

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

PORTUGAL

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

DECEMBER 1977

BASIC STATISTICS OF PORTUGAL

THE LAND

Area (thousands sq. km)	92.1	Major cities, resident population in thousands (1.7.1975):	
		Lisbon	830
		Porto	336

THE PEOPLE

Population (31.12.1976, thousands)	9 694	Total labour force (1976, thousands) ¹	3 592
Number of inhabitants per sq. km	105	Civilian employment (1976, thousands) ¹	3 088
Natural increase (average 1971-1975, thousands)	81	as a percentage of total:	
Annual change in resident population (1971-1976)	1.6	Primary sector	27.1
Gross emigration (average 1972-1976, thousands)	74.8	Secondary sector	36.3
		Tertiary sector	36.6

PRODUCTION

Gross national product in 1975 (millions of US dollars)	14 764	Gross domestic product at factor cost by origin in 1975 (%):	
Gross national product per head in 1975 (US dollars)	1 533	Primary sector	15.9
Gross fixed asset formation in 1975: % of GNP	19.7	Secondary sector	42.7
per head (US dollars)	301	Tertiary sector	41.4

THE GOVERNMENT

Public consumption in 1975 (% of GNP)	15.4	General Government current revenue in 1975 (% of GNP)	24.7
of which: Defence	4.4		
Public investment in 1975: % of GNP	2.7		
% of total investment	13.9		

FOREIGN TRADE²

Exports of goods and services as a % of GNP (1975)	19.7	Imports of goods and services as a % of GNP (1975)	32.2
Main exports as a % of total exports (average 1972-1976, SITC):		Main imports as a % of total imports (average 1972-1976, SITC):	
Food, beverages and tobacco (0, 1)	16.0	Food, beverages and tobacco	16.8
Basic and semi-finished materials (2, 3, 4)	14.5	Basic and semi-finished materials	24.3
Manufactured goods (5, 6, 7, 8)	68.5	Manufactured goods	58.9
of which: Textiles (65)	17.2	of which: Chemicals (5)	10.3
Cork and wood products (63)	4.9	Machinery and transport equipment (7)	27.4

THE CURRENCY

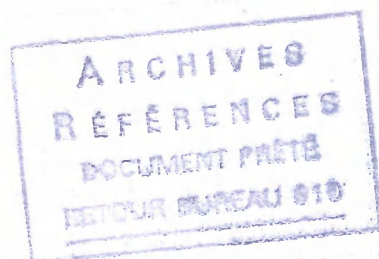
Monetary unit: Escudo		Currency units per US \$, average of daily figures:	
		Year 1976	30.14
		November 1977	40.65

1 Continental Portugal.

2 Mainland Portugal and islands.

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

OECD ECONOMIC SURVEYS



PORTUGAL

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

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

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

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

*The annual review of Portugal
by the OECD Economic and Development Review Committee
took place on 9th December 1977.*

© OECD, 1978.

Queries concerning permissions or translation rights should be addressed to:

Director of Information, OECD

2, rue André-Pascal, 75775 PARIS CEDEX 16, France.

CONTENTS

Introduction	5
I Trends of demand and output	6
Demand	6
Output	9
II Main problems	10
Employment and unemployment	10
Inflation	13
The external deficit	17
III Broad lines of economic policy	25
Monetary policy	25
Fiscal policy	29
Other economic policy measures	33
IV Prospects and economic policy issues	33
The outlook for 1978	33
Problems of economic policy and conclusions	35
Annex : Main economic policy measures	39
Statistical annex	42

TABLES

Text :

1 Demand and output	7
2 Construction indicators	8
3 Population, employment and labour market	11
4 Dependent employment	12
5 Unemployment	13
6 Prices :	
a) Medium-term trends	14
b) Recent developments	14
7 Wages	16
8 Balance of payments	18
9 Export concentration	19
10 Foreign trade by volume	20
11 Trade balance : price-volume breakdown	21
12 Money supply and counterparts	28
13 Public sector accounts on a national accounts basis	29
14 Central government budget on an administrative basis	31

Statistical annex

A	National product and expenditure	42
B	Origin of gross domestic product at factor cost	43
C	Gross domestic fixed asset formation	44-45
D	Agricultural production	46
E	Population by main age groups	47
F	Employment indicators	47
G	Prices and wages	48
H	National consumer price index	49
I	General government revenue and expenditure	50-51
J	The money supply and its counterparts	52
K	Breakdown of banking credits	52
L	Structure of interest rates	53
M	Breakdown by nationality of foreign visitors	53
N	Foreign trade by main commodity groups	54
O	Geographical breakdown of foreign trade	55
P	Balance of payments	56

DIAGRAMS

1	Industrial production	9
2	Consumer prices	15
3	Structure of the balance of payments	22
4	Exchange rates	24
5	Monetary variables	26
6	Public sector accounts	32

INTRODUCTION

The Portuguese economy has undergone major changes during the last few years. A part of industry and services has been nationalised, a land reform has been introduced, labour relations have been radically altered and a redistribution of income in favour of the lowest wage groups has taken place. In addition, decolonisation has brought about a large increase in the population and a loss of traditional markets for Portuguese industries. Besides these specific factors, there have been the effects of the world recession and the relatively slow recovery that followed. The Portuguese economy has therefore been affected by major imbalances with respect to employment, inflation and the balance of payments. Activity fell sharply in 1975 and unemployment, very limited up to 1973 because of high emigration and colonial service, rose very appreciably. The current balance showed a large deficit and prices went on rising very rapidly. Then, in 1976, the improvement in the international economic climate and the normalization of political conditions in Portugal permitted an upswing in activity which continued at a firm pace until the middle of 1977. During this time the rise in prices accelerated, the external deficit widened and the escudo depreciated markedly. Wage advances slackened perceptibly, however, and there was some rebuilding of enterprises' profits. There have, however, been signs of a slowdown in activity, following the stabilization measures taken last August.

From mid-1974 to mid-1976 the Portuguese authorities rapidly increased public expenditure and followed an accommodating monetary policy in order to meet the most pressing social needs and prevent the nation's institutional changes from disrupting the productive system. At the same time very extensive price controls were introduced and a surcharge imposed on certain imported products. Then, as from the middle of 1976, with inflation mounting and the external deficit growing wider, the emphasis was placed on restoring equilibrium, notably through the stabilization measures introduced in February and August 1977. Monetary policy was shifted progressively to a more restrictive stance and steps were taken to try to improve the public finance situation. In addition, the authorities have sought to promote a restructuring of domestic demand and an improvement in the financial situation of enterprises by setting a ceiling on wage growth and de-regulating prices. When the Economic and Development Review Committee of the OECD conducted its annual review of the Portuguese economy on 9th December 1977, the Government had just lost a vote of confidence in Parliament and one cannot say what economic policies will be adopted in 1978 by the next Government. The draft budget which had been put before Parliament was of a distinctly restrictive nature and a further tightening of monetary policy was envisaged. The aim of the authorities was to reduce the current payments deficit substantially in 1978 and to slow down the rise in prices, while maintaining a GDP growth of 3 to 4 per cent.

Part I of this survey analyses the trends of demand and output over the last few years. The main problems confronting the Portuguese economy at present — employment and unemployment, inflation and the external deficit — are considered in Part II. The broad lines of economic policy are described in Part III. Finally, Part IV of the survey analyses the short-term prospects and concludes with various economic policy considerations.

I TRENDS OF DEMAND AND OUTPUT

Owing to the deficiencies of the Portuguese statistical system, it is, as usual, difficult to assess the recent trends in activity. In 1975 the economy experienced a serious recession¹, but in spite of the political, economic and social upheavals its depth seems to have been comparable with that recorded in other OECD countries. No national accounts figures are yet available for 1976 but all the indicators of activity show a firm recovery, which seems to have continued until the middle of 1977. According to the provisional and partial estimates by the Central Department of Planning, GDP grew by more than 5 per cent in 1976 and might show a further advance of about 6 per cent in 1977.

Demand

Growth of investment (including stocks) was the mainstay of this recovery. All the indicators show a rapid increase in construction as from the beginning of 1976, contributory factors being the public works policy conducted by the authorities in order to support activity and, above all, the growth of housing requirements connected with the inflow of repatriates from former colonies². The discrepancy between the stagnation of employment in the construction sector and the brisk rise in intermediate consumption can be explained by the large amount of building by small contractors who do not declare their activity or by occupiers themselves. After falling by 20 per cent in 1975, investment in machinery and plant probably dropped again in 1976. A sharp upturn seems to have occurred in the first half of 1977, however. The public sector broadly defined probably had a lot to do with this recovery³, notably by putting in hand certain major industrial projects inherited from the former regime. There also seems to have been a pick-up in private productive investment at the beginning of 1977, which might be linked with an improvement in the financial situation of enterprises as a result of the prices and incomes policy and the escudo's devaluation. The normalization of the political climate, expectations of a continuing depreciation of the currency and a tightening of economic policy probably helped this movement. Indirect information only is available concerning stocks. According to the estimates of the Central Department of Planning, the large scale rundown of stocks that occurred in 1975 was followed by moderate rebuilding in 1976, which would mean that stockbuilding made a very large positive contribution to GDP growth. This movement most likely continued in the first half of 1977 since imports and output appear to have risen during the period a good deal more rapidly than final demand.

Public consumption seems to have contributed very significantly to the upturn in activity in 1976. On a national accounts basis, purchases of goods and services by general government are estimated to have increased in volume terms by about 20 per cent, compared with 6 per cent in 1975⁴. For 1977, the Portuguese authorities are counting on a marked slowdown, with an increase of 16 per cent at current prices, implying no change in volume terms⁵. The figures available on central government

1 The first estimates for 1975 published by the National Statistics Institute (and the revised figures for earlier years) show a trend of GDP quite similar to that indicated by the evaluations made a year before by the Central Planning Department, though the composition of demand is quite different. (Cf. OECD Economic Survey of *Portugal*, November 1976, Table 2).

2 The inflow of repatriates from former colonies is still not known with accuracy. According to INE the number of refugees amounts to 5 per cent of resident population, but other sources put this figure at 9 per cent.

3 In 1975 already, investment by the public sector, including public enterprises, showed an increase of 4.5 per cent according to the National Statistics Institute, whereas private sector investment was down by 17.5 per cent.

4 The rate of growth recorded in 1975 incorporates a steep rise (20 per cent) in civilian expenditure and a fall in defence spending, which still accounted for 30 per cent of total public consumption.

5 The rise in consumer prices will be a good deal more rapid. But wages, which represent a very large share of public consumption (80 per cent for central government), are subject to a growth ceiling of 15 per cent.

Table 1 Demand and output

	Billion Escudos 1975	Percentage share of GDP at current prices		Annual percentage changes by volume				
		1970-1973	1975	1971-1973	1974	1975	1976 ¹	1977 ²
Private consumption	304.13	68.6	80.7	8.9	8.4	0.8	0	0
Public consumption	57.98	14.1	15.4	7.6	17.3	6.1	20	0
Gross fixed investment	73.99	19.4	19.6	11.8	-3.8	-13.9	25.3 ⁴	43.6 ⁴
Final domestic demand	436.10	102.1	115.7	9.3	7.1	-1.0		
Change in stockbuilding ³	-12.38	4.6	-3.2	0.6	-0.8	-8.5		
Total domestic demand	423.72	106.7	112.5	9.3	5.9	-8.4		
Exports of goods and services	74.07	25.1	19.6	10.7	-15.7	-15.6	0.9	7.3
Imports of goods and services	121.05	31.8	32.1	13.1	4.8	-25.2	2.9	5.0
Foreign balance ³	-46.98	-6.7	12.5	-1.7	-5.8	5.9	-0.7	
GDP at market prices	376.74	100.0	100.0	8.4	0.7	-3.7		
GDP implicit price deflator				6.8	19.5	15.8		
GDP at factor cost	342.64			9.0	1.8	-4.0	5.4	6.0
Industrial production				10.9	2.5	-5.1	4.1	

1 Estimates of the Central Department of Planning.

2 Provisional estimates of the Central Department of Planning. It should be noted that these are based on quite limited statistical information and appear to be somewhat unreliable.

3 Contribution to GDP.

4 Gross capital formation including stocks.

Sources: National Statistics Institute until 1975 inclusive, and Central Department of Planning for 1976 and 1977.

Table 2 Construction indicators
Percentage changes from corresponding period of previous year

	1975	1976	1976 I	1976 II	1977 I
Cement consumption	-1.6	14.9	18.5	12.5	13.2
Sales of steel for civilian construction	-36.8	12.8	-5.2	36.4	59.3
Building permits	1.5	18.1	16.1	19.8	17.7
Industrial output of non-metallic minerals sector	-2.4	8.9	5.6	12.9	16.0

Source: Central Planning Secretariat, Socio-economic situation.

budget out-turns do not specifically identify purchases of goods and services, but the overall trend of expenditure seems to indicate a more rapid growth than foreseen. Expenditure connected with decolonisation, which includes a proportion of transfer operations, continued to weigh heavily on the public sector, especially in 1976, but it was probably in education that the steepest increases were recorded, notably as a result of extended compulsory schooling.

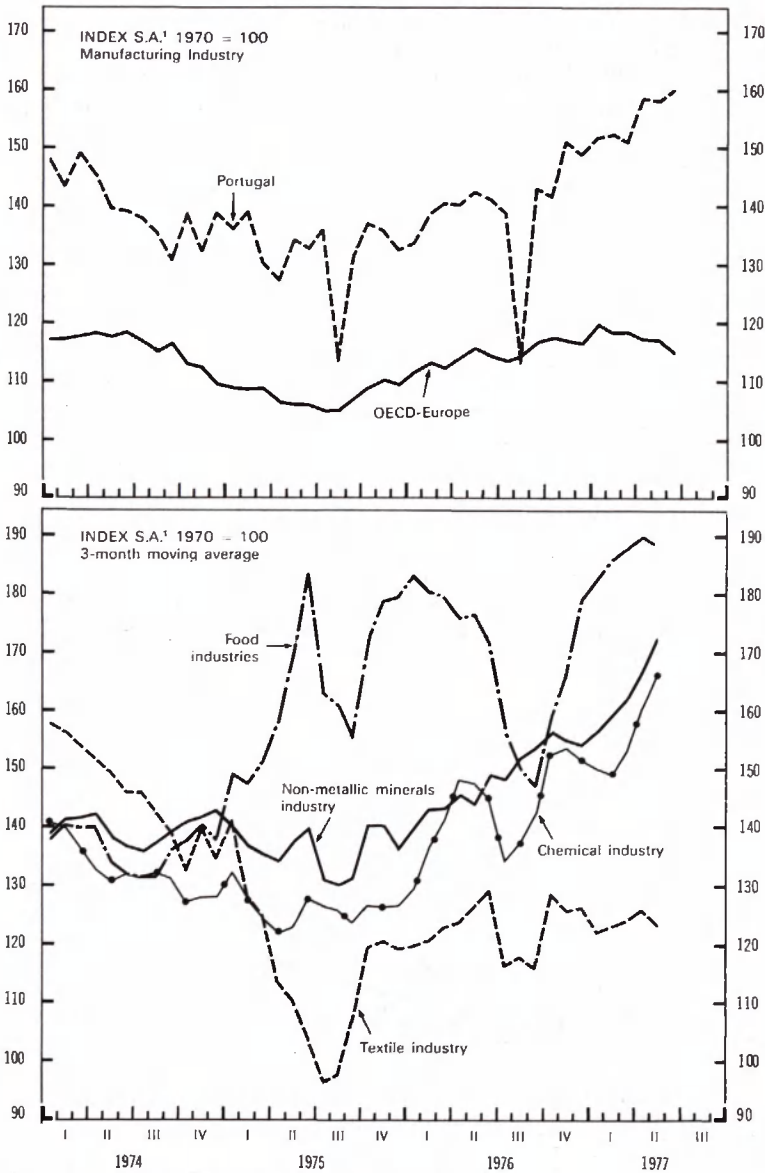
According to the Portuguese experts, households' consumption was virtually stable in 1975 and 1976 at the level recorded in 1974; given the increase in the resident population, this would imply an appreciable fall in real *per capita* spending, whereas a steep rise in household demand might have been expected because of wage growth and the shift in national income distribution towards the poorest population segments. Admittedly, real disposable income of households has been eroded by inflation, increased tax pressure and the fall in incomes from property and entrepreneurship, which in 1974 represented one-third of total household income. Overall, the possibility cannot be discounted that households' consumption, of which no direct indicators are available, has been understated. In 1977, non-wage incomes probably picked up appreciably, but the fall in wage purchasing power is likely to have been considerable. Retail trade surveys show a still depressed level of sales and imports of consumer goods have shown little increase, with the exception of motor vehicles. Lastly, in the first half of the year, output by the consumer goods industries showed, on the whole, a distinctly below-average increase. In all, according to the estimates of the Central Department of Planning, private consumption stagnated in 1977.

As in 1974 and 1975, the external sector has probably had a negative influence on GDP during the last two years. Merchandise exports increased only slightly in 1976 and in the first half of 1977. On the other hand, exports of services seem to have staged a strong recovery this year, after the poor performance of 1976. The available information on imports of goods and services on a national accounts basis shows that their growth in 1976 was relatively weak, due to a strong fall in services⁶. On the figures for the first ten months of 1977, imports of goods and services are likely to show a higher rate of growth than the 5 per cent predicted by the Portuguese experts.

These indications as to the main components of demand are neither comprehensive nor wholly reliable. They seem to suggest, however, that at the level of resource allocation the share of private consumption in GDP, after rising steeply in 1974-1975, has declined somewhat during the recent period. At the same time, the share of investment, which had fallen, has risen again. The share of public consumption, which rose rapidly up to 1976, appears to have declined in 1977.

6 The Planning Department estimates show a 2.9 per cent increase in imports of goods and services. This figure is made up by a 13.5 per cent increase of goods and a more than 30 per cent decrease in services. The latter can be ascribed mainly to the virtual disappearance of wages paid to military personnel stationed overseas.

Diagram 1 Industrial production



1 Seasonally adjusted by the Secretariat.

Source: Monthly Bulletin of Statistics of the National Institute of Statistics.

Finally, the importance of the external sector has been reduced. Despite the upswing in imports of goods and services in 1976 and 1977, their share in GDP is still probably smaller than in 1973, whilst the share of exports has declined continuously.

Output

The recovery in industrial production which began in late 1975 seems to have continued at a firm pace until the middle of 1977. The Portuguese experts estimate

that for the year as a whole the increase in output, in value added terms, might be 7½ per cent compared with 6 per cent in 1976. Virtually all sectors, with the exception of mining and quarrying, contributed to this expansion though, given the trend in the main demand components described above, the most rapid growth rates were registered in the intermediate and capital goods industries. The consumer goods industries did not fare nearly so well. Activity in the food industries fluctuated very sharply and in the first half of 1977 output was about 5 per cent above its level of a year earlier. Output in the textile industries has been practically stagnant since the beginning of 1976. Very little is known about the trend of value added in services, which in 1976 represented 42 per cent of GDP at factor cost. With the pick-up in international tourism since mid-1976 the situation in hotel and catering services has progressively improved. On the other hand, activity in the transport sector, which had risen steeply in 1975 and 1976, seems to have slowed in the first half of 1977.

Results in the farming sector have on the whole been negative during the last few years. After stagnating in 1976, agricultural output is expected to fall by about 5 per cent in 1977, which would put it at approximately 6 per cent below the 1970-1975 average. The traditional structural difficulties of Portuguese agriculture have been compounded by adverse weather conditions. But the decline in output may also reflect the political and social tensions that have marked the farming sector in the last three years⁷. The fall in meat output is probably a consequence of the very rapid increase in slaughterings in 1975. Similarly, 1977 has seen a sharp decrease in cereal crop acreage, which was considerably expanded in 1976. Generally speaking, output in the main sectors is likely to be down considerably, the most pronounced falls being in cereal output. This weakness of domestic production has therefore meant increased imports of agricultural and food products.

II MAIN PROBLEMS

Portugal has been confronted by three major problems throughout the last few years: an adverse trend in employment accompanied by steeply rising unemployment, a very high rate of inflation, which has accelerated in 1977, and a very large current account deficit, which has caused continued downward pressure on the escudo. Other Member countries are admittedly having exactly the same problems, but in Portugal's case the impact of the oil price rise, the world recession and the hesitant recovery that followed has been aggravated by the aftermath of decolonisation and by the various upheavals caused by the change in the basic mechanism of the economic system. The paragraphs that follow analyse the situation with regard to employment and the labour market, prices and incomes and the balance of payments.

Employment and unemployment

Quite apart from the difficulties in trend identification due to the inadequacies and unreliability of Portuguese employment statistics and to discrepancies between various sources⁸, it would seem that the downward trend in total employment that began in the

7 In 1977 there were a number of instances of illegally expropriated land being restored to its owners. On the land reform legislation passed in August 1977, see Part III.

8 Thus in a new employment sample survey by INE which has been recently published, the levels and trends are significantly different from those of the Ministry of Labour estimates; labour force and employment are larger, especially in agriculture, and unemployment is lower. The INE survey is probably more representative than the Ministry of Labour estimates, though it poses some statistical problems (in particular, people living in illegally built dwellings and the inmates of institutions and hotels are not included in the survey sample; furthermore in sectorial breakdowns employed and unemployed who have already worked before are grouped together). However, only a limited number of observations is available and, because of this, the analysis in the paragraphs that follow is based on the Ministry of Labour estimates, unless explicit reference is made to the INE survey.

early 1970s continued in 1974 and 1975 at much the same overall rate as in previous years. There seems to have been a recovery in 1976, though how large it is difficult to say, and, to judge from indicators of dependent employment covering part of the year only, there may have been a slight upturn in 1977. According to estimates by the Ministry of Labour, the steep rise in employment in agriculture in 1975, linked with the return of the repatriates from former colonies and the land reform, was apparently followed by a fall of over 2 per cent in 1976⁹. The pick-up in activity in 1976 and 1977 was accompanied by no more than a slight growth of dependent employment in industry (less than 1 per cent a year). In this connection, it is probable that present legislation¹⁰ and the government's intervention in numerous sectors did a great deal to limit layoffs in 1975. Thus, in spite of a 1 per cent fall in dependent employment, enterprises were obliged to retain an excessive number of employees, which affected recruitment when activity picked up again. There does not seem to have been much change in hours worked, so the increase in output was probably obtained through higher labour productivity.

After falling considerably in 1975, employment in construction and public works seems to have increased slightly in 1976. In the first half of 1977 dependent employment stagnated compared to a year earlier. However, the increase in the number of small private dwellings built without full compliance of official regulations might account for an under-estimation of employment in this sector. The small increase in employment in general government in 1976 did no more than offset the decrease in 1975 and, overall, employment in this sector remained at its 1974 level. But the

Table 3 Population, employment and labour market

	1974 thousands	Percentage change from previous year	
		1975	1976
Total population ¹	8 731	3.1	1.5
Civilian labour force ¹	3 279	6.1	3.2
Employment ¹	3 099	-0.5	0.6
<i>of which:</i>			
Primary sector	809	5.9	-2.4
Manufacturing	850	-2.2	0.5
Construction and public works	265	-4.2	0.6
Commerce, banking, insurance and real estate	364	0.3	0.6
Transport and communication	176	0.5	2.7
Public administration and defence	175	-0.6	0.4
Other sectors ²	439	-8.2	3.6
		Thousands	
Unemployment ¹	180	396	504
Emigration ³	70	45	33
Unemployment rate as percentage of labour force	5.5	11.4	14.0

1 End-year estimates for mainland Portugal. No detailed statistics are available for the whole country (mainland and islands). Portugal's total population was 9.69 million at the end of 1976.

2 Education, health, other services and other unspecified activities.

3 According to the Plan estimates, the number of emigrants to have gone abroad since 1960 was in excess of 1.5 million in 1976.

Sources: National Statistics Institute, Ministry of Labour and Central Department of Planning.

9 According to the INE survey, employment in agriculture increased by about 1.5 per cent in 1976 after having declined by more than 3 per cent in 1975.

10 Legislation was enacted in 1975 considerably restricting the right of firms to dismiss workers. However, it was amended in August 1977 to permit suspension of work contracts on account of economic difficulties.

trend of employment was distinctly more satisfactory in 1975 and 1976 in commerce and the nationalised sector, notably in banking, insurance, and transport and communications. In this last sector, both total and dependent employment appear to have risen by 3 per cent in 1976. In the other sectors, including education, health and other services, the steep fall in employment that occurred in 1975 (8.2 per cent) was followed by a partial recovery trend in 1976.

Table 4 **Dependent employment¹**
Indices, January 1968=100

	1975	1976	1976				1977	
			I	II	III	IV	I	II
Total	104.4	105.4	104.7	105.4	105.7	105.6	105.4	106.0
Fishing	81.8	77.4	73.6	77.8	80.3	77.8	71.3	73.2
Manufacturing	101.6	102.3	101.7	102.2	102.6	102.5	102.4	102.5
Construction and public works	99.6	99.4	98.8	99.6	100.6	98.6	97.8	100.4
Electricity, gas and water	98.2	101.7	100.0	101.3	102.6	102.7	102.5	103.6
Banking, insurance and real estate	171.9	180.8	175.9	179.4	182.3	185.6	185.8	189.7
Commerce	106.5	106.7	106.9	106.6	106.6	106.5	106.2	106.5
Transport and communications	116.6	122.1	120.5	122.2	122.1	123.6	123.3	124.0
Private and domestic services	135.0	136.6	133.2	138.2	138.4	136.6	136.3	142.4

¹ The employment indices, which derive from quarterly surveys, relate to dependent employment in enterprises with more than ten employees. The survey sample covers approximately 32 per cent of total dependent employment. It should be stressed that these indices do not take into account employment in agriculture, public administration, health and education services and some other services. The indices shown in this table concern mainland Portugal.

Source: Ministry of Labour.

Given the trend in employment described above, the Portuguese economy was unable to absorb the massive increase in the labour force as from 1974 and the unemployment rate all but trebled between 1973 and 1976. Whereas from 1963 to 1973 the total labour force had remained virtually stable, notably because of high emigration, between 1974 and 1976 the civilian labour force probably increased by more than 10 per cent, owing to the return of the repatriates from former colonies¹¹, the demobilisation of the armed forces and the sharp decline in emigration connected with the economic difficulties being experienced by the other industrialised countries. Without any reliable statistics it is not possible to gauge the trend in the labour market exactly, but there was undoubtedly a very marked deterioration between the end of 1974 and the first few months of 1976. It was indeed during that period that the recession's impact on employment coincided with the massive inflow of repatriates, whilst emigration to other European countries was falling rapidly. Unemployment probably continued to rise throughout 1976, but appears to have stabilized in the first half of 1977.

Though the direction of the trend appears quite clear in the course of the period in question, it is nevertheless difficult to assess with accuracy the actual level of unemployment. According to the estimates by the Ministry of Labour, the number of unemployed attained approximately 490 000 in March 1977. Following a revision of the estimate of unemployed refugees, total unemployment was brought down to 407 000 in June¹², or about 11 per cent of the labour force. On the other hand, the

¹¹ Since the repatriate population is relatively young, the growth in the population of working age has been more rapid than that of the total population.

¹² The number of unemployed refugees was estimated to be 120 000 in March. As a consequence of new regulations, refugees are now required to register with the employment exchange in order to be eligible for unemployment benefit. On the basis of actual registrations, the number of refugees out of a job has been brought down to about 40 000.

Table 5 Unemployment¹
Thousands

	1974	1975	1976				1977	
	Dec.	Dec.	March	June	Sept.	Dec.	March	June ²
Total unemployed	180	396	429	442	469	504	492	407 ²
of whom:								
First-job-seekers		141	158	162	177	200	199	166
Previously employed		135	141	150	166	178	173	201
Repatriates	4	120	130	130	126	126	120	40 ³
Unemployment rate (%)	5.5	11.4				14.0		

1 Mainland Portugal.

2 Provisional estimates.

3 Not comparable with previous figures because of new regulations concerning repatriates.

Source: Ministry of Labour.

sample survey by INE put unemployment at only 290 000 in the first half of 1977. As, according to INE, the labour force numbered 4.1 million, i.e. a figure significantly above that of 3.6 million estimated by the Ministry of Labour, the rate of unemployment was therefore of the order of 7 per cent. However, this ratio might be undervalued since INE has implicitly assumed that the overall unemployment rate also applies to the population not covered by the survey (inmates of institutions and hotels, people living in slums, etc.). Quite apart from the problems linked to the official estimate of unemployment, disguised unemployment is probably large.

Inflation

Strong inflationary pressures have been at work during the last few years. The upward movement of consumer prices has on the whole been distinctly more rapid than in most of the other Member countries, and whereas in those countries it has slowed down significantly in 1977, in Portugal it has accelerated appreciably. The surge in wages in 1974 and 1975 was followed by a marked deceleration during the next two years, and although the purchasing power of wages was approximately maintained in 1976, it probably fell quite perceptibly in 1977. Exogenous factors — the rise in energy prices and in world prices of raw materials, the political, economic and social upheavals and, more recently, the flare-up in prices of tropical food products — had an important influence on incomes and prices during the period under review. The escudo's depreciation also added to inflationary pressures.

Immediately after the revolution, the Portuguese authorities set out to curb inflation by introducing price controls that covered a large number of products, which indeed had the effect of bringing the inflation rate down from more than 25 per cent in the summer of 1974 to less than 15 per cent at the end of 1975¹³. But this in turn had a stifling effect on enterprises, since they were unable to pass on their cost increases in full. The deterioration of the financial position was probably more marked in public enterprises, since the freezing of their prices was a key element of the authorities' policy to hold down inflation. In addition, subsidies were significantly increased for certain categories of products. As from the second half of 1976 price policies were adjusted very extensively to permit an improvement in the financial situation of firms and a return to something nearer real cost pricing. Prices of nationalised enterprises and public services were substantially increased at the end of 1976 and the beginning of 1977¹⁴ and the prior authorisation system was replaced by ex-post checks.

13 Compared with the corresponding period of the previous year.

14 Public utility charges (water, gas, electricity, telephone and transport) were increased by 25 to 40 per cent.

Table 6 Prices
a) MEDIUM-TERM TRENDS
Annual percentage changes

	1960-65	1965-70	1970-74	1974	1975	1976
GDP implicit price deflator	1.9	4.3	10.4	19.4	15.8	20.0
Consumer prices, Lisbon						
Total	2.8	6.4	15.0	25.1	15.3	20.9
Total, excluding rent			14.2	29.2	20.4	19.4
Food	2.8	5.0	14.6	32.6	23.6	23.3
Non-Food	2.8	7.6	15.4	18.0	6.2	18.5
Wholesale prices, Lisbon						
Total	1.2	3.7	11.5	28.6	12.9	19.4
Food	1.7	3.0	11.0	29.5	32.3	21.4
Manufactured goods	1.1	2.9	8.6	14.5	3.6	11.7
Average value indices						
Imports	1.1	-0.7	13.9	48.3	14.0	12.0
Exports	0.9	3.6	12.5	33.2	0.9	6.4

Sources: National Statistics Institute, Central Department of Planning and data communicated by the Portuguese authorities.

b) RECENT DEVELOPMENTS
Percentage changes from corresponding period of previous year

	Dec. 75	Dec. 76	1976		1977		Jan./June 77 Average 76
	Dec. 74	Dec. 75	III	IV	I	II	
Consumer prices - Lisbon							
Total, excluding rent	15.0	27.2	11.9	25.7	24.4	36.2	25.4 ¹
Food	22.4	29.4	21.9	30.0	29.0	45.0	31.1 ¹
Clothing and footwear	2.0	3.4	1.4	3.4	6.9	12.4	8.4
Fuels	12.9	18.9	26.5	18.9	29.5	42.8	24.8
Miscellaneous	12.6	30.5	14.1	23.7	18.6	21.2	15.4
Wholesale prices - Lisbon							
Total	11.6	26.0	19.8	25.4	24.7	34.6	24.2
Home-produced goods	12.7	28.2	20.3	27.8	24.2	35.6	24.3
Imported goods	6.8	27.0	23.2	27.7	38.7	46.6	34.1
Exchange rate against US \$	-9.2	-13.8	-15.8	-14.3	-19.7	-21.8	-17.6

1 January-September.

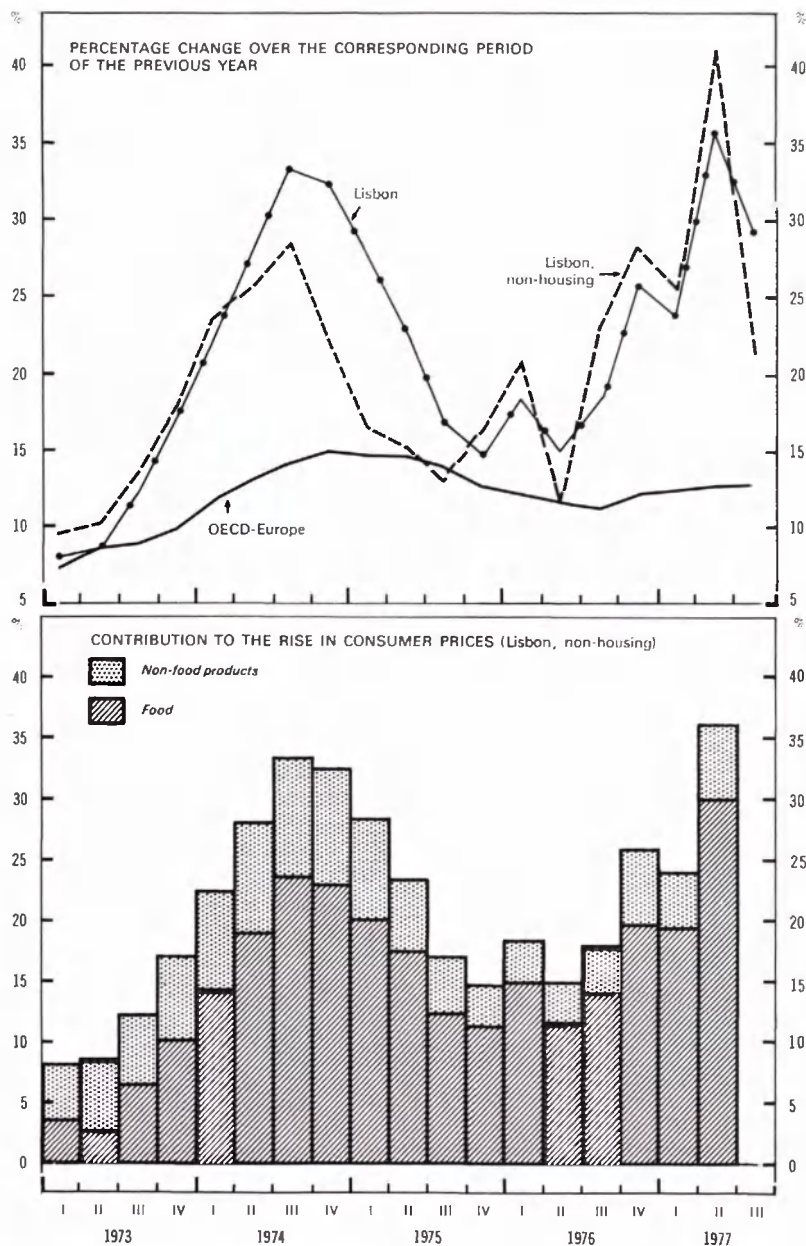
Sources: National Statistics Institute and Secretariat estimates.

However, specific measures were taken on prices of a few essential goods; these were substantially raised at the beginning of 1977 and then frozen until the end of the year.

These different decisions caused a sharp spurt in prices which was given additional momentum by the escudo's devaluation in February 1977, the increase in the import surcharge and the shortage of farm products due to adverse weather. As against this, the movement of wage costs was a restraining factor in 1977. The rate of increase in wholesale prices in Lisbon rose from 12 per cent in 1975 to 26 per cent in 1976 and reached 17.5 per cent in actual terms from December 1976 to May 1977. In the summer, however, the wholesale price index registered a fall, part of it seasonal. Consumer prices, which had slowed somewhat during the first nine months of 1976, spurted sharply again at the end of the year, reflecting the measures taken by the authorities. In the first five months of 1977, the index of retail prices in Lisbon moved up 17 per cent. Food prices rose especially rapidly and in May were more than 50 per

cent over their level of a year earlier; fuel prices climbed very rapidly too. Clothing and footwear prices were more restrained, however, but prices of services continued to rise swiftly. In the third quarter, the consumer price index steadied. Its rather erratic movements make it difficult to assess the underlying trends. For 1977 as a whole the rise in consumer prices might be about 27 per cent.

Diagram 2 Consumer prices



Sources: Monthly Bulletin of Statistics of the National Institute of Statistics and Main Economic Indicators of OECD.

The other part of the prices and incomes policy pivoted on curbing wages. Since the beginning of 1976 the rise in wage rates has slowed markedly and the year-on-year increase has been brought down to less than 12 per cent in industry and transport and 15 per cent in agriculture. Although distinctly less pronounced than in previous years, the growth of nominal earnings¹⁵ will have been more rapid (19 per cent in 1976 for the processing industries compared with 35 per cent in 1975). For 1977 it was decided to peg wage growth at 15 per cent (including civil service salaries) and to raise the minimum wage to 4 500 escudos per month (a rise of 12.5 per cent). The Ministry of Labour surveys¹⁶ estimate that because of the steep rise in wages, the minimum wage now applies to no more than 3 per cent of workers over 20 years of age employed in industry, as against over 40 per cent when it was introduced in 1974. A minimum agricultural wage of 3 500 escudos per month was also introduced. On the other hand, wages in excess of 50 000 escudos per month were frozen¹⁷. Finally, legislation was passed limiting fringe benefits to 50 per cent of the wage. The latest available figures are for June, but, in the opinion of the Portuguese experts, the 15 per cent ceiling is likely to have been complied with. Since the rise in consumer prices is expected to be of about 27 per cent, the loss of wage rate purchasing power, already marked in 1976, will be steeper in 1977. It is unlikely, moreover, that earnings will grow fast enough to offset the rise in prices, as in 1976. Finally, the share of wages in national income may be estimated to have fallen from 69 per cent in 1975 to 65 per cent in 1976 and about 58 per cent in 1977, or just above the level of 1974 (57 per cent).

The combination of the slowdown in nominal wages and the relatively rapid growth of production should have the effect of sharply curbing the rise in unit labour

Table 7 Wages
Percentage changes from corresponding period of previous year

	1974	1975	1976	1976				1977	
				I	II	III	IV	I	II
<i>Nominal wages</i>									
Wages in agriculture									
Men	32.6	24.2	14.5	14.1	14.9	11.9	17.0	12.8	13.9
Women	40.5	34.6	13.6	14.4	13.3	12.6	14.0	17.3	18.5
Wages rates in industry and transport ¹									
Lisbon	32.3	18.7	11.9	15.7	12.5	12.8	7.2	9.4	11.6
Porto	38.5	27.8	11.5	22.1	11.9	9.8	3.8	6.6	12.8
<i>Real wages</i>									
Real wage rates in industry and transport ^{1, 2}									
Lisbon	5.8	2.2	-6.8	-2.2	-0.2	-8.4	-15.7	-17.7	-16.1
Porto	9.6	7.9	-5.3	2.1	-0.5	-7.6	-13.4	-15.7	-16.3
Real earnings in the processing industries ²									
Daily	18.2	16.9	6.2						
Monthly	13.7	11.9	-0.2						

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

2 Deflated by the weighted average of the consumer price indices published for six mainland towns by the National Statistics Institute.

Sources: National Statistics Institute, *Monthly Bulletin of Statistics*; Ministry of Labour, *Conjunctural survey*.

15 No figures are available on the trend of earnings over the course of the year, and although hourly rates are only partially representative, they are the only source of information on a quarterly basis.

16 Surveys covering enterprises with more than 10 workers.

17 At the October 1977 exchange rate, the minimum wage was equivalent to: \$85 per month in agriculture and \$110 in the other sectors. The earnings freeze concerns wages of over \$1 230 per month.

costs in 1977, for the second year running. In industry the rise might be particularly small, so that the increase in prices of imported products would be more than offset, which would permit a significant rebuilding of profits. Even so, over the period 1974-1977 as a whole, unit labour costs have probably risen faster than producer prices. Despite the fact that they have climbed rapidly during the last few years, wage levels are still low in Portugal: in the first quarter of 1977, the basic monthly wage in the non-agricultural sector in Lisbon was 9 000 escudos or about \$260.

The external deficit

The Portuguese balance-of-payments situation has deteriorated considerably over the last few years, thereby imposing a major constraint on economic policy decisions. The balance on current account, which had shown substantial surpluses between 1966 and 1973, registered an aggregate deficit of over \$4 billion for the years 1974-1977. The trade deficit, which was already increasing rapidly from the end of the 1960s, has widened very considerably. But whereas previously the shortfall had been more than offset by net inflows on current invisibles, notably earnings from tourism and emigrants' remittances, from 1974 to 1976 net invisible receipts decreased appreciably and in 1977, despite a marked improvement, were still probably lower than in 1973. The sharp deterioration in the terms of trade, following the fourfold increase in the price of oil and the flare-up in raw material prices in late 1973 and early 1974, had an adverse impact on the trade balance, as in most other Member countries. Furthermore, the recession that hit the industrialised countries in 1974-75 caused a contraction of export markets and seriously affected current invisible earnings from tourism and emigrants' remittances. In Portugal's case, however, the deterioration was aggravated by breaks in activity and behaviour patterns, as well as by the aftermath of decolonisation, which resulted in a loss of privileged markets and a pressure on consumption due to the return of residents of the former colonies. Exports and emigration were also affected by the protectionist measures taken by other Member countries.

Although showing fairly pronounced fluctuations from year to year, non-monetary capital movements were relatively neutral in the period from 1974 to 1977 taken as a whole. The very large deficit on non-monetary transactions, attributable to the performance on current account, was therefore financed essentially by borrowing from foreign central banks and international institutions, together with other official bilateral credit, and by drawings on the considerable foreign exchange reserves accumulated up to 1973. Portugal's net foreign liabilities (private and official) have risen steeply in the last few years, and servicing of the external debt has been absorbing an increasing share of aggregate exports of goods and services. Furthermore, the escudo exchange rate has depreciated sharply in 1975 and 1976.

Exports by volume, which had contracted sharply in 1974 and 1975, staged a moderate recovery in 1976 (about 5½ per cent), but seem to have lost some momentum in 1977 (see Table 10). In the first nine months of the year volume exports were probably only just over their level in the corresponding period of 1976, and according to official estimates, the increase year on year is unlikely to be more than about 3 per cent in 1977. Portuguese exports have admittedly been affected during the last few years by special factors, as well as by the consequences of the world recession and the relatively moderate recovery of international trade that followed, but the trend was aggravated by an unfavourable pattern of exports, in terms both of product categories and of geographical markets, and by substantial losses of market shares. The share of the countries in the former escudo area, which represented privileged markets, has dwindled from about 15 per cent of total exports in 1973 to probably less than 5 per cent in 1977. Despite some progress, export diversification has remained too limited; wine, canned goods, paper pulp, cork and textiles (including clothing) still account for nearly half of total exports. Sales have also been hard hit by the import

Table 8 Balance of payments
\$ million

	1973	1974	1975	1976	1976 I	1976 II	1977 I ¹
Exports, fob	1 855	2 288	1 936	1 813	907	906	986
Imports, fob	-2 763	-4 277	3 606	3 907	1 828	2 079	2 140
Trade balance	-908	-1 989	-1 670	-2 094	-921	-1 173	-1 154
Services	153	55	-183	-105	-116	11	-90
of which: Tourism	322	258	101	186	30	156	98
Transfers	1 104	1 111	1 037	973	386	587	518
of which: Migrants' remittances	n.a.	n.a.	821	914	376	538	541
Current balance	349	-823	-816	-1 226	-651	-575	-726
Capital movements	-142	272	-107	12	-45	57	-23
Private	-37	354	-21	28	-39	67	-91
Official	-105	-82	-86	-16	-6	-10	68
Basic balance	+207	-551	-924	-1 214	-696	-518	-749
Short-term capital movements and banks' foreign position	130	-18	-109	238	-66	304	203 ²
Balance on official settlements	337	-569	-1 033	-976	-762	-214	-546
Monetary movements	-8	0	346	858	582	276	445
of which: Drawings on IMF	—	—	—	176	113	63	52
Credit to Bank of Portugal	—	—	303	646	469	177	393
Change in reserves (decrease=+)	-329	569	687	118	180	-62	101

1 Estimates.

2 Of which an increase of \$286 million in banks' net liabilities.

Source: Bank of Portugal, data communicated to the Secretariat.

restrictions imposed in certain countries, particularly on textile goods¹⁸, and by increasing competition from some developing countries. Furthermore, exports are concentrated geographically in markets whose growth has been relatively slow. Portugal is still virtually unrepresented on the markets of the oil countries, which have expanded very briskly indeed since 1973¹⁹. However, efforts have been made recently to develop Portuguese exports to the centrally planned economies, and these now account for some 5 per cent of total sales. Furthermore, the extremely rapid rise in production costs due to the surge in unit labour costs probably resulted in a loss of competitiveness of Portuguese products until about the end of 1975. In 1976 and 1977 the depreciation of the escudo and the deceleration of the rate of increase of wage costs have contributed to restore the competitiveness of Portuguese exports.

After falling sharply in 1975, volume imports picked up significantly in 1976 but their level was still nearly 8 per cent below that recorded in 1973. The upswing continued in 1977, and according to provisional Trade Ministry estimates the increase during the first six months of the year was about 16.5 per cent compared with the corresponding period in 1976. The main factors seem to have been the firmer trend in

Table 9 **Export concentration**
Percentage of total exports in 1976

	United Kingdom	Germany	France	United States	Sweden	Total for five countries	Other countries	Total II
Canned goods								
I	4.5	6.3	2.2	9.9	0.8	4.6	7.4	6.0
II	13.8	11.3	3.1	11.3	1.0	40.5	59.5	100.0
Wine								
I	3.5	2.5	15.1	16.2	0.9	6.4	5.5	6.0
II	10.7	4.6	21.1	18.3	1.1	55.9	44.1	100.0
Textiles and clothing								
I	37.1	9.8	13.1	12.5	49.0	26.2	18.1	22.3
II	30.5	4.8	4.9	3.8	17.0	61.0	39.0	100.0
Cork								
I	2.2	10.8	14.4	8.7	2.2	6.8	5.8	6.3
II	6.3	18.4	19.1	9.3	2.6	55.9	44.1	100.0
Paper pulp								
I	9.4	6.5	19.7	0.0	0.1	7.9	4.9	6.4
II	26.8	10.8	25.6	0.0	0.2	63.4	36.6	100.0
Total for the 5 product categories								
I	56.7	35.9	64.4	47.4	53.0	51.9	41.7	47.0
II	22.1	8.7	11.5	6.8	8.7	57.4	42.6	100.0
Other products								
I	43.3	64.1	35.6	52.6	47.0	48.1	58.3	53.0
II	15.0	13.0	5.6	6.7	6.8	47.2	52.8	100.0
Total								
I	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

I. Percentage of exports to each country.
II. Percentage of exports of each product.

Source: National Statistics Institute, *Monthly Bulletin of Foreign Trade*.

18 Several Member countries have introduced import restrictions under multilateral agreements or through other measures. The Portuguese experts have calculated that the protectionist measures taken by the United Kingdom, Sweden and Norway affected more than 20 per cent of Portugal's total textile sales in 1976.

19 In 1976 sales to the oil countries represented no more than about 2 per cent of Portugal's total exports, compared with 9 per cent for the OECD area as a whole.

Table 10 Foreign trade by volume
Percentage changes from corresponding period of previous year

	1971	1972	1973	1974	1975	1976	1977 jan./ sept.	Percentage of total at 1970 prices	
								1970	1976
Imports									
Total	12.7	14.0	14.7	5.6	-26.3	15.0	14.6	100.0	100.0
<i>of which:</i>									
Agricultural products	19.9	33.2	-3.9	18.8	-12.3	6.2	8.0	14.3	18.4
Mineral products	8.6	1.8	2.7	19.8	-10.1	6.4	5.3	10.0	9.9
Chemical and allied products	15.7	18.2	30.9	-6.3	-26.5	62.0	29.5	11.6	17.6
Textiles	11.1	15.8	25.5	-14.3	-29.6	34.2	0.0	10.9	10.9
Metal products	18.4	-1.0	15.3	28.4	-33.0	23.2	36.3	10.7	11.7
Machines and appliances	9.2	11.6	7.6	20.0	-31.5	20.2	7.7	19.2	18.9
Exports									
Total	6.2	11.1	14.9	-2.5	-13.2	5.4	2.5	100.0	100.0
<i>of which:</i>									
Agricultural products	1.0	7.8	6.9	-23.0	9.6	22.1	6.9	20.9	20.7
Wood and cork	-3.5	10.8	13.6	-7.4	-17.7	26.6	-2.0	16.1	15.6
Textiles and footwear	14.0	15.8	18.2	-6.0	-14.3	-7.9	-1.5	28.4	27.2
Machines and transport equipment	17.4	19.6	25.0	27.0	-19.7	-8.1	18.0	8.4	11.4

Source: Data communicated by the Ministry of Foreign Trade.

activity, the pick-up in investment and the rebuilding of stocks, the scale of which is still difficult to assess but which might have been very considerable. Adverse expectations about the exchange rate probably played a part too. No classification by end-use is available for 1977, but in 1976 imports of intermediate goods made the most headway. Imports of farm goods rose briskly in the first half of 1977, which probably reflected poor domestic harvests, and purchases of machines and transport equipment also progressed rapidly. A marked slowdown of the growth of imports occurred in the third quarter and the Portuguese experts think that their volume growth might be of about 10 per cent for the year as a whole.

This steep growth of imports occurred in spite of the elaborate arrangements introduced by the authorities to try to curb purchases of non-essential foreign goods. In October 1976 the import surcharge imposed in 1975 and due to expire in December 1976 was renewed for 1977 and its rates raised²⁰. In addition, a prior import deposit amounting to 50 per cent of the value of purchases but applicable to only a small number of products was introduced, covering 7 per cent of total imports. A number of restrictions were also imposed on import financing through bank credit. Furthermore, quantitative restrictions were introduced in February 1977 on certain goods such as motor vehicle components, household electrical appliances, coffee and bananas (about 6 per cent of total imports). The impact of these various measures is difficult to gauge. The Trade Ministry experts estimate that they had a significant curbing effect on imports of consumer goods but little influence on purchases of intermediate and capital goods²¹. Speculative factors had something to do with this trend, but another consideration would seem to be that the price elasticity of these import categories is probably very low.

20 In 1976 the surcharge affected products accounting for about 30 per cent of total imports; 29 per cent of imports were subject to a surcharge rate of 30 per cent and 1 per cent to a rate of 60 per cent.

21 In 1976 imports of agricultural and industrial raw materials and of intermediate goods (including oil) accounted for about two-thirds of total imports at 1970 prices and 70 per cent at current prices.

Table 11 Trade balance: price-volume breakdown¹
(fob/fob Million escudos)

Reduction in deficit=+	1974/1973	1975/1974	1976/1975
Volumes	-4 904	20 605	-13 749
Terms of trade	-21 480	-12 346	-9 117
Oil	-7 090	-2 206	-3 467
Other	-14 390	-10 140	-5 650
Total	-26 384	8 259	-22 866

¹ On the basis of customs data.

Source: Ministry of Foreign Trade.

Given the export and import trends described above, volume trade did a good deal to widen the trade deficit in 1976 and 1977. According to Trade Ministry estimates, which are approximately borne out by the Secretariat's calculations, more than half the deficit recorded in 1976 was due to volume movements. The proportion is estimated to have risen to about 90 per cent in the first half of 1977. It should be noted, however, that the aggregate change in the trade balance that emerges from the Trade Ministry's calculations reveals certain differences from the figures in Table 8. More generally, the price-volume breakdown is particularly uncertain and results vary considerably depending on the methods of calculation used.

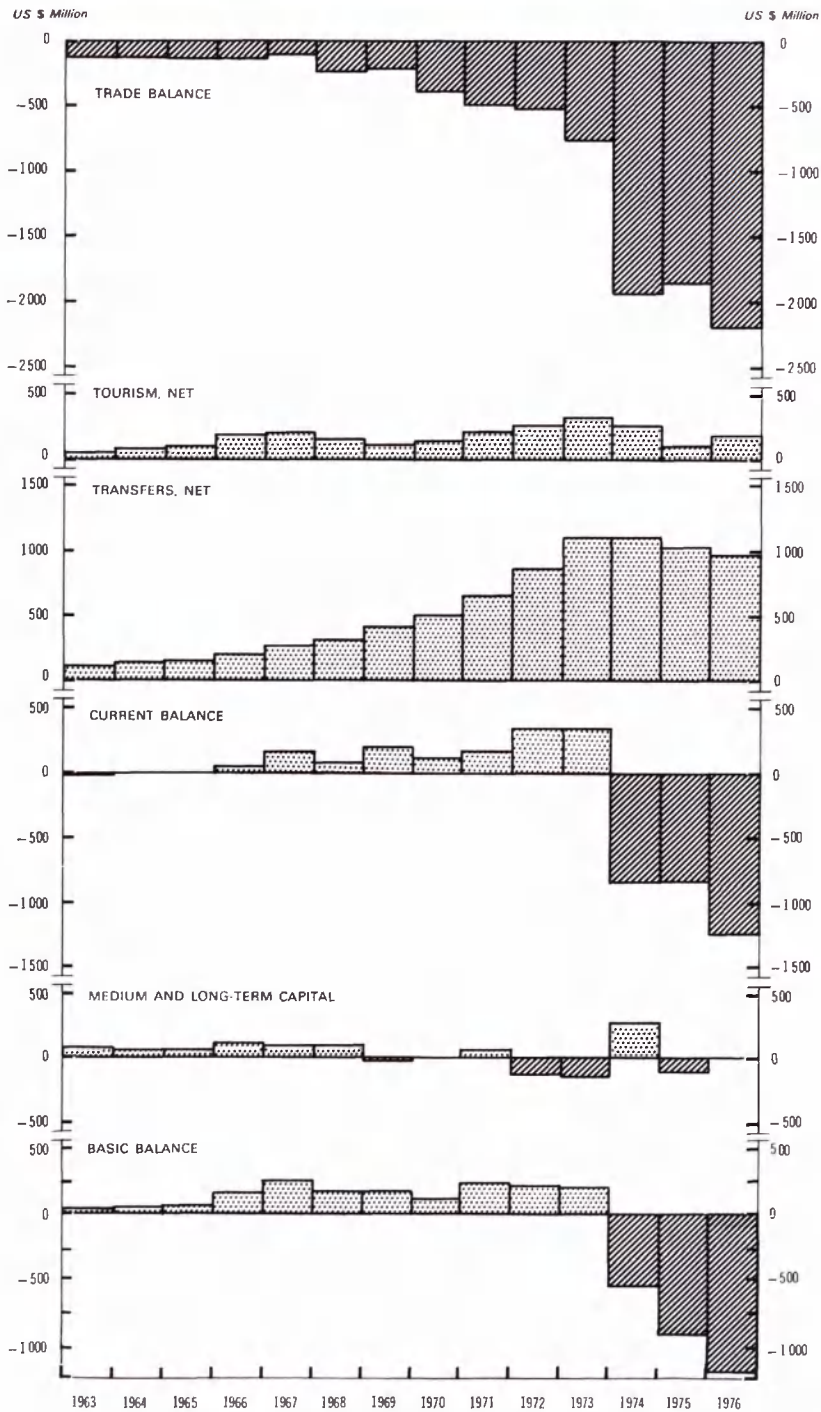
The trend in the terms of trade has also had an adverse impact, especially in 1975 and 1976. Despite the steep rise in costs and the escudo's depreciation, the increase in export prices (in escudo terms) was in fact modest during those two years (cf. Table 6a). World price levels may have played a part, but it is probable that because of financial difficulties Portuguese exporters had to accept a substantial reduction of profit margins, notably by liquidating part of their stocks at prices that did not cover their production cost. Disguised outflows of capital in the form of underinvoicing of exports may also have been a contributory factor. The steep rise in export prices in 1977 (about 30 per cent according to official estimates) has therefore meant a rebuilding of profit margins. Import prices, on the other hand, continued to rise at a relatively rapid pace in 1975 and 1976 (14 and 12 per cent respectively), notably as a result of the escudo's depreciation in 1976. They accelerated sharply in 1977, and according to the estimates of Portuguese experts might rise by about 33 per cent for the year as a whole. Given the trend in export prices, the terms of trade are therefore likely to have contributed only a little to the widening of the trade deficit in 1977. All told, the deficit on merchandise trade in value terms has grown in recent years, increasing from about 1.7 billion in 1975 to \$ 2.1 billion in 1976. On the figures for the first nine months of the year²² and assuming that the trend continues in the fourth quarter, it might be of the order of \$ 2.5 billion in 1977.

After narrowing appreciably in 1974 and 1975, the traditional surplus on current invisibles increased again in 1976 and 1977. Net inflows on tourism account, which had fallen to about \$100 million in 1975, picked up considerably in 1976. This movement continued in 1977, and on the January-September figures²³ the surplus for the whole year might amount to nearly \$270 million. The fall in receipts from tourism in 1976, despite the rise in the number of foreign tourists (up by 4 per cent) and the increase in their length of stay in Portugal, might be connected with disguised outflows of capital. Earnings increased substantially in 1977, however. Expenditure abroad by

²² Provisional estimates put the trade deficit fob/fob at \$1 800 million for the period from January to September.

²³ Provisional estimates put net earnings from tourism at \$213 million in the first nine months of the year, as against \$70 million in the corresponding period of 1976.

Diagram 3 Structure of the balance of payments



Sources: Bank of Portugal, annual reports and Secretariat estimations.

Portuguese residents fell quite sharply in 1976 and seems to have steadied in 1977, probably because of the tighter exchange controls and the escudo's depreciation. The deficit on income from investment which emerged in 1975 has widened rapidly in the subsequent two years as Portugal's external indebtedness has grown. According to official estimates, this deficit might amount to about \$180 million in 1977. In all, given the movement of the other items, the net outflows recorded in 1975 and 1976 on services account might be replaced by net inflows of about \$10 million in 1977.

The surplus on transfers, which had narrowed in 1975 and 1976, widened in 1977, owing in particular to a large increase in net inflows on account of emigrants' remittances. In the first nine months of the year these net inflows amounted to nearly \$900 million and, according to official estimates, the surplus for the year as a whole might be of the order of \$1.2 billion, which would be about \$240 million more than in 1976. Although the steep fall in emigration has admittedly had a curbing effect, as has the slower growth of wage payments in host countries, the normalisation of political conditions in Portugal has probably had a favourable impact. It is probable, too, that the measures taken by the authorities to attract the savings of emigrant workers have played a part²⁴. All told, according to the official estimates, the deficit on current account in 1977 might be of the same order as in 1976, namely about \$1.2 billion.

Movements of non-monetary capital have fluctuated over recent years but the net flows have remained relatively small. After showing deficits in 1975 and the first half of 1976, medium- and long-term capital swung into surplus in the second half-year. Net outflows of official capital to the former escudo area, which were still running at nearly \$90 million in 1975, dwindled to practically nil in 1976. Private capital, for its part, showed fairly contrasting movements from year to year. In 1974, Portuguese enterprises, and more particularly the subsidiaries of foreign firms, increased their borrowing abroad very considerably and the result was substantial net inflows. In 1975, there was a fall in foreign direct investment in Portugal, and since import credit and financial borrowing fell too, private capital movements showed a slight deficit. With the political situation back on a normal footing and following the introduction of the import deposit scheme and norms for the financing of purchases abroad, the second half of 1976 saw a rapid growth of commercial credits; despite a further fall in direct investment and the repayment of loans contracted earlier, private capital movements showed a small surplus on average in 1976. A deficit of \$85 million was recorded again in the first half of 1977. In all, the basic balance in 1976 showed a deficit of the same order as that on the current balance (\$1.2 billion). The surplus on short-term capital (including errors and omissions) made it possible, however, to bring the deficit on non-monetary transactions to under \$1 billion. In the first half of 1977 the deficit amounted to roughly \$830 million.

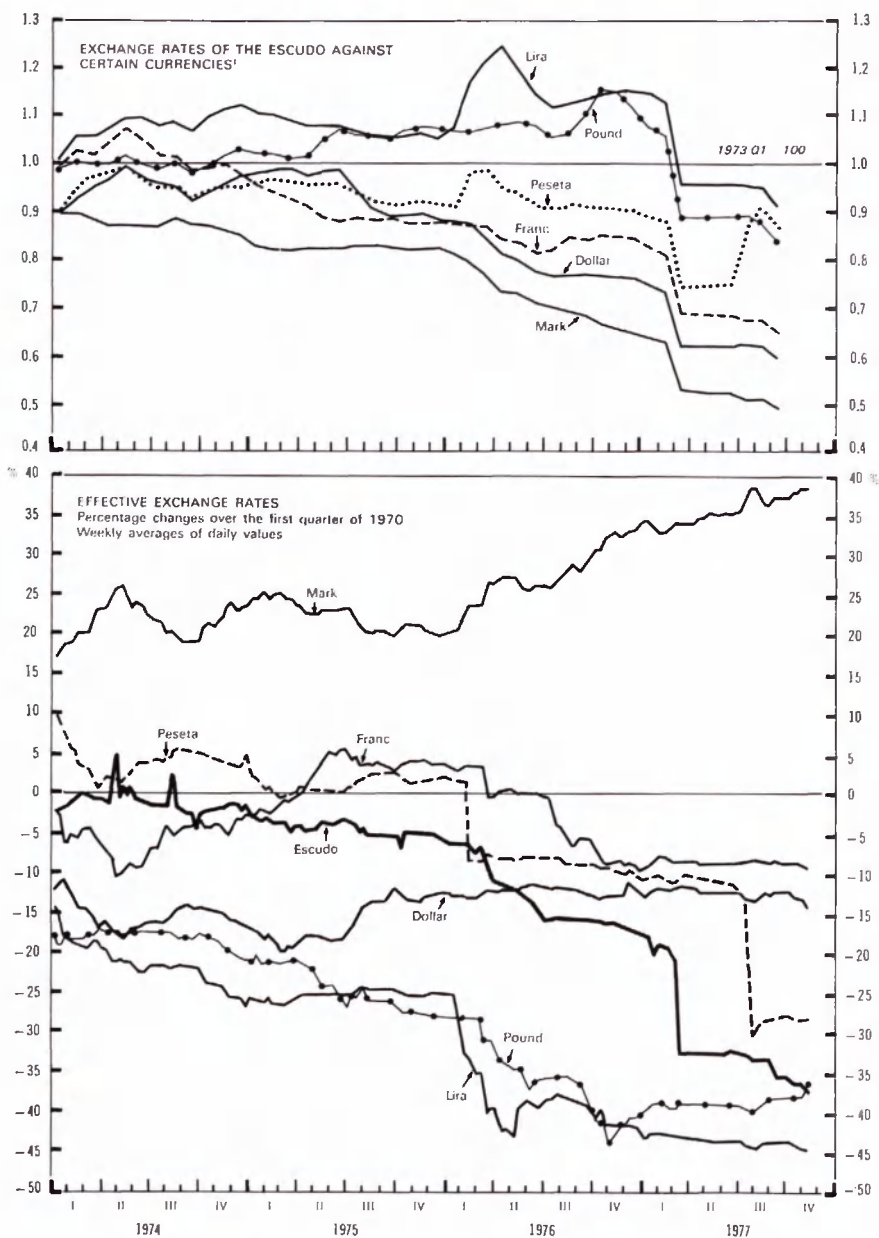
Initially it was possible to finance the balance-of-payments deficit essentially from the official exchange reserves, which at the end of 1973 stood at \$2.85 billion²⁵ and by drawing on the credit available from the IMF. But the persistence of a large deficit and the depletion of the foreign exchange reserves left the authorities with no choice but to borrow more abroad, with the nation's gold reserves being used to guarantee loans. In 1976, net borrowing by the banking system, essentially the Bank of Portugal, amounted to nearly \$700 million²⁶. In addition, Portugal had recourse to the IMF oil facility (\$133 million) and to "compensatory financing" (\$68 million). On the other hand, the reserves' loss was only \$118 million compared with nearly \$700 million in

24 Since the end of 1976 emigrants have been able to hold time deposits in foreign currency with the Portuguese commercial banks. These deposits earn the same interest as they would in the home country and benefit of exchange guarantees if held until maturity. Emigrants have not yet extensively made use of this facility. On the other hand, escudo deposits which can be matched by housing loans at preferential interest rates have been extremely successful.

25 41 per cent in gold (valued at \$42 per ounce) and 58 per cent in foreign exchange.

26 The largest loans were those made by the Bundesbank, the Bank of International Settlements and a consortium of central banks.

Diagram 4 Exchange rates



1 Units of foreign currency per escudo.

Source: OECD Secretariat.

1975. This policy was continued in the first half of 1977; the Bank of Portugal obtained further loans for a total of \$391 million and a stand-by credit of \$50 million was made available by the IMF. In addition to official indebtedness there was substantial borrowing by the banks, whose net liabilities increased by \$268 million during the period in question. Finally, in June certain OECD countries and Venezuela announced

their intention of providing long-term financing amounting to \$750 million and a further credit tranche is now being negotiated with the IMF.

The official external indebtedness of Portugal, including the Bank of Portugal, amounted to \$2.8 billion in August 1977, or nearly 17 per cent of GDP, with combined official and private indebtedness totalling more than \$4.2 billion. Reliable data on the amount of repayments to be made are not available, but the interest burden has risen considerably and amounted to 220 million dollars in 1977. The net external position of the banking system, which was still positive in December 1976, showed a shortfall of \$800 million in October. The official exchange reserves, after falling sharply in 1974 and 1975, decreased only slightly in 1976 and the first half of 1977. Part of the gold reserves was used up in the course of 1977, as these fell from 860 tons in January to 800 in September. In November 1977 the gross reserves of the monetary institutions amounted to \$4.1 billion, of which 2 billion were not pledged, gold being valued at the market price.

The balance-of-payments deficit was also responsible for a sharp depreciation of the escudo. The currency's downward movement had remained relatively moderate throughout 1975 but accelerated considerably as from the beginning of 1976. From January 1976 to March 1977 the effective depreciation was over 27 per cent, part of this reflecting the 15 per cent devaluation against the dollar decided on last February. Then, from April to August 1977, the escudo exchange rate steadied considerably, both against the dollar and in effective terms. Finally, at the end of August, after the escudo had fallen nearly 4 per cent against the dollar, it was decided to adopt a crawling-peg exchange-rate system for the next six months, with a rate of depreciation of 1 per cent per month²⁷, the Bank of Portugal intervening on the forward market to give an exchange guarantee to operators. It is still too early to gauge the impact of this measure on capital movements and Portugal's exchange reserves. In accordance with the policy adopted at the end of August, the escudo has edged downward by about 1 per cent a month since September. At end-October its depreciation against the dollar was 22.5 per cent compared with end-1976. According to Secretariat estimates, since the beginning of 1974 the effective depreciation (weighted by the structure of trade) has been about 36 per cent.

III BROAD LINES OF ECONOMIC POLICY

Initially, against a background of institutional upheavals, decolonisation and the recession, the authorities tried to deal with the most pressing needs as they arose, through a policy of easy money and a rapid development of public expenditure. Then, in the second half of 1976 and in 1977, after the political situation had been normalised and with production recovering strongly while performance deteriorated in respect of prices and the balance of payments, the accent was placed on restoring equilibria. Monetary policy was progressively shifted to a more restrictive stance, whilst efforts were made to restructure public spending. Prices and incomes policy, together with the measures taken concerning the balance of payments and exchange rate policy have been described in Part II. Finally, various items of legislation were passed clarifying the basic principles of Portugal's economic system.

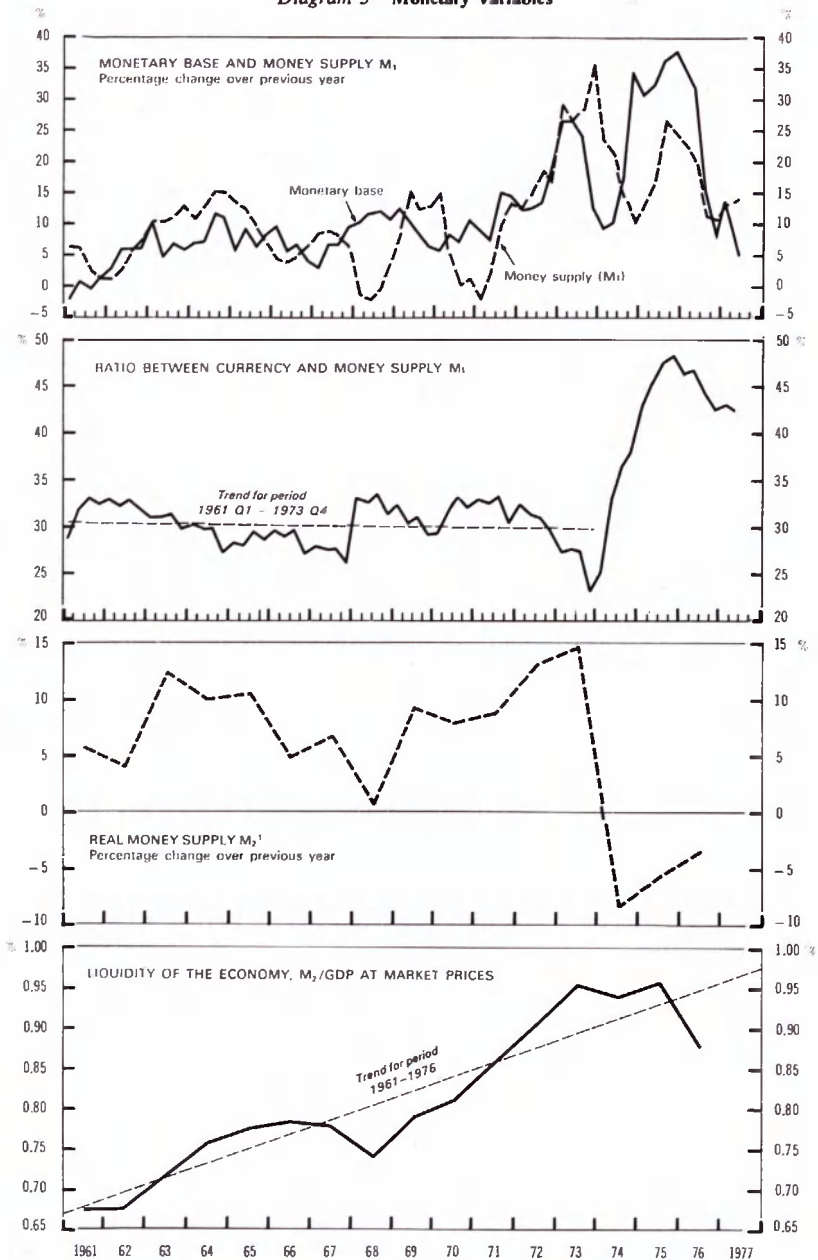
Monetary policy

From mid-1974 to mid-1976 the central bank more than offset the restrictive impact of the fall in the exchange reserves on the monetary base²⁸ by granting credit

²⁷ Effective exchange rate against a basket of foreign currencies.

²⁸ Notes and coins in circulation held by the non-bank private sector plus reserves of the banking system.

Diagram 5 Monetary variables



1 Deflated by the consumer price index. Lisbon non-housing.

Sources: IMF, Monthly Bulletin of Statistics of the National Institute of Statistics.

directly to the public sector and by expanding rediscounting facilities. However, owing to a change in the money multiplier caused by the public's increased preference for currency as a result of exceptional circumstances, the rapid growth of the monetary base up to the second quarter of 1976 resulted only in a much more moderate growth

in the money supply (M2), at an annual rate of the order of 14 per cent. Furthermore, the discount rate, which had been raised in two stages by 2.5 points in the second half of 1974 to 7.5 per cent, was lowered to 6.5 per cent in December 1975, though commercial banks' rates were left unchanged. Overall, it is difficult to tell what the effective impact of monetary policy was during this period, but it does not seem that the expansionary effects were very considerable.

From the summer of 1976 monetary policy took on a more cautious stance. But since the public's attitude to currency has changed appreciably, there has been a rebuilding of deposits with the banking system and an increase in the banks' reserves. Although the growth of the monetary base slowed down significantly because of the restrictive impact produced by the loss of official exchange reserves and a marked deceleration in central bank credit to general government and financial institutions (including banks)²⁹, the growth of the money supply (M2) accelerated steadily to reach nearly 24 per cent in the third quarter of 1977 (compared with the corresponding period of a year earlier). Sight deposits of enterprises and households increased rapidly, but it was above all quasi-money which showed the largest growth, reflecting the authorities' policy in regard to interest rate differentials. However, the degree of liquidity of the economy as measured by the ratio between the money supply (M2) and nominal GDP followed a downward trend.

As regards the counterparts of the money supply (M2), the negative impact produced by the balance-of-payments deficit tended to increase, but domestic credit growth accelerated significantly. Bank lending to general government continued to increase rapidly until the third quarter of 1977, although at a distinctly lower rate than in the first half of 1976, whilst growth of credit to enterprises and households accelerated steadily. In this regard, credit from the commercial banks increased a good deal more rapidly than lending by the Caixa Geral de Depositos (General Deposit Bank) and the savings banks. To judge from the steep increase in time deposits of enterprises with the banks, the latter's liquidity position improved appreciably during the period. It is possible, however, that the supply of credit was inhibited by constraints of an administrative nature and particularly by the difficulty of obtaining government guarantees³⁰. It should not be forgotten either that borrowing abroad by enterprises increased too.

Given a situation of mounting inflation, a widening payments deficit and the escudo's depreciation, interest rate policy was progressively tightened. In July 1976 the lending rates of the credit institutions were raised by 1 per cent for short-term rates and 0.5 per cent for medium- and long-term rates. Rates on deposits remained unchanged, however. The central bank's minimum discount rate was raised to 8 per cent in February 1977 and 13 per cent in August, and the lending rates of the credit institutions were raised substantially at the same time. Their average rise has been between 5½ and 6 per cent. Short-term rates at present range from 9.75 to 16.50 per cent, medium- and long-term rates from 17 to 18.5 per cent. But whereas the rates paid on sight deposits remained the same, those on time deposits for over six months were raised appreciably in order to channel available savings into longer-term placements. Owing to the very rapid rise in prices, real interest rates remained substantially negative. All told, the monetary measures taken last February do not seem to have had a very restrictive effect. The measures taken in August appear a good deal more significant in this regard, though it is still too early to try to gauge their impact.

A series of technical, administrative and institutional measures taken in 1977 have widened the range of policy tools available to the monetary authorities. Targets have

29 As regards credit to general government, this development is essentially due to the fact that at the beginning of 1975 the amount of central bank lending was very small. Consequently, the rates of increase in lending flows were initially very high. These rates tended to fall once credit outstanding had reached higher levels.

30 In 1976 the government ceased to give its automatic guarantee to bank credit granted to the nationalised enterprises, which resulted in a lengthening of the procedure for obtaining credit.

Table 12 Money supply and counterparts

	Outstanding at 31.12.76 (Billion escudos)	Percentage changes from corresponding period of previous year; at end of period							
		1975 Q4	1976				1977		
			Q1	Q2	Q3	Q4	Q1	Q2	Q3
Money supply (M1)	245.1	24.5	22.7	19.7	11.6	10.7	13.2	15.0	14.0
Notes and coins in circulation	110.4	57.5	32.1	22.8	4.1	-2.5	-0.5	-1.9	1.2
Sight deposits of enterprises and households	134.6	4.1	15.6	17.1	18.4	23.0	25.6	30.4	24.9
Quasi-money	212.9	-1.0	5.1	7.5	20.3	27.4	28.7	32.7	34.8
Total money supply (M2)	458.0	12.6	14.2	14.0	15.5	17.5	20.4	23.2	24.0
Counterparts									
Net foreign assets ¹	11.0	-38.5	-42.3	-60.1	-59.6	-61.0	-99.2	— ³	— ³
Total domestic credit	486.6	19.1	20.4	21.5	23.3	24.8	28.4	29.2	31.8
Credit to enterprises and households ²	410.9	11.4	10.0	12.2	14.1	19.5	21.0	21.4	27.0
Net credit to the public sector	75.7	266.4	433.5	264.0	167.1	76.7	83.0	84.1	58.7
Miscellaneous, net	-39.6	—	—	—	—	—	—	—	—

1 Gold valued at SDR 35 per ounce.

2 Including non-monetary financial institutions.

3 Outstandings negative as from 1977 Q2.

Source: Bank of Portugal, Annual Reports; data communicated by the Portuguese authorities.

been announced for the growth of certain aggregates. Thus, the rate of expansion of the money supply (M2) was set at about 24-25 per cent for 1977 and domestic credit growth at approximately 28-29 per cent. An inter-bank money market was established, and though of small size it should permit a more rational use of excess reserves. Furthermore, all financial institutions are now required to observe the compulsory minimum reserve ratios and penalties for non-compliance have been introduced. The main object of this reform is to enable the Bank of Portugal to exercise closer supervision over the monetary base and the money supply. The commercial banks can now grant medium- and long-term credit. This is an important measure, given that such credit could hitherto be extended only by the Caixa Geral de Depositos, the savings banks or the Development Bank. The stock market was reopened at the beginning of 1977 but has remained very narrow-based. To sum up, these reforms are still too recent for it to be possible to assess their effect, but they might enable the monetary authorities to conduct a distinctly more active policy in the future.

Fiscal policy

The expansionary effect of transactions by general government (including social security), which was already considerable in 1974 and 1975, seems to have become still more pronounced in 1976. Revenue rose rapidly, though less so than expenditure. The public sector borrowing requirement widened to about 9 per cent of GDP. In 1977 the Portuguese authorities endeavoured to reduce this shortfall by limiting the growth of current expenditure, but the provisional figures for the Central Government account indicate that the deficit is likely to remain very large. The draft budget for 1978, recently put before Parliament, reflects a much more restrictive stance.

The rapid growth of general government expenditure in 1974-75 accelerated again in 1976 to reach 32.2 per cent of GDP for current spending and 5 per cent for capital expenditure, on a national accounts basis. This reflects, among other things, the

Table 13 Public sector accounts on a national accounts basis

Billion escudos

	Public sector				Central Government			
	1975	1976 ¹	1977 ²	1978 ²	1975	1976 ¹	1977 ²	1978 ²
Current revenue	93	127	183	233	47	68	94	144
Direct taxes	20	25	33	106	14	19	26	40
Social Security contributions	27	33	52					
Indirect taxes	42	62	86	115	31	45	62	88
Other receipts	4	7	12	12	2	4	6	16
Current expenditure	103	153	198	231	64	88	120	153
Goods and services	58	83	100	116	38	56	70	82
Subsidies	8	19	27	33	3	6	9	11
Transfers	34	46	59	60	20	22	29	40
Interest	3	5	12	22	3	5	11	20
Current savings	-9	-26	-15	+2	-17	-20	-25	-8
Capital transactions, net	-11	-19	-38	51	-10	-16	-25	-37
of which: Transfer payments	6	9	11	4	10	11	9	14
Gross fixed investment	10	15	37	51	6	9	26	32
Borrowing requirement	-21	-46	-52	-49	-26	-36	-50	-45

1 Estimates.

2 Forecasts.

Sources: Bank of Portugal, Ministry of Finance and data communicated by the Portuguese authorities.

increased role of the public sector in the Portuguese economy³¹. In 1975, transfers from government showed a very steep rise owing to the increase in social security payments, the introduction of unemployment benefits and expenditure connected with the resettling of residents of former colonies. In 1976, it was subsidies which grew extremely rapidly (up by 157 per cent), this item covering not only subsidies to public enterprises, but also price subsidies through the Supply Fund. Growth of purchases of goods and services also continued at a brisk, though more moderate, pace, notably because of the increase in the salaries of civil servants. Investment expenditure continued to make rapid headway; besides gross fixed asset formation by general government, this item covers a part of capital transfers to public enterprises and debt consolidation operations vis-à-vis the former colonies. In all, the share of public expenditure in GDP rose very steeply in 1976 but was still lower than that observed in many OECD countries.

With this acceleration of expenditure, revenue picked up sharply in 1976, though not enough to prevent the public sector deficit from widening. The trend of revenue was affected by a number of factors working in different directions. In December 1975 it was decided to authorise delays in the collection of certain taxes³². On the other hand, the time limit for the collection of the 1974 and 1975 arrears of the complementary tax was brought forward. The rates of the main direct and indirect taxes were raised³³, whilst the import surcharge introduced in May 1975 produced its full effects. The increase in tax revenue was accompanied by a steep rise in other current revenue, essentially attributable to Bank of Portugal profits. Nevertheless, the public sector deficit widened, both in terms of current saving and as regards the borrowing requirement. The breakdown by transactors shows that most of the shortfall is due to central government operations, but the traditional surplus run by the local authorities and the autonomous funds and services has decreased in recent years. It should be remembered that these funds draw the bulk of their resources from specific taxes on certain products, especially oil products, and, in the case of the Unemployment Fund, from unemployment insurance contributions. Any surplus is paid back to the central government to finance its investment. In the case of social security, the accounts for 1976 show a current deficit of nearly 10 billion escudos (or 2 per cent of GDP), compared with a deficit of less than 3 billion in 1975 and a surplus in the early 1970s. Part of this deficit can be explained by a delay in collection of contributions which caused a loss of over 10 billion escudos in 1976. In addition, it should be pointed out that since 1976 unemployment benefits have been paid out by social security, which receives the corresponding transfers from the Unemployment Fund, but this operation should not affect the balance. The public sector shortfall was financed mostly by borrowing from the banks and more particularly from the Bank of Portugal; this borrowing was equivalent to nearly 33 per cent of public expenditure.

Given these mounting imbalances and the need for stabilization, the Portuguese authorities shifted the stance of fiscal policy significantly in 1977. The draft budget presented in the autumn of 1976 revealed a change of course compared with previous years. It provided for a reduction in the public sector's current deficit, to be achieved by means of a substantial surplus on account of the autonomous funds and a return to equilibrium on the social security account, which would offset the increase in the current deficit of central government. Current spending by general government was budgeted to rise by 20 per cent at current prices, whilst the public sector was to provide continued support to activity by means of a rapid development of capital expenditure (up by 29 per cent). This draft budget was extensively amended in the spring of 1977, and the revised budget provides for a distinctly more rapid growth of

31 On the importance of the public sector see Economic Survey of Portugal, November 1976.

32 The industrial tax (on profits), the transactions tax and the professional tax (on incomes).

33 The rates of the transactions tax were raised by 3 to 10 percentage points in January 1976 according to the type of transaction. Stamp duties were substantially increased. Finally, direct taxes went up by 10 per cent in August.

Table 14 Central government budget on an administrative basis
Billion escudos

	1975	1976		1977		1978
	Outturns	Forecasts	Outturns	Forecasts	Revised forecasts	Forecasts
Revenue	58.4	70.7	77.6	99.2	112.0	164.2
Direct taxes	16.5	19.9	21.2	24.4	28.9	43.5
Indirect taxes	30.5	39.0	44.7	53.7	62.1	88.1
Other	11.4	11.8	11.7	21.1	21.0	32.6
Expenditure	84.8	102.9	122.4	156.0	168.7	217.1
Service of national debt	2.6	3.4	5.7	11.5	11.2	19.7
Subsidies	2.8	2.3	5.2	5.0	8.0	10.6
Plan investments	13.2	22.7	19.3	35.0	35.0	45.0
Wages and purchases of goods and services	30.7	39.8	40.7	104.5	114.5	67.8
Other	35.5	34.9	51.5			74.0
Balance	-26.4	-32.2	-44.8	-56.8	-56.7	-52.9
Liquidation of national debt	-1.8	-2.6	-2.3	-3.1	-3.2	-5.7
Issue of securities for national debt	-28.2	-34.8	-47.1	-59.9	-59.9	-58.6

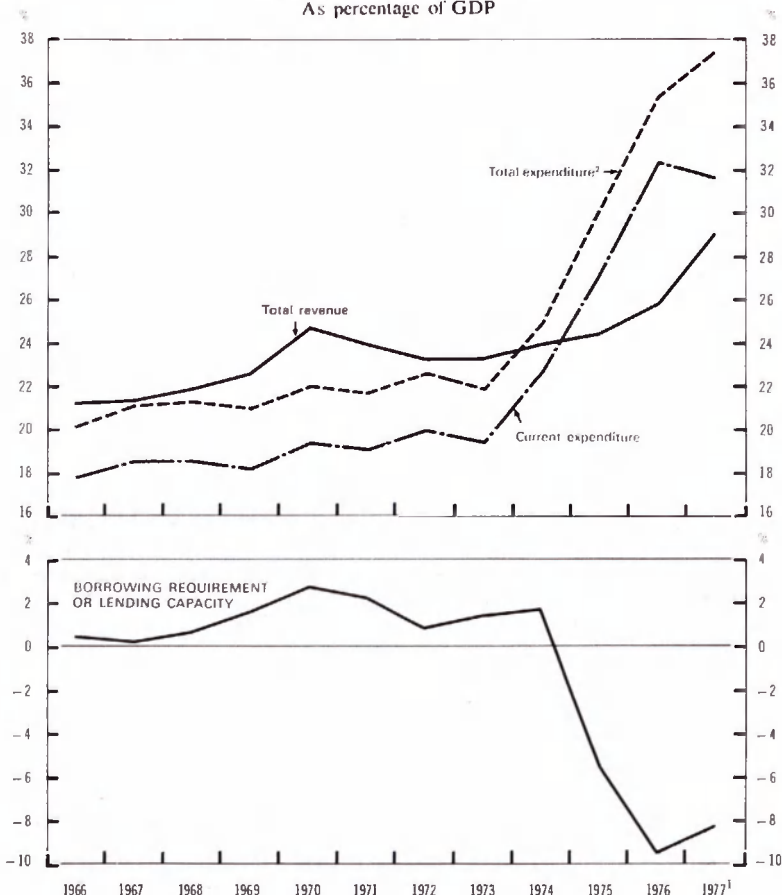
Sources: Bank of Portugal, Ministry of Finance and data communicated by the Portuguese authorities.

expenditure and revenue, though still with a reduction of the current deficit and the borrowing requirement as in the case of the initial budget. On the expenditure side, current spending is now budgeted to rise by 29 per cent, substantial upward adjustments having been made to the forecasts for subsidies and transfers, whilst the amount of capital expenditure is budgeted to double. The revised figure for current revenue represents an increase of 44 per cent. With regard to indirect taxation, the transactions tax was raised by 20 per cent in February 1977 and the tax on petrol was increased twice, in January and August. Social security contributions have been raised from 23.5 to 26.5 per cent of wages. Finally, the very large price increases decided on at the beginning of the year in respect of public services and certain food products should make it possible to reduce subsidies.

The data available on budget outturns are for the first ten months of the year only and relate solely to central government transactions, according to an administrative classification which does not permit a breakdown of economic flows. Compared with the corresponding period of 1976, tax revenue is up by 36 per cent, which is close to the rate indicated in the revised budget (39 per cent). Against this, other revenue from the autonomous funds showed virtually no change. Expenditure grew by slightly more than the rate budgeted for the year as a whole. In all, the central government deficit for the first ten months of the year increased from 8.5 billion escudos in 1976 to 19.9 billion in 1977. Given the lag that can occur in operations from one year to another and the highly seasonal nature of budget transactions, these partial figures cannot be extrapolated to the end of the year and it is difficult to tell whether the official forecast of a deficit of 54 billion escudos (or 8 per cent of GDP) will be realised. Since it now looks as though the arrears in social security contributions are unlikely to be collected in 1977, the overall deficit of general government might remain close to 10 per cent of GDP. The Treasury deficit (55.5 billion escudos) will be financed essentially by the banks, placing of public debt securities with the private sector amounting to 5.2 billion escudos.

The 1978 draft budget, which was published in October attests the resolve of the authorities to continue to try to reduce the public finance deficit, notably by holding

Diagram 6 Public sector accounts
As percentage of GDP



1 Official forecasts.

2 Current expenditure, investments and balance of capital transfers.

Sources: National Institute of Statistics, Ministry of Finance and OECD Secretariat.

public consumption at the same level in real terms. A further increase of 10 to 15 per cent in the main taxes is planned and this should mean that central government revenue will grow by 43 per cent, nearly half of this growth being attributable to the rise in taxation rates and the creation of new taxes. Tax pressure³⁴, expressed as a proportion of GDP, should rise from 14.1 per cent in 1977 to 15.8 per cent in 1978. Current spending by central government is budgeted to rise by 33 per cent³⁵, with a slowdown in wage growth (17 per cent) and in purchases of goods and services but a near twofold increase in the debt burden³⁶. This item, which was virtually negligible in 1974, will account for 11.6 per cent of current expenditure in 1978. Thus, the central government current deficit³⁷ should narrow from 23 billion escudos in

34 Excluding social security contributions and taxes collected by the other public sector agencies.

35 Including the effects of budgetisation of medical expenditure (11 billion escudos), which will be offset only by half by transfers from social security to central government.

36 The budget forecasts for 1978 do not take into account the interest that will be paid on the public debt to be issued to compensate the former owners of nationalised enterprises.

37 On an administrative basis.

1977 to 5.7 billion in 1978. On the other hand, capital expenditure (including transfers and issues of equity capital of public enterprises) is likely to accelerate further and the central government borrowing requirement will probably show only a small reduction. Where the other public agencies are concerned, spending by the autonomous funds is budgeted to slow down appreciably. The social security accounts should remain close to equilibrium on the assumption that the arrears of unpaid contributions will be collected, though this may prove difficult. In all, for the public sector as a whole, the current transactions account might show a slight surplus, whilst the borrowing requirement is likely to be 49 billion escudos (about 6 per cent of GDP) compared with 52 billion in 1977.

Other economic policy measures

The authorities have also tried to clarify the basic principles of Portugal's economic system by adopting various legislative texts designed to permit the functioning of a market economy side by side with an important public sector. The main difficulties concerned the dividing line between the private sector and the sector subject to direct government intervention, the way in which private enterprises were to be run and the land reform. The boundaries of the nationalised sector were defined by a law which put mining and cement, transport and telecommunications, banking and insurance into the exclusive domain of public enterprises. In addition, a law passed in August 1977 laid down the arrangements for compensating former owners with public securities³⁸. Finally, in the case of enterprises where the government intervened to prevent bankruptcy, those deemed viable are due to be returned to the private sector and might receive special financial assistance from the banks, while the others are to be liquidated. But it is still difficult to assess practical developments in this area. A new foreign investment code has also been published which is more liberal both as regards possibilities of transferring profits and in the matter of exchange guarantees. With regard to the management of private enterprises, the right to strike has been made subject to regulation. Lastly, in August 1977 it was decided to authorise enterprises to suspend work contracts for economic reasons, workers receiving unemployment benefit and retaining priority entitlement to be rehired.

With regard to the land reform, a new law voted in August 1977 extends the rights of private landowners in some cases while penalising those who do not exploit the land themselves. Furthermore, the law encourages the establishment of co-operatives rather than that of collective units operated by workers. The practical application of this law has met with some difficulties. A new law concerning land tenants was also published at the same time. Furthermore, the agricultural credit system was revised considerably with the establishment of a specialised institute (IFADAP). However the persistence of tensions in the agricultural sector is making it difficult to implement long-term measures.

IV PROSPECTS AND ECONOMIC POLICY ISSUES

The outlook for 1978

When the Economic and Development Review Committee of the OECD conducted its annual review of the Portuguese economy on 9th December 1977, the Government had just lost a vote of confidence in Parliament and therefore the

³⁸ The text of this law has just been published but not all the technicalities of its implementation are yet known. The securities in question might be used to finance investment on certain conditions. The debt servicing burden on account of these operations has been estimated by the Portuguese experts at about 6 billion escudos in 1978, but delays in implementation might mean that the first payments will not take place until 1979.

Portuguese representatives had to reserve their position concerning the economic policies that may be applied in 1978. In fact, before the economic policy options of the Government to be formed are known it is not possible to discuss the economic prospects for 1978 in any precise terms. The previous Government had formulated broad macro-economic objectives for the coming year, and although policy was not determined in all details, its general orientation, imposed by the need to reduce the external deficit, was clearly towards restraint. The draft budget, submitted to Parliament by the previous Government, is quite restrictive. Public consumption, which was an important expansionary factor in recent years, is planned to stagnate in real terms. Transfers by general government are forecast to remain at approximately the same level in current prices. And the ratio of taxes to GDP should rise to 27.3 per cent, compared with 26.4 per cent in 1977. The restrictive impact on demand of the public sector's current transactions should, however, be partly offset by a rapid increase of capital expenditure. Monetary policy should also be more restrictive than in 1977. Interest rates were increased substantially last August and the monetary authorities declared their intention to control more closely the sectorial distribution of credit. Quantitative ceilings on the expansion of bank credit were envisaged, but the modalities had not been defined. Finally, it was envisaged that wage increases would remain subject to a ceiling to be negotiated with the social partners.

The official macro-economic objectives for 1978 were considered compatible with the priority aim of reducing substantially the current external deficit to about \$800 million. It was expected that real GDP could rise by 3 to 4 per cent, reflecting exclusively net stimulus from the foreign sector while total domestic demand would stagnate in real terms. A very weak volume increase of private consumption was expected, while the volume of public consumption would remain approximately at its 1977 level. A fairly rapid increase of fixed investment (of the order of 8 per cent) would be more than offset by the negative contribution of stockbuilding to GDP. The volume of exports was forecast to expand at a fairly good pace but that of imports to decline considerably. As for consumer prices, an average annual increase of about 20 per cent was envisaged.

The gaps in basic economic statistics (the official national accounts for 1976 are not yet available) and uncertainty about the most recent conjunctural trends, following the policy measures taken last August, make it difficult to assess these quantitative objectives in detail — quite apart from the fact that, as noted, policies for 1978 are not yet decided. The balance of risks can, however, be considered, bearing in mind the present outlook for rather moderate expansion of demand in the OECD area and world trade. A major risk concerns inflationary developments. The purchasing power of wages probably declined significantly in 1977 and if wage-earners were to make up for this in 1978, there would be a danger of an acceleration in the price-wage spiral. Though it is not certain that the net result would be a significantly stronger expansion of activity, very rapid inflation would evidently have very unfavourable effects on the balance of payments.

On the other hand, if the total wage bill were to decrease in real terms, private consumption would probably decline since the maintenance of current transfers in nominal terms and the higher tax ratio contained in the draft budget would also depress households' disposable income. It is, however, the official objective for fixed investment that appears too optimistic. Although the budget provides for a large increase of capital expenditure, this includes also financial operations. Moreover, large public investment projects in industry have a high import content and some of them are likely to be postponed in order to reduce the trade deficit. With regard to private investment, while construction activity may continue to expand, investment in machinery and equipment will probably be held back by weak demand prospects and the increased cost of credit.

The development of stockbuilding, which seems to have made a very important contribution to the growth of demand in 1977, is a major point of uncertainty for

1978. According to the Portuguese experts the level of stockbuilding has probably represented some 5 per cent of GDP in 1977 (at current prices) and should be only around 2.5 per cent in 1978, partly due to a more restrictive monetary policy. This is a very important assumption underlying the official projections, which is very difficult to test in the absence of reliable data on the present level of stocks and of precise indications about the degree of monetary restraint to be applied in 1978.

It is on the basis of such a reduction in stockbuilding, of a lower volume of food imports to be effected by official agencies and of a slowdown in public investment projects having a high import content, that the Portuguese experts projected a significant decline in the volume of imports — of the order of 6 per cent. This would be difficult to achieve, even with a marked stock adjustment, if real GDP were to grow by 3 to 4 per cent. The average long-term elasticity of imports to GDP has been about 1.5, while agricultural and industrial raw materials and semi-finished products represent some 70 per cent of total imports and no significant substitution of domestic production for imports can be expected in a short timespan. On the other hand, in view of present prospects for world trade, the forecast by the Portuguese experts of a 7 per cent volume increase in merchandise exports seems to imply important gains in market shares, that would contrast with recent developments and would not appear probable given the present commodity structure of exports. The increase in invisible receipts recorded in 1977 reflected partly the reversal of abnormal movements in the two previous years but a further significant increase would seem quite feasible in 1978. However, interest payments on foreign debt are an increasingly important burden on the current balance of payments. The general outlook is for some reduction of the current deficit in 1978, assuming a generally restrictive orientation of policy and taking account of the probable deceleration in economic activity in the fourth quarter of 1977 following the recent policy measures. However, it would seem difficult to achieve as great a reduction in the deficit as was officially projected if GDP were to grow by 3 to 4 per cent in real terms, especially in view of the weak prospects for foreign demand.

Problems of economic policy and conclusions

Portugal continues to be faced with serious economic problems; unemployment is still very high despite the considerable recovery of output over the last twelve months or so; rapid inflation persists; and the current external deficit remains very large. The domestic and external causes of the last few years' unfavourable developments were recalled earlier on in this Survey. During the more recent period, the more important negative factors were delays in appropriate policy action and the effects — direct and indirect — of the weak development of world trade. Correct assessment of the present situation is difficult due to the lack of adequate and up-to-date statistics, despite progress made recently in this field. The general trend of the economy is, however, sufficiently clear for an evaluation of the main policy issues. The evidence available does not warrant exaggerated pessimism, as there are a number of positive aspects in recent economic developments. More importantly, it is clear that appropriate policy measures could produce significant improvements in the situation.

The recent policy experience

A major unfavourable development in 1977 was that, contrary to official expectations, the current external deficit remained roughly at its peak level of 1976 (about \$1.2 billion). This would not be surprising if real GDP grew by around 6 per cent, as officially estimated, i. e. distinctly faster than in most of the country's major trading partners, while domestic demand expanded at an even higher rate. Investment in machinery and equipment and stockbuilding in industry (demand components with a very high import content) apparently increased very rapidly, at least until the late

summer. The upswing in investment, and the simultaneous weakening of private consumption in real terms, corresponded to official objectives. But the unexpectedly vigorous demand of enterprises illustrates the difficulties of an adequate policy mix. The measures adopted in the early months of 1977 — mainly in the areas of fiscal and price and income policies — have depressed real wages and improved the very difficult financial position of enterprises. These measures, however, were not accompanied by sufficiently important changes in monetary and interest rate policies. Thus, capital expenditure grew at a faster pace than was allowed by the balance of payments constraint. And, despite the devaluation of February 1977, expectations of further depreciation of the currency boosted import demand, which was financed by both rising profits and relatively easy credit conditions.

The set of measures adopted in late August indicated important changes in the orientation of policy and the weakening of long-standing inhibitions to use certain normal policy instruments. The indispensable role of monetary and credit policy in any stabilization effort was belatedly recognised and interest rates were raised considerably. The latter is remarkable in view of several decades' reluctance to use the interest rate instrument for either demand management or resource allocation purposes. There has also been progress towards a more pragmatic and flexible exchange rate policy. At the same time, circumstances have reduced the attachment to the gold stock. It is generally agreed that the official reserves should not be depleted to finance the external deficit for a short period but, until recently, many circles considered only the gold component as intangible, neglecting the costly increases in foreign official liabilities.

Thus, in considering the persistence of a substantial external deficit in 1977, allowance should be made for the temporary factors that have boosted imports and for the fact that certain important policy measures are too recent for their results to be fully perceived yet. It is more difficult to assess the underlying rate of inflation. Consumer prices are expected to rise in 1977 by about 27 per cent on a yearly average, but their sharp increase last spring was largely the direct result of policy measures. The index showed no increase from May to September, partly due to seasonal factors and the price freeze for certain basic commodities, but the rise in unit labour costs has probably also slowed down considerably. A process of improvement is probably under way, which it is the task of policy to reinforce in 1978. Extra-economic factors may compound the difficulties at present but the available evidence shows that progress towards reducing the external and internal imbalances is feasible.

The tasks of policy in 1978

The margin for action by the Portuguese authorities is very narrow, because an overriding consideration for the formulation of short-term policies is the need for a sizeable reduction of the current external deficit. This was financed to a large extent in 1977 by short-term borrowing abroad on the part of the Central bank, which falls due in 1978. A considerable volume of long-term funds from official sources is expected to become available this year under certain conditions, which could finance a large part of the current deficit, if this were brought down to about \$800 million according to the official target. The authorities apparently cannot count on any substantial inflow of private long-term capital before prospects for the economy improve very significantly. Taking account of the expected modest growth of world trade in 1978, such a considerable reduction of the current deficit will be difficult to achieve without resolute stabilization measures. But it will also be difficult to ensure that such measures are compatible, as far as possible, with longer-term economic objectives.

Undoubtedly Portugal, like other countries in a similar situation, would benefit if action were taken to speed up the growth of demand, and hence of imports of goods and services, in Member countries which are not faced with serious inflation or balance of payments problems. But other difficulties in the way of export growth would remain. For certain export sectors world demand is expected to be weak for a

relatively long period — e.g. shipbuilding and some forest-based industries. Agricultural and food exports are faced with well-known problems of access to markets. Moreover, important categories of textile exports have been the object of restrictive measures in several foreign markets in recent years. Thus, to recall the famous example, Portugal cannot export freely either wine or “cloth”. But any significant diversification of the pattern of exports will take a long time. It is, therefore, ineluctable to seek to reduce the volume of imports and, in the short run, this can only be achieved by restricting domestic demand. The recent tightening of monetary conditions will probably bring down the level of stockbuilding; and the decision to postpone certain import-intensive investment projects seems entirely justified. In present circumstances, however, all components of domestic demand need to be checked, to some extent, including construction and public consumption whose direct import content may be small, but the indirect one much greater.

There is a clear need at present for restrictive fiscal and monetary policies, but the degree and nature of the restraint to be sought raise very difficult options for the authorities. A very marked slowdown of GDP growth would exacerbate the serious unemployment problem. On the other hand, if the action taken is not strong enough, there could be a protracted period of moderate but insufficient growth without any substantial reduction in the external and internal imbalances. Above all, the scope for policy action is severely circumscribed by the external finance available. A gradual reduction of the current external deficit could be achieved with less drastic restrictions on domestic demand, but the financing constraint seems to call for a rather rapid adjustment. In these circumstances, the best results may be achieved by rigorous restraint being applied during a short period and demand management being progressively relaxed thereafter. There are examples of other countries where surprisingly good results in the current balance of payments resulted from a change in inflationary expectations, especially in cases where services and current transfers are relatively important as in the Portuguese balance of payments. Another difficult option is the comparative pressure to be put on private consumption and other elements of domestic demand within a generally restrictive policy — an issue where short-term and longer-term considerations may point to different conclusions. Given the decline of real wages in 1977, it is unlikely that private consumption could carry most of the burden of adjustment in 1978. A temporary restraint on investment, which could produce quick and sizeable effects on the balance of payments, seems inevitable.

Unless fiscal and monetary policies are supplemented by price and income policies, the stabilisation goal could only be achieved at very great cost in terms of output and employment. It was envisaged to set again, in 1978, a limit on wage and salary increases. As happens usually, this limit was being discussed with reference to the previous year's very high increase in consumer prices which included, as noted earlier, a large policy-induced component. On the other hand, the draft budget for 1978 provides again for considerable increases in indirect taxes. It is important to prevent that, after promising signs of deceleration, the inflationary spiral worsens again, and this might occur even with slow growth of output and little increase in the purchasing power of wages. The relative importance of inflationary factors (wages or profits, private or public pricing decisions, etc.) may change over time, but with an inflation rate of over 20 per cent longer-term policies can hardly begin to be applied. However difficult, all possible methods for breaking away from this pernicious cycle — other than savage deflation — should be explored and a more ambitious target for the deceleration of inflation in 1978 could well be envisaged. For example, the wage increases to be agreed could be granted in instalments during the course of the year; the present arrangements for prices of a few essential commodities could be prolonged; and increases of indirect taxes and public tariffs should not be decided merely with reference to a “budget balance” that might reflect inflationary increases of both expenditure and revenue. Any social consensus that could lead to moderation of primary incomes would, naturally, facilitate other action in the field of price and income policies.

Some longer-term aspects

Along with the efforts to cope with urgent short-term problems, work for the elaboration of medium-term policies has continued during the period under review. A medium-term Plan was published last June, but its examination by Parliament was postponed. It will be first considered by the consultative National Planning Board, which includes representatives of parliamentary committees, trade unions, employers' organisations and regional authorities. Opinions can differ with regard to the purely economic content of this medium-term Plan, for example on certain macro-economic projections or sectorial choices for investment. However, a great amount of useful work was done for its preparation and it is important that these studies should be continued and improved, in consultation with representatives of various social groups. It would be futile to expect any quantitative blueprint for medium-term developments not to be overtaken by unforeseen events rather quickly. But the essence of realistic planning — at least in market-oriented economies with a large foreign sector — is not what is sometimes considered as the main element of a "plan", namely neat tables of rates of change and percentage shares, however necessary checks of consistency may be. Other aspects of the "planning" work, not confined to the scrutiny of large investment projects, are much more important. Analysis of long-term problems can identify necessary policy initiatives (a good example being the recent reorganisation of agricultural credit) and can be of great value in the choice of current policy measures. It was argued, for instance, in earlier OECD Surveys that tax and low interest-rate policies discriminated against labour-intensive industries. If this view were confirmed by detailed analysis, the level of social security contributions as a percentage of wages, following its increase in 1977, may be too high and therefore probably detrimental to the solution of the country's massive unemployment problem. There is an evident need for continuous work on such problems in an appropriate organisational framework, whatever may be decided in due course concerning the formal approval of a medium-term plan.

Successful stabilization measures are a necessary prelude to, but not a substitute for, the implementation of longer-term policies. The phase of adjustment will be difficult, but active international co-operation could contribute significantly to the solution of the country's problems. Portugal is the last country that could envisage prolonged demand restraint after the necessary stabilization period, in view of her experience with several decades of "sound" policies which hindered economic development and, in particular, the creation of sufficient productive job opportunities at home. But attainment of a sustainable high rate of growth in the future will require, apart from a reasonably favourable international environment, profound structural changes in the economy and improvements in the methods of economic management. There are difficult tasks ahead, in particular: to raise the productivity of the long-neglected agricultural sector; to adapt the structure of industrial output and investment to the changed pattern of foreign and domestic demand; to remove progressively the structural weaknesses of the balance of payments; for example, by substituting domestic production for certain food imports and through export promotion and diversification; the latter will imply considerable investment, but not necessarily in the sectors selected many years ago. Above all, it will be necessary to promote selected labour-intensive industries, without unduly detrimental effects on productivity, in order to solve gradually the country's serious employment problem. The implementation of such structural reforms and of policies of economic development will require, over the next few years, a net inflow of real resources from abroad, in other words a reasonable deficit in the current balance of payments, which should be financed by appropriate long-term capital inflows. If stabilization policies are successfully applied in 1978, the resulting improvement in the country's creditworthiness will facilitate the solution of its medium-term problems.

Annex

**MAIN ECONOMIC POLICY MEASURES
TAKEN SINCE THE BEGINNING OF 1977**

1st January

Wages of civil servants raised by 15 per cent.

20th January

Social security contributions raised from 23.5 to 26.5 per cent of wages (19 per cent payable by the employer and 7.5 per cent by the employee).

21st January

Price of petrol increased by 20 per cent to 21 escudos per litre.

5th February

Restrictions placed on bank financing of imports of consumer goods.

February

“Programme No. 1” introduced, its main constituents are the following;

- Devaluation of the escudo by 15 per cent against the dollar;
- Establishment of an exchange guarantee fund to underwrite exchange rate risks for loans contracted abroad;
- Introduction of import quotas for certain products representing about 6 per cent of total imports in 1976;
- Increase of 20 per cent in the transactions tax;
- Raising of the discount rate from 6 per cent to 8 per cent, 9.5 per cent or 12 per cent depending on the amount to be discounted with the central bank;
- Reopening of the stock exchange for share transactions;
- Minimum wage raised by 12.5 per cent to 4 500 escudos per month; pegging of wage growth at 15 per cent for 1977; introduction of a minimum wage of 3 500 escudos per month in agriculture for permanent employees; introduction of a maximum wage of 50 000 escudos;
- Definition of a “basket” of 16 essential products whose prices were frozen until the end of 1977 after being raised by more than 20 per cent; introduction of a system of ex-post price checks for other products.

31st March

Import surcharge and deposit scheme extended until the end of 1977.

8th July

Legislation passed defining the boundaries of the nationalised sector.

24th August

Foreign investment code published.

26th August

Regulations laid down for the right to strike with 48 hours' notice.

29th August

“Programme No. 2” comprising the following measures :

- Adoption of a crawling-peg exchange rate system for the six months to follow, with an escudo depreciation of 1 per cent per month against a basket of currencies, an exchange guarantee being given by the Bank of Portugal on forward markets;
- Raising of the basic discount rate from 8 to 13 per cent (and up to 18 per cent for the third tranche) and of the banks' lending and borrowing rates by 4 to 4.5 per cent, with interest subsidies for farm, housing, export and investment credit;

- Authorisation for commercial banks to grant medium- and long-term credit and for non-residents to open foreign currency accounts with banks; establishment of an interbank market;
- Increase in the price of petrol from 21 to 26 escudos per litre;
- Authorisation for firms to suspend work contracts on account of economic difficulties.

29th September

New land reform legislation extending property owners' rights of retention and amending farm credit arrangements; legislation on land tenants.

26th October

Legislation enacted on compensations: compensations will be made through the allocation of government bonds, in part non-negotiable, with maturities of 6 to 22 years and carrying interest of between 2.5 and 12 per cent, with the interest decreasing as maturity increases.

STATISTICAL ANNEX

Table A National Product and Expenditure
Million escudos

	1971	1972	1973	1974	1975
<i>Current prices</i>					
Consumers' expenditure	141 632	155 259	190 656	257 007	304 122
Government current expenditure	27 650	31 841	37 106	49 136	57 983
Gross fixed asset formation	37 259	47 526	57 256	66 761	73 992
Change in stocks	6 294	8 295	16 667	17 526	-12 378
DOMESTIC EXPENDITURE	212 835	242 921	301 685	390 430	423 719
Exports of goods and services (excluding factor income)	48 064	60 775	72 602	87 745	74 067
Imports of goods and services (excluding factor income)	62 576	72 491	93 211	140 161	121 050
GROSS DOMESTIC PRODUCT AT MARKET PRICES	198 323	231 205	281 076	338 014	376 736
<i>plus:</i> Net income from the rest of the world	415	578	2 109	3 279	-369
GROSS NATIONAL PRODUCT AT MARKET PRICES	198 738	231 783	283 185	341 293	376 367
<i>1963 prices</i>					
Consumers' expenditure	107 125	108 082	123 709	134 062	135 145
Government current expenditure	19 158	20 808	22 431	26 315	27 906
Gross fixed asset formation	27 666	31 904	35 270	33 937	29 236
Change in stocks	4 808	5 904	10 781	9 312	-5 725
DOMESTIC EXPENDITURE	158 757	166 698	192 191	203 626	186 562
Exports of goods and services (excluding factor income)	37 230	44 136	45 980	38 757	32 715
Imports of goods and services (excluding factor income)	49 467	52 421	62 432	65 404	48 909
GROSS DOMESTIC PRODUCT AT MARKET PRICES	146 520	158 413	175 739	176 979	170 368
<i>plus:</i> Net income from the rest of the world	264	320	1 035	1 286	-126
GROSS NATIONAL PRODUCT AT MARKET PRICES	146 784	158 733	176 774	178 265	170 242

NOTE Revised estimates published in 1977. Private consumption and part of stockbuilding are obtained as residuals. Basic national accounts data refer to mainland Portugal only (exclusive of islands), whereas the balance of payments covers the whole of the country.

Source: National Statistics Institute.

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

	1971	1972	1973	1974	1975
<i>Current prices</i>					
Agriculture, forestry and fishing	30 015	33 254	41 071	47 326	54 446
Mining and quarrying	955	1 072	1 232	1 880	2 028
Manufacturing	59 117	70 895	88 042	112 653	114 817
Electricity, gas and water	4 714	5 271	5 788	6 254	6 976
Construction	11 127	13 373	16 222	21 488	22 619
Transport and communications	11 610	13 269	15 840	19 843	22 960
Wholesale and retail trade	23 298	26 438	33 044	37 576	41 978
Banking, insurance and real estate	6 432	7 562	9 998	12 190	13 833
Ownership of dwellings	4 963	5 738	6 138	6 953	7 914
Public administration and defence	11 631	14 107	15 632	17 376	21 724
Other services	14 810	17 579	21 174	25 023	33 340
GROSS DOMESTIC PRODUCT AT FACTOR COST	178 672	208 558	254 181	308 562	342 635
<i>1963 prices</i>					
Agriculture, forestry and fishing	18 365	18 444	19 590	19 226	18 712
Mining and quarrying	683	706	818	947	959
Manufacturing	49 782	55 790	63 983	65 943	59 534
Electricity, gas and water	4 296	4 895	5 409	6 157	6 352
Construction	8 211	8 432	9 248	9 575	8 063
Transport and communications	9 183	10 084	11 143	12 416	11 439
Wholesale and retail trade	16 841	17 921	20 254	17 775	16 955
Banking, insurance and real estate	4 089	4 324	5 061	4 929	4 781
Ownership of dwellings	4 153	4 316	4 547	4 740	4 911
Public administration and defence	8 641	10 072	10 610	11 457	13 055
Other services	9 784	10 875	11 879	12 260	14 000
GROSS DOMESTIC PRODUCT AT FACTOR COST	134 028	145 859	162 542	165 425	158 761

NOTE Revised estimates published in 1977.

Source: National Statistics Institute.

Table C **Gross Domestic Fixed Asset Formation**
Million escudos

	1968	1969	1970	1971	1972	1973	1974	1975
<i>Current prices</i>								
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	24 433	27 294	31 255	37 259	47 526	57 256	66 761	73 992
Breakdown by product:								
Residential construction	3 629	4 322	4 441	4 850	6 665	9 188	13 452	14 316
Other construction	10 620	10 370	12 421	15 156	18 480	23 405	26 971	33 598
Equipment and machinery	10 184	12 602	14 393	17 253	22 381	24 663	26 338	26 078
Breakdown by branch of activity:								
Agriculture, forestry and fishing	2 042	2 193	2 131	2 353	2 599	3 378	3 115	4 027
Mining and quarrying	114	169	233	164	185	173	241	502
Manufacturing and construction	7 290	8 471	10 416	12 530	14 893	17 472	23 110	24 226
Electricity, gas, water	2 473	2 509	2 642	3 051	3 611	4 118	5 327	7 281
Transport and communications	4 252	4 191	5 560	7 069	10 545	11 114	9 544	13 707
Dwellings	3 629	4 322	4 441	4 850	6 665	9 188	13 452	14 316
Other services	4 633	5 439	5 832	7 242	9 028	11 813	11 972	9 933
Breakdown by sector:								
Public administration	3 371	3 813	3 865	4 589	5 243	5 796	6 831	9 068
Enterprises	21 062	23 481	27 390	32 670	42 283	51 460	59 930	64 924
<i>1963 prices</i>								
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	20 741	22 605	25 209	27 666	31 904	35 270	33 937	29 236
Breakdown by product:								
Residential construction	3 076	3 600	3 640	3 559	4 680	6 089	7 905	6 117
Other construction	8 964	8 588	10 079	11 073	11 604	13 286	12 079	12 043
Equipment and machinery	8 701	10 417	11 490	13 034	15 620	15 895	13 953	11 076

BREAKDOWN BY BRANCH OF ACTIVITY:

Agriculture, forestry and fishing	1 700	1 772	1 618	1 669	1 722	2 031	1 581	1 685
Mining and quarrying	97	140	188	121	127	110	124	186
Manufacturing and construction	6 213	7 012	8 369	9 396	10 144	10 881	11 586	9 651
Electricity, gas, water	2 100	2 084	2 152	2 259	2 303	2 396	2 424	2 652
Transport and communications	3 616	3 475	4 507	5 267	6 973	6 689	4 583	5 159
Dwellings	3 076	3 600	3 640	3 559	4 680	6 089	7 905	6 117
Other services	3 939	4 522	4 735	5 395	5 955	7 074	5 734	3 786

Breakdown by sector:

Public administration	2 858	3 177	3 158	3 395	3 362	3 371	3 119	3 298
Enterprises	17 883	19 428	22 051	24 271	28 542	31 899	30 818	25 938

NOTE Revised series as from 1970. Earlier data are not strictly comparable.

SOURCE: National Statistics Institute.

Table D Agricultural Production

	Unit	Average 1953- 1962	1969	1970	1971	1972	1973	1974	1975	1976
Cereal production										
Wheat	100 tonnes	6 332	4 536	5 482	7 937	6 043	5 169	5 336	6 012	6 800
Rye, barley and oats	—	3 548	3 011	2 833	3 780	3 115	2 696	3 164	3 525	4 010
Maize	—	4 760	5 526	5 814	5 264	5 185	5 086	4 855	4 513	3 570
Rice	—	1 613	1 758	1 947	1 616	1 639	1 676	1 295	1 327	890
Potatoes and vegetables										
Potatoes	—	10 540	11 264	12 200	11 239	11 389	10 862	11 145	10 126	8 530
Broad beans, French beans, chick-peas	—	1 080	1 006	1 004	1 047	939	915	809	802	700
Wine	1 000 hl	10 745	8 081	11 328	8 835	8 196	11 086	13 873	8 773	8 130
Olive oil	—	918	790	735	458	588	457	526	539	379
Cattle slaughtered										
Horned cattle	Tonnes	88 642	155 929	156 119	144 704	149 160	169 093	173 520	196 611	183 077
Sheep and goats	—	38 766	79 908	88 851	76 350	73 969	81 580	84 770	92 069	79 821
Hogs	—	11 509	14 174	14 947	11 705	9 928	12 229	12 293	12 300	11 181
	—	38 367	61 847	52 321	56 649	65 263	75 284	76 457	92 242	92 075
Fish landings	—	312 870	319 051	352 004	328 149	327 367	357 157	277 108	269 837	272 297

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

Table E Population by Main Age Groups
Thousands

	1965	1970	1973	1974	1975	1976
Total	9 122	9 013	8 978	9 218	9 633	9 693
Age groups 0-19	3 452	3 369	n.a.	n.a.	3 535	3 557
20-59	4 525	4 390	n.a.	n.a.	4 717	4 747
60 +	1 145	1 254	n.a.	n.a.	1 381	1 389

NOTE: End-of-year estimates, resident population of mainland Portugal and islands. The figures presented in the table belong to a new series of population calculated by INE which should be published in 1978. The series comprises census data (the last census was carried out in 1970) and inter-censal annual estimates and runs back as far as 1940. The recent important changes in migration patterns were taken into account, though the actual method of computation is not yet known.

Sources: National Statistics Institute; information provided to the Secretariat.

Table F Employment Indicators

	1970	1971	1972	1973	1974	1975	1976
Fishing	100	117.1	99.1	90.2	85.4	82.4	78.0
Mining	100	97.2	94.5	94.6	96.7	92.8	90.8
Manufacturing	100	100.1	100.2	101.4	101.9	101.0	101.7
Construction	100	102.2	106.5	110.4	114.6	105.9	105.7
Electricity, gas and water	100	100.5	99.0	96.7	97.3	99.0	102.5
Transport and communications	100	102.6	104.3	105.7	110.2	114.0	119.5
Miscellaneous services ¹	100	102.7	104.7	108.8	111.4	112.6	114.0
Total, non-agricultural	100	101.3	101.8	103.5	104.7	103.4	104.4

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 G Prices and Wages
Indices, 1963 = 100

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Consumer prices¹										
Lisbon	118.3	123.8	132.4	140.6	152.4	165.9	185.0	239.0	287.7	343.1
Porto	114.9	121.3	132.5	136.7	145.2	159.5	175.7	222.7	268.2	312.7
Coimbra	113.1	117.9	126.0	129.4	137.9	147.7	159.8	206.8	252.7	296.0
Evora	117.7	121.3	126.8	132.4	141.2	151.4	168.8	210.6	257.5	311.3
Viseu	115.2	120.2	125.9	130.1	141.3	151.2	163.4	211.0	252.4	298.0
Faro	116.3	122.8	132.6	137.9	149.3	167.5	182.0	221.8	266.6	311.7
Wholesale prices (Lisbon)										
Manufactured products	112.5	116.7	120.8	125.0	127.5	135.0	150.0	193.6	218.3	260.2
Food products	117.8	117.8	118.7	118.7	122.4	130.8	144.8	165.1	171.9	192.1
	112.5	114.3	121.4	124.1	130.4	139.3	146.4	189.2	249.8	303.2
Wages in industry and transports										
Lisbon	129.6	140.9	157.1	175.7	194.5	211.3	240.5	318.1	377.5	422.4
Porto	147.7	159.6	175.5	193.8	219.7	247.7	272.0	376.8	481.9	536.8

¹ Total, excluding gross rent.

Source: National Statistics Institute.

Table H National Consumer Price Index
1976 = 100

	1977				
	Q1	Q2	Q3	Oct.	Nov.
Total (less housing)	115.2	128.3	129.8	130.7	132.5
Food and drink	118.2	135.5	134.1	134.8	138.0
Clothing and footwear	112.0	115.6	118.0	118.0	118.0
Miscellaneous	110.2	117.5	122.2	124.4	124.4
Housing	112.2	124.4	133.1	133.1	133.1
Memorandum item:					
Lisbon consumer price index					
Total (less housing)	118.1	129.4	126.8*	127.4*	128.4*

NOTE Mainland Portugal. This is the first general consumer price index available for Portugal. Monthly figures have been published for most categories from January 1977, but the corresponding data for 1976 are not known.

* Revised figures not incorporated into the main text of the survey.

Source: National Statistics Institute.

Table I General Government Revenue and Expenditure
National accounts basis, standardized concepts
Billion escudos

	1968	1969	1970	1971	1972	1973	1974	1975
CENTRAL GOVERNMENT								
Current revenue	22.80	25.79	31.19	32.91	37.41	43.11	53.02	61.76
Taxes and current transfers received	21.73	24.83	30.12	31.86	35.77	41.62	51.74	60.82
Income from property and entrepreneurship	1.07	0.96	1.07	1.05	1.64	1.49	1.28	0.94
Current expenditure	21.29	22.68	27.45	29.63	33.27	37.27	53.75	71.33
Goods and services	17.16	18.66	22.22	23.96	26.63	30.25	39.79	45.83
Current transfers paid	4.13	4.02	5.23	5.67	6.64	7.02	13.96	25.50
CURRENT SAVING	1.52	3.12	3.74	3.28	4.14	5.84	-0.73	-9.57
Net capital transfers paid (—)	0.34	-0.03	0.51	0.41	-0.96	0.36	-0.29	-4.85
Gross fixed investment	2.22	2.59	2.53	2.60	3.43	3.50	5.07	6.48
NET BORROWING (—) OR LENDING	-0.36	0.50	1.72	1.09	-0.24	2.70	-6.09	-20.90
Lending	1.48	1.97	1.75	3.31	7.69	1.50	2.32	1.34
Borrowing at home	-1.10	-0.88	-1.22	-1.43	-6.12	-4.56	-9.37	-36.15
Borrowing abroad	0.56	0.24	0.31	0.34	-0.06	-0.07	0.02	0.38
Increase (+) or decrease (—) of cash reserves ¹	-1.30	-0.83	+0.88	-1.13	-1.75	+5.83	+0.94	+13.53
CONSOLIDATED ACCOUNT OF GENERAL GOVERNMENT								
Current revenue	31.31	35.84	43.09	46.60	54.00	63.78	77.86	93.17
Taxes and current transfers received	29.56	34.11	41.11	44.65	51.46	61.19	75.56	91.42
Income from property and entrepreneurship	1.75	1.73	1.98	1.95	2.54	2.59	2.30	1.75
Current expenditure	27.10	28.97	34.62	37.94	46.13	54.81	76.65	102.46
Goods and services	19.58	21.21	25.25	27.65	31.84	37.11	49.14	57.98
Current transfers paid	7.52	7.76	9.37	10.29	14.29	17.70	27.51	44.48
GROSS SAVING	4.21	6.87	8.47	8.66	7.87	8.98	1.20	-9.29
Depreciation provisions					0.10	0.10	0.09	0.06

CURRENT SAVING	4.21	6.87	8.47	8.66	7.97	9.08	1.29	-9.23
Net capital transfers paid	0.52	0.21	0.78	0.71	-0.44	1.31	1.08	-1.11
Gross fixed investment	3.81	4.58	4.47	5.13	5.91	6.43	7.87	10.28
NET BORROWING (—) OR LENDING	0.92	2.50	4.78	4.24	1.61	3.96	-5.49	-20.63
Lending	1.78	2.81	2.33	3.86	7.90	1.88	2.50	-0.94
Borrowing at home	-0.46	-0.34	-0.85	-0.59	-5.63	-4.26	-9.91	-37.99
Borrowing abroad	0.56	0.24	0.31	0.34	-0.06	-0.07	0.02	0.38
Increase (+) or decrease (—) of cash reserves ¹	-0.96	-0.21	+2.99	+0.63	-0.60	+6.41	+1.90	+17.92

¹ Including adjustment.

Source: National Statistics Institute.

Table J The Money Supply and its Counterparts
Billion escudos at end of period

	1971	1972	1973	1974	1975	1976
TOTAL MONEY SUPPLY	189.0	234.8	301.3	342.3	385.4	453.0
Money	104.9	122.3	165.6	182.5	227.2	251.5
Notes and coins in circulation	31.9	36.1	38.3	69.7	109.8	107.0
Sight deposits households and enterprises	73.0	86.2	127.3	112.8	117.4	144.5
Quasi-money	84.1	112.5	135.7	159.8	158.2	201.5
COUNTERPARTS						
Gold and foreign exchange reserves, net	58.3	68.5	76.9	62.4	38.9	15.2
IMF position	0.9	0.9	0.9	0.9	—	—
Net lending to the public sector	-4.6	2.1	-1.0	9.1	33.4	59.0
Lending to the non-monetary financial sector	0.2	0.3	0.5	4.6	12.6	18.1
Lending to enterprises and households	153.1	187.4	249.0	288.5	313.8	371.8
Miscellaneous, net	-18.9	-24.4	-25.0	-23.3	-13.2	-11.1

Source: Annual Reports of the Bank of Portugal.

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

SECTOR	1973	1974	1975	1976	
				I	II
Public sector	25.2	36.9	66.9	81.4	115.2
Non-monetary financial sector	0.5	4.6	12.6	17.2	18.1
Enterprises and households	249.0	288.5	313.8	330.0	371.8
SOURCE OF FINANCE					
Commercial banks	213.2	238.5	255.1	268.2	309.8
CGDCP ¹ and saving banks	55.5	74.2	89.7	95.2	104.3
Bank of Portugal ²	6.0	17.4	48.3	65.2	91.0
METHOD OF FINANCING					
Shares and bonds portfolio	24.4	31.3	56.6	68.9	100.3
Commercial portfolio	167.7	200.9	220.7	228.3	262.9
Loans and other credit operations (in escudos)	82.6	97.9	115.9	131.4	141.9
Total	274.7	330.0	393.2	428.6	505.1

1 Caixa Geral de Depositos, Credito e Previdencia.

2 Net of credit to monetary sector.

Source: Annual Reports of the Bank of Portugal.

Table L Structure of Interest Rates
Percentages

	21/12/74	19/12/75	1/7/76	26/2/77	29/8/77
DISCOUNT RATE	7.5	6.5	6.5	8.0-12.0	13.0-18.0
LENDING RATES					
Up to 90 days	7.75	4.50-7.75	4.50-8.75	5.25-10.25	9.75-14.75
Between 90 days and one year	8.25-9.25	5.00-9.50	5.00-10.50	5.75-12.00	10.25-16.50
More than a year	10.50-12.50	10.75-12.75	11.25-13.25	7.75-14.75	17.00-18.75
BORROWING RATES					
Sight deposits:					
— of enterprises	0.0	0.0	0.0	0.0	0.0
— of individuals up to 70 000 escudos ¹	4.0	4.0	4.0	4.0	4.0
— of individuals more than 70 000 escudos ¹	2.0	2.0	2.0	2.0	2.0
Time deposits of less than 30 days	3.5	—	—	—	—
Time deposits between 30 and 90 days	4.5	4.5	4.5	5.0	6.0
Time deposits between 90 days and one year	6.5-9.0	6.5-9.5	6.5-9.5	7.5-11.0	9.0-15.0
Time deposits of more than one year	9.5-10.5	10.5-11.5	10.5-11.5	12.0-13.0	16.0-17.0

1 In State and special credit institutions. The rate of interest of the commercial banks remained at 1 per cent for the whole of the period.

Source: Bank of Portugal.

Table M Breakdown by Nationality of Foreign Visitors
Thousands

	1968	1969	1970	1971	1972	1973	1974	1975	1976
TOTAL	2 510.7	2 785.4	3 342.9	3 867.0	3 925.3	4 079.7	2 621.8	1 966.4	2 175.4
Germany	88.6	113.2	133.1	170.3	186.8	209.7	167.2	143.8	150.1
Argentina	27.0	35.8	37.5	35.1	—	—	26.8	22.4	11.9
Belgium	23.8	32.2	32.8	39.6	39.3	46.3	30.4	27.2	32.1
Brazil	49.8	56.8	66.6	74.9	—	—	65.2	52.7	43.7
Canada	31.1	38.6	47.4	51.9	56.2	25.0	38.8	22.8	21.7
Spain	1 344.8	1 374.2	1 712.6	2 055.9	2 012.9	2 109.3	1 169.4	856.4	1 049.3
United States	236.9	304.1	354.7	366.1	386.5	345.7	217.6	96.1	82.1
France	140.1	168.1	203.8	215.4	233.2	248.6	152.9	119.1	134.4
Netherlands	29.5	40.6	41.6	47.7	51.8	54.1	37.4	39.5	51.6
Italy	79.3	88.9	79.4	83.3	80.7	80.0	83.7	69.8	66.6
United Kingdom	289.4	339.5	406.2	457.3	492.8	511.6	383.0	284.6	244.6
Sweden	15.4	20.2	26.8	35.4	41.6	42.8	31.6	27.3	49.2
Switzerland	23.6	32.8	32.5	39.0	43.3	50.0	38.5	23.0	23.2
Other countries	131.1	140.5	168.1	195.1	300.1	356.7	179.3	181.7	214.9

Sources: National Statistics Institute, Tourism Statistics.

Table N Foreign Trade by Main Commodity Groups, 1967-1976
 Million US dollars

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
IMPORTS, TOTAL	1 059.2	1 178.4	1 296.1	1 582.4	1 823.0	2 227.2	2 908.3	4 581.5	3 839.6	4 315.9
Food and beverages	157.1	147.4	150.6	180.2	232.9	306.9	402.0	777.2	765.6	742.6
Basic materials	256.1	283.7	305.3	342.4	370.8	443.5	594.1	1 084.6	1 009.9	1 213.7
Manufactures										
Chemicals	95.5	111.7	134.3	158.9	177.8	216.2	312.2	458.8	348.8	507.2
Goods classified chiefly by material	207.5	237.1	266.5	353.8	374.8	392.5	511.4	861.2	583.6	598.7
Machinery and transport equipment	303.3	352.7	386.4	478.0	580.1	759.7	928.5	1 179.0	961.0	1 065.7
Miscellaneous	39.3	45.6	52.8	68.7	86.2	108.8	159.5	220.0	170.4	186.8
Unspecified	0.3	0.2	0.2	0.3	0.4	0.5	0.7	0.7	0.3	1.2
EXPORTS, TOTAL	701.4	761.2	853.0	949.5	1 052.2	1 293.8	1 765.9	2 276.3	1 939.2	1 820
Food and beverages	164.9	174.8	169.9	177.0	182.3	229.5	303.3	333.4	300.4	291
Basic materials	81.5	108.9	128.1	162.6	159.1	180.4	228.5	350.1	265.6	296
Manufactures										
Chemicals	46.3	45.7	51.9	69.5	75.0	84.2	103.1	188.4	125.5	95
Goods classified chiefly by material	297.0	294.6	337.8	335.1	381.8	458.2	632.3	780.7	664.5	594
Machinery and transport equipment	35.8	44.0	60.2	79.6	102.2	152.4	233.1	288.9	256.0	230
Miscellaneous	66.6	83.4	93.1	112.2	139.0	179.3	251.1	323.0	312.8	282
Unspecified	9.2	9.8	12.0	13.5	12.8	9.8	14.5	11.8	14.4	32

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 O Geographical Breakdown of Foreign Trade, 1968-1976
Billion escudos

	1968	1969	1970	1971	1972	1973	1974	1975	1976
<i>Exports</i>									
TOTAL	21.9	24.5	27.3	30.3	35.3	45.4	58.0	49.5	54.7
OECD countries	14.3	16.7	18.3	21.4	27.5	35.8	45.8	39.4	44.0
United States	2.3	2.3	2.4	2.9	3.8	4.4	5.8	3.6	3.7
EFTA ¹	7.3	8.8	9.7	11.3	14.4	18.5	23.0	19.2	20.4
United Kingdom	4.6	5.2	5.6	6.8	8.0	10.8	13.2	10.5	10.0
Sweden	1.1	1.4	1.5	1.7	2.3	2.6	3.6	3.4	4.3
Other EFTA countries	1.6	2.2	2.7	2.8	4.1	5.1	6.2	5.3	6.1
EEC ²	3.6	4.4	5.0	5.7	7.2	9.7	13.1	12.9	16.4
Germany	1.3	1.6	1.7	1.9	2.6	3.4	4.6	5.0	5.9
France	1.0	1.3	1.2	1.4	1.8	2.4	3.5	3.3	4.6
Italy	0.5	0.6	0.8	0.8	1.1	1.4	1.9	1.6	2.1
Netherlands	0.5	0.5	0.8	0.9	0.9	1.2	1.5	1.4	1.9
Belgium-Luxembourg	0.4	0.4	0.4	0.8	0.9	1.3	1.6	1.6	1.9
Other OECD countries	1.1	1.1	1.3	1.5	2.1	3.2	3.9	3.7	3.5
Non-OECD countries including: Previous Escudo area	7.6	7.8	9.0	8.9	7.8	9.6	12.2	10.1	10.7
	5.5	6.1	6.7	6.5	5.2	6.7	6.4	4.2	2.7
<i>Imports</i>									
TOTAL	33.9	37.3	45.5	52.4	60.7	74.8	118.1	97.7	127.4
OECD countries	23.6	26.5	33.2	38.7	45.4	57.3	85.1	68.9	88.2
United States	2.5	1.8	3.3	3.6	5.4	6.1	11.1	12.1	11.5
EFTA ¹	7.5	9.0	11.0	13.0	14.5	17.8	23.6	18.3	26.1
United Kingdom	4.4	5.2	6.4	7.2	7.9	8.5	10.9	8.5	11.9
Sweden	0.9	0.9	1.2	1.4	1.8	3.4	3.6	2.4	3.9
Other EFTA countries	2.2	2.9	3.5	4.5	4.8	5.8	9.1	7.4	10.3
EEC ²	11.3	12.8	15.0	17.2	19.1	24.4	39.4	29.7	37.2
Germany	5.2	5.9	7.0	8.2	9.0	10.8	15.9	11.1	14.9
France	2.3	2.7	3.2	3.5	3.8	5.2	9.2	7.4	8.0
Italy	2.0	2.1	2.4	2.7	3.3	3.9	6.3	4.9	6.0
Netherlands	0.9	1.0	1.1	1.3	1.5	2.4	4.2	3.5	4.8
Belgium-Luxembourg	0.9	1.1	1.3	1.5	1.5	2.2	4.0	2.8	3.5
Other OECD countries	2.3	2.9	3.9	4.8	6.4	9.0	11.0	8.8	13.4
Non-OECD countries including: Previous Escudo area	10.2	10.8	12.3	13.8	15.3	17.5	33.0	28.8	39.2
	5.3	5.6	6.7	6.9	6.7	7.4	12.4	5.1	3.3

1 Former EFTA basis.

2 Former EEC basis.

Source: National Statistics Institute, Monthly Bulletin of Statistics.

Table P Balance of Payments
Million US dollars

	1970	1971	1972	1973	1974	1975	1976
Exports, fob	925	983	1 296	1 855	2 288	1 936	1 813
Imports, fob	1 376	1 614	2 023	2 763	4 277	3 606	3 907
Trade balance	-451	-631	-727	-908	-1 989	-1 670	-2 094
Services, net	61	139	205	153	55	-183	-105
Travel	142	213	263	322	258	101	186
Transport	-44	-22	-35	-72	-145	-128	-170
Investment income	31	16	20	86	129	-14	-133
Government transactions	-75	-84	-88	-179	-225	-172	49
Other services	7	16	45	-4	38	30	-37
Transfers, net	507	664	872	1 104	1 111	1 037	973
Current balance	117	174	350	349	-823	-816	-1 226
Medium and long-term capital	-1	64	-129	-142	272	-107	12
Private	41	76	62	-37	354	-21	28
Official	-42	-12	-191	-105	-82	-86	-16
Short-term and unrecorded	-36	28	56	136	-82	-90	242
Balance of non-monetary transactions	80	266	277	343	-633	-1 013	-972
Private monetary institutions							
short-term capital	-25	39	-4	-6	64	-20	-4
Balance on official settlements	55	305	273	337	-569	-1 033	-976
Use of IMF credit	—	—	—	—	—	—	176
Miscellaneous official accounts	4	21	79	-8	0	346	682
Change in reserves (increase=+)	59	327	353	329	-569	-687	-118

Sources: Memorandum submitted to the OECD by the Portuguese authorities, Bank of Portugal and IMF International Financial Statistics.

INTERNATIONAL COMPARISONS

OECD SALES AGENTS DÉPOSITAIRES DES PUBLICATIONS DE L'OCDE

ARGENTINA - ARGENTINE

Carlos Hirsch S.R.L., Florida 165,
BUENOS-AIRES. ☎ 33-1787-2391 Y 30-7122

AUSTRALIA - AUSTRALIE

International B.C.N. Library Suppliers Pty Ltd.,
161 Sturt St., South MELBOURNE, Vic. 3205. ☎ 699-6388
658 Pittwater Road. BROOKVALE NSW 2100. ☎ 938 2267

AUSTRIA - AUTRICHE

Gerold and Co., Graben 31, WIEN 1. ☎ 52.22.35

BELGIUM - BELGIQUE

Librairie des Sciences,
Coudenberg 76-78, B 1000 BRUXELLES 1. ☎ 512-05-60

BRAZIL - BRÉSIL

Mestre Jou S.A., Rua Guaiupá 518,
Caixa Postal 24090, 05089 SAO PAULO 10. ☎ 261-1920
Rua Senador Dantas 19 s/205-6, RIO DE JANEIRO GB.
☎ 232-07. 32

CANADA

Renouf Publishing Company Limited,
2182 St. Catherine Street West,
MONTREAL, Quebec H3H 1M7 ☎ (514) 937-3519

DENMARK - DANEMARK

Munksgaards Boghandel,
Nørregade 6, 1165 KØBENHAVN K. ☎ (01) 12 69 70

FINLAND - FINLANDE

Akateeminen Kirjakauppa
Keskuskatu 1, 00100 HELSINKI 10. ☎ 625.901

FRANCE

Bureau des Publications de l'OCDE,
2 rue André-Pascal, 75775 PARIS CEDEX 16.
☎ 524.81.67

Principal correspondant :

13602 AIX-EN-PROVENCE : Librairie de l'Université.
☎ 26.18.08

GERMANY - ALLEMAGNE

Verlag Weltarchiv G.m.b.H.
D 2000 HAMBURG 36, Neuer Jungfernstieg 21.
☎ 040-35-62-500

GREECE - GRÈCE

Librairie Kauffmann, 28 rue du Stade,
ATHÈNES 132. ☎ 322.21.60

HONG-KONG

Government Information Services,
Sales and Publications Office, Beaconfield House, 1st floor,
Queen's Road, Central. ☎ H-233191

ICELAND - ISLANDE

Snebbjörn Jónsson and Co., h.f.,
Hafnarstraeti 4 and 9, P.O.B. 1131, REYKJAVIC.
☎ 13133/14281/11936

INDIA - INDE

Oxford Book and Stationery Co.,
NEW DELHI, Scindia House. ☎ 45896
CALCUTTA, 17 Park Street. ☎ 240832

IRELAND - IRLANDE

Faxon and Son, 40 Lower O'Connell Street,
P.O.B. 42, DUBLIN 1. ☎ 74 39 35

ISRAËL

Emanuel Brown: 35 Allenby Road, TEL AVIV. ☎ 51049/54082
also at:
9, Shlomzion Hamalka Street, JERUSALEM. ☎ 234807
48 Nahlat Benjamin Street, TEL AVIV. ☎ 53276

ITALY - ITALIE

Libreria Commissionaria Sansoni:
Via Lamarmora 45, 50121 FIRENZE. ☎ 579751
Via Bartolini 29, 20155 MILANO. ☎ 365083

Sous-dépôtaires :

Editrice e Libreria Herder,
Piazza Montecitorio 120, 00 186 ROMA. ☎ 674628
Libreria Hoepli, Via Hoepli 5, 20121 MILANO. ☎ 365446
Libreria Lattes, Via Garibaldi 3, 10122 TORINO. ☎ 519274
La diffusione delle edizioni OCDE è inoltre assicurata dalle migliori
librerie nelle città più importanti.

JAPAN - JAPON

OECD Publications Centre,
Akasaka Park Building, 2-3-4 Akasaka, Minato-ku,
TOKYO 107. ☎ 586-2016

KOREA - CORÉE

Pan Korea Book Corporation,
P.O.Box n°101 Kwangwhamun, SÉOUL. ☎ 72-7369

LEBANON - LIBAN

Documenta Scientifica/Redico,
Edison Building, Bliss Street, P.O.Box 5641, BEIRUT.
☎ 354429-344425

THE NETHERLANDS - PAYS-BAS

W.P. Van Stockum,
Buitenhof 36, DEN HAAG. ☎ 070-65.68.08

NEW ZEALAND - NOUVELLE-ZÉLANDE

The Publications Manager,
Government Printing Office,
WELLINGTON: Mulgrave Street (Private Bag),
World Trade Centre, Cubacade, Cuba Street,
Rutherford House, Lambton Quay. ☎ 737-320
AUCKLAND: Rutland Street (P.O.Box 5344). ☎ 32.919
CHRISTCHURCH: 130 Oxford Tce (Private Bag). ☎ 50.331
HAMILTON: Barton Street (P.O.Box 857). ☎ 80.103
DUNEDIN: T & G Building, Princes Street (P.O.Box 1104).
☎ 78.294

NORWAY - NORVÈGE

Johan Grundt Tanums Bokhandel,
Karl Johansgate 41/43, OSLO 1. ☎ 02-332980

PAKISTAN

Mirza Book Agency, 65 Shahrah Quaid-E-Azam, LAHORE 3.
☎ 66839

PHILIPPINES

R.M. Garcia Publishing House, 903 Quezon Blvd. Ext.,
QUEZON CITY, P.O.Box 1860 - MANILA. ☎ 09.98.47

PORTUGAL

Livraria Portugal, Rua do Carmo 70-74, LISBOA 2. ☎ 360582/3

SPAIN - ESPAGNE

Mundi Prensa Libros, S.A.,
Castelló 37, Apartado 1223, MADRID-1. ☎ 275.46.55
Libreria Bastinos, Pelayo, 52, BARCELONA 1. ☎ 222.06.00

SWEDEN - SUÈDE

AB CE FRITZES KUNGL HOVBOKHANDEL,
Box 16 356, S 103 27 STH, Regeringsgatan 12,
DS STOCKHOLM. ☎ 08/23 89 00

SWITZERLAND - SUISSE

Librairie Payot, 6 rue Grenus, 1211 GENÈVE 11. ☎ 022-31.89.50

TAIWAN - FORMOSE

National Book Company,
84-5 Sing Sung Rd., Sec. 3, TAIPEI 107. ☎ 321.0698

TURKEY - TURQUIE

Librairie Hachette,
469 Istiklal Caddesi, Beyoglu, ISTANBUL. ☎ 44.94.70
et 14 E Ziya Gökalp Caddesi, ANKARA. ☎ 12.10.80

UNITED KINGDOM - ROYAUME-UNI

H.M. Stationery Office, P.O.B. 569,
LONDON SE1 9 NH. ☎ 01-928-6977, Ext.410
or
49 High Holborn, LONDON WC1V 6 HB (personal callers)
Branches at: EDINBURGH, BIRMINGHAM, BRISTOL,
MANCHESTER, CARDIFF, BELFAST.

UNITED STATES OF AMERICA

OECD Publications Center, Suite 1207, 1750 Pennsylvania Ave.,
N.W. WASHINGTON, D.C.20006. ☎ (202)298-8755

VENEZUELA

Libreria del Este, Avda. F. Miranda 52, Edificio Galipán,
CARACAS 106. ☎ 32 23 01/33 26 04/33 24 73

YUGOSLAVIA - YUGOSLAVIE

Jugoslovenska Knjiga, Terazije 27, P.O.B. 36, BEOGRAD.
☎ 621-992

Les commandes provenant de pays où l'OCDE n'a pas encore désigné de dépositaire peuvent être adressées à :

OCDE, Bureau des Publications, 2 rue André-Pascal, 75775 PARIS CEDEX 16.

Orders and inquiries from countries where sales agents have not yet been appointed may be sent to :

OECD, Publications Office, 2 rue André-Pascal, 75775 PARIS CEDEX 16.

OECD PUBLICATIONS
2, rue André-Pascal
75775 PARIS CEDEX 16
No. 39 905 1978.



PRINTED IN FRANCE

OECD

Department of Economics and Statistics

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ANNUAL ECONOMIC SURVEYS

*Detailed surveys of development and prospects
in each OECD country*

Per country	\$ 3.00	£ 1.50	F 12,00
Subscription for series	\$ 50.00	£ 24.00	F 200,00

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

OECD ECONOMIC OUTLOOK

Each July and December the OECD ECONOMIC OUTLOOK surveys the latest economic developments in the OECD area and, by means of an integrated set of quantitative forecasts, assesses future prospects. In addition, there are frequently special studies designed to assist in the interpretation of economic trends.