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NATIONAL INCOME OF VENEZUELA

Communication dated 9 September 1964 from the Permanent Representative
of Venezuela to the United Nations addressed to the Secretary-General
of the United Nations

The Permanent Representative of Venezuela to the United Nations presents his compliments to the Secretary-General of the United Nations and with reference to his communication No. FT 313/1(1) of 29 June 1964, addressed to the Venezuelan Minister for Foreign Affairs, has the honour to submit, for transmission to the Committee on Contributions, several tables showing the main indicators of the Venezuelan economy and its development in recent years. The series of tables covers:

1. National accounts, including the gross national product, national income, capital formation and figures for the rest of the world. The indices for each head have been calculated for the years 1960, 1961 and 1962 on the basis of the respective figures for 1951. The year 1959 has been taken as the base year, since the figures for 1960 were influenced by the recession which the country suffered during that year; the figures for 1959 are therefore more normal than those for 1960. If the indices of the latter year were taken as the base, the increases shown would not accurately reflect the dynamic character of Venezuela's economic growth during the period in question.
2. The general level of wholesale prices and its movement in the last six years. As may be seen from the attached table, the index of the wholesale price level has shown a marked upward trend during the past years, having increased by more than five points in 1962 as compared with the previous year.

3. The net import capacity. This index has shown a continuous downward trend since 1957, the year in which it reached its peak. This drop in the index reflects the transfer of the economic surplus, generated by the Venezuelan economy to the industrialized areas which provide the national market with manufactures.

4. Data on the total economically active population and its distribution over branches of the economy.

The Permanent Representative of Venezuela would also be grateful if the Committee on Contributions could be informed of the Venezuelan Government's view that, in order to establish an adequate basis for comparing the capacity to pay of Venezuela with that of developed countries, it is of fundamental importance that other indicators, in addition to the country's national accounts, should be taken into consideration. In this connexion, reference should be made to the characteristics which basically distinguish developing countries from highly industrialized countries: in addition to low per capita income, mention may be made of the wide dispersal of the national income when broken down into categories of personal income earned; the high level of prices and their strong and more or less continuous upward movement, resulting in the low purchasing power of the currency; and the very significant fact that a great part of the income of the national economy is in effect exported to pay for the large amounts of manufactured products imported. To this must be added the continuous and progressive deterioration in the terms of trade.

The Permanent Representative of Venezuela has the honour, etc.

Level of prices

Attached is a table showing the movement of the general level of prices in Venezuela for the years between 1956 and 1962, based on annual averages for those years.

As may be seen, in the six years covered by the series the index reached 112 points, representing an over-all increase of twelve points. This would give an average annual increase of two points over the preceding year, but when we look at this series we can see that the last year shows an increase of five points over the preceding year.

From the statistics compiled by the United Nations Secretariat, the Committee on Contributions will be able to establish that the price level in Venezuela is one of the highest in the world - in other words, that the purchasing power of Venezuela's currency is much lower than that of most Member States. This fact is even more evident if it is considered in terms of United States dollars.

The appreciable variation in the price level during the last year is fundamentally the result of the great increase in imported products following upon the devaluatory measures implemented by the National Government during 1961.

This last aspect of the question is particularly significant if we take into account the fact that for 1963 and 1964 the effects of the devaluation of the bolivar will be greater owing to the stronger measures adopted in those years, and in the first place the unification of exchange rates decreed in January 1964, whereby the value of the dollar increased from 3.35 to 4.50 bolivars - a devaluation of some 34.22 per cent.

Import capacity

Taking 1949 as a basis, the Central Bank of Venezuela (Banco Central de Venezuela) has calculated that the import capacity index registered a firmly upward trend until 1957, when it reached a level of 205.47. From that year onwards the index has shown variations of an erratic type, but with a markedly downward trend, dropping for the last year, 1962, below the level reached in 1953. For 1962 the index was 129.98, the lowest in the series since 1952.

This downward trend in the import capacity index is a result of its components moving in opposite directions, both movements, however, contributing to the result

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observed. Thus the index of export prices, based on 1948, dropped from 121.76 in 1957 to only 77.49 in 1962, while in the same period the index of import prices rose from 124.75 to 145.96.
