

Economic Statistics Transformation Programme: enhanced financial accounts (UK flow of funds) - experimental currency and deposit statistics, explanatory notes: 2016

Explanatory notes for the compilation of experimental currency and deposit statistics in the enhanced financial accounts (UK flow of funds) matrices publication.

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Table of contents

1. [AF.21 – Currency](#)
2. [AF.22 and AF.29 – Transferable and other deposits](#)

1 . AF.21 – Currency

Introduction

This note explains the sources and methods used in the compilation of the experimental from-whom-to-whom currency statistics. Table 1 shows the estimates for balance sheet assets by sector, together with the counterparty sector that holds the liability, for 2016. These data are consistent with the [UK Economic Accounts \(UKEA\)](#), on a [Blue Book 2017](#) basis, except where explicitly highlighted. The second part of this note describes the data sources for these estimates, as well as highlighting areas for review.

Office for National Statistics (ONS) will continue the programme of development and quality assurance of these newly released [Experimental Statistics](#) and any improvements identified in the wider datasets will be integrated within the national accounts at the earliest opportunity.

We welcome feedback on the data sources and methodology outlined in these notes. Any feedback on the [Experimental Statistics](#) and accompanying explanatory notes can be sent to flowoffundsdevelopment@ons.gov.uk

Table 1: From-whom-to-whom balance sheet currency statistics, 2016, £ billion

Liabilities:												
Assets:	PC	PNFC	MFI	OFI	ICPF	CG	LG	HH	NPISH	RoW	Total	Unknown
PC			0.8			0.1					0.9	0.0
PNFC										0.8	6.8	6.1
MFI										0.2	12.0	11.9
OFI											0.1	0.1
ICPF												
CG												
LG												
HH			51.9			4.5					56.4	
NPISH											11.6	11.6
RoW			2.0			0.2					2.2	
Total			84.3			4.8				0.9		
Unknown			29.6									

Source: Office for National Statistics

Notes:

1. PC = public corporations, PNFC = private non-financial corporations, MFI = monetary financial institutions, OFI = other financial institutions except MFIs and ICPFs, ICPF = insurance corporations and pension funds, CG = central government, LG = local government, HH = households, NPISH = non-profit institutions serving households, RoW = rest of the world.

Data sources by institutional sector

Estimates for currency relate to the issuance and holdings of notes and coin, both sterling and foreign currency. On the liabilities side, monetary financial institutions (MFIs) issue sterling notes and Royal Mint, a public corporation 100% owned by HM Treasury, issues sterling coin. The rest of the world (RoW) issues foreign currency notes and coin. All institutional sectors can in theory hold currency but it is assumed that insurance companies and pension funds, central government and local government do not have holdings of cash, as this will instead be all deposited.

Currency issued by monetary financial institutions (MFIs)

These estimates relate to the issuance of banknotes by the Bank of England (BoE) and selected banks authorised to issue notes in Scotland and Northern Ireland. The estimates are sourced from the BoE surveys of banks and building societies (MFIs). The holdings of sterling banknotes are not explicitly available from any current data source within ONS. Estimates of total holdings of notes and coin are available from several different data sources, outlined in this section, but this is without a split between holdings of notes (counterpart to MFIs) and coin (counterpart to central government).

Currency held by public corporations (PCs) is based on working balances held by the Post Office. It has been assumed that 90% of total holdings of currency will be held as notes, counterpart to the MFI sector, with the remaining 10% held as coin.

Currency held by private non-financial corporations (PNFCs) is collected on the quarterly survey of financial assets and liabilities (FALS), where PNFCs report total holdings of notes and coin. There has been no assumption made for the split of this into holdings of notes and holdings of coin.

Currency held by monetary financial institutions (MFIs) is sourced from BoE surveys of banks and building societies, which collect total holdings of currency. There has been no assumption made for the split of this into holdings of notes and holdings of coin.

Currency held by other financial institutions (OFIs) is estimated based on data reported on BoE surveys. This estimate is periodically reviewed and therefore may be constant over several quarters. There has been no assumption made for the split of this into holdings of notes and holdings of coin; it is currently being reviewed whether OFIs will in fact hold any currency or if this is more likely held in banks as deposits.

Currency held by households (HH) is derived by subtracting the NPISH proportion of combined households and non-profit institutions serving households (HH and NPISH) BoE data to obtain a value that purely relates to households.

Currency held by non-profit institutions serving households (NPISH) is assigned a fixed proportion of combined HH and NPISH BoE data. The proportion is calculated using a number of case studies from individual charity accounts and individual university accounts.

Currency held by the rest of the world (RoW) is based on figures obtained from the ONS International Passenger Survey, of which certain proportions are assumed to be in sterling notes and coin. The split between sterling notes (MFIs) and sterling coin (public corporations) is assumed to be approximately 90% notes and 10% coin.

Currency issued by central government (CG)

These estimates relate to the issue of coin by Royal Mint, a public corporation (PC) sponsored by HM Treasury. Although Royal Mint is classified as a PC, central government (CG) owns the liability for coin.

Estimates of total coin issued are sourced from government accounts. The holdings of sterling coin are not explicitly available from any current data source within ONS. As previously outlined, estimates of holdings of total sterling currency are available from various data sources, but without a split into holdings of sterling notes and sterling coin.

Currency held by public corporations (PCs) is based on working balances held by the Post Office. It has been assumed that 10% of total holdings of currency will be held as coin, counterpart to the central government sector, with the remaining 90% held as notes.

Currency held by private non-financial corporations (PNFCs) is collected on the quarterly Financial Assets and Liabilities Survey. (FALS), where PNFCs report total holdings of notes and coin. As explained previously, there has been no assumption made for the split of this into holdings of notes and holdings of coin.

Currency held by monetary financial institutions (MFIs) is sourced from BoE surveys of banks and building societies, which collect total holdings of currency. There has been no assumption made for the split of this into holdings of notes and holdings of coin.

Currency held by other financial institutions (OFIs) is estimated based on data collected across ONS surveys of financial institutions. This estimate is periodically reviewed and may be constant over several quarters. There has been no assumption made for the split of this into holdings of notes and holdings of coin; it is currently being reviewed whether OFIs will in fact hold any currency or if this is more likely held in banks as deposits.

Currency held by households (HH) is derived by subtracting the non-profit institutions serving households (NPISH) proportion of combined HH and NPISH BoE data to obtain a value that purely relates to households.

Currency held by non-profit institutions serving households (NPISH) is assigned a fixed proportion of combined HH and NPISH BoE data. The proportion is calculated using a number of case studies from individual charity accounts and individual university accounts.

Currency held by the rest of the world (RoW) is based on figures obtained from the ONS International Passenger Survey, of which certain proportions are assumed to be in sterling notes and coin. The split between sterling notes and sterling coins is assumed to be approximately 90% notes and 10% coin.

Currency issued by the rest of the world (RoW)

These estimates relate to holdings of foreign currency notes and coin by UK residents. These are currently assumed to be held only by monetary financial institutions (MFIs) and private non-financial corporations (PNFCs), with estimates of MFI holdings sourced from BoE surveys and PNFC holdings sourced from the ONS Financial Assets and Liabilities Survey (FALS). Holdings by other sectors are currently assumed to be zero; this will be reviewed by ONS as part of the continuous improvement programme.

Currency held by monetary financial institutions (MFIs) is sourced from BoE surveys of banks and building societies, where total holdings of foreign currency notes and coin are reported.

Currency held by private non-financial corporations (PNFCs) is estimated based on data reported in the ONS Financial Assets and Liabilities Survey.

2 . AF.22 and AF.29 – Transferable and other deposits

Introduction

This note explains the sources and methods used in the compilation of the experimental from-whom-to-whom deposit statistics. Table 2 shows the estimates for balance sheet assets by sector, together with the counterparty sector that holds the liability, for 2016. These data are consistent with the [UK Economic Accounts \(UKEA\)](#), on a [Blue Book 2017](#) basis, except where explicitly highlighted. The second part of this note describes the data sources for these estimates.

The third part of this note outlines areas where the [Experimental Statistics](#) differ from what is currently published in the national accounts. These anomalies arise where a number of changes to the input data have been identified and implemented in these Experimental Statistics, following a review of the construction of the time series.

Office for National Statistics (ONS) will continue its programme of development and quality assurance of these newly released [Experimental Statistics](#) and any improvements identified in the wider datasets will be integrated within the national accounts at the earliest opportunity.

We welcome feedback on the data sources and methodology outlined in these notes. Any feedback on the [Experimental Statistics](#) and accompanying explanatory notes can be sent to flowoffundsdevelopment@ons.gov.uk

Table 2: From-whom-to-whom balance sheet deposit statistics, 2016, £ billion

Liabilities:												
Assets:	PC	PNFC	MFI	OFI	ICPF	CG	LG	HH	NPISH	RoW	Total	Unknown
PC			9.0			2.1				0.0	11.1	0.0
PNFC	0.0		427.1			3.4				200.3	630.8	0.0
MFI			1498.0			0.0				1923.1	3421.2	
OFI	0.0		742.8			16.4				371.9	1131.2	
ICPF			104.6			0.0				40.7	145.2	
CG			12.8			0.0				13.7	26.5	
LG			25.4			1.0				1.5	27.9	
HH			1258.2			143.0				63.1	1464.3	0.0
NPISH			25.7			-					26.0	0.2
RoW			2915.2			2.5					2917.6	
Total			7018.9			168.6				2614.3		
Unknown						0.2						

Notes:

PC = public corporations, PNFC = private non-financial corporations, MFI = monetary financial institutions, OFI = other financial institutions other than MFIs and ICPFs, ICPF = insurance corporations and pension funds, CG = central government, LG = local government, HH = households, NPISH = non-profit institutions serving households, RoW = rest of the world.

Data sources by institutional sector

Estimates for transferable and other deposits relate to deposits with banks and building societies in the UK and in the rest of the world, as well as other deposits such as national savings instruments. On the liabilities side, deposits can be held with UK monetary financial institutions (MFIs), central government (CG) and the rest of the world (RoW). No other sector is able to accept deposits; amounts held with other institutions are instead classified as loans from the originating sector to the borrower.

These data differ from those currently published in the [UK Economic Accounts \(UKEA\)](#) in that deposits held with public corporations (PCs) and other financial institutions (OFIs) in UKEA have been removed in these Experimental Statistics for the reasons outlined previously. The correct recording of these amounts will be reviewed by ONS as part of its continuous improvement programme.

Deposits held with UK monetary financial institutions (MFIs)

These estimates relate to deposits held with UK banks and building societies from all sectors of the UK economy and the rest of the world. Estimates are mainly sourced from the Bank of England (BoE) surveys of monetary financial institutions (MFIs), which include amounts outstanding for sight deposits, time deposits and repurchase transactions (repos). Additional data sources and adjustments are applied in some cases as outlined in this section. Estimates will not always be in line with data published by the BoE due to the inclusion of the Central Bank in these estimates and some differences in data sources and methodology. These differences are outlined in more detail in this section. The BoE and ONS are currently working in conjunction to review all MFI data with a view to bring the two datasets into line with one another in the future where relevant.

Deposits from public corporations (PCs) are predominantly sourced from BoE surveys, with an estimate for deposits with building societies. This series includes a number of adjustments for institutions that have been reclassified to the public corporation sector from the private non-financial corporation (PNFC) sector for certain time periods. This includes deposits from British Energy, the Nuclear Decommissioning Fund, London and Continental Railways Ltd, and other public infrastructure companies previously included within the PNFC sector.

Deposits from private non-financial corporations (PNFCs) are predominantly sourced from BoE surveys. As with deposits from public corporations, this series includes a number of adjustments for institutions that have been reclassified to the public corporation sector from the PNFC sector for certain time periods. This includes deposits from British Energy, the Nuclear Decommissioning Fund, London and Continental Railways Ltd, and other public infrastructure companies previously included within the PNFC sector.

Deposits from monetary financial institutions (MFIs) are sourced from BoE surveys. These estimates will include interbank lending but are classified as deposits rather than loans in line with international statistical standards.

Deposits from other financial institutions (OFIs) are predominantly sourced from BoE surveys. Figures obtained from ONS surveys of insurance corporations and pension funds (ICPFs) are used to remove deposits from these institutions with banks from the total BoE OFI deposits figure. BoE data for ICPF deposits with building societies are used to remove these deposits from the total. An adjustment is also made here to remove deposits from nationalised financial institutions that are now included within the central government sector.

Deposits from insurance corporations and pension funds (ICPFs) are sourced from both ONS and BoE surveys. For deposits with banks, data reported on ONS surveys of insurance corporations of pensions funds are used, while for deposits with building societies, data reported on BoE surveys of MFIs are used.

Deposits from central government (CG) are predominantly sourced from BoE surveys. This also includes deposits from nationalised financial institutions.

Deposits from local government (LG) are predominantly sourced from BoE surveys. Deposits from the Emerging Markets Fund with building societies are also included here, sourced from the Department for Communities and Local Government (DCLG).

Deposits from households (HH) are sourced from BoE surveys.

Deposits from non-profit institutions serving households (NPISH) are sourced from BoE surveys.

Deposits from the rest of the world (RoW) are sourced from BoE surveys.

Deposits held with central government (CG)

These estimates relate to national savings and tax instruments and are predominantly sourced from government accounts. Estimates exist for deposits from all institutional sectors.

Deposits from public corporations (PCs) include tax instruments and deposits with the debt management office and national loans fund. This also includes NILO stocks held by crown estates; these are non-marketable stocks (named after the former National Investment and Loans Office) issued by HM Treasury on the same terms and conditions as the marketable parent gilt issue(s) to which they relate. Estimates are based on administrative data from the Post Office and government accounts.

Deposits from private non-financial corporations (PNFCs) include tax instruments, holdings of NILO stocks, funds lodged in courts and the insolvency service investment account. Estimates are sourced from government accounts; it is assumed that 90% of the total funds lodged in courts and the insolvency service investment account will be counterpart to the PNFC sector, with the remaining 10% seen as the assets of households. Deposits from monetary financial institutions (MFIs) relate to tax instruments and are sourced from BoE surveys of banks and building societies.

Deposits from other financial institutions (OFIs) relate to tax instruments and deposits with the debt management office. Estimates are sourced from government accounts.

Deposits from insurance corporations and pension funds (ICPFs) relate to other deposits reported by on ONS surveys on insurance corporations and pension funds that are not with UK MFIs or the rest of the world. This series has historically been zero.

Deposits from central government (CG) relate to deposits made by nationalised financial institutions with the debt management office. These institutions are now classified within the central government sector; estimates are sourced from government accounts.

Deposits from local government (LG) relate to deposits with the Debt Management Office and Transport for London deposits with the National Loans Fund (until Quarter 4 (Oct to Dec) 2002). Estimates are sourced from government accounts.

Deposits from households (HH) include various national savings instruments sourced from the National Savings Bank. This series also includes 10% of the total funds lodged in courts and the insolvency service investment account; the remaining 90% is seen as assets of the private non-financial corporations (PNFC) sector.

Deposits from non-profit institutions serving households (NPISH) are calculated using a proportion based on case studies from individual charity accounts. This figure also takes account of universities.

Deposits from the rest of the world (RoW) are sourced from the Paymaster General's EC No 1 Account and reflect future contributions that the UK will pay to the EU budget.

Deposits held with the rest of the world (RoW)

These estimates relate to deposits of UK residents with monetary authorities and banks abroad, as well as the central government reserve position in the international monetary fund (IMF). Data are mainly sourced from the Bank for International Settlements (BIS), which provides estimates of UK deposits with MFIs abroad, split between deposits from UK banks and non-banks. The figure for total deposits from non-banks is apportioned across the institutional sectors based on a series of assumptions and data obtained from additional sources. From 2014 the BIS data collection includes an extended sectoral split that will be available for use in the future. The methodology here will be reviewed in line with the availability of new data.

Deposits from public corporations (PCs) relate to British Energy deposits with non-resident banks, sourced from published annual accounts.

Deposits from private non-financial corporations (PNFCs) are derived as the residual sector for this instrument. Data from the ONS Financial Assets and Liabilities Survey are used to inform the trend for this series.

Deposits from monetary financial institutions (MFIs) are sourced from BoE surveys, including deposits and reverse repos with non-resident banks. The split of reverse repos with non-resident into those with banks, and therefore classified as deposits, and those with non-banks, and therefore classified as loans, is currently estimated. Data are available for this split from 2014, which will be implemented in the future.

Deposits from other financial institutions (OFIs) are sourced from ONS surveys of financial institutions as well as including a proportion of the residual BIS figure; 40% of the residual is allocated here.

Deposits from insurance corporations and pension funds (ICPFs) are sourced from ONS surveys of financial institutions as well as including a proportion of the residual BIS figure; 10% of the residual is allocated here.

Deposits from central government (CG) are predominantly sourced from BoE data on international reserves. This includes deposits with monetary authorities and banks abroad as well as the reserve position in the IMF.

Deposits from local government (LG) are sourced from data provided by the Department for Communities and Local Government.

Deposits from households (HH) are sourced from BoE data.

Differences between these Experimental Statistics and the UK Economic Accounts

As described in the first part of this note (see section 2 "Introduction"), there are differences between the experimental deposit statistics and the estimates published in the [UK Economic Accounts \(UKEA\)](#). Table 3 presents a list of those series for which there are anomalies, along with a brief explanation of the variation.

We will continue our programme of development and quality assurance of these newly released [Experimental Statistics](#) and any improvements identified in the wider datasets will be integrated within the national accounts at the earliest opportunity.

Table 3: Differences between the experimental deposits and the UK Economic Accounts

Asset sector	Liability sector	Explanation
PC	OFI	Series classified as deposits in the UKEA estimates have been removed; the correct recording of these series are being reviewed.
CG	OFI	Series classified as deposits in the UKEA estimates have been removed; the correct recording of these series are being reviewed.
LG	OFI	Series classified as deposits in the UKEA estimates have been removed; the correct recording of these series are being reviewed.