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Economic Intelligence Weekly

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Note: Comments and queries regarding this publication are welcomed.

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ECONOMIC INTELLIGENCE WEEKLY

Articles

CANADA: ECONOMIC IMPLICATIONS OF THE TRUDEAU VICTORY

The Liberal Party's surprising achievement of a Parliamentary majority in this week's election is not likely to cause much change in Ottawa's policies on key issues of contention with the United States. The need for support from the New Democrats had entailed little compromise in the Trudeau government's positions on such issues as oil and other raw material exports and foreign investment policies. These positions were not seriously contested by the Conservative opposition.

Ottawa thus is not likely to alter significantly the domestic oil pricing policies that have been discouraging exploration. Moreover, it will also continue the present policy of increasing self-sufficiency, which has put narrow limits on crude oil exports to the United States. The 1 June hike in the oil export tax to $5.20 per barrel probably will soon be reduced, however, as the tax hike has cut purchases by US refineries below quota limits.

Ottawa will continue pursuing policies in the mining sector aimed at receiving the best price possible for its raw materials. Development of mining can be expected to suffer as Ottawa remains intent on capturing federal tax control of the country's resources from the provinces. The new budget is expected to raise taxes on mining firms' income at the same time that provinces are taking similar actions. As a result of higher provincial taxes, several major projects already have been suspended and exploration has fallen off.

Ottawa's attitude on foreign investment is unlikely to ease. Indeed, campaign promises by Trudeau point to an even tougher stand. He has proposed a 40% to 50% limitation on foreign equity in new projects to exploit Canadian raw materials. US companies now control 80% to 90% of investment in the resource sector.

On the inflation issue, the voters accepted Trudeau's contention that wage and price controls demanded by the Tories are not the answer. Trudeau can now avoid restrictive fiscal and monetary policies that he believes would exacerbate unemployment. The victory will ensure passage of Trudeau's mildly expansionary budget, which was defeated earlier and triggered the election. The outlook for the next six months or so nevertheless is for a moderate slowdown in economic growth and some rise in unemployment. 25X1

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EC BEEF SALES TO THE USSR

The EC reportedly has sold nearly half of its stored beef to the USSR at prices well below the world level. Although the sale should have little impact on the world market, EC consumers and beef exporting nations will react negatively to the move.

Because world beef prices dropped below the average EC intervention price of 86 cents per pound, the Commission has been forced to buy large quantities of surplus beef. The 50,000-ton sale to the USSR tops off two months of maneuvering by the EC Commission to reduce mounting pressure on its beef storage capacity.

- On 1 May, export subsidies were increased by 25%.
- Beginning 7 May, importers of frozen beef were required to purchase an equal amount of stored beef for all foreign beef bought. Starting on 12 July, all types of beef will be covered by the restriction.
- On 9 May, import levies on frozen beef were nearly doubled.
- On 26 June, import licenses for live cattle were suspended for two weeks.

With the current beef glut in the world market, few other outlets were available for disposing of the excess meat. While the sale is sure to be unpopular with the European housewife, who is paying about $1.50 per pound for her chuck roast, it will be welcomed by cattlemen. The cost to the EC Commission above the price tag on the Soviet sale is nearly $50 million.

The attractive price of 43 cents per pound enticed the Soviets to buy foreign meat -- something they rarely do. The last time the USSR imported large quantities of beef (63,000 tons) was during 1970-71, when meat shortages were particularly severe. Although Soviet meat production for the first five months of 1974 exceeded that of the comparable period in 1973 by 12%, reports of local shortages persist. The current purchase from the EC provides an opportunity to ease unsatisfied demand and will also permit farms to hold some cattle to heavier weights.

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GERMAN BANK FAILURE SHAKES CURRENCY EXCHANGES

Last month's failure of the West German bank, I.D. Herstatt, has caused concern about the safety of currency dealings and has led to a substantial reduction in spot and forward transactions in some currencies.

Although Herstatt was only a medium-size West German private bank, its failure has aroused concern because:

- Herstatt had a disproportionately large share of forward currency obligations for a bank of its size.

- Other banks may be in similar difficulties that have not yet been exposed.

- The bank was closed down in the middle of a business day before it could deliver on a substantial quantity of spot currency contracts.

The midday closing struck at the heart of the international payments system. Firms already had paid for several hundred million dollars worth of currencies -- normally considered a risk-free transaction. Even though customers eventually will recoup most of their losses, the fear that other banks will fail to make good on currency transactions has reduced volume on many European exchanges.

Herstatt's problems -- like those of some other German banks, the Union Bank of Switzerland, and Franklin National -- stem in large part from the increased exposure in currency dealing since the advent of floating exchange rates. Under fixed rates, banks were less tempted to speculate and stood to gain or lose substantially less when they did so.

Some European countries are moving to reduce the possibility of similar bank failures. West Germany is requiring its banks to report forward obligations by maturity and, to some extent, by currency. [redacted] 25X1 Bonn's refusal to paper over Herstatt's difficulties should warn other German banks inclined to similar excesses. Thus far, they have made no provision to ensure that spot transactions will again be considered risk free. [redacted] 25X1

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THE IMPACT OF COUNTERVAILING DUTIES ON US RELATIONS WITH BRAZIL AND ARGENTINA

Brazil and Argentina have reacted strongly to possible US imposition of "countervailing" duties on their shoe exports.

Brasilia is intensifying its campaign against the US action. For months the press has criticized the US Department of the Treasury's investigation of incentives to footwear exports, arguing that countervailing duties would be a blow struck at an old and reliable friend, that the shoe industry is not guilty of dumping, and that Brazilian shoes are only a small share of the US market. Now Brazil's

Minister of Industry and Commerce asserts that "restrictive threats" to its exports must be met by broadening its markets and that the purchase of Russian hydroelectric turbines is under consideration as a step toward new trade opportunities.

Buenos Aires has been intransigent, offering only token cooperation to Treasury officials investigating the subsidies received by the shoe industry. Argentine footwear exports are small but have symbolic value because they represent one of the few areas in which sales to the United States have expanded in recent years. Moreover, Argentina fears that countervailing duties on shoes will be followed by similar action against other exports.

Footwear exports are of considerably greater importance to Brazil. More than 80% of Brazil's shoe exports, now more than $100 million annually, are sold to the United States. The economic impact of countervailing duties, however, would not be serious if they ranged around 15%. The Brazilian industry makes a higher profit on shoes sold abroad than on domestic sales and can absorb somewhat higher duties without loss of its competitive position.

Higher duties or the addition of other products to the list for countervailing duties would be more serious. The Brazilian trade deficit this year is growing much more rapidly than had been projected because energy imports have soared and exports have fallen below expectations. While the balance-of-payments position is still strong, Brasilia considers its export drive more vital to economic prosperity than before.

Brazilians resent Washington's "legalistic" approach to an issue they regard as political and therefore negotiable. Brazilian officials close to the problem understand the mandatory nature of the US statute and also recognize that some of their export incentives clearly constitute subsidies. They point out, however, that the incentives are available to all industrial exports and therefore do not constitute a subsidy for a specific export product. They fear that other manufactured exports are equally vulnerable to US penalties and that other countries may follow the US lead.

Brazil is now reviewing its export incentives, and some modifications probably will be made late this year or early in 1975. The incentive program is complex, however, involving tax exemptions and offsets as well as access to government-subsidized lines of credit. The exemption from indirect taxes is not considered a subsidy by the United States or by GATT, but most of the other incentives are. Although ready to make some cosmetic changes, Brasilia is not willing to undertake the drastic surgery needed to eliminate all GATT-defined subsidies. It believes that the incentive program is one of the chief pillars of its economic boom.

If a countervailing duty is imposed, Brazil would characterize the action as a denial of the special relationship with Latin America that the United States articulated at Mexico City and as further evidence of US unwillingness to permit expansion of LDC industrial exports. In an attempt to get even, Brasilia may also accept Soviet bids – which will probably be the lowest – for equipment for the Itaipu power project. Buenos Aires' reaction probably will be more shrill and will take the form of additional restrictions on US subsidiaries in Argentina.

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DECLINING JAPANESE EXPORTS HIT LDC FERTILIZER SUPPLIES

Declining Japanese exports of nitrogen fertilizer threaten to reduce food production in food deficit Asian LDCs – particularly Indonesia and the Philippines.

Production in FY 1975 is expected to remain at last year's level because of reduced capacity in the wake of industrial accidents in urea and petrochemical plants last year. Domestic demand, meanwhile, will increase by at least 7%, reflecting Tokyo's effort to increase self-sufficiency in food. As a result, exports probably will fall by 10%, or about 150,000 tons.

Japan: Supply of Nitrogen Fertilizer[1]

Thousand Tons of Nitrogen

	Production	Consumption	Exports	Ending Stocks
1969/70	2,131	879	1,236	684
70/71	2,105	866	1,410	513
71/72	2,125	880	1,274	484
72/73	2,454	970	1,680	288
73/74[2]	2,400	1,020	1,460	208
74/75[2]	2,400	1,090	1,310	208

1. The fertilizer year extends from 1 July through 30 June.
2. Estimate.

Because of uncertain production and strong foreign demand, the Ministry of International Trade and Industry (MITI) is keeping a tight rein on exporters. Contracts are being negotiated much later and for shorter periods and smaller amounts than usual. Japan normally sells most of its fertilizer on annual contracts, but MITI now is insisting that exporters make commitments for no more than six months and include a provision for renegotiation of prices.

Contracts recently signed with India and Indonesia for July- December represent a cut of 25% from the same period a year ago. China, by far the largest buyer, has been notified of a 15% to 20% cut but has resisted the higher price agreed to by other buyers. According to Tokyo, the price of $215 per ton of urea being offered to China and agreed to by India is still about $35 below the price other large exporters are getting.

Indonesia and the Philippines probably will be hardest hit by the shortfall in fertilizer exports because they rely on Japan for 90% of their imports and 60% of their consumption. Both countries anticipate a substantial rise in import requirements and were counting on Japan to cover the bulk of it. Unless other suppliers make up the difference, the drop in Japanese exports would result in about a 20% shortfall in fertilizer imports for Indonesia and about 30% for the Philippines.

India is much less dependent on imports for its nitrogen fertilizer. Japan provides only about 30% of its imports and 10% of its consumption. Since India apparently was counting on Japan for the same share in FY 1975, it is expected to suffer a shortfall of about 10% in imports. China will not be hurt seriously by a decline in Japanese exports, because domestic production is increasing rapidly.

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BRITAIN'S CASE FOR EC BUDGET RENEGOTIATION

Britain has softened its earlier demands on renegotiating its EC membership terms but remains adamant on reducing its future share in EC budget support. Foreign Secretary Callaghan has left open the means of achieving this budget share reduction, noting that either a cut in Britain's gross contributions or an increase in its receipts would be satisfactory.

London is on reasonably firm economic ground in requesting a cut in its scheduled budget contributions. Because these contributions increasingly will be based on the amount of duties each member collects on non-EC imports, Britain will be called on to provide financing that is inordinately large. Its share in budget support is scheduled to rise from 9% in 1973 to an estimated 27% in 1980. At the same time, its share in total Community GNP would decline from 17% to 14% during the same period if recent growth trends continue.

On a net basis – gross contributions less receipts from EC coffers – Britain will be a heavy contributor to the budget even though its per capita GNP will remain considerably below the EC average. By contrast, France will be a net recipient despite an above-average per capita GNP.

Britain's Share in EC Budget Relative to GNP Standing

	1973				Projected 1980	
	Total GNP (Billion US $)	Per Capita GNP ($)	GNP as a Percent of Total	Budget Contributions as a Percent of Total	GNP as a Percent of Total	Budget Contributions as a Percent of Total
Total	1,040	4,050	100	100	100	100
West Germany	347	5,600	34	29	34	28
France	256	4,900	25	25	26	18
United Kingdom	175	3,120	17	9	14	27
Italy	125	2,280	12	19	12	10
Netherlands	55	4,100	5	9	6	7
Belgium-Luxembourg	44	4,400	4	8	4	5
Denmark	31	6,200	2	1	3	4
Ireland	7	2,330	1	Negl.	1	1

Other EC members have not rejected London's request out of hand even though they are opposed to the basic concept of renegotiation of entry terms. The Council, under German Chancellor Schmidt's leadership, recently decided to refer the budget-share question to the Commission for study.

Britain has suggested several approaches to reducing its net share but has met with opposition from other Community members.

- A larger part of proposed regional fund disbursements could be allocated to Britain; France is opposed to such use of the fund, and Germany wants to limit the size of the fund itself.

- The formula by which EC revenues are to be generated could be changed in Britain's favor; several EC members object to this approach on the grounds that it alters basic Community structures to benefit one member.

- A lump-sum rebate could be made to Britain and other "overpaying" countries to bring their contributions more in line with GNP; such an approach has the advantage of not tampering with Community institutions but would be costly to France and some other members.

The fundamental issue of whether other EC members should pay more so that Britain can pay less will hinder negotiations regardless of the means of altering budget shares. Any improvements that London obtains will come only after long, hard bargaining that probably will further strain EC cohesiveness. 25X1

PROBLEMS WITH GROWING ARAB WEALTH*

Higher oil prices are dramatically altering the international payments system. If they continue:

- OPEC earnings in 1974 will total about $90 billion and the OPEC current account surplus will exceed $60 billion.
- The surplus is likely to decline after 1974, but it will not be eliminated until the 1980s.
- Foreign holdings -- which will total about $300 billion in 1980 -- will be increasingly concentrated in the Arab states, particularly Saudi Arabia, Kuwait, Libya, and the Persian Gulf sheikdoms.

Arab investment has been concentrated in financial markets in a few developed countries, particularly the Eurodollar market. Most holdings are in short-term assets, particularly bank deposits. Arab producers have continued to rely on the Eurodollar market because it has satisfied their investment objectives; there is little risk their assets will be seized for political reasons, interest rates are high enough to maintain the real value of holdings except in periods of very rapid inflation, and these investments provide a high degree of flexibility. At present, the United States has the only other financial market in which Arab investment objectives can be realized.

Continuation of present patterns of Arab investment within the existing financial system will seriously disrupt the international payments process. The continued concentration of Arab investment in the Eurodollar market will depress interest rates paid on Arab deposits and increase potential market instability. The shift of Arab deposits to the United States and other major financial centers, now just beginning, thus will become more pronounced. Increasingly, US financial institutions will be faced with the task of recycling oil producers' surpluses to all consuming countries on acceptable terms.

Oil consumers will face increasing difficulty in financing their oil-related current account deficits.

- Developing nations and some developed countries with especially large current account deficits will be shut out of financial markets and will be unable to obtain market financing on almost any terms.
- Many credit-worthy countries will be unwilling to incur a rapidly mounting debt and debt service burden.

* For further details, see ER IR 74-14, *Problems with Growing Arab Wealth*, July 1974, [redacted]

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In the absence of an international consensus on an acceptable pattern of current account deficits and the means of financing them, the consuming countries will take independent steps to cope with the oil payments problem. For those countries with a weak balance of payments, such steps could include more restrictive demand management policies and specific measures for stimulating exports and limiting imports. Such policies would tend to shift oil-related deficits to the countries best able to finance them -- the United States and West Germany.

A number of proposals have been advanced to attract and recycle Arab funds through existing official institutions, such as the IMF, World Bank, and some new joint producer-consumer investment institutions, but these channels are unlikely to handle more than a small share of the oil money. Despite the plethora of schemes for direct producer country aid to consumers, these will provide relief for only a few, primarily Islamic, states.

If new arrangements are not implemented, there will be a large inflow of oil money to the United States. While there will be some outflow of these funds, they are certain to fall far short of financing oil deficits in other consuming countries. Consequently, the dollar will appreciate. This will help shift more of the consuming countries' total oil-related deficit to the United States.

New arrangements could be implemented to facilitate recycling through the US market. These could take a variety of forms: encouraging private capital outflows, direct official long-term loans, and new long-term swap arrangements, some of which probably would be on concessionary terms. To the extent that recycling took place, other countries would be under less severe pressure to minimize their balance-of-payments deficits. [redacted] 25X1

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Notes

Sperry-Univac Sale

Winning a competition with IBM, Sperry-Univac has been awarded a $10 million contract to provide the Soviet Ministry of Civil Aviation with a completely automated airline reservations system. The system will consist of two large computers and 140 remote access terminals in five major Soviet cities. Most of the hardware will be built in Univac's US plants, although a subsidiary in West Germany will supply a small portion. The software will be supplied in conjunction with Air France and will be a modified version of the system originally developed by Univac for the French airline. The sale still requires US as well as COCOM approval. [redacted] 25X1

Soviet Orders for US Equipment

The signing in June of contracts worth $300 million for a fertilizer complex -- $200 million for four ammonia plants from Chemico and $100 million for associated port facilities from Occidental -- brings Soviet orders for US equipment to nearly $400 million in 1974. The USSR is expected to order another $100 million in equipment for the fertilizer complex later this year, and additional contracts are likely for the Kama River truck plant. These orders will boost Soviet contracts for US equipment well above the 1973 total of $450 million. [redacted]

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[redacted]

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Publication of Interest

The Economic Situation in South Vietnam, June 1974
(ER IR 74-18, June 1974, [redacted] 25X1

This month's report discusses (1) a break in earlier price stability, (2) the government's award of new offshore oil rights, (3) some economic policy dilemmas, (4) import licensing under French and Japanese aid programs, and (5) development of industrial parks.

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	3.9	0.2	-6.3
Japan	74 I	-5.0	6.2	-2.4	-18.6
West Germany	74 I	1.5	3.3	-0.7	6.1
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	8.4	20.1	40.6
Japan	May 74	0.7	11.1	35.3	8.4
West Germany	May 74	1.2	7.1	14.4	16.5
France	May 74	-0.5	13.2	37.0	37.7
United Kingdom	May 74	2.1	10.9	24.5	35.8
Italy	Apr 74	2.1	14.7	45.1	64.2
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	May 74	1.8	7.3	2.3	-8.0
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	-16.5
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	12.1
Japan	May 74	0.3	11.3	23.1	15.7
West Germany	May 74	0.6	6.3	7.2	6.2
France	May 74	1.2	7.9	13.5	17.1
United Kingdom	May 74	1.4	10.5	16.0	25.3
Italy	May 74	1.4	9.4	16.2	23.2
Canada	May 74	1.7	6.3	10.9	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	9.5	6.4	12.9
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	Dec 73	3.0	17.2	25.5	47.0
Canada	Apr 74	0.3	11.3	10.1	19.3

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	6.9	7.0	10.0
Japan	Mar 74	2.6	18.0	15.4	15.7
West Germany	Apr 74	0.3	9.1	0.4	9.5
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	May 74	8.1	15.8	20.8	31.5

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 28	9.00	7.63	7.75	9.75
Japan	Call money	Jun 21	12.63	6.63	12.50	12.00
West Germany	Interbank loans (3 Months)	Jun 26	9.17	13.50	8.63	8.63
France	Call money	Jun 23	14.00	8.50	11.88	12.88
United Kingdom	Local authority deposits	Jun 26	13.05	6.32	15.63	13.25
Canada	Finance paper	Jun 28	11.00	7.00	8.63	11.15
Euro-Dollars	Three-month deposits	Jun 26	12.73	9.06	9.50	11.88

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

10 July 1974
Office of Economic Research/CIA

EXTERNAL ECONOMIC INDICATORS

EXPORTS*
f.o.b.

	Latest Month	Million US $	Cumulative Million US $ 1974	Cumulative Million US $ 1973	Cumulative Percent Change
United States	May 74	7,630	38,251	26,384	45.0
Japan	May 74	4,677	19,979	13,814	44.6
West Germany	May 74	8,499	36,466	24,734	47.4
France	May 74	3,845	18,163	13,800	31.6
United Kingdom	May 74	3,082	13,831	11,104	24.6
Italy	Apr 74	2,502	8,832	5,768	53.1
Canada	May 74	2,773	12,783	10,077	26.9

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	May 74	-0.2	11.2	26.1	13.2
Japan	Apr 74	3.1	16.9	35.0	79.8
West Germany	Mar 74	7.7	13.9	21.9	37.5
France	Jan 74	-5.9	11.1	18.9	-36.2
United Kingdom	Jan 74	-2.6	7.7	12.1	-10.6
Italy	Nov 73	-2.4	10.5	21.3	12.4
Canada	Feb 74	4.1	12.4	34.3	65.6

IMPORTS*
f.o.b.

	Latest Month	Million US $	Cumulative Million US $ 1974	Cumulative Million US $ 1973	Cumulative Percent Change
United States	May 74	8,407	38,249	27,293	40.1
Japan	May 74	4,903	21,541	11,398	89.0
West Germany	May 74	6,026	25,673	19,298	33.0
France	May 74	4,482	19,859	13,281	49.5
United Kingdom	May 74	4,242	18,812	12,633	48.9
Italy	Apr 74	3,368	11,586	6,406	80.9
Canada	May 74	2,608	12,169	9,220	32.0

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	May 74	-0.2	11.2	26.1	13.2
Japan	Apr 74	1.5	9.2	41.4	35.0
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	Jan 74	1.5	10.0	18.7	26.9
Italy	Nov 73	2.0	8.7	22.8	22.9
Canada	Feb 74	2.7	10.3	31.8	51.5

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

	Latest Month	Million US $	Cumulative (Million US $) 1974	Cumulative 1973	Cumulative Change
United States	May 74	-777	2	-909	911
Japan	May 74	-226	-1,567	2,416	-3,983
West Germany	May 74	2,473	10,793	5,435	5,357
France	May 74	-637	-1,696	519	2,215
United Kingdom	May 74	-1,160	-4,981	-1,529	-3,452
Italy	Apr 74	-866	-2,753	-638	-2,115
Canada	May 74	165	614	856	-242

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	May 74	1.3	18.9	48.7	79.4
Japan	Apr 74	1.3	17.0	83.4	153.9
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	Jan 74	5.9	17.8	49.8	75.9
Italy	Nov 73	3.5	14.8	42.3	30.8
Canada	Feb 74	3.6	7.9	21.3	42.4

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

	Latest Period	Million US $	Cumulative (Million US $) 1973	Cumulative 1972	Cumulative Change
United States*	74 I	2,065	2,065	-1,006	3,071
Japan	May 74	-1,322	-7,211	-3,594	-3,616
West Germany	Apr 74	860	3,253	917	2,336
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	74 I	-195	-195	-191	-4

EXCHANGE RATES Spot Rate
As of 5 July 74

	US $ Per Unit	Percent Change from Dec 66	18 Dec 1971	19 Mar 1973	28 Jun 1974
Japan (Yen)	0.0035	26.13	7.18	-8.49	-1.08
West Germany (Deutsche Mark)	0.3925	56.13	26.49	10.84	0
France (Franc)	0.2083	3.17	5.79	-5.49	0.19
United Kingdom (Pound Sterling)	2.3880	-14.43	-8.35	-2.97	-0.13
Italy (Lira)	0.0016	-3.06	-9.77	-12.32	0.32
Canada (Dollar)	1.0268	11.32	2.91	2.92	-0.17

OFFICIAL RESERVES

	Latest Month End of	Billion US $	Billion US $ Jun 1970	1 Year Earlier	3 Months Earlier
United States	May 74	14.9	14.5	12.9	14.6
Japan	May 74	13.4	4.1	15.9	11.9
West Germany	May 74	34.4	8.8	31.4	32.0
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	Jun 74	6.1	4.3	6.0	6.1

TRADE-WEIGHTED EXCHANGE RATES***
As of 5 July 74

	Percent Change from Dec 66	18 Dec 1971	19 Mar 1973	28 Jun 1974
United States	-16.42	-7.07	-0.45	0.23
Japan	15.17	1.48	-10.40	-1.10
West Germany	31.87	14.84	9.80	-0.12
France	-19.77	-6.32	-8.77	0.11
United Kingdom	-34.17	-19.99	-5.62	-0.19
Italy	-25.09	-23.74	-16.83	0.26
Canada	8.17	1.58	3.21	-0.13

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

***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.