

## MONETARY AND BANKING REVIEW

During the second quarter of 1959 there was a distinct upward movement in the Union's overall monetary volume of economic activity, as reflected in the increases registered in that period in nearly all of the available value indices shown in the table below.

### Indices — Excluding Seasonal Changes (1948 = 100)

	1958		1959		July
	2nd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	
Bank Debts .....	245	245	258	273	278
Discounts and Advances of					
Commercial Banks .....	243	225	225	228	236
Stock Exchange Turnover .....	63	115	106	133	164
Value of Gold Production .....	216	231	237	249	252
Value of Imports .....	164	146	129	139	143
Value of Exports* .....	296	266	284	319	315
Railways Earnings .....	214	221	220	228	—
Value of Retail Sales .....	135	133	132	131	135
Value of Property Trans-					
actions .....	91	77	73	82	—
Value of Building Plans					
Passed .....	139	147	128	149	—
Employment: Mining .....	123	130	131	133	—
Manufacturing .....	173	170	170	168	—

Basic indicators such as merchandise exports, gold production and bank debits continued their upward movement in the second quarter, while increases also occurred in those indices which had either declined or remained constant from the last quarter of 1958 to the first quarter of this year, namely, imports, railway earnings, discounts and advances of the commercial banks, property transactions, building plans passed and stock exchange turnover. Contrary to these movements, the available index of retail sales, which is based on a limited sample, continued to show a slight declining tendency, and, judging by the index of employment, this was also true of manufacturing activity.

Compared with the average figures for the second quarter, further increases took place in the month of July in a number of the indices referred to above, while an improved level was also registered in the case of retail sales.

### BALANCE OF PAYMENTS

After increasing by £1 million in the first quarter of 1959, the Union's gold and foreign exchange

reserves held by the Reserve Bank, the commercial banks and the Government, rose by £12 million during the second quarter, largely as a result of a substantial net current surplus.

Imports increased from £120 million to £127 million from the first to the second quarters, i.e. by £7 million, as against an increase from £97 to £108 million, or £11 million, in the case of exports. Furthermore, a rise of about £3 million in net current invisible payments was more than offset by an increase of £7 million in the net gold output, so that the net balance on current account showed a further improvement of about £8 million, namely, from a surplus of £7 million in the first quarter to a surplus of £15 million in the second quarter. The total net surplus on current account, therefore, amounted to about £22 million for the first half of 1959, compared with a net deficit of £66 million in the first half of 1958.

As far as capital movements during the second quarter of 1959 are concerned, repayments of short-term foreign liabilities by the Government and the banks exceeded the Government's foreign loan receipts by about £1 million, while the commercial banks' long-term foreign assets increased by about the same amount, leaving a residual net outflow of private capital in all forms, and including errors and omissions in the estimates, of about £1 million. This small net outflow of private capital, which compares with a net outflow of about £5 million in the first quarter, includes repayments of £1.7 million on uranium loans, and net purchases through stockbrokers of about £1.6 million of Union securities by Union residents from foreigners, so that a net inflow of about £2 million of private capital in other forms must have taken place during this period.

During July, 1959, the Union's total gold and foreign exchange reserves increased further by about £7 million, and preliminary calculations indicate that this was primarily due to a further net surplus on current account which included an exceptionally high figure for the net gold output as a result of a substantial decline in mine inventories; the latter had, apparently, accumulated earlier in the year. Subsequently, during August, the gold and foreign exchange reserves held by the Reserve Bank declined by £1.2 million, and although the figures for the commercial banks and the Union Government are not yet available, it would appear that the total

\*) Excluding gold.

reserves would have increased further during that month, but for the payment to the International Monetary Fund of about £4.5 million, representing the portion payable in gold of the Union's increased quota.

### MONEY AND BANKING

On pages 15 and 16 of this Bulletin, new tables are published showing consolidated figures for the liabilities and assets of the banking sector. The last-mentioned is defined as consisting of the Reserve Bank, the National Finance Corporation and the commercial banks, and it will be noted that commercial bank data for South West Africa and the High Commission Territories have been incorporated, so that the figures for the monetary sector are now on a comparable basis with those published for the balance of payments and the national accounts.

Summarising these consolidated figures, it will be seen from the table below that the money supply increased by £11 million in the second quarter of 1959 and interest-bearing deposits by £31 million, giving a total increase of £42 million in the liquid assets held by the public with the banking sector. This increase was considerably in excess of the rise of £14 million registered during the corresponding period a year ago, and occurred mainly as a result of a drawing down of deposits held by the Government, although smaller increases also took place in the net amount of gold and foreign exchange reserves and in claims on the Government.

### Changes in Liabilities and Assets of the Banking Sector (£ millions)

	1958		1959		July
	1st Qtr.	2nd Qtr.	1st Qtr.	2nd Qtr.	
Money Supply	-28	+3	-15	+11	-2
Interest-bearing deposits	-20	+11	-10	+31	+6
Total	-48	+14	-25	+42	+4
Net gold and foreign exchange reserves <sup>1</sup>	-28	-16	+7	+9	+8
Claims on Government	-15	+20	-13	+5	+7
Government deposits <sup>2</sup>	-22	+16	-14	+20	-15
Claims on local governments	-7	-1	-6	+1	—
Claims on private sector	+30	-14	-2	+1	+12
Unclassified items	-6	+9	+3	+6	-8
Total	-48	+14	-25	+42	+4

Taken over the first seven months of 1959, there was a net increase of £21 million in the liquid assets of the public with the banking sector, compared with a decline during the corresponding period last year. The increase this year was largely accounted for by the substantial rise in the Union's net gold and foreign exchange reserves, associated with the favourable balance of payments, and, to a lesser extent, by an increase in the banking sector's claims on the private sector which occurred during the month of July and represented mainly discounts of Land Bank bills. At the end of July, the public's liquid assets with the banking sector stood at the new high figure of £738 million, while at the same time the commercial banks continued to remain in a very liquid position, their ratio of liquid assets to liabilities to the public standing at 48 per cent.

<sup>1</sup>) Gold and foreign exchange reserves less short-term foreign liabilities owed to foreign banks and governments.

<sup>2</sup>) Increase —, decrease +.

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