

# Economic Intelligence Weekly Review

3 August 1978

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**ECONOMIC INTELLIGENCE WEEKLY REVIEW**

**3 August 1978**

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**SUB-SAHARAN AFRICA: SLOW ECONOMIC GROWTH \***

Most of the nations of sub-Saharan Africa have been unable to generate rapid economic growth in the 1970s. Economic progress has fallen victim to civil wars and coups, which in turn partly reflect the low level of economic development. Africa has fallen steadily behind in the competition for export markets. Along with internal political strife, sluggish world demand has hampered sales of non-oil minerals; persistent drought in some areas and widespread mismanagement have cut shipments of cash crops. Achievement of higher growth rates will require substantial increases in foreign aid, greater foreign investment (especially in transport facilities), and a backing off from "indigenization" policies. For most countries, little improvement in these growth elements is in prospect for the next several years at least.

\* This article summarizes a forthcoming OER Intelligence Report, *Economic Trends in Sub-Saharan Africa*. In it, the terms "Africa" and "sub-Saharan" are defined to include all continental African countries except South Africa, Namibia, and Arab North Africa—Morocco, Algeria, Tunisia, Libya, and Egypt. Also included are the islands of Madagascar, Mauritius, Seychelles, Comoros, Reunion, Sao Tome and Principe, and the Cape Verde Islands.

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### Faltering Economic Growth

Since 1970, the aggregate GNP of the sub-Saharan countries has risen only 4 percent a year on average, down from 4.5 percent in the 1960s, and only about 1 percent in per capita terms. Performance would have been much worse—2.8 percent a year—without the strong oil-fueled growth of the Nigerian economy, which now accounts for 30 percent of sub-Saharan output. Africa's growth pattern looks particularly weak in contrast to the 6.9-percent annual average of all LDCs in the 1970s.

Growth has lagged across all economic sectors. Although food production (outside the Sahel) has risen in most years since 1970, declines in the output of coffee, cocoa, and peanuts have kept agricultural growth at 1.4 percent a year, compared with 3.8 percent in all LDCs. Starting from a very low base, real growth in manufacturing has come closer to the LDC average—6.7 percent a year versus 7.1 percent. Only a few non-oil minerals have done well, notably bauxite, which has been boosted by a large expansion in Guinea.

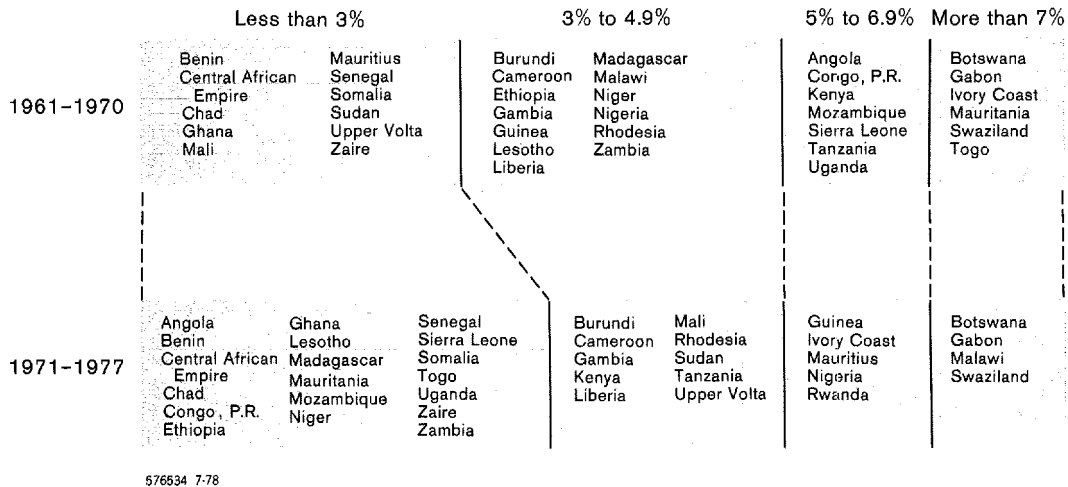
Both political and economic factors have tended to undercut African economic development in the 1970s:

- The sub-Sahara has suffered from 10 local wars and insurrections in the past eight and one-half years; coups have taken place in 17 countries. The civil war in Angola and the transition to independence in Mozambique have proved particularly damaging economically, leading to sharp drops in output of coffee, cashewnuts, and diamonds. More recently, the Shaba invasion disrupted Zaire's copper and cobalt production and exports.
- The 1973/74 oil price hikes and global recession have sharply reduced sales of major African commodities such as copper and sisal.
- Inflation of import costs, particularly for oil, has forced a number of African countries to introduce austerity measures to cut foreign payments deficits.

Overall data mask substantial variations in growth among individual sub-Saharan countries. Nine have boosted national output 5 percent or more annually since 1970. Of these, Botswana, Swaziland, Malawi, and Ivory Coast also have made noticeable strides in spreading income gains among average citizens. In other leading growth states, such as Nigeria and Gabon, prosperity has come as the result of the development of one or two major commodities for export, and the benefits have been confined largely to urban areas.

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SUB-SAHARAN AFRICA:  
Real GNP Growth Trends  
(Average annual rates)



Countries experiencing average growth of less than 3 percent a year generally have suffered from political turmoil, a dearth of natural resources, or, in the case of the Sahel, repeated drought.

### Falling Behind in World Markets

Many of the same economic and political factors that have suppressed growth have cost Africa world market shares in the 1970s. Growth in export volume averaged only 2 percent in 1971-77. It may be even lower this year; copper exports in particular are suffering, reflecting not only production problems at home but also stiff competition of low-cost producers. Variable production costs for copper, for example, average more than 60 cents a pound in Zambia compared with 50 cents in Chile.

Among agricultural exports, peanuts registered the steepest drop in market share—from 72 percent in 1969-71 to 49 percent in 1975-77. The falloff mainly reflects the impact of drought and disease on major producers, particularly Nigeria. Formerly the world's leading exporter of peanuts, Nigeria has been forced to import peanut oil the past two years.

The only dynamic element in the region's trade has been the sharp rise in petroleum exports—of benefit principally to Nigeria—which at \$11 billion in 1976 accounted for nearly one-half of total African exports.

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**Terms of Trade, Trade Balances, and Foreign Debt: A Mixed Bag**

The number of African countries that have gained from shifts in the terms of trade in the 1970s about matches the number that have lost. At the extremes are those benefiting from oil price increases (Nigeria, Gabon, and Angola) versus those hit by declining copper prices (Zambia and Zaire). Copper-producing Zambia and Zaire have been in arrears on import payments for several years, severely damaging their international credit ratings. Sudan's growing deficit is requiring bailout aid from the IMF.

Despite the plight of the big terms-of-trade losers, sub-Saharan Africa's foreign debt amounts to only \$15 billion, less than 10 percent of the non-OPEC LDC total. Zaire, Zambia, Sudan, and Gabon account for nearly one-half. Except for these countries, the debt service ratios of African countries remain well below the 15-percent average for all LDCs.

**Foreign Economic Role Still Strong**

Low debt service ratios partially reflect the high proportion of grants and concessional aid in international assistance—more than four-fifths of the \$5 billion received by Africa in 1976.

Africa now receives twice as much foreign economic aid per capita as the average for all less developed regions—\$14 versus \$7. Although most is used to develop and maintain infrastructure and social services, in recent years a growing proportion has been required to cover foreign exchange deficits. DAC members remain the largest aid donors; resource flows from OPEC countries have recently been growing. The Francophone countries absorb the biggest share of the aid, accounting for 40 percent of the total.

The stock of foreign private investment has increased in the 1970s, while the role of foreign manpower has decreased:

- The biggest investment jump has occurred in Nigeria, where the stock of foreign capital has more than doubled since the mid-1960s due to the oil boom; in sub-Saharan Africa as a whole, the value of investment has risen by 60 percent.
- Foreign manpower has decreased steadily in almost all major countries except Nigeria, Gabon, and Ivory Coast; in Angola and Mozambique, where fear of political turmoil drove out the great majority of the Portuguese, the foreign presence has been drastically reduced.

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**Outlook**

The chronic problems of political turmoil, inexperience in economic management, inadequate real capital, and rapid population growth will continue to hamper African development. Where political factors remain stable, the small markets and generally unskilled and poorly educated populations will continue to stand in the way of the large-scale investment needed to stimulate development on a broad front. Meanwhile, the continued sluggishness of the developed economies will limit demand for African products and could dim prospects for expansion of economic aid. Given the slow growth in available industrial jobs and the continued population explosion, the proportion of subsistence farmers is not likely to fall much below 80 to 90 percent in the next decade.

In particular, the stable political conditions needed to foster steady economic progress are likely to be lacking. The outlook for southern Africa is especially dim because of the black-white confrontation. Tensions in the Horn are unlikely to abate much in the near future, and hostilities between Chad and Libya and among Mauritania, Morocco, and Algeria could escalate. Given the sub-Sahara's record to date, coups can be expected in any number of countries.

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**BELGIUM: WAITING FOR ITS NEIGHBORS \***

Brussels has applied stop-go economic policies for four years with only one major gain—a reduction in the inflation rate. Growth is slow, unemployment is high, key industries are in trouble, the trade balance is deteriorating, and the near-term outlook is for more of the same. The government of Prime Minister Leo Tindemans has decided to put on the fiscal brakes yet again and wait for recovery in neighboring countries to give Belgium a lift.

**Success Only On The Inflation Front**

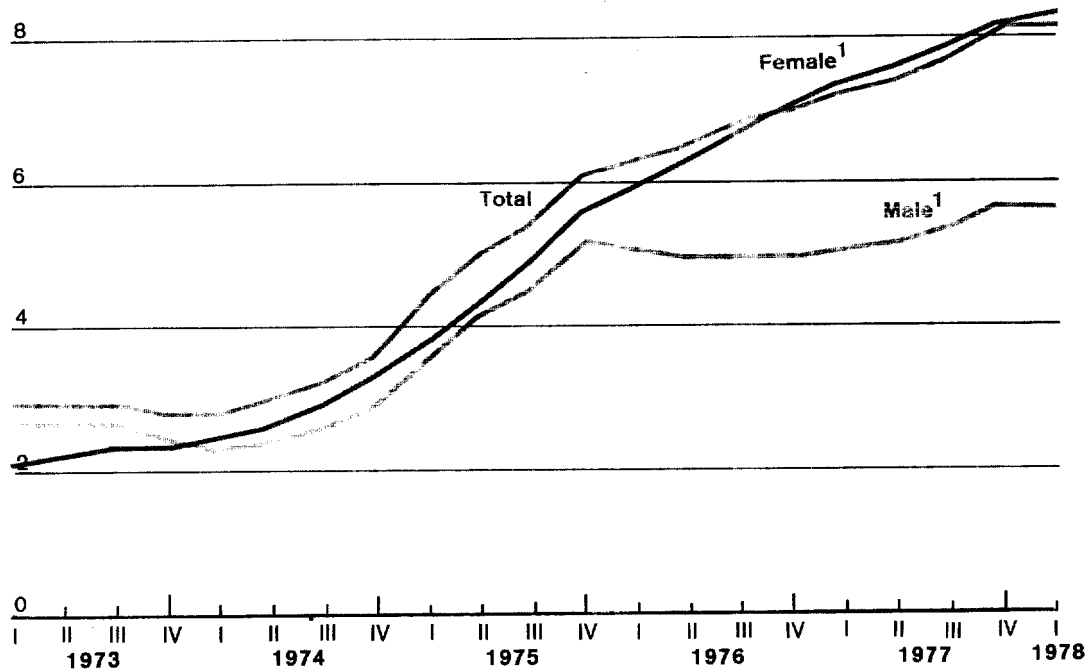
Real GNP growth has averaged only 1.7 percent over the past four years, and unemployment has risen to 8 percent, the second highest level in the European Community after Ireland. Brussels' chief concern has been inflation; the government

\* This article is another in a series dealing with the economic problems of the smaller OECD countries. Previous articles have covered Austria, Denmark, Ireland, the Netherlands, Norway, Portugal, Spain, and Turkey.

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**Belgium: Unemployment Rates**

10 Percent

<sup>1</sup> Excluding school-leavers and other groups for which data by sex are not available

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has succeeded in reducing the rate from 15.7 percent in 1974 to 4.4 percent in the 12 months ending last May.

Economic stagnation stems from the dismal performance of private investment, consumer demand, and exports. Real private investment actually declined in 1976-77, while real private consumption grew only an average 2.4 percent. With exports normally equal to 40 percent of GNP, Belgium has suffered from the weak recovery of major trading partners as well as from the slump in world demand for steel and textiles (20 percent of Belgium exports). The traditional trade surplus of the Belgium-Luxembourg customs union was wiped out in 1975; only record surpluses on services the last two years have held the annual current account deficit to a moderate \$300 million.

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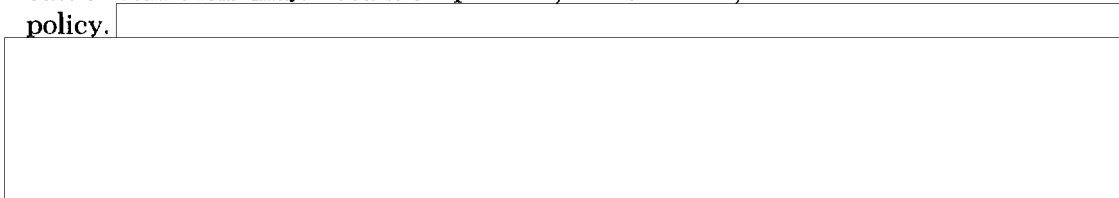
The government has shifted fiscal gears back and forth since 1974 in its efforts to stimulate demand without stirring up inflation. Public spending increased sharply in 1975-76, but concern about a growing budget deficit led to tax increases in 1977. This year the central government has again pumped up demand; the budget deficit is slated to approach \$2.5 billion, with total expenditures about \$30 billion. Spending by all levels of government is expected to top 50 percent of GNP, up from 41 percent in 1974.

Brussels nonetheless has not succeeded in arresting the rise in unemployment and, in fact, may have contributed to it. Joblessness has been rising almost continuously since mid-1974 and is expected to average 8.0 to 8.5 percent of the work force this year. The government's unemployment compensation program, which allows idle workers to collect 60 percent of their salaries tax-free for one year, removes much of the incentive to work. School-leavers without work experience qualify for benefits after only a 75-day wait. Many housewives who do not seriously intend to work register as unemployed at a handsome payoff. The unemployment rate has been rising much more rapidly for women than for men. A program to create 40,000 to 50,000 jobs this year in the public and private sectors has so far generated only 9,500 new positions.

### Apathy Reigns

Partly because of the generous unemployment benefits, the government has felt little public pressure to change the basic anti-inflation orientation of its policies. Policymakers attribute the slowdown in inflation mainly to the strength of the Belgian franc, which has remained in the joint European currency float, the so-called snake. More than one-half of Belgium's imports come from other countries in the snake, primarily West Germany and the Netherlands. While prices for these imports have been fairly stable, prices for imports from other countries have been depressed by appreciation of the franc. Since 1974 the franc has risen 9 percent against all currencies on a trade-weighted basis. The government has refused businessmen's pleas for a devaluation to revive exports, fearing that it would push up domestic prices excessively. The tying of wages, rents, and social insurance benefits to the consumer price index prolongs any price surge.

Prime Minister Tindemans and his moderate Christian Socialists recently won a battle with their major coalition partners, the Socialists, over the direction of fiscal policy.



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Aside from the budget-cutting proposal, Tindemans' economic plan remains vague. The Belgian press has dubbed it the "dinosaur plan" because of its great length and lack of new ideas. Tindemans and his economic advisers believe that Belgium can do little on its own to revive economic growth and that an expansionary policy would only increase imports, put downward pressure on the franc, and rekindle inflation. Given this dour scenario, the government sees high unemployment as the least of possible evils.

### Gray Outlook for Jobs and Investment

The spending curb and other government policies almost guarantee that unemployment will rise further. With a strong resurgence in the rest of the European Community unlikely, Brussels is projecting real GNP growth of only about 2 percent this year and next. In May, the government announced a plan to resuscitate the ailing steel industry by buying equity in firms that seek help and by financing their modernization. While officials have attached no price tag to the program, they have said they would soon begin updating facilities, presumably by installing labor-saving equipment to lower unit costs, which are the highest in Western Europe. The program is expected to entail a cut of 4,000 to 5,000 steel workers in the next three years; the number already has dropped to 45,000 from a peak of 63,000 in 1974.

A recent survey by the Belgian central bank confirmed the lack of business confidence; respondents predicted only 2-percent annual real growth in investment into the 1980s. The trade deficit is expected to worsen again this year; at the same time, the current account deficit should remain at about \$300 million, as the services account strengthens, with earnings from banking and shipping leading the way. Despite recent progress, inflation still is more rapid than in West Germany and continues to undercut the competitive position of Belgian exports.

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### BRAZIL: FORGING A MANUFACTURING ECONOMY

Under the military government, Brazil's manufacturing sector has developed into an efficient producer of a wide range of sophisticated consumer goods and capital equipment. This has been largely the result of a deliberate government policy, implemented through a wide array of financial incentives and direct controls. Since

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1974, policymakers have focused both on acceleration of import substitution and expansion of industrial exports to cope with oil-induced foreign payments strains. We expect the government to successfully pursue these policies into the early 1980s, thereby limiting manufactured imports while gradually increasing the share of Brazilian products sold on world markets. Brasilia's strategy is likely to further erode US access to the lucrative Brazilian market while increasing competition for US producers, both in the United States and in third countries.

### Current Engine of Growth

Brazil's manufacturing sector, after an austerity-induced setback last year, is again driving the nation's economic growth. Real economic expansion is being powered by a 5.7-percent increase in industrial production (through May), more than offsetting a 2-percent decline in agricultural output caused by drought. The current manufacturing advance reflects:

- Strong expansion of steel, capital-goods, and petrochemical production as policymakers accelerate import-substitution projects.
- Sharp recovery in consumer industries—automobiles, textiles, pharmaceuticals—reflecting the easing of austerity measures taken in 1976/77.
- A 31-percent increase in exports of manufactured goods, led by footwear, electrical machinery, and motor vehicles.

Brazilian manufacturing has achieved major importance both in the domestic economy and abroad. The sector now employs 4 million persons, about 12 percent of the economically active population. It accounts for 25 percent of GDP, compared with 17 percent for commerce and 15 percent for agriculture. In 1975, Brazilian industry

**Brazil: The Changing Structure of the Economy**

	Percent of GDP			
	1950	1960	1970	1977 <sup>1</sup>
Total .....	100	100	100	100
Agriculture .....	24	19	17	15
Industry <sup>2</sup> .....	22	27	29	32
Manufacturing .....	20	22	24	25
Services .....	54	54	54	53

<sup>1</sup> Estimated.

<sup>2</sup> Including manufacturing, mining, construction, and public utilities other than transportation and communications.

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stood fifth in world production of cotton fabrics, sixth in commercial vehicles and television receivers, and tenth in passenger cars, cement, and paper. About 5 percent of manufacturing output is exported, ranging from 31 percent for shoes to less than 1 percent for plastics.

Multinational subsidiaries and state companies dominate the sector. Brasilia has relied on foreign firms to develop many industries requiring large-scale investment, imported equipment, and modern technology. By yearend 1977, multinationals had invested \$8.6 billion in manufacturing, mostly in machine building, chemicals, vehicles, and appliances. Foreign investors reportedly control 59 of Brazil's 100 largest manufacturing firms and about one-half of total sales of manufactured goods.

## Brazil: Manufacturing Exports by Industry, 1976

	Exports as a Percent of Sales
Total .....	5.2
Shoes .....	31.0
Lumber .....	25.6
Food products .....	15.6
Textiles .....	15.5
Transportation equipment .....	7.9
Machinery .....	4.7
Paper .....	3.9
Chemicals .....	2.8
Metals .....	2.4
Electric equipment .....	2.3
Rubber .....	2.2
Tobacco .....	1.8
Nonmetallic minerals .....	1.3
Plastics .....	0.6
Beverages .....	0.2
Soaps and detergents .....	0.1

State corporations, many of which are much larger than the multinational subsidiaries, control the basic processing and national defense industries. The state runs Brazil's largest steel corporation (Siderbras), the largest metals company (Vale do Rio Doce), the sole aircraft manufacturer (Embraer), and the major petrochemical firm (Petroquisa). Private domestic firms dominate low-technology, consumer-oriented industries such as food products, textiles, and apparel.

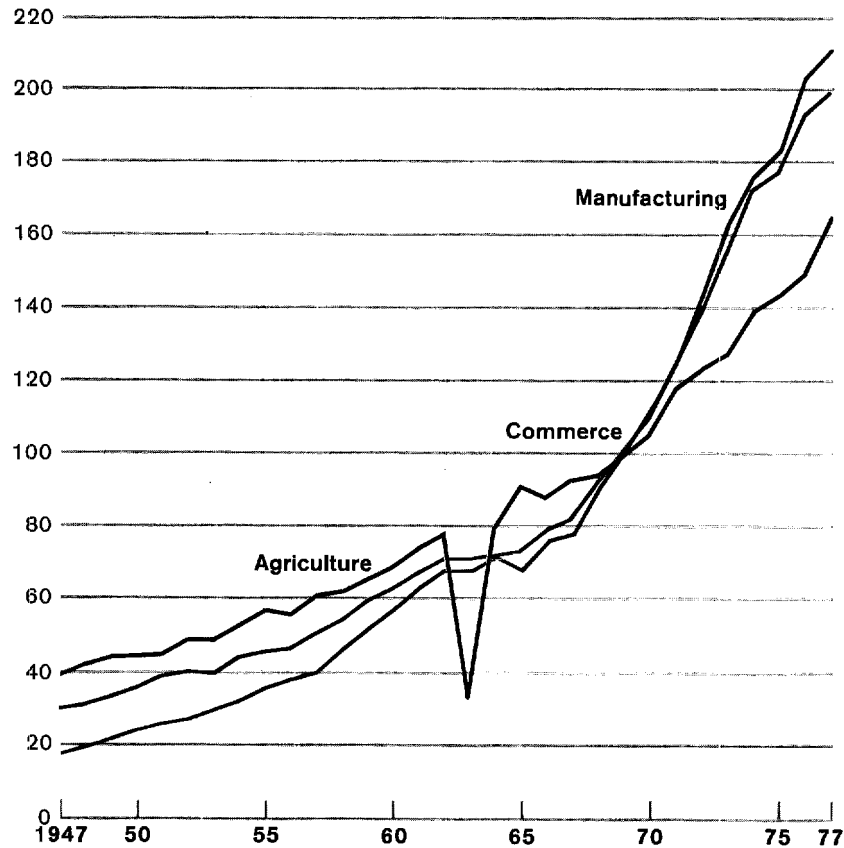
## Growth Strategies

Throughout the postwar period, Brazil has pursued rapid industrialization to achieve self-sustaining economic growth, export diversification, and major power

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**Brazil: Production Indexes**

Index 1969=100



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status. With this impetus, manufacturing output has been expanding at a rapid clip, doubling every eight years on the average since 1947. Between 1947 and 1964, Brazil fostered manufacturing through import substitution policies including high tariffs and import restrictions, which insulated industry from foreign competition. Backed by this protection, production increased by 9 percent per year during the 1950s and early 1960s with the fastest gains coming in the consumer goods sector.

After the military regime came to power in 1964, Brazil relaxed its import-substitution policies and put new emphasis on export expansion. Tariff reforms

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reduced the protection accorded domestic manufacturers while financial incentives and floating exchange rates promoted export growth and diversification. By 1967, manufacturing was responding smartly to the policy moves, expanding by 13 percent annually through 1974. During these years, motor vehicle production increased from near zero to almost 1 million vehicles per year, output of household durables went from 330,000 to 720,000 units, and the value of manufactured exports soared from \$160 million to \$2.1 billion.

**International Competitiveness**

At present, Brazil is becoming internationally competitive in an increasingly wide range of manufactured products. Technical studies by Brazilian economists indicate that the country is most competitive in products produced from domestic raw materials: natural fibers, wood products, vegetable oils, and foodstuffs. This largely reflects Brazil's generous natural resource endowment as well as the efficiency of the large-scale processing facilities in its modern industrial sector.

Brazil is also becoming increasingly successful in fabricating consumer goods and a growing range of basic machinery and components. Brazilian shoes, typewriters, and motor vehicle replacement parts are penetrating OECD and LDC markets, in many instances displacing the products of developed countries. The growing competitiveness of Brazilian goods is explained by a combination of export subsidies, relatively low wages, the rising technical proficiency of the work force, and modern production techniques largely introduced by multinational firms.

**Current Government Policies**

In the wake of the 1973/74 oil price hikes and the subsequent slowdown of the world economy, Brasilia was forced to devise a new industrial strategy combining both import substitution and export promotion. Exports of manufactured goods are being heavily promoted through export credits and subsidies, while basic industry is being expanded to reduce imports. With regard to expansion of basic industry, the government strategy stresses two points:

- Selective tariff hikes and direct import restrictions—outright prohibitions, prior deposits, domestic content laws—are encouraging domestic producers of capital and sophisticated intermediate goods, such as electronic components, to expand capacity and initiate new product lines.
- Government investments, tax incentives, and subsidized credits are expanding indigenous capacity and production of steel, nonferrous metals, paper, and petrochemicals to replace imports and to intensify use of domestic capital equipment.

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***Import Substitution Succeeding***

Since 1974, Brazil has succeeded in restraining imports of capital goods and intermediate products while greatly expanding local production. Although import spending has hovered at the \$12 billion level for the past three years, Brazil has achieved a 37-percent expansion of the economy in this period. As a result, the ratio of non-oil imports to GDP has fallen from 10 percent in 1974 to 5 percent in 1977. Annual spending on foreign machinery and equipment has dropped by nearly \$900 million in three years, while steel imports have declined by \$700 million. The share of domestic equipment used in major investment projects has risen from 53 percent to 73 percent.

Brasilia has intensified import restrictions this year to offset a projected shortfall in agricultural exports. Policymakers have tightened the screws on capital goods imports by eliminating \$400 million in planned public sector purchases of equipment and by holding machinery imports below the levels of 1977. US exporters, mainly equipment manufacturers, have been hurt by the restrictions. The US share of Brazil's import market declined from 25.3 percent in 1975 to 19.6 percent last year.

Multinational firms, prodded by import restrictions and domestic content laws, have geared up to expand local production. Texas Instruments, for example, which began assembling calculators in Brazil in 1972 from imported components, increased local content to 90 percent by mid-1977. Local firms are becoming increasingly important suppliers of components for the heavy equipment, telecommunications, and electronics sectors.

Import substitution programs are gradually eliminating the materials bottlenecks that have bedeviled manufacturing since 1974. During the past three years, petrochemical production has risen by 11.4 percent annually, basic metals by 9.0 percent, and capital goods by 8.6 percent. As a result, Brazil's manufacturing base has become more balanced and flexible.

***Export Promotion***

Export incentives, coupled with minidevaluations, have helped stimulate export growth and diversification. Exports of manufactured goods soared from \$2.7 billion in 1974 to nearly \$4.4 billion last year, led by shipments of processed foodstuffs, consumer goods, and general machinery. Manufactures comprised 36 percent of exports in 1977, and policymakers are aiming at further expanding this share. In 1975-77, Brazilian manufactured exports grew by 17 percent annually compared with 15 percent for Third World countries as a whole.

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## Brazil: Manufacturing by Sector

	Percent of Value Added			
	1950	1960	1970	1977 <sup>1</sup>
<b>Total</b> .....	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100</b>
<b>Traditional consumer goods</b> .....	<b>57.4</b>	<b>41.3</b>	<b>31.1</b>	<b>25</b>
Textiles .....	20.2	12.0	9.0	9
Clothing and footwear .....	4.5	3.6	2.5	3
Food .....	20.5	16.5	11.7	9
Other .....	12.2	9.2	7.9	4
<b>Intermediate goods</b> .....	<b>35.0</b>	<b>41.9</b>	<b>45.2</b>	<b>49</b>
Nonmetallic mineral .....	7.3	6.6	6.1	8
Metallurgical .....	9.7	11.8	10.4	13
Chemical .....	9.3	13.3	20.5	22
Other .....	8.7	10.2	8.2	6
<b>Capital goods and consumer durables</b> .....	<b>5.7</b>	<b>15.1</b>	<b>22.0</b>	<b>25</b>
Mechanical .....	2.1	3.5	5.5	7
Electrical .....	1.7	4.0	6.3	8
Transport .....	1.9	7.6	10.2	10
Other .....	1.9	1.7	1.7	1

<sup>1</sup> Estimated.

Brazil has achieved some success in diversifying its export markets. With the increase in trade frictions with its industrialized trading partners, Brazilian exports to the United States, the European Community, and Japan declined from 60 percent of the total in 1974 to 55 percent last year. Brazil has increased its share of exports destined to the Latin American countries, Communist countries, and Asian LDCs. Brazil also is aggressively promoting its exports, especially of industrial products, to the lucrative OPEC markets and various African countries.

### High Cost of Current Policies

Brazil is spending heavily to accelerate import substitution in basic industry. The government has turned to world money markets for external financing, borrowing at least \$4 billion abroad since 1974 to finance expansion projects. This year, Brazil has tapped flush world money markets for a minimum of \$700 million in long-term credits for expansion of steel, petrochemical, and nonferrous metal projects. Since 1974, an additional \$17 billion in domestic credit has been invested in public and private industrial projects.

The current program has added to inflationary pressure and has lessened industrial efficiency. Production costs are rising because of the increased use of higher priced domestic components and capital equipment. Higher costs are mostly passed on to consumers although profit margins for many multinationals are eroding. Acceler-

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ated import substitution has led to the proliferation of competitors. The steel industry, for example, now is served by a dozen producers of major steel mill equipment.

**Outlook**

Despite the high costs involved, Brasilia is almost certain to continue current policies over the near term. Given the persistence of large current account deficits, the government must continue its financial incentives and administrative measures to sustain import substitution in basic industry, limit import dependence of new ventures, and promote exports. Under these measures, manufacturing should continue to grow rapidly, dependence on imported intermediate products and capital goods shrink, and the share of production sold in world markets rise moderately.

We expect Brasilia will begin to move aggressively to boost private domestic participation in the modern manufacturing sector. Local businessmen have become increasingly critical of the dominant role of state firms and multinational companies. The growing political muscle of domestic business firms has prompted policymakers to (a) encourage joint ventures or local equity participation before approving new foreign investment proposals and (b) ensure that Brazilian capital predominates in high-technology industries, such as minicomputers. Multinational firms, especially US subsidiaries, will be increasingly forced to buy components in local markets and turn over to the Brazilians a wide range of modern technology.

Brasilia will also emphasize the dispersion of manufacturing. The Southeast—Minas Gerais, Rio de Janeiro, and Sao Paulo—is the location of 80 percent of Brazil's industry. Last year, it received nearly 90 percent of new investment. Policymakers hope to shift new industry to other areas, thereby reducing inequalities in regional income and development. The government is constructing new petrochemical capacity, for example, in the states of Bahia and Rio Grande do Sul. The National Development Bank is to give preference to financing manufacturing projects outside the Southeast, and the Industrial Development Council is to cut back the fiscal incentives previously granted to firms investing in Sao Paulo.

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**SAUDI ARABIA: FACING CASH FLOW PROBLEMS**

Saudi Arabia is encountering temporary cash flow problems triggered by poor planning and reduced oil output. The US Liaison Office in Riyadh estimates that a budget deficit as high as \$5 billion could develop this fiscal year (beginning 1 June 1978). If, as we expect, oil production increases this winter and OPEC decides on a

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price hike effective in January, revenues will be considerably higher than envisioned in this calculation.

The Saudi Government already is delaying reinvestment of matured foreign securities. Over the longer run, closer attention will have to be paid to budget planning and formation of development goals. Meanwhile, with its \$60 billion in foreign assets, Saudi Arabia remains exceedingly strong financially.

The cash flow problem is largely a phenomenon of the loose, uncoordinated nature of Saudi budget planning. The Finance Ministry based revenues estimates for the current fiscal year on an Aramco output of 8.5 million b/d and approved spending requests from ministries that far exceeded possible revenues from this level of production. Moreover, Aramco production is now down to 7.2 million b/d, in part because of a limitation on exports of light crude imposed by the Oil Ministry.

For the last several years, large and increasing oil revenues easily covered government expenditures, and the Saudis had little need to pay close attention to budget accounts. Indeed, Saudi officials grossly exaggerated expenditures to ease pressure on Riyadh for foreign assistance.

With the prospect of constant or declining revenues in 1978-79, the picture changed. In mid-June 1978, the Council of Ministers had to order a one-third cutback in government expenditures. Even if this goal is attained, a deficit is still likely because of reduced oil output.

The precise impact of the June cutback on the economic development program is hard to assess. Many ministers are dragging their feet. Nonetheless, some fat will be trimmed from the program.

In the meantime as ministries reassess priorities, projects hang in limbo, funds are frozen, and a mood of uncertainty prevails among advisers and contractors.

The cash flow problems and the possibility that national development could be constrained by income are being forcefully brought to the attention of the Saudi leadership. The Council of Ministers will need to pay closer attention to budget planning and provide a mechanism for the orderly financing of any deficits that may occur in the implementation of the ambitious development goals.

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Notes

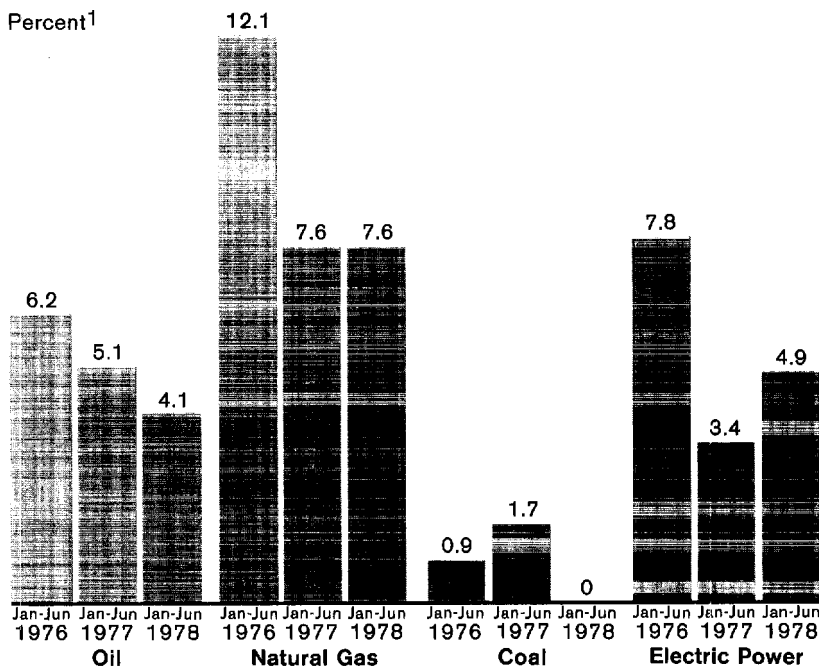
**Soviet Industrial Output Remains Sluggish**

Halfway through 1978, Soviet industrial production shows no sign of perking up. Output in first half 1978 was 4.3 percent higher than in first half 1977, compared with the 4.5 percent annual growth plan for this year. Growth in energy production continued to decline, implying no relief for the tightness in fuel supplies evident over the past two years. As a result, fuel shortages may intensify later this year, especially if the harvesting of an above-average crop places increased demands on available fuel. Oil production increased by only 4.1 percent in the first half of 1978, below the pace needed to reach this year's goal of 11.5 million b/d. Steel output rose 3.4 percent as a result of new capacity commissioned at the end of 1977. Growth in construction materials, chemicals, and forest products continued to slow. Machinery growth, too, is falling—a situation that bodes ill for future capital formation and technical progress.



25X1

**USSR: Energy Production**



1. Change from first half of previous year.

576924 7-78

3 August 1978

SECRET

29

SECRET

### Coffee Producers Call for Export Quotas

Coffee producers, alarmed by the sudden drop in coffee prices, have asked the International Coffee Organization for an immediate introduction of export quotas under the 1976 International Coffee Agreement. The request is aimed at paving the way for the activation of the agreement's economic clauses and at stemming the price decline. In addition, Mexico and Honduras have suspended coffee sales in an effort to boost prices, which have plummeted 25 percent in July to \$1.22 per pound.

Export quotas under current provisions of the agreement cannot be implemented until prices fall to 77 cents per pound. Negotiations on price levels and the size of quotas are scheduled to take place next month. Producers are hopeful that the current request will spur action on the quota issue and aid negotiations. Any further price decline without introduction of quotas under the agreement would likely result in joint producer efforts outside the ICO to support coffee prices.

25X1

### Copper Negotiations Center on Relationship to UNCTAD

Recent progress toward formation of an intergovernmental copper organization independent of UNCTAD was dealt a serious blow by Peru at the Fourth Preparatory Meeting on Copper. The meeting, which was convened in late July to approve the organization's charter, was brought to a halt by Peru's obstructionist tactics. The concept of an independent organization, as pushed by the United States and other developed countries, had been accepted by the more moderate LDC copper producers. Peru, along with Venezuela and Mexico, has been strenuously opposing autonomy on the grounds that independence from UNCTAD would jeopardize the entire UNCTAD-sponsored commodity agreement program.

Peru now stands a good chance of ultimately forcing a compromise on the issue since it has gained the backing of such middle roaders as Indonesia, Zambia, Zaire, the Philippines, and Brazil. A solution offered by Zaire was accepted by the developed countries as basis for discussion at the next Preparatory Meeting. It would place the copper organization under UNCTAD but permit it to act autonomously; the chairman would be appointed by the Secretary General of UNCTAD.

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**National  
Foreign  
Assessment  
Center**

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# **Economic Indicators Weekly Review**

**3 August 1978**

*ER EI 78-031  
3 August 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.

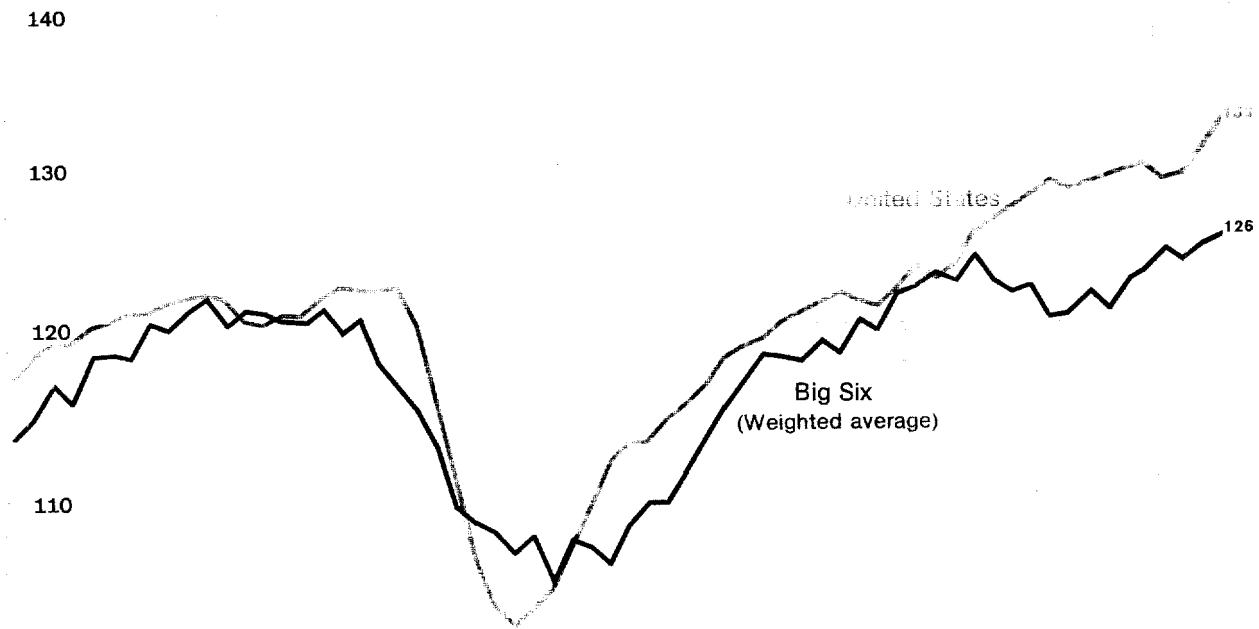
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

# BIG SIX FOREIGN COUNTRIES<sup>1</sup> COMPOSITE INDICATORS

## Industrial Production

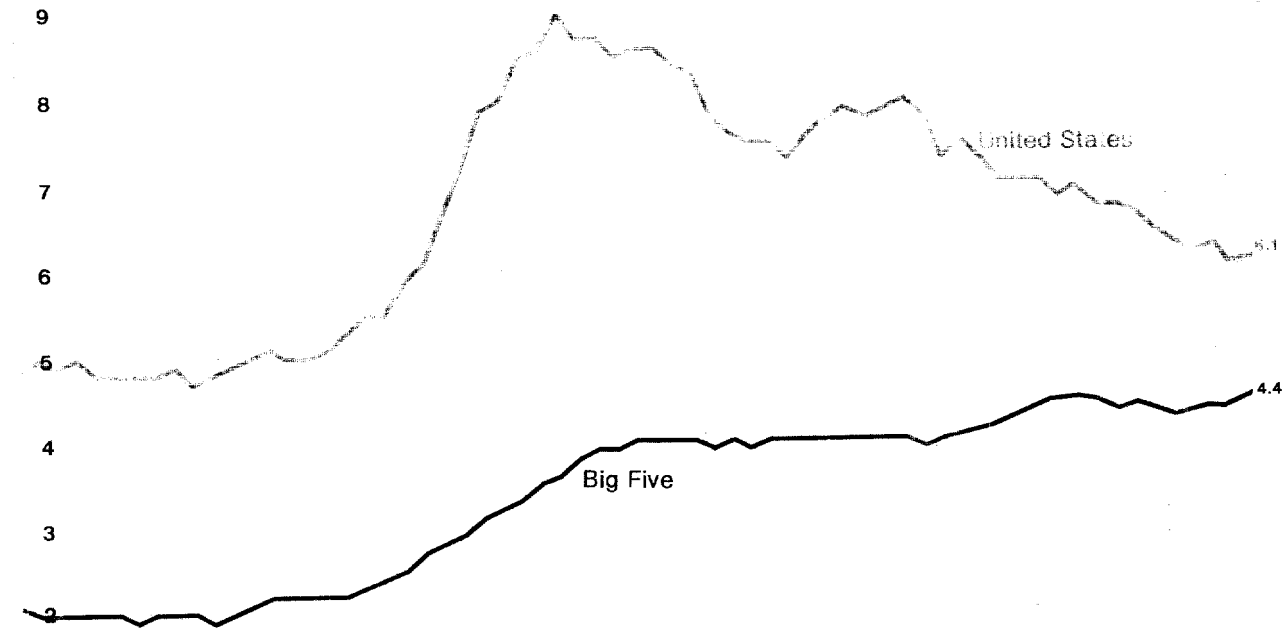
INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



## Unemployment Rate

Percent



Note: Excluding data for Italy.

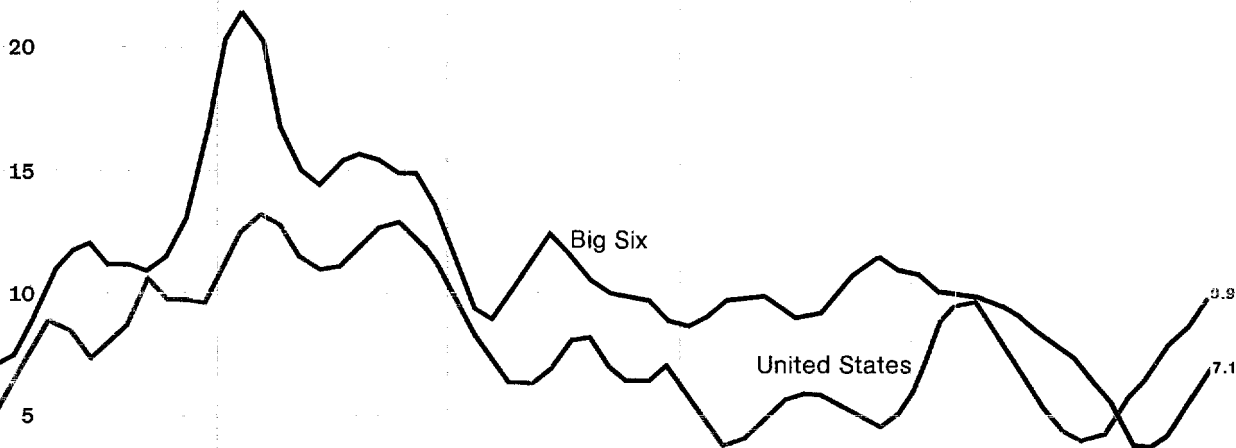
JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

1973 1974 1975 1976 1977 1978

<sup>1</sup>Including Japan, West Germany, France, the United Kingdom, Italy, and Canada.

**Consumer Price Inflation**

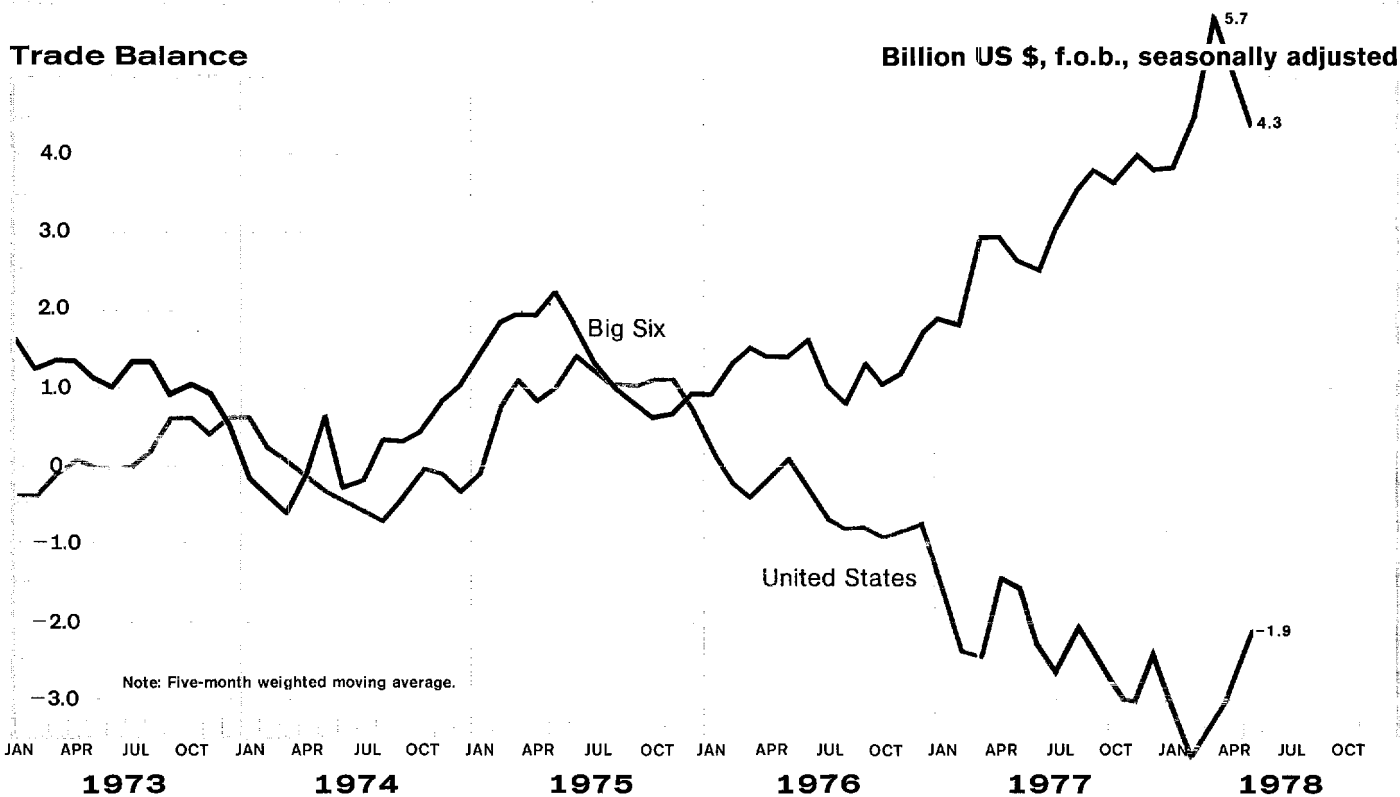
Percent, seasonally adjusted, annual rate



Note: Three-month average compared with previous three months.

**Trade Balance**

Billion US \$, f.o.b., seasonally adjusted



Note: Five-month weighted moving average.

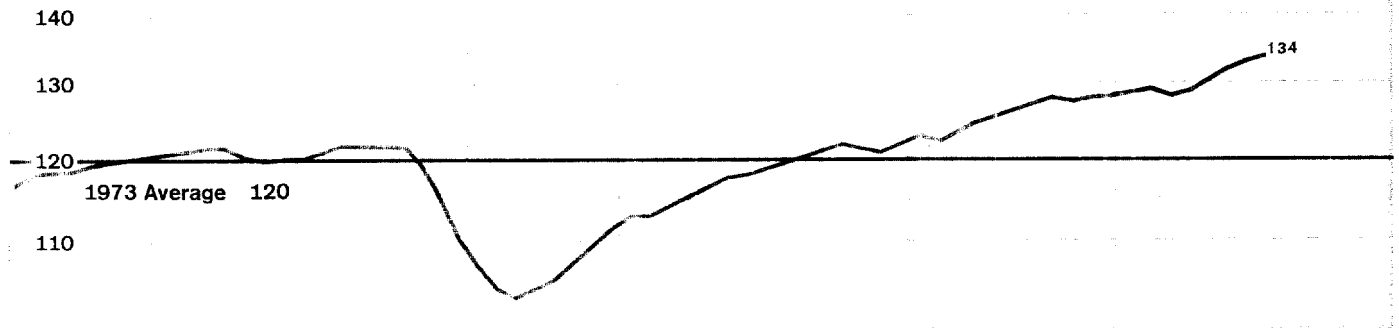
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	1 Year Earlier	3 Months Earlier		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>					
<b>Industrial Production</b>										
Big Six	APR 78	0.7	3.0	3.1	4.4	MAY 78	4.4	4.2	4.3	
United States	APR 78	1.5	3.7	5.1	5.2	MAY 78	6.1	7.1	6.1	
<b>Consumer Prices</b>										
Big Six	MAY 78	0.8	9.2	6.3	7.1					
United States	MAY 78	0.8	6.7	7.0	9.9					
<b>Unemployment Rate</b>										
Big Five						MAY 78	4.4	4.2	4.3	
United States						MAY 78	6.1	7.1	6.1	
<b>Trade Balance</b>										
Big Six						MAY 78	3,495	22,505	11,298	11,207
United States						MAY 78	-2,238	-14,771	-8,280	-6,491

<sup>2</sup>Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

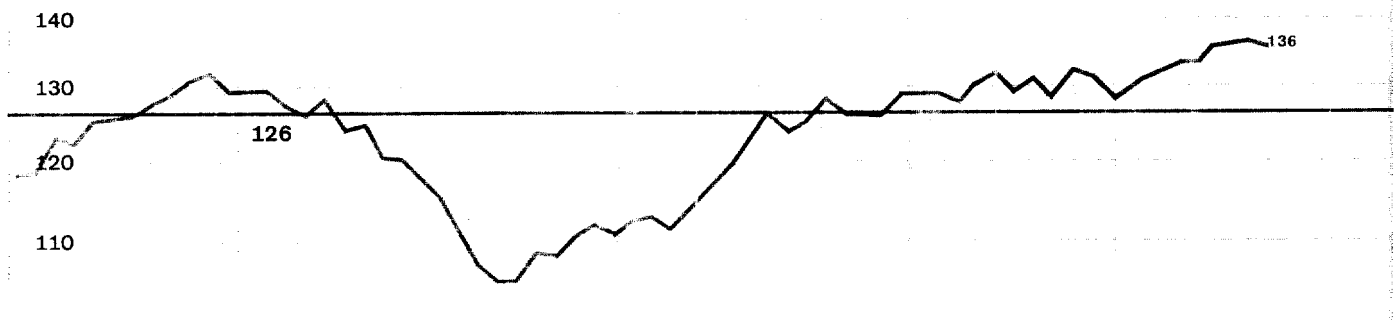
# INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

## United States

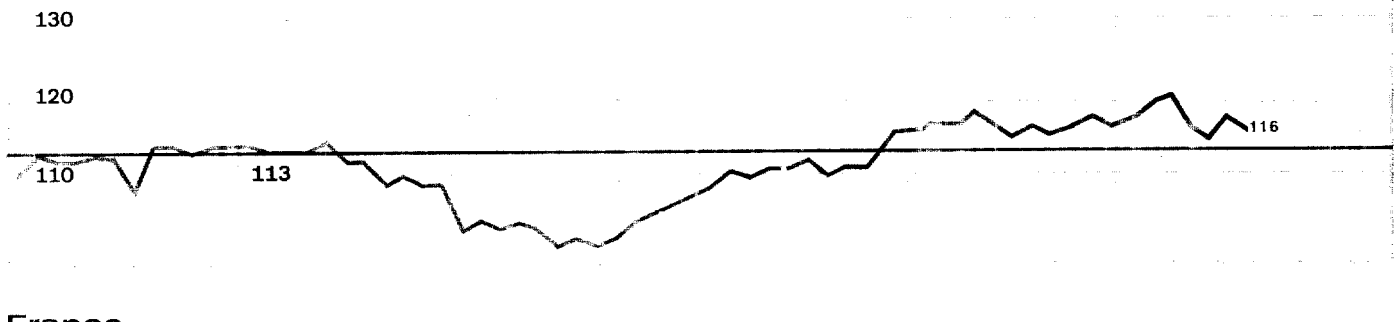
Semilogarithmic Scale



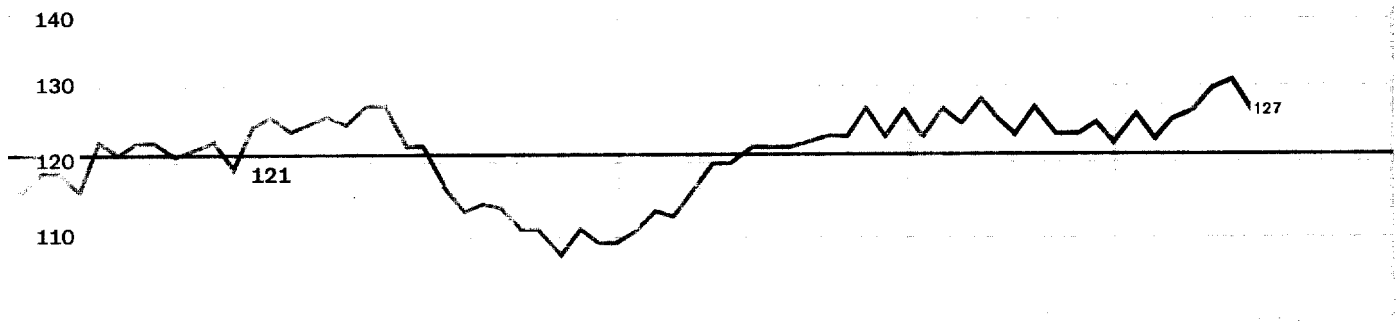
## Japan



## West Germany



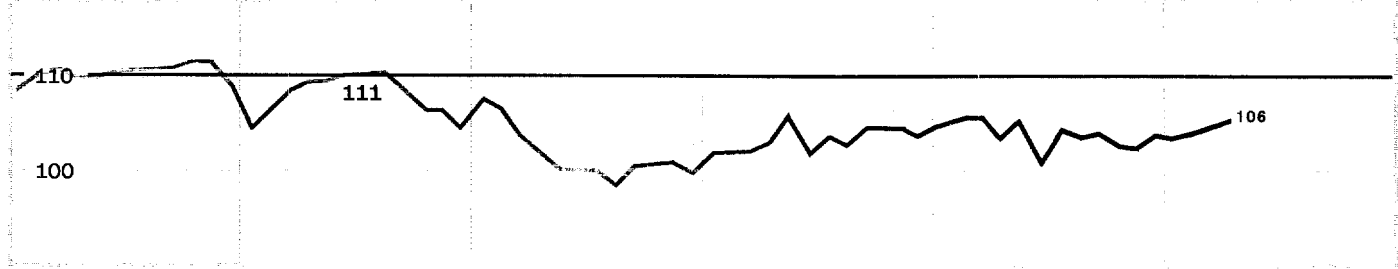
## France



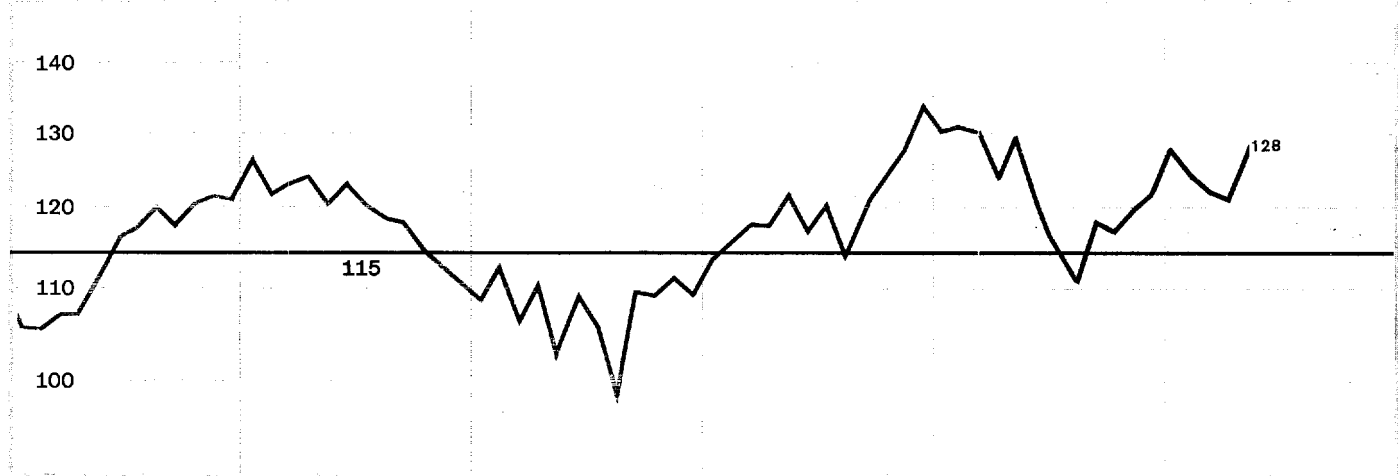
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1973 1974 1975 1976 1977 1978

**United Kingdom**

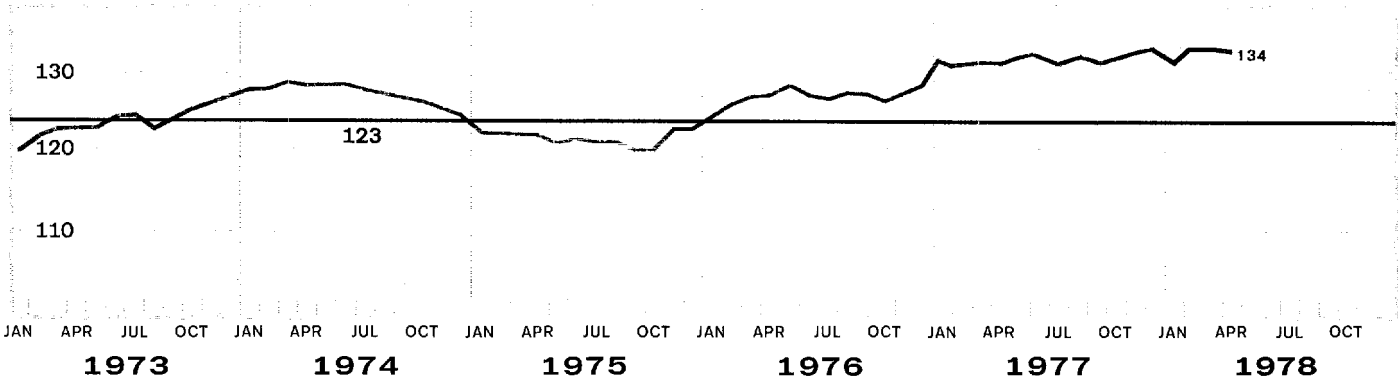
Semilogarithmic Scale



**Italy**



**Canada**



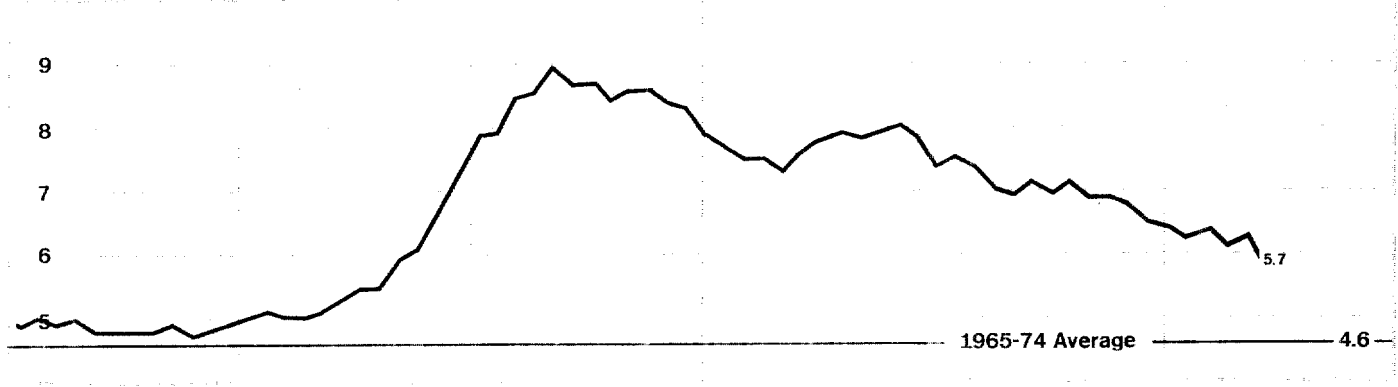
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			
			1970	1 Year Earlier	3 Months Earlier <sup>1</sup>			1970	1 Year Earlier	3 Months Earlier <sup>1</sup>	
United States	JUN 78	0.3	3.7	4.7	12.2	United Kingdom	APR 78	1.0	0.7	1.9	6.1
Japan	JUN 78	-0.6	3.9	4.7	6.5	Italy	MAY 78	5.5	3.2	-1.4	-1.6
West Germany	MAY 78	-1.7	1.9	0.9	-6.6	Canada	APR 78	-0.2	3.8	2.1	3.7
France	MAY 78	-3.1	3.1	3.3	13.4						

<sup>1</sup>Average for latest 3 months compared with average for previous 3 months.

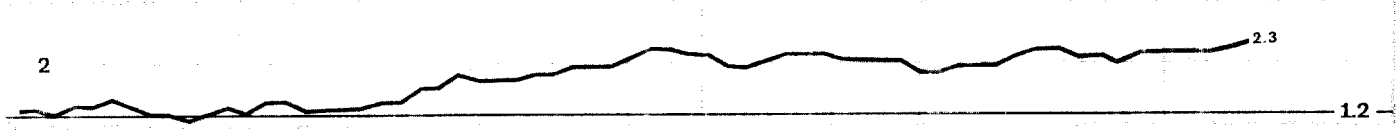
# UNEMPLOYMENT RATE

PERCENT

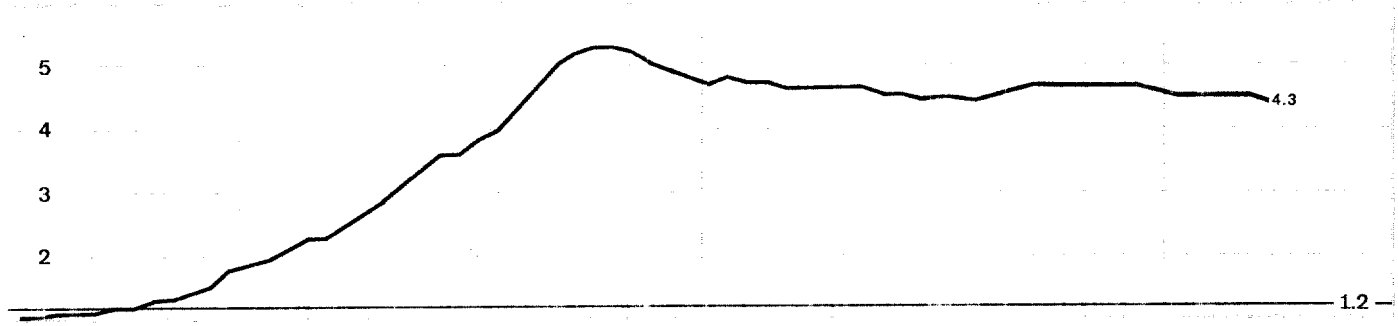
## United States



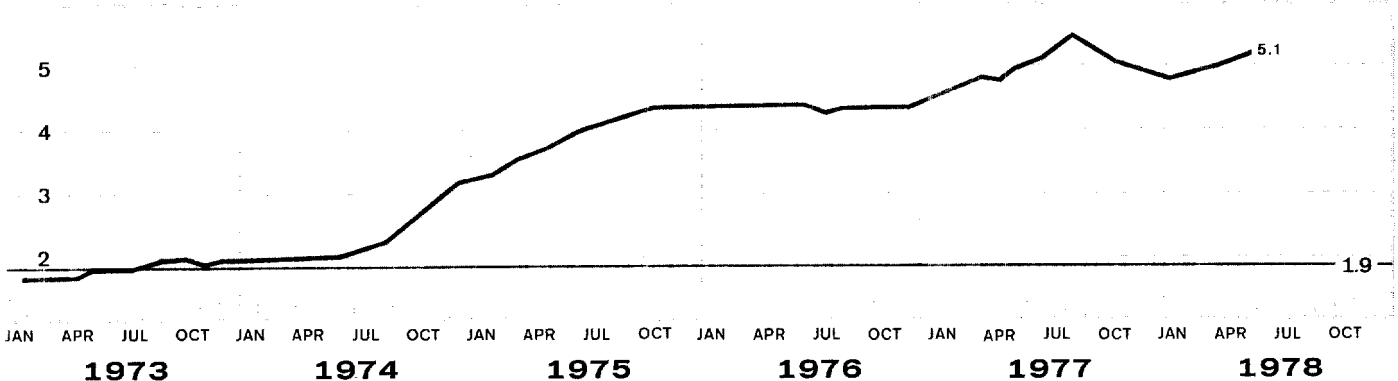
## Japan



## West Germany

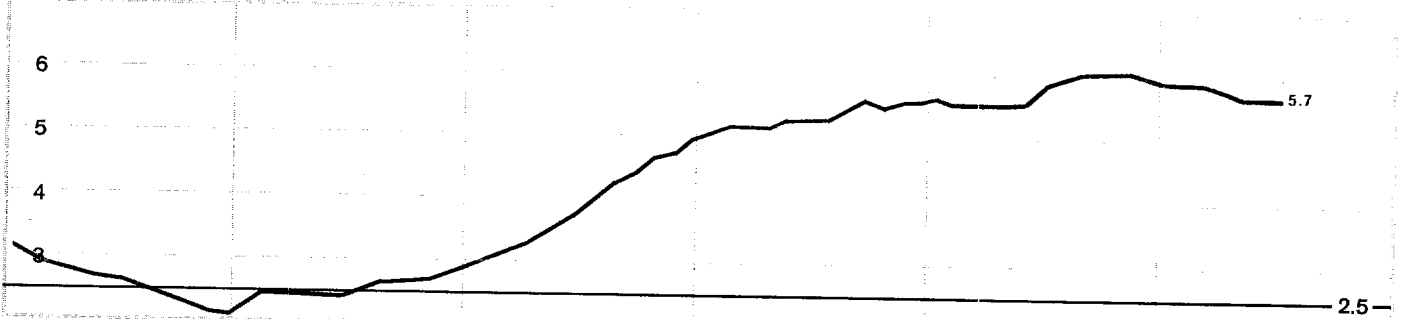


## France

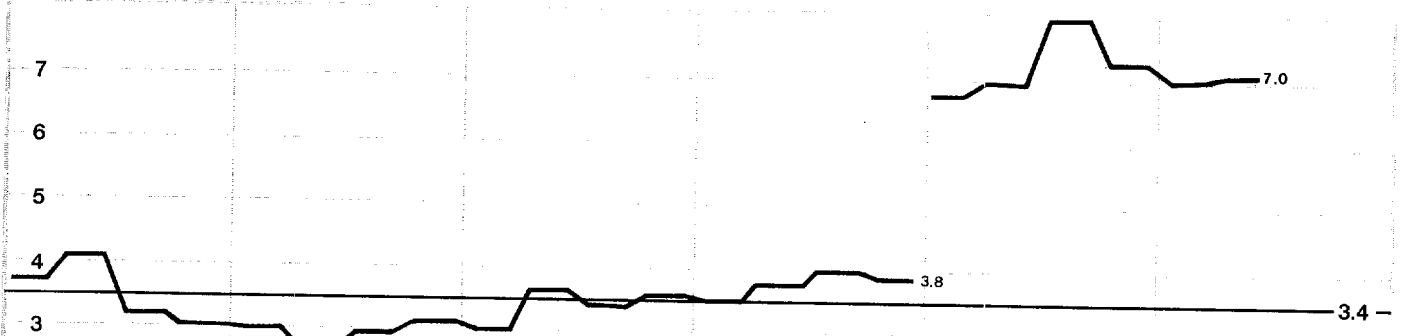




### United Kingdom

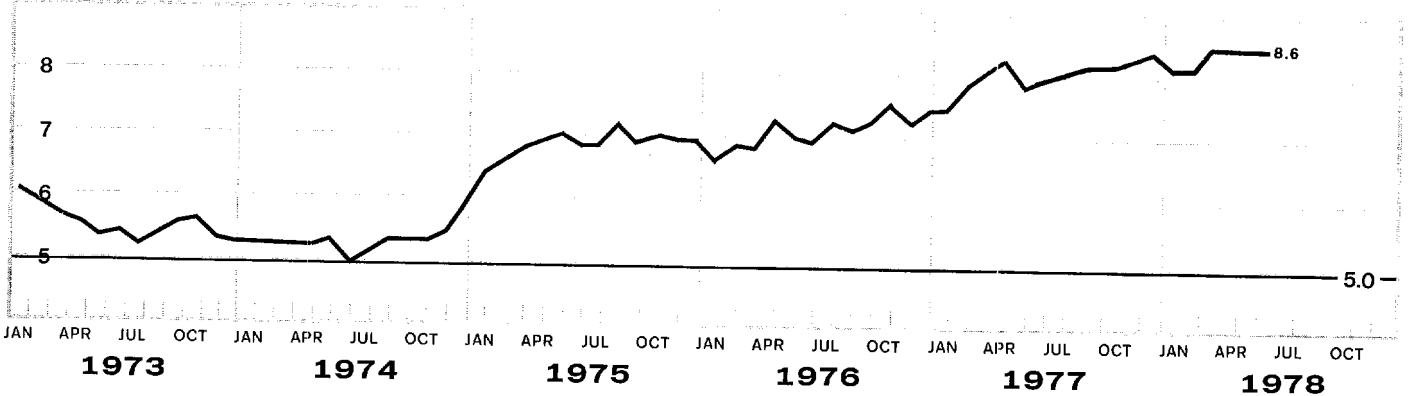


### Italy (quarterly)



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		LATEST MONTH	1 Year Earlier	3 Months Earlier
United States	JUN 78	5,754	6,904	6,148	United Kingdom	JUL 78	1,371	1,402
Japan	MAY 78	1,270	1,140	1,160	Italy	II 78	1,455	1,520
West Germany	JUN 78	984	1,044	1,014	Canada	JUN 78	944	848
France	MAY 78	1,113	1,066	1,042				

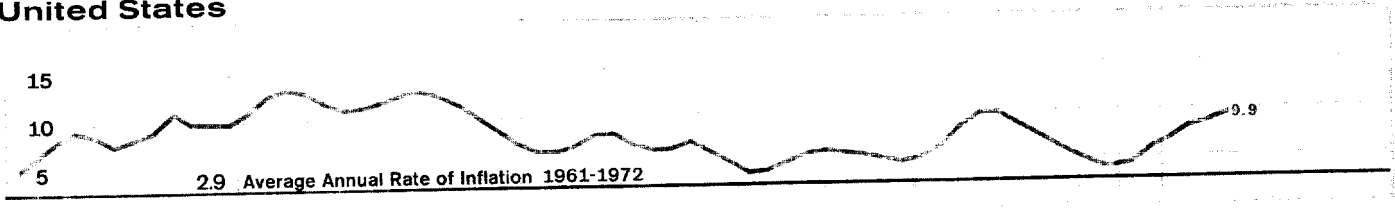
NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased 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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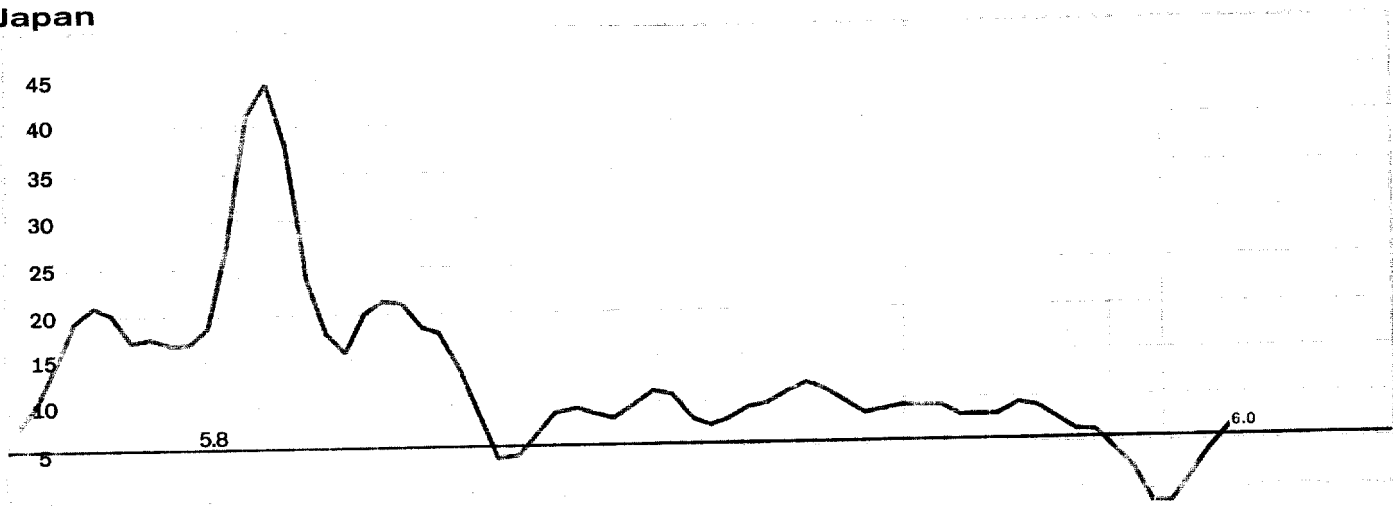
# CONSUMER PRICE INFLATION

Percent, seasonally adjusted, annual rate<sup>1</sup>

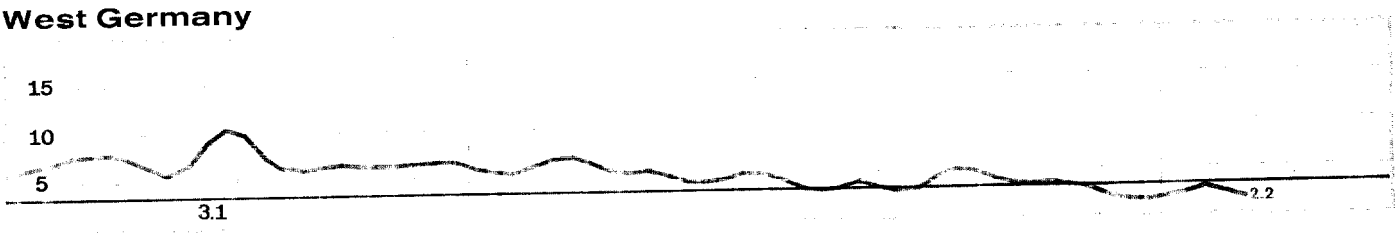
## United States



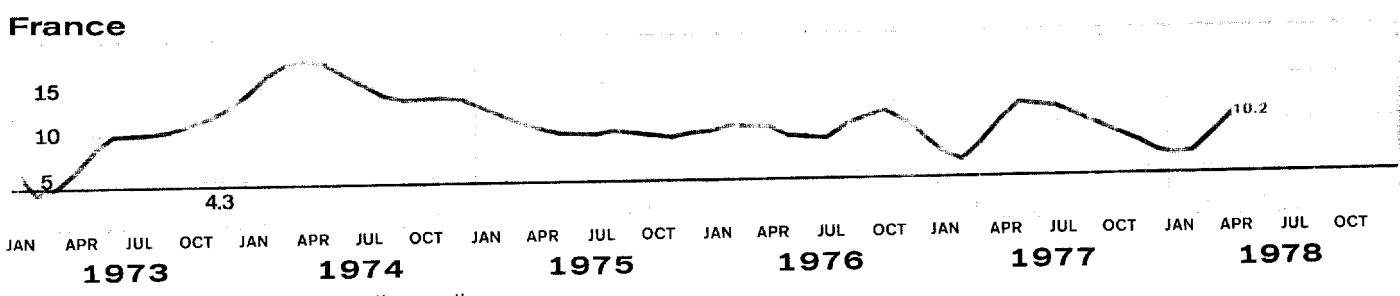
## Japan



## West Germany

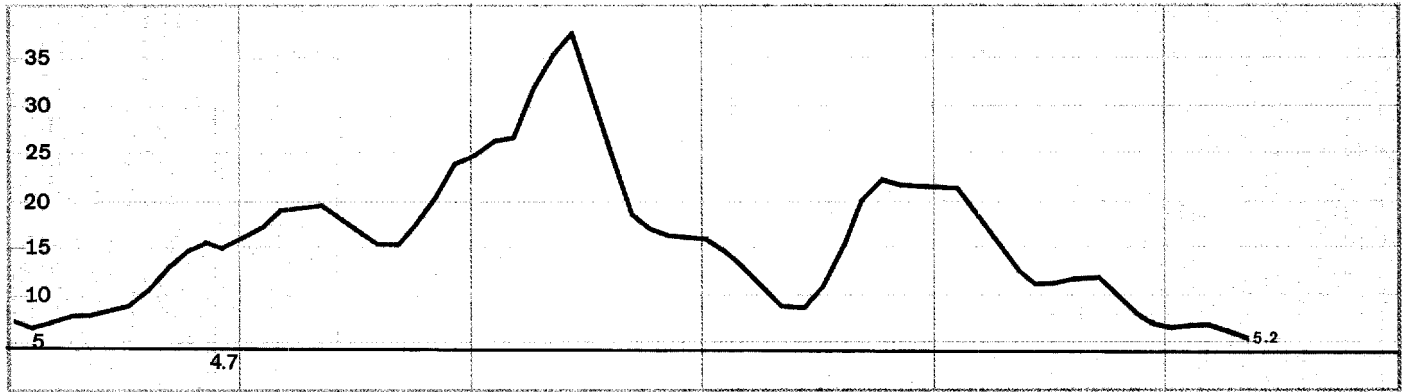


## France

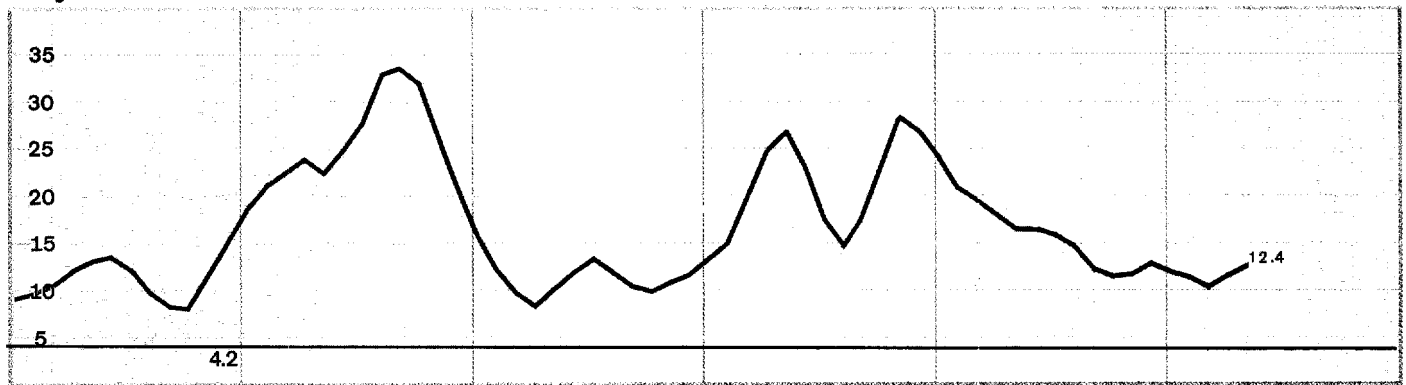


<sup>1</sup>Three-month average compared with previous three months.

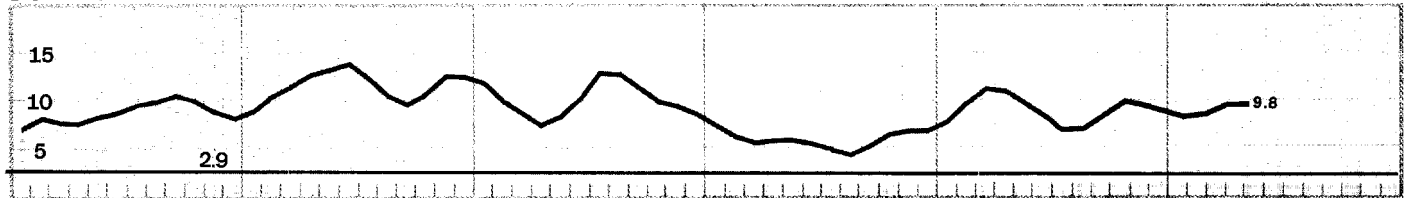
**United Kingdom**



**Italy**



**Canada**



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT  
**1973 1974 1975 1976 1977 1978**

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
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	0.1	5.2	2.4	2.2
France	MAY 78	1.0	9.0	9.1	10.2

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
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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<sup>2</sup>Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

**GNP <sup>1</sup>**

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	Previous Quarter
United States	78 II	1.9	3.2	4.1	7.7
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

<sup>1</sup> Seasonally adjusted.

**RETAIL SALES <sup>1</sup>**

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
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

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

**FIXED INVESTMENT <sup>1</sup>**

Nonresidential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			Percent Change		
			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

<sup>1</sup> Seasonally adjusted.

**WAGES IN MANUFACTURING <sup>1</sup>**

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
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	Mar 78	16.2	16.8	21.7	31.4
Italy	Apr 78	0	20.1	17.4	13.4
Canada	Apr 78	-0.1	10.9	7.7	6.8

<sup>1</sup> 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.

<sup>2</sup> 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		Average Annual Growth Rate Since		
		from Previous		1970	1 Year Earlier	3 Months Earlier
		Month	Month			
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	May 78	-1.8		11.4	10.6	-6.7
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		Average Annual Growth Rate Since		
		from Previous		1970	1 Year Earlier	3 Months Earlier
		Month	Month			
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	May 78	1.2		3.8	-1.2	-0.6
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		Average Annual Growth Rate Since		
		from Previous		1970	1 Year Earlier	3 Months Earlier
		Month	Month			
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	May 78	1.5		3.3	-4.4	0.9
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**

Billion US \$

	Latest Month	Billion US \$			
		End of	Billion US \$	1 Year	3 Months
				Jun 1970	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 <sup>1</sup>**

Cumulative (Million US \$)

	Latest Period	Cumulative (Million US \$)			
		Million US \$	1978	1977	Change
United States <sup>2</sup>	78 I	-6,954	-6,954	-4,158	-2,796
Japan	Jun 78	2,330	8,814	3,076	5,738
West Germany	May 78	323	2,470	1,946	524
France	78 I	0	0	-2	2
United Kingdom	77 IV	682	N.A.	-14	N.A.
Italy	77 III	2,390	N.A.	1,629	N.A.
Canada	78 I	-1,273	-1,273	-1,484	212

<sup>1</sup> Converted to US dollars at the current market rates of exchange.<sup>2</sup> Seasonally adjusted.**BASIC BALANCE <sup>1</sup>**

Current Account and Long-Term Capital Transactions

Cumulative (Million US \$)

	Latest Period	Cumulative (Million US \$)			
		Million US \$	1978	1977	Change
United States		No longer published <sup>2</sup>			
Japan	Jun 78	1,280	5,560	2,145	3,415
West Germany	May 78	-722	2,336	-543	-2,879
France	78 I	-1	-1	-2	1
United Kingdom	77 IV	1,389	N.A.	5,353	N.A.
Italy	77 III	2,520	N.A.	2,128	N.A.
Canada	78 I	-668	-668	-584	-84

<sup>1</sup> Converted to US dollars at the current market rates of exchange.<sup>2</sup> 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 28 Jul 78

	US \$ Per Unit	Percent Change from			
		19 Mar 73	1 Year	3 Months	21 Jul 78
			Earlier	Earlier	
Japan (yen)	0.0052	36.89	37.76	16.70	5.02
West Germany (Deutsche mark)	0.4903	38.47	10.69	1.75	0.61
France (franc)	0.2282	3.54	10.08	5.12	1.12
United Kingdom (pound sterling)	1.9270	-21.70	12.06	5.43	0.81
Italy (lira)	0.0120	-32.99	4.49	2.77	0.25
Canada (dollar)	0.8836	-11.44	-6.31	-0.41	-0.63

**TRADE-WEIGHTED EXCHANGE RATES <sup>1</sup>**

As of 28 Jul 78

	Percent Change from			
	19 Mar 73	1 Year	3 Months	21 Jul 78
		Earlier	Earlier	
United States	-2.90	-7.49	-4.16	-1.00
Japan	41.32	35.04	15.56	4.83
West Germany	30.34	1.97	-0.98	0.02
France	-6.56	0.84	2.75	0.63
United Kingdom	-27.99	5.17	2.96	0.26
Italy	-42.11	-4.42	-0.07	-0.42
Canada	-12.48	-9.25	-1.81	-1.00

<sup>1</sup> 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<sup>1</sup>

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
<b>UNITED STATES</b>												
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
1978												
1st Qtr .....	30.94	13.65	4.60	3.76	1.00	7.93	43.14	20.39	3.51	8.15	0.47	10.62
<b>JAPAN</b>												
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
1978												
1st Qtr .....	22.11	7.83	2.39	3.35	1.32	7.22	18.32	5.04	2.06	6.46	0.87	3.89
<b>WEST GERMANY</b>												
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
1978												
Jan & Feb .....	20.35	7.03	8.12	1.75	1.29	2.16	18.20	6.58	6.92	1.49	0.89	2.32
<b>FRANCE</b>												
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
1978												
1st Qtr .....	18.49	7.66	5.07	1.57	0.66	3.53	19.76	8.58	5.40	3.05	0.64	2.09
<b>UNITED KINGDOM</b>												
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
1978												
1st Qtr .....	16.86	5.09	6.27	2.03	0.55	2.92	18.87	7.44	6.68	1.80	0.55	2.40
<b>ITALY</b>												
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 .....	45.04	20.92	10.20	5.85	2.45	5.62	47.56	20.80	8.67	9.03	2.80	6.26
4th Qtr .....	12.84	6.02	2.78	1.67	0.69	1.68	13.15	5.90	2.49	2.25	0.83	1.68
<b>CANADA</b>												
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
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

<sup>1</sup> Source: International Monetary Fund, Direction of Trade.

Developed Countries: Direction of Trade<sup>1</sup>  
(Continued)

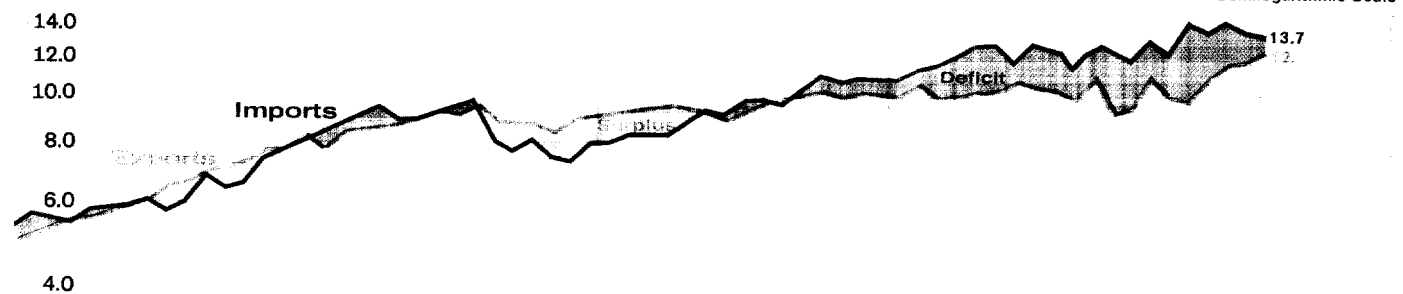
Billion US \$

	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

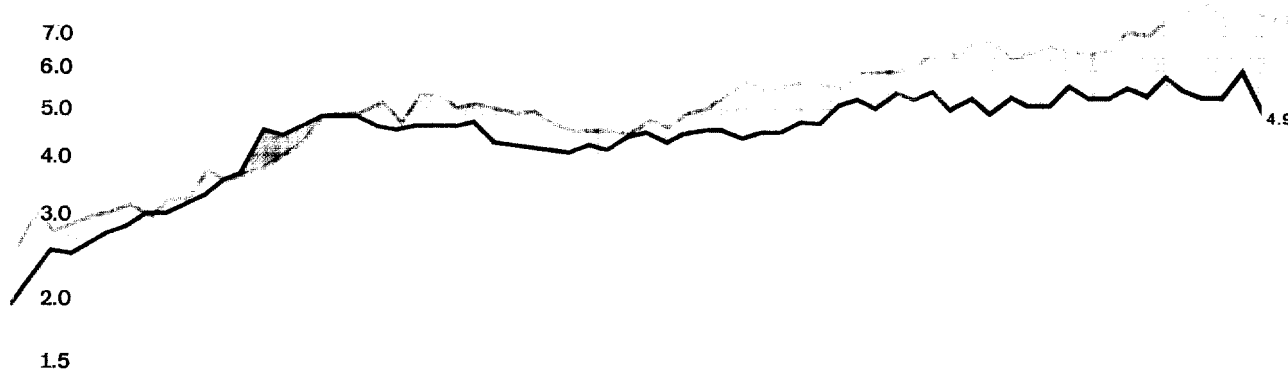
<sup>1</sup> Source: International Monetary Fund, Direction of Trade.

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

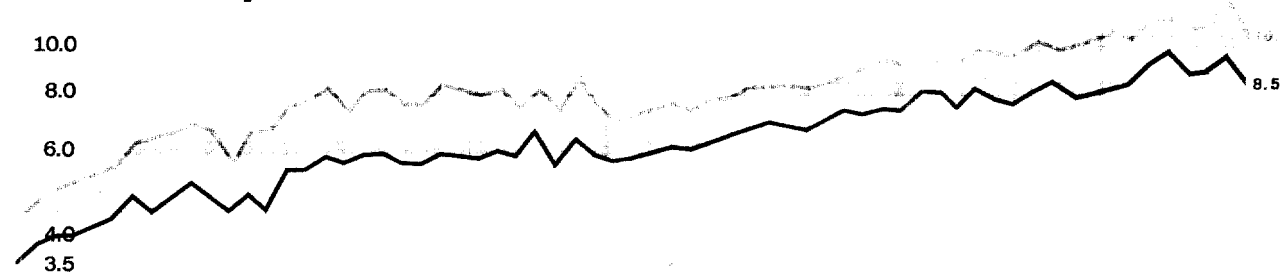
## United States



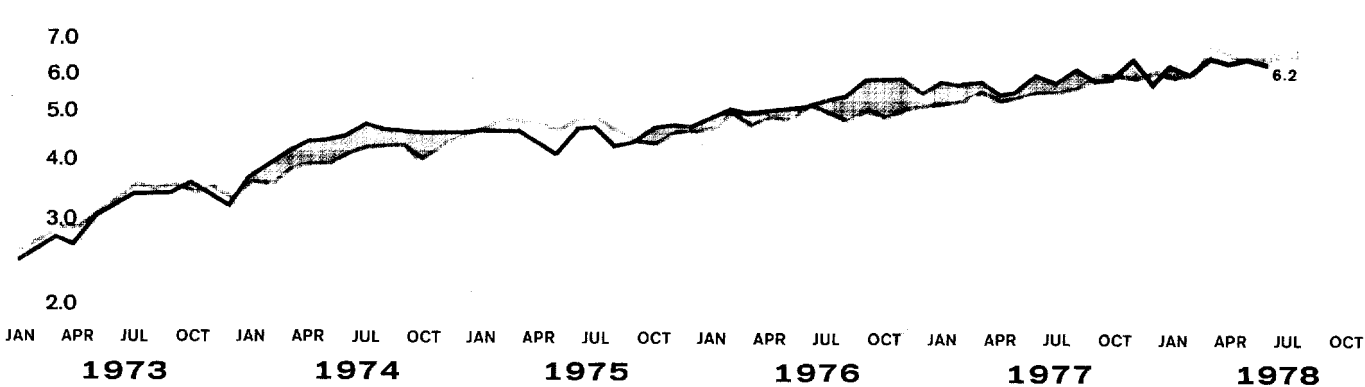
## Japan



## West Germany



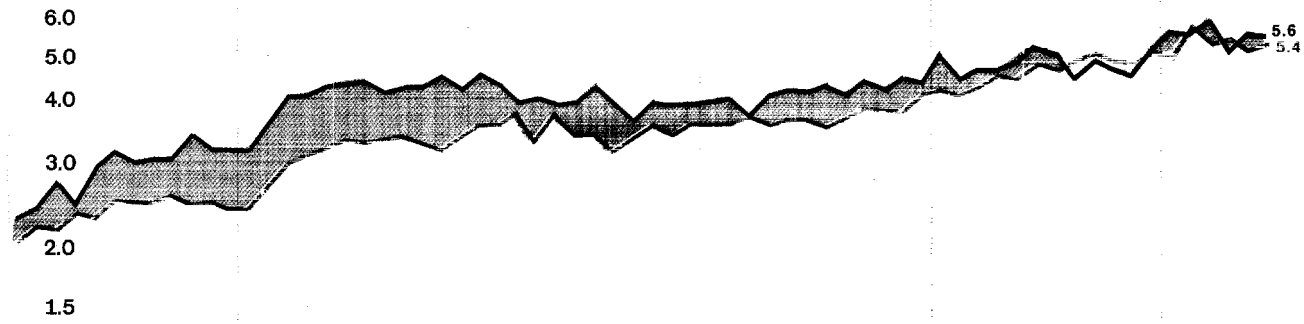
## France



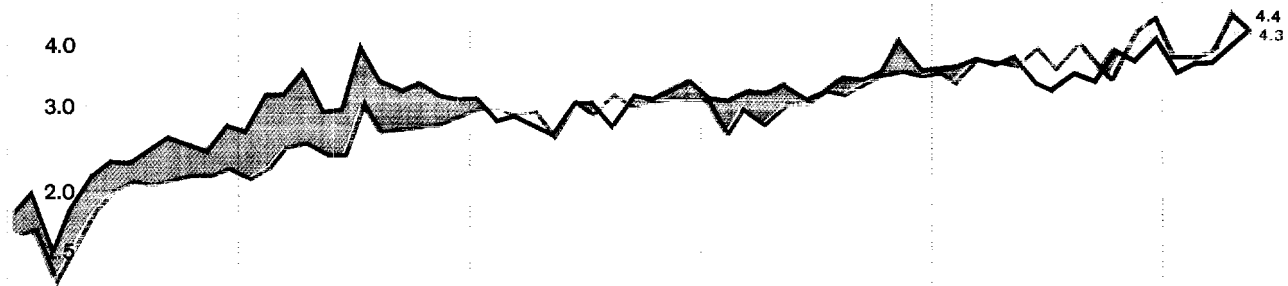


**United Kingdom**

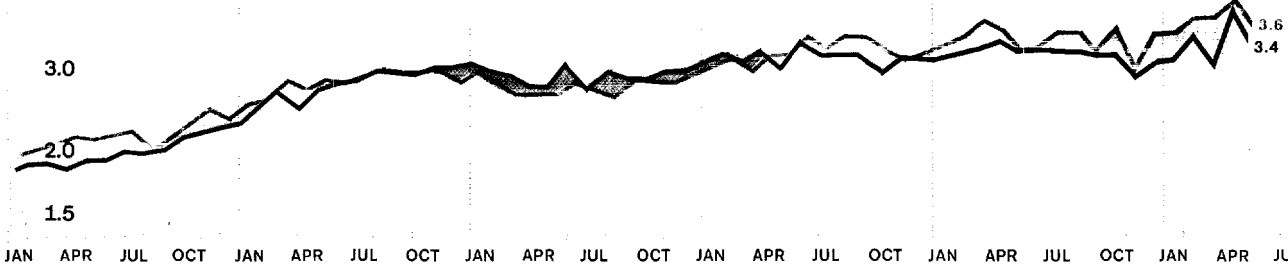
Semilogarithmic Scale



**Italy**



**Canada**



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

**1973**

**1974**

**1975**

**1976**

**1977**

**1978**

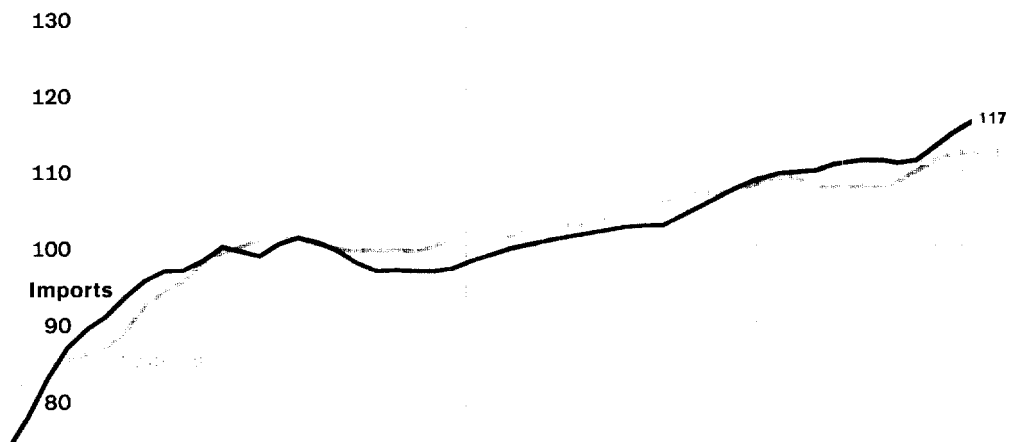
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)			
			1978	1977	CHANGE			1978	1977	CHANGE	
United States	JUN 78	12,126	66,363	60,257	10.1%	United Kingdom	JUN 78	5,376	32,428	26,583	22.0%
		13,723	82,731	71,782	15.3%			5,570	33,777	29,467	14.6%
Japan	JUN 78	7,794	47,131	38,859	21.3%	Italy	MAY 78	4,276	20,329	17,623	15.4%
		4,864	32,365	30,319	6.7%			4,358	19,314	18,630	3.7%
West Germany	MAY 78	2,930	14,767	8,540	6,227	Canada	MAY 78	3,621	18,983	17,435	8.9%
		10,313	55,032	46,735	17.8%			3,401	17,447	16,713	4.4%
France	JUN 78	8,522	45,808	38,606	18.7%	Balance	Balance	219	1,536	722	814
		1,791	9,224	8,128	1,096						
		6,318	37,329	31,159	19.8%						
		6,217	37,182	32,828	13.3%						
		Balance	100	147	-1,670	1,817					

576740 7-78

# FOREIGN TRADE PRICES IN US \$<sup>1</sup>

United States

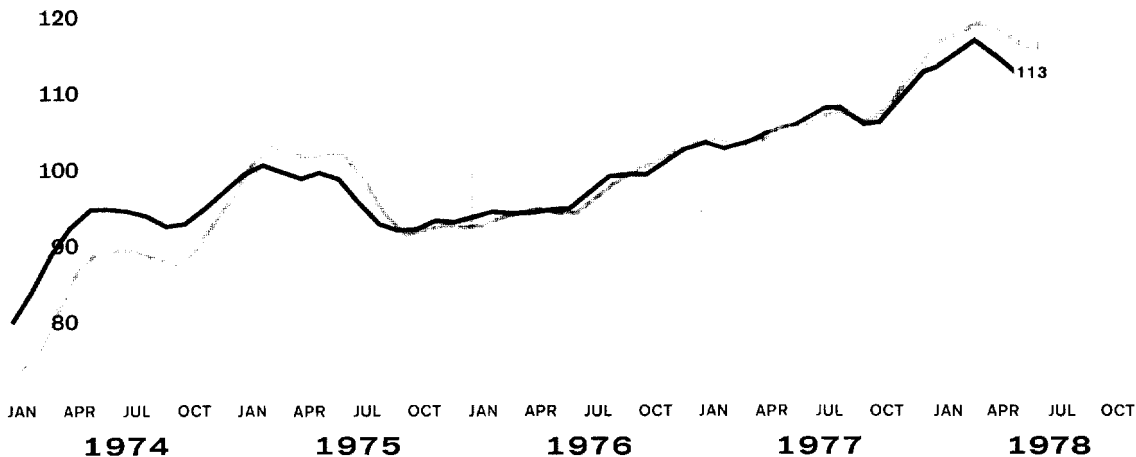
INDEX: JAN 1975 = 100



Japan

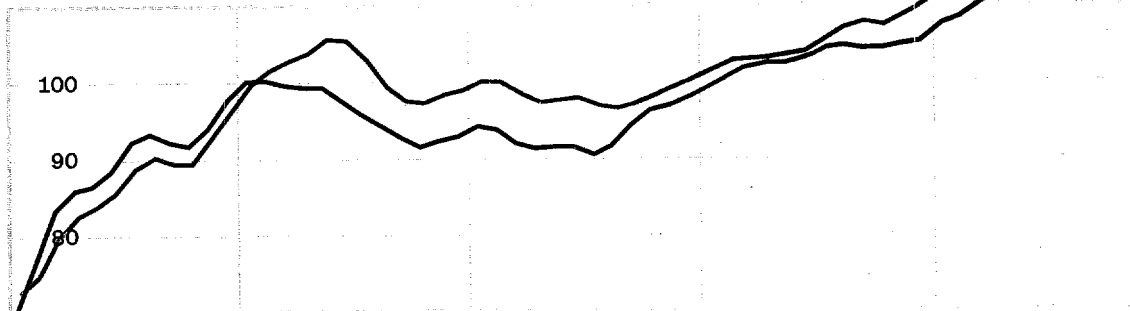


West Germany

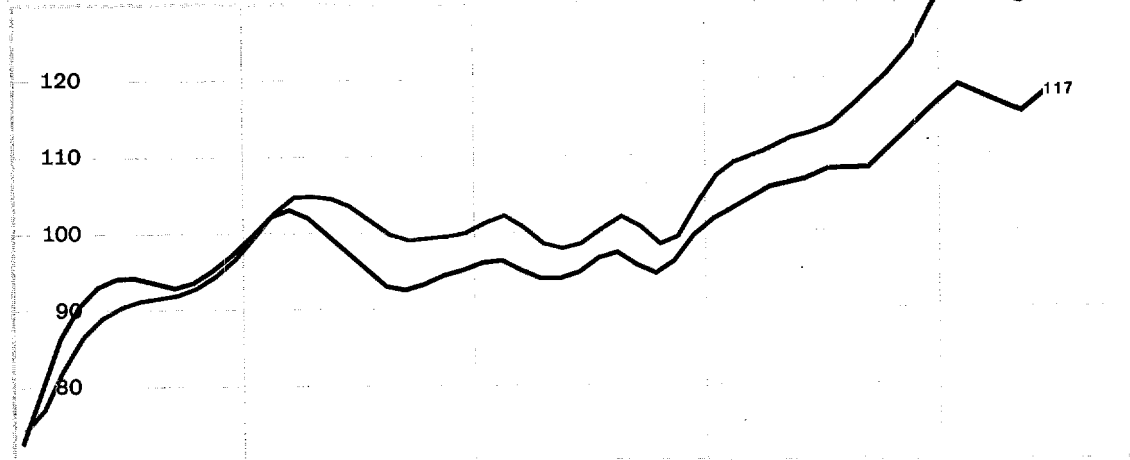


<sup>1</sup>Export and import plots are based on five-month weighted moving averages.

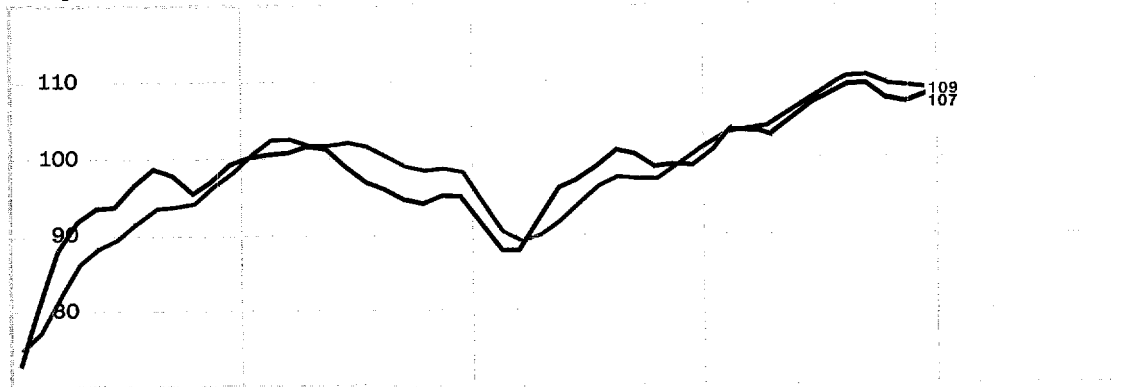
### France



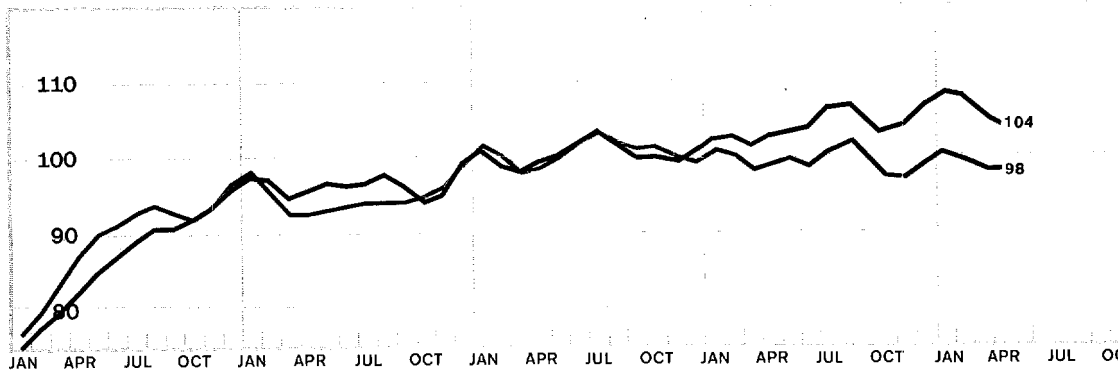
### United Kingdom



### Italy



### Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT  
1974 1975 1976 1977 1978

## SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION <sup>1</sup>

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
India	Mar 78	1.1	4.9	0.8	17.8
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

<sup>1</sup> Seasonally adjusted.<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.MONEY SUPPLY <sup>1</sup>

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
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

<sup>1</sup> Seasonally adjusted.<sup>2</sup> 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		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
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	
			Percent Change	
			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		
			Percent Change		
			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

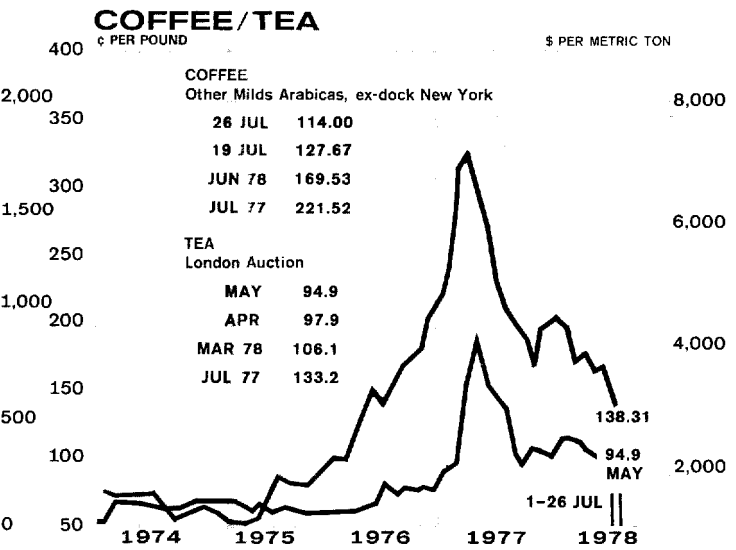
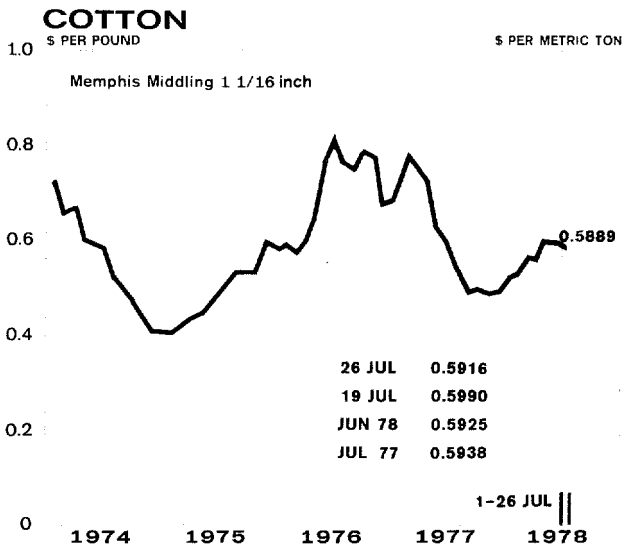
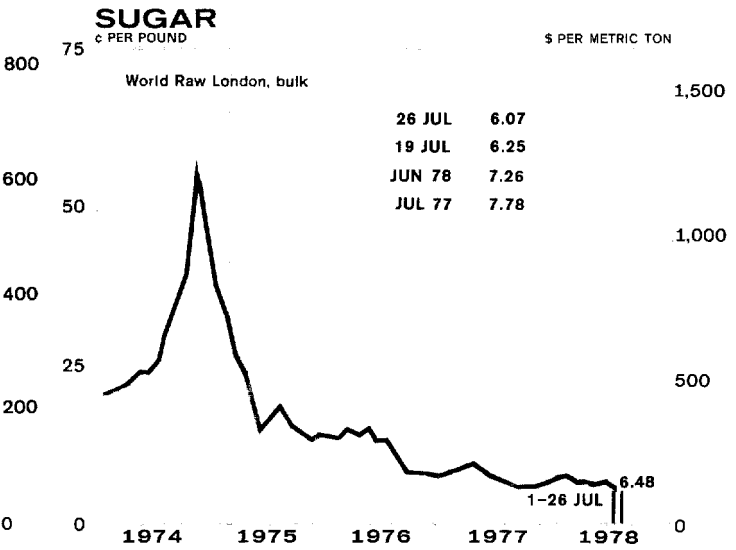
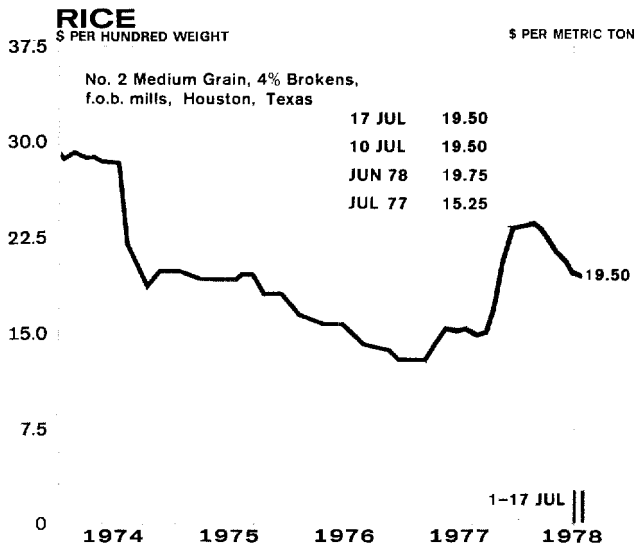
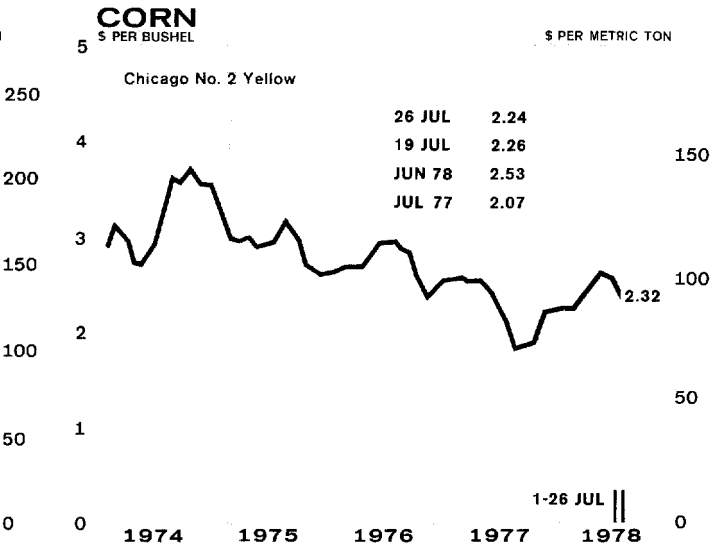
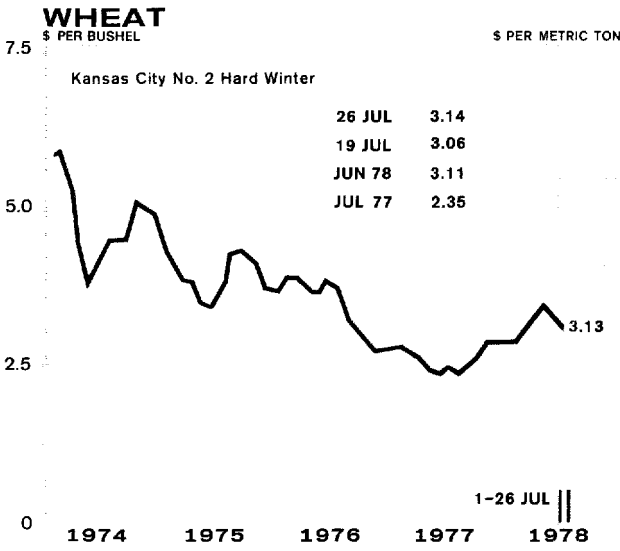
	Latest Month	End of Month	Million US \$	Million US \$	
				Jun 1970	
				1 Year Earlier	3 Months Earlier
Brazil	Feb 78	6,733	1,013	5,878	5,994
India	Mar 78	5,823	1,006	3,747	5,184
Iran	May 78	12,468	208	11,460	13,728
South Korea	Apr 78	4,138	602	3,247	4,418
Mexico	Mar 78	1,766	695	1,422	1,723
Nigeria	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

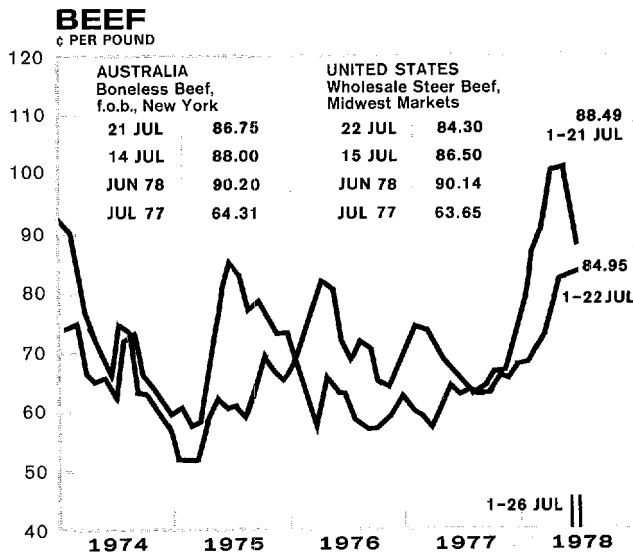
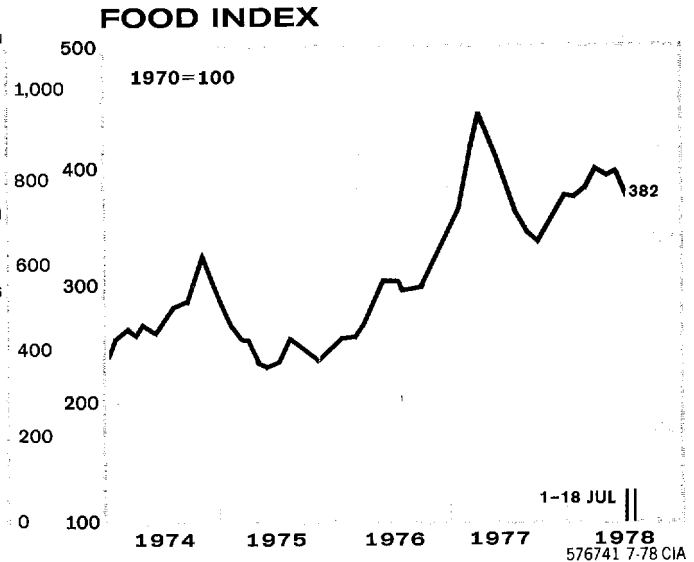
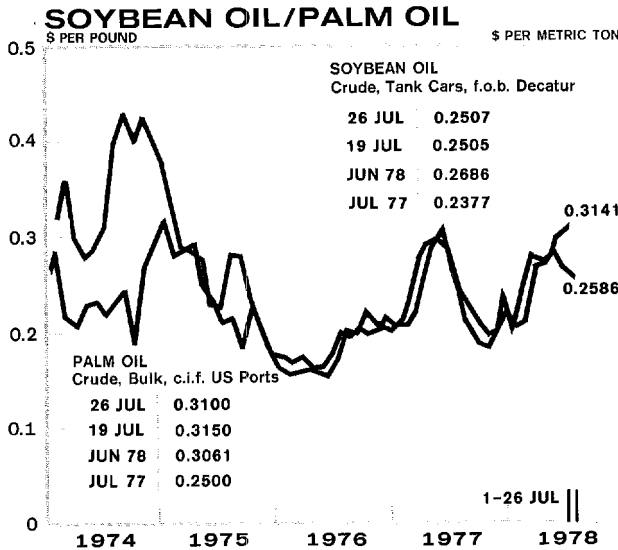
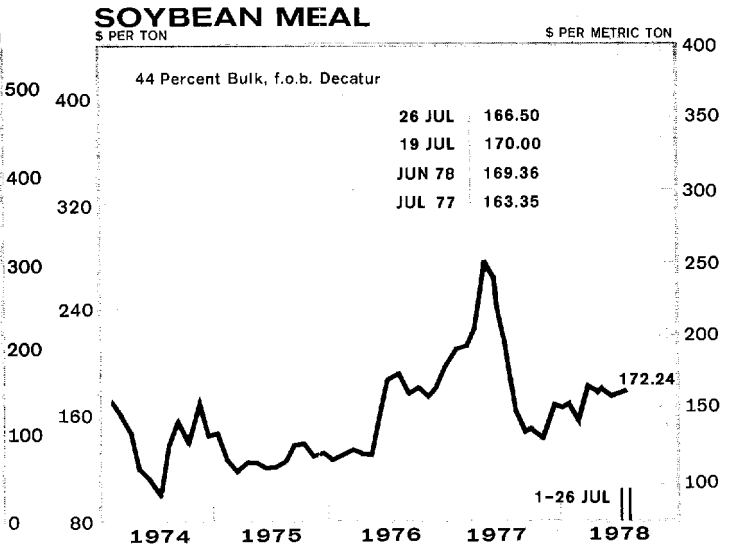
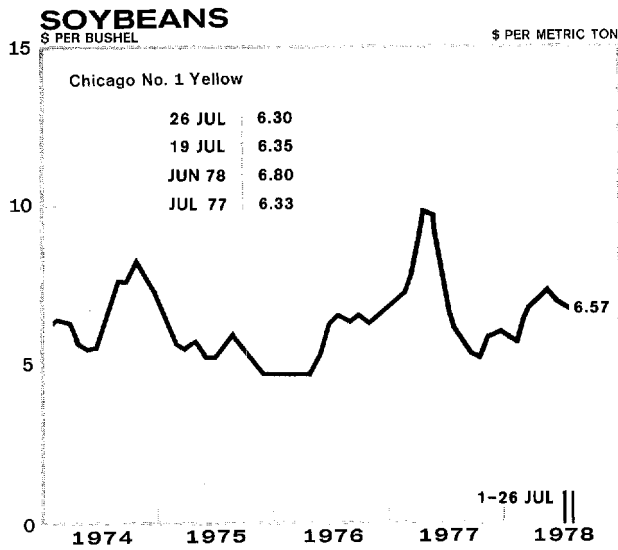
**FOREIGN TRADE, f.o.b.**

			Latest 3 Months		Cumulative (Million US \$)		
			Percent Change from		1978	1977	Change
Latest Period	3 Months Earlier <sup>1</sup>	1 Year Earlier					
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

<sup>1</sup> At annual rates.

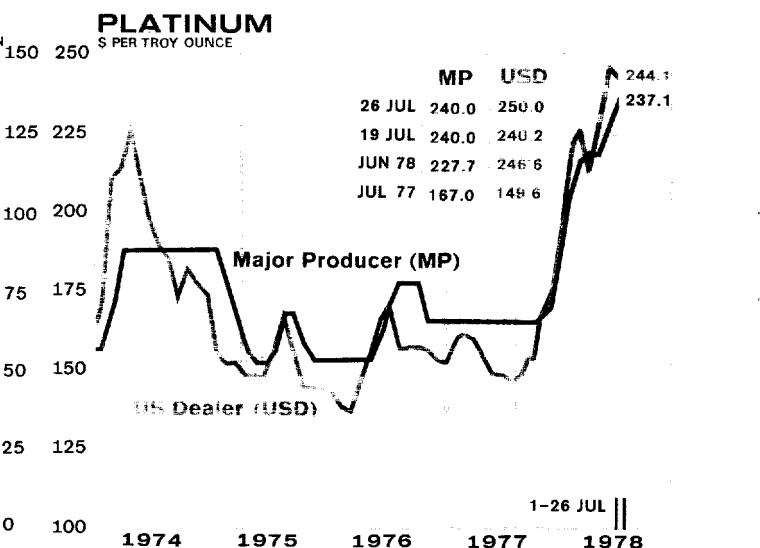
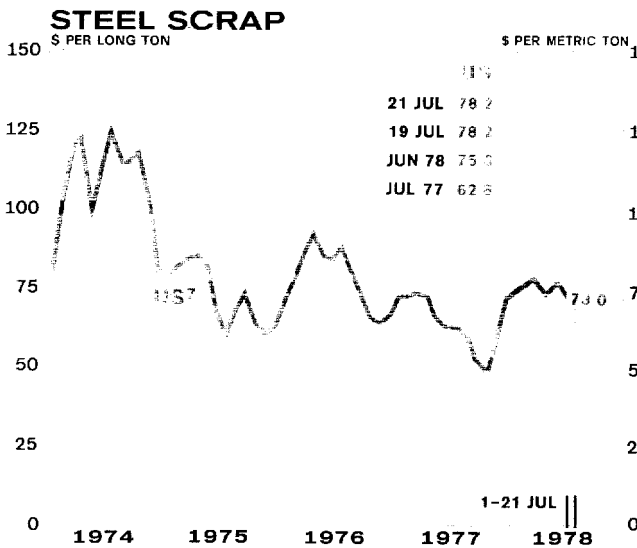
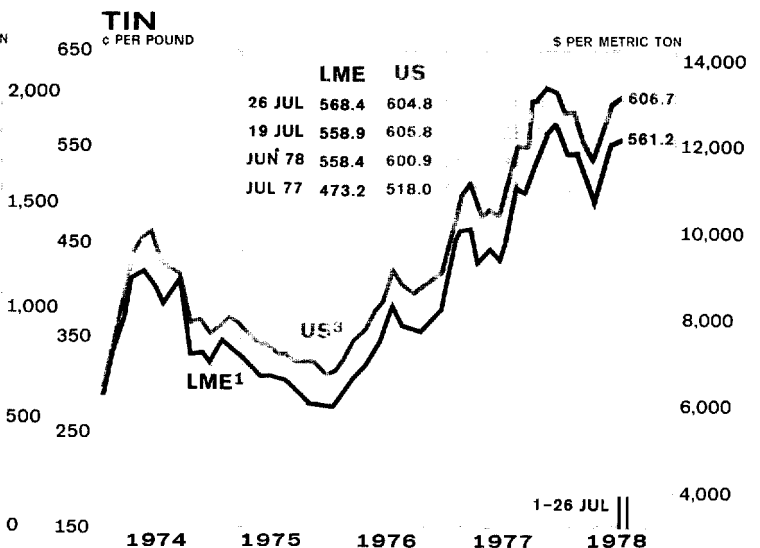
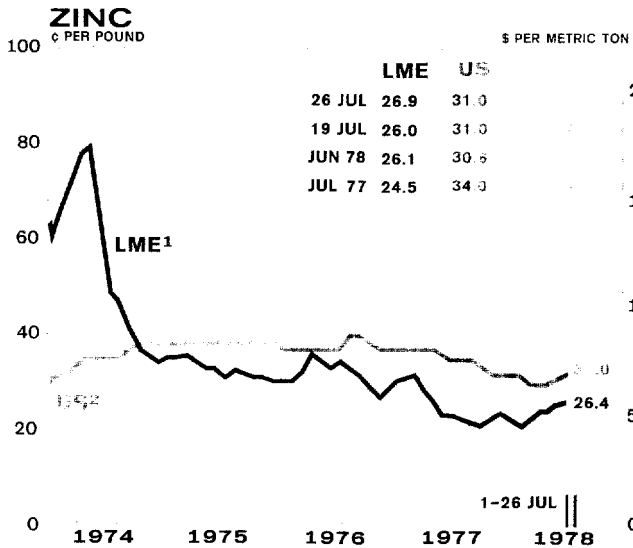
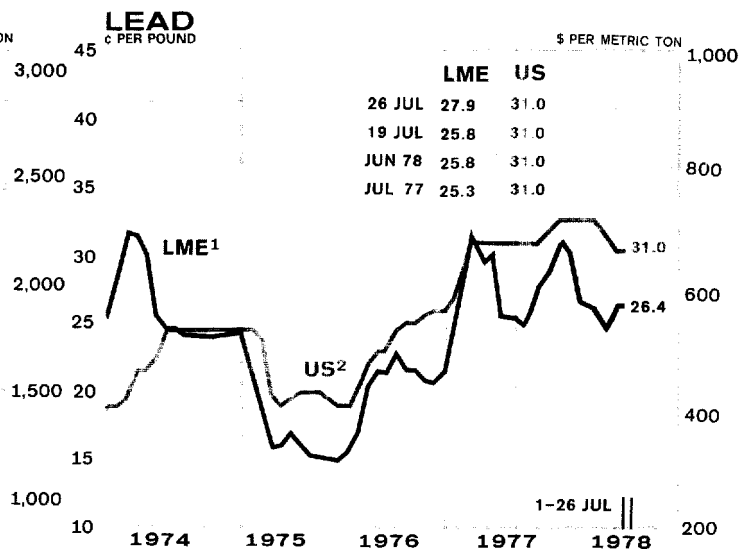
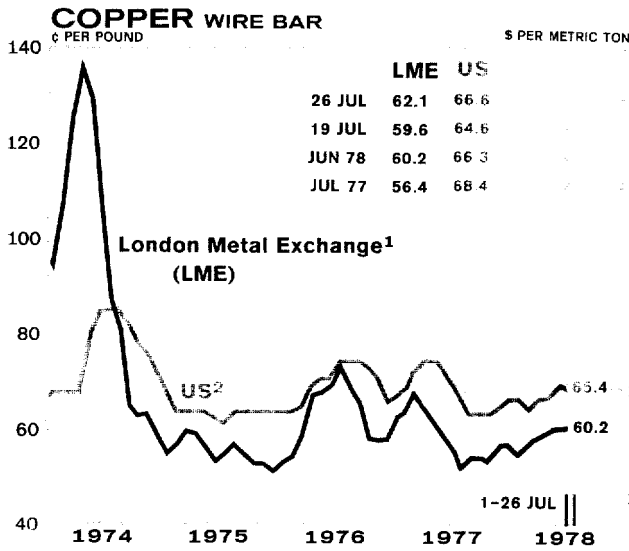
# AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE





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.

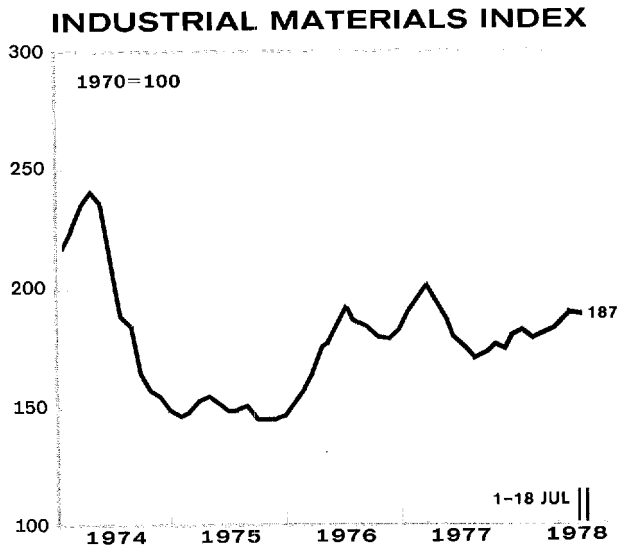
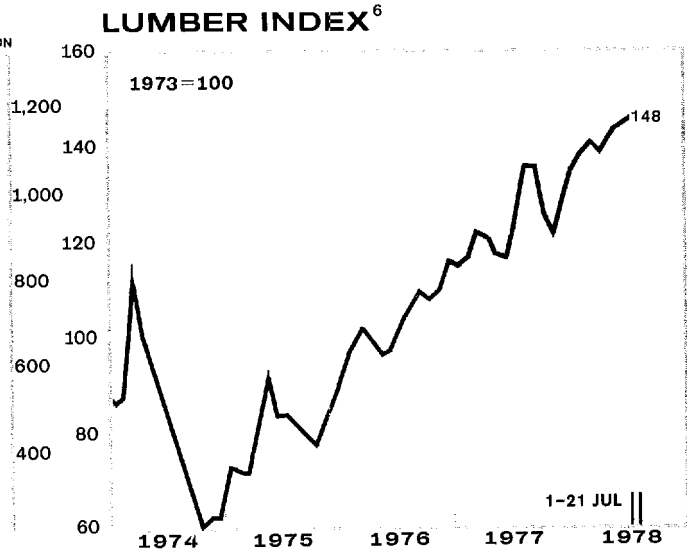
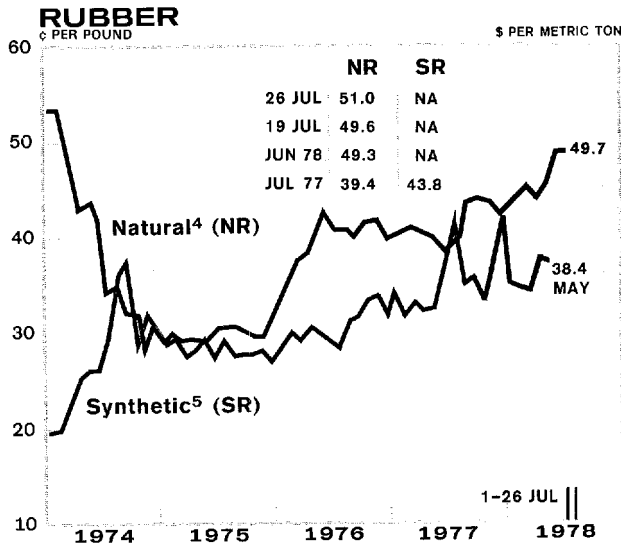
# INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE





**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	160.00	124.33	126.23	110.00
SILVER	LME Cash	£ per troy ounce	529.57	472.49	446.93	478.82
GOLD	London Afternoon Fixing Price	\$ per troy ounce	187.15	160.45	140.78	125.71



<sup>1</sup>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.

<sup>2</sup>Producers' price, covers most primary metals sold in the US.

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

<sup>4</sup>Quoted on New York market.

<sup>5</sup>S-type styrene, US export price.

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

<sup>7</sup>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.



