

United Kingdom Balance of Payments: preliminary figures for the first quarter of 1987

Preliminary estimates indicate that the UK current account (seasonally adjusted) was in surplus by £0.7 billion in the first quarter of 1987. There was a deficit on visible trade of £1.1 billion and a surplus on invisible transactions of £1.8 billion (Table 1).

The deficit on visible trade in the first quarter was made up of a surplus on trade in oil of £1.2 billion, and a deficit on non-oil trade of £2.3 billion. Between the fourth quarter of 1986 and the first quarter of 1987 there was an increase of £0.3 billion in the surplus on trade in oil, and reduction of £1.1 billion in the deficit on non-oil trade (Table 2).

The preliminary estimates for invisibles in the first quarter put the net credit on services at £1.4 billion (Table 5). Net investment earnings (interest, profits and dividends) are put at £1.2 billion (Table 6) and net transfer payments overseas are put at £0.8 billion (Table 7). It must be stressed that figures for invisible transactions, particularly for the most recent quarters, are liable to substantial revisions as later information becomes available.

The estimated surplus on services in the first quarter (£1.4 billion) was lower than in the previous quarter (£1.5 billion), although slightly above the average quarterly level during 1986 (£1.35 billion). Improvements in the sea transport and civil aviation accounts in the first quarter were more than offset by adverse changes in respect of travel and financial and other services (Table 5).

The estimated surplus on interest, profits and dividends was also lower than in the fourth quarter (£1.2 billion compared with £1.3 billion). Earnings on UK direct investment overseas increased by £0.3 billion more than earnings on overseas direct investment in the UK. However, the net receipts by UK banks in respect of portfolio investment income and interest on borrowing from and lending to overseas residents fell by £0.4 billion (Table 6).

The deficit on transfers in the first quarter was similar to that in the preceding quarter. Net payments to the European Community institutions remained at a high level in the first quarter as some payments due in April were brought forward to March (Table 7).

Although figures for transactions in external assets and liabilities are not yet complete, the available data (which exclude most of the information on UK non-bank private sector transactions with banks overseas) show a net inflow of £3.6 billion in the first quarter, compared with an outflow of £5.0 billion in the fourth quarter of 1986 (Table 8).

Overseas lending and borrowing, and overseas portfolio investment by UK banks resulted in a net inflow of £5.2 billion in the first quarter, following an outflow of £0.1 billion in the previous quarter. There were increases in both foreign currency and sterling net borrowing while portfolio investment overseas by UK banks showed net disinvestment for the first time in recent quarters (Tables 9 and 11).

UK direct investment overseas, which included Grand Metropolitan's acquisition of Nabisco's Heublein unit (£0.8 billion), declined from the very high fourth quarter level (Table 9).

Preliminary figures for overseas portfolio investment by UK financial institutions show a lower level of investment (£0.7 billion) than the quarterly rate during 1986 (£3.3 billion). This change mainly reflects some disinvestment by security dealers on their own account (Table 10).

The official reserves rose by £1.5 billion in the first quarter, much more than offsetting the small fall in the previous quarter (Table 13).

Overseas direct investment in the UK was below the preceding quarter. Investment by oil companies increased but that by non-oil companies was lower. The latter included disinvestment of £0.7 billion as a result of the Argyll Group's acquisition of Safeway from its US parent (Table 9).

Overseas portfolio investment in the UK was similar to that in the fourth quarter, a reduction in investment in government and public corporations' securities being largely offset by increased investment in UK companies' securities (Table 10).

Net transactions in assets and liabilities should, with reversal of sign, equal the unadjusted balance on the current account. However, in practice there tends to be a discrepancy, the balancing item. The balancing item was substantially positive in 1986, although on the evidence so far it may have been negative in the first quarter of 1987. This mismatch between identified transactions in assets and liabilities and the current account will reflect some items on which there is no current information or where the provisional estimates will be subsequently revised. Some items, such as part of trade credit, are never picked up by the current reporting system. In addition there are potential errors in measuring capital flows from changes in balance sheet data denominated in foreign currencies when exchange rates are changing significantly, and there may be timing differences between transactions recorded in different parts of the account, especially those of a seasonal nature (Table 1).

Revisions

Revisions have been made to the figures for earlier periods published in March. The major changes relate to direct investment earnings and transactions and incorporate the results of:

- the triennial (1984) survey of direct investment assets and liabilities, the results of which were published in British Business on 22 May;
- the 1985 annual overseas transactions inquiry into direct investment and associated earnings, the results of which were published in British Business on 26 June;
- the 1986 survey of direct investment and associated earnings by banks.

For 1986 the revisions to direct investment earnings (£0.8 billion), together with smaller revisions to other series, including net payments to European Community institutions, have had the effect of reducing the current account deficit by just under £1.0 billion. The revisions to estimates of direct investment earnings and other changes have increased the estimated current account surplus by £0.5 billion in 1985, £0.3 billion in 1984, £0.2 billion in 1983 and by £0.1 billion in 1982.

LIST OF TABLES

	Annual figures from	Quarterly figures from	Table
GENERAL BALANCE OF PAYMENTS			
Summary	1975	1978	1
VISIBLE TRADE			
Visible trade in the balance of payments	1975	1978	2
VOLUME, IMPLIED PRICE AND UNIT VALUE INDICES			
Volume, implied price and unit value indices	1977	1983	3
INVISIBLES			
Summary	1975	1978	4
Services	1975	1982	5
Interest, profits and dividends	1977	1982	6
Transfers	1977	1982	7
TRANSACTIONS IN UK EXTERNAL ASSETS AND LIABILITIES			
Summary	1977	1978	8
Direct investment	1981	1984	9
Portfolio investment	1981	1984	10
Transactions of UK banks	1981	1984	11
Transactions of UK residents other than banks and general government	1981	1984	12
Transactions of general government	1981	1984	13