

C224638

38

earnings will be much the same in value as they were in 1938, but their buying power in terms of imports will be little more than one-third of that of 1938.

197. In calculating export earnings and earnings from oil sales the level of prices assumed in preparing the 1948-49 programme for O.E.E.C. has been used in accordance with the instructions received from the Council. The corresponding import prices have been adopted for the import programme discussed below. There is, of course, every reason to expect substantial changes in many of these prices.

(3) OVERSEAS EXPENDITURE

198. On these assumptions total earnings from exports, re-exports and net invisibles have been estimated at over \$8,400 million in 1952-53. Not all of this can be applied directly to imports. Allowance has to be made for foreign investment and the repayment of debt. The need to provide for net lending for the development of the dependent overseas territories has already been discussed in Chapter V. In other parts of the sterling area development now proceeding will likewise require to be financed. Many of these are as important to the United Kingdom as anything in the home investment programme. There are, moreover, countries, both in the sterling area and outside, with large sterling balances which will need to use part of them. On the other hand, some countries may be accumulating sterling assets. For the purposes of this estimate the net capital outflow for these purposes together has been put at a figure of \$400 million, but it would be advantageous to increase this figure if possible.

199. There will thus remain available for imports a sum of about \$8,000 million. At the prices assumed this will permit a volume of imports 10 per cent. higher than in 1947, but still less by about 15 per cent. than the volume in 1938. It is, in fact, much the same in volume as the import programme for 1948-49, but it should be possible as a result of developments of agriculture, oil refining, engineering and chemicals at home and of greater world supplies of basic products to change its composition to the advantage of the economy as a whole. Some imports regarded as essential elements of the present import programme could be reduced and release funds for increased purchases of other supplies which cannot now be afforded.

200. Thus food imports might be reduced significantly below the 1948-49 level in value, but this lower level of food imports, combined with increased output from home agriculture, would allow consumption to be distinctly above 1947 levels. Raw material imports must be increased to take account of rising industrial production and productivity, though the consumption of pulp and paper, and above all of timber would continue to be below pre-war levels. In spite of a smaller expenditure on petroleum, the consumption of petroleum products could increase by over 20 per cent. above 1948-49 as a direct result of the oil refinery programme. Similarly, imports of machinery and some manufactured goods could be reduced below the 1948-49 level without hardship.

201. The following table summarises the possible composition of the balance of payments in 1952-53 compared with 1947 and 1948-49:—

	\$ million		
	1947 (Current prices)	1948-49 ¹ (Programme prices)	1952-53
Imports	6,206	8,102	8,030
of which			
Food and agricultural products (incl. tobacco)	3,099	3,849	3,622
Raw Materials	2,116	2,922	3,350
Petroleum	286	524	564
Manufactured Goods	705 ²	807	494
Exports and re-exports	4,441	6,501	7,377
Invisible earnings (net)	-774	+140	+1,053
of which			
Shipping (dry cargo, net)	+121	+267	+359
Travel (net)	-218	-27	-105
Interest and amortisation (net)	+201	+194	+99
Other	-878	-294	+700
Total earnings	3,667	6,641	8,430
Net overseas investment	-2,539	-1,461	+400

¹ These are unadjusted estimates; revised figures will be available before November 1st.

² Including 180 ships.

C224639

39

(4) THE PATTERN OF INTERNATIONAL PAYMENTS

202. The overall balance of payments which the United Kingdom hopes to have secured by 1952-53 is not in itself sufficient to secure full stability in the overseas financial situation. Achieving an overall balance is sufficient only when a surplus with one country can be used to offset a deficit with another. This can happen only if all important countries' balances of payments are in reasonable equilibrium.

203. The geographical distribution of the estimated balance of payments for the United Kingdom may be summarised as follows:—

	\$ million at programme prices				
	Western Hemisphere	Other Non-Participants	Sterling Area	Participating Countries (Non-sterling)	Total
Expenditure—					
Imports (f.o.b.)	1,888	1,177	3,216	1,749	8,030
Shipping	267	46	162	303	778
Travel	40	4	121	200	365
Interest, Profits and Dividends	255	38	153	100	546
Normal Amortisation	95	—	29	—	124
Total	2,545	1,265	3,681	2,352	9,843
Receipts—					
Exports and Re-exports (f.o.b.)	1,455	990	3,492	1,440	7,377
Shipping	351	47	478	261	1,137
Travel	150	5	65	40	260
Interest, Profits and Dividends	205	25	430	40	700
Normal Amortisation	—	13	—	56	69
Other Receipts (net)	93	11	32	564	700
Total	2,254	1,091	4,497	2,401	10,243
Balance on Current Account	-291	-174	+816	+49	+400

204. These figures relate to the United Kingdom alone. In considering the United Kingdom's financial position *vis-à-vis* other groups of countries, however, the significant relationship is not the surplus or deficit of the United Kingdom alone, but the surplus or deficit with the group of the whole sterling area, and even this may be somewhat modified by payments of sterling between non-sterling countries of the kind described in paragraph 63 above. Sterling is an international currency and this means that it is impossible from United Kingdom trade figures alone to forecast the precise sterling position of other countries or groups of countries. The following paragraphs give a brief commentary on some of the factors underlying the distribution of payments indicated in the table above.

205. *Western Hemisphere.*—The earnings of \$1,455 million from exports and re-exports to the Western Hemisphere shown represent an increase of \$800 million, or 120 per cent. over the level of 1947, and over \$500 million, or 55 per cent. over the level achieved in the first half of 1948. It is believed that exports to the United States might continue to rise above the 1947 level of about \$195 million to some \$340 million in 1952-53. Exports to Canada are forecast as rising during the same years from \$180 million to \$365 million. In invisibles likewise, the most vigorous possible efforts are being made to increase dollar earnings, *e.g.*, in tourism which is expected to yield \$150 million in 1952-53. But this will be offset by the service of the United States and Canadian Loans (\$190 million) and the service of E.C.A. loans.

206. Increases of earnings even of this magnitude would close less than half a Western Hemisphere deficit of the scale of that in 1947. A reduction of imports has therefore to be provided for below the exceptionally high level of 1947. In that year, in common with most other European countries, the United Kingdom imported a greater volume of goods from the Western Hemisphere than in 1938, despite a large contraction in total imports from all sources. The import programme shown is therefore \$1,000 million below the 1947 total and \$450 million below the programme for 1948-49. It takes full account of the possibilities now foreseen of obtaining supplies of essential goods in the rest of the world, above all in the Sterling Area and in the participating countries. Thus the temporary