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Dip or Downturn? The U.K. Balance of Payments in 1954-55

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Sterling's progress toward convertibility in recent years was aided by a rise in the United Kingdom's foreign exchange holdings, a surplus in its global balance of current international payments, and a pattern of capital movements and inter-area transfer payments that permitted the United Kingdom to use its surplus with the outer sterling area for covering regional deficits with the non-sterling world, and especially with the dollar area; the transfer payments largely reflected a current surplus of the outer sterling area with the non-sterling world.

In the second half of 1954, all these factors changed for the worse. The U.K. reserves declined. Its current surplus turned into a small global deficit. Transfer payments resulted in a loss rather than a gain of dollar exchange, largely because the current surplus of the outer sterling area with the non-sterling world disappeared. The deterioration also found expression in a weakening of the dollar-sterling exchange rates.

These developments induced the U.K. authorities in February 1955 to take energetic monetary measures, aimed at correcting the external imbalance by curbing domestic inflationary tendencies. The latest data on U.K. reserve and trade movements, together with the absence of capital flight and with the renewed strength of the dollar-sterling rates, lend weight to the expectation that the country's external balance will indeed be restored without resort to tighter trade and exchange controls and thus without a serious setback in the struggle for convertibility.

U.K. gold and foreign exchange position

In view of the importance of the dollar situation for the problem of sterling convertibility, the movements in the U.K. gold and dollar reserves have been commanding world-wide attention. However, these movements do not fully reflect the changes in the overall foreign exchange position of the United Kingdom or of the sterling area as a whole.

First, the official figures do not take into account the country's non-official dollar balances, its holdings of longer-term dollar securities, and its dollar liabilities. Second, they exclude the independent gold and dollar reserves of the members of the outer sterling area, which amount to the equivalent of about £375 million. Finally, they exclude changes in the non-dollar exchange position. The closer the rest of the world comes to international convertibility, the more significant become short-term assets and liabilities in other

currencies, and especially in the currencies of the area of the Organization for European Economic Cooperation. Similarly, the more the sterling area itself moves toward convertibility, the more significant become the United Kingdom's own sterling liabilities, and especially those to the non-sterling world.

The movements of the official gold and dollar reserves proper are of particular interest mainly because of the psychological impact on the willingness to proceed in the direction of convertibility, which they exert within and outside of the United Kingdom. The total changes in its foreign exchange assets and liabilities appear to be more significant for the strictly economic analysis of the country's international liquidity position. In the following discussion, the term "foreign exchange position" will therefore be applied to the total of U.K. gold and foreign exchange assets and liabilities, including its debt to the European Payments Union and its foreign sterling balances.

The changes in the global foreign exchange position are determined by the country's balance of current payments, together with its net balance of capital movements. Moreover, the individual changes in the foreign exchange position in relation to the various currency areas, and especially to the dollar and OEEC areas, also are affected by transfer payments, including the substantial payments to and from the United Kingdom resulting from transactions between the outer sterling area and the non-sterling world.

Derivation of changes in the foreign exchange position -- In the second half of 1954, the United Kingdom had a global current deficit of £38 million; this deficit was reduced by the receipt of defense aid of £26 million to £12 million; a net outflow of capital of £69 million made for a net deterioration in the foreign exchange position of £81 million. In the second half of 1953, the global foreign exchange position had remained virtually unchanged (see Appendix Table 1).^{1/}

In relation to the non-sterling world, the current deficit was £193 million, reduced by defense aid to £167 million; a net inflow of capital of £80 million and of transfer payments of £3 million reduced the deterioration in the foreign exchange position to £84 million. In contrast, the second half of 1953 had brought an improvement in the country's position in relation to the non-sterling world of £67 million (see Appendix Table 3).

^{1/} Throughout this paper, comparisons are made with the 2nd half of 1953 rather than with the 1st half of 1954 so as to eliminate seasonal influences. It should be pointed out, however, that the U.K. authorities constantly revise back figures, but publish only the revisions of the annual, not of the semi-annual data. The comparison must therefore be based on the original, unrevised, figures.

Regionally, the United Kingdom had a current deficit with the dollar area of £146 million, reduced by defense aid to £120 million; a net capital inflow of £15 million was more than offset by a net outflow of transfer payments of £19 million, making for a deterioration in the foreign exchange position of £124 million — in contrast to an improvement of £34 million in the second half of 1953 (see Appendix Table 4). In relation to the OEEC area, the country had a current deficit of £13 million; capital movements and transfer payments were both virtually in balance so that the net deterioration in the foreign exchange position of £12 million was almost identical with the current deficit. In the second half of 1953, the deterioration amounted to £23 million (see Appendix Table 6).

For the first four months of 1955, only fragmentary data are available. Since the highly significant movement of the country's foreign sterling liabilities is not known for this period, it is impossible to estimate the changes in the overall foreign exchange position. From U.S. statistics, however, it appears that the U.K. position in relation to the dollar area has shown a slight improvement in contrast to an improvement by about £110 million in the same period of 1954. From EPU statistics, it appears that the U.K. foreign exchange position in relation to the OEEC area improved significantly during the period, as it also did in the corresponding period of 1954.

Change in position by currencies -- The changes in the gold and foreign exchange position include changes in gold and dollar holdings, changes in the holdings of non-dollar currencies (mainly EPU currencies), changes in foreign exchange liabilities (including changes in the EPU debt), and changes in sterling liabilities (see Appendix Table 14).

At the end of 1954, official gold and dollar holdings were equal to £986 million (\$2,762 million), a decline of £92 million (\$255 million) during the second half of the year. However, the official figures somewhat understate the actual deterioration: according to the U.S. statistics, which also include non-official balances,^{1/} the U.K. holdings at the end of 1954 stood at \$3,190 million, a decline of \$346 million during the second half of the year. Moreover, U.K. short-term liabilities to the dollar area rose substantially in that period: according to the U.K. statistics by £32 million (\$90 million), according to the U.S. statistics (which are not quite comparable), by \$96 million. Taking these liabilities into account, the net gold and dollar holdings of the United Kingdom amounted at the end of the year to \$3,017 million, a decline of \$558 million (£199 million) during the second half of the year. This figure reflects the actual

^{1/} The U.K. figures include, and the U.S. figures exclude, British holdings of Canadian dollars; however, these holdings are believed to be very small.

development probably better than does the change in official reserves. In contrast, the second half of 1953 saw an increase by £54 million in official reserves and by about £30 million in net holdings (see Appendix Table 15).

Apart from gold and dollars, the U.K. foreign exchange position improved on the whole. The (insignificant) holdings of non-dollar currency dropped during the second half of 1954 by £5 million and sterling liabilities to the non-dollar non-sterling world rose by £10 million, but the EPU debt declined by £55 million. Altogether, the position in relation to the non-dollar non-sterling world as a whole improved thus by £40 million, as compared with a corresponding improvement of only £7 million in the second half of 1953.

Sterling liabilities to the outer sterling area were reduced by £3 million, with a sizeable increase in liabilities to the U.K. colonies almost exactly offset by a decline in the liabilities to the independent members of the outer sterling area. The movement was in sharp contrast to the rise in such liabilities of £43 million in the second half of 1953; it indicated the worsened current-account position of some of the most important independent members of the outer sterling area, which forced them to deplete their sterling balances.

For the first four months of 1955, figures are available only for the gold and dollar position and the EPU debt. At the end of April, the official gold and dollar reserves stood at \$2,686 million (£959 million), a decline of \$76 million (£27 million) from the end of 1954. Actually, these figures probably overstate the decrease: according to the U.S. statistics, it seems that the drop in holdings (taking into account non-official balances, too) was smaller, and was more than offset by a reduction in U.K. short-term liabilities to the dollar area. Net U.K. holdings on this basis showed a slight rise for March 1955, and in all probability there was a larger rise in April. However, the situation was very much less favorable than in the corresponding period of 1954 when official gold and dollar reserves rose by \$302 million (£107 million).

The U.K. debt in EPU declined in the first four months of 1955 by £19 million, a result similar to the movement in the corresponding period of 1954.

U.K. current transactions

Imports -- In the second half of 1954, import payments (f.o.b.) amounted to £1,536 million, a rise by about £120 million from the second half of 1953. About 90 per cent of the increase occurred in relation to the non-sterling world, about equally divided between imports from the dollar and the OEEC areas.

Statistically, the entire increase was accounted for by import payments in the last two months of the year.^{1/} However, the distortion of statistics by the London dock strike of October 1954 probably hides some earlier roots of the change.

Statistical reclassification of import categories makes it impossible exactly to allocate the increase among the various commodity groups on the basis of the balance-of-payments data. However, a similar comparison based on trade statistics (adjusted to eliminate Canadian gift aircraft as in the balance of payments) reveals that foodstuffs account for slightly more than one-fourth, basic materials, fuel, lubricants, metals, and machinery for one-fourth, and other merchandise for almost one-half of the increase in import arrivals. In terms of per cents of the arrivals during the second half of 1953, arrivals in the second half of 1954 rose by less than 4 per cent in the case of foodstuffs, about 3 per cent in the case of the total of basic materials, fuel, lubricants, metals, and machinery, but about 25 per cent in the case of "other" goods. This latter increase was larger than could be explained by price changes and the inevitable rise in the requirements of a rapidly expanding economy; although the category of "other" commodities includes a number of producer goods, such as industrial chemicals, it also includes all manufactured consumer goods, and the disproportionate rise in these imports thus suggests an overexpansion of domestic consumer demand or, in other words, an insufficient rise in domestic personal savings (see Appendix Table 12).

In the second half of 1954, the influence of price changes on the rise in income values was small. On the basis of the trade statistics, for which alone the relevant price statistics have been computed, less than one-fifth of the increase in import arrivals can be imputed to the rise in import prices.^{2/}

^{1/} The balance-of-payments figures include payments for imports that actually arrive only in the following months. Import arrivals were much larger in the first months of 1955 than in the first months of 1954, and the balance-of-payments figures reflect in part that increase, which the trade statistics revealed only in 1955. For the same reason, the rise in imports was much greater according to the balance of payments than according to the trade data (U.K. Economic Survey 1955, p.9)

^{2/} The U.K. trade statistics are presented in a rather confusing manner and any statement based on them may suffer from a large margin of error. It is typical that the import figures for the second half of 1954, as calculated on the basis of quarterly averages, are £11 million smaller than if calculated on the basis of the monthly figures, which appear side by side on the same page (Report on Overseas Trade, April 1955, p.1); the Balance of Payments, p. 35, quotes the smaller figure and this figure has therefore been used in the text.

In the first four months of 1955, trade statistics showed a sharp rise in imports, the semi-annual rate of which was almost 20 per cent higher than in the first half of 1954. About one-half of the entire increase occurred in relation to the dollar area. However, in contrast to the second half of 1954, the rise affected primarily foodstuffs and raw materials (see Appendix Table 13). Moreover, in the current period the changes in import prices made a larger contribution to the increase in import values: almost one-third of the rise apparently was to be attributed to an increase in price rather than in volume.

Exports and trade balance -- In the second half of 1954, U.K. exports and re-exports amounted to £1,392 million, a slight increase over the second half of 1953, but a small decline as compared with the first half of the year. The increase from the 1953 level affected mainly the outer sterling area; exports to the dollar area declined by £11 million, apparently because of the slight recession in North America. Changes in export prices remained insignificant throughout the periods under consideration.

The trade deficit rose between the second halves of 1953 and of 1954 by £84 million to £144 million. About three-fourths of the total, and about the same proportion of the increase, was represented by the deficit with the dollar area. Trade with the OEEC area was approximately in balance while trade with the outer sterling area showed a surplus of £26 million.

In the first four months of 1955, trade statistics indicated a rise in exports of about 10 per cent from the level of the first half of 1954. The rise occurred primarily in relation to the outer sterling and to the OEEC areas; it was the first large increase in exports in three years.

However, in view of the even larger rise in imports, the trade deficit continued to grow and reached a semi-annual level about 65 per cent higher than in the corresponding period of 1954. Most of the deterioration occurred in relation with the dollar area (see Appendix Table 11).

Service accounts -- In the second half of 1954, the service balance showed a deterioration similar to that of the trade balance. Net shipping revenues remained unchanged from the second half of 1953, in spite of the increased volume of trade and the improvement in freight rates; this disappointing result probably was the consequence of the London dock strike of October 1954. Net capital income showed only a negligible increase although the world-wide prosperity should have benefitted the United Kingdom, which is generally believed to be a net creditor on long-term account even though it is a heavy debtor on short-term account. Net travel and remittance

expenditures rose slightly, primarily in relation to the dollar and OEEC areas; this development may be attributed to the relaxation of exchange restrictions in these fields.

More important was a rise in net government expenditures of £16 million, occurring primarily in relation to the outer sterling area; and especially a decline in the net income from "other" services of £44 million, also accounted for by the outer sterling area. It seems that this decline was due largely if not exclusively to some changes in the seasonal payments pattern of oil companies in the sterling area; since these "other" receipts represent the balance of a multitude of unidentified items, including the foreign transactions of U.K. oil and insurance companies, it appears impossible without further elucidation convincingly to interpret the decline in earnings, which accounts for 30 per cent of the entire deterioration in the U.K. current balance between the second halves of 1953 and of 1954.

On the whole, the U.K. service accounts showed a surplus of only £106 million, a decline by about £60 million. This decline was the more unexpected as between the first halves of 1953 and of 1954 net service earnings had risen significantly, and the factors making for the deterioration in the trade balance (higher demand for producer goods because of the rise in economic activity and for consumer goods because of the rise in disposable incomes) cannot account for the abrupt change in the trend of the service balance. This very fact confirms the suggestion that the decline in earnings was due primarily to a change in the seasonal pattern rather than to more deep-seated factors; actually, the Economic Survey (p. 39) indicates that net service receipts in 1955 are expected to remain at about the same level as in 1954.

Balance of current payments -- In the second half of 1954, the large rise in the trade deficit and the almost equally large decline in the surplus on service account made for an even larger deterioration in the total current balance, which shifted from a surplus of £107 million in the second half of 1953 to a deficit of £38 million. The surplus with the outer sterling area remained virtually unchanged; the entire deterioration thus occurred in relation to the non-sterling world, with the dollar and the OEEC areas each accounting for about two-fifths of the deterioration (see Appendix Table 9).

In absolute figures, the deficit with the non-sterling world amounted to £193 million and the deficit with the dollar area to £146 million. The latter balance included "special" receipts (other than defense aid, i.e., U.S. off-shore purchases and troop expenditures) of £53 million so that without these receipts

the dollar deficit would have approximated £200 million, as against £122 million in the second half of 1953. The previous surplus with the OEEC area was replaced by a small deficit.

The trade data for the first four months of 1955 suggest that the current balance for this period remained in about the same state as during the second half of 1954. If we assume that the relation between the trade figures in the trade and in the balance-of-payments statistics did not change considerably between the first halves of 1954 and 1955, and that the Economic Survey was correct in predicting little change in the net service receipts, we might estimate that the first four months of 1955 witnessed a current global deficit at a semi-annual rate of about £30 million, in contrast to a surplus of £148 million earned in the first half of last year. The deficit would represent almost the same amount as in the second half of 1954 in absolute figures, but would mean a comparative deterioration since seasonally the first half of the year should show a better result than the second half.

On the basis of the same assumptions, the current balance with the non-sterling world would show a deficit at a semi-annual rate of about £135 million, in contrast to a surplus of £34 million in the first half of 1954, and the current balance with the dollar area a deficit at a rate of about £150 million, in contrast to virtual equilibrium in the first half of 1954. However, it should be remembered that the corrective measures taken by the U.K. authorities in February 1955 are expected to show their influence on the trade returns for May and June, and that therefore the final data for the current half year should be different from, and less unfavorable than, the figures based on the experience of the first four months.

Other U.K. transactions

Defense aid from the United States amounted to £26 million in the second half of 1954, little more than half of the figure of the second half of 1953. However, this decline in aid was almost compensated by a rise in other "special" receipts (see Appendix Table 5).

Foreign investment -- In the second half of 1954, the outflow of net foreign investment (which in the U.K. statistics excludes movements reflected in changes in gold and foreign exchange holdings) was reduced to £69 million globally, a decline of £87 million from the second half of 1953. However, the outflow to the outer sterling area increased by £51 million to £149 million. In relation with the non-sterling world, there was thus a net inflow of £80 million, in contrast to a net outflow of £58 million in the second half of

1953. This inflow was apart from the outflow of short-term capital indicated by the net decline in short-term liabilities to the non-sterling world.

Regionally, there was an inflow of investment capital of £15 million from the dollar area, as compared with a net outflow of £30 million in the second half of 1953, in addition to the net inflow of short-term funds represented by the increase in sterling liabilities to that area. Similarly, there was an inflow of £16 million from the OEEC area, as compared with a net outflow of £40 million in the second half of 1953, apart from a net outflow of short-term funds reflected mainly in the reduction in the U.K. debt to the EPU. Another significant inflow of capital (£40 million) came from the non-dollar countries of Latin America.

Insofar as the capital inflow was represented by the rise in sterling balances, it probably consisted of working capital attracted by the reopening of the British international gold and commodity markets. Unfortunately, the statistics do not divulge how much of the balances are "registered sterling," the type of sterling to be used for gold transactions. In spite of the weakness of sterling in the last months of 1954, no sizeable amount of short-term funds seems to have left the country in that period -- an observation confirmed by the movements of the short-term sterling assets reported by U.S. banks.

In the first four months of 1955, the U.S. statistics reveal some outflow of short-term capital in the form of a repayment of sterling balances to U.S. residents. On the other hand, the large EPU surpluses of the United Kingdom in March and April suggest that European funds have again found their way to the London market, probably attracted by the higher interest rates resulting from the tighter monetary policy inaugurated earlier in the year by the U.K. authorities.

Transfers -- While the current and capital transactions hitherto discussed determine the country's global balance of payments, the regional breakdown is deeply affected by transactions among the country's trading partners, which frequently determine the currencies in which the payments to the United Kingdom are being made. In a fully convertible world, these transfer transactions would be of minor interest; under present conditions, they have a considerable impact on the country's gold and dollar position.

In the second half of 1953, the U.K. deficit with the dollar area (representing the sum of its direct current and capital transactions) of £60 million was, by means of such inter-area transfers, transformed into a net improvement in its foreign exchange position vis-a-vis the dollar area of £34 million. In the second half of 1954,

however, transfer payments made the deterioration in the foreign exchange position vis-a-vis the dollar area of £124 million even larger than the direct deficit of £105 million.

This role of transfer payments implies that the relations between the United Kingdom and the non-dollar world influence the U.K. dollar position just as much as do its direct transactions with the dollar area. It indicates therefore that even from the narrow point of view of the movement in its gold and dollar reserves, the country's global balance is more significant than the regional breakdown among the various currency areas.

In every year, the U.K. gold and dollar balance is greatly improved by the purchase of gold from the outer sterling area, and especially from South Africa. In the second half of 1954, such purchases amounted to £72 million, an increase of £24 million over the second half of 1953. This rise probably was due to the re-establishment of the free gold market in London, together with the general normalization of gold conditions in the free world, which returned the bulk of newly mined gold to the London market.

Usually, the surplus of the outer sterling area with the dollar area also accrues to the benefit of the U.K. reserves by means of the dollar pooling arrangements. In the second half of 1953, these arrangements increased the U.K. dollar receipts by £35 million; in the second half of 1954, however, the sum declined to the negligible amount of £1 million, thus more than balancing the rise in gold purchases. Similarly, net dollar receipts from transactions with countries belonging neither to the outer sterling nor to the dollar or OEEC areas declined from £27 million in the second half of 1953 to £20 million in the second half of 1954.

Moreover, the United Kingdom made a dollar payment equal to £40 million to the International Monetary Fund in connection with the repayment of its dollar drawings; no such payment was made in the second half of 1953.

Another important change in transfer payments occurred in relation to the OEEC area: in the second half of 1953, this area caused to the United Kingdom a net dollar loss of £16 million while in the second half of 1954 the drain rose to £72 million. Of this amount, £39 million represented payments made in connection with the part-settlement of the U.K. debt to the European Payments Union. Another part represented the gold and dollar settlement of one-half of the balance of the direct transactions between the sterling countries and the non-sterling OEEC area; this balance changed from a surplus of the sterling countries of £9 million in the second half of 1953 to a deficit of the same amount in the second half of 1954,

reflecting a moderate deterioration in the balances of both the United Kingdom and the outer sterling area. The remainder was connected with transactions involving sterling area, OEEC area, and third countries, with the most significant change occurring in "net payments to OEEC countries in gold and dollars and net receipts for dollar goods," which increased from £7 million in the second half of 1953 to £42 million in the second half of 1954.

The underlying transactions are exemplified by the transit sale, against payment in OEEC currencies or in "transferable" sterling held by OEEC residents, of dollar goods purchased by the United Kingdom. These transactions improve the balance of the sterling area in the EPU, but involve a net loss in gold or dollars since only one-half of the EPU balances are settled in "hard" currency. Transactions of this kind have been knowingly encouraged by the U.K. authorities by the reopening of the British international commodity markets; in view of the increasing "hardness" of OEEC currencies and EPU claims, the profits accruing from such transactions to British brokers and bankers outweigh, in the opinion of the U.K. authorities, the loss in "hardness" of the settlement.

It is possible that the bulk of the transactions recorded under this heading concerns legal transactions of this kind. It is also possible, however, that this item includes, in addition, "switch" transactions in "cheap sterling": in these transactions, sterling goods destined to the dollar area are formally purchased, and paid for in sterling or in OEEC currencies, by residents of the "transferable sterling" area (mainly by the residents of the OEEC area), who in turn sell them to the ultimate buyer against payment in dollars; the intermediaries can make a profit because of the discount of the dollar rates for "transferable" as compared with "convertible" sterling (or the corresponding types of OEEC currencies). Like the transit sale of dollar goods, these transactions do not change the overall trade balance of the United Kingdom, but merely involve the substitution of OEEC currencies (or sterling) for dollars; however, unlike transit trade, they do not bring any benefit to British traders or bankers, and therefore are being frowned upon by the U.K. authorities. Nevertheless, such transactions were made attractive to Continental dealers toward the end of 1954 by the rising discount of "transferable" sterling; the danger of a further increase in such transactions, with the resulting loss of dollar revenue, induced the U.K. authorities in February 1955 to intervene in the "transferable" sterling market and to reduce the discount to about 1 per cent. In view of this intervention, it is expected that "switch" transactions will again become negligible in the future.

Outer sterling area transactions

As usual, data on the transactions of the outer sterling area are not only fragmentary, but also confusing in that in many instances current and capital transactions are lumped together.

The area's transactions with the United Kingdom -- the only sector for which detailed figures are available -- have been discussed in connection with the United Kingdom (see Appendix Table 2).

In relation to the dollar area, both imports and exports increased slightly, leaving the trade surplus only £6 million lower than in the second half of 1953. The surplus on service and capital transactions declined by £28 million, of which £4 million are explained by the repayment by India of its drawings from the International Monetary Fund (see Appendix Table 4).

Imports and exports in relation to the OEEC area also increased, but in this case the trade surplus declined by as much as £17 million. However, part of this drop was offset by a decline of £8 million in the deficit on service and capital account, of which £5 million reflect a loan granted to Australia in the Swiss market (see Appendix Table 6). Part of the opposite changes in the "service and capital" balances with the dollar and the EPU areas was perhaps the consequence of "switch" transactions, by which outer sterling exports to the dollar area actually are paid for by OEEC residents and which thus tend to reduce the dollar surplus as well as the EPU deficit of the outer sterling area.

The total balance of the outer sterling area with the non-sterling world^{1/} showed a surplus of only £3 million in the second half of 1954, in contrast to a surplus of £101 million in the second half of 1953. Since the total balance with the dollar and EPU areas showed a combined surplus of £61 million, it follows that its balance with the rest of the world -- including especially the Far Eastern non-sterling countries -- resulted in a deficit of £58 million in contrast to a surplus of £21 million in the second half of 1953 (see Appendix Table 7). Virtually the entire deterioration occurred in the trade accounts; the rise in the trade deficit with the "rest of the world" accounted for about three-fourths of the entire deterioration in the trade balance of the outer sterling area (see Appendix Table 8).

The deficit in the current balance of the outer sterling area appears to be accounted for primarily by two countries, Australia and New Zealand. In the second half of 1954, Australia had a trade deficit of £A.30 million in contrast to a surplus of £A.117 million in the second half of 1953; the deterioration thus amounted to £A.147 million, equal to £118 million. New Zealand had a trade deficit of £22 million, in contrast to a surplus of £6 million in the second half of 1953, a deterioration of £28 million. The combined deterioration of the trade balances of these two countries, equal to £146 million, was somewhat larger than the entire increase in the global trade deficit of the outer sterling area.

^{1/} U.K. Economic Survey 1955, p. 7.

Conclusions

The deficit in the U.K. balance of payments during the second half of 1954 and the prospective deficit for the first half of 1955 have been disturbing mainly because they represent a rather sudden change in a two-year trend. In themselves, they are quite moderate, and the fall in the U.K. official reserves between the end of June 1954 and the end of April 1955 was only about one-seventh of the fall experienced in the corresponding period of 1951-52.

Several factors reduce, but several others increase the seriousness of the development during the past ten months.

On the optimistic side, the following observations may be made:

1. The liberalization of import and exchange controls has always been expected to have an "initial impact" on the U.K. balance; in spite of this impact, the global deficit on current account represented only 2 per cent of the value of all imports.
2. The slight recession in North America had some dampening effect on U.K. exports to that area; the present recovery in North America is likely to have the opposite effect.
3. The failure of the outer sterling area to transfer a larger amount of convertible currencies to the United Kingdom was due primarily to developments in Australia and New Zealand; the recent returns to a restrictive commercial policy in Australia and to a restrictive monetary policy in New Zealand are expected to remedy this situation.
4. Insofar as the trade deficit reflected a rise in imports of consumer goods, an undue expansion of inventories of imported commodities, and a stagnation of exports due to the diversion of exportable goods to domestic use, this trend is expected to be halted by the recent domestic monetary policies.
5. The decline in net receipts on service account in the second half of 1954 apparently reflected a mere change in seasonal patterns rather than a drop in revenue on an annual basis.

On the other hand, the following considerations may lead to a more cautious evaluation:

1. The deficit occurred at a time when most of the world, outside of North America, was experiencing an unprecedented boom, with a correspondingly strong demand for U.K. exports.

2. The deficit occurred in spite of the continued "special" receipt of U.S. aid and U.S. military expenditures.

3. The deficit occurred at a time when the United Kingdom still (although on a diminishing scale) used direct import and exchange restrictions.

4. The deficit occurred at a time when U.K. exports still (although on a diminishing scale) benefitted from the discrimination against dollar imports practiced in many countries, and especially in the outer sterling area and in the OEEC area.

On balance, the arguments on the optimistic side appear to have greater weight. The month of April brought somewhat better results than the first quarter both as to trade returns and as to the movement in U.K. gold and dollar holdings; while the data are not yet decisive, they may well represent the beginning of a new trend, aided by the monetary measures of February 1955. Moreover, the sterling-dollar exchange rates -- the weakness of which was the first storm signal in the late fall of 1954 -- have made a startling recovery. The exact amount of official support given to those rates is not known, but market specialists seem to be sure that since the beginning of March little or no support has been given to the "convertible," and only slight support (mainly on European markets) to the "transferable" rate. If they are right, the business community would not appear to expect serious balance-of-payments difficulties in the near future. This attitude is the more remarkable since the uncertainties of the pre-election period would normally have favored a bearish sterling market.

For these reasons, it may be concluded that the disappointing behavior of the U.K. balance of payments in the last ten months is more likely to prove a temporary dip than the beginning of a long-lasting downturn.

APPENDIX

U. K. Balance of Payments

Table 1

United Kingdom Balance of Payments, 1953-54

(Millions of pounds sterling)

| | <u>1953</u> <u>1st half</u> | <u>1953</u> <u>2nd half</u> | <u>1954</u> <u>1st half</u> | <u>1954</u> <u>2nd half</u> |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Imports (f.o.b.) | - 1,467 | - 1,412 | - 1,471 | - 1,536 |
| Exports & re-exports | <u>1,316</u> | <u>1,352</u> | <u>1,423</u> | <u>1,392</u> |
| Trade balance | - 151 | - 60 | - 48 | - 144 |
| Shipping (net) | 65 | 55 | 77 | 55 |
| Interest (net) | 40 | 7 | 20 | 15 |
| Government services (net) | - 78 | - 79 | - 74 | - 95 |
| Travel and remittances (net) | 5 | 9 | 3 | 18 |
| Other services (net) | <u>118</u> | <u>193</u> | <u>170</u> | <u>149</u> |
| Service balance | 150 | 167 | 196 | 106 |
| Surplus on current account | - 1 | 107 | 148 | - 38 |
| Grant aid | 58 | 47 | 24 | 26 |
| Foreign investment (-) | - 37 | - 156 | - 83 | - 69 |
| Rise in £ liabilities, etc. | <u>166</u> | <u>56</u> | <u>90</u> | <u>11</u> |
| Rise in gold and dollar reserves | 186 | 54 | 179 | - 92 |

Source: U. K. Balance of payments 1946 to 1954 (White Paper, Cmd. 9291 and 9430) Table 1 (Government service and grant aid figures adjusted to conform to the table on "special receipts", p. 40).

Table 2

United Kingdom Balance of Payments with Outer Sterling Area, 1953-54

(Millions of pounds sterling)

| | <u>1953</u> <u>1st half</u> | <u>1953</u> <u>2nd half</u> | <u>1954</u> <u>1st half</u> | <u>1954</u> <u>2nd half</u> |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| United Kingdom imports (f.o.b.) | - 696 | - 621 | - 694 | - 634 |
| United Kingdom exports & re-exports | <u>598</u> | <u>611</u> | <u>673</u> | <u>660</u> |
| Trade balance | - 98 | - 10 | - 21 | 26 |
| Service balance | <u>113</u> | <u>166</u> | <u>135</u> | <u>129</u> |
| Total current balance | 15 | 156 | 114 | 155 |
| Foreign investment (-) | - 50 | - 98 | - 119 | - 149 |
| Transfers <u>1/</u> | - <u>175</u> | - <u>101</u> | - <u>113</u> | - <u>3</u> |
| Rise in £ liabilities (-) | - 210 | - 43 | - 118 | 3 |

1/ Including gold purchases

Source: Cmd. 9291 and 9430, Table 2.

Table 3

United Kingdom Balance of Payments with non-Sterling World, 1953-54

(Millions of pounds sterling)

| | <u>1953</u> <u>1st half</u> | <u>1953</u> <u>2nd half</u> | <u>1954</u> <u>1st half</u> | <u>1954</u> <u>2nd half</u> |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Imports (f.o.b.) | - 771 | - 791 | - 777 | - 902 |
| Exports & re-exports | <u>718</u> | <u>741</u> | <u>750</u> | <u>732</u> |
| Trade balance | - 53 | - 50 | - 27 | - 170 |
| Service balance | <u>37</u> | <u>1</u> | <u>61</u> | - <u>23</u> |
| Total current balance | - 16 | - 49 | 34 | - 193 |
| Grant aid | 58 | 47 | 24 | 26 |
| Foreign investment (-) | 13 | - 58 | 36 | 80 |
| Transfers <u>1/</u> | 175 | 101 | 113 | 3 |
| Rise in £ liabilities, etc. | - <u>44</u> | <u>13</u> | - <u>28</u> | - <u>8</u> |
| Rise in gold & dollar reserves | 186 | 54 | 179 | - 92 |

1/ Including gold purchases

Source: Cmd. 9291 and 9430, Table 2 (service and grant aid figures adjusted).

APPENDIX

U. K. Balance of Payments

Table 4

United Kingdom and Outer Sterling Area Balance of Payments with Dollar Area, 1953-54
(Millions of pounds sterling)

| | <u>1953</u> <u>1st half</u> | <u>1953</u> <u>2nd half</u> | <u>1954</u> <u>1st half</u> | <u>1954</u> <u>2nd half</u> |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| U. K. imports (f.o.b.) | - 254 | - 265 | - 240 | - 325 |
| U. K. exports & re-exports | <u>216</u> | <u>225</u> | <u>205</u> | <u>214</u> |
| U. K. trade balance | - 38 | - 40 | - 35 | - 111 |
| U. K. service balance | <u>8</u> | - <u>47</u> | <u>30</u> | - <u>35</u> |
| Total U. K. current balance | - 30 | - 87 | - 5 | - 146 |
| Grant aid | 58 | 47 | 24 | 26 |
| U. K. capital balance | <u>15</u> | - <u>20</u> | <u>31</u> | <u>15</u> |
| Total U. K. balance | 43 | - 60 | 50 | - 105 |
| OSA imports (f.o.b.) | - 209 | - 217 | - 207 | - 229 |
| OSA exports & re-exports | <u>218</u> | <u>187</u> | <u>201</u> | <u>193</u> |
| OSA trade balance | 9 | - 30 | - 6 | - 36 |
| OSA service & capital balance | 42 | 65 | 32 | 37 |
| OSA gold sales | <u>31</u> | <u>48</u> | <u>67</u> | <u>72</u> |
| Total OSA balance | 82 | 83 | 93 | 73 |
| OEEC area transfers (net) | 34 | - 16 | 15 | - 72 |
| Other transfers (net) | <u>19</u> | <u>27</u> | <u>21</u> | - <u>20</u> |
| Total transfers (net) | 53 | 11 | 36 | - 92 |
| Rise in £ liabilities | <u>8</u> | <u>20</u> | <u>0</u> | <u>32</u> |
| Rise in gold and dollar reserves | 186 | 54 | 179 | - 92 |

Source: Cmd. 9291 and 9430, Table 9 (U. K. service and grant figures adjusted) and p. 43.

Table 5

United Kingdom "Special" Receipts, 1953-54

(Millions of pounds sterling)

| | <u>1953</u> | <u>1953</u> | <u>1954</u> | <u>1954</u> |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>1st half</u> | <u>2nd half</u> | <u>1st half</u> | <u>2nd half</u> |
| Troop expenditures in United Kingdom | 30 | 25 | 35 | 30 |
| U. S. off-shore purchases | <u>.8</u> | <u>10</u> | <u>14</u> | <u>23</u> |
| Total U. S. military expenditures | 38 | 35 | 49 | 53 |
| Grant aid | <u>58</u> | <u>47</u> | <u>24</u> | <u>26</u> |
| Total "special" receipts | 96 | 82 | 73 | 79 |

Source: Cmd. 9291 and 9430, page 40.

APPENDIX

U. K. Balance of Payments

Table 6

United Kingdom and Outer Sterling Area Balance of Payments with OEEC Area, 1953-54

(Millions of pounds sterling)

| | <u>1953</u> <u>1st half</u> | <u>1953</u> <u>2nd half</u> | <u>1954</u> <u>1st half</u> | <u>1954</u> <u>2nd half</u> |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| U. K. imports (f.o.b.) | - 335 | - 343 | - 360 | - 396 |
| U. K. exports & re-exports | <u>374</u> | <u>385</u> | <u>399</u> | <u>389</u> |
| U. K. trade balance | 39 | 38 | 39 | - 7 |
| U. K. service balance | <u>15</u> | <u>14</u> | <u>5</u> | - <u>6</u> |
| Total U. K. current balance | 54 | 52 | 44 | - 13 |
| U. K. capital balance | - <u>5</u> | - <u>40</u> | <u>30</u> | <u>16</u> |
| Total U. K. balance | 49 | 12 | 74 | 3 |
| OSA imports (f.o.b.) | - 209 | - 238 | - 256 | - 274 |
| OSA exports & re-exports | <u>269</u> | <u>268</u> | <u>293</u> | <u>287</u> |
| OSA trade balance | 60 | 30 | 37 | 13 |
| OSA service & capital account | - <u>25</u> | - <u>33</u> | - <u>31</u> | - <u>25</u> |
| Total OSA balance | 35 | - 3 | 6 | - 12 |
| Transfers (net) | - 13 | - 32 | - 27 | - 3 <u>1/</u> |
| Rise in £ liabilities | - <u>20</u> | <u>2</u> | <u>0</u> | <u>18</u> |
| EPU surplus | 51 | - 21 | 53 | 6 |

1/ Includes capital movements and changes in accounts totalling - \$14 million (net), not reported for settlement through EPU.

Source: Cmd. 9291 and 9430, Tables 10 and 11, and page 45.

APPENDIX

U. K. Balance of Payments

Table 7

Outer Sterling Area Balance of Payments, 1953-54 1/
(Millions of pounds sterling)

| | | <u>1953</u> <u>1st</u> <u>half</u> | <u>1953</u> <u>2nd</u> <u>half</u> | <u>1954</u> <u>1st</u> <u>half</u> | <u>1954</u> <u>2nd</u> <u>half</u> |
|---------------------------------------|-----------------------|--|--|--|--|
| Imports from: | United Kingdom | - 598 | - 611 | - 673 | - 660 |
| | Dollar Area | - 209 | - 217 | - 207 | - 229 |
| | OEEC Area | - 209 | - 238 | - 256 | - 274 |
| | Total | -1,016 | -1,066 | -1,136 | -1,163 |
| Exports to: | United Kingdom | 696 | 621 | 694 | 634 |
| | Dollar Area | 218 | 187 | 201 | 193 |
| | OEEC Area | 269 | 268 | 293 | 287 |
| | Total | 1,183 | 1,076 | 1,188 | 1,114 |
| Trade balance with: | United Kingdom | 98 | 10 | 21 | - 26 |
| | Dollar Area | 9 | - 30 | - 6 | - 36 |
| | OEEC Area | 60 | 30 | 37 | 13 |
| | Total | 167 | 10 | 52 | - 49 |
| Service & Capital balance with: | United Kingdom | - 63 | - 68 | - 16 | 20 |
| | Dollar Area <u>2/</u> | 73 | 113 | 99 | 109 |
| | OEEC Area | - 25 | - 33 | - 31 | - 25 |
| | Total | - 15 | 12 | 52 | 104 |
| Rise in £ balances | | 210 | 43 | 118 | - 3 |
| Residual (balance with rest of world) | | 58 | 21 | 14 | - 58 |

1/ Fragmentary

2/ Including gold sales to United Kingdom

Source: Cmd. 9291 and 9430, Table 2 and pages 43 and 45.

APPENDIX

U. K. Balance of Payments

Table 8

Outer Sterling Area Trade with the Non-Sterling World, 1953-54 1/

(Millions of pounds sterling)

| | <u>1953</u> <u>1st</u> <u>half</u> | <u>1953</u> <u>2nd</u> <u>half</u> | <u>1954</u> <u>1st</u> <u>half</u> | <u>1954</u> <u>2nd</u> <u>half</u> |
|----------------------------|--|--|--|--|
| Imports (c.i.f.) from: | | | | |
| Dollar Area | 256 | 237 | 227 | 243 |
| OEEC Area | 262 | 284 | 297 | 315 |
| Rest of World | <u>267</u> | <u>282</u> | <u>276</u> | <u>320</u> |
| Total | 785 | 803 | 800 | 878 |
| Exports and re-exports to: | | | | |
| Dollar Area | 220 | 205 | 208 | 197 |
| OEEC Area | 293 | 285 | 311 | 307 |
| Rest of World | <u>281</u> | <u>234</u> | <u>236</u> | <u>207</u> |
| Total | 794 | 724 | 755 | 711 |
| Trade balance with: | | | | |
| Dollar Area | - 36 | - 32 | - 19 | - 46 |
| OEEC Area | + 31 | + 1 | + 14 | - 8 |
| Rest of World | <u>+ 14</u> | <u>- 48</u> | <u>- 40</u> | <u>- 113</u> |
| Total | + 9 | - 79 | - 45 | - 167 |

1/ The data presented in this table are based on trade statistics and are not strictly comparable with the data presented in Tables 4, 6, and 7, which are based on balance-of-payments statistics; in addition to differences in timing and coverage, imports in this table are computed c.i.f. rather than f.o.b.

Source: Board of Trade Journal, May 7, 1955

APPENDIX

U. K. Balance of Payments

Table 9

Change in U. K. Current Balance of Payments

2nd half 1953 to 2nd half 1954

(Millions of pounds sterling)

| <u>Imports</u> | <u>Global</u> | <u>£ Area</u> | <u>\$ Area</u> | <u>OEEC Area</u> |
|------------------------------|---------------|---------------|----------------|------------------|
| Merchandise (f.o.b.) | + 124 | + 13 | + 60 | + 53 |
| Shipping | + 10 | + 2 | + 1 | + 5 |
| Interest & Profits | + 17 | + 4 | + 8 | + 6 |
| Travel & Remittances | + 14 | - 2 | + 7 | + 10 |
| Government | + <u>11</u> | + <u>13</u> | <u>0</u> | <u>0</u> |
| Total | + 176 | + 30 | + 76 | + 74 |
| <u>Exports</u> | | | | |
| Merchandise | + 40 | + 49 | - 11 | + 4 |
| Shipping | + 10 | + 7 | + 3 | + 3 |
| Interest & Profits | + 25 | + 18 | 0 | + 5 |
| Travel | + 5 | + 2 | + 2 | + 1 |
| Other private services (net) | - 44 | - 44 | + 22 | - 1 |
| Government | - <u>5</u> | - <u>3</u> | + <u>1</u> | - <u>3</u> |
| Total | + 31 | + 29 | + 17 | + 9 |
| <u>Balance</u> | - 145 | - 1 | - 59 | - 65 |

Source: Cmd. 9291, Table 6, and Cmd. 9430, Table 7.

Table 10

Change in U. K. Capital Balance of Payments

2nd half 1953 to 2nd half 1954

(Millions of pounds sterling)

| | <u>Global</u> | <u>£ Area</u> | <u>\$ Area</u> | <u>OEEC Area</u> |
|--|---------------|---------------|----------------|------------------|
| <u>Defense aid</u> | - 21 | 0 | - 21 | 0 |
| <u>Transfers</u> | | | | |
| IMF drawings | 0 | 0 | - 40 | + 2 |
| Gold purchases | 0 | - 24 | + 24 | 0 |
| Other £-Area transfers | 0 | + 122 | - 34 | - 9 |
| Other transfers | 0 | 0 | - 63 | + 62 |
| Total | 0 | + 98 | - 113 | + 55 |
| <u>Capital transactions</u> | | | | |
| Private | + 79 | - 47 | + 28 | + 51 |
| Government | + 8 | - 4 | + 7 | + 5 |
| Total | + 87 | - 51 | + 35 | + 56 |
| <u>Change in foreign exchange position</u> | | | | |
| Increase in £ liabilities | - 3 | - 46 | + 12 | + 17 |
| Decline in non-\$ holdings | - 1 | 0 | 0 | 0 |
| Increase in EPU debt | - 63 | 0 | 0 | - 63 |
| Decline in \$ holdings | + 146 | 0 | + 146 | 0 |
| Total | + 79 | - 46 | + 158 | - 46 |
| <u>Balance</u> | + 145 | + 1 | + 59 | + 65 |

Source: Cmd. 9291, Table 6, and Cmd. 9430, Table 7.

Table 11

United Kingdom Foreign Trade, 1953-55 1/

| | <u>1953</u> <u>1st</u> <u>half</u> | <u>1953</u> <u>2nd</u> <u>half</u> | <u>1954</u> <u>1st</u> <u>half</u> | <u>1954</u> <u>2nd</u> <u>half</u> | <u>1955</u> <u>1st</u> <u>half</u> 2/ |
|-----------------------|--|--|--|--|---|
| Imports (c.i.f.): | | | | | |
| global | 1,692 | 1,618 3/ | 1,667 3/ | 1,706 | 1,988 |
| from £ Area | 794 | 710 | 791 3/ | 703 | 865 |
| from \$ Area | 298 | 303 3/ | 265 3/ | 348 | 414 |
| from OEEC Area | 385 | 384 | 394 | 425 | 452 |
| Exports & re-exports: | | | | | |
| global | 1,310 | 1,378 | 1,399 | 1,376 | 1,540 |
| to £ Area | 608 | 662 | 678 | 668 | 760 |
| to \$ Area | 201 | 203 | 186 | 189 | 192 |
| to OEEC Area | 373 | 377 | 392 | 386 | 420 |
| Trade balance: | | | | | |
| global | - 382 | - 240 3/ | - 268 3/ | - 330 | - 448 |
| with £ Area | - 186 | - 48 | - 113 | - 35 | - 105 |
| with \$ Area | - 97 | - 100 3/ | - 79 3/ | - 159 | - 222 |
| with OEEC Area | - 12 | - 7 | - 2 | - 39 | - 32 |

1/ The data presented in this table are based on trade statistics and are not strictly comparable with the data presented in Tables 1-9, which are based on balance-of-payments statistics; in addition to differences in timing and in coverage, imports in this table are computed c.i.f. rather than f.o.b.

2/ January-April figures, semi-annual rate.

3/ Excluding military aircraft shipped from Canada on a grant basis; these shipments, included in the trade statistics, are excluded from the balance-of-payments statistics (U. K. Economic Survey 1955, Cmd. 9412, page 9).

Source: Board of Trade, Report on Overseas Trade, July 1954, January 1955, and April 1955; London Economist, May 28, 1955.

APPENDIX

U. K. Balance of Payments

Table 12

Change in U. K. Imports 1/

2nd half 1953 to 2nd half 1954
(Millions of pounds sterling)

| | Global | | From £ Area | | From \$ Area | | From OEEC Area | |
|--------------------|---------|-------|-------------|------|--------------|------|----------------|------|
| | 1953 | 1954 | 1953 | 1954 | 1953 | 1954 | 1953 | 1954 |
| Foodstuffs | 657 | 681 | 313 | 325 | 138 | 131 | 117 | 143 |
| | | | + 24 | + 12 | | - 7 | | + 26 |
| Basic materials | 497 | 504 | 212 | 188 | 67 | 97 | 112 | 111 |
| | | | + 7 | - 24 | | + 30 | | - 1 |
| Fuel & lubricants | 157 | 169 | 108 | 107 | 19 | 23 | 28 | 36 |
| | | | + 12 | - 1 | | + 4 | | + 8 |
| Metals & machinery | 138 | 141 | 42 | 39 | 49 | 53 | 48 | 39 |
| | | | + 3 | - 3 | | + 4 | | - 9 |
| Other merchandise | 1692/ | 211 | 35 | 44 | 302/ | 44 | 79 | 96 |
| | | | + 42 | + 9 | | + 14 | | + 17 |
| Total | 1,6182/ | 1,706 | 710 | 703 | 3032/ | 348 | 384 | 425 |
| | | | + 88 | - 7 | | + 45 | | + 41 |

1/ The data presented in this table are based on trade statistics and are not strictly comparable with the data presented in Tables 1-9, which are based on balance-of-payments statistics; in addition to differences in timing and in coverage, imports in this table are computed c.i.f. rather than f.o.b.

2/ Excluding military aircraft shipped from Canada on a grant basis; these shipments, included in the trade statistics, are excluded from the balance-of-payments statistics (U. K. Economic Survey 1955, Cmd. 9412, page 9).

APPENDIX

U. K. Balance of Payments

Table 14

United Kingdom Foreign Exchange Position, 1953-54
(Millions of pounds sterling)

| | <u>June 30,</u> <u>1953</u> | <u>Dec. 31,</u> <u>1953</u> | <u>June 30,</u> <u>1954</u> | <u>Dec. 31,</u> <u>1954</u> |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| £ Liabilities to: | | | | |
| United Kingdom Colonies | 1,093 | 1,102 | 1,188 | 1,226 |
| Other £ Area | <u>1,799</u> | <u>1,832</u> | <u>1,864</u> | <u>1,823</u> |
| Total £ Area | 2,892 | 2,934 | 3,052 | 3,049 |
| Dollar Area | 42 | 62 | 62 | 94 |
| Other non-£ Area | <u>675</u> | <u>710</u> | <u>709</u> | <u>758</u> |
| Total non-£ Area | 717 | 772 | 771 | 852 |
| Non-Territorial organizations | 566 | 510 | 514 | 475 |
| Total | <u>4,175</u> | <u>4,216</u> | <u>4,337</u> | <u>4,376</u> |
| Holdings of non-£ currency (-) | - 16 | - 10 | - 18 | - 13 |
| EPU debt | 190 | 198 | 175 | 120 |
| Gold & dollar reserves (-) | <u>- 845</u> | <u>- 899</u> | <u>-1,078</u> | <u>- 986</u> |
| Net foreign exchange liabilities | 3,504 | 3,505 | 3,416 | 3,497 |
| Net foreign exchange liabilities to non-£ Area | 612 | 571 | 364 | 448 |

Source: Cmd. 9291, Tables 13 and 14, and Cmd. 9430, Tables 12 and 13.

APPENDIX

Table 15

U. K. Balance of Payments

U. K. Gold and Dollar Position, 1953-55

(Millions of US dollars)

| | <u>June 30</u> <u>1953</u> | <u>Dec. 31</u> <u>1953</u> | <u>March 31</u> <u>1954</u> | <u>June 30</u> <u>1954</u> | <u>Dec. 31</u> <u>1954</u> | <u>March 31</u> <u>1955</u> |
|---------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|-------------------------------|--------------------------------|
| <u>U. K. statistics:</u> | | | | | | |
| Official reserves | 2,367 | 2,518 | 2,685 | 3,017 | 2,762 | 2,667 |
| <u>U. S. statistics:</u> | | | | | | |
| Gold holdings <u>e/</u> | 1,975 | 2,300 | 2,400 | 2,550 | 2,550 | n.a. |
| Dollar balances <u>l/</u> | <u>911</u> | <u>709</u> | <u>798</u> | <u>986</u> | <u>640</u> | <u>n.a.</u> |
| Total holdings | 2,886 | 3,009 | 3,198 | 3,536 | 3,190 | 3,137 <u>e/</u> |
| Liabilities to U. S. | - 29 | - 71 | - 60 | - 77 | - 173 | - 116 |
| Net holdings | 2,857 | 2,938 | 3,138 | 3,459 | 3,017 | 3,021 <u>e/</u> |

l/ Including non-official balances

e/ estimated

Source: Federal Reserve Bulletin

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