

15. International Finance

THE MATERIAL in this section is divided into two parts. The first relates to international capital transactions of the United States; the second to money market rates in selected foreign countries and exchange rates for selected foreign currencies.

INTERNATIONAL CAPITAL TRANSACTIONS OF THE UNITED STATES

Statistics on international capital transactions are designed to measure the flow of capital between the United States and foreign countries and the effect of these transactions on the U. S. balance of payments. Over the period since they were published in *Banking and Monetary Statistics* in 1943, a number of changes have been made to broaden and refine the statistics. The following paragraphs describe the current composition of the series and the changes made in them since their earlier publication.

Sources. Statistics on international capital transactions of the United States are based on reports by U. S. banks (including the Federal Reserve Banks), bankers, brokers, and dealers; by branches and agencies of foreign banks located in the United States; by certain domestic institutions not classified as banks that maintain deposit or custody accounts for foreigners; and by nonfinancial concerns, i.e., exporters, importers, and industrial and commercial concerns in the United States. Data reported by banks in U. S. overseas areas have been included since April 1954.

Reports are made on Treasury foreign exchange forms and collected by the Federal Reserve Banks in accordance with Executive Orders No. 6560, dated January 15, 1934, and No. 10033, dated February 8, 1949, and Treasury regulations thereunder.

The statistics in this section do not cover all reported capital transactions between the United States and foreign countries, however. Some of the principal exclusions are the inter-company account transactions of U. S. non-financial enterprises with their own branches and subsidiaries abroad or with their foreign parent or other affiliated companies; nearly all of the capital transactions of the U. S. Government; and shipments and receipts of U. S. currency.

Definitions. In these statistics the term "foreigner" is used to designate foreign central banks, and foreign governments and other official institutions (including their branches or agencies located in the United States); international organizations; individuals, including U. S. citizens, domiciled in foreign countries; banking and nonbanking corporations or other organizations created under the laws of a foreign country, except branches and agencies thereof located in the United States; and the foreign subsidiaries and branches of U. S. banks and other corporations.

"Foreign countries" covers all countries and territories except the United States and the following U. S. overseas areas: American Samoa, the Canal Zone, Guam, Midway Island, the Commonwealth of Puerto Rico, Virgin Islands, and Wake Island. Data for regional organizations, such as the Bank for International Settlements and the Inter-American Development Bank, are included respectively in the categories "Other Europe" and "Other Latin America." "International" represents principally the International Bank for Reconstruction and Development, International Monetary Fund, International Finance Corporation, and the International Development Association.

Coverage. The series presented here relate largely to short-term liabilities to and claims on foreigners and to transactions in long-term securities.

Short-term liabilities reported by banks and bankers represent principally deposits (demand and time) and U. S. Government obligations maturing in not more than 1 year from their date of issue. The other components are mainly bankers' acceptances and commercial paper.

Short-term claims reported by banks and bankers represent principally the following items payable on demand or with a contractual maturity of not more than a year: loans made to, and acceptances made for, foreigners; drafts drawn against foreigners where collection is being made by banks and bankers for their own account or for account of their customers in the United States; and foreign currency balances held abroad by banks and bankers for their own account or for that of their customers in the United States. Long-term claims are mainly loans with a maturity of more than 1 year.

Transactions in long-term U. S. Government securities and corporate securities relate to issues having an original maturity of more than 1 year or to issues with no contractual maturity (e.g., common stocks). Brokers and other dealers in securities report transactions in both domestic and foreign securities to which a foreigner is a party.

Comparability of figures. Attempts have been made to show comparable statistics in each table, but this has not always been possible because of changes in the reporting practices of banks and because of revisions in the Treasury foreign exchange forms and in the instructions to institutions that report on such forms. During the period covered by these statistics there were major revisions of the foreign exchange forms beginning with July 1942, January 1950, and March 1954.

These revisions reflected mainly (1) change from a weekly to a monthly reporting basis, (2)

provision of more detail as to the classification of the holder and of the liability or claim, (3) changes in the number of reporting institutions resulting from changes in the exemptions from reporting, (4) additions to the number of countries for which data are collected separately, and (5) changes in names or in the geographical classification of certain countries. The following paragraphs describe these changes in more detail.

Frequency of data. The shift from a weekly to a monthly reporting basis was made in mid-1942. Beginning with July of that year the statistics on liabilities and claims reported by banking institutions and on securities transactions have been monthly.

In the tables published here the series are shown annually, quarterly, or monthly, beginning with the end of 1941 insofar as data are available, for all but one of the tables published currently in the *Federal Reserve Bulletin*. Because of a major revision in the statistics for short-term liabilities to foreigners for 1934-41, data for this period too are shown in Table 1-A.

Detail of data. The other changes in reporting in July 1942 related to classifications: (1) the classification of official foreigners was broadened to include official institutions other than central banks and central governments, and (2) banks in all Federal Reserve districts began reporting liabilities to official institutions separately; until then only certain banks in New York City had done so. (For further explanation, see Table 1-A, note 1.)

Beginning in 1950 the following details were provided concerning the type of holder and the specific types of holdings or transactions: liabilities to private foreigners were broken down to show those to banks and those to other foreigners; data on items held for collection were separated from other short-term claims on foreigners; and transactions in domestic bonds were broken down as between U. S. Government bonds (and notes) and corporate bonds.

Reporting institutions. Since March 1954, banking institutions and their branches generally have been exempt from reporting when their total liabilities to or claims on foreigners have averaged less than \$500,000 in the 6 months ending with the reporting date. The previous exemption, \$100,000, had been set in 1948. The increase resulted in the exclusion of relatively small amounts of liabilities and assets. The exemption level for dealers in securities and for nonfinancial concerns has remained at \$100,000 since 1948.

Country data available. In each of the revisions, additional countries were reported separately rather than in the "other" categories. Footnotes to the tables indicate when data became available for each country.

Changes in the geographical classification of some countries have been made at the time of major revisions of the foreign exchange forms, and changes in the designations of countries have been made from time to time as the political status or geographical designation has changed. In March 1954, for example, the designation of Turkey was changed from Asia to Europe. At the same time the Bank for International Settlements was placed in the category of "Other Europe." It had been included in Switzerland through 1949 and in "International" during 1950-53. The reported figures for "Total Asia," "Total Europe," Switzerland, and "International" for the respective periods before March 1954 were revised to make the data comparable with those reported under the current classifications. The geographical classifications used in the tables are those as of the end of November 1961.

Description of tables. Tables 1-A through 1-D show the amounts of short-term liabilities to foreigners reported by banks in the United States, by major areas and selected countries. The figures for Asia in Table 1-A for the years 1934-41 have been revised from those shown in *Banking and Monetary Statistics* to include official Philippine accounts held with the U. S. Treasury.

Tables 1-B through 1-D include year-end figures for countries in the "other" categories for which monthly figures are not available. These data are based on reports by banks in the Second (New York) Federal Reserve District only and hence are not necessarily complete.

In Table 1-E there is a breakdown of the data on short-term liabilities to foreigners by type of holding and, beginning in 1950, by type of holder. In this table the data for official institutions (including central banks) and commercial banks are combined. Table 1-F presents for end-of-year dates in the 1950-60 period a breakdown by countries of the data in Table 1-E.

Tables 2-A through 2-D show the amounts of short-term claims on foreigners reported by banks in the United States for major areas and selected countries.

Table 3-A provides a breakdown of short-term claims on foreigners by types and also data on total long-term claims. Beginning in 1950 collections outstanding, previously included under other short-term claims payable in dollars, were reported separately. At the same time loans to official institutions (including central banks), to foreign banks, and to all other foreigners also were reported separately. In this table loans to official institutions and to banks are combined. Table 3-B shows for end-of-year dates in the 1950-60 period a breakdown by countries of the data in the preceding table.

Tables 4, 5 and 6 provide details on long-term securities transactions. Table 4 shows purchases and sales of each type of security; Table 5, a breakdown of foreign transactions in U. S. corporate securities by type of security and by country; and Table 6, an area breakdown of the data on transactions in foreign securities. Data by countries on foreign holdings of U. S. Government bonds and notes, based on surveys and reported securities transactions, appear in the table "Gold Reserves and Dollar Holdings of Foreign Countries and Interna-

tional Organizations" to be included in "Gold," Section 14 of *Supplement to Banking and Monetary Statistics*, forthcoming.

Tables 7 and 8 show short-term liabilities to and claims on foreigners, by countries, reported quarterly by nonfinancial concerns. As previously indicated, these data exclude inter-company account transactions of such concerns with their own branches and subsidiaries abroad or with their foreign parent or other affiliated companies.

MONEY AND EXCHANGE RATES OF FOREIGN COUNTRIES

Money market interest rates provide an indication of the general level of short-term interest rates in a country, and changes in money market rates may reflect changes in underlying credit conditions. Table 9 shows money market rates for six major countries, and Table 10 shows foreign exchange rates for 27 countries. The following paragraphs describe the series in some detail.

Money rates. Table 9 shows monthly statistics for central bank discount rates and open market money rates in five European countries—France, Germany, the Netherlands, Switzerland, and the United Kingdom—and in Canada. Information on open market rates in some of these countries is not available for all of the period covered by the table.

The central bank discount rates are those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. The other rates shown include open market rates on bankers' acceptances, 3-month Treasury bill rates, private discount rates, or rates for day-to-day money.

Current data on money market rates in the six countries are shown in the *Federal Reserve Bulletin*. The discount rates of central banks in leading foreign countries, including many not represented in this table, have been published in the *Bulletin* since January 1924.

The central bank discount rates shown in

Table 9 are those in effect at the end of the month. The following paragraphs give the sources of data for the money market rates in that table and describe how the average rates were compiled.

Canada. The monthly rates for 3-month Treasury bills are averages of the Thursday average tender rates. The monthly rates for day-to-day money are averages of the weekly averages of daily closing rates for weeks ending on Wednesday. The weekly averages are published in the monthly *Statistical Summary* of the Bank of Canada.

France. The rates for day-to-day money are those on loans secured by government or by private securities from January 1941 through December 1956 and on loans secured by private securities thereafter. The monthly averages shown, based on the weekly averages of daily opening rates, are those given in the *Bulletin Mensuel de Statistique* published monthly by the Institut National de la Statistique et des Études Économiques.

Germany. The private discount rates shown through March 1945 are the open market rates at Berlin for prime bankers' acceptances. The rates for day-to-day money through September 1944 are those charged customers by Berlin banks. Figures for both series are those published in the *Monthly Bulletin of Statistics* of the League of Nations. Beginning with January 1953, the rates shown for Treasury bills are the selling rates in effect at the end of the month. Beginning with March 1954, the day-to-day money rates are averages of the lowest and highest quotations during the month. Figures for both series are those published in the *Monthly Report* of the Deutsche Bundesbank (known as Bank deutscher Länder through July 1957).

Netherlands. The rates for 3-month Treasury bills and day-to-day money are monthly averages of daily quotations in the Amsterdam money market as furnished by the Nederlandsche Bank.

Switzerland. The private discount rates are