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Chairman Eccles

British Exports and Imports

Mr. Knapp

in 1946.

The British experience with exports and imports during the first quarter of 1946 indicates that they will have a much smaller deficit on merchandise account during this calendar year than was expected during the negotiations. On the one hand imports are running at a low level partly because of deliberate restrictions in view of the shortage of dollars, but also because it is impossible to procure foodstuffs in the quantities which had been planned. On the other hand, the recovery of British exports has been proceeding much more rapidly than had been anticipated. The net result may be as much as a billion dollars in the merchandise trade deficit for 1946. *a reduction of*

During the British negotiations the British representatives indicated that they planned imports of about 5.2 billion dollars in 1946, or about 75 per cent of the prewar volume. In the first quarter of 1946, British imports amounted to only 63 per cent of the prewar volume, the same ratio as in the calendar year 1945. It now seems quite unlikely that imports for this calendar year will reach 5.0 billion dollars, and they may fall well short of that.

At the outset of the negotiations the British estimated exports in 1946 at only 2.6 billion dollars, but they subsequently increased this figure to 3.0 billion, also equal in volume to about 75 per cent of prewar. Actually in the first quarter of 1946, British exports reached 81 per cent of the 1938 volume, as compared with only 50 per cent in the last half of 1945 and only 30 per cent in 1943-44. In terms of pounds sterling, exports in the first quarter of 1946 were more than 50 per cent higher than the average in 1938, but sterling prices are now nearly double prewar. The striking recovery of British exports in recent months may be shown by the following figures, in millions of pounds:

December 1945 (best month of the year)	43.5
January 1946	57.1
February 1946	60.0
March 1946	67.1

From this record, it would appear that British exports in 1946 should considerably exceed 3.0 billion dollars (average of 62.5 million pounds a month) and may reach as much as 3.5 billion (average 73 million pounds a month).