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Economic Intelligence Weekly

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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.

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ECONOMIC INTELLIGENCE WEEKLY

Articles

ARAB INVESTMENT PATTERN POSES PROBLEM FOR RECYCLING OIL REVENUES

Continuing Arab reliance on the Eurodollar market is impeding the recycling of oil producers' surpluses to consuming countries that most need the money. Financing difficulties are becoming apparent in LDCs and even a few developed countries -- notably Italy.

As oil revenues have flooded in, Arab investments have continued to be concentrated in private Eurodollar assets. Private dollar holdings, primarily bank deposits in London, make up a larger share of Arab investments now than at the end of 1973. Holdings of European public issues and of private assets denominated in European currencies remain small. Oil producers remain unwilling to place their funds directly in non-Islamic developing countries. Arab discussions with the World Bank Group and the IMF are only now beginning to lead to a substantial channeling of funds to these institutions.

The flow of surplus funds into the Eurodollar market is generally adequate to finance the oil-induced deficits of consuming nations. Countries that are credit worthy are easily obtaining the necessary financing through direct and indirect government borrowing. France, for example, has already obtained sufficient Eurodollar financing to offset much of its oil payments deficit for 1974. Many developing countries, however, cannot borrow in the Eurodollar market because of their bleak economic outlook and poor credit standing; their needs increasingly will have to be handled elsewhere.

Some developed countries with especially large current account deficits – most prominently, Italy – are also having difficulty obtaining adequate financing in the Eurodollar market. Despite the high interest rate Rome offered – three-quarters of a percent above the London interbank rate – the placing of its recent $1.2 billion Eurodollar loan encountered problems. The loan took much longer to arrange than normal, and the co-managers of the effort had to take up a larger share than anticipated because many smaller banks were unwilling to participate.

This experience was a factor in Italy's recent introduction of an import deposit scheme, which should moderate the growth of imports and bring in more foreign capital. Even so, Rome will have to seek further loans from private or (more likely) official sources this year to finance continuing payments deficits. In the meantime, it may impose further trade restraints while allowing the lira to depreciate.

Unless new sources of financing outside the market are found, other developed countries with especially large current account deficits -- the United Kingdom, for example -- may also be forced to follow Italy's example. 25X1

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WORLD SUGAR MARKET TIGHTENS DRAMATICALLY

Booming demand has intensified pressure on world sugar prices despite increased production. The free market price, now more than double the December 1973 level, stands at a 50-year high of 24 cents a pound, f.o.b. Caribbean ports. Prices probably will average close to this level during the next several months.

World production in the crop year ending in August is expected to reach 81 million tons, up 5% from last year's 77 million. The USSR, Cuba, and Brazil probably will account for two-thirds of the gain. Aided by increased acreage and greater use of fertilizer, Cuba's crop seems likely to reach 6 million tons, compared with 5-1/2 million in the previous crop year. Brazil, which is edging out Cuba as the leading sugar exporter on the world market, has raised output 1 million tons by increasing the harvested area. Most other exporting countries, fearing a large drop in world prices following the end of International Sugar Agreement export quotas last year, have not increased acreage appreciably.

Demand for sugar in 1974 has been strong because of growing consumption and widespread speculation. Consumption is expected to keep pace with production, showing a 5% gain compared with an average of 2-1/2% in 1971-73. A major factor in the upward pressure on prices is the extremely low level of world stocks. Below-normal stocks probably will keep the average price from dropping much below the present level during the next several months.

The tight world market situation has exerted strong pressure on the price paid by the United States. Although partially insulated from the world market because of a preferential sugar agreement, the US price has climbed sharply in recent months to 20 cents a pound, f.o.b. Caribbean ports. Normal commitments for sugar deliveries to the United States have not been threatened. The tight world market situation nevertheless is restricting the growth of US supplies during the second quarter, when US demand approaches its seasonal peak. 25X1

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PROBLEMS ARISE AS US-CHINA TRADE EXPANDS

First quarter US-China trade reached $365 million, almost 30% higher than in the fourth quarter of last year. Nonetheless, commercial relations between the two countries show signs of strain.

The United States sold $345 million worth of goods to China in the first quarter, with agricultural products accounting for 80%. Imports were only $20 million. US trade with China should jump from $750 million last year to more than $1 billion in 1974; the US trade surplus probably will surpass last year's $625 million.

US Exports and Imports
First Quarter 1974

	Million US $	
	Exports	**Imports[1]**
Total	343.5	20.2
Cotton	93.6	....
Corn	67.4	....
Soybeans	61.9	....
Aircraft and parts	42.4	....
Wheat	40.8	....
Scrap	11.5	....
Tallow	4.5	....
Tobacco	2.7	....
Other	18.7	....

1. Commodity breakdown not available.

Although early returns point to another record year, problems are arising:

- China has refused delivery of at least three cargoes of wheat allegedly infected with TCK, a relatively harmless wheat smut. Peking has agreed to receive a team of grain company officials to discuss the problem but has insisted that no US government officials be included in the delegation.

- The Chinese have not yet issued visas for personnel of the American Consulate General in Hong Kong to attend the Spring Canton Trade Fair, which runs from 15 April to 15 May. Last fall, US Consulate officials were promptly issued visas for the fair.

- A visit by the China Council for Promotion of International Trade (CCPIT), expected in the first half of this year, has been postponed without explanation. The trip is to be a reciprocal visit for the visit made last year by the National Council for US-China Trade (NCUSCT), a private organization of major American corporations.

- This month the Chinese refused to allow the vice-president of NCUSCT to go on from the Canton Fair to visit CCPIT members in Peking. A Chinese spokesman claimed that the trip was not possible because a CCPIT vice-president was ill. He went on to add that "we have many sick vice-presidents", implying that the trip was completely out of the question.

The reasons for recent snags in Sino-US commercial relations are not clear. Peking may be signaling its impatience with the lack of further progress in normalizing political relations. Alternatively, internal pressures related to the current ideological campaign could be contributing to the cooling of commercial relations at official and semi-official levels. At the working level, the Chinese are continuing to treat American businessmen warmly. Canton Fair officials have made special efforts to assure Americans that China's attitude remains unchanged.

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ARGENTINA: AUTO MAKERS FACE INCREASING PRESSURES

New Argentine export promotion policies, if implemented, will radically transform the domestic automotive industry. The industry now includes seven manufacturers producing for an internal market capable of absorbing only 200,000 to 250,000 vehicles per year. Three are US subsidiaries with investments totaling more than $300 million.

The Peronist government has set up stiff export targets, calling for a rise in exports from 3,300 units in 1973 to 33,000 in 1974 and upward to 220,000 in 1978. Companies that meet their annual export quotas will be permitted to expand domestic sales by 8% annually. Those failing to meet the quota will be compelled to cut domestic sales proportionally.

Because of small-scale production and tariff protection, Argentina's industry has production costs at least 20% higher than its nearest competitor. Sales to Chile and other Latin American markets have been possible only because of generous credit terms arranged on a government-to-government basis. Currently, US auto makers in Argentina—under a waiver granted by Washington--are closing a $75 million deal with Cuba for 20,500 autos and trucks; the sales fall under a $1.2 billion credit extended by Buenos Aires to Havana. Unless similar terms are offered other potential buyers in Latin America

Argentina: Automotive Production by Manufacturer 1973

	Units	Percent of Total
Total	293,755[1]	100
Fiat-Concord	66,648	23
Ford	62,374	21
IKA-Renault	46,128	16
General Motors	29,681	10
Safrar (Peugeot)	29,102	10
Chrysler	27,671	9
Citroen	17,489	6
Other (trucks only)	14,662	5

1. Including 74,136 commercial vehicles.

or the Communist countries, Argentine auto makers will have little chance of meeting the new export targets.

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VENEZUELA: REASSERTION OF NATIONALISM

In a recent economic policy address, President Perez reasserted his intention to expand national control over the Venezuelan economy. At stake is US private investment -- excluding petroleum -- exceeding $1 billion. Perez called for

- nationalization of foreign iron ore concessions;
- sale within three years to Venezuelan nationals of at least 80% of all shares in firms engaged in internal distribution of goods and services;
- renegotiation of contracts for two new aluminum plants – involving US and Japanese investment -- to give Venezuela the controlling interest; and
- revision of a gold mining contract with a German consortium to give Venezuela control.

The greatest impact on US interests will stem from the decision to advance recovery of the iron ore concessions. The industry is dominated by US Steel and Bethlehem Steel, whose concessions run until the year 2000. Venezuela supplies about 33% of US iron ore imports (an estimated 13 million tons in 1973) and 11% of US consumption. US Steel also owns briquette and ore enrichment plants with an annual capacity of 1 million tons.

In his address, Perez requested authority from Venezuela's Congress to take action on his proposals. Nevertheless, abrupt action against the companies is not likely. Studies first will have to be undertaken to determine the future structure of the industry and the role, if any, to be given to the companies.

Nationalization of the iron ore concessions will intensify Venezuelan efforts to promote cooperation among iron ore exporting countries along OPEC lines. A group of exporting countries -- the Caracas Club -- met in Geneva in March to discuss pricing, transport, production, and trade. Venezuela is a member of a working group set up to examine joint pricing policy and to plan for the next full meeting, which may consider permanent institutional arrangements. Cooperation on pricing will be difficult because of the large number of exporting countries. 25X1

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BAD WEATHER THREATENS EAST EUROPEAN AND SOVIET CROPS

Grain crops are off to a bad start in Communist Europe this year. Unless weather conditions improve soon, Eastern Europe and the Soviet Union will have to buy heavily on the world grain market in FY 1975.

Eastern Europe Hit by Drought

Despite token April showers in Hungary, Poland, and Romania, Eastern Europe remains in the grip of a drought. Some harvest shortfalls are now unavoidable, and severe damage to crops will result if May is also dry. April precipitation was from 66% below normal in Poland to 26% in Bulgaria. Soil moisture at the end of April ranged from 44% below normal in Hungary to 17% in Poland.

Time is running out in the southern countries – Bulgaria, Romania, and Hungary. Winter wheat has entered a growth stage requiring greater moisture, while late spring-planted crops such as sugar beets and sunflowers are germinating poorly. Corn, a major feed crop, is now being planted; low soil moisture makes germination uncertain. Pastures and forage crops have already been damaged. Without good rains in May, yields of winter grains -- wheat, rye, and barley -- will be sharply reduced. Replanting of some spring crops may be necessary.

In the northern countries -- Czechoslovakia, East Germany, and Poland -- winter grains suffered no more than average winterkill. But the wheat and rye must have good rains before the end of May to sustain development. A mid-April freeze in Czechoslovakia forced some replanting of vegetables and sugar beets.

Sowing Delayed in USSR

Cold, rain, and snow moved into the European USSR in early April, when the sowing campaign was scheduled to shift into high gear. By the end of April, only 25% of the planned area had been sown, compared with 40% at the same time in 1972 and 1973. The RSFSR has been particularly hard hit by the bad weather. The area sown was down by more than half from the level at the end of April last year. April sowing conditions in Bryansk Oblast were described as the worst in 30 years.

A timely spring sowing campaign was needed this year to help offset a higher than average loss of fall-sown crops. [redacted] 25X1

25X1 [redacted] Deputy Minister of Agriculture Kuznetsov estimated that more than the average 3 million to 5 million hectares of the 35 million sown in the fall would require resowing this spring; however, he expected reseeding to be less than 10 million hectares. In the same conversation, Kuznetsov implied that the Soviet Union would be interested in purchasing US grain even after a bumper crop if the price were right.

Rise in Grain Imports Likely

Unless the drought is broken this month, Eastern Europe's import requirements for FY 1975 could rise to more than 10 million tons, the highest level in several years. The hard-hit southern region would be a net importer of grain rather than a net exporter of 2 million tons as in FY 1974. The livestock feed base in Eastern Europe almost certainly will not be large enough to maintain livestock numbers and productivity at last year's level.

In the USSR the sowing problems encountered in April indicate that the 1974 goal of 206 million tons of grain will not be reached. Whether output will fall far enough to trigger major purchases in the West largely depends on the weather during the next 2-3 weeks and the regime's ability to speed up the sowing rate.

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ITALY'S IMPORT RESTRICTIONS: RATIONALE, IMPLICATIONS, AND REACTIONS

Rome's decision last week to restrict imports caught the world off guard even though remedial action obviously was needed. The measure requires importers to deposit 50% of the value of their foreign purchases in a non-interest-bearing account for six months. This step has three partly conflicting aims: to cut the trade deficit, to fight inflation by reducing the money supply, and to induce capital inflows from foreign suppliers intent on retaining their share in the Italian market.

Italy's economic performance so far this year has been worse than forecast on several counts. The trade deficit through April hit $4 billion – three-fourths of the entire 1973 deficit. The cost of living rose at a 29% annual rate in the

Selected Italian Economic Indicators

	Percentage Change over Comparable Period One Year Earlier		Million US $		
	Money Supply	Consumer Prices	Exports (f.o.b.)	Imports (c.i.f.)	Trade Balance
1973					
1st half	19.2	9.9	1,591[1]	2,028[1]	-437[1]
2nd half	23.1	11.6	2,112[1]	2,603[1]	-491[1]
1974					
January	N.A.	13.2	1,768	2,526	-758
February	N.A.	14.3	2,036	3,132	-1,096
March	N.A.	16.0	N.A.	N.A.	-942
April	N.A.	N.A.	N.A.	N.A.	-1,224

1. Monthly average.

Preliminary List of Major Italian Imports Subject to Prior Deposits

		Market Shares[1] (Percent of Total)					
	1973 Imports (Million US $)	Total EC	France	West Germany	United Kingdom	United States	Japan
Oil seeds and fruits	352	14	13	1	Negl.	57	Negl.
Coffee	222	19	Negl.	Negl.	Negl.	Negl.	Negl.
Live animals	1,000	56	26	24	Negl.	1	Negl.
Fresh and frozen meats	1,252	58	10	7	Negl.	Negl.	Negl.
Cheeses	239	75	29	38	Negl.	Negl.	Negl.
Selected non-electric machinery	1,043	73	14	43	8	12	1
Telecommunications	255	54	3	40	3	11	4
Electric generating equipment	437	71	16	44	5	7	1
Typewriters and calculators	452	68	17	34	12	18	3
Automobiles and parts	1,448	98	40	38	3	6	Negl.
Electric lamps	241	70	11	30	6	18	1
Clothing	120	64	39	15	3	2	3

1. Based on January-August 1973 data.

first quarter. Despite heavy borrowing abroad, foreign currency reserves have been dropping at a rate unacceptable to Rome and worrisome to its creditors. Since January, the Bank of Italy has spent $4 billion in exchange market interventions to support the lira.

The Rumor government apparently found other possible remedies for its formidable economic problems even less palatable. It feared a sharp lira devaluation that would intensify an already record-breaking inflation while promising only a delayed improvement in the trade balance. It avoided import surcharges or quotas deemed more costly to relations with its EC partners. Because of strong Socialist opposition, the center-left coalition government also resisted harsher monetary and fiscal curbs that would nip Italy's economic recovery in the bud. It chose a compromise it hoped would be the least objectionable alternative at home and abroad.

Provided the required financing can be found, the prior deposit scheme is likely to have only a small direct impact on trade flows. Its carrying charges equal about a 3% surcharge on affected imports, thus boosting prices of foreign goods only a small amount. To the extent that importers obtain funds for their blocked deposits in the credit-tight domestic market, the secondary effects from reduced overall demand will sharpen the impact. Rome estimates – almost certainly on the high side – that imports could be as much as 8%, or $2-1/2 billion, lower than they otherwise would have been. Where foreign suppliers are willing to provide the additional financing required, imports will not be reduced but the payments deficit will be cut.

In the event of a drop in imports, other EC members – particularly West Germany and France -- would suffer the most. Prior import charges apply to about half of Italy's imports, including livestock products, automobiles, and machinery items, all of which loom large in intra-EC trade. Because corn, wheat, and various industrial raw materials have been exempted, US sales will be less affected.

The domestic impact of the prior deposit system also will depend largely on the manner in which increased credit requirements are met. If local resources are tapped primarily, the Rumor government hopes to effect a 4% reduction in money supply. This major blocking of funds would put further pressure on short-term interest rates – already at 13% and above – and add to the contractionary impact of higher import prices for oil and other goods with low demand elasticities.

Rome apparently hopes that its new restrictions will curb speculative uses of credit without jeopardizing industrial recovery. Given recent moves to reduce domestic liquidity, however, production is likely to suffer as well. The government's freedom to offer selective credit relief is limited by terms of the $1.2 billion standby credit from the IMF – negotiation of which acted as a catalyst in the downfall of the fourth Rumor government two months ago.

Despite Rome's effort to portray its action more as a deflationary step than a competitive balance-of-payments measure, foreign reactions have been mostly negative.

- French officials claim the action signifies a temporary withdrawal of Italy from the EC.

- Former German Chancellor Willy Brandt characterized the move as "extremely dangerous," noting that it sets a bad example that other countries will be tempted to follow. Bonn fears that Italy's resort to emergency trade limitations, which are allowed under the Treaty of Rome, will be of longer duration than earlier cases involving France and West Germany.

[redacted] 25X6

- Danish officials also have been sympathetic with Rome's plight but are worried that restrictive import measures will spread.

- The EC Commission apparently has adopted a low-keyed approach to the problem while seeking Rome's agreement on a deadline for removing the restrictions.

Emergency EC sessions are considering possible multilateral solutions to the Italian problem. Community members almost certainly will be willing to liberalize terms of outstanding credits, particularly if Italy agrees to limit the impact of its actions on intra-EC trade flows. Their willingness to provide additional help from national coffers, however, will be tempered by fears regarding their own future financial requirements. [redacted] 25X1

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Notes

Indians Reject Dupont Proposal

Dupont's proposal -- submitted to New Delhi last December -- to provide $3.3 million worth of technology in exchange for 40% equity in a new agricultural chemicals plant has been turned down. Despite widespread shortages of chemicals, Indian officials rejected the bid claiming that indigenous technology and productive capacity are adequate for expansion of output. Imports of chemical fertilizers alone may amount to $500 million this year. (UNCLASSIFIED)

France Demonstrates Telephone Technology to the USSR

The French firm, Compagnie Générale d'Électricité (CGE) is building a 5,000-line facility in the USSR to demonstrate its E-10 electronic telephone switching system. CGE hopes to persuade the USSR to buy a turnkey plant, which can produce enough central office equipment annually to handle one million subscribers. The E-10 represents near state-of-the-art in Western telephone switching and would boost Soviet telephone switching technology, now 10 to 20 years behind the West. CGE seems to have the jump on ITT, which has been negotiating for several years with the USSR for the sale of electronic switching systems.

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Syria Seeks US Transport Aircraft

Syria wants to buy four C-130 cargo aircraft from Lockheed, valued at $40 million-$45 million. To avoid a 24-month delay in deliveries, Syria has suggested that Saudi Arabia relinquish its place on Lockheed's production schedule for C-130s. Syria has used Saudi C-130s in the past and has preferred them to Soviet and French aircraft. This would be Syria's first known purchase of US aircraft since 1955. Damascus also is negotiating with Lockheed, as well as McDonnell Douglas, for wide-bodied commercial aircraft. 25X1

Sri Lanka Solicits Additional Aid

Sri Lanka is hoping that Western donors -- including the United States -- will provide substantial new aid at next week's consortium meeting in Paris. Costly grain purchases and much higher oil prices will increase imports 75% in 1974 while exports are expected to grow by only 25%. Unless non-food imports are sharply reduced, the trade deficit will soar to $260 million. Aid already in the pipeline, the Soviet flour credit, last week's IMF stand-by credit, and exchange drawdowns can finance only about half the deficit, leaving $130 million still to be covered.

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Sapir Plugs Israeli Bonds

Israeli Finance Minister Sapir has resumed his role as major fund raiser with a brief trip to Europe to plug sales of independence and development bonds. Excluding official US assistance, these bonds are the leading source of foreign financing for what promises to be a record trade deficit. Bond sales apparently have lagged in recent weeks after a good start earlier in the year – sales topped $200 million in the first quarter of the year. The political crisis in Jerusalem in early April forced Minister Sapir to cancel scheduled trips to both the United States and Europe to promote Israeli bonds. The $1 billion in sales targeted this year -- nearly double the amount raised in 1973 -- will require an unprecedented effort among World Jewry. [redacted] 25X1

Publications of Interest

The Economic Situation in South Vietnam, April 1974
(CIA ER IR 74-11, April 1974, [redacted] 25X1

This monthly discusses: (1) continuing shrinkage of South Vietnam's foreign exchange reserves; (2) government moves to counter a rumored run on the banking system; (3) improvement in the government's rice stock position; (4) developments in non-US aid; and (5) reduced competitiveness of South Vietnamese exports.

The Less Developed Countries Face the Oil Price Problem
(CIA ER IM 74-3, May 1974, [redacted] 25X1

The sharp increase in oil prices will boost the LDC's oil bill by about $8.5 billion in 1974, a loss in real income equal to 2%-3% of their GNP. Reserve drawdowns and increased borrowing can cushion the adjustment during 1974; in the long run, the LDCs will have to curtail imports, stimulate exports, and hope for lower oil prices. The United States and other developed nations are likely to be pressed for more financial assistance, food aid, commodity agreements, and debt relief.

Impact of Increased Oil Prices on Eastern Europe
(CIA ER IR 74-10, May 1974, [redacted] 25X1

Eastern Europe has not yet felt the full impact of higher oil prices because trade agreements with the USSR run through 1975. After 1975 the Soviets will raise prices and probably will supply a lesser share of Eastern Europe's requirements. By 1980, oil imports will cost nearly $8 billion, compared with $2 billion if early 1973 prices had prevailed. To pay this bill, Eastern Europe will have to boost exports, negotiate credits from the USSR and barter arrangements with the West, invest more heavily in Soviet resources, and perhaps trim hard currency imports. Even with Soviet and Western assistance, most East European countries will not be able to avoid severe strains on their balances of payments and on their domestic economies in 1976-80.

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INTERNAL ECONOMIC INDICATORS

GNF*

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since: 1970	1 Year Earlier	Previous Quarter
United States	74 I	-1.4	4.0	0.4	-5.6
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	0.9	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	Mar 74	0.7	11.2	35.4	48.2
West Germany	Feb 74	2.3	6.5	11.9	26.5
France	Mar 74	4.9	12.8	33.4	72.7
United Kingdom	Mar 74	3.1	10.0	18.7	41.3
Italy	Nov 73	1.3	8.6	21.2	17.8
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	Mar 74	-0.7	7.8	5.7	-6.5
West Germany	Jan 74	-0.6	3.2	0.6	-4.3
France	Feb 74	-0.5	6.6	4.1	2.0
United Kingdom	Jan 74	-6.4	0.1	-6.6	-17.0
Italy	Mar 74	-2.1	3.9	13.3	-2.8
Canada	Feb 74	1.2	6.7	4.5	8.7

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since: 1970	1 Year Earlier	3 Months Earlier
United States	Mar 74	1.1	5.8	10.3	14.0
Japan	Mar 74	0.7	10.9	24.0	39.4
West Germany	Feb 74	0.9	6.3	7.6	10.2
France	Mar 74	1.2	7.5	12.2	18.0
United Kingdom	Mar 74	0.9	9.6	13.6	19.8
Italy	Mar 74	2.6	9.0	16.0	28.6
Canada	Mar 74	1.0	6.0	10.4	11.7

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	7.6
France	Jan 74	-2.7	7.0	16.3	29.2
United Kingdom	Jan 74	-1.3	11.5	13.1	16.9
Italy	Oct 73	0.6	16.2	29.1	56.7
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	0.8	6.8	6.5	5.7
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	Mar 74	-0.2	8.8	2.7	0.5
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	1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Prime finance paper	3 May	8.50	6.75	7.88	8.50
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	26 Apr	11.75	7.62	15.00	11.88
United Kingdom	Local authority deposits	26 Apr	13.63	7.28	15.81	16.00
Canada	Finance paper	12 Apr	10.00	5.75	8.88	8.38
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.

8 May 1974
Office of Economic Research/CIA

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EXTERNAL ECONOMIC INDICATORS

EXPORTS*
f.o.b.

	Latest Month	Million US $	Cumulative Million US $ 1974	1973	Percent Change
United States	Mar 74	7,674	22,394	15,421	45.2
Japan	Mar 74	3,742	11,020	8,082	36.4
West Germany	Mar 74	6,870	20,411	13,839	47.5
France	Mar 74	3,671	10,542	7,913	33.2
United Kingdom	Mar 74	2,830	7,704	6,434	11.7
Italy	Feb 74	2,095	4,061	3,065	31.5
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	Feb 74	3.5	11.0	27.6	38.3
Japan	Nov 73	-0.8	13.2	27.4	11.6
West Germany	Jan 74	-4.5	10.6	21.8	-37.8
France	Dec 73	-1.7	13.4	27.4	-9.1
United Kingdom	Dec 73	0.1	8.7	17.4	12.0
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	Million US $	Cumulative Million US $ 1974	1973	Percent Change
United States	Mar 74	7,845	21,705	16,254	33.5
Japan	Mar 74	4,399	11,958	6,356	88.1
West Germany	Mar 74	4,984	14,347	11,052	29.8
France	Mar 74	3,953	11,226	7,633	47.1
United Kingdom	Mar 74	3,890	10,592	7,313	44.8
Italy	[illegible] 74	2,847	5,017	3,298	52.1
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	Feb 74	3.5	11.0	27.6	38.3
Japan	Nov 73	3.6	4.8	14.9	34.1
West Germany	Jan 74	1.1	2.7	7.1	14.5
France	Dec 73	2.1	7.3	15.0	22.3
United Kingdom	Dec 73	3.1	9.8	18.8	33.0
Italy	Oct 73	2.4	8.3	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	Million US $	Cumulative (Million US $) 1974	1973	Change
United States	Mar 74	-171	689	-833	1,522
Japan	Mar 74	-657	-932	1,725	-2,657
West Germany	Mar 74	1,886	6,064	2,787	3,277
France	Mar 74	-282	-684	280	-964
United Kingdom	Mar 74	-1,060	-2,888	-878	-2,010
Italy	Feb 74	-752	-956	-233	-723
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	Feb 74	5.4	15.6	40.6	71.4
Japan	Nov 73	3.7	4.6	19.8	31.0
West Germany	Jan 74	6.2	5.0	19.5	82.3
France	Dec 73	9.0	8.0	16.4	37.3
United Kingdom	Dec 73	4.5	16.3	42.6	50.6
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	Million US $	Cumulative (Million US $) 1973	1972	Change
United States*	73 IV	200	1,186	-9,838	11,024
Japan	Mar 74	-1,168	-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 IV	-1,394	-3,164	-1,989	-1,175
Italy	72 IV	800	N.A.	2,983	N.A.
Canada	73 IV	27	376	1,155	-779

EXCHANGE RATES Spot Rate
As of 3 May 74

	US $ Per Unit	Percent Change from Dec 66	18 Dec 1971	19 Mar 1973	26 Apr 1974
Japan (Yen)	0.00358	29.58	10.10	-6.00	-0.31
West Germany (Deutsche Mark)	0.40590	61.46	30.81	14.63	0.01
France (Franc)	0.20230	0.20	2.74	-8.21	-1.12
United Kingdom (Pound Sterling)	2.41800	-13.35	-7.20	-1.75	0.27
Italy (Lira)	0.00159	-1.00	-7.85	-10.45	-1.21
Canada (Dollar)	1.03920	12.66	4.15	4.16	-0.01

OFFICIAL RESERVES

	Latest Month End of	Billion US $	Billion US $ Jun 1970	1 Year Earlier	3 Months Earlier
United States	Feb 74	14.6	16.3	14.0	14.4
Japan	Apr 74	12.7	4.1	16.8	11.6
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	Apr 74	7.0	2.8	6.1	6.2
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 3 May 74

	Percent Change from Dec 66	18 Dec 1971	19 Mar 1973	26 Apr 1974
United States	-18.00	-8.56	-1.91	-0.17
Japan	17.65	3.86	-8.07	0.27
West Germany	35.17	17.92	12.86	-0.18
France	-24.66	-11.01	-13.44	-1.57
United Kingdom	-33.72	-19.50	-5.11	0.06
Italy	-23.79	-22.42	-15.51	1.23
Canada	9.03	2.43	4.07	-0.07

*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.