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**Secret**

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# Economic Intelligence Weekly

**Secret**

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**The oil situation is now being covered mainly in *International Oil Developments*, published each Thursday morning.**

Note: Comments and queries regarding this publication are welcomed. They may be directed to Mrs. [redacted]

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# ECONOMIC INTELLIGENCE WEEKLY

## Articles

### WEST GERMANY'S REMARKABLE TRADE RECORD

West Germany continues to rack up record trade surpluses despite the repeated revaluation of its currency, an increasing oil bill, and the faltering economies of its major trading partners. The surplus hit a new monthly high of $1.8 billion (on an f.o.b./c.i.f. basis, not seasonally adjusted) in February, following a $1.2 billion surplus in January. The surplus in 1973 totaled $12.7 billion – in itself remarkable. This record surplus arose mainly from West Germany's dynamic export performance.

The following were the main factors in the striking 18% gain in export volume and 46% gain in export value in dollars last year:

- Surging world demand for capital goods, consumer durables, and intermediate materials especially benefited German export industries, which are renowned for timely delivery of high-quality products.

- Stagnating domestic demand, caused partly by restrictive monetary and fiscal policies, increased the export capability of German industry.

- Tight money directly induced German producers to emphasize exports because payments sometimes could be obtained more quickly than on domestic sales.

- Producers of goods in short supply abroad–notably automobiles and steel products–were able to raise dollar prices by more than the mark's revaluation.

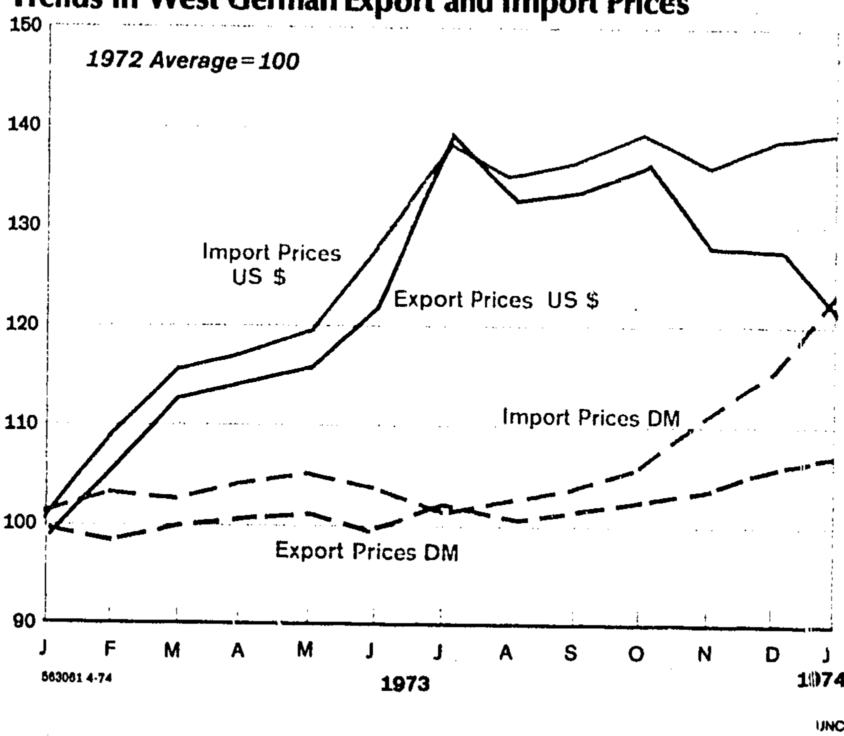
- Prices of other exports generally remained competitive because West Germany had a lower inflation rate than most of its customers and many firms cut profit margins on foreign sales. As a result, the average price of German exports in mark terms rose only 2% from 1972, and the increase in average prices in terms of dollars did not materially exceed the 21% appreciation of the mark against the dollar.

Iron and steel products led West Germany's export boom with a 72% rise in sales. Market conditions permitted substantial price hikes while volume grew by 33%. Earnings from agricultural products, a relatively minor export, jumped 65% in 1973 with the aid of skyrocketing world prices.

Sales growth ranged from 42% to 47% for such important German manufactures as automobiles, electrical machinery, machine tools, and chemicals. Except for chemicals, increases in volume typically amounted to 10%-20%, and price increases were still larger. The chemical industry, more than most, shaved prices to push up export volume.

The revaluation of the mark against the dollar caused exports to the United States, Canada, and Latin America to grow more slowly than those to other regions. At the same time, imports from the United States and Canada grew faster than sales to them, in marked contrast to German trade trends elsewhere. The growth of sales volume to the United States fell off markedly for some commodities. Automobile deliveries, for example, rose by only 4%, although price hikes boosted earnings substantially.

**Trends in West German Export and Import Prices**



### Growth in West German Trade, by Area
### 1973

| Trading Partner | Exports (f.o.b.) | Imports (c.i.f.) |
|---|---|---|
| | Percent Change in Dollar Value | |
| **Total** | 46 | 37 |
| Other EC countries | 47 | 33 |
| Other Western Europe | 42 | 39 |
| United States | 33 | 37 |
| Canada | 22 | 40 |
| Communist countries | 73 | 53 |
| Japan | 72 | 38 |
| LDCs | 47 | 44 |
| Of which: | | |
| Near East and African oil producers | 58 | 55 |
| Latin America | 33 | 28 |

### Factors in West German Export Growth
### 1973

| | Dollar Value | | Percent Increase | |
|---|---|---|---|---|
| | Absolute Increase (Million US $) | Percent Increase | Volume | Prices (US $) |
| **Total exports** | 21,268 | 46 | 18 | 24 |
| Of which: | | | | |
| Iron and steel products | 1,565 | 72 | 33 | 29 |
| Agricultural products | 1,196 | 65 | 16 | 42 |
| Transportation equipment | 3,427 | 42 | 14 | 24 |
| Of which: | | | | |
| Automobiles | 1,579 | 42 | 11 | 28 |
| Electrical machinery | 2,049 | 46 | 20 | 22 |
| Non-electrical machinery | 3,804 | 38 | 13 | 22 |
| Of which: | | | | |
| Machine tools | 632 | 42 | 11 | 25 |
| Chemicals | 1,621 | 47 | 35 | 9 |

Parity changes relative to other currencies had little or no adverse effect on German trade performance. Japan, Communist countries, and Arab oil-producing nations were by far the fastest growing export markets. Increased demand and capacity constraints in other West European countries helped to boost the German trade surplus with that area.

Extraordinary circumstances contributed to the jump in the trade surplus early this year. Industrial strikes in Italy and a three-day workweek in the United Kingdom severely delayed imports from these key suppliers and diverted customer orders to West German industry. Release of chemicals and other materials, which had been withheld by German traders during the Arab oil cutback in anticipation of price rises, also boosted German sales. As a result, exports rose 45% in January-February compared with the first two months of 1973; imports increased by 26% entirely because of sharply higher prices. Import volume actually declined by an estimated 10% or so, while export volume rose by about 15%.

As these special factors fade, the trade surplus is expected to narrow—totaling perhaps $10 billion to $11 billion for 1974 as a whole. Much higher prices, particularly for oil, will push import payments up considerably even though slow domestic growth will keep demand depressed. Export growth probably will be down appreciably from last year's rapid pace. Automobile sales, particularly to other European countries, are down sharply, and growth in orders for other export goods also has begun to decline.

Export prices in dollar terms are likely to rise somewhat less than last year, higher quotations in marks being partly offset by smaller appreciation of the mark. Producers already have begun to raise export prices in marks to reflect spiraling material and labor costs. Where profit margins have been squeezed severely by previous efforts to hold down prices, exporters will have little choice but to pass on additional cost rises to their customers. 25X1

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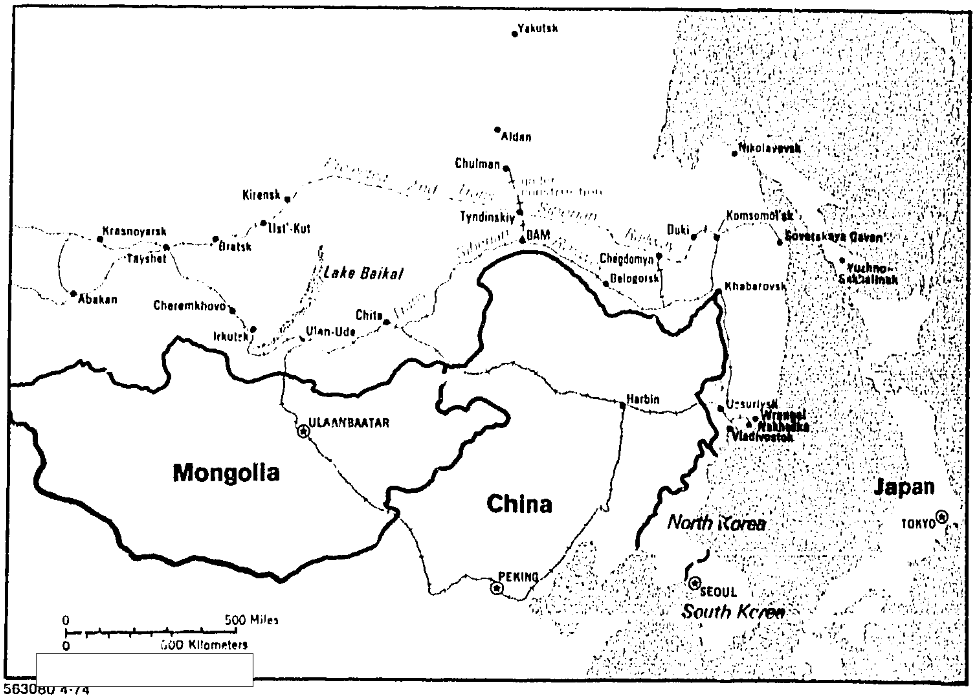
## SECOND TRANS-SIB LINE TO MOVE OIL?

Brezhnev and Kosygin recently proposed that the Japanese help finance a second trans-Siberian rail line instead of a pipeline to transport Tyumen' oil to the Pacific Coast. Tokyo is reluctant because a rail line would take longer to construct, cost more, and anger the Chinese. Whether the oil goes by pipeline or rail, Japan considers US participation essential as insurance against interruptions in deliveries and as a shield against Chinese retaliation. Regardless of Japan's decision, the Soviets probably will go ahead with the project.

Under the new proposal the Soviets would supply Japan with 25 million tons (500,000 b/d) of crude oil annually for 20 years following the line's completion. In return, the USSR wants up to $3 billion in loans for construction and railway equipment, rails, and equipment to improve Soviet pipelines. The second trans-Siberian railroad – extending 2,000 miles from north of Lake Baikal to Komsomol'sk -- would run 100 to 500 miles north of the existing line. The proposal resurrects an old Stalin scheme that has brought intermittent construction over the years. Segments on the eastern and western ends are now in operation. Because of the extremely difficult terrain and weather, the suggested completion date of 1981 seems implausible.

**Railroads in the Eastern USSR**

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The proposed line would provide access to important deposits of coal, copper, iron ore, and gold, as well as Tyumen' oil. It also would make possible the development of new industrial centers and agricultural areas. In addition, the new line would be less vulnerable than the existing line, which passes within ten miles of the Chinese border at some points.

Since the Japanese prefer a pipeline, the newest Soviet proposal is likely to complicate negotiations on the Tyumen' project. The Japanese object to the extra time and cost of construction and suspect, probably correctly, that the Soviets would not wish to burden the rail line with as much as 25 million tons of oil per year. Whereas the pipeline would be wholly dedicated to oil transport, the rail line would have many alternative uses for Moscow. [redacted] 25X1

US participation is desired for political as much as economic reasons. Indeed, the rail line, unlike the pipeline, can readily be built without US or Japanese know-how. [redacted] 25X1

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## CANADA: TOUGH POLICY PROPOSED FOR RAW MATERIAL EXPORTS

Ottawa has proposed legislation empowering the federal government to selectively restrict exports of nonfood raw materials. The legislation would put more muscle behind efforts to encourage greater processing of raw materials before they are exported. It also would strengthen Ottawa's hand in controlling raw material exports authorized by the provincial governments. Minister of Trade Gillespie estimates that the legislation would help generate as much as $5 billion in new investment in processing facilities over the next several years.

The legislation would particularly affect the United States and Japan. US purchases of crude materials – mainly petroleum, natural gas, and iron ore – amounted to $2.7 billion last year, 55% of Canada's total exports of such goods. Japan imports nearly a billion dollars worth of Canadian raw materials, such as metal ores, coal, and logs.

**Canadian Nonfood Exports, 1973**

Million US $

| | Crude Materials | Intermediate Products | Final Products | Total |
|---|---|---|---|---|
| **Total** | **5,007** | **8,187** | **8,260** | **21,454** |
| United States | 2,735 | 5,695 | 7,158 | 15,587 |
| Japan | 981 | 363 | 31 | 1,376 |
| United Kingdom | 311 | 769 | 160 | 1,241 |
| West Germany | 165 | 169 | 63 | 397 |
| Other countries | 814 | 1,191 | 847 | 2,853 |

In the upcoming multilateral trade negotiations, Canada almost certainly will seek greater access for its processed materials to markets in other countries. Minister of Energy MacDonald recently stated that Canada might be willing to associate with the less developed countries in demanding improved access to markets and in extracting higher prices for raw materials. [redacted] 25X1

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## GROWING UNCERTAINTY IN EXCHANGE MARKETS

Central bankers are increasingly uneasy about international money market prospects. [redacted] 25X1

25X1 [redacted] concern that growing political and economic uncertainties in Italy and France will bring massive speculative outflows of capital from these countries. Such outflows would complicate the market's task of recycling surplus oil-producer revenue to consuming countries.

The optimism expressed by Bank of Italy officials that Italian capital outflows can be controlled was not shared by the other bankers. Administrative measures aimed at curbing these outflows have not been effective in the past. In addition, the central bankers feel that Rome will have to end its costly defense of the lira, even though a decline in its value probably would provoke further speculative outflows of funds. The Bank of Italy has used the proceeds of the recent massive Eurodollar loans to support the lira. Its market intervention in the first quarter cost about $3 billion, or twice the present foreign exchange reserves. Because indebtedness now exceeds $10 billion, Italy will find further borrowing more difficult and expensive.

The franc is much stronger than the lira because of France's healthy balance of payments. At the same time, it is weaker than the mark and vulnerable to speculative capital movements. The central bankers apparently believe that fears of an election victory by Socialist candidate Francois Mitterrand could lead to sizable capital movements from France. Similar fears during the last presidential election intensified market pressure on the franc. Investors already are seeking safer havens for their funds before new capital controls can be imposed; large capital outflows to London and Switzerland have been reported. If the outflow continues, Paris will have to accept a weaker franc, at least temporarily, or commit some of its foreign reserves to support the currency. [redacted] 25X1

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## CHILE: HIGH COPPER PRICES BUOY THE ECONOMY

Chile's economic prospects have been improved by the recent jump in world copper prices. With the added copper earnings and resulting improvement in its credit rating, Chile is not seriously handicapped at present by lack of foreign exchange. If copper prices fall sharply later this year, the government's ability to deal with the mess inherited from Allende will be weakened, especially next year.

Copper prices are now hovering near $1.25 per pound, up from $0.88 in September 1973. Prices will continue strong for several months at least, because consumers still are rebuilding stocks and speculators are hedging against a possible US copper strike this summer. Copper production in 1974 is expected to reach 850,000 tons, 15% more than last year. Better worker discipline and the renovation of mines, smelters, and refineries damaged under the Allende government are boosting output.

If copper prices average out at $1.00 per pound this year, copper exports will reach about $1.6 billion and total exports $1.9 billion. Imports are projected at $2.1 billion, up 40% from 1973 because of increased petroleum prices and rising agricultural imports. The resulting $200 million trade deficit would be the smallest since 1971.

Prospects for obtaining credits in 1974 to cover imports of agricultural commodities and capital goods have improved. A recent Paris Club agreement rolling over $490 million of the debt repayments due this year greatly eased the strain on Chile's weak reserve position. Santiago now will pay only about $175 million to major Western creditors. About $100 million owed other creditors, largely Communist nations and international institutions, has not yet been renegotiated. Proceeds from foreign borrowing and investment are expected to exceed debt payments and other capital outflows. Chile's balance-of-payments deficit in 1974 is expected to be only $125 million, one-half of last year's.

During January-March, the cost of living soared by about 62%, largely as a result of successive currency devaluations and high prices for imported petroleum and agricultural commodities. These factors plus a wage hike in the next month or so to restore some of the eroded purchasing power will continue pushing prices up. The junta now merely hopes to keep the increase in the cost of living below 200%, and even this goal is unlikely to be met.

Led by increased mineral output, GDP probably will grow by 5% to 7% in real terms during 1974, compared with a 6% drop last year. Although

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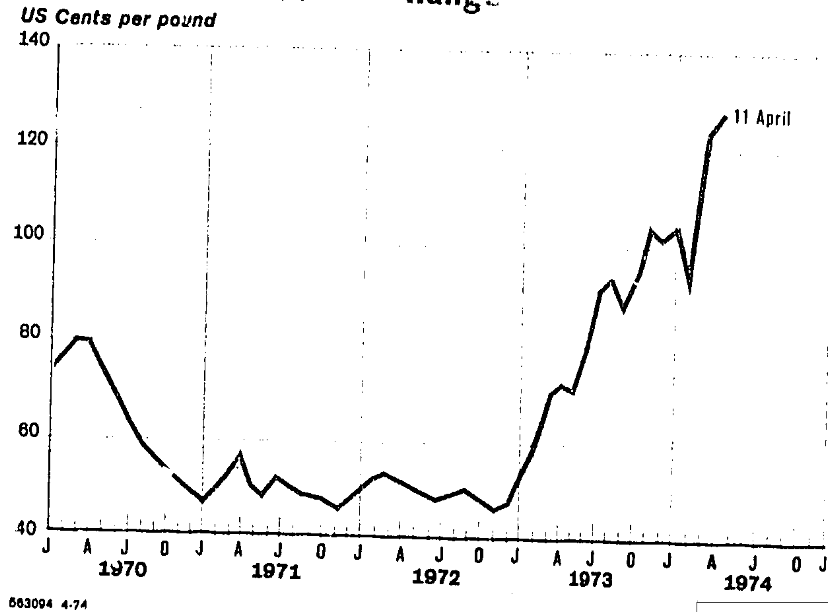
**on the Londo... ...ange**

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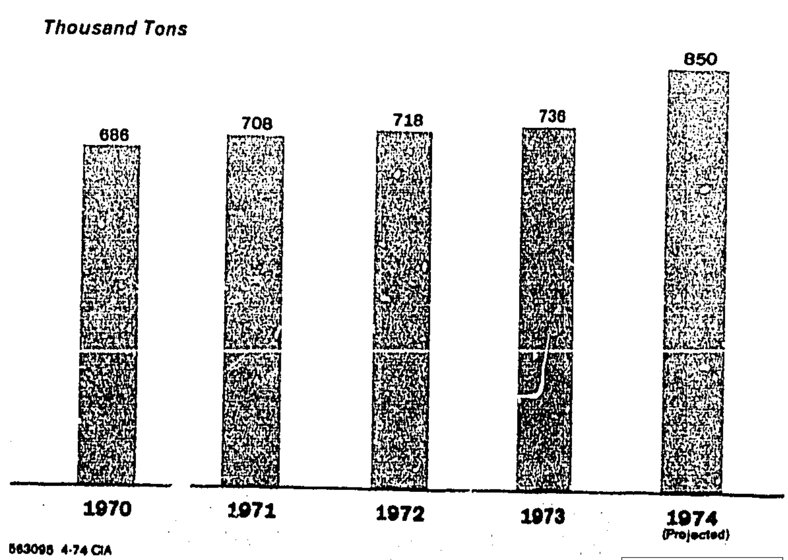
**CHILE: Copper Production**

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industrial output surged forward in the month following the coup, a drop in effective demand is causing output to slide. Agricultural production will remain depressed this year because most crops were planted before the coup, and large food imports will be needed to supplement poor harvests. In the hope that renewed foreign investment will stimulate the economy, the junta is pushing completion of a liberalized investment code.

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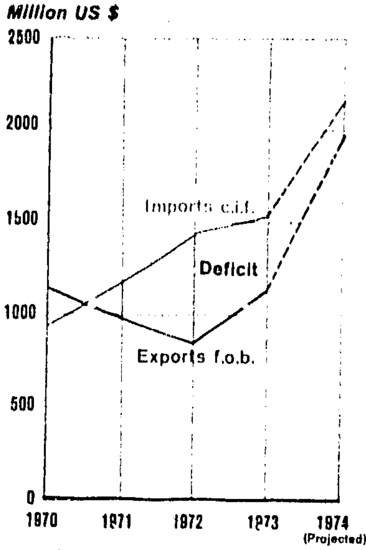
**CHILE: International Trade**

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## TEL AVIV TO RIDE OUT ECONOMIC DIFFICULTIES

The weakened Israeli labor government, rather than risk recession, has adopted expansionary policies. The higher import bill and increased aid requirements stemming from these policies can be covered adequately by Israel's substantial foreign exchange reserves and the US aid already scheduled.

Economic recovery from the war has occurred faster than forecast. Demobilization on the Egyptian front has been rapid. Industrial production and construction are reviving, although they are not yet back to normal levels. Real growth of GNP in 1974 probably will reach 5% to 7%. Personal consumption should equal the 1973 level rather than fall by 10% as originally forecast. The rate of inflation will be high, perhaps 40% for the year.

Since the cease-fire and the indecisive December elections, the government has yielded to pressures to give the man in the street some relief from the compulsory savings, additional taxes, and reduced consumption necessitated by the war. Following an inflation rate of 27% in 1973, consumer prices jumped 12% in January and February, partly because of higher prices for imports -- particularly petroleum. Prices of certain food items rose 50%-70% as government subsidies were reduced. The government has moved to give some relief from the higher prices and to encourage business expansion. Cost-of-living allowances and welfare benefits were raised recently. Government loans to investors are being offered at low interest rates. The long-discussed value added tax is not being implemented.

The budget for FY 1974 is expansionary. Expenditures of $8.5 billion are 10% above the estimated 1973 level. Defense outlays claim 40% of the budget, half for foreign arms and the remainder for local procurement, salaries, and construction. On the civilian side, large increases are planned for immigrant housing and welfare benefits. Although budget revenues fall well short of expenditures, the compulsory war loan of 7% of taxable income is not being continued; only the voluntary loan will remain in effect. The remaining deficit will be offset largely by US aid for both military and civilian purposes.

The projected 40% rate of inflation will not seriously hurt the trade balance, since exports are extensively subsidized. Two-thirds of Israel's crude oil imports can be offset with petroleum exports made possible by the continuing use of Sinai oil. The good agricultural harvest expected in 1974 will hold down grain imports. Israel faces no immediate foreign exchange problems despite a current account deficit of one and one-half times the pre-war level. The forecast deficit of more than $2.5 billion for 1974 should be offset by transfers on capital account and at least $1 billion in US assistance. In addition, foreign exchange raised from World Jewry can be drawn on if the trade balance deteriorates, and Tel Aviv can if necessary draw on official reserves of about $1.8 billion.

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## UN SPECIAL SESSION ON RAW MATERIALS

Algerian President Boumedienne, sponsor and first speaker at the UN Special Session on raw materials and development, immediately tried last week to politicize the issues. He called for a strengthening of relationships among the "non-aligned" countries and cited recent oil developments as proof of the developing countries' ability to shift the balance of economic power in their favor. The developed countries, including the USSR, have sought to emphasize cooperation between consuming and producing nations, rather than confrontation.

The UN Session, still under way in New York, is the developing nations' answer to the Washington Conference of oil-consuming countries. The LDCs will dust off most of the economic harangues that are standard fare at UNCTAD and other international economic forums. They are expected to focus most sharply on the issues of market access and adequate prices for their products.

- The LDCs will again ask the developed countries to facilitate LDC exports by eliminating tariffs and taxes on such goods, dropping price supports on production of primary products, and allocating a share of their markets to the LDCs.

- The LDCs will ask that prices of their goods be raised to "remunerative levels" and then linked to prices of their imports. They also will demand international financing to compensate for price levels considered non-remunerative.

- The meeting will discuss the implications of higher oil prices for the poorer LDCs and call for action on high prices and shortages of food supplies.

The session probably will not bring any new solutions. Instead, it will serve as a forum for airing LDC grievances against the industrial nations and will dramatize again the differences between them. It may also reveal deep divisions among the LDCs.

Various groups of producing and consuming countries will continue after the conference to pursue their own approaches to the raw materials problem. Producers of some commodities will try to promote cooperative efforts to force up prices. Other countries may take unilateral action to earn more from their commodity exports; Canada, for example, is thinking of restricting the sale of raw materials in crude form. Consuming countries can be expected to explore further the value of bilateral deals or international cooperation in assuring raw material supplies and avoiding sudden jumps in prices. [redacted]

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## LATIN AMERICA: BANANA PRODUCERS' UNION SLIPPING

The plans of seven Central and South American banana producing countries to raise their revenues through an export tax are not progressing smoothly. Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua, and Panama, which account for 80% of world banana exports, last month organized a Union of Banana Exporting Countries (UPEB) along OPEC lines.

They quickly agreed in principle to introduce a banana export tax that could boost US retail prices by 25%. The three US-owned companies that market the area's bananas and control most Central American production strongly oppose the tax and may be able to derail it.

The UPEB members are not supporting the tax uniformly.

- Costa Rica, Honduras, Nicaragua, and Panama, anxious to offset increased oil costs, levied a tax of 2-1/2¢ per pound effective this month.
- Guatemala and Colombia apparently are wavering on the tax rate and have not set effective dates.
- Oil-producing Ecuador is considering only a 1¢ tax and is delaying imposing it.

The marketing companies are using their considerable economic leverage to exploit UPEB's lack of solidarity. They are playing one country against another and using delaying tactics. Arguing that higher prices will cut sales volume 50% – not 10%-12% as UPEB estimates – they threaten to cut production drastically in Honduras and Panama while favoring Ecuador, the largest producer, and Costa Rica. In Panama, which imposed the tax on 1 April, one company is simply not paying it. [redacted] 25X1

Aided by producer disunity, the companies' tactics probably will cause the scheme to collapse. Ecuador – and perhaps Colombia – may not impose the tax at all if they believe sales volumes are likely to drop. If Ecuador fails to participate, the tax's demise will be hastened. In Honduras, heavily dependent on bananas for export earnings, some high-ranking government officials oppose the tax. Since neither Honduras nor Panama can withstand prolonged losses of bananas export earnings, they are unlikely to support the tax for long. [redacted] 25X1

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## Notes

### Argentine Corn Exports Moving at Rapid Pace

Argentina's bumper corn harvest of 9.6 million to 10.2 million tons may yield an exportable surplus of about 6 million tons – 25% more than last year. Exports in the first quarter of some 500,000 tons, mostly to Europe, were 118% higher than in the first quarter of 1973. Larger exports this year from South Africa as well as Argentina have contributed to the recent decline in world corn prices and eased pressure on US supplies. [redacted]

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### Drought in Eastern Europe

Drought threatens East European crops, especially winter wheat in Bulgaria, Romania, and Hungary. At the end of March, soil moisture was 13% to 45% below normal. Unless rainfall returns to normal in April and May, sharply reduced yields of winter grain and forage crops can be expected. Rain is also needed urgently for germination and early development of spring-planted crops. If the drought continues, East European grain imports next year could be well above the 8.1 million tons estimated for FY 1974. Romania – normally a grain exporter – already has asked for CCC credit to cover the purchase of one million tons of US grain in FY 1975. [redacted] 25X1

### Reaction to US-Saudi Announcement

Foreign reaction to the 5 April announcement of US-Saudi cooperation in economics, technology, industry, and defense so far has been mild and positive. The agreement generally is seen as a stabilizing influence in the Middle East that does not conflict with the interests of other Western powers. Despite US claims that the agreement does not constitute an oil-for-industrialization bilateral deal, Paris has inferred that the United States should no longer object to French pursuit of bilateral arrangements. Other governments probably take the same view. The agreement produced practically no reaction in Japan; editorial comment has been absent and some newspapers ignored the story completely. Saudi reaction in government and business circles has been unanimously enthusiastic. [redacted] 25X1

### EC-Syria: Assad Seeks Formal Ties with the Community

Syria is pushing for immediate negotiations on economic cooperation with the EC. In a recent conference with EC Commissioner Cheysson in Damascus, the Syrians spelled out their interest in obtaining EC market preferences and cooperation in technical, scientific, industrial, and financial matters. These initiatives represent a change in Assad's former lukewarm attitude toward the EC and may reflect his desire to balance off the heavy Soviet economic presence in the country. Syria has struck a number of bilateral deals with the East since the last large Soviet credit agreement in 1972. Now that Arab states have granted Syria considerable financial aid, Assad may be interested in negotiating additional multilateral development projects. A long list of possible projects was offered to the EC official. [redacted]

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**Paris Reports Trade Deficit**

French trade in the first quarter of 1974 fell into deficit by $684 million, compared with a $280 million surplus for the same period a year earlier. The turnaround was primarily caused by a near tripling of oil prices, which raised the deficit in oil trade by about $800 million. France's position on non-oil trade also has been deteriorating. By March, this trade was roughly in balance. [redacted]

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# INTERNAL ECONOMIC INDICATORS

## GNP*

Constant Market Prices

| | Latest Quarter | Percent Change from Previous Quarter | Average Annual Growth Rate Since: 1970 | 1 Year Earlier | Previous Quarter |
|---|---|---|---|---|---|
| United States | 73 IV | 0.4 | 4.7 | 4.0 | 1.5 |
| Japan | 73 IV | 1.4 | 8.3 | 7.0 | 5.8 |
| West Germany | 73 IV | -0.1 | 3.1 | 3.4 | -0.3 |
| France | 73 III | 0.9 | 5.6 | 6.1 | 3.8 |
| United Kingdom | 73 III | 1.3 | 3.9 | 6.0 | 5.2 |
| Italy | 73 I | 0.8 | 3.1 | 5.2 | 3.4 |
| Canada | 73 IV | 2.8 | 6.1 | 7.2 | 11.6 |

## WHOLESALE PRICES

Industrial

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since: 1970 | 1 Year Earlier | 3 Months Earlier |
|---|---|---|---|---|---|
| United States | Mar 74 | 2.9 | 8.1 | 19.6 | 30.7 |
| Japan | Feb 74 | 3.9 | 11.3 | 37.0 | 89.7 |
| West Germany | Jan 74 | 2.7 | 5.9 | 10.6 | 20.5 |
| France | Feb 74 | 3.5 | 11.6 | 29.5 | 62.6 |
| United Kingdom | Mar 74 | 3.1 | 10.0 | 18.7 | 41.3 |
| Italy | Nov 73 | 1.6 | 9.0 | 21.1 | 17.5 |
| Canada | Jan 74 | 3.3 | 9.4 | 19.8 | 27.8 |

## INDUSTRIAL PRODUCTION*

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since: 1970 | 1 Year Earlier | 3 Months Earlier** |
|---|---|---|---|---|---|
| United States | Mar 74 | -0.4 | 4.4 | 0 | -7.9 |
| Japan | Feb 74 | -0.5 | 8.2 | 8.7 | -2.9 |
| West Germany | Jan 74 | -0.6 | 3.2 | 0.6 | -4.3 |
| France | Jan 74 | 4.6 | 7.0 | 4.6 | 3.4 |
| United Kingdom | Jan 74 | -6.7 | 0.1 | -7.0 | -17.7 |
| Italy | Jan 74 | 3.6 | 5.4 | 19.7 | 24.6 |
| Canada | Jan 74 | 1.1 | 6.5 | 5.5 | 11.9 |

## CONSUMER PRICES

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since: 1970 | 1 Year Earlier | 3 Months Earlier |
|---|---|---|---|---|---|
| United States | Feb 74 | 1.3 | 5.6 | 10.1 | 12.1 |
| Japan | Feb 74 | 3.4 | 11.0 | 26.3 | 56.3 |
| West Germany | Jan 74 | 0.7 | 6.2 | 7.4 | 11.8 |
| France | Feb 74 | 1.3 | 7.3 | 11.5 | 15.6 |
| United Kingdom | Feb 74 | 1.7 | 9.5 | 13.2 | 19.0 |
| Italy | Dec 73 | 1.4 | 7.7 | 12.5 | 14.5 |
| Canada | Feb 74 | 1.0 | 5.8 | 9.6 | 9.9 |

## RETAIL SALES*

Current Prices

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since: 1970 | 1 Year Earlier | 3 Months Earlier** |
|---|---|---|---|---|---|
| United States | Mar 74 | 2.0 | 10.5 | 4.8 | 5.5 |
| Japan | Nov 73 | 3.4 | 14.6 | 27.4 | 32.0 |
| West Germany | Dec 73 | 0.5 | 7.8 | 5.8 | [illegible] |
| France | Nov 73 | -2.4 | 5.6 | 15.2 | [illegible] |
| United Kingdom | Nov 73 | 0.7 | 12.1 | 14.8 | 21.9 |
| Italy | Aug 73 | 6.7 | 12.4 | 19.0 | 5.0 |
| Canada | Jan 74 | 2.9 | 11.2 | 12.9 | 15.9 |

## MONEY SUPPLY*

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since: 1970 | 1 Year Earlier | 3 Months Earlier** |
|---|---|---|---|---|---|
| United States | Mar 74 | 0.9 | 7.4 | 7.1 | 7.4 |
| Japan | Dec 73 | 0 | 17.5 | 16.7 | 14.7 |
| West Germany | Jan 74 | 0.1 | 8.9 | 0.6 | 9.8 |
| France | Jan 74 | 1.1 | 13.2 | 12.3 | 18.7 |
| United Kingdom | Feb 74 | -0.5 | 9.0 | 3.6 | 0.2 |
| Italy | Oct 73 | 1.6 | 20.7 | 23.0 | 21.4 |
| Canada | Feb 74 | 0 | 13.0 | 11.6 | 13.3 |

## MONEY-MARKET RATES

| | Representative Rates | Latest Date | Percent Rate of Interest: Latest | 1 Year Earlier | 3 Months Earlier | 1 Month Earlier |
|---|---|---|---|---|---|---|
| United States | Prime finance paper | 29 Mar | 8.00 | 6.63 | [illegible] | 7.25 |
| Japan | Call money | 15 Mar | 12.50 | 5.50 | 12.00 | 12.00 |
| West Germany | Interbank loans (3 Months) | 29 Mar | 11.38 | N.A. | 13.00 | 10.38 |
| France | Call money | 22 Mar | 11.88 | 7.25 | N.A. | 12.75 |
| United Kingdom | Local authority deposits | 29 Mar | 16.00 | 7.32 | 16.91 | 14.63 |
| Canada | Finance paper | 29 Mar | [illegible] | 5.13 | 9.50 | 8.50 |
| Euro-Dollars | Three-month deposits | 29 Mar | 10.00 | 8.63 | 10.13 | 8.88 |

*Seasonally adjusted.
**Average for latest 3 months compared with average for previous 3 months.

17 April 1974
Office of Economic Research/CIA

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# EXTERNAL ECONOMIC INDICATORS

## EXPORTS*
f.o.b.

| | Latest Month | | Cumulative | | |
|---|---|---|---|---|---|
| | | Million US $ | Million US $ 1974 | 1973 | Percent Change |
| United States | Feb 74 | 7,610 | 14,720 | 10,042 | 46.6 |
| Japan | Feb 74 | 3,631 | 7,284 | 5,465 | 33.3 |
| West Germany | Feb 74 | 6,527 | 13,541 | 9,324 | 45.2 |
| France | Mar 74 | 3,671 | 10,542 | 7,913 | 33.2 |
| United Kingdom | Feb 74 | 2,616 | 4,874 | 4,259 | 14.4 |
| Italy | Jan 74 | 1,966 | 1,966 | 1,494 | 31.6 |
| Canada | Feb 74 | 2,458 | 4,902 | 3,941 | 24.4 |

## EXPORT PRICES
US $

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since 1970 | 1 Year Earlier | 3 Months Earlier |
|---|---|---|---|---|---|
| United States | Jan 74 | 0.6 | 10.2 | 26.0 | 27.5 |
| Japan | Nov 73 | -0.8 | 13.2 | 27.4 | 11.6 |
| West Germany | Jan 74 | -4.5 | 10.6 | 21.8 | -37.8 |
| France | Oct 73 | 2.9 | 15.9 | 31.9 | 15.7 |
| United Kingdom | Dec 73 | 0.1 | 8.7 | 17.3 | 12.4 |
| Italy | Oct 73 | 2.1 | 11.6 | 23.7 | 29.1 |
| Canada | Dec 73 | 3.1 | 10.2 | 26.8 | 50.1 |

## IMPORTS*
f.o.b.

| | Latest Month | | Cumulative | | |
|---|---|---|---|---|---|
| | | Million US $ | Million US $ 1974 | 1973 | Percent Change |
| United States | Feb 74 | 7,390 | 13,860 | 10,822 | 28.1 |
| Japan | Feb 74 | 4,085 | 7,559 | 3,810 | 98.4 |
| West Germany | Feb 74 | 4,376 | 9,363 | 7,449 | 25.7 |
| France | Mar 74 | 3,953 | 11,226 | 7,633 | 47.1 |
| United Kingdom | Feb 74 | 3,592 | 6,701 | 4,630 | 44.7 |
| Italy | Jan 74 | 2,170 | 2,170 | 1,487 | 46.0 |
| Canada | Feb 74 | 2,507 | 4,733 | 3,637 | 30.1 |

## EXPORT PRICES
National Currency

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since 1970 | 1 Year Earlier | 3 Months Earlier |
|---|---|---|---|---|---|
| United States | Jan 74 | 0.6 | 10.2 | [illegible] | 27.5 |
| Japan | Nov 73 | 3.0 | 4.8 | [illegible] | 34.1 |
| West Germany | Jan 74 | 1.1 | 2.7 | [illegible] | 14.5 |
| France | Oct 73 | 1.8 | 6.6 | [illegible] | 34.9 |
| United Kingdom | Dec 73 | 3.1 | 9.8 | 18.8 | 33.4 |
| Italy | Oct 73 | 2.4 | 6.3 | 20.4 | 17.0 |
| Canada | Dec 73 | 3.1 | 8.7 | 27.0 | 44.8 |

## TRADE BALANCE*
f.o.b./f.o.b.

| | Latest Month | | Cumulative (Million US $) | | |
|---|---|---|---|---|---|
| | | Million US $ | 1974 | 1973 | Change |
| United States | Feb 74 | 220 | 860 | -780 | 1,640 |
| Japan | Feb 74 | -453 | -275 | 1,655 | -1,931 |
| West Germany | Feb 74 | 2,151 | 4,178 | 1,875 | 2,303 |
| France | Mar 74 | -282 | -684 | 280 | -964 |
| United Kingdom | Feb 74 | -976 | -1,828 | -371 | -1,457 |
| Italy | Jan 74 | -205 | -205 | 8 | -212 |
| Canada | Feb 74 | -49 | 169 | 304 | -135 |

## IMPORT PRICES
National Currency

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since 1970 | 1 Year Earlier | 3 Months Earlier |
|---|---|---|---|---|---|
| United States | Jan 74 | 3.7 | 14.3 | 34.4 | 58.6 |
| Japan | Nov 73 | 3.7 | 4.6 | 19.8 | 31.0 |
| West Germany | Jan 74 | 6.2 | 5.0 | 19.5 | 82.3 |
| France | Oct 73 | -1.5 | 5.3 | 14.3 | 35.2 |
| United Kingdom | Dec 73 | 5.2 | 16.4 | 43.1 | 53.1 |
| Italy | Oct 73 | 3.4 | 14.0 | 38.7 | 30.8 |
| Canada | Dec 73 | 2.4 | 6.3 | 15.8 | 19.5 |

## BASIC BALANCE**
Current and Long-Term-Capital Transactions

| | Latest Period | | Cumulative (Million US $) | | |
|---|---|---|---|---|---|
| | | Million US $ | 1973 | 1972 | Change |
| United States* | 73 IV | 200 | 1,186 | -9,838 | 11,024 |
| Japan | Feb 74 | -1,690 | -9,702 | 2,137 | -11,839 |
| West Germany | Feb 74 | 1,161 | 3,950 | 4,566 | -616 |
| France | 73 IV | -352 | -2,391 | -369 | -2,022 |
| United Kingdom | 73 III | -521 | -1,840 | -1,252 | -587 |
| Italy | 72 IV | 800 | N.A. | 2,983 | N.A. |
| Canada | 73 III | 238 | 267 | 574 | -308 |

## EXCHANGE RATES Spot Rate
As of 12 April 74

| | US $ Per Unit | Percent Change from Dec 66 | 18 Dec 1971 | 19 Mar 1973 | 5 Apr 1974 |
|---|---|---|---|---|---|
| Japan (Yen) | 0.00361 | 30.81 | 11.15 | -5.10 | 0.70 |
| West Germany (Deutsche Mark) | 0.39250 | 56.13 | 26.49 | 10.84 | -0.43 |
| France (Franc) | 0.20350 | 0.79 | 3.35 | -7.67 | -1.31 |
| United Kingdom (Pound Sterling) | 2.36100 | -15.39 | -9.39 | -4.06 | -1.30 |
| Italy (Lira) | 0.00157 | -1.81 | -8.60 | -11.19 | -0.51 |
| Canada (Dollar) | 1.02940 | 11.60 | 3.17 | 3.18 | -0.08 |

## OFFICIAL RESERVES

| | Latest Month | | Billion US $ | | |
|---|---|---|---|---|---|
| | End of | Billion US $ | Jun 1970 | 1 Year Earlier | 3 Months Earlier |
| United States | Feb 74 | 14.6 | 16.3 | 14.0 | 14.4 |
| Japan | Mar 74 | 12.4 | 4.1 | 18.1 | 12.2 |
| West Germany | Feb 74 | 32.0 | 8.8 | 29.7 | 34.1 |
| France | Mar 74 | 8.1 | 4.4 | 11.2 | 8.5 |
| United Kingdom | Mar 74 | 6.4 | 2.8 | 6.0 | 6.5 |
| Italy | Feb 74 | 5.4 | 4.7 | 6.4 | 6.1 |
| Canada | Mar 74 | 6.1 | 4.3 | 6.2 | 5.8 |

## TRADE-WEIGHTED EXCHANGE RATES***
As of 12 April 74

| | Percent Change from Dec 66 | 18 Dec 1971 | 19 Mar 1973 | 5 Apr 1974 |
|---|---|---|---|---|
| United States | -16.79 | -7.39 | -0.73 | 0.14 |
| Japan | 19.32 | 5.46 | -6.50 | 0.82 |
| West Germany | 33.34 | 16.23 | 11.19 | -0.01 |
| France | -21.36 | -7.85 | -10.29 | -0.90 |
| United Kingdom | -34.51 | -20.29 | -5.91 | -1.13 |
| Italy | -22.65 | -21.32 | -14.44 | -0.02 |
| Canada | 8.43 | 1.83 | .47 | 0.01 |

*Seasonally adjusted.
**Converted into US dollars at current market rates of exchange.

***Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange-rate variations among the major currencies.