

DER

SECRET

25X1



DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Economic Situation in South Vietnam (Weekly)

Secret

122
3 March 1969
No. 0483/69

Secret

25X1

WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1
EXCLUDED FROM AUTOMATIC
DOWNGRADING AND
DECLASSIFICATION

Secret

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

Since it was organized in 1967 the Agricultural Development Bank has rapidly increased the amount of government credit available to farmers and plans to expand both its volume of loans and facilities in 1969. The demand for credit in rural areas, however, still is being met largely by loans from other sources, often at extremely high rates of interest.

Retail prices in Saigon declined one percent during the two weeks ending 24 February mainly because of lower prices for nonfood items. Prices of imported goods rose slightly as did free market currency and gold prices.

ANNEX: Weekly Retail Prices in Saigon (Table)
Monthly and Weekly Currency and Gold
Prices (Chart)

SECRET

SECRET

Agricultural Credit

1. Since it was established in May 1967 the government's Agricultural Development Bank (ADB) has achieved considerable progress in making credit available to farmers at reasonable rates. From May 1967 through the end of 1968 the bank loaned 6.3 billion piasters (US \$53 million), or more than the total of loans made by its predecessor, the National Agricultural Credit Office, during its 10-year history. The demand for credit in rural areas, however, still is far greater than the ADB's supply of loanable funds.

2. About 80 percent of the ADB's loans are short-term loans for crop production. Loans for livestock production account for about 12 percent of the funds, and the remainder goes to fisheries, forestry, and handicrafts. Short-term loans under 18 months carry an interest rate of one percent per month, while the interest rate for medium-term loans of 18 months to five years is eight percent per year. During 1967 only about two percent of the bank's loans were long-term loans with an interest rate of six percent per year. In the face of price inflation of about 30 percent a year during the past two years, the rates of interest offered by the ADB are extremely low. Since the government budget provides a large share of the bank's funds, the farmers who avail themselves of the bank's credit are in effect receiving a government subsidy in the form of cheap money.

3. During 1969 the ADB plans to make loans amounting to 5.6 billion piasters (US \$47 million) and will expand its banking and credit facilities throughout the country. Fourteen province offices will be upgraded to branch bank status and a new branch bank will be opened in Da Nang. These changes will bring to 25 the total number of ADB branch banks, which are authorized to perform full banking as well as credit services. Thirteen other credit offices or representatives are located throughout the country. In almost all cases, however, the ADB facilities are in the provincial capitals and thus are not always accessible to farmers desiring credit.

4. The great demand for credit facilities in the countryside is clearly illustrated by the results

SECRET

SECRET

of the Stanford Research Institute's Hamlet Resident Survey conducted in southern South Vietnam in late 1967. According to the survey, the farmers' desire for credit ranks second only to their desire to own land. The majority of those interviewed were in debt, and although many claimed they paid no interest at all, more than half of those who paid interest paid at a rate in excess of 60 percent per year. Three fourths of the loans were obtained from friends or relatives, while only five percent were obtained from government agencies such as the ADB. Despite the ADB's impressive record, it still is a long way from its goal of becoming the principal source of credit for farmers, but it apparently has a tremendous market for its low cost loans.

Prices

5. During the two-week period ending 24 February the Saigon retail price index declined one percent. (Prices for the week ending 17 February were not available because markets were closed for the Tet holidays.) Food prices rose two percent mainly because of higher prices for fish, shrimp, brown sugar, and most vegetables. Nonfood prices, on the other hand, were down seven percent primarily because of the continuing sharp decline in the price of calico. The price of kerosene, however, increased 10 percent--the first increase in the price of this item since early 1968. (A table of weekly retail prices in Saigon is included in the Annex.)

6. The USAID price index for imported goods rose slightly during the two weeks ending 25 February as higher prices were reported for fertilizers, chemicals, kerosene, sugar, and cement. On 15 February the government reportedly raised the import duties on cement, refined sugar, and wheat flour.

Currency and Gold

7. Free market currency and gold prices rose slightly during the two-week period ending 24 February. The prices of dollars and MPC (scrip) rose two piasters each to 192 and 152 piasters per dollar, respectively. The price of a dollar's worth of gold leaf increased four piasters to 282 piasters. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

SECRET

TABLE
Weekly Retail Prices in Saigon^a

	2 Jan 1968	6 Jan 1969	27 Jan 1969	3 Feb 1969	10 Feb 1969	24 Feb 1969
Index for All Items	<u>308</u>	<u>400</u>	<u>402</u>	<u>393</u>	<u>408</u>	<u>406</u>
Index for Food Items	<u>344</u>	<u>443</u>	<u>445</u>	<u>433</u>	<u>448</u>	<u>457</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	2,500	3,100	3,250	3,200	3,150	3,150
Pork Bellies (1 kg.)	220	260	220	220	250	240
Fish-Ca Tre (1 kg.)	230	310	330	310	290	320
Nuoc Mam (jar)	150	220	220	220	220	220
Index for Nonfood Items	<u>241</u>	<u>319</u>	<u>324</u>	<u>319</u>	<u>336</u>	<u>312</u>
Of Which: (In Piasters)						
Firewood (cu. meter)	600	800	780	760	780	800
Cigarettes (pack)	14	22	22	22	22	22
White Calico (meter)	52	82	92	88	78	68
Kerosene (liter)	9	10	10	10	10	11

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

