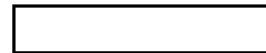


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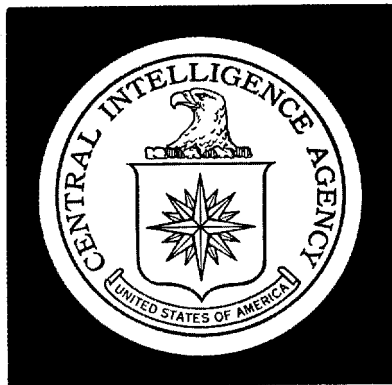
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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Economic Situation in South Vietnam (Weekly)

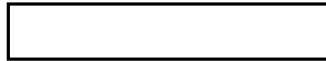
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

Tax collections during the first quarter of 1969 were considerably larger than during the same period of 1968 because of better security, greater business activity, and higher tax rates.

Production and exports of rubber, which have declined steadily in recent years, fell sharply during 1968. A further decline seems inevitable.

During the week ending 14 April retail prices of both domestic and imported goods in Saigon continued stable. All free market currency and gold prices fell. The decline in the rate for scrip was particularly sharp because of rumors that a new series was to be issued.

ANNEX: Retail Prices in Saigon (Table)
Currency and Gold Prices (Graph)

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Tax Collections

1. During the first quarter of 1969 government revenues from internal taxation were 85 percent above those of the corresponding period of 1968 and equal to one third of revenues from internal taxes during all of 1968. First quarter data for taxes on imports, which provide more than half of revenues from taxation, are not yet available, but they also will show a sizable increase over receipts during the first three months of 1968. The government's tax collection performance during the first quarter of this year reflects better security conditions and greater business activity than in early 1968, when the economy was disrupted by the Tet offensive, as well as the 20-percent surtax on indirect taxes and the higher import taxes that were enacted in 1968. Despite the increased collections, however, revenues will continue to fall far short of government expenditures. Government revenues covered only 48 percent of planned expenditures in 1968. The government probably will submit a supplemental budget request to the National Assembly during the next few months, but apparently does not plan to ask the legislature to approve any new revenue measures.

Rubber Production and Exports

2. Production and exports of rubber, South Vietnam's major industrial crop, declined sharply during 1968. Production on the major plantations, which account for more than 90 percent of total output, amounted to only 24,000 tons during January-November 1968, or 39 percent below output during the corresponding period of 1967. As a result of the 1968 Tet offensive, output in February and March 1968 totaled less than 100 metric tons. No production data are available for 1969, but a further decline seems inevitable because of heavy fighting in the area northwest of Saigon where most of the large plantations are located. For example, the Michelin plantation in Binh Duong Province, which accounted for six percent of total output in 1967, was a major battleground during the recent enemy offensives.

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3. Exports of rubber amounted to 29,200 metric tons in 1968, a decline of 22 percent from the previous year. Rubber has been South Vietnam's major export product for many years, usually accounting for about 80 percent of the total value of exports. In 1968, however, rubber accounted for only an estimated 46 percent of total exports. The decline in rubber exports will not affect the country's level of imports, which are financed either directly or indirectly by the US. In 1968, exports were equivalent to only about three percent of imports.

Prices

4. Retail prices in Saigon continued to be stable, as they have been for many months. During the week ending 14 April the USAID index declined one percent as lower prices for meat, fish, and most vegetables more than offset higher prices for rice, firewood, and calico. The price index for imported commodities continued unchanged for the fifth consecutive week. (A table of weekly retail prices in Saigon is included in the Annex.)

Currency and Gold

5. All free market currency and gold prices fell during the week ending 15 April. The price of MPC (scrip) fell sharply from 150 piasters to 130 piasters per dollar. The MPC rate continued to fall until 18 April, when it returned to a more normal level. According to the embassy, the sharp decline was the result of strong market rumors of an impending change in the MPC series. The price of dollars fell five piasters to 185 piasters per dollar, and the price of a dollar's worth of gold leaf declined three piasters to 272 piasters. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

TABLE
Weekly Retail Prices in Saigon^a

	2 Jan 1968	6 Jan 1969	24 Mar 1969	31 Mar 1969	7 Apr 1969	14 Apr 1969
Index for All Items	<u>308</u>	<u>400</u>	<u>397</u>	<u>401</u>	<u>392</u>	<u>389</u>
Index for Food Items	<u>344</u>	<u>443</u>	<u>446</u>	<u>450</u>	<u>436</u>	<u>430</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	2,500	3,100	3,050	3,000	3,000	3,050
Pork Bellies (1 kg.)	220	260	240	260	230	NA
Fish-Ca Tre (1 kg.)	230	310	320	300	300	NA
Nuoc Mam (jar)	150	220	220	220	220	NA
Index for Nonfood Items	<u>241</u>	<u>319</u>	<u>305</u>	<u>308</u>	<u>310</u>	<u>314</u>
Of Which: (In Piasters)						
Firewood (cu. meter)	600	800	760	790	810	NA
Cigarettes (pack)	14	22	22	22	22	NA
White Calico (meter)	52	82	68	68	68	NA
Kerosene (liter)	9	10	10	11	11	NA

a. Data are from USAID sources. For indexes 1 Jan 1965 = 100.

