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Economic Intelligence Weekly

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26 June 1974

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Note: Comments and queries regarding this publication are welcomed.

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ECONOMIC INTELLIGENCE WEEKLY

Articles

ITALY'S AUSTERITY PROGRAM: A POSSIBLE REPRIEVE

The austerity program devised by the Rumor government last week should improve Italy's credit standing and trim at least $1 billion from the 1974 import bill.

The proposed fiscal and monetary measures represent a compromise between the Christian Democrats, who favored draconian measures to curb imports and inflation, and the Socialists, who wished to maintain employment and increase welfare spending. The patchwork program aims to boost tax revenues by $4.7 billion annually while reducing the income tax bite on low-income groups. As a concession to the Socialists, the Christian Democrats agreed to ease credit slightly.

Failure to obtain approval of the program in parliament and in labor union councils would bring down the government. While the coalition parties probably can exercise enough self-discipline to get the measures through parliament, labor union cooperation is less certain. The unions may go along with the program for the time being; but if prices continue to rise rapidly at the same time taxes are cutting more deeply into income, trade union cooperation almost certainly will evaporate.

Ingredients of the Package

25X6 [redacted] the government is relying most heavily on increases in value-added and other indirect taxes. While some of the tax measures – such as a hike of 25 cents per gallon in the gasoline tax – have the particular aim of cutting the trade deficit, most are designed to reduce overall consumer demand.

The Christian Democrats' agreement to ease credit features increased long-term loans to small- and medium-sized companies and loans to finance economic development in the South. These loans are to be covered by a $3 billion sale of special bonds to commercial banks. Minister of the Treasury Emilio Colombo reaffirmed Italy's commitment to IMF credit ceilings.

Impact

The tax package should trim domestic demand by about 3% over 12 months. GNP growth probably will slow to 3%-4% in 1974, compared with 5.4% in 1973. The growth rate in 1975 will be even lower when the full impact of the austerity program is felt.

The anticipated drop in domestic demand will reduce imports by about 10%, after a lag of a few months. Many import orders already have been placed, and time is needed for the direct tax measures to have their full impact. Together with some small effects from the import deposit scheme, the austerity program should hold Italy's trade deficit (imports c.i.f.) to about $10.5 billion in 1974 instead of the $12.0 billion implied by trade flows so far this year.

Even after adjusting the trade account for the favorable impact of the austerity program, the current account for 1974 will be about $7.5 billion in deficit. Italy's traditionally large surplus on net services and transfer payments has been decreasing in recent years, largely because of hidden capital flight and increased interest payments. Heavy net capital outflows could boost the balance-of-payments deficit to an estimated $10 billion.

The balance-of-payments deficit expected in the second half of 1974 will require additional foreign borrowing. Rome has only a meager $2.2 billion in available foreign exchange, and support of the lira has been costing $1 billion monthly. Italy still has large reserves of gold. But it would sell substantial quantities only as a last resort. The gold could be used as collateral for loans if the parties could agree on the price and other terms. The $4 billion that the Bank of Italy lined up under short-term swap arrangements with other central banks cannot be drawn because the banks fear, justifiably, that they would not be repaid.

In coming weeks, Italy will have to let the lira's value plummet, impose additional import controls, or obtain new foreign loans. The government will try to avoid the first two options. A plunge of the lira would be opposed by the Socialists and trade unions because of its inflationary effects.

Further import controls would be objectionable to the EC and GATT and would violate the terms of Italy's IMF standby credit. By giving some assurance that Italy is finally starting to put its house in order, the austerity program should help Rome find new funds abroad, especially if gold is offered as collateral. [redacted] 25X1

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CHINA: TRADE BOOM CONTINUES*

Pushed by soaring world prices, currency revaluations, and a rising physical volume of imports and exports, the dollar value of China's foreign trade in 1973 increased by 60% to approximately $9.4 billion. The outlook for 1974 is for trade to increase another 30% to 40%.

* This article summarizes the findings of a forthcoming OER publication, IR 74-16, ***China: Foreign Trade Boom Continues in 1974***, June 1974, [redacted] 25X1

China's trade deficit with the non-Communist world is expected to reach $1 billion in 1974, up from $425 million last year. To help cover these deficits, Peking has relaxed its conservative financial policy and greatly expanded the use of short- and medium-term credit. At the same time, China has stepped up efforts to boost hard currency earnings from exports and invisible transactions. Petroleum exports alone should rise from $35 million in 1973 to more than $300 million in 1974.

The recent surge in imports is aimed at offsetting agricultural shortfalls and boosting industrial development. Imports of grain, sugar, cotton, and vegetable oils should increase from a record $1.3 billion in 1973 to about $2 billion in 1974. Roughly half of China's agricultural imports will come from the United States. Machinery and equipment orders from the West in 1973 totaled almost $2.5 billion, including $1.2 billion worth of complete industrial plants from Japan, Western Europe, and the United States. New orders in 1974 for machinery and equipment continue strong, despite a growing debate in China over the dangers of reliance on foreign equipment and technology.

Trade with the non-Communist world will again account for 80% or more of China's total trade in 1974. Japan will remain the leading partner, with two-way trade reaching about $3 billion. The United States will repeat as China's number two trading partner. Total Sino-US trade is expected to reach $1.2 billion, up from $870 million last year. China's trade deficit with the United States probably will exceed $1 billion. Trade with Hong Kong and the less developed countries will provide the principal offset to China's large deficit with the developed West.

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ARGENTINA: WAGE-PRICE PACT UNDER STRESS

President Peron's economic stabilization program is being eroded by growing shortages, labor unrest, and declining profits.

Since returning to power in May 1973, the Peronists managed to cut inflation from an annual rate of about 80% to less than 10%. This signal achievement was jeopardized two months ago when Peron, bowing to continuing labor unrest, granted premature wage increases averaging 20%. Business, already pressed by former wage hikes and higher prices for imported materials, was granted price increases averaging 6.5% last month.

These increases upped the inflation rate to nearly 15% and did little to alleviate growing shortages of food and industrial materials. Heightened labor unrest precipitated Peron's 12 June resignation threat. Although labor turmoil abated in the face of the threat, Peron subsequently declared a one-month pay bonus for July. He also decreed that, as in previous wage hikes, the cost could not be passed on to the consumer.

Peron's Social Pact – an agreement among labor, business, and the government to hold down prices and wages – is in danger of crumbling. Its ultimate objective, to increase labor's share of the national output, is being pursued at the expense of investment and business incentives. The Peronists claim labor's share of national income has risen from 33% to 42% and its purchasing power has increased 12%.

As for business, stiff price controls and rollbacks instituted in mid-1973, combined with higher labor and material costs, have depressed profits to about one-third of the pre-Peron level. New private investment has almost halted; replacement of wornout capital has been held to a minimum; inventories have been depleted; and shortages are erupting with greater frequency and severity. While public spending has taken up some of the slack in private investment, it has done nothing to relieve the supply situation. [redacted] 25X1

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MEXICO: FRIENDLIER RECEPTION FOR FOREIGN INVESTMENT

Lagging capital spending is making the Mexican government more receptive to direct foreign investment.

Since the restrictive new foreign investment law took effect a year ago, Mexico has muted its nationalist rhetoric and has begun to woo foreign businessmen.

- Government officials are promising that investment proposals will be given a friendlier reception than last year.

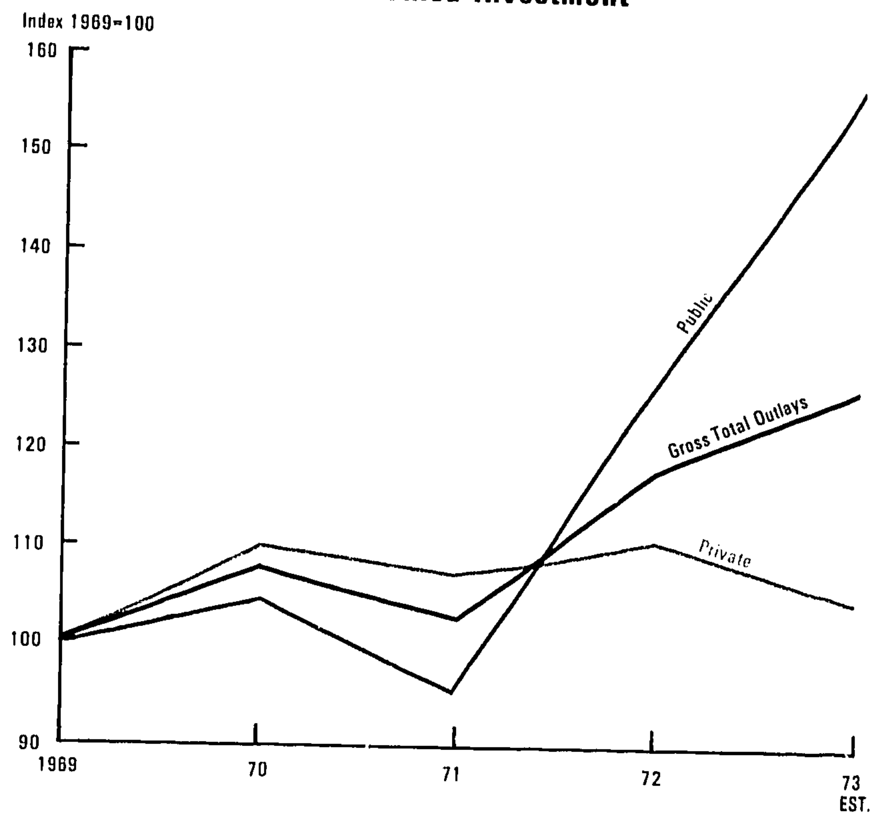
- [redacted] administration of the investment law has become sufficiently flexible to be no longer a major consideration in most decisions. 25X1

- Mexico is opening a four-month investment fair in the capital this week to highlight business opportunities and is sponsoring investment seminars in four US cities this summer.

Mexico City hopes that a pickup in foreign investment will stimulate as well as supplement outlays by domestic firms. Uncertainty over President Echeverria's reformist inclinations has retarded the recovery of private investment from the 1971 credit crunch. Until the current year, the slack has been taken up by public investment, which accounted for about 49% of total outlays in 1973. With public spending being held down in 1974 to curb inflationary pressures, Mexico sees more spending by foreign interests as the key to maintaining the investment rate.

Taking a pragmatic tack, the Foreign Investment Commission has been granting numerous exceptions to the law's general requirements for majority ownership of new establishments by Mexicans – requirements that most US companies are reluctant to accept. Several major projects involving 100% US ownership recently have been approved. Some of these do not appear to meet previously cited conditions for exemption from the equity requirement, such as having export potential or introducing advanced technology.

Mexico: Growth of Gross Fixed Investment



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Certain ventures proposing majority ownership by foreign investors are still being turned down. The law apparently is being used to block most projects that would compete with established Mexican-owned companies or that would depend heavily on imported components. 25X1

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DEVELOPED COUNTRIES: EMPLOYMENT HOLDING UP

Despite the economic slowdown in all major developed countries, unemployment has increased thus far only in the United States and West Germany. Unemployment rates in Britain, Canada, and Italy have actually declined. As the slowdown continues, unemployment no doubt will rise.

Unemployment

			Percent of Labor Force
	1973 (1st Half)	1973 (2d Half)	1974 (1st Half[1])
Canada	5.6	5.6	5.5
United States	5.0	4.7	5.2
Italy	4.0	3.0	2.8
West Germany	1.3	1.3	2.7
United Kingdom	2.9	2.5	2.5
France	1.[illegible]	2.0	2.0
Japan	1.4	1.4	1.2

1. Preliminary estimate.

Stability in employment is explained by business reluctance to lose experienced workers, at least during the early stage of the downturn. Instead, firms have cut the average hours worked in all major countries except Canada. Since the beginning of the year, the workweek in Japan and the United Kingdom has been reduced about 8% and in the United States and France about 1% to 2%.

Because unemployment has been mild, governments have been able to pursue tighter monetary and fiscal policies to deal with inflation and rising current account deficits. As a result, workers' income this year has declined almost 9% in Japan and 6% in the United Kingdom and has increased by less than 2% in France and West Germany.

Unemployment almost certainly will rise in coming months. Although some governments hope to offset declining consumer expenditures by boosting exports and maintaining a high level of domestic investment, this seems overly optimistic. The slowdown in world economic growth will dampen exports, while restrictive domestic policies should depress investment spending. As the slowdown continues, firms will be more reluctant to retain excess workers. 25X1

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PORTUGAL: NEW FREEDOM, NEW ECONOMIC PROBLEMS

Since General Antonio de Spinola came to power through a bloodless coup two months ago, the Portuguese economy has been shaken by labor militance, popular unrest, and uncertainty about the future. As a result, industrial production, retail sales, and private investment have declined. Receipts from tourism and workers' remittances are down, threatening the first foreign payments deficit in several years.

Pre-Coup Economic Situation

In the months preceding the coup, Portugal's control of Angolan oil largely insulated the country from the oil supply crisis. Real growth was continuing at a pace near to the long-term average 6%. Lisbon felt little immediate concern over the balance of payments, even though higher oil prices and lower tourist earnings presaged some decline in the current account surplus.

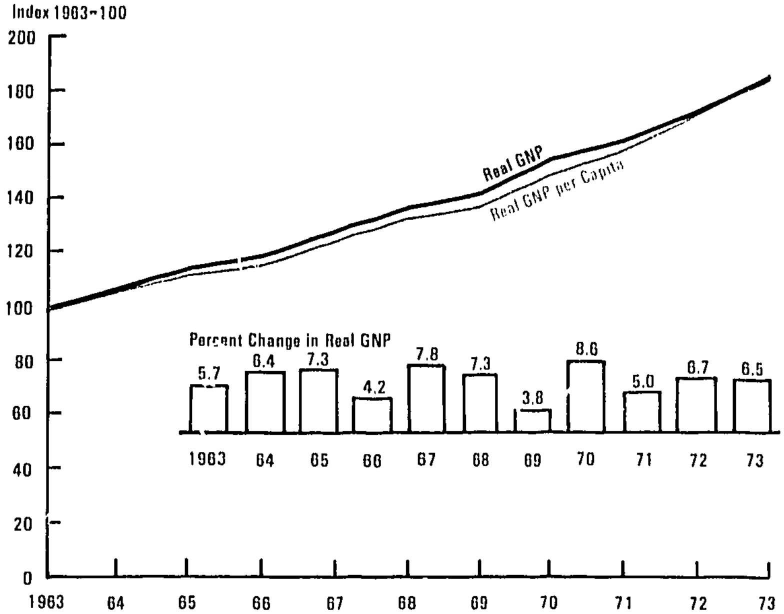
Inflation was the most pressing problem, with prices up by 25% in the 12 months before the coup and the rate of increase accelerating. Inflation had trimmed -- perhaps even reversed -- the steady gains in real wages that workers had become accustomed to. There was also concern about employment. For many years two out of every three Portuguese had found industrial jobs only by going to another European country. Thus, the economic slowdown in Western Europe threatened to reduce employment opportunities for Portuguese workers.

Post-Coup Developments

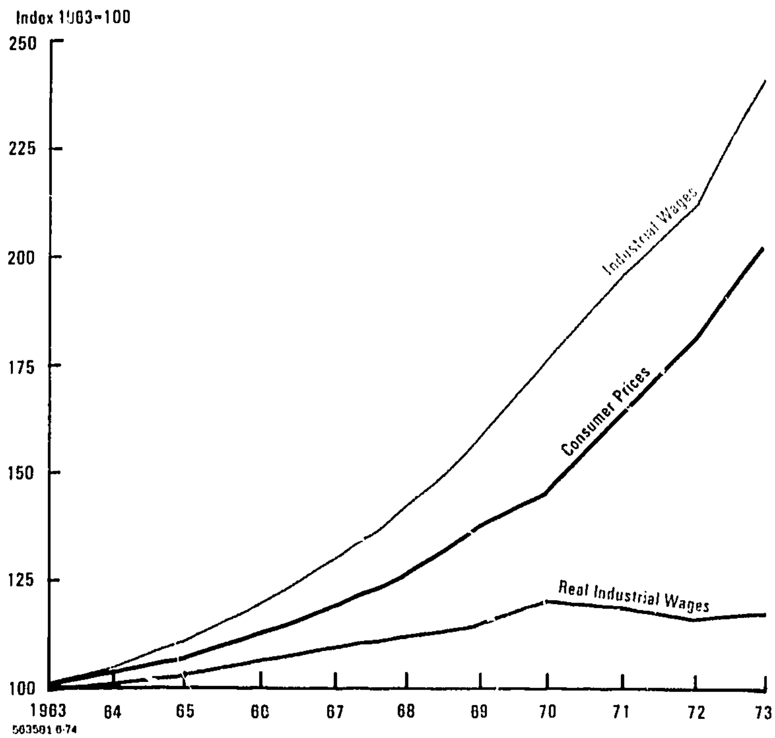
The wave of labor unrest unleashed by the removal of the authoritarian Caetano regime is the problem of greatest concern to businessmen and the new government authorities. Although union leaders are comparatively moderate -- as is the Communist Party -- the same is not true of *ad hoc* workers' committees that have sprung up in numerous firms. After decades of political impotence, workers have been demanding huge wage increases and a voice in management. Facilities hard hit by wildcat strikes include US-owned Firestone, Timex, Pfizer, and Merck plants. The Spinola government has been most alarmed by "abuses of freedom" on the part of transportation and bakery employees, whose strikes left the Lisbon populace without buses or bread for several days earlier this month.

Labor disputes and uncertainty over government policy have led to an economic slowdown. Many firms are deferring investment and refusing to hire additional workers. Layoffs are threatened in some labor-intensive industries. Housing construction is particularly slack, in part because of a lack of funds. Retail sales of non-essentials appear to be off sharply, reflecting apprehension among

Portugal: Real GNP Growth



Portugal: Wage and Price Trends



Portugal: Balance of Payments

				Million US $
	1970	**1971**	**1972**	**1973**
Exports	720	810	1,099	1,512
Imports	1,236	1,427	1,770	2,155
Trade balance	*-516*	*-617*	*-671*	*-643*
Travel	124	185	238	264
Other services	-68	-20	-20	-12
Private remittances	483	635	801	975
Current account balance	*23*	*183*	*350*	*586*
Long-term capital	40	84	31	N.A.
Basic balance	*63*	*267*	*381*	*N.A.*
Other capital	-60	6	-80	N.A.
Total	**3**	**273**	**301**	**N.A.**

consumers. The balance of payments is expected to be in deficit this month, compared with a normal monthly surplus of $40 million.

The government thus far has taken only stopgap measures. Immediately after the coup, emergency steps were taken to stanch capital outflows. The minimum wage was increased to $130 monthly, which raised pay for about half of the work force and substantially boosted labor costs. Prices have been frozen, and higher pensions and family allowances have been promised. Inexperienced government arbitrators are trying to resolve labor disputes. The regime has used threats to get some essential workers back to their jobs.

The new government has appointed some able people but as yet has not devised a workable economic program. Considerable authority has been delegated to a civilian cabinet, which is predominantly center-left but has representatives from all political factions. In the hope that a leftist can best restrain worker demands, Spinola has appointed a Communist as Minister of Labor. The Economic Minister is a highly regarded young banker with no formal political affiliation.

Outlook

In the heady post-coup atmosphere, the junta promised almost everything: reduced inflation, higher wages, increased investment, tighter environmental controls, liberalized trade and capital flows, tax reform, economic decentralization, improved social security, and more. It will have to choose among conflicting goals and, even then, will find it difficult to deliver. The likely failure of the government to fulfill many of its economic pledges could add to political unrest.

The economic outlook hinges principally on the government's ability to maintain order in the labor field and to restore confidence among businessmen and consumers. The price freeze is likely to fall apart before long under the pressure of huge increases in labor costs. Labor problems in turn could easily coalesce, resulting in further disruption of the economy and exacerbating the political situation. Although increasingly disillusioned by excessive demands from workers and political radicals, the Spinola government will be reluctant to take repressive measures to restore momentum to the economy.

The government is giving priority to settling the African conflicts. The popularity of a settlement would buy time to meet other problems and free substantial resources for the effort. At the same time, Lisbon almost certainly will continue pressing the United States and major European countries, probably successfully, for assistance to help meet its economic promises and to bolster confidence in the new regime.

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CORRECTION

In last week's article on OECD growth projections, p. 8, the May forecast by OECD of the increase in US GNP for 1974 was mistakenly shown as 4.7%. The correct figure is 0.4%.

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Notes

Surinam: Alcoa Bauxite Holdings at Stake

The Hague has indicated that it would not oppose Surinam's use of Dutch economic aid to finance acquisition of properties of foreign-owned firms after Surinam gains independence in 1975. This attitude helps the cause of Surinam nationalists who are pressing the government to demand equity participation in Suralco, a subsidiary of the Aluminum Company of America and Surinam's largest business enterprise. [redacted] The company's $350 million Surinam property accounts for 37% and 24% of its bauxite and aluminum capacity, respectively. Surinam, a member of the recently formed Intergovernmental Bauxite Association, supplied 17% (aluminum content) of US bauxite, alumina, and aluminum imports in 1973. [redacted] 25X1 25X1

Soviets May Help on Itaipu Dam

Brazilian officials have added the USSR to the countries being considered for participation in the $3 billion Itaipu hydroelectric power project. The announcement follows the visit to Brasilia of a four-man Soviet delegation to negotiate the sale of turbines. Only last month, the USSR won the contract to provide equipment for the Salto Grande dam -- a joint Argentine-Uruguayan project. Moscow had underbid all competitors, offering lower prices and more favorable financing. [redacted] 25X1

Publication of Interest

Current Status of the 1974 Soviet Grain Crop (ER IB 74-5, June 1974, [redacted] 25X1

Delays in the spring sowing campaign and above-average losses of winter grains suggest that gross grain output in the USSR this year -- assuming average weather from now on -- will amount to about 190 million tons, well below last year's record 222.5 million tons. The projected output would fall short of current domestic needs and usual export commitments but could be covered by the reserves built up after the record 1973 harvest. Therefore, we do not anticipate large-scale Soviet grain imports in fiscal year 1975, although the Soviets may still import grain if the price is right. Since Soviet grain yields are extremely sensitive to weather, the USSR will not have a firm enough estimate of output to calculate its import needs before July or August.

Detachable

INTERNAL ECONOMIC INDICATORS

GNP*
Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since: 1970	1 Year Earlier	Previous Quarter
United States	74 I	-1.6	4.0	?3	-9.3
Japan	74 I	-5.0	6.2	-2.4	-18.6
West Germany	73 IV	-0.1	3.1	3.4	-0.3
France	73 IV	1.8	5.8	5.7	7.3
United Kingdom	74 I	-3.5	1.9	-4.4	-13.3
Italy	73 IV	1.9	3.7	5.3	7.7
Canada	74 I	1.7	5.4	3.0	7.0

WHOLESALE PRICES
Industrial

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since: 1970	1 Year Earlier	3 Months Earlier
United States	May 74	2.7	6.4	20.1	40.6
Japan	May 74	0.7	11.1	35.3	8.4
West Germany	Mar 74	1.6	6.8	13.1	30.3
France	Apr 74	2.4	13.2	35.7	53.2
United Kingdom	May 74	2.1	10.9	24.5	35.8
Italy	Jan 74	7.1	11.8	33.9	68.3
Canada	Mar 74	2.8	10.4	20.7	39.1

INDUSTRIAL PRODUCTION*

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since: 1970	1 Year Earlier	3 Months Earlier**
United States	May 74	0.4	4.6	0.4	-0.5
Japan	Apr 74	-1.1	7.0	3.3	-9.3
West Germany	Apr 74	0	3.2	1.1	-2.9
France	Apr 74	-0.8	5.6	5.1	0
United Kingdom	Apr 74	1.7	2.6	0.5	6.6
Italy	Apr 74	2.7	4.5	13.7	-18.5
Canada	Apr 74	-1.1	6.2	3.6	6.1

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since: 1970	1 Year Earlier	3 Months Earlier
United States	May 74	1.0	6.0	10.7	11.8
Japan	Apr 74	2.7	11.4	24.9	30.8
West Germany	May 74	0.6	6.3	7.2	6.2
France	Apr 74	1.6	7.7	13.2	17.7
United Kingdom	Apr 74	3.4	10.3	15.2	27.0
Italy	Apr 74	1.2	9.2	16.3	26.6
Canada	May 74	1.7	6.3	10.3	14.3

RETAIL SALES*
Current Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since: 1970	1 Year Earlier	3 Months Earlier**
United States	May 74	1.0	10.3	6.8	13.9
Japan	Feb 74	-2.2	13.2	17.6	8.8
West Germany	Feb 74	0.9	8.7	0.9	11.4
France	Mar 74	0.8	7.1	9.8	13.8
United Kingdom	Mar 74	1.3	12.0	9.4	6.5
Italy	Nov 73	-3.3	18.4	34.1	100.2
Canada	Mar 74	-1.0	11.4	11.8	23.1

MONEY SUPPLY*

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since: 1970	1 Year Earlier	3 Months Earlier**
United States	May 74	1.6	7.0	7.0	10.0
Japan	Mar 74	2.6	18.0	15.4	15.7
West Germany	Mar 74	2.0	9.2	-0.8	9.0
France	Feb 74	-0.3	11.9	9.0	14.9
United Kingdom	May 74	-0.2	9.1	2.5	4.7
Italy	Dec 73	2.6	21.2	17.9	22.1
Canada	Apr 74	4.2	13.8	14.4	18.5

MONEY-MARKET RATES

	Representative Rates	Latest Date	Percent Rate of Interest	1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Prime finance paper	Jun 21	9.00	7.63	7.25	9.25
Japan	Call money	Jun 14	12.65	6.50	12.50	12.00
West Germany	Interbank loans (3 Months)	Jun 12	9.17	13.50	11.00	9.00
France	Call money	Jun 21	13.25	7.62	12.13	13.00
United Kingdom	Local authority deposits	Jun 19	12.55	7.22	15.50	13.38
Canada	Finance paper	Jun 19	11.00	7.00	8.38	11.15
Euro-Dollars	Three-month deposits	Jun 19	11.90	8.94	8.88	12.06

*Seasonally adjusted.
**Average for latest 3 months compared with average for previous 3 months.

26 June 1974
Office of Economic Research/CIA

Detachable

EXTERNAL ECONOMIC INDICATORS

EXPORTS*
f.o.b.

	Latest Month	Million US $	Cumulative Million US $ 1974	1973	Percent Change
United States	Apr 74	8,230	30,624	20,908	46.5
Japan	May 74	4,670	19,972	13,814	44.6
West Germany	Apr 74	7,734	28,076	19,070	47.2
France	May 74	3,832	18,151	13,800	31.5
United Kingdom	May 74	3,082	13,831	11,104	24.6
Italy	Apr 74	2,502	8,827	5,768	53.0
Canada	Apr 74	2,429	10,010	7,978	25.5

IMPORTS*
f.o.b.

	Latest Month	Million US $	Cumulative Million US $ 1974	1973	Percent Change
United States	Apr 74	8,138	29,843	21,545	38.5
Japan	May 74	4,907	21,550	11,398	89.1
West Germany	Apr 74	5,423	19,720	14,994	31.5
France	May 74	4,467	19,845	13,281	49.4
United Kingdom	May 74	4,242	18,812	12,633	48.9
Italy	Apr 74	3,368	11,580	6,406	80.8
Canada	Apr 74	2,306	9,560	7,290	31.1

TRADE BALANCE*
f.o.b./f.o.b.

	Latest Month	Million US $	Cumulative (Million US $) 1974	1973	Change
United States	Apr 74	92	781	-637	1,418
Japan	May 74	-237	-1,578	2,416	-3,994
West Germany	Apr 74	2,310	8,355	4,075	4,280
France	May 74	-635	-1,694	519	-2,213
United Kingdom	May 74	-1,160	-4,981	-1,529	-3,452
Italy	Apr 74	-866	-2,753	-638	-2,115
Canada	Apr 74	123	449	688	-238

BASIC BALANCE**
Current and Long-Term-Capital Transactions

	Latest Period	Million US $	Cumulative (Million US $) 1973	1972	Change
United States*	74 I	2,070	2,070	-886	2,956
Japan	May 74	-5	-5,893	-3,594	-2,299
West Germany	Apr 74	860	3,271	917	2,354
France	73 IV	-352	-2,391	-369	-2,022
United Kingdom	73 IV	-1,394	-3,164	-1,954	-1,210
Italy	73 II	-336	639	971	-332
Canada	73 IV	27	376	1,155	-779

OFFICIAL RESERVES

	Latest Month End of	Billion US $	Billion US $ Jun 1970	1 Year Earlier	3 Months Earlier
United States	May 74	14.9	16.3	14.0	14.6
Japan	May 74	13.2	4.1	15.9	11.9
West Germany	Mar 74	32.9	8.8	32.3	33.1
France	May 74	8.1	4.4	11.6	8.1
United Kingdom	May 74	6.9	2.8	6.7	6.0
Italy	Mar 74	6.7	4.7	6.3	6.4
Canada	May 74	6.2	4.3	6.1	6.2

*Seasonally adjusted.
**Converted into US dollars at current market rates of exchange.

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Apr 74	0.6	11.5	30.3	23.5
Japan	Jan 74	0.1	13.4	31.4	8.0
West Germany	Mar 74	5.9	13.9	21.9	37.5
France	Jan 74	-5.9	11.1	18.9	-35.2
United Kingdom	Dec 73	0.1	8.7	17.4	12.0
Italy	Nov 73	-2.4	10.5	21.3	12.4
Canada	Feb 74	4.1	12.4	34.3	65.6

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	Apr 74	0.6	11.5	30.3	23.5
Japan	Jan 74	6.8	7.6	27.3	71.3
West Germany	Mar 74	2.3	4.1	13.0	30.6
France	Jan 74	3.2	8.0	17.6	31.3
United Kingdom	Dec 73	3.1	9.8	18.8	33.0
Italy	Nov 73	2.0	8.7	22.8	22.9
Canada	Feb 74	2.7	10.3	31.8	51.5

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	Apr 74	6.3	19.0	48.6	98.2
Japan	Jan 74	13.1	10.8	43.1	170.0
West Germany	Mar 74	1.6	6.2	25.7	56.1
France	Jan 74	14.9	11.3	33.0	127.4
United Kingdom	Dec 73	4.5	16.3	42.6	50.6
Italy	Nov 73	3.5	14.8	42.3	30.8
Canada	Feb 74	3.6	7.9	21.3	42.4

EXCHANGE RATES Spot Rate
As of 21 Jun 74

	US $ Per Unit	Percent Change from Dec 66	18 Dec 1971	19 Mar 1973	14 Jun 1974
Japan (Yen)	0.0035	28.16	8.90	-7.02	-0.03
West Germany (Deutsche Mark)	0.3939	56.68	26.94	11.24	-0.93
France (Franc)	0.2037	0.89	3.45	-7.58	0.05
United Kingdom (Pound Sterling)	2.3800	-14.71	-8.66	-3.29	-0.52
Italy (Lira)	0.0015	-4.31	-10.93	-13.45	-0.13
Canada (Dollar)	1.0313	11.81	3.36	3.37	-0.55

TRADE-WEIGHTED EXCHANGE RATES***
As of 21 Jun 74

	Percent Change from Dec 66	18 Dec 1971	19 Mar 1973	14 Jun 1974
United States	-16.72	-7.34	-0.71	0.40
Japan	18.93	3.17	-8.74	0.09
West Germany	33.02	15.92	10.88	-0.65
France	-21.89	-8.35	-10.79	0.57
United Kingdom	-34.29	-20.09	-5.71	-0.29
Italy	-26.02	-24.64	-17.72	0.31
Canada	8.61	2.01	3.64	-0.47

***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.