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One Year of Inflation: The U. K. Balance of Payments 1954-55

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J. Herbert Furth

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One Year of Inflation: The U.K. Balance of Payments in 1954-55

Since the end of the Second World War the United Kingdom has been subject to recurrent balance-of-payments difficulties. In 1947, 1949, and 1951, these difficulties assumed proportions of major crises: in 1947, the United Kingdom had to retreat from its move toward convertibility; in 1949, the pound had to be devalued; and in 1951, the authorities had to abandon their postwar policies of monetary ease. However, between the spring of 1952 and the fall of 1954, the country was able to maintain equilibrium in its international accounts. Its current account showed a significant surplus, and its exchange and trade restrictions were gradually loosened. Since early in 1954, foreign-held sterling has again been de-facto convertible: practically without restriction in regard to non-dollar currencies, and at a small discount, which during most of that period did not exceed 1 per cent, in regard to the dollar. Imports from most parts of the non-dollar world have been virtually freed from bilateral arrangements or quota requirements, and dollar imports have been significantly "liberalized."

It was therefore a severe disappointment when during the last months of 1954 the balance-of-payments situation again deteriorated. For a time the trade statistics were distorted by the effects of the dock strike of October 1954; it was not until early in 1955, that the British authorities took restrictive action, primarily in the form of raising the Bank rate from 3 to 4-1/2 per cent. In April and May, there were some signs of improvement; but another dock strike, started in May and not resolved until July, again disrupted foreign trade and distorted foreign trade statistics. In July, sterling balances were withdrawn with increasing rapidity, especially by the European continent. Some further domestic restrictive measures were taken, culminating in the introduction of a restrictive autumn budget at the end of October. In recent months, the situation appears to have calmed down; but it would be foolhardy to state that the difficulties have been definitely overcome.

This paper discusses, first, the U.K. balance of payments and especially its structural and regional components; second, the relation between the balance-of-payments deficit and some domestic developments; and third, the monetary measures taken by the authorities to overcome the recent difficulties.

The U.K. Balance-of-Payments Deficit

The United Kingdom had a small global deficit on current account in 1954-55, in contrast to surpluses in the two preceding years (see Table 1). It also had a slightly larger global deficit on total account (i.e., current account plus defense aid plus long-term capital flow), again in contrast to surpluses in the preceding years.

The first point to note in this connection is the small size of the recent deficits, not only in absolute terms but even more so in comparison with the total international movements of British goods and services -- which amount to about £4 billion on each side of the ledger --, or with the British national income, which in the period under consideration probably reached £18 billion. An increase in exports (or a reduction in imports) of hardly more than 1 per cent, or a diversion of 1/4 of 1 per cent of the national product from domestic to international use, would have wiped out the total deficit.

A second, and much less favorable, point is the regional composition of the balance. The United Kingdom had a surplus with the outer sterling area (see Table 2), but a current deficit of £300 million with the non-sterling world, as compared with virtual balance in the two preceding years (see Table 3). When the receipts from defense aid, from capital flows, and especially from the extremely important transfer payments (that reflected the surplus of the outer sterling area with the non-sterling world) are taken into account, the total balance with the non-sterling world still showed a deficit of £67 million, as compared with large surpluses in the preceding years. Moreover, the small size of the total deficit was due to two facts which should be considered abnormal: the continued receipt of defense aid from the United States, and a large net inflow of capital. Adjusted for these two items, the total deficit for 1954-55 rises to about £150 million. And this amount ceases to be negligible: it represents almost 10 per cent of the value of the goods and services imported into the United Kingdom from the non-sterling world, and about 1 per cent of the country's national income.

The third, and most disquieting point is the fact that the deficit occurred at a time when virtually all of the best customers of the United Kingdom, including those in the dollar area, enjoyed an unprecedented degree of prosperity. Imports of the non-sterling world in 1954-55 were significantly higher than in 1953-54 and in 1952-53 (see Table 9) while the U.K. exports to that area had risen either not at all (on the basis of the trade statistics; see Table 7) or at least only by a much smaller fraction (on the basis of balance-of-payments statistics; see Table 3).

The Structural Composition of the Balance of Payments

The "total" balance of the United Kingdom is identical with the change in the U.K. foreign exchange position. Since the United Kingdom, with some relatively minor exceptions, holds the foreign exchange reserves of the entire sterling area, its total balance with the non-sterling world is not only identical with the change in its own foreign exchange position vis-a-vis the non-sterling world, but also a good measure of the change in the foreign exchange position of the sterling area as a whole.

The U.K. foreign exchange position (see Table 8) deteriorated only insofar as the official gold and dollar reserves dropped by the equivalent of £121 million, as against large increases in both preceding years. However, before far-reaching conclusions are drawn from the coincidence of an improvement in the non-dollar position with a deterioration in the dollar position, it should be pointed out that the former improvement resulted primarily from a repayment of U.K. debts to the European Payments Union and the International Monetary Fund: without those repayments, the drop in gold and dollar reserves would be only about £50 million, and there would be little change in the non-dollar position. Even as it is, the loss of reserves was less than one-sixth of that suffered during the last previous period of difficulties, between June 1951 and June 1952.

The long-term capital position of the United Kingdom showed a global rise in investment abroad much smaller than in the preceding years -- although it still brought the rise in net foreign investments since the end of 1948 to the respectable total of £1,250 million. The reason for the decline lies in the fact, already mentioned, that in 1954-55 the usual capital outflow to the non-sterling world was replaced by a capital inflow. The actual figure of that inflow has little significance, however, because it is dominated by the residual item of errors and omissions; according to past experience, we may expect the amount to be much reduced by later revisions.

The current account was, as always, most deeply influenced by trade transactions. Imports (f.o.b., on the basis of balance-of-payments statistics; see Table 1) rose much faster than exports so that the trade deficit amounted to £280 million, almost £200 million more than in 1953-54 and more than £100 million more than in 1952-53. The trade figures based on trade statistics show a slightly different movement (see Table 7), not completely explained by the fact that imports in the trade statistics are computed c.i.f.; however, the basic fact of a greatly increased trade deficit appears from the trade as well as from the balance-of-payments statistics.

Service transactions did not show any surprising developments, with one exception: the catch-all category of "other" non-Government service receipts had a surplus about £100 million smaller than in 1953-54. Since the most important single item in this category is the net revenue of British oil companies, and since oil sales were booming in 1954-55, this decline is difficult to understand. The oil companies are notoriously reluctant to give any information on the financial aspects of their international transactions, and at least on one memorable occasion, have been upheld in their reluctance by the British authorities as against the attempts of the U.S. authorities to penetrate the mystery; the more the pity since this item alone accounts for more than one-third of the entire deterioration in the current balance of the United Kingdom.

The Regional Composition of the Balance of Payments

The U.K. balance of payments improved vis-a-vis the outer sterling area, but deteriorated vis-a-vis the rest of the world.

Imports from the outer sterling area rose little if any while exports to that area increased considerably (see Tables 2 and 7). In consequence, the trade balance (with imports computed f.o.b.) changed from a deficit in both preceding years to a small surplus; with minor changes in the service and the capital balance, the total surplus increased considerably. At the same time, gold sales from the outer sterling area to the United Kingdom rose sharply, probably in response to the reopening of the London gold market; however, other transfer payments, reflecting the worsened position of the outer sterling area vis-a-vis the non-sterling world, showed a moderate outflow from the United Kingdom instead of the customary inflow.

In sharp contrast, imports from the non-sterling world increased sharply, by about 20 per cent on the basis of the trade statistics (see Table 7) and, in relation to 1952-53, even more on the basis of the balance-of-payments statistics (see Table 3); however, exports rose very little.

A large part, though by no means all, of the deterioration occurred in relation to the dollar area. Dollar imports rose about 30 per cent on the basis of balance-of-payments statistics (see Table 4), and even more than that on the basis of the trade statistics (see Table 7). In contrast, exports rose very little on the basis of balance-of-payments statistics, and actually fell on the basis of trade statistics. No matter which basis is chosen, the trade balance deteriorated considerably, constituting about two-thirds of the deterioration in the U.K. trade balance with the non-sterling world.

The total deficit of the United Kingdom with the dollar area was virtually wiped out by the surplus of the outer sterling area, utilized by the United Kingdom mainly through its purchases of gold from the outer sterling area. However, other transfer payments, including primarily gold and dollar payments through the European Payments Union, reconstituted the deficit with the dollar area. In previous years, transfer payments in respect to the OEEC area had not involved a significant loss of gold and dollars; the decline in gold and dollar reserves in 1954-55 might thus be attributed as well to the change in the U.K. position vis-a-vis the OEEC area as to its direct transactions with the dollar area. This fact clearly indicates that the gold and dollar position of the United Kingdom, and of the sterling area as a whole, is determined by the balance with the entire non-sterling world rather than merely by the balance with the dollar area. It thus indicates the futility of discriminatory policies that could improve the direct balance with the dollar area only at the expense of greater losses vis-a-vis the non-dollar world, such as the shift of imports from cheaper dollar to more expensive non-dollar goods: such policies tend to worsen not only the global balance, but also the very gold and dollar balance of the sterling area, which they are supposed to protect.

U.K. imports from the OEEC area rose about 15 per cent over last year's level while exports rose very little (see Tables 5 and 7); in consequence, the usual trade surplus (if imports are computed f.o.b.) disappeared completely.

U.K. transactions with the rest of the world were not very different from those in the two previous years (see Table 6). However, in 1954-55 the outer sterling area showed a change from its usual surplus to a large deficit with that part of the world, owing primarily to a change in its trade balance with the Far East, and especially with Japan. This change was the main reason for the deterioration in the balance of the outer sterling area with the non-sterling world.

Balance-of-Payments Deficit and Internal Imbalance

The symptoms of imbalance in the U.K. economy were not confined to the international position. Between the third quarters of 1954 and 1955, wholesale prices rose 4 per cent and the cost of living 5 per cent. The United Kingdom alone, among all major industrial nations, showed both a serious deterioration in its external balance and a significant rise in its domestic price level; this fact indicates that the root of both developments lies not in developments outside of the British economy, but rather in domestic inflationary pressures. Adding the effects of the price rise and the adjusted deficit (actual deficit plus defense aid plus abnormal capital inflow), it may be estimated that domestic demand exceeded available domestic supply at existing prices by about £500 million; the distribution of this inflationary pressure as between external deficit and domestic price rise in the ratio of about 1 : 3 is consistent with the relation between total imports and domestic production of goods and services.

If it is true that the U.K. balance-of-payments deficit is related to domestic inflationary pressures, then those explanations of the deficit must be rejected that put the main stress on such external factors as the commercial policy of the United States, the role of the outer sterling area, or an "import spree" of the British public.

In 1954-55 U.S. imports from the United Kingdom were larger by 4 per cent than in 1953-54, and those from the outer sterling area larger by 2 per cent; in contrast, imports from the OEEC area had risen only 1 per cent and those from the rest of the world had actually fallen (see Table 10). It is hard to see how under these circumstances U.S. import policies could have been responsible for the deterioration in the trade position of the United Kingdom or of the sterling area as a whole.

As far as the outer sterling area is concerned, it may be quite true that inflationary developments in some countries, such as Australia, diverted U.K. exports from other destinations. However, it is no longer true that U.K. exports to the outer sterling area are "unrequited": taking the area as a whole, only £20 million of U.K. goods and services exported to the area were paid "merely" by drawing on existing sterling balances; the rest was paid for either in goods and services or in gold (see Table 2).

The question of the "import spree" requires some more discussion. First, it should be noted that an increase in imports (based on trade statistics) by about 10 per cent over both 1952-53 and 1953-54 seems appropriate in relation to the rise in industrial production, which amounted to 6 per cent over 1953-54 and to 13 per cent over 1952-53. Second, the U.K. ratio of increase in imports was in line with developments in Belgium, France, and Italy, and very much smaller than the ratios in Germany, the Netherlands, and Sweden; while it was the export side of British foreign trade which deviated from the general pattern of European industrial nations, whose exports increased between 7 and 20 per cent over 1953-54, and between 9 and 40 per cent over 1952-53 (see Tables 7 and 11). The U.K. balance-of-payments problem seems thus to reflect not so much "over-importing" as the diversion of exportable goods to domestic use because of excessive domestic demand.

A variation of the "import spree" hypothesis is often presented in the form of making the British "dollar liberalization" responsible for the balance-of-payments difficulties. Actually, the United Kingdom has "liberalized" its dollar imports to a lesser extent than any major European country, except only France and Italy. Moreover, this liberalization could have raised the global deficit only if it had increased total imports above the level that otherwise would have obtained. There is no evidence, and even no contention, that this has been the case: the goods which the United Kingdom imported to a larger extent from the dollar area were predominantly foodstuffs and raw materials which had in any case to be imported from some source.

More difficult than to refute these hypotheses is the task of finding data on the uses and sources of domestic national income that give a clue to the primary focus of the excess in demand.

In the first half of 1955, consumer expenditures were about 7 per cent higher than in the first half of 1954. A reduction of this increase (in money terms) by about one-half would have wiped out the excess demand in that period; however, apart from this obvious point, there is no individual item which shows particularly great inflationary symptoms. Surprisingly enough, the largest absolute and relative increase in money terms occurred in the consumption of foodstuffs (12 per cent, or about £220 million). The most interesting consumer item, durable consumer goods, does not appear as such in the statistics; however, domestic sales of automobiles (cars and trucks) rose between the first half of 1954 and the first half of 1955 by 20 per cent or about £50 million, as compared with a negligible rise in export sales. While these figures do not account for the major part of the entire inflationary pressure, a mere diversion of the rise in production from domestic use to exports would have virtually wiped out the external deficit. In sharp contrast to the rise in consumption, personal savings -- as distinguished from business savings -- apparently declined in 1954 and even more so in the first half of 1955.

The data on investment expenditures are rather fragmentary. Gross capital formation rose more than consumption; but most observers -- with the significant exception of Mr. Harrod -- believed that the percentage of capital formation (about 15 per cent of national income) still was too low rather than too high, in view of the fact that the rise in industrial production in the United Kingdom in recent years was only about as rapid as in Belgium and Sweden, and far less rapid than in Germany, France, Italy, or the Netherlands. Factory construction increased particularly rapidly, and the backlog of orders for the steel and engineering industries continued to rise. However, there has been little evidence of inventory accumulation.

The figures on the sources of the national income are somewhat more illuminating. Wage rates in the first half of 1955 were 7 per cent higher than in the first half of 1954 and 9 per cent higher than in the first half of 1953; but these increases were not out of line with similar developments in most European countries.

Moreover, in view of the rise in the cost of living, wage rates in "real" terms were only 2 per cent higher than last year and 4 per cent higher than in 1953 — by far the smallest such increase in any major European country. This small increase is the more astonishing since "real" wage rates in the United Kingdom had not risen at all between 1947 and 1953. It is therefore hard to believe that the rise in wage rates in the United Kingdom was the main pacemaker of inflation.

Profits and dividends rose more rapidly than wages: on the basis of the 2,700 company reports published by the London Economist, profits in 1954-55 were 16 per cent, and dividend disbursements 28 per cent higher than in 1953-54. Nevertheless, in absolute amounts, the rise in dividends probably did not exceed £150 million for the entire year, little more than one-fifth in the increase in total wage payments, and most of that increase was sterilized through the payment of income taxes. The rise in profits seems to exert an inflationary influence mainly through its effects on business investment plans, already mentioned, and through its effects on stock exchange prices.

Between the beginning of 1954 and the middle of 1955, stock exchange prices in London rose 70 per cent. The amount of the gains either realized or computed on paper by investors in that period does not appear in the income statistics, but it certainly must have been a multiple of the recorded capital income. Even realized capital gains are not subject to taxation in the United Kingdom; such gains therefore can be translated into actual expenditures to a far greater extent than Continental Europe or in the United States. These amounts may well have been large enough to constitute a main source of excessive private demand.

The Role of Fiscal and Monetary Policy

While the problem of the basic root of inflationary pressure probably will remain a subject of controversy, the role played by fiscal policy appears to be pretty clear. In the spring of 1955, the British authorities decided to throw the entire burden of anti-inflationary action on monetary policy, and to present an expansionary rather than restrictive budget — either for political reasons or because of a genuine fear that the addition of restrictive fiscal measures to a tight monetary policy would not merely brake the boom but endanger prosperity and full employment. Whatever the reason, the decision to some extent frustrated the work of monetary policy; the authorities themselves have tacitly acknowledged this fact by presenting a restrictive autumn budget.

In the first seven months of the current fiscal year (April through October) ordinary revenues remained virtually unchanged from last year and ordinary expenditures rose by £30 million -- all of it accounted for by the rise in interest payments. More important, the Government actively promoted inflation by its lending activities, including mainly loans to local authorities for housing purposes; this lending rose by £125 million, making necessary a rise in the floating Government debt by about the same amount. In this way, the Government may be held responsible for about one-half of the excess demand in that period. The reversal of this inflationary Government lending policy, rather than the moderate tax increases proposed, constituted the core of the restrictive autumn budget.

The role played in the first half of 1955 by monetary policy has been more positive, but also more controversial. A British periodical stated bluntly that the experience of 1955 had proved the inability of monetary policy to correct an inflationary imbalance. Actually, however, this experience does not prove anything of the kind.

A restrictive monetary policy is expected to work in two steps: it should lead immediately to a reduction in the money supply and in bank advances, and at the second stage, this reduction should bring about a decline in spending. If such a policy failed to work properly, either the first or the second consequence would not occur.

In the first half of 1955, the measures taken by the British authorities led to the expected decline in the total money supply: between the end of December 1954 and the end of June 1955, note circulation plus adjusted demand deposits dropped more than seasonally, by about £300 million. However, bank advances did not decline: in fact, they rose more than seasonally, by about £300 million. As usual, spending followed the movement of bank advances rather than that of the total money supply; it must therefore be conceded that in the first half of 1955 the restrictive monetary measures did not have the intended effect because they did not check the rise in bank advances.

This failure is to be attributed to two main factors. First, the restrictive monetary policies were counteracted by the expansionary fiscal policy just mentioned, and also by some other unforeseen incidents: the effect of the Conservative election victory in May upon business sentiment and especially on stock exchange speculation; the effect of the railroad and dock strikes in May and June; and the effect of Mr. Butler's statement on flexible exchange rates in June upon foreign earners and holders of sterling. Second, and perhaps more decisive, the monetary measures actually taken were rather mild: they were virtually limited to the rise in the discount rate and the interest rate level in general, and did not include efforts to cut down bank reserves by restrictive open-market operations -- actually, total security holdings of the Bank of England rose slightly during the period -- or to raise the customary liquidity ratio of the clearing banks. There were perfectly good reasons why the authorities did not wish to use these additional weapons; nevertheless, their decision made it easier for the clearing banks, in spite of the drop in deposits, to expand their lending at profitable rates by reducing their security holdings with only moderate losses. In fact, even the discount rate mechanism was used to a relatively minor degree: in view of the rise in prices by about 5 per cent annually, a discount rate of 4-1/2 per cent might be considered, in "real" terms, a negative rate of about 1/2 of 1 per cent, and therefore not a powerful deterrent to further borrowing.

Even the mild monetary measures taken in the first quarter of the year, however, became fully effective after a delay of about four months. By July, the banks apparently had exhausted their readily available reserve of short-term securities that could be sold at only moderate losses, and also had reached the lower level of their customary liquidity ratio. Even without further Government action, bank advances were bound to drop. Perhaps more in order to save themselves some embarrassment than in order to make things easier for the authorities, the banks asked for, and received, a directive to cut their lending substantially during the second half of the year; but this directive was by no means the real cause of the banks' actions, as is evident from the fact that the decline in advances had started before the directive was issued. Simultaneously, the stock exchange boom came to an end; finally, some further remarks by the Chancellor quieted the fears of foreign traders and investors. During the third quarter, bank advances fell by £200 million -- a multiple of the normal seasonal drop. The foreign trade returns for July and August were still distorted by the effects of the strikes; however, in September and October the trade deficit (with imports computed c.i.f.) fell sharply to an annual rate of about £600 million, which was compatible with global equilibrium in the country's total balance of payments, though not yet with equilibrium in its non-sterling accounts. In November, the pound reached again, for the first time in more than a year, its par value of $2.80, and both the U.K. deficit in the European Payments Union and the drop in the country's gold and dollar reserves were greatly reduced. The global external deficit appears thus to have been eliminated -- for the time being, at least -- before the restrictive fiscal policies announced in the autumn budget have even begun to be executed.

It may be concluded, therefore, that while the effect of the monetary policies pursued was delayed by some months -- partly by adverse non-monetary policies and events, and partly because of the mildness of the monetary measures actually employed -- the policies have since become fully effective.

Conclusion

It is too soon to judge whether the recent success of the anti-inflationary policies will be lasting or whether further inflationary movements may not occur soon again. On the optimistic side, the following circumstances may be noted: first, the British authorities have shown that they have fully grasped the economic significance of the inflationary pressure; for the first time since the war, they have resisted the temptation to employ restrictions attacking the external symptoms rather than the domestic roots of the evil; instead, they have concentrated on policies restricting spending as such, not on controls restricting import and exchange transactions. Second, the authorities have realized the importance of coordinating fiscal and monetary policies and have taken drastic steps to reduce Government lending. Third, the British economy has demonstrated its ability to overcome serious difficulties without endangering either domestic prosperity or the international purchasing power of the pound; in fact, the flurry caused by Mr. Butler's remarks in June seems to indicate that, contrary to the almost unanimous opinion of academic economists, exchange rate stability rather than flexibility is the best method to confound bearish speculation.

However, some less favorable aspects of the situation should not be overlooked. First, while wage demands so far do not seem to have played a major part in the inflationary picture, such demands may become quite dangerous in the future. Second, while inventory accumulation so far also does not seem to have played a major part, it may well do so in the future, especially if the world-wide boom continues and the world market prices of raw materials start to move upward at an accelerated rate. Third, while market conditions abroad so far have not hampered British foreign trade, a slowing down of the international boom would confront British exporters with far less favorable conditions.

Even when the present difficulties are definitely overcome, it will take all the ability and energy of the British authorities to keep the potential inflationary forces in check. However, if their vigilance is not relaxed, the experience of these last twelve months may turn out to have strengthened rather than weakened the British economy: for every successful weathering of such a disturbance reduces the danger of the next one. And provided that international economic and political conditions remain favorable, the coming year may well make possible some further advances of British economic policy toward the goal of a free world economy.

APPENDIX

Table 1

U.K. Balance of Payments 1952/53 - 54/55

(Millions of pounds sterling)

	1952-53	1953-54	1954-55
Imports (f.o.b.)	- 2,789	- 2,883	- 3,203
Exports & re-exports	2,612	2,776	2,923
Trade balance	- 177	- 107	- 280
Shipping (net)	118	134	137
Capital income (net)	52	47	77
Travel & remitt. (net)	- 3	- 6	- 20
Other non-Gov't. serv. (net)	251	335	242
Gov't services (net)	- 163	- 155	- 177
Service balance	255	355	259
Current balance	78	248	- 21
Defense aid	135	71	59
Foreign investment (-)	- 123	- 231	- 85
Total	90	88	- 47
Change in: £ position	- 195	- 162	- 5
non-$ position	42	17	79
gold & $ reserves	243	233	- 121
Total	90	88	- 47

Table 2

U.K. Balance of Payments with Outer £ Area, 1952/53 - 54/55

(Millions of pounds sterling)

	1952-53	1953-54	1954-55
Imports (f.o.b.)	- 1,323	- 1,313	- 1,346
Exports & re-exports	1,161	1,284	1,378
Trade balance	- 162	- 29	32
Service balance	249	285	248
Current balance	87	256	280
Foreign investment (-)	- 79	- 190	- 170
Total balance	8	66	110
Gold purchases (-)	- 87	- 115	- 154
Other transfer payments	- 244	- 112	64
Total 1/	- 323	- 161	20

1/ (equals change in £ position of United Kingdom)

Table 3

U.K. Balance of Payments with non-£ Area, 1952/53 - 54/55

(Millions of pounds sterling)

	1952-53	1953-54	1954-55
Imports (f.o.b.)	- 1,466	- 1,570	- 1,857
Exports & re-exports	1,451	1,492	1,545
Trade balance	- 15	- 78	- 312
Service balance	6	70	11
Current balance	- 9	- 8	- 301
Defense aid	135	71	59
Foreign investment (-)	- 44	- 41	85
Total balance	82	22	- 157
Transfer payments	331	227	90
Total	413	249	- 67
Change in: £ position	128	- 1	- 25
non-$ position	42	17	79
gold & $ reserves	243	233	- 121
Total	413	249	- 67

Table 4

£ Area Balance of Payments with $ Area, 1952/53 - 54/55

(Millions of pounds sterling)

	1952-53	1953-54	1954-55
U.K. imports (f.o.b.)	- 496	- 505	- 679
U.K. exports & re-exports	427	430	446
U.K. trade balance	- 69	- 75	- 233
U.K. service balance	- 58	- 15	- 17
U.K. current balance	- 127	- 90	- 250
Defense aid	135	71	59
Foreign investment (-)	10	9	24
Total U.K. balance	18	- 10	- 167
OSA imports (f.o.b.)	- 398	- 425	- 473
OSA exports & re-exports	434	388	429
OSA trade balance	36	- 37	- 44
OSA gold sales to U.K.	51	115	154
OSA service & capital bal.	87	97	47
Total OSA balance	174	175	157
Total £ area balance	192	165	- 10
OEEC area transfers (net)	- 11	0	- 117
Other transfers (net)	39	49	- 19
Total transfers	28	49	- 136
Total	220	214	- 146
Change in: £ position 1/	- 23	- 19	- 25
gold & $ reserves 1/	243	233	- 121
Total	220	214	- 146

1/ U.K. only.

Table 5

£ Area Balance of Payments with OEEC Area, 1952/3 - 1954/55

(Millions of pounds sterling)

	1952-53	1953-54	1954-55
U.K. imports (f.o.b.)	- 653	- 705	- 808
U.K. exports & re-exports	738	785	806
U.K. trade balance	85	80	- 2
U.K. service balance	3	20	- 17
U.K. current balance	88	100	- 19
Foreign investment (-)	- 38	- 17	18
Total U.K. balance	50	83	- 1
OSA imports (f.o.b.)	- 407	- 494	- 559
OSA exports & re-exports	522	562	622
OSA trade balance	115	68	63
OSA service & capital balance	- 47	- 61	- 44
Total OSA balance	68	7	19
Total £ Area balance	118	90	18
Transfers	- 31	- 73	44
Total	87	17	62
Change in: £ position 1/	45	0	- 16
non-$ position 1/	42	17	78
Total	87	17	62

1/ U.K. only.

Table 6

£ Area Balance of Payments with non-$, non-OEEC Area 1952/53 - 54/55

(Millions of pounds sterling)

	1952-53	1953-54	1954-55
U.K. imports (f.o.b.)	- 317	- 360	- 370
U.K. exports & re-exports	286	277	293
U.K. trade balance	- 31	- 83	- 77
U.K. service balance	61	65	45
U.K. current balance	30	- 18	- 32
Foreign investment (-)	- 16	- 33	43
Total U.K. balance	14	- 51	11
OSA balance	118	52	- 106
Total £ Area balance	132	1	- 95
Transfers	- 26	17	112
Total	106	18	17
Change in: £ position 1/	106	18	16
non-$ position 1/	---	---	1
Total	106	18	17

1/ U.K. only.

Table 7

U.K. Foreign Trade, 1952/53 - 54/55 1/

(Millions of pounds sterling)

	1952-53	1953-54	1954-55
Imports (c.i.f.)			
global	3,272	3,285	3,609
from £ Area	1,514	1,508	1,518
from non-£ Area	1,758	1,777	2,091
from $ Area	596	568	742
from OEEC Area	776	778	877
from rest of world	386	431	472
Exports & re-exports			
global	2,589	2,777	2,825
to £ Area	1,185	1,341	1,367
to non-£ Area	1,404	1,436	1,458
to $ Area	393	389	378
to OEEC Area	727	768	791
to rest of world	284	279	289
Trade balance			
global	- 683	- 508	- 784
with £ Area	- 329	- 167	- 151
with non-£ Area	- 354	- 341	- 633
with $ Area	- 203	- 179	- 364
with OEEC Area	- 49	- 10	- 86
with rest of world	- 102	- 152	- 183

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

Table 8

U.K. Foreign Exchange Position, 1952 - 55

(Millions of pounds sterling)

	June 30 1952	June 30 1953	June 30 1954	June 30 1955
£ position vis-a-vis:				
U.K. Colonies	-1,035	-1,134	-1,185	-1,294
Other £ Area	-1,532	-1,758	-1,864	-1,735
Total £ Area	-2,567	-2,892	-3,049	-3,029
Non-territorial org.	- 568	- 566	- 515	- 479
Non-£ Area	- 842	- 717	- 770	- 831
Total	-3,977	-4,175	-4,334	-4,339
Non-$ currency position 1/	- 216	- 174	- 157	- 78
Gold & $ reserves	602	845	1,078	957
Net foreign exchange position	-3,591	-3,504	-3,413	-3,460
Net foreign exchange position vis-a-vis non-£ Area 2/	- 456	- 46	151	48

1/ Including EPU position.

2/ Excluding non-territorial organizations.

Table 9

World imports, 1952/53 - 54/55

(Billions of dollars)

	1952/53	1953/54	1954/55
Imports (c.i.f.) of:			
£ Area	19.7	20.1	22.1
$ Area	20.0	19.6	20.0
OEEC Area	21.0	22.2	25.4
Rest of world	15.2	15.5	15.7
Total non-£ Area	56.2	57.3	61.1
Total	75.9	77.4	83.2

Table 10

U.S. imports, 1952/53 - 54/55

(Millions of dollars)

	1952/53	1953/54	1954/55
Imports (f.o.b.) from:			
U.K.	591	520	543
Outer £ Area	1,207	1,044	1,066
OEEC Area	1,503	1,480	1,496
Rest of world	7,637	7,433	7,379
Total	10,938	10,477	10,484

Table 11

Foreign Trade of OEEC Countries, 1952/53 - 54/55

(Millions of dollars)

	1952/53	1953/54	1954/55
Imports (c.i.f.)			
Belgium	2,362	2,469	2,648
France	4,040	4,051	4,385
Germany	3,750	4,026	5,214
Italy	2,346	2,220	2,503
Netherlands	2,206	2,587	3,081
Sweden	1,601	1,653	1,914
Exports			
Belgium	2,230	2,236	2,519
France	3,807	3,894	4,509
Germany	4,083	4,791	5,723
Italy	1,366	1,575	1,689
Netherlands	2,055	2,275	2,531
Sweden	1,416	1,543	1,650