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Secret

National Foreign Assessment Center

Economic Intelligence Weekly Review

27 July 1978

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ECONOMIC INTELLIGENCE WEEKLY REVIEW

27 July 1978

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Current Survey

MAJOR RECENT DEVELOPMENTS AFFECTING THE INTERNATIONAL ECONOMY

European Monetary System

Some of the momentum that West German Chancellor Schmidt and French President Giscard hoped to impart to construction of a European Monetary System may be lost as the EC grapples with the broad guidelines from the Community Summit in Bremen. Still, monetary discussions will dominate EC deliberations for the rest of the year, and new arrangements could emerge by the December target date.

The British, who are worried about the potential deflationary impact on the United Kingdom of a new currency arrangement, nevertheless want to participate fully in the EC discussions. They will seek to avoid tying sterling too tightly to the stronger European currencies, however, and they probably will insist on both revision of the Common Agricultural Policy and an increase in regional development payments. In addition, London will seek to make surplus as well as deficit countries responsible for correcting imbalances in their international payments position. In any case, the British will be reluctant to make any commitment before the elections, presumably to be held this fall.

The British will not be the only hard bargainers. The Italians are likely to follow a similar path. Moreover, there is substantial domestic West German opposition to the Schmidt-Giscard proposal, on grounds of the potential cost of the foreign exchange intervention and the probable inflationary pressures that would result from German support of the weaker European currencies. Another key question, the new system's relation to the dollar, has yet to be addressed. France and West Germany may be willing initially to establish a system without the British or Italians, despite the evident problems this poses for EC unity. [redacted] 25X1

Note: Comments and queries regarding the ***Economic Intelligence Weekly Review*** are welcome. [redacted] 25X1

Multilateral Trade Negotiations

[redacted]

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France

The French believe that the EC Commission exceeded its mandate in agreeing to a statement on the current status of the MTN for the Bonn Summit. The French also had several other reservations, in particular what they saw as the statement's stronger commitment to tariff reduction and nontariff reform. They probably also object to the prominence given in the statement to the major US views, and they fear that French agricultural interests will be sacrificed in the ensuing negotiations. [redacted]

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Canada

The Canadians, while acknowledging the progress made at the last Geneva session, are stressing their disappointment with the tariff offers from the EC and Japan. Ottawa fears that it will be pressed to concur in an agreement that meets few of its needs. [redacted]

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Economic Indicators

Composite industrial output in the six largest foreign economies grew at an estimated 4.3 percent seasonally adjusted annual rate in the second quarter of 1978, compared with the preceding quarter, according to preliminary data. Although growth was less than in the first quarter, second quarter 1978 is the third consecutive quarter in which industrial production has increased; there were declines in industrial output in the second and third quarters of 1977. The Japanese and British industrial performances in second quarter 1978 were the most impressive of the six, with their respective outputs projected at 7.8 and 7.0 percent above the first quarter on an annual basis. (Japanese production grew at an even faster pace in the first quarter.) Industrial growth in France and Italy in the second quarter was sharply lower than in the first quarter.

Japan and West Germany continued to run large trade surpluses in second quarter 1978. Although Japanese export volume dropped, import volume rose only slightly, and the surplus of $6.8 billion was almost equal to that in the first quarter. Despite the falloff in export volume, dollar receipts were up sharply, owing to higher yen prices combined with continuing yen appreciation. The German trade surplus rose to about $6 billion—primarily because of deutsche mark appreciation. Second quarter trade of the other members in the Big Six was essentially in balance.

Big Seven: Key Economic Trends [1]

	1977				1978	
	1st Qtr	2d Qtr	3rd Qtr	4th Qtr	1st Qtr	2d Qtr [2]
	Percent Change [3]					
Industrial production						
United States	5.7	10.5	4.4	2.4	1.0	12.2
Big Six	4.4	−5.5	−2.8	3.5	7.7	4.3
Japan	2.2	−0.6	−0.5	4.2	12.8	7.8
West Germany	5.9	−4.5	1.2	4.7	−1.1	1.1
France	8.8	−9.0	−2.1	−1.1	11.2	4.2
United Kingdom	2.3	−9.4	3.0	−3.3	5.0	7.0
Italy	6.6	−17.9	−27.3	16.3	17.4	0.4
Canada	−0.4	1.3	−0.1	3.3	1.6	1.5
	Percent Change [3]					
Consumer price inflation						
United States	8.2	8.7	5.4	4.3	7.9	10.3
Big Six	10.3	9.8	8.1	5.5	4.0	7.3
Japan	7.8	8.9	6.1	2.1	0.5	6.4
West Germany	5.2	3.8	3.6	2.0	2.9	2.1
France	6.5	12.2	10.4	7.9	6.4	11.5
United Kingdom	21.0	12.4	11.6	7.6	6.5	5.1
Italy	20.8	16.4	14.5	11.4	11.1	12.5
Canada	9.9	9.4	7.3	10.0	8.6	9.8
	Billion US $					
Trade balance						
United States	−5.8	−5.8	−6.4	−8.6	−9.7	−7.7
Big Six	5.9	8.5	10.4	12.2	13.2	14.7
Japan	4.2	4.4	4.2	4.6	7.3	6.8
West Germany	4.5	5.6	5.4	6.1	5.1	6.0
France	−1.0	−0.6	−0.5	−0.2	−0.1	0.2
United Kingdom	−1.6	−1.2	−0.1	0.1	−1.1	−0.2
Italy	−0.7	0.1	1.0	0.5	0.5	0.5
Canada	0.7	0.1	0.6	0.8	1.3	0.4

[1] Seasonally adjusted.
[2] Estimated.
[3] Change over previous quarter at an annual rate.

After declining for five consecutive quarters, the composite inflation rate of the Big Six accelerated sharply in the second quarter. The largest jump in consumer prices occurred in Japan, where the estimated annual rate of increase over the preceding quarter, seasonally adjusted, was more than 6 percent compared with 0.5 percent in the first quarter. France also experienced a pronounced acceleration. The West German second quarter rate was only 2.1 percent.

The unemployment rate declined in only one of the Big Six countries (the United Kingdom) in the second quarter. Four of the Six had shown improvement in the first quarter.

USSR

Trade and Payments

Despite a $1.5 billion hard currency trade deficit in first quarter 1978, the Soviet hard currency trade deficit this year is expected to be between $2 billion and $3 billion—about what it was in 1977. A deficit of this magnitude, accompanied by substantial gold and arms sales, should enable Moscow to balance its current account for the second straight year and to minimize borrowing from Western commercial
25X1 banks. [redacted]

Grain Imports

Although prospects for the 1978 Soviet grain harvest have improved, Soviet grain imports in support of its livestock program could amount to 15 million tons for delivery during the October 1978-September 1979 marketing year. (CIA and the Department of Agriculture project a 1978 grain crop of 215 million tons, almost 20 million tons more than in 1977.) Only about 1 million tons of US grain have been ordered so far for delivery in this period; the Soviets must buy at least 6 million tons of corn and wheat annually from the United States over five years beginning 1 October 1976. Meat production targets announced at a Central Committee plenum last week imply that the USSR will continue as a major grain importer in the first half of the
25X1 1980s. [redacted]

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CUBA: RISING MANPOWER RESOURCES

Cuba's military and working-age manpower resources will increase sharply over the next decade as the 1960s "baby boom" generation comes of age. Given the modest prospects for economic growth in the foreseeable future, the Castro government may find it difficult to provide productive employment at home for the large influx of relatively well-educated jobseekers. As a result, Havana will have not only the capacity but perhaps an added incentive to increase significantly its armed forces and its foreign assistance programs.

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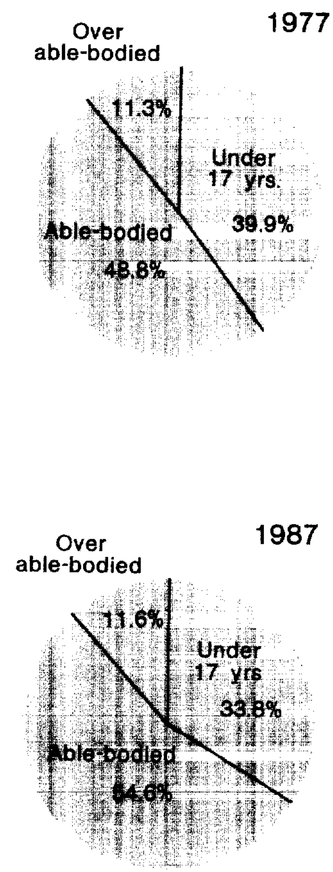
Manpower Resources

Cuba's "able-bodied" population (males between the ages of 17 and 59, and females between 17 and 54) will increase from 4.7 million at the end of 1977 to 6.2 million in 1987. Assuming male and female participation rates continue at present levels, the labor force will grow from approximately 2.8 million to nearly 3.7 million by 1987. The average annual increase of 90,000 is 44 percent greater than the 1972-77

Cuba: Population by Major Age Category



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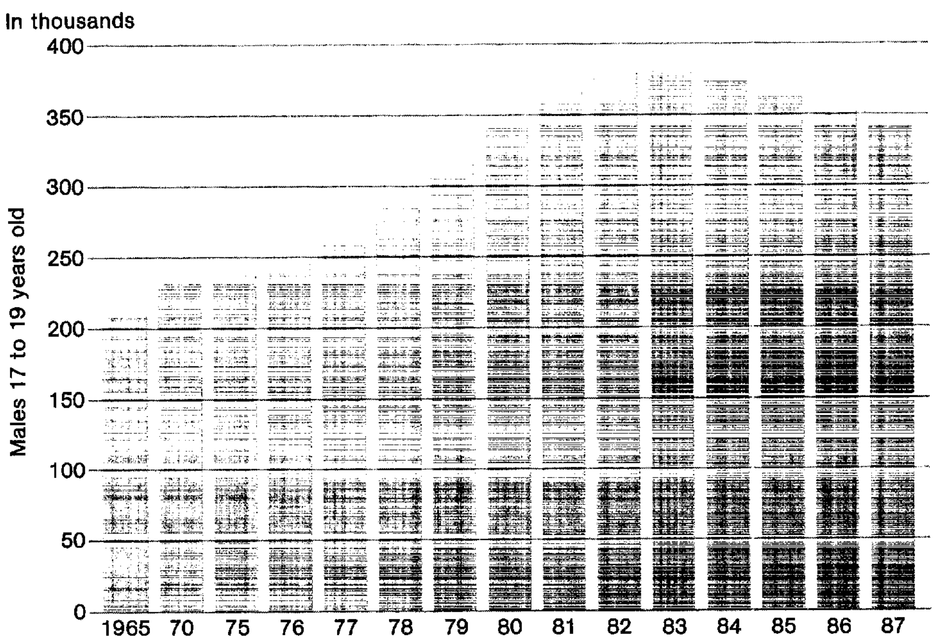
average and represents an acceleration in the annual labor force growth rate from 2.5 percent to 2.9 percent, with the bulk of the increase coming in the first half of the decade. If the participation rate for females rises, as may well be the case, the annual growth in the labor force would be even greater, perhaps rising to or exceeding 106,000 or 3.3 percent per annum.

The manpower increase will be even more evident in the "males of military age" category (arbitrarily defined to include males from 17 to 19). The number of these military-age males, which was relatively stable in the early to mid-1970s, began to rise rapidly after 1975 and will reach 383,000 by 1983—a 45-percent increase over the 1977 figure. A gradual decline thereafter will reduce the number to 345,000 by 1987—a figure that is still 31 percent above the 1977 level. The Castro government relies heavily on new recruits to sustain its active armed forces, which currently numbers about 120,000 men, plus 60,000 reservists who can be mobilized within 24 hours.

Cuba: Military Aged Males



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The expansion reflects a sharp increase in Cuban fertility in the 1960s. The crude birth rate rose from 26.1 per 1,000 persons in 1958—the last pre-Castro year—to 35.1 in 1963-64, before dropping to 29.2 in 1969 and subsequently plummeting to 20.7 in 1975. The Castro government, unlike the governments of many less developed countries, did not attempt to enforce family planning programs stringently because of its overriding interest in building a base for the continuation of the Revolution in the face of a massive exodus of the Cuban population and perceived foreign economic and military threats to the island. In the early years of the Revolution, at least 5 percent of the Cuban population left the island, including the bulk of the middle class with its technical and administrative expertise, at the same time the economy was being subjected to various degrees of economic sanctions by the developed countries of the Western world.

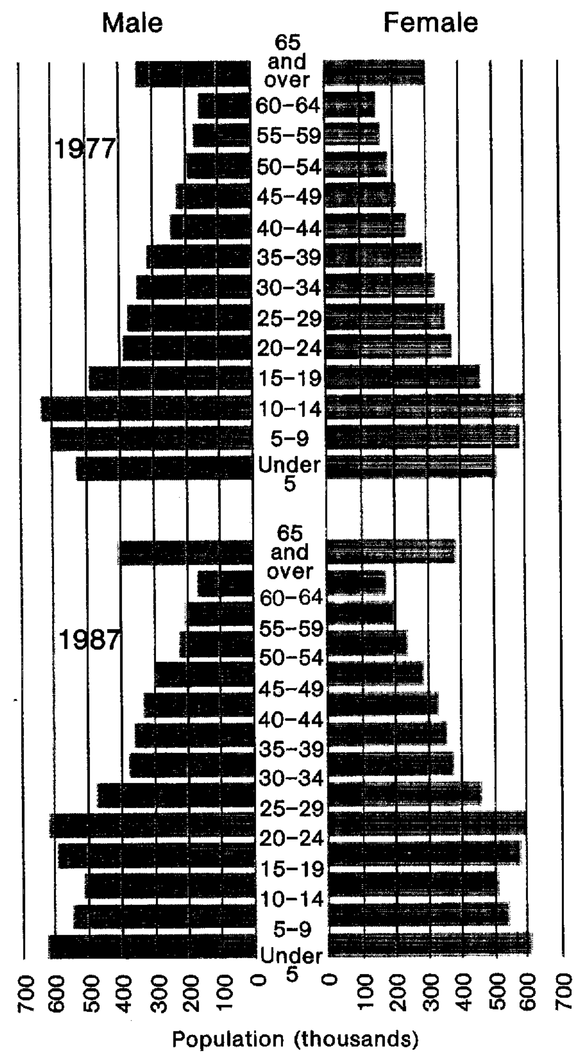
Asset or Liability?

The pending expansion of the labor force is potentially both an asset and a liability for the Cuban Government. In contrast to the early Castro years, the new entrants are generally well educated by both Cuban and Third World standards. Most have received a high school education, and a growing number are university or technical school graduates. They also are instilled with a high degree of nationalism, motivation, and self-esteem that heightens their perceived abilities and potential roles in the continuation of the Revolution. The assimilation of these relatively well-educated personnel into the labor force could significantly expand productive capacity by raising the ratio of "able-bodied" to total population and by providing the high-quality worker necessary for an increasingly complex economy.

Havana, however, may have difficulty finding productive employment for the large influx of new workers, given the reduced prospects for economic growth. Over the past two years, Cuba has been forced to reduce planned investment and make at least two major downward revisions in its 1976-80 Five-Year Plan because of low world sugar prices. The bleak prospects for any rise in sugar prices in the near future will continue to restrain imports from non-Communist countries, which traditionally supply a large portion of Cuba's capital equipment and intermediate goods. Projected increases in deliveries of capital goods from Communist countries are unlikely to make up all of the shortfall.

The need to increase economic growth is particularly important given the poor prospects for increased employment in the traditional, labor-intensive agriculture sector. Employment in the sugar industry has steadily diminished since the early 1970s because of the increased mechanization of the sugarcane harvest, government efforts to reduce redundant workers in the milling sector, and the continuing trend toward

Cuba: Populaion by Age and Sex



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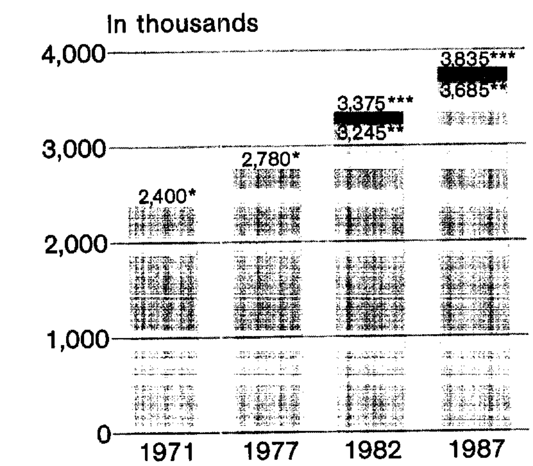
Cuba: Labor Force



*Actual

**Projection based on current participation rates of 84% of civilian "able-bodied" males and 35% of "able-bodied" females and no change in active armed forces.

***Projection based on participation rates of 84% of civilian "able-bodied" males and 40% of "able-bodied" females and no change in active armed forces.

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Cuba: Employment by Economic Sector

Thousand Persons

	1962	1964	1966	1971	1972	1973	1974	1975	1976
Total	1,823	1,885	1,993	2,402	2,426	2,526	2,573	2,623	2,712
State sector	1,083	1,369	1,517	2,082	2,126	2,246	2,313	2,391	2,492
Agriculture	297	386	450	604	637	645	646	685	679
Manufacturing, mining, and utilities	267	303	323	440	438	453	469	472	478
Construction	104	108	118	133	154	177	183	208	250
Transportation and communication	74	82	82	175	177	179	185	187	205
Commerce	132	216	235	168	166	177	184	179	179
Services and administration	209	274	309	562	554	615	646	660	701
Private sector [1]	740	516	476	320	300	280	260	232	220

[1] Following the nationalization of virtually all the remaining vestiges of nonagriculture private enterprise in 1968, private-sector employment has been subsequently restricted almost totally to agriculture.

exporting bulk rather than bagged sugar. The reduction of harvest workers will continue, since Havana is planning to increase the level of mechanization from the present 40 percent of the harvest to 60 percent by 1980. The potential for employment in nonsugar agricultural sectors is limited by the extensive reliance on part-time school-age labor and by the gradual collectivization of small private farms.

The ability of the domestic economy to absorb new entrants to the labor market is further strained by the small pockets of unemployment and underemployment—a result of government reorganization and economic rationalization measures undertaken in the early 1970s and of the continued mismanagement of resources. The existence of some 80,000 unemployed—equal to 2.9 percent of the Cuban labor force—was acknowledged by Cuban officials at the National People's Assembly held in June 1978.

Havana's Policy Options

Should Cuba be unable to accommodate the large influx of workers domestically, it will have not only the capability but perhaps the incentive to divert a significant portion of these people to its expanding foreign assistance programs and/or increase its armed forces. Cuba currently has an estimated 7,000 to 9,000 civilians overseas, and President Castro has announced that this number will be increased by 4,000 to 5,000 by the end of the year. About 90 percent of the Cuban technicians are stationed in Africa—the majority in Angola—where they are primarily involved in rural development, education, and public health projects—all areas in which Cuba has accumulated expertise at home.

Diversion of such services abroad would both enhance what has proved to be an effective instrument of Cuban foreign policy and provide an outlet for the possible manpower surplus. Foreign service on behalf of the Revolution affords a meaningful opportunity for idealistic young Cubans to prove their revolutionary credentials while at the same time blunting the pressure of the "rising expectations" syndrome at home. This outlet is particularly important because in the past, misuse of well-educated workers due to mismanagement and political favoritism has led to disgruntlement, lowered morale, and even caused some questioning of the system itself.

With an expanded manpower pool, Havana would also have the capability over the next five years to increase sharply the size of its military forces if it chose to do so. During the 1960s, when Cuba's military manpower pool was much smaller * and when the country was preoccupied with the defense of the island, it maintained an active military force of over 300,000. The number of active-duty personnel was reduced in the early 1970s to the present 120,000 largely in response to Soviet pressures to rationalize the economy, but arguments against an expansion of forces may seem less compelling as Cuban manpower resources increase.

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JAMAICA: STRUGGLING TO KEEP ON THE IMF TRACK

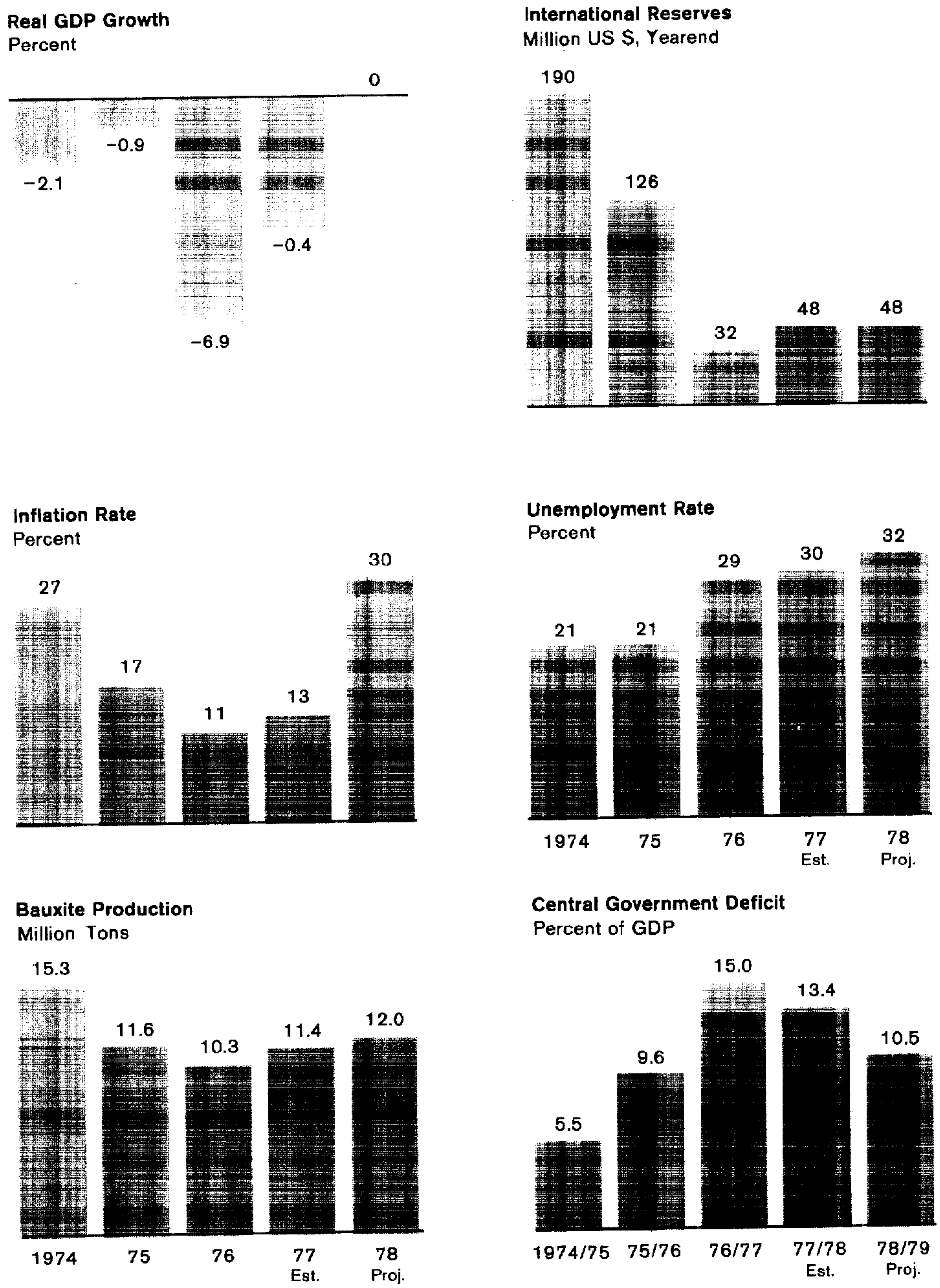
Jamaica is further intensifying economic austerity under a new three-year IMF stabilization program. Kingston probably can line up sufficient foreign funds to meet essential debt service and pay for the imports needed to avert another drop in real output in 1978. We doubt, however, that the Manley government can muster the Herculean effort needed to impose the further drop in Jamaican living standards required by the IMF program over the longer term. In any case, the country will remain dependent on substantial foreign aid over the next several years.

Problems Mount in 1977

Jamaica's payments difficulties emerged with the completion of major foreign bauxite/alumina investments in the early 1970s. These difficulties worsened as oil import prices climbed and investor confidence eroded because of the government's leftward drift. With its foreign reserves and credit practically exhausted, Kingston imposed harsh belt-tightening measures in 1977 to secure a two-year IMF standby.

* There were only 210,000 males of military age in 1965.

Jamaica: Economic Indicators



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Imports were slashed 31 percent (39 percent in real terms) below the peak 1975 level; real GDP fell at least 4 percent, to 84 percent of the 1972 level.

The IMF standby, secured in July, came unglued in December when Jamaica failed to pass specified performance tests. Fearing heightened civil unrest if austerity were tightened, the government continued to draw down foreign reserves and to default on selected foreign debt, rather than cut imports further. At the same time, to limit the drop in private consumption, wage increases and current public spending exceeded IMF target levels. Although the accord helped Kingston secure about $250 million in foreign capital commitments; disbursements during 1977 held well below this level.

The New IMF Agreement

Following difficult negotiations, Kingston accepted even tougher austerity measures in May 1978. The new three-year stabilization program under the extended fund facility will furnish Jamaica $240 million in IMF credits, of which about $50 million will be available in 1978. Under the program, Kingston must:

- Devalue its currency by 12 percent over the next 12 months, on top of devaluations totaling 41 percent since April 1977.
- Limit wage hikes to 15 percent annually over the next two years.
- Balance the government's current budget this year and achieve a surplus in subsequent years.
- Sharply raise taxes on consumer goods this year.
- Eliminate arrearages on most private transactions by mid-1979, with amortization of overdue foreign debt to be spread over the next three years.

The program seeks to ease foreign payments strains and to revive the economy by sharply curtailing private consumption while increasing investment in export industries and in import-substitution activities. Total consumption is to be cut 11 percentage points, to 80 percent of national output by 1980. The rise in government consumption is to be restricted and higher tax revenues are to be used to provide domestic counterpart funds to allow greatly increased use of foreign project loans. Success of the program will depend heavily on whether private direct investment responds to improved cost-price relations induced by wage restraint, relaxation of price controls, and more realistic currency valuation. The IMF hopes that this strategy will restore limited economic growth and allow sufficient easing of payments strains to gradually eliminate import and exchange controls.

Chances of Staying on the IMF Track

We doubt that the Manley government has the will or ability to stick to a program that imposes further substantial cuts in already lowered Jamaican living levels. As real wages plummet and high unemployment continues, labor strife can be expected to worsen, making the country increasingly difficult to govern. Manley is already in a poor position to cope with these problems; his political stock with the public and with leftists and moderates in the ruling party is at its lowest point since his election in 1972. Even the National Workers Union—Jamaica's largest union and Manley's political base—has joined the rest of organized labor in rejecting the IMF wage ceiling.

Although Manley recognizes that he must try to adhere closely to the agreed program, substantial slippage can be expected. The first real test could come in the next few weeks when the government will confront bauxite worker demands for a 25-percent wage hike. We believe that Jamaica probably can squeak through the initial

Jamaica: Foreign Financial Gap

	1974	1975	1976	1977	1978 [1]
	Million US $				
Trade balance	−117	−160	−132	93	40
Exports, f.o.b.	694	810	660	760	790
Imports, f.o.b.	−811	−970	−792	−667	−750
Net services and transfers	−50	−123	−171	−161	−190
Current account balance	**−167**	**−283**	**−303**	**−68**	**−150**
Debt amortization [2]	−20	−28	−49	−83	−117
Financial gap	**−187**	**−311**	**−352**	**−151**	**−267**
Medium- and long-term capital inflows	226	223	204	130	245
Direct investment	23	−2	−1	−7	−5
Other inflows	203	225	205	137	250
Net short-term capital [3]	24	24	54	37	22
Change in reserves	63	−64	−94	16	0
Other financial items:					
External debt, yearend	491	645	832	865	914
	Percent				
Debt service ratio [4]	5.2	6.6	10.9	14.5	17.4

[1] Projected on the basis of a 12-percent increase in imports needed to avert a further decline in real GDP and sufficient capital inflows to cover the financial gap.
[2] Public and publicly guaranteed medium- and long-term debt.
[3] Including errors and omission.
[4] Debt service divided by exports of goods and services.

IMF performance review, scheduled for late September 1978, but it will have great difficulty passing the second performance test in late June 1979.

Prospects for 1978

Payments strains and stagnant economic growth will continue to plague the economy in 1978. Jamaica can cover its international financial gap and meet short-term debt obligations only by restraining import growth. Rising interest charges and slowed export growth have hurt the current account. Falling sugar sales and sugar prices have partly canceled out increased earnings from bauxite and alumina exports resulting from higher world aluminum prices. As a result, exports will grow less than 5 percent this year, compared with a 15 percent expansion in 1977. Kingston will have to hold the rise in imports to 10 to 12 percent to keep the financial gap at a manageable $270 million for the full year.

Although new private direct investment is unlikely to materialize this year, Jamaica has lined up most of the funds needed to cover a financial gap of this magnitude. As a result, Kingston has apparently dropped its plan to seek prepayments on the remaining 1978 tax liabilities of US aluminum companies. These companies have agreed to apply $40 million in savings from the recent currency devaluation to increasing their equity and loan exposure on the island.

To cover the 1978 financial gap, Jamaica still needs roughly $50 million in payments support. Kingston has begun talks with foreign banks on a $40 million loan, part of which could become available late this year. The country's poor credit rating will preclude much new financing from commercial sources, however. As a result, Jamaica probably will depend on a quick disbursement of much of the approximately $50 million pledged last month by the United States, Venezuela, Canada, the United Kingdom, and other Western donors to help cover payments needs through March 1979.

Import restraint will likely hold real output in 1978 to about the 1977 level. The inflation rate can be expected to escalate to about 30 percent this year as currency devaluations and higher consumption taxes begin to take hold. The result will be a sharp decline in real wages.

Longer Term Outlook

Jamaica's economic prospects for 1979-80 are almost as bleak, even though export earnings should do well. Despite capacity constraints, prospective rises in bauxite prices together with recent devaluations should help boost total export earnings about 10 percent annually during 1979-80. Sugar sales will not provide much help; slow growth in world sugar demand and increasing supplies of sugar substitutes should continue to depress sugar prices over the near term. Import capacity will not keep pace with export earnings because of rising debt service obligations.

In view of the uncertain political situation, direct private investment is unlikely to pick up much. Even if Jamaica is able to retain IMF support, it will need $50 million to $100 million in foreign aid annually to cover payments requirements and sustain moderate economic growth during 1979-80. Little possibility exists that Jamaica can achieve the real growth rate of 10 percent annually during 1979-80 that would be required to restore output to the 1972 level. 25X1

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THE PHILIPPINES: RISING FOREIGN DEBT

Heavy borrowing by the Marcos administration to finance economic growth has further strengthened governmental control over the economy.

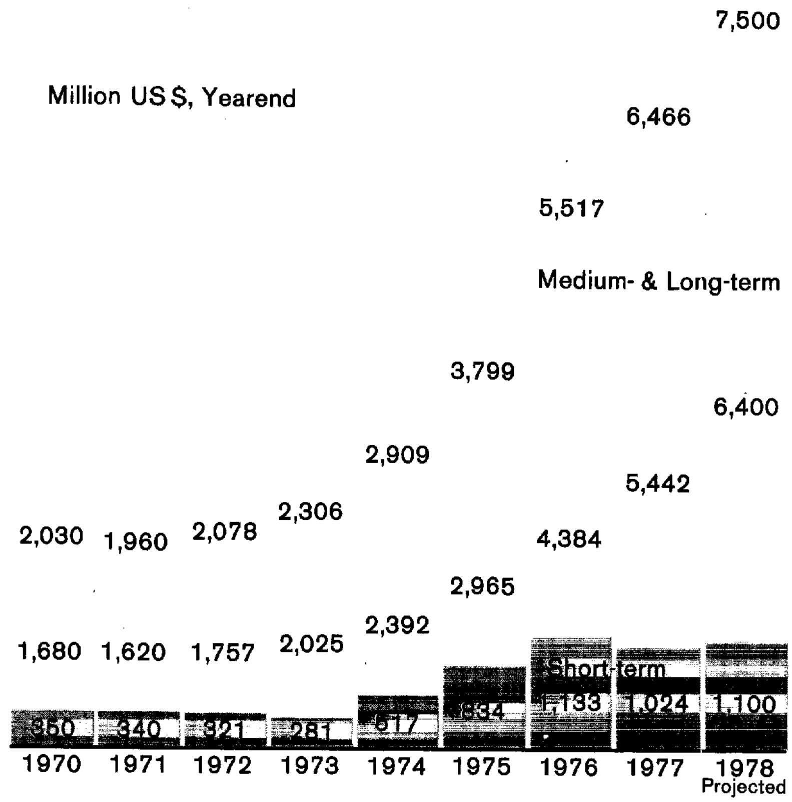
The Philippines has more than doubled its foreign borrowing since 1974. Outstanding foreign debt had reached about $6.5 billion by the end of 1977 and will hit $7.5 billion by the end of 1978. Manila has aggressively tapped both private capital markets and official development assistance programs.

The rapid growth of foreign debt has raised questions as to the country's debt servicing capability, particularly since prospects for export growth are not good. Although the level of debt will continue to rise over the next two to three years, we expect the rate of increase to slow as the international banking community becomes less willing to increase its exposure in the Philippines. Manila should be able to meet debt service obligations, albeit with some strain.

Prelude to Heavy Borrowing

Persistent balance-of-payments difficulties throughout the 1960s reached crisis proportions by 1970 when a bunching of short- and medium-term debt maturities precipitated massive reorganization of the debt by creditor nations and commercial banks. The introduction of martial law in 1972 speeded economic reform and provided a modicum of political stability that induced an upswing in foreign capital imports.

The Philippines: Outstanding Foreign Debt



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By 1975, however, Manila's trade and current account had deteriorated sharply, as exports declined in the face of world recession and imports rose, due largely to a tripled oil import bill. A record $900 million current account deficit that year required an unprecedented level of borrowing, a large part of which had been lined up the previous year when world markets for Philippine exports were still buoyant.

Again in 1976, and to a lesser extent in 1977, large current account deficits ($1.1 billion and $0.7 billion, respectively) required new borrowing. External debt rose by $2.7 billion during the two-year period, nearly all in medium- and long-term loans from a combination of commercial and official sources. In 1976 a series of balance-of-payments loans from private Euromarket syndications supplemented longer-term official project loans. Further, Manila took full advantage of IMF credit lines, drawing on both the Compensatory, Oil, and Extended Fund Facilities (EFF). Use of the last imposed a rigorous set of economic policy criteria on the government, including overall borrowing ceilings through the three-year term of the agreement.

Net foreign borrowing more than offset the current account deficit in 1976, permitting nearly a $300 million increase in foreign reserves. Improved export performance in 1977, accompanied by a less-than-expected import growth, yielded a $160 million balance-of-payments surplus.

As a result, in late 1977 Manila was able to renegotiate $1.2 billion commercial, standby, and fixed term credits to obtain lower interest rates and lengthened maturities. Real economic growth during 1976 and 1977 amounted to a respectable 6.7 and 6.1 percent.

Change in Debt Structure

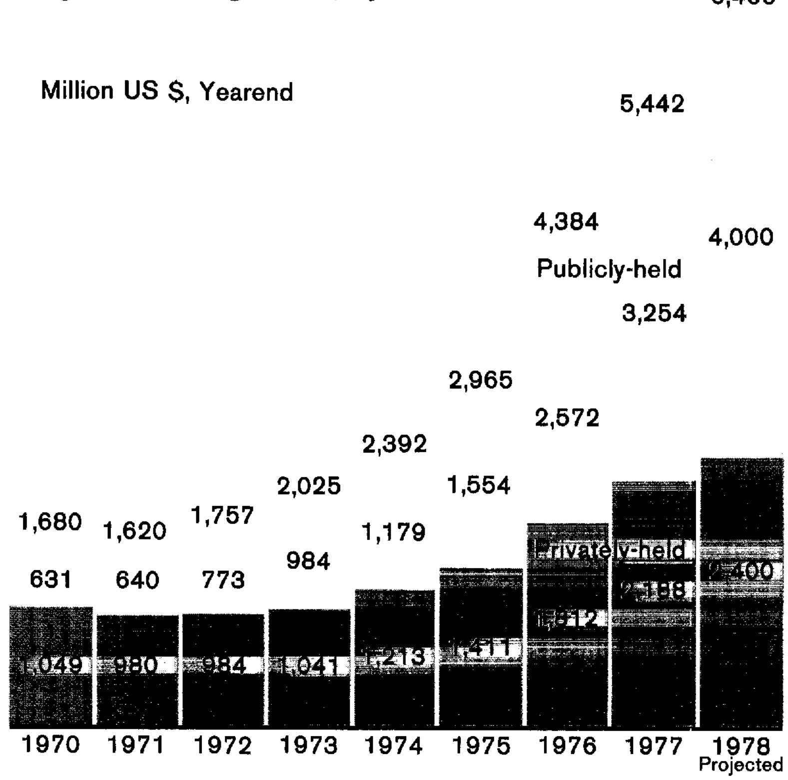
The structure of Philippine foreign debt has changed markedly since the uncertain early 1970s. The share of government-held medium- and long-term obligations has greatly surpassed privately held loans. During 1973-77 publicly held debt rose by 35 percent annually, while private debt increased by only 15 percent per year. In large measure this reflects the increasingly strong role played by the government in the economy following the introduction of martial law. Long-neglected infrastructure projects have been initiated under favorable terms with World Bank and the Asian Development Bank financing. Although short-term debt has also risen sharply in recent years, the increase has been mainly attributable to the growth in imports, particularly the high payments for oil import financing since 1973. On balance, trends in the Philippine debt structure are characterized by a shift toward longer maturing, publicly held loans.

Despite the rapid growth in foreign debt, repayment obligations on medium- and long-term credits rose only gradually through 1976. A number of medium-term loans began to mature by 1977, pushing debt service payments to about $750 million, 30 percent over 1976, yet still within manageable limits.

Developments in 1978

The improved payments position in 1977 rekindled lender interest early this year. Manila capitalized on the high degree of international liquidity by reentering the commercial market for new credits at rates more favorable than in 1976-77. It also renegotiated a two-year-old, $256 million nuclear power plant loan.

The Philippines: Medium- and Long-Term Foreign Debt, by Holder



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A $100-million revolving credit—for seven years at 1 percentage point above the London Inter-Bank rate—was lined up by the Central Bank in February. This was followed by two quickly subscribed, $250 million syndications with 10-year maturities, also to the Central Bank. As part of Marcos' attempt to provide stronger government control over the economy, the bulk of these new credits will be reloaned to government agencies and corporations. This funding will allow the government to expand its role in development projects at the expense of the private sector. Some of the loan proceeds, for example, are to be used to acquire equity in a large nickel smelting plant that has been in financial trouble since opening two years ago. Another candidate for these funds is the Philippines Air Lines, recently government acquired.

The government has not entirely dominated the borrowing picture. The privately held San Miguel Corporation obtained a $130-million credit from a consortium of US banks for a 10-year term at spreads of 1 to 1.25 points over the London rate.

The upswing in Philippine borrowing during the first six months of 1978 is a product of easy terms in international capital markets and is not likely to continue. Government projections of 1978 exports have already been substantially trimmed from earlier in the year—from $3.6 billion to $3.1 billion—and the expected current account deficit will probably amount to about $1 billion, based on trade returns for the first quarter. In these circumstances, international banks will be increasingly reluctant to expand their already high exposure in the Philippines. Moreover, the IMF EFF ceiling on new borrowings, set at $950 million, will also act as a constraint to potential credit overextensions.

Outlook

We estimate that the total Philippine outstanding debt by yearend will be about $7.5 billion, of which $6.4 billion will be in medium- and long- term loans. Debt service payments are estimated at about $900 million or roughly 20 percent of estimated foreign exchange earnings. Manila should be able to meet its foreign obligations without inordinate difficulty, given the past record of adroit debt management and timely use of commercial loans.

Down the road, however, Manila will have to demonstrate a greater capacity to increase exports before incurring higher debt service payments. Government forecasts of export growth calling for annual increases of 18 percent through 1982 are clearly too optimistic. Accordingly, Manila will be forced to reduce borrowing, to increase imports, and to trim growth targets. 25X1

* * * * *

Notes

Japanese Current Account Continues to Soar

The record-breaking $3.0 billion trade surplus for June, released last week, propelled Tokyo's current account $10.6 billion into the black during the first half of 1978, nearly equaling the full year 1977 surplus. Export earnings in dollar terms declined negligibly last month, to $7.9 billion, despite a continuing slide in seasonally adjusted export volume. Imports, however, plunged by 17 percent to $5 billion

Japan: Current Account [1]

Billion US $

	1st Half 77	2nd Half 77	1st Half 78
Trade balance	8.6	8.8	14.2
Exports, f.o.b.	38.9	40.3	46.6
Imports, f.o.b.	30.3	31.5	32.4
Net services	−3.5	−3.0	−3.6
Current account balance	**5.1**	**5.8**	**10.6**

[1] Seasoanlly adjusted.

because of lower landings of oil. Oil imports had been unusually high in May as oil companies raced to beat new taxes that were to be put into effect on 1 June.

25X1 [redacted]

Quebec Moderates Minimum Wage Hike

The PQ government has announced that Quebec's minimum wage—currently the highest in North America at C$3.27—will be increased to C$3.37 on 1 October 1978 and to C$3.47 on 1 April 1979. The hikes represent a compromise between the government's commitment to index the minimum wage and the hard realities of unemployment and inflation in Quebec. The increases allow for only a 6.1-percent boost since the last increase on 1 January 1978, compared with an anticipated 12-percent rise in the consumer price index. This is a sharp change in PQ policy, which lifted minimum wages by 14 percent in its first year.

Rene Levesque, the PQ leader, apparently is attempting to slow the upward push of wages in Quebec to avoid widening the wage gap between Quebec and neighboring Ontario—its major manufacturing goods competitor. Ontario's minimum wage now stands at C$2.85 but will increase to C$3.00 in January. [redacted] 25X1

International Cocoa Agreement May Be Renegotiated

Members of the International Cocoa Agreement are meeting in London this week to decide whether to renegotiate the current pact, which expires in 1979. A favorable decision on renegotiation is likely because of strong producer support for the move and the desire by most current members to have the United States join the agreement. Negotiations for a new agreement would likely occur in early 1979.

Producers have expressed a strong desire to renegotiate in an effort to boost prices and protect earnings. The Ivory Coast and Brazil have also pressed for renegotiation to include the United States.

The United States, the world's largest consumer and not a member of the current pact, has expressed interest in joining a new agreement if it provides for creation of a buffer stock. The US proposal for renegotiation has been well received by both producers and consumers. [redacted] 25X1

Polish Meat Scarce and Diverted to Expensive Stores

Warsaw's apparent effort to surreptitiously raise meat prices by channeling large supplies to the new network of "commercial" shops has exacerbated meat shortages in the regular retail outlets that supply the majority of the Polish consumers despite an apparent increase in production. Embassy Warsaw describes the situation as "extremely bad and getting worse." Acute shortages have been reported in a number of Polish cities, and Warsaw also is threatened. In recent weeks even Party officials have had to depend on the commercial shops—and pay the higher prices—for quality meat, which has been absent from their special commissaries.

The network of commercial shops was established shortly after the abortive attempt to raise meat prices in June 1976 and now accounts for upwards of 10 percent of total retail meat sales. They offer large supplies and better cuts of meat, but at about double the price in the regular butcher shops where prices have been frozen since 1967. In an attempt to increase revenues from meat sales and cut subsidies—said to represent 74 percent of the cost of meat, a figure that will rise to 83 percent next year—the regime has been channeling an increasing share of meat production to the more expensive commercial shops. As a result, supplies to the regular stores, where lower income Poles must shop, appear to have been cut back. Increased exports to earn hard currency probably have aggravated the situation also. Prolonged shortages in the regular shops could lead to worker disturbances. [redacted] 25X1

[redacted] 25X1

25X1

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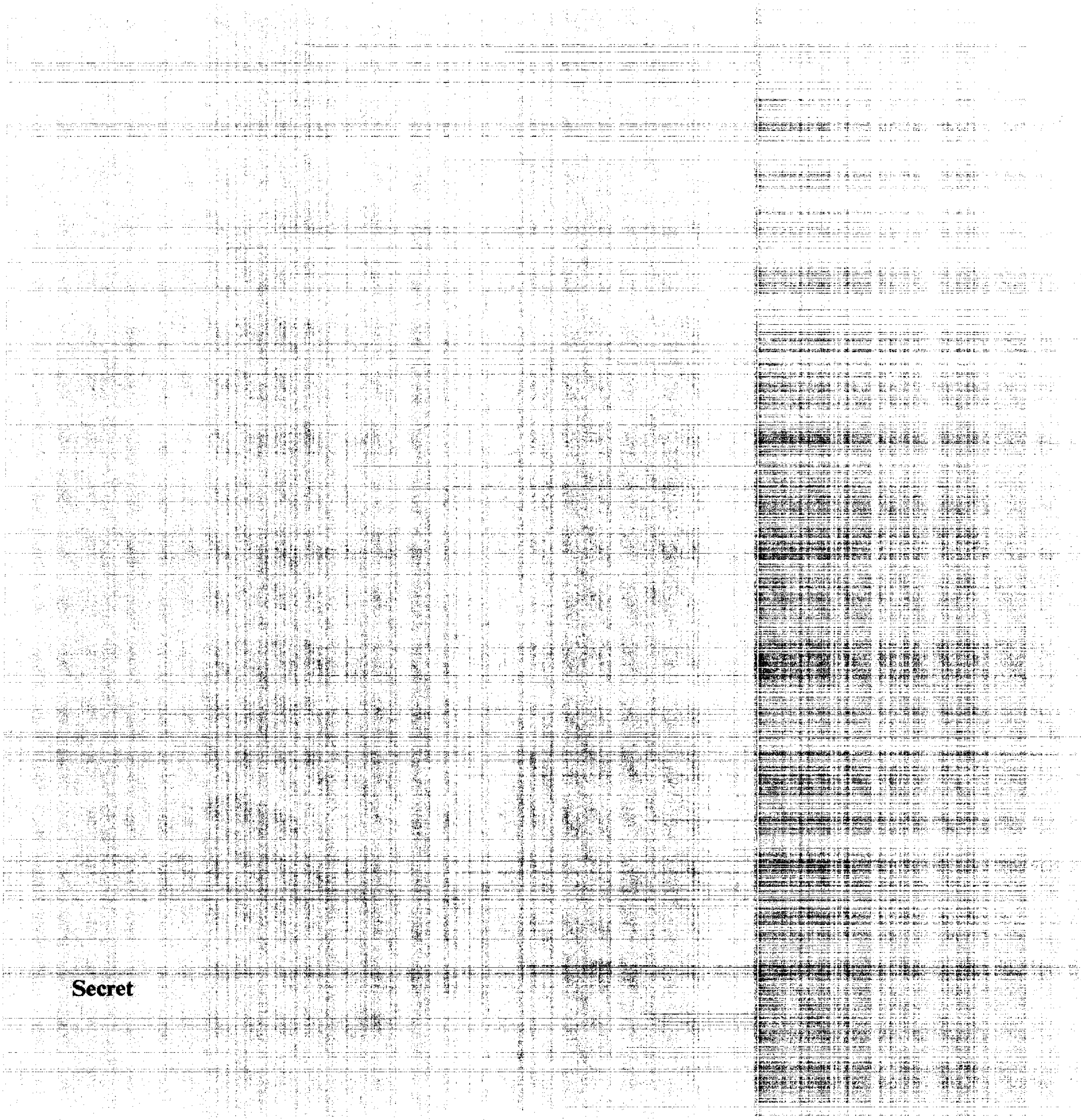

Secret

National
Foreign
Assessment
Center

Economic Indicators Weekly Review

27 July 1978

ER EI 78-030
27 July 1978

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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.

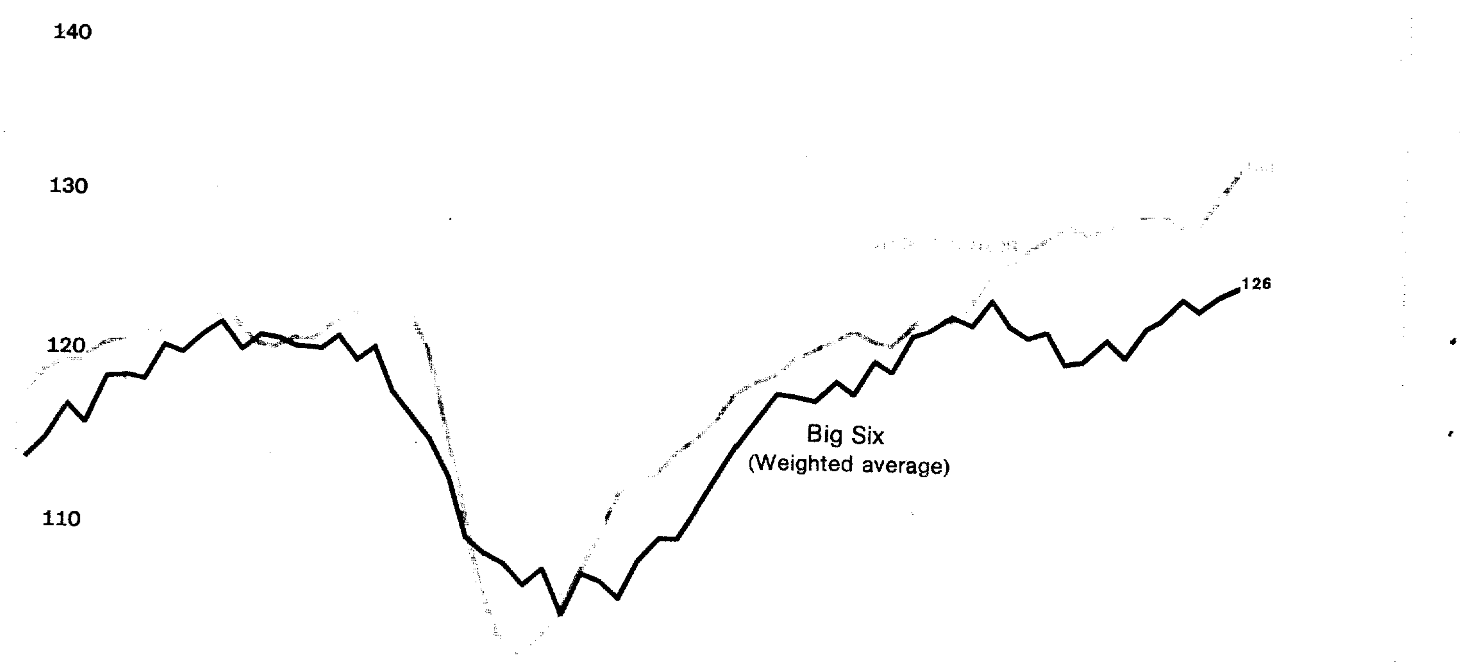
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

BIG SIX FOREIGN COUNTRIES[1] COMPOSITE INDICATORS

Industrial Production

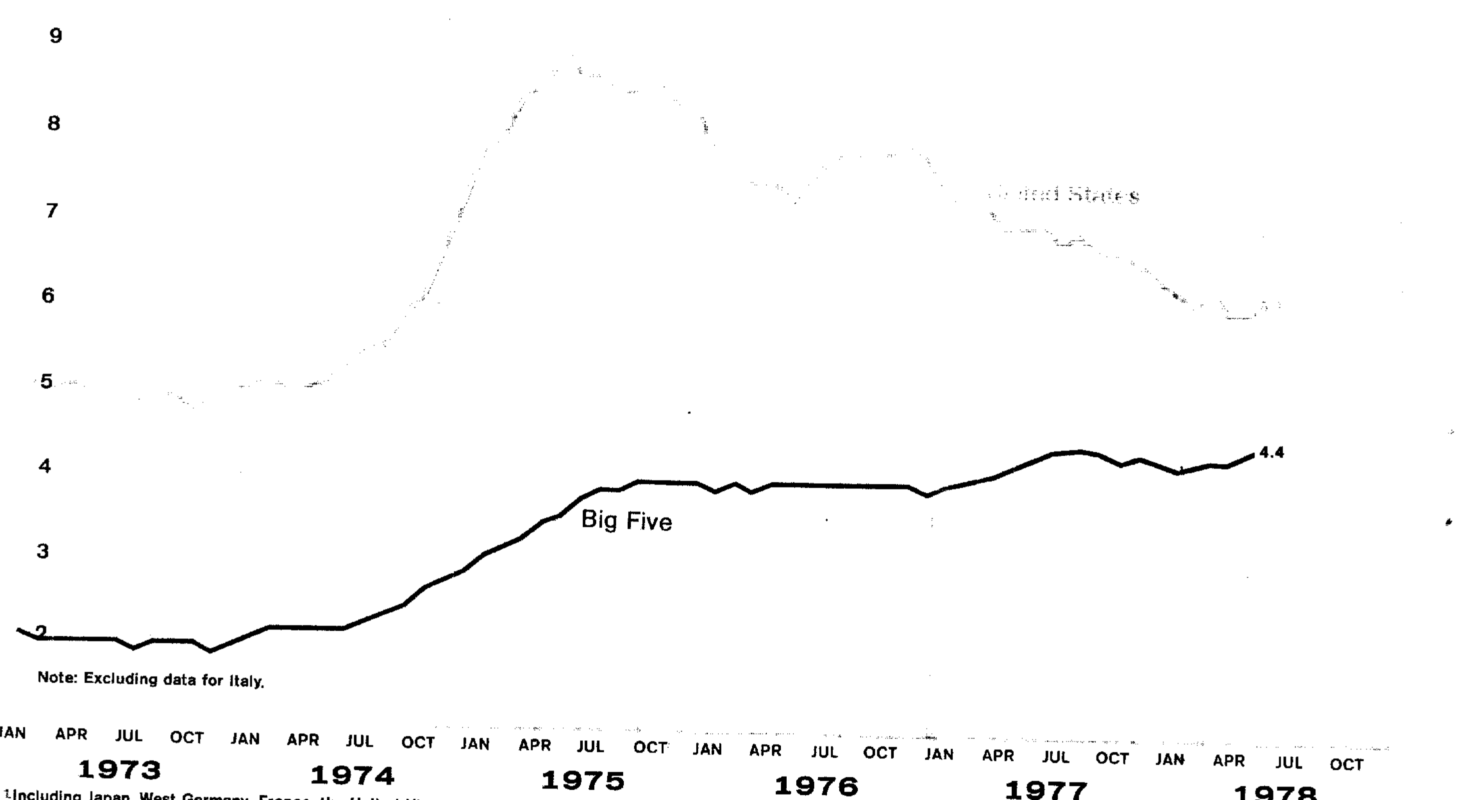
INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale

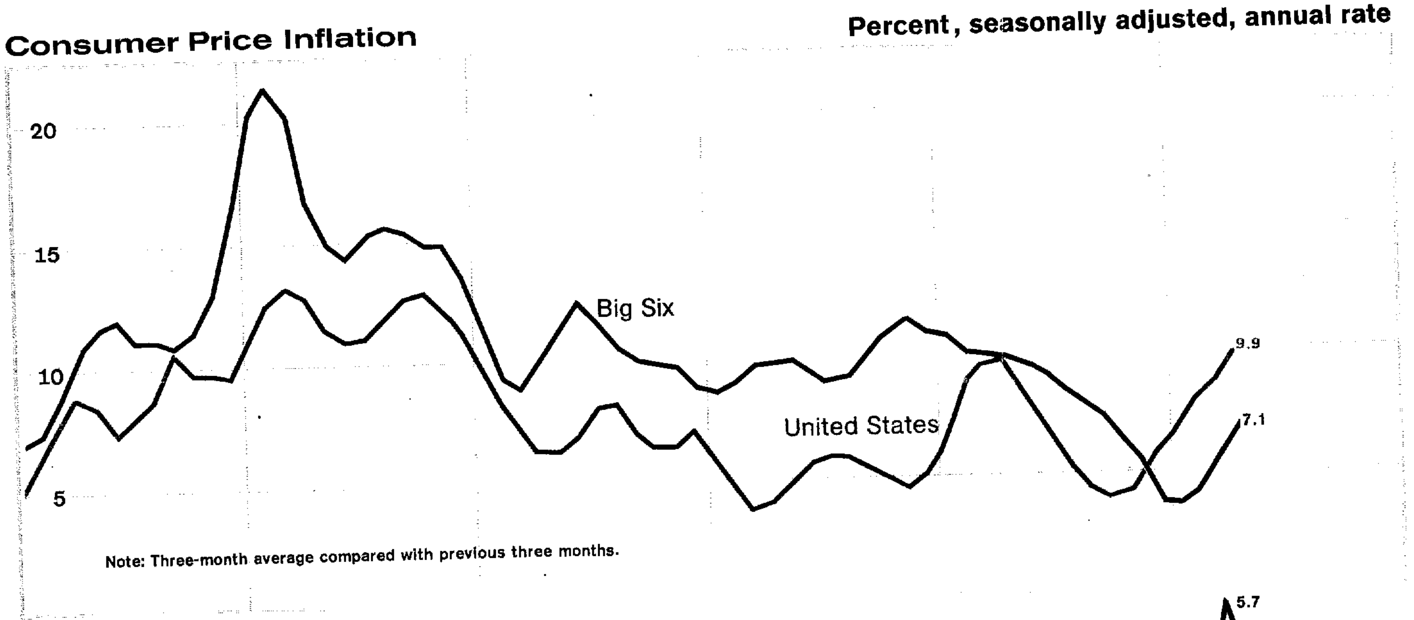


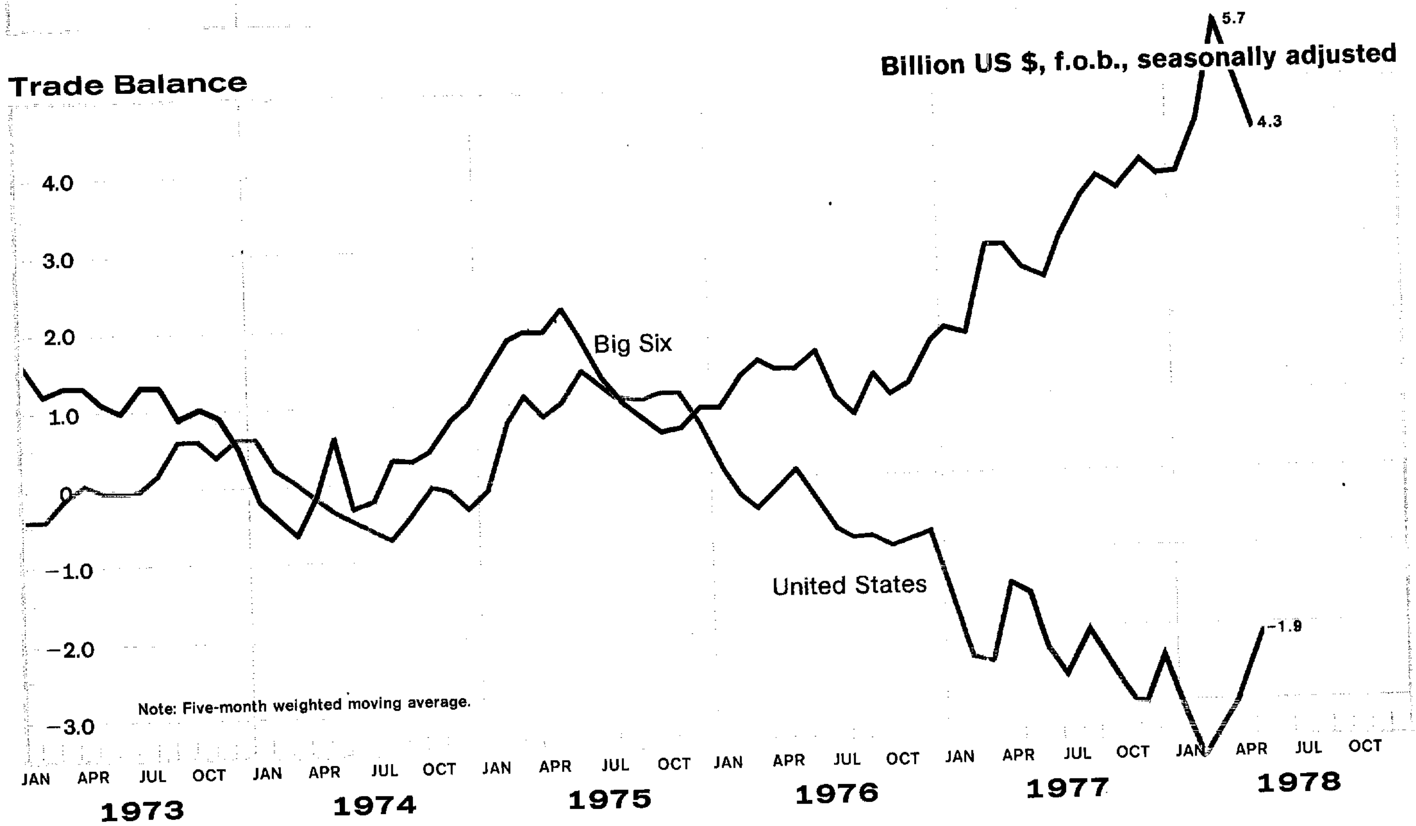
Unemployment Rate

Percent



[1]Including Japan, West Germany, France, the United Kingdom, Italy, and Canada.





	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[2]
Industrial Production					
Big Six	APR 78	0.7	3.0	3.1	4.4
United States	APR 78	1.5	3.7	5.1	5.2
Consumer Prices					
Big Six	MAY 78	0.8	9.2	6.3	7.1
United States	MAY 78	0.8	6.7	7.0	9.9

	LATEST MONTH		1 Year Earlier	3 Months Earlier
Unemployment Rate				
Big Five	MAY 78	4.4	4.2	4.3
United States	MAY 78	6.1	7.1	6.1

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1978	1977	Change
Trade Balance					
Big Six	MAY 78	3,483	22,493	11,298	11,195
United States	MAY 78	-2,238	-14,771	-8,280	-6,491

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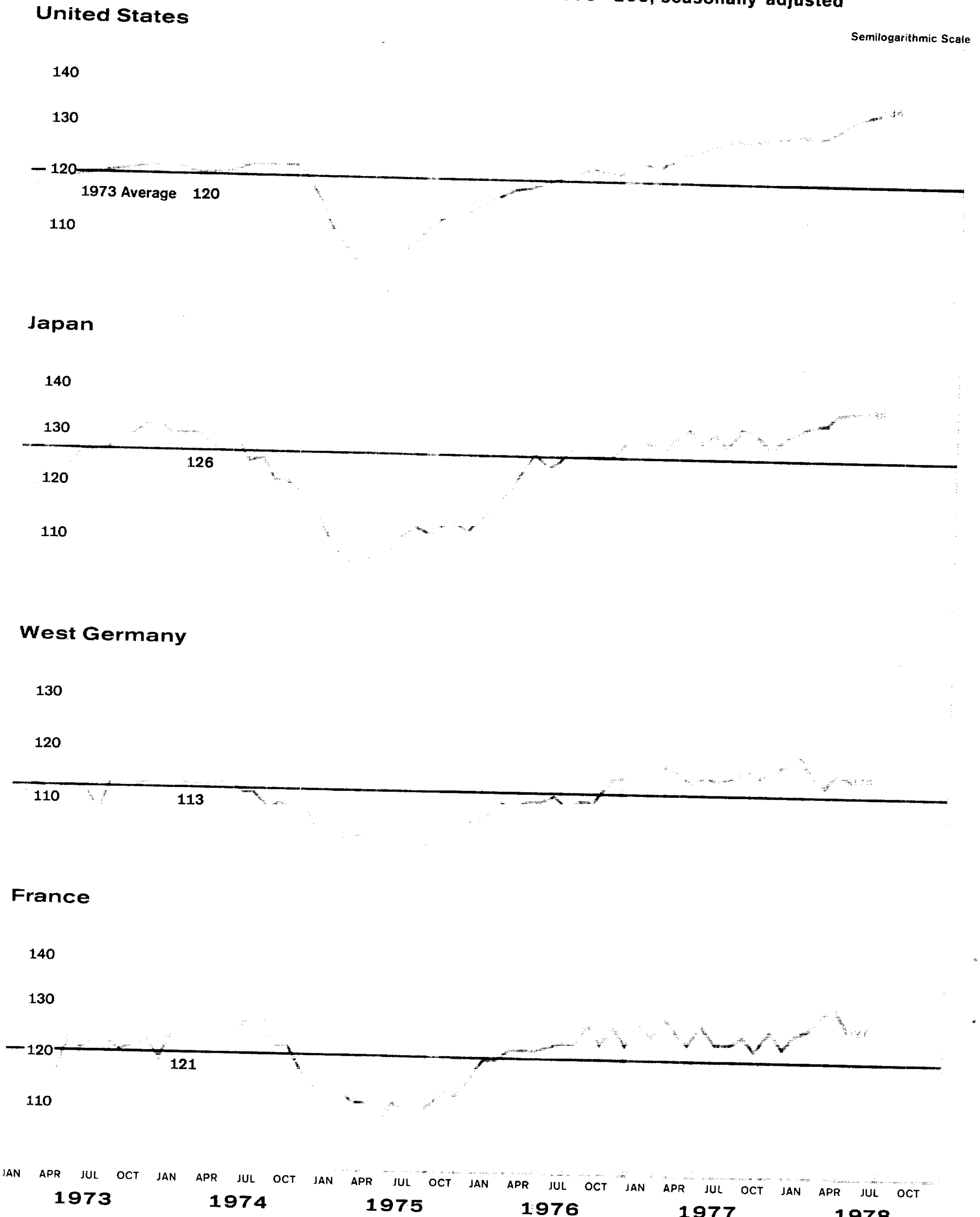
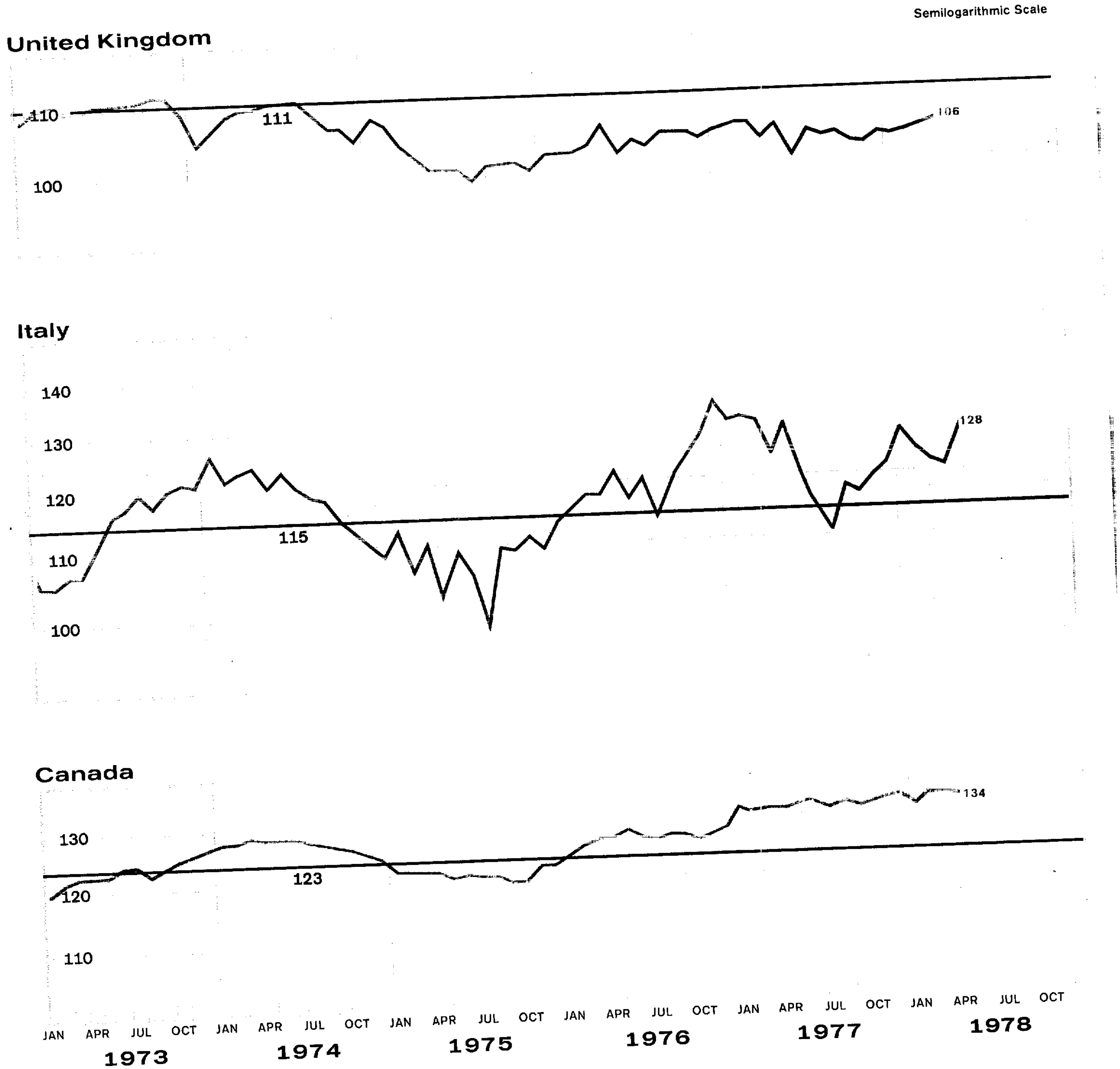
[2]Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

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	JUN 78	0.3	3.7	4.7	12.2
Japan	MAY 78	0.3	4.0	6.7	11.4
West Germany	MAY 78	−1.7	1.9	0.9	−6.6
France	MAY 78	−3.1	3.1	3.3	13.4

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[1]
United Kingdom	APR 78	1.0	0.7	1.9	6.1
Italy	MAY 78	5.5	3.2	−1.4	−1.6
Canada	APR 78	−0.2	3.8	2.1	3.7

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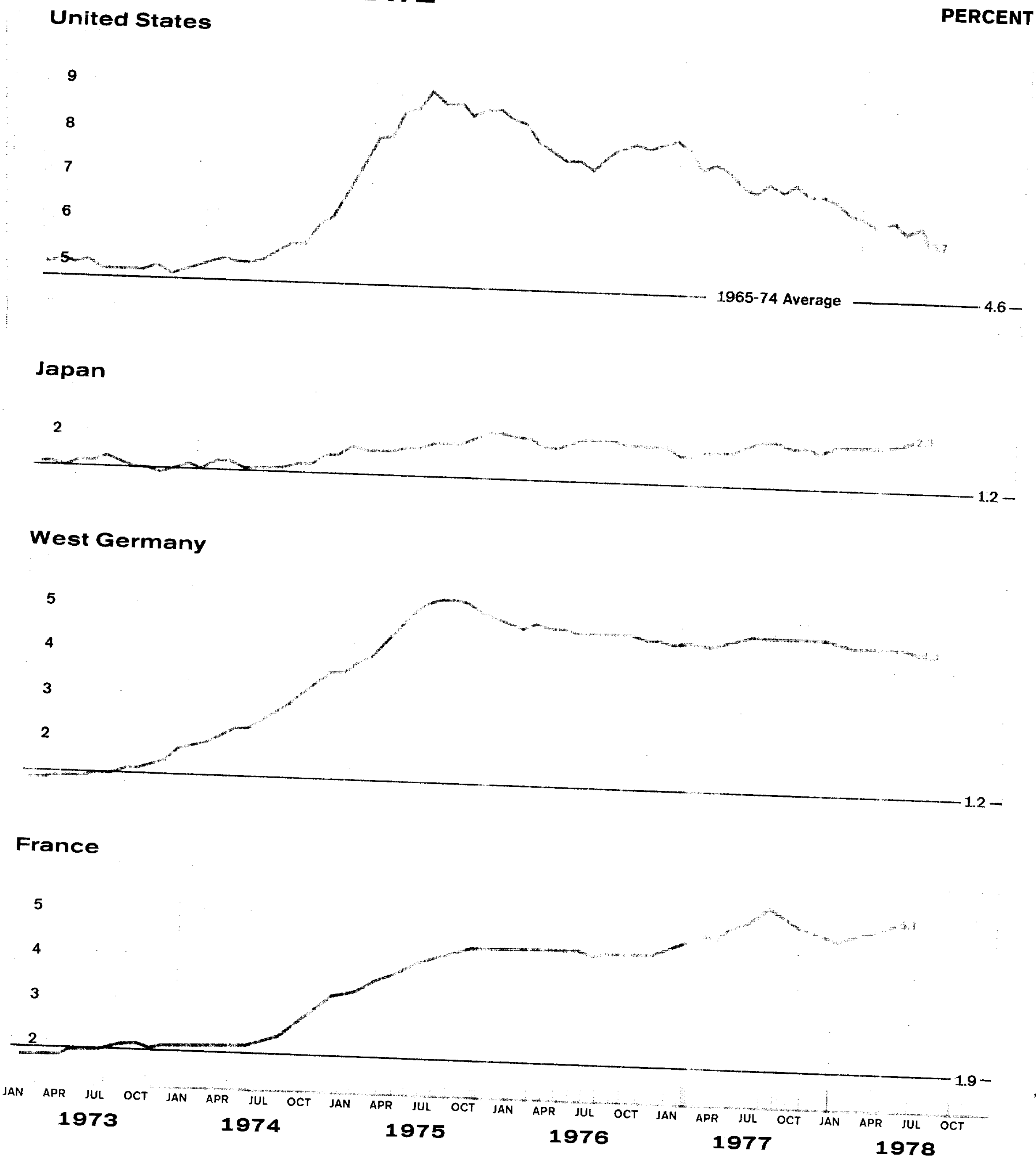
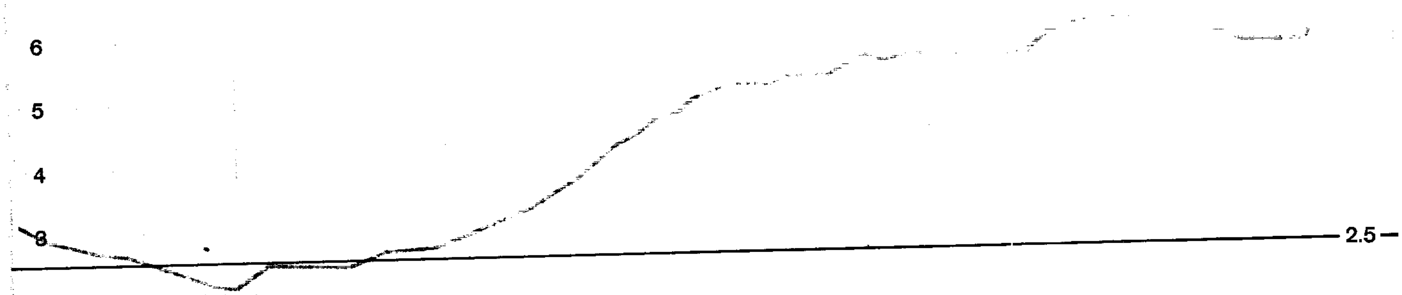
[1]Average for latest 3 months compared with average for previous 3 months.

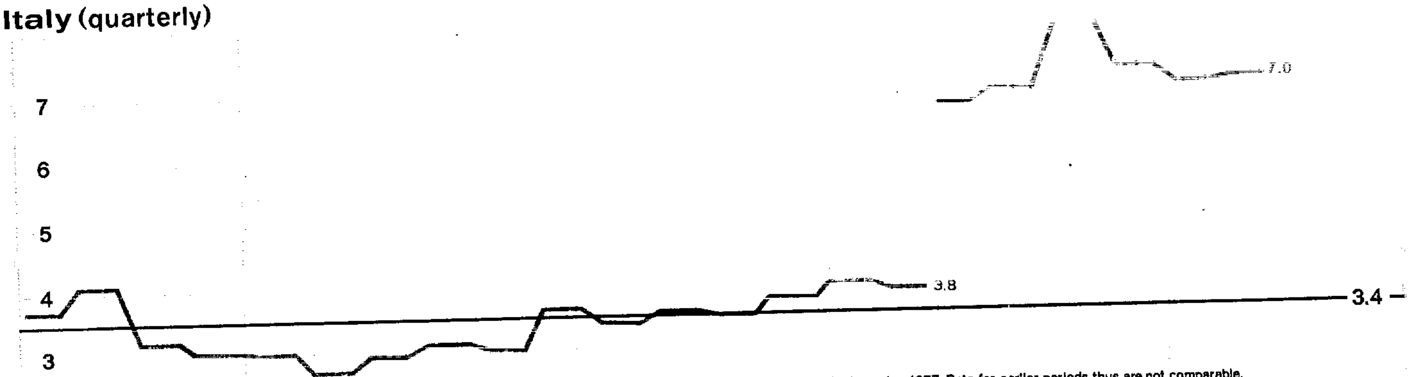
UNEMPLOYMENT RATE



United Kingdom

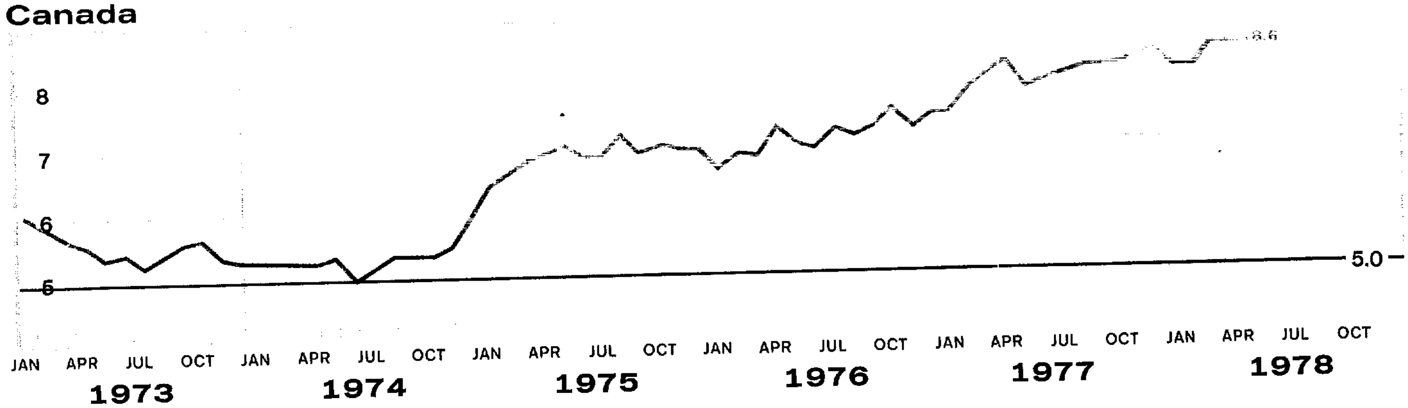


Italy (quarterly)



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	JUN 78	5,754	6,904	6,148
Japan	MAY 78	1,270	1,140	1,160
West Germany	JUN 78	984	1,044	1,014
France	MAY 78	1,113	1,066	1,042
United Kingdom	JUL 78	1,371	1,402	1,387
Italy	II 78	1,455	1,432	1,520
Canada	MAY 78	949	840	901

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 1975-78, 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. Beginning in 1977, Italian rates should be decreased by 50 percent to be roughly comparable to US rates.

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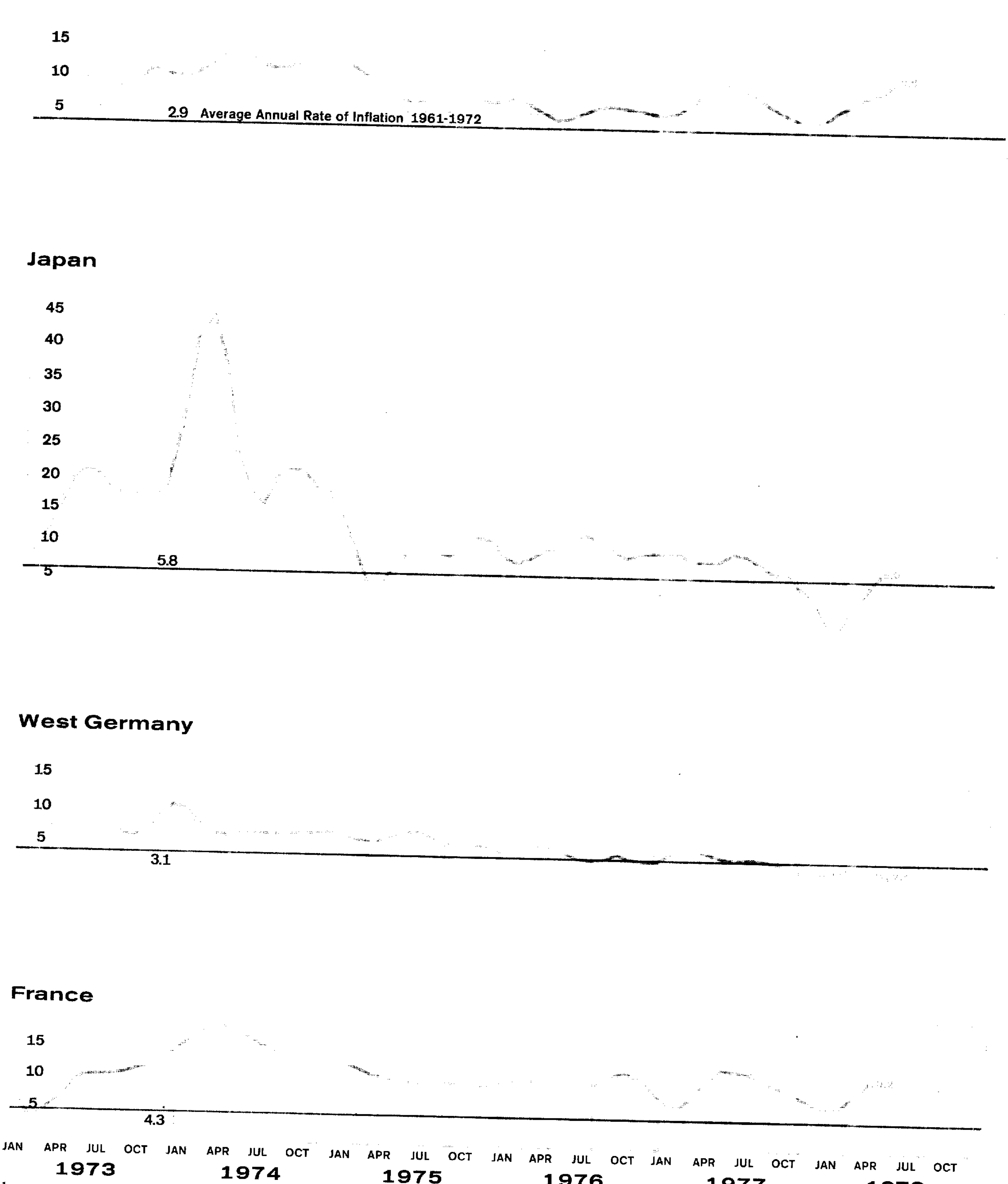
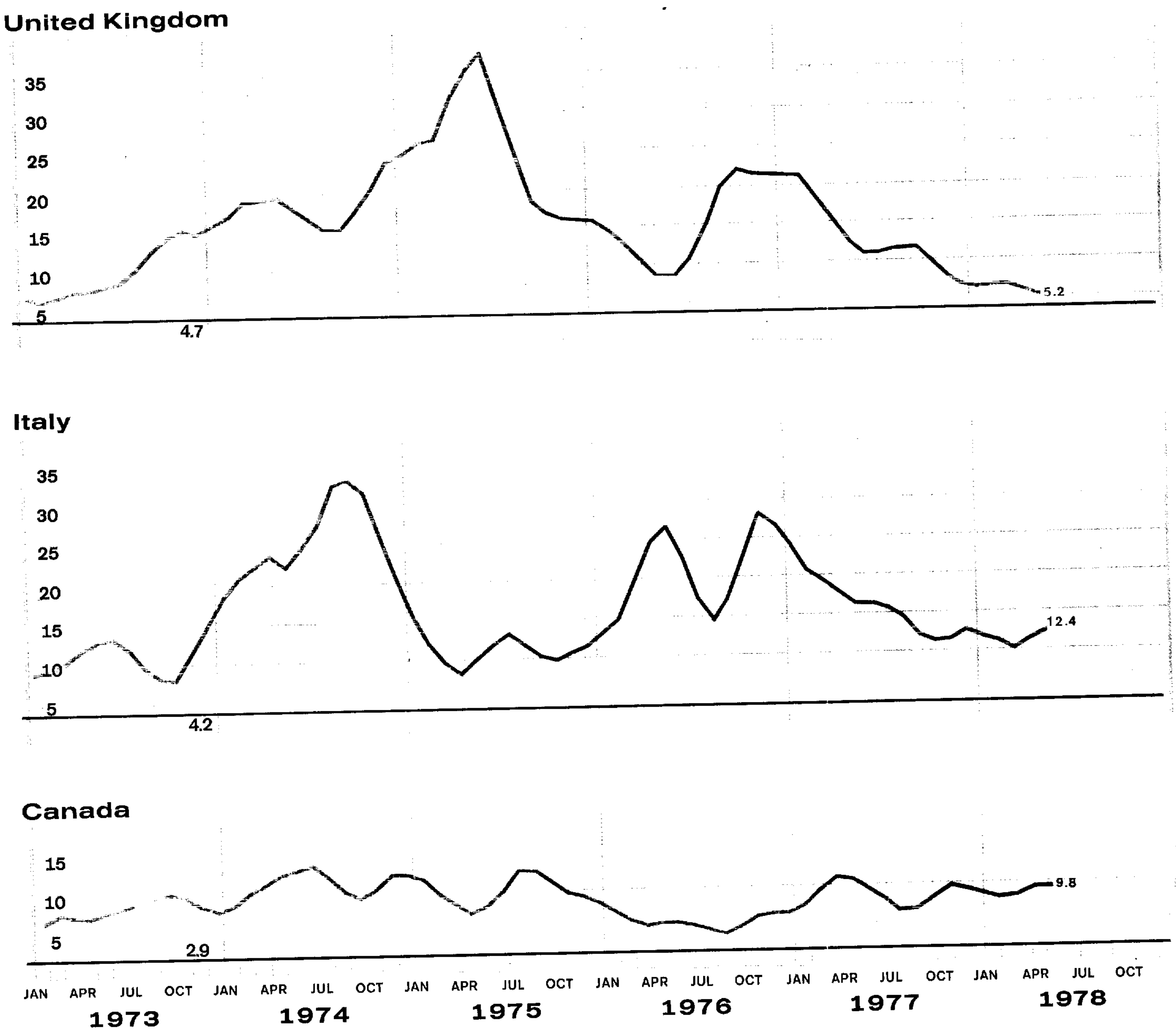
CONSUMER PRICE INFLATION

Percent, seasonally adjusted, annual rate[1]



[1]Three-month average compared with previous three months.



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[2]
United States	MAY 78	0.8	6.7	7.0	9.9
Japan	MAY 78	1.0	9.8	3.5	6.0
West Germany	JUN 78	0	5.2	2.4	2.1
France	MAY 78	1.0	9.0	9.1	10.2
United Kingdom	JUN 78	0.8	13.1	7.4	5.2
Italy	JUN 78	1.2	13.1	12.2	12.4
Canada	JUN 78	0.8	7.7	9.2	9.8

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[2] Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

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	78 I	0	3.1	3.8	0
Japan	78 I	2.4	5.5	5.7	10.0
West Germany	78 I	0.1	2.4	1.1	0.4
France	78 I	1.8	4.1	1.4	7.4
United Kingdom	77 IV	−0.5	1.6	−1.1	−1.9
Italy	78 I	2.0	1.9	−6.2	8.2
Canada	78 I	0.7	4.7	2.8	2.7

[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	May 78	−0.9	3.1	1.9	5.5
Japan	Jan 78	2.9	9.2	1.0	−2.8
West Germany	Apr 78	−0.8	2.5	7.0	−7.3
France	Jan 78	9.9	0	1.0	10.5
United Kingdom	Jun 78	0.6	1.2	6.5	7.0
Italy	Mar 78	3.6	3.2	5.5	21.1
Canada	May 78	1.0	4.1	3.5	2.2

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

FIXED INVESTMENT [1]

Nonresidential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	78 I	1.0	2.2	4.7	4.1
Japan	78 I	0.9	1.1	−0.4	3.6
West Germany	78 I	−0.5	0.7	1.6	−2.1
France	77 IV	0.8	4.0	4.7	3.3
United Kingdom	77 IV	−1.5	1.3	4.1	−5.9
Italy	78 I	5.3	1.7	−11.4	22.7
Canada	78 I	−3.7	4.8	−12.7	−14.1

[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	Jun 78	0.5	7.6	7.6	7.2
Japan	Mar 78	−0.2	16.2	7.7	8.3
West Germany	78 I	0.9	8.9	4.3	3.9
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	Jan 78	0.5	14.7	3.3	2.7
Italy	Apr 78	0	20.1	17.4	13.4
Canada	Apr 78	−0.1	10.9	7.7	6.8

[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	Commercial paper	Jul 19	7.88	5.38	6.86	7.66
Japan	Call money	Jul 21	4.38	5.63	4.12	4.13
West Germany	Interbank loans (3 months)	Jul 19	3.76	4.19	3.55	3.62
France	Call money	Jul 21	7.63	8.63	8.50	7.38
United Kingdom	Sterling interbank loans (3 months)	Jul 19	10.04	7.89	7.80	10.16
Canada	Finance paper	Jul 19	8.24	7.25	8.45	8.14
Eurodollars	Three-month deposits	Jul 19	8.58	5.75	7.43	8.48

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Mar 78	−0.1	9.3	3.8	7.6
Japan	May 78	1.1	12.2	23.6	45.4
West Germany	Apr 78	−0.9	11.8	13.3	8.6
France	Apr 78	3.4	12.1	17.9	36.2
United Kingdom	Jun 78	1.2	11.4	16.7	−3.8
Italy	Dec 77	0.9	10.7	8.6	−1.3
Canada	Apr 78	−0.2	8.3	−1.2	−13.6

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	Mar 78	−0.1	9.3	3.8	7.6
Japan	May 78	3.1	5.8	0.7	14.3
West Germany	Apr 78	−0.7	3.7	−2.3	−6.1
France	Apr 78	0.9	9.4	8.9	21.0
United Kingdom	Jun 78	0.1	15.2	9.2	13.1
Italy	Dec 77	0.6	15.8	9.6	−4.7
Canada	Apr 78	1.2	9.5	7.3	−0.2

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	Mar 78	2.0	13.1	7.8	27.5
Japan	May 78	5.3	7.1	−17.0	−12.3
West Germany	Apr 78	−3.1	3.1	−6.3	−11.1
France	Apr 78	−2.2	9.3	0.2	−1.6
United Kingdom	Jun 78	1.1	17.6	3.0	16.3
Italy	Dec 77	−0.7	19.5	9.7	−13.1
Canada	Apr 78	1.5	8.9	10.6	−2.1

OFFICIAL RESERVES

	Latest Month: End of	Billion US $	Billion US $: Jun 1970	1 Year Earlier	3 Months Earlier
United States	Apr 78	18.8	14.5	18.9	19.5
Japan	Jun 78	27.3	4.1	17.4	29.2
West Germany	May 78	40.0	8.8	34.8	41.9
France	Apr 78	10.6	4.4	10.0	0.1
United Kingdom	May 78	17.3	2.8	10.0	21.4
Italy	May 78	12.2	4.7	7.9	11.4
Canada	Jun 78	4.7	9.1	5.1	4.0

CURRENT ACCOUNT BALANCE [1]

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States [2]	78 I	−6,954	−20,115	−1,430	−18,685
Japan	Jun 78	2,330	19,925	6,756	13,169
West Germany	May 78	323	3,584	2,659	926
France	78 I	0	−3,179	−5,721	2,541
United Kingdom	77 IV	682	−14	−2,172	2,157
Italy	77 III	2,390	1,629	−2,028	3,657
Canada	78 I	−1,273	−5,204	−5,324	120

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

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

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States	No longer published [2]				
Japan	Jun 78	1,280	13,460	4,841	8,619
West Germany	May 78	−722	−1,648	2,472	−4,120
France	78 I	−1	−3,218	−6,842	3,624
United Kingdom	77 IV	1,389	5,353	−2,254	7,607
Italy	77 III	2,520	2,128	−2,083	4,211
Canada	78 I	−668	−496	3,557	−4,053

[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 21 Jul 78

	US $ Per Unit	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	14 Jul 78
Japan (yen)	0.0050	30.34	31.49	10.99	0.49
West Germany (Deutsche mark)	0.4873	37.62	11.21	0.75	−0.05
France (franc)	0.2257	2.39	9.62	4.00	0.43
United Kingdom (pound sterling)	1.9115	−22.33	11.17	4.74	1.41
Italy (lira)	0.0012	−33.16	4.41	2.51	0.25
Canada (dollar)	0.8892	−10.88	−5.83	0.52	−0.20

TRADE-WEIGHTED EXCHANGE RATES [1]
As of 21 Jul 78

	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	14 Jul 78
United States	−1.92	−6.82	−3.20	−0.21
Japan	34.81	28.89	10.16	0.38
West Germany	30.31	2.33	−1.24	−0.43
France	−7.14	0.12	2.35	0.14
United Kingdom	−28.17	4.21	3.00	1.15
Italy	−41.87	−4.57	0.52	−0.03
Canada	−11.59	−8.54	−0.50	−0.33

[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.

Developed Countries: Direction of Trade [1]

Billion US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other	World	Big Seven	Other OECD	OPEC	Com-munist	Other
UNITED STATES												
1975	107.65	46.94	16.25	10.77	3.37	29.82	103.42	49.81	8.83	18.70	0.98	25.08
1976	115.01	51.30	17.68	12.57	3.64	29.44	129.57	60.39	9.75	27.17	1.16	31.09
1977	120.17	53.92	18.53	14.02	2.72	30.98	156.70	70.48	11.08	35.45	1.22	38.47
1st Qtr	29.46	13.75	4.73	3.13	0.86	6.99	37.37	16.07	2.76	8.97	0.30	9.27
2d Qtr	31.67	14.39	4.81	3.69	0.71	8.07	40.45	18.14	2.77	9.31	0.35	9.88
3d Qtr	28.75	12.23	4.39	3.58	0.47	8.08	39.50	17.73	2.78	8.92	0.32	9.75
4th Qtr	30.29	13.55	4.60	3.62	0.68	7.84	39.38	18.54	2.77	8.25	0.25	9.57
JAPAN												
1975	55.73	16.56	6.07	8.42	5.16	15.87	57.85	16.93	6.08	19.40	3.36	12.05
1976	67.32	22.61	8.59	9.27	4.93	17.84	64.89	17.58	7.78	21.88	2.91	14.72
1977	81.11	28.02	9.73	12.03	5.32	26.01	71.33	18.87	7.93	24.33	3.41	16.79
1st Qtr	17.89	5.89	2.45	2.46	1.36	5.73	17.44	4.72	1.84	6.24	0.79	3.85
2d Qtr	19.73	6.73	2.41	2.91	1.19	6.49	17.88	4.88	2.10	5.74	0.86	4.30
3d Qtr	20.63	7.40	2.47	3.05	1.33	6.38	17.63	4.68	1.84	5.88	0.84	4.39
4th Qtr	22.86	8.00	2.40	3.61	1.44	7.41	18.38	4.59	2.15	6.47	0.92	4.25
1978												
Jan	5.66	2.18	0.65	0.78	0.29	1.76	6.00	1.57	0.73	2.14	0.27	1.29
WEST GERMANY												
1975	91.70	28.33	36.44	6.78	8.81	11.05	76.28	27.09	27.78	8.24	4.87	8.21
1976	103.63	33.44	41.86	8.25	8.72	11.04	89.68	31.28	32.64	9.73	5.93	10.01
1977	119.28	39.01	48.00	10.78	8.59	12.90	102.63	36.38	37.37	10.12	6.14	12.62
1st Qtr	28.19	9.28	11.62	2.31	2.11	2.87	24.45	8.46	8.85	2.58	1.42	3.14
2d Qtr	29.20	9.59	11.79	2.69	2.07	3.06	25.21	9.09	9.04	2.43	1.54	3.11
3d Qtr	28.75	9.20	11.45	2.71	2.26	3.13	25.27	8.99	8.97	2.54	1.65	3.12
4th Qtr	33.14	10.94	13.14	3.07	2.15	3.84	27.70	9.84	10.51	2.57	1.53	3.25
FRANCE												
1975	52.87	20.00	15.50	4.90	3.13	8.61	53.99	23.04	14.33	9.43	1.94	5.21
1976	57.05	22.49	16.15	5.08	3.23	8.75	64.38	27.81	16.93	11.36	2.24	6.01
1977	65.00	25.90	18.19	5.97	3.00	11.94	70.50	30.28	18.24	11.82	2.46	7.70
1st Qtr	15.68	6.25	4.55	1.40	0.75	2.73	17.89	7.50	4.84	3.06	0.52	1.97
2d Qtr	16.69	6.60	4.79	1.57	0.83	2.90	17.96	7.84	4.71	2.65	0.61	2.15
3d Qtr	14.75	6.02	4.08	1.32	0.67	2.66	16.14	6.99	3.85	2.87	0.62	1.81
4th Qtr	17.88	7.03	4.77	1.68	0.75	3.65	18.51	7.95	4.84	3.24	0.71	1.77
1978												
Jan	5.49	2.21	1.49	0.52	0.19	1.08	6.29	2.69	1.71	1.00	0.21	0.68
UNITED KINGDOM												
1975	44.03	12.55	16.59	4.55	1.56	8.64	53.35	18.47	18.52	6.91	1.68	7.67
1976	46.12	14.03	17.53	5.13	1.39	7.92	55.56	19.66	18.81	7.29	2.08	7.65
1977	57.44	16.99	22.56	6.78	1.63	9.48	63.29	24.02	21.34	6.31	2.40	9.22
1st Qtr	13.14	4.02	5.16	1.51	0.35	2.10	15.45	5.80	5.12	1.78	0.49	2.26
2d Qtr	14.35	4.20	5.72	1.69	0.44	2.30	16.52	6.02	5.73	1.70	0.58	2.49
3d Qtr	14.59	4.47	5.55	1.75	0.46	2.36	15.20	6.05	4.74	1.44	0.66	2.31
4th Qtr	15.36	4.30	6.13	1.83	0.38	2.72	16.12	6.15	5.75	1.39	0.67	2.16
1978												
Jan	5.22	1.58	1.92	0.68	0.14	0.90	6.27	2.42	2.27	0.64	0.18	0.76
ITALY												
1975	34.82	15.61	7.86	3.72	2.46	4.67	38.36	17.32	6.75	7.85	2.09	4.34
1976	36.96	17.41	8.69	4.23	2.18	3.96	43.42	19.35	8.04	8.12	2.65	5.24
1977												
1st Qtr	9.80	4.56	2.30	1.26	0.53	1.15	11.37	5.00	2.14	2.18	0.60	1.45
2d Qtr	11.47	5.33	2.61	1.51	0.60	1.42	12.49	5.51	2.24	2.50	0.64	1.60
3d Qtr	10.93	5.01	2.51	1.41	0.63	1.37	10.55	4.39	1.80	2.10	0.73	1.53
Oct & Nov	7.73	3.68	1.66	0.99	0.40	1.00	7.97	3.52	1.48	1.34	0.53	1.10

Developed Countries: Direction of Trade [1]
(Continued)

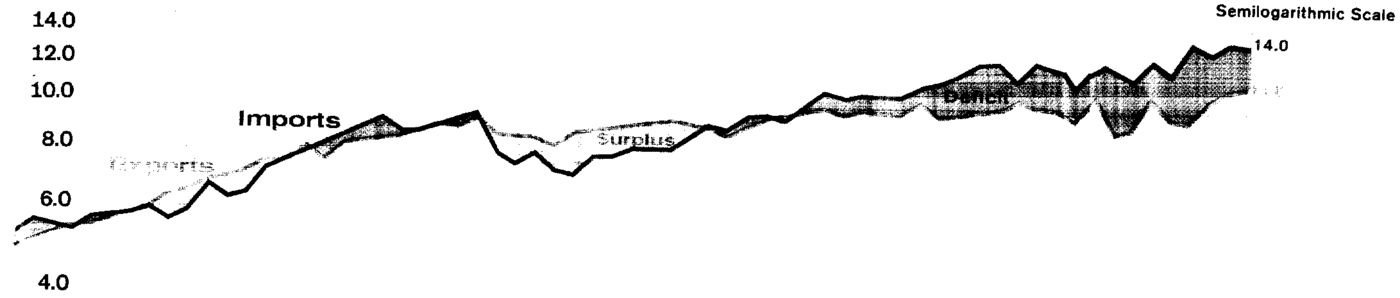
Billion US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other	World	Big Seven	Other OECD	OPEC	Com-munist	Other
CANADA												
1975	33.84	26.30	1.73	0.71	1.20	2.00	38.59	29.78	1.70	3.43	0.32	2.02
1976	40.18	32.01	2.03	0.81	1.25	2.09	43.05	33.55	1.82	3.48	0.38	2.56
1977	42.98	34.77	2.13	0.94	1.06	4.08	44.67	35.67	1.77	3.05	0.33	3.85
1st Qtr	10.35	8.37	0.53	0.23	0.22	1.00	10.92	8.64	0.43	0.82	0.09	0.94
2d Qtr	11.34	9.23	0.54	0.24	0.29	1.04	12.28	9.92	0.47	0.74	0.10	1.05
3d Qtr	10.25	8.12	0.54	0.23	0.29	1.07	10.38	8.17	0.43	0.82	0.07	0.89
4th Qtr	11.04	9.05	0.52	0.24	0.26	0.97	11.09	8.94	0.44	0.67	0.07	0.97

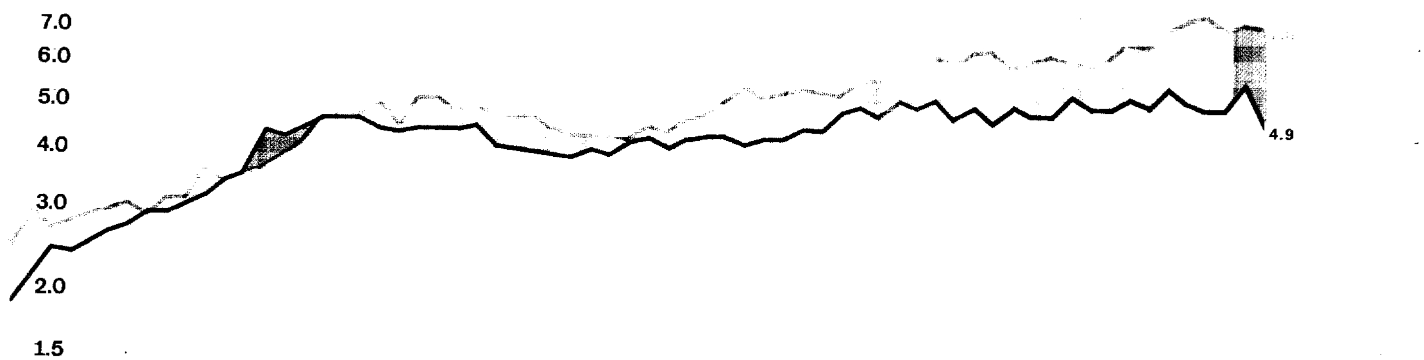
[1] Source: *International Monetary Fund, Direction of Trade.*

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

United States

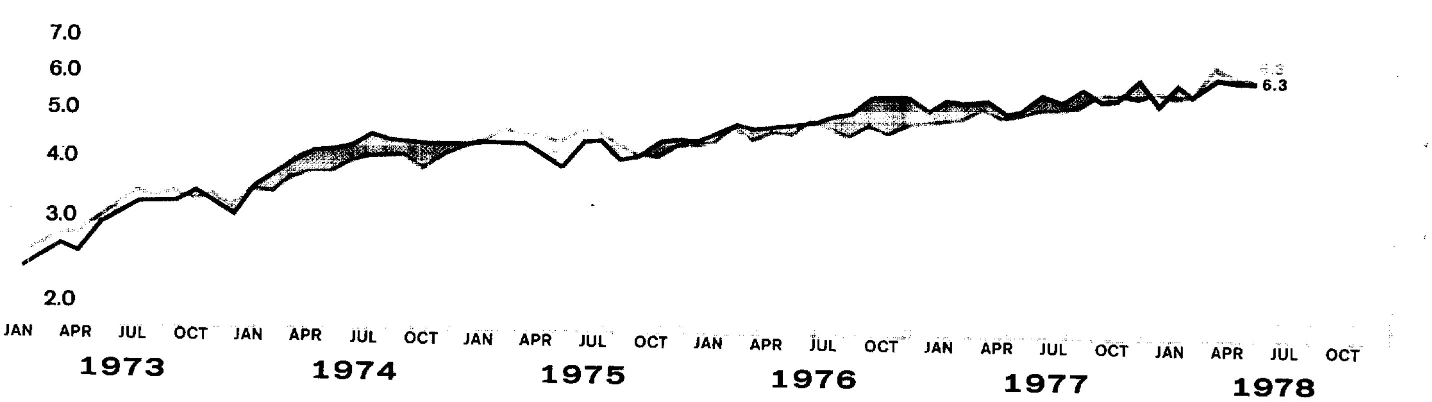


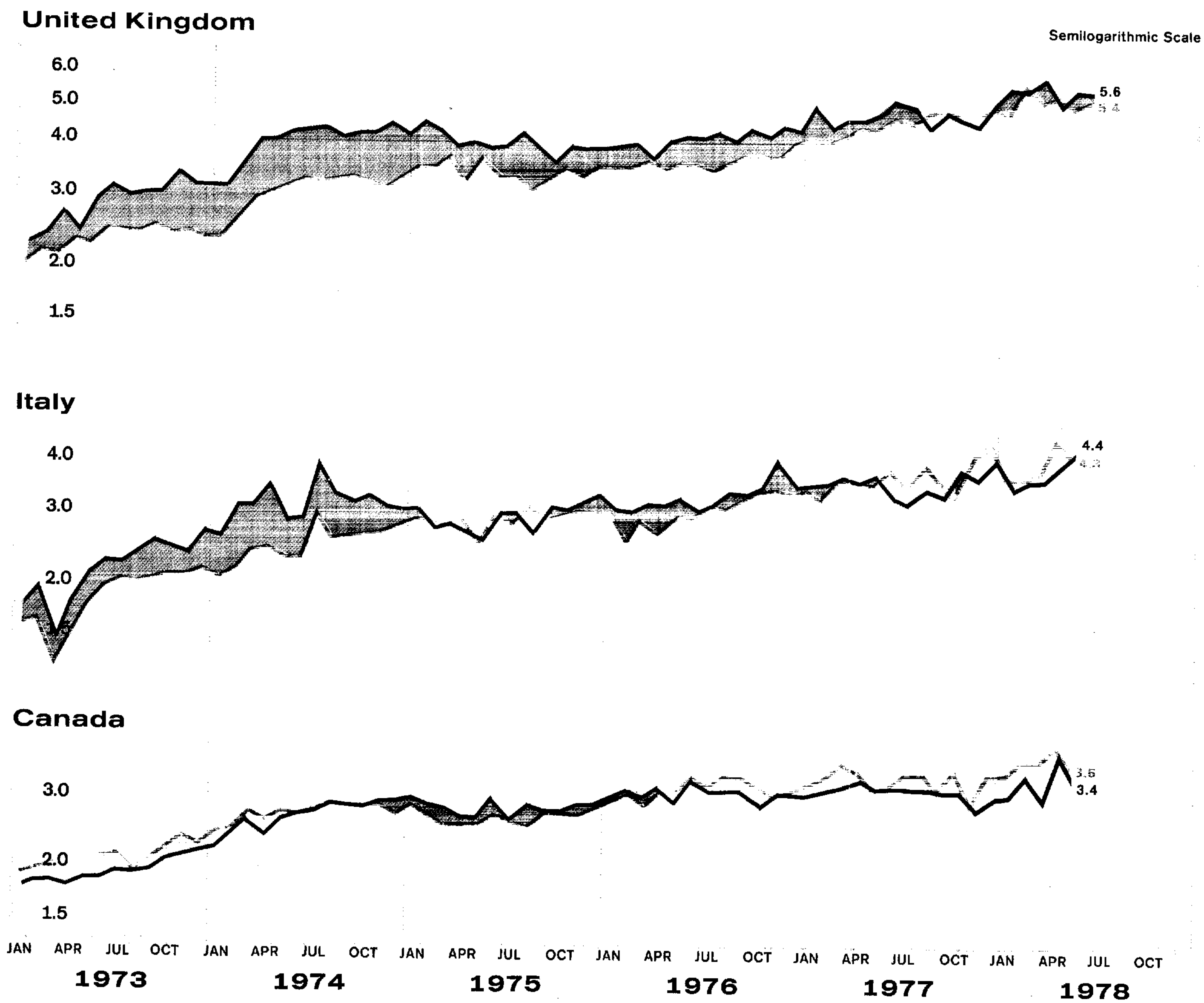
Japan



West Germany

France





	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1978	1977	CHANGE
United States	MAY 78	11,754	54,237	50,167	8.1%
		13,992	69,009	58,447	18.1%
	Balance	−2,238	−14,771	−8,280	−6,491
Japan	JUN 78	7,794	47,131	38,859	21.3%
		4,864	32,365	30,319	6.7%
	Balance	2,930	14,767	8,540	6,227
West Germany	MAY 78	10,313	55,032	46,735	17.8%
		8,522	45,808	38,606	18.7%
	Balance	1,791	9,224	8,128	1,096
France	MAY 78	6,342	31,008	25,833	20.0%
		6,321	30,973	27,033	14.6%
	Balance	21	35	−1,200	1,235

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1978	1977	CHANGE
United Kingdom	JUN 78	5,376	32,428	26,583	22.0%
		5,570	33,777	29,467	14.6%
	Balance	−195	−1,349	−2,884	1,536
Italy	MAY 78	4,276	20,329	17,623	15.4%
		4,358	19,314	18,630	3.7%
	Balance	−82	1,014	−1,008	2,022
Canada	MAY 78	3,621	18,983	17,435	8.9%
		3,401	17,447	16,713	4.4%
	Balance	219	1,536	722	814

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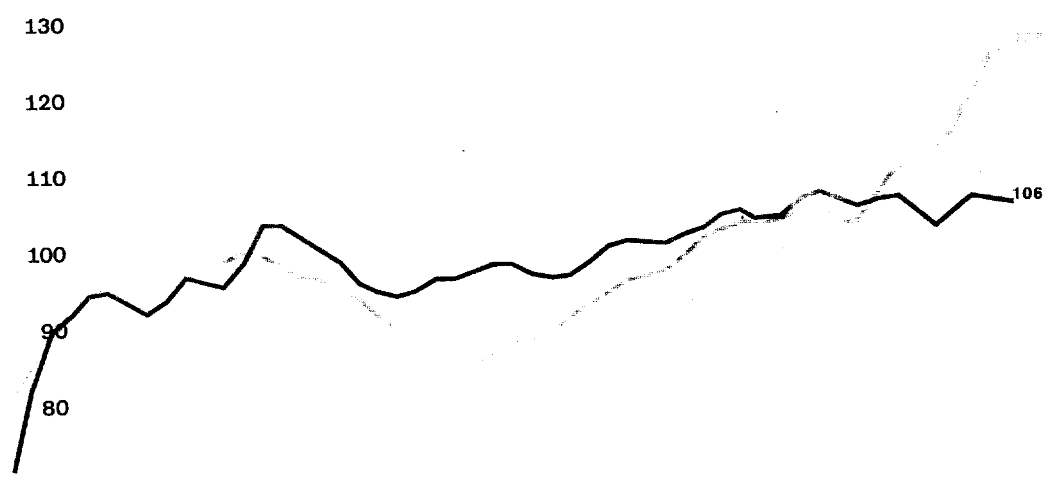
FOREIGN TRADE PRICES IN US $[1]

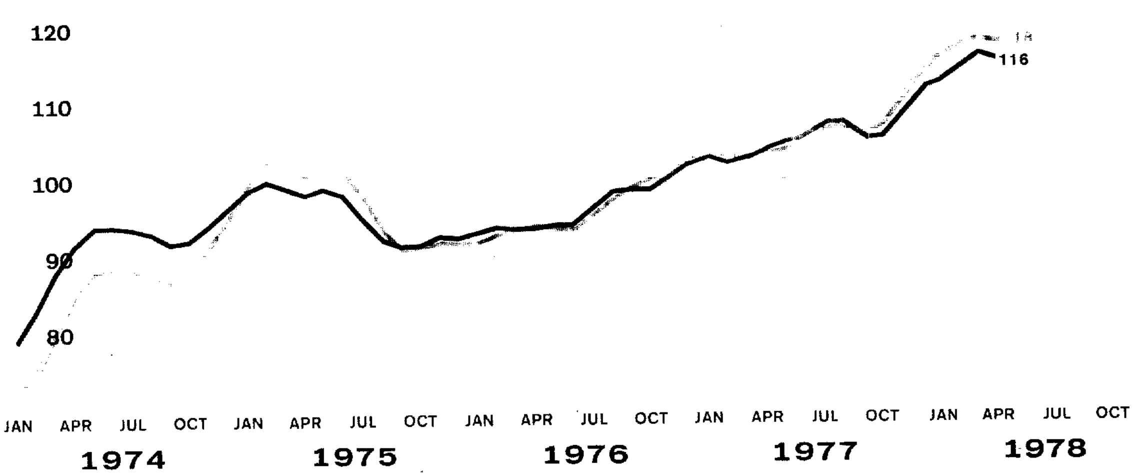
INDEX: JAN 1975 = 100

United States

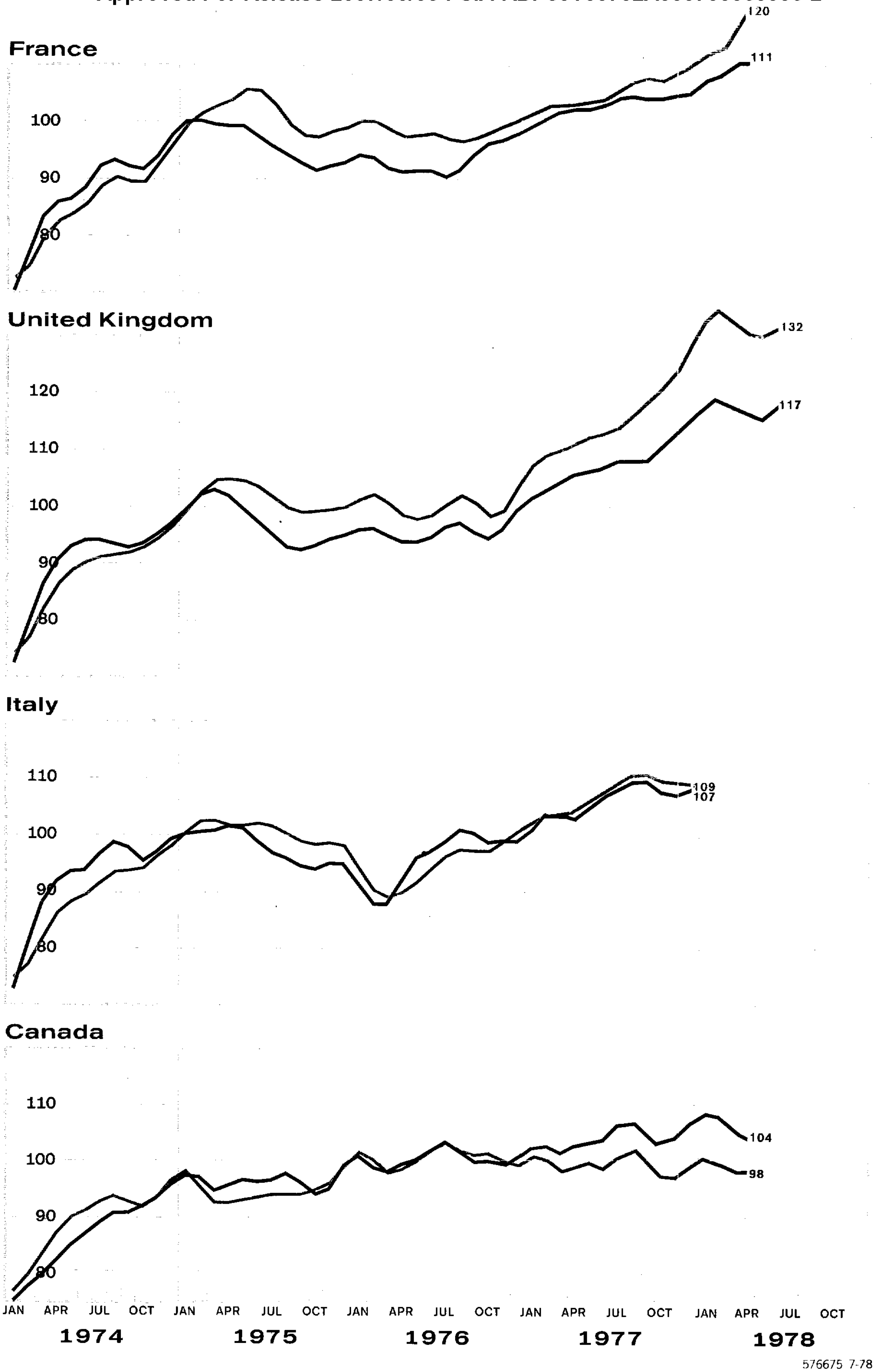
Japan



West Germany



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


France
100
90
80
120
111
United Kingdom
120
110
100
90
80
132
117
Italy
110
100
90
80
109
107
Canada
110
100
90
80
104
98
JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1974
1975
1976
1977
1978
576675 7-78

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	Jan 78	2.5	5.0	5.1	4.6
South Korea	Mar 78	5.8	22.7	26.8	16.9
Mexico	Mar 78	−5.1	5.1	3.4	−2.0
Nigeria	78 I	6.8	11.0	0.2	29.9
Taiwan	Apr 78	1.5	15.3	17.4	−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	Mar 78	2.7	36.4	43.3	34.7
India	Dec 77	1.0	13.8	13.6	26.1
Iran	Feb 78	0.8	28.1	27.7	30.3
South Korea	Apr 78	0.4	31.4	33.3	34.4
Mexico	Apr 78	1.2	20.4	30.8	28.9
Nigeria	Oct 77	0.6	36.3	46.9	32.6
Taiwan	Mar 78	5.3	25.2	31.0	24.3
Thailand	Nov 77	3.3	13.1	12.3	4.7

[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	3 Months Earlier [1]
Brazil	Jun 78	4.1	28.3	38.0	−46.0
India	Mar 78	0.3	7.5	2.9	−10.5
Iran	Apr 78	1.8	12.6	15.3	29.7
South Korea	May 78	1.0	14.4	12.6	9.0
Mexico	May 78	1.0	15.0	17.2	13.0
Nigeria	Dec 77	3.2	16.6	31.0	20.3
Taiwan	Apr 78	1.8	10.1	7.6	11.3
Thailand	Apr 78	1.0	8.6	8.8	11.3

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	May 78	3.4	28.4	34.5
India	May 78	0.6	8.0	−2.8
Iran	Apr 78	1.0	11.1	12.5
South Korea	May 78	0.8	15.9	11.2
Mexico	May 78	2.5	16.5	16.3
Taiwan	Mar 78	1.1	8.2	1.2
Thailand	Jan 78	−0.2	9.5	6.4

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
Brazil	Feb 78	0.4	14.1	1.5	25.6
India	Mar 77	−0.9	9.6	17.9	36.5
Iran	Mar 78	0	32.0	0	0
South Korea	77 IV	4.6	8.9	8.8	19.5
Nigeria	May 76	−0.1	27.3	12.3	8.7
Taiwan	Dec 78	−0.7	11.2	3.8	−2.0
Thailand	Mar 76	2.0	13.3	13.1	77.7

OFFICIAL RESERVES

	Latest Month End of	Latest Month Million US $	Million US $ Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Feb 78	6,733	1,013	5,878	5,994
India	Mar 78	5,823	1,006	3,747	5,184
Iran	May 78	12,468	208	11,460	13,728
South Korea	Apr 78	4,138	602	3,247	4,418
Mexico	Mar 78	1,766	695	1,422	1,723
Nigeria	May 78	2,610	148	4,740	4,186
Taiwan	Mar 78	1,433	531	1,349	1,447
Thailand	May 78	2,129	978	2,005	2,087

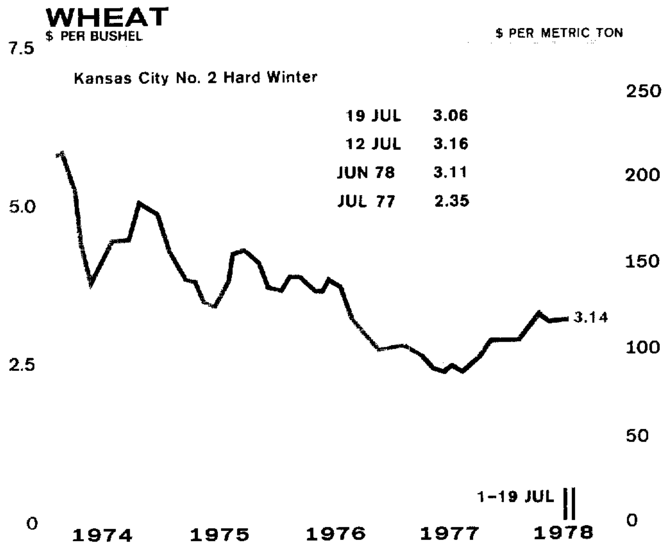
Approved For Release 2007/03/08 : CIA-RDP80T00702A000700060006-2

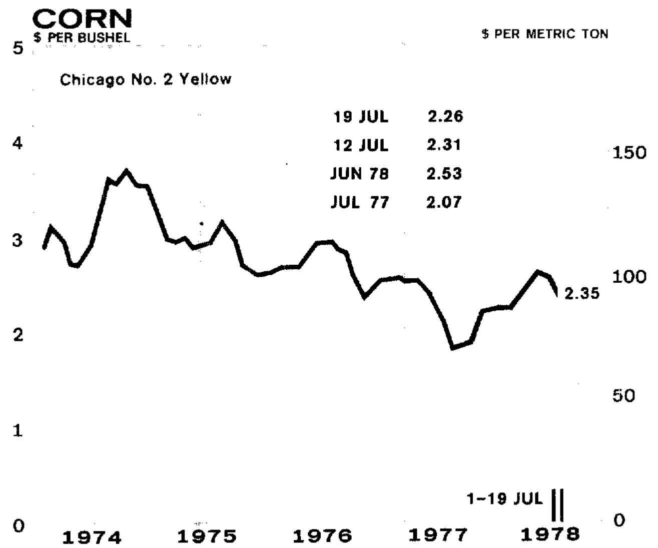
FOREIGN TRADE, f.o.b.

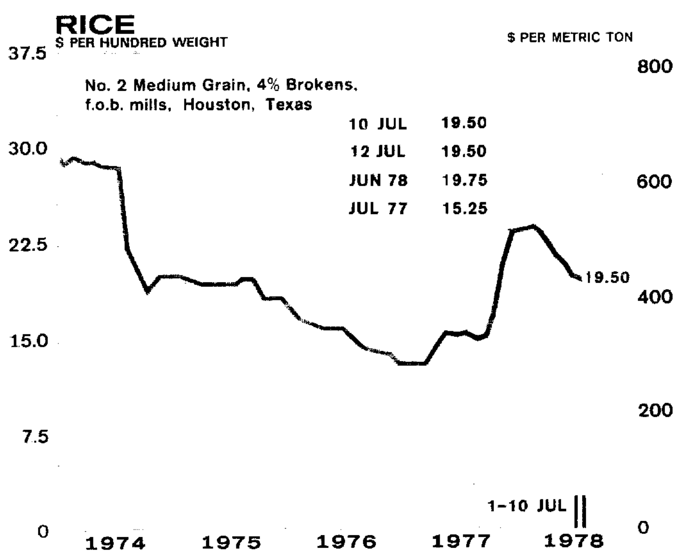
	Latest Period		Latest 3 Months Percent Change from 3 Months Earlier [1]	Latest 3 Months Percent Change from 1 Year Earlier	Cumulative (Million US $) 1978	Cumulative (Million US $) 1977	Cumulative (Million US $) Change
Brazil	May 78	Exports	84.8	−3.7	4,743	4,979	−4.7%
	May 78	Imports	26.6	1.4	5,110	4,939	3.5%
	May 78	Balance			−367	40	−407
India	Feb 78	Exports	4.0	12.3	912	917	−0.4%
	Feb 78	Imports	−39.6	− 0.2	845	916	−7.7%
	Feb 78	Balance			67	1	66
Iran	Apr 78	Exports	−30.9	−7.1	7,682	8,012	−4.1%
	Mar 78	Imports	105.8	14.2	3,694	3,235	14.2%
	Mar 78	Balance			2,025	2,795	−770
South Korea	Apr 78	Exports	−15.7	30.8	3,638	2,832	28.5%
	Apr 78	Imports	12.5	25.8	3,849	3,035	26.8%
	Apr 78	Balance			−211	−203	−9
Mexico	Apr 78	Exports	−21.1	−3.1	1,576	1,458	8.1%
	Apr 78	Imports	−47.9	16.2	1,809	1,492	21.2%
	Apr 78	Balance			−233	−34	−199
Nigeria	Apr 78	Exports	−55.0	−29.8	1,145	1,597	−28.3%
	Dec 76	Imports	86.7	8.4	N.A.	N.A.	N.A.
	Dec 76	Balance			N.A.	N.A.	N.A.
Taiwan	Apr 78	Exports	−27.6	32.3	3,365	2,543	32.3%
	Apr 78	Imports	− 14.5	20.4	2,869	2,338	22.7%
	Apr 78	Balance			496	205	291
Thailand	Feb 78	Exports	76.0	8.2	635	574	10.6%
	Mar 78	Imports	−8.8	13.7	1,069	940	13.7%
	Feb 77	Balance			−29	−23	−5

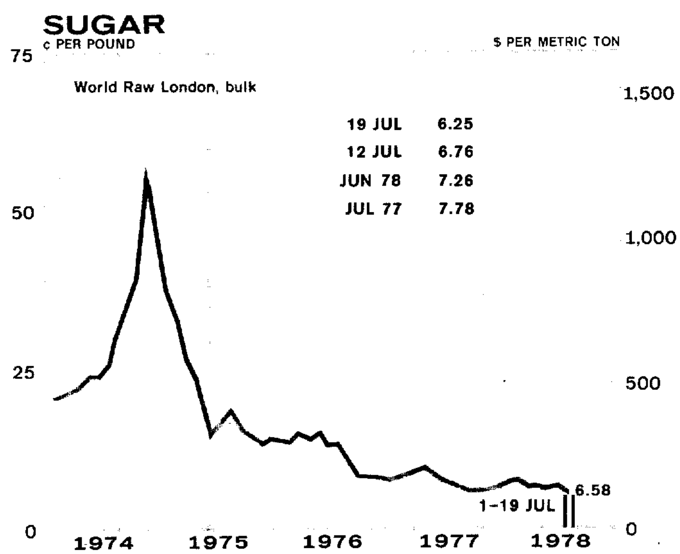
[1] At annual rates.

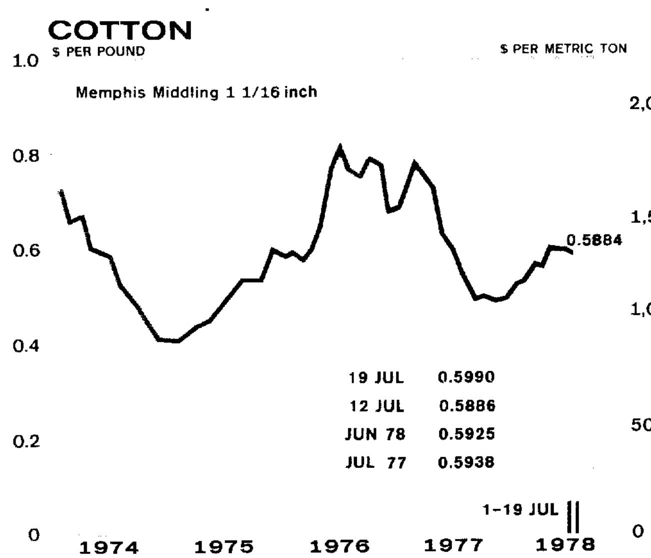
AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

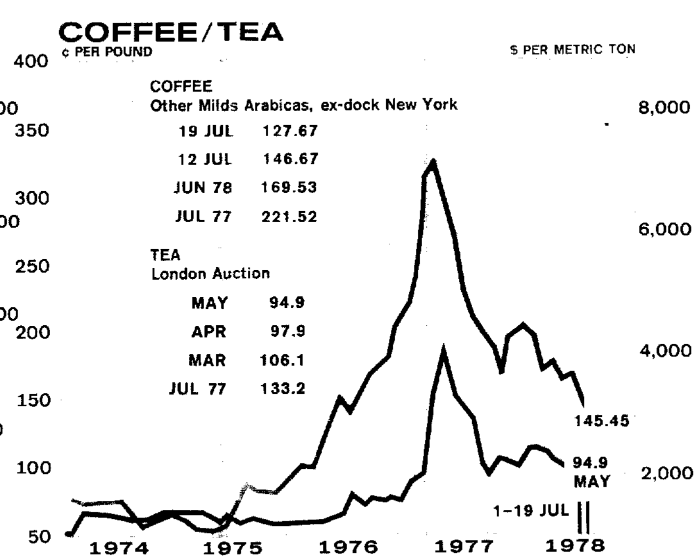




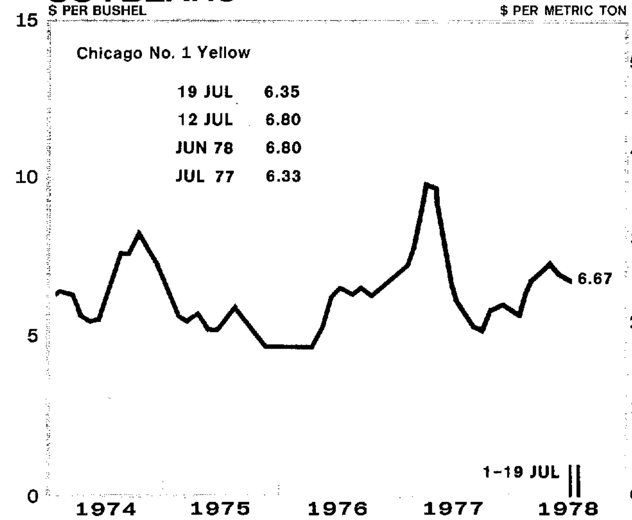




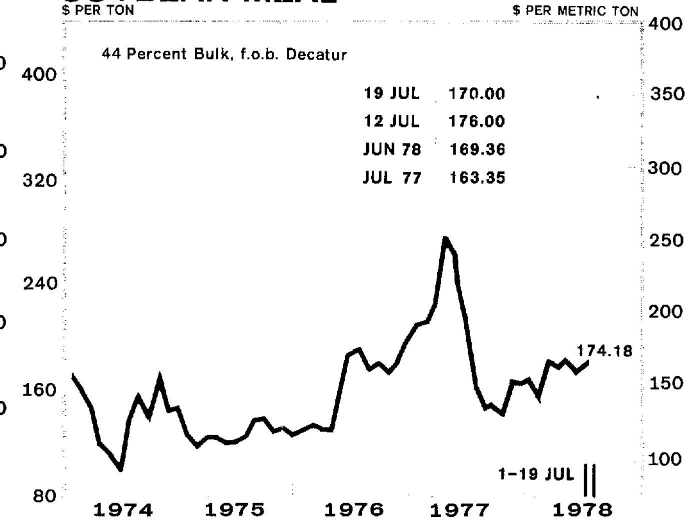




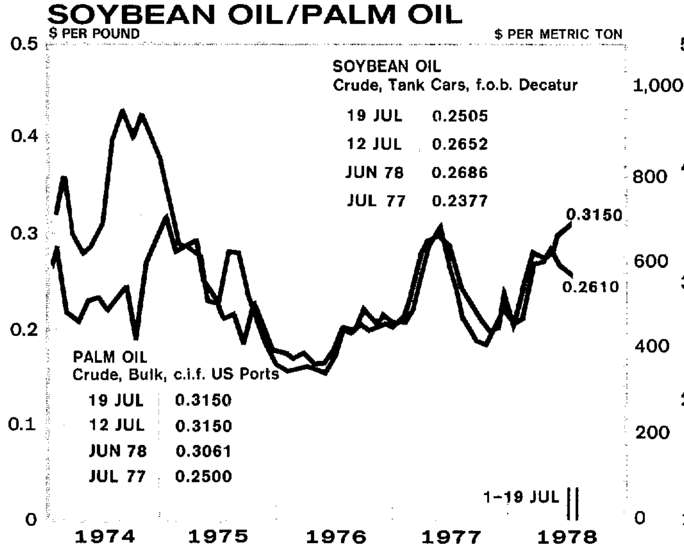
SOYBEANS



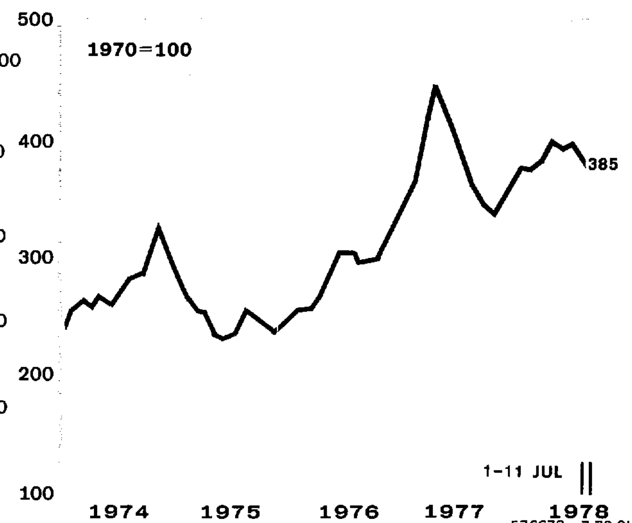
SOYBEAN MEAL



SOYBEAN OIL/PALM OIL



FOOD INDEX



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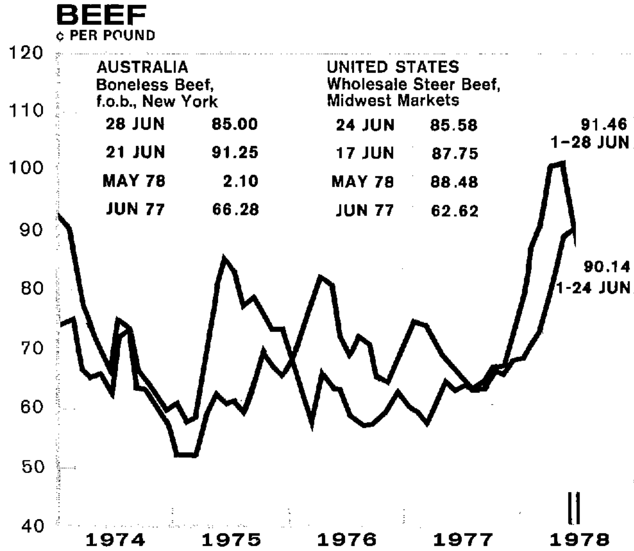
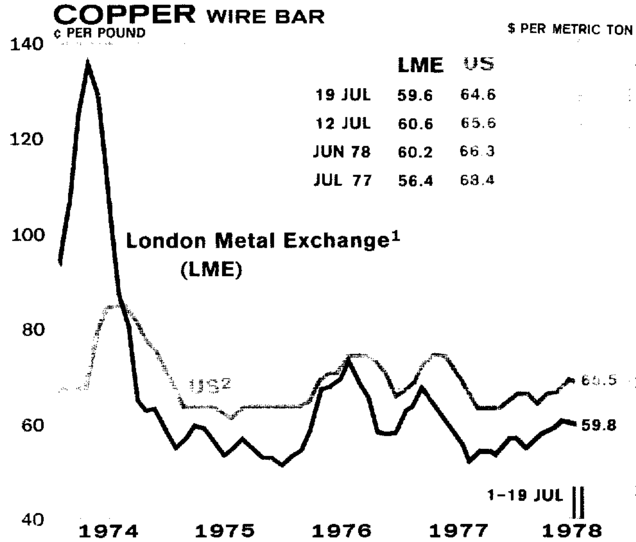
BEEF



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.

INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

COPPER WIRE BAR



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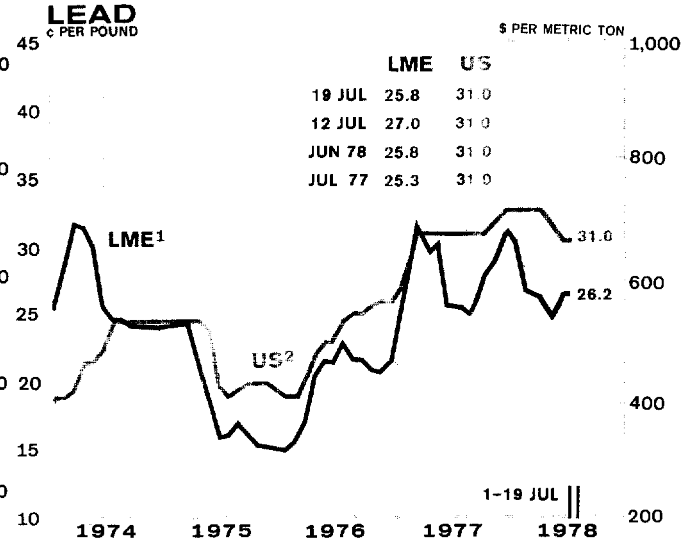

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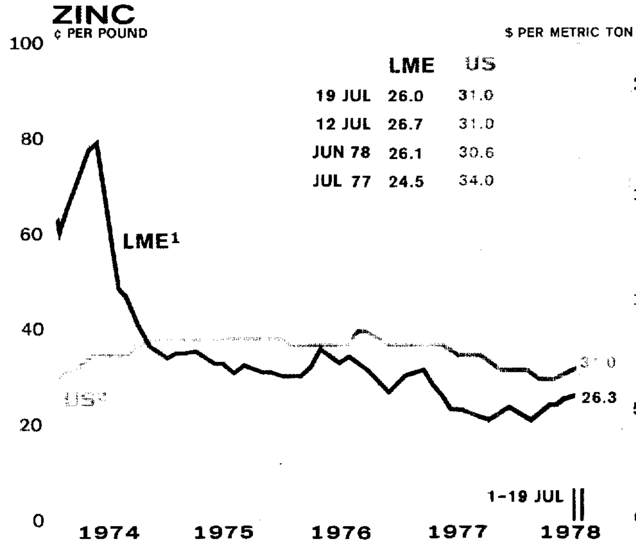

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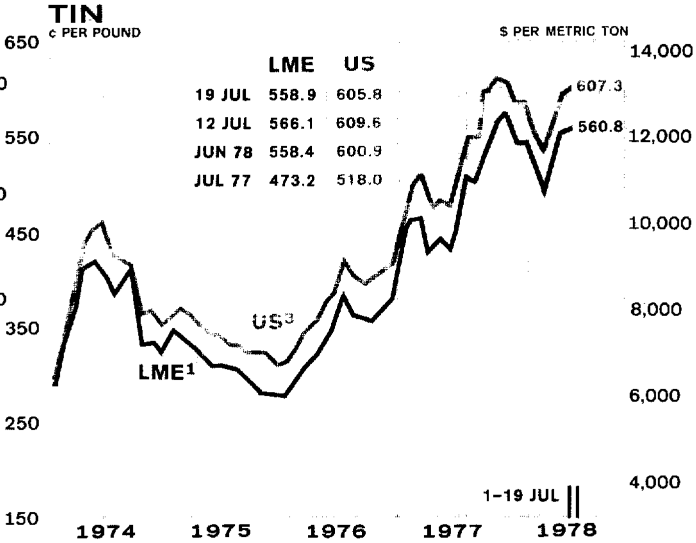

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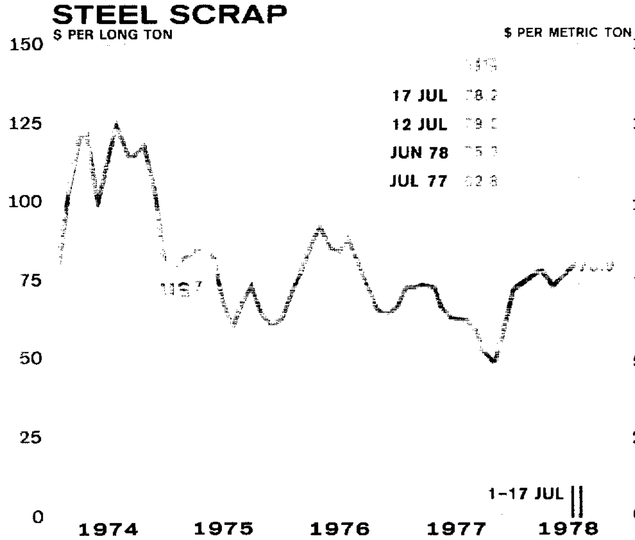
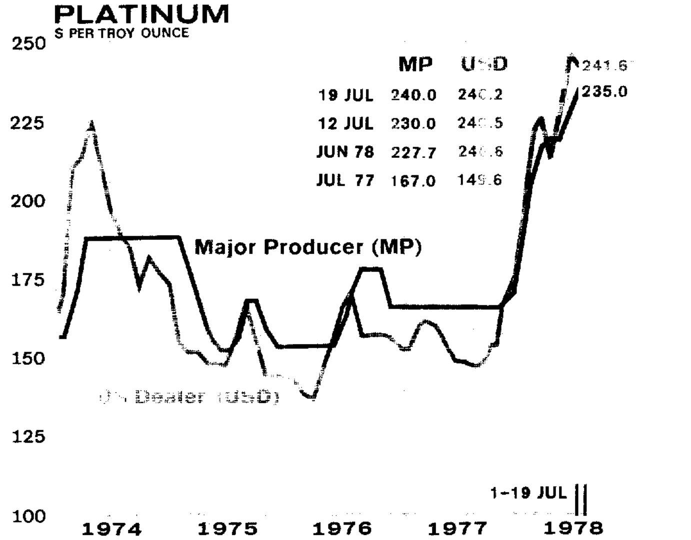


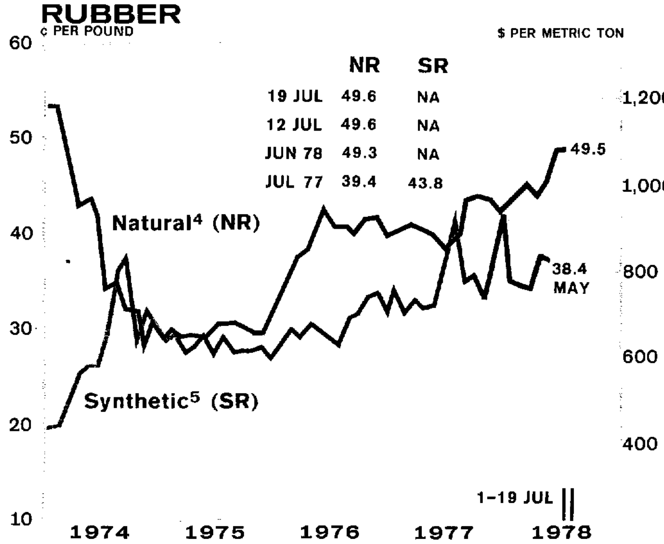
PLATINUM



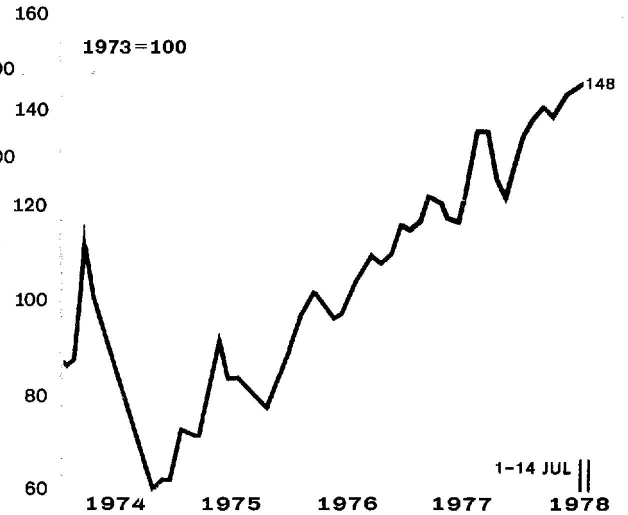
SELECTED MATERIALS

			CURRENT	JAN 78	JUL 77	JUL 76
ALUMINUM	Major US Producer	¢ per pound	55.00	53.00	51.00	44.00
US STEEL	Composite	$ per long ton	395.81	359.36	339.27	316.36
IRON ORE	Non-Bessemer Old Range	$ per long ton	21.43	21.43	21.43	19.50
CHROME ORE	Russian, Metallurgical Grade	$ per metric ton	NA	150.00	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	$ per long ton	56.00	58.50	58.50	39.00
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	42.00	41.00	43.00	45.00
NICKEL	Composite US Producer	$ per pound	2.07	2.06	2.41	2.20
MANGANESE ORE	48 Percent Mn	$ per long ton	67.20	72.24	72.00	72.00
TUNGSTEN ORE	Contained Metal	$ per metric ton	16,772.00	21,549.00	22,821.00	13,954.00
MERCURY	New York	$ per 76 pound flask	155.00	124.33	126.23	110.00
SILVER	LME Cash	¢ per troy ounce	529.22	472.49	446.93	478.82
GOLD	London Afternoon Fixing Price	$ per troy ounce	184.44	160.45	140.78	125.71

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 US.

[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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