

MONETARY AND BANKING REVIEW

After moving on an approximately constant level during 1952, the Union's monetary volume of economic activity, excluding seasonal changes, showed a fairly strong increase from the last quarter of the year to the first quarter of 1953. This increase was due not only to a revival in stock exchange activity, but also to increases in several other economic indexes, such as the value of imports, the value of exports, railway earnings, and discounts and advances of the commercial banks, as can be seen from the following table :—

*Indexes — Excluding Seasonal Movements
(1948=100)*

	4th Quarter	1st Quarter
	1952	1953
Bank Debits	149	155
Stock Exchange Turnover	27	70
Value of Imports	111	128
Value of Exports (Excl. Gold)	191	195
Railway Earnings	144	149
Discounts and Advances of Commercial Banks	136	140
Value of Retail Sales*	111	111
Value of Building Plans Passed†	107	114
Value of Buildings Com- menced†	131	120
Value of Property Trans- actions	88	87

BALANCE OF PAYMENTS

While the Union's exports of merchandise, excluding gold bullion, gold products and ships' stores, stood at the same figure in the first quarter of 1953 as in the first quarter of 1952, namely, at about £74 million, the imports of merchandise showed a decline of about £10 million, namely from £116 million in the first quarter of 1952 to about £106 million in the first quarter of 1953, so that the country's trade deficit, excluding gold, declined from about £42 million to about £32 million, respectively. Including, on the one hand, the Union's net gold output, and, on the other, its deficit in respect of current invisible items, the net current deficit with the outside world, according to preliminary estimates, amounted to about £16 million in the first quarter of 1953, compared with about £28 million in the corresponding quarter of 1952.

In regard to capital movements, the Union showed a further favourable balance during the first quarter of 1953, although on a reduced scale. While drawings under the uranium loans amounted to about £1 million and other net private capital receipts

(including trade credits) to about £4 million, there was a small net outflow of about £1 million in respect of official loans, so that the total net inflow of capital from all sources amounted to about £4 million, compared with about £19 million in the first quarter of 1952, when drawings under the uranium loans amounted to about £4 million, other net private capital receipts to about £7 million, and net receipts in the form of official loans to about £8 million. In regard to the small net outflow in respect of official loans during the first quarter of 1953, it should be mentioned that the Union actually received about £2.5 million in the form of a new Swiss loan, while it drew about £3.6 million in the form of U.S. dollars on the I.B.R.D. loans, but these amounts were more than offset by the repayment during this period of about £3.6 million of the revolving dollar credits received from a group of American banks and of the Swiss loan of about £3.0 million received during 1950.

As a result of the net current deficit of about £16 million and the net inflow of capital of about £4 million, the Union's total gold and foreign exchange holdings declined by about £12 million during the first quarter of 1953, compared with a decline of about £9 million in the corresponding quarter of 1952.

From the end of March to the end of May, 1953, the Reserve Bank's gold and foreign exchange holdings showed a further decline, namely, from £123.1 million to £113.7 million, and this would appear to reflect the continuation of a substantial current deficit as well as of a low level of capital inflow during this period.

MONEY IN CIRCULATION

The quantity of money in circulation in the Union, which had dropped from £437.2 million at the end of 1951 to £410.9 million at the end of September, 1952, and then increased to £439.3 million at the end of 1952, showed a slight further increase to £439.9 million at the end of February, 1953, but then declined to £427.9 million at the end of March, and £423.1 million at the end of April.

The decline of about £16 million during the first four months of 1953, which was made up of declines of £8 million each in the amounts held by the Government and the private sector, was largely the result of declines of about £14 million* in the Reserve Bank's gold and exchange holdings and about £2 million in commercial bank credit. In regard to

* The actual decline in the Reserve Bank's gold and exchange holdings during this period amounted to £17.8 million, but from this must be deducted the net repayment by the Reserve Bank of the dollar credits and Swiss loans referred to before, which amounted to £4.1 million and which did not affect the quantity of money in circulation. See 'footnote (1) to Table XVI.

* Five Urban Areas

† Eighteen Urban Areas.

the latter, the banks' discounts and advances increased by about £3 million and their investments by nearly £1 million, while there was a decline of about £6 million in their balances with the National Finance Corporation.

COMMODITY PRICES

The index of wholesale prices for all goods (base: 1948=100), which had reached a peak of 152.2 in November, 1952, and then declined to 151.5 in December of that year, continued to decline to 146.9 in March, 1953, whereafter it showed a slight increase to 147.0 in April. While the index for Union goods revealed the same tendencies, falling from a peak of 145.1 in November, 1952, to 138.9 in March, 1953, and then increasing slightly to 139.6 in April,

that for imported goods, which had started to decline after June, 1952, falling from 162.2 in that month to 158.6 in December, continued to decline throughout the first four months of 1953, the index standing at 154.1 in April.

The index of retail prices (base: 1948=100), which had also reached a high point in November, 1952, and then declined from 129.5 in that month to 129.0 in December, declined further to 127.8 in February, 1953, whereafter it rose to 128.1 in March and 128.5 in April. The upward movement during March and April was largely the result of increased food prices.

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Note. — New table in this issue: OWNERSHIP OF GROSS INTERNAL PUBLIC DEBT . . . page 25.

OORSIG VAN NASIONALE REKENINGE JAAR 1952

In tabelle XXXIX en XL van hierdie kwartaalblad word die voorlopige belegging- en nasionale rekening-syfers van die Unie vir die jaar 1952, sowel as hersiene syfers vir 1950 en 1951, getoon. Geen hersienings is ten opsigte van die jare voor 1950 gemaak nie.

Uit 'n ontleding van die voorlopige 1952-syfers blyk dit dat verskillende belangrike veranderings in die inkomste- en uitgawestroom van die ekonomiese stelsel, as geheel beskou, sowel as in sy samestellende sektore, plaasgevind het. Alhoewel die inligting omtrent hierdie veranderings en die faktore wat hul beïnvloed in sommige gevalle nog onvolledig is, skyn dit asof die belangrikste verwikkelings in 1952, vergeleke met 1951, die verslapping in die skaal van toename van volksinkomste, en die aanmerklike afname in een van die bestanddele van kapitaaluitgawe, naamlik, netto verandering in voorrade, is.

Die syfers i.v.m. die netto volksinkomste teen faktorkoste wat in tabel XL getoon word, is, behalwe vir sekere aansuiwerings, gebaseer op die geografiese inkomste van die Unie, wat deur die Buro van Sensus en Statistiek vir die jare geëindig 30 Junie bereken word. Die geografiese inkomstesyfer het gedurende die jaar 1951-52 slegs met £18 miljoen toegeneem, vergeleke met 'n toename van £100 miljoen gedurende die vorige jaar. Aangesien die geografiese inkomste vir die tweede helfte van 1952 nie beskikbaar is nie, word 'n geskatte bedrag vir die kalenderjaar 1952 in die tabel ingesluit.

Die hoofrede vir die stadiger skaal van toename in die Unie se volksinkomste gedurende die afgelope jaar is die daling in boerderyinkomste, aangesien hierdie tipe inkomste 'n daling in 1951-52 van £28 miljoen vanweé laer wolpryse aantoon, vergeleke met 'n toename van £56 miljoen in die voorafgaande jaar. Volgens die ramings van die Afdeling Ekonomie en Marke sal boerderyinkomste weereens 'n stijging in 1953 toon omdat groter oeste, veral mielies, en hoër wolpryse verwag kan word. Ten opsigte van die huidige skaal van toename in die inkomste wat in ander bedryfsvertakkings, soos mynwese, vervoer, fabriekswese, en tersiere bedrywighede, ontstaan, kan twee punte hier beklemtoon word. Die eerste is dat die Unie se arbeidsmark in 'n toenemende mate met 'n tekort aan arbeid te kampet het, sodat die uitbreiding van enige één bedryfstak die arbeidsbronne en dus die produksie van die ander mag beïnvloed. In die tweede plek het die groot uitbreiding in die Unie se vaste kapitaaluitgaweprogram gedurende die afgelope paar jaar 'n steeds groter deel van die land se beperkte bronne betrek by die taak om die land se toekomstige produksiekapasiteit te vergroot, eerder as by die produksie van lopende goedere en dienste. In so verre die kapitaalgoedere wat vir hierdie kapitaalwerke benodig word, sowel as die verbruiksgoedere benodig deur die werkers betrokke by die skemas, deur middel van invoere verkry moet word,

sal die netto stimulus ten opsigte van *lopende* produksie en inkomste die volksinkomstes van die lande wat hierdie goedere na die Unie uitvoer, ten goede kom, liever as die volksinkomste van die Unie.

Die gedrag van die samestellende dele van bruto volksuitgawe gedurende die jaar 1952 kan aan die hand van pos 3 in tabel XL B nagegaan word. Lopende uitgawe van persone en nie-wins-organisasies, pos 3 (a), toon 'n stijging van £880 miljoen tot £946 miljoen, maar hierdie stijging van omtrent 7.5 persent word meer as verklaar deur 'n stijging van 8.7 persent in kleinhandelprys. Lopende uitgawe van openbare owerhede en bestaansbeveiligingfondse, pos 3 (b), het van £157 miljoen tot £183 miljoen gestyg, maar die derde bestanddeel van bruto volksuitgawe, naamlik bruto binnelandse kapitaalbelegging, pos 3 (c), het van £353 miljoen tot £279 miljoen gesak. Bogenoemde drie poste bedra tesame £1,408 miljoen, terwyl bruto volksproduksie teen markpryse op £1,326 miljoen te staan kom. Gevolglik het die totale uitgawe van Unie-inwoners op lopende en kapitaalgoedere die bruto volksproduksie gedurende 1952 met £82 miljoen oorskry, sodat die land op oorsese lenings en verkooping van goud- en valutareserwes, pos 3 (d), ten bedrae van £82 miljoen moes staatmaak ten einde die gaping tussen bruto volksproduksie en bruto volksuitgawe te vul. Hierdie tekort van £82 miljoen in 1952 vergelyk met 'n ooreenstemmende syfer van £117 miljoen vir die jaar 1951.

Tabel XL C bevat die inkomste- en uitgawetransaksies van die private sektor. Private inkomste, soos hier gedefinieer, sluit die inkomstes van persone en die nie-uitgekeerde winste van openbare maatskappye in, en word verkry deur van die volksinkomste teen faktorkoste dié deel van die volksinkomste wat nie na die private sektor gaan nie, naamlik inkomste uit eiendom van owerheidsliggame, af te trek. Omdat daar 'n groot stijging in die uitgawe aan verbruikersgoedere en dienste, sowel as in direkte belastingbetalings, plaasgevind het, terwyl private inkomste betreklik min toegeneem het, toon die saldo in hierdie rekening, naamlik, private besparing, pos 5 (d), 'n afname van £134 miljoen in 1951 tot £90 miljoen in 1952.

Die openbare sektor se rekeninge word in tabel XL D aangetoon. In vorige uitgawes van hierdie kwartaalblad het pos 6 (d), d.w.s. inkomste uit eiendom, op die surpluses van verskillende soorte regeringsondernemings betrekking gehad, maar die surpluses en tekorte van die S.A.S. en Hawens is nie onder hierdie hoof ingesluit nie, aangesien dit as deel van private inkomste beskou is. Aangesien die S.A.S. en Hawens as 'n integrale deel van die regeringsektor in die Unie geadministreer word, is dit nou besluit om sy surpluses of tekorte onder pos 6 (d) in te sluit.

Die laer stand van besparing en kapitaalvorming in 1952, vergeleke met 1951, blyk duidelik uit tabel XL E. Bruto binnelandse kapitaalbelegging, soos hierbo vermeld, het van £353 miljoen tot £279 miljoen gedaal, en totale bruto binnelandse besparing, pos 10 (e), van £236 miljoen tot £197 miljoen. Openbare owerhede en bestaansbeveiligingsfondse het nagenoeg hul 1951-besparingskoers gehandhaaf, terwyl waardeverminderingstoelae ook ietwat toegeneem het, sodat die daling in binnelandse besparing hoofsaaklik aan minder private besparing te wye is. Die buitelandse sektor se rol was kleiner in 1952 as in 1951 in 'n volstrekte, hoewel nie in 'n betreklike sin nie. Die buitelandse sektor word deur pos 10 (f), naamlik, netto oorsese lenings en verkoop van buitelandse bates, in die bruto besparing en beleggingsrekening verteenwoordig. Hierdie uitdrukking is identies met die „balans in lopende rekening“ wat in die Unie se betalingsbalans (tabel XLI) gebruik word, behalwe dat laasgenoemde bedrag aangesuiwer word deur die uitsluiting van Suidwes-Afrika voordat dit in tabel XL ingesluit word. Die nasionale rekeninge in hierdie blad het slegs op die Unie betrekking, terwyl die betalingsbalansgegewens Suidwes-Afrika insluit.

Vervolgens kan by tabel XXXIX waarin die bruto beleggingsyfers vir die Unie volgens bruto openbare en bruto private belegging ingedeel word, stilgestaan word. Bruto openbare belegging toon 'n stygging van £74 miljoen in 1951 tot £89 miljoen in 1952, maar bruto private belegging het van £279 miljoen tot £190 miljoen in hierdie periode afgeneem. Bruto belegging in die private sektor kan in twee tipes verdeel word, naamlik, vaste belegging, en netto verandering in voorrade. Belegging in vaste uitrusting en konstruksie, poste II (4) en (5), het van £228 miljoen tot £256 miljoen toegeneem. Grooter kapitaaluitgawe in die mynbedryf en die fabriekswese is hoofsaaklik vir hierdie toename verantwoordelik. Die vernaamste enkele beleggingskemas wat vir die vergrote kapitaaluitgawe in hierdie bedryfsvertakkings verantwoordelik is, is uraanondernemings, Eskom en Sasol.

Pos II (6) in die tabel verskaf besonderhede i.v.m. die netto verandering in voorrade in die private sektor. Gedurende 1951 het 'n netto verandering van £32 miljoen in die handels- en fabrieksvoorraad, na aansuiwing ten opsigte van voorraadwaardering, plaasgevind. Vanweë interng op voorrade gedurende 1952 is die ooreenstemmende syfer -£69 miljoen, wat 'n globale verandering van £101 miljoen tussen 1951 en 1952 verteenwoordig. 'n Vergelyking van die netto verandering in mynvoorraad en veestapel in 1952 en 1951 toon 'n afname van £16 miljoen gedurende eersgenoemde jaar. Die totale afname in voorraadbelegging in 1952 bedra dus £117 miljoen, en as die toename van £28 miljoen in vaste belegging in 1952 teen hierdie voorraadvermindering in berekening gebring word, word 'n netto afname van £89 miljoen in die totale bruto private belegging gedurende 1952 verkry.

Groot- en kleinhandel is vir die grootste deel van hierdie negatiewe voorraadbelegging gedurende 1952 verantwoordelik. Soos bekend is invoerbeheer in 1951 verslap, wat tot 'n toename in koopware-invoere van £307 miljoen in 1950 tot £470 miljoen in 1951 geleei het. 'n Groot deel van hierdie verhoogde invoere was ten opsigte van goedere bestem vir gebruik. Tekstiel-invoere het bv. met 'n bedrag van £64 miljoen in 1951 toegeneem. In 1952 is invoerbeheer weer strenger toegepas, veral in die geval van verbruikersgoedere, en tekstielinvoere het met 'n bedrag van £59 miljoen gedaal. Interng op die groot voorrade wat gedurende 1951 opgebou is, het dus in 1952 plaasgevind, en dit word op grond van 'n monsteropname geskat dat die boekwaarde van voorrade gehou deur groot distribueerders in die Unie met omrent 11 persent gedaal het. Hierdie wye skommelinge in voorraadbelegging kan verwag word indien invoerbeheer, vanweë valutamoeilikhede, in 'n land waarin die verhouding van invoere tot volksinkomste normaalweg hoog is, ingestel word.

D. G. Franzsen.

NATIONAL ACCOUNTS REVIEW YEAR 1952

Tables XXXIX and XL in this Bulletin give the preliminary investment and national accounts figures of the Union for the year 1952, and revised figures for 1950 and 1951. No revisions have been made in respect of the years prior to 1950.

A study of the preliminary 1952 figures reveals that several significant changes have occurred in the flow of income and expenditure of the economy as a whole, and in its constituent sectors. Although the information that is available about these changes and the factors affecting them is still incomplete in some cases, it would appear that, compared with 1951, the most important developments are the retardation in the rate of expansion of national income, and the considerable decline in one of the components of capital expenditure, namely, the net change in inventories.

The Net National Income at Factor Cost figures shown in Table XL are based, subject to certain adjustments, on the geographical income of the Union, which is calculated by the Bureau of Census and Statistics for the years ended 30th June. The geographical income figure shows an increase of only £18 million during the year 1951-52, compared with an increase of £100 million during the previous year. As the geographical income for the second half of 1952 is not available, the figure shown in Table XXXIX for the calendar year 1952, is an estimate.

The decline in farming income was primarily responsible for the slower rate of increase in the Union's national income in the past year, as farming income showed a decline of £28 million, due to lower wool prices, in 1951-52, compared with an increase of £56 million in the previous year. According to estimates drawn up by the Division of Economics and Markets, farming income will again experience an increase in 1953 on account of the prospect of bigger crops, especially maize, and higher wool prices. As far as the present rate of increase in the income generated in other industries, such as mining, transportation, manufacturing, and tertiary activities, is concerned, two points may be stressed. The first is that the Union's labour market is characterised by an increasing degree of tightness, so that expansion in any one industry may affect the labour resources and thus the production of the others. Secondly, the big expansion in the Union's fixed capital expenditure programme during the past few years has tied up an increasing part of the country's limited resources in the task of extending the future productive capacity of the country, rather than in the production of current goods and services. To the extent that the capital goods requirements of these investment projects, as well as the consumption goods requirements of the workers engaged upon them, have to be met from imports, the net expansionary effect on current production and income will register itself in the national incomes of those countries that export

these goods to the Union, rather than in the national income of the Union.

The behaviour of the constituent parts of Gross National Expenditure in 1952, compared with 1951, can be ascertained by examining Table XL B, item 3. Current Expenditure by Persons and Non-profit-making Bodies, item 3 (a), shows an increase from £880 million to £946 million, but this increase of about 7.5 per cent is more than accounted for by the rise in retail prices of 8.7 per cent. Current Expenditure by Public Authorities and Social Security Funds, item 3 (b), rose from £157 million to £183 million, but the third constituent of Gross National Expenditure, namely, Gross Domestic Capital Formation, item 3 (c), declined from £353 million to £279 million. The three items mentioned above add up to £1,408 million, whereas Gross National Product at Market Value amounts to £1,326 million. Hence the total expenditure of the Union's residents on current and capital goods during 1952 exceeds Gross National Product by £82 million, so that the country has had to rely upon foreign borrowing and realisation of gold and exchange reserves, item 3 (d), to an extent of £82 million in order to finance the gap between Gross National Product and Gross National Expenditure. This shortfall of £82 million in 1952 compares with a corresponding figure of £117 million for the year 1951.

Table XL C sets out the income and expenditure transactions of the private sector. Private income, as here defined, includes the incomes of persons and the undistributed profits of public companies, and is obtained by deducting from the national income at factor cost that part of the national income that does not accrue to the private sector, i.e., property income of public authorities. In view of the big rise in expenditure on consumer goods and services, and direct tax payments, as against a relatively small increase in private income, the balancing item in this account, viz., private saving, item 5 (d), shows a decline from £134 million in 1951 to £90 million in 1952.

The accounts of the public sector are shown in Table XL D. In previous issues of this Bulletin, item 6 (d), i.e., Income from Property, referred to the surpluses of the different kinds of Government Enterprises, but the surpluses or deficits of the S.A.R. and Harbours were not included under this heading, but were treated as part of private income. Since the S.A.R. and Harbours is administered as an integral part of the government sector in the Union, it has now been decided to include its surpluses or deficits in item 6 (d).

The lower level of saving and capital formation in 1952 relative to 1951 is apparent from Table XL E. Gross Domestic Capital Formation, as

mentioned above, declined from £353 million to £279 million, and Total Gross Domestic Saving, item 10 (e), from £236 million to £197 million. Public Authorities and Social Security Funds practically maintained their 1951 rate of saving, and depreciation allowances moved upwards slightly, so that the drop in domestic saving was mostly due to less private saving. In absolute, though not in relative terms, the foreign sector also played a less important role in 1952, compared with 1951. The foreign sector enters the Gross Saving and Investment Account via item 10 (f), which is entitled : Net Overseas Borrowing and Realisation of Foreign Assets. This expression is identical with the "Balance on Current Account," used in the Union's Balance of Payments (Table XLI), except that the latter figure is adjusted so as to exclude South West Africa before its inclusion in Table XL. The national accounts data in this Bulletin refer to the Union only, whereas the balance of payments data include South West Africa.

We now turn to Table XXXIX in which the gross investment data of the Union are split between Gross Public Investment and Gross Private Investment. Gross Public Investment shows a rise from £74 million in 1951 to £85 million in 1952, but Gross Private Investment has declined from £279 million to £190 million in this period. Gross investment in the private sector may be divided into two categories, viz., fixed investment, and net change in inventories. Investment in fixed equipment and construction, items II (4) and (5), increased from £228 million to £256 million. Bigger capital expenditure in mining and manufacturing is mainly responsible for this increase. The most important individual investment projects which account for the increased capital outlay under these headings are uranium plants, Escom and Sasol.

Item II (6) in the Table gives details of the Net Change in Inventories in the private sector. During 1951 a net increase of £32 million took place in commercial and manufacturing inventories, after inventory valuation adjustment. On account of inventory disinvestment in 1952 the corresponding figure is minus £69 million, which yields an over-all change of £101 million in comparing 1952 with 1951. A comparison of the net change in mining inventories and livestock in 1952 and 1951 shows a decline of £16 million during the former year. The total decline in inventory investment in 1952 thus amounts to £117 million, and if the increase of £28 million in fixed investment in 1952 is set off against this inventory decline, a net decrease of £89 million is obtained in total Gross Private Investment during 1952.

Wholesale and retail trade is responsible for most of this inventory disinvestment in 1952. It will be recalled that import control was relaxed in 1951, which led to an increase in merchandise imports from £307 million in 1950 to £470 million in 1951. Much of this increase in imports was in respect of goods destined for consumption. Textile imports, e.g., rose by an amount of £64 million in 1951. In 1952 import control was again more strictly enforced, especially in the case of consumer goods, and textile goods imports fell by an amount of £59 million. A running down of the big inventories built up during 1951 has thus occurred in 1952, and it is estimated on the basis of a sample survey that the book value of inventories held by large distributors in the Union declined by about 11 per cent. These wide swings in inventory investment are to be expected if a country in which the ratio of imports to national income is normally very high, is subjected to import control on account of foreign exchange difficulties.

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