Quarterly economic review

Main developments

During the first four months of 1967 the pressure exerted by aggregate demand upon labour, capital and other scarce resources in the South African economy remained excessive. Inflation persisted and, as during the fourth quarter of 1966, the current account of the balance of payments again showed a substantial deficit. Since there was only a small net inflow of foreign capital during this period, the total gold and foreign exchange reserves accordingly declined sharply.

At the same time, there were indications that the upswing in total spending which had started from about the second quarter of 1966, was losing momentum. Gross domestic expenditure still increased further during the first quarter of 1967, but this was largely due to increases in private consumption and fixed capital outlays by public corporations; fixed investment by public authorities and inventory investment showed little change, while current expenditure by general government and private fixed investment actually declined.

The behaviour of various monthly economic indicators also suggested that the total monetary demand for goods and services, while still excessive, was rising at a slower rate. Of particular interest is the fact that, despite the further relaxation of import control in December, 1966, and the official policy of building up stocks of strategic imported commodities, total imports tended to level off after rising sharply to a record peak in January, 1967.

These encouraging developments would appear to have been closely related to a marked tightening of the monetary and financial situation brought about largely by the restrictive monetary and fiscal policy and the other disinflationary measures applied by the authorities in 1966, including the relaxation of import control. Particularly significant was the fact that the government sector was able to reduce its net indebtedness to the monetary banking sector by a very substantial amount during the first quarter of 1967, even though this was to a large extent a seasonal change. In conjunction with a decline in the net inflow of foreign capital and the policy of allowing freer imports, this development helped to reduce the quantity of money and near-money in the hands of the private sector and therefore also the scope for inter-company lending ("grey market transactions"). At the same time, it had the effect of lowering the liquid assets of the commercial and other monetary banks, upon which their ability to create money and near-money is normally based, i.e. when there is no direct limitation upon their credit to the private sector as at present.

In addition, the amount of call money held by banks and others with discount houses and the National Finance Corporation declined sharply, so that these institutions were at times forced to rediscount heavily with the Reserve Bank. This, naturally, gave the Bank firmer control over the money market.

Finally, the Treasury bill tender rate and other related short-term interest rates, including the cost of inter-company finance and acceptance credit, moved upwards into better alignment with Bank Rate, which tended to reduce the incentive for inter-company lending and borrowing and, in general, to make the overall credit policy of the monetary authorities more effective.

The decline in total money and near-money and in the general availability of credit during the first quarter of 1967 would have been much greater, and the general monetary and fiscal policy of the authorities even more effective, if bank credit extended directly to the private sector had not increased very sharply during the same period. This upward movement, which continued during April, brought the credit extended by monetary banks to the private sector, excluding the Land Bank, to well above the "ceiling" set for this type of finance by the Reserve Bank for September, 1967. Even allowing for the fact that certain types of bank discounts and advances, such as credit to certain public corporations and to finance special imports deemed to be in the national interest, have been exempted from this directive and will almost certainly rise during the coming months, the banks' total discounts and advances to the private sector, excluding the Land Bank, may therefore be expected to start declining before long. The monetary authorities, realising that a substantial reduction in the availability of credit and in the ratio of private sector liquidity to gross domestic product is essential for the success of their broad strategy against inflation, have recently reaffirmed their determination to adhere to their restrictive bank credit policy.

Although the official measures against inflation have therefore not yet succeeded in achieving their ultimate objective, there is some evidence that they are increasingly taking effect and slowly not only tightening monetary and financial conditions but also restraining the excessive expenditure on both locally produced and imported capital and consumer goods and services.

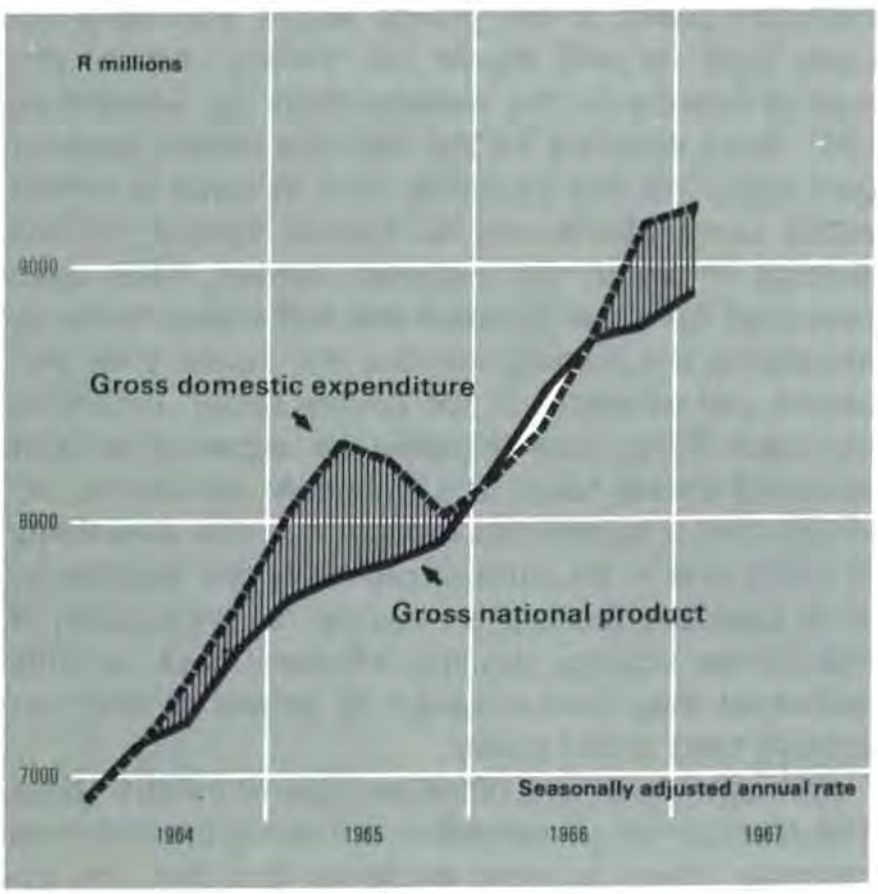
National accounts[1]

Gross domestic product

According to preliminary indications, gross domestic product at current prices increased at a considerably slower rate during the fourth quarter of 1966 and the first quarter of 1967 than during the first three quarters of 1966. Although this was partly attributable to a decline in the value added by agriculture, which will probably turn out to have been only temporary, the same tendency was shown by gross domestic product excluding agriculture, only to a lesser extent. In real terms, i.e. valued at constant prices, gross domestic product would appear to have shown little increase during the six months ended March, 1967.

Gross domestic expenditure

Gross domestic expenditure, which had accelerated sharply during the course of 1966, increased further during the first quarter of 1967, although also at a slower rate. Nevertheless, as during the previous quarter, it again exceeded gross national product by a substantial amount, so that the balance of payments on current account continued to show a large deficit. Exports of goods and services, which had increased rapidly during the third quarter of 1966 but had then declined during the fourth quarter, resumed an upward movement during the first quarter of 1967. But imports of goods and services increased by a roughly similar amount.



[1] The analysis in this section of the Review is largely based on the Reserve Bank's quarterly estimates of the national accounts, *after adjustment for seasonal tendencies.* Since these figures are not yet judged reliable enough for publication, the analysis of quarterly developments is confined to pointing out broad tendencies.

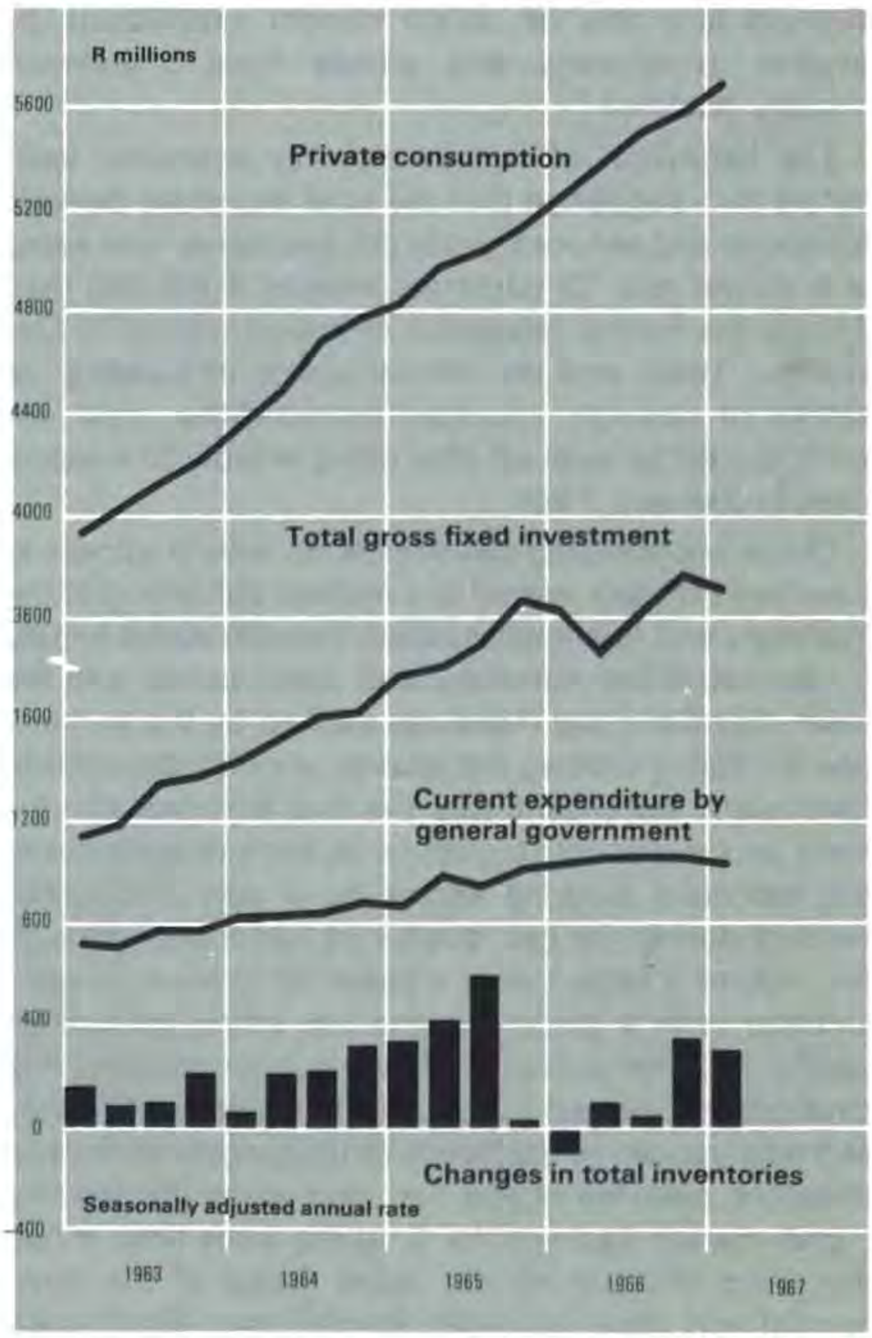
Private consumption and current government expenditure

This further increase in gross domestic expenditure was largely attributable to a continuation of the upward movement in private consumption, particularly in the case of expenditure on non-durable consumer goods. Although motor car sales continued to rise strongly, total expenditure on durable consumer goods showed little further increase.

Current expenditure by general government showed a slight decline for the second consecutive quarter to reach a level which was only about 1 per cent higher than the level attained in the first quarter of 1966.

Fixed capital outlays

Total gross domestic fixed investment, which had increased sharply during the two preceding quarters, declined slightly during the first quarter of 1967. Fixed capital outlays by public authorities showed little change and, in the case of public corporations, still continued to rise. But *private* fixed investment declined noticeably, reflecting decreases in spending on fixed assets in agriculture, manufacturing, residential buildings and commerce.



This decline in fixed capital outlays by private business enterprises, which may be attributed, in part at least, to the higher interest rates and the disinflationary monetary and fiscal policy in general, would appear to be a significant development, as a decline in this important component of gross domestic expenditure is often the forerunner of a more general slowing-down in spending, including consumer outlays. In any event, it is now clear that private fixed investment, although still at a very high level, has levelled off over the last five quarters taken as a whole.

Inventory investment

Inventory investment, i.e. the net addition to total inventories, which had increased during the course of 1966 to a high level in the fourth quarter, showed little further change in the first quarter of 1967. In other words, the total stock of goods in the country continued to rise at a very rapid rate. This would appear to have been attributable partly to the official policy of building up stocks of strategic commodities and partly to optimistic, perhaps over-optimistic, expectations on the part of private commercial and industrial enterprises with regard to future sales.

Gross domestic saving

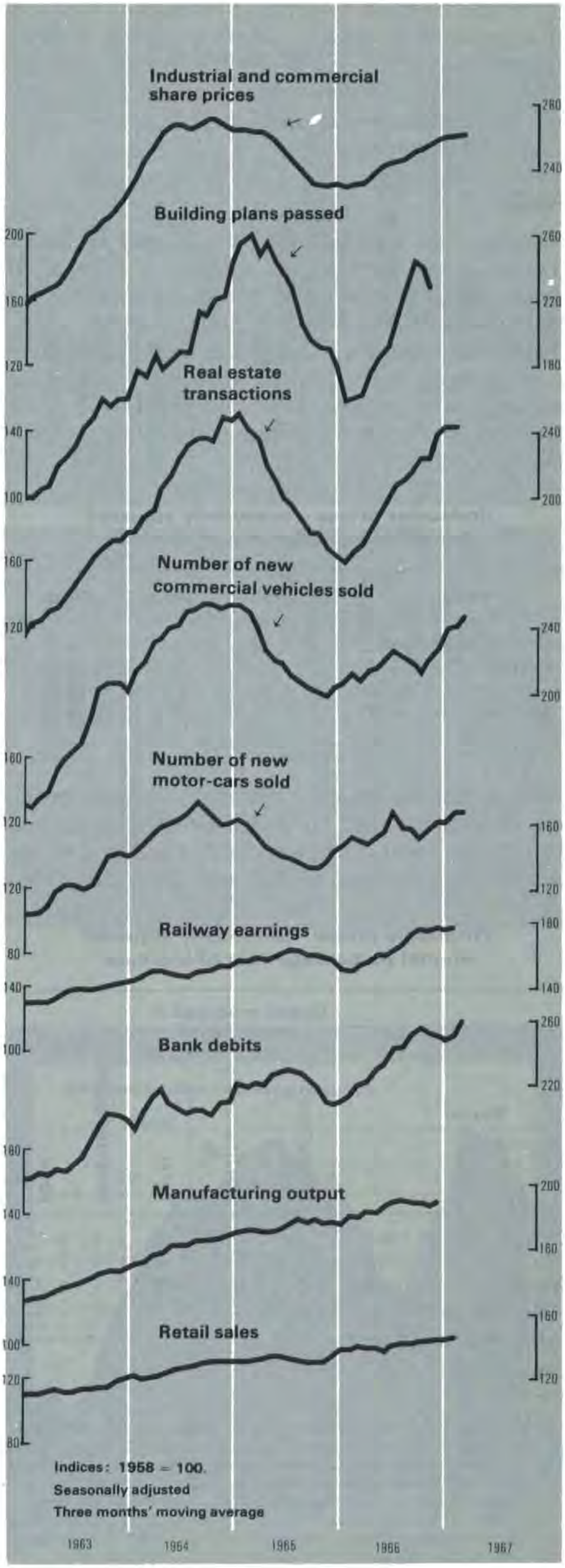
According to very preliminary figures, gross domestic saving increased substantially during the first quarter of 1967, compared with a significant decline during the fourth quarter of 1966.

General impression

The general impression afforded by the national accounts for the first quarter of 1967 is that, while the total monetary demand for goods and services remained excessive in the sense that it continued to exert undue pressure upon both internal resources and the balance of payments, economic forces were at work which pointed to a gradual reduction in the degree of overspending.

General economic indicators

Although sales of new motor cars and commercial vehicles and the prices of commercial and industrial shares continued to show an upward tendency during the first four months of 1967, most of the other available monthly indicators of economic activity tended to level off either towards the end of 1966 or during the early months of 1967. As the accompanying graph shows, this was true of such diverse indices as those for manufacturing output, bank debits, building plans passed, real estate transactions, value of retail sales and railway earnings. From these developments, too, it would appear that the new cyclical upswing which had begun from roughly the second quarter of 1966 and had threatened to aggravate the existing inflation, lasted less than a year before losing considerable momentum.



On the other hand, there has as yet been no evidence of any marked *downturn* in these indicators, such as occurred during the course of 1965. On the contrary, the facts show clearly that virtually all forms of economic activity remained at a very high level throughout the period under review.

Prices

The seasonally adjusted index of consumer prices increased during the first four months of 1967 at an *annual* rate of 3·8 per cent[1], compared with 3·7 per cent between December, 1965, and December, 1966. This further upward movement was largely attributable to an increase in food prices. Indeed, if food prices are left out of account, the index increased by less than 0·1 per cent per month during February, March and April, 1967.

Consumer prices – seasonally adjusted
Annual percentage rate of increase

Period	Food	Other	Total
Dec. 1963–Dec. 1964 . .	9·3	2·0	4·0
Dec. 1964–Dec. 1965 . .	2·0	3·7	3·2
Dec. 1965–Dec. 1966 . .	4·2	3·5	3·7
Dec. 1966–April, 1967 . .	7·1	2·8	3·8

The seasonally adjusted index of wholesale prices also increased further, but at a noticeably slower rate than during 1966. Compared with a rise of 4·4 per cent between December, 1965, and December, 1966, it increased at an annual rate of only 2·9 per cent between December, 1966, and April, 1967. The main reason for this slowing down was a decline in the wholesale prices of agricultural, forestry and fishing products, although the rate of increase in prices of manufactured products was also lower.

Wholesale prices – seasonally adjusted
Annual percentage rate of increase

Period	Goods produced in South Africa			Imported goods	Total
	Agriculture, etc.	Manufacturing	Total		
Dec 1963–Dec. 1964 .	11·7	2·8	4·1	2·6	3·7
Dec. 1964–Dec. 1965 .	2·8	2·6	2·8	1·4	2·4
Dec. 1965–Dec. 1966 .	7·1	4·2	4·9	3·1	4·4
Dec. 1966–April, 1967 .	0·7	2·4	2·9	2·6	2·9

[1] In analysing changes in the indices of consumer and wholesale prices over the short run it should be kept in mind that these indices tend to fluctuate considerably from month to month, so that a larger or smaller increase in any one or two months, or even in any quarter, does not necessarily mean that inflationary pressure is increasing or decreasing. Too much importance should therefore not be attached to the movements of these indices in the short term; the true price tendencies can only be determined over a longer period.

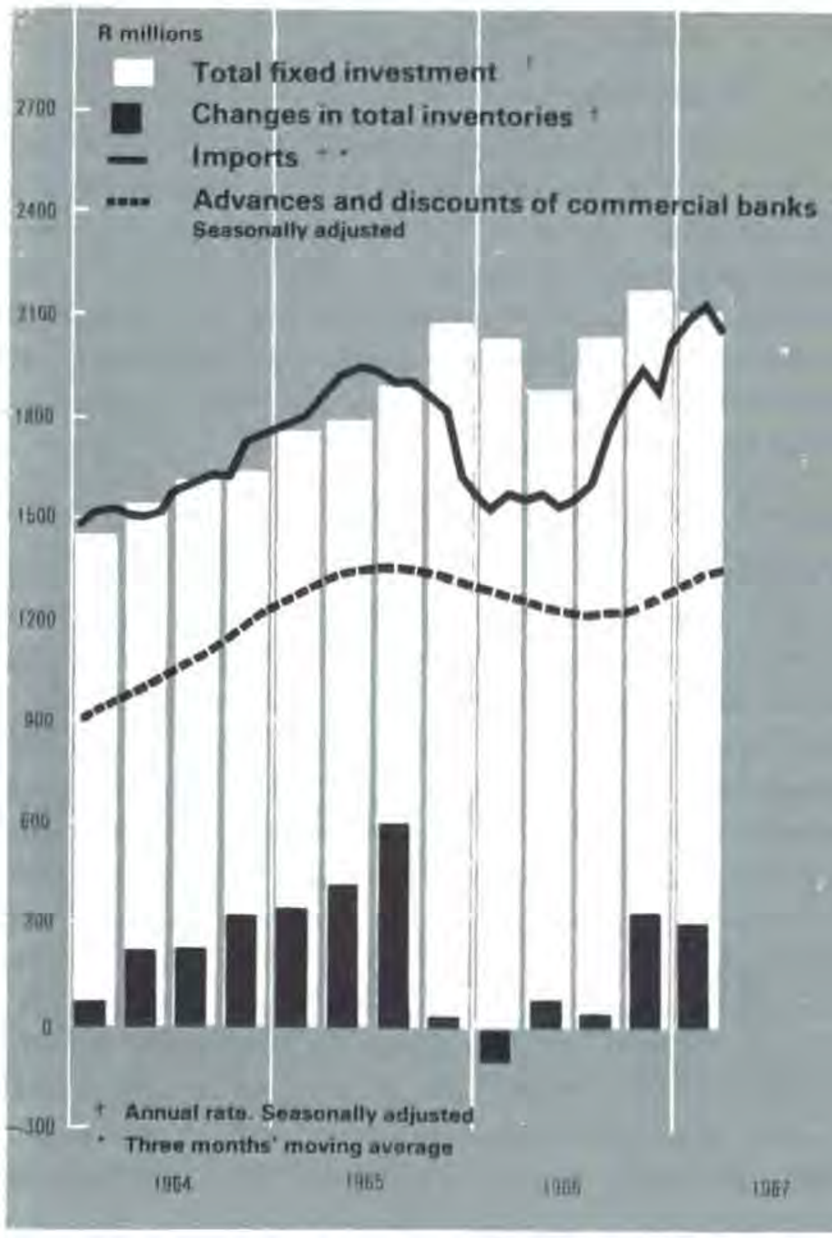
Balance of payments

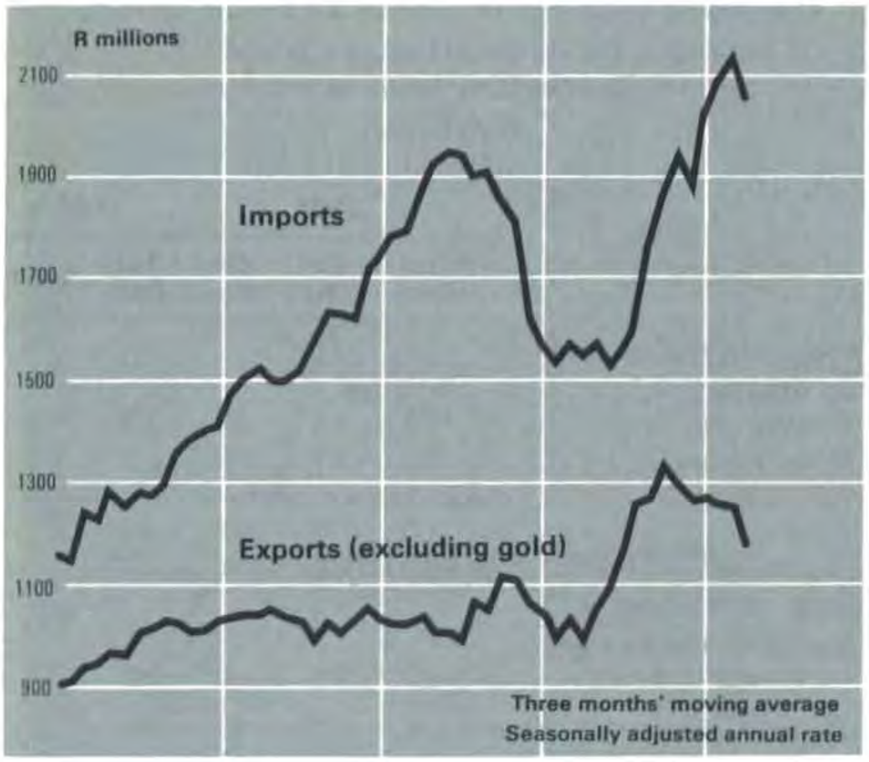
Levelling-off tendency in imports

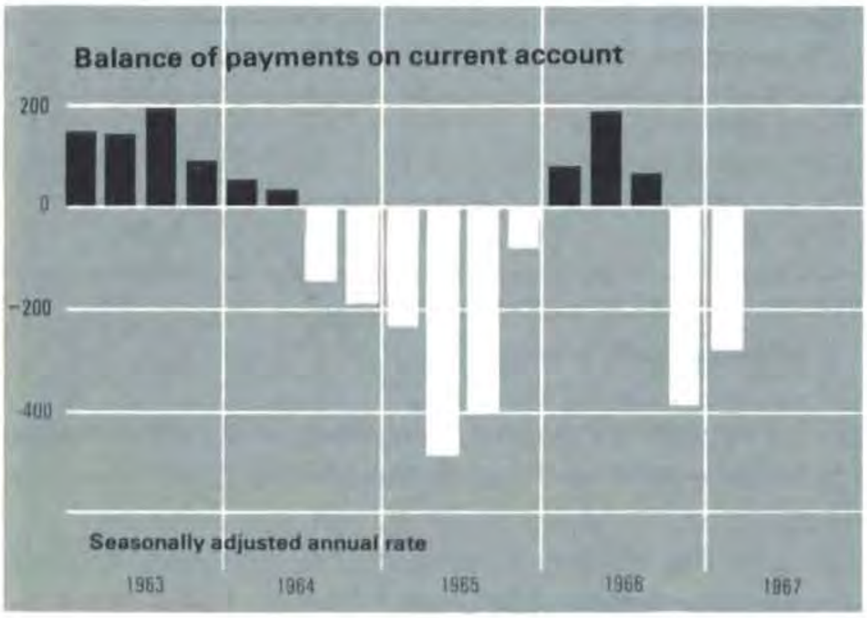
After rising very sharply during the second half of 1966 and, as usual, accurately reflecting the upswing in fixed capital outlays and inventory investment, imports reached a record peak of R2,304 million (seasonally adjusted annual rate) in January, 1967, and then, during subsequent months, tended to level off at a slightly lower figure. The fact that this levelling-off occurred despite the further relaxation of import control in December, 1966, and the official policy of stockpiling certain strategic commodities, serves as another indication that the cyclical upswing tended to weaken during the first four months of 1967.

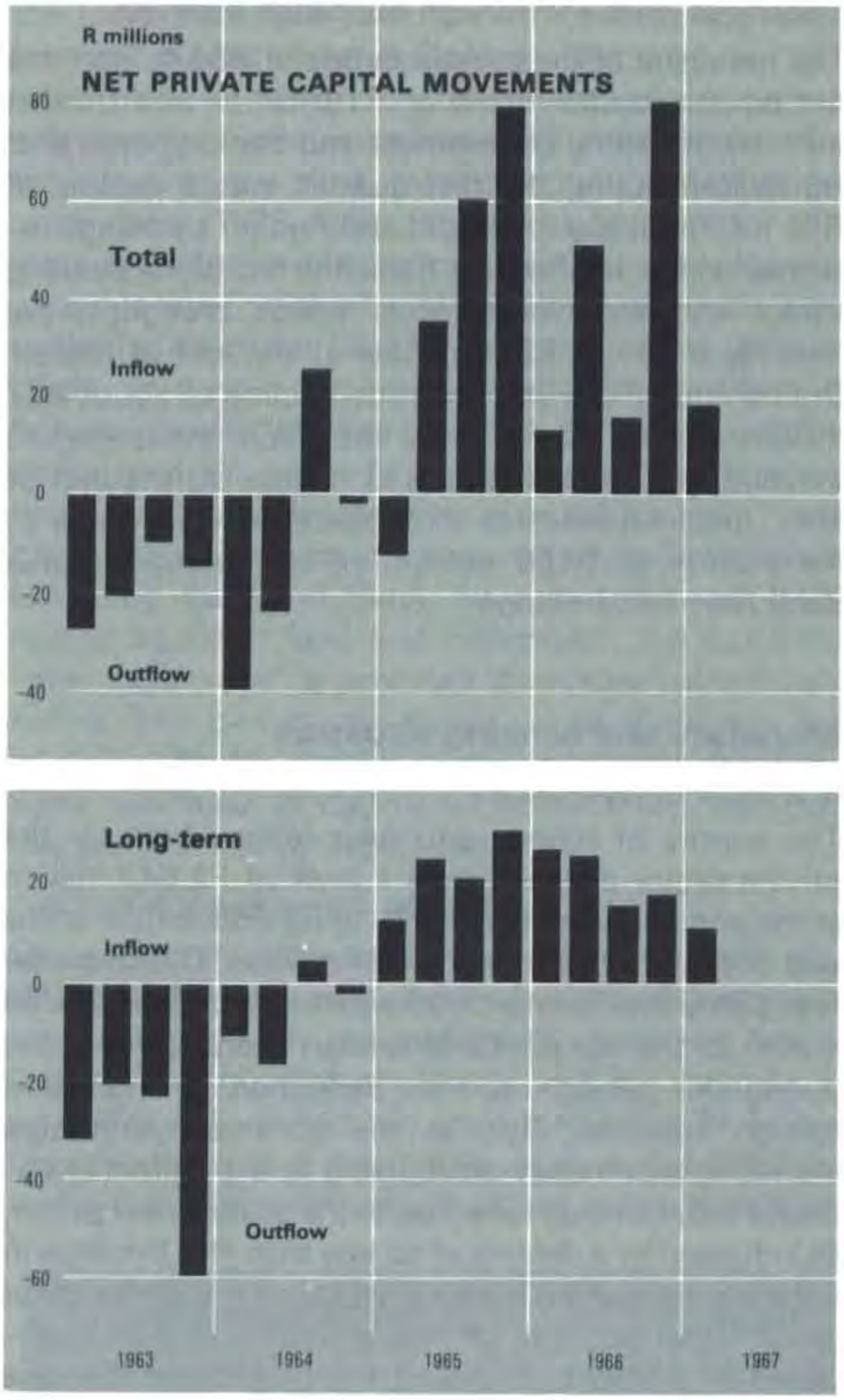
Deficit in current account

Imports were nevertheless substantially higher during the first quarter of 1967 than during the fourth quarter of 1966, so that, despite an increase in exports and a







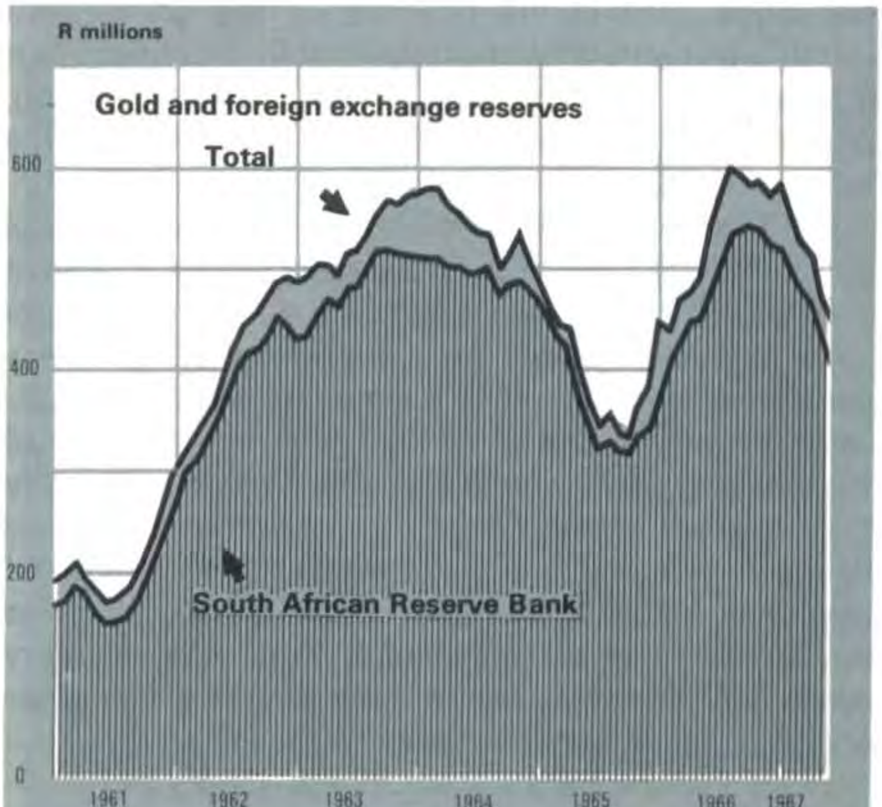


reduction in net invisible payments to the rest of the world, the current account of the balance of payments again showed a large deficit, namely of R85 million compared with R77 million during the fourth quarter of 1966. After adjustment for seasonal variations and taken at an annual rate, the first quarter deficit amounted to R272 million, compared with R388 million during the fourth quarter of 1966.

Smaller net inflow of capital

As during the preceding seven quarters, there was again a net inflow of private capital during the first quarter of 1967, although it only amounted to R18 million, compared with R51 million, R16 million and R80 million during the second, third and fourth quarters of 1966, respectively. Of this inflow of R18 million, R11 million was identified as long-term capital.

Central government and banking capital, on the other hand, showed a further net outflow of R8 million during the first quarter of 1967, largely owing to repayments of foreign loans by the Reserve Bank and the Government.



Decline in gold and foreign exchange reserves

The net result of the current deficit of R85 million, the net private capital inflow of R18 million and the net outflow of central government and banking capital of R8 million during the first quarter, was a decline of R75 million in the total gold and foreign exchange reserves held by the Reserve Bank, the rest of the banking sector and the Government, which brought these reserves down to R514 million at the end of March. During April there was a further decline of about R37 million and in May another reduction amounting to between R20 million and R30 million. At the end of May, the total reserves must therefore have been in the vicinity of R450 million, of which the Reserve Bank held R407 million.

Monetary and banking situation

Money and near-money

The supply of money and near-money held by the private sector declined from a peak of R2,643 million at the end of December, 1966, to R2,559 million at the end of March, 1967, i.e. by R84 million. This decrease was partly the internal counterpart of a decline of R68 million in the *net* gold and foreign exchange reserves during this period, i.e. after deduction of short-term foreign liabilities. But, as the accompanying table shows, it was mainly attributable to a substantial decrease in bank credit extended to the government sector, as indicated by a decline of no less than R118 million in the *net* claims of the banking sector on the government sector; the deposits of the government sector declined by R40 million during this period, but this was more than offset by a decrease of R158 million in the banking sectors' holding of Treasury bills, government stock and other claims on the government sector. This favourable turn in the finances of the government sector was partly a normal seasonal improvement, but it was partly also the result of the increased taxation, the higher interest rates on government stock and the other official measures applied in 1966.

Unfortunately, the desirable contractionary effects on internal liquidity of the balance of payments deficit and the decline in bank credit to the government sector were partly neutralised by a considerable further expansion of bank credit to the private sector, as indicated by an increase of R112 million in the claims of the banking sector on the private sector during the first quarter. With both the government sector's financing operations and the deficit in the balance of payments draining money and near-money from the private sector at a time of high fixed and inventory investment and high imports, the private sector's demand for bank credit naturally increased sharply. But the fact that the banks were able to satisfy this additional demand to such a large extent, greatly facilitated the continued excessive spending and accordingly reduced the effectiveness of the official disinflationary policy.

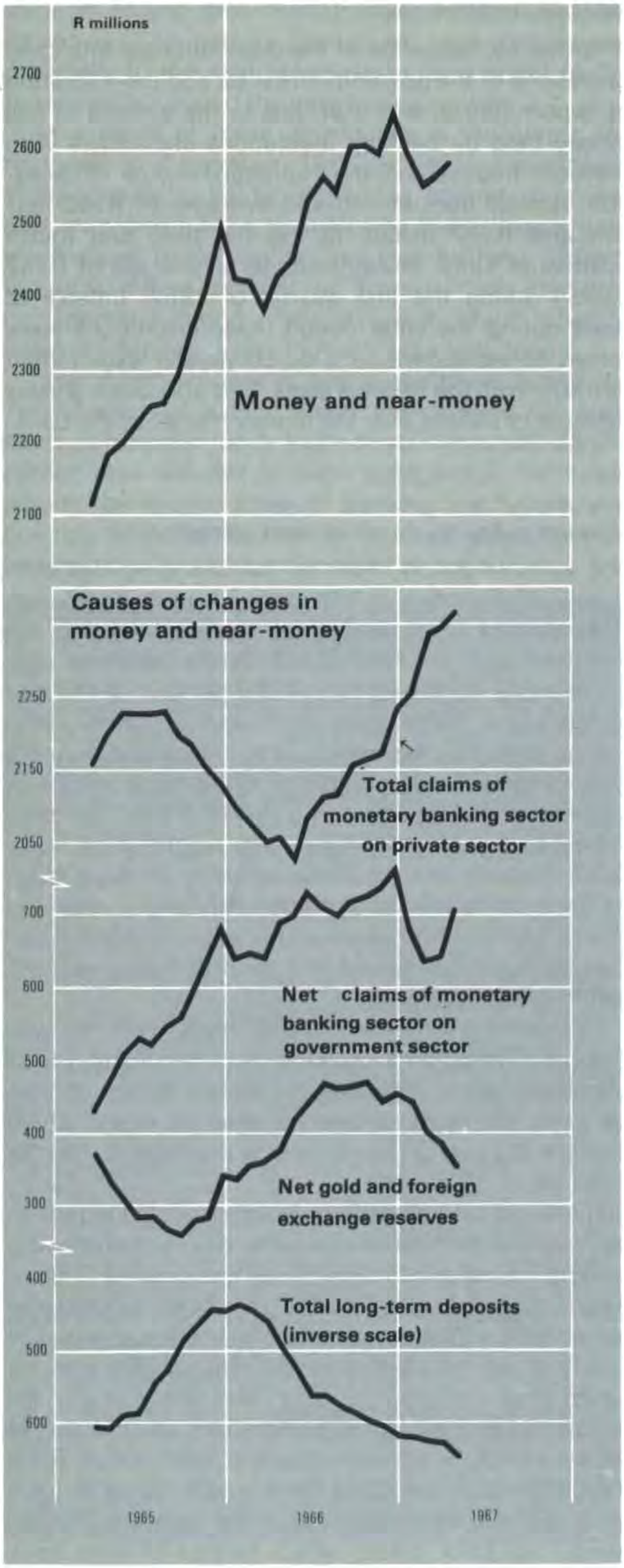
Causes of changes in money and near-money
(Changes in the consolidated assets and liabilities of the monetary banking sector)
R millions

	1966			1967	
	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	April
Changes in money and near-money:					
Money	126	6	42	−75	−2
Near-money	24	67	6	−9	19
Total	150	73	48	−84	17
Causes of changes:					
Net gold and foreign exchange reserves	87	16	−9	−68	−37
Claims on government sector	115	83	30	−158	6
Government deposits*	−24	−100	10	40	61
Net claims on government sector	91	−16	40	−118	67
Claims on private sector	38	69	78	112	23
Long-term deposits*	−102	−23	−32	−12	−17
Other assets and liabilities	37	28	−29	2	−19
Total	150	73	48	−84	17

*Increase −, decrease +.

Despite the decline in total money and near-money between December, 1966, and March, 1967, the private sector still remained in a relatively liquid state during this period, as indicated by the fact that the ratio of money and near-money to gross domestic product amounted to 28·2 per cent during the first quarter of 1967, which is a relatively high figure when compared with the 1955-64 average of roughly 26 per cent. Nevertheless, even after taking into account seasonal factors, a comparison of this percentage with the peak figure of 29·5 per cent attained in the fourth quarter of 1965 does suggest that the attempts by the authorities to halt the increase in private sector liquidity and bring about a progressive tightening of the general monetary situation have met with some degree of success.

During April the quantity of money and near-money increased modestly by R17 million, largely owing to a partly seasonal increase of R67 million in the net claims of the banking sector on the government sector and a further increase of R23 million in the banking sector's claims on the private sector, which more than offset a further decline of R37 million in the net gold and foreign exchange reserves and an increase of R17 million in long-term deposits (which are not considered to be near-money).

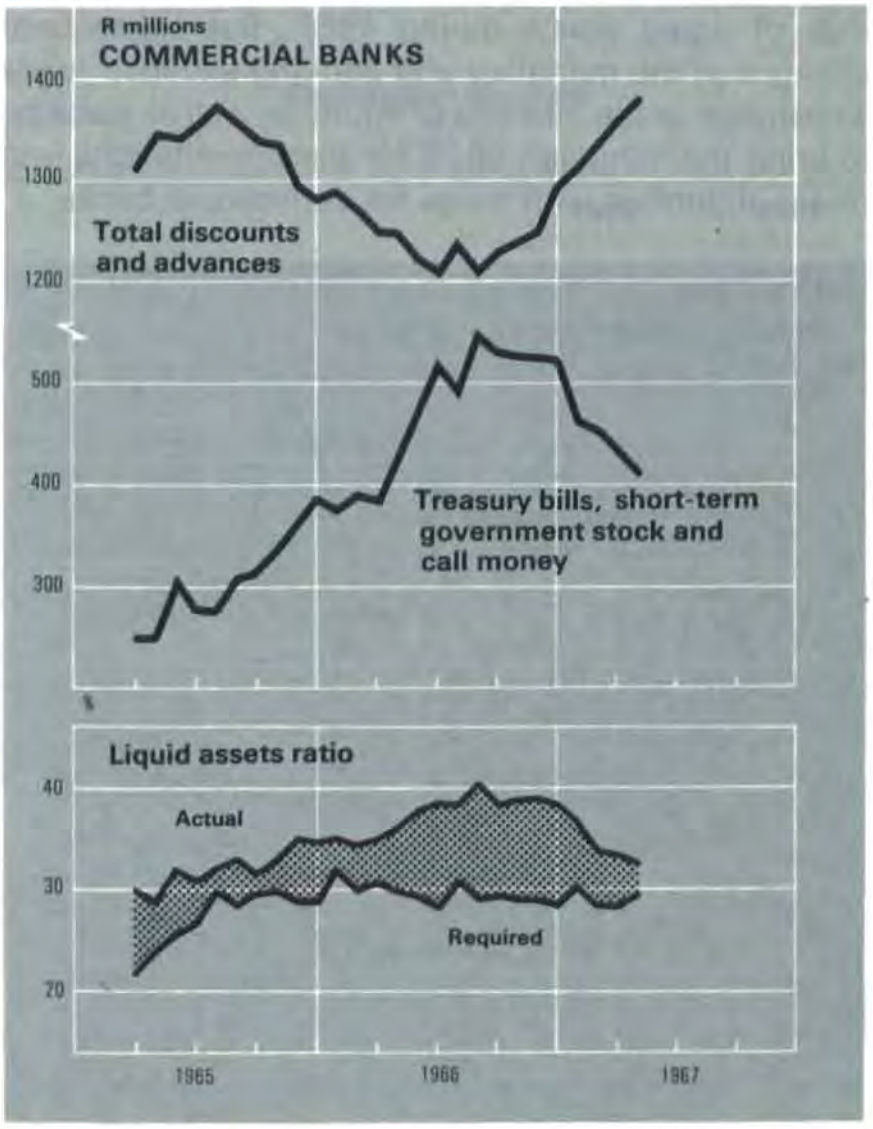


Bank credit

By the end of April the discounts and advances extended by the commercial banks and their subsidiary banking institutions to the private sector, excluding the Land Bank had risen to R141 million above the limit set by the Reserve Bank for September, 1967, while those of other monetary hire-purchase, general and savings banks were some R3 million below the limit. In total, therefore, these discounts and advances were about R138 million above the September "ceiling". Included in this figure, however, were various amounts totalling at least R15 million which have been exempted from the Reserve Bank's directive, such as credit to certain public corporations and credit to finance special imports deemed to be of strategic importance. In order to comply with the directive, these banks will therefore have to reduce their "ordinary" discounts and advances to the private sector, excluding the Land Bank, by a maximum of R123 million between April and September. But since the "exempted credit" is expected to increase substantially during this period, the banks' *total* discounts and advances to the private sector, excluding the Land Bank, will have to decline by considerably less than this amount before September.

Decline in liquid assets of banks

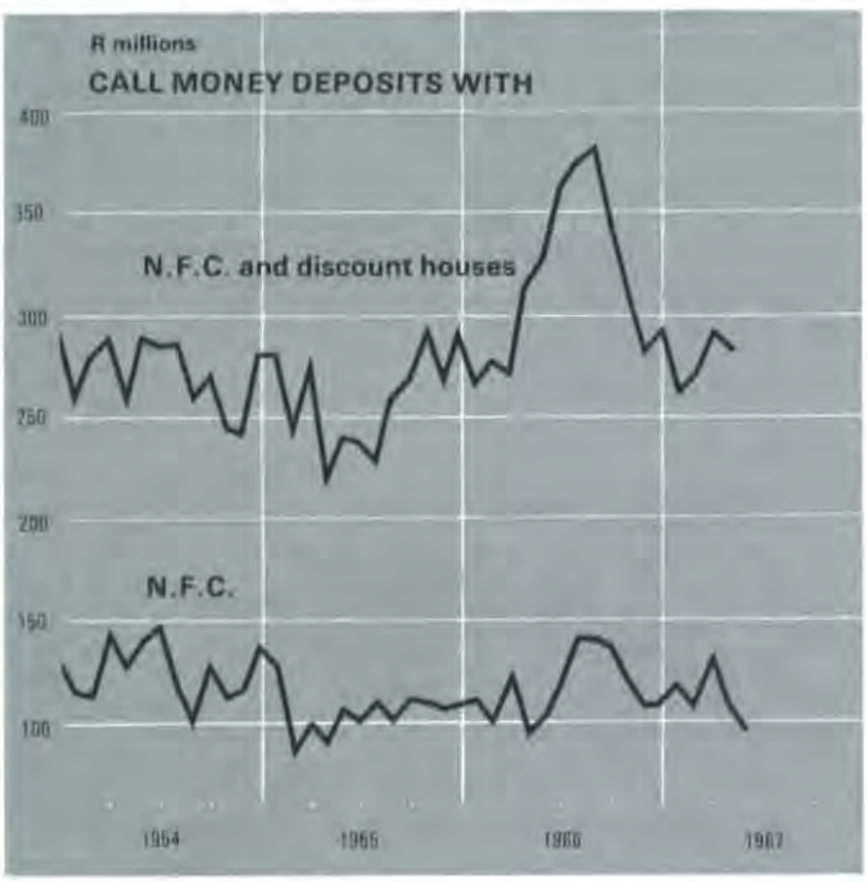
The substantial increase in the monetary banks' discounts and advances at a time when their liquid assets were being sharply reduced by the financing operations of the government sector and the balance of payments deficit, had the important effect of further reducing the *ratio* of their liquid assets to their liabilities to the public and bringing it closer to the legally re-



quired minimum than it had been for fifteen months. In the case of the commercial banks, for example, their *surplus* liquid asset ratio declined from 10·1 per cent at the end of December, 1966, to 3·3 per cent at the end of April, 1967.

Increase in minimum liquid asset ratios

In June, 1967, the authorities announced that the minimum liquidity ratios for all merchant, hire-purchase, general and savings banks would, with effect from the end of July, be increased from the normal ratios of 30, 20 and 5 per cent of short, medium and long-term liabilities to the public, respectively, to 34, 24 and 5 per cent, respectively. In the case of commercial banks these ratios had in 1965 already been increased progressively up to the maximum percentages of 40, 30 and 5 per cent. At that stage it had not been possible to raise the ratios for other banking institutions, as they had been allowed a year to comply with the liquid asset requirements of the new Banks Act, which had only come into operation in January, 1965. Later, after the method of placing a "ceiling" on credit extended to the private sector by *all* monetary banks had been applied in October, 1965, there was no urgent need to raise the minimum liquidity ratios for merchant, hire-purchase, general and savings banks as a method of credit control. Moreover, as a result of the favourable balance of payments during the ten months ended July, 1966, and the simultaneous existence of the credit directive, these banking institutions in any case maintained large excess holdings of liquid assets during 1966. But subsequent changes in the monetary and banking situation made it desirable, in the interests of equity as well as stability, to bring the minimum ratios for these institutions into closer alignment with those for commercial banks.



Decline in call money

A further consequence of the disinflationary financing operations of the government sector and the relaxation of import control was a decline in the amount of call money held by banking institutions and others with discount houses and the National Finance Corporation, namely from month-end averages of R183 million and R147 million during the third and fourth quarters of 1966, respectively, to an average of R137 million during the first quarter of 1967. Indeed, at times during the latter period these institutions were forced to rediscount to a much greater extent than normally with the Reserve Bank. This afforded a greater measure of control over the money market to the Bank.

Upward tendency in short-term interest rates

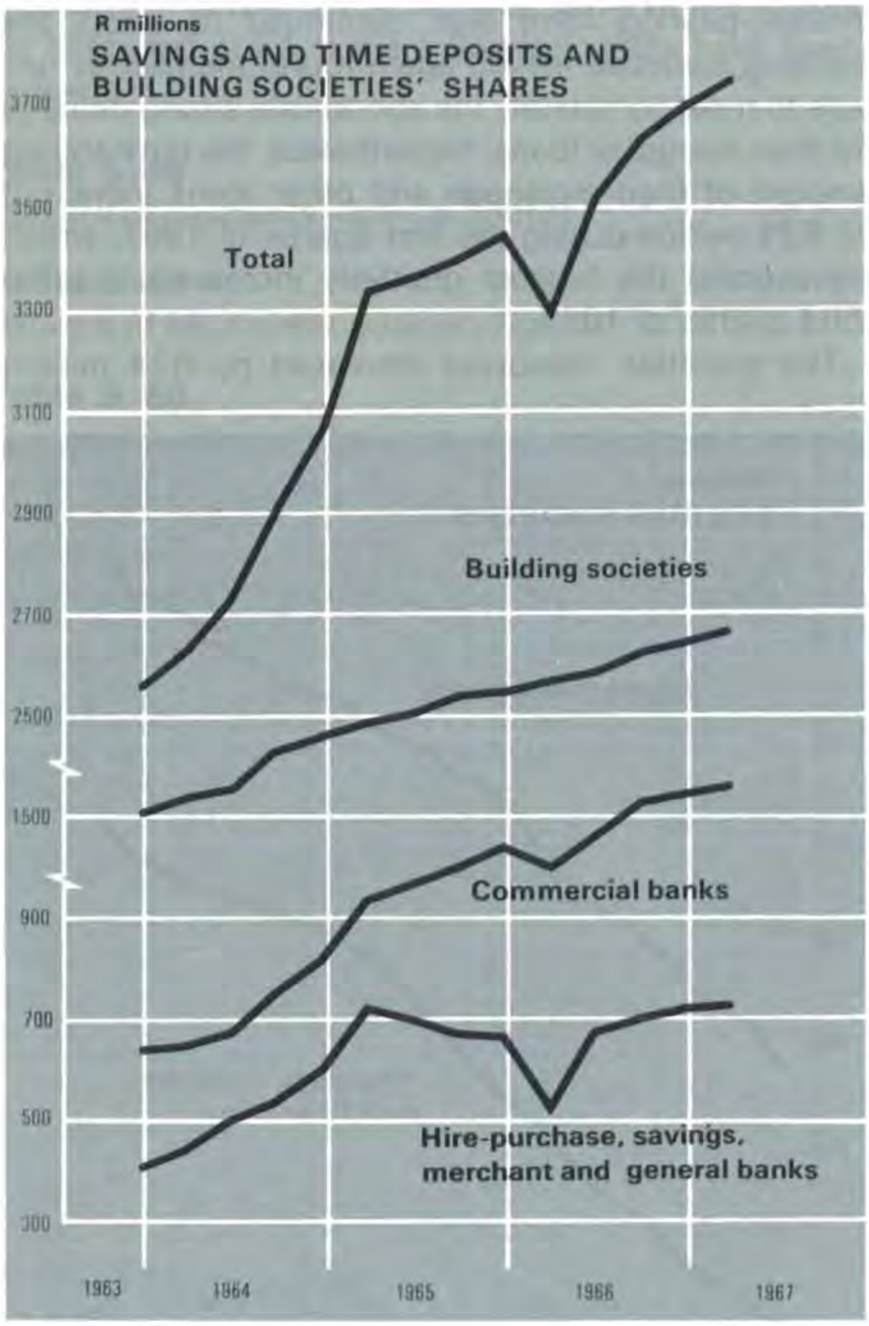
Not surprisingly, in view of the changing demand-supply relationships in the money market, short-term interest rates in general moved upwards during the first five months of 1967. The Treasury bill tender rate, for example, increased from 4·56 per cent at the end of 1966 to 5·00 per cent at the end of March, 1967. During the following weeks, partly owing to a seasonal shift of government funds to the private sector, it declined to 4·75 per cent on the 12th May, but then increased again to 4·94 per cent on the 23rd June. Other related short-term interest rates, such as those on acceptance credits and inter-company loans, also moved into a more normal alignment with Bank Rate; the latter was maintained at 6 per cent throughout the period under review.

This upward movement in the Treasury bill rate was accompanied by an increase in two stages, namely in March and April, in the Reserve Bank's pattern of rates for short and medium-term government stock, which brought the rate on stock with a maturity of 3 to $3\frac{1}{2}$ years up to $5\frac{3}{8}$ per cent.

These various interest rate changes tended to reduce the incentive for inter-company lending and borrowing to more normal proportions. After the increase in Bank Rate to 6 per cent in July, 1966, this incentive had been abnormally strong owing to the existence of a gap of nearly 4 per cent between the Treasury bill rate (to which inter-company lending rates are normally related) and the minimum lending rate of commercial banks, which is normally two per cent above Bank Rate. Indeed, at one stage there would appear to have been considerable substitution of "grey-market finance" for bank credit, which helped to keep bank discounts and advances to the private sector well below the old permitted "ceiling" during most of 1966. Subsequently, however, the emergence of a deficit in the balance of payments and the disinflationary financing of government expenditures not only reduced the scope for inter-company financing but, through raising grey-market interest rates, also the incentive. This would appear to have contributed materially to the sharp increase in bank credit to the private sector during the past twelve months.

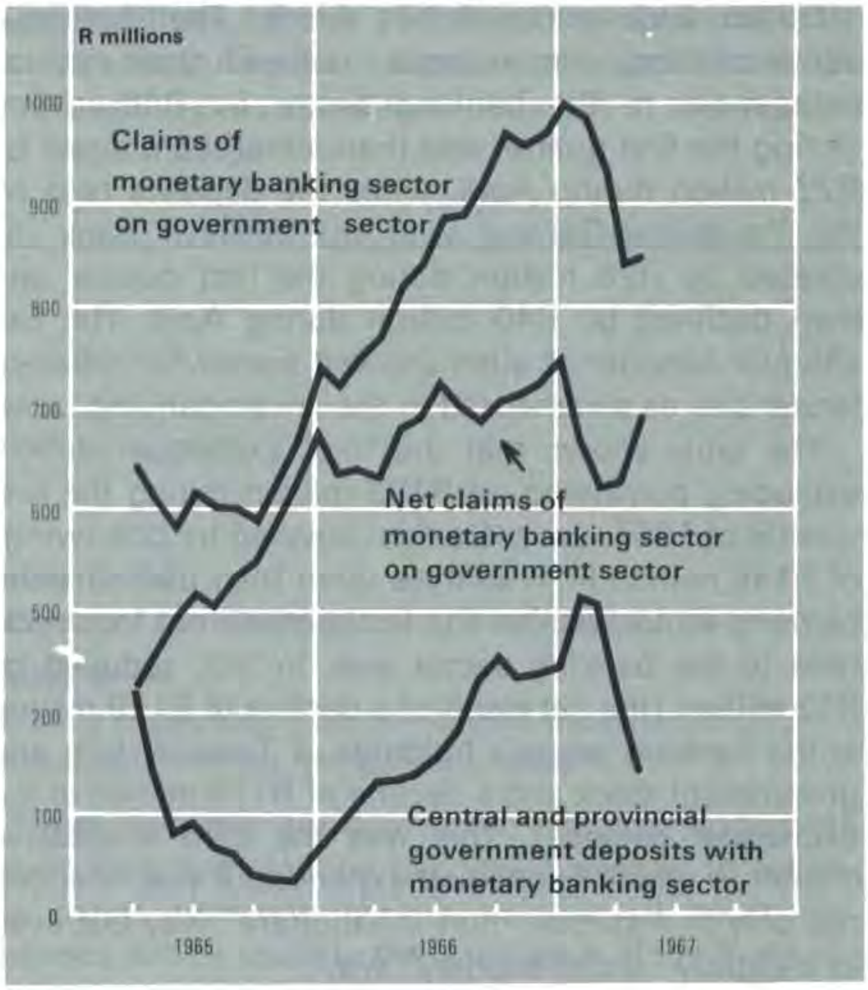
As a result of these developments the policy announced in December, 1966, of issuing additional Treasury bills to banks as well as ordinary business concerns with a view to sterilising the proceeds with the Reserve Bank, was not required for long. Indeed, the outstanding amount of Treasury bills declined considerably during February and March, before rising moderately again in April, May and June.

The decline in money and near-money during the first quarter, at a time when the demand for most kinds of loanable funds had not yet decreased significantly, also resulted in keen competition for funds among the various kinds of banking institutions and building societies and in an upward adjustment of interest rates on various classes of deposits.



Government finance

It was mentioned earlier that, whereas government sector deposits declined by R40 million during the first quarter of 1967, the gross claims of the banking sector on the government sector decreased by R158 million, so that the government sector's *net* indebtedness to the banking sector actually declined by R118 million during this period. It was also pointed out that this decline was partly seasonal and was followed in April by an increase of R67 million, which was also to some extent a seasonal change.



Exchequer finance
R millions

	1966		1967	
	3rd Qtr.	4th Qtr.	1st Qtr.	April
Total deficit, excluding borrowing	53	45	133	34
Financing:				
Change in net indebtedness to:				
Foreign sector	4	−19	−3	−12
Private non-bank sector	30	53	53	6
Public Debt Commissioners	22	29	95	21
Paymaster-General and social security funds	—	—	—	40
Sub-total	56	63	145	55
Monetary banking sector:				
Change in government securities	64	−5	−128	−12
Change in Exchequer balance*	−67	−13	116	−9
Sub-total	−3	−18	−12	−21
Total financing	53	45	133	34

*Increase −, decrease +.

These sharp fluctuations were not attributable in the first instance to changes in Exchequer finance but rather to changes in the deposits of provincial administrations, the Public Debt Commissioners and the Paymaster General, as well as to changes in credit extended by the banking sector to provincial administrations and various public funds. The provincial administrations, for example, reduced their net indebtedness to the banking sector by R66 million during the first quarter and then increased it again by R22 million during April, while the deposits held by the Paymaster-General with the Reserve Bank increased by R28 million during the first quarter and then declined by R40 million during April. The Exchequer Account as such showed somewhat different tendencies as summarised in the accompanying table.

The table shows that the total Exchequer deficit, excluding borrowing, of R133 million during the first quarter of 1967 was more than covered by borrowings of R145 million from sources other than the monetary banking sector, so that the Exchequer's net indebtedness to the banking sector was, in fact, reduced by R12 million (the net result of a decline of R128 million in the banking sector's holdings of Treasury bills and government stock and a decline of R116 million in the Exchequer balance). This was the third successive quarter in which Exchequer expenditure was financed not only in a strictly "non-inflationary" way but even in a slightly "disinflationary" way.

During April the Exchequer managed to reduce its net indebtedness to the monetary banking sector by a further R21 million, but this was after borrowing R40 million from the Paymaster-General Account held with the Reserve Bank. In other words, without this transaction, the Exchequer's net indebtedness to the banking sector would have increased by R19 million during this month.

Capital market

In the capital market the demand for loanable funds remained exceptionally strong throughout the period under review and, although the Reserve Bank's pattern of rates for long-term government stock remained unaltered, various other long-term interest rates tended to rise. Indeed, banking institutions and building societies found it necessary to raise their interest rates on long-term deposits in order to compete effectively with other forms of investment such as ordinary and participation mortgage bonds, direct loans, etc.

The yield on new issues of long-term municipal stock remained at approximately the same level during the first quarter of 1967 as during the last quarter of 1966, namely at about 7·2 per cent, but the yield on long-term stock issued by public corporations rose from just over 7 per cent to almost 7·2 per cent, so that the margin between the yields on these two classes of stock was virtually eliminated. In addition, yields on company debentures and loan stock increased from about $7\frac{3}{4}$ per cent at the end of 1966 to about 8 per cent during the first quarter of 1967.

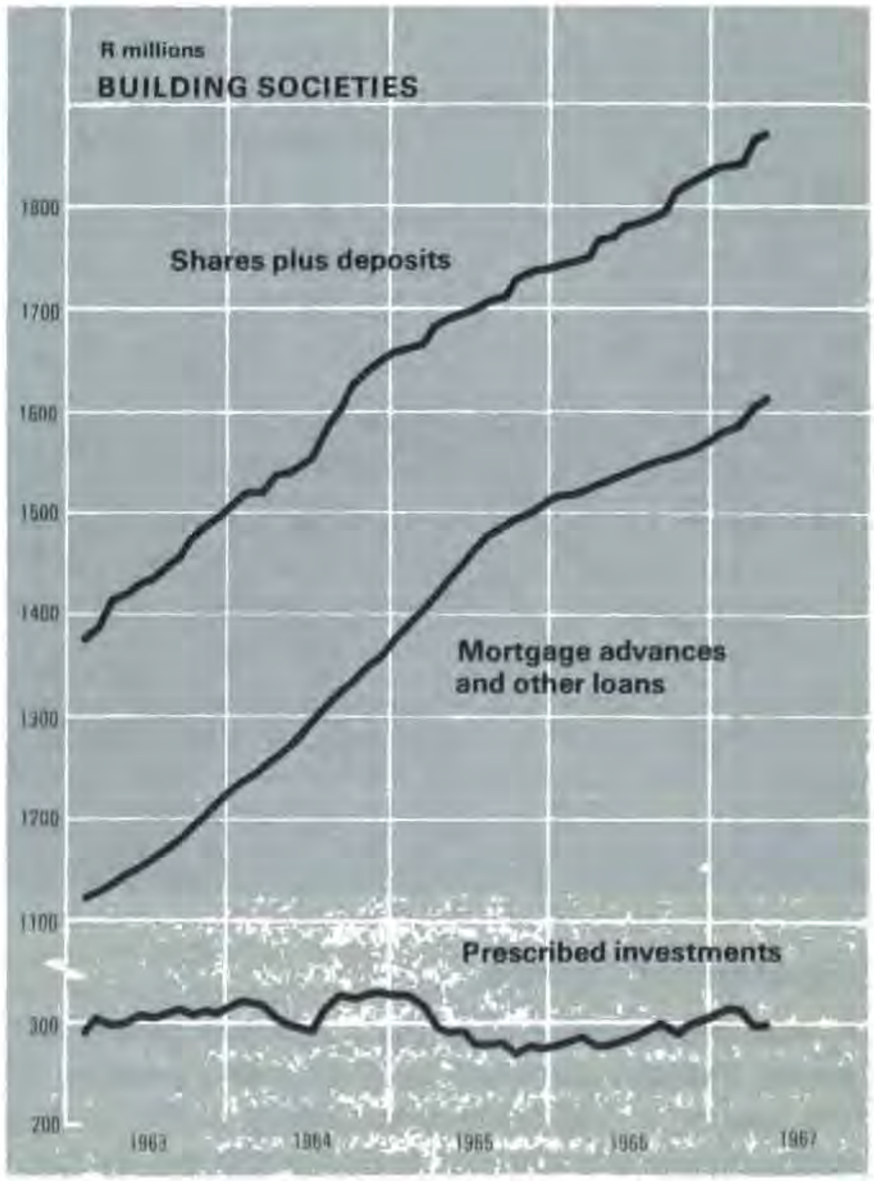
Share prices and yields

As during the fourth quarter of 1966, gold mining share prices declined substantially during the first quarter and also during April to reach the lowest level recorded during the past two and a half years. But prices of financial shares and particularly of industrial and commercial shares increased sharply to a level which came close to the peak of April, 1965. The average yield on gold mining shares increased to over 10 per cent in April, while that on industrial and commercial shares declined to about 4·2 per cent in March, compared with just over 5 per cent in December, 1966.

Building societies

The general shortage of funds for investment in fixed interest-bearing form also continued to affect the building societies, which again found themselves unable to meet completely the abnormally strong demand for their mortgage loans. Nevertheless, the outstanding amount of their mortgage and other loans increased by R25 million during the first quarter of 1967, which represented the highest quarterly increase since the third quarter of 1965.

The societies' resources increased by R24 million



during the first quarter of 1967. Share capital declined by R4 million, but fixed and savings deposits increased by R23 million and R5 million, respectively. The excess of total prescribed investments above the statutory minimum declined from R154 million at the end of 1966 to R122 million at the end of March, 1967, which still provided a very comfortable margin.

The intensified competition for funds referred to earlier made it necessary for the building societies to raise their interest rates on fixed deposits of 12 months and longer and on indefinite period shares from $6\frac{1}{2}$ to 7 per cent in March. Their lending rates, however, were in most cases kept unchanged. The societies were assisted in their efforts to prevent their lending rates from rising by a legal amendment in June, 1967, which exempted them for one year from the requirement to transfer to statutory reserve each year an amount equal to at least 10 per cent of their net profit in that year.

Notes to tables

Revised figures

Attention is drawn to the fact that some of the figures for 1965 and 1966 in the following tables have been revised:

Table S–48
Balance of payments – annual figures.

Table S–49
Balance of payments – quarterly figures.

Table S–50
Seasonally adjusted balance of payments on current account.

Table S–52
Balance of payments items – services and transfers.

Table S–53
Balance of payments items–private capital movements.

Table S–54
Balance of payments items – capital movements of central government and banking sector.

These revisions are due to the fact that additional information has recently become available. In future the major revisions in the balance of payments statistics will be made in the June issue of the *Bulletin*.

Mainly due to the incorporation of data collected by the Reserve Bank on a quarterly basis and which only become available after publication of the preliminary statistics, the quarterly distribution of the annual trade figures for 1966 has been revised.