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Economic Intelligence Weekly Review

26 January 1978

Secret

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ECONOMIC INTELLIGENCE WEEKLY REVIEW

26 January 1978

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CORRECTION: Holders of the **Economic Intelligence Weekly Review** of 19 January 1978 should correct the date in the heading of the table continued on page 9—to 1976, from 1977.

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Articles

NON-OPEC LDCs: IMPROVEMENT IN CURRENT ACCOUNT

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[redacted]

The combined current account deficit of the non-OPEC LDCs dropped by $3 billion (preliminary estimate) in 1977, with results varying widely among individual countries. This improvement, following an even larger drop in 1976, resulted from rapid export growth and continued restraint in imports; both of these basic factors lost force after midyear. Key elements in the variations among the countries include (a) sharp breaks in prices of several international commodities during the summer and (b) decisions by some dynamic LDCs to stimulate their economies and spur development programs.

The 1978 outlook almost uniformly suggests a moderate deterioration in current account balances. The combined deficit probably will exceed the $25 billion total of 1976. Unexpectedly stiff increases in oil prices or major droughts in key food producing countries would raise the 1978 deficit still further.

Patterns in 1977

The conditions that supported the substantial current account improvement of 1976 extended through mid-1977. Demand for LDC exports held up fairly well in the major developed countries, especially the United States and Japan. First half 1977 exports to these two nations were up 30 percent and 22 percent, respectively, over the corresponding 1976 returns. Sharp price increases for many major LDC products—particularly coffee, tea, and cotton—were instrumental in this gain.

Despite the steady improvement, the LDCs did not generally exploit trade gains for domestic growth; they maintained the cautious approach that had characterized their fiscal, monetary, and commercial policies since early 1975. In the first and second quarters of 1977, imports grew only 14 percent and 8 percent, respectively, over the same periods in 1976, with most of the increase tied to higher prices. As a result, reserve holdings increased by about $6 billion in first half 1977, continuing the strong buildup that had taken place in 1976.

After mid-1977, the improvement in non-OPEC LDC current accounts tailed off:

- Real growth in LDC exports practically disappeared in second half 1977 as a result of languid economic recovery in the OECD countries.

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[redacted]

- Prices for a number of LDC export commodities—coffee, tea, and cotton—moved sharply downward at midyear; copper and sugar prices remained depressed.

- Import growth probably began to pick up toward the end of 1977.

Non-OPEC LDCs: Combined Current Account Position and External Financing

Billion US $

	1975	1976	1977
Trade balance	−27	−16	−12
Exports, f.o.b	91	109	125
Imports, f.o.b	118	125	137
Services, net	−11	−13	−15
Balance on goods and services	−38	−29	−27
Private transfers	4	4	5
Current account deficit	**34**	**25**	**22**
Debt amortization	10.5	12.1	13.5
Financing requirements (excluding reserve asset changes)	44.5	37.1	35.5
Reserve asset changes	0.3	9.8	6.0
Gross financing requirements	44.8	46.9	41.5
Financing other than by external borrowing	9.6	10.6	11.5
Financing by external borrowing	35.2	36.3	30.0
Official	15.2	15.5	16.0
Private	11	11.5	12.5
Short term capital flows (including errors and ommissions)	9	9.3	1.5

Country Groupings

Lags in reporting make it difficult to tell how widespread and persistent these patterns have been. On the basis of partial data, we have divided the non-OPEC LDCs into four rough categories with regard to current account performance.

1. ***Imports Restrained Despite Export Gains.*** A number of LDCs still are combining strong export growth with tightly controlled or slower growing imports. Many in this group benefited from star performances of major products —coffee was most often the leader—and a sufficiently diversified export mix to cushion the leveling off of developed country demand. The divergence between import and export growth led to greatly improved current account positions in ***Brazil*** and ***Mexico*** and to improvements in ***India***, the ***Philippines***, and ***Jamaica.*** In the case of India, the improvement stemmed mainly from good harvests, which all but eliminated the need for grain imports.

[redacted]

Countries in this first group probably accounted for approximately $5 billion of the gross improvement in the total non-OPEC LDC deficit, with Brazil and Mexico alone contributing more than $3 billion. Smaller countries among the gainers included ***Cameroon*** and ***Ghana.*** Some of these smaller countries did less well in second half 1977 because of declines in commodity prices.

Selected Non-OPEC LDCs: Current Account Balances

Million US $

	1975	1976	1977
Argentina	−1,300	600	1,300
Bangladesh	−1,000	−500	−390
Bolivia	−170	−140	−185
Brazil	−6,700	−6,200	−4,500
Chile	−600	20	−300
Colombia	−125	187	772
Egypt	−2,520	−2,000	−2,200
India	−1,300	1,000	1,200
Ivory Coast	−425	−239	−25
Jamaica	−300	−300	−50
Malaysia	−160	670	355
Mexico [1]	−3,700	−3,000	−1,600
Morocco	−500	−1,400	−800
Pakistan	−935	−925	−1,105
Peru	−1,540	−1,160	−860
Philippines	−1,000	−1,100	−900
South Korea	−2,000	−500	30
Sri Lanka	−185	−65	20
Syria	−560	−1,175	−1,000
Sudan	−475	−170	−375
Taiwan	−600	400	500
Thailand	−630	−490	−1,000
Tunisia	−220	−325	−335
Zaire	−700	−100	−400
Zambia	−600	−200	−200

[1] Mexican data exclude reinvested earnings.

2. ***Balanced Growth in Trade Accounts.*** Countries in the second—and most numerous—group also benefited from strong first-half demand for exports; they were less under the gun to constrain imports because of past conservative management of their financial affairs. LDCs such as ***Costa Rica, Nicaragua, Sri Lanka, Thailand, Ivory Coast,*** and ***Kenya*** enjoyed exceedingly strong reserve positions as a result of past export earnings—mostly from coffee—and could afford more freedom in their import policies.

With exceptionally good current account performances in 1976, several LDC exporters of manufactures—particularly ***South Korea, Taiwan,*** and ***Malaysia***—also

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experienced good export growth in 1977. Because their exports normally have a high content of imported materials and components, both sides of their international balance sheet frequently grow together. Faced with increasing protectionism in 1977, they spurred export diversification and strengthened their positions in OPEC markets, particularly in the Middle East.

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[redacted]

3. ***Trade Stalled.*** A few non-OPEC LDCs faced depressed export markets or unsettled domestic conditions and were under constraints, similar to those of Mexico and Brazil, to wring out their economies. Countries such as ***Guyana*** (sugar), ***Sudan*** (cotton), and ***Zambia*** (copper) generally did well to hold the line at their 1976 positions. The common tendency among countries in this group was for a moderately larger current account deficit.

4. ***Imports Still Expanding Despite Declining Exports.*** This group of non-OPEC LDCs saw imports rise while exports sputtered or declined. Most of this group—for instance, the ***drought-stricken West African countries***—were saddled with domestic conditions that ruled out restraints on imports in the short run. Also falling in the group are a few countries, such as ***Burma*** and ***Zaire***, that have persistently mismanaged their external economic affairs. The third and fourth groups together offset roughly $2 billion of the $5 billion improvement in the current account deficit attributable to countries in the first group.

Outlook

Global trade almost certainly will expand less rapidly in 1978, mainly because of slow economic growth anticipated in the developed economies. For the non-OPEC LDCs, this portends a reversal of the $3 billion improvement achieved last year, with the probability that the combined deficit will reach $25 billion to $28 billion. The actual outcome will depend largely on how determined the LDCs are in limiting imports.

LDC exports in 1978 should grow no more than the 15 percent of 1977 and probably will be on the lower side of this figure. Given the small gains anticipated in the OECD economies, LDCs can expect export volume gains of only 3 to 4 percent. In the case of coffee, volume gains expected this year should offset reduced prices, leaving the Latin American countries in roughly the same condition on this account as last year. For most other LDC export commodities—the metals group, cotton, and sugar—low prices will mean lower LDC earnings, particularly for the African and Caribbean nations. The growth of LDC exports of manufactures will slow, a decline being softened by sales to Middle East OPEC countries from South Korea, Taiwan, Brazil, India, and others.

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Import trends in 1978 are more difficult to forecast. Third quarter 1977 exports from Big Seven countries to LDCs were up only marginally from the second quarter. On the other hand, the leveling off of growth in LDC reserves in the same quarter could signal an upswing in imports. For the LDC group as a whole, import growth this year should increase by 12 to 14 percent (3 to 5 percent in real terms), somewhat higher than the 1977 level. A number of LDC governments will be under pressure in 1978 to step up domestic spending to replace the declining stimulus from exports to OECD nations. Many of the better managed will of course hold the line, but, for most, imports will grow more rapidly than exports.

Brazil and Mexico will again loom large in the picture, jointly accounting for a possible rise in the deficit of about $500 million to $1 billion. Mexico is intent on spurring domestic growth, mainly by large-scale investment in its oil and gas industries. Although this policy will lead to current account gains in the medium term, the deficit for Mexico should rise in 1978 to roughly $2 billion from last year's $1.6 billion. We anticipate restrained economic policies in Brazil for the remainder of the year. Given increases in the volume of coffee exports, this could mean a slight lowering of its current account deficit, to about $4.2 billion. The problems of a presidential transition, however, add an element of uncertainty this year; another deterrent to improvement is the lack of buoyancy in export markets for products other than coffee. At best, Brazil could offset some of the deterioration in the Mexican deficit but the impact would be small. (Unclassified)

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NATURAL RUBBER AGREEMENT COULD SPUR INVESTMENT

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[redacted]

Propelled by political and economic considerations, natural rubber producers and consumers probably will negotiate a price/supply stabilization agreement following next month's UNCTAD meeting in Geneva. With oil price hikes causing costs of production of synthetic rubber to rise more rapidly, natural rubber producers have the opportunity to increase their share of the market. Although locked in to present expansion rates for the near term, producing countries could boost output in the 1980-85 period by major financial commitments in the next year or so. A commodity stabilization agreement could provide security for the necessary additional investment in new higher yield plantings.

Upcoming Decision in Geneva

For a year now, natural rubber producing and consuming countries have been meeting periodically to analyze the essential elements of a stabilization agreement. These deliberations, part of the UNCTAD Integrated Program for Commodities, will culminate with a decision late next month on whether or not to enter formal negotiations for a natural rubber agreement. Until recently, the United States and several European consumers had been pressing for further study. Last month, however, the EC joined Japan and other consuming countries favoring the rubber producers' call for early negotiations. The EC action, coming on the heels of suspended common fund negotiations, may have been an effort to show good faith in the North-South dialogue. Faced with producer threats to go it alone, most consuming nations also appear eager to preserve a voice in any rubber stabilization plan. It now appears likely that formal negotiations on a natural rubber agreement will commence sometime after February.

The final agreement seems likely to incorporate the key feature of the current International Tin Agreement, namely an international buffer stock from which sales and purchases would be made to keep prices within a predetermined band. To defend a band on the order of 10 percent, it is generally conceded that the buffer stock would have to be about one-half million tons. Purchases and sales from the stock would be managed by a joint producer-consumer International Rubber Council.

Economic advantages for each side are expected to push negotiations toward an early agreement. Over the longer term, consumers seek to hold down price increases by expanding the supply of natural rubber, which is based on renewable resources and

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is less costly to produce than synthetic. Natural rubber producers see an agreement as a means to achieve price stability and to stimulate investment, expand output, and increase their share of world rubber sales.

Market Outlook Through 1985

Demand Factors

We expect total demand for all rubber to grow at an average of about 5 percent yearly, leading to consumption of 14 million tons in 1980 and 17 million tons in 1985. This is substantially below the 1960-73 rate of about 7 percent and reflects the impact of oil price increases on the size and number of motor vehicles as well as slower economic growth. Recent projections of motor vehicle fleets in the United States, Japan, and the four largest EC countries suggest only a 3.3 percent average yearly growth in rubber use through 1980. These countries, which account for more than one-half of world rubber use, already have a high ratio of vehicles per capita; in most other countries small, expanding vehicle parks permit a more rapid growth in rubber use.

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A slight shift in favor of natural over synthetic rubber has taken place in recent years, primarily because of increasing demand for natural rubber for the production of radial tires and higher prices for synthetic. The outlook is for tighter supplies of the petrochemicals used in synthetic production; some tire companies with large synthetic rubber capacities are increasing investment in rubber plantations.

The basis for any large expansion in natural rubber output rests with smallholders, who account for well over 60 percent of global output. They cut back production early when price declines—even in the short run—and are slow to invest without guarantees of price stability. Malaysia, Indonesia, and other producers acknowledge the need to assist these small producers and would be more willing to commit funds with a price stabilization agreement.

Supply Factors

World rubber capacities will exceed anticipated demands to 1980. On the basis of current industry plans, we estimate that natural and synthetic capacity will reach 16 million tons by 1980—about 15 percent more than anticipated consumption. Synthetic rubber capacities will total 11.7 million tons, according to industry projections, while natural rubber capacity will be about 4.5 million tons.

Present plantings and yields in Malaysia, Indonesia, and Thailand—representing about four-fifths of supply—suggest that natural rubber output in 1980 will be about

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4.3 million tons, or 95 percent of capacity. Despite excess synthetic rubber capacity, natural rubber producers should have a competitive advantage and be able to sell all they can produce between now and 1980.

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Natural rubber's advantage stems from the quadrupling of petroleum prices in 1973/74. This hiked production costs of synthetic rubber by 17 cents per pound, but costs of natural rubber rose by only 1.5 cents. The break-even point for the average synthetic rubber producer now is 40 cents per pound, compared with 25 cents per pound for inefficient producers of natural rubber. Cost disparities are even greater between natural rubber and polyisoprene, a synthetic rubber that is chemically identical to, and competes more directly with, natural rubber in such end uses as radial tires. Because of the cost differentials, the US polyisoprene industry has been forced to cut output since the oil crisis to about 60 percent of capacity.

Capacity limitations will restrict natural rubber producers to about one-third of the rubber demanded in 1980—roughly the present market share. Demand for synthetic rubber will remain strong, enabling the industry to push through some of its increased costs. We also look for natural rubber prices to move upwards under the influence of global inflation and higher synthetic rubber prices.

Current expansion plans would permit natural rubber producers to retain their present market share and provide about 5½ million tons in 1985. Any expansion would depend on the willingness of producers and their governments to promote further investment in trees and technology now.

Some indication of the potential for increased output can be gained by comparing Indonesian with Malaysian yields. Output in Indonesia averages 0.4 tons per hectare compared with 0.8 tons per hectare by Malaysia's smallholders and 1.2 tons per hectare by Malaysian rubber estates. If Indonesia, by planting higher yielding strains, could boost yields to the level of Malaysia's smallholders, an additional 1 million tons of natural rubber would be available by 1985.

Less dramatic increases in output could be achieved through improved methods of cultivation, fertilization, and tapping and processing natural rubber. Governments of the rubber producing countries also are trying to expand output by reducing high taxes, lowering export duties, and expanding direct financial assistance to smallholders. Individual producing countries already conduct expansion programs but have yet to undertake major financial commitments. (Confidential)

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Notes

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Japan Announces Robust Current Account Surplus

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Japan posted a record current account surplus in 1977 of $11.1 billion; the previous high was $6.6 billion, set in 1972. For the second year in a row, exports jumped more than 20 percent, in part because of strong auto sales. Higher oil payments helped boost the import bill by 10 percent.

[redacted]

Japan: Current Account

Billion US $

	1976	1977
Trade balance	9.9	17.6
Exports	66.0	79.3
Imports	56.1	61.7
Net services and transfers	−6.2	−6.5
Current account balance	3.7	11.1

Tokyo announced that the volume of exports increased 5 percent last year. We believe volume growth was closer to 13 percent. The official figure announced by the Japanese was derived from the widely used unit-value price index, based on a 1970 price survey. Our estimate was calculated using the recently revised Japanese index of export-contract prices, based on a 1975 survey. The higher estimate is probably more accurate because:

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- The composition of Japanese exports has changed dramatically since 1970. For example, transportation machinery—a high growth sector—carries only a 17-percent weight in the 1970 series and now accounts for 30 percent of Japanese foreign sales.

- The volume derived from the new series is much closer to the 11-percent gain in export volume recorded in the 1977 Japanese GNP accounts.

Import volume—taken from either data series—grew by roughly 3 percent. In this case, the choice of base year weights is less important because the physical composition of Japanese imports has changed little over the past decade. (Unclassified)

France: Unemployment Decline Overstated

Registered unemployment in France fell in December for the fourth consecutive month. The four-month cumulative decline from the record August figure of 1.22 million is 190,000—almost 16 percent. This abrupt reversal of the trend has provoked opposition charges that the government is manipulating the data for political purposes.

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In fact, most of the decline is due to the outdated seasonal adjustment procedure being used. French government economists are aware of the problem but are reluctant to alter their methodology because—ironically—they are afraid that a change now would lead to further charges of political manipulation.

A more realistic CIA seasonally adjusted unemployment series shows a peak of 1.16 million in September and a decline of 87,000 since then. This reduction can be explained by special hiring incentives, which expired on 31 December, and a youth hiring drive vigorously pushed by the employers' association.

The special factors that pushed the official unemployment figures down during the fall are now essentially played out. With economic activity still sluggish, the official January and February unemployment figures are likely to show embarrassing increases. Nevertheless, the February figure—which will be released between the first and second rounds of the parliamentary election—still should be well below the August peak. (Confidential)

* * * * *

Publication of Interest *

The Soviet State Budget Since 1965
(ER 77-10529, January 1978, Unclassified)

This Research Paper surveys the major revenue and expenditure patterns of the USSR state budget from 1965 through the 1977 plan. It relates budgetary appropriations and receipts to changing Soviet economic priorities and explains how the budget's role in the state financial system has evolved since the economic reforms of the mid-1960s.

* Copies of this publication may be ordered by calling [redacted]

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National
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Economic Indicators Weekly Review

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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.

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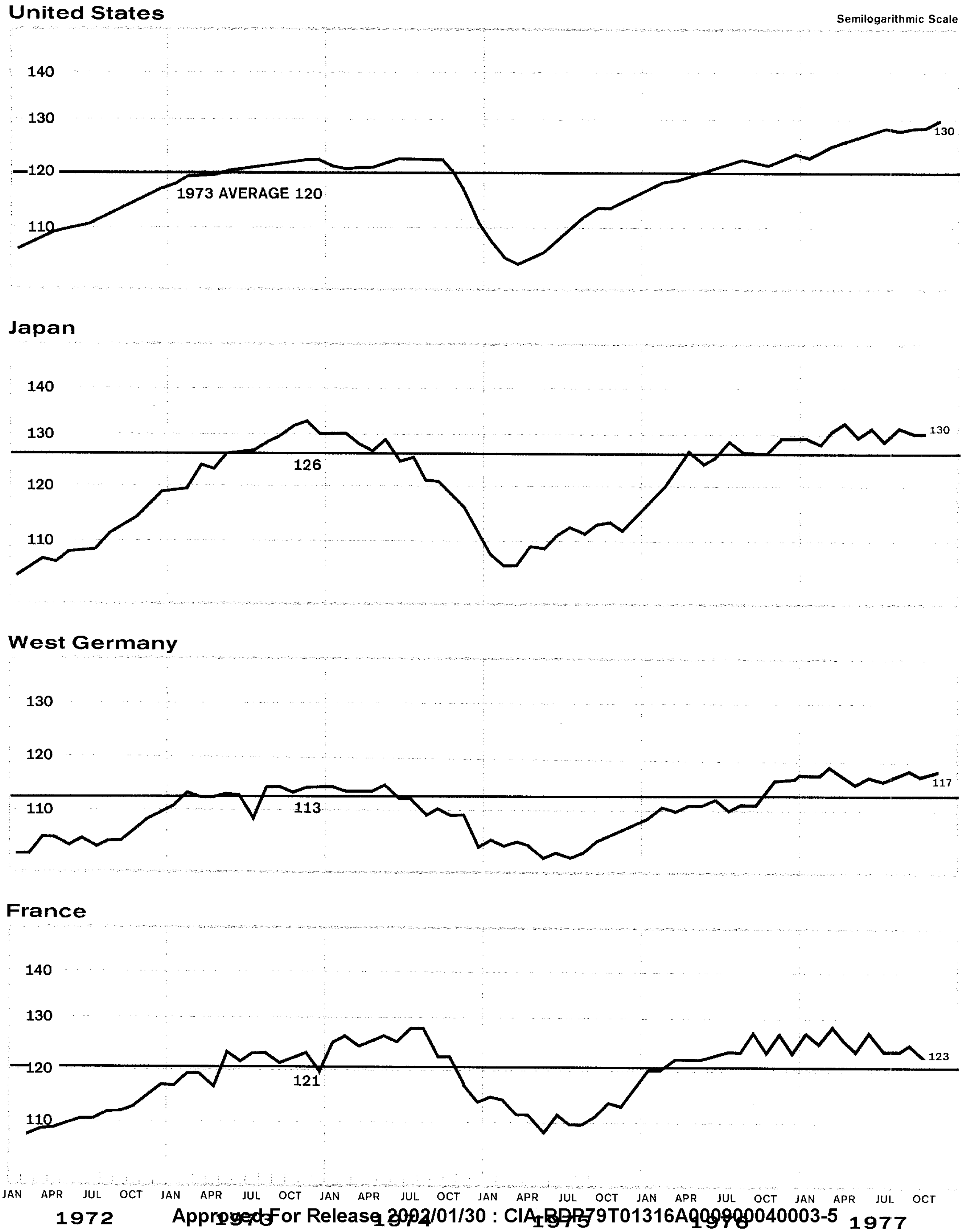
INDUSTRIAL PRODUCTION

INDEX: 1970=100, seasonally adjusted



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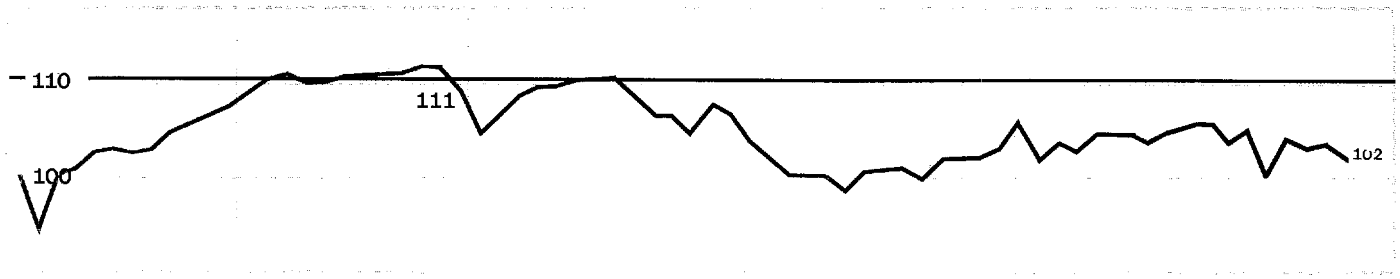
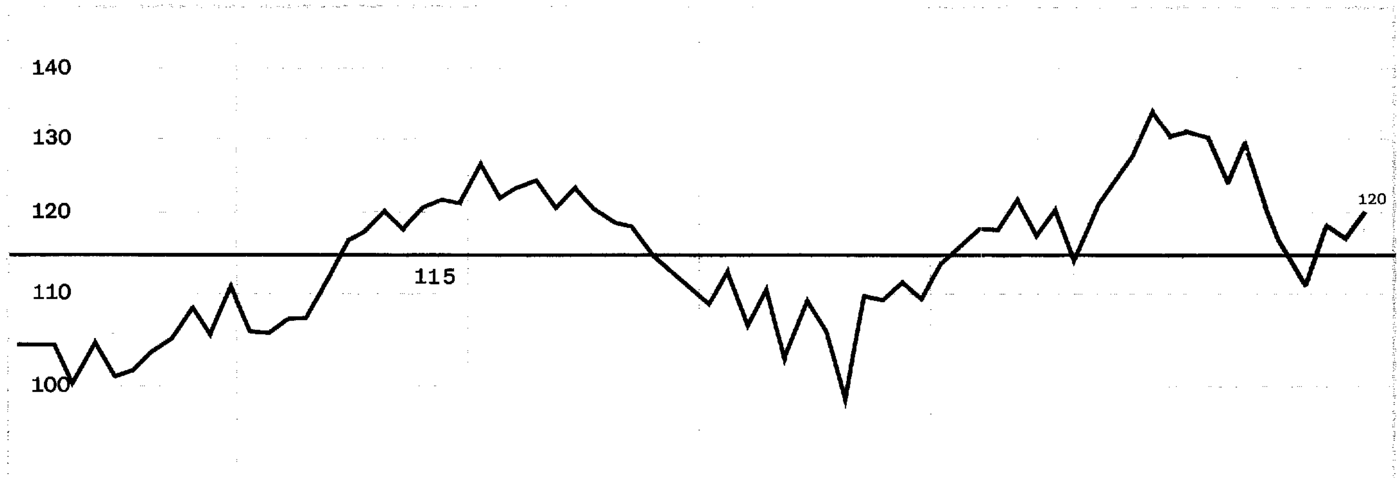
United Kingdom

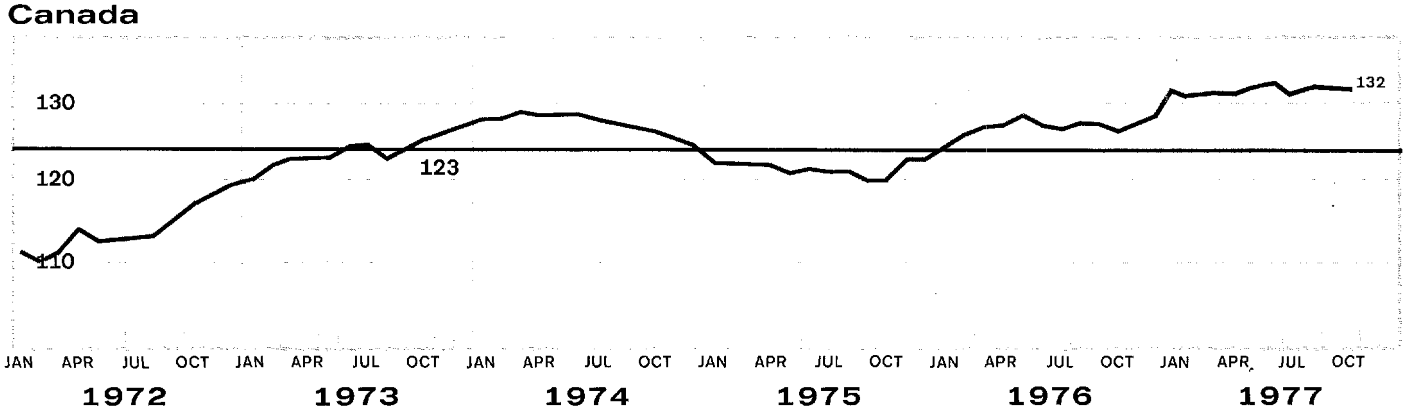
Semilogarithmic Scale



Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[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	NOV 77	0.9	2.2	1.7	3.5
France	OCT 77	-1.6	2.9	0	4.2

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[1]
United Kingdom	OCT 77	-1.3	0.3	-2.3	-0.4
Italy	NOV 77	2.4	2.5	5.9	10.4
Canada	OCT 77	0	3.9	4.5	-0.3

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

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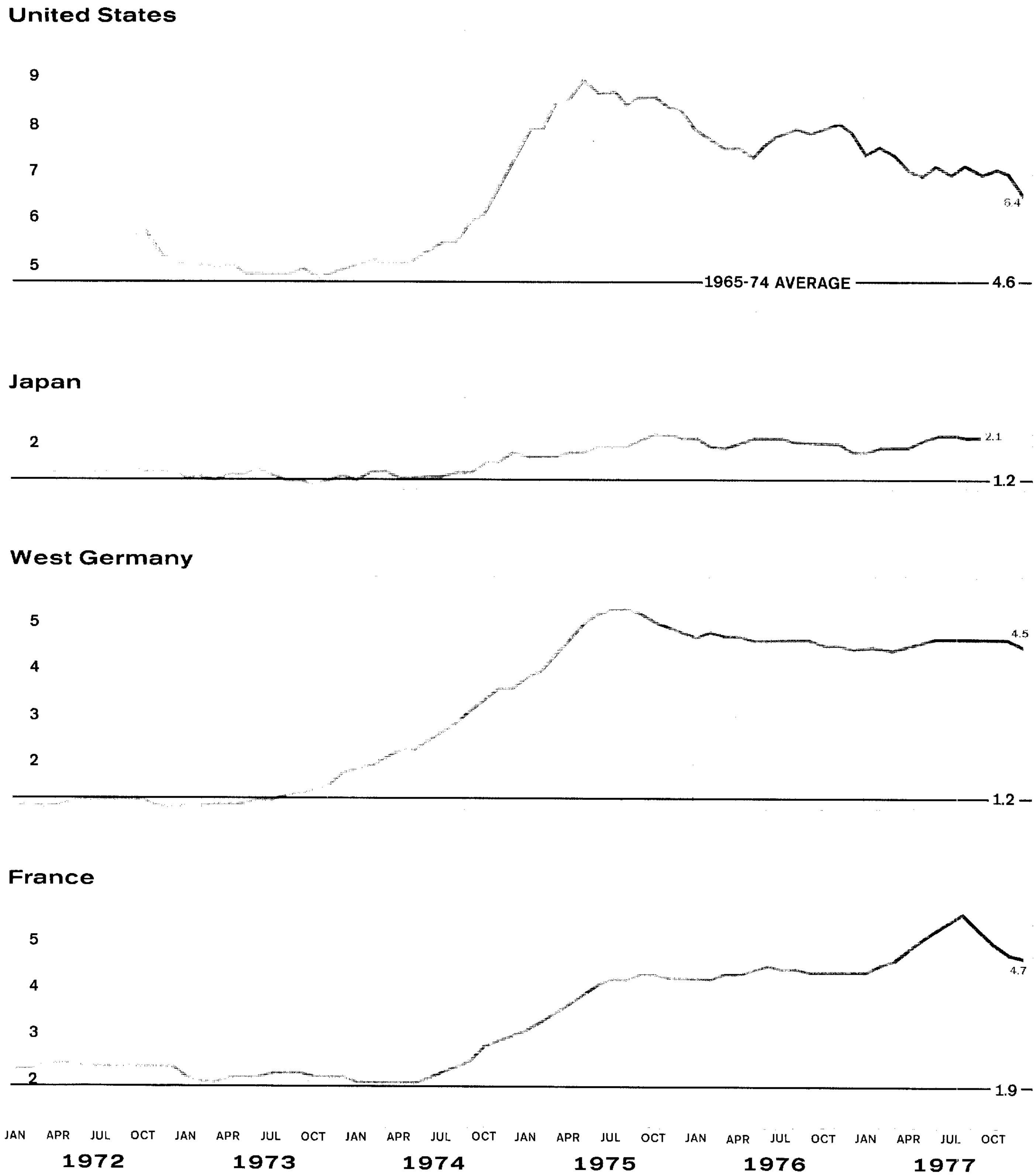
UNEMPLOYMENT PERCENT OF LABOR FORCE



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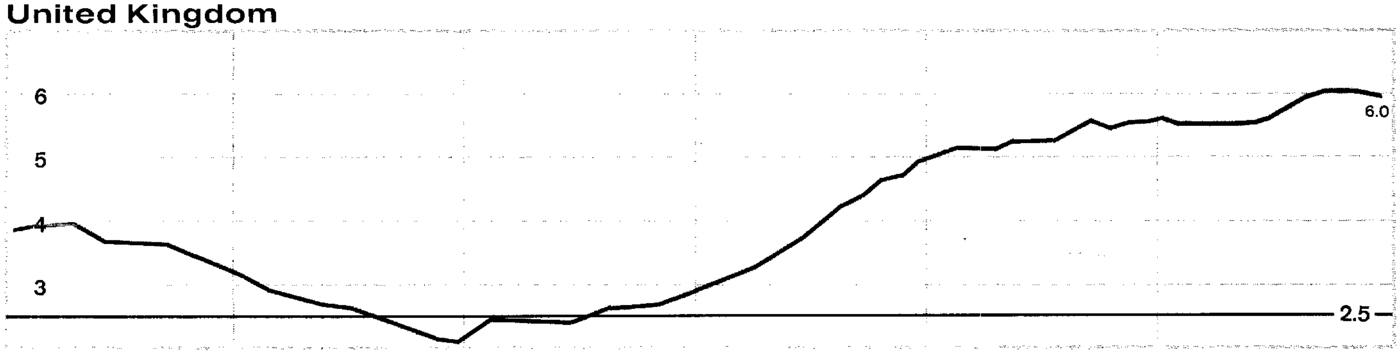
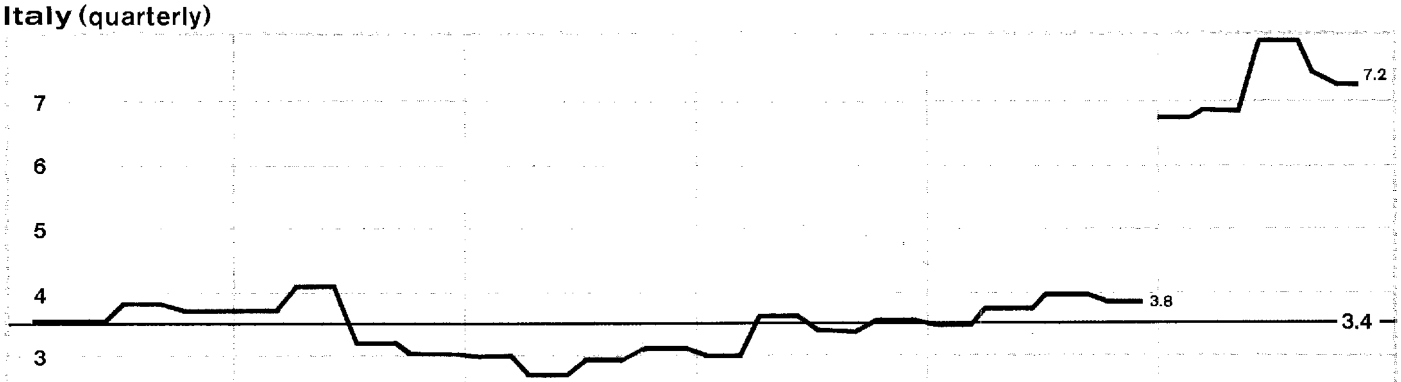
United Kingdom

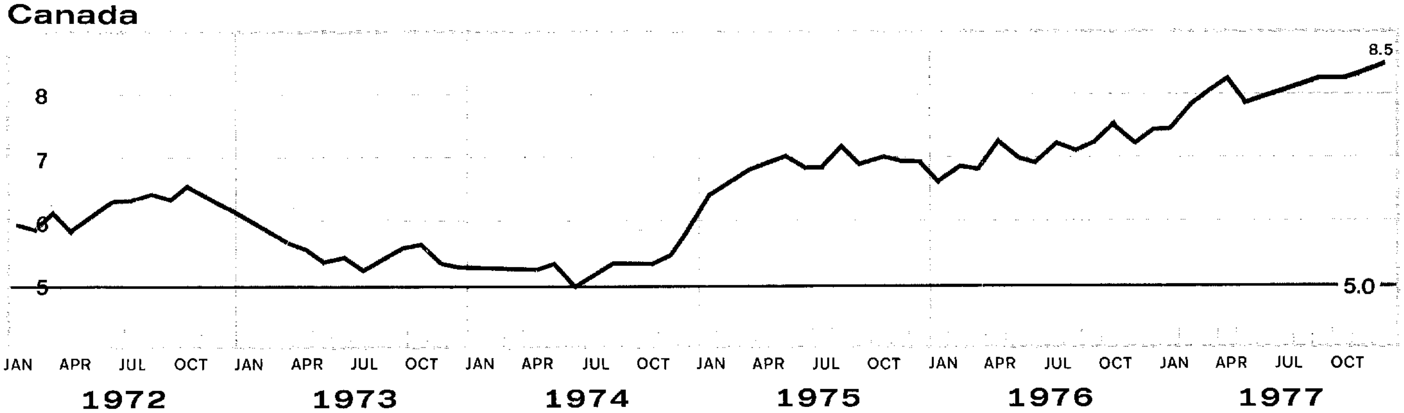


Italy (quarterly)



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.

Canada



THOUSANDS OF PERSONS UNEMPLOYED

	LATEST MONTH		1 Year Earlier	3 Months Earlier
United States	DEC 77	6,337	7,519	6,773
Japan	SEP 77	1,130	1,080	1,190
West Germany	DEC 77	1,027	1,009	1,038
France	DEC 77	1,026	930	1,158

	LATEST MONTH		1 Year Earlier	3 Months Earlier
United Kingdom	DEC 77	1,428	1,326	1,446
Italy	77 IV	1,598	777	1,692
Canada	DEC 77	911	772	798

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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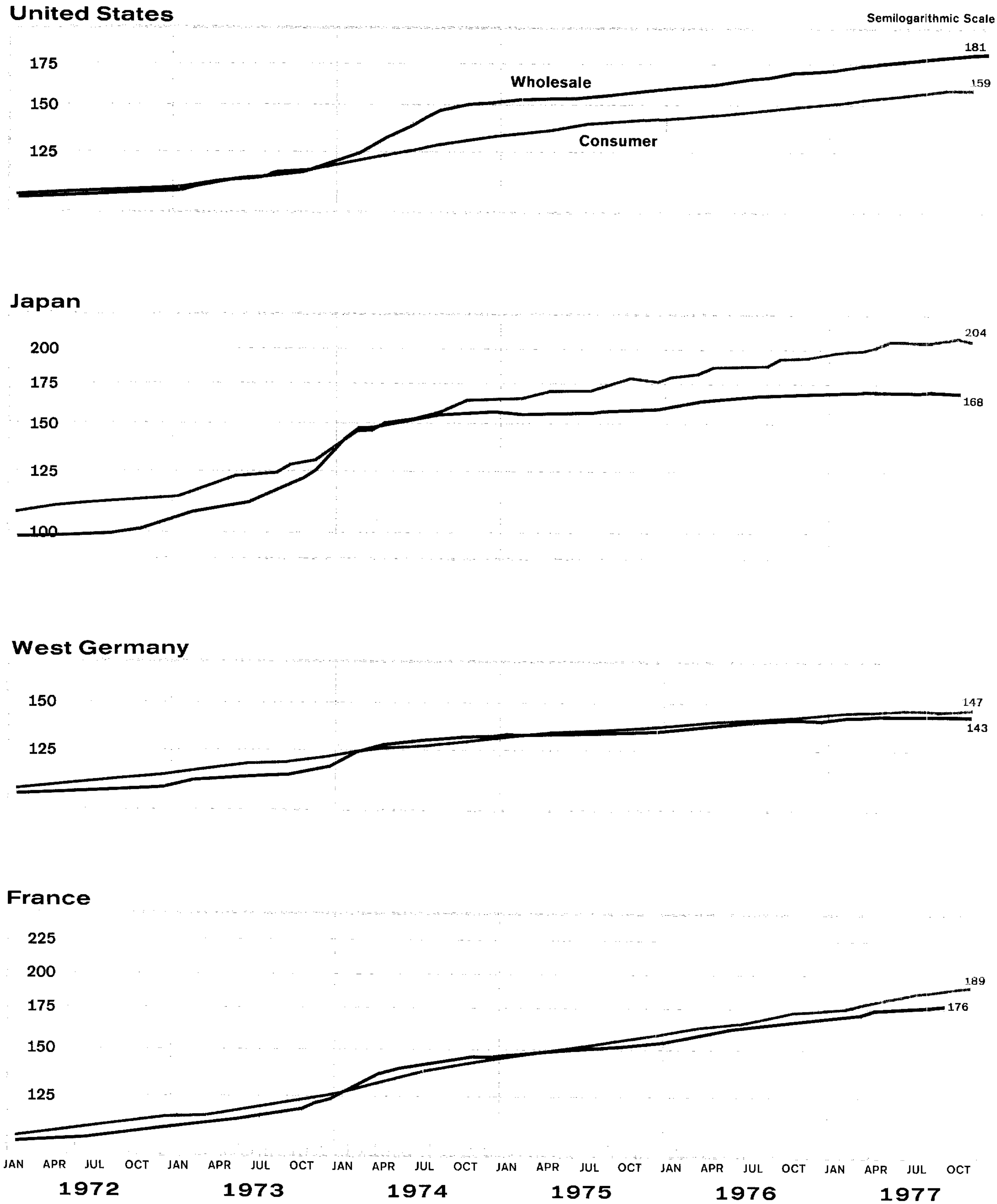
DOMESTIC PRICES[1] INDEX: 1970=100



[1]Wholesale price indexes cover industrial goods.

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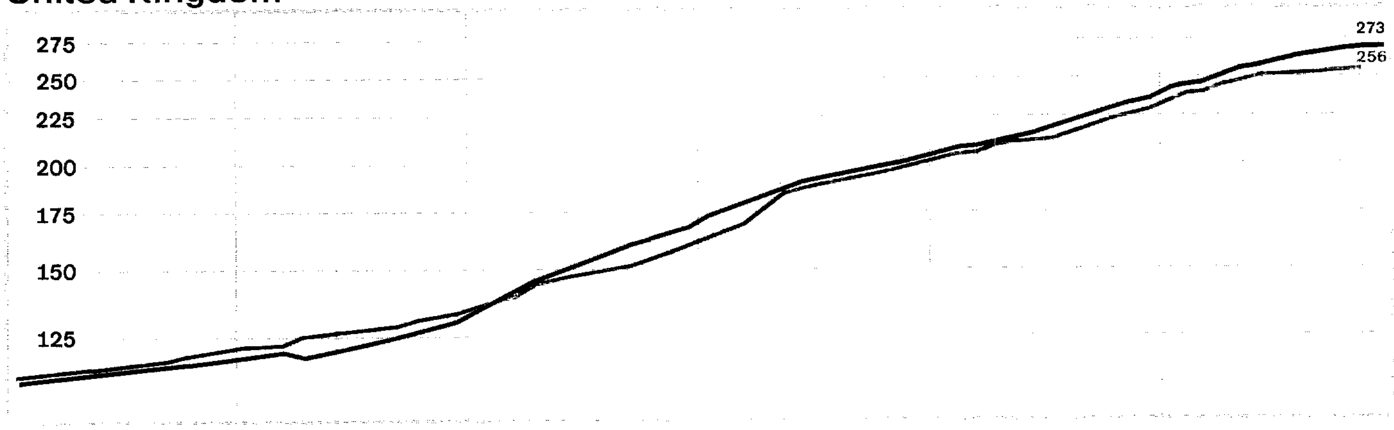
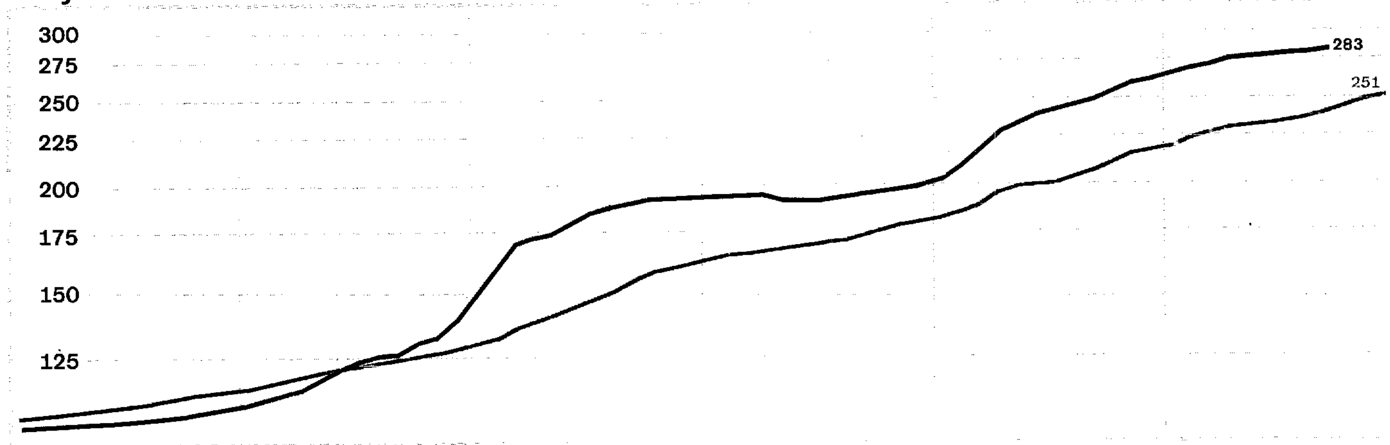
United Kingdom

Semilogarithmic Scale



Italy



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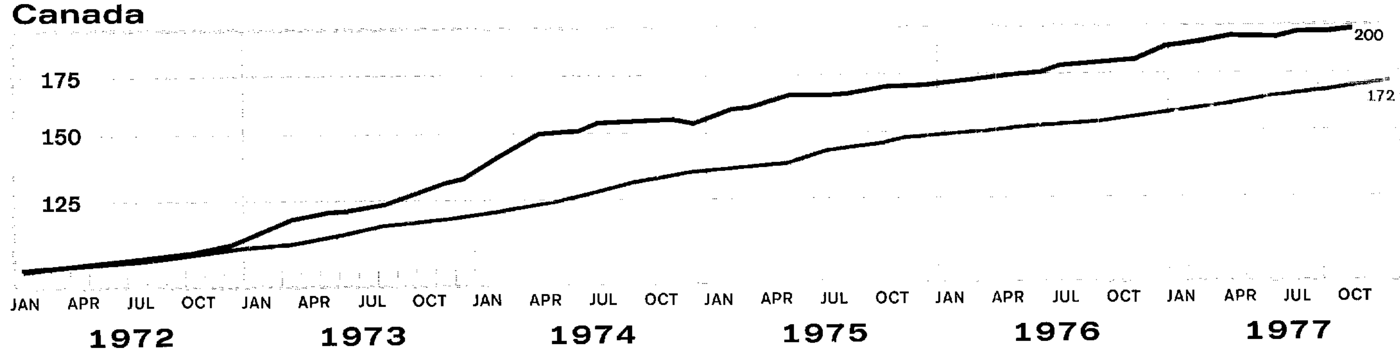

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier
United States	DEC 77	0.4	8.3	6.7	4.5
	NOV 77	0.5	6.5	6.7	4.7
Japan	OCT 77	−0.3	7.4	0.1	0
	NOV 77	−1.2	10.2	6.2	4.5
West Germany	NOV 77	−0.1	5.0	1.7	−0.8
	NOV 77	0.1	5.4	3.7	0.5
France	SEP 77	0.6	8.2	6.1	5.4
	NOV 77	0.4	9.0	9.1	8.5
United Kingdom	DEC 77	0.5	14.4	15.2	6.2
	NOV 77	0.5	13.6	13.0	6.0
Italy	SEP 77	1.0	15.5	14.0	7.4
	DEC 77	0.5	13.2	14.9	12.8
Canada	OCT 77	0.7	10.0	9.9	5.3
	DEC 77	0.7	7.5	9.5	9.6

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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 IV	1.0	3.3	5.7	4.2
Japan	77 III	0.5	5.4	5.1	1.8
West Germany	77 III	−0.1	6.1	2.1	−0.4
France	77 III	0.2	7.2	2.3	0.9
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	Nov 77	0.9	3.4	6.0	9.7
Japan	Jun 77	−0.1	9.8	2.6	1.4
West Germany	Sep 77	−0.8	2.3	1.7	9.5
France	Sep 77	−4.2	−1.3	−8.1	−2.8
United Kingdom	Dec 77	3.2	1.4	1.1	0.8
Italy	Aug 77	5.7	3.6	0.1	14.2
Canada	Oct 77	2.0	4.3	1.4	11.5

[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 IV	2.0	2.3	9.4	8.4
Japan	77 II	0.5	1.1	4.5	2.0
West Germany	77 III	1.7	0.5	8.3	6.8
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	Nov 77	0.5	7.6	8.1	8.2
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	Sep 77	0	15.2	3.1	2.7
Italy	Sep 77	0	20.8	23.8	22.3
Canada	Oct 77	0.2	11.3	11.4	8.9

[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	Jan 18	6.89	4.75	6.57	6.64
Japan	Call money	Jan 20	4.75	7.00	4.88	5.25
West Germany	Interbank loans (3 months)	Jan 18	3.53	4.78	4.08	3.80
France	Call money	Jan 20	8.88	9.88	8.50	9.13
United Kingdom	Sterling interbank loans (3 months)	Jan 20	6.19	14.06	4.93	6.74
Canada	Finance paper	Jan 20	7.12	8.25	7.30	7.09
Eurodollars	Three-month deposits	Jan 20	7.43	5.25	7.05	7.00

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EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Nov 77	1.1	9.3	2.7	3.8
Japan	Jul 77	−1.8	10.4	10.4	−4.4
West Germany	Oct 77	3.1	11.4	7.5	1.9
France	Sep 77	−1.4	11.2	8.3	12.1
United Kingdom	Dec 77	2.1	11.7	21.9	33.0
Italy	Aug 77	1.4	11.4	13.2	21.1
Canada	Oct 77	−0.6	8.7	−5.6	−11.4

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	Nov 77	1.1	9.3	2.7	3.8
Japan	Jul 77	−1.0	6.3	3.1	−5.3
West Germany	Oct 77	1.2	4.3	0.7	−1.2
France	Sep 77	−0.9	9.4	8.5	10.1
United Kingdom	Dec 77	0.1	15.6	10.3	3.8
Italy	Aug 77	1.4	16.9	19.2	19.2
Canada	Oct 77	0	9.4	6.5	1.3

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	Nov 77	1.1	13.0	8.6	3.3
Japan	Jul 77	−1.5	10.5	−2.3	7.0
West Germany	Oct 77	−1.3	3.8	0.4	−11.3
France	Sep 77	−1.0	10.1	7.4	0.6
United Kingdom	Dec 77	0.1	18.1	3.0	−6.7
Italy	Aug 77	2.7	20.9	12.4	19.0
Canada	Oct 77	1.0	8.7	15.6	2.0

OFFICIAL RESERVES

	Latest Month: End of	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	Nov 77	36.8	8.8	34.6	34.9
France	Oct 77	10.1	4.4	9.0	9.9
United Kingdom	Oct 77	20.4	2.8	4.8	13.0
Italy	Nov 77	11.7	4.7	6.5	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 III	−4,302	−13,064	33	−13,097
Japan	Oct 77	1,356	7,834	2,452	5,382
West Germany	Nov 77	605	2,364	2,250	113
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 III	−1,146	−4,102	−3,215	−886

[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	Oct 77	831	−3,660	1,841	−5,501
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 III	345	−447	3,239	−3,686

[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 20 Jan 78

	US $ Per Unit	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	13 Jan 78
Japan (yen)	0.0041	8.78	20.12	3.58	−0.36
West Germany (Deutsche mark)	0.4711	33.05	13.03	6.57	−0.05
France (franc)	0.2114	−4.08	5.16	2.33	−0.48
United Kingdom (pound sterling)	1.9340	−21.41	12.70	8.84	0.10
Italy (lira)	0.0011	−35.20	1.15	0.88	0.61
Canada (dollar)	0.9048	−9.31	−8.55	0.06	−0.53

TRADE-WEIGHTED EXCHANGE RATES [1]
As of 20 Jan 78

	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	13 Jan 77
United States	2.24	−3.41	−2.90	0.28
Japan	13.19	18.08	2.02	−0.29
West Germany	30.36	6.11	2.11	0.02
France	−10.45	−2.95	−2.84	−0.46
United Kingdom	−25.07	7.72	4.94	0.19
Italy	−41.59	−6.30	−3.67	0.79
Canada	−8.83	−10.61	−1.03	−0.51

[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.

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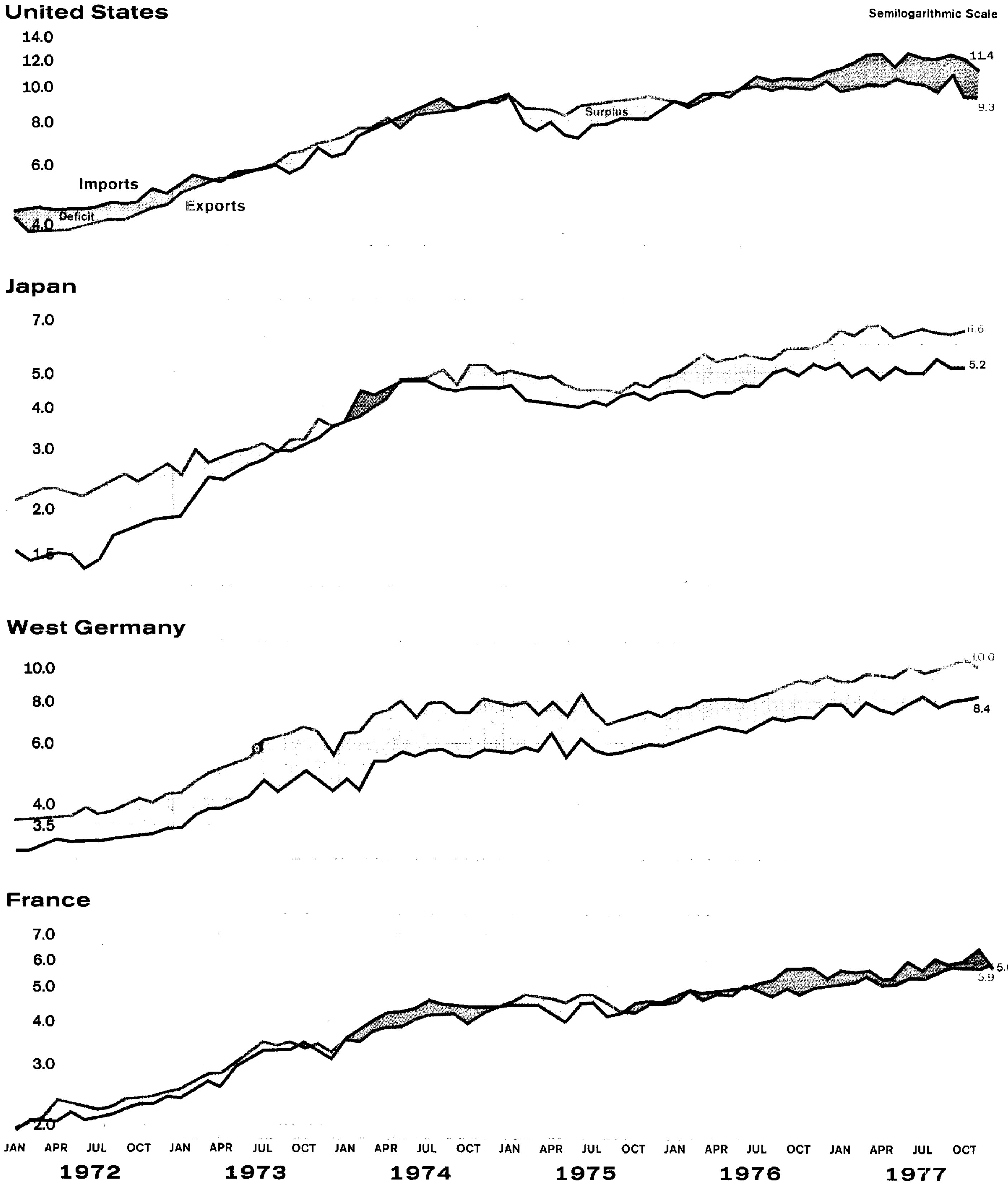
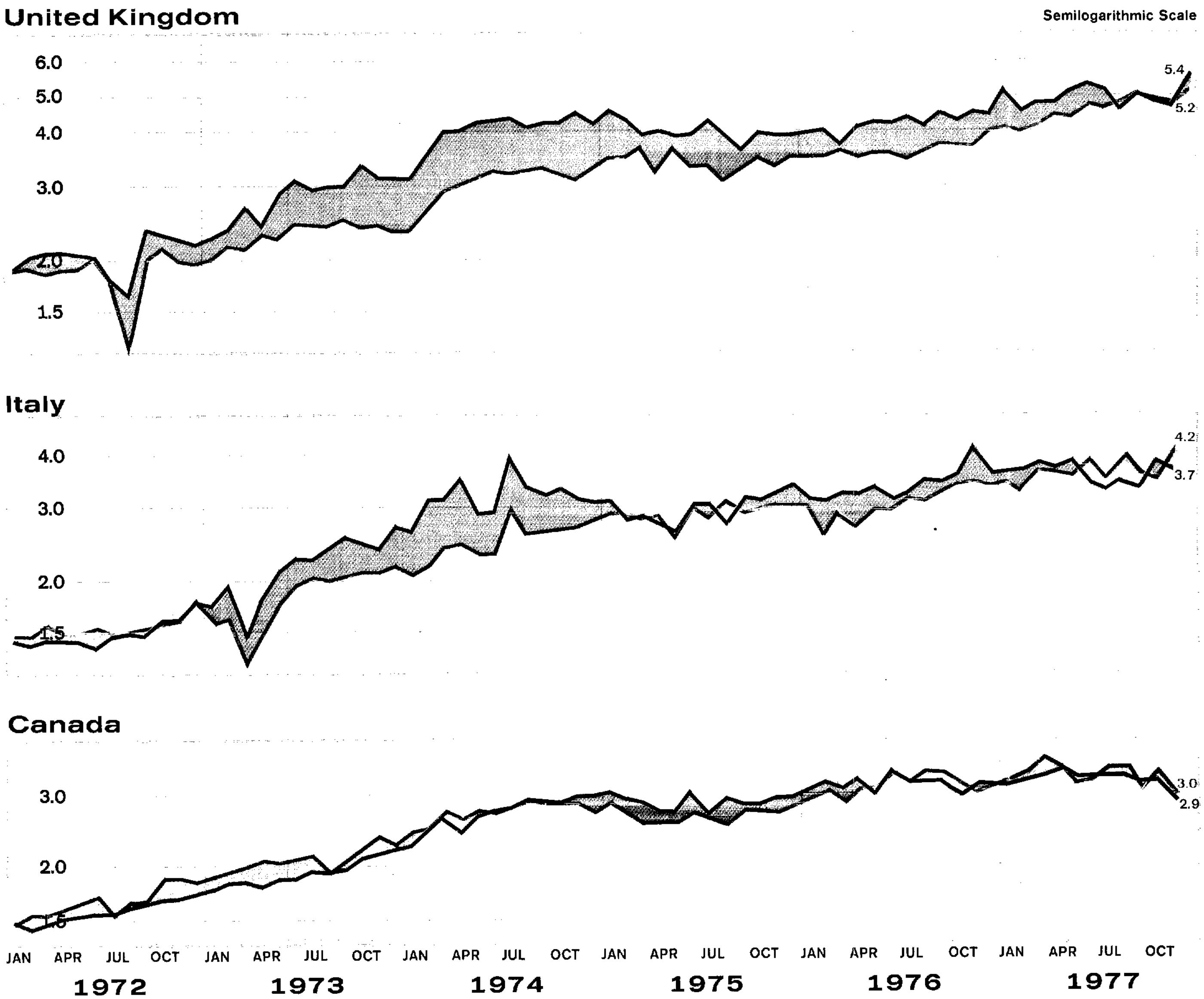
FOREIGN TRADE **BILLION US $, f.o.b., seasonally adjusted**





	Latest Month	Million US $	Cumulative (Million US $) 1977	1976	Change
United States	NOV 77	9,304	109,078	104,463	4.4%
		11,386	133,556	109,475	22.0%
	Balance	−2,082	−24,479	−5,012	−19,467
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	NOV 77	10,046	106,794	92,096	16.0%
		8,357	87,339	75,375	15.9%
	Balance	1,689	19,455	16,722	2,734
France	DEC 77	5,903	65,087	56,844	14.5%
		5,557	67,389	61,051	10.4%
	Balance	346	−2,302	−4,207	1,905
United Kingdom	DEC 77	5,226	56,098	44,336	26.5%
		5,375	59,002	50,823	16.1%
	Balance	−148	−2,904	−6,486	3,583
Italy	NOV 77	4,183	37,310	33,427	11.6%
		3,728	40,042	36,777	8.9%
	Balance	455	−2,731	−3,349	618
Canada	NOV 77	3,008	37,820	35,202	7.4%
		2,906	36,120	34,726	4.0%
	Balance	103	1,700	475	1,225

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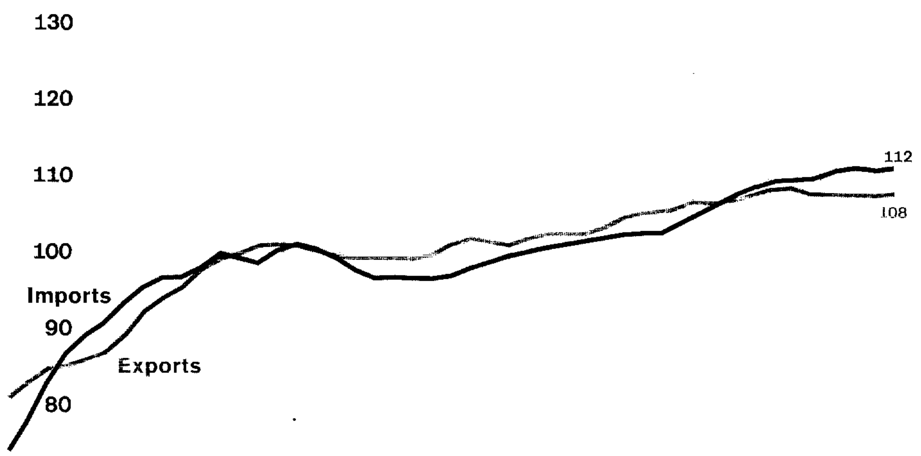
FOREIGN TRADE PRICES IN US $[1]

United States

INDEX: JAN 1975 =100



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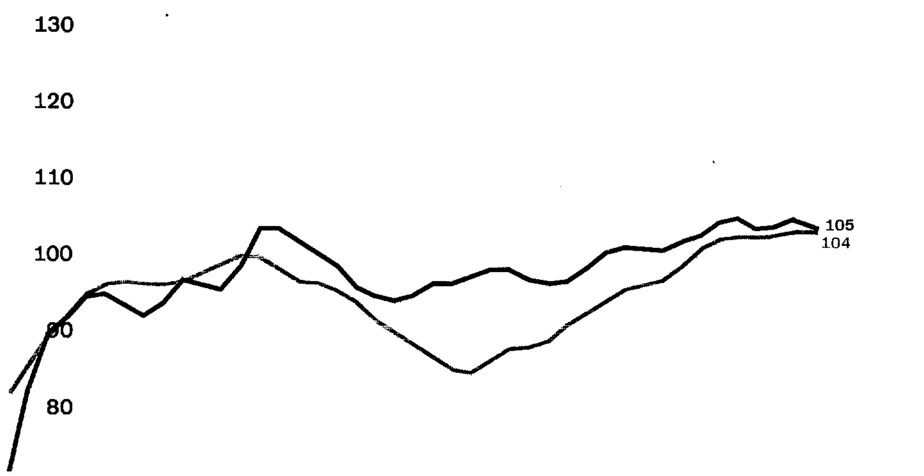
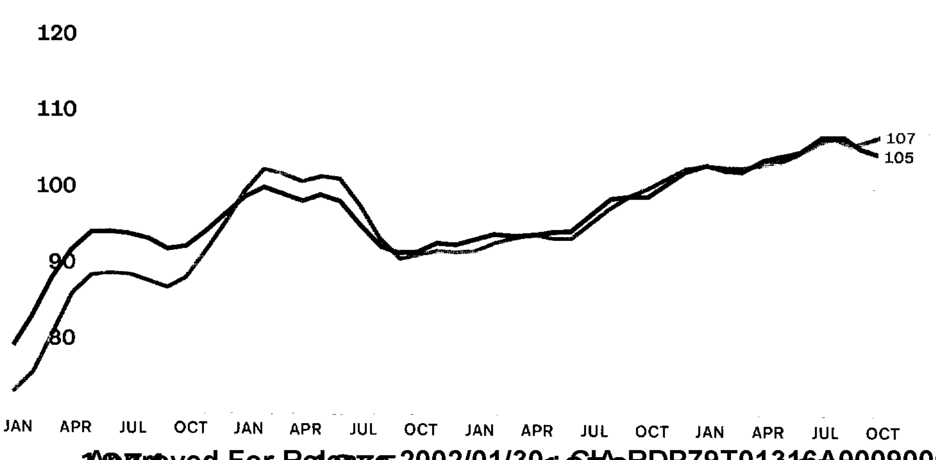


West Germany



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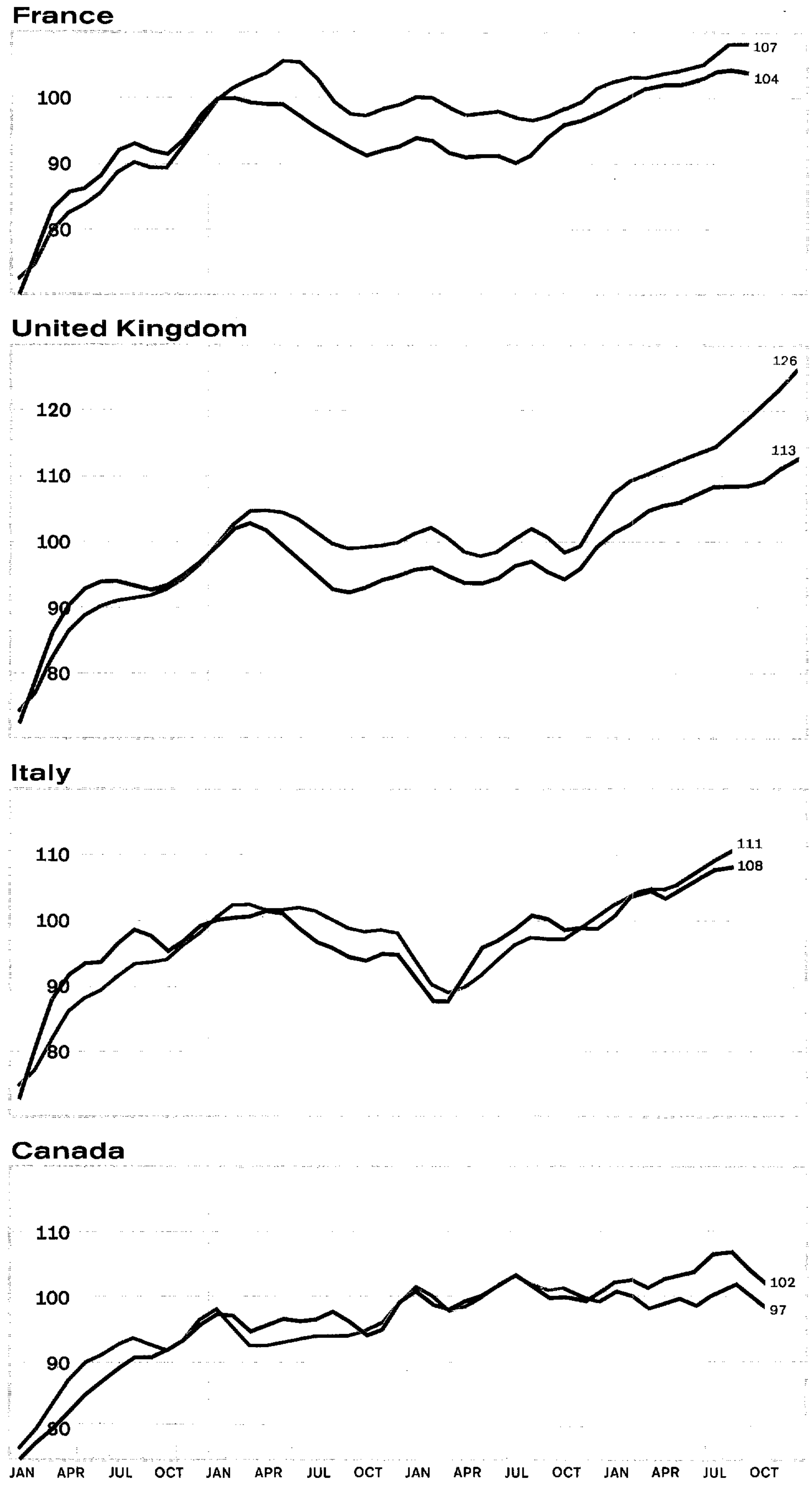
[1]Export and import plots are based on five month weighted moving averages.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Canada
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97
JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1974 1975 1976 1977

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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]
India	Sep 77	0.4	9.4	48.1	118.6
South Korea	Sep 77	−1.0	22.3	17.6	32.6
Mexico	Sep 77	0.2	6.0	5.3	11.2
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	3 Months Earlier [2]
Brazil	Aug 77	0	36.7	46.2	59.1
India	Aug 77	2.9	13.4	15.6	7.8
Iran	Sep 77	3.3	28.5	21.2	−1.4
South Korea	Oct 77	5.9	32.5	47.9	43.1
Mexico	Oct 77	4.9	19.5	26.6	21.9
Nigeria	Apr 77	−2.3	36.9	47.5	99.7
Taiwan	Jul 77	1.4	24.4	27.1	19.9
Thailand	Jun 77	−0.9	13.2	13.0	14.9

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

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Dec 77	2.3	27.4	43.1
India	Sep 77	1.2	8.5	9.6
Iran	Nov 77	0.7	12.2	23.9
South Korea	Nov 77	0.4	14.2	10.6
Mexico	Nov 77	1.1	14.9	22.0
Nigera	Jun 77	4.0	16.2	23.7
Taiwan	Sep 77	−1.9	10.9	10.4
Thailand	Sep 77	1.0	8.8	9.3

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Oct 77	2.3	27.2	34.4
India	Nov 77	−0.7	8.7	4.0
Iran	Nov 77	1.9	10.3	12.3
South Korea	Nov 77	0.4	16.0	8.8
Mexico	Nov 77	0	16.1	23.1
Taiwan	Sep 77	−0.5	8.9	3.8
Thailand	Aug 77	1.1	10.2	7.9

EXPORT PRICES

US $

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Sep 77	−8.2	13.3	4.7
India	Mar 77	−0.9	9.6	17.9
Iran	Oct 77	0	34.1	10.3
South Korea	77 II	1.4	8.7	8.4
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: End of	Latest Month: Million US $	Million US $: Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Aug 77	6,195	1,013	4,405	5,806
India	Oct 77	4,886	1,006	2,778	4,395
Iran	Nov 77	11,511	208	9,124	11,561
South Korea	Oct 77	4,246	602	2,586	3,656
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	Nov 77	1,864	978	1,893	1,992

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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	−47.6	5.0	10,172	8,119	25.3%
	Oct 77	Imports	11.6	−4.4	9,990	10,250	−2.5%
	Oct 77	Balance			182	−2,131	2,313
India	Aug 77	Exports	−64.0	5.0	3,949	3,355	17.7%
	Aug 77	Imports	28.4	7.3	3,258	2,946	10.6%
	Aug 77	Balance			691	410	281
Iran	Oct 77	Exports	57.9	2.6	19,764	18,820	5.0%
	Sep 77	Imports	2.8	20.3	9,479	8,770	8.1%
	Sep 77	Balance			8,209	7,971	238
South Korea	Oct 77	Exports	−6.2	20.2	7,831	6,217	26.0%
	Oct 77	Imports	−9.9	22.0	7,897	6,461	22.2%
	Oct 77	Balance			−66	−244	178
Mexico	Oct 77	Exports	−29.0	34.3	3,367	2,573	30.9%
	Oct 77	Imports	70.1	8.3	4,189	4,838	−13.4%
	Oct 77	Balance			−822	−2,266	1,443
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	−17.5	26.8	2,395	1,911	25.3%
	Sep 77	Imports	32.3	36.6	3,077	2,384	29.1%
	Aug 77	Balance			−322	−190	−132

[1] At annual rates.

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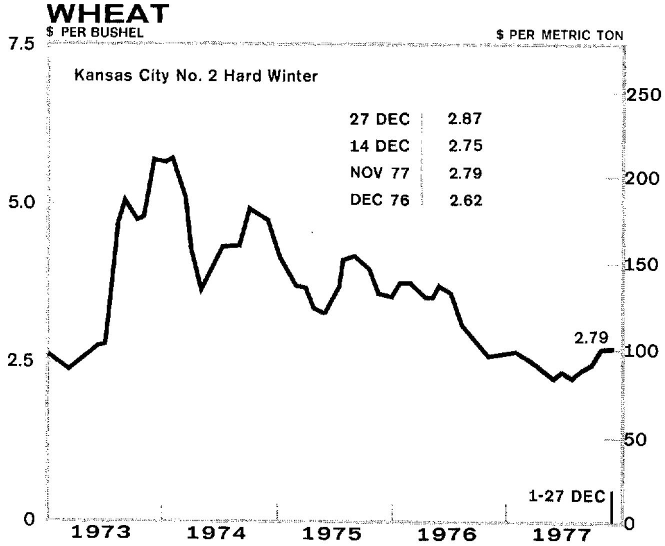
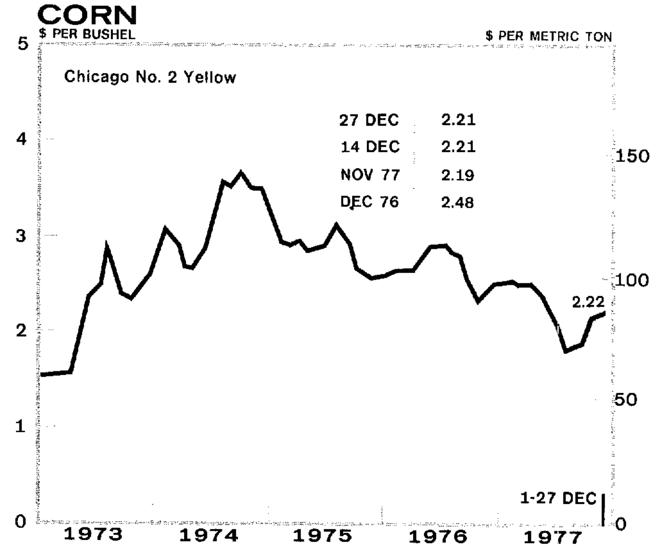
AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

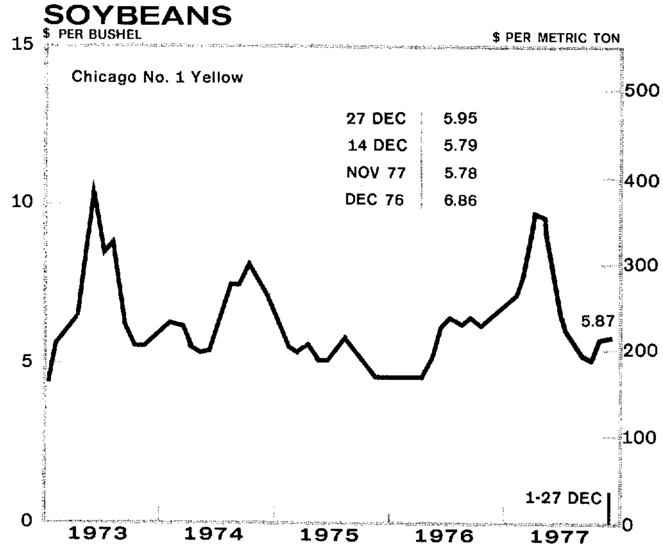
WHEAT



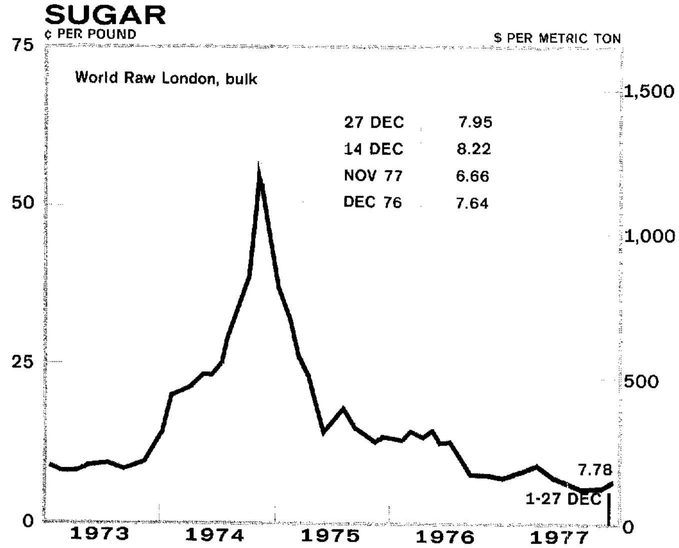
CORN



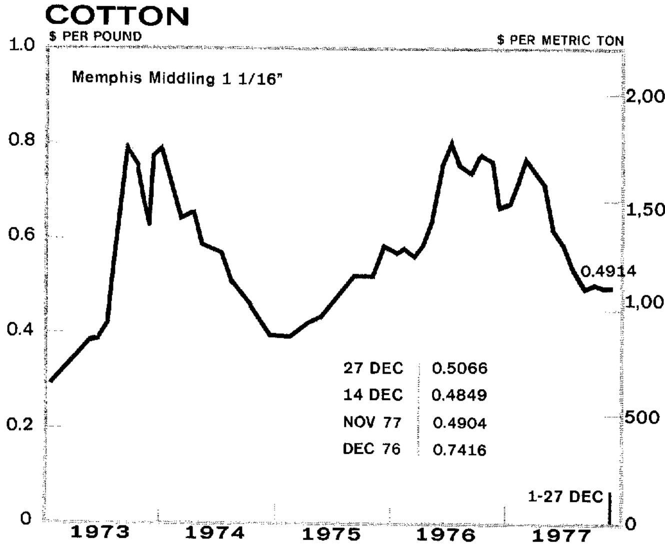
SOYBEANS



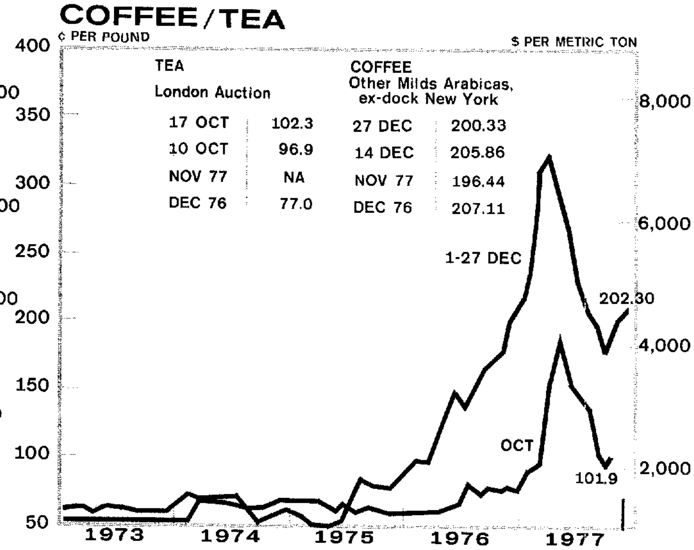
SUGAR



COTTON



COFFEE/TEA



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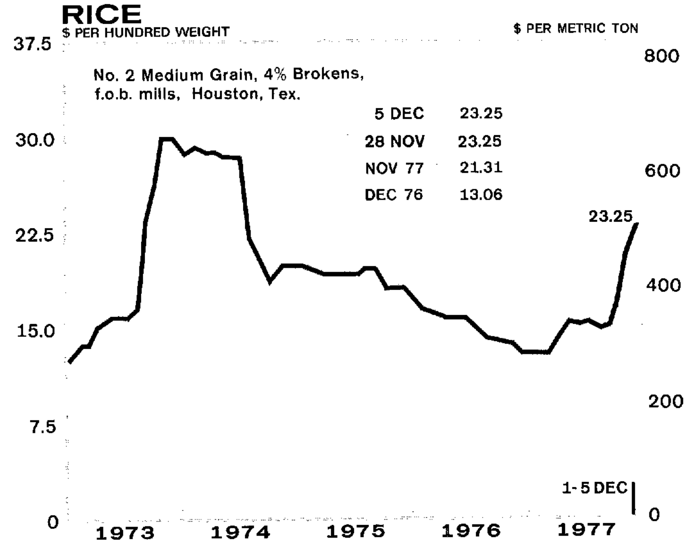
RICE



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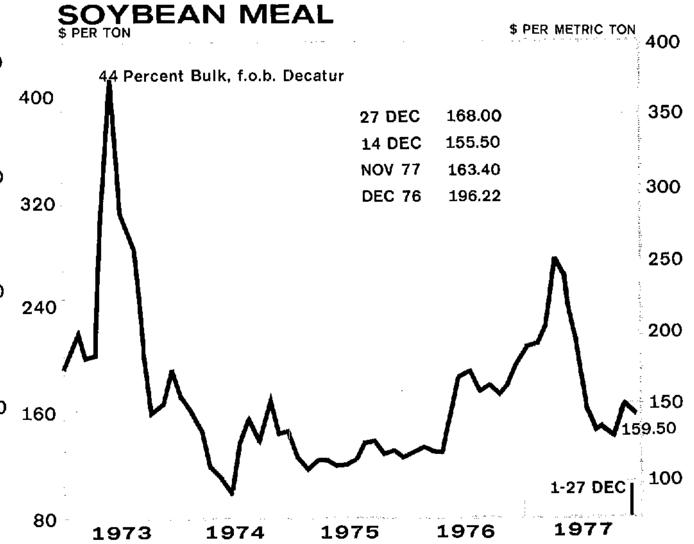
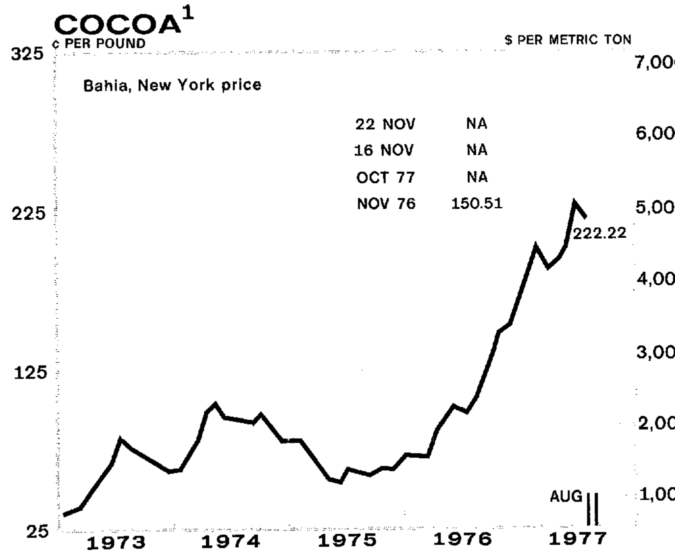
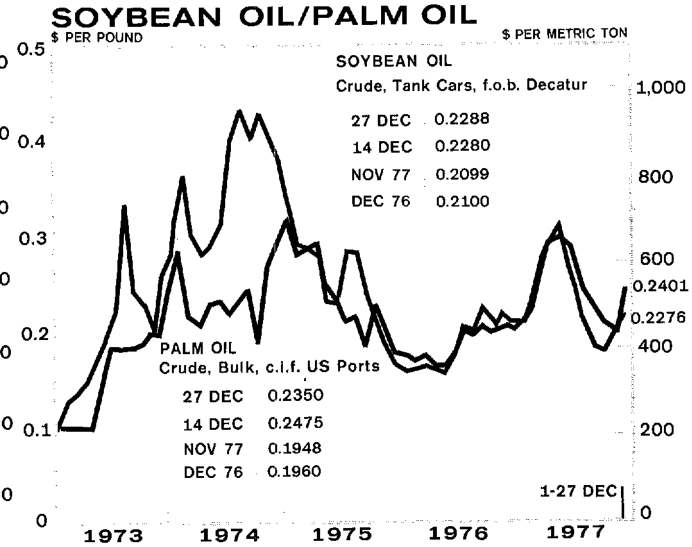


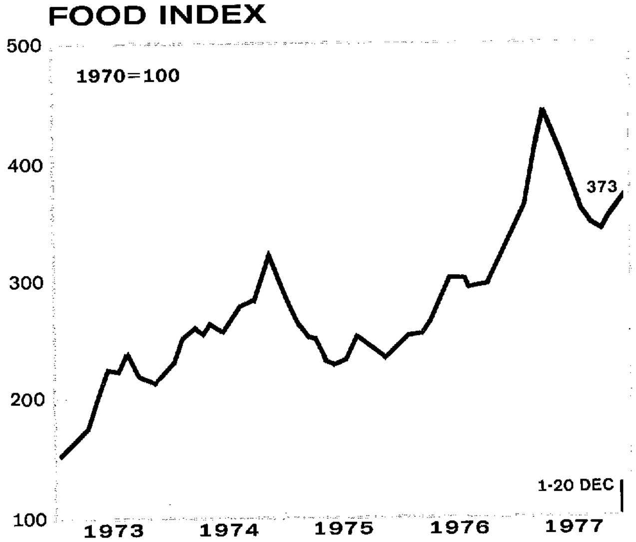
COCOA[1]



SOYBEAN OIL/PALM OIL



FOOD INDEX



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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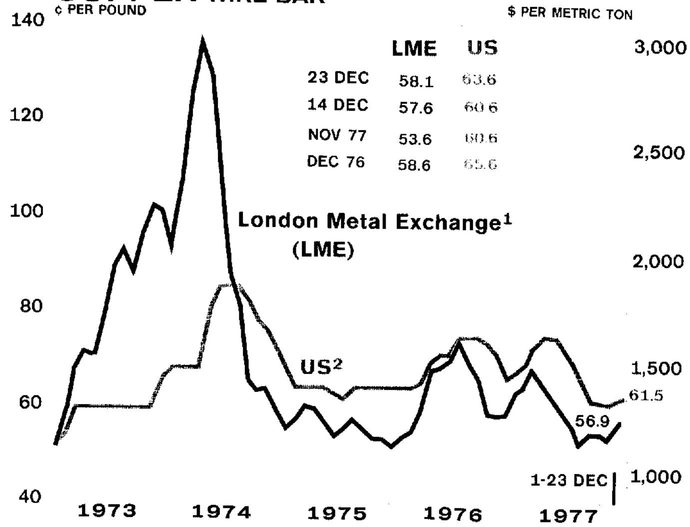
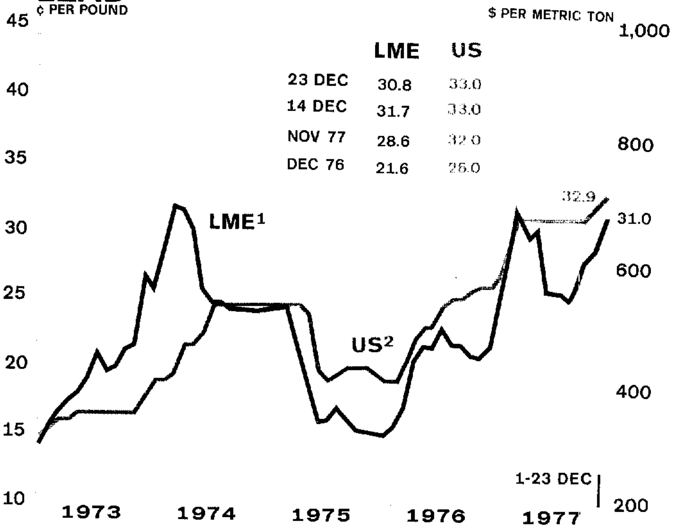
INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

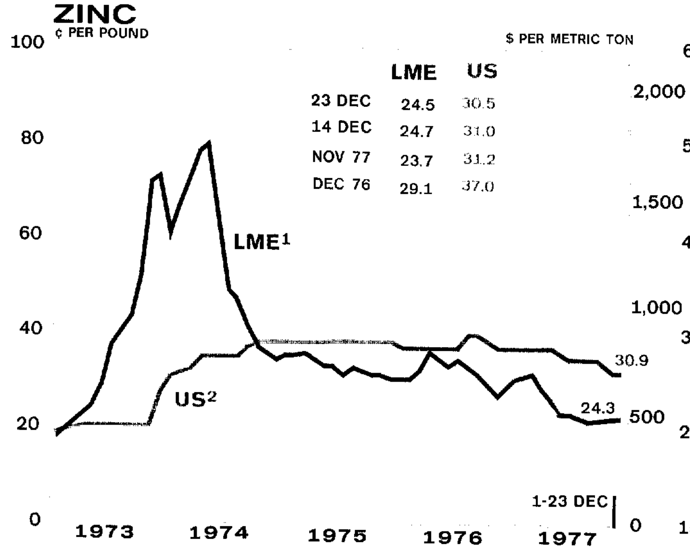
COPPER WIRE BAR



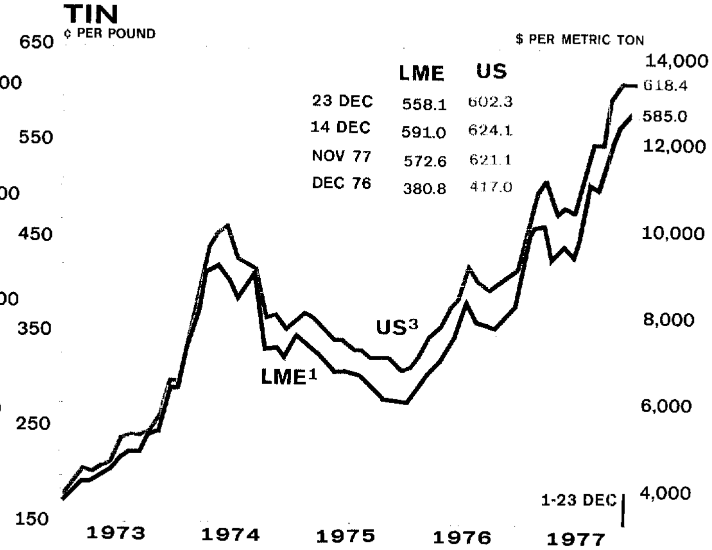
LEAD



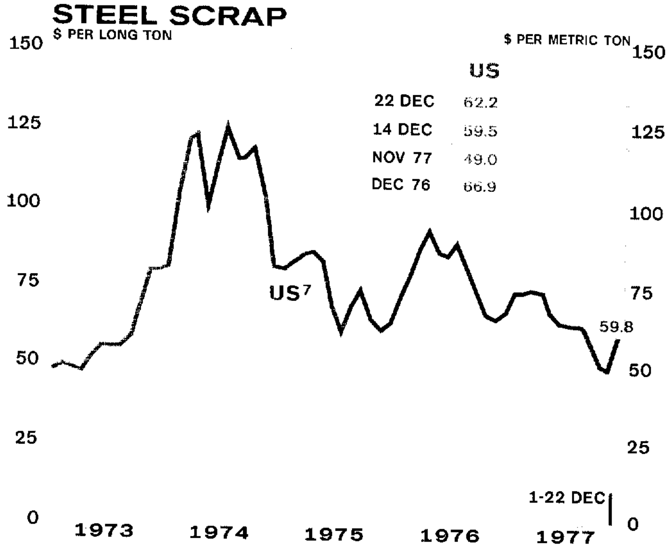
ZINC



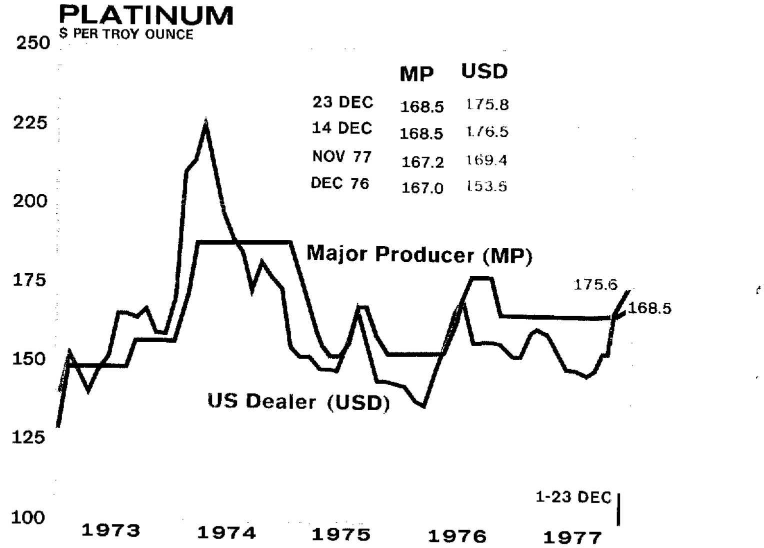
TIN



STEEL SCRAP



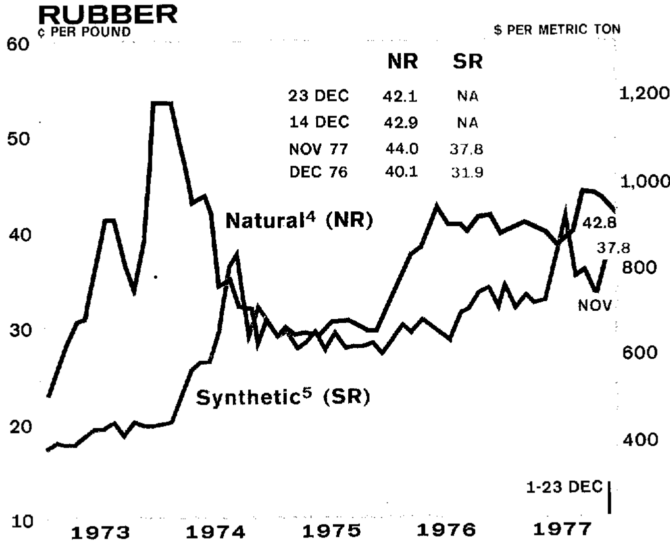
PLATINUM



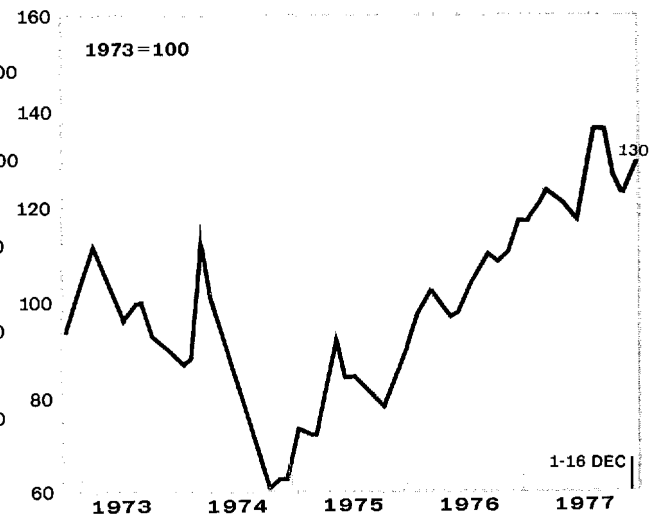
SELECTED MATERIALS

			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	21,564.00	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	467.96	478.82	434.62	408.93
GOLD	London Afternoon Fixing Price	$ per troy ounce	159.82	125.71	133.79	139.30

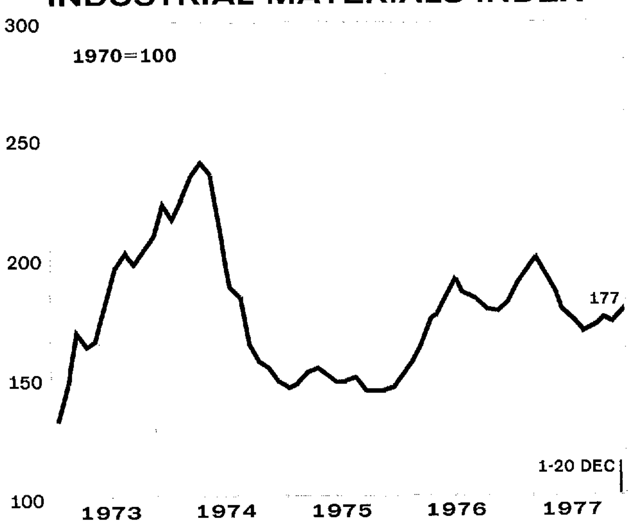
RUBBER



LUMBER INDEX[6]



INDUSTRIAL MATERIALS INDEX



[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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2	[redacted] D/LA	26 Jan	[illegible]
3	[redacted] I/WE	26 JAN	CAT
4	[redacted] I/AM	30 Jan	[illegible]
5	[redacted] I/JP	30 Jan	[illegible]
6	[redacted] I/WE	[illegible]7 Jan	R+K

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