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PRICE CHANGES AND EXCHANGE RATES

Memorandum prepared by the Statistical Office

1. In view of the discussions at previous sessions of the Committee and in the General Assembly on the problem of taking into account differential price changes in relation to exchange rates in the calculation of the scale of assessments, the Statistical Office has compiled the attached table.

2. Since all data on national income are expressed in United States dollars for the purpose of calculating assessments, changes in the relations of statistical rates of assessments of particular countries could occur both because of relative changes in the real national income and because of relative changes in the price component. The price component itself consists of two factors: changes in domestic prices and changes in exchange rates in terms of the United States dollar.

3. The attached table shows for each Member State, except for those which were at the 0.02 level in the 1976 scale, the following information:

- (a) The present scale of assessments;
- (b) The changes in the average values of national income in 1972-1974 relative to the average values in 1969-1971, expressed in United States dollars;
- (c) The changes in the average quantities of national income in 1972-1974 relative to the average quantities in 1969-1971;
- (d) The changes in average domestic prices in 1972-1974 over the average prices in 1969-1971, based on national income data converted into United States dollars;
- (e) The changes in average domestic prices in 1972-1974 over the average prices in 1969-1971, based on national income data expressed in national currency;

(f) The difference between (e) and (d) above, representing the number of percentage points by which the domestic price level decreased when expressed in United States dollars;

(g) The decrease under (f) as per cent of the change in the domestic price level expressed in national currency;

(h) The difference between (d) and (e) above, representing the number of percentage points by which the domestic price level increased when expressed in United States dollars;

(i) The increase under (h) as per cent of the change in the domestic price level expressed in national currency;

(j) The ratio of the change in the domestic price level expressed in United States dollars under (d) to the change in the average price level for the Member States as a whole expressed in United States dollars.

4. Part A of the table brings together the relevant data for countries which accounted for 86.55 per cent of the 1976 scale. Part B shows the data for countries which accounted for 12.13 per cent of the 1976 scale. The countries omitted accounted for 1.44 per cent.

5. It may be noted that the years under review witnessed price increases and currency fluctuations of varying magnitudes in the Member States. Where the price increases were offset by changes in the rate of exchange of the currencies involved (i.e., depreciation), the expression of the national income in dollars at the new exchange rate has served to eliminate, in part, the effect of domestic inflation on the national income expressed in dollars. The Committee may wish to note, however, that owing to the devaluation of the United States dollar, the currency of a number of countries experienced appreciation in varying degrees. For the latter group of countries, the effect of the conversion of national income in national currency into national income in dollars is to add the rate of currency appreciation to the rate of domestic inflation; the result is a national income figure in dollars which is higher than a figure obtained with the exchange rates unchanged between the two periods.

6. Of the countries presented in the attached table, 19 have experienced currency depreciation which reduced the sometimes very high rates of domestic inflation. There are a few countries, however, where a currency depreciation occurred even when the domestic inflation was relatively low. The rest of the countries experienced currency appreciation in varying degrees. As a whole, it may be noted that the exchange rate movements did not properly serve to correct the very different rates of domestic inflation in the Member States.

7. The Committee may wish to note that the annual total of the national incomes of 1972-1974 expressed in United States dollars was 28.8 per cent higher, owing to the effect of price changes alone, than it was in the period 1969-1971. The range of changes for the individual countries was, however, very wide. This over-all price increase of approximately 28.8 per cent may be compared with the change in quantum (volume) of national income for the Member States as a whole, which amounted to an increase of 15.9 per cent and the change in value, which amounted to an increase of 49.3 per cent.

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SUMMARY OF STATISTICS

A. Countries assessed 1 per cent or more in the present scale

Country	Present scale	Changes in national income: average 1972-1974 relative to average 1969-1971 (1969-1971 = 100)				Changes in domestic inflation attributable to conversion into \$US				Relative inflation
		Value (\$)	Quantity	Domestic inflation		Decreases		Increases		
				Price (\$)	Price (national currency)	Points	As per cent of domestic inflation in national currency	Points	As per cent of domestic inflation in national currency	
		$\frac{(b)}{(d)} \cdot 100$			$(e)-(d)$	$\frac{(f)}{(e)} \cdot 100$	$(d)-(e)$	$\frac{(h)}{(e)} \cdot 100$	$\frac{(d)}{128.8} \cdot 100$	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Australia	1.44	182.8	113.0	161.7	133.6			28.1	21.0	125.6
Belgium	1.05	175.0	117.3	149.2	122.0			27.2	22.3	115.9
Canada	3.18	149.8	116.8	128.3	121.9			6.4	5.3	99.6
China	5.50					
France	5.86	163.1	117.3	139.0	121.6			17.4	14.3	107.9
German Dem. Rep.	1.22	175.1	118.0	148.4	99.3			49.1	49.4	115.2
Germany, Fed. Rep. of	7.10	176.5	111.1	158.8	120.2			38.6	32.1	123.3
India	1.20	138.8	104.8	132.5	138.9	6.4	4.6			102.9
Italy	3.60	145.5	111.7	130.3	127.2			3.1	2.4	101.2
Japan	7.15	195.8	124.8	156.9	127.5			29.4	23.1	121.8
Netherlands	1.24	179.8	113.6	158.3	127.1			31.2	24.5	122.9
Poland	1.26	164.1	132.3	124.0	107.0			17.0	15.9	96.3
Sweden	1.30	149.6	108.8	137.5	120.4			17.1	14.2	106.8
USSR	15.14	136.9	119.3	114.8	98.8			16.0	16.2	89.1
United Kingdom	5.31	139.8	109.1	128.1	127.8			0.3	0.2	99.5
United States	25.00	130.2	110.8	117.5	117.5			0.1	0.1	91.2

SUMMARY OF STATISTICS (continued)

B. Countries assessed from 0.03 to 0.99 per cent in the present scale

Country	Present scale	Changes in national income: average 1972-1974 relative to average 1969-1971 (1969-1971 = 100)				Changes in domestic inflation attributable to conversion into \$US				Relative inflation
		Value (\$)	Quantity	Domestic inflation		Decreases		Increases		
				Price (\$)	Price (national currency)	Points	As per cent of domestic inflation in national currency	Points	As per cent of domestic inflation in national currency	
		$\frac{(b)}{(d)} \cdot 100$		$(e)-(d)$	$\frac{(f)}{(e)} \cdot 100$	$(d)-(e)$	$\frac{(h)}{(e)} \cdot 100$	$\frac{(d)}{128.8} \cdot 100$		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Algeria	0.08	192.3	122.1	157.5	134.7			22.8	16.9	122.3
Argentina	0.83	143.5	116.0	123.7	301.9	178.2	59.0			96.0
Austria	0.56	184.6	119.3	154.8	122.0			32.8	26.9	120.2
Bangladesh	0.08	153.8	120.9	127.2	163.4	36.2	22.2			98.7
Brazil	0.77	173.5	135.8	127.8	176.1	48.3	27.4			99.3
Bulgaria	0.14	137.4	124.5	110.4	97.1			13.3	13.7	85.7
Burma	0.03	115.9	108.6	106.7	112.6	5.9	5.2			82.9
Chile	0.14	108.3	105.5	102.7	3 715.5	3 612.8	97.2			79.8
Colombia	0.16	149.8	122.6	122.2	160.5	38.3	23.9			94.9
Cuba	0.11	214.1	123.1	173.9	113.6			60.3	53.1	135.0
Czechoslovakia	0.89	155.9	116.8	133.5	100.9			32.6	32.3	103.6
Denmark	0.63	165.3	110.6	149.5	126.5			23.0	18.2	116.1
Egypt	0.12	128.8	116.4	110.7	103.3			7.4	7.2	85.9
Finland	0.42	170.2	118.6	143.5	133.3			10.2	7.7	111.4
Ghana	0.04	136.7	115.3	118.6	137.6	19.0	13.8			92.1
Greece	0.32	160.4	120.9	132.7	132.2			0.5	0.4	103.1
Guatemala	0.03	139.7	121.2	115.3	115.8	0.5	0.4			89.5
Hungary	0.33	153.4	120.1	127.7	106.6			21.1	19.8	99.1
Indonesia	0.19	180.9	122.1	148.1	170.8	22.7	13.3			115.0
Iran	0.20	279.8	169.8	164.8	157.4			7.4	4.7	128.0

SUMMARY OF STATISTICS (continued)

B. Countries assessed from 0.03 to 0.99 per cent in the present scale

Country	Present scale	Changes in national income: average 1972-1974 relative to average 1969-1971 (1969-1971 = 100)				Changes in domestic inflation attributable to conversion into \$US				Relative inflation
		Value (\$)	Quantity	Domestic inflation		Decreases		Increases		
				Price (\$)	Price (national currency)	Points	As per cent of domestic inflation in national currency	Points	As per cent of domestic inflation in national currency	
		$\frac{(b)}{(d)} \cdot 100$			$(e)-(d)$	$\frac{(f)}{(e)} \cdot 100$	$(d)-(e)$	$\frac{(h)}{(e)} \cdot 100$	$\frac{(d)}{128.8} \cdot 100$	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Iraq	0.05	223.9	117.4	190.7	166.7			24.0	14.4	148.1
Ireland	0.15	157.5	112.0	140.6	140.0			0.6	0.4	109.2
Israel	0.21	181.0	130.5	138.7	150.7	12.0	8.0			107.7
Kuwait	0.09	287.7	107.0	268.8	219.2			49.6	22.6	208.7
Lebanon	0.03	184.0	127.9	143.9	115.9			28.0	24.2	111.7
Libyan Arab Republic	0.11	205.5	123.8	166.0	143.5			22.5	15.7	128.9
Luxembourg	0.04	174.6	113.5	153.8	125.7			28.1	22.4	119.4
Malaysia	0.07	175.5	125.6	139.7	116.7			23.0	19.7	108.5
Mexico	0.86	155.5	120.8	128.7	129.3	0.6	0.5			99.0
Morocco	0.06	159.8	115.4	138.5	118.5			20.0	16.9	107.6
New Zealand	0.28	180.2	112.8	159.8	136.0			23.8	17.5	124.1
Nigeria	0.10	181.8	131.5	138.3	126.4			11.9	9.4	107.4
Norway	0.43	170.5	114.0	149.6	124.3			25.3	20.4	116.2
Pakistan	0.14	78.1	110.8	70.5	143.8	73.3	51.0			54.7
Peru	0.07	141.1	118.7	118.9	132.0	13.1	9.9			92.4
Philippines	0.18	143.6	121.3	118.4	153.4	35.0	22.8			91.9
Portugal	0.15	179.1	126.5	141.6	127.6			14.0	11.0	109.9
Romania	0.30	136.7	136.3	100.3	82.0			18.3	22.3	77.9

SUMMARY OF STATISTICS (continued)

B. Countries assessed from 0.03 to 0.99 per cent in the present scale (continued)

Country	Present scale	Changes in national income: average 1972-1974 relative to average 1969-1971 (1969-1971 = 100)				Changes in domestic inflation attributable to conversion into \$US				Relative inflation
		Value (\$)	Quantity	Domestic inflation		Decreases		Increases		
				Price (\$)	Price (national currency)	Points	As per cent of domestic inflation in national currency	Points	As per cent of domestic inflation in national currency	
		$\frac{(b)}{(d)} \cdot 100$			$(e)-(d)$	$\frac{(f)}{(e)} \cdot 100$	$(d)-(e)$	$\frac{(h)}{(e)} \cdot 100$	$\frac{(d)}{128.8} \cdot 100$	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Saudi Arabia	0.06	375.0	163.5	229.3	198.5			30.8	15.5	178.0
Singapore	0.04	211.7	141.4	149.7	125.1			24.6	19.7	116.2
South Africa	0.50	152.9	114.2	133.9	133.3			0.6	0.5	104.0
Spain	0.99	190.8	123.2	154.9	132.9			22.0	16.6	120.3
Sri Lanka	0.03	132.7	119.7	110.9	119.4	8.5	7.1			86.1
Thailand	0.11	161.1	121.8	132.3	132.1			0.2	0.2	102.8
Turkey	0.29	174.5	123.7	141.1	172.2	31.1	18.1			109.6
Uruguay	0.06	120.0	98.8	121.5	450.0	328.5	73.0			94.4
Venezuela	0.32	174.5	114.4	152.5	147.6			4.9	3.3	118.4
Yugoslavia	0.34	159.7	120.8	132.2	160.7	28.5	17.7			102.7