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SUPPLEMENT TO WORLD ECONOMIC SURVEY, 1976

Recent Trends in the World Economy

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Department of Economic and Social Affairs

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FOREWORD

This report has been prepared in amplification of the World Economic Survey, 1976, 1/ which was submitted to the Economic and Social Council at its sixty-third session as a contribution to the general discussion of international economic and social policy. The Survey presented a synoptic view of the world economy, with emphasis on global aggregates. The present report looks behind these aggregates and examines in greater detail the events and policies in major regions and countries.

For convenience of discussion and statistical analysis, this supplementary document is divided into three chapters, the first dealing with the developed market economies, the second with the centrally planned economies and the third with the developing countries. It has been prepared in the Centre for Development Planning, Projections and Policies of the Department of Economic and Social Affairs of the United Nations Secretariat, drawing on data available to the Secretariat in July 1977. In some cases such data represent revisions by national authorities of earlier estimates and hence supersede those contained in the World Economic Survey, 1976.

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Explanatory notes

The following symbols have been used in the tables throughout the report:

Three dots (...) indicate that data are not available or are not separately reported

A dash (-) indicates that the amount is nil or negligible

A blank indicates that the item is not applicable

A minus sign (-) indicates a deficit or decrease, except as indicated

Details and percentages in tables do not necessarily add to totals, because of rounding.

The following apply throughout the text:

A full stop (.) is used to indicate decimals

A comma (,) is used to distinguish thousands and millions

A slash (/) indicates a crop year or financial year, e.g., 1970/71

A hyphen (-) between dates representing years, e.g., 1971-1973, signifies the full period involved, including the beginning and end years

Reference to "tons" indicates metric tons, and to "dollars" ($) United States dollars, unless otherwise stated

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

The following abbreviations have been used:

BIS	Bank of International Settlements
CMEA	Council for Mutual Economic Assistance
EEC	European Economic Community
IBEC	International Bank for Economic Co-operation
IBRD	International Bank for Reconstruction and Development
IIB	International Investment Bank
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
SDR	Special drawing rights
SITC	Standard International Trade Classification
VAT	Value-added tax

The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The term "country" as used in the text of this report also refers, as appropriate, to territories or areas.

Chapter I

RECENT TRENDS IN THE DEVELOPED MARKET ECONOMIES

The economic recovery that began in mid-1975 continued through 1976 and the first half of 1977, though its pace was unsteady and its momentum uncertain. Because of the high rates of unemployment and the generally low rates of capacity utilization, most Governments were anxious to maintain and, where necessary, stimulate the renewed economic growth. In the event, however, expansionary policies were the exception: the imbalances brought about by the changes in price relations that had taken place since the breakdown of the Bretton Woods monetary system in 1971 tended to make Governments reluctant to risk measures that might exacerbate domestic inflation or the external deficit.

In some ways the 1976-1977 growth path was a satisfactory one: the strongest of the developed market economies increased production earliest and fastest, and though there were some sluggish periods, the year-to-year expansion was in line with previous recovery phases. The gross product of Japan and the United States of America increased by over 6 per cent and that of the developed market economies as a whole by over 5 per cent. In the light of the experience of the 1972-1973 upswing and the bottlenecks it generated, the absence of synchronization was not without advantage. There was indeed some deceleration in the rate of increase in prices in almost all the industrial countries. The year-to-year rise in average retail prices dropped from 11 per cent in 1975 to 8 per cent in 1976. Though the expansion in demand increased imports, there was some offsetting increase in exports as the smaller and more trade-dependent countries, including most developing countries, began to enlarge their purchases too. International trade resumed its vigorous growth, and the payments imbalances, while substantially greater than in 1975, were again effectively financed, though not without further readjustment in exchange rates.

Despite these achievements, however, some of the underlying problems and the associated policy dilemmas remained unresolved. Though, by dint of a dramatic improvement in the world food situation and the application of income-restraining arrangements in several industrial countries, inflation was moderated somewhat, the rate at which prices were rising continued to be unacceptably high. And even though this was recognized to be mainly the result of rising costs rather than of excessive demand, it exercised an inhibiting effect on official action designed to meet the second of the persistent problems - namely, the high level of unemployment. In most of the developed market economies the rate of growth in production achieved in 1976 was insufficient to accommodate the increase in the labour force. Thus little or no progress was made in reducing the high levels of unemployment inherited from the recession. At the beginning of 1977 the number of unemployed in the developed market economies exceeded 15 million, over 5 per cent of the labour force.

While in most countries the financial costs of this unemployment to the workers concerned was largely mitigated through the social security system, the social cost - both to individuals in terms of alienation and loss of status and to the economy in terms of lost production and resource misallocation - has become a matter of increasing concern. High unemployment rates have also complicated the task of liberalizing and expanding world trade, to which the international community had rededicated itself at the launching of the Tokyo Round of multilateral negotiations in 1973. In defence of local employment many Governments adopted ad hoc protective measures in 1976, especially in the case of industries that were vulnerable because of high overhead costs or labour intensity.

With the recovery in demand, imports did in fact increase strongly: the volume was up by almost 14 per cent and the value by somewhat more. Total developed market economy exports rose by about 11 per cent, so that there was a sharp swing back into deficit both in respect of merchandise trade and on goods and services account. Within this over-all framework there was a sharp contrast between the few countries that remained in external surplus - the Federal Republic of Germany, Japan, Switzerland and the Benelux group - and the rest of the developed market economies, whose combined current account deteriorated by about $32 billion between 1975 and 1976. This external imbalance reinforced the reluctance of these countries to take steps to accelerate their domestic growth. They would have preferred the stimulus to come from foreign demand, but as the surplus countries remained concerned about their public sector deficit and their own internal balance, 1977 found the developed market economies increasingly anxious to put more of their resources to work but still uncertain as to how this could be done with least risk to the efforts they were making to restore economic stability.

The recovery in production

The recovery in production that began in the second quarter of 1975 continued throughout 1976 and into 1977. All but two of the developed market economies registered a gain in output in 1976. This was largest (5.3 per cent) in the case of the major industrial countries, where the upturn in demand occurred earliest. The gain was much less (3.0 per cent) among the smaller industrial countries, which are generally more dependent on foreign trade. And it was of the same order (3.3 per cent) among the primary exporting groups, where the cycle - both downswing and upswing - was 6-12 months behind that of the leading economies.

Among the productive sectors, the fluctuations were most marked in industry, whose output, after a marginal decline in 1974, dropped by over 8 per cent in 1975 and then rebounded by 9 per cent in 1976. These violent swings reflect the contraction and subsequent expansion of industrial activity in the major countries. The smaller developed market economies generally maintained their industrial growth in 1974 and experienced a much milder decline in 1975 (about 6 per cent in the aggregate) and recovery in 1976 (about 5 per cent).

On the whole, agriculture acted as a stabilizer during this period. During the 1974-1975 industrial recession, agricultural production in the developed market economies increased at about 2.5 per cent a year - fractionally above the decade average. Only in Western Europe did a reduction in agricultural output exacerbate the slackening in industry in 1975. In 1976, with industrial production rising, the expansion in agricultural output was appreciably below the decade average and in Western Europe it declined again, though only marginally.

The course of recovery in the major industrial countries

Though the seven major industrial countries - which account for seven eighths of the combined output of the developed market economies - led the economic recovery in 1975-1977, just as they had led the 1974-1975 downswing, the degree of synchronization among them was significantly less than in the previous (1972-1973) upswing. The turn-around occurred in the second quarter of 1975 in Canada, Japan and the United States of America. In the Federal Republic of Germany, production stopped declining in the second quarter and began to rise again in the third. In France, Italy and the United Kingdom, it was not until the fourth quarter that there was a decisive upturn (see table 1).

The recovery continued through 1976 and on into 1977, even though in the United Kingdom the growth in the first quarter of 1976 was lost in the second and in Japan and North America there was a marked deceleration as the year progressed. Although in the Federal Republic of Germany and the United Kingdom the most rapid expansion took place in the last quarter of the year, for the group as a whole the growth rate peaked in the first quarter at the annual equivalent of nearly 10 per cent. This was clearly unsustainable once inventories had been rebuilt and for the rest of the year the rate of increase dropped to below 4 per cent a year.

This modest rate of growth was in line with the general desire to reduce the rate of price inflation, but since most of the countries in the group were also confronted by a rising level of unemployment, there was mounting pressure to provide some economic stimulus to increase job opportunities. Notwithstanding the upswing in production, industrial employment showed little advance in 1976. Only in Canada, Italy and the United States of America was there even a partial recovery; 1/ in France employment continued its slow decline and in the Federal Republic of Germany, Japan and the United Kingdom it dropped to about 10 per cent below the 1970 level (see table 2).

In the aggregate, production in the major industrial countries increased by 5.5 per cent in 1976: Japan and the United States of America achieved growth rates of over 6 per cent, the Federal Republic of Germany and Italy were at the group average, Canada and France at rather less than 5 per cent, and the United Kingdom trailed, with an increase that failed to make good the 1.3 per cent decline suffered in 1975 (see table 3).

In most countries in the group, demand was sustained in 1976 by a revival of private consumption: partly as a result of expansionary measures adopted in 1975 this increased faster than in 1974 or 1975 in all countries except Japan, where consumption had rebounded in 1975; in Canada and Italy it was the most dynamic component of demand and in the Federal Republic of Germany, Italy and the United States of America the 1976 increase was above the decade average. In the United Kingdom, however, under the influence of wage restraint, private consumption, after having declined in 1974 and 1975, remained virtually static in 1976 (see table 4).

With most Governments reluctant to risk any accentuation of price inflation or of an external deficit through the use of fiscal stimuli, especially after the

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1/ Between December 1975 and December 1976, the number of non-farm wage and salary earners in the United States increased from 78 to 80 million, and by May 1977 it was approaching 82 million. The most recent gains were concentrated in production of durable goods, construction, retail trade and services.

vigorous growth in the first quarter of 1976, public consumption tended to lag: in most countries it rose by less than 3 per cent above the 1975 level. Except in France and Italy it increased less in 1976 than in 1975, and France and the United States of America were the only ones among the major industrial economies in which the increase in 1976 was above the average for the decade.

In all the major countries, demand was boosted by the rebuilding of inventories that had been run down during the 1974-1975 recession. 2/ In France and Italy restocking accounted for over 2 per cent of the gross domestic product in 1976, and in the Federal Republic of Germany and the United States of America, for only slightly less. This demand was concentrated in the early months of the recovery, most notably in the first quarter of 1976, and its falling away as inventory/sales ratios regained more normal proportions was largely responsible for the slackening in growth later in the year.

In the recovery phase of earlier cycles the diminishing impulse from restocking has generally been made good by the expansion in fixed investment. In the 1975-1977 upswing, however, investment in plant and machinery has shown few signs of buoyancy. This reflects the steepness of the 1974-1975 decline in demand, which left an unusually high proportion of industrial capacity under-utilized. 3/ It also reflects an unusually high degree of uncertainty among the decision-makers in business regarding the future course of prices and wages and the policies of government, not only in respect of fiscal matters in the face of high rates of inflation and unemployment but also in respect of controls designed to protect workers and consumers and the environment at large.

Among the major countries the only one in which fixed investment increased faster than total production was the United States of America. This expansion followed two years of steep decline, however, and it left the ratio of fixed capital formation to gross domestic product 2 percentage points below the pre-recession (1972-1973) level of 15.5 per cent. Moreover, much of the recovery in 1976 reflects a notable turn-around in residential construction rather than any marked increase in business outlays on plant and equipment. After falling for three successive years, the number of housing starts rose by almost a third in 1976 to reach over 1.5 million, still about a third short of the 1972 record. In real terms, outlays on residential construction increased by about 23 per cent between 1975 and 1976, while other forms of fixed investment increased by less than 4 per cent.

2/ In Japan 1975 brought a sharp deceleration to inventory accumulation rather than an absolute reduction, while in the United Kingdom, by contrast, the reduction in inventories that occurred in 1975 was continued into 1976, though at a greatly diminished rate.

3/ In the United States of America, for example, at the beginning of 1977, after two years of recovery, the over-all level of capacity utilization in manufacturing stood at 81 per cent, which is more or less the average for the post-war period and nearly 7 percentage points below the 1973 peak. Of 16 branches of industry, only the food producers were operating at or above previous peak rates, and 12 others were 5 percentage points or more below the 1973 figure. According to the Federal Reserve Bulletin the utilization rate in the first quarter of 1977 averaged 76 per cent in the case of durable goods and 85 per cent in the case of non-durable goods.

Residential construction also made a partial recovery in Canada, and in Japan and the United Kingdom the expansion that began in 1975, continued into 1976, though in all cases the amount of building undertaken in 1976 was well below pre-recession levels. In France, the Federal Republic of Germany and Italy residential construction declined in 1976 (see table 5).

Despite the increase in housebuilding in 1976, the expansion in fixed investment was very modest in Canada (2.5 per cent) and Japan (4.8 per cent), while in the United Kingdom there was actually a 4.3 per cent reduction. In the Federal Republic of Germany, despite the decline in the volume of dwellings completed, fixed investment was the leading source of expansion - though the 1976 gain was only 4.4 per cent.

The change in the external sector was a significant component of growth only in Japan, where the increase in the surplus between 1975 and 1976 amounted to 1.7 per cent of the gross domestic product. It was also a positive influence - though on a much smaller scale - in the United Kingdom. In France the goods and services account swung into deficit, and in Canada there was an increase in the passive balance, adding to foreign rather than domestic demand. In the United States a major swing in the balance of trade - from a surplus of $9 billion to a deficit of like amount (imports valued f.o.b.) - also provided some stimulus to partner countries, though most of it was indirect, through the countries exporting petroleum, which was the main item in the upsurge in United States imports in 1976.

<u>Production in the smaller industrial countries</u>

The pattern and rate of recovery in the major industrial economies were not such as to provide the means for a strong export-led expansion in the smaller industrial countries. Only in Finland and Luxembourg, and to a much less extent in the Netherlands and Sweden, was the change in the foreign balance between 1975 and 1976 a source of increase in demand. Belgium and Switzerland saw their surpluses reduced, and Austria, Denmark and Norway their deficits increased.

Public consumption tends to play a more important role in economic growth in these smaller countries than in the major countries, and in 1976 it was the leading source of expansion in Belgium, the Netherlands and Switzerland and the main domestic source in Finland, where under the influence of policies designed to ameliorate the acute internal and external imbalances, both capital formation and private consumption declined. Private consumption led only in Sweden; it declined not only in Finland but also in Switzerland - for the third successive year - while in Austria, Belgium, Luxembourg and the Netherlands, it increased at well below the average rate of growth for the decade. Only in Denmark and Norway, where private consumption had continued to increase strongly even in 1975, did it expand vigorously (around 6 per cent) in 1976 (see table 4).

In contrast to the major economies in which the recovery brought a turn-around in fixed investment, most of the smaller industrial countries saw a further decline in investment in 1976. The most notable exception was Norway where the opening up of the North Sea oilfields has involved a continuous expansion in fixed capital formation in the 1970s. Austria and Denmark were also exceptions in 1976: here, largely under the influence of the recovery in the Federal Republic of Germany, fixed investment regained more or less all the ground lost in 1975. In these two countries there was also a rapid rebuilding of inventories. The inventory cycle was also reversed in Belgium, the Netherlands and Switzerland. In Finland, Luxembourg, Norway and Sweden, on the other hand, 1976 saw a marked deceleration in inventory accumulation.

In Denmark, a significant contribution to the rise in fixed investment came from residential construction: the number of dwellings, which had declined steeply in 1974 and 1975, recovered strongly in 1976, though in terms of floor space, only to the level of the early years of the decade. In Belgium the decline in fixed investment took place in the face of a further expansion in housebuilding. In Norway, residential construction continued in 1976 at the rate that has been maintained, with only minor fluctuations, since 1972. Elsewhere 1976 brought a sharp reduction in housebuilding, for the third successive year in the Netherlands and Switzerland and for the sixth year in Sweden.

While the recovery in industrial production began in the second quarter of 1975 in Japan and the United States of America, it was not until the last quarter of the year that there was a turn-around in the smaller countries. Thus, in the aggregate, the year-to-year growth in production in the latter was not much more than half of that achieved by the major industrial countries. Only in Norway did total production increase by over 5 per cent in 1976; in Austria and Denmark the increase fell short of 5 per cent; in Belgium and the Netherlands it was just under 4 per cent, and in the rest of the group under 3 per cent. Switzerland, indeed, registered a second reduction. These changes in industrial production were reflected in employment: only in Norway was there an expansion in 1975 and 1976; in Denmark manufacturing employment increased marginally in 1976 but only to a fifth below the 1970 level; elsewhere employment declined further in 1976 (see table 2).

Production in the primary exporting countries

More dependent on their export performance than the industrial countries, the primary producing countries also tended to lag behind in the 1975-1976 recovery. The combined output of the group increased by less than 3 per cent in 1976. Since growth had remained positive in the 1974-1975 recession, however, and had been relatively vigorous during the preceding commodity boom, the average for the decade (4.5 per cent) was well above that achieved by the industrial countries (around 3 per cent).

A sharp reduction in the external deficit - stemming from rising exports and diminishing imports - was actually the main source of increase in demand in Iceland. It was also a major factor in South Africa. Here, however, as well as in Australia and Spain, the leading stimulus came from a further expansion in public consumption. Fixed investment was reduced in 1976 in all these countries, but it was the principal source of growth in Ireland, notwithstanding a deep cut in residential construction after a rapid rise between 1970 and 1975.

There was some recovery in housebuilding in Australia, though the number of dwellings completed in 1976 was well below the 1972-1974 average. The housing recovery also continued in Greece, though here too the 1976 output was far below the 1973 peak. In Yugoslavia, the only other member of the group to register an increase in 1976, the rise was in line with an upward trend that began in 1972. In New Zealand and South Africa residential construction declined for the second successive year, and in Spain it dropped to the lowest level of the decade.

In contrast to the situation in most of the industrial countries, inventory movements provided little or no stimulus to demand in 1976. In Ireland, there was an upswing in imports that greatly reduced the rundown in stocks that had been taking place in 1975. The turn-around in imports may also have added to stocks in Cyprus. Elsewhere stocks were drawn down in 1976, as in Australia and South Africa, or else increased more slowly than before, as in Iceland.

On the whole, private consumption increased only moderately in 1976 - more than in 1975 in most cases but at less than the average rate for the decade. This reflects in part the rapid rise in consumer prices in this period - for the group the average increase was 17 per cent in 1974 and 1975 and 16 per cent in 1976 - which tended to restrain the volume of purchases both directly and indirectly as a result of the anti-inflationary measures widely adopted in the primary exporting countries.

In most of these countries, total output tends to be affected by the out-turn of agriculture to a much greater extent than in the case of the industrial countries. Thus in 1976 a major increase in agricultural production in Turkey (11 per cent in gross terms) contributed to an 8 per cent expansion in gross domestic product - the largest gain among the developed market economies. To a less extent, favourable agricultural results also contributed to over-all growth in Greece (6 per cent) and Yugoslavia (4 per cent). By the same token, poor crops in South Africa and Spain helped to hold down the increase in total production to 2 per cent or less. In New Zealand, on the other hand, agricultural output expanded vigorously but total production was reduced in 1976, as it had been in 1975, by stringent disinflationary policies designed to bring the economy back into equilibrium after the severe disruptions of 1973 and 1974. In Australia, Ireland and Portugal, by contrast, a recovery in industry more than offset the impact of a poor agricultural out-turn in 1976, though only at the expense of an accentuation of the external imbalance.

The recovery in industrial production

Though the recovery in industrial production that began in the spring of 1975 continued, with occasional hesitancy, through 1976 and into 1977, in about half the developed market economies output in 1976 as a whole did not regain the 1973 level. The largest increase between 1975 and 1976 - nearly 14 per cent - was registered by Japan, but this left industrial production still short of the 1973 level. Increases of around 12 per cent in 1976 brought production in Denmark back to the 1973 level and in Italy to a new high. Increases of around 10 per cent failed to restore the 1974 rate of production in Belgium, but returned France and the United States of America to the 1974 level and raised Greece and Ireland to new peaks (see table 6).

At the other end of the scale the 1975-1976 recovery in industrial production in Australia, Canada and Spain was limited to about 5 per cent, which left activity below the 1974 level. In Finland, Switzerland and the United Kingdom the increase was a mere 1 per cent and it too was less than the 1975 decline, while in Sweden there was a further reduction in industrial output. Somewhat faster recovery in Austria, the Federal Republic of Germany and Luxembourg - a 6-8 per cent increase over 1975 - failed to make good the loss of production in the recession.

In the aggregate, industrial production in the major industrial countries rose by almost 10 per cent between 1975 and 1976. The rate of increase decelerated after the second quarter, dropping to 8 per cent by the fourth quarter and 6 per cent in the first quarter of 1977, but it was sufficiently vigorous to carry the level of industrial output to a new high.

In the smaller industrial countries, the cycle was later and shallower: industrial output continued to expand in 1974, dipped by an average 6 per cent in 1975 and recovered at a generally accelerating rate in 1976, at least until the final quarter when it overtook the previous peak, running at about 4 per cent above the corresponding 1975 figure.

Mining production in the developed market economies, which had declined in 1974 as well as 1975, began to recover in 1976. In North America, where the recovery started earlier, the 1973 level was surpassed; in Western Europe, however, where the 1974-1975 decline was steeper, the gains were recorded mainly in the second half of 1976 and output for the year as a whole was below the 1973 level. The most vigorous recovery was in the developed market economies of the southern hemisphere (see table 7).

The recovery in manufacturing followed a similar pattern, though in North America, in contrast to the recovery in mining, the rate of increase decelerated as 1976 advanced. This deceleration was most marked in the light industries, notably textiles, in which production was actually below the corresponding 1975 level by the last quarter of 1976. After the second quarter, production of heavy industry in North America also decelerated, though the expansion for the year as a a whole was sufficient to make good the sharp cut in 1975 (see table 8). The chemical industry contracted least in the recession and expanded most in 1976, though there was also vigorous growth in the output of metal products, including motor cars, the production of which, after two years of decline, regained the 1971 level. Reflecting the continued weakness in fixed capital investment, the lagging branch was the basic metals industry, in which output had dropped by almost a fourth between 1973 and 1975. Despite an upsurge in the middle of the year, less than half of the lost ground was recovered in 1976. Steel production fell by a fifth in 1975 and in 1976 was still one eighth below the 1973 level.

In Western Europe light industry just about regained its 1973 output, though this was not true of the textile branch, the growth of which, as in North America, decelerated markedly as 1976 advanced. In contrast to North America, however, the output of heavy industry failed to regain the 1974 level. The chemical branch came closest to doing so. The metal products branch, with a much milder cycle, also made up most of the ground lost in 1975, partly as a result of a fairly widespread recovery in the motor vehicle industry (see table 9), though only France, Spain and Yugoslavia set new records for passenger car production. As in North America, there was a serious lag in the basic metals industry in Western Europe. Only in some of the smaller countries (Austria, Denmark and Turkey) did steel production rise above the pre-recession level; the larger countries saw only a partial recovery, while in some of the intermediate countries (Luxembourg, Norway, Spain, Sweden and Yugoslavia) there was a further contraction in 1976.

In Japan, too, there was only a partial recovery in the steel industry: 1976 production was about 5 per cent above the 1975 level but still 11 per cent below that of 1973. In the case of passenger cars, on the other hand, production made an early recovery, regaining the 1973 level in 1975 and moving ahead - largely on the basis of export sales 4/ - with a further 10 per cent increase in 1976. Part of the difficulty in the steel industry stemmed from the collapse in the international demand for ships, which hit Japan, by far the largest producer, with particular severity. After levelling off in 1975 the tonnage launched by Japanese shipyards fell by 18 per cent in 1976, and at the end of the year the volume under construction was down by a third.

Retrenchment in the shipyards was general in 1976. Among the developed market economies only Finland, the United Kingdom and the United States of America launched a greater tonnage than in 1975, 5/ and apart from these countries only Belgium and Spain increased the volume under construction in the course of 1976, though in all cases without replacement of order books (see table 10). With the tapering off of the upsurge in shipbuilding, 6/ most countries found themselves with excess capacity and with no early prospects for its full utilization, and 1976 saw a number of nationalization schemes at the country level and a series of international conferences to prevent destructive competition in prices or credit terms.

One of the subjects of these conferences was the limitation of Japan's share of new orders, which had reached about 80 per cent of the developed market economy total in 1976. Agreements reached in February 1977 provided for the raising of Japanese prices by 5 per cent and withdrawal from particularly hard-pressed Western European markets - the Federal Republic of Germany, in the first instance - with a view to reducing the Japanese share of new construction to about 50 per cent. In the meantime several countries had gone ahead with arrangements to cope with the excess capacity - the closing of marginal yards, the sharing and subsidization of new orders placed in national yards by shipowners, and the subsidization of shipbuilders. The United Kingdom is nationalizing its shipyards and the United States of America is contemplating the reservation of a certain proportion - perhaps 10 per cent - of all petroleum imports to domestically built tankers.

Comparable efforts were made to deal with the excess capacity that had emerged in the steel industry. In the wake of threats to impose countervailing duties against alleged dumping, the European Economic Community (EEC) persuaded Japan to institute voluntary sales quotas for various products. In the event, Japanese

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4/ Over 10 per cent of Japanese car production was shipped to Western Europe in 1976, for example. This was a fourth more than in 1975 and it amounted to over 6 per cent of total supply, up from 5.5 per cent in 1975 and 4.3 per cent in 1974. The buoyancy in international trade in motor vehicles is reflected in the expansion of imports into Canada by 18 per cent in value, the Federal Republic of Germany by 25 per cent, the United Kingdom and United States of America by 28 per cent and France by 53 per cent.

5/ On a much smaller scale, Portugal also increased its launchings, not only in 1976 but also in 1974 and 1975.

6/ Between 1967 and 1973 there was a doubling in the annual tonnage of merchant ships launched (from 16 to 32 million GRT outside of the Soviet Union and China) and a tripling of tanker launchings (from 5 to 17 million GRT). The output of tankers thus rose from 8 per cent of the existing fleet in 1967 to 15 per cent in 1973. When, under the impact of higher petroleum prices and efforts to conserve energy and develop indigenous sources, petroleum traffic ceased to grow in 1974 and 1975, a large surplus tonnage emerged.

exports of steel declined marginally from 1.6 million tons in 1975 to 1.5 million tons in 1976, but exports to the rest of Western Europe rose sharply from 2.4 million tons to 3.6 million tons. This alarmed steel producers in the United States of America, who were anxious to prevent an inflow of diverted Japanese exports: in mid-1976 the Government concluded an agreement with Japan regarding the level of imports that would be considered non-disruptive in the period 1977-1979. The United States also set quotas for imports of certain alloy steels, mainly from Europe. Japanese exports of steel to the United States increased by almost a third between 1975 and 1976, to about 8 million tons. In the aggregate, imports provided about 14 per cent of United States steel supplies in 1976; by the fourth quarter, however, the proportion had risen to 20 per cent.

Attempts at shedding marginal high-cost capacity were complicated by the potential impact on employment, especially in the older inland plants, which were in many cases important sources of jobs in depressed areas. The situation was also complicated by the capital intensity of the industry and the resultant need to operate at near-optimum capacity, especially in those plants - common in Japan - built recently and on borrowed moneys and hence financially viable only when in reasonably full production.

In the second half of 1976, however, the number of steel workers on short-time in EEC rose from 11,000 to 66,000 - 8 per cent of the labour force - and capacity utilization was down to about 60 per cent. In these circumstances the Commission arranged for a voluntary curtailment of production in the first quarter of 1977 - to about a fifth below the corresponding 1976 figure. In May 1977 the United States of America, concerned about a further rise in the share of imports in total supply, asked the Organisation for Economic Co-operation and Development (OECD) to set up a special study group to examine and report on world trade in steel.

The sharp deceleration in the textile industry which, as indicated above, brought production in the final quarter of 1976 almost back to the corresponding 1975 level, was particularly awkward from the point of view of employment, and it had serious implications for trade policy. In most countries there were plant closings and cutbacks in manpower, particularly among part-time workers. Between 1975 and 1976 imports of textiles and clothing increased by about 9 per cent in the United Kingdom (to \$2.8 billion), by an eighth in the Federal Republic of Germany (to \$7.7 billion), by a fifth in France (to \$3.3 billion), by a third in Canada (to \$7.7 billion) and by nearly 40 per cent in the United States of America (to \$5.3 billion). 7/ The continued growth of imports against a background of rising unemployment greatly complicated the negotiations for the renewal of the three-year Multi-Fibre Agreement under which, since the beginning of 1974, most of the textile trade between developing countries and developed market economies has been taking place. The Agreement, which visualizes a 6 per cent annual rate of increase in textile imports, has provided a framework for a large number of bilateral arrangements for orderly marketing: when the final review conference was convened

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7/ Between 1972 and 1976 about 500,000 textile jobs - about a fifth of the industry total - were lost in EEC and, in terms of fibre content, the area swung from a net-export to a net-import position. In 1976 imports accounted for a fourth of all sales of underwear and 60 per cent of all sales of shirts. In the United Kingdom imports supplied two thirds of final demand by fibre weight, though only a fourth by value. In 1976 one in every four garments sold came from abroad.

in November 1976 the United States of America had 18 such arrangements in operation and EEC 13. In the negotiations that resumed in March 1977, the developing countries generally sought a further liberalization of the textile trade, the Western European countries wanted stricter restraints, particularly for "sensitive" products 8/ and especially in times of difficulty for domestic producers, while Japan and the United Staess of America tended to favour extension of the existing Agreement.

Further but reduced growth in agricultural production

Agricultural output in the developed market economies as a whole increased by 1.6 per cent in 1976, well below the average for the first half of the decade (see table 11). The main increase occurred in North America (3.9 per cent) and the countries of the southern hemisphere (1.6 per cent). In Western Europe, much of which suffered an extended drought in 1976, there was a further decline in output.

From the point of view of the world food situation, perhaps the most important result for the year was a record wheat crop in North America: in 1976/77 it again exceeded 58 million tons in the United States of America and it jumped by a third to 23.5 million tons in Canada. As crops were also good in some of the net importing countries, notably the Soviet Union, world wheat trade fell off sharply from the record level of 66 million tons exported in 1975/76, notwithstanding an 8 million ton increase in the net imports of Western Europe. World output of coarse grains was also at a record level in 1976/77, largely as a result of a recovery in Soviet production. The United States harvest was also a record one of over 193 million tons, permitting a further increase in exports to Western Europe, whose net imports bounded from less than 20 million tons in 1975/76 to almost 35 million in 1976/77 (see table 12).

The carry-over of wheat at the end of the 1976/77 crop year was at or near record levels in a number of countries - 30.5 million tons in the United States of America, the highest since 1964, for example, and 14.7 million tons in Canada and 3.0 million tons in Australia, the highest since 1971 - and in the aggregate a record surplus of over 40 million tons was added to world stocks. There was also a large build-up in coarse grain stocks; at 11 million tons, it was smaller than in the case of wheat, but sufficient to raise the world 1977 carry-over to the highest level since 1970. The United States of America, the major exporter, entered the 1977/78 season with a stock of 29 million tons, the highest since 1973.

The larger harvests served to bring prices down from the high levels reached in 1973-1975. In the case of wheat the average for the 1975/76 season was about 7 per cent below the figure for 1974/75, and by April 1977 prices had falled another 20-25 per cent below the level of a year earlier. The decline in maize prices was less steep: the 1975/76 average was down 10 per cent on that of the previous crop year, but as a result of a partial recovery in the 1976/77 winter, the April 1977 average was only about 6 per cent below the corresponding 1976 figure.

The high price of coarse grains was one of the factors making for an increase in cattle slaughter. Unusually dry weather - in 1975 in Australia and the United

8/ These include cotton yarn, cotton and synthetic cloth, shirts and T-shirts, blouses, pull-overs and trousers. In July 1977 the EEC foreign ministers approved curbs on imports of most of these items until the end of the year.

Kingdom and more generally in Western Europe in 1976 - also led to a relatively high rate of culling. Between 1973 and 1976 the production of beef and veal rose by about a sixth in the European Economic Community, a fifth in Australia, a fourth in the United States of America and a third in New Zealand. When beef prices began to decline in the European Economic Community in 1974, severe restrictions were placed on imports, which had been rising rapidly (to about 15 per cent of total supply in 1973). By 1975 imports had been cut to about a fifth of the 1973 peak and they remained at a low level in 1976, accounting for less than 3 per cent of supply. 9/ Between 1973 and 1975 EEC swung from a position as a net importer of beef and veal (of about 900,000 tons, carcass weight equivalent) to that of a net exporter (of about 50,000 tons). Preliminary estimates suggest that in 1976 trade was more or less in balance, while forecasts for 1977 suggest a reversion to a net importer position (to the extent of perhaps 200,000 tons). In April 1977 quantitative controls - which had linked import permits with export sales - were replaced by the more conventional system of import levies that vary inversely with the difference between an administered "reference" price and the domestic market price.

In the United States of America imports were also curtailed - by voluntary restraint agreements negotiated with major foreign suppliers. Between 1973 and 1974 the volume of beef and veal imports was reduced by about a fifth, though by 1976 they had regained the 1973 peak of about 900,000 tons carcass equivalent, furnishing about 7 per cent of total supply and costing about $800 million, one third more than in 1975.

The United States has continued to absorb about a third of world imports, whereas the proportion accounted for by EEC has been reduced from around a third in the early years of the decade to under 10 per cent in 1975 and 1976. After increasing sharply in the early 1970s, Japanese imports fell away in 1974 and 1975, and though higher in 1976 - reaching about 5 per cent of the world total - they were still well below the 1973 peak. In all three areas per capita consumption of beef and veal was expected to be virtually the same in 1977 as five years earlier. This failure of the principal developed market economy markets to expand has involved a notable switch of exports from the major southern hemisphere producers - Latin America as well as Oceania - to non-traditional markets, particularly Eastern Europe and the Soviet Union, but also Africa and the Middle East.

No less important in food supplies, though much less prominent in international trade, are pig meat and poultry, the production of which increased significantly in the major developed market economies in 1976. The most notable expansion was in poultry output in the United States of America, which rose by an eighth to reach a record of 5.4 million tons, product weight. Pork production recovered in 1976 from the sharp contraction that occurred in 1975, but in neither North America nor EEC did it regain the 1974 level of nearly 15 million tons carcass weight.

In the United States, milk production rose by about 4 per cent from the low level to which it had fallen in the 1973-1974 period of high feed costs, reaching almost 55 million tons, the highest level since 1965. Per capita consumption of fluid milk and butter continued to decline, however: compared with 20 years earlier, the former was 30 per cent lower and the latter had been halved. The

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9/ Between 1975 and 1976 the value of beef and veal imports increased only marginally in France, by 5 per cent in the Federal Republic of Germany and by 7 per cent in the United Kingdom.

principal increase was again in the consumption of various cheeses, which in *per capita* terms had almost doubled over the 20 years.

In EEC, by contrast, milk production continued its steady growth, despite the summer drought: at almost 100 million tons in 1976 it was about a fifth greater than in the first half of the 1960s. Responding to price supports 10/ and gains in productivity, production again outran consumption, and surpluses accumulated. There was an increase in exports of butter, including the subsidized sale of 36,000 tons to the Soviet Union and other Eastern European countries. But with domestic consumption continuing to diminish and imports still arriving from New Zealand in accordance with commitments made at the time of the United Kingdom's accession to the Community, intervention stocks stood at 260,000 tons at the end of the year. And in spite of efforts to dispose of larger quantities of non-fat dry milk - through regular and food-aid exports and through a scheme that linked the importation of protein feed with the use of milk solids 11/ - end-1976 surplus stocks exceeded 1 million tons.

10/ In rounded figures, EEC intervention prices in the dairy sector changed as follows:

Commodity and period	1974/75 Unit of accounts per ton a/	Percentage change from preceding year		
		1975/76	1976/77	1977/78 b/
Milk c/				
Spring-summer . . .	134	11	9	3
Autumn-winter . . .	141	11	8	3
Non-fat dry milk				
Spring-summer . . .	790	12	2	1
Autumn-winter . . .	827	7	3	2
Butter				
Spring-summer . . .	1,760	11	12	3
Autumn-winter . . .	1,836	14	7	3

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United States Department of Agriculture, Foreign Agriculture Economic Report No. 135, *Western European Agricultural Situation* (Washington, D.C.).

a/ The unit of account is equivalent to one pre-devaluation (August 1971) United States dollar.

b/ Proposals of the EEC Commission.

c/ Milk prices are "target" prices for whole milk delivered to the dairy.

11/ Before it was phased out early in 1977 this link scheme had diverted 364,000 tons of non-fat dry milk to use as livestock feed.

This diversion of milk solids to animal feed seems to have little effect on the demand for conventional feed-stuffs. United States exports of soya beans, oil-cake and oil-seed and animal feed to Western Europe increased sharply between 1975 and 1976 - by one fourth, to 18 million tons in volume and by one fifth, to $3.4 billion in value. As United States production of soya beans in 1976 (1.26 billion bushels) was 18 per cent below the near record crop of the previous year, the strong export demand helped to reverse the downward drift of prices that had occurred in 1975: prices at the beginning of 1977 were almost double those obtaining at the end of 1975.

Following the dip in world sugar production in 1974/75 and the great upsurge in free market prices, there was a notable extension in the area planted in beets in most of the developed market economies. In Western Europe the 1975 area was about 18 per cent greater than that planted in 1974, and there was a further 5 per cent increase in 1976. In the United States of America the expansion in 1975 was even greater (25 per cent), though there was a slight (2 per cent) contraction in 1976; cane areas were also extended - by 7 per cent in 1975 and 3 per cent in 1976. Partly as a result of this, sugar production recovered strongly: after declining by 5 per cent to about 21 million tons (centrifugal sugar, raw value) in 1974/75, total developed market economy production increased by 15 per cent in 1975/76 and by 3 per cent in 1976/77, to reach about 25 million tons, Western Europe accounting for about half and the United States of America (including Puerto Rico) for a fourth.

Per capita consumption of centrifugal sugar reached a peak in 1973 (of about 50 kilograms in North America and 42 kilograms in Europe) and then under the influence of lower production and sharply higher prices it declined, slightly in 1974 and steeply in 1975 (to about 42 kilograms in North America and 39 kilograms in Europe). In combination with the substantially higher output in 1975/76, this reduction in consumption resulted in a marked increase in stocks in the main importing countries: the carry-over into the new grinding season in North America, EEC and Japan in the second half of the year rose from 3.2 million tons in 1974 to 3.7 million in 1975 and 4.4 million in 1976, almost back to the high level that characterized the early years of the decade (4.9 million tons in 1972, for example). As a result, the world market price receded from its 1974 peak throughout 1975 and 1976 and by the last quarter of 1976 was back to near the 1972 average. 12/

The decline in consumption in the face of expanded domestic production was reflected in reduced imports. In the United States of America imports in 1976, though slightly above the 1975 level in volume - and a third below in value - were a fifth less than in 1974; net imports into Japan dropped from 2.8 million tons in 1974 to 2.4 million tons in 1975 and 2.2 million tons in 1976; while in EEC 1976 saw not only a 10 per cent decline in imports but a trebling of exports, reducing the net intake from 1.5 million tons in 1975 to about 0.2 million tons in 1976. The value of raw sugar imports was down by 21 per cent in the Federal Republic of Germany, 28 per cent in France and 46 per cent in the United Kingdom.

12/ The average annual price of Caribbean sugar on the New York market had risen from a record low of less than 2 cents a pound in 1968 to a record high of almost 30 cents a pound in 1974. By the end of 1976 it was down to 7.5 cents, before turning around and heading upwards again in the early months of 1977.

The impact of this contraction on developing country sugar exporters was exacerbated by the expiry in this period of the United States Sugar Act and the Commonwealth Sugar Agreement. This meant the loss of quota entry at a price based on the United States domestic support level in the case of the former, while the latter was replaced by an arrangement negotiated under the Lomé Convention, guaranteeing until 1980 the annual purchase by EEC of 1.4 million tons (raw equivalent) from its African, Caribbean and Pacific partners at a price based on the Community support level. Deliveries from the 13 countries that had acceded to the sugar protocol came within 5 per cent of the 1.4 million ton quota in 1975/76, and the price paid - which had been below the world price in the previous season - was over twice the free market average.

Slow growth in energy production

With the recovery in industrial activity and the rise in income, the consumption of energy in most of the developed market economies increased markedly in 1976, though in many cases, as a result of higher prices and conservation efforts, less sharply than total production. The domestic production of energy increased less than consumption and there was a notable expansion in imports, particularly in the United States of America.

Coal production continued the slow growth that had been resumed after the 1974 increase in petroleum prices. The over-all expansion of just over 2 per cent was chiefly the result of a further gain - of nearly 4 per cent - in the United States of America, plus some larger proportionate gains among the minor producers - notably, Australia and South Africa and, on a smaller scale, Greece and Norway. In most other countries coal production continued to decline, even in the United Kingdom, where production had rallied in 1975. 13/ EEC production was down by 3 per cent (see table 13).

The decline that has characterized petroleum production in the developed market economies during the 1970s was almost halted in 1976, mainly by the rapid expansion in output from the North Sea, which exceeded 25 million tons, well over double the 1975 figure. North American output, however, was nearly 4 per cent (16 million tons) below the 1975 level, and this brought total production down fractionally. Much the same is true of natural gas: North American output declined by almost 60,000 teracalories, and this was barely made good by expansion in the Netherlands and the United Kingdom and, on a smaller scale, Australia and New Zealand.

As a result of the long drought that afflicted much of Western Europe in 1976 and parts of the western United States of America, there was a widespread decline in the output of hydropower. In the United States of America production dropped to about 6 per cent below the 1974 level, and in EEC, where there had been a 4 per cent increase in 1975, output declined by almost an eighth. Only in Canada and Norway were there significant gains in 1976, although on a smaller scale production also increased in Turkey, the United Kingdom and Yugoslavia.

13/ In the United Kingdom the decline in coal output in 1976 reflects a 1.6 per cent cut in average manpower and a 2.5 per cent fall in productivity. More coal went into power stations than in 1975: electricity production was up 1.5 per cent in 1975 though still 2 per cent below the 1973 level. Demand for coal remained slack, however, and despite the reduction in output, stocks were higher at the end of 1976 (32.6 million tons) than a year earlier (30.7 million tons).

In the case of nuclear power there were increases in output in most countries, as earlier construction came on stream. In the United Kingdom the output of nuclear electricity equalled that from petroleum-based stations in 1976. Almost everywhere, however, there was opposition to the building of additional reactors - because of doubts about safety or security or dissatisfaction with existing methods of disposing of radio-active waste. In Sweden reactor building was halted at least until 1978; in Italy the construction of two reactors on the west coast - part of a 10-year 12-station programme - was delayed; in the Federal Republic of Germany permission to build nuclear stations was denied, first in North Rhine Westphalia then in Schleswig Holstein; in the United States of America work on breeder reactors was suspended.

Apart from the growth in the generation of nuclear power, the fuel base of the electricity industry continued to change as coal and lignite were substituted for natural gas and petroleum. In the United States of America, the contribution of solid fuels to total public production of electricity rose from 44.5 per cent in 1974 and 1975 to 46.4 per cent in 1976. 14/ In Western Europe the contribution was larger and it rose faster: in the Federal Republic of Germany from 60 per cent in 1975 to 65 per cent in 1976, for example, and in the United Kingdom from 63 per cent to 70 per cent.

With demand for energy rising again and domestic production virtually static, 15/ developed market economy imports increased considerably. After two years of decline, net imports of petroleum and products increased by 5 per cent in Japan, 8 per cent in Western Europe and 18 per cent in the United States of America (see table 14). This brought net imports into Japan in 1976 to within 7 per cent of the 1973 peak. In Western Europe, with North Sea production turning Norway into a net exporter of petroleum and significantly reducing the import dependence of the United Kingdom, 1976 net imports were about 11 per cent below the 1973 level. In North America, however, with Canada swinging from a net export to a net import status in 1975 16/ and production in the United States of America continuing to contract, net imports jumped to over 18 per cent above the 1973 peak. This expansion was the main factor in the dramatic deterioration of the United States balance of trade. 17/

14/ Despite the decline in hydropower, the total output of electricity in the United States of America (within industry as well as public) increased by 6 per cent to a new record in 1976. Apart from hydropower, the share of natural gas as a fuel was also down - from 15.6 per cent in 1975 to 14.4 per cent in 1976. This means that the contribution of petroleum was fractionally higher in 1976 - 15.7 per cent as against 15.1 per cent.

15/ Total primary commercial energy production in the developed market economies, after declining fractionally in 1975, actually increased by rather less than 1 per cent in 1976 to about 3.1 billion tons coal equivalent.

16/ At the beginning of 1977, permissible Canadian exports of petroleum to the United States of America were further reduced - by about a fifth to 305,000 barrels per day.

17/ Discussed later in the chapter, see next section.

The upswing in international trade

After declining by about 6 per cent in 1975, the volume of developed market economy trade expanded by almost an eighth in 1976: exports were almost 11 per cent higher and imports over 13 per cent. There were marked differences in performance, even among the major industrial countries. United States exports increased by less than 3 per cent, those of Japan by almost 23 per cent; United Kingdom imports increased by about 5 per cent, those of the United States by nearly 22 per cent. As import prices rose about 1 per cent on the average and export prices only marginally, there was a slight deterioration in the over-all terms of trade. Among the major countries only Canada and the United States of America enjoyed a gain; a loss of 3 per cent was experienced by Japan and over 4 per cent by Italy (see table 15).

The recovery in export earnings

In most of the developed market economies the dollar value of exports increased much more in 1976 than in 1975. In only two countries out of the 27 (Portugal and South Africa) did export earnings decline. Gains of over a fifth were registered not only by Japan, but also by a number of primary exporting countries, including Cyprus, Iceland, Malta, New Zealand and Turkey. In the aggregate the earnings of the primary exporting group rose by 9 per cent, those of the major industrial countries by 11 per cent and those of the smaller industrial countries by 12 per cent (see table 16).

Over 70 per cent of developed market economy exports move within the group and, in contrast to 1974 and 1975 when the demand of the petroleum-exporting countries was rising explosively, this intragroup trade was the most dynamic component in 1976. This was partly the result of an upsurge in exports from Japan: these increased by 41 per cent to North America (to reach nearly $18 billion) and 28 per cent to EEC (to over $7 billion), compared with a modest 13 per cent to the developing countries (to $31 billion). Japanese exports to the centrally planned economies were virtually static at just under $5 billion, an expansion in the flow to the Soviet Union offsetting a contraction in the flow to China (see table 17).

North American exports to the centrally planned economies also approached $5 billion in 1976. This was an eighth more than in 1975, another increase in exports to the Soviet Union and Eastern Europe more than compensating for another reduction in exports to China. North American shipments to EEC also increased by an eighth (to $30 billion), while trade within the Community rose by a sixth (to $50 billion). There was a 9 per cent expansion in exports to Japan, though this flow (under $13 billion) remained well below the flow in the opposite direction. Shipments to the developing countries rose modestly (by 4 per cent) to over $42 billion, almost a third of which was to the petroleum-exporting countries.

Western European exports to the developing countries rose somewhat faster (7 per cent), though far below the rates recorded in 1974 and 1975. Here, too, the main growth was in intra-Community trade: trade within EEC reached $169 billion, about 16 per cent above the 1975 figure. Exports to Japan, which had been sharply reduced in 1975, made a partial recovery in 1976, reaching about $4 billion - about half the flow in the opposite direction. Though increasing by about 9 per cent, exports to North America also fell short of the 1974 level. After two years of rapid growth, exports to the centrally planned economies levelled off in 1976, at $14 billion to Eastern Europe, just over $9 billion to the Soviet Union and rather less than $2 billion to China, the Democratic People's Republic of Korea and the Socialist Republic of Viet Nam.

Though small in absolute terms, exports to the centrally planned economies from Australia and New Zealand registered the largest relative expansion of all the interregional trade flows in 1976. Reflecting their efforts to diversify their trade in the face of restrictions imposed by EEC and the United States of America on the importation of various agricultural products, notably meat, their exports to China, Eastern Europe and the Soviet Union all rose strongly - by 45 per cent in the aggregate, to about $1.3 billion.

The recovery in imports

The quantum of goods imported by the developed market economies, which had been cut by 8 per cent in 1975, rebounded with the recovery in demand in 1976, rising by over 13 per cent. As import prices were slightly higher than in 1975, the increase in dollar expenditure was in excess of 14 per cent. The expansion was almost universal among the industrial countries, only in some of the primary exporting countries were imports lower in 1976 - after small increases in 1975 in South Africa and Yugoslavia, and for the second successive year in Iceland. In the aggregate, imports increased by rather less than 5 per cent in the primary exporting countries, by 13 per cent in the smaller industrial countries and by over 16 per cent in the major countries.

Imports into North America increased strongly from all the major regions. The most dramatic expansion was in purchases from the developing country petroleum exporters which, after declining slightly in 1975, rose by 42 per cent in 1976 to well over $25 billion. Close behind, there was a 41 per cent rise in purchases from Japan, which after a drop of 15 per cent in 1975, reached $17.5 billion in 1976. Imports from the centrally planned economies increased by a third to about $0.3 billion. There was also a large (28 per cent) increase in purchases from the petroleum-importing developing countries, which approached $32 billion in 1976. Sizable but more modest increases were registered in trade within North America (about a sixth) and in imports from EEC, though the 10 per cent expansion in the latter still left this flow below the 1974 level (see table 18).

Unlike North America, Western Europe increased its purchases from the petroleum-exporting countries by less than its average expansion in imports (just over 14 per cent). This was partly a reflection of the lag in the recovery in demand, but it also reflects the conservation and domestic production of energy, as well as virtual doubling of deliveries in petroleum from the Soviet Union to an average of 1.54 million barrels per day in 1976. 18/ Total Western European imports from the Soviet Union and Eastern Europe increased by almost 16 per cent to over $22 billion.

18/ Between 1975 and 1976 Soviet deliveries of petroleum to Eastern Europe increased by 8 per cent, from 71.7 to 77.6 million tons. Exports to EEC increased by 42 per cent, from 25.0 to 35.4 million tons.

The largest proportional increase was in imports from Japan, which rose by about 32 per cent to nearly $11 billion. Imports from the petroleum-importing developing countries were almost 21 per cent higher in 1976, exceeding $34 billion. Imports from North America rose rather less than the average (11 per cent), reaching $37 billion.

The growth in Japanese imports from other industrial countries also lagged behind the average: increases of 9 per cent in purchases from North America and 11 per cent in purchases from EEC, indeed, failed to make good the reductions that occurred in 1975. Imports from the developing countries, on the other hand, reached new heights: purchases from the Organization of Petroleum Exporting Countries (OPEC) increased by a sixth to nearly $22 billion, while purchases from the other developing countries rose more steeply (by 27 per cent) to nearly $13 billion.

The persistence of acute imbalances

Despite the extraordinary swings in demand in the developed market economies - reflected in a decline of over 1 per cent in total production in 1975 and a rise of over 5 per cent in 1976 - the state of economic balance, both within countries and between countries, showed few signs of improvement. The rate at which prices were rising abated somewhat, but in very few countries did it recede to what was regarded as an acceptable figure. Averaged over all the developed market economies 19/ the rate of increase in consumer prices was still above 8 per cent a year in the first quarter of 1977. There was a virtually universal increase in the volume of unemployment in 1975, but only in a minority of countries did the economic recovery reduce the total in 1976, and the early months of 1977 saw a further increase in the unemployment rate in at least half the developed market economies.

While in most countries social security machinery has been deployed to mitigate the financial burden of unemployment on the persons involved, policies aimed, directly or indirectly, at job creation have been approached in a very circumspect manner. Most Governments have been reluctant to adopt measures that might, in the process of opening up employment opportunities, add to total demand in ways that would stimulate price increases. In some countries, moreover, action against unemployment was also inhibited by the perilous state of the external balance. As indicated above, the recovery in demand caused a sharp increase in imports and, for the developed market economies as a group, a swing into deficit on merchandise account. This meant a marked widening in the current account gap of a number of countries and their consequent avoidance of measures that might add to the demand for imports or to the unit cost of exportable goods.

Though adjustments were made through the depreciation of the weaker currencies and international lending, the continuation of the surpluses of the Federal Republic of Germany, Japan, the Netherlands and Switzerland among the developed market economies and of the petroleum exporters among the developing countries imposed a major constraint on the rest of the world, influencing the choice of policies for dealing

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19/ Weighted by private consumption in 1970.

with domestic imbalances. Some of the countries that stood most in need of raising productivity and lowering unit costs through expanding output were among those most inhibited by the need to reduce the external deficit.

Continued price inflation

The rate of increase in consumer prices which, for the developed market economies as a group decelerated to 11 per cent in 1975, declined further - to just over 8 per cent - in 1976. Only a few countries - Cyprus, New Zealand, Portugal and Spain - experienced an acceleration between 1975 and 1976, and they were all in the primary exporting group where, in general, prices continued to rise more rapidly than in the industrial countries. Among the major industrial countries the average year-to-year increase in consumer prices dropped below 8 per cent in 1976. Despite acceleration in Italy, it receded further in the course of 1976, to near 7 per cent (see table 19).

Notwithstanding this improvement, half the developed market economies continued to suffer double digit price inflation in 1976. Most of these countries belonged to the primary exporting category, but they included Finland, Italy and the United Kingdom and, if the change over the 12 months ending in the first quarter of 1977 is taken into account, Denmark too.

At the other end of the spectrum were the Federal Republic of Germany and Switzerland, where the rate of increase in consumer prices had decelerated sharply in 1976 - to about 4 per cent a year in the former and a mere 1 per cent in the latter.

Much the same situation is revealed by the movement in wholesale prices. Half the developed market economies recorded increases of over 10 per cent in 1976, including not only Finland, Italy and the United Kingdom but - at least with respect to raw materials - France, too, where the retail price increase had been held down to just over 9 per cent. The countries with wholesale price increases of less than 5 per cent included not only the Federal Republic of Germany and Switzerland but also Canada and the United States of America, although the severe North American winter raised the rate of increase in the latter in the opening months of 1977. By this time wholesale prices in Japan and the Netherlands were also rising at less than 5 per cent a year. Some acceleration was also discernible in Switzerland, where 1975 and 1976 actually brought a lowering in wholesale prices (see table 20).

Part of the explanation for these marked divergences in price trends lies in the differences in the composition and role of imports and in the changes in the external value of the currency. After the great upsurge in 1974 the rise in average import prices moderated in 1975. Considerable disparities remained, however, and in 1976 the increase ranged from under 5 per cent in Austria, Canada, Cyprus, the Federal Republic of Germany, Japan, Malta and the United States of America to over 20 per cent in Italy, New Zealand, Spain, South Africa and the United Kingdom (see table 21). It was generally in the countries with weaker currency that import prices rose most rapidly, and it was generally the more inflationary economies that had the weakest currencies. Thus there was a certain amount of mutual reinforcement between the movement of domestic and import prices.

Another cause of differences among the price trends lay in the extent and effectiveness of price administration. In Canada and most of the European countries official control was exercised over many prices, and as part of anti-inflationary policy, freezes were imposed for varying periods. With costs continuing to rise in most countries, however, specified upward adjustments were permitted from time to time, and in the case of goods and services provided by state-owned enterprises there were numerous price increases authorized for fiscal reasons, to reduce or to avoid adding to the sums devoted to subsidy. Changes in indirect taxes had a similar effect on prices. While there were a few cases of tax cuts - in April, for example, the highest rate of value-added tax (VAT) was halved in the United Kingdom, in May Yugoslavia lowered turnover taxes on certain consumer durables and building materials and in July the VAT in pharmaceuticals was reduced in France 20/ - most tax changes tended to result in higher prices.

A third factor making for differences in consumer price trends was the movement in food prices. These exercised a strong moderating influence in North America where, in the wake of favourable harvests, the average rise in the food component of the cost of living was only around 3 per cent. Except in Switzerland and to a less extent Austria, there was no similar effect in Western Europe: as indicated earlier in this chapter, the season was a poor one and the common agricultural policy of EEC tended to prevent member countries from taking full advantage of the decline in cereal and other food prices on the world market.

There were also significant differences in the movement of wages and earnings, and hence of wage costs. Though there were erratic changes reflecting not only official policy in the field of wage-price-income controls but also such factors as the strength of trade unions and the duration of major contracts, there was a general tendency for the more inflationary economies to experience a more rapid rise in real wages. Thus, the countries in which consumer prices rose least in 1976 were among those with the lowest increase in real earnings in manufacturing: averaged over 1975 and 1976, the latter rose by only 2 per cent in the Federal Republic of Germany, 1 per cent in the United States of America and hardly at all in Switzerland. Much higher rates were recorded in countries in which prices were rising more rapidly: 3.7 per cent in the United Kingdom, for example, and 6 per cent in Italy; and among the countries with a 9-10 per cent rate of increase in consumer prices in 1976, the average 1975-1976 rise in real earnings was 3.6 per cent in Belgium, 5 per cent in France, 6 per cent in Sweden, 6.2 per cent in Denmark and 7 per cent in Norway (see table 22).

The persistence of high unemployment

In 1976 an average of over 5 per cent of the labour force in the developed market economies was unemployed, almost double the long-term pre-recession rate of rather less than 3 per cent. Despite the recovery in production, there were few signs of improvement: the only countries in which unemployment was reduced between 1975 and 1976 were Cyprus, Greece and the United States of America and, marginally, the Federal Republic of Germany and Sweden (see table 23).

In the course of 1976 there was some improvement in Japan: by the last quarter

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20/ At the beginning of 1977 the standard rate of VAT in France was reduced from 20 to 17.6 per cent.

of the year the number of unemployed had declined below the 1975 level, though as the number of reported vacancies was substantially smaller, the immediate prospects for a further reduction were not bright. In Norway, too, and to a somewhat smaller extent, Austria and the Netherlands, 1976 saw a decline in the number of unemployed, and this appears to have continued in the early months of 1977, though in all cases the ratio of unemployed to job vacancies remained unfavourable in comparison with earlier years. Among the developed market economies, Sweden was the only country in which the rate of unemployment was lower in 1976 than in 1973, before the recession. In most countries it was substantially higher - double in many, three times as high in Australia, four times in the Federal Republic of Germany and six times in Denmark.

The abnormally high level of unemployment in the United States of America was in part a reflection of rapid growth in the labour force: in the first 24 months of the recovery the number of job-holders rose by almost 6.6 million to a record of 90.4 million, nearly 4 million above the pre-recession peak. By mid-1977 the proportion of the civilian non-institutional population engaged in or seeking employment had reached a record of 62.2 per cent, largely as a result of a 1.5-point increase in the participation rate of adult women. Nevertheless, the number of work-seekers remained well above 6 million, about 50 per cent more than in 1973. Among the other major industrial countries, the number of unemployed still exceeded 1 million in France, the Federal Republic of Germany and the United Kingdom.

With these unusually high levels of unemployment persisting into the second year of the economic recovery, other aspects of the phenomenon began to take on new importance. In many countries larger regional differences opened up, for example, and despite efforts to increase labour mobility and encourage new activities that would provide jobs, many areas of particularly high unemployment and low income tended to emerge. During the recession the incidence of unemployment was generally earliest and heaviest among the marginal workers - part-timers, those most recently hired and those seeking their first job - and the period of joblessness was relatively short. But as the high rates persisted in the recovery phase of the cycle, the proportion of family heads out of work and the average duration of unemployment both tended to rise. Even in this phase, however, one of the most troublesome features of the situation was the heavy incidence of unemployment among school leavers and other young people.

In the early months of 1977 the unemployment rate in the United States of America was over 10 per cent among the 20-24 year-olds and almost double that (19 per cent) among the 16-19 year-olds - compared with an over-all average of just over 7 per cent. The proportion of unemployed workers who were under 25 years of age was almost a fifth in the Federal Republic of Germany, over a fourth in the United Kingdom, over a third in France and well over half in Italy.

The persistence of external imbalances

As the recovery in demand got under way in 1975 and early 1976 and imports began to rise more vigorously, the trade deficits of most developed market economies widened. The exceptions were largely among the primary exporting countries, where the recovery started later, import restraints were sustained longer and export earnings gained from the increase in many commodity prices. Thus 1976 saw a reduction in the deficit in Iceland, Malta, New Zealand, Turkey and Yugoslavia, as well as in Canada and Finland.

Japan and Switzerland swung into surplus and South Africa enlarged its surplus. Australia and the Federal Republic of Germany were also in surplus, though on a reduced scale. The United States of America experienced a record swing from surplus to deficit, while in the rest of the developed market economies the trade deficit was appreciably larger in 1976 than in 1975. In the aggregate, the deficit that had been reduced from $65 billion in 1974 (exports f.o.b. minus imports c.i.f.) to $31 billion in 1975, expanded again in 1976 to reach $56 billion (see table 16).

Part of this deficit on merchandise account was offset by an increase in the net receipts for services not connected with trade and by a small reduction in unilateral transfers. As a result the over-all current account deficit amounted to only $20 billion in 1976, up considerably from the $1.4 billion registered in 1975 but well below the record $29 billion set in 1974.

Five developed market economies saw their current account deteriorate for every three registering an improvement. Most notable among the latter were Japan (with a second gain of over $4 billion since its massive $4.7 billion deficit of 1974), the United Kingdom (also with a second though much smaller gain) and Finland (which also reduced its deficit by over $1 billion). Smaller but significant gains were also recorded by the Netherlands and Switzerland, which increased their surpluses by around $0.8 billion, and by Canada, New Zealand and South Africa, whose deficits were similarly reduced.

The great $18 billion swing in the trade balance of the United States of America - from plus to minus $9 billion on an f.o.b. basis - was moderated somewhat by a strong recovery (of almost $6 billion) in net invisible earnings, but the current account surplus was reduced to $5 billion, less than a third of its 1975 figure. The only other developed market economy to have its current account surplus significantly reduced was the Federal Republic of Germany, where with imports increasing faster than exports, the surplus declined for a second time - by $0.8 billion to less than a third of its 1974 record.

For the rest of the developed market economies there was a widening of deficits - by $4.3 billion in France and $2.4 billion in Italy, by over $1 billion in Austria, Belgium, Denmark and Norway and by just under $1 billion in Australia, Portugal, Spain and Sweden (see table 24).

Most of the countries whose current account deficits widened significantly in 1976 managed to close the gap by borrowing. Total developed market economy borrowing on the international capital market - bonds and Eurocredits - exceeded $31 billion in 1976, 50 per cent more than in 1975, and the International Monetary Fund (IMF) was extremely active. Nevertheless, a number of countries drew on their reserves in the course of the year: there were reductions of 10-15 per cent in Belgium, Portugal and and Spain and 20-25 per cent in France, Sweden and the United Kingdom. In some cases this reduced the ratio of reserves to import expenditure far below both the historical figure and the current average for the group: in Belgium and France, for example, the reserve/imports ratio was reduced to 15 per cent and in the United Kingdom to 8 per cent (see table 25).

Even in some of the countries that managed to narrow their deficits in 1976, external liquidity came under pressure. South African reserves, for example, fell by 23 per cent and at 13 per cent the reserve/import ratio was only half its 1970 level. In Italy the ratio, at 15 per cent, was well under half its 1970 level, while in Denmark and Finland it was down to a mere 7 per cent.

In varying degree this external imbalance was manifested in depreciation of the currency. Against the currencies of its 20 major trading partners, the pound sterling, for example, weakened more or less continuously between March 1975 and October 1976, dropping from about 83 per cent of its mid-1970 (Bretton Woods) value to about 60 per cent before rallying to about 63 per cent in the early months of 1977. The Italian lira dropped precipitously in the first four months of 1976 and after a brief rally continued to slide - to about 58 per cent of its mid-1970 value by April 1977 (from an average of about 78 per cent in 1975). The French franc also weakened in this period: it withdrew from the narrow margin "snake" arrangement in March 1976 and declined from a peak of about 14 per cent above its Bretton Woods value in mid-1975 to 2 per cent below in the last quarter of 1976 (see figure I).

The United States dollar, having appreciated by about 8 per cent against its main trading partners during the period of merchandise surplus in 1975, remained remarkably stable in 1976 despite the dramatic swing into deficit. Early in 1977, however, in the face of a continuing large deficit, it began to weaken from its peak value of about an eighth below the mid-1970 level. At this stage the dollar value of the lira stood at about 30 per cent below its Bretton Woods level and sterling about 29 per cent below. The Australian and the Canadian dollar had also depreciated, though only slightly. The dollar value of the other major currencies had all increased, not only against the Bretton Woods level but, except in the case of the French franc, also against the early 1976 level (see table 26).

Among these appreciating currencies, the strongest were those of the countries that were in current account surplus in 1976: Switzerland, whose surplus amounted to 6.1 per cent of the gross domestic product, the Netherlands (2.7 per cent), and the Federal Republic of Germany and Japan, each with a surplus equivalent to 0.7 per cent of gross domestic product. Together, these four countries accounted for virtually the whole of the $10 billion increment in developed market economy reserves in 1976. Measured against major partner countries, the currencies of these four, after slipping in the first half of 1975, all rose vigorously for most of 1976. The Swiss franc reached 60 per cent above its mid-1970 value before declining in the early months of 1977, by which time the Deutsche mark had reached 40 per cent above the mid-1970 value 21/ and the guilder 22 per cent above. The yen receded in the final quarter of 1977 but then rose steeply, to reach 25 per cent above the mid-1970 value by April 1977.

21/ In October 1976 the Deutsche mark moved away from its partners in the "snake" arrangement for joint floating: it was up-valued by 2 per cent while the guilder and the Belgian franc remained unchanged and the Norwegian krone and Swedish krona were devalued by 1 per cent and the Danish krone by 4 per cent. These Scandinavian currencies were further devalued in April 1977 - the Danish and Norwegian by 3 per cent and the Swedish by 6 per cent.

In general, thus, the period saw a further divergence in the relative positions of the principal developed market economies. As indicated above, there was a tendency for internal and external imbalances to reinforce each other: the faster the rise in domestic prices the more marked the widening of the current deficit and the weaker the currency; and hence, completing the circle, the greater the contribution of rising import prices to the inflation of internal costs. Thus the countries with the most inflationary domestic economies tended to be those in which the external balance deteriorated most.

Efforts to adjust economic policies

In general, throughout 1976 official policies tended to remain anti-inflationary, especially in the countries in which the external balance was a matter of concern. Though the deceleration in production that occurred in the second half of the year turned the thoughts of policy makers towards the question of stimulus, the resumption of more vigorous growth in the United States of America in the first quarter of 1977 led to the deferment of action. The failure of demand to pick up in Western Europe and Japan, however, reopened the prospect of continued stagflation, with production increasing at a rate - less than 3 per cent a year through the first half of 1978 in Western Europe, according to the mid-1977 projection of OECD - too low to absorb the increment to the labour force, let alone the backlog of unemployed, then estimated at 6 million.

The persistence of unacceptable rates of unemployment complicated virtually all economic decisions in 1976, even though most Governments assumed, as a basic premise for their policy formation, that stable growth could not be assured until the rate at which prices and costs were rising was brought down nearer to what was thought to be the manageable longer-term post-war trend. Thus, although measures to protect jobs, increase labour mobility, provide training and retraining, and increase and extend the payment of unemployment benefits were common, there were very few acts of overt reflation. Apart from the fear of accelerating the rise in prices, most Governments were reluctant to add to their budget deficits which, by historical standards were already relatively high - 2 per cent of gross national product in France, 3 per cent in the United States of America, 4 per cent in Japan, 5 per cent in the Federal Republic of Germany, 6 per cent in the United Kingdom and 10 per cent in Italy.

In Italy, where as indicated above, the degree of imbalance was particularly acute, efforts to overcome the consequences of the deterioration in the terms of trade caused by the rise in import prices in 1973-1974 and the steep decline in the exchange rate of the lira at the end of 1975 were handicapped by the traditional link between wages and prices known as the scala mobile. Rents were frozen throughout 1976, but in the final quarter of the year, with costs rising rapidly and the budget in heavy deficit, various administered prices - notably for petroleum products, and electricity, telephone, railway and postal charges - were raised as part of an austerity programme. Earlier in the year a number of indirect taxes, especially on luxury and imported goods - including motor cars, petrol and alcohol - were increased, partly to raise revenue, partly to discourgage imports; and further increases were included in the austerity programme in the fourth quarter. To restrain the growth in money supply, the discount rate was raised to 8 per cent in February, 12 per cent in March and 15 per cent in October, and the compulsory reserve requirement for banks was increased. In May applicants for foreign exchange were called on to deposit half the amount in 90-day non-interest-bearing bonds. This prior deposit system was enforced until April 1977, and between October 1976 and February 1977 it was reinforced by a 10 per cent tax on purchases of foreign exchange.

The Government also sought to modify the wage indexation arrangement, which had given Italy the highest rate of increase in real earnings among the industrial countries (6.6 per cent a year between 1971 and 1976). In October the automatic link with prices was severed for wages of over 8 million lire a year and scaled down for wages between Lit 6 and 8 million a year. Subsequently, it was agreed that, for the ensuing 19 months, part of the cost-of-living increments would be paid in treasury bonds, the proceeds of which would be used to finance small-scale enterprises. Further negotiations with the trade unions early in 1977 led to reductions in redundancy pay and in public holidays, an agreement to improve productivity and a modification in the weighting pattern in the cost-of-living index to which wages are linked, in order to slow down the rate of increase in wage costs.

Despite these efforts, 1976 saw a general deterioration in economic balance. There was a sizable increase in the current account deficit and the value of the lira fell for most of the year. There was little recovery in fixed investment, which remained below 1973 and 1974 levels, and at the end of 1976 unemployment was about 11 per cent above the corresponding 1975 level. Moreover, in the first quarter of 1977, the rate of increase in prices was about double that registered a year earlier.

In the United Kingdom mid-1976 saw the entry into force of the second phase of a voluntary incomes policy that had been negotiated between the Government and the Trade Union Congress in 1975. Between August 1976 and July 1977 wage increases were to be limited to 5 per cent, subject to a minimum of £2.5 a week and a maximum of £4. Under the 1975 arrangement, price increases were limited to increments in defined costs and in the first half of the year a voluntary ceiling of 5 per cent was applicable to some 50 product categories - accounting for about a fifth of consumer expenditure. In April this price restraint was supported by the halving - from 25 per cent to 12.5 per cent - of the VAT on most electrical and photographic equipment and other luxury goods. At the same time, however, revenue duties on petrol, alcohol and tobacco were all raised and a 10 per cent increase in steel prices was sanctioned. Moreover, in March a 14 per cent increase had been granted to farmers as part of the agreement of the EEC agricultural ministers. 22/

At the end of June, with a view to stimulating investment and expanding job opportunities, the price code was liberalized in certain ways - such as the faster writing off of depreciation - designed to improve business profits. However, as the pound sterling weakened, the central bank's minimum lending rate, which had been lowered from over 11 per cent to 9 per cent in the first quarter of 1976, was raised progressively to a record 15 per cent in October, after which it was again reduced, until by April 1977 it was below 9 per cent.

The weakening of sterling in 1975-1976 was partly the result of the withdrawal of the balances held by foreign Governments: these declined from £5 billion in March 1975 to £2.8 billion by the end of 1976, at which stage they were, in part,

22/ This increase was estimated to have added over 2 per cent to the retail price of food-stuffs by the end of 1976.

underwritten by a $3 billion stand-by facility negotiated through the Bank for International Settlements (BIS) in Basel. In the meantime a credit of SDR 3.36 billion had been arranged with IMF. As indicated above, the current deficit was substantially reduced in 1976 and the exchange rate stabilized in the early months of 1977. The combination of the lower value of the pound sterling and the reduction in petroleum imports as North Sea production expanded was expected to swing the external accounts into surplus in the course of 1977. By mid-year, international reserves had risen to over $10 billion, almost three times the low figure of end-1976. The internal imbalance remained acute, however, with unemployment still rising and the rate of increase in wholesale prices still well above the corresponding figure in the first quarter of 1976. And at 17 per cent, the rate of increase in retail prices, though below the inflationary peak, was rising again.

In the course of 1976, earnings rose by 11 per cent and consumer prices by 15 per cent: real disposable personal income - after allowance for taxation and social security transfers - was at the lowest level in almost four years. As the combination of rapid price inflation, a low income-tax threshold and progressive tax rates had greatly increased the fiscal drag on incomes, the 1977/78 budget provided for a significant reduction in income-tax, offset to some extent by a rise in certain indirect taxes and charges - chiefly on cigarettes, petrol and motor cars. Though additional measures for alleviating unemployment - aimed chiefly at the lagging construction industry - were projected at £400 million, the over-all deficit was to be well within the ceiling designated in connexion with the IMF credit. 23/ The increase in indirect taxes was expected to add up to 1 percentage point to the rise in retail prices in the course of 1977, and the assistance to the construction industry to create up to 200,000 new jobs.

One of the consequences of the incomes policy of 1975-1976 was a substantial narrowing of wage differentials. This, in conjunction with the decline in real earnings and the persistence of high levels of unemployment, made trade union leaders reluctant to agree to a third phase of the social contract, phase two of which was due to expire in mid-1977.

In 1976 France also faced all three forms of imbalance - a high rate of price inflation, high and rising unemployment, and a rapid widening of the external deficit, shrinking reserves and a depreciating franc (detached from the "narrow margin" arrangement in March). Largely because of the deteriorating external balance, official policies that had sought to stimulate growth in 1975 became generally restrictive. The discount rate was raised to 9.5 per cent in July and 10.5 per cent in September. Price controls were extended and tightened and, for the final quarter of the year, under the Barre stabilization plan, most prices were frozen. The VAT was lowered in July (on pharmaceuticals) and in January 1977 (on most non-luxury, non-food goods and services). The minimum hourly wage rate was raised on five occasions in the course of the year, but the September stabilization plan set a norm of 6.5 per cent for the increase in other wage rates in 1977 and of 3.25 per cent for middle-range salaries (18,000-24,000 francs per month) and froze all higher salaries.

23/ The deficit was projected at £7.5 billion, compared with a maximum public sector borrowing requirement of £8.7 billion as agreed with IMF. Other elements of this agreement included a limit of £7.7 billion on domestic credit expansion.

To counteract the negative effects of price controls on profitability and encourage investment and employment creation, the 1975 policy of fiscal incentives was continued. 24/ In the first half of 1976 company taxes were reduced and deferred and budget appropriations for capital expenditure appreciably increased. The September stabilization plan included a $700 million fund for making low-cost (8.5 per cent) loans to small- and medium-sized enterprises, as well as additional support for job-creating activities in the public sector. Despite these and other increases in expenditure, the improvement in revenue resulted in a near halving of the budget deficit, which had reached 38 billion francs in 1975. 25/

Among the major countries the only other one to suffer from the threefold imbalance in 1976 was Canada, where unemployment continued to rise, price increases, though decelerating in the second half of the year in the wake of good crops, edged upwards again in the first half of 1977, the current account registered another, if slightly smaller, deficit in 1976, and reserves began to shrink after mid-1976 and the exchange rate to weaken. The main instrument for stabilization during the period was the Anti-Inflation Board, set up in October 1975 to administer a system of selective but mandatory wage and price controls. Under its influence major wage settlements were almost halved between the first half of 1975 (an average of 19 per cent) and the second half of 1976 (10 per cent), though only at the cost of a sharp increase in the number of working days lost through strike action. Profit margins were periodically adjusted and in September 1976, in order to stimulate investment and job creation, the rules for compensating for cost increases were relaxed somewhat.

In general, fiscal policy was also aimed against inflation: in the 1976/77 budgets - both central and provincial - revenues were planned to rise more than expenditures. The bank rate was raised to 9.5 per cent in March but, in the light of the slow growth (7 per cent on an annual basis) in money supply, it was lowered to 9 per cent in November and 8.5 per cent in December. The continuation of a large external deficit (over $4 billion) was the main factor behind the depreciation of the Canadian dollar that began late in 1976. The resultant increase in import prices was supplemented by protective action (in respect of textiles and clothing, for example) and along with an increase in energy prices was soon discernible in an acceleration in the consumer price index.

The remaining members of the group of major industrial countries - the Federal Republic of Germany, Japan and the United States of America - were under less external constraint during 1976 and, partly as a result of this, tended to have somewhat greater success in dealing with their internal imbalances. Facing the same dilemma, however, these countries also found their ability to pursue a firm policy against price inflation severely circumscribed by its inimical effects on employment.

24/ Some of the 1975 measures are likely to have influenced 1976 activities - loans to local authorities, for example, and deductions from the VAT liabilities of business of 10 per cent of the cost of capital goods bought in 1975.

25/ Most of the increase in revenue reflects the recovery in activity in 1976, but part came from higher excise duties on tobacco (from July) and petrol (from November), and a substantial increase in income and other taxes designed to finance the payment of F 5.5 billion compensation to farmers injured by the summer drought, as well as to make good shortfalls in the social insurance accounts. And part of the reduction in the deficit stemmed from economies in state spending.

To hold down the rate of increase in prices below the 6 per cent registered in 1975, the Federal Republic of Germany pursued a cautious fiscal and monetary policy in 1976. The increase in public expenditure (7.6 per cent) was the smallest of the decade and the ratio to gross national product, having risen from 40 per cent in the second half of the 1960s to 48.5 per cent in 1975, receded to 47.5 per cent in 1976. 26/ With the recovery in activity, revenue rose more steeply and the public sector deficit was reduced to 45 billion Deutsche marks from DM 61 billion in 1975. With the Government borrowing less and the demand for private credit still very slack, the expansion in money supply was below target (8 per cent annual rate) in the first half of the year. An influx of speculative capital increased the liquidity of the commercial banks, however, despite the raising of the minimum reserve requirements by 5 per cent in May and another 5 per cent in June and the sale of bonds by the Bundesbank. As a result, by November the expansion in the money supply was somewhat above target. Helped by a further appreciation of the Deutsche mark, the rise in import prices was limited to about 3 per cent and the increase in the domestic price level was held below 5 per cent.

The number of unemployed doubled between 1974 and 1975, however, and the number of reported job vacancies dropped to about a third of the 1971 level. Against this background, negotiated wage agreements were relatively modest in 1976: the pattern was set by the metal workers who settled for a 5.4 per cent increase in January. Subsequent settlements - by public servants and employees of the steel industry, for example - were in the same range. The average increase in real earnings in manufacturing for the year was not much above 1 per cent. With little headway made against unemployment in 1976, trade union attitudes tended to harden. The 3.5 million metal workers negotiated a 6.9 per cent pay increase at the beginning of 1977, which allowing for fringe benefits, translates into a gain of over 8 per cent in hourly rates. To prevent wage increases of this order from being inflationary in the face of lagging investment and slow expansion in production, official policy was directed towards increasing the mobility of labour and the quality and relevance of training, the introduction of a new four-year DM 16 billion investment programme in the public sector and a slight easing of monetary conditions so as to facilitate private investment. 27/

While the Federal Republic of Germany saw its external surplus reduced in 1976, Japan experienced a massive swing from deficit to surplus; indeed, the expansion in exports on which this swing was based was the mainstay of 1975/76 recovery. The resultant appreciation of the yen helped to hold the rise in import prices below 1 per cent, with advantage to internal price stability. Under pressure from partner courties various steps were taken to counteract the surplus: administrative obstacles to increasing imports and investment were reduced; stockpiles of oil and minerals were expanded; overseas lending and tourism were encouraged and borrowing from abroad discouraged; and investment in resource development in Indonesia and Iran and elsewhere, held up during the recession, were pushed ahead.

26/ At 2.6 per cent the rise in public consumption between 1975 and 1976 was not much more than half the 1971-1975 average.

27/ Partly under the influence of a 7.5 per cent investment grant, which was in effect till mid-year, there was some recovery in fixed capital formation in 1976, but even allowing for this 4.4 per cent increase, the average rate of growth in investment over the 1971-1976 period was virtually zero.

As in the Federal Republic of Germany, the state of internal equilibrium in Japan showed some improvement, but both price inflation and unemployment remained uncomfortably high. With the ratio of unemployed to job vacancies about twice the pre-recession level, the spring wage negotiations resulted in a rise of less than 9 per cent in 1976 - compared with 13 per cent in 1975 - and the customary summer bonuses were much smaller than usual. The upswing in production boosted government revenue, and since there was little rise in expenditure, 28/ the 1976 deficit was only half that of the previous year. At 4.4 per cent, the growth in public consumption was far below the longer-term average. The central bank discount rate, which had been reduced sharply in the recession, was held at 6.5 per cent in 1976. It was not until late in the year, in the wake of a marked deceleration in industrial production, that a more stimulative policy was adopted. A supplementary budget, introduced in October but not approved by the Government until December, provided Y 356 billion for investment in railway, telephone and telegraph and other public works. 29/ At the same time, the equivalent of $3.5 billion was made available for lending for various private projects, including electric power and oil-refining, small business and residential construction. Shortly afterwards, in the regular 1977/78 budget, provision was made for a further 20 per cent expansion in public works outlays, which along with a cut in income-tax, is likely to result in a record deficit. At the same time cuts were made in the discount rate, first to 6 per cent and then, in April 1977, to 5 per cent. The outcome of the spring bargaining over wages was an increase of 8.8 per cent, the same as in 1976 and just about equal to the rate at which retail prices were still rising.

As indicated above, the massive ($18 billion) recovery-induced swing in the trade balance of the United States of America between 1975 and 1976 had remarkably little effect on the value of the dollar in relation to partner currencies. It was not until well into 1977 that - with imports continuing to climb and the current account lapsing into deficit - the dollar began to depreciate, especially against the Deutsche mark and the yen. No direct action was taken to support the exchange rate, though one of the principal reasons for its decline - namely, the large and increasing imports of petroleum - was addressed in longer-term measures designed *inter alia* to conserve energy and encourage domestic production.

The problem of chief concern continued to be price inflation, though under the influence of improved food supplies and higher labour productivity, 30/ the rate of increase moderated slightly during 1976. After a period of vigorous growth early in the year, the targets for monetary expansion were lowered slightly and the actual rate of increase of M_1 (currency and demand deposits) in the second half of the year

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28/ The 1976/77 budget provided for a 14 per cent increase in outlays, the smallest rise in 11 years, even in nominal terms. Not passed until May, it allocated a fifth more to public works and four fifths more to export finance.

29/ In December 1976 there was also a rise in public sector wages and a general increase in charges for telephone, telegraph and transportation.

30/ Output per working hour in manufacturing was 6.5 per cent higher in 1976 than in 1975, the highest year-to-year increase of the decade. As a result, unit labour costs, which had risen by 10 per cent in 1974 and over 11 per cent in 1975, increased by less than 1 per cent in 1976. In the course of the year, however, with employment expanding rapidly, productivity declined and unit labour costs rose.

was less than 5 per cent. 31/ Interest rates declined for most of the year, however, and the Federal Reserve Bank's discount rate was reduced from 6 per cent to 5.5 per cent in January and to 5.25 per cent in November. The Federal Budget registered another large deficit but, at $56 billion in 1976, it was well below the record of over $75 billion of the previous year. Because of a lag in expenditure in the first half of the year, the expansionary effect of this deficit was slightly less than was intended, 32/ and it was offset to some extent by a swing in the combined budgets of state and local governments, which if social insurance funds are excluded, moved from a $5 billion deficit in 1975 to a small surplus in 1976.

Though down from the 1975 peak, the rate of unemployment remained unacceptably high, especially among blue-collar workers (about 8 per cent in mid-1977), 20-24 year olds (over 10 per cent) and teen-agers (over 18 per cent). While the number of experienced workers in the ranks of the unemployed, having risen from 2 million at the beginning of 1974 to nearly 5 million in mid-1975, had receded to 3 million by mid-1977, the number of new entrants into the labour market unable to find employment continued to rise from 2 million at the beginning of 1974 to 3 million in mid-1977. Against this background and with business investment still lagging, the Government signed into law in May 1977 a $20 billion programme for the creation of summer jobs.

Among the smaller industrial countries the only one to have followed the generally non-interventionist policies of the Federal Republic of Germany, Japan and the United States of America in 1976 was Switzerland, which as indicated above, was also in external surplus. With wholesale prices declining, retail prices rising by less than 2 per cent a year and unemployment reduced from a peak of 32,000 in February 1976 (just over 1 per cent of the labour force) to about 10,000 in mid-1977, 33/ Switzerland was in better economic balance than any other developed market economy. This was achieved at a low level of activity, however, with both private consumption and fixed investment down for three successive years. Behind the decline in unemployment lay a large-scale exodus of foreign workers, down from 900,000 in early 1974 to 580,000 at the end of 1975 and 516,000 at the end of 1976. The strength of the franc - at the end of 1976 standing 60 per cent above its mid-1970 value on a trade-weighted basis - has been based in large measure on capital inflows and has created difficulties for some of the country's export activities, including in particular the watch and tourist industries. Official policy was mildly expansionary in 1976: the budget deficit increased to about 1.7 billion francs and the discount rate was reduced to 2.5 per cent in January and 2 per cent in June.

31/ Targets for the rate of increase in the main monetary aggregates began to be publicly announced in May 1975 in the form of a range. For M_1 the range for the first three quarters of 1976 was 5-7.5 per cent; in the fourth quarter, 4.5-7.5 per cent; and in the first quarter of 1977, 4.5-6.5 per cent.

32/ Actual expenditures fell short of projections made in January 1976 by $5.5 billion in the first quarter, $13.8 billion in the second and $1.8 billion in the third. Then, in the last quarter, as a result of legislation adopted during the year, there was an over-run of $10 billion, almost entirely in transfers and grants.

33/ Short-time work had also been eliminated. It should be noted, however, that until 1975 unemployment was negligible.

The only other developed market economy in external surplus in 1976 was the Netherlands, where despite a fairly strong recovery in production, unemployment and price inflation showed only a slight abatement. Monetary policy was tightened in the course of the year, and in a series of steps the discount rate was raised from 4 per cent in February to 7 per cent in August before being lowered to 5 per cent in January 1977 in the face of a further rise in the ratio of unemployment to job vacancies. The system of price controls instituted in 1972 remained in effect and late in 1976 was actually tightened, but with costs continuing to rise there was only a slow deceleration in the price trend. One reason for this was a further 7 per cent increase in import prices, despite the appreciation of the guilder. Another reason lay in the increase in indirect taxes - on petrol in April, for example, and later in the year a general rise (from 2 to 18 per cent) in the VAT on non-essential goods. And in the background was a rapid increase in domestic liquidity arising from the lead taken by public consumption in the recovery and the large increase in the government deficit, which could not be wholly financed in the capital market.

Rates of pay were frozen for part of the year, but minimum wages were raised by 7.2 per cent in January, a number of exemptions and adjustments conceded in February and a general flat rate increase of 30 guilders per month granted in July. Autumn saw the renewal of lengthy wage negotiations in which one of the main issues was the continuation of the automatic cost-of-living indexation system. The Government withdrew from these in November, and it was not until after 18 days of plant strikes that a settlement was reached: wage indexation was preserved and a small increase in real wage rates granted.

With the number of unemployed averaging twice the 1973 figure in 1976 34/ and the decline in fixed investment showing no signs of coming to a halt, the Government embarked on a programme to create jobs. In June it set up special funds to subsidize private investment through a system of variable premiums payable in the form of tax deductions or tax credits, to provide wage-cost subsidies, to improve the technological and regional structure of industry and the mobility of labour and to permit a revision in the tax system so as to reduce the negative impact of inflation on the computation of profit. This package, which envisaged the deployment of nearly 3 billion guilders in 1977 and an annual average of about double that for the rest of the decade, is designed to support the general policy of restraining the growth of the public sector share of resources - the so-called "collective burden", comprising regular government tax and non-tax revenue and social security premiums - to 1 percentage point a year.

The lag in fixed investment was not confined to the Netherlands and Switzerland. Despite the recovery, 1976 saw a decline in investment in Belgium, Finland, Iceland, Luxembourg, South Africa, Spain and Sweden. And in most of these countries, as well as in Australia and Denmark, the ratio of investment to total production was appreciably lower in 1976 than at the beginning of the decade. Except in Sweden, unemployment was also considerably higher, and in most cases - including Sweden but, as indicated above, not the Netherlands and Switzerland - it was still rising. Efforts to deal with these two related phenomena were constrained by continuing price inflation: everywhere, except in the Netherlands and

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34/ Notwithstanding a sharp reduction in the number of permits issued for foreign workers, from 71,000 in 1973 to 50,000 in the last quarter of 1976.

Switzerland, the rise in prices between 1975 and 1976 was still above the average for the decade, and in some cases - Denmark, Iceland and South Africa, for example - there was some acceleration in the early part of 1977. In almost all countries public consumption had been expanding faster than production, claiming an increasing share of resources and, related to this, most government budgets were in substantial deficit. Compounding the difficulty for all countries except the Netherlands and Switzerland was an external deficit: in Denmark, Finland and Spain this was particularly large - exceeding 4 per cent of the gross national product in 1976. Everywhere it curtailed freedom of movement even more than did the budget deficit.

The need to deal with the external deficit tended to reinforce the priority that most of the smaller countries gave to reducing price inflation in 1976. Monetary policy, however, was influenced by the need to encourage and sustain the recovery in industrial production, and with the rise in prices decelerating somewhat from the high levels of 1974 and 1975, restraints were relaxed in some countries. Domestic liquidity was also influenced by the size of the government deficit and the way in which it was financed. Thus there were marked increases in the growth in money supply in Norway and Spain in 1976 and also, at least in the first part of the year, in Australia and Austria (reinforced by a lowering of the bank rate) and in Denmark, Ireland and New Zealand, though there was a notable tightening up later in the year. In Belgium, Finland, South Africa and Sweden the tightening up occurred earlier and the year saw a sharp deceleration in the money supply.

Price controls were in effect in many countries, including Ireland, Spain, South Africa and Yugoslavia. In Sweden many prices were frozen for most of the year and freezes were decreed in New Zealand in August and in Denmark in December. In Finland a freeze in effect in the first half of the year was converted into a control system in the second half. In Norway many prices were frozen in the last quarter of 1976 and general controls were reintroduced in May 1977. In Belgium a control system was substituted for a freeze at the beginning of 1976. Almost everywhere house rents tended to be frozen. However, with costs still rising steeply in most of these countries and the need for revenue giving rise to various increases in indirect taxes and in the charges for the output of public service industries, freezes tended to be quite temporary and controls subject to frequent modification.

Efforts were also made to control wages or at least break or delay the link between prices and wages. In Finland a one-year agreement on limited wage increases was reached in February 1976. In Belgium the long established wage/price indexation system was suspended between April and December 1976 in respect of monthly earnings over 40,250 Belgian francs and restraints were placed on directors' and professional fees and on company dividends. 35/ In April a one-year agreement on limited wage increases was also reached in Norway. In New Zealand wages were temporarily frozen in May. In Ireland wage agreements were negotiated with the trade unions, which allowed a limited increase in the second half of 1976 (3 per cent plus £2 a week), a three-month pause and then two phased increases (2.5 per cent plus £1 a week) during the next 12 months. In August a two-year programme was adopted in Denmark

35/ In May, however, civil service salaries and allowances were adjusted upwards.

limiting, by means of a 6 per cent guideline, the proportion of price increases that would be compensated by six monthly wage increases. 36/

In Sweden, fiscal policies were aimed primarily, and successfully, at preventing a serious rise in unemployment. With business investment declining in 1975 and 1976 in the face of accumulating inventories and low capacity utilization, however, there was a rapid increase in unit labour costs, especially in relation to movements in the Federal Republic of Germany, the country's major trading partner. The general weakness in fixed capital formation in the industrial countries, and the particular difficulties of the steel and ship-building industries, precluded an early revival of external demand to relieve the developing imbalances. With the current account deficit rising to about 3.3 per cent of total production in 1976 and international reserves dropping by over a sixth in the course of the year, in April 1977 Sweden devalued the krona by 6 per cent within the European common margins arrangement, while adopting a series of measures designed to hold down the rise in prices and stimulate investment in industries that could earn or save foreign exchange.

The external constraint was a severe one for almost all the smaller industrial countries and the primary exporting countries. The combined current account deficit of the former exceeded $5 billion in 1976, as against $2 billion in 1974 and 1975. If the two surplus countries - the Netherlands with its natural gas exports and Switzerland with its service earnings - are excluded, the deficit of the remaining six (Austria, Belgium, Denmark, Finland, Norway and Sweden) is seen to have risen from $4 billion in 1974 to $7 billion in 1975 and $11 billion in 1976. The combined deficit of the primary exporting group was even larger - $14 billion in 1976, equal to the combined deficit of the four major countries (Canada, France, Italy and the United Kingdom) with a passive current account (see table 27).

The task of reducing unemployment in the smaller developed market economies, raising productivity, holding down unit labour costs and achieving more stable growth would be materially lightened if demand for their exports were enlarged. The major countries with large surpluses - excluding petroleum and valuing exports and imports f.o.b., the 1976 trade surplus of the United States of America was over $23 billion, Japan almost $28 billion and the Federal Republic of Germany almost $32 billion - could make a significant contribution to the easing of this external constraint. In the larger framework of the global economy, such an increase in demand in the major surplus countries would help to redistribute the deficit that will continue to be the counterpart to the positive current balance of the petroleum-exporting countries - almost $44 billion in 1976 and a probable $40 billion in 1977 - now bearing disproportionately on the weaker economies, including most of the developing countries. It would be a vital first step in reversing the spiral of defensive actions now being taken or threatened in order to protect employment or the balance of payments.

36/ The programme also included tax relief and subsidy measures to stimulate employment and encourage energy conservation.

Table 1. Major industrial market economies: gross national product growth rates,[a] by quarter, 1973-1977

(Percentage change from preceding quarter)

Period	United States of America	Canada	France[b]	Germany, Federal Republic of	Italy[c]	United Kingdom[d]	Japan	Average of seven countries shown[e]
1973								
First..........	2.1	3.4	2.3	2.9	0.8	5.4	3.5	2.4
Second.........	0.1	0.3	1.0	-0.1	4.4	-2.0	2.1	0.4
Third..........	0.6	1.1	0.7	0.3	2.3	-	-0.1	0.6
Fourth.........	0.5	2.1	1.5	0.4	1.3	-0.1	0.1	0.6
1974								
First..........	-1.0	1.6	1.7	1.0	1.0	-1.5	-3.2	-0.6
Second.........	-0.8	-0.9	0.5	-0.5	0.8	1.9	1.1	-0.2
Third..........	-0.6	0.4	0.6	-0.3	-1.7	1.6	1.0	-0.2
Fourth.........	-1.8	-0.4	-3.9	-1.7	-2.1	-1.3	0.5	-1.5
1975								
First..........	-2.6	-0.3	-1.7	-2.6	-0.4	-0.4	-0.3	-1.9
Second.........	1.4	0.7	0.9	0.1	-1.1	-2.4	0.9	0.7
Third..........	2.7	1.5	-0.3	0.6	-0.7	-0.9	1.4	1.7
Fourth.........	0.8	0.1	3.4	3.0	2.9	1.6	1.1	1.4
1976								
First..........	2.2	3.1	3.3	1.7	2.5	2.2	3.2	2.4
Second.........	1.1	0.4	1.2	0.8	1.5	-2.2	1.3	0.9
Third..........	1.0	0.5	...	0.3	0.5	0.9	0.4	0.8[f]
Fourth.........	0.6	-0.2	...	1.8	...	2.2	0.6	0.9[g]
1977								
First..........	1.7	1.3	...	1.0	...	0.5	2.5	1.6[g]

(Source and foot-notes on following page)

(Source and foot-notes to table 1)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Organisation for Economic Co-operation and Development, Main Economic Indicators (Paris) and Main Economic Indicators, Historical Statistics (Paris); International Monetary Fund, International Financial Statistics (Washington, D.C.); United States of America, Department of Commerce, Survey of Current Business (Washington, D.C.); Bank of Canada, Bank of Canada Review (Ottawa); France, Institut national de la statistiques et des etudes economiques, Tendances de la conjoncture (Paris); United Kingdom, Central Statistical Office, Economic Trends (London); Japan, Economic Planning Agency, Annual Report on National Income Statistics and Japanese Economic Indicators (Tokyo).

a/ Gross national product at 1970 prices, seasonally adjusted.

b/ Gross domestic product at factor cost.

c/ From second quarter 1975, data refer to gross domestic product.

d/ Gross domestic product at market prices.

e/ Total of seven countries. In 1970 these seven countries accounted for 86 per cent of the combined gross domestic product of the developed market economies.

f/ Excluding France.

g/ Excluding France and Italy.

Table 2. Developed market economies: change in industrial employment, 1973-1977

(Index 1970 = 100)

Country	Coverage[a]	1973	1974	1975	1976[b]	1976[b] First	Second	Third	Fourth	1977[b] First
Major industrial										
Canada	M_s	106	109	103	104	105	105	104	103	...
France	I	102	102	100	99	98	98	99	...	...
Germany, Federal Republic of .	I	97	95	89	87	86	86	87	87	...
Italy	M	103	107	107	108	106	106	109	109	...
Japan	M_s	99	99	93	91	92	91	90	90	90
United Kingdom[c]	M	94	95	90	88	88	87	88	89	88
United States of America . .	M_s	104	104	95	98	97	98	98	98	100
Other industrial										
Austria	I	111	110	105	103	102	102	104	105	...
Denmark	M	92	90	76	77	78	83	69	78	83
Finland	I	107	113	112	108	105	109	110	107	103
Luxembourg . . .	I	109	108	106	103	104	104	104	102	102
Netherlands . .	M	93	92	89	86	86	86	86	85	...
Norway	I[c]	99	100	105	106	102	106	109	107	105
Sweden	I	100	106	107	104	105	105	104	103	102
Switzerland . .	M	95	96	86	80	81	80	80	80	79

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics; International Monetary Fund, International Financial Statistics (Washington, D.C.); Organisation for Economic Co-operation and Development, Main Economic Indicators; United States Department of Commerce, Survey of Current Business (Washington, D.C.); Norway, Statistisk Månedshefte.

a/ M: manufacturing employment
I: industrial employment
The suffix s indicates that the series is seasonally adjusted.

b/ Preliminary.

c/ Based on figures for one month rather than monthly averages.

Table 3. Developed market economies: growth of gross domestic product, 1971-1976

Country group	Average, 1971-1976[a/]	1974	1975	1976[a/]
	Change from preceding year			
Developed market economies	3.2	0.3	-1.1	5.1
Industrial countries	3.1	-0.1	-1.4	5.3
Major industrial countries	3.1	-0.4	-1.4	5.5
Canada	4.6	3.2	0.6	4.6
France	3.8	2.9	-1.3	4.9
Germany, Federal Republic of . . .	2.3	0.5	-3.3	5.6
Italy	2.7	3.4	-3.7	5.5
Japan[b/]	5.6	-1.3	2.4	6.3
United Kingdom	1.8	0.1	-1.3	0.9
United States of America	2.7	-1.6	-1.7	6.1
Other industrial countries	2.9	3.2	-1.4	3.0
Austria	4.0	4.1	-2.0	4.8
Belgium[b/]	3.6	4.0	-2.0	3.9
Denmark	2.6	1.2	-1.0	4.8
Finland	3.5	4.3	0.1	1.0
Luxembourg	2.0	3.4	-7.7	2.9
Netherlands	3.2	2.2	-0.9	3.7
Norway	4.7	5.3	3.3	5.9
Sweden	2.2	4.0	0.5	2.0
Switzerland	0.5	1.5	-7.4	-0.8
Primary exporting countries	4.6	4.3	2.2	3.3
Australia	3.6	2.1	1.3	3.6
Greece	5.2	-3.7	6.4	5.8
Iceland b/	4.3	3.3	-2.1	1.8
Ireland	2.7	0.1	-0.5	3.5
New Zealand	2.2	2.4	-1.0	-1.5
Portugal	5.3	4.3	-2.7	5.0
South Africa	3.7	7.0	2.1	1.4
Spain	4.9	5.1	0.8	2.0
Turkey	7.6	8.5	8.8	8.1
Yugoslavia	5.7	8.5	3.7	3.8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Yearbook of National Accounts Statistics, and national sources.

a/ Preliminary.

b/ Gross national product.

Table 4. **Selected developed market economies: changes in major components of gross domestic product,**[a] 1971-1976

(Percentage change from preceding year)

Country and period	Gross domestic product[a]	Consumption: Private	Consumption: Public	Fixed investment	Final domestic demand[b]	Change in inventories[c]	Exports of goods and services	Imports of goods and services	Change in foreign balance[d]
Major industrial countries									
Canada									
Average, 1971-1976 ...	4.6	6.0	3.9	5.7	5.6	0.1	3.3	7.7	-1.1
1974................	3.2	5.0	6.8	5.3	5.4	0.9	-2.3	9.3	(-3.0)
1975................	0.6	4.9	3.8	2.3	4.1	(-2.3)	-7.1	-2.5	(-0.9)
1976[e].............	4.6	5.5	2.2	2.5	4.2	0.9	8.6	8.1	(-0.3)
France									
Average, 1971-1976 ...	3.8	4.5	3.1	3.4	4.1	-0.2	8.6	8.7	-0.1
1974................	2.9	2.6	2.6	1.2	2.1	-0.4	10.2	4.9	1.0
1975................	-1.2	3.3	2.8	-4.3	1.4	(-3.2)	-3.7	-7.1	0.6
1976[e].............	4.9	4.0	4.0	3.0	3.8	2.5	10.5	17.1	-1.5
Germany, Federal Republic of									
Average, 1971-1976 ...	2.4	3.1	4.3	-0.1	2.5	-0.3	7.6	7.5	0.1
1974................	0.5	0.2	4.7	-8.1	-1.3	-1.1	13.3	4.8	3.0
1975................	-3.2	2.6	3.8	-4.1	1.0	(-0.7)	-8.7	0.8	-3.5
1976.[e]............	5.8	3.4	2.6	4.4	3.5	1.9	10.9	11.4	0.1
Italy									
Average, 1971-1976 ...	2.8	2.8	3.0	-0.4	2.1	-	7.9	4.6	0.6
1974................	3.4	2.5	2.1	3.7	2.7	-0.7	10.0	2.0	1.5
1975................	-3.7	-1.8	0.8	-12.7	-3.8	(-2.7)	3.1	-10.0	2.6
1976[e].............	5.5	3.5	2.0	0.3	2.6	2.2	12.0	11.0	0.1
Japan									
Average, 1971-1976 ...	5.6	6.1	6.3	3.8	5.3	-0.3	12.3	7.5	0.8
1974................	-1.3	1.4	4.4	-10.2	-2.8	0.2	21.2	12.4	1.2
1975................	2.4	6.1	7.0	-2.8	3.0	-2.1	4.4	-8.2	1.7
1976[e].............	6.3	4.4	4.4	4.8	4.5	0.3	17.2	7.9	1.7
United Kingdom									
Average, 1971-1976 ...	1.8	1.8	3.4	0.2	1.8	-0.2	5.2	4.7	0.1
1974................	-	-1.1	2.0	-1.5	-0.7	-0.9	7.1	0.5	1.5
1975................	-1.7	-1.0	4.5	-1.3	-	(-2.3)	-3.8	-6.4	0.6
1976[e].............	1.6	0.2	2.8	-4.3	-0.1	(1.2)	5.4	5.0	0.5

(Table continued on following page)

Table 4. (continued)

Country and period	Gross domestic product[a]	Consumption Private	Consumption Public	Fixed investment	Final domestic demand[b]	Change in inventories[c]	Exports of goods and services	Imports of goods and services	Change in foreign balance[d]
United States of America									
Average, 1971-1976 ...	2.8	3.3	0.7	0.3	2.4	0.1	6.1	5.3	0.1
1974................	-1.8	-0.8	0.8	-9.4	-2.0	-0.7	11.4	0.8	0.8
1975................	-1.6	1.4	3.9	-11.6	-0.4	(-1.6)	-7.2	-15.9	0.5
1976[e]...............	6.2	5.5	1.2	8.7	5.6	1.8	5.6	17.2	-0.6
Other industrial countries									
Austria									
Average, 1971-1976 ...	3.9	4.7	3.7	4.4	4.4	-0.1	6.7	7.9	-0.4
1974................	4.1	3.7	4.0	1.2	3.1	0.6	8.3	6.7	(0.6)
1975................	-2.0	2.5	3.0	-5.9	0.3	-2.8	-7.2	-9.0	0.7
1976[e]...............	4.5	3.5	2.5	4.5	3.6	2.2	10.5	14.5	(-1.5)
Belgium									
Average, 1971-1976 ...	3.6	4.1	5.1	1.9	3.8	-	5.1	5.5	-
1974................	4.0	2.7	2.7	6.4	3.6	0.6	8.4	8.8	-
1975................	-2.0	0.9	7.2	-3.3	0.8	(-3.0)	-9.4	-10.3	0.3
1976[e]...............	3.9	2.5	4.5	-0.5	2.1	2.4	3.0	4.0	-0.4
Denmark									
Average, 1971-1976 ...	2.6	3.0	2.8	1.1	2.6	-	5.8	5.2	-
1974................	0.3	-2.7	1.4	-9.0	-3.2	0.5	5.1	-4.0	(3.2)
1975................	-0.7	4.9	4.7	-10.7	1.5	(-3.4)	-1.2	-4.6	1.2
1976[e]...............	5.5	6.3	3.0	11.4	6.7	2.5	6.8	17.2	(-3.4)
Finland									
Average, 1971-1976 ...	3.5	3.6	5.3	1.6	3.7	-0.3	2.9	3.1	-0.1
1974................	4.3	4.1	4.2	3.7	4.0	2.5	-0.9	6.5	(-2.1)
1975................	0.1	3.8	5.7	5.4	4.6	-0.7	-14.0	0.4	(-3.9)
1976[e]...............	0.5	-0.5	4.0	-13.5	-3.3	-2.0	15.5	-4.0	(4.8)
Luxembourg									
Average, 1971-1976 ...	2.0	3.9	2.7	2.6	3.3	0.1	2.8	4.3	-0.8
1974................	3.4	4.9	2.6	3.6	4.3	1.1	4.1	6.4	-1.5
1975................	-7.7	2.0	3.4	-10.1	-1.5	0.5	-12.4	-5.4	-6.7
1976[e]...............	2.9	2.0	2.0	-4.0	0.2	-1.4	4.6	-0.4	4.3
Netherlands									
Average, 1971-1976 ...	3.2	3.2	2.3	-1.2	1.9	-0.2	7.2	4.2	1.7
1974................	2.2	2.0	1.4	-4.2	-0.2	0.1	2.7	-1.1	2.1
1975................	-0.9	3.0	3.1	-3.6	1.3	(-2.6)	-2.9	-3.8	0.3
1976[e]...............	3.7	2.5	4.0	-4.0	1.1	1.7	9.0	8.5	0.9

(Table continued on following page)

Table 4. (continued)

Country and period	Gross domestic product[a/]	Consumption: Private	Consumption: Public	Fixed investment	Final domestic demand[b/]	Change in inventories[c/]	Exports of goods and services	Imports of goods and services	Change in foreign balance[d/]
Norway									
Average, 1971-1976 ...	4.7	4.5	4.5	9.1	5.8	-0.6	5.7	6.8	-0.6
1974................	5.3	4.0	3.3	5.0	4.2	3.4	0.5	4.4	(-1.8)
1975................	3.3	5.6	5.1	10.7	6.9	-2.1	3.1	6.9	(-1.8)
1976[e/]...............	5.9	5.6	4.9	12.3	7.3	-0.9	7.8	10.3	(-1.4)
Sweden									
Average, 1971-1976 ...	2.2	2.4	3.2	0.5	2.1	-0.2	5.5	4.6	0.3
1974................	4.0	4.5	3.3	0.7	3.4	2.4	8.4	15.8	-1.6
1975................	0.5	2.8	5.1	-1.7	2.3	1.0	-8.9	-1.6	-2.4
1976.[e/]..............	2.0	3.3	2.9	-1.7	2.1	-1.4	7.0	4.3	0.8
Switzerland									
Average, 1971-1976 ...	0.5	1.2	3.2	-1.7	0.7	-0.5	3.6	2.5	0.3
1974................	1.5	-0.5	1.6	-4.3	-1.3	2.1	1.0	-1.0	(0.8)
1975................	-7.4	-2.9	1.4	-13.7	-5.5	(-5.4)	-6.6	-15.4	3.2
1976[e/]...............	-0.8	-1.7	6.2	-6.3	-2.1	2.0	9.3	12.3	-0.8
<u>Primary producing countries</u>									
Australia[f/]									
Average, 1971-1976 ...	3.3	4.4	5.4	1.4	3.8	-0.3	4.1	4.7	-0.2
1974................	5.7	5.9	7.0	5.8	6.0	3.7	-4.0	30.8	(-5.7)
1975................	-0.2	2.9	6.7	-1.9	2.1	-1.3	6.1	0.8	(0.9)
1976[e/]...............	1.3	3.3	7.6	0.2	3.0	(-2.6)	3.6	-4.0	1.4
Iceland									
Average, 1971-1976 ...	3.8	4.4	4.2	8.2	5.4	0.1	3.6	6.5	-2.7
1974................	3.3	7.0	5.0	10.8	7.7	2.8	-0.7	13.2	(-8.7)
1975................	-2.1	-10.0	2.0	-8.4	-8.5	0.6	1.4	-10.3	(7.8)
1976[e/]...............	-0.9	-	-	-8.1	-2.5	-2.0	6.2	-2.9	(3.9)
Ireland									
Average, 1971-1976 ...	2.8	2.4	5.6	3.0	3.0	-0.3	6.1	5.0	-0.1
1974................	0.1	0.5	5.5	-5.7	-0.1	-1.1	2.0	-1.2	(1.4)
1975................	-0.5	-2.5	2.5	-5.5	-2.4	(-6.7)	5.6	-13.1	(8.8)
1976[e/]...............	3.7	2.5	1.0	4.9	2.8	(4.7)	10.2	18.0	(-3.7)
South Africa									
Average, 1971-1976 ...	3.6	3.5	5.4	5.0	4.4	-1.2	4.2	1.8	0.3
1974................	7.1	5.3	12.2	8.4	7.0	4.3	-1.9	21.9	(-5.7)
1975................	2.1	2.9	13.9	7.6	5.6	-2.2	2.8	-2.9	(1.4)
1976[e/]...............	1.4	1.9	6.7	-4.6	0.8	(-3.7)	6.0	-11.8	(4.4)

(Table continued on following page)

Table 4. (continued)

Country and period	Gross domestic product a/	Consumption		Fixed investment	Final domestic demand b/	Change in inventories c/	Exports	Imports	Change in foreign balance d/
		Private	Public				of goods and services		
Spain									
Average, 1971-1976 ..	4.9	5.0	5.3	...	5.0	...	6.4	7.1	-0.2
1974...............	5.1	5.8	6.0	4.4	5.6	0.6	-1.6	4.8	(-1.0)
1975...............	0.8	1.7	3.7	-3.4	0.7	-	-2.7	-2.0	(-)
1976 e/............	2.0	2.2	3.0	-1.5	1.4	-	9.5	2.5	(0.9)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Yearbook of National Accounts Statistics; Organisation for Economic Co-operation and Development, Economic Outlook, Economic Surveys and Quarterly National Accounts Bulletin (Paris); Statistical Office of the European Economic Community, National Accounts Yearbook (Luxembourg); and national sources.

a/ Calculated at 1970 prices. Gross national product in the case of Canada, the Federal Republic of Germany, Iceland, Japan and the United States of America. Because of differences in source and in methods and timing of calculation these figures do not always conform precisely to those presented elsewhere in this report.

b/ Sum of consumption and fixed investment.

c/ Change from preceding year measured in constant prices and expressed as a percentage of the gross domestic product of the preceding year. Figures in parentheses indicate an absolute reduction in inventories.

d/ Change from preceding year measured in constant prices and expressed as a percentage of the gross domestic product of preceding year. Figures in parentheses indicate a goods and services deficit.

e/ Preliminary.

f/ Fiscal year ending in June of the year indicated.

Table 5. Developed market economies: residential construction, 1973-1976

Country	Type of measure a/	Construction in 1973 (monthly average)	Percentage change from preceding year 1974	1975	1976 b/
Major industrial countries					
Canada	N,c	20 548	4.3	-15.7	8.9
France	N,c	43 125	-4.0	3.4	-12.4
Germany, Federal Republic of	F,c	5 172	-13.8	-23.9	-7.9
Italy	F,c	8 317	-8.4	19.1	-13.7
Japan	F,s	13 422	-26.4	5.4	10.9
United Kingdom	N,c	25 383	-8.2	15.2	5.1
United States of America .	N,s	171 500	-34.3	-13.4	32.4
Other industrial countries					
Belgium	F,s	2 638	7.1	18.4	5.0
Denmark	F,c	671	-9.1	-26.7	15.8
Finland	F,c	1 566	14.5	-4.3	-23.2
Netherlands	N,c	12 951	-5.9	-17.4	-11.6
Norway	F,c	310	-5.5	4.4	0.3
Sweden	N,c	8 124	-12.5	-12.7	-25.1
Switzerland	N,c	2 573	-12.6	-14.6	-40.8
Primary producing countries					
Australia	N,c	12 637	-2.8	-11.4	8.8
Greece	F,a,P	4 485	-52.2	46.7	6.3
Ireland	N,c	2 036	6.5	2.4	-15.3
New Zealand c/	N,a	2 731	21.2	-16.7	-2.8
South Africa	N,c,P	1 114	11.2	-16.3	-4.7
Spain	N,c,S-A	14 777	-5.9	17.7	-17.4
Yugoslavia	N,c	3 397	29.5	5.7	36.6

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

a/ N: number of dwellings
F: usable floor space (thousands of square metres)
c: completions
s: starts
a: authorizations
P: private only
S-A: State-aided only.

b/ Preliminary; based in some cases on less than 12 months' data.

c/ Year ending in March of the year stated.

Table 6. Developed market economies: growth in industrial production, 1971-1977

Country	Average annual rate of growth 1971-1976 (percentage)	Indices 1970 = 100: Annual 1973	1974	1975	1976 b/	Quarterly (seasonally adjusted) a/: 1975 First	1975 Second	1975 Third	1975 Fourth	1976 First	1976 Second	1976 Third	1976 Fourth b/	1977 First b/
Developed market economies c/	3.0	119	119	109	119	108	108	110	113	116	119	120	122	...
Major industrial countries c/	3.0	119	119	109	119	107	106	109	112	116	119	120	121	123
Canada	4.0	123	127	121	126	121	120	120	121	125	127	127	127	129
France	3.5	120	123	112	123	114	111	110	114	121	122	127	126	129 d/
Germany, Federal Republic of	1.8	113	110	103	111	104	102	102	106	109	111	111	113	114
Italy	3.4	114	120	109	122	110	107	104	112	117	122	120	128	129
Japan	3.7	127	123	110	125	106	109	111	112	119	124	127	129	129
United Kingdom	0.3	110	106	101	102	105	100	100	100	102	102	102	103	104
United States of America	3.1	120	120	109	120	105	106	112	115	118	120	121	122	124
Other industrial countries c/...........	2.6	115	119	111	117	112	112	109	116	113	116	115	120	117
Austria	3.8	119	126	118	125	120	117	116	118	121	125	126	129	133 e/
Belgium	3.0	115	121	108	119	110	108	104	109	115	120	119	121	122
Denmark	2.2	114	109	102	114	97	103	98	112	110	116	110	118	105 e/
Finland	3.4	121	128	121	122	123	121	118	120	120	123	118	128	120
Luxembourg	-0.2	115	119	93	99	102	97	81	93	97	109	93	96	101
Netherlands	3.8	118	121	117	125	118	115	114	122	122	123	125	126	125
Norway	5.1	116	120	128	135	124	131	119	137	143	129	121	148	139 d/
Sweden	2.0	111	117	114	113	121	117	116	116	111	113	115	113	111
Switzerland	-0.5	110	111	97	98	90	96	94	110	91	98	95	106	96
Primary producing countries c/...........	4.9	128	134	126	133	123	125	124	131	128	133	134	139	...
Australia	2.5	116	119	110	116	111	108	109	113	116	116	116	116	116 c/
Greece	9.0	147	144	151	166	144	151	152	156	157	166	166	176	164
Ireland	4.3	121	125	117	129	111	121	115	120	119	133	129	135	...
Spain	6.7	138	150	141	148	135	141	138	149	137	147	150	159	163 d/

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics; International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Figures for Greece, Ireland, Luxembourg, Norway and Switzerland are not seasonally adjusted.

b/ Preliminary.

c/ Average, for the countries listed, weighted by value added by industry in 1970.

d/ January and February.

e/ January only.

Table 7. Developed market economies: industrial production, growth by country group, 1971-1976
(Percentage change from corresponding period of preceding year)

Component and period	Developed market economies a/	North America	Western Europe a/	Japan	Southern hemisphere
Industry b/					
Average, 1971-1976	3.3	3.6	2.7	3.8	3.1
1974	0.2	-0.4	1.2	-2.4	-0.1
1975	-6.0	-5.6	-5.8	-11.3	1.0
1976	8.4	10.0	5.8	13.6	3.2
First quarter	7.9	10.0	5.4	12.2	2.9
Second quarter	10.0	12.3	6.6	14.4	3.6
Third quarter	8.8	9.7	7.1	13.5	4.8
Fourth quarter	6.8	8.1	4.2	13.2	1.3
Mining					
Average, 1971-1976	0.7	1.0	-0.4	-5.1	2.6
1974	-0.7	-0.8	-0.8	-6.1	2.0
1975	-1.6	0.5	-4.0	-5.2	-0.9
1976	1.9	1.2	2.2	-	2.6
First quarter	-0.4	-1.3	1.4	-1.3	-2.6
Second quarter	0.3	0.9	-1.7	0.6	1.7
Third quarter	3.8	2.0	6.0	0.6	7.8
Fourth quarter	3.7	3.5	3.4	3.2	3.7
Manufacturing					
Average, 1971-1976	3.2	3.8	2.5	3.8	2.6
1974	-	-0.3	1.4	-3.1	-1.2
1975	-6.6	-6.2	-6.6	-11.3	0.6
1976	8.8	11.0	5.7	13.6	2.5
First quarter	8.4	11.0	5.1	12.6	3.4
Second quarter	10.6	13.6	6.9	14.7	3.3
Third quarter	9.5	11.1	7.0	13.5	3.3
Fourth quarter	7.1	8.5	4.3	13.8	0.1

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

a/ Including Israel but excluding Turkey.

b/ International Standard Industrial Classification (ISIC) 2-4. Because of differences in coverage, weighting, timing and the measure of compilation, these indices, which are based on the value added in particular industries, do not always yield the same results as the aggregation of individual country indices presented in table 6.

Table 8. Developed market economies: manufacturing production, growth by branch and country group, 1971-1976

(Percentage change from corresponding period of preceding year)

Country group and branch	Average, 1971-1976	1974	1975	1976 a/	1976, quarters a/ First	Second	Third	Fourth
Developed market economies b/								
Light manufacturing c/	2.9	-1.1	-3.2	7.8	10.6	9.0	6.9	5.1
Food	3.1	1.9	-1.1	5.1	7.0	5.1	4.4	4.1
Textiles	2.4	-4.4	-4.1	9.1	18.2	12.6	6.1	0.4
Heavy manufacturing d/	3.4	0.6	-8.2	9.4	7.4	11.4	10.8	8.1
Chemicals	5.3	1.4	-6.5	12.5	14.1	15.2	12.1	8.8
Basic metals	1.0	0.8	-16.5	7.8	-1.4	11.3	14.9	8.1
Metal products	3.6	0.4	-6.4	8.8	7.4	10.2	9.5	8.3
North America								
Light manufacturing c/	3.7	-0.7	-1.9	10.2	15.4	11.6	8.3	6.2
Food	3.0	2.4	-2.0	6.7	10.3	5.5	5.8	5.4
Textiles	4.1	-3.4	-0.8	10.0	26.8	17.3	4.2	-4.1
Heavy manufacturing d/	3.8	-0.2	-8.0	11.4	9.1	14.6	12.6	9.5
Chemicals	6.1	2.0	-2.8	14.4	17.6	17.1	12.5	10.9
Basic metals	0.1	-1.6	-20.6	9.9	-2.5	17.6	18.8	7.5
Metal products	4.1	-0.4	-6.8	10.8	8.4	12.9	11.8	10.0
Western Europe b/								
Light manufacturing c/	2.5	-0.4	-4.6	6.0	6.5	6.9	6.3	4.6
Food	3.4	1.8	-0.1	3.9	5.1	5.2	2.7	2.9
Textiles	1.6	-2.5	-6.7	7.9	11.0	9.0	8.9	3.5
Heavy manufacturing d/	2.6	2.3	-7.6	5.7	4.4	7.0	7.3	4.2
Chemicals	4.5	2.1	-10.1	10.8	10.2	13.8	13.0	6.6
Basic metals	0.9	4.3	-15.3	6.0	-2.6	8.1	14.6	5.7
Metal products	2.5	2.0	-4.3	4.0	4.4	4.5	3.5	3.5

Source: See table 7.

a/ Preliminary.

b/ Including Israel and excluding Turkey.

c/ ISIC 31-33, 342, 355-356.

d/ ISIC 341, 351-354 and 36-38.

Table 9. Developed market economies: production of new motor vehicles

Country	Passenger cars: Production 1973 (thousands)	Passenger cars: Percentage change from preceding year 1974	1975	1976	Commercial vehicles: Production 1973 (thousands)	Commercial vehicles: Percentage change from preceding year 1974	1975	1976
Major industrial countries								
Canada	1 228	-5.0	-10.4	8.8	348	3.1	5.7	32.9
France	3 204	-4.9	-3.1	14.6	396	6.1	-20.0	39.3
Germany, Federal Republic of	3 648	-22.0	2.1	22.3	312	-15.4	9.1	12.5
Italy	1 824	-10.5	-17.6	9.8	134	5.4	-22.9	8.8
Japan	4 476	-12.1	16.2	10.0	2 616	0.5	-9.6	7.6
United Kingdom	1 752	-12.3	-17.2	4.7	420	-2.9	-5.9	-3.1
United States of America	9 660	-24.1	-8.5	26.7	2 976	-8.5	-16.7	31.2
Other industrial countries								
Austria	-	700.0	-87.5	300.0	6	10.0	-1.8	22.2
Netherlands	95	-27.0	-12.7	22.6	13	-1.8	-17.4	6.7
Sweden	346	-5.2 a/	-2.9	-3.8	38	12.5	13.9	...
Primary producing countries								
Australia	368	8.1	-9.3	-2.0	84	18.6	-6.0	-5.1
Spain	719	0.5	-2.8	7.4	104	10.3	-2.1	-5.3
Yugoslavia	98	17.1	12.5	7.4	17	-7.1	30.8	-
Total	27 418	-15.4	-3.3	16.4	7 465	-3.0	-11.1	18.2

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

a/ Beginning 1974, deliveries only.

Table 10. Developed market economies: production of merchant ships, 1973-1976

Country	Tonnage launched: 1973 (thousands)	Percentage change from preceding year: 1974	1975	1976	Under construction at end of: 1973 (thousands)	Percentage change from preceding year: 1974	1975	1976
Australia..........	...	...	...	...	124	-14	27	-19
Belgium............	219	-1	-2	-13	278	-17	22	6
Canada.............	...	...	...	...	194	6	19	-21
Denmark............	921	22	-13	-4	448	48	-20	-52
Finland............	208	-2	25	52	297	14	54	15
France.............	1,124	19	-2	-8	1,450	18	9	-32
Germany, Federal Republic of.......	1,804	17	21	-30	1,738	18	-14	-17
Greece.............	151	-7	-46	-	...	...	...	...
Italy..............	781	11	-3	-21	1,470	-4	28	-43
Japan..............	15,736	12	1	-18	9,944	12	12	-36
Netherlands........	892	-19	31	-39	978	20	-35	-50
Norway.............	911	10	4	-27	889	-9	-6	-25
Spain..............	1,554	-8	15	-1	1,798	28	-6	9
Sweden.............	2,507	-12	12	-4	2,376	-5	-4	15
United Kingdom......	1,010	25	3	4	2,069	-7	-3	1
United States of America..........	869	-7	24	4	1,436	20	23	19
Yugoslavia.........	612	27	-18	-9	983	-9	-1	-37

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics, June 1977.

Table 11. Developed market economies: agricultural production, 1971-1976

Country group	Percentage change from preceding year			
	Average, 1971-1976[a/]	1974	1975	1976[a/]
Developed market economies	2.2	2.5	2.4	1.6
North America[b/]	3.0	0.8	5.8	3.9
Western Europe[c/]	1.5	4.9	-2.3	-0.8
Japan	1.6	0.8	5.6	-
Other[d/]	1.8	4.4	2.1	1.6

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data supplied by the Food and Agriculture Organization of the United Nations.

a/ Preliminary.

b/ Canada and United States of America.

c/ Including Yugoslavia but excluding Cyprus and Turkey.

d/ Australia, New Zealand, South Africa; including Israel.

Table 12. Selected developed market economies: cereal production and trade, 1974/75-1977/78

(Millions of tons)

Cereal and country	Production a/				Trade b/			
	1974/75	1975/76	1976/77 c/	1977/78 d/	1974/75	1975/76	1976/77 c/	1977/78 d/
Wheat e/								
Australia	11.4	12.0	12.0	13.5	8.2	7.9	8.4	8.5
Canada	13.3	17.1	23.5	16.3	11.2	12.1	12.0	12.5
United States of America .	48.9	58.1	58.4	53.5	28.0	31.5	25.4	26.9
Western Europe	56.7	48.5	50.6	54.3	(8.3	9.1	5.1	6.5
					(-56.7	-48.5	-50.6	-54.3
World	356.4	350.1	412.9	397.0	63.9	65.8	59.1	63.9
Rice f/								
Australia	0.4	0.4	0.4	0.5	0.1	0.2	0.3	0.4
United States of America .	4.2	5.1	5.8	5.3	1.7	2.1	2.0	2.2
Western Europe	1.1	1.1	1.0	1.0	-0.6	-0.6	-0.9	-0.7
World	324.3	330.0	352.4	344.0	7.5	7.2	8.1	8.0
Coarse grains g/								
Australia	4.5	5.5	5.1	6.6	2.9	3.2	3.0	3.8
Canada	17.4	20.0	21.2	20.1	2.8	4.9	4.8	4.4
South Africa	9.7	7.8	10.1	9.6	3.5	3.4	1.8	2.7
United States of America .	150.5	184.9	193.1	194.9	34.3	46.5	51.8	42.0
Western Europe	85.1	81.6	72.4	84.5	(4.5	5.0	1.5	4.5
					(-26.7	-24.4	-36.3	-30.1
World	620.4	634.3	690.1	691.7	63.7	76.6	80.1	74.8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United States Department of Agriculture, Foreign Agriculture Circular, FG6-77 (Washington, D.C.).

a/ Crop years, July-June.

b/ July/June years, except for rice, for which the data refer to the calendar years 1974-1977. The positive figures refer to gross exports, the negative figures to gross imports.

c/ Preliminary.

d/ Projection.

e/ Including trade in wheat flour.

f/ Production is measured as rough rice, trade as milled rice.

g/ Maize, barley, oats, sorghum, millet and rye.

Table 13. Developed market economies: production of energy, 1974-1976

Country	Solid fuels: 1974 (million tons, coal equivalent)	Solid fuels: Percentage change from preceding year 1975	Solid fuels: Percentage change from preceding year 1976 a/	Crude petroleum: 1974 (million tons)	Crude petroleum: Percentage change from preceding year 1975	Crude petroleum: Percentage change from preceding year 1976 a/	Natural gas: 1974 (thousand tera-calories)	Natural gas: Percentage change from preceding year 1975	Natural gas: Percentage change from preceding year 1976 a/	Hydroelectricity: 1974 (billion kWh)	Hydroelectricity: Percentage change from preceding year 1975	Hydroelectricity: Percentage change from preceding year 1976 a/	Nuclear power: 1974 (billion kWh)	Nuclear power: Percentage change from preceding year 1975	Nuclear power: Percentage change from preceding year 1976 a/
Developed market economies	1,040	6	2	557 580	-4	-	7 473	-3	-	992	-	-3	222	39	15
North America															
Canada	19	21	-7	82,536	-15	-8	670	3	-2	211	-4	5	14	-15	39
United States of America	544	6	4	432 792	-5	-3	5 274	-6	-1	304	-	-6	113	52	10
European Economic Community															
Belgium	8	-7	-4	-86	94	35	1	-16	-33	1	-37	-23	-	4 577	48
Denmark	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
France	25	-	-8	1 080	-6	4	71	-3	-6	57	5	-6	14	25	-14
Germany, Federal Republic of	133	-2	-1	6 192	-7	-4	173	-7	-3	18	-4	-14	11	80	2 b/
Ireland	2	16	5	-	-	-	-	-	-	1	-28	...	-	-	-
Italy	-	-	-	1 032	-	8	140	-5	5	39	8	-4	3	12	-
Luxembourg	-	-	-	-	-	-	-	-	-	1	-46	4	-	-	-
Netherlands	1	...	...	1 464	-3	-3	709	8	8	-	-	-	3	2	16
United Kingdom	110	17	-4	84	1 757	672	329	4	3	5	3	4	29	-10	18
Other Europe															
Austria	2	6	-16	2 244	-9	-1	21	8	-9	22	5	-13	-	-	-
Greece	5	26	20	-	-	-	-	-	-	2	-14	...	-	-	-
Norway	-	-	-	1 704	444	48	-	-	-	76	2	6	-	-	-
Portugal	-	-	-	-	-	-	-	-	-	8	-17	...	-	-	-
Spain	12	5	-	1 980	13	-12	-	-	-	31	-16	-15	7	4	1
Sweden	-	-	-	-	-	-	-	-	-	57	1	-4	2	501	34
Switzerland	-	-	-	-	-	-	-	-	-	29	19	-22	7	10	2
Turkey	7	1	-6	3 300	-6	-17	-	-	-	3	77	41	-	-	-
Yugoslavia	17	6	2	3 456	7	5	16	1	5	21	-6	3	-	-	-
Other countries															
Australia	67	6	11	18 960	6	2	40	11	18	15	2	-4	-	-	-
Japan	20	-5	-5	672	-11	12	27	-3	2	76 c,d/	2 c,d/	7 c,d/	15 c,d/	18 c,d/	69 c,d/
New Zealand	2	-5	-6	-	-	-	3	8	169	15	18	...	-	-	-
South Africa	65	7	7	-	-	-	-	-	-	1	-2	...	-	-	-

(Source and foot-notes on following page)

(Source and foot-notes to table 13)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics and World Energy Supplies 1971-1975 (United Nations publication, Sales No. E.77.VII.4); Economic Commission for Europe, Bulletin of Electric Energy Statistics for Europe; and national sources.

a/ Preliminary.

b/ January-September compared with corresponding period of preceding year.

c/ Fiscal year beginning 1 April.

d/ Public utilities only.

Table 14. Developed market economies: net imports of petroleum, a/ 1973-1976

Country	Net imports b/ in 1973 (millions of tons, crude equivalent)	Index (1973 = 100) 1974	1975	1976 c/
Major industrial countries				
Canada	-10.2	30	d/	...
France	128.8	98	80	91
Germany, Federal Republic of	143.4	91	84	94
Italy	98.3	100	80	93
Japan	269.7	97	89	93
United Kingdom	117.1	97	75	71
United States of America	300.1	98	97	118
Other countries				
Austria	9.2	91	88	103
Belgium	26.6	105	82	94
Denmark	18.3	95	89	87
Finland	13.5	101	94	98
Greece	13.0	86	84	...
Ireland	5.4	99	99	96
Netherlands	44.1	64	52	71
Norway	7.9	77	e/	e/
Portugal	4.2	146	128	146
Spain	31.2	123	126	149
Sweden	28.8	97	100	99
Switzerland	14.0	92	84	90

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on World Energy Supplies, 1971-1975 (United Nations publications, Sales No. E.77.XVII.4); Energy Economic Research, Ltd., Oil and Energy Trends (Berkshire, England).

a/ Crude petroleum and products.

b/ Minus sign indicates net exports.

c/ Preliminary.

d/ Canada swung from net exports of 3 million tons in 1974 to net imports of 4 million tons in 1975.

e/ Norway swung from net imports of 6.1 million tons in 1974 to net exports of 1.5 million tons in 1975 and 5.5 million tons in 1976.

Table 15. Developed market economies: changes in export and import volume and in the terms of trade, 1971-1976
(Percentage change over preceding year)

Country	Export volume				Import volume				Terms of trade			
	Average, 1971-1976	1974	1975	1976	Average, 1971-1976	1974	1975	1976	Average, 1971-1976	1974	1975	1976
Total, developed market economies............	5.6	6.6	-4.0	10.7	3.8	0.2	-7.9	13.3	-2.3	-13.6	1.8	-0.7
Major industrial countries..........	6.0	8.2	-4.1	10.4	4.0	-1.2	-8.5	15.2	-2.9	-13.9	2.8	-0.7
Canada.............	2.6	-3.8	-7.9	12.1	8.0	10.2	-5.6	7.4	2.4	7.6	-4.4	1.9
France.............	7.0	8.1	-2.5	10.0	5.4	3.2	-12.3	20.3	-2.5	-14.2	1.2	-1.3
Germany, Federal Republic of.......	6.5	11.5	-10.6	13.6	5.7	-1.9	2.4	16.5	-0.4	-8.3	7.3	-1.4
Italy..............	6.3	6.9	2.0	12.5	1.3	-5.3	-11.4	14.8	-5.2	-18.1	6.7	-4.3
Japan..............	10.3	16.6	0.5	22.6	3.0	-2.4	-13.1	10.8	-6.3	-22.3	-6.6	-2.8
United Kingdom......	4.2	3.6	-2.5	6.7	1.6	-3.5	-7.4	5.2	-3.7	-15.7	9.5	-1.0
United States of America..........	4.9	8.7	-2.3	2.8	3.6	-2.4	-11.7	21.5	-3.5	-15.5	3.2	0.9

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

Table 16. Developed market economies: changes in current dollar value of exports and imports and the balance of trade, 1971-1976

Region and country	Percentage change from preceding year								Balance of trade (Billions of dollars, exports f.o.b.-imports c.i.f.)			
	Exports				Imports							
	Average, 1971-1976 a/	1974	1975	1976	Average 1971-1976 a/	1974	1975	1976	1973	1974	1975	1976
Major industrial countries....	19	35	7	11	20	43	-1	16	-4.3	-29.4	1.1	-22.2
Canada......................	16	31	-2	18	19	39	5	11	1.5	-0.2	-2.5	-0.4
France......................	21	26	15	8	22	40	2	19	-1.1	-6.7	-0.8	-7.2
Germany, Federal Republic of	20	32	1	13	20	27	8	18	12.7	19.7	15.2	13.8
Italy.......................	19	37	14	6	19	48	-7	13	-5.6	-10.6	-3.6	-6.5
Japan.......................	23	50	1	20	23	62	-7	12	-1.4	-6.6	-2.0	2.4
United Kingdom..............	16	27	13	5	17	40	-2	5	-8.2	-15.5	-9.4	-9.7
United States of America....	18	38	9	7	21	47	-4	25	-2.2	-9.5	4.2	-14.6
Other industrial countries....	20	31	7	12	19	36	5	13	-6.0	-13.0	-11.4	-14.2
Austria.....................	20	36	5	13	22	27	4	23	-1.8	18.6	-1.9	-3.0
Belgium.....................	19	26	2	14	21	35	3	14	0.4	-1.5	-2.0	-2.2
Denmark.....................	18	24	13	5	19	27	4	20	-1.6	-2.2	-1.7	-3.3
Finland.....................	18	43	-	15	19	56	12	-3	-0.5	-1.3	-2.1	-1.1
Netherlands.................	22	36	7	14	20	38	6	14	-0.4	-0.9	-0.5	-0.6
Norway......................	22	33	15	10	20	34	15	14	-1.6	-2.1	-2.5	-3.2
Sweden......................	18	31	9	6	18	55	9	8	1.6	-0.5	-0.5	-0.8
Switzerland.................	20	25	9	15	15	24	-8	11	-2.1	-2.5	-0.4	0.1
Other developed countries.....	20	26	5	9	19	56	-	5	-8.0	-22.6	-20.6	-19.6
Australia...................	18	15	8	10	16	61	-10	12	1.9	-1.4	0.8	0.6
Cyprus......................	16	-12	-1	69	11	-10	-24	40	-0.3	-0.3	-0.2	-0.2
Greece......................	26	39	12	12	17	26	6	6	-2.0	-2.4	-2.3	-2.3
Iceland.....................	19	14	-8	33	20	44	-7	-4	-0.1	-0.2	-0.2	-0.1
Ireland.....................	20	24	20	4	17	37	-1	11	-0.7	-1.2	-0.6	-0.9
Malta.......................	35	37	24	37	18	51	4	13	-0.1	-0.2	-0.2	-0.2
New Zealand.................	15	-6	-11	29	17	68	-14	3	0.4	-1.2	-1.0	-0.5
Portugal....................	11	24	-16	-7	18	53	-18	10	-1.2	-2.4	-1.9	-2.4
South Africa................	24	43	1	-10	11	52	6	-12	1.0	0.9	0.6	0.6
Spain.......................	24	36	9	14	24	60	5	7	-4.5	-8.3	-8.6	-8.7
Turkey......................	22	16	-9	40	33	81	25	8	-0.8	-2.2	-3.3	-3.2
Yugoslavia..................	20	33	7	20	17	67	2	-4	-1.7	-3.7	-3.6	-2.5
Total, developed countries	19	33	7	11	20	43	-	14	0.3	-64.9	-30.9	-56.0

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Preliminary.

Table 17. Developed market economies: change in dollar value of exports to selected regions, 1973-1976

Country group, item and year	Developed market economies[a/]				Centrally planned economies		Developing countries[b/]		
	Total	North America	EEC	Japan	Asia	Eastern Europe and USSR	Total	Petroleum exporting countries	Others
Developed market economies[a/]									
Value in 1973 (billions of dollars)	311.9	67.1	162.0	17.5	3.4	16.2	73.7	16.3	57.5
Annual change (percentage)									
1974	28	27	26	21	66	39	54	78	48
1975	1	-4	4	-8	-	31	22	64	7
1976[c/]	14	18	16	12	-22	6	7	13	4
North America									
Value in 1973 (billions of dollars)	69.9	32.0	19.5	10.0	1.0	2.2	21.8	3.9	17.9
Annual change (percentage)									
1974	32	29	32	29	31	-27	58	88	52
1975	1	3	3	-10	-48	112	19	59	8
1976[c/]	13	17	13	9	-49	26	4	12	1
Western Europe									
Value in 1973 (billions of dollars)	210.0	22.1	133.1	3.7	1.1	12.7	33.1	9.3	23.8
Annual change (percentage)									
1974	27	21	26	17	50	47	50	68	43
1975	2	-10	5	-17	28	25	31	70	13
1976[c/]	13	9	16	12	-16	-	7	15	1
Japan									
Value in 1973 (billions of dollars)	19.1	10.6	4.4	...	1.2	0.8	15.8	2.7	13.1
Annual change (percentage)									
1974	39	38	36	...	97	107	58	100	50
1975	-11	-15	-5	...	10	31	10	55	-3
1976[c/]	34	41	28	...	-24	27	13	10	14
Southern hemisphere[d/]									
Value in 1973 (billions of dollars)	11.9	2.2	4.5	3.8	0.2	0.5	2.8	0.3	2.4
Annual change (percentage)									
1974	8	-	10	6	150	2	51	69	49
1975	5	33	-2	10	-7	17	6	51	-1
1976[c/]	9	-13	4	19	40	52	-5	1	-6

(Source and foot-notes on following page)

(Source and foot-notes to table 17)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*.

a/ Including Israel and excluding Turkey.

b/ Excluding Israel and including Turkey.

c/ Preliminary.

d/ Australia, New Zealand and South Africa.

Table 18. Developed market economies: change in dollar value of imports from selected areas, 1973-1976

Country group, item and year	Developed market economies[a]				Centrally planned economies		Developing countries[b]		
	Total	North America	EEC	Japan	Asia	Eastern Europe and USSR	Total	Petroleum exporting countries	Others
Developed market economies[a]									
Value in 1973 (billions of dollars)............	311.9	69.9	172.2	19.1	2.0	14.1	81.4	33.5	47.9
Annual change (percentage)									
1974....................	28	32	26	39	36	47	101	184	43
1975....................	1	1	2	-11	6	2	-9	-11	-5
1976[c].................	14	13	13	34	3	16	22	21	24
North America									
Value in 1973 (billions of dollars)............	67.1	32.0	18.1	10.6	0.1	0.7	22.3	5.7	16.6
Annual change (percentage)									
1974....................	27	29	21	38	42	32	99	233	54
1975....................	-4	3	-12	-15	25	-10	-4	-5	-4
1976[c].................	18	17	10	41	40	33	34	42	28
Western Europe									
Value in 1973 (billions of dollars)............	213.4	24.3	145.1	6.5	0.8	12.4	41.8	20.1	21.8
Annual change (percentage)									
1974....................	27	34	26	31	27	48	100	170	135
1975....................	4	3	4	-5	2	5	-10	-14	-3
1976[c].................	14	11	14	32	13	16	16	14	21
Japan									
Value in 1973 (billions of dollars)............	17.5	10.0	2.8	...	1.0	0.9	15.2	7.0	8.1
Annual change (percentage)									
1974....................	21	29	16	...	40	57	106	186	38
1975....................	-8	-10	-16	...	11	-21	-10	-9	-12
1976[c].................	12	9	11	...	-8	5	21	17	27
Southern hemisphere									
Value in 1973 (billions of dollars)............	11.4	2.8	4.9	2.1	0.1	0.1	2.0	0.7	1.3
Annual change (percentage)									
1974....................	55	54	55	68	51	39	125	197	83
1975....................	-6	-7	-2	-13	-32	32	-14	-6	-20
1976....................	3	15	-7	14	-1	17	23	22	23

Source and foot-notes: See table 1.

Table 19. Developed market economies: rate of increase in consumer prices, 1971-1977
(Percentage)

Country	Average annual rate, 1971-1976		Change from preceding year				Change from the corresponding quarter of preceding year, All items				
			All items			Food	1976				1977
	All items	Food	1974	1975	1976[a]	1976[a]	First	Second	Third	Fourth[a]	First[a,b]
Developed market economies[c]	8.4	9.8	13.0	11.1	8.4	8.9	8.7	8.3	7.8	7.7	8.2
Industrial countries[c]	8.0	9.3	12.7	10.7	7.9	8.0	8.3	7.9	7.3	7.2	7.8
Major industrial countries[c]	8.0	9.5	12.9	10.7	7.8	8.0	8.3	7.8	7.3	7.1	7.8
Canada..................	7.4	9.0	11.0	10.8	7.5	2.6	9.3	8.6	6.5	5.9	6.7
France..................	8.9	9.5	13.7	11.3	9.6	9.4	9.6	9.4	9.6	9.9	9.0
Germany, Federal Republic of..........	5.8	5.4	7.0	6.0	4.5	5.1	5.3	4.9	4.2	3.9	4.0
Italy..................	12.9	13.8	19.1	17.0	16.8	17.1	12.2	16.1	17.1	21.1	20.6
Japan..................	11.1	11.8	24.3	11.9	9.3	9.1	9.4	9.1	9.3	9.4	9.3
United Kingdom..........	13.6	16.3	15.9	24.3	16.5	19.9	22.5	16.0	13.6	15.0	16.5
United States of America	6.6	7.9	11.1	9.1	5.8	3.1	6.4	6.0	5.5	5.0	5.8
Other industrial countries[c]	8.5	8.2	11.2	10.4	8.5	9.3	8.9	8.9	8.1	8.2	7.6
Austria.................	7.3	6.3	9.5	8.5	7.3	5.9	7.5	7.5	7.1	7.2	6.4
Belgium.................	8.5	8.1	12.7	12.7	9.2	11.8	10.2	9.6	9.1	7.9	7.8
Denmark.................	9.2	10.4	15.2	9.6	9.0	10.8	6.4	8.4	9.1	13.1	10.9
Finland.................	12.4	13.0	17.4	17.8	14.4	16.3	16.9	14.1	13.9	12.7	11.8
Luxembourg.............	7.6	8.2	9.6	10.7	9.8	12.1	10.9	10.3	9.7	8.4	8.1
Netherlands............	8.7	7.3	9.7	10.2	8.8	9.9	9.0	9.6	8.2	8.4	7.4
Norway.................	8.5	8.9	9.4	11.7	9.2	10.2	9.5	10.2	9.0	8.0	8.9
Sweden.................	8.3	9.1	9.9	9.8	9.8	12.9	10.9	11.2	9.5	9.6	9.3
Switzerland............	6.7	5.7	9.8	6.7	1.7	-1.5	3.0	1.5	1.2	1.0	1.0
Primary producing countries[c]	13.0	14.1	17.0	16.8	15.6	17.1	14.5	14.2	14.8	14.5	13.9
Australia..............	10.8	9.5	15.1	15.1	13.9	12.0	13.4	12.4	14.0	10.7	13.6
Cyprus.................	7.0	9.0	16.2	4.6	5.1	5.2	4.9	3.9	8.2	7.6	5.1
Greece.................	12.4	13.6	26.9	13.4	13.2	13.8	14.1	14.1	13.6	11.5	11.0
Iceland................	25.8	28.4	43.0	48.9	30.9	31.8	36.1	32.6	31.9	31.3	34.6
Ireland................	14.0	14.6	17.0	20.9	18.0	16.5	16.1	16.2	18.9	20.6	16.7
Malta..................	5.0	6.5	7.3	6.1	3.1	8.8	3.5	2.5	2.6	3.8	6.2
New Zealand............	11.3	10.9	11.0	14.7	17.0	18.5	17.1	17.7	17.2	15.6	13.6
Portugal...............	16.1	17.5	25.1	15.2	21.1	23.3	21.0	11.4	23.1	28.1	24.8
South Africa...........	9.7	10.7	11.6	13.5	11.1	7.6	11.3	11.3	11.2	10.9	11.5
Spain..................	13.4	13.9	15.7	16.9	17.7	18.7	14.6	18.5	17.5	19.8	11.5
Turkey.................	16.9	18.8	18.6	20.1	16.9	19.6	14.9	13.2	15.8	16.9	18.3
Yugoslavia.............	18.2	18.9	21.1	26.2	10.8	12.3	14.9	12.8	7.2	7.7	14.9

(Source and foot-notes to table 19)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics and Yearbook of National Accounts Statistics.

a/ Preliminary.

b/ January and February for Turkey; February for Iceland; and January for Cyprus.

c/ The country group averages are calculated from the geometric means of the country data in index form. "All items" is weighted by private consumption in 1970, "food" by food consumption in 1970.

Table 20. Developed market economies: change in wholesale prices, 1971-1977
(Percentage change from corresponding period of preceding year)

Country	Average 1971-1976	1974	1975	1976	1976 First	1976 Second	1976 Third	1976 Fourth	1977 First
Major industrial countries									
Canada[a]	10.2	22.2	6.7	4.3	4.6	6.0	3.3	3.3	7.7
France	7.5	33.2	-17.6	13.0	-2.1	12.9	19.7	22.4	20.9
Germany, Federal Republic of	5.9	13.4	4.7	3.9	2.7	3.8	4.6	4.5	3.9
Italy	15.4	40.7	8.6	22.9	10.3	23.0	26.8	31.1	28.3
Japan	8.8	31.4	3.0	5.5	3.5	5.4	6.8	6.4	4.7
United Kingdom	20.0	48.9	9.3	27.2	20.8	29.7	28.3	28.9	28.2
United States of America	8.8	18.9	8.6	4.6	4.8	5.2	4.2	4.1	5.9
Other industrial countries									
Austria	6.2	15.1	6.2	5.8	4.1	5.8	6.4	6.8	...
Belgium	6.7	16.7	1.3	7.1	6.0	8.1	7.5	6.7	6.0
Denmark	9.7	22.2	5.8	7.8	6.2	8.6	8.9	9.0	8.3
Finland	13.2	24.4	13.5	11.3	9.6	9.1	12.9	13.7	12.9
Netherlands[a]	11.9	33.1	1.9	8.1	...	...	9.1	5.2	4.7[b]
Norway	8.5	18.3	9.7	7.8	6.3	9.1	8.7	7.4	7.3
Sweden	9.9	24.8	7.3	8.6	6.3	9.2	10.6	9.7	9.6
Switzerland	4.8	16.1	-2.2	-0.7	-3.2	-0.6	0.5	1.0	1.5
Primary producing countries									
Australia[c]	8.8	14.1	6.0	11.7	12.5	12.3	15.5	12.0	16.0
Greece	14.6	36.7	6.8	14.0	11.2	14.7	15.4	14.6	13.6
Ireland	14.3	11.6	25.7	19.7	16.5	17.0	21.7	23.3	...
New Zealand	12.1	3.1	12.1	24.4	25.4	26.3	26.5	22.9	21.5
Portugal	13.0	28.3	13.4	19.1	16.2	14.4	19.9	25.4	24.6[d]
Spain	11.4	18.2	12.4	15.4	14.5	15.5	14.9	16.8	15.8[d]
South Africa	12.6	18.0	17.4	15.1	14.8	16.0	15.6	14.3	15.0
Turkey	17.9	29.9	10.1	15.7	8.8	16.3	18.7	22.4	...
Yugoslavia	19.3	29.9	21.9	6.1	9.0	5.2	4.0	6.5	7.5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

a/ Raw materials only.

b/ January.

c/ Basic materials only.

d/ January-February.

Table 21. Developed market economies: change in import prices, 1971-1976

Country	Average, 1971-1976	Percentage change from preceding year		
		1974	1975	1976
Major industrial countries				
Canada	8.2	23.3	15.8	0.6
France	11.2	46.8	3.7	10.5
Germany, Federal Republic of	4.9	25.3	-0.1	3.3
Italy	21.4	73.4	6.2	25.1
Japan	12.9	77.8	9.0	0.9
United Kingdom	19.3	52.3	12.2	22.3
United States of America	14.3	50.3	8.3	3.1
Other industrial countries				
Austria	5.4	19.3	3.1	2.2
Belgium	7.9	31.2	2.8	7.5
Denmark a/	10.2	36.4	3.7	7.2
Finland	13.3	43.4	9.2	4.5
Netherlands	9.2	37.8	3.9	6.9
Norway	8.3	25.7	6.3	6.6
Sweden	10.9	36.4	4.8	7.5
Primary producing countries				
Australia	13.5	39.5	26.0	10.1
Cyprus	9.6	34.1	10.4	1.8
Greece	16.7	47.2	18.0	8.5
Iceland	26.0	48.7	64.3	18.4 b/
Ireland	16.7	46.0	20.9	14.3
Malta	13.0	36.3	6.8	3.0
New Zealand	15.5	28.8	27.5	23.7
Portugal	13.0	31.9	10.9	19.5
South Africa	15.4	18.5	24.5	22.7
Spain	18.7	74.9	6.3	20.1

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Excluding ships and aircraft.

b/ Estimate based on three-quarters average.

Table 22. Developed market economies: change in real hourly earnings of workers in manufacturing,[a] 1971-1977

Country	Average, 1971-1976	1974	1975	1976	1976, Fourth	1977, First
	Percentage change from corresponding period of preceding year[b]					
Australia	4.4	10.7	3.6	0.5	3.0	...
Austria	5.0	2.7	10.4	2.2	2.6	0.6[c]
Belgium	6.3	7.5	4.7	2.5	2.3	...
Canada	3.8	2.1	4.6	5.8	5.7	6.3[d]
Denmark	6.7	5.5	9.2	3.1	-1.5	...
Finland	4.4	4.7	2.5	0.2[e]	-[f]	...
France	5.0	4.9	5.4	4.6	4.5	5.6[c]
Germany, Federal Republic of	3.6	4.7	2.9	1.1	1.8	...
Greece	5.7	-0.6	10.0	14.8	14.7	...
Ireland	5.1	2.6	6.5	1.9[g]	-[h]	...
Italy	6.6	2.8	8.3	3.7	5.9	8.3[c]
Japan	5.4	1.5	-0.4	3.2	3.7	2.0[d]
Netherlands	4.0	7.7	3.1	-0.5	-0.7	-5.6[c]
New Zealand	1.9	1.9	-0.3	-4.9	-3.2	...
Norway	5.3	7.7	7.0	7.0	7.9	...
Spain	9.5	15.6	12.1	10.7	9.8	...
Sweden	3.8	1.0	4.6	7.4	1.9	2.3[d]
Switzerland	1.1	0.9	0.8	-0.4	-7.4	...
United Kingdom	3.5	1.1	4.5	2.8	-2.5	-7.6[c]
United States of America	0.8	-2.5	0.1	1.8	3.0	2.3
Yugoslavia	1.5	6.8	-3.9	3.0	6.6	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*; Organisation for Economic Co-operation and Development, *Main Economic Indicators* (Paris).

a/ Including mining in the case of Austria, Denmark, Sweden and Yugoslavia; including construction in the case of the Netherlands; firms employing 20 persons or more in the case of Canada; male workers only in the case of Australia, Austria, the Netherlands, New Zealand and Norway; monthly earnings in the case of Japan and Yugoslavia; all activities in the case of Spain. Data refer to hourly rates in the case of Australia, Austria, Belgium, France, the Federal Republic of Germany, Italy, the Netherlands, Switzerland and the United Kingdom and weekly rates in the case of New Zealand.

b/ Change in money terms deflated by the concurrent change in the consumer price index.

c/ January-February.

d/ January.

e/ January-September.

f/ Third quarter.

g/ January-August.

h/ Second quarter.

Table 23. Selected developed market economies: unemployment rates and change in unemployment,[a] 1973-1977

Country	Average annual unemployment rate (percentage of civilian labour force)					Percentage change in average number of unemployed over corresponding period of previous year					
	1973	1974	1975	1976[b]	April 1977[b,c]	1973	1974	1975	1976	December 1976[b,d]	April 1977[b,c]
Major industrial countries											
Canada	5.7	5.5	6.9[d]	7.1	8.8	-8	1	33[d]	6	9	19
France	1.9	2.1	3.4	4.2	-	4	26	69	11	3	11
Germany, Federal Republic of	1.2	2.6	4.7	4.6	4.1	11	113	84	-1	-11	-1
Italy	3.5	2.9	3.3	3.7	-	-4	-16	17	12	11	-
Japan	1.3	1.4	1.9	2.0	2.4	-8	10	35	8	-13	1
United Kingdom	2.6	2.6	3.9	5.4	5.6	-29	-2	55	37	13	6
United States of America	4.9	5.6	8.5	7.7	6.4	-11	18	54	-7	-2	-2
Other industrial countries											
Austria	1.6	1.5	2.1	2.0	1.7	-16	...	34	...	-19	-13
Belgium	3.6	4.0	6.7	8.6	9.4	6	14	69	29	14	16
Denmark	1.1	2.5	6.0	6.7	7.4	-35	134	147	2	6	17
Finland	2.3	1.7	2.2	4.0[d]	6.9	-9	-23	28	76[d]	40[d]	90
Netherlands	2.7	3.6	5.2	5.5	4.9	2	23	44	8	-5	-6
Norway	0.8	0.7	1.3	1.3	1.2	-14	-16	83	2	-37	-27
Sweden	2.4	2.0	1.6	1.6	1.8	-8	-18	-16	-2	-5	6
Primary producing countries											
Australia	1.5	2.1	4.5[d]	4.7	5.2	-19	45	110[d]	5	-	21
Cyprus	1.2	4.1[d]	-	-	-	31	239[d]	101	-21[e]	-29	-
Greece	-	-	-	-	-	-10	27	29	-20[f]	-26	-
Ireland	7.2	7.9	12.2	12.3	12.8	-9	9	57	11	3	1
New Zealand	-	-	-	-	-	-59	-59	334	29	-11	-3
Spain	2.3	2.6	4.0	4.9	-	-21	...	71	46	48	49
Yugoslavia	8.1	9.0	10.2	11.4	12.1	21	18	20	18	14	15

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*; Organisation for Economic Co-operation and Development, *Economic Surveys* and *Main Economic Indicators* (Paris).

a/ Unemployment rate refers to the number of persons wholly unemployed and temporarily laid off, expressed as a percentage of the civilian labour force. The data are derived from unemployment insurance statistics, employment office statistics or sample surveys and because of differences in definition, do not permit simple intercountry comparisons.

b/ Preliminary.

c/ Spain and Yugoslavia, January; Ireland, February; Denmark, Finland and Japan, March; Belgium, the Federal Republic of Germany and the United States of America, May.

d/ Scope of series revised.

e/ January-May. f/ January-October.

Table 24. Developed market economies: change in balance of current external account, 1975-1976

Country	Balance of trade			Balance of services			Balance of transfers			Current account balance		
	1974 (billions of dollars)	Difference from preceding year (millions of dollars) 1975	1976	1974 (billions of dollars)	Difference from preceding year (millions of dollars) 1975	1976	1974 (billions of dollars)	Difference from preceding year (millions of dollars) 1975	1976	1974 (billions of dollars)	Difference from preceding year (millions of dollars) 1975	1976
Major industrial countries..........	-4.4	28 842	-19 376	5.6	-1 698	4 797	-17.6	1 291	205	-16.4	28 437	-14 371
Canada.............	1.9	-2 448	1 833	-4.0	-753	-1 458	0.6	-178	150	-1.5	-3 380	527
France.............	-3.9	5 369	-4 390	0.5	636	-563	-2.5	-64	647	-5.9	5 940	-4 304
Germany, Federal Republic of......	21.9	-4 244	-1 264	-5.9	-836	352	-6.5	-652	72	9.6	-5 731	-841
Italy.............	-8.5	7 336	-2 894	1.2	199	229	-0.5	-246	291	-7.8	7 290	-2 373
Japan..............	1.4	3 592	4 886	-5.8	487	-513	-0.3	-68	14	-4.7	4 011	4 388
United Kingdom.....	-12.0	4 837	717	4.4	123	939	-1.0	-55	-531	-8.6	4 905	1 125
United States of America	-5.4	14 400	-18 264	15.4	-1 554	5 811	-7.4	2 554	-438	2.6	15 402	-12 893
Other industrial countries..........	-6.4	1 564	-5 051	6.7	-1 247	1 275	-1.9	-909	713	-1.6	-588	-3 065
Austria...........	-1.4	-11	-1 126	1.1	125	-273	-0.2	8	208	-0.5	122	-1 191
Belgium...........	0.9	-331	-1 411	0.4	331	319	-0.4	-211	88	0.9	-211	-1 004
Denmark...........	-1.8	514	-1 553	0.6	47	14	0.2	-82	142	-1.0	479	-1 398
Finland...........	-0.9	-732	1 005	-0.3	-220	28	-	-12	8	-1.2	-964	1 042
Netherlands........	0.7	369	12	1.7	-430	416	-0.3	-334	281	2.1	-395	710
Norway............	-2.3	-540	-687	1.3	-743	-543	-0.1	-58	-41	-1.1	-1 341	-1 270
Sweden............	0.6	88	-1 628	-1.1	-554	901	-0.4	-231	-67	-0.9	-694	-797
Switzerland........	-2.1	2 207	337	3.0	197	413	-0.7	11	94	0.2	2 416	843
Primary exporting countries..........	-14.2	182	457	-1.3	-366	-1 245	4.2	131	-528	-11.4	39	-1 314
Australia..........	0.1	2 109	-292	-2.3	-168	-490	-0.5	97	-175	-2.6	2 037	-956
Cyprus.............	-0.2	78	8	0.1	-54	31	0.1	11	-12	-0.1	35	27
Greece.............	-2.4	-11	-331	0.5	151	178	0.6	101	66	-1.2	242	-85
Iceland............	-0.2	8	113	-	4	5	-	-2	1	-0.2	11	120
Malta..............	-0.2	4	18	0.1	50	-52	-	-1	32	-	53	-2
New Zealand........	-0.5	-276	717	-0.7	3	-49	0.1	4	-18	-1.1	-269	649
Portugal...........	-2.0	317	-423	0.1	212	-372	1.1	-72	-65	-0.8	459	-861
South Africa.......	-0.1	-698	476	-1.5	-374	297	0.1	66	-38	-1.5	-1 005	735
Spain..............	-7.1	-346	-58	2.7	29	-824	1.1	1	-1	-3.2	-317	-883
Turkey.............	-1.8	-1 003	229	-0.3	-129	31	1.5	-74	-318	-0.6	-1 207	-58
Total developed market economies.	-25.0	30 588	-23 970	11.0	-3 221	4 827	-15.3	517	390	-29.3	27 888	-18 750

(Source on following page)

(Source of table 24)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.); Organisation for Economic Co-operation and Development, Main Economic Indicators (Paris).

Table 25. Developed marked economies: international reserves,[a] 1970, 1974-1976

Group and country	Reserves, end of period: Millions of dollars 1970	1974	1975	1976	Millions of SDR, 1976	Change during quarters, 1976 (millions of dollars): First	Second	Third	Fourth	Reserves, end of year as percentage of year's imports: 1970	1976
Major industrial countries	50 755	90 532	87 884	96 181	82 784	5 340	-474	2 752	682	31	20
Canada	4 679	5 825	5 326	5 843	5 029	501	158	147	5	33	14
France	4 960	8 852	12 593	9 728	8 373	-1 458	-1 531	-233	357	26	15
Germany, Federal Republic of	13 610	32 398	31 034	34 801	29 954	3 760	-1 470	1 710	-233	45	39
Italy	5 352	6 941	4 774	6 654	5 727	131	330	-155	1 574	36	15
Japan	4 840	13 519	12 815	16 605	14 292	1 368	1 214	1 092	116	26	26
United Kingdom	2 827	6 939	5 459	4 230	3 641	458	-615	-85	-987	13	8
United States of America	14 487	16 058	15 883	18 320	15 768	580	1 440	570	-150	34	14
Other industrial countries	15 489	29 977	34 434	36 129	31 098	-466	-155	-1 252	3 571	29	24
Austria	1 751	3 430	4 439	4 410	3 796	-51	15	-192	199	49	38
Belgium	2 847	5 345	5 799	5 206	4 481	-460	-130	-493	492	25	15
Denmark	484	935	877	915	788	320	-196	-388	302	11	7
Finland	460	634	470	498	429	-50	100	-23	2	17	7
Netherlands	3 241	6 957	7 109	7 387	6 358	171	-1 182	368	921	24	18
Norway	813	1 929	2 237	2 229	1 919	-125	162	-77	32	22	20
Sweden	761	1 736	3 077	2 491	2 144	176	44	-393	-413	11	13
Switzerland	5 132	9 011	10 428	12 993	11 183	-447	1 032	-54	2 034	81	88
Primary exporting countries	8 283	20 837	17 709	18 117	15 602	335	-1 015	1 064	33	34	27
Australia	1 693	4 269	3 256	3 170	2 728	-46	-27	74	-87	33	25
Cyprus	209	269	215	292	251	-1	38	42	-2	89	67
Greece	310	936	931	925	796	-41	-21	78	-23	16	17
Iceland	54	48	47	81	70	23	14	7	-10	34	17
Ireland	697	1 267	1 532	1 837	1 581	170	-161	139	157	43	44
Malta	158	402	500	622	536	-9	48	46	37	10	15
New Zealand	258	640	428	492	423	154	-147	6	51	21	15
Portugal	1 504	2 354	1 534	1 302	1 121	-137	-106	50	-29	95	31
South Africa	1 012	1 159	1 216	940	809	264	-459	-134	53	26	13
Spain	1 817	6 485	6 090	5 284	4 548	-184	-608	232	-246	38	30
Turkey	431	1 861	1 064	1 123	967	-162	11	146	64	45	22
Yugoslavia	140	1 147	896	2 049	1 764	304	403	378	68	5	28
Total, above	74 527	141 346	140 027	150 427	129 484	5 209	-1 644	2 564	4 286	31	21

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Including gold valued at SDR 35 per fine ounce, SDR positions in International Monetary Fund, and convertible foreign exchange.

Table 26. Developed market economies: changes in exchange rates of selected countries, against the dollar, 1970-1977

Country	Exchange rates, end of period (United States cents/currency unit)								Percentage change in exchange rate between mid-1971 and end of quarter				
									1976				1977
	1970	1971	1972	1973	1974	1975	1976	1977 (I)	First	Second	Third	Fourth	First
Australia	111.50	119.10	127.50	148.80	132.70	125.71	108.64	110.31	10.8	9.6	9.8	-3.6	-2.1
Belgium	2.01	2.23	2.27	2.42	2.77	2.53	2.78	2.73	27.4	25.3	32.3	38.3	35.9
Canada	99.89	99.78	100.44	100.42	100.89	98.39	99.09	94.63	4.0	5.7	5.2	1.4	-3.2
Denmark	13.36	14.17	14.61	15.90	17.70	16.19	17.28	17.09	23.4	21.9	27.7	29.5	28.1
France	18.12	19.14	19.51	21.24	22.50	22.29	20.12	20.12	18.1	16.4	12.0	11.0	11.0
Germany, Federal Republic of	27.41	30.60	31.23	37.00	41.50	38.13	42.33	41.86	37.7	35.8	43.5	48.0	46.4
Italy	0.16	0.17	0.17	0.16	0.15	0.15	0.11	0.11	-25.8	-25.8	-27.5	-28.7	-29.7
Japan	0.27	0.32	0.33	0.36	0.33	0.33	0.34	0.36	19.2	20.1	24.2	22.0	28.7
Netherlands	27.80	30.73	31.00	35.41	39.90	37.20	40.70	40.13	32.7	30.3	38.8	45.1	43.1
Norway	14.02	14.92	15.06	17.46	19.21	17.91	19.29	19.10	28.8	25.6	33.4	37.0	35.6
Sweden	19.36	20.58	21.08	21.80	24.51	22.80	24.23	23.82	17.2	15.9	20.4	25.0	22.8
Switzerland	27.17	25.54	26.50	30.83	39.37	38.17	40.81	39.33	61.7	65.7	66.9	67.2	61.1
United Kingdom	239.37	255.25	234.81	232.32	234.85	202.35	170.24	172.01	-20.8	-26.4	-30.7	-29.6	-28.9

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

Table 27. Developed market economies: current account balances, by groups, 1974-1976

(Billions of dollars)

Country group	1974	1975	1976
All developed market economies	-31	-3	-22
Major industrial countries (7)	-16	12	-2
Other industrial countries (8)	-2	-2	-5
Primary exporting countries (12)	-13	-12	-14
Surplus countries (5) a/	10	26	18
Deficit countries	-41	-28	-39
Major industrial (4) b/	-24	-9	-14
Other industrial (6) c/	-4	-7	-11
Primary exporting (12) d/	-13	-12	-14

Source: See table 24.

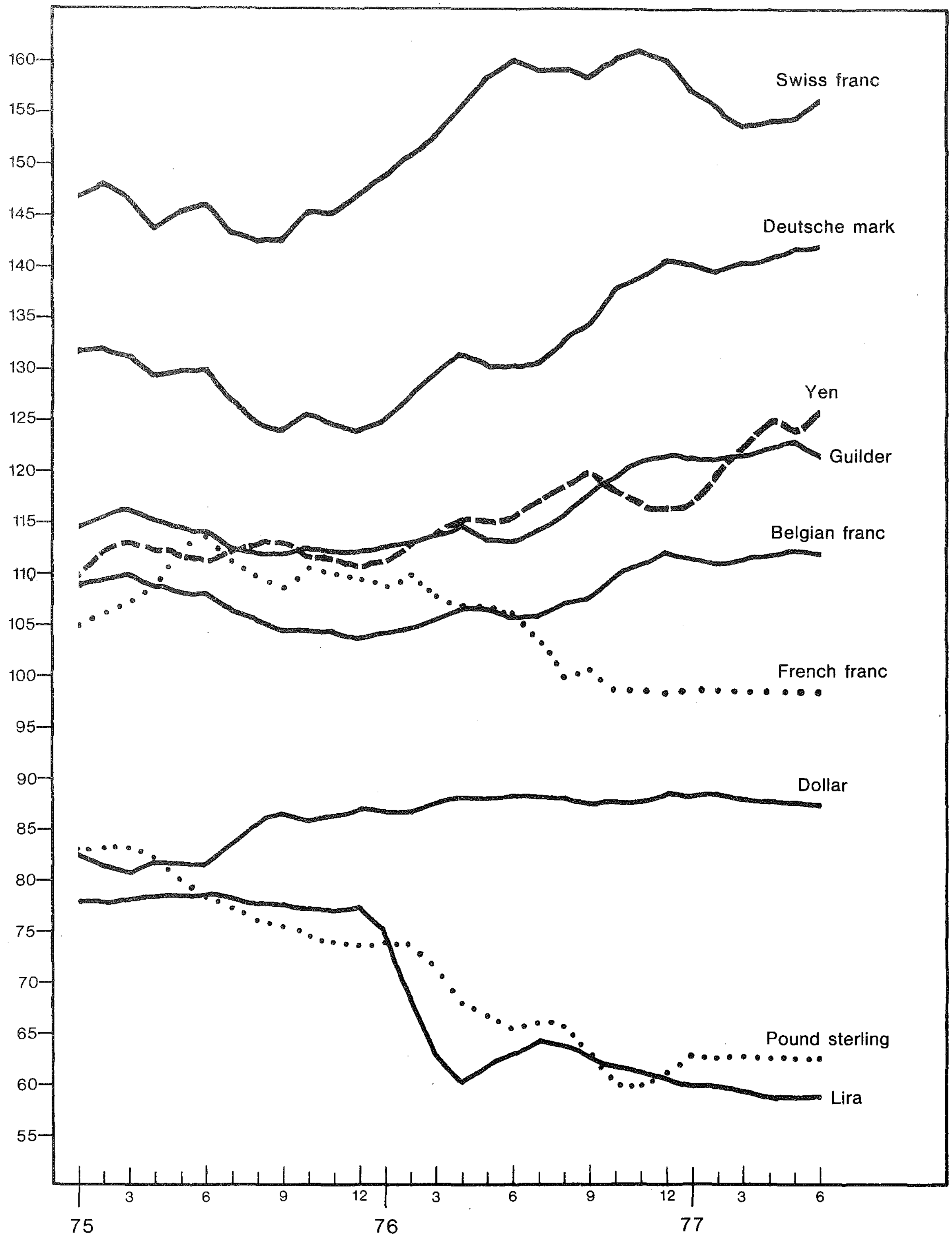
a/ The Federal Republic of Germany, Japan and the United States of America among the major industrial countries; the Netherlands and Switzerland among the smaller industrial countries.

b/ Canada, France, Italy and the United Kingdom.

c/ Austria, Belgium, Denmark, Finland, Norway and Sweden.

d/ Australia, Cyprus, Greece, Iceland, Ireland, Malta, New Zealand, Portugal, South Africa, Spain, Turkey and Yugoslavia.

Figure I. Exchange rates of the major currencies, trade weighted against 20 trading partners, 1975-1976



Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

Chapter II

ECONOMIC DEVELOPMENTS IN THE CENTRALLY PLANNED ECONOMIES

Eastern Europe and the Union of Soviet Socialist Republics

The first year of the new planning quinquennium, 1976, was a difficult one for many of the European centrally planned economies. The growth in output, though still substantial by world standards, was in most countries below planned rates and also below the trend values for the first half of the decade. A number of internal and external factors converged to bring about this result.

The agricultural situation clearly had a significant impact on over-all developments in 1976. Several countries experienced the second poor harvest in a row. In others - especially the Soviet Union - where the crop sector showed a large increase, livestock output declined owing to fodder shortages that occurred during the early part of the year as a result of the 1975 harvest failure. The severe agricultural setback will continue to affect some of the centrally planned economies into 1977 and 1978. Certain imbalances in the agricultural growth pattern of the first half of the decade - for instance, the expansion of livestock herds ahead of a sustainable fodder supply capacity - required adjustments that are reflected in the structure of development policy for the rest of the decade.

A second block of events of largely external origin and which significantly affected the 1976 outcome relates to the shifts in world raw material, and especially fuel, markets that occurred in 1973-1974. Because of the special price arrangements among the members of the Council for Mutual Economic Assistance (CMEA), the resulting massive changes in the terms of trade did not begin to affect the centrally planned economies seriously until 1975. The impact of these changes can be seen both in 1975-1976 developments and in the structure of the national five-year plans and CMEA programmes.

A new feature in the 1976 economic picture is the evident seriousness of the intention to constrain the growth of imports from non-socialist countries to a level below that of export growth in order to hold down the increase in the foreign debt. Though only partly successful in 1976 - the over-all deficit of the group appears to have been only slightly below the record 1975 level - this policy is bound to have significant implications for the structure of internal development in several of the East European economies.

In the balance of final uses of domestic resources, a very sharp deceleration of investment growth was a notable feature in the 1976 development of all countries except the German Democratic Republic. While the change was in accord with the priorities of the new five-year plans, in several countries the shift seems to have been rather sharper than intended.

Production and supplies

Total output (real net material product) of the centrally planned economies of Eastern Europe and the USSR increased by 5.3 per cent in 1976, about the same rate as in the preceding year. National income grew by 5 per cent in the Soviet Union, slightly faster than in 1975 (4.5 per cent), and by an average of 6 per cent (as against 7.5 per cent in 1975) in the Eastern European socialist countries. 37/ The range of growth rates was from 3 per cent in Hungary to 10.5 per cent in Romania (table 28). In general, higher rates were achieved in the less industrialized economies, indicating continued gradual narrowing of the relative gap between them and the more highly developed members of the group.

The 1976 national plans were generally scaled down not only as a result of input constraints, the influence of two poor harvests and an unfavourable external economic environment but also as part of the effort to raise efficiency and improve the composition and quality of output, which is a central feature of the medium-term development programmes for the second half of the decade. The slowdown in over-all growth in the first year of the 1976-1980 plan was hardly dramatic, but it is significant that almost all these economies (except Romania) lagged behind the plan schedules. The under-fulfilment of goals was mainly the result of the weak performance of the agricultural sector, which in most of the Eastern European countries was severely affected by unfavourable weather conditions in the 1976 growing season, and of a slowdown in the construction sector in most countries. The stronger performance of industry could not make up for these shortfalls, and the share of the industrial sector in national income appears to have been higher than during the preceding years and higher than planned or expected.

Industry

The industrial output of the group was 5.7 per cent above the level of the preceding year. Though the growth of output was above the plan target, the rate of increase was well below the almost 8 per cent achieved both in 1975 and during the first half of the decade. Soviet industry exceeded the relatively low goals of the plan, with a rate of growth of 4.8 per cent. The increase in the industrial output of the East European socialist countries (7.9 per cent) was in line with the average planned for 1976-1980, but below that of the preceding year (8.8 per cent). The targets of the annual plan were over-fulfilled in Poland and Romania and were met in Czechoslovakia and the German Democratic Republic. In Bulgaria and Hungary the increase in industrial output was below the plan target (table 29).

For the group as a whole about 80 per cent of additional output stemmed from gains in labour productivity, which have become the major source not only of industrial expansion but also of over-all economic growth, reflecting the gradual transition to a pattern of more intensive growth in these countries. Sharply accelerated gains in labour productivity (9-10 per cent) were registered in Poland and Romania. In the Soviet Union there was a 3.3 per cent productivity gain, which though in accordance with the plan, was substantially below trend, reflecting the dip in output growth (table 30).

There were some significant shifts in the structure of industrial output. Though the degree and the direction of change varied from country to country depending on the level of economic development, the internal and external economic situation, and the economic policy pursued, some changes were common to the group as a whole.

37/ Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland and Romania.

Besides the slight reduction in industrial growth - in general in line with the annual national plans - in almost all countries differences in the expansion in output between capital goods and consumer goods widened more than planned. This stemmed in part from the weaker than planned performance of agriculture and, consequently, of the related light and food industries, and in part from the over-fulfilment of planned targets in some of the branches of heavy industry.

The production of basic fuels (petroleum, natural gas and coal, aggregated in terms of coal equivalents) in the European CMEA countries increased by an estimated 5.4 per cent, somewhat above the trend for the first half of the decade (4.8 per cent) and at about the same rate as net material product. Though no data are available on the growth of consumption, the fuel balance of the region is likely to have improved in 1976 by virtue of a scissors movement between the growth of supplies and requirements, and possibly by improved energy utilization patterns, which are strongly stressed in the five-year plans. Output of natural gas increased by 11 per cent - mainly reflecting growth substantially above the plan target in the Soviet Union - to a total of 356 billion cubic metres. The output of crude petroleum increased by 6 per cent, and the production of coal by 1.4 per cent. With a total output of 529 million tons, most of it (509 million tons) in the USSR, the area accounted for about 19 per cent of world oil production. The expansion of coal output, which is to accelerate under the five-year plans in most countries of the group, lagged behind plan targets in the USSR and several Eastern European countries. However, in Poland, the main producer in Eastern Europe, the 4.5 per cent growth in output exceeded the plan figure (3 per cent).

As a result of the differing development of the various energy sources, the structure of fuel production shifted further in favour of oil and gas, which now provide over 60 per cent of the basic fuels produced in the area. 38/

38/ Eastern Europe and USSR: change in the structure of basic fuel production, 1970-1976

	Output a/			Structure (per cent)		
	1970	1975	1976	1970	1975	1976
Petroleum	522.1	713.6	756.5	36.0	38.9	39.2
Natural gas	260.1	380.8	423.6	18.0	20.8	21.9
Hard coal	490.5	556.5	570.4	33.8	30.4	29.5
Brown coal	176.6	181.4	181.5	12.2	9.9	9.4
Total	1,449.4	1,832.3	1,932.0	100.0	100.0	100.0

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national plan fulfilment reports, Press-Biulleten' Sekretariata SEV, No. 2 (Moscow, 1977), and Statisticheskiiezhegodnik stran-chlenov SEV 1976 (Moscow, 1976).

a/ Millions of tons of standard coal equivalent. Standard "coal equivalent" coefficients: petroleum 1.43; natural gas 1.19; hard coal (average, all grades) 0.8; brown coal 0.3.

Electricity generation increased by 7 per cent both in the Eastern European countries and the USSR, thus maintaining the trend rates for the first half of the decade. Output growth accelerated notably in Bulgaria, with a 10 per cent increase, and was substantial also in Romania (9 per cent). In some other countries, however, expansion was below plan or insufficient to meet requirements and measures to reduce consumption were introduced.

Ferrous and non-ferrous metallurgy generally expanded at relatively modest and in most cases below-trend rates; accelerated growth occurred only in the less industrialized countries of Eastern Europe (Bulgaria and Romania). Thus, in the European socialist countries as a group, steel output increased by 3.2 per cent as against a 4.3 per cent average annual increase in 1971-1975, while in Bulgaria growth accelerated from 4.7 per cent in the first half of the decade to 8.7 per cent in 1976, and in Romania from 7.9 per cent to 12.1 per cent.

Growth of the construction material sector appears to have been lower for the group as a whole than in recent years, in keeping with the slowing trend in investment activity and the stress in national development plans on increasing the share of machinery and equipment in over-all investment expenditures.

Rates of increase above the industrial average were generally attained in the chemical and petro-chemical branches, though here too growth in output slowed down in most countries in the group. Continued strong growth was registered in the production of plastics and synthetic resins, which increased by roughly 12 per cent in 1976 (as against 10.9 per cent in 1971-1975). Production of synthetic fibres and threads grew by almost 7 per cent. Output of mineral fertilizer, a key input into the agricultural development programmes of the region, increased by only 5 per cent, sharply down from the 10 per cent annual increase in 1971-1975, reflecting a sharp deceleration in Soviet output from an 11 per cent average increase to 2 per cent in 1976.

Within the engineering industry there was a general shift in favour of more sophisticated machinery and equipment. The over-all increase achieved by the group in the machine-building and metal-working sector in 1976 was about 10 per cent. This figure was exceeded in Bulgaria (13 per cent) and in Romania (12 per cent). Some branches of the sector grew more rapidly: thus, in Poland the production of metal-working machine tools increased by 20.7 per cent, in the German Democratic Republic the production of metal-cutting tools grew by 17.7 per cent, and in the USSR the output of computer equipment and spare parts and of petroleum apparatuses increased by 22.0 per cent. In several countries output of agricultural machinery also increased at above-average rates - by 12 per cent in Poland, for example, and by 10.8 per cent in Czechoslovakia. The output of consumer durables appears to have increased at relatively modest rates in the Soviet Union, but at above-average rates in several of the Eastern European countries (the German Democratic Republic, Poland and Romania).

The expansion of the food industry and, to a less extent, other light industries slowed down sharply in most countries belonging to the group, mainly in consequence of the harvest setbacks of 1975 and 1976. However, growth accelerated significantly in Bulgaria and Romania, which were not affected by the droughts that hit the northern part of Europe in 1976. In the Soviet Union, where the 1976 harvest was good, it was the preceding years's harvest setback that reduced the supplies of livestock products and industrial crops (oil-seeds, sugar beet) to industry and brought about a virtual halt in sectoral growth.

Construction

In all countries the growth in construction output in 1976 was lower than in 1975 and over the first half of the decade. The slowdown, generally anticipated in the plan but in some cases steeper than expected, was especially marked in Poland (from 13 per cent in 1975 to 6 per cent in 1976) and in the USSR (from over 6 to about 3 per cent). The sluggish performance of the sector seems to have been one of the main reasons for the marginal under-fulfilment of the planned target on national income growth in the USSR. Construction appears to have been relatively weak also in Romania, which failed to attain most of the physical targets involved construction in the non-productive sphere.

Output increases in 1976 were in most countries obtained to a larger degree than in any preceding year through improvements in labour productivity. In Bulgaria and Poland, employment in the sector declined, and in Hungary the labour force remained at the 1975 level, so that the growth in output (4 to 6 per cent in the three countries) was entirely due to productivity gains.

Below-plan growth in the building materials industry suggests that in some countries the reduction in construction growth was caused by supply bottle-necks. However, it was also in keeping with the tenor of policy in the investment sphere, which in all countries in order to shorten the investment cycle emphasized the completion of projects in progress over new investment starts and the modernization of existing production units over the construction of new facilities. In an environment of reduced over-all investment growth, this policy would tend to lower the growth rate of construction volume while raising the share of investment in machinery, equipment and other non-construction installations in total investment outlays. Data on investment structure in 1976, however, are not sufficiently complete to indicate to what extent this pattern was actually attained.

Agriculture

The economic results achieved in the centrally planned economies would have been much better in 1976 had it not been that agricultural performance was seriously affected by adverse weather conditions during the growing season in some countries and by the after-effects of the preceding year's crop failure in others. Gross agricultural output of the region increased by 3 per cent in 1976, after two years of absolute decline. The increase was 4 per cent in the Soviet Union, following a 6 per cent downturn in 1975, and an average of about 1 per cent in the Eastern European socialist countries. The latter increase was entirely attributable to very strong growth in Romania (17 per cent) and a more modest increase in Bulgaria (3 per cent) which offset the fact that production was below 1975 levels in all other countries in the group (table 31).

An extended period of drought and very high temperatures during the spring and summer of 1976, followed by an abnormally cool harvesting period with excessive rainfall in some places, severely hampered crop production in the western part of the region - Czechoslovakia, the German Democratic Republic, Hungary and parts of Poland. For Czechoslovakia and the German Democratic Republic this was the second dry year. Weather conditions were more favourable in the Balkan countries and - especially in comparison with 1975 - in the USSR, though in parts of the latter country a wet fall and early frosts shortened the harvesting period and required special efforts to salvage the crops. Bumper crops were attained in Romania and in the Soviet Union, where total crop output may have increased by as much as 25-28 per cent over the depressed 1975 level. In all countries the output of livestock products grew much less than in recent years, and in Poland and the USSR it declined substantially, owing to fodder shortages that resulted from the 1975 harvest failure.

In spite of the harvest setbacks in the drought-stricken northern tier countries the total grain production of the region increased to a record level of 302 million tons. Output in excess of all previous peaks was achieved in the USSR with a harvest of 224 million tons, 60 per cent above the 1975 level and 23 per cent above the average for the first half of the decade, and also in Bulgaria and Romania (20 million tons - 34 per cent above the 1971-1975 average). In Poland, grain production increased by some 6 per cent over the preceding year, but remained below the earlier peaks, and in the other countries output stagnated or declined. Yields increased slightly in the Eastern European countries (from 28.6 quintals per hectare in 1971-1975 to 30.5 quintals/ha in 1976) and very substantially in the USSR (from 14.7 to 17.5 quintals/ha).

The output of other crops showed a similar pattern, with substantial reductions in Czechoslovakia, the German Democratic Republic and Hungary - where the root and fodder crops appear to have been affected by the drought more seriously than were the grains - being largely offset by gains in the other countries. The output of potatoes and vegetables appears to have been approximately at the 1975 level for the group as a whole, but a large increase - 30 per cent over 1975 and 25 per cent above the 1971-1975 average - was registered in the production of sugar beet, reflecting record crops in Bulgaria, Poland, Romania and the USSR.

Animal production, as noted above, was affected by the difficult fodder situation of the 1976 pre-harvest period even in those countries in which bumper harvests were reaped in that year. Meat output declined by 6-10 per cent in Hungary, Poland and the USSR, and state procurements of meat went down, though to a less degree, in Czechoslovakia and the German Democratic Republic. Only in Romania and perhaps Bulgaria did meat production increase. Milk output held up a little better: by virtue of 6-8 per cent increases in Hungary and Romania it probably increased slightly in Eastern Europe as a whole, but in the Soviet Union it fell by almost 2 per cent. Egg production also was slightly up in Eastern Europe but down (by 3.2 per cent) in the Soviet Union.

Over-all the output of the livestock sector appears to have increased significantly only in Romania. It seems to have grown modestly in Bulgaria, stagnated or declined slightly in Czechoslovakia, the German Democratic Republic and Hungary, and dropped substantially - by 8.2 per cent - in Poland, and probably by a similar amount in the USSR.

In order to protect the production capacity of the livestock sector during the two years of poor crops and strained fodder balances, the countries of the region went to considerable lengths to avoid or at least to minimize significant reductions in herds. Imports of grain and other feed assumed substantial dimensions in the USSR and several Eastern European countries. In Poland, for instance, the supply to agriculture of feed grains and concentrates exceeded domestic crops by 9 per cent in 1974/75 and by 19 per cent in 1975/76. 39/ Despite

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39/ Wiadomości statystyczne, No. 4 (Warsaw, 1977), p. 7.

these efforts some reduction in herd size could not be avoided in several countries. In Hungary and Poland, for example, at the end of 1976 cattle numbers were more than 6 per cent below the end-1974 level. However, owing to a small increase in the USSR and substantial growth in Bulgaria and Romania, cattle herds were slightly (0.5 per cent) larger in the region as a whole. The number of pigs, on the other hand, declined by about 10 per cent between end-1974 and end-1976. In the USSR, however, herds began recovering in 1976: in the course of the year they increased by 9 per cent, though the end of 1976 left them still 13 per cent below end-1974 strength. The greatest reduction occurred in Poland, where the fodder situation was especially tight in the wake of the simultaneous decline in 1975 of grain and potato crops (which normally move in opposite directions): at the end of 1976 herds were 23 per cent below the level of two years earlier, and pig meat supplies are likely to remain depressed through 1977 and into 1978. Besides the physical shortage of feed, price interactions in the largely private agricultural sector and a delayed response on the part of state purchasing agencies also contributed to the running down of herds. Rising feed-stuff prices eroded the profitability of hog-raising in 1975/76, but it was not until July 1976, when the summer census revealed the extent of the decline in pig numbers, that state procurement prices were raised. Farm costs, however, appear to have risen even more and herd-culling continued in the latter part of the year. 40/

Employment

In 1976 the growth of output in nearly all centrally planned economies - with perhaps the exception of Bulgaria and Romania - was generated largely through the more effective use of fixed assets and as a result of organizational and other improvements that significantly increased labour productivity. Fresh recruits to the labour force continue to add only marginally to total employment. While the centrally planned economies have not encountered problems in maintaining full employment, assuring the reallocation of labour resources into priority or bottle-neck sectors appears to pose recurrent difficulties. In the face of a continuing tendency for labour-hoarding on the part of enterprises, partly owing to an uneven pace of production and the need to maintain spare capacity to catch up on targets in the last days of a plan period, some of the Eastern European countries - especially Hungary and Poland - seem to have encountered problems in filling vacancies where most needed.

Though total employment in Eastern Europe and the Soviet Union did not change much, in some countries - Bulgaria, Romania and the Soviet Union - the distribution of the labour force shifted in favour of wage employment - that is, primarily from the co-operative and private agricultural sectors to the state sector. This shift was apparently most pronounced in Romania, where the number of workers and employees increased by 4.1 per cent, though the target set for 1976 was not attained. Growth in wage employment was also rather substantial in the Soviet Union (2.1 per cent).

40/ The ratio between the procurement price of a kilogram of pork and the farm market price of a kilogram of a representative composite of feed-stuffs started to decline in the winter of 1975 from the level of 14-15, which had prevailed throughout the expansion period since 1970/71, to about 9 by August 1976, owing to steep increases in fodder prices. Even in February 1977 this ratio was still below the level of the earlier years. See Wiadomości statystyczne, No. 4 (Warsaw, 1977), p. 8.

Among countries that have released data for 1976, employment remained unchanged in Hungary and increased only marginally (0.9 per cent) in Poland. In that country a significant increase in the service sector would seem to have occurred, for industrial employment increased much less than planned (0.5 per cent as against the 1.4 per cent target), and the construction labour force decreased by 1.6 per cent.

Resource use and internal balance

Aggregate demand policies in the centrally planned economies of Eastern Europe and in the USSR in 1976 reflected the impact of external developments and the lingering effects of the generally poor agricultural performance in 1975 and, in some countries, 1976. In nearly all countries, improvement of the external balance took precedence over other considerations. Although moderate to high rates of growth in output were achieved in the socialist countries of Eastern Europe, domestic claims on resources appear to have been deliberately curtailed in an effort to forestall a further increase in trade deficits beyond the record 1975 levels. Nevertheless, internal balance between available and required resources could be assured only through substantial net imports which, together with a worsening of the terms of trade of several countries, caused deficits larger than planned. In all countries, efforts to maintain continued growth in levels of living in the face of reduced output growth imposed pressures on domestic markets.

Price developments in foreign markets - especially those emanating from the annual revision in intra-CMEA trade prices after the ending in 1974 of the prolonged period of relative price stability - affected particularly the raw materials and fuel importers of Eastern Europe. Pressure on domestic price levels also developed in several centrally planned economies, owing to a combination of long-term and short-term internal causes. Short-term pressures arose in the wake of poor agricultural outputs, especially in the northern tier of Eastern Europe. It also became increasingly costly to adhere to the long-term price stabilization policies practised in most countries of the region, especially in the light of the goal of greater efficiency in resource use. None the less in most countries the centrally regulated price-setting systems succeeded in maintaining price stability in consumer markets during the year. Adjustments in wholesale prices, though generally larger than in consumer prices, were held within the framework of planned price revisions, as called for under the policy guidelines of the current medium-term plans.

Structure of final uses

In the allocation of national product to final uses there seems to have been a tendency to decrease the share of net investment, partly in order to contain the impact on real consumption levels of the unfavourable external and internal forces affecting output. Though in several countries consumption grew less than planned, on the whole it expanded at rates surpassing income growth. At the same time, there appears to have been a considerable slowdown in the expansion of accumulation. In Hungary, indeed, the real value of the accumulation fund actually declined.

Gross investment expenditures

Except in the German Democratic Republic, the rate of expansion of gross fixed capital formation was markedly below the 1975 figures and the 1971-1975 average. In the German Democratic Republic, the increase (8 per cent) was above both earlier rates and the increase in national income. 41/ Investment increased more than national income in Czechoslovakia also. In most countries, plan targets, which in some cases were very ambitious (e.g., 19.4 per cent in Romania) but elsewhere were already drastically compressed below previous levels, were not attained. Exceptions were the German Democratic Republic, where targets were substantially surpassed, and the Soviet Union, where the investment plan was largely fulfilled (table 32).

In the investment plans for 1976 the major emphasis was put on the completion of projects in progress, the modernization of existing facilities, and, in some countries, on increasing the domestic supply of energy carriers and raw materials in an effort to keep the rising import bill within manageable proportions. 42/ The larger than planned deceleration in the growth of gross fixed investment expenditures in a number of countries actually reinforced these priorities. Although some new investment projects were initiated, in nearly all countries of the region plans for investment expenditures on machinery and equipment were generally over-fulfilled, while expenditures on construction projects fell below target. In some countries, as noted earlier, this latter shortfall also stemmed from bottle-necks in the construction sector. Since not all undertakings initiated in the preceding five-year period had come to fruition by 1975, pent-up investment demand was actually very large. In Poland, for example, claims on investment funds for completing projects in progress at the end of 1975 amounted to some 670 billion zlotys, a magnitude equal to about one half of 1975 national income. 43/

The planned decrease in the stock of investment projects in progress enunciated in nearly all plans for 1976 was realized only in some countries. In Czechoslovakia, the value of new capital assets put into operation exceeded current investment expenditures by more than 7 per cent, indicating a measure of progress in this endeavour. In other countries, however, in spite of improvements in the concentration of efforts on priority projects, the stock of unfinished investment undertakings appears to have increased substantially (as in Bulgaria) or more than planned (as in Romania).

Delays in completing projected new capacity occurred throughout the region, apparently in large measure owing to bottle-necks in the construction industry. Nevertheless, in all countries significant new capacity became operational and contributed to the output stream. New investment starts appear to have been concentrated especially in the bottle-neck sectors of energy and raw materials supplies, as well as in the chemical and machine-building industries.

41/ Total investment expenditures in the German Democratic Republic include current investments in CMEA joint projects. Domestic gross fixed investment expenditure increased less - 6.8 per cent.

42/ In the German Democratic Republic, for example, the share of investment expenditures devoted to fuels and raw materials amounted to 57 per cent of the total outlay of the industrial ministries, which itself was substantially higher than in previous years.

43/ Based on data in Wiadomości statystyczne, No. 12 (Warsaw, 1976), p. 4 and Rocznik statystyczny 1976 (Warsaw, 1976).

Income, wages, levels of living

Judging from such partial indicators as are available, consumption, while growing less than in preceding years, appears on the whole to have expanded faster than total resource use in 1976. Aggregate money income generally grew at or above the planned rates and, in the context of the sluggish performance in the production of consumer goods and restrained imports, this tended to exert pressure on retail markets, where the volume of supplies increased at appreciably lower rates in several countries.

The increase in material production was accompanied by a relatively high growth of personal income. In nominal terms, total disposable personal income increased in 1976 at rates ranging from 4 per cent in the German Democratic Republic to almost 12 per cent in Poland, generally moving above planned increases. Although in some countries - especially Hungary and Poland - part of this gain was eroded by price increases, in all cases a positive growth in real disposable income was registered.

Per capita real personal income, 44/ while on the whole not growing as much as planned, nevertheless expanded in 1976 at a substantial rate. In some countries - especially the German Democratic Republic - this increase ran well ahead of the growth of net material product (table 33). The smallest increase was registered in Hungary (1 per cent), the largest in Romania (8.5 per cent). Owing to the continued efforts of the centrally planned economies to increase the share of social elements in consumption, *per capita* real income tended to expand faster than average real wages or average labour income. In some countries, however, the income of the peasantry increased faster than average wages, largely because of good harvests but also because of revisions in procurement prices. As a result, the growth rate of labour income exceeded that of social benefits. 45/ Nevertheless, in most countries the total volume of transfer payments and free social benefits increased rapidly: by 7-9 per cent in Bulgaria, Czechoslovakia, Poland, Romania and the USSR, and by 13-14 per cent in the German Democratic Republic and Hungary. Direct monetary transfers generally increased faster than the total.

Average wage increases were below planned targets in Czechoslovakia, Hungary and Romania. Actual increases, however, were in some instances substantial - 8.3 per cent (nominal) in Romania, as against 11.7 per cent planned, and 4.6 per cent in the German Democratic Republic (table 33). Poland planned to restrain the growth in the over-all wage bill to less than 8 per cent - well below the 1970-1975 average of about 14 per cent - by holding down the growth of both

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44/ In addition to cash income from labour and transfer payments, this concept covers labour income in kind and the value of social, health and educational services rendered free of charge.

45/ Thus, in Romania the money income of the peasantry from labour payments by the co-operatives and sales of produce to the State increased by 11.6 per cent, while the growth of the social consumption fund was 8.4 per cent. (Owing to the continued redistribution of manpower in favour of wage employment, *per capita* increases in peasant money income were probably larger.) In Poland, peasantry net money income increased by 19 per cent, as against 10 per cent for wage income and 16 per cent for monetary transfers.

employment and nominal wages. While the former target was achieved, nominal wages increased by 8.6 per cent (as against 5.6 per cent planned) and total wage income by more than 10 per cent. Though price changes were also larger than anticipated, the 3.8 per cent increase in average real wages was still slightly higher than the plan figure (3.5 per cent). Also in the Soviet Union, average wages increased faster than planned (3.6 per cent against 2.7 per cent). Nominal wage increases in some countries, especially Hungary, resulted from government measures designed to compensate workers and employees for planned price increases. 46/ In other countries - especially in Czechoslovakia, the German Democratic Republic and Poland - minimum wage levels were adjusted upwards. In addition, wage increases in the German Democratic Republic resulted from a wider use of the new reward system, whereby wage incentives are directly linked to productivity. The authorities hope to broaden the coverage of this experimental system of rewards for above-plan performance and for submitting counter-plans that surpass the centrally set targets. 47/

In most countries, these wage increases were accompanied by measures to narrow inequalities in income. Generally, above-average increases in the minimum wage or the wage norms for low-paid groups were used to achieve this end. Income inequalities were also reduced by means of increases in social benefits, which form a substantial component of the disposable income of lower- and middle-income families. 48/ In all Eastern European countries, however, the gains in real *per capita* income and in average wages remained well below the growth of labour productivity in industry and construction, whereas in the Soviet Union average income and wages increased slightly faster than labour productivity.

Levels of living in Eastern Europe and the Soviet Union were also enhanced by new housing construction, although 1976 targets could not in all cases be fulfilled. In the German Democratic Republic the expected deceleration in the volume of new construction and renovation of older housing units did not take place, and in Czechoslovakia and Hungary, where residential construction was below 1975 levels, the plan was over-fulfilled.

Retail trade

The volume of retail sales of goods and services, measured in constant prices, expanded at rates ranging from 1.4 per cent in Hungary to more than 8 per cent in

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46/ The mid-year meat price increase in Hungary - 30 per cent on the average - was coupled explicitly with income compensation to reduce its effect on the level of living.

47/ For each percentage point increase over the centrally set output target offered in the counter-plan, the premium fund will increase by 2.5 percentage points, and by 0.8 per cent for each percentage point increase over centrally set profit levels. See *Neues Deutschland* (Berlin), 24 February 1977.

48/ In Hungary, for example, the share of transfers in total money income was 18.9 per cent in 1976, as against an average of 15.8 per cent in 1971-1975. See *Statisztikai havi közlemények*, No. 1 (Budapest, 1977), p. 59. The corresponding figures for Czechoslovakia were 19.2 per cent in 1976 and 18.4 per cent in 1971-1975. See *Statistické přehledy*, No. 3 (Prague, 1977), p. 81.

Poland and Romania (table 33). Except in Poland and Romania, the rate of increase tended to be well below the average growth in preceding years; except in Hungary, it was also below the growth in total money income of the population. Plan targets were attained or surpassed in Czechoslovakia, the German Democratic Republic and the Soviet Union, but not elsewhere. Services on the whole expanded more sluggishly than did the turn-over of goods, though in Poland the expansion of services equalled that of total retail sales. In real terms, sales of food-stuffs generally grew more slowly than those of consumer durables. 49/

The failure of retail sales to reach planned levels in several Eastern European countries was caused by varying combinations of the following factors: (a) slow output growth in some branches of light industry; (b) the slowdown in imports, especially of consumer goods; (c) short-comings in overcoming difficulties in food-stuff markets, stemming partly from the weak agricultural performance in 1975 and 1976 and exacerbated by export commitments or by determined efforts to reduce the import gap; 50/ and (d) short-comings in the adaptation of supply structure to consumer demand. In Eastern Europe, the over-all market balance appears to have improved, especially in Czechoslovakia and the German Democratic Republic, where consumer supplies expanded faster than money income. 51/ This was also the case in the Soviet Union.

In spite of significant improvements in the over-all consumer market situation, imbalances persist in most countries in the structure of supply and demand, especially in the case of high-quality consumer durables. New imbalances arose in 1976 under the strains emanating from the weak agricultural performance and the need to cut back trade deficits. Market strains were particularly pronounced with respect to livestock products in Poland, where fodder shortages and a cost-price squeeze at the farm-gate had led to a supply reduction, while demand - at frozen prices - continued to grow in prices - continued to grow in pace with rising incomes. The market situation for meat also continued to be tight in Hungary and

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49/ Owing to differences in price adjustments for food-stuffs and durable consumer goods, which in some centrally planned economies (e.g. Hungary) were substantial, it is difficult to compare growth rates based on current value data.

50/ Thus, in spite of the temporary difficulties in the meat and sugar markets, Poland increased sugar exports considerably in 1976 (to 326,000 tons as against 67,000 tons in 1975) and maintained relatively high export levels of meat in the first half of the year. Subsequently, meat exports were drastically curtailed, and for the year as a whole total exports amounted to 48,000 tons, as against 91,000 tons in 1975. See Mały rocznik statystyczny 1977 (Warsaw, 1977), p. 205.

51/ However, the growing role of long-term savings in financing purchases of durable consumer goods and private housing construction makes it difficult to draw conclusions with respect to market balance from a comparison of money income and volume of retail trade. In 1976, savings deposits grew rapidly in Czechoslovakia (11 per cent), Poland (10 per cent) and the Soviet Union (13 per cent) the Soviet Union. 52/ Furthermore, poor weather conditions for root crops and fresh vegetables also caused problems in supplying markets, especially in the German Democratic Republic, Hungary and Poland. In the Soviet Union, some problems appeared in balancing the market for fresh citrus and other fruits.

Prices and price policies

Though it is difficult to separate planned price adjustments from ad hoc price changes undertaken in 1976 in response to market imbalances, it should be recalled that most centrally planned economies prepare and implement price revisions according to the policy guidelines formulated in the medium-term plans. Intentions under the current (1976-1980) five-year programmes with respect to prices of producer goods differ markedly from those for consumer goods. Prices of producer goods are to be readjusted in order to narrow the gap between transaction prices and domestic production costs, including the real cost of imports. In some countries (e.g. Czechoslovakia and the German Democratic Republic), this adjustment is a discontinuous operation: revised prices, once established, remain valid for a number of years - at least during the current five-year plan. In other countries, especially in Hungary and, to a less extent, in Poland, more or less continuous adjustments are undertaken.

While most of the countries in the group also planned changes in the prices of consumer goods, the range of products for which revisions were slated in 1976 and the size of the adjustments contemplated differ considerably. In some countries (e.g. Czechoslovakia, the German Democratic Republic and the Soviet Union), the policy guidelines called for more or less stable prices for basic food-stuffs, manufactured consumer goods and services. In other countries, it is stated policy to change the retail prices of a broad range of consumer goods and services in order to reduce gradually the role of government subsidies in retail prices and to enhance the allocatory function of prices in retail markets.

Apart from planned price revisions other policy instruments were used to encourage substitution in consumption in order to alleviate temporary market imbalances. Some countries resorted to price increases (as for meat, sugar and vegetables in Hungary), while others preferred temporary rationing (as in the case of coal and sugar in Poland) 53/ or succeeded in inducing substitution by non-price incentives (as in the German Democratic Republic). Serious efforts were made to expand the domestic supply of high-quality consumer durables (as in the German Democratic Republic) or to encourage demand for domestically produced goods (as in Poland) to absorb purchasing power or to replace imports.

52/ In Poland, per capita meat consumption was slightly lower in 1976 than in 1975, after a period of rapid growth - by 5.8 per cent annually - in 1970-1975. See Mały rocznik statystyczny 1977 (Warsaw, 1977), p. xxvii. In Hungary, meat consumption declined by 6.4 per cent, probably in response to price increases that averaged 15.8 per cent. See Statisztikai havi közlemények, Nos. 2-3 (Budapest, 1977), pp. 97-99)

53/ In view of the shortage of meat products caused by the poor fodder harvests, several countries (e.g. Poland and the Soviet Union) declared a "meatless day" in restaurants and cafeterias. To abort the speculative hoarding of sugar that developed in Poland in mid-year, the authorities split the market into a rationed one, which allowed for an ample supply of sugar for current consumption and an uncontrolled segment in which sugar was available at a higher price. This uncontrolled market seemed to operate chiefly as a deterrent to further hoarding.

Increases in the consumer price level in the centrally planned economies were small compared with those observed in the rest of the world, but were none the less substantial by historical standards in some of these countries. The largest retail price increases occurred in Hungary (5 per cent) and Poland (5.3 per cent), both well above the rate of increase in the preceding five-year period. In Hungary, retail price increases were especially high for food-stuffs. 54/ In the other countries of the region the changes were small, probably amounting to fractions of 1 per cent, up or down.

In Poland, however, policy makers clearly intended to adjust consumer prices to more realistic levels early in the current medium-term plan - an important policy shift away from the price freeze for essential goods and services maintained since the mid-1960s. The especially rapid rise in purchasing power in Poland under conditions of a still relatively high income-elasticity of demand for food had increasingly taxed the country's capacity to maintain balance in consumer markets, while the need to raise farm-gate prices to elicit additional output had lifted unit cost of food-stuffs far above retail price levels. The first round of consumer price adjustments was announced in mid-year, with very substantial increases for a number of basic food-stuffs, such as meat and sugar, which would have raised the cost of living by some 16 per cent. Even though, as in Hungary, these adjustments were coupled with income compensation, the large magnitude of the price increases evoked broad and in some places violent objections, and the planned measures were suspended until more detailed studies on the economic and social effects of an altered price structure could be completed. Some price movements took place none the less, partly in the state sector and more substantially in the private farmers market, but the over-all increase in the cost of living was held down to 4.5 per cent. 55/ The urgency of reforming the consumer price structure continues to be great, however, and the issue remains one of the most difficult problems on the Polish economic policy agenda.

In the Soviet Union, where basic food-stuff prices were kept unchanged and seem unlikely to be revised in the near future, 56/ a more flexible price mechanism, under which taxes and subsidies can be redistributed in response to changes in markets, is apparently being contemplated for manufactured consumer goods. New prices were announced for a number of consumer goods and services, effective January 1977, with some prices being scaled upwards (e.g., some types of books, taxi and air transportation fares, and custom tailoring), while others were reduced (e.g., some household equipment, medicines and textiles). The net effect of the revisions on the retail price index will probably be small.

54/ Food prices increased by 5.7 per cent, but for some components the prices were much larger: 16 per cent for meat, 22 per cent for sugar, 17 per cent for seasonal products (with very wide fluctuations through the year). The prices of textile products rose by 4.8 per cent and those for non-textile manufactures by 5.1 per cent. See Statisztikai havi közlemények, Nos. 2-3 (Budapest, 1977), p. 64.

55/ Retail prices for goods and services increased by an estimated 5.3 per cent over-all (as against 6.6 per cent in 1974 and 2.9 per cent in 1975), but the updrift was much stronger (13.3 per cent) in non-consumption items (mainly building materials and agricultural inputs sold to the private sector) than for consumer goods and services (4.2 per cent). Food prices increased by 4.5 per cent over-all - less than 3 per cent in the socialist retail network and almost 20 per cent on farmers markets - and prices of industrial consumer goods by 6 per cent. See Mały rocznik statystyczny 1977 (Warsaw, 1977), p. 226.

56/ Ekonomicheskaia gazeta, No. 3, (Moscow, 1977), p. 17.

The maintenance of stable or slowly changing retail prices was achieved only through increased government subsidies, which continue to be a very important component of retail price stabilization policies in nearly all centrally planned economies. Food-stuff subsidies are generally covered by the budget through turnover taxes levied on manufactured consumer goods. However, rising production costs at home and abroad, the reluctance of policy makers to continue the price distortion indefinitely, and the need to reduce consumption of some types of food-stuffs so as to cope with unsatisfactory output and to maintain or to increase exports all contributed to the desire to reduce the reliance on subsidies as the chief instrument of food-stuff price stabilization.

Reduction of subsidies was one of the aims of the attempted price reform in Poland, where in 1976 budgetary subsidies covered on the average of 41 per cent of the sum of sales value plus total food-stuff subsidies - a proxy for actual production costs. 57/ Total food-stuff subsidies increased by 21 per cent in 1976 and are expected to rise to a similar extent in 1977. Before the mid-year price change in Hungary, the government share in the actual production costs of meat products came to 35 per cent for pork and 49 per cent for beef, and after the changes it still amounted to 12 and 30 per cent, respectively. 58/ In the Soviet Union, budgetary price supports are also very substantial - in 1975 they reached between 41 and 45 per cent in the case of meat, meat products and dairy products. 59/ In the German Democratic Republic subsidies are less extensive, though they still amount on the average to about 20 per cent for food-stuffs, 60 per cent for rents, and between 45 and 60 per cent for transportation services. 60/

Producer price changes were more widespread and for the most part reflected cost changes not only in the domestic economy but more particularly in foreign trade.

57/ Not taken into account in actual production costs are supports in the form of investment grants and incentives. The shares are calculated on the basis of data in Nowe drogi, No. 1 (Warsaw, 1977), p. 9.

58/ Calculated on the basis of data for pork and beef in Figyelö, No. 27, (Budapest, 1976), p. 5. Retail prices for meat products had been kept unchanged since February 1966, at which time the share of subsidies in costs was 5.5 per cent for pork and 11 per cent for beef.

59/ Based on data in Ekonomicheskaia gazeta, No. 3, (Moscow, 1977), p. 17. State subsidy for meat and milk products in 1977 amounted to 19 billion roubles. Sales of these products in State and co-operative retail outlets totalled 23 billion roubles, yielding a subsidy rate of 45 per cent. If canned meat products and miscellaneous dairy products are included, total sales amounted to 27 billion roubles, yielding a subsidy rate of about 41 per cent.

60/ Based on budget expenditures (Anlagen zur Volkskammerdrucksache der DDR, 6. Wahlperiode, as quoted in DIW-Wochenbericht, No. 45, (Berlin, 1976) and retail trade data in Statistisches Jahrbuch der Deutschen Demokratischen Republik, 1976. The shares of subsidies in the value of output sold (retail value, including turnover tax, plus subsidies) can be computed as follows:

	1973	1974	1975
Food-stuffs	19.6	19.9	20.5
Manufactured consumer goods	2.8	2.8	3.0

The current medium-term plans call for adjustments in wholesale prices in order to better reflect true costs, especially the costs of energy carriers and basic raw materials. In most countries the actual price adjustments in 1976 were as planned. Nearly all medium-term plans emphasize that producer prices - unlike consumer prices - should closely reflect actual costs.

The various countries of the region have sought producer price changes basically in two different ways. In Bulgaria, Czechoslovakia and the German Democratic Republic, in particular, policy makers continued to stress the need for restructuring wholesale prices at the beginning of the current five-year plans and keeping the new price structure unchanged for a number of years, at least during the current plan period. It is hoped that this will combine the benefits of stability in planning with the wider use of prices as a stimulus to greater economic efficiency in production. Thus, in the German Democratic Republic the first phase of an industrial price revision was introduced in 1976, particularly affecting prices for fuels and raw materials. The reform will be completed in 1977. Czechoslovakia will introduce new producer prices in 1977. The major objective of this and other price revisions is to substitute, where possible, less expensive resources as industrial inputs and, as a result, reduce the consumption of costly materials per unit of gross output.

Other countries have taken a different course. Hungary, in particular, emphasizes frequent though not erratic changes in relative prices in order to maintain and, where possible, to increase the allocatory function of prices. In view of the deterioration in Hungary's terms of trade in the 1970s and the country's heavy dependence on imports, not all costs could be passed on to users in 1976, and government subsidies or tax measures were used to bridge the gap. Nevertheless, wholesale price changes in 1976 were by and large synchronized with rising producer costs.

Industrial wholesale prices in Hungary increased on the average by 4.4 per cent, with higher increases on the output of mining (18.1 per cent), electrical energy (15.6 per cent), paper (11.4 per cent), food-processing industries (10.4 per cent), wood-processing (9.3 per cent), construction materials (8.9 per cent) and the chemical industry (4.7 per cent). 61/ All these changes reflected increases in average sectoral production costs. State procurement prices for agricultural products were also substantially raised: thus average prices for crop and livestock products sold to the State increased by 11.4 and 9.0 per cent, respectively. On the average, State agricultural procurement prices increased by 9.9 per cent in 1976. 62/

Poland aimed at essentially similar adjustments. Agricultural procurement prices were raised twice in 1976, in an effort to curtail the widespread slaughter of herds. Since retail prices for basid food-stuffs remained frozen, a growing gap between wholesale and retail prices had to be bridged by substantial increases in government subsidies.

61/ These data refer to socialist industry, which for most sectors is identical with total industry.

62/ All data are preliminary figures quoted in Statisztikai havi közlemények, No. 1, (Budapest, 1977), pp. 60-62.

Foreign trade and external balance

The exports of the centrally planned economies increased in 1976 at approximately the same rate as world trade - by 11 per cent if measured in current dollars or 13 per cent if measured in transferable roubles (TR) - while imports of the group expanded more slowly, at about 7 per cent in dollars or 9 per cent in TR. 63/ The difference reflects, in part, the impact of measures to arrest and reverse the widening of the trade deficits of the socialist countries with the market economies. Export growth exceeded import growth both in Eastern Europe and in the Soviet Union, but by substantially different margins: in the former, exports rose by 11 and imports by 10 per cent, while in the latter, the increase in exports, at 17 per cent, was more than double the 8 per cent increase in imports (table 34).

In volume terms, trade turnover (exports plus imports) appears to have expanded somewhat less in 1976 (5-7 per cent) than in 1975 (7-8 per cent).

Direction and composition of trade

Exchanges within the socialist group grew marginally faster than those with non-socialist countries in the case of Eastern Europe, and substantially more slowly in the case of the USSR. Owing to the new price formation principle for trade among CMEA member countries, which was introduced in 1975 and links annually negotiated prices to a moving five-year average of world market prices, intragroup trade in 1976 was characterized by much greater price increases than was trade with the non-socialist markets, and the quantum increase was probably very small. 64/

Exports to the market economies increased by an estimated 16 per cent in value - about 11 per cent in the case of the Eastern European countries and over 22 per cent in the case of the USSR - while imports grew by less than 8 per cent in both cases. Since price changes on the world market tended to be small in 1976,

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63/ Growth of trade value in terms of transferable roubles is somewhat higher than that measured in current dollars, owing to an upward drift of the quoted basic exchange rate for the dollar in the case of Czechoslovakia and the USSR. Because of the large share of intragroup (TR-denominated) trade in the external trade of these countries, nominal growth rates presented in the text and the tables below are computed in terms of TR values.

64/ Data on 1976 changes in foreign trade prices are at this point available only for Hungary, where in trade with the rouble area, export prices (measured in TR terms) rose by 10 per cent and import prices by 12 per cent. The largest shifts in price level occurred in the industrial product classes (19 per cent in Hungarian machinery and capital goods imports), but the raw materials and fuel groups also showed substantial price increases (7-9 per cent). In view of the common formula for determining prices, it is likely that the other CMEA countries experienced similar price increases. Even if these were somewhat lower than those for Hungary, most of the recorded 11 per cent increase in trade value in intra-CMEA trade would appear to reflect price changes.

an experience in which the socialist countries appear to have shared, the increase in trade quantum was similar to the growth of value, if not larger. 65/

The value of exports to developed market economies increased by an estimated 17 per cent in 1976, thus sharply reversing the contraction experienced in 1975. Import growth at less than half that rate, on the other hand, indicates a significant deceleration from the trend of the past few years. In volume terms, the increase of both flows may have been somewhat higher. At over 26 per cent, export growth was especially vigorous in the case of the USSR, but high growth rates - in all cases above the expansion rate of total exports - seem to have been achieved also by Bulgaria, Hungary, Poland and Romania. Only in Czechoslovakia - where the supply of exportables was depressed by poor harvest results - and in the German Democratic Republic was export growth relatively modest. 66/ Thus, helped by the recovery of demand in Western markets, the drive to strengthen export activity in the socialist countries appears to have been quite successful. National data on the commodity structure of this export increase are not yet available for most countries, but partner data indicate that - in addition to fuels - finished manufactures (chemicals, metal products, machinery and consumer manufactures) played a significant role in the upswing, thus improving the structure of these flows. 67/

As in 1975, imports from the developed market economies into the Eastern European countries expanded at a relatively low rate - 5 to 6 per cent. In Bulgaria, Hungary and Romania the absolute level of imports actually declined, while in Poland, expansion slowed down substantially. Though in Czechoslovakia, Poland and probably the German Democratic Republic imports still grew faster than exports, for the group as a whole export growth was faster. The same was true for the Soviet Union, where the 12 per cent increase in imports from the developed market economies was less than half of the export expansion rate and represented a notable deceleration. Absolute declines in imports of chemicals and other industrial inputs (SITC 5 and 6) and a marked slowing in the still substantial growth of machinery imports account for this trend, which was partly offset in 1976 by steeply higher grain and food-stuff imports into the USSR and Poland, necessitated by the poor 1975 harvest. The reduced growth in industrial output in the socialist countries probably lowered the need for increases in imported inputs, but over-all economic policy aimed at improving internal and external balance - including such measures as the deceleration in investment expenditures, as well as direct measures to constrain further growth in the East-West imbalance - is likely to have been the major factor shaping the development of imports from the industrial market economies.

65/ In Hungarian trade with the dollar area, export prices (in dollar terms) declined by almost 2 per cent and import prices fell by nearly 8 per cent, yielding a terms of trade gain of over 6 per cent. The largest decline (about 10 per cent) was recorded in the price level of raw material imports, which account for almost 60 per cent of total Hungarian imports from non-socialist partners.

66/ In the absence of national data for Bulgaria, the German Democratic Republic and Romania, trends in trade with the developed market economies have been estimated from partner data.

67/ In Soviet exports to the Federal Republic of Germany, for example, the value of "finished goods" (roughly, SITC 5 and 7-9) doubled, while in the exports of the Eastern European countries (excluding the German Democratic Republic), it increased by 30 per cent. See DIW-Wochenbericht, No. 12 (Berlin, 1977).

Export of the centrally planned economies to developing countries increased by an estimated 11-14 per cent in value, but imports of the group from the third world probably declined or at best grew very little. 68/ The trends for the group chiefly reflect movements in Soviet trade with the developing countries, which constitutes about 60 per cent of the regional total. Soviet exports increased by more than 14 per cent, 69/ whereas Soviet imports declined by 2 per cent after having expanded by about 40 per cent annually for three successive years. In Eastern Europe, export growth appears to have been somewhat more modest, while imports increased by at least 6-7 and possibly as much as 15 per cent.

Balance of trade and external debt position

The export and import trends of the year brought some improvement to the merchandise trade balance of the centrally planned economies, though the over-all deficit remained substantial. All countries of the region except Romania closed the year with a negative trade balance, but only in Poland and possibly the German Democratic Republic did the deficits increase. The total external deficit of the seven countries (including intragroup trade) declined from $9.6 billion in 1975 to $7.0 billion in 1976, and the combined deficit with market economies from $10.4 billion to $8.3 billion. The deficit with developed market economies fell by $1 billion, while the surplus with developing countries increased by about $1 billion. Most of the improvement in the balance came from changes in the Soviet trade position: increased surpluses with the other centrally planned economies - probably largely due to price movements - and with developing countries, and a sharply reduced deficit with the developed market economies. 70/ The largest part

68/ Owing to the lack of data from some key countries, conclusions on the development of third world trade are tentative. Most importantly, no information is as yet available from Romania, which in recent years has greatly increased trade with developing countries and by 1975 accounted for about one quarter of the Eastern European group's transactions with the third world.

69/ The increase in Soviet exports to developing countries was concentrated in a residual component not specified by country of destination. The 1976 increase in Soviet exports of 14.4 per cent can be broken down into an 18.4 per cent increase in exports to Cuba, a 0.6 per cent increase in deliveries to all other named developing partners (some 60 countries), and a 28 per cent increase in the unspecified residual, which actually accounted for the bulk of the increment, reaching a share of 48 per cent of total Soviet exports to developing countries other than Cuba.

70/ Eastern Europe and USSR: trade balance, 1970-1976 (billions of dollars)

	Eastern Europe				USSR			
	1970-1976	1974	1975	1976	1970-1976	1974	1975	1976
Total	-18.3	-4.8	-6.0	6.1	-0.1	2.5	-3.7	-1.0
Centrally planned economies	1.5	0.3	-0.6	-0.7	3.6	0.6	1.3	2.0
Developed market economies	-22.7	-5.1	-6.3	-6.3	-11.4	0.3	-4.9	-3.9
Developing economies	2.9	0.0	0.9	0.9	7.7	1.6	0.0	1.0

Source: See source and foot-note a/ to table 35.

of the Soviet net deficit with the developed market economies is accounted for by the increase in the passive balance with the United States of America ($2.4 billion), which stemmed from the grain purchases made in the wake of the 1975 harvest failure. The Soviet balance with most other important trade partners - especially France, the Federal Republic of Germany, Italy and the United Kingdom - improved significantly. Among the Eastern European countries, Bulgaria, Hungary and Romania improved their balances with the market economies, while the deficits of Czechoslovakia, Poland and perhaps the German Democratic Republic widened. Poland alone, with a passive balance of $3.3 billion, accounted for more than half of the combined deficit with the developed market economies.

The shift in intragroup trade balances and the continued, though reduced, imbalance in East-West trade drew attention in 1976 to the financing issues involved and the build-up of the external debt of the Eastern European socialist countries. Balance-of-payments data are not available for any of the countries, and hence the contribution of invisible and capital transactions, of gold sales and of external financing to the settlement of the merchandise trade deficits can at best be only roughly estimated. In some countries, net revenues from tourism (Bulgaria, Hungary, Romania) and shipping (Poland, USSR) provide offsets to the trade accounts. The Soviet Union, as a major gold producer, can utilize gold sales to finance balance-of-payments deficits. On the other hand, by 1976 in several of the Eastern European countries debt service obligations must have been adding substantially to the over-all financing requirements.

Imbalances in trade among CMEA member countries probably posed no significant financing issues in 1976. The net imbalances in the rouble-area trade of the socialist countries were small relative to total trade flows - less than 2 per cent of exports in four of the seven countries, between 6 and 10 per cent in the others. Bilateral imbalances, which are more relevant under the trade and payment arrangements of the socialist countries, with their limited provision for multilateral settlements, ran at levels that were somewhat higher than the aggregate net imbalance, but not substantially so; and in the most important set of bilateral relations in the region - that between the Eastern European raw material importers and the USSR - the 1975-1976 deficits may have been financed largely by drawing down claims from surpluses in earlier years. 71/

Total short- and medium-term transferable rouble credits granted during the year by the International Bank for Economic Co-operation (IBEC), through which most payment flows between CMEA member countries are cleared, amounted to TR 4.2 billion on a TR 82.5 billion volume of trade and other transactions. This represents a very small increase over the 1975 credit volume of TR 4.1 billion, especially in view of the fact that at the beginning of 1976 the IBEC clearing system was expanded to include the trade flows between Cuba and the other CMEA countries. The largest part of this lending (TR 3.6 billion) was of a very short-term nature, bridging temporary imbalances in the flows of reciprocal deliveries, most of which were probably liquidated before the end of the year. The outstanding indebtedness

71/ The largest deficits with the Soviet Union in 1976 were those of the German Democratic Republic and Poland (TR 439 and 265 million, or 16 and 11 per cent of exports, respectively). The imbalances of the other Eastern European countries ranged from 3 to 7 per cent of their exports to the USSR. In all cases the cumulative imbalance for 1971-1976 is either quite small relative to the 1976 deficit or in favour of Eastern Europe.

of member banks to IBEC increased by only 56 million roubles, from TR 955 million at the end of 1975 to TR 1,011 million at the end of 1976. 72/

The general swing-around in the pattern of trade balances in 1975, which saw all countries except Poland and the USSR go into deficit in their intragroup trade, was clearly attributable to the price changes of that year and the consequent worsening in the terms of trade of those group members that import raw materials. The fact that in many cases the 1976 imbalances were smaller than those of the preceding year, and in others not much larger in spite of continued price increases, would seem to indicate that adjustments in the real trade flows have been taking place. 73/ It should be noted, however, that the substantial shifts in world market prices of 1973-1974, especially for fuels and energy, have not yet fully come to bear on trade relations between CMEA members. The operation of the new price formation formula which is designed to feed these changes gradually into the CMEA trade price structure, is likely to subject the socialist trade and payment system to some stresses over the next two years.

Financing issues and credit operations played a much more significant role in trade with the developed market economies, where in 1976 imports exceeded exports by 42 per cent (34 per cent in the case of the USSR and 49 per cent in that of the Eastern European countries) and where the cumultative 1970-1976 merchandise trade deficit amounted to $34 billion (32 per cent of cumulative exports). Though in the merchandise trade accounts this deficit was partially balanced by a substantial surplus with developing economies ($11 billion cumulatively, of which $8 billion was on account of the USSR), most of this probably did not give rise to convertible currency claims that could be used to offset liabilities in these currencies to the industrial countries.

While part of this cumulative merchandise trade deficit was offset by net earnings on invisibles or financed by gold sales, substantial borrowing requirements remained. The main sources of financing were government-guaranteed export credits from the supplier countries, direct supplier credits, and Euro-market borrowings from Western banks, with bond issues and loans from international financial institutions (the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), in the case of Romania) playing a minor role. The actual volume of net debt outstanding remains somewhat uncertain; estimates for the position at the end of 1976 vary from $30 to $46 billion. 74/ A major

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72/ Ekonomicheskaia gazeta, No. 19 (Moscow, 1976), p. 20 and No. 21 (1977), p. 20.

73/ Increases in the German Democratic Republic and Polish deficits vis-à-vis the USSR probably arose out of the agricultural performance of the past two years, which necessitated additional imports. Poland, where more general supply-demand imbalances developed internally in 1976, is reported to have received a TR 1 billion loan from the Soviet Union.

74/ An effort to compile comprehensive data, including information on interest rates and maturity structure, is under way under the auspices of the Bank for International Settlements. A roughly estimated total of $30 billion has recently been mentioned by a deputy president of the Hungarian National Bank, though without debtor country detail (J. Fekete, as quoted in Moscow Narodny Bank Press Bulletin (London), 2 February 1977). A breakdown by debtor country is included in two sets of estimates compiled by the United States Government and banking sector researchers, component of all estimates is the external position of commercial banks in the Group of Ten countries and Switzerland, compiled quarterly by the Bank of International Settlements in Basle. 75/ Trends in this portion of the socialist countries' external financing are therefore of some interest, though it should be kept in mind that the relative significance of this and other components varies between countries and over time. Net indebtedness to the reporting banks (claims on Eastern Europe and the USSR less deposits maintained by the socialist countries) reached a level of $21.4 billion at the end of 1976, having increased by $6.1 billion during the year (compared with an $8.6 billion increase in 1975). This increase covers new syndicated ("publicized") medium- and long-term Euro-currency loans (estimated at $2.2 billion in 1976 and $2.0 billion in 1975) 76/ and short-term Euro-market credits, as well as that portion of supplier credits which, via the à forfait market, came to be held by the banking system, and it comprises much reduced borrowing of the USSR ($1.9 billion, as against $4.7 billion in 1975) and somewhat greater net borrowing of the Eastern European countries ($3.8 billion in 1976 compared to $3.3 billion in 1975). 77/ Poland, with $1.4 billion, and the German Democratic Republic with $1.0 billion of new loans, were the most active borrowers, while Romania was the only country in the group to reduce its outstanding indebtedness (table 36).

Debt-service obligations associated with these credits clearly must have been rising rapidly as a proportion of convertible-currency earnings in recent years, but estimates of the volume of this burden are somewhat uncertain owing to the lack of comprehensive information on the maturity structure of the debt and the corresponding repayment schedules. Interest payments alone - for which lower limits can be roughly estimated on the basis of the BIS data on outstanding financial sector loans and prevailing interest rates - must have reached 10-15 per cent of export receipts from developed market economies in most Eastern European countries, and more - near 30 per cent - in Bulgaria, but substantially less - perhaps 8 per cent - in the USSR. Amortization of principal - which in several Eastern European countries is likely to show a pronounced bunching in the next few years as the 5-to-7-year loans of the early 1970s reach maturity - could easily double and in some cases triple these ratios. But it is not clear how much the repayment

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(continued)

shown in table 36. In the case of the Eastern European countries, the lower of these two estimates ($25 billion) is approximately equivalent to the cumulative merchandise trade deficits for the period 1965-1976. In the case of the Soviet Union, the higher estimate ($16 billion) probably includes some double-counting. A. Maslov, director of the USSR Foreign Trade Bank, recently declared a $13 billion estimate of Soviet indebtedness to be too high. See Világgazdaság (Budapest), 20 April 1977.

75/ See foot-note b/ in table 36 for the list of countries covered and limitations of the data. It should be noted that Austrian banks, which play an important part in financing the trade of the centrally planned economies, are not included in the BIS reports. Also excluded are claims on the German Democratic Republic of banks in the Federal Republic of Germany.

76/ World Bank, Borrowing in International Capital Markets, March 1977, p. 6 (corrected for Euro-currency placements by Cuba and the Socialist Republic of Viet Nam).

77/ Another $0.5 billion of borrowing in 1976 ($0.6 billion in 1975) is not specified by debtor country in the BIS data (see foot-note b/ in table 36).

of principal added to the total debt-service burden in 1976. 78/ Faced by rising debt-service requirements, several Eastern European countries, as noted below, intend to accelerate exports to developed market economies sharply in 1977 while restraining the growth of imports. Though the aim is in no case an immediate elimination of the merchandise trade deficits, the five-year plans in several countries provide for balanced East-West trade by 1980. In the case of the Soviet Union, the task of debt-service management is eased by the fact that a considerable part - reportedly about 40 per cent - of the over-all debt is accounted for by self-liquidating credit arrangements in the form of compensation deals, under which the purchase of plant and equipment is repaid later through the contracted export of the products of the new installations.

Medium-term outlook and national economic plans

Plan targets for 1977

Economic growth in the centrally planned economies of Eastern Europe and the USSR is expected to continue in 1977 at approximately the same pace as in 1976, well below the growth rates of the first half of the decade. The aims of the national economic plans reflect the over-all intentions of the medium-term development programmes, which emphasize consolidation, the reduction of internal and external imbalances, and improvements in efficiency of production and quality of output. The rapid dwindling of labour force increments in most countries belonging to the group and the increasing capital intensity of energy and raw material supplies lend urgency to these efforts and impose constraints on the growth possibilities.

The aggregate net material product of the Eastern European socialist countries is slated to increase by about 5 per cent, slightly below the 1976 growth rate. Over-all growth is expected to slacken in Poland (from 7.0 to 5.7 per cent) and in the USSR (from 5 to 4.1 per cent), while in all other countries of the region - most of which had experienced substantial downturns in growth, caused mainly by harvest setbacks in 1976 - some acceleration is planned (table 28). Targets for gross agricultural output generally assume normal climate conditions and therefore rather high growth rates in a number of countries in which output declined for two successive years, as well as accelerated expansion in the livestock sector in those countries in which good 1976 harvests replenished fodder stocks (table 31). The planned growth rate for the regional aggregate can be estimated as over 7 per cent. Gross industrial output is expected to slow down substantially in Poland (from 10 to 6-7 per cent) and to decelerate less steeply in several other Eastern European

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78/ Western estimates published by the Chase Manhattan Bank put the burden in 1976 at 45-50 per cent of hard currency export earnings for Poland and Romania, 30-40 per cent for Czechoslovakia, the German Democratic Republic and Hungary, and about 26 per cent for the USSR (East-West Markets (New York), 7 and 21 March 1977). No data were available for Bulgaria, but analogous estimates would probably be substantially above those for Poland and Romania. No definition is given for the denominator of the ratio ("hard-currency exports"), but its coverage may have been narrower than total exports to developed market economies; if so, comparable ratios calculated on the data employed in the present report would be lower. A more comprehensive measure would also take into account net convertible currency earnings from tourism and shipping, which would appreciably lower the relevant ratio in the case of several Eastern European countries.

countries, but to accelerate in the USSR, for a regional industrial growth of about 6 per cent, slightly above last year's attainment (table 29).

Total domestic uses of output appear to be scheduled in most countries of the region to expand rather more slowly than total output. Only the Soviet Union, which is likely to benefit from improved terms of trade in its foreign relations, appears to plan for a balanced growth of output and final uses. The planned increase in investment expenditures (gross) can be estimated to be less than 5 per cent for the group, only marginally higher than in the preceding year and substantially below the expansion rate of the early years of the decade (8-9 per cent). In the Soviet Union, investment outlays are to grow somewhat faster than national income (4.6 per cent, up slightly from last year's 4 per cent growth), but in the Eastern European countries the estimated combined investment growth of 5.5 per cent is substantially below the planned over-all output growth rate of 6.9 per cent. Only Romania plans to accelerate investment growth significantly, with a 17 per cent increase, much above the planned income growth of 11 per cent (table 32). Consumption indicators also tend to be below the planned over-all output growth rates, with the probable exception of the Soviet Union, where the improved agricultural situation resulting from last year's bumper harvest is expected to boost consumer supplies (table 33).

The constraints on the growth of domestic final uses are connected with the concern of the Eastern European countries with improving their external balances. In Hungary and Poland, the plan targets explicitly spell out these relations. Thus, in Poland, total domestic uses of output are to increase by 2 per cent as against a 6 per cent increase in net material product, and this is to be complemented by a 13 per cent expansion in exports, as against a rise of only 3 per cent in imports. In Hungary, the corresponding goals are increases of 4 and 6 per cent for domestic uses and net output, and 8 and 14 per cent for imports and exports, respectively. Most other countries provide only foreign trade turnover (exports plus imports) targets, but are likely to have similar aims.

Most of the Eastern European countries are net importers of energy and raw material and will probably again experience deteriorating terms of trade in their exchanges with the Soviet Union, their largest trade partner, as foreign trade prices within CMEA are being further adjusted towards world market levels in 1977. This requires the provision of increased real export flows to maintain the necessary import supplies.

In their trade with the market economies, all centrally planned economies intend to reduce sharply the trade deficits that have mounted during the past few years. Foreign trade plans appear to concentrate on efforts to accelerate export growth in order to achieve this aim, rather than on significant import cutbacks; but in some countries machinery to effectuate the latter appears to have been set up in case such cutbacks are necessary. The compression of investment demand is one aspect of this, and in several countries institutional measures to exercise closer central control over the conduct of foreign trade is another. Though predictions in this sphere are risky, the over-all impression is that for this reason, at least in Eastern Europe, though perhaps not in the Soviet Union, the demand for imports from the market economies is not likely to increase very much in the near future. 79/

79/ Separate targets for trade with the market economies are available only for Hungary and Poland. In the case of Hungary, exports to market economies are planned to rise by 17-18 per cent, while imports will be increased by 8 per cent. Poland expects to expand exports to market economies by 15 per cent while holding the import increase to 1 per cent.

Five-year plans, 1976-1980

The year 1976 was especially important for clarifying the medium-term perspective of the centrally planned economies. First, in the course of that year all countries of the group adopted final versions of the five-year plans for 1976-1980, which in some cases were slightly revised as against the "draft directives" accepted by the party congresses in 1975 or early 1976. Second, economic developments in 1976, both domestic and foreign, allow for a better judgement as to the relation of major medium-term targets to the underlying trends and processes that can already be discerned. The over-all economic performance in these countries in 1976, generally satisfactory considering the circumstances, would seem to be consistent with the plans for lowering the growth of major 1976-1980 targets as against that achieved in 1971-1975. It is also evident that some countries in the group are undergoing a process of major structural adjustment, which by its very nature requires a reduced growth rate for the optimal mobilization of internal resources and their efficient utilization.

The five-year plans, as finally adopted, show the impact of recent changes in the global economic environment on internal development priorities in a shift of investment programmes towards the primary sectors - the raw material and energy complex, on the one hand, and agriculture, on the other. In a period when most countries in the group have started to experience relative scarcities of some basic inputs, especially labour, the need to tap new energy resources requiring sizable long-term investments is particularly demanding. This challenge is to be met in part by joint efforts within the Council for Mutual Economic Assistance, which will involve substantial investment outlays. The second basic feature common to all countries under the current five-year plans is the search for greater efficiency in use of resources and more balanced growth. The "quality factors" have decidedly come to the fore in planning for a pattern of industrial growth that is expected to bring about a greater increase in labour productivity, greater efficiency in investment processes, savings of energy and raw materials per unit of output and a final product of higher quality.

Targets for resource allocation contained in the 1976-1980 plans reflect the desire to hold down or reduce the expansion of total investment expenditures (except in Romania) and to achieve output growth at lower capital costs. The targets for consumption growth are also somewhat below the growth rates achieved in the previous five-year period. As indicated above, in the Eastern European countries - most of which have incurred substantial foreign trade deficits in recent years - total domestic uses of net material product are to expand at a slower rate than total net output, in order to permit the servicing and repayment of foreign credits and to finance more costly imports of raw materials. The discrepancy between growth targets for net output ("national income produced") and total domestic uses ("national income distributed") is especially apparent in the case of Poland, which has accumulated the highest trade deficits. It is somewhat smaller but still significant in the case of Hungary. Other countries within the group have not reported those proportions.

Production

The aggregate net material product of the centrally planned economies of Eastern Europe and the USSR is expected to increase by an average 5.3-5.4 per cent annually in 1976-1980, as compared with the 6.3 per cent attained despite several harvest setbacks and other difficulties in the 1971-1975 period (table 28).

The deceleration in growth represents a response to several factors. First, most countries in the group are faced with deceleration in input increases resulting from demographic trends and new investment priorities. Secondly, virtually all countries within the group are striving for improved intersectoral balance, which in many cases means holding down some of the fast-growing sectors. Thirdly, for balance-of-payments reasons, almost all countries are under heavy pressure to restrain imports, a situation substantially different from the one that existed in the first half of the decade.

The deceleration in growth reflects mainly the lower targets for industrial production, which accounts for between one half and two thirds of the net material product. On the other hand, agriculture is in most countries expected to grow somewhat faster than in 1971-1975. Gross industrial output is to increase by 6.6-6.8 per cent annually, ranging from about 6 per cent for Czechoslovakia, the German Democratic Republic and Hungary to about 11 per cent for Romania. Only Bulgaria expects to maintain output growth at earlier rates (table 29). In the case of Romania, whose target rate is the highest of the group, the target is still below the almost 13 per cent rate attained in 1971-1975.

One of the characteristic features of the current five-year plans is a narrowing of the differences between the rates of growth in the producer goods sector and the consumer goods sector. This is expected to contribute to a better intersectoral balance and, in particular, to more stabilized domestic markets for consumer goods. However, it should be pointed out that in most countries within the group, including the Soviet Union, the planners are attempting to reconcile a more harmonious economic growth with an above-average rate of development for heavy industry. The continued expansion of domestic energy and raw material resources, combined with fast expansion of such leading industries as engineering, electronics and chemicals, is considered crucial to continued technological progress.

In the energy sector most countries in the group are striving for a rapid increase in the production of coal or lignite and electrical power. The Soviet Union has also embarked, partly in joint ventures with other members of the group, on an ambitious programme to increase the production of oil and natural gas to meet the growing needs for these fuels. The dependence of the East European countries on Soviet oil and natural gas will continue to increase. While Soviet deliveries of oil are expected to slow down a little as compared with the 1971-1975 period, deliveries of natural gas will increase substantially. Hungary, for instance, plans to increase the share of USSR deliveries in total energy consumption from 35 per cent in 1975 to 48 per cent in 1980.

The engineering industry, which is already providing about 40 per cent of all industrial employment in these countries, is to expand at a particularly rapid pace under the current five-year plans, ranging from an annual rate of 7.4 per cent in the German Democratic Republic to about 15 per cent in Bulgaria. The same goes for the chemical industry, which currently accounts for about 6 per cent of industrial employment. Its projected rate of expansion ranges from an annual rate of 6.5 per cent in Czechoslovakia to about 16 per cent in Romania. In all countries expansion in these industries is to exceed that of industry as a whole.

On the other hand, the projected expansion rates for light industry, more closely connected with the consumer market, differ more widely. The planned rate of growth in Bulgaria, Czechoslovakia, Romania and the USSR is below the projected average growth of industrial production. In the German Democratic Republic it is higher, while in Poland and Hungary it is about the same.

In Czechoslovakia, the German Democratic Republic and Hungary, where growth of the labour force is close to zero and the possibility of transferring workers from agriculture to industry has either been exhausted or pre-empted by the priority claims of other sectors, mostly in the non-material sphere, labour supply poses a serious constraint on faster industrial growth. Thus, in Hungary the entire planned increment in industrial output, and in the other two countries 90 per cent or more, is expected to come from productivity gains. In Poland and the USSR, labour resources are growing at reduced rates, and sectoral shortages as well as difficulties arising from the regional distribution of the population have already been felt. Only Bulgaria and Romania are still able to draw labour from agriculture to industry to any significant extent.

In agriculture, a sector that not only produces a still rather high share of net material product and therefore substantially affects the growth of national income but that also determines the equilibrium in the economy at large and on the market for consumer goods in particular, the adopted growth targets are generally quite high. The projected growth in gross agricultural output ranges from near 3 per cent annually in Czechoslovakia to 5-8 per cent in Romania (table 31). In virtually all countries the growth priorities accorded to the crop and livestock sectors during the previous period have been changed. While in 1971-1975 animal production expanded substantially faster than crop output, in the current five-year period the priorities have been reversed. The harvest setbacks experienced in recent years have caused severe strains in the grain and fodder balances of the region - in a few cases, as noted earlier, with serious repercussions on livestock numbers. Thus, in the coming years priority has been accorded to a faster growth of grains, fodder and other ground crops. Some countries in the group, notably Czechoslovakia, intend to achieve self-sufficiency in grains by the end of the period, while others, like Poland, want to reduce substantially their dependence on imports, rebuilding at the same time the recently reduced livestock herds. In the case of Romania the adopted growth targets are so high in both the crop and livestock sectors that their attainment would appear to depend on extremely favourable conditions over the whole five-year period.

Resource uses

Under the current five-year plans final expenditure is expected to grow at generally lower rates than in the first quinquennium of the decade. The only exception seems to be Romania, which - judging by the investment growth target - intends to pursue an exceptionally high rate of growth in total resource uses. For most countries lower rates of growth in final expenditure are in accord with the expected output trends. In the case of Poland and, to a less extent Czechoslovakia, this will mean a reversal of earlier relative trends. Since in most of the Eastern European countries exports are expected to grow faster than imports, total domestic uses should grow more slowly than total output. As noted earlier, this should help meet repayment schedules on the external debt and in some cases to offset deteriorating terms of trade.

Except in the German Democratic Republic and Romania, gross fixed investment is to increase at rates much below those of 1971-1975. Czechoslovakia and Romania are likely to be the only countries in the group in which the share of accumulation in national income will increase - in the case of the latter, above the high figure of 34 per cent in the 1971-1975 period. The planned reduction is particularly notable in Hungary, Poland and the Soviet Union (table 32). In most countries in the group the scaling down of investment growth has involved difficult choices, for it is being done at a time when new demands for expansion are coming from such sectors as energy, agriculture, residential construction and the whole complex of food processing and consumer goods industries.

In Poland, investment expenditures are to increase at 7.4 per cent a year, as compared with 18.4 per cent in the previous five-year period. Whereas in 1975 investment accounted for 32 per cent of national income distributed, by 1980 this ratio is expected to have dropped to 26 per cent, while the share in total investments of such areas as food processing, housing, coal extraction and power generation is to rise.

In the Soviet Union, gross fixed investment is to grow at an annual rate of 4.7 per cent, compared with 7 per cent in the preceding period. But investment in agriculture will be rising at an average annual rate of 5.5 per cent, and its share in total investment will increase from 26.2 per cent in 1971-1975 to 27.2 per cent in 1976-1980. Although no official figures are yet available either for the expected growth of industrial investment or for its structure, it can be assumed, on the basis of output priorities, that the bulk will go into such industries as engineering, chemistry and the energy sector.

In Hungary, gross fixed investment will be expanding at an average annual rate of 4.6-4.7 per cent, as compared with 7.1 per cent in the previous period, but investment in industry is to grow at 5.1 per cent. The most favoured branches are metallurgy, machine-building and the generation of electrical power. The rate of increase in agricultural investment is to be only marginal.

In Romania, gross investment is to grow at almost 13 per cent annually, which is faster than the planned growth of national income. The share of industry will increase from 50 per cent of the total in 1971-1975 to 58 per cent in 1976-1980, the highest in the group, while that of agriculture will drop from 14 to about 12 per cent. Agricultural investment is none the less to increase at almost 9 per cent annually over the period. Industrial output targets suggest that the highest rates of investment growth will probably be in such industries as chemicals, engineering, metallurgy and construction materials. It can be assumed that light and food-processing industries will also receive significant increases of investment funds.

There are no official figures on investment growth by sector or by industry for other countries in the group. But, judging by production targets, the planners have faced similar choices. In Czechoslovakia, the main stress in investment activities is being put on completion of ongoing projects, especially in power generation and other energy resources, and on the modernization of the engineering industry. Agricultural investment is to continue to grow rapidly, though probably at a somewhat lower rate than during the last five-year period. The increase will be similar in Bulgaria, where almost 70 per cent of capital investment in material production is to be devoted to the modernization and expansion of existing facilities. In practically all countries, the initation of new investment projects is to be constrained in order to permit a concentration of effort on projects already in progress, so as to avoid bottle-necks in the supply of building materials or in the construction sector.

Consumption is generally expected to increase more slowly than in the 1971-1975 period. Real consumer incomes are expected to grow at rates ranging from 3.5 to 5 per cent on a <u>per capita</u> basis, and real wages generally at somewhat lower rates (table 33).

Expenditures for social programmes are expected to grow faster than private consumption in most countries within the group. 80/ This reflects the effort to improve and expand facilities and services in such areas as health, education, child care, retirement benefits, recreation and sports. In the Soviet Union, where average wages are expected to grow at an annual rate of 3.2 per cent, consumption from social funds is to grow at 5.4 per cent, so that by 1980 it will amount to one third of total consumption.

One important element of the programmes designed to raise levels of living is housing construction. In terms of new dwellings, the highest increases are expected in Bulgaria, the German Democratic Republic and Poland, but elsewhere the targets are also higher than the actual performance in the first half of the 1970s. In some cases this will mean overcoming the shortages in construction materials and labour and the various inefficiencies in the investment processes that have tended to inhibit faster growth in the construction sector.

Foreign trade and regional integration

Targets for foreign trade in the five-year plans, though very summary, reveal the intention to maintain rates of expansion generally well above the planned growth of output (table 35). Exports are to increase faster than imports in all cases in which these targets are specified. Intraregional trade apparently is scheduled to grow somewhat faster than total trade - in the aggregate it will be more than 50 per cent above the figure for the preceding five-year period, as against an estimated 45 per cent for all trade. It is not clear, however, whether this represents an intended shift in the geographical structure of trade or merely reflects the expected catching up of trade prices within CMEA to world price levels and thus a re-establishment of the proportions prevailing before the 1973-1974 inflationary upsurge in outside markets.

The character of trade among the members of the Council for Mutual Economic Assistance is expected to be strongly influenced by the implementation of the "Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration". The co-ordination of the member countries' five-year plans, co-operative efforts in the field of science and technology, and the execution of the joint investment projects contained in the "Agreed plan of multilateral integrative measures for the period 1976-1980" adopted in 1975 are to increase complementarities in the production structure of the CMEA group. Trade levels will be especially affected by two important developments.

First, as a result of the large number of bilateral and multilateral specialization agreements concluded during the first five years of the "Comprehensive Programme" and the maturing of the new production processes and arrangements initiated during this period, a substantial increase in the degree

80/ The only exception may be Romania, where in a March 1977 speech to the National Assembly, in an apparent policy shift, President Ceausescu deplored as "abnormal" a situation in which indirect (social) incomes grew substantially faster than direct labour incomes and announced the intention to accelerate real wage growth from the 18-22 per cent (3-4 per cent annually) target of the five-year plan to 30 per cent (5.4 per cent annually) at the expense of some reductions in social outlays. See Scinteia (Bucharest), 29 March 1977.

of intraregional specialization in production is expected, especially in the engineering and chemical sectors of industry. Rough estimates derived from information on the bilateral medium-term trade agreements indicate that deliveries of products covered by specialization agreements should grow much faster than total intragroup trade - by about 12-15 per cent annually as against roughly 8 per cent. 81/

The second development is the stepped-up exchange of capital and labour resources. 82/ Co-operation in regional investment projects will yield a rapid increase in deliveries of fuels and raw materials towards the end of the decade, mostly from the Soviet Union to the smaller members of the group. It is expected that the International Investment Bank will play a pivotal role in directing financial and other resources from the CMEA area, as well as from Western financial markets, into projects of interest to a majority of the member countries.

Finally, a new instrument in the form of "long-term target programmes", mandated by the Council at its thirtieth session in Berlin (in July 1976), 83/ is expected to affect the course of regional integration activities towards the end of the decade. These programmes, focused on selected areas and with a time horizon of 10 to 15 years, are designed to cope with some of the aspects of plan co-ordination that the socialist countries find difficult to accommodate within a framework designed for the co-ordination of annual and five-year national economic plans. Five areas of special importance for long-term growth and integration of the CMEA economies were selected, and the CMEA secretariat, its affiliated organizations and the economic research institutes of the member countries were asked to draft target programmes in 1977-1978, (a) to solve the problems encountered in maintaining balance in fuels and basic raw materials, (b) to enhance specialization and eliminate duplication in the engineering sectors, (c) to improve the balance in basic food supplies and increase the effectiveness of agriculture, (d) to improve the supply and quality of a wide range of industrial consumer goods, and (e) to establish a fully integrated transportation system for the region. In these programmes, demand and supply developments will be forecast, and investment intentions as well as trade flows will be co-ordinated in an effort to attain greater region-wide efficiency in the use of scarce resources.

81/ In the case of the USSR, for example, the share of machinery and equipment exchanged under specialization agreements is to reach about 50 per cent of total intraregional trade in this commodity group. See N. Baibakov, "Novoe v koordinatsii narodnokhoziaistvennykh planov stran-chlenov SEV", Ekonomicheskoe sotrudnichestvo stran-chlenov SEV, No. 3 (Moscow, 1976), p. 11. In 1975, this proportion was 19 per cent in exports and 40 per cent in imports. See "Razvitie mezhdunarodnoi spetsializatsii i kooperirovaniia proizvodstva v protsesse sotsialisticheskoi ekonomicheskoi integratsii stran-chlenov SEV", Ekonomicheskoe sotrudnichestvo stran-chlenov SEV, No. 4 (Moscow, 1975), p. 90.

82/ Total investment expenditures for the construction of multilateral integration projects are planned to reach about TR 9 billion. Of this, outlays in 1976-1980 on joint projects located in the USSR will amount to TR 6.5 billion, of which the Eastern European countries will contribute about TR 3.4 billion. See V. Karpich, "Proizvodstvenoto s'trudnichestvo mezhdu stranite ot SIV - osnova za progresivnoto razvitie na tekhniia stokoobmen", V'nshna t'rgoviia, No. 9 (Sofia, 1976), p. 10.

83/ Council for Mutual Economic Assistance, Communique on the XXXth Session of the Council for Mutual Economic Assistance (Moscow, 1976); see also Iu. Kormnov, "Dolgosrochnye tselevye programmy sotrudnichestva stran SEV", Voprosy ekonomiki, No. 1 (Moscow, 1977), pp. 86-94.

Asian centrally planned economies

Little statistical information is available on the economic aggregates of the Asian centrally planned economies. Qualitative information and branch or commodity data suggest that economic growth in China and Mongolia in 1976 was less than in the preceding two years. This deceleration was partly the result of the impact of unfavourable weather conditions on agriculture and, in the case of China, also of the disruptions caused by the earthquake that in July 1976 devastated Tangshan, a major industrial centre. In the Socialist Republic of Viet Nam, output increased considerably as economic recovery from the war continued.

In the People's Republic of China, the fifteenth consecutive good harvest was announced in December 1976, with the output of grains, sugar, tobacco, tea, hemp and jute, and silk all above 1975 levels. 84/ State purchases of summer grain were 10 per cent above plan, 85/ and total grain output was equal to or above the 1975 level in most provinces. Late in 1976, however, China entered the world grain market on a substantial scale, and by June 1977 was reported to have contracted for 9 million tons of grain, of which over 7 million tons were for 1977 delivery. 86/

No aggregate data are available for industrial output and very little quantitative information has been announced for particular branches or products, but the few figures that have been published point to some slowdown in growth. In the first half of 1976, China's coal output increased by 7.6 per cent, 87/ but for the year as a whole the increase seems to have been smaller. The earthquake at Tangshan appears to have severely affected output at the nearby Kailuan coal mine, the largest in China. In spite of the setback, however, the output plan for coal was met. 88/ Steel output in 1976 is reported to have been 21 million tons, 4 million tons lower than in the preceding year, 89/ a decline probably also

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84/ Hsinhua (Peking), 29 December 1976.

85/ Peking Review (Peking), 27 August 1976.

86/ United States of America, Department of Agriculture, Foreign Agriculture (Washington), 11 July 1977. Harvest expectations for 1977 were affected by extensive droughts in the spring of the year, and this probably contributed to the higher import orders that compare with 1976 grain (mainly wheat) imports of 2 million tons and a 1971-1976 average of 4.6 million tons. Grain (mainly rice) exports in the same years came to 0.9 and 1.3 million tons, respectively. Imports of 7-9 million tons would represent about 3 per cent of the 1974 harvest of 275 million tons (including soy beans and a grain equivalent of tubers), the latest figure provided by Chinese officials. See China Quarterly (London), December 1976, p. 817.

87/ Hsinhua (Peking), 12 July 1976.

88/ Peking Review (Peking), 14 January 1977, p. 7. Output of the Kailuan mine is reported to have declined by one third. See China Trade Report (Hong Kong), April 1977, p. 8. It is expected to attain pre-earthquake levels only by the end of 1977. See Hsinhua (Peking), 10 May 1977.

89/ See China Trade Report (Hong Kong), April 1977, p. 8, citing data provided by Chinese officials to members of the diplomatic community in Peking.

connected with the earthquake. The largest increases were in the output of petroleum and natural gas - 13 and 11 per cent, respectively; 90/ even these, however, were below the 20 per cent increases registered in the first half of the 1970s. Most other output reports merely noted that production exceeded the preceding year's level without quantifying the increase.

China's exports to developed market economies increased by 3 per cent in value, from $2.6 billion in 1975 to $2.7 billion in 1976, while imports dropped sharply - by 24 per cent - from $5.5 billion to $4.2 billion. 91/ There was a 10 per cent decline in the value of shipments to Japan, China's most important single trade partner, reflecting a reduction of more than 20 per cent in the value of Chinese petroleum exports. 92/ Shipments to other developed market economies, by contrast, increased by 19 per cent. Data on trade with developing countries and the centrally planned economies of Eastern Europe and the USSR are still incomplete, but a rough estimate of these trade flows indicates that total Chinese exports to the three country groups probably increased by about 4 per cent (from $5.7 billion in 1975 to $5.9 billion in 1976), while imports declined by about 17 per cent (from $6.6 billion to $5.5 billion). 93/ After two years of deficits in the $1 billion range, China's merchandise trade balance thus appears to have attained an over-all surplus in 1976, and the deficit with developed market economies - approximately $3 billion in 1974 and 1975 - was cut in half.

In Mongolia, extremely unfavourable weather conditions appear to have produced a sharp drop in agricultural output after three years of substantial growth. Total agricultural output in 1976 is stated to have been above the 1971-1975 average, which could indicate a 10 per cent decline from 1975. 94/ No figures have been reported for grain output. Potatoes - a relatively minor crop - declined by 32 per cent. In the livestock economy, which accounts for 75-80 per cent of agricultural output, achievements generally fell short of

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90/ Peking Review (Peking), 14 January 1977.

91/ Based on trade partner data as reported in International Monetary Fund, Direction of Trade (Washington), June 1977, tape. Trade partner exports were increased by 10 per cent and imports reduced by 9 per cent, wherever appropriate, to obtain an approximation of f.o.b./c.i.f. values for China's exports and imports.

92/ Petroleum, which accounted for 48 per cent of Japan's imports from China in 1975, declined from 8 million tons in 1975 to 6.8 million tons in 1976. See China Trade Report (Hong Kong), March 1977, p. 7.

93/ Trade with developing countries has been estimated from the data in International Monetary Fund, Direction of Trade, which in most instances cover only the first two quarters of 1976 (but the full year for Hong Kong, which takes about half of China's exports to this group). Data for trade with Eastern Europe and the USSR are available from the national returns of these countries, with the exception of the German Democratic Republic and Romania, for which rough estimates were made. No estimate of trade with the other Asian centrally planned economies has been attempted.

94/ The agricultural output index, on a 1970 base, was 123 for 1975 and 107 for the 1971-1975 average. See Statisticheskii ezhegodnik stran-chlenov SEV 1976 (Moscow, 1976), p. 179. Output for 1976 was reported in terms of the five-year average in Biulleten' inostrannoi kommercheskoi informatsii (Moscow), 17 February 1977.

the plan by 4 to over 10 per cent. In the non-agricultural sectors, by contrast, substantial output increases were attained. Industrial output rose by almost 9 per cent, to 2.8 billion tugrik. The highest sectoral growth rates were registered in metal-working (15 per cent), food (13 per cent), electricity (9 per cent) and fuels (8 per cent). With a 30 per cent increase in output, the construction sector reached its plan target of 1.6 billion tugrik; according to the plan, 44 per cent of this construction volume was to have been performed by domestic units and the remainder by Soviet construction organizations. 95/ Freight transport (in ton-kilometres) rose by 21 per cent and passenger transport by 10 per cent, both figures substantially above the plan targets.

Data on final use components indicate that the share of investment in national income - 38 per cent in 1975 - continued to rise: gross investment expenditures increased by 38 per cent in 1976, to 2.6 billion tugrik (as against a planned increase of 47 per cent), whereas retail sales - a rough indicator of trends in consumption - rose by 5.7 per cent, to 2.5 billion tugrik (as against 4.5 per cent planned). In foreign trade, turnover (exports plus imports) is reported to have increased by 13.4 per cent over-all and by 14.4 per cent with CMEA member countries.

At the end of 1976, the Mongolian Great People's Khural, the national parliament, adopted the Sixth Five-Year Plan for 1976-1980, as well as the annual economic plan for 1977. 96/ The mid-term plan envisages somewhat accelerated growth in comparison to the preceding five-year period: national income is to grow at an annual rate of 7.2 per cent (as against 6.6 per cent in 1971-1975), industrial output at 10.2 per cent (as against 9.2 per cent in the preceding period), and agricultural output by 5.4 per cent (as against 4.2 per cent). In agriculture, the crop sector is to grow by 14 per cent annually, largely through increases in the cultivated area. Consumption is expected to grow by 6 per cent annually (3 per cent on a per capita basis). Investment expenditures of 13.8 billion tugrik are planned at twice the level of the preceding five years; 38 per cent of the total is to be devoted to industry - with primary stress on mining, the fuel industry and energy generation, light industry and the food industry, and construction materials - and 16 per cent to agriculture. The annual plan for 1977 envisages a strong recovery in agriculture with an 18 per cent output increase and somewhat reduced industrial growth (below 6 per cent). National income is to grow by 7 per cent, investment expenditures by 26 per cent, retail sales by 5 per cent and foreign trade turnover by 6 per cent - all, except perhaps national income, appreciably below the rates attained in 1976.

No statistical aggregates have been published on the course of economic development in the Democratic People's Republic of Korea in 1976, the last year of the current six-year plan period. The targets of the 1971-1976 mid-term plan had been reached early, in September 1975, with a 17 per cent annual growth rate of industrial output over the first half of the decade. In 1976, the harvest is reported to have turned out well, in spite of unfavourable weather conditions,

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95/ Biulleten' inostrannoi kommercheskoi informatsii (Moscow), 31 January 1976.

96/ News from Mongolia, Nos. 51-52 (Ulan Bator, 1976); Biulleten' inostrannoi kommercheskoi informatsii (Moscow), 5 February 1977.

with a record grain yield of 8 million tons. For 1977, a grain target of 10 million tons has been set. 97/

In foreign trade, exports to developed market economies and the European centrally planned economies declined in 1976 by 19 per cent (from $445 million in 1975 to $360 million in 1976) and imports fell by 27 per cent (from $820 million to $600 million). 98/ The merchandise trade deficits with these two country groups thus was reduced by one third. The Democratic People's Republic of Korea incurred a substantial external debt during the early 1970s, estimated at $1 billion in relation to developed market economies at the end of 1976, and since 1975 - in part owing to falling prices of non-ferrous metals, its main export commodity - has experienced difficulties in repaying its creditors. About $300 million in obligations were reported to be overdue by the end of 1976. 99/ Early in 1977, negotiations for a rescheduling of debt to Western European and Japanese creditors were under way. 100/

In the Socialist Republic of Viet Nam output increased substantially in 1976, though the ambitious plan targets were in many cases not attained. 101/ In agriculture, food crops increased by almost 20 per cent in 1976 after a decline in the preceding year, to reach 13.7 million tons (in rice equivalents, including 12 million tons of rice). An 11 per cent expansion in cultivated area accounted for the bulk of the increase, though yields also rose. In the aftermath of the 1975 harvest failure, however, livestock output probably increased very little if at all. A decline was registered in the important fish catch, which was 17 per cent below plan for the country as a whole and about two thirds below plan in the southern region. Industrial output rose by 10 per cent, as against a planned increase of 20 per cent, with the highest increases - about 20 per cent - in the light industry sectors (textiles, clothing, foot-wear). No data are available for final use aggregates except for exports, which increased by 54 per cent.

Guidelines for a five-year plan for 1976-1980, the first for the unified country, were considered at the Fourth Congress of the Communist Party of the Socialist Republic of Viet Nam at the end of December. 102/ The development programme envisages average growth rates of 13-14 per cent for national income, 8-10 per cent for agriculture, and 16-18 per cent for industry. The primary

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97/ Biulleten' inostrannoi kommercheskoi informatsii (Moscow), 30 October 1975.

98/ Based on IMF data for developed market economies and national trade returns for the Eastern European countries and the USSR (excluding the German Democratic Republic, for which no data are available). No estimate was attempted for trade with developing countries.

99/ Far Eastern Economic Review - Asia, 1977 Yearbook (Hong Kong, 1977), pp. 258-259.

100/ East-West Markets (New York), 7 February 1977.

101/ Biulleten' inostrannoi kommercheskoi informatsii (Moscow), 21 February 1976 and 19 March 1977.

102/ Biulleten' inostrannoi kommercheskoi informatsii (Moscow), 8 January and 24 February 1977.

stress of the plan is on the development of agriculture, forestry and fishery, and on the food industry and light industries, with the aim of raising levels of living as the base for further development. Agriculture is to receive 30 per cent and industry 35 per cent of total investment outlays over the period. The five-year growth targets are generally rather higher than those achieved in 1976, and the economic plan for 1977 embraces an effort to catch up with the planned trends through accelerated growth. Agricultural output is to increase by 16 per cent - 15 per cent for the crop sector and 20 per cent for livestock production - and industry is expected to grow by 20 per cent, with producer and consumer goods expanding at approximately equal rates. The export target is an increase of 55 per cent, while imports are to expand by 19 per cent.

Table 28. Centrally planned economies of Eastern Europe and the USSR: growth of national income, a/ actual and planned, 1971-1980

(Percentage)

Country and group	Average annual rates: 1971-1975, actual	Average annual rates: 1976-1980, planned	Increase over preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975, actual	1976 Planned	1976 Actual	1977, planned
Albania	6.6	6.6-7.0	...	...	...	...	...	...	...	...
Bulgaria	7.9	7.7	7.1	7.7	8.0	7.4	9.0	9	7	8.2
Czechoslovakia	5.7	4.9-5.2	5.5	5.8	5.2	5.9	6.2	5	4	5.2
German Democratic Republic	5.4	5.0	4.5	5.7	5.6	6.4	4.9	5.3	3.7	5.5
Hungary	6.2	5.4-5.7	6.5	5.1	7.4	6.9	5.4	5-5.3	3	6-6.5
Poland	9.8	7.0-7.3	8.1	10.6	10.8	10.4	9.0	8.3	6.6	5.7
Romania	11.3	10.0-11.0	13.5	10.0	10.7	12.4	9.8	10.5	10.5	11.3
Eastern Europe b/	7.9	6.8-7.1	7.4	7.8	8.4	8.2	7.5	7.4	6.0	6.9
USSR	5.7	4.7	5.6	3.9	8.9	5.4	4.5	5.4	5	4.1
Eastern Europe b/ and USSR	6.3	5.3-5.4	6.1	5.0	8.7	6.3	5.4	6.0	5.3	4.9

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical publications, plans and plan fulfilment reports.

a/ National income produced, except for the USSR, where for the planned rates and for 1976 the reference is to national income domestically utilized.

b/ Not including Albania.

Table 29. Centrally planned economies of Eastern Europe and the USSR: growth of industrial output, a/ actual and planned, 1971-1980

(Percentage)

Country and group	Average annual rates: 1971-1975, actual	Average annual rates: 1976-1980, planned	Increase over preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975, actual	1976 Planned	1976 Actual	1977, planned
Albania	8.7	7.1-7.6	...	...	9.4	7.3	4	4.5	4.1	9.3
Bulgaria	9.2	9.2	9.2	9.1	9.0	8.1	9.9	9.2	8	9.2
Czechoslovakia	6.7	5.7-6.0	6.9	6.6	6.8	6.3	7.1	5.5	5.5	5.3
German Democratic Republic	6.5	6.0	5.7	6.0	6.7	7.2	6.4	6.0	5.9	5.1
Hungary	6.4	5.9-6.2	6.8	5.1	7.0	8.4	4.6	6	4.1	6
Poland	10.4	8.2-8.5 b/	7.9	10.7	11.2	11.4	10.9	8.8 b/	9.8	6.3-7.3 b/
Romania	12.9	10.1-11.2	11.7	11.8	14.6	14.6	12.0	10.2	11.5	10.5
Eastern Europe c/	8.7	7.5-7.8	7.6	8.3	9.3	9.4	8.8	7.6	7.9	6.9
USSR	7.4	6.3	7.7	6.5	7.5	8.0	7.6	4.3	4.8	5.6
Eastern Europe c/ and USSR	7.8	6.6-6.8	7.7	7.0	8.0	8.4	7.9	5.2	5.7	6.0

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical publications, plans and plan fulfilment reports.

a/ Gross value of output at constant prices, except in the case of the German Democratic Republic, where the data refer to the value of commodity production (i.e., gross output less work in progress).

b/ Value of output sold.

c/ Not including Albania.

Table 30. Centrally planned economies of Eastern Europe and the USSR: change of labour productivity a/ in industry, 1971-1980

(Percentage)

Country	Average annual rates: 1971-1975, actual	Average annual rates: 1976-1980, planned	Increase over preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975, actual	1976: Planned	1976: Actual	1977, planned
Albania	3.9	2.8-3.2	...	...	...	...	...	1	...	2.7
Bulgaria	7.0	7.7 b/	7.2	5.9	8.0	6.0	7.9	8.8 b/	7.0	8.1
Czechoslovakia c/	6.3	...	5.8	6.4	6.4	6.2	6.8	4.6	4.9	...
German Democratic Republic	5.2	5.4	4.9	4.2	5.7	6.0	5.3	5.5	6.0 d/	5.1
Hungary	6.3	6.2	7.1	6.2	5.8	7.5	4.9	...	4.5-5	6
Poland e/	7.5	7.7	4.9	5.8	8.2	8.8	9.3	7.7	9.5	7.2
Romania c/	6.4	8.4-9.0 e/	4.5	5.7	7.8	6.9	7.2	8.5 f/	8.8 f/	9.2 f/
USSR	6.0	5.6	6.3	5.2	6.1	6.3	5.9	3.4	3.3	4.8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical reports.

a/ Output per employee, except where otherwise noted.

b/ Over-all labour productivity (net material product per man-year).

c/ Manual workers only.

d/ Industrial ministries only.

e/ Socialist sector only.

f/ Republican industry only (i.e., excluding local industry).

Table 31. Centrally planned economies of Eastern Europe and the USSR: growth of gross agricultural output, actual and planned, 1971-1980

(Percentage)

Country and group	Average annual rates: 1971-1975, Average a/	Average annual rates: 1971-1975, End years b/	Average annual rates: 1976-1980, planned a/	Increase over preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975, actual	1976, Planned	1976, Actual	1977, planned
Albania	5.9	...	6.6-7.1	...	...	7.0	11.0	7	15	9.1	13.8
Bulgaria	2.2	2.9	3.7	2.0	5.6	1.3	-1.5	7.5	5	3.1	4.0
Czechoslovakia	2.9	2.6	2.6-2.8	3.2	3.9	4.7	2.2	-1.0	4.5	-2.7	8.2
German Democratic Republic	2.1	2.7	3.0 c/	0.0	10.7	-0.8	7.3	-3.0	1.4 d/	-9.8 e/	2.8 d/
Hungary	3.5	4.8	3.2-3.4	9.2	2.7	6.7	3.5	2.1	4	-3	7-8
Poland	3.2	3.7	3.0-3.5 b/	3.6	8.4	7.3	1.6	-2.1	5.9	-1.1	5.3
Romania	4.7	6.4	5.1-7.6	18.5	9.7	1.0	1.1	2.8	15-27	17.2	1.9-13.6
Eastern Europe f/ .	3.1	3.8	3.3-3.9	5.5	7.5	4.1	2.4	-0.2	...	1.0	...
USSR	2.5	0.5	3.0	1.0	-4.1	16.1	-2.7	-6.3	9.4 c/	4	7.8 c/
Eastern Europe f/ and USSR	2.7	1.6	3.1-3.3	2.4	-0.3	11.9	-1.0	-4.2	...	3.0	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical publications, Statisticheskii ezhegodnik stran-chlenov SEV 1976 (Moscow, 1976), plans and plan fulfilment reports.

a/ Change in the five-year average output from the average of the preceding five years, expressed as annual compound rate.

b/ Average annual compound rate between terminal years.

c/ Estimated.

d/ Production and services of agricultural sector and food industry combined.

e/ Change in net value added; gross output change is likely to be smaller - perhaps -5 per cent.

f/ Not including Albania.

Table 32. Centrally planned economies of Eastern Europe and the USSR: changes in gross fixed investment, 1971-1980

(Percentage)

Country	Average annual rates: 1971-1975, actual[a]	Average annual rates: 1976-1980, planned[b]	Increase over preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975, actual	1976: Planned	1976: Actual	1977, planned
Albania	8.4[b]	6.2-6.6	...	...	...	...	...	18.8	13.7[c]	14
Bulgaria	8.6	7.1	1.7	10.0	6.9	7.8	17.3	...	2.6	...
Czechoslovakia	8.1	6.3-6.6	5.7	8.7	9.2	9.3	7.9	6.4	5.2	5.8
German Democratic Republic	4.1	5.8	0.6	3.9	8.0	4.2	3.8	6.5	8	6.5
Hungary	7.1	4.6-4.7[d]	11.3	-1.4	3.6	9.2	13.7	1-2[d]	0[d]	4-5[d]
Poland	18.4	7.4[a]	7.5	23.6	25.0	22.5	14.2	5.8	3.0	...
Romania	11.5	12.9	10.5	10.4	8.3	13.2	15.1	19.4	8.2	16.7
USSR	7.0	4.7[c]	7.3	7.2	4.7	7.1	8.7	4[c]	4	4.6[c]

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical publications, plans and plan fulfilment reports.

a/ Average annual compound rate between terminal years.

b/ Change over preceding five-year period, expressed as an average annual rate.

c/ State investment only.

d/ Socialist sector only.

Table 33. Centrally planned economies of Eastern Europe and the USSR: selected indicators of growth of income and consumption, 1971-1980

(Percentage)

Country and indicator	Average annual rates: 1971-1975, actual	Average annual rates: 1976-1980, planned	Increase over preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975, actual	1976: Planned	1976: Actual	1977, planned
Bulgaria										
Personal income per capita (real)	6.1	3.7	4.3	7.0	8.5	4.9	5.6	...	4.4[a/]	...
Average wage (nominal) .	3.2	...	1.8	3.2	5.7	2.5	2.6	...	...	...
Retail sales (real)	7.8	7.0	6.5	6.6	8.8	9.5	7.8	7.8	7.3	7[b/]
Total consumption (real)	7.2	...	7.4	6.4	6.4	7.1	8.2	7	7.1[c/]	...
Czechoslovakia										
Average wage (real)	3.5	2.5-2.8	4.2	4.5	3.1	2.9	2.6	3.3[b/]	2.8[b/]	...
Retail sales (real)	5.5	...	5.5	6.0	5.8	7.5	2.8	3.4[b/]	3.7[b/]	3.9[b/]
Total consumption (real)	5.3	...	6.6	5.2	5.8	6.2	2.9	5.2[d/]	...	3.9[d/]
German Democratic Republic										
Personal income per capita (real)	5.4	3.9-4.2[e/]	4.1	6.4	6.1	6.0	4.2	...	5	...
Average wage (nominal)[f/]	3.5	...	4.0	3.7	2.6	3.7	3.4	...	4.6	...
Retail sales (nominal) .	5.0	4.0	3.9	6.0	5.8	6.1	3.5	4.0	4.3	4.0
Total consumption (real)	5.3	4.1	4.2	6.8	5.7	6.0	4.0	...	...	...
Hungary										
Personal income per capita (real)	4.6	3.4-3.7	4.5	3.1	5.0	6.4	4.0	3	1	3.5-4
Average wage (real)	3.3	2.7-3.0	2.3	2.2	2.8	5.6	3.9	1.5	0.5	2.5-3
Retail sales (real)	6.2	5.1-5.4	7.4	3.3	5.8	9.2	5.4	4-5	1.4	8-9[b/]
Total consumption (real)	5.1	...	6.1	3.1	4.7	7.5	4.2	4	1.5-2	...
Poland										
Average wage (real)[f/]...	7.2	3.0-3.4	5.7	6.4	8.7	6.6	8.5	3.5	3.8	2.0
Retail sales (nominal)[g/]	12.7	7.3-7.7[e/]	8.3	12.7	12.5	14.4	15.7	14.0	12.9	...
Total consumption (real)	8.7	...	7.7	9.1	8.1	7.4	11.1	8.3	...	3.7

Table 33 (continued)

Country and indicator	Average annual rates: 1971-1975, actual	Average annual rates: 1976-1980, planned	Increase over preceding year: 1971, actual	1972, actual	1973, actual	1974, actual	1975, actual	1976 Planned	1976 Actual	1977, planned
Romania										
Personal income per capita (real)	6.8	5.2-6.0 h/	11.8	5.8	4.8	6.1	5.8	7.0-7.5 h/	8.5 h/	5.9-6.3
Average wage (real)	3.7	5.4 i/	2.2	1.8	3.2	4.5	6.9	8.0-8.7	6.1	3.2-3.8
Retail sales f/, g/ (real)	8.2	8.7 i/	9.1	6.3	7.5	10.2	7.8	10 b/	8.6	8.4 b/
USSR										
Personal income per capita (real)	4.4	3.9	4.5	3.8	5.1	4.0	4.5	3.7	3.7	3.8
Average wage (nominal) .	3.6	3.2	3.2	3.4	3.6	4.6	3.3	2.7	3.6	...
Retail sales (nominal) .	6.3	5.2	6.7	6.6	5.2	5.9	7.0	3.6	4.6	5.3
Total consumption (nominal)	5.8	5.1	5.8	5.8	5.1	5.6	6.5	...	...	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical publications, plans and plan fulfilment reports.

a/ May refer to total rather than per capita value.

b/ Nominal.

c/ Estimated from per capita figures.

d/ Estimated from components.

e/ Preliminary draft of medium-term plan ("plan directives").

f/ Socialist sector only.

g/ Goods only.

h/ Estimated from total value.

i/ Draft programme on living standards, 1976-1980 (see România libera (Bucharest), 7 May 1977), which supersedes the original five-year plan targets (3.4-4.1 per cent annually for average real wage, 7.7-8.1 per cent annually for the volume of retail sales).

Table 34. Centrally planned economies of Eastern Europe and the USSR: foreign trade, by direction, 1971-1976

(Value in billions of current dollars; growth rates in percentage[a/])

Origin and destination[b/]	Exports						Imports					
		Growth rates						Growth rates				
	Value, 1976	1971-1975	1973	1974	1975	1976	Value, 1976	1971-1975	1973	1974	1975	1976
Eastern Europe to or from:												
World	49.5	14.8	14.5	20.1	16.2	10.2	55.8	17.3	20.0	30.6	17.0	9.6
Centrally planned economies	31.9	14.0	10.6	10.2	24.4	11.0	32.7	14.4	12.0	15.6	28.6	11.4
Developed market economies	12.9	15.2	24.5	34.0	-2.2	8.6	19.2	22.9	35.3	48.6	5.3	5.8
Developing countries	4.7	20.1	14.9	57.6	26.5	9.0	3.9	18.1	26.9	74.5	-0.2	14.6
USSR to or from:												
World	37.2	15.8	24.1	31.2	15.9	16.6	38.1	20.4	16.8	21.2	41.6	7.8
Centrally planned economies	18.8	13.7	9.6	17.1	33.5	12.0	16.8	13.7	5.3	6.8	30.1	8.0
Developed market economies	11.6	26.3	50.1	69.8	-0.2	26.5	15.5	30.5	32.0	36.2	56.3	11.9
Developing countries	6.8	13.0	37.8	19.3	3.2	14.4	5.8	22.6	39.8	43.1	43.4	-2.2

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistical sources.

a/ Growth rates were computed from national currency data aggregated in terms of transferable roubles, and thus do not reflect the dollar devaluations. Both exports and imports are expressed f.o.b., except for Hungarian imports, which are shown c.i.f. in the national returns. Data for 1976 are preliminary estimates.

b/ "Eastern Europe" here and in the following table refers to the Eastern European countries that are members of CMEA (Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland and Romania). Trade partner grouping follows the classification employed by the Statistical Office of the United Nations (cf. United Nations Standard Country Code (United Nations publication, Sales No. E.70.XVII.13)), which includes Turkey and Cuba among developing countries and Yugoslavia among the developed market economies.

Table 35. Centrally planned economies of Eastern Europe and the USSR: growth of foreign trade value, by country group, 1971-1980 a/

(Percentage)

Country and partner group	Average annual rate: 1971-1975, actual: Exports	1971-1975, actual: Imports	1976-1980, planned: Exports	1976-1980, planned: Imports	Change from preceding year: 1973, actual: Exports	1973, actual: Imports	1974, actual: Exports	1974, actual: Imports	1975, actual: Exports	1975, actual: Imports	1976 Planned: Exports	1976 Planned: Imports	1976 Actual: Exports	1976 Actual: Imports	1977, planned: Exports	1977, planned: Imports
Bulgaria																
Total	14.1	19.6	9.9		12.8	14.4	16.3	32.3	22.1	24.8	...	...	14.5	3.8	...	...
Centrally planned economies	14.0	18.3	...	...	12.1	12.0	9.1	15.8	28.3	30.4	22.6		16.6	10.9	...	...
Developed market economies	5.8	24.5	...	...	11.5	21.3	10.2	85.7	-5.0	27.5	...	...	23.5	-17.6	...	...
Developing economies	27.0	17.2	...	...	23.1	26.1	93.5	80.7	16.5	-22.2	...	...	-5.3	11.0	...	...
Czechoslovakia																
Total	11.3	13.8	6.2-6.5		8.4	15.8	16.7	22.8	13.2	15.3	5.7		11.8	10.4	9.2	
Centrally planned economies	11.7	14.0	...	...	6.1	11.6	9.3	15.1	21.8	25.7	7.0	6.9	16.7	11.3	...	...
Developed market economies	10.6	14.3	...	...	19.8	24.7	31.0	36.6	-5.4	2.5	...	...	3.4	9.8	...	...
Developing economies	10.2	9.4	...	...	-3.0	22.7	32.4	37.0	12.3	-11.2	...	...	-2.8	4.4	...	...
German Democratic Republic																
Total	12.8	14.0	...	...	9.4	19.6	16.3	22.8	15.3	17.0	9.7		7.4	11.5	8.7	
Centrally planned economies	12.5	12.9	8.4 b/		6.4	16.5	7.8	12.6	22.9	30.6	...	...	...	...	...	...
Developed market economies	13.7	16.6	...	...	18.1	24.6	38.6	29.5	-3.4	1.5	...	...	...	...	...	...
Developing economies	11.8	14.6	...	...	13.5	30.8	27.1	135.7	26.4	-14.9	...	...	...	...	...	...
Hungary																
Total	13.9	15.9	7.5-8.2	5.9-6.5	18.1	9.4	11.6	36.8	11.2	20.6	...	...	3.1	-3.1	13-14	7-8
Centrally planned economies	15.8	16.1	7.3-7.7 b/	5.7-6.2 b/	15.7	4.9	8.6	22.4	20.0	40.9	...	...	-0.7	-4.8	12 b/	7 b/
Developed market economies	9.2	15.7	) 9.9-10.5 c/	6.3-7.0 c/	26.1	16.5	11.6	59.1	-8.7	-6.8	...	...	9.5	-3.2	) 17-18 c/)	8 c/
Developing economies	14.3	14.8	)		8.6	21.4	50.6	61.3	11.8	9.1	...	...	6.9	6.6	)	
Poland																
Total	19.2	23.6	11.8	4.7	17.8	33.1	29.4	33.4	23.7	19.6	12.2	6.0	7.1	10.4	13.0	2.7
Centrally planned economies	17.5	13.8	...	...	12.7	12.5	18.0	14.2	32.8	23.7	...	...	7.2	12.9	...	...
Developed market economies	21.8	39.8	...	...	30.3	69.7	37.6	51.4	9.0	16.0	...	...	8.0	9.8	) 15 c/	1 c/
Developing economies	21.9	20.4	...	...	2.2	10.2	100.4	65.1	32.4	21.6	...	...	3.3	-5.4	)	
Romania																
Total	19.0	17.7	12-13 d/	10-11 d/	29.2	20.4	30.4	46.8	9.6	3.8	17.9		14.9	14.1	15.5	
Centrally planned economies	13.4	12.5	...	...	20.2	9.0	6.8	18.8	16.9	19.4	...	...	...	...	...	...
Developed market economies	20.4	19.5	...	...	33.5	26.8	52.7	65.5	-9.3	-9.7	...	...	...	...	...	...
Developing economies	37.1	35.8	...	...	62.6	58.1	56.7	86.5	48.2	14.8	...	...	...	...	...	...
USSR																
Total	15.8	20.4	6.0		24.1	16.8	31.2	21.2	15.9	41.6	13.6		16.6	7.8	...	
Centrally planned economies	13.7	13.7	...	...	9.6	5.3	17.1	6.8	33.4	30.1	...	...	12.0	8.0	...	...
Developed market economies	23.1	30.5	...	...	50.1	32.0	69.8	36.2	-0.2	56.3	...	...	26.5	11.9	...	...
Developing economies	13.0	22.5	...	...	37.8	39.8	19.3	43.1	3.2	43.4	...	...	14.3	-2.2	...	...

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national statistics, plan and plan fulfilment reports.

a/ Trade partner grouping, unless otherwise specified, follows the classification employed by the Statistical Office of the United Nations (cf. United Nations Standard Country Code (United Nations publication, Sales No. E.70.XVII.13)). Growth rates were computed directly from the national currency data and thus do not reflect the dollar devaluations. Both exports and imports are expressed f.o.b., except for Hungarian imports, which are shown c.i.f. in national returns.

b/ Including Yugoslavia and Cuba.

c/ "Capitalist economies", i.e. economic classes I and II of the classification system referred to in foot-note a/, but excluding Yugoslavia and Cuba.

d/ Growth of the five-year average for the period shown over the average of the preceding five years, expressed as a compound annual rate.

Table 36. Centrally planned economies of Eastern Europe and the USSR: cumulative trade balance with developed market economies and estimates of outstanding convertible currency liabilities

(Billions of dollars)

Country	Cumulative trade balance with developed market economies, 1965 to end of year shown a/				Net liabilities with Western commercial banks, end of year b/			Estimates of net debt outstanding, end 1976 c/	
	1970	1974	1975	1976	1974	1975	1976	A	B
Bulgaria	-0.5	-1.1	-2.0	-2.4	0.8	1.3	1.6	2.3	2.6
Czechoslovakia	-0.1	-0.9	-1.5	-2.2	-0.0	0.0	0.5	2.1	1.8
German Democratic Republic	-0.4	-2.8	-3.8	-5.3 d/	1.2	2.0	3.0	4.8	5.9
Hungary	-0.1	-0.9	-1.5	-1.9	1.0	1.4	2.2	2.7	2.6
Poland	0.0	-3.8	-6.8	-10.0	1.7	3.4	4.8	10.2	12.8
Romania	-1.1	-2.0	-2.4	-2.4 d/	0.6	0.5	0.4	3.2	2.7
Eastern Europe	-2.2	-11.7	-18.0	-24.2	5.4	8.7	12.5	25.3	28.5
USSR	-0.6	-2.7	-7.7	-11.6	0.0	4.7	6.6	9.7	16.0 e/
Unallocated residual	-	-	-	-	1.2	1.8	2.3	-	1.9
Eastern Europe and USSR	-2.8	-14.4	-25.6	-35.9	6.7	15.2	21.4	35.0	46.4

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on national foreign trade statistics and plan fulfilment reports; Bank for International Settlements, Press Review (Basle); East-west Markets (New York); United States of America, Ninety-fifth Congress, First Session, Joint Economic Committee, East European Economies, Post Helsinki (Washington D.C., Government Printing Office, 1977).

a/ For definition of "developed market economies", see foot-note a/ to table 35.

b/ Claims of the reporting banks in domestic and foreign currency minus deposits of centrally planned economies, as reported by the Bank for International Settlements. Data cover the external position of banks in Belgium-Luxembourg, Canada, France, the Federal Republic of Germany (excluding positions vis-à-vis German Democratic Republic), Italy, Japan, the Netherlands, Switzerland, Sweden, the United Kingdom, and the United States of America. Beginning with end-1975 data, branches of United States banks in the Bahamas, the Cayman Islands, Panama, Hong Kong and Singapore are also included. Data from Canada, Japan, Switzerland and the United States are not fully broken down by partner country; the resulting residuals are shown in the last row.

c/ Estimate (A) from East European Economies ..., p. 1352; estimate (B) from Eastwest Markets, 16 May 1977 (residual: estimated borrowings of CMEA banks, IBEC and IIB).

d/ Includes estimates of 1976 trade flows.

e/ Probably reflects some double-counting of overlapping components (estimated drawings on official export credit commitments, \$6.6 billion, supplier credits \$3.7 billion, net liabilities to Western banks, \$5.7 billion), since some part of the first two elements - especially rediscounted supplier credits - may be included in bank assets.

Chapter III

RECENT TRENDS IN THE DEVELOPING COUNTRIES

The developing countries participated in the 1975-1976 recovery in the market economies. In the wake of expanding demand in the major industrial countries, the volume of developing country exports - which had flattened out in 1974 and declined by 7 per cent in 1975 - rose by over 15 per cent. As the average unit value of these exports was over 5 per cent higher than in 1975, the foreign exchange earnings of the developing countries increased by more than a fifth. Mining production, which had dropped by 9 per cent in 1975, registered an 11 per cent increase, and manufacturing production, after slowing down to a 3 per cent gain in 1975, accelerated to near 8 per cent (see table 37).

The upswing in manufacturing activity was partly the result of expanded demand among the developed market economy partners and of the rise in export earnings. It also reflected the general improvement that had taken place in the agricultural situation in 1975, raising rural incomes and increasing the supply of raw material inputs. Though the record expansion of 5.3 per cent of 1975 was not repeated in 1976, most developing countries enjoyed good harvests and the over-all increase in gross agricultural production approached 3 per cent.

Total production in the developing countries, which had slowed down to an increase of only 3.5 per cent between 1974 and 1975, rebounded in 1976, reaching an average of 5.5 per cent. There was a sharp contrast, however, between the petroleum-exporting countries, whose growth rate exceeded 10 per cent, and the rest of the developing countries, whose output rose only 4.3 per cent. Because the terms of trade moved in favour of the developing countries in 1976 - by 4 per cent on the average - the rise in income exceeded the rise in output. Following gains of around 2 per cent in 1975, gross domestic income increased by nearly 5 per cent in the petroleum-importing countries and by over 13 per cent in the petroleum-exporting countries.

The decline in the export earnings of the petroleum-importing countries in 1975 put the external balance of many of these countries under great stress, and there was a widespread tightening of import controls. Though in a number of cases these were eased as 1976 progressed and exports subsequently accelerated, for the year as a whole the volume of imports, which had dropped by 2 per cent in 1975, recovered only partially in 1976, while the import expenditure of the group increased by not much more than 2 per cent.

With export earnings increasing much faster than import expenditure, the trade deficit of the petroleum-importing countries was reduced - from a record figure of almost $36 billion in 1975 to about $29 billion in 1976. As the inflow of loans and donations continued in 1976 at much the same rate as in 1975, this reduction in the deficit resulted in a sharp increase in international reserves: after being drawn down by nearly $2 billion in 1975, these expanded by almost $11 billion in 1976.

The rate of increase in the amount borrowed from abroad by the petroleum-importing countries declined from a fourth in 1974 and rather more than a fifth in 1975 to about a sixth in 1976, well below the increase in export earnings. Borrowing by the petroleum-exporting countries rose at much the same rate, and in the aggregate, developing country indebtedness, committed but not all disbursed, exceeded $200 billion by the end of 1976. Debt servicing absorbed almost $30 billion, about an eighth of total foreign exchange earnings from merchandise exports. While in half the developing countries the service payments on external debt pre-empted less than 5 per cent of export earnings, at the other end of the scale almost a sixth of the developing countries paid out over 15 per cent of their export earnings in debt service, and in a handful of countries the proportion was even higher.

Developing country borrowing from the private money market continued to increase in 1976. This had the effect of shortening average maturities, increasing the medium-term amortization liabilities of a number of countries and raising the average rate of interest payable on outstanding debt. Thus, while the vigorous rise in export earnings, the continued restraint on imports, the inflow of capital and the rise in reserves all indicate a significant easing of balance-of-payments strains, there were many countries whose external balance remained precarious or threatened to deteriorate in the face of heavy debt-service schedules.

There were also wide differences in changes in the state of internal balance. The generally satisfactory harvests of 1975 and 1976 helped to hold down or in some cases reduce food prices. In some countries the constraints placed on demand in 1975 prevented the building-up of pressure on resources in 1976. In some, the improvement in export proceeds was used to increase the supply of goods from overseas. Thus in about a fourth of the developing countries the rise in consumer prices in 1976 was less than 5 per cent, and in a few countries prices actually declined. On the other hand many developing countries remained in the grip of an inflationary spiral: one in 10 experienced price increases of over 30 per cent and in a few cases the rise was over 50 per cent. Though, as among the developed market economies, the instances of price deceleration greatly outnumbered those of acceleration in 1976, inflation remained a major feature of the economic scene, and as 1977 advanced there were signs that price increases were accelerating again in many countries. The process of adjustment made necessary by the floating of exchange rates and the drastic changes that have occurred in commodity price relations is evidently still under way.

Production

As in the developed market economies, economic growth picked up in the developing countries in 1976 and total production, which had risen by only 3.6 per cent in 1975, increased by 5.5 per cent. Though an improvement on 1975 this increase did not raise the decade average: at 5.6 per cent per annum this was well short of the 6 per cent target set in the International Development Strategy. In order to reach the target, the average rate of growth in the final four years of the 1970s will have to exceed 6.6 per cent.

Almost 40 per cent of the developing countries achieved a growth rate of over 6 per cent in 1976. A majority (over 60 per cent) of these countries belong to the high-growth category which had maintained an average rate of increase in production of over 6 per cent in the 1970s. They include some of the petroleum-exporting countries (Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Nigeria and Saudi Arabia), some of the mineral-based economies (Bolivia, Botswana and Mauritania), some of the more industrialized economies (Hong Kong, the Republic of Korea and Singapore), two of the sugar-exporting countries (Fiji and Mauritius) and some of the more diversified economies (Brazil, Ivory Coast, Malaysia, Paraguay, Philippines, the Syrian Arab Republic, Thailand and Tunisia).

For some of the countries achieving a relatively high growth rate in 1976, on the other hand, the result represents a marked improvement over the performance registered in the first half of the decade. This was notably true of some of the petroleum exporters - Kuwait, the Libyan Arab Jamahiriya, Oman and Qatar and to a slightly less extent Trinidad and Tobago. It was also true of some of the beverage-crop producers that benefited from the upsurge in prices in 1976 - Benin and Honduras, for example, and to a less extent El Salvador, Guatemala and Nicaragua. Among the other countries recording a much higher rate of growth in 1976 - over 6 per cent - than in the first half of the decade were Afghanistan, Democratic Kampuchea, Morocco and the Niger, where the year saw a much improved harvest as well as greater industrial and mining production.

Altogether, half the developing countries achieved a higher rate of increase in production in 1976 than in the first half of the decade and almost a third continued to grow at more or less the average decade rate (see table 38). In the remaining fifth, production increased at a lower than average rate: in Argentina, Ghana and Southern Rhodesia production declined in 1976, in Ethiopia, Lebanon, Panama and the Sudan it remained virtually stagnant, while in a number of countries - including Israel, Mexico, Papua-New Guinea, Peru, Sri Lanka and Swaziland - the increase in output fell short of the growth in population.

In about a fifth of the developing countries the 1971-1976 rate of increase in production averaged less than 2 per cent. The performance of almost all these countries in 1976 served to raise the decade average - most notably in the case of Kuwait, the Libyan Arab Jamahiriya and the Niger. But in a few cases - the Gambia, Jamaica and Laos, for example - the 1976 results were such as to depress even the low average for the decade.

Thus, notwithstanding the general improvement in the external environment, growth rates and patterns of development in the developing countries were again extremely diverse. The most pervasive influences on progress in 1976 were the recovery in developed market economy demand for developing country products and the easing of the food situation as a result of the good harvests reaped in 1975 or 1976 or, in many countries, in both years. Both directly and indirectly - through their impact on import capacity - these general influences served to increase supplies and domestic activity. But there were a number of exceptions in which other factors predominated - civil disturbances, for example - as in Angola, Ethiopia and Mozambique - and in a few cases, natural disasters, as in Guatemala and Honduras. Not all countries enjoyed bumper crops, moreover: there were some reductions in agricultural output in West Africa and the Caribbean area in 1975, for example, and in Sri Lanka and some of the Andean countries in 1976.

In some cases - notably coffee and cocoa - poor crops in one or two countries set off an upsurge in prices, benefitting all producers and particularly countries whose output was well maintained. In other cases - most notably sugar - a recovery in production brought down the world market price to relatively low levels, to the disadvantage of all producers, particularly those whose output was reduced in 1976. In the case of some commodities - notably copper and bauxite - production was held back by an abnormally large stock overhang, resulting in part from speculative accumulation during the earlier (1973) upswing and in part from the sharp decline in consumption during the recession and the slowness of the 1976 recovery in investment. The impact of such changes on exporters' incomes and government revenue exerted a major effect on domestic demand in a number of countries and on their external balance and thus on import policies and supplies and on the course of fixed investment.

Agriculture

Preliminary estimates indicate that the gross output of agriculture in the developing countries increased by about 3 per cent between 1975 and 1976. This was substantially lower than the gain recorded between 1974 and 1975 but appreciably above the average rate for the decade.

The only regions to achieve an average 1971-1976 rate of growth in agricultural production in excess of the 4 per cent set as a developing country target in the International Development Strategy were East and West Asia. Both registered gains of over 4 per cent in 1976.

In East Asia this reflects the continued rapid increase in agricultural production in the Republic of Korea and a sharp recovery in Malaysia: in both of these countries the decade average rate of increase was over 5 per cent. It was rather less than 5 per cent in the Philippines, where production also rose by over 4 per cent in 1976 as a result of good rice and maize crops and a large increase in sugar and copra. In Indonesia, where the rice crop remained at the 1974 level of 22.5 million tons in 1975 and 1976 and the maize crop dropped to the lowest level since 1972, there was only a marginal increase in total agricultural output in 1976 and the 1971-1976 average was under 3 per cent - barely above the rate of growth of population. In Burma and Thailand, where relatively large rice crops were harvested in 1975, there was no further advance in 1976: insect damage was particularly heavy in Burma, while in Thailand drought inhibited not only the rice crop but also cotton and kenaf yields. Over the 1971-1976 period the increase in agricultural production averaged almost 4 per cent in Thailand but not much more than 1 per cent in Burma, where *per capita* continued to decline.

In West Asia, still heavily dependent on rainfall, agricultural output has continued to fluctuate widely. There were extremely large increases in Iraq and Jordan in 1976, after a poor season in 1975. Substantial gains - around 10 per cent - were also recorded in Iran and the Syrian Arab Republic, and Israel also exceeded the 4 per cent target in 1976. Lebanon was the only developing country in the region to register a reduction in output - reflecting reduced planting in the face of civil disorder. The instability of agriculture in most of the countries makes it difficult to assess progress over the longer run. 103/

103/ In Iraq, for example, the 1976 wheat crop was 50 per cent greater than that of the previous year but only half the bumper crop of 1972, and rice and barley production showed similar gyrations. Similarly, in the Syrian Arab Republic the 1976 output of wheat, cotton and sugar-beets, though relatively good, was appreciably below 1972 levels. The extension of irrigation and the improvement in methods of cultivation are just beginning to reduce this marked instability in agricultural production.

Except in the case of Iraq, all the countries exceeded the 4 per cent growth rate in the 1970s, but in Jordan and the Syrian Arab Republic, as well as in Iraq, per capita output in 1976 was actually below the level of the first half of the 1960s.

Africa was the only other region to record an increase in agricultural production in excess of 4 per cent in 1976. This reflects a recovery from the decline experienced in 1975, and it left the average rate of increase for the decade at under 2 per cent and per capita output in 1976, still well below the level of the first half of the 1960s. Some of the largest gains in 1976 were made in North Africa, most notably in Algeria and Morocco, where record wheat crops were harvested, but recovery from a 1975 setback also resulted in considerable increases in Benin (with record cassava and yam crops), Mali and the Niger (millet) as well as in Malawi, where there was a good maize crop.

Egypt, Guinea, Nigeria, Zaire and Zambia were also among the countries recording an increase of over 4 per cent in 1976. In Egypt, cereal crops were good but short of record figures; records were broken, however, in the case of sugar-cane, as well as potatoes, onions and tomatoes, dates, citrus and bananas and other vegetables and fruit. In Nigeria the output of cassava, yams and plantains reached new peaks. In Zambia there was a record maize crop and in Zaire cassava production exceeded 10 million tons for the first time. Other record crops included rice, yams and plantains in Ivory Coast, millet and sorghum in the Sudan, maize and cassava in the United Republic of Tanzania and cassava in the United Republic of Cameroon.

On the other hand, in about a third of the countries of the region agricultural production showed no increase in 1976 or was less than in 1975. Adverse weather reduced grain harvests in Ghana and Rwanda (millet), Kenya (maize), Southern Rhodesia (maize and wheat), Tunisia (wheat) and the Upper Volta (sorghum), the cassava crop in Angola and Senegal and the rice crop in Madagascar. Coffee production was down in Uganda and remained at a low level in Angola while cocoa production declined sharply in Ghana and Nigeria.

As in the case of Africa and East and West Asia, Latin America enjoyed a higher rate of growth in agriculture in 1976 than in 1975. The difference was narrower, however, and at rather less than 3 per cent, the increase in 1976 was below the decade average for the region, which was just over 3 per cent. A majority of the countries in the region registered a higher rate of increase in 1976 than in 1977 and about half exceeded the 4 per cent rate, 104/ fractionally in the case of some of the larger countries (Argentina, Brazil and Peru, for example) but by a substantial margin in the case of some of the smaller countries (notably Bolivia, the Dominican Republic, Honduras and Nicaragua).

The gain in Argentina - about 10 per cent in gross output, 4.4 per cent in value added - reflects record production of wheat (11 million tons), millet, soya beans, grapes and milk, the largest out-turn of meat since 1969 and of wool and sunflower seed since 1970 and the second largest out-turn of sugar-cane. Favourable weather played a large part in the recovery, but some of the increases

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104/ Latin America is the only region for which it is possible to cite estimates of agricultural production in the value-added terms of the national accounts, in which the 4 per cent target rate of growth was set for the 1970s.

in output were at least in part the result of a switch in government policy towards the freeing of agriculture from some of the constraints that may have been inhibiting production. The producer prices for a number of items - maize, grain sorghum and sunflower seed, for example, and later wheat - were raised substantially and trading in most of them was returned to the free market. Exports of sugar and cereals were permitted at the free exchange rate.

With the notable exception of coffee, tobacco and cotton, most 1976 crops were significantly larger in Brazil, too. New records were established in the case of rice (8.5 million tons), maize (almost 18 million tons), wheat (over 3 million tons), beans (almost 2 million tons), meat (over 3 million tons), milk (nearly 11 million tons), sugar-cane (107 million tons) and soya beans (over 11 million tons). Here, too, official policies helped to stimulate production: support prices were increased - to a very high level in the case of wheat - and incentives provided for investment both directly in agriculture and in related industries and infrastructure.

Among other Latin American countries in which agricultural production increased by over 4 per cent in 1976, Bolivia saw a sharp recovery in the output of cassava and a substantial gain in sugar-cane; the Dominican Republic had record crops of rice and beans, as well as cassava, and a record milk output; Honduras produced a record volume of sugar and livestock products and the banana output recovered from the hurricane damage of the previous year; Nicaragua also enjoyed a record output of sugar and livestock products and also of coffee, as well as a recovery in the cotton crop; in Peru there was a recovery in rice production and in the anchovy catch and a record maize crop; in Paraguay records were set in several crops, including maize, tobacco, cotton and soya beans. In Costa Rica and El Salvador basic food production was down, but records were set in sugar and livestock products and both countries reported an over-all rate of agricultural growth of between 4 and 5 per cent.

At the other end of the scale, 1976 was a less satisfactory agricultural year for several Andean and Caribbean countries. There was only a small increase in output in Colombia, where the effect of record crops of beans and potatoes was offset by poor cereal and livestock results, and in Haiti, where the sugar crop was down. In Jamaica agricultural production showed virtually no growth, and in Chile record output of sugar-beets and livestock products was offset by reductions in the output of cereals and potatoes. Cereals and potatoes were also the weak elements in Panama and Venezuela, where total agricultural output declined. There was also a reduction in Mexico, where the poor crops included some basic food-stuffs such as rice, beans and chickpeas, as well as various oil-seeds, vegetables and fruits. The sharpest decline was in Guyana, where the rice harvest was very poor.

The region in which agricultural production increased least between 1975 and 1976 was South Asia, where it had increased most (11 per cent) between 1974 and 1975, recovering from the 5 per cent decline that had occurred in the previous interval. Without any further advance on the 1975 output, the average annual rate of growth over the six years of the decade was only 1.4 per cent. As this is the most populous of the developing regions - accomodating about 45 per cent of the developing country total in 1976 - this low rate of increase was a serious drag on over-all growth.

The best results in the region were returned by Pakistan, where records were set by both the wheat crop (well over 8 million tons) and the sugar-cane crop (approaching 26 million tons) and where, on a gross output basis, agricultural growth was about 4 per cent. Bangladesh had a record rice harvest of over 19 million tons and an improvement in jute production (to almost 1 million tons) and registered an over-all increase of about 3 per cent.

India also achieved some records - for pulses and potatoes, for example, and a wheat harvest of over 28 million tons - but many crops were below the high 1975 figures and, in the aggregate, agricultural output remained at the 1975 level. Though the food-grain crop was nearly 10 per cent below the 1975 record of over 120 million tons, it left the country with a reserve of over 20 million tons, twice as much as its silos were capable of storing. As 1977 brought another copious monsoon, much of the stock - about 5 million tons - stored in jute bags under polyethylene sheets was vulnerable to moisture damage. Thus, the prospect of another good harvest was modified somewhat by the incidence of reserve deterioration. 105/

Among the South Asian countries the poorest record for 1976 was in Sri Lanka, whose agricultural production dropped about 5 per cent below the 1975 level. At about 1 million tons the rice crop was the lowest for 10 years and the tea crop was also down - the smallest since 1968. Since 1971 per capita production has been below the corresponding level in the first half of the 1960s, and in 1976 it slipped to almost an eighth below the 1961-1965 average.

Some specific crops

The economic recovery in the developed market economies in 1976 resulted in an increase in world demand for most commodities, but the most dramatic changes in market conditions stemmed from developments on the production side. In a number of cases - most notably cereals and sugar - large crops in 1975 or 1976 or in both years served to weaken the world market and reduce prices. In other cases - most notably the beverage crops and cotton - lower production in major countries had the opposite effect. These changes had important consequences for the food supply of the developing countries and for the export earnings of many of them.

In the aggregate, cereal production in the developing countries, which had risen from 381 million tons in 1974 to 416 million tons in 1975, increased further in 1976 - to about 429 million tons. Much of the increase was in wheat, which reached 79 million tons, a sixth above the record 1975 crop. As world production increased by a similar proportion, free market prices fell sharply. Averaged over the crop year 1976/77 they were about a fourth lower than in the previous season and in mid-1977 they were barely half the peak average of 1973. This benefited the developing countries, almost all of which are net importers of wheat. In the case of Argentina, the only large exporter, the decline in average unit value (22 per cent) was more than offset by a sharp rise in the volume of exports - from

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105/ In the course of 1976 and 1977 part of the inventory was used to repay the Soviet Union most of the 2 million tons of wheat lent during the 1974 drought. Much of the grain exposed to undue moisture was assigned for use as feed-stuff.

1.8 million tons in 1975 to 3.2 million tons in 1976 - so that wheat earnings rose from $301 million to $432 million.

The developing country rice crop, at 204 million tons in 1976, was marginally smaller than the record 1975 figure. With stocks high in most countries, import demand slackened and prices declined in 1976. Though they turned upwards again in the course of the season, they were about an eighth lower in 1976/77 than in 1975/76. Burma and Thailand, the major exporters managed to double their sales, however, and although between 1975 and 1976 unit value was down by more than a fourth, export proceeds rose sharply - from $72 million to $110 million in Burma and from $287 to $422 million in Thailand. Pakistan also improved its rice earnings - from $190 million to about $260 million, only 10 per cent short of the 1974 record.

Coarse grain production in the developing countries approached 152 million tons in 1976 - about 2 per cent above the record 1975 crop - and is expected to exceed 157 million tons in 1977. As production in the rest of the world increased substantially more, prices continued to weaken - by about 10 per cent between 1974/75 and 1975/76 and a further 10 per cent between 1975/76 and 1976/77. Developing country imports of coarse grains dropped in volume - by about 1 million tons between the July/June crop years 1975/76 and 1976/77 to below 10 million tons - as well as in value. Exports from Thailand were down about 10 per cent but Argentina boosted its 1976/77 sales to about 8 million tons, more or less the 1973/74-1974/75 average and well above the 1975/76 total.

The generally good harvests in 1975 and 1976 permitted not only an increase in per capita consumption but also the rebuilding of grain inventories that had been run down in the earlier years of the decade. Indeed, as in the case of India, cited above, in most cases storage capacity came under considerable pressure during this period. 106/ In working out a viable food-stock policy in the framework of an international reserve system, most developing countries began to face the need for enlarged facilities for safe storage.

While the increase in cereal production in 1975-1976 greatly relieved the food situation in the developing countries, the expansion in sugar production had its main impact on the external sector. The world output of centrifugal sugar reached a new peak of 82 million tons (raw value) in 1975/76. As this was appreciably above consumption, there was a further increase in stocks - to over 19 million tons, the highest carry-over since 1970. With a further increase in production in prospect - to nearly 87 million tons - for the 1976/77 campaign, the world market price continued the decline that had begun in 1975: by the last quarter of 1976 it had dropped below 8 United States cents per pound (ex-Caribbean port), the lowest figure since 1972. It rallied somewhat in the first half of 1977 but by mid-year was back below 8 cents. On average the 1976 price was not much more than half that of the previous year (see table 39).

Very few developing countries were able to increase their sugar earnings in the face of this sharp reduction in price. A number of countries continued to expand production vigorously in 1976/77: Thailand (up to 1.8 million tons), the

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106/ In mid-1977, for example, Kenya had 10 per cent of its 5.5 million bag inventory of maize outside the available grain silos, with another 8 million bags due for harvesting.

Dominican Republic (1.4 million tons), Indonesia (1.15 million tons), Iran, Pakistan and Guatemala (between half and three quarters of a million tons) and, on a smaller scale, Morocco, Bolivia, Ecuador, El Salvador, Nicaragua, Panama, Ethiopia, Honduras and Paraguay. The 1975/76 crop showed a sharp increase in the Philippines (2.94 million tons), Colombia (almost a million tons) and, on a smaller scale, Chile and Uruguay; and the 1976/77 crop increased sharply in India (almost 6 million tons), Argentina (1.56 million tons), Mauritius (0.73 million tons) and, on a smaller scale, Burma. By dint of a 54 per cent increase in volume in 1976, Guatemala almost maintained its 1975 sugar earnings, while Nicaragua and Thailand - also countries with a rapidly expanding sugar trade - by more or less doubling their exports, actually earned between a fifth and a fourth more than in 1975.

By contrast, in a number of developing countries the effect on export earnings of the declining world price was accentuated by a reduction in output: in 1975/76 production was substantially lower in Brazil (6.2 million tons), Peru (0.96 million tons), Mauritius (0.50 million tons), and Venezuela (0.46 million tons), as well as in Jamaica, Mozambique, Angola and Belize. And in 1976/77 there was a much smaller sugar crop in Cuba (5.8 million tons). Export earnings from sugar were down sharply in 1976 in these countries: at $205 million they were less than a fourth of the 1975 figure in Brazil, for example, and they fell comparably in Peru (from $261 million to $74 million) and Jamaica (from $128 million to $51 million). Sugar earnings were also substantially below the 1975 level in Mauritius (22 per cent), the Philippines (26 per cent), Fiji (35 per cent), Panama (47 per cent), Barbados (50 per cent) and the Dominican Republic (53 per cent).

In the case of coffee, developing country production declined slightly (from 4.60 to 4.35 million tons) between 1974 and 1975, and sharply (to 3.54 million tons) in 1976 (see table 40). The reduction was concentrated in Brazil where a severe frost in July 1975 killed a large proportion of the country's coffee trees: the 1976 output was less than 600,000 tons, compared with over 1.4 million in 1975 and nearly 1.7 million in 1974. On a smaller scale, 1976 production was also down in Uganda (to 168,000 tons), Guatemala (125,000 tons), India (89,000 tons), Angola (72,000 tons) and the Dominican Republic (46,000 tons).

The effect of this reduction in supply was a rapid rise in prices: in June 1975, the average composite price of green coffee beans on the New York market as computed by the International Coffee Organization, was 63 United States cents a pound. By August 1975, it had jumped to 88.5 cents a pound, and it continued to rise eratically to $2.28 a pound in January 1976 and $3.20 in March 1977. The average market price in 1976 was about double that of 1975, and the trend continued upward until the middle of 1977. A majority of the coffee exporters managed to sell more in 1976 than in 1975. This was true even of Brazil which, by purchasing coffee from Angola and Madagascar and other producers and drawing down its own stocks, was able to export slightly more in 1976 than in 1975. Few exporters increased their coffee earnings by less than 50 per cent and half the major producers - including Brazil, El Salvador, Ethiopia, Kenya, Nicaragua, Rwanda and the United Republic of Tanzania - more than doubled their earnings.

Cocoa production was also lower in 1976 than in 1975 - at 1.3 million tons the total was about 10 per cent below the previous figure. As in the case of coffee, prices rose erratically during the year, averaging almost 50 per cent above the 1975 level, and even more steeply in the early months of 1977.

Most of the major producers had smaller cocoa crops in 1976: in Ghana output (320,000 tons) was down a fifth, in Brazil (249,000 tons) about 3 per cent, in Nigeria (160,000 tons) about a fourth, in the United Republic of Cameroon (90,000 tons) about 6 per cent, in Ecuador (64,000 tons) about 15 per cent. The countries increasing or maintaining their output were mostly the smaller producers - the Dominican Republic, Mexico and Papua New Guinea, for example - though Ivory Coast, one of the major producers (240,000 tons), also reported a small gain. Exports from Ivory Coast were up about an eighth in volume and a third in value. Despite its smaller output Nigeria also increased its cocoa earnings - by about a fifth. The United Republic of Cameroon and Ghana, on the other hand, earned less from cocoa exports in 1976 than in 1975. 107/

In contrast to the other beverage crops, tea registered an increase in production in the developing countries between 1975 and 1976, though only a small one - from just under to just over a million tons. In Asia, gains in India (up 3 per cent to just over 500,000 tons) and, on a smaller scale, Indonesia more or less offset reductions in Sri Lanka (by 7 per cent to about 200,000 tons) and, on a smaller scale, Bangladesh. Production continued to increase in Africa, most notably in Kenya, where it rose by about 8 per cent to 62,000 tons.

Reflecting higher incomes in some of the tea drinking countries of Africa and West Asia and some switching to tea in Europe and North America as coffee prices rose, consumption increased somewhat more than production in 1976. As a result, prices moved upwards: on the London market the monthly average rose from less than 60 United States cents per pound in January to nearly 77 cents per pound in December. The 1976 average was about 8 per cent above the 1975 level.

Except in the case of Sri Lanka, whose tea earnings dropped by about 9 per cent, there was a general rise in the value of tea exports - by about 4 per cent in the case of India, for example (to over $300 million), 17 per cent in the case of Malawi and 23 per cent in the case of Kenya.

The revival in the textile industry in 1976 was accompanied by a small increase in cotton production in the developing countries. This was concentrated in Latin American and Africa; in Asia the 1976/77 crop was less than 9 million bales, compared with 9.7 million in 1975/76 and an average of 10.6 million in the first half of the decade. Even in the other regions the 1976/77 crop, though greater than that of 1975/76, was below the decade average: in Latin America production increased from 5.8 to 7.0 million bales, compared with a 1970-1974 average of 7.5 million, while in Africa the increase was from 4.5 to 5.0 million bales, as against a decade average of 5.7 million.

In a number of countries both the 1975/76 and 1976/77 crops were below the 1970-1974 average: this was true both in the United States of America and in most of the major producers - Brazil, Colombia, Mexico and Peru in Latin America; Egypt and the Sudan, Uganda and the United Republic of Tanzania, Angola and

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107/ The cocoa earnings of the United Republic of Cameroon were down about 10 per cent. In the case of Ghana full data for 1976 are not yet available: receipts in the first half of the year were appreciably lower, but the situation is obscured by the fact that a sizable flow of cocoa beans continues unrecorded across the boundaries of neighbouring countries in which support prices are higher - especially when calculated at free-market exchange rates - and import restraints milder.

Mozambique, the Central African Empire, Southern Rhodesia and Zaire in Africa; and India, Iran and Pakistan in Asia. Thus, despite the increase between 1975/76 and 1976/77 production was again below consumption and by mid-1977 world stocks had dropped to the equivalent of about four months of mill intake - the smallest carry-over since 1953.

With consumption continuing to run ahead of production, cotton prices rose significantly in 1976, and for the year as a whole they averaged about a third above the 1975 level. 108/ As a result most exporters earned substantially more from cotton shipments in 1976 than in 1975. Afghanistan and Mali more than doubled their cotton earnings and several other countries - including Mexico, Paraguay and the United Republic of Tanzania - increased theirs by more than 50 per cent. Among the few countries that earned less from their cotton sales in 1976 were El Salvador (down an eighth to $68 million, in the wake of a small 1975/76 crop), Egypt (down almost a fourth, to below $400 million) and Pakistan (down two thirds, to a mere $48 million, not much more than the country's imports of cotton required to sustain its textile industry).

After two years of decline there was also an increase in the output of natural rubber in 1976. This reflects in part the response of growers to more remunerative prices and in part the maturing of some of the higher yield trees planted early in the 1970s, especially in Malaysia. Total output in 1976 was almost 3.7 million tons, about an eighth more than in 1975. Nevertheless, following the strong recovery in the automotive industry in the developed market economies, consumption tended to run ahead of production, and prices, which had dipped in 1975, began to rise more sharply: averaged over 1976 they were about 40 per cent above the 1975 level and about double the 1970 level.

The largest proportional gains were made by Democratic Kampuchea and Viet Nam, recovering to some extent from the depressed levels of production of the first half of the 1970s. Larger absolute increases were registered by Malaysia (to over 1.6 million tons) and Thailand (to almost 400,000 tons), where output was 11 per cent above the 1975 level. Indonesian output was up by 3 per cent and virtually all the smaller producers recorded increases. There were corresponding increases in the exports of most producers, with the exception of Sri Lanka, which shipped about 15 per cent less than in 1975. Even Sri Lanka earned more than in 1975, however, and most producers expanded their rubber earnings by about 50 per cent - to about $260 million in Thailand, for example, $530 million in Indonesia, $800 million in Singapore and $1,220 million in Malaysia.

Industry

With the recovery in demand in the developed market economies and the improvement in raw material supplies in the wake of the generally good 1975 and 1976 harvests, industrial activity revived in the developing countries. The rate of increase in over-all production, which had decelerated from over 10 per cent in

108/ For most developing countries the increase in the average dollar-denominated unit value of cotton exports ranged between a fourth (for El Salvador Pakistan, Peru, the Syrian Arab Republic and the United Republic of Tanzania) and two thirds (for Mexico and Nicaragua). In the case of the Sudan, however, the average unit value in 1976 was less than 8 per cent above the 1975 figure, and in Egypt it was actually 14 per cent lower.

1973 to less than 1 per cent in 1975, rebounded to nearly 9 per cent in 1976. The advance accelerated as the year progressed, from less than 8 per cent in the first quarter to almost 10 per cent in the last (see table 41).

The swing in industrial production was accentuated by changes in the mining sector. The rate of increase in mining output was almost 12 per cent in 1973 but less than 2 per cent in 1974; production declined by nearly 9 per cent in 1975, then climbed by over 9 per cent in 1976. This gain reflects an upsurge in the last quarter of the year, when output was about a sixth higher than in the corresponding portion of 1975. This, in turn, was largely the result of a burst of petroleum-buying in advance of an expected increase in prices.

Developing country production of petroleum, which had risen by 13 per cent in 1973, dipped slightly in 1974 and by nearly 10 per cent in 1975, before advancing by 11 per cent in 1976. Production in the Organization of Petroleum Exporting Countries (OPEC) swung through an even wider cycle: the combined output was up by a seventh in 1973, down fractionally in 1974 and by over 11 per cent in 1975, and then up by an eighth in 1976. There were even greater fluctuations in individual countries: in Nigeria production fell by 21 per cent in 1975 and increased by 15 per cent in 1976, for example, and in Saudi Arabia a decline of 17 per cent was followed by a rise of 21 per cent. Only in Iraq and Venezuela did 1976 bring a curtailment of production.

In the case of copper, developing country production increased by about 6 per cent, to approximately 3 million tons. The main expansion was in Chile, where output surged by a fifth, to over 1 million tons; and with prices up by about an eighth, copper earnings rose to almost $1.3 million, still well below the 1974 record but almost half again as much as in 1975. On a smaller scale there was a comparable increase in Peru. Production also recovered in Zambia, whose copper earnings were up by over a fifth in the first three quarters of 1976. Among the major producers, Zaire was the only one to produce less than in 1975: the country's copper earnings dropped by about 9 per cent, to below $400,000. Among the smaller producers, output increased substantially in India and Namibia but was no more than maintained in Papua-New Guinea and the Philippines, in Mexico, in Iran and in Southern Rhodesia and Uganda (see table 41).

There was some firming of the market for aluminium in 1976 but it was based largely on control over production rather than expansion in consumption. As a result, there was only a partial recovery in the production of bauxite. Some of the major exporters, indeed, saw their output continue to diminish: Guyana, Indonesia, Jamaica, Malaysia and Surinam all produced less than in 1975. The main increases were in Guinea - which became the leading producer among the developing countries in 1976, with an output of nearly 12 million tons - and in some of the countries, such as Brazil and India, that produce bauxite chiefly for domestic smelting.

With the steel industry in continuing difficulties in the developed market economies, operating well below capacity in most countries, the demand for iron ore remained weak in 1976. Developing country production was about 4 per cent below the 1975 level: sizable reductions in some of the major exporters of South America (Brazil, Chile, Peru and Venezuela), as well as in some of the smaller exporters of Africa (Morocco, Swaziland and Tunisia), more than offset gains in India and Mexico.

The expansion in India reflected not only larger exports of iron ore but also further rapid growth in domestic steel production: rising from less than 7 million tons a year in 1973-1974, this approached 8 million in 1975 and exceeded 9 million in 1976. Brazil also produced more than 9 million tons of steel in 1976, almost 10 per cent above the 1975 level. The most rapid growth during this period was registered by the Republic of Korea, whose steel output more than doubled between 1973 and 1976, approaching 3 million tons. Argentina was the only other large developing country producer to increase production in 1976; there was no expansion in Chile and there were cutbacks in Colombia, Mexico and Venezuela (see table 43).

In the aggregate, the growth in developing country steel production, which had receded to below 6 per cent in 1974, advanced to near 9 per cent in 1975, despite the recession in the developed market economies, and to near 10 per cent in 1976. Cement production was also well sustained in the developing countries, increasing by between 7 and 8 per cent in 1975 and in 1976. This brought the developing country share of current world production (outside of China) to over 13 per cent in 1976, compared with 12 per cent in 1974.

A majority of developing countries increased their cement output in 1975 and 1976. Particularly vigorous growth was registered in Brazil (almost 10 per cent each year), India (14 per cent), the Republic of Korea (15-17 per cent) and, on a smaller scale, Bangladesh, where production increased two to threefold between 1974 and 1976. Some of the countries in which output was reduced in 1975 recovered the lost ground in 1976, fully in the case of Colombia and the Syrian Arab Republic, partially in the case of Sri Lanka and Zambia. Some countries produced less in 1976 than in 1975 (Egypt, for example, and Israel, Jamaica, Malawi, Nigeria, Pakistan, Trinidad and Tobago, and Tunisia); and in a few cases 1976 brought a second decline (as in Chile, for example, and Fiji, Jordan, Southern Rhodesia and the United Republic of Tanzania).

The growth in electricity production in the developing countries was also well sustained in this period, increasing by 8-9 per cent each year, well above the rates recorded in the developed countries. 109/ Substantially higher rates of increase were achieved by a number of countries in both 1975 and 1976 (most notably by Bangladesh, Brazil, Hong Kong, Kenya, Malaysia, Mauritius, the Republic of Korea and Tunisia) and in 1976 by Burma, El Salvador, Panama, Singapore and Zambia. Very few countries generated less electricity in 1976 than in 1975 - Malawi and the Syrian Arab Republic, for example (after an exceptionally large expansion in 1975), Uganda (where there was a decline in 1975 also) and the United Republic of Cameroon (in response to the weakness of the world aluminium market).

In the aggregate, manufacturing production in the developing countries went through a much less violent cycle than mining: the over-all rate of increase rose to a peak of over 10 per cent in 1973 and then fell to below 3 per cent in 1975 before recovering to nearly 8 per cent in 1976. This brought the decade average rate of growth to 7.3 per cent - still somewhat short of the 8 per cent target set for the developing countries as a group in the International Development Strategy.

109/ World production of electricity increased by 3 per cent in 1975 and by rather more than double that in 1976. Notwithstanding the higher rates of growth registered in the developing countries, the latter still accounted for less than 5 per cent of the world total.

The main swing was in heavy industry, whose expansion in output accelerated to an eighth in 1973 before dipping to not much above 1 per cent in 1975 and rising to 10 per cent in 1976. The rate of increase in the output of light industry barely reached 8 per cent in 1973; it dropped to 3 per cent in 1974 and then, in the wake of better harvests, picked up to nearly 4 per cent in 1975 and nearly 7 per cent in 1976 (see table 41).

The recovery in manufacturing activity was widespread in 1976; the exceptions were limited to a few countries in which either serious civil disturbances or draconian stabilization measures interfered with production or reduced domestic demand. In Latin America, for example, manufacturing accelerated everywhere except Argentina and Mexico, where strong action was taken to restore the external balance; Bolivia and Ecuador, where expansion in 1974 and 1975 had been particularly vigorous; 110/ Peru and Uruguay, where some slowing down was induced in part by budget cutting and other austerity measures and in part by the impact of inflation itself on consumer demand; Panama, where there was a further decline in fixed investment and in petroleum refining; and Guyana and Jamaica, where unstable domestic conditions, a poor rice crop and lower sugar increases and the resultant tightening of external policies all contributed to a slowdown in factory activity.

In spite of a 5 per cent reduction in factory output in Argentina and a halving - from 4 per cent to 2 per cent - in the rate of increase in Mexico, 111/ the over-all growth of manufacturing production in Latin America advanced from not much more than 1 per cent in 1975 to nearly 5 per cent in 1976. This reflects the vigour of the recovery in Brazil, where the rate of increase jumped from less than 4 per cent to over 10 per cent, as well as in Colombia, Guatemala and Paraguay, and the continued rapid expansion of manufacturing in Venezuela, where a 12 per cent increase in output was achieved. In all these countries internal demand was boosted by a rapid rise in export incomes.

In Africa the improvement in the output of the primary sectors, the increase in incomes flowing from higher export prices and the expansion in input supplies from oversea, as well as local sources, all contributed to stimulate manufacturing activity. But in a number of countries, restrictive policies or civil disturbances exercised a strongly negative effect.

In the petroleum-exporting countries of the region there was another sizable increase in manufacturing production, aided in Algeria by good crops and in Gabon by continued infrastructure investment, including the cross-country railway. In Nigeria, where manufacturing output increased by almost a fourth in 1975, organizational, skill and infrastructure bottle-necks held the 1976 expansion to under 16 per cent.

110/ In both Bolivia and Ecuador manufacturing output rose by over 10 per cent in 1976, reflecting, in part, high investment and high imports of inputs in 1975, when production increased even faster. The slight reduction in growth rate in 1976 was indicative of various constraints, including a shortage of electric power in Ecuador and the need to reduce the external deficit in Bolivia.

111/ Between them, Argentina and Mexico account for almost half the total manufacturing activity in Latin America.

There was a sharp acceleration in manufacturing in Kenya (to an 8 per cent increase in production) and Tunisia (to 6 per cent). Though it cannot be precisely quantified, there also appears to have been some acceleration in manufacturing activity in Ivory Coast and the Sudan and, in the wake of an increase in foreign investment, in Egypt. 112/ In Morocco, manufacturing activity continued to expand at the decade average rate of 6 per cent. In Senegal there was a much larger gain, though this was below the exceptional expansion of the previous year. The most disappointing results were in the southern countries of the region: there was no advance in manufacturing in Malawi and a decline of 5-6 per cent in Southern Rhodesia and Zambia (see table 44).

In Asia, where manufacturing had more or less stagnated in 1975, there was a marked recovery in 1976. This was based on some countries on the revival of demand in export markets in the developed market economies and on success in penetrating the markets of the petroleum-exporting countries, and in other countries on the improvement in rural incomes and in supplies of agricultural raw materials and imported components. Gains of 5 per cent were registered in Israel and the Philippines, of 10 per cent in India, of about 20 per cent in Malaysia and Singapore and of around 30 per cent in Jordan and the Republic of Korea.

Though modest, the recovery in the Philippines, after two years of contraction, was broadly based: there were significant increases in the output of a number of industrial branches, including food processing, textiles, wood and furniture, chemicals and paper. The large increase in Jordan reflected the coming into production of a number of new plants - for electricity, petroleum products and paper, for example - as well as the continued expansion of the phosphate industry. In the Republic of Korea the 1976 performance was notable for the further rapid increase in the steel and shipbuilding industries - in the face of the serious recession that characterized these industries in the developed market economies. Though repair work picked up in the second half of 1976, shipbuilding remained depressed in Singapore: the industrial recovery was largely the result of a rapid expansion in the electronics branch and a revival in petroleum refining after two years of decline.

In Thailand, manufacturing production increased at a somewhat faster pace than the 7 per cent achieved in 1975. The acceleration was based largely on the gains made in the primary sectors - larger food crops and higher rubber and tin incomes - but there was a marked recovery in the textile industry (up almost 12 per cent) and some improvement in the cement industry. In Hong Kong, employment in manufacturing was about a fourth higher in 1976 than in 1975. Though the textile industry continued to be the largest, growth was more rapid in the electronics industry and, with the opening of new industrial estates, official policy emphasized diversification. Much of the expansion was based on exports, but with building permits up 30 per cent and domestic income up 16 per cent there was also a major local stimulus.

One of the disappointments of the year was the failure of Pakistan to improve on the poor industrial performance of 1975. A combination of factors - political

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112/ Administrative complications and some ambiguities in the 1974 Investment Law, seem to have delayed the impact of in-coming capital. By the end of 1976 only about an eighth of the approved projects were actually in production. A 10 per cent increase in industrial output is expected in 1977.

unrest, continued inflation, lack of private investment and unfavourable climatic conditions, which reduced the supply of cotton - brought about a slight decline in manufacturing output.

In the petroleum-exporting countries of West Asia there were further large increases not only in imports of manufactures but also in local production stimulated by the rapid rise in incomes and the high level of capital formation. Part of the latter consisted of downstream investment in the oil industry, which by 1976 had created a good deal of new manufacturing capacity. In Iran, for example, several of the 10 petrochemical complexes due to be completed by the end of the current development plan in 1978 were in operation in 1976, producing chemicals and fertilizer and, in the aggregate, manufacturing output was a fifth higher in 1975/76. In Iraq there was some slackening in industrial investment in 1976, reflecting in part the slower growth in oil revenues and in part the emergence of unused industrial capacity symptomatic of imbalances and bottle-necks. In Kuwait a KD 1.3 billion industrial development plan was drawn up by the Ministry of Commerce and Industry as part of an economic diversification drive oriented - in the light of the small domestic market of less than 1 million people - largely towards exports.

International trade

With the recovery in demand in the developed market economies, developing country exports surged upwards in 1976. Their value, for the year as a whole, was more than a fifth above the 1975 level in terms of current United States dollars. This reflects a 15 per cent increase in volume and a 5 per cent rise in price. In the case of the petroleum-exporting countries the expansion was about 13 per cent in volume and 6 per cent in price. For the rest of the developing countries, the volume increase was somewhat greater (nearly 19 per cent) and the price increase somewhat smaller (4 per cent).

As foreign exchange earnings revived, the petroleum-importing countries began to relax their control over imports, the volume of which had been cut back by 2 per cent in 1975. Except in Asia, however, the process did not result in any marked swing in 1976. For the year as a whole the combined import expenditure of the non-petroleum group rose by about 2 per cent, price increases accounting for half this rise. In the case of the petroleum-exporting countries, on the other hand, there was a further upsurge in imports: in 1976 they amounted to almost a fourth more than in 1975, bringing the average annual rate of increase in volume for the decade up to 19 per cent, as against an average of not much above 4 per cent for the rest of the developing countries.

The swing in developing country trade in this period was largely the result of changes in developed market economy demand. The value of developing country exports to the developed market economies dropped by almost 9 per cent in the 1975 recession and then rebounded by 22 per cent in the 1976 recovery. Exports to the centrally planned economies increased in both years, as did trade among the developing countries themselves.

Changes in export earnings

The expansion in export earnings in 1976 was widely distributed. Regionally, the smallest increase (less than 4 per cent) was registered by the petroleum-exporting countries of the western hemisphere, the largest (almost 35 per cent) by the petroleum-importing countries of South and East Asia. The only other group to increase its export earnings by less than a sixth in 1976 was the petroleum-importing group in Africa (see table 45).

The modest increase in the earnings of the western hemisphere petroleum exporters reflects in large part the decisions made by Venezuela regarding the exploitation of its oil resources. But a contributory factor was the change in the petroleum market in the United States of America: an increase in duty on fuel oil and the concentration of domestic refineries on lighter fractions significantly reduced the demand for the products of Caribbean refineries. Shipments from Panama fell by a fifth and shipments from the Netherlands Antilles declined for the second year.

In the case of the African petroleum-importing countries the relatively poor results reflect both supply difficulties - caused by adverse agricultural conditions or by civil disorders - and weak international markets for sugar and iron ore. Thus the export earnings of Mauritius and a number of countries of North Africa (Morocco and Tunisia) and West Africa (the Gambia, Ghana, Guinea-Bissau, Senegal and Sierra Leone) were appreciably lower than in 1975, and those of several other countries (the Central African Empire, Egypt and Mauritania) showed no advance.

Elsewhere, the swing in the sugar market was the main factor in reversing the movement in export receipts. After rising strongly in 1975 they were down by about a fifth in 1976 in Barbados, the Dominican Republic, Fiji, Guyana and Jamaica. Altogether rather less than a fourth of the developing countries registered a reduction in export receipts between 1975 and 1976.

At the other end of the scale another fourth of the developing countries achieved increases in excess of 30 per cent. These included some of the petroleum exporters (the Libyan Arab Jamahiriya, Nigeria and Saudi Arabia), some of the beverage-crop exporters (Burundi, El Salvador, Haiti, Honduras, Ivory Coast, Kenya, Nicaragua, Rwanda, Uganda and the United Republic of Tanzania), as well as some of the exporters of rubber (Malaysia and Thailand), temperate farm products (Argentina and Uruguay) and manufactures (Hong Kong and the Republic of Korea). For most of these countries the vigorous expansion of earnings in 1976 followed a contraction in 1975 (see table 46).

Among the remaining half of the developing countries, recording a more moderate expansion of less than 30 per cent between 1975 and 1976, those recovering from a contraction in the previous interval were also in the majority. A few of these countries enjoyed a smaller gain in 1976 than in 1975 and about a fourth, including Brazil and India as well as a number of smaller countries - Costa Rica and Guatemala, Botswana and the Sudan, and Israel and the United Arab Emirates - achieved a greater increase in 1976 than in 1975.

Altogether among the countries earning more in 1976 than in 1975, two thirds were recovering from a contraction, a fourth achieved an acceleration and about a seventh raised their receipts less in 1976 than in 1975.

The swing from contraction to expansion was confined very largely to the flow of exports to the developed market economies. Developing country exports to each of the main developed market economy regions had fallen in 1975, but in 1976 rose by a third to North America, a fifth to Japan and by a sixth to Western Europe. These swings applied both to the flow from the members of OPEC and to the flow from the rest of the developing group (see table 47).

The flow from OPEC to Western Europe, which had declined by a seventh in 1975, did not quite regain its 1974 level of $54 billion. The flow from OPEC to North America, on the other hand, after dipping 5 per cent in 1975, surged upwards by 42 per cent in 1976. The most rapidly increasing element in this flow was from Africa: as a result, total African exports to North America did not decline in 1975 and almost doubled in 1976. In contrast to this, the larger flow from Africa to Western Europe, which was reduced by 16 per cent in 1975, failed to recover in 1976. The small flow from Africa to Japan, on the other hand, was the only one to contract in both 1975 and 1976.

There was a modest (6 per cent) increase in the exports of developing countries to the centrally planned economies, not much more than a fourth of the previous year's gain. The main expansion in 1976 (almost 15 per cent) was in the flow from Asia, both to China and to the centrally planned economies of Europe. Following a large (50 per cent) increase in 1975, there was a small (2 per cent) reduction in the exports of Latin America to the centrally planned economies. The flow from Africa increased again, by much less than in 1975 in the case of the European centrally planned economies, and by much more in the case of the small flow to the Asian centrally planned economies.

There was an acceleration in the rate of increase in trade among the developing countries themselves: after a 4 per cent growth in 1975, it rose by nearly 14 per cent in 1976. The largest flow and one of the largest increases occurred among the Asian countries. The latter, indeed, expanded their exports vigorously to all the developing regions - by 18 per cent in the aggregate - a reflection in part of the ability of some of the countries in the region to penetrate the enlarged markets of the petroleum exporters. Intra-African and intra-western hemisphere flows both increased by rather more than 10 per cent. There was no progress in African exports to Asia, and in the case of the small flow of western hemisphere exports to Africa and Asia the large increase that had occurred in 1975 was followed by a sharp decline in 1976.

Shipments from OPEC members to other developing countries were valued at $24 billion in 1974; after dropping by 2 per cent in 1975, they rose by 14 per cent in 1976. The smallest of these flows - to developing countries in Africa, $1.6 billion in 1974 - was the fastest growing: it increased by 14 per cent in 1975 and by 20 per cent in 1976, reflecting in part the expansion in petroleum-refining capacity in the importing countries. Exports to the petroleum importers of Asia increased by 15 per cent in 1976, while the flow to the developing countries of the western hemisphere rose by 11 per cent, less than the reduction in 1975, and reflecting the difficulties of the Caribbean refiners referred to above.

Exports to developing countries from the petroleum-importing group rose by 10 per cent in 1975 (when their shipments to the developed countries were reduced) and by 13 per cent in 1976, substantially less than in the case of shipments to the developed countries. In 1975 the flow to developing countries in Africa was the most vigorous (rising almost a fourth), but in 1976 this flow actually contracted, while shipments to Asia and Latin America expanded by around 16 per cent. In the aggregate, 24 per cent of the exports of the petroleum-importing developing countries went to other developing countries in 1976, 7 per cent to the centrally planned economies and 69 per cent to the developed market economies, compared with 76 per cent in the case of the members of OPEC.

One of the striking features of developing country trade in 1976 was the vigorous growth in exports of manufactured goods to the developed market economies. As measured by the latter's imports, these increased by about 40 per cent in 1976 to constitute 43 per cent of the total flow, excluding petroleum, as against about 38 per cent in 1973 (see table 48). 113/

The capital goods component of this flow of manufactures increased by about 37 per cent in 1976. The bulk of it (about two thirds) originated in South and South-East Asia and most of the remainder in the developing countries of the western hemisphere. Most of the flow (about two thirds again) went to North America. The largest increase in 1976 was from South and South-East Asia (50 per cent), but this followed a particularly violent swing in the two preceding years. The other interregional flows of capital goods were also characterized by major fluctuations between 1973 and 1976, most notably the result of the recession in North America in 1975. The most stable was the flow from Asia to the developed market economies of Europe, which increased vigorously throughout the period (see table 49). By 1976 the value of developed market economy imports of capital goods from the developing countries had exceeded $6 billion.

Developed market economy imports of other manufactured goods from the developing countries also rose vigorously (by 42 per cent) in 1976 after a sharp decline in 1975. The smallest reduction in 1975 and the largest increase in 1976 were in the flow from South and South-East Asia, which was the major source of supply for all the developed market economy regions (see table 50). Valued at about $25 billion, this trade constituted about an eighth of all developed market economy imports from the developing countries in 1976.

About $4.5 billion of this trade in manufactures consisted of non-ferrous metals. Most of this was from Africa and Latin America, but the largest relative increase since 1973 has been in shipments from South and South-East Asia, which rose by 41 per cent in 1976 after a small decline in 1975. Exports from the other regions were much more sharply reduced in 1975 and did not fully regain 1974 dimensions in 1976. The only flows to surpass the 1974 level in 1976 were those from South and South-East Asia to Japan and Europe and the small flows to North America from Africa and West Asia (see table 51).

A small but rapidly growing element in developing country exports of manufactures comprised metal products such as tools, containers and articles used in the construction industry. These exports came largely from South and South-East Asia and their total value, after an increase of 56 per cent, was in excess

113/ If non-ferrous metals are excluded from the category of manufactured goods, the latter constituted 31 per cent of the developed market economies' non-petroleum imports from the developing countries in 1973 and 37 per cent in 1976.

of $400 million in 1976. The only other significant flow was to North America from the developing countries of the western hemisphere (see table 52).

A much larger component of the manufactured goods from the developing countries consists of textiles. After a one-fourth contraction in 1975, shipments to the developed market economies expanded by 39 per cent in 1976 to reach a total value of about $3.3 billion. The bulk of this originated in South and South-East Asia, whence exports were divided more or less equally among the three main developed market economy regions. A smaller flow - about a seventh of the total - moved from West Asia to Europe. And a flow of a similar order came from the developing countries of the western hemisphere, to be shared more or less equally by Europe and North America. Another sizable element in this trade in textiles is the flow from Africa to Europe: this declined much less than the average in 1975 and rose slightly more (41 per cent) in 1976. With supplies coming in substantial quantities from all the developing regions, the intake of the European developed market economies was approaching $2 billion in 1976, having increased by 31 per cent over 1975. After sharper cuts in 1975, shipments rose by 47 per cent to North America and by 52 per cent to Japan (see table 53).

Even larger than the trade in textiles has been the flow of clothing from the developing countries to the developed market economies. This did not decline in the recession and in 1976 it expanded by 45 per cent to reach well over $7 billion. A small proportion (less than a tenth) of this came from the developing countries of the western hemisphere - chiefly to North America - but the great bulk originated in South and South-East Asia. Exports from this region to Europe, having risen by around 30 per cent a year since 1973, were approaching $3 billion in 1976. This was also the order of exports to North America after three years of accelerating expansion. Exports from South and South-East Asia to Japan received a sharp setback in 1975, but expanding by two thirds in 1976 they reached about $0.6 billion in 1976, 50 per cent more than in 1973 (see table 54). Together, exports of textiles and clothing yielded between 13 and 14 per cent of the value of all developing country shipments to the developed market economies other than petroleum.

Chemical products, not included among manufactures in the present analysis, provided about 2 per cent of all non-petroleum earnings. Almost two thirds of this came from the developing countries of the western hemisphere, although in 1976 the most notable expansion was in exports from South and South-East Asia, particularly to Japan and North America (51 per cent). Africa was also an important source of chemicals, especially for Europe. In 1976 expansion in exports from Africa and South and South-East Asia more than offset a decline in shipments from West Asia and little or no increase in shipments from the western hemisphere. In the aggregate, however, there was a gain of only 10 per cent, not enough to recover the ground lost in 1975 (see table 55).

By far the largest import from the developing countries continues to be petroleum: this accounted for about 60 per cent of all developed market economy imports from developing countries in 1976. Almost two thirds of this came from West Asia, the only region not to register a reduction in 1975. North American imports of petroleum also increased in 1975, though by only 9 per cent, compared with 32 per cent in 1976. The most striking feature of this trade was the rise in importance of supplies from Africa and West Asia: each of these flows had risen to over $10 billion by 1976 compared with about $14.5 billion from the western

In the petroleum-importing countries, by contrast, the slowdown was largely the result of financial constraints. The average terms of trade of these countries had deteriorated sharply in 1974 (by 8 per cent) and 1975 (by 11 per cent), and with export earnings diminishing (by 4 per cent in 1975) their external balance came under increasing pressure. In 1975 they drew down their international reserves by about 7 per cent and increased their external public debt by over a fifth. In response, many of these countries tightened their control over imports: in volume terms these were actually reduced by 2 per cent in 1975, though because of the further rise in prices expenditure was 7 per cent higher. As the terms of trade began to move in their favour and export earnings began rising more rapidly, controls were relaxed, especially in Asia, where for 1976 as a whole imports rose above the 1975 level - by about $5 billion or 8 per cent.

In the petroleum-importing countries of Africa, where the 1975 worsening of the balance of trade was sharper - with export earnings down 11 per cent and import expenditure up 20 per cent - action was delayed and imports continued to decline, by about $1 billion for 1976 as a whole. In the western hemisphere there was a similar reduction in imports in 1976 in the wake of severe disinflationary measures in some of the larger countries. Thus, in the aggregate, the increment in import expenditure of the petroleum-importing developing countries dropped from $9 billion (7 per cent) in 1975 to $3 billion (2 per cent) in 1976.

Altogether, well over a third of the developing countries registered a reduction in imports in 1976. In most cases (three fourths of the total) this cutback followed a vigorous expansion in 1975, but in a few cases - Burma, Chile and Fiji, for example, and some African countries, including Mali, Sierra Leone, Uganda and Zaire - it was the second successive decline. Particularly sharp cuts were recorded in Argentina, Jamaica and Peru, in the Central African Empire, Malawi, the United Republic of Tanzania, Zaire and Zambia and in Bangladesh, India, Papua-New Guinea and Sri Lanka (see table 46).

Half the countries reporting an increase in imports in 1976 registered a second but reduced rate of expansion. These included many of the petroleum-exporting countries (the Bahamas, Ecuador, Indonesia, Iran, Kuwait, Nigeria, Saudi Arabia and Venezuela) whose imports had been expanding very rapidly, as well as some of the countries closely linked to them (Egypt, Jordan and Yemen, for example). There was a sharp deceleration in the rate of increase of imports into several West African countries - the United Republic of Cameroon, for example, and the Gambia, Mauritania and Togo - as well as Morocco and Tunisia. The group also included some of the sugar exporters - Mauritius, the Philippines, Réunion and some of the Caribbean producers - facing a rapidly falling price for their main export.

In rather less than a third of the countries with higher imports in 1976 the expansion was greater than in 1975. In this group were a few of the smaller petroleum countries (Bahrain, Gabon, the Libyan Arab Jamahiriya and Qatar), some of the countries whose coffee earnings were rising rapidly (El Salvador, Ethiopia, Guatemala, Haiti and Honduras) as well as some that were gaining from the revival in developed market economy demand (Liberia, Paraguay, the Republic of Korea and Thailand).

And in about a fifth of the countries registering higher import expenditure in 1976, the increase followed a cutback in 1975. This group included some that were enjoying higher coffee earnings (Brazil, Colombia, Costa Rica, Kenya and Nicaragua), two of the petroleum refiners of the Caribbean (the Netherlands Antilles and Trinidad and Tobago), as well as Ghana, Hong Kong, Malaysia and Singapore, whose export prospects were improving as a result of reviving demand or rising prices.

For the developing countries as a whole the volume of imports continued to rise at over 8 per cent a year in 1975 and 1976, leaving the decade average - at 8.7 per cent - well above the International Development Strategy target of around 7 per cent a year. Since 1974, however, this growth has been confined very largely to the petroleum-exporting countries, whose decade average reached a high rate of 19 per cent a year. For the rest of the developing countries there has been no growth of imports since 1974 and the decade average has been reduced from fractionally below the International Development Strategy target for the period 1971-1974 to 4.3 per cent a year for the 1971-1976 period. Since many of these developing countries have only a rudimentary capital-goods industry and depend heavily on imports for translating their savings into fixed investment, this lag had serious implications for the process of economic development. Since 70 per cent of developing country imports come from the developed market economies, the lag has also aggravated the recession and helped to delay improvement in the rate of capacity utilization in the more industrialized countries.

Problems of economic balance

The state of economic balance in the developing countries, which had deteriorated markedly in 1974 and 1975, improved somewhat in 1976, though in some cases inflationary pressures remained strong and the foreign payments situation precarious. The improvement in internal balance was the result of a number of factors, including the enlargement of food supplies in the wake of the bumper crops of 1975 and 1976, the sharp deceleration in the rate of increase in the price of manufactured goods entering international trade and hence in the import prices of most developing countries, the expansion in supply both from domestic sources and, increasingly as 1976 progressed, from imports and the disinflationary fiscal and monetary policies adopted by many Governments. The improvement in external balance was largely the result of the recovery in the developed market economy demand for the products exported by the developing countries, supplemented by the continued inflow of financial resources and a swing in the terms of trade in favour of the developing countries.

Despite the widespread improvement, the state of economic balance worsened in some developing countries and remained unsatisfactory in most. As indicated above, there was a notable recovery in industrial activity in 1976. This greatly reduced the proportion of idle plants and equipment, though the recurrence of various types of bottle-necks - shortages of skills, repair facilities, specific inputs, imported components, power, and transport or other infrastructure - held down capacity utilization ratios in many countries. And even the expansion in industry and the generally improved situation in agriculture and external trade left most developing countries with a high level of unemployment or under-employment. The search for technologies more appropriate to the local balance of production factors continued.

In a number of countries efforts to correct a widening external deficit through devaluation of the exchange rate raised the local currency cost of imports and complicated the task of domestic stabilization. In South and East Asia the weighted average index of consumer prices was actually lower in 1976 than in 1975, but it began rising again and by mid-1977 was running at about 8 per cent a year. In West Asia the 1976 average was about 17 per cent above that of 1975 and in Africa almost 20 per cent, and there was little slackening in the pace of price increase in the first half of 1977. In Latin America, largely as a consequence of a burst of hyperinflation in Argentina and a sharp acceleration in Brazil, the average price level was up more than 70 per cent in 1976 and the rate of increase was still over 50 per cent a year in mid-1977.

Similarly, despite a general easing of the external imbalance in 1976 and an over-all increase of $9 billion in the international reserves of the petroleum-importing countries, about a fifth of the developing countries saw their deficits widen. By the end of the year the total external public debt of the developing countries exceeded $200 billion and, on average, debt-service payments pre-empted more than one eighth of all export earnings. And for a few countries the debt-service burden had reached twice that proportion.

Changes in internal balance

Measured by the consumer price index, which is the most widely available indicator, there was a significant abatement in the degree of price inflation in the developing countries in 1976. In two thirds of the countries the increase in prices between 1975 and 1976 was appreciably less than in the preceding interval; in half of the countries the increase in 1976 was less than 10 per cent, and in a fourth of the countries it was less than 5 per cent.

In the course of the 1970s the rate of price inflation had accelerated considerably: in terms of a weighted average the rate of increase in the combined consumer price index of all developing countries other than Argentina and Chile 114/ had risen from less than 7 per cent in 1969 to about 15 per cent in 1973 and 26 per cent in 1974. It receded to 20 per cent in 1975 and 18 per cent in 1976, when 45 per cent of the developing countries recorded price increases significantly below their decade average and about a third rates above that average.

Virtually all the countries achieving some deceleration in the longer-term rate of price inflation had increases of less than 10 per cent in 1976. 115/ Correspondingly, almost all the countries suffering some acceleration in the

114/ Between 1970 and the end of 1976 consumer prices had risen more than a hundredfold in Argentina and more than a thousandfold in Chile. Their inclusion in the total tends to obscure the trend or prices in other developing countries not subject to such hyperinflation. The weights used in calculating the average reflect private consumption in United States dollars in 1970.

115/ The main exception was Uruguay, where even in 1976 prices rose by over 50 per cent.

inflation rate recorded increases of over 10 per cent. 116/ Among the fifth of the developing countries in which the 1976 increase was more or less in line with the longer-term average, a majority (60 per cent of the group) registered increases in excess of 10 per cent (see table 59).

The countries in which the rise in prices in 1976 was significantly below the average for the decade fell into four main regional groups - South and South-East Asia (Afghanistan, Bangladesh, India, Malaysia, Nepal, Pakistan, the Philippines, Singapore, Sri Lanka and Thailand), sub-Saharan Africa (Burundi, Chad, Liberia, Malawi, Rwanda, Senegal, the Sudan, the United Republic of Tanzania and the Upper Volta), Caribbean-Central America (the Bahamas, Barbados, Costa Rica, the Dominican Republic, Haiti, Honduras, Jamaica, the Netherlands Antilles, Panama and Trinidad and Tobago), and central South America (Bolivia, Ecuador, Paraguay and Uruguay).

A prominent factor in all these countries was the change in the food situation: most of them had experienced a particularly rapid rise in the cost of basic food-stuffs in the 1972-1974 period. The better harvests in 1975 and 1976 brought a major increase in domestic supplies to many of them and to the rest a sizable reduction in the unit value of imports. 117/

For the developing countries as a whole, the impact of the change in the agricultural scene is reflected in the rapid increase in the proportion of countries experiencing a deceleration in the rate of increase in retail food prices - from under a fifth in 1974 to over half in 1975 and nearly three fourths in 1976. In 1974 there was only one country in which food prices rose by less than 5 per cent; in 1975 an eighth of the developing countries were in this position and in 1976 almost a third, in more than half of which the price of food actually declined (see table 60).

Apart from the widespread improvement in the food position, the most general of the moderating influences was the deceleration in the rise in the unit value of manufactures exported by the developed market economies. After reaching a peak of nearly 22 per cent in 1974, this began to recede in 1975, and although it inched upwards again in 1976, for the year as a whole it was less than 1 per cent above the 1975 level. This moderation was particularly important for the smaller, more open economies such as those in the sub-Saharan and Caribbean groups referred to above.

In some of the countries in these groups a restraining influence on prices came from a rapid expansion in imports. In 1975 there were particularly large increases in the case of India, Jamaica, Nepal and Pakistan (around one fourth

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116/ The exceptions were Algeria and Venezuela, where the rate of increase in consumer prices rose to 9 per cent and 8 per cent respectively in 1976.

117/ As indicated earlier in this chapter, the average price of cereals entering international trade declined by almost an eighth in 1975 and again in 1976.

in value, a sixth in volume), as well as in Bolivia, Burundi and Ecuador (around 40 per cent in value, 30 per cent in volume). In 1976 there were volume increases of around an eighth in Costa Rica, El Salvador, Honduras, Malaysia, the Netherlands Antilles, Singapore and Uruguay, a fifth in Liberia, a third in Trinidad and Tobago and two fifths in Senegal. Haiti and the Sudan expanded their imports considerably in both years; in the Sudan, wheat imports in the first half of 1976 helped considerably in holding down price increases.

In some cases the revival in industrial production in 1976 helped to hold down or even reduce unit costs. This happened in India, for example, where there was a material improvement in capacity utilization stimulated not only by enlarged demand but also by a liberalization of investment control and of importation of spare parts, as well as components and other inputs. Singapore also benefited greatly from higher rates of capacity use as export demand picked up; by mid-1976 labour shortages had developed in some industries - particularly textiles and electronics and other mass production jobs. In Thailand, by contrast, the recovery was not sufficient to absorb the available labour force: unemployment increased by over a million workers in 1976 and there was little upward pressure on industrial wages.

Official economic policies also played a part in curbing the rise in prices. In India, for example, control over credit was tightened, a maximum expansion of 12 per cent was laid down for the 1976/77 fiscal year and the lendable resources of the commercial banks reduced by about R 1.6 billion through a raising of their minimum cash/reserve ratio. Government borrowing from the banking system was reduced; the increase in the money supply originated in private credit and the growth in the foreign assets of the banking sector. Restrictions on credit expansion were also tightened in the Philippines. In Bangladesh, interest rates were raised sharply late in 1975 to encourage private saving and discourage borrowing. In Pakistan, where in the wake of a shortfall in the cotton crop and extensive flooding, prices began to rise more steeply in the second half of 1976, various production incentives were introduced: fertilizer prices were lowered and distribution improved and tax concessions granted to producers and lessors of farm machinery and food-grain storage facilities. In Singapore, wage increases were limited to 7 per cent in 1976, somewhat less than the 1971-1976 average rate of increase in consumer prices. The employment of more immigrant workers helped to ease emerging labour shortages and the Government launched a campaign to encourage local youth to enter manual occupations. Wage increases were also limited in Jamaica and in the Sudan. In Burundi there was a substantial increase in public-sector pay in 1976, but its immediate effect on demand was neutralized by the introduction of a compulsory savings scheme.

The countries in which price inflation worsened in 1976 fell largely into three groups. One comprises some of the Latin American economies - including Argentina, Brazil, Guatemala, Mexico and Peru - in which long-standing inflationary tendencies were exacerbated in the 1974-1976 period by a deterioration in the external balance. Another comprises a number of African economies suffering from a similar combination of problems, complicated in some cases by civil or military disturbances; it includes the Gambia, Ghana, Ivory Coast, Mauritania, the Niger and Sierra Leone in the west, Zaire and Zambia in the centre and Ethiopia, Somalia and Uganda in the east. The third group comprises a number of the petroleum-exporting countries in which, notwithstanding the rapid growth in imports, the money incomes generated since 1973 have tended to outrun the availability of goods and services; it includes Algeria, Gabon, Iran, Iraq, Nigeria, Saudi Arabia and Venezuela, as well as some of the countries in particularly close economic association with them - Egypt, Jordan and the Syrian Arab Republic, for example.

In most of the countries in which price inflation in 1976 was significantly above the longer-term average, strenuous efforts were made to stabilize the economy. In Argentina, for example, wage control, severe credit restrictions and a cut in real public expenditure and, even more, in the government deficit were part of a disinflationary package that reduced the rate of increase in consumer prices from over 500 per cent a year early in 1976 to below 150 per cent by mid-1977. The process was assisted by generally bountiful harvests, but manufacturing production averaged 5 per cent below the 1975 level in 1976 and unit costs and unemployment were up. The unit cost of imports (in local currency) was up much more sharply in the wake of a rapid depreciation of the peso, which between early 1976 and mid-1977 lost over three fourths of its dollar value.

In Brazil, where the rate of increase in prices - which had risen steeply in 1975/76 in the wake of poorer crops, a jump in import prices and an anti-recessionary monetary policy - was steadied at about 44 per cent per annum in 1976/77. Credit supply was tightened and government spending kept in line with revenue. In Guatemala the situation was complicated by the disruption in production and transport caused by the earthquake of February 1976 and subsequently by the rise in coffee incomes, which despite efforts to mop them up through the sale of reconstruction bonds, helped to boost the rate of increase in the consumer price index to over 17 per cent by the end of the year. 118/ The rise of prices also accelerated in the second half of 1976 in Peru after a 44 per cent devaluation of the sol in June (and a further one third depreciation by mid-1977), the imposition of import controls, the raising of official prices of various food-stuffs, petroleum products and public services and the decreeing of wage increases of 10-15 per cent inversely related to existing levels of pay. There was a similar sequence of events in Mexico, where a number of prices and taxes were raised early in 1976 as part of a more restrictive economic policy and the peso was floated in August. The subsequent depreciation reduced the dollar value of the peso by half and induced a sharp rise in the prices not only of imported goods but also of most local manufactures. In September, most agricultural support prices were increased - by margins ranging from 10 to 23 per cent - and towards the end of the year basic wage rates were raised by 23 per cent. The rate of increase in consumer prices rose from about 13 per cent in mid-1976 to more than double that a year later.

118/ This probably understates the real rise in prices: basic food prices were officially frozen but supply difficulties brought about a sharp increase in the prices paid on the black market.

Currency devaluations also played a major role in accelerating price increases in some of the African countries. In Zaire there was a 42 per cent reduction in the dollar value of the currency in March 1976, with immediate effect on the local price of many consumer goods. The rate of price increase jumped from less than 30 per cent a year in 1974 and 1975 to nearly 90 per cent in 1976. In July, Zambia experienced a similar sequence of events after a 20 per cent devaluation of the kwacha. Up to 1975 consumer prices had risen at less than 10 per cent a year, but by the end of 1976 the rate was about 24 per cent. Both countries sought to expand domestic production. Zambia raised by about a third the support levels for cotton, soya beans and ground-nuts for 1976/77; and an earlier increase of about a fourth in the maize support contributed to a one-sixth expansion in farmers' 1976 sales of maize to the National Agricultural Marketing Board. To encourage expatriate farmers to stay on and produce more, the ceiling on profit remittances was raised from 10 per cent to 12.5 per cent. Zaire increased its budgetary allocations to agriculture and rural transport and modified its code on foreign investment to induce the return, as managers, of the owners of the plantations and agro-business taken over by the Government in 1973.

In Ghana the official value of the cedi was maintained but only by means of stringent import controls which not only reduced the supply of many consumer goods but also held down the inflow of many of the goods needed to raise the rate of capacity utilization of local plants. The price increases flowing from various shortages and the overvaluation of the currency stimulated two-way smuggling through neighbouring countries - cocoa beans outwards and a variety of oversea products inwards - which proved very difficult to counter. It was also difficult to make effective the control decreed over the prices of milk, sugar, soap and various other basic consumer goods.

Budgetary problems also aggravated the inflationary forces in many countries, especially where the 1975 contraction in exports reduced revenue and led the Government to borrow more from the banking system. In some cases prices were more directly affected by the raising of revenues through higher excise or sales taxes - as in the Gambia, which in addition to borrowing on the basis of a new development stock, increased taxes on rice, sugar, petroleum and other items in the second half of 1976 and in Zambia, where the 1977 budget included a number of indirect tax increases. 119/

Among the petroleum-exporting countries in which there was an acceleration in the rate of price increase in 1976 various local and national bottle-necks tended to prevent the smooth translation of higher money incomes into expansion in investment and consumption. At the one end of the scale the rate of increase in consumer prices between 1975 and 1976 rose from 6 per cent to 8 per cent in

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119/ On sugar as well as beer, soft drinks and cigarettes and petrol and diesel fuel. The budget deficit was chiefly the result of a reduction in mineral revenue - from K 342 million in 1974 to K 59 million in 1975 - as the profits of the government-owned copper mines declined.

Venezuela and 9 per cent in Algeria; at the other end of the scale the acceleration was from 13 per cent to 29 per cent in Gabon and from 17 per cent to 32 per cent in Saudi Arabia.

In Iran better domestic crops tended to hold prices down in the early part of 1976 but in the second half of the year the impact of higher money incomes became increasingly apparent: the rate of increase in consumer prices, which had averaged about 10 per cent in the first half, climbed to over 20 per cent by the fourth quarter and to near 30 per cent by mid-1977. The rise in prices in Gabon and Saudi Arabia also reached the vicinity of 30 per cent a year - about twice the average for the decade.

In Algeria, Iraq and Venezuela, on the other hand, the rate of increase in prices, though above the longer-term average, remained relatively moderate - under 10 per cent a year for most of 1976 and early 1977. In Algeria and Iraq the balance was eased by increased domestic production, in agriculture as well as industry including, in particular, good cereal crops. 120/ In Venezuela, where the harvest was generally poor, imports played a greater part: after an increase of over 40 per cent in 1975 there was a further 14 per cent expansion in 1976. New efforts were made to raise agricultural output - higher producer prices (for pork, poultry and eggs), increased subsidies (on maize, sorghum and soya beans as well as on fertilizer and other farm inputs) and stepped-up investment (in roads, irrigation and other rural infrastructure). Both Algeria and Venezuela sought to hold down the expansion in money supply by restrictions on bank credit. 121/

In Nigeria the rate of increase in prices in 1976 (21 per cent), though also well above the decade average (15 per cent), was substantially less than in 1975 (34 per cent), and it decelerated in the second half of the year to about 12 per cent by the first quarter of 1977. This reflects an improvement in domestic production, including food, 122/ a further large expansion in imports (to nearly four times the 1973 level), efforts to control the money supply that included guidelines for directing bank credit to the productive sectors, a year's moratorium on wage increases introduced in March 1976 and the concentration of the distribution function in respect of certain essential commodities (including fish and edible oil) in statutory corporations capable of controlling prices.

Finally, there are the countries in which the rate of price inflation in 1976 was more or less in line with the average for the decade. Some of these experienced relatively low rates of increase in prices - Tunisia, 5 per cent; the Libyan Arab Jamahiriya, 6 per cent; El Salvador, 7 per cent; and the United

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120/ Despite the rapid expansion in industrial capacity in Algeria, unemployment remained the most serious imbalance in the economy: in 1976 the number of work seekers averaged 1.3 million.

121/ Apart from sharply raising bank reserve requirements, Venezuela sought to divert consumer credit from the luxury end of the market - motor cars and high-priced houses and real estate - to the needs of lower-income groups.

122/ Though Nigerian food production rose steadily in the 1970s, it lagged behind population growth, and in 1976 *per capita* output was about 10 per cent below the average of the first half of the 1960s. Among the imports arriving in larger quantity in 1976 were wheat, rice and sugar.

Republic of Cameroon, Guyana and Morocco, 9 per cent. Some had price increases that were higher but still below the developing country average - the Central African Empire and Fiji, 11 per cent; Togo, 12 per cent; Kenya and Mauritius, 13 per cent. And some had higher rates - Bahrain and the Republic of Korea, 15 per cent; Colombia and Yemen, 17 per cent; Indonesia, 20 per cent; and in a class of its own, Chile, where the average rate of increase in retail prices was over 200 per cent a year.

Among the countries in which the 1976 price rise continued a modest earlier trend, Tunisia registered some deceleration in the second half of 1976 in the wake of record food production in the 1975/76 season: the turn of the year saw retail prices rising at less than 3 per cent. In El Salvador and Morocco, by contrast, there was some acceleration. This occurred in the first half of 1977 in El Salvador in the wake of the rapid rise in coffee incomes. In Morocco it occurred in the second half of 1976, reflecting in part the falling off in the volume of imports as phosphate prices receded and the trade deficit widened and in part an increase in government borrowing from the banking system despite the successful marketing of a new series of bonds.

There was also an acceleration in the price rise in Togo - from 12 per cent in 1976 to over 20 per cent in the early months of 1977 - and in Colombia, where in the face of signs of strain on industrial capacity the impact of higher coffee incomes began to be reflected in monetary demand. By mid-1977 retail prices in Colombia were rising at over 40 per cent a year - more than double the 1976 rate.

In Kenya, by contrast, and also in Indonesia and the Republic of Korea there was a distinct abatement of price inflation. In Kenya largely as a result of a firm policy of wage restraint and a bumper crop of maize - the country's basic food cereal - the rate of increase in consumer prices was halved between the first quarter of 1976 and the first quarter of 1977, though there was something of a rebound later in 1977. Indonesia and the Republic of Korea both pursued restrictive monetary and fiscal policies in 1976. Bank claims on the government sector, which had more than doubled between 1974 and 1975 rose only slightly (8 per cent) in the Republic of Korea in 1976 and were sharply reduced in Indonesia. In the Republic of Korea the food balance was significantly improved by a large rice crop and the increased importation of maize and soya beans; and in March 1976 price controls were tightened inter alia by requiring more adequate public display of retail prices and the designation, under the Price Stabilization Law, of 127 products for which any increase in price had to be justified and officially sanctioned. The rate of increase dropped to about 10 per cent in the first half of 1977, well below the longer-term trend.

In Chile the rate of price inflation reached its peak (about 600 per cent a year) in 1974. By dint of severely deflationary policies, this rate was progressively reduced: despite a cut in imports and zero growth in agriculture it had dropped below 200 per cent by the end of 1976 and, notwithstanding the removal of price controls on everything except basic foods, below 100 per cent by mid-1977. The process was aided by a marked recovery in industrial production but it left unemployment still at a very high level. 123/

123/ In the greater Santiago area, the main industrial centre, the unemployment rate stood at 14 per cent in March 1977, compared with 20 per cent a year earlier.

In the aggregate, over two thirds of the population of the developing countries lived in countries in which the rate of increase in consumer prices was appreciably less between 1975 and 1976 than in the previous interval. About a fifth lived in countries in which price inflation was much the same in 1976 as in 1975. And only about an eighth of the total were in countries in which there was a material acceleration in the rate of price increase. Altogether over 60 per cent of the population were in countries in which prices rose by less than 10 per cent in 1976; and about a sixth were in countries with an increase of over 20 per cent.

Changes in external balance

Largely as a result of the widespread increase in export earnings, combined with the slow relaxation of the import controls that had been imposed or tightened in 1974 or 1975, there was a general strengthening of the external balance of the developing countries in 1976. Less than a fourth incurred a larger current account deficit in 1976 than in 1975 or swung from an active to a passive balance. Most of these countries were exporters of commodities whose price had fallen sharply on international markets (phosphate exporters such as Morocco and Tunisia, for example, and sugar exporters such as Barbados, the Dominican Republic, Fiji, Guyana, Jamaica, Mauritius and the Philippines) or countries whose imports were particularly large in 1976 (such as Bahrain, Nigeria and the Syrian Arab Republic, where there was an increase of around 40 per cent over the 1975 level) or countries in which there was a combination of high imports and lower export prices (such as the Gambia and Senegal, the ground-nut exporters).

A few countries registered a reduced surplus in 1976. For the most part these were petroleum exporters whose imports continued to expand vigorously - Gabon, Iran, Kuwait, Qatar, Saudi Arabia, Trinidad and Tobago, the United Arab Emirates and Venezuela (see table 61).

In some countries the deterioration in the current balance was extremely sharp. Measured in terms of the ratio of the deficit to the average of exports and imports, there was a decline of over 20 percentage points in a number of cases, including Senegal, the Syrian Arab Republic, Somalia, the Gambia, Guyana, Western Samoa, Morocco and the Dominican Republic. The surplus ratio of Gabon and Qatar was also reduced by over 20 percentage points. At the other end of the scale the deterioration in the balance was less than 5 percentage points in the case of Jamaica, Guinea-Bissau, Fiji, Nigeria, the Philippines and Paraguay. And in the case of Liberia and the United Arab Emirates the reduction in the surplus ratio was also less than 5 percentage points.

Among the countries in which the current deficit was narrowed between 1975 and 1976 or converted into a surplus, 58 per cent of the total - about a third - posted reductions of less than 10 percentage points in the ratio of the deficit to the average of exports and imports and rather more than a third, reductions of over 20 percentage points. Most of the countries in the latter group contributed to the improvement of their external balance by cutting imports, as in the case of Bangladesh (with a 22 percentage point gain) and India (34 percentage points), as well as Chile (29), Zaire (39) and Zambia (64), the major copper exporters, and Argentina and some of the African countries - Algeria (25), Botswana (23), Burundi (68), the Central African Empire (93), Malawi (32), the United Republic of Tanzania (31) and Uganda (35). In the case of the Libyan Arab Jamahiriya (where there was a 22 percentage point swing from deficit to surplus) there was a deceleration in the growth of imports as well as a sharp acceleration in exports, and this was also true of the Sudan and Uruguay. In Nicaragua and the Republic of Korea the improvement (23 percentage points in each case) was the result of a large increase in export earnings.

A few countries saw their external surplus widened in 1976, marginally in the case of the Bahamas and Jordan, moderately in the case of Indonesia, Oman and Yemen but substantially (by 22 percentage points) in the case of Iraq and Malaysia. In most of these countries the increase in the surplus reflected higher export earnings, combined with a cutback in imports in the case of Iraq, but in Jordan the main expansion was in service earnings and in Yemen in private transfers.

Measured in terms of the ratio of the current account balance to the average of exports and imports, two thirds of the developing countries achieved an improvement in their external balance between 1975 and 1976, and in a fourth of the developing countries the improvement was a substantial one of over 20 percentage points. At the other end of the scale, about a third of the countries whose balance deteriorated between 1975 and 1976 suffered a loss of over 20 percentage points (see table 62).

Of the countries that had a larger relative deficit or smaller surplus in 1976 than in 1975, about a third ended up with an external balance that was stronger than at the beginning of the decade. Some of the countries concerned were petroleum exporters (Iran, Nigeria, Saudi Arabia, Trinidad and Tobago, the United Arab Emirates and Venezuela), but the group also included some of the sugar exporters (Barbados, the Dominican Republic, Fiji and Surinam) that had gained considerably from the 1973-1974 upsurge in world sugar prices.

The remainder of the countries that had experienced a weakening of the external balance in 1976 ended up with a larger relative deficit (or smaller surplus) than in 1970-1972. Over this longer period the most serious deterioration occurred in Senegal (with a ratio of deficit to the average of exports and imports 61 percentage points larger in 1976 than in 1970-1972), Sierra Leone (35 percentage points), Gabon (33), Somalia (32), Guyana (29), Liberia and Western Samoa (28), the Philippines (27), the Syrian Arab Republic (26), Yemen (24) and Paraguay (21).

Of the countries that improved their balance between 1975 and 1976, about two thirds were in a stronger position in 1976 than at the beginning of the decade. In the case of the other third, even the 1976 improvement still left their external balance more passive (or less active) than it was in 1970-1972.

Among the countries whose current account was significantly stronger than in the early 1970s were Algeria, Indonesia and Iraq and some in which there had been major mineral development - Botswana, Ecuador and Papua-New Guinea, for example. Some of the coffee exporters had also improved their external balance, as in the case of Burundi, the Central African Empire, Colombia, Uganda and the United Republic of Tanzania and to a less extent Costa Rica, El Salvador, Ethiopia, Guatemala, Ivory Coast, Kenya and Rwanda. Chile registered a marked improvement and Zaire and Zambia a small one. With the easing of the food situation and the opening up of new opportunities for foreign currency earnings in the Middle East, 124/ the external balance of the countries of South Asia was greatly strengthened. And in the wake of a notable upsurge in exports the current account deficit of Malaysia and the Republic of Korea was materially reduced.

Among the countries in which the gains in 1976 still left the current account deficit relatively greater than in 1970-1972, the weakening was marginal in the case of Bolivia and Nicaragua, Egypt and Israel, Morocco and Thailand, rather more substantial - around 8 percentage points - in the case of Haiti and Honduras and Mali, Mauritania and the Sudan and most marked in the case of Brazil, Mexico and Peru.

Evidence of the strengthening of the external balance of the developing countries in 1976 also comes from the movement in international reserves. While the petroleum-exporting countries continued to accumulate reserves - $10 billion in 1975 and $9 billion in 1976, bringing their combined holdings to nearly $68 billion - the reserve position of the other developing countries fluctuated widely. In 1975 almost half these countries had to draw on their reserves to help finance their current account deficits and in the aggregate their international liquidity was reduced by nearly $2 billion. In 1976 the proportion of countries drawing on their reserves was below a third, and total holdings were increased by nearly $11 billion.

In 1975 the loss of reserves by petroleum-importing countries was heavily concentrated in the western hemisphere - $2.7 billion out of $3.9 billion. In 1976 the loss was not only smaller (just over $1 billion) but it was also more uniformly distributed. The gains of the petroleum-importing countries in 1976 reached nearly $12 billion, the bulk of which accrued to countries in the western hemisphere and South and East Asia ($5.2 billion in each region). In both years the gains made by the petroleum-exporting countries were chiefly in West Asia - $10.5 billion in 1975 and $7.1 billion in 1976 (see table 63).

Notwithstanding the widespread improvement in the reserve positions of the developing countries in 1976, many remained inadequately cushioned against fluctuations in export earnings. At the end of 1976 an eighth of the developing countries had international reserves equivalent to less than one month's imports at 1976 rates, almost a third had a reserve ratio of less than three months' imports and over half a ratio of under five months' imports.

Though the external liquidity of many developing countries was still precariously low, however, the problem was generally less acute than at the beginning of the decade when the proportion of countries with reserves equivalent to less than five months' imports was 60 per cent. At the end of 1970 less than a fourth of the developing countries had reserves equivalent to over six months' imports; at the end of 1976 more than a third of the developing countries were in this position (see table 64).

In over 40 per cent of the developing countries the percentage ratio of

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124/ In the case of Pakistan, for example, 1976 found about 650,000 workers in oversea employment, of whom 55,000 were in Saudi Arabia, 45,000 in Qatar, and 35,000 in the three Gulf Sheikdoms of Abu Dhabi, Dubai and Oman. Remittances from these migrants totalled R 3.5 billion (about $350 million), about seven times as much as was being received at the beginning of the decade.

end-of-year reserves to the value of the year's imports was more than five points higher in 1976 than in 1970. Among these countries were virtually all the petroleum exporters and some - such as Lebanon and Yemen - closely associated with them. The group also includes many of the coffee exporters, both in Africa (Burundi, the Central African Empire, Ethiopia and Rwanda) and in Latin America (Brazil, Colombia, Costa Rica, Guatemala, Haiti and Honduras). There had been a significant rise in the ratio in Pakistan and an even larger one in India, Malaysia and the Philippines; in Mauritania; in Argentina and Paraguay; and in Burma and Fiji.

At the other end of the scale about 35 per cent of the developing countries had an end-1976 reserve ratio more than 5 percentage points less than that obtaining at the end of 1970. The sharpest deterioration had occurred in some of the exporters of metals and ores - Chile, Peru, Zaire and Zambia, for example, as well as Jordan and Sierra Leone. Some of the sugar exporters (Guyana, Jamaica and Mauritius) also had much lower reserve ratios in 1976, as had a few of the petroleum exporters (the Libyan Arab Jamahiriya, Oman and Qatar) whose imports had expanded with particular spree after 1973. A group of African countries with relatively slow-growing export proceeds - Egypt, Kenya, Malawi and the Sudan in the east and the Gambia, Ivory Coast, Senegal, Togo and the United Republic of Cameroon in the west - are also among those with significantly lower reserve ratios. There was a small reduction - 6 percentage points - in Mexico and a much larger one in Nepal, Thailand, Uruguay and Western Samoa.

In between these two groups were the countries whose reserve ratio was much the same in 1976 as in 1970. In most of these, reserves continued to be relatively small - equivalent to 3-4 months' imports in the case of Bahrain, El Salvador and Singapore, but only 2 months' imports in Israel, Morocco, Tunisia and the United Republic of Tanzania, one month's imports in Barbados, the Dominican Republic, Ghana, Sri Lanka and the Syrian Arab Republic and less than a month in the Bahamas, Liberia, Mali and the Netherlands Antilles.

The $20 billion increment in developing country reserves in 1976 came in part from the improvement in export earnings and in part from the inflow of financial resources from the rest of the world. About $33 billion of these transfers came from the developed market economies, between $4 billion and $5 billion from the international development banks and other multilateral institutions, about $15 billion from the Eurocurrency market, between $1 billion and $2 billion from the centrally planned economies and almost $1 billion from the international bond market. 125/ Virtually all the bilateral official development assistance amounting to about $9 billion went to petroleum-importing developing countries. In addition, there was a flow of between $7 billion and $8 billion from the petroleum-exporting developing countries to other developing countries.

Preliminary estimates suggest that public borrowing by the petroleum-importing developing countries exceeded $20 billion in 1976, almost three times as much as

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125/ The $33 billion from the developed market economies includes rather more than $1 billion from private voluntary bodies. The flow to the developing countries from the multilateral agencies is assumed to be more or less equal to the net flow of resources into the agencies from the developed countries.

in 1973. 126/ As a proportion of the gross national product of the countries concerned, this borrowing reached 3.5 per cent in 1976, almost twice the 1973 figure. More than half the borrowing in 1976 was by western hemisphere countries, the only region to borrow relatively more than in 1975. This raised the outstanding disbursed public debt of the western hemisphere countries above $50 billion and the total for the petroleum-importing countries to $107 billion (see table 65).

Relative to production, the debt burden was heaviest in the petroleum-importing countries of Africa and the Middle East - well over a fourth of their combined gross national product. Relative to export earnings it was heaviest in South Asia: equivalent to three years' exports in 1973, though rather less than that in 1976. In the aggregate, 1976 brought a rise in the debt ratio both in terms of production (to over 18 per cent of the gross national product, compared with under 14 per cent in 1973) and in terms of trade (to more than one years' exports, compared with just over 11 months' in 1973).

Detailed information regarding developing countries' 1976 payments of amortization and interest on external debt is not yet available. In 1975 about 70 per cent of the developing countries devoted less than 10 per cent of the earnings from the exports of merchandise and non-factor services to the servicing of their external debt. This was the same proportion as in 1970. Similarly at the other end of the scale, the proportion of countries spending over 20 per cent of their export earnings on debt service was about a tenth in 1975, as it was in 1970 (see table 66).

Within these broad groups, however, some deterioration had occurred. The proportion of countries in which less than 5 per cent of export earnings was pre-empted for debt service had dropped from 43 per cent to 32 per cent, and the proportion devoting more than 15 per cent of their export earnings to debt service had risen from 15 per cent to 21 per cent. The number of countries experiencing an increase in debt-service ratio between 1970 and 1975 was almost twice as great as the number recording a reduction. In two thirds of the countries the 1975 ratio was within 3 percentage points of its 1970 level; increases of over 3 percentage points were registered by about a fifth of the total and decreases of over 3 percentage points by about a seventh.

The most notable reductions in debt-service ratio occurred in Asia: Afghanistan, India, Iran, Pakistan and the Republic of Korea all improved their ratio by more than 3 percentage points between 1970 and 1975 and in the Syrian Arab Republic there was a 2-point decline. Among the African countries there were reductions of over 3 points in Lesotho, Ethiopia and Tunisia and 2-point declines in Liberia and Mauritius. In the western hemisphere, the largest reductions were in Ecuador, Guatemala and Paraguay.

The western hemisphere was more noteworthy for the increases in the burden of debt service: Bolivia, Chile, Jamaica, Peru and Uruguay all recorded increases of over 3 percentage points. Similar increases were registered by a number of African countries - Algeria, the Central African Empire, Ivory Coast, Mauritania, the Sudan, Togo, Uganda and Zaire - and by Sri Lanka. In Uruguay the debt-service ratio rose above 40 per cent for the first time, in Chile and Mexico it exceeded

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126/ These figures are based on the returns of 67 developing countries and include virtually all the significant borrowers from abroad.

25 per cent, in Sri Lanka and the Sudan 20 per cent, in Bangladesh, Mauritius and Zaire 15 per cent, and in the Central African Empire and Uganda it was above 10 per cent for the first time.

Combining the three criteria of external balance - current account, international reserve and debt-service ratios - it would appear that 1976 found a number of countries in a significantly stronger position than at the beginning of the decade. This group included not only most of the petroleum-exporting countries but also India, Pakistan and the Republic of Korea, as well as Ethiopia and Guatemala. The balance had also improved for several other countries - Malaysia and Paraguay, for example, and some of the coffee exporters, including Burundi, Central African Empire, Colombia and Rwanda - though in some cases the gain in international liquidity had been brought about not only by a better export performance but also by greater borrowing.

At the other end of the spectrum, all three indicators of the state of external balance pointed to a significant deterioration in a number of countries - notably Jamaica, Mexico, Peru and Uruguay in the western hemisphere and Senegal, the Sudan and Togo in Africa. There was also a weakening in the position of several other countries, particularly among the mineral exporters (such as Chile, Mauritania, Sierra Leone and Zaire) and sugar exporters (Guyana and Mauritius), though in some cases - Chile and Zaire, for example, and to a less extent Ivory Coast - 1976 brought some strengthening of the current account.

These indicators of external balance take no account of private borrowings from abroad not guaranteed by Government or of short-term debts or of the terms of recent borrowing that will affect future service payments. For some countries these factors greatly increase the debt-service ratio, as in the case of Brazil, the Philippines and Zaire, for example, and on a smaller scale Ghana, Morocco and Thailand and to less extent Argentina, Chile, Colombia and Pakistan. Borrowing on the Eurocurrency market - for relatively short periods and at relatively high interest rates - has in this way raised the prospective debt-service ratio of a number of countries, most notably Brazil, Mexico, Indonesia and Peru, which together account for about half the $40 billion Eurocurrency credits negotiated in the period 1973-1976.

Economic outlook

The prospects for the developing countries in the period immediately ahead are even more varied and more uncertain than is normally the case. The differences in the outlook for developing countries stem not only from the characteristic differences in structure and stage of development but also from superimposed differences in cyclical phasing and in the market situation of major export commodities. The uncertainty in the outlook stems not only from the usual unpredictability of agricultural production but also from the fragile nature of the recovery in demand still in progress in the developed market economies.

The rate of economic growth in the developed market economies, which exceeded

5 per cent in 1976, is likely to fall back to nearer 4 per cent in 1977 and 1978. 127/ With high rates of price inflation continuing to inhibit expansionary policies and high rates of unemployment continuing to cast a shadow over import policies, the external economic environment facing the developing countries may not remain conducive to rapid but stable growth.

The momentum generated by the 1975-1976 upswing, however, continued into 1977. In the first half of the year developed market economy imports from the developing countries were about a fourth greater than in the corresponding portion of 1976. The dollar earnings of the petroleum-exporting countries rose by a sixth and those of the other developing countries by almost twice that proportion.

Though by mid-year the international prices of some of the primary commodities exported by the developing countries had levelled off (as in the case of rubber, sisal, bananas and olive oil) and the prices of others were below the corresponding 1976 figures (as in the case of sugar, wheat and maize, phosphates, copper and zinc), the over-all level of primary export prices was still about 16 per cent higher than in mid-1976. This is a larger increase than was registered in 1976 and reflects the continued upswing in the prices of the beverage crops, textile fibres, tin and lead, as well as further increases in the prices of beef and tobacco, petroleum and iron ore and the recovery in the prices of most of the vegetable seeds and oils and bauxite (see table 67).

In the light of the employment problems of the developed market economies and the efforts that have been made by a number of countries to reach "orderly marketing" agreements with oversea suppliers of products that compete with "sensitive" domestic industries such as textiles, foot-wear and steel, it seems unlikely that the near 40 per cent expansion in developing country export receipts from manufactured goods that was achieved in 1976 will be equalled in 1977 or 1978. Nevertheless, markets have been penetrated, a certain momentum has been built up, and if incomes continue to rise by 4-5 per cent a year, further substantial growth can be expected - and from a base that now constitutes a sixth of all developed market economy imports from developing countries.

The LINK forecast of September 1977 suggests an expansion in developing country export quantum of nearly 16 per cent in 1977 and 20 per cent in 1978. Allowing for the price gains that seem likely, the annual increase in export earnings should exceed the 21 per cent recorded in 1976.

Purchases by the petroleum-exporting countries have continued to expand vigorously: in the first half of 1977 expenditure was about 27 per cent above the corresponding 1976 level. Most of the other developing countries, by contrast, have continued to keep their imports under the stricter controls that became necessary in 1975. Thus in the first half of 1977 their total expenditure seems

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127/ Forecasts made for the LINK project meeting in September 1977 suggest that the over-all year-to-year increase in the combined gross domestic product of the 13 major developed market economies might fall to 4.1 per cent in 1977 and then rise slightly to 4.3 per cent in 1978.

to have been only slightly greater than in the first half of 1976. 128/ This would imply a reduction in the volume of imports, for although the prices of cereals were substantially below the 1976 level, there was a further increase in the price of petroleum, and the average unit value of the manufactured goods exported by the developed market economies which had levelled out in 1976 had begun to rise again, reaching about 10 per cent above the corresponding 1976 figure in the first half of 1977.

This import restraint permitted a further build-up of international reserves. In the first eight months of 1977 the developing countries added $10 billion to their combined reserves, more or less equally divided between the petroleum-exporting group and the rest of the developing countries, and raising the reserve ratio of the latter to the equivalent of 3.5 months' imports. The expansion in reserves was general; only a handful of countries - including Algeria and the United Arab Emirates, Brazil and Peru, the Philippines and Tunisia - experienced a reduction in the first eight months of 1977.

The improvement in the international liquidity of the petroleum-importing countries will strengthen their ability to face the debt-servicing consequences of the recent increase in borrowing by many of the higher-income countries on the private capital market. Though such credit is not likely to be cut off in the near future, the heavy involvement of some banks and the heavy indebtedness of some countries have both been questioned. Moreover a revival of investment in some of the leading developed market economies - such as is required to sustain their longer-term growth - might provide serious competition for funds that would otherwise be available for developing country borrowing.

The effects of the lag in real import growth in the 1975-1977 period seem likely to continue to be mixed - acting as a stimulant to manufacturing in some of the industrially advanced countries but slowing down the investment process in others and contributing everywhere to price inflation.

The LINK forecast of over-all economic growth in the developing countries suggests a marked acceleration in the rate of increase in the combined gross domestic product - to near 7 per cent in 1977 and 1978. For the petroleum-importing group this may mean an increase of close to 6 per cent. 129/ But much depends on the out-turn of agriculture - a virtually unpredictable element in the case of some crops and some countries.

128/ The import data of the developing countries are less complete and more tentative than the export data. Information from partner countries indicates that exports from the developed market economies to the petroleum-importing developing countries were about 13 per cent higher in the first half of 1977 than in the first half of 1976. Exports to the petroleum-exporting countries were 29 per cent higher and the over-all increase was 19 per cent. This is roughly in line with the LINK forecast of an increase in developing country import quantum of about one sixth in 1977 (to be followed by an increase of about a fourth in 1978).

129/ The Secretariat of the United Nations Conference on Trade and Development foresees a growth rate of over 6 per cent in the Asian developing countries in 1977 and in the western hemisphere countries in 1978. See "Interdependence of problems of trade, development finance and the international monetary system" (TD/B/666/Add.1), part II, table 7.

On the whole 1977 seems likely to be another favourable agricultural year. And the enlargement of stocks and improvement in inventory management that took place in many countries in 1975 and 1976 should help to assure the supply of basic food-stuffs and industrial inputs. In this context, the decline in cereal prices and the increase in the carry-over in the major exporting countries will also help to ensure the adequacy of supply in the developing countries, almost all of which continue to be net importers.

The desirability of further improvement in food supply stems not only from the need to raise consumption in the interest of nutritional objectives in most countries but also from its stabilizing effect on domestic price levels. Except in the hyperinflation countries of Latin America, 130/ there has been a widespread tendency for the rate of increase in consumer prices, which had moderated considerably in 1976, to accelerate again. In mid-1977 countries experiencing a faster rate of price rise than in 1976 outnumbered those in which there was further deceleration by about three to one. And with the unit value of imports of manufactures increasing rapidly again, the prospects for greater stability in the immediate future had dimmed.

An acceleration of inflationary forces would tend to make Governments hesitant in pressing expansionary policies and hence reduce the likelihood that growth rates during the remainder of the 1970s will be high enough to raise the rate of increase in production in the petroleum-importing countries from its first half average of 5.2 per cent to a decade average of 6 per cent.

130/ In Argentina the annual rate of increase in consumer prices had dropped from nearly 500 per cent in 1976 to under 150 per cent in mid-1977; in Chile the corresponding reduction was from 230 per cent to under 100 per cent.

Table 37. Developing countries: summary of performance in respect of the parameters of the International Development Strategy, 1971-1976

(Percentage change from preceding year)

Item and country group	Average 1971-1976	1971	1972	1973	1974	1975	1976[a]
Gross domestic product[b]							
Developing countries	5.6	5.5	6.0	7.1	5.8	3.6	5.5
Petroleum exporters[c]	7.4	6.2	7.0	8.4	8.5	4.3	10.3
Others	5.2	5.3	5.7	6.9	5.3	3.4	4.3
Agricultural production[d]	2.4	0.8	-	3.2	2.3	5.3	2.9
Manufacturing production[e]	7.3	7.4	8.7	9.9	6.1	2.9	8.6
Gross domestic income[f]							
Developing countries	7.5	5.5	5.8	9.4	16.5	1.9	6.5
Petroleum exporters[c]	16.9	9.5	5.9	13.1	67.3	2.8	13.1
Others	4.8	4.4	5.8	8.5	3.9	1.7	4.6
Value of exports (dollars)							
Developing countries	28.7	12.2	16.7	50.0	102.2	- 5.8	21.3
Petroleum exporters[c]	39.6	25.4	13.5	57.8	195.6	- 7.0	19.8
Others	19.7	4.9	18.8	45.0	37.2	- 3.9	23.4
Value of imports (dollars)							
Developing countries	24.5	13.0	12.0	38.2	64.2	18.4	9.4
Petroleum exporters[c]	36.1	16.9	17.2	43.4	74.8	49.7	23.7
Others	19.9	11.9	10.4	36.6	60.7	7.2	2.3
Quantum of exports[g]							
Developing countries	5.4	6.7	8.6	10.5	- 0.2	- 7.2	15.4
Petroleum exporters[c]	4.5	8.4	8.2	15.2	- 2.5	-12.3	12.7
Others	6.8	6.8	9.0	7.4	0.9	- 0.8	18.6
Quantum of imports[g]							
Developing countries	8.7	7.1	3.7	12.5	12.5	8.3	8.2
Petroleum exporters[c]	19.0	11.3	7.9	16.8	20.6	37.0	22.5
Others	4.3	5.6	1.7	11.2	8.6	- 1.9	1.1
Unit value of exports[g]							
Developing countries	22.2	5.2	7.4	35.8	102.4	1.5	5.1
Petroleum exporters[c]	33.4	15.7	4.9	37.0	200.6	6.0	6.3
Others	12.1	- 1.8	9.0	35.0	36.0	- 3.1	4.0
Unit value of imports[g]							
Developing countries	14.6	5.5	8.6	22.8	46.0	9.3	1.1
Petroleum exporters[c]	14.4	5.0	8.6	22.8	45.0	9.3	1.0
Others	15.0	6.0	8.6	22.8	48.0	9.3	1.2

Table 37 (continued)

Item and country group	Average 1971-1976	1971	1972	1973	1974	1975	1976[a]
Terms of trade[g,h]							
Developing countries	6.5	- 0.3	-1.1	10.6	38.6	-7.0	4.0
Petroleum exporters[c]	16.6	10.2	-3.4	11.6	107.3	- 3.0	5.2
Others	- 2.6	- 7.4	0.4	9.9	- 8.1	- 11.3	2.8
Terms of exchange between manufactures and primary commodities[i]	2.2	- 6.5	4.9	23.0	14.3	-26.4	7.6
Import purchasing power of exports[g,j]							
Developing countries	12.2	6.4	7.4	22.2	38.3	-13.7	20.0
Petroleum exporters[c]	21.9	19.5	4.5	28.6	102.1	-14.9	18.6
Others	4.1	- 1.1	9.4	18.0	- 7.3	-12.0	21.9
International reserves[k]							
Developing countries	33.8	28.0	34.5	36.2	80.6	10.6	22.8
Petroleum exporters[c]	53.6	65.5	28.8	32.9	218.3	21.2	15.7
Others	20.0	13.0	37.9	38.0	8.0	- 5.7	37.1
Import equivalent of reserves[l]							
Developing countries	16.8	21.3	23.8	11.0	23.7	1.2	21.5
Petroleum exporters[c]	33.4	57.6	18.6	8.2	119.5	10.8	14.5
Others	4.5	6.6	27.0	12.4	- 27.0	-13.7	35.5
External public debt[m]							
Developing countries	18.7	14.8	13.0	19.2	22.3	21.0	17.0
Petroleum exporters[c]	21.0	24.2	23.8	30.0	13.8	18.0	16.7
Others	18.2	13.1	16.4	16.9	24.2	22.0	17.0
Export equivalent of public debt[n]							
Developing countries	- 2.8	9.1	9.9	- 12.2	- 39.6	19.4	11.3
Petroleum exporters[c]	- 9.3	7.3	18.0	- 5.1	- 62.1	11.3	9.8
Others	5.5	15.2	6.8	- 13.4	- 8.7	25.9	12.5

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Statistical Yearbook*, *Monthly Bulletin of Statistics* and *Yearbook of National Accounts Statistics*; Food and Agriculture Organization of the United Nations, *Production Yearbook* (Rome); Organisation for Economic Co-operation and Development, *Development Co-operation, 1976 Review* (Paris, 1976); International Monetary Fund, *International Financial Statistics*; and national sources.

(Foot-notes on following page)

(Foot-notes to table 37)

a/ Preliminary.

b/ Measured at constant (1970) market prices.

c/ Algeria, Bahamas, Bahrain, Brunei, Democratic Yemen, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Netherland Antilles, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, Venezuela and United Arab Emirates. Data pertaining to GDP and external public debt, exclude Bahamas, Bahrain, Brunei, Democratic Yemen, Netherlands Antilles and United Arab Emirates.

d/ Based on index of gross output and hence not comparable with the national accounts measure of production.

e/ Based on index of value added of International Standard Industrial Classification (ISIC) 3. The data are for the organized manufacturing sector and exclude small-scale and handicraft production.

f/ Gross domestic product adjusted for change in terms of trade.

g/ Based on data for trade valued in United States dollars by using IMF conversion factors. Because of variations in the composition of trade and inadequate reporting of transaction prices, estimates of average unit values of exports and imports and of the associated changes in the terms of trade are always subject to considerable uncertainty, and the extraordinary changes in commodity prices in the 1971-1976 period have made the results unusually dependent on the weighting system.

h/ Unit value of exports divided by unit value of imports.

i/ Average price of primary commodities (other than petroleum) and non-ferrous metals exported by developing countries, divided by the average unit value of manufactured goods exported by the leading developed market economies.

j/ Quantum of exports multiplied by the changes in the terms of trade.

k/ Gold (valued at SDR 35 per fine ounce), SDR, convertible foreign exchange and reserve positions in the International Monetary Fund, measured in United States dollars.

l/ Current value of international reserves deflated by average unit value of developing country imports.

m/ Disturbed portion of the external public and publicly guaranteed debt of 79 developing countries.

n/ Current value of external public debt deflated by average unit value of developing country exports.

Table 38. Developing countries: distribution according to the rate of growth in gross domestic product, 1971-1976
(Percentage)

Average rate of growth in gross domestic product, 1971-1976	Increase in gross domestic product between 1975 and 1976					
	Less than 2	2 - 3.9	4 - 5.9	6 - 7.9	8 - 9.9	10 and more
Less than 2............	Equatorial Guinea Jamaica Gambia Lao People's Democratic Republic	Chile Cape Verde Uruguay Central African Empire Madagascar Senegal Guinea-Bissau Surinam	Mozambique Barbados Uganda Chad Angola	Democratic Kampuchea		Niger Kuwait Libyan Arab Jamahiriya
2 - 3.9.................	Ghana Ethiopia Argentina Lebanon Pakistan	Guyana Zambia Nepal India Haiti Sao Tome and Principe Comoros Namibia	Upper Volta Mali Sierra Leone Egypt Rwanda Bangladesh Burma Somalia Burundi United Republic of Cameroon Jordan Liberia Zaire Guinea	Oman Honduras Afghanistan		Qatar Benim
4 - 5.9.................	Panama Sudan Southern Rhodesia Israel	Papua-New Guinea Sri Lanka Mexico Peru	Lesotho United Republic of Tanzania Togo Reunion Congo Kenya Costa Rica	Trinidad and Tobago Nicaragua Venezuela El Salvador Guatemala		Morocco

Table 38 (continued)

Average rate of growth in gross domestic product, 1971-1976	Increase in gross domestic product netween 1975 and 1976					
	Less than 2	2 - 3.9	4 - 5.9	6 - 7.9	8 - 9.9	10 and more
6 - 7.9................		Swaziland	Colombia	Bolivia Philippines Paraguay Fiji Nigeria Thailand	Indonesia Algeria Ivory Coast	Mauritius Mauritania Hong Kong Malaysia
8 - 9.9................			Malawi Dominican Republic	Ecuador Singapore Iraq	Brazil Tunisia	
10 and more............				Syrian Arab Republic Gabon Botswana		Republic of Korea Iran Saudi Arabia
	13	21	29	21	5	13

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics, Yearbook of National Accounts Statistics; "Economic Survey of Latin America, 1976" (E/CEPAL/1026/Rev.1); "Economic and Social Survey of Asia and the Pacific, 1976" (E/ESCAP/L.5); and national sources.

Table 39. Selected commodity prices on world markets, 1974-1976
(United States cents per pound)[a]

Commodity	1974 Monthly average Lowest	1974 Monthly average Highest	1974 Annual average	1975 Monthly average Lowest	1975 Monthly average Highest	1975 Annual average	1976 Monthly average Lowest	1976 Monthly average Highest	1976 Annual average
Cocoa[b]	65.1	116.7	98.4	61.2	87.6	74.9	75.2	155.4	109.6
Coffee									
Hard arabica[c]	58.8	74.4	68.1	70.4	96.5	74.8	143.6	151.8	150.0
Mild arabica[d]	72.4	82.2	77.9	65.8	110.9	81.7	100.7	188.6	153.5
Robusta[e]	53.7	64.4	59.3	47.5	77.1	61.2	79.1	204.0	128.5
Tea[f]	45.3	63.5	56.8	44.4	66.8	53.6	50.7	65.4	58.1
Sugar[g]	15.4	57.0	30.0	13.3	38.3	20.5	7.5	14.9	11.6
Copper[h]	58.3	136.9	93.3	52.7	61.3	56.0	54.4	74.7	63.6
Tin[i]	485.9	733.1	628.9	490.7	588.3	536.7	496.1	668.8	601.1
Rubber[j]	119.8	306.5	201.8	122.9	176.6	145.2	181.4	238.0	216.8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat based on United Nations, Monthly Bulletin of Statistics and International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Converted to United States currency where necessary.

b/ Domestic/import price ex-warehouse New York, spot, Ghana.

c/ Domestic/import price ex-dock New York, spot, in bulk, Santos No. 4.

d/ Domestic/import price ex-dock New York, spot, in bulk, Colombian Manizales.

e/ Domestic/import price ex-dock New York, in bulk, average of Angolan Ambriz ZAA and Ugandan native standard.

f/ Export price at Colombo auction, high grown.

g/ Export price f.o.b.; raw, 90° bagged, spot price for exports to the world, escept the United States of America. Basis f.o.b. and stowed Caribbean and Brazilian ports.

h/ Domestic/import price ex-warehouse London, spot, wirebars.

i/ Domestic/export price ex-works Penang.

j/ Domestic/export prices, buyer's mid-day quotations, f.o.b. Singapore, spot No. 1 RSS, in bales.

Table 40. Developing countries: production of beverage crops, 1974-1976
(Thousands of tons)

Country	Coffee			Cocoa beans			Tea		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
Western hemisphere...	3,197	2,946	2,084	459	449	439	20	24	30
Argentina..........							20	24	30
Bolivia............	5	5	6						
Brazil.............	1,650	1,440	570	267	257	249			
Colombia...........	510	539	510	25	27	26			
Costa Rica.........	84	78	82	7	7	4			
Dominican Republic.	53	61	46	33	31	37			
Ecuador............	76	70	72	72	75	64			
El Salvador........	198	121	180						
Guatemala..........	152	129	125						
Haiti..............	34	33	34	3	3	3			
Honduras...........	54	51	57						
Mexico.............	237	252	240	35	37	38			
Nicaragua..........	44	49	55						
Peru...............	54	54	57						
Venezuela..........	46	64	50	17	19	18			
Africa...............	1,067	1,058	1,105	975	972	839	120	126	134
Angola.............	186	72	72						
Burundi............	27	17	21						
Ethiopia...........	80	83	83						
Ghana..............	3	4	4	375	397	320			
Guinea.............	6	5	5						
Ivory Coast........	270	305	312	242	231	240			
Kenya..............	70	66	80				53	57	62
Liberia............	4	4	5	3	3	3			
Madagascar.........	75	72	78						
Malawi.............							24	26	27
Nigeria............	2	4	5	213	217	160			
Rwanda.............	15	18	18						
Sierra Leone.......	8	5	8	5	6	6			
Southern Rhodesia..							5	5	5
Togo...............	12	9	11	14	17	15			
Uganda.............	186	180	168				17	18	19
United Republic of Cameroon.........	109	80	95	118	96	90			
United Republic of Tanzania.........	45	51	54				13	14	15
Zaire..............	69	83	86	5	5	5	8	6	6

Table 40 (continued)

Country	Coffee			Cocoa beans			Tea		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
Asia and Oceania.....	332	342	346	6	6	6	831	848	850
Bangladesh.........							28	32	29
Burma..............							9	9	9
India..............	92	98	89				490	487	502
Indonesia..........	180	175	185				77	80	84
Iran...............							20	23	22
Malaysia...........	7	7	7				3	3	4
Papua-New Guinea...				33	33	34	3	4	6
Philippines........	53	62	65	4	4	4			
Sri Lanka..........				2	2	2	204	214	200
Total..........	4,596	4,346	3,535	1,440	1,427	1,284	971	998	1,014

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on Food and Agriculture Organization of the United Nations, Monthly Bulletin of Agricultural Economics and Statistics (Rome); United States Department of Agriculture, Indices of Agricultural Production (Washington, D.C.).

Table 41. Developing countries: growth in industrial production, 1971-1977

Period	Percentage change from corresponding period of preceding year				
	Industry	Mining	Manufacturing		
			Total	Light	Heavy
1971....................	7.0	5.0	7.0	6.0	9.0
1972....................	8.4	4.8	9.3	7.5	10.1
1973....................	10.3	11.8	10.3	7.9	12.5
1974....................	5.5	1.6	6.2	3.3	9.6
1975....................	0.7	-8.8	2.9	3.9	1.4
1976 a/..................	8.8	9.4	7.8	6.8	10.0
Average, 1971-1976....	6.8	4.0	7.3	5.9	8.8
1976 a/					
First quarter.........	7.8	6.2	7.6	8.1	7.1
Second quarter........	8.1	9.9	7.9	6.9	8.6
Third quarter.........	8.7	5.9	9.1	6.0	11.8
Fourth quarter........	9.9	14.9	8.1	6.4	10.9
1977 a/					
First quarter.........	5.0	5.8	4.9	1.5	7.9

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, *Monthly Bulletin of Statistics*.

a/ Preliminary.

Table 42. Developing countries: production of major raw materials, 1974-1976
(Thousands of tons)

Country	Copper			Iron ore			Bauxite			Rubber		
	1974	1975	1976[a]	1974	1975	1976[a]	1974	1975	1976[a]	1974	1975	1976[a]
Brazil..................				59,424	71,724	67,092	985	1,277	1,411	11	12	17
Burma..................										15	16	16
Central African Empire...										1	1	3
Chile..................	902	828	1,005	10,272	11,028	10,380						
Democratic Kampuchea.....										18	10	20
Dominican Republic.......				1,302	1,121	1,243	1,196	785	800			
Ghana..................										3	3	3
Guinea..................							7,605	10,640	11,728			
Guyana..................							3,606	3,829	3,108			
Haiti..................							793	523	730			
India..................	20	20	27	34,104	40,476	42,648	1,114	1,274	1,436	128	136	148
Indonesia..............							1,290	990	940	855	825	848
Iran..................	7	7	7	610	610	...						
Ivory Coast............										17	15	18
Jamaica................							15,224	11,304	11,266			
Liberia................				25,800	27,168	30,700				86	83	76
Malaysia...............							947	704	660	1,549	1,478	1,639
Mexico.................	83	78	78	3,336	2,940	3,648						
Morocco................				534	554	343						
Namibia................	26	25	42									
Nigeria................										78	63	51
Papua-New Guinea.........	184	172	177									
Peru..................	213	174	219	10,332	7,632	6,105						
Philippines............	225	226	225							32	35	36
Sierra Leone............				2,508	1,452	...	672	716	716			
Southern Rhodesia........	32	30	30									
Sri Lanka..............										132	149	152
Surinam................							6,885	4,751	4,588			
Swaziland..............				2,052	2,232	1,932						
Thailand...............				36	32	24				379	349	393
Tunisia................				818	616	494						
Uganda.................	12	9	9									
United Republic of Cameroon										16	16	18
Venezuela..............				26,100	24,000	18,680						
Viet Nam...............										22	20	33
Zaire..................	495	495	443							31	30	29
Zambia.................	698	677	709	698	677	709						
Total[b]...............	2,896	2,804	2,971	175,418	190,810	183,998	40,317	36,793	37,383	3,371	3,241	3,657

(Source and foot-notes on following page)

(Source and foot-notes to table 42)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics and International Rubber Study Group, Rubber Statistical Bulletin (London).

a/ Preliminary, based in some cases on the movement of exports.

b/ Sum of production in countries for which data are available for the three years indicated.

Table 43. Developing countries: crude steel production, 1973-1976

Country	Output in 1976 (millions of tons)	Percentage change from previous year		
		1974	1975	1976
Argentina.............	2.41	8.9	-6.4	9.8
Brazil................	9.10	1.2	14.8	9.5
Chile.................	0.46	19.0	-24.0	-
Colombia..............	0.25	-9.1	10.0	-4.5
India.................	9.14	-2.4	17.5	16.0
Mexico................	5.12	8.5	2.9	-1.4
Republic of Korea.....	2.70	67.7	4.3	33.9
Venezuela.............	0.89	-2.3	2.3	-16.9
Total, above........	30.07	5.6	8.8	9.8

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

Table 44. Developing countries: manufacturing production, 1974-1976

Country[a]	1976 (1970 = 100)	Percentage change from preceding year		
		1974	1975	1976
Republic of Korea	385	29.3	19.3	35.6
Jordan (I)	229	4.3	7.3	28.3
Nigeria	211	-3.3	23.6	15.5
Malaysia	198	15.3	-	19.3
Singapore	185	4.2	-2.3	10.1
Peru	184	7.5	4.7	4.2
Brazil	181	7.1	3.8	10.5
Malawi	178	5.8	15.4	-1.1
Syrian Arab Republic (I)	173[b]	17.3	16.1	...
Dominican Republic	172	9.1	6.1	6.9
Ecuador	164	12.1	14.0	12.0
Venezuela	160	9.9	11.3	12.0
Colombia	158	6.6	3.6	7.5
Kenya (I)	157	6.6	4.0	8.0
Costa Rica	156	10.0	4.0	6.0
Haiti	155	9.8	4.8	5.7
Senegal	154	5.7	21.4	13.2
Barbados (I)	154	-5.1	7.7	16.3
Bolivia	151	9.7	11.3	9.1
Paraguay	148	8.9	-2.0	14.1
Honduras	147	1.9	7.9	8.6
Israel	146	4.6	2.2	5.0
Morocco	143	2.4	6.3	5.9
Tunisia	142	7.2	-	6.0
Nicaragua	141	12.6	2.0	7.0
Philippines	141	3.3	-3.2	4.7
Guatemala	137	4.7	-1.5	9.0
Mexico	137	6.0	4.1	1.8
El Salvador	137	5.0	4.1	5.7
Southern Rhodesia	129	6.9	-1.3	-6.5
India	128	0.9	2.7	10.3
Argentina	121	6.1	-2.8	-4.8
Pakistan	118	12.4	0.8	-1.3
Zambia	116	6.7	-3.9	-5.3
Uruguay	113	3.7	6.7	5.1
Panama	111	-4.4	-0.9	-1.7
Chile	82	-1.3	-28.5	6.5

(Source and foot-notes on following page)

(Source and foot-notes to table 44)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics; "Economic Survey of Latin America, 1976" (E/CEPAL/1026/Rev.1); International Monetary Fund, International Financial Statistics (Washington, D.C.),

a/ Countries are listed in descending order of 1970-1976 increase in industrial production. For the countries marked (I) the 1974-1976 changes refer to industrial production (i.e., mining plus manufacturing).

b/ 1975.

Table 45. Developing countries: changes in exports and imports, 1970-1976

Region[a]	Value (billions of dollars)				Percentage change from preceding year			
	1970	1974	1975	1976[b]	Average 1971-1976[b]	1974	1975	1976[b]
Developing countries								
Exports, f.o.b.......	54.2	215.3	202.8	246.0	28.7	102.2	-5.8	21.3
Imports, c.i.f.......	56.6	162.3	192.2	210.2	24.5	64.2	18.4	9.4
Petroleum-exporting countries								
Exports, f.o.b.......	19.5	129.2	120.1	143.9	39.6	195.6	-7.0	19.8
Imports, c.i.f.......	12.4	42.7	63.9	79.1	36.1	74.8	49.7	23.7
Other								
Exports, f.o.b.......	34.7	86.1	82.8	102.1	19.7	37.2	-3.9	23.4
Imports, c.i.f.......	44.1	119.6	128.3	131.2	19.9	60.7	7.2	2.3
Western hemisphere								
Exports, f.o.b.......	15.9	45.2	42.0	47.1	19.9	64.9	-7.0	12.0
Imports, c.i.f.......	17.6	52.1	55.7	56.7	21.5	80.8	6.9	1.8
Petroleum-exporting countries								
Exports, f.o.b.....	4.1	18.7	16.4	17.0	26.7	132.4	-12.3	3.7
Imports, c.i.f.....	4.1	12.3	13.9	16.0	25.5	93.5	12.9	15.0
Other								
Exports, f.o.b.....	11.7	26.5	25.7	30.1	16.9	36.9	-3.8	17.3
Imports, c.i.f.....	13.5	39.8	41.8	40.7	20.1	77.2	5.0	-2.6
Africa								
Exports, f.o.b.......	13.2	38.3	34.4	40.7	20.1	81.1	-10.3	18.2
Imports, c.i.f.......	11.1	28.4	38.1	40.4	24.0	56.7	34.1	6.0
Petroleum-exporting countries								
Exports, f.o.b.....	5.2	21.7	19.6	25.0	30.1	136.9	-9.2	27.8
Imports, c.i.f.....	3.0	9.9	15.9	19.0	36.4	65.5	60.3	19.1
Other								
Exports, f.o.b.....	8.0	16.6	14.8	15.6	12.2	39.0	-10.8	5.5
Imports, c.i.f.....	8.1	18.5	22.2	21.4	17.5	52.4	20.1	-3.5
West Asia								
Exports, f.o.b.......	10.1	84.2	80.1	97.0	45.6	229.5	-4.9	21.2
Imports, c.i.f.......	7.7	25.8	40.3	49.7	36.7	63.9	56.0	23.3
Petroleum-exporting countries								
Exports, f.o.b.....	8.9	80.3	76.0	92.2	47.	248.4	-5.4	21.2
Imports, c.i.f.....	4.3	16.4	29.1	38.3	43.8	78.7	77.0	31.6
Other								
Exports, f.o.b.....	1.2	3.8	4.0	4.8	25.8	53.8	4.5	20.3
Imports, c.i.f.....	3.3	9.4	11.2	11.4	23.8	42.6	19.2	1.7

Table 45 (continued)

Region[a/]	Value (billions of dollars)				Percentage change from preceding year			
	1970	1974	1975	1976[b/]	Average 1971-1976[b/]	1974	1975	1976[b/]
South and East Asia								
Exports, f.o.b.......	15.1	47.6	46.4	61.1	26.2	47.1	-2.6	31.6
Imports, c.i.f.......	20.2	56.0	58.1	63.5	21.1	54.9	3.8	9.8
Petroleum-exporting countries								
Exports, f.o.b.....	1.2	8.4	8.1	9.6	40.4	147.5	-3.6	17.9
Imports, c.i.f.....	1.1	4.0	5.0	6.0	32.9	40.8	25.1	18.5
Other								
Exports, f.o.b.....	13.9	39.1	38.2	51.4	24.4	35.3	-2.4	34.6
Imports, c.i.f.....	19.1	52.0	53.1	57.5	20.1	56.1	2.1	8.4

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Petroleum-exporting countries are grouped as follows:

Western hemisphere: Bahamas, Ecuador, Netherlands Antilles, Trinidad and Tobago and Venezuela.

Africa: Algeria, Gabon, Libyan Arab Jamahiriya and Nigeria.

West Asia: Bahrain, Democratic Yemen, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

South and East Asia: Brunei and Indonesia.

b/ Preliminary.

Table 46. Developing countries: distribution of changes in foreign trade,[a] 1976[b]

Change from preceding year (percentage)	Number of countries		Countries or areas[c] in which in relation to changes in the preceding year the change between 1975 and 1976 represents					
			Deceleration		Acceleration		Reversal	
	Export	Import	Export	Import	Export	Import	Export	Import
Decline of 20 and over.....	7	6			Gambia Sierra Leone Yemen	Zaire	Senegal Guyana Panama Jamaica	Central African Empire Zambia Bangladesh Argentina Sri Lanka
Decline of 10.0-19.9.........	6	11		Sierra Leone	Morocco Mauritius	Uganda Mali Burma	Guinea-Bissau Dominican Republic Barbados Fiji	Iraq Peru Malawi India Jamaica United Republic of Tanzania Papua-New Guinea
Decline of less than 10......	8	14	Central African Empire Peru Netherlands Antilles	Guinea-Bissau	Tunisia	Chile Fiji	Nepal Gabon Ghana Sri Lanka	Algeria Sudan Burundi Bolivia Nepal Pakistan Botswana Mexico Dominican Republic Israel Panama
Increase of less than 10.......	9	21	Grenada Oman Iraq Paraguay	Egypt Rwanda United Republic of Cameroon Ecuador Morocco Guadeloupe Guyana Grenada Tunisia		Barbados Paraguay Thailand	Mauritania Egypt Venezuela Togo Zaire	Brazil Ghana Oman Nicaragua Kenya

Table 46 (continued)

Change from preceding year (percentage)	Number of countries		Countries or areas[c] in which in relation to changes in the preceding year the change between 1975 and 1976 represents					
			Deceleration		Acceleration		Reversal	
	Export	Import	Export	Import	Export	Import	Export	Import
				Reunion Uruguay Philippines Mauritius				
Increase of 10-19.9.........	18	15	Bahamas Syrian Arab Republic Malawi	Togo Venezuela Mauritania Indonesia Ivory Coast Bahamas	Botswana Costa Rica India Brazil	Ethiopia Martinique El Salvador Honduras	Mexico Pakistan Liberia Algeria United Republic of Cameroon Iran Kuwait Ethiopia Philippines Burma Bolivia	Singapore Costa Rica Colombia Malaysia Netherlands Antilles
Increase of 20-29.9.........	17	7	Guadeloupe Martinique	Iran United Arab Emirates Jordan Gambia	Sudan Guatemala United Arab Emirates Israel	Liberia Senegal Republic of Korea	Indonesia Bahrain Bangladesh Singapore Qatar Colombia Trinidad and Tobago Ecuador Papua-New Guinea Chile Zambia	
Increase of 30-39.9.........	12	7		Nigeria Kuwait		Libyan Arab Jamahiriya Guatemala Bahrain	Kenya Honduras Jordan United Republic of Tanzania Saudi Arabia Ivory Coast	Hong Kong Trinidad and Tobago

Table 46 (continued)

Change from preceding year (percentage)	Number of countries		Countries or areas[c] in which in relation to changes in the preceding year the change between 1975 and 1976 represents					
			Deceleration		Acceleration		Reversal	
	Export	Import	Export	Import	Export	Import	Export	Import
							Nigeria Thailand Malaysia Libyan Arab Jamahiriya Argentina Uganda	
Increase of 40 and over......	10	6		Saudi Arabia Yemen	El Salvador Republic of Korea Hong Kong Uruguay Haiti Rwanda Burundi	Syrian Arab Republic Gabon Haiti Qatar	Nicaragua Réunion Mali	
Total.........	87	87	12	29	21	23	54	35

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Exports are priced f.o.b. and imports c.i.f.

b/ Preliminary.

c/ Within each group countries and areas are listed in ascending order of the rate of increase between 1975 and 1976.

Table 47. Developing countries: direction of exports, 1974-1976

Exports from \ Exports to	World	Developed market economies: Total	Developed market economies: North America	Developed market economies: Western Europe	Developed market economies: Japan	Centrally planned economies: Total	Centrally planned economies: Europe	Centrally planned economies: Asia	Developing countries: Total	Developing countries: Western hemisphere	Developing countries: Africa	Developing countries: Asia
Developing countries												
1974, billions of dollars	219.9	163.8	44.4	83.5	31.3	8.0	6.9	1.1	46.5	17.7	4.9	23.7
Percentage change from preceding year												
1975..................	-5	-9	-4	-10	-10	23	30	-21	4	-6	20	8
1976..................	20	22	34	16	21	6	5	12	14	13	5	16
Western hemisphere												
1974, billions of dollars	48.5	34.0	20.7	10.9	2.2	2.7	2.3	0.4	11.3	9.7	0.8	0.8
Percentage change from preceding year												
1975................	-	-7	-9	1	-17	50	65	-42	7	-1	60	47
1976................	10	15	11	22	9	-2	-1	-26	2	10	-36	-29
Africa												
1974, billions of dollars	38.4	32.3	5.9	24.5	1.8	1.8	1.6	0.2	4.1	1.8	1.5	0.8
Percentage change from preceding year												
1975................	-11	-13	5	-16	-32	14	14	17	-5	-11	1	-1
1976................	18	20	91	1	-12	6	2	48	13	21	11	-
Asia												
1974, billions of dollars	131.7	96.1	17.6	47.6	26.9	3.4	3.0	0.5	31.1	6.2	2.6	22.1
Percentage change from preceding year												
1975................	-4	-8	-1	-10	-7	7	12	-19	4	-12	20	6
1976................	24	26	38	22	23	15	15	14	18	16	18	19
OPEC												
1974, billions of dollars	121.3	95.3	18.8	54.2	20.1	1.5	1.5	0.1	23.5	11.0	1.6	10.9
Percentage change from preceding year												
1975................	-9	-11	-5	-14	-9	33	33	20	-2	-13	14	6
1976................	19	21	42	14	17	9	8	44	14	11	20	15
Developing countries other than OPEC												
1974, billions of dollars	98.6	68.6	25.6	29.3	11.2	6.4	5.4	1.0	23.0	6.7	3.3	12.8
Percentage change from preceding year												
1975................	-	-5	-4	-3	-12	21	29	-23	10	5	24	9
1976................	20	24	28	21	27	5	5	10	13	16	-2	17

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics, June 1977.

Table 48. Developed market economies:[a/] imports from developing countries[a/] by major category, 1973-1976

Category	c.i.f. value of imports from developing countries in 1973 (billions of dollars)	Percentage change from preceding year			Percentage of total in 1976
		1974	1975	1976	
Food-stuffs (SITC 0 and 1)....	17.2	20	4	17	12.8
Raw materials (SITC 2 and 4)..	14.4	35	-19	14	9.6
Non-ferrous metals (SITC 68)..	3.8	50	-37	27	2.2
Mineral fuels (SITC 3)........	33.9	189	-3	19	59.8
Chemicals (SITC 5)............	1.0	65	-11	10	0.8
Manufactures (SITC 6 and 8)...	15.9	31	-16	42	13.1
Machinery and transport equipment (SITC 7)..........	3.2	44	-4	37	3.3
Textiles (SITC 65)............	2.6	20	-26	39	1.8
Clothing (SITC 84)............	3.5	30	10	45	3.7
Metal products (SITC 691-695, 698 and 812)................	0.2	72	-19	56	0.2
Total trade (SITC 0-9)....	86.2	92	-6	21	100.0

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data supplied by the Statistical Office of the United Nations.

a/ In this table, Israel has been included with the developed market economies and Cyprus and Turkey with the developing countries.

Table 49. Developed market economies: imports of machinery and transport equipment a/ from developing countries, 1973-1976

Region and item	All developing countries b/	Western hemisphere	Africa	West Asia b/	South and South-East Asia
Developed market economies c/					
Imports in 1973 (millions of dollars)......	3,235	913	95	73	2,153
Percentage increase from preceding year					
1974....................	44	56	-11	17	42
1975....................	-4	2	118	40	-11
1976....................	37	16	-4	30	50
North America					
Imports in 1973 (millions of dollars)......	2,237	709	2	-	1,526
Percentage increase from preceding year					
1974....................	42	66	136	-	31
1975....................	-13	-4	-11	-73	-17
1976....................	40	21	23	88	53
Western and southern Europe					
Imports in 1973 (millions of dollars)......	742	169	79	73	420
Percentage increase from preceding year					
1974....................	26	-	-7	12	45
1975....................	39	44	141	46	25
1976....................	19	2	-31	28	35
Japan					
Imports in 1973 (millions of dollars)......	220	30	14	...	176
Percentage increase from preceding year					
1974....................	72	118	-61	...	74
1975....................	4	19	-3	-93	-
1976....................	57	-21	657	99	67

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data supplied by the Statistical Office of the United Nations.

a/ SITC 7.

b/ Including Turkey, excluding Israel.

c/ Including Israel.

Table 50. Developed market economies: imports of manufactured producer and consumer goods a/ from developing countries, 1973-1976

Region and item	All developing countries b/	Western hemisphere	Africa	West Asia b/	South and South-East Asia
Developed market economies c/					
Imports in 1973 (millions of dollars)......	15,890	2,948	2,508	626	9,661
Percentage increase from preceding year					
1974....................	31	54	33	22	24
1975....................	-16	-28	-39	-14	-6
1976....................	42	27	27	25	51
North America					
Imports in 1973 (millions of dollars)......	5,840	1,460	209	53	4,092
Percentage increase from preceding year					
1974....................	34	71	11	3	23
1975....................	-11	-33	-10	-15	-
1976....................	52	30	97	20	59
Western and southern Europe					
Imports in 1973 (millions of dollars).......	7,016	1,178	1,919	512	3,299
Percentage increase from preceding year					
1974....................	33	40	40	20	29
1975....................	-6	-14	-39	-7	15
1976....................	30	23	17	24	42
Japan					
Imports in 1973 (millions of dollars)......	2,561	298	368	49	1,842
Percentage increase from preceding year					
1974....................	11	19	12	89	8
1975....................	-35	-50	-53	-51	-28
1976....................	43	27	21	51	49

Source and notes: See table 48.

a/ SITC 6 and 8.

Table 51. Developed market economies: imports of non-ferrous metals[a] from developing countries, 1973-1976

Region and item	All developing countries[b]	Western hemisphere	Africa	West Asia[b]	South and South-East Asia
Developed market economies[c]					
Imports in 1973 (millions of dollars)......	3,798	1,211	1,965	95	526
Percentage increase from preceding year					
1974....................	50	66	35	65	66
1975....................	-37	-41	-46	-34	-5
1976....................	27	19	30	-21	41
North America					
Imports in 1973 (millions of dollars)......	678	407	84	-	187
Percentage increase from preceding year					
1974....................	67	92	16	894	36
1975....................	-36	-57	-9	-65	16
1976....................	48	30	233	3,054	12
Western and southern Europe					
Imports in 1973 (millions of dollars).......	2,365	635	1,525	49	154
Percentage increase from preceding year					
1974....................	52	55	42	63	134
1975....................	-34	-25	-46	-25	5
1976....................	14	10	12	-80	60
Japan					
Imports in 1973 (millions of dollars)......	755	169	355	46	185
Percentage increase from preceding year					
1974....................	29	46	11	66	38
1975....................	-49	-52	-54	-43	-39
1976....................	40	27	24	52	66

Source and notes: See table 48.

a/ SITC 68.

Table 52. Developed market economies: imports of metal products[a] from developing countries, 1973-1976

Region and item	All developing countries[b]	Western hemisphere	Africa	West Asia[b]	South and South-East Asia
Developed market economies[c]					
Imports in 1973 (millions of dollars).....	196	46	2	2	146
Percentage increase from preceding year					
1974....................	72	62	19	90	76
1975....................	-19	-23	10	-45	-18
1976....................	56	46	-6	91	59
North America					
Imports in 1973 (millions of dollars).....	116	41	-	-	75
Percentage increase from preceding year					
1974....................	78	63	56	124	85
1975....................	-18	-23	-60	-56	-15
1976....................	52	...	87	66	54
Western and southern Europe					
Imports in 1973 (millions of dollars).....	51	5	1	2	43
Percentage increase from preceding year					
1974....................	35	40	17	82	32
1975....................	13	-12	12	-42	20
1976....................	48	46	-8	97	48
Japan					
Imports in 1973 (millions of dollars).....	22	-	-	-	22
Percentage increase from preceding year					
1974....................	108	193	-	-	107
1975....................	-43	-98	-	-	-43
1976....................	6	154	-51	...	6

Source and notes: See table 48.

a/ SITC 691-5, 698 and 812.

Table 53. Developed market economies: imports of textiles[a] from developing countries, 1973-1976

Region and item	All developing countries[b]	Western hemisphere	Africa	West Asia[b]	South and South-East Asia
Developed market economies[c]					
Imports in 1973 (millions of dollars).......	2,628	323	117	393	1,796
Percentage increase from preceding year					
1974......................	20	59	44	1	16
1975......................	-26	-24	-22	-6	-30
1976......................	39	12	40	41	46
North America					
Imports in 1973 (millions of dollars).......	660	142	15	23	480
Percentage increase from preceding year					
1974......................	33	67	96	1	23
1975......................	-34	-36	-58	-13	-33
1976......................	47	17	32	33	58
Western and southern Europe					
Imports in 1973 (millions of dollars).......	1,189	142	100	367	581
Percentage increase from preceding year					
1974......................	30	67	34	1	38
1975......................	-6	-2	-11	-5	-6
1976......................	31	4	41	41	33
Japan					
Imports in 1973. (millions of dollars).......	559	34	2	1	523
Percentage increase from preceding year					
1974......................	74	-32	162	-7	-26
1975......................	-22	-65	-92	-76	-19
1976......................	52	100	-71	576	50

Source and notes: See table 48.

a/ SITC 65.

Table 54. Developed market economies: imports of clothing[a/] from developing countries, 1973-1976

Region and item	All developing countries[b/]	Western hemisphere	Africa	West Asia[b/]	South and South-East Asia
Developed market economies[c/]					
Imports in 1973 (millions of dollars)......	3,474	244	35	52	3,144
Percentage increase from preceding year					
1974....................	30	55	107	80	26
1975....................	10	7	76	-10	10
1976....................	45	28	53	31	47
North America					
Imports in 1973 (millions of dollars)......	1,611	202	2	10	1,399
Percentage increase from preceding year					
1974....................	18	54	8	-43	13
1975....................	18	3	5	-30	21
1976....................	49	26	70	83	52
Western and southern Europe					
Imports in 1973 (millions of dollars)......	1,376	40	33	41	1,262
Percentage increase from preceding year					
1974....................	35	58	113	114	30
1975....................	29	27	79	-8	29
1976....................	37	35	53	28	37
Japan					
Imports in 1973 (millions of dollars)......	416	1	-	-	414
Percentage increase from preceding year					
1974....................	37	76	160	-31	37
1975....................	-39	-66	-84	37	-39
1976....................	68	55	-55	48	68

Source and notes: See table 48.

a/ SITC 84.

Table 55. Developed market economies: imports of chemicals[a] from developing countries, 1973-1976

Region and item	All developing countries[b]	Western hemisphere	Africa	West Asia[b]	South and South-East Asia
Developed market economies[c]					
Imports in 1973 (millions of dollars)......	972	619	135	31	185
Percentage increase from preceding year					
1974....................	65	57	51	52	103
1975....................	-11	-4	-15	28	-31
1976....................	10	1	18	-27	41
North America					
Imports in 1973 (millions of dollars)......	276	218	12	7	39
Percentage increase from preceding year					
1974....................	75	70	90	-14	117
1975....................	-9	-3	-53	281	-44
1976....................	5	3	4	-47	51
Western and southern Europe					
Imports in 1973 (millions of dollars)......	547	356	120	24	47
Percentage increase from preceding year					
1974....................	54	46	46	68	119
1975....................	-5	1	-9	-4	-21
1976....................	3	-5	19	-13	14
Japan					
Imports in 1973 (millions of dollars)......	129	39	2	-	88
Percentage increase from preceding year					
1974....................	82	90	69	116	78
1975....................	-23	-37	-27	-84	-16
1976....................	45	27	16	179	51

Source and notes: See table 48.

a/ SITC 5.

Table 56. Developed market economies: imports of mineral fuels[a/] from developing countries, 1973-1976

Region and item	All developing countries[b/]	Western hemisphere	Africa	West Asia[b/]	South and South-East Asia
Developed market economies[c/]					
Imports in 1973 (millions of dollars).....	33,867	4,317	7,386	19,935	2,226
Percentage increase from preceding year					
1974....................	189	170	176	196	197
1975....................	-3	-12	-11	2	-3
1976....................	19	-	32	18	23
North America					
Imports in 1973 (millions of dollars).....	6,516	3,667	1,285	1,250	314
Percentage increase from preceding year					
1974....................	240	183	276	341	352
1975....................	9	-15	32	26	48
1976....................	32	66	63	44	35
Western and southern Europe					
Imports in 1973 (millions of dollars)......	20,273	621	5,864	13,767	21
Percentage increase from preceding year					
1974....................	163	91	150	171	95
1975....................	-7	19	-24	-1	67
1976....................	16	15	18	15	4
Japan					
Imports in 1973 (millions of dollars).....	6,706	28	237	4,594	1,845
Percentage increase from preceding year					
1974....................	214	126	274	229	171
1975....................	-1	-17	-25	6	-15
1976....................	13	-24	-48	14	18

Source and notes: See table 48.

a/ SITC 3.

Table 57. Developed market economies: imports of raw materials[a] from developing countries, 1973-1976

Region and item	All developing countries[b]	Western hemisphere	Africa	West Asia[b]	South and South-East Asia
Developed market economies[c]					
Imports in 1973 (millions of dollars)......	14,442	4,072	3,731	637	5,425
Percentage increase from preceding year					
1974....................	35	36	49	16	27
1975....................	-19	-4	-20	-13	-27
1976....................	14	3	3	43	34
North America					
Imports in 1973 (millions of dollars)......	1,820	889	164	54	708
Percentage increase from preceding year					
1974....................	48	36	54	7	63
1975....................	-5	4	-10	17	-15
1976....................	4	-7	14	17	13
Western and southern Europe					
Imports in 1973 (millions of dollars)......	7,827	2,208	3,168	530	1,741
Percentage increase from preceding year					
1974....................	38	42	49	15	21
1975....................	-14	-7	-17	-17	-17
1976....................	11	2	-	50	40
Japan					
Imports in 1973 (millions of dollars)......	4,557	951	378	50	2,869
Percentage increase from preceding year					
1974....................	26	24	50	23	22
1975....................	-30	-3	-45	5	-35
1976....................	29	14	20	30	39

Source and notes: See table 48.

a/ SITC 2 and 4.

Table 58. Developed market economies: imports of food-stuffs[a] from developing countries, 1973-1976

Region and item	All developing countries[b]	Western hemisphere	Africa	West Asia[b]	South and South-East Asia
Developed market economies[c]					
Imports in 1973 (millions of dollars).......	17,186	9,536	3,721	768	3,016
Percentage increase from preceding year					
1974......................	20	19	16	-5	37
1975......................	4	1	1	-6	15
1976......................	17	13	27	22	16
North America					
Imports in 1973 (millions of dollars).......	5,195	3,474	758	150	749
Percentage increase from preceding year					
1974......................	32	32	17	5	55
1975......................	-8	-7	-11	11	-12
1976......................	21	20	34	28	14
Western and southern Europe					
Imports in 1973 (millions of dollars).......	9,864	5,379	2,761	561	980
Percentage increase from preceding year					
1974......................	10	6	13	-8	19
1975......................	9	8	7	-8	16
1976......................	21	17	26	16	33
Japan					
Imports in 1973 (millions of dollars).......	1,888	588	169	45	1,078
Percentage increase from preceding year					
1974......................	45	63	33	-7	39
1975......................	-7	2	-5	-26	43
1976......................	-1	-26	17	52	8

Source and notes: See table 48.

a/ SITC 0 and 1.

Table 59. Developing countries: distribution according to changes in the consumer price index, 1971-1976

Average annual rate of increase 1971-1976[a] (percentage)	Percentage change between 1975 and 1976[b]						
	Decline	0 - 4.9	5 - 9.9	10.0-14.9	15.0-19.9	20.0-29.9	30 and over
Under 5............	Upper Volta	Afghanistan Nicaragua					
5 - 9.9...........	India Nepal Singapore	Sri Lanka Panama Malaysia Chad Thailand Bahamas Malawi Kuwait Honduras	Madagascar Netherlands Antilles Tunisia Congo Libyan Arab Jamahiriya Burundi El Salvador Venezuela Morocco Guyana Algeria United Arab Cameroon	Surinam Iraq Egypt Central African Empire Guatemala Iran Ivory Coast Somalia	Sierra Leone Zambia	Ethiopia	
10.0-14.9..........		Sudan Democratic Yemen Costa Rica Paraguay Western Samoa	Liberia Senegal Philippines United Republic of Tanzania Rwanda Haiti Dominican Republic Jamaica	Trinidad and Tobago Ecuador Fiji Togo Mauritius Kenya Mauritania Syrian Arab Republic Bahrain	Jordan Mexico Gambia	Niger Gabon	
15.0-19.9..........		Bolivia	Barbados Pakistan		Republic of Korea Yemen Colombia Indonesia	Nigeria Burma	Saudi Arabia Peru

Table 59 (continued)

Average annual rate of increase, 1971-1976[a/] (percentage)	Percentage change between 1975 and 1976[b/] Decline	0 - 4.9	5 - 9.9	10.0-14.9	15.0-19.9	20.0-29.9	30 and over
20.0 - 29.9.......	Bangladesh						Israel Brazil Ghana Uganda Zaire
30 and over.......							Uruguay Chile Argentina
Total...........	5	17	22	17	9	5	9

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ 1974-1976 in the case of Nicaragua; 1972-1976 in the case of Uruguay.

b/ Within each group countries are listed in ascending order of price rise between 1975 and 1976.

Table 60. Developing countries: changes in retail food prices, a/ 1974-1976

Change from preceding year	Percentage of countries in 1974	1975	1976
Reduction....................	-	4	17
Increase of (percentage)			
Less than 5................	1	9	13
5 - 9.9....................	10	16	26
10 - 14.9..................	11	15	16
15 - 19.9..................	30	23	7
20 - 29.9..................	21	16	8
30 - 39.9..................	14	10	4
40 and over................	14	8	9
Acceleration b/................	74	34	30
Continuation of preceding rate	7	10	-
Deceleration c/................	19	56	70

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

a/ Based on movement in the food component of the consumer prices index between successive Decembers or last quarters, except in a few cases in which the comparison is between annual averages.

b/ Including changes from decline to increase.

c/ Including changes from increase to decline, as well as continued decline.

Table 61. Developing countries: changes in current external balance between 1975 and 1976[a]

Swing from surplus to deficit	Increased deficit	Reduced surplus	Reduced deficit	Increased surplus	Swing from deficit to surplus
Syrian Arab Republic	[Senegal]	[Gabon]	Mauritania	Jordan	Colombia
Somalia	Guyana	[Qatar]	Singapore	Bahamas	Rwanda
Gambia	Western Samoa	Surinam	Netherlands Antilles	[Indonesia]	El Salvador
[Dominican Republic]	Morocco	Saudi Arabia	[Grenada]	[Oman]	Libyan Arab Jamahiriya
Nigeria		Venezuela	[Nepal]	Yemen	Chile
	[Mauritius]	[Kuwait]	Ethiopia	[Iraq]	[Papua-New Guinea]
	[Tunisia]	Trinidad and Tobago	United Republic of Cameroon	[Malaysia]	[Macao]
	[Panama]	[Iran]	Costa Rica		Uganda
	[Bahrain]	[Liberia]	Thailand		[Zaire]
	[Sierra Leone]	[United Arab Emirates]	Honduras		Argentina
	Ghana		Mali		[Zambia]
	[Togo]		[Martinique]		[Burundi]
	Barbados		Brazil		[Central Africa Empire]
	Jamaica		[Hong Kong]		
	[Guinea-Bissau]		Bolivia		
	Fiji		Mexico		
	Philippines		Peru		
	Paraguay		Ivory Coast		
			Kenya		
			Sri Lanka		
			Chad		
			Egypt		
			Pakistan		
			[Guadeloupe]		
			[Reunion]		
			Ecuador		
			Burma		
			Haiti		
			Israel		
			Bangladesh		
			Nicaragua		
			Uruguay		
			[Botswana]		
			Republic of Korea		

Table 61 (continued)

Swing from surplus to deficit	Increased deficit	Reduced surplus	Reduced deficit	Increased surplus	Swing from deficit to surplus
			United Republic of Tanzania		
			[Malawi]		
			Sudan		
			[India]		
5	17	10	39	7	13

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, Balance of Payments Yearbook and International Financial Statistics (Washington, D.C.).

a/ Balance on goods, services and unrequited transfers. Countries in brackets refer to balance on goods only. Countries are listed in ascending order of differences in ratios of external balance to half the sum of credit and debit on account of goods, services and unilateral transfers.

Table 62. Developing countries: distribution according to changes in the ratio of current external balance to goods, services and transfers, a/ 1976

Percentage point changes between 1970-1972 and 1976	Percentage point change between 1975 and 1976: -20.0 and under	-20.0 to -12.5	-12.5 to -5.0	-5.0 to 0.0	0.0 to 5.0	5.0 to 12.5	12.5 to 20.0	20.0 and over
-20.0 and under	[Senegal] [Gabon] Syrian Arab Republic Somalia Guyana Western Samoa		[Yemen] [Sierra Leone]	[Liberia] Philippines Paraguay		Peru		
-20.0 to -12.5	Gambia [Qatar]	[Mauritius] [Tunisia]				Brazil Mexico	Chad [Reunion]	
-12.5 to -5.0		[Panama]	[Togo]		Mauritania [Oman]	Honduras Mali	Haiti	Sudan
-5.0 to 0.0		[Kuwait] [Bahrain]	Ghana	Jamaica	[Nepal] United Republic of Cameroon	Thailand Bolivia	Egypt Israel	Morocco Libyan Arab Jamahiriya Nicaragua Uruguay
0.0 to 5.0	[Dominican Republic]		[Iran]	Fiji [United Arab Emirates]	Bahamas Costa Rica Ethiopia	Ivory Coast	El Salvador	
5.0 to 12.5	Surinam	Venezuela	Barbados	[Guinea-Bissau]	Netherlands Antilles	Guatemala [Hong Kong] Kenya	Sri Lanka Pakistan [Guadeloupe] Rwanda	[India] [Zaire] [Zambia]
12.5 to 20.0		Saudi Arabia		Nigeria	Singapore Jordan		Burma	[Iraq] [Malaysia] United Republic of Tanzania Uganda
20.0 and over			Trinidad		[Grenada] [Indonesia]	[Martinique]	Colombia Ecuador	Bangladesh b/ [Botswana] Republic of Korea [Algeria] Chile [Macao] [Papua-New Guinea] [Malawi] [Burundi] [Central African Empire]

(Source and foot-notes on following page)

(Source and foot-notes to table 62)

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ Ratio of the difference between exports of goods and services and unilateral transfers and imports of goods and services to half the sum of exports and imports and transfers expressed as a percentage. Within each cell countries are listed in descending order of reduction or ascending order of increase in the change in this ratio between 1975 and 1976. For the countries in brackets the ratios refer to merchandise trade.

b/ In the absence of 1970-1972 data, the base year is 1973.

Table 63. Developing countries: changes in international reserves, 1975 and 1976

Country group	1975				1976			
	Reductions in reserves		Increases in reserves		Reductions in reserves		Increases in reserves	
	Number of countries	Amount (millions of dollars)	Number of countries	Amount (millions of dollars)	Number of countries	Amount (millions of dollars)	Number of countries	Amount (millions of dollars)
Total..................	40	7,172	50	15,668	27	2,038	63	21,869
Petroleum exporting	6	3,286	13	13,488	5	923	14	10,146
Other..............	34	3,886	37	2,179	22	1,055	49	11,723
Western hemisphere...	8	2,790	17	3,260	7	635	18	5,745
Petroleum exporting	1	64	4	2,721	2	289	3	513
Other..............	7	2,726	13	539	5	346	15	5,231
Africa...............	20	2,335	16	498	14	916	22	2,275
Petroleum exporting	2	1,757	2	220	2	630	2	1,646
Other..............	18	578	14	278	12	286	20	629
West Asia............	4	672	10	11,066	3	438	11	7,746
Petroleum exporting	2	559	7	10,547	1	64	8	7,074
Other..............	2	113	3	519	2	374	3	672
South and East Asia..	8	1,376	7	844	3	48	12	6,104
Petroleum exporting	1	906	-		-	-	1	913
Other..............	7	375	7	844	3	48	11	5,191

<u>Source</u>: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, <u>International Financial Statistics</u> (Washington, D.C.).

Table 64. Developing countries: distribution according to international reserve ratios, a/ 1970 and 1976

Percentage ratio of international reserves end-1970 to merchandise imports in 1970 b/	Percentage ratio of international reserves end-1976 to merchandise imports 1976				
	Less than 8.33	8.34-16.67	16.68-25.0	25.01-33.33	33.34-41.67
Less than 8.33........	Sudan Bahamas Netherlands Antilles Liberia Mali	Haiti Costa Rica			
8.34 - 16.67..........	Senegal Guyana	Barbados Ghana Syrian Arab Republic Dominican Republic Sri Lanka	Pakistan Indonesia	Honduras	
16.68 - 25.0..........		Egypt Gabon	United Republic of Tanzania Morocco Israel Tunisia	Nicaragua	Philippines
25.01 - 33.33.........	Ivory Coast Jamaica	Malawi	Qatar	Mexico Bahrain El Salvador	Republic of Korea Algeria
33.34 - 41.67.........	United Republic of Cameroon	Zaire Sierra Leone	Western Samoa		Singapore
41.68 - 50.00.........				Kenya Gambia Chile	Bangladesh
50.01 - 58.33.........		Peru		Togo	
58.34 - 66.67.........				Mauritius	
66.68 - 75.00.........					
75.01 and above		Zambia			
Total...............	10	14	8	10	5

Table 64 (continued)

Percentage ratio of international reserves end-1970 to merchandise imports in 1970 b/	Percentage ratio of international reserves end-1976 to merchandise imports 1976				
	41.68-50.00	50.01-58.33	58.34-66.67	66.68-75.00	75.01 and over
Less than 8.33.........	Mauritania	Trinidad and Tobago		Central African Empire	
8.34 - 16.67...........		United Arab Emirates		Iran	
16.68 - 25.00..........			Nicaragua	Colombia Paraguay	
25.01 - 33.33..........	Fiji	Ecuador Guatemala Kuwait	Rwanda		
33.34 - 41.67..........	Brazil	Argentina			Ethiopia
41.68 - 50.00..........			Malaysia India		
50.01 - 58.33..........					Venezuela
58.34 - 66.67..........					Burma Lebanon
66.68 - 75.00..........				Thailand	Burundi
75.01 and above........	Oman	Jordan Uruguay		Libyan Arab Jamahiriya	Nepal Iraq Yemen Saudi Arabia
Total................	4	8	4	6	9

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on International Monetary Fund, International Financial Statistics (Washington, D.C.).

a/ International reserves consist of gold (valued at SDR 35 per fine ounce), SDR, convertible foreign exchange and reserve positions in the International Monetary Fund. Countries in each group are listed in ascending order of the difference in international reserve ratios between 1970 and 1976.

b/ 1972 for Bangladesh, 1973 for Yemen and 1974 for Liberia.

Table 65. Petroleum-importing developing countries: relative magnitude of external public debt, 1973-1976

Region and year	Net public borrowing (billions of dollars)	External public debt outstanding (disbursed) (billions of dollars)	Percentage ratio of: Net public borrowing to Gross national product	Percentage ratio of: Net public borrowing to Exports of goods and non-factor services	Percentage ratio of: Outstanding disbursed public debt to Gross national product	Percentage ratio of: Outstanding disbursed public debt to Exports of goods and non-factor services
Western hemisphere (18 countries)						
1973	4.3	24.4	2.0	17.5	11.2	100.4
1974	6.7	32.2	2.5	20.9	12.1	99.5
1975	7.7	32.5	2.8	23.8	11.8	100.0
1976 a/	11.0	50.4	3.5	29.3	16.0	134.9
Sub-Saharan Africa (32 countries)						
1973	1.1	6.8	3.4	12.0	20.6	72.5
1974	1.7	8.6	4.4	13.9	22.6	72.3
1975	2.3	10.6	5.1	20.5	23.5	93.6
1976 a/	2.2	12.7	4.3	16.2	25.7	96.0
North Africa and West Asia (6 countries)						
1973	0.3	4.1	1.3	6.4	20.1	98.2
1974	0.4	4.7	1.6	5.5	19.5	66.1
1975	2.8	7.3	9.9	37.0	25.4	95.4
1976 a/	2.7	10.0	8.5	34.5	31.7	127.9
South Asia (6 countries)						
1973	1.2	16.4	1.3	21.5	17.8	297.1
1974	1.9	18.5	1.7	27.8	16.8	270.4
1975	2.3	19.9	2.1	31.6	17.8	271.5
1976 a/	2.1	22.0	1.9	24.6	19.6	260.8
East Asia and Pacific (6 countries)						
1973	0.7	5.5	1.5	4.0	12.3	33.2
1974	1.2	6.8	2.1	5.2	11.5	28.6
1975	2.3	9.0	3.6	9.7	14.0	37.8
1976 a/	2.5	11.4	3.3	7.9	15.2	36.7
Total (67 countries)						
1973	7.5	57.3	1.8	12.5	14.0	95.4
1974	11.9	70.8	2.4	14.5	14.3	86.3
1975	17.5	86.2	3.3	21.2	16.4	104.6
1976 a/	20.3	106.6	3.5	20.7	18.2	108.7

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data and estimates furnished by the World Bank.

a/ Preliminary and partly estimated.

Table 66. Developing countries: distribution according to ratio of debt-service payments to export earnings, 1970 and 1975

Percentage ratio of debt-service payments to export earnings, 1970	Percentage ratio of debt-service payments to export earnings,[a] 1975					
	Less than 5	5-9.9	10-14.9	15-19.9	20-24.9	25 and over
Less than 5.........	Mauritius Trinidad and Tobago[c] Madagascar Nigeria Iraq Thailand Rwanda Gambia Malaysia Singapore Guyana Fiji Swaziland Mali Honduras Somalia Benin Botswana	Chad Niger United Republic of Cameroon Venezuela[c] Senegal Burundi Jamaica Algeria El Salvador[c] Togo	Uganda Central African Empire	Mauritania Zaire Bangaldesh[b]		
5 - 9.9.............	Guatemala Lesotho Ecuador Ghana Kenya	Liberia Morocco Upper Volta Malawi Dominican Republic Jordan Philippines Indonesia Gabon Panama United Republic of Tanzania Congo Zambia Ivory Coast	Costa Rica		Sri Lanka	

Table 66 (continued)

Percentage ratio of debt-service payments to export earnings, 1970	Percentage ratio of debt-service payments to export earnings,[a] 1975					
	Less than 5	5-9.9	10-14.9	15-19.9	20-24.9	25 and over
10 - 14.9.............	Iran	Ethiopia Paraguay Syrian Arab Republic Sierra Leone	Colombia Nicaragua	Brazil Bolivia	Peru Sudan	
15 - 19.9.............		Tunisia		Burma		Chile
20 - 24.9.............			Republic of Korea	India Pakistan[d]	Argentina	Mexico Uruguay
25 and over...........		Afghanistan				Egypt
Total.............	24	30	6	8	4	4

<u>Source</u>: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on data and estimates supplied by the World Bank.

a/ Earnings from the export of goods and non-factor services, except in the case of Botswana, Lesotho and Swaziland, for which the denomination is merchandise exports only. Within each cell countries are listed in ascending order of the change in debt-service ratio between 1970 and 1975, from the greatest reduction to the greatest increase.

b/ 1973.

c/ Ratios for these countries were inflated in 1975 by certain debt prepayments; excluding those would reduce the ratios to 3.4 per cent for El Salvador, 1.3 per cent for Trinidad and Tobago and 4.3 per cent for Venezuela.

d/ Including East Pakistan in 1970.

Table 67. **Basic commodities: changes in world price, 1971-1977**

Commodity	Index (1970=100)			Percentage change from corresponding period of preceding year						
				1976	1976 quarter				1977	
	1974	1975	1976		First	Second	Third	Fourth	First	Second
Primary commodities exported by developing countries............	394	382	403	6	1	7	9	5	14	16
Food-stuffs exported by developing countries..........	253	223	233	5	-22	12	11	26	42	36
Cereals										
Wheat.......................	290	258	224	-13	-10	-2	-15	-26	-25	-25
Rice.......................	321	231	168	-27	-30	-28	-26	-26	-14	3
Maize......................	196	191	183	-4	-19	-6	3	6	12	-6
Beverage crops................	155	159	264	66	28	81	64	90	124	89
Coffee......................	132	147	280	91	55	123	80	105	134	86
Cocoa......................	251	219	292	33	-5	31	41	69	105	83
Tea......................	130	133	143	8	-13	-1	18	31	90	134
Other food-stuffs										
Beef......................	157	157	168	7	-8	-3	18	25	15	14
Bananas....................	173	226	210	-7	-6	-15	-8	3	-9	1
Sugar......................	579	410	237	-42	-57	-25	-37	-38	-34	-31
Tobacco.......................	141	170	183	8	5	6	10	9	7	...
Vegetable oils										
Coconut oil	317	124	125	1	-31	-10	11	45	78	97
Ground-nut oil...............	284	225	194	-14	-30	-11	-17	10	25	40
Linseed oil..................	497	328	252	-23	-34	-33	-9	-11	-1	12
Olive oil....................	302	328	317	-3	6	-	-10	-9	-4	5
Palm oil....................	258	165	155	-6	-30	-7	4	16	40	74
Palm-kernel oil...............	315	128	130	2	-32	-4	30	51	74	103
Soya-bean oil................	297	209	157	-25	-46	-33	-20	12	42	80
Fibres										
Cotton.......................	241	192	255	33	21	25	41	42	26	17
Jute.........................	122	136	116	-15	-28	-22	-6	4	6	9
Sisal........................	680	480	404	-16	-38	-19	2	8	-	-
Wool.........................	249	204	231	13	9	6	17	21	16	10
Rubber.........................	176	136	192	41	29	55	39	43	18	-2

Table 67 (continued)

Commodity	Index (1970=100)			Percentage change from corresponding period of preceding year						
				1976	1976 quarter				1977	
	1974	1975	1976		First	Second	Third	Fourth	First	Second
Minerals										
Bauxite......................	149	268	270	1	9	-3	-4	2	19	21
Crude fertilizer	409	576	413	-28	-22	-29	-32	-32	-14	-7
Iron-ore....................	166	225	233	4	-3	3	5	9	4	4
Petroleum...................	641	651	681	5	9	6	7	-1	7	10
Non-ferrous metals exported by developing countries........	160	109	121	11	-5	16	22	15	23	2
Copper......................	146	88	100	14	-2	20	26	11	16	-8
Lead........................	197	138	149	8	-35	14	38	40	72	30
Tin.........................	220	186	205	10	-10	7	20	27	46	29
Zinc........................	326	254	248	-2	-9	-2	4	-3	1	-13

Source: Centre for Development Planning, Projections and Policies of the United Nations Secretariat, based on United Nations, Monthly Bulletin of Statistics.

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