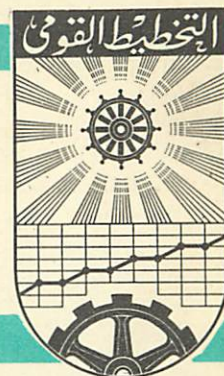


# UNITED ARAB REPUBLIC

## THE INSTITUTE OF NATIONAL PLANNING



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FINANCING CAPITAL FORMATION  
IN  
U. A. R.

by

Dr. Ahmed Hosni Ahmed

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## Introduction

This paper is an exercise in the analysis of the saving - investment account and the national financial accounts in U. A. R. The objective of the study is the investigation of the pattern of financing fixed capital formation. Two issues are discussed.

Part I. investigates the ultimate sources of financing fixed formation.

For this study, the appropriate technique is the Saving - investment account.

Part II. investigates the mechanism of financing capital formation, i.e. how savings are channelled to finance fixed capital formation.

For this purpose, the national financial accounts are the appropriate technique.

Part 1.

The Sources of Finance

...

The first issue which requires investigation is: What are the sources of financing fixed capital formation in U. A. R. ?

The answer is well known. Capital is financed from two sources: domestic savings and foreign lending.

The identity of savings and investments is unquestionable. But there are two questions which have certain significance, from the point of view of economic development:

1. What is the relative importance of domestic savings as a source of finance?
2. What is the relative importance of institutional savings, as compared with household savings?

The answer to these two questions, is provided by the saving - investment account. The system of national accounts used in U, A. R. does not show this account explicitly, but records the savings and investment of the defferent sectors in the capital accounts.

Table (1) gives a saving - investment account for 1958, which is privately compiled, using revised estimates of savings and investments.

The Account shows that total investments in 1958 amounted to £.E. 135.5 millions, out of which £.E. 133.5 millions for fixed capital formation and £.E. 2.0 millions for the increase in stocks. These investments were financed as follows:

Domestic Savings	£.E. 115.4 ms.
Foreign Lending	£.E. 20.1 ms.

These figures indicate that the U. A. R. economy depends mainly on domestic savings for financing capital formation. About % 85 of total investments are financed from this source. The saving - investment ratio was about % 11, which was a reasonable one, if compared with saving - income ratios of other developing countries.

The investigation of the composition of domestic savings reveals are of the important characteristics of the saving pattern of the economy. Household savings amounted to £.E. 12.5 millions, and institutional savings (including the Budget surplus) amounted to £.E. 102.9 millions. That is to say, household savings amounted to about % 10.8 of total domestic saving.

The same pattern is exhibited by saving - investment account in 1959/60, the basic year for the Five-years Development plan. This Account is given in table (2). Total investments amounted to £.E. 203.9 millions out of which £.E. 11.1 millions for the increase in inventories, and £.E. 192.8 millions for fixed capital formation. These investments were financed as follows:

Domestic Savings	£.E. 181.0 ms.
Foreign Loans	£.E. 22.9 ms.

This pattern supports the proposition made above about the relative importance of domestic savings as a source of finance. The saving - income ratios in 1959/60 suggests that:

The rate of savings was relatively high as compared with the rates of other developing countries. National income amounted to about £.E. 1378 millions, out of which £.E. 181 millions was saved. Thus, the rate of savings was about % 13.

This high rate of domestic savings was net due to the behaviour of the household sector. Private disposable income amounted to about £.E. 1014 millions, out of which £.E. 22.7 millions was saved. This means that the propensity of the household sector to save was extremely low, The saving-income ratio for this sector was about %2.2.

The relatively high rate of savings for the economy as a whole was due to the behaviour of Business and Public Administration. Total institutional savings realized in these two sectors amounted to about £.E. 158 millions, i.e. about % 87 of total domestic savings.

The major part of these institutional savings was generated in the business sector as follows:

Corporate savings	£.E.	71	ms
Non-corporate business savings	£.E.	25	ms.
Pensions & insurance reserves	£.E.	16	ms.
<hr/>			
Total	£.E.	112	ms.

Corporate business has been able to realise that amount of savings by virtue of the law governing the distribution of profits at that

(1) It required the private enterprises established before 1958 to distribute profits at a maximum of % 120 of the profits distributed in 1958. Those enterprises established after 1958 were allowed to distribute profits with a maximum of % 10 of paid up capital. The law did not apply to Public enterprises, whose profits were distributed to Public Administration by administration regulation.

Total corporate profits, amounting to about £.E. 148 millions, was appropriated as follows, (£.E. millions)

Distributed profits		52
Household	7	
Business	11	
Public Administration	34	
Undistributed profits		96
Net corporate profits		<u>148</u>

(1) The law was suspended in 1961.

This pattern of profit appropriation suggests that more than 365 of net profits was retained.

The behaviour of the non-corporate enterprises was somewhat different. Net non-corporate profits amounted to about £.E. 475 ms., out of which £.E. 450 millions were transferred to the household sector, and the rest, amounting to about £.E. 25 millions was used for self-financiry investments in the business sector. That is to say, only 5% of non-corporate business profits was retained.

The reason between the behaviour of the corporate and non-corporate enterprises is that the first is governed by certain regulations while the other is not. Moreover, Small farms represent a big part of non-corporate enterprises, and for these units, little investments are required, since the major part of fixed capital formation is undertaken by the government.

Saving by the Public Administration is not subject to any regulation or a Systemmatic behaviour. It depends on the policy of the Government concerning public revenue and public expenditures.

These findings lead to certain propositions about financiry capital formation in developing countries. It is usually proposed that the defiancy of capital in these countries is one of the bottlenecks which impede accelerated growth. The alleged low rates of savings is the justification for claiming for aid from highly developed countries.



The example of the U. A. R. suggests that:  
to through foreign capital is needed, but its importance is exaggerated.

Moreover, it suggests that the proposition of low rates of saving in the developing countries refers to rates of savings by the household sector business. It does not apply to corporate savings. Household savings were only % 12 of total domestic savings. It is possible for the developing countries to raise its ability to save, not only by raising per capita income, but also by introducing institutional reforms in the business sector to transform non-corporate business. This reform shifts the power of taking decisions concerning savings from individuals to institutions. The reform may not be possible in many cases, where agriculture is deminatry, since corporations are an unusual type of organisation in this sector.

In industry and trade, it may be possible to replace corporations for non-corporate enterprises.

## Financing the National Plan

The objective of the National Development Plan is to double national income in ten years. This means that the planned rate of growth is % 7.2 per annum. The target of the First Five Years Plan 1959/60 - 1964/65 is to revise national income by % 40 from a level of £.E. 1378 millions in 1959/60 to £.E. 1913 millions in 1964/65.

Total investments required to achieve this target to about £.E. 1697 millions. Thirds of these investments have to be financed from domestic savings. This means that the maximum amount of foreign loans is about one-third of total investments. It is also planned that by the 1962/65, the economy starts to repay the foreign debts obtained to finance the first Five-Years plan.

To attain these targets, the rate of savings has to rise to % 20 per annum, to raise total savings from £.E. 203.9 millions in 1959/60 to £.E. 391.6 millions in 1964/65 which will be used as follows:

Financiry capital formation	£.E. 351.2 ms.
Repayment of foreign debts	£.E. 40.4 ms.

The question which arises is: How savings are planned to reach that level?

The answer to this question is provided by the national budget. It shows that total savings available for financiry capital formation are planned to be generated as follows:

Corporate savings	193.9
Pensions & Insurance Reserves	30.8
Budget surplus	90.1
Household savings	76.8
	<hr/>
Total savings	391.6

minus

Repayment of foreign loans	40.4 -
Net savings available for financial investments	351.2

Institutional savings are planned savings determined by the decisions which are expected to be taken by the concerned institutions, whether in the business sector, or the Public Administration.

The estimate of household savings has a different nature. It is not an estimate of the savings planned by the household sector. It is rather an estimate of the target which has to be attained by the household sector to maintain economic stability. Personal disposable income is planned to be £.E. 1331.3 millions. Resources available for private consumptions, valued at 1959/60 prices, is planned to be £.E. 1254.3 millions. Hence the household has to save £.E. 77.0 millions in order to maintain price stability. This means that the household

sector has to raise its saving-income ratio from % 2 in 1959/60 to about % 6 in 1964/65. But there is no guarantee that the household sector will be have in this way, since no measures are taken to control consumption expenditure. Changes in the behaviour of the household is very slow and gradual. To be more realistic, one has to assume that the household will maintain the pattern of the base year. If it does so, household savings should be estimated at a level of £.E. 26.7 millions. This means that there will an excess demand for consumption goods about £.E. 50 millions. In other words, the balance of the national budget contains an inflationary gap of £.E. 50 millions.

Though the gap is a narrow one, the maintainance of stability requires that it should be eliminated. Given the production and investment targets of the Plan, one, or a combination of the following measures can be taken:

1. To increase imports, or reduce exports, of consumption goods by £.E. 50 millions. This produces a deficit in the balance of payment amounting to £.E. 10 millions, instead of the planned surplus amounty to £.E. 40 millions.
2. To reduce private disposable income by £.E. 50 millions to increase the budget surplus or corporate savings or Pensions & Insurance reserves.

The second procedure is the our preferred by the Authorities .  
One of the objectives of the Socialisation Acts of July 1961 is to shift the distributed profits of the nationalized enterprises from the household sector when they are partly saved, to the Public sector where they are completely saved. The rise of tax rates announced in 1962 is another measure to wind up the gap,

The experience of the first two years of implementation 1960/61, and 1961 - 62 gives confidence that the economy is able to develop at the planned rate of 7% without creating inflationary pressures.

Part 11.

The Mechanism of Finance

The second issue which requires investigation is how available financial resources are mobilised and channelled to finance fixed capital formation.

The Financial Accounts

The appropriate techniques for this study is national financial accounts. The experience of constructing Financial Accounts in U.A.R. in a new our. An experimental account has been constructed for 1957, but a more elaborate account has been constructed for 1958. For later years, the accounts have not been constructed yet <sup>(1)</sup> to the borrowing sectors.

To fill this gap, Financial Accounts are constructed. The system of the accounts is designed to emphasize the role of financial institutions as intermediaries between lending and borrowing sectors. For this purpose, the financial institutions are segregated from the business. The financial sector is further divided into sub-sectors, to allow for the financial operations of different financial institutions to appear in the Account.

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(1) Those accounts will be constructed as a part of a research on "Credit Budgeting" undertaken at the Institute of National Planning.

The degree of detail is determined by two factors:

1. The structure of the financial system.
2. The rise of the Accounts in economic analysis.

For the purpose of investigating the financial capital formation, the following sectoring of the financial system is found to be convenient one.

1. The Treasury
2. The Banking system
3. Pension and Assurance Funds & insurance companies.
4. Post Office Saving Fund.
5. Public Organisations.

The non-financial sector are the same as in the national income accounts, with the qualification that the business sector excludes the financial institutions. It is thought advisable to make a distinction within the business sector between corporate business and non-corporate business. From the point of view of economic analysis, this distinction is important; but it has been found difficult to distinguish between the financial transactions of the two types of business, because of the lack data. Thus, the non-financial sector is composed of:

1. The Household
2. Private Enterprises

3. Public Enterprises
4. Public Administration
5. Rest of the World.

Within this structure of the economy, four types of financial transactions take place:

1. Changes in the claims of non-financial sectors on financial institutions.
2. Changes in the claims of financial institutions on non-financial sector.
3. Financial transactions within the non-financial sectors.
4. Financial transactions within the financial sector.

The Aggregate Financial Account records these four types of transactions, these financial accounts are integrated with by the Saving - Investment account.

As a result of the financial activities and saving and investment activities, cash sector gets funds from three sources:

- a) Sub of financial assets.
- b) Indebtedness.
- c) Saving.



These funds are used in these direct

- a. Purchase of financial assets.
- b. Repayment of debts.
- c. Capital formation.

Direct information on the financial operations of the non-financial sectors are not totally available . But information on the operations of the financial institution is given by the balance sheets of these institutions. The changes in assets and liabilities of these institutions are recorded in the accounts, and the sectorial breakdown estimated by using some hypotheses about the relations between the financial sectors and non-financial sectors, wherever direct information is lacking.

This procedure is not a perfect one. It introduces into account some source of error. The system of following - up the plan adopted since July 1960 has provided the National Planning Committee with direct information on the financial transactions of different sectors, but still there are some items on which no information is available, specially the financial transactions between the non-financial sectors.

Anyhow, in spite of the defects of using the financial statements of the financial institutions as a source of information, the results obtained help to get a fairly good idea on the pattern of financial capital formation.

The pattern of finance

The financial accounts record two types of financial transactions:

1. Methods of financing capital formation
2. Changes in the forms of the financial assets held by different sectors.

For the purpose of analysis, the two types have to be distinguished. Statistically, this is not always possible, and hypotheses have to be used to distinguish between the two types of transactions.

Table 3 gives the pattern of financing fixed capital formation in 1958, which is thought to be the most probable one.

Total fixed capital formation amounted to £.E. 133.5 millions. More than one-half was self-financed. Out of total fixed capital formation amounting to £.E. 133.5 millions, about £.E. 69.3 millions were self-financed their significance of this finding, is that different sectors were more dependent on their own savings, than on the resources borrowed from the capital and money markets.

The loans given to the non-financial units by the financial system, amounting to about £.E. 64.2 millions, took three main forms

1. Capital transfers from the treasury amounting to £.E. 27.3 millions.

2. Sale of securities amounting to £.E. 16.5 millions.
3. Bank loans and advances, amounting £.E. 3.8 millions.
4. Long-term loans and new capital issues, amounting to about £.E. 11.1 millions.
5. Foreign loans amounting to £.E. 1.5 millions.

This table is based on the sectorial accounts given in tables 4 - 13.

Total fixed capital formed by the household amounted to £.E. millions. Household savings amounted to £.E. 12.5 millions.

There is evidence that the household sector had added a part of its savings to saving and time deposits with the Post office Saving Account,

The counterpart of the increase in the saving & time deposits with banks was probably the decrease in cash balances. On this consumption, it is probable that savings were used as follows:

Saving & Time deposits	£.E.	3.3	ms.
Self-financiry of investment	£.E.	9.2	"

Hence the most probable pattern of financiny fixed capital formation of the household sector is the following:

Self-financing	£.E.	9.2	ms.
Long-term loans	£.E.	3.6	"
Sale of securities	£.E.	0.9	"
Error & Omission	£.E.	1.3	"
Total	£.E.	15.0	"

That is to say about % 60 of fixed capital formation was self-financed. The household sector is usually more dependent on its own resources than on the capital & market for financing its investments.

The financing of fixed capital formation in the Business ( non-financial ) sector is different within this sector, a distinction has to be made between private enterprises and public enterprises.

Table 5 gives an account of the financial operations of private enterprises. Savings of private enterprises amounted £.E. 59.0 millions.

Besides business savings, private enterprises had access to financial resources by two types of transactions.

1. The liquidation of their financial assets by an amount of £.E. 12.5 millions. Two main types of assets were liquidated : cash balances ( £.E. 5.6 millions ) and Government securities ( £.E. 6.8 millions )

2. The increase in the liabilities to the financial institutions by an amount of £.E. 36.8 millions. This increase in the liabilities of private enterprises was the result of three main types of transactions: loans and advances from the banking system (£.E. 22.0 millions), long-term loans from non-banking financial institutions (£.E. 2.1 millions), and the sale of private business securities (£.E. 12.0 millions).
3. The increase in the liabilities of private enterprises to the world by a small amount of £.E. 1.5 millions.

It is possible that private enterprises had obtained funds by increasing their liabilities to other non-financial sectors. But available data gives only a negligible amount of £.E. 0.4 millions paid by the Household sector to buy new capital issues.

The funds obtained by private enterprises, either by saving or borrowing or liquidation of assets have been mainly used for the purchase of two types of assets, physical assets (20.0 millions), and financial assets (£.E. 17.6 millions).

The evidence given in this account, supported by available information on the types of transactions undertaken, suggests that private enterprises had not their own savings for the purchase of financial assets. These purchases were financed by reducing cash balances and increasing liabilities.

On the basis of this information, all the savings of the private enterprises were used to finance directly the purchases of physical assets. Assets were purchased by private enterprises:

Fixed physical assets	£.E.	80.0	millions
Increase in stocks	£.E.	10.0	millions

There is no information on how the increase in stocks was financed. The absence of such information, one has to resort to some hypotheses about the probable means of financing these stocks.

The hypothesis is that the stocks net security banking loans and advances were self-financed, and those security loans were financed by borrowing from the banking system. According to this hypothesis, about £.E. 4.9 millions of the increase in stocks was financed by loans from the banking system. The rest, amounting to £.E. 5.1 was auto-financed.<sup>(1)</sup>

Thus, the part of fixed capital formation which was auto-financed is estimated of a value of about £.E. 54 millions. The rest of fixed capital formation, amounting to about £.E. 26 millions. The rest of fixed capital formation, amounting to about £.E. 26 millions, was financed by borrowing & liquidatory financial assets. That is to say, about % 67,5 of fixed capital formation was financed by equity capital, and % 32,5 as fixed by borrowed capital.

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(1) self-financing of the increase in stocks may be over-estimated, since a part of the increase may be financed by loans not secured by merchandise. But this over-estimation is safer than making any other assumption.

This finding has some significance from the point of view of the development of the economy. The relationally high proportions of self-financing is a reflection of the fact the major part of fixed capital formation was used for expanding the productive capacity of existing enterprises. It is also probable that a part of the borrowed capital was used for the same purpose, and was not used for the establishment of new enterprises.

The pattern of financing fixed capital formation in public enterprises is fundamentally different from that of financing fixed capital formation in private enterprises. All fixed capital formation in public enterprises were financed by funds borrowed from the financial system, and the transactions between public enterprises and the financial system were very simple.

Table 6. gives an account of the financial operations of the public enterprises in 1958.

Public enterprises obtained funds from three main sources.

1. Corporate savings; £.E. 15.4 m.
2. Liquidation of inventories £.E. 8.1
3. Long-term loans and capital transfers from the financial system £.E. 17.1

These funds were used as follows:

Fixed capital formation:	£.E.	17,3 m.
Increase in cash balances:	£.E.	16.1 m.
Reduction of short-term liabilities	£.E.	8,1 m.

Available information indicates that the counterpart of the reduction of the short-term liabilities was the decrease in stocks.

According to the financial practices applied in 1958 in public enterprises, retained profits which were not used directly for financing investment were kept in cash. On the other hand, the Treasury transferred capital funds to those enterprises whose savings were not sufficient to finance investment.

In the light of these practices, corporate savings of public enterprises were wholly used to accumulate cash balances. Fixed capital formation was financed by capital transfers from the Treasury ( £.E. 12.4 millions ) and long-term loans from Pensions and Assurance Funds ( £.E. 4.7 millions ).

In Public Administrations, the financing of fixed capital formation is determined by the budgeting procedures. A part of capital formation is self-financed by the surplus of the current budget; the rest being financed by capital transfers from the Treasury.

Table 7 gives the financial operations of the Public Administrations. The surplus in the current budget is estimated at £.E. 3.5 millions,



and capital transfers amounted to £.E. 14.9 millions. Funds obtained from these two sources were used for financed fixed capital formation which amounted to £.E. 18.6 millions.

For the Public Sector as a whole ( Public Enterprises & Public Administration ), the Treasury is acting as the major financier. It has no sources of its own, but it acts as intermediate between the Public Sector and other financial institutions, the total capital transfers from the Treasury amounted to £.E. 27.3 millions.

Table 8 shown that this was financed mainly by borrowing from the banking system, and the liquiditation of the Treasury balances with the Agricultural Bank.

There is evidence that there has been a close relationship between the financial operations of the Treasury and the Banking system. The corporation between there has been strange after the expansion of the Public Sector. As a result of this development, the integration of the fiscal and monetary policies has been an important factor shaping the pattern of financing fixed capital formation.

The result which is expected to come out of this development is the decrease in the relation importance of self-financing, and an increase in the relation importance of borrowing from the capital and money markets.

This requires the reorganisation of the financial system and the reformation of both the budgeting technique and the credits appropriation technique, in order to ensure efficient mobilisation of financial resources and channilling to planned investments.

Table 1.  
Saving - Investment Account  
1958  
( £.E. millions )

<u>Savings</u>		<u>Investments</u>	
Household	12.5	Household	15.0
Nonfinancial Business		Nonfinancial Business	
Private	59.0	Private	80.0
Public	15.4	Public	17.3
Financial Institutions	25.0	Financial Institutions	2.6
Public Administration	3.5	Public Administration	18.6
	—		—
Total Savings	115.4	Total Fixed Capital Formation	133.5
Foreign lending	20.1	Changes in Stocks	2.0
	—		—
Total	135.5	Total Investment	135.5
	==		==

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Table 2

Saving - Investment Account

1959/60

£.E. millions

Savings		Investments	
Household	12.7	Household	9.0
Corporate & Non-corporate Business	95.6	Corporate & Non-corporate Business	103.7
Pensions & Insurance	16.4	Public Administration	80.1
Public Administration	46.3		
Total domestic savings	<u>181.0</u>	Total fixed capital function	<u>192.8</u>
Foreign Loans	22.9	Changes in Stocks	11.1
Total	<u>203.9</u>	Total	<u>203.9</u>

The Pattern of Financy fixed capital formation in U.A.R.  
1958

£.E. millions

Types of Financy	Household	Private Enterprises	Public Enterprises	Public Administration	Rest of the World.	Financial Institutions	Total
Sector							
Auto - finance	9.2	54.0	--	3.5	--	2.6	69.3
Banking loans and advances	--	3.8	--	--	--	--	3.8
Sale of securities	0.9	15.6	--	--	--	--	16.5
New capital issues	--	0.7	--	--	--	--	0.7
Long-term loans	3.6	2.1	4.7	--	--	--	10.4
Transfers from the Treasury	--	--	12.4	14.9	--	--	27.3
Foreign loans	--	1.5	--	--	--	--	1.5
Error & Omission	1.3	2.3	0.2	0.2	--	--	4.0
Total	15.0	80.0	17.3	18.6	--	2.6	133.5

Table 4.

Financial Operations of the Household Sector

1958

( £.E. millions )

	Sources	Uses
<u>Changes in assets</u>		
Currency	3.0	
Current deposits	3.9	
Saving and time deposits		10.7
Securities:		
Government	0.7	
Business securities	0.2	
<u>Changes in liabilities</u>		
Long-term loans	3.6	
<u>Saving investment account</u>		
Household savings	12.5	
Fixed capital formation		15.0
Error & Omission	1.8	
Total	25.7	25.7
	==	==

Table 5.  
The Financial Operations of Private Enterprises  
1958  
( £,E. millions )

	Sources	Uses
<u>Changes in assets</u>		
Currency	2.9	
Current deposits	2.7	
Time deposits		2.2
Claims in foreign exchange		12.1
Government securities	6.8	
Other securities	0.1	
Long-term contractual loans		3.3
<u>Changes in liabilities</u>		
Loans and advances	22.0	
New capital issues	0.7	
Non-financial business securities	12.0	
Long-term loans from financial institutions	2.1	
Capital transfers from the rest of the world	1.5	
<u>Saving - investment account</u>		
Corporate Savings	32.0	
Non-corporate business savings	27.0	
Fixed capital formation		80.0
Changes in stocks		10.0
Error & Omission		2.2
	109.8	109.8
	109.8	109.8

Table 6.  
Financial Operations of Public Enterprises  
1958  
( £.E. millions )

	Sources	Uses
<u>Changes in assets</u>		
Current deposits		14.6
Time and Saving deposits		1.5
<u>Changes in liabilities</u>		
Short-term liabilities		8.1
Long-term loans	4.7	
Capital transfers from the Treasury	12.4	
<u>Saving - investment account</u>		
Retained Profits	15.4	
Fixed capital formation		17.3
Changes in stocks	8.1	
Error & Omission	0.9	
Total	<u>41.5</u>	<u>41.5</u>



Table 7.

Financial Operations of  
Public Administration  
1958  
( £.E. millions )

Sources                  Uses

Changes in Liabilities

Transfers from the Treasury

14.9

Saving - investment account

Budget surplus

3.5

Fixed capital formation

18.6

Error & Omission

0.2

-----  
18.6

-----  
18.6

=====

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Table 8,

The Financial Operations of the Treasury

1958

( £.E. millions )

	Sources	Uses
<u>Changes in liabilities</u>		
Currency		0.1
Treasury bills	10.0	
Government securities	4.0	
Advances from banks	3.9	
<u>Changes in assets</u>		
Claims on business sector	8.1	
Capital transfers to the public sector		27.3
Error & Omission	1.4	
Total	<u>27.4</u>	<u>27.4</u>

Table 9.

The Financial Operations of the Banking System.

1958

( £.E. millions )

	Sources	Uses
<u>Changes in liabilities</u>		
Currency		5.9
Current deposits	11.5	
Time and saving deposits	13.4	
Clearing and other accounts	6.5	
Credits opened in foreign currencies	12.1	
Banking securities	1.4	
<u>Changes in assets</u>		
Government securities		8.1
Treasury bills		10.0
Other claims on the Treasury		3.9
Loans and advances		30.0
Other investments		0.3
Foreign exchange holdings	10.6	
Gold	5.1	
<u>Saving - investment account</u>		
Corporate savings	3.2	
Fixed capital formation		1.8
Error & Omission		3.8
Total	<u>63.8</u>	<u>63.8</u>

Table 10.

The Financial Operations of the Pension & Insurance Sector

1958

( £, E. millions )

	Sources	Uses
<u>Changes in assets</u>		
Current deposits		2.0
Saving deposits		1.3
Government securities		2.6
Other securities		0.8
Long-term loans		10.2
		...
<u>Saving - investment account</u>		
Increase in reserves	19.8	
Fixed capital formation		0.7
Error & Omission		2.2
Total	<u>19.8</u>	<u>19.8</u>
	<u>==</u>	<u>==</u>

Table 11.

The Financial Operations of the Post-Office Saving Fund  
1958  
( £,£. millions )

	Sources	Uses
<u>Changes in liabilities</u>		
Saving deposits	3.3	
<u>Changes in assets</u>		
Current deposits		1.4
Time deposits		1.0
Government securities		0.8
Others securities		0.3
<u>Saving - investment account</u>	0.4	
Error & Omission		0.2
Total	<u>3.7</u>	<u>3.7</u>

M. H.

