

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 main issue is currency π .
- the point is doing the spending.

3 October 1979

(with reply)

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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.

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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 Sandford

Chairman - Committee on Invisible Exports

Frank King
John J. L. Cleland

Chairman - Accepting Houses Committee

Secretary - The Association of Consulting Engineers

D. Donaldson

Chairman - The Baltic Exchange

W. A. P. King

Chairman - British Export Houses Association

Brian R. Eggleston

Chairman - The British Federation of Commodity Associations

Geoffrey Farnham

Chairman - British Insurance Association

David Perkins

Chairman - The British Insurance Brokers' Association

R. C. H. Jones

Chairman - British Overseas & Commonwealth Banks Association

L. P. H. Jones

Director General - British Tourist Authority

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R. S. S. S.
Chairman
Austrey J. Sanderson

Chairman - British Airways Board

Chairman - The Committee of London Clearing Bankers

J. A. K. K.
President

President - General Council of British Shipping

L. S. S.
Chairman

Chairman - Lloyd's

Nicholas Goodison
Chairman

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.

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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.

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Francis
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