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OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

PORTUGAL

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

SEPTEMBER 1971

BASIC STATISTICS OF PORTUGAL

THE LAND

Area (thousands sq.km.)	91.5	Major cities, resident population in	
Agricultural area (thousands sq.km.)	49.0	thousands (1969):	
Arable land (thousands sq.km.)	43.7	Lisbon	831
		Porto	325

THE PEOPLE

Population (1969, thousands)	9 583	Total labour force (1969, thousands)	3 296
Number of inhabitants per sq.km. (1969)	105	Civilian employment in thousands (1969)	3 109
Net natural increase (average 1964-69 thousands)	88.0	<i>of which:</i> agriculture	978
Annual rate of increase (average 1964-1969)	0.9	industry	825
Net emigration (average 1964-1969, thousands)	19	construction	280
		other	1 026

PRODUCTION

Gross national product in 1969 (millions of US dollars)	5 642	Gross domestic product at factor cost by origin in 1969 (%):	
Gross national product per head in 1969 (US dollars)	600	Agriculture	18.6
Gross fixed asset formation in 1969: % of GNP	18.7	Industry and construction	43.7
per head (US dollars)	115	Services	37.7

GENERAL GOVERNMENT

Public consumption in 1969 (% of GNP)	13.1	Central Government current revenue in 1969 (% of GNP)	15.9
<i>of which:</i> Defence	6.9	% of total General Government current expenditures (in 1969):	
Public investment in 1969: % of GNP	2.6	Central Government	78.0
% of total investment	13.8	Local authorities	3.7
		Social Security	18.3

FOREIGN TRADE

Exports of goods and services as a % of GNP (1969)	24.7	Imports of goods and services as a % of GNP (1969)	28.6
Main exports as a % of total exports (average 1965-1969, SITC):		Main imports as a % of total imports (average 1965-1969, SITC):	
Food, beverage and tobacco (0, 1)	22.6	Food, beverage and tobacco	12.8
Basic and semi-finished materials (2, 3, 4)	13.7	Basic and semi-finished materials	24.5
Manufactured goods (5, 6, 7, 8)	62.4	Manufactured goods	62.6
<i>of which:</i> Textiles (65)	19.6	<i>of which:</i> Chemicals (5)	9.4
Cork and wood products (631, 632, 633)	6.7	Machinery and transport equipment (7)	29.3

THE CURRENCY

Monetary unit: Escudo.

Currency units per US dollar: 28.75

NOTE: An international comparison of some basic economic and demographic statistics is given in Annex.

OECD ECONOMIC SURVEYS

PORTUGAL

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development (OECD) was set up under a Convention signed in Paris on 14th December, 1960, which provides that the OECD shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;*
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;*
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

The Members of OECD are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

The Socialist Federal Republic of Yugoslavia is associated in certain work of the OECD, particularly that of the Economic and Development Review Committee.

The annual review of Portugal
by the OECD Economic and Development Review
Committee took place on 27th July, 1971.

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INTRODUCTION

Various indicators suggest that industrial activity remained buoyant in 1970. However, from the figures thus far available it does not look as if the target of 7 per cent average annual growth of GDP which the Third Plan initially set for the period 1968-1973 was finally achieved during the first three years of the Plan. The reduction in the large surplus on current transactions would indicate that the rate of utilisation of resources has become more satisfactory. Migration has now reached considerable proportions and some structural strain on the labour market has developed. Wages continued to rise rapidly and the upward movement of prices was appreciable.

Economic policy has become distinctly more expansionary over the last two years, and the broad objectives laid down in the 1971 Finance Act and other official documents would seem to be evidence of the authorities' intention to concentrate on economic growth and the development of productive investment. Efforts have also been made to work out a broader approach and integrate countercyclical policy more closely with longer-term objectives. In order to make up the leeway that developed during the period 1968-1970 and achieve the Plan's targets, it was decided to expand the investment programmes for 1971-1973 considerably.

Part I of the present survey outlines the trend of domestic economic activity and the balance of payments over the last two years. The broad lines of economic policy are considered in Part II. The Third Plan's implementation during the period 1968-1970 is discussed in Part III, which also briefly describes the new programmes adopted for the second three-year period. In the final part of the survey an attempt is made to assess prospects and discuss certain problems of economic policy.

I TREND OF ECONOMIC ACTIVITY

In spite of the efforts made by the authorities for some years now and the improvements that have resulted, current statistics still present serious shortcomings. Some relatively important current indicators are not available, as, for example, those relating to construction. The mere fact of economic growth and the structural changes it entails has meant that some statistical series which were already rather unreliable to begin with have become distinctly obsolescent¹. Furthermore, these series are

¹ The National Institute of Statistics is now preparing a new index of consumer prices which will be more representative of the present pattern of households' consumption, and a new index of wholesale prices. It is also intended to prepare a new index of industrial production.

usually produced with a considerable delay, so that for example very little information is yet available for the first half of 1971. Available statistics do not permit an assessment of trends in economic activity, and it is therefore extremely difficult to prevent the emergence of disequilibria by taking the required corrective action in time. Equally serious is the fact that owing to the lack of reliable annual statistics, especially national accounts figures, economic policy-makers find it difficult to verify the efficiency of the various measures taken.

Demand and output

Various indicators suggest that final domestic demand, which had slowed somewhat in 1966-1967, has shown more buoyancy in the last three years. Private consumption has risen at a distinctly higher rate and since the end of 1969 private investment has strengthened in response to the incentive measures taken by the authorities to remedy a rather unsatisfactory trend. Exports, which had picked up somewhat in 1969, remained relatively buoyant in 1970. On the supply side, the growth of industrial production was relatively rapid over the last two years, but following a setback in agricultural production the growth of GDP in real terms probably did not exceed 6 per cent in 1969. It is likely, however, that its growth was more substantial in 1970.

Table 1 Demand and Output

	1968 current prices		1965	1966	1967	1968	1969 ¹	1970 ¹
	Escudos million	As a percentage of GDP						
			Annual percentage change, volume, at 1963 prices					
Private consumption	107 336	73.4	6.6	4.0	2.9	12.0	7.4	..
Government consumption	19 194	13.1	7.4	6.6	13.6	6.4	5.7	..
Civilian	8 456	5.8	6.9	6.5	8.0	6.3	13.8	..
Military	10 738	7.3	7.8	6.7	18.3	6.6	-0.3	..
Gross fixed investment	27 190	18.6	10.5	17.4	5.8	0.9	6.7	..
Stockbuilding	22	—	..	..	..	..	..	..
Total domestic demand	153 742	105.1	7.4	2.9	6.1	9.7	6.8	..
Exports, excluding factor income	35 106	24.0	13.0	5.4	6.5	-4.0	-0.4	..
Imports, excluding factor income	42 521	29.1	13.5	2.9	0.7	5.4	3.7	..
GDP at market prices	146 327	100.0	7.0	3.6	7.8	7.4	6.0	..
GNP at market prices	146 936	..	7.1	3.2	8.0	7.3	6.1	..
GDP at factor cost	133 317	100.0	7.3	4.0	7.2	7.7	6.0	6.6
Agriculture, forestry, fishing	24 835	18.6	6.3	-9.7	10.6	3.2	-2.1	0.8
All industry	58 293	43.7	10.3	9.2	4.8	10.7	8.5	8.9
Services	50 189	37.7	4.6	5.3	8.4	6.3	6.8	4.8

¹ Estimated (1969) or forecast (1970) growth rates, obtained by comparing the provisional figures for the current year with those for the previous year.

Source: Portuguese submission to the OECD.

Private consumption, which showed a sharp increase in 1968, continued to rise rapidly in 1969; to judge from the provisional national accounts figures, year on year, consumption expenditure rose by about 7.5 per cent in real terms¹. This development seems to be related to the relatively high rate of real wage increases, the very brisk expansion of consumer credit, the increasing flow of remittances from emigrants and perhaps also the "demonstration effects" of the development of tourism. It is likely however that agricultural incomes suffered from the poor results of the 1969 harvest. Although the authorities took steps to slow down the increase in consumer credit, which they considered excessive, private consumption seems to have grown fairly steadily in 1970. In the private sector, real wages continued to rise fast, while the stronger trend in industrial and commercial activity no doubt had a favourable effect on the incomes of individual entrepreneurs and the self-employed. Wages and salaries of State employees also rose fairly sharply. The provisional balance-of-payments figures show an increase of about 22 per cent in 1970 in net private transfers receipts between Metropolitan Portugal and abroad².

Gross fixed asset formation which was practically flat in 1968, showed more buoyancy in 1969. No doubt the measures taken by the authorities at the end of 1968 to stimulate investment in the private sector (tax incentives and a more liberal credit policy) contributed to this renewed activity. According to the provisional national accounts figures, investment expenditure increased in real terms by 6.7 per cent in 1969. The recovery is particularly noticeable in private sector investment, which had fallen by nearly 2 per cent in real terms the year before. It is even possible that more progress was made than appears from the provisional figures, which normally tend to underestimate the final results quite considerably. General government investment is shown as increasing by about 4½ per cent compared with over 14 per cent the year before, but as it had fallen by nearly 3 per cent in 1967 this deceleration is not very significant.

The latest national accounts estimates show only a moderate rate of growth for gross fixed asset formation in 1970, but this could be an underestimate, since various indicators suggest that the trend of productive investment has continued to strengthen. Medium and long-term credit to the economy continued to expand rapidly, while the results of production surveys in the capital goods sector and of investment surveys show a strengthening of activity in the capital goods industries. This trend seems also to be confirmed by the steep rise in imports. Although the relationship observed

1 Statistics for private consumption are not derived from a households' appropriation account, nor from sales of various categories of consumer goods. The method used by the National Statistics Institute consists in calculating gross domestic product from the production side and deducting expenditure by general government, gross asset formation and the foreign balance. Thus the figures for private consumption are subject to all the errors made in estimating the other aggregates and should therefore be treated with special caution. For example, in 1968 the figure for private consumption was about 6 per cent higher than shown in the previous figures as a result of correcting, rightly, the figure for gross domestic product; the correction consisted in discontinuing the previous practice of deducting direct taxes from the value added by economic sectors. As it is not possible to revise the figures for earlier years, the National Statistics Institute is publishing two series for the years following 1967.

2 Private transfers account for more than 5 per cent of the national income.

Table 2 Gross Domestic Fixed Investment

	1968 current prices		1965	1966	1967	1968	1969 ¹
	Escudos million	As a percentage of the total						Annual percentage change, volume, at 1963 prices
TOTAL INVESTMENT	27 190	100.0	10.5	17.4	5.8	0.9	6.7
<i>By sector</i>							
Private enterprises	22 014	81.0	14.0	18.1	10.8	-1.9	7.1
Public enterprises	1 805	6.6	13.1	36.1	-27.9	14.5	5.5
Government	3 371	12.4	-7.4	3.2	-3.1	14.6	4.4
<i>By product</i>							
Dwellings	6 386	23.5	10.4	23.8	18.1	-1.6	17.2
Other construction	10 620	39.0	14.7	23.9	-25.0	11.5	-3.0
Machinery and equipment	10 184	37.5	4.9	4.1	49.5	-6.7	9.6
<i>By branch</i>							
Agriculture, forestry and fishing	2 042	7.5	-3.5	4.9	15.6	2.3	-6.2
Mining and quarrying, manufacturing	7 077	26.0	21.1	24.6	-9.2	-5.6	2.5
Other branches	18 071	66.5	7.7	15.3	12.8	4.2	10.1

¹ Estimates obtained by comparing the provisional figures for the current year with those for the previous year.

Source: Portuguese submission to the OECD.

in the past between net imports of capital goods (excluding transport equipment) and investment expenditure by enterprises does not always hold rigidly it is probably significant that in 1970, according to customs returns, net imports of "machinery, apparatus and electrical equipment" rose by more than 30 per cent compared with the year before. No information is available concerning the trend of housing construction in 1970.

To judge by authorised budget disbursements in 1970, gross fixed asset formation by general government must have continued to increase quite rapidly. The authorities have on various occasions declared their intention to step up the growth of public investment, which hardly rose at all during the period 1962-1967 and only made some headway during the last three years.

No detailed statistics are available on changes in stocks by sectors and products, but the steady growth in credit to the economy and the increase of almost 20 per cent in imports of raw materials and semi-finished products in 1970¹ suggest a rise in the rate of stock-building "up stream" from industry. The business surveys carried out twice yearly by the Industry Corporation² seem to show that stocks of finished products have fallen

¹ Excluding transactions in diamonds.

² These surveys are based on a sample of over 2 000 enterprises employing 245 000 persons and having a turnover exceeding Esc. 50 000 million.

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somewhat. It is also probable that the better harvests in 1970 led to a reconstitution of stocks of agricultural products which had been affected in 1969 by the decline in agricultural output.

According to the provisional national accounts, value added in the agriculture, forestry and fishing sector declined by about 2 per cent in 1969. Better results were achieved in 1970, since the provisional index of agricultural production published by the National Statistics Institute shows an annual average increase of about 15 per cent, whereas the final index for 1969 showed a reduction of the same order of magnitude. The wheat, maize and rice harvests were particularly good, but in the other grain categories the results were mostly poor. Wine and olive oil production was also fairly satisfactory. Meat production probably increased by about 7 per cent¹. Pigmear output was down, pig-breeding having been affected by the outbreak of African swine fever in 1969. The situation as regards cattle was more satisfactory and output of meat and milk went up.

Table 3 Agricultural Production
Percentage change from previous year

	1965	1966	1967	1968	1969	1970
Index of agricultural output	2	-22	30	2	-16	15
Grains	4	-19	33	9	-21	8
Wheat	30	-49	104	17	-39	19
Rye, barley, oats	35	-32	40	18	-29	-6
Maize	-23	23	2	-5	1	5
Rice	-23	11	-5	2	18	13 ²
Potatoes	-22	4	40	-16	4	8
Wine	8	-39	9	20	-31	40
Olive oil	75	-47	112	-34	36	-13
Meat ¹	6	4	-2	8	12	7 ²
Cattle	36	4	-17	16	37	18 ²
Sheep and goats	5	12	-3	—	-4	7 ²
Pigs	-6	3	9	10	7	-7 ²
Milk	8	-3	-1	9	8	3 ²
Butter	-7	-23	-3	44	2	8 ²
Cheese	20	-6	3	-7	6	2 ²
Fish landed, total	-3	-11	11	-11	-10	5

¹ These figures are not the same as those for slaughtered live-stock.

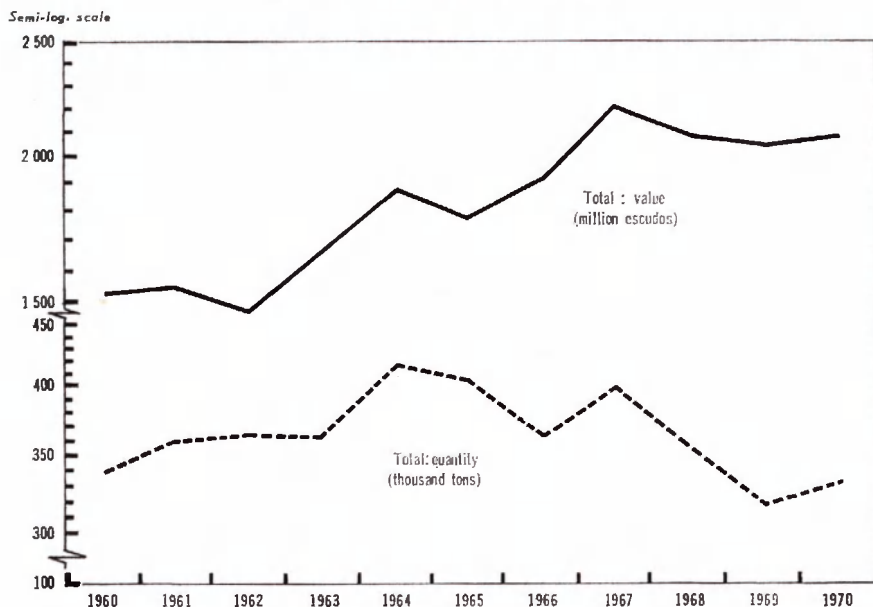
² Provisional figures.

Sources: Instituto Nacional de Estatistica and Portuguese submission to the OECD.

Forestry output in 1970 fell back somewhat, owing mainly to a drop in cork production. Output of resin and timber for paper pulp rose in response to increased demand both at home and abroad. In 1969, for the second year running, the fishing season was poor and tonnage of fish landed on the mainland was down nearly 10 per cent. The decrease in catches, which affected almost all species, was particularly marked in the case of sardines.

¹ The statistics for the tonnage of cattle slaughtered give appreciably different results.

Diagram 1 Fish landings on the continent



Source: Estatísticas das pescas, Instituto Nacional de Estatística.

Despite an extension of the fishing season, the landed tonnage of sardines has been falling steadily since 1964. Shoals are tending to move away from the Portuguese coast and the sardine fleet, which is ill-equipped for deep-sea fishing, is also facing keener foreign competition. The 1970 season was better, especially as regards the cod catch, and the results for the season show an increase of about 5 per cent in fish landings compared with the previous year.

Although output seems rather to have levelled off in the industrial sector in the second and third quarters, it is likely that year on year the rate of growth in this sector is fairly high in 1969. According to the provisional national accounts figures, the value added in industry rose by 9 per cent in real-terms, but in view of the normally higher values of the final corrected figures, the eventual results could be rather close to those of 1968. The growth rate for industrial output given by the annual index is in fact exactly the same for each of the two years. It is true that in previous years sometimes quite appreciable discrepancies were found between the trend in the value added by industry and that shown by industrial production indices¹. According to the monthly index, industrial production

1 The Portuguese Industrial Association publishes two production indices:

- a monthly index covering only about 47 per cent of all industrial activity and weighted by the values added by economic sectors as estimated for the year 1953;
- an annual index with a wider coverage representing over 60 per cent of the total value added by industry in 1958.

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Table 4 Indicators of Industrial Production
Percentage change from previous year

	Real GDP in industry ¹	Industrial production index		Imports of basic and semi-finished materials ³
		Annual index ²	Monthly indices	
1965	9.8	6.2	5.0	18.7
1966	6.9	7.0	4.8	-5.6
1967	7.7	5.4	-1.0	4.5
1968	11.2	10.3	6.7	10.7
1969	8.9 ³	10.3	8.8	10.3
1970	8.8 ³	..	5.2	19.5

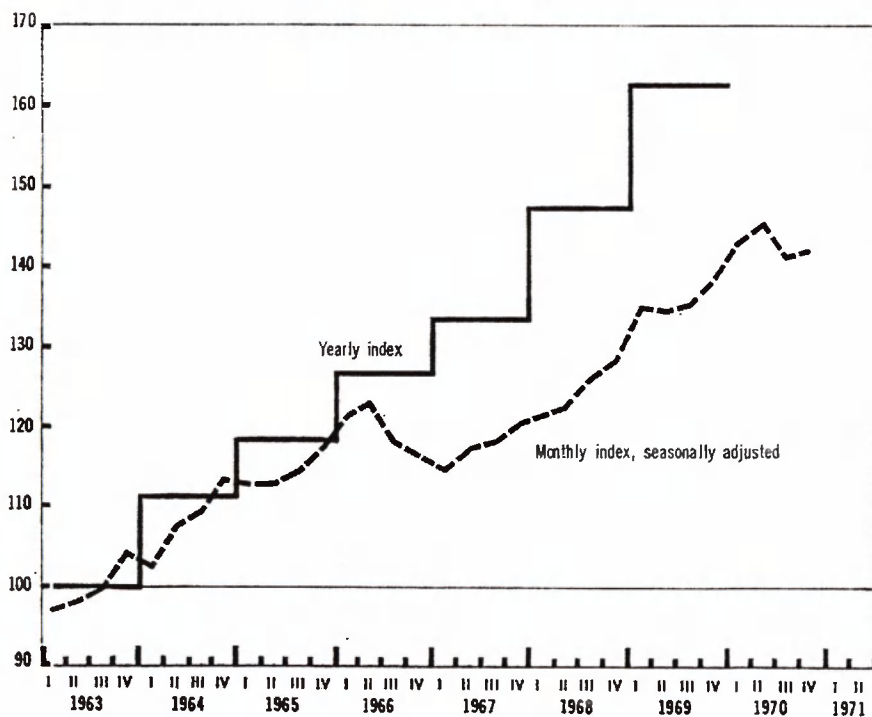
1 Including mining and quarrying, and electricity, but excluding construction.

2 SITC 2-4 and 6 (minus 667), at current prices.

3 Estimated (1969) or forecast (1970) growth rates, obtained by comparing the provisional figures for the current year with those for the previous year.

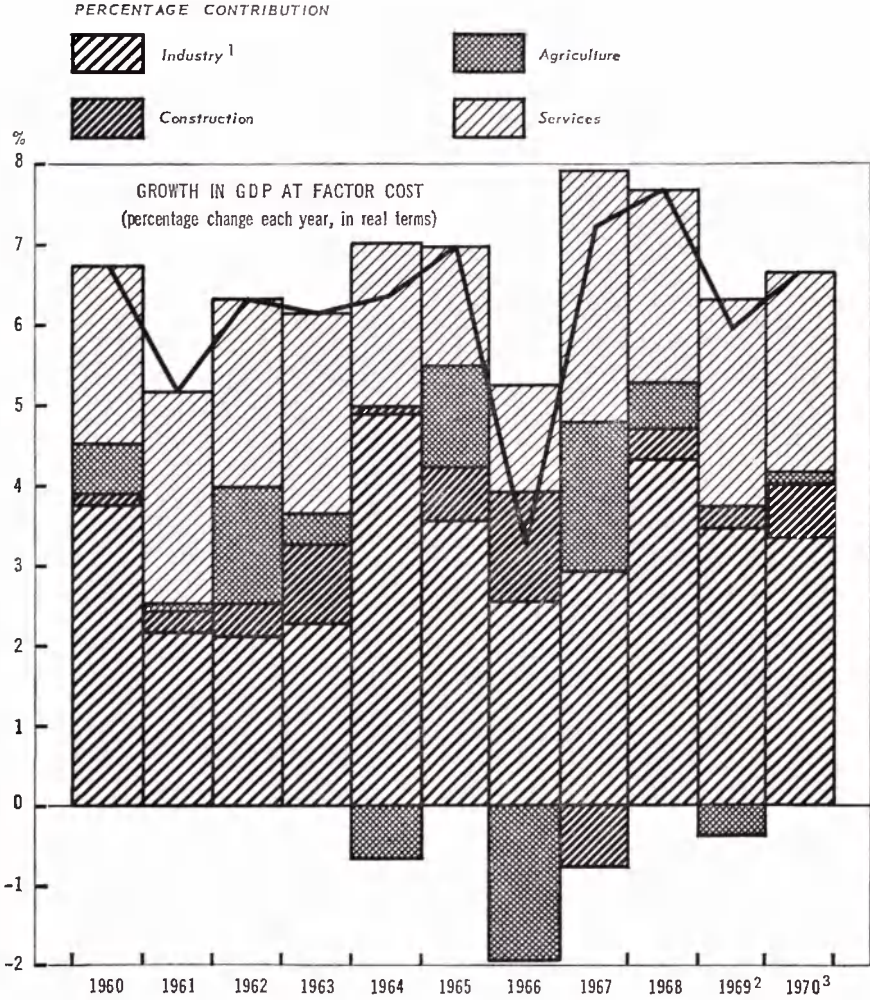
Sources: Portuguese submission to the OECD, OECD, Main Economic Indicators and Foreign Trade Statistics, Series B.

Diagram 2 Industrial production



Source: OECD, Main Economic Indicators.

Diagram 3 Contribution of the various sectors of activity in the growth of GDP



1 Mining and manufacturing plus electricity, gas and water.

2 Estimate.

3 Forecast.

Sources: OECD National Accounts and Statistical Memorandum submitted to the OECD by the Portuguese Authorities.

rose only moderately in 1970. However, this index which covers rather less than half of all industrial activity, is not of great significance and other indicators suggest that output must have kept rising fairly steadily. The latest estimates based on the national accounts point to an increase in the value added by industry of about the same as the year before. In

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particular, there seems to have been a very significant increase in mining and quarrying output. Business surveys in industry would even suggest that production has accelerated rather markedly since the end of 1969, and that this was accompanied by an appreciable lengthening of order books in the enterprises covered by the surveys. Nevertheless, the weakness of these various indicators necessitates great care in the interpretation of the results.

The provisional accounts show an increase of about 5 per cent in the value added in the building and construction sector in 1969. Very little information on this sector is available for 1970. The National Statistics Institute does not publish a production index for building and construction, nor is information available on the number of housing starts and completions, which makes it impossible to assess the trend of activity in housing construction. For the first ten months of 1970 the output of hydraulic cement, which increased by 13 per cent in 1969, was nearly 16 per cent higher than for the corresponding period of the year before, which would seem to suggest that activity in the building construction sector expanded quite satisfactorily.

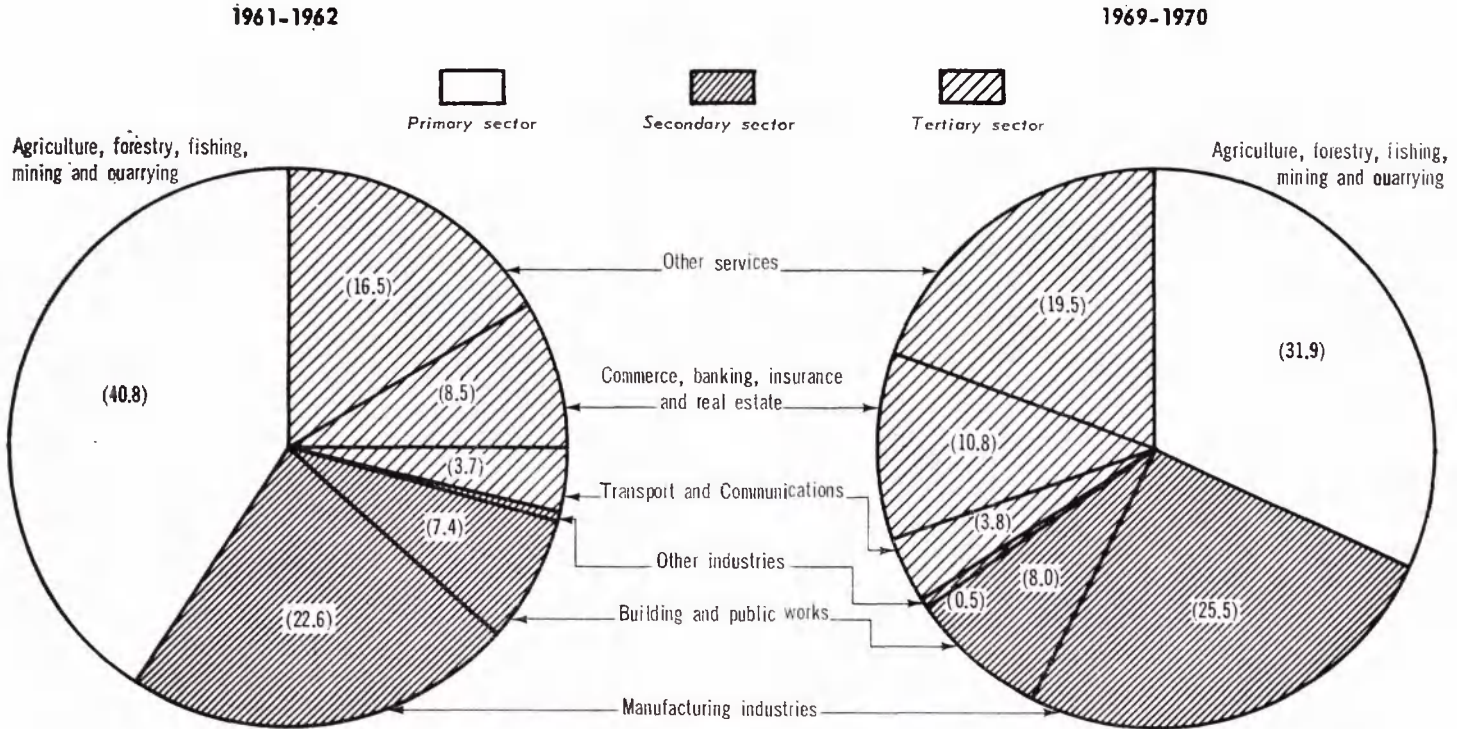
In the services sector, business maintained a fairly firm trend during the period 1967-1969. According to the national accounts figures, the value added in this sector rose at an average annual rate of about 6 per cent during the period. Changes in the structure of consumption entailed by increasing urbanisation and the rise in living standards, together with the growth in tourist business, seem to be mainly responsible for this trend. Statistics for certain activities particularly representative of the services sector suggest that this trend continued in 1970. Activity kept expanding rapidly in the transport sector, and especially in air transport, which handled considerably more passenger and goods traffics. Commerce was probably buoyant under the stimulus of increased domestic demand, as the receipts

Table 5 Tourist Business Indicators

	Number of visitors			Number of night's lodging		
	Total	Residents in Portugal	Non-resident foreigners	Total	Residents in Portugal	Non-resident foreigners
	<i>Percentage change from previous year</i>					
1965	..	..	..	7,5	—	19.4
1966	6.4	4.0	10.0	6.8	1.8	13.4
1967	8.9	4.1	15.9	3.8	-0.4	8.7
1968	-1.8	2.9	-7.8	-2.4	1.8	-6.9
1969	7.0	2.2	13.8	7.9	1.8	15.0
1970	10.9	8.1	14.6	13.2	6.7	19.8
1970 in thousands	2 868	1 570	1 298	8 290	3 978	4 312

Source: Instituto Nacional de Estatística, Estatísticas do Turismo and Boletim Mensal de Estatística.

Diagram 4 Changes in the structure of the labour force
In percentage of total



Sources: OECD, Labour Force Statistics and Memorandum submitted to the OECD by the Portuguese Authorities.

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from indirect taxation, which in 1970 were 22 per cent up on the previous year, would suggest. Tourist business, which staged quite a strong recovery in 1969, remained buoyant in 1970. The rise in the total number of visitors (foreign and Portuguese) and in the number of nights spent in hotels and boarding-houses on the mainland and neighbouring islands was considerably steeper than in 1969, moving from 7.0 to 10.9 per cent for visitors and from 7.9 to 13.2 per cent for nights spent.

Employment and Labour Market

Labour Market statistics in Portugal are still incomplete. The National Employment Service publishes figures for registered unemployment and unfillied vacancies; in addition, the Manpower Development Fund provides information on collective dismissals¹, which enterprises in non-agricultural sectors employing more than ten wage-earners are required by law to report to it. All these different statistics are not very satisfactory, however. The quarterly employment surveys published by the Manpower Development Fund since 1967 give no more than an approximate idea of the effects of changes in the level of economic activity on employment. Not only are the statistics inadequate, but the short-term fluctuations are partly obscured by structural movements of workers between sectors and further more, are cushioned by emigration.

The quarterly surveys indicate that total employment in non-agricultural sectors remained at more or less the same level in 1969 and 1970. In the fishing sector the decline recorded in 1969 was succeeded by quite a steep increase in 1970. Employment in manufacturing seems to have varied only slightly, while the fairly appreciable reduction in mining and quarrying and in building and construction was offset by the expansion in the services sector. The brisk growth of registered unemployment since 1969 was accompanied by a much steeper increase in unfilled vacancies, but the statistics are difficult to interpret². Moreover, the general trend concealed very wide divergencies as between regions and sectors. The maladjustment of labour supply to demand, in terms of both area and skill requirements, probably aggravated the strain already apparent in some sectors at the end of 1969.

The estimates of migratory movements do not give an accurate assessment of the extent of net emigration. Various reports from the countries of destination, mainly France, the Federal Republic of Germany and the United States, point to an increase of about 66 per cent in the number of emigrants in 1969. Despite the buoyancy of economic activity in Portugal and the cooling off of expansion in some of the main receiving countries.

1 The statistics refer to "technological" unemployment caused by reorganisation, mergers or closures.

2 The Manpower Development Fund publishes figures for the total number of job applications and vacancies registered during the year, as well as those outstanding at the end of the year. These figures are however affected by the gradual extension of the National Employment Agency.

Table 6 Indicators of Employment

	1968	1969			1970			
	July	Jan.	July	Oct.	Jan.	April	July	Oct.

A EMPLOYMENT TRENDS

Indices by branch of activity, January 1968 = 100

Fishing	107.9	95.9	98.6	98.3	89.2	90.5	116.7	109.4
Mining and quarrying	99.0	99.9	95.1	93.2	89.5	85.3	91.2	90.1
Manufacturing	101.1	99.9	100.3	101.1	99.7	99.8	101.4	101.0
Construction	103.3	97.9	104.2	106.7	91.8	91.9	99.9	95.7
Electricity, gas and water	99.4	99.8	101.3	100.9	96.8	96.6	100.5	100.0
Other services	101.4	103.4	104.8	105.6	106.2	107.0	110.0	110.0
Total	101.3	99.9	101.1	101.8	99.5	99.7	102.3	101.7

B EMPLOYMENT SITUATION (end of period)

	1968	1969	1970
Unfilled applications	10 156	14 899	21 764
Unfilled vacancies	2 287	5 344	12 602

Source: Portuguese submission to the OECD.

emigration continued at a high rate in 1970. Thus the number of Portuguese workers brought in and placed in France by the French National Immigration Office rose to 88 000 in 1970, or more than 9 per cent than the year before. The number of Portuguese workers employed in the Federal Republic of Germany reportedly rose by about 50 per cent in the same year. Until a few years ago emigration seemed primarily to concern agricultural workers, but now it also involves large numbers of industrial and skilled workers, who are drawn by distinctly higher wage rates abroad. During recent years the Portuguese authorities have relaxed their emigration policy considerably. In 1970 the restrictions which used to give rise to clandestine emigration on a large scale¹ were made much less severe and an Emigration Secretariat set up. In 1971 an important bilateral agreement on manpower was concluded with France to regularise the movement of Portuguese workers to that country.

1 According to estimates by the National Emigration Secretariat, the number of clandestine emigrants to France rose from 23 697 in 1968 to 114 144 in 1970, accounting for about 64 per cent of total emigration in that year.

Portugal

Table 7 Estimates of Emigration, by Country of Destination

	1966	1967	1968	1969	1970
Total	106 400	95 688	92 678	153 546	178 632
of which: Workers in active age groups ¹	61 951	43 741	39 347	97 785	..
NORTH AMERICA	20 318	18 496	18 075	20 119	16 616
United States	13 357	11 516	10 841	13 111	9 726
Canada	6 795	6 615	6 833	6 502	6 529
SOUTH AMERICA	7 641	7 618	7 395	5 728	4 723
Brazil	2 607	3 271	3 512	2 537	1 669
Venezuela	4 697	4 118	3 751	3 044	2 927
EUROPE	73 134	57 104	65 664	126 163	157 406
France ²	59 580	52 601	58 741	110 615	135 667
Germany	9 686	2 042	4 886	13 279	19 775
Other European countries	3 868	2 461	2 037	2 269	1 964
Other areas	5 307	2 470	1 544	1 536	1 320

1 The figures for workers in active age groups emigrated to France, which are included in this total, are not fully comparable with those for other countries since they refer to the workers who have passed the French border and not only to the workers legally emigrated. The figures for legal emigration of workers to France published by the Institute of Statistics of Portugal are: 1966: 73 419; 1967: 59 415; 1968: 46 515; 1969: 27 234; 1970: 21 962.

2 "Foreign workers brought into the country and given employment" plus family immigration (French Ministry of Labour figures).

Source: Portuguese submission to the OECD.

Prices and Wages

Consumer prices, which had already risen significantly faster during the period 1966-1968 than during the first half of the decade, accelerated dangerously in 1969, but according to the official indices¹ inflationary pressure eased somewhat in 1970. Bearing in mind the well-known statistical shortcomings of these indices, the fairly appreciable slowdown they indicate is perhaps not very representative of the underlying trend of prices. The base year for most of these indices is now much too old, with the result that they do not reflect the recent pattern of household consumption. Moreover, it is likely that the indices for Lisbon and Porto considerably overestimate the increase in rents, since it only takes into account rentals under new leases, whereas older rents remain practically frozen. The easing off was partly due to the more moderate trend in food prices, reflecting improved results from agricultural production. There was a faster overall rate of increase under the item "miscellaneous", together with a sharper rise than the year before in clothing and footwear prices. Rents went up less

1 A price index is published for each of the six main towns (Lisbon, Porto, Coïmbra, Faro, Evora and Viseu). All these indices, except the Faro index, have base years prior to 1960. The earliest base year is that of the Lisbon index, which goes back to 1948-1949.

Table 8 Prices and Wages
Percentage change from previous year

	1965	1966	1967	1968	1969	1970
Consumer prices:						
Six principal towns ¹	4.5	6.5	4.4	5.8	8.3	5.3
Lisbon	3.4	5.1	5.5	6.1	8.8	6.4
Food	4.2	7.3	1.7	4.2	8.1	5.0
Non-food	2.6	2.5	10.0	8.1	9.6	7.9
Clothing and shoes	0.6	2.7	8.4	1.1	0.3	2.0
Rents	3.3	0.9	18.2	15.6	19.5	7.2
Miscellaneous services	3.3	4.0	8.2	8.0	8.3	11.5
Wholesale prices, Lisbon	3.3	4.0	3.8	3.7	3.6	3.4
Food	4.3	5.0	—	1.6	6.2	2.2
Manufactured goods	1.9	9.2	5.9	—	0.8	—
Wages in industry and transport:						
Lisbon	5.7	8.0	8.5	8.7	11.4	11.8
Porto	11.9	11.0	11.0	8.1	9.9	10.4
Wages of male agricultural workers	5.5	14.3	8.9	18.5	7.2	13.2
Earnings of white and blue-collar workers employed by corporations (all types of activities)	..	9.1	10.7	7.1	10.8	

¹ Calculated by the Secretariat by weighting the individual indices by the population of the six towns (Lisbon, Porto, Coimbra, Evora, Viseu, Faro).

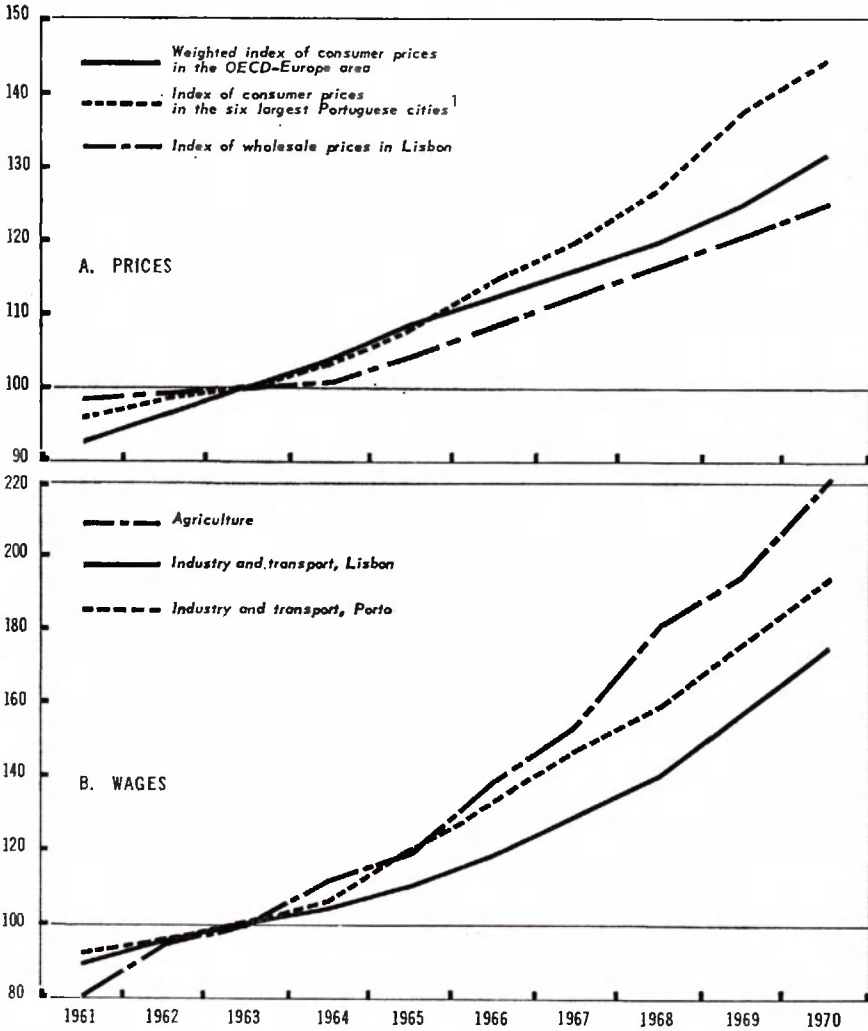
Source: Boletim Mensal de estatística, Instituto Nacional de Estatística and Portuguese submission to the OECD.

than in 1969 in the three biggest towns, but the indices point to relatively faster rates of increase in Evora, Viseu and Faro.

The unreliability of GDP price deflators precludes any meaningful comparisons as between countries. To go by the relative movements of consumer price indices, price performance in Portugal during the first half of the decade was more satisfactory than the average in the European OECD countries, whereas from 1965 to 1970 prices tended to rise distinctly more rapidly in Portugal than abroad. It should not be forgotten, however, that the average level of prices in Portugal is still well below the level in other countries. Several factors seem to have contributed to the faster rise in prices: the considerable growth of wages, which has brought about an appreciable increase in unit labour costs in sectors where productivity has risen relatively less rapidly, especially in services and in building, and also probably in construction; supply shortages in some sectors in which investment has moved particularly slowly in recent years; the higher cost of imported raw materials and also of imported finished products since 1969; and finally changes in the structure of consumer expenditure and some maladjustment of supply to demand. Structural rigidity, especially in distribution, has also tended to push prices up. More recently, a contributory factor seems to have been the added pressure of demand resulting from increases in wages and other forms of remuneration, as well as from

Portugal

Diagram 5 Prices and wages
Indices, 1963 = 100



¹ See corresponding note to Table 8 in text.

Sources: Boletim Mensal de Estatística, Instituto Nacional de Estatística and Secretariat estimates.

the growing inflow of emigrants' remittances and the rapid expansion of tourism. In the first five months of 1971 the upward movement of prices was again significant.

In 1970 the wholesale price index for Lisbon showed an annual average increase of 3.4 per cent, roughly the same as in the preceding three years.

Tax measures would seem to underlie the particularly marked increase in beverage and tobacco prices and the fall in prices of energy products. Food prices moved up noticeably less rapidly. It is agreed, however, that this index is not very meaningful. Its base is far too old (1948); it only traces the trend of prices of a limited number of commodities in the Lisbon area and gives no more than a very incomplete picture of the trend of import prices.

The upward movement of wages, which had accelerated in industry in 1969, remained brisk in 1970¹. The aggregate index for wages paid in industry and transport showed an annual average increase of 11.8 per cent for Lisbon and 10.5 per cent for Porto. In agriculture the very considerable growth of wages in 1968 was followed by a more moderate rise in 1969, but there was another large increase in 1970 (13.2 per cent) comparable with the average trend for recent years. Several factors seem to have contributed to the increased pressure on wages in recent years. Attempts to catch up with price increases were doubtless partly responsible, and although under-employment was probably still high, the shortage of skilled labour resulted in pressure in some sectors. Emigration, which concerned primarily agricultural workers, has gradually come to include skilled or semi-skilled industrial workers, while at the same time the firmer trend in business, especially in the investment goods industries, has led to increased demand for these categories of labour. In order to remove these pressures caused by the shortage of skilled manpower, efforts have been made by the Occupational Training Services of the Manpower Development Fund to intensify vocational training. Compulsory military service has also contributed to aggravate the manpower shortage. Wage claims, notably in connection with renewed collective bargaining, were intensified.

Foreign trade and balance of payments

The trade deficit of Metropolitan Portugal with the rest of the world, already quite sizeable in 1969, probably widened considerably in 1970. The rise in imports, due to the stronger trend in business activity, seems to have been the main factor responsible. According to foreign trade statistics, in 1970 total imports, excluding diamond transactions, increased by nearly 21 per cent in value. Imports of food products rose at a rapid rate, this presumably being partly due to the difficulties of adjusting agricultural production to the changing pattern of food consumption. The brisk trend in imports of raw materials and semis was connected with the sustained growth of industrial production. The recovery staged by productive investment in the private sector also resulted in a very steady rise in imports of

¹ There is no general index for hourly wage rates or earnings in non-agricultural employment as a whole. The National Statistics Institute publishes quarterly indices of wages paid in industry and transport in Lisbon and Porto. These indices probably rather underestimate the increase in wages. Their base is too old and they exclude a number of recent industries which tend to concentrate in the Lisbon and Porto areas. It is in the latter industries, with their high productivity gains, that wages probably rise fastest. An earnings index is also published, but it only covers the average annual remuneration of wage and salary earners employed by corporations.

Portugal

Table 9 Imports by Commodity Group

	1970		1966	1967	1968	1969	1970
	\$ million	Distribution (per cent)						Annual percentage change
Food and agricultural products	226	14.3	16.0	13.2	-7.4	4.9	12.8
Mineral products	158	10.0	-1.5	16.5	9.2	10.7	29.9
Common metals and related goods	170	10.7	1.7	-5.7	3.8	19.3	37.1
Fine pearls and precious metals	86	5.4	47.2	2.1	26.9	5.1	42.3
Textile materials and goods	173	10.9	-9.1	-4.8	24.3	2.0	10.9
Plastic materials, rubber and related goods	59	3.7	12.0	6.0	10.3	25.1	15.9
Chemicals	124	7.8	4.6	10.1	16.8	16.9	18.8
Electrical materials, appliances and equipment	304	19.2	23.9	-3.7	10.0	8.9	30.8
Transport equipment	166	10.5	24.7	-1.7	28.4	9.8	12.3
Other imports	116	7.3	10.2	15.0	17.8	16.1	18.4
Total	1 582	100.0	10.7	3.6	11.2	10.1	22.1
Total excluding imports of fine pearls and precious metals	1 496	94.6	9.5	3.6	1.1	11.2	21.1

Source: Boletim Mensal de Estatística, Instituto Nacional de Estatística.

capital goods and especially machinery and electrical apparatus and equipment, which were up nearly 31 per cent on the previous year. Comparison of the foreign trade results for the first five months of 1971 with those for the corresponding period of the preceding year show a quite significant slowdown in imports. Since these are only provisional figures it is hard to say whether this is representative of the underlying trend.

In 1970 exports tended to rise distinctly less rapidly than imports, and if diamond transactions are excluded their rate of growth was more or less the same as in the previous year (about 11.5 per cent). The fact that Portugal's exports are still not sufficiently diversified has probably prevented that country from deriving full benefit from the rapid expansion of world trade. Sales to the overseas territories, which account for nearly one fourth of total exports, rose less rapidly than those to foreign countries. Exports to the United Kingdom only rose by 8 per cent, but this trend was mainly due to a decline in diamond sales¹; there was however a slowdown in sales to the other EFTA countries. The trend of exports to the EEC was somewhat more moderate than before, owing mainly to a slower growth of sales to Germany and a virtual levelling-off of those to France. Exports to the United States, after making virtually no headway in 1969, showed only a very moderate recovery in 1970. During the first five months of 1971 exports continued to grow at about the same rate as in 1970.

1 If diamond transactions are excluded the increase was of more than 22 per cent.

OECD Economic Surveys

Table 10 Exports
(a) BY COMMODITY GROUP

	1970		1966	1967	1968	1969	1970
	\$ million	Distribution (per cent)					
			<i>Annual percentage change</i>				
Food and agricultural goods	198	20.8	4.3	12.9	5.6	-0.1	4.9
of which: Fish preparations and canned fish	37	3.9	-9.2	0.5	-6.8	-10.6	-1.0
Wine	66	6.9	11.5	9.0	14.4	2.1	10.0
Metals and mineral products	86	9.1	4.6	6.4	9.2	10.8	28.8
Fine pearls and precious metals	49	5.2	14.5	22.7	-10.9	48.3	-20.3
Textiles and textile goods	250	26.3	10.3	22.8	10.9	9.9	6.5
Wood and cork	95	10.0	-2.3	-4.0	5.3	4.0	11.2
of which: Cork products	38	4.0	-0.6	2.5	10.2	2.7	4.3
Chemicals	66	6.9	9.7	4.2	-1.3	10.7	34.7
Paper, etc...	58	6.1	13.7	6.3	53.4	40.9	20.7
of which: Paper pulp	47	4.9	18.8	1.2	74.2	44.4	23.4
Electrical machinery, appliances and equipment and transport equip- ment	79	8.3	33.7	33.9	22.8	36.8	31.9
Other exports	68	7.2	9.4	11.1	13.6	9.2	16.5
Total	950	100.0	7.5	13.2	8.7	11.9	11.3
Total, excluding exports of fine pearls and precious metals	900	94.7	7.0	12.6	10.1	9.8	12.8

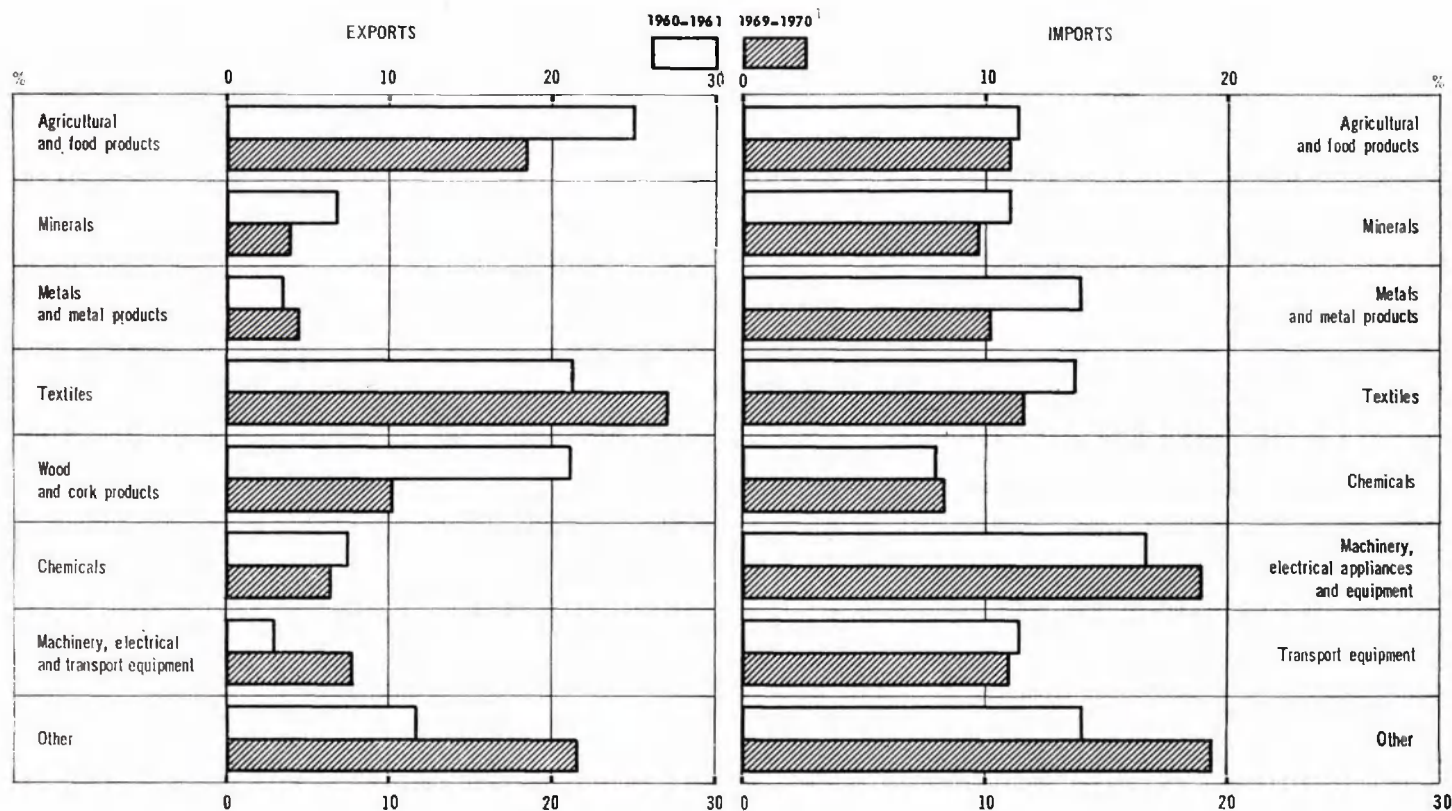
(b) BY AREA

	Percentage breakdown 1970	1966	1967	1968	1969	1970
		<i>Annual percentage change</i>				
Total	100.0	7.5	13.2	8.7	11.9	11.3
OECD countries	67.2	8.5	13.5	8.7	16.6	10.0
United States	8.7	15.8	-0.4	13.9	0.2	2.6
EFTA	35.4	12.4	34.2	8.9	15.8	9.8
United Kingdom	20.4	13.8	30.2	6.5	11.8	8.0
Sweden	5.3	0.6	68.8	20.7	23.2	3.5
Other EFTA countries	9.7	18.8	29.4	7.8	27.1	17.8
EEC	18.3	0.8	-3.1	8.6	21.0	13.5
Germany	6.3	-15.3	-5.3	17.1	24.8	10.1
France	4.6	18.5	3.6	7.5	27.0	-2.6
Italy	3.1	21.3	-16.5	-0.8	29.8	31.2
Netherlands	2.8	-1.5	8.1	0.3	4.9	52.3
Belgium-Luxembourg	1.6	-1.3	4.6	10.1	2.9	2.6
Other OECD countries	4.8	5.0	-5.1	-1.5	9.2	14.2
Non-OECD countries	32.8	5.6	13.2	8.6	3.2	14.1
of which: Escudo area	24.5	1.4	17.2	11.3	11.1	10.0

Source: Boletim Mensal de Estatística, Instituto Nacional de Estatística.

Exports of chemical products made the most headway in 1970. But shipments of machinery and industrial equipment also made very satisfactory progress, especially those to foreign countries. Exports of food products.

Diagram 6 Pattern of foreign trade by commodities
In percentage of total



1 Provisional figures.

Sources: Estatística do Comercio Externo and Boletim Mensal de Estatística, Instituto Nacional de Estatística.

on the other hand, reflected the levelling-off in sales of canned fish products. The factors undoubtedly responsible were the poor results of the last two fishing seasons and increased foreign competition. Thus, the position of Portuguese exporters on the German market, which is one of the most important outlets, has deteriorated considerably as a result of competition from such countries as Spain and Morocco. The steady slowdown observed since 1968 in sales of textile products continued. It should be remembered that under the long-term agreement on trade in cotton textiles, certain categories of exports are subject to restrictions; and the authorities are trying to encourage producers to develop the manufacture of fabrics from man-made fibres, market expansion prospects for which are a good deal better than for fabrics from natural fibres. Exports of wood and cork, which remained virtually unchanged from 1966 to 1969, picked up considerably. Diamond exports fell by about 20 per cent.

Portugal's export performance over the last decade would seem to have been reasonably satisfactory. Various calculations indicate gains of market shares averaging 1 per cent a year during that period¹. The performance was best on the EFTA markets, whereas there were some losses on EEC markets. This was probably partly the result of trade creation and diversion by the two customs areas. It is difficult to estimate accurately the influence of the commodity and geographical breakdown on the overall growth of Portuguese exports² but it would seem to have been unfavourable. A few traditional products account for a very large share of exports. Food products, textile goods, wood and cork accounted on average for nearly 70 per cent of total deliveries during the period³. Yet, to judge from the trend of exports of OECD countries, demand elasticity seems to have been lower in these product categories than for all other exports. The efforts made to diversify the structure of trade have yielded very encouraging results, but the proportion of manufactures other than textiles is still too small. The development of sales has also been hindered by their concentration on certain markets that have not expanded particularly rapidly (EFTA, develop-

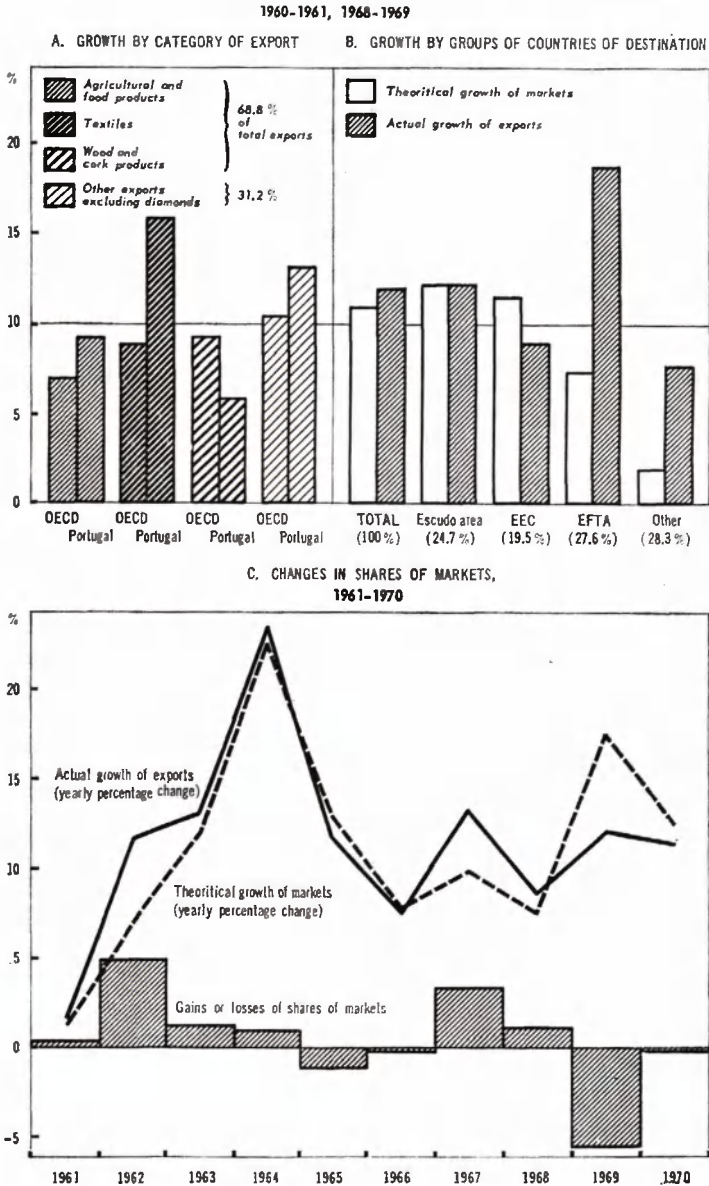
1 The constant share method of calculating export performance currently used by the OECD Secretariat for highly developed industrial countries raises certain methodological problems when applied to countries in the process of industrialisation like Portugal. This kind of calculation is really only significant for manufactures. In the case of Portugal manufactures still account for a rather small share of total exports. Furthermore, with a few exceptions such as textiles, their share in total OECD exports of manufactures remains very limited. To be really satisfactory the exercise would require a detailed breakdown of certain commodity groups. Statistical difficulties have prevented such an approach. The method used therefore was simply to estimate the export performance of total Portuguese exports on 16 regional markets considered to be significant. Gains in market shares were measured by the difference between the percentage change in Portuguese exports and that in the corresponding markets for those exports. The growth of the export markets is represented by the increase that would have occurred in Portuguese exports if their share of total OECD exports to the 16 regional markets had remained the same as in the base period. Given the shortcomings mentioned, the results should be regarded with some caution.

2 Because of statistical difficulties it has not been possible to calculate the export performance of each commodity on each geographical market, which alone would have enabled the influence of each of these factors to be identified.

3 Not including diamonds.

Portugal

Diagram 7 Export performance¹ Average annual percentage change



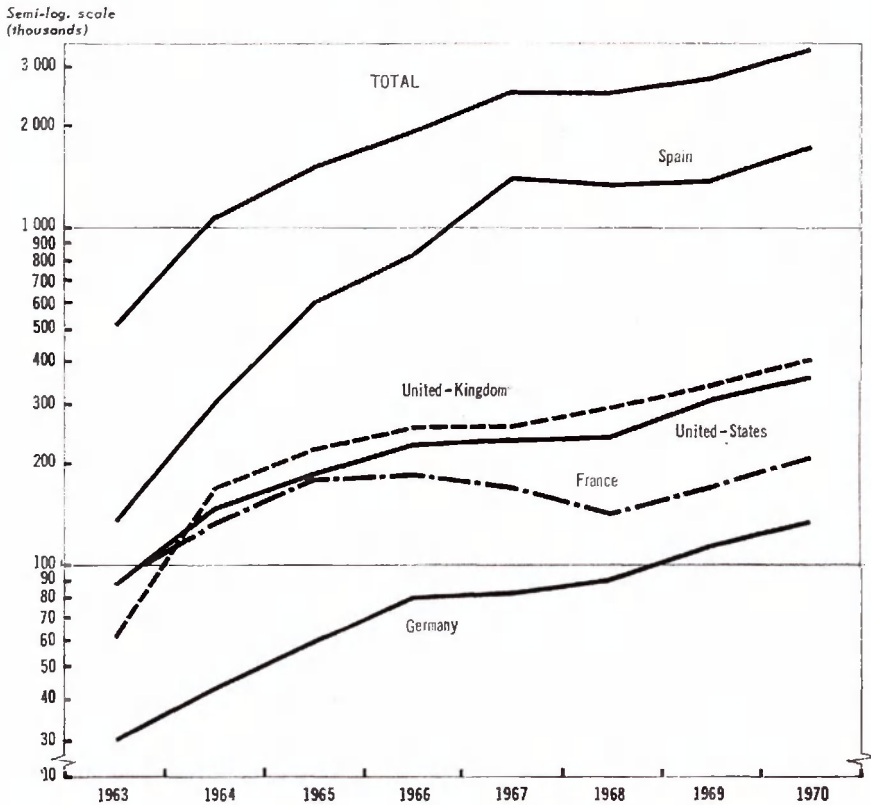
¹ Export performance for the escudo area and diamond transactions have not been calculated. The theoretical growth of markets is therefore equal to the actual growth of exports for these two items.

Sources: OECD, Statistics of Foreign Trade, Series B, U.N. Commodity Trade Statistics. Boletim Mensal de Estatística, Instituto Nacional de Estatística.

ing countries). Textile export performance has, in addition, been affected by the restrictions referred to earlier.

Unlike the previous year, to judge from the provisional figures for 1970, the improvement in the current invisibles balance was not enough to offset the increase in the trade deficit, with the result that there was probably a significant decline in the current account surplus of Metropolitan Portugal with abroad. The increase in the surplus on services and private transfers was due essentially to the growth of net receipts from tourism and migrant workers' remittances¹. The very brisk growth of imports and the rise in

Diagram 8 Arrivals of foreign travellers at frontiers
(by country of origin)



Source: Estatísticas do Turismo, Instituto Nacional de Estatística.

1 It is probable that balance-of-payments statistics now reflect the trend of real transactions more accurately than in the past. Since 1968 an increasing proportion of migrant workers' remittances, which used to come into Portugal in the form of banknotes and were recorded as tourist earnings, are now made by international postal cheques and recorded as transfers. In 1970 tourist earnings rose by 32 per cent, whilst the number of foreign visitors registered at the frontiers and of nights' lodging at hotels and similar establishments went up by about 20 per cent.

Table 11a Balance of Payments of Metropolitan Portugal
\$ million

	With non-Escudo countries					With the rest of Escudo area				Global balance				
	1967	1968	1969	Preliminary		1967	1968	1969	1970	1967	1968	1969	Preliminary	
				1969	1970								1969	1970
Exports, fob	536	580	657	629	720	180	205	202	203	716	785	859	831	923
Imports, fob	868	963	1 046	1 003	1 219	93	111	118	138	961	1 074	1 164	1 121	1 357
Trade balance	-332	-383	-389	-374	-499	87	94	84	65	-245	-289	-305	-290	-434
Services, net	154	82	40	42	55	-12	-30	47	6	142	52	87	89	61
Travel	187	135	93	93	124	17	17	17	18	204	152	110	110	142
Transport	-49	-42	-44	-43	-52	6	4	8	8	-43	-38	-36	-35	-44
Insurance	-3	-6	-6	-6	-7	1	1	2	1	-2	-5	-4	-4	-6
Investment income	-2	-6	-4	-4	—	23	27	37	31	21	21	33	33	31
Government, net	2	-11	-3	-3	-9	-61	-83	-26	-66	-59	-94	-29	-29	-75
Other	19	12	4	5	-1	2	4	9	14	21	16	13	14	13
Private transfers, net	208	263	392	392	483	61	52	25	24	269	315	417	417	507
Current balance	30	-38	43	60	39	136	116	156	95	166	78	199	216	134
Long-term capital	118	110	6	6	14	-32	-16	-32	-16	86	94	-26	-26	-2
Private	104	93	—	—	47	-22	-6	-9	-1	82	87	-9	-9	46
Official	14	17	6	6	-33	-10	-10	-23	-15	4	7	-17	-17	-48
Short-term capital and unrecorded	-10	-28	-67	-84	-50	-20	6	1	-3	-30	-22	-66	-83	-53
Balance on non-monetary transactions	138	44	-18	-18	3	84	106	125	76	222	150	107	107	79

Details may not add due to rounding.

NOTE Settlements basis for transactions with the Overseas Provinces.

Sources: Portuguese submission to the OECD. Annual Report of the Bank of Portugal, 1970.

freight charges were probably responsible for the increase in net expenditure on transport insurance. The deficit on public sector transactions widened appreciably, especially vis-à-vis the overseas provinces.

During the period 1966-1968 the balance of medium and long-term capital transactions with abroad showed a very large surplus. This shrank considerably in 1969 but registered a slight improvement in 1970. Private capital movements, which were roughly in balance the previous year, showed a surplus of \$ 47 million. Net inflows from direct and portfolio investment were down slightly, the overall improvement being mainly due to a decrease in commercial credit repayments and in outflows relating to the amortization of capital loans. The trend of long-term interest rates abroad and in Portugal probably played some part in these movements. Whereas in 1969 the lower interest rates in Portugal encouraged transactors to borrow less abroad and speed up repayments, the lowering of international rates in 1970 seems to have brought about a reversal of the trend. Public sector transactions, which showed a slight surplus in 1969, instead registered a deficit of \$ 33 million. Net outflows of private and public capital from Metropolitan Portugal to the overseas territories seem to have decreased slightly.

The consolidated balance of payments for the escudo area records not only the transactions of Metropolitan Portugal with abroad but also those of the overseas provinces with countries outside the escudo area. Since the transactions of the overseas provinces with foreign countries are mainly financed through the metropolitan banking system, only the escudo-area balance is a significant gauge of the trend in the reserves position. The recording of non-monetary transactions raises a number of difficulties, however. Customs statistics make it possible to trace the origin of commercial transactions, but the very close commercial and financial ties between the metropolitan area and the overseas territories sometimes makes it very difficult to identify certain current invisible transactions and capital movements¹. Moreover, since the metropolitan balance is drawn up on a transactions basis and the balance of the overseas provinces on a settlements basis, the statistics have to be interpreted with some caution².

Despite the deterioration in the metropolitan balance on current account with abroad, the escudo area's current surplus probably increased slightly in 1970. The overseas provinces' transactions with foreign countries showed an appreciably larger surplus than the year before. The worsening trend as from 1968 in trade between the overseas provinces and foreign countries continued, following a spurt in the growth of imports probably caused by a more rapid expansion of economic activity; this trend, however, was more than offset by a fairly considerable increase in the surplus on current invisibles. Net inflows of long-term foreign capital into the overseas provinces probably decreased somewhat, however. Given the fairly sharp fall

1 Some large enterprises which do much of their business in the overseas provinces have their registered offices in Lisbon. Consequently, the transactions they perform as between the overseas provinces and foreign countries may be recorded in the metropolitan balance of payments.

2 Thus, foreign direct investment in the overseas provinces is not recorded either under imports of capital goods or under long-term capital movements if it takes the form of capital contributions in kind.

Table 11b Balance of Payments of Escudo Area
\$ million

	Global balances					<i>of which: balance of Overseas Provinces with countries outside the Escudo area¹</i>			
	1967	1968	1969	Provisional		1967	1968	1969	1970 ²
				1969	1970				
Current account									
Exports	769	845	923	895	1 053	233	264	266	332
Imports	1 147	1 289	1 428	1 386	1 681	279	326	382	461
Trade balance	-378	-444	-505	-491	-628	-46	-62	-116	-129
Services, net	282	224	163	164	224	129	142	123	168
Private transfers, net	211	265	397	397	486	3	2	5	4
Current balance	115	45	55	70	82	86	82	12	43
Capital account									
Long-term capital	107	105	38	39	19	-11	-5	33	5
Short-term capital and unrecorded	-12	-7	-38	-54	-14	—	-1	1	11
Balance on non-monetary transactions	210	143	55	55	87				
Private monetary institutions	-59	-8	-5	-5	-39				
Balance on official settlements (increase of assets = +)	151	135	50	50	48				
Miscellaneous official assets and liabilities, net	10	10	19	19	2				
Change in reserves ³									
Gold	57	157	23	23	23				
Foreign exchange	104	-12	46	46	27				
Net IMF position	—	—	—	—	—				

1 Details may not add due to rounding.

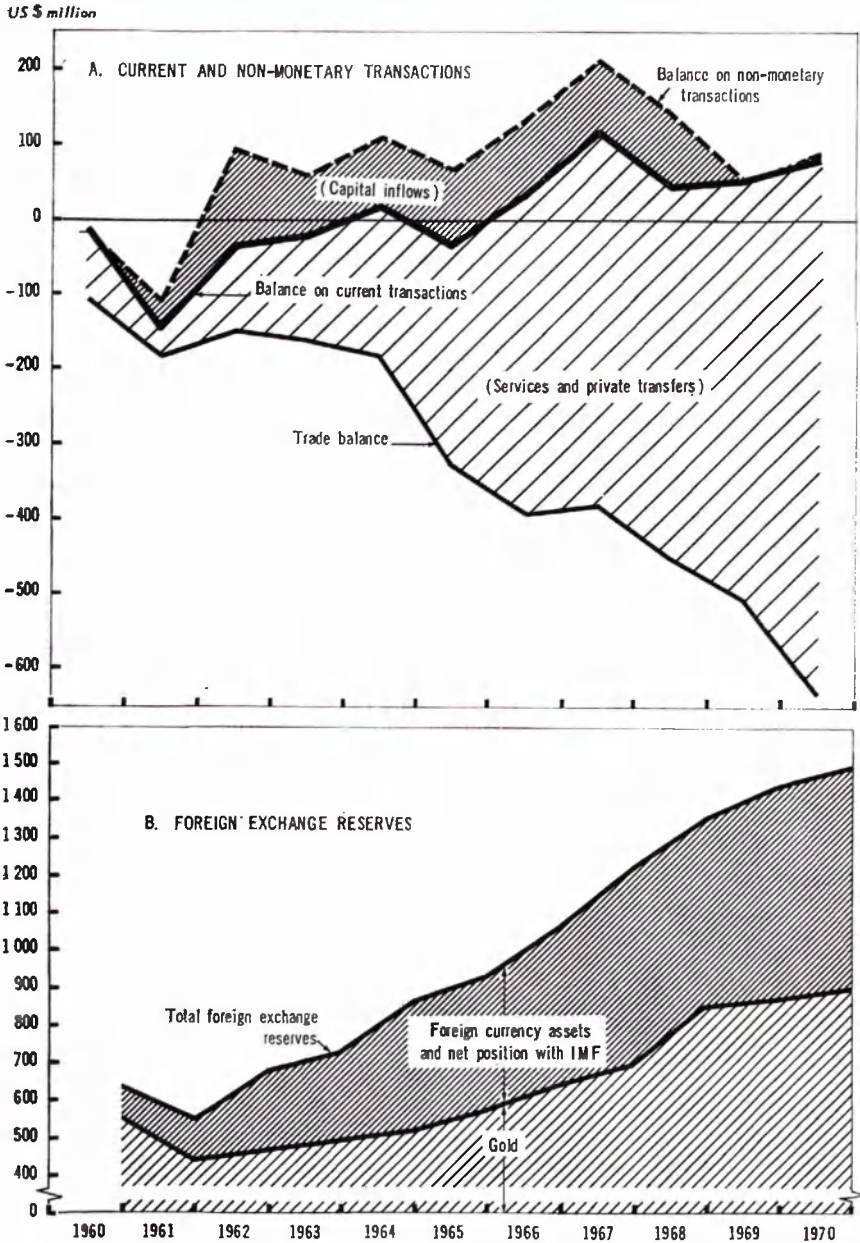
2 Provisional figures.

3 Portugal does not participate in the IMF special drawing account.

NOTE Settlements basis for transactions with the Overseas Provinces (Cap Verde, Portuguese Guinea, Sao Tomé, Príncipe Islands, Angola, Mozambique, Macao, Timor).

Sources: Portuguese submission to the OECD and Annual Report of the Bank of Portugal, 1970.

Diagram 9 Balance of payments trend of escudo area



Sources: Bank of Portugal Annual Reports and IMF International Financial Statistics.

in net outflows of short-term capital, the balance on non-monetary transactions of the escudo area in 1970 showed an appreciable surplus of \$ 90 million. Following a considerable improvement in the banks' foreign exchange position, the surplus on the balance of official settlements did not finally exceed that of the year before (\$ 50 million). In December 1970 the Bank of Portugal's gross gold and foreign exchange reserves amounted to \$ 1 482 million, roughly the equivalent of eleven months' imports. In the first five months of 1971, seasonally a poor period, gross reserves rose by about \$ 45 million. It should be noted that Portugal does not participate in the International Monetary Fund's special drawing account.

II ECONOMIC POLICY

Since 1969 the authorities have been endeavouring to define more explicitly than before, in the various official documents and notably the finance acts, the broad lines of their economic and financial policy. The 1971 Finance Act points out among other things the need to guide the action of the authorities in the spheres of monetary and budget policy and investment not only in response to short-term requirements but also, and quite rightly, in the light of longer-term objectives. Consequently, the approach to be taken in connection with industrial and agricultural policy has also been laid down. It should be stressed, however, that budget policy has so far not exerted a very marked expansionary effect on the economy. Generally speaking, the intention to follow a more dynamic countercyclical policy as part of longer-term action comes up against considerable obstacles, one of the chief of which is undoubtedly the fact that statistics are inadequate and therefore a poor guide to economic performance.

Money and credit policy

Within the framework of the broad directives laid down in the 1970 Finance Act, a number of measures were enacted during the year with the aim of improving the structure of credit and channelling savings into productive investment. The measures taken up until May were described in the previous annual survey¹. Notable among those introduced subsequently were the amendments to Bank of Portugal regulations designed to adjust these to the new conditions pertaining to medium-term credit governed by special regulations and to export credit². It does not seem as though the authorities are yet fully satisfied with the results of the recent monetary and financial reforms. They have made clear their intention to carry their efforts further, and the following aims have been specified in the 1971 Finance Act: pursuit of a selective policy designed to channel savings into longer-term investments; improvement of money and capital market struc-

1 July 1970, pages 29 and 30.

2 Decree-law No. 219/70 of 18th May.

tures; maintenance of a sufficient degree of liquidity to allow a sustained rate of economic activity while absorbing excess liquidity in order to neutralise inflationary pressure.

Various measures were taken in connection with money and credit at the beginning of 1971. On 5th February the Bank of Portugal's ordinary discount rate, which had already risen to 3.5 per cent on 25th April, 1970, was raised to 3.75 per cent. The special rediscount rate introduced in 1969 for export credits, medium-term credit governed by special regulations¹ and certain other specific credit transactions² was left unchanged however. At the same time, the ceilings on rates paid on bank deposits and loans were raised by 0.25 per cent, except in the case of sight deposits or deposits with less than 15 days' notice and long-term loans of more than 7 years' duration, which may in certain circumstances be granted at a rate of 8 per cent. On the same date, the banks' minimum reserve requirements against sight liabilities were reduced from 14 to 12 per cent. They were, on the other hand, increased for other categories of deposits, except time deposits of more than 180 days' duration³. Given the importance of sight deposits in the structure of commercial banks' liabilities, these measures resulted in an increase in lending capacity.

The growth of the money supply broadly defined (money and quasi-money), which had quickened appreciably in 1969, continued at a much more moderate pace in 1970. This easing-off was partly attributable to a slightly less rapid accumulation of gold and foreign exchange reserves but mostly to a slowdown in the expansion of outstanding bank credit. Money circulation accelerated somewhat and the tendency that had emerged some years earlier towards a more rapid conversion of sight deposits into fixed-term deposits or deposits with notice grew more pronounced, in response to the measures introduced by the authorities to stimulate saving and channel it into longer-term investment. Quasi-money assets grew by about 33 per cent, whereas the amount of sight deposits or deposits with less than 30 days' notice remained practically unchanged. The slowdown in the growth of liquid assets was particularly noticeable in the first half of the year.

The growth of total bank credit, which had been especially brisk in 1969, slowed somewhat in 1970 owing to a significantly lower rate of increase

1 These relate to credit that can be granted by commercial banks from specified resources such as time deposits of more than 180 days, proceeds from bond issues, funds borrowed from special credit institutions or foreign credit institutions.

2 Credit granted either for the purchase of capital goods produced by domestic industries or raw materials used by those industries, or for the purchase of essential consumer goods.

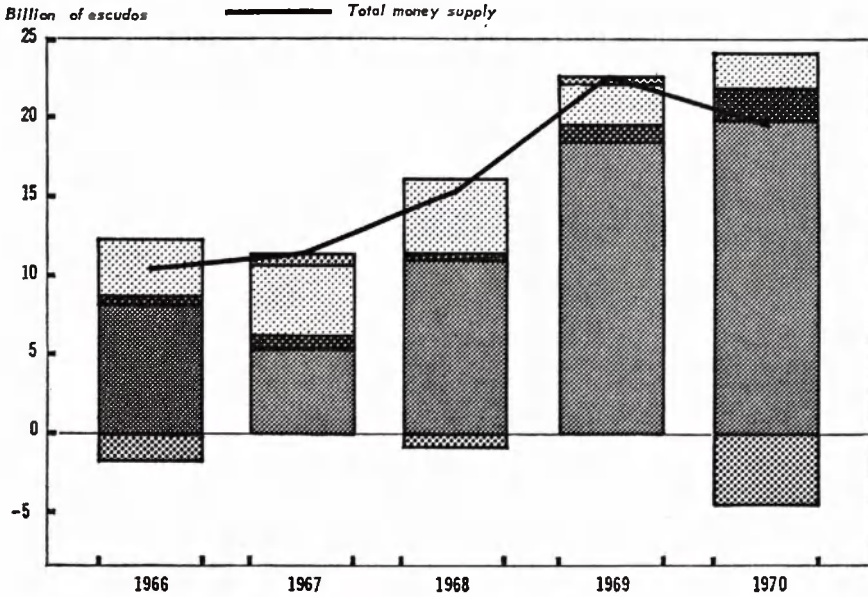
3 Changes of banks' minimum reserve requirements since 1965 have been as follows:

	Date of legislation			
	18th Aug. 1965	7th Sept 1967	3rd April 1969	5th Feb. 1971
Sight deposits	15 %	14 %	14 %	12 %
Deposits with 30-90 days' notice or duration	10 %	9 %	9 %	10 %
Deposits, 90-180 days	5 %	6 %	6 %	8 %
Deposits, 180 days-1 year				6 %

Portugal

Diagram 10 Origin of changes in money supply counterparts

ANNUAL CHANGES (billion of escudos)



- 1 Gold, foreign exchange and net position with IMF.
 - 2 Including Overseas Provinces Compensation Account.
- Source: Bank of Portugal, Annual Reports.

in outstanding credit from commercial banks. On the other hand, credit extended by the "Caixa Geral de Depositas, Credita e Providencia" (CGDCP), the main institution for medium- and long-term lending and by the savings banks increased much more rapidly than in the previous year (30.1 as opposed to 13.4 per cent), while lending by the Bank of Portugal continued to expand steadily. There was a more moderate growth in discounting of commercial paper, but other lending operations (guaranteed loans and current accounts) increased by about 20.5 per cent, an appreciably more rapid rate than in 1969. Despite this slight slowdown, credit of all kinds extended to the private sector grew by approximately 19 per cent in 1970.

Commercial banks' operations, which had developed at a particularly rapid rate in 1969, followed a distinctly more moderate trend in 1970. Lending increased by 14.6 per cent as compared with 23 per cent the year before. This slower rate of expansion affected all categories of credit, but discounting of commercial paper continued to make the most

Table 12 Money Supply and Counterparts

	Outstanding, end-December 1970	1968	1969	1970	1969		1970	
					January- June	July- December	January- June	July- December
					<i>Million escudos</i>				Annual percentage change
				<i>Percentage change during the period, at annual rate</i>				
TOTAL Money Supply	173 415	13.3	17.3	12.8	10.8	24.2	3.3	23.2
Money	111 164	6.9	13.0	3.9	6.5	19.9	-9.6	19.4
Quasi-money	62 251	34.4	28.5	33.4	22.4	34.9	36.3	30.6
External assets	49 424	12.3	5.0	4.6	4.6	5.5	-8.8	20.1
IMF Account	561	—	—	—	—	—	—	—
Banking credits	125 866	14.5	21.5	18.8	16.6	26.7	13.0	24.9
Portfolio investment	15 949	1.7	7.8	14.5	5.8	9.9	12.0	17.0
Overseas provinces compensation account	431	—	—	—	—	—	—	—
Miscellaneous (residual items)	-18 816	—	—	—	—	—	—	—

Source: Annual reports and quarterly statements of the Bank of Portugal.

Table 13 Bank Credit

	Outstanding, end of De- cember, 1970	1968	1969	1970	1969		1970	
					January- June	July- December	January- June	July- December
					<i>Million escudos</i>			<i>Annual percentage change</i>		Percentage change during the period, at annual rate
TOTAL BANKING CREDIT¹	125 866	14.5	21.5	18.8	16.6	26.7	13.0	24.9
<i>By sector</i>								
Private sector	120 805	16.6	23.0	19.0	16.9	24.9	13.6	24.6
Public sector	3 630	-32.1	10.7	8.6	14.6	6.9	-5.5	24.8
Other ²	1 431	—	—	—	—	—	—	—
<i>By source of financing</i>								
Commercial banks CGDCP ³ and Savings Banks	89 537	16.8	23.5	14.6	20.0	27.1	12.0	17.2
Bank of Portugal ⁴	26 064	8.1	13.4	30.1	8.3	18.8	21.8	38.9
	10 244	0.4	37.8	30.7	8.1	75.6	-4.8	79.5
<i>By method of financing</i>								
Commercial portfolio	78 775	16.1	27.2	17.8	17.4	37.8	10.3	25.7
Loans and other credit operations in escudos	47 091	12.3	12.9	20.6	15.3	10.5	17.7	23.5

1 Excluding inter-bank transactions.

2 Including adjustment item.

3 "Caixa Geral de Depositas, Credito e Providencia".

4 Net of credit to monetary sector.

NOTE The breakdown by source of financing does not give exactly the same total as the other two.

Source: Annual reports and quarterly statements of the Bank of Portugal.

headway. In the past the commercial banks were much more active than the other credit institutions, and their share of total deposits held by the banking system had risen from some 65 per cent in 1960 to 77 per cent in 1969, part of the reason for this being that they offered higher interest rates than their competitors. But following various measures taken in 1969 and 1970 to channel savings into productive investment, competition from the other credit institutions, and the savings banks and the CGDCP in particular, increased considerably, with the result that their share of total deposits held by the banking system rose while that of the commercial banks declined.

The rapid conversion of sight deposits into time deposits, as a result of the differential policy in regard to interest rates, brought about an increase in the banks' lending capacity, the minimum reserve requirements being significantly less against time deposits than against sight deposits¹. However, the banks do not seem to have taken full advantage of the situation. Their liquidity position (ratio of cash reserves to total liabilities), which had deteriorated steadily since 1966, improved slightly in 1970, and the excess of free reserves over compulsory minimum reserves, which had fallen to 18.3 per cent in 1969, rose to 30 per cent in 1970. Certain factors appear to have contributed to the slowdown in the commercial banks' activity. The measures taken to curb what was regarded as an excessive growth of consumer credit resulted in a very markedly lower rate of expansion in this category of credit, which traditionally accounts for a sizeable portion of total bank credit (about 14 per cent). It would seem too that because of the size of payments arrears the banks were reluctant to increase their financing of exports to the overseas provinces. It is true, however, that the improvement in the banks' liquidity position is partly due to the fact that they made more use of central bank credit facilities than in the previous year.

The steps taken since 1969 to overcome the structural shortcomings of the money and capital markets and aiming, among other things, to encourage the development of medium- and long-term lending by the commercial banks seem to have produced some results. The change in the pattern of deposits has indeed been accompanied by an extremely rapid growth of medium- and long-term loans. Yet it should be noted that these loans, which increased by nearly 47 per cent in 1970, still account for only a very small proportion of total lending by commercial banks and, for instance, still totalled slightly less than the amount of medium- and long-term loans extended by the National Development Bank.

In the absence of flow of funds statistics, which alone would make it possible to follow the development of all the means of financing put at the disposal of the economy, only very partial figures on sources of financing other than those provided by the banking system are available. There are, for example, only limited statistics on operations by public funds of a financial nature². Yet these institutions, whose resources derive mainly

1 See footnote, page 32.

2 The chief public funds of a financial nature are the Development Funds for Fishing, Tourism, Housing, the Merchant Navy, The Fund for Agricultural Improvement, etc.

Portugal

Table 14 Liquidity Position of Commercial Banks¹
End of period

	1965	1966	1967	1968	1969	1970
<i>Outstanding, in millions of escudos</i>						
Liabilities in escudos	53 690	60 700	72 836	87 004	107 913	121 849
Minimum cash reserves	6 468	7 302	8 355	9 815	12 071	12 767
Actual cash reserves	8 645	10 578	11 246	13 185	14 285	16 600
<i>As a percentage</i>						
Excess of free reserves over minimum reserves	33.7	44.9	34.6	34.3	18.3	30.0
Liquidity ratios ² :						
total deposits	16.1	17.4	15.4	15.2	13.2	13.6
sight deposits	20.0	21.7	18.8	18.8	16.6	18.2
30 to 90 day deposits	13.4	14.5	12.1	12.1	10.7	11.7
90 day to one year deposits	6.7	7.2	8.1	8.1		
180 day to one year deposits ³					7.1	7.8

1 Including banking houses and comparable institutions.

2 Cash reserves against liabilities.

3 In April 1969, a distinction was introduced between deposits with between 90 and 180 days' notice and deposits with between 180 days' and one year's notice. In addition, there is now a difference between minimum reserve ratio for the two types of deposits which, until then, had been identical.

Source: Annual Reports of the Bank of Portugal.

from budget appropriations, loans from the Caixa Geral or bond issues, make a significant contribution to the financing of activities in certain sectors. Figures are available however for operations by the Bank for Development; the amount of time deposits held by this institution has increased considerably since the 1968 reform which enabled it to offer significantly more attractive rates to its depositors¹. The growth of its resources has enabled the National Development Bank to repay part of the loans it contracted with the Treasury and to increase the volume of its operations, which had remained comparatively modest since its inception in 1960. The Bank's lending activities are not confined to Metropolitan Portugal but extend to the overseas provinces as well. The aggregate volume of its lending (mostly medium-term), which already increased considerably in 1969, grew by nearly 46 per cent in 1970. Credit extended to Metropolitan Portugal almost doubled.

In spite of the steps taken to overcome its structural deficiencies, the capital market does not seem to have played a more active part in financing the economy in 1970 than in previous years. The relatively large discrepancy between interest rates in Portugal and those abroad used to be a factor behind the illegal outflows of capital. In 1970, however, this gap was reduced as a result of the new domestic regulations and the lowering of international interest rates. Formation of savings was sizeable but the public's preference for hoarding and liquid or near-liquid investments continu-

1 The interest payable on deposits is also exempt from tax.

ed, and a very large proportion of available saving was still being channelled through the money market. Net capital stock¹ of corporations grew appreciably less rapidly than in the previous year, particularly in the case of joint stock companies. There was a considerable growth of share issues by those companies to finance increase in their capital stock, but these operations were of the closed circuit variety and did not involve the market to any significant degree. The volume of private sector issues was decidedly smaller than in previous years, even though nominal interest rates were between 6 and 7 per cent². That of public issues, on the other hand, amounted to Esc. 3.5 billion, an increase of more than 20 per cent on 1969.

Budget policy

According to provisional national accounts estimates, current savings of general government (central government, autonomous funds and services, local authorities and social security) increased considerably in 1969. Growth in current expenditure slowed down owing mainly to the trend in spending by central government, in particular the less rapid expansion of military expenditure and reduced operating subsidies to enterprises. Current receipts on the other hand continued to grow rapidly. Gross fixed asset formation increased relatively fast at roughly the same rate as in the previous year (about 10 per cent). Net lending on general government consolidated account rose steeply however from Esc. 0.9 billion in 1968 to Esc. 2.7 billion in 1969 or almost 1.9 per cent of GNP. Whereas there was net borrowing of Esc. 364 million on central government account in 1968, the final outcome for 1969 is likely to show net lending of Esc. 500 million. The estimates for the social security and local authorities accounts also indicate net lending of Esc. 1 952 million and 282 million respectively. Although general government lending increased considerably, cash operations unlike those of previous years showed a surplus of Esc. 341 million, due in the main, it is true, to social security and local government transactions. In the absence of a detailed study which would make it possible to assess the effect of general government transactions on households' and enterprises' accounts, it seems unlikely that in 1969, in spite of the authorities' declared intentions, budget policy provided any marked stimulus to the economy.

For 1970, only a forecast is available for general government transactions on a national accounts basis (see Table 15). Since these figures are likely to undergo substantial revision they cannot be relied upon to assess the effects of general government transactions on demand and production. To judge however by the results of the central government budget³ (excluding autonomous funds and services), it does not seem that public finance policy was markedly more expansionary in 1970. Total expenditure (current and capital) rose more rapidly than in the previous year, but total receipts

1 Excess of capital stock of newly formed corporations over that of dissolved corporations.

2 In previous years nominal rates were on average always below 6 per cent.

3 These results show that receipts had been underestimated by about 15 per cent in the initial forecasts, whereas expenditure forecasts were practically achieved.

Portugal

Table 15 The General Government Account
National accounts basis, standardized concepts
Billion escudos

	1968	1969 ¹	1970 ²	1968	1969 ¹	1970 ²
	Central Government ³			General Government		
Current revenue	22.80	25.77	28.28	31.31	35.73	38.89
Direct taxes	6.48	7.64	8.63	8.15	9.40	10.47
Social Security contributions	..	..	..	5.58	6.81	7.30
Indirect taxes	14.38	16.00	17.41	15.07	16.74	18.17
Other	1.94	2.13	2.24	2.51	2.78	2.95
Current expenditure	21.29	22.49	25.79	27.10	28.82	32.74
Goods and services, civilian	6.42	7.32	8.86	8.84	9.95	11.85
Goods and services, military	10.74	11.25	12.88	10.74	11.25	12.88
Transfers and subsidies	2.90	2.69	2.79	6.62	6.74	7.15
Interest on public debt	1.23	1.23	1.26	0.90	0.88	0.86
Current saving	1.51	3.28	2.49	4.21	6.91	6.15
Capital transfers received, net	0.34	-0.26	-0.12	0.52	0.02	0.16
Gross fixed investment	2.22	2.52	2.56	3.81	4.19	4.35
Lending (+) or borrowing (-), net	-0.37	0.50	-0.19	0.93	2.74	1.96
Lending, net of repayment	-1.53	-2.02	-1.96	-1.84	-2.71	-2.67
Borrowing, net of repayment	0.54	0.69	0.45	-0.11	0.09	0.03
at home	1.10	0.93	0.78	0.46	0.33	0.36
abroad	-0.56	-0.24	-0.33	-0.56	-0.24	-0.33
Increase (-) or decrease (+) in cash reserves	1.36	0.83	1.70	1.05	-0.34	0.68
Other changes				-0.03	0.22	

1 Estimate.

2 Forecast.

3 Including autonomous Central Government funds and services.

Source: Portuguese submission to the OECD.

continued to grow even faster. There was a marked acceleration in tax revenue. Receipts from direct taxes rose steeply as a result of the payment of large arrears and the higher tax rates introduced at the end of 1969¹. The increase of more than 22 per cent in indirect tax receipts would seem to confirm that the trend of economic activity must have been rather sustained in 1970. The increase in civil servants' wages and salaries caused a fairly steep rise in ordinary expenditure (16.7 per cent), while public investment went up by about 12 per cent. The cash deficit was thus considerably reduced, with the result that, in spite of the fact that public borrowing was on a much smaller scale than in the past, treasury reserves increased by almost Esc. 1 billion.

Only the central government budget on an administrative basis is available for 1971, based on the old classification of revenue and expenditure. A decree-law published on 15th July, 1971 announced the adoption from 1972 onwards of a new classification based on more economic and functional criteria. This will make it possible among other things to assess more

1 See Annual Survey of Portugal of July 1970.

Table 16 General Government Financial Position
National accounts basis, standardized concepts
Million escudos

	1966	1967	1968	1969 ¹	1970 ²
CENTRAL GOVERNMENT					
Current saving	1 338	990	1 516	3 284	2 485
Gross fixed investment	-1 629	-1 826	-2 223	-2 519	-2 558
Capital transfers received, net	295	106	343	-264	-119
Lending (+) or borrowing (-), net	4	-730	-364	501	-192
LOCAL GOVERNMENT					
Current saving	1 224	1 145	1 415	1 464	1 388
Gross fixed investment	-1 326	-1 488	-1 486	-1 458	-1 529
Capital transfers received, net	240	299	167	276	272
Lending (+) or borrowing (-), net	138	-44	96	282	131
SOCIAL SECURITY					
Current saving	891	1 065	1 274	2 164	2 277
Gross fixed investment	-497	-149	-96	-217	-262
Capital transfers received, net	4	5	9	5	5
Lending (+) or borrowing (-), net	398	921	1 187	1 952	2 020
General Government lending or borrowing on consolidated account	540	147	919	2 735	1 959

1 Estimate.

2 Forecast.

Source: Portuguese submission to the OECD.

precisely the impact of the budget on economic activity. According to the budget forecasts (excluding autonomous funds and services) there will be a slightly larger overall deficit than had been foreseen for the previous year. Current expenditure should increase slightly less fast because of a rather marked slowdown in the growth of civilian expenditure. It is true that an important adjustment in wages and salaries of government employees occurred in 1970. Military expenditure is planned to continue to increase at more or less the same rate as in the previous year. The fairly marked acceleration in military expenditure in the overseas provinces should be offset by a slowdown in the increase in military expenditure items covered by ordinary expenditure.

Total revenue is expected to increase appreciably less fast than in 1970. The slowdown should affect receipts from both direct and indirect taxes. Extraordinary receipts from sources other than borrowing should increase only moderately. Fluctuations in this item, which covers receipts from a wide range of different sources, are however not very significant. It is expected that current saving will be slightly larger— than in 1970. Expenditure in fixed investment and loan transactions should speed up somewhat, which will mean a slight increase in central government borrowing. Extraordinary military receipts and expenditures have probably been considerably underestimated, so that the picture given by the final figures is likely to be

Table 17 The Central Government Budget
Administrative basis, excluding autonomous funds and services
Billion escudos

	1967	1968	1969	1970	1967	1968	1969	1970	1971
	Final budget results				Initial forecasts				
TOTAL REVENUE	20.78	22.67	25.77	31.11	16.43	18.51	19.89	24.36	27.01
Ordinary revenue	19.90	21.83	24.63	29.73	14.96	16.91	18.50	22.03	24.52
Direct taxes	5.42	6.27	7.33	8.91	4.60	4.85	5.29	6.46	7.35
Indirect taxes	9.41	10.05	11.36	13.89	6.28	7.41	8.11	99.9	11.00
Other ordinary revenue	5.07	5.51	5.94	6.93	4.08	4.65	5.10	5.58	6.17
Extraordinary revenue ¹	0.88	0.84	1.14	1.38	1.47	1.60	1.39	2.33	2.49
TOTAL CURRENT EXPENDITURE	16.44	17.98	19.56	22.69	14.82	15.41	18.04	20.56	22.47
Civilian	5.03	5.53	6.42	7.60	5.39	5.86	6.76	8.31	9.24
Military	10.23	11.16	11.83	13.70	8.32	8.73	9.73	10.55	11.53
Ordinary	3.05	3.20	3.42	4.23	2.97	3.12	3.39	4.18	4.48
Extraordinary	7.18	7.96	8.41	9.47	5.35	5.61	6.34	6.37	7.05
Interest on the public debt	1.18	1.29	1.31	1.39	1.11	0.82	1.55	1.70	1.70
CURRENT SAVING	4.34	4.69	6.21	8.42	1.61	3.10	1.85	3.80	4.54
GROSS FIXED INVESTMENT AND GROSS LENDING	5.54	6.08	7.28	8.13	4.38	5.56	6.39	7.29	8.61
OVERALL BALANCE of the budget (deficit = —)	-1.20	-1.39	-1.07	0.29	-2.77	-2.46	-4.54	-3.49	-4.07
Debt repayment (net)	-1.38	-1.14	-0.87	-0.92	-1.00	-1.36	-0.89	-0.94	-0.96
Treasury transactions (deficit = —)	-2.58	-2.53	-1.94	-0.63	-3.77	-3.82	-5.43	-4.43	-4.03
Domestic borrowing	2.31	2.17	1.69	0.96	3.55	2.81	3.92	3.62	4.98
Foreign borrowing	0.24	0.93	0.62	0.06	0.22	1.01	1.41	0.81	0.01
Utilisation of earlier balances of account	0.13	—	0.64	0.62	—	—	0.10	—	0.04
Sums carried forward to future budget years	-0.10	-0.57	-1.01	-1.01	—	—	—	—	—

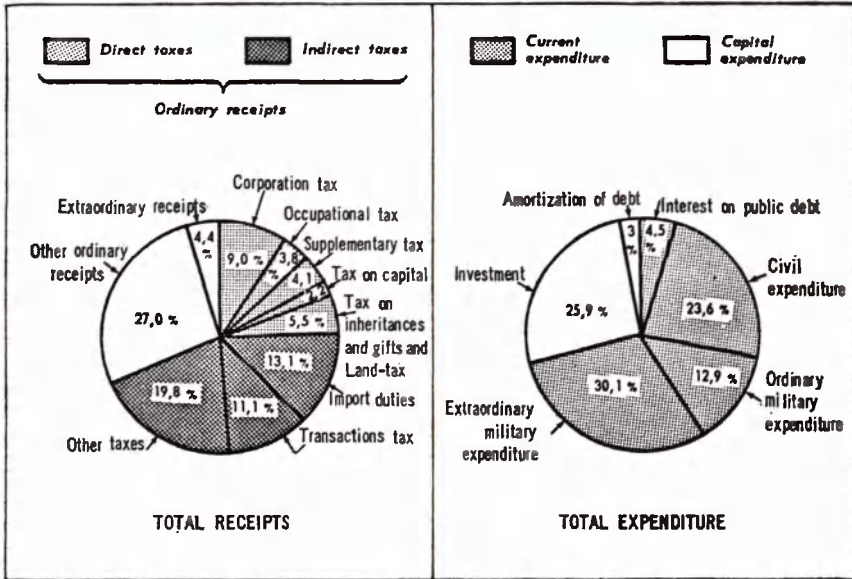
¹ Excluding balances for past budget years and utilisation of proceeds from public debt loans.

Source: Finance Ministry, Report on the Central Government Accounts, 1969; Report on the Central Government Budget, 1971.

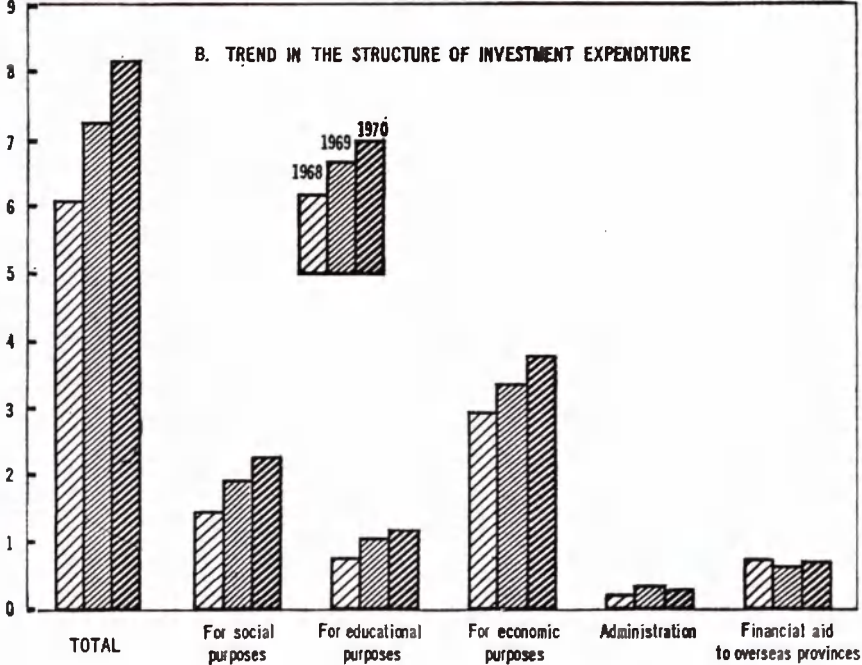
Diagram 11 The structure of the public finances

A. OUTCOME OF THE CENTRAL GOVERNMENT BUDGET.

(average 1969-1970, as percentages of the total)



Billion of escudos



Source: Ministry of Finance, Central Government Accounts for 1969.

very different from that shown by the forecast ones¹. It is worth noting that in 1970 the actual deficit on cash operations was only Esc. 0.6 billion, whereas the forecast figures indicated a deficit of nearly 4.5 billion. It is therefore difficult to estimate the effect of general government transactions on overall demand, incomes and production. Actual results for the first five months of 1971 showed a surplus of Esc. 1.4 billion, whereas for the corresponding period of the previous year total receipts were more or less equal to total expenditure. This comparison is not entirely valid, however, since in May certain balances not used in 1970 were brought forward as extraordinary receipts, whereas the previous year a similar operation only took place in July.

The tax changes carried out in 1968 and 1969 were aimed not only at simplifying extremely ponderous administrative procedures but also at changing the structure of the tax system to make it into a more suitable instrument for the requirements of a policy of rapid industrialisation and sustained growth of investment. The same aims seem to have inspired the measures announced in the draft budget for 1971. In the context of the policy for stimulating investment, the rate of the "industrial tax" has been reduced from 18 to 15 per cent, which should result, according to official estimates, in a loss of receipts of about Esc. 0.5 billion, but this will be partly offset by increased rates on some other taxes. The general rate of tax on capital has been raised from 15 to 18 per cent, and that on dividends from 5 to 6½ per cent². Moreover, to check real estate speculation and canalize savings into types of investment which are more useful for economic development, the urban land tax rate has been raised from 12 to 16 per cent³. It is also planned to revise the capital gains tax system in 1971, since capital gains at the moment largely escape taxation. There have also been various changes in indirect taxation. Stamp duty has been raised on a number of transactions, the taxes on tobacco and beer have been increased, and the tax on transactions given a more diversified structure. Thus a new intermediate list⁴ has been prepared of products liable to a rate of 12 per cent. This includes more particularly durable consumer goods. The rearrangement of products between the various lists amounts in effect to an increase in the tax burden.

Three broad priorities are laid down in the 1971 Finance Act. The first of these is to encourage and promote investment in order to speed up the rate of gross fixed asset formation. Public capital expenditure is given the same priority in this respect as expenditure on national defence. Tax incentives are also provided for private investment. The government also reserves the right to encourage the participation of the State or public

1 Although the Portuguese authorities announced their intention to reduce gradually the "safety margin" in budget forecasts, and although the 1970 budget incorporates such a reduction, it is nevertheless intended to keep a wide safety margin all the same.

2 In order not to create more difficulties for enterprises on the securities market and not to interfere with the much-to-be-desired transformation of the structure of deposits now already under way, tax rates on securities and time deposits have not been changed.

3 This is not a general measure. It only applies to premises having a certain registered value or of which the rents fixed since January 1971 exceed a certain amount.

4 In the previous system, certain products were exempt; the others were liable to rates of either 7 per cent or 20 per cent.

enterprises in the creation of new productive units, or to carry out directly other projects through the public sector. It is also recognised that the structural reform of the various industries is another fundamental objective of economic policy. In the light of the general guidelines laid down for sectoral economic policy, it is stated that the authorities will undertake:

- “ to stimulate the modernisation of the agricultural sector, intensify the growth of its production and improve the incomes earned from it;
- to modernise the structure of the industrial sector, promote the expansion of production and strengthen its competitive capacity;
- to improve the efficiency of the commercial sector, reduce the costs of distribution channels and strengthen the capacity of export activities.”

The third of the broad objectives mentioned in the Finance Act is the maintenance of the stability of the currency at home and abroad, a better adjustment of supply to demand and the absorption of excess liquidity being essential conditions for a more moderate rate of increase in prices.

Industrial and agricultural policies

Portuguese industrial structures offer very marked contrasts, but this is hardly surprising in an economy going through the process of industrialisation and structural changes. In some sectors new production units have been set up during recent years. These have modern equipment, are rationally managed and hold a strong competitive position. In a very large number of sectors, however, there are marginal enterprises whose survival seems difficult to guarantee, even under the recent policy of industrial reorganisation, as well as small and medium-sized business whose techniques and management or sales promotion methods are hardly compatible with rapid expansion and diversification of industry. In a number of sectors, supply is still inadequate and production is having some difficulty in adjusting to the increasing and rapid diversification of demand. To remedy these shortcomings, the industrial policy specified in the Finance Acts of 1970 and 1971 aims to encourage concentration, grouping or restructuring of firms and improve the quality of production.

As part of the new industrial policy approach it is intended to revise the fairly strict system of control of industrial activities (“industrial conditioning”). The system being considered will classify industries into three categories:

- (a) industries in which the establishment of new enterprises and the modernisation and extension of existing ones are subject to individual authorisation from the Secretariat for Industry (discretionary conditioning)¹;

1 Discretionary conditioning would be limited to basic industries whose inter-sectoral relationships are very diversified. It is however intended that this system shall continue to apply for the time being to sectors which are experiencing special difficulties if the maintenance of the present situation will make it possible to overcome them. Enterprises no longer subject to discretionary conditioning would however have to continue to observe a number of rules as to financial structure and production conditions. The latter still have to be defined.

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- (b) industries in which new activities are simply required to meet certain financial and technical standards;
- (c) industries in which activities are not subject to any controls other than current regulations pertaining to conditions of health, safety and hygiene.

In pursuance of the new policy a decree-law of 5th August, 1970 set out new lists of industries subject to conditioning, the effect being to reduce the field of application of control and to clarify the system as it applies to the various industries.

The provisions concerning industrial development already contained in the last two Finance Acts have been supplemented by an industrial development bill laid before the Corporative Chamber in March 1971. These different measures aim to promote diversification and a more rapid growth of industrial production. As part of a selective policy for promoting private investment, various incentives have been planned (tax incentives, subsidies, credit on preferential terms). It is also planned that these encouragements will be given first and foremost to sectors where supply falls short of demand or where export prospects are particularly good. It has been decided to improve the quality of production by prescribing quality standards and strict supervision of their enforcement, and a service to aid investors has been set up. Recent measures indicate that the authorities intend to try to bring down production costs — the price of fuel oil, for example, has been reduced.

Agriculture continues to play a very important part in the Portuguese economy. Despite a very rapid drift from the land during the last decade, the agricultural sector was still employing nearly 30 per cent of the total labour force in 1969, one of the highest percentages among the OECD countries. Its contribution to gross domestic product was about 19 per cent and exports of agricultural products accounted for nearly one-fifth of total exports. The growth of agricultural production during the 1960s underwent considerable fluctuations, but overall it was extremely slow¹.

There were several factors responsible for this state of affairs. Productivity in agriculture is low, owing to insufficient mechanisation and use of fertiliser and inadequate training of agricultural manpower. Production structures are unsuitable; in the mountainous regions of the north where the soil is poor and in some central districts there is a preponderance of small, very parcelled-out farms employing mostly family workers. South of the Tagus, in the lowland regions, a large proportion of the land is taken up by big farms run by dependent labour, but the excessive size of these holdings is one of the main obstacles to the expansion of agricultural production. In spite of past legislation², no really effective action as regards structures has been taken yet, and even in the newly irrigated areas farm structure has changed very little.

1 The reasons for the slow rate of progress in agriculture were set out in detail in the OECD report on agricultural development in southern Europe (Paris, 1969), pages 135 to 197.

2 Decree-law of 23rd November, 1962, on the legal system of land settlement.

Within the framework of the broad directives laid down in the Third Development Plan, steps have been taken in recent years to try to improve land tenure systems, gear production to the rapidly changing pattern of food consumption related to the growth of incomes, develop infrastructures and increase the value of agricultural output. Encouraging results have been obtained in meat production, which have brought about a rise in agricultural incomes and a substantial saving of foreign exchange. The Portuguese authorities have undertaken to promote the development of other lines of production whose output is insufficient, in particular maize and oilseed, the mounting demand for which could hitherto only be met through increased imports. It has also been decided to speed up the changeover from low yield crops intended for consumption on the farm and producing only small incomes. The land given over to these crops, mostly cereals, will be used to develop livestock and forestry production, for which the demand prospects both at home and abroad are very bright.

It is also planned to intensify the policy for increasing the value of agricultural output through the development of industries processing agricultural produce. These will in certain circumstances be eligible for the incentives specially earmarked for industries on the priority list. Various measures have been or will be taken to modernise and restructure agricultural holdings, one such measure being the recent setting up of a special fund for land consolidation. Another of the authorities' activities in connection with land consolidation is to grant tax incentives or preferential credit to farmers in order to speed up the creation of economically viable production units. It is also planned to revise the legal system of land lease, share farming and settlement farming. Increased productivity is expected through better use of the irrigation system, and various incentives have been granted for this purpose. Efforts too are under way to improve vocational training in agriculture. Reorganisation of the system of farm credit is being considered. The Third Plan's investment programmes for the second three-year period provide for development of infrastructures, and in particular extension of the irrigation system, construction of silos and modernisation of mechanical equipment for grain handling. As part of the nature conservation programme, it has been decided to create national parks and reserves.

III DEVELOPMENT POLICY

Revised projections of the Third Plan

The initial targets of the Third Development Plan were described in detail in the previous annual survey. When the Plan was approved in December 1967, it was understood that depending on the results of the first three years' operation the projections could be adjusted to enable the initial targets of the Plan to be achieved. The estimates made early in 1970, clearly showed that the Plan's main objectives would not be achieved during the first half of the period, and new projections for the period 1971-1973 were drawn up

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Table 18 Revised Projections of the Third Development Plan
Output and expenditure at 1963 prices

	Estimated in Plan	Final figures for national accounts	Trend	Forecasts	Revised
			1953-1966	1968-1973	projections 1971-1973
	1967 Billion escudos		Annual percentage change		
Private consumption	79.7	78.5	4.3	5.6	6.9
Public consumption	14.2	15.6	7.5	5.7	5.7
Gross fixed investment	21.0	22.9	8.5	8.5	12.8
Change in stocks	0.9	-0.5	..	..	..
Exports of goods and services	28.1	30.7	..	10.8	8.9
Imports of goods and services	33.1	33.2	..	7.8	9.9
External balance	-5.2	-2.5	..	..	..
GNP at market prices	110.5	114.0	5.2	7.0	7.5
<i>Primary sector</i>	17.6	19.3	1.0	3.0	3.0
Agriculture and fishing	17.3	18.8	1.0	3.0	3.0
Mining	0.4	0.5	-2.2	3.5	..
<i>Secondary sector</i>	44.1	44.7	8.3	8.9	9.5
Manufacturing	35.5	36.2	8.2	9.0	9.5 ¹
Construction	5.7	5.6	8.1	8.0	8.5
Electricity	2.9	2.9	10.2	9.5	11.0
<i>Tertiary sector</i>	38.8	39.7	5.0	6.3	6.7
Commerce	12.3	12.0	5.0	5.9	7.0
Transport and communications	5.6	5.8	4.8	5.7	7.9
Dwellings	3.5	3.5	3.7	5.2	5.4
Government	6.6	7.8	7.3	5.1	5.1
Education	1.5	2.5	5.9	8.0	8.0
Health	1.1		4.4	6.5	6.2
Other	8.2	8.1	..	7.8	7.2
GDP at factor cost	100.5	103.7	5.0	7.0	7.4

1 Including mining and quarrying.

Source: Third Development Plan, 1968-1973.

and used as a basis for preparing investment programmes. It should be noted that what was involved was not properly speaking a complete revision of the Plan, nor are the revised figures strictly comparable to those in the national accounts.

Annual investment programmes

The final results of the Plan's investment programmes in 1970 are not yet available, but provisional estimates would indicate that the rate of implementation was significantly higher than in the two previous years. The overall rate of implementation is likely to have been 89 per cent, as against 73 and 76 per cent in 1968 and 1969 respectively. In agriculture and fishing, where the previous results were particularly disappointing, it is

probable that 85 per cent of programmed investment expenditure was carried out. The implementation rate was highest in infrastructure programmes (fuel and power, transport). These provisional results suggest that during the first three years of the Plan, only about 80 per cent of the scheduled programmes were carried out (not including investment in manufacturing and in mining and quarrying). The lowest rates of implementation were probably in agriculture, fishing and housing. As in the previous two years, achievements in the field of rural development are likely to have exceeded the forecasts.

To reflect the new options decided on in regard to gross fixed asset formation, investment programmes have been drawn up for the period 1971-1973. In accordance with the practice already followed for the previous annual programmes of the Third Plan, the industrial projects only involve operations financed in whole or in part from public funds, and relate solely to mining and quarrying. The fact that a large number of projects had been inadequately prepared in the past very often proved to be an obstacle to their implementation. Because of the statistical shortcomings that make it difficult to evaluate private sector investment, the programmes of investment in manufacturing have been excluded. The bulk of the effort is going to be concentrated on infrastructure. Investment in the energy, transport and communications sectors accounts for more than half of the projects planned. To remedy the shortcomings of distribution and permit a more active marketing policy, large-scale investment has also been planned for the provision of slaughterhouses, warehousing facilities and grain silos, and for the setting up of a "National Cold Chain". Over one-third of this investment is likely to be financed by the public sector, which will also make a particularly notable contribution in the social field by financing an estimated three-quarters of the investment planned in that category. External credit is expected to play a significant part in infrastructure financing, especially in the case of transport and communications.

Given the amount of investment planned and carried out in the period 1968-1970, the targets set for the second three-year period denote highly ambitious programmes. Aggregate projected investment (not including investment in manufacturing and in mining and quarrying) amounts to Esc. 60 billion, compared with Esc. 38 billion during the period 1968-1970. Although the rate of programme implementation in fishing and agriculture was comparatively low previously, the amount of investment planned in these sectors is only slightly larger than that scheduled for the previous three years; but investment spending in the transport and health sectors is expected to be more than double. The annual programme for 1971 reflects these new trends, the amount of scheduled investment expenditure being significantly larger than in the previous years, especially in regard to infrastructure. The overall targets fixed for the whole of the period 1971-1973 assume a very appreciable speed-up in investment spending during the last two years of the Plan. Considering the special role that will fall to the public sector in the matter of financing, the full implementation of these programmes will depend not only on the degree to which projects are prepared, but also, and very largely, on the authorities' budget policy and observance of the priorities specified on several occasions in official statements.

Table 19 Investment Programmes of the Third Development Plan
Billion escudos

	1968		1969		1970	1971	1968-70	1971-73
	Forecasts	Actual expenditure	Forecasts	Actual expenditure	Forecasts			
BY SECTOR OF INVESTMENT								
Strategic sectors	9.46	10.16	9.82	..	..	..	..	11.07
Agriculture and forestry	2.14	1.63	2.32	1.36	1.92	2.19	6.38	6.94
Fishing	0.35	0.25	0.32	0.12	0.31	0.27	0.98	0.86
Industry	6.23	7.77	6.27	..	0.02 ¹	0.03 ¹	..	0.12 ¹
Tourism	0.74	0.51	0.91	0.74	0.34	0.43	1.99	3.15
Infrastructure	6.34	4.84	6.45	5.13	6.62	11.12	19.41	36.98
Energy	2.54	2.05	2.62	2.11	2.59	3.29	7.75	11.19
Transport, communications, meteorology	3.80	2.79	3.83	3.02	3.97	7.43	11.61	24.66
Distribution channels	—	—	—	—	0.06	0.40	0.06	1.13
Social investment	2.73	1.78	3.19	2.73	3.44	3.88	9.36	12.83
Education, research, vocational training	0.84	0.54	0.90	0.83	1.00	1.02	2.74	3.64
Housing and town planning	1.35	0.75	1.55	1.11	1.49	1.92	4.39	5.16
Health and welfare	0.24	0.17	0.32	0.28	0.46	0.51	1.02	2.76
Rural development	0.30	0.32	0.42	0.51	0.49	0.43	1.21	1.27
BY SECTOR OF FINANCING								
General Government	5.58	4.92	6.71	6.24	6.75	6.66	19.04	21.31
Individuals and enterprises	5.26	2.43	3.59	1.83	1.83	5.46	10.68	16.64
Financial institutions	2.90	1.37	1.78	1.73	0.85	1.93	5.53	7.06
Foreign credit	3.69	1.09	1.12	0.60	0.63	1.88	5.44	8.74
Other	1.10	6.99	—	0.07	2.57	1.97	3.67	7.14
Total	18.53	16.80	..	..	..	..	..	..
Total, excluding mining and manufacturing industries	12.30	9.03	13.20	10.47	12.63	17.88	38.13	60.88

1 Since expenditure forecasts for the whole of industry have not been issued as from 1970, these figures refer only to mining and quarrying and cannot therefore be compared with those for previous years. Similarly, the breakdown by sector of financing excludes the financing of the industrial sector after 1969.

Source: Portuguese submission to the OECD.

IV PROSPECTS AND POLICY ISSUES

Non-agricultural output has probably increased at a fairly high rate in the last two years, with a significant impetus coming from a stronger trend of investment. Apart from possible fluctuations in agricultural production, short-term prospects depend partly on the state of foreign demand which has a relatively large influence on economic developments in Portugal. The data available suggest, however, that investment demand continues to be relatively buoyant and that an appreciable increase of industrial production can be expected for 1971.

Current economic policies are, on the whole, expansionary. The overall impact of monetary and credit policy is likely to be stimulative. The recent increases in interest rates are not — as might appear at first sight — contradictory to certain expansionary measures taken at the same time, like the net reduction of banks' required reserves. It should be remembered that officially controlled rates of interest had been pegged for a long time at unrealistically low levels. The escalation of rates in foreign markets probably accentuated distortions in the domestic markets (a significant volume of financial intermediation apparently taking place outside the banking system at much higher rates of interest) and encouraged some types of capital outflow. The reduction of differentials both with rates abroad and with "parallel" rates at home should attract liquid funds to the banking system and thus increase its lending potential.

The economic impact of the budget in 1971 is more difficult to foresee. The planned increases in public investment should, if approximately realised, exert an appreciable expansionary influence. But whether the fiscal drag will be as important as last year is impossible to judge, because of the unrealistic methods still applied for estimating tax revenues. More generally, the authorities' intention of making more active use of short-term economic policy has already been reflected in the formulation of the budget and in the somewhat greater scope of action allowed to the Central Bank. But further important progress in this direction depends on improvements of policy instruments and, rather crucially, on early and extensive improvements in economic statistics.

The relatively expansionary stance of current policy is linked to an important change of emphasis in overall economic policy since the end of 1968. As stated succinctly in the budget report for 1971, the first priority in the past was financial stability; now the acceleration of economic development is also given top priority. As is well known, the balance-of-payments situation does not constitute a constraint and provides, indeed, ample scope for dynamic development policies. Earlier OECD Surveys have stressed the desirability of using national savings for domestic investment rather than for further increases of official reserves and of private financial assets abroad. The new orientation of policy espouses this general aim.

Difficult problems may arise, however, in reconciling the objectives of growth and relative price stability. In contrast to past developments, price increases have become considerable in recent years and the fact that recent data do not suggest any deceleration gives cause for concern. Demand was

anything but excessive in the period under review and cost factors were clearly mainly responsible for the price rise. In broad terms the fundamental reason was that average productivity increases had for a long time been insufficient, largely because of the predominant preoccupation with a rather static conception of financial stability, least suitable for a country in Portugal's stage of economic development. When workers' emigration abroad acquired large proportions, nominal wage increases accelerated. It became soon clear that the change in labour supply conditions was removing the economic basis of a large part of agricultural production. More recently, wage levels in other sectors of the economy started being indirectly influenced by those prevailing in certain highly advanced industrialised countries. In these circumstances, abandonment of the present growth-oriented policy for the purpose of moderating the pressure on prices would undoubtedly be a self-defeating course of action. The authorities' intention of accelerating investment — evidenced, *inter alia*, by the increase in budget appropriations and the upward revision of the Plan's investment programme for 1971-1973 — deserves unqualified approval. The main problem in this respect is how soon these plans will be realised, bearing in mind the considerable technical and administrative delays often observed in the past.

Well-conceived development policies should ease cost pressures in due course, but their beneficial results will take time to materialise. It follows that, for coping with the immediate problem of excessive price rises, extensive recourse to selective measures acquires particular importance. Both fiscal and credit policies have to some extent been adapted in the direction of selectiveness (an example is the restraint imposed on consumer credit, while credit expansion for productive purposes was encouraged) and further steps are probably feasible. Measures which could have a quick favourable impact on costs and prices are particularly advisable at present. One example is the recent decision to reduce the price of liquid fuel; but much wider action seems to be required, including increased recourse to imports, suspension of import taxes and duties and temporary cuts in other indirect taxes. Within certain categories of structural measures (e.g. improvements in the infrastructure of the distributive sector or breaking up of oligopolistic market positions) some steps with relatively quick effects may be feasible.

Achievement of the objective of rapid growth and industrialisation does not depend only on a higher rate of investment. It requires also a wide range of structural and institutional reforms, as explicitly recognised in various official documents. Good progress has already been made in certain fields, e.g. regulations concerning the functioning of the money market and the market for medium-term credit. In other domains — for instance the important field of vocational training — preparation of new plans seems to be well advanced. In this context, the broad outlines of agricultural and industrial policies merit special mention. Agriculture is, rightly, no longer considered as the residual sector in long-term planning. But, despite some partial successful results, rationalisation of the farm sector seems to call for still greater efforts than at present envisaged. In particular, the scope for technical improvements is unlikely to be adequately exploited, unless the structural problems posed by extremely small holdings and absentee ownership of large domains are tackled. The intention to adapt industrial policies

to present conditions is illustrated by the revision, in a liberal spirit, of the rather strict industrial licensing system, whose details remain to be fixed. Despite appearances to the contrary, the real problem is not the degree of supervision, control and eventual direct initiatives which the administration may exercise in industry. More than in other essentially market economies a fair degree of government involvement seems necessary for a country in the process of industrialisation. But, as was argued in earlier OECD Surveys, the methods of intervention need to be overhauled. The use of general policy instruments with indirect effects seems, in general, more efficient in to-day's technological and economic conditions than purely administrative types of control, as experience in both market-orientated and centrally-planned economies strongly suggests. To give an example, existing regulations provide investment incentives for selected branches of industry by allowing them reduced rates of duty on imports of certain raw materials and investment goods. It may be wondered why, given the general objective of industrialisation, all duties on such imports are not suspended as a general rule.

The aims of accelerated investment and economic growth imply a rather substantial increase of imports over time, and not only for raw materials and machinery. This might perhaps give rise to a current account deficit exceeding, for a certain period, net inflows of long-term capital, but the level of foreign reserves is sufficiently high to cope with such an eventual situation. Over the medium term, exports could also expand rapidly, provided general protectionist moves in international trade are avoided and satisfactory arrangements for Portugal's trade relations with the enlarged European Economic Community are worked out in due course. But industrialisation itself should considerably help to diversify and increase exports. There are good reasons to expect that approximate equilibrium in the basic balance at a much higher level would be one of the results of accelerated growth. Another result would be to provide adequate employment opportunities to the population of working age in their own country.

STATISTICAL ANNEX

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Table A National Product and Expenditure

Million escudos

	Final figures						Provisional figures		
	1963	1964	1965	1966	1967	1968	1968	1969	1969 ¹
<i>Current prices</i>									
Consumers' expenditure	66 400	70 800	78 625	87 314	92 662	107 336	103 206	116 578	119 235
Government current expenditure	11 212	12 128	13 198	14 647	17 669	19 194	19 180	21 203	21 203
Gross fixed asset formation	15 951	16 587	18 543	22 331	26 498	27 190	27 707	30 306	30 306
Change in stocks	-247	1 018	1 567	-1 703	-405	22	4	393	393
DOMESTIC EXPENDITURE	93 316	100 533	111 933	122 589	136 424	153 742	150 097	168 480	171 137
Exports of goods and services including factor income	16 681	25 005	29 237	32 144	36 370	37 149	36 416	40 145	40 145
Imports of goods and services including factor income	21 606	28 970	33 967	36 922	39 329	43 955	40 763	46 406	46 406
GROSS NATIONAL PRODUCT AT MARKET PRICES	88 391	96 568	107 203	117 811	133 465	146 936	145 750	162 219	164 876
Less: Net income from the rest of the world	-136	519	663	324	592	609	609	935	935
GROSS DOMESTIC PRODUCT AT MARKET PRICES	88 527	96 049	106 540	117 487	132 873	146 327	145 141	161 284	163 941
Less: Indirect taxes net of subsidies	6 989	7 713	8 601	9 675	11 724	13 010	13 024	14 960	14 960
GROSS DOMESTIC PRODUCT AT FACTOR COST	81 538	88 336	97 939	107 812	121 149	133 317	132 117	146 324	148 981
<i>1963 prices</i>									
Consumers' expenditure	66 400	68 809	73 317	76 303	78 539	87 998	83 693	89 848	91 692
Government current expenditure	11 212	11 977	12 861	13 709	15 580	16 584	16 509	17 456	17 456
Gross fixed asset formation	15 951	16 671	18 417	21 619	22 872	23 078	23 538	25 113	25 113
Change in stocks	-247	1 034	1 499	-1 774	-455	171	567	382	382
DOMESTIC EXPENDITURE	93 316	98 491	106 094	109 857	116 536	127 831	124 307	132 799	134 643
Exports of goods and services including factor income	16 681	24 183	27 325	28 598	30 666	29 530	29 203	29 324	29 324
Imports of goods and services including factor income	21 606	28 017	31 745	32 849	33 161	34 940	32 689	33 898	33 898
GROSS NATIONAL PRODUCT AT MARKET PRICES	88 391	94 657	101 674	105 606	114 041	122 421	120 821	128 225	130 069
Less: Net income from the rest of the world	-136	502	620	288	500	484	488	683	683
GROSS DOMESTIC PRODUCT AT MARKET PRICES	88 527	94 155	101 054	105 318	113 541	121 937	120 333	127 542	129 386
Less: Indirect taxes net of subsidies	6 989	7 459	8 038	8 610	9 885	10 342	10 353	10 927	10 927
GROSS DOMESTIC PRODUCT AT FACTOR COST	81 538	86 696	93 016	96 708	103 656	111 595	109 980	116 615	118 459

¹ Including direct taxes.

Source: Memorandum submitted to the OECD by the Portuguese Authorities.

Table B Origin of Gross Domestic Product at Factor Cost

Million escudos

	Final figures						Provisional figures		
	1963	1964	1965	1966	1967	1968	1968	1969	1969 ¹
<i>Current prices</i>									
Agriculture, forestry and fishing	18 234	18 313	20 873	21 319	24 197	24 835	24 775	26 051	26 051
Mining and quarrying	434	584	527	693	751	894	769	843	843
Manufacturing	24 805	28 821	32 777	36 457	40 797	47 192	45 976	51 786	51 786
Electricity, gas and water	2 053	2 237	2 382	2 563	2 973	3 152	3 144	3 134	3 492
Construction	4 404	4 470	5 016	6 402	6 591	7 055	6 925	7 425	7 425
Transport and communications	4 663	4 928	5 240	6 033	6 714	7 376	7 847	8 547	8 845
Wholesale and retail trade	9 572	10 646	11 302	12 355	14 261	16 119	15 947	18 748	19 995
Banking, insurance and real estate	2 054	2 230	2 543	2 852	3 241	3 673	3 851	4 566	5 015
Ownership of dwellings	2 972	3 111	3 444	3 745	3 892	3 915	4 008	4 513	4 513
Public administration and defence	5 718	5 969	6 243	6 999	8 452	8 967	8 910	9 331	9 331
Other services	6 629	7 027	7 592	8 394	9 280	10 139	9 965	11 380	11 685
GROSS DOMESTIC PRODUCT AT FACTOR COST	81 538	88 336	97 939	107 812	121 149	133 317	132 117	146 324	148 981
<i>1963 prices</i>									
Agriculture, forestry and fishing	18 234	17 694	18 802	16 986	18 795	19 402	19 176	18 779	18 779
Mining and quarrying	434	441	449	463	505	537	518	512	512
Manufacturing	24 805	28 587	31 510	33 679	36 243	40 408	39 342	42 893	42 893
Electricity, gas and water	2 053	2 283	2 449	2 650	2 862	3 120	3 120	3 435	3 627
Construction	4 404	4 474	5 054	6 320	5 582	5 952	5 844	6 145	6 145
Transport and communications	4 663	4 832	5 138	5 312	5 750	6 209	6 256	6 759	6 950
Wholesale and retail trade	9 572	10 295	10 561	10 994	12 025	12 813	12 676	13 706	14 617
Banking, insurance and real estate	2 054	2 157	2 377	2 536	2 732	2 920	3 062	3 342	3 670
Ownership of dwellings	2 972	3 101	3 235	3 389	3 533	3 720	3 714	3 940	3 940
Public administration and defence	5 718	5 969	6 243	6 808	7 804	8 325	8 238	8 576	8 576
Other services	6 629	6 863	7 198	7 571	7 825	8 189	8 034	8 528	8 750
GROSS DOMESTIC PRODUCT AT FACTOR COST	81 538	86 695	93 016	96 708	103 656	111 595	109 980	116 615	118 459

1 Including direct taxes.

Source: Memorandum submitted to the OECD by the Portuguese Authorities.

Table C Gross Domestic Fixed Asset Formation *Million escudos*

	Final figures						Provisional figures	
	1963	1964	1965	1966	1967	1968	1968	1969
	<i>Current prices</i>							
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	15 951	16 587	18 543	22 331	26 498	27 190	27 707	30 306
Breakdown by product:								
Residential construction	2 933	3 370	3 728	4 705	6 482	6 386	6 385	7 615
Other construction	7 732	7 463	8 579	10 865	9 509	10 620	10 296	10 183
Equipment and machinery	5 286	5 754	6 236	6 761	10 507	10 184	11 026	12 508
Breakdown by branch of activity:								
Agriculture, forestry and fishing	1 365	1 425	1 401	1 544	1 955	2 042	2 210	2 142
Mining and quarrying	94	35	79	88	91	114	55	122
Manufacturing and construction	4 508	4 899	5 973	7 610	7 539	7 290	7 912	8 443
Electricity, gas, water	1 730	1 511	1 353	1 680	2 336	2 473	2 271	2 512
Transport and communications	2 822	2 410	2 846	3 150	3 994	4 252	4 354	4 215
Dwellings	2 933	3 370	3 728	4 705	6 482	6 386	6 385	7 615
Other services	2 499	2 937	3 163	3 554	4 101	4 633	4 520	5 257
Breakdown by sector:								
Public administration	2 705	2 678	2 493	2 620	2 921	3 371	3 307	3 519
Enterprises	13 246	13 909	16 050	19 711	23 577	23 819	24 400	26 787
	<i>1963 prices</i>							
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	15 951	16 671	18 417	21 619	22 872	23 078	23 538	25 113
Breakdown by product:								
Residential construction	2 933	3 409	3 764	4 659	5 503	5 413	5 413	6 345
Other construction	7 732	7 545	8 654	10 718	8 040	8 964	8 694	8 430
Equipment and machinery	5 286	5 717	5 999	6 242	9 329	8 701	9 431	10 338
Breakdown by branch of activity:								
Agriculture, forestry and fishing	1 365	1 420	1 371	1 438	1 662	1 700	1 843	1 729
Mining and quarrying	94	35	78	84	79	97	47	102
Manufacturing and construction	4 508	4 901	5 873	7 308	6 603	6 213	6 748	6 988
Electricity, gas, water	1 730	1 525	1 360	1 651	2 001	2 100	1 930	2 088
Transport and communications	2 822	2 432	2 833	3 049	3 469	3 616	3 707	3 498
Dwellings	2 933	3 409	3 764	4 659	5 503	5 413	5 413	6 345
Other services	2 499	2 949	3 138	3 430	3 555	3 939	3 850	4 363
Breakdown by sector:								
Public administration	2 705	2 693	2 493	2 573	2 493	2 858	2 805	2 928
Enterprises	13 246	13 978	15 924	19 046	20 379	20 220	20 733	22 185

Source: Memorandum submitted to the OECD by the Portuguese Authorities.

Table D Agricultural Production

	Unit	Average 1953- 1962	1964	1965	1966	1967	1968	1969	1970
Cereal production	100 tons								
Wheat	—	6 332	4 719	6 123	3 120	6 372	7 475	4 536	5 398
Rye, barley and oats	—	3 547	2 805	3 799	2 569	3 591	4 222	3 011	2 833
Maize	—	4 760	5 965	4 586	5 647	5 768	5 479	5 526	5 814
Rice	—	1 613	1 814	1 388	1 540	1 460	1 490	1 758	1 980
Potatoes and vegetables									
Potatoes	—	10 540	11 434	8 880	9 233	12 957	10 831	11 264	12 200
Broad beans, French beans, chick-peas	—	1 081	1 182	937	1 054	1 165	1 123	1 006	1 004
Wine	1 000 hl	10 745	13 595	14 749	8 928	9 740	11 690	8 081	11 328
Olive oil	—	918	450	788	414	879	581	790	687
Cattle slaughtered	tons	88 642	90 720	110 245	122 666	102 119	127 098	155 929	156 319
Horned cattle	—	38 766	42 594	57 566	61 063	50 319	58 535	79 908	88 851
Sheep and goats	—	11 509	11 269	11 516	12 107	12 257	14 331	14 174	14 947
Hogs	—	38 367	36 857	41 163	49 496	39 543	54 232	61 847	52 321
Milk	1 000 l		465 285	501 734	488 247	483 973	529 115	572 977	591 593
Butter	tons		2 124	1 975	1 515	1 472	2 121	2 169	1 996
Cheese	—		19 196	23 020	21 712	22 281	20 778	22 030	22 470
Fish landings	—	312 870	417 074	404 596	360 875	400 484	355 794	319 051	335 954
<i>of which:</i> sardine	—	120 044	163 294	137 762	124 830	114 696	79 526	64 103	65 993
cod	—	69 388	75 920	71 280	71 217	97 312	79 413	62 699	66 541

Sources: Annual Reports of the Bank of Portugal; National Institute of Statistics, Food and Agricultural Statistics.

Table E Industrial Production
Seasonally adjusted indices, 1963 = 100

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
MONTHLY INDICES										
January	94.0	98.6	95.6	105.3	111.2	119.4	115.7	120.1	134.5	143.1
February	93.8	98.4	97.7	100.7	115.2	120.6	114.1	121.4	136.9	143.2
March	99.9	93.8	98.3	102.2	111.5	125.4	115.2	123.2	134.7	142.7
April	98.4	92.4	98.2	105.2	114.0	126.5	116.1	120.5	132.0	148.3
May	97.3	95.3	100.5	106.5	113.3	123.6	111.9	125.4	134.1	137.6
June	96.0	100.0	97.1	111.6	110.4	118.9	125.3	120.6	136.9	151.4
July	95.3	97.4	97.8	111.6	115.0	118.5	117.2	124.2	131.6	146.2
August	91.8	98.8	99.1	108.3	114.4	121.5	119.3	125.7	134.5	138.0
September	95.7	96.8	102.8	108.6	113.5	115.2	119.1	128.0	139.5	139.4
October	96.7	93.7	102.1	111.1	113.9	115.3	122.9	126.9	139.7	135.6
November	94.3	98.0	102.7	115.4	115.1	117.0	123.1	126.4	137.4	151.9
December	95.1	94.8	108.8	113.1	123.5	116.6	116.5	132.6	138.1	138.6
ANNUAL AVERAGE¹	95.5	96.4	100.0	108.6	114.2	119.7	117.8	124.9	135.8	142.9
ANNUAL INDICES²	87.6	92.4	100.0	111.7	118.6	126.9	133.8	147.6	162.8	

1 The Annual average was obtained from non seasonally adjusted indices.

2 Annual indices have a wider coverage than the monthly indices.

Sources: OECD : Industrial Production Statistics and Main Economic Indicators.

Table F Prices and Wages
Indices, 1963 = 100

	1962	1963	1964	1965	1966	1967	1968	1969	1970
Consumer prices									
Lisbon	98.1	100.0	103.4	107.0	112.4	118.6	125.8	136.9	145.6
Porto	98.2	100.0	103.4	107.9	115.7	120.8	128.2	141.2	146.9
Coimbra	98.6	100.0	102.3	105.5	111.7	114.4	121.0	130.8	135.8
Evora	96.1	100.0	103.7	106.5	112.8	118.1	123.2	130.1	139.1
Viseu	98.6	100.0	101.8	106.8	114.3	118.0	123.2	128.9	137.1
Faro	100.2	100.0	102.1	115.1	127.5	133.1	140.6	149.9	156.9
Wholesale prices (Lisbon)									
Manufactured products	99.2	100.0	100.8	104.2	108.3	112.5	116.7	120.8	125.0
Food products	102.8	100.0	100.9	102.8	111.2	117.8	117.8	118.7	118.7
Food products	96.4	100.0	102.7	107.1	112.5	112.5	115.2	121.4	124.1
Wages in agriculture	94.9	100.0	113.7	120.0	139.7	153.4	181.8	195.7	221.5
Wages in industry									
Lisbon	95.1	100.0	104.6	110.6	119.5	129.6	140.9	157.0	175.6
Porto	96.2	100.0	107.1	119.9	133.0	147.7	159.6	175.4	193.8

Source: Annual Reports of the Bank of Portugal.

Table G General Government Revenue and Expenditure
National Accounts Basis, Standardised Concepts
Million escudos

	1961	1962	1963	1964	1965	1966	1967	1968	1969 ¹
CENTRAL GOVERNMENT									
Current revenue	10.51	11.72	12.34	13.43	16.13	17.49	20.05	22.80	25.77
Taxes and current transfers received	10.12	11.36	11.94	12.73	15.46	16.78	19.03	21.73	24.80
Income from property and entrepreneurship	0.39	0.36	0.40	0.70	0.67	0.71	1.02	1.07	0.97

Current expenditure	10.86	11.79	12.19	13.11	14.81	16.15	19.06	21.29	22.49	
Goods and services	8.84	9.72	10.05	10.87	11.85	13.06	15.67	17.16	18.57	
Current transfers paid	2.02	2.07	2.14	2.24	2.96	3.09	3.39	4.13	3.92	
CURRENT SAVING	-0.35	-0.07	0.15	0.32	1.32	1.34	0.99	1.51	3.28	
Net capital transfers paid (—)	0.24	1.41	0.34	-0.04	0.07	0.30	0.11	0.34	-0.26	
Gross fixed investment	0.97	1.37	1.88	1.92	1.70	1.63	1.83	2.22	2.52	
NET BORROWING (—) OR LENDING	-1.08	-0.03	-1.39	-1.64	-0.31	0.01	-0.73	-0.37	0.50	
Lending	+1.85	+3.10	+1.18	+1.80	+0.99	+1.23	+1.71	+1.54	+2.02	
Borrowing at home	-2.02	-1.81	-1.50	-1.63	-2.14	-1.62	-1.28	-1.10	-0.93	
Borrowing abroad	+0.04	-1.66	-0.58	-1.95	-0.52	-0.47	+0.10	+0.56	+0.24	
Increase (+) or decrease (—) of cash reserves	-0.94	+0.35	-0.49	+0.14	+1.36	+0.86	-1.27	-1.36	-0.83	
CONSOLIDATED ACCOUNT OF GENERAL GOVERNMENT										
Current revenue	14.12	15.78	16.85	18.48	21.83	24.39	27.57	31.31	35.73	
Taxes and current transfers received	13.39	15.02	16.02	17.32	20.64	23.12	25.93	29.56	33.94	
Income from property and entrepreneurship	0.74	0.76	0.83	1.17	1.18	1.26	1.63	1.75	1.79	
Current expenditure	13.49	14.69	15.45	16.81	19.00	20.93	24.37	27.10	28.82	
Goods and services	9.85	10.80	11.21	12.13	13.20	14.65	17.67	19.58	21.20	
Current transfers paid	3.64	3.89	4.23	4.68	5.81	6.29	6.70	7.52	7.61	
CURRENT SAVING	0.63	1.09	1.40	1.67	2.83	3.46	3.20	4.21	6.91	
Net capital transfers paid	0.50	1.66	0.58	0.30	0.41	0.54	0.41	0.52	0.02	
Gross fixed investment	1.85	2.28	3.11	3.06	2.94	3.45	3.46	3.81	4.19	
NET BORROWING (—) OR LENDING	-0.72	0.47	-1.13	-1.09	0.30	0.55	0.15	0.93	2.74	
Lending	+2.01	+3.64	+1.24	+2.18	+1.39	+2.01	+2.05	+1.84	+2.71	
Borrowing at home	-1.29	-1.35	-0.79	-1.19	-1.43	-0.86	-0.57	-0.46	-0.33	
Borrowing abroad	+0.04	-1.66	-0.58	-1.95	-0.52	-0.47	+0.10	+0.56	+0.24	
Increase (+) or decrease (—) of cash reserves	-1.47	-0.15	-1.01	-0.13	+0.85	-0.14	-1.43	-1.02	+0.12	

1 Estimated.

Source: Estatísticas das Finanças Públicas. Instituto Nacional de Estatística, 1969.

Table H The Money Supply and its Counterparts
In million escudos at end of period

	1965	1966	1967	1968	1969	1970
TOTAL MONEY SUPPLY	93 506	104 053	115 588	130 980	153 670	173 415
Money	74 181	82 839	88 583	94 673	107 014	111 164
Notes and coins in circulation	22 095	23 519	24 296	25 337	26 669	29 711
Sight deposits	52 086	59 320	64 287	69 336	80 345	81 453
Quasi-money	19 325	21 214	27 005	36 307	46 656	62 251
COUNTERPARTS						
Gold and foreign exchange reserves	32 074	35 442	40 037	44 961	47 230	49 424
IMF	449	561	561	561	561	561
Banking credits	62 475	70 815	76 108	87 175	105 933	125 866
Portfolio investment	11 237	11 703	12 701	12 918	13 927	15 949
Overseas provinces compensation account	441	326	357	445	477	431
Miscellaneous	-13 170	-14 794	-14 176	-15 080	-14 458	-18 816

Source: Annual Reports of the Bank of Portugal.

Table I Breakdown of Banking Credits
Credits outstanding at end of period. Million escudos

	1965	1966	1967	1968	1969				1970				
					I	II	III	IV	I	II	III	IV	
SECTOR													
Private sector	57 610	66 564	70 800	82 587	83 477	89 282	93 545	101 550	102 772	108 223	112 923	120 805	
Public sector	3 675	3 103	4 446	3 020	2 916	3 233	3 436	3 342	3 213	3 249	3 170	3 630	
Miscellaneous ¹	1 190	1 148	862	1 568	1 528	1 609	874	1 041	1 024	1 156	1 314	1 431	
SOURCE OF FINANCE													
Commercial banks	41 922	48 725	54 164	63 267	63 977	69 308	71 856	78 136	79 185	82 713	84 638	89 537	
CGDCP ² and saving banks	13 972	15 629	16 334	17 658	17 920	18 375	19 189	20 030	20 697	22 111	23 849	26 064	
Bank of Portugal ³	6 281	6 200	5 666	5 688	5 564	5 915	6 948	7 839	7 083	7 647	8 999	10 244	
METHOD OF FINANCING													
Commercial portfolio	37 482	40 597	45 315	52 595	52 944	56 985	60 094	66 889	67 116	70 261	72 086	78 775	
Loans and other credit operations (in escudos)	24 993	30 218	30 793	34 580	34 977	37 139	37 761	39 044	39 893	42 367	45 321	47 091	
Total	62 475	70 815	76 108	87 175	87 921	94 124	97 855	105 933	107 009	112 628	117 407	125 866	

1 Including adjustment item.

2 Caixa Geral de Depositais, Credito e Previdencia.

3 Net of credit to monetary sector.

NOTE: The total of the intermediate breakdown (by source of finance) is not exactly the same as the totals of the other two breakdowns.

Source: Annual Reports of the Bank of Portugal and quarterly returns.

Table J Securities Issues
Million escudos

	1963	1964	1965	1966	1967	1968	1969
A SHARES							
Total gross issues	1 702	3 155	5 905	4 657	3 404	3 542	4 702
Private non-financial enterprises	1 396	2 314	5 668	4 066	3 031	2 909	3 392
Financial institutions	306	841	237	591	373	633	1 310
B BONDS							
Total gross issues	1 770	1 691	1 075	1 072	1 805	1 122	1 673
Total net issues	1 635	1 579	751	521	840	313	700
Central Government	1 335	1 459	766	150	328	49	351
State and Local Government	—	—	—	—	—	—	200
Public non-financial enterprises	—	—	26	32	110	—	125
Private non-financial enterprises	318	127	-63	308	378	324	59
Financial institutions	-18	-7	22	31	24	-60	-35
C CENTRAL GOVERNMENT DEBT CERTIFICATES	418	470	370	133	128	35	450
<i>Memorandum items:</i>							
Net issues by open-end investment companies	—	—	166	297	-56	-46	52
Gross international issues abroad by residents-bonds	374	578	575	834	977	431	—

Source: OECD Financial Statistics, Supplement 2A 1971.

Table K Breakdown by Nationality of Foreign Visitors

	1963	1964	1965	1966	1967	1968	1969	1970
Total	514 069	1 007 671	1 509 796	1 929 498	2 516 707	2 510 668	2 785 368	3 342 887
Germany	29 638	42 633	59 253	79 764	82 700	88 610	113 185	133 050
Argentina	3 619	20 433	24 735	25 319	27 033	27 043	35 782	37 508
Belgium	9 690	12 272	19 710	24 516	25 363	23 832	32 245	32 793
Brazil	14 960	20 887	24 467	48 187	44 144	49 802	56 826	66 588
Canada	7 738	11 944	16 724	20 500	22 024	31 136	38 575	47 377
Spain	132 805	298 987	591 900	836 053	1 399 747	1 344 782	1 374 158	1 712 554
United States	87 074	144 982	184 954	224 572	234 216	236 897	304 097	354 717
France	88 263	131 409	178 338	184 689	166 761	140 135	168 135	203 769
Netherlands	13 710	17 143	20 775	26 826	25 429	29 528	40 552	41 583
Italy	11 858	42 702	48 472	54 674	73 490	79 307	88 899	79 406
United Kingdom	61 443	169 607	219 881	253 615	255 198	289 442	339 474	406 157
Sweden	6 627	7 169	10 011	13 710	18 821	15 372	20 201	26 792
Switzerland	8 895	12 906	16 166	24 377	22 417	23 638	32 772	32 482
Other countries	37 749	74 597	94 410	112 696	119 364	131 144	140 467	168 111

Sources: Instituto Nacional de Estadística, Estadísticas do Turismo.

Table L Foreign Trade by Main Commodity Groups 1960-1970
Million US dollars

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
IMPORTS, TOTAL	545.3	655.9	585.3	656.1	776.3	923.3	1 022.8	1 059.2	1 178.4	1 297.5	1 582.4
Food and beverages	59.8	76.4	71.2	79.6	96.8	104.9	141.8	157.1	147.4	150.7	180.2
Basic materials	160.6	179.8	171.7	206.3	224.9	264.8	235.6	256.1	283.7	305.4	342.4
Manufactures											
Chemicals	52.2	59.1	55.3	62.9	73.2	82.3	88.7	95.5	111.7	134.3	158.9
Goods classified chiefly by material	101.7	124.6	97.8	105.8	160.7	190.6	210.2	207.5	237.1	266.5	353.8
Machinery and transport equipment	141.7	196.3	168.0	177.2	189.9	250.7	311.6	303.3	352.7	386.4	478.0
Miscellaneous	16.7	16.4	15.3	16.8	22.0	29.8	34.6	39.3	45.6	53.2	68.7
Unspecified	12.1	2.9	5.9	7.5	8.9	0.2	0.3	0.3	0.2	0.2	0.3
EXPORTS, TOTAL	327.1	325.9	369.8	418.1	515.7	576.4	619.5	701.4	761.2	853.0	949.5
Food and beverages	79.6	90.7	95.0	104.5	116.4	140.4	145.2	164.9	174.8	169.9	177.0
Basic materials	67.7	59.8	67.6	66.8	75.0	78.9	82.2	81.5	108.9	128.1	162.6
Manufactures											
Chemicals	27.6	22.1	25.0	32.4	40.8	40.3	44.5	46.3	45.7	51.9	69.5
Goods classified chiefly by material	126.5	129.9	151.5	171.8	223.6	244.5	264.1	297.0	294.6	337.8	335.1
Machinery and transport equipment	9.2	10.1	10.9	13.0	16.5	20.1	26.8	35.8	44.0	60.2	79.6
Miscellaneous	11.0	11.9	15.3	24.4	36.3	44.4	49.5	66.6	83.4	93.1	112.2
Unspecified	4.9	1.0	4.6	5.4	7.1	8.0	7.2	9.2	9.8	12.0	13.5

Due to rounding, detail may not add to total.

SITC groups:

Food and beverages: 0,1
 Basic materials: 2, 3, 4
 Manufactures: 5, 6, 7, 8
 Chemicals: 5

Goods classified chiefly by material: 6
 Machinery and transport equipment: 7
 Miscellaneous: 8
 Unspecified: 9

Source: OECD, Foreign Trade Statistics, Series B.

Table M Geographical Breakdown of Foreign Trade, 1962-1970

Million escudos

	1962	1963	1964	1965	1966	1967	1968	1969	1970
<i>Exports</i>									
Total	10 632	12 024	14 831	16 573	17 812	20 166	21 917	24 526	27 299
OECD Countries	6 570	7 275	9 358	10 714	11 623	13 162	14 526	16 682	18 347
United States	1 391	1 411	1 559	1 755	2 032	2 027	2 309	2 314	2 374
EFTA	2 153	2 637	3 821	4 545	5 154	6 915	7 520	8 809	9 671
United Kingdom	1 277	1 627	2 340	2 922	3 327	4 330	4 611	5 158	5 570
Sweden	292	352	526	556	559	944	1 139	1 402	1 450
Other EFTA Countries	584	658	955	1 067	1 268	1 641	1 770	2 249	2 651
EEC	2 473	2 637	3 070	3 436	3 464	3 356	3 645	4 411	5 005
Germany	855	904	1 125	1 339	1 134	1 073	1 258	1 570	1 728
France	507	607	741	764	905	937	1 006	1 278	1 245
Italy	565	527	436	487	591	494	490	636	834
Netherlands	242	273	399	445	438	474	475	498	758
Belgium-Luxembourg	304	326	369	401	396	378	416	429	440
Other OECD Countries	553	590	908	978	973	864	1 052	1 148	1 297
Non-OECD Countries	4 062	4 749	5 473	5 859	6 189	7 004	7 391	7 844	8 952
including: Escudo Area	2 391	2 858	3 706	4 140	4 197	4 917	5 476	6 080	6 688
<i>Imports</i>									
Total	16 830	18 866	22 337	26 553	29 406	30 453	33 858	37 262	45 494
OECD Countries	12 070	12 974	15 715	18 681	21 054	21 391	23 772	26 502	33 216
United States	1 499	1 670	2 364	2 151	2 346	2 094	2 469	1 814	3 251
EFTA	3 915	4 113	4 810	5 763	6 885	7 094	7 625	8 984	11 023
United Kingdom	2 500	2 588	3 007	3 448	4 024	4 165	4 410	5 168	6 369
Sweden	479	423	461	654	967	770	859	948	1 201
Other EFTA Countries	936	1 102	1 342	1 661	1 894	2 159	2 356	2 868	3 453
EEC	6 111	6 507	7 355	9 260	10 098	10 200	11 342	12 786	15 048
Germany	2 684	2 867	3 400	4 322	4 486	4 591	5 289	5 861	7 050
France	1 584	1 511	1 579	1 998	2 208	2 092	2 348	2 675	3 176
Italy	689	757	990	1 359	1 564	1 763	1 999	2 128	2 432
Netherlands	486	692	662	667	834	906	855	1 018	1 132
Belgium-Luxembourg	668	680	724	914	1 006	848	851	1 104	1 258
Other OECD Countries	545	684	1 186	1 507	1 725	2 003	2 336	2 918	3 894
Non-OECD Countries	4 760	5 892	6 622	7 872	8 352	9 062	10 086	10 760	12 278
including: Escudo Area	2 122	2 701	3 325	3 651	3 943	4 352	5 343	5 599	6 717

Source: Instituto Nacional de Estatística, Boletim Mensal de estatística.

Table N **Balance of Payments of Escudo Area, 1964-1970¹**
Million US dollars

	1964	1965	1966	1967	1968	1969	1970 ²
Exports	636	632	684	769	844	923	1 095
Imports	818	956	1 075	1 147	1 289	1 428	1 691
Trade balance	-182	-324	-391	-378	-444	-505	-632
Services, net	120	178	270	282	224	163	225
Travel	70	88	185	196	144	101	136
Transport	-1	5	-2	-1	9	24	32
Insurance	-2	-1	-1	-1	-2	-4	-7
Investment income	-13	-13	-11	-10	-13	-11	-9
Government transactions	17	20	42	37	25	13	
Other services	49	79	57	61	61	40	73
Private transfers	78	108	159	211	265	397	489
Current balance	16	-38	38	115	45	55	82
Long-term capital	99	47	106	107	105	38	19
Private	38	27	87	99	88	33	46
Official	61	20	19	8	17	5	-27
Short-term and unrecorded	-5	60	-10	-12	-7	-38	-13
Balance on non-monetary transactions	110	69	134	210	143	55	88
Private monetary institutions	7	-25	-5	-59	-8	-5	-39
Balance on official settlements	117	44	129	151	135	50	49
Miscellaneous official assets and liabilities, net	18	13	14	10	22	19	2
Change in reserves	135	57	143	161	157	69	51
Gold	16	46	66	57	157	23	23
Foreign exchange	119	11	73	104	—	46	28
IMF position	—	—	4	—	—	—	—

¹ Only since 1964 have the Portuguese Authorities published balance of payments data based on IMF-OECD pattern. Transactions with the overseas provinces are registered on a settlements basis.

² Provisional.

Sources: Memorandum submitted to the OECD by the Portuguese Authorities and the 1970 annual report of the Bank of Portugal.

BASIC STATISTICS
INTERNATIONAL COMPARISONS

Basic Statistics : International Comparisons

			Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia ⁴	
POPULATION	End of 1969	Thousands	7 384	9 660	21 260	4 906	4 707 ¹	50 526	61 195	8 842	204.0	2 927	54 302	102 930	338.5	12 958	3 867	9 514 ²	33 250	8 014	6 184	34 828	55 643 ³	204 351	20 462	
Net average annual increase	1959-1969	%	0.49	0.57	1.84	0.72	0.65	1.60	1.05	0.65	1.60	0.30	0.82	1.04	0.79	1.27	0.81	0.85 ⁵	0.97	0.71	1.53	2.53	0.65 ⁶	1.31	1.12	
EMPLOYMENT	Total civilian	1969	3 017	3 683	7 780	2 294	2 116	19 967	26 337	(3 662)	78 ^a	1 061	18 678	50 400	140	4 510	1 474	3 109	12 243	3 821	(2 740)	(13 519)	24 904	77 902	3 706	
	Agriculture		19.1	5.2	8.2	11.9	24.5	15.1	9.6	(48.2)	18.8 ^a	28.4	21.5	18.8	11.6	7.5	14.7	31.5	30.7	8.8	(7.3)	(72.1)	2.9	4.6	6.7	
	Industry ⁷	% of total	39.9	44.8	32.3	38.5	34.6	40.6	49.1	(22.5)	37.3 ^a	29.7	43.1	35.0	45.7	41.3	36.8	35.5	37.1	40.4	(51.9)	(11.6)	46.8	(33.7)	46.8	
	Other		41.0	50.0	59.5	49.6	40.9	44.3	41.3	(29.3)	43.9 ^a	41.9	35.4	46.2	42.7	51.2	48.5	33.0	32.2	50.8	(40.8)	(16.3)	50.3	(61.7)	46.5	
PRODUCTION	GNP per head	1969	\$ ^a 1 690	2 360	3 460	2 860	1 940	2 770	2 520	950	1 890	1 200	1 520	1 630	2 130 ^b	2 190	2 530	600	870	3 570	3 020	380	1 970	4 660	518 ^a	
	GDP by sector: Agriculture	1969	7.0	5.3	5.9 ^b	8.9	14.7	6.0 ¹¹	3.0 ¹¹	20.3	..	19.7 ^a	11.3	8.7 ¹²	6.2 ^b	7.0	6.5	17.7	15.0	5.9 ¹¹	6.4 ¹⁰	32.2 ¹³	3.0 ¹⁴	2.9 ¹¹	19.5 ^a	
	Industry	% of total	46.8	41.6	38.5 ^b	40.1	41.3	48.1 ¹¹	53.9 ¹¹	28.2	..	34.0 ^b	38.9	39.1 ¹² 33	50.9 ^b	41.6	38.6	42.8	35.3	45.2 ¹¹	49.6 ¹⁰	27.4 ¹³	45.8 ¹⁴	35.8 ¹¹	42.5 ^a	
	Other		46.2	53.2	55.6 ^b	51.0	44.0	45.9 ¹¹	42.5 ¹¹	51.5	..	46.3 ^a	49.8	52.2 ¹² 33	42.9 ^b	51.4	54.9	39.7	49.6	48.9 ¹¹	44.0 ¹⁰	40.5 ¹³	51.3 ¹⁴	61.3 ¹¹	38.0 ^a	
	GNP ¹⁵ annual volume growth	1969 1964-1969	% 4.2	6.5 4.1	5.0 5.2	7.7 4.3	9.3 4.3	7.9 5.5	7.9 4.6	7.8 7.0	0 1.7	2.7 4.0	5.9 5.5	12.5 10.8	7.8 3.2	5.1 5.1	4.7 4.8	4.4 6.3	7.7 6.6	5.8 3.8	5.4 3.6	6.2 6.8	1.3 2.2	2.8 4.6	..	
INDICATORS OF LIVING STANDARDS	1969																									
	Private consumption per head	\$	970	1 470	2 050	1 770	1 060	1 680	1 390	640	1 190	720 ^a	960	840	1 300 ^b	1 220	1 410	430	600	1 790 ^b	1 740	..	1 230	2 850	275 ^a	
	Expenditure on education	% of GNP ²⁶	4.40	5.57	5.65 ¹⁷	6.00 ^a	6.30 ¹⁸	4.81	3.00 ¹⁸	2.40 ^a	4.80	4.23	5.44	4.54 ¹⁷	5.00 ¹⁸	6.71	5.81	1.44 ¹⁷	2.14 ^a	7.80 ^b	6.30	3.70	4.15 ¹⁷	5.10	4.59	
	Dwellings completed, per 1 000 inhabitants		6.6	5.0 ²¹	8.2	9.0	7.9	8.2	8.6	10.1	9.0 ^b	4.0	5.8 ^a	11.9	..	9.7	8.8	4.3	6.4	13.4	8.6	3.3	7.7	7.7	6.4	
	Passenger cars ²² , per 1 000 inhabitants		144	187	298	209	124	240	199	18	185	123	151	52	235	165	166	37	50	253	206	4	196	410	28	
	Television sets ²³ , per 1 000 inhabitants	Number	134	186	279	244	193	185	231	9	160 ²⁴	111 ²⁵	146	190	131	197	175	29	84	288	143	0	263	392	64	
	Telephones ²⁵ , per 1 000 inhabitants		159	181	408	292	204	141	172	76	330 ²⁶	87 ^a	135	204	281	216	284	65	105	478	417	12	218	523	31	
	Doctors ²⁷ , per 1 000 inhabitants		1.58	1.51	1.20 ²⁸	1.35 ²⁸	0.88	1.18	1.48	1.47	..	1.03 ²⁹	1.71	1.09 ²⁸	1.01	1.14	1.24	0.81 ²⁸	1.30	1.13	1.29	0.36	1.15	1.58	1.10	
GROSS FIXED INVESTMENT ³⁵	Total	1964-69 average	24.8	21.5	23.6 ²⁶	22.7	25.0	25.1	25.6	25.4	29.7	20.6	19.7	35.2	26.9	26.8	29.2	19.0	24.5	23.9	27.6	16.8	18.4	16.7 ²⁸	..	
	Machinery and equipment	% of GNP	12.5	8.8	9.4	11.3	8.9	10.9	11.1	9.8	8.6	9.0	7.5	28.8 ²⁹	8.8	12.5	15.2	6.9	12.5	8.1	9.3	..	8.9	6.9 ²⁸	..	
	Residential construction		4.4	5.6	3.8	4.4	5.5	6.6	5.8	6.3	6.3	4.0	6.5	6.4	18.1 ³⁰	5.2	4.5	4.3	4.6	6.1	7.1	3.5	3.6	3.6	..	
	Other construction		8.0	7.1	10.4	7.0	10.6	7.6	8.7 ²¹	9.4	14.8	7.6	5.8	.. ²⁹	.. ³⁰	9.2	9.6	7.8	7.6	9.7	11.2	..	5.8	6.1	..	
GROSS SAVING	1964-68 average	% of GNP	26.6	22.8	23.9	20.0	27.1	25.7	26.2	20.4	..	18.1 ²⁷	23.0	36.7	28.0 ²⁷	27.1	28.5	..	22.9	23.9	28.0	..	18.2	18.5	..	
PUBLIC SECTOR ³²	Total current revenue	1969	% of GNP 37.5 ^a	34.2	35.2 ^a	37.1	35.9	38.1	37.9	26.9	33.9 ^a	30.7 ^a	33.3	21.2	36.0 ^b	41.9	43.4	..	22.4	48.1 ^a 33	28.1	..	39.0	31.5	32.6 ^a	
WAGES/PRICES	Hourly earnings ³⁴	Annual increase 1964-69	8.1 ³⁵	7.9	6.6 ³⁶	11.2 ³⁷	9.1	8.2 ³⁸	6.5	10.8	11.7 ³⁸	8.6 ³⁸	5.7 ⁴⁰	12.9 ⁴¹	..	8.8 ⁴²	8.3 ⁴³	8.4 ⁴³	13.7 ⁴⁴	8.6 ⁴⁵	5.0 ⁴⁶	..	6.0 ⁴⁷	7.8 ⁴⁸	..	
	Consumer prices	%	3.4	3.5	3.7	6.5	5.3	3.8	2.6	2.5	11.5	4.6	2.8	5.2	2.8	5.0	3.7	5.8	6.5	4.0	3.4	7.4	4.3	3.4	14.9	
	GNP deflator		3.6	3.8	3.9	6.4	5.9	3.9	2.6	2.7	12.0	4.6	2.9	4.5	2.4	5.1	3.9	4.3	6.1	4.3	3.9	4.4	4.3	3.3	..	
FOREIGN TRADE	Imports ⁴⁹	\$ million ^b	3 146	8 392	15 757	3 791	1 941	16 032	29 331	1 654	139	1 302	12 285	14 128	546 ^b	11 472	3 798	1 418	4 031	6 078	5 357	..	23 535	48 078	1 991 ^b	
		% of GNP	27.7	40.5	25.3	30.6	24.2	14.2	20.3	21.9	45.0	43.6	16.4	10.0	77.2 ^b	45.5	42.1	28.3	15.6	23.8	31.1	..	22.9	5.5	21.0 ^b	
	Exports ⁴⁸	\$ million ^b	3 004	8 420	15 441	3 578	2 006	16 024	34 385	965	110	1 216	14 618	15 353	559 ^b	11 586	3 958	1 267	3 360	5 920	6 161	..	23 847	50 594	1 875 ^b	
		% of GNP	26.5	40.6	24.8	28.9	25.0	14.2	23.8	12.8	35.4	40.8	19.5	10.8	79.0 ^b	45.9	43.9	25.3	13.0	23.1	35.8	..	23.2	5.7	19.7 ^b	
BALANCE OF PAYMENTS	Current balance	1964-69 average	% of GNP -0.5	1.1 ⁵¹	-1.1	-2.2	-1.2	-0.2	0.7	-3.6	-3.8	-3.0	2.8	0.7	..	-0.2	-0.5	1.9	-1.5	-0.5	1.0	-0.9	-0.3	0.3	..	
	Official reserves ⁴⁹ end-1970: per cent of a year's imports ⁵⁰	%	49.5	25.1 ⁵¹	35.2	11.1	18.2	26.0	45.6	19.9 ⁵²	34.6	44.3	35.5	25.6	..	24.2	21.8	96.2	38.2	10.9	72.7	48.5	13.0	36.3	6.4	
	Change	April 1970 - April 1971	\$ million	334	539 ⁵¹	1 032	70	124	1 364	9 246	53	18	64	1 102	1 979	..	780	204	116 ⁵¹	789	272	608	167	660	-2 612	-46
NET FLOW OF RESOURCES TO DEVELOPING COUNTRIES ⁵²		% of GNP	0.65	1.12	0.50	1.13	.. ⁵³	1.24	1.33	.. ⁵⁴	.. ⁵⁵	.. ⁵⁶	1.03	0.76	.. ⁵⁷	1.34	0.78	1.74	.. ⁵⁸	0.77	0.64	.. ⁵⁹	0.97	0.49	.. ⁶⁰	
EXPORT PERFORMANCE ⁵⁵	Growth of markets ⁵⁸	1968 to 1969 1960 to 1969 (average)	% 10.1	19.8 10.4	12.1 13.5	14.8 9.5	14.6 9.5	17.5 8.0	14.1 9.8	18.9 10.4	13.7 9.5	6.9 7.1	17.9 9.7	12.9 9.3	.. ..	18.9 9.7	15.2 9.0	17.5 11.0	15.0 9.4	15.9 9.2	17.4 9.9	16.3 13.4	13.7 8.8	14.1 8.8	.. ..
	Gains or losses of market shares ⁵⁷	1968 to 1969 1960 to 1969 (average)	% -1.8	3.6 ⁶¹ 1.0 ⁶¹	-2.9 -2.5	-0.3 -1.1	6.7 -2.1	0.7 0.8	2.9 0.8	-0.5 1.1	17.3 -5.4	4.7 0.6	-2.6 4.0	10.4 7.6	.. ..	0.5 0.7	-1.5 1.9	-5.7 2.8	4.6 2.3	0 -0.2	-2.0 0.5	-8.1 -7.8	-1.2 -3.3	-4.5 -1.6	.. ..

1 Does not include total net migration between Finland and the other Nordic countries.
2 Relates to 1968.
3 Relates to 30-6-1969.
4 National source.
5 Relates to 1958-1968.
6 Relates to 30-6-59 - 30-6-69.
7 According to the definition used in OECD Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
8 At current prices and exchange rates.
9 Refers to 1967.
10 The estimates for GDP by sector for Switzerland have been published in "la Vie économique", November 1969.
11 GDP at market prices.
12 Net domestic product.
13 Electricity, gas and water works included in "other activities".
14 Including stock appreciation.
15 At constant (1963) prices.
16 Relates to 1962-1967.
17 Relates to 1965.
18 1969.
19 Relates to 1966.
20 Relates to 1964.
21 Including Luxembourg.
22 Relates to 1-1-1969.
23 Relates to 1-1-1968.
24 Relates to 1-1-1967.
25 At constant (1963) prices.
26 Excluding transfer costs of land and existing assets.
27 Relates to 1963-1967.
28 Government and government enterprise expenditure on machinery and equipment is included in government current expenditure.
29 "Other construction" included under "machinery and equipment" work in progress on heavy equipment and ships for the domestic market are included in fixed asset formation.
30 "Other construction" included in "residential construction".
31 Including transfer costs of land.
32 General government.
33 Including depreciation.
34 Industry.
35 Monthly.
36 Manufacturing.
37 Including bonuses.
38 Hourly rates in manufacturing.
39 Hourly wages rates, unskilled workers.
40 Hourly rates in manufacturing, excluding family allowances.
41 Monthly earnings in manufacturing. Cash payments including bonuses, regular workers.
42 Hourly rates in industry, males.
43 Males.
44 Excluding family allowances.
45 Mining and manufacturing, males.
46 Hourly rates.
47 Hourly rates in manufacturing, males.
48 Goods and services, including factor income, 1968.
49 Including reserve position in the IMF and special drawing rights.
50 Imports of goods in 1970.
51 Relates to March 1970 - March 1971.
52 Relates to 1969. According to the DAC definition. Including flows to multilateral agencies.
53 Not Development Assistance Committee members.
54 Considered as a developing country for purposes of DAC reporting.
55 Values, percentage change. Figures are subject to many limiting factors. For an explanation see OECD Economic Outlook, simple definition, December 1970, pp. 65 and 69.
56 The growth which would have occurred in a country's exports if it had exactly maintained its share in total OECD exports to each of 19 broad geographical zones.
57 The difference between the growth rates of markets and exports.

NOTE: Figures within brackets are estimates by the OECD Secretariat.
Sources: Common to all subjects and countries, except Yugoslavia (for special national sources see above): OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Balance of Payments, Observer, DAC and Statistics of Foreign Trade (Series A). Office Statistique des Communautés Européennes, Statistiques de base de la Communauté. IMF, International Financial Statistics.

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