

18
ECONOMIC SURVEYS BY THE OECD

UNITED KINGDOM

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JUNE 1964

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

PARIS

UNITED KINGDOM

BASIC STATISTICS

THE LAND

Area (1,000 sq. km.)	244	Major cities (population in millions 1962):	
Agricultural area (1,000 sq. km.)	199	London (administrative county)	3.2
		Greater London	8.2
		Birmingham	1.1
		Glasgow	1.0
		Liverpool	0.7
		Manchester	0.7

THE PEOPLE

Population (mid 1963)	53,673,000	Labour force, June 1963	24,994,000
No. of inhabitants per sq. km.	220	Employment in manufacturing industries, June 1963	8,715,000
Net natural increase in population, 1958-63:			
— annual average	306,000		
— annual average per 1,000 inhabitants	6		

PRODUCTION

Gross national product in 1963 (millions of £, market prices)	29,826	Origin of G.D.P. at factor cost (1962):	
G.N.P. per head in 1963 (U.S. \$)	1,556	— Agriculture	4
Gross fixed investment, 1962		— Industry	41
— per cent of G.N.P.	16.3	— Construction	7
— per head (U.S. \$)	242	— Services and distribution	48

THE GOVERNMENT

Public current expenditure 1963 (percentage of the G.N.P.)	17	Composition of House of Commons:	
General Government current revenue 1963 (percentage of the G.N.P.)	33	Conservatives	357 seats
National Debt 31 March 1963 (ratio to General Government Revenue)	300	Labour	259 seats
		Liberals	7 seats
		Independents	2 seats
		Vacants	5 seats
		Last general election: 8th October 1959	

LIVING STANDARDS

Calories per head, per day, 1961-62	3,250	No. of passenger cars in use per 1,000 inhabitants (September 1963)	141
Consumption of energy per head 1962 (metric tons of coal equivalent)	5.12	No. of telephones per 1,000 inhabitants (1962)	160
Average weekly earnings of men in industry, October 1963	334 s. 11 d.	No. of television sets per 1,000 inhabitants (1963)	234
		Public current expenditure on education per head in 1962 (U.S. \$)	52

FOREIGN TRADE

Exports:		Imports:	
Exports of goods and services as a percentage of the G.N.P. (average 1959-63)	20	Imports of goods and services as a percentage of the G.N.P. (average 1959-63)	20
Main exports (percentage of total exports in 1963):		Main imports (percentage of total imports in 1963):	
Machinery	29	Petroleum	12
Transport equipment	15	Machinery	7
Chemicals	9	Meat	6
Textiles	6	Fruit and vegetables	6
Iron and steel	5	Non-ferrous metals	5
Petroleum products	3	Cereals	4

THE CURRENCY

Monetary unit: pound sterling	Currency units per U.S. \$:	0.357
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ECONOMIC SURVEYS BY THE OECD

UNITED KINGDOM

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention provides that the O.E.C.D. shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the world economy;*
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;*
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

The legal personality possessed by the Organisation for European Economic Co-operation continues in the O.E.C.D. which came into being on 30th September 1961.

The members of O.E.C.D. are Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

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UNITED KINGDOM

INTRODUCTION

1. Since the last balance of payments crisis in 1961, a re-appraisal of economic policy-making has been underway in the United Kingdom, and a notable change has come over opinion in both government circles and the private sector. The Government has adopted a growth target and is setting up arrangements for the participation of representatives of both sides of industry in achieving it. This experiment, which is still at a very early stage, has served to bring into sharp focus certain obstacles to faster growth and has provided a spur to the search for means of overcoming them. The existence of the growth target has given a new, and valuable, perspective to policy-making as regards short-term demand management. It is too early as yet to judge the success of the new policy of achieving sustainable growth and thus avoiding a return to "stop-go" measures but the Government is clearly aiming at a break-through to faster and steadier growth.

2. This report, after a brief review of the current economic situation, examines in some detail the problems confronting economic policy-making in the United Kingdom.

I. THE CURRENT SITUATION

a) DEMAND

3. The most buoyant factors behind the sharp upswing which began in the second quarter of 1963 were private consumption, public investment and exports. By the winter of 1963-64 the economy was expanding at an annual rate of about 6 per cent but there are signs that the pace of advance has been moderating a little in 1964.

4. Private consumption was stimulated last year by cuts first in indirect, then in direct, taxes; since April 1964 there has been some pressure in the other direction from the budget. During 1963, the rate of increase in private consumption was 4 per cent. No comparable data are available for 1964, but the volume of retail sales rose at an annual rate of 3 per cent in the first four months of this year,

after seasonal adjustment, compared with the previous four months, and demand for automobiles has remained buoyant.

TABLE 1. EXPENDITURE ON GROSS DOMESTIC PRODUCT
£ MILLION, 1958 PRICES, SEASONALLY ADJUSTED ANNUAL RATES

	1962		1963	
	1ST HALF	2ND HALF	1ST HALF	2ND HALF
Private consumption	16,942	17,260	17,422	18,074
Public consumption	4,108	4,144	4,210	4,300
Gross fixed capital formation.....	4,456	4,420	4,252	4,742
<i>of which:</i>				
— Public sector	1,806	1,818	1,776	2,082
— Private sector	2,650	2,602	2,476	2,682
Stock change	92	134	44	256
Exports of goods and services.....	5,256	5,292	5,486	5,574
Total final expenditure	30,854	31,250	31,414	32,946
less: Imports of goods and services.....	5,448	5,658	5,584	5,934
<i>equals:</i> Gross Domestic Product at market prices	25,406	25,592	25,830	27,012

Source: Monthly Digest of Statistics.

5. During most of last year, private investment was still declining but, as public investment was rising strongly, the volume of total gross fixed capital formation increased moderately. Since private investment expenditure turned up again in the last quarter of 1963 the total has been rising at a faster pace. The Board of Trade's end-year survey of investment intentions revealed that the manufacturing sector plans to raise investment outlays by 8 per cent this year. In distribution and the service industries the increase is expected to be over 10 per cent. Already in the first quarter of 1964 the seasonally adjusted level of the volume of capital expenditure by private industry rose by 6 per cent compared with the previous quarter. Investment expenditure in the public sector this fiscal year is likely to rise by more than the scheduled increase of 7 per cent.

6. The level of stocks compared with final sales fell during the early months of the upswing in production last year. But, by the final quarter, businessmen were building up stocks once more. Re-stocking may remain high for the time being until a more normal relation between stock levels and output has been restored. But the very rapid rates of growth in the rate of stockbuilding in the last quarter of 1963 and in the first quarter of 1964 are unlikely to be repeated.

7. Despite some levelling-off during the closing months of last year, exports increased by 8 per cent in volume during the year up

to the fourth quarter of 1963 and by nearly 10 per cent in value. In the three months March to May exports were 2 per cent higher, seasonally adjusted, than in the previous three months. But as world market prospects for exports of manufactures are favourable the rise in exports should be substantial from now on.

8. Although the rise in the volume of imports during the same period, from the end of 1962 to the end of 1963, was also 8 per cent, the rise in value was over 13 per cent due to a substantial increase in prices. The rate of increase slackened considerably in 1964. In the three months March to May, imports were 1 per cent higher in value, after seasonal adjustment, than in the previous three months. As imports rose particularly sharply from the second half of 1963 up to early 1964 at a time when exports were doing less well, the trade balance worsened notably, though the seasonally adjusted trade deficit fell from £34 million a month in December/February to £30 million in March/May. Higher imports will continue to be required to support the rise in production but, insofar as the rate of stock-building flattens out, import requirements for this purpose will rise less fast.

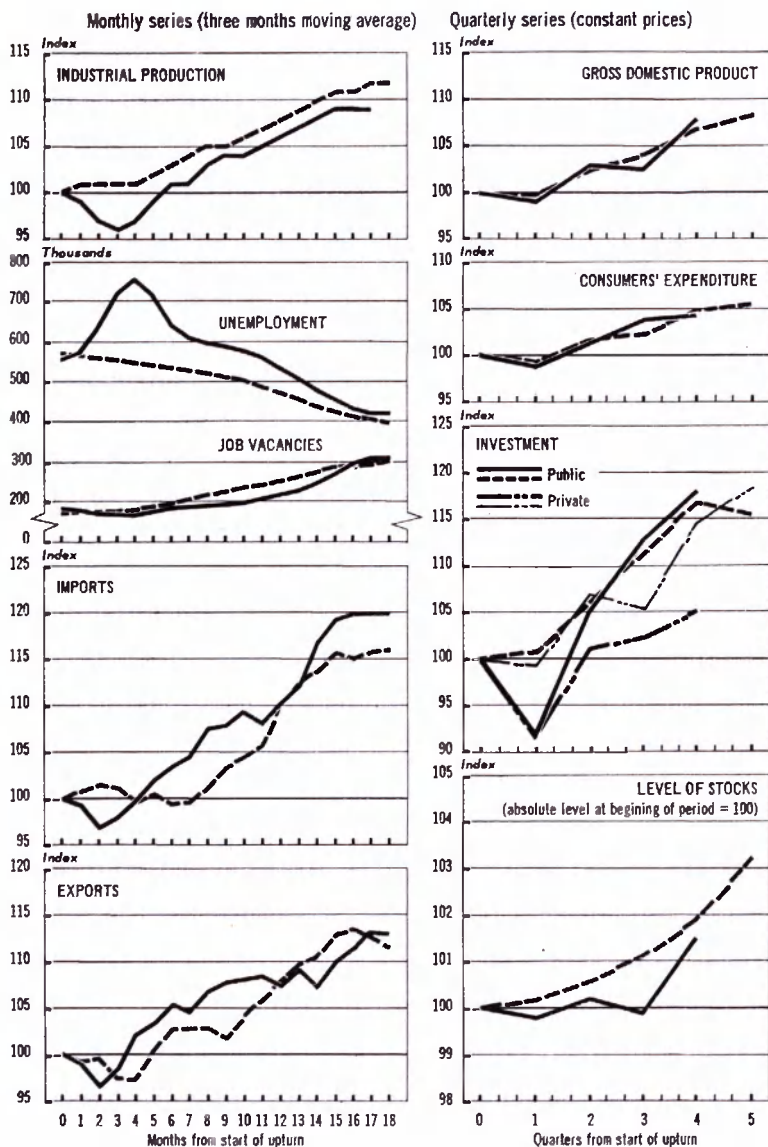
b) SUPPLY

9. So far it has proved possible to accommodate a rapid rise in demand through taking up the slack in the use of productive resources. But, at the present time, this once-for-all process seems to be approaching its limits, particularly as regards the supply of labour.

10. By the last quarter of 1963, industrial production was 8 per cent higher than a year earlier. The rise in the output of manufacturing industries was also 8 per cent but that of the construction industry was up by 12 per cent, due in part to the depressed level of activity during the winter of 1962-63. Production appears to have been rising more slowly in 1964. In the three months February to April the index of industrial production was 1 per cent higher than in the preceding three months. Data on capacity utilisation rates in industry are not available but, early in 1964 in a survey by the Federation of British Industries, the number of firms reporting that they were working below capacity was only a little higher than in June 1960, at about the high peak of the previous period of expansion.

11. Unemployment was re-absorbed quite rapidly during 1963. In February 1963 at its peak, when nearly 300,000 construction workers were stopped because of bad weather, over 3.5 per cent of the labour force was unemployed. By the first quarter of 1964, the rate was down to 1.8 per cent after seasonal adjustment and it is still declining. As happened during the upturn in 1959, the sharpest falls have been in the South East and Midlands where the (unadjusted) rates are now about 1 per cent; and therefore do not leave much

Diagram 1. THE 1959 AND 1963 EXPANSIONS COMPARED
INDICES BASED ON OCTOBER OR 4th QUARTER OF 1958 AND 1962
Unbroken line: 1962-64. Dotted line: 1958-60



Source: Economic Trends.

TABLE 2. EXPORTS, BY AREA

£ MILLION, MONTHLY AVERAGES (SEASONALLY ADJUSTED)

	1962	1963				1964
		1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.
Total exports	316	327	335	346	348	356
<i>of which, to:</i>						
Sterling Area	112	119	120	123	122	125
E.E.C.	60	65	69	71	70	71
E.F.T.A.	43	44	45	47	49	50
North America	43	39	41	45	47	44
Rest of World	58	58	61	62	63	63

Source: Board of Trade.

scope for a further reduction. In Scotland unemployment is still over 3.5 per cent. Within the total, the relation between demand for and supply of skilled workers also shows a notable tightening.

12. There was only a moderate rise, of 2 per cent, in weekly wage rates during the first nine months of 1963, but a sharp upward movement, of 2 per cent, occurred in the last quarter due to a bunching of settlements and there was some further increase early in 1964. But weekly earnings rose notably faster, by over 5 per cent according to the latest survey in the year ending October 1963, so that, after allowing for changes in over-time, there was some wage drift. A number of important wage settlements have taken place in recent months—engineering, shipbuilding, dockyards, railways and road

TABLE 3. IMPORTS, BY TYPE OF PRODUCT

£ MILLION, MONTHLY AVERAGES (SEASONALLY ADJUSTED)

	1962	1963				1964
		1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.
Total imports	374	375	395	412	422	453
<i>of which:</i>						
Food, drink and tobacco	131	126	141	148	143	150
Fuels	44	48	49	46	46	48
Basic materials	77	77	76	85	91	93
Semi-manufactures	70	70	75	78	83	93
Finished manufactures	50	52	54	55	57	68

Source: Board of Trade.

transport—the usual rates of increase being between 5 and 6 per cent, or, after allowing for the fact that a number of settlements have taken place at intervals of more than one year, about 4½ per cent on a yearly basis. This is still higher than the guiding light of 3½ per cent put forward by the Government.

TABLE 4. UNEMPLOYMENT AND VACANCY RATES
SEASONALLY ADJUSTED

	Previous unemployment level June 1961	1963				1964
		MARCH	JUNE	SEPT.	DEC.	MARCH
Unemployment rate (%)	1.33	2.92	2.28	2.28	1.95	1.70
Vacancy rate (%)	1.53	0.80	0.79	0.89	1.05	1.39
Ratio of vacancy rate to unemployment rate	1.15	0.27	0.35	0.39	0.54	0.82

Source: N.I.E.S.R. and O.E.C.D. Secretariat.

13. It is likely that wage costs per unit of output, which had been held steady during 1962, remained steady during 1963. But this result must be seen against the background of a high rate of increase in productivity in that year, as is usual when idle resources are being brought back into production. Costs to manufacturing industry of basic materials, which are mainly imported, rose sharply in 1963; by the fourth quarter they were 7 per cent higher than a year earlier but have since been steady.

c) BALANCE OF PAYMENTS

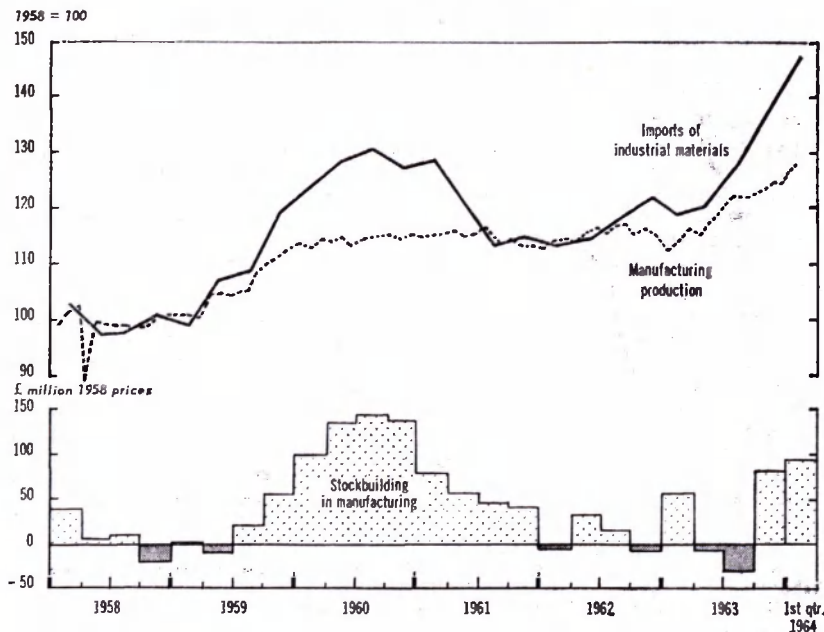
14. In 1963, the balance of payments surplus on current account of £121 million was slightly larger than in 1962, when it was £102 million. But this concealed a steady decline in the surplus throughout the year, and data for the merchandise trade balance in the first quarter of 1964 suggest that this trend has continued since then. At the same time, as regards the long-term capital balance, after two years of exceptionally high imports of capital the net outflow swung back towards a more normal figure. Public net capital outflows were £105 million, the same as in 1962, but net private long-term capital exports rose to £42 million after two years of net inflows. The major factor behind this change was a sharp reduction in imports of long-term portfolio capital; net direct investment abroad was approximately the same. Including a large negative item of £129 million on account of the errors and omissions ("balancing") item, the balance of monetary movements was unfavourable to the extent of £155 million compared to a surplus of £99 million in 1962. Insofar as the swing in the balancing item from a credit item of £86 million in 1962

to a large debit item last year represented a reduction in unrecorded short-term liabilities the balance of monetary movements was less unfavourable than the figures suggest.

15. The balance of monetary movements comprised a fall of £53 million in the reserves, a rise of £152 million in net external liabilities in sterling and a fall of £50 million in other recorded short-term liabilities. There was a large increase in the sterling balances of the sterling area countries whose balance of payments positions were generally favourable last year.

16. In the first quarter of 1964 the visible trade deficit, after seasonal adjustment, rose to £107 million, compared with £33 million in the previous quarter; in addition the net outflow of long-term capital was at a higher rate than in 1963. Nevertheless, there was no fall in the reserves, partly because of a further rise of £52 million in the sterling liabilities, wholly attributable to sterling area countries, and partly as a result of a sharp swing in the balancing item from a negative to a positive figure between the last quarter of 1963 and the first quarter of 1964. In April and May the reserves rose by £36 million, although the merchandise trade balance showed no improvement

Diagram 2. STOCKBUILDING IN RELATION TO OUTPUT AND IMPORTS AND IMPORTS



Source: Economic Report, 1963.

on the first quarter level: the second quarter is seasonally the most favourable period for the foreign exchange earnings of the overseas sterling area. The increase in Bank rate by 1 percentage point in February thus seems to have checked the tendency for short-term capital to leave the United Kingdom and, since then, there has probably been a change in "leads and lags" in payments which has been favourable to the reserves. But there is unlikely to have been any sizeable inflow as a result of the increase in Bank rate. If the sharp rise in imports for inventory building is now at, or near, its peak, the fact that exports are rising again should soon begin to swing the current balance of payments back to a more satisfactory position.

II. ECONOMIC POLICY

a) POLICY MEASURES

17. In February, Bank rate was raised from 4 to 5 per cent. There was clearly room for this move on account of both the state of the balance of payments and conditions on the home market.

TABLE 5. BALANCE OF PAYMENTS

£ million, annual rates.

	1962	1963	1963				1964
			1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.
<i>Seasonally adjusted:</i>							
Exports (f.o.b.)	3,991	4,274	4,132	4,236	4,336	4,392	4,424
Imports (f.o.b.)	4,059	4,318	4,052	4,256	4,440	4,524	4,852
Visible balance	- 68	- 44	+ 80	- 20	-104	-132	-428
Net invisible receipts	+170	+165	+204	+140	+160	+156	+ 180
Current balance	+102	+121	+284	+120	+ 56	+ 24	-248
<i>Not seasonally adjusted:</i>							
Current balance	+102	+121	+312	+272	-112	+ 12	-268
Net long-term capital	- 89	-147	-212	+ 20	-112	-284	-364
Balancing item	+ 86	-129	—	-200	- 80	-236	+ 356
Sterling liabilities, net ¹ 2 .	- 45	+131	-408	+216	+372	+344	+216
International organisations ²	-353	+ 21	+ 8	+ 12	- 8	+ 72	- 8
Other short-term capital, net ²	+116	- 50	+312	-464	- 28	- 20	+ 72
Gold and currency ²	+183	+ 53	- 12	+144	- 32	+112	- 4

1. Excluding international organisations.

2. Increase in assets or decrease in liabilities—; decrease in assets or increase in liabilities +.

N.B. Data do not necessarily add, because of rounding.

Source: Economic Trends, March 1964.

It is likely, however, that the chief impact of such a move is upon the capital account of the balance of payments. Since confidence factors and a tightening of money and credit conditions in other major financial centres were leading, or were thought likely to lead, to a drain on the reserves of the United Kingdom, the increase in Bank rate was a necessary measure. An outflow of short-term funds at that time would have been particularly inopportune when the current balance of payments was already coming under strain. A fall in the reserves, given their low absolute level, would have made it more difficult for the United Kingdom to pursue a policy of steady growth.

18. In the view of the British authorities, only moderately restrictive measures were called for in April when the budget for the fiscal year 1964-65 was presented to Parliament. Indirect taxes on tobacco and alcoholic drinks were raised by about 10 per cent. The yield from these additional taxes is difficult to estimate, particularly in the case of tobacco, but together with other minor changes it is expected to be about £115 million in a full year or some 0.5 per cent of consumers' expenditures.

TABLE 6. BUDGET ESTIMATE AND OUTTURN

£ million.

	1962-63		1963-64		1964-65
	ESTI- MATE	OUT- TURN	ESTI- MATE	OUT- TURN	ESTI- MATE
<i>Above-the-line:</i>					
Revenue	6,798	6,794	6,839	6,890	7,455
Expenditure	6,365	6,441	6,929	6,817	7,388
Surplus (+) or Deficit (—)	+433	+353	— 90	+ 73	+ 67
<i>Below-the-line:</i>					
Net payments	507	419	597	551	858 ¹
Overall borrowing requirements ...	— 74	— 66	—687	—478	—791 ¹

1. £165 million of the net payments below the line estimated for 1964-65 are due to the new arrangements under which local authorities will borrow from the Exchequer instead of from the market. The addition to Exchequer borrowing will be counter-balanced by an equal reduction in local authority calls on the market.

Source: Financial Statement.

19. The budget has been coloured by the steady rise in public expenditure which is likely to continue for some time following the decisions greatly to expand a number of major public expenditure programmes for roads, housing, urban renewal, education and health services. There can be no doubt of the need for these programmes but the steep rise in expenditure on them does raise in an acute form

the problem—which is dealt with at greater length in the next section of this report—of reconciling long-term public expenditure programmes with the needs of short term demand management.

20. At the time of the budget it was clearly a matter of judgment how long the present rapid upturn after the last recession could be expected to continue. In particular, the outlook for stockbuilding and personal savings is difficult to foresee. But the decision to exercise only a moderate restraint on demand through the budget this year requires that the Government will be prepared to act promptly if subsequent events call for further restraint. There is no reason why policy changes—fiscal or other—should be reserved for budget day. The Government has ready weapons to hand which it can use if the need arises. In the April budget the “regulator” was made more flexible. The indirect taxes covered by it were divided into five groups whose rates can be changed separately if necessary. But use of the regulator to increase indirect taxes remains subject to affirmative resolution by Parliament within 21 calendar days whereas a reduction can be ratified within 21 sitting days, thus obviating constraints on the use of the regulator to reduce taxes during the summer recess when Parliament is not sitting.

b) POLICY PROBLEMS

21. For some years, the essence of the problem that economic policy in the United Kingdom has to solve has been, and still remains, how to reconcile faster and steadier growth with equilibrium in the balance of payments. A necessary distinction in this connection is between temporary fluctuations in the balance of payments and more deep-seated types of imbalance.

1. *Temporary balance of payments fluctuations*

22. However successful demand management policy is, fluctuations in the balance of payments are bound to occur from time to time. Indeed, demand stabilisation implies that short-term movements in the balance of payments are absorbed by the gold and foreign exchange reserves rather than by changes in home demand.

23. The sharp rise in imports since the second half of 1963 has affected all categories of imports and must be attributed to a number of causes. But among them is higher demand for imported materials in order to build inventories up to more normal levels from the below-average relation to total output to which they had fallen. It would hardly have been possible to squeeze out the inventory element in the recent increase in imports by any means short of preventing the growth of total demand that had given rise to it.

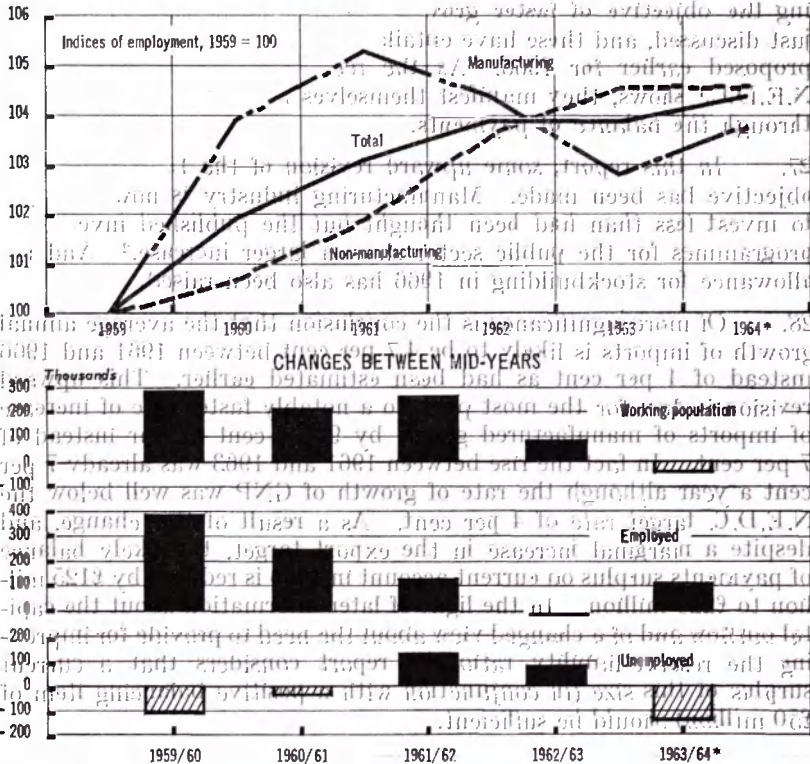
24. A higher merchandise trade balance deficit due solely to inventories being built up to more normal levels should not be seen as a

real worsening of the balance of payments. Once the desired normal level of the stock/output ratio has been restored, the growth of demand for imports for inventory purposes will automatically moderate itself. But this does not imply that there will be a reversal of the previous trend so that, in some way, the cost of the additional imports can be recouped. It is only the rate of growth in imports that can be expected to decline. If some slowing down in the rate of increase in imports can be expected this year, the key question will be whether, from now on, exports will rise faster than imports thus swinging the balance of payments back into equilibrium.

25. The United Kingdom is particularly prone to fluctuations of the balance of payments due to changes in short-term capital movements. The pound is widely used in world trade, net external short-term liabilities are high and the level of the gold and foreign exchange

Diagram 3. EMPLOYMENT AND UNEMPLOYMENT

FIGURES RELATE TO JUNE



* March figures, seasonally adjusted.

Source: Ministry of Labour.

reserves low, compared to other major trading countries. As a result, a fall in the reserves, from any cause, can easily have a snow-ball effect due to speculative pressure against the pound. Speculative movements are frequently based more upon subjective judgment than upon objective analysis of the wider aspects of the economic situation. Although they require sharp and energetic measures to bring them to a stop, they can usually be counted upon to reverse themselves quite rapidly. There have been occasions in the past when speculation has imposed constraints upon the United Kingdom authorities. Fortunately, the international payments mechanism is now capable of rapidly providing substantial external support. It is appropriate that this possibility should be used if the need arises to fend-off speculative pressures. And interest rate policy, given the sensitivity of short-term capital flows to interest rate differentials, also has a role to play.

2. Progress in achieving the medium-term target

26. There are more fundamental problems connected with achieving the objective of faster growth than the temporary fluctuations just discussed, and these have entailed certain revisions in the targets proposed earlier for 1966. As the recent progress report by the N.E.D.C.¹ shows, they manifest themselves in their most acute form through the balance of payments.

27. In this report, some upward revision of the 1966 investment objective has been made. Manufacturing industry is now expected to invest less than had been thought but the published investment programmes for the public sector show a larger increase.² And the allowance for stockbuilding in 1966 has also been raised.

28. Of more significance is the conclusion that the average annual growth of imports is likely to be 4.7 per cent between 1961 and 1966 instead of 4 per cent as had been estimated earlier. This upward revision is due, for the most part, to a notably faster rate of increase of imports of manufactured goods, by 9 per cent a year instead of 7 per cent. In fact the rise between 1961 and 1963 was already 7 per cent a year although the rate of growth of GNP was well below the N.E.D.C. target rate of 4 per cent. As a result of this change, and despite a marginal increase in the export target, the likely balance of payments surplus on current account in 1966 is reduced by £125 million to £225 million. In the light of later information about the capital outflow and of a changed view about the need to provide for improving the reserve-liability ratio the report considers that a current surplus of this size (in conjunction with a positive balancing item of £50 million) should be sufficient.

1. The Growth of the Economy, March 1964.

2. Public expenditure in 1963-1964 and 1967-1968, Cmnd. 2235, H.M.S.O., 1964.

This estimate of the current balance of payments surplus in 1966 brings into sharp focus the urgent need for an improvement in the competitive position of the British economy, of which there is no very notable evidence as yet.

TABLE 7. THE USE OF RESOURCES, 1961-66

	1961	1966	INCREASE		
			1961 TO 4TH QTR. 1963 ²	4TH QTR. 1962 TO 4TH QTR. 1963 ²	1961- 1966 ¹
	£ million at 1961 prices		Per cent Per annum		
<i>Resources available:</i>					
Gross domestic product at market prices	26,835	32,650	3 ¹ / ₂	7 ¹ / ₂	4.0 (4.0)
Imports of goods	4,013	5,050	4 ¹ / ₂	8	4.7 (4.0)
Net imports of services ³	26	50	—	—	—
Total	30,874	37,750	—	—	4.1 (4.0)
<i>Use of resources:</i>					
Consumers' expenditure	17,531	20,930	3	4 ¹ / ₄	3.6 (3.5)
Public consumption	4,574	5,445	3 ¹ / ₄	4	3.5 (3.5)
Fixed investment	4,582	5,935	3 ¹ / ₂	11 ¹ / ₄	5.3 (5.2)
Stockbuilding	304	450	—	—	—
Exports of goods	3,883	4,990	4	8	5.1 (5.0)
Total	30,874	37,750	—	—	4.1 (4.0)

1. The original estimates in 'Growth to 1966' are given in brackets.

2. Seasonally adjusted.

3. Military expenditure abroad, payments for shipping, travel, etc., less receipts from abroad for similar items.

Source: The Growth of the Economy, H.M.S.O. 1964, and Secretariat estimates.

29. The scope for any further catching-up with the 1966 output targets is now very limited. In the South East and the Midlands the margin of idle resources in capital and manpower has been reduced as far as is likely to prove compatible with avoiding excess demand conditions. But if regional disparities in degrees of resource use can be reduced it will be possible to spread the production load more evenly across the country.

30. It is more important to keep the economy growing at a steady and rapid rate, as implied by the 4 per cent target, than to achieve precise quantitative targets which, in any case, will have periodically

to be revised in the light of experience. And if it should prove necessary to accept for the time being a smaller current balance of payments surplus than the one aimed at for 1966 so that the growth rate can be maintained, it would seem appropriate, from both a national and an international point of view, to give priority to growth.

31. It is desirable that a growth trend more in line with the economy's capabilities should be established; "stop-go" policies in the past have inhibited investment and innovation, thus holding back the long-term improvement in productivity. Internationally, it is important, in particular for countries in the sterling area which are among Britain's major suppliers of imports, that the economy of the United Kingdom should be expanding. A period of sustained growth could help to strengthen the economy and thus permit an increase in capital exports subsequently.

3. *Strategy for growth*

32. The means by which the British authorities intend to achieve the 4 per cent growth target include :

- an active policy for short-term demand management;
- a policy for prices and incomes;
- improving the flexibility of the labour market;
- economic planning.

i) *Short-term Demand Management*

33. In implementing an active demand management policy, the United Kingdom authorities have a fairly free hand compared with a number of other member countries. There are no constitutional restraints upon the use of fiscal policy such as arise from the existence of a federal structure. Parliament has delegated to the Government the discretionary powers it has asked for in the field of indirect taxation. And public opinion is not only well accustomed to the idea that the Government can use the budget to stabilize the economy, but expects it to do so. Consequently, it seems that most problems related to the effectiveness of stabilization policy concern either the choice of policy instruments, or the use that is made of them.

34. One source of difficulty has been the tendency to underestimate the strength of the response of the economy to reflationary measures; a succession of such measures have often been taken too quickly before the effect of the earlier ones could be clearly perceived. In part, this is due to the very limited swings in unemployment which the Government and public opinion regard as tolerable so that reflationary measures have to be taken quickly as soon as unemployment begins to rise. Yet, in the last analysis, the problem of mitigating the need for "stop-go" policies is probably, as was pointed out in

TABLE 8. BALANCE OF PAYMENTS

£ million.

	1961	1966 ¹ (1961 prices)	
Imports (f.o.b.)	4,013	-5,050	(4,890)
Exports and re-exports (f.o.b.)	3,883	+4,990	(4,955)
Visible balance	-130	- 60	(+ 65)
Invisible balance	+120	+285	(+285)
Current account balance	- 10	+225	(+350)
Balancing item ²	- 14	+ 50	(+ 50)
Current account plus balancing item	- 24	+275	(+400)
Net long-term capital outflow:			
Public	- 45	-275	(-200)
Private	+ 89		(-150)
Overall balance	+ 20	0	(+ 50)

1. Data in brackets are original targets, adjusted to allow for changes in balance of payments statistics (see note 2 below).

2. In the original forecast for 1966 the average annual amount of net current receipts concealed in the 'balancing item' was put at £100 million. Recent improvements in the balance of payments statistics have made it possible to identify some £50 million of net credits in the invisibles account with the result that the 'normal' balancing item net credit is now put at £50 million, and the target for the visible balance is reduced by £50 million.

Source: The Growth of the Economy, H.M.S.O., March 1964.

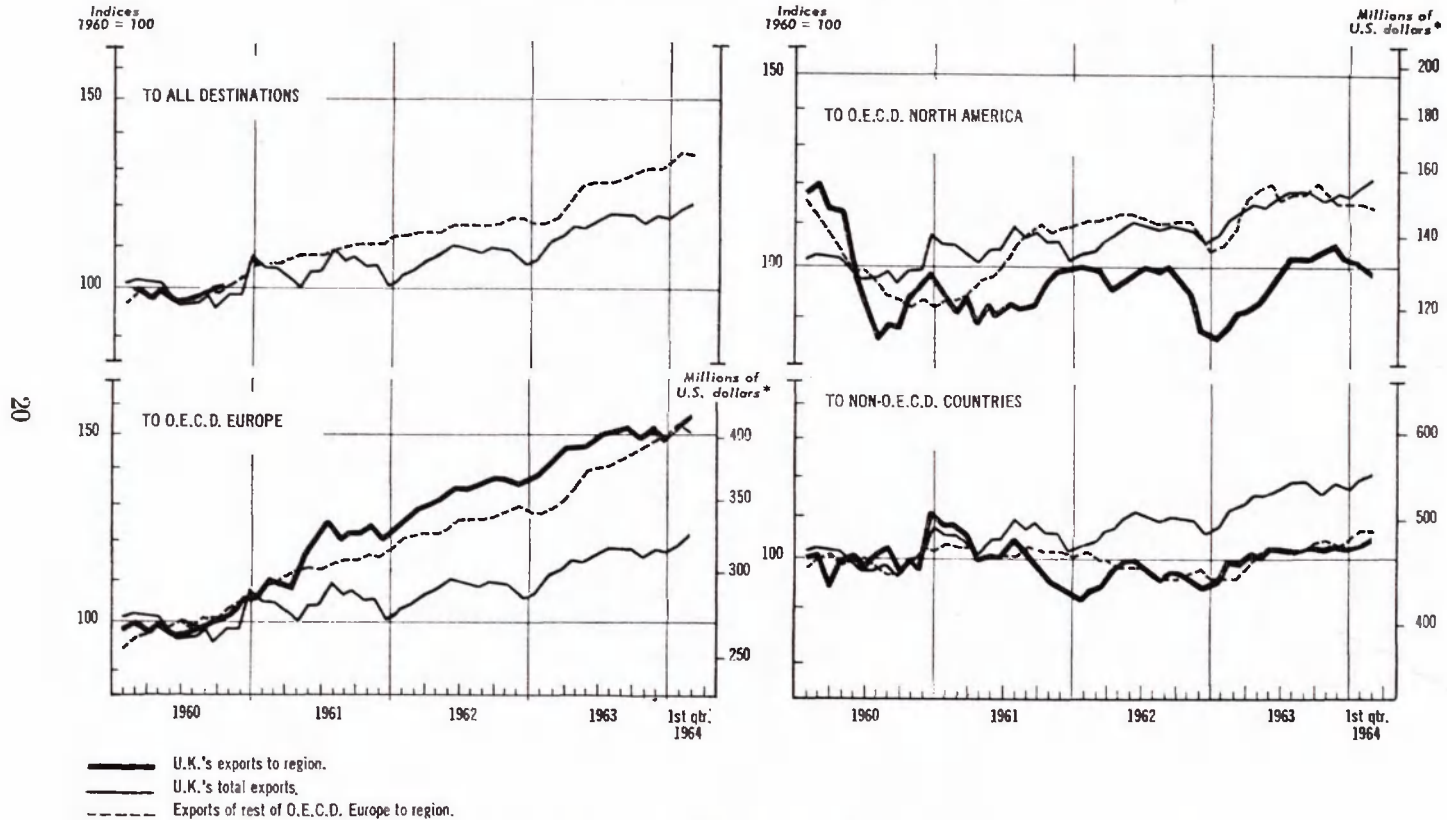
last year's report by the O.E.C.D.¹, one of "making haste slowly" when expanding demand.

35. A special problem arises in respect of investment expenditure by the public sector which accounts for over 40 per cent of total fixed capital formation and which is now on a sharply rising long-term trend. Unlike some other Member countries, the United Kingdom authorities consider that the public capital programme is not a very flexible instrument for use as part of an active demand management policy.² Once programmes have been launched it is considered that they cannot be cut back by more than a marginal amount without a prohibitive waste of resources or an excessively long time-lag before reductions become effective. Despite these difficulties, there have been attempts on various occasions in the past to restrict public investment when the economy was becoming overloaded.

1. Economic Surveys of the O.E.C.D.: The United Kingdom, July 1963, par. 11.

2. Public Investment in Great Britain, H.M.S.O., Cmnd. 1203, November 1960.

Diagram 4. COMPARATIVE EXPORT PERFORMANCE IN SELECTED REGIONS
 ADJUSTED FOR SEASONAL VARIATIONS; THREE MONTHS MOVING AVERAGE



* The right-hand scales, which show values in U.S. dollars at monthly rates, refer to the bold solid curves only.

Source: O.E.C.D., Main Economic Indicators.

36. These objections to attempting to use cuts in public investment to reduce pressure of demand upon available resources apply equally to the use of public investment to reflate the economy. The general conclusion to be drawn would appear to be that considerable caution is required in launching new capital projects, otherwise the result may be the reverse of that intended, i.e. a destabilizing effect rather than a stabilizing one. In any event, as public investment usually bears heavily on the construction industry, it would be appropriate to consider carefully, when deciding public investment policy, the likely future relation between the capacity of that industry and the growth of the demands made upon it. As the N.E.D.C. has pointed out recently¹, the fact that a sharp rise in private investment is now being super-imposed upon a steeply rising trend in public investment, is placing a severe strain on the construction industry, which is unlikely to be in a position to satisfy all the demands being made upon it this year.

37. Despite the existence of the indirect tax "regulator" and the flexible use the authorities can now make of it, there have been suggestions for improving short-term demand management instruments. It is probably a disadvantage that the indirect taxes upon which the regulator is based do not cover a wider range of goods and services purchased by consumers. This is particularly the case as regards the consumer durable goods industries as changes in the regulator tend to bear heavily upon them. As a result their output levels fluctuate substantially, whereas—being capital-intensive industries with a high rate of productivity increase—the long-term growth prospects of the economy would benefit from their steady growth. There has also been some discussion of introducing variations in the level of personal social security contributions so as to influence directly the level of consumers' disposable incomes without having to raise prices as is the case with the indirect-tax regulator.

38. Informed discussion of economic policy has become even more necessary now that demand management is geared to maintaining conditions favourable to achieving a medium-term growth target. But such discussion is handicapped by the absence of a systematic attempt to quantify the impact of policy decisions on the economy. Since the abandoning of the publication of quantitative annual forecasts in the Economic Surveys, no such data are provided regarding the consequences of the budget. The latter, which is in April each year, is merely accompanied by a review of events during the twelve months ending the preceding 31st December. In addition, the form in which the budget is presented does not lend itself to economic analysis. No alternative presentation of the budget in a national accounting framework is provided, although this is now common practice in nearly all Member countries.

1. The Construction Industry, March 1964.

ii) *Costs and Prices*

39. *Price policy.* The last few months have seen a renewal of interest in combatting the adverse effects on prices of restrictive practices. Early in 1964, legislation was introduced to abolish resale price maintenance except in specific cases where manufacturers are able to justify its retention. This is an important step but it is still too early to see what the results of the new legislation will be. The scope for increased competition in price-maintained goods is considerable as 40 per cent of consumers' expenditure on goods is estimated to be on price-maintained articles. The Government has also announced its wish to introduce after the forthcoming elections, more stringent legislation on monopolies and restrictive practices.

40. Early in 1964, efforts were made to give publicity to certain price increases which were taking place and to enlist the support of public opinion to combat them. A number of large clients of the engineering and electrical industries, notably the State-owned National Coal Board, reported that they were being called upon to pay prices higher than appeared to be justified by increased costs. The National Incomes Commission is now examining the question of the price situation in the engineering industry as part of its enquiry into the December 1963 wage settlement in that industry. These initiatives represent a new departure in price policy in the United Kingdom and there would appear to be scope for using them more systematically in future.

41. In March 1964, the Office of the N.E.D.C. made it known that it had been informed by five industries—coal, electricity, steel, chemicals and cement—that they did not expect to increase prices during 1964. This step is likely to have a stabilizing effect upon industrial costs.

42. In a number of Continental countries, a useful shock tactic for bringing pressure to bear on producers in sectors where it is felt that prices are rising unduly, or where competition is inadequate, has been selective reductions in import tariffs, either temporarily or on a permanent basis. There have been no examples of similar cuts in the United Kingdom where admittedly the scope for them has usually been limited by the situation of the balance of payments.

43. *Incomes policy.* The search for a policy for incomes has gone through several phases since July 1961 when, as part of the emergency measures announced in that month, the Chancellor of the Exchequer called for a "pause" in wages, salaries and dividends. During the first phase the Government kept the initiative and achieved some success in staving off demands for increased wages and salaries. Then, in 1962, a "guiding light" of 2 to 2½ per cent replaced the call for a pause and a National Incomes Commission was set up as an independent tribunal for giving advice on actual, or proposed,

wage and salary increases. The Government referred several cases to the Commission whose discussions were given fairly wide publicity.

44. A new phase began in April 1963 with the acceptance by the Government of the medium-term annual 4 per cent growth target proposed by the National Economic Development Council. A report which was published with the approval of the members of the N.E.D.C. (including Trade Union representatives) called for "policies to ensure that money incomes... as a whole rise less rapidly than in the past".¹ And the Government set a rate of 3-3½ per cent on an average for annual wage and salary increases as being the maximum compatible with the 4 per cent growth target. Since then, the N.E.D.C. has been the focal point for tri-partite discussions on incomes between the Government, the employers and representatives of the trade unions. But, so far, no specific agreement has been reached.

45. Eventual agreement on incomes, whatever its precise form, and participation in the work of the N.E.D.C. generally, will call for important changes of attitude and institutional arrangements on both the employers' and workers' sides. And there are signs that these questions are now receiving increased attention. A characteristic of employers' and workers' organisations in Britain is that they are extremely loosely organised at the centre. There are three central bodies representing the employers (British Employers Confederation, Federation of British Industries, National Association of British Manufacturers). The F.B.I. deals with general economic issues, excluding wages and other conditions of employment which are dealt with by the B.E.C. Although the employers who sit on the N.E.D.C. usually hold office in one or more of these organisations they have not been nominated by them in the way the trade unionists have been nominated by the Trades Union Congress. A proposal to merge the three employers' organisations into one single body is now under discussion. Such a move would undoubtedly make it easier for the employers in the N.E.D.C. to commit themselves to agreed policies. There would remain, however, the question of the degree of influence the central body would be in a position to exercise over its members. A similar problem arises as regards the trade union members of the N.E.D.C. It has been suggested that agreement in the Council on general policy measures might call for an increase in the powers of the T.U.C. vis-à-vis the individual unions.

46. British trade union structure is complex with an overlapping of craft, general and industrial unions and there are a large number of unions. This situation leads to unnecessary demarcation disputes between rival unions and is an obstacle to the rationalisation of the structure of wages and job specifications as called for by technological change. There are over 180 unions affiliated to the T.U.C.—and

1. Conditions Favourable to Faster Growth, April 1963.

some which are not—and in some firms wage negotiations involve over twenty different unions on the workers' side. On three occasions (in 1927, 1944 and 1962) enquiries have been initiated by the General Council of the T.U.C. with the object of rationalising the present union structure, but no agreement has yet been possible on an overall policy. In its simplest terms, the problem at issue is one of favouring a move towards an industrial type of unionism. But the debates at the Trade Union Congress in September 1963 showed that there is little immediate prospect of any such all-embracing scheme being adopted. Meanwhile there are signs of a renewal of interest in achieving union mergers so as to reduce the number of competing unions.

47. Until quite recently collective agreements in Britain were not concluded for a specified period of time and their revision tended to take place at not much more than yearly intervals. The number of unions and employers having agreed to long-term wage agreements, usually for three years, is growing however, and it is estimated that over 3 ½ million workers are now covered by them. But unlike some countries there is no statutory machinery in Britain for interpreting collective agreements and it is arguable that its absence may result in unnecessary disputes. Although arbitration is used a good deal in the field of public service salaries, only a minority of wage disputes are settled in this way. Moreover, where arbitration takes place, it is concerned with the area of difference, often of a quite restricted nature, between the parties. Thus there is little scope for arbitrators to make a major contribution to the development of a coherent national wage/salary structure. Nevertheless the Government made clear in a White Paper in February 1962 their view that arbitrators ought to take into account all factors including those affecting the national economic situation.

48. It is likely that the pressure of events will help to force the pace in introducing the necessary changes in the structure of the employers' and workers' organisations and in industrial relations generally. The working of the N.E.D.C. and its industrial committees will certainly provide a stimulus to do so. But the Government may well have a role to play also.

iii) *Labour market flexibility*

49. The characteristics of the labour supply in the United Kingdom were described in last year's report by the O.E.C.D., notably the problem of widely divergent regional levels of unemployment and the shortage of skilled workers. Changes in these matters are inevitably slow to take effect but a number of recent policy measures should be noted.

50. The introduction, in the April 1963 budget, of freedom for firms in regions of high unemployment to choose their own amorti-

sation schedules for tax purposes has now provided a powerful incentive to expand there. Also a great deal of the present increase in public capital programmes is taking place in development regions. The government is making a systematic approach to the regional development problem and a Cabinet minister is now responsible for co-ordinating policy in this regard. A number of regional studies have been published as White Papers in recent months. There is clearly need for a better utilization of the labour force in view of the spread in unemployment rates between regions.

51. The government is also actively engaged in improving the supply of skilled labour and increasing labour mobility. The Government Training Centres are doubling their intake and, following the enactment of the Industrial Training Act, 1964, industrial training boards are being set up for various industries. Discussions are also proceeding between the Government and both sides of industry to improve labour mobility by raising the level of unemployment benefits.

iv) *Machinery of Planning*

52. The N.E.D.C. represents an innovation in British administrative practice. Up to now, the responsibility of Government in deciding policy and the use of consultation with representatives of the private sector have been kept quite separate. But it is apparent that the N.E.D.C. is more than a consultative body; it has already begun to play an active role in the formulation of policy. The future development of the machinery for planning will serve to accentuate still further the differences between the Council and other consultative bodies.

53. In March 1964, it was announced that five economic development committees had been set up inside the N.E.D.C. to cover the following sectors—chemicals, chocolate and sugar confectionery, electronics, machine tools, paper and board. Four other committees—mechanical engineering, electrical engineering, wool textiles distribution—have since been established. Each committee comprises some 15 members with representatives each from the Office of the N.E.D.C. and the government department most directly concerned with the industry in question.

54. Each committee will be called upon to follow-up the progress of its sector in achieving faster growth, and to consider ways of improving efficiency and overcoming obstacles to expansion in general. The work of these committees will bring the task of economic planning closer to the day-to-day preoccupations of the individual employers and trade unionists and should provide a valuable supplement to the work being done by the N.E.D.C. at the national level. Particular fields where the committees could make a positive contribution are exports, import-competing products and stockbuilding policies.

55. The precise institutional arrangements for carrying out the task of economic planning are still being worked out. In particular the setting-up of economic development committees in the main branches of industry is still in an early stage. However, it appears that the representatives of the private sector on the N.E.D.C. value the opportunities for frank discussion which are offered by the Council. And the fact that the Council has had at its disposal its own technical staff has undoubtedly contributed to this result. This situation does not exclude a closer participation of the Government departments, particularly with the work of the economic development committees and in connection with the working out of schemes for regional development.

CONCLUSIONS

56. The preceding discussion leads to the following conclusions :

- a) The response of the economy to last year's reflationary measures has been so lively that some slowing-down in the rate of growth is now called for if a return to excess demand and to balance of payments difficulties is to be avoided;
- b) It is still too early to judge whether the moderately restrictive tax measures in the last budget will prove to be all that is required to stabilize the growth rate at a sustainable level. It was appropriate that the Government should avoid measures that risked totally ending the expansionary phase. But in the months ahead the Government should be prepared if necessary to make prompt use of the weapons it has at its disposal to dampen demand;
- c) Although it is unlikely, in view of the rates of increase in GNP and imports which would be required, to prove possible fully to reach the targets for the period 1961-66, with appropriate demand management a notably higher rate of growth than during the last decade should be achieved;
- d) Much depends, however, upon an improvement in the relative competitive position of the United Kingdom, which would take some of the strain off the balance of payments. To achieve this will require vigorous action to stimulate competition and to moderate the rise in money incomes;
- e) Successful demand management calls for more varied and flexible instruments for stabilizing demand. Improved information on the economic situation and prospects would also be useful;
- f) Measures are required to improve the flexibility of the economy. Areas where changes are the most urgent are pricing policies in industry, collective bargaining, labour mobility and apprenticeship.

STATISTICAL ANNEX

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TABLE I. GROSS DOMESTIC PRODUCT

£ million, 1958 prices.

	GROSS DOMESTIC PRODUCT AT FACTOR COST ¹	FINAL EXPENDITURE ON GOODS AND SERVICES AT MARKET PRICES						IMPORTS OF GOODS AND SERVICES	ADJUSTMENT TO FACTOR COST
		TOTAL	CONSUMER'S EXPENDITURE	PUBLIC AUTHORITIES' EXPENDITURE	GROSS FIXED CAPITAL FORMATION AT HOME	VALUE OF PHYSICAL INCREASE IN STOCKS AND WORK IN PROGRESS	EXPORTS OF GOODS AND SERVICES		
1958	19,957	27,191	15,212	3,696	3,486	100	4,697	4,588	2,646
1959	20,600	28,412	15,878	3,771	3,756	174	4,833	4,919	2,893
1960	21,588	30,145	16,476	3,860	4,128	592	5,089	5,505	3,052
1961	22,274	30,846	16,823	4,016	4,488	297	5,222	5,482	3,090
1962	22,397	31,052	17,101	4,126	4,438	113	5,274	5,553	3,102
1963	23,201	32,176	17,748	4,255	4,508	135	5,530	5,759	3,216
<i>Seasonally adjusted:</i>									
1961: 1st quarter	5,521	7,715	4,191	993	1,098	120	1,313	1,417	777
2nd quarter	5,591	7,735	4,201	999	1,119	104	1,312	1,369	775
3rd quarter	5,608	7,737	4,228	1,011	1,153	36	1,309	1,354	775
4th quarter	5,554	7,659	4,203	1,013	1,118	37	1,288	1,342	763
1962: 1st quarter	5,527	7,637	4,214	1,029	1,112	—3	1,285	1,345	765
2nd quarter	5,643	7,790	4,257	1,025	1,116	49	1,343	1,379	768
3rd quarter	5,597	7,812	4,287	1,031	1,117	57	1,320	1,427	788
4th quarter	5,630	7,813	4,343	1,041	1,093	10	1,326	1,402	781
1963: 1st quarter	5,575	7,691	4,300	1,050	1,001	—20	1,360	1,369	747
2nd quarter	5,786	8,016	4,411	1,055	1,125	42	1,383	1,423	807
3rd quarter	5,768	8,084	4,508	1,066	1,166	—34	1,378	1,479	837
4th quarter	6,072	8,385	4,529	1,084	1,216	147	1,409	1,488	825

1. Equals total final expenditure on goods and services at market prices less imports of goods and services less taxes on expenditure plus subsidies.

Source: Central Statistical Office, Monthly Digest of Statistics, May 1964.

TABLE II. GROSS FIXED DOMESTIC CAPITAL FORMATION

£ million, at 1958 prices.

	TOTAL	PUBLIC SECTOR ¹			PRIVATE SECTOR			MANU- FACTUR- ING	BY TYPE OF ASSET		
		TOTAL	DWELL- INGS	OTHER	TOTAL	DWELL- INGS	OTHER		PLANT AND MACHIN- ERY	TRANS- PORT EQUIP- MENT	BUILD- INGS AND WORKS
1958	3,486	1,474	269	1,205	2,012	322	1,690	922	1,324	550	1,612
1959	3,756	1,580	270	1,310	2,176	400	1,776	870	1,382	599	1,775
1960	4,128	1,648	278	1,370	2,480	484	1,996	1,016	1,470	673	1,985
1961	4,488	1,741	281	1,460	2,747	527	2,220	1,195	1,671	623	2,194
1962	4,438	1,812	315	1,497	2,626	514	2,112	1,098	1,645	526	2,267
1963	4,508	1,929	339	1,590	2,579	512	2,067	987	1,691	560	2,257
<i>Seasonally adjusted:</i>											
1961: 1st quarter	1,098	426	66	360	672	129	543	286	403	169	526
2nd quarter	1,119	436	68	368	683	133	550	302	421	151	517
3rd quarter	1,153	448	74	374	705	132	573	308	430	161	562
4th quarter	1,118	431	73	358	687	133	554	299	417	142	559
1962: 1st quarter	1,112	450	71	379	662	131	531	291	419	139	554
2nd quarter	1,116	453	79	374	663	129	534	284	415	135	566
3rd quarter	1,117	457	86	371	660	130	530	267	406	124	587
4th quarter	1,093	452	79	373	641	124	517	256	405	128	560
1963: 1st quarter	1,001	413	59	354	588	91	497	239	406	133	462
2nd quarter	1,125	475	87	388	650	133	517	252	413	141	571
3rd quarter	1,166	509	94	415	657	141	516	245	429	136	601
4th quarter	1,216	532	99	433	684	147	537	251	434	150	623
1964: 1st quarter								264			

1. Including public corporations.

Source: Central Statistical Office, Monthly Digest of Statistics, May 1964.

TABLE III. PRODUCTION, EMPLOYMENT AND OTHER BUSINESS INDICATORS

	1960	1961	1962	1963	1963				1964	
					1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	1st QTR.	LATEST MONTH
INDUSTRIAL PRODUCTION¹ (1958 = 100):										
All industries	112.4	113.9	115.0	118.7	113	117	121	124	126	126 (iv)
Manufacturing	114.6	114.8	115.2	119.7	114	118	122	125	128	127 (iv)
Engineering and allied industries	112	113	115	119	115	116	119	123	126	126 (iv)
Construction	111	120	121	121	102	124	127	131	131	
Mining	94	93	95	95	92	95	95	96	97	97 (iv)
MANPOWER²										
Total civil employment ³ ('000)	23,628	23,925	24,098	24,106	23,829	24,106	24,226	24,234	24,061	24,133 (iv)
Total industrial employment ³ (1958 = 100)	102.7	104.0	103.6	102.4	101.3	102.4	102.8	103.1	103.3	103.4 (iii)
Unemployment ^{1, 4, 5} ('000)	393	377	500	612	753	607	579	506	434	417 (v)
Unemployment at percentage of employees ⁶ (%)	1.62	1.52	2.03	2.51	3.29	2.44	2.29	2.03	1.83	1.6 (v)
Unfilled vacancies ⁴ ('000)	314	320	214	196	170	187	199	228	296	310 (v)
Average weekly hours ⁷ (1962 = 100)	102.4	101.0	100.0	99.8	98.5	99.7	100.6	100.6	100.3	100.7 (iii)
Total weekly hours worked ⁷ (1962 = 100)	103.9	102.9	100.0	98.2	98.1	99.9	92.8	102.1	101.0	101.4 (iii)
ORDERS:										
Engineering industry (1958 = 100)										
New orders — home market	123	123	117	137	135	135	137	139	150	185 (iv)
— exports	122	122	128	143	121	146	146	159	136	161 (iv)
Engineering and electrical industries, orders on hand (end of period) (Dec. 1958 = 100):										
— home market	118	120	114	137	119	126	134	137	144	150 (iv)
— exports	121	127	130	145	124	130	139	145	145	148 (iv)
Metal working machine tools, orders on hand (end of period) (£ million)										
	105.7	116.9	88.3	67.6	78.8	74.4	70.1	67.6		69.3 (i)
CONSTRUCTION¹:										
Industrial building, area approved (mill. sq. ft.)	88.9	48.5	31.8	33.3	7.2	8.7	7.9	9.8		
Housebuilding starts ('000)	317	320	333	377	59	98	107	110	116	
STOCKS^{1, 8}: (Value of physical increase £ million, 1958 prices):										
Manufacturing	520	230	33	89	56	—9	—33	75	95	
Distributive trades	85	40	62	42	—19	19	—27	69	—1	
CONSUMPTION¹:										
Value of retail sales (1961 = 100)	111	100	103	108	106	106	109	110	112	113 (iv)
Volume of retail sales (1961 = 100)	108	100	101	103	101	102	105	105	106	106 (iv)
Passenger cars, new registrations ('000 quarterly rates)	202	186	197	253	217	261	250	282	296	279 (iii)

1. Seasonally adjusted.
2. Great Britain only.
3. Annual figures relate to June, quarterly figures to end of period.
4. United Kingdom, wholly unemployed and temporarily stopped.
5. O.E.C.D. seasonal adjustment.

6. N.I.E.S.R. seasonally adjusted unemployment figures (Gr. Britain only) calculated as percentage of number of employees in May of each year.
7. Operatives in manufacturing.
8. For total stock movements see Table I of Annex.

Source: Monthly Digest of Statistics, O.E.C.D. General Statistics, N.I.E.S.R. Economic Review.

TABLE IV. INCOMES, COSTS, PRICES AND PRODUCTIVITY

	1959	1960	1961	1962	1963	1963				1964	
						1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	LATEST MONTH
WAGES AND PROFITS:											
Weekly wage rates, all industries and services (31st January 1956 = 100)	117.0	120.0	125.0	129.6	134.3	132.5	133.9	134.5	136.1	138.3	139.1 (iv)
Hourly earnings ¹ in manufacturing (in pence), adult men	70.0	76.8	81.5	84.9			86.5				
Income from employment ² (1958 = 100)	104.7	112.4	121.5	127.5	134.1	129.4	132.7	135.5	138.6	141	
Profits of companies and public corporations ² (1958 = 100)	111.1	128.7	127.1	130.7	140.4	121.2	143.0	145.6	151.7		
UNIT COSTS² (1958 = 100):											
Income from employment per unit of output...	100.3	102.3	108.7	112.5	114.7	114.9	114.3	114.6	115.0		
Property income per unit of output	104.2	110.5	109.4	111.1	113.9	108.1	115.7	115.4	116.2		
Prices:											
Prices of basic materials and fuel used in non- food manufacturing industry (1954 = 100) ..	103.4	104.5	104.4	103.0	104.5	103.6	104.2	104.2	106.1	108.0	107.1 (iv)
Prices of manufactured products (1954 = 100)	114.2	116.0	119.1	120.6	122.0	121.4	121.8	122.1	122.6	123.9	124.2 (iv)
Building costs (1954 = 100)	113	114	118	122	126	125	126	126	126	127	
Retail prices, all items (January 1956 = 100)	109.6	110.7	114.5	119.3	121.7	121.4	122.1	121.3	122.1	123.2	125.7 (v)
Productivity² (1958 = 100):											
Output per person employed	104	108	109	110	113	109	112	115	116		
Output per manhour in manufacturing	105	110	110	113	119	116	118	119	123	126	

1. Annual figures are for October; others for April or October of period.

2. Seasonally adjusted.

3. Home sales; other than food, drink and tobacco.

Source: Monthly Digest of Statistics, O.E.C.D. General Statistics, and N.I.E.S.R. Economic Review.

TABLE V. MONEY AND BANKING

	1959	1960	1961	1962	1963	1963				1964	
						1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	2ND QTR.
Bank rate (end of period) (<i>per cent</i>).....	4	5	6	4½	4	4	4	4	4	5	5
Treasury Bill rate of discount (<i>per cent</i>).....	3.38	4.89	5.14	4.17	3.67	3.50	3.69	3.72	3.72	3.98	
Average yield of 2½ per cent Consols (<i>per cent</i>)	4.82	5.42	6.20	5.98	5.58	5.80	5.54	5.39	5.62	5.94	6.06 (May)
Currency circulation with the public (£ million)	1,969	2,062	2,151	2,161	2,220	2,155	2,202	2,258	2,268	2,256	2,312 (April)
New capital issues (gross) (£ million).....	511.6	573.5	692.5	631.6	647.7	150.4	114.4	151.4	231.5	253.4	
Hire purchase debt outstanding (end of period) (£ million)	849	935	927	887	954	874	906	934	954	985	1003 (April)
New hire purchase credit extended (during period) (£ million)	917	820	798	738	818	168	220	216	214	229	
LONDON CLEARING BANKS ¹ :											
Current accounts (£ million).....	4,064	4,207	4,157	4,186	4,486	4,276	4,444	4,535	4,795	4,687	4,744
Time deposits (£ million).....	2,431	25,15	2,638	2,747	2,781	2,754	2,765	2,787	2,814	2,815	2,882
Other deposits (£ million).....	441	513	600	678	704	661	674	706	728	732	730
Total liquid assets (£ million).....	2,277	2,299	2,437	2,546	2,535	2,346	2,491	2,587	2,723	2,449	2,493
Total liquid assets (% of deposits).....	32.8	31.8	33.0	33.5	31.8	30.5	31.6	32.1	32.7	29.7	29.9
Investments (£ million)	1,836	1,407	1,122	1,194	1,244	1,234	1,204	1,231	1,281	1,201	1,221
Investments (% of deposits).....	26.5	19.5	15.2	15.7	15.6	16.0	15.3	15.3	15.4	14.6	14.6
Investments of which Government securities (£ million)	1,718	1,277	1,009	1,082	1,128	1,121	1,089	1,113	1,163	1,079	
Advances (£ million).....	2,522	3,123	3,357	3,408	3,880	3,839	3,901	3,938	3,961	4,216	4,265
Advances (% of deposits).....	36.4	43.2	45.4	44.8	48.7	49.9	49.5	49.0	47.5	51.2	51.0

1. Annual figures are monthly averages, quarterly figures are for third wednesday of last month in each quarter.

Source: Economic Report 1963.

TABLE VI. FOREIGN TRADE

Seasonally adjusted.

	1958	1959	1960	1961	1962	1963	1962					1963			1964	
							4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	APR.	MAY		
IMPORTS: (£ million)																
Value (monthly averages)	312	332	378	366	374	402	374	375	395	412	422	453	457	450		
Index of volume (1961 = 100)	84	90	102	100	103	107	103	102	106	109	111	118	119			
Unit value index (1961 = 100).....	103	102	102	100	99	103	100	102	103	103	105	107	106			
By type (monthly average)																
— food, drink and tobacco.....	124	126	128	123	131	140	124	126	140	149	143	150	142	148		
— crude materials, oils and fats.....	76	78	89	84	77	83	79	77	77	85	91	93	94	89		
— fuels	37	39	40	40	44	47	46	48	49	46	46	48	50	49		
— semi-processed manufactures	50	56	76	70	70	76	72	70	75	78	83	93	97	93		
— finished manufactures	25	31	43	46	50	54	53	52	53	54	58	68	70	69		
EXPORTS: (£ million)																
Value (monthly averages)	265	278	296	307	316	340	317	327	335	346	348	356	337	370		
Index of volume (1961 = 100)	90	93	98	100	102	108	102	106	107	108	110	112	106			
Unit value index (1961 = 100) ¹	99	98	100	100	101	104	102	103	103	104	105	105	105			
Manufactures, value (monthly averages).....	220	232	248	257	263	281	264	273	276	285	290	293	279			
Share of United Kingdom in world exports of manufactures (%) ¹	17.7	17.2	15.9	15.7	15.1	14.9	15.1	15.6	14.7	14.8	14.7	14.3				
Exports by area:																
— Sterling Area	116	112	119	117	112	121	114	119	120	123	122	125	119	128		
— North America	39	47	45	42	44	43	42	39	42	45	47	43	43	47		
— E.E.C.	35	39	43	51	60	69	62	65	69	71	70	71	68	76		
— E.F.T.A.	29	32	36	40	43	46	44	44	45	47	49	50	49	55		
— Rest of World.....	46	48	52	57	57	61	55	58	62	61	62	63	56	63		
Terms of trade (1961 = 100) ^{1 2}	96	96	97	100	102	101	101	101	100	101	100	98	99			

1. Not seasonally adjusted.

2. Export unit value index as percentage of import unit value index.

Source: Report on Overseas Trade, Board of Trade Journal.

TABLE VII. BALANCE OF PAYMENTS

£ million.

	1958	1959	1960	1961	1962	1963	1962		1963				1964
							3RD	4TH	1ST	2ND	3RD	4TH	1ST
							QTR.	QTR.	QTR.	QTR.	QTR.	QTR.	QTR.
Imports, f.o.b.	3,360	3,617	4,106	4,013	4,059	4,318	999	1,031	1,037	1,065	1,075	1,141	1,240
Exports and re-exports, f.o.b.	3,407	3,522	3,728	3,883	3,991	4,274	942	1,031	1,053	1,084	1,014	1,123	1,122
Visible balance	+47	-95	-378	-130	-68	-44	-57	-	+16	+19	-61	-18	-118
— seasonally adjusted							-40	-10	+20	-5	-26	-33	-107
Invisibles (net)	+295	+235	+120	+120	+170	+165	+20	+22	+62	+49	+33	+21	+51
— seasonally adjusted							+22	+50	+51	+35	+40	+39	+45
— of which, Government	-224	-233	-287	-336	-367	-381	-87	-88	-97	-92	-98	-94	
Other ¹	+519	+468	+407	+456	+537	+546	+107	+110	+159	+141	+131	+115	
Current balance	+342	+140	-258	-10	+102	+121	-37	+22	+78	+68	-28	+3	-67
— seasonally adjusted							-18	+40	+71	+30	+14	+6	-62
Long-term capital account	-183	-487	-187	+44	-89	-147	-17	-58	-53	+5	-28	-71	-91
— official	-50	-356	-102	-45	-105	-105	-27	-53	-10	-10	-25	-60	
— private	-133	-131	-85	+89	+16	-42	+10	-5	-43	+15	-3	-11	
Current and long-term capital balance	+159	-347	-145	+34	+13	-26	-54	-36	+25	+73	-56	-68	-158
Balancing item	+43	-58	+255	-14	+86	-129	+81	-52	-	-50	-20	-59	+89
Monetary movements	-202	+405	+190	-20	-99	+155	-27	+88	-25	-23	+76	+127	+69
— miscellaneous capital (net)	+24	+50	+147	-61	+116	-50	+7	+25	+78	-116	-7	-5	+18
— gold and convertible currency holdings	-284	+119	-177	-31	+183	+53	+229	-5	-3	+36	-8	+28	-1
— change in external sterling liabilities (net)	+58	+236	+220	+72	-398	+152	-263	+68	-100	+57	+91	+104	+52
— international organisations ..	-22	+82	-156	+409	-353	+21	-195	+15	+2	+3	-2	+18	-2
— other official	-117	+98	+38	+9	-106	+106	-51	-10	+2	+6	-15	+113	+76
— private	+197	+56	+338	-346	+61	+25	-17	+63	-104	+49	+107	-27	-22

1. Including some official transactions, particularly in respect of interest, profits and dividends.

Source: Economics Trends.

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