



# BANK OF ENGLAND

REPORT FOR THE YEAR ENDED

28th FEBRUARY

1958

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*Issued by Order of the Court of Directors, 17th July, 1958.*

## COURT OF DIRECTORS

FOR THE YEAR ENDED 28TH FEBRUARY, 1958.

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The term of office of Mr. G. C. R. Eley, Lord Bicester, Sir Cyril Hawker and Sir Alfred Roberts expired on the 28th February, 1958, and they were reappointed for a period of four years.



# BANK OF ENGLAND

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## Report for the year ended 28th February, 1958

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Monetary experience in the year under review fell into two almost equal, and strongly contrasting, periods. From early Spring until mid-September, although by no means all the economic factors were unfavourable, confidence progressively declined. At home there was increasing realisation that over the post-war years more had been attempted than could be paid for without continuing inflation, and there were growing doubts whether it would prove possible to halt the rise of prices and the fall in the value of money. Public preference for equity stocks over fixed-interest stocks became accentuated and it became increasingly difficult, by funding, or by sales of long-term securities to meet the Exchequer's current needs for borrowing, to contain the growth of short-term Government debt. Overseas there was a growing belief that the spiral of cost and price increases in the United Kingdom would continue unchecked, and would lead inevitably to another sterling crisis.

The measures taken by H.M. Government and the Bank of England on the 19th September, 1957, (see page 3) caused a definite turn of the monetary tide. Financial opinion both at home and abroad accepted these measures as evidence of a determination to put the maintenance of the value of sterling in front of all other objectives of economic policy. Attitudes about the relative attraction of equity and fixed-interest stocks were revised, and considerable progress was made in the Government's funding programme. The position of sterling in the foreign exchange market showed an immediate improvement, which was slowly but steadily consolidated over the following months. By the end of February it had become clear that, although the threat persisted of a further twist to the inflationary spiral through rising costs, the pressure of demand was slackening; and fears were beginning to be felt that the fall in commodity prices and the recession already affecting North America might have their repercussions on the United Kingdom later in the year.

The credit situation in the United Kingdom during 1957-58 is discussed in more detail immediately below and foreign exchange developments on page 12 onwards.

The year under review also saw the appointment of a Committee, under the chairmanship of Lord Radcliffe, "to inquire into the working of the monetary and credit system and to make recommendations". The Chancellor of the Exchequer announced the formation of this Committee in the House of Commons on the 9th April, 1957, mentioning that he had appointed it "after consultation with the Bank of England". The Bank were engaged almost throughout the year in preparation and submission of evidence, both written and oral, which will be published by the Committee in due course. The written evidence submitted by the Bank includes a survey of monetary experience in the United Kingdom over recent years: it is hoped that, subject to the recommendations of the Radcliffe Committee, this survey may when published provide a background and form a basis for a more detailed annual review of the monetary situation in future years.



## The Credit Situation

Between the 20th February, 1957, and the 19th February, 1958, the net deposit liabilities of the London Clearing Banks rose by £201 million, or 3·4%, compared with a rise of 0·5% in the preceding year. The year was characterised by an unusually sharp rise during the first ten months of £577 million in net deposit liabilities and by a fall of £376 million in the last two months which was rather greater than usual. During the year as a whole Current Accounts decreased by £165 million and their ratio to Total Deposits from 62·1% to 57·5%, while Deposit and Other Accounts rose by £376 million.

LONDON CLEARING BANKS: DEPOSITS								
£ millions	February	1954	1955	1956	1957	1958	Change 1958 on 1957	
Current Accounts ... ..		3,954	4,112	3,941	3,845	3,680	-165	
Deposit and Other Accounts ...		<u>2,283</u>	<u>2,413</u>	<u>2,223</u>	<u>2,345</u>	<u>2,721</u>	+376	
Total Deposits ...		6,237	6,525	6,164	6,190	6,400	+210	
Balances with Other Banks etc. and reported Items in Transit ...		<u>240</u>	<u>281</u>	<u>277</u>	<u>273</u>	<u>282</u>	+ 9	
Net Deposits ... ..		<u>5,997</u>	<u>6,244</u>	<u>5,887</u>	<u>5,917</u>	<u>6,118</u>	+201	
Change on previous year in Net Deposits ... ..		+3·2%	+4·1%	-5·7%	+0·5%	+3·4%		

In March, 1957, the Clearing Banks' Advances to Customers and Other Accounts were £71 million higher than in February, 1957, (excluding advances to nationalised industries, which fell by £18 million) and £167 million higher than in January, 1957. Thereafter, until July, the total of Advances to Customers and Other Accounts, excluding advances to nationalised industries, did not alter much, apart from a sharp but seasonal rise at the end of June, while the fall in advances to nationalised industries was partly reversed. The arrangements made under the Finance Act, 1956, as a result of which all nationalised industries were able to obtain finance for capital expenditures direct from the Exchequer and took bank advances only for normal working capital requirements, were continued through the year under review. The granting of bank advances to the private sector for capital purposes was discouraged, following additional guidance given by the Chancellor of the Exchequer to the Capital Issues Committee at the time of the Budget, April, 1957.

The Clearing Banks' holdings of Treasury Bills rose between February and July, 1957, by £150 million, which was more than the total increase in Treasury Bills held outside the Departments. There was a substantial fall in the holdings of Treasury Bills by overseas official bodies. The Clearing Banks' Money at Call and Short Notice rose by £20 million, associated with an increase in holdings of Treasury Bills by the Discount Market.

Although the need to borrow to meet Budgetary requirements was smaller than in corresponding months of recent years and receipts from small savings and from Tax Reserve Certificates were large, the Exchequer was obliged to continue its borrowing on Treasury Bills during the spring and early summer months. This was attributable in part to the financing of a moderate growth in exchange reserves, which continued until June, and in part to maturities of Government stock occurring at a time when conditions in the gilt-edged market were unfavourable.



In that market, Departmental net sales of stock had declined since March, when security markets were disturbed by apparent risks that further inflation of costs and prices might develop. These anxieties increased during the following months and the gilt-edged market was persistently weak. In June, 1957, £300 million 5% Exchequer Stock, 1957, and £101 million 2½% Funding Stock, 1952-57, fell due for redemption; and in November, £503 million 2¼% Serial Funding Stock, 1957. Redemptions and Departmental purchases of these stocks led to a net payment to the market on account of stock transactions, although Departmental net sales of other stock continued and an issue, for cash, was made early in May of £100 million 4½% Conversion Stock, 1962, the greater part of which was taken up by the market.

The Clearing Banks' Investments fell slightly in March and April, 1957. They rose in May and, apart from a small fall in June, increased each month thereafter, rising by £73 million over the year as a whole.

In August, 1957, confidence in gilt-edged and other fixed-interest securities fell away further, in face of the serious exchange position which was developing. By the middle of September the exchange crisis had become acute and there was widespread apprehension of further inflation. On the 19th September, 1957, Bank Rate was raised from 5% to 7%. On the same day the Chancellor of the Exchequer announced new measures to moderate both public and private spending. Among measures directly affecting the private sector, he announced that the situation required that the average level of bank advances during the ensuing twelve months should be held, subject to special considerations which might arise with respect to export credits, at the average level of the preceding twelve months. The Chancellor had informed the Clearing Bankers of this requirement and they had given their assurance that they would do their best to achieve this result, an assurance that was forthwith given by all other bankers. The Chancellor of the Exchequer also asked the Capital Issues Committee to take up a more restrictive attitude towards applications to raise capital and, in particular, towards applications for large amounts.

These measures were followed by an improvement of confidence shown in the foreign exchange market and in the gilt-edged market, while the prices of ordinary shares fell. There was a sharp rise in short-term interest rates but the rise in long-term interest rates was relatively slight. The change in conditions in the gilt-edged market enabled Departmental sales of stock to increase, though, primarily because of the maturity of the 2¼% Serial Funding Stock, 1957, on the 14th November, the Departments were not sellers on balance until after that date.

Departmental net sales of stock continued to increase in January and February, 1958. Two new issues of stock were made: on the 14th January, 1958, an issue for cash of £500 million 5½% Exchequer Stock, 1966, and on the 14th February, 1958, an issue for cash of £300 million 5½% Funding Stock, 1982-84. Yields throughout the whole range of stock maturities tended to decline from late in 1957.

The extent of Exchequer borrowing by means of Treasury Bills was considerably influenced by the developments in the exchange situation as well as by the changes described above in the gilt-edged market. The Exchequer acquired sterling from the fall in the exchange reserves during August and September. Thereafter, until the close of the year under review, the Exchequer required sterling to finance an increase in the exchange reserves; these rose by £246 million between the end of September, 1957, and the end of February, 1958.

There was a considerable rise in the total of Treasury Bills, outside the Departments, between August and December, 1957, which was not fully reversed by the seasonal fall, at the period of Budget surplus, in January and February, 1958. But over these seven months, from August, 1957, to February, 1958, the net increase in the Clearing Banks' holdings of Treasury Bills and in their



Money at Call and Short Notice, taken together, was no more than £20 million. A large net increase in the Discount Market's holdings of Treasury Bills was accompanied by a small fall in the Clearing Banks' Money at Call and Short Notice, as the Discount Market's holding of other assets was reduced. Despite a further fall in holdings of Treasury Bills by overseas official bodies, the total of non-departmental holdings of Treasury Bills other than by the Clearing Banks and the Discount Market increased on balance, though it fluctuated considerably in particular months. There was a notable rise in these holdings in January and February, 1958, in part due to an expectation, encouraged by the improvement in the general financial situation and by reduction of short-term interest rates abroad, that short-term interest rates would decline.

The Clearing Banks' Advances to Customers and Other Accounts, after their broad stability from April to July, 1957, fell steadily until January, 1958, apart from the seasonal movement at the end of the calendar year. In February, 1958, they again rose, leaving a net fall over these seven months of £112 million.

Over the year as a whole, the Clearing Banks' Advances to Customers and Other Accounts fell by £43 million, of which £2 million was due to a fall in advances to nationalised industries. Investments rose by £73 million. The total of Cash, Money at Call and Short Notice and Bills Discounted rose by £177 million and in February, 1958, the ratio of this total to Total Deposits—the liquidity ratio—was 35.2%, the highest figure for February since 1951.

The principal assets of the London Clearing Banks at the end of the year under review are shown in the following table:—

LONDON CLEARING BANKS: PRINCIPAL ASSETS							
<i>Percentage of Total Deposits is shown in italics</i>							
<i>£ millions</i>	February	1954	1955	1956	1957	1958	Change 1958 on 1957
Cash in hand and at Bank of England ...		504	525	506	499	515	+ 16
		<i>8.1</i>	<i>8.0</i>	<i>8.2</i>	<i>8.1</i>	<i>8.0</i>	— 0.1
Money at Call and Short Notice ...		454	445	433	414	414	—
		<i>7.3</i>	<i>6.8</i>	<i>7.0</i>	<i>6.7</i>	<i>6.5</i>	— 0.2
Bills Discounted							
Treasury Bills ... ..		1,034	951	1,038	1,017	1,207	+ 190
		<i>16.6</i>	<i>14.6</i>	<i>16.8</i>	<i>16.4</i>	<i>18.9</i>	+ 2.5
Other Bills ... ..		79	122	134	147	117	— 30
		<i>1.3</i>	<i>1.9</i>	<i>2.2</i>	<i>2.4</i>	<i>1.8</i>	— 0.6
Total of liquid assets ...		2,071	2,042	2,111	2,077	2,254	+ 177
		<i>33.2</i>	<i>31.3</i>	<i>34.3</i>	<i>33.6</i>	<i>35.2</i>	+ 1.6
Investments ... ..		2,275	2,298	2,007	2,011	2,084	+ 73
		<i>36.5</i>	<i>35.2</i>	<i>32.6</i>	<i>32.5</i>	<i>32.6</i>	+ 0.1
Advances to Customers and Other Accounts ... ..		1,741	2,000	1,865	1,923	1,880	— 43
		<i>27.9</i>	<i>30.6</i>	<i>30.3</i>	<i>31.1</i>	<i>29.4</i>	— 1.7

The total of advances made within Great Britain by members of the British Bankers' Association decreased by £59.4 million over the year ended February, 1958, after increasing by £39.2 million over the previous year. As shown in the analysis set out below, advances to Public Utilities (other than Transport) were £12.0 million lower at the latest date than a year earlier. Advances to other borrowers, which had risen by £105.0 million between November, 1956,



and February, 1957, increased by a further £88.6 million up to May, 1957. In the next six months they fell by £148.6 million, a great part of the fall occurring between August and November. A small increase of £12.6 million over the last three months of the year left the February, 1958, total of advances to these borrowers £47.4 million below the level a year previously.

Among individual groups, advances to Food, Drink & Tobacco were reduced over the year by £23.1 million; to Other Financial by £18.6 million; and to Agriculture & Fishing by £11.8 million. The largest increase was in borrowings by Shipping & Shipbuilding, which rose by £12.6 million.

BRITISH BANKERS' ASSOCIATION: ANALYSIS OF ADVANCES

£ millions	February	1955	1956	1957	1958	Change 1958 on 1957	1958 % of Total
Coal Mining ... ..		1.3	0.9	0.9	1.2	+ 0.3	—
Quarrying, etc. ... ..		5.3	4.2	4.1	8.5	+ 4.4	0.4
Iron & Steel & Allied Trades ... ..		32.8	38.9	60.2	49.3	-10.9	2.5
Non-ferrous Metals ... ..		7.8	8.3	11.0	7.5	- 3.5	0.4
Engineering, etc. ... ..		149.3	180.1	229.9	228.7	- 1.2	11.8
Shipping & Shipbuilding ... ..		19.1	26.5	31.3	43.9	+12.6	2.3
Transport & Communications ... ..		20.4	21.1	22.0	22.7	+ 0.7	1.2
Cotton ... ..		20.3	18.2	24.1	26.4	+ 2.3	1.4
Wool ... ..		31.6	30.1	38.1	40.0	+ 1.9	2.0
Other Textiles ... ..		47.4	42.3	43.7	46.0	+ 2.3	2.4
Leather & Rubber ... ..		17.8	16.8	16.3	18.5	+ 2.2	1.0
Chemicals ... ..		30.8	30.1	33.2	33.2	—	1.7
Agriculture & Fishing ... ..		224.8	229.1	223.7	211.9	-11.8	10.9
Food, Drink & Tobacco ... ..		154.4	163.1	151.9	128.8	-23.1	6.6
Retail Trade ... ..		195.5	185.7	163.8	167.1	+ 3.3	8.6
Entertainment ... ..		21.2	20.6	19.6	21.1	+ 1.5	1.1
Builders & Contractors ... ..		68.5	70.6	64.8	61.6	- 3.2	3.2
Building Materials ... ..		21.0	22.4	20.8	21.5	+ 0.7	1.1
Unclassifiable Industry & Trade ... ..		126.0	134.9	124.9	133.1	+ 8.2	6.9
Local Government Authorities ... ..		102.8	86.4	81.3	74.5	- 6.8	3.8
Public Utilities (other than Transport) ... ..		162.1	58.2	65.5	53.5	-12.0	2.8
Churches, Charities, Hospitals, etc. ... ..		13.0	13.0	12.4	12.4	—	0.6
Stockbrokers ... ..		16.1	9.0	14.2	7.9	- 6.3	0.4
Hire Purchase Finance Companies ... ..		30.5	35.4	28.3	30.1	+ 1.8	1.6
Other Financial ... ..		181.8	167.4	190.2	171.6	-18.6	8.8
Personal & Professional ... ..		393.4	347.9	324.1	319.7	- 4.4	16.5
		<u>2,095.0</u>	<u>1,961.1</u>	<u>2,000.3</u>	<u>1,940.9</u>	<u>-59.4</u>	<u>100.0</u>
of which: Clearing Banks ... ..			1,697.8	1,728.9	1,687.6	-41.3	
Other banks ... ..			263.3	271.4	253.2	-18.2	

During the whole of the period covered by the above table the banks maintained a critical attitude towards applications for finance, and the total of advances at February, 1958, was £154.1 million (7.4%) lower than at February, 1955. During these three years advances to Iron & Steel & Allied Trades, Engineering, etc. and Shipping & Shipbuilding rose by £120.7 million, but advances to Food, Drink & Tobacco, Retail Trade, and Personal & Professional fell by



£127.7 million. Advances to Local Government Authorities and Public Utilities taken together also declined, by £136.9 million, principally because nationalised industries, taking advantage of the Finance Act, 1956, already referred to, obtained some of their finance from the Exchequer rather than from the banks.

As shown in the table of Short-Term Money Rates on page 7, the rate of interest allowed by the Clearing Banks on Deposit Accounts was increased by 2% to 5% following the rise of 2% in Bank Rate in September, 1957; and the minimum rate of interest charged for call money was raised from 3¼% to 5¼%. At the same time the average rate of interest charged on advances was also increased.

The year under review was one during which the traditional co-operation given to the Bank by the Committee of London Clearing Bankers and other representative financial bodies in the City of London was particularly needed, and was not found wanting.

## Banking Department

The state of the Banking Department at the beginning and end of the year was as follows :—

<i>£ thousands</i>							
End of February				1957	1958	Change	
<b>Liabilities</b>							
Capital	...	...	...	14,553	14,553	—	
Rest	...	...	...	3,913	3,914	+ 1	
<b>Deposits</b>							
Public Deposits	...	...	12,600	10,947	—1,653		
Bankers' Deposits	...	...	229,574	232,161	+2,587		
Other Accounts	...	...	74,882	74,189	— 693		
				317,056	317,297	+ 241	
				335,522	335,764	+ 242	
<b>Assets</b>							
Government Securities	...			238,187	253,930	+15,743	
<b>Other Securities</b>							
Discounts & Advances	...	...	24,482	23,215	—1,267		
Securities	...	...	19,544	21,532	+1,988		
				44,026	44,747	+ 721	
Notes	...	...	...	51,286	34,741	—16,545	
Coin	...	...	...	2,023	2,346	+ 323	
				335,522	335,764	+ 242	

Half-yearly payments of £873,180 were made to H.M. Treasury on the 5th April and the 5th October, 1957, in pursuance of Section 1 (4) of the Bank of England Act, 1946.

Bank Rate, which had stood at 5% since the 7th February, 1957, was raised on the 19th September to 7%. Consequent upon a resolution of both Houses of Parliament a Tribunal was appointed on the 14th November, 1957, under the chairmanship of Lord Justice Parker, to inquire whether there was any justification for allegations that information about the raising of



the Bank Rate was improperly disclosed to any person, and whether if there was any such disclosure any use was made of such information for the purposes of private gain. The Report of the Tribunal (Cmnd. 350) dated the 10th January, 1958, contains the following statement at the opening (para. 115) of its concluding section :—

“It will be seen from what we have said above that we have unhesitatingly reached the unanimous conclusion that there is no justification for allegations that information about the raising of the Bank Rate was improperly disclosed to any person”.

During the year the Bank made market advances, that is loans against securities to the Discount Market at not less than Bank Rate for a minimum of seven days, on 84 days. Such advances were outstanding on 326 days. From March, 1957, until the beginning of June the Discount Market was pressed by shortage of funds continually to resort to market advances from the Bank. It was not, however, until the end of May that the Treasury Bill rate, which had declined from  $4\frac{1}{8}\%$  early in April, steadied and it then remained around  $3\frac{1}{16}\%$  until the exchange crisis in August.

The Discount Market was confronted with a heavy demand for Treasury Bills early in 1958 but was under more vigorous pressure than in 1957 and borrowed a very large amount at the Bank, particularly during February. As a result the Treasury Bill rate fell during February, notwithstanding seasonal influences, by less than  $\frac{1}{8}\%$ .

## Short-Term Money Rates

The following table illustrates recent trends in short-term money rates per cent. per annum :—

End of month	1956	1957				1958
	February	February	June	August	September	February
Bank Rate	$5\frac{1}{2}(a)$	$5(b)$	5	5	$7(c)$	7
Treasury Bills						
Average rate of Discount on Allotment	£5:4:4.31	£4:2:11.49	£3:17:1.07	£4:2:5.03	£6:12:1.19	£6:-:3.28
CLEARING BANKS						
Deposit Accounts (at 7 days' notice)	$3\frac{1}{2}$	3	3	3	5	5
Call Money i.e., Loans to the Discount Market against Treasury Bills						
Minimum rate	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$5\frac{1}{4}$	$5\frac{1}{4}$
DISCOUNT MARKET						
Buying Rates						
Prime Bank Bills (3 months)	$5\frac{11}{16} - 5\frac{1}{8}$	$4\frac{1}{4} - 4\frac{5}{16}$	$4 - 4\frac{1}{8}$	$4\frac{1}{4} - 4\frac{3}{8}$	$6\frac{1}{4} - 6\frac{7}{8}$	$6\frac{3}{16} - 6\frac{1}{4}$
Trade Bills (3 months)	$6 - 6\frac{1}{2}$	$5\frac{1}{2} - 6$	$5\frac{1}{2} - 6$	$5\frac{1}{2} - 6$	$7\frac{1}{2} - 8\frac{1}{2}$	$7 - 8$

(a) From 16th February, 1956 to 7th February, 1957.

(b) „ 7th February, 1957 to 19th September, 1957.

(c) „ 19th September, 1957.



## Note Circulation and Issue Department

The state of the circulation in recent years is shown in the following tables:—

£ millions

### NOTES ISSUED, PAID AND IN CIRCULATION

Year to end of February	1954	1955	1956	1957	1958
Issued ... ..	1,144	1,231	1,354	1,451	1,660
Paid ... ..	1,064	1,116	1,231	1,365	1,568
In circulation at the end of year ...	1,550	1,665	1,788	1,874	1,966
Increases as % of previous year's total		+7.4%	+7.4%	+4.8%	+4.9%

£ thousands

### NOTES IN CIRCULATION BY DENOMINATIONS

End of February	1954	1955	1956	1957	1958
10s. ...	90,490	93,556	95,351	96,236	98,219
£1 ...	1,179,960	1,264,574	1,357,248	1,404,611	1,337,894
£5 ...	191,556	217,797	242,097	271,170	421,424
£10 ...	763	694	652	603	573
£20 ...	343	315	299	282	257
£50 ...	695	629	592	556	517
£100 ...	1,254	1,134	1,054	979	916
£200 ...	8	7	7	7	7
£500 ...	162	128	120	94	83
£1,000 ...	151	134	122	114	108
Over £1,000 (a) ...	84,680	86,530	90,340	99,420	105,620
	<u>1,550,062</u>	<u>1,665,498</u>	<u>1,787,882</u>	<u>1,874,072</u>	<u>1,965,618</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 banks of issue in Scotland and Northern Ireland as cover for their excess note issues.

### DENOMINATIONS OF NOTES AS PERCENTAGE OF TOTAL CIRCULATION

End of February	1956	1957	1958
10s. ... ..	5.3	5.1	5.0
£1 ... ..	75.9	75.0	68.1
£5 ... ..	13.5	14.5	21.4
£10-£1,000 ...	0.2	0.1	0.1
Over £1,000 ...	5.1	5.3	5.4
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The increase in the circulation of £5 notes, from 14.5% to 21.4%, follows upon the introduction in February, 1957, of a note of new design and smaller size.

The note circulation at Christmas, 1957, was higher than ever before: £2,128 million, at the 24th December, 1957, an increase of £130 million on the corresponding peak figure for 1956.



The Fiduciary Issue rose on balance by £75 million to £2,000 million :—

		FIDUCIARY ISSUE £ millions	
1957 March	1st		1,925
April	5th	+ 50	
June	5th	+ 25	
July	2nd	+ 50	
„	26th	+ 25	
August	20th	— 50	
September	10th	— 25	
November	25th	+ 50	
December	6th	+ 50	
„	13th	+ 50	
1958 January	2nd	— 50	
„	9th	— 50	
„	17th	— 50	2,000

The Currency and Bank Notes Act, 1954, provides for a Fiduciary Issue of £1,575 million and empowers H.M. Treasury, after representations by the Bank, to vary this amount; but, except under the authority of a Statutory Instrument (subject to annulment in pursuance of a resolution of either House of Parliament), the total may not remain above the figure of £1,575 million for longer than two years. The amount of the Fiduciary Issue having continuously exceeded that figure since the 15th March, 1954, Orders were made on the 28th February, 1956, and the 28th February, 1958, in each case authorising the maintenance of a level higher than £1,575 million for a further period of two years.

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

£ thousands						
End of February				1957	1958	Change
<b>Liabilities</b>						
Notes in Circulation	...	...	...	1,874,072	1,965,618	+ 91,546
Notes in Banking Department	...	...	...	51,286	34,741	— 16,545
Notes Issued	...	...	...	<u>1,925,358</u>	<u>2,000,359</u>	<u>+ 75,001</u>
<b>Assets</b>						
Government Debt	...	...	...	11,015	11,015	—
Other Government Securities	...	...	...	1,910,188	1,985,214	+ 75,026
Other Securities	...	...	...	784	756	— 28
Coin other than Gold Coin	...	...	...	3,013	3,015	+ 2
Fiduciary Issue	...	...	...	1,925,000	2,000,000	+ 75,000
Gold Coin and Bullion	...	...	...	358	359	+ 1
				<u>1,925,358</u>	<u>2,000,359</u>	<u>+ 75,001</u>



## Floating Debt

The outstanding total of the Floating Debt, as given in the Exchequer Returns for the last week in February, showed an increase during the year of £335 million:

£ millions				FLOATING DEBT OUTSTANDING					Change 1958 on 1957
				Last Saturday in February	1954	1955	1956	1957	
Treasury Bills	...	...	...	4,371	4,842	5,107	4,198	4,544	+ 346
Ways and Means Advances:									
Public Departments	...	...	...	279	268	246	194	183	— 11
Bank of England	...	...	...	—	—	2	—	—	—
				<u>4,650</u>	<u>5,110</u>	<u>5,355</u>	<u>4,392</u>	<u>4,727</u>	<u>+ 335</u>

An analysis of this increase by main type of transaction is given in the table below. Government Debt transactions with overseas governments and institutions, together with the provision of additional sterling capital for the Exchange Equalisation Account, are treated as external transactions.

£ millions							EFFECT ON FLOATING DEBT	
							INCREASES (+)	DECREASES (-)
Budget								
Surplus excluding advances to nationalised industries	... ..	...	...	...	...	...	- 199	
Advances to nationalised industries	... ..	...	...	...	...	...	+ 481	+ 282
Civil Contingencies Fund, provision of temporary capital	... ..	...	...	...	...	...		+ 25
Stock operations								
Redemptions								
5% Exchequer Stock, 1957	... ..	...	...	...	...	...	+ 300	
2½% Funding Stock, 1952-57	... ..	...	...	...	...	...	+ 101	
2½% Serial Funding Stock, 1957	... ..	...	...	...	...	...	+ 503	
							+ 904	
Issues								
4½% Conversion Stock, 1962	... ..	...	...	...	...	...	- 99	
5½% Exchequer Stock, 1966	... ..	...	...	...	...	...	- 498	
5½% Funding Stock, 1982-84	... ..	...	...	...	...	...	- 295	
							- 892	
Net effect of stock operations	... ..	...	...	...	...	...		+ 12
Internal transactions								
Terminable Annuities paid off	... ..	...	...	...	...	...	+ 49	
Tax Reserve Certificates, net repayment	... ..	...	...	...	...	...	+ 5	
National Savings Certificates and Defence Bonds, net repayment	... ..	...	...	...	...	...	+ 46	
Premium Savings Bonds, net subscription	... ..	...	...	...	...	...	- 78	
National Land Fund, reduction of capital	... ..	...	...	...	...	...	- 45	
Other	... ..	...	...	...	...	...	+ 4	- 19
External transactions								
Export-Import Bank Loan	... ..	...	...	...	...	...	- 89	
Canadian Interest-Free Loan, repayments of principal	... ..	...	...	...	...	...	+ 11	
International Monetary Fund and International Bank for Reconstruction and Development:								
Net repayment of Interest-Free Notes	... ..	...	...	...	...	...	+ 14	
European Payments Union Credit, net receipts	... ..	...	...	...	...	...	- 10	
Exchange Equalisation Account, provision of sterling capital	... ..	...	...	...	...	...	+ 100	
Other	... ..	...	...	...	...	...	+ 9	+ 35
Net increase in Floating Debt	... ..	...	...	...	...	...		<u>+ 335</u>



The average rate of discount per cent. at which 91-day Treasury Bills were allotted fell, with some fluctuations, from £4:-:0.78 at the beginning of the period to £3:14:9.00 on the 3rd May; it then rose to £4:4:8.24 immediately before the increase in Bank Rate to 7% on the 19th September, 1957. At the following tender the rate was £6:12:1.02, and, by the end of the period, it had fallen, after some fluctuations, to £6:-:3.28.

63-day Treasury Bills were offered in amounts of £40 million or £50 million in eight consecutive weeks from the 1st November to the 20th December, 1957; the average rate of discount at which the Bills were allotted varied between £6:12:9.02 and £6:9:9.98.

## 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, the Post Office Savings Department and the Trustee Savings Banks, showed a net decrease during the year of £33 million. The total number of transfers registered was 686,000, a decrease of 2.4% 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>					
End of February		1955	1956	1957	1958
British Government Securities					
Stock	...	14,355	14,487	15,136	15,086
Bearer Bonds	...	102	98	94	90
Total	...	<u>14,457</u>	<u>14,585</u>	<u>15,230</u>	<u>15,176</u>
Other Securities					
Treasury Guaranteed	...	2,984	3,329	3,327	3,325
Dominion & Colonial	...	185	191	195	202
Local Authorities	...	154	158	178	195
Public Boards, etc.	...	58	58	62	61
Miscellaneous	...	16	15	15	15
Total	...	<u>3,397</u>	<u>3,751</u>	<u>3,777</u>	<u>3,798</u>
Grand Total		<u>17,854</u>	<u>18,336</u>	<u>19,007</u>	<u>18,974</u>

The following operations were undertaken during the year :—

REDEMPTIONS					
All at par for cash					
					<i>£ millions</i>
5% Exchequer Stock, 1957	...	...	...	15th June, 1957	300.0
2½% Funding Stock, 1952-57	...	...	...	15th June, 1957	98.9
Corporation of London 3% Debenture Stock, 1957	...	...	...	1st July, 1957	1.1
Corporation of London 2½% Debenture Stock, 1957	...	...	...	1st July, 1957	1.1
2½% Serial Funding Stock, 1957	...	...	...	14th November, 1957	502.9



## ISSUES

For cash at price stated					£ millions
4½% Conversion Stock, 1962 ... ..	...	...	@ £99%	8th May, 1957	100
Government of the Federation of Rhodesia and Nyasaland 6% Stock, 1976-79 ... ..	...	...	@ £96%	7th January, 1958	10
5½% Exchequer Stock, 1966 ... ..	...	...	@ £99:10s.%	14th January, 1958	500
London County 6% Stock, 1975-78 ... ..	...	...	@ £99:10s.%	7th February, 1958	20
5½% Funding Stock, 1982-84 ... ..	...	...	@ £98:10s.%	14th February, 1958	300

## Gold and Foreign Exchange Markets—Movements in Reserves

Although sterling rose to parity with the U.S. dollar at one time in February, 1957, it did not recover completely from the strains of the events of the latter part of 1956. The spring of 1957 brought no more than a moderate growth in the gold and dollar reserves, although seasonal influences are favourable to the pound at this time. Thereafter an exchange crisis affecting both sterling and European currencies developed.

The dominant position of Germany in the European Payments Union, with monthly surpluses consistently over \$100 million and rising to \$281 million in the month of August, and the pressures on the French franc, caused widespread concern. German export surpluses swelled exchange holdings which were further increased by an inflow of speculative funds. The growing strength of the deutschmark began to affect other currencies and the main impact fell first on France. In July the French net monthly deficit in E.P.U. was over \$130 million: the Bank of France continued to have to support the franc in the spot exchange market while francs were heavily offered forward.

In August the franc rate against foreign currencies was raised by 20% except for raw material imports and certain other transactions to which the old rate applied. A considerable bear position had been built up against the franc in favour of the deutschmark and speculators who had sold francs thereafter turned against the pound, on the assumption that either sterling would be devalued or the deutschmark revalued. As this movement gained strength there was also heavy selling of sterling against dollars. Nor was the pound the only currency to be affected. The Dutch guilder and some other currencies also came under pressure and the premium for forward deutschmarks widened rapidly in all centres until it reached the equivalent of 15% per annum against sterling. To counteract the immediate effect upon their reserves of this strong movement into deutschmarks, the authorities in some Continental countries decided to sell deutschmarks forward and, to avoid shouldering the exchange risk on the whole of Europe's demands for deutschmarks, they had perforce to limit their sales of forward deutschmarks in their markets to their own nationals, thus adding to the general anxiety. Along with the movements in the official markets, transferable sterling, which had improved early in 1957 and had then remained steady, weakened sharply in August in the free markets in Switzerland and New York. (See Annex 1).

An increased demand for Canadian and American securities by residents of the U.K. and the consequent outflow of capital led to the withdrawal in July, 1957, of existing Exchange Control permissions which allowed U.K. residents to acquire foreign currency securities from residents of the overseas scheduled territories.



Rumours of exchange adjustments were current from August onwards ranging from a discussion of the possibility of a revaluation of the deutschmark and a devaluation of sterling to a general realignment of European currencies. Any intention to revalue was strongly denied from German sources and expectation of a devaluation of the pound increased. In consequence, continued support had to be given to spot sterling and substantial forward discounts were established.

On the 20th September, immediately following the increase of Bank Rate to 7%, banks were informed that re-finance facilities to non-residents and usance credits covering trade between countries outside the Scheduled Territories would not be permitted. A week later, at the meeting in Washington of the International Monetary Fund, the Chancellor of the Exchequer and the German representatives expressed the determination of each of their Governments to maintain unchanged the exchange value of their respective currencies.

Further external measures were taken to show that the means as well as the will existed to maintain the exchange value of the pound. The "stand-by" credit for \$739 million arranged with the International Monetary Fund in December, 1956, for one year was extended until the 21st December, 1958, and \$250 million was drawn in October, 1957, under the line of credit for U.S. \$500 million which had been arranged with the Export-Import Bank in February, 1957. This line of credit was extended for a further year from February, 1958. Early in 1957, changes were negotiated in the terms of the U.S. and Canadian lines of credit arranged in 1945 and 1946 and the post-war Lend-Lease Agreement. The original agreements contained provisions for interest to be waived in certain conditions. Until it had been determined whether these conditions had been satisfied, the interest due in December, 1956, was set aside on special accounts. Under the new agreements this interest was deferred and the sums set aside were returned to the reserves in April, 1957. It was also agreed that seven future instalments of both principal and interest might be deferred at H.M. Government's option for ultimate repayment in the year 2001 and thereafter; the first such deferment was taken in December, 1957.

The combined effect of all these measures was that the loss of reserves ceased in October; from November onwards there were steady monthly increases. At the end of February, 1958, the reserves at \$2,539 million (which included the \$250 million drawn from the Export-Import Bank line of credit) stood \$689 million higher than at the end of September. The wave of currency speculation ceased at the end of September, almost as suddenly as it had begun early in August. Thereafter the foreign exchange markets were active but orderly and the position of the pound sterling steadily improved.

During the second half of 1957, which covered the period of the exchange crisis and remedial measures, the gold and dollar reserves (after excluding the drawing on the Export-Import Bank credit) fell by £128 million, while reported overseas sterling holdings fell by £242 million. During the period Germany acquired and deposited £75 million for further debt payments. But there was a striking difference between the third and fourth quarters. In the third quarter the gold and dollar reserves fell by £189 million and overseas sterling holdings by £133 million; in the fourth quarter the gold and dollar reserves, not counting the Export-Import Bank drawing, rose by £62 million, while overseas sterling holdings fell by £109 million. (See Annexes 2 and 4.)

The supply of sterling notes in markets abroad has for many years been very small but because only limited amounts could be brought into the United Kingdom by travellers the rates for sterling notes have from time to time shown an undue discount on the official rates, especially at times outside the tourist season. In February, 1958, the ban on the import of sterling notes into the United Kingdom which had been in existence since 1939 was removed. This immediately caused the discount on sterling notes to disappear.



## **Gold Market**

The disturbed conditions ruling in the exchange market did not extend to the London gold market. Substantial sales of gold by Russia in the early part of 1957 had forced the international price down to the equivalent of \$34.85 per fine ounce. By February it had already started to recover and between March and December the price ranged between \$34.90 and a little over \$35, intermittent Russian sales being well absorbed. The New Year opened quietly but in late January there was a recurrence of talk in the market of the possibility of a higher price for gold in the U.S.A. The gold price rose fairly sharply to around the level at which gold can be obtained by Central Banks from the U.S. Assay Office, namely, \$35.08 $\frac{3}{4}$  per fine ounce. At the end of February, 1958, the London price remained around this level and showed no signs of easing.

## **Payments Arrangements**

### **European Payments Union**

The European Payments Union was renewed for a further year until the 30th June, 1958, without change in the rules under which it had been operating. In connection with the renewal, arrangements concluded in 1954 and extended in 1956 for the settlement by debtors directly with creditors of part of the outstanding obligations in the Union were extended to cover additional amounts. These additional arrangements, so far as they concerned the United Kingdom, covered an amount of U.S. \$115 million and their effect was to prolong the repayment period with only a very small increase in the amount of annual instalments.

During the twelve months ended February, 1958, the United Kingdom incurred a net deficit of £91 million. This entailed the payment to the Union of £68 million in gold and U.S. dollars and the receipt from the Union of £23 million credit, but £22 million credit was repaid under the bilateral amortisation agreements concluded in 1954 and extended in 1956 and 1957. By the end of February, 1958, the United Kingdom had received from the Union £121 million credit (50% of the total available under the present arrangements)—see Annex 3.

### **Transferability of Sterling**

Membership of the Transferable Account Area remained unchanged except that Egypt was reinstated in the Area in May, 1957, certain restrictions, however, still being maintained on Egypt's sterling balances existing at that time and on payments to her by residents of the United Kingdom.

United Kingdom merchanting transactions between non-Sterling Area countries on a sterling basis amounted in 1957 to £264 million, compared with a revised figure of £206 million in 1956, and with £178 million in 1955, £163 million in 1954 and £142 million in 1953. These figures include those transactions allowed under Commodity Market Schemes which took place in sterling.

## **Exchange Control**

The major changes in Exchange Control administration during the year are set out in Annex 5.



## Commodity Markets

No new Commodity Market Schemes were introduced, but the value of commodities sold under the existing Schemes to countries outside the Sterling Area continued to increase :—

1954	...	...	...	...	£299 million
1955	...	...	...	...	£393 „
1956	...	...	...	...	£424 „
1957	...	...	...	...	£519 „

A large part of the increase was due to sales of sugar, both raw and refined, which in value were double those in 1956 and reflected the higher prices ruling in the first half of 1957. London made further progress in re-establishing itself as the centre of the world's copra trade. Sales of cocoa and cotton increased but sales of most of the other Scheme commodities were lower, reflecting the generally lower level of prices and of consumer demand ; in particular sales of rubber and copper were substantially less.

There was some evidence that industrial buyers of raw materials were beginning again to appreciate the scope offered by markets for hedging of price risks and for advantageous buying.

With the exception of the Liverpool Markets for Cotton and Wheat, where outside influences restricted activity, the "futures" markets fulfilled their functions well in conditions not always best suited to them. Notably, large business was done by the London Wool Terminal Market, whose turnover in the merino contract was much larger than was achieved in the corresponding contract of all the other international wool markets combined ; and the London Terminal Sugar Market which was re-opened in January, 1957, developed satisfactorily. Of the other London terminal markets those for Rubber and Maize were comparatively quiet but the markets for Barley, Cocoa and Metals were very active at times and were able to absorb bouts of heavy selling pressure without undue difficulty.

The Bank continue to enjoy the same close relations as in previous years with the representative organisations of the various Markets.

## Overseas Investments

Estimates covering part of the overseas investments of the United Kingdom, tabulated by types of investment and by countries, have been prepared for the year 1956, in continuation of those for the years 1938 to 1955 previously published by the Bank. They give the total nominal value of the U.K. overseas investments covered by the survey. Nominal value provides little indication of the realisable value, but it is a convenient basis for observing changes in the ownership of investments. The estimates show the total nominal value of U.K. overseas investments covered by the survey as £2,110 million at the end of 1956 ; this compares with revised figures of £2,144 million at the end of 1955 and £2,132 million at the end of 1954. The total of interest and dividends from these investments for the year 1956 was £223.1 million, against revised figures of £207.8 million in 1955 and £187.0 million in 1954\*.

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\* A limited number of copies of a paper showing the detailed figures for 1956 are available from the Secretary, Bank of England.



# BANK OF ENGLAND

28TH FEBRUARY, 1958

## ISSUE DEPARTMENT

	£		£
Notes Issued		Government Debt ... ..	11,015,100
In Circulation ... ..	1,965,617,998	Other Government	
In Banking Department...	34,740,863	Securities ... ..	1,985,214,175
		Other Securities ... ..	755,987
		Coin other than Gold Coin	3,014,738
		Amount of	
		Fiduciary Issue ... ..	£2,000,000,000
		Gold Coin and Bullion ...	358,861
		(@ 249s. 5d. per oz. fine)	
	<u>£2,000,358,861</u>		<u>£2,000,358,861</u>

L. K. O'BRIEN, *Chief Cashier.*

## BANKING DEPARTMENT

	£		£
Capital ... ..	14,553,000	Government Securities ...	253,929,862
Rest ... ..	3,914,472	Other Securities	
Public Deposits		Discounts and Advances	
(including Exchequer, Savings		£23,215,010	
Banks, Commissioners of National		Securities	
Debt, and Dividend Accounts)		£21,532,516	44,747,526
	10,947,186	Notes ... ..	34,740,863
Other Deposits		Coin ... ..	2,346,126
Bankers			
£232,160,401			
Other Accounts			
£74,189,318	306,349,719		
	<u>£335,764,377</u>		<u>£335,764,377</u>

L. K. O'BRIEN, *Chief Cashier.*



**EXCHANGE RATES**  
 Monthly range of quotations <sup>(a)</sup>

(Continued overleaf)

	U.S. dollars (1)	Transferable sterling (2)	Security sterling (b) (3)	London premium on U.S.\$ securities (c) (4)	Canadian dollars (5)
Parity ...	2.80				—
<b>1957</b>				%	
January ...	2.78 $\frac{3}{16}$ — 80 $\frac{1}{8}$	2.7485 — 7705	2.59 — 65 $\frac{1}{2}$	5 $\frac{1}{8}$ — 8 $\frac{1}{8}$	2.67 $\frac{5}{16}$ — 9 $\frac{5}{16}$
February ...	2.79 $\frac{1}{16}$ — 80 $\frac{1}{16}$	2.7615 — 7700	2.60 $\frac{1}{4}$ — 4 $\frac{1}{4}$	6 — 7 $\frac{1}{8}$	2.67 $\frac{1}{4}$ — 8 $\frac{1}{8}$
March ...	2.78 $\frac{1}{8}$ — 9 $\frac{1}{8}$	2.7570 — 7640	2.58 $\frac{1}{2}$ — 62 $\frac{1}{4}$	6 $\frac{7}{8}$ — 8 $\frac{1}{2}$	2.66 $\frac{1}{8}$ — 7 $\frac{7}{8}$
April ...	2.78 $\frac{1}{2}$ — 9 $\frac{3}{8}$	2.7580 — 7715	2.55 $\frac{1}{2}$ — 61 $\frac{1}{2}$	7 $\frac{1}{8}$ — 9 $\frac{3}{8}$	2.66 $\frac{1}{8}$ — 8 $\frac{1}{8}$
May ...	2.78 $\frac{1}{16}$ — 9 $\frac{1}{2}$	2.7700 — 7780	2.55 $\frac{1}{4}$ — 8 $\frac{3}{4}$	8 $\frac{5}{16}$ — 10	2.65 $\frac{1}{16}$ — 7 $\frac{1}{2}$
June ...	2.78 $\frac{1}{4}$ — 9 $\frac{3}{8}$	2.7700 — 7780	2.56 $\frac{1}{8}$ — 63 $\frac{1}{2}$	6 — 9 $\frac{1}{8}$	2.65 $\frac{7}{16}$ — 6 $\frac{9}{16}$
July ...	2.78 $\frac{5}{16}$ — 9 $\frac{1}{4}$	2.7695 — 7790	2.62 — 73	6 $\frac{1}{4}$ — 20	2.63 $\frac{1}{4}$ — 6 $\frac{1}{8}$
August ...	2.78 $\frac{1}{4}$ — 8 $\frac{9}{16}$	2.7495 — 7750	2.63 — 71 $\frac{1}{4}$	12 $\frac{1}{4}$ — 18 $\frac{1}{4}$	2.62 $\frac{5}{16}$ — 5 $\frac{7}{16}$
September ...	2.78 $\frac{1}{4}$ — 9 $\frac{9}{16}$	2.7490 — 7750	2.67 $\frac{1}{2}$ — 72 $\frac{1}{2}$	8 $\frac{1}{2}$ — 19 $\frac{1}{2}$	2.64 $\frac{1}{2}$ — 70
October ...	2.79 $\frac{1}{4}$ — 80 $\frac{1}{2}$	2.7720 — 7845	2.70 $\frac{1}{4}$ — 4 $\frac{1}{4}$	7 $\frac{1}{4}$ — 13 $\frac{1}{2}$	2.67 $\frac{1}{16}$ — 71 $\frac{1}{16}$
November ...	2.79 $\frac{7}{16}$ — 80 $\frac{1}{4}$	2.7790 — 7915	2.72 $\frac{1}{4}$ — 7 $\frac{1}{4}$	8 — 11 $\frac{1}{4}$	2.68 $\frac{7}{16}$ — 72
December ...	2.80 $\frac{3}{16}$ — 1	2.7855 — 7925	2.73 $\frac{1}{4}$ — 6 $\frac{1}{2}$	7 $\frac{1}{2}$ — 9 $\frac{1}{4}$	2.71 $\frac{1}{4}$ — 6 $\frac{1}{4}$
<b>1958</b>					
January ...	2.80 $\frac{1}{16}$ — 1 $\frac{1}{8}$	2.7830 — 7930	2.72 $\frac{1}{2}$ — 5	7 $\frac{5}{8}$ — 9 $\frac{1}{4}$	2.75 $\frac{1}{4}$ — 8 $\frac{1}{16}$
February ...	2.80 $\frac{5}{8}$ — 1 $\frac{1}{16}$	2.7890 — 7955	2.73 $\frac{1}{4}$ — 9 $\frac{1}{4}$	3 $\frac{1}{4}$ — 8 $\frac{1}{2}$	2.74 $\frac{1}{16}$ — 7 $\frac{1}{16}$

(a) As reported to the Bank of England: columns 1, 4 and 5 by the London market; columns 2 and 3 from Zurich and New York.

(b) Sterling held by residents outside the Scheduled Territories, available only for the purchase of sterling securities with not less than five years to maturity.

(c) Premium on the foreign price (converted on the basis of \$2.80 to the £) at which U.S.\$ securities are dealt in for sterling between U.K. residents.



## EXCHANGE RATES (Continued.)

(a)  
Monthly range of quotations

		Deutschemark	Swiss francs	French francs	Dutch florins	Swedish kronor
		(1)	(2)	(3)	(4)	(5)
Parity		11.76	12.2439	980-1176(b)	10.64	14.485
<b>1957</b>						
January	...	11.71 — 6½	12.23½ — 8	982¼ — 7	10.64¼ — 7	14.45½ — 51¼
February	...	11.74½ — 6	12.27½ — 8½	986 — 7½	10.66½ — 8	14.49½ — 51½
March	..	11.72¼ — 6½	12.24¼ — 8½	984¼ — 7½	10.62¼ — 8½	14.44½ — 51½
April	...	11.73½ — 6½	12.25¼ — 8	985½ — 7½	10.63½ — 6¼	14.46½ — 51½
May	...	11.72½ — 6½	12.23½ — 7½	984½ — 7½	10.64½ — 7½	14.44½ — 50½
June	...	11.69¼ — 73½	12.20¼ — 4½	981¼ — 5¼	10.64¼ — 6½	14.44 — 5½
July	...	11.67¼ — 70½	12.18¼ — 21¼	979½ — 82¼	10.62½ — 5½	14.41½ — 9½
August	...	11.67¼ — 70	12.15½ — 9½	$\left\{ \begin{array}{l} 975 — 90(b) \\ 1,167¼ — 78 \end{array} \right\}$	10.61½ — 6½	14.39½ — 46½
September	...	11.67¼ — 75½	12.15½ — 23½	1,167¼ — 79	10.59¼ — 65½	14.42½ — 51
October	...	11.70½ — 9¼	12.21½ — 7½	1,176 — 84¼	10.61¼ — 4½	14.46¼ — 9½
November	...	11.76 — 8¼	12.25½ — 7½	1,176½ — 84¼	10.62 — 3½	14.48½ — 51
December	...	11.74½ — 7½	12.23½ — 7½	1,171½ — 82	10.58 — 62¼	14.46 — 9½
<b>1958</b>						
January	...	11.75 — 8½	12.24¼ — 6¼	1,175 — 9	10.57¼ — 60¼	14.48¼ — 51½
February	...	11.76½ — 8	12.25½ — 8½	1,178 — 82¼	10.59½ — 64	14.49½ — 54

(a) As reported to the Bank of England by the London market.

(b) The franc equivalents applied to foreign currency transactions in France were raised by 20% from 12th August, 1957, tantamount to a change in the franc/sterling parity from 980 to 1,176. The rates shown are for periods on either side of the change on 12th August.



## EXCHANGE EQUALISATION ACCOUNT

## Holdings of Gold and Dollars

END OF MONTH			<i>In terms of</i> U.S.\$ millions	£ millions
1957	January	... ..	2,084	744
	February	... ..	2,147	767
	March	... ..	2,209	789
	April	... ..	2,320	828
	May	... ..	2,345	838
	June	... ..	2,381	850
	July	... ..	2,367	846
	August	... ..	2,142	765
	September	... ..	1,850	661
	October	... ..	2,093	747
	November	... ..	2,185	781
	December	... ..	2,273	812
1958	January	... ..	2,404	859
	February	... ..	2,539	907



(a)

## UNITED KINGDOM POSITION IN THE EUROPEAN PAYMENTS UNION

£ millions

	Net Surplus (+) Deficit (-) (b)	Settlements with E.P.U.		Credit Repaid Bilaterally (f)	Credit Extended (+) Received (-) at end of period
		Gold/U.S. \$ Received (+) Paid (-) (d)	Credit (e)		
<b>Year ending June</b>					
1951 ... ..	+217.0 (c)	+ 28.6	+104.3	—	+104.3
1952 ... ..	-538.8 (c)	-210.0	-331.4	—	-227.1
1953 ... ..	+135.8	+ 98.1	+ 37.8	—	-189.4
1954 ... ..	+ 32.1	+ 16.0	+ 16.0	—	-173.4
1955 ... ..	+ 44.9	+ 22.4	+ 22.4	+ 52.4	- 98.5
1956 ... ..	-120.3	- 83.9	- 36.4	+ 19.4	-115.6
<b>Months of</b>					
1956 July-December...	- 97.1	- 72.8	- 24.3	+ 14.0	-125.9
1957 January ...	+ 9.3	+ 7.0	+ 2.3	+ 1.1	-122.5
February ...	+ 7.9	+ 5.9	+ 2.0	+ 1.1	-119.4
March ... ..	- 3.0	- 2.3	- 0.8	+ 1.1	-119.1
April ... ..	+ 16.4	+ 12.3	+ 4.1	+ 1.1	-113.9
May ... ..	- 7.5	- 5.6	- 1.9	+ 1.1	-114.7
June ... ..	- 10.2	- 7.7	- 2.6	+ 1.4	-115.8
July ... ..	- 18.2	- 13.7	- 4.6	+ 8.6	-111.7
August ... ..	- 63.5	- 47.6	- 15.9	+ 1.1	-126.4
September ...	- 61.6	- 46.2	- 15.4	+ 1.4	-140.4
October ...	+ 8.7	+ 6.6	+ 2.2	+ 1.1	-137.1
November ...	- 1.4	- 1.1	- 0.4	+ 1.1	-136.3
December ...	- 6.0	- 4.5	- 1.5	+ 1.1	-136.7
1958 January ...	+ 10.6	+ 8.0	+ 2.7	+ 1.1	-132.9
February ...	+ 44.7	+ 33.5	+ 11.2	+ 1.1	-120.6
Cumulative July 1950 to February, 1958...	-400.3	-257.0	-230.1	+109.5	-120.6 (g)

(a) Settlements with E.P.U. and repayments of credit are shown against the period to which they relate; they normally take place about two weeks after the end of that period. Any differences between the sum of individual items and the totals, are due to rounding.

(b) Including interest on credit paid and received.

(c) For the years ending June, 1951 and June, 1952 the figures shown under "Settlements with E.P.U." do not add up to the "net surplus/deficit". The reason is that (i) the U.K. made an advance to the Union by agreeing to start with an "initial debit balance" of \$150 million and (ii) the U.K. and other countries made use of accrued currency balances known as "existing resources".

(d) Up to 30th June, 1954 the gold/credit ratio for settlements varied with a country's cumulative position. From 1st July, 1954 to 31st July, 1955 the ratio was 50% gold/50% credit and since 1st August, 1955 it has been 75% gold/25% credit.

(e) Increase in claim, decrease in debt (+); decrease in claim, increase in debt (-).

(f) By payments to creditor countries in gold, dollars and sterling. Including initial payments of £35.3 million on 1st July, 1954.

(g) 50% of the total credit available to the United Kingdom.



## OVERSEAS STERLING HOLDINGS

1957

*£ millions*

End of month	March	June	September	December
Sterling Area Countries				
U.K. Colonies ... ..	895	901	886	882
Other sterling area countries ... ..	2,022	2,024	1,903	1,817
	<u>2,917</u>	<u>2,925</u>	<u>2,789</u>	<u>2,699</u>
Non-sterling countries				
Dollar area ... ..	50	50	30	35
Other western hemisphere countries	33	36	29	31
O.E.E.C. countries ... ..	199	205	273	258
Other non-sterling countries ... ..	286	278	248	244
	<u>568</u>	<u>569</u>	<u>580</u>	<u>568</u>
All countries ... ..	<u>3,485</u>	<u>3,494</u>	<u>3,369</u>	<u>3,267</u>
Non-territorial organisations ... ..	665	660	652	645
Total ... ..	<u><u>4,150</u></u>	<u><u>4,154</u></u>	<u><u>4,021</u></u>	<u><u>3,912</u></u>



## Changes in Exchange Control Regulations

The following were the major changes made in Exchange Control administration during the year :—

### **Egyptian Monetary Area**

*15th March, 1957.*

The existing general and specific permissions to Authorised Depositories were revoked regarding :—

- (a) transactions by residents of the Egyptian Monetary Area in securities and in sterling held on Blocked Sterling Accounts of such residents and
- (b) other matters affecting securities (including export) held by such residents, except for the crediting to Egyptian or Egyptian Blocked Sterling Accounts of income and capital payments in respect of securities held by residents of the Egyptian Monetary Area.

*13th May, 1957.*

An Order was made under the Exchange Control Act which had the effect of reinstating the Egyptian Monetary Area in the Transferable Account Area while maintaining the existing restrictions on the use of Egyptian Accounts and No. 2 Accounts of banks in the Egyptian Monetary Area. Administratively, only the National Bank of Egypt was allowed to open and conduct a Transferable Account and credits thereto by United Kingdom residents were restricted to those in respect of Suez Canal dues and ships' disbursements.

### **Dealings in Foreign Currency Notes**

*28th May, 1957.*

Authorised Banks were advised that notes of the currencies included in the E.P.U. arbitrage arrangements could now be bought anywhere in the Transferable Account Area for travel purposes against payment in sterling to a Transferable Account.

### **Travel Abroad**

*5th June, 1957.*

It was announced that in future the Basic Travel Allowance would be available in the American Account Area and Canada.

### **Sterling Transfer Forms and Forms E**

*12th June, 1957.*

Sterling Transfer Forms and Forms E were no longer required for payments up to £250 for imports into the Scheduled Territories (other than the United Kingdom).



**Securities***13th June, 1957.*

A Notice to Authorised Depositaries was issued giving permission :—

- (a) for funds held on or eligible for credit to Blocked Sterling Accounts to be invested in 3½% War Loan ;
- (b) for Authorised Depositaries to deal with the assets held on behalf of emigrants and subject to restriction under Section 40 of the Exchange Control Act as though they were blocked under Section 32.

**Education Abroad***2nd July, 1957.*

Authorised Banks were permitted to approve up to £700 for education in Canada and the American Account Area and the stricter standards hitherto applied in respect of higher education in those countries were brought into line with standards for the Transferable Account Area.

**Securities***5th July, 1957.*

Existing general and specific permissions to Authorised Depositaries in respect of sales to or acquisition by United Kingdom residents of foreign currency securities owned by residents of the overseas Scheduled Territories were withdrawn. Bank of England permission was in future required for :—

- (a) transfers outside the United Kingdom of foreign currency securities by residents of other Scheduled Territories to United Kingdom residents ;
- (b) dealings in foreign currency securities by residents of other Scheduled Territories which take place within United Kingdom jurisdiction.

**Payments for Imports***16th July, 1957.*

Authorised Banks were permitted to approve applications in respect of imports into the United Kingdom of diamonds, films, furs, ships and tobacco.

**Credit Facilities***20th September, 1957.*

Banks were informed that no further re-finance facilities might be provided to non-residents. In addition, sterling credits for the purchase of goods by one non-resident from another might no longer provide for payment by usance drafts. Authorised Banks' authority to open, etc., such credits was restricted to documentary sight credits only.



**Exports**

31st October, 1957.

Authorised Banks' authority to approve the use of commission or proceeds of insurance claims for exports was extended to cover the use for that purpose of any remittable funds.

**Sterling Notes—Import**

28th February, 1958.

It was announced that all restrictions on the import of sterling notes into the United Kingdom were removed henceforth ; such notes received from abroad could be credited to the type of account appropriate to the country of the sender. The export of notes in bulk by Authorised Banks to correspondents abroad, for which they had a general permission, was made subject to supervision by the Bank of England.

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



