth quarter of 1983, the Bahamas, Bahrain, Cayman Islands, Finland, Hong Kong, Netherlands Antilles, Norway, Singapore, Spain and branches of US banks in Panama.



From the end of 1983 the data has covered the IMF reporting area which consists of 31 countries (the 24 covered by the BIS data plus Israel, South Korea, Lebanon, Philippines, Portugal, Saudi Arabia, and the United Arab Emirates, together with the fiduciary accounts of Swiss banks.

The data relate to levels of liabilities; flows have been estimated from changes in levels, adjusted to remove the effects of exchange rate movements and discontinuities in coverage. As with the corresponding assets series described above under "Other Investment Abroad: Currency and deposits", no attempt has been made to allow for any deficiencies in the total financial flows stemming from the use of data from the different sources noted. Crude retrospective adjustments have been made to the recorded levels and earnings figures under the International Investment Position and investment income in an attempt to remove the deficiencies in those series. Due to limitations in coverage of the BIS data, statistical adjustments have been applied to the estimates since 1994 in order to improve the overall coherence of the sector financial accounts. Additional information on borrowing from the European Investment Bank (EIB) is obtained from the EIB.

*Currency and deposits:* these are sub-divided into transactions in sterling notes and coins, and deposits from abroad with UK monetary financial institutions including deposit liabilities of the UK central government.

Estimates of transactions in sterling notes and coin by private foreign residents (other than monetary financial institutions) are based on ONS statistics of tourists' expenditure. While sterling bank notes are issued by the Bank of England, which is classified to monetary financial institutions, coins are issued by the Royal Mint, which is classified to the central government sector. In the absence of any separate data for notes and coin, it is assumed that notes make up 90 per cent of total notes and coin.

Foreign deposits with UK monetary financial institutions are sub-divided into deposits with banks and deposits with building societies. It is not possible to separate out foreign deposits with UK banks from foreign loans to UK banks. The estimates for foreign loans to UK banks are therefore included indistinguishably within deposits.

Within deposits with UK monetary financial institutions, estimates for sterling deposits are derived from banking statistics and include both current and deposit accounts. Up to the end of 1981 they also include deposits with finance houses whether made directly or via UK banks or other UK agents. At that date most of these finance houses became UK banks and are therefore included in the estimates thereafter. Foreign currency deposits comprise all external borrowing denominated in foreign currencies by UK banks (sometimes described as euro currency transactions). They consist of changes in deposits with and other lending to UK banks from abroad. These transactions may be a reflection of (i.e. the counterpart to) a variety of other foreign or domestic transactions by UK banks. These other transactions could be: foreign currency lending to UK residents (which are not balance of payments transactions); net purchases of foreign securities by the banks (which are included in direct or portfolio investment abroad as appropriate); any switching of banks' liabilities between foreign currencies (including gold) and sterling; or any change in the amount of foreign currency capital raised by banks.

Estimates for foreign currency deposits with UK monetary financial institutions have been calculated from the end-quarter balance sheets as reported by all UK banks and building societies to the Bank of England. Adjustments have been made to the reported changes in balance sheets to exclude revaluations resulting from changes in exchange rates.

Deposit liabilities of UK central government include short-term inter-government loans and transactions with non-residents under minor government accounts in the form of changes in balances not attributable elsewhere in the accounts. In



recent years this has consisted entirely of balances held by the Paymaster General on the European Union (EU) account.

*Other liabilities:* these are sub-divided into long-term and short-term liabilities.

Long-term liabilities consist of net equity of foreign households in life assurance reserves and in pension funds and prepayments of premiums and reserves against outstanding claims which are recorded in the balance of payments because households are regarded as owning the net equity of pension funds and life assurance reserves; i.e., the funds set aside for the purpose of satisfying the claims and benefits foreseen. The estimates are derived from data collected on ONS statistical inquiries.

Short-term liabilities largely consists of additions to insurance companies' technical reserves, estimates for which are derived from ONS statistical inquiries, and non-interest bearing notes, estimates for which are obtained from the Bank of England. Non-interest-bearing notes are issued by HM government and are held by international organisations.

#### Reserve assets (Table 7.9)

This item consists of the sterling equivalent, at current rates of exchange, of drawings on, and additions to the gold, convertible currencies and Special Drawing Rights (SDRs) held in the Exchange Equalisation Account; and of changes in the UK reserve position in the IMF. From July 1979 convertible currencies also include European Currency Units acquired from swaps with the European Monetary Co-operation Fund (until December 1993), the European Monetary Institute (until December 1997) and the European Central Bank (from 1998). The swap arrangement was terminated in December 1998.

## Chapter 8: International investment position

### Introduction

The international investment position brings together the available estimates of the levels of identified UK external assets (foreign assets owned by UK residents) and identified UK external liabilities (UK assets owned by foreign residents) at the end of each calendar year.

The presentation of the international investment position is almost identical to the presentation of investment income, within the income account (see Chapter 11) and the financial account (see Chapter 14) although there are small differences in coverage in some cases, mainly because full information is not available for all items.

Changes in balance sheet levels will reflect not only transactions in the corresponding assets and liabilities but also changes in valuation and certain other changes. Changes in valuation will occur in the following circumstances:

- (i) where assets and liabilities are denominated in foreign currencies, their sterling value may change because of changes in foreign exchange rates;
- (ii) where assets and liabilities are regularly bought and sold (e.g. British government stocks, UK and foreign company securities), the current market value may be different from the value at which they were acquired;
- (iii) where the holders of assets and liabilities change their values in preparing their accounts to reflect what is thought to represent the current position (e.g. bad debts may be written off and direct investment assets may be written up or down in the books of the investing company).

In addition to changes in the valuation of identical underlying assets and liabilities, changes in recorded levels of external assets and liabilities will also reflect some changes in coverage which introduce discontinuities in the series, e.g. the introduction of new series on certain assets and liabilities of securities dealers from 1989 onwards.



Assessment of the international investment position

Because of the very varied data sources used to derive the estimates for the international investment position, there are some inconsistencies between the different figures in the tables, resulting particularly from different methods of valuation. Wherever possible, figures are at market values. However, for significant items such as direct investment, the figures are at book values and are subject to all the limitations of data taken from accounting balance sheets as a reflection of current market values. To the extent that the conventional valuation basis for direct investment is book values, an up-to-date valuation closer to market values is likely to be higher.

In addition some assets and liabilities are measured very imperfectly (e.g. for a number of items levels of assets and liabilities are not directly reported but derived from cumulating recent identified transactions and allowing for estimated valuation changes). The balance between the estimates of identified external assets and liabilities has always been an imperfect measure of the UK's debtor/creditor position with the rest of the world.

To the extent that net errors and omissions reflect unrecorded or misrecorded financial transactions, the external balance sheet will tend to fail to capture the corresponding levels of assets and liabilities, although much will depend on the categories of assets and liabilities concerned.

- (a) Where both levels and transactions are reported (e.g. portfolio investment by most financial intermediaries), there may be similar deficiencies to estimates of both levels and transactions, although levels may tend to be more accurate to the extent they are derived from annual accounting data.
- (b) Where only levels are reported and transactions are derived from changes in levels, allowing as far as possible for valuation changes, (e.g. non-portfolio transactions of UK and foreign banks), there may be errors in the estimates of transactions (e.g. in allowing for valuation changes) with no corresponding error in levels.
- (c) Where only transactions are reported and levels are calculated by cumulating transactions and allowing for valuation changes, e.g. inward portfolio investment in UK company bonds, errors in recording transactions will lead to corresponding errors in levels. Thus if part of the net errors and omissions represents such missing portfolio investment inflows, the identified net assets figures will be overstated.

Although it is likely that a substantial part of the net errors and omissions reflect unidentified net financial inflows, it is also possible that there are errors and omissions in the current and capital accounts. However, to the extent that unidentified net financial inflows do increase UK foreign liabilities, there will tend to be a corresponding investment income outflow on the current account.

A number of steps have been taken to try to improve the recording of financial flows, although without a substantial increase in the burden of reporting by enterprises and/or new administrative systems, it is unlikely that great precision in recording net external assets can be achieved.

Allocation of Special Drawing Rights

These are issued to the UK by the IMF but are not regarded by them as a liability of the UK and do not form part of total external liabilities in this table.

Direct investment levels (Tables 8.3 and 8.4)

Outward investment abroad

*Direct investment abroad by UK residents*: this represents the stock of investment in foreign branches, subsidiaries and associates and in real estate abroad. Figures for insurance companies, other financial intermediaries and private non-financial corporations are based on ONS survey data. Until 1990 the ONS conducted a triennial census of foreign assets. For the years up to 1987 the levels were interpolated. Since 1988, the annual Foreign Direct Investment Inquiry has sought some limited balance sheet information to produce estimates of the net book value of direct investment for the



end of each year. The 1990 estimate is the last to be based on the census of foreign assets. The census was discontinued after 1990 in favour of the limited balance sheet information collected in the annual inquiry. The figures for 1991 to 1998 are based on the annual inquiry data and the 1999 figures are a projection taking into account flows of direct investment, exchange rate changes and other projected revaluations.

The surveys relate to total net asset values attributable to investing companies, i.e. book values of fixed assets *less* accumulated depreciation provisions *plus* current assets *less* current liabilities. The book values of direct investments are likely to be less than the values at written down replacement cost and less than the market values. There are no official estimates of the market value of UK direct investment assets and liabilities. However, research by Cliff Pratten (Department of Applied Economics, University of Cambridge) indicated that, on certain assumptions, the market value of UK direct investments abroad at end-1989 might be about double their book value, while the market value of foreign direct investment in the UK might be just under double their book values at the same point of time. However there are considerable uncertainties in making such estimates.

The comparison between transactions in the balance of payments account and changes in total assets and liabilities is not affected by allowances for depreciation of fixed assets as charged to the profit and loss account; such allowances are deducted before arriving at the earnings included in the current account, and the provision for depreciation is regarded as maintaining the total book value of the existing assets. Similarly, the comparison is unaffected by the treatment of reinvested earnings from direct investments, since these appear both in the current account as earnings and in the financial account as a flow of capital adding to the stock of assets. However, the values are affected by the treatment applied in their consolidated accounts by UK companies to value newly acquired foreign companies. Under both merger and acquisition accounting the increase in the net book value can be less than the net investment to complete the acquisition. The difference represents goodwill and the other costs associated with the transaction which are written off directly against reserves.

Direct investment by insurance companies and the household sector include estimates of all property investments together with related foreign loans of non-bank financial institutions.

The figures for UK monetary financial institutions have been based on periodic censuses of foreign assets and liabilities carried out by the Bank of England, the latest being for end-1996; values for other years are estimated by similar methods to those used for other companies. From December 1998 a new annual report form was introduced for banks. The level of investment is defined as the sum of reporting institutions' investment in ordinary and preference shares, loan and working capital and other capital funds and reserves of their foreign affiliates; less certain funds raised by foreign affiliates through the issue of loan stocks and subsequently redeposited with their UK parents.

### Inward investment in the UK

*Direct investment in the UK by foreign residents:* this represents the stock of investment by companies incorporated abroad in their UK branches, subsidiaries and associates. The estimates relate to book values and are measured in the same way as those for direct investment abroad. The latest firm figures relate to end-1998. Foreign direct investment in private non-financial corporations consists of foreign residents' holdings of UK real estate not held through companies trading in the UK. It is estimated from the financial flows and appropriate indicators of market prices.

### Portfolio investment levels (Tables 8.5 and 8.6)

Portfolio investment abroad is sub-divided into equity securities and debt securities while debt securities are further sub-divided into bonds and notes and money market instruments. The IMF Balance of Payments Manual 5th edition specifies a further component of debt securities, financial derivatives, but estimates for these instruments are not currently available.



### Outward investment abroad

*Equity securities and bonds and notes:* equity securities consists of UK residents' holdings of shares of foreign registered companies while investment in bonds and notes, within debt securities, consists of holdings by UK residents of foreign government and municipal loan stock and bonds of foreign registered companies.

Up to 1979, estimates of the value of UK residents' investment abroad in equity securities and in bonds and notes were based on surveys and exchange control information and were compiled mainly from measured financial flows; broad adjustments were made to allow for deficiencies of coverage, and changes in the market values resulting from price fluctuations were estimated. The figures contain an unmeasurable element representing the investment currency premium.

From 1980 onwards the total is calculated using a combination of banking statistics, the results of the portfolio investment inquiry to banks and dealers in securities on their customers' transactions (from mid-1980 to 1991 undertaken by the Bank of England) and information, from inquiries to insurance companies and pension funds and other financial intermediaries. Estimates for securities dealers, within other financial intermediaries, are derived from a statistical inquiry, initiated by the Bank of England in 1989 and undertaken by the Office for National Statistics from the third quarter of 1992.

Estimates for Lloyd's of London fall within household sector investment in bonds and notes; estimates are derived from data supplied by Lloyd's. Estimates of assets held by the household sector other than Lloyd's of London are largely based on Inland Revenue data.

Estimates of assets held by private non-financial corporations are derived from quarterly inquiries from end 1990 (the Financial Assets and Liabilities Survey). Adjustments were made to previous estimates to make them consistent with the new data.

*Money market instruments:* this consists of holdings of foreign commercial paper and certificates of deposit. Estimates are derived from statistical surveys undertaken by the ONS and the Bank of England.

### Inward investment in the UK

*Equity securities:* the market value of inward portfolio investment in listed ordinary shares from 1989 onwards is based on the results of share register surveys, carried out annually from 1989 to 1994 and annually from 1997, adjustments being made to exclude holdings of a direct investment nature and to establish the beneficial ownership of nominee share holdings (the latest Share Register Survey, covering end-1998, was published by the ONS in March 2000).

*Bonds and notes:* Investment in UK foreign currency bonds and notes consists of bonds denominated in US dollars, Deutschmarks, Swiss Francs, and Yen and sold to official holders of sterling in April 1977; an issue in New York in 1978 of US \$350 million of HM Government 7 and 15 year bonds; an issue in 1991 of ECU 2.5 billion HM Government 10 year bonds; issues in 1992 of Dm 5 billion (redeemed in 1997) and US \$3 billion HM Government 5 and 10 year bonds respectively; issues commencing January 1992 of 3 year HM Government ECU/Euro Treasury Notes and an issue in 1996 of a US \$2 billion HM Government 5 year bond. As well as securities issued by HM Government, this item also includes some securities originally issued by public corporations under the exchange cover scheme and subsequently assigned to HM Government. There are no corresponding transactions in the financial account as the assignments are UK domestic transactions. Values have been translated to sterling at end-year middle-market rates. The estimates for foreign currency notes comprise foreign residents holdings of HM Government's October 1985 US \$2.5 billion floating



rate note issue (redeemed in 1988), the September 1986 US \$4 billion issue (partially redeemed in 1991 and fully redeemed in 1996) and a further US \$2 billion floating rate note issue in 1996.

Levels of British government stocks held by foreign central banks, international organisations and private foreign residents are measured from banking statistics and other Bank of England sources including the Central Gilts Office. Foreign holdings of local authorities and public corporations bonds have been zero in recent years. Public corporations' securities issued under the exchange cover scheme and later assigned to HM Government are covered here until the date of assignment and thereafter under UK foreign currency bonds and notes, above.

Inward investment in bonds and notes issued by UK monetary financial institutions and other sectors is estimated from information derived from Bank of England and London Stock Exchange records of UK company bond issues, balance of payments financial transactions and exchange rate movements.

*Money market instruments:* this consists of foreign holdings of UK treasury bills, commercial paper and certificates of deposit. Estimates are derived from statistical surveys undertaken by the ONS and the Bank of England.

#### Other investment levels (Tables 8.7 and 8.8)

Other investment abroad is sub-divided into trade credit, loans, currency and deposits and other assets. For trade credit and loans see notes under "Other Investment abroad" under *Financial account*.

#### Outward investment abroad

*Currency and deposits:* Estimates of UK residents' deposits abroad relate to private sector deposits. Deposits abroad by UK monetary financial institutions are sub-divided into sterling and foreign currency deposits by UK banks and are derived from banking data.

Estimates of securities dealers deposits abroad since the second quarter of 1989 have been derived from a statistical inquiry, taken over from the Bank of England by the Office for National Statistics from the third quarter of 1992. Estimates for earlier years, back to 1986, are based on information from published annual accounts.

Estimates of the UK private sector (excluding monetary financial institutions and securities dealers) assets with banks abroad are derived from the banking statistics of countries in the IMF reporting area (as defined in Chapter 7) obtained from the Bank for International Settlements (BIS). They include the working balances of various UK companies. Due to the limitations in the coverage of the BIS data, statistical adjustments have been applied to the financial flows data since 1994 to improve the overall coherence of the sector financial accounts. In order to maintain consistency between financial flows and balance sheet levels corresponding coherence adjustments have been applied to the International Investment Position.

Estimates of foreign notes and coin covers the estimated holdings (excluding gold coin) by UK residents except banks and financial intermediaries. The estimates are derived from the transactions with an allowance for exchange rate movements.

*Other assets:* For central government subscriptions to international organisations see notes on "Other investment abroad" in *Financial account*. Other sectors' long-term and short-term assets largely relate to assets of UK insurance companies and pension funds and other financial intermediaries other than bonds and shares etc., estimates for which are obtained from ONS statistical inquiries. From 1994 other sectors' short-term assets have included net reinsurance balances of UK insurance companies with the rest of the world which have been negative in recent years.



**Inward investment in the UK**

Other investment in the UK is sub-divided into trade credit, loans, currency and deposits and other liabilities. For trade credit, long term loans and short-term loans to central government, local authorities, public corporations and securities dealers see notes on "Other Investment in the UK" under *Financial account*.

*Short-term loans to the UK private sector other than monetary financial institutions and securities dealers:* estimates for such loans are derived mainly from the banking statistics of countries in the BIS reporting area and thereafter from countries in the IMF reporting area. Adjustments have been made to eliminate overlap with other items. The limitations in the BIS data has resulted in statistical adjustments to the financial flows data from 1994 to improve the overall coherence of the sector financial accounts. In order to maintain consistency between financial flows and balance sheet levels corresponding coherence adjustments have been applied to the International Investment Position. Borrowing from the European Investment Bank is also included. The liabilities of miscellaneous financial institutions to banks abroad are included here from end -1981.

*Currency and deposits:* levels of sterling notes and coin held by private foreign residents (other than monetary financial institutions) are estimated from the financial flows.

Foreign deposits with UK monetary financial institutions are sub-divided into deposits with banks and deposits with building societies. It is not possible to separate out foreign deposits with UK banks from foreign loans to UK banks. The estimates for foreign loans to UK banks are therefore included indistinguishably within deposits.

Within deposits with UK monetary financial institutions, foreign currency deposits include deposits and advances received from foreign residents. It includes foreign liabilities arising from UK banks' participation in the US \$2.5 billion and US \$1.5 billion facilities arranged for HM Government and other borrowing to finance UK bank lending to the public sector. Estimates for both sterling and foreign currency deposits with UK monetary financial institutions are derived from banking statistics.

Deposit liabilities of UK central government include short-term inter-government loans and transactions with non-residents under minor government accounts in the form of balances not attributable elsewhere in the accounts. In recent years this has consisted entirely of balances held by the Paymaster General on the European Union (EU) account.

*Other liabilities:* Long-term liabilities consist of net equity of foreign households in life assurance reserves and in pension funds and prepayments of premiums and reserves against outstanding claims which are recorded in the balance of payments because households are regarded as owning the net equity of pension funds and life assurance reserves; i.e., the funds set aside for the purpose of satisfying the claims and benefits foreseen. The estimates are derived from data collected on ONS statistical inquiries.

Short-term liabilities largely consist of non-interest bearing notes, estimates for which are obtained from the Bank of England. Non-interest-bearing notes are issued by HM government and are held by international organisations.

**Reserve assets levels  
(Table 8.9)**

These comprise gold, convertible foreign currencies, IMF Special Drawing Rights (SDRs) and the UK's reserve position in the IMF. Currencies may be held in the form of financial instruments. Securities are valued at historic cost but translated to sterling as set out below. From July 1979 convertible currencies also include European Currency Units acquired when 20 per cent of the gold and dollar holdings in the reserve assets were deposited on a swap basis with the European Monetary Co-operation Fund, the swap arrangement being renewed quarterly. As from January 1994 the swaps was with the European Monetary Institute and as from January 1998 was with the European central Bank. The swap arrangement was terminated in December 1998.



Gold is valued at the ruling official price of 35 SDRs per fine ounce until end-1977 and at end-year market rates from end-1978 onwards. SDRs and convertible currencies (including ECUs) are valued throughout at closing middle market rates of exchange.

## Chapter 9: Geographical breakdown on the current account

### Introduction

The geographical data published in this edition of the *Pink Book* are limited to 42 individual countries as well as international organisations. The figures for the European Union (EU) relate to the current membership; i.e. Sweden, Finland and Austria, which joined the EU on 1 January 1995, are included in the EU totals for all years. EU Institutions are also included in the EU aggregate and are excluded from the International Organisations total. For the purposes of this publication Belgium and Luxembourg, which already have an economic union, are treated as one entity - data are not available separately. Data for China exclude Hong Kong, which is shown as an individual item.

An article was published in the November 1999 *Economic Trends* describing the methodology used in *Pink Book* 1999 for the geographical allocation of portfolio investment income. The ONS has implemented a work programme to review that methodology. A methodological audit has been carried out and the work programme to investigate and assess alternative methodology is continuing. The methodology used to produce data in this edition of the *Pink Book* is consistent with those published in the 1999 edition of the *Pink Book* and subsequent quarterly *First Release* data.

### Reliability of estimates

At present, the United Kingdom's (UK) balance of payments accounts are primarily on a global basis. Not all of the data sources used in preparing the accounts attempt to distinguish transactions with individual countries, although many do and steps are being taken to expand the range of geographical data used. For example, the Bank of England has introduced a comprehensive new survey form to improve the quality of geographical disaggregates of banking services from 1999.

Where country data are not reported, estimates are made by using related information. Some data sources (e.g. Film and Television Inquiry) only report figures for broad geographical areas and these have been sub-divided by country using the geographical detail for a related category. In cases where geographical data are not reported, such as for some components of investment income, proxy estimates are imputed using a geographical breakdown of the capital assets or liabilities from which such income arises.

In addition to the imputation of geographical detail for some categories where the data are incomplete, there remains a margin of uncertainty about the accuracy of reported data by country. The finer the level of geographical detail sought the greater the likelihood of misallocation. When enterprises are asked to report geographical data they are encouraged to make their best estimates, but as country allocation may not be a crucial aspect of the information from which details are extracted, a significant degree of approximation may occur.

Given the conceptual and practical limitations described above these estimates should be seen as a very broad indication of the economic relationships between the UK and rest of world economies. They will be more reliable and more meaningful in terms of broad geographical areas and major partner countries than for smaller partner countries. They are also more robust for trade in goods and services than for income, the latter being particularly affected by flows through financial intermediaries and therefore harder to correctly allocate to a particular country. Estimates for recent years are also more reliable than those for earlier years as some data sources do not extend back over the whole published period.



Estimating portfolio investment and associated income flows across international boundaries is one of the most difficult parts of national accounting statistics. It is particularly difficult when we sub-divide the flows between countries or regions of the world. The published statistics are therefore subject to wider margins of error than most other statistics. Moreover, the finer the level of geographical detail sought, the greater the likelihood of misallocation. Portfolio investment income is particularly difficult to allocate correctly to the actual country either owning or issuing the security as the transactions are often made through financial intermediaries in a third country.

The problem of estimating a geographical breakdown of portfolio investment is not only confined to the UK. Other countries face the same difficulties. Indeed, it has been a matter for international discussion for many years. In 1992, a committee under the auspices of the IMF felt that to address the problem there should be a survey of portfolio investment assets co-ordinated across the major investing nations. This was an ambitious aim, and after considerable international effort, such a survey (Co-ordinated Portfolio Investment Survey (CPIS)) was undertaken in respect of end 1997. Most major investing countries, including the UK, took part in the survey and the results are used to derive a geographical breakdown of portfolio investment credits. 1997 has to be seen as the year of the highest quality. Until a further co-ordinated survey is undertaken there is some risk that the quality of these estimates will decline. The ONS intends to carry out a survey in 2000 along the lines of the 1997 survey.

### Conceptual issues

Conceptually, a geographic balance of payments account should allocate transactions in a way that reflects flows of economic resources between different economies. In practice, it is often extremely difficult to follow this principle with the information available. Additionally, there are other practical difficulties which stem from the extensive use of global estimates supplied by the transactors who may be unable to provide any subdivision of their transactions by country, or may only be able to provide allocations by country by criteria which are not consistent with the conceptual ideal, e.g. the currency in which a transaction is expressed, the source or destination of the financial flows.

In practice, determining residency is one of the hardest issues to resolve. One area of difficulty is where UK residents act as intermediaries, for a whole range of financial and allied activities, where the principals involved are non-resident, but where the full payments may be made via UK intermediaries. Another difficulty arises where holding companies serve as conduits for channelling funds to or from more than one overseas economy. These transactions are classified as being with the country in which the holding companies are registered; this will not fully reflect the indirect economic relationship. For example, a subsidiary of a UK company in country A may earn part of its profits in countries B and C, but all profits will usually be attributed to country A.

### Approach for country allocation

The following notes summarise the main criteria of country allocation adopted for the various categories of the current account. In general the figures are not likely to be consistent with those recorded by countries which allocate regional balance of payments estimates on a cash settlements basis.

#### Trade in goods

Exports of goods are allocated to the country of last known destination. Imports of goods are allocated according to the country of consignment. The principal data source for trade in goods is HM Customs and Excise (see methodological chapter on Trade in Goods for more details).

#### Trade in services

Estimates based on data from the International Trade in Services (ITIS) survey feed into a large number of the trade in



services products. Figures for insurance companies are based on detailed geographical data provided by Lloyds of London. Regular geographical information on net receipts of banking services is obtained from the Bank of England. Estimates for royalties and personal, cultural and recreational services of the Film and Television industries are based on data supplied from the Film and Television survey. Operational leasing data are collected by the Chamber of Shipping inquiry into UK sea transport operators (as well as the ITIS survey).

The change from an industry to a product based presentation with the introduction of the fifth edition of the IMF Balance of Payments Manual, and the consequent change to data collection, means that data from 1996 onwards is largely based on reported geographical breakdowns of the new products. Earlier geographical estimates are based on the industry based geographical breakdowns in the fourth edition of the IMF Balance of Payments Manual, adjusted to take the changes to the trade in services classification into account.

*Sea transport:* estimates relating to ships owned or chartered by UK operators are taken from inquiries carried out by the Chamber of Shipping.

Geographical breakdowns of freight services on exports and cross trades are allocated using the ports at which the goods are unloaded. For non-resident operators freight on UK imports, the nationality of the exporting country is used as a proxy to allocate the freight payments. The resulting proportions are used to calculate the shares of non-resident operators' disbursements in the UK. Disbursements abroad by UK operators are supplied annually by the Chamber of Shipping.

Passenger revenue export estimates are derived from information supplied annually by the Chamber of Shipping. Passenger revenue import estimates are based on assumptions about the likely markets for cruises and on other information relating to the movements of UK shipping.

*Air transport:* passenger revenue exports and imports estimates are made partly from the International Passenger Survey, which gives the required country analysis of fares paid. Other transactions with foreign airlines are allocated by nationality of airline. Receipts by UK airlines from foreign passengers are allocated to the countries in which the ticket is purchased. Freight services on UK imports earned by foreign airlines are allocated to the countries of consignment of the imports.

*Other transport:* rail passenger exports are based on assumptions of the likely nationality of channel tunnel users. Rail imports are allocated entirely to France. Estimates for road freight exports and imports are based on information supplied by the Road Haulage Association Pipeline transport is based on those countries that are assumed to import / export North Sea oil and gas.

*Travel:* allocation of expenditure of overseas visitors to the UK is by country of residence. UK residents' expenditures abroad are allocated to the country in which most time was spent, or, if this cannot be determined, the furthest country visited. As a result, expenditure in countries with appreciable numbers of transit tourists may be understated.

*Other services:* data for communication, construction, computer and information, royalties and other business services is largely based on information supplied to the ITIS survey, supplemented with information from the Royal Mail.

Insurance services: estimates are based on detailed geographical data provided by Lloyds of London, as well as the ITIS survey for insurance imports and exports provided to and from non-insurance institutions. Other insurance services are imputed from Lloyd's data.



*Financial services:* the service earnings of financial institutions are presented net of any overseas expenses. Geographical information on net receipts is obtained from the Bank of England for banking services.

*Government services:* for the major components, detailed geographical information on the location of those receiving or making payments is available from returns provided by the Ministry of Defence, Department of Social Security and the Foreign and Commonwealth Office. The United States Air Force also provide data on expenditure of US Forces in the UK. Expenditure by foreign embassies and consulates in the UK is based on information supplied by some overseas embassies and statistical institutions, supplemented by information on numbers of accredited diplomats by country.

More detailed information on the geographical breakdown of trade in services estimates, including definitions of geographical regions, are outlined in the notes of the publication UK trade in services - UKA1.

*Compensation of employees:* estimates of the geographical breakdown of seasonal and border workers earnings are based on information supplied to the International Passenger Survey. Figures for the earnings of locally engaged staff are based on information supplied by government departments.

*Direct investment income:* figures are based on the annual overseas investment inquiries and include reinvested profits. Geographical information is based on the country of registration of the immediate overseas parent company and the location of the overseas affiliate, except for banks where the information relates to the country of residence of the ultimate owner (for inward investment) or the country of residence in which the direct investment enterprise is located.

*Portfolio investment income:* credits are the earnings accruing to UK residents from their investment in equities and debt securities issued by overseas institutions. Estimates are derived from surveys of UK end investors (banks, securities dealers, unit and investment trusts, insurance companies, pension funds and some industrial companies). Although a geographical breakdown of their earnings is regularly sought from banks, it was only in respect of end 1997, as part of the CPIS, that we asked other institutions to provide a geographic breakdown of the levels of their holdings.

The Bank of England supplies estimates of income on portfolio investment abroad by UK banks. Surveys of UK banks' balance sheets provide information on the geographic breakdown of levels. This breakdown is applied to the estimates of global earnings also obtained by surveys of UK banks. This is the same approach as previously used, however new survey forms were introduced as part of the Banking Statistics Review in September 1997.

The country allocation of the levels of UK non-banks portfolio investment in the rest of the world, estimated in the CPIS, is used to estimate non-banks portfolio investment income credits. Effectively, therefore, a constant rate of return across countries is applied at each point in time. Earlier data are estimated by applying the movements in the country allocation of banks' assets to non-banks. This is a partial approximation of the structural changes to the investors' portfolio, principally because banks invest largely in debt securities and hold minimal equity securities which other financial institutions (surveyed by ONS) predominantly hold. In the methodology prior to the 1999 edition of the *Pink Book*, figures for non-banks portfolio income received from the rest of the world were estimated from the results of a limited one-off survey of the geographical split of a few financial institutions carried out on the ONS' behalf.

On debits (dividends and interest payments made to overseas residents by issuers of UK securities), the problems multiply. This is mainly because, except for registered securities, it is quite impossible for the issuer to keep track of the beneficial owner of the securities. Currently the results of a survey of share registers (SRS) at end-1997 are used to allocate portfolio holdings of UK securities, and associated dividends, to the main regions of the world. Surveys of share



registers have been conducted in 1992, 1993, 1994, 1997 and 1998, although a suitable geographical breakdown was not available from the 1998 survey. Adoption of this methodology led to revisions in 1999. Data for non-banks portfolio income paid to the rest of the world were previously based on the proportions from direct investment inquiries and banking data. This country allocation was used to estimate all non-banks portfolio investment income debits. The geographic breakdown for years other than those where the SRS was carried out was estimated using linear regression analysis.

The development work on geographical investment income, especially portfolio debits, is ongoing. One important aspect of this is to examine the CPIS data as a potential source for portfolio debits. One of the advantages of the CPIS was that the results of the surveys conducted by overseas statistical offices and central banks of their institutions could be analysed centrally to provide information to countries on where their issued securities were issued. These data can provide us with an estimate of the liability position in respect of all other participating countries holdings of UK issued equity and debt securities. Their use will need to be carefully evaluated, as data are incomplete, mainly because of the non-participation of several large investing countries but also because for many countries there is an inherent problem in locating all of their resident end-investors' holdings. This is especially the case when investment is carried out via custodians in a third country (which cannot be surveyed directly) and can result in misallocation of assets by a country. We are consulting with colleagues abroad to get their view of where their residents invest.

The ONS plan to publish an *Economic Trends* article in the Autumn giving the outcome of the portfolio investment income geographical work programme. We will also give users the opportunity to comment on the findings from our review and proposed methodological enhancements.

*Other investment income:* gross interest flows between UK banks and the rest of the world are estimated, by the Bank of England, by allocating the global interest receipts and payments in proportion to the corresponding levels of assets and liabilities of UK banks. The interest on reserve assets is estimated from official records. Figures for UK banks are used as proxies to estimate a country breakdown for the remaining components of earnings on other investment.

Adjustments, applied to the global earnings on other investment to exclude the Channel Islands and the Isle of Man, have been used to estimate other investment income between the UK and the offshore islands. These data have been allocated to 'Other Europe'.

### Current transfers

The geographical allocation of current taxes on income and wealth are based on the geographical allocation of inward and outward direct investment as published in Business Monitor MA4. The geographical allocation of insurance premiums are based on information supplied by Lloyds of London. EU transfers are provided by the Treasury and the geographical allocation of social security and aid payments are supplied by the Department of Social Security and the Department for International Development, respectively. Other geographical breakdowns are based on proxy data and global transfer estimates.

### Treatment of UK offshores

Following the 1998 estimates published in *Economic Trends* further work was carried out to look at the adjustments originally made to the global balance of payments data in order to effectively change the residency basis of the UK to exclude the offshore islands (Jersey, Guernsey and Isle of Man). Some of these were actually flows between the offshores and the rest of the world, and therefore not appropriate for inclusion as adjustments in the geographical analysis. As more data are collected on the new basis we are continuing to review the estimates previously made when moving on to the new residency basis. Adjustment due to offshores affected banks' loans and deposits within other investment.







# GLOSSARY

## Acceptances

See Bills and acceptances.

## Accrued interest

A method of recording transactions to relate them to the period when the exchange of ownership of the goods, services or financial asset applies. For example, value added tax accrues when the expenditure to which it relates takes place, but Customs and Excise receive the cash some time later. The difference between accruals and cash results in the creation of an asset and liability in the financial accounts, shown as amounts receivable or payable.

## Advance and progress payments

Payments made for goods in advance of completion and delivery of the goods.

## Affiliates

Branches, subsidiaries or associate companies.

## Allocation of SDRs

See Special Drawing Rights.

## Arbitrage

Buying in a market in one centre and selling in a similar market in another centre.

## Assets

This term commonly refers to financial assets that are claims on non-residents, from whose point of view the same item is a liability to a UK resident. Among reserve assets, however, gold and SDRs have a value which exists independently of any corresponding liabilities. Real assets such as merchandise, although they may be entered in company accounts as assets, are seldom described as assets in balance of payments analysis.

## Associated companies

Companies in which the investing company has a substantial equity interest (usually this means that it holds between 10 per cent and 50 per cent of the equity share capital) and is in a position to exercise a significant influence on the company. (See Subsidiary.)

## Balancing item

See Net Errors and Omissions.

## Bank of England - Issue Department

This part of the Bank of England deals with the issue of bank notes on behalf of central government and was formerly classified to central government though it is now part of the central bank sector. Its activities include, *inter alia*, market purchases of commercial bills from UK banks.

## Bank for International Settlements (BIS)

An international institution based in Basle, Switzerland, established in 1930. Its main functions today are to promote international monetary co-operation; to observe the work of the IMF, Finance Ministers and Central Bank Governors of the group of ten countries; and to provide monetary research.

## Banking statistics

A term used in this publication to denote an integrated set of returns, covering all UK banks, and collected by the Bank of England. The returns were first introduced in late 1974 and during 1975. Since then, various reviews of the requirements of data from banks have been conducted and forms amended, introduced or dropped as necessary. The data collected covers all listed banks up to the end of 1981 and the revised group of institutions classified as UK banks from 1982 onwards. It collects on a regular basis extensive information relating to the levels of, and changes in, assets and liabilities. Revised banking returns were introduced from the end of 1997 to reflect the requirements of the IMF Balance of Payments manual 5th edition and to remove the Channel Islands and the Isle of Man from the definition of the economic territory of the United Kingdom.

## Banks (UK)

Strictly, all financial institutions located in the United Kingdom and recognised by the Bank of England as banks for statistical purposes up to late 1981 or as UK banks from then onwards, including the UK offices of institutions authorised under the Banking Act 1987, the Banking and Issue Departments of the Bank of England (the latter from April 1998), deposit-taking UK branches of "European Authorised Institutions" and, prior to their recognition as banks, the National Girobank and the TSB Group plc. This includes branches of foreign banks, but not the offices abroad of these or of any British owned banks. An updated list of banks appears regularly in the Bank of England's *Monetary & Financial Statistics* publication.

## Bills and acceptances

A **bill** is an unconditional order in writing addressed by the drawer to the drawee to pay to the drawer a fixed sum on a specified date. A UK resident may draw a bill in sterling on a foreign resident representing credit extended by the UK resident to the foreign resident. If the UK resident sells the bill to a UK bank, generally at a price less than the nominal value of the bill, the bank is said to discount the bill, and the claim on the foreign resident is transferred to the UK bank.

A bill is known as an **acceptance** when the drawee accepts the bill. A UK bank may accept a bill on behalf of a foreign resident in which case resident. The accepting bank has a claim on the foreign resident and expects to be paid by him before the bill matures.



### Bond

A financial instrument that usually pays interest to the holder, issued by governments as well as companies and other institutions, e.g. local authorities. Most bonds have a fixed date on which the borrower will repay the holder. Bonds are attractive to investors since they can be bought and sold easily in a *secondary market*. Special forms of bonds include deep discount bonds, equity warrant bonds, Eurobonds, and zero coupon bonds.

### Branch indebtedness

Net amounts owed by a branch to its head office (or vice versa).

### British government stocks

Securities issued or guaranteed by the UK government also known as gilts.

### Building societies

Building societies are mutual institutions specialising in accepting deposits from members of the public and in long-term lending to members of the public, mainly to finance purchase of dwellings; such lending being secured on dwellings. Their operations are governed by special legislation which places restrictions on their recourse to other sources of funding and other avenues of investment.

### Capital account

The capital account consists of capital transfers (see Transfers) and acquisition/disposal of non-produced, non-financial assets (see separate entry in glossary).

### Capital transfers

See Transfers.

### Certificate of deposit

A short term interest-paying instrument issued by deposit-taking institutions in return for money deposited for a fixed period. Interest is earned at a given rate. The instrument can be used as security for a loan if the depositor requires money before the repayment date.

### c.i.f. (cost, insurance and freight)

The basis of valuation of imports for Customs purposes, it includes the cost of insurance premiums and freight services. These need to be deducted to obtain the f.o.b. valuation consistent with the valuation of exports which is used in the economic accounts.

### Commercial paper

This is an unsecured *promissory note* for a specific amount and maturing on a specific date. The commercial paper market allows companies to issue short term debt direct to financial institutions who then market this paper to investors or use it for their own investment purposes.

### Commodity gold

See Gold.

### Commonwealth Development Corporation

A public corporation which finances development projects abroad.

### Compensation of employees

Total remuneration payable to employees in cash or in kind. Includes the value of social contributions payable by the employer.

### Counterpart items

Certain items in the balance of payments exist only as counterpart items introduced to balance the inclusion of other items that do not fall naturally into the double-entry system. The allocation of SDRs is an example of an artificial counterpart item introduced into the balance of payments to offset the corresponding increase in SDR holdings within official reserves (see under Special Drawing Rights).

### Cross-trades

See Third country trade.

### Current account

The account of transactions in respect of trade in goods and services, income and current transfers.

### Current balance

The balance of current account transactions.

### Debt forgiveness

The voluntary cancellation of all or part of a debt within a contractual arrangement between a creditor in one country and a debtor in another country.

### Debt securities

Debt securities cover bonds, debentures, notes etc., money market instruments and financial derivatives.

### Derivatives

Financial instruments whose value is linked to changes in the value of another financial instrument, an indicator or a commodity. In contrast to the holder of a primary financial instrument (e.g. a government bond or a bank deposit), who has an unqualified right to receive cash (or some other economic benefit) in the future, the holder of a derivative has only a qualified right to receive such a benefit. Examples of derivatives are options and swaps.



**Direct investment**

Net investment by UK/foreign companies in their foreign/UK branches, subsidiaries or associated companies. A direct investment in a company means that the investor has a significant influence on the operations of the company. (See Branch indebtedness, Subsidiary and Associated companies.) Investment covers not only acquisition of fixed assets, stock building and stock appreciation, but also all other financial transactions such as additions to or payments of, working capital, other loans and trade credit, and acquisitions of securities. Estimates of investment flows allow for depreciation in any undistributed profits. Funds raised by the subsidiary or associate company in the economy in which it operates are excluded as they are locally raised and not sourced from the parent company.

**Disbursements**

Operating expenses eg, by operators of ships or aircraft.

**Dividend**

A payment made to company shareholders from current or previously retained profits.

**Equity**

Equity is ownership or potential ownership of a company. An entity's equity in a company will be evidenced by ordinary shares. They differ from other financial instruments in that they confer ownership of something more than a financial claim. Shareholders are owners of the company whereas bond holders are merely outside creditors.

**Equity securities**

Equity securities are shares issued by companies to shareholders. Purchases of equity securities in which the purchaser does not have any significant degree of control over the company (ie, less than 10 per cent of the equity capital) fall within portfolio investment; otherwise it falls within direct investment. Equity securities include mutual fund shares.

**Eurocurrency market**

All borrowing and lending by banks in currencies other than the currency of the country in which the banks are situated.

**European Currency Unit (ECU)**

The ECU was officially introduced in 1979 in connection with the start of the European Monetary System (EMS). In the EMS, the ECU served as the basis for determining exchange rate parities and as a reserve asset and means of settlement. It was a composite currency which contained specified amounts of the currencies of the member states of the European Union. The currencies making up the ECU were weighted according to their economic importance and use in short-term finance. As from September 1989 the weightings of the ECU were revised to include both the Spanish peseta and Portuguese escudo. The ECU was converted

into the Euro at the start of European Monetary Union on 1 January 1999.

**European Investment Bank (EIB)**

This was set up to assist economic development within the European Union. Its members are the member states of the EU.

**European Monetary Cooperation Fund**

Central banks of member states of the European Monetary System deposited 20 per cent of their gold and foreign exchange reserves on a short-term basis with the European Monetary Cooperation Fund in exchange for ECUs between July 1979 and December 1993. The Fund was the clearing house for central banks in the EMS during that time. In January 1994 the swap arrangement was continued with the European Monetary Institute and from 1998 with the European Central Bank.

**European Monetary System (EMS)**

This was established in March 1979. Its most important element is the mechanism (the ERM - Exchange Rate Mechanism) whereby the exchange rates between the currencies of the participating member states are kept within set ranges. The UK joined the ERM on 8 October 1990. On 16 September 1992 the UK's membership of the ERM and the EMS was suspended. Eleven of the participating member states joined European Monetary Union on 1 January 1999.

**Exchange control**

A legal control imposed by Governments on the ability of persons, businesses and others to hold, receive and transfer foreign currency. The extent of the Exchange Control Act of 1947 was considerably reduced in June and July 1979 and the act was repealed in 1987.

**Exchange cover scheme (ECS)**

A scheme first introduced in 1969 whereby UK public bodies raise foreign currency from abroad, either directly or through UK banks, and generally surrender it to the EEA in exchange for sterling for use to finance expenditure in the United Kingdom. HM Treasury sells the borrower foreign currency to service and repay the loan at the exchange rate that applied when the loan was taken out. The transactions relate to net borrowing by British Nuclear Fuels plc and repayment by HM Government following the privatisation of other former public corporations (see Novations).

**Exchange Equalisation Account (EEA)**

The government account of the Bank of England in which transactions in reserve assets are recorded. These transactions are classified to the central government sector. It is the means by which the government, through the Bank of England, influences exchange rates.



### Export credit

Credit extended abroad by UK institutions primarily in connection with UK exports but also including some credit in respect of third country trade.

### Export credit; identified long-term

Credit extended by UK banks under the ECGD's buyer credit and specific bank guarantees schemes.

### Export Credits Guarantee Department (ECGD)

A government department whose main function is to provide insurance cover for export credit transactions.

### Financial account

The financial account records transactions in external assets and liabilities of the UK; eg, the acquisitions and disposals of foreign shares by UK residents. The financial account consists of direct investment, portfolio investment, other investment and reserve assets.

### Financial auxiliaries

Auxiliary financial activities are ones closely related to financial intermediation but which are not financial intermediation themselves, such as the repackaging of funds. Financial auxiliaries include such activities as insurance broking and fund management.

### Financial corporations

All bodies recognised as independent legal entities whose principal activity is financial intermediation and/or the production of auxiliary financial services. However, the United Kingdom currently treats financial auxiliaries as non-financial corporations.

### Financial derivatives

Any financial instrument the price of which is based upon the value of an underlying asset (typically another financial asset). Financial derivatives include options (on currencies, interest rates, commodities, indices, etc.), traded financial futures, warrants and currency and interest swaps. Under BPM5, transactions in derivatives should be treated as separate transactions, within portfolio investment, rather than being included as integral parts of underlying transactions to which they may be linked as hedges. Estimates for financial derivatives are currently unavailable except for earnings on interest rate swaps which appear under earnings on portfolio investment within the investment income account.

### Financial gold

See Gold.

### Financial Leasing

See Leasing.

### Financial surplus or deficit (FSD)

The former term for Net lending(+)/Net borrowing(-), the balance of all current and capital account transactions for an institutional sector or the economy as a whole.

### f.o.b. (free on board)

An f.o.b. price excludes the cost of insurance and freight from the country of consignment but includes all charges up to the point where the goods are deposited on board the exporting/importing vessel or aircraft. Trade in goods are valued on a f.o.b basis in the balance of payments accounts.

### Foreign

In this publication "foreign" denotes residence outside the United Kingdom rather than nationality. In some contexts "external" or "abroad" are used with the same meaning.

### Futures

Instruments which give the holder the right to purchase a commodity or a financial asset at a future date.

### Gilts

Bonds issued or guaranteed by the UK government. Also known as gilt-edged securities or British government securities.

### Gold

In the accounts a distinction is drawn between gold held as a financial asset (financial gold) and gold held like any other commodity (commodity gold). Transactions in commodity gold are recorded in the trade in goods account and include foreign trade in finished manufactures together with net domestic and foreign transactions in gold moving into or out of finished manufactured form (i.e. for jewellery, dentistry, electronic goods, medals and proof - but not bullion - coins).

All other transactions in gold (i.e. those involving semi-manufactures such as rods, wire, etc., or bullion, bullion coins or banking-type assets and liabilities denominated in gold, including reserve assets) are treated as financial gold transactions and included in the financial account. The distinction between commodity and financial gold differs from that drawn by the IMF, in its Balance of Payments Manual (5th edition, 1993), between non-monetary and monetary gold. The United Kingdom has obtained an exemption from adopting the BPM5 recommendations on treatment of gold until the year 2005 in order to avoid distortion of its trade in goods account by the substantial transactions of the London Bullion Market.

### Gross

The separate identification of both credit/debit, export/import for any particular transaction.



**Hedging**

Hedging is accomplished by the temporary purchase or sale of futures/ swaps contracts to offset the position or anticipated position in the cash markets. This may benefit banks, financial institutions, pension funds and corporate treasuries who hold interest rate or currency rate or stock price sensitive assets or liabilities.

**Households**

Individuals or small groups of individuals as consumers and in some cases as entrepreneurs producing goods and market services.

**Import credit: long-term agreements**

Credit received on imported ships, commercial aircraft and certain North Sea installations.

**Income**

The income account forms part of the current account and consists of compensation of employees and investment income, both of which have separate entries in this glossary.

**Inter-company accounts**

Accounts recording transactions between parent and subsidiary or associated companies, and balances owed by one to the other.

**Interest rate swaps**

An obligation between two parties to exchange interest-related payments in the same currency from fixed rate into floating rate, or vice versa, or from one type of floating rate to another. A swap can be used to reshape the coupon payments of either new or existing debt. The only movement of funds is a net transfer of interest payments between the two parties. The interest payments are calculated on an agreed principal amount which is not exchanged.

**International Investment Position (IIP)**

The international investment position records end of period balance sheet levels of UK external assets and liabilities of the UK; eg, the levels of foreign shares held by UK residents. The IIP consists of direct investment, portfolio investment, other investment and reserve assets.

**International Monetary Fund (IMF)**

A Fund set up as a result of the Bretton Woods Conference of 1944 which began operations in 1947. It includes most of the major countries of the world. The Fund was set up to supervise the fixed exchange rate system agreed at Bretton Woods and to make available to its members a pool of foreign exchange resources to assist them when they have balance of payments difficulties. Further definitions relating to the IMF are given in the IMF section in the 1981 and earlier editions of this publication; see also "Special Drawing Rights".

**Intervention Board for Agricultural Produce**

The UK agency which operates the support arrangements of the EU Common Agricultural Policy within the United Kingdom.

**Investment**

In a balance of payments context this is categorised as either direct, portfolio or other investment. See appropriate headings for definitions.

**Investment income**

All investment income accruing to UK residents from non-residents or payable abroad by UK residents after allowing for depreciation. The balance on credits and debits equals "net property income from abroad" as shown in the National Accounts.

**Investment trust**

An institution that invests its capital in a wide range of other companies' shares. Investment trusts issue shares which are listed on the London Stock Exchange and use this capital to invest in the shares of other companies. See also *Unit trusts*.

**Leasing**

In the balance of payments accounts all financial leases and some long term operating leases (eg for aircraft) are regarded as loans to finance the purchase of goods. The lessor thus makes a loan to the lessee who subsequently repays this with interest. The lessee is regarded as the purchaser of the goods. The capital transactions involved are recorded under "Trade credit" or, in the case of transactions by specialist UK leasing companies, "Loans", both of which fall within Other Investment Abroad. Interest is recorded in the corresponding place in the investment income part of the current account.

**Liabilities**

In balance of payments terminology, liabilities are the financial claims of non-residents.

**Local authorities**

Elected councils responsible for the administration of certain services in particular areas within the United Kingdom.

**Merchanting**

See "third country trade".

**Monetary financial institutions**

Banks and building societies.

**Miscellaneous financial institutions**

These include certain institutions, not classified as UK banks, whose main function is to extend credit abroad and certain listed institutions in the London Bullion Market which are not UK banks.



### Monetary Authorities

Institutions (usually central banks) which control the centralised monetary reserves and the supply of currency in accordance with government policies, and which act as their governments' bankers and agents. In the United Kingdom this is equivalent to the Bank of England and part of the Treasury (the Exchange Equalisation Account).

### Monetary gold

See Gold.

### Money market

The market in which short-term loans are made and short-term securities traded. 'Short term' usually applies to periods under one year but can be longer in some instances.

### Money market instruments

Money market instruments, within portfolio investment, generally give the holder the unconditional right to receive a stated, fixed sum of money on a specified date. These instruments usually are traded, at a discount; the discount being dependent upon the interest rate and the time remaining to maturity. Included are such instruments as acceptances, treasury bills, commercial paper and certificates of deposit.

### Navy, Army and Air Force Institute (NAAFI)

A body which provides goods and services for the use of the UK armed forces abroad.

### Net

In this presentation of the balance of payments accounts, the term "net" is generally applied only to transactions in financial assets or liabilities: purchases of assets are recorded net of sales; similarly with liabilities. In the current and capital accounts, where the operations of UK and foreign residents are taken together in particular transactions areas, the term "balance" is used.

### Net Errors and Omissions

The item included to bring the sum of all balance of payments entries to zero.

### Non-monetary gold

see Gold

### Non-produced, non-financial assets

Non-produced, non-financial assets, within the capital account, include land purchased or sold by a foreign embassy, patents, copyrights, trade marks, franchises and leases and other transferable contracts, but not finance leasing. Only the purchase and sale of such assets are proper to the capital account; earnings from them are recorded under trade in services.

### Novations

This term defines the reassignment of debt (for balance of payments, usually foreign debt) of public corporations to central government following the privatisation of the public corporation. This does not normally change the overall balance of payments situation as the debt is still regarded as a UK liability.

### NPISH

Non-profit institutions serving households.

### Official reserves

See Reserve assets.

### Operating leasing

Operational leasing (rental) covers resident/non-resident leasing (other than financial leasing), charter of ships, aircraft and transportation equipment without crew. Leasing of ships, aircraft and transportation equipment with crew are included in the transportation account.

### Ordinary share

The most common type of share in the ownership of a corporation. Holders of ordinary shares receive dividends. See also Equity.

### Other Investment

Investment other than direct and portfolio investment includes trade credit, loans, currency and deposits and other assets and liabilities.

### Parent

In a balance of payments context this means a company with direct investments in other countries.

### Pension funds

The institutions that administer pension schemes. Pension schemes are significant investors in securities. Self-administered funds are classified in the financial accounts as pension funds. Those managed by insurance companies are treated as long-term business of insurance companies. They are part of S.125, the *Insurance corporations and pension funds* sub-sector.

### Portfolio investment

Investment in equity and debt securities issued by foreign registered companies, other than that classed as direct investment, and in equity and debt securities issued by foreign governments. A portfolio investment, unlike a direct investment, does not entitle the investor to any significant influence over the operations of the company or institution and represent less than 10 per cent of the equity capital.



**Preference share**

This type of share guarantees its holder a prior claim on dividends. The dividend paid to preference share holders is normally more than that paid to holders of ordinary shares. Preference shares may give the holder a right to a share in the ownership of the company (participating preference shares). However in the UK they usually do not, and are therefore classified as bonds.

**Private sector**

Private non-financial corporations, financial corporations other than the Bank of England (and Girobank when it was publicly owned), households and the NPISH sector.

**Promissory note**

A security which entitles the bearer to receive cash. These may be issued by companies or other institutions. (See Commercial paper).

**Public corporations**

These are public trading bodies which have a substantial degree of financial independence from the public authority which created them. A public corporation is publicly controlled to the extent that the public authority, i.e. central or local government, appoints the whole or a majority of the board of management. Since the 1980s many public corporations, such as British Telecom, have been privatised and reclassified within the accounts as private non-financial corporations.

**Public sector**

Central government, local authorities and public corporations.

**Refinanced export credit**

Identified long-term credit extended for UK exports initially by banks and refinanced with the ECGD, the Trustee Savings Banks and the Central Trustee Savings Bank.

**Related companies**

Branches, subsidiaries, associates or parents.

**Related import or export credit**

Trade credit between related companies included in direct investment.

**Repo**

This is short for "sale and repurchase agreement", in which one party agrees to sell bonds or other financial instruments to other parties under a formal legal agreement to repurchase them at some point in the future - usually up to six months - at a fixed price.

**Reserve assets**

Short term assets which can be very quickly converted into cash, it comprises the UK's official holdings of gold, convertible currencies, Special Drawing Rights, and changes in the UK reserve position in the IMF. From July 1979 and December 1998, it includes European Currency Units acquired from swaps with the European Cooperation Fund, EMI and the ECB. Reserve assets were referred to as "official reserves" in previous editions of the *Pink Book*.

**Reserve position in the Fund**

The United Kingdom's position in the IMF's General Resources Account. This position is the sum of the United Kingdom's reserve tranche purchases and any indebtedness of the Fund (under a loan agreement) that is readily payable to the United Kingdom.

**Royalties**

A part of trade in services. They represent payments for services, by, or to, UK residents in respect of the right to use processes and other information, eg licences to use patents, trade marks, designs, copyrights, etc. Sales of patents are included within the capital account.

**Security**

Security against loans involves the depositing of a document or asset which is retained by the bank as a charge for an advance. This form of security may include stocks and share certificates, debentures, and insurance policies.

**Special Drawing Rights (SDRs)**

These are reserve assets created and distributed by decision of the members of the IMF. Participants accept an obligation to provide convertible currency, when designated by the IMF to do so, to another participant in exchange for SDRs equivalent to three times their own allocation. Only countries with a sufficiently strong balance of payments are so designated by the IMF. SDRs may also be used in certain direct payments between participants in the scheme and for payments of various kinds to the IMF.

**Subsidiary**

A registered company in which another registered company has ownership of the majority of the voting share capital; ie greater than 50 per cent.

**Subsidies**

Current unrequited payments made by general government or the European Union to enterprises. Those made on the basis of a quantity or value of goods or services are classified as 'subsidies on products'. Other subsidies based on levels of productive activity (e.g. numbers employed) are designated Other subsidies on production.



### Suppliers' credit

Export credit extended abroad directly by UK firms other than to related concerns (see Export credit').

### Third country trade or cross-trade

Trade between two countries other than the United Kingdom, in which the United Kingdom may participate as an intermediary or by providing transport, insurance services or credit facilities.

### Trade credit

See Export credit and Import credit.

### Trade in goods

Trade in goods covers general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and commodity gold (see Gold). General merchandise is defined for BOP purposes as covering, with a few specific exceptions, all movable goods for which actual or imputed changes of ownership occur between residents and non-residents.

### Trade in services

Provision of services between UK residents and non-residents, and transactions in goods which are not freighted out of the country in which they take place; eg purchases for local use by foreign forces in the United Kingdom and by UK forces abroad, purchases by tourists, etc. Transactions in goods which are freighted into/out of the United Kingdom are included under trade in goods.

### Transfers

Transfers are payments or receipts where there is no corresponding exchange of an actual good or service. These transfers are split between current transfers, which form part of the current account, and capital transfers which form part of the capital account. Most transfer payments are central government transfers; ie, receipts from and payments to institutions of the European Union.

### Travel

The travel account gives the earnings from and expenditure on international tourism and business and other travel but excludes transport between the UK and other countries (included within the transportation account). An international tourist is defined as a resident of one country who visits another country and stays there for a period of less than 12 months. This definition excludes travellers who visit another country to take up pre-arranged employment or education there, military and diplomatic personnel, merchant seamen and airline crews on duty.

### Treasury bills

Short-term securities or promissory notes which are issued by government in return for funding from the money market. In the United Kingdom every week the Bank of England invites tenders for sterling Treasury bills from the financial institutions operating in the market. ECU/Euro-denominated bills were issued by tender each month but this programme has now wound down; the last bill was redeemed in September 1999. Treasury bills are an important form of short-term borrowing for the government, generally being issued for periods of 3 or 6 months.

### Unit trusts

Institutions through which investors pool their funds to invest in a diversified portfolio of securities. Individual investors purchase units in the fund representing an ownership interest in the large pool of underlying assets, i.e. they have an equity stake. The selection of assets is made by professional fund managers. Unit trusts therefore give individual investors the opportunity to invest in a diversified and professionally-managed portfolio of securities without the need for detailed knowledge of the individual companies issuing the stocks and bonds. They differ from *investment trusts* in that the latter are companies in which investors trade shares on the Stock Exchange, whereas unit trust units are issued and bought back on demand by the managers of the trust. The prices of unit trust units thus reflect the value of the underlying pool of securities, whereas the price of shares in investment trusts are affected by the usual market forces.

### Very short term financing facility (VSTFF)

This is a facility available within the EMS, where a central bank makes available to another short term credit facilities in its own currency.







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The National Statistics *Pink Book* provides detailed estimates of the United Kingdom balance of payments for the last 11 years.

The *Pink Book* includes estimates for the current account (trade in goods and services, income and current transfers), the capital account, the financial account and the international investment position. It also includes a chapter on the geographical breakdown of the current account. Explanatory text and definitions are included.

The estimates are consistent with the IMF Balance of Payments Manual (5th Edition)

**The Economy**



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