

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

PORTUGAL

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

NOVEMBER 1976

BASIC STATISTICS OF PORTUGAL

THE LAND

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

THE PEOPLE

Population (1.7.1975, thousands)	9 448	Total labour force (1974, thousands)	3 404
Number of inhabitants per sq. km	106	Civilian employment (1974, thousands)	3 081
Natural increase (average 1970-1974, thousands)	81	as a percentage of total:	
Annual change in resident population (1965-1970)	-0.5	Primary sector	28.2
Gross emigration (average 1971-1975, thousands)	98.2	Secondary sector	33.6
		Tertiary sector	38.2

PRODUCTION

Gross national product in 1974 (millions of US dollars)	13 533	Gross domestic product at factor cost by origin in 1974 (%):	
Gross national product per head in 1974 (US dollars)	1 540	Primary sector	15.6
Gross fixed asset formation in 1974: % of GNP	19.1	Secondary sector	45.3
per head (US dollars)	294	Tertiary sector	39.1

THE GOVERNMENT

Public consumption in 1974 (% of GNP)	14.4	Central Government current revenue in 1974 (% of GNP)	15.5
of which: Defence	6.8	% of total General Government current expenditures (in 1974):	
Public investment in 1974: % of GNP	2.3	Central Government	78.4
% of total investment	12.1	Local authorities	2.9
		Social Security	30.0

FOREIGN TRADE *

Exports of goods and services as a % of GNP (1974)	25.7	Imports of goods and services as a % of GNP (1974)	41.0
Main exports as a % of total exports (average 1970-1974, SITC):		Main imports as a % of total imports (average 1970-1974, SITC):	
Food, beverages and tobacco (0, 1)	16.7	Food, beverages and tobacco	14.5
Basic and semi-finished materials (2, 3, 4)	14.7	Basic and semi-finished materials	21.6
Manufactured goods (5, 6, 7, 8)	67.7	Manufactured goods	63.9
of which: Textiles (65)	17.5	of which: Chemicals (5)	10.1
Cork and wood products (63)	5.0	Machinery and transport equipment (7)	29.9

THE CURRENCY

Monetary unit : Escudo		Currency units per US \$, average of daily figures:	
		Year 1975	25.49
		September 1976	31.11

* Mainland Portugal and off-shore islands.

NOTE An international comparison of certain basic statistics is given in an annex table.

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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
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Director of Information, OECD
2, rue André-Pascal, 75775 PARIS CEDEX 16, France.

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INTRODUCTION

The revolution of April 1974 radically changed the basic precepts of Portugal's economic system. With the transformation of the country's political institutions, the economy had to contend with major difficulties: various tentative endeavours at nationalisation, collectivisation or workers' participation initially caused certain obstructions in the nation's productive system, which were accentuated by strikes and other contentious movements within enterprises; decolonisation resulted in the loss of a source of raw material supply and outlets for certain exports, but even more importantly in a vast scale return flow of Portuguese nationals from Angola and Mozambique, many of them without resources and difficult to integrate into the labour market. Finally, the recession that hit most of the OECD countries in 1974-75 affected the Portuguese economy at different levels.

Given these very heavy constraints, the economy turned in a performance which admittedly was poor but not completely untypical of those of other recession-hit OECD countries. The productive system did not collapse; inflation, though very high, was progressively reduced in the course of 1975; and the large foreign exchange reserves built up in the past made it possible to cover the deterioration in the external balance. Furthermore, the incomes gap was considerably narrowed as a result of the lowest wages being substantially increased. The successive administrations of the past two and a half years endeavoured to regularise deep-reaching reforms, many of spontaneous origin, and to manage the crisis. The government returned at the last election will certainly have, in the period ahead, to reactivate a whole set of mechanisms, define the boundary between the public and the private sector, and make it possible again for the market adjustment mechanism to function. Action of the sort seems essential if the economy is to be able in the short term to reduce the imbalances that now affect it, and in the medium term to meet the numerous constraints that are already apparent, or latent.

Part I of this survey describes the main structural changes which have occurred in the Portuguese economy during the past two years and as a result of which the workings of the various economic mechanisms are now radically different. Part II analyses recent economic trends on the basis of such statistics as are available, though in many cases these are incomplete¹, and reviews short-term policy over the recent period. The problems of adjustment now facing the Portuguese economy are considered from a medium-term standpoint in Part III. Finally, a few economic policy conclusions are put forward in the closing paragraphs of the survey.

I THE MAIN STRUCTURAL CHANGES IN THE PORTUGUESE ECONOMY

Since April 1974 Portugal has undergone profound structural changes. Some of these have been deliberate (for example, development of certain social welfare bene-

1 The OECD's annual economic surveys of Portugal have on many occasions drawn attention to the basic inadequacies of the Portuguese statistical system. The new regime appreciates this problem and has tried to remedy it; improvements have been realised but the gaps and delays in information on the conjuncture, especially data on a national accounts basis, are still considerable.

fits, raising of low incomes, nationalisation of certain undertakings). Others have been endured or accepted to a greater or lesser extent (the return of very large numbers of refugees, certain experiments in self-management in enterprises). Essentially, the changes seem to fall into three categories:

- 1 extension of the public sector and, more generally, of the role of the State;
- 2 changes in the basic principles of the economic system;
- 3 decolonisation and its consequences, especially demographic.

Extension of the public sector

The public sector's extension does not seem to have been among the initial objectives of the government that emerged from the events of April 1974. The "government programme" published on 15th May 1974² made no provision for large scale nationalisation in the productive sector: point (e) of the programme simply provided for the "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", while point (p) confined nationalisation in the financial sector to the banks of issue. Yet now, two years later, as a consequence of a string of nationalisations which have not, however, affected the participation of foreign capital, the public sector widely defined (that is, including enterprises with a State holding of more than 50 per cent) controls 24.4 per cent of total value added and 45.5 per cent of total gross fixed capital formation. Even then, the picture would not be complete without adding the self-managed producers' co-operatives, which comprise a negligible part of industry but play

Table 1 The Public Sector
Percentage of added value and of gross capital formation in each sector

	Traditional public sector		Productive public sector				Public sector total	
			Public enterprises		Controlled enterprises ¹			
	VA	GCF	VA	GCF	VA	GCF	VA	GCF
Total	8.9	10.2	14.0	33.6	1.5	1.6	24.4	45.4
Agriculture	0.5	19.9	—	0.1	—	0.3	0.6	14.4
Fisheries ²	—	—	—	—	—	—	—	—
Mining industries	1.1	2.9	0.3	—	0.5	3.4	1.9	6.3
Manufacturing industries	—	—	8.9	24.5	2.0	2.7	10.9	27.2
Construction	—	—	2.5	6.3	1.6	1.0	4.1	7.3
Electricity, gas and water	0.1	2.7	98.5	96.9	1.3	—	99.9	99.6
Commerce	—	—	2.8	4.7	0.7	1.9	3.5	6.6
Banking, insurance and real estate	—	—	63.0	33.3	0.4	0.7	63.4	34.0
Transport and communications	0.3	17.4	68.4	65.5	6.9	1.3	75.6	84.2
Administration and defence	100.0	100.0	—	—	—	—	100.0	100.0
Education	88.6	96.9	0.1	—	—	—	88.6	96.9
Health	68.4	92.8	—	—	1.2	1.4	69.5	94.2
Other services	0.2	—	0.1	—	2.8	1.6	3.1	45.4

1 Enterprises whose capital is more than 50 per cent publicly owned.

2 8 enterprises have been nationalised, but it has not been possible to evaluate their share in industry in 1973.

Source: Institute of State Participation. Calculations were made on the basis of data on 1973 (at current prices).

officially recognized

contact points
public interest groups.

an important role, both economically and socially, in agricultural production; they will be discussed below.

Although, in contrast to the initial intentions of the first post-revolution administration, the succeeding governments considerably expanded their control of the productive sector, this was very often more a matter of necessity than one of choice. A number of firms found themselves without their directors and managers, whom events had prompted to leave the country. There were indeed some attempts by the workers remaining behind to run the enterprise but often they lacked the skills and knowledge needed to manage a production unit (accountancy, legal training, etc.). This provoked difficult situations which more often than not were resolved by State intervention, often at the request of the workers who sought thus to make their jobs more secure³. A law enacted in November 1974 allows the State to take over the running of an enterprise by appointing managers whenever the enterprise's operations are in danger or when its employees are likely to find themselves out of work. The juridical position of these enterprises⁴ has yet to be defined and their return to the private sector is not excluded a priori. On the other hand, nationalisation has generally been intended as a wilful act of institutional reform.

Whatever the original basis for nationalisation, the institutional structures of the nationalised enterprises today are much the same: each enterprise (excluding the banking sector which is subjected to special regulations) has a Management Council and an Accounts Control Commission whose members are appointed by the Government. The workers have their own elected representatives sitting on the Accounts Control Commission and are to give their opinion on any change in or elaboration of the enterprise's articles and on the appointment of members to the Management Council. Public enterprises are to follow the general programmes of investment and production elaborated by the ministries concerned. Beyond this institutional framework the functional structure of public enterprises has yet to be defined: it has been suggested that in some industries such as electricity, cement, cellulose, tobacco, etc. sectorial operations should be concentrated within one public enterprise. Worker-controlled enterprises, as already mentioned, occupy a very small place in industry (5 per cent of value added) and none at all in the financial sector. The rules of management probably differ appreciably from one nationalised enterprise to another and it is extremely difficult to obtain any precise information on this subject.

More needs to be said about Portugal's land reform, the social and political content of which is at least as important as its purely economic aspect. The pattern of Portuguese agriculture used to be one of very large estates in the South and very small farms in the North. Holdings of over 200 hectares (about 0.3 per cent of the total number of holdings) accounted for about 39 per cent of all farm land whereas, at the other end of the scale, holdings of less than one hectare (about 39 per cent of the total) represented no more than about 2.5 per cent of total farm land. Moreover, about one half of the agricultural labour force in 1970 consisted of rural workers with no land, no house and whose standard of living was extremely low. Land reform became, therefore, one of the primary objectives of the new regime. Shortly after 25th April 1974 spontaneous occupation of farm land took place in central and southern Portugal, chiefly on estates which were not exploited⁵. The authorities tried to control and regularise this process by specifying the procedures for land expropriation. Very recently, instances of occupation not conforming to these

3 Since, among other things, the State's guarantee was indispensable in order to borrow from the banks.

4 These enterprises are not included in the public sector in Table 1.

5 About 1.6 million hectares were left lying fallow out of a total of 5 million hectares of arable land.

conditions were judged to be illegal and the estates to be restored to their former owners.

Two main types of expropriation were envisaged:

- (a) Expropriation in the context of the land reform laws. These⁶ provide for expropriation, without compensation, of estates of more than 700 hectares of non-irrigated land or producing the equivalent of 50 hectares of irrigated land⁷. The original owners may, however, keep up to these limits, provided they farm it themselves. Properties with a surface of less than 300 hectares cannot be expropriated;
- (b) nationalisation of farms located in the so-called "great irrigation perimeter" which were financed by public funds;

Furthermore, one should add expropriation connected with the nationalisation of the banks, the State having become the owner of land that had belonged to debt-encumbered persons. Of the 1.5 million hectares liable to expropriation, about 1 million were expropriated in 1975-76, i.e. 20 per cent of the country's total farmland. This land was then divided up into 421 collective farming units of approximately 2 300 hectares each, on average.

With regard to the management of the expropriated holdings, it would seem that trial-and-error methods, which differ from one holding to another, are often used. Generally speaking, the former agricultural workers have, for the most part, remained on the land where they had been employed. Collective farms are managed by a Managing Committee which is elected by workers and which takes decisions regarding production equipment and marketing. In some nationalised farms, the state has appointed an administrative managing committee, attended by the workers' representatives. Marketing is handled, as in the past, by regional and national officers for individual categories of produce (e.g. the Cereals Office).

It is too soon for any final judgement on these reforms: in any event, the introduction of a system of collective management, however flexible, has probably caused some disruptions in production which will take time to settle. In 1975-76, output from the nationalised or collectivised farms apparently grew more rapidly than that of the private farm sector, and there seems to have been both an expansion of crop farming and a fall in rural unemployment. Admittedly, in that part of the sector which remained in private hands, fear of disturbances may have caused farmers to cut back their activities, for instance by increased slaughtering or by taking a part of their herds across the frontier.

Changes in the basic workings of Portugal's economic system

Since April 1974 some of the essential features of Portugal's economic system have been radically changed. The most important changes have centred on the private sector and the way it functions, the labour market and prices policy. As mentioned earlier, there have been a number of instances of nationalisation. But it would appear that the place of the public sector in Portugal now does not differ much from what it already was in many other European countries (France, Italy, etc.)⁸. More important is the fact that the boundaries between the public and the private sector have remained vague, and only since the beginning of 1976 has the

⁶ July 1975 and April 1976.

⁷ Expropriations are based on a double criteria of land and revenue. The valued revenue arising from one irrigated hectare is 1 000 points. Holdings of more than 700 hectares or valued more than 50 000 points are liable to be expropriated. Compensation has been agreed upon in principle, but its actual payment has yet to be defined.

⁸ In 1974, the public sector in Italy accounted for 26 per cent of GDP and 30 per cent of gross capital formation. These percentages were 17 per cent and 19 per cent respectively in France in 1975.

government taken a position on the role it intends the private sector to play. The latent risk of expropriation certainly contributed to the fall in investment in 1975. At present although the market's important function in the allocation of productive resources has been recognised and a halt called to nationalisation, a great many problems remain as to the principles on which enterprises operate, notably as regards labour relations. Finally, the authorities' concern to avoid aggravating the unemployment situation resulted in a credit policy which has enabled ailing enterprises to survive. If such a policy were taken beyond certain limits, the concept of profitability might disappear and with it the responsibility of the managements of enterprises, public or private.

With regard to the labour market, wage determination procedures were altered⁹, notably as a result of independent unions being set up to replace the former "guild-like" unions. This had the effect of transforming management-labour relations, so that they are now more in line with current practice in the industrialised countries. Initially, the unions were able to exercise their bargaining power in a socio-political context that was much in their favour with, as a result, a considerable redistribution of incomes. Furthermore, to combat the rise in unemployment caused by the domestic and international recession and by the return of expatriates from the former colonies, the authorities enacted legislation virtually prohibiting all dismissals.

As regards the capital market, the closedown of the Stock Exchange in April 1974 was maintained until January 1976, when the bond market was reopened. At present, the main sources of capital for enterprises are the commercial and savings banks, the Development Bank and the General Deposit Bank. Finally, the changes in the legal forms of ownership and in the capital and labour markets were accompanied by a prices policy which considerably curtailed the role of the market in the allocation of productive resources. The policy of subsidies was continued and developed in 1974-76, and a system of price controls covering almost all of industry was introduced. Although it is difficult to tell how far these controls have been enforced and how well they have actually worked, they probably did not help to get enterprises back on to a more normal operational footing.

Specific problems connected with decolonisation

The return of the colonial expatriates is for Portugal a phenomenon of major political and social dimensions, which cannot be discussed in this Survey. But the strictly economic aspects of the problem are also very important, in view of the very scale of the phenomenon. By the middle of 1976 (August) an estimated 700,000 persons had already been repatriated, mainly from Angola and Mozambique. In other words slightly less than the total number repatriated from Algeria to France, but to be assimilated by a population one fifth as large¹⁰. Further, most of the repatriates are totally without resources, having had to leave the former colonies with only the barest essentials. Their age structure (50 per cent aged under 16, 48 per cent aged between 16 and 65, and 2 per cent aged over 65) is such as to require the establishment of community infrastructures (schools, in particular) which were already seriously lacking in Portugal. Finally, their occupational structure makes them difficult to integrate into the Portuguese productive system: 67 per cent held service jobs (public servants, office workers, lorry drivers, etc.), whilst only 20 per cent worked in industry and 4 per cent in agriculture.

Needless to say, the massive influx of refugees into an economy already experiencing considerable difficulties, both in respect of employment and as regards financing

⁹ The law regulating collective bargaining was not promulgated until 28th February 1976.

¹⁰ 9 million inhabitants, whereas France had a population of 46 million when the Algerian war ended.

of the public sector's new commitments, poses almost insuperable problems. The answers found so far can only be very temporary expedients: for instance, some of the refugees have been accommodated in hotel rooms, and education centres have been spontaneously organised by the repatriated teachers themselves for the children of school age. On the other hand, one solution which appears likely to work over the longer term is that of the agricultural co-operatives which have been set up by farmers repatriated from Angola and Mozambique.

The repatriates' integration into the labour force is extremely difficult, especially in a context of economic recession: it seems that to date only 2 per cent of those who formerly had jobs in the private sector have been able to find work. Thus, the Government has to shoulder an extremely heavy burden in the form of the various benefits granted to the repatriates: cash subsidies, provision of hotel accommodation, assistance with house building or repairs, assistance with purchases of essential goods, etc. The total sum of these benefits has been estimated at 14 billion escudos in 1976, which is about 11 per cent of total government spending. And there is little likelihood that this burden will ease much in the next few years.

But the consequences of decolonisation are not confined to the repatriates: the conditions for equilibrium in external relations have also changed radically. In 1971-73 exports to the former escudo area accounted for about 18 per cent of Portugal's total exports, whilst imports from that area represented no more than some 8 per cent of the import total. The bulk of these imports comprised a few agricultural products, raw materials, textile products, diamonds and precious metals. On the other hand, Portuguese exports to the countries of the former escudo area were very diversified, with the main emphasis on wine, textile products and capital goods. From the standpoint of merchandise trade, the former colonies provided a certain counterbalancing effect for the Portuguese economy by enabling it to sell them a wide range of goods and reduce the overall trade deficit somewhat. As to the other components of the current balance and capital movements, these were characterised by heavy official transfers to the colonies (firstly to meet the costs of maintaining the administrative structures, and secondly to finance military expenditure) and by net outflows of long-term official capital to finance infrastructure schemes. On the other hand, private transfers and income from investment both showed massive surpluses which far exceeded the private investment flows to the former colonies. Thus, decolonisation should result in a fall in merchandise trade between Portugal and the countries of the former escudo area, a decrease in outflows of official capital and by a substantial reduction in the net surplus on transfers and private capital, once the repatriation of capital has been completed.

All told, the Portuguese economy, already marked by the upsets in activity and behaviour connected with the events of April 1974, has had to contend with the upheavals caused by the massive expansion of the public or collective sector, the drastic changes in the basic workings of the private sector, and decolonisation — all in a context of international recession. Clearly, the short-term situation has been profoundly affected (output and employment levels, price and wage trends, external relations), as have short-term policy responses, which for the most part have consisted in managing the crisis. These various problems will be discussed in the paragraphs that follow.

II DEVELOPMENTS SINCE 1974 AND ECONOMIC POLICY

Changes in the structure of demand

In spite of the considerable political and economic changes in Portugal and the impact of the world recession, the short-term results recorded in 1974-75 were not

markedly different from those in a number of other OECD countries. However, the downturn in activity occurred earlier in Portugal at the beginning of 1974 and was more pronounced there. Furthermore, the Portuguese economy derived little benefit from the upswing in world trade in the second half of 1975. Year on year, the approximately 4 per cent growth in GDP in 1974 (much of which was a carryover from 1973) was followed by a downturn in 1975, which the official estimates suggest was fairly moderate (— 3.5 per cent)¹¹; for although investment and exports were very depressed, public and private consumption grew briskly, and in a way that produced a structure of final demand very different from that known in the past.

Table 2 Demand and Output

	1975 billion escudos	Per cent share of GDP		Percentage changes in volume		
		1968-73	1975	1968-73	1974	1975
Private consumption	315.9	74.5	84.6	7.2	7.4	3.1
Public consumption	64.7	13.7	17.3	6.6	16.2	15.3
Gross fixed capital formation	50.7	18.8 ¹	13.6	12.8	-2.8	-38.6
Final domestic demand	431.3		115.5	8.1	6.6	-2.5
Change in stocks ²	-12.5		-3.3	-0.1	2.6	-5.1
Total domestic demand	418.8	107.0	112.1	8.0	9.0	-6.9
Exports of goods and services	71.9	24.1	19.3	6.2	-11.8	-20.8
Imports of goods and services	117.2	-31.1	-31.4	10.0	9.3	-24.6
Foreign balance ²	-45.3	-7.0	-12.1	-1.1	-6.0	4.4
GDP at market prices	373.5	100.0	100.0	6.9	3.9	-3.6
GDP implicit price deflator				6.5	16.1	14.5
GDP at factor cost				7.2	5.3	-2.7
Industrial production				8.9	2.4	-5.4

1 Including changes in stocks.

2 Contribution to GDP.

Source: NIS and Bank of Portugal.

It must be stressed that the Portuguese statistical system is still not wholly satisfactory. There are often considerable delays in the publication of certain statistics, notably the national accounts, and the coverage and weighting of a number of indices are open to question. Furthermore, there are insufficient figures on population movements, which were on a considerable scale in 1975-76. For instance, the number of persons repatriated in 1975 was estimated at 350 000 and the figure for 1976 is probably at least as large. Furthermore, approximately 150 000 servicemen were demobilised between 1974 and 1975. In all, the increase in the resident civilian population in 1974-1976 was probably about 900,000, i.e. 10 per cent of the total population in 1974. It is true that phenomena on this scale are difficult to measure accurately and that the political and social circumstances of the last two years have made it harder to collect and process statistical data. But there is still much room for improvement.

Even before 25th April 1974, the growth of investment in capital goods had come to a halt (— 0.3 per cent from 1972 to 1973). In 1974, the uncertain outlook on the political and institutional fronts caused a sharp fall in this category of investments (— 17.5 per cent), which probably became more pronounced in 1975. No

¹¹ All figures of National Accounts for 1975 are estimates made by the Central Department of Planning. The NSI has not yet published data for 1975.

breakdown of gross fixed-asset formation in 1975 is available, but assuming a moderate downturn in construction activity (which the available indicators in this sector would suggest), purchases of plant and machinery probably fell to one-sixth of their 1974 level. Various factors would account for this movement. Some of them are cyclical: in 1975 the average capacity utilisation rate fell appreciably, from about 86 per cent in March 1974 to approximately 76 per cent in September 1975¹². Also, the steep wage rises, particularly in 1974, resulted in liquidity difficulties for enterprises and these were made worse by lack of confidence on the part of foreign suppliers, who pressed for immediate settlement of import transactions. But political and institutional factors almost certainly played a key role, investors being deterred by the fear of nationalisation or of other forms of state intervention (especially in 1975), by the absence of a clear definition of the role of private enterprise in the new Portuguese system and by the absence of regulations concerning work relations. Furthermore, in nationalised enterprises, investments which has been programmed before 25th April and which were mostly centred on capital-intensive basic industries, were shelved, since the advisability of such investment in an economy with very considerable underemployment of manpower was thought to be highly questionable.

Construction (housing and other) made very rapid headway in 1973, which became somewhat slower in 1974¹³. In 1975, however, there was almost certainly a downturn in construction activity, in spite of the public sector's efforts to develop low-cost housing. It is difficult to quantify this movement. Some estimates based on data on value added in the construction industry show a decrease of 12 per cent. However, it may be that this estimate, made by the Portuguese statistical service on the evidence of information available on large enterprises, underestimates production in this sector. Actually on the basis of indicators of production of construction materials, it would appear that activity in the sector stagnated rather than declined. The low level of activity of established enterprises could have been partially offset by the development of "wild" construction encouraged by the aid programmes for refugees. In what regards stockbuilding the available figures are inadequate, but official estimates indicate a steep rise in stock levels in 1974 equivalent to 2.6 per cent of GNP followed by an even steeper fall in 1975, with a negative contribution to GNP of more than 5 per cent. This trend would seem to have been particularly pronounced in the case of agricultural products, imports of which rose by more than 25 per cent in volume terms in 1974, when the sector's output was satisfactory, and then fell by 15 per cent in 1975 despite the growth of private consumption.

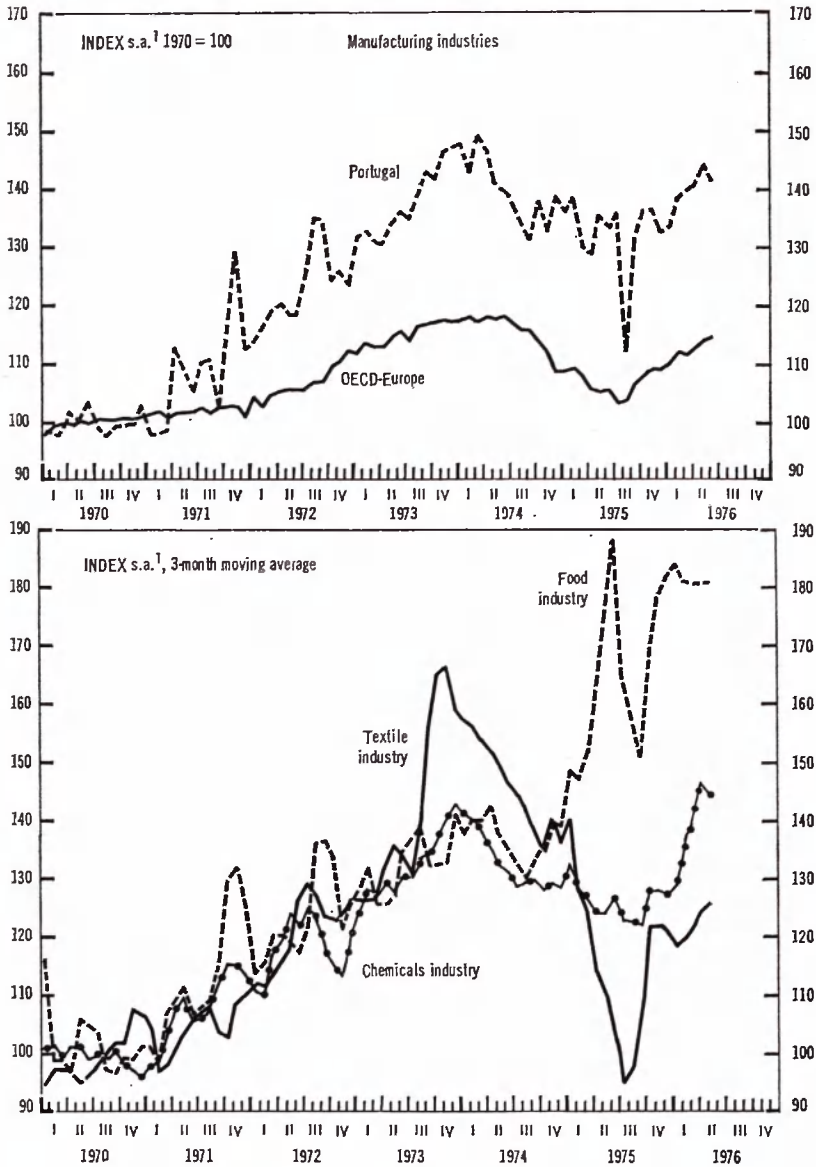
Given the downturn in investment, the growth of consumption helped to buoy up activity. The introduction of a minimum wage in 1974 made it possible, despite rapidly rising prices, for real wages to increase by something like 10 per cent in 1974 and 7.5 per cent in 1975. Consumption was given an additional stimulus by the growth of the resident population, due to the return of large numbers of expatriates, the demobilisation of part of the national service contingent and the marked slowdown in emigration. Consumption nevertheless grew less rapidly in 1975 (about 3 per cent) than in 1974 (about 7.5 per cent), and it is possible that per capita consumption increased very little in 1975.

Public consumption increased extremely rapidly in both 1974 and 1975, by more than 15 per cent in real terms in each of those two years, whereas its average growth over the period from 1968 to 1973 had been less than 7 per cent. This upsurge is largely attributable to expenditure connected with decolonisation. Personnel

12 All sectors collectively. In the consumer goods industries the rate remained much the same, in the intermediate goods sector it fell from 88 to 76 per cent and in the investment goods sector from 83 to 62 per cent.

13 Up by 23 per cent in 1974 and by 8 per cent in 1975.

Diagram 1 Industrial output



1 Seasonally adjusted by the Secretariat.

Source: National Statistics Institute, Monthly Bulletin of Statistics.

serving in the former colonies were reintegrated into the metropolitan public service with 60 per cent of their former salary, even if not assigned to a post. Expenditure on transport for the returning expatriates was very heavy. Finally, the costs of housing and feeding them were entered under public consumption up to now.

Supply

After showing a satisfactory increase in 1974 (4.2 per cent), production in the agricultural sector levelled off in 1975. The sector's growth in 1974 was essentially attributable to wine and meat output, whereas grain output was down. In 1975, wine output levelled off whilst cereals, with the exception of rice, showed a marked upturn owing to a considerable expansion of sown acreage, especially in the expropriated farmlands of southern Portugal. Meat production increased substantially for the second year running, which would imply slaughter rates well above normal.

Where industry is concerned, the available indicators suggest that there was no durable disorganisation of production and trends in the various sectors followed that of demand very closely. Year on year, manufacturing output rose by 2 per cent in 1974 to fall back by about 5 per cent in 1975. Activity dipped sharply in the second quarter of 1974, then the downtrend slowed in the second half of 1974 and in 1975. After the end of 1975, a marked recovery was felt, probably due to the general improvement in the conjunctural situation of the countries in the OECD area.

The fact that the fall in production was not steeper in 1975 was due essentially to the very rapid advance of the food industries, about 22 per cent in 1975. This growth was probably connected with the steep rise in the resident population as from 1974. Apart from the food industries, the only sector which did really well in 1974-1975 was paper and printing, chiefly as a result of the wave of publications that followed the abolition of censorship. The textile industries declined by about 22 per cent in 1975, mainly because of the steep fall in foreign demand. In the first half of 1976 there was a marked recovery in the intermediate products sector (chemicals, basic metallurgy and non-metallic minerals) and in the textile industry, though production did not reach the level of the first half of 1974 (apart from chemicals). On the other hand, activity was very weak in the equipment goods sector and the paper industry showed a marked decline. Finally, the production of electricity suffered a setback mainly because of the drought. To sum up, total industrial production advanced at an annual rate of 11 per cent during the first half of the current-year compared to the second half of 1975, and at a rate of 14 per cent in manufacturing where the index exceeded by 5 per cent the level attained the year before. It would also appear that there is a recovery in the construction industry and the apparent consumption of cement has increased by 22.5 per cent between the first half of 1975 and the first half of 1976.

Employment

As early as 1974, political uncertainties and rising wage costs had caused some labour-shedding in industry. But at the same time service employment rose rapidly and migration from the land slowed. Thus, year on year, the decline in total employment in 1974 remained limited (0.8 per cent)¹⁴ in line with previous years. In 1975, the legislation in force¹⁵ and official intervention in numerous sectors probably limited the number of redundancies¹⁶. Even so, employment in industry continued

14 Estimates by the Central Planning Department are somewhat different, but do not relate to the same period: employment is reckoned to have fallen by 1.5 per cent from end-1973 to end-1974 and by 0.6 per cent over the next twelve months. The employed labour force was estimated by the Ministry of Labour at 2.82 million as an annual average in 1975, whilst the Central Planning Department reckoned on 3.03 million at end-year.

15 See Part I.

16 Dismissals recorded by the Directorate of Employment Services fell from more than 20000 for June-December 1974 to less than 6500 in 1975.

Table 3 Employed Labour Force

	In thousands 1975	1965-70	Percentage annual change				
			1971	1972	1973	1974	1975
Total	2 821	-0.6	-0.3	-0.7	-0.9	-0.9	-2.9
Primary sector	789	-4.0	-2.6	-4.4	-5.0	-2.8	-2.5
Secondary sector	1 002	1.3	1.7	1.6	1.8	-2.8	-2.9
of which : manufacturing	769	1.3	1.7	1.5	1.9	-2.4	-2.3
construction	233	1.3	1.6	1.6	1.6	-4.3	-4.9
Services	1 030	1.2	-0.2	0.3	-0.1	2.6	-3.1
Emigration (in thousands)	45		151	105	120	70	45
Total population	8 760 ¹	-0.5					

1 Mid-year estimate.

Source: Estimates based on censuses and surveys of the Ministry of Labour.

to fall at the same rate, whilst the number of persons employed in services fell significantly (— 3.1 per cent). All told, employment fell by nearly 3 per cent, i.e. a little faster than GDP at factor cost (— 2,7 per cent).

The trend path of dependent employment was much the same as that of production. The Ministry of Labour quarterly survey (which covers about 30 per cent of dependent employment, excluding employment in small businesses, agriculture and government services) shows that the downturn occurred, for all sectors taken collectively, in the summer of 1974 and continued until the second quarter of 1975, after which the trend remained fairly flat until April 1976. In manufacturing industry, the decline in dependent employment remained modest: 1.5 per cent between the high point in April 1974 and the low point in July 1975. In construction, on the other hand, employment fell steadily (except for a very slight upturn in the third quarter of 1975); until January 1976 the index was 12.3 per cent below the level recor-

Table 4 Employment Indicators
Indexes by branches of activity
1974 = 100

	1975				1976		
	January	April	July	October	January	April	July ¹
Total	98.9	98.6	98.7	99.0	98.8	99.0	99.7
Manufacturing industries	99.1	99.0	98.9	99.4	99.0	99.1	99.6
Food industries	97.7	97.7	98.4	105.5	100.3	100.1	101.5
Textiles	99.2	98.4	98.0	97.1	97.2	97.1	97.2
Chemicals and petrol	101.7	102.7	102.4	102.8	102.7	103.2	103.2
Metallurgy and mechanical industries	98.7	98.8	98.5	98.6	98.8	99.5	100.0
Construction	94.3	92.1	92.8	90.5	89.9	90.6	91.4
Commerce, banking and insurance	100.8	100.9	101.3	101.4	101.9	102.3	102.1
Transport and communications	102.3	102.9	103.0	105.8	107.4	108.4	109.9

1 Provisional figures.

Source: Ministry of Labour—employment survey.

ded in April 1974. The presence of underemployed workers in enterprises during the recession prevented the upturn in economic activity from having an effect on employment in the first half of the year. However, at the beginning of the summer, some increase in new jobs was noted in practically all sectors of the economy and in July salaried employment was 1 per cent above that of the previous year.

Although dismissals did not take place on a large scale, recruitment remained virtually static in 1975 and new arrivals on the labour market had difficulty in finding employment. According to the estimates of the Central Planning Department, demobilisation released some 95 000 persons in 1974 and 60 000 in 1975. The number of repatriates of working age was approximately 170 000 at end 1975 and should be more than double by end 1976. Finally, the international recession caused a considerable slowdown in traditional emigration flows: the number of emigrants fell from 120 000 in 1973 to 70 000 in 1974 and 45 000 in 1975. Even then, this was mostly the emigration of families whose head was already abroad rather than a new influx of workers¹⁷, and it is not known what the return flows may have been. All told, in June 1976, the latest month for which a figure is known, there were 400 000 jobless¹⁸, giving an unemployment rate of about 13.5 per cent, compared with 5 per cent in 1974 and less than 3 per cent in the early 1970s.

Wages

The introduction in June 1974 of a minimum wage of 3 300 escudos per month¹⁹ acted as a sharp spur to wages, given that nearly 50 per cent of workers aged over 20 were affected by this measure. From the first quarter of 1975, the upward movement of the index of daily wages in industry and transport (in Lisbon) slowed down and the year-on-year rise was reduced from 32 per cent in 1974 (in Lisbon) to 19 per cent in 1975, the increase for the twelve months ending in the fourth quarter of 1975 being only 15 per cent. However, this index is probably only a partial indicator in that wages in Lisbon are higher on average than in the rest of the country. In June 1975, the minimum wage was raised to 4 000 escudos per month²⁰, which seems to have caused a more rapid percentage increase in wages in the provinces, to judge from the rise in the index for Porto (10 per cent from the first to the second quarter, as against 4 per cent for the same period in Lisbon). As in 1974, wages in construction and agriculture rose more rapidly than in industry, but they too showed some slowdown between 1974 and 1975. Year on year, growth in the purchasing power of wages remained substantial. Nevertheless, the acceleration of prices at the end of the year eroded this purchasing power considerably, and in the fourth quarter of 1975 the real wage in industry was the same in Porto as a year earlier and down by more than 5 per cent in Lisbon. The tendency towards a deceleration of nominal salaries continued in the first half of 1976 and it is thus likely that the purchasing power of salaries has declined.

The introduction of a minimum wage and of a freeze on salaries in excess of 7 500 escudos per month for the period from June to September 1974, this limit being raised to 12 000 escudos per month in June 1975, caused a significant narrowing

17 In 1973, 71 per cent of emigrants were in the active population; in 1975, this proportion was down to 14 per cent.

18 This is an approximate estimate based on job applications registered with the Ministry of Labour services. It does not take account of seasonal workers in agriculture. Furthermore it should be noted that the exact number of the labour force is not known.

19 About \$130 at the 1974 exchange rate. This minimum wage seems to have been only partially enforced in sectors such as the textile industry, where too steep a rise in wage costs would have jeopardised the very existence of some firms.

20 About \$160 at the 1975 exchange rate. In the first quarter of 1976 the median wage was about 5.000 escudos per month, i.e. about \$180 at the exchange rate operating at that time.

Table 5 **Nominal and Real Wages**
Percentage changes on corresponding period of previous year

	1973	1974	1975	1975				1976	
				I	II	III	IV	I	II
Nominal wages:									
Wages in agriculture									
Men	13.1	32.6	24.3	39.0	32.5	18.8	11.5	14.1	14.9
Women	15.8	40.5	34.6	56.2	49.9	24.0	18.4	14.4	13.3
Wages in industry and transport ¹									
Lisbon	13.8	32.3	18.7	32.4	19.7	10.6	14.9	15.7	12.5
Porto	9.8	38.5	27.8	40.8	29.1	22.3	22.6	21.9	11.9
Real wages in industry and transport ^{1 2}									
Lisbon	0.8	5.8	3.0	15.5	2.3	-0.3	-5.3	-2.2	-0.2
Porto	-0.9	9.6	7.5	17.9	7.1	9.7	0.1	-2.1	-0.5

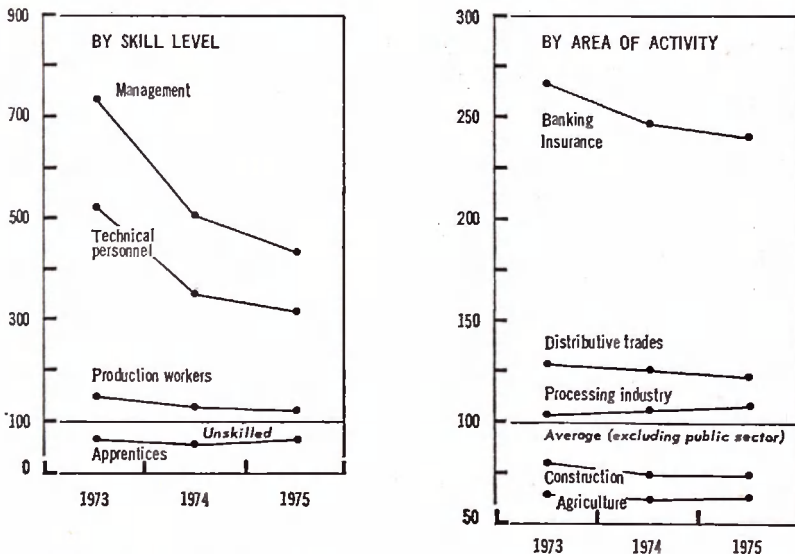
1 Last full working week in March, June, September and December.

2 Deflated by the weighted average of the consumption price indexes in the main cities.

Source: Monthly Bulletin of Statistics and Ministry of Labour.

of pay differentials as between sectors and between skill categories. In 1973, the gap between the basic pay for an unskilled worker and for a managerial grade was 1 to 7.3; in 1974 it was 1 to 5, and in 1975, it was 1 to 4.3. As between sectors, the average spread narrowed, owing chiefly to a slower advance in the peak sectors (banks, electricity), although in the sectors with the lowest wages (agriculture, con-

Diagram 2 **Narrowing of wage spread ***



* Deviation from average wage.

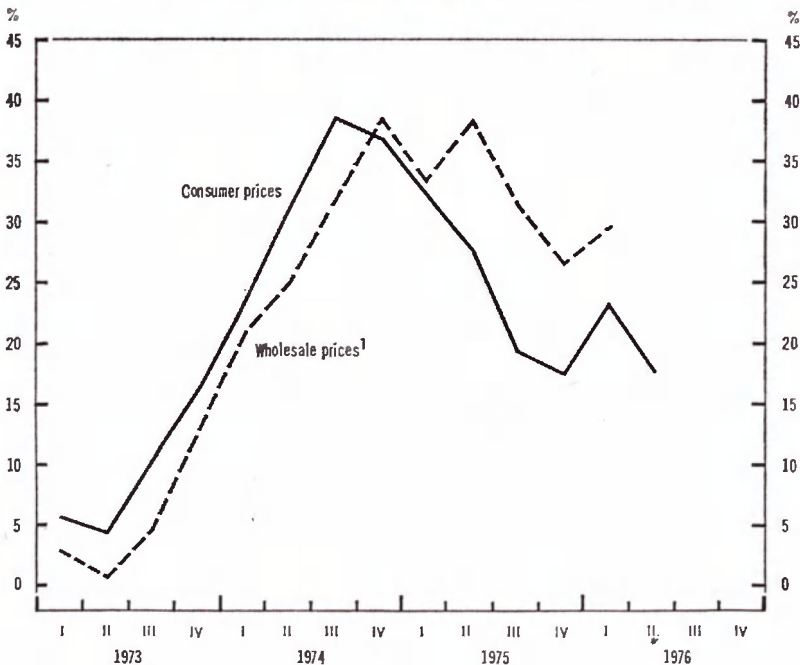
Source: Ministry of Labour.

struction) the deviation from the average became wider (except in mining and quarrying). In addition to this transformation in the domestic wage structure, there was a shift in the pattern of national income distribution in 1974-75. The proportion of wages in the national income was relatively small in the early 1970s (about 48 per cent, the dependent employment ratio being nearly 75 per cent) and progressively decreased between 1971 and 1973, when it was only 47 per cent even though the dependent employment ratio was probably rising. From 1974, however, the massive increase in wages and, admittedly, the effects of the recession caused the proportion of wage incomes to rise: in 1975 it amounted to 57 per cent of the national income, according to the estimates of the Central Planning Department.

Prices

The rise in the wholesale price index, which had been moderate in 1970-73, accelerated sharply in 1974, slowed down in 1975, then quickened again at the beginning of 1976. The steep rise recorded in 1974 was probably due to the surge in raw material prices in 1973-74 and, to a lesser degree, to the all-round raising of the lower wage levels after 25th April 1974. In 1975, a number of factors combined to slow down the rise in prices. This was true of imported raw materials, prices of which showed little increase, and wages, which advanced less rapidly than in 1974. Prices policy reinforced the more moderate trend by way of increased subsidies for a number of food products and controls on most prices of industrial goods. The average rise in wholesale prices was thus reduced from 29 per cent in 1974 to

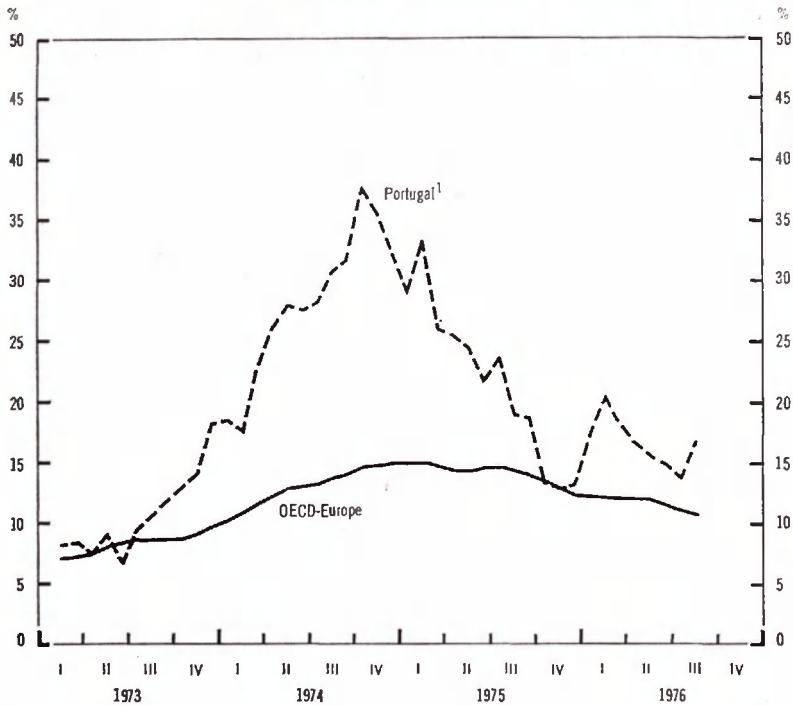
Diagram 3 Food prices
Percentage change from corresponding period of previous year



¹ Lisbon.

Source: National Statistics Institute, Monthly Bulletin of Statistics.

Diagram 4 Consumer Prices



1 Lisbon, excluding rent.

Sources: National Statistics Institute, Monthly Bulletin of Statistics; OECD, Main Economic Indicators.

13 per cent in 1975²¹. As regards the trend components, however, wholesale prices of agricultural products moved very differently from those of industrial products.

Wholesale prices of farm goods rose by approximately 30 per cent in 1974 and 1975. This was due partly to the rise in farmers' production costs, but also to the authorities' desire to maintain the level of farm incomes in some sectors. Furthermore, the increase in the resident population, due to repatriation from the former colonies, generated additional demand for food products. This came on top of a demand which had already undergone extensive changes as a result of the large-scale process of income redistribution begun in 1974. Supply, on the other hand, was unable to adjust to meet these new circumstances. In some cases, imported foodstuffs and drawings from the stocks built up in 1974 were able to ease the strain. In the case of meat, however, large-scale slaughtering, sometimes for reasons other than demand pressure²², acted as a brake on prices. But for the other products, especially perishable foodstuffs, the rise in prices was phenomenal in 1974 and even more so in 1975. The index of wholesale prices of manufactures, on the other hand, rose much more moderately²³ in 1974 (about 15 per cent) and above all in 1975

21 Index of wholesale prices in the Lisbon area. In 1970-73 the average rise was 6 per cent a year.

22 Fear of the land reform was a factor which probably helped to raise the rate of slaughtering in 1975.

23 In the Lisbon area.

(about 4 per cent). The reliability of the index is questionable, but it may be assumed that the fall in raw material prices in 1975 and the escudo's satisfactory performance on the foreign exchange market did something to ease the burden on enterprises, even if the import surcharge introduced in June 1975 worked in the other direction. Furthermore, the system of price controls was probably more effective for industrial enterprises²⁴ than for farmers.

Table 6 **Trend in Prices**
Percentage change on corresponding period of previous year

	1974	1975	1976				1976		
			I	II	III	IV	I	II	III
<i>Consumer prices</i>									
Lisbon	25.1	15.3	16.5	15.2	13.0	16.4	21.0	11.5	23.0
Food	32.6	23.6	32.2	27.7	19.2	17.4	23.3	17.7	
Clothing and footwear	31.9	8.5	13.8	9.3	8.3	3.1	1.6	0.8	
Rents	9.6	-7.7	-25.8	-17.9	5.2	27.3	37.8	-7.8	
Lisbon (excluding rents)	29.2	20.4	28.2	23.4	16.9	14.5	18.4	14.7	18.0
<i>Wholesale prices</i>									
Lisbon	28.7	13.1	17.9	14.9	10.7	8.2	16.8	14.4	
Food	29.5	32.1	33.4	38.3	31.2	26.5	29.4	15.8	
Manufactured goods	14.5	3.6	6.8	4.2	3.0	2.8	4.9	8.1	
Non-food raw materials	35.0	-6.2	-3.7	-11.7	-6.8	-4.1	-1.8	13.9	
Combustibles and lubricants	49.6	13.7	37.7	14.1	8.4	0.9	21.8	32.4	
Tobacco and beverages	21.1	-9.8	-5.0	-8.4	-12.1	-13.6	5.1	9.7	

Source: Monthly Bulletin of Statistics of the NIS.

After rising by about 30 per cent in 1974, consumer prices²⁵ went up less rapidly in 1975 (about 20 per cent) but showed a further acceleration in the first quarter of 1976 which tapered off subsequently. Increases were particularly pronounced in the case of food prices, although in 1975 and 1976 they were not as large as those recorded at the wholesale stage. This might be due to the freeze on traders' margins in 1975 and to the subsidies on staple foodstuffs. Where the other items of the index are concerned, the relatively small rise in prices of clothing and footwear in 1975 might be explained by the export difficulties encountered by a number of firms, which then turned to the domestic market and accordingly made efforts to keep their prices down. At the beginning of 1976, consumer prices rose rapidly (+ 40 per cent at an annual rate from the last quarter of 1975 to the first quarter of 1976 in the Lisbon consumers price index, excluding housing). The authorities tried to contain this increase by introducing strong price reductions for the main food items. In the second quarter prices were practically stationary, but in the third there was a new acceleration.

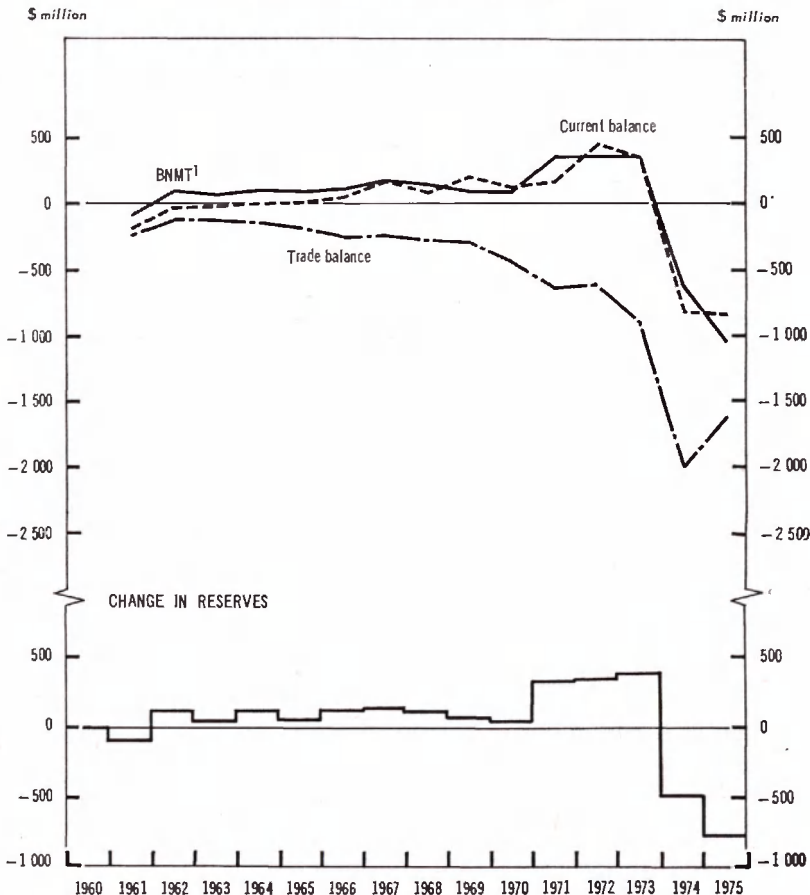
24 Prices of goods produced by enterprises with an annual turnover of more than 5 million escudos (\$200 000) are controlled to varying degrees.

25 Index of consumer prices in the Lisbon area, excluding rents. The partial index for accommodation covers newly rented accommodation only, so it cannot be considered representative of rents as a whole. It should be noted that in 1974 and 1975 prices rose a little faster in Lisbon than in the other cities.

Balance of payments

The current account, which had been in substantial surplus from 1966 to 1973, showed a deficit of over \$ 800 million in 1974 (about 6 per cent of GDP), with a trade deficit more than twice as large as in 1973. In 1975, the current deficit was of the same order as in 1974 despite an improvement in the trade balance. These deficits, to which must be added net outflows of non-monetary capital in 1975 were financed by heavier official borrowing from abroad and by a substantial drawing on the foreign exchange reserves. In the first half of 1976 the trade deficit was slightly higher than in the first half of 1975.

Diagram 5 Balance of payments



1 Balance on non-monetary transactions.

Source: OECD Secretariat.

Foreign trade

According to the estimates of the Central Planning Office, merchandise imports in volume terms fell by about 27 per cent in 1975 after rising by roughly 11 per cent in 1974. Their growth in 1974 was essentially due to the heavy demand for consu-

mer goods caused in part by a redistribution of incomes that served to increase considerably the purchasing power of wage-earners, especially those in the lower income groups. The difficulties faced by the Portuguese productive system in trying to satisfy this demand led to massive recourse to imported consumer goods. The downturn in 1975 was especially marked in the case of capital goods, but also appreciable in that of intermediate goods. The weakness of productive investment was responsible for the fall in imports of capital goods, but the downturn in the other major import categories was attributable to the domestic recession, stock liquidation by enterprises and the introduction of an import surcharge in June 1975. This surcharge (20 or 30 per cent, according to category of merchandise) affected about 40 per cent of all imported products and was designed to curb imports of non-essential items. Its impact on imports is difficult to gauge. However, official sources estimate that in the period from June to November 1975 imports of merchandise liable to the surcharge fell nearly twice as sharply as imports of non-liable goods.

Exports in value terms fell by about 15 per cent in 1975 after rising by almost 30 per cent in 1974. Given that export prices remained virtually unchanged in 1975, the decline in volume terms was probably of much the same order as the fall in value terms. This constitutes an extension of the trend in 1974, when exports fell by about

Table 7 **Balance of Payments**
Portugal — Rest of the World, \$ million

	1973	1974	1975 ¹	First half of the year ²	
				1975	1976
Exports (fob)	1 855	2 288	1 937	996	908
Imports (fob)	2 763	4 277	3 541	1 822	1 768
<i>Trade balance</i>	-908	-1 989	-1 605	-827	-860
Services, net	153	55	-167	-88	-82
of which : tourism	322	258	101	66	26
Transfers, net	1 104	1 110	1 037	536	399
<i>Current balance</i>	349	-823	-734	-379	-543
Medium-and long-term capital movements	-142	272	-163	-46	-68
<i>Basic balance</i>	207	-551	-897	-425	-611
Short-term capital movements, errors and omissions	136	-82	-105	-191	-195
<i>Balance on non-monetary transactions</i>	343	-633	-1 002	-616	-806
Change in banks' position	-14	64	-18	13	-49
<i>Balance on official settlements</i>	328	-569	-1 020	-603	-855
Reserve position with IMF	—	—	33	—	—
Various operations ³	—	—	300	350	480
Utilisation of IMF credit	—	—	—	—	129
<i>Change in reserves (increase = +)</i>	328	-569	-687	-253	-246

1 Provisional figures.

2 Estimate.

3 External credit of the Bank of Portugal.

Source: Bank of Portugal.

Table 8 Merchandise Imports by Commodity
Percentage change in volumes

	1970-73	1974	1975 ²
Total ¹	11.4	10.9	-27.0
Equipment goods	6.3	20.7	-39.5
Intermediate goods	13.2	4.8	-27.8
Combustibles and lubricants	1.4	24.0	-14.0
Consumption goods	15.0	30.8	-16.8
Non-processed food products	18.2	39.8	-20.0
Processed food products	34.8	2.3	-11.0
Durables	12.3	44.5	-18.0
Semi-durables	19.3	34.0	-16.0
Other non-durable products	8.6	12.3	-15.1

1 Excluding diamonds, ships and airplanes.

2 Provisional figures.

Source: Central Planning Department.

10 per cent by volume. So long and so marked a decline in merchandise exports (apparently a good deal more pronounced than the contraction of export markets, especially in 1974) is essentially due to the exceptional circumstances that affected the Portuguese economy in 1974-1975. Domestic factors (redistribution of incomes and a considerable rise in real wages) combined with external factors (loss of the colonies, which constituted preferential markets; lack of confidence on the part of foreign importers, with consequent cancellation of orders; and, of course, the worldwide recession of 1974-1975). Furthermore, the steep rise in export prices in 1974²⁶, much above the average for the OECD area, doubtless weakened Portugal's competitive position. The upswing in world trade in the second half of 1975 certainly contributed to the improvement in export performance which seems to have got under way at the end of the year. By product category, exports of tomato concentrate suffered most in 1975 as well as in 1974. Exports of wine, wood products and certain semi-finished textile goods also fell back appreciably.

Table 9 Exports in a Few Product categories
Percentage change in volume

	1970-73	1974	1975
Preserved fish	3.3	-31.7	6.1
Tomato concentrate	9.5	-48.7	-53.0
Port wine	11.2	-10.8	-13.2
Wood	8.0	11.4	-47.8
Paper pulp	10.4	-21.8	-26.0
Synthetic materials	26.6	-5.0	-0.2
Cotton materials	5.6	-24.6	-33.5
Clothing	27.7	12.0	-16.3
Footwear	3.1	5.9	16.3

Source: NIS and Central Planning Department.

26 About 44 per cent in escudo terms.

It is difficult to form any clear idea of the trend patch of foreign trade in 1975 and in the first half of 1976²⁷. Imports (cif) fell in value terms in the second half of 1975, then picked up considerably in the first half of 1976. However, given the trend in prices, the level of imports by volume in the first half of 1976 was probably not as high as a year earlier²⁸. The product categories which made the most headway were mineral products (including oil) and chemicals. The imports of equipment goods and those of some agricultural goods remained quite low. As for exports (in volume terms, fob), they increased by 2.6 per cent in the first half of 1976 relative to the same period the year before²⁹. However, if we exclude the diamond trade, where Portugal is only an intermediary between Angola and the rest of the world and which is disappearing in the course of decolonisation, the rate of growth increases to 9 per cent over the same period. The volume of exports in the first half of 1976 exceeded by about 5 per cent that of a year before taking into account the low increase of export prices (about 4 per cent). The products which most increased in the first months of 1976 were mineral textiles, cork, chemicals, paper and pulp and transport materials. As for geographical destination, exports to the Common Market increased sharply (by about 18 per cent) while those to the USA suffered a new setback. Exports to former colonies continued to decline: in the first half of 1976 they were not more than 3 per cent of total exports (9.4 per cent in 1974) and the rapid increase of exports to socialist countries was not sufficient to compensate for the loss of these favoured markets.

Table 10 Foreign Trade
In billion escudos

	Imports				Exports			
	1974	1975	1975 ¹	1976 ¹	1974	1975	1975 ¹	1976 ¹
Vegetal products	11.54	11.21	1.93	4.03	1.06	0.76	0.41	0.38
Products of food industries	6.08	7.02	3.13	3.31	7.38	6.70	3.13	3.42
Mineral products	15.79	16.12	6.26	10.00	2.61	1.78	0.82	1.04
Chemical products	8.43	6.81	3.49	5.49	4.43	2.89	1.48	1.21
Wood	1.24	0.83	0.36	0.54	5.91	4.24	2.08	2.68
Paper and paper pulp	1.70	1.38	0.79	0.66	3.40	3.63	1.72	2.47
Textiles	11.59	7.74	4.19	5.33	16.25	13.42	6.97	7.06
Machines and appliances	19.65	16.11	7.86	8.30	6.09	5.44	2.77	2.51
Transport material	10.32	7.96	3.83	3.89	1.27	1.04	0.64	0.98
Total	118.09	97.69	47.10	54.13	58.01	49.31	24.49	26.19

1 Provisional figures.

Source: NIS, Bulletin of Foreign Trade.

27 Improved customs-recording procedures since the beginning of 1975 have removed some anomalies observed in the past, notably the recording in December of transactions effected over the whole year, but not previously entered in the accounts. As a result, the new series are not really comparable with the earlier ones. However, export data are a better description of reality than import data. Furthermore, the new series cover too short a period to permit seasonal adjustments.

28 In the first half of 1976 imports (cif, by value and in escudo terms) were about 20 per cent up on the second half of 1975. In the same period of 1976, the escudo registered an effective depreciation of approximately 5 per cent (9 per cent against the dollar) by comparison with the second half of 1975, and EEC export prices (affecting about 50 per cent of Portugal's imports) rose by about 5 per cent. This left a margin for an increase in volume terms, but it is practically impossible to tell how large that increase was, because of seasonal factors.

29 In the first half of 1976 exports (fob, by value and in escudo terms) were about 11 per cent up on the second half of 1975. The rise in export prices during the same period was probably not so steep.

Balance of current transactions

The balance of services³⁰ between Portugal and the rest of the world, which was still in surplus in 1974, swung into deficit in 1975. This was due to the fall in earnings from tourism and to the deficit on income from investment. The uncertain political climate probably deterred a good number of tourists from visiting Portugal in 1975. But it is possible that statistical distortions have accentuated the downturn in earnings from tourism. On the one hand, massive exports of Portuguese bank notes³¹ led to the escudo being traded at two rates abroad, so that tourists found it to their advantage to buy escudos outside Portugal³². Thus, in dollar terms, tourist receipts from countries outside the former escudo area show a decline of 42 per cent in 1975, significantly steeper than the fall in the number of tourist nights, which is hardly compatible with the rise in prices during that period. On the other hand, a proportion of the tourist receipts from the former escudo area probably represents transfers of final repatriation of foreign exchange held by ex-colonials who have returned to Portugal for good. The deficit on income from investment (including the investment on the foreign exchange reserves) in 1975 is due to the steep fall in receipts, itself connected with the decline in the foreign exchange reserves. Finally, transfers from countries outside the former escudo area fell, whilst those from the former escudo area increased considerably. The same factors that affected tourism probably had an influence on emigrants' remittances. Furthermore, the immigration restrictions in the countries that take Portuguese labour and the economic crisis which those countries went through constituted a further curb on remittances³³. In all, the net surplus on invisibles (Portugal — rest of the world) was only about \$ 870 million compared with about \$ 1.160 million in 1974.

Table 11 Main Items of the Balance of Payments
\$ million

	Old escudo area		Other countries		Total balance	
	1974	1975	1974	1975	1974	1975
Trade balance (fob/fob)	-175	-12	-1 814	-1 593	-1 989	-1 605
Invisibles	47	107	1 118	764	1 165	870
of which : tourism	70	74	188	27	258	101
transfers	86	120	1 024	917	1 110	1 037
(State transactions)	-196	-117	-9	-54	-205	-171
Current balance	-128	95	-696	-829	-823	-734
Medium- and long-term capital movements	-46	20	318	-183	272	-163
Private	9	22	345	-98	354	-76
Public	-55	-2	-27	-85	-82	-87

Source: Bank of Portugal.

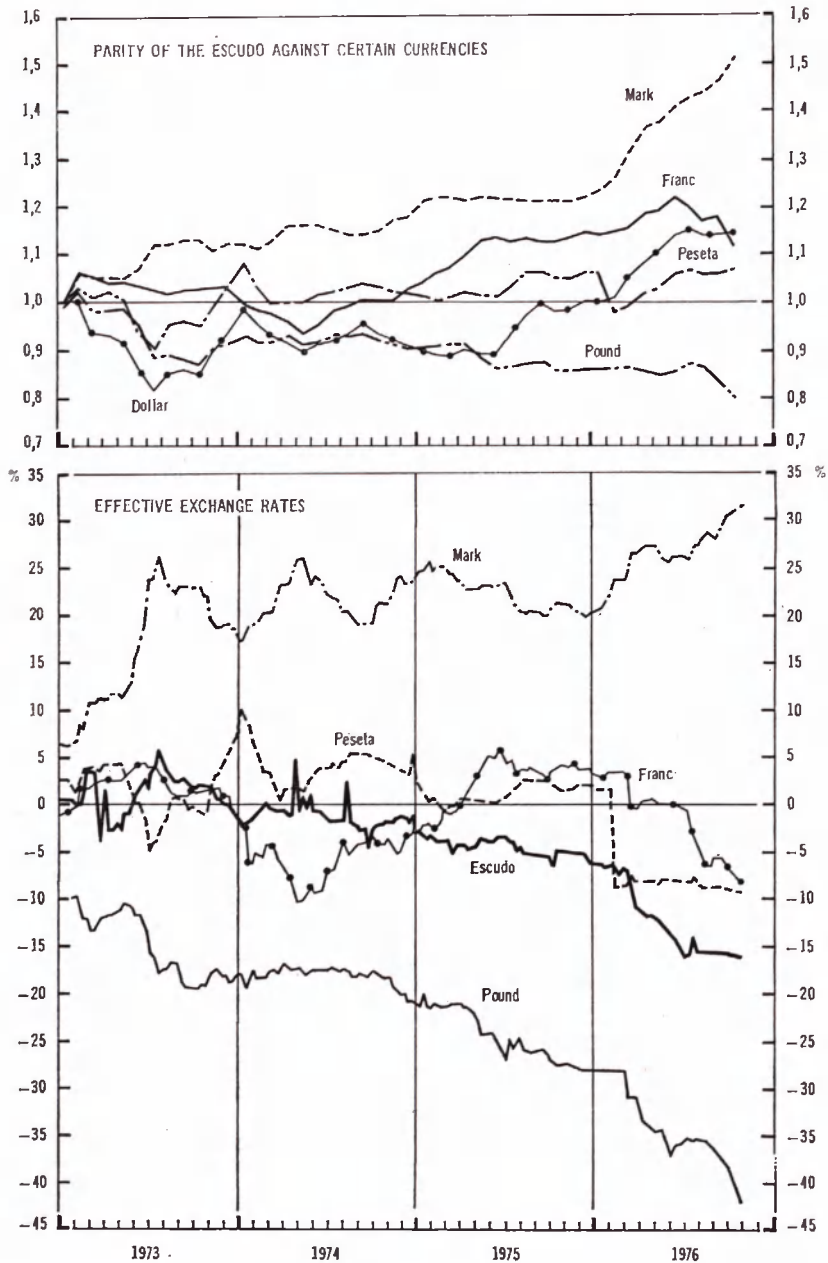
30 Balance of payments definitions (fob/fob).

31 These were estimated at about \$70 million for the first half of 1975 alone. The Bank of Portugal had to put very strict curbs on exports of bank notes in order to check the flight of capital.

32 The consequence, from the standpoint of balance of payments accounting, is that the foreign exchange purchased by tourists outside Portugal is not entered as earnings from tourism. This in turn means that the current deficit is overstated and that net outflows of capital are understated.

33 Immigrant workers probably suffered more from the effects of the crisis than did nationals in that they have less protection against unemployment. Furthermore, immigrant workers already settled in the host country often prefer to send for their families, which resulted in a reduction of transfers to the home country.

Diagram 6 Exchange Rates



Source: OECD Secretariat.

The surplus on invisibles was not sufficient to cover the trade deficit (about \$ 1 600 million fob/fob). Portugal's current transactions with the rest of the world, therefore, showed in 1975, a deficit of approximately \$ 730 million (5 per cent of GDP), which was approximately \$ 100 million less than in 1974. However, the

widening of the deficit with countries outside the former escudo area³⁴ was quite considerable. In the first half of 1976, according to provisional estimates, the current deficit has increased relative to that of the first half of 1975. The worsening is largely due to the trade in invisibles (particularly a decrease in tourism), but it is likely that the reduction in transfers from farm workers living abroad is a temporary one: data for July and August show a sharp recovery relative to the same period of 1975.

In contrast to 1974, movements of medium- and long-term capital showed a deficit of about \$ 163 million in 1975 in spite of net inflows of private capital from the former escudo area. Movements of official capital between Portugal and the former escudo area decreased sharply in 1975, with the result that the account was virtually in balance. Movements of private medium- and long-term capital between Portugal and countries outside the former escudo area showed a net outflow of approximately \$ 100 million. This was the combined result of a fall in foreign direct investment in Portugal³⁵, a very steep decline in trade credits to Portuguese enterprises, an increase in credits from Portuguese exporters and, finally, a sharp reduction in financial loans from abroad. As to medium- and long-term capital transactions of the public sector, these showed a deficit of about \$ 85 million, due chiefly to loan repayments.

The basic balance thus showed a deficit of roughly \$ 900 million in 1975, nearly twice as much as in 1974. Short-term capital movements (including errors and omissions) produced a net outflow of about \$ 100 million, with the result that the balance of non-monetary transactions showed a deficit of about \$ 1 billion. This was financed in part by the taking up of loans contracted with the Bank for International Settlements and the Swiss National Bank (about \$ 300 million, gold-secured) and by a drawing on the nation's exchange reserves to the extent of \$ 687 million. These reserves totalled some \$ 1 500 million at the end of 1975 (of which approximately \$ 1 100 million in gold at \$ 42 per ounce). In the first quarter of 1976, the deficit on non-monetary transactions was financed by drawings on the IMF (\$ 129 million on the oil facility), by taking up part of a loan from the Bundesbank and a new loan from the BIS³⁶, and by drawing on the nation's reserves to the extent of some \$ 250 million.

In the period from the beginning of 1974 to February 1976, the effective exchange rate for the escudo showed a slow but steady depreciation. Then, in March, the downtrend accelerated considerably. From January to September 1976, the average effective depreciation of the escudo was approximately 10 per cent. The movement of the escudo against the dollar in 1974 and 1975 was not very different from that of most of the other currencies. In 1976, the escudo held relatively firm at the beginning of the year, then depreciated: in September the escudo had depreciated against the dollar by about 12 per cent compared with its level at the beginning of the year.

Monetary policy

The institutional changes that occurred in 1974-1975, the economic crisis and the altered behaviour of transactors combined to make the task of the monetary authorities a singularly difficult one. Their main concern was, on the one hand, to guarantee the normal functioning of the institutions in their charge and, on the other,

34 The size of the surplus on the invisibles account with the former escudo area is, by its very nature, a purely transitory phenomenon. Furthermore, repatriations of capital were probably recorded as invisible transactions.

35 Compensated by an increase of financial loans to Portuguese subsidiaries.

36 Between January 1975 and March 1976 Portugal borrowed approximately \$800 million (about \$500 million from the BIS in two instalments, \$250 million from the Bundesbank and \$50 million from the Swiss National Bank). Part of the nation's gold stock was used to secure these loans. Other loans, or financial aid, were taken out or are currently being negotiated with the EEC, EFTA, the World Bank and a number of OECD member countries.

to ensure a rate of liquidity growth which did not constitute an additional restraint on economic activity. The most important institutional change that took place in this sector was the nationalisation of the private banks and the insurance companies in March 1975; but other measures, notably the closure of the stock exchange in 1974³⁷, probably did much to influence the behaviour of households, which abruptly changed their attitude towards money. The usual shifts associated with rising inflation (a move out of cash holdings into real assets) were compounded by the changes induced by the political uncertainties and by a redistribution of incomes in favour of the social categories least accustomed to the use of bank money. This would explain the move out of demand deposits in 1974 and during much of 1975³⁸. The scale of the phenomenon was such that by December 1975 the proportion of notes and coin in total means of payment was more than twice what it had been two years earlier³⁹. These shifts caused the money multiplier to become destabilising and, therefore, made it very difficult to regulate the total money stock.

The emergence of a deficit in the balance of official settlements at the end of 1973 and the absence of any corrective action on the part of the monetary authorities caused a sharp slowdown in the growth of the monetary base⁴⁰ which continued until the second half of 1974. Monetary policy then became much more active than in the past, and an effort was made to exert an expansionary influence through the monetary base which would neutralise the restrictive impact of the sharp fall in the nation's exchange reserves. The Central Bank considerably expanded credit to the public and private sectors of the economy, either by directly opening new lines of credit or by increasing its rediscounting facilities. Total domestic credit from the Central Bank more than doubled between June and December 1974. Where the public sector is concerned, this trend continued in 1975 and in 1976, a continuation of the expansionary fiscal policy adopted to counter the effects of the economic crisis and, in particular, the steep fall in private investment. As regards credit to the private sector, the chief means used in 1975 was increased rediscounting, outstandings of which at December 1975 were at nearly twice their level of a year earlier. In 1976, Central Bank lending to the private sector slowed down. In September, the level of outstandings was about 25 per cent higher than a year earlier, whereas credit to the public sector (essentially purchases of public securities) was nearly three times its level in September 1975. All told, the growth of the monetary base was very brisk from December 1974 to March 1976: about 35 per cent at an annual rate. Not until the second quarter of 1976 and especially in the third was there an appreciable slowdown in this growth, due to a sharp fall in the exchange reserves.

The rapid growth of the monetary base between 1974 and 1975 was not accompanied by an equivalent increase in the money supply, both narrowly and broadly defined. The reason for this was the change in the money multiplier over that period, which was caused largely by the public's preference for currency. The conversion of sight deposits into notes and coin sharply reduced bank liquidity, which was built up again only through vastly increased rediscounting and progressive lowering of the cash ratio. The growth of the money supply narrowly defined (M1) therefore, underwent considerable fluctuations. The money supply broadly defined (M2) was cushioned against these fluctuations, however, by the changes that occurred in the structure of deposits⁴¹.

The changes in behaviour and the institutional developments that occurred in

37 It was reopened in 1976 but only for bond transactions.

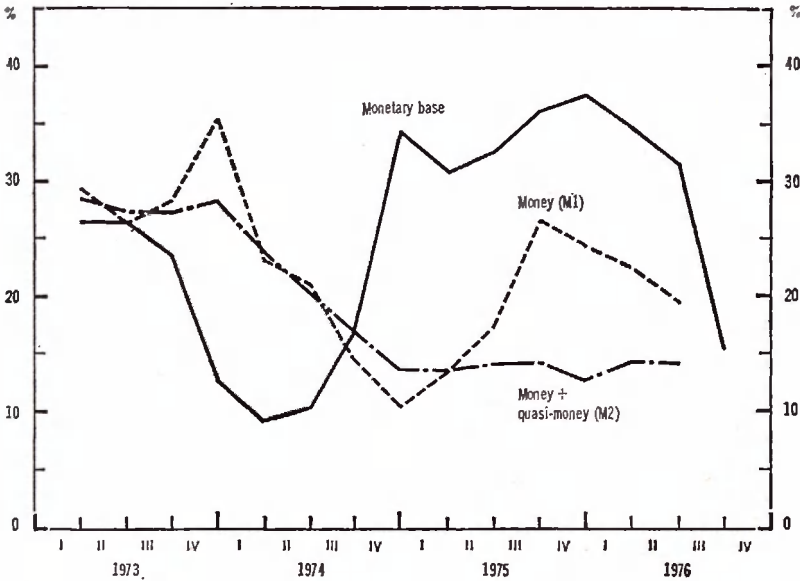
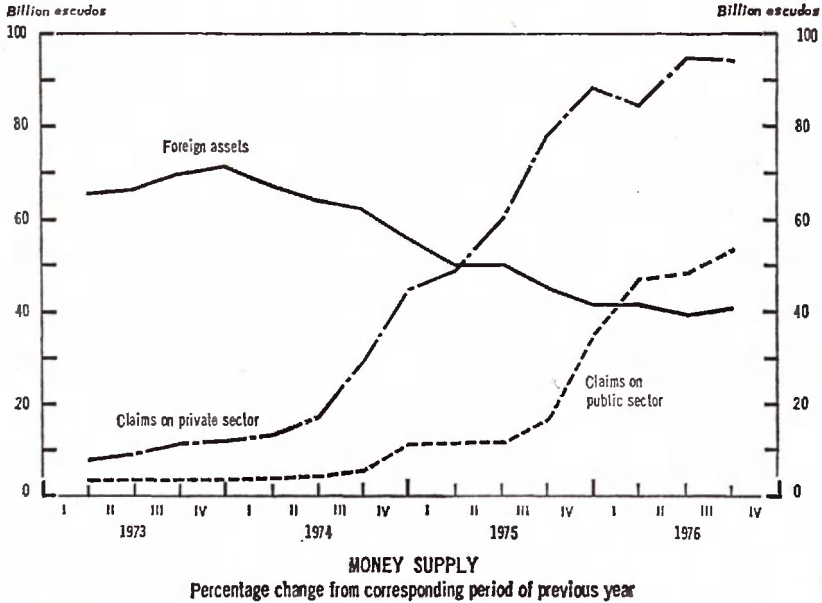
38 In 1974 the authorities' decision to prohibit sight withdrawals except for small sums from the banks for a few days created the beginning of a panic among depositors.

39 48 per cent (of M1) compared with 23 per cent in December 1973.

40 Notes and coin in circulation plus short-term deposits with the Central Bank.

41 After declining steadily throughout 1974, the rate of growth of M2 settled at about 14 per cent in 1975 and the first half of 1976

Diagram 7 Monetary base Counterparts
Outstandings at end of period



Source: Bank of Portugal

1974-1975 conditioned the activity of the financial intermediaries. In June 1976, the level of total deposits in the commercial banks was nearly the same as that recorded in December 1973. The proportion of demand deposits had declined considerably between these two dates, whilst that of deposits for more than one year had increased very substantially. This increase can largely be explained by the closedown

of the stock exchange, so that time deposits with the Caixa Geral de Depositos (the main institution for medium- and long-term lending) and with the banks are now one of the few recourses open to those who wish to invest their savings. Because of the fall in demand deposits, the monetary authorities authorised the banks to lower their cash ratio substantially, which was reduced from 12 per cent in December 1973 to 5 per cent in June 1976⁴². This reduction, together with the rediscounting facilities that were granted, made possible some growth in credit to enterprises and households. The rate of expansion of this credit declined from about 28 per cent at the beginning of 1974 to roughly 6 per cent at the end of 1975 and to 9 per cent in June 1976; given the trend of prices, this represents a distinctly negative rate of real growth. The composition of credit also changed, with the emphasis shifting to short-term credit, much of it to enterprises with liquidity difficulties.

The activity of the Caixa Geral de Depositos and the savings banks followed a much smoother path than that of the commercial banks. Deposits for over one year, which had risen steeply at the end of 1973, showed a declining rate of growth throughout 1974 and 1975, though there was a recovery in the first half of 1976. On the other hand, the trend of sight deposits showed some, though limited, fluctuations towards the middle of 1974. All told, total deposits with these institutions sustained high rates of growth in 1974 and early 1975, which eased off subsequently. As a result of this trend in deposits, there was a steady rise in lending up to the end of 1975, then the rate of increase slackened. Finally, as in the case of the commercial banks, there was a shift to credit of less than one year, which in June 1976 accounted for about 21 per cent of total lending, compared with 16 per cent two years earlier.

Table 12 Monetary Indicators

	Outstanding at the end of December 1975 Billion escudos	Percentage changes from corresponding period of previous year, end of period					
		1975				1976	
		Q1	Q2	Q3	Q4	Q1	Q2
<i>Banks :</i>							
Sight deposits	94.43	-18.1	-9.2	0.5	0.9	13.3	15.4
Time deposits	117.64	8.6	5.9	-3.9	-5.7	0.2	2.9
Credit to enterprises and households	241.79	11.8	13.6	10.6	6.2	5.8	8.9
Reserves ¹	13.46	4.2	3.3	4.4	6.3	5.2	5.2
<i>GCD² and saving banks :</i>							
Sight deposits	21.06	14.6	15.6	23.0	18.4	23.2	21.9
Time deposits	40.58	33.9	30.3	20.5	15.9	21.5	22.4
Credit to enterprises and individuals	71.10	29.7	29.5	28.6	20.5	14.6	10.9
Reserves ¹	5.47	4.1	3.1	3.3	6.0	6.5	7.4

1 As percentage of total deposits.

2 Caixa Geral de Depositos.

Source: Annual relation of the Bank of Portugal.

In July 1974, the monetary authorities raised the discount rate (from 5 to 6.5 per cent) and in December of the same year (to 7.5 per cent). In December 1975, however, they lowered it again to 6.5 per cent. Borrowing rates⁴³, which had risen

42 Against total deposits.

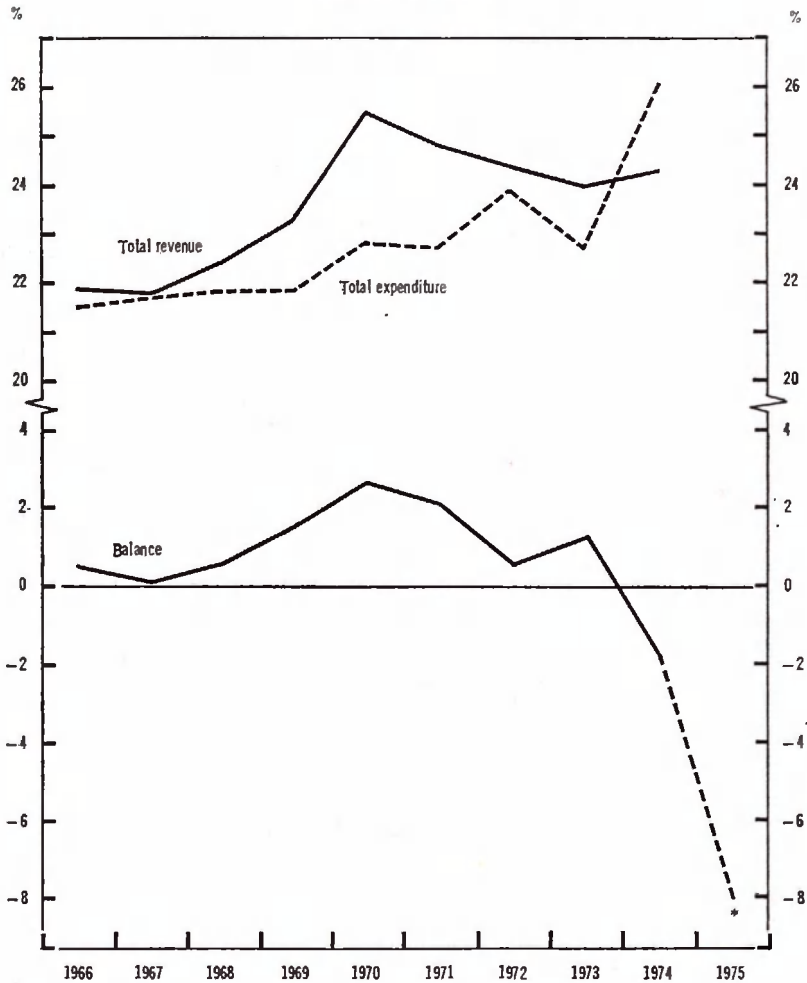
43 Interest rates are fixed by the authorities.

by one to three points in 1974 according to deposit maturities, showed little change in 1975⁴⁴. Similarly, lending rates remained stable in 1975, ranging from $4\frac{1}{2}$ to $7\frac{3}{4}$ per cent for loan transactions of less than three months and standing at $12\frac{3}{4}$ per cent for transactions of over seven years.

Public finance

The steep rise in government spending since 1974 caused the emergence and subsequent expansion of a public finance deficit⁴⁵. On a national accounts basis,

Diagram 8 Public sector account
Per cent of GDP



* Provisional estimate.

Source: National Statistics Institute, Public Finance Statistics.

44 They rose on average by one point in the case of deposits of over six months. The rates range from 0 per cent for certain demand deposits to $11\frac{1}{2}$ per cent for certain deposits of over two years.

45 Prior to 1974 revenue was systematically underestimated. Since expenditure was adjusted to the artificially low level of revenue, the final results systematically showed a more restrictive (or less expansionary) impact on activity than one would expect from the budget figures.

net borrowing by the public sector as a whole amounted to 5.9 billion escudos in 1974 (about 1.7 per cent of GDP). The deficit widened considerably in 1975, amounting for central government alone⁴⁶ (about 50 per cent of total public spending) to 27.3 billion escudos (about 7.3 per cent of GDP). Given the figures available on the other components of general government⁴⁷, net borrowing by the public sector is likely to have exceeded 30 billion escudos in 1975⁴⁸. This was partly due to the fall-off in revenue as a result of the recession, but also to the authorities' desire to keep up the level of activity by making up the shortfall in private investment.

One of the consequences of the downturn in activity in 1975 was the small increase in tax revenues⁴⁹ which was less than the growth in money GDP. Revenue from direct taxation fell by nearly 2 per cent, partly because of the poor results recorded by enterprises in 1974, but also as a result of the fall in revenue from the complementary⁵⁰ tax and of the low revenues from tax on real estate transactions. Revenue

Table 13 Public Sector Account on a National Accounts Basis
Billion escudos

	Public sector			Central government		
	1972	1973	1974	1972	1973	1974
Current revenue	53.80	63.53	77.83	37.41	43.11	52.91
Direct taxes	12.08	13.18	16.60	9.83	10.80	13.79
Social Security contributions	12.48	15.38	19.17			
Indirect taxes	25.27	30.37	37.33	24.41	29.35	36.40
Other receipts	3.97	4.60	4.73	3.17	2.96	2.72
Current expenditure	46.60	54.81	76.54	33.74	37.27	53.64
Non-military expenditure	16.60	20.42	29.03	11.39	13.56	19.69
Military expenditure	15.24	16.69	20.10	15.24	16.69	20.10
Transfers and subsidies	13.28	16.46	25.86	5.18	5.32	11.84
Service of National debt	1.48	1.24	1.55	1.93	1.70	2.01
Current savings	7.30	8.83	1.37	3.67	5.84	-0.73
Net capital transfers	-0.02	-1.31	-0.64	0.49	-0.36	0.29
Gross fixed investment	5.91	6.43	7.86	3.42	3.50	5.07
Finance capacity (+) or requirements (-)	1.41	3.71	-5.85	-0.24	2.70	-6.09
Loans, net of requirements	-7.90	-1.88	-2.50	-7.69	-1.50	-2.32
Borrowing, net of repayments	5.69	4.33	9.89	6.18	4.64	9.34
Other changes	0.28	-2.62	-2.79	0.28	-2.15	-0.62
Increase (-) or decrease (+) of cash reserves	+0.52	-3.54	+1.25	+1.47	-3.69	-0.31

Source: NIS, Statistics of Public Finance.

46 Budget outturns.

47 Until 1974 the social Security account was in surplus. In 1974 it showed a deficit of nearly half a billion escudos which widened in 1975.

48 Cf. below.

49 8.7 per cent, compared with 15.9 per cent in 1974.

50 A tax on personal income which, in Portugal, is additional to other direct taxes like the tax on earned income, which rose steeply in 1975 (about 36 per cent). This tax has been revised and could not be collected in 1975. This year's revenue consists solely of the collection of outstanding tax from previous years.

from indirect taxation rose by nearly 17 per cent in 1975. However, if revenue from the import surcharge (about 1.6 billion escudos) is excluded, the increase was only 10.5 per cent. Central Government expenditure rose by nearly 40 per cent in 1975⁵¹. This increase, justified by the depressed level of activity, marked the beginning of a reorientation of public expenditure, with emphasis shifting from defence spending to expenditure connected with economic activity. Expenditure directly related to decolonisation also rose steeply (8.7 billion escudos in 1975, compared with 1.6 billion in 1974). Although no figures are available for 1975, in terms of economic classification of expenditures, such information as is to hand shows a much steeper rise in current spending than in capital expenditure. In all probability, current saving by central government was heavily negative in 1975.

There is very little information at hand concerning general government other than central government. Spending by the autonomous funds more than doubled in 1974 by comparison with 1973, amounting to over 10 billion escudos. The Supply Fund⁵² probably remained close to equilibrium: its expenditure rose sharply in 1975 but so did its receipts, thanks to the yield from the tax on motor fuel, the proceeds of which are allocated to it. The Unemployment Fund was again in surplus⁵³, so that it was able to transfer resources to the public works sector. In all, net borrowing by the autonomous funds from the financial intermediaries (mainly the Caixa Geral de Depositos and the other savings banks) increased by a little over 2 billion escudos in 1975 as compared with 6 billion escudos in 1974. The deficit on the social Security account was estimated at about 3 billion escudos in 1975.

The public sector deficit was financed in 1974 by public debt issues (placed chiefly with the Central Bank) and by sharply increased borrowing by the central government from the Caixa Geral de Depositos. Lending by the Caixa Geral to the autonomous funds (mainly the Supply Fund) rose by more than 8 billion escudos. On the other hand, to finance the deficit in 1975, the authorities had less recourse to the Caixa Geral⁵⁴ and relied mainly on issues of securities, which totalled 32.4 billion escudos⁵⁵ compared with 9.1 billion in 1974⁵⁶. These issues were placed almost entirely with the financial institutions⁵⁷. At end-1975, the public debt represented 25.5 per cent of GDP, as against 18.6 per cent at end 1974.

The central government budget for 1976 provides for a much more rapid increase in expenditure (40.7 per cent) than in revenue (18.6 per cent). In particular, expenditure in connection with economic development is budgeted at nearly twice its 1975 level, whilst defence spending is down⁵⁸. The budgeted deficit is two times larger than in 1975, being in excess of 32 billion escudos. However, it appears likely that Government deficit will reach approximately 42 billion escudos (45 billion if one includes the servicing of the public debt). Expenditure has increased faster than

51 Ordinary and extraordinary expenditure, according to the official presentation of the out-turns for 1975.

52 A special fund to subsidise a certain number of food products. Its receipts are independent of the central government budget. Until 1974 it was in surplus.

53 It may seem paradoxical that the Unemployment Fund was able to remain in surplus when the unemployment rate was running at about 13.5 per cent of the working population. But the conditions of entitlement to benefit from the fund (which is independent of social Security) are very stringent.

54 Net lending by the Caixa Geral to the public sector fell by about 1.5 billion escudos in 1975, after rising by about 6.5 billion in 1974.

55 Of which 3.1 billion escudos in external debt, mostly for the financing of the Cabora Bassa dam in Mozambique.

56 Net assets in public debt securities held by the financial institutions rose by 24.8 billion escudos in 1975, as compared with 6.2 billion in 1974.

57 Public debt securities placed with households amounted to only 0.12 billion escudos in 1974 and 2.8 billion in 1975.

58 The decrease is due to the large reduction of special military expenditure, connected with decolonisation.

had been expected, but so have receipts thanks to the protraction of the import surtax until the end of 1976 and to the increases in direct taxation and petrol prices decided during the summer⁵⁹.

According to official provisional estimations, to the 45 billion escudos Government deficit, one has to add the social Security budget deficit of 12 billion and 3 billion of the Supply Fund. Since there is a surplus of 3 billion of the Unemployment Fund, the deficit of the Public Sector, on a national accounts basis, should total approximately 57 billion escudos (approximately 13-14 per cent of GDP). Furthermore, if one includes the 8 billion escudos deficit of public enterprises (mostly transport) the consolidated cash deficit of the Public Sector will be of the order of 60 billion escudos. The financing of such a deficit will be done mostly by central banking operations.

Table 14 Central Government Budget

	1974		1975		1976	
	Preliminary	Outturn	Preliminary	Outturn	Preliminary	Percentage change
TOTAL REVENUE	43.38	52.17	59.63	58.29	70.74	19
Ordinary revenue	39.71	50.28	56.28	54.73	68.23	21
Direct taxes	12.19	16.56	18.18	16.24	19.90	9
Indirect taxes	20.18	26.02	29.39	30.42	39.01	33
Other	7.34	7.70	8.71	8.07	9.32	
Extraordinary revenue	3.67	1.89	3.35	3.56	2.51	-25
Direct taxes	0.35	0.30	0.30	0.25	—	
Other	3.32	1.59	3.05	3.31	2.51	
TOTAL EXPENDITURE	51.53	61.86	73.55	85.62	103.49	41
Ordinary expenditure	29.60	34.04	43.36	50.86	63.99	48
Service of national debt	2.88	1.76	2.83	2.55	3.98	41
Defence	6.28	8.30	10.83	11.73	14.89	37
Other	20.44	23.98	29.70	36.58	45.12	
Extraordinary expenditure	21.93	27.82	30.19	34.76	39.50	31
Defence	8.23	14.90	8.83	8.58	2.05	-76
Economic development	11.90	11.34	17.48	17.51	30.45	74
— planning	10.61	7.71	15.22	13.34	22.73	49
— other	1.29	3.63	2.26	4.17	7.72	
Expenditure connected with decolonisation	1.80	1.58	3.88	8.67	7.00	143
GLOBAL BALANCE	-8.15	-9.69	-13.92	-27.33	-32.75	
Liquidation of national debt	-1.53	-1.55	-1.83	-1.77	-2.03	
Issue of securities for national debt	9.68	9.03	15.75	21.72	34.78	
Adjustements		2.21		7.38		

Source: Report on the General Government Budget.

Other economic policy measures

The institutional changes that occurred in the period from 1974 to 1976⁶⁰ were accompanied by a series of measures which in turn altered the procedures for deter-

⁵⁹ Furthermore, the payment of arrears of the complementary tax would have to at least partially compensate for the loss of revenue caused by delayed collection of the tax on company profits.

⁶⁰ See Part I.

mining wages and prices. Various steps were taken to provide an earnings guarantee for workers. In June 1974, a minimum wage was introduced, together with a maximum wage ceiling: these were set at 3 300 and 7 500 escudos per month respectively, and raised a year later to 4 000 and 12 000 escudos per month. Where employment is concerned, a law was passed in December 1974 which considerably limited the possibility of collective dismissals. In March 1975 an unemployment benefit was introduced equal to two-thirds of salary or one-half of the national minimum wage, but with very stringent conditions of entitlement. Then, at the end of 1975, all wages were frozen for a period of three months. Finally, in February 1976 legislation was passed which laid down the procedures for collective bargaining. On the prices front, the authorities continued with their policy of subsidies for some staple foodstuffs through the Supply Fund. They also introduced a system of price controls over a wide range of goods, at both the production and marketing stages⁶¹.

As for the balance of payments, a surtax on imports was introduced in June 1975 and was carried on in 1976. The rate of the surtax is of 20 or 30 per cent depending on the category of imports and it affects approximately 40 per cent of total imports, especially consumer goods. In October 1976 a general import tax of 30 per cent was introduced, while for luxury products, which are 1.6 per cent of imports, the rate was raised to 60 per cent. At the same time, a compulsory prior deposit affecting 8 per cent of imports was established. The deposit amounts to 50 per cent of the value of imports for a period of six months without payment of interest. A system of foreign currency accounts, planned to encourage transfers from immigrants and one of special credit for private housing were created in 1976. As for exports, the mechanisms of credit and of credit insurance were significantly improved in May 1976. Furthermore, a number of trade agreements were signed with countries of Eastern Europe, new and more favourable conditions have been obtained for trade within the EFTA area, together with an improvement of the agreement signed with the Common Market in 1972.

III PROBLEMS OF ECONOMIC POLICY

Recent trends and the orientation of policy

At the time of writing (October 1976) few data were available on economic developments this year. Moreover, the economic policies of the Government formed after the elections were only outlined in general terms; a series of legislative proposals and other new measures were announced for the near future, but not yet known in detail; and the budget for 1977 was not yet prepared.

Available statistics suggest a marked recovery of manufacturing production during the first months of 1976. This may be explained by the development of world trade after the recession of 1974-75. There is not yet any clear sign of an upturn in fixed investment after the very large decline of 1975. The current deficit of the balance of payments in 1976 will be significantly larger than that of 1975—of the order of \$ 1 billion. The low level of activity and the increase of the resident civilian population (due to the virtual cessation of emigration to European countries, the return of people from the former colonies and the reduction of the armed forces) have exacerbated the employment problem; according to official estimates, unemployment is close to some 15 per cent

61 Six price categories were identified: maximum prices, controlled prices, declared prices, contractual prices, prices subject to a fixed profit margin and free prices. Any enterprise with an annual turnover exceeding 5 million escudos is affected by the system.

of the labour force, to which should be added disguised unemployment in various forms. Finally, the rate of inflation has remained very high; the rise of consumer prices over the twelve months to September 1976⁶² was approximately 19 per cent, despite the existence of price controls and heavy subsidies for some basic products.

As far as can be judged from the information available, a lasting improvement of the economic situation in the course of the next few months would be unlikely on the basis of autonomous trends. However, new measures have very recently been adopted (in particular regarding the balance of payments and labour relations) and other important decisions have been announced which may contribute significantly to rectifying the situation. It is doubtful that autonomous forces could bring about any appreciable recovery of economic activity. World trade may not grow as fast in 1977 as during the first half of this year when it was strongly sustained by rebuilding of stocks in many countries. And in any case, Portuguese exports may not profit fully from world trade expansion due both to their commodity composition and their probably reduced competitiveness over the last couple of years. With regard to domestic demand, private fixed investment is unlikely to recover substantially as long as firms are faced with weak prospects for sales, considerable financial strains and great uncertainties about the institutional framework of their activities. Private consumption is also unlikely to provide any strong stimulus to the growth of output as long as inflation erodes the progress of real household incomes; moreover, the personal saving ratio has, in all probability, fallen considerably and is unlikely to decline further with very high and rising unemployment. Even with a weak development of real domestic demand, however, the current balance of payments risks deteriorating further next year due mainly to an inflation rate considerably higher than the OECD average. In fact, with continuing pressures for increases in nominal incomes and small, if any, productivity gains, there is little hope of price increases slowing down at all significantly despite the large margin of unused resources.

The present situation is characterised by very important distortions in the structure of demand stemming from the exceptional events of the last few years. In 1975, private and public consumption exceeded the level of gross domestic output (see Table 2) and, despite its sharp decline, gross capital formation had to be entirely

Table 15 **Saving and Investment**
Percentage of GNP

	National savings	Domestic capital formation	Current balance	Private transfers ¹	Public sector balance ²
1968	18.7	17.1	1.6	6.3	0.6
1969	21.5	17.9	3.7	7.6	1.6
1970	19.3	17.4	1.9	8.3	2.7
1971	21.6	19.1	2.5	9.8	2.1
1972	25.7	20.2	5.5	10.5	0.6
1973	23.2	20.2	3.1	9.6	1.3
1974	15.3	21.5	-6.2	8.3	-1.7
1975 ³	4.5	10.2	-5.7	6.5	-8.0

1 Originating abroad.

2 Public sector on a national accounts basis.

3 Estimates.

Sources: NIS and Central Planning Department.

62 According to the index for Lisbon excluding rent, which is more representative of underlying trends as explained in Part II of this Survey.

financed from abroad. Table 15 indicates that national saving fell substantially, to less than 5 per cent of GDP; but saving from domestic incomes (i.e. excluding private transfers from abroad) was in fact negative. Although a breakdown is not available, saving of the household and—even more—of the enterprise sectors must have fallen precipitously while the current saving of general Government was most probably negative. These trends have clearly continued in 1976. Recent official estimates suggest that the current deficit of general Government may exceed the current balance of payments deficit (which could amount to around 7 per cent of GDP) implying a small positive saving of the non-Government sectors in conditions of continued weakness of investment. The public sector's borrowing requirement—including the deficits of social Security, public enterprises and the Supply Fund—is estimated at some 60 billion escudos, which may represent 13 to 14 per cent of GDP. The sizeable deficit of the Supply Fund (about 3 billion escudos) illustrates the distortions in the structure of prices which have accompanied the distortions in the pattern of demand.

Other, non-quantifiable features of the situation are at least as important as the macro-economic imbalances for the future development of the economy. The political and social upheavals of recent years and the accession to independence of the former colonies have produced substantial transformations in the country's institutions and socio-economic structure some of which were briefly described in Part I of this Survey. But in the autumn of 1976, many important aspects of the emerging institutional framework remained to be clearly defined—for example, the organisation of agricultural production in the South following the important measures of land expropriation and reform; the exact role of trade unions and other forms of workers' representation in private and public enterprises; and the definition of financial and operational responsibilities in private enterprises and those brought in various forms under the public sector's control. Whatever political answers are to be given to these problems, it is clear that continued uncertainty and ill-defined responsibilities would seriously risk hampering the revival of economic activity.

The Government's general economic programme understandably lays particular stress on such institutional problems and the preparation of specific legislative and other measures has recently been announced. The general orientation is not to resort to any new nationalisations; and to define clearly and organise better the domain of the economy under public ownership and control; to guarantee a stable framework for private economic activities, with special guarantees for foreign investors; and to ensure conformity of economic practice with legal provisions—an example being the recent restoration of illegally occupied land holdings. Other measures envisaged aim at increased discipline at the workplace and higher productivity, notably by stricter control of absenteeism and by amendments in the legislation governing the dismissal of employees⁶³.

In the more narrowly defined economic area, recent official pronouncements have sought to impress on public opinion the seriousness of the economic situation. The goals of official policy include the restraint of private consumption and public current expenditure in order to limit the size of the external deficit and to make room for a revival of investment. Measures favouring residential construction and plans to increase investment by general Government and public enterprises might help correct the distortions in the use of national resources and to mitigate the unemployment problem. An important contribution to a slowing down of the inflation rate is expected from a moderation of wage rises, in which the publicly-controlled sector is to play a leading role. The traditional 13th month's salary will be paid at the end of 1976 in the form of treasury bonds for monthly incomes exceeding 5 000 escudos. X

63 A bill of law concerning some important aspects of work relations was recently presented to the Parliament.

The minimum wage is to be raised as of next January, but the Government has stressed the need for strict moderation of higher incomes and for bringing all earnings, and not only basic wages, under the ambit of wage agreements. Measures are also being envisaged to limit the deficit of the public sector, including social Security, the Supply Fund and government-controlled enterprises.

Some medium-term aspects

There is no doubt about the urgency of policy action to clarify the economic institutional framework, reduce prevailing uncertainties and start redressing the present imbalances in the economy. In the special circumstances of Portugal, however, current policy measures will have to take account of medium-term prospects and the way these have been profoundly transformed by domestic and external developments in recent years. The changes in basic economic and social parameters, and their consequences for economic policy, merit careful analysis at the official level as soon as possible. The following paragraphs can only point to a few salient features of the new situation.

Portugal risks being faced with a serious employment problem in the coming few years, which is most unlikely to be solved by rapid growth of the type experienced in the 1960's and early 1970's. Over the ten years to 1973, real GDP grew at an average rate of close to 7 per cent; but unemployment was kept down to 4 to 5 per cent of the labour force only because, at the same time, the size of the armed forces was increased and there was massive emigration of workers to the industrialised countries of Western Europe; this led both to an absolute decline in the resident population and to a shift in its age structure towards the non-active age groups. The demobilisation of draftees and the return of Portuguese nationals from Africa have produced important, once-for-all, additions to the total population and to the potential labour force. Moreover, it seems highly probable that the European countries of immigration will only accept in coming years much fewer foreign workers than in the past. Though not easy to quantify, the number of job creations at home needed to reduce unemployment gradually is, doubtless, very substantial and no feasible acceleration in the overall growth of output can prove sufficient for this purpose. Some recently announced measures (notably, limitations to overtime work) can only produce small effects; what is probably required is a basic re-orientation of policy. The development of a sound agricultural sector could provide, in due course, a partial answer to the problem. The expansion of residential construction and of certain labour-intensive types of public works and social services (eminently desirable *per se*) would also be helpful, though increased expenditure in these areas will come against general financial constraints. But the choice of investment projects will also need to take account of the fact that capital and not labour is the scarce factor in the economy. There are certain extreme cases of major projects started some years ago whose economic justification is very doubtful; their review now poses difficult problems. But it will be important to avoid subsidising new capital expenditure (for instance, through very low rates of interest) unless its social benefits are sufficiently great and clearly demonstrable. Finally, the level of real wages in the more advanced sectors of the economy will need to be sufficiently moderated to prevent the expansion of the dual labour market syndromes familiar in countries of similar economic structure. There may also be scope for public schemes beyond the usual approaches of economic policy, which could provide socially useful employment outside the normal pattern for jobs and at low levels of remuneration⁶⁴.

To ensure rapid growth of output and employment it will, in any case, be essential

⁶⁴ New Zealand's long experience with reforestation schemes could usefully be studied as well as relevant experiences of other Member countries.

to shift the use of national resources towards investment and exports. This implies considerable restraint in the expansion of public expenditure. But since certain categories of the public sector's outlays—especially for investment and transfers to the most needy segments of the population—have a high economic and social priority, other types of expenditure will have to be severely controlled. An example is the growing cost of food subsidies, whose economic and social justification merits careful review. It can be expected, however, that the reduction of military expenditure resulting from the end of the African involvement will be sufficiently important to ease the budget problem. But the most important requirement is the moderation of private consumption. To ensure both restraint in the growth of real household incomes and a gradual abatement of cost-push inflation it will be necessary to establish orderly procedures for wage negotiations at the national, industry and plant levels, but also to elicit a general social consensus on the need for moderate income developments. In the special circumstances of Portugal, active involvement of the authorities in the field of prices and incomes seems ineluctable. In the medium-term restraint of private consumption can also be promoted by measures designed to increase the household saving ratio—notably a well-designed policy for housebuilding and a gradual progression of interest rates on saving deposits so as to make them sufficiently attractive.

A major constraint to economic growth is the balance of payments situation. The exceptional events of recent years have created special burdens on the current account and also a deterioration of capital movements including appreciable capital flight. The return to normal patterns of economic activity and the restoration of confidence would, no doubt, have beneficial effects. But the underlying problems will remain serious. Up to the early 1970's, Portuguese exports amounted roughly to 50 per cent of imports. But receipts from tourism and especially emigrant workers' remittances helped to produce regular surpluses on current account. There is no prospect of such invisible receipts acquiring in future years the important role they played in the past. Most probably, the potential development of tourism is still considerable. And measures already taken to attract emigrant workers' deposits could be complemented with additional incentives. But given the outlook for emigration to Europe, this category of foreign exchange receipts is most unlikely to grow very fast. The direct effects on the balance of payments of the country's withdrawal from Africa are difficult to estimate. The former colonies were a source of cheap raw materials and provided protected markets for certain Portuguese exports. However, their relative importance in the country's foreign trade had been dwindling for a long time. Private receipts (profits, services and transfers) from the former escudo area were considerable. But they were, at least in the more recent period, overshadowed by substantial Government expenditure in these territories on both current and capital account. The net effect of the country's disinvolvement from Africa on the balance of payments will certainly, with time, appear to be positive.

The development of foreign trade in the next few years will clearly be the main determinant of the current account. Apart from appropriate demand management, policies aimed at promoting exports and keeping imports to a tolerable level will have great importance. In this context, the agricultural sector deserves special notice. Although it employs about a quarter of the labour force it only supplies less than one half of the country's food requirements. The feudal features of agriculture in the South of Portugal prior to the land reform and the general neglect of this sector in the past have been described in earlier OECD Surveys. Both land and labour productivity could increase substantially in the future, with great benefit to the foreign trade account, but this will depend on great efforts being made to expand investment, improve land use, organise credit and advisory services and reform distribution channels. The growth of non-agricultural exports will not only depend

on the overall growth of world trade in the future, but also on their further diversification. It is an unfortunate fact that certain types of exports are facing protective barriers in a number of foreign markets. But provided that domestic price and cost developments are brought under control, there are probably great possibilities for new labour-intensive export industries. The import bill will certainly rise considerably in the future if investment were to recover. And it will be inevitable that less essential types of imports should be discouraged. But the proliferation of specific measures to that effect may in the longer run be a poor substitute to more general measures like increases in indirect taxes on certain goods, whether of domestic or foreign origin, or eventually an appropriate exchange rate. It will not be easy to keep the current external deficit within limits in the future. But a reasonable current deficit, to finance in part a high rate of domestic investment would seem appropriate to Portugal's present stage of economic development. Long-term external finance will most probably continue to be available and it would also appear justified in these circumstances to mobilise also part of the official gold stock.

On both balance of payments and internal considerations, it will be essential to bring the rate of inflation under control. This is an acute problem at present, but even in a long-term perspective there would be little hope for sound expansion of production, investment and employment if high inflation were to prevail, creating distortions in economic calculations, affecting general expectations and producing diffuse deleterious effects on the balance of payments.

Policy conclusions

The present economic situation of Portugal is very difficult, but should be judged with a sense of perspective. Over the last three to four years, Portugal, as other Member countries, has felt the impact of the rise in world prices of raw materials and energy, and then, of the world-wide recession. But at the same time, important and prolonged political and social upheavals have taken place with inevitable disruptive effects on economic activity; and there was a rapid retreat from centuries-old involvement in Africa which was bound to create difficult problems of transition. It would be fair to state that more serious economic difficulties than those witnessed at present could have been expected from such a concatenation of exceptional circumstances whereas, at the level of production, the performance was not significantly different from that of some other OECD countries.

The country is now engaged in the arduous tasks of completing its institutional transformation, absorbing the shocks produced by recent events (notably the influx of repatriates) and laying the ground for satisfactory economic progress in the future. Recent official pronouncements have rightly laid stress on some basic preconditions for the resumption of sound economic expansion and for the gradual solution of the country's acute economic problems—notably, a speedy reduction of non-economic impediments to the production process; and a clarification of the institutional framework. An important example of the latter is the extent of the public sector's direct role in the economy which, though considerably increased, is no greater than in some other Member countries. The main problem is not the size of the public sector but its efficient functioning, a clear delimitation of the public and private economic spheres and the establishment of a stable framework for private economic activities.

The present imbalances in the economy call for measures to keep the high rate of inflation under control, restore a more adequate financial position in private and public enterprises and keep within limits the external deficit. The necessary stabilisation measures would imply a temporary reduction of real private consumption, except for the lowest income groups, and a curtailment of the volume of public consumption, so as to allow a shift of national resources towards investment

and exports. Such restraint would also permit determined action to be taken to alleviate the unemployment problem—notably through a selective public works programme—and to provide a reasonable volume of public transfers to the unemployed, the refugees and other categories in special need. Monetary, fiscal and price policies as well as foreign trade and exchange rate policies would need to converge to the immediate aim of economic stabilisation, while increasing the chances of a viable economic recovery. It would appear, in particular, that measures are needed in order to insure a lasting recovery of productive investment. Moreover, in the present circumstances, the containment of the increase in nominal incomes is particularly necessary. Only if these various restrictions meet with a wide measure of national acceptance and support can the stabilisation effort meet with lasting success.

The range of short- and medium-term problems outlined above clearly shows the difficulties of economic policy formulation in the future. It would thus seem necessary to elaborate as soon as possible an overall medium-term plan for economic development. Development plans have existed in the past, but they were drawn up merely by teams of experts of the central administration and their contents were not very reliable. In the present period, it would be advisable that representatives of the various social groups should be closely associated both with the formulation of the plan's objectives and the control of its implementation. A comprehensive and coherent medium-term plan could be used as a reference for evaluating measures of current economic policy, thus minimizing the risk of conflicting policy targets.

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Annex

MAIN ECONOMIC POLICY MEASURES TAKEN SINCE MAY 1974

1974

May 27

Minimum wage of 3 300 escudos per month introduced for all wage-earners except rural workers. Prices, rents and wages over 7 500 escudos per month frozen for a period of 30 days. Freeze subsequently extended until 31st July.

July 10

Various price-control schemes are introduced with respect to consumer goods (maximum prices, controlled prices, declared prices and contractual prices) and profit margins are set according to category of goods.

July 25

The Bank of Portugal discount rate is raised from 5 to 6½ per cent and the amounts of the commercial banks' compulsory reserves are lowered.

July 30

The freeze on rents and on pay in excess of 7 500 escudos per month is extended indefinitely.

August 9

The rates of interest on time deposits are scaled up by about 2 per cent.

August 27

Strike and lock-out procedures are codified.

September 12

Measures are taken to regulate the free housing market: new rents are subjected to direct or indirect controls; dwellings already built are required to be made immediately available for rent; the demolition of buildings is halted for the purpose of updating their real estate value.

September 13

The Bank of Portugal, the National Overseas Bank and the Bank of Angola are nationalised.

October 10

The "condicionamento industrial" system (prior authorisation for investment) is abolished. The new arrangements are founded on the principle of freedom to invest but allow the authorities the possibility of regulating some sectors regarded as "strategic".

November 25

Financial aid and state intervention are introduced for private enterprises whose activities do not normally contribute to the country's economic development.

Article 1: "Private enterprises, individual or collective, which do not operate in such a way as to normally contribute to the economic development of the country, and with a view to satisfying the higher interests of the national community, may receive assistance from the State in obtaining the necessary funds to regulate their mode of operation, subject, if necessary, to the State's direct intervention in their management."

December 5

Recognition of the right of entrepreneurs to form employers' associations to defend and promote their interests.

December 21

The discount rate is increased from 6.5 per cent to 7.5 per cent and the reserve requirements of banks reduced.

December 31

Collective dismissal procedures become subject to regulation.

1975

March 14

Nationalisation of all credit institutions, except for the Franco-Portuguese Credit and the Portuguese departments of the Bank of London and South America and the Bank Brazil and the agricultural credit banks (economic and mutual loan funds).

March 15

Nationalisation of all insurance companies except for those with a large share of foreign-held capital, foreign companies and mutual insurance companies.

March 31

Unemployment benefit introduced in principle for all persons in dependent employment under certain conditions. The amount of the benefit is two-thirds of the national minimum wage for workers with dependent families and one third for workers with no dependents, for rural workers and for persons aged under 20 whose last wage was less than the national minimum. The benefit is payable over a period of 180 consecutive days.

March 31

The State Holdings Institute is established. The purpose of this body is to supervise, guide and co-ordinate the State's intervention in the management and running of private firms in which the public sector has a holding, so that this intervention will be consistent with the government's planning and its general and sectoral policies.

April 15

Publication of an "overall economic programme" incorporating a freeze of prices of essential consumption products and a list of sectors to be nationalised (notably electricity, oil and steel) The land reform law is announced.

April 16

Nationalisation of oil companies, railways, the National Shipping Company, the Portuguese Maritime Transport Company and the Portuguese Air Transport Company.

April 30

Legalisation of the Trade Union Confederation.

May 12

Proceedings against firms in respect of debts contracted prior to the State's intervention are prohibited. (Law of 25th November 1974.)

May 13

Nationalisation of enterprises in the tobacco, cement and cellulose industries (20 firms in all).

May 31

A surcharge is introduced on certain categories of imported goods. The import surcharge is 20 or 30 per cent according to product category.

June 9

Announcement of a programme of public investment amounting to 8.5 billion escudos, approximately half of which for construction schemes and the remainder for transport projects, which would provide employment for 34 000 persons over a period of six months to a year.

June 16

National minimum wage raised from 3 300 to 4 000 escudos per month with effect from 1st June.

Upper limit of 48 900 escudos per month placed on pay in the private or public sector (35 000 escudos after tax).

Wages and salaries of and more than 12 000 escudos per month are frozen until 31st December 1975.

July 29 and 30

Land reform laws enacted.

August 22

Nationalisation of the petro-chemical and brewing industries.

September 1

Setenave and Viana do Castelo shipyards are nationalised.

September 25

CUF Manufacturing (Compania Uniao Fabril) is nationalised.

November 15

The Bank of Portugal is reorganised and its functions strengthened and broadened (is given power to fix the exchange rate for the escudo).

November 27

Ongoing wage bargaining rounds are suspended until 31st December 1975; the suspension is subsequently extended until 29th February 1976 by resolution passed on 31st December.

December 22

Introduction of legislation on the principles of management and supervision of the nationalised credit institutions; these are granted administrative and financial autonomy and the status of public enterprises.

Introduction of foreign currency deposit accounts (drawings only in escudos) exclusively for emigrant Portuguese workers.

Discount rate reduced from 7.5 to 6.5 per cent.

Bank interest rates (lending and borrowing) raised and the bank's reserve ratio lowered. Preferential credit for exports, the purchase of equipment goods, agriculture and civil construction.

Compensation given in Treasury Bonds to shareholders of nationalised banks.

December 29

Prices of liquid fuels are raised.

Increase in inheritance taxes.

December 31

Import surcharges are extended until 31st March 1976.

1976

February 25

A legislative order is passed regulating land occupation in the rural sector.

February 28

Collective bargaining procedures are regulated.

March 19

Creation of a system of preferential credit for the purchase of dwellings.

March 30

The minimum wage in the civil construction sector is set at between 4 250 and 5 700 escudos per month according to category.

The surtax on imports is extended until 31st December 1976.

April 5

Promulgation of the regulations for applying the land reform: establishment of a 30-hectares minimum that may not be expropriated and limitation of the areas of application of the land reform to some parts of southern Portugal.

April 6

Foreign Investment Code.

April 8

General principles established governing public enterprises (excluding banks and quasi-banks, insurance companies and semi-public enterprises).

Public enterprises are given corporate status and are endowed with administrative and financial autonomy together with independent control of their assets. Their activity is subject to private law and is carried out in accordance with the management processes and techniques proper to private enterprises. The status of their personnel is, in principle, the same as in private enterprises. But there is an organic link between these public enterprises and the State: it is the Govern-

ment which appoints the top management and guides the enterprises' activities in accordance with national economic planning goals. The State also has the power to terminate the activities of public enterprises.

April 10

The Constitution of the Portuguese Republic is promulgated. The right to strike figures in the constitution, together with the prohibition of lock-outs.

April 22

A new export-credit scheme is established.

April 30

Regulation of the export-credit insurance scheme.

May 29

Repeal of all previous regulations concerning State intervention in private enterprise and publication of new regulations limiting the scope of intervention and defining courses of action (e.g. nationalisation, bankruptcy, restitution to previous owners, etc.), to be taken at the end of State intervention.

June 18

Tourist allocation is reduced to 7 000 escudos per year per person.

June 23

The right of expropriated landowners to keep part of their estates is regulated.

July 7

A procedure is set down for the calculation of compensation to shareholders of nationalised enterprises.

July 9

The interest rate on bank credits is increased by 0.5 to 1 per cent.

Institution of a savings and credit scheme for Portuguese emigrants linked to the purchase of dwellings.

July 31

A national policy board on output and prices is set up comprising representatives of the Government and of management and labour associations and experts. The board's function will be to work out price and wage norms and propose these to the Government.

August 5

Increase of direct taxation. The "industrial contribution" (profit tax for enterprises) becomes progressive. The rates of the complementary tax are increased. Increase of professional taxes and on income from capital. An additional temporary surtax is levied on nearly all income taxation.

October 9

The rate of the import surtax is increased and a prior deposit scheme is introduced.

October 14

28th February 1977 is set as a deadline for regulating the end of state intervention in the management of private enterprise. (Cf. Law of 29th May, 1976.)

STATISTICAL ANNEX

Table A National Product and Expenditure
Million escudos

	1970	1971	1972	1973	1974 ¹
<i>Current prices</i>					
Consumers' expenditure	133 086	146 725	164 002	207 425	n.d.
Government current expenditure	25 245	27 650	31 841	37 106	49 136
Gross fixed asset formation	31 060	36 974	47 080	56 891	65 152
Change in stocks	-314	687	-417	-347	
DOMESTIC EXPENDITURE	189 077	212 036	242 506	301 075	390 741
Exports of goods and services (excluding factor income)	41 742	48 064	60 775	72 602	87 745
Imports of goods and services (excluding factor income)	53 825	62 576	72 491	93 211	140 161
GROSS DOMESTIC PRODUCT AT MARKET PRICES	176 994	197 524	230 790	280 466	338 325
plus : Net income from the rest of the world	889	415	578	2 109	3 279
GROSS NATIONAL PRODUCT AT MARKET PRICES	177 883	197 939	231 368	282 575	341 604
<i>1963 prices</i>					
Consumers' expenditure	102 377	112 030	115 940	132 426	n.d.
Government current expenditure	18 003	19 158	20 808	22 431	26 098
Gross fixed asset formation	25 052	27 870	33 914	37 911	36 893
Change in stocks	-75	268	-213	-239	
DOMESTIC EXPENDITURE	145 357	159 326	170 449	192 529	207 927
Exports of goods and services (excluding factor income)	33 881	38 146	44 297	45 207	39 993
Imports of goods and services (excluding factor income)	43 198	53 621	58 366	64 195	66 935
GROSS DOMESTIC PRODUCT AT MARKET PRICES	136 040	143 851	156 380	173 541	180 985
plus : Net income from the rest of the world	610	264	320	1 035	1 286
GROSS NATIONAL PRODUCT AT MARKET PRICES	136 650	144 115	156 700	174 576	182 271

¹ Estimates.

Source: National Statistics Institute.

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

	Including direct taxes				
	1970	1971	1972	1973	1974 ¹
	<i>Current prices</i>				
Agriculture, forestry and fishing	28 784	30 015	33 254	41 071	48 250
Mining and quarrying	916	955	1 072	1 232	1 880
Manufacturing	53 882	60 349	72 677	89 989	109 677
Electricity, gas and water	4 319	4 714	5 271	5 788	6 609
Construction	8 104	11 127	13 373	16 222	21 463
Transport and communications	10 487	11 610	13 269	15 840	19 746
Wholesale and retail trade	18 405	21 525	24 513	30 775	37 731
Banking, insurance and real estate	5 745	6 432	7 562	9 998	13 371
Ownership of dwellings	4 529	4 963	5 738	6 138	6 501
Public administration and defense	10 994	11 631	14 107	15 632	17 376
Other services	12 523	14 552	17 307	20 886	25 939
GROSS DOMESTIC PRODUCT AT FACTOR COST	158 688	177 873	208 143	253 571	308 543
	<i>1963 prices</i>				
Agriculture, forestry and fishing	19 557	18 365	18 444	19 590	20 096
Mining and quarrying	606	683	706	818	947
Manufacturing	46 820	50 507	56 771	65 052	66 749
Electricity, gas and water	4 029	4 296	4 895	5 409	6 157
Construction	6 607	8 143	9 432	10 752	12 828
Transport and communications	8 465	9 183	10 084	11 143	13 152
Wholesale and retail trade	12 640	13 684	14 071	15 639	15 332
Banking, insurance and real estate	3 945	4 089	4 324	5 061	5 409
Ownership of dwellings	3 951	4 153	4 316	4 547	4 740
Public administration and defence	8 137	8 641	10 072	10 610	11 454
Other services	8 710	9 615	10 711	11 723	12 437
GROSS DOMESTIC PRODUCT AT FACTOR COST	123 467	131 359	143 826	160 344	169 301

1 Estimates.

Source: National Statistics Institute.

Table C Gross Domestic Fixed Asset Formation
Million escudos

	1967	1968	1969	1970	1971	1972	1973	1974 ¹
	<i>Current prices</i>							
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	26 498	24 433	27 294	31 060	36 974	47 080	56 891	65 152
Breakdown by product:								
Residential construction	6 482	3 629	4 322	4 441	4 850	6 665	9 188	13 489
Other construction	9 509	10 620	10 370	12 387	15 062	18 320	23 238	25 756
Equipment and machinery	10 507	10 184	12 602	14 232	17 062	22 095	24 465	25 907
Breakdown by branch of activity:								
Agriculture, forestry and fishing	1 955	2 042	2 193	2 131	2 353	2 599	3 378	3 023
Mining and quarrying	91	114	169	233	164	185	173	151
Manufacturing and construction	7 539	7 290	8 471	10 416	12 530	14 893	17 472	21 396
Electricity, gas, water	2 336	2 473	2 509	2 642	3 051	3 611	4 118	5 810
Transport and communications	3 994	4 252	4 191	5 560	7 069	10 545	11 114	9 408
Dwellings	6 482	3 629	4 323	4 443	4 851	6 666	9 188	13 489
Other services	4 101	4 633	5 438	5 635	6 956	8 581	11 448	11 875
Breakdown by sector:								
Public administration	2 921	3 371	3 813	3 865	4 589		5 796	6 831
Enterprises	23 577	21 062	23 481	27 195	32 385		51 095	58 321

	1963 prices							
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	22 872	20 741	22 605	25 052	27 870	33 914	37 911	36 893
Breakdown by product:								
Residential construction	5 503	3 076	3 600	3 640	3 557	4 723	6 167	8 120
Other construction	8 040	8 964	8 588	10 050	10 948	12 874	15 462	15 335
Equipment and machinery	9 329	8 701	10 417	11 362	13 365	16 317	16 282	13 438
Breakdown by branch of activity:								
Agriculture, forestry and fishing	1 662	1 700	1 772	1 618	1 682	1 772	2 125	1 513
Mining and quarrying	79	97	140	188	126	140	115	79
Manufacturing and construction	6 603	6 213	7 012	8 369	9 648	10 846	11 655	11 642
Electricity, gas, water	2 001	2 100	2 084	2 152	2 260	2 573	2 757	3 392
Transport and communications	3 469	3 616	3 475	4 507	5 344	7 632	7 431	5 344
Dwellings	5 503	3 076	3 601	3 641	3 558	4 724	6 167	8 120
Other services	3 555	3 939	4 521	4 577	5 252	6 227	7 661	6 803
Breakdown by sector:								
Public administration	2 493	2 858	3 177	3 158	3 406		3 883	4 042
Enterprises	20 379	17 883	19 428	21 894	24 464		34 028	32 851

1 Estimates.

Source: National Statistics Institute.

Table D Agricultural Production

	Unit	Average 1953-1962	1967	1968	1969	1970	1971	1972	1973
Cereal production									
Wheat	100 tonnes	6 332	4 536	5 482	7 937	6 043	5 169	5 336	6 860
Rye, barley and oats	—	3 548	3 011	2 833	3 780	3 115	2 696	3 164	3 600
Maize	—	4 760	5 526	5 814	5 264	5 185	5 086	4 855	4 620
Rice	—	1 613	1 758	1 947	1 616	1 639	1 676	1 295	1 210
Potatoes and vegetables									
Potatoes	—	10 540	11 264	12 200	11 239	11 389	10 862	11 145	9 230
Broad beans, French beans, chick-peas	—	1 080	1 006	1 004	1 047	939	915	809	810
Wine	1 000 hl	10 745	8 081	11 328	8 835	8 196	11 086	13 873	9 126
Olive oil	—	918	790	735	458	588	457	526	542
Cattle slaughtered									
Horned cattle	Tonnes	88 642	155 929	156 119	144 704	149 160	169 093	173 520	197 890
Sheep and goats	—	38 766	79 908	88 851	76 350	73 969	81 580	84 770	92 067
Hogs	—	11 509	14 174	14 947	11 705	9 928	12 229	12 293	12 300
	—	38 367	61 847	52 321	56 649	65 263	75 284	76 457	92 242
Fish landings	—	312 870	319 051	352 004	328 149	327 367	357 157	276 145	269 837

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

Table E Employment Indicators

	1970	1971	1972	1973	1974	1975
Fishing	100	117.1	99.1	90.2	85.4	82.4
Mining	100	97.2	94.5	94.6	96.7	92.8
Manufacturing	100	100.1	100.2	101.4	101.9	101.0
Construction	100	102.2	106.5	110.4	114.6	105.9
Electricity, gas and water	100	100.5	99.0	96.7	97.3	99.0
Transport and communications	100	102.6	104.3	105.7	110.2	114.0
Miscellaneous services ¹	100	102.7	104.7	108.8	111.4	112.6
Total, non-agricultural	100	101.3	101.8	103.5	104.7	103.4

¹ Banking, insurance, real estate and trade.

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

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Consumer prices ¹										
Lisbon	113.9	118.3	123.8	132.4	140.6	152.4	165.9	185.0	239.0	287.7
Porto	113.5	114.9	121.3	132.5	136.7	145.2	159.5	175.7	222.7	268.1
Colmbra	112.1	113.1	117.9	126.0	129.4	137.9	147.7	159.8	206.8	251.6
Evora	112.6	117.7	121.3	126.8	132.4	141.2	151.4	168.8	210.6	257.6
Viseu	112.6	115.2	120.2	125.9	130.1	141.3	151.2	163.4	211.0	251.9
Faro	114.1	116.3	122.8	132.6	137.9	149.3	167.5	182.0	221.8	263.0
Wholesale prices (Lisbon)	108.3	112.5	116.7	120.8	125.0	127.5	135.0	150.0	193.6	218.3
Manufactured products	111.2	117.8	117.8	118.7	118.7	122.4	130.8	144.8	165.1	171.9
Food products	112.5	112.5	114.3	121.4	124.1	130.4	139.3	146.4	189.2	249.8
Wages in industry and transports										
Lisbon	119.5	129.6	140.9	157.1	175.7	194.5	211.3	240.5	318.1	377.5
Porto	133.0	147.7	159.6	175.5	193.8	219.7	247.7	272.0	376.8	481.7

¹ Total, excluding gross rent.

Source: Annual Reports of the Bank of Portugal.

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

	1967	1968	1969	1970	1971	1972	1973	1974
CENTRAL GOVERNMENT								
Current revenue	20.05	22.80	25.79	31.19	32.91	37.41	43.11	52.91
Taxes and current transfers received	19.03	21.73	24.83	30.12	31.86	35.77	41.62	51.63
Income from property and entrepreneurship	1.02	1.07	0.96	1.07	1.05	1.64	1.49	1.28
Current expenditure	19.06	21.29	22.68	27.45	29.83	33.74	37.27	53.64
Goods and services	15.67	17.16	18.66	22.22	23.96	26.63	30.25	39.79
Current transfers paid	3.39	4.13	4.02	5.13	5.87	7.11	7.02	13.85
CURRENT SAVING	0.99	1.52	3.11	3.74	3.07	3.67	5.84	-0.73
Net capital transfers paid (—)	0.11	0.34	-0.03	0.51	0.62	-0.49	0.36	-0.29
Gross fixed investment	1.83	2.22	2.59	2.53	2.60	3.43	3.50	5.07
NET BORROWING (—) OR LENDING	-0.73	-0.36	0.42	1.72	1.09	-0.24	2.70	-6.09
Lending	+1.71	+1.48	+1.97	+1.70	+3.30	+7.70	+1.50	+2.32
Borrowing at home	-1.28	-1.10	-0.88	-0.90	-1.10	-6.20	-4.64	-9.34
Borrowing abroad	+0.10	+0.56	+0.24					
Increase (+) or decrease (—) of cash reserves ¹	1.27	-1.32	-0.84	+0.92	-1.11	-1.74	+5.84	+0.93

CONSOLIDATED ACCOUNT OF GENERAL GOVERNMENT

Current revenue	27.57	31.31	35.84	43.01	46.44	53.80	63.53	77.82
Taxes and current transfers received	25.93	29.56	34.11	41.03	44.49	50.26	60.94	75.52
Income from property and entrepreneurship	1.63	1.75	1.73	1.98	1.95	2.54	2.59	2.30
Current expenditure	24.37	27.10	28.97	34.62	38.14	46.60	54.81	76.54
Goods and services	17.67	19.58	21.21	25.25	27.65	31.84	37.11	49.14
Current transfers paid	6.70	7.52	7.76	9.37	10.49	14.67	17.70	27.41
GROSS SAVING	3.20	4.21	6.87	8.40	8.30	7.20	8.72	1.28
Depreciation provisions						0.10	0.11	0.09
CURRENT SAVING	3.20	4.21	6.87	8.40	8.30	7.30	8.83	1.37
Net capital transfers paid	0.41	0.52	0.21	0.78	0.90	0.02	+1.31	0.64
Gross fixed investment	3.46	3.81	4.58	4.47	5.13	5.91	6.43	7.86
NET BORROWING (—) OR LENDING	0.15	0.92	2.50	4.70	4.07	1.41	3.71	-5.85
Lending	+2.05	+1.78	+2.81	2.33	3.86	7.90	1.88	2.50
Borrowing at home	-0.57	-0.46	-0.34	-0.85	-0.58	-5.63	-4.33	-9.89
Borrowing abroad	+0.10	+0.56	+0.24	+0.31	+0.34	-0.66		
Increase (+) or decrease (—) of cash reserves ¹	-1.43	-0.96	-0.21	+2.91	+0.45	-0.80	+6.16	+1.54

1 Including adjustment.

Source: National Statistics Institute.

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

	1970	1971	1972	1973	1974	1975
TOTAL MONEY SUPPLY	155.7	189.0	234.8	301.3	342.3	385.4
Money	92.6	104.9	122.3	165.6	182.5	227.2
Notes and coins in circulation	29.7	31.9	36.1	38.3	69.7	190.8
Sight deposits households and enterprises	62.9	73.0	86.2	127.3	112.8	117.4
Quasi-money	63.1	84.1	112.5	135.7	159.8	158.2
COUNTERPARTS						
Gold and foreign exchange reserves, net	49.9	58.3	68.5	76.9	62.4	38.9
IMF position	0.5	0.9	0.9	0.9	0.9	—
Net lending to the public sector	-2.5	-4.6	2.1	-1.0	9.1	33.4
Lending to the non-monetary financial sector	0.1	0.2	0.3	0.5	4.6	12.6
Lending to enterprises and households	125.4	153.1	187.4	249.0	288.5	313.8
Miscellaneous, net	-17.7	-18.9	-24.4	-25.0	-23.3	-13.2

Source: Annual Reports of the Bank of Portugal.

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

	1973	1974	1975	1975		1976	
				III	IV	I	II
SECTOR							
Public sector	25.2	36.9	66.9	49.4	66.9	81.7	82.8
Non-monetary financial sector	0.5	4.6	12.6	8.6	12.6	14.4	17.2
Enterprises and households	249.0	288.5	313.8	306.1	313.8	315.9	330.5
SOURCE OF FINANCE							
Commercial banks	213.2	238.5	255.1	248.0	255.1	256.0	268.9
CGDCP ¹ and saving banks	55.5	74.2	89.7	86.8	89.7	94.1	95.7
Bank of Portugal ²	6.0	17.4	48.3	29.4	48.3	61.9	65.9
METHOD OF FINANCING							
Shares and bonds portfolio	24.4	31.3	56.6	38.4	56.6	67.8	70.8
Commercial portfolio	167.7	200.9	220.7	213.8	220.7	218.3	228.3
Loans and other credit operations (in escudos)	82.6	97.9	115.9	112.0	115.9	126.0	131.4
Total	274.7	330.0	393.2	364.1	393.2	412.0	430.5

1 Caixa Geral de Depósitos, Crédito e Previdência.

2 Net of credit to monetary sector.

Source: Annual Reports of the Bank of Portugal.

Table J Interest Rate Structure

	31/12/1971	31/12/1972	31/12/1973	31/12/1974	31/12/1975
CENTRAL BANK					
Rediscount	2-3 $\frac{3}{4}$	2-4	3-5	4 $\frac{1}{2}$ -7 $\frac{1}{2}$	3-6 $\frac{1}{2}$
Discount	3 $\frac{3}{4}$	4	5	7 $\frac{1}{2}$	6 $\frac{1}{2}$
COMMERCIAL BANKS					
Business credits	2 $\frac{1}{2}$ -7 $\frac{1}{2}$	3-8 $\frac{1}{4}$	3-9	6 $\frac{3}{4}$ -12 $\frac{1}{4}$	5-12 $\frac{3}{4}$
Secured loans	2 $\frac{1}{2}$ -7 $\frac{1}{2}$	2 $\frac{1}{2}$ -8 $\frac{1}{4}$	2 $\frac{3}{4}$ -9	6 $\frac{3}{4}$ -12 $\frac{1}{4}$	5-12 $\frac{3}{4}$
Sight deposits	1	1	$\frac{1}{2}$	$\frac{1}{2}$	1
Prior notice deposits	1-3 $\frac{1}{4}$	1-3 $\frac{1}{4}$	1-3 $\frac{1}{2}$	$\frac{1}{2}$ -4 $\frac{1}{2}$	1-4 $\frac{1}{2}$
Time deposits:					
up to 90 days	3 $\frac{1}{4}$	3 $\frac{1}{4}$	3 $\frac{1}{2}$	4 $\frac{1}{2}$	4 $\frac{1}{2}$
more than 90 days and less than one year	4 $\frac{1}{4}$ -5 $\frac{1}{4}$	4 $\frac{1}{4}$ -5 $\frac{1}{4}$	4 $\frac{1}{2}$ -6	6 $\frac{1}{2}$ -9	4 $\frac{1}{2}$ -10 $\frac{1}{2}$
CAIXA GERAL DE DEPOSITOS					
Short-term loans	4-6 $\frac{3}{4}$	4-6 $\frac{1}{4}$	4-7 $\frac{3}{4}$	4-8 $\frac{1}{4}$	5 $\frac{1}{2}$ -10
Medium-term loans	5-7 $\frac{3}{4}$	5 $\frac{1}{4}$ -7 $\frac{3}{4}$	4-7 $\frac{3}{4}$	5 $\frac{3}{4}$ -9 $\frac{3}{4}$	6-11 $\frac{3}{4}$
Long-term loans	5-8	4 $\frac{3}{8}$ -8	4-8 $\frac{1}{2}$	5-11 $\frac{1}{2}$	6 $\frac{1}{2}$ -12 $\frac{1}{2}$
Sight deposits	1 $\frac{1}{2}$ -3	1 $\frac{1}{2}$ -3	1 $\frac{1}{2}$ -3	1-3	2-4
Time deposits	3-5 $\frac{3}{4}$	3 $\frac{1}{4}$ -5 $\frac{3}{4}$	3 $\frac{1}{2}$ -6 $\frac{1}{2}$	3 $\frac{1}{2}$ -9 $\frac{1}{2}$	3 $\frac{1}{2}$ -9 $\frac{1}{2}$
Saving for housing accounts			1-6 $\frac{1}{2}$	1-9 $\frac{1}{2}$	9 $\frac{1}{2}$ -10 $\frac{1}{2}$

Source: Annual Reports of the Bank of Portugal.

Table K Breakdown by Nationality of Foreign Visitors
Thousands

	1967	1968	1969	1970	1971	1972	1973	1974	1975
TOTAL	2 516.7	2 510.7	2 785.4	3 342.9	3 867.0	3 925.3	4 079.7	2 621.8	1 966.4
Germany	82.7	88.6	113.2	133.1	170.3	186.8	209.7	167.2	143.8
Argentina	27.0	27.0	35.8	37.5	35.1	—	—	26.8	22.4
Belgium	25.4	23.8	32.2	32.8	39.6	39.3	46.3	30.4	27.2
Brazil	44.1	49.8	56.8	66.6	74.9	—	—	65.2	52.7
Canada	22.0	31.1	38.6	47.4	51.9	56.2	25.0	38.8	22.8
Spain	1 399.8	1 344.8	1 374.2	1 712.6	2 055.9	2 012.9	2 109.3	1 169.4	856.4
United States	234.2	236.9	304.1	354.7	366.1	386.5	345.7	217.6	96.1
France	166.8	140.1	168.1	203.8	215.4	233.2	248.6	152.9	119.1
Netherlands	25.4	29.5	40.6	41.6	47.7	51.8	54.1	37.4	39.5
Italy	73.5	79.3	88.9	79.4	83.3	80.7	80.0	83.7	69.8
United Kingdom	255.2	289.4	339.5	406.2	457.3	492.8	511.6	383.0	284.6
Sweden	18.8	15.4	20.2	26.8	35.4	41.6	42.8	31.6	27.3
Switzerland	22.4	23.6	32.8	32.5	39.0	43.3	50.0	38.5	23.0
Other countries	119.4	131.1	140.5	168.1	195.1	300.1	356.7	179.3	181.7

Sources: National Statistics Institute, Tourism Statistics.

Table L Foreign Trade by Main Commodity Groups 1965-1974
 Million US dollars

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
IMPORTS, TOTAL	923.3	1 022.8	1 059.2	1 178.4	1 296.1	1 582.4	1 823.0	2 227.2	2 908.3	4 581.5
Food and beverages	104.9	141.8	157.1	147.4	150.6	180.2	232.9	306.9	402.0	777.2
Basic materials	264.8	235.6	256.1	283.7	305.3	342.4	370.8	443.5	594.1	1 084.6
Manufactures										
Chemicals	82.3	88.7	95.5	111.7	134.3	158.9	177.8	216.2	312.2	458.8
Goods classified chiefly by material	190.6	210.2	207.5	237.1	266.5	353.8	374.8	392.5	511.4	861.2
Machinery and transport equipment	250.7	311.6	303.3	352.7	386.4	478.0	580.1	759.7	928.5	1 179.0
Miscellaneous	29.8	34.6	39.3	45.6	52.8	68.7	86.2	108.8	159.5	220.0
Unspecified	0.2	0.3	0.3	0.2	0.2	0.3	0.4	0.5	0.7	0.7
EXPORTS, TOTAL	576.4	619.5	701.4	761.2	853.0	949.5	1 052.2	1 293.8	1 765.9	2 276.3
Food and beverages	140.4	145.2	164.9	174.8	169.9	177.0	182.3	229.5	303.3	333.4
Basic materials	78.9	82.2	81.5	108.9	128.1	162.6	159.1	180.4	228.5	350.1
Manufactures										
Chemicals	40.3	44.5	46.3	45.7	51.9	69.5	75.0	84.2	103.1	188.4
Goods classified chiefly by material	244.5	264.1	297.0	294.6	337.8	335.1	381.8	458.2	632.3	780.7
Machinery and transport equipment	20.1	26.8	35.8	44.0	60.2	79.6	102.2	152.4	233.1	288.9
Miscellaneous	44.4	49.5	66.6	83.4	93.1	112.2	139.0	179.3	251.1	323.0
Unspecified	8.0	7.2	9.2	9.8	12.0	13.5	12.8	9.8	14.5	11.8

NOTE Due to rounding, detail may not add to total.

SITC group:

Food and beverages: 0, 1

Basic materials: 2, 3, 4

Manufactures: 5, 6, 7, 8

Chemicals: 5

Goods classified chiefly by material: 6

Machinery and transport equipment: 7

Miscellaneous: 8

Unspecified: 9

Source: OECD, Foreign Trade Statistics, Series B.

Table M Geographical Breakdown of Foreign Trade 1967-1975
Billion escudos

	1967	1968	1969	1970	1971	1972	1973	1974	1975
<i>Exports</i>									
TOTAL	20.2	21.9	24.5	27.3	30.3	35.3	45.4	58.0	49.3
OECD countries	13.2	14.3	16.7	18.3	21.4	27.5	35.8	45.8	39.3
United States	2.0	2.3	2.3	2.4	2.9	3.8	4.4	5.8	3.6
EFTA	6.7	7.3	8.8	9.7	11.3	14.4	18.5	23.0	19.2
United Kingdom	4.3	4.6	5.2	5.6	6.8	8.0	10.8	13.2	10.5
Sweden	0.9	1.1	1.4	1.5	1.7	2.3	2.6	3.6	3.4
Other EFTA countries	1.4	1.6	2.2	2.7	2.8	4.1	5.1	6.2	5.3
EEC	3.4	3.6	4.4	5.0	5.7	7.2	9.7	13.1	12.9
Germany	1.1	1.3	1.6	1.7	1.9	2.6	3.4	4.6	5.0
France	0.9	1.0	1.3	1.2	1.4	1.8	2.4	3.5	3.3
Italy	0.5	0.5	0.6	0.8	0.8	1.1	1.4	1.9	1.6
Netherlands	0.5	0.5	0.5	0.8	0.9	0.9	1.2	1.5	1.4
Belgium-Luxembourg	0.4	0.4	0.4	0.4	0.8	0.9	1.3	1.6	1.6
Other OECD countries	1.1	1.1	1.1	1.3	1.5	2.1	3.2	3.9	3.6
Non-OECD countries	7.0	7.6	7.8	9.0	8.9	7.8	9.6	12.2	10.0
including : Escudo area	4.9	5.5	6.1	6.7	6.5	5.2	6.7	6.4	4.1
<i>Imports</i>									
TOTAL	30.5	33.9	37.3	45.5	52.4	60.7	74.8	118.1	97.7
OECD countries	21.4	23.6	26.5	33.2	38.7	45.4	57.3	85.1	68.9
United States	2.1	2.5	1.8	3.3	3.6	5.4	6.1	11.1	12.2
EFTA	7.0	7.5	9.0	11.0	13.0	14.5	17.8	23.6	18.2
United Kingdom	4.2	4.4	5.2	6.4	7.2	7.9	8.5	10.9	8.5
Sweden	0.8	0.9	0.9	1.2	1.4	1.8	3.4	3.6	2.4
Other EFTA countries	2.0	2.2	2.9	3.5	4.5	4.8	5.8	9.1	7.3
EEC	10.2	11.3	12.8	15.0	17.2	19.1	24.4	39.4	29.7
Germany	4.6	5.2	5.9	7.0	8.2	9.0	10.8	15.9	11.1
France	2.1	2.3	2.7	3.2	3.5	3.8	5.2	9.2	7.4
Italy	1.8	2.0	2.1	2.4	2.7	3.3	3.9	6.3	4.9
Netherlands	0.9	0.9	1.0	1.1	1.3	1.5	2.4	4.2	3.5
Belgium-Luxembourg	0.8	0.9	1.1	1.3	1.5	1.5	2.2	4.0	2.8
Other OECD countries	2.1	2.3	2.9	3.9	4.8	6.4	9.0	11.0	8.8
Non-OECD countries	9.1	10.2	10.8	12.3	13.8	15.3	17.5	33.0	28.8
including : Escudo Area	4.4	5.3	5.6	6.7	6.9	6.7	7.4	12.4	5.1

1 Former EFTA basis.

2 Former EEC basis.

Source: National Statistics Institute, Monthly Bulletin of Statistics.

Table N Portugal's Balance of Payments with the Rest of the World
Million US dollars

	1969	1970	1971	1972	1973	1974	1975
Exports, fob	859	925	983	1 296	1 855	2 288	1 937
Imports, fob	1 164	1 376	1 612	2 023	2 763	4 277	3 541
Trade balance	-305	-451	-629	-727	-908	-1 989	-1 605
Services, net	87	62	139	205	153	55	-167
Travel	110	143	212	261	322	258	101
Transport	-36	-44	-21	-35	-72	-145	-125
Insurance	-4	-6	-5	-7	-12	-18	-9
Investment income	32	31	14	21	86	129	-1
Government transactions	-29	-75	-82	-90	-192	-205	-171
Other services	14	13	21	55	21	36	38
Transfers, net	416	507	664	873	1 104	1 110	1 037
Current balance	199	117	174	351	349	-823	-734
Medium and long-term capital	-26	-2	64	-129	-142	272	-163
Private	-9	45	76	62	-37	354	-76
Official	-17	-47	-12	-191	-105	-82	-87
Short-term and unrecorded	-66	-37	28	56	136	-82	-105
Balance of non-monetary transactions	107	79	267	278	343	-633	-1 002
Private monetary institutions	-39	-20	10	15	-14	64	-18
Balance on official settlements	68	59	277	293	328	-569	-1 020
Miscellaneous official assets and liabilities, net	12	12	12	13	—	—	300
IMF position	—	—	-19	—	—	—	33
Change in reserves (increase = +)	80	71	379	306	328	-569	-687

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

Reference period			Units	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia ¹
POPULATION		Mid-1975	Thousands	13 507	7 533	9 801	22 831	5 060	4 707	52 743	61 832	9 046	218	3 127	55 812 ²	110 950	359	13 654	3 104	4 007	9 448	35 219	8 196	6 403	40 063	56 042	213 631	21 352
	Inhabitants per sq. km	»	Number	2	90	321	2	117	14	96	249	69	2	44	185	298	138	404	12	12	106	70	18	155	51	230	23	83
	Net average annual increase	Mid-1965 to Mid-1975	%	1.8	0.4	0.4	1.5	0.6	0.3	0.8	0.5	0.6	1.3	0.8	0.7	1.2	0.8	1.1	1.7	0.7	0.5	0.9	0.6	0.7	2.5	0.3	1.0	(0.9)
EMPLOYMENT	Total civilian	1974	Thousands	5 736	3 010	3 801	9 137	2 355	2 220	21 096	25 689	(3 170)	93	1 047	18 715	52 010	151	4 579	1 180	1 659	3 081	12 860	3 962	2 943	14 868	24 767	85 936	8 023 ³
	of which: Agriculture, forestry, fishing	»	% of total	6.9	13.0	3.7	6.3	9.6	16.3	11.6	7.3	(36.2)	16.9	24.3	16.6	12.9	6.4	6.6	12.0	10.5	28.2	23.1	6.7	7.6	64.1	2.8	4.1	47.6
	Industry ⁴	»	»	35.1	41.0	41.2	31.1	32.3	36.1	39.2	47.6	(27.8)	37.2	31.1	44.1	37.0	49.2	35.5	34.7	34.2	33.6	37.2	37.0	47.0	14.8	42.3	(31.0)	21.9
	Other	»	»	58.0	46.0	55.1	62.6	58.1	47.6	49.2	45.1	(36.0)	45.9	44.6	39.3	50.1	44.4	57.9	53.3	55.3	38.2	39.7	56.3	45.4	21.1	54.9	(64.9)	30.5
GROSS DOMESTIC PRODUCT at market prices		1974	US \$ billion	78.39	33.00	53.42	145.30	30.40	22.03	266.10	384.53	19.17	1.39	6.73	149.81	455.30	2.13	69.18	13.36	23.30	13.32	85.50	56.10	47.29	29.43	188.99	1 411.33	27.81
	Average annual volume growth ⁵	1969 to 1974	%	4.2	5.9	5.3	4.8	2.9	5.6	5.3	3.6	5.4	6.2	3.3	3.9	7.1	4.1	4.5	3.8	4.2	6.4	6.4	3.2	3.6	6.8	2.7	2.7	6.6
	Per capita	1974	US \$	5 877	4 372	5 466	6 464	6 026	4 712	5 061	6 195	6 195	2 139	6 465	2 180	2 706	4 152	5 987	5 109	4 388	5 847	1 517	2 446	6 878	7 340	748	3 371	6 660	1 315
GROSS FIXED CAPITAL FORMATION		1974	% of GDP	24.0 ⁶	28.0	22.3	23.2	21.9	29.0	25.1	22.5	21.7 ⁷	32.5	24.9	23.4	34.3	25.5	22.2	26.3 ⁸	32.1	19.3	25.0	22.0	26.1	20.7	20.1	17.5	24.8
	of which: Machinery and equipment	»	»	9.9 ⁶	11.2	8.2	8.2	9.1	10.7	12.1	9.8	8.7	9.6	10.5	10.5	12.5	8.6	9.4	..	12.0	7.7	9.2	9.2	9.3	6.4	8.8	9.6	
	Residential construction	»	»	4.6 ⁶	16.8 ⁹	6.2	5.4	5.5	7.6	7.3	5.3	4.4	7.3	6.3	7.1	8.0	6.3	5.7	..	5.3	4.0	6.8	4.5	..	4.8	3.9	3.9	6.6
	Average annual volume growth ⁵	1969 to 1974	%	1.5 ⁶	8.1	4.9	6.0	2.0	6.4	5.7	2.0	0.7	15.3	3.7	2.4	6.9	5.9	2.1	..	8.9 ¹⁰	10.3	7.7 ¹⁰	2.3	3.4	8.3	1.2	1.6	7.6
NATIONAL SAVINGS RATIO ¹¹		1974	% of GNP	25.5	30.8	26.2	24.0	20.0	33.0	25.5	26.6	18.0	23.5	12.8	18.9	37.3	34.5	27.3	22.2	30.4	13.5 ¹²	22.5	23.3	32.0	19.0	17.0	17.7	..
GENERAL GOVERNMENT	Current expenditure on goods and services	1974	% of GDP	15.4 ⁶	15.3	15.1	19.2	23.2	17.1	13.0	19.7	13.6	10.4	17.6	14.0	9.9	12.1	17.2	16.7 ⁸	16.5	14.5	9.5	23.6	12.0	14.1	20.5	18.8	15.7
	Current transfer payments	»	»	9.1 ⁶	14.7	17.8	11.7	15.8	12.6	23.4	16.6	9.8	14.7	17.6	19.6	5.7	19.9	26.6	..	22.4	7.6	12.0	18.7	13.9	..	14.8	9.9	
	Current revenue	»	»	28.9 ⁶	38.4	37.9	38.6	47.4	38.7	38.9	41.4	24.2	..	35.1 ¹²	32.6	24.7	44.3	51.4	..	48.5	23.0	23.1	49.4	35.8	27.5 ¹³	40.0	30.2 ¹³	31.5
NET OFFICIAL DEVELOPMENT ASSISTANCE		1974	% of GNP	0.6	0.2	0.5	0.5	0.6	0.2	0.6	0.4	..	..	..	0.2	0.3	..	0.6	0.3	0.6	..	..	0.7	0.1	..	0.4	0.3	..
INDICATORS OF LIVING STANDARDS	Private consumption per capita	1974	US \$	3 429	2 357	3 256	3 590	3 382	2 317	3 119	3 312	1 517	4 079	1 542	1 782	2 185	3 199	2 860	2 633	3 056	1 089	1 444	3 647	4 299	568	2 142	4 148	679
	Passenger cars, per 1 000 inhabitants	1973	Number	340	204	245	353	249	191	268 ¹⁴	267	39	239 ¹⁵	157	243	133	339	239	350	230	90	109	307	260	6	244	478	54
	Telephones, per 1 000 inhabitants	»	»	355	246	257	528	400	329	217	287	187	381	120	229	357	382	320	475	329	109	181	594	560	21	340	657	48
	Television sets, per 1 000 inhabitants	»	»	227 ¹⁵	237	244	348	304	263	237 ¹⁵	298	58 ¹⁵	220 ¹⁵	176	208	229	227 ¹⁴	258	304	249	66	164	339	253	7	309	523	121
	Doctors, per 1 000 inhabitants	1972	»	1.3 ¹⁴	1.9	1.6	1.6	1.6	1.2	1.4	1.8	1.7	1.4 ¹⁴	1.2	1.9	1.2	1.1	1.4	1.2	1.5	1.0	1.4	1.5	1.7	0.5	1.3	1.7	1.1
	Access to higher education ¹⁶	1973	% of relevant age group	30.5	15.7	(28.5) ¹⁵	49.8 ¹⁵	35.0	(23.3)	26.4	15.8 ¹⁵	..	..	..	27.9	23.8 ¹⁵	..	20.5 ¹⁴	..	39.2	(9.8)	27.1 ¹⁵	(31.1) ¹⁵	..	..	21.5 ¹⁵	43.9	16.1 ¹⁴
	Infant mortality ¹⁶	1974	Number	16.1	23.5	16.2	16.8 ¹²	12.0 ¹³	10.2	12.0	21.1	23.9	9.6 ¹²	17.8 ¹²	22.6	10.8	13.5 ¹³	11.2	15.5	10.4	44.8 ¹²	13.6	9.6	12.8 ¹²	153.0 ¹⁷	16.7	17.6 ¹³	45.0
WAGES AND PRICES	Hourly earnings in industry ¹⁸	Average annual increase 1970 to 1975	%	15.9	13.3	15.8	10.9	17.4	17.8	14.0	9.9	16.8	34.0 ¹⁹	19.7	17.5	18.6	..	13.8 ¹⁰	13.7	13.7	16.3	20.4	11.3	9.5	18.2	15.9	7.4	..
	Consumer prices		%	10.2	7.3	8.4	7.3	9.3	11.7	8.8	6.1	6.1	12.4	24.7	13.3	11.3	11.5	7.2	8.6	10.2	8.2	15.1	12.1	8.0	7.7	..	13.0	6.3	20.4
FOREIGN TRADE	Exports of goods, fob	1975	US \$ million	11 902	7 519	28 809 ²⁰	32 301	8 710	5 503	52 211	90 021	2 293	308	3 211	34 830	55 753	—	34 440	2 148	7 196	1 935	7 683	17 406	12 957	1 401	43 756	107 652	4 072
	as percentage of GDP	»	%	14.1	20.0	44.7 ²⁰	20.8	24.5	20.7	16.0	21.3	10.9	25.7	41.2	20.2	11.4	—	42.4	16.9	25.4	13.2	7.6	25.2	24.1	4.0	19.2	7.2	12.3
	average annual volume increase	1970 to 1975	%	3.9	7.7	5.9 ²⁰	2.8	4.4	-0.4	7.6	6.0	14.6	..	7.1	6.2	9.9	—	7.0	-1.3	5.5	..	9.2	3.2	3.0	-0.4	5.4	7.3	4.8
	Imports of goods, cif	1975	US \$ million	9 988	9 393	30 707 ²⁰	33 955	10 329	7 618	54 241	74 208	5 317	487	3 807	38 364	57 863	—	35 145	2 912	9 675	3 827	16 261	18 049	13 303	4 641	53 252	96 940	7 697
	as percentage of GDP	»	%	11.9	25.0	47.7 ²⁰	21.8	29.1	28.6	16.6	17.5	25.3	40.6	48.8	22.3	11.8	—	43.3	22.9	34.2	26.1	16.1	26.1	24.7	13.1	23.4	6.4	23.3
	average annual volume increase	1970 to 1975	%	2.8	6.8	5.9 ²⁰	7.7	1.2	4.6	5.7	5.5	6.7	..	2.7	0.8	4.1	—	3.9	9.1	4.4	..	7.7	3.4	-0.4	15.6	4.4	2.3	6.0
TOTAL OFFICIAL RESERVES		End-1975	US \$ million	3 256	4 439	5 797 ²⁰	5 326	877	470	12 593	31 034	931	47	1 532	4 774	12 815	—	7 109	428	2 237	1 534	6 090	3 077	10 428	1 064	5 459	15 883	871
	as percentage of imports of goods	In 1975	%	32.6	47.3	18.9 ²⁰	15.7	8.5	6.2	23.2	41.8	17.5	9.7	40.2	12.4	22.1	—	20.2	14.7	23.1	40.1	37.5	17.0	78.4	22.9	10.3	16.4	11.3

1 Partly from national sources.
2 Total resident population.
3 Private and socialised sector.
4 According to the definition used in OECD: Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
5 At constant (1970) prices.
6 Fiscal year beginning July 1st.

7 Excluding ships operating overseas.
8 Fiscal year beginning April 1st.
9 Total construction.
10 1970 to 1974.
11 GNP — (Priv. cons. + Pub. cons.) . 100.
12 1973.

13 1972.
14 1971.
15 1970.
15a Figures are not strictly comparable due to differences in coverage. For more details see "Educational Statistics Yearbook - Volumes 1 and 2, 1974 and 1975 - OECD, Paris."
16 Deaths in first year per 1 000 live births.
17 1967.
18 Figures are not strictly comparable due to differences in coverage.

19 1971 to 1975.
20 Including Luxembourg.
NOTE: Figures within brackets are estimates by the OECD Secretariat.
Sources: Common to all subjects and countries: OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Observer, Statistics of Foreign Trade (Series A); Office Statistique des Communautés Européennes, Statistiques de base de la Communauté; IMF, International Financial Statistics; UN, Statistical Yearbook.

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