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**CAPITAL MARKET DEVELOPMENTS ABROAD**

## I. India

## II. Nine Charts on Financial Markets Abroad

India: Money and Capital Markets - Fourth Quarter 1963 and First Quarter 1964

In February and March, the Indian financial authorities took restrictive financial action to curtail expansionary pressures within the economy. The budget for 1964-65, presented to Parliament on February 29, provided for heavier tax receipts and for a 47 per cent cut in the government's direct borrowing from the Reserve Bank. Then, on March 11, the Reserve Bank reduced the borrowing quotas of the scheduled banks to tighten credit availabilities. In addition, the Bank took a series of steps to tighten controls on advances secured by certain agricultural products.

This shift in the orientation of financial policy reflects concern over growing inflationary tendencies in several sectors within the economy. These include a rapid rise in bank credit since the relaxation of last October; a firming up of interest rates; a rise in wholesale prices at a time when a fall was expected because new crops were coming to market; and an appreciable rise in the gold price in the Bombay market.

The change in the borrowing quotas of scheduled banks which restores the system in effect from January to October 1963 involves a cut in primary borrowing quotas from 75 to 50 per cent of legal reserves. (See Table 1).

Table 1. Changes in Scheduled Banks Borrowing Quotas from the Reserve Bank  
(in Per Cent of Legal Reserves) <sup>a/</sup>

Charges for borrowing against quotas	January 3, 1963	Effective from October 30, 1963	March 11, 1964
4.5 per cent	0 - 50	<sup>b/</sup> 0 - 75	0 - 50
6.0 per cent	50 - 100	75 - 150	<sup>c/</sup> 50 - 100
<u>6.5 per cent</u>	<sup>c/</sup> Over 100		<sup>c/</sup> Over 100

<sup>a/</sup> Legal reserves are averages during each week of the preceding quarter.

<sup>b/</sup> Special accommodations in excess of 150 per cent of legal reserves at the discretion of the Reserve Bank.

<sup>c/</sup> At the discretion of the Reserve Bank.

The unusually large seasonal expansion of bank credit to the private sector which occurred during the busy season (November to April) was accompanied by a sharp reduction in commercial bank holdings of government securities and, also, by scheduled bank borrowings from the Reserve Bank on a substantially larger scale than in the same months of the previous year. The December and January seasonal rise

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in bank credit exceeded that of the same months in the previous year. In December, however, day-to-day inter-bank money rates remained substantially below the rates prevailing in December 1962. As the credit expansion picked up speed in January, these rates began to rise above the bank rate.

In reducing the borrowing quotas, the directive of the Reserve Bank noted that the economic situation demanded that financial assistance should be given to facilitate production for defense, exports and essential domestic goods. Every effort should be made to prevent the use of credit for hoarding, especially of agricultural commodities expected to be in short supply. To this end, the banks were advised to re-examine their portfolios, especially their clean advances to other than industrial borrowers, and to reduce the level of these loans. Furthermore, the directive advised banks to make greater efforts to increase deposits (such as by higher interest rates) so that they would be in a better position to meet increases in demand for loans and to comply with the higher liquidity requirements which will come into effect on September 16, 1964.

After the March measures, interest rates hardened further, especially the rate of discount on Treasury bills. New long-term 25 year bonds issued in April also carried a higher yield than similar bonds in the last two years. There has been speculation in the press about a possible increase in the Bank rate.

Stock prices rose before the budget presentation on the expectation that the Finance Minister would translate his speeches encouraging business into specific policies. However, after the budget message, they steadily declined, reflecting the business community's disappointment in the new fiscal program. By the last week of April, the index of stock prices had fallen 6.1 per cent from the end of February level. Demand for stocks may be strengthened somewhat when two new financial institutions which are being created to channel savings toward industrial investments begin operations later this year.

Taken together, the credit and fiscal measures should help to restrain the rise in prices. The willingness of the monetary authorities to take restrictive action reflects deep concern about inflationary pressure, particularly since the measures come in the face of a slower rate of increase in productive activity. From October 1963 to January 1964, the index of industrial production increased 7.5 per cent compared to a 10.8 per cent increase in the corresponding period of the previous year. The latest seasonally adjusted data indicate that the preliminary January 1964 index is 8.3 per cent higher than in January 1963, compared to a 9.2 per cent increase from January 1962 to January 1963. An unofficial estimate of foodgrain production of 78.5 million metric tons for fiscal 1963-64 is slightly less than last year and 3.1 per cent less than the high of 81.0 million tons achieved in 1961-62. Since population has increased about 5 per cent in the past two years, per capita foodgrain availability will have declined more than the decrease in total production.

Money markets. During the first quarter of 1964, short-term money rates rose seasonally to a level slightly higher than those attained in the previous year. The tightening of commercial bank borrowing quotas on March 11, 1964, before the end of the busy season, pushed the inter-bank call money rate to the penalty level of 6.5 per cent by the first week in April. (See Table 2). However, the rate began to decline and was 5.65 per cent by April 24 as seasonal demand slackened.

Table 2. India: Inter-Bank Call Money Rate in Bombay <sup>a/</sup>  
(in per cent per annum)

<u>Quarter:</u>	<u>1961-62</u>	<u>1962-63</u>	<u>1963-64</u>
IV	4.11	3.75	2.93
I	4.72	5.64	5.70 <sup>b/</sup>
II	3.59	4.46	
III	2.72	2.01	

<u>Month:</u>	<u>1963</u>	<u>1962</u>		<u>1964</u>	<u>1963</u>
October	2.35	3.14	January	5.06	4.86
November	2.01	3.11	February	5.76 <sup>b/</sup>	5.84
December	4.43	5.00	March	6.27 <sup>b/</sup>	6.22

Week ending:

1963 - October	4	2.18	1964 - January	3	4.46	<sup>b/</sup> April	3	6.50
	11	2.30		10	5.09		10	6.23
	18	2.37		17	5.15		17	5.93
	25	2.48		24	5.38		24	5.56
November	1	1.86		21	5.22			
	8	1.53	<sup>b/</sup> February	7	5.68			
	15	1.83		14	6.04			
	22	2.51		21	5.62			
	29	2.59		28	5.68			
December	6	4.22	<sup>b/</sup> March	6	6.02			
	13	4.85		13	6.21			
	20	4.63		20	6.32			
	27	3.98		27	6.45			

<sup>a/</sup> Average of Fridays: weighted by deposits.

<sup>b/</sup> Provisional.

The average rate of discount of auction sales of Treasury bills rose from 2.312 per cent in November 1963 to a record high of 3.00 per cent in April 1964. (See Table 3).

The total amount of Treasury bills outstanding at the end of March 1964 was 4.8 per cent higher than a year earlier. Although gross sales to the public in each of the last three quarters exceeded the levels of the corresponding quarters a year earlier, the growing needs of the Treasury made it necessary for the Reserve Bank also to increase its purchases. In the 12 months ended last March, Reserve Bank purchases of Treasury bills were 4.0 per cent higher than in the previous twelve months. At the end of March, net claims on government by the Reserve Bank were 8.7 per cent higher than a year earlier.

Table 3. Government of India Treasury Bills and Reserve Bank Claims on Government  
(at end of period)

	Gross Sales to Public (millions of rupees)	Average Rate of Discount for Auction Sales in Per Cent Per Annum	Gross Sales to <sup>a/</sup> Reserve Bank (billions of rupees)	Total Outstanding (billions of rupees)	Reserve Bank Claims <sup>b/</sup> on Government (net) (billions of rupees)
1961 I	291.3	2.642	10.81	11.06	20.73
II	369.1	2.737	11.04	11.06	21.17
III	376.6	2.489	10.18	10.24	20.38
IV	282.3	2.503	9.98	10.27	21.43
1962 I	287.9	2.556	11.50	11.75	22.56
II	468.5	2.567	12.37	12.84	23.88
III	513.7	2.367	11.53	12.04	22.53
IV	361.9	2.353	11.35	11.70	23.67
1963 I	296.6	2.361	12.74	13.00	24.75
II	407.9	2.354	13.50	13.91	25.96
III	853.4	2.321	12.25	13.00	24.82
IV	645.9	2.315	13.19	13.81	26.34
1964 I <sup>c/</sup>	315.1	2.384	13.25	13.62	26.90
1963 October	285.5	2.319	7.04	13.63	25.77
November	219.3	2.312	2.85	14.00	25.64
December	141.1	2.315	3.30	13.81	26.34
1964 January	112.9	2.320	8.22	13.85	26.89
<sup>c/</sup> February	105.8	2.339	1.75	13.62	26.84
<sup>c/</sup> March	96.4	2.492	3.28	13.62	26.90
<sup>c/</sup> April 3	20.1	3.000	1.75	14.66	
10	20.0	3.000	1.71	13.63	
17	23.2	3.000	2.09	13.43	
24	44.1	3.000	2.09	13.74	

<sup>a/</sup> Does not include amount discharged.

<sup>b/</sup> Claims on central and State Government net of their deposits at the Reserve Bank.

<sup>c/</sup> Provisional.

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Banking developments. Deposits of scheduled banks increased Rs. 828 million from November 1963 to April 1964. This compares to Rs. 357 million in the same month a year earlier. (See Table 4). In the same period, bank credit increased Rs. 3,775 million, 86 per cent more than in the same month a year earlier. This was accompanied by a Rs. 1,453 million decline in holdings of government securities and a Rs. 429 million rise in borrowings from the Reserve Bank. The unusual rise in bank credit caused the Reserve Bank to tighten credit availabilities in March.

Table 4. India: Scheduled Banks - Changes in Deposits, Borrowings from Reserve Bank and Principal Assets  
(in millions of rupees)

		Deposits	Per Cent	Bank	Per Cent	Holdings of	Per Cent	Borrowings
		November to April	Change	Credit	Change	Gov't. Securities	Change	from Reserve Bk.
Busy Season -								
1961 - 62		+ 524	8.4	+2,039	16.7	- 250	4.0	+ 62
1962 - 63		+ 357	1.7	+2,033	14.7	- 977	13.7	+218
1963 - 64		+ 828	3.7	+3,775	25.7	-1,453	19.1	+429
<u>Quarter:</u>								
1961	I	- 229	1.3	+1,485	12.7	- 749	11.8	+331
	II	+ 398	2.3	- 368	2.8	- 97	1.7	-792
	III	+ 235	1.3	- 585	4.6	+ 690	12.6	- 43
	IV	+ 260	1.4	+ 519	4.2	- 381	6.2	+ 77
1962	I	+ 913	5.0	+1,314	10.3	+ 217	3.7	+343
	II	+1,025	5.3	+ 97	.7	+ 63	1.0	-515
	III	+ 221	1.1	- 381	2.7	+ 827	13.6	+ 30
	IV	+ 11	.1	+ 432	3.1	- 379	5.5	+162
1963	I	+ --	--	+1,656	11.6	- 597	9.2	+506
	II	+ 972	4.8	- 587	3.7	+ 603	10.2	-701
	III	+ 725	3.4	- 773	5.0	+1,272	19.5	+ 7
	IV	+ 402	1.8	+1,284	8.8	- 708	9.1	+ 62
1964	I	+ 291	1.3	+2,342	14.8	- 698	9.8	+745
<u>Month:</u>								
1963	Oct.	+ 238	1.1	+ 161	1.1	- 199	2.6	- --
	Nov.	+ 15	.1	+ 190	1.3	+ 64	.8	- 10
	Dec.	+ 146	.7	+ 933	6.3	- 570	7.4	+ 73
1964	Jan.	+ 265	1.2	+1,084	6.9	- 264	3.7	+280
	Feb.	+ 46	.2	+ 699	4.1	- 323	4.7	+311
	Mar.	- 17	.1	+ 558	3.2	- 115	1.7	+254
	Apr.	+ 120	.5	+ 22	.1	- 97	1.5	-117

Government bonds. In line with the tightening of money in the first quarter, the average gross yield of long-term central government securities rose from 4.57 per cent in the fourth quarter of 1963 to 4.75 per cent in April 1964. (See Table 5).

In the third week of April, the Government carried out a large refinancing operation. It offered a 25 year, 4.75 per cent loan at par and a 6 year, 4 per cent loan at Rs. 99 to yield 4.19 per cent, in exchange for a 10 year, 3.5 per cent loan maturing April 19 and a 14 year, 3 per cent loan maturing June 19. The two maturing loans totaled nearly Rs. 1.9 billion. The Government has plans for gross borrowings of Rs. 2.95 billion from the market in the fiscal year 1964-65.

The 4.75 per cent gross yield on the 25 year bonds reflects the gradual increase in long-term rates from 4.50 per cent in 1962 and 1963 for 23 year loans and 4 per cent in 1961, 1960 and 1959 for 20 year loans. In addition, state governments borrowing rates mostly in medium-term securities are expected to increase to 5 per cent as banks begin purchasing government securities during the slack season to comply with an increased liquidity requirement effective September 1964.

Table 5. India: Yield on Long-Term Government Securities

3 per cent 1986 or later  
(in per cent per annum - period averages)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
I	4.04	4.23	4.75	4.68 <sup>1/</sup>
II	4.10	4.23	4.73	
III	4.13	4.34	4.66	
IV	4.18	4.65	4.57	
1963 - October	4.57	1964 - January	4.58	
November	4.57	February	4.70 <sup>a/</sup>	
December	4.57	March	4.75 <sup>a/</sup>	

Selected Dates -

1963 - October	4	4.57	1964 - January	3	4.57	April	3	4.76
	11	4.55		10	4.57		10	4.76
	18	4.57		17	4.57		17	4.75
	25	4.58		24	4.59		24	4.75
November	1	4.58		31	4.60			
	8	4.59	<sup>a/</sup> February	7	4.64			
	15	4.59		14	4.74			
	22	4.56		21	4.73			
	29	4.56		28	4.74			
December	6	4.56	<sup>a/</sup> March	6	4.74			
	13	4.57		13	4.74			
	20	4.57		20	4.75			
	27	4.57		27	4.76			

<sup>a/</sup> Provisional.

Money supply. In 1963, money supply rose 13.7 per cent compared to 9.9 per cent in 1962 and 4.8 per cent in 1961. The annual rate of increase has been rising almost steadily since the third quarter of 1961. This trend continued into 1964. In the five-month period from October 1963 to February 1964 the annual rate of increase rose from 12.9 to 14.7 per cent. Money supply at the end of February 1964 was 9.6 per cent higher than five months earlier compared to a 7.1 per cent increase in the corresponding period in 1962-63.

Table 6. India: Money Supply with the Public

<u>Quarter:</u>	<u>In billions of rupees -</u> <u>Last Friday of Period</u>			<u>Annual Rate of Change (%)</u>		
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1960-61</u>	<u>1961-62</u>	<u>1962-63</u>
I	28.74	30.53	33.17	5.5	6.2	8.6
II	28.36	30.52	33.70	4.0	7.6	10.4
III	27.48	30.06	33.68	3.4	9.4	12.0
IV	28.40	31.21	35.50	4.8	9.9	13.7
<u>Month:</u>	<u>1962-63</u>	<u>1963-64</u>		<u>Annual Rate of Change (%)</u>		
September	30.03	33.68			12.2	
October	30.45	34.38			12.9	
November	30.66	34.61			12.9	
December	31.21	35.50			13.7	
January	31.79	36.21			14.8	
February	31.18	36.91			14.7	

The Budget. On February 29, 1964, the Finance Minister presented the 1964-65 budget to Parliament. The tax structure was changed and total estimated revenues increased Rs. 400 million. Expenditures for defense and development were also increased. However, the amount of direct borrowing from the Reserve Bank was estimated at Rs. 860 million (\$180 million), 47 per cent less than proposed in the 1963-64 budget. This borrowing amounts to 2.2 per cent of total expenditures, compared to 4.6 per cent in 1963-64. In addition, non-inflationary internal and external borrowings of Rs. 9.97 billion are proposed and total deficit financing accounts for 27 per cent of total expenditures compared to 29 per cent in the 1963-64 budget.

The super profits tax which became a psychological barrier to industrial development was replaced by a complicated corporate surtax. Business circles reacted cautiously as the incidence and burden of the new tax is uncertain. In addition, personal taxes which would bear heavily on the wealthy were increased. The compulsory deposit scheme partly abandoned in September 1963, was replaced by a complex annuity deposit scheme for incomes above Rs. 15,000 per annum. There were changes and increases in capital gains, estate and gift taxes. A wealth and an expenditure tax were revived. There were selective changes in excise duties, surtaxes and rebates which are designed to stimulate industrial investment in specific sectors from both domestic and foreign interests.

Stock market. The official index of stock prices which reached a high in November 1963, declined almost steadily thereafter until the end of January in a reaction to unfavorable news about progress of the economy. While there was a recovery in February due to expectations of sweeping policy changes favorable to business, the decline was renewed after the budget message on February 29, 1964. (See Table 7). By April 25 the index stood at 163.7 or 6.1 per cent below the high of 174.3 on the eve of the budget message.

According to the unofficial index published since January 25, 1964, by the Bombay Economic Times, share prices have declined 7.2 per cent from February 29, 1964, to April 25, 1964. Stock prices are now down to the level that prevailed last September when T.T. Krishnamachari was appointed Minister of Finance.

Table 7. India: Price Index of Variable Dividend Industrial Securities  
(1952-53 = 100)

Quarterly averages:

1961	IV	184.0	1962	IV	173.6	1963	IV	172.7
1962	I	190.0	1963	I	167.4	1964	I	170.4 <sup>a/</sup>
	II	192.6		II	162.9			
	III	185.0		III	162.5			

Monthly averages:

1963	October	171.0	1964	January	170.9
	November	174.5		February	170.7 <sup>a/</sup>
	December	172.6		March	169.6 <sup>a/</sup>

Selected dates - 1964:

	<u>Official</u> <sup>b/</sup>	<u>Unofficial</u> <sup>b/</sup>		<u>Official</u> <sup>b/</sup>	<u>Unofficial</u> <sup>b/</sup>
January 4	172.2	--	March 7	171.7	117.0
11	171.7	--	14	171.0	116.0
18	170.5	--	21	168.1	113.6
25	169.1	114.0	28	167.6	113.3
February 1	168.5	113.5	April 4	167.1	112.9
8	169.0	114.3	11	166.8	112.5
15	170.0	115.4	18	165.8	112.2
22	171.7	116.6	25	163.7	110.2
29	174.3	118.7			

<sup>a/</sup> Provisional.

<sup>b/</sup> Official index members refer to Indian Government statistics while the unofficial data refers to the Economic Times, Bombay Ordinary Shares Price Index, 1959-60 = 100.

New Financial Institutions. Two new institutions are being created in the capital market: the Unit Trust and the Industrial Development Bank. Neither is yet in operation.



Unit Trust. The purpose of the Unit Trust is to provide a safe and profitable depository for savings as an alternative to gold hoards for all types of savers, by offering unlimited share holdings denominated from 10 to 100 rupees. Dividends paid to Unit Trust shareholders, distributed from 90 per cent of gross trust income, will be exempt from income taxes but not from the super tax.

The funds will be invested in approved industrial securities, but not directly in real properties. This is expected to help revive capital market interest in new issues. The Unit Trust will be allowed to borrow from the Reserve Bank on the normal 90-day terms and under unusual conditions for 6 months against Unit Trust bonds guaranteed by the Government. In addition, it may borrow from other financial institutions but not directly from the Government.

The Unit Trust will have an initial capital of Rs. 50 million (\$10.5 million) of which the Reserve Bank will contribute at least 50 per cent, the State Bank of India and Life Insurance Corporation 15 per cent each, and scheduled banks and other financial institutions 20 per cent. The income from initial capital shares will be exempt from the super tax but not from income tax.

Industrial Development Bank. The Industrial Development Bank of India will be a wholly-owned subsidiary of the Reserve Bank, with broad flexible powers to finance medium- and long-term industrial investments. The Governor of the Reserve Bank will serve as its chairman. The new institution may absorb the Refinance Corporation for Industry, and has also been authorized to acquire at part up to 50 per cent of the paid up capital shares of the Industrial Finance Corporation with an option to take over its affairs. Although the Refinance Corporation and the Industrial Finance Corporation will remain initially independent, they will be closely coordinated with the new bank's activities.

The Industrial Development Bank will be empowered to (1) refinance industrial loans of 3 to 25 year maturities; (2) provide credit to refinance industrial exports ranging from 6 months to 10 years; (3) discount and rediscount industrial bills of exchange and promissory notes; (4) make loans directly to industrial firms and subscribe to, purchase, or underwrite issues of industrial shares or bonds; and (5) guarantee deferred payments, bond issues, and bank loans of industrial firms. In addition, the bank may (1) conduct surveys and do research to evaluate industrial investments and to stimulate industrial development; (2) provide technical and administrative assistance to industries; (3) plan, promote and develop industries vital to industrial development; and (4) create and direct subsidiaries to fulfill any of its functions.

The bank will even have a "soft loan" window, to give easier credit to industrial firms which are unable to obtain ordinary financing but are deemed necessary to Indian industrialization.

The Industrial Development Bank would begin with an initial issued capital of \$21 million subscribed fully by the Reserve Bank and an authorized capital of \$105 million, which can be raised to \$210 million. The Government may advance the bank, interest free, \$21 million repayable in 15 years after a 15 year grace period. The bank will also be able to (1) issue bonds with or without

government guarantee, and (2) borrow from the Reserve Bank (a) for periods up to 90 days against stocks and securities and (b) for no specified time period against bills of exchange or promissory notes maturing within 5 years. The bank is also authorized to borrow from the National Industrial Credit (long-term operations) Fund to which surplus profits of the Reserve Bank may be allocated before transfer to the central government. It may also borrow from any other approved financial institution, accept time deposits of not less than 12 months and borrow abroad with government approval.

To handle the additional functions imposed on the Reserve Bank, it is proposed to give the Reserve Bank an additional deputy governor and add four more directors to its board. The Reserve Bank board will also serve as the board for the Industrial Development Bank.

Wholesale prices. The index of wholesale prices reached a seasonal low of 133.4 at the end of November. It rose 4.6 per cent to 139.6 by the second week in March. (See Table 8). At this level it was 9.7 per cent higher than in March 1963. However, the index then levelled off, and by the second week of April stood at 139.4.

Table 8. India: Index Numbers of Wholesale Prices, 1952-53 = 100

<u>Quarterly</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
I	126.6	123.7	126.6	137.9
II	125.9	126.0	132.0	
III	127.0	130.4	136.1	
IV	123.9	128.3	135.2	

Monthly - 1963:

	<u>1964</u>
October	136.3
November	134.6
December	134.8
January	136.3 <sup>a/</sup>
February	138.0 <sup>a/</sup>
March	139.3 <sup>a/</sup>

Selected dates - 1963 and 1964:

October	5	136.8	January	4	135.8
	12	136.3		11	136.2
	19	136.1		18	136.3
	26	135.9		25	136.8
November	2	136.1	<sup>a/</sup> February	8	137.7
	9	135.4		15	138.3
	16	134.3		22	138.6
	23	133.6		29	138.9
	30	133.4	<sup>a/</sup> March	7	139.1
December	7	133.8		14	139.6
	14	134.4		21	139.3
	21	134.9		28	139.3
	28	135.8	<sup>a/</sup> April	4	139.0
				11	139.4
				18	140.0

<sup>a/</sup> Provisional. OFFICIAL USE ONLY

Gold market. The proposed legislation to put gold control rules on a permanent basis has not yet been enacted. Gold prices quoted for 14 carat gold converted to dollars-per-fine-ounce on the Bombay gold market continued to decline steadily in the fourth quarter of 1963. The lowest average prices were recorded on November 8, \$65.55, and on December 13, 1963, at \$65.95. This compares with a high of almost \$83 per fine ounce in August 1962 before the enactment of the gold control rules.

However, gold prices turned up in January in anticipation of the marriage season. By January 31, 1964, the price had risen to \$77.82 per ounce. A reaction followed, and by April 10, 1964, the price had fallen to \$71.85. In the last two weeks of April the price rose again and on April 24, 1964, was \$74.05 per ounce. In addition to the official market conducted in 14 carat gold, there is an unofficial market in bullion with roughly parallel quotations.

Price movements during the past quarter indicate that the government has been only partly successful in reducing gold prices. The objective is to wean Indians from hoarding gold and to encourage purchases of securities to finance economic development such as the shares of the newly established Unit Trust. However, the objective is likely to remain an elusive one so long as prices are rising. To discourage gold smuggling it is estimated that under present conditions gold prices must decline to \$52 per ounce.

Table 9. India: Price of Gold Bullion in Bombay <sup>a/</sup>  
(US dollars per fine ounce)

<u>Quarterly</u>	<u>1961-62</u>	<u>1962-63</u>	<u>1963-64</u>
IV	\$80.05	\$71.41	\$66.42
I	78.38	66.98	72.22
II	80.60	72.10	
III	82.06	69.98	
<u>Monthly</u>	<u>1963</u>		<u>1964</u>
October	\$66.69	January	\$71.23
November	66.11	February	73.35
December	66.46	March	72.07

Selected Dates in 1963 and 1964:

	<u>Official</u> <sup>a/</sup>		<u>Official</u> <sup>a/</sup>	<u>Unofficial</u> <sup>b/</sup>
October 4	\$67.46	January 3	\$67.18	--
11	66.53	10	67.69	--
18	66.73	17	70.41	--
25	66.81	24	73.06	--
November 1	66.34	31	77.82	\$77.73
8	65.55	February 7	73.81	73.16
15	66.21	14	73.68	71.85
22	66.11	21	72.59	69.24
29	66.71	28	72.33	69.89

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Selected dates in 1963 and 1964 (cont.):

<u>Official</u> <u>a/</u>			<u>Official</u> <u>a/</u>			<u>Unofficial</u> <u>b/</u>
December	6	\$66.62	March	6	\$72.93	\$71.20
	13	65.95		13	72.03	69.24
	20	66.11		20	72.22	69.24
	27	66.91		27	71.10	67.93
			April	3	70.82	69.24
				10	71.85	72.18
				17	73.11	73.16
				24	74.05	75.77
			May	1	75.30	73.81

a/ Average of Friday spot rupee quotations in 14 carat gold per 10 grams from August 28, 1963.

b/ Single quotations on the illegal bullion market reported by Economic Times, Bombay, India. Erratic deviations of these quotations from those on the official market reflect in part the fact that they are not averages (as are the official quotations) and the varying conditions (e.g. time) under which they are collected.

Exchange rates. Free market selling rates of Indian rupee notes in Hong Kong and Bangkok markets strengthened in the last quarter of 1963 and depreciated in the first quarter of 1964. (See Table 10). However, the depreciation was greater in Hong Kong than in Bangkok. The official rate is 4.7619 rupees per U.S. dollar.

Table 10. India: Hong Kong and Bangkok Free Market Selling Rates of Rupees per U.S. dollar

<u>Quarterly</u>	<u>Hong Kong <sup>a/</sup></u>				<u>Bangkok <sup>b/</sup></u>			
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
I	6.13	6.23	5.83	6.99	6.10	6.12	5.42	6.43
II	6.26	6.88	6.18		6.38	6.42	5.70	
III	6.61	6.99	7.05		6.60	6.97	6.57	
IV	6.53	6.68	6.94		6.68	6.63	6.19	

Monthly - 1963 and 1964

	<u>Hong Kong <sup>a/</sup></u>	<u>Bangkok <sup>b/</sup></u>
October	7.08	6.36
November	6.83	5.93
December	6.90	6.28
January	6.86	6.47
February	6.99	6.45
March	7.12	6.37

a/ Average of month.

b/ End of month.

International reserves. During calendar 1963, total gold and foreign exchange reserves increased \$95 million compared to a decline of \$153 million in 1962. (See Table 11). In part, the increase in 1963 was a reflection of a 25 per cent reduction in the trade deficit to \$691 million as a result of a sensational 14 per cent (\$197.6 million) increase in exports and a 1.6 per cent decrease in imports.

In the fourth quarter of 1963, international reserves increased \$46 million, \$18 million in Reserve Bank balances and \$28 million on government account. This is compared to a decrease of \$5 million in the fourth quarter of 1962.

Despite the first repayment of \$25 million in February 1963, to the International Monetary Fund on a \$250 million stand-by credit due by July 1966, India's international reserves rose \$20 million to \$620 million. Reserve Bank holdings increased \$25 million to \$507 million while the government account declined \$5 million to \$113 million. On April 17, 1964, the Reserve Bank gold and foreign exchange holdings declined \$12 million to \$501 million.

Table 11. India: Gold and Foreign Exchange Holdings of Reserve Bank and Foreign Exchange Holdings of Government  
(in millions of U.S. dollars at the end of period)

Quarter	Reserve Bank	Change	Government	Change	Total	Change
1961. I	520	- 46	104	0	624	- 46
II	486	- 34	106	+ 2	592	- 32
III	520	+ 34	95	- 11	615	+ 23
IV	563	+ 43	102	+ 7	665	+ 50
Yearly Net Change		- 3		- 2		- 5
1962 I	520	- 43	105	+ 3	625	- 40
II	452	- 68	55	- 50	507	-118
III	445	- 7	72	+ 17	512	+ 10
IV	451	+ 6	61	- 11	512	- 5
		-112		- 41		-153
1963 I	492	+ 41	128	+ 67	620	+108
II	471	+ 21	136	+ 8	607	- 13
III	451	- 20	110	- 26	561	- 46
IV	469	+ 18	138	+ 28	607	+ 46
		+ 18		+ 77		+ 95
1964 I	513	+ 44				
Month						
1963 October	462	+ 11	121	+ 11	583	+ 22
November	463	+ 1	111	- 10	574	- 9
December	469	+ 6	138	+ 27	607	+ 33

<u>Month</u>	<u>Reserve Bank</u>	<u>Change</u>	<u>Government</u>	<u>Change</u>	<u>Total</u>	<u>Change</u>
1964 January	482	+ 13	118	- 20	600	- 7
February	507	+ 25	113	- 5	620	+ 20
March	513	+ 6				
April	492	- 21				

Selected Dates - Gold and Foreign Exchange Holdings of the Reserve Bank

October 4	460	January 3	470	April 3	511
11	461	10	472	10	509
18	459	17	478	17	501
25	462	24	482	24	492
November 1	457	31	482		
8	458	February 7	503		
15	461	14	506		
22	463	21	501		
29	463	28	507		
December 6	468	March 6	511		
13	469	13	517		
20	472	20	530		
27	469	27	513		

Asia, Africa and Latin America Section.

11 Type Charts on Financial Markets Abroad

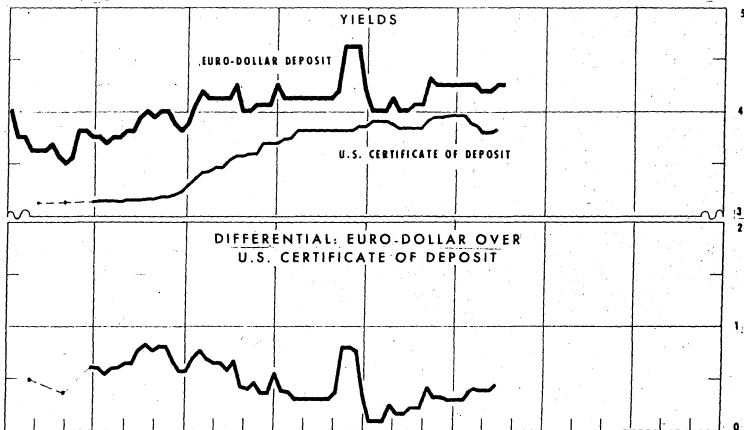
- Chart 1 - Interest Arbitrage, United States/Canada
- Chart 2 - Interest Arbitrage, New York/ London
- Chart 3 - Interest Arbitrage for German Commercial Banks
- Chart 4 - Interest Arbitrage, Frankfurt/London
- Chart 5 - Short-term Interest Rates
- Chart 6 - Long-term Bond Yields
- Chart 7 - Industrial Stock Indices
- Chart 8 - Spot Exchange Rates - Major Currencies  
Against U.S. Dollar
- Chart 9 - 3-month Forward Exchange Rates

**Chart 1  
INTERNATIONAL MONEY MARKET YIELDS, FOR U.S. DOLLAR INVESTORS**

**3-MONTH EURO-DOLLAR DEPOSIT VS. CERTIFICATE OF DEPOSIT**

Wednesday figures

Per cent per annum



**NEW YORK OFFER RATES ON SELECTED 3-MONTH INVESTMENTS**

Friday figures

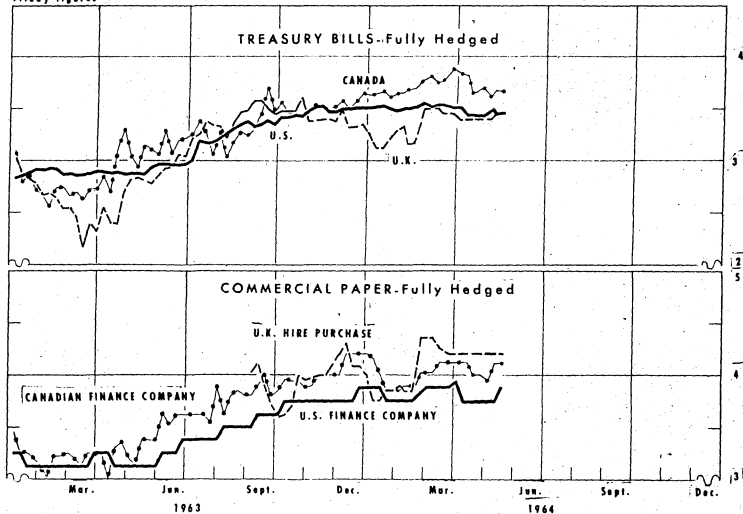


Chart 2

# INTEREST ARBITRAGE, UNITED STATES / CANADA

Thursday figures

Per cent per annum

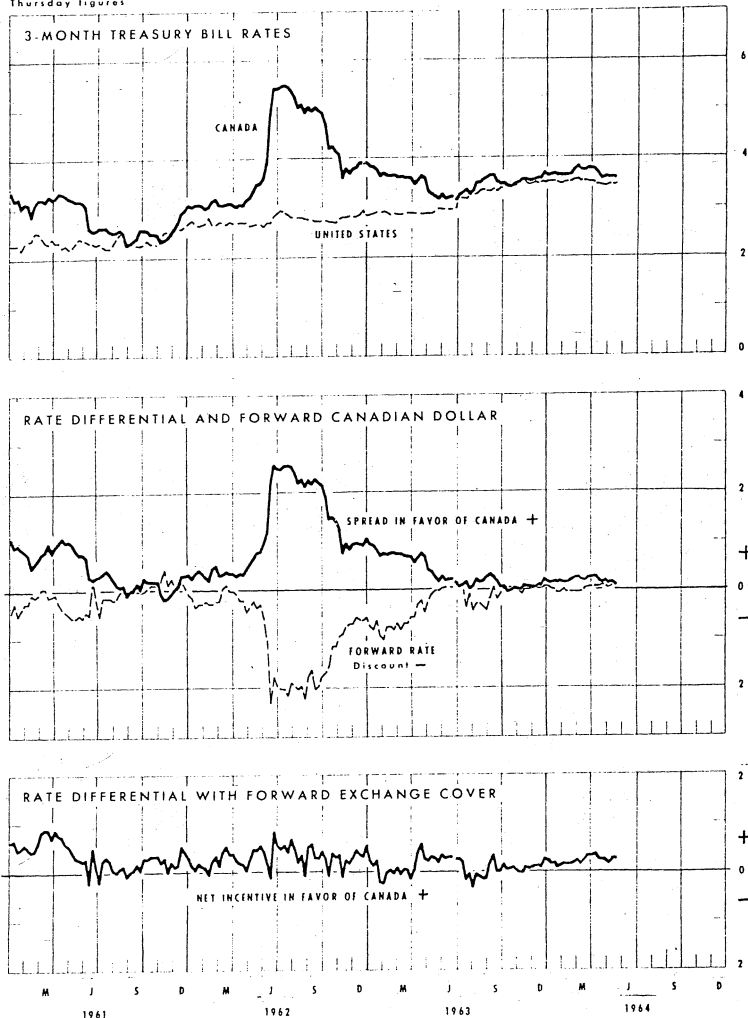




Chart 3  
**INTEREST ARBITRAGE, NEW YORK/LONDON**

Friday figures

Per cent per annum

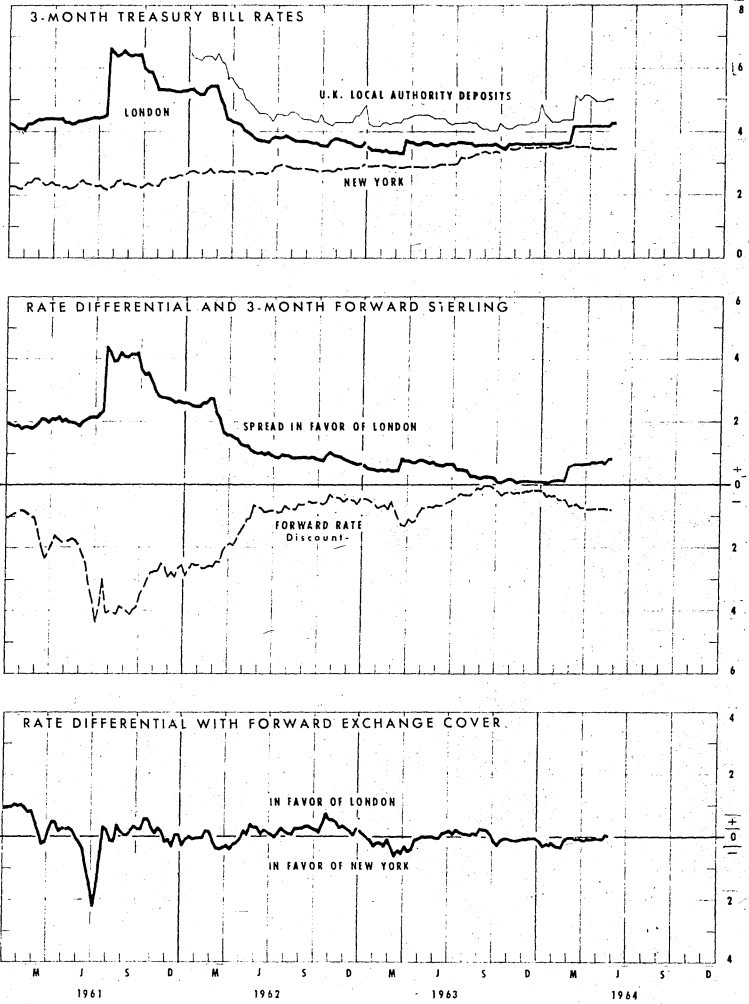


Chart 4

INTEREST ARBITRAGE FOR GERMAN COMMERCIAL BANKS

Friday Figures

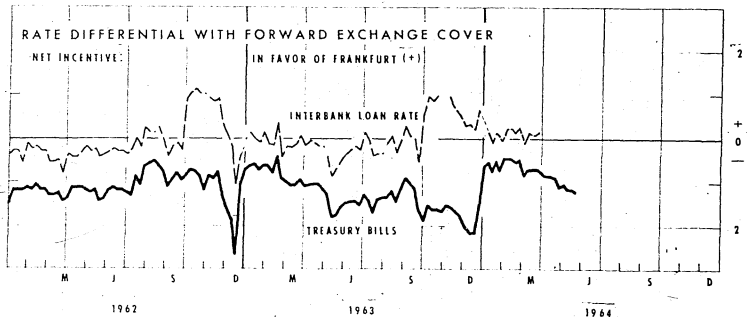
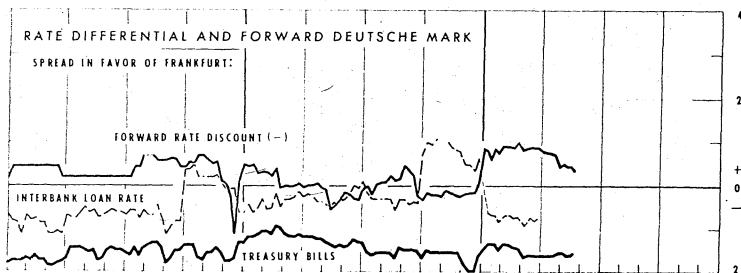
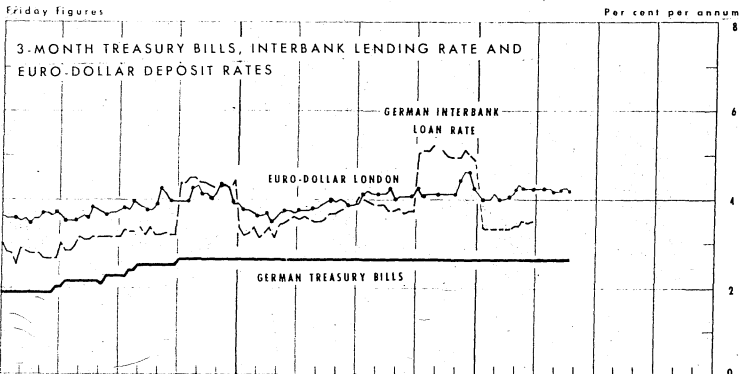
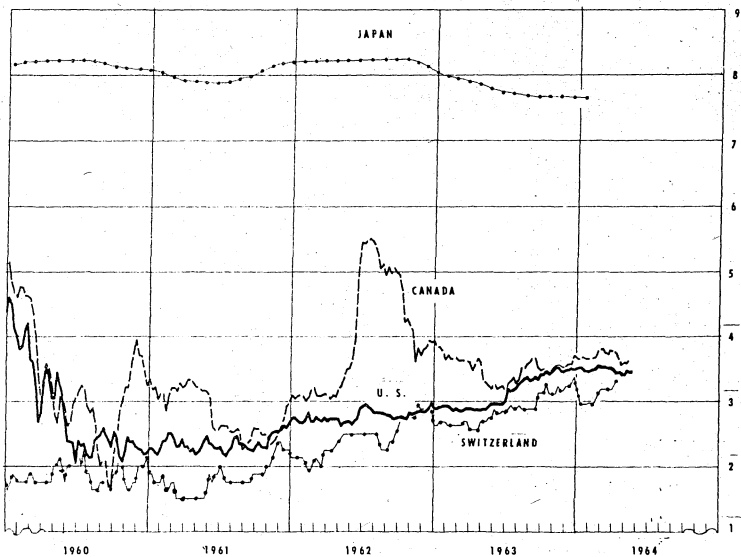
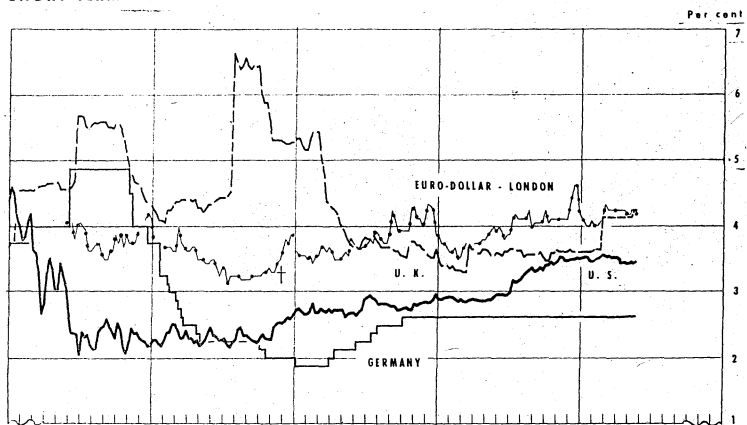


Chart 5  
SHORT-TERM INTEREST RATES \*



\* 3-month treasury bill rates for all countries except Japan (Average rate on bank loans and discounts)  
 † 3-month rate for U. S. dollar deposits in London  
 ‡ 3-month rate for U. S. dollar deposits in London

Chart 6

# LONG-TERM BOND YIELDS

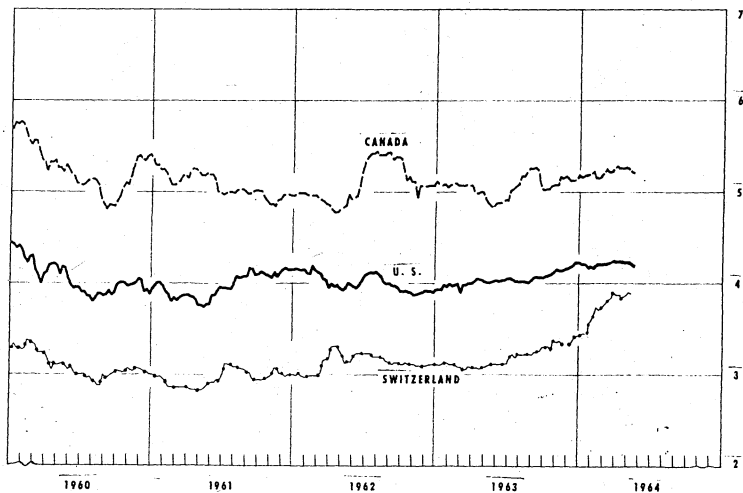
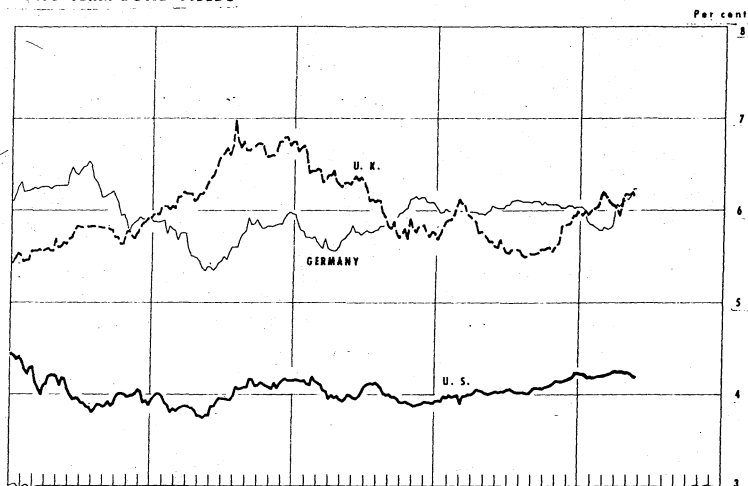
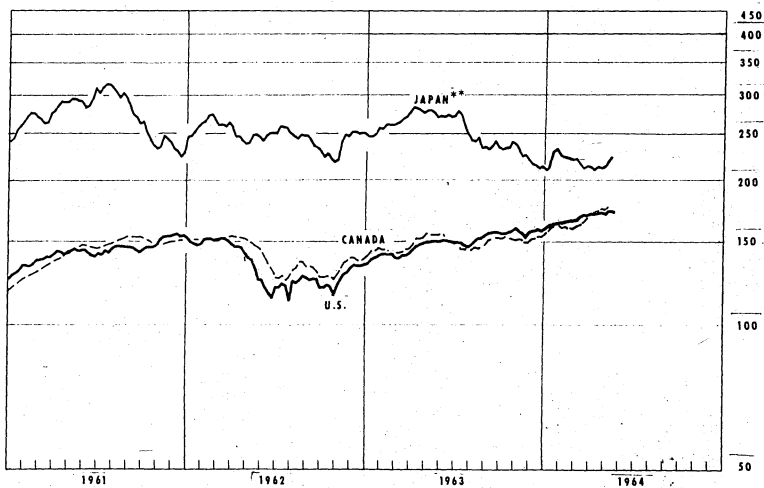
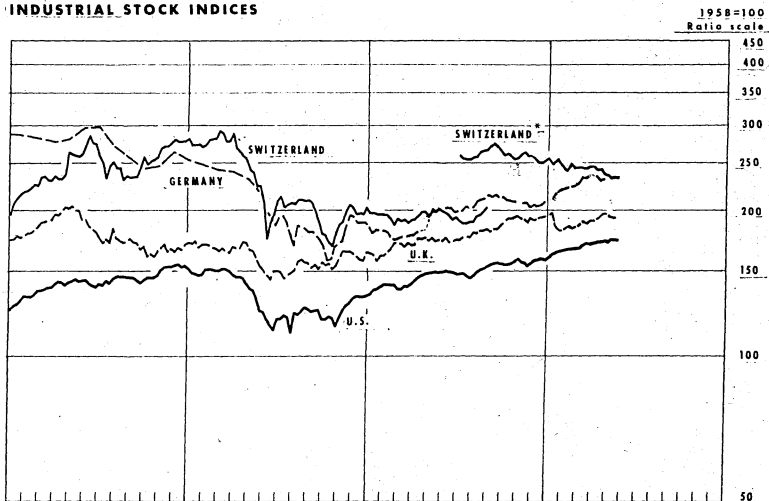


Chart 7

## INDUSTRIAL STOCK INDICES



New series Swiss Bank Corporation industrial stock index

\* Japan index of 225 industrial and other stocks traded on the Tokyo exchange

Chart 8

SPOT EXCHANGE RATES - MAJOR CURRENCIES AGAINST U.S. DOLLAR

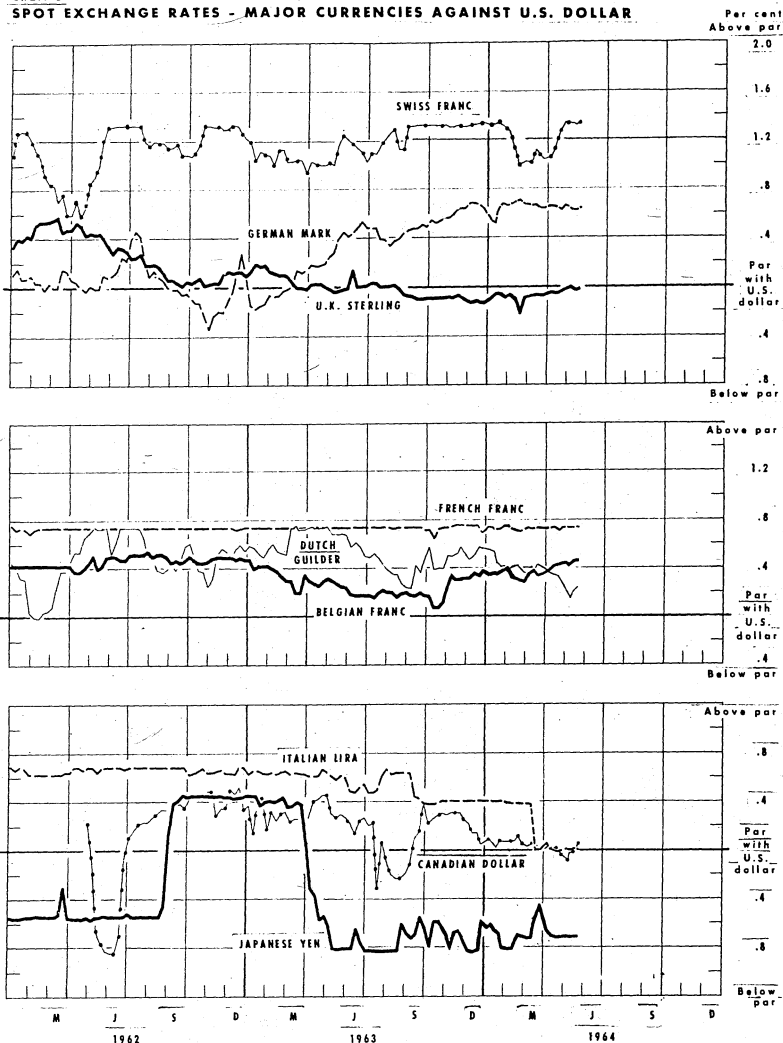
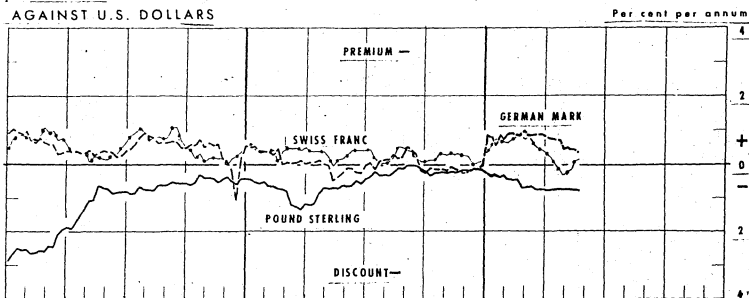


Chart 9

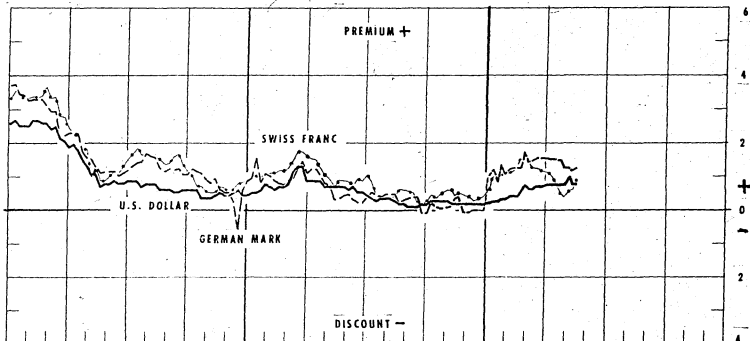
### 3-MONTH FORWARD EXCHANGE RATE

Friday figures

AGAINST U.S. DOLLARS



AGAINST POUND STERLING - LONDON



AGAINST POUND STERLING - LONDON

