

PRESS REPORTS

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US GOLD STOCK BELOW \$16,000M

In the same week as the UK's reserves topped the £1,000 m. mark, the American gold stock also passed an important landmark--but travelling in the opposite direction. Thus the US Treasury revealed that a further loss of \$40m., following one of a rather larger figure in the preceding week, had caused the gold holding to dip below the \$16,000m. level for the first time.

This still leaves it some \$2,500m. beyond the domestic note issue cover requirement--popularly supposed to be the level the Americans will regard as the safety minimum--even if allowance is made for the fact that some \$800m. of the remaining stock is on loan from the IMF. But a change in the "big figure" always tends to arouse anxiety, partly because of the belief that the passing of landmarks is apt to stir official quarters into action. It has, indeed, been pointed out that the new drop in the American reserve might have provoked a good deal more uneasiness for the dollar than it did, had it not been for the fact that the simultaneous petering out of the Cuba crisis removed a threat to the American balance of payments of immense and immediate consequence that had been hanging over it during the preceding week or two.

It also seems likely that the dollar derived a certain amount of benefit from the news that ratification by the governments concerned of the agreement giving the IMF supplementary borrowing powers in the more important currencies has now proceeded far enough to enable the Fund to bring the system into operation. For this means that, almost for the first time in recent years, that institution has come into a position to provide the US authorities with a massive reinforcement of their external reserves should they need it.

EASIER ACCESS TO THE IMF

Excluding holdings of dollars and £s, the Fund's stock of the principal world currencies is now less than \$2,000m. or not much over \$1,000m. if Canadian dollar balances are excluded. If the US wanted help, it would obviously have to run into several thousands of millions of dollars in amount to be really worthwhile. Thanks to its supplementary borrowing rights, the Fund could now supply help of this order without leaving its till empty. For these enable it to mobilise additional resources in the more usable currencies other than the dollar itself to the amount of \$4,000m., or \$3,000m if sterling is also left out of the reckoning.

It is interesting to note in this connection that, owing to the fact that repayments in dollars to the Fund have in recent months been running well beyond new loans expressed in that currency. IMF holding of dollars have recently risen to within close distance of the normal level of 75 per cent of the quota. That means that the scope available to the US for obtaining help from the Fund is somewhat smaller than it was, the limit being set by the quantity of additional dollars that institution can accept in payment. It also means that member countries making repayments may have to choose other currencies in future--hitherto the great bulk of repayments have been effected in dollars. For the Fund is debarred from accepting even fully convertible currencies for this purpose once its holding of the currency in question have reached the 75 per cent of quota level.