Trade balances and reserves

Trade balances

In 1972, the apparent f.o.b.–c.i.f. trade balance of developing countries as a group showed a $3 billion surplus, the first since the Korean war. Developments in 1973 increased this surplus to about $11 billion, the increase being entirely due to petroleum exporting countries, whose combined surplus expanded from $12.5 billion in 1972 to more than $21 billion. The combined deficit of developing countries not exporting petroleum, which had been reduced by about $2 billion in 1972, increased again by more than $1 billion in 1973 to nearly $10 billion. The widening of the deficit was partly due to a speedy translation of the improved export earnings of 1972, and of the good export prospects of 1973, into import orders: in part it is attributable to harvest failures necessitating larger imports of food into several countries.

By and large, the developing countries whose exports were concentrated mainly in the areas of minerals or manufactures, or both, experienced the highest rates of export growth in 1973. However, the better export performance of those countries must be set against sharply higher values of imports: their imports of

Table VI Trade balances of selected Commonwealth countries

(f.o.b.–c.i.f. unless otherwise stated) £ million

	1969	1970	1971	1972	1973
Australia (f.o.b.–f.o.b.)	31	72	198	751	1,033
Bangladesh	-61	-110	-52	..	..
Britain	-1,006	-976	-640	-1,409	-3,399
Canada (f.o.b.–f.o.b.)	309	1,179	907	500	770
Ghana	3	17	-41	38	45
Guyana	1	-1	7	5	-15
Hong Kong	-117	-162	-213	-168	-261
India	-120	-19	-155	89	-73
Jamaica	-75	-76	-86	-96	..
Kenya	-45	-65	-111	-78	-65
Malawi	-9*a*	-16	-15	-19	-17
Malaysia	195	114	73	33	..
New Zealand (f.o.b.–f.o.b.)	107	20	39	138	207
Nigeria	87	75	127	268	655
Singapore	-234	-415	-477	-524	-660
Sri Lanka	-46	-22	-3	-4	-6
Tanzania	4	-25	-43	-37	-59
Trinidad and Tobago	-13	-38	-77	-99	-59
Uganda	20	44	4	48	67
Zambia (f.o.b.–f.o.b.)	265	218	50	78	252

a f.o.b.–f.o.b.

primary products, and especially foodstuffs, rose in value terms by more than 60 per cent in that year, compared with 12 per cent in 1972 and an average of about 5 per cent in the 1960s. Moreover, with respect to basic foodstuffs, such as cereals, in 1973 imports from developed areas represented more than three-quarters of total imports by developing countries, compared with about 60 per cent in the early 1960s. At the same time, the proportion of foodstuffs received under special government programmes declined significantly in 1973. In agricultural exports from the United States to developing countries, deliveries under government programmes accounted for 14 per cent of the total, as compared with 35 per cent in 1972 and two-thirds in 1961.

Reserves

Whereas, between 1961 and 1969, annual increases in the dollar value of world reserves averaged 2.8 per cent, during the following four years the annual rates were 18.5, 40.8, 21.5 and 16.0 per cent respectively. A substantial part of the increase during those four years was accounted for by greater holdings of foreign exchange emanating, especially, from US balance of payments deficits (with the US economy running at high levels of activity and inflation), and the revaluation

Table VII International reserves (IMF definition)

$ US million

	end 1971	end 1972	end 1973	1974 end of month shown
World	130,590	158,720	184,280	201,345 (June)
Industrial countries	94,110	105,728	115,027	114,407 „
Developing countries	23,390	32,125	44,725	62,295 „
Selected Commonwealth countries				
Australia	3,316	6,141	6,085	4,657 (Aug)
Britain*	6,582	5,647	6,476	6,842 „
Canada	5,701	6,050	5,768	5,853 „
Ghana	48	107	189	173 (June)
Guyana	26	37	14	13 (May)
India	1,206	1,180	1,142	1,439 (Apr)
Jamaica	179	160	128	228 (Aug)
Kenya	171	202	234	172 „
Malawi	32	36	67	87 „
Malaysia	818	981	1,342	1,511 (July)
Mauritius	52	76	67	9 (Aug)
New Zealand	315	578	767	728 (July)
Nigeria	432	385	592	3,059 „
Sierra Leone	38	46	50	49 (Aug)
Singapore	592	876	1,237	1,325 (March)
Sri Lanka	50	58	87	69 (July)
Tanzania	60	120	145	85 (June)
Zambia	284	165	193	306 (Aug)

* Not net of sterling balances.

of gold reserves in terms of the post-Smithsonian dollar. As would be expected, there was an acceleration also in the growth of domestic money supply, comparing 1961–69 with the four subsequent years; these developments in themselves have been held to account in large measure both for the particularly rapid expansion of real GNP in major industrial countries in 1973 – a record 6.5 per cent – as well as for much of the accompanying price inflation as capacity limits were reached.

Between the end of 1971 and the middle of 1974 the reserves of developing countries as a whole increased almost threefold.

Movements in the gross reserves of selected Commonwealth countries are shown in Table VII. As suggested above, these are affected by a variety of non-trade influences, including aid transfers, transactions with the IMF, and the revaluation of reserve assets. In addition, some of the data for 1974 in the last column are affected by the seasonal pattern of exports – Mauritius, for example, normally exporting the bulk of its sugar production in the later months of the year.