

Date of Fund Membership:

December 27, 1945

Standard Sources:

Bank of England

Office for National Statistics

Exchange Rates:

Market Rate (End of Period and Period Average):

Midpoint rate at noon in the London market.

International Liquidity:

International Reserves (minus Gold) (line 11.d) excludes the foreign assets of the central bank (Bank of England). This institutional separation reflects the fact that the ownership and purpose of the central government and Bank of England pools of foreign assets are different. The Exchange Equalization Account (EEA) holds the central government's foreign currency assets, owned by Her Majesty's Treasury but managed by the Bank of England acting as its agent. The EEA was established in 1932 to provide a fund that could be used for "checking undue fluctuations in the exchange value of sterling" (Section 24 of the Finance Act 1932). Any U.K. government intervention in the foreign exchange market would therefore be conducted through the EEA. The Bank of England manages its own holdings of foreign assets and gold which mainly arise from the Bank's routine banking business with its customers, from its operations in the U.K. money markets, and from U.K. participation in the euro payment system, TARGET. In accordance with the Chancellor of the Exchequer's letter of May 6, 1997 to the Governor of the Bank of England, the Bank may intervene in the foreign exchange market in support of its monetary policy objective. The Bank of England's holdings of foreign assets are, therefore, not considered by the U.K. authorities to be part of the U.K.'s international reserves. Data on the Bank of England's holdings of liquid foreign assets (including Gold) are shown for completeness under *Other Liquid Foreign Assets (line 1e.d)*. Net TARGET related balances are included in *Other Liquid Foreign Assets (line 1e.d)*.

From April 1979 to June 1999, international reserves were valued using parity exchange rates; non-dollar holdings were revalued each year at the average of their exchange rates against the U.S. dollar in the three months up to the end of March. This system was amended in April 1980 in that the U.S. dollar valuation on the last working day of March was used if that was lower than the three-month average. The only exception to this was Gold for which a discount was also applied. Hence, beginning in April 1980, gold was valued at the lower of either the average of the London fixing price for the three months up to the end of March, less 25 percent, or at 75 percent of its final fixing price on the last working day in March.

Banking Institutions: Foreign Assets (line 7a.d) includes banking institutions' claims on foreign central monetary institutions (CMIs) and other nonresidents in the form of loans and advances, overdrafts, commercial bills, sterling denominated acceptances, and from end-1985, bonds issued by nonresidents. *Foreign Liabilities (line 7b.d)* includes banking institutions' liabilities to foreign CMIs, and other nonresidents.

The data on external liabilities and claims are as reported by the Bank of England.

Monetary Authorities:

† Beginning in July 1999, consolidates the accounts of the Bank of England's Issue and Banking Departments, and central government functions relating to the issue of coin. Prior to July 1999, consolidates the accounts of the Bank of England's Issue Department, central government functions relating to the issue of coin, and the EEA.

Foreign Assets (line 11) comprises monetary authorities' claims on nonresidents and includes gross TARGET related claims on the European Central Bank (ECB) and other member countries of the TARGET payment system. Beginning with the data for end-November 2000, *Foreign Assets* are affected by a change from gross to net presentation of positions relating to the TARGET (Trans-European Automated Real-Time Gross Settlement Express Transfer) euro clearing system. (See *Recording of TARGET system positions* under *European Economic and Monetary Union (EMU)* in the introduction to *IFS*.) *Reserve Money (line 14)* comprises the monetary liabilities of the monetary authorities: Issue Department notes and Treasury coin in circulation, plus bankers' restricted and unrestricted deposits at the Bank of England. *Foreign Liabilities (line 16c)* comprises monetary authority liabilities to nonresidents, including gross TARGET related liabilities to the ECB and other members of the TARGET payment system. Beginning with the data for end-November 2000, *Foreign Liabilities* are affected by a change from gross to net presentation of positions relating to the TARGET euro clearing system. (See *Recording of TARGET system positions* under *European Economic and Monetary Union (EMU)* in the introduction to *IFS*.) *Other Items (Net) (line 17r)* includes Bank of England claims on U.K. banking institutions.

Banking Institutions:

† A new system of bank returns was introduced in 1975. As a result of this change, (1) money at call and money placed overnight are now reported in *line 24* rather than in *line 25* – a shift of approximately 700 million pounds sterling – and (2) *line 21* is estimated to have increased by about 1,3000 million pounds sterling. † Beginning in 1981, they comprise the U.K. monetary sector as described in the December 1981 issue of the Bank of England's Monetary and Financial Statistics, subject to the same exclusions as the banking sector. † Prior to 1987, building societies are treated as part of the private sector. Beginning in 1987, Comprises U.K. banks authorized under the Banking Act of 1987 and, beginning in January 1987, building societies as defined by the Building Societies Act of 1986. † In September 1992, a new balance sheet report form was introduced for the building society sector in the U.K., resulting in a discontinuity for most of the building society data. † Prior to September 1997, the accounts of certain institutions in the Channel Islands and the Isle of Man were included as part of the U.K. banking institutions sector.

Banking Survey:

A break in series occurs in July 1999 as a result of the change in the definition of the monetary authorities' sector. A break in series occurs in January 1987 as a result of a change in the coverage of banking institutions. A break in series occurs in September 1992 as a result of new balance sheet report forms for the building society sector.

Money (National Definitions):

M0 comprises notes and coin in circulation outside the Bank of England, plus bankers' operational balances with the Bank of England.

M4 comprises notes and coin in circulation outside the Bank of England and banking institutions in the U.K., plus non-bank private sector sterling deposits held with U.K. banking institutions. † Beginning July 2009, refers to M4 excluding intermediate OFCs (M4^{ex}).

Additional detail is available on the Bank of England website

(<http://www.bankofengland.co.uk/mfsd/iadb/notesiadb/m4adjusted.htm>). M4 differs from *Money plus Quasi-Money (line 35)* because it excludes private sector foreign currency deposits, and sterling and foreign currency deposits of official entities (local authorities and public enterprises).

Interest Rates:

Central Bank Policy Rate (End of Period):

Refers to the official bank rate, also called the Bank of England base rate or BOEBR, which is the rate that the Bank of England charges banks on secured overnight loans. It is the British government's key interest rate for enacting monetary policy.

Money Market Rate:

Data refer to the interbank offer rate for overnight deposits.

Treasury Bill Rate:

Bank of England. This is the tender rate at which 91-day bills are allotted, calculated from Bank of England data given in terms of the amount of the discount. Monthly data are averages of Friday data.

Treasury Bill Rate (Bond Equivalent):

Monthly data refer to the simple arithmetic average of the daily market yields on a bond equivalent basis for 91-day bills; this rate is used in calculating the SDR interest rate.

The *Eurodollar Rate in London* relates to three-month deposits. It is the average of daily quotations of broker bid rates at noon in London. Beginning December 1979, the data relate to the average of bid and offer rates at or near the end of the month.

Deposit Rate:

Office for National Statistics (*Financial Statistics*). With effect from January 1984, monthly data are end-period observations of average rates, for the four main London clearing banks, on instant access savings accounts with a median balance currently of £10,000. Prior to that date, data refer to the rate on seven-day notice accounts of the London clearing banks.

Lending Rate:

Data refer to the minimum base rate of the London clearing banks as reported by Bank of England.

Government Bond Yield:

Bank of England. These are theoretical gross redemption bond yields. Beginning June 1976, the calculations are based on a method described by Bank of England, June 1976. *Short-Term:* Issue at par with five years to maturity. † Beginning January 1984, refers to the average daily secondary market yield on 10-year fixed-rate government bonds. This rate is used to measure long-term interest rates for assessing convergence among the European Union member states. *Long-Term:* Issue at par with 20 years to maturity.

Prices, Production, Labor:

Share Prices (Period Average and End of Month):

The FTSE All-Share Index, base April 10, 1962, is a market capitalization weighted index representing the performance of all eligible companies listed on the London Stock Exchange's main market. FTSE All-Share Index constituents are traded on the London Stock Exchange's SETS and SETSmm trading systems.

FTSE 100:

The FTSE 100 Index, base January 3, 1984, is a market capitalization weighted index representing the performance of the 100 largest UK-domiciled blue chip companies. The FTSE 100 Index constituents are traded on the London Stock Exchange's SETS trading system.

Producer Prices:

Source: Office for National Statistics. Weights Reference Period: every five years; Sectoral Coverage: manufacturing and mining industry; Number of Items in Basket: Approximately 1,400 products; Basis for Calculation: the weights are derived from data on sales in the base year as provided by the PRODCOM inquiry, the manufacturing products inquiry required by Eurostat. The index is re-based and the weights are revised every five years.

Consumer Prices:

Source: Office for National Statistics. Weights Reference Period: 2015; Geographical Coverage: all of the UK (i.e. England, Scotland, Wales and Northern Ireland); Number of Items in Basket: around 700 items ; Basis for Calculation: Weights are derived from the National Accounts' estimates of household final monetary consumption expenditure (HFMCE). All weights are updated each year, with the basket of goods and services also revised each year. The CPI officially starts in January 1996. Estimates, which are broadly consistent with the data from 1996, are also available back to 1988.

Wages:

Source: Office for National Statistics. Reference Period: 2000. Sectoral Coverage: all industries except armed forces; Geographic Coverage: entire country including Great Britain but excluding Northern Ireland; Data refer to average monthly earnings.

Industrial Production:

Data are sourced from the OECD database. Weights Reference Period: 2013; Sectoral Coverage: mining and quarrying, manufacturing and electricity, gas and water supply sectors; Basis for Calculation: the Monthly Business Survey (MBS) is the main source of information for calculating the indices of output for the manufacturing industry.

Employment, Seasonally Adjusted:

Source: Office for National Statistics. Data are taken from the *Employment Gazette* and refer to, for the entire U.K. economy, employees in employment, which covers salaried employees in all industries and services. Domestic servants, the self-employed, and military personnel are excluded.

International Transactions:

Value data on total *Exports* and *Imports* are from the Department of Trade and Industry. *Imports f.o.b.* are from the Office for National Statistics. The figures are on a balance of payments basis and include various coverage adjustments to the customs returns, such as the value of ships purchased abroad.

Trade indices are from the Office for National Statistics. Prior to 1970, trade indices refer to total unadjusted series. From January 1970. Volumes Indices refer to seasonally adjusted series.

Government Finance:

Data on general government are derived from source V. Monthly and quarterly cash data, which are not on a consolidated basis, are derived from sources B and S. Above-the-line transactions are compiled by the Office of National Statistics (ONS), while financing data are compiled by the Bank of England using different sources. Annual cash data, from 1999, are as reported in the *Government Finance Statistics Yearbook (GFSY)*. For the United Kingdom, *GFSY* data cover consolidated central government. The fiscal year ends December 31.

National Accounts:

Source: Office for National Statistics. As indicated by the country, data have been revised following the adoption of Blue Book 2014 methodology and the *European System of National Accounts (ESA)* 2010 standards. Chain linked GDP volume measures are expressed in the prices of 2013.