




UNITED KINGDOM BALANCE OF PAYMENTS 1958 to 1961

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FOREWORD

This paper presents provisional estimates of the United Kingdom balance of payments for the first half of 1961 and revised estimates for the period 1958-60. It continues the series of half-yearly White Papers, the last of which was Cmnd. 1329.

The estimates have been prepared by the Central Statistical Office, with the collaboration of other Government Departments and the Bank of England, and are based on information received up to the middle of September, 1961.

October, 1961.

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INTRODUCTION

The balance of payments in the first half of 1961

Summary

After the deterioration which began in 1959 and was intensified in 1960 there was a considerable improvement in the balance of payments on current account in the first half of 1961. Exports, which had shown a downward trend in the middle of 1960, rose again around the end of the year and the higher level was maintained during the first half of 1961. The steep rise in imports came to an end before the close of 1960 and an appreciable fall was apparent by the second quarter of 1961. Thus the deficit on visible trade in the first half of 1961 was reduced by nearly £150 million compared with the second half of 1960 and by £35 million compared with the first half of 1960. Government expenditure abroad rose sharply, but net earnings from other invisible transactions were very slightly higher than in the first half of 1960. The severe deterioration since 1958 in the balance on invisible account therefore slowed down but was not reversed.

The balance on current account, despite the improvement, was still in deficit by over £80 million in the first half of 1961. There was a continued net outflow of long-term capital, although the amount of this was reduced by the repayment of debt by the Federal German Republic and as a result of the large investment in the United Kingdom by the Ford Motor Company of America.

The balance on current and long-term capital accounts together was a deficit of £129 million but the balance of monetary movements was adverse by only £32 million. The balancing item was therefore positive to the extent of £97 million.

Although the deterioration in the external monetary position as a whole was comparatively small there were large changes in the component items. There was a large scale reversal of the inflow of short-term funds which took place in 1960; the sterling holdings of non-sterling countries were greatly reduced and, despite the assistance received under the "Basle arrangements" and the repayment of debt by the Federal German Republic, there was a substantial fall in the reserves.

Summary balance of payments

£ million

	1958	1959	1960	1960		1961
				Jan.— June	July— Dec.	Jan.— June
Visible balance	+ 35	— 100	— 398	— 143	— 255	— 108
Invisible balance	+ 285	+ 190	+ 59	+ 49	+ 10	+ 25
Current balance	+ 320	+ 90	— 339	— 94	— 245	— 83
Balance of long-term capital ⁽¹⁾ ...	— 186	— 479	— 196	— 138	— 58	— 46
Balancing item	+ 66	+ 10	+ 364	+ 183	+ 181	+ 97
Balance of monetary movements ⁽¹⁾	— 200	+ 379	+ 171	+ 49	+ 122	+ 32

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

Monetary movements

During the first half of 1961 the balance of monetary movements was adverse by £32 million. The gold and convertible currency reserves fell by £164 million. Overseas sterling holdings in total fell by £179 million; those of sterling area countries rose by £124 million and those of non-territorial organisations rose by £3 million but the holdings of non-sterling countries fell by £306 million. Miscellaneous capital movements were adverse by £46 million.

The fall in the sterling holdings of non-sterling countries was the net effect of an increase of £36 million in those of official holders and of a reduction of £342 million in those of unofficial holders. The latter includes some £130 million used by Ford for long-term investment in the United Kingdom. Also the net increase in official holdings includes the receipt of £112 million, and the net decrease in unofficial holdings the receipt of £85 million, by way of assistance, denominated in sterling, under the "Basle arrangements". A further £126 million of such assistance, which was denominated in other currencies, is included in miscellaneous capital (net).

Visible trade

With industrial production running at a level only slightly above that of 1960 and investment in stocks falling sharply from the exceptionally high rate of last year, imports of industrial materials slackened considerably in the course of the first half of 1961. There was little change in the total of imports in each of the three half years from the beginning of 1960 but the half-yearly figures conceal a turning point towards the end of 1960 when the trend turned downwards. Imports from North America in the first half of 1961 were £27 million lower than in the corresponding period of 1960 and there was a small reduction in those from Latin America. Imports from the remaining non-sterling areas rose moderately.

Exports and re-exports increased between the first half of 1960 and the corresponding period of 1961 by £55 million. This was largely due to an increase in exports to Western Europe and "other non-sterling areas" which more than offset a fall in exports to North America. Both exports to and imports from the sterling area rose slightly.

Invisibles

Government expenditure overseas continued to rise and in the first half of 1961 was £26 million higher than in the corresponding period of 1960. Most of this was accounted for by increased military expenditure, partly the result of the termination of German support costs, and by increased aid in the form of grants to the less developed countries. Government receipts showed little change.

An increase in charter payments led to a further slight deterioration in the balance of the shipping account. Freight receipts and payments showed little change, in line with the relatively small increases in the volume of both imports and exports. Freight rates were in general a little higher than in the corresponding period last year.

There was very little change in the debit component of interest, profits and dividends. On the other hand, income from abroad was £25 million

higher than in the first half of 1960. Earnings on oil were higher but these were partly offset by a fall in income from direct investment. The net balance on travel expenditure showed little change between the two half years, both debits and credits rising by about the same amount. The debits reflect a continued rapid increase in the number of United Kingdom visitors to Western Europe. Other items in the invisible account showed little change on balance.

Comparing the first half of 1961 with the first half of 1960, the deficit on visible trade was reduced by £35 million whilst the surplus on invisible account declined by £24 million. The deficit on current account was therefore reduced from £94 million to £83 million. The improvement of £162 million as compared with the second half of 1960 was much greater, though in part attributable to seasonal factors.

Long-term capital

The inter-government loan account in the first half of 1961 comprise new lending by the United Kingdom Government of £39 million and net receipts from loan repayments of £41 million. The level of new lending continued the rising trend of recent years. Loan repayments included an advance repayment of debt by the Federal German Republic of £45 million net.

Private direct investment abroad by the United Kingdom continued to increase. In the first half of 1961 it was £20 million higher than in the corresponding period of 1960. Direct investment in the United Kingdom was £88 million higher than in the first half of 1960 but this included the Ford transaction, apart from which the comparison shows a fall. Other investment, both abroad and in the United Kingdom, showed little change between the two half years, although there was a considerable amount of portfolio investment in the United Kingdom in the second half of 1960. Bringing together all official and private investment, the deficit on long-term capital, including the two exceptional transactions mentioned above was £46 million in the first half of 1961.

Presentation

The Tables and Notes are similar to those in Cmnd. 1329. Table 7, however, now includes an analysis of Government current receipts from overseas. Some revision to the area definitions used in Tables 4, 6, 10 and 11 has been made, the principal change being the transfer of the dependent territories of Continental European countries from "Western Europe" to "other non-sterling areas".

Revisions to previous figures

Revisions have been made to figures for each of the years covered by the last White Paper (Cmnd. 1329). The following paragraphs describe the principal changes.

1958-1959

The method of calculating freight on dry cargo imports has been improved by the use of a larger sample and a more detailed selection of representative freight rates. This has resulted in a reduction in the estimate of the total freight element in the recorded c.i.f. value of imports and therefore a corresponding increase in the estimated f.o.b. value. The change is, however,

offset by a similar reduction in the estimate of freight payments to non-residents in the shipping account, which is calculated by subtracting from total freight the receipts of United Kingdom shipping from carrying imports. Estimates are also now included of interest received on medium and long term trade credit, described in more detail below. The net effect of the changes for these two years is to increase the surplus on current account and thus to reduce the amount of the balancing item.

1960

The revised estimates of freight on imports described above lead to an increase in the figure for imports on an f.o.b. basis in 1960. In the shipping account the results of the 1960 sample inquiry by the General Council of British Shipping which has now been completed have also led to some revisions. The estimate of the receipts of United Kingdom shipping from carrying imports has been revised downwards; the net effect of combining this new estimate with the revised figure for total freight on imports is to reduce slightly the estimate of freight paid to non-residents. The previous estimate of charter payments (principally on account of tankers) is increased substantially.

Further revisions arise from the full results of the overseas investment inquiry for 1960 conducted by the Board of Trade, which are now available. The provisional estimates for income from United Kingdom direct investment overseas have been raised by some £20 million and estimates of income arising on overseas investment in the United Kingdom have been reduced by a similar amount. In the capital account the provisional estimates of direct investment abroad by the United Kingdom have had to be increased by some £65 million.

An attempt has been made to improve the estimates of two items for which the previous figures were known to be deficient.

A special inquiry conducted with the help of a group of large companies in the United Kingdom has shown that a substantial amount of portfolio investment in these companies by overseas residents took place during the second half of 1960. It has not, however, been possible from these results to obtain an estimate of the total amount involved for all companies and the amounts now included may not be a full measure of inward portfolio investment during 1960.

Preliminary discussions with industry concerning overseas trade credit have shown that previous estimates have understated the interest received on medium and long term credit granted in connection with United Kingdom exports. New estimates, based partly on statistics of credit guarantees outstanding, have been included. In this case also it may be that the whole field has not yet been covered.

The net effect of all the revisions on the balances of both current and long-term capital accounts is small. In the current account the estimated deficits on visible trade and on shipping have been increased, but these changes are offset by a substantial increase in net earnings under interest, profits and dividends. In the long-term capital account the estimates for direct investment abroad by the United Kingdom and for inward portfolio investment have both been increased substantially. The "balancing item" is also little changed as a result of the revisions.

General balance of payments

TABLE 1

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	Jan.- June
Current account						
1. VISIBLE TRADE						
Imports (f.o.b.) ...	3,357	3,609	4,110	2,051	2,059	2,071
Exports and re-exports (f.o.b.) ...	3,392	3,509	3,712	1,908	1,804	1,963
Total ...	+ 35	- 100	- 398	- 143	- 255	- 108
INVISIBLES						
2. Government:						
debits ...	279	274	330	170	160	196
credits ...	56	42	46	28	18	25
3. Shipping:						
debits ...	587	621	704	349	355	361
credits ...	637	624	646	329	317	331
4. Interest, profits and dividends:						
debits ...	415	426	450	197	253	197
credits ...	708	686	688	315	373	340
5. Travel:						
debits ...	155	173	205	79	126	88
credits ...	138	153	188	79	109	87
6. Migrants' funds, legacies and private gifts:						
debits ...	97	93	93	44	49	46
credits ...	92	91	93	44	49	46
7. Other services:						
debits ...	277	312	342	165	177	188
credits ...	464	493	522	258	264	272
Total ...	+ 285	+ 190	+ 59	+ 49	+ 10	+ 25
CURRENT BALANCE ...	+ 320	+ 90	- 339	- 94	- 245	- 83
Long-term capital account⁽¹⁾						
8. Inter-government loans (net) ...	- 45	- 118	- 91	- 37	- 54	+ 2
9. U.K. subscriptions to I.M.F., I.D.A. and European Fund ...	—	- 236	- 10	+ 1	- 11	—
10. Other U.K. official long-term capital (net) ...	- 4	+ 1	- 3	- 2	- 1	- 13
11. Private investment:						
abroad (net) ...	- 330	- 335	- 329	- 169	- 160	- 195
in the United Kingdom (net) ...	+ 193	+ 209	+ 237	+ 69	+ 168	+ 160
BALANCE OF LONG-TERM CAPITAL	- 186	- 479	- 196	- 138	- 58	- 46
Balance of current and long-term capital transactions ...	+ 134	- 389	- 535	- 232	- 303	- 129
Balancing item ...	+ 66	+ 10	+ 364	+ 183	+ 181	+ 97
Monetary movements⁽¹⁾						
12. Miscellaneous capital (net) ...	+ 13	+ 7	+ 122	+ 41	+ 81	+ 46
13. Overseas sterling holdings:						
countries ...	+ 80	+ 154	+ 380	+ 107	+ 273	- 182
non-territorial organisations ...	- 22	+ 82	- 156	- 44	- 112	+ 3
14. U.K. balance in E.P.U. ...	- 10	+ 9				
15. U.K. official holdings of non-convertible currencies ...	+ 23	+ 8	+ 2	+ 1	+ 1	+ 1
16. Gold and convertible currency reserves ...	- 284	+ 119	- 177	- 56	- 121	+ 164
BALANCE OF MONETARY MOVEMENTS	- 200	+ 379	+ 171	+ 49	+ 122	+ 32

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

Balance of payments with rest of sterling area

TABLE 2

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	Jan.- June
Current account						
1. VISIBLE TRADE						
Imports (f.o.b.)	1,256	1,354	1,413	724	689	730
Exports and re-exports (f.o.b.) ...	1,427	1,364	1,446	731	715	741
Total	+171	+ 10	+ 33	+ 7	+ 26	+ 11
INVISIBLES						
2. Government:						
debits	177	188	215	111	104	125
credits	10	11	10	7	3	4
3. Shipping:						
debits	137	139	142	71	71	71
credits	237	232	240	125	115	126
4. Interest, profits and dividends:						
debits	132	119	142	70	72	68
credits	397	366	423	195	228	208
5. Travel:						
debits	43	42	44	18	26	19
credits	51	53	67	30	37	34
6. Migrants' funds, legacies and private gifts:						
debits	53	51	49	24	25	26
credits	46	47	51	24	27	25
7. Other services:						
debits	68	70	72	35	37	40
credits	160	166	171	86	85	87
Total	+291	+266	+298	+138	+160	+135
CURRENT BALANCE	+462	+276	+331	+145	+186	+146
Long-term capital account⁽¹⁾						
8. Inter-government loans (net) ...	- 30	- 52	- 52	- 29	- 23	- 36
10. Other U.K. official long-term capital (net)	- 4	- 2	- 4	- 2	- 2	- 13
11. Private investment:						
abroad (net)	-185	-173	-211	-116	- 95	-114
in the United Kingdom (net) ...	- 14	+ 4	- 17	- 24	+ 7	- 16
BALANCE OF LONG-TERM CAPITAL	-233	-223	-284	-171	-113	-179
Balance of current and long-term capital transactions	+229	+ 53	+ 47	- 26	+ 73	- 33
Inter-area transfers	- 64	-334	+ 15	- 59	+ 74	-101
Balancing item	- 73	+ 69	+160	+ 96	+ 64	+ 13
Monetary movements⁽¹⁾						
12. Miscellaneous capital (net) ...	- 3	+ 27	+ 2	+ 19	- 17	- 3
13. Overseas sterling holdings ...	- 89	+185	-224	- 30	-194	+124
BALANCE OF MONETARY MOVEMENTS	- 92	+212	-222	- 11	-211	+121

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

Balance of payments with non-sterling areas

TABLE 3

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	Jan.- June
Current account						
1. VISIBLE TRADE						
Imports (f.o.b.)	2,101	2,255	2,697	1,327	1,370	1,341
Exports and re-exports (f.o.b.) ...	1,965	2,145	2,266	1,177	1,089	1,222
Total	-136	-110	-431	-150	-281	-119
INVISIBLES						
2. Government:						
debits	102	86	115	59	56	71
credits	46	31	36	21	15	21
3. Shipping:						
debits	450	482	562	278	284	290
credits	400	392	406	204	202	205
4. Interest, profits and dividends:						
debits	283	307	308	127	181	129
credits	311	320	265	120	145	132
5. Travel:						
debits	112	131	161	61	100	69
credits	87	100	121	49	72	53
6. Migrants' funds, legacies and private gifts:						
debits	44	42	44	20	24	20
credits	46	44	42	20	22	21
7. Other services:						
debits	209	242	270	130	140	148
credits	304	327	351	172	179	185
Total	- 6	- 76	-239	- 89	-150	-110
CURRENT BALANCE... ..	-142	-186	-670	-239	-431	-229
Long-term capital account⁽¹⁾						
8. Inter-government loans (net) ...	- 15	- 66	- 39	- 8	- 31	+ 38
9. U.K. subscriptions to I.M.F., I.D.A. and European Fund	—	-236	- 10	+ 1	- 11	—
10. Other U.K. official long-term capital (net)	—	+ 3	+ 1	—	+ 1	—
11. Private investment:						
abroad (net)	-145	-162	-118	- 53	- 65	- 81
in the United Kingdom (net) ...	+207	+205	+254	+ 93	+161	+176
BALANCE OF LONG-TERM CAPITAL	+ 47	-256	+ 88	+ 33	+ 55	+133
Balance of current and long-term capital transactions	- 95	-442	-582	-206	-376	- 96
Inter-area transfers	+ 64	+334	- 15	+ 59	- 74	+101
Balancing item	+139	- 59	+204	+ 87	+117	+ 84
Monetary movements⁽¹⁾						
12. Miscellaneous capital (net) ...	+ 16	- 20	+120	+ 22	+ 98	+ 49
13. Overseas sterling holdings:						
countries	+169	- 31	+604	+137	+467	-306
non-territorial organisations ...	- 22	+ 82	-156	- 44	-112	+ 3
14. U.K. balance in E.P.U.	- 10	+ 9				
15. U.K. official holdings of non-convertible currencies	+ 23	+ 8	+ 2	+ 1	+ 1	+ 1
16. Gold and convertible currency reserves	-284	+119	-177	- 56	-121	+164
BALANCE OF MONETARY MOVEMENTS	-108	+167	+393	+ 60	+333	-89

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

Balance of payments of rest of sterling area with non-sterling areas⁽¹⁾

TABLE 4

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	
Current account						
Imports (f.o.b.):						
Western Europe	726	710	872	433	439	450
North America	701	753	1,011	483	528	536
Latin America	24	27	27	13	14	14
Other non-sterling areas	733	712	824	391	433	416
Total	2,184	2,202	2,734	1,320	1,414	1,416
Exports and re-exports (f.o.b.):						
Western Europe	589	662	750	399	351	387
North America	484	595	584	306	278	301
Latin America	57	52	59	28	31	28
Other non-sterling areas	564	730	762	407	355	419
Total	1,694	2,039	2,155	1,140	1,015	1,135
Total—Visible trade	-490	-163	-579	-180	-399	-281
Gold production ⁽²⁾	+250	+284	+297	+143	+154	+156
Invisibles (net)	-69	-34	-90	-33	-57	-55
CURRENT BALANCE	-309	+87	-372	-70	-302	-180
Long-term capital and monetary movements ⁽³⁾						
I.M.F. drawings (net)	+12	-14	-16	-24	+8	+51
I.B.R.D. drawings (net)	+85	+57	+24	+20	+4	+8
Other capital (net) ⁽⁴⁾	+309	+257	+318	+132	+186	+215
Changes in gold and N.S.A. currency holdings	-33	-53	+31	+1	+30	+7
BALANCE OF LONG-TERM CAPITAL AND MONETARY MOVEMENTS	+373	+247	+357	+129	+228	+281
Total balance with non-sterling areas (inter-area transfers)	+64	+334	-15	+59	-74	+101
of which:—						
Sales of gold in the United Kingdom (net)	+231	+210	+214	+93	+121	+131
Other transfers	-167	+124	-229	-34	-195	-30

⁽¹⁾ See notes on page 30.

⁽²⁾ Excluding domestic use of gold, but including gold taken into reserves.

⁽³⁾ Assets: increase -/decrease +. Liabilities: increase +/decrease -.

⁽⁴⁾ Including inter-government loans, other official capital, private investment, miscellaneous capital and changes in holdings by non-residents of local currencies.

Visible trade in the balance of payments⁽¹⁾

£ million

TABLE 5

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	Jan.- June
Imports						
Trade Accounts (c.i.f.)	3,746	3,983	4,558	2,266	2,292	2,272
Freight and insurance	-446	-464	-505	-250	-255	-263
Other valuation adjustments	-2	1	8	-3	5	4
Coverage adjustments	117	170	150	79	71	112
Returned goods and goods temporarily imported	-58	-81	-85	-41	-44	-46
Balance of payments imports (f.o.b.)	3,357	3,609	4,110	2,051	2,059	2,071
Exports and re-exports						
Trade Accounts (f.o.b.)	3,313	3,461	3,697	1,897	1,800	1,951
Valuation adjustments	18	18	—	—	—	—
Coverage adjustments	119	111	100	52	48	58
Returned goods and goods temporarily imported	-58	-81	-85	-41	-44	-46
Balance of payments exports and re- exports (f.o.b.)	3,392	3,509	3,712	1,908	1,804	1,963

⁽¹⁾ See notes on page 27.

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

TABLE 6

£ million

	1958	1959	1960	1960		1961
				Jan.— June	July— Dec.	Jan.— June
Rest of sterling area						
Imports	1,256	1,354	1,413	724	689	730
Exports and re-exports...	1,427	1,364	1,446	731	715	741
Total	+171	+ 10	+ 33	+ 7	+ 26	+ 11
Western Europe						
Imports	937	1,007	1,197	599	598	616
Exports and re-exports...	919	1,005	1,113	569	544	637
Total	— 18	— 2	— 84	— 30	— 54	+ 21
North America						
Imports	581	609	848	396	452	369
Exports and re-exports...	515	621	575	314	261	267
Total	— 66	+ 12	—273	— 82	—191	—102
Latin America						
Imports	249	272	269	142	127	136
Exports and re-exports...	152	159	173	87	86	82
Total	— 97	—113	— 96	— 55	— 41	— 54
Other non-sterling areas						
Imports	334	367	383	190	193	220
Exports and re-exports...	379	360	405	207	198	236
Total	+ 45	— 7	+ 22	+ 17	+ 5	+ 16
Total						
Imports (f.o.b.)	3,357	3,609	4,110	2,051	2,059	2,071
Exports and re-exports (f.o.b.)	3,392	3,509	3,712	1,908	1,804	1,963
Total	+ 35	—100	—398	—143	—255	—108

Government current expenditure and receipts⁽¹⁾

TABLE 7

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	Jan.- June
Expenditure						
Rest of sterling area						
Military	109	116	137	71	66	73
Economic grants	49	52	55	27	28	37
Other grants	2	2	3	3	—	3
Administrative, diplomatic etc.: pensions	9	10	11	5	6	7
other	8	8	9	5	4	5
Total	177	188	215	111	104	125
Non-sterling areas						
Military	73	54	76	39	37	48
Economic grants: contributions to international organisations	3	3	6	2	4	2
other	2	2	4	2	2	1
Administrative, diplomatic etc.: subscriptions to international organisations	7	8	8	6	2	9
pensions	3	3	4	2	2	2
other	14	16	17	8	9	9
Total	102	86	115	59	56	71
All areas						
Military	182	170	213	110	103	121
Economic grants: contributions to international organisations	3	3	6	2	4	2
other	51	54	59	29	30	38
Other grants	2	2	3	3	—	3
Administrative, diplomatic etc.: subscriptions to international organisations	7	8	8	6	2	9
pensions	12	13	15	7	8	9
other	22	24	26	13	13	14
Total expenditure	279	274	330	170	160	196
Receipts						
Rest of sterling area						
Military	9	10	8	6	2	4
Other	1	1	2	1	1	—
Total	10	11	10	7	3	4
Non-sterling areas						
Defence aid	3	—	—	—	—	—
U.S.A. and Canadian Forces' ex- penditure	25	18	20	12	8	9
Other military	17	11	14	9	5	10
Other	1	2	2	—	2	2
Total	46	31	36	21	15	21
All areas						
Defence aid	3	—	—	—	—	—
U.S.A. and Canadian Forces' ex- penditure	25	18	20	12	8	9
Other military	26	21	22	15	7	14
Other	2	3	4	1	3	2
Total receipts	56	42	46	28	18	25

⁽¹⁾ See notes on page 27.

Shipping

TABLE 8

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	
Debits						
U.K. shipping:						
charter payments	137	161	195	98	97	106
disbursements abroad	300	301	308	153	155	154
Overseas shipping:						
freight on imports into the U.K. ...	145	152	195	96	99	99
other (including passage money) ...	5	7	6	2	4	2
Total	587	621	704	349	355	361
Credits						
U.K. shipping:						
freight on exports and cross-trades	488	481	493	253	240	255
charter receipts	23	23	26	13	13	13
passage money	54	52	53	27	26	26
Overseas shipping:						
disbursements in the U.K.	65	68	74	36	38	37
other	7	—	—	—	—	—
Total	637	624	646	329	317	331
Shipping (net)	+ 50	+ 3	— 58	— 20	— 38	— 30

Interest, profits and dividends

TABLE 9

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	Jan.- June
Debits						
Income on:						
direct investment ⁽¹⁾	95	136	136	72	64	76
portfolio	65	61	67	33	34	32
other	255	229	247	92	155	89
Total	415	426	450	197	253	197
Credits						
Income on:						
direct investment ⁽¹⁾	195	238	258	126	132	117
portfolio	115	121	131	63	68	65
other	398	327	299	126	173	158
Total	708	686	688	315	373	340
Interest, profits and dividends (net) ...	+293	+260	+238	+118	+120	+143

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

Travel—analysis by area

TABLE 10

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	Jan.- June
Debits						
Rest of sterling area	43	42	44	18	26	19
Western Europe	101	118	146	54	92	62
North America	8	9	10	5	5	5
Latin America	—	—	1	—	1	—
Other non-sterling countries ...	3	4	4	2	2	2
Total	155	173	205	79	126	88
Credits						
Rest of sterling area	51	53	67	30	37	34
Western Europe	27	32	37	14	23	16
North America	52	58	70	30	40	30
Latin America	4	4	5	2	3	3
Other non-sterling countries ...	4	6	9	3	6	4
Total	138	153	188	79	109	87
Travel (net)...	— 17	— 20	— 17	—	— 17	— 1

Inter-government loans

TABLE 11

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	
Loans made by the U.K.						
Rest of sterling area	18	44	57	32	25	39
Western Europe	2	3	2	1	1	—
Other non-sterling countries ...	2	2	2	1	1	—
Total	22	49	61	34	27	39
Loans repaid to the U.K.						
Rest of sterling area	5	4	5	3	2	3
Western Europe	25	65	30	3	27	69
Latin America	—	1	2	2	—	1
Other non-sterling countries ...	7	7	5	4	1	3
Total	37	77	42	12	30	76
Inter-government loans by the U.K. (net)	+ 15	+ 28	— 19	— 22	+ 3	+ 37
Loans made to the U.K.						
Western Europe	—	37	—	—	—	—
Total	—	37	—	—	—	—
Loans repaid by the U.K.						
Rest of sterling area	17	12	—	—	—	—
Western Europe	4	53	42	14	28	34
North America	39	118	30	1	29	1
Total	60	183	72	15	57	35
Inter-government loans to the U.K. (net)	— 60	— 146	— 72	— 15	— 57	— 35
Inter-government loans (net)	— 45	— 118	— 91	— 37	— 54	+ 2
of which:						
New loans (net)	— 22	— 12	— 61	— 34	— 27	— 39
Repayments (net)	— 23	— 106	— 30	— 3	— 27	+ 41

Private investment

TABLE 12

£ million

					1958	1959	1960	1960		1961
								Jan.- June	July- Dec.	Jan.- June
Abroad (net of disinvestment)										
Direct ⁽¹⁾	-144	-196	-249	-120	-129	-140
Other ⁽²⁾	-186	-139	- 80	- 49	- 31	- 55
Total	...	...	...	...	-330	-335	-329	-169	-160	-195
In the United Kingdom (net of disinvestment)										
Direct ⁽¹⁾	+ 87	+148	+141	+ 73	+ 68	+161
Other ⁽²⁾	+106	+ 61	+ 96	- 4	+100	- 1
Total	...	...	...	...	+193	+209	+237	+ 69	+168	+160
Private investment (net)					-137	-126	- 92	-100	+ 8	- 35

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

⁽²⁾ Including portfolio investment and investment by the oil and insurance industries.

Overseas sterling holdings

TABLE 13

£ million

	1957 31 Dec.	1958 31 Dec.	1959 31 Dec.	1960		1961 30 June
				30 June	31 Dec.	
Sterling area countries						
Official	2,126	1,993	2,165	2,154	2,031	2,104
Other	482	526	539	520	449	500
Total	2,608	2,519	2,704	2,674	2,480	2,604
Non-sterling countries						
Western Europe ⁽¹⁾						
Official	134	159	99	131	236	309
Other	144	249	288	358	463	353
Total	278	408	387	489	699	662
North America						
Official	4	7	5	8	6	19
Other	37	51	55	83	297	95
Total	41	58	60	91	303	114
Latin America						
Official	13	1	8	36	56	31
Other	12	17	4	5	9	4
Total	25	18	12	41	65	35
Other non-sterling countries						
Official	232	232	213	212	201	176
Other	89	118	131	107	139	114
Total	321	350	344	319	340	290
All non-sterling countries						
Official	383	399	325	387	499	535
Other	282	435	478	553	908	566
Total	665	834	803	940	1,407	1,101
Total—all countries						
Official	2,509	2,392	2,490	2,541	2,530	2,639
Other	764	961	1,017	1,073	1,357	1,066
Total	3,273	3,353	3,507	3,614	3,887	3,705
Non-territorial organisations						
I.M.F.	583	574	673	640	522	507
Other non-territorial organisations...	62	49	32	21	27	45
Total	645	623	705	661	549	552
Total holdings						
Official	3,154	3,015	3,195	3,202	3,079	3,191
Other	764	961	1,017	1,073	1,357	1,066
Total	3,918	3,976	4,212	4,275	4,436	4,257

⁽¹⁾ Including dependent territories.

Gold and convertible currency reserves, etc.

TABLE 14

£ million

	1957 31 Dec.	1958 31 Dec.	1959 31 Dec.	1960		1961
				30 June	31 Dec.	30 June
Gold and convertible currency reserves ⁽¹⁾	812	1,096	977	1,033	1,154	990
U.K. official holdings of non-convertible currencies	36	13	5	4	3	2
Acceptances outstanding ⁽²⁾						
Sterling area countries	9	11	13	15	15	15
Non-sterling countries	138	119	121	134	93	135
Total	147	130	134	149	108	150

(¹) In addition to the gold and convertible currency reserves, the value of which is shown here, the United Kingdom has a quota in the International Monetary Fund which was increased in 1959 from \$1,300 million (£464 million) to \$1,950 million (£696 million). The amount which the United Kingdom could draw, as at 30th June, 1961, without raising the Fund's holdings of sterling beyond 200 per cent. of quota, was \$2,481 million (£886 million).

A drawing was made in December, 1956, of \$561 million (£201 million) against sterling. £71 million was repurchased in March, 1959, and the outstanding balance, after allowing for sterling drawings from the Fund by other countries, was repurchased in January–October, 1960. In December, 1960, the United Kingdom voluntarily repurchased £17 million sterling (see Table A).

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. In December, 1956 it was announced in Parliament that the market value of this portfolio was between \$750 million and \$1,000 million. This remained the position at the end of June, 1961.

(²) Changes are included in item 12 of Tables 1–3.

SUPPLEMENTARY TABLES

Transactions with the International Monetary Fund

TABLE A

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	Jan.- June
United Kingdom						
Subscriptions:						
in sterling	—	—174	—	—	—	—
in gold	—	— 58	—	—	—	—
Drawings	—	—	—	—	—	—
Repurchases:						
of drawings	—	— 71	—110	— 30	— 80	—
other ⁽¹⁾	—	—	— 17	—	— 17	—
Rest of sterling area						
Subscriptions:						
in local currencies	— 14	—114	— 48	— 43	— 5	—
in gold	—	— 37	— 16	— 14	— 2	— 2
Drawings:						
in sterling	+ 4	—	+ 2	—	+ 2	+ 17
in other currencies	+ 9	—	+ 9	+ 2	+ 7	+ 58
Repurchases:						
of drawings	— 1	— 14	— 27	— 26	— 1	— 24
other ⁽²⁾	—	— 5	—	—	—	—
Non-sterling areas						
Sterling drawings:						
by non-sterling countries	+ 2	+ 8	+ 22	+ 3	+ 19	+ 2
Sterling repurchases:						
by non-sterling countries	—	—	—	—	—	— 2

⁽¹⁾ A voluntary payment of £17 million in dollars in exchange for sterling in December, 1960 (see footnote ⁽¹⁾ to Table 14).

⁽²⁾ An obligatory repurchase by Australia of £A. 6 million with gold under the provisions of the I.M.F. Agreement.

Special transactions with North America

TABLE B

£ million

	1958	1959	1960	1960		1961
				Jan.- June	July- Dec.	Jan.- June
Special receipts						
Defence aid	3	—	—	—	—	—
Receipts from U.S. and Canadian Forces:						
Government receipts	25	18	20	12	8	9
Other receipts	45	46	46	23	23	21
Offshore sales to U.S. Government ...	18	12	7	6	1	1
Government loan transactions						
Interest payments:						
U.S. and Canadian credits and Lend-Lease settlement loan	39	38	37	—	37	—
E.R.P. loan	3	3	4	2	2	2
Export-Import Bank credit	4	4	—	—	—	—
Total	46	45	41	2	39	2
Principal repayments:						
U.S. and Canadian credits and Lend-Lease settlement loan	27	28	29	1	28	—
E.R.P. loans	1	1	1	—	1	1
Canadian interest-free loan	11 ⁽¹⁾	—	—	—	—	—
Export-Import Bank credit	—	89	—	—	—	—
Total	39	118	30	1	29	1

⁽¹⁾ Final repayment in December, 1958.

Assistance by the United Kingdom Government for overseas development

TABLE C

£ million

	1960					1961	
	Jan.- Mar.	April- June	July- Sept.	Oct.- Dec.	Year	Jan.- Mar.	April- June
Bilateral assistance							
Grants							
technical assistance ⁽¹⁾	1.7	1.0	1.7	1.8	6.2	2.2	6.3
emergency assistance	5.1	1.1	0.7	0.9	7.8	1.0	0.8
other grants	12.0	8.4	13.6	10.9	44.9	16.1	12.0
Total ⁽²⁾	18.8	10.5	16.0	13.6	58.9	19.3	19.1
Loans							
technical assistance ⁽¹⁾	0.5	0.2	—	—	0.7	1.5	0.2
emergency assistance	0.8	—	—	0.1	0.9	0.2	—
other loans	15.2	20.8	18.0	10.8	64.8	20.5	31.5
Total	16.5	21.0	18.0	10.9	66.4	22.2	31.7
Total bilateral assistance ...	35.3	31.5	34.0	24.5	125.3	41.5	50.8
Multilateral assistance							
Drawings by the International Bank from the United Kingdom's sterling subscription	4.4	10.2	2.2	—	16.8	—	—
Drawings by the International De- velopment Association from the United Kingdom's subscription ...	—	—	—	2.3	2.3	—	—
U.N. Expanded Programme of Tech- nical Assistance and U.N. Special Fund ⁽²⁾	—	1.1	1.8	—	2.9	—	—
Relief of Palestine Refugees (U.N.R.W.A.) ⁽²⁾	0.9	—	1.0	—	1.9	1.0	—
U.N. Children's Fund (U.N.I.C.E.F.) ⁽²⁾	—	0.3	—	—	0.3	—	0.3
U.N. Assistance to the Congo ⁽²⁾ ...	—	—	—	1.1	1.1	—	—
Indus Basin Development Fund (I.B.R.D.) ⁽²⁾	—	—	—	—	—	0.3	—
Total multilateral assistance ...	5.3	11.6	5.0	3.4	25.3	1.3	0.3
Total economic and technical assistance	40.6	43.1	39.0	27.9	150.6	42.8	51.1

⁽¹⁾ The figures do not cover all technical assistance by the United Kingdom, some of which cannot be assessed in quantitative terms.

⁽²⁾ The sum of these items corresponds to total economic grants in Table 7.

Distribution of United Kingdom bilateral assistance

TABLE D

£ million

					1960					1961	
					Jan.- Mar.	April- June	July- Sept.	Oct.- Dec.	Year	Jan.- Mar.	April- June
Colonial territories ⁽¹⁾											
Grants											
technical assistance ⁽²⁾			1.1	0.7	1.1	1.1	4.0	1.2	5.3
emergency assistance	...	...			4.5	0.5	0.1	0.2	5.3	0.7	0.4
other grants	...	...	...		10.7	6.1	8.8	8.3	33.9	12.0	8.6
Loans											
technical assistance ⁽²⁾			0.5	0.2	—	—	0.7	0.3	—
emergency assistance	...	...			0.8	—	—	0.1	0.9	0.2	—
other loans	...	...	...		6.8	6.6	10.5	2.7	26.6	12.3	17.2
Total	...	...	...		24.4	14.1	20.5	12.4	71.4	26.7	31.5
Independent Commonwealth											
Grants											
technical assistance ⁽²⁾			0.3	0.2	0.3	0.4	1.2	0.6	0.8
emergency assistance	...	...			0.6	0.6	0.6	0.7	2.5	0.3	0.4
other grants	...	...	...		—	—	2.5	1.1	3.6	2.6	1.1
Loans											
technical assistance ⁽²⁾			—	—	—	—	—	1.2	0.2
other loans	...	...	...		7.4	13.0	5.6	7.7	33.7	7.9	14.2
Total	...	...	...		8.3	13.8	9.0	9.9	41.0	12.6	16.7
Other countries											
Grants											
technical assistance ⁽²⁾			0.3	0.1	0.3	0.3	1.0	0.4	0.2
other grants	...	...	...		1.3	2.3	2.3	1.5	7.4	1.5	2.3
Loans	...	...	...		1.0	1.2	1.9	0.4	4.5	0.3	0.1
Total	...	...	...		2.6	3.6	4.5	2.2	12.9	2.2	2.6
Total bilateral assistance	...				35.3	31.5	34.0	24.5	125.3	41.5	50.8

⁽¹⁾ Includes assistance to Nigeria, Cyprus, British Somaliland and Sierra Leone before independence and to the Federation of Rhodesia and Nyasaland.

⁽²⁾ See footnote ⁽¹⁾ to Table C.

NOTES AND DEFINITIONS

GENERAL

Balance of payments transactions are those between United Kingdom residents and non-residents. For this purpose 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 foreign branches and subsidiaries. Branches are treated as residents of the country in which they are located and subsidiaries where they are registered. In general, agents, in so far as they act on behalf of an overseas principal, are 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 non-residents.

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

AREAS

The geographical divisions for all periods covered by this White Paper are based on the definitions current at 1st January, 1961.

These are:

Rest of 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, Kuwait, Qatar and the Trucial States), Burma, Iceland, Irish Republic, Jordan, Libya and the Union of South Africa.

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 and Yugoslavia; and from 1959, the Bank for International Settlements.

North America: U.S.A. and dependencies; Canada.

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

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

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. Up to the end of 1958 the Bank for International Settlements is included here except when acting as agent for the E.P.U.

ITEMS

General

All figures in the main tables are given to the nearest £1 million; but in some cases, owing to the incompleteness of the information available, they must be regarded as subject to considerable margin of error. Figures for 1961 are provisional.

Current account

Visible trade

Item 1—*Imports (f.o.b.); Exports and re-exports (f.o.b.)*: The Trade and Navigation Accounts are the basis of the balance of payments figures; but there are important differences in valuation and in coverage.

Imports in the Trade Accounts are valued c.i.f., i.e. inclusive of freight and insurance from the country of consignment. In the balance of payments, however, these items have to be deducted since freight and insurance payments to foreign shipping, airline and insurance companies are included in the appropriate invisible account items and those to United Kingdom concerns are not overseas transactions.

Other valuation adjustments include the revaluation of certain imported commodities, payments for which differ from the values recorded in the Trade Accounts; and recent adjustments in the light of sample surveys to the valuation of imports and exports by parcel post.

The principal items omitted from the Trade Accounts but included as visible trade in the balance of payments are diamonds, secondhand ships and aircraft and certain materials imported or exported by the United Kingdom Atomic Energy Authority. Exports to N.A.A.F.I. canteens abroad are omitted from the balance of payments figures.

The import value of British returned goods and goods temporarily brought into the United Kingdom for process or repair is deducted from both imports and exports in the balance of payments. The result of this treatment is that the service charge on goods brought in for process or repair remains as a credit in the export figure.

The derivation of the balance of payments figures from the Trade Accounts is set out in Table 5.

Invisibles

Item 2—*Government*: All United Kingdom Government current expenditure and receipts not falling under Items 1, 3, 4 and 5.

The main items are analysed in Table 7. Military in that table does not reflect the full impact of defence upon the balance of payments; for example imports of military supplies into the United Kingdom are not included there but in Item 1. The cost of the forces in Germany is included after deducting contributions received from the Federal German Republic.

Economic grants comprise grants under the Colonial Development and Welfare Acts, grants in aid of Colonial revenues, etc., grants towards emergency expenditure and certain contributions to international organisations.

The credits include defence aid, receipts from off-shore sales to the United States Government of goods for the United Kingdom Armed Forces (see Table B) and Government receipts from United States and Canadian Forces stationed in the United Kingdom.

Item 3—*Shipping*: Covers dry cargo and tanker transactions.

Debits include payments to non-residents for freight on imports, chartering and passage money; and the United Kingdom shipping industry's disbursements abroad (including bunkers taken up abroad).

Credits include the earnings of the United Kingdom shipping industry from the carriage of United Kingdom exports and from cross trades, chartering and passage money; and the disbursements of foreign ships in the United Kingdom.

An analysis of shipping debits and credits is given in Table 8.

Item 4—*Interest, profits and dividends*: Includes investment income remitted from or to the United Kingdom for payment of interest and dividends (after deduction of local taxes) and profits remitted or retained for reinvestment. Other components include interest on overseas sterling holdings, inter-government loans, bank credits and medium and long-term trade credits.

The transactions of oil companies included here are not wholly comparable with other components of the item.

Item 5—*Travel*: Personal expenditure by United Kingdom residents inside foreign countries and by foreign residents inside the United Kingdom. Those payments to shipping companies which enter into the balance of payments are included in Item 3 and those to airlines in Item 7.

Item 6—*Migrants' funds, legacies and private gifts*: The value of private assets passing from resident to non-resident ownership or vice versa without a *quid pro quo*. The item also includes private gifts of money and of goods sent by parcel post to or from non-residents (other than forces abroad) but excludes migrants' personal or household belongings.

Item 7—*Other services*: All other current transactions. Components include payments and receipts in respect of civil aviation, education, royalties, commissions and banking (excluding interest earnings). Included in credits are the expenditure of foreign government agencies in the United Kingdom, including the United States and Canadian Forces' expenditure (other than payments to United Kingdom Government Departments), and net earnings in respect of insurance and merchanting transactions. Debits include sales of gold at home for industrial use.

Long-term capital account

Item 8—*Inter-government loans*: Loans by the United Kingdom Government to other governments less repayments; and loans by other governments to the United Kingdom Government less repayments (see also Table 11).

Item 9—*United Kingdom subscriptions to International Monetary Fund, International Development Association and European Fund*.

Item 10—*Other United Kingdom official long-term capital (net)*: Long-term investment and disinvestment in the rest of the world by official bodies.

Item 11—*Private investment*: All other long-term investment and disinvestment by the United Kingdom in the rest of the world and investment and disinvestment by the rest of the world in the United Kingdom. The figures include reinvestment of retained profits.

Inter-area transfers

See notes on pages 30 and 31.

Balancing item

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

Monetary movements

Item 12—*Miscellaneous capital (net)*: Transactions mainly of a short-term monetary nature including:

Changes in foreign currency balances held outside the Exchange Equalisation Account, e.g. by banks and oil companies.

Changes in sterling acceptances outstanding (separate figures for these are given in Table 14).

Other identified commercial credit, e.g. to finance the purchase of commodities or the export of ships, aircraft or other capital goods.

Item 13—*Overseas sterling holdings*: Changes in overseas sterling holdings, which 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.

Sterling funds held with the Crown Agents for Oversea Governments and Administrations and by Currency Boards, excluding Dominion and Colonial sterling securities; and so far as known, the nominal value of British Government securities held by other official bodies but not those held by private individuals or firms.

An area analysis of overseas sterling holdings is given in Table 13.

Item 14—*United Kingdom balance in E.P.U.*: Change 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. Repayments of these debts are included in Item 8.

Item 15—*United Kingdom official holdings of non-convertible currencies*: Change in the sterling equivalent of the Exchange Equalisation Account's currency holdings which were not convertible at the relevant dates (including those set aside at 31st December, 1958, for liquidation in the final E.P.U. settlement in January, 1959).

Item 16—*Gold and convertible currency reserves*: Change in the sterling equivalent of the gold and convertible currencies held in the Exchange Equalisation Account. The change is taken as the difference between totals given in Table 14 which include, from 31st December, 1958, convertible currencies other than United States and Canadian dollars. Gold is valued at 250s. per ounce fine and currencies at parity except for the Canadian dollar, which is valued at the appropriate exchange rates.

Balance of payments with rest of sterling area and with non-sterling areas

Tables 2 and 3 provide a regional analysis of the balance of payments of the United Kingdom showing separately transactions with the rest of the sterling area and with non-sterling areas, i.e. non-sterling countries and non-territorial organisations. The figures for inter-area transfers are estimates of changes in the United Kingdom's monetary assets and liabilities, *vis-à-vis* the area dealt with in each table, which are attributable, not to transactions between the United Kingdom and that area, but to transactions between the rest of the sterling area and non-sterling areas. The figures are derived from Table 4 (see note below). Since Tables 2 and 3 are presented from the United Kingdom's point of view a positive balance of the rest of the sterling area with non-sterling areas is shown as negative in Table 2, with a corresponding positive entry in Table 3, and *vice versa*.

Balance of payments of rest of sterling area with non-sterling areas

Table 4 presents estimates of the balance of payments of the rest of the sterling area with non-sterling areas. The total balance with non-sterling areas (inter-area transfers) is an estimate of the ultimate accrual or use of sterling resulting from the rest of the sterling area's transactions with non-sterling areas including transactions in gold (see note to gold production below). So far as possible the figures are based on the balance of payments estimates compiled by individual countries.

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 non-sterling areas and purchase from the United Kingdom foreign currencies needed to finance any deficits in such transactions. Most of their gold production (which is conventionally regarded as an earning of convertible currency) is also sold in the United Kingdom. Transactions between the rest of the sterling area and non-sterling areas (including gold production) are thus reflected mainly in changes in the sterling holdings of the former.

The total balances in Table 4 are carried into Table 2 (with corresponding entries of opposite sign in Table 3) as inter-area transfers. Since it is unlikely that all transactions (particularly those on capital account) will have been completely identified, these estimates of transfers 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.

Imports, exports and re-exports: The figures for visible trade in most countries' balance of payments estimates are based on trade accounts, but some countries make use of records of payments and receipts obtained through exchange control. Most oil imported from, or exported to, non-sterling areas

through United Kingdom companies or their overseas subsidiaries is excluded; the current account transactions of these companies between the rest of the sterling area and non-sterling areas are treated as part of the balance of payments of the United Kingdom and are included under items 3 and 4 of Tables 2 and 3.

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.

I.M.F. drawings: These are shown net of repurchases other than repurchases of currency subscriptions. Further details are given in Table A.

I.B.R.D. drawings: These are shown net of repayments, and of subscriptions in gold or U.S. dollars.

Other capital (net): This item includes inter-government loans, other official capital, private investment, miscellaneous capital and changes in holdings by non-residents of local currencies. This last category mainly reflects increases in local currency holdings by donor countries as the counterpart of aid, and by I.M.F. and I.B.R.D. from subscriptions.

Sales of gold in the United Kingdom (net): Rest of sterling area countries' sales, less purchases, of gold for sterling in the United Kingdom.

Others transfers: All other transfers of funds arising out of transactions between the rest of the sterling area and non-sterling areas.

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