

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

PORTUGAL

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

JULY 1974

BASIC STATISTICS OF PORTUGAL

THE LAND

Area (thousands sq.km.)	88.9	Major cities, resident population	
Agricultural area (thousands sq.km.)	47.6	in thousands (1.7.1970) :	
Forested area (thousands sq.km.)	27.5	Lisbon	794
		Porto	310

THE PEOPLE

Population (1.7.1972, thousands)	8 590	Total labour force (1970, thousands)	3 222
Number of inhabitants per sq.km.	97	Civilian employment (1972, thousands)	2 956
Natural increase (average 1968-1972, thousands)	90	as a percentage of total	
Annual rate of increase (average 1965-1970)	1.0	Primary sector	29.6
Gross emigration (average 1969-1973, thousands)	140.6	Secondary sector	33.3
		Tertiary sector	37.1

PRODUCTION

Gross national product in 1972 (millions of US dollars)	9 444	Gross domestic product at factor cost by origin in 1972 (%):	
Gross national product per head in 1972 (US dollars)	1 099	Primary sector	16.2
Gross fixed asset formation in 1972: % of GNP	20.2	Secondary sector	43.3
per head (US dollars)	222	Tertiary sector	40.5

THE GOVERNMENT

Public consumption in 1972 (% of GNP)	13.6	Central Government current revenue in 1972 (% of GNP)	16.0
of which: Defence	6.5	% of total General Government current expenditures (in 1972) :	
Public investment in 1972: % of GNP	2.5	Central Government	72.6
% of total investment	12.5	Local authorities	3.4
		Social Security	27.5

FOREIGN TRADE*

Exports of goods and services as a % of GNP (1972)	26.0	Imports of goods and services as a % of GNP (1972)	31.0
Main exports as a % of total exports (average 1968-1972, SITC):		Main imports as a % of total imports (average 1968-1972, SITC):	
Food, beverage and tobacco (0, 1)	19.2	Food, beverage and tobacco	12.8
Basic and semi-finished materials (2, 3, 4)	14.6	Basic and semi-finished materials	21.5
Manufactured goods (5, 6, 7, 8)	66.2	Manufactured goods	65.7
of which: Textiles (65)	18.3	of which: Chemicals (5)	9.2
Cork and wood products (63)	4.9	Machinery and transport equipment (7)	31.8

THE CURRENCY

Monetary unit: Escudo	Currency units per US dollar	24.76
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* Mainland Portugal and off-shore islands.

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PORTUGAL

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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The annual review of Portugal
by the OECD Economic and Development Review Committee
took place on 2nd July, 1974.

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INTRODUCTION

In April 1974 Portugal experienced a major change of political regime which is bound to have deep-reaching effects on the nation's economy. On 15th May the Government published a general programme laying down the broad options of its new economic policy, in regard to prices and wages, monetary and budget policy, social policy and international relations. A number of specific measures had already been taken at the end of April, however, in order to try to maintain the level of domestic activity while avoiding an upsurge in prices.

Prior to the events of April the Portuguese economy had been facing difficult problems, both of a structural and a short-term nature. Admittedly the economy had achieved a high rate of growth in recent years, the steep rise in domestic activity being mainly due to the expansion of investment and exports. But, in 1973, pressure on prices was mounting at an increasing rate and, as far as can be judged from the statistics available, the purchasing power of households declined somewhat, since the growth of wages did not offset, at least in the latter part of 1973 and the beginning of 1974, the rise in the cost of living. Disposable income was affected too by the smaller increase in emigrants' remittances, a factor linked with the slowdown in activity in certain host countries. With regard to external relations, Portugal's position before the oil crisis was still strong although having deteriorated somewhat, and there was reason to believe that, in spite of the oil bill and the all-round increase in raw material prices, Portugal would not have any major difficulty in financing its trade.

The present survey does not make any extensive analysis of recent trends — the basic information for which would not have been available anyway — or any quantitative forecast for the next twelve months. Part I of the survey therefore briefly describes recent trends in domestic activity and employment, together with the trends in the balance of payments, after which recent short-term policy is discussed in Part II. The survey then reviews the economic policy decisions taken or envisaged over the period since the change of regime up to 12th July, 1974 and, by way of conclusion, an attempt is made to identify some of the economic policy constraints now facing the Portuguese authorities and to determine along what lines their options lie.

I RECENT TRENDS UP TO THE BEGINNING OF 1974

Output and demand

As usual it is difficult to make any proper evaluation of levels of activity and demand over the recent period¹. The paragraphs that follow therefore will simply

¹ In this report, as in previous ones, it is again necessary to stress the radical inadequacies of the Portuguese statistical system, short-term data in some cases not becoming available until after a delay of over a year.

Table 1 Economic Indicators
(a) Demand and Output

	Billion escudos 1972	Per cent	Percentage change, volume		
			1970	1971	1972
(a) USES					
Private consumption	166 405	71.3	8.2	9.4	3.4
Public consumption	31 841	13.7	7.0	6.4	8.6
Gross fixed asset formation	47 153	20.2	10.8	11.2	21.9
of which: Construction	25 073	10.7	12.3	6.0	21.8
Machinery and equipment	22 080	9.5	9.1	17.6	22.0
FINAL DOMESTIC DEMAND	245 399	105.2	8.5	9.4	7.3
Change in stocks ¹	-417		(-0.3)	(+0.2)	(-0.3)
TOTAL DEMAND	244 982	105.0			
Exports of goods and services ²	60 775	26.1	-1.6	12.6	16.1
Imports of goods and services ²	72 491	31.1	0.9	24.1	8.8
Foreign balance ²	-11 716		(-0.7)	(-4.5)	(1.0)
GDP at market prices	233 266	100.0	7.9	5.8	8.7
(b) RESOURCES					
Primary sector	34 251	16.2	6.0	-5.5	0.5
of which: Agriculture and livestock farming	27 435	13.0	13.3	-7.0	0.2
Secondary sector	91 321	43.3	9.0	9.6	12.9
of which: Manufacturing	72 677	34.4	9.4	7.9	12.3
Building and public works	13 373	6.3	5.4	23.2	15.8
Tertiary sector	85 515	40.5	6.7	8.0	8.7
GDP at factor cost	211 087	100.0	7.5	6.2	9.5

1 The changes in stocks and in the foreign balance are expressed as a percentage of the previous year's GDP.

2 Not including factor income.

Source: National accounts; information sent by the Portuguese authorities to the OECD.

(b) Business Surveys in the processing industries
Difference between "up" answers and "down" answers

	1971		1972		1973		Prospects for March 1974
	March	Sept.	March	Sept.	March	Sept.	
Trend of production:							
Consumer goods	+16	+45	+18	+39	+26	+42	+38
Intermediate goods	+30	+32	+30	+34	+35	+41	+55
Capital goods	+67	+53	+47	+24	+42	+69	+64
Level of demand:							
Consumer goods	-7	-	-3	2	21	28	+28
Intermediate goods	-11	-8	-4	-2	18	40	+35
Capital goods	40	24	-9	-1	-1	20	+18

Source: Corporation of Industry.

give a broad outline of the trends in output and demand in 1972 and 1973² (although no estimates of GNP and the main components of demand in 1973 are as yet available).

In the case of agriculture, the national accounts show an almost flat trend in value added in 1972, a moderate advance in forestry (2.8 per cent) and a further

2 The last OECD survey of Portugal dates from September 1972.

Table 2 Agricultural production

	Output - Thousand tonnes PORTUGAL			Yields - quintals/hectare				
	Average 1968/71	1972	1973 ^a	PORTUGAL		ITALY 1973	SPAIN 1972	
				Average 1968/71	1972		Non- irrigated land	Irrigated land
Wheat	636	612	584	12.7	12.0	24.7	14.1	27.5
Maize	552	518	509	13.2	13.3	53.9	21.9	48.9
Rice	170	164	184	44.3	37.7	41.0		59.1
Rye	173	164	134	7.6	7.3	20.1	9.2	20.8
Potatoes	1 138	1 139	1 086	104.5	101.8	146.5	100.2	151.4
Wine ¹	9 731	8 196	10 373					
Oil ²	641	588	416					

1 Millions of hectolitres.

2 Estimates.

Source: Portuguese agricultural statistics; ISCO; Statistical yearbook of agricultural production (Spain).

fallback in fishing. The performances in terms of volume generally confirm this trend (see Table 2 and Statistical Annex).

In 1973, according to the latest estimates, there was a fall in grain output, with the exception of rice, while potato and olive oil output was down too. On the other hand, a sustained increase was recorded for wine, whilst meat output (slaughtered cattle) increased by about 11 per cent. Lastly, there was something of an upswing in catches of fish (9.5 per cent). Nevertheless, the critical situation in this sector has by no means been overcome and in the case of cod, because of the inadequacy of equipment, which is ill-suited to deep-sea fishing, catches tend to consist in great part of fish that are difficult to market. Favourable weather has meant that crop harvests should be satisfactory in 1974. At the end of June, and in comparison with the indicators available at the same time a year earlier, there was expected to be a small increase in output of cereals and vegetables including, for the first time in three years, a slight recovery in wheat output (5 per cent). The agricultural sector is still facing difficult structural problems (choice and location of crops, size of farms, lease-farming system) which are reflected in poor yields (see Table 2). Another indicator of the inadequacy of domestic agricultural production is the steep rise in food imports over the last few years.

The data available on industry can hardly be said to be convergent, but there is reason to believe that this sector staged a rapid recovery in 1972, which continued in 1973, although possibly at a reduced rate. According to the national accounts, although the growth in output from mining and quarrying remained very slow, manufacturing showed a brisk upswing in 1972 with a growth of 12 per cent, as against 8 per cent in 1971. The industries with the highest rates of growth were textiles and clothing, basic metals, engineering and transport equipment. According to the results of the business surveys conducted by the Corporation of Industry, the expansion continued in 1973 and at the end of the year spare productive capacity was less than 10 per cent for industry as a whole. Margins of slack were particularly small in the intermediate goods sector. Conversely, some of the strain seems to have been taken off the capital goods sector, probably as a result of large-scale investment earlier. The movement of the monthly index of industrial production is significantly less favourable and shows for the first ten months of 1973 a decline of 4.1 per cent compared with the same period in 1972 for industry as a whole, and one of 5.6 per cent for manufacturing. However, the coverage is

too narrow for the index to be considered really reliable and the rise in employment in manufacturing seems rather to confirm that this sector experienced a sustained rate of activity in 1973.

The construction sector, which since 1971 had been showing a high rate of expansion (about 23 per cent by volume in 1971 and 16 per cent in 1972 according to the national accounts), probably continued on the same path in 1973: consumption of cement rose by 18.7 per cent (as against 8.7 per cent in 1972) and sales of steel for civil construction were up 3.4 per cent after falling back by 9 per cent in 1972. The very steep rise in employment, which is doubtless a more reliable indicator than the ones quoted previously, would seem to confirm this trend.

On the other hand, the indicators for tourism show a slowdown in the expansion of that sector. The number of arrivals of tourists and excursionists was down 2.9 per cent after having risen by only 1.5 per cent in 1972, whereas the average rate of increase over the period from 1968 to 1971 had been 15 per cent. This movement was partly offset by an increase in the average length of stay, and the number of nights' lodging rose by nearly 6 per cent in 1973, although this was below the average increase recorded over the last five years.

Demand

According to the national accounts, households' consumption, which had risen at a very sustained rate in 1970 and 1971, slowed down in 1972. It should be remembered, however, that the households' consumption aggregate is obtained by difference and therefore incorporates all the errors of estimation made in respect of the other components of demand. For 1973 there is reason to think that households' disposable income, and therefore consumption, showed little increase since, for one thing, the growth of real wages was probably very small and, for another, the trend of emigrants' remittances showed a marked slowdown (13.6 per cent in 1973 in escudos, as against 24.5 per cent in 1972). The deterioration in the purchasing power of households may have become significantly more pronounced at the end of 1973 and early in 1974 with the faster upward movement of prices. However, the business surveys do not show any slackening of activity in the consumer goods sector, although there is no way of distinguishing through these indicators between domestic demand and export sales.

Where investment is concerned, the national accounts show an increase of nearly 22 per cent in real terms in 1972, a particularly rapid growth being recorded in housebuilding and purchases of transport equipment. Here again, the business indicators are at variance, except if one assumes a lag of about one year between the movement of entrepreneurs' opinions as to production levels and the realisation of investment in national accounting terms. The balance of optimistic and pessimistic opinions as to the level of production (increase or decrease) in this sector moved upward very sharply from March 1969 to March 1971, fell back until September 1972 and picked up again in 1973. However, the steep rise in applications for investment authorisations (63 per cent in 1972 compared with 1971) and the increase in imports of capital goods (24 per cent in escudos for machinery, electrical apparatus and transport equipment) confirm the strength of investment demand in 1972. For 1973 the trend is less clear-cut. The growth of applications for authorisation continued, with a spurt at the end of the year; but the rise in imports of capital goods slowed appreciably (15 per cent in escudos), while exports of the same goods continued to make substantial headway.

By comparison with the targets prescribed by the Third Development Plan, investments in 1972 showed only an 88.2 per cent rate of achievement. Even then, it has to be remembered that the annual forecasts are expressed in money terms and that the expected rise in prices may have been underestimated. In the

case of investment by central government, the rate of achievement was 88 per cent. Sector by sector, there was an overrun of investment targets in agriculture, fishing, mining and quarrying, and activities connected with tourism. On the other hand, there were investment shortfalls in energy, transport and distribution channels (this infrastructure expenditure accounting for nearly two-thirds of programmed investment), social schemes and developments areas. For 1973, the final year of the Plan, an exceptionally high rate of growth (30 per cent) in programmed investment was prescribed. In the event, the first estimates show a fallback of 9 per cent in money terms from the 1972 investment performance and a rate of achievement of only 64 per cent by comparison with the forecasts. Particularly low rates of achievement were recorded in agriculture, fishing and distribution. Given the proportion of fixed asset formation accounted for by programmed investment (nearly 41 per cent in 1972), it therefore seems likely that even if private investment in manufacturing increased at a sustained rate (which would appear doubtful in view of the trend in imports of capital goods), the growth of aggregate investment slowed appreciably in 1973.

There is a persistent imbalance between the growth of money incomes and domestic demand for goods and services, independently of cyclical fluctuations. Since 1970 the domestic lending capacity of transactors has risen sharply, amounting to 5 per cent of GNP in 1972. In 1973, according to the balance-of-payments figures, the current surplus showed another slight increase. This situation can be explained both by the amount of revenue received which has no counterpart in domestic production (emigrants' remittances) and by institutional, or *de facto*, limitations on supplies for the domestic market connected, on the one hand, with continuing high rates of customs duty and quotas for certain imports and, on the other, with investment legislation («condicionamento industrial»). All told, the growth of the current account surplus has enabled very large foreign exchange reserves to be built up. On the other hand, the increase in investment has remained less than the lending capacity of the economy.

Lastly, foreign demand was probably a mainstay of activity in 1973. Exports, by value and in escudos, rose by 28 per cent in 1973 as against 17 per cent in 1972 and 10.8 per cent in 1971. The Bank of Portugal indices show a growth of over 15 per cent in real terms in 1973 compared with only 4 per cent in 1972.

Portugal and the energy crisis

Portugal has almost no coal resources of its own and only a few hydro-electric plants. Consequently, most of the energy it consumes is in the form of oil.

	Total	Energy	Transport	Industry	Other Sectors
Proportion of oil in final consumption of energy in 1972	79.0	63.1	96.9	67.8	77.4

Source: OECD Energy Statistics 1968-1972.

Portugal has accordingly developed its own refining plant and in 1973 had a processing capacity of 5.8 million tonnes. A relatively large quantity of refined products is still imported, but on the whole, in view of the climate and the degree of industrialisation, consumption of petroleum is still comparatively small.

The oil crisis was clearly felt by the Portuguese economy in the fourth quarter of 1973, the more so as the closure of the Porto refinery (for carrying out work to increase its capacity) made higher imports of refined products necessary. Thus, while stocks of crude oil rose from 275.000 tonnes at the beginning of 1973 to

412.000 tonnes at the end of the year, stocks of refined products declined from 580.000 to 412.000 tonnes over the same period despite the quantitative restrictions imposed on the consumption of oil products, especially of petrol (the latter accounted for 15.3 per cent of total final domestic consumption of petroleum products in 1973). The Portuguese authorities tried to enforce savings of energy by an information campaign and above all by increasing prices³. At present the price of petrol in Portugal is among the highest in Europe, but prices of gas oil and fuel-oil are among the lowest.

Table 3 Petroleum products
Supply and consumption
Million tonnes

	1972	1973
Imported crude	4.311	4.348
Refined products:		
domestic output	3.952	3.881
imports	1.659	1.931
exports	0.372	0.221
Domestic consumption	4.180	4.636
of which: liquified gas	0.337	0.360
motor fuels	0.613	0.712
gasoline diesel	0.283	0.282
gas oil	0.900	0.988
fuel oil	1.592	1.779

Source: "Oil Information", Secretariat of State for Industry.

According to calculations by Portuguese experts, the rise in prices of petroleum products should result in a rise in output prices (gross value added) of approximately 1 to 2 per cent on average in 1974. Two sectors particularly affected will be fisheries and transport. So far, however, domestic consumption of petroleum products, except for petrol, LPG and aviation fuels, does not seem to have been appreciably affected: total domestic consumption increased by 5.9 per cent during the first four months of 1974 compared with the corresponding period in 1973.

Employment and emigration

According to the estimates of the Statistical Institute based on the general population census of 1970, the total active population has been tending to decline (by 0.6 per cent as an annual average) over the period 1962-63 to 1972-73. The rapid decline in the numbers of workers in the agricultural sector has not been accompanied by a corresponding rise in the secondary or tertiary sectors. During the past ten years, two out of every three workers leaving the agricultural sector have been finding employment abroad, and the proportion of agricultural workers has thus fallen from 40 per cent of the total active population in 1961-62 to 28.6

3	Premium grade petrol	Ordinary petrol	Gas/diesel Oil	Fuel Oil
Increase in prices from 1st January, 1973 to 4th February, 1974	+ 64 %	+ 67 %	+ 42 %	+ 54 %

per cent in 1972-73. During this period, numbers of workers in the secondary sector have increased only very little (0.7 per cent as an annual average). Although the contribution of manufacturing industries to the gross domestic product increased from approximately 28 per cent to approximately 38 per cent, the proportion of the active population employed in those industries only rose from 21.8 per cent to 24.4 per cent between 1962-63 and 1972-73. This trend suggests that there were large rises in productivity; these were estimated by the fourth Development Plan at approximately 7.8 per cent as an annual average between 1960 and 1971. Only employment in the tertiary sector showed a sustained rate of growth (2.0 per cent). In 1962-63 it accounted for 30 per cent of the active population, and this figure rose to 37.6 per cent in 1972-73. At the same time, the scale of migration and the increased length of military service sharply reduced the numbers of men in those age groups that form part of the active population. This trend is one of the reasons for the increasing demand for female labour, which led to a sharp rise in the overall rate of activity of women during the 1960s, from 13.1 per cent in 1960 to 19.1 per cent in 1970. In addition, the small growth of purchasing power at the end of the period probably encouraged greater numbers of women to seek employment.

An idea of the recent trend in employment can be obtained from the quarterly surveys of the Statistics Service of the Ministry of Labour. These employment indices, prepared for all non-agricultural activities, confirm the trend that has been emerging for some years: a continuing fall in the number of workers employed in fishing and mining, and an increase in employment in various services, transport and communications, and especially building. The rapid rise in employment in building in 1972-73 may be explained by the sharp rise in that activity, which was stimulated, *inter alia*, by expectations of inflation.

The Ministry of Labour publishes statistics on the total numbers of job applications and vacancies recorded throughout the year, and the situation at the end of the period. These figures must, however, be used with caution insofar as they are influenced by the gradual extension of the National Employment Service. The rapid growth in job applications up to 1972 fell off during 1973 but resumed in the first quarter of 1974. Vacancies increased still more rapidly than applications until 1972, when they fell back, recovering again during 1973 and the first quarter of 1974. This trend is consistent with the information available on emigration. 1972 was a year in which emigration abroad declined, whereas 1973 showed a recovery. In 1973 the proportions of successful job applications and vacancies filled during the year were respectively of the order of 38 per cent of total applications and 44 per cent of total vacancies⁴, a higher proportion than in the previous years, this being partly due to a better system of recording vacancies and applications. This overall trend, however, conceals disparities in individual regions and sectors. The trades in which unsatisfied applications are highest are the services⁵. The numbers of unfilled vacancies are highest for skilled workers in the building and clothing industries⁶. So far as unemployment is concerned, the only statistics available are those of mass laying-off by firms employing more than 10 workers. 1971 and 1972 were marked by large-scale laying-off, particularly in the textile industry; but in 1973 there was a decline in this type of redundancy, with the exception of the transport and communications sector in the Lisbon region. In January 1974 non-agricultural employment was up by nearly 2 per cent on

4 Compared with 25 per cent of applications and 29 per cent of vacancies in 1971.

5 In fact the statistics for job vacancies and applications are drawn up by occupational category. In the case of services, the most important categories covered are office workers and sales personnel.

6 *i.e.* in certain occupational categories in the building and clothing industries.

Table 4 Labour Force
(a) 1962/1963 - 1972/1973

	1962-1963		1967-1968		1972-1973	
	thousands	per cent	thousands	per cent	thousands	per cent
Total	3 100		3 030		2 943	
Primary sector	1 235	39.8	1 030	34.0	843	28.6
Secondary sector	936	30.2	964	31.8	1 000	34.0
<i>of which: processing industries</i>	677	21.8	695	22.9	717	24.4
<i>construction</i>	222	7.1	237	7.8	254	8.6
Tertiary sector	929	30.0	1 036	34.2	1 105	37.6

Source: Estimates based on Ministry of Labour censuses and employment surveys (National Statistics Institute: 10th census, 1960 and 11th census, 1970, one-twentieth of population).

(b) Recent indicators of employment
Indicies by area of activity (1970 = 100)

	Non-agricultural labour force		1973				1974
	thousands	per cent	Jan.	April	July	Oct.	Jan.
A TREND OF EMPLOYMENT							
Fishing	32.5	1.6	90.0	87.9	93.7	90.0	90.3
Mining and quarrying	12.3	0.6	95.8	95.0	94.5	92.7	93.2
Manufacturing	703.1	33.6	100.8	101.1	101.5	102.2	101.6
Construction	244.1	11.7	106.2	111.7	112.4	113.9	115.4
Electricity, gas, water	17.6	0.8	97.7	97.5	97.0	97.3	96.6
Transport and communications	139.8	6.7	104.5	104.9	105.1	109.7	109.7
Miscellaneous services	56.2	2.7	107.6	108.8	109.9	110.6	111.2
TOTAL NON-AGRICULTURAL	2 090.9		102.6	103.4	104.0	104.8	104.5

Job, applications and vacancies (end of period)

	1973				1974	
	I	II	III	IV	I	II
Unsatisfied applications	36.3	34.0	35.1	35.9	39.1	44.4
Unfilled vacancies	13.5	16.1	18.1	20.6	24.3	14.6
BALANCE	22.8	17.9	17.0	15.3	14.8	29.8

I Banking, insurance and real estate.

Source: Information sent by the Portuguese authorities to the OECD, Statistical Service of the Ministry of Labour and National Employment Service.

January 1973. This was chiefly due to progress in the building sector. For the early part of 1974, the only figures available are for job applications and vacancies registered with the National Employment Service. These show some worsening of the situation in that unsatisfied applications were up from 34 000 in July 1973 to 44 400 in June 1974, whilst registered vacancies fell from 8 600 in March to 6 600 in April and 3 200 in May.

After reaching a peak in 1970, Portuguese emigration declined in 1971 and 1972. There was a recovery of the migratory flow in 1973 (14 per cent higher than in 1972) affecting approximately 120 000 people. This was mainly accounted for by lawful emigration, which increased by nearly 50 per cent compared with 1972, mainly to the German Federal Republic. France, which has been the

main importer of Portuguese labour in Europe since the early 1960's continues to occupy this leading place, but the proportion of unrecorded emigrants declined enormously in 1972 and 1973 because of an important bilateral manpower agreement signed in 1971 to regularise the entry of Portuguese workers into France, and of tighter controls introduced in the spring of 1973 (the « Circulaire Fontanet »). The increase in lawful emigration did not offset the decline in unrecorded emigration and in all, entries into France⁷ declined by 32 per cent in 1972 and 11 per cent in 1973.

It was in Federal Germany, where the Portuguese population is approximately 115 000, 75 per cent of whom are working, that an exceptional increase of 119 per cent in arrivals of Portuguese migrants in 1973 compared with the previous year was recorded. This migratory flow was stopped, however, towards the end of the

Table 5 Estimated emigration by country of destination

	1970		1971		1972		1973		First half 1974	
	thou- sands	per cent	thou- sands	per cent	thou- sands	per cent	thou- sands	per cent	thou- sands	per cent
North America	16.2	9	15.8	11	14.4	14	15.6	13	10.6	24
South America	4.6	3	4.7	3	4.8	4	5.2	4	1.9	4
France	128.9	75	110.8	73	68.7	65	61.2	51	26.8	61
Germany	19.8	11	17.0	11	14.4	14	31.5	26	1.3	3
Others	3.8	2	2.9	2	2.7	3	6.6	6	3.5	8
Total	173.3	100	151.2	100	105.0	100	120.1	100	44.1	100

Source: Memorandum submitted to the OECD by the Portuguese authorities. National Emigration Office.

year by the measures taken in November to suspend the entry of foreign workers with the exception of nationals of EEC countries.

Emigration has increasingly been extending to workers in the secondary sector and to skilled workers attracted by the higher wage levels abroad. Thus in 1973, the contribution of the farming sector to total emigration was only 15.4 per cent compared with 34 per cent from the secondary sector. It is difficult to fix a precise figure for net emigration. The only data available are those of returning emigrants passing through the National Emigration Office. Here the highest figures were for the fourth quarter of 1973 and the first quarter of 1974, although these were still insignificant compared with the outward flow (fourth quarter of 1973: 2.5 returning per 100 leaving; first quarter of 1974: 5.6 returning per 100 leaving)⁸. A less favourable economic situation in the receiving country and the measures previously mentioned were the explanation for this change. At the same time there has been a growing number of African workers from the Overseas

7 According to the data supplied by the National Emigration Office, the numbers of Portuguese nationals entering France were as follows:

	1970	1971	1972	1973
Lawful entries	21 962	10 023	17 800	20 731
Unrecorded entries	106 907	100 797	50 892	40 502
Total	128 869	110 820	68 692	61 233

8 If these returns are set against total emigration (including unrecorded departures), this gives a rate of 1.5 per cent for the fourth quarter of 1973 and 3.1 per cent for the first quarter of 1974.

Territories arriving in Metropolitan Portugal in recent years⁹. It must be noted that the Fourth Development Plan (1974-79) estimated a shortfall of 231 000 jobs in the period 1974-79 and emigration of active population at 198 000. Job creation by the secondary sector would be very small, while the tertiary sector was expected to contribute the most to total job creation.

Table 6 Fourth Development Plan - Projected trend of employment

Natural increase in the labour force	232 700
Decrease in employment in the primary sector	175 600
Number of new jobs required	408 300
Jobs created in the secondary sector	28 100
Jobs created in the tertiary sector	149 200
Total number of jobs created	177 300
Surplus manpower	231 000
Emigration of active persons	198 000

Source: Fourth Development Plan, 1974-1979.

Prices and wages

The trend of prices

In 1973 there was a marked rise in wholesale prices¹⁰ which accelerated sharply from the third quarter onwards and continued during the first three months of 1974. So far as can be judged, this rise was mainly due to raw materials in the non-food sector, fuels and lubricants. The prices of industrial and intermediate goods rose slightly more slowly than the general index, and the rise was accelerating only slowly at the end of the year. Compared with 1972, wholesale prices of food rose somewhat more slowly, but leaving aside the fact that some of these products are subsidised, the slowdown was mainly in the first half of the year, with a very marked acceleration in the first quarter of 1974. The inelasticity of supply of agricultural products aggravates the pressure on prices whenever there is a change in demand.

So far as the geographical origin of these products is concerned, it is those originating abroad whose prices have risen the most rapidly. The increasing rate of inflation has been accompanied by a considerable change in relative prices of products depending on their geographical origin. Portugal has not escaped the sharp change in the terms of trade in 1973 experienced by the countries which import raw materials.

Retail prices also rose rapidly in 1973, the rise accelerating from the third quarter onwards. The retail price index for the city of Lisbon¹¹ shows that prices of food continued to rise rapidly in 1973, but that the higher rate of increase is mainly due to other items in the index. Thus, for the second year in succession, there was a particularly sharp rise in rents¹². Prices of clothes and footwear

9 In November 1973, the Ministry of Labour estimated the number of workers from Cape Verde working in Metropolitan Portugal as approximately 20 000.

10 The only wholesale price index available relates to the city of Lisbon. Moreover the number of products which it covers is quite small, and the base year, 1948, is too remote.

11 There is a retail price index for each of the main cities in the country. Their weighted average approximately follows the trend of the Lisbon index.

12 The index overestimates the rise in rents in that it covers only newly rented accommodation.

Table 7 Wholesale prices by geographical origin of products
Percentage on previous year

	1970	1971	1972	1973	$\frac{74 \text{ IQ}}{73 \text{ IQ}}$
Wholesale prices:					
Goods produced in Metropolitan Portugal	6.4	1.2	8.9	11.5	25.3
Goods manufactured in Metropolitan Portugal from imported raw materials	-0.8	3.1	1.4	3.0	12.4
Goods from abroad	-0.8	1.6	2.4	14.3	22.7
Goods from the overseas territories	1.4	0	-0.9	20.3	57.2

Source: National Statistics Institute, monthly bulletin.

increased by almost 26 per cent; in this sector, apart from a few large units, there are a very large number of small firms employing four or five workers on the average, whose productivity is doubtless quite low. In addition, this sector was particularly affected by the rise in raw material prices and wage costs. It is also possible that in the climate of uncertainty and generally rising prices, firms anticipated rises by widening their margins. Similar increases seem to have taken place in other sectors: thus for fish and fish preserves there was a sharp rise in retail prices compared with wholesale prices towards the end of 1973, and in the case of dried cod, some dealers would seem to have laid in speculative stocks. The malfunctioning of the distribution circuits already referred to in previous studies may have helped this type of behaviour¹³. The scale of this problem is such that it was specifically taken into account in the Government's programme published on 15th May, 1974.

Table 8 Trends in prices
Percentage change on corresponding period of previous year

	1971	1972	1973	1973			1974	
				II	III	IV	I	II
CONSUMER PRICES								
Six main towns ²	10.1	11.2	12.5	9.8	13.8	16.4	23.0	..
Lisbon	11.9	10.7 ¹	12.9	10.4	13.6	17.6	23.8	26.0
Food	8.1	9.9	9.2	4.3	10.4	16.2	23.2	31.2
Non-food products	15.3	11.6	16.4	16.1	16.6	18.8	25.1	21.3
Clothing and footwear	6.1	9.1	25.6	27.1	26.3	30.4	35.7	31.7
Rents	..	19.4 ¹	18.4	17.4	19.1	19.4	29.5	18.3
Miscellaneous services	8.3	6.7	13.0	12.4	12.8	16.1	16.9	21.1
Lisbon (excluding rents)	8.4	8.8	11.5	8.5	12.2	17.5	22.3	
WHOLESALE PRICES — LISBON								
Food	2.0	5.9	11.1	8.0	11.2	17.1	25.2	
Manufactured goods	5.0	6.8	5.1	0.6	4.5	12.3	20.8	
Primary products other than food	3.1	6.9	10.7	9.4	10.0	13.0	12.1	
Fuels and lubricants	-1.3	6.4	25.3	17.8	26.4	42.4	29.3	
Drink and tobacco	0.8	0	16.9	17.7	17.7	21.5	29.2	
	-2.2	6.3	18.2	15.4	20.3	21.3	25.3	

1 As from 1972 a new method of calculating rents has been used.

2 Average of the indices for the six main towns weighted by their populations.

Source: National Statistics Institute, Monthly Bulletin of Statistics.

The general rise in prices was accompanied by considerable differences in the indices of the various cities. The tourist area in the south (Faro) recorded the highest rates of inflation (21.5 per cent compared with 1972) or nearly double the rates recorded in the centre, which varied between 10.3 per cent (Viseu, Coimbra) and 10.6 per cent (Porto). For the city of Lisbon, retail prices again began to rise faster during the first quarter of 1974, reaching rates more than double those of a year earlier. The freeze introduced in May checked the upward movement but the level reached was still very high (about 26 per cent up on the second quarter of 1973). Wholesale prices rose faster than retail prices, their rate of increase having more than trebled in a year.

Wages

It is not possible with the available statistics to make a precise analysis of the recent trend of wages. The data to hand suggest that in 1973 wage rates rose on average a little faster than the prices index, thus showing a small margin of increase in purchasing power of households. In absolute terms this was still one of the lowest among the OECD countries, with very large differences between wages for men and for women. In rural areas the daily wage for a man was approximately \$ 3.40, and for a woman \$ 2.50; in the plastics industry, the daily wage for a man was approximately \$ 4.70 while that for a woman only about \$ 2.30.

The moderate rise, in terms of annual averages, in the purchasing power of households actually conceals a steady deterioration over the year as a whole. During the last quarter of 1973 almost all workers probably suffered a decline in purchasing power, and in the first months of 1974 this trend was accentuated as the rise in the cost of living index accelerated over the country as a whole.

Balance of payments

In 1973 Metropolitan Portugal's merchandise exports to foreign markets increased by value¹⁴ and in terms of escudos at the same rate as in 1972, i.e. by about 28 per cent¹⁵. Exports to the overseas territories were up by approximately 28.5 per cent on 1972. Exports of textile products (which account for some 30 per cent of the total) rose by 30 per cent, exports of food products (about 18 per cent of the total) by 21 per cent and exports of capital goods and transport equipment by about 43.5 per cent so that they accounted for more than 13 per cent of total merchandise exports. With regard to the geographical breakdown of exports, the United Kingdom continues to take first place with 23.7 per cent¹⁶ of total Portuguese exports in 1973, followed by the United States with 9.8 per cent and Germany with 7.5 per cent.

Metropolitan Portugal's imports from the rest of the world rose by about 23 per cent in 1973¹⁷. This overall figure combines a rapid increase in imports from foreign countries (28 per cent) with a much smaller growth in imports from the overseas territories, which were up by only 10 per cent. The relatively more moderate trend in imports is partly due to the slowdown in food imports. Imports of raw materials for the textile industries were up by 40.5 per cent in 1972, whilst imports of capital goods and transport equipment increased by only 15.0 per cent. Crude oil imports amounted to approximately 4.3 million tonnes, this being about

14 Portuguese statistics are such that it is not possible to determine the price-volume breakdown of foreign trade satisfactorily.

15 Excluding exports of diamonds, imported from Angola and re-exported abroad with only a little value added in Metropolitan Portugal (chiefly regrading and some slight cutting).

16 About 21.5 per cent if exports of diamonds to the United Kingdom are excluded.

17 23.3 per cent excluding diamonds.

Table 9 Nominal and real wages
(a) Percentage change on corresponding period of previous year

	1970	1971	1972	1973	1973				1974
					I	II	III	IV	I
NOMINAL WAGES									
Wages in agriculture									
Men	11.3	13.0	12.2	13.1	11.8	12.7	12.1	15.6	20.8
Women	9.7	15.5	11.4	15.8	17.4	13.6	13.3	18.8	21.3
Wages in industry and transport									
Lisbon	11.8	10.8	8.5	11.8	9.1	12.6	15.2	18.6	19.8
Porto	10.4	13.4	12.7	7.4	8.2	6.6	9.8	14.6	19.0
Wages in civil construction ¹	15.0	14.5	13.7	15.3	12.7	14.7	16.3	17.7	..
REAL WAGES²									
Wages in agriculture									
Men	6.1	2.5	1.2	0.5	1.8	2.8	-1.3	-0.7	-1.7
Women	4.6	4.8	0.5	2.9	6.9	3.6	-0.3	2.1	-2.2
Wages in industry and transport									
Lisbon	5.2	-1.1	-2.0	0.3	-0.7	2.1	1.4	0.8	-3.2
Porto	7.2	5.2	1.5	-1.3	-0.1	-0.9	-1.2	-0.5	-2.2
Wages in civil construction ¹	9.6	3.9	2.5	2.5	2.6	4.7	2.4	1.1	..

1 Average daily wage in selected occupations.

2 Deflated by the consumer price indices for the respective towns.

Source: Information sent by the Portuguese authorities to the OECD. Ministry of Labour report on short-term trends.

(b) Daily wages in selected occupations¹

Escudos

	1968	1971	1972	1973
Agriculture (general workers)				
Men		75	84	95
Women		43	48	61
Metals and metalworking				
Electricians	96	129	142	178
Foundry workers, etc.	70	96	110	122
Rubber				
Male operatives	65	95	103	120
Female operatives	32	55	58	69
Plastics products				
Male operatives	61	93	105	118
Female operatives	29	45	52	58
Construction				
Bricklayers, etc.	64	90	106	117
Labourers	50	71	81	96

1 The figures for each year represent the average of the wages quoted at end-March, end-June, end-September and end-December.

Source: Monthly Bulletin of Statistics.

the same amount as in 1972. On the other hand, imports of petroleum products grew more rapidly, rising from 1.6 million tonnes in 1972 to 1.9 million tonnes in 1973. Crude oil and petroleum products together accounted for a little under 7 per cent of total imports in 1973.

The deterioration in Metropolitan Portugal's trade balance with countries outside the escudo area was more than offset by the surplus on invisibles. Nevertheless, the growth of invisible earnings slowed appreciably. With regard to tourism, the growth of net receipts declined from 28 per cent in 1972 to 19 per cent in 1973. Even then these rates of increase relate to figures expressed in dollars. The rate of increase in terms of escudos (about 6 per cent in 1973) probably reflects a flat trend in real terms. This is no doubt connected with the scale of tourist traffic from countries which, like the United Kingdom and the United States¹⁸, saw their currencies depreciate in 1973. Moreover, the growth of private transfers in 1973 (31 per cent) partly reflects the favourable movement of exchange rates (against the dollar) for the currencies of those countries employing Portuguese manpower. If account is taken of the movement of exchange rates and the trend in wage incomes per worker in countries employing Portuguese emigrants, this would increase the likelihood¹⁹ of a considerable slow-down in the flow of Portuguese migrants abroad²⁰.

Portugal's balance on current account with countries outside the escudo area showed a surplus of the same order as in 1972, i.e. \$ 380 million as against \$ 348 million in 1972. Thus, in addition to manpower, Portugal continued to transfer resources to abroad, especially towards the most industrialised areas in the OECD. To this should be added the surplus of \$ 163 million on Portugal's current account with the overseas territories²¹. This means that Portugal's balance on current account with the rest of the world showed a surplus of \$ 543 million in 1973. The size of this surplus (about 5 per cent of GNP) is fairly remarkable, especially since there was at the same time an acceleration of current transfers from government to the overseas territories.

As for Metropolitan Portugal's balance on long-term capital transactions with the rest of the world, the deficit of \$ 129 million that appeared in 1972 widened to \$ 143 million in 1973. This was attributable to a net outflow of private capital to abroad and a decrease in outflows of public capital to the overseas territories. These outflows had been particularly large in 1972 (\$ 151 million) as a result of the exceptional medium- and long-term loans extended by Metropolitan Portugal to the overseas territories so that they could finance the considerable back payments they had accumulated during the 1960s.

The current surplus of the escudo area as a whole was much the same as that of Metropolitan Portugal with abroad, i.e. about \$ 530 million. The geographical breakdown shows a considerable surplus on transactions with the OECD European countries (about \$ 380 million) and with the United States and Canada (about \$ 527 million), and a large deficit on transactions with the rest of the world (about \$ 375 million). The overseas territories' deficit on long-term private capital transactions with the rest of the world widened further in 1973, from \$ 25 million to

18 In 1973 tourists from the United States and the United Kingdom accounted for about 45 per cent of total tourist nights.

19 The calculation may be made by taking as a starting point the figure of 800 000 Portuguese emigrants in France and 115 000 in Germany. Reckoning also on an average growth of earnings from employment per worker of 13.3 per cent in France and 12.8 per cent in Germany, and an effective appreciation of the franc and the deutschemark against the dollar of 11.7 and 16.3 per cent respectively, this would give an «adjusted» growth of transfers approximating 3 per cent.

20 Or else emigration from Portugal not only of workers but of whole families. In fact the two phenomena probably occurred simultaneously.

21 Metropolitan Portugal's transactions with the overseas territories are recorded on a settlements basis. Furthermore, the 1973 surplus was largely influenced by a speeding-up of payments from the overseas territories, which had built up fairly considerable lags. For the purpose of unwinding these lags, the Portuguese government extended substantial long-term loans to Angola and Mozambique as from 1972.

Table 10 Balance of Payments
\$ million
(a) Metropole

	With non-Escudo countries			With the rest of Escudo area			Global balance		
	1971	1972	1973 ¹	1971	1972	1973	1971	1972	1973 ¹
Exports, fob	830	1 099	1 567	155	254	376	985	1 353	1 943
Imports, fob	1 473	1 770	2 467	139	177	209	1 612	1 947	2 676
TRADE BALANCE	-643	-671	-900	16	77	167	-627	-594	-733
Services, net	164	218	230	-26	-14	-65	138	204	165
Travel	185	237	282	27	24	42	212	261	324
Transport	-28	-41	-69	7	5	8	-21	-36	-61
Insurance	-6	-9	-14	1	2	2	-5	-7	-12
Investment income	-11	-12	36	25	33	51	14	21	87
Other	24	43	-5	-86	-78	-168	-62	-35	-173
Private transfers, net	635	801	1 050	29	71	61	664	872	1 111
CURRENT BALANCE	156	348	380	19	134	163	175	482	543
Long-term capital	84	31	-54	-20	-160	-89	64	-129	-143
Private	81	71	-34	-5	-9	-4	76	62	-38
Official	3	-40	-20	-15	-151	-85	-12	-191	-105
BASIC BALANCE	240	379	326	-1	-26	74	239	353	400
Short-term capital and unrecorded	6	-130	-6	-6	-7	5	—	137	-1

¹ Provisional figures.

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.

(b) Overseas Provinces and Escudo Area

	Balance of Overseas Provinces with countries outside the Escudo area ¹			Balance of Escudo area		
	1971	1972	1973	1971	1972	1973
Exports, fob	369	490	715	1 199	1 589	2 282
Imports, fob	532	585	804	2 005	2 355	3 271
TRADE BALANCE	-163	-95	-89	-806	-766	-989
Services, net	171	157	207	335	375	437
Travel	10	4	-2	195	241	280
Transport	105	128	163	77	87	94
Insurance	1	—	-1	-5	-9	-15
Investment income	-2	-12	-23	-13	-24	13
Other	57	37	70	81	80	65
Private transfers, net	21	23	32	656	824	1 082
CURRENT BALANCE	29	85	150	185	433	530
Long-term capital	—	-25	-78	84	6	-132
Private	—	-25	-78	81	46	-112
Official	—	—	—	3	-40	-20
BASIC BALANCE	29	60	72	269	439	398
Short-term capital and unrecorded	12	11	23	18	-119	17

¹ Provisional figures.

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.

\$ 78 million. In all, for the first time since 1964 the escudo area as a whole recorded a net outflow of long-term capital of approximately \$ 132 million in 1973.

As in recent years, the surplus on current account was not offset in 1973 by net outflows of capital, so that over the year Portugal's exchange reserves rose by a little more than 200 millions SDRs. At the end of 1973 they amounted to 2 353 million SDRs, this being the equivalent of more than one year's imports. On 14th February, 1973, the Portuguese authorities adjusted the parity of the escudo. They replaced the central rate of 27.25 escudos to the dollar, which had been in force since 22nd December, 1971, by a new rate of 25.50 escudos to the dollar, which represents a revaluation against the dollar of about 6.9 per cent. A few weeks later, on 19th March, 1973, the Portuguese authorities informed the IMF that they were no longer able to guarantee that the fluctuations in the exchange rate for the escudo would remain within the bands observed previously. The effective exchange rate of the escudo then appreciated until July (about 5 per cent in relation to the spot rate in the first quarter of 1970). Afterwards the trend was reversed, and at the end of December the effective exchange rate showed a depreciation of about 2 per cent by comparison with the first quarter of 1970²².

On 1st January, 1973 the agreement of association between Portugal and the EEC came into effect. Under the agreement, quantitative restrictions on trade between Metropolitan Portugal and the EEC are to be progressively removed and customs duties lowered in five stages over the period from 1st April, 1973 to 1st July, 1977. These provisions apply chiefly to industrial and manufactured goods. The different protocols of the agreement provide for special schemes in respect of certain products particularly affected by the reduction of customs duties. On 1st July, 1973 the original six EEC countries cut duty on Portuguese exports of canned sardines by 40 per cent and duty on exports of canned tomatoes by 30 per cent. The United Kingdom and Denmark for their part undertook vis-a-vis their EEC partners to reintroduce customs duties on a number of products which, under the EFTA system, had been duty-free. The agreements with those EFTA countries which did not join the EEC are still in force.

During the first few months of 1974 Metropolitan Portugal's trade balance with abroad deteriorated considerably. This was due to the very unfavourable trend in the terms of trade for Portugal and also to unusually heavy imports of raw materials. Metropolitan Portugal's trade deficit (cif/fob) with abroad more than doubled in the first quarter of 1974 by comparison with the corresponding period in 1973, amounting to some 4.5 billion escudos. The revised figures for the first four months of the year show a much larger deficit, of the order of 8 billion escudos²³ (about \$ 320 million). The trend in invisible receipts was also somewhat disappointing, partly for purely incidental reasons (the bank strike in France probably affected emigrants' transfers). Moreover, the very pronounced gap between interest rates abroad and in Portugal probably encouraged Portuguese enterprises to speed up repayment of the loans they had obtained abroad. In all, the Bank of Portugal's foreign exchange reserves decreased over the first five months of the year by about 6.3 billion escudos, i.e. \$ 250 million.

22 Over the first six months of 1974 the effective exchange rate of the escudo remained remarkably stable except for some fluctuations in late April and in May. After depreciating against the dollar in January (to roughly its parity at 22nd December, 1971), the escudo appreciated considerably in the months that followed (+ 7.7 per cent in May). By mid-July the escudo had appreciated some 9 per cent against the dollar by comparison with its parity at 22nd December, 1971.

23 It is difficult to obtain an accurate idea of the size of the trade deficit since, even revised, the figures published by the Monthly Statistics Bulletin are unreliable. On a settlements basis the deficit would be much larger, because of the unfavourable movement of leads and lags in Portugal's case.

II DEMAND MANAGEMENT POLICY IN THE RECENT PERIOD

Budgetary policy

On a national accounts basis, current expenditure for the whole of the public sector increased in 1972 by about 22 per cent, compared with 10 per cent in 1971, and, as in the previous year, rose appreciably faster than revenue (16 per cent in 1972 compared with 8 per cent in 1971). Transfer and subsidy payments increased the most rapidly of all (about 41 per cent). Purchases of goods and services for military purposes, on the other hand, increased at a lower rate than the average but still accounted for nearly 33 per cent of current expenditure in 1972 (compared with 36.5 per cent in 1971). In all, gross savings by the public sector expressed as percentage of GNP fell from 4.7 per cent in 1970 to 4.1 per cent in 1971 and 3.1 per cent in 1972. The increase in expenditure on investment and loan operations appreciably worsened the cash position in the public sector.

Table 11 **Public Sector Account**
National accounts basis, standardized concepts
Billions of escudos

	Public Sector			Central Government		
	1970	1971	1972	1970	1971	1972
ORDINARY REVENUE	43.0	46.4	53.8	31.2	32.9	37.4
Direct taxes	10.8	11.1	12.1	8.5	8.9	9.8
Social Security Contributions	8.2	9.9	12.5			
Indirect taxes	21.0	22.4	25.3	20.2	21.5	24.4
Other revenue	3.0	3.0	3.9	2.5	2.5	3.2
CURRENT EXPENDITURE	34.6	38.1	46.6	27.5	29.8	33.7
Civilian	12.5	13.7	16.6	9.5	10.0	11.4
Military	12.7	13.9	15.2	12.8	13.9	15.2
Transfers and subsidies	8.4	9.5	13.3	3.9	4.4	5.2
Interest on the public debt	1.0	1.0	1.5	1.3	1.4	1.9
CURRENT SAVING	8.4	8.3	7.3	3.7	3.1	3.7
Capital transfers (net)	-0.8	-0.9	—	-0.5	-0.6	0.5
Gross fixed investment	4.5	5.1	5.9	2.5	2.6	3.4
Lending (+) or borrowing (-), net	4.7	4.1	1.4	1.7	1.1	-0.2
Lending, net of repayments	-2.3	-3.9	-7.9	-1.7	-3.3	-7.7
Borrowing, net of repayments	+0.5	0.2	5.7	0.9	1.1	6.2
Other changes	-0.6	-0.9	0.3	-0.2	-0.7	0.3
Increase (+) or decrease (-) of treasury position	-2.3	+0.5	+0.5	+0.7	+1.8	+1.5

Source: National Institute of Statistics: Public Finance Statistics.

Central government is obviously predominant in the public sector from the standpoint both of revenue and expenditure. Mention must however be made of the increasing part played by the autonomous services and funds and social security organisations in the public sector as a whole. From 1964 to 1972 the expenditure of these economic transactors increased by 224 per cent, 376 per cent and 287 per

cent respectively, the increase in current expenditure by central government being no more than 131 per cent during that period.

Figures for 1973 are not available on a national accounts basis but only on the basis of the outturns of the central budget. These show rises in revenue²⁴ (17.8 per cent) and expenditure^{24 bis} (19.6 per cent). Direct taxation increased the most rapidly (28.2 per cent) and among the direct taxes the supplementary tax (30 per cent) and the tax on real estate transactions (40 per cent) showed the highest rate of increase. Among the indirect taxes, mention must be made of the increase in the transactions tax (26 per cent) and the small rise in customs duties (4 per cent), despite the sustained rise in imports following the tariff reduction agreements with EFTA and the EEC. It should be remembered that customs duties account for a large share of tax revenue in Portugal (13.4 per cent of the total in 1973). On the expenditure side, mention must be made of the sharp rise

Table 12 **The Central Government Budget**
Administrative basis, excluding autonomous funds and services
Billions of escudos

	Final Budget Results		Initial Forecasts		
	1972	1973 ¹	1972	1973	1974
ORDINARY REVENUE	32.42	38.99	25.96	31.12	35.95
Direct taxes	11.06	13.97	8.89	10.65	12.54
Indirect taxes	18.60	21.53	14.17	16.84	20.18
Transfers	0.74	0.73	0.83	1.18	1.05
Other	2.02	2.76	2.07	2.45	2.18
CURRENT EXPENDITURE	29.31	35.21	25.83	29.83	34.17
CURRENT SAVING	3.11	3.78	0.13	1.29	1.78
CAPITAL REVENUE (net)	-0.18	-1.90	-0.21	-0.82	-1.93
Sales of real assets	0.02	—	0.02	—	—
Capital transfers	0.21	-1.68	0.22	—	-1.22
Other	-0.41	-0.22	-0.45	-0.82	-0.71
GROSS FIXED INVESTMENT	2.86	3.19	3.30	3.74	5.49
GLOBAL BALANCE	0.07	-1.31	-3.38	-3.27	-5.64
Debt repayment	-1.11	-1.29	-1.33	-2.28	-2.53
Financial assets	-1.47	-1.31	-0.96	-0.95	-1.58
Borrowing	3.38	3.43	5.43	6.21	9.68
Utilisation of earlier balances of account	0.37	1.42	—	0.25	—
Sums carried forward to future budget years	-1.23	-1.14	—	-0.02	—
Other ²	-0.01	0.20	0.24	0.06	0.07

1 Provisional.

2 Including repayments, non classified expenditures and liabilities non included in the debt repayment.

Source: Finance Ministry, Report on the Central Government accounts and Report on the Central Government Budget.

24 Effective receipts, excluding revenue relating to earlier years and borrowing and loans.

24 bis Total expenditure figures for 1973 are not available under the new classification of current and other expenditure, but only according to the traditional division into ordinary and extraordinary expenditure.

in infrastructure expenditure under the Third Plan, and the faster rise in extraordinary defence expenditure (17.6 per cent). Total ordinary and extraordinary military expenditure accounted for 37 per cent of all central government expenditure.

With regard to 1974, the Portuguese authorities announced that they do not intend to publish a new budget, but that revisions will be made to the existing budget introduced by the previous government. Moreover, the finance bill approved by the Assembly and the administration's subsequent report on the overall budget for central Government are intended to serve as a guide only. Before the broad outlines of this budget are examined, it must be stressed that, while an effort has been made to improve the forecasts²⁵, particularly on the revenue side, there are still problems of analysis connected with the systematic under-estimation of certain items: thus, expected budget revenue for 1974 is 4.4 per cent below the actual revenue for 1973, which was in turn nearly 20 per cent above the expected revenue. For this reason, the 1974 budget can be analysed only by comparison with the 1973 forecasts, and not the outturn. Current expenditure is likely to increase less rapidly (14.5 per cent) than income (17 per cent). On the other hand a special effort is likely to be made with capital expenditure (43 per cent), either by direct investment (47 per cent) or by transfers (96 per cent). In all, central budget deficit²⁶ is expected to increase by more than two-thirds, 5.7 billion escudos, and the Treasury borrowing requirement to reach over 8 billion escudos compared with 5.5 billion in 1973. In 1974, however, the budget outturn is likely to be a relatively large deficit since, for one thing, revenue has been under-estimated less than in previous years and, for another, the rise in civil servants' pay and the stepping-up of public investment to sustain activity will bring about a more rapid growth of expenditure than foreseen. However, these effects might be partly offset by the impact of inflation on the trend of revenue. Furthermore, the problems of financing this deficit are likely to be seriously aggravated in 1974 if the additional expenditure made necessary by the increase in social security benefits already decided upon (family allowances, pensions) or planned (unemployment allowance) absorbs the surplus on the social security organisation account which traditionally helped to finance a part of the central government deficit.

The budget outturn for the first four months (revenue collected and payment authorisations), for which no breakdown into current and capital expenditure is available, show even before the events a much sharper rise in expenditure (42 per cent) than in revenue (21.5 per cent) compared with the corresponding period in 1973, and a reduced surplus (2 billion escudos for the first four months of 1974 compared with 3.5 billion a year earlier). Among the expenditure items mention must be made of the rise in military expenditure at the beginning of the year (49 per cent approximately).

Monetary policy

The increase in the means of payment made available to economic transactors accelerated again in 1973. The money supply (M2) increased at a rate slightly above that for 1972, the increase being due mainly to a sharp rise in liquidity. On the other hand, the rate of increase of quasi-money slowed down sharply to 16.1 per cent, the lowest rate of increase recorded since 1966. The preference of the public for liquid assets was most marked in the second half of the year: whereas time deposits increased by approximately 10 billion escudos in the first half of 1973,

²⁵ Until now tax revenue has been underestimated and investment spending over-estimated in order to allow a very large «margin over», which has generally been set against extraordinary military expenditure.

²⁶ Not including lending and borrowing.

the growth was only approximately 5 billion escudos in the second half of the year. This falling-off is no doubt connected with the slowdown in remittances from Portuguese workers abroad (usually invested in the form of time deposits); but preference for wholly liquid assets must also be viewed alongside the wave of stock exchange speculation experienced in Portugal in 1973.

Table 13 Changes in money supply and counterparts

	Millions of escudos outstanding at end-December 1973	Annual percentage change					
		1968	1969	1970	1971	1972	1973
TOTAL MONEY SUPPLY	302.6	13.3	17.3	12.1	17.9	20.7	23.5
Money	191.5	6.9	13.0	3.9	13.9	17.9	28.2
Quasi-money	111.1	34.4	28.5	30.9	25.2	25.2	16.1
COUNTERPARTS							
Gold and foreign exchange reserves	74.5	12.3	5.0	4.6	15.6	17.8	10.8
IMF	0.9						
Banking credits	249.4	14.5	21.5	18.8	22.9	23.9	30.2
Portfolio investment	24.8	1.7	7.8	14.5	-1.4	25.9	25.5
Miscellaneous	-47.0						

Source: Annual Reports of the Bank of Portugal.

The trend in the other parts of monetary system shows a moderate increase in external assets, which increased by only 10.8 per cent in 1973 compared with 17.8 per cent in 1972. Despite this trend, the incidence of the increase in foreign exchange reserves on the monetary base was quite large. The most rapid rise was in credit to the economy, which increased by more than 30 per cent in 1973 owing to a sharp rise in short-term credit from the banks, the commercial portfolio, which at the end of the year had expanded by nearly 40 per cent. Medium-term credit from the banks, and especially the savings banks, showed a slowdown in growth from approximately 24 per cent in the first quarter of the year to approximately 18 per cent at the end of the year.

In 1972 the monetary authorities had found the increase in liquidity excessive, and at the end of that year they raised the commercial banks' reserve ratio. Despite this step the banks increased the scale of their credit operations at a still faster rate at the beginning of the year, with the result that their free reserves fell from 5.9 billion escudos at the end of 1972 to 3.3 billion at the end of the first quarter of 1973. Subsequently, a further acceleration in the expansion of credit and a slowdown in foreign currency earnings reduced the banks' liquidity margin to 2.3 billion escudos at the end of 1973. The incidence of the change in foreign currency reserves on the monetary base, which had been 9.9 billion escudos in 1972, was only 8.0 billion in 1973²⁷. The effect on liquidity of the slowdown in foreign exchange earnings was however partly offset by increasing rediscounting facilities at the Bank of Portugal from 0.4 billion escudos in 1972 to 1.9 billion in 1973.

Together with the measures of partial sterilisation of the banks' liquid assets, the monetary authorities decided late in 1972 to make a slight increase in the

27 This figure is not fully representative of the monetary incidence of the change in foreign currency reserves held by the Bank of Portugal, as it includes the revaluation of reserves in 1973.

rediscounting rate, from 3.75 per cent to 4 per cent, and to raise the maximum authorised rate for medium-term loans by the commercial banks from 7.5 per cent to 8.25 per cent. A further step was taken on 26th December 1973, when the rediscounting rate was raised to 5 per cent and the maximum authorised rate for long-term commercial bank loans to 9 per cent. Despite these increases, the level of interest rates in Portugal has remained well below that ruling in most OECD countries. The structure of rates for the banks' deposit operations has been modified to encourage long-term deposits and check the excessive growth of sight deposits; but it may be asked how effective these measures have been: the rates for sight deposits have been reduced by half a point from 1 per cent to 0.5 per cent, and the maximum rate for deposits of more than 180 days' duration increased by $\frac{1}{4}$ of a point from 5.25 to 5.50 per cent. These changes were unlikely to influence the behaviour of households at a time when inflation, in terms of consumer prices, was increasing at a rate approaching 20 per cent at the end of 1973.

The earliest information on the capital market available for 1973 shows a fall in the nominal value of share issues by Portuguese companies from 12.3 billion escudos in 1972 to 11.4 billion in 1973. This decline was offset by increased issues of fixed-interest securities, mainly in the public sector, which rose from 4.3 billion escudos in 1972 to 5.4 billion in 1973. Despite this comparative stagnation of the main security market the secondary market was exceptionally active. The weighted average index of share prices on the Lisbon stock exchange calculated by the Bank of Portugal almost doubled in 1973 compared with 1972. The banks participated in this general trend by buying securities to a nominal value of 1.3 billion escudos compared with 0.3 billion in 1972, but it was the quasi-banking institutions (mainly investment companies, often connected with the banks) which were most active on the stock exchange, increasing their security portfolios to a disproportionate extent from approximately 1.0 billion escudos in 1972 to 6.8 billion at the end of 1973.

The monetary situation altered considerably during the first quarter of 1974, following the sudden change in the balance of payments. Foreign exchange reserves fell by 6.3 billion escudos during the first quarter, and this fall was only partly offset by an increase of 4.6 billion escudos in rediscounting facilities at the Bank of Portugal. The banks were thus obliged to reduce both their expansion of credit and their surplus liquidity. The increase in credit compared with the corresponding period of the previous year declined from 34.4 per cent for the

Table 14 Creation of liquidity by the Central Bank
Increase or decrease in million escudos

	1971	1972	1973	1973/I ¹	1974/I ¹
Notes in circulation	2 612	5 085	7 917	-1 176	2 508
Other liabilities	5 043	4 716	696	2 492	-5 393
Total	7 655	9 801	8 163	1 316	-2 885
COUNTERPARTS					
External assets ³	8 664	9 901	7 971	2 733	-6 311
Bank credit	32	364	1 914	-1 037	+4 630
Other	-1 041	-464	-1 272	-380	-1 204

1 Increase or decrease on 31/12/1972.

2 Increase or decrease on 31/12/1973.

3 Including appreciation of exchange reserves.

Source: Bank of Portugal, annual report.

Table 15 Bank Credit

	Millions of escudos outstanding at end-December 1973	Annual percentage change		
		1971	1972	1973
TOTAL BANKING CREDIT	248.7	22.9	23.6	30.2
SECTOR:				
Private sector	242.3	22.9	23.0	32.7
Public sector	5.6	26.2	67.2	-27.0
Miscellaneous	0.9			
SOURCE OF FINANCE:				
Commercial banks	188.4	24.0	26.2	34.5
CGDCP and saving banks	48.3	26.3	23.6	18.8
Bank of Portugal	14.7	1.7	-1.0	17.2
METHOD OF FINANCING:				
Commercial portfolio	166.2	22.7	25.2	37.3
Loans and other credit operations (in escudos)	82.6	23.1	20.9	17.8

Source: Annual Reports of the Bank of Portugal.

last quarter of 1973 to 27.1 per cent for the first quarter of 1974, when the rise was only 3.1 billion escudos compared with 10.5 billion escudos for the same period in 1973 and 22.2 billion in the last quarter of 1973. The banks' free liquid assets fell from 2.3 billion escudos at the end of 1973 to 1.0 billion at the end of March 1974 and — 4.3 billion escudos at 30th April, 1974. This sharp decrease in bank liquidity seems partly due to the shift away from demand deposits during that period: over the first quarter of the year sight deposits with the banks fell by 17.0 billion escudos (12.8 billion in 1973), and in April alone by 9.6 billion escudos (2.3 billion in 1973).

III THE DECISIONS TAKEN SINCE THE EVENTS OF 25th APRIL

The events of 25th April came at a time when, as has been seen, the Portuguese economy was having to contend with short-term difficulties in addition to the deep-lying structural problems by which it was chronically affected. The immediate danger then was that the country's productive system would become thoroughly disorganised as a result of the upheavals in habits and behaviour caused by the events. As it turned out, although there was indeed an upsurge in workers' claims together with industrial action on a large scale, activity was not blocked. There was certainly evidence of a «wait and see» attitude on the part of entrepreneurs which took the form of a cutback in investment, but it is difficult here to make any quantitative assessment of the phenomenon. In response to all the difficulties with which it was faced, the Government produced a package of measures, some of which were intended to fix the broad lines of the new policy whilst others, taken in specific areas, were primarily conceived as a temporary expedient to relieve the immediate difficulties, and in particular the risk of an upsurge in prices. Some of the emergency measures adopted in April were soon to be lifted, moreover.

The broad lines of economic policy

On 15th May, 1974, the new government stated what would be the broad lines of its economic policy. This overall programme combines liberal trends with deep-reaching reforms. In addition, the broad lines of future social policy have been laid down.

The programme asserts in the first place the need to maintain some degree of liberalism: in the field of investment, in particular, «propensities to private investment, both internal and external, must be stimulated, with safeguards for the national interest»²⁸. Similarly, the need for total liberalisation of foreign trade is reaffirmed several times. The desire to liberalise distribution networks is also expressed²⁹.

The desire for reform is apparent in many parts of the programme: notably, the development of investment in public infrastructure schemes; reform of the tax system, in such a way as to distribute the tax burden more fairly among the different categories and discourage tax evasion; and nationalisation of the banks of issue. The programme also stresses the need for a reform of agriculture and a policy aimed at reducing regional disparities. Lastly, in regard to short-term economic policy, the programme takes as its premise the need to fight inflation «with means of a global nature»³⁰, whilst in the field of medium-term economic policy, it stresses the necessity of revising the national plan, both in regard to its targets and where administrative organisation is concerned.

With regard to social policy, the programme adopts the principle of a minimum inter-industrial wage. The broad lines of a Social Security system are also laid down, and the need for improved occupational training is acknowledged. Lastly, and very importantly, the programme proposes that economic and social steps be taken to encourage emigrants to return to the home country³¹.

The emergency measures

Since the end of April 1974 the Government took various emergency measures, some of which were later repealed.

- (i) Monetary policy. Initially, to prevent transactors from hoarding their assets and thus creating a liquidity crisis, a package of measures was introduced on 26th April to facilitate the use of cheques as a mode of payment and to limit withdrawals of sight deposits. But to get the situation on to a more normal basis, these measures were rescinded on 27th May³². Various measures were also taken in regard to sales and purchases of foreign currency connected with merchandise trade with abroad. Above a certain amount, prior certification by the Bank of Portugal is now required. Capital transactions are also subject to controls. The stock exchange was closed and transactions in securities were suspended. Lastly, to promote saving, the rate of interest payable on deposits for more than 180 days was raised by 0.5 per cent.
- (ii) Wages and benefits. The minimum monthly wage was fixed at 3 300 escudos (except in the case of persons in domestic service and rural

28 Article (d) of Part 4 of the programme.

29 Article (j) of Part 4 of the programme.

30 (a) - 4.

31 (n) - 5.

32 Initially the acceptance of cheques for more than 500 escudos was made compulsory. A withdrawal limit of 2 000 escudos per person was also imposed. This limit was later raised to 10 000 escudos per person per week. In mid-July 1974 withdrawals of funds exceeding 250 000 escudos were made subject to justification, the exception being withdrawals by enterprises to meet wage bills.

workers). The situation of small businesses was also taken into consideration: those employing fewer than 5 workers may pay less than the minimum wage if they can prove that their financial position justifies this. A commission to assist small and medium-sized businesses was also set up. The minimum wage concerns about 49 per cent of workers in industry, commerce and services. The mechanical impact of the rise in the minimum wage differs a great deal depending on the occupational categories concerned, ranging from an average increase in the basic wage of about 11 per cent in the civil service to one of over 40 per cent for workers in the agricultural and food industries. In all, more than one-third of all workers are likely to be affected by the measure and the average increase in their basic wage would be about 24 per cent. Also, in the wage range of 3 300 to 7 500 escudos, the right to negotiate new wages was acknowledged. Lastly, all wages of over 7 500 escudos per month have been temporarily frozen³³. In the public sector, where the minimum wage is also operative, the principle of a full review of pay was admitted. Where benefits are concerned, it should be noted that the pensions for retired and disabled persons will be at least 1 650 escudos per month (as against 800 escudos formerly), and that the family allowance per child has been increased from 160 to 240 escudos per month.

- (iii) Prices. It was decided to freeze the prices of goods and services at all stages of production, processing and distribution³⁴ at their level as at 24th April, together with rents other than those charged for temporary occupation, holiday accommodation, etc. The price freeze is to be replaced by a more flexible system of control and surveillance introduced by Decree-Law 329 A of 10th July, 1974. Both the degree and the methods of price control will depend on the nature of the goods services traded and on the size of the establishments.
- (iv) External relations. On 6th May, 1974 a commission to supervise foreign trade was set up. Any merchandise import transaction of a value exceeding 1 million escudos required authorisation by the commission, as did any merchandise export transaction exceeding 500 000 escudos. The commission could also prohibit imports or exports of a certain number of goods. This list was abolished by Decree-Law of 6th July, 1974. At the same time the ceilings on import and export transactions subject to authorisation were raised to 5 million escudos for imports and 2.5 million for exports.

This package of measures, together with those to be taken in the coming months, are seen by the Portuguese authorities as being essentially short-term, even though some of the measures have far-reaching consequences. The task that has been entrusted to the new economic policy authorities is to manage the Portuguese economy until the next elections (which should take place before 31st March, 1975). It will be then that the definitive courses of action can be decided upon. Meanwhile, the economic programme being drawn up is essentially a corrective plan, with nevertheless the beginnings of a certain number of reforms which, if developed, might radically transform the Portuguese economy.

While this survey was being drafted, a number of measures were announced. In the field of monetary policy, an all-round rise in interest rates was expected, together with selective credit measures, lowering of the banks' reserve ratio,

33 The wage freeze, which was originally planned to last until the end of June, was extended together with the price freeze. In mid-July, 1974 it was still in force.

34 Except in the case of auction sales.

improvement of terms for savings deposits and restriction of hire purchase transactions. With regard to budget policy, an increase in civil servants' pay and adjustments to the tax system were expected. The creation of an Institute for Industrial Promotion was also announced.

IV THE PRESENT PROBLEMS OF ECONOMIC POLICY

The problems facing the Portuguese economy in the summer of 1974 find their origin in three sets of causes: the pattern of economic growth and resource utilisation during the last several years; the influence of world conjunctural developments in the recent past — especially the increase in commodity and oil prices; and the social and economic transformations triggered-off by the political events of last April. Some references to past developments are indispensable for understanding today's problems. On the other hand, the short-term outlook appears particularly uncertain: there are considerable doubts concerning the international economic setting over the next year or so; and on the domestic front, economic trends are likely to be greatly influenced by political developments — the type of future relations with the overseas territories, to give only one example. It seems useful to point to the limitations of any analysis of economic policy issues in the present circumstances.

Economic growth was rapid over the last few years, sustained by a shift to more expansionary policies in the late 1960's and by the growing influence of economic relations with major Member countries. But the pattern of growth has made some structural problems more acute. There was substantial growth and diversification of exports, new industries developed and tourism expanded considerably. But important sectors like agriculture and the distribution system have made little progress. The creation of new jobs outside agriculture was insufficient and very large numbers emigrated to industrialised European countries, so that both the labour force and total population declined. Emigrants' remittances came to represent some two thirds of import receipts and nearly 10 per cent of total incomes, adding considerably to domestic demand. But while defence expenditure continued to absorb a large part of national resources, the current balance of payments remained in sizeable and growing surplus. Thus both cost distortions and demand/supply imbalances had led to a strong acceleration of price increases even before the sharp rise of commodity and oil prices. During last winter, the rate of inflation was among the highest among Member countries — with the consumer price index rising at an annual rate of 33 per cent in the six months to April.

Such a rate of inflation had significantly reduced real wages by the early months of 1974, when the economy also started feeling the impact of the oil crisis. The deterioration of the terms of trade widened the trade deficit but, given Portugal's comparatively low consumption of oil products, the indirect effects of the crisis are much more important. Deceleration of economic activity in major Member countries (both autonomous and policy-induced) is likely to affect Portuguese exports, which account for a comparatively large share of GNP, and to depress international tourism. More importantly, poor employment prospects have led to restrictions on workers' immigration in a number of major countries. Furthermore, the large shift of the balance of payments into deficit has put considerable strains on liquidity. Thus, in the early months of this year a number of powerful recessionary factors were operating, at the same time as pressures on the price level were particularly strong.

The political events of April introduced entirely new elements to the economic scene and were followed by the adoption of important policy measures. There

have been widespread strikes in many sectors of the economy, in support of substantial wage increases and changes in working conditions. Their novelty has given rise to exaggerated views about their disruptive effects on production, but the ensuing wage settlements are undoubtedly having far-reaching economic consequences. Another important «autonomous» development was the apparent postponement of investment plans in industry and construction caused by general uncertainties, although — according to recent information — the large investment projects in hand are proceeding normally. There has also been a significant decline in transfers of emigrants' remittances, most probably caused by the prevailing uncertainties but perhaps also influenced by the restrictions imposed temporarily on the use of bank accounts. The emergency measures taken during the last two and a half months and the main features of the economic and social programme of the «provisional government» formed on 15th May were described in Part III of this Survey. The situation is moving fast and at the time of writing (mid-July) important new economic measures had been prepared. But final decisions were held up pending the formation of a new government.

The broad lines of the authorities' economic policies and priorities are, however, fairly well defined. An essential feature of the programme of 15th May is that it does not put into question the basic institutions³⁵ of a market economy, even though it envisages more active State intervention in the economic and social fields. Moreover, the authorities — quite realistically — intend to concentrate their efforts on the solution of current economic problems, leaving longer-term decisions to be taken after the elections planned for 1975. The decisions taken so far and the policy orientations announced indicate the following priorities:

- (a) the prevention of recessionary developments which would risk creating serious unemployment;
- (b) the avoidance of any significant disruption of the production process;
- (c) a wide measure of income re-distribution, both by means of larger increases for low wages and by a series of social measures like increases in pensions and family allowances and the introduction of a system of unemployment benefits;
- (d) a gradual slowing down of the rate of inflation by appropriate measures that would follow the inevitable relaxation of the temporary price freeze.

A temporary current balance of payments deficit is accepted, as it can probably be financed easily given the level of reserves and the possibilities of borrowing abroad. This set of priorities is understandable in present circumstances. The policy measures to achieve the inter-related objectives raise, nevertheless, difficult problems of economic management.

With deflationary forces already operating in the economy and immigration severely restricted in certain European countries, the risk of rising unemployment appears considerable, even in the absence of any large-scale return of people from the overseas territories. To maintain high levels of activity and employment it will be necessary to have recourse both to general demand management and to more specific measures. An important datum for demand management is that the shift of the current balance from surplus into deficit implies, in present circumstances, a reduction of total national saving; but its incidence among sectors (households, firms and the public sector) is of particular importance. Some quasi-automatic reduction of the household saving ratio is very probable, both

35 The only measure of nationalisation envisaged concerns the «banks of issue». This implies a purely formal change for the Bank of Portugal, but refers also to the anomalous situation of a major commercial bank being at the same time a bank of issue for overseas territories.

because of the fall in emigrants' remittances and because groups with higher-than-average propensity to consume are benefiting from large income rises. But in order to maintain real domestic demand and to avoid strains on firms' capacity to invest, a significant shift into deficit of the public sector is required. The increase in pensions and other similar measures taken should reduce, if not eliminate, the earlier surplus of the Social Security system. But the State budget will also probably need to move into deficit (on national accounts concepts) in the present circumstances and this will require special efforts of explanation to public opinion. In any case, considerable revisions of the 1974 Budget appear to be necessary.

The overall budget balance, however, is not the only problem. Acceptance of a deficit can very well be accompanied by increased taxation of higher incomes and by special efforts to combat tax evasion. Furthermore, changes in different types of expenditure are far from having similar effects on employment. For instance, public investment projects of a labour-intensive nature could be speeded-up and enlarged. And the present large and growing subsidies to keep down prices of certain foodstuffs could be gradually reduced both on economic and equity grounds. Instead of subsidising the consumption of everybody (resident and tourist alike) budget funds could be more properly used to help low-income groups directly or to finance investment. Action through the budget will also need to take special account of technical and administrative time-lags. There is, for example, urgent need to sustain activity in housebuilding. Certain plans for setting-up public organisations in this field may well have great merit for the future, but they can hardly be relevant to the problems of 1974. Measures with a short-term effect need to be considered instead, whether of an administrative and fiscal character or in the field of credit policy.

The role of monetary and credit policy can be particularly important at present. The Central Bank already acted earlier this year to limit the liquidity effects of the balance of payments deficit, but further important measures seem necessary to ensure adequate credit expansion. The difficulties of a balanced policy in this field should not be under-estimated. Indiscriminate, rapid expansion of credit and money supply risks financing continued inflation, but over-elaborate rules for selectivity in credit growth may not be easy to enforce in practice. With the large increase in labour costs, which weigh particularly heavily on small firms, relatively fast growth of credit in coming months seems desirable, although, by itself, the increase in credit will not solve the fundamental problems facing the small business sector. At the same time, the level of interest rates needs to be reconsidered. These have been traditionally very low and inflexible in Portugal, but with present rates of inflation a substantial upward revision seems necessary. Subsidies (from the budget or other special funds) may, however, be justified for well-defined and controlled categories of credit. Moreover, the maintenance of significant interest rate differentials with foreign markets creates considerable risks of capital outflow. For the special case of emigrant workers' accounts other incentives besides higher interest rates may be desirable.

The serious risk of a wage-price explosion is probably the major policy issue at present. Some relief can be expected in the near future from a decline in world commodity prices, but this cannot be important given the large cost increases not yet passed on to prices. The price freeze is only a temporary measure, which will inevitably have to give way to more flexible methods of surveillance. Thus, further significant price increases seem probable in coming months, even though perhaps lower than the extremely sharp rates experienced in the recent past. The resulting erosion of the purchasing power of wages will, sooner or later, give rise to a new turn of the inflationary spiral. The authorities are conscious of this basic problem and have endeavoured to moderate the general

rise of wages by measures favouring the lowest paid — notably fixing a minimum wage and disapproving increases above a certain level. Certain semi-official estimates made in early May have put the rise of average basic wages in 1974 around 25 per cent. This is most probably an under-estimate, since it was based on the assumption of a lower minimum wage than was actually decreed and did not take into consideration increases in public sector salaries. The situation seems to call for greater and better co-ordinated efforts in this area. There is much to be said in favour of a periodic adjustment of the minimum wage (and of a certain part of higher wages and salaries) to the cost-of-living. At the same time, the temporary freeze of the highest wages and salaries might be prolonged. But the most important need is to establish, as soon as possible, institutional machinery for regular negotiations of wages and working conditions at the national, industrial and plant level. Such procedures will not eliminate the conflict of interests or the inflationary pressures, but will permit compromise solutions to be sought in an orderly fashion.

The balance of payments is unlikely to create difficult problems in the near future. The large deficit recorded in the early months of this year was partly due to seasonal and temporary factors. For 1974 as a whole, the trade deficit (fob/fob) with countries outside the escudo area might, on present evidence, rise to 1½ billion dollars, compared with \$ 0.9 billion in 1973, the deterioration due to higher oil prices amounting to about \$ 0.3 billion. It would require a significant absolute decline of invisible receipts for any considerable current deficit to arise. (The current account with the rest of the escudo area is likely to be near equilibrium). On the assumption that short-term capital outflows will be prevented, this outlook does not give rise to concern. There are probably important possibilities for long-term borrowing abroad and the level of reserves — even after its decrease by \$ 250 million in the first five months of 1974 — remains comparatively high.

A number of policy measures were recently taken in the balance of payments field. Certain restrictions were imposed in May on «luxury» imports and on exports of goods considered essential for the domestic market. But these were abolished in July and replaced by a flexible system of surveillance. This latest decision is welcome and, indeed, measures to increase the flow of imports may be advisable at present to ease supply/demand imbalances. To the extent that the authorities may aim at discouraging non-essential consumption, indirect taxes on certain goods — whether of domestic or foreign origin — would be preferable to import restrictions. Controls on capital movements have also been reinforced — a decision amply justified in present circumstances. Finally, the avoidance, so far, of any considerable fluctuations in the average effective rate of the escudo seems quite appropriate.

The justifiable preoccupation of the authorities with urgent issues of economic policy does not mean that they have ignored the longer-term, structural problems. Certain decisions already taken, notably in the field of social security, will have important long-term consequences for public finance. The official acceptance of the fact that the Fourth Plan has, to a large extent, been overtaken by events implies that the preparatory work for its revision should start very soon, preferably accompanied by special efforts to improve economic statistics. Other specific measures bearing on structural problems may be soon needed, especially in agriculture. But, on the whole, any concrete long-term economic plans of action will need to wait for the clarification of certain basic pre-conditions — notably the burden of defence expenditure in the future; the type of relations with the overseas territories; and the nature of economic links with other Member countries which may play an important role in the future development of the Portuguese economy.

Annex

**EXTRACT FROM THE GOVERNMENT'S PROGRAMME
PUBLISHED ON 15th MAY 1974**

Extracts from Decree-Law No. 203/74 15th May, 1974
Published by «Diario do Governo»

ECONOMIC AND FINANCIAL POLICY:

- (a) Use of counter-inflationary measures of an overall character.
- (b) Revision of the structure and methods of economic administration in the interests of efficient and rapid decision-making.
- (c) Elimination of protectionism and preferential treatment which may restrict equality of opportunity and affect the country's economic development.
- (d) Creation of incentives for saving and private investment, both domestic and foreign with safeguards for the national interest.
- (e) Adoption of new measures for government intervention in the basic sectors of the economy and particularly in the sectors of national interest, without prejudice to the legitimate interests of private enterprise.
- (f) Expansion of public investment, especially in public infrastructure schemes in the economic, social and educational fields.
- (g) Efficient and co-ordinated management of State holdings in such a way as effectively to defend the public interest.
- (h) Pursuit of a policy of land-use planning and regional decentralisation in order to correct present imbalances.
- (i) Liberalisation, in accordance with the country's interests, of international economic relations in the field of trade and capital movements.
- (j) Support and development of co-operative societies. Reform of marketing circuits in such a way as to free them from unjustified intervention and burdens.
- (l) Immediate revision of the Fourth Development Plan within a framework of participation so as to make it an effective instrument of social betterment and development. Revision of methods used in drawing up development plans.
- (m) Reform of the tax system so as to rationalise it and ease the tax burden on less well-off groups, with a view to a fairer distribution of income.
- (n) Adoption of exceptional measures to discourage speculation and tax evasion.
- (o) Reform of the credit system and banking structures to meet the requirements of accelerated economic development.
- (p) Nationalisation of Banks of issue.

- (q) Measures to stimulate agriculture and gradual reform of the land tenure system.
- (r) Aid to small and medium-sized businesses.
- (s) Protection of minority share-holdings in corporations.
- (t) Reorganisation of statistical services in such a way as to guarantee objectivity of information and increase the efficiency of economic policy-making.

SOCIAL POLICY:

- (a) Introduction of a minimum wage to be progressively extended to all sectors of activity.
- (b) Introduction of schemes to guarantee the purchasing power of lower-income groups, independently of accidental fluctuations in earnings from employment.
- (c) Increased prestige for the civil service, with a guarantee of its political independence; regulation of the right of association in the civil service; immediate review of civil servants' pay.
- (d) Introduction of new social benefits for infirm, disabled or old persons and special care for orphans and handicapped or disabled ex-servicemen.
- (e) Formulation of a policy for care and protection of mothers and children.
- (f) Improvement of insurance schemes in respect of industrial accidents and occupational diseases.
- (g) Establishment of the basis for a national health service available to all citizens.
- (h) Progressive replacement of the national insurance and assistance schemes with an integrated Social Security system.
- (i) Creation of new family allowance schemes.
- (j) Protection of all forms of female labour and strict supervision of work by minors.
- (l) Creation of unified multiple training schemes with compulsory participation by the State and the private sector.
- (m) Establishment of schemes for participation in the firm by all employees.
- (n) Adoption of economic and social measures to encourage the return of emigrants and to increase the protection and supervision of Portuguese workers abroad.
- (o) Financing of public infrastructure schemes, particularly in the housing sector, combined with a policy in regard to real estate that will enable the lowest income groups to obtain housing on accessible terms.
- (p) Protection of nature and improvement of the environment.

STATISTICAL ANNEX

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Table A National Product and Expenditure
 Million escudos

	1968	1969	1970	1971	1972
<i>Current prices</i>					
Consumers' expenditure	109 902	118 824	134 889	148 900	166 405
Government current expenditure	19 579	21 214	25 245	27 650	31 841
Gross fixed asset formation	24 433	27 294	31 060	36 974	47 153
Change in stocks	22	693	-314	687	-417
DOMESTIC EXPENDITURE	153 936	168 025	190 880	214 211	244 982
Exports of goods and services (excluding factor income)	35 106	37 581	41 742	48 064	60 775
Imports of goods and services (excluding factor income)	42 521	44 777	53 825	62 576	72 491
GROSS DOMESTIC PRODUCT AT MARKET PRICES	146 521	160 829	178 797	199 699	233 266
plus: Net income from the rest of the world	609	935	889	415	578
GROSS NATIONAL PRODUCT AT MARKET PRICES	147 130	161 764	179 686	200 114	233 844
<i>1963 prices</i>					
Consumers' expenditure	93 610	95 784	103 595	113 380	117 270
Government current expenditure	16 263	16 826	18 003	19 158	20 808
Gross fixed asset formation	20 741	22 605	25 052	27 870	33 965
Change in stocks	171	345	-75	268	-213
DOMESTIC EXPENDITURE	130 785	135 560	146 575	160 676	171 830
Exports of goods and services (excluding factor income)	33 474	34 441	33 881	38 146	44 297
Imports of goods and services (excluding factor income)	39 797	42 823	43 198	53 621	58 366
GROSS DOMESTIC PRODUCT AT MARKET PRICES	124 462	127 178	137 258	145 201	157 761
plus: Net income from the rest of the world	484	683	610	264	320
GROSS NATIONAL PRODUCT AT MARKET PRICES	124 946	127 861	137 868	145 465	158 081

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

Table B Origin of Gross Domestic Product at Factor Cost
Million escudos

	Including direct taxes				
	1968	1969	1970	1971	1972
	<i>Current prices</i>				
Agriculture, forestry and fishing	26 242	27 710	28 784	30 015	33 179
Mining and quarrying	815	825	916	955	1 072
Manufacturing	43 234	48 039	53 882	60 349	72 677
Electricity, gas and water	3 327	3 720	4 319	4 714	5 271
Construction	7 055	7 558	8 104	11 127	13 373
Transport and communications	7 677	9 176	10 487	11 610	13 264
Wholesale and retail trade	17 374	18 496	19 833	23 475	26 969
Banking, insurance and real estate	4 124	4 802	5 745	6 432	7 562
Ownership of dwellings	3 915	4 517	4 529	4 963	5 738
Public administration and defence	8 967	9 224	10 994	11 631	14 107
Other services	10 201	11 213	12 898	14 981	17 875
GROSS DOMESTIC PRODUCT AT FACTOR COST	132 931	145 280	160 491	180 252	211 087
	<i>1963 prices</i>				
Agriculture, forestry and fishing	20 299	18 450	19 557	18 365	18 444
Mining and quarrying	631	578	606	683	706
Manufacturing	40 408	42 802	46 820	50 507	56 721
Electricity, gas and water	3 296	3 627	4 029	4 296	4 895
Construction	5 952	6 268	6 607	8 143	9 432
Transport and communications	6 398	6 978	8 465	9 183	10 079
Wholesale and retail trade	13 810	13 510	13 621	14 924	15 482
Banking, insurance and real estate	3 279	3 508	3 945	4 089	4 324
Ownership of dwellings	3 720	3 834	3 951	4 153	4 316
Public administration and defence	7 698	7 862	8 137	8 641	10 072
Other services	8 238	8 403	8 947	9 854	10 996
GROSS DOMESTIC PRODUCT AT FACTOR COST	113 659	115 820	124 685	132 838	145 467

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

Table C Gross Domestic Fixed Asset Formation
Million escudos

	1965	1966	1967	1968	1969	1970	1971	1972
<i>Current prices</i>								
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	18 543	22 331	26 498	24 433	27 294	31 060	36 974	47 153
Breakdown by product:								
Residential construction	3 728	4 705	6 482	3 629	4 322	4 441	4 850	6 665
Other construction	8 579	10 865	9 509	10 620	10 370	12 387	15 062	18 408
Equipment and machinery	6 236	6 761	10 507	10 184	12 602	14 232	17 062	22 080
Breakdown by branch of activity:								
Agriculture, forestry and fishing	1 401	1 544	1 955	2 042	2 193	2 131	2 353	2 599
Mining and quarrying	79	88	91	114	169	233	164	185
Manufacturing and construction	5 973	7 610	7 539	7 290	8 471	10 416	12 530	14 893
Electricity, gas, water	1 353	1 680	2 336	2 473	2 509	2 642	3 051	3 611
Transport and communications	2 846	3 150	3 994	4 252	4 191	5 560	7 069	10 545
Dwellings	3 728	4 705	6 482	3 629	4 323	4 443	4 851	6 666
Other services	3 163	3 554	4 101	4 633	5 438	5 635	6 956	8 654
Breakdown by sector:								
Public administration	2 493	2 620	2 921	3 371	3 813	3 865	4 589	5 243
Enterprises	16 050	19 711	23 577	21 062	23 481	27 195	32 385	41 910
<i>1963 prices</i>								
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	18 417	21 619	22 872	20 741	22 605	25 052	27 870	33 960
Breakdown by product:								
Residential construction	3 764	4 659	5 503	3 076	3 600	3 640	3 557	4 723
Other construction	8 654	10 718	8 040	8 964	8 588	10 050	10 948	12 937
Equipment and machinery	5 999	6 242	9 329	8 701	10 417	11 362	13 365	16 305
Breakdown by branch of activity:								
Agriculture, forestry and fishing	1 371	1 438	1 662	1 700	1 772	1 618	1 682	1 772
Mining and quarrying	78	84	79	97	140	188	126	140
Manufacturing and construction	5 873	7 308	6 603	6 213	7 012	8 369	9 648	10 846
Electricity, gas, water	1 360	1 651	2 001	2 100	2 084	2 152	2 260	2 573
Transport and communications	2 833	3 049	3 469	3 616	3 475	4 507	5 344	7 632
Dwellings	3 764	4 659	5 503	3 076	3 601	3 641	3 558	4 724
Other services	3 138	3 430	3 555	3 939	4 521	4 577	5 252	5 086
Breakdown by sector:								
Public administration	2 493	2 573	2 493	2 858	3 177	3 158	3 406	3 745
Enterprises	15 924	19 046	20 379	17 883	19 428	21 894	24 464	30 220

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

Table D Agricultural Production

	Unit	Average 1953- 1962	1967	1968	1969	1970	1971	1972	1973
Cereal production									
	100 tonnes								
Wheat	—	6 332	6 372	7 475	4 536	5 482	7 937	6 123	5 840
Rye, barley and oats	—	3 548	3 591	4 222	3 011	2 833	3 780	3 115	
Maize	—	4 760	5 768	5 479	5 526	5 814	5 264	5 185	5 090
Rice	—	1 613	1 460	1 490	1 758	1 947	1 616	1 639	1 840
Potatoes and vegetables									
Potatoes	—	10 540	12 957	10 831	11 264	12 200	11 239	11 389	10 860
Broad beans, French beans, chick-peas	—	1 080	1 164	1 124	1 006	1 004	1 047	939	
Wine	1 000 hl	10 745	9 740	11 690	8 081	11 328	8 835	8 196	10 373
Olive oil	—	918	879	581	790	735	458	588	416
Cattle slaughtered									
	Tonnes								
Horned cattle	—	88 642	102 119	127 098	155 929	156 119	144 704	146 514	
Sheep and goats	—	38 766	50 319	58 535	79 908	88 851	76 350	72 241	
Hogs	—	11 509	12 257	14 331	14 174	14 947	11 705	9 439	
Milk	1 000 l		469 944	506 699	557 647	569 399	539 557	554 626	
Butter	Tonnes		1 472	2 121	2 169	2 137	1 753		
Cheese	—		19 943	17 042	19 475	19 842	19 106		
Fish landings									
	—								
of which: Sardine	—	312 870	400 484	355 794	319 051	352 004	328 149	327 367	
Cod	—	120 044	114 696	79 526	64 103	69 158	84 408	87 528	
	—	69 388	97 312	79 413	62 699	66 256	56 961		

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

Table E Employment Indicators

	1970	1971	1972	1973
Fishing	100	116.8	99.5	90.4
Mining	100	97.1	94.4	94.5
Manufacturing	100	100.0	100.2	101.4
Construction	100	102.2	106.3	111.0
Electricity, gas and water works	100	100.4	99.1	97.4
Transport and communications	100	102.7	104.4	106.0
Miscellaneous services ¹	100	100.6	105.1	109.2
Total, non-agricultural	100	101.4	102.0	103.7
	<i>Thousands</i>			
Employment (unfilled applications)	21.8	28.9	36.1	35.9
Unfilled vacancies	12.6	15.9	11.5	20.6
Balance	9.2	13.0	24.6	15.3

¹ Banking, insurance and real estate.

Sources: Data communicated to the OECD by the Portuguese authorities. Statistical office of the Ministry of Labour and National Employment Office.

Table F Prices and Wages
Indices, 1963 = 100

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Consumer prices										
Lisbon	103.4	107.0	112.4	118.6	125.8	136.9	145.6	163.0	180.5	203.8
Porto	103.5	107.9	115.7	120.8	128.2	142.5	146.7	158.3	176.0	194.1
Coimbra	102.3	105.5	111.7	114.4	121.0	130.7	135.8	149.3	164.2	181.0
Evora	103.8	106.6	113.0	118.2	123.3	130.2	139.2	153.3	167.4	194.8
Viscu	101.8	106.8	114.5	118.0	123.2	128.9	137.0	152.5	167.5	184.8
Faro	102.1	115.1	127.5	133.1	140.6	149.9	157.0	172.7	202.4	245.4
Wholesale prices (Lisbon)										
Manufactured products	100.8	104.2	108.3	112.5	116.7	120.8	125.0	127.5	135.0	150.0
Food products	100.9	102.8	111.2	117.8	117.8	118.7	118.7	122.4	130.8	144.8
	102.7	107.1	112.5	112.5	114.3	121.4	124.1	130.4	139.3	146.4
Wages in industry										
Lisbon	104.7	110.6	119.5	129.6	140.9	157.0	175.7	194.5	211.0	235.9
Porto	107.2	119.9	133.0	147.7	159.6	175.5	193.9	219.7	247.6	265.9

Source: Annual Reports of the Bank of Portugal.

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

	1964	1965	1966	1967	1968	1969	1970	1971	1972
CENTRAL GOVERNMENT									
Current revenue	13.43	16.13	17.49	20.05	22.80	25.79	31.19	32.91	37.41
Taxes and current transfers received	12.73	15.46	16.78	19.03	21.73	24.83	30.12	31.86	35.77
Income from property and entrepreneurship	0.70	0.67	0.71	1.02	1.07	0.96	1.07	1.05	1.64
Current expenditure	13.11	14.81	16.15	19.06	21.29	22.68	27.45	29.83	33.74
Goods and services	10.87	11.85	13.06	15.67	17.16	18.66	22.22	23.96	26.63
Current transfers paid	2.24	2.96	3.09	3.39	4.13	4.02	5.13	5.87	7.11
CURRENT SAVING	0.32	1.33	1.34	0.99	1.52	3.11	3.74	3.07	3.67
Net capital transfers paid (—)	-0.04	0.07	0.30	0.11	0.34	-0.03	0.51	0.62	-0.49
Gross fixed investment	1.92	1.70	1.63	1.83	2.22	2.59	2.53	2.60	3.43
NET BORROWING (—) OR LENDING	-1.64	-0.31	0.01	-0.73	-0.36	0.42	1.72	1.09	-0.24
Lending	+1.80	+0.99	+1.23	+1.71	+1.48	+1.97	+1.70	+3.30	+7.70
Borrowing at home	-1.63	-2.14	-1.62	-1.28	-1.10	-0.88	-0.90	-1.10	-6.20
Borrowing abroad	-1.95	-0.52	-0.47	+0.10	+0.56	+0.24			
Increase (+) or decrease (—) of cash reserves	+0.14	+1.36	+0.86	-1.27	-1.32	-0.84	+0.92	-1.11	-1.74
CONSOLIDATED ACCOUNT OF GENERAL GOVERNMENT									
Current revenue	18.48	21.83	24.39	27.57	31.31	35.84	43.01	46.44	53.80
Taxes and current transfers received	17.32	20.64	23.12	25.93	29.56	34.11	41.03	44.49	50.26
Income from property and entrepreneurship	1.17	1.18	1.26	1.63	1.75	1.73	1.98	1.95	2.54
Current expenditure	16.81	19.00	20.93	24.37	27.10	28.97	34.62	38.14	46.60
Goods and services	12.13	13.20	14.65	17.67	19.58	21.21	25.25	27.65	31.84
Current transfers paid	4.68	5.81	6.29	6.70	7.52	7.76	9.37	10.49	14.76
CURRENT SAVING	1.67	2.82	3.45	3.20	4.21	6.87	8.40	8.30	7.30
Net capital transfers paid	0.30	0.41	0.54	0.41	0.52	0.21	0.78	0.90	0.02
Gross fixed investment	3.06	2.94	3.45	3.46	3.81	4.58	4.47	5.13	5.91
NET BORROWING (—) OR LENDING	-1.09	0.29	0.54	0.15	0.92	2.50	4.70	4.07	1.41
Lending	+2.18	+1.39	+2.01	+2.05	+1.78	+2.81	2.33	3.86	7.90
Borrowing at home	-1.19	-1.43	-0.86	-0.57	-0.46	-0.34	-0.85	-0.58	-5.63
Borrowing abroad	-1.95	-0.52	-0.47	+0.10	+0.56	+0.24	+0.31	+0.34	-0.06
Increase (+) or decrease (—) of cash reserves	-0.13	+0.85	-0.14	-1.43	-0.96	-0.21	+2.91	+0.45	-0.80

Source: National Statistics Institute.

Table H Central Government Budget¹
Billion escudos

	Outturn			1972	1973		1974		
	1972	1973 ²			Value	Value	Percent. increase over previous year	Value	Percent. increase over previous year
	Value	Value	Percent. increase over previous year						
ORDINARY REVENUE	36.21	43.36	19.7	28.70	33.56	16.9	39.71	18.3	
Direct taxes	10.68	13.69	28.2	8.69	10.30	18.5	12.19	18.3	
Indirect taxes	18.60	21.53	15.7	14.17	16.83	18.8	20.18	19.8	
Other	6.93	8.14	17.5	5.84	6.43	9.9	7.34	14.3	
ORDINARY EXPENDITURE	22.99	27.51	19.7	22.07	26.50	20.1	31.13	17.5	
Service of national debt	2.62	2.88	9.9	3.08	4.02	30.5	4.41	9.7	
Defence	5.38	6.24	16.0	5.02	5.35	6.6	6.40	19.6	
Other	15.00	18.40	22.7	13.97	17.13	22.6	20.33	18.7	
BALANCE	13.22	15.84		6.64	7.07		8.59		
EXTRAORDINARY REVENUE	5.89	6.83	16.0	8.17	10.06	23.1	13.35	32.7	
Borrowing	3.38	3.27	-3.3	5.43	6.21	14.4	9.68	55.9	
Carried forward from previous budget years	0.37	1.42		—	0.25		—		
Other	2.13	2.14	0.5	2.74	3.60	31.4	3.67	1.9	
EXTRAORDINARY EXPENDITURE	17.88	21.47	20.1	14.81	17.10	15.5	21.93	28.3	
Defence	10.12	11.90	17.6	7.58	7.72	1.8	8.23	6.6	
Development plan	5.62	7.47	32.9	6.19	8.35	34.9	12.40	48.5	
Metropole	4.89	5.80	18.6	5.54	7.17	29.4	10.61	48.0	
Overseas	0.73	1.67	128.8	0.70	1.18	68.6	1.79	51.7	
Other	2.14	2.10	-1.9	1.03	1.03	—	1.30	26.2	
GLOBAL BALANCE	1.24	1.20		—	0.02		—		

1 According to the new classification.

2 Preliminary.

Source: Central Government Budget.

Table I The Money Supply and its Counterparts
In billion escudos at end of period

	1967	1968	1969	1970	1971	1972	1973
TOTAL MONEY SUPPLY	115.6	131.0	153.7	172.3	203.1	245.1	302.6
Money	88.6	94.7	107.0	111.2	126.6	149.3	191.5
Notes and coins in circulation	24.3	25.4	26.7	29.7	31.9	36.1	38.3
Sight deposits	64.3	69.3	80.3	81.5	94.7	113.2	153.2
Quasi-money	27.0	36.3	46.7	61.1	76.5	95.8	111.1
COUNTERPARTS							
Gold and foreign exchange reserves	40.0	45.0	47.2	49.4	57.1	67.3	74.5
IMF	0.6	0.6	0.6	0.6	0.9	0.9	0.9
Banking credits	76.1	87.2	105.9	126.0	154.6	191.5	249.4
Portfolio investment	12.7	12.9	13.9	15.9	15.7	19.8	24.8
Overseas provinces compensation account	0.4	0.4	0.5	0.4	0.3	0	0
Miscellaneous	-14.2	-15.1	-14.4	-20.0	-25.5	-34.4	-47.0

Source: Annual Reports of the Bank of Portugal.

Table J Breakdown of Banking Credits
Credits outstanding at end of period
Billion escudos

	1967	1968	1969	1970	1971	1972	1973				
							I	II	III	IV	
SECTOR											
Private sector	70.8	82.6	101.6	120.8	148.4	182.5	195.6	202.7	216.3	242.3	
Public sector	4.4	3.0	3.3	3.6	4.6	7.7	5.1	5.6	6.4	5.6	
Miscellaneous ¹	0.9	1.6	1.0	1.4	1.6	0.9	0.9	0.9	1.0	0.9	
SOURCE OF FINANCE											
Commercial banks	54.2	63.3	78.1	89.5	111.0	140.1	150.6	155.8	166.2	188.4	
CGDCP ² and saving banks	16.3	17.7	20.0	26.1	32.9	40.7	42.6	43.7	45.8	48.3	
Bank of Portugal ³	5.7	5.7	7.8	10.2	10.4	10.3	8.4	9.7	11.7	14.7	
METHOD OF FINANCING											
Commercial portfolio	45.3	52.6	66.9	78.8	96.7	121.0	126.8	133.4	143.9	166.2	
Loans and other credit operations (in escudos)	30.8	34.6	39.0	47.1	58.0	70.1	74.8	75.8	79.7	82.6	
Total	76.1	87.2	105.9	125.9	154.6	191.1	201.6	209.2	223.6	248.7	

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

1 Including adjustment item.

2 Caixa Geral de Depositos, Credito e Previdencia.

3 Net of credit to monetary sector.

Source: Annual Reports of the Bank of Portugal and Quarterly Returns.

Table K Interest Rate Structure

	31/12/1969	31/12/1970	31/12/1971	31/12/1972	31/12/1973
CENTRAL BANK					
Rediscount	2 $\frac{1}{2}$ - 2 $\frac{3}{4}$	2 - 3 $\frac{1}{2}$	2 - 3 $\frac{3}{4}$	2 - 4	3 - 5
Discount	3	3 $\frac{1}{2}$	3 $\frac{3}{4}$	4	5
COMMERCIAL BANKS					
Business credits	2 $\frac{1}{2}$ - 6 $\frac{1}{2}$	2 $\frac{1}{2}$ - 7 $\frac{1}{4}$	2 $\frac{1}{2}$ - 7 $\frac{1}{2}$	3 - 8 $\frac{1}{4}$	3 - 9
Secured loans	3 - 6 $\frac{1}{2}$	3 $\frac{1}{2}$ - 7 $\frac{1}{4}$	2 $\frac{1}{2}$ - 7 $\frac{1}{2}$	2 $\frac{1}{2}$ - 8 $\frac{1}{4}$	2 $\frac{3}{4}$ - 9
Sight deposits	$\frac{1}{2}$ - 1	1	1	1	$\frac{1}{2}$
Prior notice deposits	$\frac{1}{2}$ - 3	1 - 3	1 - 3 $\frac{1}{4}$	1 - 3 $\frac{1}{4}$	1 - 3 $\frac{1}{2}$
Time deposits:					
up to 90 days	2 $\frac{1}{2}$ - 3	3	3 $\frac{1}{4}$	3 $\frac{1}{4}$	3 $\frac{1}{2}$
more than 90 days and less than one year	3 - 4	4 - 5	4 $\frac{1}{4}$ - 5 $\frac{1}{4}$	4 $\frac{1}{4}$ - 5 $\frac{1}{4}$	4 $\frac{1}{2}$ - 6
CAIXA GENERAL DE DEPOSITOS					
Short-term loans	4 $\frac{1}{2}$ - 5	5 $\frac{1}{2}$	4 - 6 $\frac{3}{4}$	4 - 6 $\frac{1}{4}$	4 - 7 $\frac{3}{4}$
Medium-term loans	5 - 6	5 $\frac{1}{2}$ - 7 $\frac{1}{4}$	5 - 7 $\frac{1}{2}$	5 $\frac{1}{4}$ - 7 $\frac{3}{4}$	4 - 7 $\frac{3}{4}$
Long-term loans	5 $\frac{1}{2}$ - 6	5 $\frac{1}{2}$ - 7 $\frac{1}{4}$	5 - 8	4 $\frac{3}{4}$ - 8	4 - 8 $\frac{1}{2}$
Sight deposits	$\frac{1}{4}$ - 2	1 $\frac{1}{2}$ - 3	1 $\frac{1}{2}$ - 3	1 $\frac{1}{2}$ - 3	1 $\frac{1}{2}$ - 3
Time deposits	2 $\frac{1}{4}$ - 4	3 - 5 $\frac{1}{2}$	3 - 5 $\frac{3}{4}$	3 $\frac{1}{4}$ - 5 $\frac{3}{4}$	3 $\frac{1}{4}$ - 6 $\frac{1}{2}$
Saving for housing accounts					1 - 6 $\frac{1}{2}$

Source: Bank of Portugal, Annual Report.

Table L Securities Issues
Million escudos

	1965	1966	1967	1968	1969	1970	1971	1972
A SHARES								
Total gross issues	5 905	4 657	3 404	3 542	4 702	4 668	5 249	12 239
Private non-financial enterprises	5 668	4 066	3 031	2 909	3 392	3 739	4 327	8 343
Financial institutions	237	591	373	633	1 310	929	922	3 896
B BONDS								
Total gross issues	1 075	1 072	1 805	1 122	1 673	1 783	617	3 195
Total net issues	751	521	840	313	700	782	-432	2 007
Central Government	766	150	328	49	351	526	-423	1 869
State and Local Government	—	—	—	—	200	200	196	-16
Public non-financial enterprises	26	32	110	—	125	50	-12	98
Private non-financial enterprises	-63	308	378	324	59	42	-155	95
Financial institutions	22	31	24	-60	-35	-36	-38	-39
C CENTRAL GOVERNMENT DEBT CERTIFICATES	370	133	128	35	450	400	150	350
<i>Memorandum items:</i>								
Net issues by open-end investment companies	166	297	-56	-46	52	-104	6	392
Gross international issues abroad by residents-bonds	575	834	977	431	—	—	—	—

Source: OECD Financial Statistics.

Table M Breakdown by Nationality of Foreign Visitors
Thousands

	1965	1966	1967	1968	1969	1970	1971	1972	1973
TOTAL	1 509.8	1 929.5	2 516.7	2 510.7	2 785.4	3 342.9	3 867.0	3 925.3	4 079.7
Germany	59.3	79.8	82.7	88.6	113.2	133.1	170.3	186.8	2 097.7
Argentina	24.7	25.3	27.0	27.0	35.8	37.5	35.1	—	—
Belgium	19.7	24.5	25.4	23.8	32.2	32.8	39.6	39.3	46.3
Brazil	24.5	48.2	44.1	49.8	56.8	66.6	74.9	—	—
Canada	16.7	20.5	22.0	31.1	38.6	47.4	51.9	56.2	25.0
Spain	591.9	836.1	1 399.8	1 344.8	1 374.2	1 712.6	2 055.9	2 012.9	2 109.3
United States	185.0	224.6	234.2	236.9	304.1	354.7	366.1	386.5	345.7
France	178.3	184.7	166.8	140.1	168.1	203.8	215.4	233.2	248.6
Netherlands	20.8	26.8	25.4	29.5	40.6	41.6	47.7	51.8	54.1
Italy	48.5	54.7	73.5	79.3	88.9	79.4	83.3	80.7	80.0
United Kingdom	219.9	253.6	255.2	289.4	339.5	406.2	457.3	492.8	511.6
Sweden	10.0	13.7	18.8	15.4	20.2	26.8	35.4	41.6	42.8
Switzerland	16.2	24.4	22.4	23.6	32.8	32.5	39.0	43.3	50.0
Other countries	94.4	112.7	119.4	131.1	140.5	168.1	195.1	300.1	356.7

Sources: National Statistics Institute, Tourism Statistics.

Table N Foreign Trade by Main Commodity Groups 1962-1972
 Million US dollars

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
IMPORTS, TOTAL	585.3	656.1	776.3	923.3	1 022.8	1 059.2	1 178.4	1 296.1	1 582.4	1 823.0	2 227.2
Food and beverages	71.2	79.6	96.8	104.9	141.8	157.1	147.4	150.6	180.2	232.9	306.9
Basic materials	171.7	206.3	224.9	264.8	235.6	256.1	283.7	305.3	342.4	370.8	443.5
Manufactures											
Chemicals	55.3	62.9	73.2	82.3	88.7	95.5	111.7	134.3	158.9	177.8	216.2
Goods classified chiefly by material											
Machinery and transport equipment	97.8	105.8	160.7	190.6	210.2	207.5	237.1	266.5	353.8	374.8	392.5
Miscellaneous	168.0	177.2	189.9	250.7	311.6	303.3	352.7	386.4	478.0	580.1	759.7
Unspecified	15.3	16.8	22.0	29.8	34.6	39.3	45.6	52.8	68.7	86.2	108.8
Unspecified	5.9	7.5	8.9	0.2	0.3	0.3	0.2	0.2	0.3	0.4	0.5
EXPORTS, TOTAL	369.8	418.1	515.7	576.4	619.5	701.4	761.2	853.0	949.5	1 052.2	1 293.8
Food and beverages	95.0	104.5	116.4	140.4	145.2	164.9	174.8	169.9	177.0	182.3	229.5
Basic materials	67.6	66.8	75.0	78.9	82.2	81.5	108.9	128.1	162.6	159.1	180.4
Manufactures											
Chemicals	25.0	32.4	40.8	40.3	44.5	46.3	45.7	51.9	69.5	75.0	84.2
Goods classified chiefly by material											
Machinery and transport equipment	151.5	171.8	223.6	244.5	264.1	297.0	294.6	337.8	335.1	381.8	458.2
Miscellaneous	10.9	13.0	16.5	20.1	26.8	35.8	44.0	60.2	79.6	102.2	152.4
Unspecified	15.3	24.4	36.3	44.4	49.5	66.6	83.4	93.1	112.2	139.0	179.3
Unspecified	4.6	5.4	7.1	8.0	7.2	9.2	9.8	12.0	13.5	12.8	9.8

NOTE 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: 9

Goods classified chiefly by material: 6

Machinery and transport equipment: 7

Miscellaneous: 8

Unspecified: 9

Source: OECD, Foreign Trade Statistics, Series B.

Table O Geographical Breakdown of Foreign Trade, 1965-1973

Billion escudos

	1965	1966	1967	1968	1969	1970	1971	1972	1973
<i>Exports</i>									
TOTAL	16.6	17.8	20.2	21.9	24.5	27.3	30.3	35.1	44.8
OECD Countries	10.7	11.6	13.2	14.3	16.7	18.3	21.4	27.3	35.3
United States	1.8	2.0	2.0	2.3	2.3	2.4	2.9	3.7	4.4
EFTA	4.4	5.0	6.7	7.3	8.8	9.7	11.3	14.3	18.3 ¹
United Kingdom	2.9	3.3	4.3	4.6	5.2	5.6	6.8	8.0	10.6
Sweden	0.6	0.6	0.9	1.1	1.4	1.5	1.7	2.3	2.5
Other EFTA Countries	1.0	1.1	1.4	1.6	2.2	2.7	2.8	4.0	5.1
EEC	3.4	3.5	3.4	3.6	4.4	5.0	5.7	7.2	9.7 ²
Germany	1.3	1.1	1.1	1.3	1.6	1.7	1.9	2.5	3.4
France	0.8	0.9	0.9	1.0	1.3	1.2	1.4	1.8	2.3
Italy	0.5	0.6	0.5	0.5	0.6	0.8	0.8	1.1	1.4
Netherlands	0.4	0.4	0.5	0.5	0.5	0.8	0.9	0.8	1.1
Belgium-Luxembourg	0.4	0.4	0.4	0.4	0.4	0.4	0.8	0.9	1.3
Other OECD Countries	1.1	1.1	1.1	1.1	1.1	1.3	1.5	2.0	2.9
Non-OECD Countries	5.9	6.2	7.0	7.6	7.8	9.0	8.9	7.8	9.4
including: Escudo Area	4.1	4.2	4.9	5.5	6.1	6.7	6.5	5.1	6.6
<i>Imports</i>									
TOTAL	26.6	29.4	30.5	33.9	37.3	45.5	52.4	59.6	73.2
OECD Countries	18.7	21.1	21.4	23.6	26.5	33.2	38.7	44.8	56.5
United States	2.2	2.3	2.1	2.5	1.8	3.3	3.6	5.3	6.0
EFTA	5.7	6.7	7.0	7.5	9.0	11.0	13.0	14.5	17.6 ¹
United Kingdom	3.4	4.0	4.2	4.4	5.2	6.4	7.2	7.8	8.4
Sweden	0.7	1.0	0.8	0.9	0.9	1.2	1.4	1.8	3.3
Other EFTA Countries	1.6	1.7	2.0	2.2	2.9	3.5	4.5	5.0	5.8
EEC	9.3	10.1	10.2	11.3	12.8	15.0	17.2	18.9	24.1 ²
Germany	4.3	4.5	4.6	5.2	5.9	7.0	8.2	8.9	10.6
France	2.0	2.2	2.1	2.3	2.7	3.2	3.5	3.8	5.1
Italy	1.4	1.6	1.8	2.0	2.1	2.4	2.7	3.2	3.8
Netherlands	0.7	0.8	0.9	0.9	1.0	1.1	1.3	1.5	2.3
Belgium-Luxembourg	0.9	1.0	0.8	0.9	1.1	1.3	1.5	1.4	2.1
Other OECD Countries	1.6	1.9	2.1	2.3	2.9	3.9	4.8	6.1	8.8
Non-OECD Countries	7.9	8.4	9.1	10.2	10.8	12.3	13.8	14.7	16.7
including: Escudo Area	3.7	3.9	4.4	5.3	5.6	6.7	6.9	6.7	7.4

1 Former EFTA basis.

2 Former EEC basis.

Source: National Statistics Institute, Monthly Bulletin of Statistics.

Table P Balance of Payments of Escudo Area 1966-1973¹

Million US dollars

	1966	1967	1968	1969	1970	1971	1972	1973 ²
Exports	684	769	845	923	1 053	1 199	1 589	2 282
Imports	1 075	1 147	1 289	1 428	1 699	2 005	2 355	3 271
Trade balance	-391	-378	-444	-505	-646	-806	-766	-989
Services, net	270	282	224	163	223	335	375	437
Travel	185	196	144	101	134	195	241	280
Transport	-2	-1	9	24	32	77	87	94
Insurance	-3	-2	-5	-5	-6	-5	-9	-15
Investment income	-11	-10	-13	-11	-9	-13	-24	13
Government transactions	42	37	25	13	5			
Other services	59	62	64	41	67	81	80	65
Private transfers	159	211	265	397	486	656	824	1 082
Current balance	38	115	45	55	63	185	433	530
Long-term capital	106	107	105	38	45	84	6	-132
Private	87	99	88	33	46	81	46	-112
Official	19	8	17	5	-1	3	-40	-20
Short-term and unrecorded	-10	-12	-7	-38	-20	88	-76	-78
Balance on non-monetary transactions	134	210	143	55	88	357	363	320
Private monetary institutions	-5	-59	-8	-5	-39	2	4	24
Balance on official settlements	129	151	135	50	49	359	367	344
Miscellaneous official assets and liabilities, net	14	10	10	19	2	—	—	65
Change in reserves	143	161	145	69	51	359	367	409
Gold	66	57	157	23	23	19	21	27
Foreign exchange	73	104	-12	46	28	330	346	382
IMF position	4	—	—	—	—	10	—	—

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, the 1973 Annual Report of the Bank of Portugal and IMF International Financial Statistics.

INTERNATIONAL COMPARISONS

BASIC STATISTICS INTERNATIONAL COMPARISONS

			Australia	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 ¹⁷
POPULATION	Net average annual increase	Mid-1972	12 959	7 487	9 711	21 848	4 992	4 624 ¹	51 700	61 669	8 866	209	3 014	54 344 ³	106 960 ⁶	347	13 330	3 933	8 590	34 365	8 127	6 385	37 010	55 877	208 842	20 770
		1962 to 1972	1.93	0.49	0.52	1.61	0.72	0.29	0.96	0.82	0.48	1.39	0.63	0.67	1.19	0.78	1.22	0.78	-0.41	1.06	0.72	1.20	2.49	0.45	1.14	0.99
EMPLOYMENT	Total civilian	1971	5 425	3 176	3 788	8 079	2 338	2 139	20 518	26 673	3 275	79 ¹³	1 063	18 700	51 140	148	4 604	1 497 ¹³	3 033	12 442	3 860	3 063	(13 639) ¹³	24 329	79 120	7 651 ⁶
	Agriculture	% of total	8.0	17.3	4.4	7.5	10.9	21.2	13.4	8.4	37.3	18.8 ¹³	26.5	19.5	15.9	10.2	6.9	13.9 ¹³	31.1	28.6	7.8	7.2	(71.5) ¹³	2.7	4.3	50.4
	Industry ⁷	% of total	38.8	41.9	44.2	31.0	37.2	35.2	38.6	50.1	24.6	36.8 ¹³	30.9	44.1	36.0	47.3	38.0	37.3 ¹³	36.3	37.5	37.6	47.5	(11.8) ¹³	45.7	(31.0)	49.6
	Other	% of total	53.2	40.8	51.4	61.5	51.9	43.6	48.0	41.5	38.1	44.4 ¹³	42.6	36.4	48.1	42.5	55.1	48.8 ¹³	32.6	33.9	54.6	45.3	(16.7) ¹³	51.6	(64.7)	
PRODUCTION	GDP ⁴ per head	1971	3 170	2 210	2 980	4 340	3 510	2 450	3 180	3 550	1 190	2 920	1 530	1 880	2 150	3 180	2 820	3 350	760	1 070	4 410	3 780	350	2 430	5 130	760
	Agriculture	% of total	7.2 ^{2 15}	6.0 ¹¹	3.9	4.4	7.5	13.7	6.0 ^{11 13}	2.8 ¹¹	19.5	..	16.4	11.5	5.9 ¹¹	4.1 ¹³	6.2 ¹³	5.3	16.2	13.5	4.4 ¹¹	6.4 ¹⁰	30.2 ¹³	2.9 ¹⁴	2.9 ¹¹	19.3 ¹³
	Industry	% of total	38.1 ^{2 15}	49.0 ¹¹	43.8	37.0	38.7	42.3	48.4 ^{11 13}	53.5 ¹¹	30.5	..	35.6	40.5	44.3 ¹¹	56.9 ¹³	42.0 ¹³	37.8	44.3	34.4	39.3 ¹¹	49.6 ¹⁰	25.7 ¹²	43.5 ¹⁴	33.1 ¹¹	41.1 ¹³
	Other	% of total	54.7 ^{2 15}	45.0 ¹¹	52.3	58.6	53.8	44.0	45.6 ^{11 13}	43.7 ¹¹	50.0	..	48.0	48.0	49.8 ¹¹	39.1 ¹³	51.8 ¹³	56.9	39.5	52.1	56.2 ¹¹	44.0 ¹⁰	44.1 ¹³	53.6 ¹⁴	63.9 ¹¹	39.6 ¹³
	GDP ⁴ annual volume growth	1971	3.0 ¹⁵	5.6	3.7	5.5	4.0	2.3	5.1	2.7	7.6	9.9	3.8	1.5	6.3	0.7	4.5	5.0	6.2	4.5	0.2	3.8	7.9	1.6	2.5	..
	1966 to 1971	%	5.0 ¹⁵	5.2	5.0	4.4	4.9	5.2	5.7	4.7	7.5	1.9	5.1	5.0	11.3	3.4	6.1	4.6	6.6	5.7	3.5	3.8	6.3	2.3	2.5	..
INDICATORS OF LIVING STANDARDS																										
	Private consumption per head	1971	1 880	1 230	1 810	2 480	2 080	1 280	1 870	1 910	810	1 860	1 040	1 210	1 120	1 760	1 610	1 780	580	720	2 390	2 230	260 ¹³	1 510	3 230	390
	Public expenditure on education	1970	4.00 ⁹	4.60 ²	5.40 ²	9.10 ²	7.00	6.30	4.70	3.50	2.00 ²	4.30	4.90 ³	4.20 ²	4.00 ²	4.90 ²	7.00 ¹⁸	5.90	2.00	2.20 ²	8.20	4.10 ²	3.70 ¹⁸	5.50 ²	5.40 ²	4.30 ¹⁸
	Dwellings completed, per 1 000 inhabitants	1971	11.0	6.0	4.4 ²²	8.9 ²²	10.1	10.8	9.3	9.0	14.0	6.6	5.1	6.3	14.4 ¹³	10.4	9.8	2.9 ¹³	9.1	13.2	10.7	4.8 ¹³	6.7	8.3	6.1	6.1
	Passenger cars, per 1 000 inhabitants	1970	306	162	211	312	219	137	245	237	22	200	122	187	85	267	194	193	47	71	279	221	4	213	432	35
	Television sets, per 1 000 inhabitants	1971	227 ¹³	213	216 ¹³	349	277	230	227	299	10 ²	196	164	191	222	208 ¹³	243	229	40 ¹³	132	323	222	3	298	449	100
	Telephones, per 1 000 inhabitants	1971	324	207	224	468	356	270	185	249	137	360	109	188	282	346	280	307	92	151	557	509	18	289	604	40
	Doctors, per 1 000 inhabitants	1970	1.18 ¹⁹	1.85	1.55 ²	1.41 ²	1.45 ¹⁸	1.02	1.33	1.69 ²	1.55 ²	1.41	1.09 ²	1.80	1.11 ²	1.03 ²	1.19	1.37	0.85	1.34 ²	1.30 ²	1.59	0.44	1.18 ²	1.49 ²	1.10
GROSS FIXED INVESTMENT ²³	Total	1967-71 average	26.5 ¹⁵	28.0	20.8	21.7 ²⁴	23.3	24.1	26.1	25.4	27.2 ²⁵	29.2	23.4	19.9	37.8	24.2 ²⁵	26.7	28.2	18.0	24.1	23.0	27.8 ⁴⁹	..	19.3	16.6 ²⁸	..
	Machinery and equipment	% of GDP ⁴	11.7	12.1	9.0	8.0	11.9	8.8	11.7	11.8	10.5	8.6	11.6	8.2	31.3 ²⁷	7.3	12.6	13.9	8.0	12.6	8.3	9.5	..	9.4	7.0 ²⁸	..
	Residential construction	% of GDP ⁴	5.1	15.8 ²⁸	4.8	4.2	11.4 ²⁸	5.6	6.5	5.3	7.4	5.5	4.2	6.1	6.5	16.9 ²⁸	5.2	5.1	3.0	3.9	5.1	7.1	..	3.4	3.3	..
	Other construction	% of GDP ⁴	9.7	.. ²⁸	7.0	9.5	..	9.7	7.8	8.3 ²⁹	9.4	15.1	7.7	5.6	.. ²⁷	..	8.9	9.2	7.0	7.8	9.6	11.2	..	6.5	6.3	..
GROSS SAVING	1967-71 average	% of GDP ⁴	25.7	28.5	24.6	22.5	18.5	29.1	27.3	27.2	22.0 ²⁵	..	20.4	23.3	39.1	30.2 ²⁵	26.2	28.0	20.4	22.7	22.8	28.9 ⁴⁹	..	19.4	17.3	..
PUBLIC SECTOR ³⁰	Total current revenue	1971	29.5	37.0	35.5	35.7	44.6	37.6	37.7	38.4	27.4 ¹⁸	33.3 ¹⁸	34.2	33.7	22.3	35.7 ¹³	42.5 ¹³	47.3	24.0	22.6	49.1 ³¹	27.1 ²	..	38.6	30.5	..
WAGES/PRICES	Hourly earnings ³²	Annual increase 1966 to 71	6.9 ³⁴	8.5 ¹⁶	8.7	7.9 ³⁴	11.7 ³⁵	10.7	10.2 ³⁸	8.3 ³⁴	8.8 ³⁴	12.9 ³⁷	12.1 ³⁴	10.1 ³⁸	15.2 ³⁹	..	9.2 ⁴⁰	9.9 ⁴¹	10.2 ³⁹	12.3 ⁴²	9.0 ⁴³	6.1 ⁴⁴	..	7.8 ⁴⁵	5.5 ²⁰	14.7
	Consumer prices	%	3.7	3.8	3.5	3.7	6.3	5.3	4.9	3.0	2.1	12.0	6.5	3.4	5.7	3.3	5.3	5.5	7.8	5.4	4.6	3.8	10.0	5.7	4.5	9.1
	GDP ⁴ deflator	%	4.6	3.8	4.0	3.8	5.7	5.9	5.2	4.2	2.5	13.4	7.1	4.4	4.7	5.1	5.3	5.7	3.8	5.5	4.8	5.1	7.7	5.6	4.4	..
FOREIGN TRADE	Imports ⁴⁶	1971	\$ million ⁸ 5 870 ¹⁵	5 060	12 020	19 550	5 350	3 190	26 180	43 900	2 090 ¹³	290	1 960	18 670	20 720	730 ¹³	17 710	5 360	2 130	5 610	8 410	8 240	990 ¹³	28 750	62 440	3 750
	% of GDP ⁴	14.5	30.7	41.6	21.1	30.7	28.1	16.1	20.2	22.3	48.0	43.3	18.5	9.2	70.9	47.5	41.0	31.5	15.4	23.5	34.5	7.7	21.5	5.9	23.9	
	Exports ⁴⁶	\$ million ⁸ 6 310 ¹⁵	5 030	12 670	21 020	5 080	2 970	27 390	47 010	1 000 ¹³	250	1 640	19 770	27 010	27 010	850 ¹³	17 700	5 130	1 650	5 840	8 770	8 090	620 ¹³	30 650	56 220	2 860
	% of GDP ⁴	15.7	30.5	43.9	22.7	29.1	26.1	16.8	21.6	10.7	41.4	36.3	19.6	12.0	81.8	47.5	39.3	24.5	16.0	24.5	33.8	4.8	22.9	5.3	18.2	
BALANCE OF PAYMENTS	Current balance	1967-71 average	% of GNP	-3.2 ¹⁵	-0.3	1.9 ²¹	0.0	-2.6	-1.3	-0.3	0.9	-3.7	-3.3	2.2	1.3	..	-0.5	-0.8	2.8	-0.1	-0.3	1.5	-0.7	0.6	0.0	..
	Official reserves ⁴⁷ , end-1972: per cent of imports of goods in 1972	%	129.9	52.6	25.0 ²¹	32.0	17.0	23.7	37.7	59.8	44.1	36.7	53.6	31.5	78.2	..	27.9	30.3	105.9	75.8	19.7	75.9	92.6	20.3	23.7	22.5
	Change	May 1973 - May 1974	Mill. SDR's	-365	-204	-407 ²¹	79	-257	21	-2 872	2 533	-124	-17	-35	-573	-2 241	..	-130	75	175 ⁴⁸	649 ⁴⁸	-274	-277	429 ⁴⁸	150	431	171
NET FLOW OF RESOURCES TO DEVELOPING COUNTRIES ⁵⁰	1972	% of GNP	0.96	0.54	1.12	0.95	0.57	.. ⁵¹	1.06	0.67	.. ⁵²	.. ⁵¹	.. ⁵¹	0.46	0.93	.. ⁵¹	1.42	0.37	(2.15)	.. ⁵³	0.66	0.58	.. ⁵⁴	1.11	0.64	.. ⁵²
EXPORT PERFORMANCE ⁵³	Growth of markets ³⁴	1971 to 1972	%	16.7	17.9	19.8	18.3	19.7	21.1	18.8	14.7	..	22.4	19.5	14.8	..	19.9	19.6	..	19.1	18.8	19.2	19.7	14.5	16.7	..
	1960-61 to 1970-71 (average)	%	..	11.5	11.5	13.5	10.3	10.6	9.6	10.8	11.5	..	8.5	10.9	10.1	..	11.1	10.2	..	10.6	10.5	11.1	10.8	9.8	..	..
	Gains or losses of market shares ⁵⁵	1971 to 1972	%	10.9	4.8	10.2 ²¹	-4.1	-0.3	3.9	6.6	-0.2	16.8	..	0.5	3.1	4.3	..	8.3	..	6.9	-2.5	-0.1	11.7	-6.8	-5.6	..
	1960-61 to 1970-71 (average)	%	..	-1.5	0.5 ²¹	-2.0	-1.6	-2.0	1.0	0.3	..	..	1.2	2.8	7.9	..	0.5	..	..	3.4	-0.1	-0.3	-2.9	-2.1	..	

1 Does not include total net migration between Finland and the other Nordic countries.
2 1969.
3 Total resident population.
4 GDP in purchasers' values.
5 Private and socialised sector.
6 From 1972, including Okinawa prefecture.
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.

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