

# Economic Statistics Transformation Programme: enhanced financial accounts (UK flow of funds) – currency and deposit statistics, explanatory notes: 2018

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

Contact:  
Annabel Jones  
flowoffundsdevelopment@ons.  
gov.uk  
+44 (0)1633 456492

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# 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 2017. These data are consistent with the [UK Economic Accounts \(UKEA\)](#), on a [Blue Book 2018](#) basis, except where explicitly highlighted. 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 this note. Any feedback on the statistics and accompanying explanatory notes can be sent to [flowoffundsdevelopment@ons.gov.uk](mailto:flowoffundsdevelopment@ons.gov.uk).

**Table 1: From-whom-to-whom balance sheet currency (AF.21) statistics, 2017, £ billion**

Liabilities:													
Assets:	PC	PNFC	MFI	OFI	NMMF <sup>2</sup>	ICPF	CG	LG	HH	NPISH	RoW	Unk	Total
PC	-	-	1.0	-	-	-	-	-	-	-	-	-	1.0
PNFC	-	-	6.1	-	-	-	-	-	-	-	0.9	-	7.0
MFI	-	-	11.9	-	-	-	-	-	-	-	0.2	-	12.1
OFI	-	-	0.1	-	-	-	-	-	-	-	-	-	0.1
NMMF <sup>2</sup>	-	-	0.0	-	-	-	-	-	-	-	-	-	0.0
ICPF	-	-	-	-	-	-	-	-	-	-	-	-	-
CG	-	-	-	-	-	-	-	-	-	-	-	-	-
LG	-	-	-	-	-	-	-	-	-	-	-	-	-
HH	-	-	64.2	-	-	-	4.6	-	-	-	-	-11.9	56.9
NPISH	-	-	-	-	-	-	-	-	-	-	-	11.9	11.9
RoW	-	-	2.4	-	-	-	-	-	-	-	-	-	2.4
Unk	-	-	0.0	-	-	-	-	-	-	-	-	-	0.0
Total	-	-	85.7	-	-	-	4.6	-	-	-	1.1	0.0	

Source: Office for National Statistics

Notes:

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

2. Non-money market funds (NMMF) are presented as a subset of other financial institutions (OFI).

## Data sources by institutional sector

Estimates for currency relate to the issuance and holdings of notes and coin, both in national currency and foreign currency. Sectors that hold the liabilities for currency include monetary financial institutions (MFIs), central government and the rest of the world. MFIs issue sterling notes and Royal Mint – a public corporation 100% owned by HM Treasury – issues sterling coin. The rest of the world 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. As part of Blue Book 2017 developments, the households and non-profit institutions serving households were split and it was assumed that both sectors would have holdings of currency.

## Currency issued by monetary financial institutions

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. They are sourced from the BoE surveys of banks and building societies. 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, however there is no distinction between holdings of notes and coins. The holdings of notes are counterpart to the MFI sector and the holdings of coin are counterpart to the central government sector.

Currency held by public corporations 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 is sourced from Bank of England surveys of banks and building societies that 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 monetary financial institutions is sourced from BoE surveys of banks and building societies that 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 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 other financial institutions (OFIs) will in fact hold any currency or if this is more likely held in banks as deposits.

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

Currency held by non-profit institutions serving households is derived using data from selected charity accounts plus the census of university accounts.

Currency held by the rest of the world is based on figures obtained from the ONS International Passenger Survey. There is assumed to be a 90%:10% split between sterling notes (MFIs) and sterling coin (public corporations) respectively.

## Currency issued by central government

Estimates relate to the issue of coin by Royal Mint, a public corporation owned by HM Treasury. Although Royal Mint is classified as a public corporation, central government 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 households is derived by subtracting the NPISH proportion of combined household and BoE non-profit institutions serving households data to obtain a value that purely relates to households.

## Currency issued by the rest of the world

These estimates relate to holdings of foreign currency notes and coin by UK residents. These are currently assumed to be held only by MFIs and private non-financial corporations (PNFCs). 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 is sourced from Bank of England surveys of banks and building societies, where total holdings of foreign currency notes and coin are reported.

Currency held by private non-financial corporations is estimated based on Balance of Payments data.

## 2 . AF.22 + 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 transferable and other deposits statistics. Table 2 shows the estimates for balance sheet assets by sector, together with the counterparty sector that holds the liability, for 2017. This data is consistent with the [UK Economic Accounts \(UKEA\)](#), on a [Blue Book 2018](#) basis, except where explicitly highlighted. This section describes the data sources for these transferable and other deposits estimates.

In Section 3, areas where the Experimental Statistics differ from what is currently published in the national accounts are outlined. 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 from-whom-to-whom 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 this note. Any feedback on the statistics and accompanying explanatory notes can be sent to [flowoffundsdevelopment@ons.gov.uk](mailto:flowoffundsdevelopment@ons.gov.uk).

**Table 2: From-whom-to-whom balance sheet deposits (AF.22 + AF.29) statistics, 2017, £ billion**

Liabilities:													
Assets:	PC	PNFC	MFI	OFI	NMMF <sup>2</sup>	ICPF	CG	LG	HH	NPISH	RoW	Unk	Total
PC	-	-	5.7	-	-	-	1.8	-	-	-	0.0	1.4	9.0
PNFC	0.0	-	470.9	-	-	-	3.5	-	-	-	207.8	0.0	682.2
MFI	-	-	1,733.1	-	-	-	0.0	-	-	-	2,006.6	0.0	3,739.8
OFI	0.0	-	801.5	-	-	-	21.2	-	-	-	364.7	0.0	1,187.5
NMMF <sup>2</sup>	-	-	37.9	-	-	-	-	-	-	-	0.3	6.0	44.3
ICPF	-	-	109.3	-	-	-	-	-	-	-	43.0	0.0	152.3
CG	-	-	14.7	-	-	-	0.0	-	-	-	15.9	39.0	69.6
LG	-	-	24.2	-	-	-	1.6	-	-	-	1.1	7.0	33.9
HH	-	-	1,296.8	-	-	-	154.1	-	-	-	64.3	-0.3	1,514.9
NPISH	-	-	26.8	-	-	-	-	-	-	-	0.0	0.3	27.0
RoW	-	-	3,032.1	-	-	-	2.8	-	-	-	-	0.0	3,034.9
Unk	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Total	0.0	-	7,515.1	-	-	-	185.0	-	-	-	2,703.5	47.5	

Source: Office for National Statistics

Notes:

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

2. Non-money market funds (NMMF) are presented as a subset of other financial institutions (OFI).

3. Except for NMMF, all unknown data is a result of adjustments made to deposit data. See section at end of the explanatory notes for a full explanation.

## 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.

The only sectors able to hold liabilities in deposits are UK monetary financial institutions, central government and the rest of the world. No other sector can accept deposits; amounts held with other institutions are instead classified as loans from the originating sector to the borrower.

Deposits can be split into transferable deposits and other deposits. The transferable deposits are deposits exchangeable for currency on demand, at par, and that are directly usable for making payments by cheque, draft, giro order, direct debit or credit, or other direct payment facilities, without penalty or restriction.

These data differ from those currently published in the UK Economic Accounts (UKEA) in that deposits held with public corporations and other financial institutions in UKEA have been removed in these Experimental Statistics; see Section 3.

## Deposits held with UK monetary financial institutions

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 article.

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 are sourced from BoE surveys, with an estimate for deposits with building societies. This series includes many adjustments for reclassifications to the public corporation sector from the private non-financial corporation sector for certain time periods. This includes deposits from Housing Associations, British Energy, the Nuclear Decommissioning Fund, London and Continental Railways Ltd, and other public infrastructure companies previously included within the private non-financial corporations (PNFC) sector.

Deposits from private non-financial corporations (PNFC) are sourced from BoE surveys. As with deposits from public corporations, this series includes many adjustments for institutions that have been reclassified to the public corporation sector from the PNFC sector for certain time periods. This includes deposits from Housing Associations, 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 are sourced from BoE surveys. Estimates will include interbank lending but are classified as deposits rather than loans in these Experimental Statistics, to be in line with international statistical standards.

Deposits from other financial institutions (OFI) are sourced from BoE surveys. Figures obtained from ONS surveys of insurance corporations and pension funds are used to remove deposits from these institutions with banks from the total BoE other financial institutions (OFI) deposits figure. BoE data for insurance corporations and pension funds (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 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 are predominantly sourced from BoE surveys. Data for other deposits (AF.29) also includes deposits from nationalised financial institutions.

Deposits from local government are predominantly sourced from BoE surveys. Also included are deposits from the Emerging Markets Fund with building societies which are sourced from the Ministry of Housing, Communities and Local Government (MHCLG).

Deposits from households are sourced from BoE surveys.

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

Deposits from the rest of the world are sourced from BoE surveys.

## Deposits held with central government

Estimates relate to other deposits (AF.29) and more specifically to national savings and tax instruments. The data for these estimates are predominantly sourced from government accounts. Estimates exist for deposits from most institutional sectors.

Deposits from public corporations include tax instruments and deposits with the Debt Management Office and National Loans Fund. This also includes National Investment and Loans Office stocks held by crown estates; these are non-marketable stocks 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 (PNFC) include tax instruments, holdings of Northern Ireland Loans Office (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 relate to tax instruments and are sourced from BoE surveys of banks and building societies.

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

Deposits from insurance corporations and pension relate to other deposits reported 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 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 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 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 classified as assets of the PNFC sector.

Deposits from the rest of the world 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

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 relate to British Energy deposits with non-resident banks, sourced from published annual accounts.

Deposits from private non-financial corporations are derived as the residual sector for this instrument.

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

Deposits from other financial institutions are sourced from ONS surveys of financial institutions as well as including a proportion of the residual BIS figure.

Deposits from insurance corporations and pension are sourced from ONS surveys of financial institutions as well as including a proportion of the residual BIS figure.

Deposits from central government 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 are sourced from data provided by the Department for Communities and Local Government.

Deposits from households are sourced from BoE data.

### **3 . Differences between these experimental statistics and the UK Economic Accounts**

As described in Sections 1 and 2, there are differences between the from-whom-to-whom currency and deposits Experimental 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.

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.



**Table 3: Differences between the experimental deposits statistics and the UKEA**

<b>Asset sector</b>	<b>Liability sector</b>	<b>Explanation</b>
PC	OFI	Series classified as deposits in the UKEA estimates have been reclassified to unknown liability sector. OFI should not issue deposits.
CG	OFI	Series classified as deposits in the UKEA estimates have been reclassified to unknown liability sector. OFI should not issue deposits.
LG	OFI	Series classified as deposits in the UKEA estimates have been reclassified to unknown liability sector. OFI should not issue deposits.
HH	NPISH	Series classified as deposits in the UKEA estimates have been reclassified to unknown liability sector. NPISH should not issue deposits.
NPISH	NPISH	Series classified as deposits in the UKEA estimates have been reclassified to unknown liability sector. NPISH should not issue deposits.
MFI	MFI	Finance leasing was included in UKEA estimates for long term loans, and reclassified to deposits in the experimental series. See F4 explanatory note.
OFI	MFI	Finance leasing was included in UKEA estimates for long term loans, and reclassified to deposits in the experimental series. See F4 explanatory note.
ROW	MFI	Some series classified as long-term loans in the UKEA estimates have been reclassified to deposits in the experimental statistics. See F4 explanatory note.

Source: Office for National Statistics