

United Kingdom Balance of Payments The Pink Book 2005

Editor: Simon Linden
Office for National Statistics

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About the Office for National Statistics

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The Director of ONS is also the National Statistician and the Registrar General for England and Wales.

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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

Free access to National Statistics data is available online at www.statistics.gov.uk

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Complete copies of this publication are available to download free of charge on the following web page:

www.statistics.gov.uk/products/p1140.asp

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 enquiries

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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An introduction to the United Kingdom balance of payments

Introduction

The balance of payments is one of the UK's key economic statistical series.

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 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 co-operation 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*. Both *SNA93* and *BPM5* were amended in 2000 to give more consistent guidance on the treatment of financial derivatives.

The United Nations Statistics Commission and the IMF Board of Directors have subsequently approved the comprehensive and parallel updating of the National Accounts and Balance of Payments manuals, in order to ensure their consistency and achieve greater harmonisation. The ONS has developed the following webpage to inform users of progress and to invite their input:

<http://www.statistics.gov.uk/about/Consultations/NA/default.asp>

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
- (iii) financial transactions involving the UK claims on, and liabilities to, non-residents.

Category (i) is shown in the current account, category (ii) in the capital account and category (iii) in the 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 a full reconciliation of the international investment position showing price, exchange rate and other changes.

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.

Prior to the adoption of *BPM5* and *ESA95*, the UK offshore islands were treated as part of the UK and the Islands' transactions with the rest of the world were included in the balance of payments. Adoption of *BPM5* and *ESA95* meant that UK transactions with the Islands became part of the balance of payments and the Islands' transactions with the rest of the world had to be excluded. To comply with this change in definition, adjustments were made to the data to include UK transactions with the islands and to exclude the islands' transactions with the rest of the world. These adjustments mostly notably affected the investment account as the Islands are a major financial centre.

For balance of payments purposes, residents of an economy are generally deemed to have a centre of economic interest in the economy and to be resident for at least one year. The residents of the UK comprise:

- (i) Resident general government institutions including the Scottish Parliament, Welsh Assembly, Northern Ireland 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 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 economic 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

Rules for the UK double entry system

Credit entries, changes in all economic resources provided by the UK to non-residents, including:

Exports of goods and services

Income accruing on the resources to UK from residents

Financial liabilities of the UK to non-residents

Transfers which are offsets to debit entries
to credit entries

Debit entries, changes in all economic resources received by the UK from non-residents, including:

Imports of goods and services

Income accruing on the resources to non-residents from UK

Financial claims of UK on non-residents

Transfers which are offsets to credit entries

Examples of UK double entry recording

Credits

Debits

1. Sales 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. payment 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

Conceptually, an economic transaction has two sides: something of economic value is provided and something of equal value is received. The balance of payments reflect this in a double-entry recording system of credits and debits. 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 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 changes in financial liabilities. Likewise, debit entries are required for imports of goods and services, income payable, and changes in financial assets. 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 (calculated as credits less debits) 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. Over time, this is likely to underestimate the true market value of Foreign Direct Investment.

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 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.

Reinvested earnings

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.

Financial services

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 (opposite) 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

A

Summary of balance of payments in 2004

£ million

	Credits	Debits
1. Current account		
A. Goods and services	289 959	328 384
1. Goods	190 859	249 473
2. Services	99 100	78 911
2.1. Transportation	15 436	18 599
2.2. Travel	15 406	30 864
2.3. Communications	2 022	1 928
2.4. Construction	228	132
2.5. Insurance	6 377	821
2.6. Financial	15 591	3 349
2.7. Computer and information	5 755	1 944
2.8. Royalties and licence fees	6 564	4 567
2.9. Other business	27 850	13 518
2.10. Personal, cultural and recreational	1 837	792
2.11. Government	2 034	2 397
B. Income	139 656	113 493
1. Compensation of employees	1 171	1 100
2. Investment income	138 485	112 393
2.1 Direct investment	60 857	25 635
2.2 Portfolio investment	37 427	36 350
2.3 Other investment (including earnings on reserve assets)	40 201	50 408
C. Current transfers	12 819	23 532
1. Central government	4 022	12 300
2. Other sectors	8 797	11 232
Total current account	442 434	465 409
2. Capital and financial accounts		
A. Capital account	3 584	1 604
1. Capital transfers	3 409	1 218
2. Acquisition/disposal of non-produced, non-financial assets	175	386
B. Financial account	525 771	513 733
1. Direct investment	39 566	43 996
Abroad		43 996
1.1. Equity capital		17 904
1.2. Reinvested earnings		27 591
1.3. Other capital ¹		-1 499
In United Kingdom	39 566	
1.1. Equity capital	22 313	
1.2. Reinvested earnings	9 443	
1.3. Other capital ²	7 810	
2. Portfolio investment	93 346	142 425
Assets		142 425
2.1. Equity securities		56 327
2.2. Debt securities		86 098
Liabilities	93 346	
2.1. Equity securities	-8 344	
2.2. Debt securities	101 690	
3. Financial derivatives (net)		7 875
4. Other investment	392 859	319 241
Assets		319 241
4.1 Trade credits		-225
4.2 Loans		111 186
4.3 Currency and deposits		208 180
4.4 Other assets		100
Liabilities	392 859	
4.1. Trade credits	-	
4.2. Loans	91 706	
4.3. Currency and deposits	301 234	
4.4. Other liabilities	-81	
5. Reserve assets		196
5.1. Monetary gold		-2
5.2. Special drawing rights		-35
5.3. Reserve position in the IMF		-558
5.4. Foreign exchange		809
Total capital and financial accounts	529 355	515 337
Total current, capital and financial accounts	971 789	980 746
Net errors and omissions	8 957	

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

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 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.

Financial account

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.

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 five 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 and money market instruments. 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 per cent of the ordinary share or voting stock).
- (iii) *Financial derivatives* covers 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 are treated as separate transactions, rather than being included as integral parts of underlying transactions to which they may be linked as hedges. Only estimates for the settlement receipts/payments on UK banks' interest rate swaps and forward rate agreements are included in financial derivatives.
- (iv) *Other investment* is a residual category that captures transactions not classified to direct investment, portfolio investment, financial derivatives 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.
- (v) *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/net asset position*, depending on the balance.

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, i.e. 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) financial derivatives;
- (ix) trade credit;
- (x) loans;
- (xi) currency and deposits; and
- (xii) other assets/liabilities.

Financial derivatives data are presented as an annex to the international investment chapter.

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, 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 and money market instruments 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.

Original contractual maturity

The fifth edition of the balance of payments manual looks to distinguish between long-term or short-term investment. Investment longer than one year is deemed to be long-term and investment less than one year is deemed to be short-term.

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 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 the latest years.

Revisions since ONS Pink Book 2004

The current account balance is revised from 1996 onwards, although a new presentation of current transfers has led to revisions back to 1987 which have no net effect.

Goods – the data is revised from 2002 to reflect later data from HM Revenue & Customs and other data suppliers.

Services – revisions from 1996 result from a general reassessment of data during the annual supply and use balancing process. Revisions from 2001 also reflect a review of the use of Chamber of Shipping data used in the transportation account. Revisions

from 2002 follow a reassessment of data following the expansion of the International Road Haulage Survey in 2004, new data on education based on research by the British Council, final results from the International Trade in Services Survey and financial surveys for 2003, and revised results from the International Passenger Survey.

Income, Financial Account and IIP - figures are revised from 1996 following a review of the use made of Bank for International Settlements data, and result from changes to both data and adjustments. (As explained in the methodological notes to this publication, "due to limitations in the coverage of BIS data, statistical adjustments have been applied to the estimates since 1994 in order to improve overall coherence of the sector financial accounts".)

Further revisions from 2002 are largely the result of later and corrected data from annual direct investment and financial surveys.

Current transfers – the data is revised from 2002, although data for private social benefits and contributions are now presented on a gross rather than a net basis back to 1987 with no net effect. This is in line with the Rest of the World presentation in the sector financial accounts and ensures consistency and reconciliation on a gross basis between the sector accounts and the balance of payments.

Revisions from 2002 reflect the latest results from the Expenditure and Food survey which are used to derive net non-life insurance claims.

Capital transfers – the data is revised from 2003, reflecting final results from the International Trade in Services annual benchmark survey for 2003.

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). <http://www.imf.org/external/np/sta/bop/BOPman.pdf>

Balance of Payments Textbook (1996), International Monetary Fund (ISBN 1-55775-570-1). <http://www.imf.org/external/np/sta/bop/BOPtex.pdf>

Balance of Payments and International Investment Position, Australia: Concepts, Sources and Methods (1998) Australian Bureau of Statistics (ISBN 0-642-25670-5). <http://www.abs.gov.au/Ausstats/abs@.nsf/0/09998F91F5A8A7BFCA25697E0018FB0A?Open>

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). <http://unstats.un.org/unsd/sna1993/introduction.asp>

The United Nations Statistics Commission and the IMF Board of Directors have approved the comprehensive and parallel updating of the National Accounts and Balance of Payments manuals, in order to ensure their consistency and achieve greater harmonisation. The ONS has developed the following webpage to inform users of progress and to invite their input:

<http://www.statistics.gov.uk/about/Consultations/NA/default.asp>

Part 1

Current account

Chapter 1

Summary of balance of payments

Current account

The UK has recorded a current account deficit in every year since 1984. Prior to 1984, the current account recorded a surplus in 1980 to 1983. Since the last surplus was recorded in 1983, there have been three main phases in the development of the current account. In the first phase, from 1984 to 1989, the current account deficit increased steadily to the record deficit of £26.3 billion recorded in 1989 (equivalent to 5.1% of GDP); during the second phase, from 1990 until 1997, the current account deficit declined to a low of £1.8 billion in 1997; in the third phase, since 1998, the current account deficit widened sharply, to around £22-£24 billion in 1999 to 2001 and £16-£17 billion in 2002 and 2003. A deficit of £23.0 billion was recorded in 2004, equivalent to 2.0% of GDP).

The profile for the current account has historically followed that of trade in goods, its biggest and most cyclical component; over recent years, that pattern has changed. From the last trade in goods surplus recorded in 1982, the goods deficit increased to a peak of £24.7 billion in 1989, while the current balance deteriorated to a record deficit of £26.3 billion. From then until the late-1990s, both the trade in goods and current account deficits fell and then subsequently rose. Since 1999 however, the goods deficit has continued to grow but the current account deficit has stabilised, due to widening surpluses on trade in services and investment income.

Figure 1.1

Current account balance

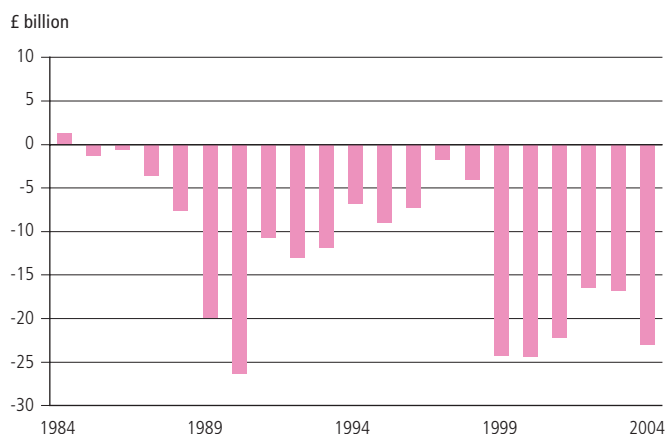
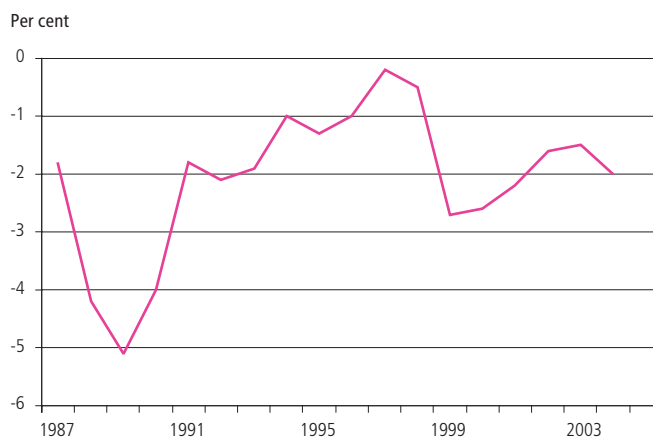


Figure 1.2

Current balance as a percentage of GDP



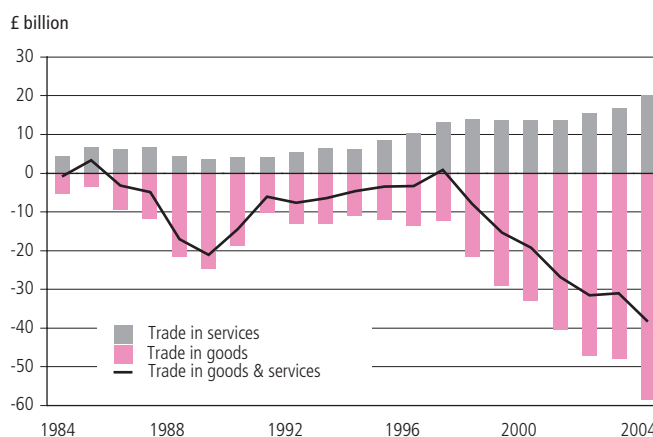
Trade in goods and services

The trade in goods account recorded a net surplus in the years 1980, 1981 and 1982, largely as a result of exports of North Sea oil. Since then, however, the trade in goods account has remained in deficit. The deficit grew significantly in the late 1980s to reach a peak of £24.7 billion in 1989, before improving in the 1990s to a level of around £12 billion. Since 1997, the deficit has widened sharply, reaching a record £58.6 billion in 2004.

Figure 1.3

Trade in goods and services

Credits less debits



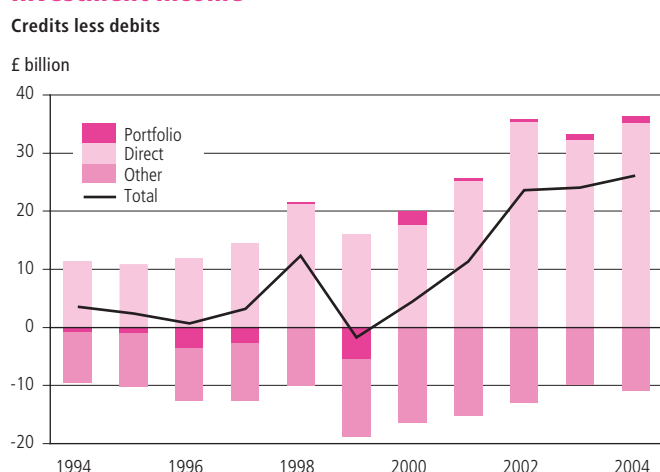
The trade in services account has shown a surplus for every year since 1966. The surplus on services increased fairly steadily until 1987 during which time it broadly offset the deficit on trade in goods. From 1988 to 1994 the surplus was around £5 billion annually. From 1995 to 1997 the services surplus increased significantly, to around £13 billion. It remained at this level until 2001, after which it rose to reach a record £20.2 billion in 2004.

Income

The income account consists of compensation of employees and investment income, the latter dominating the account. Historically the balance on compensation of employees has generally been in deficit, but it moved into surplus in the late 1990s where it has generally remained.

The investment income balance has generally shown a surplus (since records began in 1946 there have only been ten years which have shown a deficit) although it was not until 1994 that the surplus exceeded £3 billion annually. Surpluses on direct investment income have been partly offset by deficits on other investment - principally banks' net payments on loans and deposits. There has been a substantial improvement in the investment income balance since the 1990's, largely due to an increasing surplus on direct investment. By sector, the improvement in the investment income balance has been driven by monetary financial institutions, moving from a deficit of £6.1 billion in 1993 to a surplus of about £13 billion in 2003 and 2004.

Figure 1.4
Investment income
Credits less debits

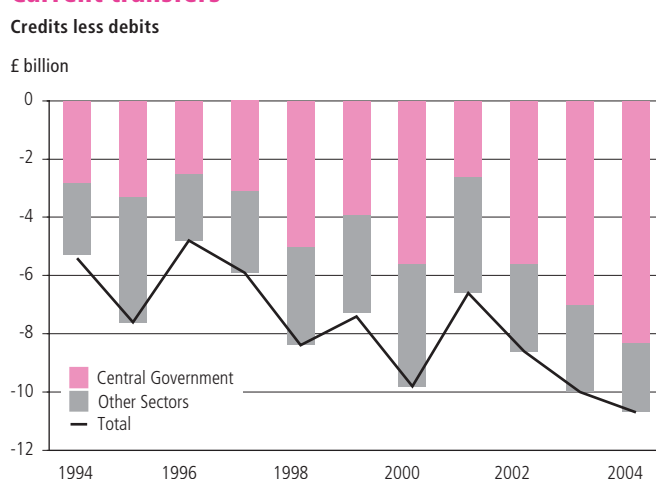


Current transfers

The transfers account has shown a deficit in every year since 1960. The deficit increased steadily to reach £4.9 billion in 1990. In 1991, the deficit reduced to £1.2 billion, reflecting £2.1 billion receipts from other countries towards the UK's cost

of the first Gulf conflict. The deficit has since increased, to reach a record £10.7 billion in 2004. 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. The volatility in this account is driven by fluctuating net contributions to EU Institutions. Further details of UK official transactions with EU Institutions can be seen in Table 9.9 of this PinkBook.

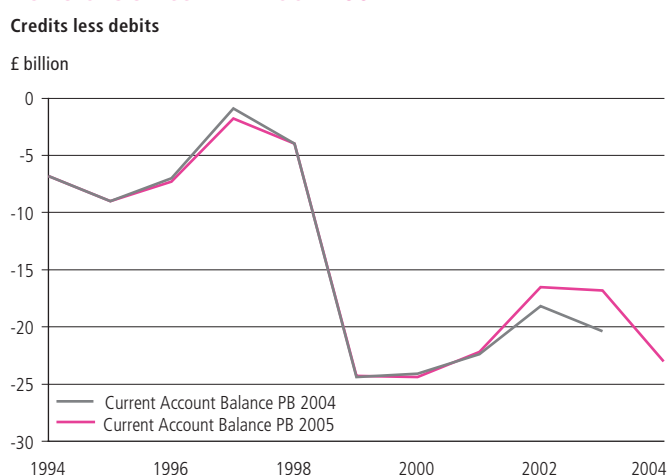
Figure 1.5
Current transfers
Credits less debits



Revisions since Pink Book 2004

The current account balance has been revised back to 1996 in this publication as compared with data published in Pink Book 2004. The changes reflect both the incorporation of annual

Figure 1.6
Revisions since Pink Book 2004
Credits less debits



survey results for 2002 and 2003, GDP balancing adjustments to trade in services and a reassessment of Bank for International Settlements data. Details of the sources of these changes are given on page 14 of the Introduction; the impact of the changes can be seen in figure 1.5 and in Table 1.1R.

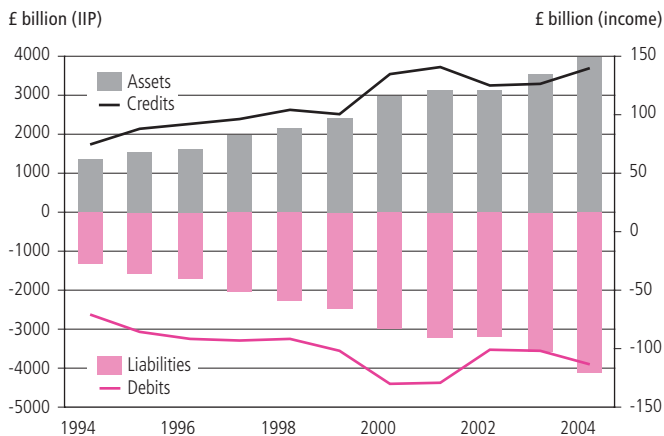
Investment flows, levels and income

One important set of relationships within the balance of payments is the link between the financial account (investment flows), the international investment position (levels or balance sheets), and the 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 shows 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 price changes, exchange rate changes and other effects e.g. company write-offs etc.

Figure 1.7

International investment position and income

Credits less debits



The value of both external assets and liabilities in the international investment position has been rising steadily since 1980, reflecting both the increased global investment and the increasing prices of external assets and liabilities. The UK's external assets exceeded external liabilities in every year until 1990. Since 1995, the level of UK's external liabilities have generally grown more strongly than the level of external assets, so that the net international investment position moved from a net asset to a record net liability position of £141.1 billion in 2004 (equivalent to 12% of GDP). There was a brief pause in

the growth of both assets and liabilities in 2001 and 2002, probably reflecting increased global financial uncertainty during this period. In the two years since 2002, assets have grown by over 25% to reach nearly £4 trillion, while liabilities have grown almost 30% to reach £4.1 trillion. These levels are higher than for any other country other than the US, largely as a result of the UK's position as an international financial centre.

Implied 'rates of return'

Another important relationship is that 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. In total the implied rate of return on liabilities was higher than assets until 1994, since when the return on assets has generally been higher. Both rates of return on assets and liabilities have fallen since the early 1990s, reflecting lower global interest rates on loans and deposits.

Figure 1.8

Implied rates of return on assets

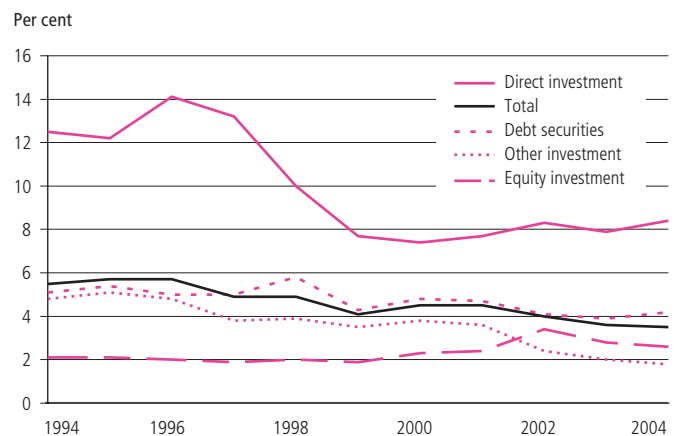
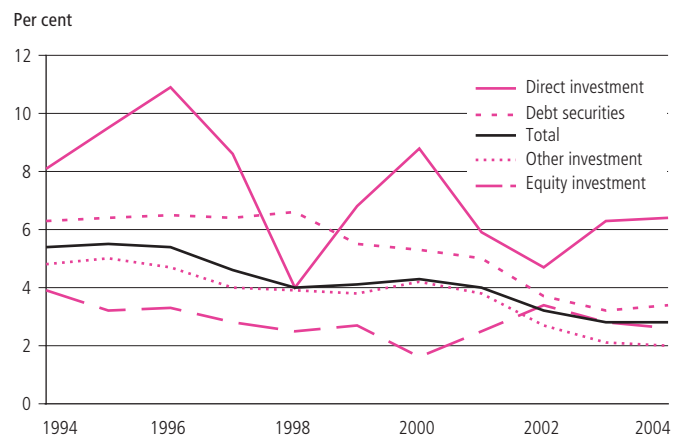


Figure 1.9

Implied rates of return on liabilities



The rates of return for direct investment are significantly higher than for other forms of investment. This is probably a consequence in part of comparatively lower 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, rates of return on debt securities have been falling, in line with the downward trend in official interest rates. Rates of return on equity have fluctuated, largely reflecting valuation changes in balance sheets caused by the rise and fall in stock market prices. The difference between rates of return on debt and equity has narrowed considerably in recent years.

Rates of return on other investment were similar to returns on debt in the early 1990s. They have, in general, been in decline since then, and are now lower than returns on equity.

1.1 Summary of balance of payments

Balances (credits less debits)

£ million

Current account												
	Trade in goods	Trade in services	Total goods and services	Compensation of employees	Investment income	Total income	Current transfers	Current balance	Current balance as % of GDP ¹	Capital account	Financial account	Net errors & omissions
	LQCT	KTMS	KTMV	KTMP	HMBM	HMBP	KTNF	HBOG	AA6H	FKMJ	HBNT	HHDH
1946	-101	-274	-375	-20	76	56	166	-153	..	-21	181	-7
1947	-358	-197	-555	-19	140	121	123	-311	..	-21	552	-220
1948	-152	-64	-216	-20	223	203	96	83	0.7	-17	-58	-8
1949	-137	-43	-180	-20	206	186	29	35	0.3	-12	-103	80
1950	-54	-4	-58	-21	378	357	39	338	2.6	-10	-447	119
1951	-692	32	-660	-21	322	301	29	-330	-2.3	-15	426	-81
1952	-272	123	-149	-22	231	209	169	229	1.4	-15	-229	15
1953	-244	123	-121	-25	207	182	143	204	1.2	-13	-177	-14
1954	-210	115	-95	-27	227	200	55	160	0.9	-13	-174	27
1955	-315	42	-273	-27	149	122	43	-108	-0.6	-15	34	89
1956	50	26	76	-30	203	173	2	251	1.2	-13	-250	12
1957	-29	121	92	-32	223	191	-5	278	1.3	-13	-313	48
1958	34	119	153	-34	261	227	4	384	1.7	-10	-411	37
1959	-116	118	2	-37	233	196	-	198	0.8	-5	-68	-125
1960	-404	39	-365	-35	201	166	-6	-205	-0.8	-6	-7	218
1961	-144	51	-93	-35	223	188	-9	86	0.3	-12	23	-97
1962	-104	50	-54	-37	301	264	-14	196	0.7	-12	-195	11
1963	-123	4	-119	-38	364	326	-37	170	0.6	-16	-30	-124
1964	-551	-34	-585	-33	365	332	-74	-327	-1.0	-17	392	-48
1965	-263	-66	-329	-34	405	371	-75	-33	-0.1	-18	49	2
1966	-111	44	-67	-39	358	319	-91	161	0.4	-19	22	-164
1967	-601	157	-444	-39	354	315	-118	-247	-0.6	-25	179	93
1968	-708	341	-367	-48	303	255	-119	-231	-0.5	-26	688	-431
1969	-214	392	178	-47	468	421	-109	490	1.0	-23	-794	327
1970	-18	455	437	-56	527	471	-89	819	1.6	-22	-818	21
1971	205	590	795	-63	481	418	-90	1 123	2.0	-23	-1 330	230
1972	-736	665	-71	-52	407	355	-142	142	0.2	-35	477	-584
1973	-2 573	803	-1 770	-68	1 074	1 006	-336	-1 100	-1.5	-39	1 031	108
1974	-5 241	1 118	-4 123	-92	1 184	1 092	-302	-3 333	-4.0	-34	3 185	182
1975	-3 245	1 447	-1 798	-102	518	416	-313	-1 695	-1.6	-36	1 569	162
1976	-3 930	2 532	-1 398	-140	1 100	960	-534	-972	-0.8	-12	507	477
1977	-2 271	3 306	1 035	-152	-280	-432	-889	-286	-0.2	11	-3 286	3 561
1978	-1 534	3 777	2 243	-140	138	-2	-1 420	821	0.5	-79	-2 655	1 913
1979	-3 326	4 076	750	-130	155	25	-1 777	-1 002	-0.5	-103	864	241
1980	1 329	3 829	5 158	-82	-1 683	-1 765	-1 653	1 740	0.8	-4	-2 157	421
1981	3 238	3 951	7 189	-66	-1 058	-1 124	-1 219	4 846	1.9	-79	-5 312	545
1982	1 879	3 198	5 077	-95	-1 273	-1 368	-1 476	2 233	0.8	6	-1 233	-1 006
1983	-1 618	4 076	2 458	-89	280	191	-1 391	1 258	0.4	75	-3 287	1 954
1984	-5 409	4 491	-918	-94	1 284	1 190	-1 566	-1 294	-0.4	107	-7 130	8 317
1985	-3 416	6 767	3 351	-120	-877	-997	-2 924	-570	-0.2	185	-1 657	2 042
1986	-9 617	6 403	-3 214	-156	1 850	1 694	-2 094	-3 614	-0.9	135	-122	3 601
1987	-11 698	6 813	-4 885	-174	1 091	917	-3 570	-7 538	-1.8	333	10 764	-3 559
1988	-21 553	4 450	-17 103	-64	817	753	-3 500	-19 850	-4.2	235	17 201	2 414
1989	-24 724	3 643	-21 081	-138	-654	-792	-4 448	-26 321	-5.1	270	18 001	8 050
1990	-18 707	4 337	-14 370	-110	-2 869	-2 979	-4 932	-22 281	-4.0	497	15 083	6 701
1991	-10 223	4 102	-6 121	-63	-3 244	-3 307	-1 231	-10 659	-1.8	290	5 269	5 100
1992	-13 050	5 482	-7 568	-49	177	128	-5 534	-12 974	-2.1	421	5 089	7 464
1993	-13 066	6 581	-6 485	35	-226	-191	-5 243	-11 919	-1.9	309	11 330	280
1994	-11 126	6 379	-4 747	-170	3 518	3 348	-5 369	-6 768	-1.0	33	2 126	4 609
1995	-12 023	8 481	-3 542	-296	2 397	2 101	-7 574	-9 015	-1.3	533	5 005	3 477
1996	-13 722	10 372	-3 350	93	688	781	-4 755	-7 324	-1.0	1 260	4 036	2 028
1997	-12 342	13 198	856	83	3 193	3 276	-5 918	-1 786	-0.2	982	-9 769	10 573
1998	-21 813	13 869	-7 944	-10	12 314	12 304	-8 374	-4 014	-0.5	516	10 292	-6 794
1999	-29 051	13 634	-15 417	201	-1 661	-1 460	-7 383	-24 260	-2.7	773	22 113	1 374
2000	-32 976	13 726	-19 250	150	4 433	4 583	-9 752	-24 419	-2.6	1 527	13 706	9 186
2001	-40 648	13 703	-26 945	66	11 305	11 371	-6 611	-22 185	-2.2	1 206	19 310	1 669
2002	-47 087	15 536	-31 551	67	23 612	23 679	-8 615	-16 487	-1.6	868	8 027	7 592
2003	-47 864	16 882	-30 982	59	24 133	24 192	-9 961	-16 751	-1.5	1 296	22 333	-6 878
2004	-58 614	20 189	-38 425	71	26 092	26 163	-10 713	-22 975	-2.0	1 980	12 038	8 957

1 Using series YBHA: GDP at current market prices.

1.1R

Summary of balance of payments

Revisions since ONS Pink Book 2004

£ million

	Current account											Net errors & omissions
	Trade in goods	Trade in services	Total goods and services	Compensati- on of employees	Investment income	Total income	Current transfers	Current balance	Current balance as % of GDP ¹	Capital account	Financial account	
	LQCT	KTMS	KTMV	KTMP	HMBM	HMBP	KTNF	HBOG	AA6H	FKMJ	HBNT	
1946	—	—	—	—	—	—	—	—	..	—	—	—
1947	—	—	—	—	—	—	—	—	..	—	—	—
1948	—	—	—	—	—	—	—	—	..	—	—	—
1949	—	—	—	—	—	—	—	—	..	—	—	—
1950	—	—	—	—	—	—	—	—	..	—	—	—
1951	—	—	—	—	—	—	—	—	..	—	—	—
1952	—	—	—	—	—	—	—	—	..	—	—	—
1953	—	—	—	—	—	—	—	—	..	—	—	—
1954	—	—	—	—	—	—	—	—	..	—	—	—
1955	—	—	—	—	—	—	—	—	..	—	—	—
1956	—	—	—	—	—	—	—	—	..	—	—	—
1957	—	—	—	—	—	—	—	—	..	—	—	—
1958	—	—	—	—	—	—	—	—	..	—	—	—
1959	—	—	—	—	—	—	—	—	..	—	—	—
1960	—	—	—	—	—	—	—	—	..	—	—	—
1961	—	—	—	—	—	—	—	—	..	—	—	—
1962	—	—	—	—	—	—	—	—	..	—	—	—
1963	—	—	—	—	—	—	—	—	..	—	—	—
1964	—	—	—	—	—	—	—	—	..	—	—	—
1965	—	—	—	—	—	—	—	—	..	—	—	—
1966	—	—	—	—	—	—	—	—	..	—	—	—
1967	—	—	—	—	—	—	—	—	..	—	—	—
1968	—	—	—	—	—	—	—	—	..	—	—	—
1969	—	—	—	—	—	—	—	—	..	—	—	—
1970	—	—	—	—	—	—	—	—	..	—	—	—
1971	—	—	—	—	—	—	—	—	..	—	—	—
1972	—	—	—	—	—	—	—	—	..	—	—	—
1973	—	—	—	—	—	—	—	—	..	—	—	—
1974	—	—	—	—	—	—	—	—	..	—	—	—
1975	—	—	—	—	—	—	—	—	..	—	—	—
1976	—	—	—	—	—	—	—	—	..	—	—	—
1977	—	—	—	—	—	—	—	—	..	—	—	—
1978	—	—	—	—	—	—	—	—	..	—	—	—
1979	—	—	—	—	—	—	—	—	..	—	—	—
1980	—	—	—	—	—	—	—	—	..	—	—	—
1981	—	—	—	—	—	—	—	—	..	—	—	—
1982	—	—	—	—	—	—	—	—	..	—	—	—
1983	—	—	—	—	—	—	—	—	..	—	—	—
1984	—	—	—	—	—	—	—	—	..	—	—	—
1985	—	—	—	—	—	—	—	—	..	—	—	—
1986	—	—	—	—	—	—	—	—	..	—	—	—
1987	—	—	—	—	—	—	—	—	..	—	—	—
1988	—	—	—	—	—	—	—	—	..	—	—	—
1989	—	—	—	—	—	—	—	—	..	—	—	—
1990	—	—	—	—	—	—	—	—	..	—	—	—
1991	—	—	—	—	—	—	—	—	..	—	—	—
1992	—	—	—	—	—	—	—	—	..	—	—	—
1993	—	—	—	—	—	—	—	—	..	—	—	—
1994	—	—	—	—	—	—	—	—	..	—	—	—
1995	—	—	—	—	—	—	—	—	..	—	—	—
1996	—	100	100	—	-423	-423	—	-323	-0.1	—	75	248
1997	—	-220	-220	—	-629	-629	—	-849	-0.1	—	-4 713	5 562
1998	—	560	560	—	-602	-602	—	-42	—	—	8 073	-8 031
1999	—	500	500	—	-344	-344	—	156	—	—	1 169	-1 325
2000	—	300	300	—	-625	-625	—	-325	-0.1	—	-11 238	11 563
2001	—	487	487	—	-281	-281	—	206	0.1	—	-4 506	4 300
2002	-412	-41	-453	—	2 204	2 204	-16	1 735	0.1	—	-822	-913
2003	-574	2 265	1 691	—	2 095	2 095	-107	3 679	0.4	53	4 878	-8 610

1 Using series YBHA: GDP at current market prices.

1.2 Current account

£ million

		1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Credits												
Exports of goods and services												
Exports of goods	LQAD	60 984	70 565	78 291	72 997	79 531	80 711	92 611	102 313	103 939	107 863	122 229
Exports of services	KTMO	18 902	21 094	23 783	24 682	27 033	26 843	28 998	31 574	32 001	36 228	41 411
Total exports of goods and services	KTMW	79 886	91 659	102 074	97 679	106 564	107 554	121 609	133 887	135 940	144 091	163 640
Income												
Compensation of employees	KTMN	290	323	344	369	413	445	476	543	551	551	595
Investment income	HMBN	41 632	50 629	51 011	46 431	47 079	55 444	72 604	77 663	75 073	66 153	72 333
Total income	HMBQ	41 922	50 952	51 355	46 800	47 492	55 889	73 080	78 206	75 624	66 704	72 928
Current transfers												
Central government	FJUM	..	..	..	1 973	1 475	1 929	1 507	2 050	4 892	2 180	2 826
Other sectors	FJUN	..	..	..	4 374	4 468	4 878	5 947	7 445	9 335	10 397	9 613
Total current transfers	KTND	4 226	4 710	4 653	6 347	5 943	6 807	7 454	9 495	14 227	12 577	12 439
Total	HBOE	126 034	147 321	158 082	150 826	159 999	170 250	202 143	221 588	225 791	223 372	249 007
Debits												
Imports of goods and services												
Imports of goods	LQBL	62 602	75 974	81 707	82 614	91 229	102 264	117 335	121 020	114 162	120 913	135 295
Imports of services	KTMR	14 826	16 603	17 016	18 279	20 220	22 393	25 355	27 237	27 899	30 746	34 830
Total imports of goods and services	KTMX	77 428	92 577	98 723	100 893	111 449	124 657	142 690	148 257	142 061	151 659	170 125
Income												
Compensation of employees	KTMO	379	417	464	525	587	509	614	653	614	600	560
Investment income	HMBQ	41 352	49 345	51 888	44 581	45 988	54 627	73 258	80 532	78 317	65 976	72 559
Total income	HMBR	41 731	49 762	52 352	45 106	46 575	55 136	73 872	81 185	78 931	66 576	73 119
Current transfers												
Central government	FJUO	..	..	..	1 261	1 449	2 433	2 275	2 125	3 450	3 812	4 343
Other sectors	FJUP	..	..	..	7 180	8 064	7 874	9 627	12 302	12 008	14 299	13 339
Total current transfers	KTNE	5 617	6 276	7 577	8 441	9 513	10 307	11 902	14 427	15 458	18 111	17 682
Total	HBOF	124 776	148 615	158 652	154 440	167 537	190 100	228 464	243 869	236 450	236 346	260 926
Balances												
Trade in goods and services												
Trade in goods	LQCT	-1 618	-5 409	-3 416	-9 617	-11 698	-21 553	-24 724	-18 707	-10 223	-13 050	-13 066
Trade in services	KTMS	4 076	4 491	6 767	6 403	6 813	4 450	3 643	4 337	4 102	5 482	6 581
Total trade in goods and services	KTMV	2 458	-918	3 351	-3 214	-4 885	-17 103	-21 081	-14 370	-6 121	-7 568	-6 485
Income												
Compensation of employees	KTMP	-89	-94	-120	-156	-174	-64	-138	-110	-63	-49	35
Investment income	HMBM	280	1 284	-877	1 850	1 091	817	-654	-2 869	-3 244	177	-226
Total income	HMBP	191	1 190	-997	1 694	917	753	-792	-2 979	-3 307	128	-191
Current transfers												
Central government	FJUQ	..	..	..	712	26	-504	-768	-75	1 442	-1 632	-1 517
Other sectors	FJUR	..	..	..	-2 806	-3 596	-2 996	-3 680	-4 857	-2 673	-3 902	-3 726
Total current transfers	KTNF	-1 391	-1 566	-2 924	-2 094	-3 570	-3 500	-4 448	-4 932	-1 231	-5 534	-5 243
Total (Current balance)	HBOG	1 258	-1 294	-570	-3 614	-7 538	-19 850	-26 321	-22 281	-10 659	-12 974	-11 919

1.2

Current account

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
Exports of goods and services												
Exports of goods	LQAD	135 143	153 577	167 196	171 923	164 056	166 166	187 936	190 055	186 511	188 615	190 859
Exports of services	KTMO	45 365	49 932	56 973	60 964	66 978	73 328	79 411	83 061	88 434	93 616	99 100
Total exports of goods and services	KTMW	180 508	203 509	224 169	232 887	231 034	239 494	267 347	273 116	274 945	282 231	289 959
Income												
Compensation of employees	KTMN	681	887	911	1 007	840	960	1 032	1 087	1 121	1 116	1 171
Investment income	HMBN	73 702	87 132	91 343	95 129	103 029	99 290	133 787	139 487	123 641	124 969	138 485
Total income	HMBQ	74 383	88 019	92 254	96 136	103 869	100 250	134 819	140 574	124 762	126 085	139 656
Current transfers												
Central government	FJUM	2 138	1 730	2 828	2 173	1 767	3 542	2 465	4 991	3 663	3 968	4 022
Other sectors	FJUN	9 521	10 821	17 201	10 898	10 597	9 828	8 336	9 601	9 038	8 400	8 797
Total current transfers	KTND	11 659	12 551	20 029	13 071	12 364	13 370	10 801	14 592	12 701	12 368	12 819
Total	HBOE	266 550	304 079	336 452	342 094	347 267	353 114	412 967	428 282	412 408	420 684	442 434
Debits												
Imports of goods and services												
Imports of goods	LQBL	146 269	165 600	180 918	184 265	185 869	195 217	220 912	230 703	233 598	236 479	249 473
Imports of services	KTMR	38 986	41 451	46 601	47 766	53 109	59 694	65 685	69 358	72 898	76 734	78 911
Total imports of goods and services	KTMX	185 255	207 051	227 519	232 031	238 978	254 911	286 597	300 061	306 496	313 213	328 384
Income												
Compensation of employees	KTMO	851	1 183	818	924	850	759	882	1 021	1 054	1 057	1 100
Investment income	HMBQ	70 184	84 735	90 655	91 936	90 715	100 951	129 354	128 182	100 029	100 836	112 393
Total income	HMBR	71 035	85 918	91 473	92 860	91 565	101 710	130 236	129 203	101 083	101 893	113 493
Current transfers												
Central government	FJUO	4 977	5 022	5 297	5 260	6 787	7 482	8 015	7 584	9 296	10 939	12 300
Other sectors	FJUP	12 051	15 103	19 487	13 729	13 951	13 271	12 538	13 619	12 020	11 390	11 232
Total current transfers	KTNE	17 028	20 125	24 784	18 989	20 738	20 753	20 553	21 203	21 316	22 329	23 532
Total	HBOF	273 318	313 094	343 776	343 880	351 281	377 374	437 386	450 467	428 895	437 435	465 409
Balances												
Trade in goods and services												
Trade in goods	LQCT	-11 126	-12 023	-13 722	-12 342	-21 813	-29 051	-32 976	-40 648	-47 087	-47 864	-58 614
Trade in services	KTMS	6 379	8 481	10 372	13 198	13 869	13 634	13 726	13 703	15 536	16 882	20 189
Total trade in goods and services	KTMV	-4 747	-3 542	-3 350	856	-7 944	-15 417	-19 250	-26 945	-31 551	-30 982	-38 425
Income												
Compensation of employees	KTMP	-170	-296	93	83	-10	201	150	66	67	59	71
Investment income	HMBM	3 518	2 397	688	3 193	12 314	-1 661	4 433	11 305	23 612	24 133	26 092
Total income	HMBP	3 348	2 101	781	3 276	12 304	-1 460	4 583	11 371	23 679	24 192	26 163
Current transfers												
Central government	FJUQ	-2 839	-3 292	-2 469	-3 087	-5 020	-3 940	-5 550	-2 593	-5 633	-6 971	-8 278
Other sectors	FJUR	-2 530	-4 282	-2 286	-2 831	-3 354	-3 443	-4 202	-4 018	-2 982	-2 990	-2 435
Total current transfers	KTNF	-5 369	-7 574	-4 755	-5 918	-8 374	-7 383	-9 752	-6 611	-8 615	-9 961	-10 713
Total (Current balance)	HBOG	-6 768	-9 015	-7 324	-1 786	-4 014	-24 260	-24 419	-22 185	-16 487	-16 751	-22 975

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

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Investment abroad												
International investment position												
Direct investment	HBWD	176.1	203.7	201.6	223.3	299.6	428.1	607.4	603.3	621.4	696.1	721.5
Portfolio investment	HHZZ	429.8	499.3	548.3	651.0	703.8	838.3	906.1	937.4	844.1	935.9	1 069.9
Other investment	HLXV	708.6	808.1	851.7	1 068.0	1 105.4	1 129.7	1 427.6	1 573.1	1 638.6	1 890.8	2 156.6
Reserve assets	LTEB	30.7	31.8	27.3	22.8	23.3	22.2	28.8	25.6	25.5	23.8	23.3
Total	HBQA	1 345.2	1 542.9	1 628.9	1 965.1	2 132.2	2 418.2	2 969.9	3 139.5	3 129.6	3 546.6	3 971.3
Financial account transactions												
Direct investment	-HJYP	22.7	28.7	22.3	38.2	73.3	125.0	155.0	41.3	34.5	39.9	44.0
Portfolio investment	-HHZC	-21.8	39.3	59.8	51.9	32.1	21.4	65.6	86.6	1.0	36.3	142.4
Financial derivatives (net)	-ZPNN	-2.4	-1.7	-1.0	-1.2	3.0	-2.7	-1.6	-8.4	-1.0	5.4	7.9
Other investment	-XBMM	27.8	47.5	136.7	169.5	15.0	59.4	275.6	173.8	96.9	259.2	319.2
Reserve assets	-LTCV	1.0	-0.2	-0.5	-2.4	-0.2	-0.6	3.9	-3.1	-0.5	-1.6	0.2
Total	-HBNR	27.3	113.6	217.2	256.1	123.2	202.4	498.5	290.1	131.0	339.2	513.7
Investment income												
Direct investment	HJYW	21.9	24.8	28.5	29.4	29.8	33.1	44.9	46.6	51.3	54.7	60.9
Portfolio investment	HLXK	16.4	19.7	20.2	23.8	29.3	25.7	33.0	34.9	32.5	32.6	37.4
Other investment	ATOP	33.8	41.0	41.0	40.5	42.8	39.4	54.9	57.0	39.0	36.9	39.5
Reserve assets	HCCB	1.6	1.7	1.6	1.4	1.1	1.2	1.0	1.0	0.8	0.8	0.7
Total	HMBN	73.7	87.1	91.3	95.1	103.0	99.3	133.8	139.5	123.6	125.0	138.5
Investment in the UK												
International investment position												
Direct investment	HBWI	129.9	146.2	152.6	173.7	213.6	250.3	310.4	363.6	339.8	356.7	397.5
Portfolio investment	HLXW	320.0	406.3	479.8	583.1	692.6	828.4	998.0	958.4	892.3	1 046.2	1 187.1
Other investment	HLXD	877.4	1 013.0	1 061.7	1 274.3	1 355.0	1 403.9	1 696.4	1 889.6	1 945.8	2 183.3	2 527.7
Total	HBQB	1 327.3	1 565.5	1 694.2	2 031.2	2 261.3	2 482.5	3 004.8	3 211.6	3 177.9	3 586.2	4 112.3
Financial account transactions												
Direct investment	HJYU	7.1	13.8	17.6	22.9	45.1	55.1	80.6	37.3	16.8	12.8	39.6
Portfolio investment	HHZF	30.7	37.3	43.0	26.8	20.8	114.0	164.6	48.1	51.0	95.9	93.3
Other investment	XBMN	-8.3	67.5	160.7	196.7	67.6	55.5	267.0	224.0	71.2	252.8	392.9
Total	HBNS	29.5	118.6	221.3	246.4	133.5	224.6	512.2	309.5	139.0	361.6	525.8
Investment income												
Direct investment	HJYX	10.6	13.8	16.6	14.9	8.6	17.0	27.4	21.4	16.0	22.4	25.6
Portfolio investment	HLZC	17.2	20.6	23.8	26.6	29.1	31.2	30.7	34.5	32.1	31.6	36.3
Other investment	HLZN	42.5	50.3	50.3	50.5	53.0	52.8	71.2	72.3	52.0	46.8	50.4
Total	HMBO	70.2	84.7	90.7	91.9	90.7	101.0	129.4	128.2	100.0	100.8	112.4
Net investment												
International investment position												
Direct investment	HBWQ	46.2	57.5	49.0	49.5	85.9	177.8	297.1	239.7	281.7	339.4	324.0
Portfolio investment	CGNH	109.8	93.0	68.5	67.8	11.2	9.9	-92.0	-21.0	-48.2	-110.3	-117.2
Other investment	CGNG	-168.8	-204.9	-210.1	-206.4	-249.6	-274.2	-268.8	-316.5	-307.2	-292.5	-371.1
Reserve assets	LTEB	30.7	31.8	27.3	22.8	23.3	22.2	28.8	25.6	25.5	23.8	23.3
Net investment position	HBQC	17.9	-22.6	-65.3	-66.1	-129.1	-64.3	-34.9	-72.1	-48.3	-39.6	-141.1
Financial account transactions												
Direct investment	HJYV	-15.6	-14.9	-4.7	-15.3	-28.3	-70.0	-74.4	-4.0	-17.7	-27.1	-4.4
Portfolio investment	HHZD	52.5	-2.0	-16.8	-25.2	-11.2	92.6	99.1	-38.4	50.0	59.6	-49.1
Financial derivatives	ZPNN	2.4	1.7	1.0	1.2	-3.0	2.7	1.6	8.4	1.0	-5.4	-7.9
Other investment	HHYR	-36.1	20.0	24.1	27.2	52.7	-3.9	-8.6	50.2	-25.7	-6.3	73.6
Reserve assets	LTCV	-1.0	0.2	0.5	2.4	0.2	0.6	-3.9	3.1	0.5	1.6	-0.2
Net transactions	HBNT	2.1	5.0	4.0	-9.8	10.3	22.1	13.7	19.3	8.0	22.3	12.0
Investment income												
Direct investment	HJYE	11.4	10.9	11.9	14.5	21.3	16.1	17.6	25.2	35.4	32.3	35.2
Portfolio investment	HLZX	-0.8	-0.9	-3.5	-2.7	0.2	-5.5	2.3	0.4	0.4	1.0	1.1
Other investment	CGNA	-8.7	-9.4	-9.2	-9.9	-10.2	-13.4	-16.4	-15.3	-13.0	-9.9	-10.9
Reserve assets	HCCB	1.6	1.7	1.6	1.4	1.1	1.2	1.0	1.0	0.8	0.8	0.7
Net earnings	HMBM	3.5	2.4	0.7	3.2	12.3	-1.7	4.4	11.3	23.6	24.1	26.1

Chapter 2

Trade in goods

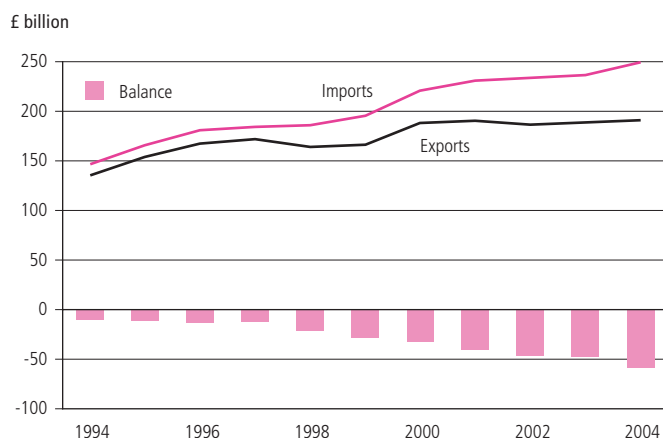
Summary

The balance on trade in goods has shown a deficit in all but six years since 1900, with the value of imports exceeding the value of exports. The last surplus on trade in goods was recorded for 1982. In the period 1992 to 1997 the deficit settled into the range of £10 billion – £14 billion before widening in every subsequent year.

In 2004, the deficit increased to a record £58.6 billion, driven by a rise of 1 1/4 per cent in the value of exports (to a record £190.9 billion) and a rise of 5 1/2 per cent in the value of imports (to a record £249.5 billion). The deficit with non-EU countries widened from £22.0 billion in 2003 to a record £29.5 billion in 2004, with a 2 1/2 per cent rise in exports and a 9 1/2 per cent rise in imports. The deficit with EU countries widened from £25.8 billion in 2003 to a record £29.2 billion in 2004, with a 1/4 per cent rise in exports and a 2 1/2 per cent rise in imports.

When looking at trade with the EU countries since 1999, users should be aware that both exports and imports include the impact of MTIC fraud. Growth in this fraudulent activity between 1998 and 2002 will have contributed significantly to growth in trade with the EU during this period. However, steps taken by UK Revenue and Customs to crack down on this form of fraud have reduced it substantially, as reflected in the fall in the value of exports to the EU in 2003. (For more information on MTIC fraud, see the methodological notes relating to chapter 2.)

Figure 2.1
Trade in goods



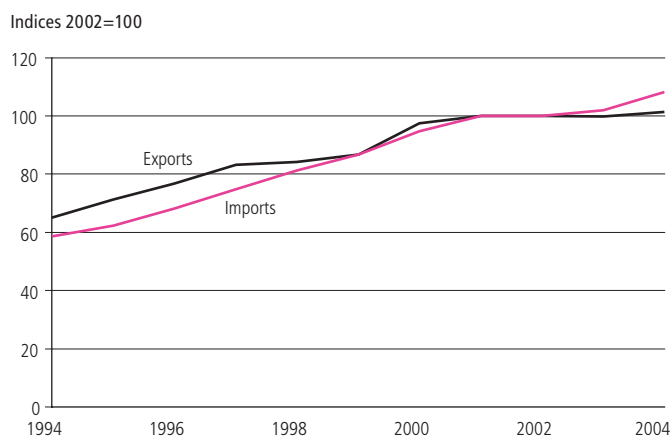
Volume changes

Export volume increased in every year between 1981 and 2001. The growth in exports slowed during the years 1991 to 1993 reflecting a decline in economic activity abroad. There was a period of strong growth between 1994 and 1997 followed by a marked slowdown in 1998. After a slight pick up in growth in 1999 and accelerated growth in 2000, export volume growth slowed again in 2001. In 2002 and 2003 export volumes fell as world economic activity slowed, but rose in 2004 as world economic activity grew.

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 imports have grown strongly in each year.

In 2004, export volume rose by 1 1/2 per cent whilst import volume rose by 6 per cent to a record annual level. Export volume to non-EU countries rose by 3 1/2 per cent, to a record annual level. Exports to EU countries rose by 1/2 per cent. The volume of imports from non-EU countries rose by 10 per cent in 2004 and the volume of imports from EU countries rose by 3 1/2 per cent.

Figure 2.2
Export and import volume indices

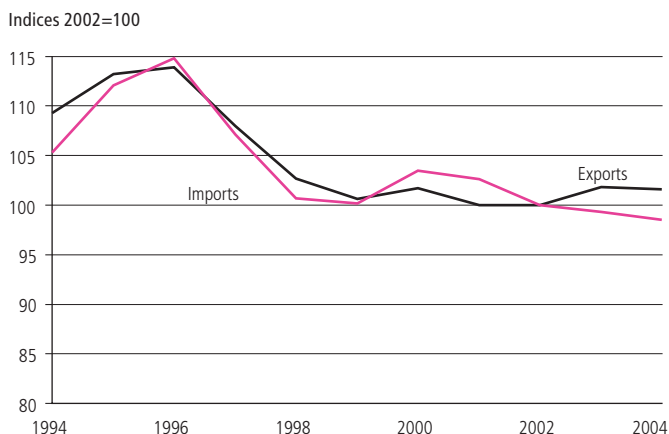


Price changes

Export and import prices rose for nine consecutive years between 1986 and 1995. 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 significantly 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 indices for crude oil increased by about 50 per cent in 1999 and by a further 70 per cent in 2000 before falling back in 2001 and 2002, only to rise again in 2003 and 2004.

In 2004, the overall export price index fell marginally and the import price index fell by 1 per cent compared to the previous year. Excluding the oil price effect both export and import prices would have fallen by about 1 1/2 per cent in 2004.

Figure 2.3
Export and import price indices

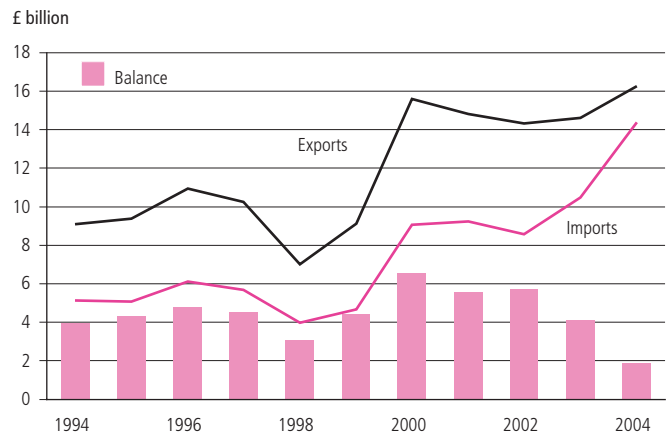


Trade in oil

While the overall balance on trade in goods has shown a deficit every year since 1982, exports of oil have consistently exceeded imports of oil in each year since 1980. In 1985 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 sharp rises in prices saw the surplus increase to £4.4 billion in 1999 and £6.5 billion in 2000 – the highest surplus since 1985. The fall in the price of crude oil reduced the oil trade surplus to £5.6 billion in 2001 and to £5.7 billion in 2002. Production difficulties in 2003 and

2004 led to drops in the volume of exports of crude oil and rises in the volume of crude oil imports. Coupled with rising prices this resulted in further falls in the surplus, to £4.1 billion in 2003 and £1.9 billion in 2004.

Figure 2.4
Trade in oil



Trade in commodities other than oil

Finished manufactures accounted for more than half of both total exports and total imports in the last ten years. Their share of total exports rose from 54 per cent in 1994 to a peak of 60 per cent in 1998 before falling back steadily to 53 per cent in 2004. Their share of total imports rose from 56 per cent in 1994 to a peak of 62 per cent in 2002, then fell back to a level of 57 per cent in 2004.

Within finished manufactures, the balance on trade in capital goods was in surplus every year between 1992 and 1999 but has moved significantly into deficit since then. The balance on trade in ships and aircraft was in surplus every year between 1992 and 1997 but then moved into deficit. The deficit peaked in 2002 and has subsequently narrowed. Trade in motor cars, other consumer goods and intermediate goods has been in deficit in each of the last ten years. The deficit on motor cars peaked in 2001 during a period of disruption caused by restructuring in the industry which affected production in the UK.

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 volume terms, exports of cars rose by 8 1/2 per cent in 2004 to reach a record level, while exports of consumer goods other than motor vehicles and semi-manufactures other than chemicals both rose by 7 per cent. In contrast, exports of capital goods fell by 3 1/2 per cent. Import growth, again in volume terms, was particularly strong in consumer goods other than motor vehicles which grew by 8 1/2 per cent in 2004.

Imports of chemicals, capital goods, cars and semi manufactures other than chemicals also grew in volume terms, while imports of ships and aircraft declined by 10 per cent.

Figure 2.5
Trade in motor cars

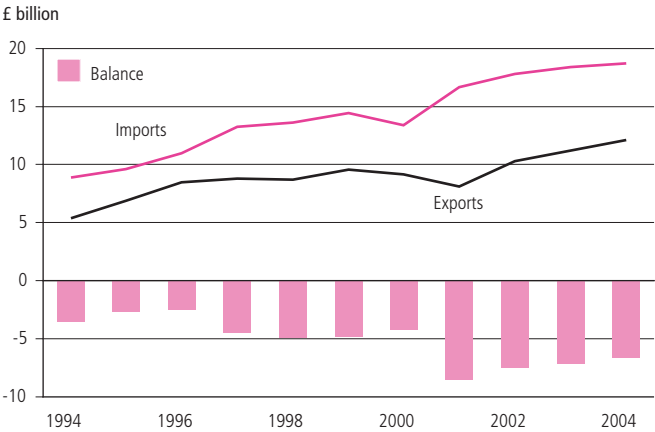
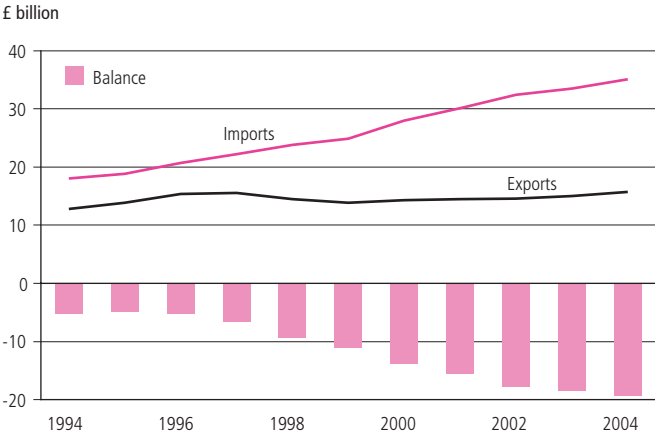


Figure 2.6
Trade in other consumer goods



2.1 Trade in goods

Summary table

£ million

			1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
SITC ¹													
Exports													
Food, beverages and tobacco	BQMV	0+1	10 039	11 192	11 328	11 103	10 216	9 947	9 908	9 650	9 992	10 886	10 580
Basic materials	ELBK	2+4	2 568	2 946	2 790	2 753	2 512	2 284	2 603	2 579	2 855	3 337	3 768
Oil													
Crude oil	BQNX	333	6 019	6 539	7 508	6 452	4 473	6 148	10 522	10 486	9 802	9 241	9 345
Oil products	BQNY	334+335	3 060	2 845	3 420	3 787	2 545	2 975	5 062	4 325	4 516	5 367	6 909
Total oil	BOKL	33	9 079	9 384	10 928	10 239	7 018	9 123	15 584	14 811	14 318	14 608	16 254
Coal, gas and electricity	BQNF	32+34+35	413	558	650	777	495	806	1 473	1 570	1 679	1 950	1 686
Semi-manufactured goods													
Chemicals	BQOB	5	18 806	20 999	22 166	21 901	22 102	23 071	24 992	27 607	28 385	31 403	32 004
Precious stones and silver	BQOD	667+681.1	3 081	3 117	3 609	3 555	2 833	3 633	4 744	4 708	4 727	5 138	4 911
Other	BQOC	Rest of 6	16 493	19 342	19 533	19 120	18 410	16 669	17 929	18 129	17 109	17 998	19 523
Total semi-manufactured goods	BQMX	5+6	38 380	43 458	45 308	44 576	43 345	43 373	47 665	50 444	50 221	54 539	56 438
Finished manufactured goods													
Motor cars	BQOE	781	5 359	6 898	8 450	8 789	8 710	9 585	9 178	8 098	10 296	11 211	12 097
Other consumer goods ²	BQOF		12 811	13 893	15 391	15 554	14 448	13 840	14 280	14 489	14 605	15 043	15 755
Intermediate goods ²	BQOG		27 354	31 311	34 320	35 881	35 637	36 659	41 130	42 423	40 022	37 463	36 657
Capital goods ²	BQOH		23 112	27 499	30 542	32 795	33 654	33 324	37 169	37 974	34 942	31 567	29 461
Ships and aircraft	BQOI	792+793	4 531	4 611	5 536	7 513	6 125	5 730	7 261	6 978	6 508	7 143	7 282
Total finished manufactured goods	BQMQ	7+8	73 167	84 212	94 239	100 532	98 574	99 138	109 018	109 962	106 373	102 427	101 252
Commodities and transactions not classified according to kind	BOKJ	9	1 497	1 827	1 953	1 943	1 896	1 495	1 685	1 039	1 073	868	881
Total	LQAD		135 143	153 577	167 196	171 923	164 056	166 166	187 936	190 055	186 511	188 615	190 859
Imports													
Food, beverages and tobacco	BQMW	0+1	13 888	15 561	17 422	16 911	17 250	17 787	17 660	18 506	19 372	21 195	22 181
Basic materials	BQNA	2+4	5 539	6 454	6 545	6 273	5 631	5 429	6 307	6 454	5 959	6 144	6 367
Oil													
Crude oil	BQNM	333	3 104	3 093	3 810	3 414	1 967	2 106	4 825	4 877	4 752	5 705	8 191
Oil products	BQOA	334+335	2 038	1 968	2 308	2 265	2 009	2 569	4 223	4 355	3 827	4 779	6 194
Total oil	BQAQ	33	5 142	5 061	6 118	5 679	3 976	4 675	9 048	9 232	8 579	10 484	14 385
Coal, gas and electricity	BQNG	32+34+35	1 200	1 100	1 166	1 145	916	753	968	1 270	1 067	1 079	2 022
Semi-manufactured goods													
Chemicals	BQOJ	5	14 156	17 481	18 095	17 405	17 379	18 619	20 633	22 836	23 983	26 168	27 917
Precious stones and silver	BQOL	667+681.1	2 874	3 352	3 630	3 873	4 025	4 788	5 454	5 260	4 247	4 346	4 673
Other	BQOK		20 970	24 408	25 070	24 134	23 670	22 142	23 778	24 965	24 490	25 575	27 591
Total semi-manufactured goods	BQMR	5+6	38 000	45 241	46 795	45 412	45 074	45 549	49 865	53 061	52 720	56 089	60 181
Finished manufactured goods													
Motor cars	BQOM	781	8 893	9 601	10 978	13 254	13 618	14 433	13 403	16 671	17 799	18 402	18 733
Other consumer goods ²	BQON		18 019	18 835	20 662	22 237	23 792	24 905	28 011	30 086	32 419	33 525	35 062
Intermediate goods ²	BQOO		28 408	33 211	38 077	36 506	37 091	41 538	48 455	46 423	44 832	40 987	41 838
Capital goods ²	BQOP		21 864	25 560	27 434	29 222	30 190	32 256	37 944	38 720	39 472	38 320	39 363
Ships and aircraft	BQOQ	792+793	4 134	3 359	3 956	5 867	6 526	6 093	7 405	9 000	9 929	8 646	7 533
Total finished manufactured goods	BQMY	7+8	81 318	90 566	101 107	107 086	111 217	119 225	135 218	140 900	144 451	139 880	142 529
Commodities and transactions not classified according to kind	BQAO	9	1 182	1 617	1 765	1 759	1 805	1 799	1 846	1 280	1 450	1 608	1 808
Total	LQBL		146 269	165 600	180 918	184 265	185 869	195 217	220 912	230 703	233 598	236 479	249 473

1 Standard International Trade Classification, Revision 3.

2 Derived from the *Classification by Broad Economic Categories defined in terms of SITC, Revision 3*, published by the United Nations.

2.1 Trade in goods

Summary table

continued

£ million

			1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
SITC ¹													
Balances													
Food, beverages and tobacco	BQOS	0+1	-3 849	-4 369	-6 094	-5 808	-7 034	-7 840	-7 752	-8 856	-9 380	-10 309	-11 601
Basic materials	BQOR	2+4	-2 971	-3 508	-3 755	-3 520	-3 119	-3 145	-3 704	-3 875	-3 104	-2 807	-2 599
Oil													
Crude oil	BQMG	333	2 915	3 446	3 698	3 038	2 506	4 042	5 697	5 609	5 050	3 536	1 154
Oil products	BQMH	334+335	1 022	877	1 112	1 522	536	406	839	-30	689	588	715
Total oil	BQNE	33	3 937	4 323	4 810	4 560	3 042	4 448	6 536	5 579	5 739	4 124	1 869
Coal, gas and electricity	BQNH	32+34+35	-787	-542	-516	-368	-421	53	505	300	612	871	-336
Semi-manufactured goods													
Chemicals	BQMI	5	4 650	3 518	4 071	4 496	4 723	4 452	4 359	4 771	4 402	5 235	4 087
Precious stones and silver	BQMK	667+681.1	207	-235	-21	-318	-1 192	-1 155	-710	-552	480	792	238
Other	BQMJ	Rest of 6	-4 477	-5 066	-5 537	-5 014	-5 260	-5 473	-5 849	-6 836	-7 381	-7 577	-8 068
Total semi-manufactured goods	BQOT	5+6	380	-1 783	-1 487	-836	-1 729	-2 176	-2 200	-2 617	-2 499	-1 550	-3 743
Finished manufactured goods													
Motor cars	BQML	781	-3 534	-2 703	-2 528	-4 465	-4 908	-4 848	-4 225	-8 573	-7 503	-7 191	-6 636
Other consumer goods ²	BQMM		-5 208	-4 942	-5 271	-6 683	-9 344	-11 065	-13 731	-15 597	-17 814	-18 482	-19 307
Intermediate goods ²	BQMN		-1 054	-1 900	-3 757	-625	-1 454	-4 879	-7 325	-4 000	-4 810	-3 524	-5 181
Capital goods ²	BQMO		1 248	1 939	3 108	3 573	3 464	1 068	-775	-746	-4 530	-6 753	-9 902
Ships and aircraft	BQMP	792+793	397	1 252	1 580	1 646	-401	-363	-144	-2 022	-3 421	-1 503	-251
Total finished manufactured goods	BQOV	7+8	-8 151	-6 354	-6 868	-6 554	-12 643	-20 087	-26 200	-30 938	-38 078	-37 453	-41 277
Commodities and transactions not classified according to kind	BQOU	9	315	210	188	184	91	-304	-161	-241	-377	-740	-927
Total	LQCT		-11 126	-12 023	-13 722	-12 342	-21 813	-29 051	-32 976	-40 648	-47 087	-47 864	-58 614

1 Standard International Trade Classification, Revision 3.

2 Derived from the *Classification by Broad Economic Categories defined in terms of SITC, Revision 3, published by the United Nations.*

2.2 Trade in goods: volume indices

2002=100

			1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
SITC ¹													
Exports													
Food, beverages and tobacco	BQPP	0+1	93	100	101	105	102	100	101	97	100	105	104
Basic materials	BQPQ	2+4	81	83	84	88	89	85	93	91	100	111	117
Oil													
Crude oil	BOGH	333	106	107	101	95	97	91	94	103	100	87	77
Oil products	BOGO	334+335	88	74	79	91	78	82	119	108	100	113	136
Total oil	BONC	33	98	93	91	91	88	86	101	104	100	95	95
Coal, gas and electricity	BOGP	32+34+35	27	32	31	40	35	52	81	91	100	111	91
Semi-manufactured goods													
Chemicals	BQLB	5	59	62	65	69	72	79	86	96	100	107	110
Precious stones and silver	BQLD	667+681.1	48	48	56	58	48	61	75	82	100	118	124
Other	BQLC	Rest of 6	91	101	102	105	105	99	105	105	100	101	108
Total semi-manufactured goods	BQPR	5+6	68	73	76	80	80	83	91	97	100	106	111
Finished manufactured goods													
Motor cars	BQLE	781	52	63	76	80	81	89	92	81	100	105	114
Other consumer goods ²	BQLF		79	83	93	100	96	94	97	98	100	101	108
Intermediate goods ²	BQLG		62	69	75	83	86	91	105	109	100	93	93
Capital goods ²	BQLH		51	61	69	77	84	88	104	109	100	90	87
Ships and aircraft	BQLI	792+793	69	69	83	113	94	89	114	107	100	135	134
Total finished manufactured goods	BQPS	7+8	59	67	76	85	87	90	103	105	100	97	98
Total	BPBP		66.1	72.6	78.2	84.7	85.6	88.3	99.1	101.7	100.0	99.8	101.4
Imports													
Food, beverages and tobacco	BQPT	0+1	66	69	75	79	87	92	93	97	100	107	114
Basic materials	BQPU	2+4	95	95	100	102	97	95	104	108	100	99	100
Oil													
Crude oil	BQPV	333	107	97	98	102	93	67	88	99	100	110	135
Oil products	BQPW	334+335	141	136	138	144	145	136	129	147	100	116	133
Total oil	ELAM	33	121	112	113	118	112	93	104	117	100	113	134
Coal, gas and electricity	BQPX	32+34+35	70	65	69	76	71	74	93	95	100	89	135
Semi-manufactured goods													
Chemicals	BQLQ	5	53	57	62	65	69	77	83	92	100	106	113
Precious stones and silver	BQLS	667+681.1	54	62	66	75	76	90	97	103	100	111	130
Other	BQLR	Rest of 6	79	81	86	89	94	92	95	98	100	104	108
Total semi-manufactured goods	BQPY	5+6	64	69	73	77	81	85	90	96	100	105	112
Finished manufactured goods													
Motor cars	BQLT	781	51	51	57	71	73	77	74	96	100	103	107
Other consumer goods ²	BQLU		57	56	61	67	74	79	86	90	100	105	114
Intermediate goods ²	BQLV		51	57	67	70	78	89	102	100	100	96	101
Capital goods ²	BQLW		39	45	50	59	67	74	88	92	100	101	106
Ships and aircraft	BQLX	792+793	53	41	46	71	80	73	81	89	100	89	80
Total finished manufactured goods	BQPZ	7+8	48	52	58	66	74	80	90	94	100	99	105
Total	BQBJ		56.3	59.8	65.4	71.8	77.9	83.2	90.9	95.9	100.0	102.0	108.2

1 Standard International Trade Classification, Revision 3.

2 Derived from the *Classification by Broad Economic Categories defined in terms of SITC, Revision 3*, published by the United Nations.

2.3 Trade in goods: price indices

2002=100

			1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
SITC ¹													
Exports													
Food, beverages and tobacco	BPAI	0+1	103	107	109	102	99	99	97	100	100	104	103
Basic materials	BPAW	2+4	100	113	108	103	99	94	98	99	100	105	113
Oil													
Crude oil	BQAC	333	58	63	76	70	47	68	116	104	100	109	125
Oil products	BQAD	334+335	73	79	91	87	73	80	94	88	100	105	112
Total oil	BQAL	33	61	66	79	73	54	71	109	99	100	107	121
Coal, gas and electricity	BQAF	32+34+35	95	105	125	115	84	93	109	103	100	104	111
Semi-manufactured goods													
Chemicals	BQLJ	5	112	119	120	112	109	104	103	102	100	104	103
Precious stones and silver	BQLL	667+681.1	137	138	136	129	125	127	134	123	100	92	84
Other	BQLK	Rest of 6	109	114	112	107	103	99	100	100	100	104	106
Total semi-manufactured goods	BQAA	5+6	113	119	119	112	108	104	104	103	100	103	102
Finished manufactured goods													
Motor cars	BQPM	781	101	107	108	107	106	106	98	98	100	105	104
Other consumer goods ²	BQLM		115	118	113	107	103	100	101	101	100	102	100
Intermediate goods ²	BQLN		112	115	115	109	105	101	98	97	100	102	100
Capital goods ²	BQLO		129	129	128	121	116	109	103	100	100	100	97
Ships and aircraft	BQLP	792+793	100	102	102	102	101	99	98	101	100	84	85
Total finished manufactured goods	BQAB	7+8	116	118	117	112	108	104	100	99	100	100	98
Total	BQKR		109.4	113.2	113.9	108.0	102.7	100.6	101.7	100.0	100.0	101.8	101.6
Imports													
Food, beverages and tobacco	ELAN	0+1	108	115	117	110	103	100	98	99	100	103	101
Basic materials	ELAO	2+4	98	110	108	103	99	97	102	100	100	104	108
Oil													
Crude oil	ELAS	333	60	67	81	70	44	66	117	105	100	109	127
Oil products	ELAT	334+335	39	38	44	42	37	51	86	78	100	109	124
Total oil	ELBB	33	49	52	61	55	40	58	100	90	100	109	125
Coal, gas and electricity	ELAU	32+34+35	156	153	151	137	117	95	101	117	100	108	139
Semi-manufactured goods													
Chemicals	BQLY	5	110	124	121	111	105	100	103	103	100	104	103
Precious stones and silver	BQMA	667+681.1	129	130	132	125	124	125	132	122	100	93	86
Other	BQLZ	Rest of 6	109	121	119	110	103	98	103	104	100	101	106
Total semi-manufactured goods	ELAQ	5+6	111	123	121	112	106	101	105	105	100	101	103
Finished manufactured goods													
Motor cars	BQMB	781	99	107	110	106	105	105	102	98	100	100	99
Other consumer goods ²	BQMC		99	105	105	102	99	98	101	103	100	99	96
Intermediate goods ²	BQMD		118	124	122	113	105	105	106	104	100	96	93
Capital goods ²	BQME		129	130	128	117	109	110	108	105	100	95	92
Ships and aircraft	BQMF	792+793	79	83	86	84	83	84	93	101	100	98	94
Total finished manufactured goods	ELAR	7+8	112	117	116	109	103	103	104	103	100	97	94
Total	BQKS		108.1	115.0	114.8	107.1	100.7	100.2	103.5	102.6	100.0	99.3	98.5

1 Standard International Trade Classification, Revision 3.

2 Derived from the *Classification by Broad Economic Categories defined in terms of SITC, Revision 3*, published by the United Nations.

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

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Overseas trade statistics (f.o.b.)	HGAA	135 186	154 971	169 569	173 082	165 859	168 221	189 665	190 806	187 763	189 038	190 843
Coverage adjustments												
Second-hand ships	HBYK	175	208	204	193	219	154	105	137	187	141	251
Repairs to ships and aircraft	EPAQ	12	12	12	12	12	12	12	12	12	12	12
Goods not changing ownership	HCLJ	-1 170	-1 710	-1 972	-2 351	-2 565	-2 291	-2 343	-1 785	-2 788	-2 446	-2 012
Goods procured in ports	KTPB	591	593	659	623	564	645	865	869	881	982	1 187
Industrial gold	DEJO	34	34	31	22	46	33	33	44	66	76	37
Other	BQPO	174	53	53	56	55	56	57	57	55	57	59
Total coverage adjustments	EHHH	-184	-810	-1 013	-1 445	-1 671	-1 391	-1 271	-667	-1 587	-1 178	-471
Other adjustments	EPAR	141	-584	-1 360	286	-131	-664	-460	-84	335	755	487
Total	LQAD	135 143	153 577	167 196	171 923	164 056	166 166	187 936	190 055	186 511	188 615	190 859
Imports												
Overseas trade statistics (c.i.f.)	HGAD	149 888	169 609	186 153	189 107	192 025	199 926	224 413	229 510	228 608	236 934	252 407
Coverage adjustments												
Second-hand ships	HBTY	381	235	232	160	185	281	112	166	113	248	223
Ships delivered abroad	CGER	209	186	96	165	217	127	540	577	586	572	302
Repairs to ships and aircraft	EPBA	143	69	9	33	35	15	11	9	9	30	54
Goods not changing ownership	HBYS	-1 170	-1 710	-1 972	-2 351	-2 565	-2 291	-2 343	-1 785	-2 788	-2 446	-2 012
Goods procured in ports	KTPC	553	590	703	789	744	780	1 035	925	804	1 118	1 318
Industrial gold	DEJP	221	205	209	194	135	149	164	145	163	236	230
Smuggling - alcohol	QHCP	35	101	272	270	331	266	279	43	25	29	..
Smuggling - tobacco	QHCT	41	121	328	441	693	990	1 072	1 033	1 063	1 140	..
Other	EHHI	29	27	25	136	28	13	21	10	8	8	..
Total coverage adjustments	EHHJ	442	-176	-98	-163	-197	330	891	1 123	-17	935	1 287
Valuation adjustments												
Freight	BPGF	-3 539	-3 628	-3 945	-4 171	-4 362	-4 660	-5 106	-5 423	-5 450	-5 465	-5 711
Insurance	ENAG	-433	-496	-522	-556	-548	-594	-654	-662	-662	-704	-662
Total	HCLT	-3 972	-4 124	-4 467	-4 727	-4 910	-5 254	-5 760	-6 085	-6 112	-6 169	-6 373
Other adjustments												
Impact of MTIC fraud	BQHF	-	-	-	-	-	1 678	2 794	7 060	11 495	4 486	1 700
Other adjustments	EPBB	-89	291	-670	48	-1 051	-1 462	-1 428	-905	-376	293	452
Total other adjustments	CLAK	-89	291	-670	48	-1 051	216	1 366	6 155	11 119	4 779	2 152
Total	LQBL	146 269	165 600	180 918	184 265	185 869	195 217	220 912	230 703	233 598	236 479	249 473

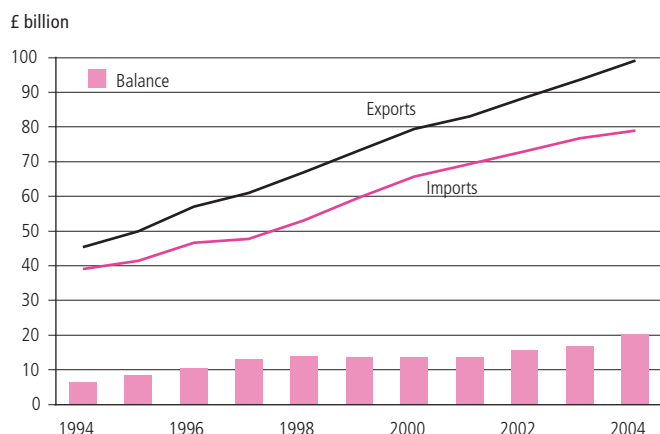
Chapter 3

Trade in services

Summary

A surplus has been recorded for trade in services in every year since 1966. There was an increase in the surplus in 2004, from £16.9 billion in 2003 to £20.2 billion in the latest year. During 2004 exports of services increased by 5.9 per cent and imports of services grew by 2.8 per cent (compared to growths of 5.9 per cent and 5.3 per cent respectively in 2003). Of the 11 main product groupings, eight showed surpluses and three (transportation, travel and government services) showed deficits. The increase in the surplus was mainly due to an increase in the financial services surplus.

Figure 3.1
Trade in services



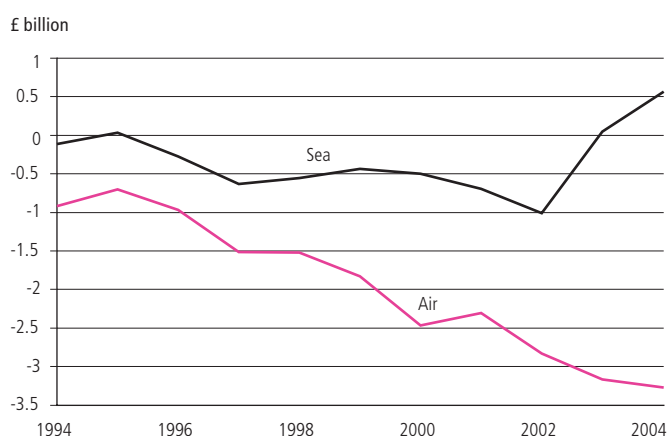
Transportation

Transportation services relate mainly to freight services on exports and imports of goods, and provision of passenger services. They are presented by mode of transport: sea, air and other.

Sea transportation was close to balance in 1995, but has recorded deficits every year since, until 2003 which shows a slight surplus and in 2004 this surplus has increased. The surplus increased from £50 million in 2003 to £0.6 billion in 2004, reflecting a large increase in exports of freight services provided by UK shipping operators in late 2003 and throughout 2004. The move from deficit to surplus can be explained by the continuing increase in the size of the UK fleet following the introduction of tonnage tax in the UK in July 2000.

The UK has recorded a deficit on air transport services in every year since the mid 1980s. The deficit increased from £3.2 billion in 2003 to £3.3 billion in 2004.

Figure 3.2
Trade in sea and air transport services
Exports less imports

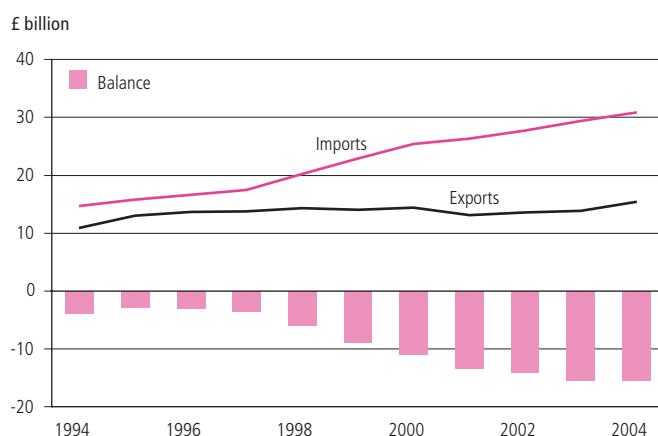


Travel

In 2004 travel expenditure by non-residents visiting the UK accounted for 16 per cent of total exports of services, while expenditure by UK residents travelling abroad accounted for 39 per cent of total imports of services.

The travel deficit has grown significantly since the late 1980s. The 2004 deficit, at £15.5 billion, equals the record figure seen in

Figure 3.3
Trade in travel services

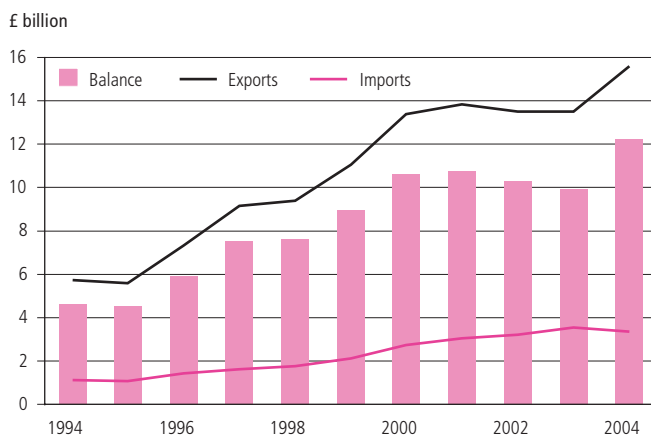


2003. Exports of travel services to non-resident visitors to the UK increased by 11.0 per cent in 2004 to £15.4 billion – the largest year on year growth rate since 1995. This reflects a record number of visitors from abroad to the UK. Imports by UK residents travelling abroad grew by 5.1 per cent to £30.9 billion.

Financial services

Exports and imports of financial services from banks, fund managers, securities dealers etcetera have been presented separately since Pink Book 2001. The overall balance rose from £9.9 billion in 2003 to £12.2 billion in 2004. This rise was mainly due to increases in exports where Banks' income from commissions and fees rose by £0.8 billion and securities dealers income from commission and fees and from spread earnings each rose by £0.4 billion.

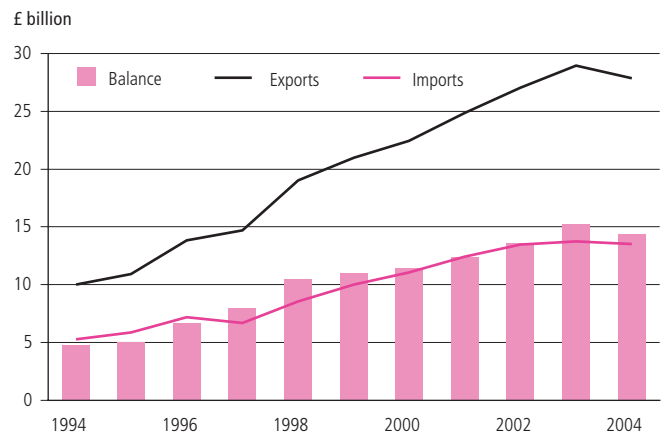
Figure 3.4
Trade in financial services



Other business services

Other business services covers a broad range of services including operational leasing, trade related services such as merchanting, and consultancy services such as advertising, engineering and legal services. Data for other business services are only available consistent with BPM5 definitions from 1991. Between 1991 and 2004 both exports and imports of other business services have increased by more than 400 per cent. The balance fell by 5.8 per cent in 2004 to £14.3 billion: exports decreased by £1.1 billion to £27.9 billion, whilst imports fell by £0.2 billion, to £13.5 billion.

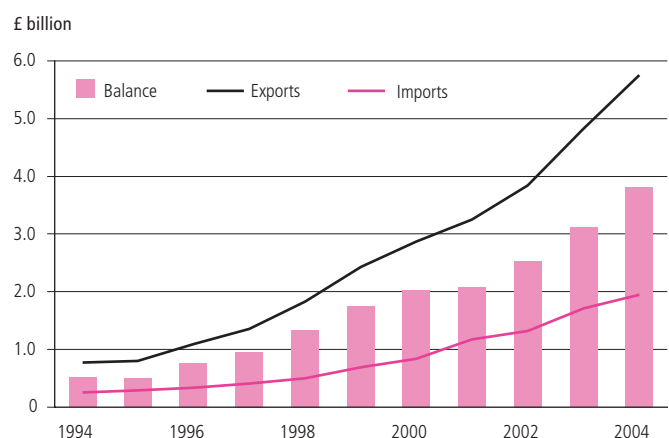
Figure 3.5
Trade in other business services



Computer and information services

Both exports and imports of computer services have shown strong growth since the late 1990s. The value of exports increased by 23.5 per cent between 2003 and 2004, whilst the value of imports increased by 10 per cent over the same period, increasing the surplus on computer services to £2.8 billion. Both exports and imports of information services showed growth of £100m between 2003 and 2004, resulting in a surplus of £1.0 billion – the same as in 2003. Overall, the balance on total computer and information services increased by 22.4 per cent in 2004, to £3.8 billion.

Figure 3.6
Trade in computer and information services



3.1 Trade in services

Summary table

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Transportation	FJOD	9 492	10 200	10 820	11 229	11 682	11 724	12 615	12 688	12 522	13 579	15 436
Travel	FJPF	10 882	12 990	13 691	13 805	14 302	14 060	14 446	13 110	13 595	13 876	15 406
Communications	FJPH	1 038	1 009	1 057	1 196	1 289	1 664	1 864	2 054	2 219	2 079	2 022
Construction	FJPI	115	130	173	266	332	275	130	174	195	205	228
Insurance	FJPI	1 963	2 344	2 656	3 191	2 851	3 997	3 794	4 562	6 566	6 765	6 377
Financial	FJPK	5 733	5 591	7 329	9 153	9 400	11 065	13 379	13 823	13 502	13 492	15 591
Computer and information	FJPL	770	795	1 090	1 357	1 826	2 433	2 865	3 253	3 844	4 826	5 755
Royalties and license fees	FJPM	3 468	3 854	4 253	4 148	4 270	5 092	5 389	5 673	5 786	6 264	6 564
Other business	FJPN	10 028	10 906	13 853	14 707	19 013	20 989	22 443	24 844	27 026	28 955	27 850
Personal, cultural and recreational	FJPR	571	690	774	820	881	964	1 305	1 358	1 601	1 685	1 837
Government	FJPU	1 305	1 423	1 277	1 092	1 132	1 065	1 181	1 522	1 578	1 890	2 034
Total	KTMQ	45 365	49 932	56 973	60 964	66 978	73 328	79 411	83 061	88 434	93 616	99 100
Imports												
Transportation	FJPV	10 328	10 733	11 916	13 291	13 799	14 180	15 972	16 285	16 994	17 270	18 599
Travel	APQA	14 728	15 793	16 642	17 443	20 201	22 930	25 385	26 376	27 697	29 355	30 864
Communications	FJQZ	1 310	1 328	1 340	1 381	1 582	1 805	1 867	1 993	2 040	2 098	1 928
Construction	FJRA	83	95	120	168	115	98	55	107	104	100	132
Insurance	FJRB	471	495	567	594	577	575	721	762	758	778	821
Financial	FJRE	1 118	1 073	1 432	1 635	1 771	2 123	2 753	3 045	3 222	3 558	3 349
Computer and information	FJRF	253	293	333	405	494	691	838	1 175	1 316	1 712	1 944
Royalties and license fees	FJRG	2 918	3 295	4 042	3 747	4 015	4 285	4 379	4 494	4 609	4 810	4 567
Other business	FJRH	5 266	5 855	7 168	6 695	8 557	10 003	11 046	12 424	13 464	13 741	13 518
Personal, cultural and recreational	FJRL	386	493	556	546	489	608	779	724	797	682	792
Government	FJRO	2 125	1 998	2 485	1 861	1 509	2 396	1 890	1 973	1 897	2 630	2 397
Total	KTMR	38 986	41 451	46 601	47 766	53 109	59 694	65 685	69 358	72 898	76 734	78 911
Balances												
Transportation	FJRP	-836	-533	-1 096	-2 062	-2 117	-2 456	-3 357	-3 597	-4 472	-3 691	-3 163
Travel	FJSR	-3 846	-2 803	-2 951	-3 638	-5 899	-8 870	-10 939	-13 266	-14 102	-15 479	-15 458
Communications	FJST	-272	-319	-283	-185	-293	-141	-3	61	179	-19	94
Construction	FJSU	32	35	53	98	217	177	75	67	91	105	96
Insurance	FJSV	1 492	1 849	2 089	2 597	2 274	3 422	3 073	3 800	5 808	5 987	5 556
Financial	FJTA	4 615	4 518	5 897	7 518	7 629	8 942	10 626	10 778	10 280	9 934	12 242
Computer and information	FJTB	517	502	757	952	1 332	1 742	2 027	2 078	2 528	3 114	3 811
Royalties and license fees	FJTC	550	559	211	401	255	807	1 010	1 179	1 177	1 454	1 997
Other business	FJTD	4 762	5 051	6 685	8 012	10 456	10 986	11 397	12 420	13 562	15 214	14 332
Personal, cultural and recreational	FJTH	185	197	218	274	392	356	526	634	804	1 003	1 045
Government	FJUL	-820	-575	-1 208	-769	-377	-1 331	-709	-451	-319	-740	-363
Total	KTMS	6 379	8 481	10 372	13 198	13 869	13 634	13 726	13 703	15 536	16 882	20 189

3.2 Transportation

		£ million										
		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Sea transport												
Passenger												
Passenger revenue	FJAL	594	693	705	697	462	463	630	488	569	993	846
Time charter receipts	FJAM	8	8	9	9	—	9	8	—	11	—	16
Total passenger	FJOF	602	701	714	706	462	472	638	488	580	993	862
Freight												
Dry cargo												
Freight on UK exports	HECV	406	421	409	416	322	375	400	406	481	525	450
Freight on cross-trades	HDVI	1 272	1 354	1 345	1 614	1 602	1 511	1 453	1 609	1 844	2 069	2 776
Time charter receipts	FJAO	90	125	125	138	109	90	140	106	118	196	344
Wet cargo												
Freight on UK exports	HEIX	66	64	71	68	60	59	98	82	96	126	173
Freight on cross-trades	HECX	502	488	550	536	442	350	458	497	420	742	1 287
Time charter receipts	FJAP	128	139	120	68	70	87	104	336	162	247	454
Total Freight	FJOG	2 464	2 591	2 620	2 840	2 605	2 472	2 653	3 036	3 121	3 905	5 484
Disbursements in the UK	FJAR	910	946	950	981	1 139	1 063	1 042	1 086	1 008	952	801
Total sea transport	FJOE	3 976	4 238	4 284	4 527	4 206	4 007	4 333	4 610	4 709	5 850	7 147
Air transport												
Passenger revenue	FJOJ	3 392	3 751	4 110	4 080	4 422	4 402	4 690	4 455	4 162	3 856	3 950
Freight on UK exports and cross trades	FJOK	358	361	428	407	408	380	428	365	350	368	394
Other												
Disbursements in the UK	FJAX	1 044	983	1 024	1 177	1 565	1 765	1 994	2 167	1 991	2 111	2 302
Other revenue	HBWB	154	176	221	242	236	294	303	258	247	240	267
Total other	FJOL	1 198	1 159	1 245	1 419	1 801	2 059	2 297	2 425	2 238	2 351	2 569
Total air transport	FJOI	4 948	5 271	5 783	5 906	6 631	6 841	7 415	7 245	6 750	6 575	6 913
Other transport												
Rail												
Passenger	FJOS	—	71	77	80	108	132	109	113	90	91	112
Freight	FJOT	3	10	11	8	16	17	20	16	12	15	16
Total rail	FJOR	3	81	88	88	124	149	129	129	102	106	128
Road												
Passenger	FJOW	—	—	—	—	—	—	—	—	—	—	—
Freight	FJOX	511	570	629	672	683	690	690	648	905	992	1 192
Total road	FJOV	511	570	629	672	683	690	690	648	905	992	1 192
Pipeline transport	FJPD	54	40	36	36	38	37	48	56	56	56	56
Total other transport	FJOM	568	691	753	796	845	876	867	833	1 063	1 154	1 376
Total	FJOD	9 492	10 200	10 820	11 229	11 682	11 724	12 615	12 688	12 522	13 579	15 436

3.2 Transportation

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Imports												
Sea transport												
Passenger												
Passenger expenditure	FJBP	483	457	396	486	494	429	413	450	486	476	476
Time charter payments	FJBQ	62	65	70	92	22	24	24	19	19	14	14
Total passenger	FJFX	545	522	466	578	516	453	437	469	505	490	490
Freight												
Dry cargo												
Freight on UK imports	HCJO	1 761	1 811	1 846	2 008	2 063	2 202	2 531	2 552	2 698	2 733	2 685
Time charter payments	FJBS	129	135	145	190	217	122	149	316	236	221	328
Wet cargo												
Freight on UK imports	HCNJ	222	194	221	315	282	415	280	305	330	355	417
Time charter payments	FJBT	200	186	243	161	181	89	172	176	140	185	352
Freight on UK coastal routes	HFAA	92	116	132	135	135	135	172	202	199	190	182
Total Freight	FJFY	2 404	2 442	2 587	2 809	2 878	2 963	3 304	3 551	3 603	3 684	3 964
Other												
Disbursements - dry cargo	FJBU	1 039	1 134	1 375	1 670	1 291	953	1 036	1 231	1 528	1 508	1 941
Disbursements - wet cargo	FJBW	102	107	134	104	78	76	55	54	81	118	190
Total other	FJFZ	1 141	1 241	1 509	1 774	1 369	1 029	1 091	1 285	1 609	1 626	2 131
Total sea transport	FJPW	4 090	4 205	4 562	5 161	4 763	4 445	4 832	5 305	5 717	5 800	6 585
Air transport												
Passenger expenditure	FJQB	3 192	3 115	3 505	3 863	4 197	4 650	5 192	5 055	5 239	5 519	6 088
Freight	FJQC	375	401	481	543	583	685	740	822	818	768	681
Disbursements abroad	FJCA	2 298	2 459	2 764	3 015	3 372	3 336	3 951	3 671	3 524	3 454	3 417
Total air transport	FJQA	5 865	5 975	6 750	7 421	8 152	8 671	9 883	9 548	9 581	9 741	10 186
Other transport												
Rail												
Passenger	FJQK	2	54	85	98	121	154	167	168	172	151	167
Freight	FJQL	3	13	13	10	21	26	37	43	44	46	47
Total rail	FJQJ	5	67	98	108	142	180	204	211	216	197	214
Road												
Passenger	FJQO	—	—	—	—	—	—	—	—	—	—	—
Freight	FJQP	319	422	457	550	694	836	1 001	1 169	1 428	1 480	1 562
Total road	FJQN	319	422	457	550	694	836	1 001	1 169	1 428	1 480	1 562
Pipeline transport	FJQV	49	64	49	51	48	48	52	52	52	52	52
Total other transport	FJQE	373	553	604	709	884	1 064	1 257	1 432	1 696	1 729	1 828
Total	FJPV	10 328	10 733	11 916	13 291	13 799	14 180	15 972	16 285	16 994	17 270	18 599

3.2 Transportation

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
Sea transport												
Passenger	FJRR	57	179	248	128	-54	19	201	19	75	503	372
Freight												
Dry cargo	FJNJ	-122	-46	-112	-30	-247	-348	-687	-747	-491	-164	557
Wet cargo	FJNM	274	311	277	196	109	-8	208	434	208	575	1 145
Other	FJVC	-92	-116	-132	-135	-135	-135	-172	-202	-199	-190	-182
Total Freight	FJRS	60	149	33	31	-273	-491	-651	-515	-482	221	1 520
Other												
Dry cargo	FJVF	-1 039	-1 134	-1 375	-1 670	-1 291	-953	-1 036	-1 231	-1 528	-1 508	-1 941
Wet Cargo	FJVG	-102	-107	-134	-104	-78	-76	-55	-54	-81	-118	-190
Other	FJVI	910	946	950	981	1 139	1 063	1 042	1 086	1 008	952	801
Total other	FJRT	-231	-295	-559	-793	-230	34	-49	-199	-601	-674	-1 330
Total sea transport	FJRQ	-114	33	-278	-634	-557	-438	-499	-695	-1 008	50	562
<i>of which</i>												
<i>Ships owned or chartered-in by UK residents</i>	FLMZ	1 534	1 665	1 367	1 329	1 278	1 680	1 855	1 728	1 697	2 852	3 521
<i>Ships operated by non-residents</i>	FLNF	-1 648	-1 632	-1 645	-1 963	-1 835	-2 118	-2 354	-2 423	-2 705	-2 802	-2 959
Air transport												
Passenger	FJRV	200	636	605	217	225	-248	-502	-600	-1 077	-1 663	-2 138
Freight	FJRW	-17	-40	-53	-136	-175	-305	-312	-457	-468	-400	-287
Other	FJRX	-1 100	-1 300	-1 519	-1 596	-1 571	-1 277	-1 654	-1 246	-1 286	-1 103	-848
Total air transport	FJRU	-917	-704	-967	-1 515	-1 521	-1 830	-2 468	-2 303	-2 831	-3 166	-3 273
Other transport												
Rail												
Passenger	FJSE	-2	17	-8	-18	-13	-22	-58	-55	-82	-60	-55
Freight	FJSF	-	-3	-2	-2	-5	-9	-17	-27	-32	-31	-31
Total rail	FJSD	-2	14	-10	-20	-18	-31	-75	-82	-114	-91	-86
Road												
Passenger	FJSI	-	-	-	-	-	-	-	-	-	-	-
Freight	FJSJ	192	148	172	122	-11	-146	-311	-521	-523	-488	-370
Total road	FJSH	192	148	172	122	-11	-146	-311	-521	-523	-488	-370
Pipeline transport	FJSP	5	-24	-13	-15	-10	-11	-4	4	4	4	4
Total other transport	FJRY	195	138	149	87	-39	-188	-390	-599	-633	-575	-452
Total	FJRP	-836	-533	-1 096	-2 062	-2 117	-2 456	-3 357	-3 597	-4 472	-3 691	-3 163

3.3 Travel

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Business												
Expenditure by seasonal & border workers ¹	FJCO	53	52	60	53	132	114	147	163	219	169	218
Other	FJNO	2 580	3 240	3 246	3 533	3 857	3 998	4 084	3 615	3 618	3 478	3 728
Total business travel	FJPG	2 633	3 292	3 306	3 586	3 989	4 112	4 231	3 778	3 837	3 647	3 946
Personal												
Health related ²	FJCX	91	53	105	112	79	93	66	83	64	144	69
Education related	FJDD	1 880	2 237	2 512	2 492	2 696	2 534	2 484	2 723	2 592	2 881	3 067
Other	FJDG	6 278	7 408	7 768	7 615	7 538	7 321	7 665	6 526	7 102	7 204	8 324
Total personal travel	FJTV	8 249	9 698	10 385	10 219	10 313	9 948	10 215	9 332	9 758	10 229	11 460
Total	FJPF	10 882	12 990	13 691	13 805	14 302	14 060	14 446	13 110	13 595	13 876	15 406
Imports												
Business												
Expenditure by seasonal & border workers ¹	FJDO	28	71	55	56	118	197	192	215	102	225	159
Other	FJNP	2 629	3 044	3 435	3 451	4 231	4 352	4 811	4 479	4 336	4 135	4 242
Total business travel	FJQY	2 657	3 115	3 490	3 507	4 349	4 549	5 003	4 694	4 438	4 360	4 401
Personal												
Health related ²	FJDT	9	4	3	11	3	10	19	16	12	33	45
Education related	FJDV	91	106	118	111	133	180	99	108	110	102	115
Other	APPW	11 971	12 568	13 031	13 814	15 716	18 191	20 264	21 558	23 137	24 860	26 303
Total personal travel	APQW	12 071	12 678	13 152	13 936	15 852	18 381	20 382	21 682	23 259	24 995	26 463
Total	APQA	14 728	15 793	16 642	17 443	20 201	22 930	25 385	26 376	27 697	29 355	30 864
Balances												
Business												
Expenditure by seasonal & border workers ¹	FJCR	25	-19	5	-3	14	-83	-45	-52	117	-56	59
Other	FJCW	-49	196	-189	82	-374	-354	-727	-864	-718	-657	-514
Total business travel	FJSS	-24	177	-184	79	-360	-437	-772	-916	-601	-713	-455
Personal												
Health related ²	FJCY	82	49	102	101	76	83	47	67	52	111	24
Education related	FJDE	1 789	2 131	2 394	2 381	2 563	2 354	2 385	2 615	2 482	2 779	2 952
Other	FJDH	-5 693	-5 160	-5 263	-6 199	-8 178	-10 870	-12 599	-15 032	-16 035	-17 656	-17 979
Total personal travel	FJTW	-3 822	-2 980	-2 767	-3 717	-5 539	-8 433	-10 167	-12 350	-13 501	-14 766	-15 003
Total	FJSR	-3 846	-2 803	-2 951	-3 638	-5 899	-8 870	-10 939	-13 266	-14 102	-15 479	-15 458

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.

3.4 Communications services

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Postal and courier services												
Postal services	FJTN	92	109	85	93	88	109	118	97	110	112	124
Courier services	FJTO	18	24	23	15	13	52	29	80	67	111	107
Total postal and courier services	FJED	110	133	108	108	101	161	147	177	177	223	231
Telecommunications services	FJAS	928	876	949	1 088	1 188	1 503	1 717	1 877	2 042	1 856	1 791
Total	FJPH	1 038	1 009	1 057	1 196	1 289	1 664	1 864	2 054	2 219	2 079	2 022
Imports												
Postal and courier services												
Postal services	FJTP	198	223	217	200	218	239	260	200	200	225	177
Courier services	FJTQ	19	19	19	14	39	48	18	55	58	90	69
Total postal and courier services	FJEI	217	242	236	214	257	287	278	255	258	315	246
Telecommunications services	FJAT	1 093	1 086	1 104	1 167	1 325	1 518	1 589	1 738	1 782	1 783	1 682
Total	FJQZ	1 310	1 328	1 340	1 381	1 582	1 805	1 867	1 993	2 040	2 098	1 928
Balances												
Postal and courier services												
Postal services	FJTR	-106	-114	-132	-107	-130	-130	-142	-103	-90	-113	-53
Courier services	FJTS	-1	5	4	1	-26	4	11	25	9	21	38
Total postal and courier services	FJEE	-107	-109	-128	-106	-156	-126	-131	-78	-81	-92	-15
Telecommunications services	FJAQ	-165	-210	-155	-79	-137	-15	128	139	260	73	109
Total	FJST	-272	-319	-283	-185	-293	-141	-3	61	179	-19	94

3.5 Insurance services

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Life insurance and pension funds	FJEU	170	238	415	494	838	1 557	1 417	2 174	797	213	-132
Freight insurance	FJJL	25	2	31	82	76	47	41	49	80	125	121
Other direct insurance ¹	FJEW	307	562	839	925	439	653	412	-579	2 164	1 825	2 338
Reinsurance	FJEX	273	409	339	718	331	-49	-296	1 011	1 473	2 355	1 889
Auxiliary insurance services (insurance brokers)	FJEY	1 188	1 133	1 032	972	1 167	1 789	2 220	1 907	2 052	2 247	2 161
Total²	FJPJ	1 963	2 344	2 656	3 191	2 851	3 997	3 794	4 562	6 566	6 765	6 377
Imports												
Life insurance and pension funds	FJRC	-	-	-	-	-	-	-	-	-	-	-
Freight insurance	FJRD	471	495	567	594	577	575	721	762	758	778	821
Other direct insurance	FJFC	-	-	-	-	-	-	-	-	-	-	-
Reinsurance	FJFD	-	-	-	-	-	-	-	-	-	-	-
Auxiliary insurance services	FJFE	-	-	-	-	-	-	-	-	-	-	-
Total	FJRB	471	495	567	594	577	575	721	762	758	778	821
Balances												
Life insurance and pension funds	FJSW	170	238	415	494	838	1 557	1 417	2 174	797	213	-132
Freight insurance	FJSX	-446	-493	-536	-512	-501	-528	-680	-713	-678	-653	-700
Other direct insurance	FJJM	307	562	839	925	439	653	412	-579	2 164	1 825	2 338
Reinsurance	FJJN	273	409	339	718	331	-49	-296	1 011	1 473	2 355	1 889
Auxiliary insurance services	FJJO	1 188	1 133	1 032	972	1 167	1 789	2 220	1 907	2 052	2 247	2 161
Total	FJSV	1 492	1 849	2 089	2 597	2 274	3 422	3 073	3 800	5 808	5 987	5 556

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.

3.6 Financial services

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Monetary financial institutions (banks)												
Commissions and fees	APUP	996	1 178	1 269	1 778	2 108	2 506	3 041	2 986	3 215	2 677	3 464
Spread earnings	APVA	694	788	838	805	576	581	568	549	514	530	424
Total monetary financial institutions (banks)	ZXTE	1 690	1 966	2 107	2 583	2 684	3 087	3 609	3 535	3 729	3 207	3 888
Fund managers	FNMM	451	457	743	904	849	866	868	853	1 045	1 528	1 812
Securities dealers												
Commissions and fees	CDFI	1 955	1 649	2 103	2 761	2 831	3 996	5 632	5 211	4 290	3 922	4 316
Spread earnings	QZCM	803	690	934	1 253	1 233	1 209	1 033	1 492	1 168	1 316	1 668
Total securities dealers	ZXTF	2 758	2 339	3 037	4 014	4 064	5 205	6 665	6 703	5 458	5 238	5 984
Baltic Exchange	APRJ	282	315	280	340	320	320	336	377	357	398	577
Other	ZSHJ	552	514	1 162	1 312	1 483	1 587	1 901	2 355	2 913	3 121	3 330
Total	FJPK	5 733	5 591	7 329	9 153	9 400	11 065	13 379	13 823	13 502	13 492	15 591
Imports												
Monetary financial institutions (banks)	APVW	302	412	463	573	549	733	1 003	1 157	1 475	1 701	1 556
Fund managers	FNMS	61	32	150	155	171	143	160	229	219	336	394
Securities dealers ¹	RWMG	418	287	411	506	689	829	1 199	1 296	1 009	795	862
Baltic Exchange	APSZ	20	24	20	24	23	27	39	27	35	18	26
Other	ZXTG	317	318	388	377	339	391	352	336	484	708	511
Total	FJRE	1 118	1 073	1 432	1 635	1 771	2 123	2 753	3 045	3 222	3 558	3 349
Balances												
Monetary financial institutions	ZXLV	1 388	1 554	1 644	2 010	2 135	2 354	2 606	2 378	2 254	1 506	2 332
Fund managers	ZXLW	390	425	593	749	678	723	708	624	826	1 192	1 418
Securities dealers	ZXLX	2 340	2 052	2 626	3 508	3 375	4 376	5 466	5 407	4 449	4 443	5 122
Baltic Exchange	ZXLY	262	291	260	316	297	293	297	350	322	380	551
Other	ZXLZ	235	196	774	935	1 144	1 196	1 549	2 019	2 429	2 413	2 819
Total	FJTA	4 615	4 518	5 897	7 518	7 629	8 942	10 626	10 778	10 280	9 934	12 242

¹ For securities dealers, the move to a gross presentation means that imports of non-financial services are moved to the other business services accounts (see table 3.9).

3.7 Computer and information services

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Computer services	FJCN	679	695	956	1 183	1 640	2 056	2 478	2 725	3 218	3 545	4 377
Information services	FJCO	91	100	134	174	186	377	387	528	626	1 281	1 378
Total	FJPL	770	795	1 090	1 357	1 826	2 433	2 865	3 253	3 844	4 826	5 755
Imports												
Computer services	FJDL	218	253	283	339	473	593	745	859	1 122	1 398	1 544
Information services	FJDM	35	40	50	66	21	98	93	316	194	314	400
Total	FJRF	253	293	333	405	494	691	838	1 175	1 316	1 712	1 944
Balances												
Computer Services	FJJP	461	442	673	844	1 167	1 463	1 733	1 866	2 096	2 147	2 833
Information services	FJJQ	56	60	84	108	165	279	294	212	432	967	978
Total	FJTB	517	502	757	952	1 332	1 742	2 027	2 078	2 528	3 114	3 811

3.8 Royalties and license fees

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Film and television	FJFO	716	744	879	705	775	868	934	982	880	911	823
Other royalties and license fees	FFVJ	2 752	3 110	3 374	3 443	3 495	4 224	4 455	4 691	4 906	5 353	5 741
Total	FJPM	3 468	3 854	4 253	4 148	4 270	5 092	5 389	5 673	5 786	6 264	6 564
Imports												
Film and television	FJFQ	616	763	829	863	882	932	1 020	1 176	1 315	1 449	1 509
Other royalties and license fees	FFVP	2 302	2 532	3 213	2 884	3 133	3 353	3 359	3 318	3 294	3 361	3 058
Total	FJRG	2 918	3 295	4 042	3 747	4 015	4 285	4 379	4 494	4 609	4 810	4 567
Balances												
Film and television	FFVV	100	-19	50	-158	-107	-64	-86	-194	-435	-538	-686
Other royalties and license fees	FFWB	450	578	161	559	362	871	1 096	1 373	1 612	1 992	2 683
Total	FJTC	550	559	211	401	255	807	1 010	1 179	1 177	1 454	1 997

3.9 other business services

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Merchanting and other trade related services												
Merchanting	FJFS	459	508	481	314	569	868	679	782	699	573	475
Other trade related services	FJFX	487	547	709	657	732	1 504	1 754	1 881	1 720	1 900	1 960
Total merchanting and other trade related services	FJPO	946	1 055	1 190	971	1 301	2 372	2 433	2 663	2 419	2 473	2 435
Operational leasing services	FJPP	97	121	129	113	40	92	299	248	190	239	241
Miscellaneous business, professional and technical services												
Legal, accounting and management consulting												
Law society	FJGE	528	537	565	675	824	760	1 171	1 339	1 465	1 335	1 421
Commercial bar association	FJCP	35	33	41	47	61	62	61	77	85	95	86
Other legal services ¹	FJGD	..	..	161	202	275	349	288	363	481	600	427
Accounting	FJBX	146	156	178	258	477	603	662	642	728	683	732
Business management and management consulting	FJNV	586	610	668	933	952	1 101	1 083	1 069	2 545	3 181	2 899
of which Recruitment and training	TVLQ	..	..	..	..	..	..	..	..	406	413	456
Advertising and market research	FJGP	596	633	717	1 022	1 174	1 150	1 432	1 622	1 703	2 155	1 983
Research and development	FJDP	890	986	1 311	1 616	2 300	2 801	2 421	2 933	2 899	3 467	4 214
Architectural, engineering and other technical services												
North Sea oil and gas ²	FJCV	497	358	331	..	..	..	..	..	..	..	..
Architectural	FJGT	51	52	51	83	67	82	76	153	71	106	99
Engineering	FJGU	1 689	1 843	2 243	2 491	2 987	2 676	2 441	3 239	3 049	3 475	3 444
Surveying	FJGV	36	37	37	31	41	45	68	66	62	57	73
Other Technical	FJGW	546	612	807	798	1 083	1 027	1 113	1 220	1 931	1 753	1 563
Agricultural, mining and on-site processing services	FJHC	18	21	26	21	52	47	54	41	31	78	91
Other miscellaneous business services	FJHH	2 901	3 351	4 716	4 575	6 398	6 721	7 561	7 688	7 748	7 153	6 021
of which Other business services exported by UK banks	APVQ	478	564	622	505	1 008	1 325	1 414	1 277	1 490	2 118	1 892
Services between affiliated enterprises, n.i.e.	FJHF	466	501	682	871	981	1 101	1 280	1 481	1 619	2 105	2 121
Total miscellaneous business, professional, and technical services	FJPO	8 985	9 730	12 534	13 623	17 672	18 525	19 711	21 933	24 417	26 243	25 174
Total	FJPN	10 028	10 906	13 853	14 707	19 013	20 989	22 443	24 844	27 026	28 955	27 850
Imports												
Merchanting and other trade related services												
Merchanting	FJHN	76	88	110	44	65	38	71	55	148	35	58
Other trade related services	FJHR	449	517	652	444	633	884	965	952	854	752	627
Total merchanting and other trade related services	FJRI	525	605	762	488	698	922	1 036	1 007	1 002	787	685
Operational leasing services	FJRJ	159	163	194	196	193	226	560	457	450	456	603
Miscellaneous business, professional and technical services												
Legal, accounting and management consulting												
Legal ¹	FJHX	24	24	173	209	249	307	490	380	486	453	370
Accounting	FJVJ	93	105	128	98	108	119	213	228	251	300	293
Business management and management consulting	FJNW	242	263	310	327	371	387	456	569	1 428	1 857	1 881
of which Recruitment and training	TVLV	..	..	..	..	..	..	..	..	268	297	299
Advertising and market research	FJID	406	443	493	460	581	719	789	841	860	946	791
Research and development	FJDQ	550	639	767	657	753	781	723	661	644	1 148	1 687
Architectural, engineering and other technical services												
North Sea oil and gas ²	FJDR	440	567	442	..	..	..	..	..	..	..	..
Architectural	FJIF	5	5	6	7	12	12	13	35	25	50	7
Engineering	FJIG	497	546	629	909	1 228	977	724	1 075	868	957	1 107
Surveying	FJII	18	18	17	36	26	15	55	31	29	24	27
Other Technical	FJII	163	188	232	358	435	410	429	431	463	391	321
Agricultural, mining and on-site processing services	FJIN	5	6	7	7	27	50	71	142	77	30	20
Other miscellaneous business services	FJIP	1 854	1 954	2 602	2 486	3 157	4 308	4 679	5 498	5 741	5 211	4 600
of which Other business services imported by UK banks	APWA	278	381	421	184	509	794	520	448	619	760	497
Other business services imported by Security dealers	RWMH	873	592	865	787	986	1 511	2 294	2 027	1 358	1 149	1 462
Services between affiliated enterprises, n.i.e.	FJHG	285	329	406	457	719	770	808	1 069	1 140	1 131	1 126
Total miscellaneous business, professional and technical services	FJRK	4 582	5 087	6 212	6 011	7 666	8 855	9 450	10 960	12 012	12 498	12 230
Total	FJRH	5 266	5 855	7 168	6 695	8 557	10 003	11 046	12 424	13 464	13 741	13 518

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

2 North Sea oil and gas services are included indistinguishably within engineering services for years after 1996.

3.9 Other business services

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
Merchanting and other trade related services												
Merchanting	FJFT	383	420	371	270	504	830	608	727	551	538	417
Other trade related services	FJFY	38	30	57	213	99	620	789	929	866	1 148	1 333
Total merchanting and other trade related services	FJTE	421	450	428	483	603	1 450	1 397	1 656	1 417	1 686	1 750
Operational leasing services	FJTF	-62	-42	-65	-83	-153	-134	-261	-209	-260	-217	-362
Miscellaneous business, professional and technical services												
Legal, accounting and management consulting												
Legal	FJGG	539	546	594	715	911	864	1 030	1 399	1 545	1 577	1 564
Accounting	FJGI	53	51	50	160	369	484	449	414	477	383	439
Business management and management consulting	FJGK	344	347	358	606	581	714	627	500	1 117	1 324	1 018
Advertising and market research	FJGQ	190	190	224	562	593	431	643	781	843	1 209	1 192
Research and development	FJGS	340	347	544	959	1 547	2 020	1 698	2 272	2 255	2 319	2 527
Architectural, engineering and other technical services	FJGY	1 696	1 578	2 143	2 093	2 477	2 416	2 477	3 106	3 728	3 969	3 717
Agricultural, mining and on-site processing services	FJHD	13	15	19	14	25	-3	-17	-101	-46	48	71
Services between affiliated enterprises, n.i.e.	FJHL	181	172	276	414	262	331	472	412	479	974	995
Other	FJHI	1 047	1 397	2 114	2 089	3 241	2 413	2 882	2 190	2 007	1 942	1 421
Total miscellaneous business, professional, and technical services	FJTG	4 403	4 643	6 322	7 612	10 006	9 670	10 261	10 973	12 405	13 745	12 944
Total	FJTD	4 762	5 051	6 685	8 012	10 456	10 986	11 397	12 420	13 562	15 214	14 332

3.10 Personal, cultural and recreational services

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Audiovisual and related services												
Film and television	FKJO	330	422	395	461	480	531	726	737	856	827	950
Other	FFWH	67	77	101	152	167	189	252	172	184	204	264
Total audiovisual and related services	FJPS	397	499	496	613	647	720	978	909	1 040	1 031	1 214
Other personal, cultural and recreational services	FJPT	174	191	278	207	234	244	327	449	561	654	623
Total	FJPR	571	690	774	820	881	964	1 305	1 358	1 601	1 685	1 837
Imports												
Audiovisual and related services												
Film and television	FKJX	305	400	441	450	411	496	532	512	615	463	557
Other	FFWN	18	20	25	22	35	40	55	46	39	59	84
Total audiovisual and related services	FJRM	323	420	466	472	446	536	587	558	654	522	641
Other personal, cultural and recreational services	FJRN	63	73	90	74	43	72	192	166	143	160	151
Total	FJRL	386	493	556	546	489	608	779	724	797	682	792
Balances												
Audiovisual and related services	FJTI	74	79	30	141	201	184	391	351	386	509	573
Other personal, cultural and recreational services	FJTJ	111	118	188	133	191	172	135	283	418	494	472
Total	FJTH	185	197	218	274	392	356	526	634	804	1 003	1 045

3.11 Government services

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Expenditure by foreign embassies and consulates in the UK	FJUK	348	367	393	357	371	385	385	389	393	397	401
Military units and agencies												
Expenditure by US forces in UK	FJKB	357	364	328	250	293	247	271	262	262	264	264
Other military receipts by UK government	HCOJ	139	108	91	56	40	29	32	48	67	248	312
Total military units and agencies	FJIX	496	472	419	306	333	276	303	310	329	512	576
Other												
EU institutions	FKIE	239	301	241	240	216	213	226	525	487	491	544
Other receipts	HCQO	222	283	224	189	212	191	267	298	369	490	513
Total other	FJJA	461	584	465	429	428	404	493	823	856	981	1 057
Total	FJPU	1 305	1 423	1 277	1 092	1 132	1 065	1 181	1 522	1 578	1 890	2 034
Imports												
Expenditure abroad by UK embassies and consulates	FJUJ	187	194	259	208	177	219	106	142	215	190	177
Expenditure abroad by UK military units and agencies	FJJD	1 809	1 632	2 030	1 418	1 116	1 972	1 584	1 629	1 494	2 144	1 892
Civil non-EU services	FJJF	129	172	196	235	216	205	200	202	188	296	328
Total	FJRO	2 125	1 998	2 485	1 861	1 509	2 396	1 890	1 973	1 897	2 630	2 397
Balances												
Embassies and consulates	FJIW	161	173	134	149	194	166	279	247	178	207	224
Military units and agencies	FJIY	-1 313	-1 160	-1 611	-1 112	-783	-1 696	-1 281	-1 319	-1 165	-1 632	-1 316
Other	FJJB	332	412	269	194	212	199	293	621	668	685	729
Total	FJUL	-820	-575	-1 208	-769	-377	-1 331	-709	-451	-319	-740	-363

Chapter 4

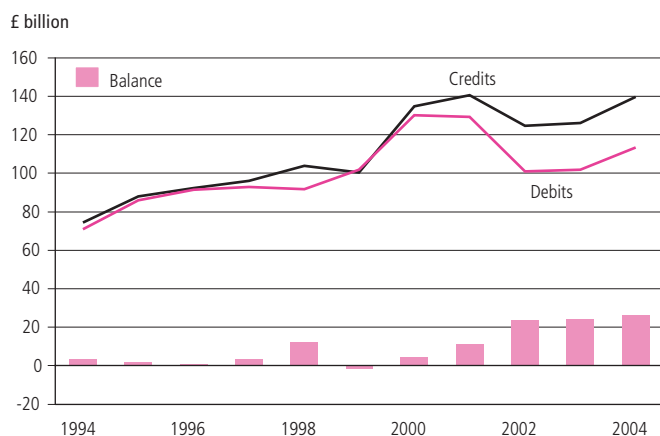
Income

Summary

The balance on investment income has been in surplus for all years since 1994, except for 1999 when a deficit of £1.7 billion was recorded. The investment income surplus grew strongly between 2000 and 2002, largely due to a doubling in the net earnings on direct investment. Since 2002, the surplus has continued to rise, if more slowly, reaching a record £26.1 billion in 2004.

In the decade to 2001, earnings on both investment abroad and investment in the UK nearly doubled. In 2002 however, both fell sharply – credits down 12 per cent and debits down 21 per cent. This was largely due to cuts in official interest rates, both abroad and in the UK, post September 11th (2001) and throughout 2002, and subsequent falls in interest receipts and payments on loans and deposits. In 2003 investment income credits and debits stabilised, and in 2004 earnings showed growth in all types of investment, with both credits and debits showing overall increases of 11 per cent over 2003.

Figure 4.1
Income

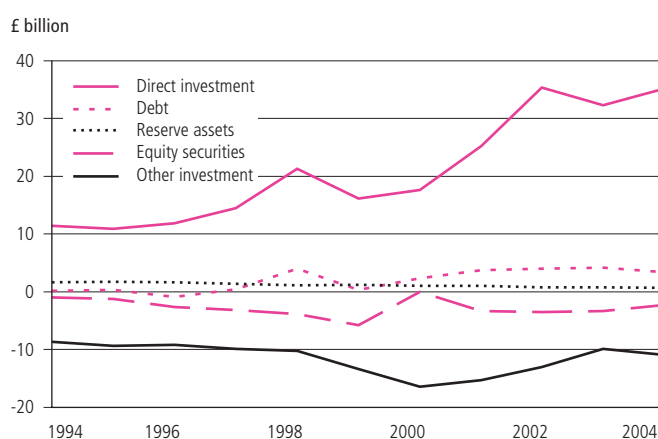


Earnings on direct investment abroad have been the largest component of investment income credits in recent years, accounting for over 40 per cent of total earnings, compared to only 30 per cent in 1994. The boom in UK merger and acquisition activity in the late 1990s and 2000 and subsequent growth in earnings from abroad has been the main driver for this change. Earnings on portfolio investment abroad have also grown over the last decade, accounting for 27 per cent of total

earnings from abroad in 2004, compared to 22 per cent in 1994. Other investment income, which is mostly earnings from loans and deposits, now only accounts for 29 per cent of total earnings, down from 46 per cent in 1994. Similarly, growth in foreign earnings on investment in the UK over the last 10 years has predominantly been in direct and portfolio investment, although other investment remains the largest component, accounting for almost half of all investment income paid.

The investment income surplus has grown strongly since a deficit was recorded in 1999, reaching a record £26.1 billion in 2004. By component, direct investment has recorded a surplus in every year since 1986. Within portfolio investment, a net surplus on interest receipts and payments on debt securities has largely been offset by net dividend payments on equity securities. Other investment has recorded a net deficit in every year since 1988, reaching a record £16.4 billion in 2000 before falling to £9.9 billion in 2003. It started to rise again in 2004 due to rising global interest rates and the fact that the UK has an excess of other investment liabilities over assets.

Figure 4.2
Investment income
Credits less debits



By sector, the rise in the investment income surplus in the last few years has been partly due to increased net earnings of UK monetary financial institutions (banks and building societies), which have risen from £0.9 billion in 2000 to £12.9 billion in 2004. (UK banks net earnings increased on all forms of investment over this period: the balance on direct investment moved from a deficit of £1.3 billion in 2000 to a surplus of

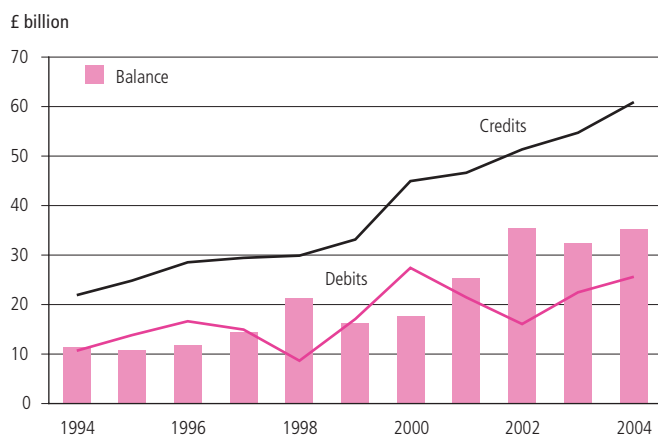
£3.1 billion in 2004; the surplus on portfolio investment rose from £10.0 billion to £12.7 billion; and the other investment deficit narrowed from £7.8 billion to £3.0 billion.) In addition, non-financial corporations' net earnings within direct investment increased from £17.8 billion to £29.6 billion over the same period.

The balance on compensation of employees has shown a small surplus in each of the past six years.

Direct investment

Direct investment income credits have exceeded debits in every year since 1986, and the surplus increased to a record £35.2 billion in 2004. Earnings from direct investment abroad increased over 10 per cent in 2004, to a record £60.9 billion, primarily due to higher foreign earnings of UK non-financial corporations. Foreign earnings on direct investment in the UK increased to £25.6 billion, with increased earnings of foreign-owned insurance companies and non-financial corporations. Foreign earnings on direct investment in the UK tend to be more erratic than direct investment credits, partly because of their concentration in the financial sector. Foreign-owned banks and other financial corporations often locate in the UK to be close to the financial markets in London and their profits have reflected the difficult trading conditions in 1998 and, to a lesser extent, 2002.

Figure 4.3
Direct investment income

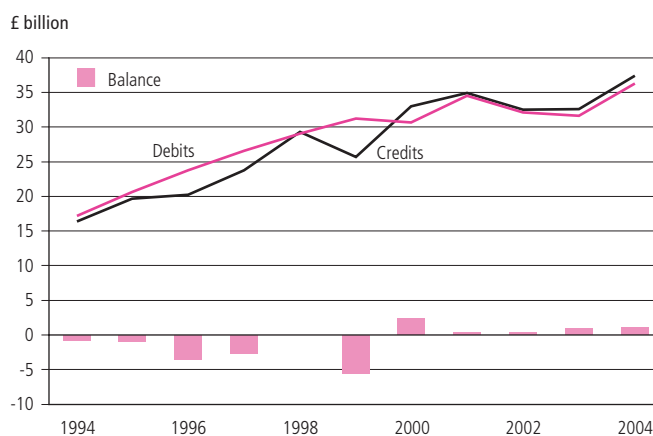


Portfolio investment

Until 2000, the UK generally recorded a deficit on portfolio investment, with a net surplus on debt securities being more than offset by a net deficit on equities. Since 2000, higher UK earnings on holdings of foreign equity, partly reflecting increased UK investment into foreign equities, have helped move the overall portfolio investment balance from deficit to surplus. By instrument, the UK has paid out more dividends on

UK equity securities owned by non-residents than have been received on foreign securities owned by UK residents, in all years since 1987. In contrast, the UK has recorded a surplus on debt securities in all but one of the last ten years, with a surplus on earnings from bonds and notes only partly offset by a deficit on money market instruments. UK banks have trebled their net earnings on portfolio investment in the last 10 years, moving from a surplus of £4.0 billion in 1994 to a surplus of £12.7 billion in 2004. UK banks mainly hold and issue debt (rather than equity) securities, and have maintained their earnings on debt securities during a period of falling interest rates in the last few years. In contrast, banks' payments on money market instruments fell from £7.0 billion in 2001 to £3.0 billion in 2003 and £3.3 billion in 2004. UK insurance companies, pension funds and other financial intermediaries (securities dealers, unit and investment trusts) mainly hold equity rather than debt. On the debits side, foreign earnings from UK equity have been about £13-£14 billion since 2001. Strong foreign investment into UK debt securities has led to a sharp rise in interest paid, reaching a record £22.5 billion in 2004.

Figure 4.4
Portfolio investment income

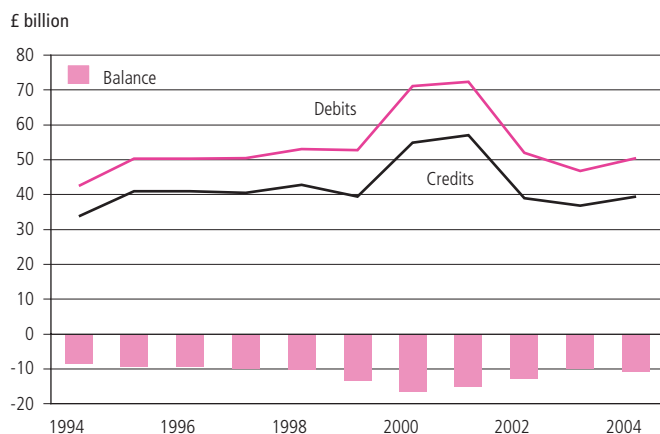


Other investment

Movements in the other investment balance are mainly driven by interest rate changes, which impact on interest paid and received on loans and deposits. As the UK has an excess of other investment liabilities over assets, there is generally a deficit on other investment income, with rising interest rates leading to a rising deficit and falling interest rates a falling deficit. So, falling global interest rates from 2001 through to 2003 led to the other investment deficit declining from £15.3 billion to £9.9 billion over that period. In 2004, as global interest rates started to rise, the deficit increased to £10.9 billion.

Earnings on deposits and loans abroad by UK banks accounted for 80 per cent of total other investment credits in 2004. The vast majority of these earnings are made from foreign currency, reflecting the international nature of banking in the United Kingdom (as many of the banks trading with the rest of the world are actually branches or subsidiaries of foreign banks).

Figure 4.5
Other investment income

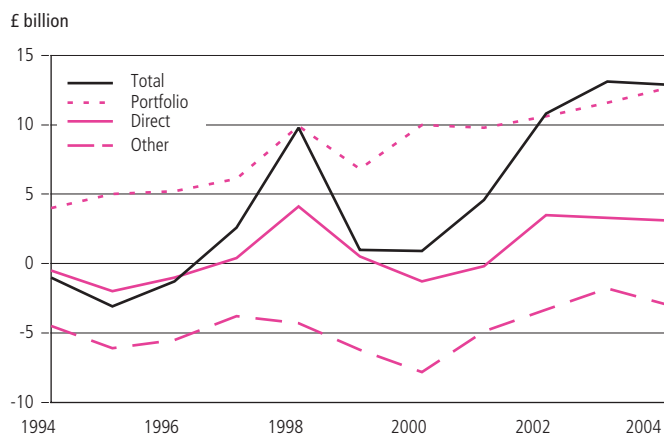


Sectoral breakdown of investment income

UK banks remain the single biggest investing sector, earning around 42 per cent of total UK investment income credits and paying out 41 per cent of debits in 2004. Banks have earned an investment income surplus in every year since 1997, reaching a record £13.1 billion in 2003 and nearly as much in 2004. When considering the banking sector's overall contribution to the UK's balance of payments, it is important to also include bank's financial service fees and commissions earned from foreign clients – a net £2.3 billion in 2004.

Central government has recorded a net annual deficit of about £3 to £4 billion in recent years (mostly debits on Gilts), whilst other sectors – private non-financial corporations and non-monetary financial institutions – have historically recorded net surpluses. In 2004, these other sectors recorded a surplus of £16.3 billion, largely due to strong direct investment earnings from abroad by private non-financial corporations.

Figure 4.6
Investment income of banks
Credits less debits



4.1

Income Summary table

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
Compensation of employees	KTMN	681	887	911	1 007	840	960	1 032	1 087	1 121	1 116	1 171
Investment income												
Earnings on direct investment abroad	HJYW	21 938	24 768	28 506	29 398	29 840	33 060	44 946	46 628	51 339	54 728	60 857
Earnings on portfolio investment abroad												
Earnings on equity securities	HCPL	3 895	4 451	4 768	5 449	6 061	7 773	9 872	9 861	10 532	10 386	11 582
Earnings on debt securities	HLYW	12 505	15 274	15 479	18 377	23 237	17 921	23 101	25 020	21 952	22 169	25 845
Total portfolio investment	HLYX	16 400	19 725	20 247	23 826	29 298	25 694	32 973	34 881	32 484	32 555	37 427
Earnings on other investment abroad	AIOP	33 787	40 953	41 039	40 533	42 759	39 375	54 883	57 017	38 998	36 898	39 496
Earnings on reserve assets	HHCB	1 577	1 686	1 551	1 372	1 132	1 161	985	961	820	788	705
Total investment income	HMBN	73 702	87 132	91 343	95 129	103 029	99 290	133 787	139 487	123 641	124 969	138 485
Total	HMBQ	74 383	88 019	92 254	96 136	103 869	100 250	134 819	140 574	124 762	126 085	139 656
Debits												
Compensation of employees	KTMO	851	1 183	818	924	850	759	882	1 021	1 054	1 057	1 100
Investment income												
Foreign earnings on direct investment in the UK	HJYX	10 571	13 819	16 630	14 916	8 585	16 968	27 390	21 393	15 953	22 420	25 635
Foreign earnings on portfolio investment in the UK												
Earnings on equity securities	ZMRB	4 895	5 612	7 359	8 601	9 930	13 542	9 899	13 189	14 054	13 669	13 891
Earnings on debt securities	HLZB	12 263	14 988	16 405	17 962	19 195	17 655	20 819	21 286	18 002	17 929	22 459
Total portfolio investment	HLZC	17 158	20 600	23 764	26 563	29 125	31 197	30 718	34 475	32 056	31 598	36 350
Earnings on other investment in the UK	HLZN	42 455	50 316	50 261	50 457	53 005	52 786	71 246	72 314	52 020	46 818	50 408
Total investment income	HMBO	70 184	84 735	90 655	91 936	90 715	100 951	129 354	128 182	100 029	100 836	112 393
Total	HMBR	71 035	85 918	91 473	92 860	91 565	101 710	130 236	129 203	101 083	101 893	113 493
Balances (Net earnings)												
Compensation of employees	KTMP	-170	-296	93	83	-10	201	150	66	67	59	71
Investment income												
Direct investment	HJYE	11 367	10 949	11 876	14 482	21 255	16 092	17 556	25 235	35 386	32 308	35 222
Portfolio investment												
Earnings on equity securities	HLZO	-1 000	-1 161	-2 591	-3 152	-3 869	-5 769	-27	-3 328	-3 522	-3 283	-2 309
Earnings on debt securities	HLZP	242	286	-926	415	4 042	266	2 282	3 734	3 950	4 240	3 386
Total portfolio investment	HLZX	-758	-875	-3 517	-2 737	173	-5 503	2 255	406	428	957	1 077
Other investment	CGNA	-8 668	-9 363	-9 222	-9 924	-10 246	-13 411	-16 363	-15 297	-13 022	-9 920	-10 912
Reserve assets	HHCB	1 577	1 686	1 551	1 372	1 132	1 161	985	961	820	788	705
Total investment income	HMBM	3 518	2 397	688	3 193	12 314	-1 661	4 433	11 305	23 612	24 133	26 092
Total	HMBP	3 348	2 101	781	3 276	12 304	-1 460	4 583	11 371	23 679	24 192	26 163

4.2 Investment income

Sector analysis

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
(Earnings of UK residents on investment abroad)												
Monetary financial institutions												
Banks	CGNB	36 989	45 949	48 587	49 302	56 215	50 304	69 368	72 357	54 837	54 345	58 349
Building societies	GJXE	63	81	119	103	134	176	292	333	337	277	282
Total monetary financial institutions	CGND	37 052	46 030	48 706	49 405	56 349	50 480	69 660	72 690	55 174	54 622	58 631
Central government	CGNY	1 585	1 695	1 561	1 380	1 267	1 165	989	965	823	792	707
Public corporations	CGNP	104	118	111	122	137	330	364	440	641	749	1 001
Other sectors	CGNW	34 961	39 289	40 965	44 222	45 276	47 315	62 774	65 392	67 003	68 806	78 146
Total	HMBN	73 702	87 132	91 343	95 129	103 029	99 290	133 787	139 487	123 641	124 969	138 485
Debits												
(Foreign earnings on investment in UK)												
Monetary financial institutions												
(banks and building societies)	CGPN	38 008	49 103	50 010	46 814	46 577	49 453	68 749	68 049	44 420	41 538	45 766
Central government	CGNZ	5 209	5 276	5 557	5 822	5 817	5 026	4 592	4 280	3 914	4 183	4 792
Local authorities	CGOB	45	38	30	21	16	12	7	4	2	—	—
Public corporations	CGOD	39	43	34	28	20	—	—	—	—	—	—
Other sectors	CGSE	26 883	30 275	35 024	39 251	38 285	46 460	56 006	55 849	51 693	55 115	61 835
Total	HMBO	70 184	84 735	90 655	91 936	90 715	100 951	129 354	128 182	100 029	100 836	112 393
Balances												
(Net earnings)												
Monetary financial institutions												
(banks and building societies)	CGSO	–956	–3 073	–1 304	2 591	9 772	1 027	911	4 641	10 754	13 084	12 865
Central government	CGOE	–3 624	–3 581	–3 996	–4 442	–4 550	–3 861	–3 603	–3 315	–3 091	–3 391	–4 085
Local authorities	–CGOB	–45	–38	–30	–21	–16	–12	–7	–4	–2	—	—
Public corporations	CGOF	65	75	77	94	117	330	364	440	641	749	1 001
Other sectors	CGTX	8 078	9 014	5 941	4 971	6 991	855	6 768	9 543	15 310	13 691	16 311
Total	HMBM	3 518	2 397	688	3 193	12 314	–1 661	4 433	11 305	23 612	24 133	26 092

4.3 Earnings on direct investment

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
(Earnings of UK residents on direct investment abroad)												
Earnings on equity												
Dividends and distributed branch profits												
Dividends	CNZN	6 706	8 808	8 833	11 791	12 246	8 795	14 679	14 412	15 255	29 451	29 161
Distributed branch profits	HDNG	1 439	1 387	1 670	1 468	1 158	1 278	2 231	2 552	2 381	2 693	3 053
Total dividends and distributed branch profits	HMAE	8 145	10 195	10 503	13 259	13 404	10 073	16 910	16 964	17 636	32 144	32 214
Reinvested earnings	-HDNY	13 827	14 378	17 271	16 112	14 071	21 392	25 178	27 220	32 209	21 013	27 591
Earnings on property investment	HHBW	69	44	46	13	10	180	262	320	246	223	199
Total earnings on equity	HMAK	22 041	24 617	27 820	29 384	27 485	31 645	42 350	44 504	50 091	53 380	60 004
Earnings on other capital ¹	HDNQ	-103	151	686	14	2 355	1 415	2 596	2 124	1 248	1 348	853
Total	HJYW	21 938	24 768	28 506	29 398	29 840	33 060	44 946	46 628	51 339	54 728	60 857
Debits												
(Foreign earnings on direct investment in the UK)												
Earnings on equity												
Dividends and distributed branch profits												
Dividends	BCEA	4 949	5 131	5 895	6 146	6 945	8 198	9 472	14 418	7 638	8 412	8 078
Distributed branch profits	CYFD	507	1 354	1 531	787	-2 534	323	2 713	2 251	-1 079	110	1 196
Total dividends and distributed branch profits	HMAH	5 456	6 485	7 426	6 933	4 411	8 521	12 185	16 669	6 559	8 522	9 274
Reinvested earnings	CYFV	3 953	5 254	7 873	6 386	1 522	4 607	10 788	-992	3 647	7 448	9 443
Earnings on property investment	HESG	195	213	219	234	259	1 132	1 213	1 354	1 444	1 518	1 619
Total earnings on equity	HMAG	9 604	11 952	15 518	13 553	6 192	14 260	24 186	17 031	11 650	17 488	20 336
Earnings on other capital ¹	CYFN	967	1 867	1 112	1 363	2 393	2 708	3 204	4 362	4 303	4 932	5 299
Total	HJYX	10 571	13 819	16 630	14 916	8 585	16 968	27 390	21 393	15 953	22 420	25 635
Balances												
(Net earnings)												
Earnings on equity												
Dividends and distributed branch profits												
Dividends	LTMA	1 757	3 677	2 938	5 645	5 301	597	5 207	-6	7 617	21 039	21 083
Distributed branch profits	LTMB	932	33	139	681	3 692	955	-482	301	3 460	2 583	1 857
Total dividends and distributed branch profits	HHZA	2 689	3 710	3 077	6 326	8 993	1 552	4 725	295	11 077	23 622	22 940
Reinvested earnings	LTMC	9 874	9 124	9 398	9 726	12 549	16 785	14 390	28 212	28 562	13 565	18 148
Earnings on property investment	LTMD	-126	-169	-173	-221	-249	-952	-951	-1 034	-1 198	-1 295	-1 420
Total earnings on equity	HHYY	12 437	12 665	12 302	15 831	21 293	17 385	18 164	27 473	38 441	35 892	39 668
Earnings on other capital ¹	HMAH	-1 070	-1 716	-426	-1 349	-38	-1 293	-608	-2 238	-3 055	-3 584	-4 446
Total	HJYE	11 367	10 949	11 876	14 482	21 255	16 092	17 556	25 235	35 386	32 308	35 222

¹ Earnings on other capital consists of interest accrued to/from direct investors from/to associated enterprises abroad.

4.4 Earnings on direct investment

Sector analysis

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
(Earnings of UK residents on investment abroad)												
Monetary financial institutions (banks)	HCVU	789	137	1 409	1 407	1 682	2 613	3 639	4 596	4 464	5 698	5 814
Insurance companies	CNZD	592	1 608	1 270	1 600	793	1 488	930	790	628	2 326	3 263
Other financial intermediaries	HCWN	1 373	1 888	2 540	2 547	2 209	2 990	3 017	2 924	3 232	3 423	3 387
Private non-financial corporations	HCUS	19 166	21 109	23 266	23 823	25 136	25 944	37 335	38 269	42 949	43 182	48 327
Public corporations	HDMG	6	14	9	12	14	17	17	40	54	87	54
Household sector ¹	HHLI	12	12	12	9	6	8	8	9	12	12	12
Total	HJYW	21 938	24 768	28 506	29 398	29 840	33 060	44 946	46 628	51 339	54 728	60 857
Debits												
(Foreign earnings on direct investment in UK)												
Monetary financial institutions (banks)	GPAZ	1 247	2 134	2 379	1 037	-2 433	2 109	4 979	4 795	1 008	2 415	2 695
Insurance companies	HDPK	507	379	881	1 138	1 333	4	612	-955	179	887	1 885
Other financial intermediaries												
Securities dealers	HDQX	-791	269	799	375	-643	1 124	1 495	1 272	1 337	424	1 356
Other	HFBT	234	127	204	237	415	361	780	593	829	1 728	979
Total other financial intermediaries	HFCY	-557	396	1 003	612	-228	1 485	2 275	1 865	2 166	2 152	2 335
Private non-financial corporations	BCEB	9 374	10 910	12 367	12 129	9 913	13 370	19 524	15 688	12 600	16 966	18 720
Total	HJYX	10 571	13 819	16 630	14 916	8 585	16 968	27 390	21 393	15 953	22 420	25 635
Balances												
(Net earnings)												
Monetary financial institutions (banks)	LTME	-458	-1 997	-970	370	4 115	504	-1 340	-199	3 456	3 283	3 119
Insurance companies	LTMP	85	1 229	389	462	-540	1 484	318	1 745	449	1 439	1 378
Other financial intermediaries	LTMG	1 930	1 492	1 537	1 935	2 437	1 505	742	1 059	1 066	1 271	1 052
Private non-financial corporations	LTMH	9 792	10 199	10 899	11 694	15 223	12 574	17 811	22 581	30 349	26 216	29 607
Public corporations	HDMG	6	14	9	12	14	17	17	40	54	87	54
Households	HHLI	12	12	12	9	6	8	8	9	12	12	12
Total	HJYE	11 367	10 949	11 876	14 482	21 255	16 092	17 556	25 235	35 386	32 308	35 222

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

4.5 Earnings on portfolio investment

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
(Earnings of UK residents on portfolio investment abroad)												
Earnings on equity securities (shares) by:												
Monetary financial Institutions (banks)	HHRX	250	298	414	411	521	609	865	1 261	1 473	2 299	2 676
Insurance companies and pension funds												
Insurance companies	CGOM	1 146	1 494	1 490	1 511	1 715	1 939	2 237	2 289	2 455	2 075	2 512
Pension funds	HPDL	1 451	1 538	1 544	1 388	2 023	2 132	1 861	1 543	1 598	1 456	1 873
Total insurance companies and pension funds	CGOX	2 597	3 032	3 034	2 899	3 738	4 071	4 098	3 832	4 053	3 531	4 385
Other financial intermediaries	CGOY	952	990	1 173	1 952	1 610	2 914	4 677	4 465	4 690	4 275	4 195
Private non-financial corporations	EGMS	4	6	5	8	9	10	41	124	127	110	126
Household sector ¹	HEOG	92	125	142	179	183	169	191	179	189	171	200
Total earnings on equity securities	HCPL	3 895	4 451	4 768	5 449	6 061	7 773	9 872	9 861	10 532	10 386	11 582
Earnings on debt securities												
Earnings on bonds and notes by:												
Monetary financial institutions												
Banks	HHRY	6 896	9 429	10 283	11 934	13 369	11 153	15 538	16 066	15 259	15 036	17 161
Building societies	GJXE	63	81	119	103	134	176	292	333	337	277	282
Total monetary financial institutions	HPCQ	6 959	9 510	10 402	12 037	13 503	11 329	15 830	16 399	15 596	15 313	17 443
Insurance companies and pension funds												
Insurance companies	CGON	565	733	718	770	1 122	1 075	1 121	1 370	1 718	1 998	2 151
Pension funds	HPDM	276	315	361	317	415	509	517	565	621	703	820
Total insurance companies and pension funds	CGOZ	841	1 048	1 079	1 087	1 537	1 584	1 638	1 935	2 339	2 701	2 971
Other financial intermediaries	CGPA	3 059	2 259	2 679	3 759	3 759	2 807	2 762	3 468	2 070	2 209	2 832
Private non-financial corporations	EGNF	157	168	156	218	61	54	43	107	110	117	209
Household sector ¹	HEOH	788	1 431	396	336	312	266	286	260	240	255	236
Total earnings on bonds and notes	HC PK	11 804	14 416	14 712	17 437	19 172	16 040	20 559	22 169	20 355	20 595	23 691
Earnings on money market instruments by:												
Monetary financial institutions (banks)	HBMX	524	659	543	700	3 933	1 734	2 292	2 569	1 233	984	1 451
Central government	LSPA	—	—	—	—	—	—	—	18	26	19	9
Other financial intermediaries	NHQV	91	74	70	113	49	73	131	118	130	205	249
Private non-financial corporations	HGBX	86	125	154	127	83	74	119	146	208	366	445
Total earnings on money market instruments	HCHG	701	858	767	940	4 065	1 881	2 542	2 851	1 597	1 574	2 154
Total earnings on debt securities	HL YW	12 505	15 274	15 479	18 377	23 237	17 921	23 101	25 020	21 952	22 169	25 845
Total	HL YX	16 400	19 725	20 247	23 826	29 298	25 694	32 973	34 881	32 484	32 555	37 427

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

4.5 Earnings on portfolio investment

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Debits												
(Foreign earnings on portfolio investment in the UK)												
Earnings on equity securities (shares) issued by:												
Monetary financial institutions (banks and building societies)	HBQJ	284	336	441	516	305	296	115	131	109	112	95
Other sectors ¹	HBQK	4 611	5 276	6 918	8 085	9 625	13 246	9 784	13 058	13 945	13 557	13 796
Total foreign earnings on UK equity securities	ZMRB	4 895	5 612	7 359	8 601	9 930	13 542	9 899	13 189	14 054	13 669	13 891
Earnings on debt securities												
Earnings on bonds and notes												
Issues by central government												
UK foreign currency bonds and notes	ZMRA	672	866	817	667	339	311	339	265	128	20	37
Earnings on British government stocks by:												
Foreign central banks (exchange reserves)	HESK	1 393	1 389	1 339	1 244	1 390	1 244	1 318	1 182	1 133	1 064	1 018
Other foreign residents	HCEV	2 997	2 836	3 232	3 797	4 007	3 417	2 918	2 743	2 562	3 020	3 564
Total foreign earnings on British government stocks	HENI	4 390	4 225	4 571	5 041	5 397	4 661	4 236	3 925	3 695	4 084	4 582
Total issues by central government	HBQU	5 062	5 091	5 388	5 708	5 736	4 972	4 575	4 190	3 823	4 104	4 619
Local authorities' bonds	HHGH	—	—	—	—	—	—	—	—	—	—	—
Public corporations' bonds	HESY	—	—	—	—	—	—	—	—	—	—	—
Issues by monetary financial institutions (banks and building societies)												
Bonds	HGUV	1 046	1 304	1 451	1 577	1 540	1 620	1 976	1 897	1 945	2 101	2 735
European medium term notes and other medium-term paper:												
Issued by UK banks	HCEY	511	745	897	1 025	1 071	1 035	1 138	1 350	1 418	1 788	2 587
Issued by UK building societies	HCFB	198	290	234	163	80	54	109	100	86	53	75
Total medium-term paper	HGMM	709	1 035	1 131	1 188	1 151	1 089	1 247	1 450	1 504	1 841	2 662
Total issues by monetary financial institutions	HBOT	1 755	2 339	2 582	2 765	2 691	2 709	3 223	3 347	3 449	3 942	5 397
Issues by other sectors ¹	HGUW	3 256	4 057	4 517	4 907	4 793	5 042	6 151	5 909	6 054	6 536	8 514
Total foreign earnings on UK bonds and notes	HLZA	10 073	11 487	12 487	13 380	13 220	12 723	13 949	13 446	13 326	14 582	18 530
Earnings on money market instruments												
Earnings on treasury bills (issued by central government)												
Sterling treasury bills	XAMR	26	55	64	29	49	38	3	13	20	24	126
Euro treasury bills	HHNV	95	106	85	67	18	3	—	—	—	—	—
Total earnings on treasury bills	HHZU	121	161	149	96	67	41	3	13	20	24	126
Earnings on certificates of deposit (Issued by monetary financial institutions)												
Issued by UK banks	HCEB	1 422	2 335	2 612	3 199	4 126	3 163	4 660	6 049	3 473	2 324	2 436
Issued by UK building societies	HGUY	37	47	37	26	19	21	35	20	17	40	70
Total earnings on certificates of deposit	HCEE	1 459	2 382	2 649	3 225	4 145	3 184	4 695	6 069	3 490	2 364	2 506
Earnings on commercial paper												
Issued by monetary financial institutions												
Issued by UK banks	HCEC	98	177	275	447	854	621	761	813	572	570	757
Issued by UK building societies	HHBC	119	206	205	140	51	100	161	110	36	42	86
Total earnings on mfi issued commercial paper	HCEF	217	383	480	587	905	721	922	923	608	612	843
Issued by other sectors ¹	HHZT	393	575	640	674	858	986	1 250	835	558	347	454
Total earnings on commercial paper	HHBO	610	958	1 120	1 261	1 763	1 707	2 172	1 758	1 166	959	1 297
Total foreign earnings on UK Money Market Instruments	HLYZ	2 190	3 501	3 918	4 582	5 975	4 932	6 870	7 840	4 676	3 347	3 929
Total foreign earnings on UK debt securities	HLZB	12 263	14 988	16 405	17 962	19 195	17 655	20 819	21 286	18 002	17 929	22 459
Total	HLZC	17 158	20 600	23 764	26 563	29 125	31 197	30 718	34 475	32 056	31 598	36 350

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

4.5 Earnings on portfolio investment

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
(net earnings)												
Earnings on equity securities (shares)	HLZO	-1 000	-1 161	-2 591	-3 152	-3 869	-5 769	-27	-3 328	-3 522	-3 283	-2 309
Earnings on debt securities												
Earnings on bonds and notes	HLZO	1 731	2 929	2 225	4 057	5 952	3 317	6 610	8 723	7 029	6 013	5 161
Earnings on money market instruments	HLZR	-1 489	-2 643	-3 151	-3 642	-1 910	-3 051	-4 328	-4 989	-3 079	-1 773	-1 775
Total foreign earnings on UK debt securities	HLZP	242	286	-926	415	4 042	266	2 282	3 734	3 950	4 240	3 386
Total	HLZX	-758	-875	-3 517	-2 737	173	-5 503	2 255	406	428	957	1 077

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

4.6 Earnings on portfolio investment

Sector analysis

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
(Earnings of UK residents on portfolio investment abroad)												
Earnings from portfolio investment abroad by UK:												
Monetary financial institutions												
Banks	AINB	7 670	10 386	11 240	13 045	17 823	13 496	18 695	19 896	17 965	18 319	21 288
Building societies	GJXE	63	81	119	103	134	176	292	333	337	277	282
Total monetary financial institutions	AIND	7 733	10 467	11 359	13 148	17 957	13 672	18 987	20 229	18 302	18 596	21 570
Central government	LSPA	—	—	—	—	—	—	—	18	26	19	9
Insurance companies and pension funds	AINE	3 438	4 080	4 113	3 986	5 275	5 655	5 736	5 767	6 392	6 232	7 356
Other financial intermediaries	AINF	4 102	3 323	3 922	5 824	5 418	5 794	7 570	8 051	6 890	6 689	7 276
Private non-financial corporations	AINI	247	299	315	353	153	138	203	377	445	593	780
Household sector ¹	AINK	880	1 556	538	515	495	435	477	439	429	426	436
Total	HLXX	16 400	19 725	20 247	23 826	29 298	25 694	32 973	34 881	32 484	32 555	37 427
Debits												
(Foreign earnings on portfolio investment in the UK)												
Foreign earnings from portfolio investment in UK:												
Monetary financial institutions												
(banks and building societies)	HBXI	3 715	5 440	6 152	7 093	8 046	6 910	8 955	10 470	7 656	7 030	8 841
Central government	HBXM	5 183	5 252	5 537	5 804	5 803	5 013	4 578	4 203	3 843	4 128	4 745
Local authorities	HHGH	—	—	—	—	—	—	—	—	—	—	—
Public corporations	HESY	—	—	—	—	—	—	—	—	—	—	—
Other sectors	HBXR	8 260	9 908	12 075	13 666	15 276	19 274	17 185	19 802	20 557	20 440	22 764
Total	HLZC	17 158	20 600	23 764	26 563	29 125	31 197	30 718	34 475	32 056	31 598	36 350
Balances												
(Net earnings)												
Monetary financial institutions	LTMI	4 018	5 027	5 207	6 055	9 911	6 762	10 032	9 759	10 646	11 566	12 729
Central government	ZPOF	-5 183	-5 252	-5 537	-5 804	-5 803	-5 013	-4 578	-4 185	-3 817	-4 109	-4 736
Local authorities	-HHGH	—	—	—	—	—	—	—	—	—	—	—
Public corporations	-HESY	—	—	—	—	—	—	—	—	—	—	—
Other sectors	LTMJ	407	-650	-3 187	-2 988	-3 935	-7 252	-3 199	-5 168	-6 401	-6 500	-6 916
Total	HLZX	-758	-875	-3 517	-2 737	173	-5 503	2 255	406	428	957	1 077

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

4.7 Earnings on other investment

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
(Earnings of UK residents on other investment abroad)												
Earnings on trade credit												
Central government	XBGJ	—	—	—	—	—	—	—	—	—	—	—
Other sectors ¹	HGQD	117	146	138	157	177	—	—	—	—	—	—
Total earnings on trade credit	AIOM	117	146	138	157	177	—	—	—	—	—	—
Earnings on loans												
Long-term												
Bank loans under ECGD guarantee	AINM	680	786	708	721	664	594	507	378	235	205	198
Inter-government loans by the UK	XBGI	8	9	10	8	9	4	4	4	3	4	2
Loans by Commonwealth Development Corporation (public corporations)	HGEN	98	104	102	110	123	115	101	74	74	74	74
Loans by the Export Credit Guarantee Department	CY95	—	—	—	—	—	—	—	—	513	588	873
Loans by specialist leasing companies ¹	HBXC	—	—	—	—	—	—	—	—	—	—	—
Total long-term loans	AI00	786	899	820	839	796	911	858	782	825	871	1 147
Short-term loans	VTUN	100	81	66	68	54	37	36	36	36	36	36
Total earnings on loans	CGKJ	886	980	886	907	850	948	894	818	861	907	1 183
Earnings on deposits												
By UK monetary financial institutions (banks)												
Sterling deposits	CGEJ	2 803	3 598	3 995	5 518	6 838	6 341	7 532	7 082	5 761	6 202	8 161
Foreign currency deposits	HCAT	25 022	31 032	31 231	28 606	29 205	27 260	38 995	40 405	26 412	23 921	22 888
Total deposits by UK banks	CGGT	27 825	34 630	35 226	34 124	36 043	33 601	46 527	47 487	32 173	30 123	31 049
Deposits by securities dealers	HGTD	1 543	1 104	1 272	1 080	789	854	1 376	2 908	1 733	1 762	1 904
Deposits by other UK residents ¹	CGJK	3 155	3 801	3 202	3 927	4 422	3 584	5 538	5 315	3 906	3 801	5 031
Total earnings on deposits abroad	CGJQ	32 523	39 535	39 700	39 131	41 254	38 039	53 441	55 710	37 812	35 686	37 984
Earnings on other assets												
(Non-governmental sectors other than monetary financial institutions)												
Trusts and annuities	HHLF	261	292	315	338	352	388	548	489	325	305	329
Miscellaneous central government receipts	HPPK	—	—	—	—	126	—	—	—	—	—	—
Total earnings on other assets	CGKM	261	292	315	338	478	388	548	489	325	305	329
Total	AIOP	33 787	40 953	41 039	40 533	42 759	39 375	54 883	57 017	38 998	36 898	39 496

¹ These series relate to non-governmental sectors other than monetary financial institutions (and securities dealers).

4.7 Earnings on other investment

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Debits												
(Foreign earnings on other investment in the UK)												
Earnings on trade credit												
Public corporations	XBGW	—	—	—	—	—	—	—	—	—	—	—
Other sectors ¹	HHLW	158	150	152	143	140	—	—	—	—	—	—
Total earnings on trade credit	CGMA	158	150	152	143	140	—	—	—	—	—	—
Earnings on loans ²												
Loans to:												
Central government	CGLF	26	24	20	18	14	13	14	77	71	55	47
Local authorities	CGLG	45	38	30	21	16	12	7	4	2	—	—
Public corporations	CGLH	39	43	34	28	20	—	—	—	—	—	—
Securities dealers	CGLI	4 377	3 273	3 354	5 293	5 120	4 762	7 502	9 525	6 722	6 853	6 557
Other ¹	CGMD	4 126	4 464	4 477	5 428	5 546	6 285	7 880	8 605	8 273	6 574	8 390
Total earnings on loans	CGNO	8 613	7 842	7 915	10 788	10 716	11 072	15 403	18 211	15 068	13 482	14 994
Earnings on deposits ²												
(Monetary financial institutions)												
Deposits with UK banks												
Sterling deposits	HCEG	4 225	5 787	6 118	6 492	8 044	7 566	9 430	9 067	7 095	6 898	9 835
Foreign currency deposits	HCEH	28 437	35 260	34 931	31 837	32 653	32 644	45 075	43 488	28 477	25 016	24 172
Total deposits with UK banks	HCEQ	32 662	41 047	41 049	38 329	40 697	40 210	54 505	52 555	35 572	31 914	34 007
Deposits with UK building societies	HHLS	384	482	430	355	267	224	310	229	184	179	223
Total earnings on deposits	HMAS	33 046	41 529	41 479	38 684	40 964	40 434	54 815	52 784	35 756	32 093	34 230
Earnings on other liabilities												
(Non-governmental sectors other than monetary financial institutions)												
Imputed income to foreign households from UK insurance companies technical reserves	HBWS	638	795	715	842	1 185	1 280	1 028	1 319	1 196	1 243	1 184
Other liabilities	CGME	—	—	—	—	—	—	—	—	—	—	—
Total earnings on other liabilities	CGMH	638	795	715	842	1 185	1 280	1 028	1 319	1 196	1 243	1 184
Total	HLZN	42 455	50 316	50 261	50 457	53 005	52 786	71 246	72 314	52 020	46 818	50 408
Balances												
(Net earnings)												
Trade credit	LTMK	—41	—4	—14	14	37	—	—	—	—	—	—
Loans	LTML	—7 727	—6 862	—7 029	—9 881	—9 866	—10 124	—14 509	—17 393	—14 207	—12 575	—13 811
Currency and deposits	LTMN	—523	—1 994	—1 779	447	290	—2 395	—1 374	2 926	2 056	3 593	3 754
Other investment	LTMN	—377	—503	—400	—504	—707	—892	—480	—830	—871	—938	—855
Total	CGNA	—8 668	—9 363	—9 222	—9 924	—10 246	—13 411	—16 363	—15 297	—13 022	—9 920	—10 912

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

² It is not possible to separate out earnings on foreign loans to UK banks from earnings on foreign deposits with UK banks. Earnings on such loans are therefore included indistinguishably within earnings on deposits.

4.8 Earnings on other investment

Sector analysis

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
(Earnings of UK residents on other investment abroad)												
Earnings from other investment by UK:												
Monetary financial institutions (banks)	CGMM	28 530	35 426	35 938	34 850	36 710	34 195	47 034	47 865	32 408	30 328	31 247
Central government	CGMN	8	9	10	8	135	4	4	4	3	4	2
Public corporations	ZPOP	98	104	102	110	123	313	347	400	587	662	947
Other sectors	CGMR	5 151	5 414	4 989	5 565	5 791	4 863	7 498	8 748	6 000	5 904	7 300
Total	AIOP	33 787	40 953	41 039	40 533	42 759	39 375	54 883	57 017	38 998	36 898	39 496
Debits												
(Foreign earnings on other investment in the UK)												
Foreign earnings from other investment in UK:												
Monetary financial institutions												
Banks	HCEQ	32 662	41 047	41 049	38 329	40 697	40 210	54 505	52 555	35 572	31 914	34 007
Building societies	HHLS	384	482	430	355	267	224	310	229	184	179	223
Total monetary financial institutions	HMAS	33 046	41 529	41 479	38 684	40 964	40 434	54 815	52 784	35 756	32 093	34 230
Central government	CGLF	26	24	20	18	14	13	14	77	71	55	47
Local authorities	CGLG	45	38	30	21	16	12	7	4	2	—	—
Public corporations	CGMV	39	43	34	28	20	—	—	—	—	—	—
Other sectors	CGMZ	9 299	8 682	8 698	11 706	11 991	12 327	16 410	19 449	16 191	14 670	16 131
Total	HLZN	42 455	50 316	50 261	50 457	53 005	52 786	71 246	72 314	52 020	46 818	50 408
Balances												
(Net earnings)												
Monetary financial institutions	LTMO	-4 516	-6 103	-5 541	-3 834	-4 254	-6 239	-7 781	-4 919	-3 348	-1 765	-2 983
Central government	LTMP	-18	-15	-10	-10	121	-9	-10	-73	-68	-51	-45
Local authorities	-CGLG	-45	-38	-30	-21	-16	-12	-7	-4	-2	—	—
Public corporations	LTMQ	59	61	68	82	103	313	347	400	587	662	947
Other sectors	LTMR	-4 148	-3 268	-3 709	-6 141	-6 200	-7 464	-8 912	-10 701	-10 191	-8 766	-8 831
Total	CGNA	-8 668	-9 363	-9 222	-9 924	-10 246	-13 411	-16 363	-15 297	-13 022	-9 920	-10 912

Chapter 5

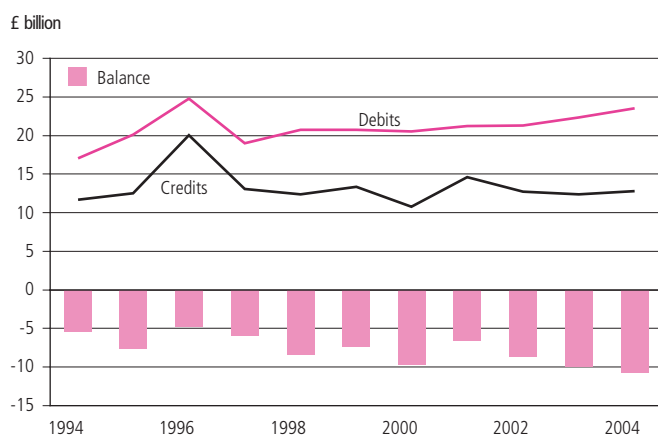
Current transfers

Summary

The current transfers deficit almost doubled between 1993 and 2000, growing from £5.2 billion in 1993 to £9.8 billion in 2000. After decreasing to £6.6 billion in 2001, the deficit increased in each of the three subsequent years, to a record £10.7 billion at the end of 2004.

The deficit on the government sector widened, from a deficit of £7.0 billion in 2003 to a deficit of £8.3 billion in 2004. Over the same period the deficit for other sectors fell by £0.6 billion to £2.4 billion. Overall receipts from EU institutions rose by £0.1 billion in 2004 to £7.0 billion, while payments remained at £11.5 billion, the same figure recorded in 2003.

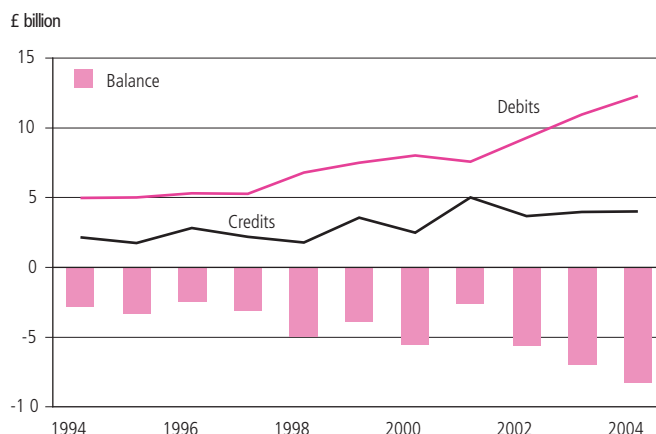
Figure 5.1
Current transfers



Central government transfers

Central government transfers include: taxes and social contributions received from non-resident workers and businesses; current transfers with international organisations (e.g. EU Institutions); bilateral aid; social security payments abroad; military grants; and miscellaneous (e.g. Gulf conflict) transfers. On the credits side there was little movement, with the total remaining at £4.0 billion, as in 2003. Debits increased by £1.4 billion between 2003 and 2004, mainly driven by GNP fourth resource contributions to EU institutions, which rose by £0.9 billion.

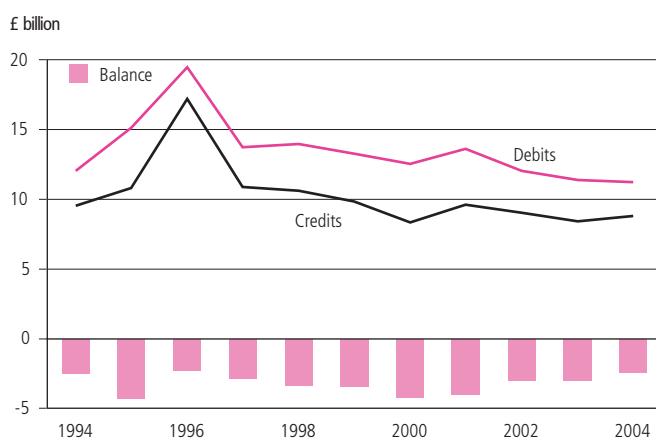
Figure 5.2
Transfers by central government



Other sector transfers

Non-government transfers include those EU transfers where the UK government simply acts as the agent for the final beneficiary (e.g. social fund and agricultural guidance fund receipts) or original payer (e.g. 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). Other sectors credits rose by £0.4 billion from 2003 to 2004, to £8.8 billion, whilst other sectors debits fell by £0.2 billion over the same period, to £11.2 billion, narrowing the deficit in 2004 to £2.4 billion.

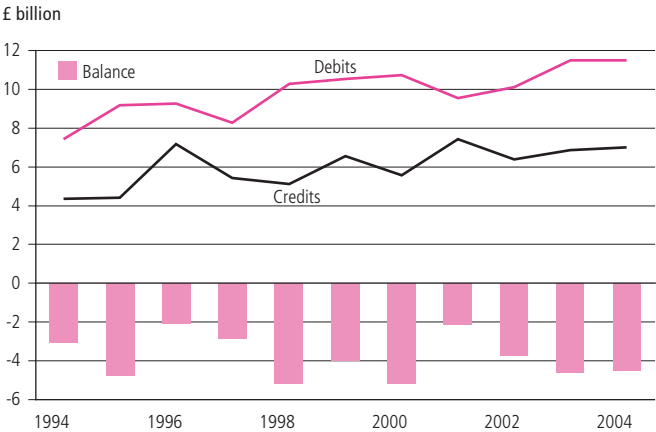
Figure 5.3
Transfers by other sectors



EU institutions

Transfers with EU institutions constitute the largest single component within current transfers. They showed a deficit in every year from 1986 to 2004: the lowest deficit recorded over the last ten years is £2.1 billion (in 1996 and 2001) and the highest deficit is £5.2 billion (in 1998). The deficit decreased by £0.1 billion between 2003 and 2004, to £4.5 billion.

Figure 5.4
Transfers with other EU institutions



5.1 Current transfers

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
Central government												
Current taxes on income, wealth etc.	FJKI	361	472	376	402	354	337	357	398	527	375	396
Other taxes on production	FJKH	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJBC	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJBH	25	25	28	32	29	29	24	25	24	23	22
Social benefits	FJBL	—	—	—	—	—	—	—	—	—	—	—
EU Institutions:												
(a) Abatement	FKKL	1 726	1 208	2 411	1 733	1 377	3 171	2 084	4 560	3 099	3 560	3 592
(b) Other EU receipts	FKIJ	26	25	13	6	7	5	—	8	13	10	12
Miscellaneous receipts ¹	FKIK	—	—	—	—	—	—	—	—	—	—	—
Total central government	FJUM	2 138	1 730	2 828	2 173	1 767	3 542	2 465	4 991	3 663	3 968	4 022
Other sectors												
Current taxes on income, wealth etc.	FJBJ	—	—	—	—	—	—	—	—	—	—	—
Other taxes on production	FJGC	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJBA	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJAB	67	70	80	75	70	60	31	34	53	21	14
EU Institutions:												
(a) Agricultural Guarantee Fund	EBGL	2 245	2 392	3 931	3 063	2 935	2 931	2 831	2 484	2 847	2 856	2 978
(b) Social Fund	HDIZ	320	755	804	615	783	434	659	370	412	427	433
(c) ECSC Grant	FJKP	45	39	29	5	1	—	—	1	—	—	2
Net non-life insurance premiums ²	NQOP	4 145	4 993	9 763	4 423	4 168	3 663	2 144	3 998	3 009	2 364	2 676
Non-life insurance claims ³	FJFA	—	—	5	5	7	10	18	25	19	19	27
Other receipts of households ⁴	FKIL	2 699	2 572	2 589	2 712	2 633	2 730	2 653	2 689	2 698	2 713	2 667
Total other sectors	FJUN	9 521	10 821	17 201	10 898	10 597	9 828	8 336	9 601	9 038	8 400	8 797
Total	KTND	11 659	12 551	20 029	13 071	12 364	13 370	10 801	14 592	12 701	12 368	12 819
<i>Of which: Receipts from EU institutions</i>	FKIM	4 362	4 419	7 188	5 422	5 103	6 541	5 574	7 423	6 371	6 853	7 017

1 Includes contributions by other countries towards the UK's cost of the 1991 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

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Debits												
Central government												
Current taxes on income, wealth etc.	FJKK	—	—	—	—	—	—	—	—	—	—	—
Other taxes on production	FJKN	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJCE	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJCH	—	—	—	—	—	—	—	—	—	—	—
Social security benefits	FJCK	899	972	1 029	1 102	1 162	1 183	1 218	1 292	1 388	1 452	1 575
Contributions to international organisations												
EU Institutions:												
(a) GNP: 4th Resource	HCSO	2 340	1 639	2 488	2 655	3 516	4 403	4 243	3 859	5 259	6 622	7 565
(b) GNP adjustments	HCSM	—269	187	—34	—197	404	229	136	—1	76	150	—16
(c) Inter governmental agreements	HCBW	—	—	—	—	—	—	—	—	—	—	—
(d) Other	FKIN	7	8	8	31	—1	11	6	24	10	13	—7
Other organisations:												
(a) Military	HDKF	35	116	112	168	139	118	157	195	192	152	169
(b) Multilateral economic assistance	HCHJ	381	358	273	268	314	245	503	434	539	367	546
(c) Other	HCKL	702	835	633	429	402	479	691	647	459	488	557
Bilateral aid:												
(a) Non-project grants	FJKT	352	249	214	131	142	133	175	185	206	268	303
(b) Technical cooperation	FJKU	516	604	543	644	692	651	859	904	1 038	1 320	1 478
Military grants	HDJO	14	54	31	29	17	30	27	45	129	107	130
Total central government	FJUO	4 977	5 022	5 297	5 260	6 787	7 482	8 015	7 584	9 296	10 939	12 300
Other sectors												
Current taxes on income, wealth etc.	FJCI	452	557	610	638	454	682	775	523	644	453	474
Other taxes on production	FJLB	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJCC	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJBG	—	—	—	—	—	—	—	—	—	—	—
Social benefits	FJCM	67	70	80	75	70	60	31	34	53	21	14
EU Institutions:												
(a) Customs duties and agricultural levies	QYRD	2 134	2 458	2 318	2 291	2 076	2 024	2 086	2 069	1 919	1 937	2 145
(b) Sugar levies	GTBA	98	55	26	91	42	46	44	31	25	18	25
(c) VAT based contributions	HCML	4 189	4 635	4 441	3 646	3 758	3 920	4 104	3 624	2 720	2 775	1 764
(d) VAT adjustments	FSVL	—1 068	210	30	—249	470	—109	100	—49	88	—35	25
(e) ECSC Production levy	GTBB	—	—	—	—	—	—	—	—	—	—	—
Net non-life insurance premiums ¹	FJDB	—	—	5	5	7	10	18	25	19	19	27
Non-life insurance claims ²	NQQR	4 145	4 993	9 763	4 423	4 168	3 663	2 144	3 998	3 009	2 364	2 676
Other payments by households ³	FKIQ	2 034	2 125	2 214	2 809	2 906	2 975	3 236	3 364	3 543	3 838	4 082
Total other sectors	FJUP	12 051	15 103	19 487	13 729	13 951	13 271	12 538	13 619	12 020	11 390	11 232
Total	KTNE	17 028	20 125	24 784	18 989	20 738	20 753	20 553	21 203	21 316	22 329	23 532
Of which: Payments to EU institutions	FKIR	7 431	9 192	9 277	8 268	10 265	10 524	10 719	9 557	10 097	11 480	11 501

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.

5.1

Current transfers

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
Central government												
Current taxes on income, wealth etc.	FJKJ	361	472	376	402	354	337	357	398	527	375	396
Other taxes on production	FJIZ	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJBD	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJBI	25	25	28	32	29	29	24	25	24	23	22
Social benefits	FJBM	—899	—972	—1 029	—1 102	—1 162	—1 183	—1 218	—1 292	—1 388	—1 452	—1 575
Other current transfers ¹	FJKW	—2 326	—2 817	—1 844	—2 419	—4 241	—3 123	—4 713	—1 724	—4 796	—5 917	—7 121
Total central government	FJUQ	—2 839	—3 292	—2 469	—3 087	—5 020	—3 940	—5 550	—2 593	—5 633	—6 971	—8 278
Other sectors												
Current taxes on income, wealth etc.	FJHU	—452	—557	—610	—638	—454	—682	—775	—523	—644	—453	—474
Other taxes on production	FJHT	—	—	—	—	—	—	—	—	—	—	—
Other subsidies on production	FJHV	—	—	—	—	—	—	—	—	—	—	—
Social contributions	FJHJ	67	70	80	75	70	60	31	34	53	21	14
Social benefits	FJJG	253	685	724	540	713	374	628	336	359	406	419
Other current transfers ¹	FJLT	—2 398	—4 480	—2 480	—2 808	—3 683	—3 195	—4 086	—3 865	—2 750	—2 964	—2 394
Total other sectors	FJUR	—2 530	—4 282	—2 286	—2 831	—3 354	—3 443	—4 202	—4 018	—2 982	—2 990	—2 435
Total	KTNF	—5 369	—7 574	—4 755	—5 918	—8 374	—7 383	—9 752	—6 611	—8 615	—9 961	—10 713
Of which: EU institutions	FKIS	—3 069	—4 773	—2 089	—2 846	—5 162	—3 983	—5 145	—2 134	—3 726	—4 627	—4 484

¹ Includes an estimate for workers' remittances.

Part 2

**Capital account,
financial account and
International
investment position**

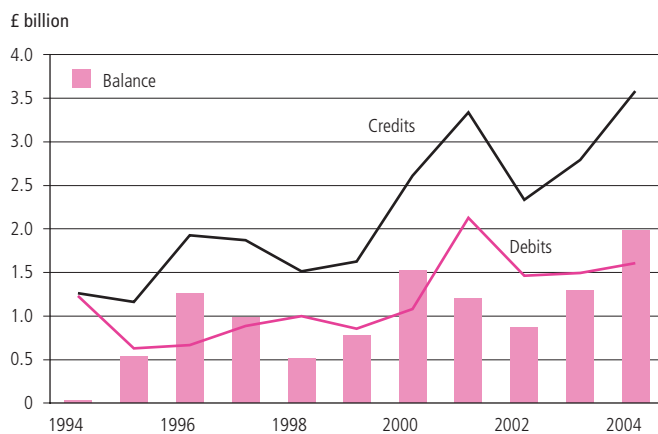
Chapter 6

Capital account

Summary

The capital account has remained in surplus for over 20 years. A surplus of £2.0 billion was recorded in 2004; the £0.7 billion increase compared to 2003 was mainly due to a rise in regional development fund receipts from the EU.

Figure 6.1
Capital account



6.1 Capital account

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
Capital transfers												
Central government												
Debt forgiveness	FJUU	–	–	–	–	–	–	–	–	–	–	–
Other capital transfers	FJLY	–	–	–	–	–	–	–	–	–	–	–
Total central government	FJMD	–	–	–	–	–	–	–	–	–	–	–
Other sectors												
Migrants' transfers	FJMG	603	678	703	754	967	1 144	1 371	2 267	1 864	1 951	2 298
Debt forgiveness	FJNC	–	–	–	–	–	–	–	–	–	–	–
Other capital transfers												
EU Institutions:												
Regional development fund	FKIT	608	437	620	812	357	285	989	543	296	622	1 062
Agricultural guidance fund	FJXL	52	48	30	57	56	47	82	26	–	2	49
Other capital transfers	EBGO	–	–	524	178	43	–	–	322	–	–	–
Total EU institutions	FKIV	660	485	1 174	1 047	456	332	1 071	891	296	624	1 111
Total other sectors	FJMU	1 263	1 163	1 877	1 801	1 423	1 476	2 442	3 158	2 160	2 575	3 409
Total capital transfers	FJMX	1 263	1 163	1 877	1 801	1 423	1 476	2 442	3 158	2 160	2 575	3 409
Sales of non-produced, non-financial assets	FJUX	–	–	49	68	89	152	165	177	172	218	175
Total	FKMH	1 263	1 163	1 926	1 869	1 512	1 628	2 607	3 335	2 332	2 793	3 584
Debits												
Capital transfers												
Central government												
Debt forgiveness	FJUV	24	28	23	24	146	22	22	18	15	16	13
Other capital transfers (project grants)	FJMB	188	149	143	169	182	171	225	237	263	345	390
Total central government	FJME	212	177	166	193	328	193	247	255	278	361	403
Other sectors												
Migrants' transfers	FJMH	500	453	465	592	531	499	461	1 300	582	547	515
Debt forgiveness												
Monetary financial institutions ¹	FJNF	518	–	–	–	–	–	–	–	–	–	–
Public corporations ²	HMLY	–	–	–	–	–	23	231	300	300	300	300
Total debt forgiveness	IZZZ	518	–	–	–	–	23	231	300	300	300	300
Other capital transfers	FJMS	–	–	–	–	–	–	–	–	–	–	–
Total other sectors	FJMV	1 018	453	465	592	531	522	692	1 600	882	847	815
Total capital transfers	FJMY	1 230	630	631	785	859	715	939	1 855	1 160	1 208	1 218
Purchases of non-produced, non-financial assets	FJUY	–	–	35	102	137	140	141	274	304	289	386
Total	FKMI	1 230	630	666	887	996	855	1 080	2 129	1 464	1 497	1 604
Balances												
Capital transfers												
Central government												
Debt forgiveness	FJUW	–24	–28	–23	–24	–146	–22	–22	–18	–15	–16	–13
Other capital transfers	FJMC	–188	–149	–143	–169	–182	–171	–225	–237	–263	–345	–390
Total central government	FJMF	–212	–177	–166	–193	–328	–193	–247	–255	–278	–361	–403
Other sectors												
Migrants' transfers	FJMI	103	225	238	162	436	645	910	967	1 282	1 404	1 783
Debt forgiveness	FJNG	–518	–	–	–	–	–23	–231	–300	–300	–300	–300
Other capital transfers	FJMT	660	485	1 174	1 047	456	332	1 071	891	296	624	1 111
Total other sectors	FJMW	245	710	1 412	1 209	892	954	1 750	1 558	1 278	1 728	2 594
Total capital transfers	FJMZ	33	533	1 246	1 016	564	761	1 503	1 303	1 000	1 367	2 191
Non-produced, non-financial assets	NHSG	–	–	14	–34	–48	12	24	–97	–132	–71	–211
Total	FKMJ	33	533	1 260	982	516	773	1 527	1 206	868	1 296	1 980

1 This series also appears in the Financial Account (see Table 7.7).

2 This series also appears in the Financial Account (see Table 7.7) as series HMLW.

Chapter 7

Financial account

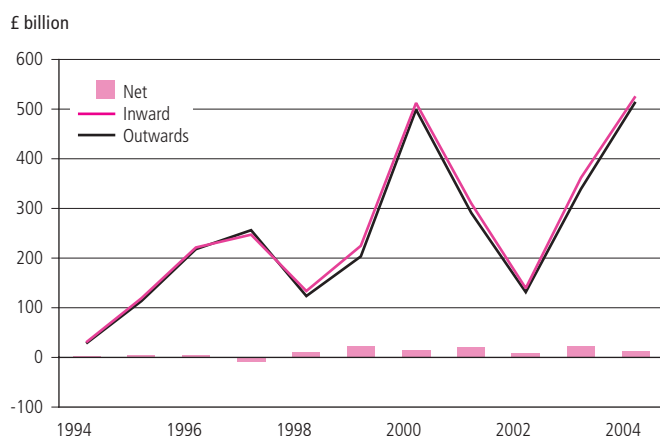
Summary

Investment abroad and into the UK both increased dramatically from the mid-1990s, reflecting the increased globalisation of the world economy. From 1998 to 2000 the increase was driven by global merger and acquisition activity. Since then, portfolio investment and banking activity have dominated cross-border investment.

In recent years the United Kingdom has needed to borrow from abroad to finance a continuing current account deficit, which has resulted in inward investment (UK liabilities) exceeding outward investment (UK assets).

Direct investment abroad exceeded investment into the UK in 2004, following the normal trend which shows a net increase in assets in every year since 1991. The historical pattern of portfolio investment has also been to record net investment abroad, although this pattern has been distorted by the attractiveness of UK debt securities to foreign investors in recent years. In 1999 and 2000 high investment in UK equity resulted from substantial UK direct investment acquisitions in foreign telecom and pharmaceutical companies, which were funded by the issue of UK shares to foreign shareholders; this is recorded as portfolio investment in the UK. Other investment is the largest and most volatile form of investment. 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.

Figure 7.1
Financial account



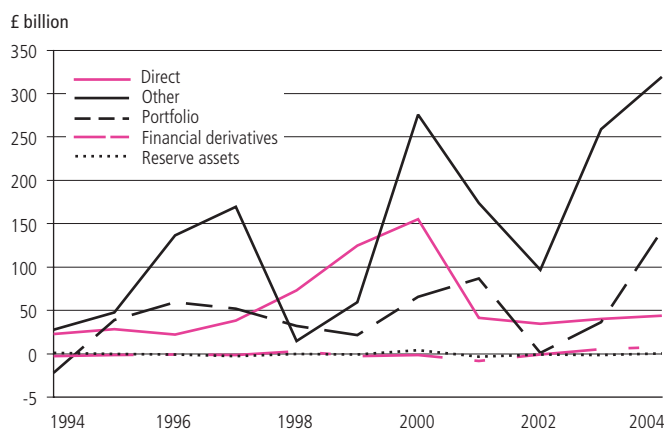
UK investment abroad reached a record £513.7 billion in 2004, with record outward portfolio and other investment. Direct investment abroad increased to its highest level since 2000, but is still substantially lower than the levels seen during the mergers and acquisition boom of the late 1990s.

Inward investment showed a similar pattern to outward investment, reaching a record £525.8 billion in 2004. As for outward investment, there was also record other investment into the UK, as well as a pick-up in inward direct investment. Portfolio investment showed a slight fall on 2003.

Direct investment

Outward direct investment peaked at £155.0 billion in 2000, reflecting booming merger and acquisition activity – the largest outward acquisitions were the investment in Mannesmann AG by Vodafone Airtouch for a reported £100 billion and the purchase of Atlantic Richfield Company by BP Amoco plc for a reported £18 billion. Outward direct investment fell to £44.0 billion in 2004, following lower merger and acquisition activity, with the number of net acquisitions of foreign companies more than halving over the 2000 to 2004 period, to a figure of 187 (557 acquisitions against 168 disposals in 2000, declining to 305 acquisitions against 118 disposals in 2004). These transactions are reflected in the equity capital component of direct investment abroad. The major component of outward investment in recent years has been reinvested earnings rather than equity capital.

Figure 7.2
UK investment abroad
Credits less debits



Until 2004, inward direct investment showed a pattern similar to outward investment, with record direct investment in the UK of £80.6 billion in 2000, followed by lower levels of investment due to the slowdown in global merger and acquisition activity. In 2004 however, there have been a number of inward acquisitions, including the purchase of Abbey National by Banco Santander, that have led to the highest inward investment flows since 2000.

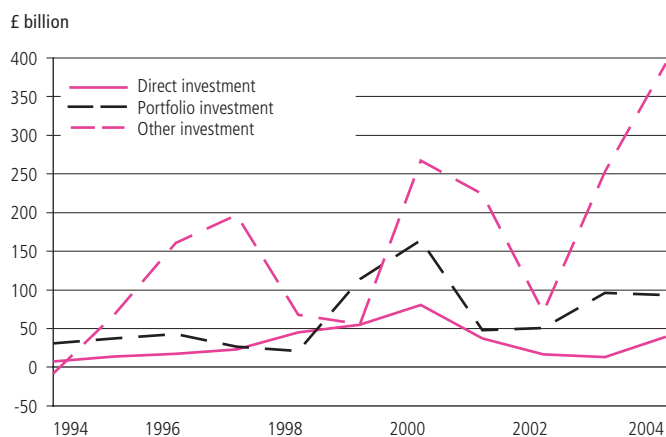
Portfolio investment

Portfolio investment abroad has shown net investment in every year since 1994, reaching a record £142.4 billion in 2004. Generally investment in foreign debt exceeds investment in foreign equities. In 2004, there was record investment in both foreign equities and foreign debt, with banks buying £31.6 billion of foreign equities and £57.1 billion of foreign bonds and notes. Net disposals of equity securities occurred in three years coinciding with financial shocks: the UK's exit from the Exchange Rate Mechanism in 1992; the South-East Asia crisis in 1997; and the collapse in equity markets in 2002.

There has been inward portfolio investment in every year data are available. In the early 1990s, the majority of investment was in bonds and notes. This switched to UK issued equity in the late 1990s as the counterpart to the outward direct investment occurring then. Since 2002, there has been strong net investment in UK debt securities. The attractiveness of UK debt to foreign investors may reflect higher interest rates in the UK compared to other major economies, and a switch from dollar to sterling issued debt due to the fall in the value of the dollar over this period.

Figure 7.3

Foreign investment in the UK

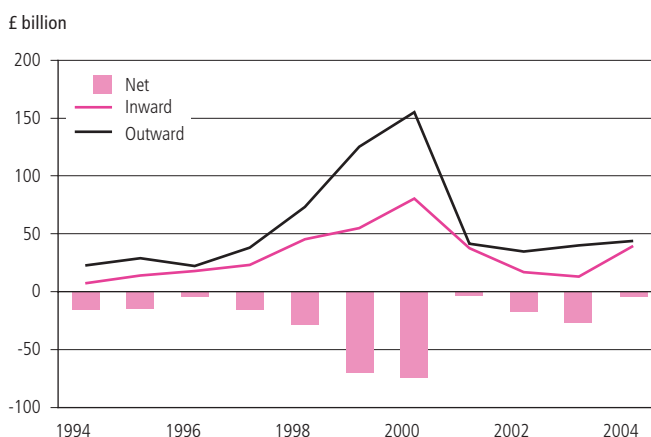


Other investment

In most recent years, loans and deposits by UK banks constitute the major component of other investment. Loans and deposits by UK banks are carried out predominantly in foreign currency, so will be partly influenced by relative exchange rates and interest rates as well as the global financial conditions generally. In 2004, UK banks made deposits in foreign currency of £108.4 billion and made loans in foreign currency of £104.8 billion. Other investment in the UK is largely composed of deposits with UK banks and short-term loans to securities dealers and other sectors (principally private non-financial corporations). Net foreign currency deposits with UK banks reached a record £275.1 billion in 2004.

Figure 7.4

Direct investment

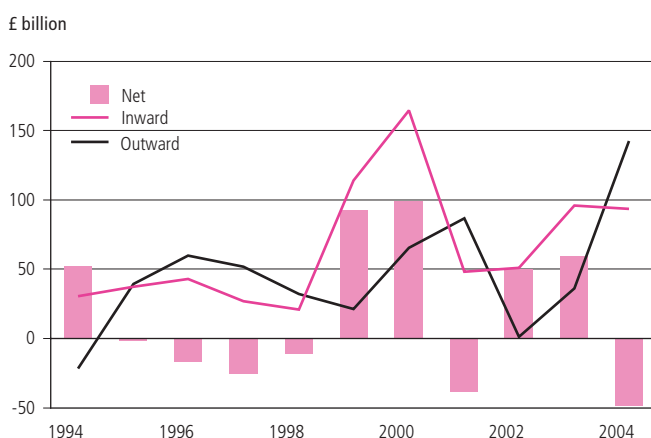


Sectoral breakdown of the financial account

There has been net inward investment into UK banks for every year since 1998. Effectively this has funded the UK's current account deficit over this period. Net transactions of other

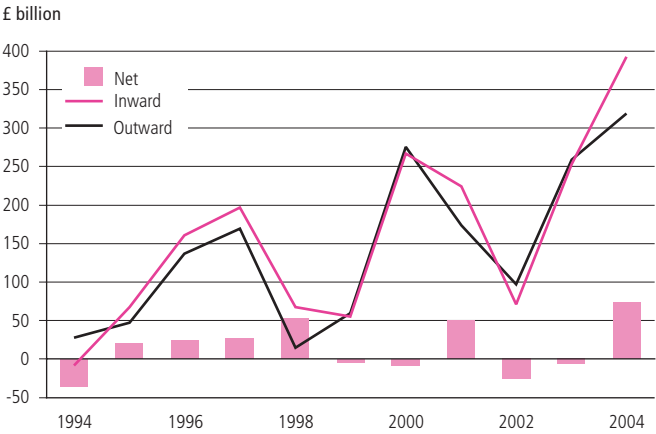
Figure 7.5

Portfolio investment



sectors in recent years have shown net outward investment, therefore offsetting investment into the banking sector to some extent.

Figure 7.6
Other investment



7.1

Financial account Summary table

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
UK investment abroad (UK assets = net debits)												
Direct investment abroad												
Equity capital	-HJYM	7 697	8 079	4 842	21 305	47 185	101 323	147 092	15 395	25 580	17 001	17 904
Reinvested earnings	-HDNY	13 827	14 378	17 271	16 112	14 071	21 392	25 178	27 220	32 209	21 013	27 591
Other capital transactions	-HMAB	1 170	6 242	175	832	12 075	2 313	-17 275	-1 283	-23 323	1 929	-1 499
Total direct investment abroad	-HJYP	22 694	28 699	22 288	38 249	73 331	125 028	154 995	41 332	34 466	39 943	43 996
Portfolio investment abroad												
Equity securities	-HBVI	1 350	8 386	10 361	-4 202	2 713	14 455	20 521	44 464	-3 189	19 684	56 327
Debt securities	-XBMW	-23 159	30 888	49 399	56 143	29 360	6 935	45 042	42 087	4 200	16 583	86 098
Total portfolio investment abroad	-HHZC	-21 809	39 274	59 760	51 941	32 073	21 390	65 563	86 551	1 011	36 267	142 425
Financial derivatives (net)	-ZPNN	-2 373	-1 667	-963	-1 156	3 043	-2 685	-1 553	-8 417	-1 001	5 401	7 875
Other investment abroad	-XBMM	27 773	47 498	136 669	169 475	14 961	59 355	275 615	173 762	96 934	259 170	319 241
Reserve assets	-LTCV	1 045	-200	-510	-2 380	-164	-639	3 915	-3 085	-459	-1 559	196
Total	-HBNR	27 330	113 604	217 244	256 129	123 244	202 449	498 535	290 143	130 951	339 222	513 733
Investment in the UK (UK liabilities = net credits)												
Direct investment in the UK												
Equity capital	HJYR	3 316	12 756	8 156	11 599	27 895	46 709	59 811	20 954	11 809	4 094	22 313
Reinvested earnings	CYFV	3 953	5 254	7 873	6 386	1 522	4 607	10 788	-992	3 647	7 448	9 443
Other capital transactions	HMAJ	-170	-4 179	1 535	4 915	15 637	3 750	9 967	17 386	1 326	1 296	7 810
Total direct investment in the UK	HJYU	7 099	13 831	17 564	22 900	45 054	55 066	80 566	37 348	16 782	12 838	39 566
Portfolio investment in the UK												
Equity securities	XBLW	4 843	5 111	6 073	4 793	37 785	72 127	113 593	23 065	3 164	9 738	-8 344
Debt securities	XBLX	25 837	32 204	36 920	21 997	-16 943	41 908	51 039	25 072	47 846	86 153	101 690
Total portfolio investment in the UK	HHZF	30 680	37 315	42 993	26 790	20 842	114 035	164 632	48 137	51 010	95 891	93 346
Other investment in the UK	XBMM	-8 323	67 463	160 723	196 670	67 640	55 461	267 043	223 968	71 186	252 826	392 859
Total	HBNS	29 456	118 609	221 280	246 360	133 536	224 562	512 241	309 453	138 978	361 555	525 771
Net transactions (net credits / less net debits)												
Direct investment												
Equity capital	HBWN	-4 381	4 677	3 314	-9 706	-19 290	-54 614	-87 281	5 559	-13 771	-12 907	4 409
Reinvested earnings	HBWT	-9 874	-9 124	-9 398	-9 726	-12 549	-16 785	-14 390	-28 212	-28 562	-13 565	-18 148
Other capital transactions	HBWU	-1 340	-10 421	1 360	4 083	3 562	1 437	27 242	18 669	24 649	-633	9 309
Total net direct investment	HJYV	-15 595	-14 868	-4 724	-15 349	-28 277	-69 962	-74 429	-3 984	-17 684	-27 105	-4 430
Portfolio investment												
Equity securities	HBWV	3 493	-3 275	-4 288	8 995	35 072	57 672	93 072	-21 399	6 353	-9 946	-64 671
Debt securities	HBWX	48 996	1 316	-12 479	-34 146	-46 303	34 973	5 997	-17 015	43 646	69 570	15 592
Total net portfolio investment	HHZD	52 489	-1 959	-16 767	-25 151	-11 231	92 645	99 069	-38 414	49 999	59 624	-49 079
Financial derivatives	ZPNN	2 373	1 667	963	1 156	-3 043	2 685	1 553	8 417	1 001	-5 401	-7 875
Other investment	HHYR	-36 096	19 965	24 054	27 195	52 679	-3 894	-8 572	50 206	-25 748	-6 344	73 618
Reserve assets	LTCV	-1 045	200	510	2 380	164	639	-3 915	3 085	459	1 559	-196
Total	HBNT	2 126	5 005	4 036	-9 769	10 292	22 113	13 706	19 310	8 027	22 333	12 038

7.2 Financial account

Summary table

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
UK investment abroad (UK assets = net debits)												
By:												
Monetary financial institutions												
Banks	-HFAM	57 062	48 911	85 819	165 973	75 467	6 598	229 288	123 341	60 188	181 453	325 910
Building societies	HEQN	322	529	-369	2 557	1 334	949	4 382	1 476	-903	-1 786	706
Total monetary financial institutions	-HFAQ	57 384	49 440	85 450	168 530	76 801	7 547	233 670	124 817	59 285	179 667	326 616
Central government	-HFAN	1 495	269	1 387	-2 263	-245	-311	4 251	-2 620	610	-2 160	580
Public corporations	-HFAO	110	163	92	122	67	125	400	38	-115	-584	-511
Other sectors	-HFAP	-31 659	63 732	130 275	89 740	46 621	195 088	260 214	167 908	71 171	162 299	187 048
Total	-HBNR	27 330	113 604	217 244	256 129	123 244	202 449	498 535	290 143	130 951	339 222	513 733
Investment in the UK (UK liabilities = net credits)												
In:												
Monetary financial institutions (banks and building societies)	CGUL	59 327	48 296	92 207	163 169	34 570	37 915	247 524	143 430	116 153	203 907	354 155
Central government	HFAR	5 813	719	5 301	-4 315	439	-4 434	-244	-95	-4 534	13 657	12 168
Local authorities	HFAS	-78	-51	13	-53	-87	-106	-188	22	26	204	633
Public corporations	HFAT	-118	-151	-14	-206	-5	-	-	-	-	-	-
Other sectors	GGCJ	-35 488	69 796	123 773	87 765	98 619	191 187	265 149	166 096	27 333	143 787	158 815
Total	HBNS	29 456	118 609	221 280	246 360	133 536	224 562	512 241	309 453	138 978	361 555	525 771
Net transactions (net credits less net debits)												
In assets and liabilities of:												
Monetary financial institutions (banks and building societies)	GGCK	1 943	-1 144	6 757	-5 361	-42 231	30 368	13 854	18 613	56 868	24 240	27 539
Central government	HFAV	4 318	450	3 914	-2 052	684	-4 123	-4 495	2 525	-5 144	15 817	11 588
Local authorities	HFAS	-78	-51	13	-53	-87	-106	-188	22	26	204	633
Public corporations	HFAW	-228	-314	-106	-328	-72	-125	-400	-38	115	584	511
Other sectors	GGCL	-3 829	6 064	-6 502	-1 975	51 998	-3 901	4 935	-1 812	-43 838	-18 512	-28 233
Total	HBNT	2 126	5 005	4 036	-9 769	10 292	22 113	13 706	19 310	8 027	22 333	12 038

7.3 Direct investment

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Direct investment abroad (UK assets = net debits)												
Equity capital												
Claims on affiliated enterprises (net acquisition of ordinary shares)												
Purchases of ordinary shares	-HDOA	12 637	11 655	12 703	25 476	60 627	114 693	181 488	40 221	35 374	25 731	26 485
Sales of ordinary shares	-HDOC	-4 786	-3 840	-7 672	-4 041	-13 677	-13 620	-34 693	-25 073	-10 440	-8 152	-8 507
Total claims on affiliated enterprises	-HJYL	7 851	7 815	5 031	21 435	46 950	101 073	146 795	15 148	24 934	17 579	17 978
Net acquisition of property	-HHVG	-154	264	-189	-130	235	250	297	247	646	-578	-74
Total equity capital	-HJYM	7 697	8 079	4 842	21 305	47 185	101 323	147 092	15 395	25 580	17 001	17 904
Reinvested earnings	-HDNY	13 827	14 378	17 271	16 112	14 071	21 392	25 178	27 220	32 209	21 013	27 591
Other capital transactions ¹												
Claims on affiliated enterprises												
Debt securities issued by affiliated enterprises												
Purchases of debt securities	-HDOD	1 777	1 175	89	529	396	636	952	2 263	513	1 795	1 799
Sales of debt securities	-HDOE	-	-	-52	-117	-315	-578	-496	-304	-1 080	-2 130	-500
Other claims on affiliated enterprises												
Change in inter-company accounts	-HDOF	1 267	4 631	2 506	5 040	20 721	15 806	15 110	5 072	17 140	9 454	-946
Change in branch indebtedness	-HDOI	1 047	669	500	1 053	1 493	-483	-3 360	5 153	-610	1 628	-702
Total claims on affiliated enterprises	-HJYN	4 091	6 475	3 043	6 505	22 295	15 381	12 206	12 184	15 963	10 747	-349
Liabilities to affiliated enterprises												
Change in inter-company accounts	-HDOG	-2 922	-10	-3 292	-5 299	-8 453	-14 340	-28 278	-12 880	-38 774	-6 789	-2 810
Change in branch indebtedness	-HDOJ	1	-223	424	-374	-1 767	1 272	-1 203	-587	-512	-2 029	1 660
Total liabilities to affiliated enterprises	-HJYO	-2 921	-233	-2 868	-5 673	-10 220	-13 068	-29 481	-13 467	-39 286	-8 818	-1 150
Total other capital transactions	-HMAB	1 170	6 242	175	832	12 075	2 313	-17 275	-1 283	-23 323	1 929	-1 499
Total	-HJYP	22 694	28 699	22 288	38 249	73 331	125 028	154 995	41 332	34 466	39 943	43 996
Direct investment in the UK (UK liabilities = net credits)												
Equity capital												
Liabilities to direct investors												
Quoted ordinary shares												
Purchases of quoted ordinary shares	CYFY	389	4 255	6 510	7 434	24 660	40 393	16 253	3 502	5 951	1 582	19 252
Sales of quoted ordinary shares	CYFZ	-612	-191	-1 206	-1 293	-4 336	-10 526	-2 038	-1 185	-775	-845	-43
Unquoted ordinary shares												
Purchases of unquoted ordinary shares	CYGA	3 923	11 755	3 039	5 055	7 147	20 721	48 154	20 381	11 068	5 868	6 248
Sales of unquoted ordinary shares	CYGB	-856	-3 287	-800	-447	-274	-4 692	-4 187	-2 535	-5 183	-2 906	-3 767
Total liabilities to direct investors	HJYQ	2 844	12 532	7 543	10 749	27 197	45 896	58 182	20 163	11 061	3 699	21 690
Net acquisition of property	CGLO	472	224	613	850	698	813	1 629	791	748	395	623
Total equity capital	HJYR	3 316	12 756	8 156	11 599	27 895	46 709	59 811	20 954	11 809	4 094	22 313
Reinvested earnings	CYFV	3 953	5 254	7 873	6 386	1 522	4 607	10 788	-992	3 647	7 448	9 443
Other capital transactions ¹												
Liabilities to direct investors												
Debt securities issued by affiliated enterprises												
Purchases of debt securities	CYGC	174	540	3	1 516	783	558	710	1 318	598	2 445	3 408
Sales of debt securities	CYGD	-21	-	-	-22	-183	-567	-183	-571	-377	-854	-1 181
Other liabilities to direct investors												
Change in inter-company accounts	CYGH	2 478	-315	1 915	5 571	25 700	17 253	11 338	17 420	10 756	-1 095	5 115
Change in branch indebtedness	CYGL	40	42	112	629	392	-210	869	285	403	1 668	95
Total liabilities to direct investors	HJYT	2 671	267	2 030	7 694	26 692	17 034	12 734	18 452	11 380	2 164	7 437
Claims on direct investors												
Change in inter-company accounts	CYGF	2 791	4 441	423	3 575	11 199	13 266	2 495	561	9 990	-108	-382
Change in branch indebtedness	CYGK	50	5	72	-796	-144	18	272	505	64	976	9
Total claims on direct investors	HJYS	2 841	4 446	495	2 779	11 055	13 284	2 767	1 066	10 054	868	-373
Total other capital transactions	HMAD	-170	-4 179	1 535	4 915	15 637	3 750	9 967	17 386	1 326	1 296	7 810
Total	HJYU	7 099	13 831	17 564	22 900	45 054	55 066	80 566	37 348	16 782	12 838	39 566

¹ From Pink Book 2005 the presentation of Other capital transactions no longer mirror each other between UK assets and liabilities: both are now shown from the perspective of the direct investor.

7.3 Direct investment

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Net transactions (net credits less net debits)												
Equity capital												
Net acquisition of ordinary shares	LIMS	-5 007	4 717	2 512	-10 686	-19 753	-55 177	-88 613	5 015	-13 873	-13 880	3 712
Net acquisition of property	LTMT	626	-40	802	980	463	563	1 332	544	102	973	697
Total equity capital	HBWN	-4 381	4 677	3 314	-9 706	-19 290	-54 614	-87 281	5 559	-13 771	-12 907	4 409
Reinvested earnings	HBWT	-9 874	-9 124	-9 398	-9 726	-12 549	-16 785	-14 390	-28 212	-28 562	-13 565	-18 148
Other capital transactions	HBWU	-1 340	-10 421	1 360	4 083	3 562	1 437	27 242	18 669	24 649	-633	9 309
Total	HJYV	-15 595	-14 868	-4 724	-15 349	-28 277	-69 962	-74 429	-3 984	-17 684	-27 105	-4 430

7.4 Direct investment

Sector analysis

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Direct investment abroad (UK assets = net debits)												
By:												
UK Monetary financial institutions (banks)	-HCWJ	2 310	1 820	1 444	169	971	1 028	3 378	4 283	2 825	2 322	16 429
Insurance companies	-CNZE	-409	2 343	506	3 137	969	-2 135	2 166	-256	1 388	2 738	2 082
Other financial intermediaries	-HCXL	1 498	1 977	2 631	5 711	11 676	8 469	9 716	4 468	4 071	13 070	4 305
Private non-financial corporations	-HCVH	19 162	22 463	17 684	29 132	59 663	117 330	139 101	32 575	25 859	21 928	20 952
Public corporations	-HDND	101	64	-9	68	20	280	574	201	258	-185	158
Household sector ¹	-AAQN	32	32	32	32	32	56	60	61	66	70	70
Total	-HJYP	22 694	28 699	22 288	38 249	73 331	125 028	154 995	41 332	34 466	39 943	43 996
Direct investment in the UK (UK liabilities = net credits)												
In:												
Monetary financial institutions (banks)	GPBQ	1 008	2 092	2 458	3 494	678	1 616	4 133	3 387	1 757	3 040	11 746
Insurance companies	HDQI	-38	-144	1 615	891	-138	1 763	2 492	1 304	312	1 123	1 138
Other financial intermediaries												
Securities dealers	HDRU	-682	356	905	338	-1 188	836	1 919	938	706	212	993
Other	HFCL	143	1 453	87	-34	9 865	-232	5 792	8 098	3 298	-57	4 558
Total other financial intermediaries	HFDR	-539	1 809	992	304	8 677	604	7 711	9 036	4 004	155	5 551
Private non-financial corporations	BCEC	6 668	10 074	12 499	18 211	35 837	51 083	66 230	23 621	10 709	8 520	21 131
Total	HJYU	7 099	13 831	17 564	22 900	45 054	55 066	80 566	37 348	16 782	12 838	39 566
Net transaction (net credits less net debits)												
In assets and liabilities of:												
Monetary financial institutions	LTMU	-1 302	272	1 014	3 325	-293	588	755	-896	-1 068	718	-4 683
Insurance companies	LTMV	371	-2 487	1 109	-2 246	-1 107	3 898	326	1 560	-1 076	-1 615	-944
Other financial intermediaries	LTMW	-2 037	-168	-1 639	-5 407	-2 999	-7 865	-2 005	4 568	-67	-12 915	1 246
Private non-financial corporations	LTMX	-12 494	-12 389	-5 185	-10 921	-23 826	-66 247	-72 871	-8 954	-15 150	-13 408	179
Public corporations	HDND	-101	-64	9	-68	-20	-280	-574	-201	-258	185	-158
Household sector ¹	AAQN	-32	-32	-32	-32	-32	-56	-60	-61	-66	-70	-70
Total	HJYV	-15 595	-14 868	-4 724	-15 349	-28 277	-69 962	-74 429	-3 984	-17 684	-27 105	-4 430

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

7.5 Portfolio investment

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Portfolio investment abroad (UK assets = net debits)												
Transactions in equity securities (shares) by:												
Monetary financial Institutions (banks)	-VTWC	1 607	161	4 570	-3 138	4 549	100	7 195	-1 287	-11 767	18 824	31 597
Insurance companies and pension funds												
Insurance companies	-HBHM	3 654	3 688	3 147	1 335	1 015	3 111	-4 297	6 520	2 959	-3 354	5 674
Pension funds	-HBHO	-5 250	-1 884	2 828	-3 326	2 073	-518	-12 798	11 720	15 256	4 394	6 584
Total insurance companies and pension funds	-HBRD	-1 596	1 804	5 975	-1 991	3 088	2 593	-17 095	18 240	18 215	1 040	12 258
Other financial intermediaries												
Securities dealers	-HGLG	-3 311	3 600	-3 058	810	-7 634	5 783	13 673	24 128	-12 050	-796	9 734
Unit and Investment Trusts	-HBHQ	4 148	3 178	2 724	919	3 567	6 468	9 968	3 913	3 329	2 121	1 174
Other	-HBRC	-369	-290	-456	-831	-833	-1 300	-1 446	-1 077	-856	-1 563	-1 619
Total other financial intermediaries	-HBRE	468	6 488	-790	898	-4 900	10 951	22 195	26 964	-9 577	-238	9 289
Private non-financial corporations	-XBNL	55	-222	188	-62	84	241	9 047	444	-52	17	-353
Household sector ¹	HALH	816	155	418	91	-108	570	-821	103	-8	41	3 536
Total transactions in equity securities	-HBVI	1 350	8 386	10 361	-4 202	2 713	14 455	20 521	44 464	-3 189	19 684	56 327
Transactions in debt securities												
Transactions in bonds and notes by:												
Monetary financial institutions												
Banks	-VTWA	12 474	23 672	19 034	17 442	43 090	11 011	34 007	37 604	3 774	-11 215	57 131
Building societies	RYWJ	355	496	67	691	1 417	1 099	2 464	854	-338	-1 498	767
Total monetary financial institutions	-HPCP	12 829	24 168	19 101	18 133	44 507	12 110	36 471	38 458	3 436	-12 713	57 898
Central Government	MDZJ	-	-	-	-	-	-	-	-	-	-	-
Insurance companies and pension funds												
Insurance companies	-HBHN	231	1 052	4 096	3 614	11 615	7 103	5 363	8 200	8 535	1 618	1 909
Pension funds	-HBHP	357	732	1 650	4 696	3 581	2 933	5 875	1 267	-3 604	1 732	4 028
Total insurance companies and pension funds	-HBRF	588	1 784	5 746	8 310	15 196	10 036	11 238	9 467	4 931	3 350	5 937
Other financial intermediaries												
Securities dealers	CGFO	-32 564	3 039	26 584	22 318	-33 645	-28 883	-1 935	-19 589	-1 114	9 912	21 831
Unit and investment trusts	-HBHR	-128	-133	351	195	1 452	1 121	664	1 478	720	2 445	1 531
Other	-HBRG	-25	-22	-35	45	-154	-38	-36	-57	-72	-76	-105
Total other financial intermediaries	-HBRH	-32 717	2 884	26 900	22 558	-32 347	-27 800	-1 307	-18 168	-466	12 281	23 257
Private non-financial corporations	-XBNM	666	-135	840	-2 370	553	-1 299	1 179	566	300	1 292	195
Household sector ¹	HBRI	-77	-556	-1 586	186	184	-380	256	88	88	88	88
Total transactions in bonds and notes	-HEPK	-18 711	28 145	51 001	46 817	28 093	-7 333	47 837	30 411	8 289	4 298	87 375
Transactions in Money Market Instruments												
Transactions in commercial paper by:												
Monetary financial institutions:												
Banks	-HBXH	-4 229	2 233	-3 547	7 295	4 112	9 729	-963	6 700	-3 980	7 583	-4 469
Building societies	TAIH	-135	-339	14	254	-169	66	899	635	-564	-191	99
Central government	-RUUR	-	-	-	-	-	-	-	458	467	-925	-1
Insurance companies and pension funds	-HBVK	19	178	292	617	-1 558	243	-106	-159	333	70	2 062
Other financial intermediaries	-HGIS	-296	420	1 206	611	-815	504	-2 077	2 505	-602	2 579	615
Private non-financial corporations	-HBRL	73	-2	438	279	-956	722	1 110	1 912	1 110	3 798	615
Total transactions in commercial paper	-HGLU	-4 568	2 490	-1 597	9 056	614	11 264	-1 137	12 051	-3 236	12 914	-1 079
Transactions in certificates of deposit by:												
Monetary financial institutions												
(Building societies)	TAIF	36	-25	2	261	210	-71	409	37	563	39	-248
Other financial intermediaries	-RZUV	84	278	-7	9	443	3 075	-2 067	-412	-1 416	-668	50
Total transactions in certificates of deposit	HEPH	120	253	-5	270	653	3 004	-1 658	-375	-853	-629	-198
Total transactions in Money Market Instruments	-HHZM	-4 448	2 743	-1 602	9 326	1 267	14 268	-2 795	11 676	-4 089	12 285	-1 277
Total transactions in debt securities	-XBMW	-23 159	30 888	49 399	56 143	29 360	6 935	45 042	42 087	4 200	16 583	86 098
Total	-HHZC	-21 809	39 274	59 760	51 941	32 073	21 390	65 563	86 551	1 011	36 267	142 425

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

7.5 Portfolio investment

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Portfolio investment in the UK												
(UK liabilities = net credits)												
Transactions in equity securities (shares) issued by:												
Monetary financial Institutions	HBQG	101	471	1 477	1 939	-5 790	-2 748	-2 893	126	-1 134	454	-1 230
(banks and building societies)	HBQH	4 742	4 640	4 596	2 854	43 575	74 875	116 486	22 939	4 298	9 284	-7 114
Other sectors ¹												
Total transactions in equity securities	XBLW	4 843	5 111	6 073	4 793	37 785	72 127	113 593	23 065	3 164	9 738	-8 344
Transactions in debt securities												
Transactions in bonds and notes												
Issues by central government												
UK foreign currency bonds and notes	HEZP	2 774	101	-1 632	-3 058	-1 660	241	988	-3 342	-2 811	886	38
Other central government bonds	HBJM	-	-	-	-	-	-	-	-	-	-	-
Transactions in British government stocks (gilts) by:												
Foreign central banks (exchange reserves)	AING	2 017	-250	261	-1 586	1 692	489	1 049	1 157	-1 245	-748	-2 339
Other foreign residents	VTWG	520	-879	7 604	2 244	1 802	-6 017	-2 338	1 512	424	11 059	13 436
Total transactions in British government stocks	HEPC	2 537	-1 129	7 865	658	3 494	-5 528	-1 289	2 669	-821	10 311	11 097
Total issues by central government	HBXX	5 311	-1 028	6 233	-2 400	1 834	-5 287	-301	-673	-3 632	11 197	11 135
Local authorities' bonds												
Public corporations' bonds	HBQT	-	-	-	-	-	-	-	-	-	-	-
	HCEW	-2	-7	-	-	-	-	-	-	-	-	-
Issues by monetary financial Institutions												
(banks and building societies)												
Bonds	HBRY	2 704	3 233	2 863	3 158	-1 163	6 574	1 905	506	4 887	15 292	15 106
European medium term notes and other medium-term paper:												
Issued by UK banks	HCEZ	4 353	1 572	5 585	3 137	1 881	4 244	891	3 425	1 706	12 117	16 525
Issued by UK building societies	HCFC	2 066	-399	-315	-116	-140	252	1 814	630	69	1 754	2 222
Total	HBRY	6 419	1 173	5 270	3 021	1 741	4 496	2 705	4 055	1 775	13 871	18 747
Total monetary financial institutions	HMBD	9 123	4 406	8 133	6 179	578	11 070	4 610	4 561	6 662	29 163	33 853
Issues by other sectors ¹	HBRT	8 419	10 063	9 466	9 835	-3 622	20 465	5 928	1 574	15 213	47 708	46 669
Total transactions in bonds and notes	XBLY	22 851	13 434	23 832	13 614	-1 210	26 248	10 237	5 462	18 243	88 068	91 657
Transactions in Money Market Instruments												
Transactions in treasury bills												
(issued by central government)												
Sterling treasury bills	AARB	-199	853	-663	-183	-820	637	-251	305	-180	2 150	2 090
Euro treasury bills	HHNW	59	471	425	-729	-913	-227	-	-	-	-	-
Total treasury bills	HHZO	-140	1 324	-238	-912	-1 733	410	-251	305	-180	2 150	2 090
Transactions in certificates of deposit												
(issued by UK monetary financial institutions)												
Issued by banks	HBRS	1 066	12 718	9 906	5 547	-16 985	11 500	34 653	19 911	4 080	-3 986	-1 679
Issued by building societies	HBHH	107	-	23	157	-25	-6	301	-50	264	952	529
Total certificates of deposit	HBQX	1 173	12 718	9 929	5 704	-17 010	11 494	34 954	19 861	4 344	-3 034	-1 150
Transactions in commercial paper												
Issued by UK monetary financial Institutions												
Banks	HBHI	328	708	2 174	1 800	257	296	2 542	-599	14 950	-33	9 093
Building societies	HBHL	-673	2 768	-643	204	335	1 748	768	-182	-330	3 325	-259
Total monetary financial institutions	HBRU	-345	3 476	1 531	2 004	592	2 044	3 310	-781	14 620	3 292	8 834
Issued by other sectors ¹	HHZN	2 298	1 252	1 866	1 587	2 418	1 712	2 789	225	10 819	-4 323	259
Total transactions in commercial paper	HBQW	1 953	4 728	3 397	3 591	3 010	3 756	6 099	-556	25 439	-1 031	9 093
Total transactions in Money Market Instruments	HHZE	2 986	18 770	13 088	8 383	-15 733	15 660	40 802	19 610	29 603	-1 915	10 033
Total transactions in debt securities	XBLX	25 837	32 204	36 920	21 997	-16 943	41 908	51 039	25 072	47 846	86 153	101 690
Total	HHZF	30 680	37 315	42 993	26 790	20 842	114 035	164 632	48 137	51 010	95 891	93 346

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

7.5 Portfolio investment

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Net transactions (net credits less net debits)												
Equity securities (shares)	HBWV	3 493	-3 275	-4 288	8 995	35 072	57 672	93 072	-21 399	6 353	-9 946	-64 671
Debt securities												
Bonds and notes	LTMY	41 562	-14 711	-27 169	-33 203	-29 303	33 581	-37 600	-24 949	9 954	83 770	4 282
Money Market Instruments	LTMZ	7 434	16 027	14 690	-943	-17 000	1 392	43 597	7 934	33 692	-14 200	11 310
Total debt securities	HBWX	48 996	1 316	-12 479	-34 146	-46 303	34 973	5 997	-17 015	43 646	69 570	15 592
Total	HHZD	52 489	-1 959	-16 767	-25 151	-11 231	92 645	99 069	-38 414	49 999	59 624	-49 079

7.6 Portfolio investment

Sector analysis

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Portfolio investment abroad (UK assets = net debits)												
Investment by:												
Monetary financial institutions												
Banks	-HBWF	9 852	26 066	20 057	21 599	51 751	20 840	40 239	43 017	-11 973	15 192	84 259
Building societies	HEPI	256	132	83	1 206	1 458	1 094	3 772	1 526	-339	-1 650	618
Total monetary financial institutions	-HBRJ	10 108	26 198	20 140	22 805	53 209	21 934	44 011	44 543	-12 312	13 542	84 877
Central government	LOFB	-	-	-	-	-	-	-	458	467	-925	-1
Insurance companies and pension funds	-HBRO	-989	3 766	12 013	6 936	16 726	12 872	-5 963	27 548	23 479	4 460	20 257
Other financial intermediaries	-HBRP	-32 461	10 070	27 269	24 076	-37 619	-13 270	16 744	10 889	-12 061	13 954	33 211
Private non-financial corporations	-HBRQ	794	-359	1 466	-2 153	-319	-336	11 336	2 922	1 358	5 107	457
Household sector ¹	-HBRR	739	-401	-1 168	277	76	190	-565	191	80	129	3 624
Total	-HHZC	-21 809	39 274	59 760	51 941	32 073	21 390	65 563	86 551	1 011	36 267	142 425
Portfolio investment in the UK (UK liabilities = net credits)												
Investment in securities issued by:												
Monetary financial institutions (banks and building societies)	CGPH	9 434	19 686	18 419	11 715	-18 310	23 762	44 142	15 524	24 492	29 875	40 307
Central government	HBRO	5 171	296	5 995	-3 312	101	-4 877	-552	-368	-3 812	13 347	13 225
Local authorities	HBQT	-	-	-	-	-	-	-	-	-	-	-
Public corporations	HCEW	-2	-7	-	-	-	-	-	-	-	-	-
Other sectors	CGPL	16 077	17 340	18 579	18 387	39 051	95 150	121 042	32 981	30 330	52 669	39 814
Total	HHZF	30 680	37 315	42 993	26 790	20 842	114 035	164 632	48 137	51 010	95 891	93 346
Net transactions (net credits less net debits)												
In assets and liabilities of:												
Monetary financial institutions	LTNA	-674	-6 512	-1 721	-11 090	-71 519	1 828	131	-29 019	36 804	16 333	-44 570
Central government	ZPOG	5 171	296	5 995	-3 312	101	-4 877	-552	-826	-4 279	14 272	13 226
Local authorities	HBQT	-	-	-	-	-	-	-	-	-	-	-
Public corporations	HCEW	-2	-7	-	-	-	-	-	-	-	-	-
Other sectors	LTNB	47 994	4 264	-21 001	-10 749	60 187	95 694	99 490	-8 569	17 474	29 019	-17 735
Total	HHZD	52 489	-1 959	-16 767	-25 151	-11 231	92 645	99 069	-38 414	49 999	59 624	-49 079

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

7.7 Other investment

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Other investment abroad (UK assets = net debits)												
Trade credit												
Long-term												
Central government	-XBMC	400	400	400	-	-	-	-	-	-	-	-
Other sectors ¹	-HCQK	-103	-407	-19	-	-	-	-	-	-	-	-
Total long-term trade credit	-HBRZ	297	-7	381	-	-	-	-	-	-	-	-
Short-term												
Other sectors ¹	-XBMP	-190	49	1 698	-635	-1 119	102	-42	-315	292	573	-225
Total trade credit	-XBMB	107	42	2 079	-635	-1 119	102	-42	-315	292	573	-225
Loans												
Long-term												
Bank loans under ECGD guarantee	-HGBS	291	1 128	-626	643	-7	-355	-1 476	187	-1 017	113	231
Inter-government loans by the UK	-HEUC	-53	-59	-44	-51	-176	-19	-27	-20	-19	-19	-15
Loans by Commonwealth Development Corporation (public corporations)	-HETB	9	99	101	54	47	25	2	-	-	-	-
Loans by the Export Credit Guarantee Department	CY93	-	-	-	-	-	-180	-176	-163	-373	-399	-669
Loans by specialist leasing companies ¹	-HGKU	-	-	-	-	-	-	-	-	-	-	-
Total long-term loans	-HBSG	247	1 168	-569	646	-136	-529	-1 677	4	-1 409	-305	-453
Short-term loans												
By monetary financial institutions												
By banks												
Sterling loans	NFBE	-945	619	4 802	3 342	-613	2 621	1 869	4 863	4 768	360	6 871
Foreign currency loans	ZPON	-2 810	11 183	34 157	27 803	1 581	14 299	55 631	43 228	12 416	70 447	104 765
Total banks	HEQO	-3 755	11 802	38 959	31 145	968	16 920	57 500	48 091	17 184	70 807	111 636
By building societies	NFBG	5	-	-9	-	-	-	-	1	3	2	3
Total monetary financial institutions	ZPOL	-3 750	11 802	38 950	31 145	968	16 920	57 500	48 092	17 187	70 809	111 639
By other sectors	-XBLN	-126	34	125	8	-133	3	-	-	-	-	-
Total short-term loans	VTUL	-3 876	11 836	39 075	31 153	835	16 923	57 500	48 092	17 187	70 809	111 639
Total loans	-XBMG	-3 629	13 004	38 506	31 799	699	16 394	55 823	48 096	15 778	70 504	111 186
Currency and deposits												
Transactions in foreign notes and coin												
Monetary financial institutions (banks)	TAAG	22	-5	35	42	30	-63	-44	1	21	10	-2
Other sectors ¹	-HETF	1	34	50	76	10	40	28	-4	33	20	37
Total foreign notes and coin	HEOV	23	29	85	118	40	-23	-16	-3	54	30	35
Deposits abroad by UK residents												
Deposits by monetary financial institutions												
Deposits by banks												
Sterling deposits	-HBQY	-247	893	3 726	28 254	6 032	-12 470	20 713	7 296	-6 612	18 173	-2 946
Foreign currency deposits	-HBQZ	51 480	8 874	23 187	85 277	12 679	-16 617	110 531	28 883	60 761	69 435	108 428
Total deposits by UK banks	-XBMI	51 233	9 767	26 913	113 531	18 711	-29 087	131 244	36 179	54 149	87 608	105 482
Deposits by building societies	TAID	61	397	-443	1 351	-124	-145	610	-51	-567	-138	85
Total deposits by monetary financial institutions	HCES	51 294	10 164	26 470	114 882	18 587	-29 232	131 854	36 128	53 582	87 470	105 567

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

7.7 Other investment

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Other investment abroad - continued												
Currency and deposits - <i>continued</i>												
Deposits abroad by UK residents - <i>continued</i>												
Deposits by securities dealers	-HGTF	-22 393	18 328	61 179	5 660	-6 117	45 920	47 567	58 756	-13 153	53 172	36 186
Deposits by other UK residents ¹	-HBSI	2 782	5 799	6 805	17 483	2 776	25 870	40 297	31 373	40 060	47 378	66 392
Total deposits abroad by UK residents	-HBXV	31 683	34 291	94 454	138 025	15 246	42 558	219 718	126 257	80 489	188 020	208 145
Total currency and deposits	-HBVN	31 706	34 320	94 539	138 143	15 286	42 535	219 702	126 254	80 543	188 050	208 180
Other assets												
Central government subscriptions to international organisations												
Regional development banks	-HEUD	75	65	56	60	65	50	50	53	69	75	61
European Investment Bank (EIB)	-HEUE	14	16	16	-	-	-	-	-	-	-	-
Other subscriptions	-HEUF	1	4	9	3	2	41	3	3	21	51	37
Total central government subscriptions	-HGLR	90	85	81	63	67	91	53	56	90	126	98
Short-term central government assets	-LOEL	13	43	1 460	105	28	256	310	-29	531	217	302
Total central government other assets	-LOES	103	128	1 541	168	95	347	363	27	621	343	400
Debt forgiveness (monetary financial institutions) ²	-FJNF	-518	-	-	-	-	-	-	-	-	-	-
Other sectors (excluding monetary financial institutions)												
Long-term assets	-HHZH	-	-	-	-	-	-	-	-	-	-	-
Short-term assets												
Public corporations assets abroad	-HBSR	-	-	-	-	-	-	-	-	-	-	-
Public corporations debt forgiveness	-HMLW	-	-	-	-	-	-23	-231	-300	-300	-300	-300
Other ¹	-HBSK	4	4	4	-	-	-	-	-	-	-	-
Total short-term assets of other sectors	-HHZI	4	4	4	-	-	-23	-231	-300	-300	-300	-300
Total other sectors	-XBLP	4	4	4	-	-	-23	-231	-300	-300	-300	-300
Total other assets	-XBMK	-411	132	1 545	168	95	324	132	-273	321	43	100
Total	-XBMM	27 773	47 498	136 669	169 475	14 961	59 355	275 615	173 762	96 934	259 170	319 241

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).

7.7 Other investment

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Other investment in the UK (UK liabilities = net credits)												
Trade credit												
Long-term ¹	CGJF	357	265	18	—	—	—	—	—	—	—	—
Short-term ¹	XBLQ	8	-2	13	-7	—	—	—	—	—	—	—
Total trade credit	XBMO	365	263	31	-7	—	—	—	—	—	—	—
Loans												
Long-term												
Drawings by:												
Central government	HBSP	—	—	—	—	—	—	—	—	—	—	—
Local authorities	HBSQ	76	120	150	58	9	17	—	—	—	—	—
Public corporations	HHYT	—	—	—	—	—	—	—	—	—	—	—
Other ¹	HIBY	—	—	—	—	—	—	—	—	—	—	—
Total long-term drawings	HBST	76	120	150	58	9	17	—	—	—	—	—
Repayments from:												
Central government	HBSW	-131	-103	-97	-254	-91	-105	-114	-45	-48	-45	-46
Local authorities	HBSX	-163	-174	-139	-109	-96	-123	-188	22	26	204	633
Public corporations	HHYU	-116	-144	-14	-206	-5	—	—	—	—	—	—
Other ¹	HIBZ	-1	-1	—	—	—	—	—	—	—	—	—
Total long-term repayments	HBSY	-411	-422	-250	-569	-192	-228	-302	-23	-22	159	587
Total long-term loans	HBSZ	-335	-302	-100	-511	-183	-211	-302	-23	-22	159	587
Short-term loans to:												
Central government	HETA	—	—	—	—	—	—	—	—	—	—	—
Local authorities	HBTB	9	3	2	-2	—	—	—	—	—	—	—
Public corporations	HIAW	—	—	—	—	—	—	—	—	—	—	—
Securities dealers	HBTD	-58 541	34 398	73 904	32 764	14 901	28 746	65 410	60 790	-38 813	34 054	46 239
Other ¹	HBSS	783	5 074	8 314	16 929	266	14 421	1 302	38 502	20 412	48 708	44 880
Total short-term loans	HBTC	-57 749	39 475	82 220	49 691	15 167	43 167	66 712	99 292	-18 401	82 762	91 119
Total loans	XBMP	-58 084	39 173	82 120	49 180	14 984	42 956	66 410	99 269	-18 423	82 921	91 706
Currency and deposits												
Sterling notes and coin												
Notes (issued by Bank of England)	HLVY	85	60	32	45	98	77	67	-51	78	69	82
Coins (issued by Royal Mint)	HMAT	10	6	3	5	11	8	8	-6	8	7	9
Total notes and coin	AASD	95	66	35	50	109	85	75	-57	86	76	91
Deposits from abroad with UK residents												
Deposits with monetary financial institutions												
Deposits with banks												
Sterling deposits	NWXP	6 550	10 248	-431	16 550	13 800	23 179	32 508	16 381	11 181	22 785	26 660
Foreign currency deposits	NFAS	40 805	15 766	70 488	131 530	37 421	-11 261	166 107	107 666	78 337	147 651	275 055
Total deposits with banks	HBWA	47 355	26 014	70 057	148 080	51 221	11 918	198 615	124 047	89 518	170 436	301 715
Deposits with building societies	NEWS	1 445	444	1 241	-165	883	542	567	523	308	487	305
Total deposits with UK monetary financial institutions	HDKE	48 800	26 458	71 298	147 915	52 104	12 460	199 182	124 570	89 826	170 923	302 020
Deposit liabilities of UK central government	HEUN	950	484	-608	-759	304	693	528	-178	-24	232	-877
Total deposits from abroad with UK residents	HBXY	49 750	26 942	70 690	147 156	52 408	13 153	199 710	124 392	89 802	171 155	301 143
Total currency and deposits	HMAO	49 845	27 008	70 725	147 206	52 517	13 238	199 785	124 335	89 888	171 231	301 234

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

7.7 Other investment

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Other investment in the UK - continued												
Other liabilities												
Long-term												
Net equity of foreign households in life insurance reserves and in pension funds	QZEP	-3	-2	-2	-2	-2	-2	-4	-5	-1	-13	-18
Prepayments of premiums and reserves against outstanding claims	NQMC	493	973	6 793	264	3	-602	942	-157	335	-1 371	100
Total long-term liabilities	VTUG	490	971	6 791	262	1	-604	938	-162	334	-1 384	82
Short-term	HJYF	-939	48	1 056	29	138	-129	-90	526	-613	58	-163
Total other liabilities	XBMX	-449	1 019	7 847	291	139	-733	848	364	-279	-1 326	-81
Total	XBMN	-8 323	67 463	160 723	196 670	67 640	55 461	267 043	223 968	71 186	252 826	392 859
Net transactions (net credits less net debits)												
Trade credit	LTNC	258	221	-2 048	628	1 119	-102	42	315	-292	-573	225
Loans	LTND	-54 455	26 169	43 614	17 381	14 285	26 562	10 587	51 173	-34 201	12 417	-19 480
Deposits	LTNE	18 139	-7 312	-23 814	9 063	37 231	-29 297	-19 917	-1 919	9 345	-16 819	93 054
Other	LTNF	-38	887	6 302	123	44	-1 057	716	637	-600	-1 369	-181
Total	HHYR	-36 096	19 965	24 054	27 195	52 679	-3 894	-8 572	50 206	-25 748	-6 344	73 618

7.8 Other investment

Sector analysis

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Other investment abroad												
(UK assets = net debits)												
Investment by:												
Monetary financial institutions												
Banks	-HBSL	47 273	22 692	65 281	145 361	19 702	-12 585	187 224	84 458	70 337	158 538	217 347
Building societies	HEQR	66	397	-452	1 351	-124	-145	610	-50	-564	-136	88
Total monetary financial institutions	HCET	47 339	23 089	64 829	146 712	19 578	-12 730	187 834	84 408	69 773	158 402	217 435
Central government	-HBSM	450	469	1 897	117	-81	328	336	7	602	324	385
Public corporations	-HBSV	9	99	101	54	47	-155	-174	-163	-373	-399	-669
Other sectors	-HBSN	-20 025	23 841	69 842	22 592	-4 583	71 912	87 619	89 510	26 932	100 843	102 090
Total	-XBMM	27 773	47 498	136 669	169 475	14 961	59 355	275 615	173 762	96 934	259 170	319 241
Other investment in the UK												
(UK liabilities = net credits)												
Investment in:												
Monetary financial institutions												
Banks	CGOT	47 440	26 074	70 089	148 125	51 319	11 995	198 682	123 996	89 596	170 505	301 797
Building societies	NEWS	1 445	444	1 241	-165	883	542	567	523	308	487	305
Total monetary financial institutions	HBWG	48 885	26 518	71 330	147 960	52 202	12 537	199 249	124 519	89 904	170 992	302 102
Central government	HBWH	642	423	-694	-1 003	338	443	308	273	-722	310	-1 057
Local authorities	HBWJ	-78	-51	13	-53	-87	-106	-188	22	26	204	633
Public corporations	HBWL	-116	-144	-14	-206	-5	-	-	-	-	-	-
Other sectors	HBWM	-57 656	40 717	90 088	49 972	15 192	42 587	67 674	99 154	-18 022	81 320	91 181
Total	XBMM	-8 323	67 463	160 723	196 670	67 640	55 461	267 043	223 968	71 186	252 826	392 859
Net transactions												
(net credits less net debits)												
In assets and liabilities of:												
Monetary financial institutions												
Banks	LTNG	167	3 382	4 808	2 764	31 617	24 580	11 458	39 538	19 259	11 967	84 450
Building societies	LTNH	1 379	47	1 693	-1 516	1 007	687	-43	573	872	623	217
Total monetary financial institutions	LTNI	1 546	3 429	6 501	1 248	32 624	25 267	11 415	40 111	20 131	12 590	84 667
Central government	LTNJ	192	-46	-2 591	-1 120	419	115	-28	266	-1 324	-14	-1 442
Local authorities	HBWJ	-78	-51	13	-53	-87	-106	-188	22	26	204	633
Public corporations	LTNK	-125	-243	-115	-260	-52	155	174	163	373	399	669
Other sectors	LTNL	-37 631	16 876	20 246	27 380	19 775	-29 325	-19 945	9 644	-44 954	-19 523	-10 909
Total	HHYR	-36 096	19 965	24 054	27 195	52 679	-3 894	-8 572	50 206	-25 748	-6 344	73 618

7.9 Reserve assets Central government sector Net debits

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Monetary gold	-HBOX	756	-72	-23	1 115	931	-412	-883	-786	-266	-	-2
Special drawing rights	-HBOY	176	-48	-31	84	-16	38	-73	-22	26	-2	-35
Reserve position in the Fund	-HBOZ	27	622	57	410	751	626	-478	633	469	-251	-558
Foreign Exchange												
Currency and deposits												
With central banks	-HBPC	..	..	-418	-675	-1 822	239	-368	6	95	-79	33
With other banks	-HBPD	..	..	1 509	400	-733	2 312	6	-900	-863	-586	-882
Total currency and deposits	-HBPB	..	..	1 091	-275	-2 555	2 551	-363	-892	-767	-664	-849
Securities												
Bonds and notes	-HBPG	-	-	-1 108	-2 937	-214	-3 105	5 418	-1 838	2 280	-390	1 551
Money market instruments	-HBPH	-	-	-496	-777	939	-337	244	-185	-2 043	-62	107
Total securities	-HBPE	..	..	-1 604	-3 714	725	-3 442	5 662	-2 023	237	-452	1 658
Total foreign exchange	-HBPA	86	-701	-513	-3 989	-1 830	-891	5 299	-2 915	-530	-1 116	809
Other claims	-HBPI	-	-	-	-	-	-	50	5	-158	-190	-18
Total	-LTCV	1 045	-200	-510	-2 380	-164	-639	3 915	-3 085	-459	-1 559	196

Chapter 8

International Investment Position

Summary

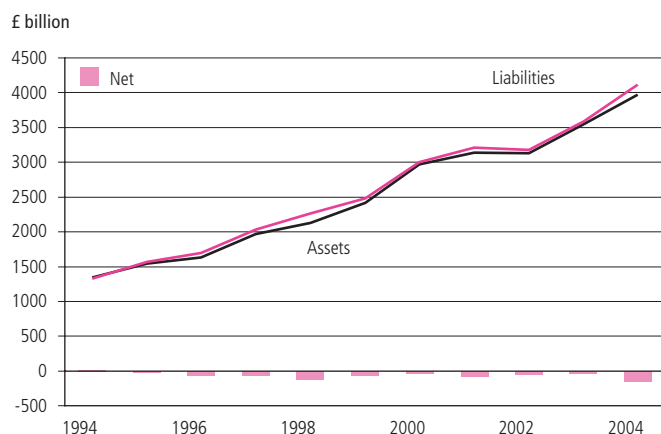
The international investment position is the balance sheet of the stock of external assets and liabilities. Between 1966 and 1994 the UK's assets tended to exceed its liabilities, by up to a record £86.4 billion in 1986. From 1995 however, the UK has recorded a net liability position in every year, reaching a record £141.1 billion in 2004.

The value of UK assets and liabilities grew most rapidly between 1996 and 2001, when they broadly doubled. This period corresponded with a surge in cross-border investment, much of it associated with merger and acquisition activity. In 2002 the level of assets and liabilities fell slightly as, although there was continued inward and outward investment, these flows were more than offset by revaluation changes resulting from the falls in the value of global equity markets. In 2003 and 2004 the level of UK external assets and liabilities both increased strongly again, due to a rise in cross-border investment and upward revaluations in the value of equity prices.

Half of all UK assets and just over half of all UK liabilities at end-2004 were allocated to UK banks. UK banks' liabilities have consistently exceeded their assets in the last ten years, the net liability position reaching a record £206.5 billion in 2004. Central government's liabilities have also exceeded their assets, due to non-residents holdings of British Government Stock. In contrast, other sectors assets have historically exceeded liabilities.

Figure 8.1

International investment position



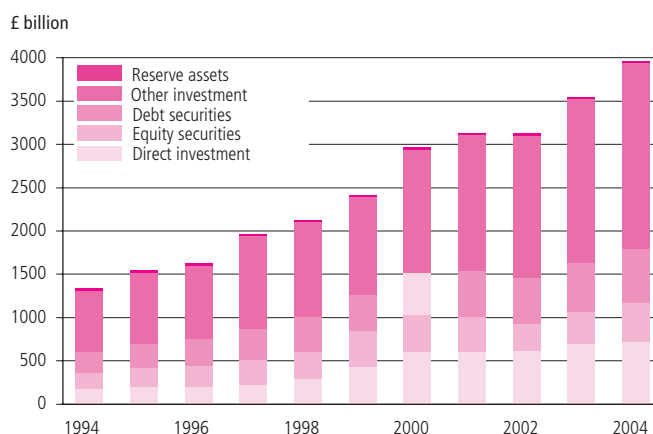
UK assets include reserve assets held by central government. Reserves are mainly held in the form of foreign exchange – in particular bonds and notes. Reserve assets in 2004 account for less than 1 per cent of total UK assets, down from around 4 per cent in the late 1980s.

UK assets

The proportion of direct investment abroad remained fairly constant through much of the 1990s at around 12 per cent of total UK assets. Between 1998 and 2000 it increased to over 20 per cent, reflecting the high level of merger and acquisition activity by UK companies in those years. It has since declined to around 18 per cent in 2004. Portfolio investment assets remained at around a third of total UK assets from 1993 until 1999, since when they have declined to 27 per cent in 2004, mainly due to the falls in world stock markets in 2001 and 2002. The proportion of other investment assets declined to 47 per cent of total assets in 1999, since when it has increased to 54 per cent in 2004. This may be due to the relative security of such assets during a period of flat or falling equity prices.

Figure 8.2

UK assets

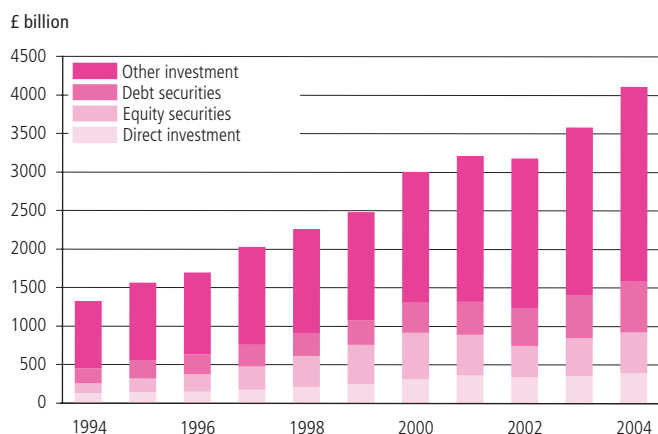


UK liabilities

Direct investment in the UK accounted for around 10 per cent of the total value of UK liabilities throughout the last decade. Portfolio investment increased from 24 per cent in 1994 to 33 per cent in 2000, before falling back to 29 per cent in 2004, largely due to falls in the UK stock markets in 2001 and 2002.

and the impact on the value of equity liabilities. Similarly to the asset position, the share of the value of other investment liabilities in the UK fell from around two-thirds in 1994 to around 56 per cent in 2000, since when it has increased to 62 per cent at end-2004.

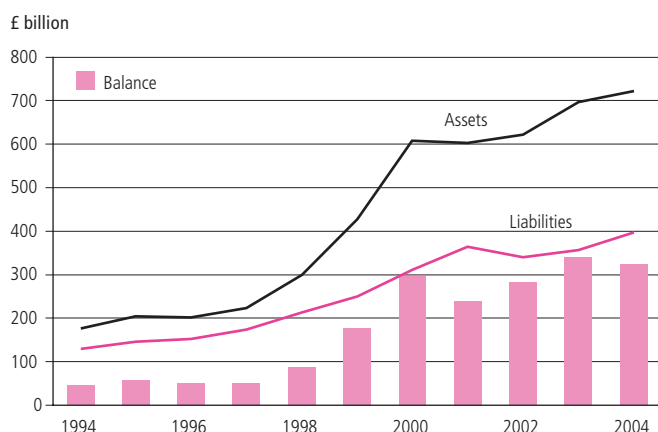
Figure 8.3
UK liabilities



Direct investment

Direct investment assets have quadrupled over the last decade, to reach £721.5 billion at end-2004. Investments by UK private non-financial corporations (PNFC's) accounted for over 80 per cent of UK direct investment assets at end 2004, while banks accounted for 6 per cent and other financial corporations a further 12 per cent. The value of PNFC's assets almost trebled between 1997 and 2000, reflecting the substantial foreign acquisitions by UK oil and telecom companies in this period. Since 2000, the value of PNFC assets has remained at broadly the same level.

Figure 8.4
Direct investment

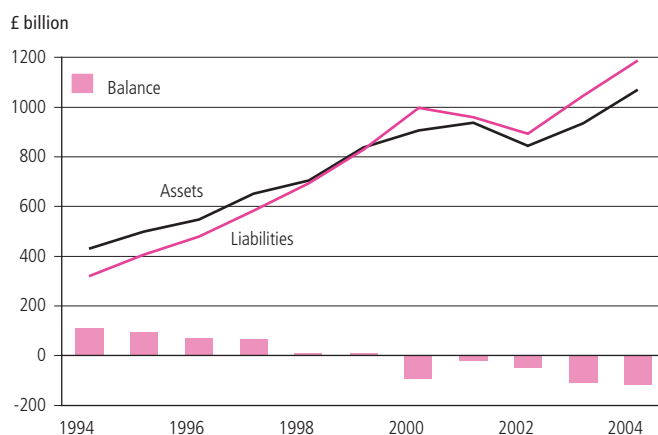


Inward direct investment also grew most in the late 1990s, with the total value of UK liabilities doubling between 1997 and 2001. PNFC's share of the value of total foreign direct investment liabilities fell from around 82 per cent in 1993 to 75 per cent in 1997 and 72 per cent at end 2004. Direct investment in UK banks increased to 10 per cent in 2004, following the merger and acquisition activity in that sector during the year.

Portfolio investment

Between 1994 and 2004 UK portfolio investment assets more than doubled to £1069.9 billion. The pattern of growth in equities has been much more erratic than the growth in debt, as the value of equity assets is heavily influenced by changes in global equity prices. Between the end of 2001 and the end of 2002 for instance, the value of portfolio investment equity assets fell 24 per cent to £306.0 billion, mirroring the fall in world equity prices over the same period. The value of foreign debt securities held by UK investors more than doubled between 1994 and 2004, with most of the growth between 1996 and 2001. UK banks hold two thirds of total UK debt securities assets. They have also increased their holdings of foreign equities from less than 1 per cent of total UK equity holdings in 2002 to nearly 12 per cent at the end of 2004. UK insurance companies, pension funds and other financial intermediaries hold the vast majority of UK equity assets and around a third of UK debt security assets.

Figure 8.5
Portfolio investment

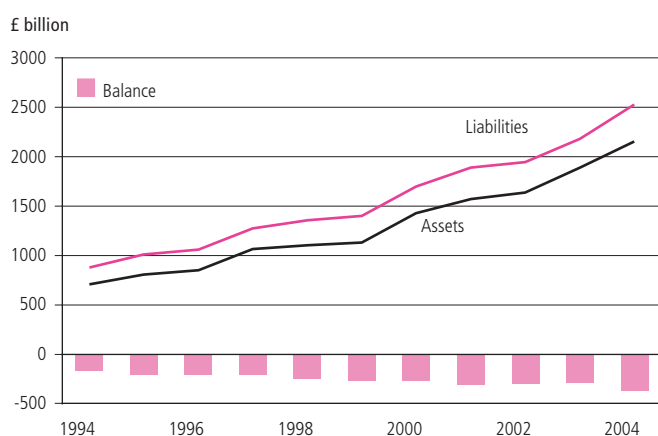


The total value of UK portfolio investment liabilities increased strongly in 2004, to £1187.1 billion, largely due to continued foreign acquisitions of UK debt securities. The fall in the value of portfolio investment liabilities in 2001 and 2002 mirror the fall in the price of UK equity on the London stock exchange – which fell around 20 per cent in both 2001 and 2002. The pick-up in the price of equities since then has led to a rise in the total value of equity liabilities in 2003 and 2004.

Other investment

Other investment accounts for over half of total UK external assets, with the level of investment almost doubling since 1999. UK banks deposits and short term loans to non-residents accounted for 70 per cent of total other investment abroad in 2004; this proportion has declined from around 80 per cent of total other investment in the late 1980s. The bulk of UK bank deposits abroad were in foreign currencies: only 10 per cent was held in sterling at end 2004.

Figure 8.6
Other investment



Deposits from abroad held with UK banks represent the largest item in other investment liabilities, although these have declined from over 80 per cent in the early 1990s to 74 per cent at end 2004. Of total deposits with UK banks of £1863.1 billion in 2004, only 15 per cent were held in sterling. The fall in the proportionate value of deposits with banks is largely the result of the increase in short term loans to UK securities dealers and other non-bank sectors – increasing from £150.0 billion in 1994 to £642.4 billion by end 2004.

8.1 International investment position

Summary table

Balance sheets valued at end of year

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
UK Assets												
Direct investment abroad												
Equity capital and reinvested earnings	CGMO	164.8	188.0	190.9	214.2	273.7	402.1	575.0	568.5	603.6	674.4	703.5
Other capital assets	HBWU	11.4	15.7	10.7	9.0	25.9	26.0	32.5	34.8	17.9	21.7	18.0
Total direct investment abroad	HBWD	176.1	203.7	201.6	223.3	299.6	428.1	607.4	603.3	621.4	696.1	721.5
Portfolio investment abroad												
Equity securities	HEPX	186.8	217.0	238.3	282.3	303.7	419.9	429.3	404.6	306.0	372.1	452.7
Debt securities	HHZX	243.0	282.3	310.0	368.6	400.2	418.4	476.8	532.8	538.1	563.9	617.2
Total portfolio investment abroad	HHZZ	429.8	499.3	548.3	651.0	703.8	838.3	906.1	937.4	844.1	935.9	1 069.9
Other investment abroad	HLXV	708.6	808.1	851.7	1 068.0	1 105.4	1 129.7	1 427.6	1 573.1	1 638.6	1 890.8	2 156.6
Reserve assets	LTEB	30.7	31.8	27.3	22.8	23.3	22.2	28.8	25.6	25.5	23.8	23.3
Total	HBQA	1 345.2	1 542.9	1 628.9	1 965.1	2 132.2	2 418.2	2 969.9	3 139.5	3 129.6	3 546.6	3 971.3
UK Liabilities												
Direct investment in the UK												
Equity capital and reinvested earnings	HBUY	98.7	118.9	120.6	134.3	159.8	192.4	240.6	259.9	228.4	246.8	279.8
Other capital liabilities	HBVC	31.2	27.3	32.1	39.4	53.8	57.9	69.8	103.7	111.4	109.9	117.7
Total direct investment in the UK	HBWI	129.9	146.2	152.6	173.7	213.6	250.3	310.4	363.6	339.8	356.7	397.5
Portfolio investment in the UK												
Equity securities	HLXX	126.1	172.7	226.1	301.9	402.1	509.8	604.4	529.4	409.8	489.8	528.5
Debt securities	HLXY	193.8	233.6	253.7	281.3	290.5	318.5	393.6	428.9	482.6	556.5	658.7
Total portfolio investment in the UK	HLXW	320.0	406.3	479.8	583.1	692.6	828.4	998.0	958.4	892.3	1 046.2	1 187.1
Other investment in the UK	HLXD	877.4	1 013.0	1 061.7	1 274.3	1 355.0	1 403.9	1 696.4	1 889.6	1 945.8	2 183.3	2 527.7
Total	HBQB	1 327.3	1 565.5	1 694.2	2 031.2	2 261.3	2 482.5	3 004.8	3 211.6	3 177.9	3 586.2	4 112.3
Net International Investment Position												
Direct investment												
Equity capital and reinvested earnings	HBSH	66.0	69.0	70.3	80.0	113.9	209.7	334.4	308.7	375.2	427.6	423.6
Other capital	CGKF	-19.8	-11.5	-21.4	-30.4	-27.9	-31.9	-37.3	-69.0	-93.5	-88.1	-99.7
Total net direct investment	HBWQ	46.2	57.5	49.0	49.5	85.9	177.8	297.1	239.7	281.7	339.4	324.0
Portfolio investment												
Equity securities	CGNE	60.7	44.3	12.2	-19.5	-98.4	-90.0	-175.1	-124.8	-103.8	-117.7	-75.8
Debt securities	CGNF	49.1	48.7	56.2	87.4	109.6	99.9	83.1	103.8	55.6	7.4	-41.4
Total net portfolio investment	CGNH	109.8	93.0	68.5	67.8	11.2	9.9	-92.0	-21.0	-48.2	-110.3	-117.2
Other investment	CGNG	-168.8	-204.9	-210.1	-206.4	-249.6	-274.2	-268.8	-316.5	-307.2	-292.5	-371.1
Reserve assets	LTEB	30.7	31.8	27.3	22.8	23.3	22.2	28.8	25.6	25.5	23.8	23.3
Total	HBQC	17.9	-22.6	-65.3	-66.1	-129.1	-64.3	-34.9	-72.1	-48.3	-39.6	-141.1
Allocations of Special Drawing Rights to the UK by the IMF	HEVP	1.8	1.8	1.6	1.6	1.6	1.6	1.7	1.7	1.6	1.6	1.5

8.2 International investment position

Sector analysis

Balance sheets valued at end of year

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
UK Assets												
Monetary financial institutions												
Banks	CGNI	704.0	805.5	798.9	1 030.1	1 140.0	1 132.2	1 411.5	1 523.1	1 561.8	1 728.9	1 986.6
Building societies	VTXF	3.2	3.4	3.1	2.9	4.3	5.0	8.5	10.0	9.1	7.3	8.0
Total monetary financial institutions	CGNJ	707.2	808.9	801.9	1 033.0	1 144.3	1 137.2	1 419.9	1 533.0	1 570.9	1 736.2	1 994.5
Central government	CGNK	39.7	41.2	38.7	34.4	34.8	25.7	32.7	29.6	30.0	28.6	28.4
Public corporations	CGNL	1.7	1.9	1.9	2.0	1.9	4.5	4.7	3.8	7.1	6.3	5.7
Other sectors	CGNM	596.6	690.8	786.3	895.7	951.2	1 250.8	1 512.6	1 573.1	1 521.7	1 775.5	1 942.6
Total	HBQA	1 345.2	1 542.9	1 628.9	1 965.1	2 132.2	2 418.2	2 969.9	3 139.5	3 129.6	3 546.6	3 971.3
UK Liabilities												
UK Monetary financial institutions (banks and building societies)	HBVJ	805.6	919.9	916.5	1 113.0	1 182.8	1 197.0	1 485.9	1 623.4	1 707.0	1 892.2	2 201.1
Central government	CGOG	61.5	65.7	69.2	67.9	76.3	63.6	65.6	63.3	59.2	70.9	85.6
Local authorities	CGOH	1.2	1.2	1.2	1.1	1.2	1.1	0.8	0.8	0.9	1.1	1.7
Public corporations	CGOI	0.3	0.2	0.2	—	—	—	—	—	—	—	—
Other sectors	HCON	458.7	578.5	707.0	849.2	1 001.0	1 220.8	1 452.6	1 524.0	1 410.9	1 622.0	1 823.9
Total	HBQB	1 327.3	1 565.5	1 694.2	2 031.2	2 261.3	2 482.5	3 004.8	3 211.6	3 177.9	3 586.2	4 112.3
Net International Investment Position												
Monetary financial institutions (banks and building societies)	HDIJ	-98.4	-111.0	-114.6	-80.0	-38.5	-59.9	-66.0	-90.4	-136.2	-156.1	-206.5
Central government	CGOK	-21.8	-24.4	-30.5	-33.5	-41.6	-37.9	-32.9	-33.8	-29.2	-42.3	-57.1
Local authorities	-CGOH	-1.2	-1.2	-1.2	-1.1	-1.2	-1.1	-0.8	-0.8	-0.9	-1.1	-1.7
Public corporations	CGOL	1.4	1.7	1.7	2.0	1.9	4.5	4.7	3.8	7.0	6.3	5.7
Other sectors	HDKB	137.9	112.3	79.3	46.5	-49.8	30.0	60.0	49.2	110.8	153.5	118.7
Total	HBQC	17.9	-22.6	-65.3	-66.1	-129.1	-64.3	-34.9	-72.1	-48.3	-39.6	-141.1

8.3 Direct investment

Balance sheets valued at end of year

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Direct investment abroad (UK assets)												
Equity capital and reinvested earnings												
Ordinary share capital and reinvested earnings	CVWF	162.1	185.4	188.5	212.3	271.9	399.8	570.6	565.7	600.4	672.2	701.2
Holdings of property	HCHP	2.7	2.6	2.4	1.9	1.8	2.3	4.3	2.9	3.2	2.2	2.3
Total equity capital and reinvested earnings	CGMO	164.8	188.0	190.9	214.2	273.7	402.1	575.0	568.5	603.6	674.4	703.5
Other capital												
Claims on affiliated enterprises												
Debt securities issued by affiliated enterprises	CVWG	1.8	3.0	1.5	2.9	6.3	8.8	28.1	31.0	31.8	31.2	30.8
Other claims on affiliated enterprises												
Inter-company balance	CVOK	39.8	45.9	44.8	47.7	66.1	71.4	80.7	88.8	103.1	104.4	99.8
Branch indebtedness balance	CVOP	4.8	5.9	5.7	6.3	10.4	10.2	7.9	12.4	11.4	10.9	9.5
Total claims on affiliated enterprises	CGLS	46.4	54.8	52.0	57.0	82.8	90.3	116.8	132.2	146.3	146.5	140.0
Liabilities to affiliated enterprises												
Inter-company balance	-CVOL	-33.7	-37.0	-40.3	-47.1	-53.2	-61.8	-79.1	-93.2	-124.6	-119.3	-118.6
Branch indebtedness balance	-CVOQ	-1.3	-2.0	-1.0	-0.8	-3.7	-2.5	-5.2	-4.2	-3.9	-5.4	-3.4
Total liabilities to affiliated enterprises	-HHDJ	-35.0	-39.1	-41.3	-48.0	-56.9	-64.4	-84.3	-97.4	-128.4	-124.8	-122.0
Total other capital assets	HBWU	11.4	15.7	10.7	9.0	25.9	26.0	32.5	34.8	17.9	21.7	18.0
Total	HBWD	176.1	203.7	201.6	223.3	299.6	428.1	607.4	603.3	621.4	696.1	721.5
Direct investment in the UK (UK liabilities)												
Equity capital and reinvested earnings												
Share capital and reinvested earnings												
Quoted share capital and reinvested earnings ¹	CVVB	—	—	—	—	—	—	—	—	20.7	27.7	46.9
Unquoted share capital and reinvested earnings	CVVC	90.3	110.2	111.3	124.1	149.0	180.7	227.1	245.6	192.6	203.6	215.5
Total share capital and reinvested earnings	HBUX	90.3	110.2	111.3	124.1	149.0	180.7	227.1	245.6	213.3	231.3	262.5
Holdings of UK property	HCQM	8.5	8.7	9.3	10.2	10.9	11.7	13.5	14.3	15.1	15.5	17.4
Total equity capital and reinvested earnings	HBUY	98.7	118.9	120.6	134.3	159.8	192.4	240.6	259.9	228.4	246.8	279.8
Other capital												
Liabilities to direct investors												
Debt securities issued by affiliated enterprises	CVVD	3.9	4.2	6.3	6.7	6.6	7.0	11.0	17.5	17.3	18.1	20.3
Other liabilities to direct investors												
Inter-company balance	CVVJ	37.9	38.9	43.4	53.4	78.4	96.0	103.8	133.1	147.0	137.1	142.2
Branch indebtedness balance	CVVM	4.3	4.4	6.2	7.4	8.1	6.8	8.5	9.4	8.7	10.7	10.8
Total liabilities to direct investors	HBVB	46.2	47.5	55.9	67.5	93.2	109.8	123.2	160.0	173.0	165.9	173.4
Claims on direct investors												
Inter-company balance	-CVVI	-14.9	-20.1	-23.7	-27.7	-39.2	-51.8	-51.3	-53.4	-60.5	-52.7	-52.3
Branch indebtedness balance	-CVVL	-0.1	-0.1	-0.2	-0.3	-0.2	-0.1	-2.1	-2.9	-1.1	-3.3	-3.3
Total claims on direct investors	-HBVA	-15.0	-20.2	-23.9	-28.0	-39.4	-51.9	-53.4	-56.3	-61.6	-56.0	-55.7
Total other capital liabilities	HBVC	31.2	27.3	32.1	39.4	53.8	57.9	69.8	103.7	111.4	109.9	117.7
Total	HBWI	129.9	146.2	152.6	173.7	213.6	250.3	310.4	363.6	339.8	356.7	397.5
Net international investment position (UK assets less UK liabilities)												
Equity capital												
Ordinary share capital and reinvested earnings	LTNM	71.8	75.1	77.3	88.2	123.0	219.1	343.5	320.0	387.1	440.8	438.8
Holdings of property	LTNN	-5.8	-6.1	-6.9	-8.2	-9.1	-9.4	-9.2	-11.4	-11.9	-13.3	-15.1
Total equity capital and reinvested earnings	HBSH	66.0	69.0	70.3	80.0	113.9	209.7	334.4	308.7	375.2	427.6	423.6
Total other capital	CGKF	-19.8	-11.5	-21.4	-30.4	-27.9	-31.9	-37.3	-69.0	-93.5	-88.1	-99.7
Total	HBWQ	46.2	57.5	49.0	49.5	85.9	177.8	297.1	239.7	281.7	339.4	324.0

¹ Prior to 2003 holdings of quoted share capital were included in series CVVC

8.4 Direct investment Sector analysis

Balance sheets valued at end of year

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Direct investment abroad (UK assets)												
By:												
Monetary financial institutions (banks)	CVKH	6.2	5.8	5.3	3.2	9.9	11.7	18.1	25.5	27.7	27.6	44.0
Insurance companies	DPYH	12.3	17.0	17.5	22.5	22.0	21.2	24.3	22.8	22.0	24.6	25.9
Other financial intermediaries	CVWH	7.5	9.3	11.5	15.8	26.9	26.8	34.9	37.8	42.0	56.1	59.4
Private non-financial corporations	CVLX	148.8	170.1	165.9	180.6	239.5	366.7	527.9	515.8	527.5	585.6	589.8
Public corporations	CVOF	0.7	0.8	0.7	0.8	0.8	1.1	1.7	0.8	1.5	1.4	1.6
Household sector ¹	AQHH	0.6	0.7	0.7	0.3	0.5	0.6	0.6	0.7	0.8	0.8	0.9
Total	HBWD	176.1	203.7	201.6	223.3	299.6	428.1	607.4	603.3	621.4	696.1	721.5
Direct investment in the UK (UK liabilities)												
In:												
Monetary financial institutions (banks)	CVJW	13.4	15.4	17.8	21.3	20.3	19.8	26.0	27.2	28.1	29.5	41.2
Insurance companies	CVSM	3.1	3.1	6.8	9.0	9.4	13.7	11.7	13.0	14.1	19.3	20.5
Other financial intermediaries												
Securities dealers	CVTC	6.2	7.1	8.0	8.4	7.2	8.2	9.5	11.0	11.9	12.5	13.5
Other	CVTS	1.4	2.2	2.8	4.9	8.1	7.4	15.8	27.3	29.1	30.9	35.5
Total other financial intermediaries	CVUI	7.6	9.4	10.8	13.3	15.2	15.6	25.2	38.3	41.0	43.4	49.0
Private non-financial corporations	CVKW	105.9	118.3	117.2	130.2	168.7	201.3	247.4	285.1	256.5	264.5	286.9
Total	HBWI	129.9	146.2	152.6	173.7	213.6	250.3	310.4	363.6	339.8	356.7	397.5
Net international investment position (UK assets less UK liabilities)												
Monetary financial institutions	LTNO	-7.2	-9.5	-12.5	-18.1	-10.5	-8.1	-8.0	-1.7	-0.5	-1.9	2.8
Insurance companies	LTNP	9.2	13.9	10.6	13.4	12.6	7.6	12.6	9.8	7.9	5.2	5.4
Other financial intermediaries	LTNQ	-0.1	-	0.7	2.6	11.7	11.2	9.7	-0.5	1.0	12.7	10.4
Private non-financial corporations	LTNR	43.0	51.7	48.7	50.4	70.8	165.5	280.4	230.7	271.0	321.2	302.9
Public corporations	CVOF	0.7	0.8	0.7	0.8	0.8	1.1	1.7	0.8	1.5	1.4	1.6
Household sector ¹	AQHH	0.6	0.7	0.7	0.3	0.5	0.6	0.6	0.7	0.8	0.8	0.9
Total	HBWQ	46.2	57.5	49.0	49.5	85.9	177.8	297.1	239.7	281.7	339.4	324.0

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

8.5 Portfolio investment

Balance sheets valued at end of year

		£ billion										
		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Portfolio investment abroad (UK assets)												
Investment in equity securities (shares) by:												
Monetary financial Institutions (banks)	VTWF	3.5	4.8	5.0	2.7	8.8	6.8	19.7	14.3	2.7	20.8	53.0
Insurance companies and pension funds												
Insurance companies	CGPB	47.3	59.9	62.0	72.3	77.3	115.7	100.7	106.2	82.1	79.1	89.2
Pension funds	ZPOR	74.8	82.2	84.2	104.2	108.9	148.3	135.5	127.9	104.4	125.7	139.6
Total insurance companies and pension funds	CGPV	122.1	142.0	146.2	176.5	186.2	264.0	236.2	234.1	186.5	204.9	228.7
Other financial intermediaries												
Securities dealers	HCEA	0.8	4.3	8.5	31.4	27.0	38.3	49.3	46.8	22.9	32.4	46.3
Unit and Investment Trusts	CGSN	51.3	55.5	68.4	60.7	69.0	93.6	99.1	88.0	77.3	94.1	100.2
Other	CGTV	—	—	—	—	—	—	—	—	—	—	—
Total other financial intermediaries	HDIG	52.1	59.8	76.9	92.1	96.0	131.8	148.4	134.8	100.2	126.5	146.4
Private non-financial corporations	XBNN	0.4	0.3	0.5	0.5	0.7	1.1	10.0	8.9	6.5	7.8	7.9
Household sector ¹	HFLX	8.7	10.1	9.8	10.6	11.9	16.1	15.0	12.5	10.1	12.1	16.6
Total investment in equity securities	HEPX	186.8	217.0	238.3	282.3	303.7	419.9	429.3	404.6	306.0	372.1	452.7
Investment in debt securities												
Investment in bonds and notes by:												
Monetary financial institutions												
Banks	VTWJ	119.4	144.9	154.7	181.9	224.8	239.0	282.8	312.9	326.0	318.2	349.5
Building societies	HPEG	1.1	1.6	1.6	1.6	3.0	4.1	5.8	6.7	6.3	4.8	5.6
Total monetary financial institutions	HPCO	120.5	146.5	156.4	183.5	227.8	243.1	288.7	319.6	332.3	323.1	355.1
Central Government	MDZI	—	—	—	—	—	—	—	—	—	—	—
Insurance companies and pension funds												
Insurance companies	CGTU	16.4	19.8	22.5	24.4	41.4	37.8	39.8	55.9	62.9	64.5	63.0
Pension funds	JIRX	15.9	16.7	22.3	21.6	23.9	36.4	44.2	49.9	45.7	53.9	56.7
Total insurance companies and pension funds	HBUM	32.4	36.6	44.9	46.0	65.3	74.1	84.0	105.8	108.6	118.3	119.7
Other financial intermediaries												
Securities dealers	HCDZ	58.6	61.4	80.4	103.4	68.1	45.6	45.2	34.9	31.1	38.7	57.3
Unit and investment trusts	HBXZ	2.8	4.3	3.0	3.6	4.7	5.8	6.8	8.4	7.7	10.7	14.1
Other	HCNA	—	—	—	0.1	—	—	—	—	—	—	—
Total other financial intermediaries	HCOR	61.4	65.6	83.5	107.1	72.8	51.4	52.1	43.3	38.8	49.4	71.4
Private non-financial corporations	XBNK	2.6	2.5	3.1	0.8	1.4	0.4	1.6	2.0	2.2	3.5	3.7
Household sector ¹	HCJC	10.7	11.9	6.4	6.7	7.1	6.9	7.5	7.6	7.8	7.7	7.7
Total investment in bonds and notes	HEPW	227.5	263.1	294.2	344.2	374.4	376.0	433.8	478.3	489.6	502.0	557.5
Investment in Money Market Instruments												
Investment in commercial paper by:												
Monetary financial institutions												
Banks	HBMW	10.1	13.2	8.6	16.6	21.3	31.3	33.2	39.7	32.3	40.6	35.2
Building societies	TAIG	0.4	0.1	0.1	0.3	0.2	0.2	1.1	1.8	1.2	1.0	1.1
Central government	LSP1	—	—	—	—	—	—	—	0.5	0.9	—	—
Insurance companies and pension funds	HBXX	0.9	1.1	1.4	2.0	1.1	1.4	1.3	1.1	1.4	1.5	3.6
Other financial intermediaries	HGRJ	2.1	2.6	3.4	3.0	1.1	4.1	2.2	4.7	4.2	7.2	7.9
Private non-financial corporations	HFBN	1.7	1.7	1.8	2.1	1.2	1.9	3.0	4.9	6.0	9.8	10.4
Total investment in commercial paper	HGRK	15.2	18.7	15.3	24.0	24.8	38.9	40.8	52.6	46.0	60.0	58.0
Investment in certificates of deposit by:												
Monetary financial institutions (Building societies)	TAIE	0.1	—	—	—	0.2	0.1	0.6	0.6	1.2	1.2	0.9
Other financial intermediaries	CDHB	0.2	0.5	0.5	0.5	0.8	3.4	1.6	1.2	1.4	0.7	0.7
Total transactions in certificates of deposit	VTWN	0.3	0.5	0.5	0.5	1.0	3.6	2.2	1.8	2.5	1.9	1.6
Total investment in Money Market Instruments	HLJR	15.4	19.2	15.8	24.5	25.8	42.5	43.0	54.5	48.5	61.9	59.7
Total investment in debt securities	HHZX	243.0	282.3	310.0	368.6	400.2	418.4	476.8	532.8	538.1	563.9	617.2
Total	HHZZ	429.8	499.3	548.3	651.0	703.8	838.3	906.1	937.4	844.1	935.9	1 069.9

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

8.5 Portfolio investment

Balance sheets valued at end of year

continued

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Portfolio investment in the UK												
(UK liabilities)												
Investment in equity securities (shares) issued by:												
Monetary financial Institutions	HBQD	4.4	6.3	9.7	14.8	11.0	9.1	5.9	5.1	3.0	4.1	3.1
(banks and building societies)	HBQE	121.8	166.4	216.3	287.1	391.1	500.7	598.5	524.4	406.8	485.7	525.3
Other sectors ¹												
Total investment in equity securities	HLXX	126.1	172.7	226.1	301.9	402.1	509.8	604.4	529.4	409.8	489.8	528.5
Investment in debt securities												
Investment in bonds and notes												
Issues by central government												
UK foreign currency bonds and notes	HEWE	12.4	13.1	10.0	6.4	5.1	4.7	6.5	3.3	0.9	1.6	1.5
Investment in British government stocks by:												
Foreign central banks (exchange reserves)	HCCH	14.1	14.7	14.7	14.1	18.0	16.7	18.1	18.7	17.3	15.9	17.0
Other foreign residents	HEQF	30.1	31.2	38.8	43.8	50.9	39.6	37.8	37.8	38.2	48.6	61.4
Total investment in British government stocks	HEWD	44.2	45.9	53.5	58.0	68.8	56.2	55.9	56.5	55.5	64.5	78.4
Total issues by central government	HHGF	56.6	58.9	63.5	64.4	73.9	60.9	62.4	59.9	56.4	66.1	79.9
Local authorities' bonds												
Public corporations' bonds	HHGG	—	—	—	—	—	—	—	—	—	—	—
	HEWM	—	—	—	—	—	—	—	—	—	—	—
Issues by monetary financial Institutions												
(banks and building societies)												
Bonds	HMBL	16.4	20.4	22.1	25.4	28.6	33.6	39.0	41.6	51.4	68.2	85.3
European medium term notes and other												
medium-term paper:												
Issued by UK banks	HCFA	13.9	15.5	19.6	24.9	27.7	33.5	35.8	39.2	40.4	49.5	64.5
Issued by UK building societies	HCFD	5.6	5.1	4.4	1.3	1.1	1.2	2.6	3.3	3.2	4.2	6.4
Total	HHGI	19.6	20.7	24.0	26.3	28.9	34.7	38.4	42.5	43.6	53.7	70.9
Total monetary financial institutions	HMBF	36.0	41.1	46.1	51.7	57.4	68.3	77.4	84.1	95.0	121.9	156.3
Issues by other sectors ¹	HHGJ	51.2	63.6	68.8	79.1	89.0	104.5	121.3	129.4	160.1	212.2	265.5
Total investment in bonds and notes	HLXZ	143.8	163.7	178.4	195.2	220.3	233.8	261.1	273.4	311.5	400.1	501.7
Investment in Money Market Instruments												
Investment in treasury bills												
(issued by central government)												
Sterling treasury bills	ACQJ	0.5	1.4	0.9	0.6	0.1	0.1	—	0.1	0.2	1.9	4.0
Euro treasury bills	HHNX	1.3	1.8	2.0	1.1	0.2	—	—	—	—	—	—
Total treasury bills	HLYU	1.8	3.2	3.0	1.7	0.3	0.1	—	0.1	0.2	1.9	4.0
Investment in certificates of deposit												
(issued by monetary financial institutions)												
Issued by UK banks	HHGK	33.0	46.3	51.1	59.1	41.6	53.9	92.8	115.0	108.4	96.2	87.6
Issued by UK building societies	HHGL	0.8	0.6	0.6	0.2	0.3	0.5	0.5	0.4	0.6	1.7	2.2
Total certificates of deposit	HHGM	33.8	46.9	51.7	59.3	42.0	54.4	93.3	115.4	108.9	97.9	89.8
Investment in commercial paper												
Issued by UK monetary financial Institutions												
UK banks	HHGN	3.0	4.7	6.3	11.1	11.4	10.1	14.7	14.9	28.9	27.0	35.1
Building societies	HHGO	1.7	3.9	3.2	0.7	1.0	2.7	2.9	2.8	2.4	5.7	5.5
Total monetary financial institutions	HHGP	4.8	8.6	9.5	11.8	12.4	12.8	17.7	17.7	31.4	32.8	40.6
Issued by other sectors ¹	HLYQ	9.6	11.2	11.1	13.2	15.5	17.4	21.5	22.4	30.6	23.7	22.6
Total investment in commercial paper	HHGR	14.4	19.8	20.7	25.0	28.0	30.2	39.2	40.1	62.0	56.5	63.3
Total investment in Money Market Instruments	HLYB	50.0	69.9	75.3	86.1	70.2	84.7	132.5	155.6	171.1	156.3	157.0
Total investment in debt securities	HLXY	193.8	233.6	253.7	281.3	290.5	318.5	393.6	428.9	482.6	556.5	658.7
Total	HLXW	320.0	406.3	479.8	583.1	692.6	828.4	998.0	958.4	892.3	1 046.2	1 187.1

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

8.5 Portfolio investment

Balance sheets valued at end of year

continued

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Net international investment position (UK assets less UK liabilities)												
Equity securities	CGNE	60.7	44.3	12.2	-19.5	-98.4	-90.0	-175.1	-124.8	-103.8	-117.7	-75.8
Debt securities												
Bonds and notes	LTNS	83.7	99.4	115.8	149.0	154.0	142.2	172.7	204.9	178.1	101.9	55.9
Money market instruments	LTNT	-34.5	-50.7	-59.6	-61.6	-44.4	-42.3	-89.6	-101.1	-122.6	-94.5	-97.3
Total debt securities	CGNF	49.1	48.7	56.2	87.4	109.6	99.9	83.1	103.8	55.6	7.4	-41.4
Total	CGNH	109.8	93.0	68.5	67.8	11.2	9.9	-92.0	-21.0	-48.2	-110.3	-117.2

8.6 Portfolio investment

Sector analysis

Balance sheets valued at end of year

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Portfolio investment abroad (UK assets)												
Investment by:												
Monetary financial institutions												
Banks	HBRW	133.0	163.0	168.3	201.1	254.8	277.1	335.8	367.0	361.0	379.6	437.6
Building societies	VTWM	1.6	1.7	1.7	1.9	3.4	4.5	7.5	9.0	8.7	7.0	7.7
Total monetary financial institutions	HHGQ	134.5	164.6	170.1	203.1	258.2	281.6	343.2	376.0	369.7	386.7	445.3
Central government	LOFC	—	—	—	—	—	—	—	0.5	0.9	—	—
Insurance companies and pension funds	HHHH	155.4	179.7	192.4	224.4	252.7	339.5	321.4	341.0	296.5	324.7	352.0
Other financial intermediaries	HHNH	115.8	128.6	164.2	202.7	170.7	190.8	204.3	184.0	144.5	183.7	226.3
Private non-financial corporations	AIMH	4.7	4.5	5.4	3.4	3.2	3.4	14.7	15.8	14.6	21.0	22.0
Household sector ¹	AINA	19.4	22.0	16.2	17.3	19.0	23.0	22.4	20.2	17.8	19.8	24.3
Total	HHZZ	429.8	499.3	548.3	651.0	703.8	838.3	906.1	937.4	844.1	935.9	1 069.9
Portfolio investment in the UK (UK liabilities)												
Investment in securities issued by:												
Monetary financial institutions (banks and building societies)	CGPC	79.0	103.0	117.1	137.6	122.8	144.6	194.3	222.2	238.3	256.6	289.8
Central government	HHGS	58.4	62.2	66.5	66.1	74.3	61.1	62.4	60.0	56.5	68.0	83.9
Local authorities	HHGG	—	—	—	—	—	—	—	—	—	—	—
Public corporations	HEWM	—	—	—	—	—	—	—	—	—	—	—
Other sectors	CGPG	182.6	241.2	296.3	379.5	495.6	622.7	741.3	676.2	597.5	721.6	813.4
Total	HLXW	320.0	406.3	479.8	583.1	692.6	828.4	998.0	958.4	892.3	1 046.2	1 187.1
Net international investment position (UK assets less UK liabilities)												
Monetary financial institutions	LTNU	55.6	61.7	53.0	65.5	135.5	137.0	149.0	153.8	131.3	130.1	155.4
Central government	ZPOH	-58.4	-62.2	-66.5	-66.1	-74.3	-61.1	-62.4	-59.5	-55.6	-68.0	-83.9
Local authorities	HHGG	—	—	—	—	—	—	—	—	—	—	—
Public corporations	-HEWM	—	—	—	—	—	—	—	—	—	—	—
Other sectors	LTNV	112.7	93.5	81.9	68.4	-50.0	-66.0	-178.5	-115.3	-123.9	-172.3	-188.8
Total	CGNH	109.8	93.0	68.5	67.8	11.2	9.9	-92.0	-21.0	-48.2	-110.3	-117.2

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

8.7 Other investment

Balance sheets valued at end of year

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Other investment abroad (UK assets)												
Trade credit												
Long-term												
Central government	ZPOC	7.4	7.8	8.2	8.2	8.2	—	—	—	—	—	—
Other sectors ¹	HCLK	1.1	0.5	0.5	0.5	0.5	—	—	—	—	—	—
Total long-term trade credit	HHGU	8.5	8.3	8.7	8.7	8.7	—	—	—	—	—	—
Short-term												
Other sectors ¹	HLXU	1.5	1.6	3.2	2.6	1.4	0.5	0.4	0.1	0.4	1.0	0.8
Total trade credit	HLXP	10.0	9.9	11.9	11.3	10.1	0.5	0.4	0.1	0.4	1.0	0.8
Loans												
Long-term												
Bank loans under ECGD guarantee	HCFQ	5.0	6.3	5.2	5.8	6.0	6.0	4.8	5.1	3.8	3.7	3.7
Inter-government loans by the UK and other central government assets	HCFN	0.6	0.6	0.5	0.5	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Loans by Commonwealth Development Corporation (public corporations)	HEWZ	1.0	1.1	1.2	1.2	1.1	1.1	0.5	0.4	0.4	0.4	0.3
Loans by the Export Credit Guarantee Department	CY94	..	..	..	..	..	..	..	..	5.2	4.5	3.8
Loans by specialist leasing companies ¹	HGIH	—	—	—	—	—	—	—	—	—	—	—
Total long-term loans	HFAX	6.7	8.0	6.9	7.4	7.3	9.6	8.1	8.3	9.6	8.7	8.0
Short-term												
By monetary financial institutions												
By banks												
Sterling loans	NLHN	13.2	13.9	18.7	24.0	23.4	26.1	27.6	32.3	37.6	40.2	47.4
Foreign currency loans	ZPOO	87.5	110.9	127.8	168.6	180.1	189.1	252.5	290.9	291.0	358.3	448.5
Total banks	HEQS	100.7	124.8	146.5	192.6	203.5	215.3	280.1	323.2	328.6	398.4	495.9
By building societies	NLHP	—	—	—	—	—	—	—	—	—	—	—
Total monetary financial institutions	ZPOM	100.7	124.8	146.5	192.6	203.5	215.3	280.1	323.2	328.6	398.5	495.9
By other sectors	HLXI	1.0	0.6	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Total short-term loans	VTUM	101.7	125.4	147.2	193.3	204.0	215.8	280.6	323.8	329.1	399.0	496.5
Total loans	HLXQ	108.4	133.4	154.2	200.7	211.4	225.5	288.7	332.1	338.7	407.7	504.5
Currency and deposits												
Foreign notes and coin												
Monetary financial institutions (banks)	TAAF	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Other sectors ¹	CGML	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5
Total foreign notes and coin	HEOX	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Deposits abroad by UK residents												
Deposits by monetary financial institutions												
Deposits by banks												
Sterling deposits	HFBB	40.0	42.9	47.0	83.2	89.2	75.6	94.8	102.1	94.6	113.0	110.1
Foreign currency deposits	HFBG	419.0	462.6	426.3	544.1	576.5	546.4	677.8	700.1	746.1	806.5	895.1
Total deposits by UK banks	HLXL	459.0	505.5	473.4	627.3	665.7	621.9	772.7	802.2	840.7	919.5	1 005.2
Deposits by building societies	TAIC	1.6	1.8	1.3	1.0	0.9	0.5	1.0	0.9	0.4	0.2	0.3
Total deposits by monetary financial institutions	VTWL	460.6	507.3	474.7	628.3	666.5	622.4	773.7	803.2	841.1	919.7	1 005.5
Deposits by securities dealers	HGUX	59.0	79.2	129.8	129.1	111.5	152.2	206.1	261.9	242.0	289.7	315.7
Deposits by other UK residents ¹	HHGW	68.7	76.5	77.6	95.0	102.0	124.6	153.5	170.6	210.2	266.2	323.5
Total deposits abroad	HBXS	588.3	663.0	682.1	852.4	880.0	899.2	1 133.3	1 235.7	1 293.3	1 475.6	1 644.7
Total currency and deposits	HBVS	588.6	663.3	682.5	852.8	880.5	899.7	1 133.7	1 236.1	1 293.8	1 476.1	1 645.3

¹ 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

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Other investment abroad - continued (UK assets)												
Other assets												
Central government assets												
Central government subscriptions to international organisations												
Regional development banks	HEXW	0.7	0.8	0.8	0.9	1.0	1.0	1.1	1.1	1.2	1.3	1.3
European Investment Bank (EIB)	HEXX	0.4	0.4	0.4	0.4	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	0.4	0.4	0.4	0.4	0.4	0.5
Total central government subscriptions	HLXO	1.4	1.5	1.6	1.6	1.7	1.8	1.8	1.9	2.0	2.1	2.2
Other long-term central government assets	XBJL	—	—	—	—	—	—	—	—	—	—	—
Other short-term central government assets	LOEM	−0.4	−0.4	1.1	1.2	1.2	1.5	1.8	1.7	2.3	2.5	2.8
Total central government	LOET	1.0	1.1	2.7	2.8	2.9	3.3	3.6	3.7	4.3	4.6	5.0
Other sectors assets												
Long-term assets ¹	HLXM	—	—	—	—	—	—	—	—	—	—	—
Short-term assets												
Public corporations assets abroad	HGJM	—	—	—	—	—	—	—	—	—	—	—
Other ¹	HHGY	0.6	0.4	0.5	0.4	0.5	0.8	1.1	1.1	1.4	1.3	1.1
Total short-term assets	HLXJ	0.6	0.4	0.5	0.4	0.5	0.8	1.1	1.1	1.4	1.3	1.1
Total other sectors	HLXN	0.6	0.4	0.5	0.4	0.5	0.8	1.1	1.1	1.4	1.3	1.1
Total other assets	HLXS	1.6	1.5	3.2	3.2	3.4	4.0	4.7	4.8	5.7	5.9	6.1
Total	HLXV	708.6	808.1	851.7	1 068.0	1 105.4	1 129.7	1 427.6	1 573.1	1 638.6	1 890.8	2 156.6

¹ 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

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Other investment in the UK (UK liabilities)												
Trade credit												
Long-term ¹	HBWC	1.2	1.5	1.5	1.5	1.5	—	—	—	—	—	—
Short-term ¹	HCGB	1.3	1.3	1.2	1.2	1.2	1.0	1.1	1.1	1.0	0.9	0.9
Total trade credit	HLYL	2.5	2.7	2.7	2.7	2.7	1.0	1.1	1.1	1.0	0.9	0.9
Loans												
Long-term loans to:												
Central government	HHGZ	1.1	1.0	0.8	0.6	0.4	0.4	0.6	0.5	0.4	0.2	0.1
Local authorities	HHHA	1.2	1.2	1.2	1.1	1.2	1.1	0.8	0.8	0.9	1.1	1.7
Public corporations	HHHB	0.3	0.2	0.2	—	—	—	—	—	—	—	—
Other ¹	AQBX	—	—	—	—	—	—	—	—	—	—	—
Total long-term loans	HHHC	2.6	2.3	2.2	1.7	1.6	1.4	1.4	1.3	1.2	1.3	1.9
Short-term loans to:												
Central government	HHHD	—	—	—	—	—	—	—	—	—	—	—
Local authorities	HHHE	—	—	—	—	—	—	—	—	—	—	—
Securities dealers	HHHF	79.2	113.4	178.0	204.3	198.3	235.7	286.6	344.6	307.6	337.0	374.0
Other ¹	HHHG	70.8	81.5	80.1	94.2	95.5	116.3	127.8	154.3	179.9	224.4	268.5
Total short-term loans	HHHJ	150.0	194.9	258.1	298.5	293.8	352.0	414.4	498.9	487.4	561.4	642.4
Total loans	HLYI	152.5	197.2	260.2	300.2	295.4	353.4	415.8	500.2	488.6	562.7	644.3
Currency and deposits												
Sterling notes and coin												
Notes (issued by Bank of England)	HLVG	0.7	0.7	0.7	0.8	0.9	1.0	1.0	1.0	1.1	1.1	1.2
Coins (issued by Royal Mint)	HLVH	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total notes and coin	APME	0.7	0.8	0.8	0.9	1.0	1.1	1.1	1.1	1.2	1.3	1.3
Deposits from abroad with UK residents												
Deposits with monetary financial institutions												
Deposits with banks												
Sterling deposits	NLCZ	92.8	103.7	106.5	134.4	147.2	167.5	200.4	215.9	228.0	251.7	279.6
Foreign currency deposits	NLDA	611.3	688.2	664.6	814.9	886.7	859.0	1 060.0	1 152.5	1 206.6	1 347.9	1 583.4
Total deposits with banks	CGEH	704.1	791.9	771.1	949.3	1 033.9	1 026.5	1 260.4	1 368.4	1 434.6	1 599.6	1 863.1
Deposits with building societies	NLDB	8.5	8.9	9.9	4.0	4.9	5.2	4.1	4.6	4.9	5.4	5.7
Total deposits with UK monetary financial institutions	HDKG	712.6	800.8	781.0	953.4	1 038.8	1 031.7	1 264.6	1 373.0	1 439.5	1 605.1	1 868.8
Deposit liabilities of UK central government	HEYH	1.2	1.7	1.1	0.3	0.6	1.3	1.8	1.7	1.6	1.9	1.0
Total deposits from abroad with UK residents	HBYA	713.8	802.5	782.1	953.7	1 039.5	1 033.0	1 266.4	1 374.7	1 441.1	1 606.9	1 869.8
Total currency and deposits	HLVI	714.5	803.3	782.9	954.6	1 040.4	1 034.1	1 267.5	1 375.8	1 442.3	1 608.2	1 871.1
Other liabilities												
Long-term												
Net equity of foreign households in life insurance reserves and in pension funds	VTUE	0.2	0.2	0.2	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	7.8	9.5	14.7	15.5	15.0	14.1	10.8	10.7	12.6	10.2	10.3
Total long-term liabilities ¹	VTUF	7.9	9.6	14.8	15.7	15.2	14.3	11.0	10.9	12.9	10.4	10.5
Short-term ¹	HBMV	—	—	1.1	1.1	1.3	1.1	1.1	1.6	1.0	1.0	0.9
Total other liabilities	HLYM	7.9	9.7	16.0	16.8	16.5	15.4	12.0	12.5	13.8	11.4	11.4
Total	HLYD	877.4	1 013.0	1 061.7	1 274.3	1 355.0	1 403.9	1 696.4	1 889.6	1 945.8	2 183.3	2 527.7

¹ 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

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Net international investment position (UK assets less UK liabilities)												
Trade credit	LTNW	7.5	7.2	9.2	8.6	7.4	-0.5	-0.7	-1.0	-0.6	0.1	-0.1
Loans	LTNX	-44.2	-63.9	-106.1	-99.5	-84.1	-127.9	-127.0	-168.1	-149.9	-155.0	-139.8
Currency and deposits	LTNY	-125.9	-140.0	-100.4	-101.7	-160.0	-134.4	-133.8	-139.7	-148.5	-132.1	-225.9
Other	LTNZ	-6.3	-8.2	-12.8	-13.7	-13.1	-11.4	-7.3	-7.7	-8.2	-5.5	-5.3
Total	CGNG	-168.8	-204.9	-210.1	-206.4	-249.6	-274.2	-268.8	-316.5	-307.2	-292.5	-371.1

8.8 Other investment

Sector analysis

Balance sheets valued at end of year

£ billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Monetary gold	HCGD	4.5	4.6	4.0	3.2	4.0	3.7	2.9	2.2	2.1	2.3	2.3
Special drawing rights	HCGE	0.3	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Reserve position in the Fund	HCGF	1.3	1.6	1.4	1.8	2.6	3.3	2.9	3.5	3.8	3.5	2.9
Foreign exchange												
Currency and deposits												
With central banks	CGDE	..	3.5	2.9	3.0	0.8	0.4	0.1	0.1	0.2	0.1	0.1
With other banks	CGDF	..	2.2	3.1	2.9	2.6	5.0	3.7	2.8	1.9	1.3	0.3
Total currency and deposits	CGDD	..	5.7	5.9	5.9	3.4	5.5	3.7	2.9	2.1	1.4	0.4
Securities												
Bonds and notes	CGDH	..	17.0	14.1	10.6	10.9	7.6	16.7	14.4	16.8	16.2	17.1
Money market instruments	CGDL	—	2.6	1.7	1.0	2.1	1.8	2.3	2.2	0.2	0.2	0.3
Total securities	CGDG	..	19.6	15.8	11.6	13.0	9.5	19.0	16.6	17.0	16.4	17.4
Total foreign exchange	HCGG	24.6	25.3	21.7	17.6	16.4	14.9	22.7	19.4	19.1	17.7	17.8
Other claims	CGDM	—	—	—	—	—	—	0.1	0.4	0.2	—	0.1
Total	LTEB	30.7	31.8	27.3	22.8	23.3	22.2	28.8	25.6	25.5	23.8	23.3

8.9 Reserve assets

Central government sector

Balance sheets valued at end of year

£billion

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Monetary gold	HCGD	4.5	4.6	4.0	3.2	4.0	3.7	2.9	2.2	2.1	2.3	2.3
Special drawing rights	HCGE	0.3	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Reserve position in the Fund	HCGF	1.3	1.6	1.4	1.8	2.6	3.3	2.9	3.5	3.8	3.5	2.9
Foreign exchange												
Currency and deposits												
With central banks	CGDE	..	3.5	2.9	3.0	0.8	0.4	0.1	0.1	0.2	0.1	0.1
With other banks	CGDF	..	2.2	3.1	2.9	2.6	5.0	3.7	2.8	1.9	1.3	0.3
Total currency and deposits	CGDD	..	5.7	5.9	5.9	3.4	5.5	3.7	2.9	2.1	1.4	0.4
Securities												
Bonds and notes	CGDH	..	17.0	14.1	10.6	10.9	7.6	16.7	14.4	16.8	16.2	17.1
Money market instruments	CGDL	—	2.6	1.7	1.0	2.1	1.8	2.3	2.2	0.2	0.2	0.3
Total securities	CGDG	..	19.6	15.8	11.6	13.0	9.5	19.0	16.6	17.0	16.4	17.4
Total foreign exchange	HCGG	24.6	25.3	21.7	17.6	16.4	14.9	22.7	19.4	19.1	17.7	17.8
Other claims	CGDM	—	—	—	—	—	—	0.1	0.4	0.2	—	0.1
Total	LTEB	30.7	31.8	27.3	22.8	23.3	22.2	28.8	25.6	25.5	23.8	23.3

8.10

External debt statement

Balance sheets valued at end of year

£ billion

		1999	2000	2001	2002	2003	2004
General Government							
Short-term							
Money market instruments	HLYU	0.1	—	0.1	0.2	1.9	4.0
Currency and deposits	HLVH	0.1	0.1	0.1	0.1	0.1	0.1
Other liabilities	VTZZ	1.3	1.8	1.7	1.6	1.9	1.0
Total short-term	ZAVF	1.5	2.0	1.9	1.9	3.9	5.1
Long-term							
Bonds and notes issued by central government	HHGF	60.9	62.4	59.9	56.4	66.1	79.9
Loans to central government	HHGZ	0.4	0.6	0.5	0.4	0.2	0.1
to local authorities	HHHA	1.1	0.8	0.8	0.9	1.1	1.7
Total long-term	ZAVG	62.3	63.7	61.2	57.6	67.4	81.8
Total General Government liabilities	ZAVH	63.9	65.7	63.0	59.5	71.4	86.9
Monetary Authorities							
Short-term							
Money market instruments	VTZS	0.7	0.3	1.4	2.8	3.5	3.4
Currency and deposits	VTZT	8.4	5.2	3.8	5.5	6.8	10.2
Total short-term	VTZY	9.1	5.5	5.2	8.3	10.3	13.6
Long-term							
Bonds and notes	VTZU	—	—	—	—	—	—
Total long-term	VTZV	—	—	—	—	—	—
Total Monetary Authorities liabilities	VTZW	9.1	5.5	5.2	8.3	10.3	13.6
Banks							
Short-term							
Money market instruments							
Banks	ZAVC	63.3	107.3	128.5	134.5	119.7	119.4
Building societies	ZAVD	3.2	3.4	3.2	3.0	7.4	7.7
Total money market instruments	ZAUX	66.5	110.7	131.7	137.5	127.1	127.1
Currency and deposits							
Banks	VTZX	1 018.1	1 255.2	1 364.6	1 429.1	1 592.9	1 852.8
Building societies	NLDB	5.2	4.1	4.6	4.9	5.4	5.7
Total short-term	ZAVI	1 089.8	1 370.0	1 500.9	1 571.5	1 725.4	1 985.6
Long-term							
Bonds and notes	HMBF	68.3	77.4	84.1	95.0	121.9	156.3
Total long-term	ZPOK	68.3	77.4	84.1	95.0	121.9	156.3
Total Banks liabilities	ZAVA	1 158.1	1 447.4	1 585.0	1 666.6	1 847.3	2 141.9
Other sectors							
Short-term							
Money market instruments	HLYQ	17.4	21.5	22.4	30.6	23.7	22.6
Loans	ZLBY	352.0	414.4	498.9	487.4	561.4	642.4
Trade credits	HCGB	1.0	1.1	1.1	1.0	0.9	0.9
Other liabilities	LSYR	1.1	1.1	1.6	1.0	1.0	0.9
Total short-term liabilities	ZAVB	371.5	438.1	524.0	520.0	587.1	666.8
Long-term							
Bond and notes	HHGJ	104.5	121.3	129.4	160.1	212.2	265.5
Loans	ZLBZ	—	—	—	—	—	—
Trade credits	HBWC	—	—	—	—	—	—
Other liabilities	VTUF	14.3	11.0	10.9	12.9	10.4	10.5
Total long-term liabilities	ZAUQ	118.8	132.3	140.3	172.9	222.6	276.0
Total other sectors liabilities	ZAUR	490.4	570.4	664.3	693.0	809.7	942.8
Direct investment							
Debt liabilities to affiliated enterprises	HHDJ	64.4	84.3	97.4	128.4	124.8	122.0
Debt liabilities to direct investors	HBVB	109.8	123.2	160.0	173.0	165.9	173.4
Total liabilities to direct investors	ZAUY	174.1	207.5	257.4	301.4	290.7	295.3
GROSS EXTERNAL DEBT	ZAUS	1 895.6	2 296.5	2 574.9	2 728.7	3 029.3	3 480.5

FD Financial derivatives¹

Balance sheets valued at end of year

£ billion

		1998	1999	2000	2001	2002	2003	2004
Financial derivatives assets								
UK banks								
Sterling	ZPNP	27.9	29.4	49.8	43.5	56.7	44.1	46.1
Foreign currency	ZPNQ	370.5	360.8	340.6	481.0	626.2	579.3	663.3
Total UK banks	ZPNA	398.3	390.2	390.5	524.5	682.8	623.4	709.4
Other Financial Intermediaries								
UK securities dealers								
Sterling	RUVI	2.8	4.6	3.2	13.2	16.2	10.6	11.5
Foreign currency	RUVJ	42.4	58.0	52.6	51.9	70.9	144.0	104.7
Total UK securities dealers	RVAP	45.2	62.6	55.7	65.1	87.1	154.7	116.2
Other ²	D4AG	..	0.2	0.2	0.2	0.4	0.6	..
Total Other Financial Intermediaries	D4AH	..	62.8	55.9	65.3	87.5	155.3	..
Insurance companies and pension funds								
Insurance companies ³	D4AE	..	0.7	0.7	1.0	0.8	0.2	..
Pension funds ⁴	GOJU	..	0.9	0.8	0.8	0.7	0.6	..
Total insurance companies and pension funds	D4AF	..	1.6	1.5	1.7	1.5	0.8	..
Total UK assets	ZPNC	..	454.6	447.9	591.5	771.8	779.4	..
Financial derivative liabilities								
UK banks								
Sterling	ZPNR	34.7	36.1	48.2	43.8	57.1	32.4	36.3
Foreign currency	ZPNS	362.2	351.9	351.8	485.8	631.5	600.0	678.8
Total UK banks	ZPNB	396.9	388.0	400.0	529.6	688.7	632.4	715.0
Other Financial Intermediaries								
UK securities dealers								
Sterling	RUXE	3.1	5.3	4.3	13.6	17.2	14.0	14.0
Foreign currency	RUXF	40.4	51.9	46.5	50.2	73.7	150.0	112.2
Total UK securities dealers	RVAV	43.5	57.1	50.9	63.8	90.9	163.9	126.2
Other ²	D4AK	..	0.1	0.1	—	0.1	0.7	..
Total Other Financial Intermediaries	D4AL	43.5	57.2	51.0	63.8	91.0	164.6	..
Insurance companies and pension funds								
Insurance companies ³	D4AI	..	0.3	0.3	0.2	0.5	0.2	..
Pension funds ⁴	GKGR	..	1.0	0.6	0.7	0.4	0.4	..
Total insurance companies and pension funds	D4AJ	..	1.3	0.9	0.9	0.9	0.7	..
Total UK liabilities	ZPND	..	446.6	451.9	594.3	780.6	797.7	..
Net international investment position								
Banks	ZPNE	1.5	2.2	−9.5	−5.1	−5.8	−9.0	−5.6
Other Financial Intermediaries								
Securities dealers	ZPNF	1.7	5.5	4.9	1.3	−3.8	−9.3	−10.0
Other ²	D4AP	..	0.1	0.1	0.2	0.3	−0.1	..
Total Other Financial Intermediaries	D4AQ	..	5.6	4.9	1.5	−3.5	−9.4	..
Insurance companies and pension funds								
Insurance companies ³	D4AM	..	0.4	0.4	0.8	0.3	—	..
Pension funds ⁴	D4AN	..	−0.2	0.2	—	0.3	0.1	..
Total insurance companies and pension funds	D4AO	..	0.3	0.6	0.8	0.6	0.1	..
Total	ZPNG	..	8.1	−4.0	−2.8	−8.8	−18.2	..

1 The data in this table are not included in the main aggregates of the UK's international investment position as the data are developmental. Work is continuing to validate and improve the estimates and to obtain more information on the type of derivatives traded. An article assessing the current position can be found at http://www.statistics.gov.uk/articles/economic_trends/ET618Sem.pdf.

2 Includes unit and investment trusts and open-ended investment companies, finance leasing companies, credit grantors, factoring companies and building societies.

3 Includes both general and long-term insurance.

4 Includes self-administered pension funds only.

Part 3

Geographical breakdown

Chapter 9

Geographical breakdown of current account

The tables appearing in this chapter show a geographical breakdown of the current account. The data cover 66 individual countries as well as international organisations. These estimates are generally less firmly based than the world totals, and data for earlier years are less reliable than recent figures. In some cases estimates are unavailable for the first few years.

Data are presented as if the EU expanded to 25 countries on 01 January 1999.

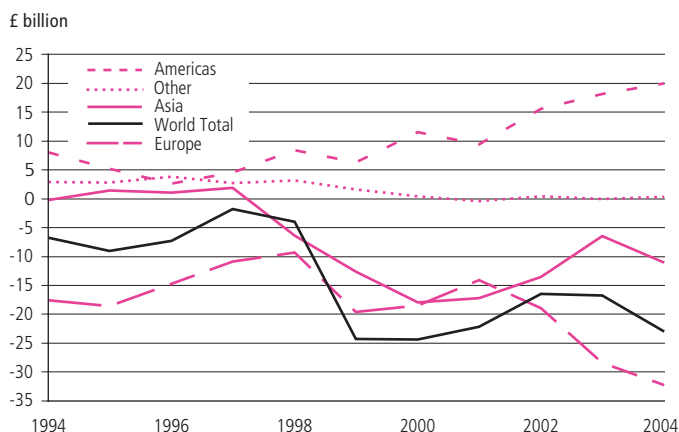
Current account by region

Current account surpluses were recorded with the Americas and Australasia & Oceania in all years since 1993. In contrast, the UK has recorded a rising current account deficit with Europe, reaching a record £32.3 billion in 2004. The current account surplus with the Americas rose to a record £20.0 billion in 2004, largely due to a rise in income receipts from the region. There was a surplus with Asia for the years 1995 to 1997 but an overall deficit in all years since then. The current account deficit with Asia widened to £11.0 billion in 2004, with imports of goods from China up £2.0 billion to £10.3 billion in 2004.

Figure 9.1

Current account

Credit less debits

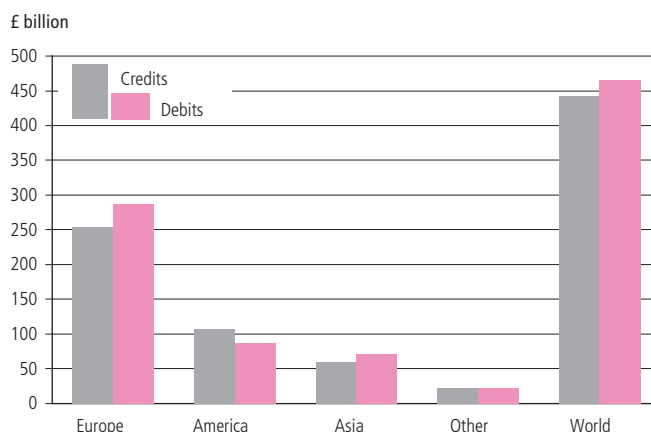


In 2004, over half the value of current account transactions were with the 25 European Union (EU) member states. EU countries accounted for about 90 per cent of current account credits and debits with **Europe**. By component, trade in goods accounted for about a half the value of current

account credits and debits with Europe, with income accounting for a further quarter.

The continent of **America** accounted for around a fifth of total credits and debits in 2004. Income and goods transactions each accounted for around two-fifths of total flows with America. The United States of America (USA) was the most significant country, representing around 80 per cent of total current account credits and debits in the region.

Figure 9.2
Current account by continent, 2004



Asia accounted for 13 per cent of UK current account credits in 2004, down from 17 per cent in 1993, largely due to lower income receipts. Similarly, Asia accounts for a lower proportion of total UK debits in recent years, due to a large fall in income payments. The largest component of current account debits was imports of goods, which at £47.2 billion represent two thirds of the total debits with the region in 2004. Whilst Japan remains the UK's largest current account partner country in Asia, transactions with China have grown the fastest in recent years, largely due to increased exports and - particularly - imports of goods.

The current account with **Africa** had been in surplus until 1999, with the first deficit being recorded in 2000. In 2004 the deficit increased to £2.0 billion. These deficits have mainly been driven by higher imports of goods to the UK.

Current account with EU25, USA and Japan

A current account deficit has been recorded with the EU25 in every year since data are available (1999). Broadly speaking, surpluses on the income account are offset by deficits on all the remaining components of the current account. In 2004 the balance with the EU deteriorated to reach a record deficit of £22.1 billion, largely due to a rise in imports of goods from EU countries.

Figure 9.3

Current account with the European Union

Credits less debits

£ billion



The current account deficit with the EU narrowed from £10.4 billion in 1999 to only £0.8 billion in 2001 before increasing rapidly to £22.1 billion in 2004.

The trade in goods and services deficit with the EU increased to £31.8 billion in 2004, largely due to higher imports of goods from Germany and the Netherlands. Net income received from the EU grew from £4.1 billion in 1999 to £18.9 billion in 2002, before falling back to £14.5 billion in 2004. The deficit on current transfers has remained relatively stable at between

Figure 9.4

Current account with the USA

Credits less debits

£ billion



£2 and £5 billion since 1999. The main components of current transfers are payments to, and receipts from, EU institutions.

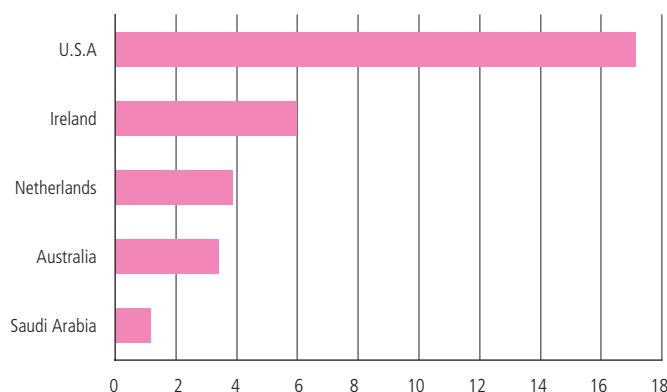
The USA is consistently the single largest counterpart country within the UK's balance of payments, representing 19 per cent of current account credits and 14 per cent of debits in 2004. There has been a current account surplus with the USA in all years for which data are available. Prior to 2000 these were typically between £2 billion and £5 billion, whereas the most recent periods have seen significantly higher surpluses. 2004 shows a record surplus of £17.1 billion, with a £6.7 billion surplus on trade in goods, £9.0 billion surplus on services and £1.7 billion surplus on income.

The UK has recorded a current account deficit with Japan in every year since 1992, peaking at £6.6 billion in 2000. Since then the deficit has narrowed to £1.7 billion in 2004, mainly due to lower income debits.

Figure 9.5

Current account: largest 5 surpluses in 2004

£ billion



When ranking individual countries by the size of the current account balance in 2004, the largest surpluses were recorded with: the United States of America (£17.1 billion), Ireland (£6.0 billion), Netherlands (£3.8 billion), Australia (£3.4 billion), and Saudi Arabia (£1.2 billion).

The current account has been in surplus with the USA since the geographic split of the data began in 1992, reaching a record surplus of £17.1 billion in 2004. The surpluses with the Netherlands and Australia are driven by a positive balance on investment income; the surplus with Ireland is largely due to exports of goods and services.

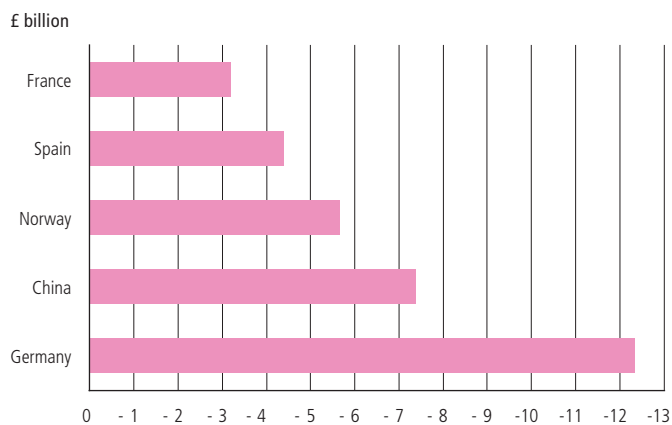
When ranking individual countries by the size of the current account balance, the largest deficits were recorded with: Germany (£12.3 billion), China (£7.4 billion), Norway (£5.7 billion), Spain (£4.4 billion), and France (£3.2 billion).

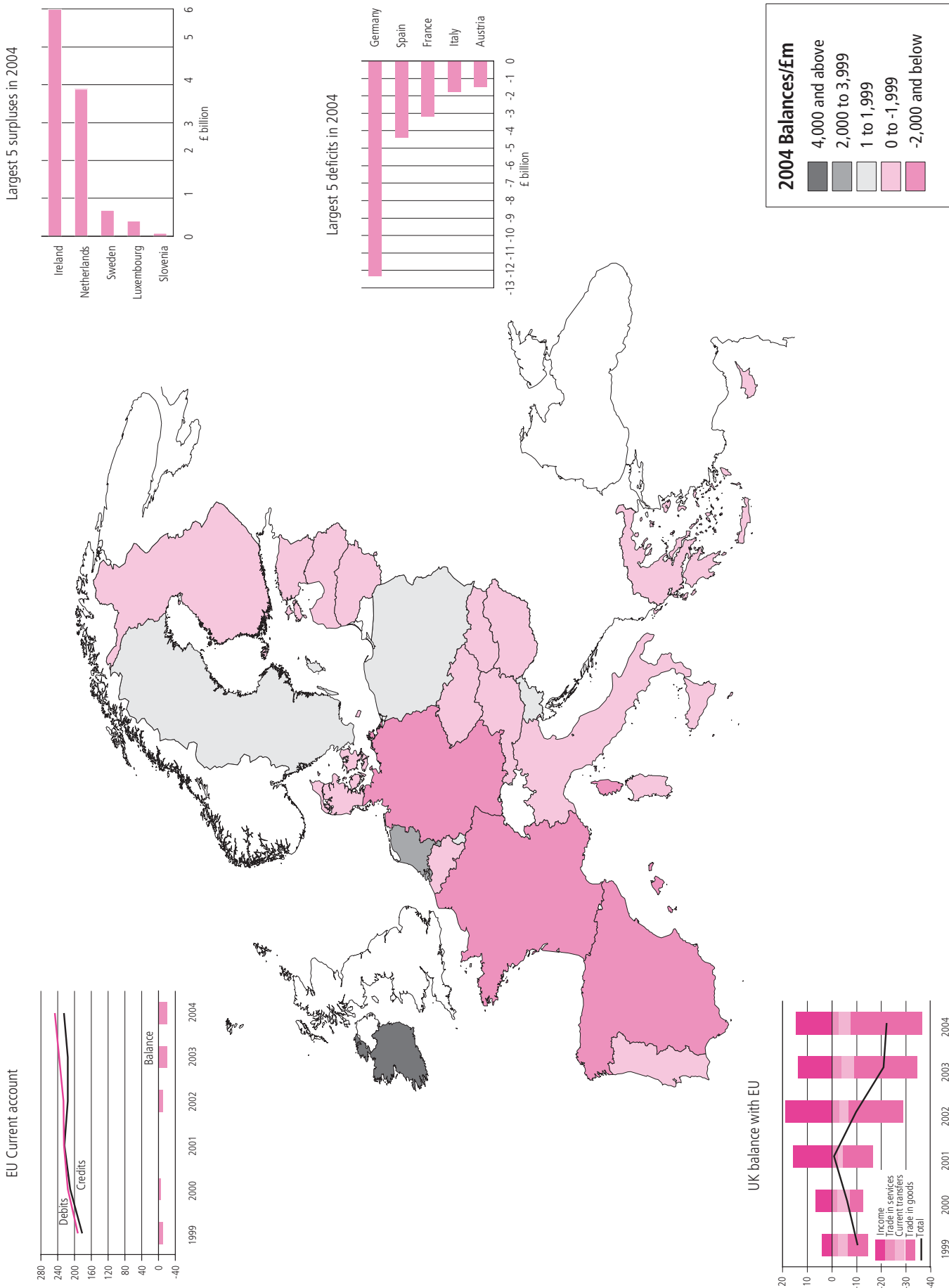
The largest current account deficit was with Germany, with imports of goods exceeding exports of goods (by £13.4 billion) being partly offset by a surplus on trade in services (£1.4 billion).

The deficits with China, Norway and France are all a result of trading deficits. A trade in services deficit, mainly due to tourist travel expenditure, is the main factor in the balance with Spain. The remaining deficits are largely due to high levels of UK imports of goods from these nations.

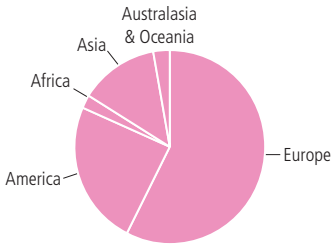
Figure 9.6

Current account: largest 5 deficits in 2004

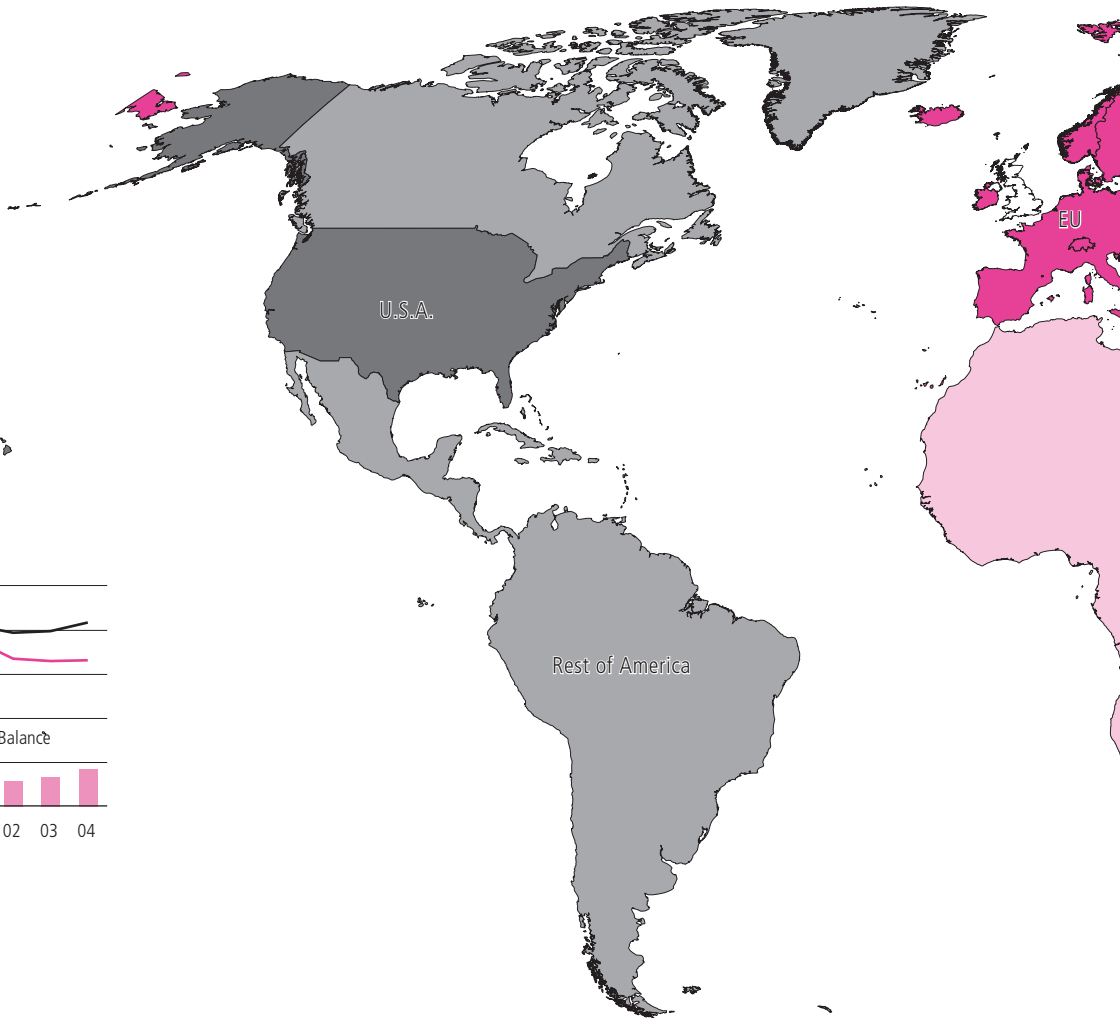
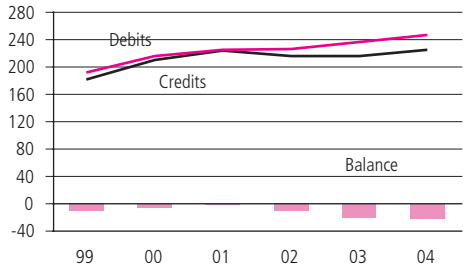




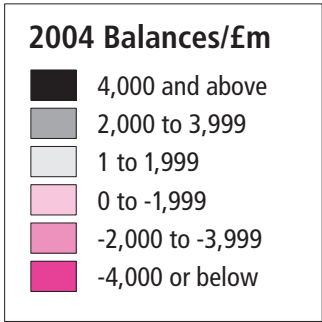
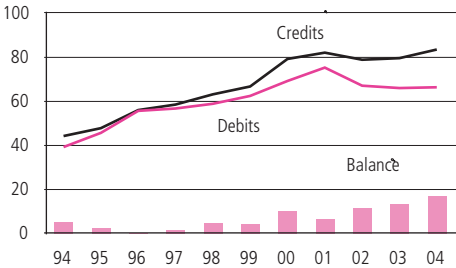
Proportion of Total 2004 Credits



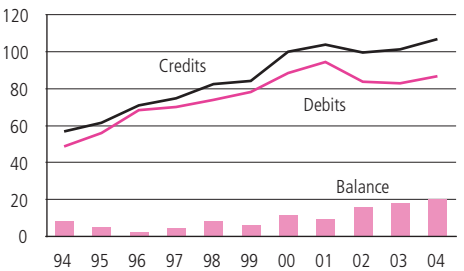
EU



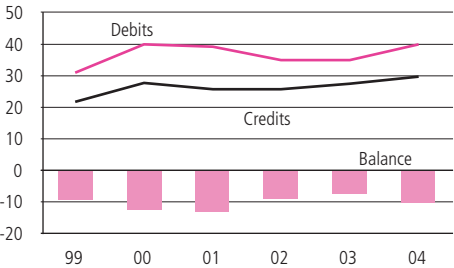
USA



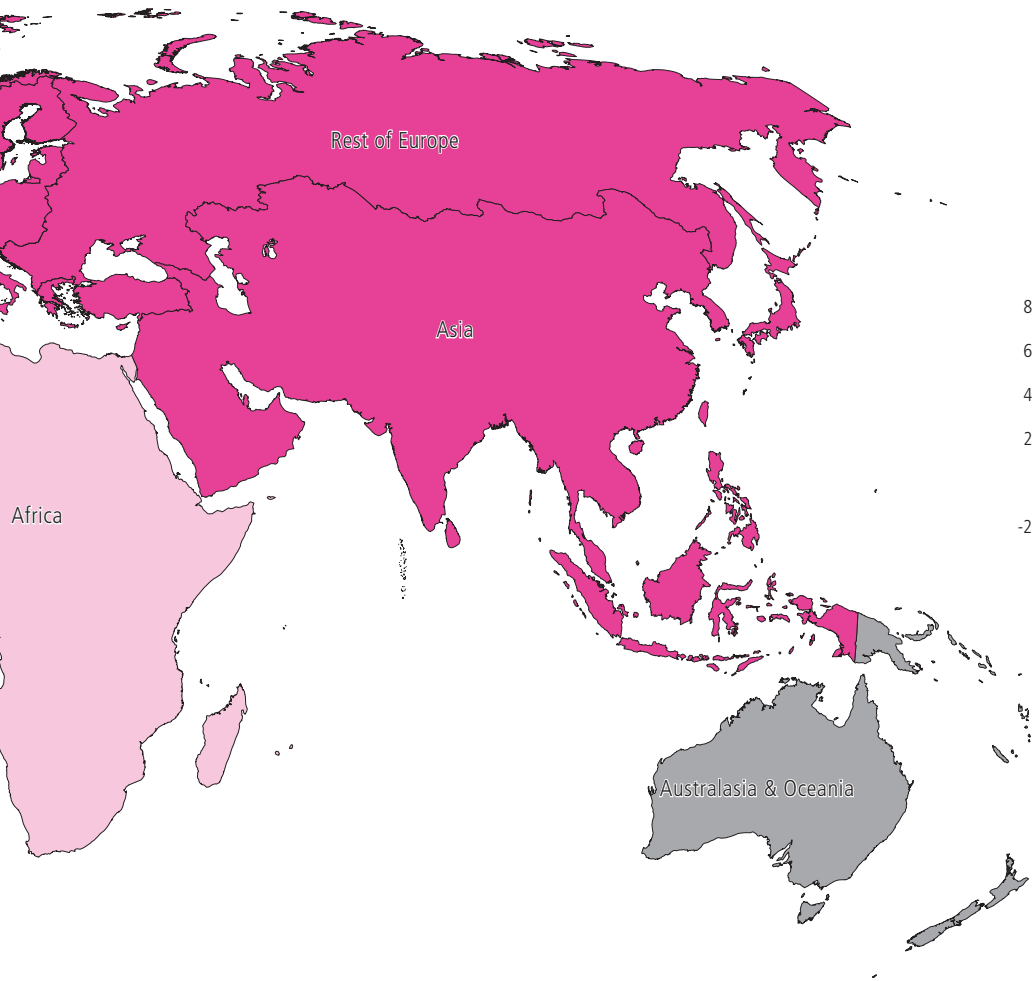
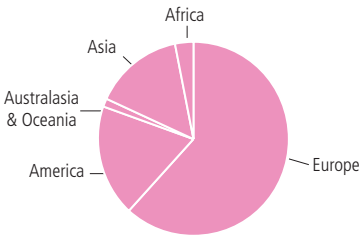
Total Americas



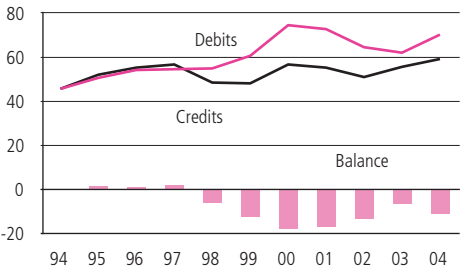
Rest of Europe



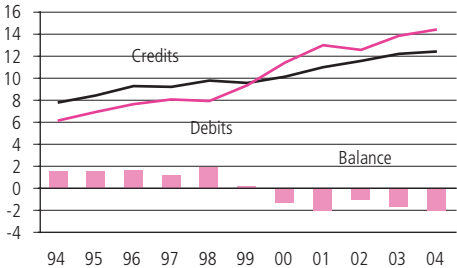
Proportion of Total 2004 Debits



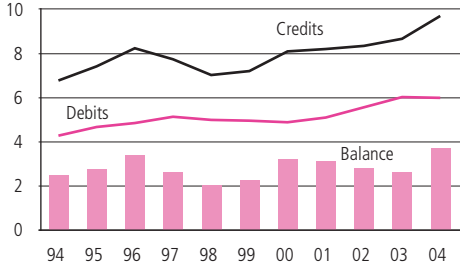
Total Asia



Total Africa



Total Australasia & Oceania



9.1

Current account

Summary transactions in 2004

£ million

	Trade in goods	Trade in services	Income	Current transfers	Current account
Credits					
Europe					
European Union (EU)					
Austria	1 094	387	736	34	2 251
Belgium	10 273	2 652	2 749	218	15 892
Cyprus	321	332	92	3	748
Czech Republic	976	283	173	18	1 450
Denmark	2 035	1 502	872	33	4 442
Estonia	106	27	6	—	139
Finland	1 361	939	590	15	2 905
France	18 538	5 712	8 515	289	33 054
Germany	21 656	6 809	9 161	422	38 048
Greece	1 403	658	842	43	2 946
Hungary	935	331	376	1	1 643
Ireland	14 096	5 065	6 515	148	25 824
Italy	8 402	2 980	5 010	147	16 539
Latvia	92	50	1	1	144
Lithuania	142	57	1	—	200
Luxembourg	260	589	3 841	17	4 707
Malta	258	73	46	1	378
Netherlands	12 034	5 687	17 134	335	35 190
Poland	1 416	473	353	29	2 271
Portugal	1 582	567	828	20	2 997
Slovak Republic	224	39	27	—	290
Slovenia	161	35	80	—	276
Spain	9 112	2 651	3 715	113	15 591
Sweden	4 358	1 541	2 255	99	8 253
European Central Bank	—	—	—	—	—
EU Institutions	—	563	550	7 017	8 130
Total EU25	110 835	40 002	64 468	9 003	224 308
European Free Trade Association (EFTA)					
Iceland	..	83	55	34	339
Liechtenstein	6	43	19	1	69
Norway	1 938	1 419	1 053	66	4 476
Switzerland	2 841	3 599	4 716	73	11 229
Total EFTA	4 952	5 144	5 843	174	16 113
Other Europe					
Albania	12	23	—	—	35
Belarus	53	6	—	—	59
Bulgaria	154	72	84	1	311
Croatia	126	39	38	2	205
Romania	607	103	92	1	803
Russia	1 467	843	630	14	2 954
Turkey	1 903	336	393	31	2 663
Ukraine	224	46	24	14	308
Serbia and Montenegro	66	25	1	1	93
Other	214	1 654	4 233	7	6 108
Total Europe	120 613	48 293	75 806	9 248	253 960
Americas					
Argentina	179	144	276	7	606
Brazil	790	299	685	10	1 784
Canada	3 348	1 706	2 178	202	7 434
Chile	135	94	310	7	546
Colombia	118	94	288	13	513
Mexico	629	291	505	21	1 446
United States of America	28 579	22 733	30 704	1 437	83 453
Uruguay	32	9	8	—	49
Venezuela	190	88	152	10	440
Other Central American Countries	621	2 301	6 854	168	9 944
Other	339	153	88	10	590
Total Americas	34 960	27 912	42 048	1 885	106 805
Asia					
China	2 374	1 049	518	10	3 951
Hong Kong	2 636	1 008	1 480	32	5 156
India	2 237	812	671	21	3 741
Indonesia	398	194	206	16	814
Iran	442	236	66	3	747
Israel	1 391	371	76	28	1 866
Japan	3 865	3 786	5 300	107	13 058
Malaysia	994	458	683	19	2 154
Pakistan	344	215	164	4	727
Philippines	315	125	221	8	669
Saudi Arabia	1 611	562	190	479	2 842
Singapore	1 713	1 920	1 911	17	5 561
South Korea	1 482	794	666	16	2 958
Taiwan	951	472	468	9	1 900
Thailand	637	308	261	6	1 212
Residual Gulf Arabian Countries	4 028	3 111	888	170	8 197
Other Near & Middle Eastern Countries	777	316	168	291	1 552
Other	610	922	374	39	1 945
Total Asia	26 805	16 659	14 311	1 275	59 050
Australasia & Oceania					
Australia	2 457	2 284	3 071	210	8 022
New Zealand	419	377	571	59	1 426
Other	43	148	37	4	232
Total Australasia & Oceania	2 919	2 809	3 679	273	9 680
Africa					
Egypt	668	309	296	5	1 278
Morocco	341	61	23	2	427
South Africa	1 880	1 009	1 908	83	4 880
Other North Africa	541	237	95	12	885
Other	2 132	1 775	1 016	36	4 959
Total Africa	5 562	3 391	3 338	138	12 429
International Organisations	—	36	474	—	510
World Total	190 859	99 100	139 656	12 819	442 434

9.1

Current account

Summary transactions in 2004

continued

£ million

	Trade in goods	Trade in services	Income	Current transfers	Current account
Debits					
Europe					
European Union (EU)					
Austria	2 328	701	680	29	3 738
Belgium	12 787	1 699	2 205	106	16 797
Cyprus	199	1 093	127	30	1 449
Czech Republic	1 278	394	64	13	1 749
Denmark	3 299	768	1 032	36	5 135
Estonia	376	39	2	4	421
Finland	2 316	297	466	14	3 093
France	19 891	8 347	7 701	303	36 242
Germany	35 044	5 394	9 561	396	50 395
Greece	627	1 972	479	54	3 132
Hungary	1 554	178	21	10	1 763
Ireland	10 057	2 643	6 531	601	19 832
Italy	12 012	3 515	2 611	163	18 301
Latvia	686	34	4	1	725
Lithuania	270	11	2	9	292
Luxembourg	858	201	3 239	12	1 449
Malta	182	327	32	21	562
Netherlands	18 026	3 065	10 066	151	31 308
Poland	1 800	272	122	58	2 252
Portugal	1 909	1 416	349	47	3 721
Slovak Republic	259	24	20	1	304
Slovenia	167	29	6	—	202
Spain	9 000	9 085	1 741	169	19 995
Sweden	5 074	1 137	1 325	39	7 575
European Central Bank	—	—	—	—	—
EU Institutions	—	3	1 592	11 501	13 096
Total EU25	139 999	42 644	49 978	13 768	246 389
European Free Trade Association (EFTA)					
Iceland	355	64	11	2	432
Liechtenstein	18	11	43	1	73
Norway	8 470	663	941	61	10 135
Switzerland	3 436	1 783	5 626	102	10 947
Total EFTA	12 279	2 521	6 621	166	21 587
Other Europe					
Albania	—	18	—	7	25
Belarus	71	2	1	2	76
Bulgaria	147	140	10	5	302
Croatia	54	77	21	6	158
Romania	771	115	16	12	914
Russia	3 489	448	365	57	4 359
Turkey	3 239	792	160	37	4 228
Ukraine	108	33	82	41	264
Serbia and Montenegro	38	36	5	29	108
Other	265	797	6 603	170	7 835
Total Europe	160 460	47 623	63 862	14 300	286 245
Americas					
Argentina	265	66	1	15	347
Brazil	1 539	249	82	38	1 908
Canada	4 145	1 047	1 443	327	6 962
Chile	469	74	11	11	565
Colombia	277	25	5	19	326
Mexico	408	357	65	22	852
United States of America	21 842	13 779	29 049	1 691	66 361
Uruguay	41	5	5	1	52
Venezuela	207	25	21	11	264
Other Central American Countries	1 098	1 897	4 854	476	8 325
Other	649	113	46	74	882
Total Americas	30 940	17 637	35 531	2 685	86 793
Asia					
China	10 345	577	276	137	11 335
Hong Kong	5 739	650	1 709	134	8 232
India	2 276	1 015	354	610	4 255
Indonesia	914	96	107	83	1 200
Iran	41	46	72	29	188
Israel	918	220	140	39	1 317
Japan	8 055	1 400	5 162	113	14 730
Malaysia	2 012	199	190	48	2 449
Pakistan	549	410	71	192	1 222
Philippines	653	120	22	34	829
Saudi Arabia	1 156	128	335	51	1 670
Singapore	3 364	350	1 511	101	5 326
South Korea	3 060	237	74	16	3 387
Taiwan	2 330	192	156	9	2 687
Thailand	1 753	611	68	33	2 465
Residual Gulf Arabian Countries	1 715	1 698	570	335	4 318
Other Near & Middle Eastern Countries	109	200	130	96	535
Other	2 229	829	114	760	3 932
Total Asia	47 218	8 978	11 061	2 820	70 077
Australasia & Oceania					
Australia	1 855	1 416	1 032	292	4 595
New Zealand	578	403	94	76	1 151
Other	130	49	28	23	230
Total Australasia & Oceania	2 563	1 868	1 154	391	5 976
Africa					
Egypt	495	333	104	34	966
Morocco	506	144	11	9	670
South Africa	3 260	925	778	320	5 283
Other North Africa	731	296	98	19	1 144
Other	3 300	1 074	6 353	1 682	6 353
Total Africa	8 292	2 772	1 288	2 064	14 416
International Organisations	—	33	597	1 272	1 902
World total	249 473	78 911	113 493	23 532	465 409

9.1 Current account

Summary transactions in 2004

continued

£ million

	Trade in goods	Trade in services	Income	Current transfers	Current account
Balances					
Europe					
European Union(EU)					
Austria	-1 234	-314	56	5	-1 487
Belgium	-2 514	953	544	112	-905
Cyprus	122	-761	-35	-27	-701
Czech Republic	-302	-111	109	5	-299
Denmark	-1 264	734	-160	-3	-693
Estonia	-270	-12	4	-4	-282
Finland	-955	642	124	1	-188
France	-1 353	-2 635	814	-14	-3 188
Germany	-13 388	1 415	-400	26	-12 347
Greece	776	-1 314	363	-11	-186
Hungary	-619	153	355	-9	-120
Ireland	4 039	2 422	-16	-453	5 992
Italy	-3 610	-535	2 399	-16	-1 762
Latvia	-594	16	-3	-	-581
Lithuania	-128	46	-1	-9	-92
Luxembourg	-598	388	602	5	397
Malta	76	-254	14	-20	-184
Netherlands	-5 992	2 622	7 068	184	3 882
Poland	-384	201	231	-29	19
Portugal	-327	-849	479	-27	-724
Slovak Republic	-35	15	7	-1	-14
Slovenia	-6	6	74	-	74
Spain	112	-6 434	1 974	-56	-4 404
Sweden	-716	404	930	60	678
European Central Bank	-	-	-	-	-
EU Institutions	-	560	-1 042	-4 484	-4 966
Total EU25	-29 164	-2 642	14 490	-4 765	-22 081
European Free Trade Association (EFTA)					
Iceland	-188	19	44	32	-93
Liechtenstein	-12	32	-24	-	-4
Norway	-6 532	756	112	5	-5 659
Switzerland	-595	1 816	-910	-29	282
Total EFTA	-7 327	2 623	-778	8	-5 474
Other Europe					
Albania	12	5	-	-7	10
Belarus	-18	4	-1	-2	-17
Bulgaria	7	-68	74	-4	9
Croatia	72	-38	17	-4	47
Romania	-164	-12	76	-11	-111
Russia	-2 022	395	265	-43	-1 405
Turkey	-1 336	-456	233	-6	-1 565
Ukraine	116	13	-58	-27	44
Serbia and Montenegro	28	-11	-4	-28	-15
Other	-51	857	-2 370	-163	-1 727
Total Europe	-39 847	670	11 944	-5 052	-32 285
Americas					
Argentina	-86	78	275	-8	259
Brazil	-749	50	603	-28	-124
Canada	-797	659	735	-125	472
Chile	-334	20	299	-4	-19
Colombia	-159	69	283	-6	187
Mexico	221	-66	440	-1	594
USA	6 737	8 954	1 655	-254	17 092
Uruguay	-9	4	3	-1	-3
Venezuela	-17	63	131	-1	176
Other Central American Countries	-477	404	2 000	-308	1 619
Other America	-310	40	42	-64	-292
Total Americas	4 020	10 275	6 517	-800	20 012
Asia					
China	-7 971	472	242	-127	-7 384
Hong Kong	-3 103	358	-229	-102	-3 076
India	-39	-203	317	-589	-514
Indonesia	-516	98	99	-67	-386
Iran	401	190	-6	-26	559
Israel	473	151	-64	-11	549
Japan	-4 190	2 386	138	-6	-1 672
Malaysia	-1 018	259	493	-29	-295
Pakistan	-205	-195	93	-188	-495
Philippines	-338	5	199	-26	-160
Saudi Arabia	455	434	-145	428	1 172
Singapore	-1 651	1 570	400	-84	235
South Korea	-1 578	557	592	-	-429
Taiwan	-1 379	280	312	-	-787
Thailand	-1 116	-303	193	-27	-1 253
Residual Gulf Arabian Countries	2 313	1 413	318	-165	3 879
Other Near & Middle Eastern Countries	668	116	38	195	1 017
Other	-1 619	93	260	-721	-1 987
Total Asia	-20 413	7 681	3 250	-1 545	-11 027
Australasia & Oceania					
Australia	602	868	2 039	-82	3 427
New Zealand	-159	-26	477	-17	275
Other	-87	99	9	-19	2
Total Australasia & Oceania	356	941	2 525	-118	3 704
Africa					
Egypt	173	-24	192	-29	312
Morocco	-165	-83	12	-7	-243
South Africa	-1 380	84	1 130	-237	-403
Other North Africa	-190	-59	-3	-7	-259
Other	-1 168	701	719	-1 646	-1 394
Total Africa	-2 730	619	2 050	-1 926	-1 987
International Organisations	-	3	-123	-1 272	-1 392
World total	-58 614	20 189	26 163	-10 713	-22 975

9.2

Current account

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
Europe												
European Union (EU)												
Austria	CUGX	-273	-97	-131	-619	-231	-192	-156	-758	-1 373	-1 675	-1 487
Belgium and Luxembourg	CTFJ	-838	-1 211	-1 049	-740	-1 214	-1 042	1 380	-293	-1 209	-895	-508
of which Belgium	AA4H	..	..	..	..	..	..	62	-1 411	-1 362	-634	-905
Luxembourg	AA4L	..	..	..	..	..	-418	1 318	1 118	153	-261	397
Cyprus ¹	AA4I	..	..	..	..	..	..	-568	-654	-890	-741	-853
Czech Republic	LEPS	60	224	318	219	193	189	114	40	-221	-362	-299
Denmark	LEQT	-329	-34	-159	-170	577	146	219	151	-520	-707	-693
Estonia	ZWXQ	-85	-128	-127	-117	-128	-162	-261	-211	-219	-177	-282
Finland	LEUF	-556	-411	-503	-664	-434	-554	-534	-572	-469	-376	-188
France	LEUO	-2 694	-2 667	-743	-2 691	-2 940	-4 687	-2 191	-821	-2 431	-3 150	-3 188
Germany	LEQK	-5 040	-5 739	-6 262	-4 099	-2 560	-5 156	-5 155	-2 187	-5 312	-12 450	-12 347
Greece	LEUX	-79	-19	418	537	279	253	130	-283	-249	-207	-186
Hungary	BFKQ	40	-48	36	107	30	25	393	259	286	112	-120
Ireland	BFLX	1 858	1 388	1 038	1 904	2 124	2 844	3 017	3 153	3 089	4 523	5 992
Italy	BFOF	1 979	2 496	960	122	2 284	699	2 235	1 674	644	-584	-1 762
Latvia	ZWXS	-228	-168	-255	-293	-248	-240	-341	-344	-394	-416	-581
Lithuania	ZWXT	-173	-165	-137	-77	-82	-101	-131	-87	-135	-77	-92
Malta ¹	AA4M	..	..	..	..	..	-85	-93	-139	-126	-65	-184
Netherlands	BFOH	2 130	3 305	4 010	7 030	5 611	4 346	1 801	5 167	7 870	7 284	3 882
Poland	BFSJ	181	322	789	682	513	528	369	380	436	353	19
Portugal	BFSJ	-317	-373	-374	-539	-250	-324	-264	-214	-433	-904	-724
Slovak Republic	ZWXS	-75	-76	26	62	-22	-9	32	66	10	6	-14
Slovenia	ZWXS	-42	-36	-15	9	-33	34	36	91	62	75	74
Spain	LESV	-500	-685	-852	-863	-1 590	-1 715	-872	-3 165	-5 237	-6 096	-4 404
Sweden	BFTK	-285	185	143	624	1 182	174	852	1 085	1 053	661	678
European Central Bank	ZWXL	..	..	..	..	..	-1	2	11	2	..	..
EU Institutions	CSFJ	-3 174	-4 880	-2 382	-3 184	-5 542	-4 756	-6 022	-2 890	-4 221	-4 870	-4 966
Total EU25	AA4J	..	..	..	..	..	-10 354	-6 094	-777	-9 838	-20 850	-22 081
European Free Trade Association (EFTA)												
Iceland	BFNJ	-78	-64	-35	-6	-35	-64	-119	-48	-83	-63	-93
Liechtenstein	BFPG	-75	-69	-61	-79	-99	-41	-55	-140	-101	-28	-4
Norway	BFOQ	-1 162	-1 801	-2 020	-1 773	480	-339	-2 637	-3 014	-3 295	-3 809	-5 659
Switzerland	LEPA	-5 923	-5 650	-4 782	-4 168	-3 547	-5 168	-5 698	-4 127	-3 447	-11	282
Total EFTA	CTFS	-7 238	-7 584	-6 898	-6 026	-3 201	-5 612	-8 509	-7 329	-4 924	-3 911	-5 474
Other Europe												
Albania	ZWXM	-41	-50	-39	-55	-107	-33	-32	1	-1	-8	10
Belarus	ZWXM	-44	-46	-31	-31	-64	-37	-6	-	-	17	-17
Bulgaria	ZWXS	-43	-83	-91	-79	-80	1	-21	67	36	59	9
Croatia	ZWXP	67	156	35	8	-142	12	-9	-7	25	74	47
Romania	ZWXS	-102	-67	-25	-88	-50	-34	-16	-63	-69	-72	-111
Russia	BFSJ	-86	-32	-122	-20	-51	-640	-824	-820	-317	-404	-1 405
Turkey	BFUL	-32	-37	203	492	334	106	533	-445	-981	-1 068	-1 565
Ukraine	ZWXS	46	59	99	68	88	32	63	67	229	191	44
Serbia and Montenegro	BFEW	-83	-89	-84	-85	-36	-21	-10	-14	-6	-	-15
Other ¹	LEVY	-1 551	-1 967	-2 556	-2 335	-3 523	-2 982	-3 595	-4 766	-3 076	-2 437	-1 727
Total Europe	LERC	-17 547	-18 557	-14 760	-10 911	-9 314	-19 562	-18 520	-14 086	-18 922	-28 409	-32 285
Americas												
Argentina	ZWXS	568	505	558	723	753	383	601	469	16	54	259
Brazil	LENQ	615	696	737	781	809	186	159	162	137	-125	-124
Canada	LEOR	586	384	513	990	1 292	604	478	1 147	122	659	472
Chile	ZWYA	136	52	-7	-2	41	-7	-26	-119	-84	36	-19
Colombia	ZWYB	75	-2	-53	32	-20	3	167	84	139	226	187
Mexico	BPPP	843	573	316	482	368	544	267	-52	699	550	594
United States of America	BVVD	4 813	2 332	430	1 712	4 604	4 395	9 922	6 844	11 776	13 370	17 143
Uruguay	ZWYC	-7	6	6	12	57	27	18	13	-19	44	-3
Venezuela	ZWYD	226	135	180	210	102	66	-53	364	345	201	176
Other Central American Countries	JISU	224	322	-36	-276	624	339	594	1 517	2 980	3 323	1 619
Other	LEVQ	-24	246	-41	-115	-183	-250	-552	-961	-513	-208	-292
Total Americas	LESM	8 055	5 249	2 603	4 549	8 446	6 290	11 575	9 468	15 598	18 130	20 012
Asia												
China	LEPJ	-791	-1 057	-1 336	-1 410	-1 897	-2 090	-3 405	-3 817	-4 935	-5 796	-7 384
Hong Kong	BFFT	375	572	928	441	-1 168	-3 489	-4 703	-4 648	-3 414	-2 725	-3 076
India	BFFA	4	210	-273	-363	-535	-468	-44	-588	-379	59	-514
Indonesia	BFKZ	-372	-271	-61	50	-257	-533	-610	-715	-593	-475	-386
Iran	ZWYG	122	190	221	313	282	207	148	278	432	546	559
Israel	BPMR	529	449	697	357	201	479	501	432	645	570	549
Japan	BFOO	-3 011	-2 328	-2 645	-2 674	-4 654	-4 815	-6 628	-5 834	-4 290	-628	-1 672
Malaysia	BFPY	548	126	-820	-432	-777	-765	-1 139	-681	-257	-85	-295
Pakistan	BFRR	8	28	-5	-126	-187	-251	-384	-341	-620	-494	-495
Philippines	BFRJ	206	237	-341	-50	-469	-719	-837	-599	-495	-216	-160
Saudi Arabia	BFTB	800	913	2 231	3 382	2 987	2 326	2 307	1 807	1 392	1 930	1 172
Singapore	BFTT	823	1 009	689	458	-91	-576	13	287	233	687	235
South Korea	BFOX	269	86	-33	-231	-1 008	-1 343	-1 529	-931	-348	-156	-429
Taiwan	BFOU	-809	-607	-905	-1 015	-1 154	-1 541	-2 286	-1 737	-1 179	-863	-787
Thailand	BFOU	22	15	-26	-193	-979	-910	-1 146	-1 222	-1 207	-1 105	-1 253
Residual Gulf Arabian Countries	JITV	1 693	2 269	2 612	2 975	3 000	2 211	2 376	1 696	2 174	3 169	3 879
Other Near & Middle Eastern Countries	ZWYI	194	268	465	565	598	481	516	685	560	731	1 017
Other	LEWH	-838	-674	-156	-174	-217	-802	-1 056	-1 259	-1 298	-1 614	-1 987
Total Asia	LETE	-228	1 435	1 042	1 873	-6 326	-12 598	-17 906	-17 187	-13 579	-6 465	-11 027
Australasia & Oceania												
Australia	CWJK	2 169	2 451	3 083	2 413	1 706	2 119	3 253	3 055	2 618	2 168	3 427
New Zealand	BFOZ	298	307	217	100	-3	184	-8	72	173	441	275
Other	LEVP	7	-5	88	71	337	-50	-35	-36	-3	8	2
Total Australasia & Oceania	LETW	2 474	2 753	3 388	2 584	2 040	2 253	3 210	3 091	2 788	2 617	3 704
Africa												
Egypt	ZWYK	-713	-705	-589	-279	-194	75	-4	-16	101	-13	312
Morocco	ZWYL	-29	14	-43	-76	-87	-132	-107	-147	-186	-172	-243
South Africa	BFWN	1 402	1 594	1 541	1 192	853	346	-355	-321	454	-1	-403
Other North Africa	JIRW	-58	-128	-106	-44	69	-110	-417	-269	-308	62	-259
Other	LEWQ	992	762	822	337	1 265	-	-403	-1 280	-1 062	-1 493	-1 394
Total Africa	LERU	1 594	1 537	1 625	1 130	1 906	179	-1 286	-2 013	-1 001	-1 617	-1 987
International Organisations												
	CTFA	-1 116	-1 432	-1 222	-1 010	-764	-822	-1 492	-1 458	-1 371	-1 007	-1 392
World total												
	HBOG	-6 768	-9 015	-7 324	-1 786	-4 014	-24 260	-24 419	-22 185	-16 487	-16 751	-22 975

1 Cyprus and Malta are included in Other Europe before 1999.

9.3 Trade in goods and services

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Europe												
European Union (EU)												
Austria	LGHT	1 317	1 446	1 612	1 453	1 529	1 549	1 532	1 601	1 655	1 646	1 481
Belgium and Luxembourg	LGHU	8 507	9 748	10 013	10 086	10 362	11 476	12 676	12 146	13 073	14 172	13 774
of which Belgium	A7RS	..	..	..	..	..	11 047	12 152	11 504	12 375	13 361	12 925
of which Luxembourg	A7RV	..	..	..	..	..	429	524	642	698	811	849
Cyprus ¹	A7RT	..	..	..	..	..	390	459	421	486	548	653
Czech Republic	LGIN	459	678	831	829	895	892	1 091	1 262	1 207	1 240	1 259
Denmark	LGHV	2 279	2 617	3 071	2 951	3 084	3 018	3 477	3 627	4 070	3 685	3 537
Estonia	ZWLX	20	34	63	79	73	65	108	95	121	117	133
Finland	LGHV	1 644	2 100	2 371	2 107	1 961	2 002	2 414	2 459	2 246	2 325	2 300
France	LGHX	16 398	18 290	20 403	20 068	20 583	21 552	23 869	24 978	24 332	24 411	24 250
Germany	LGHY	21 263	24 587	25 217	25 326	25 719	25 907	29 226	30 367	28 969	27 783	28 465
Greece	LGHZ	1 380	1 555	1 680	1 658	1 718	1 929	2 044	1 879	1 918	1 991	2 061
Hungary	XUXI	307	347	425	543	579	629	813	824	962	1 082	1 266
Ireland	LGIA	8 685	9 750	10 879	11 646	12 122	13 272	15 110	17 289	19 533	17 151	19 161
Italy	LGIB	8 416	9 567	9 941	10 247	10 939	10 506	11 038	11 128	11 313	11 375	11 382
Latvia	ZWMP	36	50	94	112	102	94	115	120	116	143	142
Lithuania	ZWME	33	62	102	126	123	111	148	182	181	231	199
Malta ¹	A7RW	..	..	..	..	..	254	263	263	288	330	331
Netherlands	LGIC	11 490	14 444	15 914	16 738	16 158	17 623	19 565	19 206	18 374	18 468	17 721
Poland	LGIO	881	1 123	1 543	1 588	1 460	1 443	1 567	1 638	1 699	1 861	1 889
Portugal	LGID	1 588	1 820	2 049	2 067	2 165	2 275	2 079	2 025	2 009	1 951	2 149
Slovak Republic	ZWMJ	66	100	139	161	127	144	195	247	230	271	263
Slovenia	ZWMI	100	133	147	166	141	162	180	191	218	191	196
Spain	LGIE	6 252	7 336	8 166	8 120	8 920	9 576	10 513	10 534	11 004	11 683	11 763
Sweden	LGIF	4 196	5 053	5 437	5 590	5 740	5 431	5 800	5 523	5 282	5 428	5 899
European Central Bank	ZWLL	..	..	..	..	..	..	3	12	3	..	..
EU Institutions	LGIG	316	376	246	245	226	231	244	541	538	504	563
Total EU25	A7RU	..	..	..	..	..	130 531	144 529	148 558	149 827	148 587	150 837
European Free Trade Association (EFTA)												
Iceland	LGII	154	178	200	212	206	190	266	218	196	212	250
Liechtenstein	LGIJ	..	15	18	20	25	34	42	30	42	41	49
Norway	LGIK	2 989	2 920	3 100	3 568	3 863	3 124	3 020	2 812	3 117	3 194	3 357
Switzerland	LGIL	3 489	3 991	5 054	4 925	5 207	5 153	5 568	6 651	6 592	6 818	6 440
Total EFTA	LGIM	6 633	7 104	8 372	8 725	9 301	8 501	8 896	9 711	9 947	10 265	10 096
Other Europe												
Albania	ZWLP	6	8	14	7	8	15	9	29	25	16	35
Belarus	ZWLS	14	28	33	42	33	30	59	36	36	42	59
Bulgaria	ZWLR	95	110	100	98	95	117	128	158	203	222	226
Croatia	ZWMC	157	244	155	124	118	119	110	122	143	180	165
Romania	ZWMH	143	195	240	244	262	286	426	416	500	609	710
Russia	LGIP	1 003	1 181	1 347	1 589	1 364	825	1 074	1 346	1 531	2 108	2 310
Turkey	LGIQ	989	1 365	1 804	2 057	1 887	1 589	2 139	1 556	1 639	2 016	2 339
Ukraine	ZWMK	114	140	186	200	222	170	199	234	412	367	270
Serbia and Montenegro	ZWMN	9	15	47	76	63	69	128	94	91	106	91
Other ¹	ZWLM	1 349	1 565	2 046	2 314	1 600	1 146	1 289	1 123	1 339	1 628	1 868
Total Europe	LGIS	106 145	123 171	134 687	137 382	139 679	143 398	158 986	163 383	165 693	166 146	168 906
Americas												
Argentina	ZWLQ	312	318	449	600	667	458	475	459	212	219	323
Brazil	LGIT	756	930	1 121	1 321	1 317	1 104	1 117	1 202	1 193	1 155	1 089
Canada	LGIU	2 836	2 738	2 936	3 281	3 542	3 933	4 914	4 872	4 631	4 811	5 054
Chile	ZWLT	201	213	215	266	294	222	214	237	204	204	229
Colombia	ZWLU	300	214	250	229	242	159	164	250	173	214	212
Mexico	LGIV	517	409	429	591	677	792	943	969	964	957	920
United States of America	LGIW	27 044	28 507	33 100	35 202	36 335	41 498	48 234	48 014	49 919	50 946	51 312
Uruguay	ZWML	60	63	73	86	79	75	64	54	35	91	41
Venezuela	ZWMM	236	216	224	254	314	275	309	431	407	248	278
Other Central American Countries	ZWLW	1 415	1 413	1 393	1 695	2 153	1 966	2 304	2 087	2 627	2 678	2 922
Other	ZWLZ	714	903	750	918	840	830	651	658	558	644	492
Total Americas	LGIIY	34 391	35 924	40 940	44 443	46 460	51 312	59 389	59 233	60 923	62 167	62 872
Asia												
China	LGIZ	1 057	1 038	975	1 143	1 159	1 660	1 912	2 312	2 202	2 804	3 423
Hong Kong	LGJA	3 149	3 415	3 815	4 099	3 618	3 309	3 646	3 704	3 325	3 481	3 644
India	LGJB	1 753	2 101	2 092	2 143	1 723	1 960	2 607	2 461	2 374	2 981	3 049
Indonesia	LGJC	527	732	1 000	898	565	553	604	519	500	622	592
Iran	ZWMD	342	387	443	445	410	332	410	591	575	679	678
Israel	LGJD	1 395	1 454	1 577	1 540	1 387	1 822	1 966	1 886	1 858	1 723	1 762
Japan	LGJE	5 007	6 045	6 590	6 527	5 702	6 223	6 906	6 959	7 073	7 239	7 651
Malaysia	LGJF	1 770	1 670	1 667	1 704	1 217	1 321	1 294	1 415	1 274	1 445	1 452
Pakistan	LGJG	610	630	670	550	468	515	381	508	405	462	559
Philippines	LGJH	452	571	498	732	394	364	460	577	459	519	440
Saudi Arabia	LGJI	3 135	3 410	4 159	5 395	4 520	3 609	3 906	3 632	1 969	2 429	2 173
Singapore	LGJJ	2 246	2 551	2 611	2 546	2 151	2 687	2 658	2 810	2 490	3 143	3 633
South Korea	LGJK	1 344	1 578	1 768	1 698	1 150	1 353	1 738	1 702	1 950	1 927	2 276
Taiwan	LGJL	904	1 183	1 185	1 302	1 100	1 113	1 297	1 181	1 214	1 271	1 423
Thailand	LGJM	1 032	1 179	1 230	1 137	613	668	773	817	732	898	945
Residual Gulf Arabian Countries	ZWMA	2 782	3 248	3 477	3 933	3 619	3 241	3 638	3 782	5 219	6 256	7 139
Other Near & Middle Eastern Countries	ZWMB	473	500	562	642	638	605	615	812	756	871	1 093
Other	ZWLN	1 898	1 790	2 085	2 315	1 788	1 246	1 449	1 452	1 232	1 381	1 532
Total Asia	LGJO	29 876	33 482	36 404	38 749	32 222	32 581	36 260	37 120	35 607	40 131	43 464
Australasia & Oceania												
Australia	LGJP	3 116	3 373	3 915	3 946	3 627	3 751	4 286	4 275	3 930	4 179	4 741
New Zealand	LGJQ	680	716	726	686	656	681	610	617	586	636	796
Other	LGJR	71	84	156	145	89	100	127	137	153	181	191
Total Australasia & Oceania	LGJS	3 867	4 173	4 797	4 777	4 372	4 532	5 023	5 029	4 669	4 996	5 728
Africa												
Egypt	ZWLY	443	450	515	610	604	813	768	786	677	683	977
Morocco	ZWMG	237	309	323	384	405	406	468	455	396	410	402
South Africa	LGJT	2 214	2 568	2 592	2 452	2 438	2 389	2 384	2 665	2 593	2 816	2 889
Other North Africa	ZWLV	435	472	510	694	725	498	674	657	687	857	778
Other	ZWLO	2 772	2 832	3 331	3 324	4 090	3 533	3 354	3 734	3 625	3 965	3 907
Total Africa	LGJV	6 101	6 631	7 271	7 464	8 262	7 639	7 648	8 297	7 978	8 731	8 953
International Organisations												
	LGJW	128	128	70	72	39	32	41	54	75	60	36
World total												
	KTMW	180 508	203 509	224 169	232 887	231 034	239 494	267 347	273 116	274 945	282 231	289 959

1 Cyprus and Malta are included in Other Europe before 1999.

9.3 Trade in goods and services

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Imports												
Europe												
European Union (EU)												
Austria	LGJY	1 405	1 306	1 530	1 736	1 864	1 898	1 877	2 389	3 074	3 414	3 029
Belgium and Luxembourg	LGJZ	7 867	9 201	10 216	10 628	11 153	11 754	12 477	13 830	15 063	15 147	15 545
of which Belgium	A8EO	..	..	..	..	..	11 522	12 214	13 390	13 732	14 289	14 486
Luxembourg	A8ER	..	..	..	..	..	232	263	440	1 331	858	1 059
Cyprus ¹	A8EP	..	..	..	..	..	949	1 093	1 297	1 215	1 337	1 292
Czech Republic	LGKS	372	404	453	555	701	721	975	1 304	1 497	1 746	1 672
Denmark	LGKA	2 522	2 572	2 867	2 807	2 648	2 961	3 287	3 558	4 306	4 194	4 067
Estonia	ZWOD	62	109	145	149	155	191	340	303	345	297	415
Finland	LGKB	2 423	2 651	2 883	2 729	2 545	2 669	3 167	3 323	3 067	2 970	2 613
France	LGKC	18 732	20 401	21 128	22 738	23 645	25 034	26 112	27 594	28 578	28 531	28 238
Germany	LGKD	25 251	29 693	31 546	29 049	28 763	31 385	32 965	34 888	37 502	38 724	40 438
Greece	LGKE	1 438	1 470	1 313	1 341	1 412	1 823	2 058	2 354	2 436	2 590	2 599
Hungary	ZWOJ	283	400	467	536	616	750	781	836	974	1 272	1 732
Ireland	LGKF	6 859	8 139	8 879	9 031	9 545	10 816	12 469	14 420	15 404	12 381	12 700
Italy	LGKG	8 709	9 498	10 739	11 493	12 054	11 965	12 327	12 815	13 759	14 812	15 527
Latvia	ZWOM	221	166	297	336	295	284	425	453	504	555	720
Lithuania	ZWOL	152	165	181	143	147	164	252	250	304	311	281
Malta ¹	A8ES	..	..	..	..	..	322	346	398	404	464	509
Netherlands	LGKH	11 747	13 260	14 361	14 155	15 446	16 121	18 315	18 427	19 364	20 128	21 091
Poland	LGKT	626	732	664	726	797	843	1 106	1 375	1 452	1 766	2 072
Portugal	LGKI	1 852	2 123	2 443	2 591	2 614	2 825	2 753	2 735	2 956	3 313	3 325
Slovak Republic	ZWOQ	69	75	77	81	103	129	166	192	239	280	283
Slovenia	ZWOP	98	115	114	107	112	120	150	167	196	194	196
Spain	LGKJ	6 814	7 889	9 283	9 638	10 935	11 881	12 616	14 540	16 969	18 106	18 085
Sweden	LGKK	4 674	5 053	5 412	5 205	4 890	5 411	5 768	5 486	5 142	5 749	6 211
European Central Bank	ZWNR	..	..	..	..	..	1	1	1	1	..	..
EU Institutions	LGKL	1	1	2	1	9	6	2	4	12	14	3
Total EU25	A8EQ	..	..	..	..	..	141 023	151 828	162 937	174 763	178 295	182 643
European Free Trade Association (EFTA)												
Iceland	LGKN	258	267	286	263	297	307	440	330	331	343	419
Liechtenstein	LGKO	..	5	17	26	52	30	28	32	23	36	29
Norway	LGKP	4 305	4 862	5 307	5 261	3 961	4 042	6 098	6 242	6 516	7 141	9 133
Switzerland	LGKQ	5 644	6 058	6 443	5 727	6 135	6 778	7 038	6 113	6 211	5 648	5 219
Total EFTA	LGKR	10 207	11 192	12 053	11 277	10 445	11 157	13 604	12 717	13 081	13 168	14 800
Other Europe												
Albania	ZWNV	1	1	1	2	1	7	7	9	15	17	18
Belarus	ZWNY	14	20	16	15	25	21	36	22	34	27	73
Bulgaria	ZWNX	89	130	140	122	103	104	123	149	210	225	287
Croatia	ZWOI	71	62	75	67	77	60	68	106	115	122	131
Romania	ZWOO	166	186	203	220	244	300	397	521	595	764	886
Russia	LGKU	1 010	1 154	1 387	1 576	1 586	1 460	1 684	2 280	2 237	2 747	3 937
Turkey	LGKV	987	1 240	1 491	1 569	1 663	1 727	1 970	2 257	2 862	3 398	4 031
Ukraine	ZWOR	23	26	29	51	64	56	78	104	169	118	141
Serbia and Montenegro	ZWOU	10	8	24	44	41	45	45	61	63	76	74
Other ¹	ZWNS	1 779	1 565	2 050	2 205	2 228	905	1 290	1 211	1 259	1 224	1 062
Total Europe	LGKX	116 534	131 007	142 469	142 923	146 926	156 865	171 130	182 374	195 403	200 181	208 083
Americas												
Argentina	ZWNW	199	270	312	295	267	265	255	284	291	296	331
Brazil	LGKY	955	1 004	1 049	1 026	1 022	1 067	1 288	1 517	1 610	1 644	1 788
Canada	LGKZ	2 656	3 082	3 115	3 271	3 383	3 992	5 110	4 874	4 613	4 613	5 192
Chile	ZWNZ	204	302	383	394	372	370	486	515	504	453	543
Colombia	ZWOA	198	178	228	200	258	226	270	342	246	254	302
Mexico	LGLA	276	347	440	520	553	619	895	1 080	836	794	765
United States of America	LGLB	25 003	28 449	32 601	34 432	36 227	36 882	41 428	42 914	38 233	36 208	35 621
Uruguay	ZWOS	51	60	74	72	59	44	42	45	70	47	46
Venezuela	ZWOT	141	210	207	173	154	190	253	203	219	148	232
Other Central American Countries	ZWOC	1 112	1 106	1 435	1 522	1 744	1 817	2 489	2 000	2 045	2 346	2 995
Other	ZWOF	545	559	650	598	575	758	956	1 379	972	816	762
Total Americas	LGLD	31 340	35 567	40 494	42 503	44 614	46 230	53 472	55 153	49 639	47 619	48 577
Asia												
China	LGLE	1 742	1 997	2 267	2 543	3 034	3 651	5 119	6 150	7 191	8 772	10 922
Hong Kong	LGLF	3 680	3 848	4 376	4 723	4 886	5 508	6 469	6 381	6 141	6 159	6 389
India	LGLG	1 596	1 719	1 984	2 038	1 936	2 098	2 314	2 639	2 598	2 871	3 291
Indonesia	LGLH	884	982	1 029	988	957	1 081	1 206	1 248	1 138	1 175	1 010
Iran	ZWOK	135	121	115	46	57	54	73	65	62	72	87
Israel	LGLI	747	879	955	1 026	1 081	1 211	1 291	1 261	1 076	1 065	1 138
Japan	LGLJ	9 451	10 251	9 648	10 101	10 262	10 327	11 750	10 844	9 418	9 677	9 455
Malaysia	LGLK	1 360	1 614	2 477	2 173	2 144	2 147	2 514	2 140	1 917	2 025	2 211
Pakistan	LGLL	499	508	544	554	534	606	663	704	861	895	959
Philippines	LGLM	297	397	916	788	918	1 071	1 362	1 246	1 039	862	773
Saudi Arabia	LGLN	1 138	1 044	1 030	1 297	1 241	1 284	1 499	1 573	829	855	1 284
Singapore	LGLO	2 306	2 455	2 731	2 916	2 643	2 682	2 708	2 453	2 360	3 046	3 714
South Korea	LGLP	1 152	1 607	2 050	2 290	2 329	2 917	3 556	2 954	2 900	2 735	3 297
Taiwan	LGLQ	1 610	1 728	2 106	2 330	2 324	2 746	3 715	2 948	2 549	2 358	2 522
Thailand	LGLR	1 096	1 255	1 380	1 400	1 571	1 598	1 987	2 073	2 062	2 149	2 364
Residual Gulf Arabian Countries	ZWOG	908	814	822	972	1 217	1 251	1 507	1 676	2 960	3 165	3 413
Other Near & Middle Eastern Countries	ZWOH	188	176	181	160	159	218	242	287	339	325	309
Other	ZWNT	1 825	1 631	1 672	1 770	1 651	1 699	2 226	2 210	2 266	2 608	3 058
Total Asia	LGLT	30 614	33 026	36 283	38 115	38 944	42 149	50 201	48 852	47 706	50 814	56 196
Australasia & Oceania												
Australia	LGLU	1 728	1 776	2 049	2 208	2 322	2 377	2 728	3 040	3 110	3 234	3 271
New Zealand	LGLV	700	747	831	788	744	813	808	835	857	889	981
Other	LGLW	169	215	265	199	150	151	149	114	129	152	179
Total Australasia & Oceania	LGLX	2 597	2 738	3 145	3 195	3 216	3 341	3 685	3 989	4 096	4 275	4 431
Africa												
Egypt	ZWOE	370	382	429	386	394	484	701	774	725	774	828
Morocco	ZWON	239	290	355	424	468	519	568	590	592	580	650
South Africa	LGLY	1 191	1 409	1 595	1 740	1 837	2 117	3 078	3 459	3 353	3 829	4 185
Other North Africa	ZWOB	461	504	548	550	611	551	1 021	862	847	825	1 027
Other	ZWNU	1 832	2 044	2 129	2 128	1 903	2 599	2 662	3 947	4 095	4 288	4 374
Total Africa	LGMA	4 093	4 629	5 056	5 228	5 213	6 270	8 030	9 632	9 612	10 296	11 064
International Organisations												
	LGMB	77	84	72	67	65	56	79	61	40	28	33
World total												
	KTMX	185 255	207 051	227 519	232 031	238 978	254 911	286 597	300 061	306 496	313 213	328 384

1 Cyprus and Malta are included in Other Europe before 1999.

9.3 Trade in goods and services

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
Europe												
European Union (EU)												
Austria	LGMD	-88	140	82	-283	-335	-349	-345	-788	-1 419	-1 768	-1 548
Belgium and Luxembourg	LGME	640	547	-203	-542	-791	-278	199	-1 684	-1 990	-975	-1 771
of which Belgium	ABHC	..	..	..	..	..	..	-475	-62	-1 886	-1 357	-928
Luxembourg	ABHF	..	..	..	..	..	197	261	202	-633	-47	-210
Cyprus ¹	ABHD	..	..	..	..	..	-559	-634	-876	-729	-789	-639
Czech Republic	LGMX	87	274	378	274	194	171	116	-42	-290	-506	-413
Denmark	LGMP	-243	45	204	144	436	57	190	69	-236	-509	-530
Estonia	ZWSQ	-42	-75	-82	-70	-82	-126	-232	-208	-224	-180	-282
Finland	LGMG	-779	-551	-512	-622	-584	-667	-753	-864	-821	-645	-313
France	LGMH	-2 334	-2 111	-725	-2 670	-3 062	-3 482	-2 243	-2 616	-4 246	-4 120	-3 988
Germany	LGMI	-3 988	-5 106	-6 329	-3 723	-3 044	-5 478	-3 739	-4 521	-8 533	-10 941	-11 973
Greece	LGMI	-58	85	367	317	306	106	-14	-475	-518	-599	-538
Hungary	ZWSW	24	-53	-42	7	-37	-121	32	-12	-12	-190	-466
Ireland	LGMI	1 826	1 611	2 000	2 615	2 577	2 456	2 641	2 869	4 129	4 770	6 461
Italy	LGML	-293	69	-798	-1 246	-1 115	-1 459	-1 289	-1 687	-2 446	-3 477	-4 145
Latvia	ZWSZ	-185	-116	-203	-224	-193	-190	-310	-333	-388	-412	-578
Lithuania	ZWSY	-119	-103	-79	-17	-24	-53	-104	-68	-123	-80	-82
Malta ¹	ABHG	..	..	..	..	..	-68	-83	-135	-116	-134	-178
Netherlands	LGMM	-257	1 184	1 553	2 583	712	1 502	1 250	779	-990	-1 660	-3 370
Poland	LGMY	255	391	879	862	663	600	461	263	247	95	-183
Portugal	LGNN	-264	-303	-394	-524	-449	-550	-674	-708	-947	-1 362	-1 176
Slovak Republic	ZWTD	-3	25	62	80	24	15	29	55	-9	-9	-20
Slovenia	ZWTC	2	18	33	59	29	42	30	24	22	-3	-
Spain	LGMO	-562	-553	-1 117	-1 518	-2 015	-2 305	-2 103	-4 006	-5 965	-6 423	-6 322
Sweden	ZWTF	-478	-	25	385	850	20	32	37	140	-321	-312
European Central Bank	ZWSE	-	-	-	-	-	-1	2	11	2	-	-
EU Institutions	LGMQ	315	375	244	244	217	225	242	537	526	490	560
Total EU25	ABHE	..	..	..	..	..	-10 492	-7 299	-14 379	-24 936	-29 708	-31 806
European Free Trade Association (EFTA)												
Iceland	LGMS	-104	-89	-86	-51	-91	-117	-174	-112	-135	-131	-169
Liechtenstein	LGMT	..	10	1	-6	-27	4	14	-2	19	5	20
Norway	LGMU	-1 316	-1 942	-2 207	-1 693	-98	-918	-3 078	-3 430	-3 399	-3 947	-5 776
Switzerland	LGTV	-2 155	-2 067	-1 389	-802	-928	-1 625	-1 470	538	381	1 170	1 221
Total EFTA	LGWV	-3 574	-4 088	-3 681	-2 552	-1 144	-2 656	-4 708	-3 006	-3 134	-2 903	-4 704
Other Europe												
Albania	ZWSI	5	7	13	5	7	8	2	20	10	-1	17
Belarus	ZWSL	-	8	17	27	8	9	23	14	2	15	-14
Bulgaria	ZWSK	6	-20	-40	-24	-8	13	5	9	-7	-3	-61
Croatia	ZWSV	86	182	80	57	41	59	42	16	28	58	34
Romania	ZWTB	-23	9	37	24	18	-14	29	-105	-95	-155	-176
Russia	LGZM	-7	27	-40	13	-222	-635	-610	-934	-706	-639	-1 627
Turkey	LGNA	2	125	313	488	224	-138	169	-701	-1 223	-1 382	-1 792
Ukraine	ZWTE	91	114	157	149	158	114	121	130	243	249	129
Serbia and Montenegro	ZWTH	-1	7	23	32	22	24	83	33	28	30	17
Other ¹	ZWSF	-430	-	-4	109	-628	241	-1	-88	80	404	806
Total Europe	LGNC	-10 389	-7 836	-7 782	-5 541	-7 247	-13 467	-12 144	-18 991	-29 710	-34 035	-39 177
Americas												
Argentina	ZWSJ	113	48	137	305	400	193	220	175	-79	-77	-8
Brazil	LGND	-199	-74	72	295	295	37	-171	-315	-417	-489	-699
Canada	LGNE	180	-344	-179	10	159	-59	-196	-2	18	198	-138
Chile	ZWSM	-3	-89	-168	-128	-78	-148	-272	-278	-300	-249	-314
Colombia	ZWSN	102	36	22	29	-16	-67	-106	-92	-73	-40	-90
Mexico	LGNF	241	62	-11	71	124	173	48	-111	128	163	155
United States of America	LGNG	2 041	58	499	770	108	4 616	6 806	5 100	11 686	14 738	15 691
Uruguay	ZWTF	9	3	-1	14	20	31	22	9	-35	44	-5
Venezuela	ZWTF	95	6	17	81	160	85	56	228	188	100	46
Other Central American Countries	ZWSP	303	307	-42	173	409	149	-185	87	582	332	-73
Other	ZWSS	169	344	100	320	265	72	-305	-721	-414	-172	-270
Total Americas	LGNI	3 051	357	446	1 940	1 846	5 082	5 917	4 080	11 284	14 548	14 295
Asia												
China	LGNJ	-685	-959	-1 292	-1 400	-1 875	-1 991	-3 207	-3 838	-4 989	-5 968	-7 499
Hong Kong	LGNI	-531	-433	-561	-624	-1 268	-2 199	-2 823	-2 677	-2 816	-2 678	-2 745
India	LGNI	157	382	108	105	-213	-138	293	-178	-224	110	-242
Indonesia	LGNI	-357	-250	-29	-90	-392	-528	-602	-729	-638	-553	-418
Iran	ZWSX	207	266	328	399	353	278	337	526	513	607	591
Israel	LGNI	648	575	622	514	306	611	675	625	782	658	624
Japan	LGNO	-4 444	-4 206	-3 058	-3 574	-4 560	-4 104	-4 844	-3 885	-2 345	-2 438	-1 804
Malaysia	LGNI	410	56	-810	-469	-927	-826	-1 220	-725	-643	-580	-759
Pakistan	LGNI	111	122	126	-4	-66	-91	-282	-196	-456	-433	-400
Philippines	LGNI	155	174	-418	-56	-524	-707	-902	-669	-580	-343	-333
Saudi Arabia	LGNS	1 997	2 366	3 129	4 098	3 279	2 325	2 407	2 059	1 140	1 574	889
Singapore	LGNT	-60	96	-120	-370	-492	5	-50	357	130	97	-81
South Korea	LGNU	192	-29	-282	-592	-1 179	-1 564	-1 818	-1 252	-950	-808	-1 021
Taiwan	LGNV	-706	-545	-921	-1 028	-1 224	-1 633	-2 418	-1 767	-1 335	-1 087	-1 099
Thailand	LGNI	-64	-76	-150	-263	-958	-930	-1 214	-1 256	-1 330	-1 251	-1 419
Residual Gulf Arabian Countries	ZWST	1 874	2 434	2 655	2 961	2 402	1 990	2 131	2 106	2 259	3 091	3 726
Other Near & Middle Eastern Countries	ZWSU	285	324	381	482	479	387	373	525	417	546	784
Other	ZWSG	73	159	413	545	137	-453	-777	-758	-1 034	-1 227	-1 526
Total Asia	LGNY	-738	456	121	634	-6 722	-9 568	-13 941	-11 732	-12 099	-10 683	-12 732
Australasia & Oceania												
Australia	LGNZ	1 388	1 597	1 866	1 738	1 305	1 374	1 558	1 235	820	945	1 470
New Zealand	LGOA	-20	-31	-105	-102	-88	-132	-198	-218	-271	-253	-185
Other	LGOB	-98	-131	-109	-54	-61	-51	-22	23	24	29	12
Total Australasia & Oceania	LGOC	1 270	1 435	1 652	1 582	1 156	1 191	1 338	1 040	573	721	1 297
Africa												
Egypt	ZWSR	73	68	86	224	210	329	67	12	-48	-91	149
Morocco	ZWTA	-2	19	-32	-40	-63	-113	-100	-135	-196	-170	-248
South Africa	LGOD	1 023	1 159	997	712	601	272	-694	-794	-760	-1 013	-1 296
Other North Africa	ZWSO	-26	-32	-38	144	114	-53	-347	-205	-160	32	-249
Other	ZWSH	940	788	1 202	1 196	2 187	934	692	-213	-470	-323	-467
Total Africa	LGOF	2 008	2 002	2 215	2 236	3 049	1 369	-382	-1 335	-1 634	-1 565	-2 111
International Organisations												
	LGOG	51	44	-2	5	-26	-24	-38	-7	35	32	3
World total												
	KTMV	-4 747	-3 542	-3 350	856	-7 944	-15 417	-19 250	-26 945	-31 551	-30 982	-38 425

1 Cyprus and Malta are included in Other Europe before 1999.

9.4 Trade in goods

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Europe												
European Union (EU)												
Austria	QBRY	1 052	1 122	1 263	1 159	1 190	1 168	1 146	1 224	1 265	1 264	1 094
Belgium and Luxembourg	QBSB	7 367	8 298	8 522	8 451	8 445	9 241	10 322	9 893	10 553	11 373	10 533
of which Belgium	QDOH	..	..	..	..	..	9 117	10 102	9 609	10 185	10 984	10 273
of which Luxembourg	QDOK	..	..	..	..	..	124	220	284	368	389	260
Cyprus ¹	QDNZ	..	..	..	..	..	259	311	292	272	317	321
Czech Republic	QDLF	383	574	719	709	698	742	926	1 083	1 031	1 003	976
Denmark	QBSE	1 821	2 108	2 214	2 093	2 057	2 054	2 315	2 267	2 728	2 180	2 035
Estonia	QAMN	16	30	56	64	68	51	96	82	100	95	106
Finland	QBSH	1 316	1 716	1 810	1 570	1 434	1 354	1 471	1 610	1 442	1 493	1 361
France	QDJA	13 655	15 265	17 093	16 601	16 449	16 907	18 577	19 242	18 756	18 885	18 538
Germany	QDJD	17 339	20 242	20 715	20 685	20 590	20 464	22 789	23 647	22 062	20 805	21 656
Greece	QDJG	933	1 038	1 147	1 047	1 045	1 153	1 229	1 113	1 197	1 253	1 403
Hungary	QDLI	263	299	351	435	486	492	611	621	750	856	935
Ireland	QDJJ	7 163	7 794	8 661	9 357	9 604	10 783	12 372	13 829	15 419	12 224	14 096
Italy	QDJM	6 836	7 883	8 027	8 214	8 608	7 831	8 429	8 400	8 506	8 603	8 402
Latvia	QAMO	31	41	82	85	86	69	84	86	77	113	92
Lithuania	QAMP	25	51	84	107	116	96	131	136	149	189	142
Malta ¹	QDOC	..	..	..	..	..	189	206	211	228	260	258
Netherlands	QDJP	9 593	12 346	13 484	13 923	12 983	13 632	15 167	14 596	14 009	13 597	12 034
Poland	QDLL	716	953	1 358	1 354	1 178	1 179	1 286	1 308	1 318	1 462	1 416
Portugal	QDJT	1 259	1 469	1 677	1 752	1 722	1 712	1 660	1 578	1 517	1 453	1 582
Slovak Republic	QAMR	48	78	106	132	103	114	157	205	201	237	224
Slovenia	QAMS	93	123	131	149	136	140	157	159	182	161	161
Spain	QDJW	5 131	6 098	6 725	6 745	7 171	7 526	8 302	8 361	8 489	8 943	9 112
Sweden	QDJZ	3 411	4 157	4 420	4 451	4 392	4 035	4 211	3 950	3 872	3 823	4 358
European Central Bank	QARP	..	..	..	..	..	..	..	..	..	..	..
EU Institutions	EOAY	..	..	..	..	..	..	..	..	..	..	..
Total EU25	LGCJ	..	..	..	..	..	101 191	111 955	113 893	114 123	110 589	110 835
European Free Trade Association (EFTA)												
Iceland	QDKW	110	137	152	157	158	159	193	154	131	141	167
Liechtenstein	EPOW	..	13	14	10	4	2	6	3	2	3	6
Norway	QDKZ	2 047	1 993	2 039	2 609	2 658	1 999	2 018	1 862	1 696	1 894	1 938
Switzerland	QDLC	2 480	2 727	3 166	2 955	2 892	2 768	3 061	3 581	3 080	2 798	2 841
Total EFTA	EPOT	4 637	4 870	5 371	5 731	5 712	4 928	5 278	5 600	4 909	4 836	4 952
Other Europe												
Albania	QAMC	6	8	14	7	8	12	7	24	19	10	12
Belarus	QAME	11	23	27	35	32	27	37	33	32	38	53
Bulgaria	QAMF	89	103	88	78	81	76	86	123	131	152	154
Croatia	QAMM	147	232	137	105	106	80	72	88	94	138	126
Romania	QAMQ	129	179	213	213	233	243	383	344	427	512	607
Russia	QDLO	728	874	1 018	1 233	929	532	668	903	981	1 426	1 467
Turkey	QDLR	821	1 150	1 545	1 734	1 562	1 198	1 800	1 179	1 287	1 645	1 903
Ukraine	QAMT	88	113	145	166	166	147	156	206	182	246	224
Serbia and Montenegro	QAMW	4	8	34	37	43	29	32	52	62	65	66
Other ¹	BOQE	569	714	693	682	604	160	231	237	177	213	214
Total Europe	EPLM	85 680	99 959	107 930	109 104	108 037	108 623	120 705	122 682	122 424	119 870	120 613
Americas												
Argentina	QAOM	232	235	335	486	458	293	288	268	127	134	179
Brazil	QDLU	539	677	853	1 030	899	739	775	819	880	828	790
Canada	QATH	1 935	1 806	1 963	2 146	2 147	2 532	3 487	3 240	3 107	3 249	3 348
Chile	QAMG	160	172	168	211	171	115	115	132	115	123	135
Colombia	QAML	238	146	182	170	175	107	101	105	83	108	118
Mexico	QDLX	393	276	316	428	516	577	675	689	704	689	629
United States of America	QAMH	17 081	17 899	19 753	20 853	21 082	24 040	29 276	29 562	28 197	28 780	28 579
Uruguay	QAMU	53	56	66	78	68	57	49	30	30	31	32
Venezuela	QAMV	199	178	182	206	242	205	222	318	306	143	190
Other Central American Countries	BOQQ	797	798	669	758	785	922	979	690	690	717	621
Other	BOQT	531	724	555	655	589	596	431	442	409	491	339
Total Americas	EPLO	22 158	22 967	25 042	27 021	27 132	30 192	36 406	36 314	34 648	35 293	34 960
Asia												
China	QDMA	868	830	741	922	860	1 211	1 468	1 735	1 493	1 931	2 374
Hong Kong	QDMD	2 356	2 666	2 943	3 215	2 671	2 312	2 673	2 717	2 411	2 490	2 636
India	QDMG	1 340	1 691	1 718	1 576	1 242	1 450	2 058	1 797	1 755	2 293	2 237
Indonesia	QDMJ	371	518	809	674	369	385	404	313	324	455	398
Iran	QAOH	293	330	385	380	320	237	292	432	397	473	442
Israel	QDMH	1 060	1 114	1 277	1 178	1 079	1 295	1 516	1 376	1 428	1 364	1 391
Japan	QAMJ	3 047	3 818	4 296	4 180	3 127	3 300	3 672	3 744	3 583	3 723	3 865
Malaysia	QDMP	1 346	1 195	1 169	1 206	677	934	907	1 045	877	1 031	994
Pakistan	QDMS	362	343	347	271	228	221	207	234	240	294	344
Philippines	QDMV	364	435	398	601	301	239	273	397	352	378	315
Saudi Arabia	QDMY	1 534	1 625	2 425	3 656	2 605	1 481	1 557	1 523	1 388	1 828	1 611
Singapore	QDNB	1 811	2 077	2 158	2 047	1 598	1 597	1 625	1 613	1 445	1 587	1 713
South Korea	QDNE	987	1 162	1 314	1 222	666	949	1 350	1 284	1 461	1 475	1 482
Taiwan	QDNH	752	966	945	1 036	867	865	1 015	890	848	898	951
Thailand	QDNK	769	839	981	863	386	463	582	601	529	573	637
Residual Gulf Arabian Countries	BOQW	2 187	2 570	2 756	3 127	2 640	2 258	2 586	2 750	2 620	3 369	4 028
Other Near & Middle Eastern Countries	QARJ	382	394	456	498	466	406	393	486	499	633	777
Other	BORB	911	699	1 005	1 186	771	592	644	572	510	603	610
Total Asia	EPLP	20 740	23 272	26 123	27 838	20 873	20 195	23 222	23 509	22 160	25 398	26 805
Australasia & Oceania												
Australia	QDNN	1 957	2 141	2 492	2 454	2 188	2 155	2 699	2 344	2 114	2 298	2 457
New Zealand	QDNQ	422	440	474	409	336	324	305	314	311	349	419
Other	EGIZ	48	55	54	84	42	38	43	42	55	65	43
Total Australasia & Oceania	EPLQ	2 427	2 636	3 020	2 947	2 566	2 517	3 047	2 700	2 480	2 712	2 919
Africa												
Egypt	QDNT	378	385	434	501	505	539	498	458	463	459	668
Morocco	QAoo	200	273	284	356	348	359	407	373	346	361	341
South Africa	QDNW	1 452	1 840	1 894	1 646	1 520	1 281	1 413	1 558	1 597	1 772	1 880
Other North Africa	BORU	332	372	390	451	440	386	419	447	478	588	541
Other	BOQH	1 776	1 873	2 079	2 059	2 635	2 074	1 819	2 014	1 915	2 162	2 132
Total Africa	EPLN	4 138	4 743	5 081	5 013	5 448	4 639	4 556	4 850	4 799	5 342	5 562
International Organisations												
	EPLR	..	..	..	..	..	..	..	..	..	..	..
World total	LQAD	135 143	153 577	167 196	171 923	164 056	166 166	187 936	190 055	186 513	188 615	190 859

1 Cyprus and Malta are included in Other Europe before 1999.

9.4 Trade in goods

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Imports												
Europe												
European Union (EU)												
Austria	QBRZ	1 027	925	1 172	1 393	1 411	1 453	1 410	1 888	2 392	2 772	2 328
Belgium and Luxembourg	QBSC	7 121	8 130	9 026	9 390	9 831	10 156	10 927	12 159	13 204	13 169	13 645
of which Belgium	QDOI	..	..	..	..	..	10 079	10 795	11 859	12 046	12 508	12 787
Luxembourg	QDOL	..	..	..	..	..	77	132	300	1 158	661	858
Cyprus ¹	QDOA	..	..	..	..	..	184	209	243	245	251	199
Czech Republic	QDLG	271	313	353	450	555	575	807	1 107	1 248	1 409	1 278
Denmark	QBSF	2 170	2 199	2 393	2 316	2 156	2 342	2 631	2 921	3 590	3 394	3 299
Estonia	QAND	57	105	139	147	150	185	307	276	327	263	376
Finland	QBTG	2 271	2 500	2 682	2 544	2 328	2 364	2 765	2 962	2 786	2 660	2 316
France	QDJB	15 037	16 457	16 873	18 020	17 956	18 415	18 642	20 116	20 776	20 360	19 891
Germany	QDJE	21 860	26 234	27 597	25 632	25 095	26 817	28 461	29 884	32 407	33 620	35 044
Greece	QDJH	348	429	401	396	363	399	443	476	538	625	627
Hungary	QDLJ	232	358	402	465	535	661	686	710	846	1 118	1 554
Ireland	QDJK	5 897	7 045	7 342	7 391	7 802	8 708	10 261	12 136	13 164	9 908	10 057
Italy	QDJN	7 496	8 264	8 900	9 548	9 744	9 385	9 516	9 855	10 663	11 466	12 012
Latvia	QANE	217	163	294	331	290	272	400	433	485	525	686
Lithuania	QANF	150	163	178	140	140	159	246	234	267	285	270
Malta ¹	QDOD	..	..	..	..	..	126	123	144	168	185	182
Netherlands	QDJQ	10 064	11 516	12 596	12 328	13 408	13 772	15 379	15 387	16 123	16 672	18 026
Poland	QDLM	533	615	570	597	653	668	923	1 174	1 264	1 543	1 800
Portugal	QDJU	1 283	1 467	1 686	1 761	1 790	1 822	1 734	1 624	1 759	1 964	1 909
Slovak Republic	QANH	56	64	62	71	71	101	136	177	211	258	259
Slovenia	QANI	91	109	104	95	100	106	121	150	173	169	167
Spain	QDJX	3 678	4 356	5 120	5 102	5 738	5 967	6 140	7 355	9 180	9 236	9 000
Sweden	QDKA	4 196	4 537	4 840	4 693	4 361	4 649	4 950	4 666	4 324	4 565	5 074
European Central Bank	QARO	..	..	..	..	..	..	..	..	..	..	..
EU Institutions	EOBS	..	..	..	..	..	..	..	..	..	..	..
Total EU25	LGDB	..	..	..	..	..	109 286	117 217	126 077	136 140	136 417	139 999
European Free Trade Association (EFTA)												
Iceland	QDKX	233	243	255	229	251	282	365	286	289	297	355
Liechtenstein	EPOX	..	4	17	26	20	23	22	25	22	25	18
Norway	QDLA	3 711	4 182	4 751	4 666	3 440	3 546	5 563	5 596	5 251	6 441	8 470
Switzerland	QDLN	4 677	4 983	5 183	4 636	4 755	5 341	5 485	4 604	4 590	3 768	3 436
Total EFTA	EPOU	8 621	9 412	10 206	9 557	8 466	9 192	11 435	10 511	10 152	10 531	12 279
Other Europe												
Albania	QAMX	..	..	..	2	..	1	2	..	2	3	..
Belarus	QAMY	11	18	13	14	20	20	34	18	31	23	71
Bulgaria	QAMZ	68	112	111	88	74	68	85	97	115	122	147
Croatia	QANC	40	36	36	34	40	39	41	51	68	50	54
Romania	QANG	141	165	174	195	222	249	333	444	510	671	771
Russia	QDLP	781	917	1 222	1 418	1 406	1 324	1 496	2 061	1 940	2 449	3 489
Turkey	QDLS	610	770	892	990	1 103	1 204	1 450	1 692	2 162	2 622	3 239
Ukraine	QANJ	17	21	22	37	50	47	64	71	143	94	108
Serbia and Montenegro	QANM	..	..	12	30	30	14	23	23	30	34	38
Other ¹	BOQF	269	317	378	345	407	191	186	237	262	280	265
Total Europe	EFPM	94 613	107 717	115 796	115 522	116 295	121 635	132 366	141 282	151 555	153 296	160 460
Americas												
Argentina	QAOP	167	240	273	258	198	190	181	210	236	252	265
Brazil	QDLV	891	937	942	911	883	910	1 114	1 287	1 358	1 472	1 539
Canada	QATI	1 827	2 304	2 409	2 480	2 519	3 026	4 009	3 693	3 537	3 645	4 145
Chile	QANA	188	285	359	374	329	328	451	467	457	412	469
Colombia	QANB	186	165	203	178	199	191	231	311	210	221	277
Mexico	QDLY	233	290	326	371	366	395	613	686	502	490	408
United States of America	QAMI	17 233	19 620	22 287	24 329	24 785	24 360	28 416	29 589	24 986	22 746	21 842
Uruguay	QANK	50	59	73	70	53	40	36	36	47	43	41
Venezuela	QANL	125	194	181	150	115	144	207	161	182	113	207
Other Central American Countries	BOQR	556	546	678	680	712	871	1 044	617	762	995	1 098
Other	BOQU	318	333	413	388	410	542	700	1 228	847	689	649
Total Americas	EFMO	21 774	24 973	28 144	30 189	30 569	30 997	37 002	38 285	33 124	31 078	30 940
Asia												
China	QDMB	1 592	1 841	2 110	2 379	2 816	3 384	4 826	5 775	6 693	8 321	10 345
Hong Kong	QDME	2 968	3 358	3 904	4 146	4 391	4 909	5 917	5 793	5 535	5 486	5 739
India	QDMH	1 249	1 362	1 542	1 546	1 382	1 426	1 651	1 825	1 794	2 088	2 276
Indonesia	QDMK	728	814	852	862	854	931	1 081	1 128	1 002	878	914
Iran	QAOQ	124	113	102	29	32	33	30	28	33	28	41
Israel	QDMN	555	658	796	839	875	996	1 025	947	873	857	918
Japan	QAMK	8 584	9 288	8 545	9 031	9 124	9 118	10 214	9 151	8 040	8 062	8 055
Malaysia	QDMQ	1 166	1 414	2 280	1 931	1 892	1 961	2 288	1 951	1 723	1 862	2 012
Pakistan	QDMT	348	347	375	362	340	318	363	426	468	518	549
Philippines	QDMW	237	334	858	726	855	983	1 155	1 163	940	710	653
Saudi Arabia	QDMZ	757	645	654	841	791	783	977	931	673	713	1 156
Singapore	QDNC	1 836	2 097	2 465	2 585	2 343	2 348	2 395	2 079	1 949	2 663	3 364
South Korea	QDNF	1 068	1 506	1 935	2 147	2 201	2 784	3 416	2 776	2 716	2 556	3 060
Taiwan	QDNI	1 535	1 640	2 001	2 230	2 217	2 626	3 561	2 803	2 373	2 193	2 330
Thailand	QDNL	884	987	1 140	1 166	1 264	1 291	1 602	1 617	1 544	1 643	1 753
Residual Gulf Arabian Countries	BOQX	546	496	597	734	847	833	1 109	1 141	1 221	1 514	1 715
Other Near & Middle Eastern Countries	QARK	129	124	123	87	81	135	118	133	188	175	109
Other	BORD	851	779	1 065	1 138	1 117	1 217	1 596	1 673	1 709	1 983	2 229
Total Asia	EFMP	25 177	27 803	31 344	32 779	33 422	36 076	43 324	41 340	39 474	42 250	47 218
Australasia & Oceania												
Australia	QDNO	1 035	1 070	1 230	1 320	1 363	1 338	1 543	1 792	1 681	1 784	1 855
New Zealand	QDNR	527	556	602	555	517	565	544	549	521	551	578
Other	HFKF	152	188	203	164	124	122	124	94	96	124	130
Total Australasia & Oceania	EFMQ	1 714	1 814	2 035	2 039	2 004	2 025	2 211	2 435	2 298	2 459	2 563
Africa												
Egypt	QDNU	245	236	271	256	277	255	411	408	414	430	495
Morocco	QAOB	196	241	290	331	349	383	454	444	452	443	506
South Africa	QDNX	941	1 057	1 170	1 323	1 351	1 636	2 553	2 861	2 671	2 940	3 260
Other North Africa	BORW	363	391	367	323	280	333	699	516	588	567	731
Other	BOQJ	1 246	1 368	1 501	1 503	1 322	1 877	1 892	3 132	3 022	3 016	3 300
Total Africa	EFMN	2 991	3 293	3 599	3 736	3 579	4 484	6 009	7 361	7 147	7 396	8 292
International Organisations												
	EFMR	..	..	..	..	..	..	..	..	..	..	..
World total												
	LQBL	146 269	165 600	180 918	184 265	185 869	195 217	220 912	230 703	233 598	236 479	249 473

1 Cyprus and Malta are included in Other Europe before 1999.

9.4 Trade in goods

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
Europe												
European Union (EU)												
Austria	QBSA	25	197	91	-234	-221	-285	-264	-664	-1 127	-1 508	-1 234
Belgium and Luxembourg	QBSD	246	168	-504	-939	-1 386	-915	-605	-2 266	-2 651	-1 796	-3 112
of which Belgium	QDOJ	..	..	..	..	..	-962	-693	-2 250	-1 861	-1 524	-2 514
Luxembourg	QDOM	..	..	..	..	..	47	88	-16	-790	-272	-598
Cyprus ¹	QDOB	..	..	..	..	..	75	102	49	27	66	122
Czech Republic	QDLH	112	261	366	259	143	167	119	-24	-217	-406	-302
Denmark	QBSG	-349	-91	-179	-223	-99	-288	-316	-654	-862	-1 214	-1 264
Estonia	QANT	-41	-75	-83	-83	-82	-134	-211	-194	-227	-168	-270
Finland	QBTJ	-955	-784	-872	-974	-894	-1 010	-1 294	-1 352	-1 344	-1 167	-955
France	QDJC	-1 382	-1 192	220	-1 419	-1 507	-1 508	-65	-874	-2 020	-1 475	-1 353
Germany	QDJF	-4 521	-5 992	-6 882	-4 947	-4 505	-6 353	-5 672	-6 237	-10 345	-12 815	-13 388
Greece	QDJI	585	609	746	651	682	754	786	637	659	628	776
Hungary	QDLK	31	-59	-51	-30	-49	-169	-75	-89	-96	-262	-619
Ireland	QDJL	1 266	749	1 319	1 966	1 802	2 075	2 111	1 693	2 255	2 316	4 039
Italy	QDJO	-660	-381	-873	-1 334	-1 136	-1 554	-1 087	-1 455	-2 157	-2 863	-3 610
Latvia	QANU	-186	-122	-212	-246	-204	-203	-316	-347	-408	-412	-594
Lithuania	QANV	-125	-112	-94	-33	-24	-63	-115	-98	-118	-96	-128
Malta ¹	QDOE	..	..	..	..	..	63	83	67	60	75	76
Netherlands	QDJR	-471	830	888	1 595	-425	-140	-212	-791	-2 114	-3 075	-5 992
Poland	QDLN	183	338	788	757	525	511	363	134	54	-81	-384
Portugal	QDJV	-24	2	-9	-11	-68	-110	-74	-46	-242	-511	-327
Slovak Republic	QAOG	-8	14	44	61	32	13	21	28	-10	-21	-35
Slovenia	QAOH	2	14	27	54	36	34	36	9	9	-8	-6
Spain	QDJY	1 453	1 742	1 605	1 643	1 433	1 559	2 162	1 006	-691	-293	112
Sweden	QDKV	-785	-380	-420	-242	31	-614	-739	-716	-452	-742	-716
European Central Bank	QARR	-	-	-	-	-	-	-	-	-	-	-
EU Institutions	EOCM	-	-	-	-	-	-	-	-	-	-	-
Total EU25	LGCF	..	..	..	..	..	-8 095	-5 262	-12 184	-22 017	-25 828	-29 164
European Free Trade Association (EFTA)												
Iceland	QDKY	-123	-106	-103	-72	-93	-123	-172	-132	-158	-156	-188
Liechtenstein	EPOY	..	9	-3	-16	-16	-21	-16	-22	-20	-22	-12
Norway	QDLB	-1 664	-2 189	-2 712	-2 057	-782	-1 547	-3 545	-3 734	-3 555	-4 547	-6 532
Switzerland	QDLE	-2 197	-2 256	-2 017	-1 681	-1 863	-2 573	-2 424	-1 023	-1 510	-970	-595
Total EFTA	EPOV	-3 984	-4 542	-4 835	-3 826	-2 754	-4 264	-6 157	-4 911	-5 243	-5 695	-7 327
Other Europe												
Albania	QANN	6	8	14	5	8	11	5	24	17	7	12
Belarus	QANO	-	5	14	21	12	7	3	15	1	15	-18
Bulgaria	QANP	21	-9	-23	-10	7	8	1	26	16	30	7
Croatia	QANS	107	196	101	71	66	41	31	37	26	88	72
Romania	QAOD	-12	14	39	18	11	-6	50	-100	-83	-159	-164
Russia	QDLQ	-53	-43	-204	-185	-477	-792	-828	-1 158	-959	-1 023	-2 022
Turkey	QDLT	211	380	653	744	459	-6	350	-513	-875	-977	-1 336
Ukraine	QAOI	71	92	123	129	116	100	92	135	39	152	116
Serbia and Montenegro	QAOL	4	8	22	7	13	15	9	29	32	31	28
Other ¹	BOQG	300	397	315	337	197	-31	45	-	-85	-67	-51
Total Europe	EPNM	-8 933	-7 758	-7 866	-6 418	-8 258	-13 012	-11 661	-18 600	-29 131	-33 426	-39 847
Americas												
Argentina	QAOS	65	-5	62	228	260	103	107	58	-109	-118	-86
Brazil	QDLW	-352	-260	-89	119	16	-171	-339	-468	-478	-644	-749
Canada	QBRV	108	-498	-446	-334	-372	-494	-522	-453	-430	-396	-797
Chile	QANQ	-28	-113	-191	-163	-158	-213	-336	-335	-342	-289	-334
Colombia	QANR	52	-19	-21	-8	-24	-84	-130	-206	-127	-113	-159
Mexico	QDLZ	160	-14	-10	57	150	182	62	3	202	199	221
United States of America	QBRP	-152	-1 721	-2 534	-3 476	-3 703	-320	860	-27	3 211	6 034	6 737
Uruguay	QAOK	3	-3	-7	8	15	26	21	13	-17	-12	-9
Venezuela	QAOK	74	-16	1	56	127	61	15	157	124	30	-17
Other Central American Countries	BOQS	241	252	-9	78	73	51	-65	73	-72	-278	-477
Other	BOQV	213	391	142	267	179	54	-269	-786	-438	-198	-310
Total Americas	EPNO	384	-2 006	-3 102	-3 168	-3 437	-805	-596	-1 971	1 524	4 215	4 020
Asia												
China	QDMC	-724	-1 011	-1 369	-1 457	-1 956	-2 173	-3 358	-4 040	-5 200	-6 390	-7 971
Hong Kong	QDMF	-632	-692	-961	-931	-1 720	-2 597	-3 244	-3 076	-3 124	-2 996	-3 103
India	QDMI	91	329	176	30	-140	24	407	-28	-39	205	-39
Indonesia	QDML	-357	-296	-43	-188	-485	-546	-677	-815	-678	-423	-516
Iran	QAOT	169	217	283	351	288	204	262	404	364	445	401
Israel	QDMO	505	456	481	339	204	299	491	429	555	507	473
Japan	QBRR	-5 537	-5 470	-4 249	-4 851	-5 997	-5 818	-6 542	-5 407	-4 457	-4 339	-4 190
Malaysia	QDMR	180	-219	-1 111	-725	-1 215	-1 027	-1 381	-906	-846	-831	-1 018
Pakistan	QDMU	14	-4	-28	-91	-112	-97	-156	-192	-228	-224	-205
Philippines	QDMX	127	101	-460	-125	-554	-744	-882	-766	-588	-332	-338
Saudi Arabia	QDNA	777	980	1 771	2 815	1 814	698	580	592	715	1 115	455
Singapore	QDND	-25	-20	-307	-538	-745	-751	-770	-466	-504	-1 076	-1 651
South Korea	QDNG	-81	-344	-621	-925	-1 535	-1 835	-2 066	-1 492	-1 255	-1 081	-1 578
Taiwan	QDNJ	-783	-674	-1 056	-1 194	-1 350	-1 761	-2 546	-1 913	-1 525	-1 295	-1 379
Thailand	QDNM	-115	-148	-159	-303	-878	-828	-1 020	-1 016	-1 015	-1 070	-1 116
Residual Gulf Arabian Countries	BORA	1 641	2 074	2 159	2 393	1 793	1 425	1 477	1 609	1 399	1 855	2 313
Other Near & Middle Eastern Countries	QARL	253	270	333	411	385	271	275	353	311	458	668
Other	BORE	60	-80	-60	48	-346	-625	-952	-1 101	-1 199	-1 380	-1 619
Total Asia	EPNP	-4 437	-4 531	-5 221	-4 941	-12 549	-15 881	-20 102	-17 831	-17 314	-16 852	-20 413
Australasia & Oceania												
Australia	QDNP	922	1 071	1 262	1 134	825	817	1 156	552	433	514	602
New Zealand	QDNS	-105	-116	-128	-146	-181	-241	-239	-235	-210	-202	-159
Other	HFKK	-104	-133	-149	-80	-82	-84	-81	-52	-41	-59	-87
Total Australasia & Oceania	EPNQ	713	822	985	908	562	492	836	265	182	253	356
Africa												
Egypt	QDNV	133	149	163	245	228	284	87	50	49	29	173
Morocco	QAOU	4	32	-6	25	-1	-24	-47	-71	-106	-82	-165
South Africa	QDNY	511	783	724	323	169	-355	-1 140	-1 303	-1 074	-1 168	-1 380
Other North Africa	BORX	-31	-19	23	128	160	53	-280	-69	-110	21	-190
Other	BOQK	530	505	578	556	1 313	197	-73	-1 118	-1 107	-854	-1 168
Total Africa	EPNN	1 147	1 450	1 482	1 277	1 869	155	-1 453	-2 511	-2 348	-2 054	-2 730
International Organisations												
	EPNR	-	-	-	-	-	-	-	-	-	-	-
World total												
	LQCT	-11 126	-12 023	-13 722	-12 342	-21 813	-29 051	-32 976	-40 408	-47 087	-47 864	-58 614

1 Cyprus and Malta are included in Other Europe before 1999.

9.5 Trade in services

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Exports												
Europe												
European Union (EU)												
Austria	FYVC	265	324	349	294	339	381	386	377	390	382	387
Belgium and Luxembourg	FYVD	1 140	1 450	1 491	1 635	1 917	2 235	2 354	2 253	2 520	2 799	3 241
of which Belgium	A7RX	..	..	..	..	..	1 930	2 050	1 895	2 190	2 377	2 652
Luxembourg	A7S2	..	..	..	..	..	305	304	358	330	422	589
Cyprus ¹	A7RY	..	..	..	..	..	131	148	129	214	231	332
Czech Republic	FYVW	76	104	112	120	197	150	165	179	176	237	283
Denmark	FYVE	458	509	857	858	1 027	964	1 162	1 360	1 342	1 505	1 502
Estonia	ZWKU	4	4	7	15	5	14	12	13	21	22	27
Finland	FYVF	328	384	561	537	527	648	943	849	804	832	939
France	FYVG	2 743	3 025	3 310	3 467	4 134	4 645	5 292	5 736	5 576	5 526	5 712
Germany	FYVH	3 924	4 345	4 502	4 641	5 129	5 443	6 437	6 720	6 907	6 978	6 809
Greece	FYVI	447	517	533	611	673	776	815	766	721	738	658
Hungary	GYWV	44	48	74	108	93	137	202	203	212	226	331
Ireland	FYVJ	1 522	1 956	2 218	2 289	2 518	2 489	2 738	3 460	4 114	4 927	5 065
Italy	FYVK	1 580	1 684	1 914	2 033	2 331	2 675	2 609	2 728	2 807	2 772	2 980
Latvia	ZWLC	5	9	12	27	16	25	31	34	39	30	50
Lithuania	ZWLB	8	11	18	19	7	15	17	46	32	42	57
Malta ¹	A7S3	..	..	..	..	..	65	57	52	60	70	73
Netherlands	FYVL	1 897	2 098	2 430	2 815	3 175	3 991	4 398	4 610	4 365	4 871	5 687
Poland	FYVX	165	170	185	234	282	264	281	330	381	399	473
Portugal	FYVM	329	351	372	315	443	563	419	447	492	498	567
Slovak Republic	ZWLG	18	22	33	29	24	30	38	42	29	34	39
Slovenia	ZWLF	7	10	16	17	5	22	23	32	36	30	35
Spain	FYVN	1 121	1 238	1 441	1 375	1 749	2 050	2 211	2 173	2 515	2 740	2 651
Sweden	FYVO	785	896	1 017	1 139	1 348	1 396	1 589	1 573	1 410	1 605	1 541
European Central Bank	KWVZ	..	..	..	..	..	..	3	12	3	..	..
EU Institutions	FYVP	316	376	246	245	226	231	244	541	538	504	563
Total EU25	A7RZ	..	..	..	..	..	29 340	32 574	34 665	35 704	37 998	40 002
European Free Trade Association (EFTA)												
Iceland	FYVR	44	41	48	55	48	31	73	64	65	71	83
Liechtenstein	FYVS	1	2	4	10	21	32	36	27	40	38	43
Norway	FYVT	942	927	1 061	959	1 205	1 125	1 002	950	1 421	1 300	1 419
Switzerland	FYVU	1 009	1 264	1 888	1 970	2 315	2 385	2 507	3 070	3 512	4 020	3 599
Total EFTA	FYVV	1 996	2 234	3 001	2 994	3 589	3 573	3 618	4 111	5 038	5 429	5 144
Other Europe												
Albania	ZWKM	..	..	..	..	..	3	2	5	6	6	23
Belarus	ZWKP	3	5	6	7	1	3	22	3	4	4	6
Bulgaria	ZWKO	6	7	12	20	14	41	42	35	72	70	72
Croatia	ZWKZ	10	12	18	19	12	39	38	34	49	42	39
Romania	ZWLE	14	16	27	31	29	43	43	72	73	97	103
Russia	FYVY	275	307	329	356	435	293	406	443	550	682	843
Turkey	FYVZ	168	215	259	323	325	391	339	377	352	371	336
Ukraine	ZWLH	26	27	41	34	56	23	43	28	230	121	46
Serbia and Montenegro	ZWLK	5	7	13	39	20	40	96	42	29	41	25
Other ¹	ZWKJ	780	851	1 353	1 632	996	986	1 058	886	1 162	1 415	1 654
Total Europe	FYWB	20 465	23 212	26 757	28 278	31 642	34 775	38 281	40 701	43 269	46 276	48 293
Americas												
Argentina	ZWKN	80	83	114	114	209	165	187	191	85	85	144
Brazil	FYWC	217	253	268	291	418	365	342	383	313	327	299
Canada	FYWD	901	932	973	1 135	1 395	1 401	1 427	1 632	1 524	1 562	1 706
Chile	ZWKQ	41	41	47	55	123	107	99	105	89	81	94
Colombia	ZWKR	62	68	68	59	67	52	63	145	90	106	94
Mexico	FYWE	124	133	113	163	161	215	268	280	260	268	291
United States of America	FYWF	9 963	10 608	13 347	14 349	15 253	17 458	18 958	18 452	21 722	22 166	22 733
Uruguay	ZWLI	7	7	7	8	11	9	7	5	5	60	9
Venezuela	ZWLJ	37	38	42	48	72	70	87	113	101	105	88
Other Central American Countries	ZWKT	618	615	724	937	1 368	1 044	1 325	1 397	1 937	1 961	2 301
Other	ZWKW	183	179	195	263	251	234	220	216	149	153	153
Total Americas	FYWH	12 233	12 957	15 898	17 422	19 328	21 120	22 983	22 919	26 275	26 874	27 912
Asia												
China	FYWI	189	208	234	221	299	449	444	577	709	873	1 049
Hong Kong	FYWJ	793	749	872	884	947	997	973	987	914	991	1 008
India	FYWK	413	410	374	567	481	510	549	664	619	688	812
Indonesia	FYWL	156	214	191	224	196	168	200	206	176	167	194
Iran	ZWLA	49	57	58	65	90	95	118	159	178	206	236
Israel	FYWM	335	340	300	362	308	527	450	510	430	359	371
Japan	FYWN	1 960	2 227	2 294	2 347	2 575	2 923	3 234	3 215	3 490	3 516	3 786
Malaysia	FYWO	424	475	498	498	540	387	387	370	397	414	458
Pakistan	FYWP	248	287	323	279	240	294	174	274	165	168	215
Philippines	FYWQ	88	136	100	131	93	125	187	180	107	141	125
Saudi Arabia	FYWR	1 601	1 785	1 734	1 739	1 915	2 128	2 349	2 109	581	601	562
Singapore	FYWS	435	474	453	499	553	1 090	1 033	1 197	1 045	1 556	1 920
South Korea	FYWT	357	416	454	476	484	404	388	418	489	452	794
Taiwan	FYWU	152	217	240	266	233	248	282	291	366	373	472
Thailand	FYVW	263	340	249	274	227	205	191	216	203	325	308
Residual Gulf Arabian Countries	ZWKX	595	678	721	806	979	983	1 052	1 032	2 599	2 887	3 111
Other Near & Middle Eastern Countries	ZWKY	91	106	106	144	172	199	222	326	257	238	316
Other Asian Countries	ZWKK	987	1 091	1 080	1 129	1 017	654	805	880	722	778	922
Total Asia	FYWX	9 136	10 210	10 281	10 911	11 349	12 386	13 038	13 611	13 447	14 733	16 659
Australasia & Oceania												
Australia	FYWY	1 159	1 232	1 423	1 492	1 439	1 596	1 587	1 931	1 816	1 881	2 284
New Zealand	FYWZ	258	276	252	277	320	357	305	303	275	287	377
Other	FYXA	23	29	102	61	47	62	84	95	98	116	148
Total Australasia & Oceania	FYXB	1 440	1 537	1 777	1 830	1 806	2 015	1 976	2 329	2 189	2 284	2 809
Africa												
Egypt	ZWKV	65	65	81	109	99	274	270	328	214	224	309
Morocco	ZWLD	37	36	39	28	57	47	61	82	50	49	61
South Africa	FYXC	762	728	698	806	918	1 108	971	1 107	996	1 044	1 009
Other North Africa	ZWKS	103	100	120	243	285	112	255	210	209	269	237
Other	ZWKL	996	959	1 252	1 265	1 455	1 459	1 535	1 720	1 710	1 803	1 775
Total Africa	FYXE	1 963	1 888	2 190	2 451	2 814	3 000	3 092	3 447	3 179	3 389	3 391
International Organisations												
	FYXF	128	128	70	72	39	32	41	54	75	60	36
World total												
	KTMQ	45 365	49 932	56 973	60 964	66 978	73 328	79 411	83 061	88 434	93 616	99 100

1 Cyprus and Malta are included in Other Europe before 1999.

9.5 Trade in services

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Imports												
Europe												
European Union (EU)												
Austria	GGOR	378	381	358	343	453	445	467	501	682	642	701
Belgium and Luxembourg	GGOS	746	1 071	1 190	1 238	1 322	1 598	1 550	1 671	1 859	1 978	1 900
of which Belgium	ABET	..	..	..	..	..	1 443	1 419	1 531	1 686	1 781	1 699
of which Luxembourg	ABEW	..	..	..	..	..	155	131	140	173	197	201
Cyprus ¹	ABEU	..	..	..	..	..	765	884	1 054	970	1 086	1 093
Czech Republic	GGPL	101	91	100	105	146	146	168	197	249	337	394
Denmark	GGOT	352	373	474	491	492	619	656	637	716	800	768
Estonia	ZWNA	5	4	6	2	5	6	33	27	18	34	39
Finland	GGOU	152	151	201	185	217	305	402	361	281	310	297
France	GGOV	3 695	3 944	4 255	4 718	5 689	6 619	7 470	7 478	7 802	8 171	8 347
Germany	GGOW	3 391	3 459	3 949	3 417	3 668	4 568	4 504	5 004	5 095	5 104	5 394
Greece	GGOX	1 090	1 041	912	945	1 049	1 424	1 615	1 878	1 898	1 965	1 972
Hungary	GYXH	51	42	65	71	81	89	95	126	128	154	178
Ireland	GGOY	962	1 094	1 537	1 640	1 743	2 108	2 208	2 284	2 240	2 473	2 643
Italy	GGOZ	1 213	1 234	1 839	1 945	2 310	2 580	2 811	2 960	3 096	3 346	3 515
Latvia	ZWNI	4	3	3	5	5	12	25	20	19	30	34
Lithuania	ZWNH	2	2	3	3	7	5	6	16	37	26	11
Malta ¹	ABEX	..	..	..	..	..	196	223	254	236	279	327
Netherlands	GGPA	1 683	1 744	1 765	1 827	2 038	2 349	2 936	3 040	3 241	3 456	3 065
Poland	GGPM	93	117	94	129	144	175	183	201	188	223	272
Portugal	GGPB	569	656	757	828	824	1 003	1 019	1 109	1 197	1 349	1 416
Slovak Republic	ZWNM	13	11	15	10	32	28	30	15	28	22	24
Slovenia	ZWNL	7	6	10	12	12	14	29	17	23	25	29
Spain	GGPC	3 136	3 533	4 163	4 536	5 197	5 914	6 476	7 185	7 789	8 870	9 085
Sweden	GGPD	478	516	572	512	529	762	818	820	818	1 184	1 137
European Central Bank	KOFJ	..	..	..	..	..	1	1	1	1	..	..
EU Institutions	GGPE	1	1	2	1	9	6	2	4	12	14	3
Total EU25	ABEV	..	..	..	..	..	31 737	34 611	36 860	38 623	41 878	42 644
European Free Trade Association (EFTA)												
Iceland	GGPG	25	24	31	34	46	25	75	44	42	46	64
Liechtenstein	GGPH	..	1	..	..	32	7	6	7	1	11	11
Norway	GGPI	594	680	556	595	521	496	535	646	1 265	700	663
Switzerland	GGPJ	967	1 075	1 260	1 091	1 380	1 437	1 553	1 509	1 621	1 880	1 783
Total EFTA	GGPK	1 586	1 780	1 847	1 720	1 979	1 965	2 169	2 206	2 929	2 637	2 521
Other Europe												
Albania	ZWMS	1	1	1	..	1	6	5	9	13	14	18
Belarus	ZWMV	3	2	3	1	5	1	2	4	3	4	2
Bulgaria	ZWMU	21	18	29	34	29	36	38	52	95	103	140
Croatia	ZWNF	31	26	39	33	37	21	27	55	47	72	77
Romania	ZWNK	25	21	29	25	22	51	64	77	85	93	115
Russia	GGPN	229	237	165	158	180	136	188	219	297	298	448
Turkey	GGPO	377	470	599	579	560	523	520	565	700	776	792
Ukraine	ZWNN	6	5	7	14	14	9	14	33	26	24	33
Serbia and Montenegro	ZWNQ	10	8	12	14	11	31	22	38	33	42	36
Other ¹	ZWMP	1 510	1 248	1 672	1 860	1 821	714	1 104	974	997	944	797
Total Europe	GGPQ	21 921	23 290	26 673	27 401	30 631	35 230	38 764	41 092	43 848	46 885	47 623
Americas												
Argentina	ZWMT	32	30	39	37	69	75	74	74	55	44	66
Brazil	GGPR	64	67	107	115	139	157	174	230	252	172	249
Canada	GGPS	829	778	706	791	864	966	1 101	1 181	1 076	968	1 047
Chile	ZWMW	16	17	24	20	43	42	35	48	47	41	74
Colombia	ZWMX	12	13	25	22	59	35	39	31	36	33	25
Mexico	GGPT	43	57	114	149	187	224	282	394	334	304	357
United States of America	GGPU	7 770	8 829	10 314	10 103	11 442	12 522	13 012	13 325	13 247	13 462	13 779
Uruguay	ZWNO	1	1	1	2	6	4	6	9	23	4	5
Venezuela	ZWNP	16	16	26	23	39	46	46	42	37	35	25
Other Central American Countries	ZWNZ	556	560	757	842	1 032	946	1 445	1 383	1 283	1 351	1 897
Other	ZWNC	227	226	237	210	165	216	256	151	125	127	113
Total Americas	GGPW	9 566	10 594	12 350	12 314	14 045	15 233	16 470	16 868	16 515	16 541	17 637
Asia												
China	GGPX	150	156	157	164	218	267	293	375	498	451	577
Hong Kong	GGPY	692	490	472	577	495	599	552	588	606	673	650
India	GGPZ	347	357	442	492	554	672	663	814	804	783	1 015
Indonesia	GGQA	156	168	177	126	103	150	125	120	136	297	96
Iran	ZWNG	11	8	13	17	25	21	43	37	29	44	46
Israel	GGQB	192	221	159	187	206	215	266	314	203	208	220
Japan	GGQC	867	963	1 103	1 070	1 138	1 209	1 536	1 693	1 378	1 615	1 400
Malaysia	GGQD	194	200	197	242	252	186	226	189	194	163	199
Pakistan	GGQE	151	161	169	192	194	288	300	278	393	377	410
Philippines	GGQF	60	63	58	62	63	88	207	83	99	152	120
Saudi Arabia	GGQG	381	399	376	456	450	501	522	642	156	142	128
Singapore	GGQH	470	358	266	331	300	334	313	374	411	383	350
South Korea	GGQI	84	101	115	143	128	133	140	178	184	179	237
Taiwan	GGQJ	75	88	105	100	107	120	154	145	176	165	192
Thailand	GGQK	212	268	240	234	307	307	385	456	518	506	611
Residual Gulf Arabian Countries	ZWND	362	318	225	238	370	418	398	535	1 739	1 651	1 698
Other Near & Middle Eastern Countries	ZWNE	59	52	58	73	78	83	124	154	151	150	200
Other	ZWNO	974	852	607	632	534	482	630	537	557	625	829
Total Asia	GGQM	5 437	5 223	4 939	5 336	5 522	6 073	6 877	7 512	8 232	8 564	8 978
Australasia & Oceania												
Australia	GGQN	693	706	819	888	959	1 039	1 185	1 248	1 429	1 450	1 416
New Zealand	GGQO	173	191	229	233	227	248	264	286	336	338	403
Other	GGQP	17	27	62	35	26	29	25	20	33	28	49
Total Australasia & Oceania	GGQO	883	924	1 110	1 156	1 212	1 316	1 474	1 554	1 798	1 816	1 868
Africa												
Egypt	ZWNB	125	146	158	130	117	229	290	366	311	344	333
Morocco	ZWNJ	43	49	65	93	119	136	114	146	140	137	144
South Africa	GGQR	250	352	425	417	486	481	525	598	682	889	925
Other North Africa	ZWHY	98	113	181	227	331	218	322	346	259	258	296
Other	ZWNR	586	676	628	625	581	722	770	815	1 073	1 272	1 074
Total Africa	GGQT	1 102	1 336	1 457	1 492	1 634	1 786	2 021	2 271	2 465	2 900	2 772
International Organisations												
	GGQU	77	84	72	67	65	56	79	61	40	28	33
World total												
	KTMR	38 986	41 451	46 601	47 766	53 109	59 694	65 685	69 358	72 898	76 734	78 911

1 Cyprus and Malta are included in Other Europe before 1999.

9.5 Trade in services

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
Europe												
European Union (EU)												
Austria	GGQW	-113	-57	-9	-49	-114	-64	-81	-124	-292	-260	-314
Belgium and Luxembourg	GGQX	394	379	301	397	595	637	804	582	661	821	1 341
of which Belgium	A8HH	..	..	..	..	..	487	631	364	504	596	953
Luxembourg	A8HK	..	..	..	..	..	150	173	218	157	225	388
Cyprus ¹	A8HI	..	..	..	..	..	-634	-736	-925	-756	-855	-761
Czech Republic	GGQJ	-25	13	12	15	51	4	-3	-18	-73	-100	-111
Denmark	GGQY	106	136	383	367	535	345	506	723	626	705	734
Estonia	ZWTU	-1	-	1	13	-	8	-21	-14	3	-12	-12
Finland	GGQZ	176	233	360	352	310	343	541	488	523	522	642
France	GGRA	-952	-919	-945	-1 251	-1 555	-1 974	-2 178	-1 742	-2 226	-2 645	-2 635
Germany	GGRB	533	886	553	1 224	1 461	875	1 933	1 716	1 812	1 874	1 415
Greece	GGRC	-643	-524	-379	-334	-376	-648	-800	-1 112	-1 177	-1 227	-1 314
Hungary	GYXT	-7	6	9	37	12	48	107	77	84	72	153
Ireland	GGRD	560	862	681	649	775	381	530	1 176	1 874	2 454	2 422
Italy	GGRE	367	450	75	88	21	95	-202	-232	-289	-574	-535
Latvia	ZWUC	1	6	9	22	11	13	6	14	20	-	16
Lithuania	ZWUB	6	9	15	16	-	10	11	30	-5	16	46
Malta ¹	A8HL	..	..	..	..	..	-131	-166	-202	-176	-209	-254
Netherlands	GGRF	214	354	665	988	1 137	1 642	1 462	1 570	1 124	1 415	2 622
Poland	GGRR	72	53	91	105	138	89	98	129	193	176	201
Portugal	GGRG	-240	-305	-385	-513	-381	-440	-600	-662	-705	-851	-849
Slovak Republic	ZWUG	5	11	18	19	-8	2	8	27	1	12	15
Slovenia	ZWUF	-	4	6	5	-7	8	-6	15	13	5	6
Spain	GGRH	-2 015	-2 295	-2 722	-3 161	-3 448	-3 864	-4 265	-5 012	-5 274	-6 130	-6 434
Sweden	GGRI	307	380	445	627	819	634	771	753	592	421	404
European Central Bank	ZWTI	-	-	-	-	-	-1	2	11	2	-	-
EU Institutions	GGRJ	315	375	244	244	217	225	242	537	526	490	560
Total EU25	A8HJ	..	..	..	..	..	-2 397	-2 037	-2 195	-2 919	-3 880	-2 642
European Free Trade Association (EFTA)												
Iceland	GGRL	19	17	17	21	2	6	-2	20	23	25	19
Liechtenstein	GGRM	1	1	4	10	-11	25	30	20	39	27	32
Norway	GGRN	348	247	505	364	684	629	467	304	156	600	756
Switzerland	GGRO	42	189	628	879	935	948	954	1 561	1 891	2 140	1 816
Total EFTA	GGRP	410	454	1 154	1 274	1 610	1 608	1 449	1 905	2 109	2 792	2 623
Other Europe												
Albania	ZWTM	-1	-1	-1	-	-1	-3	-3	-4	-7	-8	5
Belarus	ZWTP	-	3	3	6	-4	2	20	-1	1	-	4
Bulgaria	ZWTO	-15	-11	-17	-14	-15	5	4	-17	-23	-33	-68
Croatia	ZWTZ	-21	-14	-21	-14	-25	18	11	-21	2	-30	-38
Romania	ZWUE	-11	-5	-2	6	7	-8	-21	-5	-12	4	-12
Russia	GGRS	46	70	164	198	255	157	218	224	253	384	395
Turkey	GGRT	-209	-255	-340	-256	-235	-132	-181	-188	-348	-405	-456
Ukraine	ZWUH	20	22	34	20	42	14	29	-5	204	97	13
Serbia and Montenegro	ZWUK	-5	-1	1	25	9	9	74	4	-4	-1	-11
Other ¹	ZWTJ	-730	-397	-319	-228	-825	272	-46	-88	165	471	857
Total Europe	GGRV	-1 456	-78	84	877	1 011	-455	-483	-391	-579	-609	670
Americas												
Argentina	ZWTN	48	53	75	77	140	90	113	117	30	41	78
Brazil	GGRW	153	186	161	176	279	208	168	153	61	155	50
Canada	GGRX	72	154	267	344	531	435	326	451	448	594	659
Chile	ZWTO	25	24	23	35	80	65	64	57	42	40	20
Colombia	ZWTR	50	55	43	37	8	17	24	114	54	73	69
Mexico	GGRY	81	76	-1	14	-26	-9	-14	-114	-74	-36	-66
United States of America	GGRZ	2 193	1 779	3 033	4 246	3 811	4 936	5 946	5 127	8 475	8 704	8 954
Uruguay	ZWUI	6	6	6	6	5	5	1	-4	-18	56	4
Venezuela	ZWUJ	21	22	16	25	33	24	41	71	64	70	63
Other Central American Countries	ZWTT	62	55	-33	95	336	98	-120	14	654	610	404
Other	ZWTW	-44	-47	-42	53	86	18	-36	65	24	26	40
Total Americas	GGSB	2 667	2 363	3 548	5 108	5 283	5 887	6 513	6 051	9 760	10 333	10 275
Asia												
China	GGSC	39	52	77	57	81	182	151	202	211	422	472
Hong Kong	GGSD	101	259	400	307	452	398	421	399	308	318	358
India	GGSE	66	53	-68	75	-73	-162	-114	-150	-185	-95	-203
Indonesia	GGSF	-	46	14	98	93	18	75	86	40	-130	98
Iran	ZWUA	38	49	45	48	65	74	75	122	149	162	190
Israel	GGSG	143	119	141	175	102	312	184	196	227	151	151
Japan	GGSH	1 093	1 264	1 191	1 277	1 437	1 714	1 698	1 522	2 112	1 901	2 386
Malaysia	GGSI	230	275	301	256	288	201	161	181	203	251	259
Pakistan	GGSJ	97	126	154	87	46	6	-126	-4	-228	-209	-195
Philippines	GGSK	28	73	42	69	30	37	-20	97	8	-11	5
Saudi Arabia	GGSL	1 220	1 386	1 358	1 283	1 465	1 627	1 827	1 467	425	459	434
Singapore	GGSM	-35	116	187	168	253	756	720	823	634	1 173	1 570
South Korea	GGSN	273	315	339	333	356	271	248	240	305	273	557
Taiwan	GGSO	77	129	135	166	126	128	128	146	190	208	280
Thailand	GGSP	51	72	9	40	-80	-102	-194	-240	-315	-181	-303
Residual Gulf Arabian Countries	ZWTX	233	360	496	568	609	565	654	497	860	1 236	1 413
Other Near & Middle Eastern Countries	ZWTY	32	54	48	71	94	116	98	172	106	88	116
Other	ZWTK	13	239	473	497	483	172	175	343	165	153	93
Total Asia	GGSR	3 699	4 987	5 342	5 575	5 827	6 313	6 161	6 099	5 215	6 169	7 681
Australasia & Oceania												
Australia	GGSS	466	526	604	604	480	557	402	683	387	431	868
New Zealand	GGST	85	85	23	44	93	109	41	17	-61	-51	-26
Other	GGSU	6	2	40	26	21	33	59	75	65	88	99
Total Australasia & Oceania	GGSV	557	613	667	674	594	699	502	775	391	468	941
Africa												
Egypt	ZWTV	-60	-81	-77	-21	-18	45	-20	-38	-97	-120	-24
Morocco	ZWUD	-6	-13	-26	-65	-62	-89	-53	-64	-90	-88	-83
South Africa	GGSW	512	376	273	389	432	627	446	509	314	155	84
Other North Africa	ZWTS	5	-13	-61	16	-46	-106	-67	-136	-50	11	-59
Other	ZWTL	410	283	624	640	874	737	765	905	637	531	701
Total Africa	GGSY	861	552	733	959	1 180	1 214	1 071	1 176	714	489	619
International Organisations												
	GGSZ	51	44	-2	5	-26	-24	-38	-7	35	32	3
World total	KTMS	6 379	8 481	10 372	13 198	13 869	13 634	13 726	13 703	15 536	16 882	20 189

1 Cyprus and Malta are included in Other Europe before 1999.

9.6

Income

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
Europe												
European Union (EU)												
Austria	CUGY	424	531	528	534	621	562	772	701	710	707	736
Belgium and Luxembourg	CTFK	2 593	3 113	3 395	3 508	3 820	3 465	6 251	6 826	5 855	4 815	6 590
of which Belgium	AA2K	..	..	..	..	..	1 573	2 422	2 857	2 432	2 294	2 749
Luxembourg	AA2O	..	..	..	..	..	1 892	3 829	3 969	3 423	2 521	3 841
Cyprus ¹	AA2L	..	..	..	..	..	103	153	166	139	65	92
Czech Republic	LEPT	21	49	109	130	113	122	125	198	152	196	173
Denmark	LEQU	507	612	623	722	1 064	926	1 136	1 008	575	718	872
Estonia	ZWYT	1	2	3	13	13	5	2	8	6	8	6
Finland	LEUG	631	656	540	518	464	406	595	659	601	523	590
France	LEUP	4 860	6 001	5 884	5 396	5 903	6 024	7 634	8 808	7 157	8 200	8 515
Germany	LEQL	6 592	9 225	8 917	7 973	8 060	8 263	10 474	11 478	10 140	8 989	9 161
Greece	LEUY	198	348	799	1 069	655	827	1 010	882	725	839	842
Hungary	BFKR	86	106	180	218	175	246	448	321	354	335	376
Ireland	BFLY	1 426	1 707	1 909	2 389	2 698	2 922	3 915	4 812	4 128	5 279	6 515
Italy	BFOG	4 466	5 187	5 067	5 139	6 929	5 117	6 519	6 460	4 927	4 995	5 010
Latvia	ZWYU	..	2	..	1	..	..	2	..	..	..	1
Lithuania	ZWYV	..	..	5	8	4	4	9	7	4	4	1
Malta ¹	AA2P	..	..	..	..	..	39	51	55	48	117	46
Netherlands	BFQI	6 378	7 097	7 962	8 620	8 834	9 203	12 899	16 687	15 931	16 224	17 134
Poland	BFSB	57	114	111	119	91	106	144	329	337	401	353
Portugal	BFSK	287	394	458	391	466	462	675	820	804	825	828
Slovak Republic	ZWYX	2	24	51	69	37	37	51	29	31	26	27
Slovenia	ZWYY	..	..	..	8	22	56	48	101	68	93	80
Spain	LESW	1 411	1 784	2 400	2 421	2 374	2 039	2 556	2 409	2 075	2 100	3 715
Sweden	BFTL	1 191	1 417	1 594	1 424	1 449	1 537	2 132	2 339	2 165	1 865	2 255
European Central Bank	ZWYO	..	..	..	..	..	..	..	..	..	..	..
EU Institutions	CSFK	224	211	143	163	281	224	370	468	657	759	550
Total EU25	AA2M	..	..	..	..	..	42 695	57 971	65 571	57 589	58 083	64 468
European Free Trade Association (EFTA)												
Iceland	BFNO	36	32	25	20	32	32	35	38	33	26	55
Liechtenstein	BFPH	38	51	64	52	34	37	45	39	21	20	19
Norway	BFQR	525	531	586	605	632	718	1 032	1 030	709	788	1 053
Switzerland	LEPB	2 774	3 289	3 517	3 569	3 448	4 321	7 438	5 491	4 728	4 677	4 716
Total EFTA	CTFT	3 373	3 903	4 192	4 246	4 146	5 108	8 550	6 598	5 491	5 511	5 843
Other Europe												
Albania	ZWYP	..	..	..	..	..	..	..	..	..	..	..
Belarus	ZWYQ	..	..	..	..	..	..	..	..	7	..	..
Bulgaria	ZWYR	15	24	16	41	21	48	37	93	72	78	84
Croatia	ZWYS	4	4	4	14	9	13	15	26	29	43	38
Romania	ZWYW	10	22	42	25	22	42	20	78	65	100	92
Russia	BFST	82	105	130	234	269	190	287	541	666	554	630
Turkey	BFUM	164	136	158	190	268	340	498	415	331	384	393
Ukraine	ZWYZ	10	11	8	..	16	3	..	3	18	21	24
Serbia and Montenegro	BFWF	28	33	57	49	..	1	1	1	1	1	1
Other ¹	LEVZ	1 261	1 229	1 463	2 601	3 130	2 667	3 483	2 931	2 954	2 804	4 233
Total Europe	LERD	36 302	44 047	46 748	48 233	51 961	51 107	70 862	76 257	67 223	67 579	75 806
Americas												
Argentina	ZWZB	440	449	437	484	410	245	488	368	107	142	276
Brazil	LENR	902	1 053	1 079	790	776	334	544	665	673	474	685
Canada	LEOS	1 404	1 817	1 603	1 815	2 063	1 845	2 269	2 373	1 785	1 964	2 178
Chile	ZWZC	305	345	339	283	190	166	259	196	240	301	310
Colombia	ZWZD	55	51	68	92	41	100	320	224	235	264	288
Mexico	BFPQ	718	630	455	535	404	537	458	315	641	444	505
United States of America	BFVE	14 476	16 639	18 581	21 069	24 870	23 363	29 592	31 510	27 089	27 113	30 704
Uruguay	ZWZE	20	24	32	29	23	7	16	13	20	9	8
Venezuela	ZWZF	175	169	184	149	..	..	..	176	185	125	152
Other Central American Countries	JTSP	484	515	819	1 150	4 331	4 006	5 297	5 712	5 365	6 412	6 854
Other	LEVH	449	481	599	960	67	41	90	12	65	73	88
Total Americas	LESN	19 428	22 173	24 196	27 356	33 126	30 630	39 245	41 564	36 405	37 321	42 048
Asia												
China	LEPK	105	132	174	217	206	261	309	554	464	494	518
Hong Kong	BFJU	2 695	3 034	3 253	2 589	2 065	1 736	1 686	1 445	1 384	1 338	1 480
India	BFNB	226	252	251	284	411	383	490	496	638	666	671
Indonesia	BFLP	115	138	181	303	238	157	149	215	201	216	206
Iran	ZWZG	79	113	118	64	36	37	50	42	37	45	66
Israel	BFMS	21	38	56	59	42	54	52	63	46	76	76
Japan	BPOP	7 425	8 869	7 489	7 152	6 823	7 207	9 396	7 805	5 222	5 651	5 300
Malaysia	BFPZ	369	366	418	481	356	423	497	404	600	639	683
Pakistan	BFRS	39	57	62	123	93	72	131	136	187	181	164
Philippines	BFRJ	110	115	133	103	136	98	179	150	143	175	221
Saudi Arabia	BFTC	136	154	127	144	195	222	296	264	230	204	190
Singapore	BFTU	2 111	2 602	2 679	2 661	1 797	1 520	2 847	2 591	1 980	2 064	1 911
South Korea	BFOY	159	267	407	564	363	301	427	506	694	659	666
Taiwan	BFUV	130	141	163	172	174	194	262	293	343	322	468
Thailand	BFUD	173	225	268	221	70	110	224	249	237	228	261
Residual Gulf Arabian Countries	JITQ	340	359	368	493	1 454	1 069	1 547	1 175	834	713	888
Other Near & Middle Eastern Countries	ZWZH	112	131	117	158	85	67	190	197	104	111	168
Other	LEWI	348	406	382	434	171	125	305	236	502	191	374
Total Asia	LETF	14 693	17 399	16 646	16 222	14 714	14 036	19 037	16 821	13 846	13 973	14 311
Australasia & Oceania												
Australia	CXAT	1 816	2 059	2 227	2 075	1 724	1 973	2 521	2 461	2 810	2 593	3 071
New Zealand	BFRA	433	472	493	390	276	388	328	436	562	806	571
Other	LEVQ	179	200	222	164	381	33	21	8	33	29	37
Total Australasia & Oceania	LETX	2 428	2 731	2 942	2 629	2 381	2 394	2 870	2 905	3 405	3 428	3 679
Africa												
Egypt	ZWZJ	41	57	69	79	..	37	264	259	323	194	296
Morocco	ZWZK	30	36	55	23	15	26	29	30	40	17	23
South Africa	BFWX	554	661	703	761	748	986	1 207	1 339	2 057	1 930	1 908
Other North Africa	J1RR	118	106	83	87	98	58	97	123	..	120	95
Other	LEWR	620	648	666	553	547	592	758	762	1 022	1 055	1 016
Total Africa	LERV	1 363	1 508	1 576	1 503	1 327	1 699	2 355	2 513	3 408	3 316	3 338
International Organisations												
	CTFB	169	161	146	193	360	384	450	514	475	468	474
World total												
	HMBQ	74 383	88 019	92 254	96 136	103 869	100 250	134 819	140 574	124 762	126 085	139 656

1 Cyprus and Malta are included in Other Europe before 1999.

9.6

Income

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Debits												
Europe												
European Union (EU)												
Austria	CUGZ	589	743	763	882	535	422	590	679	672	639	680
Belgium and Luxembourg	CTFL	4 087	4 873	4 381	3 820	4 416	4 395	5 216	5 559	5 222	4 861	5 444
of which Belgium	AA2W	..	..	..	..	..	1 880	2 437	2 501	2 579	2 121	2 205
Luxembourg	AA32	..	..	..	..	..	2 515	2 779	3 058	2 643	2 740	3 239
Cyprus ¹	AA2X	..	..	..	..	..	103	157	163	127	107	127
Czech Republic	LEPU	36	87	163	177	104	87	124	109	75	72	64
Denmark	LEQV	582	692	989	1 034	920	829	1 098	923	863	913	1 032
Estonia	ZWZR	46	57	49	59	59	41	31	11	1	4	2
Finland	LEUH	407	535	540	569	320	299	378	368	251	333	466
France	LEUQ	5 188	6 657	5 969	5 501	5 885	7 219	7 593	7 049	5 341	7 151	7 701
Germany	LEQM	7 711	9 904	8 983	8 467	7 731	8 080	11 987	9 234	6 982	10 544	9 561
Greece	LEUZ	271	471	758	860	692	689	856	684	457	439	479
Hungary	BFKS	62	92	89	101	90	83	72	39	45	24	21
Ireland	BFLZ	1 186	1 683	2 411	2 541	2 543	2 275	3 183	4 204	4 801	5 080	6 531
Italy	BFOH	2 221	2 755	3 265	3 707	3 446	2 928	2 963	3 069	1 801	2 102	2 611
Latvia	ZWZS	44	57	50	67	63	46	33	11	9	4	4
Lithuania	ZWZT	52	60	60	66	62	44	35	12	2	1	2
Malta ¹	AA33	..	..	..	..	..	48	46	43	41	30	32
Netherlands	BFOJ	4 204	5 051	5 702	4 360	4 118	6 509	12 484	12 468	7 265	7 440	10 066
Poland	BFSC	108	158	163	266	190	147	181	169	111	98	122
Portugal	BFSL	316	437	436	398	260	223	245	303	269	339	349
Slovak Republic	ZWZV	71	122	82	79	78	58	43	17	9	8	20
Slovenia	ZWZW	43	53	46	56	83	56	42	29	29	15	6
Spain	LESX	1 271	1 816	2 128	1 754	1 925	1 390	1 292	1 537	1 307	1 704	1 741
Sweden	BFTM	1 009	1 230	1 525	1 230	1 169	1 421	1 367	1 346	1 309	931	1 325
European Central Bank	ZWZM	..	..	..	..	..	..	..	..	..	..	..
EU Institutions	CSFL	644	693	680	745	878	1 222	1 489	1 761	1 678	1 492	1 592
Total EU25	AA2Y	..	..	..	..	..	38 614	51 505	49 787	38 667	44 331	49 978
European Free Trade Association (EFTA)												
Iceland	BFNR	7	4	4	5	8	12	9	6	10	20	11
Liechtenstein	BFPI	113	129	126	125	106	82	114	177	141	53	43
Norway	BFQS	344	363	409	687	63	121	595	616	623	663	941
Switzerland	LEPC	6 453	6 934	6 910	6 937	6 071	7 853	11 631	10 131	6 512	5 832	5 626
Total EFTA	CTFU	6 917	7 430	7 449	7 754	6 248	8 068	12 349	10 930	7 286	6 568	6 621
Other Europe												
Albania	ZWZN	45	56	50	59	112	39	28	10	-1	-	-
Belarus	ZWZO	43	53	46	56	70	42	29	9	-2	2	1
Bulgaria	ZWZP	64	87	67	96	93	52	53	27	23	10	10
Croatia	ZWZQ	46	58	49	56	188	58	60	45	28	24	21
Romania	ZWZU	71	78	91	124	78	54	51	25	30	8	16
Russia	BFSU	134	136	159	196	20	142	421	384	270	281	365
Turkey	BFUN	198	297	269	184	156	94	134	155	82	67	160
Ukraine	ZWZX	43	53	46	58	63	43	29	12	17	58	82
Serbia and Montenegro	BFWG	108	127	161	165	58	40	29	11	6	6	5
Other ¹	LEWA	2 388	3 218	3 935	4 935	5 909	5 780	6 961	7 487	5 969	5 471	6 603
Total Europe	LERE	40 205	49 819	51 554	50 422	48 562	53 026	71 649	68 882	52 375	56 826	63 862
Americas												
Argentina	ZWZZ	-21	-17	14	64	55	53	99	66	4	3	1
Brazil	LENS	78	274	402	290	244	163	188	156	77	84	82
Canada	LEOT	747	709	859	777	874	1 108	1 504	1 139	1 573	1 385	1 443
Chile	ZXAA	153	188	173	151	67	20	8	35	20	13	11
Colombia	ZXAB	79	83	137	81	38	21	38	42	17	8	5
Mexico	BFPR	109	114	122	119	152	158	232	253	67	56	65
United States of America	BFVF	12 740	15 133	18 525	20 001	20 317	23 352	26 237	29 603	26 796	28 239	28 998
Uruguay	ZXAC	35	20	24	30	-15	10	19	8	3	8	5
Venezuela	ZXAD	42	35	25	23	12	8	20	39	27	23	21
Other Central American Countries	JTSQ	365	236	542	1 292	3 756	3 517	4 229	3 977	2 670	3 134	4 854
Other	LEVI	570	494	674	1 345	375	287	265	160	75	52	46
Total Americas	LESO	14 897	17 269	21 497	24 173	25 875	28 697	32 839	35 478	31 329	33 005	35 531
Asia												
China	LEPL	185	204	145	155	139	275	434	458	298	255	276
Hong Kong	BFJV	1 804	2 055	1 799	1 559	1 949	2 961	3 498	3 351	1 892	1 291	1 709
India	BFNC	303	347	305	370	343	308	353	409	275	243	354
Indonesia	BFLQ	87	113	119	96	39	107	120	175	129	115	107
Iran	ZXAE	149	179	213	133	91	91	222	269	96	84	72
Israel	BFMT	134	156	180	220	149	187	222	249	174	160	140
Japan	BFOQ	6 024	7 055	7 081	6 256	6 928	7 907	11 182	9 759	7 166	3 837	5 162
Malaysia	BFOA	247	311	412	430	192	321	388	340	188	148	190
Pakistan	BFRF	77	86	57	71	61	86	92	129	128	95	71
Philippines	BFRK	37	31	31	63	48	85	92	58	35	23	22
Saudi Arabia	BFTD	1 331	1 603	1 452	1 324	957	685	840	968	415	299	335
Singapore	BFTV	1 228	1 687	1 856	1 814	1 374	2 038	2 717	2 601	1 806	1 398	1 511
South Korea	BFOZ	85	155	157	202	189	77	136	184	91	7	74
Taiwan	BFUW	239	208	147	158	104	97	130	262	187	111	156
Thailand	BFUE	86	132	137	140	81	73	132	190	83	57	68
Residual Gulf Arabian Countries	JITR	486	533	494	561	945	928	1 390	1 662	998	604	570
Other Near & Middle Eastern Countries	ZXAF	285	303	262	318	214	222	274	256	175	143	130
Other	LEWJ	832	916	789	944	307	231	234	266	206	93	114
Total Asia	LETG	13 619	16 074	15 636	14 814	14 110	16 679	22 456	21 586	14 342	8 963	11 061
Australasia & Oceania												
Australia	CXCM	732	902	926	1 297	1 200	1 181	767	583	953	1 286	1 032
New Zealand	BFRB	98	105	163	181	178	77	125	137	105	94	94
Other	LEVR	8	2	5	13	-38	4	26	61	41	32	28
Total Australasia & Oceania	LETY	838	1 009	1 094	1 491	1 340	1 262	918	781	1 099	1 412	1 154
Africa												
Egypt	ZXAH	824	826	746	582	324	267	314	266	151	116	104
Morocco	ZXAI	56	40	58	54	34	37	30	36	24	12	11
South Africa	BFWY	28	58	112	216	421	778	692	680	630	689	778
Other North Africa	JTRS	107	159	136	254	115	102	167	184	113	84	98
Other	LEWS	243	336	292	510	539	522	618	621	394	286	297
Total Africa	LERW	1 258	1 419	1 344	1 616	1 433	1 706	1 821	1 787	1 312	1 187	1 288
International Organisations												
	CTFC	218	328	348	343	243	340	553	689	626	500	597
World total												
	HMBR	71 035	85 918	91 473	92 860	91 565	101 710	130 236	129 203	101 083	101 893	113 493

1 Cyprus and Malta are included in Other Europe before 1999.

9.6

Income

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
Europe												
European Union (EU)												
Austria	CUHA	-165	-212	-235	-348	86	140	182	22	38	68	56
Belgium and Luxembourg	CTFM	-1 494	-1 760	-986	-312	-596	-930	1 035	1 267	633	-46	1 146
of which Belgium	AA3A	..	..	..	..	..	-307	-15	356	-147	173	544
Luxembourg	AA3E	..	..	..	..	..	-623	1 050	911	780	-219	602
Cyprus ¹	AA3B	..	..	..	..	..	-	-4	3	12	-42	-35
Czech Republic	LEPV	-15	-38	-54	-47	9	35	1	89	77	124	109
Denmark	LEQW	-75	-80	-366	-312	144	97	38	85	-288	-195	-160
Estonia	ZXAP	-45	-55	-46	-46	-46	-36	-29	-3	5	4	4
Finland	LEUI	224	121	-	-51	144	107	217	291	350	190	124
France	LEUR	-328	-656	-85	-105	18	-1 195	41	1 759	1 816	1 049	814
Germany	LEQN	-1 119	-679	-66	-494	329	183	-1 513	2 244	3 158	-1 555	-400
Greece	LEVA	-73	-123	41	209	-37	138	154	198	268	400	363
Hungary	BFKT	24	14	91	117	85	163	376	282	309	311	355
Ireland	BFML	240	24	-502	-152	155	647	732	608	-673	199	-16
Italy	BF0I	2 245	2 432	1 802	1 432	3 483	2 189	3 556	3 391	3 126	2 893	2 399
Latvia	ZXAQ	-44	-55	-50	-66	-55	-46	-31	-11	-9	-4	-3
Lithuania	ZXAR	-52	-60	-55	-58	-58	-40	-26	-5	2	3	-1
Malta ¹	AA3F	..	..	..	..	..	-9	5	12	7	87	14
Netherlands	BF0K	2 174	2 046	2 260	4 260	4 716	2 694	415	4 219	8 666	8 784	7 068
Poland	BFSD	-51	-44	-52	-147	-99	-41	-37	160	226	303	231
Portugal	BF0M	-29	-43	22	-7	206	239	430	517	535	486	479
Slovak Republic	ZXAT	-69	-98	-31	-10	-41	-21	8	12	22	18	7
Slovenia	ZXAU	-43	-53	-46	-48	-61	-	6	72	39	78	74
Spain	LESY	140	-32	272	667	449	649	1 264	872	768	396	1 974
Sweden	BFTN	182	187	69	194	280	116	765	993	856	934	930
European Central Bank	ZXAK	-	-	-	-	-	-	-	-	-	-	-
EU Institutions	CSFM	-420	-482	-537	-582	-597	-998	-1 119	-1 293	-1 021	-733	-1 042
Total EU25	AA3C	..	..	..	..	..	4 081	6 466	15 784	18 922	13 752	14 490
European Free Trade Association (EFTA)												
Iceland	BFNU	29	28	21	15	24	20	26	32	23	6	44
Liechtenstein	BFPJ	-75	-78	-62	-73	-72	-45	-69	-138	-120	-33	-24
Norway	BFGT	181	168	177	-82	569	597	437	414	86	125	112
Switzerland	LEPD	-3 679	-3 645	-3 393	-3 368	-2 623	-3 532	-4 193	-4 640	-1 784	-1 155	-910
Total EFTA	CTFV	-3 544	-3 527	-3 257	-3 508	-2 102	-2 960	-3 799	-4 332	-1 795	-1 057	-778
Other Europe												
Albania	ZXAL	-45	-56	-50	-59	-112	-39	-28	-10	1	-	-
Belarus	ZXAM	-43	-53	-46	-56	-70	-42	-29	-9	9	-2	-1
Bulgaria	ZXAN	-49	-63	-51	-55	-72	-4	-16	66	49	68	74
Croatia	ZXAO	-42	-54	-45	-42	-179	-45	-45	-19	1	19	17
Romania	ZXAS	-61	-56	-49	-99	-56	-12	-31	53	35	92	76
Russia	BFSV	-52	-31	-29	38	249	48	-134	157	396	273	265
Turkey	BFUO	-34	-161	-111	6	112	246	364	260	249	317	233
Ukraine	ZXAV	-33	-42	-38	-58	-47	-40	-29	-9	1	-37	-58
Serbia and Montenegro	BFWH	-80	-94	-104	-116	-58	-39	-28	-10	-5	-5	-4
Other ¹	LEWB	-1 127	-1 989	-2 472	-2 334	-2 779	-3 113	-3 478	-4 556	-3 015	-2 667	-2 370
Total Europe	LERF	-3 903	-5 772	-4 806	-2 189	3 399	-1 919	-787	7 375	14 848	10 753	11 944
Americas												
Argentina	ZXAX	461	466	423	420	355	192	389	302	103	139	275
Brazil	LENT	824	779	677	500	532	171	356	509	596	390	603
Canada	LEOU	657	1 108	744	1 038	1 189	737	765	1 234	212	579	735
Chile	ZXAY	152	157	166	132	123	146	251	161	220	288	299
Colombia	ZXAZ	-24	-32	-69	11	3	79	282	182	218	256	283
Mexico	BFPS	609	516	333	416	252	379	226	62	574	388	440
United States of America	BFVG	1 736	1 506	56	1 068	4 553	11	3 355	1 907	293	-1 126	1 706
Uruguay	ZXBA	-15	4	8	-1	38	-3	-3	5	17	1	3
Venezuela	ZXBB	133	134	159	126	-60	-22	-108	137	158	102	131
Other Central American Countries	JISR	119	279	277	-142	575	489	1 068	1 735	2 695	3 278	2 000
Other	LEVJ	-121	-13	-75	-385	-308	-246	-175	-148	-10	21	42
Total Americas	LESP	4 531	4 904	2 699	3 183	7 251	1 933	6 406	6 086	5 076	4 316	6 517
Asia												
China	LEPM	-80	-72	29	62	67	-14	-125	96	166	239	242
Hong Kong	BFJW	891	979	1 454	1 030	116	-1 225	-1 812	-1 906	-508	47	-229
India	BFND	-77	-95	-54	-86	68	75	137	87	363	423	317
Indonesia	BFLL	28	25	62	207	199	50	29	40	72	101	99
Iran	ZXBC	-70	-66	-95	-69	-55	-54	-172	-227	-59	-39	-6
Israel	BFMU	-113	-118	-124	-161	-107	-133	-170	-186	-128	-84	-64
Japan	BFOR	1 401	1 814	408	896	-105	-700	-1 786	-1 954	-1 944	1 814	138
Malaysia	BFQB	122	55	6	51	164	102	109	64	412	491	493
Pakistan	BFRU	-38	-29	5	52	32	-14	39	7	59	86	93
Philippines	BFRL	73	84	102	40	88	13	87	92	108	152	199
Saudi Arabia	BFTE	-1 195	-1 449	-1 325	-1 180	-762	-463	-544	-704	-185	-95	-145
Singapore	BFTW	883	915	823	847	423	-518	130	-10	174	666	400
South Korea	BFPA	74	112	250	362	174	224	291	322	603	652	592
Taiwan	BFUX	-109	-67	16	14	70	97	132	31	156	211	312
Thailand	BFUF	87	93	131	81	-11	37	92	59	154	171	193
Residual Gulf Arabian Countries	JITS	-146	-174	-126	-68	509	141	157	-487	-164	109	318
Other Near & Middle Eastern Countries	ZXBD	-173	-172	-145	-160	-129	-155	-84	-59	-71	-32	38
Other	LEWK	-484	-510	-407	-510	-136	-106	71	-30	296	98	260
Total Asia	LETH	1 074	1 325	1 010	1 408	604	-2 643	-3 419	-4 765	-496	5 010	3 250
Australasia & Oceania												
Australia	CYAA	1 084	1 157	1 301	778	524	792	1 754	1 878	1 857	1 307	2 039
New Zealand	BFRC	335	367	330	209	98	311	203	299	457	712	477
Other	LEVS	171	198	217	151	419	29	-5	-53	-8	-3	9
Total Australasia & Oceania	LETZ	1 590	1 722	1 848	1 138	1 041	1 132	1 952	2 124	2 306	2 016	2 525
Africa												
Egypt	ZXBF	-783	-769	-677	-503	-405	-230	-50	-7	172	78	192
Morocco	ZXBG	-26	-4	-3	-31	-19	-11	-	-6	16	5	12
South Africa	BFVZ	526	603	591	545	327	208	515	659	1 427	1 241	1 130
Other North Africa	JIRT	11	-53	-53	-167	-17	-44	-70	-61	-147	36	-3
Other	LEWT	377	312	374	43	8	70	140	141	628	769	719
Total Africa	LERX	105	89	232	-113	-106	-7	534	726	2 096	2 129	2 050
International Organisations												
	CTFD	-49	-167	-202	-150	117	44	-103	-175	-151	-32	-123
World total												
	HMBP	3 348	2 101	781	3 276	12 304	-1 460	4 583	11 371	23 679	24 192	26 163

1 Cyprus and Malta are included in Other Europe before 1999.

9.7

Current transfers

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
Europe												
European Union (EU)												
Austria	GXVQ	7	6	42	35	34	35	30	32	33	51	34
Belgium and Luxembourg	GXVR	130	121	268	222	249	246	224	223	247	233	235
of which Belgium	A7PL	..	..	..	..	..	225	209	206	230	218	218
of which Luxembourg	A7PO	..	..	..	..	..	21	15	17	17	15	17
Cyprus ¹	A7PM	..	..	..	..	..	2	2	3	3	4	3
Czech Republic	GXWK	3	4	14	7	4	5	6	3	3	32	18
Denmark	GXVS	21	57	92	52	46	42	28	36	41	29	33
Estonia	LWMG	2	2	1	3	..	..	..	..	..	..	..
Finland	GXVT	12	34	36	22	18	18	24	17	16	93	15
France	GXVU	259	433	525	341	351	332	281	355	336	198	289
Germany	GXVV	431	492	646	468	466	456	393	416	444	384	422
Greece	GXVW	73	59	110	59	59	53	40	47	48	41	43
Hungary	HZXT	..	..	..	..	..	..	1	1	8	1	1
Ireland	GXVX	230	261	306	191	190	154	116	177	155	116	148
Italy	GXVY	171	167	342	180	170	153	103	137	123	104	147
Latvia	LWMC	22	27	11	4	4	3	2	2	5	1	1
Lithuania	LYTR	..	..	..	1	..	..	..	1	..	..	..
Malta ¹	A7PP	..	..	..	..	..	1	..	1	1	1	1
Netherlands	GXVZ	666	610	420	335	319	324	324	325	374	294	335
Poland	GXWL	10	10	17	29	5	5	3	4	14	7	29
Portugal	GXWA	19	23	27	20	19	19	28	16	21	15	20
Slovak Republic	HZXX	..	..	..	..	5	4	..	2	3	..	..
Slovenia	HZXY	..	..	..	..	..	..	..	..	5	..	..
Spain	GXWB	81	94	165	120	120	115	93	105	105	87	113
Sweden	GXWC	70	79	171	113	108	104	89	98	97	85	99
European Central Bank	KNWK	..	..	..	..	..	..	..	..	..	..	..
EU Institutions	GXND	4 362	4 419	7 188	5 422	5 103	6 541	5 574	7 423	6 371	6 853	7 017
Total EU25	A7PN	..	..	..	..	..	8 612	7 361	9 424	8 453	8 629	9 003
European Free Trade Association (EFTA)												
Iceland	GXWF	3	5	41	36	36	36	33	35	35	64	34
Liechtenstein	GXWG	2	2	11	6	4	3	2	2	2	1	1
Norway	GXWH	47	51	149	86	83	78	61	69	80	68	66
Switzerland	GXWI	42	226	195	108	101	93	60	79	80	66	73
Total EFTA	GXWJ	94	284	396	236	224	210	156	185	197	199	174
Other Europe												
Albania	HZXP	..	..	..	1	..	..	..	..	..	..	..
Belarus	HZXQ	..	..	..	..	..	..	..	1	..	7	..
Bulgaria	KOLZ	..	..	..	..	..	..	2	..	8	1	1
Croatia	HZXR	24	29	12	6	4	3	2	2	2	2	2
Romania	HZXV	..	..	..	..	2	2	..	..	11	1	1
Russia	GXWM	21	23	62	29	26	23	10	16	16	12	14
Turkey	GXWN	22	24	60	36	36	35	28	33	34	31	31
Ukraine	HZYA	..	..	..	1	..	..	1	..	..	7	14
Serbia and Montenegro	LTVE	..	..	..	..	..	3	2	2	2	5	1
Other ¹	HKJF	99	124	51	26	25	16	10	31	16	17	7
Total Europe	GXWP	6 829	7 382	10 962	7 959	7 587	8 904	7 572	9 694	8 739	8 911	9 248
Americas												
Argentina	HZYJ	13	14	44	19	19	15	8	13	11	7	7
Brazil	GXWQ	11	15	56	25	23	21	10	18	16	12	10
Canada	GXWR	309	246	636	312	300	274	177	241	209	168	202
Chile	HZYL	10	10	33	15	15	12	7	13	9	7	7
Colombia	HZYM	21	22	70	29	26	24	14	32	17	26	13
Mexico	GXWS	20	24	75	37	32	30	18	25	28	22	21
United States of America	GXWT	2 589	2 756	4 398	2 210	2 060	1 873	1 213	2 482	1 694	1 291	1 437
Uruguay	HZYN	..	..	..	..	..	..	..	..	..	..	..
Venezuela	HZYO	15	15	48	22	21	19	8	14	12	9	10
Other Central American Countries	HZYG	189	189	608	265	257	228	144	193	181	145	168
Other	HZYI	13	14	44	19	19	16	8	14	13	14	10
Total Americas	GXWV	3 190	3 305	6 012	2 953	2 772	2 512	1 607	3 045	2 190	1 701	1 885
Asia												
China	GXWW	21	25	46	20	20	18	9	14	13	10	10
Hong Kong	GXWX	120	147	186	134	76	71	50	63	40	30	32
India	GXWY	54	58	36	17	17	21	15	26	25	14	21
Indonesia	GXWZ	17	21	85	37	38	30	17	25	24	45	16
Iran	HZYQ	6	7	11	6	4	3	3	3	3	2	3
Israel	GXXA	33	36	111	55	52	48	30	39	35	34	28
Japan	GXXB	181	234	364	175	171	150	99	135	130	99	107
Malaysia	GXXC	52	55	54	29	29	26	17	26	21	49	19
Pakistan	GXXD	2	2	13	9	5	6	3	5	4	29	4
Philippines	GXXE	9	12	45	22	19	15	8	13	11	7	8
Saudi Arabia	GXXF	30	33	472	487	491	506	485	497	488	500	479
Singapore	GXXG	30	32	47	21	20	19	9	19	15	14	17
South Korea	GXXH	15	17	44	19	19	20	9	16	20	11	16
Taiwan	GXXI	15	16	33	15	15	12	7	13	15	23	9
Thailand	GXXJ	11	11	23	9	8	8	5	7	9	6	6
Residual Gulf Arabian Countries	HZYS	106	123	204	179	178	179	162	171	172	169	170
Other Near & Middle Eastern Countries	HZYU	139	162	273	294	294	306	294	300	295	294	291
Other	HZVR	63	74	124	107	65	63	54	66	44	39	39
Total Asia	GXXL	904	1 065	2 171	1 635	1 521	1 501	1 276	1 438	1 364	1 375	1 275
Australasia & Oceania												
Australia	GXXM	354	392	376	236	211	202	159	188	203	170	210
New Zealand	GXXN	106	108	105	78	69	64	53	62	58	52	59
Other	GXXO	3	5	12	6	4	4	3	3	3	2	4
Total Australasia & Oceania	GXXP	463	505	493	320	284	270	215	253	264	224	273
Africa												
Egypt	LZDN	14	14	13	5	1	5	3	3	4	26	5
Morocco	HICY	12	12	11	6	4	3	2	2	2	2	2
South Africa	GXXQ	115	127	241	126	125	116	82	103	83	72	83
Other North Africa	HICX	26	28	25	13	15	12	10	11	13	21	12
Other	HZUI	106	113	101	54	55	47	34	43	42	36	36
Total Africa	GXXS	273	294	391	204	200	183	131	162	144	157	138
International Organisations												
	GXXT	..	..	..	..	..	..	..	..	..	..	..
World total												
	KTND	11 659	12 551	20 029	13 071	12 364	13 370	10 801	14 592	12 701	12 368	12 819

1 Cyprus and Malta are included in Other Europe before 1999.

9.7

Current transfers

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Debits												
Europe												
European Union (EU)												
Austria	GXXV	27	31	20	23	16	18	23	24	25	26	29
Belgium and Luxembourg	GXXW	114	119	128	108	76	80	78	99	99	107	118
of which Belgium	A8BV	..	..	..	..	..	67	70	87	88	97	106
Luxembourg	A8BY	..	..	..	..	..	13	8	12	11	10	12
Cyprus ¹	A8BW	..	..	..	..	..	11	18	20	27	26	30
Czech Republic	GXXP	15	16	20	15	14	22	9	10	11	12	13
Denmark	GXXX	32	56	89	54	49	50	37	39	37	32	36
Estonia	LWQY	..	..	..	4	..	..	..	..	..	1	4
Finland	GXXY	13	15	27	13	12	12	22	16	14	14	14
France	GXXZ	291	333	458	257	247	342	270	319	337	277	303
Germany	GXXA	364	446	513	350	311	317	296	326	381	338	396
Greece	GXXB	21	40	100	48	49	44	50	53	47	49	54
Hungary	HIEC	8	9	13	17	18	17	16	12	19	10	10
Ireland	GXXC	438	508	766	750	798	413	472	501	522	562	601
Italy	GXXD	144	172	386	244	254	184	135	167	159	144	163
Latvia	LYON	21	24	13	7	4	7	2	2	2	1	1
Lithuania	LYYJ	2	2	3	3	..	8	1	15	14	..	9
Malta ¹	A8BZ	..	..	..	..	..	9	15	17	18	19	21
Netherlands	GXXE	453	535	223	148	136	174	188	156	180	134	151
Poland	GXXQ	33	35	55	62	56	36	58	47	51	52	58
Portugal	GXXF	43	50	29	28	26	32	48	39	42	43	47
Slovak Republic	HIEG	3	3	5	8	10	7	5	3	6	3	1
Slovenia	HIEH	1	1	2	2	1	8	..	5	4	..	..
Spain	GXXG	159	194	172	132	144	174	126	136	145	156	169
Sweden	GXXH	59	81	122	68	56	66	34	43	40	37	39
European Central Bank	KOEJ	..	..	..	..	..	..	..	..	..	..	..
EU Institutions	GXXI	7 431	9 192	9 277	8 268	10 265	10 524	10 719	9 557	10 097	11 480	11 501
Total EU25	A8BX	..	..	..	..	..	12 555	12 622	11 606	12 277	13 523	13 768
European Free Trade Association (EFTA)												
Iceland	GXXK	6	8	11	6	4	3	4	3	6	2	2
Liechtenstein	GXXL	3	3	11	6	4	3	2	2	2	1	1
Norway	GXXM	74	78	139	84	74	96	57	67	62	55	61
Switzerland	GXXN	131	164	195	106	97	104	95	104	122	92	102
Total EFTA	GXXO	214	253	356	202	179	206	158	176	192	150	166
Other Europe												
Albania	HIDY	1	1	2	2	2	2	6	9	12	7	7
Belarus	HIDZ	1	1	2	2	2	4	..	6	11	3	2
Bulgaria	LTQA	..	..	..	..	..	8	12	8	14	7	5
Croatia	HIEA	1	1	12	13	8	5	8	6	6	5	6
Romania	HIEE	18	20	13	13	14	10	14	11	20	10	12
Russia	GXXR	48	51	115	100	104	76	90	59	23	50	57
Turkey	GXXS	22	25	59	38	38	37	28	37	41	34	37
Ukraine	HIEJ	12	13	20	24	23	42	30	54	15	28	41
Serbia and Montenegro	LWRC	2	2	3	1	..	9	67	39	31	30	29
Other ¹	HZWJ	93	102	131	136	141	126	126	153	157	191	170
Total Europe	GXXU	10 084	12 331	13 134	11 140	13 053	13 080	13 161	12 164	12 799	14 038	14 300
Americas												
Argentina	HIES	19	23	46	21	21	17	16	21	19	15	15
Brazil	GXXV	21	24	68	39	41	43	36	50	58	38	38
Canada	GXXW	560	626	688	370	356	348	268	326	317	286	327
Chile	HIEU	23	26	38	21	19	17	12	15	13	10	11
Colombia	HIEV	24	28	76	37	33	33	23	38	23	16	19
Mexico	GXXY	27	29	81	42	40	38	25	28	31	23	22
United States of America	GXXZ	1 553	1 988	4 523	2 336	2 117	2 105	1 452	2 645	1 897	1 533	1 691
Uruguay	HIEW	1	1	1	1	1	1	1	1	1	1	1
Venezuela	HIEK	17	20	44	19	19	16	9	15	13	10	11
Other Central American Countries	HIEP	387	453	879	572	617	527	433	498	478	432	476
Other	HIER	85	99	110	69	159	92	80	106	102	71	74
Total Americas	GXXA	2 717	3 317	6 554	3 527	3 423	3 237	2 355	3 743	2 952	2 435	2 685
Asia												
China	GXXB	47	51	119	92	109	103	82	89	125	77	137
Hong Kong	GXXC	105	121	151	99	92	136	118	128	130	124	134
India	GXXD	130	135	363	399	407	426	489	523	543	488	610
Indonesia	GXXE	60	67	179	104	102	85	54	51	51	68	83
Iran	HIEZ	21	17	23	23	20	20	20	24	25	24	29
Israel	GXXF	39	44	112	51	50	47	34	46	44	38	39
Japan	GXXG	149	170	359	171	160	161	97	130	131	103	113
Malaysia	GXXH	36	40	70	43	43	67	45	46	47	45	48
Pakistan	GXXI	67	67	149	183	158	152	144	157	227	176	192
Philippines	GXXJ	31	33	70	56	52	40	30	35	34	32	34
Saudi Arabia	GXXK	32	37	45	23	21	42	41	45	51	49	51
Singapore	GXXL	30	34	61	40	42	82	76	79	86	90	101
South Korea	GXXM	12	14	45	20	22	23	11	17	21	11	16
Taiwan	GXXN	9	11	33	16	15	17	7	14	15	10	9
Thailand	GXXO	12	13	30	20	18	25	29	32	40	31	33
Residual Gulf Arabian Countries	HIFB	141	114	121	97	89	99	74	94	93	200	335
Other Near & Middle Eastern Countries	HIFD	57	46	44	51	46	57	67	81	81	77	96
Other	HZWN	490	397	286	316	283	306	404	537	604	524	760
Total Asia	GXXQ	1 468	1 411	2 260	1 804	1 729	1 888	1 822	2 128	2 348	2 167	2 820
Australasia & Oceania												
Australia	GXXR	657	695	460	339	334	249	218	246	262	254	292
New Zealand	GXXS	123	137	113	85	82	59	66	71	71	70	76
Other	GXXT	69	77	32	32	25	32	11	9	22	20	23
Total Australasia & Oceania	GXXU	849	909	605	456	441	340	295	326	355	344	391
Africa												
Egypt	LZIF	17	18	11	5	..	29	24	24	27	26	34
Morocco	HIVZ	13	13	19	11	9	11	8	8	8	9	9
South Africa	GXXV	262	295	288	191	200	250	258	289	296	301	320
Other North Africa	HIVX	69	71	40	34	43	25	10	14	14	27	19
Other	HZUA	431	451	855	956	985	1 051	1 269	1 231	1 262	1 975	1 682
Total Africa	GXXZ	792	848	1 213	1 197	1 237	1 366	1 569	1 566	1 607	2 338	2 064
International Organisations												
	GXXY	1 118	1 309	1 018	865	855	842	1 351	1 276	1 255	1 007	1 272
World total												
	KTNE	17 028	20 125	24 784	18 989	20 738	20 753	20 553	21 203	21 316	22 329	23 532

1 Cyprus and Malta are included in Other Europe before 1999.

9.7

Current transfers

continued

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balances												
Europe												
European Union (EU)												
Austria	GZDU	-20	-25	22	12	18	17	7	8	8	25	5
Belgium and Luxembourg	GZDV	16	2	140	114	173	166	146	124	148	126	117
of which Belgium	A8H2	..	..	..	..	..	158	139	119	142	121	112
Luxembourg	A8H5	..	..	..	..	..	8	7	5	6	5	5
Cyprus ¹	A8H3	..	..	..	..	..	-9	-16	-17	-24	-22	-27
Czech Republic	GZCJ	-12	-12	-6	-8	-10	-17	-3	-7	-8	20	5
Denmark	GZDW	-11	1	3	-2	-3	-8	-9	-3	4	-3	-3
Estonia	ZWRN	2	2	1	-1	-	-	-	-	-	-1	-4
Finland	GZDX	-1	19	9	9	6	6	2	1	2	79	1
France	GZDY	-32	100	67	84	104	-10	11	36	-1	-79	-14
Germany	GZDZ	67	46	133	118	155	139	97	90	63	46	26
Greece	GZEA	52	19	10	11	10	9	-10	-6	1	-8	-11
Hungary	GYWH	-8	-9	-13	-17	-18	-17	-15	-11	-11	-9	-9
Ireland	GZEB	-208	-247	-460	-559	-608	-259	-356	-324	-367	-446	-453
Italy	GZEC	27	-5	-44	-64	-84	-31	-32	-30	-36	-40	-16
Latvia	ZWRV	1	3	-2	-3	-	-4	-	-	3	-	-
Lithuania	ZWRU	-2	-2	-3	-2	-	-8	-1	-14	-14	-	-9
Malta ¹	A8H6	..	..	..	..	..	-8	-15	-16	-17	-18	-20
Netherlands	GZED	213	75	197	187	183	150	136	169	194	160	184
Poland	GZCK	-23	-25	-38	-33	-51	-31	-55	-43	-37	-45	-29
Portugal	GZEE	-24	-27	-2	-8	-7	-13	-20	-23	-21	-28	-27
Slovak Republic	ZWRZ	-3	-3	-5	-8	-5	-3	-5	-1	-3	-3	-1
Slovenia	ZWRY	-1	-1	-2	-2	-1	-8	-	-5	1	-	-
Spain	GZEF	-78	-100	-7	-12	-24	-59	-33	-31	-40	-69	-56
Sweden	GYRO	11	-2	49	45	52	38	55	55	57	48	60
European Central Bank	ZWRB	-	-	-	-	-	-	-	-	-	-	-
EU Institutions	GYRP	-3 069	-4 773	-2 089	-2 846	-5 162	-3 983	-5 145	-2 134	-3 726	-4 627	-4 484
Total EU25	A8H4	..	..	..	..	..	-3 943	-5 261	-2 182	-3 824	-4 894	-4 765
European Free Trade Association (EFTA)												
Iceland	GXEL	-3	-3	30	30	32	33	29	32	29	62	32
Liechtenstein	GXEM	-1	-1	-	-	-	-	-	-	-	-	-
Norway	GXEN	-27	-27	10	2	9	-18	4	2	18	13	5
Switzerland	GZCH	-89	62	-	2	4	-11	-35	-25	-42	-26	-29
Total EFTA	GZCI	-120	31	40	34	45	4	-2	9	5	49	8
Other Europe												
Albania	ZWRF	-1	-1	-2	-1	-2	-2	-6	-9	-12	-7	-7
Belarus	ZWRI	-1	-1	-2	-2	-2	-4	-	-5	-11	4	-2
Bulgaria	ZWRH	-	-	-	-	-	-8	-10	-8	-6	-6	-4
Croatia	ZWRS	23	28	-	-7	-4	-2	-6	-4	-4	-3	-4
Romania	ZWRX	-18	-20	-13	-13	-12	-8	-14	-11	-9	-9	-11
Russia	GZCL	-27	-28	-53	-71	-78	-53	-80	-43	-7	-38	-43
Turkey	GZCM	-	-1	1	-2	-2	-2	-	-4	-7	-3	-6
Ukraine	ZWSA	-12	-13	-20	-23	-23	-42	-29	-54	-15	-21	-27
Serbia and Montenegro	ZWSD	-2	-2	-3	-1	-	-6	-65	-37	-29	-25	-28
Other ¹	ZWRC	6	22	-80	-110	-116	-110	-116	-122	-141	-174	-163
Total Europe	GZCO	-3 255	-4 949	-2 172	-3 181	-5 466	-4 176	-5 589	-2 470	-4 060	-5 127	-5 052
Americas												
Argentina	ZWRG	-6	-9	-2	-2	-2	-2	-8	-8	-8	-8	-8
Brazil	GZCP	-10	-9	-12	-14	-18	-22	-26	-32	-42	-26	-28
Canada	GZCQ	-251	-380	-52	-58	-56	-74	-91	-85	-108	-118	-125
Chile	ZWRJ	-13	-16	-5	-6	-4	-5	-5	-2	-4	-3	-4
Colombia	ZWRK	-3	-6	-6	-8	-7	-9	-9	-6	-6	10	-6
Mexico	GZCR	-7	-5	-6	-5	-8	-8	-7	-3	-3	-1	-1
United States of America	GZCS	1 036	768	-125	-126	-57	-232	-239	-163	-203	-242	-254
Uruguay	ZWSB	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Venezuela	ZWSC	-2	-5	4	3	2	3	-1	-1	-1	-1	-1
Other Central American Countries	ZWRM	-198	-264	-271	-307	-360	-299	-289	-305	-297	-287	-308
Other	ZWRP	-72	-85	-66	-50	-140	-76	-72	-92	-89	-57	-64
Total Americas	GZCU	473	-12	-542	-574	-651	-725	-748	-698	-762	-734	-800
Asia												
China	GZCV	-26	-26	-73	-72	-89	-85	-73	-75	-112	-67	-127
Hong Kong	GZCW	15	26	35	35	-16	-65	-68	-65	-90	-94	-102
India	GZCX	-76	-77	-327	-382	-390	-405	-474	-497	-518	-474	-589
Indonesia	GZCY	-43	-46	-94	-67	-64	-55	-37	-26	-27	-23	-67
Iran	ZWRT	-15	-10	-12	-17	-16	-17	-17	-21	-22	-22	-26
Israel	GZCZ	-6	-8	-1	4	2	1	-4	-7	-9	-4	-11
Japan	GZDA	32	64	5	4	11	-11	2	5	-1	-4	-6
Malaysia	GZDB	16	15	-16	-14	-14	-41	-28	-20	-26	4	-29
Pakistan	GZDC	-65	-65	-136	-174	-153	-146	-141	-152	-223	-147	-188
Philippines	GZDD	-22	-21	-25	-34	-33	-25	-22	-22	-23	-25	-26
Saudi Arabia	GZDE	-2	-4	427	464	470	464	444	452	437	451	428
Singapore	GZDF	-	-2	-14	-19	-22	-63	-67	-60	-71	-76	-84
South Korea	GZDG	3	3	-1	-1	-3	-3	-2	-1	-1	-	-
Taiwan	GZDH	6	5	-	-1	-	-5	-	-1	-	13	-
Thailand	GZDI	-1	-2	-7	-11	-10	-17	-24	-25	-31	-25	-27
Residual Gulf Arabian Countries	ZWRQ	-35	9	83	82	89	80	88	77	79	-31	-165
Other Near & Middle Eastern Countries	ZWRR	82	116	229	243	248	249	227	219	214	217	195
Other	ZWRD	-427	-323	-162	-209	-218	-243	-350	-471	-560	-485	-721
Total Asia	GZDK	-564	-346	-89	-169	-208	-387	-546	-690	-984	-792	-1 545
Australasia & Oceania												
Australia	GZDL	-303	-303	-84	-103	-123	-47	-59	-58	-59	-84	-82
New Zealand	GZDM	-17	-29	-8	-7	-13	5	-13	-9	-13	-18	-17
Other	GZDN	-66	-72	-20	-26	-21	-28	-8	-6	-19	-18	-19
Total Australasia & Oceania	GZDO	-386	-404	-112	-136	-157	-70	-80	-73	-91	-120	-118
Africa												
Egypt	ZWRO	-3	-4	2	-	1	-24	-21	-21	-23	-	-29
Morocco	ZWRW	-1	-1	-8	-5	-5	-8	-6	-6	-6	-7	-7
South Africa	GZDP	-147	-168	-47	-65	-75	-134	-176	-186	-213	-229	-237
Other North Africa	ZWRL	-43	-43	-15	-21	-28	-13	-	-3	-1	-6	-7
Other	ZWRE	-325	-338	-754	-902	-930	-1 004	-1 235	-1 188	-1 220	-1 939	-1 646
Total Africa	GZDR	-519	-554	-822	-993	-1 037	-1 183	-1 438	-1 404	-1 463	-2 181	-1 926
International Organisations												
	GZDS	-1 118	-1 309	-1 018	-865	-855	-842	-1 351	-1 276	-1 255	-1 007	-1 272
World total	KTNF	-5 369	-7 574	-4 755	-5 918	-8 374	-7 383	-9 752	-6 611	-8 615	-9 961	-10 713

1 Cyprus and Malta are included in Other Europe before 1999.

9.8 Current account

Transactions with Europe and USA^{1 2}

£ million

		1999	2000	2001	2002	2003	2004
Credits							
Exports of goods							
EMU members	QATL	91 771	101 464	103 493	103 215	99 893	99 811
EU members	LGCJ	101 191	111 955	113 893	114 123	110 589	110 835
Total Europe	EPLM	108 623	120 705	122 682	122 424	119 870	120 613
USA	QAMH	24 040	29 276	29 562	28 197	28 780	28 579
Exports of services							
EMU members	LJHS	25 896	28 605	30 131	31 214	33 063	34 696
EU members	A7RZ	29 340	32 574	34 665	35 704	37 998	40 002
Total Europe	FYWB	34 775	38 281	40 701	43 269	46 276	48 293
USA	FYWF	17 458	18 958	18 452	21 722	22 166	22 733
Income							
EMU members	BDJR	40 370	53 220	60 480	52 752	53 496	59 636
EU members	AA2M	42 695	57 971	65 571	57 589	58 083	64 468
Total Europe	LERD	51 107	70 862	76 257	67 223	67 579	75 806
USA	BFVE	23 363	29 592	31 510	27 089	27 113	30 704
Current transfers							
EMU members	XNSJ	1 905	1 656	1 850	1 902	1 616	1 801
EU members	A7PN	8 612	7 361	9 424	8 453	8 629	9 003
Total Europe	GXWP	8 904	7 572	9 694	8 739	8 911	9 248
USA	GXWT	1 873	1 213	2 482	1 694	1 291	1 437
TOTAL CREDITS							
EMU members	BDJV	158 862	185 022	196 004	189 381	188 068	195 944
EU members	AA2S	181 838	209 861	223 553	215 869	215 299	224 308
Total Europe	LERA	203 409	237 420	249 334	241 655	242 636	253 960
USA	BFVB	66 734	79 039	82 006	78 702	79 350	83 453
Debits							
Imports of goods							
EMU members	QBRM	99 258	105 678	113 842	122 992	122 452	124 855
EU members	LGDB	109 286	117 217	126 077	136 140	136 417	139 999
Total Europe	EPMM	121 635	132 366	141 282	151 555	153 296	160 460
USA	QAMI	24 360	28 416	29 589	24 986	22 746	21 842
Imports of services							
EMU members	XWLM	28 914	31 459	33 472	35 181	37 664	38 335
EU members	A8EV	31 737	34 611	36 860	38 623	41 878	42 644
Total Europe	GGPQ	35 230	38 764	41 092	43 848	46 885	47 623
USA	GGPU	12 522	13 012	13 325	13 247	13 462	13 779
Income							
EMU members	BDJT	34 419	46 795	45 156	34 368	40 632	45 629
EU members	AA2Y	38 614	51 505	49 787	38 667	44 331	49 978
Total Europe	LERE	53 026	71 649	68 882	52 375	56 826	63 862
USA	BFVF	23 352	26 237	29 603	26 796	28 239	28 998
Current transfers							
EMU members	XNSK	1 790	1 708	1 836	1 951	1 850	2 045
EU members	A8BX	12 555	12 622	11 606	12 277	13 523	13 768
Total Europe	GXYU	13 080	13 161	12 164	12 799	14 038	14 300
USA	GXYV	2 105	1 452	2 645	1 897	1 533	1 691
TOTAL DEBITS							
EMU members	LTLV	164 390	185 631	194 303	194 491	202 598	210 864
EU members	AA36	192 192	215 955	224 330	225 707	236 149	246 389
Total Europe	LERB	222 971	255 940	263 420	260 577	271 045	286 245
USA	BFVC	62 339	69 117	75 162	66 926	65 980	66 310
Balances							
Trade in goods							
EMU members	QBRX	-7 487	-4 214	-10 349	-19 777	-22 559	-25 044
EU members	LGCF	-8 095	-5 262	-12 184	-22 017	-25 828	-29 164
Total Europe	EPNM	-13 012	-11 661	-18 600	-29 131	-33 426	-39 847
USA	QBRP	-320	860	-27	3 211	6 034	6 737
Trade in services							
EMU members	XQXB	-3 018	-2 854	-3 341	-3 967	-4 601	-3 639
EU members	A8HJ	-2 397	-2 037	-2 195	-2 919	-3 880	-2 642
Total Europe	GGRV	-455	-483	-391	-579	-609	670
USA	GGRZ	4 936	5 946	5 127	8 475	8 704	8 954
Income							
EMU members	BDJU	5 951	6 425	15 324	18 384	12 864	14 007
EU members	AA3C	4 081	6 466	15 784	18 922	13 752	14 490
Total Europe	LERF	-1 919	-787	7 375	14 848	10 753	11 944
USA	BFVG	11	3 355	1 907	293	-1 126	1 706
Current transfers							
EMU members	XUGX	115	-52	14	-49	-234	-244
EU members	A8H4	-3 943	-5 261	-2 182	-3 824	-4 894	-4 765
Total Europe	GZCO	-4 176	-5 589	-2 470	-4 060	-5 127	-5 052
USA	GZCS	-232	-239	-163	-203	-242	-254
CURRENT BALANCE							
EMU members	LT LW	-5 528	-609	1 701	-5 110	-14 530	-14 920
EU members	AA4J	-10 354	-6 094	-777	-9 838	-20 850	-22 081
Total Europe	LERC	-19 562	-18 520	-14 086	-18 922	-28 409	-32 285
USA	BFVD	4 395	9 922	6 844	11 776	13 370	17 143

1 EMU Members: Austria, Belgium, Finland, France, Germany, Greece, Irish Republic, Italy, Luxembourg, Netherlands, Portugal, Spain.

2 EU and Europe include transactions with European Union institutions.

9.9 UK official transactions with institutions of the EU

£ million

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Credits												
Exports of services												
UK charge for collecting duties and levies(net) ¹	QWUE	223	251	235	240	212	208	217	525	487	489	544
Current transfers												
Other sectors												
Agricultural Guarantee Fund ²	EBGL	2 245	2 392	3 931	3 063	2 935	2 931	2 831	2 484	2 847	2 856	2 978
European Social Fund	HDIZ	320	755	804	615	783	434	659	370	412	427	433
European Coal & Steel Community Grant	FJKP	45	39	29	5	1	—	—	1	—	—	2
Central government												
Fontainebleau abatement	FKKL	1 726	1 208	2 411	1 733	1 377	3 171	2 084	4 560	3 099	3 560	3 592
Other EU receipts	GCSD	26	25	13	6	7	5	—	8	13	10	12
Capital transfers												
Other sectors												
Agricultural Guidance Fund	FJXL	52	48	30	57	56	47	82	26	—	2	49
European Regional Development Fund	HBZA	608	437	620	812	357	285	989	543	296	622	1 062
Other capital transfers from EU Institutions ²	EBGO	—	—	524	178	43	—	—	322	—	—	—
Total credits	GCSL	5 245	5 155	8 597	6 709	5 771	7 081	6 862	8 839	7 154	7 966	8 672
Debits												
Current transfers												
Other sectors												
Customs duties and agricultural levies ³	FJWD	2 134	2 458	2 318	2 291	2 076	2 024	2 086	2 069	1 919	1 937	2 145
Sugar levies ³	GTBA	98	55	26	91	42	46	44	31	25	18	25
European Coal & Steel Community production levy ³	GTBB	—	—	—	—	—	—	—	—	—	—	—
VAT based contribution ⁴	HCML	4 189	4 635	4 441	3 646	3 758	3 920	4 104	3 624	2 720	2 775	1 764
VAT adjustment ⁴	FSVL	−1 068	210	30	−249	470	−109	100	−49	88	−35	25
Central government												
GNP fourth resource ⁵	HCSO	2 340	1 639	2 488	2 655	3 516	4 403	4 243	3 859	5 259	6 622	7 565
GNP adjustments ⁵	HCSM	−269	187	−34	−197	404	229	136	−1	76	150	−16
Total GNP based fourth own resource contribution	NMFH	2 071	1 826	2 454	2 458	3 920	4 632	4 379	3 858	5 335	6 772	7 549
Inter-government agreements	HCBW	—	—	—	—	—	—	—	—	—	—	—
EU non-budget (miscellaneous)	HRTM	—	—	—	—	—	—	—	—	—	—	—
Other current transfers to EU institutions	GVEG	7	8	8	31	−1	11	6	24	10	13	−7
Total debits	GCSM	7 431	9 192	9 277	8 268	10 265	10 524	10 719	9 557	10 097	11 480	11 501
Balance (UK net contribution to the EU)	BLZS	−2 186	−4 037	−680	−1 559	−4 494	−3 443	−3 857	−718	−2 943	−3 514	−2 829

1 Before 1989 this is netted off the VAT contribution but cannot be identified separately.

2 Other capital transfers from EU institutions are included indistinguishably with Agricultural Guarantee Fund receipts before 1996.

3 EU traditional own resource.

4 Third own resource contribution.

5 Fourth own resource contribution.

Chapter 10

Geographical breakdown of International Investment Position

Introduction

The latest geographical breakdown of the UK's International Investment Position (IIP) is for data up to the end of 2003. The geographical breakdown of IIP lags that of the current account as much of the data is sourced from annual inquiries which are not available until 12 months after the reference year. 2003 data is analysed together with data for end 2001 and end 2002.

Data

Foreign direct investment geographical breakdown levels are derived from annual inquiries to outward and inward direct investors in the UK.

Portfolio investment consists of equity and debt securities holdings, in the form of bonds and notes and money market instruments. Information on the geographical breakdown of UK holdings of portfolio investment assets are broadly based on the UK contribution to the IMF's Co-ordinated Portfolio Investment Survey (CPIS).

Geographical breakdowns of UK banks' deposits abroad and loans made abroad are derived from banking data supplied by the Bank of England. This information is also used to apportion securities dealers' deposits abroad. Country breakdowns of UK private sector (excluding banks and securities dealers) deposits with banks abroad are derived from the banking statistics of countries in the Bank for International Settlements (BIS) reporting area. Geographical breakdowns of foreign deposits with UK banks are derived from banking data, with foreign loans made to securities dealers apportioned in the same way. Country breakdowns of UK private sector (excluding banks and securities dealers) loans from abroad are derived from the banking statistics of countries in the BIS reporting area from the Bank for International Settlements.

2003

Geographical breakdown of assets and liabilities

The table below shows a summary of the geographical breakdown of the IIP. At the end of 2003 the UK's net IIP was

Summary of geographical breakdown of assets and liabilities

	2001			2002			2003			£ billion
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net	
Euro area	1358.8	1041.5	317.3	1382.7	1168.5	214.2	1586.8	1337.8	248.9	
EU25	1464.4	1145.1	319.3	1481.3	1267.3	214.0	1699.5	1458.8	240.8	
Europe	1730.3	1601.5	128.8	1755.3	1749.7	5.6	2024.8	1969.0	55.8	
United States of America	705.7	852.2	-146.5	634.7	738.9	-104.2	738.6	805.7	-67.1	
Americas	894.5	1028.3	-133.8	838.4	891.0	-52.7	961.3	1018.5	-57.2	
Asia	377.0	491.9	-114.9	378.7	448.1	-69.5	399.6	494.4	-94.8	
Australiasia and Oceania	50.4	28.8	21.6	53.3	29.3	24.0	59.0	34.9	24.2	
Africa	21.9	44.8	-22.9	26.9	45.0	-18.1	31.1	52.4	-21.3	
International Organisations	13.4	16.3	-2.9	15.6	14.8	0.9	15.6	17.0	-1.4	
Reserve Assets/Unallocated	25.6			25.5			23.8			
World Total	3139.5	3211.6	-72.1	3129.6	3177.9	-48.3	3546.6	3586.2	-39.6	

-£39.6 billion with reported assets totalling £3,546.6 billion. This equates to 321% of GDP (GDP at current market prices, as published in National Accounts Blue Book 2005). 57% of these investments were in Europe and 27% in American countries. 48% of UK investment overall was in EU25 countries. £1586.8 billion of total assets (45%) were UK investments in Euro area countries. UK investment in the US accounted for 21% of assets overall. 11% of UK assets were investments in Asia, over half of these in Japan, £219.4 billion. UK investments in Australasia, Africa and International Organisations accounted for less than 3% of total assets.

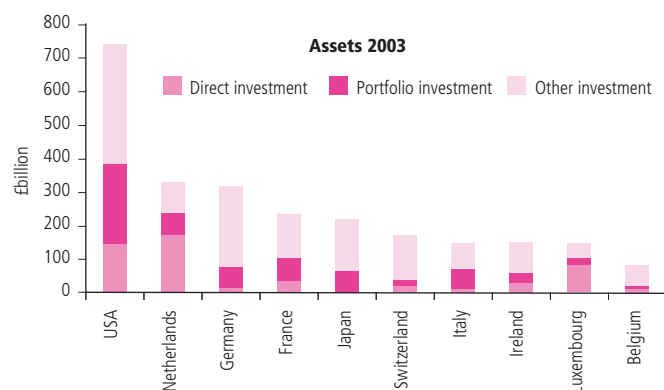
Reported liabilities in 2003 totalled £3586.2 billion (324% of GDP). The distribution of these by region was similar to that of assets, 55% in Europe and 28% in America. 41% of investments in the UK were from EU25 countries, 37% overall from Euro area countries. US investment in the UK stood at £805.7 billion, 22% of total investments. Asian countries investments in the UK totalled around 14% of overall liabilities. Australasia, Africa and International Organisations combined accounted for just 3% of investments in the UK overall.

In 2003 the UK had a net asset position with Euro Area countries, EU25 and Australasia but net liability positions with America, Asia and Africa.

Geographical breakdown by type of investment

A geographical breakdown by type of investment is available for assets and liabilities. Figure A shows the ten countries in which the UK owns most securities overall and the make up of these by investment type.

Figure A



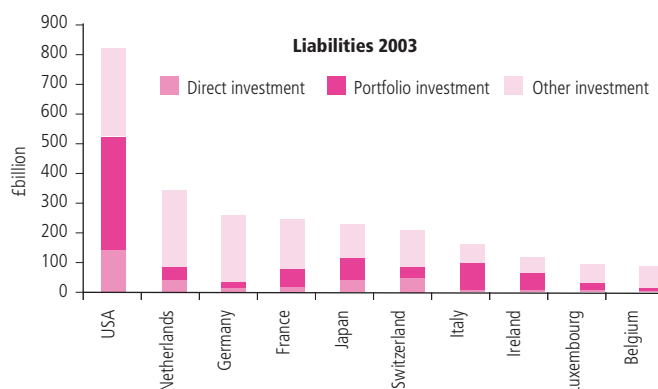
For total assets in 2003, levels of UK investment were highest in the US, £738.6 billion. 48% of this was other investments, 32% portfolio investments and 20% direct investments. UK investment in Italy totalled £150 billion. A sizable percentage of these are portfolio investments (42%). A majority of UK securities owned in Germany, France and Switzerland were other investments (75% of investments in Germany, 56% of

investments in France, and 77% of investments in Switzerland).

Total UK assets invested in the Netherlands amounted to £326.8 billion. A majority of these were direct investments (53%), more than any other single country. Geographical breakdowns of direct investments are based on country of immediate counterpart. As much inward and outward investment from the UK is channelled through the Netherlands the underlying flow of investments are overstated and the inflow from originating countries is understated.

For liabilities, figure B shows the make up by investment type of IIP liabilities in countries with high levels of investment in the UK in 2003. The US had most investments in the UK, £805.7 billion. Portfolio Investment accounted for the greatest proportion of these (47%). Germany had investments in the UK totalling £337.5 billion. £255 billion of this is other investments (76%). Switzerland, with investments in the UK of £256.2 billion, also had a majority other investments (87%). Japan's investments total £243 billion. A majority of Ireland's investments are portfolio investments (58%).

Figure B



Time series: comparisons with 2001 and 2002

Geographical breakdown of assets and liabilities

Tables 10.1 and 10.2 show a summary geographical breakdown of IIP assets and liabilities between 2001 and 2003 by type of investment.

Figure C shows IIP assets overall have increased from a total of £3129.6 billion in 2002 to £3546.6 billion in 2003, having decreased a little between 2001 and 2002. Investment in Europe increased from £1755.3 billion in 2002 to £2024.8 billion in 2003. Investment in the US rose from £634.7 billion in 2002 to £738.6 billion in 2003. This followed a decline between 2001 and 2002, from £705.7 billion. Investments in most countries followed this trend; a fall between 2001 and 2002 and then a rise in 2003.

Figure C

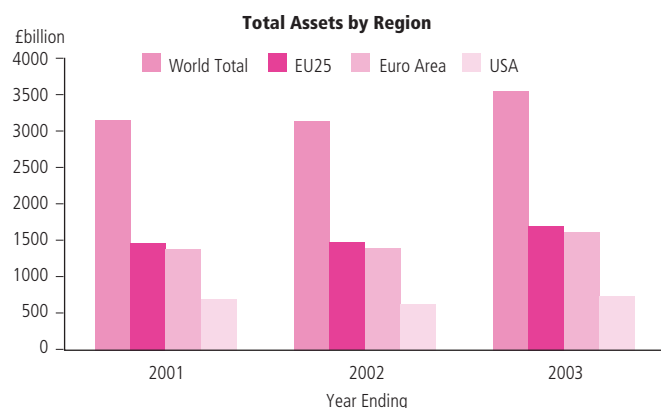
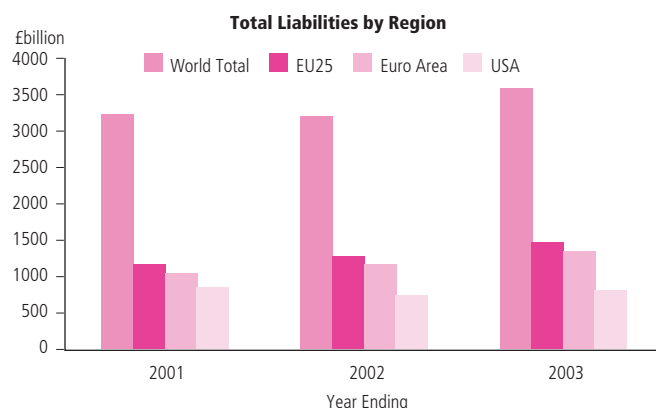


Figure D shows IIP liabilities overall also increased in 2003 having dipped slightly in 2002. Again figures for the EU25 increased from £1267.3 billion in 2002 to £1458.8 billion in 2003. This figure has been increasing since 2001. In the US the level of investment in the UK was greater in 2003 than in 2002, although the 2003 figure is nearly £50 billion below the 2001 level. Investment in the UK from the Netherlands fell slightly between 2002 and 2003, from £207.5 billion to £204.8 billion, following a fall between 2001 and 2002.

The fall in IIP between 2001 and 2002 was largely due to the global fall in equity prices. Share indices for the FTSE all share, an indicator of movements in liabilities, fell 25% between the end of 2001 and the end of 2002. This compares to a 17% rise between 2002 and 2003. The global stock market index series, an indicator of movements in assets, fell 21% between the end of 2001 and 2002, and rose 32% between 2002 and 2003.

Figure D



Rates of return

Regional rates of return are calculated by taking the geographical breakdown of assets and liabilities alongside the geographical breakdown of the investment income earned and paid on those investments. Taking the EU as an example, the UK earned £57.4 billion from its investments of £1699.5 billion in 2003, equivalent to an annual rate of return of 3.4%. In 2003 the UK earned a 3.5% rate of return on its external assets and paid out 2.8% rate of return on external liabilities. The table below shows rates of return by broad geographical area for assets and liabilities in 2001, 2002 and 2003. The rest of the world includes Australasia and Oceania, Africa, International Organisations and all American countries except the US. The UK earns a higher rate with its main partners and globally on its external assets than it pays out on its liabilities.

Regional rates of return

External assets (%)				External liabilities (%)			
	2001	2002	2003		2001	2002	2003
EU 25	4.4	3.8	3.4	EU 25	4.3	3.0	3.0
Total Europe	4.4	3.8	3.3	Total Europe	4.2	2.9	2.8
USA	4.4	4.2	3.6	USA	3.5	3.6	3.5
Total Asia	4.4	3.6	3.5	Total Asia	4.4	3.2	1.8
Rest of the World	4.9	4.6	4.5	Rest of the World	3.4	3.1	2.5
World total	4.4	4.0	3.5	World total	4.0	3.1	2.8

10.1

International Investment Position: UK assets by type of investment

Balance sheets valued at end of year

£ billion

	2001 Direct	Portfolio	Other	Total	2002 Direct	Portfolio	Other	Total	2003 Direct	Portfolio	Other	Total
Belgium	6.2	7.9	49.2	63.3	10.4	8.5	55.6	74.4	10.4	10.0	64.3	84.7
France	24.7	94.3	104.8	223.8	32.0	58.4	123.7	214.1	37.5	66.8	131.8	236.1
Germany	14.4	93.2	186.8	294.4	15.0	79.0	199.7	293.7	12.9	65.8	240.9	319.5
Ireland	23.1	13.4	60.8	97.3	30.0	25.0	67.4	122.5	32.5	26.5	92.1	151.1
Italy	4.3	64.6	65.6	134.5	5.5	65.9	59.7	131.1	10.1	63.7	76.1	150.0
Luxembourg	64.1	15.9	34.6	114.6	62.7	16.0	30.8	109.5	82.9	21.8	44.8	149.5
Netherlands	165.2	52.0	83.4	300.6	158.9	49.3	103.7	311.8	174.7	60.0	92.2	326.8
Spain	7.1	22.0	28.0	57.0	7.2	15.8	29.9	52.8	9.8	19.0	58.1	86.8
Total EU25	331.6	440.3	692.6	1464.4	345.8	381.6	753.9	1481.3	396.6	413.0	889.9	1699.5
Euro area	314.2	390.5	654.0	1358.8	326.1	341.2	715.4	1382.7	376.0	367.9	842.9	1586.8
Norway	4.3	5.1	8.6	18.0	4.9	4.0	10.8	19.7	4.6	5.2	13.7	23.5
Switzerland	14.6	22.0	117.8	154.3	17.2	19.5	112.5	149.1	19.0	20.8	133.1	172.9
Total EFTA	19.0	27.4	127.9	174.3	22.1	23.8	124.6	170.6	23.9	26.7	148.2	198.8
Total Europe	369.9	478.2	882.1	1730.3	392.3	419.7	943.2	1755.3	448.0	466.5	1110.3	2024.8
Canada	10.3	10.8	25.0	46.1	8.2	12.0	30.1	50.2	8.8	6.6	27.9	43.3
USA	144.9	222.3	338.4	705.7	133.7	206.7	294.2	634.7	148.0	232.9	357.8	738.6
Total America	177.9	285.0	431.6	894.5	168.8	266.0	403.5	838.4	179.3	288.6	493.4	961.3
Hong Kong	6.6	14.8	18.4	39.9	5.9	8.6	16.9	31.4	6.9	11.5	18.0	36.5
Japan	2.7	66.9	136.4	206.1	3.0	49.8	169.9	222.6	3.1	61.1	155.3	219.4
Singapore	6.0	8.9	35.1	50.0	6.8	4.1	30.5	41.5	10.0	4.5	31.3	45.8
Total Asia	31.0	116.0	230.0	377.0	30.0	85.5	263.1	378.7	33.9	110.4	255.3	399.6
Australia	13.7	15.6	15.7	44.9	14.0	18.1	15.3	47.4	16.5	19.6	16.9	53.0
Total Australasia & Oceania	15.5	17.2	17.7	50.4	16.7	19.5	17.1	53.3	18.1	22.2	18.7	59.0
South Africa	4.2	2.8	4.4	11.4	8.8	3.7	4.2	16.7	11.3	3.5	4.2	19.0
Total Africa	9.0	3.4	9.6	21.9	13.5	4.2	9.1	26.9	16.8	4.4	9.9	31.1
International Organisations	0.0	11.3	2.1	13.4	0.0	13.2	2.5	15.6	0.0	12.6	3.1	15.6
World total	603.3	937.4	1573.1	3139.5	621.4	844.1	1638.6	3129.6	696.1	935.9	1890.8	3546.6

10.2 International Investment Position: UK liabilities by type of investment

Balance sheets valued at end of year

£ billion

	2001 Direct	Portfolio	Other	Total	2002 Direct	Portfolio	Other	Total	2003 Direct	Portfolio	Other	Total
Belgium	2.2	8.5	53.5	64.2	1.8	9.1	68.8	79.6	2.0	10.1	72.9	85.0
France	35.2	50.2	75.3	160.8	37.2	51.5	95.2	183.9	38.1	74.4	113.2	225.7
Germany	34.5	52.9	177.5	264.9	42.8	45.8	216.7	305.3	37.4	45.2	254.9	337.5
Ireland	4.2	64.4	44.3	112.9	4.5	81.4	50.5	136.4	4.5	90.9	62.0	157.5
Italy	6.5	24.3	38.3	69.1	5.8	20.7	48.9	75.4	4.6	24.8	64.8	94.2
Luxembourg	2.3	44.8	34.4	81.5	5.0	42.6	35.8	83.4	5.8	56.7	51.2	113.7
Netherlands	60.9	29.8	118.1	208.8	39.5	31.1	136.9	207.5	43.5	42.1	119.1	204.8
Spain	0.6	11.1	24.5	36.2	2.3	16.9	26.8	46.0	2.8	22.6	27.0	52.5
Total EU25	156.0	335.0	654.1	1145.1	147.5	348.0	771.8	1267.3	145.3	424.2	889.3	1458.8
Total Euro area	148.2	296.4	596.9	1041.5	140.8	312.6	715.1	1168.5	140.0	385.2	812.6	1337.8
Norway	0.8	8.8	6.4	16.0	1.0	10.3	8.6	19.9	0.9	10.9	14.7	26.5
Switzerland	9.3	18.1	205.0	232.4	9.7	16.2	214.9	240.9	13.1	19.2	223.9	256.2
Total EFTA	10.5	27.2	213.2	250.9	11.0	26.6	225.7	263.3	14.5	30.4	240.8	285.6
Total Europe	171.3	397.7	1032.5	1601.5	162.3	416.3	1171.1	1749.7	162.6	499.9	1306.5	1969.0
Canada	8.7	16.1	15.8	40.7	8.7	12.9	13.1	34.8	10.9	15.6	15.3	41.8
USA	141.7	387.5	323.0	852.2	129.6	320.9	288.4	738.9	137.8	376.6	291.3	805.7
Total America	156.1	411.0	461.2	1028.3	143.2	344.6	403.2	891.0	154.5	408.2	455.8	1018.5
Hong Kong	3.6	23.0	56.1	82.7	3.5	21.7	46.0	71.2	3.6	27.7	47.6	78.9
Japan	15.7	79.6	125.8	221.1	16.8	60.2	124.9	201.9	16.9	58.6	167.5	243.0
Singapore	1.6	13.1	53.5	68.2	1.7	15.4	51.8	68.9	0.8	15.2	48.1	64.1
Total Asia	24.1	118.1	349.7	491.9	25.4	98.4	324.4	448.1	24.7	103.3	366.5	494.4
Australia	11.0	5.8	9.3	26.1	8.3	5.6	12.7	26.6	14.2	4.4	14.0	32.5
Total Australasia & Oceania	11.2	7.1	10.5	28.8	8.5	6.7	14.1	29.3	14.3	5.3	15.3	34.9
South Africa	0.8	12.4	5.4	18.5	0.3	13.8	6.4	20.5	0.4	17.5	9.8	27.6
Total Africa	0.9	12.5	31.4	44.8	0.4	14.2	30.4	45.0	0.6	17.8	34.0	52.4
International Organisations	0.0	12.0	4.3	16.3	0.0	12.1	2.6	14.8	0.0	11.7	5.3	17.0
World total	363.6	958.4	1889.6	3211.6	339.8	892.3	1945.8	3177.9	356.7	1046.2	2183.3	3586.2

10.3

Geographical breakdown of International Investment Position: UK assets

Balance sheets valued at end of year

£ million

		2001	2002	2003
Europe				
European Union (EU)				
Austria	HCZI	15 685	14 874	18 125
Belgium	A54T	63 340	74 410	84 719
Cyprus	A3OB	2 207	1 647	1 681
Czech Republic	HDFF	2 641	2 031	2 202
Denmark	HDRV	20 249	21 825	26 477
Estonia	HDSA	265	195	238
Finland	HDSJ	19 555	16 874	15 661
France	HDSL	223 761	214 105	236 063
Germany	HDQJ	294 389	293 747	319 543
Greece	HDSM	17 846	19 801	22 233
Hungary	HDXA	4 193	4 758	4 578
Ireland	HDZG	97 269	122 464	151 072
Italy	HEGT	134 482	131 104	149 969
Latvia	HFHZ	102	120	70
Lithuania	HFHY	156	172	119
Luxembourg	A5BW	114 593	109 466	149 450
Malta	A3OC	588	718	960
Netherlands	HFID	300 595	311 812	326 809
Poland	HFII	5 334	6 137	7 273
Portugal	HFIJ	20 256	21 218	26 304
Slovak Republic	HFJI	436	591	816
Slovenia	HFJH	495	303	425
Spain	HDSC	57 039	52 818	86 803
Sweden	HFJA	51 319	39 120	46 076
European Central Bank	HBKQ	—	—	—
EU Institutions	HBKP	17 654	20 985	21 843
Total EU25	A2K3	1 464 449	1 481 295	1 699 509
European Free Trade Association (EFTA)				
Iceland	HDZZ	1 128	907	1 518
Liechtenstein	HFCE	840	819	959
Norway	HFIE	18 038	19 731	23 465
Switzerland	HCZZ	154 324	149 148	172 856
Total EFTA	HBKW	174 330	170 605	198 798
Other Europe				
Albania	HBLA	—	—8	1
Belarus	HCZX	1	1	1
Bulgaria	HCZU	1 102	374	446
Croatia	HDWZ	635	1 054	1 183
Romania	HFIX	558	705	1 044
Russia	HFII	7 613	8 409	12 058
Turkey	HFJK	7 191	8 461	6 710
Ukraine	HFJM	106	166	242
Serbia and Montenegro	HFJO	49	51	37
Other	HFIP	74 223	84 147	104 767
Total Europe	HDRW	1 730 257	1 755 260	2 024 796
Americas				
Argentina	HCPD	5 196	3 059	3 288
Brazil	HCZW	11 776	9 278	8 850
Canada	HCZY	46 108	50 249	43 271
Chile	HDER	3 360	3 408	3 307
Colombia	HDEZ	2 113	2 651	2 939
Mexico	HFIB	10 161	7 912	8 017
United States of America	HFJN	705 652	634 665	738 608
Uruguay	HFJO	301	303	243
Venezuela	HFJP	1 807	1 744	1 085
Other Central American Countries	HFIR	107 234	123 708	149 968
Other	HFIV	812	1 388	1 744
Total Americas	HDRZ	894 520	838 365	961 320
Asia				
China	HDES	5 939	6 733	7 178
Hong Kong	HDSN	39 853	31 437	36 520
India	HDZX	5 613	4 934	7 056
Indonesia	HDZD	3 036	2 638	2 978
Iran	HDZY	1 114	1 607	2 523
Israel	HDZK	1 671	2 303	2 463
Japan	HEIC	206 061	222 625	219 430
Malaysia	HFIC	4 938	5 434	5 506
Pakistan	HFII	1 228	863	957
Philippines	HFIG	2 220	2 599	3 431
Saudi Arabia	HFIZ	6 021	5 734	5 730
Singapore	HFJG	49 995	41 476	45 815
South Korea	HEJH	11 498	14 904	17 464
Taiwan	HFJL	7 667	5 462	11 654
Thailand	HFJJ	3 052	3 770	4 432
Residual Gulf Arabian Countries	HFIS	21 124	22 131	21 976
Other Near & Middle Eastern Countries	HDSG	1 122	1 086	618
Other	HFIT	4 847	2 934	3 907
Total Asia	HDSF	376 999	378 670	399 638
Australasia & Oceania				
Australia	HCZT	44 938	47 375	52 952
New Zealand	HFIF	5 134	5 628	5 769
Other	HFIU	283	309	320
Total Australasia & Oceania	HDSH	50 355	53 312	59 041
Africa				
Egypt	HDSB	2 253	1 923	1 525
Morocco	HFIA	573	327	480
South Africa	HFJR	11 351	16 703	18 990
Other North Africa	HFII	601	1 433	1 022
Other	HFIQ	7 135	6 542	9 060
Total Africa	HDRY	21 913	26 928	31 077
International Organisations				
	HBKR	13 419	15 641	15 629
Unallocated				
	D39B	26 341	35 942	31 345
Reserve Assets				
	LTEB	25 649	25 469	23 794
World total	HBQA	3 139 453	3 129 587	3 546 640

10.4 Geographical breakdown of International Investment Position: UK liabilities

Balance sheets valued at end of year

£ million

		2001	2002	2003
Europe				
European Union (EU)				
Austria	HFMM	16 871	17 310	18 173
Belgium	A56Z	64 220	79 627	85 018
Cyprus	A3SB	3 299	3 157	3 039
Czech Republic	HFNG	3 337	2 122	1 989
Denmark	HFNJ	21 426	20 936	27 265
Estonia	HFNO	122	302	227
Finland	HFOA	5 844	6 716	15 193
France	HFOB	160 761	183 910	225 694
Germany	HFNI	264 943	305 262	337 453
Greece	HFOD	13 638	17 378	18 467
Hungary	HFOG	722	1 226	927
Ireland	HF0I	112 914	136 440	157 503
Italy	HFOO	69 051	75 383	94 213
Latvia	HFOX	186	315	249
Lithuania	HFOV	101	176	130
Luxembourg	A5E4	81 450	83 374	113 714
Malta	A3SC	1 140	1 347	1 510
Netherlands	HFPD	208 840	207 484	204 832
Poland	HFPN	4 390	3 077	3 050
Portugal	HFPO	6 733	9 581	15 093
Slovak Republic	HFQH	396	151	548
Slovenia	HFQG	983	914	746
Spain	HFNR	36 202	46 034	52 489
Sweden	HFQE	29 358	26 199	40 945
European Central Bank	HFMP	—	—	—
EU Institutions	AFMO	38 196	38 877	40 285
Total EU25	A2M3	1 145 123	1 267 298	1 458 752
European Free Trade Association (EFTA)				
Iceland	HFOI	461	282	800
Liechtenstein	HFOU	1 980	2 176	2 166
Norway	HFPG	16 026	19 926	26 493
Switzerland	HFNC	232 418	240 866	256 176
Total EFTA	HFMT	250 885	263 250	285 635
Other Europe				
Albania	HFMU	86	52	58
Belarus	HFNA	69	70	136
Bulgaria	HFMY	509	499	495
Croatia	HFOF	828	1 349	1 461
Romania	HFQB	520	412	601
Russia	HFQC	9 337	13 605	16 999
Turkey	HFQJ	3 206	2 521	2 566
Ukraine	HFQL	208	1 228	1 461
Serbia and Montenegro	HFQP	213	457	351
Other	HFPT	190 481	198 918	200 494
Total Europe	HFNK	1 601 465	1 749 659	1 969 009
Americas				
Argentina	HFMV	462	247	225
Brazil	HFMZ	3 213	2 683	4 232
Canada	HFNB	40 650	34 782	41 803
Chile	HFND	961	775	1 041
Colombia	HFNF	1 313	573	799
Mexico	HFNB	5 658	2 575	2 776
United States of America	HFQM	852 154	738 882	805 683
Uruguay	HFQN	171	113	788
Venezuela	HFQO	1 030	1 012	1 124
Other Central American Countries	HFQV	118 695	106 886	157 171
Other	HFQZ	3 985	2 503	2 878
Total Americas	HFNN	1 028 292	891 031	1 018 520
Asia				
China	HFNE	8 106	9 184	7 090
Hong Kong	HFOE	82 697	71 163	78 872
India	HF0K	8 935	9 121	12 168
Indonesia	HF0H	3 067	2 791	2 681
Iran	HFOL	5 992	3 610	3 350
Israel	HF0J	6 752	6 292	5 959
Japan	HFOP	221 124	201 904	242 977
Malaysia	HFPC	6 038	4 257	4 357
Pakistan	HFPN	2 207	3 411	3 710
Philippines	HF0J	1 181	1 034	582
Saudi Arabia	HFQD	16 089	15 641	13 766
Singapore	HFQF	68 243	68 935	64 094
South Korea	HFOS	4 215	4 030	5 504
Taiwan	HFQK	4 533	3 482	7 509
Thailand	HFQI	4 035	1 314	3 462
Residual Gulf Arabian Countries	HFPW	39 734	32 651	27 813
Other Near & Middle Eastern Countries	HFNX	5 173	5 655	6 350
Other	HFPX	3 803	3 667	4 188
Total Asia	HFNT	491 924	448 142	494 432
Australasia & Oceania				
Australia	HFMX	26 064	26 644	32 493
New Zealand	HFPH	2 546	2 484	2 203
Other	HFPY	178	177	173
Total Australasia & Oceania	HFNZ	28 788	29 305	34 869
Africa				
Egypt	HFNO	6 611	6 055	6 329
Morocco	HFOZ	876	734	813
South Africa	HFQO	18 485	20 460	27 603
Other North Africa	HFQA	4 471	3 851	4 285
Other	HFPV	14 347	13 892	13 353
Total Africa	HFNM	44 790	44 992	52 383
International Organisations	HFMQ	16 310	14 772	17 010
Unallocated	D4BO	—	—	—
World total				
	HBQB	3 211 569	3 177 901	3 586 223

10.5

Geographical breakdown of International Investment Position: Net

Balance sheets valued at end of year

£ million

		2001	2002	2003
Europe				
European Union (EU)				
Austria	IDBU	-1 186	-2 436	-48
Belgium	A58F	-880	-5 217	-299
Cyprus	A3V5	-1 092	-1 510	-1 358
Czech Republic	IDCE	-696	-91	213
Denmark	IDCH	-1 177	889	-788
Estonia	IDCM	143	-107	11
Finland	IDCS	13 711	10 158	468
France	IDCT	63 000	30 195	10 369
Germany	IDCG	29 446	-11 515	-17 910
Greece	IDCU	4 208	2 423	3 766
Hungary	IDCX	3 471	3 532	3 651
Ireland	IDCZ	-15 645	-13 976	-6 431
Italy	IDDE	65 431	55 721	55 756
Latvia	IDDJ	-84	-195	-179
Lithuania	IDDI	55	-4	-11
Luxembourg	A5FI	33 143	26 092	35 736
Malta	A3V6	-552	-629	-550
Netherlands	IDDN	91 755	104 328	121 977
Poland	IDDS	944	3 060	4 223
Portugal	IDDT	13 523	11 637	11 211
Slovak Republic	IDEI	40	440	268
Slovenia	IDEH	-488	-611	-321
Spain	IDCO	20 837	6 784	34 314
Sweden	IDEF	21 961	12 921	5 131
European Central Bank	IDBN	-	-	-
EU Institutions	IDBM	-20 542	-17 892	-18 442
Total EU25	A2NH	319 326	213 997	240 757
European Free Trade Association (EFTA)				
Iceland	IDDD	667	625	718
Liechtenstein	IDDH	-1 140	-1 357	-1 207
Norway	IDDO	2 012	-195	-3 028
Switzerland	IDCA	-78 094	-91 718	-83 320
Total EFTA	IDBR	-76 555	-92 645	-86 837
Other Europe				
Albania	IDBS	-86	-60	-57
Belarus	IDBY	-68	-69	-135
Bulgaria	IDBW	593	-125	-49
Croatia	IDCW	-193	-295	-278
Romania	IDEC	38	293	443
Russia	IDED	-1 724	-5 196	-4 941
Turkey	IDEK	3 985	5 940	4 144
Ukraine	IDEM	-102	-1 062	-1 219
Serbia and Montenegro	IDEQ	-164	-406	-314
Other	IDDU	-116 258	-114 771	-95 727
Total Europe	IDCJ	128 792	5 601	55 787
Americas				
Argentina	IDBT	4 734	2 812	3 063
Brazil	IDBX	8 563	6 595	4 618
Canada	IDBZ	5 458	15 467	1 468
Chile	IDCB	2 399	2 633	2 266
Colombia	IDCD	800	2 078	2 140
Mexico	IDDL	4 503	5 337	5 241
United States of America	IDEN	-146 502	-104 217	-67 075
Uruguay	IDEO	130	190	-545
Venezuela	IDEP	777	732	-39
Other Central American Countries	IDDW	-11 461	16 822	-7 203
Other	IDEA	-3 173	-1 115	-1 134
Total Americas	IDCL	-133 772	-52 666	-57 200
Asia				
China	IDCC	-2 167	-2 451	88
Hong Kong	IDCV	-42 844	-39 726	-42 352
India	IDDB	-3 322	-4 187	-5 112
Indonesia	IDCY	-31	-153	297
Iran	IDDC	-4 878	-2 003	-827
Israel	IDDA	-5 081	-3 989	-3 496
Japan	IDDF	-15 063	20 721	-23 547
Malaysia	IDDM	-1 100	1 177	1 149
Pakistan	IDDR	-979	-2 548	-2 753
Philippines	IDDQ	1 039	1 565	2 849
Saudi Arabia	IDEE	-10 068	-9 907	-8 036
Singapore	IDEG	-18 248	-27 459	-18 279
South Korea	IDDG	7 283	10 874	11 960
Taiwan	IDEL	3 134	1 980	4 145
Thailand	ID EJ	-983	2 456	970
Residual Gulf Arabian Countries	IDDX	-18 610	-10 520	-5 837
Other Near & Middle Eastern Countries	IDCQ	-4 051	-4 569	-5 732
Other	IDDY	1 044	-733	-281
Total Asia	IDCP	-114 925	-69 472	-94 794
Australasia & Oceania				
Australia	IDBV	18 874	20 731	20 459
New Zealand	IDDP	2 588	3 144	3 566
Other	IDDZ	105	132	147
Total Australasia & Oceania	IDCR	21 567	24 007	24 172
Africa				
Egypt	IDCN	-4 358	-4 132	-4 804
Morocco	IDDK	-303	-407	-333
South Africa	IDER	-7 134	-3 757	-8 613
Other North Africa	IDEB	-3 870	-2 418	-3 263
Other	IDDV	-7 212	-7 350	-4 293
Total Africa	IDCK	-22 877	-18 064	-21 306
International Organisations	IDBO	-2 891	869	-1 381
Unallocated	D4BP	26 341	35 942	31 345
Reserve Assets	LTEB	25 649	25 469	23 794
World total	IDBP	-72 116	-48 314	-39 583

Part 4

Supplementary information

Balance of payments and the relationship to national accounts

This section is intended to help users of the Pink Book 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 references to Blue Book tables and so readers are advised to have access to these if possible.

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.

Relationship 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 a balance is derived in each table, which is then 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 UK economy in any period. GDP may be measured as:

- 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*;
- 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
- 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. This difference 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 presents the *Gross Domestic Product Account* for the whole economy, the derivation of GDP using the expenditure approach the income approach. 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 presents 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 1.7.7, 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, and other investment). 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 7.1.0, the *External account of goods and services*;
- (ii) table 7.1.2, the *External account of primary incomes and current transfers*;
- (iii) table 7.1.7, the *External capital account*;
- (iv) table 7.1.8, the *External Financial Account*; and
- (v) 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.

Transactions with the EU

Blue Book table 12.2 shows UK official transactions with institutions of the EU from a UK national accounts perspective. It has been re-created in the *Pink Book* as table 9.9 using balance of payments terminology.

Methodological notes

Trade in goods (chapter 2)

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. This is included in total trade in goods but cannot be separately identified.

Repairs on goods: this covers repairs that involve work performed by residents on movable goods owned by non-residents (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 non-resident 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 – for further information see page 167.

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 HM Revenue & Customs (HMRC) 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 HMRC 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 HMRC. Table 2.4 summarises this transition onto a balance of payments for each of the last 11 years.

Overseas trade statistics compiled by HM Revenue & Customs (HMRC)

Statistics of the UK's overseas trade in goods have been collected for over 300 years by HMRC, formerly HM Customs and Excise (HMCE). Since 1993 these data comprise statistics of UK imports from and exports to countries outside the EU. Data are compiled from declarations made to HMRC 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 submitted by traders or their agents to HMRC.

Prior to 1993 statistics of UK imports from and exports to all countries in the world were compiled from declarations made to HMRC 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 2004, the thresholds were £221,000, both for arrivals and for dispatches, compared with the 2002 and 2003 levels of £233,000. These detailed Intrastat declarations cover approximately 97 per cent 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; and (iii) to provide figures on the total value of trade carried out by traders below the assimilation 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 HMRC, 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 HMRC.

Late response

Traders who have a legal responsibility to provide Intrastat declarations are required to do so by the end of the calendar month following the month to which the declaration relates. However, where traders have failed to provide returns to Intrastat by the due date, 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 comparable traders who have provided returns for the current month.

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 late 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 by HMRC 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 HMRC 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, 70% relates to the calendar month with the bulk of the remaining 30% relating to the immediately preceding month.

HMRC's New Export System (NES), which replaces manual (paper) Customs declarations with electronic submissions, requires electronic messages from the trade once the goods have been exported in order to provide the departure date. The new system has led to greater efficiency; improving processing and thereby speeding up the flow of information. This means that, in terms of the value of trade, the proportion allocated to the correct month has increased from September 2003 onwards.

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 (f.o.b.) 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 (c.i.f.) basis including:

- the cost of the goods ;
- charges for freight and insurance;
- 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. In the UK, large traders, currently those who have more than £14 million of trade in the year, are required to supply information on their delivery terms; for other traders, regular sample surveys are conducted by HMRC 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 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 HMRC. 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 and published by HMRC) 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 HMRC; information on freight rates from Chamber of Shipping, Civil Aviation Authority and road hauliers; information from Eurotunnel.

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 HMRC

Source: inquiries to UK shipowners conducted by the Department for Transport.

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 HMRC.

Source: inquiries to UK shipowners conducted by the Department for Transport.

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: HMRC (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 HMRC 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 BPM5, 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 Department for Transport, (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).

Smuggling of alcohol and tobacco: Customs provide volume figures for smuggled goods

entering the UK based on published estimates of revenue loss and revenue evasion through smuggling. This information is supplemented by information on the average prices for alcohol and tobacco goods in France and Belgium from the published sources of the statistical and banking institutions in those countries in order to estimate the value of smuggled alcohol and tobacco entering the UK.

Sources: HMRC, INSEE and National Bank of Belgium

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 Diamond Trading Company, part of De Beers. Prior to 2001, 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 HMRC. In addition the value of diamonds imported into the UK can be reassessed after the diamonds have been cleared by Customs. Prior to 2001, this adjustment reflects these changes in valuation. From 2001 the procedure for recording movements of diamonds was changed so that all trade was included in the Overseas Trade Statistics by HMRC. From 2001, this adjustment removes movements of diamonds where no change of ownership has taken place.

Source: Diamond Trading Company.

Adjustments to imports for the impact of VAT Missing Trader Intra-Community (MTIC) fraud: VAT intra-Community missing trader fraud is a systematic, criminal attack on the VAT system, which has been detected in many EU Member States. In essence, fraudsters obtain VAT registration to acquire goods VAT free from other Member States. They then sell on the goods at VAT inclusive prices and disappear without paying over the VAT from their customers to the tax authorities. The fraud is usually carried out very quickly, with the fraudsters disappearing by the time the tax authorities follow up the registration with their regular assurance activities.

Acquisition fraud is where the goods are imported from the EU into the UK by a trader who then goes missing without completing a VAT return or Intrastat declaration. The 'missing trader' therefore has a VAT free supply of goods, as they make no payment of the VAT monies

due on the goods. He sells the goods to a buyer in the UK and the goods are available on the home market for consumption.

Carousel fraud is similar to acquisition fraud in the early stages, but the goods are not sold for consumption on the home market. Rather, they are sold through a series of companies in the UK and then re-exported to another Member State. Goods may be imported and exported several times, hence the goods moving in a circular pattern or 'carousel'.

The VAT system (and therefore the Intrastat collection of trade statistics) picks up the exports of any 'carouselled' goods, but does not pick up the associated import at the time the carouselled goods entered the UK. As a consequence, UK import statistics have been under reported.

ONS and HMRC have agreed a methodology to estimate for the impact of MTIC on the trade statistics. The method used relies heavily on information uncovered during HMRC's operational activity. As such it cannot be detailed for risk of prejudicing current activity, including criminal investigations and prosecutions and more generally undermining HMRC's ability to tackle the fraud effectively. The method specifically excludes adjustments for the acquisition variant of the fraud which cannot be quantified at present. The UK is the first member state to make adjustments in their trade statistics for this type of fraud.

Source: HMRC estimate

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, expressed as percentages of total trade excluding oil and erratics, are shown in Table 1.

Adjustments to estimates for late 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 HMRC. The following describes the adjustments made by the ONS to cope with these difficulties.

The HMRC method of estimation for late 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 late responder there may be no history of previous trade upon which to base an estimate. The current HMRC adjustments make an allowance for this, but recent changes in the overall trader profile, with an increasing proportion of smaller traders, means the current

methodology needs to be revised. In the meantime, ONS and HMRC have agreed that 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 HMRC 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 shown in Table 2:

Price and volume indices

When Intrastat was introduced it was envisaged that all declarations in respect of any particular month would be made within 6 months of the end of that month. As a consequence HMRC computer programs were designed to recalculate its initial estimates for late response for six months after those estimates first appear in the Overseas Trade Statistics. However the reality is that some declarations are still being received and processed after that six month period. These are being included as additions to the value of reported trade with no corresponding reduction in the value of estimated trade. Accordingly, in order to eliminate this element of double counting the ONS makes a negative adjustment to the value of estimated trade equal to the value of these late amendments. Note where the value of late amendments exceeds the value of estimated trade the level of estimated trade is set to zero.

Source: ONS estimate.

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. These data are presented in index number form.

References

Aggregate estimates of trade in goods, seasonally adjusted and on a balance of payments basis, are published monthly by National Statistics in a First Release. More detailed figures are available from the Time Series Data Service and are also contained in the *Monthly Review of External Trade Statistics (Business Monitor MM24)* which is available, free of charge, in electronic format as a PDF on the National Statistics website.

The latest *Trade in goods First Release* can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1119>

MM24 can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=613&Pos=&ColRank=2&Rank=256>

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

An article describing MTIC fraud and its effect on BoP and the UK National Accounts was published in *Economic Trends No. 597*, August 2003. A copy can be found at: <http://www.statistics.gov.uk/ccil/article.asp?id=402>. A follow-up report was published on 17 February 2005 which summarises the work carried out since July 2003 to review the estimates of the impact on the trade figures; a copy can be found at <http://www.statistics.gov.uk/ccil/article.asp?id=1066>

A fuller version of these methodological notes appears in *Statistics on Trade in Goods (Government Statistical Service Methodological Series 10)*. It also describes the methodology employed to derive volume and price indices and is available on the National Statistics website at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=3134>.

Trade in services (chapter 3)

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 (Merchandising 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 on implementation of BPM5 in 1998 meant that trade in services data at the individual product level could not always be constructed back in time. Preparation to collect trade in services by product commenced in 1996, with the introduction of the 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 were only small changes from the industry based data, and it was possible to construct longer time series.

Construction services (shown within 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 over a year, 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.

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) 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).

Therefore, 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 debit entries above relating to freight are included in imports of transportation services.

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 are 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 Home Office. 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 of freight services on UK imports provided by non-resident operators are compiled as follows; the estimates of total freight services (provided by ALL operators) on the sea legs of UK imports of goods are taken as the starting point, as described in chapter 9. Chamber of Shipping estimates of the element provided by UK operated ships are then deducted to obtain the non-resident operators element which is then used in the transportation account. 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.

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 operators are a joint UK/French enterprise, half of passenger and freight transactions are taken to accrue to the UK part of the business. 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 such earnings from lorries leaving the UK via the Northern Ireland land boundary are only included from 2002). 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 within the UK, although estimates of the trade with the Republic of Ireland are only included from 2002. 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). 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 have been covered by the survey since the second quarter of 1999. Prior to this, data were 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.

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 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 reinsurance. The amounts recorded in the accounts reflect the service charge earned on the provision of insurance services. This is equal

to net premiums from abroad (premiums less claims), plus property income attributed to policy holders, less the change in the reserves for foreign business, less foreign expenses. The figures for insurance companies' and brokers' underwriting activities are derived from annual inquiries conducted by the ONS. Lloyd's 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 Lloyd's 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), ITIS, and directly from other sources including the Baltic Exchange.

From the 2001 edition of the *Pink Book*, the service earnings of financial institutions are presented on a gross exports and imports basis. This treatment is consistent with the BPM5 edition of the accounts. Trade in services transactions covered by type of financial institution are detailed below:

Monetary financial institutions (banks and building societies)

This covers UK banking services giving rise to:

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

Fund management companies

From 2001, information on investment management fees and fees generated from advisory and other related functions, has been collected via ITIS. Earlier estimates were 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 run by the ONS. 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 MFIs 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 licence 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". The outright sale of a copyright is treated as a sale of a non-produced, non-financial asset and is recorded within the Capital Account (Table 6.1).

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 Lloyd's 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, recruitment and training 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.

From *Pink Book 2001*, estimates of banks' and securities dealers' management services appear in the other business services account. Previously, these management services were implicitly included in the financial services account.

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

United Kingdom Trade in Services, UKA1

UKA1 contains service sector information highlighting the UK's major trading partners, the services which are common to a number of industries, and the geographical breakdown on services and industries.

Editions of UKA1 can be found at the following web address: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=3343&Pos=&ColRank=1&Rank=256>

Sea transport

An annual analysis describing the international activities of the UK shipping industry is published by the Department for Transport, in *Transport Statistics Great Britain* (The Stationery Office).

Transport Statistics Great Britain, 2003 edition can be found at: <http://www.dft.gov.uk/>

[stellent/groups/dft_transstats/documents/page/dft_transstats_025209.hcsp](http://www.dft.gov.uk/stellent/groups/dft_transstats/documents/page/dft_transstats_025209.hcsp)

Air transport

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

CAA statistics are available at: http://www.caa.co.uk/erg/erg_stats/default.asp

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*.

Overseas Travel and Tourism First Releases can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=8168&Pos=&ColRank=1&Rank=272>

MQ6 can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1905&Pos=1&ColRank=1&Rank=256>

Travel Trends can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1391&Pos=&ColRank=1&Rank=272>

Income (chapter 4)

Introduction

The income account covers compensation of employees and investment income. For compensation of employees, 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

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

There are three components:

- (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

There are two components:

- (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 (Table 4.1 and 4.2)

The investment income account covers earnings (e.g., profits, dividends and interest payments and receipts) arising from foreign investment in 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, measured net of income or corporation taxes payable without penalty during the recording period by the enterprise to the economy in which that enterprise operates and, in the case of profits, after allowing for depreciation. Dividends are recorded when they are paid (on a cash basis), whereas interest is recorded on an accruals basis.

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 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. 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.

Earnings on direct investment (Table 4.3 and 4.4)

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 result in different entries in the current and financial accounts, but the sum of the two entries will always be the same). 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. Dividend receipts and payments include subsidiaries payments of withholding tax. Estimates for reinvested earnings are not collected separately but are derived by deducting dividends paid from total subsidiaries' profits.

Monetary financial institutions (banks): information on the direct investment earnings of UK registered banks, from their foreign branches, subsidiaries and associates are 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.

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; these results are supplemented by a quarterly survey. 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' 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 companies which are not approached in the inquiry but which are known to have direct investment links. 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.

Copies of the FDI First Release can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=728&Pos=1&ColRank=1&Rank=224>

Copies of the FDI Business Monitor can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=9614&Pos=1&ColRank=1&Rank=224>

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.

Debits

Estimates 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.

Earnings on portfolio investment (Table 4.5 and 4.6)

Credits

A large part of the total earnings of UK residents on equity securities and bonds and notes are earned on investments that are not considered to have led to the acquisition of a foreign affiliate (i.e. less than 10 per cent ownership), and so are classified as portfolio rather than direct investment.

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

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 debt securities: earnings on bonds and notes consist of interest received by UK residents on their holdings of foreign government and municipal loan stock and bonds of foreign registered companies; earnings on money market instruments consist of earnings of UK residents on holdings of foreign commercial paper, certificates of deposit etc.

Estimates of earnings by monetary financial institutions (banks and building societies) are derived from statutory inquiries conducted by the Bank of England.

Estimates of earnings by insurance companies and pensions funds, and securities' dealers, are largely derived from ONS inquiries.

Estimates of earnings by other financial intermediaries and private non-financial corporations are derived from survey-based asset levels to which rates of return on comparable assets shown by financial institutions are applied.

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. Also included are estimates of income from holdings of foreign equities acquired by UK households in exchange for their holdings of UK equities following an acquisition by a foreign direct investor. Typically, such acquisitions are funded by the issuance of shares by the investing company, rather than a cash payment. Significant levels of household ownership are most likely to exist when the UK company is a demutualised building society or privatised public utility.

Debits

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

Earnings on equity securities: Estimates of foreign earnings from UK equity securities consist of dividends paid to foreign holders of UK company ordinary shares. These estimates are calculated from Stock Exchange data on dividend payments, which are applied pro-rata to levels of non-resident holdings of UK shares derived from the ONS' share ownership surveys.

Earnings on debt securities:

- (i) Earnings on bonds and notes: Interest on UK foreign currency bonds and notes issued by central government relates to bonds issued by HM Government (the latest of which is the \$3 billion 5-year eurobond issued in 2003). Also included is interest on foreign currency securities originally issued by public corporations and local authorities

under the Exchange Cover Scheme and subsequently assigned to HM Government, and interest paid to foreign residents on their holdings of HM Government's floating rate notes. Data are estimated from the liability level and known interest rates.

Foreign earnings on British government stocks (gilts) are 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 have been zero in recent years.

From 1992, total interest paid on all bonds and notes issued by UK monetary financial institutions and other non-governmental 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; foreign receipts have been allocated pro rata to foreign holdings.

- (ii) *Earnings on money market instruments:* Foreign earnings on UK money market instruments consist of earnings on foreign holdings of UK treasury bills, certificates of deposit and commercial paper. Estimates of interest paid to foreign holders of 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, and from information supplied by the UK's Debt Management Office.

Earnings on other investment (Table 4.7 and 4.8)

Credits

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

Trade credit: only a minimal amount of data is available within trade credit. See Financial account notes for detail.

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' (MFIs) earnings on lending abroad from their earnings on deposits abroad. Estimates for earnings on such loans are therefore included indistinguishably within earnings on deposits (see below).

On long-term loans, earnings which are separately identifiable consist of earnings on loans by UK banks guaranteed by the Export Credit Guarantee Department (ECGD), earnings on loans by the ECGD, and earnings on loans by the Commonwealth Development Corporation (CDC). Data on earnings from these loans are

derived from information supplied by the Bank of England, the ECGD and the CDC.

On short-term loans, the earnings which are separately identifiable mainly consist of earnings on loans by non-governmental sectors other than MFIs. Earnings on such loans are derived from banking statistics.

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

Estimates for MFIs' earnings abroad are sub-divided into earnings on sterling deposits abroad and earnings on foreign currency deposits abroad.

Included under the heading of MFIs' earnings on deposits are earnings on MFIs' foreign lending as it is not possible to separate out UK banks' earnings on their lending abroad from earnings on their deposits abroad. Earnings from lending consist of the interest received by UK banks on overdrafts and loans to non-residents. In this context UK banks means all banks in the UK, including (with effect from 1 April 1998) the Banking Department of the Bank of England. The figures are based on returns made by banks to the Bank of England.

Estimates of securities dealers' earnings on deposits abroad are derived from an ONS statistical inquiry.

Estimates of earnings on deposits abroad for the UK private sector other than banks and securities dealers are largely estimated from levels of such assets (mainly those reported in banking statistics of countries in the BIS 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.

Earnings on other assets: until 2001 earnings from trusts and annuities were estimated from Inland Revenue data on all reported interest and dividend receipts from abroad. From 2001 Inland Revenue have ceased to collect this data, and from this point the data should be regarded as being of lower quality.

Debits

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

Trade credit: Only a minimal amount of data is available within trade credit. See Financial account notes for detail.

Earnings on loans: this covers interest on loans raised from commercial banks abroad and the European Investment Bank (EIB).

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. Estimates of interest on public corporations' borrowing from abroad are made by the Bank of England.

Estimates of foreign earnings on securities dealers' loans from abroad are derived from an ONS statistical inquiry.

For estimates of 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 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.

Earnings on deposits: foreign earnings on deposits with UK MFIs 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 UK 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.

Current transfers (chapter 5)

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). Some of 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 financial 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 mainly comes from government departments (HM Treasury, Foreign & Commonwealth Office and Department for International Development).

Credits

These mainly comprise receipts of the UK central government from EU institutions, taxes on income, and social contributions paid by non-resident workers.

Current taxes on income and wealth: these are the receipts of the UK government from taxes on the incomes of non-resident seasonal and border workers working in the UK (the incomes themselves are recorded as compensation of employees) and withholding taxes paid abroad by UK direct investment corporations. The former are estimated on the basis of the compensation of employees information derived from the International Passenger Survey and the latter from the ONS inquiries into foreign direct investment.

Social contributions: these represent social contributions paid to the UK National Insurance Fund by non-residents.

EU institutions: these receipts comprise the VAT Abatement and other smaller, miscellaneous EU receipts. From the 1998 edition of the Pink Book, the 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.

Social Security benefits: these mainly consist of National Insurance Fund retirement and war pensions paid abroad.

European Union institutions: these payments are mainly the Central Government 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 Regional 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. It is wholly-funded by the UK Government and is included as a credit in Trade in Services. 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.

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

Private social contributions: this consists of the actual social contributions paid by non-residents, plus the imputed contribution supplement, less the service charge. Data is sourced from ONS surveys to pension funds.

Receipts from EU institutions: comprise those 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, 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 taxes on income: these are taxes on the incomes of UK seasonal and border workers (recorded as Compensation of employees) working abroad and withholding taxes paid abroad by UK direct investment corporations. The former are estimated on the basis of the compensation of employees information derived from the International Passenger Survey and the latter from the ONS inquiries into foreign direct investment.

Private social benefits: comprise private pensions paid abroad, plus the change in net equity in pension fund reserves of non-residents. The data source is the ONS survey of pension funds.

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 is 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 transfers from UK households to non-residents. Data were obtained from exchange control records until 1979. Estimates for later years are based on counterpart information supplied by a number of countries on their receipts from the UK. These data are used in conjunction with historical information 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). These estimates are based on data supplied by the Institutions.
- (iii) The estimated value of gifts sent abroad by parcel post.

Capital account (chapter 6)

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. Compensation payments from the EU related to the destruction of animals to combat BSE and foot and mouth disease are also included here.

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

Debits

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's 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.

Transfers from 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. Other capital transfers are agricultural compensation scheme payments relating to BSE and the Foot and Mouth Disease Outbreak.

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, which are not covered by the IPS.

Debt forgiveness: this consists of non-government debt forgiveness by monetary financial institutions and public corporations. Data on monetary financial institutions is supplied by the Bank of England and data on public corporations is supplied by the Export Credit Guarantee Department.

Sales/Purchases 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. Such transactions are indistinguishable from other areas of the current account for years before 1996.

Financial account (chapter 7)

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 five main categories: direct investment, portfolio investment, financial derivatives, 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 (UK assets) above net credits (UK liabilities), 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 (Table 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.

Investment abroad by UK residents

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 previously classified as public corporations. Transactions of central government are excluded from direct investment. Direct investment abroad includes property transactions by both institutional investors and households. These are largely estimated in recent years, but work is ongoing to improve the data. Details of research to date can be found at: http://www.statistics.gov.uk/articles/economic_trends/ET619_Aspden.pdf

Investment in the UK by foreign residents

Direct investment in the UK by foreign residents predominantly includes net investment by foreign companies in branches, subsidiaries or associated companies 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.

Copies of the First Release can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=728&Pos=1&ColRank=1&Rank=224>

Copies of Business Monitor MA4 can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=9614&Pos=1&ColRank=1&Rank=224>

Limited 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*. From 2003 Inland Revenue ceased to collect this data, and from this point the data should be regarded as being of lower quality.

Copies of Business Monitor MQ5 can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=502&Pos=8&ColRank=1&Rank=256>

Portfolio investment (Table 7.5 and 7.6)

Portfolio investment is sub-divided into investment in equity securities and investment in debt securities; investment in debt securities is further sub-divided into investment in bonds and notes and investment in money market instruments.

Investment abroad by UK residents

Transactions in equity securities: these represent net transactions by UK residents in shares of foreign registered companies.

Transactions in bonds and notes: 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, including in members' premiums trust funds and overseas regulatory deposits, is included under household sector transactions in bonds and notes.

Estimates of portfolio investment transactions by UK MFLs, insurance companies and pension funds, and other financial intermediaries, are obtained from inquiries. Estimates for securities dealers' foreign investment, within other financial intermediaries, are based on integrated financial returns, with transactions aligned with changes in balance sheets. 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 each year-end, measured in the ONS's Financial Assets and Liabilities inquiry.

Estimates for household sector foreign investments, other than by 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.

Investment in the UK by foreign residents

Transactions in equity securities: the main source for estimates of transactions in ordinary shares is the portfolio investment inquiry run by the Bank of England. Other data are collected by ONS inquiries. Data are adjusted to take account of total levels of foreign investment in shares as indicated by the results of the ONS' annual Share Register Survey.

Transactions in debt securities:

- (i) *Transactions in bonds and notes:* this includes foreign net acquisitions and disposals of bonds and notes.

Foreign transactions in bonds and notes issued by HM Government are subdivided into transactions in UK foreign currency bonds and notes and transactions in other central government bonds.

Foreign transactions in British government stocks consists of net transactions by central banks, 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 have been zero in recent years. They are measured from official records.

Total foreign transactions in bonds and notes issued by non-governmental sectors are 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. The further breakdown of these data by sector and instrument is derived from data provided by the Bank of England supplemented by best estimates.

- (ii) 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 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, and from information supplied by the UK's Debt Management Office.

Financial derivatives (7.1)

Financial derivatives include options (on currencies, interest rates, commodities, indices, etc.), traded financial futures, warrants and currency and interest rate swaps. Estimates for financial derivatives are currently unavailable except for settlement receipts/payments on UK banks' interest rate swaps and forward rate agreements, which are supplied by the Bank of England. From Pink Book 2001 the UK moved to new international standards that treat settlement payments and receipts on interest rate swaps as financial flows (rather than

investment income). An article examining the use of derivatives in the UK accounts was published in the May 2005 edition of *Economic Trends*. It can be found at: http://www.statistics.gov.uk/downloads/theme_economy/ET618.pdf.

Other investment (Table 7.7 and 7.8)

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

Investment abroad by UK residents

Trade credit: represents the extent to which the flows of payments for imports and exports follow or precede the flows of goods or services in the current account. Lending activity to facilitate trade, including those loans underwritten by the Export Credit Guarantee Department (ECGD), is treated as loans and not trade credit within the accounts (see *loans*). 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 the affiliate or parent company, and is therefore recorded under direct investment.

At present only a minimal amount of data is recorded within trade credit. Some data previously recorded in this area has been reclassified as bank lending (see above), and is now within the loans data in other investment abroad. Other data are no longer suitable for inclusion and have been removed from the accounts, generally back to 1999.

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 (CDC) (a public corporation), loans by UK banks guaranteed by the ECGD, and loans by the ECGD itself. Inter-government loans covers drawings on and repayments of loans between the UK government and foreign governments. Estimates for loans by the CDC are obtained directly from the Corporation, UK banks' loans data are supplied by the Bank of England, whilst information on loans by the ECGD are supplied direct by the Department.

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 MFIs 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 MFIs' 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 are derived from their asset levels reported to the ONS.

Estimates of the UK private sector (excluding monetary financial institutions and securities dealers) are based on counterpart information obtained from 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 are included here. Net transactions in gold which is held as a financial asset by listed institutions in the London Bullion Market (LBM) are covered. These estimates are currently derived from data collected from banking statistics; a survey of LBM members has started during 2005 and results will be used to improve estimates in the future.

Other assets: this includes central government subscriptions to international organisations and covers capital subscriptions to international lending bodies other than the IMF, i.e. regional development banks, 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' and ECGD's 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.

Investment in the UK by foreign residents

Trade credit: only a minimal amount of data is recorded within trade credit. See outward investment notes for details.

Loans: these are sub-divided into long-term and short-term loans; 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 for Transport, Local Government 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 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 of borrowing by UK residents other than banks are based on data reported to the Bank for International Settlements (BIS), and are generally confined to borrowing from commercial banks based within the BIS reporting area (see glossary). 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. 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. 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.

International investment position (chapter 8)

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 4) and the financial account (see Chapter 7) 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.

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.

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 (Table 8.3 and 8.4)

Investment abroad by UK residents

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. The annual Foreign Direct Investment Inquiry collects balance sheet information to produce estimates of the net book value of direct investment for the end of each year. The figures to 2003 are based on the annual inquiry data and the 2004 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 MFIs have been based on periodic censuses of foreign assets and liabilities carried out by the Bank of England, the latest being for end-2003; 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.

Investment in the UK by foreign residents

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 year estimates are based on accumulated flows. Foreign direct investment in private non-financial corporations includes 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 (Table 8.5 and 8.6)

Portfolio investment abroad is sub-divided into equity securities and debt securities; debt securities are further sub-divided into bonds and notes and money market instruments.

Investment abroad by UK residents

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

The total is calculated using a combination of banking statistics, the results of the Bank of England's portfolio investment inquiry to banks on their customers' transactions, and information from ONS statistical inquiries to insurance companies and pension funds and other financial intermediaries including securities dealers.

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, together with estimates of assets held by private non-financial corporations, are derived from the quarterly Financial Assets and Liabilities survey.

Debt securities: 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.

Investment in the UK by foreign residents

Equity securities: the market value of inward portfolio investment in listed ordinary shares is based on the results of annual share ownership surveys. Adjustments are made to exclude holdings of a direct investment nature and to establish the beneficial ownership of nominee share holdings (the latest Share Ownership Report, covering end-2004, was published by the ONS in June 2005).

Editions of the Share Ownership Report can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=930&Pos=1&ColRank=1&Rank=272>

Debt securities:

- (i) *Bonds and notes:* Levels of investment in UK foreign currency bonds and notes issued by HM Government are translated to sterling at end-year middle-market rates.

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.

Levels of inward investment in bonds and notes issued by UK MFIs and other sectors are estimated from information derived from Bank of England and London Stock Exchange records of UK company bond issues, accumulated financial transactions,

and price and exchange rate movements.

- (ii) *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, and from information supplied by the UK's Debt Management Office.

Other investment levels (Table 8.7 and 8.8)

Investment abroad by UK residents

Other investment abroad by UK residents is sub-divided into trade credit, loans, currency and deposits, and other assets. For notes on trade credit, loans, and central government subscriptions to international organisations, see under "Other investment abroad by UK residents" under *Financial account* (Chapter 7).

Currency and deposits: Estimates of UK residents' holdings of foreign notes and coins and of deposits abroad relate to the private sector.

Estimates of foreign notes and coin covers estimated holdings (excluding gold coin) by UK residents. Data for MFIs are obtained from the Bank of England. Data for other sectors are derived from transactions with an allowance for exchange rate movements.

Deposits abroad by UK MFIs are derived from banking data. Estimates of securities dealers' deposits abroad are derived from an ONS statistical inquiry.

Estimates of other UK private sector deposits with banks abroad are derived from the banking statistics of countries in the BIS reporting area (as defined in the Glossary) obtained from the Bank for International Settlements. 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.

Other assets: Other sectors' long-term and short-term assets largely relate to assets other than bonds and shares of UK insurance companies, pension funds and other financial intermediaries. Estimates are obtained from ONS statistical inquiries.

Investment in the UK by foreign residents

Other investment in the UK by foreign residents is sub-divided into trade credit, loans, currency and deposits, and other liabilities. For notes on trade credit, and loans to central government, local authorities, public corporations and securities dealers, see under "Other investment in the UK by foreign residents" under *Financial account* (Chapter 7).

Short-term loans to the UK private sector other than MFIs and securities dealers: estimates for such loans are derived mainly from the banking

statistics of countries in the BIS reporting area. Adjustments have been made to eliminate overlap with other items. The limitations in the BIS data has resulted in statistical adjustments being applied 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 IIP. Borrowing from the European Investment Bank is also included.

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

Foreign deposits with UK MFIs 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 with deposits. Estimates 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. Since 1973 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 asset 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. Until 1999 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 swap 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 to end 1999. SDRs and convertible currencies (including ECUs) are valued throughout at closing middle market rates of exchange. Since 2000 all reserve assets are valued at end-period market prices and exchange rates.

External Debt (Table 8.10)

Gross external debt is defined as the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of an economy.

UK External Debt data are compiled according to the IMF's External Debt Statistics: guide for compilers and users (<http://www.imf.org/external/pubs/ft/eds/Eng/Guide/index.htm#Guide>) The data are consistent with those contained in the UK's IIP statement.

End period stocks of external liabilities are classified according to institutional sector (General Government, Monetary Authorities, Banks and Other sectors); type of instrument; and original maturity of instrument. Direct investment liabilities are separately identified.

Financial derivatives (Table FD)

Financial derivatives are defined as financial instruments that are linked to the price performance of an underlying asset and which involve the trading of financial risk. Examples of the underlying asset might include a financial instrument, commodity, bilateral foreign exchange rate, movement in stock index, or interest rate. Financial derivatives include options, futures/forwards, swaps, FRAs, warrants and certain credit derivatives. The rationale for separate recording of derivatives contracts in the financial account is to keep the distinction between them and other transactions (e.g. securities) to which they may be linked for hedging purposes. Derivatives are valued at current market prices.

Data on UK Banks' gross asset and liability positions in derivatives are collected quarterly by the Bank of England; no data are available prior to 1998. Data on securities dealers' assets and liabilities are collected by the ONS; similarly there are no data available prior to 1998.

Data published in table FD form supplementary information as estimates for financial derivatives have yet to be fully implemented in either the UK international investment position or in the UK's national accounts balance sheets. Work is continuing to validate and improve the estimates and obtain more information on the types of derivatives traded, and the underlying transactions.

Geographical breakdown on the current account and International Investment Position (chapters 9 and 10)

Introduction

The geographical data is consistent with level 3 of Eurostat's Vade Mecum (66 individual countries, 9 geographical regions and 5 continents). Data for the European Union (EU) relate to the membership following the enlargement of 1 May 2004. EU Institutions are included in the EU aggregate and are excluded from the International Organisations total. Separate data for Belgium and Luxembourg are not available for periods before 1999. Data for China exclude Hong Kong, which is shown as an individual item.

Reliability of estimates

The United Kingdom's (UK) balance of payments accounts are primarily compiled on a global basis. Not all of the data sources used in preparing the accounts attempt to distinguish transactions on a full country basis, although the majority do. Where individual country information is not reported, estimates are made by using the geographical detail for a related category; for example, the geographical breakdown of financial assets and liabilities is used to allocate some components of investment income.

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

Given these conceptual and practical limitations, these estimates should be seen as a broad indication of the economic relationships between the UK and the rest of the world economies. They will be more reliable and meaningful in terms of broad geographical areas and major partner countries than for smaller partners. Estimates for recent years, are currently more reliable than those for earlier years, since some data sources do not extend back over the whole published period.

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. An analysis of UK asymmetries with its EU and US partners was published in the March 2005 edition of *Economic Trends*, which can be found at: http://www.statistics.gov.uk/downloads/theme_economy/ET616.pdf.

Trade in goods

Exports of goods are allocated to the country of destination; imports of goods are allocated according to the country of consignment. However, export figures from a country (A) to another country (B) may over-estimate the value of goods actually consumed in that country (B) if the importer forwards the goods on to another country (C). There are several reasons for this: 'the Rotterdam/Antwerp effect' (exports are properly attributed to the country where the port of discharge is located, following international convention, but are then re-exported to the country of final destination); other transit trade (goods passing straight through the country); and triangular trade (where goods are sold from Member state A to B and onto C, but the goods move directly from A to C). 'The Rotterdam/Antwerp effect' is a particular issue with the UK because of exports routed through Rotterdam in the Netherlands and Antwerp in Belgium. No information is available on the value of UK exports that are subsequently shipped on to other countries, although investigations are taking place. The principal data source for trade in goods is HMRC (see methodological chapter on Trade in Goods for more details).

Trade in services

The geographical breakdown of exports and imports of services are largely based on the existing sources of information for the global estimates, although there is some use of proxy information for some components. The change from an industry to a product based presentation with the introduction of the fifth edition of the IMF Balance of Payments Manual in 1998, 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 are based on information supplied to us by the Civil Aviation Authority, 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: a detailed geographical split of travel expenditure, both exports and imports are supplied to us by the International Passenger Survey. 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, other business and personal services is largely based on information supplied to the ITIS survey, supplemented with information from Royal Mail, the ONS's Film and Television inquiries and Lloyd's registry for shipping.

Insurance services: estimates are based on detailed geographical data provided by Lloyd's of London, as well as the ITIS survey for insurance imports provided to non-insurance institutions. The geographical split of trade in goods' imports are used as a proxy for freight insurance imports. Other insurance services, geographical splits are based on fixed weights.

Financial services: geographical information on exports and imports of banking services are obtained from the Bank of England. Estimates for all other financial services are based on limited geographical breakdowns collected in the ITIS inquiry and the use of proxies.

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 for Work and Pensions, and the Foreign and Commonwealth Office. The United States Air Force also provides 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 which can be found at: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=3343&Pos=&ColRank=1&Rank=256>.

Income

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.

Investment income and International Investment Position

Direct investment income: figures are based on the annual foreign investment inquiries and include reinvested profits. Geographical information is based on the country of registration of the immediate foreign parent company and the location of the foreign 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, in the form of bonds and notes and money market instruments, issued by foreign institutions. Global estimates are derived from surveys of UK end-investors (banks, securities dealers, unit and investment trusts, insurance companies, pension funds and some non-financial companies).

Deriving a geographical breakdown of portfolio investment income flows has been one of the most problematic areas of Balance of Payments compilation. Portfolio investment income is particularly difficult to allocate correctly to the actual country owning or issuing the security, as the transactions are often made through financial intermediaries in a third country. However, with the launch and subsequent expansion of the IMF's Co-ordinated Portfolio Investment Survey (CPIS), an important new data source has become available. Participants in the CPIS collect a geographical breakdown of their portfolio investment assets, which are co-ordinated and disseminated by the IMF.

Data on the geographical breakdown of portfolio investment credits are derived from the UK's contribution to the CPIS exercise from 2001. (An article detailing the results of the 2001 and 2002 surveys was published in the June 2004 edition of *Economic Trends*. The results for 2003 are presented in this publication.) For banks, Bank of England information on the geographical breakdown of levels is applied to the estimates of global earnings obtained by surveys of UK banks. Similarly for non-banks, a geographical breakdown of portfolio investment income is derived from the geographical breakdown of portfolio investment assets.

Information on the geographical breakdown of UK portfolio investment debits (dividends and interest payments made to overseas residents by issuers of UK securities), are based on other countries' participation in the CPIS exercise. The IMF act as a central clearing house for the compilation of aggregate data from countries that have participated in the CPIS and disseminate the information to BoP compilers. These data can provide us with information on

participating countries' holdings of UK issued equity and debt securities. For earlier years, surveys of share ownership are used to allocate portfolio holdings of UK equity securities and associated dividends by country of holder. For interest on holdings of debt securities, data derived from the CPIS exercises of 2001, 2002 and 2003 has been used to estimate the geographical breakdown for earlier periods.

Other investment income: gross interest flows between UK banks and the rest of the world are estimated by the Bank of England by allocating global interest receipts and payments in proportion to the corresponding levels of assets and liabilities of UK banks. Interest flows for UK non-bank deposits with, and borrowing from, banks in the BIS reporting area are allocated in proportion to the levels supplied by the BIS. 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 are included within 'Other Europe'.

Current transfers

The geographical allocation of withholding taxes 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 Lloyd's of London. Data on EU transfers are provided by the Treasury, and the geographical allocation of social security and aid payments are supplied by the Department for Work and Pensions and the Department for International Development, respectively. Other geographical breakdowns are based on proxy data and global transfer estimates.

UK official transactions with institutions of the EU. (Table 9.9)

This table presents all the official transactions between the UK Government and the Institutions of the European Union. The series are the same as those shown in table 12.2 of the Blue Book but the presentation here reflects Balance of Payments rather than National Accounts classification of transactions.

Some of the transfers are classified to Other sectors (rather than Central government) as they are paid by or to non-government sectors; however they are still classified as official transactions because the money is collected from or paid to non-government sectors by the UK Government on behalf of the EU. The source for much of the data is HM Treasury (HMT), who are responsible for the UK's official transactions with the EU. These data represent the cash movements in and out of Government bank accounts for Transactions with the EU. Any divergences from this source - to accord with the reporting conventions required for Balance of Payments and National Accounts - are detailed below. The data sourced from HMT are also available in Table 3 of the HMT White Paper on

EU Finances (<http://www.hm-treasury.gov.uk/media/794/8B/ACF12CF.pdf>).

Credits

Exports of services.

This series represents the part of the collected import levies that the UK government is allowed to keep to cover the costs of collection. The percentage retained was 10% up until 2000 and has been 25% from 2001 onwards. It is treated as an export of a government service. The exports of services to EU Institutions series in table 9.3 differs from this one in that that series includes services provided to EU Institutions by UK private companies.

Other sectors current transfers.

These largely comprise of receipts from the Agricultural Guarantee Fund and the European Social Fund. The receipts from the Agricultural Guarantee Fund are classified as subsidies and are recorded on an accruals basis based on the subsidies paid to farmers by the Rural Payments Agency.

Central government current transfers.

These mainly comprise the Fontainebleau Abatement but also include a small number of miscellaneous payments to EU institutions and research councils. Since 1984 the UK's contribution to the VAT own resource has been abated in recognition of the relatively low level of its receipts, compared with its contributions to the Community Budget. Broadly, the UK receives a VAT abatement of its gross contributions equal to two-thirds of the difference between its unabated contribution and its receipts. This is deducted a year in arrears. Since the 1998 edition of the Pink Book, this abatement has been treated as a credit entry to the UK balance of payments rather than simply being netted off VAT based contributions.

Other sectors capital transfers.

In most years these consist entirely of receipts from the Agricultural Guidance Fund and the European Regional Development Fund. Other capital transfers from EU institutions are payments to farmers under agricultural compensation schemes related to the destruction of animals during the BSE and Foot and Mouth disease outbreaks.

Debits

Other sectors current transfers

These comprise the UK's traditional own resource and third own resource contributions to the EU. The former are customs duties paid on a range of products imported from non-member states, and levies charged on the production of sugar to recover part of the costs of subsidising the export of surplus EU sugar on to the world market. EU third own resources are VAT based contributions which represent a notional extra one per cent on the VAT base, but are capped at one-half of one per cent of Gross National Income (GNI), hence the adjustment to VAT contributions. Payments of both traditional and third own resource contributions are classified as taxes paid direct to the EU. Estimates are

sourced from HMRC and are converted to an accruals basis using agreed methodologies.

Central government current transfers.

This mainly consists of the UK Government's fourth own resource contribution. This is calculated as a fixed percentage of UK GNI, increased or rebated according to whether within the EU budget as a whole expenditure exceeds or falls short of revenue. There are also a small number of miscellaneous payments to EU institutions under this heading.

Further information on UK balance of payments.

The following articles relating to UK balance of payments statistics have been published since the last *Pink Book*:

Analysis of past revisions to UK Trade statistics

The past revisions performance for UK Trade statistics explained.

Author: David Ruffles

This article presents an analysis of the past revisions performance for UK Trade statistics, looks at the statistically significant mean or average revisions seen in the figures for Total trade, identifies the main causes of these revisions, and describes what is being done to improve the first published estimates.

<http://www.statistics.gov.uk/articles/nojournal/ukTrade.pdf>

Analysis of Revisions to Quarterly Current Account Balance of Payments Data

An analysis of revisions made to Balance of Payments quarterly current account data between 1996 Q4 and 2001 Q3.

Author: Ellie Turner

This article looks at the current account, focussing on revisions to current account credits and debits and how these influence revisions to the current account balance. The article also explores the chronological evolution of revisions and revisions to current account components and provides possible justification for the more prominent revisions over the period analysed.

http://www.statistics.gov.uk/articles/nojournal/BoP_report2004.pdf

Current Account Asymmetries with the European Union, Annual Report 2004

The first in a series of annual reports on what are known as current account asymmetries.

Author: Libby Cox

Current account asymmetries occur when one country's data does not correspond to the same data for the same transaction reported by its partner countries. This report analyses asymmetries between the UK current account and the rest of the European Union. Additional data is presented regarding asymmetries between the UK and the US.

http://www.statistics.gov.uk/articles/economic_trends/ET616Cox.pdf

Report on impact of MTIC on UK Trade statistics

Report on further research into the impact of Missing Trader Fraud on UK Trade Statistics, Balance of Payments and National Accounts.

Authors: David Ruffles, Tricia Williams (HM Revenue & Customs)

This article is a follow-up to the article published in the August 2003 edition of Economic Trends which is available on the National Statistics website. It summarises the work carried out since July 2003 to review the estimates of the impact of Missing Trader Intra-Community (MTIC) VAT Fraud on UK Trade Statistics, Balance of Payments and National Accounts, and to investigate potential methods of estimating acquisition fraud.

http://www.statistics.gov.uk/articles/nojournal/Further_Missing_Trader_Fraud_Research.pdf

Methodological improvements to UK foreign property investment statistics

New methodology to measure ownership of foreign property by UK households and estimates the value of property owned at end 2003 to be £23 billion.

Author: Deborah Nicole Aspden

This article presents new methodology to measure ownership of foreign property by UK households. It is based on the Office of the Deputy Prime Minister's (ODPM) Survey of English Housing (SEH). The new methodology estimates the value of foreign property ownership in 2003/04 to be just above £23 billion - more than double the estimate for 1999/00. Investment is highest in Europe, with Spain and France being the preferred locations for investment.

http://www.statistics.gov.uk/articles/economic_trends/ET619_Aspden.pdf

Financial Derivatives in the UK Sector Balance Sheets and Financial Accounts

Although the availability and quality of data on financial derivatives has improved, a number of methodology and coverage issues remain outstanding.

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This article re-assesses the area of derivatives statistics following expanded data availability. It examines a number of issues, both conceptual and practical, which will need to be resolved before the collective data on derivatives can be integrated into the UK accounts.

http://www.statistics.gov.uk/articles/economic_trends/ET618Sem.pdf

Other articles

Older articles which may be of interest, published in Economic Trends, include:

"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 and December 2000.

<http://www.statistics.gov.uk/cpi/article.asp?id=44>

<http://www.statistics.gov.uk/cpi/article.asp?id=61>

"IMF Co-ordinated Portfolio Investment Survey", May 2003.

http://www.statistics.gov.uk/articles/economic_trends/ET_May03_Humphries.pdf

"Geographical breakdown of the UK International Investment Position", June 2004.

http://www.statistics.gov.uk/articles/economic_trends/ET607Humphries.pdf

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, in order to exploit a temporary misalignment of prices at little or no risk.

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. It was formerly classified to central government though it is now part of the central bank/monetary authorities 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. The most recent BIS data used within the UK balance of payments accounts covers non-bank borrowing from banks in the following countries: Australia, Austria, the Bahamas, Bahrain, Belgium/Luxembourg, Bermuda, Brazil, Canada, Cayman Islands, Chile, Denmark, Finland, France, Germany, Greece, Guernsey, Hong Kong SAR, India, Ireland, Isle of Man, Italy, Japan, Jersey, Mexico, Netherlands, Netherlands Antilles, Norway, Panama, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan, Turkey and United States of America. The data used for balance of payments purposes are locational banking statistics on a residence basis.

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)

Banks are defined as all financial institutions recognised by the Bank of England as UK banks. For statistical purposes, this includes:

- institutions which have a permission under Part 4 of the Financial Services and Markets Act 2000 (FSMA) to accept deposits, other than (i) credit unions, (ii) firms which have a permission to accept deposits only in the course of carrying out contracts of insurance in accordance with that permission, (iii) friendly societies, and (iv) building societies;
- European Economic Area credit institutions with a permission under Schedule 3 to FSMA to accept deposits through a UK branch; and
- the Banking and Issue Departments of the Bank of England (the latter from April 1998).

Prior to December 2001, banks were defined as all financial institutions recognised by the Bank of England as UK banks for statistical purposes, 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 1988), and deposit-taking UK branches of 'European Authorised Institutions'. This includes UK 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 and Financial Statistics publication' and can also be found on the Financial Services Authority website at: www.fsa.gov.uk/list_banks.

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 the UK resident draws the bill on the UK bank and not on the foreign 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. Bonds are 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.

BPM5

The Balance of Payments Manual, 5th Edition, published in 1993 by the IMF.

Branch

An unincorporated enterprise, wholly or jointly owned by a direct investor.

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 the 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 *free on board* valuation consistent with the valuation of exports which is used in the economic accounts.

Collective Investment Institution (CII)

Incorporated (investment companies or investment trusts) and unincorporated undertakings (mutual funds or unit trusts) that invest the funds, collected from investors by means of issuing shares/units (other than equity), in financial assets (mainly marketable securities and bank deposits) and real estate. (See also Trusts).

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.

Coordinated Portfolio Investment Survey (CPIS)

A survey coordinated and disseminated by the IMF. Participants in the CPIS collect a geographical breakdown of their portfolio investment assets.

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 (as SDRs are no one sector's liabilities). (For SDRs see Special Drawing Rights).

Cross-trades

See Merchanting.

Currency swaps

A *currency swap*, also known as a *cross-currency interest-rate swap* contract, consists of an exchange of cash flows related to interest payments and, at the end of the contract, an exchange of principal amounts in specified currencies at a specified exchange rate.

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.

Current transfers

See Transfers.

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., and money market instruments. These are split into long and short (up to one year) term, based on original maturity.

Derivatives

See Financial Derivatives.

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, defined as having an equity interest in an enterprise resident in another country of 10 per cent or more of the ordinary shares or voting stock. (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, e.g. by operators of ships or aircraft.

Dividend

A payment made to company shareholders from current or previously retained profits. Dividends are recorded when they become payable.

Equity

Equity is ownership or potential ownership of a company. Equities 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 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 (i.e., 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.

Euro area

The euro area encompasses those Member States of the European Union in which the euro has been adopted as the single currency and in which a single monetary policy is conducted under the responsibility of the decision-making bodies of the European Central Bank. The euro area currently comprises Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.

Eurocurrency market

All borrowing and lending by banks in currencies other than that of the country in which the banks are situated.

Euro/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, with Greece joining on 1 January 2001. From 1 January 2003, the Euro became the currency of the member states of the European Monetary Union.

European Central Bank (ECB)

The Monetary Authority for the Euro currency, based in Frankfurt. The ECB, together with the national central banks of the member states, manages monetary policy and the banking system across the European Monetary Union area.

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 System (EMS)

The EMS was established in March 1979. Its most important element was the mechanism known as the ERM (Exchange Rate Mechanism) whereby the exchange rates between the currencies of the participating member states were 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. The EMS was superseded by the single currency when eleven of the participating member states joined European Monetary Union on 1 January 1999, with Greece joining on 1 January 2001.

Eurosystem

The Eurosystem comprises the European Central Bank (ECB) and the national central banks of the Member States which have adopted the euro in Stage Three of Economic and Monetary Union (EMU). There are currently 12 national central banks in the Eurosystem. The Eurosystem is governed by the Governing Council and the Executive Board of the ECB and has assumed the task of conducting the single monetary policy for the euro area since 1 January 1999. Its primary objective is to maintain price stability.

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 (see below) 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 with 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, classified to the public corporations sector, the main function of which is to provide insurance cover for export credit transactions.

External debt

A measure of balance sheet liabilities owing to non-residents. Liabilities relating to trade credit, debt securities, and loans and deposits (including inter-company liabilities within direct investment) are included; equity liabilities are excluded.

Financial account

The financial account records transactions in external assets and liabilities of the UK, e.g., the acquisitions and disposals of foreign shares by UK residents. The financial account consists of direct investment, portfolio investment, other investment, financial derivatives 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, insurance broking and fund management. Financial auxiliaries therefore include insurance brokers and fund managers.

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 are treated as separate transactions, rather than being included as integral parts of underlying transactions to which they may be linked as hedges. Only estimates for settlement receipts/payments on UK banks' interest rate swaps and forward rate agreements are currently included.

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)

A 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 exports 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", "abroad" or "non-resident" are used with the same meaning. (See Residency).

Other Financial Intermediaries (OFIs)

A diverse group of units constituting all financial corporations other than depository corporations, insurance corporations, pension funds, and financial auxiliaries. They generally raise funds by accepting long-term or specialised types of deposits and by issuing securities and equity. These intermediaries often specialise in lending to particular types of borrowers and in using specialised financial arrangements such as financial leasing, securitised lending, and financial derivative operations.

Forwards

In a *forward contract*, the counterparties agree to exchange, on a specified date, a specified quantity of an underlying item (real or financial) at an agreed-upon contract price (the strike price). If a future exchange of currencies is carried out in a forward contract, the counterparties exchange, in accordance with prearranged terms, cash flows based on the reference prices of the underlying items. Forward rate agreements and forward foreign exchange contracts are common types of forward contracts.

Futures

Futures are forward contracts traded on organised exchanges. They 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 *BPMS* 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, exchange 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. The settlement receipts/payments on UK banks' interest rate swaps appear in the financial account under financial derivatives.

International Investment Position (IIP)

The international investment position records end of period balance sheet levels of UK external assets and liabilities. The IIP consists of direct investment, portfolio investment, other investment and reserve assets. Financial derivatives are not currently included in the IIP, but presented separately in table FD.

International Monetary Fund (IMF)

A Fund set up as a result of the Bretton Woods Conference of 1944 and 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 (IBAP)

The UK government agency which used to operate the support arrangements of the EU Common Agricultural Policy within the United Kingdom. It has now been replaced by the Rural Payments Agency (RPA).

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

See Trusts.

Leasing

In the balance of payments accounts all financial leases and some long-term operating leases (e.g. 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.

Liabilities

In balance of payments terminology, liabilities are the financial claims of non-residents on the UK.

LIBOR

London Interbank Offered Rate. The rate of interest at which banks borrow funds from other banks, in marketable size, in the London Interbank market.

Local authorities

Elected councils responsible for the administration of certain services in particular areas within the United Kingdom.

Merchanting

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.

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). Data is not separately available in the UK accounts for monetary authorities.

Monetary financial institutions

Banks and building societies.

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 up to 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 are short-term instruments usually 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.

MTIC

VAT missing trader intra-Community fraud. A systematic, criminal attack on the VAT system, which has been detected in many EU Member States. In essence, fraudsters obtain VAT registration to acquire goods VAT free from other Member States. They then sell on the goods at VAT inclusive prices and disappear without paying over the VAT paid by their customers to the tax authorities.

Navy, Army and Air Force Institute (NAAFI)

A body which provides goods and services for use by 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. Also known as the balancing item.

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.

Offshores

The economic territory of a country consists of the geographic territory administered by a government; within this territory, persons, goods, and capital circulate freely. In the context of the UK, the offshore islands of the Channel Islands and the Isle of Man are subject to their own fiscal authorities and have their own tax systems, there are impediments to taking up residency, and they are not part of the EU. They are therefore not recognised as part of the economic territory of the UK for BOP purposes and are classified as non-resident in the UK.

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 represents 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 usually have a substantial degree of financial independence from the public authority which created them. A body is normally treated as a trading body when more than half its income is financed by fees. A public corporation is publicly controlled to the extent that the public authorities appoint a majority of the board of management or when public authorities can exert significant control over general corporate policy through other means. 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.

Reinvested earnings

The direct investor's share of earnings not

distributed as dividends (by subsidiaries) or branch profits. As this income remains with the foreign subsidiary or branch (it is reinvested by the parent) an amount will appear in the financial account equal to (and with opposite sign) the corresponding entry within direct investment income.

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". 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. Repo transactions are treated as borrowing/lending within other investment, rather than as transactions in the underlying securities.

Reserve assets

Short term assets which can be very quickly converted into cash. They comprise the UK's official holdings of gold, convertible currencies, Special Drawing Rights, and changes in the UK reserve position in the IMF. Also included between July 1979 and December 1998 are European Currency Units acquired from swaps with the European Cooperation Fund, EMI and the ECB. Reserve assets were referred to as "official reserves" in editions of the *Pink Book* prior to 1998.

Reserve position in the Fund

The United Kingdom's position in the IMF's General Resources Account. This position is the sum of the UK's reserve tranche purchases, and any indebtedness of the Fund (under a loan agreement) that is readily payable to the UK.

Residency

UK residents are those with a centre of economic interest within the UK of at least one year's duration – nationality does not play a part in determining residency status. There are a number of exceptions to the standard residency classification: UK embassies and military bases abroad are deemed to be residents of the UK (conversely other nations' embassies and military bases in the UK are classed as non-residents), as are students studying abroad or patients being treated abroad who are normally resident in the UK. (See also Offshores).

Royalties

These form 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, e.g. licences to use patents, trade marks, designs, copyrights, etc. Sales and purchases of patents are included within the capital account.

Rural Payments Agency (RPA)

The UK government agency which operates the support arrangements of the EU Common Agricultural Policy within the United Kingdom. This replaced the Intervention Board for Agricultural Produce (IBAP).

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.

Smuggling

Smuggling is the importation of goods acquired duty free or duty paid in another country for re-sale in the UK without payment of UK duty and (where appropriate) VAT. (See also MTIC).

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, i.e. 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).

Swaps

See *interest-rate swaps* and *currency swaps*.

Third country trade or cross-trade

See *Merchanting*.

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 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, for example purchases for local use by foreign forces in the United Kingdom and by UK forces abroad, and purchases by tourists. 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; i.e., 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.

Trusts (Unit and Investment)

Unit trusts are 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. Unit trust units are issued and bought back on demand by the managers of the trust, the value of the unit reflecting the value of the underlying pool of securities.

Investment trusts are institutions that invest capital in a wide range of other companies' shares. Investment trusts issue shares (which are listed on the stock market) to raise this capital. The price of shares is driven by the usual market forces.

Unit trusts are 'open-ended funds' which means the fund gets bigger as more people invest and gets smaller as people withdraw their money. Investment trusts are 'close-ended funds' because there are a set number of shares and this number does not change regardless of the number of investors. (See also *Collective investment institutions*.)

Very short term financing facility (VSTFF)

This is a facility available within the EMS where a central bank makes short term credit facilities in its own currency available to another central bank.

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