

PREM19

36

ECONOMIC POLICY

(Invisibles in trade
figures)

Confidential filing

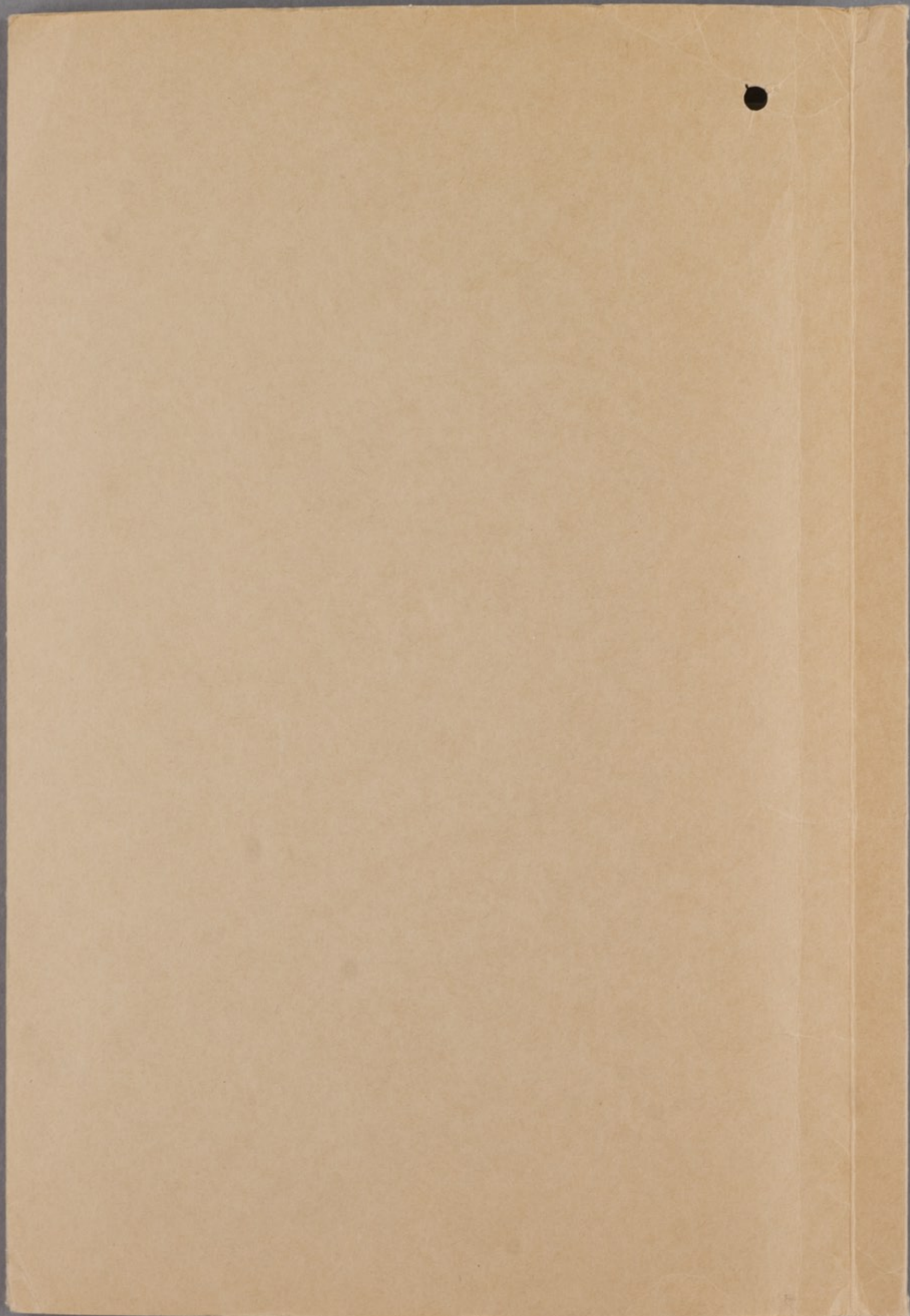
Correspondence from Sir Francis Sandilands,
Chairman of Committee on Invisible exports
concerning presentation of the Invisible Account.

ECONOMIC POLICY

September 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
8-10-79							
12-10-79							
15-10-79							
16.10.79							
18.10.79							
26.10.79							

PREM 19/36



ESON R31
Policy
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THE CHAIRMAN:
Sir Francis Sandilands, C.B.E.



26th October, 1979

The Rt.Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, S.W.1.

Prime Minister

ms. 12 31/10

Dear Prime Minister

In my absence abroad Mr. Clarke acknowledged your letter of the 15th October.

Now that I am back I did want to thank you for the personal interest you have taken in the form of presentation of the 'invisibles' figures in the official press release.

I have also heard from the Director of the Central Statistical Office and I am now pursuing with him the details of the future presentation.

Yours sincerely

Francis Sandilands.

I really am immensely grateful to you.

CF
Economic
Pol.

THE DIRECTOR-GENERAL



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18th October 1979

R19/10

The Rt. Hon. Mrs. Margaret Thatcher,
Prime Minister,
10 Downing Street
LONDON S.W. 1

Prime Minister

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19/10

Dear Prime Minister,

In the absence of our Chairman in the United States, I am writing to acknowledge your encouraging letter of 15th October concerning the presentation of the invisible figures.

I know that he will be pleased with your personal interest in our problem, and will await the promised letter from the Director of the Central Statistical Office explaining what may be possible in improving the monthly press notice.

Yours sincerely,

William Clarke

W.M Clarke
Deputy Chairman

Econ Pd.



10 DOWNING STREET

~~CF~~ : PM's letter to Sandilands.

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Sandilands' opinion of the

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cc: HMT
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10 DOWNING STREET

THE PRIME MINISTER

15 October 1979

Jean Pi Francis

Thank you for your letter of 3 October about the presentations of invisibles in the balance of payments.

I entirely agree with you that the achievements of the City should not be masked by an increasing deficit in other parts of the invisible account. The split of invisibles as between the private sector and the Government is of course given in the Central Statistical Office's quarterly Press Notice on the balance of payments, and in Table 3 of the monthly notice on visible trade. I understand from the more detailed letter which you have sent to John Nott that you are mainly concerned that the split should be given more prominence in the monthly notice.

There are difficulties in achieving this because the data on ⁱⁿvisible trade are of course not collected on a monthly basis. The Director of the Central Statistical Office, who will be replying to your letter to John Nott, will explain these problems further. But the text of the

/ monthly

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monthly notice will in future contain an early reference to the composition of the invisible trade balance, and I hope that this will help to remind commentators and others that private sector invisibles are continuing to make a positive contribution to our balance of payments.

Yours sincerely
Rogant Fisher

Sir Francis Sandilands, C.B.E.



10 DOWNING STREET

From the Private Secretary

MR. BOREHAM
CENTRAL STATISTICAL OFFICE

Committee on Invisible Exports

Thank you for your minute of 10 October with your advice on how the Prime Minister should respond to Sir Francis Sandilands' letter of 3 October.

The Prime Minister has now written to Sir Francis as per the enclosed letter of today's date. This letter follows your advice, but is a little more positive than the draft which you provided in that it tells Sir Francis that the monthly press notice on visibles will include an early reference to the composition of the invisible account. I discussed the redraft with Mr. Wells, who told me he was generally content.

The way is now open for you to write to Sir Francis in response to his letter to the Secretary of State for Trade. The Prime Minister has no objection to your writing on the lines of the draft attached to your minute.

I am sending copies of this minute to Tony Battishill (HM Treasury) and Stuart Hampson (Department of Trade).

T. P. LANKESTER

15 October 1979

TGR

PRIME MINISTER

Committee on Invisible Exports

You said that you would like to reply to this letter from the Chairman of the Committee on Invisible Exports. The letter argues that more prominence should be given to private sector invisibles in presentations of the balance of payments - because private invisibles are continuing in surplus while the overall ^{invisible} position is now only just about in balance.

Sir Francis Sandilands has written to the Chancellor and to Mr. Nott and to the Bank of England about this. The Central Statistical Office are responsible for the presentation of the statistics, and the Director's advice on this matter is at Flag A. (Mr. Nott has asked him to reply to the more detailed letter which Sir Francis sent him.)

It seems that the Committee are mainly concerned that the monthly Press Notice on visible trade should bring out more clearly the composition of the invisible balance. But this isn't easy since monthly data on invisibles are not collected - they are collected quarterly, and simply shown in the monthly Press Notice as a reminder. The CSO include projections for total invisibles in order to provide an estimate of the current account balance (as opposed to the visible balance); they are not prepared to make projections for private and Government invisibles separately. However, they are willing to include a reference to the broad composition of the invisible balance early on in the text of the Press Notice.

I attach a draft letter for you to send. (This is my draft, though I have cleared it with the CSO. The CSO draft was totally bland and negative.)

12 October, 1979.

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MR T LANKESTER
10 Downing Street

cc P/S Chancellor of the Exchequer (without press notices)
P/S Secretary of State for Trade (" " ")

COMMITTEE ON INVISIBLE EXPORTS

1. Your request of 8 October to Stuart Hampson for a draft reply to Sir Francis Sandilands letter of 3 October has been passed to me as the CSO is responsible for compiling the invisible trade statistics.
2. Sir Francis' letter to the Prime Minister was vaguely worded but the letters sent to other Ministers and to me indicate that his concern is with the presentation of invisible trade data in the monthly press notice on visible trade. The recent move of the invisibles account from a surplus into balance has prompted this renewed interest in changing the presentation of the invisible trade balance. The deterioration in this balance is attributable mainly to increased profits accruing to foreign oil companies operating in the UK and higher transfer payments to the EEC.
3. The following points are however relevant to the publication of further data on invisible trade:
 - (i) the main vehicle for the publication of short term balance of payments statistics is the quarterly press notice published by the CSO. This contains the detail being sought by Sir Francis and its presentation reflects many suggestions from his Committee in the past.
 - (ii) no monthly data are collected on invisible trade.
 - (iii) the purpose of the monthly press notice is to present the latest data on visible trade and projections for invisibles are included, in the absence of any firm information, to give an estimate of the whole current balance.
 - (iv) Table 3 of the monthly press notice does contain an analysis of the most recent data available on invisibles and, in showing separately private sector and public corporations, identifies the positive balance of this sector.

** I have checked it.*

I enclose a (draft reply) for the Prime Minister to send to Sir Francis and a copy of the reply I propose to send to the more detailed points raised in the other correspondence. Copies of the relevant press notices are also enclosed.

A J BOREHAM

10 October 1979

PS I am also enclosing a copy of Sir Francis' letter to John Nott



11 OCT 1988
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DRAFT LETTER FROM MR BOREHAM TO SIR FRANCIS SANDILANDS

I am replying simultaneously to your letters of 20 September to the Chancellor of the Exchequer, the Secretary of State for Trade and William Clarke's letter of 26 September to me.

It really is important to remember that the purpose of the monthly press notice is to release the latest figures on visible trade. That is all that is new; everything else is merely background. We include a projection of the balance on invisibles only to arrive at an estimate of the whole current balance.

The position has not changed. There is no new information on invisibles available at the time the monthly press notice is prepared; it adds nothing, except the projection, to what has already been released in the quarterly press notice. Furthermore, since last year, to meet suggestions made by you, the earnings on invisibles by the private sector and public corporations have been included in Table 3 of the monthly press notice.

In your letter to the Secretary of State for Trade you made five specific proposals. The first and third repeated an earlier suggestion that the monthly invisibles projection should be split to distinguish the public and private sectors. As we collect no monthly figures on invisible trade the monthly projection is based on terribly little information - certainly not enough to give validity to any subdivision of it - and I cannot agree to these proposals.

Your main concern is however to convey the message that the private sector still achieves a comfortable surplus and I think that this can be met by adopting your second proposal and including a reference to the composition of the invisible trade balance early on in the text. We shall introduce this change in the next issue of the monthly press notice.

I do not see merit in either of your remaining proposals, which concern changing the presentation of Tables 1 and 3. I regard it as a particularly useful function of Table 1 to show on the front page, beside the figures of exports and imports, the importance of invisibles in the current account. I would remind you that this presentation was adopted partly to meet your earlier requests that these totals should be given more prominence.

Table 3 seems to me to present the most useful of the many possible analyses that could be made of the detailed figures for the earlier quarters. The items you are suggesting can in any case be deduced from the existing table, which was introduced last year after careful consideration of your earlier comments and is intended as an extension of Table 1. It does of course contain a longer run of figures than it is possible to incorporate in the table on the front page of the press notice. There would seem to me little to be gained and a risk of losing some coherence if the table were to be re-arranged as you suggest.

I hope you will agree that your major objective will be achieved when the commentary in the next issue draws attention to the continuing positive balance in the private sector's invisible trade. The changes to the press notice made over recent years have given more prominence to the role of invisibles - perhaps too much given the absence of monthly data. There seems little scope left for any further useful changes in the handling of invisibles in the monthly press notice on visible trade.

DRAFT LETTER FROM THE PRIME MINISTER TO SIR FRANCIS SANDILANDS

You wrote to me on 3 October about the importance of emphasising the continuing major contribution being made by the private sector to the balance of payments account. There is a problem in presenting this now that we have moved from surplus into balance on the invisible account. The information is spelt out fully in the quarterly press notice issued by the Central Statistical Office but your concern is that the monthly press notice on visible trade should include more information on invisibles.

It is right that the achievements of the City in the field of invisible exports should not be masked by an increasing deficit in other parts of the invisible account. John Boreham, the Director of the Central Statistical Office, will be responding to the detailed points that you made in your letter to John Nott.

Thank you for your letter of 3 Oct
about ^{the} presentation of the invisibles ~~figures~~
in the balance of payments.

I understand that you have
also written to ~~George~~ John
Nott, and John Boreham, ~~is~~ the
Director of the Central Statistical Office,
with his response.



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Econ post

10 DOWNING STREET

From the Private Secretary

BF 16-10-79

8 October 1979

The Prime Minister has received the enclosed letter from the Chairman of the Committee of Invisible Exports, who - I understand - has written in similar terms to your Secretary of State and to the Chancellor. The Prime Minister would like to reply to this letter herself, and I would be grateful for a draft which you will no doubt prepare in consultation with the Treasury and the CSO. Her own view is that the Committee's request that the invisible account should be presented so as to separate Government flows from private flows is a reasonable one.

I am sending copies of this letter and enclosure to Martin Hall (HM Treasury) and to John Boreham (Central Statistical Office).

T. P. LANKESTER

Stuart Hampson, Esq.,
Department of Trade.

JS

PRIME MINISTER

This letter from the Chairman of the Committee on Invisible Exports concerns the presentation of the invisible account. They want private invisibles to be shown separately from invisibles on Government account - because they fear that the total invisible account will move into deficit because of rising Government payments abroad. On the face of it, their request seems reasonable - except that we may not want to draw too much attention to the Government side.

Do you wish to reply? Or shall we ask Mr Nott?

The point is reasonable.
The multi sector is carrying π .
- the point is doing the reading.

3 October 1979

(with reply) *AK*



10 DOWNING STREET

From the Private Secretary

3 October 1979

I am writing to acknowledge your letter of 3 October concerning the presentation of the invisible account. I have placed this before the Prime Minister, and a further reply will be sent to you as soon as possible.

J. P. LANKESTER

Sir Francis Sandilands, C.B.E.

TR

THE CHAIRMAN:
Sir Francis Sandilands, C.B.E.



3rd October, 1979

The Rt.Hon. Margaret Thatcher, M.P.
Prime Minister.
10, Downing Street,
London, S.W. 1.

Dear Prime Minister

As you will know the net invisible account, as at present defined, has recently produced a zero balance for the first time since 1947. The Committee on Invisible Exports, of which we are all members, believes that there is a possibility that in some months or quarters of the next eighteen months the net invisible account, rolling together both the surplus on the private account and the deficit on the Government account, may actually show a deficit.

In these circumstances we believe that it is essential for all Government analyses, statements and estimates to avoid the use of this combined net figure where possible or, where this is not appropriate, for the two main constituents (private and Government) of the net figure always to be quoted, in addition.

We say this because the zero result in the second quarter was made up of a deficit on Government account of £841 million and a surplus of a similar amount from the private sector and public corporations. Therefore to emphasise the net figure is simply misleading. Moreover, such an emphasis on the net invisible figure is not fair to the efforts made by invisible exporters. In the first half of this year private invisible earnings, including public corporations, are estimated to have produced a surplus, after overseas payments, in excess of £2,000 million.

We have a further anxiety. The emphasis on the net figure - especially in circumstances where this is moving into possible deficit - will leave a dangerous impression in the foreign exchange and other money markets, here and abroad, that Britain is now becoming less efficient than it really is in the invisible area.

contd.

We have already written separately to the principal ministries and departments concerned with the publication and the analysis of the invisible statistics, including the Treasury, Department of Trade, Bank of England, Central Statistical Office and the British Overseas Trade Board, and have made detailed proposals. We feel, however, that the presentation of the invisible statistics, in the light of the new circumstances we have outlined, has become an important national issue and for this reason we are seeking your personal interest and support in our efforts to persuade the appropriate ministries to amend their present approach to what we believe should be a simple presentation problem.

Yours sincerely,

Francis Lundland

Chairman - Committee on Invisible Exports

Frank King

Chairman - Accepting Houses Committee

John J. L. Clement

Secretary - The Association of Consulting Engineers

D. Donaldson

Chairman - The Baltic Exchange

W. Kap

Chairman - British Export Houses Association

Brian R. Eggleley

Chairman - The British Federation of Commodity Associations

Geoffrey Farnham

Chairman - British Insurance Association

David Perkins

Chairman - The British Insurance Brokers' Association

R. C. G. G. G. G.

Chairman - British Overseas & Commonwealth Banks Association

L. P. P. P.

Director General - British Tourist Authority

contd.

Ros Sauter
Aunty J. Sauter

Chairman - British Airways Board

Chairman - The Committee of London Clearing Bankers

Jarid Kopner

President - General Council of British Shipping

Andrew Day

Chairman - Lloyd's

Nicholas Goodison

Chairman - The Stock Exchange

List of Names of Signatories

The Hon. John Baring	Chairman, Accepting Houses Committee
Major-General P.J.M. Pellereau	Secretary, The Association of Consulting Engineers
Mr. D.R. Donaldson	Chairman, The Baltic Exchange
Mr. A.J. Ponte	Chairman, British Export Houses Association
Mr. B.R. Edgeley	Chairman, The British Federation of Commodity Associations
Mr. G. Bowler	Chairman, British Insurance Association
Mr. F. Perkins	Chairman, The British Insurance Brokers' Association
Mr. R.C. Wheeler-Bennett	Chairman, British Overseas & Commonwealth Banks Association
Mr. L.J. Lickorish	Director General, British Tourist Authority
Mr. J.R. Stainton	Chairman, British Airways Board
The Rt.Hon. Lord Armstrong of Sanderstead, GCB, MVO.	Chairman, The Committee of London Clearing Bankers
Mr. W.G.D. Ropner	President, General Council of British Shipping
Mr. I.H.F. Findlay	Chairman, Lloyd's
Mr. N.P. Goodison	Chairman, The Stock Exchange

THE CHAIRMAN:
Sir Francis Sandilands, C.B.E.



20th September, 1979

The Rt.Hon. Sir Geoffrey Howe, QC, MP,
Chancellor of the Exchequer,
Treasury Chambers,
Parliament Street,
London, SW1P 3AG.

Dear Geoffrey

We spoke last night about the demoralizing effect of the use of a single figure for invisible earnings, combining the positive balance of the private sector with the government deficit; and I believe I mentioned the analysis of the invisible account in the Treasury's September Economic Progress Report.

Throughout the analysis on pages 7 and 8, including the table on page 8, attention is devoted to the net invisible figure which declined between the first and second quarters. This net figure is made up of two quite different items: a surplus from the private sector (plus public corporations) and a deficit from Government transactions. Nowhere in the paragraphs concerned is this point made or emphasised and nowhere is any reference made to Government transactions, even the huge deficit on EEC account, which you yourself have recently been stressing in Brussels.

Moreover, in the table, while visible exports and visible imports are given separate lines, the whole of the invisible sector is given one line and shown net (i.e. once again rolling together a private sector surplus and a Government deficit).

I would like to repeat what was said yesterday evening about why we object to this so strongly:-

1. It is simply misleading to emphasise the net figures, mixing together like with unlike. The absence of any reference in the comment to the Government sector is equally misleading.

Contd./

2. Such an analysis is not fair to the efforts made by invisible exporters whose record, in contrast to the analysis and figures given in the Economic Progress Report is an enviable one. Private invisible trading was in substantial surplus in the second quarter.
3. The emphasis on the net figure both in the Treasury's analysis and in the monthly trade release leaves a dangerous impression in the foreign exchange and other money markets, here and abroad, that Britain is now becoming less efficient than it really is in the invisibles area.

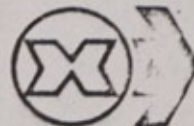
My Committee hopes that you will be able to emphasise these points in all future Treasury publications, and that, wherever possible, stress will be put on the continuing surplus of the private sector.

I am also writing today in similar vein to John Nott about the form in which the invisible figures are presented in the official Monthly and Quarterly Department of Trade Press Notices; copy of my letter is enclosed.

Lawson
Francis
→

COMMITTEE ON INVISIBLE EXPORTS
7th Floor
The Stock Exchange
EC2N 1HH
Telephone 01-628 3161

THE CHAIRMAN:
Sir Francis Sandilands, C.B.E.



20th September, 1979

The Rt.Hon. John Nott, MP,
Secretary of State for Trade,
Department of Trade,
1 Victoria Street,
London, SW1H 0ET.

Mr Mansell	ESS	COPIES TO
(AND		PS(MoSt)
PROPRIATE)		PS(Secretary)
PLEASE BY:		Mr Garner
25.9.79.		Mr Wilks
		Mr Duckin
		ESS
		Mr Jarline
		ESS
		S of S

Dear John

As you know we have been concerned for some time about the presentation and analysis of invisibles in official press releases and publications. I had some correspondence with your predecessor last year which, while leading to certain improvements, still left certain difficulties.

These remaining difficulties, which primarily concern the presentation of the monthly invisible balance, have taken on greater significance and, in our view, give rise to greater potential danger now that the net invisibles position, as at present defined, has moved into zero balance.

Our anxiety is a simple one. In the new circumstances, where net invisible transactions have dropped to zero, there is now a grave danger that the private sector earnings will be assumed to have vanished too. Moreover, the Committee believes that, on certain assumptions, the net position could easily move into deficit over the next year or two.

We believe it to be essential, therefore, to avoid the use of net figures, where possible, for the following reasons:-

1. The use of net figures (combining private sector and Government transactions) is simply misleading, rolling together like with unlike.
2. It is extremely discouraging for invisible exporters whose record is still an enviable one (gross earnings were £9,000 million in the first half year, up 11% over 1978).

Contd./

3. It is potentially dangerous in the foreign exchange and money markets, at home and abroad, where an impression that Britain is now losing its edge in a field where it has previously been efficient could easily begin to spread.

Could we, therefore, ask you to consider the following proposals with some urgency:-

1. Examine once again the possibility of splitting the net monthly invisibles projection into its two main constituents, a private sector net surplus and a public sector deficit.
2. If this statistical split is, in the opinion of your advisers, still difficult to achieve, consider using the phrase "made up of a deficit arising from Government transactions and a surplus from the private sector plus public corporations", immediately following the first sentence on page 1 of the press release where it normally refers to the net monthly invisible balance. It really is important to get this on to the first page because journalists seldom seem to look further than this.
3. Consider inserting, again on page 1, and possibly as a footnote to the proposed new wording suggested above, a rough estimate of the monthly net contribution of the private sector and public corporations even if this has to be simply a monthly average of the previous quarter.
4. Change the invisible columns in the present table on page 1 to cover three items: (a) net invisible balance (b) private sector plus public corporations (c) Government transactions. In the new circumstances I have outlined, the present split into credits and debits no longer helps to explain the true trade position. We believe it now confuses the issue further.
5. In the pages which follow, we would suggest that the analysis of invisibles might be shown in the following order: (a) gross private invisible earnings (b) gross private invisible payments (c) Government transactions (d) the net invisible balance, combining (a) - (c) in order to relate the previous trends to the balance of payments.

Contd./

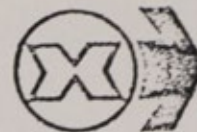
I hope that you will not feel that we are exaggerating the importance of this issue. As recent discussions at our meetings have shown, individual associations have shown a growing concern at the way in which invisibles are now presented. They feel discouraged and the morale of their members is suffering.

I am sending a copy of this letter to the Chancellor who came to dinner with me and our Committee last night, when the problem was raised by several of our members who were present.

Yours ever

Francis

THE CHAIRMAN:
Sir Francis Sandilands, C.B.E.



20th September, 1979

The Rt.Hon. John Nott, MP,
Secretary of State for Trade,
Department of Trade,
1 Victoria Street,
London, SW1H 0ET.

As you know we have been concerned for some time about the presentation and analysis of invisibles in official press releases and publications. I had some correspondence with your predecessor last year which, while leading to certain improvements, still left certain difficulties.

These remaining difficulties, which primarily concern the presentation of the monthly invisible balance, have taken on greater significance and, in our view, give rise to greater potential danger now that the net invisibles position, as at present defined, has moved into zero balance.

Our anxiety is a simple one. In the new circumstances, where net invisible transactions have dropped to zero, there is now a grave danger that the private sector earnings will be assumed to have vanished too. Moreover, the Committee believes that, on certain assumptions, the net position could easily move into deficit over the next year or two.

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Contd./

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5. In the pages which follow, we would suggest that the analysis of invisibles might be shown in the following order: (a) gross private invisible earnings (b) gross private invisible payments (c) Government transactions (d) the net invisible balance, combining (a) - (c) in order to relate the previous trends to the balance of payments.

Contd./

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I am sending a copy of this letter to the Chancellor who came to dinner with me and our Committee last night, when the problem was raised by several of our members who were present.

FRANCIS SANDILANDS



DEPARTMENT OF TRADE

Press notice issued jointly with the Central Statistical Office

Press enquiries: Overseas Trade 01-215 5995/5997/5678

Invisibles 01-233 7489

Balance of Payments and Economy 01-233 3415

Non-Press enquiries: 01-215 3385/5703

Ref: 370

18 September 1979

The current account of the United Kingdom balance of payments

August 1979

Introduction

This Press Notice follows the modified presentation adopted last month (see Note 1).

As in last month's Press Notice, figures of total exports and imports on a balance of payments basis for 1979 have been adjusted, where necessary, to compensate, as far as possible, for the distortions to the flow of information to HM Customs Statistical Office caused by industrial disputes (see Note 2). The figures reflect the best estimates of the flow of goods through the ports appropriate to each month.

No adjustments have been made in respect of the distortions arising from the road haulage dispute, which affected the flow of goods through the ports in the first half of the year (see Note 3).

The following table presents the figures:

TABLE 1

CURRENT ACCOUNT

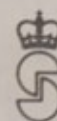
£ billion, seasonally adjusted

	Current Balance*	Visible Trade*			Invisibles		
		Visible Balance	Exports f.o.b.	Imports f.o.b.	Balance	Credits	Debits
1977	+0.3	-1.7	32.1	33.9	+2.0	16.4	14.4
1978	+1.0	-1.2	35.4	36.6	+2.2	18.3	16.1
1978 Q1	-0.3	-0.6	8.4	9.0	+0.3	4.3	3.9
Q2	+0.4	-0.2	8.7	8.9	+0.5	4.5	3.9
Q3	+0.3	-0.4	9.1	9.4	+0.7	4.7	4.1
Q4	+0.6	0.0	9.2	9.3	+0.7	4.8	4.2
1979 Q1	-1.2	-1.6	8.4	10.0	+0.4	4.8	4.4
Q2	-1.1	-1.1	10.5	11.6	0.0	5.0	5.0
1979 Jan	0.0	-0.1	2.8	2.9	+0.1b	Monthly figures of credits and debits are not available	
Feb	-0.6	-0.8	2.6	3.3	+0.1b		
Mar	-0.5	-0.7	3.0	3.7	+0.1b		
Apr	-0.3	-0.3	3.6	3.9	0.0b		
May	-0.4	-0.4	3.5	3.9	0.0b		
June	-0.3	-0.3	3.4	3.8	0.0b		
July	0.0a	0.0	3.6	3.6	0.0a		
Aug	-0.1a	-0.1	3.6	3.7	0.0a		
1979 Jan-Aug	-2.4	-2.8	26.1	28.9	+0.4		

a Invisibles are projections and subject to revision as information becomes available.

b One third of the appropriate calendar quarter's estimate; monthly figures of invisibles not available.

* Because of the approximate nature of adjustments to some months of 1979 (see Introduction), all figures are given to the nearest £0.1 billion (see also Note 2). Figures may not add because of rounding.



AUGUST 1979

In August, there was a deficit on current account of £0.1 billion (see Notes 1 and 2). Visible trade was in deficit by £0.1 billion, with exports valued at £3.6 billion and imports at £3.7 billion. The invisibles account is projected to be in balance.

Because of the distortions in the first half of the year arising from the road haulage dispute and, to a much smaller extent, of the approximate nature of the adjustments made for the disruption to information flow, interpretation of the monthly figures remains difficult.

Exports in August remained well above the depressed average monthly level in the first half of the year, while imports were a little above an already high level.

The remainder of the commentary in this Press Notice relates mainly to the first eight months of the year, over which time the impact of the various distortions can be better assessed.

JANUARY TO AUGUST 1979

Current account and visible balance

In the first eight months of 1979, there was a deficit on current account of £2.4 billion (£0.3 billion a month), a deficit on visible trade of £2.8 billion being partly offset by a surplus on invisibles of £0.4 billion.

This represents a sharp deterioration from the current account surplus of £0.2 billion a month in the second half of last year, despite a reduction averaging around £0.1 billion a month in the deficit on trade in oil. The worsening overstates the underlying deterioration.

The effects of the impact of the road haulage dispute are thought to be contained mainly within the first half of this year, apart from any permanent loss of exports. However, within this period the monthly pattern of trade, particularly exports, has been markedly affected by the impact of the dispute. This has resulted in the published figures of the visible balance showing a marked improvement between the first two quarters as, primarily, goods which should have been exported in the first quarter were held up for subsequent shipment.

Exports

Exports in the first eight months of 1979 were valued at £26.1 billion (£3.3 billion a month). The average monthly level was 7 per cent higher than in the second half of last year, but volume was unchanged.

The level of exports in 1979 has been adversely influenced by difficulties in the Iranian and Nigerian markets, with shipments down, on average, by around £100 million a month; there has, however, been some recovery in these markets in recent months. In addition there may have been some permanent loss of exports, reflecting cancelled orders, as a result of the road haulage dispute.

With exports to the oil exporting countries being depressed by the difficulties in Iran and Nigeria, and with little growth in exports to the other developing countries, most of the increase in value in the first eight months of this year, compared with the second half of last year, has taken place in deliveries to the developed world and especially to the EEC. Between the same two periods, the volume of exports fell slightly for all the major commodity groups, except fuels, where there was an increase of 16 per cent.

Imports

Imports in the first eight months of the year were valued at £28.9 billion (£3.6 billion a month). The average monthly level was 16 per cent above that of the second half of last year, mainly the result of increased volume. Major contributions to this sharp rise have come from road vehicles and semi-manufactures (excluding precious stones). In contrast, the volume of imports of fuels fell, but this was more than offset by higher prices.

Terms of trade

In the first eight months of 1979, the export unit value index rose by $6\frac{1}{2}$ per cent from its level in the second half of last year, reflecting increases which were widely spread amongst the major commodity groups; the largest rise was in fuels. On this same comparison, the import unit value index was 5 per cent higher, again with the largest increase in fuels, but with little change in finished manufactures. As a result of these movements, the terms of trade index rose by $1\frac{1}{2}$ per cent.

Invisibles

The surplus on invisibles in the first eight months of this year is projected at over £0.4 billion. In the second quarter, with credits and debits both put at £5.0 billion the invisibles account is now estimated to be in balance. Invisibles of the private sector and public corporations, excluding transfers, were in surplus by £0.9 billion in the second quarter (a monthly average of £0.3 billion). The invisibles account for the third quarter is projected to be in balance.

Detailed analysis

Full interpretation of the monthly movements in trade by area and commodity is particularly difficult, since it is not yet possible to allocate the estimated distortions to total trade arising from the disruption to the flow of information to this degree of detail (see Note 1). As with recent Press Notices, the usual commentary on the three months' comparison is therefore being excluded. The related percentage changes have also been omitted from the tables.

NOTES TO EDITORS

1 PRESENTATION OF THE FIGURES

The format of the Press Notice is the same as for the July figures. Thus, the aggregate export and import figures, on a balance of payments basis, include certain adjustments to compensate, as far as possible, for the disruption in the flow of information to Customs Statistical Office (see Note 2). The adjusted figures thus reflect the best estimates of the flow of goods through the ports appropriate to each month, that is, consistent with the usual method of recording - see Note 2. The figures affected are those for value in Table 1 and for volume in Table 4; the relevant months are indicated at the end of Note 2. The figures will be subject to revision in future months.

No adjustments have been made in respect of distortions arising from the road haulage dispute (see Note 3). Because of the approximate nature of the adjustments, the value figures are given to the nearest £0.1 billion as, for presentational convenience, are all the Table 1 figures. Figures prior to 1979, in £ million, are contained in Tables 3 and 18. The volume index numbers of Table 4, which have been adjusted as appropriate, are given to the nearest whole number for 1979.

It has not been possible to make corresponding adjustments to the detailed commodity and area series on an overseas trade statistics basis. As a result an estimated £750 million of imports so far this year have not been included in the detailed figures (see Note 2). Elsewhere in the Press Notice, Table 3, on invisibles, and Table 6, on trade in oil, are largely unaffected by the distortions. The usual Table 2 has been incorporated in an expanded Table 1. Table 5, showing the balance of trade in oil and in other goods, has been omitted. Table 7, giving value and volume of exports and imports excluding the more erratic items, has also been excluded since adjustments for the distortions cannot yet be made for other than total exports and imports. The numbering of the Tables has been kept consistent with the usual Press Notices, and is in line with the description in the standard notes (see Note 4).

2 DISTORTIONS TO FIGURES ARISING FROM IRREGULAR FLOW OF INFORMATION TO CUSTOMS STATISTICAL OFFICE

Industrial action earlier in the year by HM Customs staff and more recently by National Data Processing Service (NDPS) computer staff has affected the flow of information to the Customs Statistical Office from which the monthly trade figures are compiled. Figures for each of the five months March to July have been affected. The impact has been greater on imports than exports. As mentioned in the text and Note 1, certain adjustments have been made to the totals of exports and imports, on a balance of payments basis, to allow for this distortion. The figures on an overseas trade statistics basis for these months remain distorted.

The import figures in the trade statistics are based on information provided to the Statistical Office from the various ports, both sea and air; they relate closely to goods shipped during the calendar month. The information takes the form of statistical documents or computer input. The industrial action led to delay in the transmission of some of this material including, in particular, computerised details of imports arriving at London Airports. The delay has meant that the published overseas trade statistics (Tables 8 to 17) include some carry-over of trade from one month to the next. There is, however, no carry-over from either July or August.

The dispute has markedly influenced the pattern of trade over the first six months of the year. However, because of differences between the ways in which imports and exports are recorded, the effects have not been uniform on both flows of trade. The import statistics relate closely to goods shipped during the month. Certain categories of goods were unaffected and the figures also included those goods unloaded from ships but which remained on the dockside. The shortfall in January resulting from the dispute was not therefore as great as might have been expected. On the basis of evidence relating to goods moving through the ports in January and February and the experience of previous disputes, it is expected that for imports the period January-May encompassed the whole of the impact of the dispute, and that the overall level of imports was not much affected.

For exports, recovery is likely to have taken longer, but most of it is thought to have been contained in the first half of the year. This reflects partly the method of recording, described in Note 1, and partly the situation at the ports when the dispute ended which necessitated clearance of some of the backlog of imports before exports could begin to move. This led to reduced figures for January and February, with recovery spread over the four subsequent months. It is not possible to quantify the size of the rebound; in particular, there may be some loss of exports if overseas customers have turned to alternative sources of supply.

4 REVISIONS

Figures on a balance of payments basis up to and including 1978 have been revised since the Press Notice on the July figures. They are consistent with the annual figures published on Monday 3 September in the "Pink Book", United Kingdom Balance of Payments, 1979 Edition. Quarterly balance of payments figures were released by the Central Statistical Office on Thursday 6 September in the Press Notice for the second quarter.

The main changes since the July Press Notice are an increase in the surplus on invisibles for 1978, from £1.6 billion to £2.2 billion and a reduction from the projection of a surplus of £0.3 billion for the second quarter to a position of balance.

As a result of the changes, the surplus on current account for 1978 is now estimated at £1.0 billion, while the deficit for the first half of 1979 is put at £2.3 billion.

The invisibles account for the third quarter is now projected to be in balance.

5 STANDARD NOTES

The standard notes on definitions and coverage of the figures are no longer included in the monthly Press Notice. These notes were issued on 14 February and were also reproduced in "Trade and Industry" on 23 February. Copies of these notes can also be obtained from the Economics and Statistics Division 5A, Room 255, Departments of Industry and Trade, 1 Victoria Street, London SW1H 0ET, Telephone 01-215-5703.

For exports, the figures relate to information provided to the Statistical Office by exporters, agents, etc. There is, on average, a delay of about two weeks between shipment and recording; thus, normally, the figures for a given month reflect, broadly, goods shipped over the previous mid-month to mid-month period. There was some carry-over of trade from both April and May into June, mainly reflecting delays in receipt of information from London Airports. Neither July or August was affected.

It is extremely difficult to estimate the size of the distortion to the figures arising as a result of the delays. However, an analysis of the pattern of the flow of information has provided some very broad orders of magnitude of the likely total impact. The following table gives estimates for the relevant months (there is no effect on the August figures) in terms of the net amount which has been added to (+) or subtracted from (-) the computed balance of payments figures to allow for the irregular flow of information.

	£ million		
	Exports	Imports	Visible balance
March	-	+ 400	- 400
April	+ 300	+ 250	+ 50
May	+ 50	+ 300	- 250
June	- 350	- 50	- 300
July	-	- 150	+ 150

Note: The margin of error in these figures is likely to be of the order of 10-15 per cent. Thus, 350 is the central point in a range estimated at 300-400.

Although there is no carry-over from July into subsequent months, there is an estimated £150 million in the July OTS import figures which is appropriate to June.

The NDPS dispute has now ended and Customs Statistical Office will publish, later this year, a detailed analysis of the import backlog covering the first six months of the year combined, together with revised cumulative figures for this period. This will not include the estimated £150 million carry-over from June to July, which cannot be separately identified, nor will monthly figures be available in the full detail. It is proposed, however, to construct such estimates at least for the level published in the Press Notice.

No adjustments have been made in respect of the distortions arising from the road haulage dispute which affected the flow of goods through the ports in the first half of the year.

3 THE ROAD HAULAGE DISPUTE

The road haulage dispute began, unofficially, on 3 January; it was made official on 11 January. Its impact became progressively stronger through the month, although certain trade was largely unaffected, in particular trade by air (about 20 per cent of total exports and 18 per cent of total imports), oil shipments (6 per cent and 12 per cent) and foreign roll-on/roll-off trade (roughly 7 per cent of trade). Certain other goods would also have moved, for example, those destined for export which were already at the docks before the commencement of the dispute. Towards the end of the month the situation eased.

(Incorporated in Table 1 - see note 1)

INVISIBLES

TABLE 3

£ million seasonally adjusted

	Invisibles					
	Total			of which private sector and public corporations d		
	Balance	Credits	Debits	Balance	Credits	Debits
1977	+2037	16413	14376	+ 4611	14900	10289
1978	+2207	18335	16128	+ 5278	16167	10889
1978 Q1	+ 346	4288	3942	+ 1194	3788	2594
Q2	+ 542	4480	3938	+ 1268	3955	2687
Q3	+ 666	4747	4081	+ 1475	4191	2716
Q4	+ 653	4820	4167	+ 1341	4233	2892
1979 Q1	+ 439	4795	4356	+ 1232	4262	3030
Q2	0	4986	4986	+ 889	4407	3518
1979 July	0 e	NA	NA	NA	NA	NA
Aug	0 e	NA	NA	NA	NA	NA

NA Not available

d ie excluding general government transactions and all transfers.

e Invisibles are projections and subject to revision as information becomes available.

EXPORT AND IMPORT UNIT VALUE AND VOLUME INDEX NUMBERS

TABLE 4

(Balance of payments basis)

Indices 1975 = 100

	Unit Value (Not seasonally adjusted)			Volume * (Seasonally adjusted)	
	Exports	Imports	Terms of trade ^f	Exports	Imports
1977	142.5	141.3	100.8	118.9	107.2
1978	155.1	146.4	105.9	122.9	112.6
1978 Q1	149.6	141.5	105.7	119.6	113.5
Q2	153.2	146.0	104.9	122.2	109.7
Q3	157.0	148.0	106.1	124.8	114.9
Q4	160.6	150.3	106.9	124.8	112.3
1979 Q1	165.6	153.8	107.7	110	118
Q2	169.6	157.1	108.0	134	135
1979 Jan	163.3	152.0	107.4	113	107
Feb	165.9	153.4	108.1	101	117
Mar	167.6	156.1	107.4	117	129
Apr	168.8	155.0	108.9	139	135
May	169.1	156.6	108.0	134	137
June	170.9	159.6	107.1	130	133
July	173.6	158.9	109.3	134	127
Aug	174.5	161.3	108.2	132	130

* Because of the approximate nature of adjustments to some months of 1979 (see Introduction) the volume index numbers for that year are given to the nearest whole number (see also Note 2)

f Export unit value index as a percentage of the import unit value index

BALANCE OF TRADE IN OIL AND IN OTHER GOODS (Balance of Payments basis)

TABLE 5

(Not included - see note 1)

TABLE 6

TRADE IN OIL £
(Balance of payments basis)

Seasonally adjusted

	Balance of trade in oil	Exports of oil			Imports of oil				
		Total	Crude oil ^h /SITC(REV2) 333.07	Rest of Division 33	Total	Crude oil /SITC(REV2) 333.07	Avg value per tonne £	Rest of Division 33	
	£ million f.o.b.	£ million f.o.b.	£ million f.o.b.	£ million f.o.b.	£ million f.o.b.	million tonnes	£ f.o.b.	£ million f.o.b.	
1977	- 2791	1979	915	1064	4770	68.6	53.8	1085	
1978	- 2015	2235	1240	995	4250	65.9	49.8	965	
1977	761	514	242	272	1275	18.3	54.4	275	
Q3	590	568	309	259	1158	880	54.3	278	
Q4	659	433	201	232	1092	814	53.4	278	
1978	620	480	273	207	1100	848	50.0	252	
Q1	414	550	312	238	964	742	52.0	222	
Q2	501	617	341	276	1118	884	50.1	234	
Q3	480	588	314	274	1068	811	47.6	257	
Q4	-	-	-	-	-	-	-	-	
1979	237	743	438	305	980	676	48.7	304	
Q1	210	937	635	302	1147	762	53.8	385	
Q2	-	-	-	-	-	-	-	-	
1979	62	263	176	87	325	247	47.8	78	
Jan	78	272	153	119	350	244	48.0	106	
Feb	97	208	109	99	305	185	51.1	120	
Mar	114	274	180	94	388	251	50.8	137	
Apr	54	325	234	91	379	243	54.7	136	
May	42	338	221	117	380	268	56.2	112	
June	41	355	254	101	396	272	57.7	124	
July	123	341	215	126	464	317	63.7	147	
Aug	-	-	-	-	-	-	-	-	

g Trade in petroleum and petroleum products
h Not seasonally adjusted

VALUE AND VOLUME OF EXPORTS AND IMPORTS EXCLUDING THE MORE ERRATIC ITEMS

(Balance of payments basis)

(not included - see Note 1)

Note: The figures on an Overseas Trade Statistics basis for 1979, given in Tables 8 to 17, have not yet been adjusted to compensate for the disruption to the flow of information to HM Customs Statistical Office. They are not therefore wholly consistent with the balance of payments aggregates (see Note 2).

EXPORTS BY AREA
(Overseas trade statistics basis)

TABLE 8

£ million fob
Seasonally adjusted

	Total	Developed countries					Developing countries			Centrally planned economies
		Total	EEC	Rest of W Europe	North America	Other	Total	Oil exporting countries	Other	
1977	33331	23688	12152	5606	3821	2110	8636	4374	4261	911
1978	37363	26392	14103	5710	4245	2334	9800	4767	5033	1070
1978 Q1	8881	6210	3290	1363	1012	545	2382	1180	1202	286
Q2	9107	6474	3479	1363	1050	582	2412	1223	1189	244
Q3	9545	6719	3612	1440	1080	587	2502	1200	1302	235
Q4	9830	6990	3722	1544	1104	619	2505	1165	1340	305
1979 Q1	8928	6718	3750	1465	1026	477	1953	804	1149	243
Q2	10852	8163	4459	1720	1257	727	2376	940	1436	336
1979 June	3866	2920	1566	746	368	240	791	319	472	119
July	3718	2771	1541	578	424	228	812	331	480	109
Aug	3729	2793	1505	659	412	217	838	346	493	82

EXPORTS BY COMMODITY
(Overseas trade statistics basis)

TABLE 9

£ million fob
Seasonally adjusted

	Total	Food beverages and tobacco	Basic materials	Fuels	Manufactures k									Miscellaneous
					Total	Machinery and transport equipment k				Chemicals	Metals	Textiles	Other manufactures	
						Total	Machinery	Road vehicles	other transport equipment					
SITC (REV2)	0-9	0+1	2+4	3	5-8	7	71-77	78	79	5	67-69	65	Rest of 6+8	9
1977	33331	2216	954	2092	27113	12688	8332	2872	1484	3817	2877	1193	6537	956
1978	37363	2916	1008	2375	29984	13762	9223	3070	1470	4201	3114	1238	7669	1083
1978 Q1	8881	698	221	512	7212	3321	2197	759	366	985	744	305	1820	238
Q2	9107	726	252	585	7307	3439	2262	796	381	1030	749	296	1817	268
Q3	9545	746	261	652	7603	3465	2354	766	345	1068	778	310	1944	263
Q4	9830	743	273	626	7862	3537	2410	749	378	1118	843	326	2088	315
1979 Q1	8928	624	251	773	7030	3097	2048	658	391	976	714	287	1948	252
Q2	10852	786	327	982	8479	3844	2632	867	345	1294	924	350	2085	309
1979 June	3866	264	112	354	3046	1251	852	273	126	441	288	119	927	96
July	3718	257	102	368	2869	1331	862	292	177	410	327	119	695	105
Aug	3729	268	107	357	2898	1328	892	286	150	434	292	118	689	113

h Not seasonally adjusted

k Includes North Sea production installations

EXPORTS BY COMMODITY: VOLUME INDICES
(Overseas trade statistics basis)

TABLE 10

Indices 1975 = 100
Seasonally adjusted

	Total	Food beverages and tobacco	Basic materials	Fuels	Manufactures k							
					Total	Machinery and transport equipment k 1			Chemicals	Metals	Textiles	Other manufactures
						Total	Machinery	Road vehicles				
SITC (REV 2)	0 - 9	0 + 1	2 + 4	3	5 - 8	7	71 - 77	78	5	67 - 69	65	Rest of 6 + 8
Weights	1000	71	28	41	823	417	286	92	106	92	36	172
1977	118.7	111	126	165	118	106	102	105	141	116	120	134
1978	124.0	132	134	209	120	105	101	112	155	117	117	139
1978 Q1	121.2	136	120	179	119	103	99	106	145	115	119	140
Q2	122.2	133	137	204	119	107	101	119	153	116	113	131
Q3	126.0	130	138	229	121	105	102	115	157	115	116	140
Q4	126.8	130	142	224	122	104	102	108	163	121	120	144
1979 Q1	112.1	110	122	247	107	90	85	95	138	100	103	131
Q2	133.4	136	150	277	127	111	108	122	171	127	125	143
1979 June	138.6	135	154	282	133	107	104	114	167	119	126	181
July	133.2	130	140	277	127	113	106	118	155	133	125	143
Aug	132.1	138	145	255	127	111	108	112	162	118	124	141

k Includes North Sea production installations 1 Indices for other transport equipment SITC(REV2)79 are not separately available

EXPORTS BY COMMODITY: UNIT VALUE INDICES
(Overseas trade statistics basis)

TABLE 11
Indices 1975 = 100
Not seasonally adjusted

	Total	Food beverages and tobacco	Basic materials	Fuels	Manufactures							
					Total	Machinery and transport equipment 1			Chemicals	Metals	Textiles	Other manufactures
						Total	Machinery	Road vehicles				
SITC (REV 2)	0 - 9	0 + 1	2 + 4	3	5 - 8	7	71 - 77	78	5	67 - 69	65	Rest of 6 + 8
1977	142.6	137	144	150	143	149	148	152	128	136	139	142
1978	155.4	150	140	140	157	165	165	163	130	149	148	159
1978 Q1	149.7	143	135	141	151	160	159	158	128	143	145	149
Q2	153.3	150	141	140	154	161	161	156	130	146	147	160
Q3	157.4	154	142	138	159	167	167	165	131	151	148	161
Q4	161.3	153	142	139	163	173	171	174	131	155	151	168
1979 Q1	166.1	154	153	161	168	177	175	183	137	162	156	171
Q2	170.0	157	164	197	170	178	174	190	145	165	157	170
1979 June	171.3	159	166	201	171	179	175	189	148	166	160	171
July	173.9	161	169	217	173	182	176	197	151	169	158	172
Aug	174.5	157	166	227	174	183	176	201	153	167	161	171

1 Indices for other transport equipment SITC (REV2)79 are not separately available

IMPORTS BY AREA
(Overseas trade statistics basis)

TABLE 12

£ million c.i.f.
Seasonally adjusted

	Total	Developed countries					Developing countries			Centrally planned economies
		Total	EEC	Rest of W Europe	North America	Other	Total	Oil exporting countries	Other	
1977	36978	27393	14171	5576	4948	2698	8162	3800	4362	1371
1978	40969	31752	16584	6991	5341	2834	7855	3470	4385	1300
1978 Q1	9846	7423	3880	1513	1303	729	1960	911	1049	319
Q2	10221	8147	4101	2011	1374	662	1822	791	1032	306
Q3	10475	8001	4183	1747	1305	765	2128	957	1171	314
Q4	10427	8180	4422	1720	1360	679	1944	811	1133	361
1979 Q1	10655	8312	4512	1815	1279	705	1821	703	1118	359
Q2	12035	9724	5613	2018	1401	693	2036	722	1315	367
1979 June	4137	3389	1845	884	427	234	661	232	429	92
July	4063	3208	1692	710	537	270	699	253	446	110
Aug	4145	3279	1828	663	571	217	765	278	487	114

IMPORTS BY COMMODITY
(Overseas trade statistics basis)

TABLE 13

£ million c.i.f.
Seasonally adjusted

	Total	Food beverages and tobacco	Fuels	Industrial materials				Finished manufactures k					Miscellaneous	
				Total	Basic materials	Chemicals	Other semi-manufactures	Machinery and transport equipment k				Other		
								Total	Machinery	Road vehicles	Other transport equipment ^h			
SITC (Rev 2)	0-9	0+1	3	2,4,5,6	2+4	5	6	7+8	7	71-77	78	79	8	9
1977	36978	5937	5255	13484	3670	2361	7453	11797	8783	5295	2134	1355	3015	505
1978	40969	6142	4831	14931	3422	2759	8750	14501	10681	6338	2795	1548	3820	564
1978 Q1	9846	1515	1249	3560	852	638	2070	3275	2426	1451	670	305	850	122
Q2	10221	1544	1089	3566	854	667	2045	3957	3044	1571	711	762	913	131
Q3	10475	1582	1246	3870	846	682	2342	3549	2554	1601	727	226	995	177
Q4	10427	1501	1247	3935	870	771	2294	3720	2657	1714	688	255	1063	134
1979 Q1	10655	1512	1158	3884	832	720	2332	3839	2803	1652	873	278	1036	127
Q2	12035	1744	1351	4541	1018	916	2606	4332	3225	1740	1105	380	1107	153
1979 June	4137	540	443	1691	298	283	1110	1400	1015	569	334	112	384	55
July	4063	597	447	1514	359	302	853	1464	1062	638	287	138	401	65
Aug	4145	544	531	1447	351	280	816	1514	1104	617	323	164	410	64

^h Not seasonally adjusted

^k Includes North Sea production installations

DERIVATION OF THE VISIBLE TRADE FIGURES
ON A BALANCE OF PAYMENTS BASIS

TABLE 18

£ million

	Exports				Imports				
	Recorded	Seasonally adjusted			Recorded	Seasonally adjusted			
	Overseas trade statistics basis (fob)	Overseas trade statistics basis (fob)	Valuation and coverage adjustments	Balance of payments basis * (fob)	Overseas trade statistics basis (cif)	Overseas trade statistics basis (cif)	Adjustments to BOP basis		Balance of payments basis * (fob)
						Valuation adjustments	Coverage adjustments		
1977	33331	33331	- 1183	32148	36978	36978	- 2089	- 997	33892
1978	37363	37363	- 1931	35432	40969	40969	- 2202	- 2160	36607
1977 Q2	8469	8288	- 367	7921	9762	9609	- 573	- 336	8700
Q3	8492	8803	- 272	8531	8960	9243	- 507	- 202	8534
Q4	8555	8485	- 309	8176	9044	8982	- 453	- 337	8192
1978 Q1	8756	8881	- 473	8408	9791	9846	- 523	- 319	9004
Q2	9626	9107	- 354	8753	10616	10221	- 543	- 752	8926
Q3	9051	9545	- 494	9051	9995	10475	- 582	- 475	9418
Q4	9930	9830	- 610	9220	10567	10427	- 554	- 614	9259
1979 Q1	9072	8928	- 538	8400	10837	10655	- 558	- 526	10000
Q2	11069	10852	- 361	10500	12106	12035	- 654	- 329	11600
1979 Jan	3059	3011	- 201	2800	3424	3290	- 171	- 183	2900
Feb	2536	2718	- 153	2600	3451	3680	- 193	- 156	3300
Mar	3477	3199	- 184	3000	3962	3685	- 194	- 187	3700
Apr	3321	3417	- 142	3600	3788	3963	- 222	- 139	3900
May	3749	3569	- 132	3500	4105	3935	- 220	- 93	3900
June	3999	3866	- 87	3400	4213	4137	- 212	- 97	3800
July	3753	3718	- 124	3600	4186	4063	- 224	- 65	3600
Aug	3508	3729	- 151	3600	3859	4145	- 222	- 218	3700

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*The balance of payments figures include, in addition to the valuation and coverage adjustments, certain adjustments to compensate for distortions in the recording of the figures (see Note 2). Because of the approximate nature of these adjustments, figures for 1979 are given to the nearest £100 million.

EXPORTS: VALUE AND VOLUME INDICES EXCLUDING THE MORE ERRATIC ITEMS

TABLE 16

(OVERSEAS TRADE STATISTICS BASIS)

Seasonally adjusted

	Total ^j		Manufactures					
			Total ^j		Machinery and transport equipment ^m		other manufactures ⁿ	
	Value £ million	Volume Index 1975 = 100	Value £ million	Volume Index 1975 = 100	Value £ million	Volume Index 1975 = 100	Value £ million	Volume Index 1975 = 100
Weights		921		744		379		131
1977	29923	116.3	23705	115	11241	102	4576	128
1978	33460	123.1	26082	118	12371	104	5158	133
1978 Q1	7972	119.6	6304	117	2968	101	1265	135
Q2	8095	120.8	6296	116	3072	106	1173	122
Q3	8644	126.1	6702	121	3145	105	1363	138
Q4	8748	125.7	6780	120	3186	104	1357	137
1979 Q1	7855	109.8	5956	103	2730	88	1241	121
Q2	9885	134.0	7512	127	3533	113	1429	138
1979 June	3277	131.0	2457	124	1138	108	452	131
July	3390	133.2	2541	126	1165	109	533	151
Aug	3418	132.2	2537	127	1187	109	518	144

j Excluding ships, North Sea production installations, aircraft and precious stones.

m Excluding ships, North Sea production installations and aircraft

n Excluding precious stones

IMPORTS: VALUE AND VOLUME INDICES EXCLUDING THE MORE ERRATIC ITEMS

TABLE 17

(OVERSEAS TRADE STATISTICS BASIS)

Seasonally adjusted

	Total ^j		Industrial Materials				Finished manufactures			
			Total ⁿ		Other semi-manufactures ⁿ		Total ^m		Machinery and transport equipment ^m	
	Value £ million	Volume Index 1975=100	Value £ million	Volume Index 1975=100	Value £ million	Volume Index 1975=100	Value £ million	Volume Index 1975=100	Value £ million	Volume Index 1975=100
Weights		932		306		158		250		174
1977	33851	107.3	11693	114	5662	109	10461	123	7446	126
1978	37105	115.6	12587	126	6406	121	12982	141	9162	142
1978 Q1	9019	115.1	3030	123	1540	120	2979	135	2129	138
Q2	8980	111.5	3081	124	1559	118	3200	139	2288	142
Q3	9576	118.6	3191	127	1663	125	3329	144	2334	144
Q4	9531	117.3	3285	130	1644	121	3474	147	2411	146
1979 Q1	9705	116.3	3205	125	1654	118	3568	148	2532	150
Q2	11080	130.7	3963	150	2028	142	3955	168	2848	173
1979 June	3569	127.0	1235	142	653	134	1289	167	904	168
July	3753	133.3	1341	151	680	143	1327	176	926	179
Aug	3809	134.5	1274	145	643	135	1351	178	941	183

j Excluding ships, North Sea production installations, aircraft and precious stones

m Excluding ships, North Sea production installations and aircraft

n Excluding precious stones

IMPORTS BY COMMODITY: VOLUME INDICES
(Overseas trade statistics basis)

TABLE 14

Indices 1975 = 100
Seasonally adjusted

	Total	Food beverages and tobacco	Fuels	Industrial materials				Finished manufactures k				
				Total	Basic mater- ials	Chemicals	Other semi manu- factures	Total	Machinery and transport equipment k l			Other
									Total	Machinery	Road vehicles	
SITC(REV2)	0-9	0+1	3	2,4,5,6	2+4	5	6	7+8	7	71-77	78	8
Weights	1000	177	177	341	93	55	193	283	206	137	37	76
1977	108.8	102	83	116	113	131	113	124	127	117	160	117
1978	117.2	101	81	128	116	158	125	140	141	136	165	139
1978 Q1	115.8	101	84	126	116	145	125	132	132	128	173	130
Q2	117.3	101	71	124	117	151	120	154	163	135	170	132
Q3	118.7	104	82	131	113	155	132	136	133	137	168	143
Q4	117.0	99	84	132	117	180	125	139	136	144	151	149
1979 Q1	116.7	95	76	128	107	176	124	141	141	140	187	143
Q2	130.9	111	77	148	128	209	140	164	167	154	247	158
1979 June	133.5	103	72	161	112	216	168	161	160	152	226	165
July	133.4	112	72	149	135	199	140	172	173	174	201	169
Aug	135.4	106	80	143	134	193	133	178	181	171	219	169

k Includes North Sea production installations l Indices for other transport equipment SITC (REV2) 79 are not separately available

IMPORTS BY COMMODITY: UNIT VALUE INDICES
(Overseas trade statistics basis)

TABLE 15

Indices 1975 = 100
Not seasonally adjusted

	Total	Food beverages and tobacco	Fuels	Industrial materials				Finished manufactures				
				Total	Basic mater- ials	Chemicals	Other semi manu- factures	Total	Machinery and transport equipment 1			Other
									Total	Machinery	Road vehicles	
SITC(REV2)	0-9	0+1	3	2,4,5,6	2+4	5	6	7+8	7	71-77	78	8
1977	141.1	132	148	141	145	137	140	143	144	144	155	141
1978	145.3	140	138	144	132	144	149	155	156	149	194	151
1978 Q1	140.4	137	137	137	130	140	140	148	150	145	177	142
Q2	144.9	140	141	142	131	144	147	154	155	148	190	151
Q3	146.7	141	139	145	134	144	151	157	158	150	198	154
Q4	149.0	142	137	150	134	147	158	160	161	151	209	157
1979 Q1	153.0	144	143	155	141	156	162	162	163	153	210	160
Q2	156.1	145	163	158	146	155	165	156	156	146	200	156
1979 June	158.3	147	172	159	147	155	166	156	156	146	198	155
July	157.5	147	174	157	144	158	162	154	154	144	194	156
August	159.5	145	185	157	146	159	162	156	155	144	200	159

1 Indices for other transport equipment SITC (REV2) 79 are not separately available



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CSO(79)70

6 September 1979

UNITED KINGDOM BALANCE OF PAYMENTS
IN THE SECOND QUARTER OF 1979

SUMMARY

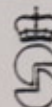
Despite a substantial current account deficit for the second quarter running, the inflows on capital account, reflecting confidence in sterling, led to a surplus of £758 million on current and capital accounts combined in the second quarter of 1979.

The current account for the first two quarters shows a total deficit of some £2½ billion after seasonal adjustment. The figures of visible trade, which incorporate rough adjustments to allow for disruptions to the flow of information on which they are based, show exports down by 2 per cent in volume compared with the second half of 1978, and imports up by 11 per cent.

The information so far available about invisibles in the second quarter of 1979 points to a balance on all transactions, following a surplus of £439 million in the first quarter. In the second quarter the £889 million surplus of the private sector and public corporations (excluding transfers) matched exactly the deficit on government transactions and private transfers. The deterioration has occurred primarily in the balance on interest, profits and dividends. Overseas oil companies' profits in the United Kingdom, already well up in the first quarter, increased by about £140 million more than the overseas profits of UK oil companies. Earnings on

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prepared by the Government Statistical Service



foreign companies' investment in other industries increased by £150 million with the higher level of economic activity generally in the second quarter following the relatively low first quarter figures which were affected by the road haulage dispute. Earnings from UK direct investment overseas fell slightly. Interest payments on government borrowing were also up. Higher net contributions to the EEC accounted for most of the increase of about £60 million in the deficit on transfers. The balance on services also fell slightly. It is possible however that these results will be modified substantially as further information is received.

In contrast with the current account, the capital account showed a large surplus of £1,761 million (including unidentified transactions) following a surplus now put at £1,926 million in the previous quarter. The net inflow into sterling deposits and Treasury bills continued as the favourable market view towards sterling prevailed during much of the quarter. Provisional estimates of private investment transactions show an unusually low level of UK private investment overseas during the second quarter and much higher overseas investment in the UK private sector.

With the surplus on capital account again more than sufficient to finance the current account deficit, there was a surplus for official financing of £758 million. There were further repayments of debt including a large early repayment to the IMF. In addition substantial repayments of public sector borrowing under the exchange cover scheme have also been made ahead of schedule and, in total, repayments have exceeded new borrowings by £170 million. There was an inflow to the official reserves of £66 million.

DETAIL

VISIBLE TRADE (seasonally adjusted)

The approximate nature of the adjustments which have been made to compensate for the disruption to the flow of trade information caused by selective industrial action in HM Customs and the National Data Processing Service has meant that the published data for the first half of 1979 are less precise than is normally the case. The figures quoted in this article and the appendix tables are the best estimates of actual trade flows in each quarter⁽¹⁾, but because of their relative inaccuracy have been rounded to the nearest £100 million. The path of visible trade itself has been distorted by the effects of the road haulage dispute; of the deficit of £1½ billion in the first quarter, something approaching one-half may be attributable to the dispute. A compensating positive effect of similar magnitude, as earlier losses were made up, is likely to have occurred in the second quarter, although some exports were probably lost permanently. Comparisons of imports and exports in this article have therefore been restricted largely to those between the first half of 1979 as a whole and the second half of 1978. The increase of over £2 billion in the visible deficit between the two periods was largely due to a rapid increase in imports, but also reflected a small drop in the volume of exports.

Exports of goods, £18.9 billion in the first half of 1979, were 3½ per cent more in value than in the previous half year, but 2 per cent down in volume. Exports of fuels rose sharply (by 37 per cent in value and by 16 per cent in volume). Exports to Iran and Nigeria, two of Britain's more important markets outside the European Community, were only one-third of the near £1 billion recorded in the second half of 1978.

The road haulage dispute does not appear to have caused any permanent loss of imports. Indeed, imports in the first six months of 1979, at £21.5 billion, were nearly £3 billion higher in value and over 11 per cent higher in volume than in the previous six months. Although because of the document delays accurate commodity analysis of imports is not yet available, imports of road vehicles, which were low towards the end of last year, rose by over a third between the two half years. In contrast over the same period the volume of imports of fuels fell by over 8 per cent.

(1) In particular, the £400 million of imports in the first quarter which were excluded from the previous article are now included in the first quarter figures.

In the first half of 1979 the export unit value index rose by $5\frac{1}{2}$ per cent from its level in the second half of last year, reflecting increases widely spread over commodity groups; the largest increase was in fuels. On the same comparison the import unit value index rose by 4 per cent; again the largest increase was in fuels, but with little change in the prices of finished manufactures. As a result of these movements the terms of trade rose by nearly $1\frac{1}{2}$ per cent.

INVISIBLES (seasonally adjusted)

Total credits in the second quarter of 1979 are estimated at £4,986 million, precisely the same as total debits. The zero balance compares with the previous quarter's surplus which has now been revised upwards to £439 million. The deficit on government transactions increased by £109 million to £841 million and the surplus on the transactions of the private sector and public corporations (excluding transfers) fell by £343 million to £889 million.

(i) Services (see table C)

Both earnings from and payments for sea transport services increased sharply after remaining stable for several quarters. In the dry cargo account, freight earnings on exports and cross-trades moved up reflecting a higher volume of UK exports and an increase in world shipping activity. Time charter receipts recovered, reflecting a steep rise in rates, and overseas operators' expenditure on bunkers again rose sharply reflecting the increase in the price of bunker fuel. Most of the increase in debits was in freight payments to overseas operators which were £48 million higher at £344 million; this is a reflection of the high volume of imports in the second quarter rather than a fall in the market share of UK operators. There was also an increase of £23 million in UK operators' overseas expenditure on bunkers and other items.

Earnings on tanker operations continued to recover from last year's low levels and reached £348 million. Freight earnings increased by £26 million to £283 million reflecting better trading conditions and a fall in the number of tankers laid-up. Payments were £332 million, slightly higher than in the first quarter. Expenditure on bunkers raised overseas increased by £15 million to £80 million, reflecting the higher price of fuel, and voyage charter payments were also higher.

Civil aviation credits were £359 million, slightly higher than in the previous quarter; UK airlines earned £250 million overseas and foreign airlines

spent £109 million in the United Kingdom. The earnings of UK airlines have been affected by the fall in the sterling value of tickets sold overseas though the number of passengers carried has continued to increase.

Civil aviation debits amounted to £336 million of which overseas airlines' revenue from UK residents was £154 million and expenditure overseas by UK airlines was £182 million. These figures represent little change from the previous quarter's figures but are much higher than the quarterly average for 1978. The increase since last year reflects a higher level of overseas travel by UK residents and the higher cost of fuel.

Earnings from travel are provisionally estimated to be £666 million, an increase of £36 million over the previous quarter when the number of visitors was depressed by the poor weather conditions. In the second quarter UK residents travelled overseas in greater numbers and, on average, spent over 20 per cent more money per visit than during the same quarter of 1978. Total expenditure was £526 million, an increase of £47 million on the previous quarter. On these provisional figures, the balance on travel shows a further small decline to £140 million from the average level of nearly £240 million in 1978.

Earnings from financial services were £349 million, lower than in recent quarters. Insurance earnings were very high in the first quarter of 1979 but have now fallen back to a more normal level; this accounts for most of the fall in earnings from financial services.

Earnings from other services have been buoyant of late and are estimated at £894 million in the second quarter. The increase of £15 million was spread widely over all categories of earnings. Other services debits fell slightly to £500 million. Payments for services connected with the development of oil and gas resources are thought to have fallen from the previous quarter's relatively high figure while other payments have generally increased.

Compared with the previous quarter, total services receipts were about 4 per cent higher at current prices but actually fell in volume terms while prices increased by nearly 5 per cent. On the other hand, the price index of imported services was only 1 per cent higher as favourable exchange rate movements offset increases in other countries' prices. Imports of services at current prices were 6 per cent higher and at constant prices 5 per cent higher.

(ii) Interest, profits and dividends (see table D)

The net earnings from interest, profits and dividends (IPD) deteriorated sharply and the account moved into deficit in the second quarter following the £266 million surplus in the first quarter. This is the first quarterly deficit to have been recorded and largely reflects changes in overseas companies' profits due abroad on oil and other direct investment.

About £140 million of the deterioration between the first and second quarters of 1979 was attributable to oil companies' activities, for which a substantial net deficit was recorded in the second quarter instead of the usual surplus. UK oil companies' earnings on their overseas investments rose further in the second quarter following a large increase in the first quarter. The high level continued to reflect increased margins, especially in Europe, together with stock appreciation. On the debits side, however, earnings of overseas oil companies on their UK investments rose by an exceptionally large amount (approaching £190 million) to total £460 million. There was a strong increase in profits from North Sea oil activities, reflecting both rising production and the increase in oil prices, and also a large rise in profits from onshore activities. This onshore increase probably stemmed from higher investment (eg in refineries) as well as some increase in margins in the United Kingdom similar to that experienced by UK companies operating elsewhere in Europe.

Estimates of earnings on direct investment - both credits and debits - are, as usual, rather tentative. Credits, ie earnings from UK direct investment overseas, have alternated between about £610 million and £640 million in successive quarters since early last year and in the second quarter of 1979 fell to about the middle of this range. Possible contributory factors to the latest drop may be the strength of sterling in the second quarter and also the lack of growth in world activity. On the other hand earnings on overseas direct investment in the United Kingdom rose strongly in the second quarter, by about £150 million, suggesting a recovery from the effects of the road haulage dispute in the first quarter of 1979 and also reflecting the increase in sales of many goods in advance of the introduction of the higher rate of VAT announced in the June budget. Most of the second quarter increase in profits was retained in the United Kingdom.

Among other credits, the only substantial change in the second quarter was a further rise in earnings on the United Kingdom's official reserves. (The level

of the reserves themselves has been rising since the beginning of the year and interest rates have remained high.) UK banks' net earnings from eurocurrency operations were almost unchanged at a fairly low level in the second quarter following the sharp drop from the very high level in the third and fourth quarters of last year. As noted last quarter, the fall then may have been an indication of a squeeze on margins.

Portfolio earnings due abroad changed little in the second quarter remaining less than on average last year. Other increases in IPD debits included - in the general government sector - interest payments on borrowing in the eurocurrency market and - in the private sector - interest payable on sterling current and deposit accounts with UK banks. The latter rose very rapidly in the first half of 1979 as interest rates rose strongly and in the second quarter were more than double the figure of a year earlier.

(iii) Transfers (see table E)

Government transfer debits in total increased from £554 million to £650 million. Contributions to the European Communities were £72 million higher at £410 million. This coincides with a further phasing out of the concession whereby the United Kingdom is not required to contribute to the Communities' budget on the same basis as the original member states until 1980. Government transfer credits from the European Communities increased by £20 million to £124 million. Agricultural receipts were £107 million, an increase of £38 million on the previous quarter's figure which was unusually depressed because industrial action in the United Kingdom delayed payment. Receipts from the Social Fund and the Regional Development Fund were lower at £3 million and £14 million respectively.

Economic aid from the United Kingdom in the form of bilateral grants totalled £117 million compared with the previous quarter's rather low figure of £94 million. Subscriptions to international organisations were £88 million which is above the quarterly average for 1978 and reflects a higher level of development aid channeled through these bodies and, in particular, through the European Development Fund.

Private transfers credits, at £157 million, were slightly lower than the previous quarter's figure as movements in exchange rates lowered the sterling

value of remittances from overseas. Private transfers debits fell from £220 million to £205 million. The effect of the 1977 exchange control relaxation on emigrants transfers has now worn off and they have fallen from last year's level but cash gifts made during the first half of 1979 were 40 per cent higher than in the corresponding period last year.

INVESTMENT AND OTHER CAPITAL TRANSACTIONS

There was an identified net inflow of nearly £1,600 million in the second quarter following an inflow of nearly £1,000 million in the first quarter. In both quarters demand for sterling was strong, particularly against the dollar. (The relaxation of some exchange controls on the financing of outward direct investment, remission of profits to the United Kingdom and the use of sterling by UK merchants to finance third-country trade - announced in the budget on June 12 - would have been too late in the quarter to have had any discernible effect on capital movements.)

There were a number of substantial capital movements in the second quarter, though not all tending to increase the net inflow. Overseas investment in the UK private sector nearly doubled to over £1,300 million. Part of this rise was in the form of borrowing from overseas banks for investment outside the United Kingdom, including borrowing associated with the acquisition by UK banks of banks in the USA. Inward direct investment rose by about £230 million and, at nearly £500 million in the second quarter, was well above average over the past year; unremitted profits also rose substantially, by nearly £150 million. Overseas oil companies' investment increased by over £230 million, largely a reflection of higher investment in onshore activities, including increases in refining capacity. A large part of the investment was financed by substantially increased unremitted profits; the oil companies retained a greater share of their very large second quarter profits in the United Kingdom. Overseas portfolio investment in UK company securities rose by about £130 million to £172 million in the second quarter, partly reflecting the attractiveness of sterling.

Overseas investment in the UK public sector, at under £70 million in the second quarter, was much smaller than in the first quarter when there had been a very large inflow of over £260 million into gilts.

UK private investment overseas was also much lower than in the first quarter; there was a net outflow of about £800 million following one of nearly £1,400 million. The main reason for the changes was net disinvestment by UK oil companies in the later period reflected in a rise in the companies' US dollar deposits with UK banks. There was also net portfolio disinvestment of nearly £100 million following fairly substantial net investment averaging about £250 million a quarter since the beginning of 1978. There was a seasonally low net outflow associated with certain overseas insurance business. The only major component of outward investment which increased in the second quarter was direct investment, but the increase of some £330 million was more than accounted for by the acquisition of three US banks which involved about £500 million.

The take-overs of US banks were the main factor giving rise to an increased net inflow from UK banks' overseas currency borrowing and lending to finance UK investment overseas. The rest of the banks' operations in foreign currencies resulted in a much smaller net inflow in the second quarter, only about £100 million compared with some £760 million in the first quarter when there had been considerable switching into sterling.

There was little change in other countries' holdings of exchange reserves in sterling in the form of British government stocks after the marked outflow of £126 million in the first quarter. Other changes in holdings of exchange reserves in sterling resulted in an inflow of £87 million, much smaller than last quarter's inflow of £267 million. Private sterling holdings increased substantially again, by £347 million.

Transactions in unrelated trade credit in the second quarter saw an inflow of some £40 million on account of imports and an outflow of some £160 million on account of exports. This compares with outflows on both imports and exports in the first quarter which together totalled nearly £220 million.

Among other short-term transactions, the main contribution to the increased inflow, totalling over £300 million in the second quarter, came from larger net repayments to UK banks of sterling claims and a reduction in oil companies' liabilities.

OFFICIAL FINANCING

In the second quarter there were further repayments of debt which would otherwise have fallen due for repayment during the period up to 1984. £483 million (~~£~~1004 million) of drawings under the standby credit were repaid early to the IMF and £39 million (~~£~~81 million) was repaid on schedule in respect of drawings on the IMF's oil facility. Repayments of foreign currency borrowing by public bodies under the exchange cover scheme exceeded new borrowing by £170 million and included repayments ahead of schedule by the Electricity Council and the GLC totalling ~~£~~350 million (£163 million). These repayments offset most of the net surplus of £758 million on current and capital accounts combined and official reserves rose by £66 million.

At the end of the second quarter the level of official reserves stood at ~~£~~22,070 million (£10,163 million at the closing market rate on 29 June) compared with ~~£~~21,947 million at the end of March.

EXCHANGE RATE

At the beginning of the quarter, sterling's effective exchange rate was 66.4 and the dollar rate 2.0733. Upward pressure on sterling remained strong, particularly at the beginning and end of the quarter, and despite the intervention of the authorities to moderate the upward movement in the exchange rate, sterling closed the quarter at 69.5 and ~~£~~2.1715. This closing dollar rate was the highest for over 4 years and the effective rate the highest since the new index was introduced in 1977.

The average dollar rate was 2.0811 compared with 2.0160 in the previous quarter. The effective rate rose from 63.9 in the first quarter to 67.4 in the second quarter (21 December 1971 = 100).

UK CONTINENTAL SHELF OIL AND GAS PROGRAMME

North Sea oil production continued to increase strongly in the second quarter, particularly from the Ninian field, and, with higher oil prices as well, the value of oil sales was over 30 per cent higher than in the first quarter. This rise more than offset the seasonal fall in gas production and the combined value of oil and gas sales is provisionally estimated to have been approaching £1,430 million.

Overseas oil companies' profits due abroad also continued to rise with production, amounting to £295 million in the second quarter compared with £100 million a year earlier. Changes in the other current account entries

were largely seasonal. The value of imported goods for use in the Continental Shelf programme was almost unchanged at a low level in the second quarter; more generally, imports have fallen back quite sharply since 1977. Imports of services have tended to stabilise recently somewhat below the 1977 level: although there was some seasonal increase in the second quarter when work being carried out in France on the Texaco Tartan field platform was completed.

Net capital inflows associated with the UK Continental Shelf amounted to £111 million in the second quarter, only about half the inflow in the first quarter. There was a marked change in the composition of this investment. Overseas investment partly recovered from the rather sharp drop experienced in the first quarter, much of the increase stemming from higher profits retained in the United Kingdom. On the other hand, there was a small net outflow associated with net borrowing in foreign currency from UK banks following an inflow of £128 million in the first quarter to finance development of the Tartan field by Texaco.

REVISIONS

Figures for years prior to 1979 correspond with those published in United Kingdom Balance of Payments 1979 Edition (Pink Book) on 3 September.

For the first quarter of 1979, the estimated surplus on invisibles, on a seasonally adjusted basis, has been increased from £394 million to £439 million. The monthly balance of payments press notices have included a projection of £330 million for the second quarter of 1979. In the provisional estimates now made of invisibles, credits and debits are precisely the same size giving a zero balance. As a result of these changes to the invisibles balances, the deficit on current account for the first half of 1979 is now put at nearly £2.3 billion, compared with the deficit of £1.9 billion published on 20 August in the monthly press notice.

Table A

SUMMARY BALANCE OF PAYMENTS

£ million

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
			Seasonally adjusted					
Visible trade (balance) (1)	-1744	-1175	-596	-173	-367	-39	-1600	-1100
Invisibles (balance):								
Services	+2991	+3289	+762	+710	+897	+920	+684	+649
Interest, profits and dividends	+201	+836	+124	+271	+280	+161	+266	-75
Transfers	-1155	-1918	-540	-439	-511	-428	-511	-574
Total	+2037	+2207	+346	+542	+666	+653	+439	-
Current balance	+293	+1032	-250	+369	+299	+614	-1161	-1100
			Not seasonally adjusted					
Current balance	+293	+1032	-415	+410	+441	+596	-1241	-1003
Investment and other capital transactions	+4406	-2931	+64	-2029	-188	-778	+983	+1575
Balancing item	+2662	+773	+524	+125	-43	+167	+943	+186
Balance for official financing	+7361	-1126	+173	-1494	+210	-15	+685	+758
Allocation of SDR's	-	-	-	-	-	-	+195	-
Official financing								
Official reserves (drawings on, +; additions to, -)	-9588	+2329	+46	+2026	-54	+311	-955	-66
Other official financing	+2227	-1203	-219	-532	-156	-296	+75	-692

1. Because of the approximate nature of the adjustments which have been made to compensate for the disruption to the flow of trade information (see text) the current estimates of the visible trade statistics for 1979 are less accurate than usual. Accordingly the estimates in the above table have been rounded to the nearest £100 million.

TABLE B

CURRENT ACCOUNT
Seasonally adjusted

£ million

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
			<u>Credits</u>					
Exports of goods (1)	32148	35432	8408	8753	9051	9220	8400	10500
Invisibles	16413	18335	4288	4480	4747	4820	4795	4986
Total	48561	53767	12696	13233	13798	14040	13195	15486
<u>Debits</u>								
Imports of goods (1)	33892	36607	9004	8926	9418	9259	10000	11600
Invisibles	14376	16128	3942	3938	4081	4167	4356	4986
Total	48268	52735	12946	12864	13499	13426	14356	16586
<u>Balances</u>								
Visible trade (1)	-1744	-1175	-596	-173	-367	-39	-1600	-1100
Invisibles	+2037	+2207	+346	+542	+666	+653	+439	-
of which:								
Private sector and public corporations: services and I.P.D.	+4611	+5278	+1194	+1268	+1475	+1341	+1232	+889
Current balance	+293	+1032	-250	+369	+299	+614	-1161	-1100

1. Because of the approximate nature of the adjustments which have been made to compensate for the disruption to the flow of trade information (see text) the current estimates of the visible trade statistics for 1979 are less accurate than usual. Accordingly the estimates in the above table have been rounded to the nearest £100 million.

SERVICES
Seasonally adjusted

Table C

£ million

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
<u>Credits</u>								
Private sector and public corporations								
Sea transport	3428	3163	771	812	789	791	796	886
Civil aviation	1203	1448	336	339	385	388	353	359
Travel	2352	2503	587	608	662	646	630	666
Financial services	1371	1488	389	339	379	381	383	349
Other services	2993	3284	776	800	841	867	879	894
Total	11347	11886	2859	2898	3056	3073	3041	3154
General government								
EEC institutions	76	91	20	21	24	26	29	24
Other	164	227	48	54	64	61	45	55
Total	240	318	68	75	88	87	74	79
Total credits	11587	12204	2927	2973	3144	3160	3115	3233
<u>Debits</u>								
Private sector and public corporations								
Sea transport	3445	3334	804	868	828	834	832	915
Civil aviation	959	1100	260	267	291	282	333	336
Travel	1186	1548	365	365	398	420	479	526
Other services	2035	1918	476	496	466	480	506	500
Total	7625	7900	1905	1996	1983	2016	2150	2277
General government	971	1015	260	267	264	224	281	307
Total debits	8596	8915	2165	2263	2247	2240	2431	2584
Balance	+2991	+3289	+762	+710	+897	+920	+684	+649

Table D

INTEREST, PROFITS AND DIVIDENDS
Seasonally adjusted

£ million

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
<u>Credits</u>								
Earnings on -								
Direct investment (1)	2287	2433	571	615	640	607	645	625
Portfolio investment	295	288	67	73	78	70	80	78
Export credit and sterling lending by UK banks	460	567	114	136	151	166	174	179
UK banks borrowing and lending in o/s currencies	107	328	48	68	107	105	19	18
Other (including oil companies)	815	1431	322	373	348	388	499	572
Total credits	3964	5047	1122	1265	1324	1336	1417	1472
of which:								
Private sector and public corporations	3553	4281	929	1057	1135	1160	1221	1253
General government	411	766	193	208	189	176	196	219
<u>Debits</u>								
Earnings on -								
Direct investment (1)	1414	1445	366	351	357	371	296	447
Portfolio investment	521	618	158	149	157	154	135	136
External sterling liabilities	472	511	116	114	138	143	167	188
Overseas currency borrowing by general government (2)	422	468	114	118	121	115	106	143
Foreign oil companies' investment in UK	477	557	105	111	116	225	272	460
Other	457	612	139	151	155	167	175	173
Total debits	3763	4211	998	994	1044	1175	1151	1547
of which:								
Private sector and public corporations	2664	2989	689	691	733	876	880	1241
General government	1099	1222	309	303	311	299	271	306
Balance	+201	+836	+124	+271	+280	+161	+266	-75

1. Earnings on direct investment exclude the earnings of oil companies.

2. Excluding foreign currency issues but including loans raised by all public bodies under the exchange cover scheme.

Table E

TRANSFERS
Seasonally adjusted

£ million

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
Credits								
Private	570	630	150	161	160	159	159	157
General government	292	454	89	81	119	165	104	124
EEC Institutions								
Total credits	862	1084	239	242	279	324	263	281
Debits								
Private	614	848	228	205	211	204	220	205
General government	290	421	94	91	109	127	94	117
Economic grants	750	1367	361	289	387	330	338	410
Contributions to EEC								
Contributions and subscriptions to other international organisations	244	222	61	61	46	54	89	88
Other transfers	119	144	35	35	37	37	33	35
Total	1403	2154	551	476	579	548	554	650
Total debits	2017	3002	779	681	790	752	774	855
Balance	-1155	-1918	-540	-439	-511	-428	-511	-574

VOLUME AND UNIT VALUE INDICES

1975=100

Table F

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
Seasonally adjusted								
<u>Volume indices (1)</u>								
Exports of goods (3)	118.9	122.9	119.6	122.2	124.8	124.8	110	134
Exports of services	111.2	109.7	109.6	106.3	112.3	110.8	105.3	104.8
Exports of goods and services	116.7	119.1	116.8	117.7	121.3	120.8	108.9	125.9
Imports of goods (3)	107.2	112.6	113.5	109.7	114.9	112.3	118	135
Imports of services	96.0	96.0	95.8	97.0	96.4	94.8	100.6	106.1
Imports of goods and services	104.8	109.0	109.7	107.0	110.8	108.5	114.1	128.7
Not seasonally adjusted								
<u>Unit value indices</u>								
Exports of goods	142.5	155.1	149.6	153.2	157.0	160.6	165.6	169.6
Imports of goods	141.3	146.4	141.5	146.0	148.0	150.3	153.8	157.1
Terms of trade(2)	100.8	105.9	105.7	104.9	106.1	106.9	107.7	108.0
<u>Implied price indices</u>								
Exports of services	135.5	144.6	138.4	145.2	146.7	148.0	153.3	160.5
Imports of services	141.6	146.8	142.4	147.6	147.8	149.5	152.1	154.0

1. The problems of producing these estimates and the methods employed are described on pages 34 and 35 of 'United Kingdom Balance of Payments 1979 Edition'.
2. Export unit value index as a percentage of the import unit value index.
3. Because of the approximate nature of the adjustments which have been made to compensate for the disruption to the flow of trade information (see text) the current estimates of the trade statistics have been less accurate than usual. Accordingly the estimates in the above tables have been rounded to the nearest whole number.

INVESTMENT AND OTHER CAPITAL TRANSACTIONS
Not seasonally adjusted

Table G

£ million

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
Investment and other capital transactions								
Official long-term capital	-319	-348	-24	-7	-77	-240	-18	-23
Overseas investment in UK public sector:								
British government stocks (1)	+979	+15	+51	-34	-20	+18	+264	+45
Other	+1203	-96	-54	+19	+7	-68	-38	+22
Overseas investment in UK private sector	+3067	+2770	+1057	+462	+440	+811	+671	+1329
UK private investment overseas	-2222	-4087	-819	-772	-1048	-1448	-1387	-806
Overseas currency borrowing or lending (net) by UK banks (2):								
Borrowing to finance UK investment overseas	+520	+835	+140	+340	+175	+180	+185	+280
Other borrowing or lending (net) (3)	-136	-1354	-25	-1295	+153	-187	+756	+98
Exchange reserves in sterling (4):								
British government stocks	+5	-115	-34	-20	-34	-27	-126	+5
Banking and money market liabilities	-24	-4	+194	-211	+43	-30	+267	+87
Other banking and money market liabilities in sterling	+1481	+301	-62	-152	+159	+356	+474	+347
Import credit (5)	+351	+243	+141	+97	-88	+93	-75	+41
Export credit (5)*	-613	-685	-251	-371	-17	-46	-142	-161
Other short-term transactions*	+114	-406	-250	-85	+119	-190	+152	+311
Total investment and other capital transactions	+4406	-2931	+64	-2029	-188	-778	+983	+1575
* of which, UK banks' external sterling claims	-520	-869	-335	-357	-78	-99	+81	+227

1. Holdings of British government stocks by non-residents other than overseas monetary authorities, which are included as exchange reserves in sterling.
2. Borrowing or lending (net) by banks and certain other financial institutions.
3. Excluding changes in levels resulting from changes in sterling valuation; see note on pages 48 and 71 of 'UK Balance of Payments 1979 Edition'.
4. Sterling reserves of overseas countries and international organisations, other than the IMF, as reported by banks, etc. in the UK.
5. Excluding trade credit between 'related' firms, after deducting advance and progress payments to suppliers. Net credit extended by UK merchants on third-country trade is included within export credit.

Table H

OFFICIAL FINANCING
Not seasonally adjusted

£ million

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
<u>Official financing transactions(1)</u>								
Net transactions with:								
IMF	+1113	-1016	-	-505	-26	-485	-	-522
Other monetary authorities	-	-	-	-	-	-	-	-
Foreign currency borrowing:								
By HM Government(2)	+871	+191	-	+191	-	-	-	-
By public bodies under exchange cover scheme	+243	-378	-219	-218	-130	+189	+75	-170
Official reserves(drawings on,+;additions to,-)	-9588	+2329	+46	+2026	-54	+311	-955	-66
Total official financing	-7361	+1126	-173	+1494	-210	+15	-880	-758
<u>Official financing liabilities & official reserves</u> <u>[End of period levels](3)</u>								
Borrowing from:								
IMF	2100	1055	2163	1671	1551	1055	1113	557
Other monetary authorities	-	-	-	-	-	-	-	-
Other foreign currency borrowing:								
By HM Government	2085	2131	2148	2338	2204	2131	2105	2003
By public bodies under exchange cover scheme	5219	4579	5146	4961	4554	4579	4791	4396
Total official financing liabilities	9404	7765	9457	8970	8309	7765	8009	6956
Official reserves	10715	7689	10910	8891	8365	7689	10620	10163

1. Valued in sterling at market-related rates of exchange.

2. Drawings on euro-dollar facilities arranged with UK clearing banks and a 350 million dollar bond issue in New York.

3. From March 1979, gold holdings, Special Drawing Rights and non-dollar currencies have been revalued. On the old basis the level of the official reserves at end March 1979 was £8,446 million and of the total official financing liabilities was £7731 million.

INWARD AND OUTWARD INVESTMENT (1)-UK PRIVATE SECTOR
Not seasonally adjusted

£ million

Table 1

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
<u>Overseas Investment in UK private sector</u>								
Direct:								
Unremitted profits(2)	+827	+850	+257	+230	+189	+174	+195	+340
Other	+430	+523	+316	-26	+41	+192	+70	+156
Investment by oil companies	+989	+692	+295	+55	+56	+286	+242	+475
Investment in UK company securities	+421	+68	+1	+99	+46	-78	+39	+172
Net borrowing by companies								
from banks etc overseas	+311	+603	+178	+96	+98	+231	+120	+175
Miscellaneous investment	+89	+34	+10	+8	+10	+6	+5	+11
Total	+3067	+2770	+1057	+462	+440	+811	+671	+1329
<u>UK private investment overseas</u>								
Direct:								
Unremitted profits(2)	-1285	-1278	-282	-315	-376	-305	-367	-362
Other	-505	-900	-195	-358	-127	-220	-247	-578
Portfolio	+5	-1063	-250	-244	-244	-325	-240	+97
Oil and miscellaneous	-437	-846	-92	+145	-301	-598	-533	+37
Total	-2222	-4087	-819	-772	-1048	-1448	-1387	-806

1. Net of disinvestment. Assets: Increase-/decrease+. Liabilities: Increase+/decrease-.
2. Excluding unremitted profits of branches.

The UK Continental Shelf oil and gas programme (1)
Not seasonally adjusted

TABLE J

	1977	1978	1978				1979	
			1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr
<u>Volume of sales</u>								
Gas (000's of terajoules)	1583	1522	527	347	246	402	550	306
Oil (00,000's of tonnes)(2)	374	525	111	128	134	152	175	195
£ million								
<u>Value of sales</u>								
Gas (3)	321	441	138	94	67	142	184	113(7)
Oil	2222	2795	597	695	703	800	999	1313(7)
£ million								
<u>Identifiable balance of payments entries</u>								
Imports of goods(4)	-531	-185	-23	-102	-48	-12	-15	-14
Imports less exports of services	-700	-546	-101	-158	-157	-130	-112	-145
IPD due abroad(5)	-429	-572	-115	-127	-139	-191	-237	-330
Overseas investment in UKCS etc.(6)	+1442	+731	+278	+191	+156	+106	+225	+111

- No attempt has been made to measure the impact of the oil and gas programme on the balance of payments accounts, because of the number of arbitrary assumptions that need to be made to estimate what would have happened in the absence of North Sea oil and gas. One attempt to measure the impact has been published in HM Treasury's Economic Progress Report (August 1979).
- Including condensates and petroleum gases.
- Valued at contract prices. Based on an oil equivalent price, the value in 1978 would have been about £2.00-2.25 billion.
- Identified direct imports of goods for use on UKCS.
- Profits of UK subsidiaries of overseas companies earned in respect of their UKCS operations (including profits retained in the United Kingdom); interest paid overseas by public corporations on their borrowing for the UK Continental Shelf programme; and rough estimates of interest paid on overseas currency borrowing from UK banks in respect of the UKCS programme.
- Overseas investment for use in the UK Continental Shelf programme (including profits of UK subsidiaries of overseas companies retained in the United Kingdom); overseas currency borrowing from UK banks for use on the Shelf; borrowing abroad by public corporations for use on the Shelf; identified trade credit and progress payments on imports of platforms, rigs, etc.
- The figures for the latest quarter are highly provisional.





END

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