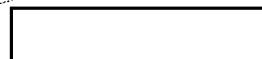


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DIRECTORATE OF INTELLIGENCE

# Intelligence Report

## *The Economic Situation in South Vietnam* (Weekly)

State Dept. review completed

USAID review completed

**Secret**

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

Deliveries of rice from the delta to Saigon during 1968 were 10 percent above the level of 1967. The public reaction to the recent official increase in the price of imported rice continues to be unfavorable, even in the delta. Additional surveys of the current rice harvest still indicate that the 1969 rice crop in the delta will be about 15 percent below that of 1968.

Retail prices in Saigon rose three percent during the week ending 30 December, ending the year 1968 with an increase of 32 percent. Prices of imported commodities held steady at 11 percent above the level of 3 January 1968. Free market currency and gold prices continued to increase slightly during the last week in December. During 1968 price increases for currency and gold ranged from 18 to 30 percent.

ANNEX: Weekly Retail Prices in Saigon  
(table)  
Weekly and Monthly Currency and  
Gold Prices (graph)

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Rice Situation

1. Deliveries of rice from the delta to Saigon during 1968 totaled 310,000 metric tons, an increase of 10 percent above the 1967 level. Unlike previous years, however, almost two-thirds of the deliveries were made during the second half of the year, and deliveries were especially large in November and December. Deliveries in December amounted to 42,600 tons--the largest for any month since April 1965. During the first six months of the year deliveries of the delta surplus lagged 30 percent behind the 1967 level, because secure transport and price incentives were lacking. However, as roads and water routes became more secure and the government acted to boost rice prices by purchasing rice in October and raising the price of imported rice in November, deliveries picked up.

2. According to the embassy, the price of paddy received by delta farmers has risen 10 to 15 percent since mid-November. The increase is attributed mainly to the official 25-percent increase in the price of imported rice, but also to the fact that merchants increased their purchases of paddy in order to meet the delivery schedule for the rice purchased by the government in October. Retail rice prices in Saigon have been relatively stable at a new higher level since mid-October, and embassy officials expect them to remain so.

3. Public reaction to the higher rice prices has been generally unfavorable even in the delta. Civil servants and military personnel as well as the poorer farmers who sell no rice have complained that higher prices will bring higher prices for everything else they must buy. Province officials as well as American advisers in I and II Corps maintain that the increase in the price of imported rice serves only to impose another burden on an already impoverished populace. Because farmers in these rice-deficit areas grow little rice for market, higher rice prices will not add significantly to rural incomes.

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4. After further investigation the embassy still believes that the delta rice crop currently being harvested will be about 15 percent smaller than the 1968 crop because of damage from drought and the resultant intrusion of salt water. No estimates are available for production in the rest of the country, but it is likely that output in I-III Corps also will be lower than last year. Nevertheless, because of the current high level of rice stocks in Saigon and the major port cities of I and II Corps, it is possible that imports will not have to be increased in 1969.

#### Prices

5. The final 1968 sampling of retail prices in Saigon for the weekly USAID index showed prices up three percent from the previous week. The increase in prices for the year was 32 percent compared with an increase of 36 percent during 1967. Embassy officials currently estimate that prices will increase 40 to 60 percent in 1969 depending on many factors including the actual size of the budget deficit, revival and expansion of domestic output, the level of imports, and pressure for wage increases. During the week ending 30 December food prices rose two percent to a level 33 percent above that of 2 January 1968. Prices of nonfood items increased three percent, ending the year 31-percent higher than on 2 January. The price of the grade of rice used in the USAID index rose 10 percent during the first eleven months of the year and another 13 percent during December. The latter increase was a result of the government's decision to raise the price of imported rice, large supplies of which had held down prices of domestic rice. (A table of weekly retail prices in Saigon is included in the Annex.)

6. The price index for imported commodities held steady during the month of December at a level 11 percent above that at the beginning of the year. During January-November prices of imports had risen only six percent--the remainder of the increase was mainly the result of the official increase in the price of US rice.

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### Currency and Gold

7. Free market currency and gold prices continued to increase slightly during the week ending 30 December. The price of dollars rose two piasters to 200 piasters per dollar, compared with a price of 170 piasters both at the beginning of the year and in mid-June. The end-of-year rate for MPC (scrip) was 155 piasters per dollar, or 33 piasters higher than on 2 January 1968. Since 21 October, when all scrip certificates were called in and new ones issued, the price has increased 20 piasters. On 30 December the price of a dollar's worth of gold leaf was 284 piasters, compared with 218 piasters on 2 January 1968. Most of the increase occurred during the first six months of the year as a result of the world gold crisis in March and the reduction in the supply of gold from Laos because of the Tet and May-June offensives. (A graph on weekly and monthly currency and gold prices is included in the Annex.)

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TABLE  
Weekly Retail Prices in Saigon<sup>a/</sup>

	3 Jan 1967	2 Jan 1968	9 Dec 1968	16 Dec 1968	23 Dec 1968	30 Dec 1968
Index for All Items	<u>225</u>	<u>308</u>	<u>394</u>	<u>392</u>	<u>398</u>	<u>408</u>
Index for Food Items	<u>242</u>	<u>344</u>	<u>446</u>	<u>441</u>	<u>447</u>	<u>456</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,700	2,500	2,900	3,000	3,000	3,100
Pork Bellies (1 kg.)	130	220	280	270	280	N.A.
Fish-Ca Tre (1 kg.)	150	230	300	280	310	N.A.
Nuoc Mam (jar)	90	150	220	220	220	N.A.
Index for Nonfood Items	<u>195</u>	<u>241</u>	<u>298</u>	<u>302</u>	<u>307</u>	<u>316</u>
Of Which: (In Piasters)						
Firewood (cu. meter)	560	600	760	760	760	N.A.
Cigarettes (pack)	14	14	22	22	22	N.A.
White Calico (meter)	33	52	60	64	70	N.A.
Kerosene (liter)	10.5	9	10	10	10	N.A.

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

