

Counterparts to M4^{ex}

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The Bank publishes tables on “MFIs’ balance sheet counterparts to M4” in Bankstats that sets out the relationship between M4 and its balance sheet counterparts. This article explains how the M4 counterparts can be slightly modified to give counterparts to M4 excluding intermediate other financial corporations (M4^{ex}), the Bank’s preferred measure of broad money, by using M4 lending excluding IOFCs (M4L^{ex}) and including net sterling lending to IOFCs. The Bank began publishing these data in April 2011.

The Bank has published data on the monetary financial institutions’ (MFIs’) balance sheet counterparts to M4 since May 1998 (Bankstats Table A3.1). The purpose of the MFIs’ balance sheet counterparts presentation is to show how M4 can be calculated by adding up all other (non-M4) components of the MFIs’ consolidated balance sheet¹. In September 2009, the Bank began publishing M4^{ex}, which removes the component of M4 relating to intermediate other financial corporations’ (IOFCs’) holdings and is considered a better measure of money holdings.

The corresponding effect on MFIs’ balance sheet counterparts of stripping out deposits from, and lending to, IOFCs is illustrated in Table 1, for April 2011 data. This table shows how MFIs’ sterling liabilities (assets) with the private sector are split into two components: MFIs’ private sector liabilities (assets) excluding IOFCs and MFIs’ liabilities (assets) with IOFCs.

While it has previously been possible to obtain MFIs’ IOFC liabilities and assets from published series by residual, in April 2011 the Bank started publishing these aggregates on its Interactive Database². The series codes for these aggregates are listed in Table 2³. This allows users to construct more readily counterparts to M4^{ex}, as illustrated in Table 3 for changes in amounts outstanding in April 2011⁴.

¹ For a more detailed discussion of M4 counterparts, see the March 2011 Quarterly Bulletin (p26)

² <http://www.bankofengland.co.uk/publications/quarterlybulletin/qb1101.pdf>

³ <http://www.bankofengland.co.uk/mfsd/iadb/NewIntermed.asp>

⁴ Note that deposits from and lending to IOFCs series have been found to be non-seasonal and are not seasonally adjusted.

⁵ M4 includes private sector holdings of coin. As coin is not a liability of MFIs but of central government, these holdings of coin have to be added to the counterparts calculation, although the effect is small.

Table 1: Changes in MFIs’ consolidated balance sheet, April 2011 (nsa)

Liabilities		£m
Private sector excl. IOFCs (M4 ^{ex})	£	-2,820
IOFCs	£	3,621
Private sector	FC	10,131
Public sector	£	5,844
	FC	274
Non-residents	£	1,670
	FC	81,184
Other liabilities	£	2,039
	FC	28,628
Total		130,571
Assets		
Private sector excl. IOFCs (M4L ^{ex})	£	792
IOFCs	£	11,182
Private sector	FC	13,215
Public sector plus coin	£	7,452
Public sector	FC	-566
Non-residents	£	-3,561
	FC	101,746
Other assets	£	737
	FC	-425
Total		130,571

Table 2: Series codes

<i>RPM / RPQ</i>	Amounts outstanding nsa	Changes nsa	Amounts outstanding sa	Changes sa
M4 ^{ex}	B3DQ	B3DS	B53Q	B54Q
M4L ^{ex}	BG2B	BG2E	BG2D	BG2G
£ deposits from IOFCs	B98F	B99F	B98F	B99F
£ lending to IOFCs	B98L	B99L	B98L	B99L

Table 3: MFIs' balance sheet counterparts to changes in M4^{ex}, April 2011 (nsa) £m

£ assets with private sector excluding IOFCs (M4L ^{ex})	792
<i>plus</i> £ assets with IOFCs	11,182
<i>minus</i> £ liabilities to IOFCs	-3,621
	7,562
<i>plus</i> FC assets with private sector	13,215
<i>minus</i> FC liabilities to private sector	-10,131
	3,084
<i>plus</i> £ assets with public sector	7,450
<i>minus</i> £ liabilities to public sector	-5,844
<i>plus coin</i>	2
	1,608
<i>plus</i> FC assets with public sector	-566
<i>minus</i> FC liabilities to public sector	-274
	-840
<i>plus</i> £ assets with non-residents	-3,561
<i>minus</i> £ liabilities to non-residents	-1,670
	-5,231
<i>plus</i> FC assets with non-residents	101,746
<i>minus</i> FC liabilities to non-residents	-81,184
	20,562
<i>plus</i> other £ assets	737
<i>minus</i> other £ liabilities	-2,039
	-1,302
<i>plus</i> other FC assets	-425
<i>minus</i> other FC liabilities	-28,628
	-29,053
<i>equals</i> private sector £ liabilities	-2,822
<i>plus coin</i>	2
M4^{ex}	-2,820