

From the London End

Not Out of the Woods Yet

THE usual spate of statistical information about the economy at this time of the year, gives one the opportunity to assess the state of the British economy. The general impression that one gets is that although there has recently been some improvement in the performance of Britain, both in the field of production and trade, this improvement is only slight and cannot be taken to indicate that Britain has recovered from the industrial stagnation of the last few years. The figures for industrial production, which take the story up to the end of July, give us a picture of the state of the British economy at the time when Mr Selwyn Lloyd decided to intervene with his regulators. The trade figures take us up to the end of August,

Industrial production continued to rise in July, but the rate was steady rather than spectacular. On a seasonally corrected basis, the index for all industries reached the record level of 125. one point above the final figure for June. The rise in the index was due to the continued high level of activity in the building, civil engineering, machine tool and general engineering industries. Although car production in July was at its highest level since last September, the average level of output is now almost certainly falling and production of commercial vehicles also seems to be slightly less buoyant. Steel is one of the industries which have been causing concern: output has been falling for some months, and the industry now believes that it will be lucky if it achieves a total output of 23 million tons in 1961. It will be recalled that the forecast early this year was that production would be between 21 million and 25 million tons. There has been no improvement in production by the textile, leather and clothing industries.

It seems unlikely that the measures introduced by Mr Selwyn Lloyd will assist industry in its efforts to maintain the improved trend, although some little time must obviously pass before the index of production can be expected to give an accurate indication of the effect of these measures. Demand

for capital goods, which account for about one-third of total production, is probably still growing. The machine tool manufacturers still claim to be stretched to capacity with delivery dates lengthening, but it must not be overlooked that the growth in overseas orders for machine tools conceals an appreciable drop in forward ordering from British companies. All in all, it seems more than likely that industrial production in 1961 as a whole will show a 5 percent rise over 1960,

Rice in Exports Vital

Without a significant increase in exports, production in manufacturing industries may well be heading for a plateau. In this connection, it is the performance in the field of trade that is of vital importance to the economy. The figures for August, the latest to be released, show that on a seasonally adjusted basis, the gap between imports and total exports was cut to £ 22 m—a drop of £9 m from the July level and was only £1 m bigger than in June, when the deficit was the lowest of the year.

Foreign Trade

(£ million)

	August 1961	Monthly Averages	
		1961 Jan- Aug	1960 March- Dec
Seasonally Adjusted			
Exports	424	310	293
Re-exports	15	13	12
Imports	361	370	383
Trade gap	22	47	78
Recorded Figures	1961 July	1961 Jan-July	1960
Exports	305	311	296
Re-exports	13	13	12
Imports	359	372	380
Trade gap	40	48	72

But perhaps the most disquieting aspect of the trade returns is the rise in the volume of goods sold abroad. On a seasonally adjusted basis, U K's exports over the past four months have improved by 2 percent over the February/April period. In the first eight months of 1961, imports were 4½ percent higher than the average for 1960. Thus, much of the improvement in the trade balance is clearly due to the lower rate of imports, which in the May/August period were 2½ percent lower than in the previous three months. The slow but persistent fall

in imports since the closing months of 1960 is reflected in the Board of Traded estimate of the stock position. On a seasonally adjusted basis, at 1954 prices, the rise of £55 m in the value of stocks in the second quarter of 1961 was the smallest for any quarter since the middle of 1959. In the first half of 1961, stocks have risen by only £125 m compared with the rise of £ 307 m in the second half and £234 m in the first half of 1960.

Payments Gap Narrows

The balance of payments figures, which have just been released, confirm the improvement in visible trade which the monthly returns had suggested. More important, they show a slight improvement in the invisible account, the deterioration in which is mainly responsible for many of Britain's present difficulties. But it should be remembered that last year, invisibles recovered sharply at this period and, therefore, the movement is probably seasonal rather than permanent. The capital account figures, however, are discouraging (See Table).

In the first half of 1961 (excluding the £130 m of the Ford deal), the net outflow of private capital amounted to £165 m. In 1960 for the whole year, it amounted to £92 m and for the period 1958/60 as a whole it averaged only £120 m a year. Perhaps the explanation lies in the fact that so-called long-term investment capital, which moved into the London Stock Exchange last year, moved out again with the 'hot' money in the first half of this year. Also, perhaps the more definite prospects of Britain joining the Common Market have caused an upsurge of direct investment, in Europe of which the recent ease of the Metal Box Company is an example. Excluding the Ford deal and a German debt repayment, the increase in net capital outflow has cancelled out altogether the improvement in the current balance. To sum up, one may say, that the U K's current balance of payments has improved, but only because of a fall in imports mainly as a result of the reduction in stock-building by industries, which is essentially tern-

Balance of Payments
(£ million)

	1960				1961 †	
	I	II	III	IV	I	II
CURRENT ACCOUNT						
Imports (f o b)	1022	1029	1005	1054	1050	1021
Exports (f o b)	966	942	859	945	982	981
Visible balance	- 56	- 87	-146	-109	- 68	- 40
Government (net)	- 75	- 67	- 69	- 73	- 85	- 86
Other invisibles (net)	+ 87	+104	+ 79	+ 73	+ 85	+111
Identified current balance	- 44	- 50	-136	-109	- 68	- 15
LONG-TERM CAPITAL ACCOUNT *						
Inter-Government loans (net) †	- 17	- 20	- 14	- 40	- 21	+ 23
U K subscription to I M F, IDA and European Fund	+ 1	-	-	- 11	-	-
Other U K Official long-term capital (net)	-	- 2	- 1	-	- 2	- 11
Private investment (net)	- 37	- 63	- 36	+ 44	+ 48	- 83
Balance of long-term capital	- 53	- 85	- 51	+ 7	+ 25	- 71
Balance of current and long- term capital	- 97	-135	-187	-116	- 43	- 86
Balancing item	+123	+ 60	+115	+ 66	+ 72	+ 25
MONETARY MOVEMENTS *						
Overseas sterling holdings :						
(a) R S A countries	- 34	+ 4	- 97	- 97	- 39	+163
(b) Non-sterling countries	+ 19	+118	+226	+241	-131	-175
(c) Non-territorial organi- sations	- 17	- 27	- 57	- 55	+ 4	- 1
Gold and convertible currency reserves	- 16	- 40	- 77	- 44	+ 75	+ 89
Other monetary movements	+ 22	+ 20	+ 77	+ 5	+ 62	- 15
Balance of monetary movements	- 26	+ 75	+ 72	+ 50	- 29	+ 61

† These figures are provisional.

* Assets : Increase(+), decrease(-). Liabilities : Increase(+)/ decrease(-).

porary. Exports must be increased, not only to match the prospective rise in imports and to make good the loss of invisible income but to allow a larger capital outflow.

One of Britain's main problems is that foreign exchange income from invisibles can no longer be relied on to cushion the adverse balance of visible trade. This surplus was intimately bound up with Britain's past commercial dominance and the world-wide role of sterling. The declining role of these invisibles has now brought Britain on par with most other countries in Europe and has, in turn, forced the Government to re-examine the role of sterling and the Commonwealth. There has been much discussion in recent years of the disadvantages of having sterling as a world currency, and, as for the Commonwealth, the fact that the U K's share of Commonwealth trade has, in fact, been falling steadily for many years, has not gone unnoticed. It now seems obvious that the decision of the Government to negotiate with Europe marks the beginning of a complete reappraisal of Britain's position in the world of trade. One of the factors behind the decision to apply for membership of the European Economic Community is obviously the disappearance of Britain's favourable balance on invisible items.

Investment below Expectation

The latest figures on capital spending show that investment this year by the manufacturing industries in new buildings, vehicles, plant and machinery, will now almost certainly fall below the very high level anticipated eight months ago. The revised estimates issued by the Board of Trade on September 18, show that the size of the jump over the 1960 level of capital expenditure will be nearer 21 percent than the 30 percent which seemed likely in January. Capital expenditure by the manufacturing industries in 1960 was estimated to have totalled £ 1,034 m, an increase of 18 percent over the 1959 figure. The new estimate of a possible 21 percent improvement this year, compares with an actual increase at current prices.

of 28 percent in the first six months of 1961 over the comparable period of 1960. Significant downward revisions in proposed expenditure in the motor vehicle industry are mainly responsible for manufacturing expenditure, in 1961, increasing less than expected earlier.

From the wealth of statistical data available in the National Income and Expenditure Blue Book 1961 which has just been published, the following figures may be mentioned here. In 1960 gross national production went up by 6 percent to £22,316 m; domestic investment spending rose steeply : fixed investment by 10 percent and investment in stocks by over £400 m. Private spending was up by 44 percent and spending by Government and public authorities by 6½ percent. Imports were up by 13 percent over 1959. Company profits increased by 7 percent and rents rose by 4 percent. But the real position of the people in the so-called affluent society of Britain is illustrated by the fact that of the 26.5 million wage and salary earners, 10.9 million earned less than £10 a week and over eight million less than £8 a week in 1960.

State of European Trade

The latest United Nations report on European trade has certainly given added ammunition to those in Britain who are in favour of joining the Common Market. The figures released show the dynamism of the economies of the common Market countries of Western Europe. Trade among these countries over the last four years has risen by as much as 25 percent as compared with the 8 percent rise in trade between E F T A countries during the same period.

Reviewing Europe's place in world trade the recently published Economic Commission for Europe's Bulletin

	Western Europe's Trade									
	Imports c i f				Exports f o b					
	1959	1960	1960		1959	1960	1960			
		1st half	2nd half	1st half			1st half	2nd half	1st half	
TOTAL	+ 6	+18	+22	+15	+ 6	+ 8	+14	+20	+ 9	+ 5
Area of origin and destination										
W Europe	+11	+19	+24	+15	+10	+11	+20	+25	+16	+11
Rest of World	+ 1	+18	+20	+16	+ 2	+ 6	+ 8	+15	+ 1	+ 3
of which :										
N America	- 5	+45	+41	+40	+ 8	+31	- 5	+ 6	-14	-17
E Europe and Soviet Union	+15	+17	+17	+18	+ 8	+ 9	+28	+39	+19	+12
Japan	+15	+33	+30	+37	+18	+30	+15	+ 9	+22	+28
Primary exporting areas	+ 2	+ 8	+12	+ 4	- 1	- 3	+11	+16	+ 5	- 1

Source : O E E C Statistical Bulletin.

lin records that in 1960, as in 1959, Europe's share in world exports and imports, increased significantly, although this was largely the outcome of increased trade among European countries themselves. A significant feature is that the rise in European exports to the rest of the world was slower than that in total world trade, indeed, countries which rely on the export of primary products can take but small comfort from these figures which underline the grave apprehensions of countries like Australia that

the U K's entry into the Common Market may lead to a further contraction in the markets for primary products. Although it is true that Western Europe's imports from primary commodities exporting countries went up by 8 percent in 1960, this rise was very small when compared with the rise in Europe's imports of manufactured goods from other countries in Western Europe and from North America (see Table). Particularly significant was the fact that increased purchases of raw

materials were made mostly in the developed, and not the under-developed countries, and even in the commodities which are supplied to Europe principally by the under-developed countries, the latter's share of trade declined. Thus, the experience of the most recent industrial boom in Western Europe is certainly discouraging for the primary products exporting countries. The gap between the rich and the poor countries appears to be growing in international trade.

Letter from South

Weak Links in Health Programme

HYDERABAD, with its central location and moderate climate, is fast becoming a favourite venue for all-India conferences and meetings. The latest conference to be convened here was the ninth meeting of the Central Council of Health. The Central Council is the highest policy-making body in respect of subjects pertaining to health. The review of the progress of health programmes by the Union Minister of Health, Shri D P Karmarkar, who presided at the Council meeting, disclosed a picture of the nation's health which was not altogether healthy. Compared to the position in 1951, considerable progress has indeed been achieved in a number of directions, leading to a significant reduction in the death rate generally and in infant mortality in particular. But in many other respects the picture is depressing and the progress halting. It may be mentioned here that the State Governments are directly responsible for implementing many of the programmes in the sphere of public health, administratively and financially. Actually, the Central schemes are only three in number, namely, post-graduate medical education, research in indigenous systems of medicine and family-planning.

Judging by the number of institutions it would seem that there has been progressive improvement in the facilities for medical education during the last twelve years. The number of medical colleges increased from 25 in 1947 to 61 in 1960 and the number of students rose to 6,000. Facilities for post-graduate studies in medicine are expected to be expanded with the implementa-

tion of a scholarship scheme formulated by the Centre. A provision of Rs 10 crores has been made in the Third Plan for indigenous systems of medicine. The Central Council of Ayurvedic Research has also finalised a scheme to train proficient vaidyas-cum-basic doctors. This scheme would be implemented during the Third Plan.

Family-planning occupies a place of high priority in the Health Ministry's Third Plan schemes. Of vital significance to the programme during the next five years is the proposed expansion of facilities for consultation and advice on family-planning and for sterilisation. There are at present 4,000 centres providing family-planning advice and the number of sterilisation operations so far carried out is said to be about 1.5 lakhs. Sterilisation as a policy has been criticised but it would seem that when other measures do not have the desired impact on the birth-rate, it is the only effective measure. It is widely recognised that in implementing the sterilisation programme the efforts of official agencies could be very fruitfully supplemented by educational propaganda by voluntary organisations like the All-India Family Planning Association and its branches and woman's organisations.

B C G: A Failure?

The last two Plans witnessed considerable progress in the fight against communicable diseases. The malaria eradication programme now covers almost the entire population, thanks to the aid given by the Technical Co-operation Mission. The complete success of the programme, however, is still a distant target.

We are yet far from winning the fight against smallpox, cholera and filariasis; the incidence of the Int. mentioned disease is actually on the increase owing, it is said, to the process of urbanisation. The Union Minister of Health announced at the meeting that the Central Government would subsidise completely all State Government schemes for the eradication of smallpox. Success in fighting cholera is linked to the progress of the scheme for provision of pure drinking water in the villages which unfortunately, is making very slow progress.

There is complete unanimity on the importance of providing pure drinking water to rural areas. That notwithstanding, at the end of the Second Plan a substantial proportion of the allocation for this programme had remained unutilised by the State Governments. The Central Health Council's concern in this respect was obvious from its recommendation that State Governments should take early steps to implement rural water-supply schemes from the allotments to them for local development works. These schemes are now being held up apparently for lack of proper designs and the paucity of trained personnel in the public health directorates in the States. It is distressing that allotments available under the national water-supply and sanitation schemes remain unutilised because of the State Governments' lack of enterprise. The complaint of the Andhra Chief Minister, Shri D Sanjeeviah, that the allocation for Health in the Third Plan was meagre, reads strangely in the light of the above facts.