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ECONOMIC INTELLIGENCE WEEKLY REVIEW

22 December 1977

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NON-OPEC LDCS: PRIVATE CREDITS ACCOUNT FOR MASSIVE DEBT INCREASE SINCE 1973 *

Mainly because of the quadrupling of oil prices in 1973/74, the combined medium- and long-term debt of non-OPEC LDCs will reach $160 billion by yearend, compared with $70 billion to $75 billion at yearend 1973.** LDC debt to foreign private lenders—nearly $90 billion in late 1977—is now more than two and a half times the 1973 level. Despite the explosion in debt service costs, rapid trade growth over the past two years has brought debt service ratios back down to pre-1973 levels for most countries.

High- and middle-income LDCs, for which aid donors have shown less concern during the global recession, will find access to needed credits more difficult in the next year or two. In contrast, the low-income LDCs, which added less than a billion dollars to their combined annual debt service payments during 1973-77, have benefited substantially from the expansion of multilateral financing schemes and the increased targeting of bilateral aid to the poorest countries.

This article summarizes a forthcoming OER report,* **The Non-OPEC LDCs: External Debt Positions and Prospects delete

***These figures, covering a 70-country sample, refer to disbursed credits, for which the debtor has incurred clear liability; they are distinguished from undisbursed credits, which have been committed but not yet drawn. The debt figures used in this article include the debt not guaranteed by the debtor country, amounting to $20 billion to $25 billion in 1976. Countries included are those listed in the IBRD World Debt Tables, excluding the OPEC countries and all the "more advanced Mediterranean countries" except Cyprus. In addition, we have also included debts owed by the East African Community (Kenya, Uganda, and Tanzania) as an entity.*

Major Compositional Changes

The broad features of non-OPEC LDC debt have changed considerably over the last several years. Heavy borrowing by high-income LDCs, for example, has led to shifts in the regional composition of medium- and long-term external obligations.

	Percent of Total Debt At Yearend	
	1973	1976
Total	**100**	**100**
Latin America	47	50
East Asia	11	14
North Africa/Middle East	8	10
Sub-Saharan Africa	10	9
South Asia	25	18

A related compositional change has taken place in the sourcing of credits. For the non-OPEC LDCs as a group, outstanding debt to private sources rose from 46 percent of the total in 1973 to 53 percent at the end of 1976. This, too, primarily resulted from the actions of the wealthier LDCs in Latin America and East Asia. These LDCs incurred nearly two-thirds of the total new debt (and more than three-fourths of the new private debt) during 1973-76. Most of the rest of the Third World—at least half of the 70 countries for which debt data are available—still receives the bulk of its external capital from traditional sources: grant aid, concessional loans, and other official credits.

Non-OPEC LDCs: Debt and Debt Service Profile, Yearend

Million US $

	1973	1974	1975	1976	1977 [1]
Debt	74,280	93,628	113,339	139,061	160,810
Official sources	39,933	47,814	54,820	64,906	73,373
Private sources [2]	34,347	45,814	58,519	74,155	87,437
Debt service [3]	11,453	12,516	15,193	17,279	19,550
Official sources	2,954	3,251	3,944	4,896	5,308
Principal	1,807	1,955	2,304	2,928	3,136
Interest	1,147	1,296	1,640	1,968	2,172
Private sources	8,499	9,265	11,249	12,383	14,242
Principal	5,949	6,049	6,970	7,856	9,339
Interest	2,550	3,216	4,279	4,527	4,903

[1] Estimated.
[2] Including debt not guaranteed by debtor country.
[3] Repayments data for 1977 are only for debt existing at the end of 1976.

The high concentration of private borrowing in a few countries shows up most dramatically in debt repayment schedules. For those countries especially active in private capital markets in recent years, the scale of repayments—as might be expected—is rising faster than for other non-OPEC LDCs. Of greater concern is the rising share of payments going to interest, a result of the harder terms of private creditors. Interest for Latin America rose from 27 percent in 1969 to more than 42 percent in 1976 and for the East Asian countries from 34 to 43 percent over the same period. By contrast, interest payments for the African nations, where the pivotal role of suppliers' credits had long since pressed average rates up, rose only four percentage points to 44 percent. As for South Asia, the share of interest actually declined, from 37 to 32 percent.

Debt and Debt Servicing by Income Groups

International economic performance and debt vary considerably according to the income levels of particular non-OPEC LDCs. Our work was organized around three broad income groups.

The high-income group (1976 per capita incomes of more than $600). Countries in this group are responsible for 40 percent of the GDP of non-OPEC LDCs. Their economies are generally more diversified than those of the low- and middle-income LDCs, with a larger share of output originating in manufacturing and with more varied exports.

The middle-income group (1976 per capita incomes between $200 and $600). The export bases of these countries are generally more limited, comprising largely primary commodities, often dominated by one or two products.

The low-income group (1976 per capita incomes less than $200). This group includes most of sub-Saharan Africa and all of South Asia. With few exceptions, the economies of these nations are subsistence based and dependent on external resources for such basic needs as food. (A conspicuous exception is India. While fitting the low-income characterization in some ways, it has a large and diversified industrial sector, which is increasing sales on world markets.)

Patterns in the High-Income Group

The combined external obligations of the high-income group increased from $42 billion to $85 billion from yearend 1973 to yearend 1976; while the group's outstanding debt was rising only moderately faster than the debt of non-OPEC LDCs as a whole, expanded use of private credits boosted its share of total LDC repayments from 70 to 72 percent. Overall debt service for the high-income LDCs climbed from

$8 billion in 1973 to $12.5 billion in 1976, a jump that accounted for three-fourths of the increase in total LDC annual service payments in the period.

A number of countries in this group—Brazil, Mexico, Argentina, and South Korea—were already borrowing fairly large sums on private capital markets before the oil price hikes. After 1973, these early borrowers continued using private markets

Non-OPEC LDCs: Debt and Debt Service Profile By Income Group, Yearend

Million US $

	1973	1976	1977 [1]
		High Income [2]	
Debt	41,722	85,232	99,543
Official sources	14,346	23,502	26,318
Private sources [3]	27,376	61,730	73,225
Debt service [4]	7,993	12,446	14,248
Official sources	1,367	2,450	2,640
Private sources	6,626	9,996	11,608
		Middle Income [5]	
Debt	12,039	24,873	29,481
Official sources	7,972	16,550	19,636
Private sources [3]	4,067	8,323	9,845
Debt service [4]	1,995	2,554	2,930
Official sources	721	1,071	1,220
Private sources	1,274	1,483	1,710
		Low Income [6]	
Debt	20,519	28,956	31,786
Official sources	17,615	24,854	27,419
Private sources [3]	2,904	4,102	4,367
Debt service [4]	1,464	2,279	2,373
Official sources	865	1,375	1,449
Private sources	599	904	924

[1] Estimated.
[2] Including Argentina, Brazil, Chile, China (Taiwan), Colombia, Costa Rica, Cyprus, Dominican Republic, Fiji, Guatemala, Guyana, Ivory Coast, Jamaica, Liberia, Malaysia, Mexico, Nicaragua, Panama, Paraguay, Peru, Singapore, South Korea, Trinidad/Tobago, Tunisia, and Uruguay.
[3] Including debt not guaranteed by debtor country.
[4] Repayments data for 1977 are only for debt existing at the end of 1976.
[5] Including Bolivia, Botswana, Cameroon, Congo, Egypt, El Salvador, Ghana, Honduras, Jordan, Kenya, Madagascar, Mauritania, Mauritius, Morocco, Philippines, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Syria, Thailand, Togo, and Zambia.
[6] Including Afghanistan, Bangladesh, Benin, Burma, Burundi, Central African Empire, Chad, Ethiopia, Gambia, India, Lesotho, Malawi, Mali, Niger, Pakistan, Rwanda, Sri Lanka, Tanzania, Uganda, Upper Volta, and Zaire.

on a much larger scale to underwrite the huge deficits incurred in sustaining economic expansion. Many others that had used such markets only occasionally (or for small sums) widened the scope of their private borrowing, while a number never previously able to secure such credits began borrowing from private sources.

High inflation levels prevailing since 1973 have substantially reduced the real value of the debt to be repaid. Consequently, most high-income countries are no worse off with regard to their external debt than before the oil crisis. Strong export growth, following the 1974-75 recession, left the group debt service ratio (based on merchandise exports) in 1976 at 20 percent, the same as it had been in 1973.

Patterns in the Middle Income Group

The middle-income group suffered the most rapid percentage increase in foreign debt from yearend 1973 ($12 billion) to yearend 1976 ($25 billion). Many middle-income LDCs, particularly those toward the high end of the income range, were especially hard hit by the oil price increases and the global recession because of their small domestic markets and heavy dependence on foreign trade.

Middle-income LDCs at the higher end of the scale have increasingly entered private capital markets for development loans or balance-of-payments support. Before 1973 few of them had appeared as borrowers on these markets, partly because of their greater dependence on official forms of aid, partly because most were not considered especially creditworthy by Western financial institutions. With the increasing liquidity of European capital markets as OPEC money poured in, the use of private credits became both feasible and necessary for some of these countries. For the majority of these countries, however, official sources remain the primary form of financing.

Patterns in the Low-Income Group

Collectively and individually, the low-income non-OPEC LDCs weathered the 1974-75 global recession better than the other LDCs, because of (a) their lower dependence on imported oil, (b) the pivotal role of domestic agriculture in output, and (c) special access to increased grant aid. External debt rose a moderate 40 percent—from $21 billion (yearend 1973) to $29 billion (yearend 1976).

These countries depend mainly on official aid flows to finance their trade deficits. The distribution of capital inflows for the group as a whole is roughly 40 percent grants, 35 percent official nongrant aid, and 25 percent other official and private credits. Credits from the international financial institutions have been especially important in recent years; it is here that the developed countries have shown the greatest flexibility in devising new transfer mechanisms and criteria.

Even though all these nations depend heavily on foreign official sources, the role of concessional credits varies substantially. Official Development Assistance (ODA) credits—those with an implicit grant element of 25 percent—have gone largely to South Asia. Indeed, India and Pakistan together account for more than 70 percent of ODA debt of the low-income group. The African countries have seen proportionally less of these concessional flows and more of export credits and IBRD loans with harder terms. Thus, in countries such as Burundi, Lesotho, Rwanda, and Zaire, ODA credits take up less than 15 percent of total outstanding debt.

Future Requirements and Market Access

The single most important factor influencing both the trade and the access to developed country capital of the non-OPEC LDCs is the rate of growth in the OECD countries, their principal export market. Although the 1978-79 outlook for OECD growth is not good, neither is there much probability of a recession on the scale of 1974-75. The implication is that LDC trade will hold up fairly well and that private capital markets will not be so tight as to preclude continued annual gains in non-OPEC LDC gross borrowing.

Looking at capital requirements by income group:

> Over the next two years, ***high-income LDCs*** will be under considerable pressure in meeting existing obligations. Debt repayments have grown steadily, and the rate of increase in private debt service to be repaid or refinanced will be especially large. This will probably mean debt service ratios will again rise to about the 20 percent that prevailed in 1976.
>
> For most of the ***middle-income LDCs***, official credits remain the largest foreign capital sources. These countries as a rule lack access to private medium- and long-term funds. They stand to benefit most from increases in the availability of official credits. Considering recent trends, however, countries in this group will probably increase their efforts to secure private funds.
>
> In the ***low-income LDCs***, the large role played by grant aid will assure that debt service will not increase nearly as fast as for the higher income groups. Taken with the pervasive concern among donors for helping the poorer countries, this should permit them more latitude in dealing with external payments dilemmas. (For Official Use Only)

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MULTILATERAL TRADE NEGOTIATIONS: SIGNS OF PROGRESS

Increasing protectionist pressures around the world have strengthened the determination among participants in the Multilateral Trade Negotiations (MTN) to speed up negotiations for further tariff reductions. The United States and the European Community agreed early in 1977 to present by mid-January 1978 (a) requests for trade concessions from other countries on both tariff and specific nontariff measures and (b) offers of trade concessions in response to other countries' requests. The mid-January deadline was accepted by other participants last summer. Many view the MTN as the only viable alternative to increased unilateral trade restrictions, which often take the form of nontariff barriers.

Tariff Reductions

After four years of negotiations, major participants (except Canada) have informally agreed to accept a Swiss tariff-cutting formula as a basis for making offers of tariff reductions. The Swiss approach calls for *average* tariff cuts of 40 to 48 percent for each participant, with proportionately larger reductions on higher tariff rates. Reductions would be phased in over an extended period; eight years is now under consideration.

Acceptance of the Swiss formula as a working hypothesis does not eliminate the prospect of tough bargaining on the four principal tariff issues—(a) amount of tariff reduction, (b) reduction of tariff disparities, (c) exceptions, and (d) timing of cuts. Informal agreement on most of the tariff issues has already been reached so that specific offers for reductions can be made during the week of 15 January, when negotiators sit down at Geneva for the final phase of this "Tokyo round" of trade talks.

Negotiators have agreed to treat agricultural products on an item-by-item basis, guided by the Swiss formula where possible. To avoid a major confrontation with the European Community, the United States will avoid requests that run counter to the internal workings of the Common Agricultural Policy. On the other hand, the United States will seek tariff reductions on certain agricultural products, such as citrus fruits and feedgrains, that are protected by the Community.

Nontariff Measures

The question of nontariff measures (NTM)—formerly nontariff barriers—is a complex politically sensitive issue upon which the ultimate success or failure of the

MTN Organizational Structure and Status of Negotiations

Trade negotiations committee: seven major groups	Status of Negotiations
Tariffs	Major participants (except Canada) have informally agreed to the Swiss formula as a basis for reducing tariffs.
Nontariff measures	
Quantitative restrictions	Requests for elimination or enlargement of quotas have been made; offers will be made on 15 January.
Technical barriers to trade	Agreement has been reached to use draft code as basis for final negotiations.
Subsidies and countervailing duties	Negotiators have prepared a framework for an agreement.
Government procurement	Draft code has been written and will be used as basis for final negotiations.
Customs matters	EC customs valuation code has been accepted by most participants as basis for negotiation of a uniform international customs valuation system.
Sector approach	Canada is the single major MTN participant supporting a sectoral approach, especially for forest products and nonferrous metals.
Safeguards	Negotiators are seeking to narrow differences and define appropriate ranges for discussion.
Tropical products	The developed countries are continuing discussion with interested LDCs on implementing initial concessions.
Agriculture	
Grains	International Wheat Council is working on a commodity agreement, with requests being submitted in the MTN.
Dairy products	Requests from all participants are currently being submitted. EC and New Zealand have presented proposals for international agreement.
Meat	Resquests from all participants are now being submitted. EC and Australia have presented proposals for international agreement.
Framework	Detailed proposals are currently being prepared on special and differential treatment of LDCs, use of trade measures for balance-of-payments problems, and revised rules for disputes and settlements.

entire NTM may ride. In a GATT study, over 850 different NTMs were identified as potential trade impediments. These were distributed among 30-odd categories.

NTMs that are being considered multilaterally in the trade talks include: (a) government purchasing policies, (b) export subsidies and countervailing duties, (c) product standards, (d) customs valuation, and (e) import licensing. Other bilateral

NTMs—such as quantitative restrictions, customs formalities and fees, and discriminatory charges against imports—will be addressed in the context of request/offer procedures.

The use of nontariff measures has accelerated as a result of the inadequate recovery from the 1974-75 global recession. An unpublished GATT report estimates that new trade restrictions enacted in the last two years cover 3 to 5 percent of world trade. The structure of NTMs is closely tied to domestic policies; the likelihood of finding common ground for agreement is limited. As of 15 December, general agreement has been achieved in a few areas considered suitable for inclusion in a multilateral code. Most countries have made bilateral requests for concessions on specific NTM issues.

Country Positions

While the EC negotiates for its nine members, the EC position is constrained by the somewhat divergent interests of individual countries.

France is worried about continuing recession in many of its key industrial sectors—especially steel, textiles, and shipbuilding. The French are willing to support the Swiss formula provided there are reservations on the timing of future tariff cuts. They want a clause that would allow for the indefinite postponement of future cuts if unfavorable economic conditions occur. France is particularly sensitive to negotiations that affect agriculture.

West Germany, a strong proponent of free trade, accepts the Swiss formula as a basis for tariff negotiation. The Germans concede that special consideration should be given to the structural problems of ailing industries and support the EC position on agricultural production. They believe that successful conclusion of the MTN round would be important largely for its political effect.

Italy is pessimistic as to what the negotiations can accomplish. Rome would shoot for a face-saving "small deal," which probably would include tariff cuts and relaxation of government procurement policies that favor domestic suppliers.

The ***United Kingdom*** hopes to limit damage to its depressed industries from a lowering of trade barriers. Hence the British stress strong safeguards as a necessary condition for acceptance of the Swiss formula.

As for ***Japan,*** the government has taken a low-profile position throughout the MTN. Because of pressure from the United States and the European Community to reduce its rapidly increasing trade surplus, Japan announced on 29 November that it would reduce tariffs on selected items before completion of the talks in Geneva. Tokyo has agreed to the Swiss formula as a basis for tariff cuts with the understanding that tariff concessions announced prior to the mid-January deadline will apply to the final-round negotiations. Japan agrees with the United States on excluding oil from tariff calculations and with the European Community on excluding most agricultural items.

Canada fears that the United States, European Community, and Japan will conclude an agreement that will ignore the Canadian desire for the elimination of tariffs on raw materials, semiprocessed goods, and foodstuffs. Canada has not yet decided to make offers of tariff reduction based on the Swiss formula. The Canadian position depends in part on the willingness of others to eliminate duties on nonmanufactured products, a large component of Canadian exports.

In addition to the seven major developed countries, 83 other countries are represented at the MTN. The most active of the smaller developed countries are the Scandinavian countries, Switzerland, Australia, New Zealand, and Austria. Among the LDCs, Brazil, Mexico, India, Malaysia, Argentina, and South Korea are leading participants.

If Negotiations Fail

It now appears that the groundwork has been laid in 1977 for final negotiations to start mid-January. Most countries will make tariff concession offers during the week of 15 January or shortly thereafter. If the MTN breaks down, protectionist pressures will increase in the hard-pressed industries such as steel, textiles, clothing, shoes, shipbuilding, transportation equipment, and household electrical appliances. (Confidential Noforn)

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USSR: 1978 PLAN REFLECTS SLUGGISH ECONOMIC GROWTH

The Soviet economic plan for 1978, approved last week, reflects Moscow's growing realization that the goals set out in the 10th Five-Year Plan are unattainable. In effect, the 1978 plan abandons the 1976-80 plan and outlines a scenario of slowing economic progress. Achievement of even the implied 4-percent GNP growth target—a remarkably restrained goal by Soviet postwar standards—will depend heavily on the USSR's ability to:

- Break the bottleneck in steel output.
- Arrest the growth of unfinished construction.
- Lift substantially larger quantities of oil from West Siberian fields.
- Luck out with better-than-average weather for agriculture.
- Achieve major efficiencies in the use of material resources, especially energy and metals.

Soviet 1978 Plan in Perspective

Average Annual Rate of Growth in Percent

	1971-75 (Actual)	1976-77 (Actual)	1978 Plan	Five-Year Plan 1976-80
Major aggregates (Western concepts)				
GNP	4	3½	4	5
Industrial production	6	4	4½	6½
Agricultural production	−½	4	4½	4½
Investment				
Total gross fixed investment	7	3½	3½	3½
Ferrous metals				
Crude steel	4	1½	4	3½
Rolled steel	4	1½	4	3½
Steel pipe	5	3	4	4½
Energy				
Total primary energy (excluding electric power):	5	5	5	5
Coal	2	1½	3	3
Oil	7	5½	5	5½
Gas	8	10	7	8½
Electric power	7	5½	5	6
Consumer welfare				
Real per capita income	4½	4	3	4
Per capita housing space	1½	½	1½	1½

Steel Output—the Key

Stagnant steel output constrained industrial production growth in 1977. Industrial output plans for 1978—particularly for machinery and construction—critically depend on a major acceleration in steel output.

Even though the 1978 steel goal of 152.6 million tons is practically the same as the 1977 goal, it will require an increase in 1978 production of more than 5 million tons since output fell so far below plan in 1977. This compares with increases of 3.5 million tons in 1976 and only 2.0 million to 2.5 million tons in 1977. The 1978 plan for rolled steel of 106.5 million tons is below the goal set for 1977, reflecting a continuation of the problems that held back output this year. A large amount of new steelmaking capacity is near completion, but start-up problems and shortness of iron ore and scrap are likely to result in a failure to reach output goals in 1978.

Backlog of Unfinished Construction Still Increasing

Once again Soviet planners are counting heavily on maintaining growth in plant and equipment through holding down the backlog of uncompleted construction projects. The rate of completion of new plant and equipment fell to an all-time low in 1976-77, and the backlog of unfinished projects increased sharply because of slow procurement and installation of equipment. In commenting on the new plan, both Gosplan Chairman Baybakov and Finance Minister Garbuzov severely criticized the ministries of ferrous metals, chemicals, and oil extraction for failing to finish projects. Investment in new plant and equipment next year is to continue rising at the slow rate of about 3½ percent—half the annual rate of growth in 1971-75—with emphasis remaining on commissioning projects already under way. These plans almost certainly will not arrest the slowdown in growth of the nation's capital stock.

Increasing Dependence on West Siberian Oil

The most striking information in the 1978 plan is the revelation that the Soviets expect only five of the 26 regional oil producing associations to boost their output in 1978. Of these five—West Siberia, Komi ASSR, Udmurt ASSR, Orenburg Oblast, and the Georgian SSR—West Siberia alone is committeid to increase oil production by 700,000 b/d in 1978. Despite this scheduled record increase in West Siberia, the overall planned increase for 1978 has slipped by 100,000 b/d since last year, to only 500,000 b/d. The USSR obviously expects sharp declines in production in a number of the older producing regions, as many of their deposits have been producing for more than 30 years and are being depleted.

Such heavy dependence on West Siberia for the bulk of future increases in oil production probably means that the Samotlor oilfield will have to be pushed even harder, that is, above earlier planned peak output levels. Other smaller West Siberian fields also may have to be operated above maximum efficient rates of recovery to achieve output targets. This will result in still shorter producing lives of these fields, but the Soviets have no practical alternative until they are able to make large new oil finds.

Rebound Planned for Grain Production

The 1978 plan calls for grain production of 220 million tons, up from the 195.5 million tons harvested in 1977. This level of output has been attained only twice before and can be achieved only if weather proves highly favorable. In the year just ending, grain output fell nearly 20 million tons short of the goal even with above-average precipitation in important grain-producing areas. The Soviets will still have to import 20 million to 25 million tons of grain in fiscal year 1978 and will almost certainly be forced to import comparable quantities in the following years if average weather conditions prevail.

Conservation of Raw Materials and Growth in Employment

Stringent goals for economizing on steel and fuel have been set for all sectors of the economy. Although few concrete figures are available, the conservation theme runs throughout the plan and budget announcements.

Growth in employment next year—the topic was not covered in the plan announcement—will almost certainly decline as the number of persons reaching working age drops for the first time in 18 years. As a result, the planners are restating their perennial hopes for large gains in labor productivity throughout the economy. In this connection, 1978 has been named the "year of shock labor" by the planners, with "intensification" (the more intensive use of labor and equipment) as a primary slogan. (Unclassified)

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Note

Italy: Communists Challenge 1978 Budget

The powerful Italian Communist Party (PCI) has sharply attacked the Andreotti government's 1978 budget proposals, arguing inconsistently that the Christian Democrats would (a) spend too much money and (b) not do enough to promote employment. The proposed budget—despite the added "stings" of higher taxes and increased charges for public services—would generate a deficit that clearly would violate IMF loan conditions. The Communists apparently are seeking political concessions as their price for swallowing this fiscal dish. PCI leader Berlinguer has become insistent in his demand for a broadly based government of "national emergency" that would include Communist ministers.

The proposed budget jeopardizes Italian eligibility for continued drawings on its 1977 IMF standby credit. An IMF declaration of ineligibility would cause political problems for the PCI, which first sold austerity to its members on the need to obtain international credit. By publicly criticizing the budget, party leaders hope to cover themselves as much as possible should the government be forced to cancel the standby agreement. (Confidential Noforn)

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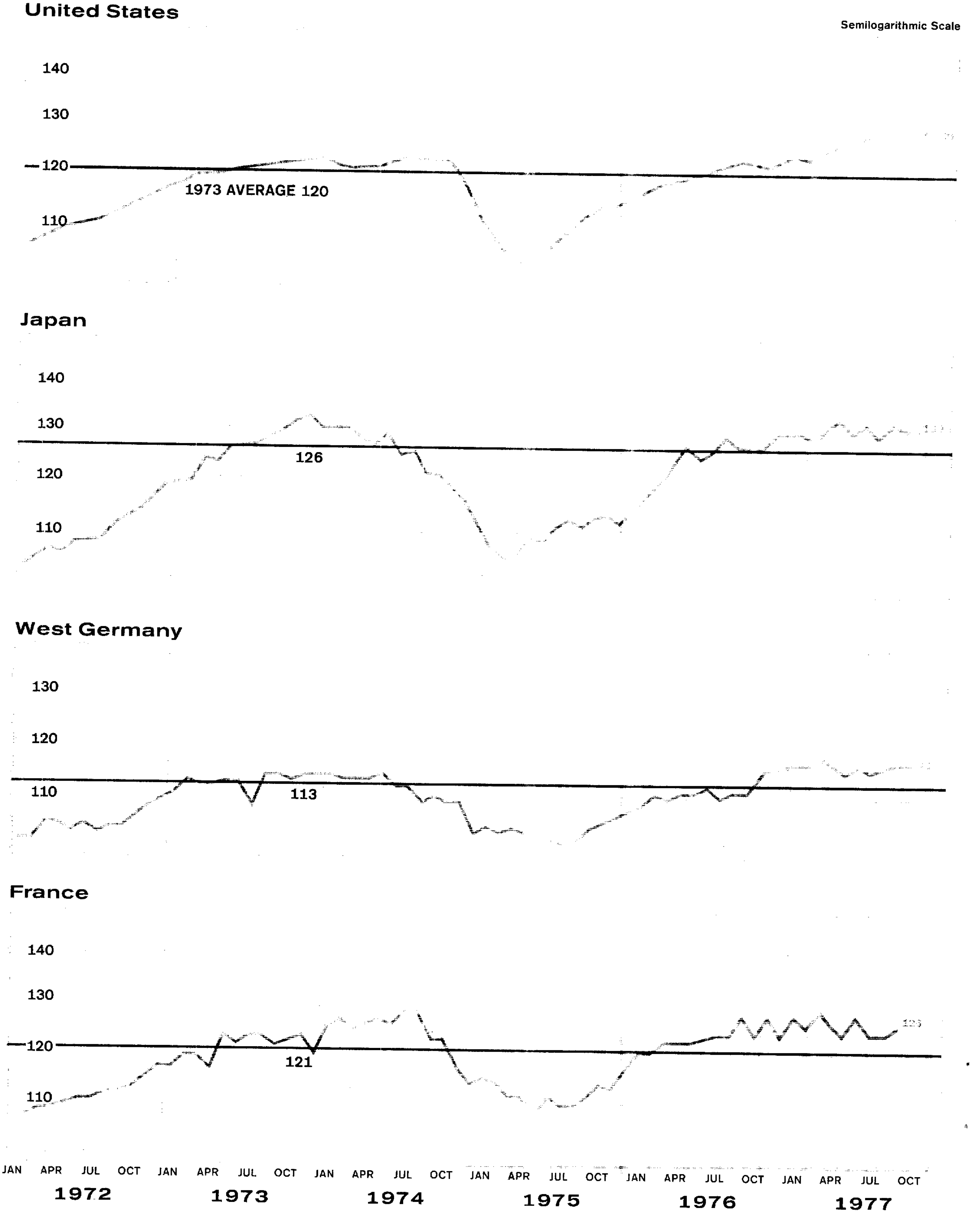
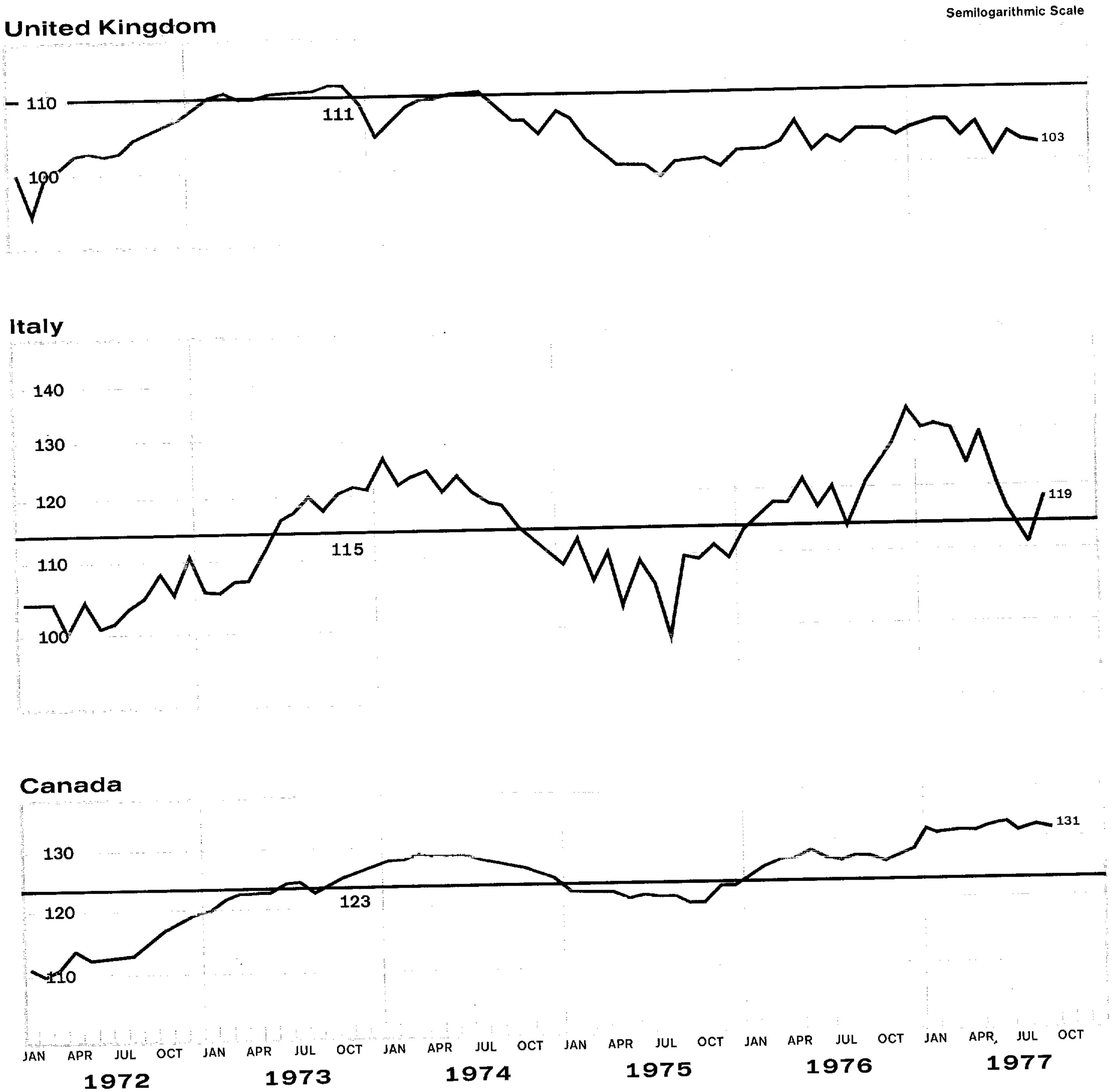
FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 20 October 1977. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted





	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[1]
United States	NOV 77	0.5	3.6	6.1	2.6
Japan	OCT 77	−0.4	3.7	3.3	1.9
West Germany	OCT 77	0	2.2	1.7	4.7
France	SEP 77	1.6	3.3	−3.1	−4.2

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[1]
United Kingdom	SEP 77	−0.6	0.4	−1.7	0.3
Italy	SEP 77	7.0	2.4	−1.8	−29.8
Canada	SEP 77	−0.2	3.9	3.2	−1.3

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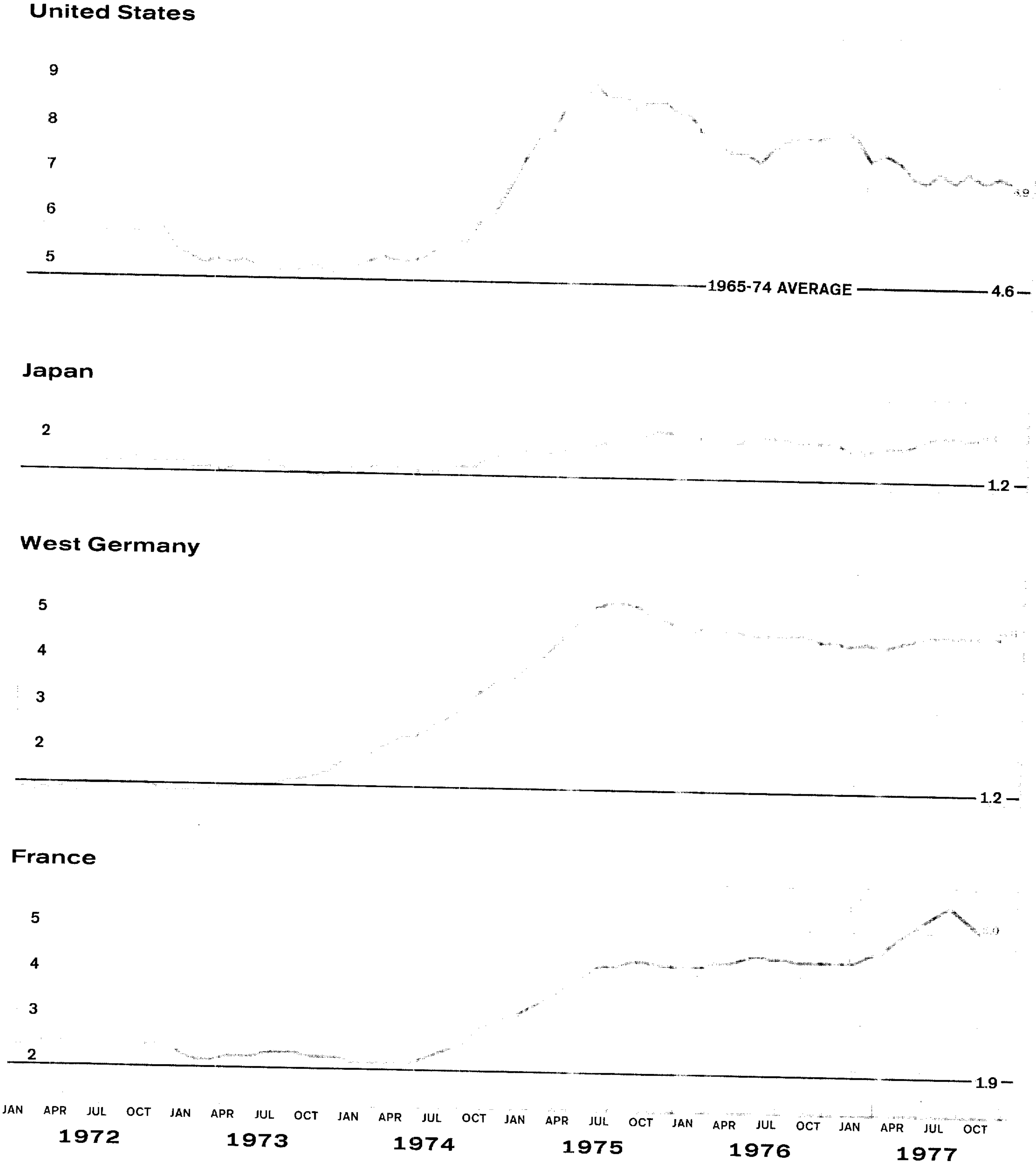
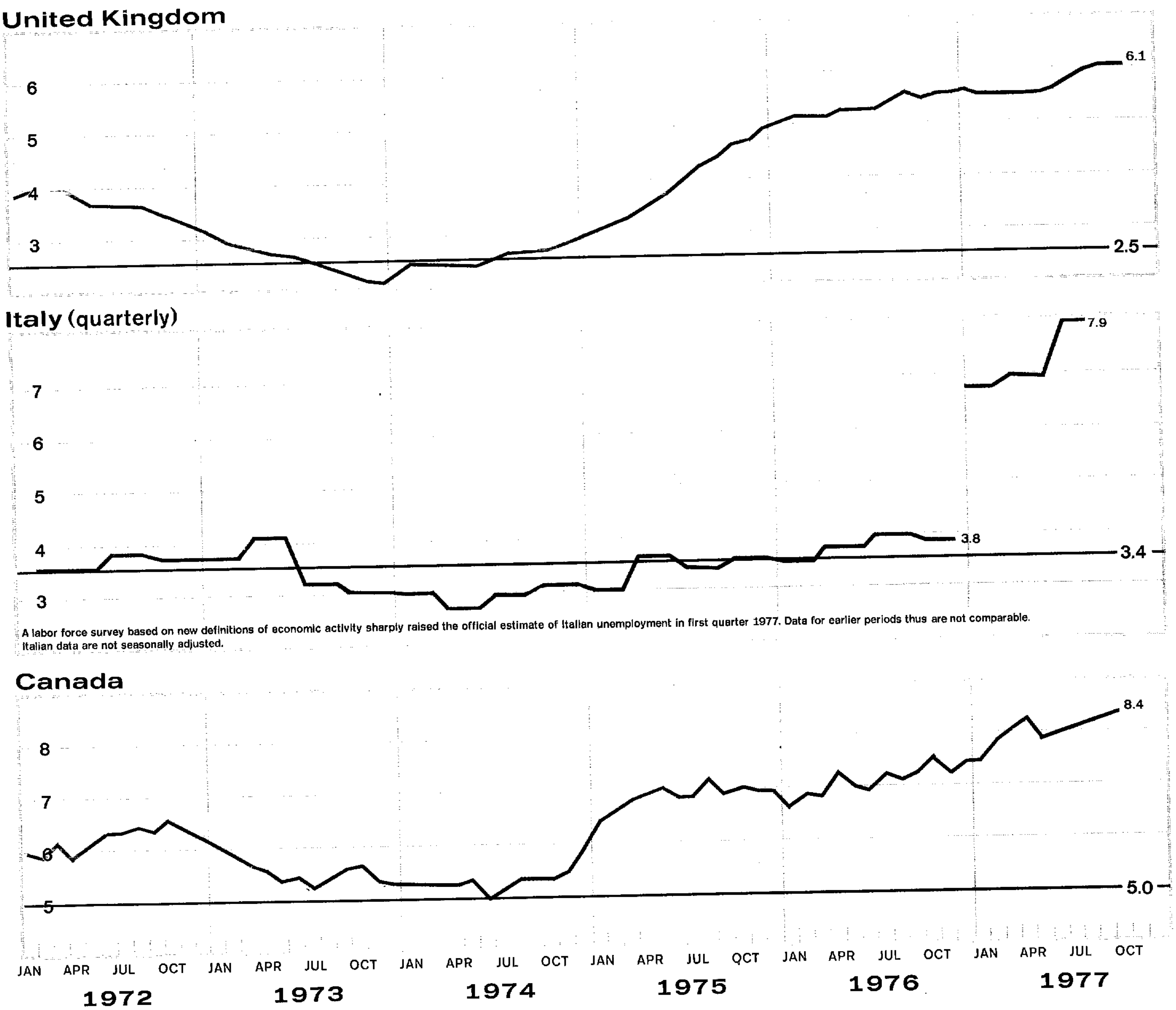
[1]Average for latest 3 months compared with average for previous 3 months.

UNEMPLOYMENT PERCENT OF LABOR FORCE





A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

THOUSANDS OF PERSONS UNEMPLOYED

	LATEST MONTH		1 Year Earlier	3 Months Earlier
United States	NOV 77	6,818	7,651	6,926
Japan	SEP 77	1,130	1080	1,190
West Germany	NOV 77	1,041	1,016	1,047
France	OCT 77	1,100	935	1,180

	LATEST MONTH		1 Year Earlier	3 Months Earlier
United Kingdom	NOV 77	1,433	1,317	1,414
Italy	77 III	1,692	776	1,432
Canada	OCT 77	900	784	859

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-77, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates.

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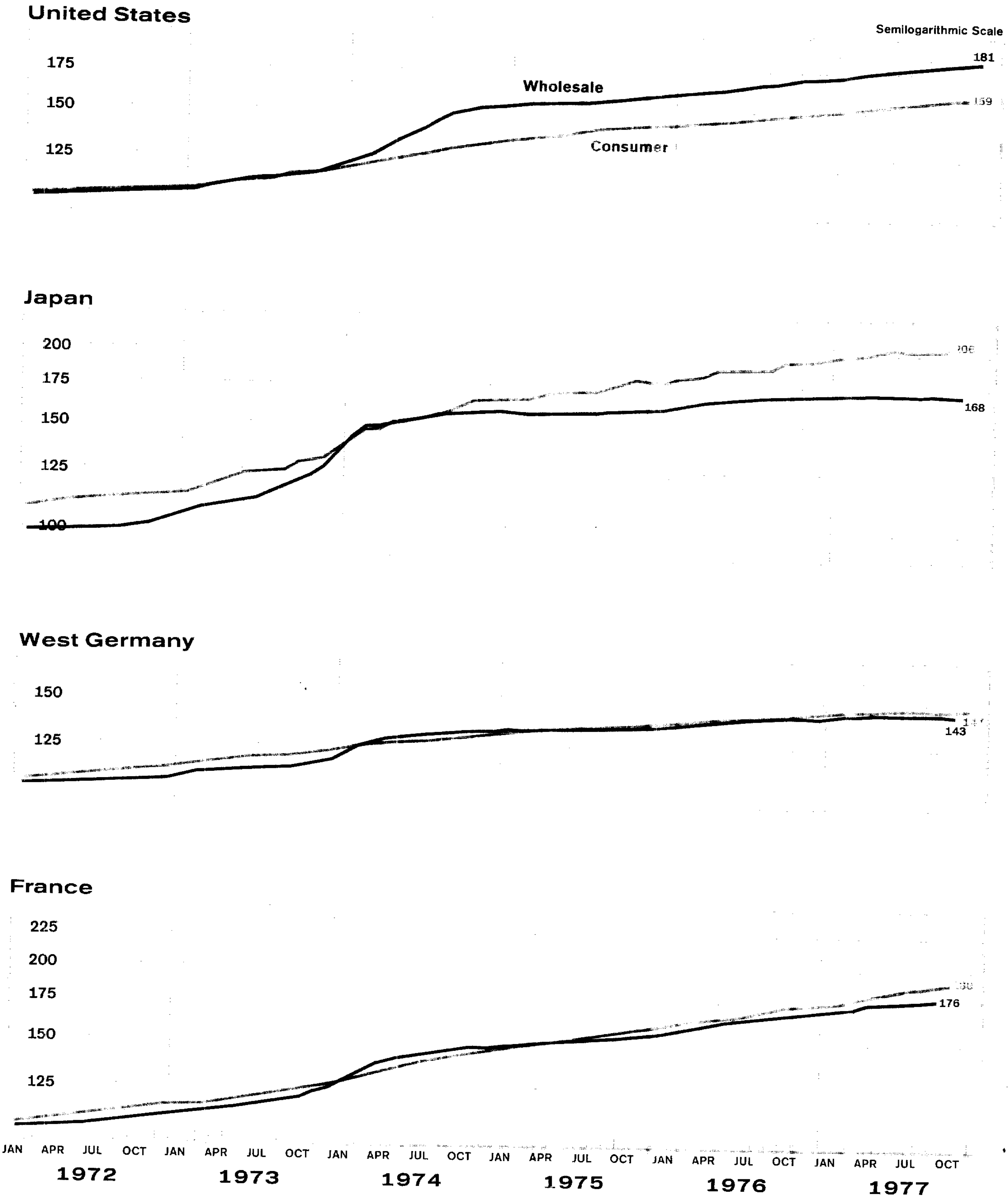
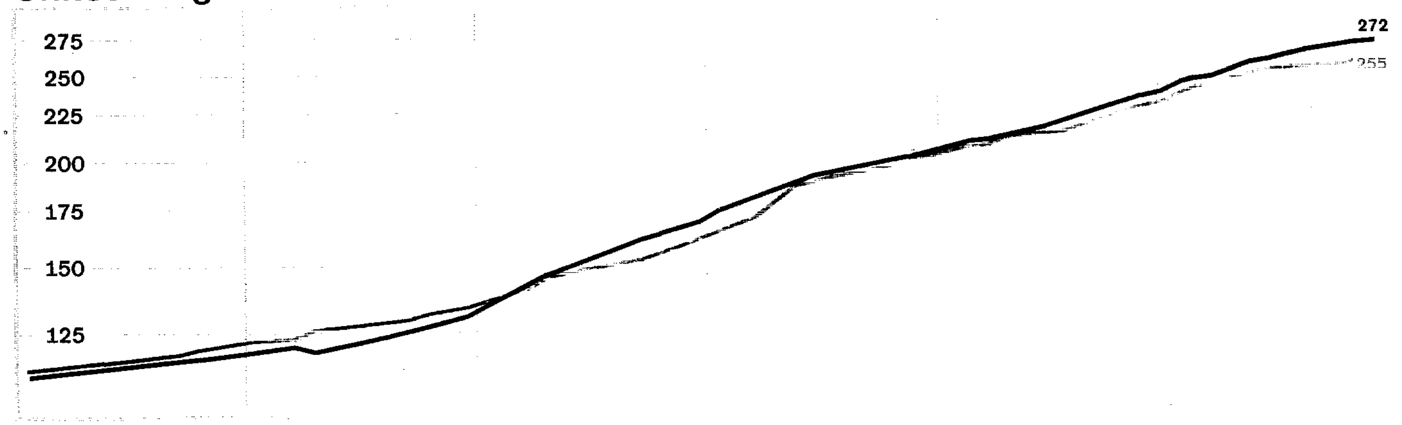
DOMESTIC PRICES[1] INDEX: 1970=100



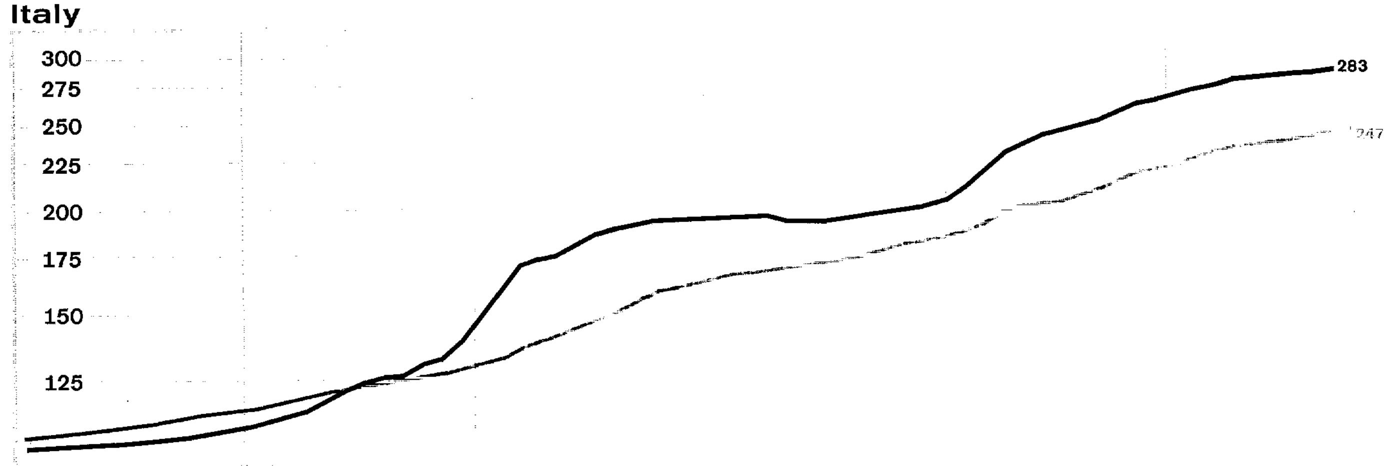
[1]Wholesale price indexes cover industrial goods.

United Kingdom

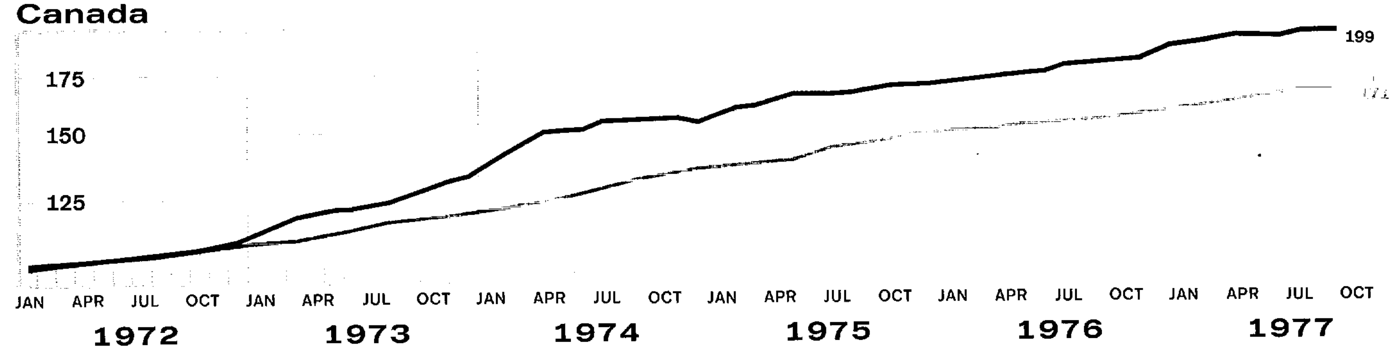
Semilogarithmic Scale



Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier
United States	NOV 77	0.1	8.4	6.5	4.8
	OCT 77	0.3	6.5	6.5	4.2
Japan	OCT 77	−0.3	7.4	0.1	0
	SEP 77	1.8	10.5	7.6	6.2
West Germany	OCT 77	−0.1	5.1	1.6	−0.8
	NOV 77	0.1	5.4	3.7	0.5
France	SEP 77	0.6	8.2	6.1	5.4
	OCT 77	0.8	9.1	9.5	9.2

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier
United Kingdom	NOV 77	0.3	14.5	15.9	5.9
	OCT 77	0.4	13.7	14.1	6.0
Italy	SEP 77	1.0	15.5	14.0	7.4
	OCT 77	1.1	13.2	16.6	11.9
Canada	SEP 77	0.1	10.0	9.5	9.3
	NOV 77	0.7	7.5	9.1	9.2

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Approved For Release 2002/02/01 : CIA-RDP79B00457A000300090001-1

GNP [1]

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	77 III	0.9	3.2	4.6	3.8
Japan	77 III	0.5	5.4	5.1	1.8
West Germany	77 II	−0.2	6.3	2.4	−0.8
France	77 II	−0.6	3.8	2.5	−2.2
United Kingdom	77 II	0.7	1.6	1.9	2.9
Italy	77 II	−1.9	2.8	2.8	−7.3
Canada	77 III	1.3	4.9	2.5	5.3

[1] Seasonally adjusted.

RETAIL SALES [1]

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	Oct 77	1.7	3.2	5.3	2.0
Japan	Jun 77	−0.1	9.8	2.6	1.4
West Germany	Sep 77	−0.8	2.3	1.7	9.5
France	Jun 77	7.7	−0.3	1.0	−8.1
United Kingdom	Oct 77	−0.8	0.9	−2.5	4.6
Italy	Jun 77	2.6	3.8	3.4	6.8
Canada	Sep 77	0.1	4.4	1.5	5.6

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

FIXED INVESTMENT [1]

Non-residential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	77 III	1.0	2.1	7.8	4.2
Japan	77 II	0.5	1.1	4.5	2.0
West Germany	77 II	−1.6	0.4	3.4	−6.4
France	75 IV	8.8	4.2	2.9	40.1
United Kingdom	77 II	11.2	1.7	8.0	53.2
Italy	77 II	−7.8	2.5	10.3	−27.6
Canada	77 III	−1.1	5.8	3.2	−4.2

[1] Seasonally adjusted.

WAGES IN MANUFACTURING [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	Sep 77	0.4	7.5	6.6	6.5
Japan	Aug 77	2.2	17.0	9.8	8.7
West Germany	77 III	1.2	9.3	7.4	5.0
France	77 I	2.3	14.1	0	9.5
United Kingdom	Aug 77	0	15.3	3.0	3.5
Italy	Sep 77	0	20.8	23.8	22.3
Canada	Sep 77	1.6	11.4	11.2	9.6

[1] Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.
[2] Average for latest 3 months compared with that for previous 3 months.

MONEY MARKET RATES

	Representative rates	Latest Date	Percent Rate of Interest	1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Commerical paper	Dec 14	6.60	4.65	6.00	6.56
Japan	Call money	Dec 16	5.00	7.00	4.88	4.50
West Germany	Interbank loans (3 months)	Dec 14	4.15	4.84	3.95	4.06
France	Call money	Dec 16	9.38	10.31	8.50	9.13
United Kingdom	Sterling interbank loans (3 months)	Dec 16	6.71	14.24	5.88	4.76
Canada	Finance paper	Dec 16	7.31	8.55	7.25	7.39
Eurodollars	Three-month deposits	Dec 16	7.11	4.95	6.59	7.09

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Oct 77	−0.8	9.2	1.9	−1.3
Japan	Jul 77	−1.8	10.4	10.4	−4.4
West Germany	Sep 77	−1.5	11.0	6.2	3.6
France	Sep 77	−1.4	11.2	8.3	12.1
United Kingdom	Oct 77	1.9	11.1	23.2	26.1
Italy	Aug 77	1.4	11.4	13.2	21.1
Canada	Sep 77	−5.0	8.9	−2.4	−1.3

EXPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Oct 77	−0.8	9.2	1.9	−1.3
Japan	Jul 77	−1.0	6.3	3.1	−5.3
West Germany	Sep 77	−1.2	4.2	−1.2	−2.3
France	Sep 77	−0.9	9.4	8.5	10.1
United Kingdom	Oct 77	0.4	15.9	14.3	13.6
Italy	Aug 77	1.4	16.9	19.2	19.2
Canada	Sep 77	−3.2	9.5	9.1	11.4

IMPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Oct 77	−0.3	13.0	7.6	3.3
Japan	Jul 77	−1.5	10.5	−2.3	7.0
West Germany	Sep 77	−2.3	4.0	−1.3	−5.5
France	Sep 77	−1.0	10.1	7.4	0.6
United Kingdom	Oct 77	−0.4	18.7	8.3	−6.3
Italy	Aug 77	2.7	20.9	12.4	19.0
Canada	Sep 77	−3.6	8.7	15.9	9.7

OFFICIAL RESERVES

	Latest Month: End of	Latest Month: Billion US $	Billion US $: Jun 1970	1 Year Earlier	3 Months Earlier
United States	Oct 77	19.0	14.5	19.0	18.9
Japan	Nov 77	22.1	4.1	16.7	17.8
West Germany	Oct 77	35.7	8.8	35.8	35.1
France	Oct 77	10.1	4.4	9.6	9.9
United Kingdom	Oct 77	20.4	2.8	4.8	13.6
Italy	Oct 77	11.1	4.7	5.4	10.5
Canada	Nov 77	4.2	4.3	5.1	4.8

CURRENT ACCOUNT BALANCE [1]

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States [2]	77 II	−4,605	−8,763	1,070	−9,833
Japan	Oct 77	1,356	7,834	2,452	5,382
West Germany	Oct 77	1,361	1,480	1,549	−69
France	77 III	−786	−2,809	−4,483	1,674
United Kingdom	77 II	−474	−1,490	−1,277	−213
Italy	77 II	161	−768	−2,859	2,091
Canada	77 II	−1,407	−2,956	−3,088	132

[1] Converted to US dollars at the current market rates of exchange.
[2] Seasonally adjusted.

BASIC BALANCE [1]
Current and Long-Term-Capital Transactions

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States		No longer published [2]			
Japan	Oct 77	739	5,161	1,895	3,266
West Germany	Sep 77	−1,341	−4,642	1,655	−6,297
France	77 III	−1,123	−2,908	−6,121	3,214
United Kingdom	77 II	1,409	2,075	−1,119	3,195
Italy	77 II	97	−395	−2,963	2,568
Canada	77 II	−217	−791	1,701	−2,493

[1] Converted to US dollars at the current market rates of exchange.
[2] As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES
Spot Rate
As of 16 Dec 77

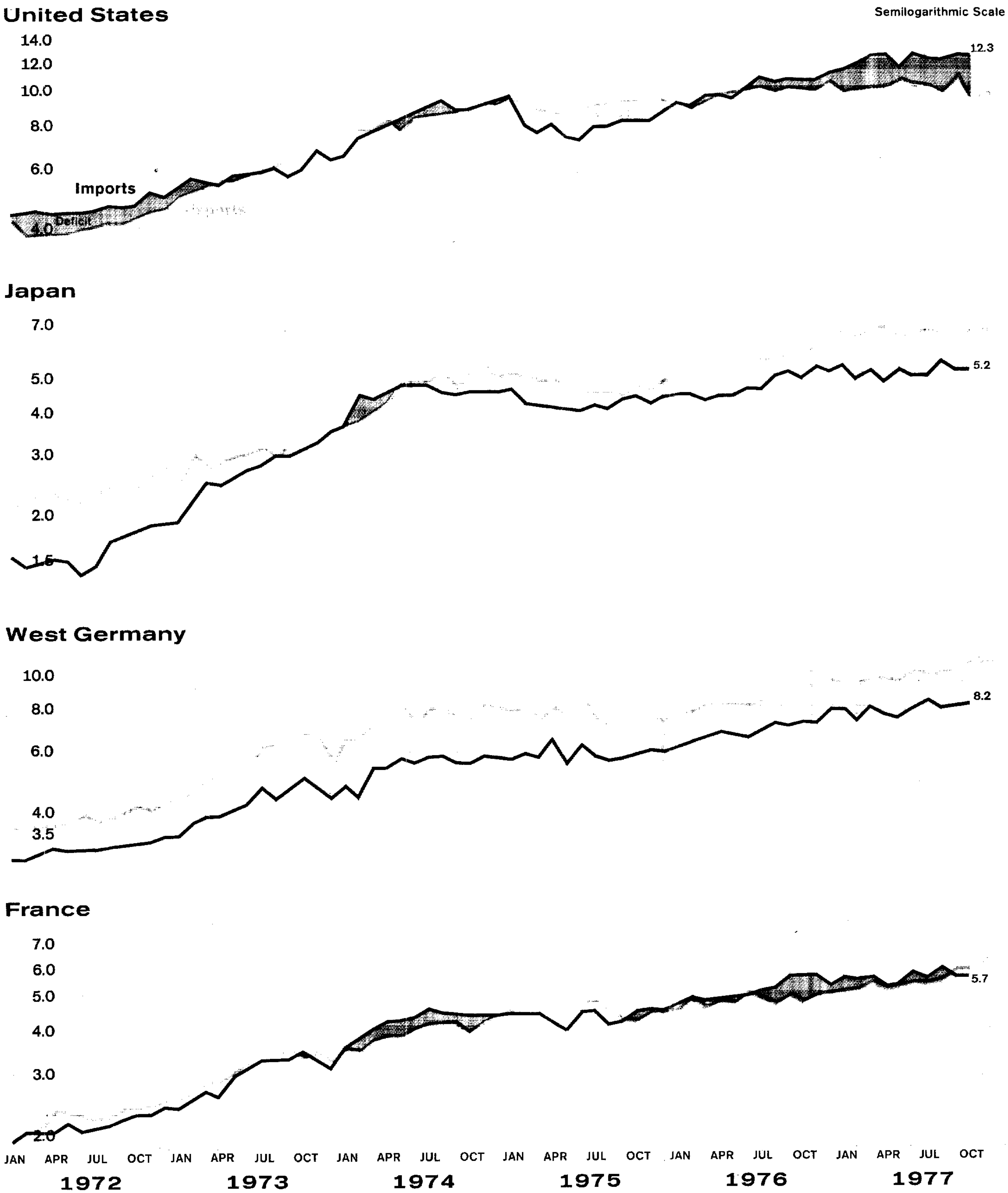
	US $ Per Unit	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	9 Dec 77
Japan (yen)	0.0042	9.12	22.20	10.70	0.36
West Germany (Deutsche mark)	0.4673	31.97	11.53	8.76	2.34
France (franc)	0.2084	−5.44	3.99	2.82	0.81
United Kingdom (pound sterling)	1.8540	−24.66	10.98	6.39	1.26
Italy (lira)	0.0011	−35.48	−1.21	0.97	0.35
Canada (dollar)	0.9125	−8.54	−7.71	−2.09	−0.16

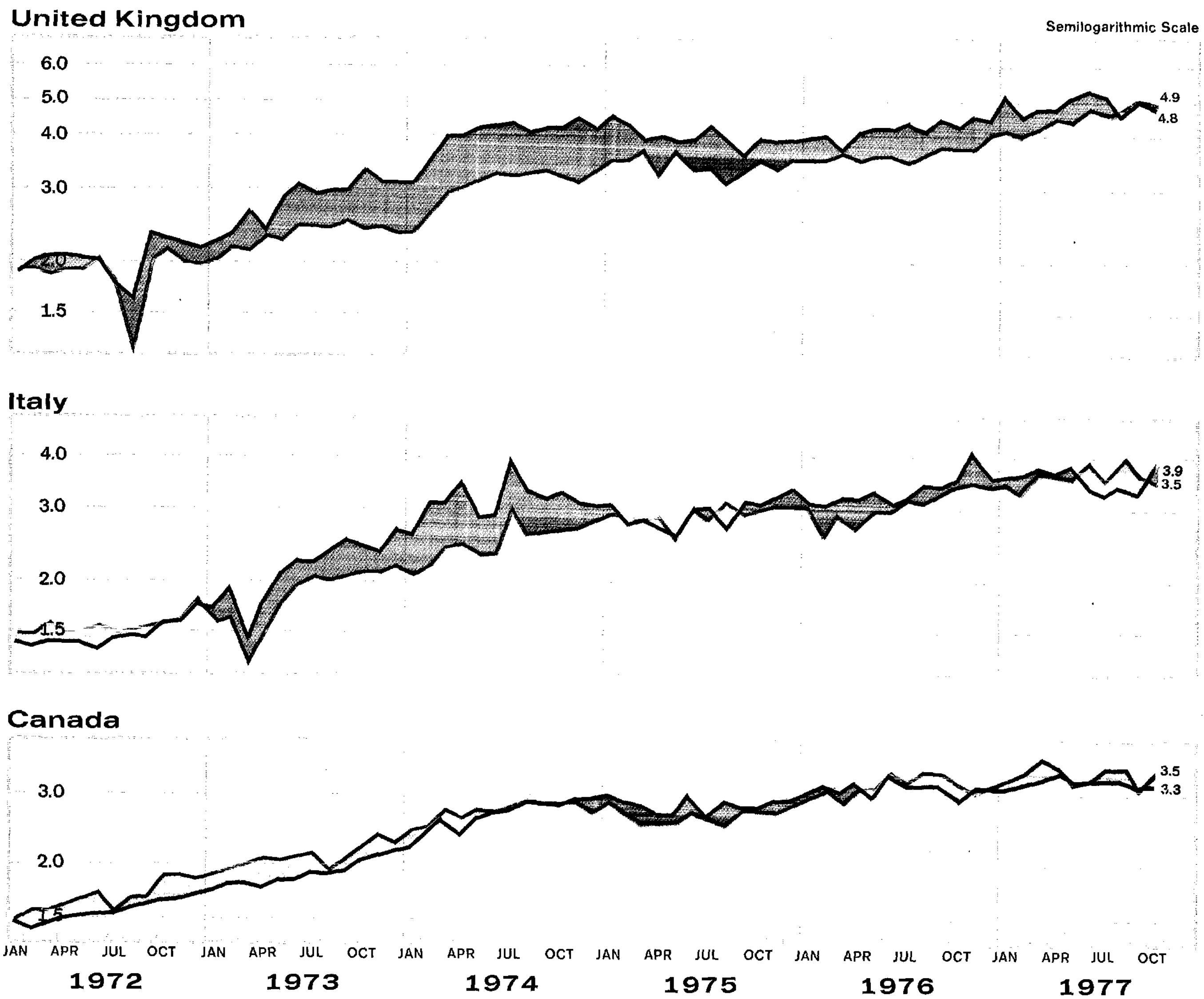
TRADE-WEIGHTED EXCHANGE RATES [1]
As of 16 Dec 77

	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	9 Dec 77
United States	2.64	−3.32	−3.48	−0.61
Japan	14.02	20.23	9.00	0
West Germany	31.41	7.03	4.16	1.08
France	−10.39	−1.97	−2.78	−0.76
United Kingdom	−27.37	7.85	2.22	0.12
Italy	−41.04	−7.05	−4.20	−1.08
Canada	−7.74	−9.62	−3.47	−0.40

[1] Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

FOREIGN TRADE **BILLION US $, f.o.b., seasonally adjusted**





	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1977	1976	CHANGE
United States	OCT 77	9,190	99,774	94,870	5.2%
		12,288	122,170	98,852	23.6%
	Balance	−3,098	−22,396	−3,982	18,414
Japan	OCT 77	6,580	65,066	54,025	20.4%
		5,168	51,065	45,731	11.7%
	Balance	1,412	14,001	8,294	5,707
West Germany	OCT 77	10,522	96,749	83,081	16.5%
		8,163	78,982	68,099	16.0%
	Balance	2,359	17,766	14,982	2,784
France	OCT 77	5,768	53,474	46,978	13.8%
		5,742	55,573	50,154	10.8%
	Balance	26	−2,098	−3,176	1,078
United Kingdom	OCT 77	4,894	46,020	36,432	26.3%
		4,839	48,927	41,814	17.0%
	Balance	55	−2,907	−5,383	2,475
Italy	OCT 77	3,509	36,344	29,949	21.4%
		3,887	36,315	32,598	11.4%
	Balance	−378	30	−2,649	2,679
Canada	OCT 77	3,539	34,719	32,095	8.2%
		3,272	33,195	31,532	5.3%
	Balance	267	1,524	564	961

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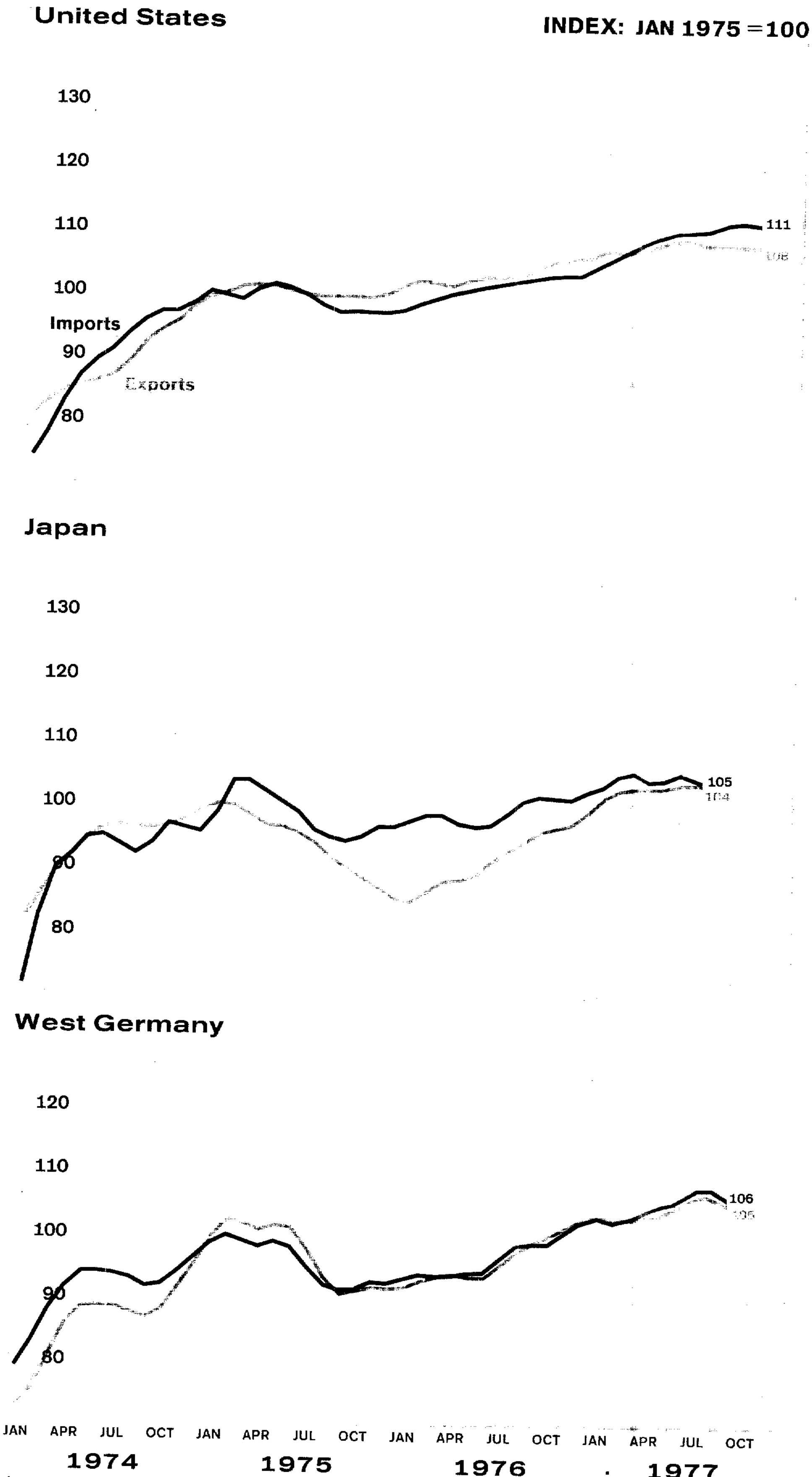
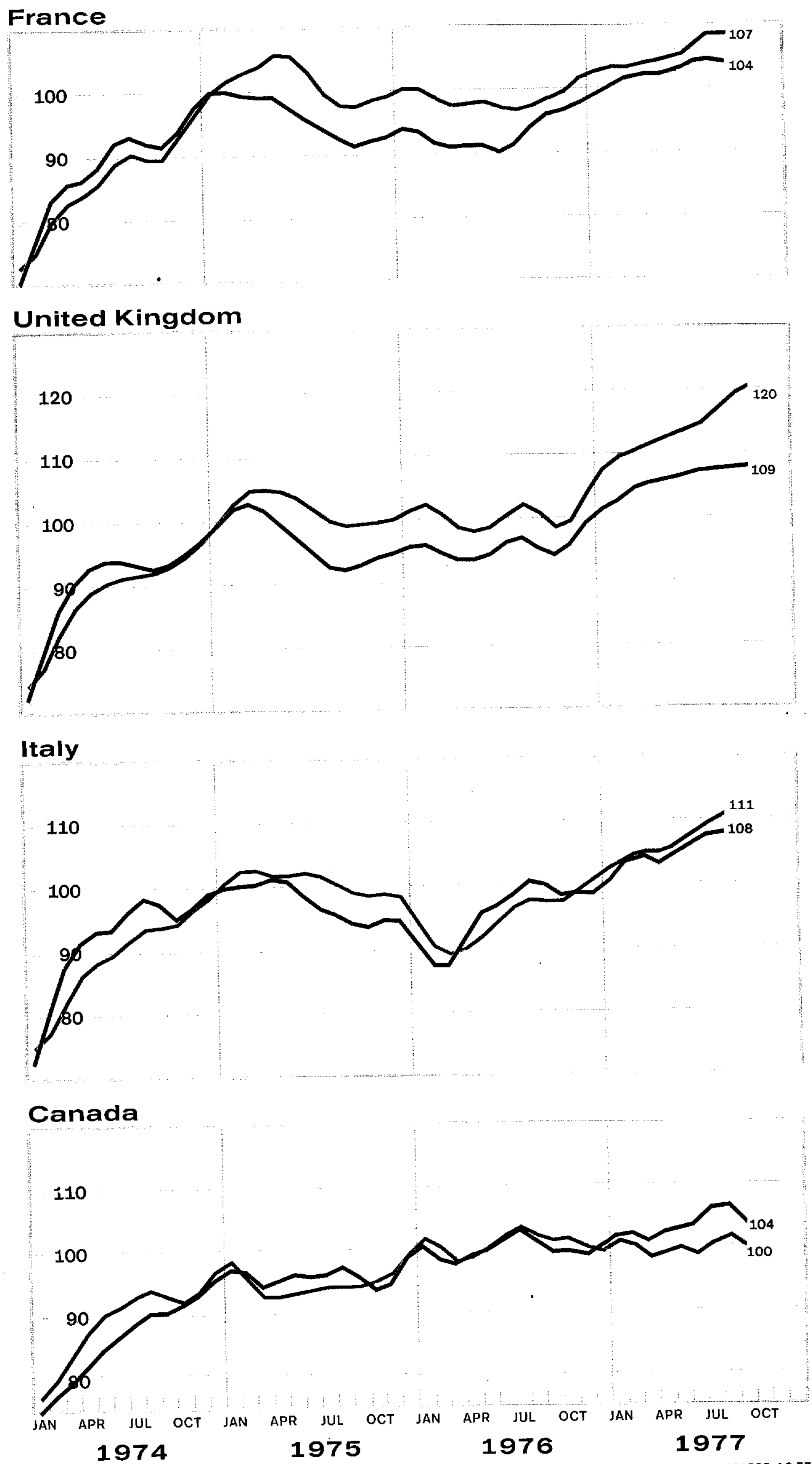
FOREIGN TRADE PRICES IN US $[1]



[1]Export and import plots are based on five month weighted moving averages.


France
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1976
1977

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SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
Brazil	76 II	0.1	11.0	10.7	0.4
India	Jul 77	−4.7	4.3	2.0	−7.2
South Korea	Aug 77	4.7	22.7	13.6	49.3
Mexico	Jul 77	1.0	6.0	4.7	21.6
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Sep 77	7.2	15.0	12.3	−2.0

[1] Seasonally adjusted.

[2] Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY [1]

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Aug 77	0	36.7	46.2
India	Jun 77	0.3	12.0	16.9
Iran	Aug 77	1.6	28.3	15.6
South Korea	Sep 77	9.5	32.6	56.3
Mexico	Aug 77	0.7	18.7	30.1
Nigeria	Apr 77	−2.3	36.9	47.5
Taiwan	Jul 77	1.4	24.4	27.1
Thailand	Jun 77	−1.8	13.1	12.0

[1] Seasonally adjusted.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Oct 77	2.7	27.2	42.1
India	Sep 77	1.2	8.5	9.6
Iran	Sep 77	0.7	12.3	30.2
South Korea	Sep 77	0.3	14.5	9.2
Mexico	Sep 77	1.8	15.0	32.2
Nigera	Jun 77	4.0	16.2	23.7
Taiwan	Sep 77	−1.9	10.9	10.4
Thailand	Aug 77	1.1	8.7	9.9

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Sep 77	1.6	27.1	34.4
India	Sep 77	0	9.2	4.8
Iran	Oct 77	0.5	10.1	13.1
South Korea	Sep 77	0.7	16.3	9.4
Mexico	Sep 77	0.5	16.5	44.6
Taiwan	Sep 77	−0.5	8.9	3.8
Thailand	Jul 77	1.0	10.1	7.1

EXPORT PRICES

US $

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Jul 77	−12.4	16.3	28.4
India	Feb 77	8.0	10.4	8.9
Iran	Aug 77	0	35.0	18.7
South Korea	77 II	1.4	8.7	8.5
Nigeria	May 76	−0.1	27.3	12.3
Taiwan	Aug 77	−0.3	11.8	5.3
Thailand	Dec 76	2.0	13.3	13.1

OFFICIAL RESERVES

	Latest Month		Million US $		
	End of	Million US $	Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Jun 77	5,707	1,013	3,716	5,863
India	Oct 77	4,886	1,006	2,778	4,395
Iran	Oct 77	11,547	208	8,542	11,592
South Korea	Sep 77	4,040	602	2,374	3,502
Mexico	Mar 76	1,501	695	1,479	1,533
Nigeria	Oct 77	4,551	148	5,635	4,495
Taiwan	Aug 77	1,416	531	1,586	1,331
Thailand	Oct 77	1,906	978	1,937	2,017

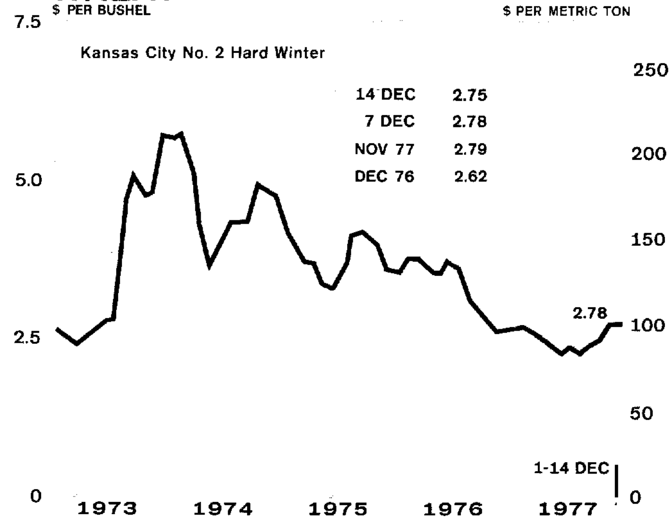
FOREIGN TRADE, f.o.b.

	Latest Period		Latest 3 Months Percent Change from: 3 Months Earlier [1]	1 Year Earlier	Cumulative (Million US $): 1977	1976	Change
Brazil	Oct 77	Exports	−47.7	5.0	10,171	8,119	25.3%
	Oct 77	Imports	11.4	−4.4	9,989	10,250	−2.5%
	Oct 77	Balance			182	−2,131	2,313
India	Jul 77	Exports	−42.6	1.8	3,165	2,923	8.3%
	Jul 77	Imports	10.6	2.7	2,529	2,480	2.0%
	Jul 77	Balance			636	443	193
Iran	Sep 77	Exports	0.2	−0.3	17,793	16,865	5.5%
	Sep 77	Imports	2.8	3.5	9,479	9,301	1.9%
	Sep 77	Balance			8,313	7,564	749
South Korea	Aug 77	Exports	43.9	20.3	6,217	4,838	28.5%
	Aug 77	Imports	16.4	18.8	6,265	5,121	22.3%
	Aug 77	Balance			−47	−283	235
Mexico	Aug 77	Exports	−46.9	30.5	2,743	2,125	29.1%
	Aug 77	Imports	101.8	−16.5	3,260	4,070	−19.9%
	Aug 77	Balance			−517	−1,945	1,428
Nigeria	Sep 77	Exports	−18.9	14.6	3,638	2,940	23.7%
	Dec 76	Imports	86.7	8.4	2,531	1,990	27.2%
	Dec 76	Balance			1,502	1,102	399
Taiwan	Sep 77	Exports	28.7	9.0	6,637	5,902	12.5%
	Sep 77	Imports	−13.9	6.1	5,722	5,111	11.9%
	Sep 77	Balance			915	790	125
Thailand	Aug 77	Exports	−18.7	26.3	2,392	1,911	25.2%
	Aug 77	Imports	28.4	40.2	2,716	2,101	29.3%
	Aug 77	Balance			−324	−190	−134

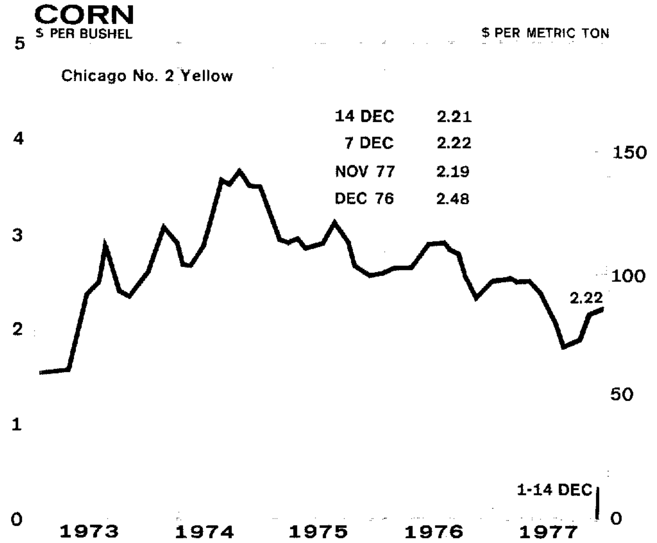
[1] At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

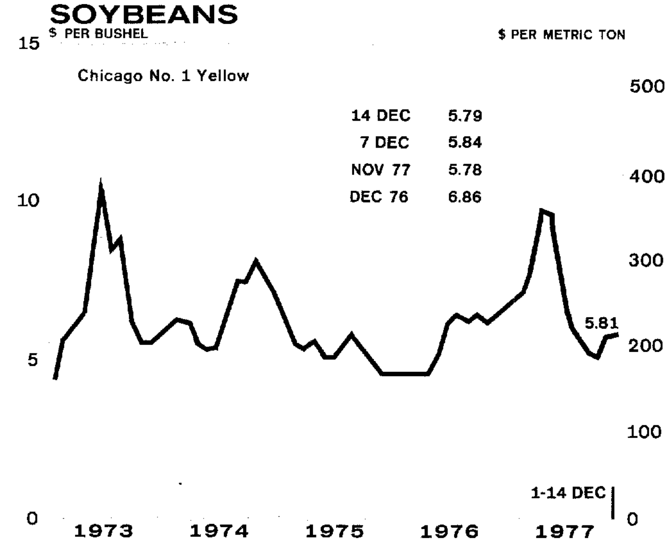
WHEAT



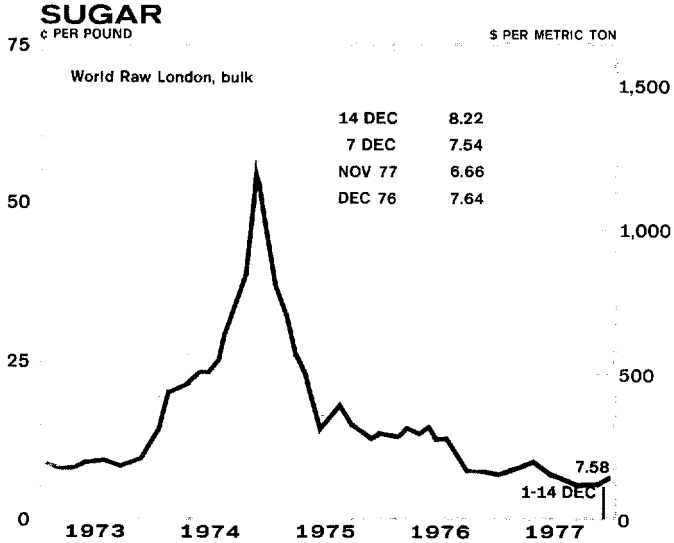
CORN



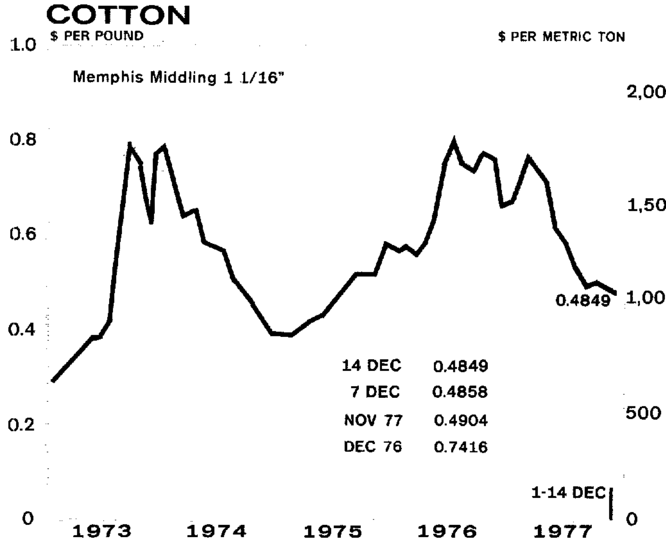
SOYBEANS



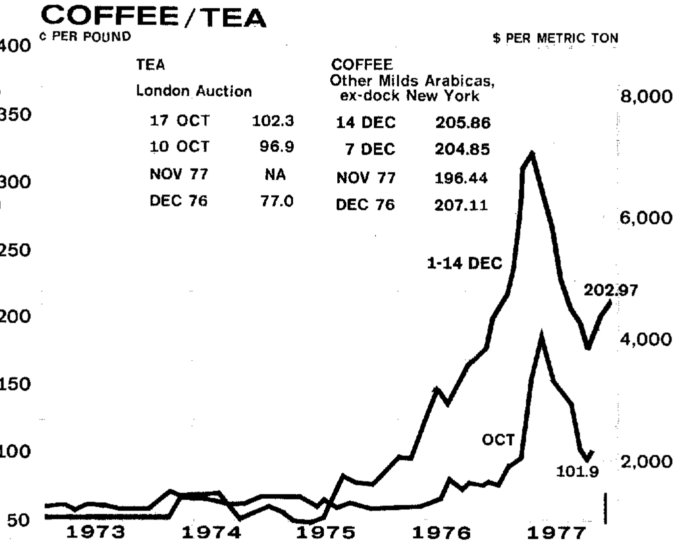
SUGAR

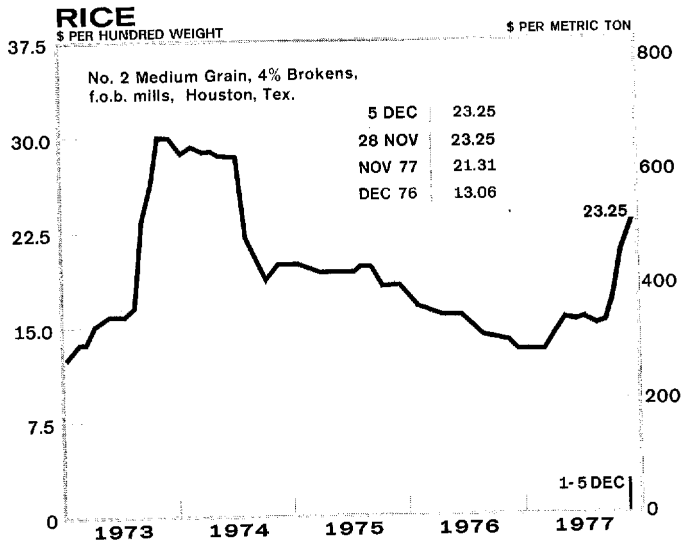


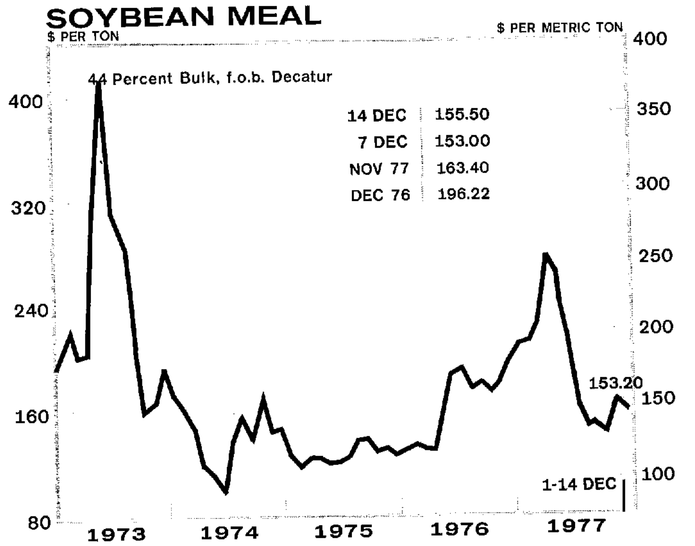
COTTON

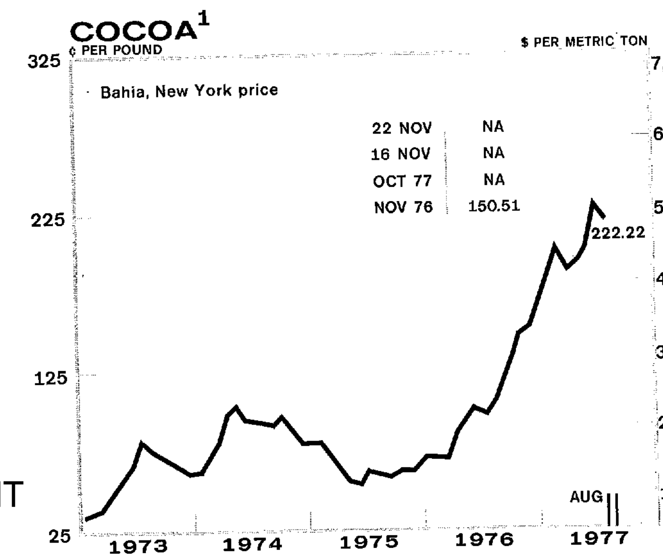


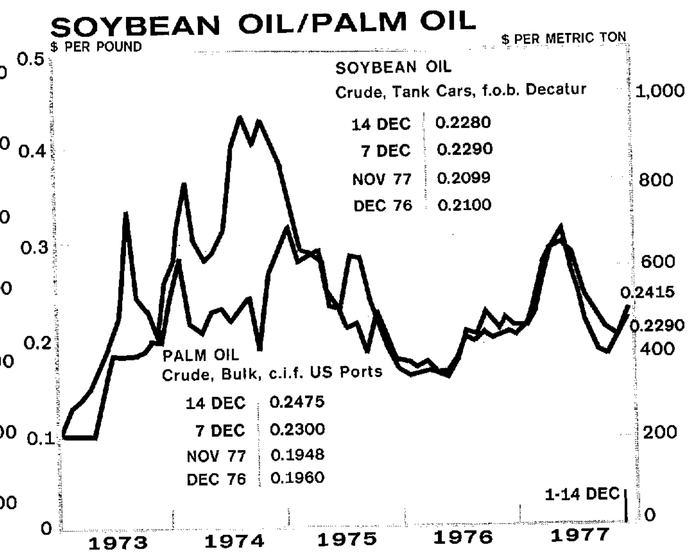
COFFEE/TEA

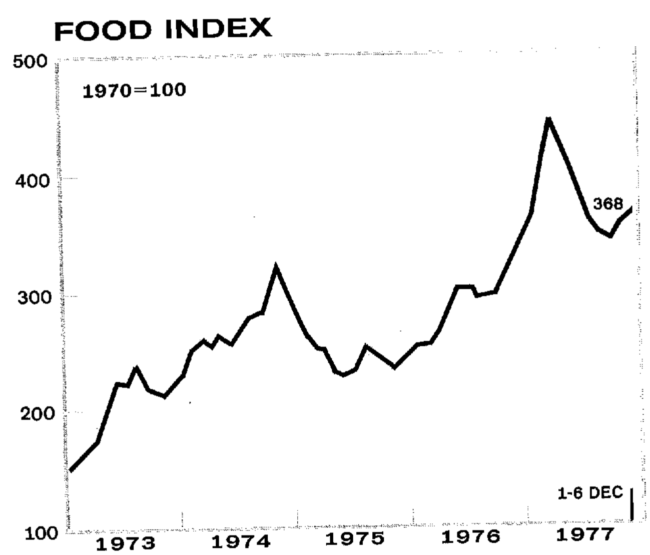












[1]The chart on Cocoa prices will be deleted because the data are not available.

NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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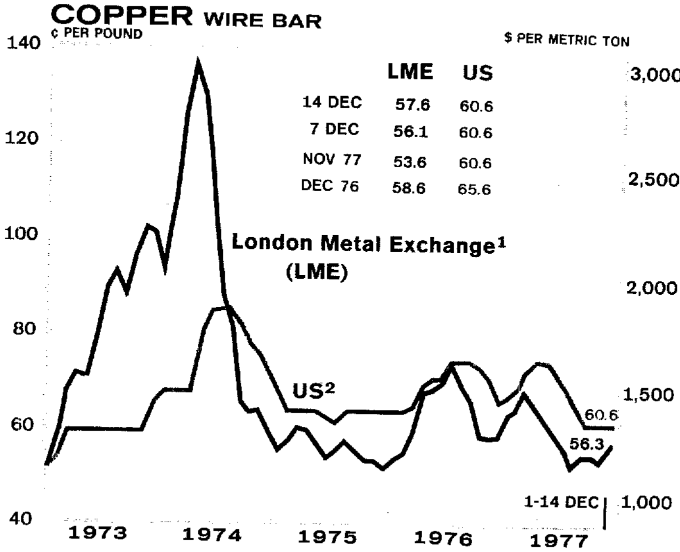
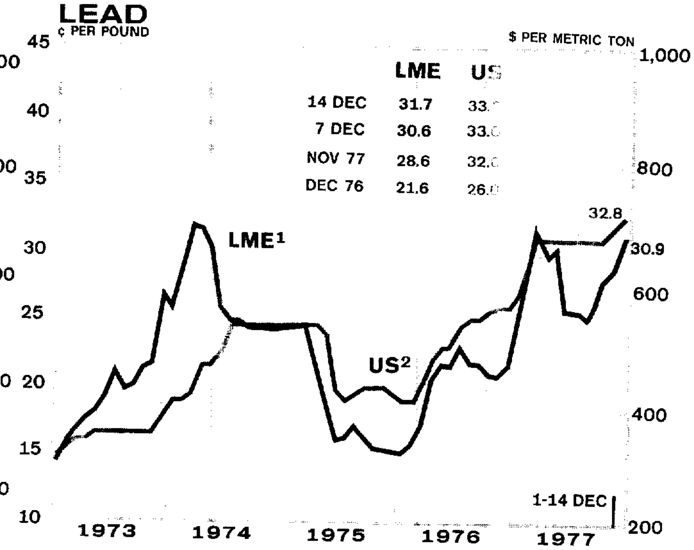
INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

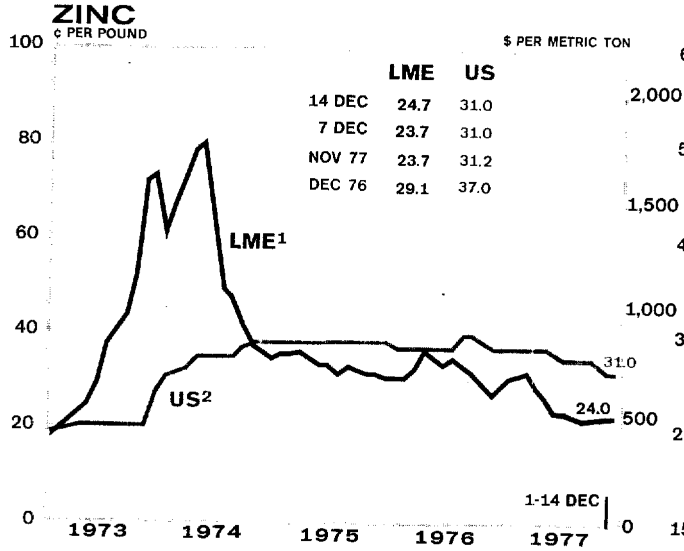
COPPER WIRE BAR



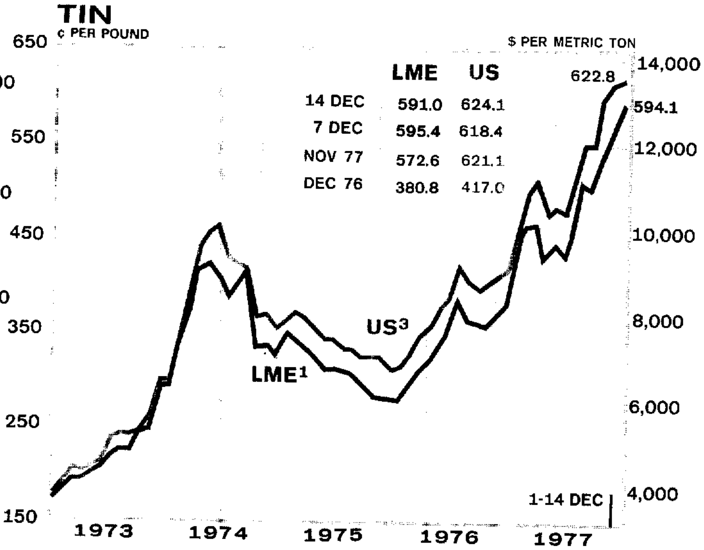
LEAD



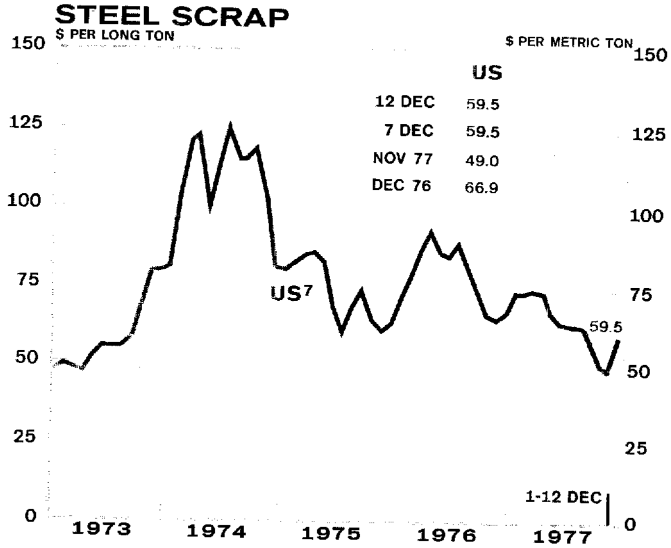
ZINC



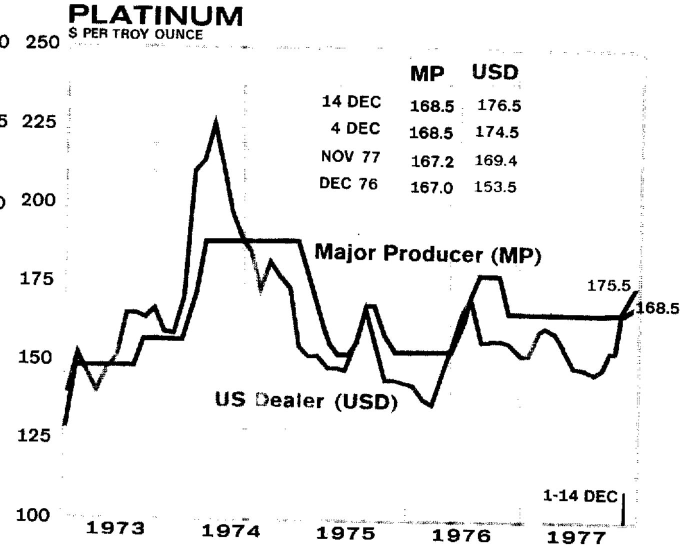
TIN



STEEL SCRAP

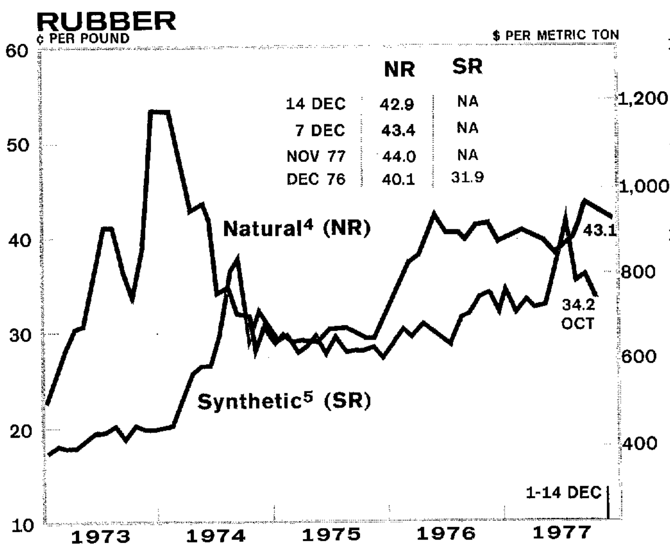


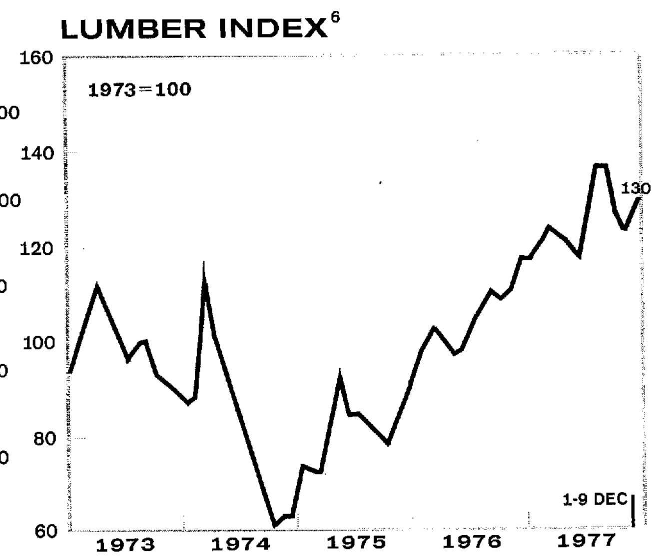
PLATINUM



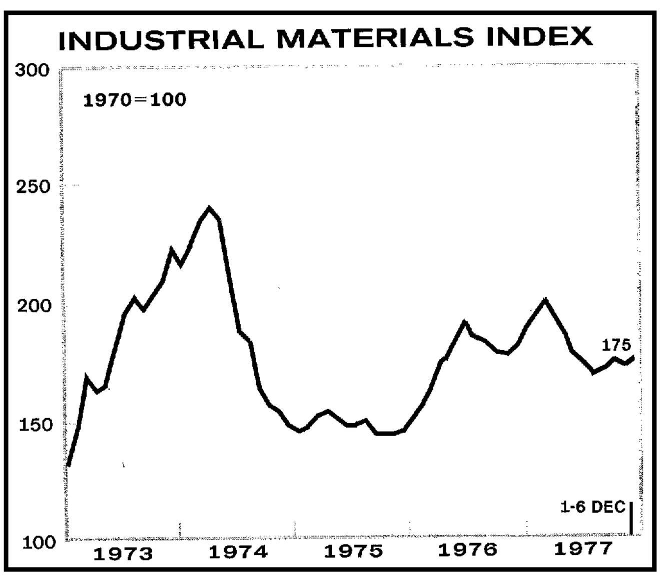
SELECTED MATERIALS

			CURRENT	JUN 77	DEC 76	DEC 75
ALUMINUM	Major US Producer	¢ per pound	53.00	44.00	48.00	41.00
US STEEL	Composite	$ per long ton	359.36	316.36	333.78	306.72
IRON ORE	Non-Bessemer Old Range	$ per long ton	21.43	19.50	20.51	18.75
CHROME ORE	Russian, Metallurgical Grade	$ per metric ton	150.00	150.00	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	$ per long ton	58.50	39.00	42.00	44.50
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	41.00	45.00	43.00	52.00
NICKEL	Composite US Producer	$ per pound	2.07	2.20	2.41	2.20
MANGANESE ORE	48 Percent Mn	$ per long ton	72.24	72.00	72.00	67.20
TUNGSTEN ORE	Contained Metal	$ per metric ton	21,563.68	13,954.00	18,352.00	10,960.00
MERCURY	NY	$ per 76 pound flask	123.00	110.00	134.50	120.00
SILVER	LME Cash	¢ per troy ounce	474.63	478.82	434.62	408.93
GOLD	London Afternoon Fixing Price	$ per troy ounce	159.82	125.71	133.79	139.30





CPYRGHT



1 Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

2 Producers' price, covers most primary metals sold in the U S.

3 As of 1 Dec 75, US tin price quoted is "Tin NY lb composite."

4 Quoted on New York market.

5 S-type styrene, US export price.

6 This index is compiled by using the average of 13 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.

7 Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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