Chart 17

Since only increases in liabilities to foreign <u>official</u> holders (plus changes in U. S. reserve assets) are used to measure the official settlements balance, its changes from year to year reflect to a considerable extent shifts of dollar holdings <u>between</u> foreign private and foreign official holders in response to relative interest rates, here and abroad, and currency speculation.

The downward trend in the official settlements balance from 1960 through 1966--when there was a small surplus--was interrupted in 1967 due in part to the outbreak of private gold speculation in the Fall of that year.

In 1968 the official settlements balance moved into a strong surplus position, particularly in the second quarter of the year, reflecting a loss of reserves from official holders, particularly France. The tighter credit conditions in the U. S. towards the end of the year also helped to accentuate the 1968 official settlements surplus.