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AUSTRALIAN NATIONAL ACCOUNTS
FLOW OF FUNDS
DEVELOPMENTAL ESTIMATES
MARCH AND JUNE QUARTERS 1989

IAN CASTLES
Australian Statistician

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PREFACE

Flow of funds accounts trace the sources and uses of funds within an economy arising from changes in financial assets and liabilities. The main purpose of the accounts is to provide a framework for analysing the interrelationships between savings and investment decisions in the 'real' economy and the underlying financial activity.

The ABS has been developing quarterly flow of funds accounts for Australia within the framework of the Australian National Accounts. Annual flow of funds accounts were produced by the Reserve Bank up until 1987-88, but they were not consistent with the ABS's national accounts series.

This information paper presents estimates of Australia's flow of funds accounts for the March and June quarters 1989. The estimates are still developmental and contain various inconsistencies and measurement problems that are under investigation. However, in view of the interest in the accounts both in Australia and overseas it is considered useful to release the results of the developmental work to date.

It is recognised that the estimates are largely of historical interest and that any quarterly figures are of limited value in the absence of a reasonably long time series. However, the estimates illustrate the framework within which the statistics are being developed. They also demonstrate some of the data problems and related issues that have to be confronted in interpreting the results.

The ABS would welcome comments on any aspects of this paper (see *Introduction*, paragraphs 14 and 15). They will assist us in the further development of flow of funds accounts for Australia.

Australian Bureau of Statistics
Belconnen ACT 2616

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INTRODUCTION TO THE FLOW OF FUNDS ACCOUNTS

Nature and purpose of flow of funds accounts

Flow of funds accounts are part of the system of national and sector accounts recommended in the United Nations' *A System of National Accounts* (SNA), which provides the standards adopted by most Western economies for the presentation of their national accounts.

2. The flow of funds accounts show sources of funds arising from reductions in financial assets (e.g. sales of securities held) or increases in liabilities (e.g. borrowing, raising of share capital) and uses of funds in the form of increases in assets (e.g. expenditure on equipment, investment in securities) or decreases in liabilities (e.g. redemption of debt). For each institutional sector the flow of funds accounts show changes in the financial claims of that sector on the other domestic sectors and the rest of the world, classified according to the types of financial instruments (e.g. loans, securities, shares) in which the claims are contracted. Similarly, for each sector changes in its liabilities to other domestic sectors and the rest of the world are shown, also classified by financial instrument. See *Explanatory Notes*, paragraphs 2-17 for a description of the institutional sectors and paragraphs 18-36 for a description of the financial instruments.

3. The main purpose of the flow of funds accounts is to provide a framework for analysing the interrelationships between savings and investment decisions in the 'real' economy, and the underlying financing activity. The 'real' economy refers to the production and consumption of capital goods and services and accumulation of capital goods as reflected in the national income and expenditure accounts. As explained below, the flow of funds accounts are linked to the national income and expenditure accounts in a way which allows a better understanding of the effect of financial activity on the 'real' economy and vice-versa. As well, the flow of funds accounts highlight the important role of finance and financial institutions in the working of the economy, a role that is not so evident from the national income and expenditure accounts because of the small part played by financial institutions in the production of goods and services.

Linkages to the national income and expenditure accounts

4. In addition to measuring the economy's production of goods and services, the national income and expenditure accounts (as published in 5204.0 and 5206.0 - see paragraph 77 of the *Explanatory Notes*) include income and outlay and capital accounts. The income and outlay account measures current sources of income (including current transfers received) and current outlays (including current transfers paid, such as taxes, pensions, interest payments and the distribution of surplus through dividends). The difference between total receipts and the sum of the several disbursements is *saving*.

5. This residual estimate of saving is carried forward to the capital account and, together with other capital receipts (for example, consumption of fixed capital, net capital transfers) gives an estimate of the *Finance of gross accumulation*. This item represents the funds available for investment in physical or financial assets. The capital account also measures *Gross accumulation*, which comprises gross fixed capital expenditure, the increase in stocks, and net purchases of land and intangible assets. The difference between the funds available for investment (*Finance of gross accumulation*) and the various expenditures on physical and intangible assets (such as *Gross fixed capital expenditure*) is *Net lending*. This is a measure of the funds available for investment in financial assets.

6. A capital account for each sector is included in the flow of funds accounts, juxtaposed with the net change in the sector's financial assets and liabilities or *Change in financial position*.(1) This latter item is conceptually identical to *Net lending* in the capital account and is an alternative measure of that item derived directly from measures of the changes in financial assets and liabilities in a *Financial Transactions Account*. The description 'flow of funds accounts' is applied to the combination of the capital account and financial transactions account. These relationships are shown in T-account form on the next page and algebraically in the Appendix.

7. By measuring a sector's financial activity the financial transactions account provides an independent but conceptually identical estimate of the sector's net lending or borrowing. However, the components of this estimate and of the estimate in the capital account are compiled from different data sources. Timing and accuracy differences between these sources result in discrepancies between the alternative estimates of net lending. These discrepancies are shown explicitly in the flow of funds presentation.

Linkages to the balance of payments

8. As well as being linked to the national income and expenditure accounts, the flow of funds accounts contain the capital account of the balance of payments. These data are presented as the rest of the world sector within the flow of funds accounts. Whereas, in the balance of payments, transactions with the rest of the world are

(1) The ABS has to date only published sectoral capital accounts annually in 5204.0. The sectoral capital accounts included in this publication are consistent with the annual estimates published recently in the 1988-89 issue of 5204.0. They are also consistent with the March and June quarter 1989 data for the national capital account published in the December quarter 1989 issue of 5206.0.

NATIONAL ACCOUNTING RELATIONSHIPS

INCOME AND OUTLAY ACCOUNT

Final consumption expenditure	Wages, salaries and supplements
Current transfers paid	Net operating surplus of trading enterprises
Saving	Current transfers received
Total disbursements	Total receipts

CAPITAL ACCOUNT

Fixed capital expenditure	*Saving*
Increase in stocks	Consumption of fixed capital
Net purchases of land and intangible assets	Capital transfers received
Net lending	
Gross accumulation	Finance of gross accumulation

FINANCIAL TRANSACTIONS ACCOUNT

Cash and deposits	Cash and deposits
Loans	Loans
Short term securities	Short term securities
Long term securities	Long term securities
Equities	Equities
Other claims	Other claims
Change in financial position	
Net incurrence of liabilities	Net acquisition of financial assets

presented from Australia's point of view, in the flow of funds accounts these same transactions are presented from the point of view of non-residents. Hence, changes in Australia's liabilities to non-residents are recorded as changes in the financial assets of non-residents, and changes in Australia's financial assets are recorded as changes in liabilities of non-residents.

9. The other difference between the balance of payments capital account and the rest of the world sector of the flow of funds accounts concerns reinvested earnings. In *Balance of Payments, Australia* (5302.0) reinvested earnings attributable to *direct* investors (i.e. those having significant equity holdings in enterprises) are shown in the current account as part of the income payable or receivable on direct investment.(2) These entries are offset in the balance of payments capital account by a flow of direct investment capital called *Reinvestment of earnings*. In effect the savings of these enterprises are imputed to their owners which are then shown as reinvesting in the enterprise. In contrast to this, in the flow-of-funds and national income and expenditure accounts reinvested earnings are regarded as being retained by the enterprises and are not imputed to the owners.

Introduction to the tables

10. The flow of funds matrix (Tables 1 and 2) gives an overview of the change in financial position of the whole economy broken down by sector and financial instrument. Together with the underlying detailed sector accounts (Tables 4-14) it can assist analysis of the sources of saving and mobilisation of these funds through the financial intermediaries to finance economic activity. The sector tables can enable users to focus on particular items of interest such as public sector borrowing, changes to household debt and the role of financial intermediaries in the economy. The instrument breakdown can enable measurement of trends in the means of financing, for example trends in the balance between debt and equity financing.

11. Table 3 is called the *credit market summary*, which shows time series relating to funds raised on conventional credit markets. *Total funds raised on conventional credit markets by domestic non-financial sectors* is indicative of the domestic demand for credit. See *Explanatory Notes*, paragraph 44, for definitions of *funds raised*, *conventional credit markets*, and *domestic non-financial sectors*.

Accuracy of the flow of funds accounts

12. The flow of funds accounts provide a rigorous framework for financial statistics. It is not surprising, therefore, that development of the statistics uncovered deficiencies in financial statistics that were to be used as sources of data for the estimates. Indeed, recognition of the need to improve the statistics reinforced the decision to introduce flow of funds accounts. The ABS has added to or improved some of its statistical collections to remove some of the deficiencies. Nevertheless, not all of the cells in the flow of funds accounts can be measured directly (particularly some in the household sector) and a degree of imputation will always be necessary.

13. The series need to be observed for a number of further quarters before the ABS can be sure that its methodology is producing consistent and reliable estimates. For this reason, the statistics should be regarded as **developmental**, serving mainly to familiarise potential users with the nature and content of the accounts. They should be used with caution.

Enquiries and comments

14. The ABS would be pleased to receive your comments about these estimates on such aspects as evidence (including anecdotal) reflecting on the accuracy of the estimates; views about the presentation of the statistics; comments about the ways you have found to use these statistics; and suggestions for improvement generally.

15. Enquiries and comments should be directed to the contact officer, Derick Cullen, (telephone (06) 252 6244, or fax (06) 253 1051), or by writing to: Flow of Funds Section, ABS, P.O. Box 10, Belconnen ACT 2616.

(2) The financial transactions account statistics for the *rest of the world* in tables 1,2 and 14 are consistent with the June quarter 1989 release of *Foreign Investment, Australia* (5306.0). As a result of subsequent revisions to the foreign investment statistics, the *rest of the world change in financial position* and *balancing item* are not consistent with the most recent release of *Balance of Payments, Australia* (5302.0)

NOTES ON THE ESTIMATES

The flow of funds accounts in this publication provide two measures of the change in financial position of each sector and sub-sector of the Australian economy. The capital account presents the measure *net lending*, which represents each sector's demand for finance measured by its internal funds available to undertake capital expenditure less capital expenditures undertaken. A negative outcome indicates a net call on the funds of other sectors, or net borrowing; a positive outcome indicates the sector had a surplus of funds over the period to lend to other sectors. The financial transactions account shows the measure *change in financial position* which represents the net result of the changes in financial assets and liabilities underlying each sector's net lending or borrowing outcome. The two measures should be identical, but rarely are in practice as they are derived from different data sources. The difference between *net lending* and *change in financial position* is the *balancing item* and is one measure of the accuracy of the estimates.(1)

The results for the items *net lending*, *change in financial position* and *balancing item* for each sector and sub-sector for the six months ended 30 June 1989 are shown below. As well, the balancing item is shown expressed as a percentage of GDP for the same period.

NET LENDING, CHANGE IN FINANCIAL POSITION, BALANCING ITEM
SIX MONTHS ENDED 30 JUNE 1989

	Net Lending ($ million)	*Change in Financial Position* ($ million)	*Balancing Item* ($million)	%GDP
Trading Enterprises				
Commonwealth	+898	+72	-826	0.49
State and Local	+7	-2255	-2262	1.35
Private	-8057	-15873	-7816	4.67
Financial Enterprises	-2521	-1929	+592	0.35
General Government				
Commonwealth	+6931	+8487	+1556	0.93
State and Local	+839	+587	-252	0.15
Households (inc.unincorporated enterprises)	-5275	+681	+5956	3.56
Rest of World	+9397	+7608	-1789	1.07

While the size of the balancing item indicates serious inconsistencies between the capital account and the financial transactions account for some sectors, for others the balancing item is within acceptable limits. For example the General Government sector is indicated consistently as a net lender, reflecting in the case of the Commonwealth government the inflow of tax revenue and the retiring of debt. Commonwealth government trading enterprises were also net lenders, although the magnitude of net lending over the six months indicated in the capital account is larger than indicated by the financial transactions account. The result for State and local government trading enterprises is less clear and suggests measurement problems which are under investigation.

Financial enterprises were net borrowers over the six months, the capital account indicating net borrowing of $2521 million and the financial transactions account $1929 million. This relatively consistent result reflects the high level of coverage of this sector by ABS surveys. The change in financial position of this sector indicated by the financial transactions account is broken down by sub-sector in Tables 1 and 2. These show that the net borrowing of the sector over the period was due entirely to the Life Offices and Superannuation Funds sub-sector which showed a change in financial position of -$2904 million over the six months. This was due mainly to the growth in its reserves, which are treated as assets of the Households sector and liabilities of the Life Offices and Superannuation Funds sub-sector. The growth in reserves resulted from an increase in investment in land and buildings during the period.

For *Private Trading Enterprises* substantial net borrowing over the period is indicated but the magnitude of the borrowing is unclear. For this sector, as for the *Households* sector, greater reliance is placed on counterpart information and imputation (see *Explanatory notes* paragraph 50) than for other sectors. The fact that the balancing items of *Private Trading Enterprises* and *Households* over the six months to 30 June 1989 have opposite signs suggests that the coverage of the transactions recorded for businesses classified to the two sectors may differ between the capital account and financial transactions account (e.g. the sum of the balancing items for the two sectors is -$1860 million, or 1.11% of GDP).

(1)In considering the importance of the size of the balancing item it needs to be borne in mind that both *net lending* and *change in financial position* are measures derived from differences between much larger aggregates, and are therefore very sensitive to minor variations in the size of those aggregates. For example *change in financial position* is derived from changes in the levels of financial assets and liabilities of each sector. These changes are in most cases only a very small percentage of the value of the levels of assets and liabilities. The *change in financial position* for the June 1989 quarter as a percentage of the estimated total level of financial assets for each sector was: *Trading Enterprises*, 4.00%, *Financial Enterprises*, 0.04%, *General Government*, 8.68%, *Households*, 2.01%, *Rest of World*, 0.25%.

It is considered likely that any unrecorded transactions will have affected the capital account more than the financial transactions account, mainly through undercoverage of transactions in land and second-hand assets (principally buildings) in the capital account. These possibilities suggest that the net borrowing of *Private Trading Enterprises* over the six month period might have been higher than the $8057 million recorded in the capital account and might have been closer to the $15873 million recorded in the financial transactions account. For the *Households* sector the effect in the capital account would be to reduce the net lending estimate of -$5275 million. For both sectors there would be a reduction in the *balancing item*.

Another factor which would reduce the *balancing item* of the Households sector arose during the compilation of the financial transactions account. There was a large discrepancy between reports by the banks of the value of *certificates of deposit* they had issued and reports of purchases of those *certificates of deposit* by the other sectors. Since *Households* are not surveyed the balance of the *certificates of deposit* unaccounted for is attributed to that sector. However, it is suspected that there was undercoverage of *certificates of deposit* purchased by other sectors, and this is being investigated. If purchases of *certificates of deposit* by *Households* are reduced by even a relatively small amount, the financial transactions account would show a borrowing (negative *change in financial position*) by *Households* over the six month period, as does the capital account. This, coupled with the correction for misclassification referred to above, would bring the results in the capital account and the financial transactions account of the *Households* sector closer together.

It should be noted that the *Households* sector's net transactions in land and intangibles in the capital account (tables 1 and 2) are shown as zero. This reflects a paucity of data to estimate this item and amounts to assuming that purchases of land and intangibles by *Households* were matched by their disposals of these items. If *Households* were net purchasers of land and intangibles this would increase their recorded borrowing (negative *net lending*) position. Overall it is considered probable that *Households* were net borrowers over the six months but not by as much as the $5275 million indicated by the result for net lending in the capital account.

The dependence of the Australian economy on financing from overseas is evident in the results for the rest of the world sector, which show net lending by that sector of between $7608 million and $9397 million over the period.

TABLE 1: FLOW OF FUNDS MATRIX, MARCH QUARTER 1989

($ million)

		Corporate Trading Enterprises			Financial Enterprises				General Government		Households (a)	Total of Domestic Sectors	Rest of World	Discrepancy
		Public		Private	Reserve Bank (b)	Other Deposit Inst.	Life & Super Funds	Other Financial Inst.	C'wealth	State & Local				
		C'wealth	State & Local											
		1.11	1.12	1.20	2.10	2.20	2.30	2.40	3.10	3.20	4.00		5.00	9.00
CAPITAL ACCOUNT														
C 1.00	*Finance of gross accumulation*	848	897	4814		1545			12	2502	7969	18587		
C 2.00	Saving	194	-553	914		1019			600	570	3001	5745		
C 3.00	Consumption of fixed capital	654	1350	3923		526			190	1366	4833	12842		
C 4.00	Net capital transfers	..	100	-23		..			-778	566	135	..		
C 5.00	*Gross accumulation*	848	897	4814		1545			12	2502	7969	18587		
C 6.00	Gross fixed capital expenditure	641	1424	6186		1544			243	1371	8725	20134		
C 7.00	Increase in stocks	-473	-219	732		..			-3	10	146	193		
C 8.00	Transactions in land & intangibles	9	-11	-23		31			..	-6	..	..		
C 9.00	*Net lending (c)*	671	-297	-2081		-30			-228	1127	-902	-1740	4384	-2644
	Balancing item	-193	-1366	-8579		-2146			347	-208	6854	-5290	2624	2666
FINANCIAL TRANSACTIONS ACCOUNT														
	Change in financial position	478	-1663	-10660	701	665	-2789	-753	119	919	5952	-7031	7008	22
A 1.00	*Net acquisition/reduction (-) of financial assets*	1388	-23	770	-1243	16188	2061	1949	-1709	3324	14111	36816	8320	22
A 2.00	Cash and deposits	604	330	-864	322	-384	1553	640	-1786	289	1745	2450	438	..
A 3.00	Loans and placements	-1	60	-27	..	14043	294	34	5	2903	812	18124	713	..
A 4.10	Bills of exchange	335	-206	1104	..	-927	159	61	..	-374	2827	2979	11	..
A 4.20	Promissory notes	19	-41	15	..	44	-5	695	83	591	-1995	-595	1247	..
A 4.30	Treasury Notes	..	-5	..	-433	1264	163	41	..	19	-1440	-391	246	..
A 4.40	Bank certificates of deposit	206	..	-334	..	..	1097	193	..	-682	3741	4220	875	..
A 5.00	Long-term securities	118	15	-73	-891	1375	-2633	-250	..	107	2980	749	3086	..
A 6.00	Insurance technical reserves	..	..	..	..	..	..	..	..	..	3616	3616	..	..
A 7.00	Equities and units in trusts	-1	..	43	..	688	871	-129	-15	188	-1738	-93	1709	..
A 8.00	Other	-99	-184	83	9	563	185	119	..	207	3563	4446	-5	..
A 8.10	Unallocated	..	..	..	..	..	..	..	..	..	..	..	..	22
A 9.00	Claims on non-residents	207	8	823	-250	-478	377	545	4	76	..	1312	..	..
L 1.00	*Net incurrence/reduction (-) of liabilities*	910	1642	11430	-1944	15525	4849	2699	-1828	2405	8159	43847	1312	..
L 2.00	Cash and deposits	..	..	..	-1904	4779	..	..	13	..	..	2888	..	..
L 3.00	Loans and placements	735	1680	6115	..	-262	607	2107	2	138	7715	18837	..	..
L 4.10	Bills of exchange	-77	197	2140	..	142	..	..	..	144	444	2990	..	..
L 4.20	Promissory notes	-304	547	370	..	572	..	-84	..	-449	..	652	..	..
L 4.30	Treasury Notes	..	..	..	..	..	..	..	-145	..	..	-145	..	..
L 4.40	Bank certificates of deposit	..	..	..	..	5095	..	..	..	..	..	5095	..	..
L 5.00	Long-term securities	202	-607	898	..	2600	60	344	-1674	2012	..	3835	..	..
L 6.00	Insurance technical reserves	..	..	..	..	..	3616	..	..	..	..	3616	..	..
L 7.00	Equities and units in trusts	..	13	1226	..	118	..	259	..	..	..	1616	..	..
L 8.00	Other	354	-188	681	-40	2459	566	73	-24	560	..	4441	..	..
L 8.10	Unallocated	..	..	..	..	22	..	..	..	..	..	22	..	..
L 9.00	Claims on non-residents	..	..	..	..	..	..	..	..	..	..	..	1312	..

(a) Including unincorporated enterprises (b) See Explanatory notes paragraph 56 (c) For the domestic sectors, net lending includes the statistical discrepancy.

TABLE 2: FLOW OF FUNDS MATRIX, JUNE QUARTER 1989

($ million)

		Corporate Trading Enterprises			*Financial Enterprises*				*General Government*		*Households (a)*	*Total of Domestic Sectors*	*Rest of World*	*Discrepancy*
		Public		*Private*	*Reserve Bank (b)*	*Other Deposit Inst.*	*Life & Super Funds*	*Other Financial Inst.*	*C'wealth*	*State & Local*				
		C'wealth	*State & Local*											
		1.11	*1.12*	*1.20*	*2.10*	*2.20*	*2.30*	*2.40*	*3.10*	*3.20*	*4.00*		*5.00*	*9.00*
CAPITAL ACCOUNT														
C 1.00	*Finance of gross accumulation*	*1033*	*1652*	*1587*		*-551*			*7438*	*1675*	*5129*	*17963*		
C 2.00	Saving	364	-646	-2004		-1091			8498	-607	257	4771		
C 3.00	Consumption of fixed capital	669	1381	3984		540			194	1387	5037	13192		
C 4.00	Net capital transfers	..	917	-393		..			-1254	894	-165	..		
C 5.00	*Gross accumulation*	*1033*	*1652*	*1587*		*-551*			*7438*	*1675*	*5129*	*17963*		
C 6.00	Gross fixed capital expenditure	1236	1799	7423		1955			281	2213	9912	24819		
C 7.00	Increase in stocks	-600	-211	-139		..			-1	-57	-410	-1418		
C 8.00	Transactions in land & intangibles	170	-240	279		-15			-1	-193	..	..		
C 9.00	*Net lending (c)*	*227*	*304*	*-5976*		*-2491*			*7159*	*-288*	*-4373*	*-5438*	*5013*	*425*
	Balancing item	*-633*	*-896*	*763*		*2738*			*1209*	*-44*	*-898*	*2238*	*-4413*	*2175*
FINANCIAL TRANSACTIONS ACCOUNT														
	Change in financial position	*-406*	*-592*	*-5213*	*-358*	*-646*	*-115*	*1366*	*8368*	*-332*	*-5271*	*-3200*	*600*	*2600*
A 1.00	*Net acquisition/reduction (-) of financial assets*	*-823*	*1089*	*-854*	*1040*	*14871*	*4449*	*1256*	*1504*	*-2155*	*2762*	*23136*	*3583*	*2600*
A 2.00	Cash and deposits	-617	162	681	-265	-277	-226	-509	1690	-407	2500	2732	238	..
A 3.00	Loans and placements	25	550	392	..	12345	442	-978	-55	3603	-355	15969	384	..
A 4.10	Bills of exchange	-748	-2	-1080	..	1055	1652	1036	..	-2353	175	-266	11	..
A 4.20	Promissory notes	-153	-33	20	..	36	-116	..	-25	-2201	467	-2006	-821	..
A 4.30	Treasury Notes	..	..	..	67	-2131	-125	-202	..	-19	-1651	-4062	246	..
A 4.40	Bank certificates of deposit	198	-200	-168	..	..	2542	646	..	-1074	3406	5350	630	..
A 5.00	Long-term securities	8	144	36	1281	531	-923	283	..	211	-1891	-321	286	..
A 6.00	Insurance technical reserves	..	..	..	..	..	..	..	..	..	4717	4717	..	..
A 7.00	Equities and units in trusts	-5	..	43	..	113	397	903	-30	346	-2465	-698	2400	..
A 8.00	Other	196	447	-1586	2	1719	215	92	..	-207	-2141	-1262	209	..
A 8.10	Unallocated	..	..	..	..	..	..	..	..	..	..	..	..	2600
A 9.00	Claims on non-residents	273	21	808	-45	1480	591	-15	-76	-54	..	2983	..	..
L 1.00	*Net incurrence/reduction (-) of liabilities*	*-417*	*1682*	*4359*	*1398*	*15516*	*4564*	*-110*	*-6865*	*-1823*	*8032*	*26336*	*2983*	..
L 2.00	Cash and deposits	..	..	..	1411	1544	..	..	15	..	..	2970	..	..
L 3.00	Loans and placements	-96	1567	7138	..	351	-436	896	58	-866	7741	16353	..	..
L 4.10	Bills of exchange	-9	58	-353	..	-314	..	1	..	71	291	-255	..	..
L 4.20	Promissory notes	-517	299	-506	..	341	..	-620	..	-1824	..	-2827	..	..
L 4.30	Treasury Notes	..	..	..	..	..	..	..	-3816	..	..	-3816	..	..
L 4.40	Bank certificates of deposit	..	..	..	..	5980	..	..	..	..	..	5980	..	..
L 5.00	Long-term securities	376	-146	243	..	1820	-20	-43	-2989	724	..	-35	..	..
L 6.00	Insurance technical reserves	..	..	..	..	..	4717	..	..	..	..	4717	..	..
L 7.00	Equities and units in trusts	238	117	1669	..	-376	..	54	..	..	..	1702	..	..
L 8.00	Other	-409	-213	-3832	-13	3570	303	-398	-133	72	..	-1053	..	..
L 8.10	Unallocated	..	..	..	..	2600	..	..	..	..	..	2600	..	..
L 9.00	Claims on non-residents	..	..	..	..	..	..	..	..	..	..	..	2983	..

(a) Including unincorporated enterprises (b) See Explanatory notes paragraph 56 (c) For the domestic sectors, net lending includes the statistical discrepancy

TABLE 3: CREDIT MARKET SUMMARY
(Funds Raised on Domestic Credit Markets)
($ million)

	Quarters ended March 1989	Quarters ended June 1989
1.11 Commonwealth Public Trading Enterprises	*562*	*-244*
3.00 Loans and placements from:		
Other Deposit Taking Institutions (2.20)	421	-403
Other domestic sectors (a)	1	-99
Rest of the World (5.00)	319	170
4.00 Short-term securities	-381	-526
5.00 Long-term securities	202	376
7.00 Equities and units in trusts	. .	238
1.12 State and Local Public Trading Enterprises	*-5*	*-847*
3.00 Loans and placements from:		
Other Deposit Taking Institutions (2.20)	72	-49
Other domestic sectors (b)	-2	35
Rest of the World (5.00)	-225	-1161
4.00 Short-term securities	744	357
5.00 Long-term securities	-607	-146
7.00 Equities and units in trusts	13	117
1.20 Private Corporate Trading Enterprises	*10749*	*8191*
3.00 Loans and placements from:		
Other Deposit Taking Institutions (2.20)	5871	6545
All other domestic sectors	-394	-429
Rest of the World (5.00)	638	1022
4.00 Short-term securities	2510	-859
5.00 Long-term securities	898	243
7.00 Equities and units in trusts	1226	1669
3.10 Commonwealth General Government	*-1817*	*-6747*
3.00 Loans and placements from:		
Other Deposit Taking Institutions (2.20)	7	57
All other domestic sectors	-5	1
4.00 Short-term securities	-145	-3816
5.00 Long-term securities	-1674	-2989
3.20 State and Local General Government	*1845*	*-1895*
3.00 Loans and placements from:		
Other Deposit Taking Institutions (2.20)	101	-1197
All other domestic sectors	19	283
Rest of the World (5.00)	18	48
4.00 Short-term securities	-305	-1753
5.00 Long-term securities	2012	724
4.00 Households and Unincorporated Enterprises	*8159*	*8032*
3.00 Loans and placements	7715	7741
4.00 Short-term securities	444	291
Total funds raised on conventional credit markets by non-financial domestic sectors	**19493**	**6490**

(a) Excludes loans and placements from Commonwealth General Government (3.10). (b) Excludes loans and placements from State and Local General Government (3.20)

TABLE 4: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 1.11 COMMONWEALTH PUBLIC TRADING ENTERPRISES
($ million)

			Quarters ended	
			March 1989	*June 1989*
Change in Financial Position (A 1.00 - L 1.00)			*478*	*-406*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*1388*	*-823*
A	2.00	Cash and deposits	604	-617
A	3.00	Loans to and placements with:		
		Private Corporate Trading Enterprises (1.20)	4	24
		Commonwealth General Government (3.10)	-5	1
A	4.00	Short-term securities:		
A	4.10	Bills of exchange	335	-748
A	4.20	Promissory notes	19	-153
A	4.40	Bank certificates of deposit	206	198
A	5.00	Long-term securities of:		
		State and Local Public Trading Enterprises (1.12)	..	17
		Private Corporate Trading Enterprises (1.20)	113	-9
		State and Local General Government (3.20)	5	..
A	7.00	Equities and units in trusts		
		Private Corporate Trading Enterprises (1.20)	-1	-5
A	8.00	Other financial claims	-99	196
A	9.00	Claims on non-residents		
A	9.20	Deposits	-3	-8
A	9.30	Loans	6	..
A	9.50	Equities	..	..
A	9.60	Other claims	204	281
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*910*	*-417*
L	3.00	Loans and placements from:		
		Private Corporate Trading Enterprises (1.20)	1	..
		Other Deposit Taking Institutions (2.20)	421	-403
		Other Financial Institutions (2.40)	..	-99
		Commonwealth General Government (3.10)	-6	236
		Rest of the World (5.00)	319	170
L	4.00	Short-term securities:		
L	4.10	Bills of exchange	-77	-9
L	4.20	Promissory notes	-304	-517
L	5.00	Long-term securities	202	376
L	7.00	Equities and units in trusts	..	238
L	8.00	Other financial claims	354	-409

TABLE 5: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 1.12 STATE AND LOCAL PUBLIC TRADING ENTERPRISES
($ million)

			Quarters ended	
			March 1989	June 1989
Change in Financial Position (A 1.00 - L 1.00)			*-1663*	*-592*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*-23*	*1089*
A	2.00	Cash and deposits	330	162
A	3.00	Loans to and placements with:		
		Private Corporate Trading Enterprises (1.20)	-25	8
		Other Deposit Taking Institutions (2.20)	-8	-8
		Other Financial Institutions (2.40)	-11	..
		State and Local General Government (3.20)	86	523
		Households and Unincorporated Enterprises (4.00)	18	27
A	4.00	Short-term securities:		
A	4.10	Bills of exchange	-206	-2
A	4.20	Promissory notes	-41	-33
A	4.30	Treasury Notes	-5	..
A	4.40	Bank certificates of deposit	..	-200
A	5.00	Long-term securities of:		
		Commonwealth Public Trading Enterprises (1.11)	3	-12
		Private Corporate Trading Enterprises (1.20)	3	88
		Commonwealth General Government (3.10)	20	41
		State and Local General Government (3.20)	-11	27
A	8.00	Other financial claims	-184	447
A	9.00	Claims on non-residents		
A	9.20	Deposits	8	21
A	9.60	Other claims	..	..
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*1642*	*1682*
L	3.00	Loans and placements from:		
		Private Corporate Trading Enterprises (1.20)	4	88
		Other Deposit Taking Institutions (2.20)	72	-49
		Life Offices and Superannuation Funds (2.30)	54	-55
		Other Financial Institutions (2.40)	-55	8
		Commonwealth General Government (3.10)	-6	-7
		State and Local General Government (3.20)	1835	2742
		Households and Unincorporated Enterprises (4.00)	1	1
		Rest of the World (5.00)	-225	-1161
L	4.00	Short-term securities:		
L	4.10	Bills of exchange	197	58
L	4.20	Promissory notes	547	299
L	5.00	Long-term securities	-607	-146
L	7.00	Equities and units in trusts	13	117
L	8.00	Other financial claims	-188	-213

TABLE 6: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 1.20 PRIVATE CORPORATE TRADING ENTERPRISES
($ million)

			Quarters ended	
			March 1989	*June 1989*
Change in Financial Position (A 1.00 - L 1.00)			*-10660*	*-5213*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*770*	*-854*
A	2.00	Cash and deposits	-864	681
A	3.00	Loans to and placements with:		
		Commonwealth Public Trading Enterprises (1.11)	1	..
		State and Local Public Trading Enterprises (1.12)	4	88
		Other Financial Institutions (2.40)	56	110
		State and Local General Government (3.20)	-88	194
A	4.00	Short-term securities:		
A	4.10	Bills of exchange	1104	-1080
A	4.20	Promissory notes	15	20
A	4.40	Bank certificates of deposit	-334	-168
A	5.00	Long-term securities of:		
		Commonwealth Public Trading Enterprises (1.11)	23	33
		State and Local Public Trading Enterprises (1.12)	6	7
		Other Deposit Taking Institutions (2.20)	-43	-7
		Commonwealth General Government (3.10)	13	-14
		State and Local General Government (3.20)	-72	17
A	7.00	Equities and units in trusts		
		Other Deposit Taking Institutions (2.20)	43	43
A	8.00	Other financial claims	83	-1586
A	9.00	Claims on non-residents		
A	9.20	Deposits	-201	-184
A	9.30	Loans	313	558
A	9.40	Debt securities	-60	1
A	9.50	Equities	679	212
A	9.60	Other claims	92	221
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*11430*	*4359*
L	3.00	Loans and placements from:		
		Commonwealth Public Trading Enterprises (1.11)	4	24
		State and Local Public Trading Enterprises (1.12)	-25	8
		Other Deposit Taking Institutions (2.20)	5871	6545
		Life Offices and Superannuation Funds (2.30)	8	269
		Other Financial Institutions (2.40)	-382	-807
		Commonwealth General Government (3.10)	-1	..
		State and Local General Government (3.20)	2	77
		Rest of the World (5.00)	638	1022
L	4.00	Short-term securities:		
L	4.10	Bills of exchange	2140	-353
L	4.20	Promissory notes	370	-506
L	5.00	Long-term securities	898	243
L	7.00	Equities and units in trusts	1226	1669
L	8.00	Other financial claims	681	-3832

TABLE 7: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 2.10 RESERVE BANK OF AUSTRALIA (a)
($ million)

			Quarters ended	
			March 1989	*June 1989*
Change in Financial Position (A 1.00 - L 1.00)			*701*	*-358*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*-1243*	*1040*
A	2.00	Cash and deposits	322	-265
A	4.00	Short-term securities		
A	4.30	Treasury Notes	-433	67
A	5.00	Long-term securities of:		
		Commonwealth General Government (3.10)	-891	1281
A	8.00	Other financial claims	9	2
A	9.00	Claims on non-residents		
A	9.10	International Reserves	-250	-45
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*-1944*	*1398*
L	2.00	Cash and deposits	-1904	1411
L	8.00	Other financial claims	-40	-13

(a) Estimates for this sub-sector have been constructed from a number of sources and may not reflect actual movements in the Reserve Bank of Australia's balance sheet. See *Explanatory notes*, paragraph 56.

TABLE 8: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 2.20 OTHER DEPOSIT TAKING INSTITUTIONS
($ million)

			Quarters ended March 1989	Quarters ended June 1989
Change in Financial Position (A 1.00 - L 1.00)			*665*	*-646*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*16188*	*14871*
A	2.00	Cash and deposits	-384	-277
A	3.00	Loans to and placements with:		
		Commonwealth Public Trading Enterprises (1.11)	421	-403
		State and Local Public Trading Enterprises (1.12)	71	-49
		Private Corporate Trading Enterprises (1.20)	5871	6545
		Life Offices and Superannuation Funds (2.30)	158	32
		Other Financial Institutions (2.40)	323	-276
		Commonwealth General Government (3.10)	7	57
		State and Local General Government (3.20)	101	-1197
		Households and Unincorporated Enterprises (4.00)	7091	7636
A	4.00	Short-term securities:		
A	4.10	Bills of exchange	-927	1055
A	4.20	Promissory notes	44	36
A	4.30	Treasury Notes	1264	-2131
A	5.00	Long-term securities of:		
		Commonwealth Public Trading Enterprises (1.11)	-15	-25
		State and Local Public Trading Enterprises (1.12)	268	-88
		Private Corporate Trading Enterprises (1.20)	-185	655
		Commonwealth General Government (3.10)	1358	-403
		State and Local General Government (3.20)	-51	392
A	7.00	Equities and units in trusts		
		Private Corporate Trading Enterprises (1.20)	688	113
A	8.00	Other financial claims	563	1719
A	9.00	Claims on non-residents		
A	9.20	Deposits	11	543
A	9.30	Loans	-699	478
A	9.40	Debt securities	193	109
A	9.50	Equities	-7	343
A	9.60	Other claims	24	7
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*15525*	*15516*
L	2.00	Cash and deposits	4779	1544
L	3.00	Loans and placements from:		
		State and Local Public Trading Enterprises (1.12)	-8	-8
		Other Financial Institutions (2.40)	22	29
		Rest of the World (5.00)	-276	330
L	4.00	Short-term securities:		
L	4.10	Bills of exchange	142	-314
L	4.20	Promissory notes	572	341
L	4.40	Bank certificates of deposit	5095	5980
L	5.00	Long-term securities	2600	1820
L	7.00	Equities and units in trusts	118	-376
L	8.00	Other financial claims	2459	3570
L	8.10	Unallocated	22	2600

TABLE 9: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 2.30 LIFE OFFICES AND SUPERANNUATION FUNDS
($ million)

		Quarters ended March 1989	Quarters ended June 1989
Change in Financial Position (A 1.00 - L 1.00)		*-2789*	*-115*
A 1.00	*Net Acquisition or Sale (-) of Financial Assets*	*2061*	*4449*
A 2.00	Cash and deposits	1553	-226
A 3.00	Loans to and placements with:		
	State and Local Public Trading Enterprises (1.12)	54	-55
	Private Corporate Trading Enterprises (1.20)	8	269
	Other Financial Institutions (2.40)	130	111
	State and Local General Government (3.20)	-31	46
	Households and Unincorporated Enterprises (4.00)	133	71
A 4.00	Short-term securities:		
A 4.10	Bills of exchange	159	1652
A 4.20	Promissory notes	-5	-116
A 4.30	Treasury Notes	163	-125
A 4.40	Bank certificates of deposit	1097	2542
A 5.00	Long-term securities of:		
	Commonwealth Public Trading Enterprises (1.11)	-89	245
	State and Local Public Trading Enterprises (1.12)	-1210	-406
	Private Corporate Trading Enterprises (1.20)	-246	21
	Other Deposit Taking Institutions (2.20)	-41	-231
	Commonwealth General Government (3.10)	-1325	-168
	State and Local General Government (3.20)	278	-384
A 7.00	Equities and units in trusts		
	Private Corporate Trading Enterprises (1.20)	655	532
	Other Deposit Taking Institutions (2.20)	68	374
	Other Financial Institutions (2.40)	148	-509
A 8.00	Other financial claims	185	215
A 9.00	Claims on non-residents		
A 9.20	Deposits	-28	90
A 9.30	Loans	-3	1
A 9.40	Debt securities	-11	14
A 9.50	Equities	417	485
A 9.60	Other claims	2	1
L 1.00	*Net Incurrence or Reduction (-) of Liabilities*	*4849*	*4564*
L 3.00	Loans and placements from:		
	Other Deposit Taking Institutions (2.20)	158	32
	Households and Unincorporated Enterprises (4.00)	450	-468
	Rest of the World (5.00)	-1	..
L 5.00	Long-term securities	60	-20
L 6.00	Insurance technical reserves	3616	4717
L 8.00	Other financial claims	566	303

TABLE 10: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 2.40 OTHER FINANCIAL INSTITUTIONS
($ million)

			Quarters ended March 1989	Quarters ended June 1989
Change in Financial Position (A 1.00 - L 1.00)			*-753*	*1366*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*1949*	*1256*
A	2.00	Cash and deposits	640	-509
A	3.00	Loans to and placements with:		
		Commonwealth Public Trading Enterprises (1.11)	..	-99
		State and Local Public Trading Enterprises (1.12)	-55	8
		Private Corporate Trading Enterprises (1.20)	-382	-807
		Other Deposit Taking Institutions (2.20)	22	29
		Other Financial Institutions (2.40)	-27	100
		State and Local General Government (3.20)	23	-204
		Households and Unincorporated Enterprises (4.00)	453	-5
A	4.00	Short-term securities:		
A	4.10	Bills of exchange	61	1036
A	4.20	Promissory notes	695	..
A	4.30	Treasury Notes	41	-202
A	4.40	Bank certificates of deposit	193	646
A	5.00	Long-term securities of:		
		Commonwealth Public Trading Enterprises (1.11)	26	2
		State and Local Public Trading Enterprises (1.12)	-50	-26
		Private Corporate Trading Enterprises (1.20)	50	-107
		Other Deposit Taking Institutions (2.20)	-161	124
		Commonwealth General Government (3.10)	-166	336
		State and Local General Government (3.20)	51	-46
A	7.00	Equities and units in trusts		
		Private Corporate Trading Enterprises (1.20)	-177	598
		Other Deposit Taking Institutions (2.20)	48	305
A	8.00	Other financial claims	119	92
A	9.00	Claims on non-residents		
A	9.20	Deposits	332	-24
A	9.30	Loans	21	19
A	9.40	Debt securities	2	-5
A	9.50	Equities	189	-8
A	9.60	Other claims	1	3
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*2699*	*-110*
L	3.00	Loans and placements from:		
		State and Local Public Trading Enterprises (1.12)	-11	..
		Private Corporate Trading Enterprises (1.20)	56	110
		Other Deposit Taking Institutions (2.20)	323	-276
		Life Offices and Superannuation Funds (2.30)	130	111
		Other Financial Institutions (2.40)	-27	100
		Commonwealth General Government (3.10)	-4	..
		State and Local General Government (3.20)	1065	665
		Households and Unincorporated Enterprises (4.00)	334	212
		Rest of the World (5.00)	241	-26
L	4.00	Short-term securities:		
L	4.10	Bills of exchange	..	1
L	4.20	Promissory notes	-84	-620
L	5.00	Long-term securities	344	-43
L	7.00	Equities and units in trusts	259	54
L	8.00	Other financial claims	73	-398

TABLE 11: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 3.10 COMMONWEALTH GENERAL GOVERNMENT
($ million)

			Quarters ended	
			March 1989	June 1989
Change in Financial Position (A 1.00 - L 1.00)			*119*	*8368*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*-1709*	*1504*
A	2.00	Cash and deposits	-1786	1690
A	3.00	Loans to and placements with:		
		Commonwealth Public Trading Enterprises (1.11)	-6	236
		State and Local Public Trading Enterprises (1.12)	-6	-7
		Private Corporate Trading Enterprises (1.20)	-1	..
		Other Financial Institutions (2.40)	-4	..
		State and Local General Government (3.20)	29	-276
		Households and Unincorporated Enterprises (4.00)	-7	-8
A	4.00	Short-term securities		
A	4.20	Promissory notes	83	-25
A	7.00	Equities and units in trusts		
		Commonwealth Public Trading Enterprises (1.11)	-15	-30
A	9.00	Claims on non-residents		
A	9.30	Loans	-2	..
A	9.60	Other claims	6	-76
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*-1828*	*-6865*
L	2.00	Cash and deposits	13	15
L	3.00	Loans and placements from:		
		Commonwealth Public Trading Enterprises (1.11)	-5	1
		Other Deposit Taking Institutions (2.20)	7	57
L	4.00	Short-term securities		
L	4.30	Treasury Notes	-145	-3816
L	5.00	Long-term securities	-1674	-2989
L	8.00	Other financial claims	-24	-133

TABLE 12: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 3.20 STATE AND LOCAL GENERAL GOVERNMENT
($ million)

			Quarters ended	
			March 1989	*June 1989*
Change in Financial Position (A 1.00 - L 1.00)			*919*	*-332*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*3324*	*-2155*
A	2.00	Cash and deposits	289	-407
A	3.00	Loans to and placements with:		
		State and Local Public Trading Enterprises (1.12)	1835	2742
		Private Corporate Trading Enterprises (1.20)	2	77
		Other Financial Institutions (2.40)	1065	665
		Households and Unincorporated Enterprises (4.00)	1	119
A	4.00	Short-term securities:		
A	4.10	Bills of exchange	-374	-2353
A	4.20	Promissory notes	591	-2201
A	4.30	Treasury Notes	19	-19
A	4.40	Bank certificates of deposit	-682	-1074
A	5.00	Long-term securities of:		
		Commonwealth Public Trading Enterprises (1.11)	..	35
		State and Local Public Trading Enterprises (1.12)	141	-91
		Private Corporate Trading Enterprises (1.20)	-38	265
		Other Financial Institutions (2.40)	4	5
		Commonwealth General Government (3.10)	..	-3
A	7.00	Equities and units in trusts		
		State and Local Public Trading Enterprises (1.12)	13	117
		Private Corporate Trading Enterprises (1.20)	113	110
		Other Deposit Taking Institutions (2.20)	62	119
		Other Financial Institutions (2.40)	..	..
A	8.00	Other financial claims	207	-207
A	9.00	Claims on non-residents		
A	9.20	Deposits	..	..
A	9.30	Loans	..	..
A	9.40	Debt securities	76	-54
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*2405*	*-1823*
L	3.00	Loans and placements from:		
		State and Local Public Trading Enterprises (1.12)	86	523
		Private Corporate Trading Enterprises (1.20)	-88	194
		Other Deposit Taking Institutions (2.20)	101	-1197
		Life Offices and Superannuation Funds (2.30)	-31	46
		Other Financial Institutions (2.40)	23	-204
		Commonwealth General Government (3.10)	29	-276
		Rest of the World (5.00)	18	48
L	4.00	Short-term securities:		
L	4.10	Bills of exchange	144	71
L	4.20	Promissory notes	-449	-1824
L	5.00	Long-term securities	2012	724
L	8.00	Other financial claims	560	72

TABLE 13: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 4.00 HOUSEHOLDS AND UNINCORPORATED ENTERPRISES
($ million)

			Quarters ended March 1989	Quarters ended June 1989
Change in Financial Position (A 1.00 - L 1.00)			*5952*	*-5271*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*14111*	*2762*
A	2.00	Cash and deposits	1745	2500
A	3.00	Loans to and placements with:		
		State and Local Public Trading Enterprises (1.12)	1	1
		Life Offices and Superannuation Funds (2.30)	450	-468
		Other Financial Institutions (2.40)	361	112
A	4.00	Short-term securities:		
A	4.10	Bills of exchange	2827	175
A	4.20	Promissory notes	-1995	467
A	4.30	Treasury Notes	-1440	-1651
A	4.40	Bank certificates of deposit	3741	3406
A	5.00	Long-term securities of:		
		Commonwealth Public Trading Enterprises (1.11)	536	-588
		State and Local Public Trading Enterprises (1.12)	378	271
		Private Corporate Trading Enterprises (1.20)	971	-669
		Other Deposit Taking Institutions (2.20)	92	231
		Other Financial Institutions (2.40)	80	-55
		Commonwealth General Government (3.10)	394	-1429
		State and Local General Government (3.20)	529	348
A	6.00	Insurance technical reserves	3616	4717
A	7.00	Equities and units in trusts		
		All Sectors	-1738	-2465
A	8.00	Other financial claims	3563	-2141
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*8159*	*8032*
L	3.00	Loans and placements from:		
		State and Local Public Trading Enterprises (1.12)	18	27
		Other Deposit Taking Institutions (2.20)	7117	7537
		Life Offices and Superannuation Funds (2.30)	133	71
		Other Financial Institutions (2.40)	453	-5
		Commonwealth General Government (3.10)	-7	-8
		State and Local General Government (3.20)	1	119
L	4.00	Short-term securities:		
L	4.10	Bills of exchange	444	291

TABLE 14: FINANCIAL TRANSACTIONS ACCOUNT
SECTOR 5.00 REST OF THE WORLD
($ million)

			Quarters ended March 1989	Quarters ended June 1989
Change in Financial Position (A 1.00 - L 1.00)			*7008*	*600*
A	*1.00*	*Net Acquisition or Sale (-) of Financial Assets*	*8320*	*3583*
A	2.00	Cash and deposits	438	238
A	3.00	Loans to and placements with:		
		Commonwealth Public Trading Enterprises (1.11)	319	170
		State and Local Public Trading Enterprises (1.12)	-225	-1161
		Private Corporate Trading Enterprises (1.20)	637	1023
		Other Deposit Taking Institutions (2.20)	-276	330
		Life Offices and Superannuation Funds (2.30)	-1	..
		Other Financial Institutions (2.40)	241	-26
		State and Local General Government (3.20)	18	48
A	4.00	Short-term securities:		
A	4.10	Bills of exchange	11	11
A	4.20	Promissory Notes of:		
		Commonwealth Public Trading Enterprises (1.11)	205	-336
		State and Local Public Trading Enterprises (1.12)	-31	91
		Private Corporate Trading Enterprises (1.20)	475	-372
		Other Deposit Taking Institutions (2.20)	-15	402
		Other Financial Institutions (2.40)	106	-602
		State and Local General Government (3.20)	507	-4
A	4.30	Treasury Notes	246	246
A	4.40	Bank certificates of deposit	875	630
A	5.00	Long-term securities of:		
		Commonwealth Public Trading Enterprises (1.11)	-282	686
		State and Local Public Trading Enterprises (1.12)	-140	170
		Private Corporate Trading Enterprises (1.20)	230	-1
		Other Deposit Taking Institutions (2.20)	2753	1703
		Life Offices and Superannuation Funds (2.30)	60	-20
		Other Financial Institutions (2.40)	260	7
		Commonwealth General Government (3.10)	-1078	-2629
		State and Local General Government (3.20)	1283	370
A	7.00	Equities and units in trusts		
		Private Corporate Trading Enterprises (1.20)	1789	2040
		Other Deposit Taking Institutions (2.20)	-77	302
		Life Offices and Superannuation Funds (2.30)	-1	50
		Other Financial Institutions (2.40)	-2	8
A	8.00	Other financial claims	-5	209
L	*1.00*	*Net Incurrence or Reduction (-) of Liabilities*	*1312*	*2983*
L	9.00	Claims on non-residents		
L	9.10	International Reserves	-250	-45
L	9.20	Deposits	119	438
L	9.30	Loans	-364	1056
L	9.40	Debt securities	200	65
L	9.50	Equities	1278	1032
L	9.60	Other claims	329	437

EXPLANATORY NOTES

Introduction

These explanatory notes provide definitions of the institutional sectors and sub-sectors and financial instruments for which flow of funds data are presented in this publication. An explanation of the format and content of each table in the publication is also provided as well as notes about methods of compilation of the statistics, sources of data used and availability of unpublished data and related publications.

The institutional sectors and sub-sectors

2. The institutional sectors are based on the *Standard Institutional Sector Classification of Australia* (1218.0) and are the same as the sectors used in national income and expenditure accounts. Sub-sectors are defined for three of the five sectors. The sub-setors of the financial enterprises sector are not used in the national income and expenditure accounts.

3. Transactor units are grouped into four broad domestic institutional sectors according to their roles in the economy, the emphasis being on the differences in their financial role, behaviour and experience. These domestic sectors are: corporate trading enterprises, financial enterprises, general government, and households. In addition to these, all non-residents are grouped together into a rest-of-the-world sector.

Corporate trading enterprises (1.00)

4. This sector is largely concerned with production and covers businesses which are legally, or clearly act as, entities independent of their owners with regard to their incomes, outlays and capital financing transactions. Private enterprises classified to this sector are mainly companies registered under the Companies Act (or by other Acts of Parliament) but also include trading and property trusts. As well, large unincorporated trading enterprises which maintain complete independent financial records (termed *quasi-corporate enterprises*) are included such as those which are partnerships of companies, resident branches of companies incorporated abroad, and enterprises assessable for income tax as companies.

5. Government-owned or controlled enterprises which are mainly engaged in the production of goods and services for sale in the market with the intention of substantially covering their production costs are included in this sector. These enterprises are termed *public trading enterprises* and include both incorporated (under the Companies Act or special statutes) and unincorporated enterprises.

6. This broad sector is broken down into three sub-sectors: 1.11 Commonwealth public trading enterprises; 1.12 State and local government public trading enterprises; and 1.20 private corporate trading enterprises.

Financial enterprises (2.00)

7. Enterprises in this sector have complete and independent sets of accounts and are mainly engaged in financial market transactions which involve incurring liabilities for the purpose of acquiring financial assets: that is, in borrowing and lending; in providing superannuation, life, health or other insurance cover; in financial leasing; or investing in financial assets. Mostly these enterprises are incorporated but large unincorporated enterprises such as unit trusts and superannuation funds are included in this sector if they meet the foregoing criteria.

8. This broad sector is broken down into four sub-sectors: 2.10 Reserve Bank of Australia; 2.20 Other deposit-taking institutions; 2.30 Life offices and superannuation funds; and 2.40 Other financial institutions.

9. *Reserve Bank of Australia (2.10)* The central bank is conventionally shown separately in flow of funds accounts because of its unique roles in monetary policy, prudential supervision of banks and financial corporations, and note issue.

10. *Other deposit-taking institutions (2.20)* These are the deposit-taking institutions with liabilities included in the Reserve Bank's definition of *broad money*. The sub-sector is composed of commercial banks of all types; cash management trusts; and corporations registered in categories A to G of the Financial Corporations Act, that is, building societies, credit cooperatives, authorised money market dealers, money market corporations, pastoral finance companies, finance companies, and general financiers.

11. *Life offices and superannuation funds (2.30)* These enterprises are shown separately because of their role as repositories of long-term household saving. Approved deposit funds and friendly societies are included in this sub-sector.

12. *Other financial institutions (2.40)* This sub-sector covers all institutions meeting the definition of a financial enterprise not included in the other sub-sectors. It includes economic development corporations of the Commonwealth and State governments (but not their central borrowing authorities - see *General government* below); all insurance companies other than life insurance companies; common funds (including cash common funds); mortgage and equity unit trusts (i.e. excluding cash management trusts which are included with *other deposit-taking institutions*, and trading and property trusts which are included with *private corporate trading enterprises*); and corporations registered in categories H, I and J of the Financial Corporations Act such as credit union leagues.

General government (3.00)
13. This sector consists of all departments, offices and other bodies mainly engaged in the production of goods and services outside the normal market mechanism for consumption by governments and the general public. General government costs of production are mainly financed from taxation receipts. The sector provides goods and services to the general public, or sections of the general public, free of charge or at nominal charges well below costs of production. Included are government enterprises mainly engaged in the production of goods and services for other general government enterprises. For this reason the central borrowing authorities of the State governments, which are statutory bodies set up to borrow on behalf of general government and public trading enterprises and to on-lend to those enterprises, are included in this sector and not in the financial enterprises sector. This treatment is consistent with that adopted in the national income and expenditure accounts from the December quarter, 1989 issue of 5206.0 and the 1988-89 issue of 5204.0.

14. This broad sector is broken down into two sub-sectors: 3.10 Commonwealth general government; and 3.20 State and local general government.

Households (4.00)
15. For statistical convenience this sector includes unincorporated trading enterprises because the owners of ordinary partnerships and sole proprietorships frequently combine their business and personal transactions.

Total of domestic sectors (sub-total)
16. The flow of funds matrix has a sub-total of all domestic sub-sectors. This is compiled by summing rather than consolidating the domestic sectors in order to provide a measure of the total domestic market for each instrument. Consolidation of the domestic sectors would result in a precise counterpart to the *rest of the world* (*rest of world* assets are equivalent to consolidated domestic liabilities; *rest of the world* liabilities are equivalent to consolidated domestic assets).

Rest of the world (5.00)
17. This sector consists of all non-resident entities whatever their nature. For a precise definition of *non-resident* refer to *Balance of Payments, Australia: Summary of Concepts, Sources and Methods* (5351.0).

The instrument classification
18. The flow of funds matrix provides a breakdown of the net change in financial assets and the net change in liabilities classified by financial instrument. The definitions of the financial instruments are given below and these are identical for assets and liabilities. The instrument classification is designed to distinguish instruments issued by residents from those issued by non-residents. To achieve this all types of claims on non-residents are combined in instrument 9.00.

Cash and deposits (2.00)
19. Cash covers notes (the liability of the Reserve Bank) and coin (the liability of the Commonwealth Government). Deposits are the broad-money liabilities of the deposit-taking institutions (sub-sectors 2.10 and 2.20) except debentures and certificates of deposit. For statistical convenience these debentures are included in *Long-term securities* (5.00) and the certificates of deposit in *Short-term securities* (4.00) in the flow of funds accounts.

20. Account balances at banks and financial corporations are clearly deposits. Also included are units issued by cash management trusts and withdrawable share capital of building societies.

Loans and placements (3.00)
21. Loans are advances of funds for which there is usually no secondary market. Included are overdrafts, term loans, monies lent both against collateral and without collateral, financial lease agreements, and repurchase agreements.

22. Placements are account balances with entities not regarded as deposit-taking institutions. Examples are account balances of State and local public trading enterprises with their central borrowing authorities, and public sector superannuation funds with their State treasuries.

Short-term securities (4.00)
23. These are debt instruments which have an *original* term to maturity of one year or less. Generally, they are issued in large amounts at a discount to face value and are traded on well-established secondary markets.

24. In the flow of funds accounts this broad instrument is broken down into four components: 4.10 Bills of exchange; 4.20 Promissory notes; 4.30 Treasury Notes; and 4.40 Bank certificates of deposit.

25. *Bills of exchange (4.10).* A bill of exchange is an unconditional order drawn (issued) by one party, sent to another party (usually a bank) for acceptance and made out to, or to the order of, a third party, or to bearer. It is a negotiable instrument with an original term to maturity of 180 days or less which is sold at a discount to face value. In practice almost all bills are bank accepted.

26. *Promissory notes (4.20).* A promissory note is an unconditional order drawn by one party and made out to, or to the order of, another party, or to bearer. A promissory note is not accepted by a bank and unlike a bill of exchange, is not endorsed by the parties which sell it in the market.

27. Promissory notes include the securities underlying commercial paper programmes such as revolving underwriting facilities (RUFs) and note issuance facilities (NIFs).

28. *Treasury Notes (4.30).* These are securities drawn by the Commonwealth Government with original maturities of either thirteen or twenty six weeks. They are usually sold at a discount to face value.

29. *Bank certificates of deposit (4.40).* A certificate of deposit (CD)is similar to a promissory note except that the drawer is a bank rather than (say) an industrial company. There are three main types of CDs: negotiable certificates of deposit (NCDs), transferable certificates of deposit (TCDs), and other CDs. NCDs are professional money market instruments which are traded predominantly by financial enterprises in a manner similar to bills. TCDs are primarily sold to the household sector. They also are tradeable instruments and the issuing banks maintain registers of the current holders of their TCDs. Other CDs are also mainly held by the household sector. They are receipts issued by banks to recognize large deposits and as such are not tradeable. However, some of these may be converted to TCDs by arrangement with the issuing bank.

30. As the name implies, in the flow of funds accounts only certificates of deposit issued by banks are recorded under instrument 4.40. Short-term securities called *certificates of deposit* but issued by money market corporations are classified to instrument 4.20. Also, certificates of deposit with an original term to maturity of greater than one year are classified to *Long-term securities* (5.00).

Long-term securities (5.00)

31. These are any debt securities with a original term to maturity of greater than one year. They include bonds, debentures (issued by both financial and trading enterprises), perpetual notes, convertible notes prior to conversion, and unsecured long-term debt. In common with other securities, long-term securities may be transferred from one holder to another on secondary markets, but for some of these securities there is not a well developed secondary market in Australia.

Insurance technical reserves (6.00)

32. This is a notional instrument representing policyholders' claims on life insurance businesses and superannuation funds. These technical reserves are calculated by deducting all repayable liabilities from the value of total assets. The net asset values so calculated are shown as notional assets of the household sector (4.00).

Equities and units in trusts (7.00)

33. This instrument includes shares traded on an organised stock exchange; shares of unlisted companies; convertible notes after conversion; preference shares; and other instruments, for example units issued by most unit trusts, which have some of the characteristics of equities, such as entitlement to surplus funds through dividends or to a share of the residual assets on liquidation.

34. The second-tier capital of banks - subordinated debt - is classified to *Long-term securities* (5.00) not *Equities and units in trusts* (7.00).

Other claims (8.00)

35. This covers any other financial instruments that do not fit into the foregoing categories such as trade credit and interest accruals.

Claims on non-residents (9.00)

36. In the matrix the total for this instrument on the assets side is equal to the value in the cell at the intersection of the *Rest of the world* column and this instrument as a liability. In the sector tables this broad instrument is broken down into six components: 9.10 International reserves; 9.20 Deposits with non-resident banks; 9.30 Loans to non-residents; 9.40 Debt securities issued by non-residents; 9.50 Equities issued by non-residents; and 9.60 Other claims on non-residents.

Explanation of the tables

37. In this publication Table 1 is a matrix with institutional sectors and sub-sectors across the columns and financial instruments down the rows. The matrix contains data for one time period only. Tables 4-14 present data for the individual sectors and sub-sectors of the economy in more detail than the matrix and for a time series.

38. Taken together the published matrix and the sector tables do not account for every cell in the working matrix as data for some cells are not available or are not sufficiently reliable for publication purposes. Nevertheless, readers with an interest in unpublished cells should contact the ABS as it may be feasible to provide some of the information - see *Unpublished information* (paragraph 76) below.

39. The top portion of the matrix down to *Net lending* represents the capital account from the national income and expenditure accounts. *Finance of gross accumulation* and its components are shown first, followed by *Gross accumulation* and its components. *Net lending* is calculated as *Finance of gross accumulation* less the sum of *Gross fixed capital expenditure*, *Increase in stocks*, and

Transactions in land and intangibles. By convention net borrowing is shown as negative net lending.

40. As explained in the *Introduction to the flow of funds accounts* and *Appendix, Net lending* is conceptually identical to *Change in financial position* but rarely is in practice. The difference between these two items is called the *Balancing item.* It appears between them in the matrix and is calculated as *Change in financial position* minus *Net lending.*

41. *Change in financial position* is the difference between *Net acquisition/reduction of financial assets* and *Net incurrence/reduction of liabilities.* It is shown as negative if *Net incurrence/reduction of liabilities* exceeds *Net acquisition/reduction of financial assets.*

42. *Net acquisition/reduction of financial assets* can be positive (that is, an increase in assets) or negative (that is, a decrease in assets). Similarly, *Net incurrence/reduction of liabilities* can be positive (an increase in liabilities) or negative (a decrease in liabilities).

43. The matrix is a closed system in that for the items *net lending, balancing item,* and *change in financial position* the total for the domestic sectors is the same as the total of *rest of the world* plus *discrepancy* but with the opposite sign. This can be seen in Tables 1 and 2 where, for these items, the totals of these rows are zero.

44. A *credit market summary* table is usually presented with flow of funds accounts. It is derived from the sector tables; and is shown as Table 3 in this publication. The table shows a time series of the aggregate *Total funds raised on conventional credit markets by non-financial domestic sectors.* 'Total funds raised' is defined as net incurrence of liabilities by way of all financial instruments except instrument 8.00 *Other claims* (which mainly includes trade credit and interest accruals). 'Conventional credit markets' refers to incurrence of liabilities in situations where it can be expected that access is reasonably open to all borrowers or lenders. For this reason, borrowings by Commonwealth public trading enterprises from Commonwealth general government and borrowings by State and local public trading enterprises from State and local general government have been excluded from the table. Also excluded are funds raised within an enterprise (for example, by selling assets). 'Non-financial domestic sectors' refers to corporate trading enterprises, general government, and households. The aggregate is therefore an approximation for the domestic demand for credit on financial markets.

Statistical discrepancies

45. Three main types of discrepancy arise in the compilation of the flow of funds accounts. The first of these is the statistical discrepancy carried through from the national income and expenditure accounts; that is, the discrepancy arising from the difference between income-based and expenditure-based estimates of gross domestic product. This discrepancy is shown against *Net lending* in the capital account in the column headed 'Discrepancy".

46. The second discrepancy is that between *Net lending* (carried through from the national income and expenditure accounts) and *Change in financial position* (derived in the flow of funds accounts as the difference between *Net acquisition/reduction of financial assets* and *Net incurrence/reduction of liabilities*). This discrepancy is labelled *Balancing item* in the flow of funds accounts and it reflects errors in **both** the capital account and the financial transactions account.

47. Lastly, there is a discrepancy in the financial institutions sector arising from *float* (that is, apparently unmatched claims arising from timing lags in the cheque-clearing process) and other imbalances caused by similar timing differences. This is shown as *Unallocated* in the Financial Transactions Account, in the column headed 'Discrepancy' for assets, and against the sector *Other deposit-taking institutions* for liabilities.

Method of compilation

48. Most of the data series in the flow of funds accounts are derived by taking the first difference between the closing and opening levels of balance sheet items and adjusting for changes in the levels which are not regarded as flows of funds. For the most part these adjustments eliminate changes on the balance sheet that are not the result of transactions. These include foreign currency and other price adjustments, and unrealised capital gains and losses.

49. In some cases directly available flows data are used instead of deriving flows by differencing levels. This occurs for items in the Commonwealth general government and rest of the world sectors.

50. The double-entry nature of the compilation process means that the data sources often provide alternative or 'counterpart' measures of the same item in the flows matrix. Where this occurs, the data considered to be of higher quality are used. Thus, for example, deposits by banks with the Reserve Bank will be reported by the Reserve Bank as a liability to banks, and by the banks as an asset with the Reserve Bank. It is unlikely these figures will agree; and in this case the Reserve Bank's figure is preferred. Similarly, loans by banks will be different from the figures reported by the various debtor sectors. In this instance, the banks' data generally are preferred to the alternatives.

Sources of data

51. Until now the ABS has not prepared quarterly capital accounts for each sector; sectoral capital accounts have only been prepared annually. The sectoral capital accounts included in this publication have been prepared using a variety of quarterly indicators to decompose the annual estimates. Some of the indicators used are known to be of poor quality and hence these estimates should be used with caution.

52. Most of the financial data used in compiling the flow of funds accounts are derived from statistical surveys conducted by the ABS. Some other data sources are used particularly for valuation adjustments. The information sources for each of the sectors and sub-sectors are described below.

Corporate trading enterprises

53. *Commonwealth public trading enterprises (1.11).* The ten largest of these report in the ABS's quarterly survey of balance sheet information.

54. *State and local public trading enterprises (1.12).* As most financing by these bodies is conducted through the State governments' central borrowing authorities, which report to the ABS, only thirteen of the largest state public trading enterprises are included in the quarterly survey of balance sheet information. In addition, the State and Territory housing commissions provide information to the ABS on the source and application of their funds.

55. *Private corporate trading enterprises (1.20).* There are over half a million of these enterprises in Australia. Estimates for this sector are derived from data obtained from several different sources, including counterpart information from banks and aggregate data from surveys providing estimates for foreign investment statistics. Balance sheet estimates are obtained directly from approximately 150 of the largest company groups as well as from all trading and property trusts.

Financial enterprises

56. *Reserve Bank of Australia (2.10).* The Reserve Bank provides a full balance sheet each quarter. However, this information is inconsistent with other information available to the ABS. To achieve the necessary consistency between the different data sources, the ABS has used counterpart information extensively in preparing the estimates for this sub-sector. Accordingly, the information presented in the flow of funds accounts for the Reserve Bank does not reflect the legal position of the Bank. The main data difficulties are as follows.

- The cut-off date for the Bank's balance sheet is the Wednesday closest to the end of the quarter. This is inconsistent with information provided both by the Commonwealth Department of Finance and the commercial banks which close off their accounts on the last working day of the quarter. Because of the large sums passing through the Bank's accounts, this difference in accounting period would have caused serious discrepancies in the flow of funds accounts.

- The Bank credits the Commonwealth Government's account when cheques are presented for payment but the Commonwealth Department of Finance makes these entries in its books when the cheques are drawn which is likely to be several days earlier. Because of the large amounts involved, banking float at the start and end of each quarter is potentially a serious problem in this sub-sector.

- In its quarterly statistical report to the ABS the Bank values its holdings of Treasury Notes and Treasury Bonds at market value. However, in its *Bulletin* and in Commonwealth Government budget papers - both important sources of information for flow of funds purposes - these securities are shown at face value. This difference in valuation makes it difficult to prepare consistent estimates for both parties to transactions in these securities without counterparting from one to the other. In the circumstances the ABS prefers to use the published information.

- The assets side of the Bank's balance sheet excludes Australia's reserve position in the International Monetary Fund (part of instrument 9.10) because this is not legally a claim by the Bank. However, for consistency with *Balance of Payments, Australia* (5302.0) and to accord with international statistical conventions, the ABS includes this as an asset of sector 2.10.

57. *Other deposit-taking institutions (2.20).* At the end of each quarter all banks provide a full balance sheet which consolidates only the activities of their banking subsidiaries. (Other subsidiaries of banks report separately and are classified to the appropriate sector or sub-sector.) All corporations registered under the Financial Corporations Act (FCA) provide statutory returns to the Reserve Bank. Large FCA corporations report as at last day of each month, and the smaller corporations report as at the last day of each quarter. The Reserve Bank provides aggregations of these data to the ABS. Some information about the liabilities of FCA corporations is not available from the Reserve Bank. This information is obtained by the ABS using a special quarterly collection. All cash management trusts report to the ABS monthly.

58. *Life offices and superannuation funds (2.30).* All private life insurance companies are required to provide a quarterly statement of assets and liabilities to the Insurance and Superannuation Commission. These data

are used, supplemented by an ABS survey of the seven largest private life insurance companies and all the state government life insurance offices. These bodies account for most of the assets of the industry.

59. Approximately 100 of the largest superannuation funds (both public and private) are included in a quarterly ABS survey of balance sheet information. These data are supplemented by an ABS collection from sixty professional fund managers which report the asset breakdown of the superannuation funds they manage. (Double counting is eliminated.) Taken together with the data provided by the Insurance and Superannuation Commission, it is estimated that there is almost complete coverage of the assets of superannuation funds.

60. Many Approved Deposit Funds (ADFs) are covered by the collection from professional fund managers. This collection, together with a separate collection from those ADFs that do not place their funds with a professional manager, gives about 90 per cent coverage of ADFs.

61. Large friendly societies provide quarterly balance sheet information to the ABS.

62. *Other financial institutions (2.40).* All private general insurance companies are required to provide a quarterly statement of assets and liabilities to the Insurance and Superannuation Commission. These data are used, supplemented by a quarterly ABS survey of government-owned insurance offices.

63. Data for listed and unlisted unit trusts which are open to the public and which are not cash management trusts, trading or property trusts are obtained from an ABS collection of all public unit trusts.

64. The various government-owned financial institutions included in this sector such as economic development corporations, the Export Finance and Insurance Corporation, and the Australian Industry Development Corporation, provide quarterly balance sheet information to the ABS.

65. Credit union leagues report quarterly to the Reserve Bank, which provides this information in aggregate form to the ABS.

66. *Coverage deficiencies.* At present, no data are obtained from the issuers of mortgage-backed securities, solicitors' and other trust funds which invest directly, or any other type of financial intermediary not mentioned above. This may result in an understatement of the change in long-term financial assets of households.

General government

67. *Commonwealth general government (3.10).* The Commonwealth Department of Finance provides data for the Commonwealth Public Account (comprising the Consolidated Revenue Fund, Trust Fund and Loan Fund) and the National Debt Sinking Fund.

68. *State and local general government (3.20).* Data for the State governments are obtained from the State treasuries and their central borrowing authorities. Some difficulty has been encountered in obtaining all the information in the format and with the frequency required. To overcome these problems, official publications (such as budget documents) and other sources of information (such as foreign investment statistics and press advertisements) are used.

69. No data are collected for local governments, universities or other educational institutions as most of their funding comes from other levels of government and estimates can be derived using counterpart information.

Households, including unincorporated enterprises (4.00)

70. No data are obtained by direct surveys for the household sector: either counterpart data are used, or the data are derived residually. As a result, errors and omissions in other sectors will be included in the estimates for this sector.

Rest of the world (5.00)

71. The data for the rest of the world are the balance of payments capital account data rearranged into flow of funds categories and presented from the point of view of non-residents. The data are capital transactions between residents of Australia and residents of the rest of the world except *Reinvestment of earnings* by direct investors (see *Introduction to the flow of funds accounts*, paragraph 10).

Consolidation and aggregation

72. As a general principle, the flow of funds are designed to record only *inter-sectoral* flows. This means that identified *intra-sectoral* flows are eliminated by consolidation. However, full consolidation is not always possible and also may hide useful information. Full consolidation within a sub-sector has been deliberately foregone in only two instances. Intra-sectoral transactions in *Loans and placements* and *Long-term securities* are not fully consolidated in sub-sector *2.40 Other financial institutions* because of the heterogeneous nature of this sub-sector. Also, the sub-total *total of domestic sectors* is presented as a simple aggregate in order to provide a measure of the domestic market for each instrument.

73. Because of the use of consolidation in the flow of funds accounts, these statistics are not directly comparable

with other published statistics. For example, net change in equity liabilities in the flow of funds matrix is different from new capital raised by issuing shares previously published in *New Capital Raisings by Companies Listed on Australian Stock Exchanges* (5628.0). Although there are several reasons for this, one important one is that in the flow of funds accounts intra-sector holdings are eliminated from total equities issued.

Accounting principles and practices

74. Conceptually, the flow of funds accounts should be, in line with the national income and expenditure accounts, on a full accrual basis. However, many of the data are on a cash, due for payment or partial accrual basis.

75. Most financial enterprises and some central borrowing authorities report on a fully accrued basis. Corporate trading enterprises may report on an accrued basis for the quarter that coincides with the end of the tax year (usually June) but are less likely to do so for the other quarters. This causes some distortion in the data for the two quarters surrounding the end of the tax year. General government bodies (including some of the central borrowing authorities) report on a cash basis. The data for the rest of the world are on a due for payment basis, and data in the capital account are on a mixture of reporting bases.

Unpublished information

76. More detailed breakdowns of the data in this publication may be made available on request. Generally a charge will be made for providing this information. Inquiries should be made to the officer named in the *Phone inquiries* section of the inquiries box at the front of this publication, or by writing to: Flow of Funds Section, ABS, P.O. Box 10, Belconnen, ACT, 2616.

Related publications

77. Flow of funds accounts are published by many OECD countries, including the United States (from 1945), the United Kingdom (from 1952) and Canada (from 1962). In Australia, the Reserve Bank has produced annual flow of funds accounts since 1953-54 and the final edition of these was published in the Reserve Bank's *Bulletin* for November 1989. The Reserve Bank's flow of funds are, for a number of reasons, not directly comparable with the estimates in this publication. The ABS series should therefore not be used as an extension of the Reserve Bank series.

78. Related ABS publications which also may be of interest include:

Australian National Accounts: National Income and Expenditure (5204.0) - issued annually (5206.0) - issued quarterly

Australian National Accounts: Concepts, Sources and Methods (5216.0) - issued irregularly

Balance of Payments, Australia (5301.0) - issued monthly (5302.0) - issued quarterly (5303.0) - issued annually

Balance of Payments, Australia: Summary of Concepts, Sources and Methods (5351.0) - issued irregularly

Foreign Investment, Australia, Preliminary (5307.0) - issued quarterly

Foreign Investment, Australia (5306.0) - issued quarterly (5305.0) - issued annually

Foreign Investment, Australia: An Outline of Concepts, Sources and Methods (5355.0) - forthcoming

79. Current publications produced by the ABS are listed in the *Catalogue of Publications and Products, Australia* (1101.0). The ABS also issues, on Tuesdays and Fridays, a *Publications Advice* (1105.0) which lists publications to be released in the next few days. The *Catalogue* and *Publications Advice* are available from any ABS office.

Symbols and other usages

.. nil or rounded to zero

Values are shown in millions of Australian dollars.

Any discrepancies between totals and sums of components in the tables are caused by rounding.

Electronic services

DISCOVERY Key *656# for selected current economic, social and demographic statistics.

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Selected ABS statistics are available on floppy disk. Further information is available on (06) 252 6684.

APPENDIX

Algebraic illustration of the identity of Net lending and Change in financial position

Source of funds = Application of funds ....(1)

Source of funds = FGA + L ....(2)

FGA = Finance of gross accumulation
L = Net incurrence/reduction of liabilities

Application of funds = GA + FA ....(3)

GA = Gross accumulation
FA = Net acquisition/reduction of financial assets.

Substituting (2) and (3) into (1):

FGA + L = GA + FA.

FGA - GA = FA - L

We know that FGA - GA = Net lending

and that FA - L = Change in financial position

Therefore, Net lending = Change in financial position

FA - L = Net lending

(i.e. Net acquisition/reduction of financial assets - Net incurrence/reduction of liabilities = Net lending)

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