BANK OF ENGLAND

REPORT FOR THE YEAR ENDED

29th FEBRUARY

1960

Issued by Order of the Court of Directors, 30th June, 1960.

COURT OF DIRECTORS

FOR THE YEAR ENDED 29TH FEBRUARY, 1960.

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*The term of office of these Directors expired on the 29th February, 1960, and they were reappointed for a period of four years.

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BANK OF ENGLAND

Report for the year ended 29th February, 1960

The Committee on the Working of the Monetary System, under Lord Radcliffe's chairmanship, published its Report on the 19th August, 1959. This Committee had been appointed in May, 1957, by the then Chancellor of the Exchequer, " to inquire into the working of the monetary and credit system and to make recommendations ". The Bank of England's evidence before the Committee, both written and oral, was published on the 15th March, 1960.

The Report was debated in the House of Lords on the 11th November, 1959, and in the House of Commons on the 26th November. On the latter occasion the Chancellor of the Exchequer stated the attitude of H.M. Government to various views and recommendations put forward by the Committee: the part of his statement which related to the Bank of England is quoted in full on pages 28/29 following Chapter III.

In the Bank's last two Annual Reports the hope was expressed that certain of the evidence submitted to the Radcliffe Committee might (subject to that Committee's recommendations) form the basis, in future years, of more detailed Annual Reviews of the monetary situation. Referring to the Radcliffe Committee's Report in a speech at the Mansion House on the 12th November, 1959, the Governor said:

> " All of us who gave evidence will, I think, be grateful to the Radcliffe Committee for the care and skill with which they sifted that evidence and for the lucid exposition which the Report gives of the workings of the City. After twenty years of turmoil, change and crisis the City may also derive some modest satisfaction from the clean bill of health given to its institutions. The one fundamental criticism, of financial institutions in general and the Bank of England in particular, is that we should go further and faster in the assembly, and more particularly in the publication, of financial information, and in the business of explaining to the public what we are about. I can say at once that the Bank of England accept the Committee's general conclusions on this subject. . . . We have already undertaken to produce a more detailed annual report, and we shall hope in due course to supplement it with some other form of publication."

The present Report is a first step in the carrying out of these intentions. Plans for the next step have been made and it is hoped to issue the first number of a quarterly bulletin about the end of 1960.

The Annual Report of the Bank of England formally covers the year to the end of February. Presenting it this year in greater detail, it is convenient to refer to financial statistics that run from the 19th March, 1959, to the 16th March, 1960, (being the dates to which the principal banking statistics relate) and for some purposes to refer to the financial year 1959/60. This Report does not cover events which have taken place since March, 1960, notably the introduction on the 28th April, 1960, of the Special Deposits Scheme announced on the 3rd July, 1958.

CHAPTER I

THE CAPITAL AND MONEY MARKETS

This chapter of the Report contains two sections. The first begins with a brief account of the economic background and goes on to describe the broad undercurrent of monetary trends upon which official policy had its impact. The second is concerned with the evolution of official monetary policy and with the technical reasoning behind it.

ECONOMIC AND MONETARY TRENDS

The economic situation

The series of measures taken during 1958 to counteract the decline in total demand in the United Kingdom had begun to take effect before the beginning of the year under review. In the closing months of 1958 the trend of consumers' expenditure had turned sharply upwards, owing partly to the removal of restrictions on hire purchase and bank lending, and partly to the rise in incomes resulting from wage settlements concluded towards the end of 1958.

The Budget introduced in April, 1959, contained measures both to encourage private capital expenditure and to give an additional stimulus to consumer demand. As a result of these latter measures and of the continuing effect of earlier action, together with some further increase in personal incomes due to a higher level of employment and to additional hours worked, consumers' expenditure continued to rise, with little interruption, throughout 1959/60.

Meanwhile the progress of economic recovery in other industrial countries assisted a revival of exports. The declining trend had been arrested towards the end of 1958 and a renewal of growth followed, the value of exports rising by as much as 16% between the first quarters of 1959 and 1960. Shipments to North America were the first to recover, followed by those to Western Europe and, towards the end of 1959, by sales to the important markets in the Overseas Sterling Area.

In addition to consumers' expenditure and exports, fixed investment as a whole was also an expansionary force during the year. Capital expenditure in the public sector, increases in which had earlier been authorised, began to grow, while the demand for new houses and for commercial building was very strong. Private investment in manufacturing industry, however, had fallen during the financial year 1958/59 and showed few notable signs of recovery until the end of 1959. The movement of stocks is difficult to assess; but it seems that the rate of stock accumulation, low since the autumn of 1957, increased markedly in the latter half of 1959, though apparently it was still somewhat slower than the rate of growth in total production.

The consequent rise in industrial production, though rapid and amounting to an annual rate of some 10% in the last three quarters of 1959, was unevenly distributed. The greatest expansion came in those sectors of industry which concentrated on the production of consumer goods, such as cars, household durable goods, textiles and clothing; and in those which benefited from the improvement in export markets, such as commercial vehicles, tractors and chemicals. There was a rapid recovery in the production of steel. The output of the building industry also increased, despite the absence of recovery in factory building, owing to the growth of private house building, commercial construction and work for the public sector. On the other hand makers of heavy capital equipment, affected by the decline in manufacturing investment, did not do so well; and aircraft manufacture, shipbuilding and coal mining all faced special difficulties. This meant that those parts of Britain in which these industries (other than aircraft) are relatively dominant—Scotland, Wales and the North-East of England—had less than their full share in the industrial expansion; and disproportionately high levels of unemployment persisted there despite a steady rise in the number of persons employed in the country as a whole.

During most of the year under review the recovery of production proceeded without threat of disturbance to the general stability of prices. There was little change in wage rates. Earnings per man-hour probably rose by some 4%, but this appears to have been within the limits of the exceptionally large rise in output per man-hour which was associated with the fuller use of capacity in 1959. There was a notable recovery in profits.

Early in 1960 there were many signs that a further substantial rise in demand was in prospect for that year, while the pressure of demand for labour, although still geographically uneven, appeared to be growing and shortages of sheet steel and of some building materials were reported. In January a survey of manufacturers' intentions carried out in the previous month indicated that a large increase in investment in this sector was to be expected. It became clear about the same time that a rise in the current expenditure of public authorities was also impending.

Meanwhile the upward trends, mentioned above, in other fixed capital investment, in consumers' expenditure and in exports looked like continuing. Imports were rising rapidly, and rather faster than exports. Agreements on wages and hours, in prospect over the next few months, seemed likely to cause a further substantial rise in wage earners' incomes and in wage costs (per hour) in industry. A corresponding increase in output per man-hour, in the circumstances of 1960, was difficult to foresee.

The monetary background

It will be recalled that the underlying situation in the capital and money markets changed very substantially during the financial year 1958/59 following the marked abatement of inflationary tendencies in the economy. Officially imposed restrictions upon the availability of credit to private borrowers at home were suspended; and interest rates steadied at levels appreciably lower than in the immediately preceding phase though somewhat high by historical standards. This steadiness in interest rates was, however, accompanied by a falling average dividend yield on ordinary shares.

Pronounced changes in the pattern of borrowing and lending then affected the monetary situation. Bank advances rose rapidly but this was not accompanied by a rise of comparable magnitude in bank deposits; indeed these rose little faster than previously. Instead there was an increase in the demand for government securities outside the London Clearing Banks and the Bank of England, Banking Department. This increase was so large that the general public (as thus defined) acquired government debt in net value considerably exceeding the sum which the Exchequer needed to borrow to meet its annual budgetary and extra-budgetary requirements. In these circumstances there resulted a reduction in the total of government debt held by the banks. The distribution of this reduction between different kinds of government debt was influenced by the need for the banks to maintain adequate liquidity; and it bore no necessary resemblance to the pattern of general public demand for government securities at prevailing prices and yields. Public demand was, in the event, especially strong for National Savings, forms of government obligation not held by the banks.

Although a notable change occurred towards the end, many of these features of the monetary situation persisted throughout the year that will now be reviewed.

The London Clearing Banks

The increase in lending by the London Clearing Banks to borrowers other than the central government, through advances, through the acquisition of "other" investments and commercial bills, and through call money other than to the discount market, totalled £686 million over the year to March, 1960. Of this the rise in advances was £642 million, an increase of 27%. Yet the net deposit liabilities of these banks, excluding "other accounts", rose only by £246 million; "other accounts" rose £78 million and liabilities on account of capital and reserves rose £60 million. The rise in advances therefore continued to be accompanied by a fall in the clearing banks' holdings of government debt. Including as government debt, for purposes of this analysis, both the clearing banks' call money with the discount market and their till money, this fall totalled £324 million; but within this total the need to protect liquidity constrained a fall of £448 million in holdings of government stocks and a rise of £124 million in other holdings, direct and indirect, of government debt.

Statistical information relating to the London Clearing Banks, over the whole year and by quarters of the year, is set out in more detail in Tables 1D and 4 of the Statistical Annex. The figures are influenced by certain seasonal factors, the most powerful of which is the incidence of budgetary finance. If an allowance is made for these, the rise in advances appears to have been very steady until the last two months of the year when a slackening is observable; but the problems of correct seasonal adjustment of these figures make it difficult to determine the extent of the slackening. The composition of the rise in advances, judging from the analysis published by the British Bankers' Association, was particularly influenced by the buoyancy of personal expenditure, by the prosperity of the building industry, and by the great activity in financial markets. The composition was probably also influenced by some continued rearrangement of financing, especially personal financing, favouring recourse to sources of credit restricted in earlier years. Nearly half the rise in advances by members of the British Bankers' Association over the year ended mid-February, 1960, was recorded in those categories of borrower most closely associated with the financing of personal expenditure (namely, " Personal and Professional ", " Retail Trade ", and " Hire Purchase Finance Companies "); and the rise in advances to these categories was very large in proportionate as well as absolute terms. Particularly sharp proportionate increases were also recorded in " Builders and Contractors " and in " Other Financial ". The full analysis of advances is shown in Table 5 of the Statistical Annex.

Seasonal factors apart, the increase of £246 million in net deposits at the clearing banks did not occur uniformly over the year as a whole. The rate of increase (seasonally adjusted) accelerated early in the year from approximately £175 million to over £600 million a year, but in the second half fell markedly away. During the last five months there seems to have been no further rise in net deposits. Sales of gilt-edged securities were most pronounced during the first two months and the last quarter of the year under review when pressure on liquidity, mainly for seasonal reasons, was heaviest. In one month, that ended the 16th March, 1960, holdings of gilt-edged securities fell by as much as £118 million.

The combined Liquidity Ratio[a] of the clearing banks at the 16th March, 1960, was 31·5%, slightly higher than a year earlier. The ratio of advances to gross deposits rose over the year from 35·6% to 42·7%, exceeding 40% for the first time since April, 1940; concurrently the ratio of investments to gross deposits fell from 29·1% to 21·3%. The pattern of asset structure that had prevailed before the war was thus on the way to re-establishment.

Exchequer financing

The cash requirement[b] of the Exchequer group[c] totalled £348 million for the year ended the 16th March, 1960; buoyancy of revenue, and some shortfall in expenditure ' below the line ' compared with original estimates, causing the overall budget deficit to be more than £400 million lower than contemplated in April, 1959.

The clearing banks' holdings, direct and indirect, of government debt fell by the £324 million already mentioned, but governmental net indebtedness to the Bank of England, Banking

(a) The ratio to gross deposits of the total of coin, notes and balances with the Bank of England, money at call and short notice, and bills discounted. This is the clearing banks' conventional measure of their liquidity; it does not take account of the extent to which they may hold assets of comparable liquidity under the heading " Investments ".

(b) The sum required to be borrowed to meet the overall budget deficit after taking account of net receipts/payments on account of extra-budgetary funds, etc., and of net sterling receipts/payments on account of external items. See Table 1A of the Statistical Annex.

(c) Comprising the Exchequer, the Paymaster General, the National Debt Commissioners, the Exchange Equalisation Account and the Issue Department of the Bank of England.

Department, and advances by the Bank to the discount market together increased by £16 million. The acquisition of government debt by other holders therefore totalled £656 million. An analysis of this acquisition is shown in the following summary table:

ESTIMATED ACQUISITION OF GOVERNMENT DEBT BY HOLDERS OTHER THAN THE EXCHEQUER GROUP, THE BANK OF ENGLAND, BANKING DEPARTMENT, AND THE LONDON CLEARING BANKS: 1959/60

	£ millions
Bank of England Notes	+ 91
National Savings	+340
Tax Reserve Certificates	− 43
Treasury Bills	+406
Gilt-edged Stocks	− 83
Gross Total	+711
Less rise in call money/advances to discount market by London Clearing Banks and Bank of England ...	− 55
Net Total	+656

Since in its external transactions the United Kingdom was in deficit, taking the current and long-term capital accounts together, the consequent changes in external monetary assets and liabilities tended to provide sterling finance to the government. Receipts by the Exchequer resulting from the fall in the gold and foreign exchange resources of the Exchange Equalisation Account were, however, less than the cost of the various other external capital transactions contributing to the total cash requirement. But the resulting net sterling payment by the Exchequer on account of external items was less than the rise in overseas sterling holdings (excluding those of the International Monetary Fund and International Bank for Reconstruction and Development) which represented in part a potential rise in demand for government securities. A proportion of the above total of £656 million must therefore be attributed to overseas holders. £98 million of marketable government debt was, in fact, acquired by overseas official holders of sterling; however, the aggregate of reported overseas sterling holdings (excluding those of the I.M.F. and I.B.R.D.) rose by some £150 million net over the period and, allowing for some increase in sterling credit extended by reporting banks to overseas, by rather more than £150 million gross. The total acquisition of government debt by overseas holders, either directly or through the placing of funds with U.K. financial institutions other than the clearing banks and the Bank of England, therefore may well have been greater than £98 million. Yet even if this total were put as high as £150 million the acquisition of government debt by domestic lenders outside the clearing banks and the Banking Department, at £506 million, would still exceed the Exchequer's cash requirement. Towards such a total of £506 million, the National Savings Movement continued throughout the year to make an outstanding contribution.

Turning now to government borrowing on marketable securities, the following new issues or conversions of gilt-edged stocks were announced during the year. The first was on the 7th August, 1959, of an issue for cash, unlimited as to amount, of 5% Treasury Stock, 1986-89, at a price of 98; at the same time holders of 3% War Stock, 1955-59, were offered exchange of their holdings into the new stock, with a cash payment of £2 per cent., or into a further tranche of 4½% Conversion Stock, 1964. On the 30th December, 1959, an offer was announced to holders of 2% Exchequer Stock, 1960, and 3% Exchequer

Stock, 1960, to exchange their holdings into 5% Conversion Stock, 1971, with a cash payment of £1 : 10*s*. per cent. Finally, on the 26th January, 1960, came the announcement of an issue for cash of a further tranche of £200 million 4½% Conversion Stock, 1964, at a price of 99¼. Excluding the Exchequer group and the Bank of England, Banking Department, the changes in holdings of marketable government debt were as follows:

CHANGES IN HOLDINGS OF TREASURY BILLS AND GILT-EDGED SECURITIES 1959/60

£ millions

	Treasury Bills	**Gilt-edged Securities**	**Total**
Clearing banks	+ 64	−448	−384
Discount market	+ 95	+ 12	+107
Overseas official	+112	− 14	+ 98
Other home and overseas non-official	+199	− 81	+118
	+470	−531	− 61

No further comment is necessary upon the first of the above categories. The discount market, with additional resources from the banking system and from other lenders, increased its holdings of Treasury Bills rather than of short-term government stocks; holdings of the latter were increased in the first quarter of the year, reduced in the next two, and rebuilt in the last. Overseas official bodies tended to increase their holdings of stocks, and to reduce their holdings of Treasury Bills, in the first half of the year; but in the second half they acquired Treasury Bills and, although their total holdings of government debt increased, they reduced their holdings of stocks.

Holders in the category " Other home and overseas non-official " collectively acquired Treasury Bills and disposed of gilt-edged stocks. Several reasons may be advanced to explain this behaviour. Firstly, the increase in non-official overseas sterling holdings, which may be presumed to have made a contribution to the net acquisition of marketable government debt by this category, is more likely to have been held in the form of Treasury Bills than of gilt-edged stocks. Secondly, the Scottish and other non-clearing domestic banks, who are included in " Other home and overseas non-official ", may be presumed to have behaved in a manner generally similar to the clearing banks, selling gilt-edged securities in order to protect liquidity. Thirdly, the popularity of investment in ordinary shares, the big increase in capital issues by public companies, and the probability that the liquid assets of companies rose over the year—a matter further considered on pages 9/10 below—were factors tending to depress net purchases of gilt-edged stocks by institutional and by other domestic investors and to favour the acquisition of Treasury Bills by industrial and commercial companies. However, the impression given by the results for the year as a whole depends rather heavily upon the results for the last three months when two issues of gilt-edged stock matured and the market was going through a period of uncertainty associated with changes in the emphasis of monetary policy described on pages 10/13 below. Indeed, earlier in the year there were net purchases of gilt-edged stock by " Other home and overseas non-official "[a] and on many occasions throughout the year there were net departmental sales of longer-term stocks (for which separate figures are not shown) as distinct from gilt-edged stocks in total; moreover, the heavy net purchases of National Savings must be attributed to this category of holder.

Total borrowing by the public sector as a whole greatly exceeded that by the Exchequer alone. Most of the needs of the public corporations were met by Exchequer advances; but borrowing from the public by local authorities, mainly through the mortgage and ' temporary money ' markets, amounted to some £400 million over the year. It may be

[a] Table 1B of the Statistical Annex.

presumed that by far the larger part of this £400 million was lent by the category " Other home and overseas non-official ". Total net acquisition of public sector debt by private domestic lenders other than the clearing banks during 1959/60 is likely to have been of the order of £850 million.

Interest rates and security yields

The course of interest rates and security yields is set out in Tables 6 and 7 of the Statistical Annex. Interest rates, both short-term and long-term, displayed a tendency towards stability until the later months of the year under review. The Treasury Bill rate moved between 3¼% and 3½% in the period up to November and the price of 2½% Consols moved between 53·0 and 49·2 to give a yield varying between 4·7% and 5·1%. In the second week of November the Treasury Bill rate began to rise in response to official operations in the money market which compelled the discount houses to borrow from the Bank, at Bank Rate, more frequently than in the preceding months. Expectations of a rise in Bank Rate later developed and the Treasury Bill rate had risen to over 3¾% shortly before the rise in Bank Rate, from 4% to 5%, on the 21st January; after that rise the Treasury Bill rate was steady at a little above 4½%. Longer-term rates began to rise early in December and there arose expectations of a general upward movement in interest rates. Prices in the gilt-edged market weakened further in the following three months, particularly at the end of February when, in response to heavy selling by the banks, there occurred the adjustment discussed on page 12. The price of 2½% Consols fell from 51·8 at the end of November to 47·1 at mid-March, the yield on this stock rising from 4·8% to 5·3%. The average price of industrial ordinary shares on the London Stock Exchange, as measured by the Actuaries' Investment Index, rose from 134·8 at the end of March, 1959, to 152·2 at the end of September; a further and sharper rise occurred after the General Election and this index reached 191·0 at the end of December. Thereafter prices tended to weaken; two of the more important factors being the fall in prices in New York and apprehension that official policy in the United Kingdom would become more restrictive. The market in ordinary shares was notably weak after the fall in the gilt-edged market at the end of February but recovered strength in the last week of the year; the index stood at 187·5 at the end of March.

Credit in the private sector

As a result of the change in credit conditions in the latter part of 1958, those who were previously unable to borrow as much as would normally be considered prudent in relation to commitments, or who had drawn abnormally upon liquid assets, were now able to incur greater indebtedness both to meet expenditure and to rebuild liquid assets. Those who had resorted to borrowing in less convenient or more expensive ways than usual were able to rely once again on normal financing. Those outside the banking system who had felt obliged to give credit to an extent and in a manner that they would not otherwise have wished could now foresee repayment, or else contemplate a suitable reinforcement of their own resources which would enable such lending to continue without discomfort.

These effects encouraged a growth of expenditure, especially personal expenditure upon durable goods and new housing. It is proper to enquire—although only a tentative answer can be given—how they developed during the year under review.

In the personal sector of the economy (comprising individuals and unincorporated businesses) the rise in bank advances and in hire purchase debt outstanding was very rapid over the year under review, and relatively much faster than the rise in personal incomes. It seems probable that other forms of short-term personal debt, notably consumer credit other than hire purchase, also rose fast. The rise in long-term personal debt, judging from advances made by building societies, was not as rapid, though still faster than the rise in incomes. The pace of the growth in personal debt during the year suggested that at least the rise in sales of durable consumer goods would after a time be stemmed by the effects of growing outlay on debt service and repayment, and by reluctance to undertake additional fixed commitments. But the general impression of financial conditions in the personal sector as the year went by did not suggest that this was becoming imminent. Not only did the demand for cars, other durable goods, and new housing continue to be very strong but individuals continued to acquire National Savings at a rate which, though not greatly out of proportion to the rise in incomes, was large by comparison with earlier years; and the rise in shares in and deposits with building societies continued until late in the year at a pace broadly sufficient to meet the rise in demand for the societies' advances. In addition the boom in ordinary shares, which was not interrupted until the New Year, and the improved prospects for employment and for personal incomes are likely to have added to confidence during the year and further to have encouraged the financing of expenditure through borrowing.

All in all, neither the course of such personal borrowing and lending as can be observed from available statistics, nor the performance of retail sales, gave notable indications early in 1960 that the finances of the personal sector as a whole were yet becoming either overstrained or excessively liquid. In this context it may also be mentioned that neither the rise in bank deposits nor the rise in the note circulation over the year appear to have been out of line with the growth in national income.

In the company sector of the economy, ' non-financial ' companies as a group, that is to say companies outside the category " insurance, banking and finance ", sharply increased both their new capital issues[a] and, so far as can be estimated, their borrowing from banks. This occurred at a time when the rise in the domestic capital expenditure of these companies as a whole, upon fixed assets and stocks, was probably of the same order of magnitude as the rise in their internal funds accruing.[b] The gross amount available to these companies as a group for lending to other sectors of the economy, taking together their borrowing and their surplus of revenue over total domestic expenditure, therefore increased substantially. This development reflected a relative ease of financial conditions, ease which helped to encourage a growth of capital expenditure that occurred in some fields during 1959 and seemed in prospect over a wide field for 1960. Moreover, expectations about business activity appear to have become more optimistic during the year while until the last few months there can have been few doubts that the ready availability of finance through normal channels would continue. The boom in ordinary shares supported this frame of mind.

However, this state of optimism may have been somewhat curbed in the last three months of the year under review. The rise in short-term interest rates, the fall in the price both of gilt-edged securities and of ordinary shares, and various official statements that gave warning of possible economic difficulties ahead, together tended to discourage extravagantly optimistic attitudes towards the future. This discouragement is likely to have been reinforced by an awareness that the availability of bank advances, affected by official policy, might not continue to be so easy.

Did the rise in the lending of ' non-financial ' companies (as a group) to other sectors represent a large and widespread build-up of liquid assets? No question of this sort about company finance can be answered in detail without more information than is at present available; but some tentative inferences can be drawn.

These companies' net short- and long-term investment abroad, if some account is taken of movements in the " balancing item "[c] in the external accounts of the United Kingdom, may well have risen quite substantially in 1959. The pace of their lending to the personal sector, through hire purchase debt owed direct to retailers and through other forms of personal debt, probably rose sharply. So it appears that the build-up of other and more clearly liquid assets (e.g., bank deposits, short-term government debt), though somewhat greater than in 1958, may not have been unduly large given the rise in business activity. This impression is

[a] The total of capital issues by public companies, excluding the category " insurance, banking and finance ", in the calendar year 1959, was £250 million compared with £167 million in 1958.

[b] The movement of the residual error in the national income accounts, between 1958 and 1959, was large. This movement has been taken into account in interpreting the apparent excess, shown in provisional estimates of company finance and investment (Economic Survey, 1960, Table 20), of the rise in internal funds over the rise in total capital expenditure.

[c] This balancing item, whose composition is not known, is conventionally treated in the national income statistics as a component of " Net investment abroad "; it is so treated here.

fortified by such evidence as can be provided by other financial statistics. The rise in bank deposits was in line with the rise in national income; and the acquisition of government debt by the category " Other home and overseas non-official ", though difficult to interpret on the available information, did not seem to reflect much lending of companies' surplus funds to the government until late in the year under review. But there may well have been a quite rapid build-up of non-financial companies' holdings of other forms of liquid asset, e.g., deposits with finance companies and ' temporary money ' with local authorities.

MONETARY POLICY

The measures of fiscal policy adopted in the Budget for 1959/60 completed the marked change of emphasis in economic policy initiated in the summer of 1958. On the monetary side, this change of emphasis had taken several forms; Bank Rate had been reduced to 4% from the higher levels ruling earlier; officially imposed restrictions on the availability of bank advances had been removed; and control over hire purchase terms and over domestic capital issues had been suspended. The immediate aim of monetary policy, acting in support of other constituents of economic policy, was to stimulate a resumed growth of output through a rise both in consumer expenditure and in private capital expenditure. All these measures having been taken, it was decided to await results over the next few months rather than take any further steps.

The monetary measures taken had not included any specific action to encourage a substantial or rapid fall in long-term rates of interest; an appreciable fall from the high levels reached in October, 1957, had indeed occurred over the ensuing six months but very little thereafter. Official policy in this respect occasioned some public comment at the beginning of the year under review. The reasoning behind the policy was explained to the Radcliffe Committee when the Governor gave his final evidence before it on the 30th April.

Ever since the gilt-edged market had begun to recover strength in the autumn of 1957, official operations had been consciously conducted so as to exert a moderating influence upon the tendency towards a rise in the prices of government stocks. With the onset of selling by the banks in the closing months of 1958, official operations were directed to preserving general conditions of fairly stable or very slowly rising prices, general conditions which were appropriate to the maintenance of confidence in the market at that time and to the encouragement of continuing net purchases of stock by holders outside the banking system. Action that might have encouraged a steeper rise in prices did not appear to conform with the economic and financial outlook in the somewhat longer term. It was considered that such a rise in prices, if it were to occur, would be unlikely to last: with a market still very sensitive after the difficulties of 1957 and earlier, a relapse following a brief period of officially stimulated boom might well have had serious consequences. Thus, although a fall in long-term interest rates might have had some stimulating effect upon expenditure in 1959, it was considered that:

> ". . . our prime objective should be to encourage savings and to consolidate and maintain confident markets; and that in the somewhat longer term this was the best contribution we could make in this field to investment and development. Meanwhile, as relaxation became possible, it could be made in the availability of credit and new capital as effectively and with less risk than in concentrating on the cost of long borrowing."[a]

The above reasoning continued to govern policy towards the gilt-edged market until late in the autumn. It was supported by official operations in the money market designed to maintain the broad stability of money rates at levels appropriate to the maintenance of Bank Rate at 4%; these operations caused the discount market to borrow from the Bank on twelve occasions during the period mid-March to mid-June and on five occasions during the period mid-June to mid-September.[b] In the gilt-edged market itself there were net purchases of stock, over these two periods together, amounting to £40 million and £39 million by the ' Overseas official ' and ' Other home and overseas non-official ' categories of holder respectively.[c] Yields on gilt-edged stocks

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(a) Committee on the Working of the Monetary System; Minutes of Evidence, Question 13453.

(b) Table 3 of the Statistical Annex.

(c) Table 1B of the Statistical Annex.

remained almost unchanged but the average dividend yield on industrial ordinary shares, as measured by the Actuaries' Investment Index, fell from $5\frac{1}{4}\%$ to $4\frac{3}{4}\%$, a level below that obtainable on long-term government stocks.

During the closing months of 1959 the expansion of bank advances was continuing unabated, as was the growth of hire purchase debt. The rise in the prices of ordinary shares had accelerated sharply after the General Election early in October. Moreover the prospective cash requirement of the Exchequer, over the whole year, still seemed likely to be larger than in the event it turned out to be; and it did not seem as if this larger requirement could be financed without a marked acceleration of the growth of liquid assets in the hands of the general public, and this probably in a form that considerably eased pressure upon the liquidity of the clearing banks. The implications, for 1960, of the developing economic situation no longer appeared such as to permit the authorities to view these present and prospective conditions with complete equanimity.

In these circumstances the Governor, in his speech at the Mansion House on the 12th November, drew attention both to the need to keep a careful watch on the rise in bank advances and to the " marked and sometimes slightly disquieting boom in equity prices ". The rise in interest rates and tighter monetary conditions abroad were now affecting movements of short-term capital; this, together with a slight deterioration in the external current account, brought about a small fall in the external reserves and a weakening of sterling in the foreign exchange market. Within the limits set by the existing level of Bank Rate, it was then decided that the circumstances warranted some rise in short-term interest rates. Accordingly, the discount market was compelled to borrow from the Bank, at Bank Rate, more frequently than in the earlier months of the year, twenty-one times during the period mid-October to mid-January. The Treasury Bill rate began to rise in the second week of November, from 3·4%, and had reached 3·8% on the 15th January. The gilt-edged market was adversely affected by the external factors mentioned above and, after the end of November, by expectations of a rise in Bank Rate; the tendency for prices to fall was not resisted and by the 20th January the yield on $2\frac{1}{2}\%$ Consols, 4·8% at mid-November, had risen to 5·2%.

On the 21st January, 1960, Bank Rate was raised by 1% to 5%. The decision was taken largely for domestic reasons.

It was true that in Scotland, Wales, Northern Ireland and large areas of Northern England unemployment remained relatively high, even while shortages of labour were emerging in some other parts of the country; and existing industrial capacity was still not everywhere being fully used. But the difficult problems of particular areas could not be dealt with by monetary measures; specific governmental measures were already in hand to promote a change in the geographical distribution of industrial development. In the country as a whole, consumers' expenditure had surpassed the high level to which it had risen a year ago and no appreciable slackening was yet evident. The prospect of fairly general increases in wage rates, or reductions in the standard working week without loss of pay, suggested that personal incomes, and hence probably also expenditure, would soon increase further. Profits also were rising; and the evident growth of confidence in business prospects made it look likely that a substantial increase in private investment was being planned, an increase particularly welcome in manufacturing industry. That programmes for capital expenditure had in fact been revised sharply upwards was confirmed by a Board of Trade survey, the results of which became known in January. Fixed investment by the nationalised industries was also due to increase in 1960 and the demand for new private housing continued to be very strong. Lastly, estimates suggested that a substantial rise in governmental expenditure on goods and services was in prospect.

Credit had been easy for more than a year and there was no evidence of any pause in the upward trend either of hire purchase credit or of bank advances.

The prospect in these conditions was of a continuing increase in the pressure of effective home demand to which might well be added a rise in the accumulation of stocks. On the other hand reliance could be placed upon some rise in production, both from fuller employment of the population of working age and from greater output per man, associated with a fuller use of growing industrial capacity. But less could be expected from these sources than in 1959; there was now far less ' slack ' in the economy. Indeed there was already evidence, particularly in the Midlands and the South-East, of some shortages of labour and materials, though these were not yet either widespread or serious.

The situation was one in which action might have interfered unnecessarily with the welcome revival of private investment in manufacturing industry. But it seemed, on balance, likely that the prospective demand could not be met without some degree of strain. This implied some threat both to the existing stability of prices and to the balance of payments. The outlook in export markets seemed good and it was important, given the already rising trend of imports, to ensure both that potential exports were not absorbed by the home market and that the pressure of home demand did not cause imports to rise to untenable levels.

The immediate external position also seemed to call for a move in the direction of restraint. The reserves had been falling since November, and the exchange rates had moved against sterling. Short-term capital movements, including changes in the flow of credit, were thought to have been a contributory factor. Such movements could be explained by the conditions of relative monetary stringency in the U.S.A., Western Germany and some other countries. The loss of reserves had not yet reached serious proportions and, in so far as it was due to the attraction of overseas interest rates, some further loss could have been tolerated. But if the reserves had been allowed to run down for several months before action was taken, the risk of weakening confidence in sterling could have become serious. An increase in Bank Rate might therefore be expected to be helpful to the external position, as well as domestically; and it did in fact help to check the moderate outflow of reserves.

The decisive consideration was the need to act in good time in the interests of the prime objective of economic policy, namely, steady expansion combined with stability of the currency.

Following the increase in Bank Rate on the 21st January, the Treasury Bill rate rose by just over $\frac{3}{4}$% to 4·6%, at which level it remained almost unchanged for several weeks.

In the gilt-edged market all prices fell immediately after the rise in Bank Rate. A temporary recovery in short-term bonds then occurred but came to an end when the issue of a further tranche of 4$\frac{1}{2}$% Conversion Stock, 1964, was announced on the 26th January at a price of 99$\frac{1}{4}$. About the beginning of February, however, there was some revival of demand in the market as a whole, helped perhaps by reinvestment of the redemption proceeds of 2% Exchequer Stock, 1960, which matured on the 15th February.

Prices of ordinary shares had been little affected by the rise in Bank Rate and indeed rose in the following week; but they were later somewhat influenced by the threat of a national railway strike and by the decline of prices on the New York Stock Exchange. On the 12th February the Governor took the opportunity of a speech at Liverpool to give a warning against excessive expansion of bank advances and hire purchase credit; and he again expressed his disquiet at the boom in equity shares. Thereafter, and alongside persisting weakness in New York, equity prices continued to move downwards.

The firmer tone in the gilt-edged market was not maintained. In the second half of February some banks, finding that pressure upon their liquidity was becoming severe, entered the market as sellers on a very substantial scale. To support current prices against so large a weight of selling would have meant resisting the trend of the market to an extent which could not be justified by the general desirability of maintaining orderly market conditions. Nor could it be justified by broader considerations of policy; for in the light of developments in the economy as a whole, and bearing in mind the longer-run need to attract purchases of stock by ' non-bank ' investors, a somewhat higher level of gilt-edged yields would now be appropriate. While continuing to maintain a market by purchases of stock, the Bank therefore allowed the pressure of gilt-edged sales to be reflected in a fall in market prices. On the 24th February there was unusually heavy pressure to sell, reflected in an unusually large fall in market prices;

these fell by about 1% on that day and subsequently dropped a little further.

The fall in the prices of gilt-edged securities on the 24th February was followed by a further and steeper fall in equities; there was later some recovery and at the end of March average prices, as measured by the Actuaries' index, had fallen 2% from a peak at the end of December.

At the close of the year under review there were indications that the attitude of the banks towards applications for new advances was being revised. The new emphasis was one of restraint; by their action in the money market, in the gilt-edged market, and in public declarations, the authorities had made it known that they no longer considered the economic situation warranted maintenance of the credit conditions that had prevailed in 1959. While not wishing to halt the expansion of output, least of all the revival of capital expenditure in manufacturing industry, they did not consider that the economy should move into the next phase with credit conditions of an ease that would have been implied by a continuation of existing policy.

Although there were some signs of an initial response to the changed emphasis of monetary policy, the economy still appeared on balance, at the end of the year, to be moving towards overstrain. This state of affairs, coupled with the persistent tendency of public expenditure to increase, again brings into prominence the recurrent problem of the right balance between fiscal and monetary measures in bringing about the necessary degree of restraint.

CHAPTER II

EXTERNAL MONETARY DEVELOPMENTS

INTRODUCTION

The influence of external events upon the home economy has been noted at several points in the preceding chapter. The rise in exports was mentioned in the passage describing the economic background; the change in the United Kingdom's external monetary assets and liabilities was discussed with reference to the financing of the Exchequer; the rise in interest rates and the more restrictive monetary conditions abroad were noted as factors affecting interest rates at home and the course of monetary policy. These and other external events are discussed in more detail in the present chapter which is divided into four sections; the first describes general economic and financial conditions abroad, the second the United Kingdom's balance of external payments; the third deals with developments during the year as seen in the markets for gold and foreign exchange, and the fourth with the subject of international monetary co-operation.

GENERAL ECONOMIC AND FINANCIAL CONDITIONS ABROAD

In the principal industrial countries of Western Europe, in North America and in Japan, the early part of 1959 was marked by continued recovery from the recession of 1957-58. In the United States a strong recovery had set in by the autumn of 1958; but in most of the other industrial countries the timing of the recession, and of the subsequent recovery, was a little later; while in a few, notably Western Germany, there had been no more than a slowing down of the rise in industrial production. In the monetary field, discount rates in North America had already begun to rise in the third and fourth quarters of 1958 but in most other industrial countries this had not yet happened. At that time many of the latter had considerable excess capacity as well as higher levels of unemployment and much greater stability of prices than had been experienced for some years; and they were able to follow fiscal and monetary policies designed to stimulate a resumption of expansion without endangering their external positions. In general, the increased activity which ensued first became pronounced in the production of consumer goods but, as excess capacity in these industries was gradually absorbed, recovery spread to the capital goods industries; and the rise in industrial production continued throughout 1959.

In the second half of that year, however, there were signs in many industrial countries that inflationary tendencies were again emerging, while in others the risk of inflation began again to attract attention. These pressures differed somewhat in character and in degree between countries, but in all the situation was being closely watched for the need to adjust policies; and their reaction was generally the same. By early 1960 most of them had adopted monetary policies of varying degrees of restraint.

In the United States the discount rates of the Federal Reserve Banks, which had been raised in three successive steps to 3% by March, 1959, were increased to 3½% in May and to 4% in September. In Western Europe the first countries to take steps to tighten their monetary policies were Western Germany and Denmark, where in each case expansion had proceeded further beyond pre-recession peaks than in most other European countries. In Western Germany not only was the discount rate increased in September, 1959, and again in October but, between then and March, 1960, other measures were also taken to restrict credit. The discount rate was raised in Denmark in September, 1959, and again in January, 1960. By the beginning of 1960 inflationary tendencies had prompted the monetary authorities in the Netherlands, Sweden and Japan to raise their discount rates, while Bank Rate in the United Kingdom was increased from 4% to 5% in January. The banks in Switzerland were warned late in 1959 against the granting of excessive credit; and early in 1960 the Governor of the Bank of France gave a similar warning to the French banks. In February and March 1960, contrary to the trend elsewhere, there was some fall in money market rates in the United States, but the Federal Reserve Banks' discount rates remained unchanged.

The main emphasis of restrictive measures in most of these countries was placed on monetary policy but budgetary policies also played a significant part; and the action which many countries have recently taken to restrain inflationary pressures is an indication of the higher priority now being given to the avoidance of inflation within the general context of policies designed to achieve steady expansion. Most of these countries may be expected to show a greater degree of flexibility in adjusting their monetary and fiscal policies, according to changing circumstances, than in recent years.

The growth of world trade was resumed towards the end of 1958; but the levels of 1957 were not regained until the middle of 1959. While the increased demand for industrial raw materials was largely satisfied without difficulty, the prolonged decline in prices which began in 1956 was checked and, in certain instances, reversed. Thus many countries exporting primary produce, including certain countries in the Sterling Area, were able to increase their reserves during 1959 and to relax restrictions on imports. With the likelihood of continued industrial expansion in 1960, the outlook for many primary producers seemed one of continuing improvement.

In 1958 the adoption of vigorous expansionary policies in the United States had contributed to a substantial deficit in the U.S. balance of payments. In that year as a result of their transactions with the United States other countries increased their gold and liquid dollar assets by some $3,400 million. In 1959 the outflow of gold and dollars continued at a slightly higher rate of some $3,700 million, a figure which would have been larger had not the much stronger external positions of other industrial countries enabled many of them to make substantial repayments of debt to the United States. Two other important factors affected movements in the official gold and foreign exchange reserves of countries outside the United States during 1959. Firstly, the increase in the resources of the International Monetary Fund, which took effect in 1959, necessitated the payment in gold of part of the increase in quotas and a number of countries also repaid earlier drawings. As a result, the Fund's holding of gold and U.S. dollars increased by over $1,300 million during 1959 (excluding the additional subscription paid by the United States). Secondly, with the easing of exchange controls, more and more foreign exchange resources were being held outside official reserves and the wider external convertibility introduced in Europe at the end of 1958 undoubtedly accentuated this trend in 1959.

The increase in official reserves of countries outside the United States in 1959 was thus probably substantially smaller than in 1958. Nevertheless, the continued improvement in the external positions of the principal Western European countries since the end of 1958 and the absence of any marked strains in the foreign exchange markets in 1959 have confirmed that their move to wider external convertibility was amply justified.

UNITED KINGDOM BALANCE OF PAYMENTS

The economic and financial developments described in the previous section of this chapter were reflected in many of the changes that occurred during 1959/60 in the balance of payments of the United Kingdom. The growth in the volume of imports was influenced by measures taken to stimulate home demand as well as by successive measures of trade liberalisation; while the prices of imported materials, though on average they rose during the year, reflected continued ease of supply. The recovery in exports was influenced first by the strength of demand in North America, then by the resumption of economic expansion in Western Europe, and lastly by the improved position of primary producers. On capital account a substantial part of the indebtedness incurred in 1956 and 1957 was repaid and there was also an appreciable rise in new lending by the Government.

Calendar year 1959[a]

The increase in the United Kingdom's imports was somewhat greater than the increase in exports and the balance of visible trade, a surplus in 1958, reverted in 1959 to a modest deficit. The rise in imports was spread over a wide range of goods but was concentrated particularly upon industrial materials and finished manufactures. The rise in exports was most notable in machinery, cars, and chemicals, particularly to the North American and West European markets. Exports to countries in the Overseas Sterling Area were affected in 1959 by measures to restrict imports taken in a number of those countries in the previous year; but there was evidence of recovery towards the end of the year. By then the Overseas Sterling Area as a whole was enjoying a substantially increased income from exports of primary produce and many of these restrictions were being removed. For example, New Zealand had raised the permitted annual level of private imports by £18 million in April and by an additional £20 million in June. The permitted level of annual imports into Australia was also raised, by £40 million in August and a further £20 million in December. More relaxations followed in the New Year.

The net credit on invisible account was rather smaller in 1959 than in 1958. In particular there was a fall in the net credit contributed by the oil industry, always an important element among the invisibles. Although world demand for oil rose in 1959 supplies were more than adequate and the effects of this rise were offset by lower selling prices; at the same time, operating expenses, including royalties and taxes, were higher. However, among other invisible items, net receipts of interest, profits and dividends are estimated to have been somewhat greater than in 1958, mainly because of lower payments of interest by the United Kingdom on overseas sterling holdings.

Among capital items, the additional subscription of £232 million to the International Monetary Fund stands out in the first half of 1959. The unusual net credit which appears in the item "Inter-government loans" in the first half of 1959 was the result of exceptional transactions with Western Germany amounting to £60 million, namely the advance repayment of £22½ million of the United Kingdom Government's post-war loan and the conversion of the balance of £37½ million on the German debt payment account into a Treasury Bond. The high net outflow in the second half of 1959 included the repayment to the Export-Import Bank in October of a loan of £89 million made to the United Kingdom in October, 1957, and the capital portion of the annual payment made under the North American loan agreements. Over the year as a whole there was a net repayment of about £40 million to countries in the former European Payments Union. This net repayment was made under bilateral agreements mainly arising out of the liquidation of the Union. There was also an appreciable rise in new lending by the United Kingdom Government to the less-developed countries, notably to India.

Net overseas official long-term borrowing on the London market at £18 million was only half that in 1958. It included £2½ million for the International Bank for Reconstruction and Development representing the first call on the £10 million 5% Stock, 1977-82, issued in December at 96½. Otherwise, the flow of long-term capital for investment abroad continued at a high level, higher indeed than the net figures might seem to imply since several unusually large investments were made in this country by North American industrial undertakings.

As Table 9 of the Statistical Annex shows, taking visible trade, invisibles, and long-term capital together, there was a deficit of £403 million in 1959 and an associated change of £371 million in the recorded monetary assets and liabilities.[b]

Within this group of monetary assets and liabilities, the sterling holdings of countries in the Overseas Sterling Area recovered strongly and increased by about £180 million from their low level at the end of 1958 (see Table 10 of the

(a) Table 9 of the Statistical Annex.

(b) Because of errors and omissions in the estimates, partly of coverage, partly of timing, the deficit of £403 million does not correspond exactly with the net change of £371 million in the recorded monetary assets and liabilities; the final column of the Table contains a "Balancing item" reconciling the two totals.

Statistical Annex). The main reason for this increase was the great improvement which took place in the balance of the visible trade of the Overseas Sterling Area with the rest of the world during 1959.

The sterling holdings of countries outside the Sterling Area fell in the first half of the year, notably because of the transfers from the German debt payment account already mentioned. Western Germany also made in March some advance payments for arms (included in " miscellaneous capital " in Table 9 of the Statistical Annex), for part of which drawings were made on special sterling deposits which had previously been set aside for this purpose. In the second half of the year there was a rise in the holdings of countries outside the Sterling Area, leaving a net fall over the year of about £30 million.

Sterling held by the International Monetary Fund rose during the year by about £100 million, payment of the sterling portion (£174 million) of the United Kingdom's additional subscription being partly offset by other transactions, the most important of which was a repurchase of sterling from the Fund in March, 1959, amounting to £71 million. This repurchase was the first step towards repayment of the $561 million drawn by the United Kingdom from the Fund in December, 1956; under present arrangements the remainder, after allowing for sterling drawings by other countries, will be repaid by monthly repurchases of £5 million, which started in January, 1960.

The official reserves of gold and convertible currencies rose in each of the first three quarters of the year despite the payments to the International Monetary Fund mentioned above. In the last quarter the reserves fell, mainly because of the repayment to the Export-Import Bank and the usual end-year payments of interest and capital on the North American loans. Over the year as a whole there was a fall of £119 million.[a]

The year 1959 was thus one in which, despite a reduction in the surplus on current account, it was nevertheless possible to reduce medium and long term debt, make a substantial subscription in gold to the International Monetary Fund, and maintain a high level of new investment abroad, without more than a comparatively modest fall in the reserves.

First quarter of 1960

The United Kingdom's visible trade continued to expand, with imports and exports both running appreciably higher than a year earlier. The main emphasis on the import side was still on industrial raw materials and finished manufactures as it had been during most of 1959. The rise in exports was well spread among different kinds of goods with machinery, cars and iron and steel in the lead. Exports to countries in the Overseas Sterling Area maintained the recovery which had begun towards the end of 1959.

Overseas sterling holdings[b] fell by £32 million. Holdings of countries in the Overseas Sterling Area, which had been increasing throughout 1959, fell by £34 million; those of countries outside the Sterling Area rose by £19 million, in spite of the payment by Egypt to the United Kingdom of £24 million compensation under the Financial Agreement of March, 1959; and those of the non-territorial organisations fell by £17 million, largely reflecting the agreed repurchase of sterling from the International Monetary Fund at the rate of £5 million a month. The official gold and convertible currency reserves rose by £16 million although £5 million each month was repaid, as already mentioned, to the International Monetary Fund.

GOLD AND FOREIGN EXCHANGE MARKETS

Foreign exchange market

During the year there were no domestic or international developments of a kind to cause important speculative movements in sterling or any other leading currency. The turnover of business in the London foreign exchange market, and indeed in some other international exchange markets as well, increased materially as a result of the introduction in December, 1958, of external convertibility for the main European currencies.

In the exchange markets the year was marked by two outstanding features. The first was a

[a] Table 12 of the Statistical Annex.

[b] Table 10 of the Statistical Annex.

greater general stability of rates even when very large transactions were in progress, illustrating the greater breadth of international exchange markets under conditions of convertibility. The second was the increasing importance of changes in the relative cost and availability of money in the leading financial centres. These arose in most cases from action taken by monetary authorities in the light of the internal situation in their own countries, but such changes have their repercussions on the external position of the country in question. On the one hand high interest rates tend to attract short-term funds from outside and to divert short-term borrowing away to cheaper centres; on the other hand there may be occasions when higher interest rates in one centre fail to attract funds or to divert borrowing because of an outright shortage of funds in other centres. At times during the year considerable movements of funds on interest rate differentials were seen; but at other times an absence of movement of such funds was noted, when comparative interest rates would have made the movement profitable but when the tightness of money in the centre with the lower interest rates made such movements impossible. Not only were short-term funds in the hands of banks and financial institutions employed in movements arising from interest differentials; but short-term financing by 'international' companies in the various countries in which they operate also tended to be switched from one centre to another to take advantage of quite small differences in interest rates. Longer-term financing was often drawn to the cheapest market and the currency borrowed immediately converted into the particular currency required.

A like situation in the exchange markets had not been seen since 1939, because opportunities for interest arbitrage had been considerably reduced by the widespread restrictions on non-resident convertibility and the rigour of most European exchange controls up to the end of 1958. An exception since the termination of exchange control in Canada in December, 1951, had been the Canadian dollar, interest arbitrage in which has been a regular feature of the exchange markets.

Together with the greater opportunity for the movement of funds and the increased activity in the exchange market, there was a growth in the amount of foreign currency deposits taken by the London banks. The currency mostly concerned was the U.S. dollar, largely because of the widening gap between rates ruling on the New York money market and the maximum rates of interest which banks in the United States are allowed to pay on time deposits.[(a)] With European holdings of dollars already substantial and becoming larger as a consequence of the continuing deficit in the U.S. balance of payments, the search to employ these moneys to the best advantage became keener. London intermediaries took the opportunities offered to employ these dollar funds, preponderantly by relending them in dollars but also by switching them into sterling and other currencies on a swap basis where it was profitable to do so.

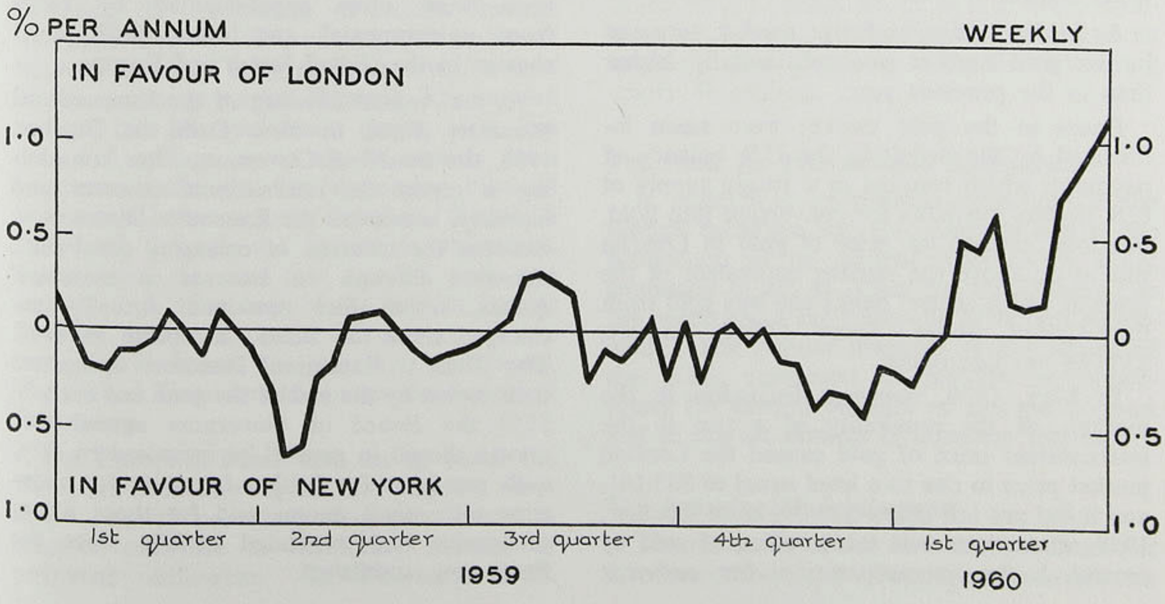
Sterling stood above parity against the U.S. dollar during the whole of the year under review except for a short time from the beginning of December, 1959, to the latter half of January, 1960. But the tone of the market was noticeably less buoyant for sterling in the fourth quarter of 1959, while seasonal factors favourable to sterling, which often have their impact early in the New Year, were slow to affect exchange rates even after the rise in Bank Rate in January. An improving tendency did not make itself felt until March, 1960. The U.S. dollar was generally the weakest of the currencies regularly traded in the London exchange market, while the deutschemark, Dutch guilder, Italian lira and French franc were consistently strong and for long periods were at or near the point where the authorities concerned are committed to buy dollars in their exchange markets. The underlying strength of the French franc was demonstrated during the period of political uncertainty in January, 1960, when the forward franc moved only to a very moderate discount and the spot rate faltered only slightly over a few days. The Canadian dollar was firm throughout. At most times interest factors favoured short-term movements of funds into Canada and together with the pressure of longer-term capital inflows, these more than offset the effect of the heavy Canadian trade deficit.

(a) For periods of 30 to 89 days	1% per annum.
For periods of 90 days to less than 6 months	$2\frac{1}{2}$% per annum.
For periods of 6 months or more	3% per annum.

Beginning in September, 1959, various measures were taken by the West German monetary authorities to counteract inflationary pressures. These measures included rises in the Bundesbank's discount rate, increases in reserve requirements and reductions in rediscount quotas available to the banks. In an attempt to offset the strengthening effect of these measures on an already strong external position, the West German authorities facilitated short-term investment abroad by offering to provide German banks with dollars by way of exchange swaps on favourable terms. But the offering of these facilities did little to moderate the strength of the deutschemark. The Swiss franc, which can fluctuate against the dollar within wider limits than are permitted for the currencies of countries which are members of the International Monetary Fund, moved over a wider range than in recent years. It eased from time to time on large outward capital movements, attributable both to Swiss portfolio investment abroad and to the transfer across the exchanges of the proceeds of new foreign capital issues made on the Swiss market. On the other hand, it was particularly strong for some weeks before the end of the calendar year in part due to the calling in, by Swiss banks for balance-sheet purposes, of funds lent abroad.

Forward sterling was at first inclined to be weak against the dollar. After allowing for the difference in yields on Treasury Bills in London and New York, a margin equivalent to over ½% per annum in interest terms developed in favour of New York during the early part of the year. A margin of this magnitude soon disappeared and it was not until after the rise in Bank Rate in January, 1960, that a comparable discrepancy arose, but this time in the opposite direction, i.e., in favour of investment in London. The course of the margin, in favour of London or New York, is shown in the graph below. This notional comparison based on Treasury Bill yields ignores other means of short-term investment and is, therefore, indicative only of the possible direction in which short-term funds might move.

DIFFERENTIAL YIELD ON 3 MONTHS TREASURY BILLS LONDON/NEW YORK, TAKING INTO ACCOUNT FORWARD EXCHANGE MARGIN



Since the introduction of the European Monetary Agreement in December, 1958, the Bank of England had quoted official buying and selling rates, for the main European currencies, which were the product of the official buying and selling rates for U.S. dollars ruling in the countries concerned and the buying and selling rates for the U.S. dollar quoted by the Bank of England. As from the opening of business on the 1st January, 1960, however, the Bank ceased to quote official rates of exchange for any currencies other than the U.S. dollar. This change had no practical significance since the currencies concerned were free to move, through the effect of arbitrage operations, within the same range as previously.

The firmness of sterling continued to be reflected in the rates abroad for security sterling and in the London premium on U.S. dollar securities. Except for occasional downward fluctuations the rate for security sterling was generally only slightly below that ruling for external sterling and for considerable periods foreign purchases of British securities had to be financed by purchases of sterling in the official market because no security sterling was on offer. The London premium on U.S. dollar securities did not reappear until the middle of 1959 and did not exceed 2½% except for a short period early in 1960 when a peak of 4⅝% was quoted at the time of certain special capital operations.

Gold market

As in the foreign exchange market, turnover in the gold market was substantially higher than in the previous year.

Prices in the gold market were again influenced by the deficit in the U.S. balance of payments which resulted in a steady supply of U.S. dollars available for conversion into gold. For long periods the price of gold in London was at or above the sterling equivalent of the price at which central banks can buy gold from the United States Assay Office, namely, \$35·08¾ per fine ounce.

In May, 1959, renewed discussion in the markets of the possibility of a rise in the international price of gold caused the London market price to rise to a level equal to \$35·14½, and it did not fall below \$35·08¾ until October, 1959, when there was some selling of gold by central banks in preparation for end-year settlements which caused a fall to \$35·04½. There was soon a recovery to \$35·09 on renewed buying by central banks and by the end of March, 1960, the price had touched the equivalent of \$35·12½ on fears that internal developments in South Africa might cause a fall in the output of gold.

INTERNATIONAL MONETARY CO-OPERATION

The International Monetary Fund

The year under review was one in which few countries had any need to call on the International Monetary Fund for substantial assistance and countries which had drawn on the Fund in the past made repayments. The Fund, however, continued to make its influence felt through its regular consultations with those countries which maintain restrictions on payments; moreover its relations with members tend to go beyond the examination of the nature of payments restrictions and more and more countries are seeking its advice on their economic problems. In several cases the Fund, at the invitation of the country concerned, worked out in conjunction with them radical financial reforms and, as part of an agreed stabilisation programme embracing both internal and external reforms, made available substantial contributions to stabilisation funds. Largely because of the Fund's willingness to participate in such programmes its contributions were often supplemented by funds from governmental and other institutional sources in the United States and Europe.

At the Annual Meeting of the International Monetary Fund in New Delhi in October, 1958, the Board of Governors, after considering a report on international reserves and liquidity, instructed the Executive Directors to consider the question of enlarging the Fund's resources through an increase in members' quotas, which had remained virtually unchanged since the Fund's inception in 1947. The Fund's Executive Directors submitted their report by the end of the year and early in 1959 the Board of Governors agreed that quotas should in general be increased by 50% with provision for further increases for countries with small quotas and for those whose economies had expanded rapidly since the Fund was established.

The increase in the quota of the United Kingdom from $1,300 million to $1,950 million, which became effective in September, 1959, constitutes an important potential reinforcement of the reserves available for the support of sterling in times of strain; a factor which would be of benefit to world trade as a whole in times of international payments difficulties when the stability of the reserve and trading currencies is a matter of key importance.

The Fund has in the past been regarded mainly as a source of dollars and an obstacle to the drawing of other currencies has been the Fund's requirement that repayments must be made in gold or convertible currencies. External convertibility of sterling and other currencies has already eliminated this difficulty to some extent because members repaying drawings can now acquire through the markets the means with which to repay the Fund. As and when more currencies become formally convertible through the acceptance by members of the obligations of Article VIII of the Fund Agreement, (their currencies so becoming acceptable to the Fund in repayment of drawings), the Fund may be looked on increasingly as a source of supply of currencies particularly in demand and thus function to a greater extent in the manner originally intended.

The European Monetary Agreement

As had been expected during a period of stability, the Multilateral System of Settlements, including the mechanism of interim finance, was little used in 1959, virtually all payments between members being settled through normal foreign exchange market channels. The amount brought into the settlements during 1959, less than $15 million, arose almost entirely from payments under the few remaining bilateral agreements between some members, for which settlement through the System is obligatory. Apart from the first few months, only one country took advantage of the interim finance facilities and in all cases the amounts drawn were repaid before the monthly settlements. The United Kingdom did not use the System of Settlements.

The European Fund, also set up under the European Monetary Agreement, played a more active role by providing short-term credit to member countries in temporary balance of payments difficulties. In February, 1959, credits were granted to Greece ($15 million) and to Turkey ($21·5 million) equivalent to the undrawn credit available under their quotas in the European Payments Union at its termination. (Greece subsequently renounced this credit, which was unused, in December, 1959.) In August, 1959, Spain, which had joined the O.E.E.C. in July and at the same time become a member of the European Monetary Agreement, was granted a two-year credit of $100 million from the European Fund. This credit was part of a joint operation with the I.M.F., the U.S. Government and American banks, to support a plan to stabilise the Spanish economy. In February, 1960, a credit of $12 million was granted to Iceland, again as part of a joint operation with the I.M.F., to support a stabilisation plan. The co-operation between the I.M.F. and the O.E.E.C., begun during the lifetime of the European Payments Union, was thus being continued and extended.

Some changes in the Agreement were introduced on the 1st February, 1960. The more important were a reduction of $26 million in the United Kingdom's contribution to the European Fund, with a corresponding increase in the contributions of Western Germany, France and Italy (to take account of alterations in economic circumstances since 1955 when contributions were fixed), and the addition of an Article to enable the Fund to borrow from members (though there is at present no intention of using this). On account of its share in the Fund's operations, from their commencement to March, 1960, the United Kingdom made net gold payments to the Fund totalling nearly $8 million.

The Bank for International Settlements

In addition to its banking operations in the foreign exchange and gold markets and to the production of its Annual Report, the B.I.S. continued to act as Agent for the O.E.E.C. in the operation of the European Monetary Agreement. The regular meetings of the Board of the B.I.S. continued to provide an opportunity for central bankers of Europe to meet and to discuss matters of common interest.

The financing of development

The resources of the International Bank for Reconstruction and Development were enlarged at the same time as those of the I.M.F., and members, by agreeing to double their liability to subscribe to the Bank's capital, strengthened its ability to borrow in the capital markets of the world. In addition, a proposal was made in September, 1959, to establish an International Development Association, to be administered by the I.B.R.D., with the particular object of providing development finance to the less-developed countries on terms which are more flexible and bear less heavily on their balances of payments than those of conventional loans. The proposed resources of the Association are $1,000 million, of which the United Kingdom would provide $131 million.

Further progress was also made in the provision of finance by groups of countries, acting together as a consortium for the purpose, for projects requiring very large amounts of capital. In March, 1959, the United Kingdom agreed to lend £19 million to India as part of a joint operation with the I.B.R.D., the United States, Canada, Western Germany and Japan, to help finance part of India's second Five-Year Development Plan, the same consortium having provided funds to India in 1958. More recently, the United Kingdom has expressed willingness to contribute nearly £21 million as part of a joint operation with the I.B.R.D., with certain other Commonwealth countries, and with the United States and Western Germany, towards a scheme to help India and Pakistan solve the problem of sharing and using the waters of the Indus river basin.

It is estimated that some £135 million was provided by the United Kingdom Government in the form of grants, loans and other assistance to less-developed countries during the financial year 1959/60 under bilateral and multilateral arrangements. This was a much larger sum than in any previous year and the increasing demand from these countries for development capital is likely to bring pressure for even larger amounts. As well as the moneys supplied by the Government, United Kingdom long-term private investment in the less-developed countries continued at a substantial rate while medium-term credit (much of it covered by E.C.G.D. guarantees) was also extended in substantial amounts to these countries to help finance their purchases of capital goods.

For the United Kingdom the provision of development capital, whether through governmental or private channels, requires the use overseas of resources that might otherwise be used at home. This can have implications both for the balance of payments and reserve position and for the stability of the domestic economy. In present circumstances, the demands likely to arise from this factor must clearly be taken into account when seeking to avoid overstrain in the economy.

The problem of providing an increasing amount of aid to the less-developed countries, though of particular concern to the United Kingdom, is at the same time a general one for the capital exporting countries of the world. The Development Assistance Group of capital exporting countries, which met for the first time, in Washington, in March, 1960, has been formed as an international forum in which various aspects of co-operation in this field can be discussed informally.

CHAPTER III

STATEMENTS, ACCOUNTS AND OTHER ITEMS

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	1959		1960		Change	
Liabilities						
Capital		14,553		14,553		—
Rest		3,916		3,917		+ 1
Deposits						
Public Deposits	17,094		12,293		− 4,801	
Bankers' Deposits ...	229,074		263,864		+34,790	
Other Accounts ...	70,585	316,753	67,524	343,681	− 3,061	+26,928
		335,222		362,151		+26,929
Assets						
Government Securities ...		265,530		274,324		+ 8,794
Other Securities						
Discounts and Advances	10,326		32,724		+22,398	
Securities	22,038	32,364	19,709	52,433	− 2,329	+20,069
Notes		36,530		34,467		− 2,063
Coin		798		927		+ 129
		335,222		362,151		+26,929

Half-yearly payments of £873,180 were made to H.M. Treasury on the 6th April and the 5th October, 1959, in pursuance of Section 1(4) of the Bank of England Act, 1946.

ISSUE DEPARTMENT

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

£ thousands

End of February	1959	1960	Change
Liabilities			
Notes in Circulation	2,013,829	2,115,893	+102,064
Notes in Banking Department ...	36,530	34,467	− 2,063
Notes issued	2,050,359	2,150,360	+100,001
Assets			
Government Debt	11,015	11,015	—
Other Government Securities ...	2,035,527	2,136,237	+100,710
Other Securities	697	734	+ 37
Coin other than Gold Coin ...	2,761	2,014	− 747
Fiduciary Issue	2,050,000	2,150,000	+100,000
Gold Coin and Bullion	359	360	+ 1
	2,050,359	2,150,360	+100,001

NOTE CIRCULATION

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

NOTES ISSUED, PAID AND IN CIRCULATION

£ millions

Year to end of February	1956	1957	1958	1959	1960
Issued	1,354	1,451	1,660	1,672	1,861
Paid	1,231	1,365	1,568	1,624	1,759
In circulation at the end of year ...	1,788	1,874	1,966	2,014	2,116
Increase in circulation as % of previous year's total		+4·8%	+4·9%	+2·4%	+5·1%

NOTES IN CIRCULATION BY DENOMINATIONS

£ thousands

End of February	1956	1957	1958	1959	1960
10*s.* ...	95,351	96,236	98,219	98,639	100,686
£1 ...	1,357,248	1,404,611	1,337,894	1,265,124	1,218,636
£5 ...	242,097	271,170	421,424	537,910	686,898
£10 ...	652	603	573	540	509
£20 ...	299	282	257	241	225
£50 ...	592	556	517	481	447
£100 ...	1,054	979	916	858	792
£200 ...	7	7	7	7	—(a)
£500 ...	120	94	83	79	64
£1,000 ...	122	114	108	100	86
Over £1,000 (b) ...	90,340	99,420	105,620	109,850	107,550
	1,787,882	1,874,072	1,965,618	2,013,829	2,115,893

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

(a) The last notes of this denomination in circulation were written off during the year, pursuant to Section 6 of the Bank Act, 1892.

(b) 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	**1958**	**1959**	**1960**
10*s*.	5·0	4·9	4·7
£1	68·1	62·8	57·6
£5	21·4	26·7	32·5
£10—£1,000	0·1	0·1	0·1
Over £1,000	5·4	5·5	5·1
	100·0	100·0	100·0

The note circulation reached £2,261 million on the 23rd December, 1959, an increase of £44 million on the previous highest figure of £2,217 million on the 29th July, 1959, and £88 million higher than the figure for Christmas, 1958.

The Fiduciary Issue rose on balance over the year by £100 million to £2,150 million. A further Order under the Currency and Bank Notes Act, 1954, authorising the maintenance of the Fiduciary Issue at levels above £1,575 million for two years as from the 14th March, 1960, was made on the 29th February; the previous Order was dated the 28th February, 1958.

MANAGEMENT OF STOCK REGISTERS

The Bank are the Registrars of Government Stocks and of Government Guaranteed Stocks. There are also registers for certain of the Government Stocks at the Bank of Ireland, the Post Office Savings Department and the Trustee Savings Banks; Stock is interchangeable between the registers at the option of the holder. The Bank are also the Registrars of Stocks issued by some of the Commonwealth Governments and by certain Local Authorities and Public Boards.

The following table shows the changes in recent years in the nominal totals (and, for 1960, the number of accounts) of the different groups of Stocks managed by the Bank:

£ millions					Number of accounts *000's*
End of February	**1957**	**1958**	**1959**	**1960**	**1960**
British Government Securities:					
Stock	15,136	15,086	14,738	14,782	2,147
Bearer Bonds	94	90	15	14	—
Total	15,230	15,176	14,753	14,796	2,147
Other Securities:					
Government Guaranteed...	3,327	3,325	3,317	3,315	637
Commonwealth, etc. ...	195	202	228	226	84
Local Authorities ...	178	195	204	221	92
Public Boards, etc. ...	62	61	71	71	30
Miscellaneous	15	15	15	15	1
Total	3,777	3,798	3,835	3,848	844
Grand Total	19,007	18,974	18,588	18,644	2,991

NOTE: The figures for British Government Securities do not include—

(i) amounts on the Registers of the Bank of Ireland, the Post Office Savings Department and the Trustee Savings Banks;

(ii) Tax Reserve Certificates and interest-free loans.

The Bank are represented on the Committee on Transfer of Securities which the Chairman of The Stock Exchange set up in November, 1959, to consider whether improvements can be made in the methods of transfer and transfer registration to simplify and expedite procedure.

For some years past, the Bank have been seeking to take advantage of the new electronic techniques now being developed in office machinery, particularly in connection with the preparation of dividend warrants, more than six million individual dividend payments being made each year. Surveys of available machines have been made in this country, on the Continent and in North America and an experimental installation using an electronic computer is now undergoing tests. When the trial period is over there will still remain the task of converting nearly three million accounts to the new system and the rate of conversion must of necessity be conditioned by the dividend timetable and by the need to avoid interrupting normal daily work; but sufficient has been seen of the possibilities of such a system to show its many advantages.

EXCHANGE CONTROL

Payments by residents of the United Kingdom to non-residents of the Scheduled Territories in respect of bona fide current transactions may be made freely subject only to the obtaining of formal permission. There has been a widening of the authority of the Authorised Banks to approve such payments. Restrictions remain on transfers of capital outside the Scheduled Territories.

There are no restrictions on the transfer of sterling on non-resident (i.e., External) account. Restrictions remain on the transfer of the proceeds of sale of portfolio investment in the United Kingdom by non-residents. The proceeds of sale or liquidation of approved direct investment by non-residents may be repatriated.

The principal changes during the year in the administration of Exchange Control are set out below.

Egyptian Monetary Area: 2nd March, 1959

The special restrictions imposed on sterling accounts of residents of the Egyptian Monetary Area and on transactions affecting Egyptian-owned securities were removed. All sterling accounts of residents of the Egyptian Monetary Area were redesignated as External Accounts.

Payment for Exports: 12th March, 1959

As an alternative to receiving payment in the prescribed manner (i.e., in sterling from an External Account or in any specified currency), permission was given for any non-specified currency which is freely exchangeable for sterling to be accepted in payment for exports to countries outside the Scheduled Territories.

Export of Sterling Notes: 26th March, 1959

The amount of sterling notes which travellers may take out of the United Kingdom was increased from £10 to £20.

Iraq: 23rd June, 1959

Iraq ceased to be a Scheduled Territory. Sterling accounts of residents of Iraq were designated as External Accounts.

Sterling Transfer Forms and Forms E: 1st July, 1959

The amount up to which Sterling Transfer Forms and Forms E need not be completed in respect of payments for imports into the United Kingdom was raised from £250 to £500.

Export of gifts in kind: 1st July, 1959

The limit on the value of private gifts in kind which may be exported without completion of a Form C.D.3 was increased from £25 to £100.

Travel: 1st November, 1959

Restrictions on the amount of foreign currency which may be obtained for travel outside the Scheduled Territories were removed.

Export of Notes: 5th November, 1959

The amount of notes which travellers may take out of the United Kingdom was increased as follows:

(*a*) sterling notes—from £20 to £50;

(*b*) notes expressed in foreign currencies and currencies of the Scheduled Territories (other than the United Kingdom)—from £100 to £250.

Miscellaneous Commercial Payments: 9th December, 1959

Authority was delegated to Authorised Banks to approve applications for a wide range of commercial payments.

Sterling Transfer Forms and Forms E: 20th January, 1960

It was announced that Sterling Transfer Forms and Forms E were no longer required for payments up to £500 to non-residents in respect of merchanting transactions.

Commodity Markets

The Bank continued to enjoy the closest relations with the representative organisations of the various markets.

In 1959 the total value of commodities sold under the various Commodity Market Schemes to countries outside the Scheduled Territories was on the same level as for 1958.

1955	£393 million
1956	£424 „
1957	£519 „
1958	£445 „
1959	£445 „

OTHER ITEMS

The Radcliffe Report, and the evidence given before the Committee, describe in detail the relationship between the Bank of England and various parts of the monetary system. During the year under review the Committee of London Clearing Bankers and other representative financial bodies have continued to give the Bank most valuable assistance and co-operation.

Take-over Bids

During the first half of 1959 'take-over bids' attracted considerable public discussion, and there was criticism of some of the methods employed. In July, at the Governor's suggestion, a working party to examine the question was set up in the City. It consisted of the Issuing Houses Association, the Accepting Houses Committee, the Association of Investment Trusts, the British Insurance Association, the Committee of London Clearing Bankers, and the London Stock Exchange; the Bank themselves did not take part. In November the Issuing Houses Association published a report by the working party entitled " Notes on Amalgamations of British Businesses " recommending a code of conduct to be followed when bids were made.

Protection of Depositors

In recent years there has been a marked increase in deposit-taking by institutions other than banks. In particular hire purchase finance companies, which have grown rapidly in response to public demand for credit, have taken deposits on a substantial scale. The deposits are unsecured and fall outside the scope of the protection provided by the Companies Act, 1948. Many of the deposit-taking companies are private companies and are not required to publish accounts.

Some concern has been felt about the lack of safeguards for depositors with certain types of institution, which has been shared by the Bank:

> ". . . with the ever-widening circle of investors and depositors it is the more important that they should enjoy every protection against fraud or mismanagement which can reasonably be given to them."(a)

On the 26th November, 1959, the President of the Board of Trade announced the terms of reference of a Committee of Inquiry, under the chairmanship of Lord Jenkins, into Company Law, and said that action on the protection of depositors need not await the Committee's Report.

(a) The Governor, in a speech at a Dinner given by the Lord Mayor to the Bankers and Merchants of the City of London on the 12th November, 1959.

DEBATE IN THE HOUSE OF COMMONS ON THE REPORT OF THE COMMITTEE ON THE WORKING OF THE MONETARY SYSTEM, THE 26th NOVEMBER, 1959

(Hansard: Volume 614, No. 26)

Extract from the statement made by the Chancellor of the Exchequer:

Now I turn to three sets of specific recommendations. The first of these concerns the relations between the Treasury and the Bank of England, and the Report rightly devotes close attention to this question. It finds that the relationship is detailed and continuous and that the allocation of functions which has been worked out since the war is generally satisfactory. The Report goes on to put forward certain proposals designed to make those relationships explicit rather than implicit, stressing that the proposals it puts forward are concerned with form rather than with substance.

I accept the view that there are advantages in making more explicit the understanding that monetary policy must fall within the orbit of general economic policy and that the Government must bear the ultimate responsibility. There is no difference of view between the Government and the Bank on that fundamental matter. But I judge it of equal importance that the responsibility for current monetary operations within the limits of Government policy, and at all times in consultation with the Government, should continue to lie, and to be seen to lie, with the Bank of England.

As regards the internal direction of the Bank, both the Government and the Bank accept the Committee's general analysis of the respective functions and responsibilities of the Governors and of the part-time directors respectively. In the formation of the Bank's views on monetary policy the main responsibility must fall, as it does fall, on the Governors, while the function of the Bank's part-time directors must be mainly advisory. But the Committee expresses the view that it is to the advantage of the Bank to have part-time directors not merely as consultants, but as full members of the Court, and I agree wholeheartedly with that view.

At the same time, we attach the greatest importance, as does the Radcliffe Committee, to ensuring that the Bank's position should be maintained as a separate organisation with a life of its own and that its governing body—not only the part-time directors, but all the governing body—should not act merely as consultants, but should continue to take a corporate responsibility for the formation of the Bank's views. I conclude, therefore, that it is right that we should now take certain steps to make more formal and explicit what is now informal and implicit, without diminishing or appearing to diminish the present responsibilities of the Bank.

The Committee made two specific recommendations, one relating to decisions about the level of the Bank Rate and one proposing the creation of a monetary committee. On the Bank Rate it suggested that it would be better that all future decisions to raise or lower the Bank Rate should be made in the name of the Chancellor of the Exchequer and on his authority. I am sure that it is known to every hon. Member that for very many years no change in the Bank Rate has been made without the approval of the Chancellor.

I do not know whether we should find it generally advantageous in our public life to write down and formalise all those habits and practices by which we have learned to work together, but I think not. However, in this case I see no disadvantage in it being made perfectly clear that a change in the Bank Rate is, in fact, made with the approval of the Chancellor of the Exchequer. Thus far, therefore, I agree with the Committee.

The Committee goes on to say that

> "under the existing legislative scheme a statutory direction is needed to convey such an exercise of the authority of the Chancellor of the Exchequer",

and though it does not make a formal recommendation it appears to favour the use of such a direction for each and every change in the Bank Rate. On this point, I do not go with the Committee. I believe it of great advantage that when the Bank Rate is changed there should be general knowledge here and throughout the world that the change is not only approved by the Chancellor of the day, but also advocated by the Bank of England. I fear that this advantage would be lost if all changes were made on the Chancellor's direction.

It is in the nature of things that if a Minister of the Crown exercises his statutory power to direct somebody to do something the natural assumption is that the person on whom the direction is served would not have done it of his own volition. I see the greatest possible disadvantage in all changes in the Bank Rate being made by a procedure which would obscure completely what were the views of the Bank of England, and would indeed suggest that the action could well be contrary to its views.

There are some who think it odd that the powers of direction given to Ministers of the Crown are very seldom used, and that the powers of direction given to the Treasury by the Bank of England Act have never been used. I, on the contrary, regard it as a tribute to our national good sense in working things out together. So while I agree that it is desirable to improve on the procedures as they exist at present, I should prefer to change them in a way rather different from that suggested. I have, therefore, made arrangements which, in my view, give effect to the general objectives which the Committee appears to have had in mind in making its own proposals.

Broadly, the arrangements for the future—which I have, of course, agreed with the Governor of the Bank of England—will be on the following lines. The Court of Directors has delegated to the Governor standing authority to settle changes in the Bank Rate with the Chancellor of the Exchequer on behalf of the Bank. In framing the view of the Bank as to the level of the Bank Rate, the Governor will be free to have discussions with the Committee of Treasury and with other part-time directors of the Bank. He will not, however, put specific proposals before the Committee of Treasury or before the Court of Directors.

When, following the customary informal discussions between the Governor and myself, a change in the Bank Rate is agreed to be desirable, the Governor will make a formal written proposal to me on the day before the change is to be made and I shall convey my formal approval in writing on the same day. That approval will cover both the change itself and the continuance of the Bank Rate at the new level until such time as a further change takes place. On the day on which a change is to be made, the Governor will report to the Court the action taken under the standing authority given to him. The final decision will be made in the name of the Bank and announced forthwith in the usual way.

The Bank will make a formal announcement to the Press, including a statement that the Bank's decisions have my approval. Until such time as a further change in the Bank Rate is to be made, the Governor will report to the Court at its normal weekly meetings that no further change is to be made and that decision will be announced forthwith in the same manner as when a change is made.

These arrangements are intended to lay down the normal procedure and may have to be varied in exceptional circumstances. Moreover, they do not, and could not, derogate in any way from the power of the Treasury to give a direction to the Bank under the Bank of England Act, 1946. That power remains for use in the last resort if ever, as I should not expect, we should fail to reach agreement by the normal processes of consultation together. I hope that these arrangements, which in my view are in conformity with the objectives of the Radcliffe Committee both on the responsibilities for Bank Rate decisions and on the position of the part-time directors, will commend themselves to the House.

The second main proposal made by the Radcliffe Committee in this field was that a standing committee, deliberative and advisory in character, should be set up under the chairmanship of the Chancellor of the Exchequer to keep under review and advise the authorities on all matters relating to the co-ordination of monetary policy as a whole. The members would be drawn from the Bank, the Treasury and the Board of Trade.

The Committee's object in making this proposal was to ensure, in its own words,

> "that the Bank's views and decisions on monetary policy are arrived at after full discussions of their implications for the Government's economic policy as a whole"

and that

> "the Government in forming economic policy can regularly get the benefit of the advice and experience of those for whom the monetary policy is a special concern".

With this general objective, as I have already made clear, I agree. I doubt, however, whether the best way of obtaining it is by means of this proposed committee. When the object is to knit the formulation of monetary policy closely in with the formulation of economic policy generally, and particularly with fiscal policy, it seems questionable whether the best way to go about it is to have another committee, especially a committee of a rather formal kind dealing with monetary policy alone, and especially as this would add to the rest of our machinery for consultation between Ministers and Departments.

My view, therefore,—and on this I have the agreement of my right hon. Friend the President of the Board of Trade—is that a more continuous co-ordination of monetary policy with economic policy generally can best be achieved by arranging for the Bank to be permanently represented on the various official committees by which economic policy is already formulated and advice to Ministers on it is co-ordinated. With many of these the Bank has been informally associated from time to time in the past. I propose that in future it should be associated all the time as full members.

We believe that these arrangements—right hon. Members opposite will understand me when I say that they are intended to go to the very heart of the matter—will make it even more certain than it is already that the expertise of the Bank is made available to all those who are engaged in advising Ministers on economic policy and that considerations additional to purely monetary ones are brought to the attention of the Bank of England. I believe these arrangements will forge an even stronger link and facilitate an even more two-way day-to-day co-operation between the Government and the Bank than the formation of an additional committee would do.

BANK OF ENGLAND

29th February, 1960

ISSUE DEPARTMENT

	£		£
Notes Issued		Government Debt	11,015,100
In Circulation	2,115,892,622	Other Government Securities	2,136,236,849
In Banking Department...	34,467,558	Other Securities	733,846
		Coin other than Gold Coin	2,014,205
		Amount of Fiduciary Issue ...	£2,150,000,000
		Gold Coin and Bullion ... (@ 250*s.* 4*d.* per oz. fine)	360,180
	£2,150,360,180		£2,150,360,180

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

BANKING DEPARTMENT

		£			£
Capital		14,553,000	Government Securities ...		274,324,038
Rest		3,916,829	Other Securities		
Public Deposits (including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts)		12,293,475	Discounts and Advances	£32,723,756	
Other Deposits			Securities	£19,709,294	52,433,050
Bankers	£263,863,299		Notes		34,467,558
Other Accounts	£67,524,197	331,387,496	Coin		926,154
		£362,150,800			£362,150,800

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

STATISTICAL ANNEX

Symbols and conventions used:

. . not available.
— nil or less than half the final digit shown.

A line drawn across a column between different dates indicates that the figures above and below the line are not strictly comparable.

All figures are given correct to the nearest final digit; for this reason the sum of the separate items will sometimes differ from the total shown.

TABLE 1

EXCHEQUER AND BANKING: 1959/60

A. Exchequer[(a)]

£ millions (Net sterling receipt or surplus +/expenditure or deficit −)

	19th March— 17th June		18th June— 16th Sept.		17th Sept.— 16th Dec.		17th Dec.— 16th March		19th Mar., 1959— 16th Mar., 1960	
Net Requirements										
Budget:										
Above the line		−104		−115		−223		+781		+339
Below the line		−119		−162		−190		−201		−672
Overall		−223		−277		−413		+580		−333
Extra-Budgetary Funds, etc.[(b)] ...		+ 85		− 1		− 9		+ 24		+ 99
Exchange Equalisation Account ...		+ 19		− 23		+111		+ 68		+175
Other External Items (net)		−139		− 3		−102		− 45		−289
Cash Deficit/Surplus		−258		−304		−413		+627		−348
Financing										
Net indebtedness to the Bank of England, Banking Department[(c)]		− 10		+ 16		− 41		+ 53		+ 18
Bank of England notes in circulation		+ 61		+ 15		+150		−132		+ 94
Government debt held by the public:[(a)]										
Non-marketable debt:										
Small Savings	+ 94		+ 71		+ 72		+103		+340	
Tax Reserve Certificates ...	+ 38	+132	+ 46	+117	+ 54	+126	−181	− 78	− 43	+297
Marketable debt:										
Stocks	− 29		− 33		−124		−345		−531	
Treasury Bills	+104	+ 75	+189	+156	+302	+178	−125	−470	+470	− 61
Total Financing		+258		+304		+413		−627		+348

B. Analysis of changes in Government debt held by the public[(a)]

(Increase in holdings +/decrease −)

	19th March— 17th June		18th June— 16th Sept.		17th Sept.— 16th Dec.		17th Dec.— 16th March		19th Mar., 1959— 16th Mar., 1960	
Non-marketable debt										
Small Savings and Tax Reserve Certificates		+132		+117		+126		− 78		+297
Marketable debt										
Stocks:										
Discount Market	+ 10		− 2		− 32		+ 36		+ 12	
London Clearing Banks	−118		− 31		− 70		−229		−448	
Overseas Official holders[(d)] ...	+ 36		+ 4		− 21		− 33		− 14	
Other home and overseas non-official holders[(e)]	+ 43	− 29	− 4	− 33	− 1	−124	−119	−345	− 81	−531
Treasury Bills:										
Discount Market	− 10		+ 55		+130		− 80		+ 95	
London Clearing Banks	+141		+139		+ 61		−277		+ 64	
Overseas Official holders[(d)] ...	− 7		− 44		+ 92		+ 71		+112	
Other home and overseas non-official holders[(e)]	− 20	+104	+ 39	+189	+ 19	+302	+161	−125	+199	+470
Net change in holdings ...		+207		+273		+304		−548		+236

(a) See Additional Notes, page 49.

(b) Including, as a receipt, the repayment by the Post Office of annuities to the National Debt Commissioners.

(c) Indebtedness on Ways and Means Advances, Treasury Bills, Tax Reserve Certificates, Government stocks and Bank of England notes; net of changes in the deposits of the Exchequer and the Paymaster General with the Bank.

(d) Overseas Central Banks, Currency Boards, Crown Agents for Oversea Governments and Administrations and certain other official bodies.

(e) A residual item which includes non-Clearing Banks and unidentified overseas holders.

TABLE 1
(Continued)

EXCHEQUER AND BANKING: 1959/60

C. Discount Market

£ millions (Increase +/decrease −)

	19th March— 17th June		18th June— 16th Sept.		17th Sept.— 16th Dec.		17th Dec.— 16th March		19th Mar., 1959— 16th Mar., 1960	
Assets										
Government debt:										
Stocks	+ 10		− 2		− 32		+ 36		+ 12	
Treasury Bills	− 10	—	+ 55	+ 53	+130	+ 98	− 80	− 44	+ 95	+107
Commercial and other bills ...		+ 12		+ 23		− 10		+ 13		+ 38
Other assets		− 24		+ 4		− 4		− 2		− 26
Borrowed Funds[a]										
From:										
Bank of England, Banking Dept.		− 1		− 1		+ 8		− 8		− 2
London Clearing Banks[b]		− 10		− 2		+ 72		− 3		+ 57
Overseas and foreign banks ...		− 13		+ 40		+ 24		− 21		+ 30
Other sources		+ 11		+ 38		− 20		− 6		+ 23

D. London Clearing Banks

(Increase +/decrease −)

	19th March— 17th June		18th June— 16th Sept.		17th Sept.— 16th Dec.		17th Dec.— 16th March		19th Mar., 1959— 16th Mar., 1960	
Assets										
Government debt:										
Stocks	−118		− 31		− 70		−229		−448	
Treasury Bills	+141	+ 23	+139	+108	+ 61	− 9	−277	−506	+ 64	−384
Call Money with Discount Market		− 10		− 2		+ 72		− 3		+ 57
Notes and Coin		+ 10		+ 9		+ 64		− 80		+ 3
Balances with Bank of England ...		− 7		+ 14		− 37		+ 48		+ 18
Advances and Other Accounts ...		+132		+153		+146		+211		+642
Commercial bills, trade investments, etc.[c]		+ 12		− 9		+ 44		− 3		+ 44
Liabilities										
Net deposits[d]		+112		+231		+217		−314		+246
Other liabilities[e]		+ 49		+ 40		+ 68		− 19		+138
Liquidity Ratio[f] *at end of period*		*32·3%*		*33·2%*		*34·2%*		*31·5%*		*31·5%*

[a] Excluding capital and reserves.

[b] The total reported by the Discount Market under this heading may sometimes differ to a small extent from the total reported by the London Clearing Banks under the heading "Money at Call and Short Notice to the Money Market"; to preserve consistency between Tables 1C and 1D, the latter figure is used in both Tables. Any resulting error in "Borrowed Funds" is included in "Other sources".

[c] Including Call Money other than with the Discount Market.

[d] Current and Deposit Accounts less (i) Balances with, and cheques in course of collection on, other banks in the United Kingdom and the Republic of Ireland; and (ii) Items in transit between offices of the same bank.

[e] Capital and reserves, etc., and Other Accounts.

[f] The ratio of total liquid assets (Coin, notes and balances with Bank of England, Money at Call and Short Notice and Bills Discounted) to Gross Deposits (shown only in Table 4); see also footnote [a] on page 5.

TABLE 2

DISCOUNT MARKET[a]

£ millions

	Assets					Borrowed Funds[b]				
	Total	British Government and Government guaranteed Securities (c)	Treasury Bills	Commercial and other bills(d)	Other assets	Total	Bank of England, Banking Department	London Clearing Banks	Overseas and foreign banks(e)	Other sources
1951 December 31st	1,031	314	624	63	31	992	5	555	247	185
1952 " "	1,067	291	702	42	32	1,028	5	495	340	188
1953 " "	1,085	383	606	49	47	1,048	—	459	395	194
1954 " "	1,090	373	618	47	53	1,051	50	452	345	205
1955 " "	1,068	307	652	45	63	1,014	58	459	257	240
1956 " "	954	294	523	85	53	909	34	454	212	210
1957 " "	956	223	585	84	64	903	11	474	201	217
1958 " "	1,053	321	594	70	68	1,007	8	519	263	216
1959 March 18th ...	841	341	351	89	60	789	2	433	184	171
June 17th ...	830	351	341	101	36	776	1	423	171	182
September 16th	909	349	396	124	40	852	—	421	211	220
December 16th	993	317	526	114	36	936	8	493	235	200
1960 March 16th ...	959	353	446	127	34	899	—	493	214	191

(a) The figures are aggregates for the members of the London Discount Market Association, and for 1951 to 1955 are partly estimated; those for Assets in these years are mainly at the 31st December, but partly at other dates in December.

(b) Excluding capital and reserves.

(c) At nominal value.

(d) Including local authority bills.

(e) Those banks whose main business is conducted elsewhere than in the United Kingdom or the Republic of Ireland. Figures after 1958 differ slightly in coverage from those for earlier years; this difference is also reflected in the figures for " Other sources ".

BANK OF ENGLAND ADVANCES TO THE DISCOUNT MARKET

	Number of days on which market advances were made	Number of days on which market advances were outstanding
1959		
19th March—15th April	4	19
16th April—20th May	5	21
21st May—17th June	3	17
18th June—15th July	3	13
16th July—19th August	1	12
20th August—16th September	1	7
17th September—21st October	2	7
22nd October—18th November	6	27
19th November—16th December	6	20
17th December—20th January, 1960 ...	9	31
1960		
21st January—17th February	4	23
18th February—16th March	4	24

TABLE 4

£ millions

	Gross Deposits				Net Deposits (a)	Total Liquid Assets(b)		Coin, notes and balances with Bank of England(c)			Money at Call and Short Notice	
	Total	Current Accounts	Deposit Accounts	Other Accounts				Total		of which Balances with Bank of England (c)	Total	of which To Money Market
1951 Dec. 31st	6,333	4,221	1,839	273	5,672	2,100	*33·2*	531	*8·4*	310	598	. .
1952 „ „	6,460	4,169	2,016	275	5,781	2,327	*36·0*	550	*8·5*	302	529	. .
1953 „ „	6,694	4,247	2,105	342	5,913	2,460	*36·7*	542	*8·1*	317	501	. .
1954 „ „	6,941	4,403	2,144	394	6,027	2,382	*34·3*	571	*8·2*	351	498	. .
1955 „ „	6,612	4,251	2,000	361	5,776	2,471	*37·4*	565	*8·5*	306	506	. .
1956 „ „	6,656	4,187	2,054	416	5,793	2,492	*37·4*	571	*8·6*	263	505	. .
1957 „ „	6,929	4,107	2,377	445	5,945	2,664	*38·4*	601	*8·7*	221	525	. .
1958 „ „	7,199	4,227	2,486	486	6,131	2,493	*34·6*	586	*8·1*	213	587	521
1959 „ „	7,667	7,146		520	6,475	2,628	*34·3*	635	*8·3*	. .	614	. .
1958 Jan. 15th	6,710	3,907	2,408	395	5,895	2,536	*37·8*	550	*8·2*	211	423	. .
Feb. 19th	6,400	3,614	2,391	396	5,641	2,254	*35·2*	515	*8·0*	225	414	. .
Mar. 19th	6,365	3,589	2,394	383	5,611	2,160	*33·9*	516	*8·1*	225	438	. .
Apr. 16th	6,450	3,630	2,400	420	5,637	2,136	*33·1*	543	*8·4*	238	421	. .
May 21st	6,411	3,592	2,402	417	5,607	2,079	*32·4*	530	*8·3*	226	412	. .
June 30th	6,669	3,764	2,415	490	5,733	2,190	*32·8*	550	*8·2*	277	426	. .
July 16th	6,670	3,758	2,475	437	5,828	2,257	*33·8*	543	*8·1*	217	415	. .
Aug. 20th	6,576	3,719	2,448	410	5,814	2,199	*33·4*	541	*8·2*	218	405	. .
Sept. 17th	6,649	3,772	2,470	407	5,876	2,222	*33·4*	538	*8·1*	235	412	. .
Oct. 15th	6,745	3,818	2,498	428	5,917	2,242	*33·2*	549	*8·1*	251	419	363
Nov. 19th	6,789	3,840	2,520	428	5,978	2,287	*33·7*	555	*8·2*	239	442	389
Dec. 31st	7,199	4,227	2,486	486	6,131	2,493	*34·6*	586	*8·1*	213	587	521
1959 Jan. 21st	6,936	4,036	2,485	414	6,095	2,421	*34·9*	571	*8·2*	247	473	409
Feb. 18th	6,632	3,830	2,393	409	5,835	2,141	*32·3*	533	*8·0*	237	470	411
Mar. 18th	6,631	3,857	2,366	408	5,827	2,053	*31·0*	547	*8·2*	245	502	434
Apr. 15th	6,707	3,899	2,387	420	5,859	2,092	*31·2*	554	*8·3*	242	478	414
May 20th	6,739	3,932	2,363	443	5,809	2,080	*30·9*	531	*7·9*	215	469	408
June 17th	6,788	3,967	2,394	426	5,939	2,192	*32·3*	550	*8·1*	238	488	424
June 30th	7,084	6,564		520	6,003	2,270	*32·0*	575	*8·1*	. .	492	. .
July 15th	6,976	4,078	2,442	456	6,076	2,283	*32·7*	581	*8·3*	233	499	430
Aug. 19th	6,924	4,078	2,405	441	6,100	2,280	*32·9*	567	*8·2*	225	439	380
Sept. 16th	7,039	4,143	2,448	447	6,170	2,339	*33·2*	572	*8·1*	252	480	422
Oct. 21st	7,209	4,255	2,503	451	6,315	2,477	*34·4*	589	*8·2*	271	482	419
Nov. 18th	7,207	4,273	2,473	461	6,284	2,419	*33·6*	583	*8·1*	252	523	459
Dec. 16th	7,439	4,417	2,507	515	6,387	2,543	*34·2*	600	*8·1*	215	560	494
Dec. 31st	7,667	7,146		520	6,475	2,628	*34·3*	635	*8·3*	. .	614	. .
1960 Jan. 20th	7,400	4,415	2,514	471	6,453	2,541	*34·3*	588	*7·9*	255	544	482
Feb. 17th	7,142	4,193	2,470	480	6,207	2,296	*32·1*	592	*8·3*	271	571	503
Mar. 16th	7,047	4,123	2,438	486	6,073	2,217	*31·5*	568	*8·1*	263	555	491

(a) Current and Deposit Accounts less (i) Balances with, and cheques in course of collection on, other banks in the United Kingdom and the Republic of Ireland; and (ii) Items in transit between offices of the same bank.

(b) Coin, notes and balances with Bank of England, Money at Call and Short Notice, and Bills Discounted; see also footnote (a) on page 5. Excludes, in 1951, Treasury Deposit Receipts. [See note (f)].

(c) Lloyds Bank's balances with Eastern reserve banks are included in the total throughout; up to October, 1958, they are included in Balances with Bank of England.

CLEARING BANKS

Percentages of Gross Deposits in italics

Bills Discounted: Total	Bills Discounted: Treasury Bills	Bills Discounted: U.K. Commercial Bills	Bills Discounted: Other Bills	Investments: Total		Investments: British Government and Government guaranteed Securities	Investments: Other Investments	Advances to Customers and Other Accounts[d]: Total		Advances to Customers and Other Accounts[d]: Advances to Nationalised Industries[e]	Advances to Customers and Other Accounts[d]: Other	
972	791	181		2,067[f]	*32·6*	1,990[f]	77	1,860	*29·4*	89	1,771	1951 Dec. 31st
1,249	1,182	66		2,148	*33·3*	2,076	72	1,665	*25·8*	107	1,558	1952 " "
1,417	1,338	79		2,275	*34·0*	2,194	81	1,611	*24·1*	60	1,551	1953 " "
1,313	1,199	114		2,353	*33·9*	2,261	92	1,783	*25·7*	122	1,661	1954 " "
1,400	1,271	129		2,016	*30·5*	1,928	88	1,747	*26·4*	32	1,715	1955 " "
1,416	1,275	140		1,980	*29·8*	1,893	88	1,832	*27·5*	109	1,723	1956 " "
1,538	1,403	135		2,049	*29·6*	1,962	87	1,777	*25·7*	79	1,698	1957 " "
1,320	1,185	119	16	2,102	*29·2*	1,994	108	2,126	*29·5*	80	2,046	1958 " "
1,380	1,215	165		1,710	*22·3*	. .	. .	2,818	*36·8*	78	2,740	1959 " "
1,562	1,435	128		2,082	*31·0*	. .	. .	1,770	*26·4*	77	1,693	1958 Jan. 15th
1,324	1,207	117		2,084	*32·6*	. .	. .	1,798	*28·1*	56	1,742	Feb. 19th
1,206	1,082	124		2,094	*32·9*	. .	. .	1,838	*28·9*	51	1,787	Mar. 19th
1,172	1,061	111		2,136	*33·1*	. .	. .	1,883	*29·2*	66	1,817	Apr. 16th
1,137	1,026	111		2,163	*33·7*	. .	. .	1,879	*29·3*	63	1,816	May 21st
1,215	1,112	103		2,181	*32·7*	2,095	87	1,948	*29·2*	71	1,877	June 30th
1,299	1,200	99		2,193	*32·9*	. .	. .	1,910	*28·6*	65	1,845	July 16th
1,254	1,162	92		2,199	*33·4*	. .	. .	1,920	*29·2*	64	1,856	Aug. 20th
1,272	1,183	88		2,203	*33·1*	. .	. .	1,948	*29·3*	66	1,882	Sept. 17th
1,274	1,173	82	19	2,193	*32·5*	2,088	105	2,000	*29·7*	79	1,921	Oct. 15th
1,289	1,177	94	18	2,151	*31·7*	2,046	105	2,057	*30·3*	74	1,983	Nov. 19th
1,320	1,185	119	16	2,102	*29·2*	1,994	108	2,126	*29·5*	80	2,046	Dec. 31st
1,377	1,240	118	19	2,021	*29·1*	1,912	109	2,170	*31·3*	77	2,093	1959 Jan. 21st
1,138	1,005	113	19	1,962	*29·6*	1,853	109	2,251	*33·9*	69	2,183	Feb. 18th
1,004	877	108	19	1,928	*29·1*	1,816	112	2,364	*35·6*	74	2,290	Mar. 18th
1,060	932	111	17	1,884	*28·1*	1,766	118	2,412	*36·0*	75	2,338	Apr. 15th
1,080	945	115	20	1,837	*27·3*	1,719	118	2,467	*36·6*	74	2,393	May 20th
1,154	1,018	114	22	1,816	*26·8*	1,698	118	2,496	*36·8*	65	2,431	June 17th
1,203	1,081	122		1,812	*25·6*	. .	. .	2,580	*36·4*	81	2,499	June 30th
1,203	1,080	104	19	1,811	*26·0*	1,693	117	2,580	*37·0*	78	2,503	July 15th
1,273	1,150	104	19	1,802	*26·0*	1,684	118	2,616	*37·8*	70	2,546	Aug. 19th
1,288	1,157	111	19	1,789	*25·4*	1,667	122	2,649	*37·6*	73	2,576	Sept. 16th
1,406	1,272	117	18	1,729	*24·0*	1,608	121	2,716	*37·7*	74	2,642	Oct. 21st
1,313	1,170	122	21	1,729	*24·0*	1,607	122	2,752	*38·2*	68	2,684	Nov. 18th
1,383	1,218	141	23	1,720	*23·1*	1,597	123	2,795	*37·6*	82	2,713	Dec. 16th
1,380	1,215	165		1,710	*22·3*	. .	. .	2,818	*36·8*	78	2,740	Dec. 31st
1,409	1,254	131	24	1,698	*22·9*	1,571	127	2,846	*38·5*	72	2,774	1960 Jan. 20th
1,134	989	123	22	1,618	*22·7*	1,486	132	2,933	*41·1*	64	2,869	Feb. 17th
1,094	941	131	22	1,501	*21·3*	1,368	133	3,006	*42·7*	73	2,933	Mar. 16th

[d] Excluding Items in transit.

[e] Advances to those public corporations to which advances have also been made by the Exchequer under the Finance Acts, 1956, 1958 and 1959.

[f] Including Treasury Deposit Receipts [amounting to 102 (*1·6*% of Gross Deposits)].

TABLE 5

ANALYSIS OF BANK ADVANCES[(a)]

£ millions

	1956 Feb.	1957 Feb.	1958 Feb.	1958 May	1958 Aug.	1958 Nov.	1959 Feb.	1959 May	1959 Aug.	1959 Nov.	1960 Feb.
Coal Mining	0·9	0·9	1·2	0·9	0·8	1·1	1·2	3·5	0·9	1·0	1·0
Quarrying, etc.	4·2	4·1	8·5	9·6	10·0	9·3	9·9	9·8	9·9	7·6	8·7
Iron and Steel and Allied Trades	38·9	60·2	49·3	45·3	52·7	53·8	60·5	70·8	68·7	67·2	71·6
Non-ferrous Metals ...	8·3	11·0	7·5	7·1	9·4	12·7	9·4	9·4	9·5	9·8	11·4
Engineering, etc.	180·1	229·9	228·7	228·6	239·4	248·0	272·3	275·1	294·6	294·8	318·3
Shipping and Shipbuilding	26·5	31·3	43·9	48·5	56·3	58·9	66·7	75·8	75·3	77·7	85·4
Transport and Communications	21·1	22·0	22·7	20·7	19·8	20·9	27·5	28·5	28·3	27·7	33·0
Cotton	18·2	24·1	26·4	25·5	25·1	22·8	22·9	20·9	24·3	23·0	25·4
Wool	30·1	38·1	40·0	37·4	38·5	38·2	35·8	38·7	46·9	49·9	49·8
Other Textiles	42·3	43·7	46·0	51·0	48·8	44·3	49·2	52·6	53·4	50·2	59·6
Leather and Rubber ...	16·8	16·3	18·5	22·3	20·4	15·8	18·2	20·6	22·7	21·9	27·1
Chemicals	30·1	33·2	33·2	33·3	32·2	32·0	32·4	35·8	38·0	35·8	38·1
Agriculture	225·9	220·4	207·0	212·6	229·8	243·9	253·6	279·1	301·7	311·5	318·8
Fishing	3·2	3·3	4·9	5·0	6·0	5·3	5·4	6·4	6·6	6·4	6·3
Food, Drink and Tobacco	163·1	151·9	128·8	160·1	147·2	162·6	176·9	196·2	171·2	197·3	195·5
Retail Trade	185·7	163·8	167·1	184·9	175·5	201·2	235·3	255·1	268·7	302·3	338·4
Entertainment	20·6	19·6	21·1	21·3	21·1	21·9	25·4	25·7	27·2	27·2	26·4
Builders and Contractors ...	70·6	64·8	61·6	64·2	68·4	74·0	83·8	94·0	101·8	108·3	124·6
Building Materials ...	22·4	20·8	21·5	20·6	21·5	20·2	23·0	23·0	24·6	24·1	26·5
Unclassifiable Industry and Trade	134·9	124·9	133·1	136·2	144·8	145·1	158·4	165·0	180·2	188·6	205·4
Local Government Authorities	86·4	81·3	74·5	80·8	83·0	79·0	95·0	85·4	93·2	94·6	89·9
Public Utilities (exc. Transport)	58·2	65·5	53·5	61·8	67·9	80·0	75·5	81·6	80·4	79·4	77·6
Churches, Charities, Hospitals, etc.	13·0	12·4	12·4	12·5	14·7	15·4	15·2	16·0	17·8	17·2	16·3
Stockbrokers	9·0	14·2	7·9	10·2	10·3	10·7	14·1	16·4	17·9	19·0	23·9
Hire Purchase Finance Companies	35·4	28·3	30·1	31·0	27·4	39·6	59·0	82·8	100·5	114·1	126·3
Other Financial	167·4	190·2	171·6	176·1	185·2	181·3	203·7	224·2	251·6	264·1	300·5
Personal and Professional	347·9	324·1	319·7	324·0	335·8	383·3	436·5	487·4	543·6	581·1	637·7
TOTAL	1,961·1	2,000·3	1,940·9	2,031·7	2,092·0	2,221·4	2,466·7	2,679·7	2,859·3	3,001·8	3,243·4
Of which: London Clearing Banks	1,697·8	1,728·9	1,687·6	1,762·9	1,810·7	1,937·4	2,148·7	2,344·7	2,505·9	2,624·9	2,828·5
Other Banks ...	263·3	271·4	253·3	268·8	281·3	284·0	318·0	335·0	353·4	376·9	414·9

(a) The figures relate to all advances made by member banks of the British Bankers' Association through offices located within Great Britain, irrespective of the borrower's country of residence. The figures for the London Clearing Banks relate to the third Wednesday in the month; those for other member banks to various dates, mostly about the middle of the month. The definition of "advances" excludes bills discounted and foreign bills negotiated or bought and also "impersonal" or "internal" accounts. Except for the "personal" advances included in the "Personal and Professional" category, the classification is based on the business of the borrower and no account is taken of the object of the advance or the nature of the security held.

SHORT-TERM MONEY RATES

Per cent. per annum

End of period	Bank Rate	Treasury Bills(a)	London Clearing Banks: Deposit Accounts (b)	London Clearing Banks: Call Money(c)	Discount Market Buying Rates: Bank Bills (3 months)	Discount Market Buying Rates: Fine Trade Bills (3 months)
1951	2 1/2	£–:19: 4·06	3/4	3/4	1 1/2	2 1/2—3 1/2
1952	4	£2: 8: 4·36	2	2	3	4 —5
1953	3 1/2	£2: 2: 7·34	1 3/4	1 3/4	2 3/16	3 1/2—4 1/2
1954	3	£1:17: 3·82	1 1/4	1 1/4	1 7/8	2 1/2—3
1955	4 1/2	£4: 1: 5·40	2 1/2	2 3/4	4 3/16—4 1/4	5 —5 3/4
1956	5 1/2	£4:17: 1·81	3 1/2	3 3/4	4 15/16—5	6 —6 1/2
1957	7	£6: 7: 5·91	5	5 1/4	6 1/2 —6 5/8	7 1/4—8
1958	4	£3: 3: 0·47	2	2 3/8	3 1/4 —3 5/16	4 1/4—5
1959	4	£3:13: 8·82	2	2 3/8	3 25/32—3 27/32	4 1/4—5
1958 January	7	£6: 2: 6·50	5	5 1/4	6 1/4 —6 5/16	7 1/4—8
February	7	£6: –: 3·28	5	5 1/4	6 3/16—6 1/4	7 —8
March	6	£5:10: 5·54	4	4 1/4	5 9/16—5 5/8	6 1/4—7
April	6	£5: 3: 6·97	4	4 1/4	5 3/8 —5 7/16	6 1/4—7
May	5 1/2	£4:16: 3·84	3 1/2	3 3/4	4 15/16—5	6 —6 1/2
June	5	£4: 5:10·67	3	3 1/4	4 3/8 —4 7/16	5 —5 3/4
July	5	£4: 3: 2·26	3	3 1/4	4 5/16—4 3/8	5 —5 3/4
August	4 1/2	£3:14:11·48	2 1/2	2 3/4	3 7/8 —3 15/16	4 1/2—5 1/4
September	4 1/2	£3:12: 6·10	2 1/2	2 3/4	3 3/4 —3 13/16	4 1/2—5 1/4
October	4 1/2	£3:11: 8·23	2 1/2	2 3/4	3 11/16—3 3/4	4 1/2—5 1/4
November	4	£3: 6: 1·20	2	2 3/8	3 7/16—3 1/2	4 1/4—5
December	4	£3: 3: 0·47	2	2 3/8	3 1/4 —3 5/16	4 1/4—5
1959 January	4	£3: 2: 1·68	2	2 3/8	3 1/4 —3 5/16	4 1/4—5
February	4	£3: 5: 6·22	2	2 3/8	3 3/8 —3 7/16	4 1/4—5
March	4	£3: 6: 0·10	2	2 3/8	3 3/8 —3 7/16	4 1/4—5
April	4	£3: 5: 7·89	2	2 3/8	3 13/32—3 7/16	4 1/2—5
May	4	£3: 7: 7·61	2	2 3/8	3 15/32—3 1/2	4 1/4—5
June	4	£3: 9: 0·52	2	2 3/8	3 17/32—3 19/32	4 1/4—5
July	4	£3: 9: 8·19	2	2 3/8	3 5/8 —3 11/16	4 1/4—5
August	4	£3: 9: 9·03	2	2 3/8	3 9/16—3 5/8	4 1/4—5
September	4	£3: 9: 5·24	2	2 3/8	3 9/16—3 5/8	4 1/4—5
October	4	£3: 7: 8·53	2	2 3/8	3 1/2 —3 9/16	4 1/4—5
November	4	£3: 7:11·95	2	2 3/8	3 17/32—3 19/32	4 1/4—5
December	4	£3:13: 8·82	2	2 3/8	3 25/32—3 27/32	4 1/4—5
1960 January	5	£4:10: 9·18	3	3 3/8	4 21/32—4 23/32	5 1/4—6
February	5	£4:11: 1·07	3	3 3/8	4 21/32—4 23/32	5 1/4—6
March	5	£4:12: 5·03	3	3 3/8	4 3/4 —4 13/16	5 1/4—6

(a) Average rate of discount on allotment for 91-day Bills, on the last Friday of each period shown.

(b) At 14 days' notice up to the 11th March, 1952; at 21 days' notice from the 12th March, 1952 to the 26th January, 1955; thereafter at 7 days' notice.

(c) Minimum rate of interest charged for loans to the Discount Market.

TABLE 7

SECURITY YIELDS

End of period	British Government Securities(a)				Industrial Securities(b)		
					Debentures	Ordinary Shares	
	Short-dated(c)	Medium-dated(c)	Long-dated(c)	2½% Consols	Yield	Dividend Yield	Price Index
	per cent. per annum						
1951	2·4	3·5	4·2	4·1	4·9	5·8	102·7
1952	2·9	3·5	4·2	4·3	5·1	6·3	97·5
1953	2·9	3·4	3·8	3·9	4·7	5·8	113·1
1954	2·6	3·1	3·5	3·8	4·4	5·2	152·1
1955	4·6	4·8	4·7	4·4	5·4	5·6	154·5
1956	4·9	5·1	5·3	4·8	5·9	6·5	140·6
1957	5·8	5·5	5·8	5·4	6·5	7·0	135·9
1958	4·2	5·0	5·4	4·8	6·0	5·3	133·2
1959	4·2	5·2	5·3	5·0	6·0	4·0	191·0
1958 January ...	5·5	5·5	5·7	5·2	6·4	6·9	97·9
February ...	5·2	5·5	5·7	5·1	6·4	7·3	92·8
March	4·9	5·4	5·7	5·1	6·3	6·9	98·9
April	4·6	5·2	5·5	5·0	6·2	6·6	103·5
May	4·7	5·2	5·6	5·0	6·2	6·6	104·2
June	4·6	5·2	5·6	5·0	6·1	6·3	109·4
July	4·6	5·3	5·5	5·0	6·2	6·3	109·6
August ...	4·5	5·3	5·6	4·9	6·1	5·9	116·0
September ...	4·4	5·1	5·4	4·8	6·1	5·7	119·9
October ...	4·3	5·0	5·4	4·8	6·1	5·6	123·8
November ...	4·3	5·0	5·5	4·9	6·0	5·6	125·0
December ...	4·2	5·0	5·4	4·8	6·0	5·3	133·2
1959 January ...	4·2	4·9	5·2	4·7	6·0	5·4	130·7
February ...	4·1	5·0	5·2	4·8	6·0	5·3	134·0
March	4·1	5·1	5·3	4·9	6·0	5·3	134·8
April	4·1	5·1	5·2	4·8	6·0	5·1	140·9
May	4·1	5·2	5·4	4·9	6·0	4·9	145·4
June	4·1	5·1	5·2	4·8	6·0	5·0	145·7
July	4·2	5·1	5·2	4·7	6·0	5·1	143·1
August ...	4·2	5·2	5·3	4·8	6·0	4·7	155·4
September ...	4·4	5·4	5·4	4·9	6·0	4·8	152·2
October ...	4·1	5·0	5·1	4·8	6·1	4·2	174·4
November ...	4·2	5·0	5·1	4·8	6·0	4·2	178·7
December ...	4·2	5·2	5·3	5·0	6·0	4·0	191·0
1960 January ...	4·7	5·4	5·4	5·2	6·0	4·0	190·0
February ...	4·9	5·5	5·5	5·3	6·0	4·1	186·0
March	5·0	5·7	5·6	5·3	6·1	4·2	187·5

(a) Redemption yields, allowing for accrued interest but ignoring income tax. Where there is more than one maturity date redemption is assumed at the latest date when the price is below par and at the earliest date when the price is above par. For 2½% Consols a flat yield is taken.

(b) Taken from the Actuaries' Investment Index; relating to the last Tuesday of each month. From 1951 to 1957 the index for ordinary shares is based on the 29th December, 1950 = 100; thereafter on the 31st December, 1957 = 100. Yields and prices for ordinary shares from January, 1958, are not strictly comparable with those for earlier years.

Yields are based on gross market prices; those for debentures are calculated after deduction of accrued interest but without allowance for redemption. Income tax is ignored.

(c) Representative securities changed from time to time, viz:— Short-dated: 2¼% Exchequer Stock, 1955, in 1951 and 1952; 2½% Funding Loan, 1956-61, in 1953 and 1954; 2% Exchequer Stock, 1960, in 1955 and 1956; 4½% Conversion Stock, 1962, in 1957 and 1958; 3% Exchequer Stock, 1962-63, in 1959; 4½% Conversion Stock, 1964, in 1960. Medium-dated: 2½% Funding Loan, 1956-61, in 1951 and 1952; 3% Savings Bonds, 1955-65, in 1953 to 1955; 2½% Savings Bonds, 1964-67, in 1956 to 1958; 3% Funding Stock, 1966-68, in 1959 and 1960. Long-dated: 3% Savings Bonds, 1965-75, in 1951 to 1958; 3½% Treasury Stock, 1979-81, in 1959 and 1960.

CAPITAL ISSUES

£ millions

	New Issues										Refunding and Conversion Issues
	Total New Issues (including Investment Trusts)	For United Kingdom					For Overseas			Investment Trusts (b)	
		Total	Local Authorities and Public Corporations(a)	Public Companies(b)			Total	Governments, Local Authorities and Public Corporations(e)	Public Companies (b)		
				Manufacturing Industries(c)	Insurance, Banking and Finance(d)	Other					
1952	387·2	332·5	205·8	108·2	1·4	17·1	52·4	33·1	19·3	2·2	23·0
1953	435·1	369·8	245·5	107·1	3·2	14·0	57·4	30·8	26·6	7·8	17·0
1954	530·6	425·1	224·5	166·7	18·0	15·9	79·2	42·2	37·0	26·3	20·7
1955	634·5	547·8	305·9	178·1	28·3	35·5	63·6	17·5	46·0	23·1	69·8
1956	365·5	288·7	53·9	208·6	4·4	21·8	52·6	13·8	38·8	24·3	11·3
1957	367·3	287·3	28·7	228·1	12·5	18·0	65·1	12·0	53·1	14·9	10·7
1958	359·5	270·6	75·6	147·3	28·5	19·3	74·0	48·7	25·3	14·8	28·2
1959	541·4	459·1	51·2	191·2	157·5	59·2	48·8	23·3	25·5	33·6	44·7
1958 1st quarter ...	120·1	99·1	27·4	62·8	7·3	1·6	18·0	9·6	8·4	3·0	16·2
2nd „ ...	99·0	68·9	12·7	49·1	2·4	4·7	27·0	19·8	7·2	3·0	11·1
3rd „ ...	83·6	71·0	30·5	20·3	13·0	7·3	7·4	3·9	3·5	5·2	0·9
4th „ ...	56·8	31·5	5·0	15·1	5·9	5·6	21·7	15·4	6·3	3·6	—
1959 1st quarter ...	144·6	115·4	10·0	61·6	24·3	19·5	25·8	12·9	12·9	3·5	20·4
2nd „ ...	117·7	105·2	16·4	28·3	45·5	15·0	5·1	0·8	4·3	7·4	12·3
3rd „ ...	155·1	139·9	—	65·9	60·6	13·4	3·4	—	3·3	11·9	9·3
4th „ ...	124·0	98·6	24·9	35·3	27·1	11·4	14·5	9·7	4·8	10·9	2·8
1960 1st quarter ...	150·4	113·4	3·0	48·8	50·1	11·5	21·4	11·9	9·5	15·6	2·2

(a) Including the nationalised industries and certain public bodies such as water, dock and harbour boards.

(b) Total new issues by public companies, including investment trusts, are further analysed by class of capital issued; see Additional Notes, page 50.

(c) Defined according to the Standard Industrial Classification.

(d) Including companies engaged in the ownership and management of property.

(e) Including issues by the International Bank for Reconstruction and Development.

TABLE 9

UNITED KINGDOM

£ millions

	Current Account						Long-term Capital Account		
	Imports (f.o.b.)	Exports (f.o.b.)	Visible balance	Government (net)	Other invisibles (net)	Current balance	Inter-government loans (net)	Other long-term capital (net)	Balance of long-term capital
1952	2,959	2,831	−128	− 52	+407	+227	—	−180	−180
1953	2,896	2,677	−219	− 56	+454	+179	− 31	−210	−241
1954	3,020	2,825	−195	−124	+523	+204	− 20	−220	−240
1955	3,432	3,076	−356	−136	+400	− 92	− 53	−130	−183
1956	3,466	3,402	− 64	−167	+423	+192	− 51	−190	−241
1957	3,569	3,538	− 31	−143	+408	+234	+ 72	−269	−197
1958	3,330	3,428	+ 98	−216	+467	+349	− 45	−214	−259
1959	3,605	3,547	− 58	−228	+431	+145	−118	−430[d]	−548
1958									
1st half ...	1,628	1,721	+ 93	−101	+234	+226	− 14	−102	−116
2nd half ...	1,702	1,707	+ 5	−115	+233	+123	− 31	−112	−143
1959									
1st half ...	1,749	1,749	—	−110	+225	+115	+ 36	−314[d]	−278
2nd half ...	1,856	1,798	− 58	−118	+206	+ 30	−154	−116	−270

[a] The items in this table are defined in "United Kingdom Balance of Payments 1946-1957", published by H.M. Stationery Office in March, 1959 and "United Kingdom Balance of Payments 1957-1959" (Cmnd. 977), published in March, 1960. Figures for 1959 are provisional.

[b] Following the normal practice in balance of payments accounts, a decrease in liabilities or increase in assets is shown −, an increase in liabilities or decrease in assets +.

BALANCE OF PAYMENTS[a]

£ millions

Balance of current and long-term capital	Monetary Movements[b]				Balancing item	
	Overseas sterling holdings	Gold and convertible currency reserves	Other (including miscel-laneous capital)	Balance of monetary movements		
+ 47	−357	+175	+ 87	− 95	+ 48	1952
− 62	+218	−240	+ 39	+ 17	+ 45	1953
− 36	+175	− 87	− 71	+ 17	+ 19	1954
−275	−134	+229	+ 61	+156	+119	1955
− 49	+ 46	− 42[c]	− 67	− 63	+112	1956
+ 37	−173	− 13[c]	− 11	−197	+160	1957
+ 90	+ 58	−284	+ 13	−213	+123	1958
−403	+235	+119	+ 17	+371	+ 32	1959
						1958
+110	− 13	−287	+ 37	−263	+153	1st half
− 20	+ 71	+ 3	− 24	+ 50	− 30	2nd half
						1959
−163	+112	− 37	+ 37	+112	+ 51	1st half
−240	+123	+156	− 20	+259	− 19	2nd half

(c) Including special North American loan interest accounts.

(d) Including United Kingdom's subscription to International Monetary Fund of 232.

TABLE 10

OVERSEAS STERLING HOLDINGS BY

£ millions

End of period	Grand Total	Central Bank and other official funds	Other funds	Overseas Sterling Area: All Countries: Total	All Countries: Central Bank and other official funds	All Countries: Other funds	United Kingdom Colonies[a]: Central Bank and other official funds	United Kingdom Colonies[a]: Other funds	Other Sterling Area Countries[a]: Central Bank and other official funds	Other Sterling Area Countries[a]: Other funds
1951	4,143	3,477	666	2,585	2,252	333	703	216	1,549	117
1952	3,786	3,063	723	2,482	2,019	463	792	232	1,227	231
1953	4,004	3,188	816	2,715	2,203	512	831	262	1,372	250
1954	4,179	3,196	983	2,822	2,260	562	632	208	1,628	354
1955	4,045	3,173	872	2,764	2,266	498	669	175	1,597	323
1956	4,091	3,309	782	2,730	2,240	490	686	184	1,554	306
1957	3,918	3,154	764	2,608	2,126	482	699	184	1,427	298
1958	3,976	3,015	961	2,519	1,993	526	686	194	1,307	332
1959	4,211	3,195	1,016	2,703	2,165	538	686	187	1,479	351
1956 March ...	4,039	3,170	869	2,785	2,284	501	677	188	1,607	313
June ...	4,021	3,137	884	2,776	2,270	506	666	204	1,604	302
Sept. ...	3,977	3,115	862	2,762	2,233	529	668	204	1,565	325
Dec. ...	4,091	3,309	782	2,730	2,240	490	686	184	1,554	306
1957 March ...	4,151	3,290	861	2,795	2,275	520	691	205	1,584	315
June ...	4,156	3,272	884	2,819	2,279	540	686	216	1,593	324
Sept. ...	4,027	3,297	730	2,689	2,188	501	683	205	1,505	296
Dec. ...	3,918	3,154	764	2,608	2,126	482	699	184	1,427	298
1958 March ...	3,893	3,057	836	2,539	2,051	488	687	204	1,364	284
June ...	3,905	2,990	915	2,537	2,007	530	679	208	1,328	322
Sept. ...	3,904	2,965	939	2,492	1,969	523	681	195	1,288	328
Dec. ...	3,976	3,015	961	2,519	1,993	526	686	194	1,307	332
Dec. ...	3.976	3,015	961	2,519	1,993	526	686	194	1,307	332
1959 March ...	3,875	2,922	953	2,574	2,034	540	686	218	1,348	322
June ...	4,088	3,080	1,008	2,649	2,076	573	676	219	1,400	354
Sept. ...	4,147	3,108	1,039	2,676	2,097	579	673	216	1,424	363
Dec. ...	4,211	3,195	1,016	2,703	2,165	538	686	187	1,479	351
1960 March ...	4,179	3,179	1,000	2,669	2,156	513	698	197	1,458	316

(a) Ghana, Singapore and the Federation of Malaya are included in " United Kingdom Colonies " until the end of 1953, and subsequently in " Other Sterling Area Countries ".

TABLE 10

AREA AND CLASS OF HOLDER

£ millions

Non-Sterling Countries											Non-Territorial Organisations	
All Countries			Dollar Area		Other Western Hemisphere Countries		O.E.E.C. Countries		Other Non-Sterling Countries[b]			
Total	Central Bank and other official funds	Other funds	Central Bank and other official funds	Other funds	Central Bank and other official funds	Other funds	Central Bank and other official funds	Other funds	Central Bank and other official funds	Other funds	Official funds	End of period
992	659	333	28	10	35	22	155	173	441	128	566	1951
737	477	260	15	19	20	−14	86	153	356	102	567	1952
778	474	304	19	43	57	−17	68	155	330	123	511	1953
881	460	421	8	89	6	2	56	188	390	142	476	1954
812	438	374	5	53	3	6	50	163	380	152	469	1955
692	400	292	7	30	19	13	61	132	313	117	669	1956
665	383	282	4	31	12	19	131	129	236	103	645	1957
834	399	435	7	46	1	23	142	231	249	135	623	1958
803	325	478	. .	. .	. .	. .	. .	. .	. .	. .	705	1959
783	415	368	5	27	9	8	35	174	366	159	471	1956 March
773	395	378	7	31	11	14	38	185	339	148	472	June
743	410	333	7	36	21	11	62	168	320	118	472	Sept.
692	400	292	7	30	19	13	61	132	313	117	669	Dec.
691	350	341	6	44	17	16	49	150	278	131	665	1957 March
677	333	344	7	43	20	16	48	157	258	128	660	June
686	457	229	5	25	17	12	187	89	248	103	652	Sept.
665	383	282	4	31	12	19	131	129	236	103	645	Dec.
704	356	348	5	37	14	14	100	179	237	118	650	1958 March
737	352	385	4	40	2	21	117	189	229	135	631	June
776	360	416	7	32	1	27	119	232	233	125	636	Sept.
834	399	435	7	46	1	23	142	231	249	135	623	Dec.
			North America[c]		Latin America[d]		Western Europe[e]					
834	399	435	7	51	1	17	159	249	232	118	623	Dec.
763	350	413	6	39	—	13	100	245	244	116	538	1959 March
730	295	435	7	45	—	14	51	252	237	124	709	June
766	306	460	6	48	3	11	72	263	225	138	705	Sept.
803	325	478	5	55	8	4	99	288	213	131	705	Dec.
822	335	487	8	50	25	—	102	306	200	131	688	1960 March

(b) Including Iraq.

(c) U.S.A. and Dependencies and Canada.

(d) Other independent countries of the American continent.

(e) O.E.E.C. countries (including Spain) and their dependent territories, together with Andorra, Finland, Vatican City and Yugoslavia.

TABLE 11

EXCHANGE RATES

Monthly range of quotations[(a)]

	U.S. dollars	Security sterling[(b)]	London premium/ discount on U.S. $ securities[(c)]	Canadian dollars
Parity	2·80			
1959			%	
March	2·80$\frac{15}{16}$—81$\frac{5}{8}$	2·80 —81$\frac{1}{2}$	$\frac{19}{32}$ dis.— $\frac{1}{4}$ dis.	2·71$\frac{15}{16}$—73$\frac{11}{16}$
April	2·81$\frac{7}{16}$—81$\frac{13}{16}$	2·80$\frac{3}{4}$ —81$\frac{3}{4}$	$\frac{7}{8}$ dis.— $\frac{7}{16}$ dis.	2·70$\frac{1}{2}$ —72$\frac{9}{16}$
May	2·81$\frac{1}{16}$—81$\frac{11}{16}$	2·80$\frac{1}{4}$ —81$\frac{1}{2}$	$\frac{5}{8}$ dis.— $\frac{9}{32}$ dis.	2·69$\frac{13}{16}$—72$\frac{3}{16}$
June	2·81 —81$\frac{3}{8}$	2·79$\frac{7}{8}$ —81$\frac{3}{4}$	$\frac{1}{2}$ dis.— $\frac{1}{8}$ pre.	2·68$\frac{7}{16}$—70$\frac{5}{8}$
July	2·81 —81$\frac{3}{8}$	2·78$\frac{1}{2}$ —81$\frac{7}{16}$	$\frac{3}{8}$ dis.— 2$\frac{1}{8}$ pre.	2·67$\frac{11}{16}$—70
August	2·80$\frac{1}{2}$ —81$\frac{1}{4}$	2·79$\frac{1}{4}$ —81$\frac{1}{8}$	$\frac{7}{16}$ dis.— $\frac{5}{8}$ pre.	2·66$\frac{7}{8}$ —69$\frac{3}{4}$
September	2·80 —80$\frac{13}{16}$	2·79$\frac{1}{8}$ —80$\frac{1}{2}$	$\frac{5}{16}$ pre.— 2$\frac{1}{4}$ pre.	2·65$\frac{1}{4}$ —67$\frac{13}{16}$
October	2·80$\frac{3}{16}$—81	2·77$\frac{1}{4}$ —81	$\frac{3}{8}$ dis.—2$\frac{13}{16}$ pre.	2·65$\frac{1}{4}$ —66$\frac{3}{4}$
November	2·80$\frac{1}{16}$—80$\frac{9}{16}$	2·78$\frac{7}{8}$ —80$\frac{1}{4}$	$\frac{7}{8}$ pre.— 2 pre.	2·65$\frac{1}{16}$—68$\frac{1}{16}$
December	2·79$\frac{1}{2}$ —80$\frac{3}{16}$	2·79 —80$\frac{1}{8}$	1$\frac{3}{8}$ pre.— 2$\frac{1}{2}$ pre.	2·65$\frac{1}{2}$ —67
1960				
January	2·79$\frac{3}{4}$ —80$\frac{5}{16}$	2·79 —80$\frac{5}{8}$	2$\frac{1}{8}$ pre.— 4$\frac{5}{8}$ pre.	2·66 —67$\frac{9}{16}$
February	2·80$\frac{3}{16}$—80$\frac{1}{2}$	2·78$\frac{1}{8}$ —80$\frac{1}{8}$	2$\frac{1}{8}$ pre.—4$\frac{3}{16}$ pre.	2·66$\frac{7}{16}$—67$\frac{1}{8}$
March	2·80$\frac{5}{16}$—80$\frac{13}{16}$	2·77$\frac{1}{8}$ —79$\frac{1}{8}$	1 pre.—2$\frac{7}{16}$ pre.	2·66$\frac{1}{16}$—68$\frac{3}{4}$

(a) As reported to the Bank of England: Security sterling from New York; remainder by the London market.

(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/discount 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.

TABLE 11
(Continued)

EXCHANGE RATES

Monthly range of quotations[(d)]

	Deutschemark	Swiss francs	French francs	Dutch florins	Swedish kronor
Parity	11·76	12·2439	13·8238	10·64	14·485
1959					
March	11·74$\frac{3}{8}$—77	12·13$\frac{1}{2}$—16$\frac{3}{4}$	13·77$\frac{3}{4}$—80$\frac{5}{8}$	10·60$\frac{3}{4}$—62$\frac{1}{2}$	14·53$\frac{3}{4}$—56$\frac{1}{2}$
April	11·76$\frac{3}{4}$—78$\frac{1}{2}$	12·15$\frac{5}{8}$—18$\frac{7}{8}$	13·79$\frac{7}{8}$—81$\frac{5}{8}$	10·62$\frac{1}{8}$—63$\frac{1}{2}$	14·56$\frac{1}{8}$—57$\frac{3}{8}$
May	11·74$\frac{7}{8}$—78$\frac{5}{16}$	12·13$\frac{9}{16}$—18$\frac{9}{16}$	13·77$\frac{3}{4}$—80$\frac{15}{16}$	10·61$\frac{1}{16}$—63$\frac{1}{4}$	14·54$\frac{9}{16}$—57$\frac{1}{8}$
June	11·74$\frac{9}{16}$—75$\frac{9}{16}$	12·11$\frac{11}{16}$—14$\frac{5}{16}$	13·77$\frac{11}{16}$—79$\frac{7}{16}$	10·59$\frac{7}{8}$—62$\frac{5}{16}$	14·54$\frac{3}{8}$—55$\frac{7}{8}$
July	11·74$\frac{3}{4}$—76$\frac{3}{16}$	12·11$\frac{1}{16}$—12$\frac{1}{4}$	13·78—81$\frac{1}{4}$	10·59$\frac{11}{16}$—60$\frac{15}{16}$	14·53$\frac{11}{16}$—55$\frac{1}{4}$
August	11·73$\frac{15}{16}$—76$\frac{3}{8}$	12·11$\frac{1}{4}$—13$\frac{7}{8}$	13·75$\frac{1}{4}$—78$\frac{3}{4}$	10·60$\frac{9}{16}$—62$\frac{7}{16}$	14·51$\frac{3}{4}$—54$\frac{1}{2}$
September	11·71$\frac{7}{8}$—74$\frac{1}{16}$	12·10—14$\frac{5}{8}$	13·72$\frac{13}{16}$—78$\frac{7}{16}$	10·57$\frac{5}{8}$—60$\frac{15}{16}$	14·48$\frac{7}{8}$—52$\frac{5}{16}$
October	11·70—74$\frac{9}{16}$	12·13$\frac{5}{8}$—20$\frac{1}{16}$	13·75$\frac{3}{16}$—79$\frac{3}{16}$	10·56$\frac{3}{8}$—60$\frac{3}{8}$	14·49$\frac{1}{4}$—54
November	11·68$\frac{1}{4}$—70$\frac{5}{16}$	12·14—19$\frac{11}{16}$	13·73$\frac{3}{8}$—76$\frac{3}{4}$	10·57$\frac{3}{16}$—59$\frac{3}{4}$	14·49$\frac{1}{2}$—53
December	11·65$\frac{3}{4}$—68$\frac{5}{8}$	12·06$\frac{3}{4}$—16$\frac{1}{4}$	13·70$\frac{3}{4}$—74$\frac{7}{8}$	10·54$\frac{1}{2}$—58	14·47$\frac{7}{8}$—51$\frac{1}{4}$
1960					
January	11·66$\frac{11}{16}$—69	12·08$\frac{1}{2}$—14$\frac{5}{16}$	13·72$\frac{7}{8}$—79$\frac{1}{2}$	10·55$\frac{1}{8}$—58	14·49$\frac{1}{8}$—52$\frac{1}{8}$
February	11·68$\frac{1}{2}$—69$\frac{3}{4}$	12·13$\frac{3}{4}$—17$\frac{1}{8}$	13·75—77$\frac{3}{4}$	10·56$\frac{9}{16}$—57$\frac{15}{16}$	14·50$\frac{5}{8}$—52$\frac{5}{16}$
March	11·69—71	12·15$\frac{7}{16}$—18$\frac{7}{16}$	13·75$\frac{11}{16}$—77$\frac{3}{4}$	10·56$\frac{13}{16}$—59$\frac{3}{8}$	14·51$\frac{1}{16}$—54$\frac{3}{16}$

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

TABLE 12

EXCHANGE EQUALISATION ACCOUNT

Holdings of Gold and Convertible Currencies

End of Period		£ millions
1951	... ...	834
1952	... ...	659
1953	... ...	899
1954	... ...	986
1955	... ...	757
1956	... ...	799[a]
1957	... ...	812
1958	... ...	1,096
1959	... ...	977
1956	March	813
	June	852
	September	832
	December	799[a]
1957	March	826[a]
	June	850
	September	661
	December	812
1958	March	989
	June	1,099
	September	1,114
	December	1,096
1959	January	1,111
	February	1,127
	March	1,121
	April	1,161
	May	1,114
	June	1,133
	July	1,150
	August	1,160
	September	1,173
	October	1,080
	November	1,062
	December	977
1960	January	959
	February	972
	March	993

(a) Including 37 in special North American loan interest accounts.

ADDITIONAL NOTES TO THE TABLES

Sources

Statistics taken from publications of H.M. Government are reproduced by permission of the Controller of H.M. Stationery Office. Particular acknowledgment is made to H.M. Treasury for the use in Table 1 of the figures of Exchequer financing specially compiled for the periods for which bank statistics are also available.

Acknowledgment is also made to the following bodies who have allowed the Bank to use material made available by them:

The Committee of London Clearing Bankers

The British Bankers' Association

The London Discount Market Association

The Institute of Actuaries.

Table 1: Exchequer and Banking

This table follows the lines of the corresponding tables in the evidence submitted by the Bank to the Radcliffe Committee (Memoranda of Evidence, Volume 1, Part I, Appendix 2). Parts A and B of the Table record the net cash requirements of the Exchequer Group that have been met by increases in the note issue and in holdings outside the Group of Government debt in both marketable and non-marketable forms, and by net sales of other sterling securities. The Exchequer Group comprises the Exchequer, the Paymaster General, the National Debt Commissioners, the Exchange Equalisation Account, and the Issue Department of the Bank of England. The "other sterling securities" dealt in by the Group are principally the Government guaranteed stocks of the nationalised industries. An important difference from the tables as they were submitted to the Radcliffe Committee is that the changes in the Exchequer's net indebtedness to the Banking Department of the Bank of England are here shown separately.

The item "Government debt held by the public" comprises changes in the Exchequer's indebtedness to all others, including the banks, outside the Exchequer Group on Small Savings (National Savings Certificates, Defence Bonds, Premium Savings Bonds, and deposits in the Post Office Savings Bank and the Ordinary Departments of Trustee Savings Banks), on Tax Reserve Certificates, on Government Stocks (including the net change in the public's holding of Government guaranteed stocks of the nationalised industries), and on Treasury Bills (including Bills acquired by the public which were originally issued otherwise than by tender).

Table 6: Short-term Money Rates

In addition to 91-day Treasury Bills, 63-day Bills were allotted during the year under review between the 30th October and the 4th December, and on the 18th December, 1959, at average rates of discount varying between £3:8:5·31% and £3:13:9·45%.

Table 8: Capital Issues

These estimates are based on the prices at which securities are issued; issues to the public being included in full at the time that subscriptions are invited. New issues comprise issues of capital in the United Kingdom made for cash by governments other than the United Kingdom Government, by local authorities, by public corporations and by public companies. Loans redeemable in twelve months or less are excluded and issues for repaying them, or for repaying mortgages and bank advances, are classed as new issues. Loans to local authorities and public corporations from government funds, including issues of stock to the National Debt Commissioners, are not included. Issues by United Kingdom borrowers where it is known that the proceeds are to be used for the benefit of an overseas body are classed as issues for overseas.

The total of new issues by public companies—both for United Kingdom and for overseas, and including investment trusts—has been analysed according to the class of capital issued as follows:

£ millions	Ordinary Shares	Other Capital (incl. Preference Shares)	Total
1952	94·4	53·8	148·2
1953	69·3	89·4	158·7
1954	103·7	160·2	263·9
1955	163·5	147·5	311·0
1956	154·5	143·4	297·9
1957	168·3	158·3	326·6
1958	121·8	113·4	235·2
1959	313·6	153·4	467·0

Table 10: Overseas Sterling Holdings by Area and Class of Holder

These comprise:

(i) The net holdings in sterling or Sterling Area currencies of overseas banks (including overseas offices of United Kingdom banks) and other account holders abroad with banks in the United Kingdom (including accepting houses, discount houses and the United Kingdom offices of Commonwealth and foreign banks); British Government securities held for account of overseas banks are included;

(ii) Sterling funds held with the Crown Agents for Oversea Governments and Administrations and by Currency Boards, excluding Dominion and Colonial sterling securities;

(iii) So far as known, the nominal value of British Government securities held by other official bodies but not those held by private individuals or firms.

The table shows total holdings classified by area and by the two principal classes of holder, Central Bank and other official funds on the one hand and non-official funds on the other. The latter may include some funds held by overseas official bodies, but only to a small extent.

Table 10 does not include acceptances given by banks in the United Kingdom for account of residents abroad which, since 1957, have been as follows:

£ millions		Acceptances Outstanding		
		Total	Overseas Sterling Area	Non-Sterling Countries
1957	December	147	9	138
1958	March	140	10	130
	June	123	11	112
	September	114	11	103
	December	130	11	119
1959	March	128	10	118
	June	139	11	128
	September	141	15	126
	December	134	13	121
1960	March	145	15	130

OVERSEAS STERLING HOLDINGS BY AREA; QUARTERLY
DECEMBER, 1945 TO DECEMBER, 1959

(Quarterly figures from December, 1945 to December, 1953 have not previously been published)

£ millions

End of quarter	Total	Overseas Sterling Area			Non-Sterling Countries					Non-Territorial Organisations
		Total	U.K. Colonies (a)	Other Sterling Area Countries (a)	Total	Dollar Area	Other Western Hemisphere	O.E.E.C. Countries	Other Non-Sterling Countries (b)	
1945 Dec. ...	3,567	2,327	411	1,916	1,240	34	163	351	692	—
1946 Mar. ...	3,646	2,370	448	1,922	1,276	30	177	379	690	—
June ...	3,647	2,360	438	1,922	1,287	35	194	372	686	—
Sept. ...	3,634	2,322	441	1,881	1,312	39	209	371	693	—
Dec. ...	3,636	2,300	461	1,839	1,310	33	212	363	702	26
1947 Mar. ...	3,966	2,297	477	1,820	1,357	30	224	407	696	312
June ...	3,916	2,216	472	1,744	1,373	32	229	430	682	327
Sept. ...	3,831	2,177	461	1,716	1,312	17	224	422	649	342
Dec. ...	3,886	2,192	470	1,722	1,306	18	235	419	634	388
1948 Mar. ...	3,926	2,299	495	1,804	1,224	17	193	368	646	403
June ...	3,904	2,338	507	1,831	1,163	18	182	334	629	403
Sept. ...	3,621	2,126	513	1,613	1,092	14	157	328	593	403
Dec. ...	3,550	2,108	519	1,589	1,044	19	135	309	581	398
1949 Mar. ...	3,510	2,091	554	1,537	1,018	20	107	299	592	401
June ...	3,448	2,031	539	1,492	1,018	14	91	325	588	399
Sept. ...	3,495	2,003	540	1,463	1,092	34	88	403	567	400
Dec. ...	3,719	2,111	546	1,565	1,032	31	80	356	565	576
1950 Mar. ...	3,827	2,255	574	1,681	995	26	83	318	568	577
June ...	3,880	2,330	612	1,718	971	32	88	310	541	579
Sept. ...	3,874	2,355	670	1,685	943	44	64	309	526	576
Dec. ...	4,060	2,497	719	1,778	986	79	45	314	548	577
1951 Mar. ...	4,278	2,777	789	1,988	935	47	41	302	545	566
June ...	4,495	2,885	865	2,020	1,042	72	55	341	574	568
Sept. ...	4,393	2,790	928	1,862	1,031	44	73	367	547	572
Dec. ...	4,143	2,585	919	1,666	992	38	57	328	569	566
1952 Mar. ...	3,914	2,450	950	1,500	898	28	31	294	545	566
June ...	3,759	2,379	986	1,393	812	19	8	267	518	568
Sept. ...	3,700	2,381	1,019	1,362	751	18	−4	248	489	568
Dec. ...	3,786	2,482	1,024	1,458	737	34	6	239	458	567

(a) Ghana, Singapore and the Federation of Malaya are included in "United Kingdom Colonies" until September, 1954 and subsequently in "Other Sterling Area Countries".

(b) Including Iraq.

OVERSEAS STERLING HOLDINGS BY AREA; QUARTERLY DECEMBER, 1945 TO DECEMBER, 1959

(Quarterly figures from December, 1945 to December, 1953 have not previously been published)

£ millions

End of quarter	Total	Overseas Sterling Area			Non-Sterling Countries					Non-Territorial Organisations
		Total	U.K. Colonies (a)	Other Sterling Area Countries (a)	Total	Dollar Area	Other Western Hemisphere	O.E.E.C. Countries	Other Non-Sterling Countries (b)	
1953 Mar. ...	3,850	2,579	1,051	1,528	704	40	14	235	415	567
June ...	3,957	2,679	1,083	1,596	712	41	35	222	414	566
Sept. ...	3,970	2,671	1,098	1,573	739	42	40	229	428	560
Dec. ...	4,004	2,715	1,093	1,622	778	62	40	223	453	511
1954 Mar. ...	4,036	2,809	1,144	1,665	715	48	31	209	427	512
June ...	4,132	2,834	1,183	1,651	783	61	27	223	472	515
Sept. ...	4,087	2,786	1,213	1,573	825	83	18	239	485	476
Dec. ...	4,179	2,822	840	1,982	881	97	8	244	532	476
1955 Mar. ...	4,215	2,809	860	1,949	925	128	8	227	562	481
June ...	4,170	2,824	879	1,945	867	86	4	240	537	479
Sept. ...	4,045	2,740	858	1,882	835	44	5	232	554	470
Dec. ...	4,045	2,764	844	1,920	812	58	9	213	532	469
1956 Mar. ...	4,039	2,785	865	1,920	783	32	17	209	525	471
June ...	4,021	2,776	870	1,906	773	38	25	223	487	472
Sept. ...	3,977	2,762	872	1,890	743	43	32	230	438	472
Dec. ...	4,091	2,730	870	1,860	692	37	32	193	430	669
1957 Mar. ...	4,151	2,795	896	1,899	691	50	33	199	409	665
June ...	4,156	2,819	902	1,917	677	50	36	205	386	660
Sept. ...	4,027	2,689	888	1,801	686	30	29	276	351	652
Dec. ...	3,918	2,608	883	1,725	665	35	31	260	339	645
1958 Mar. ...	3,893	2,539	891	1,648	704	42	28	279	355	650
June ...	3,905	2,537	887	1,650	737	44	23	306	364	631
Sept. ...	3,904	2,492	876	1,616	776	39	28	351	358	636
Dec. ...	3,976	2,519	880	1,639	834	53	24	373	384	623
						North America (c)	Latin America (d)	Western Europe (e)		
Dec. ...	3,976	2,519	880	1,639	834	58	18	408	350	623
1959 Mar. ...	3,875	2,574	904	1,670	763	45	13	345	360	538
June ...	4,088	2,649	895	1,754	730	52	14	303	361	709
Sept. ...	4,147	2,676	889	1,787	766	54	14	335	363	705
Dec. ...	4,211	2,703	873	1,830	803	60	12	387	344	705

(a) Ghana, Singapore and the Federation of Malaya are included in " United Kingdom Colonies " until September, 1954 and subsequently in " Other Sterling Area Countries ".

(b) Including Iraq.

(c) U.S.A. and Dependencies and Canada.

(d) Other independent countries of the American continent.

(e) O.E.E.C. countries (including Spain) and their dependent territories, together with Andorra, Finland, Vatican City and Yugoslavia.

SUPPLEMENT

UNITED KINGDOM OVERSEAS PORTFOLIO INVESTMENTS, 1958

Estimates relating to the United Kingdom's overseas investments have been published by the Bank over the past ten years and form a yearly series extending from 1938 to 1957. They first appeared in October, 1950, in a pamphlet entitled " United Kingdom Overseas Investments, 1938 to 1948 ", and were continued in papers issued with each of the Bank's subsequent Annual Reports. It has now become necessary to make certain changes in the scope and, in some respects, the form of the Bank's compilation. These changes are here described and estimates on an amended basis then presented.

The Bank's estimates, as published hitherto, fall into two classes of securities owned by residents of the United Kingdom. These are, first, shares and debentures of U.K.-registered companies operating entirely or predominantly abroad, which represent direct, or controlled, investments; and, secondly, overseas government and municipal loans and shares and debentures of overseas-registered companies, which represent in the main what are commonly described as portfolio investments. Since the publication of last year's estimates, the Board of Trade, with co-operation from the Bank, have instituted a statistical survey of direct investment transactions between the United Kingdom and abroad, which relates in the first instance to the year 1958 and will be continued thereafter. This new investigation, so far as it applies to direct investments abroad, covers the U.K. companies concerned and their transactions with their overseas branches and subsidiary and associated companies on a comprehensive basis, and so more fully than the Bank's estimates relating to direct investments. For this reason, the Bank have discontinued these estimates and now confine their compilation, beginning with the year 1958, to the United Kingdom's overseas portfolio investments.

Such investments comprise, by definition, holdings of U.K. residents in overseas government and municipal loans and in securities of overseas companies with the exception of direct investments by U.K. companies. The category of U.K. investments in overseas-registered companies, as published in the Bank's previous estimates, include certain direct investments, but these are believed to be small in amount and have been eliminated, so far as known, in the estimates here initiated.

The Board of Trade's survey of overseas direct investments has been designed primarily for use in compiling the estimates of the U.K. balance of payments, as officially published. With a similar objective, the Bank's new investigation of overseas portfolio investments directs attention to those items which are significant in connection with the balance of payments accounts. These are the net cash outflow from, or inflow to, the United Kingdom resulting from changes in U.K. holdings of overseas portfolio securities; and the amounts of interest and dividends received by the United Kingdom on these securities, net of overseas tax but gross of U.K. income tax.

Furthermore, the present investigation introduces two changes in compilation which bring the Bank's new estimates into line with current balance of payments practice. First, the geographical classification of overseas company securities is based on country of registration instead of on country of operation as in the estimates published for the years before 1958. Secondly, the grouping of countries into areas has been amended from Commonwealth Countries and Foreign Countries to Overseas Sterling Area Countries and Non-Sterling Countries. The geographical classification of overseas government and municipal loans, in accord with balance of payments method, continues to be based on debtor country without regard to the currency in which loans are expressed.

The securities covered by the present estimates, as by the previous estimates, are those dealt in on the London Stock Exchange together with U.S. and Canadian dollar securities quoted abroad, on which information is available to the Bank through the operation of Exchange Control. In consequence, the Bank's investigation of portfolio investments, so far as it relates to overseas countries other than the U.S.A. and Canada, omits, as in the past, a large part of U.K. holdings of the securities of companies without registrars or paying agents in the United Kingdom. But it is now possible to give a measure of this omission by reference to an approximate estimate made by the Board of Inland Revenue, the use of which here is gratefully acknowledged. This estimate comprises total U.K. receipts of interest and dividends from abroad, whether distributed by U.K. or overseas registrars, and relates to the financial year 1958/59. It suggests conjecturally that the shortfall in the Bank's estimate for 1958 of U.K. income from portfolio holdings in overseas companies other than U.S. and Canadian companies is of the order of £20 million in aggregate. The estimates of interest and dividends given below in Table II are correspondingly understated. No measure is possible of the extent to which particular countries are affected: and no estimate is available regarding capital transactions in U.K. holdings of overseas portfolio securities not included in the Bank's survey.

The information contributed voluntarily to assist the Bank's investigation by registrars of all kinds—banks, issuing houses, public companies and others—is gratefully acknowledged.

TABLE I: CAPITAL TRANSACTIONS DURING 1958

£ millions

	Total Net Outflow from U.K.	Gross New Investment	Gross Repayment	Net New Investment	Other Capital Transactions
Overseas Sterling Area Countries	24	56	14	42	−18
Non-Sterling Countries ...	10	22	8	14	− 4
Total	34	78	22	56	−22

The above table analyses the net cash outflow from the United Kingdom which resulted from changes during 1958 in U.K. holdings of overseas portfolio securities within the Bank's compilation and totalled £34 million. This estimate is divided into "net new investment" and "other capital transactions". "Net new investment" consists of transactions which it is possible to identify as between residents of the United Kingdom and residents of the particular country in which the investment is made. It comprises mainly new issues and redemptions, but includes also some market purchases and sales, notably those of U.S. domestic dollar securities. "Other capital transactions" consist wholly of purchases and sales through the market.

"Net new investment" in Overseas Sterling Area countries during 1958 was composed mostly of subscriptions to, less repayments of, government loans, New Zealand accounting in this respect for £16 million, Australia for £11 million, Rhodesia and Nyasaland for £7 million and the West Indies for £4 million. The main feature of "net new investment" in Non-Sterling countries was net purchases of U.S. company securities amounting to £15 million. "Other capital transactions" with Overseas Sterling Area countries consisted of net sales of government loans to the extent of £13 million. Among "other capital transactions" with Non-Sterling countries, net sales of German and Japanese government loans (£9 million) and, on the other hand, net purchases of Canadian company securities (£5 million) were large constituents.

TABLE II: INTEREST AND DIVIDENDS DURING 1958

£ millions

	Total	Overseas Government and Municipal Loans	Overseas Companies Total	Overseas Companies Share Dividends	Overseas Companies Loan Interest
Overseas Sterling Area Countries	45·2	19·6	25·6	23·9	1·7
Non-Sterling Countries	46·9	4·4	42·5	37·9	4·6
Total	92·1	24·0	68·1	61·8	6·3

Within the estimated total of £24 million shown in the above table for interest received by the United Kingdom on overseas government and municipal loans during 1958, Australia accounted for £8·5 million, Rhodesia and Nyasaland for £3·2 million, New Zealand for £2·7 million, East Africa for £1·8 million, the Irish Republic for £1·5 million and Japan for £2 million. The estimates of share dividends and loan interest received on overseas company securities include £23·6 million in respect of the U.S.A. and £15 million in respect of Canada. As mentioned earlier, the amounts contained in Table II in respect of overseas companies registered in countries other than the U.S.A. and Canada are limited to income received from securities dealt in on the London Stock Exchange.

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