



BANK OF ENGLAND

REPORT FOR THE YEAR ENDED

29TH FEBRUARY

1952

Issued by Order of the Court of Directors, 24th July, 1952.

COURT OF DIRECTORS

FOR THE YEAR ENDED 29TH FEBRUARY, 1952.

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BANK OF ENGLAND.

Report for the year ended 29th February, 1952.

Note Circulation and Issue Department.

The total of Notes Issued and Paid in recent years is shown in the following table:—

<i>£ millions.</i>	NOTES ISSUED, PAID AND IN CIRCULATION.				
YEAR TO END OF FEBRUARY.	1939.	1949.	1950.	1951.	1952.
Issued during the year	969	1,110	815	916	1,095
Paid during the year	968	1,111	797	877	1,015
In circulation at end of year	478	1,232	1,250	1,289	1,369

The total of Notes Issued and Paid again increased during the year. The banks continued the arrangements mentioned in the two immediately preceding Reports for re-issuing to the public notes in a condition suitable for further use and, despite the increase since 1949 in notes in circulation, the amount of notes issued and paid was less than in that year.

<i>£ thousands.</i>	NOTES IN CIRCULATION BY DENOMINATIONS.				
END OF FEBRUARY.	1939.	1949.	1950.	1951.	1952.
10s.	53,338	88,854	86,164	86,362	87,334
£1	283,646	968,719	975,762	998,771	1,054,927
£5	38,283	107,161	120,618	135,161	152,185
£10	14,596	1,306	1,139	1,005	906
£20	4,436	595	510	455	408
£50	12,305	1,257	1,069	952	832
£100	26,518	2,558	2,113	1,809	1,569
£200	19	8	8	8	8
£500	3,654	344	304	290	275
£1,000	23,199	524	386	298	217
Over £1,000 (a)	18,455	60,560	61,950	63,870	69,930
	<u>478,449</u>	<u>1,231,886</u>	<u>1,250,023</u>	<u>1,288,981</u>	<u>1,368,591</u>

The issue of £10, £20, £50, £100, £500 and £1,000 notes was discontinued in 1943, that of £200 notes in 1928.

(a) Used by the Bank of England for internal purposes, e.g., to represent transfers made by Scottish and Northern Irish banks of issue as cover for their excess note issues.

The steady increase in the use of £5 notes by the public, which has been noticeable in recent years, continued with a further rise during the year of £17.0 million, or 12.6%,

in the total of this denomination in circulation, as compared with an increase of 5.6% in the circulation of £1 notes. The changes since 1939 in the various denominations in circulation are shown in the following table:—

PERCENTAGE OF TOTAL CIRCULATION REPRESENTED BY VARIOUS DENOMINATIONS.

	END OF FEBRUARY.	1939.	1952.
10s.	11.1	6.4
£1	59.3	77.1
£5	8.0	11.1
£10—£1,000	17.7	0.3
Over £1,000	3.9	5.1
		<u>100.0</u>	<u>100.0</u>

During the period under review the note circulation increased by approximately £80 million, more than double the increase during the previous year. The outflow of notes before the Easter holiday was approximately the same as in 1950 but at the Easter peak the note circulation stood at £36 million more than at Easter, 1950. The summer holiday demand was £30 million greater than in 1950, with an August peak £66 million greater. At Christmas, though the outflow was only £5 million more than during the comparable period in 1950, the figure of £1,438 million published in the Bank Return dated 27th December, 1951, established a new record for notes in circulation. The customary return of notes from circulation after Christmas was £12 million greater than in the previous year.

Recent changes in the Fiduciary Issue have been as follows:—

<i>£ millions.</i>	DATE.	CHANGE.	TOTAL FIDUCIARY ISSUE.
	10th January, 1950	- 50	1,300
	27th June, 1950	+ 50	1,350
	9th December, 1950	+ 25	1,375
	9th January, 1951	- 25	1,350
	12th June, 1951	+ 50	1,400
	31st July, 1951	+ 25	1,425
	21st August, 1951	- 25	1,400
	10th December, 1951	+ 50	1,450
	15th January, 1952	- 50	1,400

In January, proposals were laid before Parliament, in the Currency and Bank Notes Bill, to amend the law relating to the Fiduciary Issue. Under the Currency and Bank Notes Act, 1928, as amended by the Currency and Bank Notes Act, 1939, the Fiduciary Issue was £300 million and, though this figure might with Treasury authority be exceeded, the Fiduciary Issue might not be continuously maintained above £300 million for longer than two years without Parliamentary approval; under the provisions of the Defence (Finance) Regulations, 1939, the period of two years was indefinitely extended. The new Bill provides for a Fiduciary Issue of £1,400 million and retains the power to the Treasury (after representations by the Bank) to vary the new limit; no continuous increase above £1,400 million is to be permitted for longer than two years unless a statutory order is made.

The Bill also proposes to amend and consolidate various provisions relating to the issue and recall of Bank of England notes.

The liabilities and assets of the Issue Department at the beginning and end of the year were as follows:—

ISSUE DEPARTMENT.

£ thousands.

END OF FEBRUARY.	1951.	1952.	Change.
Notes in Circulation	1,288,981	1,368,591	+ 79,610
Notes in Banking Department	61,376	31,766	- 29,610
Notes Issued	<u>1,350,357</u>	<u>1,400,357</u>	<u>+ 50,000</u>
Government Debt	11,015	11,015	—
Other Government Securities	1,334,267	1,385,705	+ 51,438
Other Securities	706	766	+ 60
Coin other than Gold Coin	4,012	2,514	- 1,498
Fiduciary Issue	1,350,000	1,400,000	+ 50,000
Gold Coin and Bullion	357	357	—
	<u>1,350,357</u>	<u>1,400,357</u>	<u>+ 50,000</u>

During the year part of the Issue Department's holding of Coin other than Gold Coin was transferred to the Banking Department.

Banking Department.

The liabilities and assets of the Banking Department at the beginning and end of the year were as follows:—

£ thousands.

END OF FEBRUARY.	1951.	1952.	Change.
Capital	14,553	14,553	—
Rest	3,906	3,906	—
Public Deposits 12,986	11,145	— 1,841	
H.M. Treasury Special Account 9,253	585	- 8,668	
Bankers' Deposits 293,048	289,389	- 3,659	
Other Accounts 90,116	86,700	- 3,416	
Total Deposits	<u>405,403</u>	<u>387,819</u>	<u>- 17,584</u>
	<u>423,862</u>	<u>406,278</u>	<u>- 17,584</u>
Government Securities	313,171	328,783	+ 15,612
Discounts & Advances 16,136	9,549	- 6,587	
Securities 32,573	34,617	+ 2,044	
Other Securities	48,709	44,166	- 4,543
Notes	61,376	31,766	- 29,610
Coin	606	1,563	+ 957
	<u>423,862</u>	<u>406,278</u>	<u>- 17,584</u>

The fall in the balance on H.M. Treasury Special Account was associated with the suspension of United States aid under the Economic Co-operation Agreement of the 6th July, 1948 (Cmd. 7469).

Half-yearly payments of £873,180 were made to H.M. Treasury on the 5th April and the 5th October, 1951, in pursuance of Section 1 (4) of the Bank of England Act, 1946.

On the 7th November, 1951, it was announced that the Bank Rate would, with effect from the following day, be raised from 2% to 2½%; apart from a brief period of some two months at the outbreak of war in 1939, the Rate had stood at 2% since June, 1932. The change in the Bank Rate marked a return to flexible (as well as higher) short-term interest rates, and indicated that the Bank would no longer be prepared to adjust the cash available to the Market from day to day to the extent necessary to maintain the extreme stability of rates previously ruling. This move was accompanied by a change in the traditional terms on which the Discount Market could seek accommodation from the Bank, namely the introduction of a separate rate—initially fixed at 2% minimum—for borrowing for short periods against Treasury Bills.

Short-Term Money Rates.

The following table illustrates the trend in short-term money rates per cent. per annum since 1946:—

END OF FEBRUARY.	1946.	1948.	1950.	1952.
Bank Rate	2	2	2	2½
Advances by Bank of England against Treasury Bills	—	—	—	2 (a)
Treasury Bills:				
Average rate of allotment	10s. 1.55 <i>d.</i>	10s. 2.41 <i>d.</i>	10s. 6.44 <i>d.</i>	£1 : 0s. 6.78 <i>d.</i>
CLEARING BANKS.				
Deposit Accounts (b)	½	½	½	¾
Call Money, <i>i.e.</i> , Loans to the Discount Market:				
against Treasury Bills	½	½	½	¾
against Prime Bank Bills	½	½	½	1¼
against Bonds	¾	¾	¾	1½
Buying rates:				
Treasury Bills	½	½	½	7/8-31/32
Prime Bank Bills (3 months)	½	½	5/8	1¼
DISCOUNT MARKET.				
Buying rates:				
Prime Bank Bills (3 months)	17/32	9/16	11/16	1½
Trade Bills (3 months)	1-1½	1-1½	1¼-1¾	2¾-3¾

(a) New arrangements announced on 7th November, 1951.

(b) At 14 days' notice.

To match the more stringent credit conditions in the domestic field, two complementary steps were taken during January and February in connection with overseas trade. On the one hand, facilities formerly given by custom in certain trades for providing finance, in advance of shipment, for imports into the Sterling Area were suspended; while on the other hand the maximum currency normally allowed for drafts drawn under credits on United Kingdom banks was reduced from 120 to 90 days.

Floating Debt.

The outstanding total of the Floating Debt, as given in the Exchequer Returns for the dates nearest to the end of February in each year, showed a decrease during the period of £1,157 million, made up as follows:—

£ millions.

Treasury Bills	719
Ways & Means Advances	99
Treasury Deposit Receipts	339
	<u>1,157</u>

FLOATING DEBT OUTSTANDING.

£ millions.	4th Mar. 1939.	26th Feb. 1949.	25th Feb. 1950.	3rd Mar. 1951.	1st Mar. 1952.
Treasury Bills	856	4,495	4,860	4,904	4,185
Ways & Means Advances:					
by Public Departments	40	412	403	421	322
by Bank of England	6	21	2	—	—
Treasury Deposit Receipts	—	1,019	494	339	—
	<u>902</u>	<u>5,947</u>	<u>5,759</u>	<u>5,664</u>	<u>4,507</u>

During the year there were several large movements affecting the Floating Debt, apart from Budget finance, and the overall change may be briefly analysed as follows:—

£ millions.

	INCREASE IN FLOATING DEBT.	DECREASE IN FLOATING DEBT.
Overall Exchequer Deficit (including net repayment of Tax Reserve Certificates 10)	178	—
Issues: 1¾% Serial Funding Stocks, 1952, 1953 and 1954	—	1,003
Repayments by Exchange Equalisation Account (net)	—	200
Indebtedness of H.M. Treasury to the European Payments Union	—	213
Receipts under Article 4 (6) of the Economic Co-operation Agreement	—	64
Payments under Section 3 of the European Payments Union (Financial Provisions) Act, 1950 (net)	18	—
U.S. and Canadian Lines of Credit and U.S. Lend/Lease Settlement: repayments of principal	24	—
H.M. Treasury Special Account:		
Net repayment of Interest Free Notes	9	—
Net repayment of National Savings Certificates and Defence Bonds	18	—
Terminable Annuities paid off	41	—
Miscellaneous (net)	35	—
	<u>323</u>	<u>1,480</u>
Net reduction of Floating Debt		<u>1,157</u>

The issue of £1,000 million (nominal) 1¾% Serial Funding Stocks maturing in 1952, 1953 and 1954, which accounted for the greater part of the reduction in the Floating Debt, followed upon and was closely linked with the change in the Bank Rate. The issue was made in exchange for a similar amount of Treasury Bills. The volume of Treasury

Bills in the Market was thus reduced to a total more nearly representing normal requirements for liquidity and the ratio of the liquid assets of the Clearing Banks to their total deposits reverted to a figure within the range ruling in the years preceding 1939.

The weekly allotment of Treasury Bills by tender amounted to £260 million at the beginning and to £200 million at the end of the period. On the 16th November, 1951, the allotment of Treasury Bills (£160 million) was £70 million less than the amount on offer; this resulted from the reduction in the needs of the Exchequer following the funding operation to which reference has already been made. The lowest allotment, amounting to £150 million, was made on three successive Fridays, the 28th December, 1951, and the 4th and the 11th January, 1952.

The average rate of discount at which Treasury Bills were allotted remained at about 10s. % from the beginning of the period until the 9th November, 1951, when, following the change in the Bank Rate, a rise to 17s. 2.96d. % took place. The following week the average rate rose slightly to 17s. 10.66d. % and on the 23rd November it rose to 19s. 2.96d. % after the Discount Market had found it necessary to seek accommodation from the Bank. Thereafter, until the end of the period under review, the average rate fluctuated between 18s. 11.05d. % on the 18th January and £1 : 0s. 6.78d. % on the 29th February, 1952.

No Treasury Deposit Receipts were issued after the 28th September, 1951, and the last of those outstanding matured on the 29th February, 1952; the rate of interest on Treasury Deposit Receipts of all currencies issued during the year was unchanged at $\frac{5}{8}$ %. Shortly before the final maturity the Chancellor of the Exchequer stated that the arrangements between the Treasury and the bankers concerned were to be regarded as suspended but not terminated.

London Clearing Banks.

The Committee of London Clearing Bankers, and other representative financial institutions, continued to render much assistance to the Bank by their steady and effective co-operation.

Between the 21st February, 1951, and the 20th February, 1952, the net deposit liabilities of the Clearing Banks decreased by £139 million, or $2\frac{1}{2}$ %—the first fall over a comparable period since 1938-39. Early in the summer net deposit liabilities ceased to show an upward trend, largely as a result of an adverse balance of payments. It was not until October that the figure of net deposit liabilities was lower than the corresponding figure twelve months earlier. There was a further small rise to 66.6 % in the proportion of Current Accounts to Total Deposits.

		LONDON CLEARING BANKS: DEPOSITS.				
£ millions.		1939.	1949.	1950.	1951.	1952.
FEBRUARY.						
Current Accounts		1,212	3,810	3,844	3,994	3,923
Deposit and Other Accounts		<u>964</u>	<u>2,007</u>	<u>1,997</u>	<u>2,047</u>	<u>1,970</u>
Total Deposits		2,176	5,817	5,841	6,041	5,893
Balances with Other Banks, etc.		<u>58</u>	<u>190</u>	<u>195</u>	<u>206</u>	<u>197</u>
Net Deposits		<u>2,118</u>	<u>5,627</u>	<u>5,646</u>	<u>5,835</u>	<u>5,696</u>
Rate of Increase on previous year in Net Deposits			3.1%	0.3%	3.3%	-2.4%

The suspension of the issue of Treasury Deposit Receipts, to which reference is made above, steadily reduced the Clearing Banks' holding of these securities during the second half of the year. Their portfolio of Bills Discounted also decreased, to 14.5% of Total Deposits, largely reflecting the surrender of Treasury Bills in exchange for Serial Funding Stocks. The ratio to Total Deposits of Cash, Money at Call, Bills Discounted and Treasury Deposit Receipts fell to 33.7% in November and to 32.0% in February.

Since November the Clearing Banks have published in their monthly statements separate figures of Treasury Bills Discounted and of Other Bills Discounted.

LONDON CLEARING BANKS: PRINCIPAL ASSETS.

<i>£ millions.</i>	Percentage of Total Deposits is shown in italics.					
FEBRUARY.	1939.	1949.	1950.	1951.	1952.	
Cash in hand and at Bank of England ...	243	481	476	496	492	
	<i>11.2</i>	<i>8.3</i>	<i>8.2</i>	<i>8.2</i>	<i>8.4</i>	
Money at Call and Short Notice	138	491	539	531	526	
	<i>6.3</i>	<i>8.4</i>	<i>9.2</i>	<i>8.8</i>	<i>8.9</i>	
Bills Discounted	212	860	1,169	1,343	856	
	<i>9.7</i>	<i>14.8</i>	<i>20.0</i>	<i>22.2</i>	<i>14.5</i>	
Total of above items	593	1,832	2,184	2,370	1,874	
	<i>27.2</i>	<i>31.5</i>	<i>37.4</i>	<i>39.2</i>	<i>31.8</i>	
Treasury Deposit Receipts	—	989	471	291	15	
	—	<i>17.0</i>	<i>8.1</i>	<i>4.8</i>	<i>0.2</i>	
Total of above items	593	2,821	2,655	2,661	1,889	
	<i>27.2</i>	<i>48.5</i>	<i>45.5</i>	<i>44.0</i>	<i>32.0</i>	
Investments	617	1,487	1,503	1,544	1,944	
	<i>28.3</i>	<i>25.6</i>	<i>25.7</i>	<i>25.6</i>	<i>33.0</i>	
Advances and Other Accounts	977	1,394	1,564	1,703	1,933	
	<i>44.9</i>	<i>24.0</i>	<i>26.8</i>	<i>28.2</i>	<i>32.8</i>	

The ratio of Investments to Total Deposits was maintained slightly above 25% until November when, as a result of the funding operation, Investments rose by £478 million to 32.8% of Total Deposits. Between November and February, however, Investments fell again by £89 million, attributable in part to adjustments of valuation following the fall in the prices of gilt-edged securities and in part to realisations.

Advances to Customers and Other Accounts rose considerably, by £230 million, or 13½%, as compared with £139 million, or 9%, in the previous year. The greater part of this increase had taken place by mid-summer; in the three months following November, when influences associated with the change in Bank Rate reinforced other restraints upon a growth of advances, the net rise in Advances to Customers and Other Accounts was no more than £8 million.

The growth in demand for bank accommodation was more greatly influenced than in 1950-51 by capital requirements of nationalised enterprises, mainly requirements of the electricity industry, that were met, pending the issue of stock, by Government-guaranteed advances by the banks. Advances of this character represented a large part of the growth of advances during the last quarter of the year. It may be seen from the quarterly

classification of advances by members of the British Bankers' Association, given below for the month of February in recent years, that advances to the group "Public Utilities (other than Transport)" increased over the year by £79 million, as compared with a decrease of £23 million in 1950-51, and that in the last quarter of the year the increase in advances to this group was £41 million, as compared with a net decrease of £1.4 million in advances to other groups as a whole. Other groups to show large increases over the year were "Engineering" and "Food, Drink and Tobacco". Advances in the groups "Wool", "Other Financial" and "Local Government Authorities" fell significantly in the second half of the year and a long-continued increase in advances to the group "Personal and Professional" gave place to a decline.

All banks continued to be guided in their policy regarding the making of loans and the granting of overdraft facilities by the requests issued, in association with memoranda of guidance to the Capital Issues Committee, by successive Chancellors of the Exchequer. In April one such request was issued and in July the Chancellor again emphasised the importance of credit restriction. Another request was made to the banks in December to intensify still further their efforts to confine the granting of credit to essential purposes, to limit finance for hire-purchase trading and in general to avoid making advances for capital expenditure.

BRITISH BANKERS' ASSOCIATION: CLASSIFICATION OF ADVANCES.					1952	
<i>£ millions.</i>					% of	
FEBRUARY.					Total.	
		1949.	1950.	1951.	1952.	
Coal Mining		6.6	5.7	5.2	3.2	0.1
Quarrying, etc.		4.6	4.2	4.9	5.0	0.2
Iron & Steel and Allied Trades		21.0	23.8	21.1	23.8	1.1
Non-ferrous Metals		3.3	6.4	7.6	5.8	0.3
Engineering, etc.		122.5	96.0	98.8	142.3	6.9
Shipping & Shipbuilding		16.5	16.2	17.3	12.3	0.6
Transport & Communications		18.0	18.2	17.4	19.0	1.0
Cotton		10.8	9.2	10.1	19.0	1.0
Wool		14.8	18.7	38.6	25.5	1.2
Other Textiles		28.3	33.1	45.2	67.4	3.3
Leather & Rubber		10.8	11.7	17.6	23.4	1.1
Chemicals		18.7	21.0	19.2	42.2	2.0
Agriculture & Fishing		126.7	151.7	177.9	198.6	9.7
Food, Drink & Tobacco		89.2	115.2	127.7	166.6	8.1
Retail Trade		153.0	173.5	191.8	205.3	10.0
Entertainment		34.5	32.5	29.6	26.7	1.3
Builders & Contractors		61.2	64.6	66.6	69.1	3.4
Building Materials		12.7	13.7	15.3	22.5	1.1
Unclassifiable Industry & Trade		75.4	90.6	106.5	138.6	6.7
Local Government Authorities		94.4	90.1	90.4	77.7	3.8
Public Utilities (other than Transport)		21.4	79.1	55.9	135.3	6.6
Churches, Charities, Hospitals, etc.		9.2	10.7	11.7	12.7	0.6
Stockbrokers		3.8	5.8	5.6	6.5	0.3
Other Financial		117.5	140.3	194.2	178.2	8.7
Personal & Professional		386.0	414.0	430.7	429.1	20.9
Total		<u>1,461.2</u>	<u>1,645.9</u>	<u>1,806.8</u>	<u>2,055.8</u>	<u>100.0</u>

In June the banks announced their intention of increasing the rate of interest charged on bank advances, in cases where the lending rate was comparatively low, by an amount ranging between $\frac{1}{4}\%$ and $\frac{1}{2}\%$. A further increase in these rates was announced in December; this followed upon, and was in general approximately equal to, the increase in Bank Rate. In November, immediately after the change in Bank Rate, the rate of interest allowed by the banks on deposit accounts was increased by $\frac{1}{4}\%$, as shown above in the table of Short-Term Money Rates.

Stocks and Bonds managed by the Bank.

The nominal total of Stocks and Bonds managed by the Bank, which does not include amounts on the Registers of the Bank of Ireland in Dublin and Belfast, the Post Office Savings Department and the Trustee Savings Banks, showed a net increase during the year of £1,159 million. The total number of transfers registered during the year was 876,000, an increase of 10.5% on the previous year.

The following table shows the changes in recent years in the nominal totals of the different groups of Stocks. Tax Reserve Certificates and interest-free loans are not included in the figures.

DEBT MANAGED BY THE BANK.

<i>£ millions.</i>		1939.	1949.	1950.	1951.	1952.
	END OF FEBRUARY.					
	British Government:					
	Stock	5,107	12,269	12,234	12,507	13,527
	Bearer Bonds	1,002	130	124	119	114
	Total	<u>6,109</u>	<u>12,399</u>	<u>12,358</u>	<u>12,626</u>	<u>13,641</u>
	Other Securities:					
	Treasury Guaranteed	140	1,726	2,009	2,401	2,539
	Dominion & Colonial	454	130	133	136	143
	Local Authorities	197	166	153	153	149
	Public Boards, etc.	202	55	49	52	55
	Miscellaneous	19	16	16	16	16
	Total	<u>1,012</u>	<u>2,093</u>	<u>2,360</u>	<u>2,758</u>	<u>2,902</u>
	Grand Total	<u>7,121</u>	<u>14,492</u>	<u>14,718</u>	<u>15,384</u>	<u>16,543</u>

The principal operations during the year in Stocks managed by the Bank are set out below.

REDEMPTIONS.

Liverpool Corporation $4\frac{1}{2}\%$ Stock, 1951-71:

16th April, 1951. For cash £4 million

Railway Finance Corporation Limited $2\frac{1}{2}\%$ Guaranteed Debenture Stock, 1951-52:

1st August, 1951. For cash £10.25 "

NEW ISSUES.

British Iron & Steel 3½% Guaranteed Stock, 1979-81:	
March, 1951, and subsequently. Exchange for the Securities of various Iron and Steel Companies	£25 million
British Transport 3% Guaranteed Stock, 1968-73:	
March, 1951, and subsequently. As compensation in respect of various Transport Undertakings	£6.2 ..
British Gas 3% Guaranteed Stock, 1990-95:	
March, 1951, and subsequently. Exchange for the Securities of various Undertakings and Issues o/a compensation to composite Companies ...	£ .7 ..
3½% Treasury Stock, 1977-80:	
As compensation in respect of certain interests transferred to the National Coal Board, under the Coal Industry Nationalisation Act, 1946	
15th June, 1951	£20.4 ..
15th December, 1951	£35.2 ..
British Gas 3½% Guaranteed Stock, 1969-71:	
12th July, 1951. For cash at £98%	£75 ..
Agricultural Mortgage Corporation Limited 3½% Debenture Stock, 1961-63:	
28th September, 1951. For cash at par... ..	£3.25 ..
1¾% Serial Funding Stock, 1952:	
13th November, 1951. Issued at £100: 10s.% ; exchange for Treasury Bills ...	£450 ..
1¾% Serial Funding Stock, 1953:	
13th November, 1951. Issued at £100: 10s.% ; exchange for Treasury Bills ...	£200 ..
1¾% Serial Funding Stock, 1954:	
13th November, 1951. Issued at par ; exchange for Treasury Bills	£350 ..
British Transport 1¾% Guaranteed Stock, 1952:	
10th December, 1951. For cash at par	£60 ..
Southern Rhodesia 4½% Stock, 1977-82:	
7th February, 1952. For cash at £99%... ..	£7.5 ..

Foreign Exchange Market.

From the 5th September, 1939, until the middle of December, 1951, the purchase and sale (both spot and forward) of the more important foreign currencies by residents of the United Kingdom, for authorised transactions, was permitted only at official buying and selling rates published by the Bank of England. On the 17th December, 1951, a considerable measure of freedom was restored to the Foreign Exchange Market when Authorised Banks were permitted to deal in spot exchange amongst themselves and with their customers at rates within widened official quotations. At the same time official forward quotations were discontinued and rates for forward transactions were left to be determined by market conditions. Subsequent to the re-opening of the Market, Authorised Banks were permitted to deal with their correspondents in certain countries in the local currency against sterling, but arbitrage was restricted to operations between the U.S. and Canadian dollars.

Transferability of Sterling.

The following changes in the Transferable Account Area took place during the year:—

Western Germany entered on the 31st August, 1951.

Persia left on the 10th September, 1951.

There was a substantial increase in 1951 in the amounts of sterling transferred between countries outside the Sterling Area both under automatic facilities and under the administrative facilities available at the Bank of England. The amounts transferred, excluding all transfers to and from American Account countries, were:—

£ millions.

	YEAR ENDED 31ST DECEMBER.			
	1948.	1949.	1950.	1951.
Automatic facilities	88	144	143	241
Administrative facilities	152	125	155	222
	<u>240</u>	<u>269</u>	<u>298</u>	<u>463</u>

Egypt, the Netherlands and Italian Monetary Areas and the Scandinavian countries again made considerable use of transferability. Transfers to and from countries participating in the Organisation for European Economic Co-operation were:—

£ millions.

	YEAR ENDED 31ST DECEMBER.			
	1948.	1949.	1950.	1951.
Between O.E.E.C. countries	56	48	78	112
By O.E.E.C. countries to other countries outside the Sterling Area	45	48	59	82
By other countries outside the Sterling Area to O.E.E.C. countries	85	101	99	179

In addition, there was a large increase in 1951 in merchanting transactions on a sterling basis (under F.E. 24 facilities) and also in sterling payments to non-Sterling Area countries under the Coffee, Rubber, Tin and Cocoa Schemes, the total being £128 million as compared with £75 million in 1950. Payments under the Coffee Scheme rose from £12 million to £26 million between the two years.

The discount quoted on the official sterling/U.S. dollar rate for various categories of non-resident sterling in free markets widened, mainly in the second half of the year; and there was some increase in the volume of transactions at these free rates.

Financial, Monetary and Sterling Payments Agreements.

During the year long-term Agreements were concluded with India and Pakistan for the transfer from No. 2 to No. 1 Account of specified sums, to be held in each case as a currency reserve and not to be drawn upon without previous consultation with the United Kingdom. These Agreements also provided for the extinction of the Indian and Pakistan No. 2 Accounts by a series of releases over six years to 1957. In the case of Pakistan, the Agreement additionally provided for the sale by the United Kingdom of an amount of gold against No. 2 Account sterling as an addition to the reserves of the State Bank.

A long-term Agreement was also concluded with Egypt under which provision was made for annual releases, in part conditional, over a period extending from 1951 to 1960.

In the further course of re-negotiation of Monetary and Sterling Payments Agreements with members of the European Payments Union, a new Monetary Agreement was concluded with France on the 20th August, 1951, providing *inter alia* for interim finance between E.P.U. settlement dates.

Sterling Payments Agreements with the Supreme Commander for the Allied Powers, acting in respect of Occupied Japan, and with the Japanese Government, were signed on the 31st August, 1951, providing for settlements between Japan and the Sterling Area to be in sterling.

A summary of Financial Agreements and Agreements dealing with the international use of sterling which were concluded during the year ended 29th February, 1952, is appended to this report.

European Recovery Programme, Mutual Security Programme and European Payments Union.

During the year the United Kingdom received no further allotment under the European Recovery Programme.

In October, 1951, the United States Congress approved the Mutual Security Act, designed *inter alia* "to strengthen the mutual security . . . of the free world", and appropriated \$7,328 million for carrying the provisions of the Act into effect during the fiscal year 1951-2. Of this sum \$300 million was allocated to the United Kingdom, to be mainly on a grant basis, for expenditure on commodities needed for the United Kingdom defence programme. The sterling counterpart of any grant was to be credited to the Treasury Special Account at the Bank of England. Further aid was to be received in the form of certain armaments and machine tools.

The European Payments Union continued to operate during the year. The United Kingdom increased its cumulative accounting surplus to £161 million at the end of April, 1951, receiving \$119.4 million in gold or dollars and granting credit to the Union for the balance of £118.4 million. Thereafter net monthly deficits were incurred on an increasing scale, reaching a maximum of £84.1 million for the month of October. Measures to restrict imports into the United Kingdom were taken in November, and again in January, 1952; but monthly deficits continued to be incurred, although on a diminishing scale. By the end of February, 1952, the whole of the gold or dollars previously received (and the credit granted by the United Kingdom to the Union) had been repaid and a cumulative accounting deficit of £330.7 million had been incurred. This deficit resulted in payments to the Union in gold or dollars of \$316.8 million and the receipt of credit from the Union amounting to £217.6 million.

A sum of \$39.9 million was received in settlement of the obligation arising from an agreement with the Economic Co-operation Administration in July, 1950, to indemnify the United Kingdom for any loss of gold or dollars resulting from the use of existing sterling resources by other E.P.U. members to settle net deficits with the Union.

United States and Canadian Credits and Lend-Lease Settlement Loan.

The first payments in respect of interest and principal were made on the 31st December, 1951. The equivalent in U.S. dollars of £49.6 million was paid to the United States Government and the equivalent in Canadian dollars of £13.3 million to the Canadian Government, making a total payment to both countries of £62.9 million.

Reconstruction Finance Corporation (Loan).

The United Kingdom gave notice of repayment on the 1st October, 1951, of any balance then outstanding on the loan of \$390 million drawn in 1941 from the Reconstruction Finance Corporation, the bulk of the Loan having already been repaid out of income from the pledged securities and proceeds of certain sales. The securities which were borrowed by virtue of the Financial Powers (U.S.A. Securities) Act, 1941, have been returned to the owners.

Overseas Investments.

Estimates covering a large part of the overseas investments of the United Kingdom, tabulated by types of investment and by countries, have been prepared for the year 1950, in continuation of those for the years 1938 to 1949 previously published by the Bank. They show the total nominal value of U.K. overseas investments at the end of 1950 as £2,020 million, compared with a revised figure of £2,038 million at the end of 1949 and with £3,545 million at the end of 1938. The total of interest and dividends for the year 1950 was £141.8 million, against £116.4 million in 1949 and £155.4 million in 1938.*

Court of Directors.

The term of office of four Directors expired on the 29th February, 1952. Of these, Sir John Hanbury-Williams, Lord Braintree and Sir George Bolton were re-appointed for four years from the 1st March. Sir Otto Niemeyer retired, after serving as a Director for fourteen years, and the vacancy was filled by the appointment of Sir George Edmond Brackenbury Abell, K.C.I.E., O.B.E.

Copies of this Report may be obtained from the Secretary.

* A limited number of copies of the detailed figures for 1949 and 1950 are available from the Secretary, Bank of England.

SUMMARY OF PAYMENTS AND FINANCIAL AGREEMENTS NEGOTIATED DURING THE YEAR
ENDED 29TH FEBRUARY, 1952.

Sterling Area.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
INDIA	8th Feb. 1952	8472	Extends Financial Agreement of 14th August, 1947, to 30th June, 1957, and permits (i) £310 million to be transferred from No. 2 to No. 1 Account and held as a currency reserve. It is the intention of the Government of India not to draw upon this sum, and it agrees not to do so without previous consultation with the Government of the United Kingdom; (ii) releases from No. 2 Account not normally exceeding £35 million in each of the six years commencing 1st July, 1951, to be made as and when necessary to maintain a minimum balance of £30 million on No. 1 Account in addition to the sum earmarked as a currency reserve; (iii) any balance remaining on No. 2 Account at 30th June, 1957, to be transferred to No. 1 Account.
JORDAN	1st May 1951	8255	Settlement of financial matters outstanding as result of termination of mandate for Palestine.
LIBYA	13th Dec. 1951	8456	Financial assistance to Libya until 31st March, 1953.
PAKISTAN	29th Sept. 1951	8380	Replaces Financial Agreement of 14th August, 1947, and covers period 1st July, 1951/30th June, 1957. Permits (i) £30 million to be transferred from No. 2 to No. 1 Account and held as a currency reserve. It is the intention of the Government of Pakistan not to draw upon this sum, and it agrees not to do so without previous consultation with the Government of the United Kingdom; (ii) gold to the value of £4 million to be made available to the Government of Pakistan against sterling from No. 2 Account for addition to State Bank of Pakistan's gold reserve; (iii) balance on No. 2 Account to be released in annual instalments of £4 million over six years commencing 1st July, 1951.

Non-Sterling Area.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
ARGENTINA	23rd Apr. 1951	8268	Supplements for twelve months the Trade and Payments Agreement of 27th June, 1949.
BELGIUM	25th May 1951	8365	Exchange of Notes providing for repayment of the outstanding balance due under the Loan Agreement of 7th September, 1949.
BRAZIL	2nd/13th Apr. 1951	8297	Extends certain articles of Part II of the Trade and Payments Agreement of 21st May, 1948, for twelve months to 31st March, 1952.
CHILE	18th/23rd June 1951	8383	Extends Sterling Payments Agreement of 24th June, 1948, for three years to 23rd June, 1954.
DENMARK	30th Mar. 1951	8237	Makes provision for funding of balance of Danish kroner held for account of the United Kingdom Government.
EGYPT	1st July 1951	8336	Sterling Releases Agreement permitted immediate release from No. 2 to No. 1 Account of £25 million; releases of £10 million in each of the years, 1952/60; and further releases of £5 million per annum whenever total balance of all No. 1 Accounts is less than £45 million, provided that total releases under this last-mentioned heading and in respect of certain other settlements shall not exceed £35 million.
	1st July 1951	8337	Sterling Payments Agreement for twelve months from 1st January, 1951, to 31st December, 1951. The Releases and the Payments Agreements succeeded the Financial Agreement of 31st March, 1949.
FRANCE	11th Apr. 1951	8224	} Terms of compensation for British interests in French nationalised gas and electricity undertakings.
	9th July/ 25th Aug. 1951	8358	
	20th Aug. 1951	8374	Monetary Agreement succeeding Annex to Financial Agreement of 27th March, 1945, and making provision for interim finance under E.P.U.

Non-Sterling Area—continued.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
JAPAN	31st Aug. 1951	8376 8377	Sterling Payments Agreements terminating on 31st August, 1952 (i) with the Supreme Commander for the Allied Powers acting in respect of Occupied Japan, and (ii) with the Japanese Government. The latter Agreement replaces the former (if still in operation) when the Peace Treaty with Japan enters into force.
PERU	23rd July 1951	8353	Extends Sterling Payments Agreement of 20th July, 1948, for three years to 31st July, 1954.
POLAND	6th Mar. 1951	8196	Extends Sterling Payments Agreement of 2nd March, 1948, for six months to 9th September, 1951.
	3rd Sept. 1951	8398	Extends Sterling Payments Agreement of 2nd March, 1948, for a further six months to 9th March, 1952.
PORTUGAL	20th July 1951	8352	Monetary Agreement succeeding that of 16th April, 1946, as modified and extended by subsequent exchanges of notes.
SPAIN	25th June 1951	8344	Extends the Trade and Payments Agreement of 23rd June, 1948, for a further period of one year from 1st July, 1951.
	20th Dec. 1951	8466	Sterling Payments Agreement succeeding that of 15th December, 1948, and terminating on 14th December, 1953.
SWITZERLAND	10th Mar. 1951	8202	Extends Monetary Agreement of 12th March, 1946, for a further three months from 11th March, 1951.
	9th June 1951	8309	Extends Monetary Agreement of 12th March, 1946, for a further four months from 11th June, 1951.
	2nd Oct. 1951	8405	Extends Monetary Agreement of 12th March, 1946, for a further five months from 11th October, 1951.

BANK OF ENGLAND.

29TH FEBRUARY, 1952.

ISSUE DEPARTMENT.

	£		£
Notes Issued:			
In Circulation	1,368,591,033	Government Debt ...	11,015,100
In Banking Department	31,765,790	Other Government Securities	1,385,704,784
		Other Securities	765,857
		Coin other than Gold Coin	2,514,259
		Amount of Fiduciary Issue	£1,400,000,000
		Gold Coin & Bullion	356,823
		<small>(@ 248s. 0d. per oz. fine)</small>	
	<u>£1,400,356,823</u>		<u>£1,400,356,823</u>

P. S. BEALE, *Chief Cashier.*

BANKING DEPARTMENT.

	£		£
Capital	14,553,000	Government Securities ...	328,782,853
Rest	3,906,080	Other Securities:	
Public Deposits—		Discounts & Advances.	
Public Accounts		£9,548,450	
<small>(including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts):</small>		Securities.	
£11,145,224		£34,617,119	44,165,569
H.M. Treasury		Notes	31,765,790
Special Account. £584,818	11,730,042	Coin	1,563,289
Other Deposits:			
Bankers.			
£289,389,073			
Other Accounts.			
86,699,306	376,088,379		
	<u>£406,277,501</u>		<u>£406,277,501</u>

P. S. BEALE, *Chief Cashier.*

BANK OF ENGLAND

ISSUE DEPARTMENT

10/10/1913	Government Dep.	1000
11/10/1913	O.P. Government	1000
12/10/1913	Overseas	1000
13/10/1913	Overseas	1000
14/10/1913	Overseas	1000
15/10/1913	Overseas	1000
16/10/1913	Overseas	1000
17/10/1913	Overseas	1000
18/10/1913	Overseas	1000
19/10/1913	Overseas	1000
20/10/1913	Overseas	1000
21/10/1913	Overseas	1000
22/10/1913	Overseas	1000
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25/10/1913	Overseas	1000
26/10/1913	Overseas	1000
27/10/1913	Overseas	1000
28/10/1913	Overseas	1000
29/10/1913	Overseas	1000
30/10/1913	Overseas	1000

31/10/1913	Overseas	1000
1/11/1913	Overseas	1000
2/11/1913	Overseas	1000
3/11/1913	Overseas	1000
4/11/1913	Overseas	1000
5/11/1913	Overseas	1000
6/11/1913	Overseas	1000
7/11/1913	Overseas	1000
8/11/1913	Overseas	1000
9/11/1913	Overseas	1000
10/11/1913	Overseas	1000
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26/11/1913	Overseas	1000
27/11/1913	Overseas	1000
28/11/1913	Overseas	1000
29/11/1913	Overseas	1000
30/11/1913	Overseas	1000

PRINTED AND PUBLISHED BY DONALD WILLIAM TILLEY, AT ST. LUKE'S PRINTING WORKS (BANK OF ENGLAND), OLD STREET, E.C.I.