A new monetary analysis for South Africa

by B. van Staden

Introduction

The important role played by money and near-money in the functioning of a free market economy and the significance of analysing changes in money and near-money by distinguishing a monetary banking sector from other banking and financial institutions have been discussed in the previous article. As was pointed out, the monetary banking sector comprises not only institutions holding the gold and foreign exchange reserves of the country, but also those identified through their basic characteristics as creators of money and near-money through the extension of bank credit. This particular ability to increase the supply of money and near-money through credit extension stems from the fact that borrowers redeposit the borrowed funds with the monetary banking sector, i.e. there is a return flow of funds to the monetary banking sector. In the final instance, therefore, it is the fact that the liabilities of the monetary banking sector include the money and near-money of the private non-banking sector that distinguishes it from all other banking and financial institutions. This interdependence between the concepts of money and near-money and the monetary banking sector should be kept in mind in the discussion that follows.

This article will describe in more specific terms which items could meaningfully be included as money and near-money in an analysis of the causes of changes therein, as obtained from the consolidated assets and liabilities[1] of the monetary banking sector. After applying this analysis to South African data for illustrative purposes, reference will also be made to other types of monetary and financial analyses such as the analysis of the liquid assets of banking institutions and the broader financial flow analysis.

South Africa's financial structure has developed remarkably during the post-war era, especially in the field of banking. Various new types of institutions have been established, while the existing ones have entered into new fields of activity. These changes from time to time necessitated amendments to the banking and building society legislation in South Africa. However, conditions changed so radically during the nineteen-fifties that the Minister of Finance appointed a Technical Committee to investigate the banking and building society legislation and almost all its recommendations were enacted in 1964.

The amendments to the Banking Act of 1942, as consolidated in the new Banks Act of 1965, have introduced a fundamental change in the approach to money and banking in South Africa. Under the Banking Act of 1942 banking institutions were treated as separate institutional groups, each with its own legal requirements. Commercial banks, defined as persons who carry on business of which a substantial part consists of the acceptance of deposits withdrawable by cheque, were regarded as the only institutional group of banks with monetary significance to which the Reserve Bank should apply its monetary policy measures. In the new Banks Act of 1965, on the other hand, all banking institutions except the specialized discount houses are subject to the same legal requirements, and the term of the deposits has become the main basis for the legal requirements and for assessing the monetary significance of a particular banking institution, whether it is officially known as a commercial bank, a merchant bank, a hire-purchase bank, a savings bank or a general bank. The differences between short, medium and long-term deposits are established more clearly in the new Act by the introduction of certain restrictions on the repayment of deposits not withdrawable on demand.

These legal changes, which became necessary as a result of the changed activities and conditions which developed in our money and banking structure, have now called for a re-examination of the concepts of money and near-money and the demarcation of the monetary banking sector in South Africa.[2]

The definition of money and near-money and the demarcation of the banking sector

Although agreement exists that money may be defined as a generally acceptable means of exchange or

[1] i.e. the aggregate of all assets and liabilities of institutions included in the monetary banking sector, after elimination of the claims of the relevant institutions on each other.

[2] For a discussion of the concepts of money, near-money and banking sector used before the new Banks Act, see B. van Staden: A Monetary Analysis for South Africa, *Quarterly Bulletin of Statistics* of the Reserve Bank, No. 67, March, 1963.

payment which also serves as a unit of account, these criteria are difficult to apply statistically, with the result that the items included in the quantity of money differ widely from country to country.

Near-money (also called quasi-money) has also no standard definition in the world today. It may, however, be described as assets which are such close substitutes for money that they can be monetized *en masse*, conveniently, within a short period and without risk of significant loss. This definition of near-money is obviously vague and will contain a subjective and arbitrary element in statistical application because it is not at all clear to what extent *en masse*, how conveniently, in how short a time and without how much loss it must be convertible into money to be regarded as near-money. This does not, however, mean that near-money is a meaningless concept. As Economics is not an exact but a social science, the statistical measurement of most economic variables has a subjective element, but these variables have nevertheless proved to be useful in economic analysis and interpretation.

Figures for the items included in the definition of money and near-money with the monetary banking sector in South Africa are presented below, followed by a discussion of each individual item.

Money and near-money with the banking sector in South Africa
31st December, 1965

	R millions
(*a*) Money	
(i) Notes and coin in circulation	325
(ii) Demand deposits with the Reserve Bank and commercial banks	890
(iii) Call money with the National Finance Corporation and discount houses	99
(iv) Demand deposits with the Land Bank	35
(v) Demand deposits with merchant banks and certain other monetary banking institutions	122
(vi) Total money supply	1,471
(*b*) Near-money	
(i) Short and medium-term fixed and notice deposits with commercial banks, merchant banks, the Land Bank and certain other monetary banking institutions	679
(ii) Savings deposits with monetary banking institutions	339
(iii) Total near-money	1,018
Total money and near-money	2,489

(*a*) Money

(i) *Notes and coin*

All South African bank notes and coin in circulation, i.e. held outside the monetary banking sector, are naturally part of South Africa's money in circulation. The bank notes are printed and issued by the Reserve Bank and therefore represent a liability on the Bank's balance sheet. For this and various other reasons the Reserve Bank clearly forms part of the monetary banking sector. Coins are issued by the South African Mint but the total coin liability of the Mint is also brought into the liabilities and assets of the monetary banking sector.

(ii) *Demand deposits with the commercial banks and the Reserve Bank*

These deposits are withdrawable by cheque and are generally accepted as a means of payment and thus qualify as part of the money supply. Some of these deposits should, however, be excluded from the definition of money. In addition to the deposits of the monetary banking sector institutions with one another, which fall away in the consolidation, there are several reasons for excluding government and foreign deposits from the definition of money.

Despite marked differences in the definitions of money used by different countries, it would appear that general agreement exists on the exclusion of central government deposits from the definition of money for the following reasons. Firstly, the central government in some countries issues the coin and other currency to the public and in this respect has the same money creating characteristics as the monetary banking sector. Secondly, the central government as the independent supreme authority of a country is guided by motives which differ from those of private businesses and individuals, especially with regard to the holding of cash balances. The government has more scope for changing its deposits and is usually in a position to obtain an almost unlimited supply of money, especially from the central bank, and the deposits standing to the credit of the government do not, therefore, limit its access to money. When the income of the government is temporarily in excess of its expenditure, e.g. as a result of the seasonal pattern of tax collection, the government may choose to keep these funds on deposit. Furthermore, the government may as a matter of policy, build up its cash balances by borrowing from the private sector in order to withdraw funds from this sector. By excluding government deposits from the money supply this withdrawal of money from private businesses and individuals is clearly shown in the monetary analysis. A change in government deposits should therefore be regarded as an important independent "cause" of changes in the money supply of private businesses and individuals and be shown as such in the monetary analysis. In this regard it should also be remembered that changes in government deposits as well as the borrowing operations of the government have important influences on the liquidity of the banking sector and therefore on the credit and money creating potential of the monetary system. In South Africa, where the provincial administrations may be regarded as agencies of the Central Government, their deposits are excluded from the definition of money together with those of the Central Government, while the deposits of municipal and other local authorities are included.

Although some foreign deposits, such as a drawing on the IMF deposited with the Reserve Bank, will normally not be used for payments in South Africa and are thus clearly not part of our money supply, sound reasons also exist to exclude all the other foreign deposits from the definition of the money supply. Not only are these deposits relatively small and stable in South Africa, but a substantial part thereof now consists of blocked rand deposits which may be used for specified purposes only. In addition, nothing is really lost by omitting these deposits from the money supply as they will appear as domestic deposits the moment they are used to make payments in South Africa. As the same argument applies to other deposits, the items given above refer to domestic money and near-money, i.e. after excluding deposits held by foreigners.

With government and foreign deposits excluded from the definition of money, the demand deposits of the Reserve Bank and the commercial banks should also be adjusted for float, i.e. mail transfers and other credits in transit as well as remittances in transit. Government deposits with the Reserve Bank are decreased by the Bank's remittances in transit less mail transfers, and in the case of the commercial banks their demand deposits are decreased by half of the banks' remittances less credits in transit, while their advances are increased by the same amount.

(iii) *Call money with the National Finance Corporation and the discount houses*

Apart from the Reserve Bank and the commercial banks, which can create money and therefore form a part of the monetary banking sector, the National Finance Corporation and the discount houses not only accept call money which represent liquid assets to the holders, but are also very closely associated with the Reserve Bank and the commercial banks. The National Finance Corporation and the discount houses specialize in activities which can be regarded as services to the banking sector, such as the accepting of surplus cash from the commercial and other banks for investment in Treasury and other bills. The discount houses also make a market in Treasury bills, bankers' acceptances and short-dated government stock.

To operate successfully in the money market, these institutions need rediscount facilities with the Reserve Bank so that they can be in a position to repay call deposits at any time and be able to establish a market in Treasury bills, bankers' acceptances and short-term government stock. These rediscount facilities enable them, in effect, to force the Reserve Bank to create money automatically from day to day as long as the creditworthiness of the discounting company and the acceptability of the bills presented for discounting satisfy the Reserve Bank. Their deposit liabilities are, therefore, not only very liquid to the holders, but represent potential money creation by the Reserve Bank. The liquidity of these deposits is further illustrated by the fact that the deposits of the commercial and other banks with these institutions are regarded by the authorities as liquid assets of the commercial and other banks.

The reasons for including the National Finance Corporation with the monetary banking sector are further strengthened by the fact that the Reserve Bank administers the National Finance Corporation and that the latter has its free cash balances with the Reserve Bank.

The deposits with these institutions are withdrawable on demand and have come to be looked upon by their holders as means of payment. Although payments can only be effected after converting these deposits into cheque deposits, this process takes place without significant delay, i.e. on the same day. The withdrawal of these deposits, which is done by telephone in many cases, and the making of payments are usually done in one process by depositing the cheque of the discount house or the National Finance Corporation on the banking account of the party to whom the payment is made. The holder of the deposit is therefore actually using it to make payments although it necessitates the use of the clearing system of the commercial banks. This is, however, only a technical arrangement which does not affect the liquid characteristic of these deposits.

It would therefore appear that call deposits with the National Finance Corporation and call loans to discount houses qualify as "money", and these institutions can meaningfully be included in the monetary banking sector.

(iv) *Deposits with the Land Bank*

The Land and Agricultural Bank accepts deposits, including call money, mainly from agricultural co-operatives and control boards, and furthermore obtains substantial amounts of short-term credit from the Reserve Bank, the National Finance Corporation and the commercial banks through the discounting of Land Bank bills and bank overdrafts with the commercial banks. These short-term funds are used to extend the so-called cash credit advances to farmers, agricultural co-operatives and control boards, mainly to finance crops seasonally. These activities of the Land Bank are, therefore, part of the short-term credit or money market rather than the long-term capital market.

With its credit facilities at the Reserve Bank, the National Finance Corporation and the commercial banks, the short-term seasonal operations of the Land Bank can give rise to a certain amount of money creation by the banking sector, in the same way as the National Finance Corporation and the discount houses. Furthermore, as the advances extended to the Land Bank by the commercial banks legally rank as liquid assets for the commercial banks, a true picture of bank credit will only be obtained by including the short-term activities of the Land Bank in the monetary banking sector. For purposes of identifying the monetary banking sector, a large measure of similarity exists, therefore, between the short-term operations of the Land Bank,[3] the National Finance Corporation and the discount houses, while the demand deposits with the Land Bank are regarded by the agricultural co-operatives and other holders as means of payment just like the call money with the National Finance Corporation and the discount houses and will therefore be included in the money supply.

(v) *Demand deposits with the merchant banks and certain other monetary banking institutions*

Having regard to the functional approach of the new Banks Act under which the term of the deposits (except for savings deposits where the type is still important) has become the main basis for purposes of the legal requirements, the difference between cheque and other demand deposits does not seem to be as important as before. As was pointed out above, there seems to be little difference between cheque deposits and other demand deposits from the point of view of the holder of the deposits. Demand deposits with the National Finance Corporation, the discount houses and the Land Bank are thus regarded as money. It would therefore seem logical to include demand deposits with any other banking institution that may qualify for inclusion in the monetary banking sector, as part of the money supply.

An examination of the sources of funds of all banking institutions reveals, however, that there are quite a number of them which, while actually specializing in the accepting of savings and long-term deposits, also take relatively small amounts of demand and other short and medium-term deposits for the convenience of individual clients. In order to avoid requiring a number of small institutions or institutions with relatively little short-term liabilities to the public to maintain reserve balances with the Reserve Bank, the Banks Act of 1965 exempts all banking institutions from this provision if their short-term liabilities do not exceed R500,000.

[3]The short-term activities are obtained by including total cash credit advances as assets and demand and other short and medium-term deposits and bank credit as liabilities, while long-term deposits (liabilities) are taken as a residual to balance the liabilities and assets.

Statistics which have become available during 1965 for the banking institutions which are required to maintain reserve balances with the Reserve Bank, clearly show that a number of these banks have relatively small demand and other short and medium-term deposits. In order to exclude banking institutions which can only make an insignificant contribution to money and near-money from the monetary banking sector and monetary analysis, the following statistical criterion has been laid down for inclusion in the monetary banking sector. Any banking institution of which the monthly average amount of demand deposits during the preceding calendar year amounted to at least R1 million and of which the monthly average amount of short and medium-term deposit liabilities during the preceding calendar year collectively amounted to at least one-third of the total deposit liabilities of such an institution or to at least R30 million. This criterion is arbitrary but attempts to include institutions which contribute significantly to the money supply in absolute terms *and* of which the money and near-money liabilities together form a relatively important part of their total deposit liabilities or are important in absolute terms.

Based on this criterion, the registered commercial banks, the National Finance Corporation, the discount houses, the merchant banks and the Land Bank qualify as monetary banking sector institutions. In addition, nine of the twelve other banks which are at present maintaining reserve balances with the Reserve Bank qualify for inclusion in the monetary banking sector. They include three subsidiaries of commercial banks (one hire-purchase and two general banks) as well as one large general bank which is also conducting commercial banking business. Of the remaining five, four are hire-purchase banks and the other a general bank.

From the above discussion it follows that for purposes of the Reserve Bank's monetary analysis the following statistical definition will be used for money: coin and notes held outside the monetary banking sector and private non-banking domestic demand deposits with institutions in the monetary banking sector, as defined.

(*b*) Near-money

(i) *Short and medium-term fixed and notice deposits*

Fixed and notice deposits which become withdrawable within a short time are obviously in the process of becoming money. Its conversion into money is just a matter of time which may be one day, seven days or longer. The Banks Act defines short-term liabilities to the public as including not only demand deposits but also fixed deposits payable within thirty days and notice deposits subject to less than thirty days' notice. The Act therefore accepts some similarity between demand deposits and other short-term deposits which consist of money originally deposited for periods ranging from one to twenty-nine days, as well as funds originally deposited for longer periods but which have become payable within thirty days. If demand deposits are money, these other short-term deposits should be looked upon as very close substitutes for money, if not money itself.

The Banks Act draws another line at six months by defining medium-term liabilities to the public to include savings deposits as well as fixed deposits payable after not less than thirty days but less than six months or which are subject to not less than thirty days' but less than six months' notice. Although this dividing line is arbitrary, it groups together mainly deposits of the relatively short terms of one and three months.

With a well-developed credit system, goods may be freely bought as if for cash if payment is effected after one month and in many cases after three months. Deposits of one month or three months may under these circumstances almost be regarded as means of payment. Although South Africa's credit system is not so well-developed as that of the United States or the United Kingdom, it is becoming common practice in South Africa to regard a transaction as a cash sale or purchase if payment is effected after one month or even after three months. Medium-term fixed and notice deposits are therefore also looked upon by their holders as very close substitutes for money, if not as money itself, and will be included in South Africa's near-money supply.

Long-term fixed and notice deposits, i.e. deposits payable after at least six months or subject to at least six months' notice, on the other hand, consist to a large extent of genuine savings including deposits of one year, two years and even three and more years. The liquidity of these long-term deposits was considerably reduced by the new Banks Act, which severely restricts the repayment of fixed and notice deposits. These deposits are no longer as readily convertible into money as was the case before the introduction of the new Banks Act and will therefore be excluded from the definition of money and near-money, and changes therein will be treated as a "cause" of changes in money and near-money.

(ii) *Savings deposits*

Savings deposits are in practice withdrawable without notice, but banking institutions and building societies are not allowed to accept savings deposits from companies or in amounts in excess of six thousand rand from any one person. These restrictions were introduced in an effort to restore the genuine savings character of these deposits. Perhaps the most reliable criterion for judging the genuine savings character of savings accounts is the velocity of circulation of these deposits, i.e. the extent to which they are used to make payments as reflected by the total withdrawals over a period divided by the average amount of deposits. Genuine savings deposits should have a relatively low velocity of circulation, something like one-half.[4] A closer look at the velocity of circulation of savings deposits with all banking institutions and building societies in South Africa reveals relatively high figures for monetary banks and building societies. According to the statistics available for 1965, the velocity of circulation of savings deposits with monetary banking institutions was well over one on average, while that of building societies was about two.

It would therefore appear that the savings accounts with South African monetary banking institutions and building societies have some of the characteristics of current accounts and may therefore also be regarded as close substitutes for money.

Short and medium-term deposits as well as savings deposits, therefore, seem to have enough attributes of money or are such close substitutes for money that they may be regarded as near-money. However, only the deposits with institutions complying with the criterion of the monetary banking sector will be called near-money.

Although substantial amounts are held on savings accounts with building societies, these societies take no demand deposits and their shares and fixed deposits with original maturity of twelve months and longer are so large and predominant that they can hardly be included as a whole in the monetary banking sector. Their savings deposits therefore will not be considered as near-money. The same applies to short and medium-term deposits with banking institutions not included in the monetary banking sector. These and various other assets may, however, be treated in a different type of financial analysis as "other liquid assets" held by private households and businesses, as will be discussed in the following article.

For purposes of this discussion, near-money will be defined to include non-banking private domestic short-term deposits (excluding demand deposits) and medium-term deposits (including savings deposits) with institutions in the monetary banking sector, as defined.

Causes of changes in money and near-money

By consolidating the assets and liabilities of all the monetary banking institutions, the direct causes of changes in money and near-money of the private sector with the monetary banking sector may be determined from the changes in all assets minus the changes in those liabilities not included under money and near-money.

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[4]This figure was suggested by M. W. Holtrop in *Monetary Policy in an Open Economy: Its Objectives, Instruments, Limitations and Dilemmas*, Essays in International Finance, Princeton University, 1963.

In the table below, changes in the consolidated assets and liabilities of the monetary banking sector are, for illustrative purposes, presented for the last three quarters of 1965[5], so as to relate, in a conveniently arranged form, changes in money and near-money directly to changes in the gold and foreign exchange reserves, long-term foreign loans of the monetary banking sector, claims on the government sector, claims on the private sector and all other assets and liabilities of the monetary banking sector. The assets and liabilities of the monetary banking sector are thus grouped in such a way as to distinguish claims on the foreign, government and private non-banking sectors, while the money and near-money of the latter sector remain as the variables to be analysed. This, of course, represents a simplified model of the broader financial flow analysis to which reference will be made below.

Causes of changes in money and near-money

	R millions 1965		
	2nd Qtr.	3rd Qtr.	4th Qtr.
Changes in money and near-money:			
Money	60	−23	106
Near-money	47	96	96
Total money and near-money	106	73	202
Causes of changes:			
Gold and foreign exchange reserves	−93	−10	99
Less: Short-term foreign liabilities	4	−16	−23
Net gold and foreign exchange reserves	−89	−26	76
Net long-term foreign loans	−3	−1	−3
Claims on government sector:			
Claims	−23	−28	158
Deposits (increase −, decrease +)	124	55	−19
Net claims on government	101	27	139
Claims on private sector:			
Claims	72	−33	−66
Long-term deposits (increase −, decrease +)	19	102	40
Net claims	91	69	−26
Other assets and liabilities	6	4	16
Total change	106	73	202

It should be noted that although all the causal factors arise from the balance sheet identity, changes in any one do have a direct effect on changes in money and near-money. An increase in the gold and foreign exchange reserves will generally be associated with an increase in money and near-money with the monetary banking sector as its internal counterpart. Similarly, the extension of bank credit will create deposits with the monetary banking sector. However, all the causal factors shown in the table above should be analysed jointly, seeing that they represent changes in items taken from a complete balance sheet.

Although the total supply of money and near-money of the private sector increased by no less than R381 million during the last three quarters of 1965, the causal factors differed in each quarter. During the second quarter increases of R91 million and R101 million in the net claims on the private sector (mainly an increase in bank credit) and on the government sector (mainly a decrease in government deposits), respectively, more than neutralized the contractionary effect of a decrease of R89 million in the net gold and foreign exchange reserves, with the result that the private sector's money and near-money increased by R106 million.

In the third quarter relatively small changes in the net gold and foreign exchange reserves and the net claims on the government sector neutralized each other, while a decline of R102 million in long-term deposits was mainly responsible for the increase of R96 million in the near-money supply.

Yet another combination of causal factors operated during the fourth quarter of 1965 to bring about an increase of R202 million in the private sector's total money and near-money supply. Increases of R76 million and R139 million in the net gold and foreign exchange reserves and the net claims on the government sector, respectively, by far exceeded the decline in the net claims on the private sector amounting to R26 million.

The increase of R139 million in the net claims on the government sector resulted from an increase of R158 million in the monetary banking sector's holdings of Treasury bills (R86 million), government stock (R61 million) and other claims (R12 million), which was partly offset by an increase of R19 million in government deposits. In this connection it is of importance to note that the monetary banking sector acquired Treasury bills and government stock to a net amount of about R24 million from the private sector, which partly neutralized the contractionary effect of the decline of R66 million in the claims on the private sector. Moreover, the effect of this decline in the claims on the private sector was further offset by a decrease of R40 million in long-term deposits with the monetary banking sector.

It may be observed that the declining tendency of long-term deposits was a notable feature throughout the period concerned; they actually decreased by R161

[5]This table is extracted from the consolidated assets and liabilities of the monetary banking sector given in the table on pages S–18 and S–19 of this *Bulletin*.

million over the last nine months of 1965. This tendency may be associated with the restrictions placed on the repayment of term deposits by the new Banks Act and also in some degree with the introduction of deposit rate control.

It should be stressed that policy-makers are interested not only in the actual short-term changes in money and near-money and its direct causes, but also in the cyclical variations after elimination of seasonal movements in money and near-money as well as in their causal factors, associated with changes in economic and financial conditions. For a proper assessment of short-term movements in money and near-money and its causal factors, seasonally adjusted monthly figures should therefore be used.[6]

The analysis of changes in money and near-money illustrated above shows the role played during different stages by the main direct causes of changes in money and near-money, viz. changes in the gold and foreign exchange reserves and domestic credit. However, these direct causes need to be analysed further. The changes in the gold and foreign exchange reserves, for example, can be explained with the help of balance of payments data, such as the balance on current account and its different items, and the different types of capital movements. Similarly, changes in domestic credit may be linked to specific policy measures or to the internal demand for credit, which again depends on general internal business conditions.

Other types of monetary and financial analyses

In concluding this discussion of the new analysis of changes in money and near-money in South Africa, brief reference may be made to other types or levels of monetary and financial analyses which can meaningfully be made for different purposes.

Firstly, the factors influencing the amount of liquid assets held by banking institutions other than the central bank may be analysed, as this has an important bearing on their ability to create money and near-money. An analysis of this kind may also assist the authorities in the framing of monetary policy. In South Africa the liquid asset holdings of monetary banking institutions other than the Reserve Bank are mainly influenced by three broad factors, viz. (1) changes in the assets and liabilities of the Reserve Bank, including changes in government deposits, (2) borrowing operations of the government, and (3) the monetary banks' ability to increase their holdings of liquid assets, for example by converting advances into bills which will qualify as liquid assets.

Secondly, the analysis of changes in money and near-money can be supplemented by a survey of the total liquid assets of private non-financial businesses and individuals so as to assess the state of liquidity of this sector and to assist in judging the potential influence of changes in these liquid asset holdings on the spending decisions of businesses and individuals. In this assessment it is particularly important to take into account, in addition to money and near-money (as defined above), also the liquid assets of the private sector held with the government sector in the form of Treasury bills, short-term government stock, etc., as shown in the table on page S–21. It may happen, for example, that the private sector's money and near-money decline as a result of an increase in government deposits obtained through borrowing from the private sector in the form of Treasury bills. In this case the decline in the private sector's money and near-money is exactly offset by an increase in its liquidity in the form of Treasury bills. As will be discussed in the following article, there are also various other forms of liquid assets which should be taken into account in analysing the liquidity of private businesses and individuals.

In the absence of a standardized technique for analysing the liquid assets of private businesses and individuals, the so-called flow-of-funds tables or financial accounts may provide a comprehensive and conveniently arranged analysis for this purpose. By distinguishing sectors such as the foreign, the government and the monetary banking sectors, as well as other deposit-takers, insurers and pension funds, other corporate businesses, and individuals and others, as columns, and simultaneously asset (or liability) items in an array forming an approximate spectrum of liquid assets, such as money, near-money, Treasury bills, short-term government stock, savings and other deposits, building society shares, savings bonds, other government securities, municipal stocks, public corporation stocks, etc., the liquid assets of any sector or combination of sectors may be obtained conveniently, together with the claims of each sector on all the other sectors.[7] Although no official flow-of-funds tables are as yet available for South Africa, some progress has already been made in the statistical research in this specialized field, which is being undertaken by the Economic Department of the Reserve Bank.[8]

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[6]No seasonally adjusted monthly figures are yet available for the new monetary analysis data. For such an analysis on the old basis, see B. van Staden, *op. cit.*

[7]For a discussion of the nature and framework of financial accounts (or flow-of-funds tables) see: B. van Staden, National Financial Accounts with special reference to Conceptual Problems, *Finance and Trade Review*, Volkskas Ltd., vol. v., no. 6, June 1963.

[8]Flow-of-funds statistics for South Africa have been published unofficially for the years 1957 to 1961. See B. van Staden, Systems of National Financial Accounts with special reference to a system for South Africa. *Finance and Trade Review*, Volkskas Ltd., vol. v., no. 7, Sept./Dec. 1963.