



CENTRAL STATISTICAL OFFICE

UNITED KINGDOM  
BALANCE OF PAYMENTS

1963

LONDON: HER MAJESTY'S STATIONERY OFFICE

FIVE SHILLINGS NET



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# INTRODUCTION

THIS PUBLICATION, which has been prepared by the Central Statistical Office in collaboration with other Government Departments and the Bank of England, contains calendar year estimates of the United Kingdom balance of payments for the period 1952–1962.

The first four tables present the general balance of payments accounts for the United Kingdom and the transactions of the overseas sterling area with the non-sterling areas. Further tables give greater detail of the items included in the general accounts. The tables are followed by a description of the sources, methods and definitions used in compiling the statistics.

Preliminary estimates for the latest calendar year are published in a White Paper (the most recent was Cmnd. 1984) shortly before the Budget in the spring of each year. Quarterly estimates are published, with a short commentary, in *Economic Trends* and reproduced in other monthly publications of the Central Statistical Office.

## Reliability of the estimates

All the estimates are expressed in terms of a precise number of £ million but this does not imply that they can be regarded as accurate to the last digit (*see* page 34). Some of the figures, particularly those relating to 1962, are provisional and may be revised later.

## Symbols and conventions used

The following symbols have been used throughout—

.. = not available.

— = nil or less than £500,000.

*Central Statistical Office,  
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# General balance of payments

TABLE 1

£ million

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
<b>Current account</b>											
<b>VISIBLE TRADE</b>											
Imports (f.o.b.) .....	3,048	2,927	2,989	3,386	3,324	3,538	3,360	3,617	4,106	4,013	4,059
Exports and re-exports (f.o.b.) .....	2,769	2,683	2,785	3,073	3,377	3,509	3,407	3,522	3,728	3,883	3,991
Total .....	-279	-244	-204	-313	+ 53	- 29	+ 47	- 95	-378	-130	- 68
<b>INVISIBLES</b>											
Government											
Debits .....	219	220	231	244	264	253	281	276	336	380	404
Credits .....	165	162	105	105	92	106	57	43	49	44	37
Transport											
Shipping											
Debits .....	425	447	484	570	659	652	588	619	689	696	690
Credits .....	559	535	520	540	611	659	631	624	639	648	645
Civil aviation											
Debits .....	38	39	38	40	45	52	59	67	79	96	66
Credits .....	38	41	38	37	44	49	61	78	95	108	88
Travel											
Debits .....	83	89	101	125	132	146	154	167	188	204	214
Credits .....	80	88	95	111	121	129	134	144	171	181	194
Other services											
Debits .....	190	181	189	195	205	221	221	239	264	264	275
Credits .....	304	302	349	366	385	407	410	437	465	491	490
Interest, profits and dividends											
Debits .....	255	279	311	359	360	361	411	416	452	444	455
Credits .....	513	508	566	533	584	600	711	688	688	695	780
Private transfers											
Debits .....	65	61	66	82	109	110	97	94	96	95	99
Credits .....	63	72	76	80	91	90	102	99	103	108	111
Total invisibles											
Debits .....	1,275	1,316	1,420	1,615	1,774	1,795	1,811	1,878	2,104	2,179	2,203
Credits .....	1,722	1,708	1,749	1,772	1,928	2,040	2,106	2,113	2,210	2,275	2,345
Net .....	+447	+392	+329	+157	+154	+245	+295	+235	+106	+ 96	+142
<b>CURRENT BALANCE .....</b>	<b>+168</b>	<b>+148</b>	<b>+125</b>	<b>-156</b>	<b>+207</b>	<b>+216</b>	<b>+342</b>	<b>+140</b>	<b>-272</b>	<b>- 34</b>	<b>+ 74</b>
<b>Long-term capital account (1)</b>											
Inter-government loans (net)											
By United Kingdom government	+ 16	+ 27	+ 34	- 4	+ 20	+ 16	+ 16	+ 28	- 20	+ 48	- 47
To United Kingdom government	- 16	- 57	- 54	- 48	- 70	+ 59	- 60	-146	- 72	- 64	- 44
U.K. subscriptions to I.M.F., I.F.C., I.D.A., and European Fund .....	—	—	—	—	- 5	—	—	-236	- 10	- 9	- 9
Other United Kingdom official long-term capital (net) .....	- 20	- 19	- 8	- 10	- 13	- 9	- 6	- 2	—	- 20	- 5
Private investment											
Abroad .....	-127	-173	-238	-182	-258	-298	-298	-307	-313	-326	-259
In the United Kingdom .....	+ 13	+ 28	+ 75	+122	+139	+126	+165	+176	+228	+417	+274
<b>BALANCE OF LONG-TERM CAPITAL .....</b>	<b>-134</b>	<b>-194</b>	<b>-191</b>	<b>-122</b>	<b>-187</b>	<b>-106</b>	<b>-183</b>	<b>-487</b>	<b>-187</b>	<b>+ 46</b>	<b>- 90</b>
<i>Balance of current and long-term capital transactions .....</i>	<i>+ 34</i>	<i>- 46</i>	<i>- 66</i>	<i>-278</i>	<i>+ 20</i>	<i>+110</i>	<i>+159</i>	<i>-347</i>	<i>-459</i>	<i>+ 12</i>	<i>- 16</i>
<b>Balancing item .....</b>	<b>+ 61</b>	<b>+ 29</b>	<b>+ 49</b>	<b>+122</b>	<b>+ 43</b>	<b>+ 97</b>	<b>+ 43</b>	<b>- 58</b>	<b>+269</b>	<b>+ 8</b>	<b>+115</b>
<b>Monetary movements (1)</b>											
Miscellaneous capital											
Change in acceptances outstanding .....	+ 42	+ 1	- 33	+ 1	- 25	- 21	+ 17	- 4	+ 26	- 54	- 4
Other .....	+ 18	+ 29	+ 43	+ 59	- 45	+ 11	- 6	+ 37	+119	- 8	+119
Change in overseas sterling holdings											
Countries .....	-358	+274	+210	-127	-154	-149	+ 80	+154	+376	-337	- 45
Non-territorial organisations .....	+ 1	- 56	- 35	- 7	+200	- 24	- 22	+ 82	-156	+409	-353
United Kingdom balance in E.P.U.	+ 53	- 21	- 78	+ 1	+ 4	+ 11	- 10	+ 9	—	—	—
United Kingdom official holdings of non-convertible currencies ...	- 26	+ 30	- 3	—	- 1	- 22	+ 23	+ 8	+ 2	+ 1	+ 1
Gold and convertible currency reserves .....	+175	-240	- 87	+229	- 42	- 13	-284	+119	-177	- 31	+183
<b>BALANCE OF MONETARY MOVEMENTS .....</b>	<b>- 95</b>	<b>+ 17</b>	<b>+ 17</b>	<b>+156</b>	<b>- 63</b>	<b>-207</b>	<b>-202</b>	<b>+405</b>	<b>+190</b>	<b>- 20</b>	<b>- 99</b>

(1) Assets: increase -/decrease +. Liabilities: increase +/decrease -.



# Balance of payments with overseas sterling area

TABLE 2

£ million

	1958	1959	1960	1961	1962
<b>Current account</b>					
<b>VISIBLE TRADE</b>					
Imports (f.o.b.) .....	1,247	1,345	1,401	1,394	1,405
Exports and re-exports (f.o.b.) .....	1,434	1,370	1,454	1,418	1,360
Total .....	+187	+ 25	+ 53	+ 24	- 45
<b>INVISIBLES</b>					
Government					
Debits .....	178	189	219	245	256
Credits .....	10	12	11	9	9
Transport					
Shipping					
Debits .....	137	138	141	146	149
Credits .....	237	232	237	242	231
Civil aviation					
Debits .....	18	19	18	23	13
Credits .....	21	24	27	29	33
Travel					
Debits .....	42	42	46	53	54
Credits .....	50	50	60	67	71
Other services					
Debits .....	50	51	54	53	54
Credits .....	139	146	149	150	150
Interest, profits and dividends					
Debits .....	132	117	144	150	148
Credits .....	389	365	438	428	432
Private transfers					
Debits .....	53	51	51	55	56
Credits .....	52	52	57	61	66
Total invisibles					
Debits .....	610	607	673	725	730
Credits .....	898	881	979	986	992
Net .....	+288	+274	+306	+261	+262
<b>CURRENT BALANCE</b> .....	<b>+475</b>	<b>+299</b>	<b>+359</b>	<b>+285</b>	<b>+217</b>
<b>Long-term capital account<sup>(1)</sup></b>					
Inter-government loans (net)					
By United Kingdom government .....	- 12	- 41	- 53	- 55	- 50
To United Kingdom government .....	- 16	- 12	-	-	-
Other United Kingdom official long-term capital (net) .....	- 6	- 4	- 3	- 20	- 1
Private investment					
Abroad .....	-170 <sup>-185</sup>	-162 <sup>-181</sup>	-191 <sup>-200</sup>	-190 <sup>-210</sup>	-149
In the United Kingdom .....	- 14	+ 30	+ 26	+ 57 <sup>+ 31</sup>	+ 34
<b>BALANCE OF LONG-TERM CAPITAL</b> .....	<b>-218</b>	<b>-189</b>	<b>-221</b>	<b>-208</b>	<b>-166</b>
<i>Balance of current and long-term capital transactions</i> .....	+257	+110	+138	+ 77	+ 51
Inter-area transfers .....	- 69	-306	- 44	-176	- 57
Balancing item .....	- 95	- 9	+126	- 23	- 42
<b>Monetary movements<sup>(1)</sup></b>					
Miscellaneous capital					
Change in acceptances outstanding .....	- 2	- 2	- 2	-	- 7
Other .....	- 2	+ 22	+ 8	- 31	+ 11
Change in overseas sterling holdings					
Countries .....	- 89	+185	-226	+153	+ 44
<b>BALANCE OF MONETARY MOVEMENTS</b> .....	<b>- 93</b>	<b>+205</b>	<b>-220</b>	<b>+122</b>	<b>+ 48</b>

(1) Assets: increase -/ decrease +. Liabilities: increase +/ decrease -.



# Balance of payments with non-sterling areas

TABLE 3 £ million

	1958	1959	1960	1961	1962
<b>Current account</b>					
<b>VISIBLE TRADE</b>					
Imports (f.o.b.) .....	2,113	2,272	2,705	2,619	2,654
Exports and re-exports (f.o.b.) .....	1,973	2,152	2,274	2,465	2,631
<b>Total</b> .....	-140	-120	-431	-154	-23
<b>INVISIBLES</b>					
Government					
Debits .....	103	87	117	135	148
Credits .....	47	31	38	35	28
Transport					
Shipping					
Debits .....	451	481	548	550	541
Credits .....	394	392	402	406	414
Civil aviation					
Debits .....	41	48	61	73	53
Credits .....	40	54	68	79	55
Travel					
Debits .....	112	125	142	151	160
Credits .....	84	94	111	114	123
Other services					
Debits .....	171	188	210	211	221
Credits .....	271	291	316	341	340
Interest, profits and dividends					
Debits .....	279	299	308	294	307
Credits .....	322	323	250	267	348
Private transfers					
Debits .....	44	43	45	40	43
Credits .....	50	47	46	47	45
<b>Total invisibles</b>					
Debits .....	1,201	1,271	1,431	1,454	1,473
Credits .....	1,208	1,232	1,231	1,289	1,353
<b>Net</b> .....	+ 7	- 39	-200	-165	-120
<b>CURRENT BALANCE</b> .....	-133	-159	-631	-319	-143
<b>Long-term capital account<sup>(1)</sup></b>					
Inter-government loans (net)					
By United Kingdom government .....	+ 28	+ 69	+ 33	+103	+ 3
To United Kingdom government .....	- 44	-134	- 72	- 64	- 44
United Kingdom subscriptions to I.M.F., I.D.A. and European Fund	-	-236	- 10	- 9	- 9
Other United Kingdom official long-term capital (net) .....	-	+ 2	+ 3	-	- 4
Private investment					
Abroad .....	-128 -147	-145 -162	-122 -126	-136 -147	-110
In the United Kingdom .....	+179 +207	+146 +168	+202 +211	+360 +385	+240
<b>BALANCE OF LONG-TERM CAPITAL</b> .....	+ 35	-298	+ 34	+254	+ 76
<i>Balance of current and long-term capital transactions</i> .....	- 98	-457	-597	- 65	- 67
<b>Inter-area transfers</b> .....	+ 69	+306	+ 44	+176	+ 57
<b>Balancing item</b> .....	+138	- 49	+143	+ 31	+157
<b>Monetary movements<sup>(1)</sup></b>					
Miscellaneous capital					
Change in acceptances outstanding .....	+ 19	- 2	+ 28	- 54	+ 3
Other .....	- 4	+ 15	+111	+ 23	+108
Change in overseas sterling holdings					
Countries .....	+169	- 31	+602	-490	- 89
Non-territorial organisations .....	- 22	+ 82	-156	+409	-353
United Kingdom balance in E.P.U. ....	- 10	+ 9	-	-	-
United Kingdom official holdings of non-convertible currencies .....	+ 23	+ 8	+ 2	+ 1	+ 1
Gold and convertible currency reserves .....	-284	+119	-177	- 31	+183
<b>BALANCE OF MONETARY MOVEMENTS</b> .....	-109	+200	+410	-142	-147

(1) Assets: increase -/ decrease +. Liabilities: increase +/ decrease -.



# Overseas sterling area balance of payments with non-sterling areas

TABLE 4

£ million

	1958	1959	1960	1961	1962
<b>Current account</b>					
Imports (f.o.b.)					
Western Europe .....	732	725	887	883	902
North America .....	711	762	1,026	975	1,094
Latin America .....	24	36	30	33	37
Other non-sterling areas.....	737	705	835	842	937
Total .....	2,204	2,228	2,778	2,733	2,970
Exports and re-exports (f.o.b.)					
Western Europe .....	589	696	747	759	806
North America .....	480	591	585	670	747
Latin America .....	57	53	60	60	66
Other non-sterling areas .....	563	689	770	865	854
Total .....	1,689	2,029	2,162	2,354	2,473
Total—Visible trade.....	— 515	— 199	— 616	— 379	— 497
Gold production .....	+ 250	+ 284	+ 298	+ 320	+ 348
Official grants (net) .....	+ 121	+ 119	+ 137	+ 140	+ 212
Other invisibles (net) .....	— 186	— 142	— 192	— 238	— 234
<b>CURRENT BALANCE.....</b>	<b>— 330</b>	<b>+ 62</b>	<b>— 373</b>	<b>— 157</b>	<b>— 171</b>
<b>Long-term capital account<sup>(1)</sup></b>					
Inter-government loans (net) .....	+ 146	+ 147	+ 222	+ 168	+ 206
I.B.R.D., etc., drawings (net) .....	+ 85	+ 58	+ 24	+ 15	+ 33
Market issues (net) .....	+ 34	+ 12	+ 18	+ 15	+ 19
Other official long-term capital (net).....	+ 8	+ 14	+ 10	+ 3	— 9
Private investment (net) .....	+ 132	+ 149	+ 142	+ 149	+ 172
<b>BALANCE OF LONG-TERM CAPITAL .....</b>	<b>+ 405</b>	<b>+ 380</b>	<b>+ 416</b>	<b>+ 350</b>	<b>+ 421</b>
<i>Balance of current and long-term capital transactions.....</i>	<i>+ 75</i>	<i>+ 442</i>	<i>+ 43</i>	<i>+ 193</i>	<i>+ 250</i>
<b>Monetary movements <sup>(1)</sup></b>					
Changes in accounts with I.M.F. ....	+ 12	— 57	— 32	+ 104	— 67
Changes in gold and N.S.A. currency holdings.....	— 15	— 66	+ 18	— 117	— 114
Other monetary movements .....	— 3	— 13	+ 15	— 4	— 12
<b>BALANCE OF MONETARY MOVEMENTS .....</b>	<b>— 6</b>	<b>— 136</b>	<b>+ 1</b>	<b>— 17</b>	<b>— 193</b>
<b>Total balance with non-sterling areas (inter-area transfers).....</b>	<b>+ 69</b>	<b>+ 306</b>	<b>+ 44</b>	<b>+ 176</b>	<b>+ 57</b>

(1) Assets: increase —/decrease+. Liabilities: increase +/decrease —.



TABLE 5

## Visible trade in the balance of payments

	1964	1963	1962	1958	1959	1960	1961	1962	1963
<b>Imports</b>									
Trade accounts (c.i.f.)	5,443	4,820	4,282	3,748	3,983	4,541	4,395	4,492	4,144
Valuation adjustments									
Freight and insurance	-623	-534	(-143)	-445	-460	-496	-485	-496	(-126)
Sugar	-50	-73	(-12)	+18	+27	+27	+35	+40	(-4)
Other	-20	-27	(-7)	-19	-22	-25	-26	-27	(-6)
Coverage adjustments									
Diamonds	+140	+120	(+35)	+75	+88	+97	+129	+113	(+32)
Second-hand ships and aircraft	+25	+14	(+4)	+3	+2	+6	+11	+9	(+3)
Ships delivered abroad	+20	+20	(+4)	+6	+18	+12	+15	+14	(+6)
Other	+25	+23	(+6)	+32	+62	+29	+37	+22	(+5)
Returned goods	-75	-71	(-19)	-40	-59	-59	-67	-68	(-17)
Goods for process and repair	-50	-44	(-12)	-18	-22	-26	-31	-40	(-10)
Balance of payments imports (f.o.b.)	4,825	4,318	3,941	3,360	3,617	4,106	4,013	4,059	3,737
<b>Exports and re-exports</b>									
Trade accounts (f.o.b.)	4,560	4,234	3,949	3,317	3,461	3,696	3,840	3,949	3,738
Valuation adjustments				+18	+18	—	+6	—	—
Coverage adjustments									
Diamonds	+115	+110	(+29)	+74	+93	+87	+103	+102	(+27)
Second-hand ships and aircraft	+25	+22	(+6)	+29	+21	+20	+20	+31	(+10)
N.A.A.F.I.	-15	-12	(-4)	-10	-9	-9	-11	-10	(-3)
Other	+30	+25	(+5)	+37	+19	+19	+23	+27	(+7)
Returned goods	-75	-71	(-19)	-40	-59	-59	-67	-68	(-17)
Goods for process and repair	-50	-44	(-12)	-18	-22	-26	-31	-40	(-10)
Balance of payments exports and re-exports (f.o.b.)	4,660	4,274	3,941	3,407	3,522	3,728	3,883	3,991	3,738

Sugar prices (per ton)

C'wealth 46  
+ freight (6)  
T+N 82

Sugar imports (in tons) C'wealth + J. Africa (47)  
Value (£m) 38

78 92 115  
Oct 16 Nov 16 Dec 15  
124 147 112

T+N 85½  
C'wealth 46  
+ freight 5½

-67  
-15



# Visible trade (f.o.b.)—analysis by area

TABLE 6

£ million

	1958	1959	1960	1961	1962
Overseas sterling area					
Imports .....	1,247	1,345	1,401	1,394	1,405
Exports and re-exports .....	1,434	1,370	1,454	1,418	1,360
Total .....	+187	+ 25	+ 53	+ 24	— 45
Western Europe					
Imports .....	938	1,011	1,198	1,218	1,246
Exports and re-exports .....	921	1,009	1,119	1,289	1,460
Total .....	— 17	— 2	— 79	+ 71	+214
North America					
Imports .....	585	614	847	749	743
Exports and re-exports .....	516	620	573	550	560
Total .....	— 69	+ 6	—274	—199	—183
Latin America					
Imports .....	249	272	268	238	255
Exports and re-exports .....	153	159	172	168	166
Total .....	— 96	—113	— 96	— 70	— 89
Other non-sterling areas					
Imports .....	341	375	392	414	410
Exports and re-exports .....	383	364	410	458	445
Total .....	+ 42	— 11	+ 18	+ 44	+ 35
Total—all areas					
Imports (f. o. b.) .....	3,360	3,617	4,106	4,013	4,059
Exports and re-exports (f.o.b.) .....	3,407	3,522	3,728	3,883	3,991
Total .....	+ 47	— 95	—378	—130	— 68



# Shipping

TABLE 7

£ million

	1952	1958	1959	1960	1961	1962	1963	1964
<b>Debits</b>								
United Kingdom shipping								
Charter payments .....	54	137	160	186 <sup>172</sup>	200 <sup>180</sup>	189	313	170
Disbursements abroad .....	241	300	302	305 <sup>304</sup>	316	324	335	350
Overseas shipping	125	145	150	192 <sup>✓</sup>	173 <sup>✓</sup>	171	169	188
Freight on imports .....	5	6	7	6 <sup>✓</sup>	7 <sup>✓</sup>	6 <sup>✓</sup>	7 <sup>✓</sup>	8 <sup>✓</sup>
Passage money .....								
<b>Total</b> .....	<b>425</b>	<b>588</b>	<b>619</b>	<b>689</b> <sup>674</sup>	<b>696</b> <sup>673</sup>	<b>690</b>	<b>668</b>	<b>700</b> <sup>675</sup>
<b>Credits</b>								
United Kingdom shipping								
Freight on exports .....	145	150	148	148 <sup>✓</sup>	149 <sup>8</sup>	135 <sup>✓</sup>	142	150
Freight on cross-trades .....	305	338	333	338 <sup>7</sup>	347 <sup>1</sup>	349 <sup>8</sup>	360	370
Charter receipts .....	17	23	23	26 <sup>4</sup>	27 <sup>8</sup>	31 <sup>1</sup>	33	35
Passage money .....	43	54	52	53	48	46	50	52
Overseas shipping								
Disbursements in United Kingdom .....	49	66	68	74 <sup>✓</sup>	77 <sup>✓</sup>	84 <sup>✓</sup>	90	100
<b>Total</b> .....	<b>559</b>	<b>631</b>	<b>624</b>	<b>639</b> <sup>636</sup>	<b>648</b> <sup>642</sup>	<b>645</b>	<b>649</b>	<b>680</b> <sup>710</sup>
<b>United Kingdom shipping (net)</b> .....	<b>+215</b>	<b>+128</b>	<b>+94</b>	<b>+74</b>	<b>+55</b>	<b>+48</b>		
<b>Overseas shipping (net)</b> .....	<b>-81</b>	<b>-85</b>	<b>-89</b>	<b>-124</b>	<b>-103</b>	<b>-93</b>		
<b>Shipping (net)</b> .....	<b>+134</b>	<b>+43</b>	<b>+5</b>	<b>-50</b> <sup>38</sup>	<b>-48</b> <sup>31</sup>	<b>-45</b> <sup>19</sup>		<b>20</b>



# Government overseas current expenditure and receipts

TABLE 8

£ million

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
<b>Expenditure</b>											
Overseas sterling area											
Services											
Military .....	87	86	94	99	122	109	108	115	134	139	146
Administrative, diplomatic, etc.	8	6	7	8	9	10	11	12	14	17	18
Total services .....	95	92	101	107	131	119	119	127	148	156	164
Transfers											
Economic grants .....	42	39	47	53	51	53	49	50	53	70	72
Other grants .....	4	4	4	4	5	5	4	6	11	12	13
Other transfers .....	4	4	4	4	5	5	6	6	7	7	7
Total transfers .....	46	43	51	57	56	58	59	62	71	89	92
Total expenditure .....	141	135	152	164	187	177	178	189	219	245	256
Non-sterling areas											
Services											
Military .....	50	53	52	53	52	48	72	52	74	87	100
Administrative, diplomatic, etc.	12	14	13	13	13	15	15	17	17	19	20
Total services .....	62	67	65	66	65	63	87	69	91	106	120
Transfers											
Economic grants .....	8	2	1	3	2	1	2	2	4	3	3
Other grants .....	6	14	11	9	8	10	11	13	18	22	21
Subscriptions and contribu- tions to international organ- isations .....	2	2	2	2	2	2	2	3	3	3	3
Other transfers .....	2	2	2	2	2	2	2	3	3	3	3
Total transfers .....	16	18	14	14	12	13	16	18	26	29	28
Total expenditure .....	78	85	79	80	77	76	103	87	117	135	148
All areas											
Services											
Military .....	137	139	146	152	174	157	180	167	208	226	246
Administrative, diplomatic, etc.	20	20	20	21	22	25	26	29	31	36	38
Total services .....	157	159	166	173	196	182	206	196	239	262	284
Transfers											
Economic grants .....	50	41	48	56	53	54	51	52	57	73	75
Other grants .....	6	14	11	9	8	10	11	13	18	22	21
Subscriptions and contribu- tions to international organ- isations .....	6	6	6	6	7	7	8	9	10	10	10
Other transfers .....	6	6	6	6	7	7	8	9	10	10	10
Total transfers .....	62	61	65	71	68	71	75	80	97	118	120
Total expenditure .....	219	220	231	244	264	253	281	276	336	380	404



# Government overseas current expenditure and receipts (continued)

TABLE 8 (continued)

£ million

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
<b>Receipts</b>											
Overseas sterling area											
Services											
Military .....	}	10	20	18	10	{ 15 3	9 1	11 1	10 1	6 3	5 4
Other .....											
Total services .....	..	10	20	18	10	18	10	12	11	9	9
Transfers .....	..	15	—	—	—	—	—	—	—	—	—
Total receipts .....	10	25	20	18	10	18	10	12	11	9	9
Non-sterling areas											
Services											
U.S. and Canadian forces' expenditure .....	}	10	14	23	25	29	36 29 2	25 18 1	18 11 2	21 14 3	17 14 4
Other military .....											
Other .....	..	16	11	15	27	27	2	1	2	3	2
Total services .....	..	30	34	40	56	67	44	31	38	35	28
Transfers											
Defence aid .....	120	102	50	46	26	21	3	—	—	—	—
Other .....	..	5	1	1	—	—	—	—	—	—	—
Total transfers .....	..	107	51	47	26	21	3	—	—	—	—
Total receipts .....	155	137	85	87	82	88	47	31	38	35	28
All areas											
Services											
U.S. and Canadian forces' expenditure .....	}	10	14	23	25	29	36 44 5	25 27 2	18 22 3	21 24 4	17 20 7
Other military .....											
Other .....	..	26	31	33	37	37	5	2	3	4	6
Total services .....	..	40	54	58	66	85	54	43	49	44	37
Transfers											
Defence aid .....	120	102	50	46	26	21	3	—	—	—	—
Other .....	..	20	1	1	—	—	—	—	—	—	—
Total transfers .....	..	122	51	47	26	21	3	—	—	—	—
Total receipts .....	165	162	105	105	92	106	57	43	49	44	37
Government (net) .....	—54	—58	—126	—139	—172	—147	—224	—233	—287	—336	—367



See BTJ  
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# Travel—analysis by area

TABLE 9

£ million

	1958	1959	1960	1961	1962	1970
<b>Debits</b>						
Overseas sterling area .....	42	42	46	53	54	90
Western Europe .....	101	112	127	135	141	275
North America .....	8	9	10	11	13	35
Other non-sterling countries .....	3	4	5	5	6	15
<b>Total</b> .....	<b>154</b>	<b>167</b>	<b>188</b>	<b>204</b>	<b>214</b>	<b>415</b>
<b>Credits</b>						
Overseas sterling area .....	50	50	60	67	71	140
Western Europe .....	27	32	37	41	45	125
North America .....	49	52	59	55	58	110
Other non-sterling countries .....	8	10	15	18	20	40
<b>Total</b> .....	<b>134</b>	<b>144</b>	<b>171</b>	<b>181</b>	<b>194</b>	<b>415</b>
<b>Travel (net)</b> .....	<b>- 20</b>	<b>- 23</b>	<b>- 17</b>	<b>- 23</b>	<b>- 20</b>	<b>0</b>



# Interest, profits and dividends

TABLE 10

£ million

	1958	1959	1960	1961	1962
<b>Debits</b>					
Overseas sterling area					
Direct investment (1) .....	2	3	3	4	4
Portfolio investment .....	38	32	34	35	34
Other (2) .....	92	82	107	111	110
Total .....	132	117	144	150	148
Non-sterling areas					
Direct investment (1) .....	93	133	134	124	134
Portfolio investment .....	27	27	33	30	35
Other (2) .....	159	139	141	140	138
Total .....	279	299	308	294	307
All areas					
Direct investment (1) .....	95	136	137	128	138
Portfolio investment .....	65	59	67	65	69
Other (2) .....	251	221	248	251	248
Total .....	411	416	452	444	455
<b>Credits</b>					
Overseas sterling area					
Direct investment (1) .....	124	149	176	168	186
Portfolio investment .....	60	62	72	73	79
Other (2) .....	205	154	190	187	167
Total .....	389	365	438	428	432
Non-sterling areas					
Direct investment (1) .....	71	89	82	83	89
Portfolio investment .....	55	59	61	60	63
Other (2) .....	196	175	107	124	196
Total .....	322	323	250	267	348
All areas					
Direct investment (1) .....	195	238	258	251	275
Portfolio investment .....	115	121	133	133	142
Other (2) .....	401	329	297	311	363
Total .....	711	688	688	695	780
<b>Interest, profits and dividends (net) .....</b>	<b>+300</b>	<b>+272</b>	<b>+236</b>	<b>+251</b>	<b>+325</b>

(1) Board of Trade inquiry into overseas direct investment; excludes oil and insurance.

(2) Including oil and insurance.



# Earnings of direct investment<sup>(1)</sup>

## Analysis by area

TABLE 11

£ million

	1958	1959	1960	1961	1962
<b>Debits</b>					
Overseas sterling area .....	2	3	3	4	4
Western Europe .....	14	19	17	14	} 134
of which <i>European Economic Community</i> .....	9	11	7	7	
<i>European Free Trade Association</i> .....	5	7	9	6	
North America .....	78	113	116	109	
Latin America .....	—	—	—	—	
Other non-sterling countries .....	1	1	1	1	
<b>Total</b> .....	95	136	137	128	138
<b>Credits</b>					
Overseas sterling area .....	124	149	176	168	186
Western Europe .....	15	25	23	29	} 89
of which <i>European Economic Community</i> .....	10	18	15	21	
<i>European Free Trade Association</i> .....	3	5	5	6	
North America .....	39	43	37	37	
Latin America .....	11	12	14	11	
Other non-sterling countries .....	6	9	8	6	
<b>Total</b> .....	195	238	258	251	275

(1) Excluding oil and insurance.



# Earnings of direct investment<sup>(1)</sup>

## Analysis by component

£ million

TABLE 12

	1958	1959	1960	1961	1962
<b>Debits</b>					
Overseas sterling area					
Profits of branches .....	2	3	2	2	3
Profits of subsidiaries <sup>(2)</sup> —dividends remitted .....	—	—	—	1	—
—unremitted profits .....	—	—	1	1	1
Interest paid .....	—	—	—	—	—
<b>Total</b> .....	<b>2</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>
Non-sterling areas					
Profits of branches .....	6	7	9	6	7
Profits of subsidiaries <sup>(2)</sup> —dividends remitted .....	42	49	57	80	59
—unremitted profits .....	44	76	66	36	66
Interest paid .....	1	1	2	2	2
<b>Total</b> .....	<b>93</b>	<b>133</b>	<b>134</b>	<b>124</b>	<b>134</b>
All areas					
Profits of branches .....	8	10	11	8	10
Profits of subsidiaries <sup>(2)</sup> —dividends remitted .....	42	49	57	81	59
—unremitted profits .....	44	76	67	37	67
Interest paid .....	1	1	2	2	2
<b>Total</b> .....	<b>95</b>	<b>136</b>	<b>137</b>	<b>128</b>	<b>138</b>
<b>Credits</b>					
Overseas sterling area					
Profits of branches .....	58	71	81	77	77
Profits of subsidiaries <sup>(2)</sup> —dividends remitted .....	27	29	41	48	45
—unremitted profits .....	37	47	51	39	60
Interest received .....	2	2	3	4	4
<b>Total</b> .....	<b>124</b>	<b>149</b>	<b>176</b>	<b>168</b>	<b>186</b>
Non-sterling areas					
Profits of branches .....	9	14	15	16	16
Profits of subsidiaries <sup>(2)</sup> —dividends remitted .....	23	27	31	30	31
—unremitted profits .....	37	46	34	35	41
Interest received .....	2	2	2	2	1
<b>Total</b> .....	<b>71</b>	<b>89</b>	<b>82</b>	<b>83</b>	<b>89</b>
All areas					
Profits of branches .....	67	85	96	93	93
Profits of subsidiaries <sup>(2)</sup> —dividends remitted .....	50	56	72	78	76
—unremitted profits .....	74	93	85	74	101
Interest received .....	4	4	5	6	5
<b>Total</b> .....	<b>195</b>	<b>238</b>	<b>258</b>	<b>251</b>	<b>275</b>

(1) Excluding oil and insurance.

(2) Including associated companies.



# Inter-government loans

TABLE 13

£ million

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
<b>Loans made by the United Kingdom</b>											
Overseas sterling area.....	3	4	16	13	6	8	17	44	57	60	56
Western Europe .....	1	—	—	—	—	3	2	2	2	—	3
Latin America .....	—	—	—	19	—	—	—	—	—	1	3
Other non-sterling countries.....	2	—	—	—	3	5	2	2	2	—	—
<b>Total .....</b>	<b>6</b>	<b>4</b>	<b>16</b>	<b>32</b>	<b>9</b>	<b>16</b>	<b>21</b>	<b>48</b>	<b>61</b>	<b>61</b>	<b>62</b>
<b>Loans repaid to the United Kingdom</b>											
Overseas sterling area.....	—	1	8	1	3	4	5	3	4	5	6
Western Europe .....	16	24	38	23	22	21	25	65	30	97	3
Latin America.....	—	—	—	—	—	1	—	1	2	1	1
Other non-sterling countries.....	6	6	4	4	4	6	7	7	5	6	5
<b>Total.....</b>	<b>22</b>	<b>31</b>	<b>50</b>	<b>28</b>	<b>29</b>	<b>32</b>	<b>37</b>	<b>76</b>	<b>41</b>	<b>109</b>	<b>15</b>
<b>Inter-government loans by the United Kingdom (net) .....</b>	<b>+16</b>	<b>+27</b>	<b>+34</b>	<b>— 4</b>	<b>+20</b>	<b>+16</b>	<b>+16</b>	<b>+28</b>	<b>—20</b>	<b>+48</b>	<b>—47</b>
<b>Loans made to the United Kingdom</b>											
Western Europe .....	9	—	—	—	—	—	—	37	—	18	—
North America .....	17	—	—	—	—	89	—	—	—	—	—
<b>Total .....</b>	<b>26</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>89</b>	<b>—</b>	<b>37</b>	<b>—</b>	<b>18</b>	<b>—</b>
<b>Loans repaid by the United Kingdom</b>											
Overseas sterling area.....	9	9	13	7	5	7	16	12	—	—	—
Western Europe .....	—	5	4	4	5	4	4	53	42	51	13
North America .....	33	43	37	37	60	19	40	118	30	31	31
<b>Total .....</b>	<b>42</b>	<b>57</b>	<b>54</b>	<b>48</b>	<b>70</b>	<b>30</b>	<b>60</b>	<b>183</b>	<b>72</b>	<b>82</b>	<b>44</b>
<b>Inter-government loans to the United Kingdom (net) .....</b>	<b>—16</b>	<b>—57</b>	<b>—54</b>	<b>—48</b>	<b>—70</b>	<b>+59</b>	<b>—60</b>	<b>—146</b>	<b>—72</b>	<b>—64</b>	<b>—44</b>
<b>Inter-government loans (net) .....</b>	<b>—</b>	<b>—30</b>	<b>—20</b>	<b>—52</b>	<b>—50</b>	<b>+75</b>	<b>—44</b>	<b>—118</b>	<b>—92</b>	<b>—16</b>	<b>—91</b>
of which											
New loans (net) .....	+20	— 4	—16	—32	— 9	+73	—21	— 11	—61	—43	—62
Repayments (net) .....	—20	—26	— 4	—20	—41	+ 2	—23	—107	—31	+27	—29



## Inter-government loans outstanding

### *Notes to Tables 14 and 15*

The following tables give details of amounts outstanding on inter-government loans made by and to the United Kingdom government. They bring up to date the series published in Tables 16 and 17 of *United Kingdom Balance of Payments 1946-1957*. The changes in these outstanding amounts do not necessarily correspond to the net drawings or repayments recorded in *inter-government loans* in the balance of payments tables. The main reasons for the differences are given below.

#### *Loans by the United Kingdom government*

(a) Some loans have, by agreement with the debtor country, been written down either in whole or in part. Such changes are not reflected in the balance of payments accounts.

(b) Following the liquidation of the European Payments Union early in 1959, the outstanding balances were converted into bilateral long-term loans. The amounts owing to the United Kingdom government have been included from the end of 1959 as loans by the United Kingdom government but the balance of payments tables record repayments only.

#### *Loans to the United Kingdom government*

(a) The sterling value of loans to the United Kingdom government in foreign currencies has varied in conformity with changes in exchange rates. Such changes do not give rise to entries in the balance of payments.

(b) The lend-lease silver loan is excluded from this table. Repayments were made in silver to the value of £22 million in 1956 and £7 million in 1957, and entered in the balance of payments at the time of export.

(c) The debt to India was written down in 1955 when the United Kingdom took over responsibility for pension payments.

(d) Debts owing by the United Kingdom arising out of the liquidation of the European Payments Union have been included from the end of 1959 (*see note (b) above*).

The following abbreviations have been used in Table 15:

- E.C.A. — Economic Co-operation Administration.
- M.S.A. — Mutual Security Agency.
- I.E.P.A. — Intra-European Payments Agreement.
- E.P.U. — European Payments Union.

In both tables the rounded figures for individual loans do not necessarily equal the totals shown, which have been rounded separately. Similarly, small differences from the balance of payments figures may occur because the changes in the rounded items may not agree with the rounded figures of movements in the corresponding items in the balance of payments.



# Loans by the United Kingdom government<sup>(1)</sup>

TABLE 14

Outstanding at end of year

£ million

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
<b>Overseas sterling area</b>												
Aden .....	—	—	1	2	4	4	4	5	5	5	5	5
British Guiana .....	—	—	—	—	—	—	—	2	6	7	9	10
Other British West Indies...	1	1	1	1	1	2	2	2	3	3	3	3
Burma .....	27	27	27	—	—	—	—	—	—	—	—	—
East Africa .....	—	—	—	2	3	3	3	2	2	2	10	11
Federation of Rhodesia and Nyasaland .....	1	7	7	6	6	5	5	4	4	4	4	6
India .....	—	—	—	—	—	—	—	12	45	75	96	117
Jordan .....	2	3	3	5	6	8	11	12	12	13	13	14
Kenya .....	—	—	—	2	3	3	5	5	7	12	17	21
Malaya and Singapore.....	—	—	3	9	16	15	14	13	12	11	11	11
Nigeria .....	—	—	—	—	—	—	—	—	1	6	14	17
Pakistan.....	—	—	—	2	4	5	6	4	5	6	10	14
Tanganyika .....	1	1	1	1	1	1	1	1	1	2	5	6
Uganda .....	—	—	—	—	—	—	—	—	—	6	8	13
Other .....	5	5	6	7	7	7	8	7	8	11	12	17
<b>Total .....</b>	<b>36</b>	<b>44</b>	<b>47</b>	<b>37</b>	<b>50</b>	<b>51</b>	<b>56</b>	<b>69</b>	<b>109</b>	<b>163</b>	<b>217</b>	<b>266</b>
<b>Western Europe</b>												
Austria .....	1	1	6	6	6	5	5	4	3	3	3	3
Denmark .....	19	16	13	11	9	7	5	2	—	—	—	—
France .....	84	76	68	60	51	43	34	26	44	27	—	—
Fed. German Republic ...	150	150	144	137	129	121	114	106	76	68	1	1
Greece .....	9	8	7	6	5	5	5	3	1	—	—	—
Netherlands .....	38	35	33	19	19	19	19	16	—	—	—	—
Norway .....	—	—	—	—	—	—	—	—	1	1	1	1
Turkey .....	38	37	35	13	11	8	6	9	10	8	8	8
Yugoslavia .....	16	17	17	17	17	17	16	15	14	14	12	13
<b>Total .....</b>	<b>355</b>	<b>340</b>	<b>324</b>	<b>267</b>	<b>245</b>	<b>223</b>	<b>203</b>	<b>180</b>	<b>149</b>	<b>122</b>	<b>25</b>	<b>25</b>
<b>Latin America</b>												
Argentina .....	—	—	—	—	19	19	18	18	17	15	13	12
Other .....	—	—	—	—	—	—	—	—	—	—	1	4
<b>Total .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>19</b>	<b>19</b>	<b>18</b>	<b>18</b>	<b>17</b>	<b>15</b>	<b>15</b>	<b>16</b>
<b>Other non-sterling countries</b>												
China .....	12	12	12	12	12	12	12	12	12	12	12	12
Czechoslovakia.....	20	19	18	20	20	20	20	20	20	20	20	20
Poland .....	58	57	56	56	55	54	54	53	52	52	52	52
U.S.S.R. ....	37	37	34	31	28	25	22	18	15	12	8	5
Other .....	5	4	2	2	2	4	7	6	5	5	3	2
<b>Total .....</b>	<b>132</b>	<b>129</b>	<b>122</b>	<b>121</b>	<b>117</b>	<b>115</b>	<b>114</b>	<b>109</b>	<b>104</b>	<b>100</b>	<b>95</b>	<b>90</b>
<b>Total—all countries .....</b>	<b>522</b>	<b>512</b>	<b>493</b>	<b>425</b>	<b>431</b>	<b>408</b>	<b>390</b>	<b>375</b>	<b>378</b>	<b>399</b>	<b>352</b>	<b>398</b>

(1) See notes on page 15.



# Loans to the United Kingdom government<sup>(1)</sup>

TABLE 15

Outstanding at end of year

£ million

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
<b>Overseas sterling area</b>												
Ceylon—Rupee loans .....	5	5	5	3	2	2	1	1	—	—	—	—
East Africa .....	4	4	4	—	—	—	—	—	—	—	—	—
India—Pensions and rail- way annuities .....	154	146	139	133	38	33	29	12	2	2	2	2
Pakistan—Pensions annuity	7	7	7	6	6	6	5	5	5	5	5	4
Other .....	5	4	3	2	2	1	1	1	—	—	—	—
<b>Total .....</b>	<b>175</b>	<b>166</b>	<b>157</b>	<b>144</b>	<b>47</b>	<b>42</b>	<b>36</b>	<b>19</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>6</b>
<b>North America</b>												
U.S.A.—Lend lease .....	213	210	207	204	201	198	197	194	190	187	184	180
Line of credit .....	1,324	1,307	1,291	1,274	1,257	1,239	1,239	1,221	1,203	1,184	1,165	1,145
E.C.A. ....	120	120	120	120	120	120	119	119	117	116	114	112
M.S.A. ....	—	17	17	17	17	17	17	17	17	17	17	17
Export-Import Bank credit .....	—	—	—	—	—	—	89	89	—	—	—	—
Other .....	—	5	4	6	6	6	5	5	4	4	3	3
Canada—Interest free loan	79	73	55	45	32	22	11	—	—	—	—	—
Line of credit .....	413	424	417	419	397	410	396	394	390	390	373	334
<b>Total .....</b>	<b>2,149</b>	<b>2,157</b>	<b>2,111</b>	<b>2,085</b>	<b>2,030</b>	<b>2,013</b>	<b>2,074</b>	<b>2,038</b>	<b>1,922</b>	<b>1,898</b>	<b>1,855</b>	<b>1,791</b>
<b>Western Europe</b>												
Belgium—I.E.P.A. and Draper Plan loans...	—	9	4	—	—	—	—	—	—	—	—	—
E.P.U. debt .....	—	—	—	—	—	—	—	—	18	9	—	—
Fed. German Republic— Treasury Bond .....	—	—	—	—	—	—	—	—	30	23	—	—
E.P.U. debt .....	—	—	—	—	—	—	—	—	88	81	77	69
Italy—E.P.U. debt .....	—	—	—	—	—	—	—	—	5	2	—	—
Portugal—Sterling Bond...	81	81	81	81	77	72	68	63	59	55	50	46
Sweden—E.P.U. debt .....	—	—	—	—	—	—	—	—	6	3	—	—
Switzerland— Federal Council loan	—	—	—	—	—	—	—	—	—	—	18	18
E.P.U. debt .....	—	—	—	—	—	—	—	—	5	—	—	—
Other .....	—	—	—	—	—	—	—	—	5	2	—	—
<b>Total .....</b>	<b>81</b>	<b>90</b>	<b>85</b>	<b>81</b>	<b>77</b>	<b>72</b>	<b>68</b>	<b>63</b>	<b>215</b>	<b>174</b>	<b>145</b>	<b>132</b>
<b>Total—all countries .....</b>	<b>2,405</b>	<b>2,413</b>	<b>2,353</b>	<b>2,310</b>	<b>2,154</b>	<b>2,127</b>	<b>2,178</b>	<b>2,121</b>	<b>2,144</b>	<b>2,078</b>	<b>2,006</b>	<b>1,930</b>

(1) See notes on page 15.



# X Private investment<sup>(1)</sup>

TABLE 16

£ million

	1958	1959	1960	1961	1962
<b>By United Kingdom</b>					
Overseas sterling area					
Direct <sup>(2)</sup> .....	- 79	- 106	- 155	- 128	- 120
Other <sup>(3)</sup> .....	- 91	- 56	- 36	- 62	- 29
Non-sterling areas					
Direct <sup>(2)</sup> .....	- 65	- 90	- 92	- 98	- 92
Other <sup>(3)</sup> .....	- 63	- 55	- 30	- 38	- 18
All areas					
Direct <sup>(2)</sup> .....	- 144	- 196	- 247	- 226	- 212
Other <sup>(3)</sup> .....	- 154	- 111	- 66	- 100	- 47
Total .....	- 298	- 307	- 313	- 326	- 259
<b>In United Kingdom</b>					
Overseas sterling area					
Direct <sup>(2)</sup> .....	+ 10	+ 8	+ 14	+ 10	+ 8
Other <sup>(3)</sup> .....	- 24	+ 22	+ 12	+ 47	+ 26
Non-sterling areas					
Direct <sup>(2)</sup> .....	+ 77	+ 138	+ 121	+ 226	+ 129
Other <sup>(3)</sup> .....	+ 102	+ 8	+ 81	+ 134	+ 111
All areas					
Direct <sup>(2)</sup> .....	+ 87	+ 146	+ 135	+ 236	+ 137
Other <sup>(3)</sup> .....	+ 78	+ 30	+ 93	+ 181	+ 137
Total .....	+ 165	+ 176	+ 228	+ 417	+ 274
Private investment (net) .....	- 133	- 131	- 85	+ 91	+ 15

(1) Net of disinvestment.

(2) Board of Trade inquiry into overseas direct investment; excludes oil and insurance.

(3) Includes portfolio investment and investment by the oil and insurance industries.

## Direct investment<sup>(1)</sup> Analysis by area

TABLE 17

£ million

	1958	1959	1960	1961	1962
<b>By United Kingdom</b>					
Overseas sterling area .....	79	106	155	128	120
Western Europe .....	14	20	26	39	} 92
of which <i>European Economic Community</i> .....	8	16	21	26	
<i>European Free Trade Association</i> .....	3	1	4	11	
North America .....	38	52	45	37	} 92
Latin America .....	5	12	15	20	
Other non-sterling countries .....	8	6	6	2	
Total .....	144	196	247	226	212
<b>In United Kingdom</b>					
Overseas sterling area .....	10	8	14	10	8
Western Europe .....	6	18	16	24	} 129
of which <i>European Economic Community</i> .....	1	9	4	14	
<i>European Free Trade Association</i> .....	4	9	12	8	
North America .....	72	120	104	202	} 129
Latin America .....	- 1	—	—	—	
Other non-sterling countries .....	—	—	1	—	
Total .....	87	146	135	236	137

(1) Net of disinvestment. Excluding oil and insurance.



# Direct investment<sup>(1)</sup>

## Analysis by component

TABLE 18

£ million

	1958	1959	1960	1961	1962
<b>By United Kingdom</b>					
Overseas sterling area					
Unremitted profits of subsidiaries <sup>(2)</sup> .....	37	47	51	39	60
Net acquisition of share and loan capital.....	17	26	46	51	45
Change in branch indebtedness .....	20	30	20	17	17
Change in inter-company accounts .....	5	3	38	21	- 2
	79	106	155	128	120
Non-sterling areas					
Unremitted profits of subsidiaries <sup>(2)</sup> .....	37	46	34	35	41
Net acquisition of share and loan capital.....	24	26	34	31	30
Change in branch indebtedness .....	- 4	4	10	19	13
Change in inter-company accounts .....	8	14	14	13	8
	65	90	92	98	92
All areas					
Unremitted profits of subsidiaries <sup>(2)</sup> .....	74	93	85	74	101
Net acquisition of share and loan capital.....	41	52	80	82	75
Change in branch indebtedness .....	16	34	30	36	30
Change in inter-company accounts .....	13	17	52	34	6
Total .....	144	196	247	226	212
<b>In United Kingdom</b>					
Overseas sterling area					
Unremitted profits of subsidiaries <sup>(2)</sup> .....	—	—	1	1	1
Net acquisition of share and loan capital.....	1	7	8	6	3
Change in branch indebtedness .....	5	—	5	1	3
Change in inter-company accounts .....	4	1	—	2	1
	10	8	14	10	8
Non-sterling areas					
Unremitted profits of subsidiaries <sup>(2)</sup> .....	44	76	66	36	66
Net acquisition of share and loan capital .....	20	48	27	164	39
Change in branch indebtedness .....	6	- 2	- 2	9	—
Change in inter-company accounts .....	7	16	30	17	24
	77	138	121	226	129
All areas					
Unremitted profits of subsidiaries <sup>(2)</sup> .....	44	76	67	37	67
Net acquisition of share and loan capital.....	21	55	35	170	42
Change in branch indebtedness .....	11	- 2	3	10	3
Change in inter-company accounts .....	11	17	30	19	25
Total .....	87	146	135	236	137

(1) Net of disinvestment. Excluding oil and insurance.

(2) Including associated companies.



# Overseas sterling holdings

TABLE 19

End of year

£ million

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
<b>Sterling area countries</b>												
Official .....	2,252	2,019	2,203	2,260	2,266	2,240	2,126	1,993	2,165	2,029	2,097	2,056
Other .....	333	463	512	562	498	490	482	526	539	449	534	619
<b>Total .....</b>	<b>2,585</b>	<b>2,482</b>	<b>2,715</b>	<b>2,822</b>	<b>2,764</b>	<b>2,730</b>	<b>2,608</b>	<b>2,519</b>	<b>2,704</b>	<b>2,478</b>	<b>2,631</b>	<b>2,675</b>
<b>Non-sterling countries</b>												
Official .....	659	477	474	460	438	400	383	399	325	499	440	375
Other .....	333	260	304	421	374	292	282	435	478	906	475	451
<b>Total .....</b>	<b>992</b>	<b>737</b>	<b>778</b>	<b>881</b>	<b>812</b>	<b>692</b>	<b>665</b>	<b>834</b>	<b>803</b>	<b>1,405</b>	<b>915</b>	<b>826</b>
<b>Total all countries</b>												
Official .....	2,911	2,496	2,677	2,720	2,704	2,640	2,509	2,392	2,490	2,528	2,537	2,431
Other .....	666	723	816	983	872	782	764	961	1,017	1,355	1,009	1,070
<b>Total .....</b>	<b>3,577</b>	<b>3,219</b>	<b>3,493</b>	<b>3,703</b>	<b>3,576</b>	<b>3,422</b>	<b>3,273</b>	<b>3,353</b>	<b>3,507</b>	<b>3,883</b>	<b>3,546</b>	<b>3,501</b>
<b>Non-territorial organisations</b>												
I.M.F. ....	476	476	420	380	380	582	583	574	673	522	896	517
Other non-territorial organisations .....	90	91	91	96	89	87	62	49	32	27	62	88
<b>Total .....</b>	<b>566</b>	<b>567</b>	<b>511</b>	<b>476</b>	<b>469</b>	<b>669</b>	<b>645</b>	<b>623</b>	<b>705</b>	<b>549</b>	<b>958</b>	<b>605</b>
<b>Total holdings .....</b>												
Official .....	3,477	3,063	3,188	3,196	3,173	3,309	3,154	3,015	3,195	3,077	3,495	3,036
Other .....	666	723	816	983	872	782	764	961	1,017	1,355	1,009	1,070
<b>Total .....</b>	<b>4,143</b>	<b>3,786</b>	<b>4,004</b>	<b>4,179</b>	<b>4,045</b>	<b>4,091</b>	<b>3,918</b>	<b>3,976</b>	<b>4,212</b>	<b>4,432</b>	<b>4,504</b>	<b>4,106</b>



# Overseas sterling holdings (continued)

## Non-sterling countries<sup>(1)</sup>

TABLE 19 (continued)

End of year

£ million

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
O.E.E.C. countries												
Official .....	155	86	68	56	50	61	131	142	..	..	..	..
Other .....	173	153	155	188	163	132	129	231	..	..	..	..
Total .....	328	239	223	244	213	193	260	373	..	..	..	..
Western Europe <sup>(2)</sup> .....												
Official .....	..	..	..	..	..	..	..	..	159	99	236	277
Other .....	..	..	..	..	..	..	..	..	249	288	463	294
Total .....	..	..	..	..	..	..	..	..	408	387	699	571
Dollar area												
Official .....	28	15	19	8	5	7	4	7	..	..	..	..
Other .....	10	19	43	89	53	30	31	46	..	..	..	..
Total .....	38	34	62	97	58	37	35	53	..	..	..	..
North America												
Official .....	..	..	..	..	..	..	..	..	7	5	6	7
Other .....	..	..	..	..	..	..	..	..	51	55	297	86
Total .....	..	..	..	..	..	..	..	..	58	60	303	93
Other Western Hemisphere countries												
Official .....	35	20	57	6	3	19	12	1	..	..	..	..
Other .....	22	-14	-17	2	6	13	19	23	..	..	..	..
Total .....	57	6	40	8	9	32	31	24	..	..	..	..
Latin America												
Official .....	..	..	..	..	..	..	..	..	1	8	56	16
Other .....	..	..	..	..	..	..	..	..	17	4	7	-3
Total .....	..	..	..	..	..	..	..	..	18	12	63	13
Other non-sterling countries (1951-1958)												
Official .....	441	356	330	390	380	313	236	249	..	..	..	..
Other .....	128	102	123	142	152	117	103	135	..	..	..	..
Total .....	569	458	453	532	532	430	339	384	..	..	..	..
Other non-sterling countries (1958-1962)												
Official .....	..	..	..	..	..	..	..	..	232	213	201	140
Other .....	..	..	..	..	..	..	..	..	118	131	139	98
Total .....	..	..	..	..	..	..	..	..	350	344	340	238
All non-sterling countries												
Official .....	659	477	474	460	438	400	383	399	325	499	440	375
Other .....	333	260	304	421	374	292	282	435	478	906	475	451
Total .....	992	737	778	881	812	692	665	834	803	1,405	915	826

(1) The area classification before 1958 is not comparable with that for subsequent years.

(2) Including dependent territories.



# Official holdings of gold and currencies

TABLE 20

End of year

£ million

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
<b>Gold and convertible currency reserves<sup>(1)</sup></b>												
Gold <sup>(2)</sup> .....	776	529	808	903	719	633	555	1,003	898	1,000	810	922
Convertible currencies.....	58	130	91	83	38	166 <sup>(3)</sup>	257	93	79	154	375	80
<b>Total .....</b>	<b>834</b>	<b>659</b>	<b>899</b>	<b>986</b>	<b>757</b>	<b>799</b>	<b>812</b>	<b>1,096</b>	<b>977</b>	<b>1,154</b>	<b>1,185</b>	<b>1,002</b>
<b>U.K. official holdings of non-convertible currencies .....</b>	<b>14</b>	<b>40</b>	<b>10</b>	<b>13</b>	<b>13</b>	<b>14</b>	<b>36</b>	<b>13<sup>(4)</sup></b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>1</b>

(1) In addition to the gold and convertible currency reserves, the value of which is shown here, the United Kingdom may in appropriate circumstances obtain temporary financial assistance from the International Monetary Fund. The amount of foreign exchange which the United Kingdom could draw from the Fund as at 31 December 1962 without raising the Fund's holdings of sterling beyond 200 per cent. of quota was the equivalent of £876 million (of which the equivalent of £357 million was covered by a stand-by credit arrangement valid until 7 August 1963, since extended to 7 August 1964).

Furthermore, the Exchange Equalisation Account holds a substantial volume of dollar securities which were vested in the United Kingdom government during the war and have been retained since. At the end of December 1962 the market value of this portfolio, which is subject to fluctuation from time to time, was between \$750 million and \$1,250 million.

(2) The gold figures are not adjusted to take account of purchases or sales of gold made by the Bank of England on behalf of other central banks but awaiting settlement. Since such transactions are financed in convertible currencies their settlement does not affect the total reserves figure.

(3) Including £37 million in special North American loan interest accounts.

(4) Including holdings of convertible currency set aside for liquidation in the final E.P.U. settlement.

## Acceptances outstanding

TABLE 21

End of year

£ million

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Sterling area countries.....	..	..	..	..	..	..	9	11	13	15	15	22
Non-sterling countries.....	..	..	..	..	..	..	138	119	121	93	147	144
<b>Total .....</b>	<b>112</b>	<b>70</b>	<b>69</b>	<b>102</b>	<b>101</b>	<b>126</b>	<b>147</b>	<b>130</b>	<b>134</b>	<b>108</b>	<b>162</b>	<b>166</b>



# Capital transactions with the International Monetary Fund

£ million

TABLE 22

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
<b>United Kingdom</b>											
Subscriptions											
in sterling .....	—	—	—	—	—	—	—	-174	—	—	—
in gold .....	—	—	—	—	—	—	—	-58	—	—	—
Drawings .....	—	—	—	—	+201	—	—	—	—	+536	—
Repurchases											
of drawings .....	—	—	-39	—	—	—	—	-71	-110	-150	-308
other <sup>(1)</sup> .....	—	—	-1	—	—	—	—	—	-17	—	—
<b>Overseas sterling area</b>											
Subscriptions											
in local currencies .....	-5	-5	-1	—	—	—	-14	-114	-48	-35	-14
in gold .....	—	—	—	—	—	-2	—	-37	-16	-14	-6
Drawings											
in sterling .....	—	—	—	—	—	—	+4	—	+2	+38	+15
in other currencies .....	+11	—	—	—	+5	+71	+9	—	+9	+126	+3
Repurchases											
of drawings .....	—	-4	-25	-20	-4	—	-1	-14	-27	-47	-77
other <sup>(2)</sup> .....	—	—	—	-1	—	-1	—	-5	—	—	-1
<b>Non-sterling areas</b>											
Sterling drawings											
by non-sterling countries .....	—	+56	—	—	—	—	+2	+8	+22	+2	+56
Sterling repurchases											
by non-sterling countries .....	—	—	—	—	—	—	—	—	—	-2	—

(1) Voluntary payments in dollars in exchange for sterling.

(2) Obligatory repurchases by Burma (1955), Ceylon (1957) and Australia (1959 and 1962) under the provisions of the I.M.F. Agreement.



# NOTES AND DEFINITIONS

## GENERAL

The object of the balance of payments accounts is to show the outcome of transactions between residents of the United Kingdom and overseas residents. The term 'United Kingdom' is used to include Great Britain, Northern Ireland, the Isle of Man and the Channel Islands.

For balance of payments purposes, residents of the United Kingdom comprise private individuals living permanently in the United Kingdom; the United Kingdom central government and local authorities; and all business enterprises and non-profit organisations located in the United Kingdom, but not their overseas branches and subsidiaries. Branches are treated as residents of the country in which they are located, and subsidiaries where they are registered. Agents, in so far as they act on behalf of an overseas principal, are, in general, treated as residents of the country in which the principal is registered. Agencies of the United Kingdom government operating abroad, such as embassies or military units, are regarded as residents of the United Kingdom and, conversely, the agencies of foreign governments in the United Kingdom are regarded as overseas residents.

In principle, transactions are recorded when the ownership of goods or assets changes and when services are rendered.

Transactions are classified in three main groups:

The *current account* includes imports and exports of goods and services, investment income and private transfers.

The *long-term capital account* includes inter-government loans, other official capital and private investment.

*Monetary movements* include changes in the gold and convertible currency reserves and in official holdings of other currencies, changes in overseas sterling holdings and other capital transactions of a monetary nature.

### Principles of the accounts

The balance of payments accounts are arranged in a form in which the total of all entries adds up to zero. Every balance of payments transaction in principle involves both a credit and a debit and so should be entered twice. That is to say, in a way analogous to a double-entry book-keeping system, the recording of a credit or a debit will inevitably mean a corresponding change in the balance between assets and liabilities. Thus, when a United Kingdom importer purchases goods from abroad the value of these is shown as a debit under visible trade. But this transaction will be mirrored by another one depending on the way in which the purchase has been financed. If a remittance is made in an overseas currency, this may cause a

reduction in the gold and convertible currency reserves; but if the foreign exporter is paid in sterling there is an increase in United Kingdom sterling liabilities to overseas residents. Both these types of payment will be reflected in the balance of monetary movements. 'Double-entry' transactions of this kind can also appear under other headings. For example, where the transaction is between companies with an inter-company account and the imports take place against credit given by the overseas company, the entry will be among the direct investment figures included in the long-term capital account.

In a double-entry book-keeping system there is always an exact balance since the same piece of information is used in effecting each entry. In the balance of payments, although the underlying principle exists, the accounts are not, in practice, constructed on a double-entry basis since the two entries made in respect of each contribution are derived from separate sources in almost every case. Moreover, the methods of estimation are neither complete nor precisely accurate. An entry, the 'balancing item', is therefore included to bring the total of all entries to zero. This balancing item represents the sum of errors and omissions in all the other items of the tables, the current account, the long-term capital account, and the balance of monetary movements.

Balances are struck for each of these three groups so that summary judgments of the outcome of the balance of payments can be made but it should be emphasised that this grouping does not imply that the various groups are causally independent of each other. In general there will be some mutual interdependence between the various groups but it is incorrect to suppose that any item is merely offset or wholly determined by others, although many items included in the monetary movements come near to possessing this characteristic.

Moreover, some items are not always precisely appropriate to the group in which they are included. For instance, transfer payments, representing workers' remittances, private gifts and migrants' funds and, in the public sector, grants by the central government, are included in the current account. A number of these items are of a capital nature, or closely resemble capital transactions, and there is a case for allocating the total differently, part in the current and part in the capital account; or alternatively showing the item separately from the current and capital accounts. However, no change has been made in the practice of including all these transactions in the current account though it is now possible to separate transfer payments as a whole from other transactions.

There are similar difficulties in the allocation of some capital movements as between the long-term capital account and monetary movements. Capital movements can be grouped according to their nature (e.g. investment in equities or credit given in connection with trade), according to the domestic sector concerned



(e.g. government or private) or according to the status of the overseas resident involved. It is impossible to avoid using a combination of these three methods of classification. For instance, short-term borrowing by the government by way of Treasury bills is included in monetary movements regardless of the status of the overseas resident since this has been the traditional treatment of government short-term debt, although in practice some of this debt is to overseas residents whose other transactions are included in private investment. Another example is that most private investment is grouped together in the long-term capital account even though the total includes a substantial element of short-term borrowing financed through inter-company accounts. This is because the nature of the direct relationships between companies in the United Kingdom and companies abroad makes it impossible to apply clear-cut definitions to the types of investment. Thus no single group of concepts can be adopted. Moreover, superimposed on these criteria is the need to show separately not only the United Kingdom's holdings of gold and convertible currency reserves but also short-term liabilities including those treated as reserves by overseas countries. These include not only bank deposits and Treasury bills but also some holdings of United Kingdom government securities.

In the presentation used in the United Kingdom balance of payments the striking of a balance between changes in the reserves, overseas sterling holdings and other capital movements of a short-term nature has precedence, after which the grouping is broadly by domestic sector.

## ITEMS

### VISIBLE TRADE

#### Imports (f.o.b.)

The f.o.b. value (i.e. excluding the costs of insurance and freight) of goods entering the United Kingdom.

#### Exports and re-exports (f.o.b.)

The f.o.b. value of goods leaving the United Kingdom.

The *Trade and Navigation Accounts* (*Trade Accounts*) form the starting point for calculating the balance of payments figures.

No adjustment is made for timing differences between the declaration of trade by importers and exporters as recorded in the *Trade Accounts* and the time of change in ownership. Identified differences in timing between these records and actual payments (e.g. due to the granting of trade credits) are treated as changes in assets or liabilities and recorded in monetary movements. Unidentified differences in timing are automatically reflected in the balancing item.

A number of adjustments are made, however, in respect of valuation and coverage, to convert the *Trade Accounts* to a balance of payments basis. The following are the more important of these adjustments.

## Valuation adjustments

### Freight and insurance

Imports in the *Trade Accounts* are valued c.i.f. i.e. inclusive of the cost of insurance and freight from the country of consignment. In the balance of payments these costs are deducted since freight and insurance payments to foreign shipping, airline and insurance companies are included in the appropriate invisible account item and those to United Kingdom concerns do not enter the balance of payments. Estimates of freight payments for dry cargo imports are made by applying ratios of freight to total c.i.f. values of imports as recorded in the *Trade Accounts* for selected groups of items from each area of consignment. The ratios of freight to total c.i.f. values are estimated from the actual freight rates current on a large sample of individual commodities imported from different sources.

The system of estimating freight on imports of oil is so far as possible complementary to the method adopted by oil companies in building up the c.i.f. value of oil imports declared to H.M. Customs and Excise. Estimates of freight are based largely on the London Tanker Brokers' Panel's Average Freight Rate Assessment (A.F.R.A.). Estimates of payments for air freight and for insurance are based on a sample examination of customs entry forms and supporting invoices, supported, in the case of insurance, by data supplied by the British Insurance Association and Lloyds.

### Port charges

Certain charges associated with the unloading of imports at United Kingdom ports are included in the *Trade Accounts* valuation. These charges are excluded from the balance of payments figures since the payments are made by United Kingdom importers and accrue to United Kingdom residents. The deductions made are based on a sample examination of customs entry forms.

### Customs uplift

The value of imports recorded in the *Trade Accounts* is based on the price they would fetch on sale in the open market. In certain cases where the transaction is not an open market one, e.g. some transactions between related companies, the *Trade Accounts* value may exceed that paid or payable to the supplier abroad. As it is the latter value which is appropriate for balance of payments purposes it is necessary to make an adjustment to the *Trade Accounts* figures. Estimates of the amounts to be deducted are derived from a sample examination of Customs entry forms for goods subject to *ad valorem* duty, where most of the discrepancy lies.

### Imports on consignment

Certain classes of goods are imported on a consignment basis in which case the market value of the goods is not known until they are actually sold. Until the final value is known, a provisional value, which is often above the market value, is entered in the *Trade Accounts*.



In the case of goods subject to an *ad valorem* duty, the actual market value is eventually declared to H.M. Customs and Excise, thus allowing for a subsequent correction to appear in the trade figures. However, some of the goods imported on a consignment basis, especially fruit and vegetables, are either duty-free or are subject to specific duties. In many such instances it appears, from a sample comparison of the value as originally declared on the Customs entry and the actual payments as shown by the Exchange Control forms, that there is a tendency for the original higher value to remain in the *Trade Accounts*. A deduction is made to the import figures to allow for this overstatement.

#### *Sugar*

An adjustment is included in the balance of payments figures to take account of the difference between the market value of imported sugar recorded in the *Trade Accounts* and the amount actually paid by the Sugar Board under the Commonwealth Sugar Agreement.

#### **Coverage adjustments**

##### *Diamonds*

Diamonds and certain other precious stones are, at the present time, excluded from the *Trade Accounts*. Certain details are, however, available from H.M. Customs and Excise and Exchange Control records and these details are included in the balance of payments figures.

##### *Second-hand ships and aircraft*

These are also excluded from the *Trade Accounts* but need to be included in the balance of payments figures. The value of trade in second-hand aircraft is obtained mainly from Customs records. Details about both purchases and sales of second-hand ships are derived from a number of sources including information provided by the General Register and Record Office of Shipping and Seamen, government departments and various trade publications.

##### *New ships delivered abroad*

Certain ships built abroad for United Kingdom owners are delivered in the first place to overseas ports. These purchases are not normally recorded in the *Trade Accounts* but they are appropriate to balance of payments figures of imports. The details are obtained from the same sources as for second-hand ships.

##### *Atomic energy materials*

Imports and exports of certain atomic energy materials, including uranium ore, are omitted from the *Trade Accounts* figures. Details are supplied by the United Kingdom Atomic Energy Authority and included in the balance of payments figures.

##### *Exports by letter post*

The *Trade Accounts* do not include exports from the United Kingdom by letter post. Information about

the most important element of this trade, namely books, is obtained from the Publishers' Association. Other details have been derived from a sample examination of G.P.O. traffic.

#### *Tin Buffer Stock*

Imports of tin into the United Kingdom for the International Tin Council (regarded as a non-territorial organisation) are included in the *Trade Accounts*. In the balance of payments accounts, therefore, imports of tin for the I.T.C. Buffer Stock are recorded as having been simultaneously re-exported to the Council. Similarly when tin is sold in the United Kingdom from the Tin Buffer Stock either for retention in the United Kingdom or for export a corresponding entry for imports is entered in the balance of payments figures.

#### *N.A.A.F.I.*

Goods exported by the Navy, Army and Air Force Institute for the use of United Kingdom forces abroad are included in *Trade Accounts* but, since they are for sale to United Kingdom residents they are deducted from the *Trade Accounts* for balance of payments purposes.

#### *Returned goods and goods for processing and repair*

The *Trade Accounts* include certain goods which are imported and exported without payment. These are of two types, returned goods and goods for processing and repair. Returned goods include, for example, items such as contractors' plant etc. temporarily exported without changing ownership. The value of these goods is known to H.M. Customs and Excise since, where duty is involved (and this is true in most cases), exemption from this duty can be claimed. The same value is deducted from both imports and exports in the balance of payments account at the time of import. This probably results in some error in timing of exports, however, and in this event the error would be reflected in the balancing item. In the case of goods imported for processing and repair this treatment means that the value added as a result of the processing or repair remains in the export figures. Theoretically these processing fees more appropriately belong to the invisible account but, as their precise value is not known, this transfer is not made; the current balance is not, however, affected.

#### **GOVERNMENT**

This item includes all transactions in goods and services between the United Kingdom government and overseas residents which are not appropriate to other items in the accounts, or which cannot be allocated to these items for statistical reasons. Grants to overseas countries, subscriptions and contributions to international organisations and other transfer payments by the United Kingdom government to overseas residents, and similar receipts from overseas by the United Kingdom government are also included here.



## **Military expenditure**

Military expenditure overseas is recorded partly on a net basis (i.e. after deducting receipts arising locally; in particular in the years when contributions were received from the Federal German Republic towards meeting the costs of the United Kingdom forces stationed in Germany these were deducted from expenditure). Under this heading are included wage and salary payments to locally engaged staff, contributions towards common defence projects e.g. infrastructure programmes, troops' personal expenditure, and local purchases of food, equipment, fuel and services.

## **Administrative, diplomatic, etc.**

The operating costs of United Kingdom embassies, High Commission offices, and consulates, wages and salaries of locally engaged staff, and the personal expenditure of United Kingdom diplomatic and other non-military personnel stationed overseas, account for most of the expenditure shown under this head.

## **Economic grants**

These comprise cash grants made to the less developed countries to assist in their economic development and the value of goods and services provided to these countries without charge by the United Kingdom government.

## **Other grants**

These consist of cash grants and goods and services (mainly of a military nature) provided to overseas countries by the United Kingdom government without charge.

## **Subscriptions and contributions to international organisations**

This item includes United Kingdom subscriptions to the United Nations and other international bodies to meet the administrative expenses of these organisations, similar payments to international military agencies (S.E.A.T.O., C.E.N.T.O. etc.) and United Kingdom contributions to international organisations for multi-lateral economic assistance to the less developed countries and other international projects. Subscriptions to I.M.F., I.F.C., I.D.A. and the European Fund are not included under this heading but in the long-term capital account.

## **Other transfers**

These comprise national insurance and war pensions paid to overseas residents.

## **Military receipts**

This item includes receipts by the United Kingdom government from the United States and Canadian forces stationed in the United Kingdom for supplies and services, receipts from the United States government

in respect of goods supplied to the United Kingdom armed forces (offshore sales) and contributions from overseas governments towards common defence projects. The value of goods and fixed assets held abroad and transferred without charge to overseas countries by the United Kingdom armed forces is also included, together with the values of services provided in the United Kingdom to overseas residents by the service departments e.g. military training schemes. These entries are offset under 'other grants'.

## **Other receipts**

These include the value of services provided in the United Kingdom to overseas residents under the United Kingdom government's economic aid programmes to overseas countries (which are offset under 'economic grants') and various miscellaneous receipts by the United Kingdom government from overseas countries.

## **Defence aid**

Assistance provided mainly by the United States government for the purchase of raw material, machinery and equipment. (For a fuller account of this item see page 52 of the publication *United Kingdom Balance of Payments 1946-1957*.)

The figures for government overseas expenditure and receipts are derived from returns provided by all United Kingdom government departments having transactions with overseas residents and overseas governments.

## **TRANSPORT: SHIPPING**

The shipping estimates cover both dry cargo and tanker transactions. Debits include the United Kingdom shipping industry's disbursements abroad (including bunkers taken up abroad) and payments to overseas residents for chartering. Freight payments to overseas residents for carrying United Kingdom imports are also included, together with passage money. Credits comprise the earnings of the United Kingdom shipping industry from the carriage of United Kingdom exports, from cross-trades, chartering and passage money. Disbursements of foreign ships in United Kingdom ports are also included.

## **United Kingdom shipping**

Statistics relating to the United Kingdom shipping industry are provided by the General Council of British Shipping which conducts a full inquiry, generally every five years, and annual sample inquiries, into its participation in overseas trade.

The sample results have been grossed up by reference to the full census held in 1958 on the assumption that the experience of the companies included in the sample is typical of the shipping industry as a whole, with



appropriate adjustments for any changes in the size of fleet. Since the war full inquiries have been made in 1947, 1952, 1958 and 1962, and sample inquiries in 1959, 1960 and 1961. At the time of publication the final results of the 1962 full census were not ready but provisional results have been incorporated in the balance of payments for the first time in this publication. These have necessitated some revisions to estimates for other years since 1958.

#### *Debits*

Disbursements abroad include payments by United Kingdom residents for bunkers, canal dues, maintenance of shore establishments, port charges, agency fees, handling charges, crews' expenditure, pilotage and towage, repair work, ships' stores, light dues and other miscellaneous port expenditure abroad.

#### *Credits*

Passage money comprises receipts from passenger fares collected abroad whether for cross-voyages or voyages to the United Kingdom. United Kingdom shipowners are not able to distinguish between fares received from United Kingdom residents and those from overseas residents. Since it is only practicable to give a breakdown between passage money collected abroad and passage money collected in the United Kingdom, it is assumed that the bulk of fares collected abroad are from overseas residents and that the small amount of passage money collected abroad from United Kingdom residents is counter-balanced by that collected in the United Kingdom from overseas residents. A small amount is added to allow for receipts from the Australian Government for emigrants' assisted passages.

The credits do not include freight earned by the United Kingdom shipping industry from carrying United Kingdom imports since this is a domestic transaction between United Kingdom residents.

### **Overseas shipping**

#### *Debits*

Estimates of freight on imports paid to overseas residents are obtained by deducting the General Council of British Shipping's estimates of the amount earned by United Kingdom ships from carrying United Kingdom imports from the estimates of total freight on imports described on page 25. An estimate of passage money paid to overseas shipowners, almost all of whom are resident in the non-sterling area, is provided by the Bank of England from an analysis of Exchange Control records.

#### *Credits*

Include disbursements in the United Kingdom by foreign flag vessels for bunkers, port charges, handling charges, agency fees, crews' expenditure, pilotage and towage, repair work, light dues and ships' stores.

The value of oil bunkers lifted in the United Kingdom is assessed by the Ministry of Power, making use of the quantity figure of oil fuel taken on board foreign flag vessels which is shown in the *Trade Accounts*.

Estimates of port charges are based on the results of an inquiry in 1958 to the fifteen largest port authorities in the United Kingdom which have been projected in subsequent periods by reference to the changes in the amount of foreign flag tonnage entering and clearing United Kingdom ports and to changes in the level of charges.

To assess handling charges and agency fees, an estimate of the cost per ton of cargo handling and agency fees is applied to an estimate of the amount of cargo handled on and off foreign flag ships.

Figures of crews' expenditure are based on a sample inquiry carried out in March 1960 to determine the average amount of money spent by each member of the crew of all foreign flag vessels entering United Kingdom ports during the month.

Annual estimates of pilotage costs are available to the Ministry of Transport who also assess the cost of towage.

Half-yearly estimates of receipts for repair work are provided by the Dry Dock Owners' and Repairers' Central Council.

Information on light dues is derived from regular returns submitted by the Lighthouse Authorities to the Ministry of Transport.

Estimates of the value of ships' stores supplied to foreign flag ships are based on information provided by the Ships Stores' Associations and the Federation of Shipping Butchers' Associations.

### **TRANSPORT: CIVIL AVIATION**

Debits comprise expenditure abroad by British Overseas Airways Corporation and British European Airways on airport charges, crews' expenses, charter payments, agents' commissions etc.; similar expenditure by the British independent airlines; and net receipts by overseas airlines from other United Kingdom residents.

Credits include receipts by British Overseas Airways Corporation and British European Airways from overseas residents for passenger fares, freight, mail conveyance and charter hire.

The transactions of British Overseas Airways Corporation and British European Airways with overseas residents are derived from quarterly returns supplied by the two corporations. Other debits are based on Exchange Control data.

The basis of the quarterly returns from British Overseas Airways Corporation and British European Airways was changed from the beginning of 1962 with the result that both debits and credits for civil aviation as a whole are smaller in 1962 than in earlier years. (Not  
highly reasonably comparable)

### **TRAVEL**

Personal expenditure by United Kingdom residents in overseas countries and by overseas residents in the United Kingdom. The cost of sea or air travel from



and to the United Kingdom is not included; payments to shipping and airline companies affecting the balance of payments are included in 'transport'. But payments for road or rail transport by United Kingdom residents travelling in overseas countries and by overseas visitors within the United Kingdom are included under 'travel'.

The travel estimates for 1962 are based primarily on a new series of sample surveys of air and sea passengers, conducted by the Social Survey for the Board of Trade, which provide information on the numbers and expenditure of overseas visitors to the United Kingdom and United Kingdom residents travelling abroad. A description of the surveys appeared in the *Board of Trade Journal* for 23 August 1963.

The sample surveys did not cover travel between the United Kingdom and the Irish Republic or travel on the long sea routes. Estimates for travel to and from the Irish Republic are derived from statistics published by the Irish Central Statistics Office. Estimates for travel on long sea routes in 1962 were based on information about the numbers of passengers derived from records of the movements of passengers compiled by the General Register Office. Average expenditure was assessed through occasional sample enquiries.

Estimates of travel for years prior to 1962 were originally derived as a product of numbers of passengers and average expenditure per head supported by information made available by 'partner countries'. For some areas the newly based estimates for 1962 show considerable differences from those based on previous methods and, in order to preserve a reasonably consistent series of estimates, the travel figures previously published for the years 1958 to 1961 have been re-assessed in the light of the 1962 survey.

## OTHER SERVICES

This item includes all transactions in goods and services between United Kingdom private residents and overseas residents—both government and private—which are not appropriate to other items in the account or which cannot be allocated to these items for statistical reasons.

Components include payments and receipts for education, films, royalties, commissions, fees and banking facilities (excluding interest earnings). Credits also include the expenditure of overseas government agencies in the United Kingdom, U.S. and Canadian forces' personal expenditure and net earnings from insurance and merchanting transactions. Debits also include sales of gold at home for industrial use.

Payments to the non-sterling areas are derived from Exchange Control records. Information from sterling area countries concerning their receipts from the United Kingdom is used to measure United Kingdom payments to the overseas sterling area.

For credits, a variety of sources is used. In some cases accurate estimates can be made but for other items, which present particularly difficult problems of measurement, rough estimates only are available.

The Board of Trade inquiry into overseas direct investment provides information on services rendered by United Kingdom parent companies to their overseas branches, subsidiaries and associates. Statistical reviews of press and television advertising provide a source for measuring overseas advertising expenditure in the United Kingdom. No complete measure is available of receipts and payments in respect of royalties etc. Payments to the non-sterling areas are known through Exchange Control and serve as a basis for the overall estimate of both payments and receipts. Commissions and fees are largely determined by applying various percentages to estimates of turnover in the industries and professions concerned. A number of items e.g. education and expenditure of overseas government agencies in the United Kingdom, are derived by combining numbers of students and diplomats respectively with estimates of average expenditure per head.

## PRIVATE TRANSFERS

This item comprises the value of goods transferred and services rendered between United Kingdom private residents and overseas residents without a *quid pro quo*. These transactions are recorded under their appropriate item in the current account in the first instance and offset here. A similar treatment is adopted for cash gifts and other private assets transferred between United Kingdom and overseas residents, where the prime entry is in the capital account or monetary movements. Examples of the types of transaction giving rise to entries under this heading are gifts of goods sent by parcel post, transfers of assets by migrants (other than their personal and household belongings), payments by United Kingdom residents to their dependents overseas, transfers of funds by missionary societies and charitable institutions, and legacies.

For United Kingdom transfers to the non-sterling areas, Exchange Control records are used. Receipts from the non-sterling areas are partly based on Exchange Control information and partly on information available from other countries' balance of payments statistics of their transfers to the United Kingdom. For the overseas sterling area, information from the balance of payments statistics of the sterling area countries is used to measure both United Kingdom debits and credits. Where information is not available from any of these sources estimates for migrants' transfers are derived by combining numbers of migrants entering and leaving the United Kingdom with estimates of the average value per head of assets transferred. Estimates of the value of the 'gift' element in parcel post trade are provided by the Board of Trade on the basis of a sample inquiry.

## INTEREST, PROFITS AND DIVIDENDS

This item includes interest, profits and dividends accruing to or payable by United Kingdom residents after deduction of local taxes and after allowing for depreciation. Its components are grouped into direct, portfolio and other investment income.



## Direct investment income

Income on direct investment includes branch earnings, interest payments in respect of loans granted and the remitted dividends from subsidiaries, together with the parent companies' share of the unremitted profits which is retained for reinvestment. This last item is entered additionally in 'private investment' as a contra item.

Since 1958, the entries of both credits and debits in respect of direct investment have been obtained from the Board of Trade inquiry into overseas direct investment, the results of which are published periodically in the *Board of Trade Journal*. Both quarterly and annual returns are obtained. The former are on a sample basis but the annual returns are substantially complete. Returns are rendered by United Kingdom companies (other than oil and insurance companies) which have overseas branches or subsidiaries or are associated with overseas companies, and by the United Kingdom branches, subsidiaries and associates of overseas companies having corresponding United Kingdom interests. Prior to 1958 the estimates were derived from a variety of sources including Exchange Control records. A comparison of the estimates from these sources and from the direct investment inquiry for 1958 showed that the main deficiency in the earlier estimates of interest, profits and dividends was the omission, both as a debit in interest, profits and dividends and as an inflow to the United Kingdom in the capital account, of a large part of the profits earned by United Kingdom subsidiaries of overseas companies and reinvested in this country. A special inquiry was made to identify this element and allowance has been made for it in all years prior to 1958 in both current account debits and in the capital account.

## Portfolio investment income

The payment of interest and dividends on portfolio investment, both by and to the United Kingdom, relates solely to the remitted proceeds. Included in the credit entry is the income accruing to the Exchequer in respect of interest and dividend payments received on securities held in the Exchange Equalisation Account. Estimates of portfolio income accruing to the United Kingdom are based mainly on Board of Inland Revenue records. Income accruing to the United Kingdom government from the Exchange Equalisation Account is known from H.M. Treasury records. For debits on account of non-sterling countries, Exchange Control records are used, whilst debits on account of overseas sterling area countries are based on information made available by the countries concerned.

## Other investment income

Included under this heading are the earnings of oil companies. Broadly speaking, oil credits represent the surplus on the current transactions of United Kingdom companies resulting from their operations overseas although this surplus differs in various ways from a precise measure of the profits earned overseas.

It includes, for example, the value of services rendered between parents, overseas subsidiaries and associated companies (such as current expenditure in the United Kingdom on marketing, headquarters expenses, research, etc.). Since the estimates are based upon cash flows the division of the total earnings between the overseas sterling area and the non-sterling areas also does not correspond to profits in an accounting sense. Oil debits consist of the interest, profits and dividends paid abroad by the United Kingdom subsidiaries and associates of overseas oil companies and the profits retained by these companies for reinvestment in the United Kingdom. The items are, to a large extent, based on information supplied by the oil industry.

Other transactions under this heading include interest payments and receipts on inter-government loans and other official investment; interest on sterling assets and liabilities; interest payments on investments made by overseas residents in United Kingdom local authorities and building societies; interest received by manufacturers and exporters on trade credit granted by them to overseas importers; interest received on assets which have been nationalised abroad; and income from trust funds invested abroad to the benefit of United Kingdom persons or institutions.

Interest received on trade credits is estimated by applying appropriate interest rates to the estimated amount of credit outstanding. Estimates for other items are based mainly on records of the Bank of England, government departments and certain other official bodies.

## INTER-GOVERNMENT LOANS

The entries under this item cover drawings and repayments of loans made by the United Kingdom government to overseas governments and drawings and repayments of loans made to the United Kingdom government by overseas governments. As a consequence of the winding up of the European Payments Union early in 1959, the outstanding debts were converted into bilateral long-term loans. Repayments of these loans are included under this item.

The details of inter-government loan drawings and repayments are obtained from quarterly returns provided by the various United Kingdom government departments.

Tables 14 and 15 respectively give details of the amounts outstanding for repayment on inter-government loans made by and to the United Kingdom government.

## UNITED KINGDOM SUBSCRIPTIONS TO I.M.F., I.F.C., I.D.A. AND EUROPEAN FUND

This item covers the United Kingdom's capital subscriptions to the International Monetary Fund, the International Finance Corporation, the International Development Association and the European Fund. The information is obtained from official records.



## OTHER UNITED KINGDOM OFFICIAL LONG-TERM CAPITAL (net)

This item consists of net changes in other overseas assets held by the United Kingdom government or such organisations as the Commonwealth Development Corporation and the United Kingdom Atomic Energy Authority. The purchase by the United Kingdom government of United Nations bonds in 1962 is also included in this item.

## PRIVATE INVESTMENT

A sub-division of this item is made between direct and other investment, the latter including portfolio and oil investment.

### Direct investment

Direct investment comprises investment by companies (other than oil and insurance companies) in their overseas branches, subsidiaries or associated companies. The estimates of direct investment, both overseas by United Kingdom companies and in the United Kingdom by overseas companies, include the parent's share of the unremitted profits of the subsidiary or associated company, the net acquisition of share and loan capital, changes in branch/head office indebtedness and changes in inter-company accounts.

Since 1958, estimates of direct investment have been derived from the Board of Trade inquiry. Estimates for earlier years were derived from Exchange Control and various other sources; and allowance has been made for the element of reinvested profits as described in the notes under 'interest, profits and dividends'.

### Other investment

#### *Portfolio*

Overseas portfolio investment by United Kingdom residents includes United Kingdom participation in new issues by overseas residents on the London market; also, for the overseas sterling area, net purchases or sales of share and loan capital through the London market and certain overseas markets and, for the non-sterling areas, the net change in holdings of security dollars and in securities designated in non-sterling currencies. Allowance is made for redemptions of capital. The estimates of transactions in non-sterling securities allow for the use of security dollars by companies incorporated in the United Kingdom for direct investment purposes. Inward portfolio investment includes changes in the holdings by overseas residents of United Kingdom company securities and United Kingdom government and government-guaranteed securities.

Estimates of outward portfolio investment are based on the Bank of England's survey of overseas investment which includes United Kingdom portfolio transactions in overseas government and municipal loans and in the stocks and shares of overseas registered companies in so far as these securities are dealt in on the London Stock Exchange or are United States or Canadian dollar securities quoted abroad. Adjustments based on balance

of payments information compiled in other countries (partner-country information) have to be made to cover securities falling outside the range of the Bank of England's survey. Information on accruals and disposals of security dollars is obtained from Exchange Control sources.

For the period 1952-1959, estimates of portfolio investment by the overseas sterling area in United Kingdom securities are based on 'partner-country' sources. As regards the non-sterling area, net inward investment during this period is likely to have been negligible. This deduction is based on the Exchange Control arrangements for repatriation and on the level of the security sterling rate. An individual non-sterling investor may only realise his investment either by selling direct to another non-sterling resident or by selling the blocked proceeds to another non-sterling resident who wishes to invest in the United Kingdom. The pool of sterling through which these transactions flow is known as 'security sterling'. As the security sterling rate for most of the period in question stood at a discount on the official market rate, inward portfolio investment will tend to have taken place through this pool, so that only a negligible amount of net inward investment in the United Kingdom is likely to have occurred.

For a considerable time after the middle of 1960, however, the rate for security sterling was close to parity with the official rate. The advantage in making purchases through security sterling therefore disappeared and the official market became an important channel for new portfolio investment. For the years from 1960, new sources of information have been used to take account of the change in circumstances. The Board of Trade have conducted an inquiry based on company registers with the assistance of the companies concerned to ascertain changes in the holdings in such companies by overseas residents. At the same time an inquiry has been conducted to measure changes in holdings of government securities by private overseas residents.

#### *Other*

Overseas investment by oil companies is measured on a basis comparable to the estimates for other direct investment. The estimates of overseas investment by the British oil industry exclude overseas companies' share of investment by 'joint venture oil companies' (i.e. companies operating in the Middle East and which, though registered in the United Kingdom, are jointly owned by the United Kingdom and overseas oil companies). Estimates of the change in United Kingdom oil companies' investment abroad and of overseas oil companies' investment in their United Kingdom subsidiaries are based on information supplied by the oil industry.

Other overseas investment figures include the purchase of tobacco stocks subsequently held abroad by United Kingdom companies, the purchase of real estate abroad and investment by the Commonwealth Development Finance Company. Compensation payments to United Kingdom residents in respect of overseas assets which have been nationalised are included as a disinvestment.



## MISCELLANEOUS CAPITAL

All identified capital transactions not specifically provided for in other items are included here. They are mainly of a short-term monetary nature and include:

- (i) Changes in the total of outstanding sterling acceptances given by banks in the United Kingdom for account of residents abroad.
- (ii) Changes in identified short-term credit (e.g. to finance exports of ships, aircraft, or other capital goods).
- (iii) Advance payments against future arms purchases. The payments are regarded in miscellaneous capital as an increase in United Kingdom liabilities (plus); subsequent deliveries of arms, included in exports in the current account, are also recorded in miscellaneous capital as a decrease in liabilities (minus).
- (iv) Any other known advance payments (e.g. progress payments) made or received in respect of future imports or exports of capital goods. The treatment is the same as that described under (iii) above.
- (v) Changes in balances held by agents in the United Kingdom on behalf of overseas registered companies outside the ambit of the Board of Trade inquiry into overseas direct investment.
- (vi) Changes in foreign currency balances held outside the Exchange Equalisation Account, e.g. by government departments, banks and oil companies.
- (vii) Short-term loans by overseas residents to United Kingdom local authorities and hire purchase finance houses.
- (viii) Borrowing overseas by United Kingdom tobacco companies to finance purchases of tobacco.
- (ix) Assistance denominated in non-sterling currencies received under the 'Basle arrangements'.

Estimates of miscellaneous capital are derived mainly from returns made by financial institutions to the Bank of England, information provided by government departments, local authorities, public corporations, oil companies and tobacco companies.

## OVERSEAS STERLING HOLDINGS

This item comprises changes in the levels of overseas sterling holdings. Overseas sterling holdings at the end of each year from 1951 to 1962 are shown in Table 19. The figures are compiled from confidential returns received by the Bank of England from some 150 banks, discount and accepting houses and public bodies, such as the Crown Agents for Oversea Governments and Administrations and currency boards. They comprise:

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 at nominal values.

Funds held for the account of the United States government for their own use or for help to third countries originating from the sterling equivalent of dollars made available under United States aid legislation.

Sterling funds held with the Crown Agents for Oversea Governments and Administrations and by currency boards, excluding Commonwealth and South African sterling securities; and so far as is known the nominal value of the British government securities held by other official bodies, but not those held by private individuals or firms.

Table 19 shows total holdings at the end of each year classified by area and by the two principal types of holder; central banks and other official funds, so far as separate figures are available, on the one hand, and funds with commercial banks on the other. The latter may include some funds held by overseas official bodies.

Overseas sterling area holdings include the holdings of Colonial territories and those of independent sterling countries. The main classes of Colonial funds are funds of currency boards and currency funds with Crown Agents; special funds with Crown Agents (funds of governments and other public bodies held under statute or earmarked for special purposes, such as sinking, savings banks, renewals, and pensions funds); general funds with Crown Agents (other funds of such bodies e.g. general revenue balances and invested surplus and general purpose reserve funds); miscellaneous official funds (funds of marketing boards, overseas government trust, pensions and special reserve funds); and other funds with banks in the United Kingdom.

It is the practice of central banks in most independent sterling area countries to hold the bulk of their foreign exchange reserves in the form of sterling. Moreover they are often required by statute to hold certain minimum reserves in foreign exchange (which may include sterling) against local currency issues. A large proportion of these statutory reserves are in practice held in sterling and form part of overseas sterling holdings.

Much of the sterling held by non-sterling countries is in the nature of working balances required to finance commercial transactions. Up to 1959 the holdings of central banks in Western European countries were influenced by the operation of the European Payments Union.

Funds of non-territorial organisations included in the series consist largely of non-interest bearing notes, most of which are held for the International Monetary Fund, arising mainly through United Kingdom subscriptions to the Fund and purchases of foreign currencies from the Fund. Other international organisations which hold substantial sterling funds include the International Bank for Reconstruction and Development and the International Development Association.

From the end of 1962 the series of figures for overseas sterling holdings has been replaced by a new series entitled 'External liabilities and claims in sterling',



which extends and revises the scope of the statistics. A detailed description of the new series and a comparison of the figures under the new and the old series at end-December 1962 is given in the June 1963 issue of the *Bank of England Quarterly Bulletin*.

## UNITED KINGDOM BALANCE IN E.P.U.

Changes in the sterling equivalent of the United Kingdom balance in the books of the European Payments Union. The balance at the liquidation of the Union was converted into bilateral debts due to and by member countries and the debts have been funded so that they now form part of inter-government lending.

## UNITED KINGDOM OFFICIAL HOLDINGS OF NON-CONVERTIBLE CURRENCIES

Changes in the sterling equivalent of non-convertible currencies held by the Exchange Equalisation Account (including those set aside at 31 December 1958 for liquidation in the final E.P.U. settlement in January 1959).

## GOLD AND CONVERTIBLE CURRENCY RESERVES

Changes in the sterling equivalent of the gold and convertible currencies held in the Exchange Equalisation Account. Changes in 1956 and 1957 in the special waiver accounts have been included in this item. These were accounts into which the interest due on 31 December 1956 on the United States and Canadian credits and the lend lease settlement loan was paid pending the decision on the United Kingdom's claim for a waiver. Following the conclusion of agreements with the United States and Canadian governments for deferment of interest this was returned to the gold and convertible currency reserves during April 1957. Gold is valued at 250 shillings per ounce fine, and currency at parity. Until a par value for the Canadian dollar was established on 2 May 1962, holdings of this currency were valued at the appropriate exchange rates.

## BALANCING ITEM

The amount necessary to balance the account: it represents the net total of the errors and omissions in other items.

## INTER-AREA TRANSFERS

Changes in the United Kingdom's reserves and in the area disposition of overseas sterling holdings, shown in the monetary movements sections of Tables 2 and 3, are partly determined by the transactions of the overseas sterling area with non-sterling areas. The figures representing the net effect of all these transactions are called 'inter-area transfers'. They are derived from Table 4 (see note on page 36).

A favourable balance for the overseas sterling area with non-sterling areas is shown as negative in Table 2

because it is reflected in an increase in the United Kingdom's monetary liabilities *vis-a-vis* the overseas sterling area, or a decrease in the United Kingdom's monetary assets and *vice versa*. The corresponding positive entry for inter-area transfers in Table 3 is reflected in an increase in the United Kingdom's reserves, an increase in other monetary assets, or a decrease in monetary liabilities, *vis-a-vis* the non-sterling areas.

## AREAS

For all Tables other than Table 19 on overseas sterling holdings the geographical divisions for all periods covered by this publication are as follows:

(i) **Overseas sterling area:** The Colonial Territories of the United Kingdom (Colonies, Protectorates, Trust Territories, etc.); the independent Commonwealth countries other than Canada; the British Protected States in the Persian Gulf (Bahrain, Qatar and the Trucial States), Burma, Iceland, Irish Republic, Jordan, Kuwait, Libya and the Republic of South Africa.

(ii) **Western Europe:** Andorra, Austria, Belgium, Denmark (including Faroe Islands and Greenland), Federal German Republic, Finland, France, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal (including Azores and Madeira), Spain (including Canary Islands, Balearic Islands and Spanish ports in North Africa), Sweden, Switzerland, Turkey, the Vatican City, Yugoslavia and the Bank for International Settlements.

(iii) **North America:** U.S.A. and dependencies; Canada.

(iv) **Latin America:** Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama (including Canal Zone), Paraguay, Peru, Uruguay and Venezuela.

(v) **Other non-sterling countries:** All other countries including dependencies of Western European countries except where specified above.

(vi) **Non-territorial organisations:** The United Nations and its specialised agencies; the International Monetary Fund (I.M.F.), the International Bank for Reconstruction and Development (I.B.R.D.), the International Finance Corporation (I.F.C.), the International Development Association (I.D.A.) and other international organisations.

For the period 1958–1962 the geographical divisions in Table 19 on overseas sterling holdings are the same as above except that all dependent territories of Western European countries are included in Western Europe. From 1952–1958 the area definitions in Table 19 are as follows:

(a) **Overseas sterling area:** Covers the same area as (i) above except that, for periods prior to 1956, Iraq is included.



(b) **O.E.E.C. countries:** The non-sterling area members of the Organisation for European Economic Co-operation—Austria, Belgium, Denmark, France, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and Federal German Republic, together with their associated monetary areas apart from Cambodia, Laos, Vietnam and Indonesia.

(c) **Dollar area:** U.S.A. and dependencies; Canada; Bolivia, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama and Venezuela; Liberia, and the Philippines.

(d) **Other western hemisphere countries:** Argentina, Brazil, Chile, Paraguay, Peru and Uruguay.

(e) **Other non-sterling countries:** All other countries not shown in (a)—(d) above.

(f) **Non-territorial organisations:** As (vi) above together with the Bank for International Settlements.

## RELIABILITY OF THE ESTIMATES

The balance of payments estimates are compiled from a large number of different sources and the degree of accuracy attained varies considerably between items. Several major improvements to the figures have been made in recent years, and efforts to improve them further are continuing. The following notes assess the comparative quality of the present estimates and the main points at which errors and omissions may arise.

### Visible trade

Customs regulations lay down a formula for the valuing of import and export merchandise on the Customs entry forms from which the *Trade Accounts* are compiled. A number of adjustments are made, as described in the section of the notes on items above, for both coverage and valuation to bring the *Trade Accounts* figures on to a balance of payments basis. Some of these adjustments are based on comprehensive returns and others on the results of sample inquiries; any errors in them are thought to be comparatively small. For the most important adjustment, the deduction of freight to bring the value of imports to an f.o.b. basis, any error in the estimate of total freight will be offset by an opposite error in the invisibles account, since the same estimate is used as the starting point for the calculation of shipping freight debits. It is possible, however, that there is some inconsistency between the value of commissions assumed to be included in figures of imports and exports in the visible trade account and the estimates for debits and credits on commissions included in 'other services' in the invisibles account. In relation to the large gross value involved the margin of error in the estimates for visible trade is probably very small, although it could still be of significance in relation to the net result of the balance of payments.

No allowance is made in the visible trade account for changes in the timing of payments for imports and

exports. Such changes may arise through the advancing or retarding of payments or through shifts in the timing pattern as a result of changes in the commodity make-up of imports and exports (or, for example, a shift from imports paid for on or before arrival to imports on consignment). Conceptually, these changes are regarded as equivalent to short-term capital movements. To a large extent they are recorded in the balance of payments accounts as part of the changes in banking claims and liabilities with overseas residents or in the balance of indebtedness between United Kingdom and associated companies overseas. But in so far as the changes are not so recorded they may contribute significantly to the fluctuations in the total of errors and omissions.

### Invisibles

Figures of government transactions are based on records of government departments and any errors should be limited to timing discrepancies.

The figures relating to United Kingdom shipping are based primarily on the periodic inquiries carried out by the Chamber of Shipping. In the full census years of 1952, 1958 and 1962 complete returns in respect of voyages performed and other overseas transactions were made by all United Kingdom shipping companies; in the intervening years since 1958 a fairly large sample return has been obtained, and the results grossed-up using 1958 as a bench-mark. The margin of error should not be large. The estimates for freight payments to overseas shipping are based on a large sample of import items and here too the margin of error should be relatively small. In any event as stated above any error in the estimate will be offset by an opposite error in the estimated value of imports on an f.o.b. basis.

Estimates of travel expenditure are now based largely on a scheme of interviews with a sample of passengers leaving or arriving at sea and air ports. Though still subject to a moderate margin of error, the estimates are more firmly based than the previous series.

Estimates for the numerous and heterogeneous types of transaction which fall into 'other services' are of varying quality. Exchange Control records are the basis for most of the debits with the non-sterling areas and regular returns are made for a few of the credit items, but in other cases estimates are derived from various related indicators and are inevitably no more than rough. Thus the totals for both debits and credits under this heading must be regarded as subject to a fairly large margin of error.

The interest, profits and dividends arising from direct and portfolio investment are thought to be satisfactorily measured both on the credit and debit side. Earnings from oil, taken in conjunction with the entries for oil operations in the visible, shipping and long-term capital accounts, are also thought to measure fully the effect of transactions in oil on the balance of payments. For other investment income, principally interest on overseas sterling holdings on the debit side and interest on export credit and other short-term claims on the credit side, the estimates are, however, probably somewhat less accurate or complete.



## Long-term capital account

Complete records of inter-government loans and other official capital transactions are available. The flows of private direct investment (excluding oil and insurance) are also thought to be adequately measured through the Board of Trade inquiry. The estimates of outward portfolio investment are based mainly on changes in holdings of overseas securities quoted in London and having a United Kingdom registrar or paying agent, and some transactions in other overseas sterling area securities escape recording. The measurement of inward portfolio investment, although recently greatly improved, still has some gaps. Changes in overseas holdings in some government stocks are not yet fully covered and the Board of Trade's inquiry on company securities is limited to the major companies (which nevertheless cover 70 per cent. of the total market value of issued capital). Holdings *via* nominees are only partially identified.

## Monetary movements

Most of the figures in this section of the accounts are precise ones rather than estimates, being taken from the regular returns made by banks and other financial institutions. There are some gaps, however. A few banks conducting overseas business did not (up to 1962) make returns in the overseas sterling holdings series. Changes in short-term assets and liabilities outside the banking system are only measured to a very limited extent, except where they fall within a direct investment relationship. Errors may also arise through failure to recognise non-resident status, especially where nominee accounts are employed.

It appears that the main weaknesses in the present statistics are in 'other services' in the invisibles account, portfolio investment in the long-term capital account, and 'miscellaneous capital' in monetary movements (through the lack of information about changes in certain types of short-term assets and liabilities arising outside the banking system). Current work to improve the statistics is concentrating upon these items. More generally, because of the wide variety of sources and methods which have to be used in compiling the accounts there are difficulties in obtaining complete consistency of definition and treatment between one item and another, and some marginal overlapping or shortfall may result (e.g. commissions on imports and exports referred to above).

## Balancing item

The balancing item represents the net total of errors and omissions arising throughout the accounts and although varying considerably in size from year to year it has been positive in all but one of the eleven years from 1952 to 1962. This means there is an underlying tendency for credits to be understated or debits to be overstated, or quite probably a combination of both.

It is difficult to find reasons for the size of the balancing item and its fluctuations from period to period, but it seems probable that it includes:

(i) a persistent positive element attributable to deficiencies in the measurement of current account transactions. The total of these errors and omissions is likely to be fairly regular, although perhaps tending gradually to increase with the growth in the volume of transactions.

(ii) a much more irregular element attributable to unrecorded capital and monetary transactions. Some of these may represent investment of a stable kind although, with the additional information now being obtained about overseas portfolio investment in the United Kingdom, the area of unrecorded transactions of this type is being narrowed. But, in the main, fluctuations in this element are likely to reflect short-term changes in flows of funds, in granting of credit and in timing of payments. These changes are probably influenced to some extent by the level of interest rates in the United Kingdom relative to those abroad and, on occasion, by speculation about exchange rates.

It is difficult to quantify these elements. One approach is to look at an average over a period of years, in the course of which the more volatile inflows and outflows under (ii) above will tend to cancel out. Over the eleven years 1952-62 the average level of the balancing item was + £71 million. It is possible that some part of this result may be attributable to the second element above in the form of capital and monetary inflows which, although irregular in nature, are not subsequently fully reversed.

## Revisions

Provisional figures for the latest year are published about the end of March. Revised figures are prepared during the summer (the revised figures for 1962 are incorporated in the present publication). The items still liable to revision are shipping (following the completion of the Chamber of Shipping's census), direct investment (following the completion of the Board of Trade annual inquiry) and portfolio investment.

Other revisions are made when new inquiries and investigations have produced improved series of figures. Where it can be done these revisions are carried back to earlier years and they may therefore involve changes in the figures for several years.

## Comparability with earlier years

So far as possible all the figures included in this publication are on a basis comparable with the definitions current in the latest year, 1962. Following a major change in the classification and definition of items which was made in 1961, and further modifications since then, extensive revisions to the figures for earlier years were made to obtain comparable series. In general the figures for the years 1958 to 1962 can be regarded as fully consistent with each other, but for the years before 1958 some of the revisions were inevitably based on incomplete information.



## OVERSEAS STERLING AREA BALANCE OF PAYMENTS WITH NON-STERLING AREAS

Most sterling area countries hold the bulk of their monetary reserves in sterling. They usually sell to the United Kingdom any surpluses of foreign currencies arising from their trade and other transactions with the non-sterling areas and purchase from the United Kingdom any currencies required to finance such transactions. Most of their gold production (which is conventionally regarded as an earning of convertible currency—see note on gold production below) is also sold in the United Kingdom. These countries' transactions with non-sterling areas (including gold production) are thus reflected mainly in changes in their sterling assets.

The extent of the resulting changes is estimated in Table 4 where 'total balance with non-sterling areas (inter-area transfers)' is a measure of the ultimate accrual of sterling to the overseas sterling area (or use of sterling by it) resulting from the area's transactions with non-sterling areas (including transactions in gold). Since it is unlikely that all transactions (particularly those on capital account) will have been completely identified, these estimates must be regarded as subject to a substantial margin of error. Any such error will be reflected as part of the balancing item in Tables 2 and 3.

So far as possible the figures are based on the balance of payments estimates compiled by individual countries, converted to sterling at the ruling rates of exchange. Certain adjustments have, however, been made where this has appeared necessary in order to establish as far as possible consistency between the principles of attribution of residence adopted in Table 4 and in the United Kingdom accounts generally. Two important adjustments of this nature are described in the notes below on 'visible trade' and 'other invisibles (net)'. Moreover, transactions in gold are regarded as being with non-sterling areas (see note on gold production below).

### Visible trade

In many overseas sterling area countries' balance of payments estimates, the figures for imports, exports and re-exports are based on trade accounts. The use of these figures is subject to similar limitations in respect of timing, valuation and coverage as with the United Kingdom's figures (see note on page 25). Generally, timing adjustments are not made by overseas sterling area countries for differences between the physical movement of the goods and the change of their ownership, and it is not thought that timing discrepancies of this kind would be large. However, timing adjustments are made by certain countries in respect of exports of certain commodities which are sold in London and do not change ownership until they are sold.

Some countries base their balance of payments estimates of imports, exports and re-exports upon

records of payments and receipts obtained through Exchange Control. Frequently the timing of transactions here differs widely from that corresponding either to the physical movement of the goods or to change of ownership in that transactions are recorded as payments are made. To this extent, transactions recorded in the visible trade account include indistinguishably the giving and taking of credit in connection with trade, mainly in capital goods. In general there are few problems of valuation, but the problems of coverage are different from those for figures based upon trade accounts; some investment from overseas in the private sector may be in kind and the imports of capital goods forming part of the investment may not be recorded by the Exchange Control. Similarly, barter transactions may not be recorded by the Exchange Control. No adjustment is made for imports and exports not covered in the figures published by the overseas sterling area countries.

In compiling Table 4 the following adjustments are made to the visible trade estimates as recorded in overseas sterling area countries' balance of payments estimates:

(a) Whichever of the two methods of measurement is used there are some countries which value their imports c.i.f., i.e. inclusive of freight and insurance from the country of origin. To achieve consistency with the figures for other sterling area countries and with those for the United Kingdom, the estimated amount of the freight and insurance element is transferred to the item 'other invisibles (net)'.

(b) For consistency with the present method of recording the transactions of the United Kingdom oil companies in the estimates of the United Kingdom balance of payments, the estimates in Table 4 of visible trade between the overseas sterling area and non-sterling areas exclude oil, imported from or exported to non-sterling countries, which is owned by United Kingdom oil companies or their overseas subsidiaries; the current account transactions of these companies between the overseas sterling area and non-sterling areas are treated as part of the balance of payments of the United Kingdom and are shown under 'shipping' and 'interest, profits and dividends' in Tables 2 and 3. These items include indistinguishably transactions in respect of visible trade in United Kingdom-owned oil between the overseas sterling area and non-sterling areas.

### Gold production

Most of the new gold produced in the sterling area is bought in the first place by domestic monetary authorities and is conventionally regarded as equivalent to an earning of convertible currency. Gold production, apart from the small amount used locally, is therefore included as a credit in the account with non-sterling areas. The item thus includes both exports and gold taken into domestic monetary reserves. The latter is reflected in a corresponding increase in assets under the heading 'changes in gold and N.S.A. currency holdings'.



### **Official grants (net)**

This item includes grants in overseas sterling area currencies made by the United States government out of funds accrued from the provision of surplus commodities under the Agricultural Trade Development and Assistance Act (P.L. 480). As far as possible, the figures are based upon overseas sterling area countries' balance of payments estimates, supplemented by donor country sources of information.

### **Other invisibles (net)**

The figures are based upon the balance of payments estimates compiled by individual countries. Where no figures of invisible account transactions analysed by area are published, the component of the published total attributable to non-sterling areas has been estimated. The estimates comprise the same component items as are distinguished in the balance of payments of the United Kingdom, with adjustments where necessary to obtain consistency with the principles of attribution of residence adopted for the purposes of compiling estimates of inter-area transfers. The sources vary widely, both by country and by item, varying from special surveys from companies and other residents to information on cash flows derived from Exchange Control or from the banking system. Indirect sources of information are used when estimating certain items.

The following adjustments to the figures compiled by various countries have been made:

(a) When freight and insurance on imports is included as part of c.i.f. imports (see note on imports above) the estimated freight and insurance element is transferred to the invisibles account.

(b) When the freight and insurance, whether included in the invisible account or as part of imports, is due to non-residents and is allocated to area according to the country of origin of the goods, it is as far as possible reallocated according to the country of residence of the carrier or insurance company. Accordingly, where necessary, adjustments have been made by deducting from individual countries' estimates of transactions with non-sterling areas that part which is known to be carried by United Kingdom shipping (using United Kingdom sources of information), and adding, where known, to the estimates of transactions with the United Kingdom that part carried by non-sterling shipping. Exceptionally, however, the adjusted figures exclude so far as is known the estimated earnings of tanker companies resident in non-sterling areas from the carriage of United Kingdom-owned oil from non-sterling areas to the overseas sterling area, since the payments for these services are at present regarded as part of the United Kingdom balance of payments with non-sterling areas.

It should be noted that some countries do not include in the invisible account undistributed profits in respect of direct investment due to non-residents or due from them. Others include part of the undistributed profits,

e.g. those of branches but not of subsidiaries. No attempt has been made to adjust the figures compiled by the individual countries for undistributed profits not included.

Transactions by governments (other than official grants) included in this item include the United States government's expenditure in overseas sterling area currencies out of funds accrued from the provision of surplus commodities under the Agricultural Trade Development and Assistance Act (P.L. 480).

### **Inter-government loans (net)**

This item includes drawings on loans and long-term credits to governments of overseas sterling area countries from governments of non-sterling area countries, net of repayments. It also includes drawings on loans or long-term credits extended by governments of overseas sterling area countries to governments of non-sterling area countries, net of repayments. 'Government' is defined in a wide sense; thus the item includes, in additions to loans between governments proper, loans and long-term credits to governments of overseas sterling area countries extended by quasi-official bodies such as the Export-Import Bank of Washington, including loans guaranteed by governments of overseas sterling area countries even if they are received by other public bodies or by companies. Loans from international organisations are excluded. The figures of loan drawings include drawings on all loans extended in foreign exchange, irrespective of whether the ultimate liability for repayment is in the domestic currency.

The loans received also include drawings on loans extended by the United States government in domestic currencies out of funds accrued as the counterpart to the provision of surplus commodities under the Agricultural Trade Development and Assistance Act (P.L. 480); the long-term credits received, moreover, include the net change in the amount of the funds denominated in the domestic currency held by the United States government (i.e. increases in liabilities to the United States government on the occasion of the provision of the surplus commodities, and reductions in liabilities when the funds are disbursed as loans, as grants, or as United States government expenditure). Changes in these liabilities are treated as long-term transactions rather than as short-term, even though the funds may be held in monetary form, firstly because the funds accrued in overseas sterling area currencies are not usually disbursed as grants or loans within a year, and for the additional practical reason that the provision of the surplus commodities is widely regarded as 'aid', and it is therefore convenient that the contra entry to the imports should fall in the long-term capital account (in so far as the funds are not disbursed as grants) rather than in the 'monetary movements' section of the account.

As far as possible the figures under this heading are based upon overseas sterling area countries' balance of payments estimates, supplemented by donor country sources of information.



### **I.B.R.D., etc., drawings (net)**

These are drawings (net of repayments) from the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association. In contrast to the figures published previously, the gold and United States dollar element of subscriptions by overseas sterling area countries to these organisations is no longer included under this heading, but is included together with the domestic currency element under 'other official long-term capital (net)'.

Most capital account transactions of overseas sterling area governments which are commonly referred to as 'aid' would be included under the headings 'I.B.R.D., etc., drawings (net)' or 'inter-government loans (net)'; but long-term credits and other non-marketable loans to overseas sterling area governments by the private sector in non-sterling areas, though sometimes regarded as 'aid', are included in 'other official long-term capital (net)' (see below).

### **Market issues (net)**

These comprise proceeds of new issues raised by governments or public bodies in overseas sterling area countries on markets in New York or elsewhere in non-sterling areas, net of repayments.

### **Other official long-term capital (net)**

This item includes other long-term loans and credits by non-sterling areas to official bodies in the overseas sterling area and long-term investment and disinvestment by overseas sterling area official bodies in non-sterling areas. It includes subscriptions by overseas sterling area countries to the I.B.R.D., I.D.A. and I.F.C. in both gold or dollars and overseas sterling area currencies. The item covers a wide variety of transactions and the estimates are derived mainly from overseas sterling area sources of information. Examples are long-term credits to governments from the private sector abroad, and bank loans to state airlines to finance the purchase of aircraft.

### **Private investment (net)**

This item covers direct and portfolio investment by residents of non-sterling areas in the private sector of overseas sterling area countries, which in general includes public trading enterprises, and direct and portfolio investment by the overseas sterling area private sector in non-sterling areas. Direct investment includes, where measured, changes in branch/head office indebtedness and changes in inter-company accounts.

The figures as recorded in overseas sterling area countries' balance of payments estimates are included without adjustment. In some countries these are based partly upon surveys or other direct inquiries and in some countries wholly or partly upon Exchange Control. Some countries' estimates cover undistributed profits wholly or partly as part of the investment and others do not. Where the estimates are based upon Exchange

Control, investment in kind (for consideration other than cash) is not usually included (see note on 'visible trade' above).

In principle, the item includes long-term trade credit, which is principally in connection with visible trade, such as credit extended through progress payments on ships and aircraft and credit received when payments are made by instalments after delivery. This is included in so far as it is covered in overseas sterling area countries' balance of payments estimates; where these are based upon Exchange Control, the giving and taking of credit of this kind is usually included indistinguishably in the figure for imports (see note on 'visible trade' above).

In conformity with the basis of compilation of the United Kingdom balance of payments, the share of non-sterling area oil companies in investment in 'joint venture companies' in the sterling Middle East (and their earnings) is regarded as a direct transaction between non-sterling areas and the overseas sterling area.

### **Changes in accounts with I.M.F.**

This differs from the heading 'I.M.F. drawings (net)', as previously published, in that it also includes subscriptions in gold and re-purchases of currency subscriptions for gold. It excludes subscriptions to the I.M.F. in overseas sterling area currencies.

### **Changes in gold and N.S.A. currency holdings**

This item includes all identified changes in central and commercial banks' holdings of gold or monetary assets and liabilities denominated in non-sterling currencies. (Changes in monetary assets and liabilities denominated in sterling are included in Table 2 and changes in monetary assets and liabilities due to non-sterling areas but denominated in overseas sterling area currencies in 'inter-government loans (net)' and in 'other monetary movements' (see notes to these items)).

### **Other monetary movements**

This item includes changes in the holdings of non-sterling area residents of monetary assets and liabilities denominated in overseas sterling area currencies, including holdings by I.B.R.D. and I.D.A. arising from subscriptions, and changes in balances arising out of bilateral trading agreements insofar as these are identified. However, as mentioned above, the changes in the United States government's balances denominated in overseas sterling area currencies arising from the provision of surplus commodities under the Agricultural Trade Development and Assistance Act (P.L. 480) are regarded as an extension of long-term credit (see note above on 'inter-government loans (net)'). The item also includes other transactions mainly of a short-term monetary nature insofar as identified, excluding any such transactions which form part of direct investment. These correspond broadly to 'miscellaneous capital' as defined in the United Kingdom balance of payments. Some short-term trade credit extended by marketing authorities



in overseas sterling area countries is included but otherwise little such trade credit is measured in the overseas sterling area countries' balance of payments estimates, except insofar as it forms part of direct investment; when estimates are based upon Exchange Control, the giving and taking of short-term credit associated with visible trade is usually included indistinguishably as part of visible trade (see note above). Unidentified short-term trade credit from or to non-sterling areas and unidentified 'leads and lags' in general will be reflected as part of the balancing item in Table 2, since this reflects all errors and omissions in both Tables 2 and 4.

### Comparison with previous presentation

The item 'other capital (net)', as previously published in Table 4 of the *Balance of Payments White Papers* (e.g. Cmnd. 1837), corresponds, with the exceptions mentioned below, to the total of the separate items now given for inter-government loans (net), market issues (net), other official long-term capital (net), private investment (net) and other monetary movements. Subscriptions to the I.M.F. in gold and re-purchases of currency subscriptions for gold, previously also included in 'other capital (net)' are now included in 'changes in accounts with I.M.F.'. However, 'other official long-term capital (net)' in the present estimates includes the gold or dollar element of subscriptions to the I.B.R.D., which was previously deducted from 'I.B.R.D. drawings (net)', but has not been deducted from the item with the same title in the present estimates.

### Reliability of the estimates

The items 'gold production', 'I.B.R.D., etc., drawings (net)', and 'changes in accounts with I.M.F.' are known precisely or to a high degree of accuracy. The reliability of the items 'official grants (net)', 'inter-government loans (net)' and 'market issues (net)' is probably good. The estimates for visible trade, as measured by individual countries, are thought in general to have a fair degree of reliability, though some error probably arises in adjusting trade account figures to a balance of payments basis; an additional element of error may be introduced by the adjustments which are made for area attribution of freight and insurance and for oil (see page 36). Although these errors may be substantial in themselves, they are probably small when related to the total of the imports and exports. The items 'other official long-term capital (net)' and 'changes in gold and N.S.A. currency holdings' probably have an only moderate degree of accuracy, the uncertainty about the latter relating mainly to the transactions of commercial banks rather than central banks. The reliability of the items 'other invisibles (net)', 'private investment (net)' and 'other monetary movements' is poor, since they are based on a wide variety of sources, sometimes fragmentary, or have been estimated from indirect indicators.

In general the figures in this publication for the latest year are based on provisional data prepared by individual countries and are subject to revision as additional data becomes available. Some items are liable to substantial revision, in particular 'private

investment (net)', which is not covered in the provisional estimates of some countries for the latest year. If so, it has been estimated from supplementary sources of information for overseas sterling area countries. Information on projects and certain information published by the United States and other investing countries. The quarterly figures published in *Economic Trends* are liable to revision piecemeal as additional data become available; the figures for the latest two quarters in particular are liable to be revised substantially.

The cumulative effect of errors in the estimation of the figures in Table 4 is carried into the estimate of the total balance (inter-area transfers), and as such is reflected as part of the balancing item in Tables 2 and 3. The balancing item in these tables thus reflects errors and omissions both in the estimates of the transactions of the United Kingdom with the overseas sterling area and with non-sterling areas, and in the estimates shown in Table 4 of transactions between the overseas sterling area and non-sterling areas.

## TREATMENT OF THE BALANCE OF PAYMENTS IN THE NATIONAL INCOME ACCOUNTS

The national income can be measured as a sum of incomes derived from economic activity (factor incomes) or as a sum of expenditure.

Most of the national income of the United Kingdom arises from economic activity within the United Kingdom; this total is domestic income or product and it is distinguished from national income or product which is the total of factor incomes accruing to United Kingdom residents wherever the economic activity that gives rise to the income takes place. The income which appears in the balance of payments accounts as credits under 'interest, profits and dividends' accrues to United Kingdom residents as a result of economic activity abroad or property held abroad. Conversely debits under 'interest, profits and dividends' represent income which arises within the United Kingdom but which is paid to non-residents. The national income therefore consists of domestic income plus net property income from abroad. The net property income from abroad which is the difference between the gross domestic product and the gross national product is equal to the net earnings from 'interest, profits and dividends' in the balance of payments accounts. But in order to maintain consistency with the treatment of incomes in the current accounts of the different sectors, property income is measured in the national income account before deduction of local taxes; whereas in the balance of payments, interest, profits and dividends are recorded after deduction of taxes. In the national income accounts the tax payments are entered again on the opposite side of the account so that the balance between payments and receipts is preserved. The payment of tax to a foreign government on income accruing to United Kingdom residents is thus entered as a payment of property income by the United Kingdom and *vice versa*.



As mentioned above, the national income can be measured not only as a sum of incomes but also by totalling expenditure. The total of final expenditures on the goods and services becoming available in the United Kingdom must include expenditure by other countries on the available goods and services (i.e. exports); but many of the available goods contain imported materials and some of the available services are rendered by overseas residents. Expenditure on such goods and services therefore generates income and product not only in the home economy but also in the foreign country from which the imported material has been bought or which renders the service. The gross domestic product measured as a sum of expenditure is therefore equal to total final expenditure in the United Kingdom (including exports) on all goods and services less imports of goods and services. Imports and exports of goods are equal to visible trade in the balance of payments. Imports and exports of services are equivalent to transport (shipping and civil aviation), travel, other services and that part of government transactions in the invisibles account of the balance of payments which relates to services. As with the income approach, an adjustment for net property income from abroad is

required to move from the gross domestic product to the gross national product.

The remaining items in the current account of the balance of payments, i.e. official and private transfer payments, do not appear directly in the composition of the national income but they do figure in the sector accounts. For instance, government transfer payments appear in the revenue account of the central government and private transfer payments appear in the analysis of personal income and expenditure.

The overall current balance is described in the national income account as net investment abroad. It appears as part of total investment in the combined capital account and is the net financing item in the table on financing of investment, since all other forms of financing between different sectors of the home economy cancel each other out. Net investment abroad could also be measured directly as the sum of the balance of the long-term capital account and of the balance of monetary movements. This should, in theory, yield an identical figure, but, in practice, the two methods differ by the amount of the balancing item in the balance of payments.



## REFERENCES

### UNITED KINGDOM BALANCE OF PAYMENTS AND RELATED STATISTICS

#### General

Provisional annual estimates of the United Kingdom balance of payments are presented in the White Paper *Preliminary Estimates of National Income and Balance of Payments* published shortly before the presentation of the Budget. Detailed quarterly estimates are published each quarter, together with a commentary, in the March, June, September and December issues of *Economic Trends* and reproduced in summary form in *Financial Statistics* and the *Monthly Digest of Statistics*.

Prior to 1963, annual and half-yearly estimates were presented in a series of half-yearly White Papers on the *United Kingdom Balance of Payments* published each spring and autumn. Annual estimates in greater detail were given in *United Kingdom Balance of Payments 1946-57*, published in 1959; but the estimates for 1952 to 1957 in that publication have been superseded and those for 1946 to 1951 are not comparable in some respects with the present series.

#### Visible trade

Figures of imports (c.i.f.) and exports and re-exports (f.o.b.) (not adjusted to a balance of payments basis) are published each month in the *Trade and Navigation Accounts*. The monthly figures, both as recorded in the *Trade Accounts* and seasonally adjusted, are the subject of regular articles in the *Board of Trade Journal* and are later presented in summary form in the *Report on Overseas Trade*. Annual statistics are contained in the *Annual Statement of the Trade of the United Kingdom*, which shows the figures in greater detail.

#### Government

Details of United Kingdom government assistance for overseas development appear regularly in *Financial Statistics*. Further information on inter-government loans and other official long-term capital transactions is available in the *Finance Accounts of the United Kingdom* and the *Annual Reports of the Commonwealth Development Corporation*.

#### Shipping

An analysis of the overseas payments and receipts of United Kingdom shipping companies is given in the *Annual Report of the Chamber of Shipping of the United Kingdom*.

#### Travel

Articles on travel to and from the United Kingdom appear regularly in the *Board of Trade Journal*.

#### Private investment and interest, profits and dividends

The results of the Board of Trade inquiry into overseas direct investment are published twice a year in the *Board of Trade Journal*, usually in March and September. An annual article on United Kingdom overseas portfolio investments is included in the June issue of the *Bank of England Quarterly Bulletin*.

#### Overseas sterling holdings and acceptances outstanding

Quarterly figures of overseas sterling holdings and acceptances outstanding are published in *Financial Statistics* and the *Bank of England Quarterly Bulletin*, and, in summary form, in *Economic Trends* and the *Monthly Digest of Statistics*. At the end of 1962 these series were replaced by a new series entitled 'External Liabilities and Claims in Sterling'. A detailed description of the new series and a comparison of the new and the old series for end-December 1962 appeared in the June 1963 issue of the *Bank of England Quarterly Bulletin*.

#### Gold and convertible currency reserves

Monthly figures of the reserves are published in the Press and reproduced in *Financial Statistics* and other monthly publications of the Central Statistical Office.

#### National income

Annual statistics on the national income are presented in the annual Blue Book *National Income and Expenditure*. Quarterly estimates of the main items are published regularly in the *Monthly Digest of Statistics* and, together with a commentary, in *Economic Trends*.



# PUBLICATIONS RELATING TO OTHER COUNTRIES' GLOBAL BALANCE OF PAYMENTS

The main publications containing estimates of the balance of payments of other countries are listed below:

Country	Title	Frequency of publication	Published by
General	International Financial Statistics Balance of Payments Year Book	Monthly Compiled by monthly instalments	I.M.F. I.M.F.
	Statistical Year Book	Annually	United Nations
	Monthly Bulletin of Statistics	Monthly	United Nations
	Various publications by O.E.C.D.		O.E.C.D.
	Commonwealth and Sterling Area Statistical Abstract	Annually	Board of Trade
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Australia	Balance of Payments	Twice yearly	} Commonwealth Bureau of Census and Statistics, Canberra
	Annual Bulletin of Overseas Investment	Annually	
Barbados	The National Income of Barbados	Annually	} Statistical Service, Barbados
Burma	Union Bank Bulletin	Quarterly	
Ceylon	Central Bank of Ceylon Bulletin	Monthly	} Central Bank of Ceylon
	Central Bank of Ceylon Annual Report	Annually	
Cyprus	Economic Review	Annually	} Ministry of Finance, Cyprus
East African Common Services Organisation	The Balance of Payments of East Africa	Annually	
			The East African Statistical Department, Nairobi
Ghana	Economic Survey	Annually	} Central Bureau of Statistics, Accra
	Quarterly Digest of Statistics	Quarterly	
India	India's Balance of Payments 1948-9— 1961-2	—	} Reserve Bank of India
	Reserve Bank of India Bulletin	Monthly	
	Report on Currency and Finance	Annually	} Central Statistics Office, Dublin
Irish Republic	Irish Trade Journal and Statistical Bulletin	Quarterly	
Jamaica	The Balance of Payments, Jamaica	Annually	} Department of Statistics, Kingston
	Economic Survey	„	
	Report and Statement of Accounts	„	} Bank of Jamaica, Kingston
Federation of Malaya	Annual Statistics of External Trade	Annually	
Malta	Statistical Abstract of the Maltese Islands	Annually	Department of Statistics, Federation of Malaya
			Central Office of Statistics, Malta
Mauritius	Yearbook of Statistics	Annually	} Central Statistical Office, Mauritius
	Quarterly Digest of Statistics	Quarterly	
New Zealand	Report on the Balance of Payments	Annually	} Department of Statistics, Wellington
	Reserve Bank of New Zealand Annual Report	Annually	
Nigeria	Digest of Statistics	Quarterly	} Federal Office of Statistics, Lagos
Pakistan	Pakistan's Balance of Payments	Quarterly and Annually	
		Quarterly Supplement	} Central Statistical Office, Salisbury
Rhodesia and Nyasaland	Monthly Digest of Statistics	—	
	Balance of Payments of the Federation of Rhodesia and Nyasaland 1954-61	Annually	} Ministry of Economic Affairs, Salis- bury
	Economic Report	Annually	
South Africa	Quarterly Bulletin of Statistics	Quarterly	} South African Reserve Bank
Trinidad and Tobago	The Balance of Payments of Trinidad and Tobago	Annually	
			Central Statistical Office, Trinidad
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Country	Title	Frequency of publication	Published by
Belgium	Bulletin d'Information et de Documentation	Monthly	Banque Nationale de Belgique
	Annuaire Statistique de la Belgique	Annually	L'Institut National de Statistique
Canada	The Canadian Balance of International Payments	Quarterly and Annually	Dominion Bureau of Statistics
Denmark	Economic Survey of Denmark	Annually	Royal Danish Ministry of Foreign Affairs
Federal German Republic	Statistisk Arbog	Annually	Det Statistiske Departement
	Monthly Report	Monthly	Deutsche Bundesbank
France	Balance des Payements	Annually	Ministère des Finances
	Problèmes Économiques	Monthly	Institut National de la Statistique et des Études Économiques
Greece	Statistical Bulletin of the Bank of Greece	Monthly	Bank of Greece
Italy	Bollettino	Two-monthly Quarterly	Banca D'Italia
	Movimento Valutario		Istituto Nazionale per il Commercio Estero
Japan	Economic Statistics of Japan	Annually	} Bank of Japan
	Foreign Exchange Statistics	Monthly	
Netherlands	De Nederlandsche Bank N.V. Report	Annually	De Nederlandsche Bank
Norway	Norges Bank Report and Accounts	Annually	Norges Bank
Spain	Balanza de Pagos	Annually	Ministerio de Comercio
Sweden	Sveriges Riksbank Yearbook	Annually	Sveriges Riksbank
	Statistisk Arsbok för Sverige	Annually	Statistiska Centralbyran
Switzerland	Annuaire Statistique de la Suisse	Annually	Bureau Fédéral de Statistique
U.S.A.	Survey of Current Business	Monthly	U.S. Department of Commerce

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