



# BANK OF ENGLAND

REPORT FOR THE YEAR ENDED

28<sup>TH</sup> FEBRUARY

1953

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*Issued by Order of the Court of Directors, 16th July, 1953.*

## COURT OF DIRECTORS

FOR THE YEAR ENDED 28TH FEBRUARY, 1953.

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# BANK OF ENGLAND.

## Report for the year ended 28th February, 1953.

### Note Circulation and Issue Department.

The totals of Notes Issued and Paid in recent years are shown in the following table:—

NOTES ISSUED, PAID AND IN CIRCULATION.									
<i>£ millions.</i>									
YEAR TO END OF FEBRUARY.					1939.	1950.	1951.	1952.	1953.
Issued during the year	...	...	...	...	969	815	916	1,095	1,136
Paid during the year	...	...	...	...	968	797	877	1,015	1,035
In circulation at end of year	...	...	...	...	478	1,250	1,289	1,369	1,470

The arrangements whereby the banks re-issue to their customers notes which are in a condition suitable for further circulation have been continued and in a statement published in December the London Clearing Banks asked for the continued co-operation of their customers in restricting demands for new notes. The increase in the totals of Notes Issued and Paid during the period under review was on a considerably smaller scale than in recent years. The total of notes in circulation rose by just over £100 million.

The following tables show the changes since 1939 in the various denominations in circulation:—

NOTES IN CIRCULATION BY DENOMINATIONS.									
<i>£ thousands.</i>									
END OF FEBRUARY.					1939.	1950.	1951.	1952.	1953.
10s.	...	...	...	...	53,338	86,164	86,362	87,334	89,108
£1	...	...	...	...	283,646	975,762	998,771	1,054,927	1,123,696
£5	...	...	...	...	38,283	120,618	135,161	152,185	172,957
£10	...	...	...	...	14,596	1,139	1,005	906	815
£20	...	...	...	...	4,436	510	455	408	363
£50	...	...	...	...	12,305	1,069	952	832	738
£100	...	...	...	...	26,518	2,113	1,809	1,569	1,347
£200	...	...	...	...	19	8	8	8	8
£500	...	...	...	...	3,654	304	290	275	165
£1,000	...	...	...	...	23,199	386	298	217	168
Over £1,000 (a)	...	...	...	...	18,455	61,950	63,870	69,930	80,750
					<u>478,449</u>	<u>1,250,023</u>	<u>1,288,981</u>	<u>1,368,591</u>	<u>1,470,115</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.



PERCENTAGE OF TOTAL CIRCULATION REPRESENTED BY VARIOUS DENOMINATIONS.

END OF FEBRUARY.					1939.	1953.
10s.	...	...	...	...	11.1	6.1
£1	...	...	...	...	59.3	76.4
£5	...	...	...	...	8.0	11.8
£10—£1,000	...	...	...	...	17.7	0.2
Over £1,000	...	...	...	...	3.9	5.5
					<u>100.0</u>	<u>100.0</u>

Seasonal variations in the note circulation are illustrated by the following figures for the total of notes in circulation on the last Wednesday in each month during the period under review:—

£ millions.

27th Feb., 1952	1,367	24th Sept., 1952	1,444
26th Mar., 1952	1,385	29th Oct., 1952	1,444
30th Apr., 1952	1,410	26th Nov., 1952	1,461
28th May, 1952	1,412	31st Dec., 1952	1,525
25th June, 1952	1,442	28th Jan., 1953	1,449
30th July, 1952	1,515	25th Feb., 1953	1,465
27th Aug., 1952	1,459		

The Christmas outflow again created a new record; the Bank Return relating to 24th December, 1952, showed that for the first time notes totalling more than £1,550 million were in circulation, an increase of £112 million on the figure for Christmas, 1951. The return of notes after the Christmas holiday was exceptionally heavy and had reached £101 million by the end of January, the comparable figure for the previous year being £84 million.

The changes in the Fiduciary Issue required during the year by the fluctuations in the demand for notes were:—

£ millions.

DATE	CHANGE	TOTAL FIDUCIARY ISSUE
1st April, 1952	+ 50	1,450
24th June, 1952	+ 50	1,500
21st July, 1952	+ 50	1,550
26th August, 1952	— 50	1,500
8th December, 1952	+ 50	1,550
19th December, 1952	+ 25	1,575
6th January, 1953	— 50	1,525
13th January, 1953	— 25	1,500

Owing to the pressure of other parliamentary business, the Currency and Bank Notes Bill, which, as mentioned in the previous Report, was introduced in the House of Commons in January, 1952, was not considered by Parliament and therefore lapsed at the end of the Session. The Bill was not reintroduced during the period covered by the present Report.



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.	1952.	1953.	Change.
Notes in Circulation ... ..	1,368,591	1,470,115	+ 101,524
Notes in Banking Department ... ..	31,766	30,242	- 1,524
Notes Issued ... ..	<u>1,400,357</u>	<u>1,500,357</u>	<u>+ 100,000</u>
Government Debt ... ..	11,015	11,015	—
Other Government Securities ... ..	1,385,705	1,485,764	+ 100,059
Other Securities ... ..	766	707	- 59
Coin other than Gold Coin ... ..	<u>2,514</u>	<u>2,514</u>	<u>—</u>
Fiduciary Issue ... ..	1,400,000	1,500,000	+ 100,000
Gold Coin and Bullion ... ..	<u>357</u>	<u>357</u>	<u>—</u>
	<u>1,400,357</u>	<u>1,500,357</u>	<u>+ 100,000</u>

#### 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.	1952.	1953.	Change.
Capital ... ..	14,553	14,553	—
Rest ... ..	3,906	3,907	+ 1
Public Deposits ... .. 11,145	11,347	+ 202	
H.M. Treasury Special Account ... .. 585	44,559	+ 43,974	
Bankers' Deposits ... .. 289,389	280,235	- 9,154	
Other Accounts ... .. 86,700	<u>71,353</u>	<u>- 15,347</u>	
Total Deposits	387,819	407,494	+ 19,675
	<u>406,278</u>	<u>425,954</u>	<u>+ 19,676</u>
Government Securities ... ..	328,783	366,164	+ 37,381
Discounts & Advances ... .. 9,549	6,087	- 3,462	
Securities ... .. 34,617	<u>21,758</u>	<u>- 12,859</u>	
Other Securities	44,166	27,845	- 16,321
Notes ... ..	31,766	30,242	- 1,524
Coin ... ..	<u>1,563</u>	<u>1,703</u>	<u>+ 140</u>
	<u>406,278</u>	<u>425,954</u>	<u>+ 19,676</u>

The increase in the balance on H.M. Treasury Special Account arose from receipts by the United Kingdom of Defence Support Aid from the United States Government under the Mutual Security Acts, 1951 and 1952.



Half-yearly payments of £873,180 were made to H.M. Treasury on the 5th April and the 6th October, 1952, in pursuance of Section 1 (4) of the Bank of England Act, 1946.

The Bank Rate was raised after business hours on the 11th March, 1952, to take effect from the 12th March, 1952, from the level of  $2\frac{1}{2}\%$  which had ruled since the 8th November, 1951, to  $4\%$ . At the same time, the rate at which the Discount Market may seek advances from the Bank for short periods against Treasury Bills, which was introduced in November, 1951, and fixed initially at  $2\%$  minimum, was increased to  $3\frac{1}{2}\%$  minimum.

### Short-Term Money Rates.

The following table illustrates the trend in short-term money rates per cent. per annum during recent years:—

		END OF FEBRUARY.			
		1950.	1951.	1952.	1953.
Bank Rate	... ..	2	2	$2\frac{1}{2}$	4
Advances by Bank of England against Treasury Bills (a)	... ..	—	—	2	$3\frac{1}{2}$
Treasury Bills:					
Average rate of Discount on Allotment		10s. 6.44d.	10s. 3.04d.	£1:0s. 6.78d.	£2:8s. 0.25d.
CLEARING BANKS.					
Deposit Accounts	... ..	$\frac{1}{2}(b)$	$\frac{1}{2}(b)$	$\frac{3}{4}(b)$	2(c)
Call Money, i.e., Loans to the Discount Market:					
against Treasury Bills	... ..	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{3}{4}$	2
against Prime Bank Bills	... ..	$\frac{1}{2}$	$\frac{1}{2}$	$1\frac{1}{4}$	$2\frac{1}{2}$
against Bonds	... ..	$\frac{3}{4}$	$\frac{3}{4}$	$1\frac{1}{8}$	$2\frac{1}{2}$
DISCOUNT MARKET.					
Buying Rates:					
Prime Bank Bills (3 months)	... ..	$\frac{11}{16}$	$\frac{11}{16}$	$1\frac{1}{2}$	3
Trade Bills (3 months)	... ..	$1\frac{1}{4}-1\frac{3}{4}$	$1\frac{1}{2}-2$	$2\frac{3}{4}-3\frac{3}{4}$	4-5

(a) Special arrangement for advances to the Discount Market announced on 7th November, 1951.

(b) At 14 days' notice.

(c) At 21 days' notice.



## 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 an increase during the period of £56 million, made up as follows:—

£ millions.	Treasury Bills	...	...	...	...	...	...	...	...	...	+ 121
	Ways & Means Advances	...	...	...	...	...	...	...	...	...	- 65
											<u>+ 56</u>
	FLOATING DEBT OUTSTANDING.										
£ millions.		4th Mar.	25th Feb.	3rd Mar.	1st Mar.	28th Feb.					
		1939.	1950.	1951.	1952.	1953.					
	Treasury Bills	...	...	...	...	...					
	Ways & Means Advances:										
	by Public Departments	...	...	...	...	...					
	by Bank of England	...	...	...	...	...					
	Treasury Deposit Receipts	...	...	...	...	...					
		856	4,860	4,904	4,185	4,306					
		40	403	421	322	257					
		6	2	—	—	—					
		—	494	339	—	—					
		<u>902</u>	<u>5,759</u>	<u>5,664</u>	<u>4,507</u>	<u>4,563</u>					

The major factors contributing to the overall change in the Floating Debt may be analysed briefly as follows:—

£ millions.		INCREASE IN FLOATING DEBT.	DECREASE IN FLOATING DEBT.
	Overall Exchequer Deficit (including net repayment of Tax Reserve		
	Certificates 75) ... ..	466	—
	Issues: 1½% Serial Funding Stocks, 1953 and 1954, and		
	3% Serial Funding Stock, 1955 ... ..	—	314
	Redemption: 1½% Serial Funding Stock, 1952 ... ..	105	—
	Repayment by Exchange Equalisation Account ... ..	—	300
	U.S. and Canadian Lines of Credit and U.S. Lend/Lease		
	Settlement: repayments of principal ... ..	24	—
	H.M. Treasury Special Account: Net issue of Interest Free Notes	—	44
	Net repayment of National Savings Certificates and Defence Bonds	46	—
	Terminable Annuities Paid Off ... ..	42	—
	Miscellaneous (net) ... ..	31	—
		<u>714</u>	<u>658</u>
	Net increase of Floating Debt	<u>56</u>	

The weekly allotment of Treasury Bills by tender amounted to £200 million at the beginning and to £230 million at the end of the period. The lowest allotments of Treasury Bills were made during January, 1953, when, on Friday the 2nd, and Friday the 9th, the allotments were for £180 million. The highest allotments were those for £260 million made at each of the weekly tenders during September, 1952, and also at the tenders of the 5th, 12th and 19th December, 1952.

The average rate of discount at which Treasury Bills were allotted at the first tender of the period under review was £1:0s. 7.09d.%. A sharp rise followed the increase in the Bank Rate and the average rate at the next tender, on the 14th March, was £2:6s. 3.64d.%. Thereafter, the average rate tended to increase month by month, reaching a peak in September when, with weekly Treasury Bill allotments at the high level of £260 million, the average rate of discount stood above £2:9s. 8d.% each week. The highest rate recorded was £2:9s. 8.61d.% on the 12th September, 1952. After September, the average rate declined to some extent and fluctuated between the limits of £2:9s. 0.53d.% on the 3rd October, 1952, and £2:7s. 7.91d.% on the 9th January, 1953.



## London Clearing Banks.

The Committee of London Clearing Bankers, as well as the Accepting Houses Committee and other representative bodies, rendered great assistance to the Bank by the same informal co-operation as they had given in past years.

Between the 20th February, 1952, and the 18th February, 1953, the net deposit liabilities of the Clearing Banks increased by £124 million. An upward movement began early in the summer, largely associated with requirements on internal and on external account of Exchequer financing, though in each month until November the figure of net deposit liabilities was lower than the corresponding figure twelve months before. Current Accounts, however, decreased by £86 million, so that there was a distinct fall, from 66.6% to 63.6%, in the proportion of Current Accounts to Total Deposits.

<i>£ millions.</i>	LONDON CLEARING BANKS: DEPOSITS.					
	FEBRUARY.	1939.	1950.	1951.	1952.	1953.
Current Accounts ... ..		1,212	3,844	3,994	3,923	3,837
Deposit and Other Accounts ... ..		<u>964</u>	<u>1,997</u>	<u>2,047</u>	<u>1,970</u>	<u>2,192</u>
Total Deposits ... ..		2,176	5,841	6,041	5,893	6,029
Balances with Other Banks, etc. ... ..		<u>58</u>	<u>195</u>	<u>206</u>	<u>197</u>	<u>209</u>
Net Deposits ... ..		<u>2,118</u>	<u>5,646</u>	<u>5,835</u>	<u>5,696</u>	<u>5,820</u>
Rate of increase on previous year in Net Deposits ... ..			0.3%	3.3%	-2.4%	2.2%

The Clearing Banks' holding of Treasury Bills rose from 11.3% of Total Deposits at the beginning of the year to 20.1% in September, the highest ratio during the year. In October the holding decreased to 17.2%, largely reflecting an issue for cash of £317 million (nominal) of Serial Funding Stocks, 1953, 1954 and 1955. Their holding of Other Bills fell sharply in the first half of the year and remained at the lower level. The ratio to Total Deposits of Cash, Money at Call and Short Notice, and Bills Discounted rose to 38% in September; in February, 1953, it had fallen to a figure, 33%, close to that prevailing twelve months earlier.

LONDON CLEARING BANKS: PRINCIPAL ASSETS.						
<i>£ millions.</i>	Percentage of Total Deposits is shown in italics.					
	FEBRUARY.	1939.	1950.	1951.	1952.	1953.
Cash in hand and at Bank of England ... ..		243	476	496	492	491
		<i>11.2</i>	<i>8.2</i>	<i>8.2</i>	<i>8.4</i>	<i>8.1</i>
Money at Call and Short Notice ... ..		138	539	531	526	456
		<i>6.3</i>	<i>9.2</i>	<i>8.8</i>	<i>8.9</i>	<i>7.6</i>
Bills Discounted:						
Treasury Bills ... ..	}	212	1,169	1,343	669	978
Other Bills ... ..		<i>9.7</i>	<i>20.0</i>	<i>22.2</i>	<i>187</i>	<i>68</i>
					<i>3.2</i>	<i>1.1</i>
Total of above items ... ..		593	2,184	2,370	1,874	1,992
		<i>27.2</i>	<i>37.4</i>	<i>39.2</i>	<i>31.8</i>	<i>33.0</i>
Treasury Deposit Receipts ... ..		—	471	291	15	—
		—	<i>8.1</i>	<i>4.8</i>	<i>0.2</i>	—
Total of above items ... ..		593	2,655	2,661	1,889	1,992
		<i>27.2</i>	<i>45.5</i>	<i>44.0</i>	<i>32.0</i>	<i>33.0</i>
Investments ... ..		617	1,503	1,544	1,944	2,130
		<i>28.3</i>	<i>25.7</i>	<i>25.6</i>	<i>33.0</i>	<i>35.3</i>
Advances and Other Accounts ... ..		977	1,564	1,703	1,933	1,773
		<i>44.9</i>	<i>26.8</i>	<i>28.2</i>	<i>32.8</i>	<i>29.4</i>



The Investments of the Clearing Banks decreased slightly in the first four months of the year under review. During this period the prices of gilt-edged securities continued the fall that had been marked during the preceding year. In October, primarily as a result of the issue of Serial Funding Stocks to which reference is made above, the Investments of the Clearing Banks rose by £221 million: over the whole year their Investments rose by £186 million, to 35.3% of Total Deposits.

Advances to Customers and Other Accounts continued to rise until April when they reached a peak figure of £1,953 million. The total then decreased, at first rapidly, until late autumn. This decrease, of £210 million, was the first considerable decline in Advances and Other Accounts since the war. It reflected not only a tighter credit policy followed in accordance with the change in monetary conditions and with the Chancellor's requests, but also changes both in the attitude of customers towards bank accommodation and in their requirements. During the period of rapid decrease, an important factor was the repayment of advances by Public Utilities: their requirements for bank accommodation later revived and became a factor at least equally important in a rise of the total of Advances and Other Accounts in the last quarter of the year.

In their policy regarding the making of loans and the granting of overdraft facilities, the banks have been guided by the requests made to them from time to time by successive Chancellors of the Exchequer, in association with the issue of memoranda of guidance to the Capital Issues Committee. In his Budget speech on 11th March, 1952, the Chancellor stated that the requests which he had earlier issued, that within the scope of a tighter credit policy certain priorities should be given, still stood. In March, 1952, the Chancellor announced in answer to a Parliamentary Question that he had taken steps to make it clear to the bankers that, when applying their advances policy, they should give full weight to the importance of agricultural production, particularly where increased tillage area and increase in fat stock were concerned. In July, the Chancellor again stressed the importance he attached to the banks' continuing to give priority to exports in their general administration of credit. Later the banks were advised that it would be consistent with Government policy that they should provide financial facilities for the purchase of road haulage units now owned by the Road Haulage Executive. In February, 1953, the attention of the banks was drawn to the undertakings given by H.M. Government at the Commonwealth Economic Conference and to the importance to be attached to any project that appeared likely to contribute materially to the improvement of the Sterling Area's balance of payments with the non-sterling world.

Changes in the directions in which bank accommodation was given are shown by the quarterly classification of advances made within Great Britain by members of the British Bankers' Association, set out below for the month of February in recent years. The largest relative increase in advances during the year was to the group, Iron & Steel and Allied Trades. The largest absolute increase was to Engineering, etc. Advances to Public Utilities (other than Transport), to which reference is made above, fell by £86.9 million during the first half of the year, when repayments were made out of the proceeds of issues of stock of £150 million (nominal) by the British Electricity Authority



and of £20 million (nominal) by the North of Scotland Hydro-Electric Board. During the second half of the year advances to this group rose by £92.1 million. Over the year the most considerable fall in advances was to the group, Personal and Professional; there were also significant decreases to Retail Trade; to Food, Drink and Tobacco; and to various groups of Textiles.

BRITISH BANKERS' ASSOCIATION: CLASSIFICATION OF ADVANCES.										
£ millions.	FEBRUARY.					1950.	1951.	1952.	1953.	1953 % of Total.
Coal Mining	...	...	...	...	...	5.7	5.2	3.2	1.6	0.1
Quarrying, etc.	...	...	...	...	...	4.2	4.9	5.0	4.8	0.3
Iron & Steel and Allied Trades	...	...	...	...	...	23.8	21.1	23.8	49.7	2.7
Non-ferrous Metals	...	...	...	...	...	6.4	7.6	5.8	4.3	0.2
Engineering, etc.	...	...	...	...	...	96.0	98.8	142.3	169.3	9.1
Shipping & Shipbuilding	...	...	...	...	...	16.2	17.3	12.3	13.8	0.7
Transport & Communications	...	...	...	...	...	18.2	17.4	19.0	16.0	0.9
Cotton	...	...	...	...	...	9.2	10.1	19.0	13.4	0.7
Wool	...	...	...	...	...	18.7	38.6	25.5	20.5	1.1
Other Textiles	...	...	...	...	...	33.1	45.2	67.4	44.6	2.4
Leather & Rubber	...	...	...	...	...	11.7	17.6	23.4	14.2	0.8
Chemicals	...	...	...	...	...	21.0	19.2	42.2	27.2	1.5
Agriculture & Fishing	...	...	...	...	...	151.7	177.9	198.6	195.1	10.4
Food, Drink & Tobacco	...	...	...	...	...	115.2	127.7	166.6	132.2	7.1
Retail Trade	...	...	...	...	...	173.5	191.8	205.3	170.7	9.1
Entertainment	...	...	...	...	...	32.5	29.6	26.7	22.8	1.2
Builders & Contractors	...	...	...	...	...	64.6	66.6	69.1	62.5	3.3
Building Materials	...	...	...	...	...	13.7	15.3	22.5	17.5	0.9
Unclassifiable Industry & Trade	...	...	...	...	...	90.6	106.5	138.6	109.6	5.9
Local Government Authorities	...	...	...	...	...	90.1	90.4	77.7	77.1	4.1
Public Utilities (other than Transport)	...	...	...	...	...	79.1	55.9	135.3	140.5	7.5
Churches, Charities, Hospitals, etc....	...	...	...	...	...	10.7	11.7	12.7	12.7	0.7
Stockbrokers	...	...	...	...	...	5.8	5.6	6.5	5.9	0.3
Other Financial	...	...	...	...	...	140.3	194.2	178.2	172.2	9.2
Personal & Professional	...	...	...	...	...	414.0	430.7	429.1	370.5	19.8
Total	...	...	...	...	...	1,645.9	1,806.8	2,055.8	1,868.8	100.0

Consequent upon the increases in the Bank Rate in November, 1951, and March, 1952, the average rate of interest charged on bank advances increased during the year, but the rise in the latter was in general less sharp than the rise in the Bank Rate. Immediately after the change in the Bank Rate in March, the rate of interest allowed by banks on deposit accounts was increased by  $1\frac{1}{4}\%$  to  $2\%$ , 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 £490 million. The total number of transfers registered during the year was 793,000, a decrease of 9.5% 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.

£ millions.								
END OF FEBRUARY.				1939.	1950.	1951.	1952.	1953.
British Government:								
Stock	...	...	...	5,107	12,234	12,507	13,527	13,759
Bearer Bonds	...	...	...	1,002	124	119	114	109
Total	...	...	...	<u>6,109</u>	<u>12,358</u>	<u>12,626</u>	<u>13,641</u>	<u>13,868</u>
Other Securities:								
Treasury Guaranteed	...	...	...	140	2,009	2,401	2,539	2,788
Dominion & Colonial	...	...	...	454	133	136	143	152
Local Authorities	...	...	...	197	153	153	149	149
Public Boards, etc.	...	...	...	202	49	52	55	60
Miscellaneous	...	...	...	19	16	16	16	16
Total	...	...	...	<u>1,012</u>	<u>2,360</u>	<u>2,758</u>	<u>2,902</u>	<u>3,165</u>
Grand Total	...	...	...	<u>7,121</u>	<u>14,718</u>	<u>15,384</u>	<u>16,543</u>	<u>17,033</u>

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

### REDEMPTIONS.

Nyasaland Government  $4\frac{1}{2}\%$  Guaranteed Stock, 1952-72:

1st April, 1952. For cash ... .. £2 million

$1\frac{3}{4}\%$  Serial Funding Stock, 1952:

14th November, 1952. For cash ... .. £104.7 "



# ISSUES.

## British Transport 3% Guaranteed Stock, 1968-73:

April, 1952, and subsequently. As compensation in respect of various Transport Undertakings ... .. £ 5.9 million

## British Electricity 4½% Guaranteed Stock, 1974-79:

26th April, 1952. For cash at £99% ... .. £150 "

## North of Scotland Electricity 4½% Guaranteed Stock, 1974-79:

8th May, 1952. For cash at £98:10s.% ... .. £ 20 "

## 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, 1952 ... .. £ 25.8 "

15th December, 1952 ... .. £ 31.8 "

## The Agricultural Mortgage Corporation Limited 4½% Debenture Stock, 1977-82:

21st August, 1952. For cash at £96:10s.% ... .. £ 5 "

## British Iron and Steel 3½% Guaranteed Stock, 1979-81:

22nd September, 1952. In exchange for Ordinary Shares of The Staveley Iron and Chemical Co. Ltd. ... .. £ 8.2 "

## 1¾% Serial Funding Stock, 1953:

6th October, 1952. For cash at £98:17s.6d.% ... .. £135.3 "

14th November, 1952. Issued at par with a cash payment of £1% in exchange for 1¾% Serial Funding Stock, 1952 ... .. £241.9 "

## 1¾% Serial Funding Stock, 1954:

6th October, 1952. For cash at £97:17s.6d.% ... .. £ 67.1 "

14th November, 1952. Issued at par with a cash payment of £2% in exchange for 1¾% Serial Funding Stock, 1952 ... .. £ 68.4 "

## 3% Serial Funding Stock, 1955:

6th October, 1952. For cash at par ... .. £114.5 "

14th November, 1952. In exchange for 2½% National War Bonds, 1951-53, at par \*£374.3 "

14th November, 1952. In exchange for 1¾% Serial Funding Stock, 1952, at par £ 35 "

## British Transport 4% Guaranteed Stock, 1972-77:

6th November, 1952. For cash at £95:10s.% ... .. £ 60 "

In exchange for British Transport 1¾% Guaranteed Stock, 1952 ... .. £ 60 "

## British European Airways 4½% Guaranteed Stock, 1972-77:

4th December, 1952. For cash at £98% ... .. £ 10 "

## Government of Southern Rhodesia 4½% Stock, 1987-92:

3rd February, 1953. For cash at £99% ... .. £ 10 "

\* This figure includes amounts standing on the Registers of the Bank of Ireland, the Post Office Savings Department and the Trustee Savings Banks.



## Transferability of Sterling.

No changes were made during the year in the list of countries comprising the Transferable Account area.

There was some reduction from the high level in the previous year in the amounts of sterling transferred between countries outside the Sterling Area, both under the 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 and between countries in the same monetary area, were:—

£ millions.

YEAR ENDED 31ST DECEMBER.						1949.	1950.	1951.	1952.
Automatic facilities	...	...	...	...	...	144	143	241	209
Administrative facilities	...	...	...	...	...	125	155	222	170
						<u>269</u>	<u>298</u>	<u>463</u>	<u>379</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.						1949.	1950.	1951.	1952.
Between O.E.E.C. countries	...	...	...	...	...	48	78	112	78
By O.E.E.C. countries to other countries outside the Sterling Area	...	...	...	...	...	48	59	82	63
By other countries outside the Sterling Area to O.E.E.C. countries	...	...	...	...	...	101	99	179	168

In addition there was a further increase in 1952 to £151 million, as compared with a revised figure of £125 million in 1951 (and of £72 million in 1950), in the total of United Kingdom merchanting transactions between non-Sterling Area countries on a sterling basis, including those which are allowed under special exchange control arrangements, called Commodity Schemes, designed to facilitate the operation of the London commodity markets. This increase from 1951 to 1952 occurred in spite of a fall in transactions under the Commodity Schemes and was largely due to payments in sterling to American Account as a result of United Kingdom merchants being permitted for a short time in August, 1952, to purchase, within an overall programme, certain commodities from the dollar area for resale for sterling to countries in the European Payments Union. (The larger part of the total purchases under this special arrangement, which were some £60 million, is however not included in the figure of sterling transactions given above as it was effected by the United Kingdom merchants in dollars.) Under the Coffee Scheme, sterling transactions between non-Sterling Area countries totalled £17 million against a revised figure of £21 million for 1951 (and of £9 million for 1950), the reduction since 1951 being more than accounted for by smaller business in Brazilian coffee. Under the other Commodity Schemes, total sterling transactions between non-Sterling Area countries remained at approximately the same levels as in 1951, despite the fall during the year in prices of rubber and tin. Late in 1952 markets for lead and sugar were re-opened and appropriate Commodity Schemes introduced.

From March, 1952, onwards there was a marked and generally continuous improvement in the quotations against dollars for various categories of non-resident sterling in free markets. For example, the quotations in New York for "Transferable Sterling" which at the end of February, 1952, stood at about U.S.\$2.42, had, by February, 1953, risen to about U.S.\$2.71.



## Financial, Monetary and Sterling Payments Agreements.

A summary of the Financial Agreements and agreements dealing with the international use of sterling which were concluded during the year ended 28th February, 1953, is appended to this Report.

## Mutual Security Programme and European Payments Union.

In June, 1952, the Mutual Security Programme was extended for a further year. Under the relevant Act the United States Congress appropriated U.S.\$6,002 million for the fiscal year 1952-53. Of the U.S.\$400 million allotted to the United Kingdom from this appropriation, U.S.\$358 million was economic aid in support of the United Kingdom defence effort and U.S.\$42 million completed the settlements by the United States Government under the "Katz-Gaitskell" Agreement (Cmd. 8020); additional aid was to be granted in the form of military equipment. The percentage of the counterpart in local currency of aid which recipient countries must place at the disposal of the United States Government was increased under the Act from 5% to 10%. In the case of the United Kingdom the remainder of the counterpart must, as in the past, be applied towards defence costs. The Act also provided that U.S.\$100 million of the total appropriation could only be made available to participating countries after agreement had been reached with them on the use of the local counterpart funds on projects to increase productivity. Under this provision the United Kingdom is to receive a further U.S.\$9 million, £1 million of the sterling counterpart of which is to be used to set up a revolving fund from which short-term loans may be made to industry for re-equipment and for reorganisation of plant.

Also in June, 1952, the Council of O.E.E.C. extended, with certain modifications, the provisions of the European Payments Union Agreement for a further year. The incidence of gold payments by debtors was altered (but no change was made in the overall amount payable within the quota); a Guarantee Fund of U.S.\$100 million, to which members have a contingent liability to subscribe, was established to support the convertible assets of the Union; and special arrangements were provided for settling certain post-quota surpluses. These arrangements included a bilateral agreement between the United Kingdom and Belgium under which the latter granted a loan through the Union of Belgian francs 1,250 million, repayable by the delivery of defence materials over a period of two years.

The United Kingdom continued to incur monthly deficits with the Union until the end of August, 1952. Its quota had been exhausted by the end of May and the deficit of £58 million incurred thereafter had to be settled entirely in gold or dollars. The United Kingdom's cumulative accounting deficit up to the end of August involved the payment of U.S.\$586.3 million in gold or dollars to the Union and the receipt of £227.1 million credit from it. From September onwards the United Kingdom earned monthly surpluses partly because of seasonal factors, partly through the sales by United Kingdom merchants of dollar area commodities to E.P.U. countries previously referred to, and partly as a result of some measure of improvement in the United Kingdom's underlying position. The monthly surpluses were reduced in amount after the end of the calendar year, by which time the payments from other E.P.U. countries for dollar goods were virtually completed. As a result of the surpluses from September, 1952, to February, 1953, the United Kingdom regained U.S.\$308.1 million in gold or dollars previously paid to the Union and repaid £22.3 million credit. Nevertheless, the United Kingdom's cumulative accounting deficit at the end of February, 1953, was still £304.2 million (80% of its quota) of which £204.8 million was covered by credit received from the Union.



## United States and Canadian Credits, Lend-Lease Settlement Loan and E.R.P. Loan.

Payments in respect of interest and principal were made on the 31st December, 1952. The equivalent in U.S. dollars of £50.8 million was paid to the United States Government and the equivalent in Canadian dollars of £13.9 million to the Canadian Government, making a total payment to both countries of £64.7 million.

## International Bank for Reconstruction and Development.

On the 3rd February, 1953, the Chancellor of the Exchequer announced in the House of Commons that the United Kingdom had agreed to make available to the International Bank for Reconstruction and Development up to £60 million from the United Kingdom's subscription to that Bank's capital stock, for lending to other Commonwealth countries in the Sterling Area over a period of about six years.

## 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 1951, in continuation of those for the years 1938 to 1950 previously published by the Bank. They show the total nominal value of U.K. overseas investments at the end of 1951 as £1,985 million, compared with a revised figure of £2,019 million at the end of 1950 and with £3,545 million at the end of 1938. The total of interest and dividends for the year 1951 was £159.4 million, against a revised figure of £143.8 million in 1950 and £155.4 million in 1938.\*

## Court of Directors.

The term of office of Mr. Basil Sanderson, Mr. M. J. Babington Smith, Sir Kenneth Peppiatt and Mr. Andrew Naesmith expired on the 28th February, 1953, and they were re-appointed for a period of four years.

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*Copies of this Report may be obtained from the Secretary.*

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\* A limited number of copies of a paper showing the detailed figures for 1950 and 1951 are available from the Secretary, Bank of England.



SUMMARY OF FINANCIAL AND PAYMENTS AGREEMENTS NEGOTIATED DURING THE YEAR  
ENDED 28TH FEBRUARY, 1953.

**Sterling Area.**

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
CEYLON	9th Sept. 1952	8667	Modifies Annex to Financial Agreement of 30th April, 1948, and Financial Agreement of 2nd February, 1951. Permits (i) £9.4 million to be transferred from No. 2 to No. 1 Account of the Central Bank of Ceylon and held as a currency reserve. It is the intention of the Government of Ceylon not to draw upon this sum, and it agrees not to do so without previous consultation with the Government of the United Kingdom. The releases from No. 2 to No. 1 Account of the Central Bank of Ceylon, provided for in the Agreement of 2nd February, 1951, to be made as and when necessary to maintain an aggregate balance on No. 1 Accounts of £12 million in addition to the sum earmarked as a currency reserve; (ii) interest received by the Central Bank of Ceylon on their sterling assets to be credited to No. 1 Account, as from 1st January, 1952.
IRAQ	10th July 1952	8668	Financial relationship of the United Kingdom and Iraq to continue on the basis of common membership of the Sterling Area. Iraq No. 2 Accounts to be released from restrictions imposed by Agreement of 13th August, 1947.



## Non-Sterling Area.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
ARGENTINA	31st Dec. 1952	8744	Supplements the Trade and Payments Agreement of 27th June, 1949, and regulates financial relations between the two Governments for eighteen months to 30th June, 1954.
BELGIUM	30th June 1952 8th Jan. 1953	8627 8762	Provide for the discharge, by deliveries of defence equipment, of a Belgian Francs 1,250 million debt to the Belgian Government assumed by the United Kingdom Government as consideration for corresponding adjustments in the Belgian and United Kingdom positions in E.P.U.
BRAZIL	31st Mar. 1952	8537	Extends for twelve months to 31st March, 1953, certain of the provisions relating to accumulated sterling balances embodied in the Trade and Payments Agreement of 21st May, 1948.
CZECHO-SLOVAKIA	1st Aug. 1952	8652	Extends Sterling Payments Agreement of 18th August, 1949, as amended by Exchange of Notes of 28th December, 1950, for a period of three years after 19th August, 1952.
FINLAND	7th July 1952	8631	Extends Sterling Payments Agreement of 7th July, 1950, for three months after 7th July, 1952.
	7th Oct. 1952	8680	Extends Sterling Payments Agreement of 7th July, 1950, for a further six months after 7th October, 1952.
ITALY	23rd Jan. 1953	8801	Amends the termination clause of the Sterling Payments Agreement of 21st December, 1950.
JAPAN	15th Aug. 1952	8659	Extends Sterling Payments Agreement of 31st August, 1951, for four months to 31st December, 1952.
	27th Dec. 1952	8758	Further extends Sterling Payments Agreement of 31st August, 1951, for a year to 31st December, 1953.



# Non-Sterling Area—*continued.*

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
POLAND	28th Feb./ 3rd Mar. 1952	8525	Extends Sterling Payments Agreement of 2nd March, 1948, for a further six months after 9th March, 1952.
	9th Sept. 1952	8674	Extends Sterling Payments Agreement of 2nd March, 1948, for a further three months after 9th September, 1952.
	9th Dec. 1952	8734	Extends Sterling Payments Agreement of 2nd March, 1948, for a further three months after 9th December, 1952.
SWITZERLAND	24th Mar. 1952	8520	Extends Monetary Agreement of 12th March, 1946, for a further two months from 11th March, 1952.
	16th May 1952	8592	Extends Monetary Agreement of 12th March, 1946, to 30th June, 1952.
	30th July 1952	8651	Extends Monetary Agreement of 12th March, 1946, to 31st December, 1952.
	29th Dec. 1952	8779	Extends Monetary Agreement of 12th March, 1946, to 30th June, 1953.



# BANK OF ENGLAND.

28TH FEBRUARY, 1953.

## ISSUE DEPARTMENT.

	£		£
Notes Issued:		Government Debt ...	11,015,100
In Circulation ... ..	1,470,114,631	Other Government Securities ... ..	1,485,764,326
In Banking Department ... ..	30,242,192	Other Securities ... ..	707,241
		Coin other than Gold Coin ... ..	2,513,333
		Amount of Fiduciary Issue ... ..	£1,500,000,000
		Gold Coin & Bullion ... ..	356,823
		(@ 248s. 0d. per oz. fine)	
	<u>£1,500,356,823</u>		<u>£1,500,356,823</u>

P. S. BEALE, *Chief Cashier.*

## BANKING DEPARTMENT.

	£		£
Capital ... ..	14,553,000	Government Securities ...	366,164,439
Rest ... ..	3,907,320	Other Securities:	
Public Deposits—		Discounts & Advances.	£6,087,645
Public Accounts		Securities.	£21,757,658
(including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts):			27,845,303
£11,347,164		Notes ... ..	30,242,192
H.M. Treasury Special Account.		Coin ... ..	1,702,534
£44,558,563	55,905,727		
Other Deposits:			
Bankers.			
£280,235,450			
Other Accounts.			
£71,352,971	351,588,421		
	<u>£425,954,468</u>		<u>£425,954,468</u>

P. S. BEALE, *Chief Cashier.*



