

MONETARY AND BANKING REVIEW.

April to August, 1950

The principal developments in the Union's monetary and banking position during the past five months may be briefly summarised as follows:

BALANCE OF PAYMENTS

The published preliminary trade figures indicate that the Union's imports of merchandise (f.o.b.), after declining from about £61 million in the last quarter of 1949 to about £58 million in the first quarter of 1950, increased thereafter to about £70 million in the second quarter, while, on the other hand, its exports of merchandise, including ships' stores and gold products, which had increased slightly from about £50 million in the last quarter of 1949 to about £51 million in the first quarter of 1950, declined thereafter to about £42 million in the second quarter, principally as a result of the seasonal decline in wool exports. Adjusting these figures to take account of the territory of South-West Africa and to exclude ships' stores and gold products from merchandise exports, it is found that the trade deficit on merchandise account, which had declined from about £19 million in the last quarter of 1949 to about £13 million in the first quarter of 1950, increased to about £30 million in the second quarter of the year. This increase in the trade deficit had the effect of changing the country's net balance on current account (including gold and gold products) from a favourable one of about £9 million in the first quarter of 1950 to a small unfavourable one of about £4 million in the second quarter.

On capital account the Union continued to enjoy a favourable balance during the second quarter of 1950, the net inflow of capital, including trade credits as well as omissions and errors, amounting to about £16 million compared with about £26 million in the first quarter of the year, the latter including the amount of about £13 million received by the Union Government in the form of the sterling and Swiss loans and dollar credits. The figure of £16 million for the second quarter is known to include investment capital of £2.2 million received by the Virginia Orange Free State Gold Mining Company, Limited, from the Kennecott Copper Corporation in the form of U.S. dollars, and £3.8 million received by the Anglo American Corporation of South Africa, Limited in the form of Swiss francs. It also reflects to some extent the receipt of imported goods during this period for which payment was only made at a later date.

Thus, the Union's combined gold and exchange holdings, which had risen by about £35 million during the first quarter of 1950, increased further by about £12 million during the second quarter.

During the months of July and August, 1950, there was a reversal of the strong upward movement registered in the Reserve Bank's combined gold and exchange holdings since the devaluation of the South African pound in September, 1949, the amount falling from £153.2 million at the end of June to £144.6 million at the end of July and £141.5 million at the end of August. The decline of £11.7 million over the two months was the net result of a decline of £17.1 million in the Bank's sterling holdings and an increase of £5.4 million in its gold and hard currency reserves. The unfavourable balance of payments reflected in these figures is to be associated principally with large sales of exchange for the purpose of dividend payments, and with heavy payments for merchandise imports under "Universal" permits which expired on the 30th June, and under "Restricted" permits issued for the first six months of the year but subsequently extended to expire on the 30th September. The figures also reflect, to a certain extent, the continued decline in the inflow of British capital, which, in turn, could be partly associated with the uncertain world conditions brought about by the outbreak of war in Korea.

MONEY IN CIRCULATION

The quantity of money in circulation in the Union, which had risen from £372.3 million at the end of 1949 to £393.7 million at the end of March, 1950, increased further to £411.3 million at the end of June, principally as a result of the Union's favourable balance of payments during this period. The increase of about £7 million in commercial bank credit also tended to increase the money supply during the second quarter of 1950, but, on the other hand, there were offsetting factors such as the decline of about £1 million in Reserve Bank credit and the shift of about £2 million from demand to time deposits with the commercial banks.

During the month of July, 1950, with the balance of payments taking an unfavourable turn, the money supply was reduced by £10.5 million to stand at £400.8 million at the end of that month.

BANK DEBITS

The index of bank debits (base: 1938 = 100), after falling from 386 in December, 1949 to 318

in April, 1950, increased thereafter to 401.1 in June, 1950. The average index for the second quarter of 1950, was, however, still slightly lower than that for the first quarter, namely, 352 compared with 354, and this should be largely associated with the decline in stock-market turnover and the decrease in exports, since most of the other principal branches of economic activity tended to show an improvement in the second quarter compared with the first. The index for the value of imports (base: 1938 = 100), for

example, increased from 241 in the first quarter to 295 in the second quarter, that for the value of property transactions from 296 to 348, that for railway earnings from 227 to about 253, and that for retail sales in Johannesburg (base: 1948=100) from 79 to 91, respectively.

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OORSIG VAN GELD- EN BANKWESE

April tot Augustus 1950

Die vernaamste ontwikkelings in die Unie se geld- en bankwese gedurende die afgelope vyf maande kan kortweg as volg opgesom word:

BETALINGSBALANS

Die gepubliseerde voorlopige handelsyfers toon aan dat die Unie se goedere-invoer (v.a.b), nadat dit van ongeveer £61 miljoen in die laaste kwartaal van 1949 tot ongeveer £58 miljoen in die eerste kwartaal van 1950 gedaal het, daarna tot ongeveer £70 miljoen in die tweede kwartaal gestyg het; terwyl andersyds sy goedere-uitvoer, waarby skeepsbenodigdhede en goudprodukte, wat effens toegeneem het van ongeveer £50 miljoen in die laaste kwartaal van 1949 tot ongeveer £51 miljoen in die eerste kwartaal van 1950, daarna gedaal het tot ongeveer £42 miljoen in die tweede kwartaal en wel hoofsaaklik as gevolg van die seisoensafname in die woluitvoer. Word in hierdie syfers die gebied Suidwes-Afrika opgeneem en uit die goedere-uitvoer die skeepsbenodigdhede en goudprodukte weggelaat, dan blyk dat die handelstekort op die goedererekening, wat van ongeveer £19 miljoen in die laaste kwartaal van 1949 tot ongeveer £13 miljoen in die eerste kwartaal van 1950 gedaal het, tot ongeveer £30 miljoen in die tweede kwartaal van die jaar gestyg het. Die gevolg van hierdie styging in die handelstekort was dat die land se netto saldo in lopende rekening (goud en goudprodukte ingesluit) verander het van 'n aktiewe saldo van ongeveer £9 miljoen in die eerste kwartaal van 1950 tot 'n klein passiewe saldo van ongeveer £4 miljoen in die tweede kwartaal.

Op die kapitaalrekening het die Unie gedurende die tweede kwartaal van 1950 'n aktiewe saldo bly handhaaf en die netto toestroming van kapitaal, waarby handelskrediete sowel as weglatings en foute, het ongeveer £16 miljoen bedra vergeleke met ongeveer £26 miljoen in die eerste kwartaal van die jaar, waarby onthou moet word dat die laaste die bedrag van £13 miljoen ingesluit het wat die Unie-regering in die vorm van sterling- en Switserse lenings en dollarkrediete ontvang het. Dit is bekend dat die syfer van £16 miljoen vir die tweede kwartaal o.a. omvat 'n kapitaal belegging van £2.2 miljoen wat die Virginia Orange Free State Gold Mining Company, Limited, van die Kennecott Copper Corporation in die vorm van dollars van die Verenigde State ontvang het en £3.8 miljoen wat die Anglo American Corporation of South Africa, Limited, in die vorm van

Switserse franke ontvang het. Ten dele reflekteer dit ook die feit dat in hierdie tydperk goedere ontvang is waarvoor eers op 'n later datum betaal is. So het die Unie se gesamentlike voorraad goud en valuta, wat in die eerste kwartaal van 1950 met ongeveer £35 miljoen gestyg het, gedurende die tweede kwartaal met 'n verdere bedrag van £12 miljoen toegeneem.

Gedurende die maande Julie en Augustus 1950 het 'n kentering ingetree in die sterk stygende beweging wat die Reserwebank se gesamentlike voorraad goud en valuta sedert die devaluasie van die Suid-Afrikaanse pond in September 1949 te sien gegee het en die bedrag daarvan het gedaal van £153.2 miljoen per einde Junie tot £144.6 miljoen per einde Julie en £141.5 miljoen per einde Augustus. Die vermindering van £11.7 miljoen oor die twee maande was die netto resultaat van 'n daling van £17.1 miljoen in die Bank se sterlingbesit en 'n styging van £5.4 miljoen in sy voorraad goud en hardemunt valuta. Die passiewe saldo op die betalingsbalans wat in hierdie syfers 'n weerspieëling vind, is hoofsaaklik in verband te bring met groot verkopings van valuta vir dividendbetalings en met omvangryke uitgawes aan goedere-invoere kragtens "universele" permitte wat op 30 Junie verval het en kragtens "beperkte" permitte wat vir die eerste halfjaar uitgereik maar later tot 30 September verleng is. In sekere mate gee die syfers ook die voortgesette afnemings in die toestroming van Britse kapitaal weer, wat op sy beurt weer gedeeltelik in verband gebring sou kan word met die onsekere wêreldtoestand wat deur die uitbreek van die oorlog in Korea veroorsaak is.

GELD IN OMLOOP

Die hoeveelheid geld in omloop in die Unie, wat van £372.3 miljoen aan die einde van 1949 tot £393.7 miljoen aan die einde van Maart 1950 gestyg het, het verder toegeneem tot £411.3 miljoen aan die einde van Junie en wel hoofsaaklik as gevolg van die Unie se aktiewe betalingsbalans in dié tydperk. Die styging van ongeveer £7 miljoen in die handelsbankkrediet het ook 'n neiging gehad om die geldhoeveelheid in die tweede kwartaal van 1950 te verhoog, maar andersyds was daar kompenserende faktore soos die vermindering van ongeveer £1 miljoen in die Reserwe Bank-krediet en die verskuiwing van ongeveer £2 miljoen vanaf onmiddellik opeisbare na termyndeposito's by die handelsbanke.

In die maand Julie 1950, toe die betalingsbalans 'n ongunstige wending neem, het die geldhoeveelheid met £10.5 miljoen verminder en so doende aan die einde van dié maand op £400.8 miljoen te staan gekom.

BANKDEBETTE

Die indeks van bankdebette (basis: 1938 = 100), wat van 386 in Desember 1949 tot 318 in April gedaal het, het daarna tot 401.1 in Junie 1950 gestyg. Die gemiddelde indeks vir die tweede kwartaal van 1950 was egter nog effens laer as dié vir die eerste kwartaal, d.w.s. 352 vergeleke met 354, en hierdie feit moet grootliks toegeskryf word aan die afneming in die omsette op die

effektebeurs en die vermindering van die uitvoere, want die vernaamste ander ekonomiese bedrywighede het tydens die tweede kwartaal 'n verbetering op die eerste vertoon. Die indeks van die waarde van invoere (basis: 1938=100), het, byvoorbeeld, van 241 in die eerste kwartaal tot 295 in die tweede gestyg; dié van die waarde van eienomstransaksies van 296 tot 348; dié van spoorwegontvangste van 227 tot ongeveer 253; en dié van kleinhandelsomsette in Johannesburg (basis: 1948=100) van 79 tot 91 onderskeidelik.

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