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ECONOMIC SURVEYS BY THE OECD

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SPAIN

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JUNE 1963

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

PARIS

SPAIN

BASIC STATISTICS**THE LAND**

Area (1,000 sq.km)	504.9	Major cities (1960 census):	
Agricultural area (1,000 sq.km)	207.0		Thousands of inhabitants
		Madrid	2,260
		Barcelona	1,558
		Valencia	505
		Sevilla	442

THE PEOPLE

Population (1960 census; thousands)	30,903	Total labour force (1960 census; thousands)	11,634
Number of inhabitants per sq.km (1960)	61	— in agriculture	4,803
Net natural increase (average 1957-1961; thousands)	381	— in industry	2,749
Net rate of increase per 1,000 inhabitants (average 1957-1961)	12.7	— in construction	822
		— in services	3,260

PRODUCTION

Gross national product 1961 (million pesetas)	686,892	Gross domestic product at factor cost by origin in 1961:	
C.N.P. per head, 1961 (U.S.\$)	370	— Agriculture	26 %
		— Industry and construction	32 %
		— Other	42 %

GOVERNMENT

Public consumption in 1961 (percentage of G.N.P.)	5	Current government revenues in 1961 (percentage of G.N.P.)	16
Public investment in 1961 (percentage of total investment)	17	Internal public debt (percentage of Central Government current revenue)	84

LIVING STANDARDS

Electricity consumption (kWh per head) in 1962	767	Number of radio sets per 1,000 inhabitants in 1960	88
Illiteracy rate in 1960 (people aged above 10)	13 %	Number of private cars per 1,000 inhabitants in 1962	14
		Number of telephones per 1,000 inhabitants in 1961	62

FOREIGN TRADE

EXPORTS		IMPORTS	
Exports of goods and services as a percentage of the G.N.P. (1961)	11	Imports of goods and services as a percentage of the G.N.P. (1961)	13
Exports in 1962 (percentage of total exports):		Imports in 1962 (percentage of total imports):	
— Foodstuffs	49	— Foodstuffs	14
— Raw materials	21	— Raw materials	37
— Manufactured products	30	— Manufactured products	49

THE CURRENCY

Monetary unit: peseta.	Currency units per U.S.\$	60
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SPAIN

1963

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention provides that the O.E.C.D. shall promote policies designed :

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

The legal personality possessed by the Organisation for European Economic Co-operation continues in the O.E.C.D., which came into being on 30th September 1961.

The Members of O.E.C.D. are : Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

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SPAIN

INTRODUCTION

1. The recovery of domestic demand which had occurred in the course of 1961 gathered momentum in 1962 and a further expansion has probably taken place during the first part of the current year. The principal factors of expansion have been increased consumers' expenditure, a house-building boom and very buoyant private demand for productive investment and increases in stocks. Although domestic industrial output has also increased appreciably and imports have risen very substantially, there has been an important increase in prices. On the other hand, despite the relative stagnation of commodity exports, invisible receipts and an inflow of private capital have roughly offset the additional imports, so that the level of official reserves has remained so far practically unaffected at about one billion U.S. dollars.

2. The immediate task of general economic policy is to prevent further significant increases in the price level and an undue expansion of internal demand, without arresting, however, the growth of productive investment. The direction of policy measures required to this end is very largely the same as that indicated by the long-term objective of rapid and sustainable economic growth. The preparation of an Economic Development Plan for 1964-67, which is now proceeding, will give an opportunity to the Spanish authorities to formulate their basic options of economic policy for the coming few years, which promise to be decisive for Spain's economic future.

I. OUTPUT AND DEMAND

DEMAND FACTORS AND TOTAL PRODUCTION¹

3. Consumers' expenditure has most probably increased considerably in 1962 and in the early part of 1963. Agricultural incomes have benefited both from the good harvests of summer crops last year and from the sharp price increases for food products. Non-farm employment must have expanded and, together with the widespread rises in money wages, has probably resulted in larger purchases, in real terms, by urban consumers, despite the appreciable increase in prices. The high level of emigrants' remittances has also helped to boost

1. A quantitative description of trends in total output and demand is extremely difficult, given the present state of Spanish economic statistics. The existing national accounts reflect inevitably the inadequacy of current statistics in several fields: moreover, they use certain definitions and methods, such that their transformation into internationally comparable sets of accounts presents serious problems.

working-class incomes. The more expansionist factor of demand, however, has been private investment. The level of house-building activity has been particularly high, but productive fixed investment, stocks and work-in-progress have also expanded considerably. The growth of private investment has been facilitated by the general direction of public policy during this period, by the rapid expansion of bank credit and by a favourable balance of payments which has permitted a remarkable increase of imports, especially of producers' goods. As regards foreign demand, the value of commodity exports has only risen slightly in 1962 and has declined in the early part of 1963; but expenditure by foreign tourists has again increased sharply. Finally, despite a higher level of public expenditure, the budget surplus recorded last year has somewhat offset the expansionist effect of the other elements of internal demand.

4. In line with the growth of effective demand, there has clearly been an increased volume of total domestic output, which it is difficult, however, to express in quantitative terms with a sufficient degree of confidence for the reasons mentioned above. But the proportional increase in the volume of imports has, of course, been much higher (+ 40 per cent in current value in 1962, following a 50 per cent rise in 1961). A big disparity in the rates of increase of domestic supply and of commodity imports is a normal phenomenon during a period characterised by a sharp expansion of domestic demand, by an investment boom and by a greater liberalisation of foreign trade. Nevertheless, some special features of recent economic developments in Spain indicate certain difficulties of adjustment of the national productive apparatus. For instance, the marked shortfall of domestic supply of meat products compared to an appreciably higher effective demand is partly due to accidental factors, but is also linked to long-standing structural defects of agricultural production. Moreover, the fact that certain branches of industry have faced great difficulties in maintaining their output and sales, despite an expanding internal demand and a high level of protection, should not be ascribed merely to the special market circumstances of these branches. It is also surely a reminder that the pattern of industrial production and the levels of costs and profits per unit of output which have grown up during the period of inflationary pressures and chronic balance of payments difficulties constitute still, in many cases, an obstacle to the steady growth of industrial output in competitive conditions. However, the investment boom going on at present in conditions of a more effective working of the market mechanisms can be expected to gradually improve the structure of existing capital capacity.

AGRICULTURE

5. The harvest of summer cereals in 1962 almost attained the peak level of 1957, but several other crops suffered from unfavourable weather conditions in the autumn and winter. A very low olive crop

led to restrictions in the export of olive oil, while severe damage from frost has reduced, by some 40 per cent, the exports of citrus fruit in the 1962-63 season. Despite a sharp decline in cattle slaughterings, total output of meat rose significantly in 1962. In particular, there was again a large increase in the production of poultry and eggs. The shortfall in the production of some main food items, coupled with the general expansion of consumers' demand, resulted (in spite of some increase in imports) in a sharp rise of prices. The consumers' price index for food was, last March, about 16 per cent above March 1962¹. According to the Ministry of Agriculture, the general index of prices received by farmers rose by some 13 per cent over the same period. On the other hand, a first estimate by the same source puts the rise at current prices of total agricultural output in the present agricultural year (1962-63) at around 9 per cent. The rise of incomes in the agricultural sector and an increase in credits granted by the official "Bank for Agricultural Credit" seem to have helped private investment; purchases of tractors and other agricultural equipment increased by some 35 per cent in 1962. The appropriations for public works of interest to agriculture (mainly irrigation works) also increased last year and budgetary allocations in 1963 show a further important rise.

6. The first agricultural census was taken last winter and the provisional overall returns have recently been published. As regards policy, the formal abolition of the obligation to grow wheat and a recent decree enlarging the scope of public support measures for feed grains and fodder crops suggest a change of emphasis in public policies in this field, conforming to present economic conditions and prospects. There are, however, other measures and practices, adopted in the past under different general economic conditions, which need to be re-examined at present; for example, the prohibition of new plantings of citrus trees; and the methods used for economic analysis and selection of irrigation works.

INDUSTRY

7. Although the Ministry of Industry has estimated that the value of industrial output at constant prices increased by 4.6 per cent in 1962, all available evidence points to a more substantial rate of increase. The new general index of industrial production published by the Institute of Statistics shows a rise of nearly 11 per cent last year and about the same rate of growth in the early months of 1963. Moreover, there are reasons to believe that the statistical series, on which this general index is based, do not reflect adequately the activity of new firms. There were some marked differences of trend as between various branches of industry. Output in the mining sector was down, owing to last year's work stoppages and to demand trends in world markets; the disappearance of the exceptional exports of some

1. For the more recent trends, see paras., 12 and 13.

two years ago was felt in both iron and steel and in textiles ; and the increasing effects of foreign competition have led the authorities to delay agreed liberalisation measures (paper) to re-impose import quotas (tractors) and to establish special protective duties (iron and steel products). Even after the last-named measure, output of iron and steel appears to be still stagnating. On the other hand, several important branches of industry showed a steady and considerable growth — in particular, chemical products, transport equipment and machinery and appliances.

8. A number of decrees published between August 1962 and April 1963 have changed considerably the regulations governing establishment of new firms and expansions in capacity of existing firms. The general effect of these measures is abolition or great reduction of the previous restrictive regulations ; on the other hand, a new requirement of minimum size is introduced in a great number of industrial branches. The present situation appears to be as follows : in principle, the establishment and expansion of industrial firms is free, without any upper limit for the value of investment [the old limit of 2 million pesetas had already been raised to 30 million (= \$ 500,000) last September]. Moreover, except for a few specified sectors, foreign participation in old or new firms exceeding 50 per cent no longer requires any prior approval. There are two kinds of exceptions to the principle of free industrial investment. First, permission by the authorities is still required in some sectors, such as public utilities, petroleum refining, and fats and oils. Second, minimum capacity requirements for new firms have been fixed over a very wide area of industry — food processing, paper, chemicals, vehicles, iron and steel, motors, household appliances, electrical machinery, building materials, etc. The same decree stipulates for new firms in some branches of industry almost exclusive use of locally produced current inputs. New firms of less than the specified size need prior authorisation. The purpose of this measure is to encourage the creation of technically efficient units, but its economic effects risk not being in line with this aim, given the fact that the minimum fixed is, in most cases, very high compared to conditions in Spain. If experience confirms that some of the established minimum capacities are excessive and if these are not reduced in line with market conditions, it would then be necessary to grant a fair number of authorisations which will mean, in effect, continuation of the previous system of control. If the number of authorisations is limited in comparison to the applications presented, the result would be a serious check on free entry and competition.

CONSTRUCTION

9. House-building statistics with a sufficiently extensive coverage are not available. According to official estimates, dwellings completed in 1962 reached the peak figure of 162,000 (135,000 in 1961) of which 148,000 benefitted from some form of State subsidy or support. The target of the long-term house-building plan for 1962 was 140,000.

TABLE 1. INDICES OF INDUSTRIAL PRODUCTION

	1959	1960	1961	1962	JANUARY-APRIL		
					1962	1963	% CHANGE
A. PARTIAL INDICES: 1958 = 100							
1. Food	108.1	116.2	120.4	124.1	136.7	156.7	14.6
2. Drink	100.8	103.0	119.2	131.8	121.9	133.6	9.6
3. Tobacco	99.2	102.9	110.7	120.7	119.5	128.6	7.6
4. Wood and cork	89.2	86.0	97.4	110.6	107.7	127.8	18.7
5. Pulp and paper	101.6	107.8	121.7	122.4	121.0	141.0	16.5
6. Leather and footwear	94.8	101.0	107.5	110.6	114.1	117.1	2.6
7. Textiles	94.7	99.5	110.7	115.7	119.2	120.1	0.7
8. Coal-mining	91.5	91.0	94.6	89.4	92.8 ²	98.2 ²	5.8
9. Minerals mining	98.2	99.2	112.8	105.9	111.8 ²	107.1 ²	- 4.2
10. Basic metals	117.6	113.4	138.0	147.4	145.6	141.5	- 2.8
11. Machinery and appliances	85.6	75.9	100.7	117.9	119.7	135.9	13.5
12. Transport equipment	115.5	128.9	170.5	226.0	209.9 ²	260.0 ²	23.9
13. Chemical products	109.4	118.0	139.1	155.4	156.4	168.5	7.7
14. Coal and petroleum products	105.5	107.9	109.1	126.7	113.6 ²	133.9 ²	17.9
15. Cement	108.0	108.3	126.0	136.3	125.2 ²	125.2 ²	0.0
16. Glass, clay, etc.	90.6	95.5	97.8	113.3	113.4	106.9	- 4.7
17. Electricity	108.9	117.7	130.4	141.3	155.4 ²	180.2 ²	15.9
B. GENERAL INDEX¹: 1960 = 100							
(including other branches of industry, but excluding construction).		100.0	111.1	124.5	124.6	139.5	11.9

1. The general index is constructed on the basis of statistics provided partly by the Syndicate Organisation and partly by other official services.

2. January-March.

Sources: For the partial indices, Servicio Sindical de Estadística. For the general index, National Institute of Statistics "Indicadores Economicos" (monthly).

The rate of new starts and permits granted has accelerated in the current year, and is likely to produce some bottlenecks in the supply of skilled labour and materials and a further lengthening of the average construction period. The increase of budgetary credits in 1963 for the National Housing Institute (7.4 billion pesetas compared with appropriations of 6.65 billion in 1962) risks contributing to a further excessive concentration of resources in this sector during a period of high overall domestic demand. A very recent decision to restrict new permits and finance for the more expensive types of dwellings receiving State support is an entirely justified corrective measures from both the short and long-term points of view. But it is probable that additional restraints on house-building will be needed in the near future. Non-residential construction activity seems to have also expanded. It is

likely to grow further in the coming months, especially in major irrigation projects and other public works, having regard to the increase this year of budgetary allocations for these purposes by some 8 billion pesetas.

EMPLOYMENT

10. There are no reliable figures of employment in industry and services, but indirect evidence as well as general plausibility suggest that a significant expansion has taken place during the period under review. The Institute of Statistics index for industrial employment (based mainly on the data collected by the Syndicate Organisation) shows practically no increase in numbers employed for about two years (and a very small increase in hours worked over the depressed level of 1960), which is hardly convincing for industry as a whole. Table 2 compares these data with the numbers of workers declared to the social security institutions; although coverage is not the same in these two sets of figures, the differences in absolute levels and in directions of change are striking. According to the Ministry of Labour, the social security statistics give a better general picture of reality — and this judgment would seem well founded. The trend of officially registered unemployed is shown in Table 3. Although the absolute figures understate greatly the level of unemployment, the general downward tendency seems very plausible. It is not, however, clear to what extent the sharp increase of unemployment in industry and services shown for the first quarter of 1963 reflects a real phenomenon or a change in the rate of registration.

TABLE 2. ALTERNATIVE MEASURES OF EMPLOYMENT

	MUTUALISMO LABORAL ¹		EMPLOYMENT ²	
	NOV. 1961	NOV. 1962	NOV. 1961	NOV. 1962
1. Textiles	341,903	326,412	167,790	161,312
2. Coal-mining	99,143	93,378	87,665	83,846
3. Pulp and paper	25,244	26,868	17,744	17,757
4. Glass, clay	85,617	89,134	32,583	32,806
5. Chemicals	160,805	171,096	74,830	71,325
6. Metals mining	43,645	40,369	35,172	31,470
7. Iron and steel products, machinery and appliances	687,460	757,428	190,610	209,555
8. Cement	49,816	51,642	12,068	12,801
9. Construction	582,948	662,045	n.a.	n.a.
10. Commerce	355,387	382,349	n.a.	n.a.
11. Transportation	130,810	139,271	n.a.	n.a.

1. Number of workers declared by employers to the "Mutualidades Laborales". End-of-month figures, according to statistics provided by Ministry of Labour.

2. Number of workers employed at the end of the month, according to monthly Statistics of Syndicate Organisation.

Source: Monthly bulletins of National Institute of Statistics.

11. An important new factor in the Spanish labour market in recent years has been the large emigration of workers to European countries, which increased again in 1962. The official figure is 65,000 (compared with 35,000 in 1961), but this is admitted by the Spanish authorities to be a considerable underestimate, because large numbers seek and find work abroad not passing through the channels set up by bilateral agreements. It is possible that the real flow has largely exceeded 100,000. Cyclical developments during the next few years will, naturally, have important effects on Spanish emigration to Europe, but on present evidence it would seem that the trend should continue in the foreseeable future.

TABLE 3. REGISTERED UNEMPLOYED

In thousands.

	1961	1962	1962				1963	
			1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	APRIL-MAY ¹
1. Agriculture and fishing	42.6	33.6	52.0	27.9	23.1	31.5	46.6	29.8
2. Construction	30.3	18.5	26.7	19.4	14.3	11.5	15.4	13.7
3. Industry and services	51.7	46.4	50.9	48.0	43.5	41.8	54.8	48.8
4. Total	124.6	98.5	129.6	95.3	80.9	84.8	116.8	92.3

1. Provisional figures.

Source : Ministry of Labour.

II. THE INTERNAL FINANCIAL SITUATION

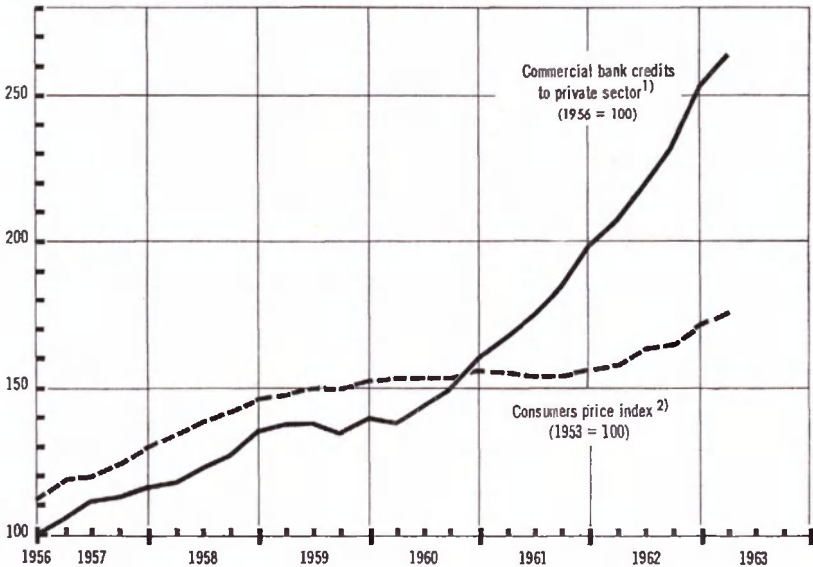
PRICES

12. For about two years after the currency devaluation and the stabilisation measures of July 1959, price rises remained very limited. They became, however, much more pronounced during 1962 and the marked upward trend continued in the first quarter of 1963, as is shown by the figures in Table 4. The sharp increase in both the wholesale and the consumers price indices was due, to a large extent, to insufficient production of some key food products (olive oil, potatoes, meat, etc.) in a period of expanding personal incomes. But there have also been widespread price increases for non-agricultural products and for services to consumers. The wholesale index for coal rose by 16 per cent in the second half of 1962, following the wage-settlement in the coal-mines ; the one for cement increased by 11 per cent in the twelve months to March 1963. Wholesale prices of industrial products, however, did not on the whole show marked increases (with the exception of construction materials, iron and steel and a few other groups) and the increasing volume of imports must have contributed to this. On the other hand, consumers' prices for several groups of

manufactures and for services have increased appreciably. The more recent data indicate a slowing-down of price increases. The wholesale index remained stable last April; and the consumers index rose only slightly from March to May since a small decline in food prices partly offset increases in clothing and other items.

13. In order to deal with the problem of rising costs and prices, the authorities have taken some special measures, which, however, did not have the desired effects to a sufficient extent. Some municipal taxes on food products were abolished. Customs duties were reduced last January by 5 per cent; but the effective reduction was much smaller since "temporary tariffs" remained unchanged and the effect on fiscal import duties (which are calculated on the landed value plus the tariff) was marginal. Finally, the State Procurement Agency imported increased amounts of certain food products, especially in the more recent period. In fact, during the first four months of 1963 total imports of meat and dairy products and of vegetables amounted to \$ 39 million, compared with only \$ 7 million in the corresponding period of 1962; the traditional imports of edible oils were also much higher. This must have contributed to the slight decrease in food prices noted for April-May. To check further rises of food prices, the continuation of a high volume of imports will be required in certain cases, but also an effort to ensure that most of the benefit from low-

Diagram 1. BANK CREDIT AND PRICES
QUARTERLY FIGURES



1. End of period.
2. Monthly average values.

Sources : Bank of Spain and National Institute of Statistics.

cost imports (compared to some inflated domestic prices) is passed on to the consumer. This implies not only action to limit distributors' profits, but also the fixing of selling prices at appropriate levels by the Procurement Agency itself. It should be noted that a recent decree establishes a system of special duties on privately imported foodstuffs, equal to the difference between the landed value and the "domestic price" to be fixed by the Ministry of Commerce. The details of application of this decree are not yet published and it is not clear whether the State Procurement Agency will use the proceeds of these duties to finance support prices for Spanish agricultural products. As regards industrial goods, the continuing growth of imports should help to check price increases; this expectation is based on the assumption that the recent restrictive measures on some industrial imports will not be extended to other commodities.

WAGES

14. Last year saw a great number of substantial wage increases, mainly through the mechanism of collective agreements. It is estimated that some 1.5 million employees, out of a labour force of about 4.5 million in industry and services, benefited from wage adjustments in 1962. There have also been significant rises in agricultural wages. The expansion of economic activity, the pull of emigration and the rise in the cost of living were the principal factors of this development. Furthermore, at the end of the year the Government raised the minimum daily wage to 60 pesetas. This measure is expected to increase actual earnings of around 1 million workers in industry and services and of a large number of agricultural labourers. Finally, the 1963 budget provides for significant salary increases of teaching staff and of post-office employees. It is not possible to estimate what percentage increases have resulted from last year's wage settlements in various branches of industry¹. It seems that these increases have been

1. The indices published by the Institute of Statistics show, for industry as a whole, a 15 per cent increase in hourly earnings in 1962, compared to 9 per cent in 1961; if deflated by the cost of living, this would give increases in real hourly earnings of about 9 per cent and 8 per cent respectively. Output per man-hour is shown to have increased by nearly 13 per cent in 1962, against 13.5 per cent the year before. Apart from the great difficulties of measurement in this field, which are well-known in many countries, there are additional reasons for treating these indices with the utmost reserve. First, the probable shortcomings of the employment index (see para. 10 above) naturally affect the measure of productivity. The same employment series are used for deriving an index of earnings from data on the total wage bill. Moreover, given the circumstances of the base year 1958, its statistical picture is unlikely to be either very reliable or representative. Finally, some movements of the indices are difficult to explain in economic terms — for instance an abrupt rise of output per man-hour in the last months of 1961 and 1962. The need for improvement is clear and the decision of the Ministry of Labour and the Institute of Statistics to start in 1963 regular enquiries on employment and wages over a large sample of industry is very welcome.

TABLE 4. TREND OF PRICES

	1959	1960	1961	1962	1961	1962				1963	
					4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	APRIL-MAY
WHOLESALE PRICES: (1955 = 100)											
1. General index	142.3	145.2	149.0	156.8	150.7	153.1	158.1	156.1	159.7	167.2	170.4 ²
2. Agricultural products	144.2	146.9	154.6	116.1	155.7	159.7	172.7	162.2	169.8	182.9	196.1 ²
3. Industrial products	139.7	141.6	143.6	145.8	144.3	144.6	145.3	146.2	147.1	147.7	148.5 ²
COST OF LIVING: (1958 = 100)											
4. General index ¹	107.0	109.6	110.8	117.4	112.2	113.0	116.4	117.7	122.2	125.7	126.9
5. Food			108.2	116.8	111.4	110.7	115.7	117.4	123.3	128.0	128.8
6. Clothing			108.3	113.1	110.0	110.1	111.8	113.3	117.6	119.6	122.5
7. Rent			106.1	114.1	107.1	111.6	113.6	114.5	116.6	118.4	119.3
8. Household operation			110.4	112.7	110.9	111.2	111.7	112.6	115.0	116.7	117.8
9. Other goods and services			120.6	124.4	121.0	122.1	123.7	124.3	127.3	129.1	130.7

1. Index for the main towns of the country.

2. April.

Source: National Institute of Statistics and Bank of Spain.

substantial and may have outstripped productivity gains in some cases, whereas the reverse was probably the case in 1960 and 1961. The increase of prices has, however, limited the rise in real wages.

MONEY AND CREDIT

15. As will be seen from the figures in Table 5, the growth of money supply accelerated in 1962; the increase worked out at 18.5 per cent, compared with 14 per cent in 1961. At the same time, savings and time deposits, which had expanded by 21 per cent in 1961, rose further by 23 per cent last year, and their amount equalled the volume of money supply (275 million pesetas) in December. Among the factors of expansion of liquidity, the balance of payments surplus became progressively less important; it has been approximately neutral in the first four months of 1963. The public sector as a whole exerted a moderate expansionist influence last year. The central budget was in surplus, but this was more than offset by the operations of public enterprises and of official institutions (including the Official Credit Institutions, which extend credit to the private sector) and by the sharp increase in credits by the National Wheat Service, following the bumper cereals harvest of 1962. This last element accounts only partly for the very violent swing in the impact of the public sector — from a contraction of 11.3 billion pesetas in the first half of the year to an expansion of 16.9 billion in the second half. Excluding, in both cases, the operations of the Wheat Agency, the reversal was of 19 billion in 1962, against 15 billion in 1961. As this movement coincides with the seasonal pattern of private expenditure, it leads to exaggerated fluctuations, which complicate the task of maintaining internal financial equilibrium¹. The more dynamic factor of expansion, however, has been credit granted by the banking system to the private sector, which increased by 27 per cent in 1962, following a rise of 23 per cent in 1961; this was clearly linked to the strong demand for investment and stocks. The growth of bank credit continued throughout 1962 and in the early months of 1963. According to preliminary information, however, the increase in bank credit last May was of the order of 2 to 2.5 billion pesetas, compared with over 5 billion in May 1962. This de-celeration was probably linked to some measures taken by the authorities in this field.

16. In fact, a decree issued last December in application of the Banking Reform Law of April 1962, gave powers to the Minister of Finance to establish minimum cash and liquidity ratios for the commercial banks. The former is defined as the ratio to total deposits of: cash holdings, plus net balance of accounts with the Bank of Spain, plus the credit available but not utilised against public securities

1. For some measures taken in 1963, see para. 20.

TABLE 5. MONEY AND CREDIT

In billion pesetas. Changes during the period indicated.

	1957	1958	1959	1960	1961	1962	1961		1962		1961	1962	1963
							1ST HALF	2ND HALF	1ST HALF	2ND HALF	JANUARY-APRIL		
<i>Categories of liquid assets:</i>													
I. MONEY SUPPLY	+23.8	+24.1	+ 9.7	+ 2.5	+28.8	+43.1	- 0.7	+29.5	+ 5.4	+37.7	- 5.9	- 2.8	- 2.1
a) Currency	+ 9.8	+ 6.1	+ 2.8	+ 5.4	+ 8.9	+14.1	+ 0.5	+ 8.4	+ 2.6	+11.5	-	+ 0.3	- 0.3
b) Sight deposits	+14.0	+18.0	+ 6.9	- 2.9	+19.9	+29.0	- 1.2	+21.1	+ 2.8	+26.2	- 5.9	- 3.1	- 1.8
II. QUASI MONEY	+12.1	+14.7	+11.8	+49.3	+39.1	+50.7	+16.7	+22.4	+22.5	+28.2	+12.3	+17.4	+16.9
a) Savings deposits	+11.0	+13.2	+ 9.4	+25.9	+22.1	+28.2	+ 8.1	+14.0	+10.4	+17.8	+ 6.1	+ 8.2	+ 9.5
b) Time deposits	+ 1.1	+ 1.5	+ 2.4	+23.4	+17.0	+22.5	+ 8.5	+ 8.4	+12.0	+10.5	+ 6.2	+ 9.2	+ 7.4
III. FOREIGN EXCHANGE DEPOSITS ..	- 0.8	+ 0.4	+ 0.4	- 0.8	+ 0.8	+ 0.5	+ 0.7	+ 0.1	+ 0.2	+ 0.3	+ 0.8	+ 0.2	+ 0.2
TOTAL LIQUID ASSETS (I + II + III) ..	+35.0	+39.1	+22.0	+51.0	+63.7	+94.2	+16.7	+52.0	+28.1	+66.2	+ 7.2	+14.8	+15.1
<i>Counterparts:</i>													
I. PUBLIC SECTOR	+ 10.8	+15.4	+ 5.8	+ 2.2	- 0.7	+ 5.5	-10.2	+ 9.5	-11.3	+16.8	- 5.4	- 5.3	- 6.2
A. Advances and loans	+ 3.1	+ 7.7	- 3.4	- 5.4	- 9.2	+ 3.3	-14.3	+ 5.1	-11.1	+14.4	- 7.9	- 4.5	- 7.8
a) Central Government	- 1.7	- 2.6	- 2.3	- 0.4	- 2.8	- 0.7	- 9.3	+ 6.5	-10.3	+ 9.6	- 4.8	- 6.9	- 5.1
b) Autonomous institutions	+ 0.7	+10.2	- 0.3	- 4.8	- 3.2	+ 4.6	- 4.1	+ 1.7	- 2.5	+ 7.1	- 3.0	- 0.9	- 3.0
<i>of which:</i>													
Advances to S.N.T.	+ 3.1	+ 2.2	- 0.9	- 4.7	+ 0.8	+ 3.9	- 2.2	+ 3.0	- 2.7	+ 6.6	- 1.8	- 1.5	- 2.6
c) Public credit institutions ..	+ 4.1	+ 0.1	- 0.8	- 0.2	- 3.3	- 0.7	- 0.7	- 2.6	+ 1.7	- 2.3	- 0.1	+ 3.3	+ 0.2
B. Public debt financing ¹	+ 7.7	+ 7.6	+ 9.3	+ 7.6	+ 8.5	+ 2.2	+ 4.1	+ 4.4	+ 0.2	+ 2.4	+ 2.5	- 0.8	+ 1.6
II. PRIVATE SECTOR	+25.2	+31.0	+ 4.7	+27.9	+48.8	+75.0	+17.8	+31.0	+28.5	+46.5	+10.5	+15.3	+23.5
a) Credits and discount	+21.8	+27.6	+ 3.3	+25.3	+47.0	+69.8	+16.8	+30.2	+26.5	+43.3	+ 9.8	+14.4	+20.5
b) Stocks and shares	+ 3.4	+ 3.4	+ 1.4	+ 2.6	+ 1.8	+ 5.2	+ 1.0	+ 0.9	+ 2.0	+ 3.2	+ 0.7	+ 0.9	+ 3.0
III. EXTERNAL SECTOR	+ 1.3	- 6.2	+12.7	+23.7	+21.2	+14.8	+10.4	+10.8	+10.7	+ 4.1	+ 5.2	+ 7.0	+ 2.3
a) Bank of Spain and I.E.M.E.	+ 4.3	- 2.2	+12.5	+24.7	+19.7	+11.1	+ 9.4	+10.3	+ 9.3	+ 1.8	+ 5.1	+ 6.4	- 0.4
b) Counterpart funds	- 3.0	- 4.0	+ 0.2	- 1.0	+ 1.5	+ 3.7	+ 1.0	+ 0.5	+ 1.4	+ 2.3	+ 0.1	+ 0.6	+ 2.7
IV. OTHER ITEMS	- 2.3	- 1.1	- 1.2	- 2.6	- 0.7	- 1.1	- 1.3	+ 0.6	+ 0.2	- 1.2	- 5.1	- 2.2	- 4.5

1. For the last few years, the increase was largely due to the issues of the I.N.I. (National Institute for Industry).

Source: Bank of Spain.

pledged¹ at the Bank of Spain ("disponible"). The liquidity ratio contains the above elements, plus unpledged public securities and other special paper (pre-financing with the prior approval of the Institute for Medium- and Long-term Credit), which carry a guarantee of automatic discounting with the Central Bank. The power to fix liquidity ratios within the limits of 10 and 20 per cent was subsequently delegated to the Bank of Spain. This ratio was first fixed at 12 per cent and was raised on 31st May, 1963, to 13 per cent. Individual banks whose liquidity falls short of the required minimum, are obliged to devote 25 per cent of the increase in their deposits for strengthening their liquid assets. According to data referring to the end of February, the liquidity of all commercial banks taken together was approximately 15 per cent, but these new regulations, combined with the other action mentioned below, have probably had some effect in limiting the expansion of bank credit in the more recent period. In any case, the fact that a flexible mechanism of control is now in operation and that gradual adjustments in the growth of bank credit can be made at short notice is a very important positive development.

17. The authorities have also used another means to influence the commercial banks' liquidity. The Official Credit Institutions had been maintaining substantial deposits with the commercial banks; a gradual reduction of these deposits has started, in accordance with an established time-table. On the other hand, the savings banks accumulated, last year, excessive amounts of liquid assets owing to their obligation to use 65 per cent of the increase in deposits for the purchase of public securities, and to the fact that issues of such securities have been very low in 1962. Accordingly, they increased their deposits with commercial banks from 6.4 to 13.3 billion pesetas in the course of last year. There was, however, no further increase in the first four months of 1963, although deposits received by the savings banks continued to expand at about the previous rate. The main reasons for this change were an increase in loans granted by the savings banks and great additions to their portfolio of industrial securities (+ 5.3 billion pesetas in the six months to April last, i.e. + 75 per cent) following a decision late last year to allow these banks an increased scope for purchases of private bonds.

18. Total issues of securities declined in 1962 from 34 to 31 billion pesetas. There was a substantial fall in public issues (from 14.4 to 6.7 billion) since the Treasury made practically no calls on the capital market and securities of the National Institute for Industry (acquired mainly by the savings banks) dropped from 9.6 to 4.9 billion. Private issues, on the contrary, increased by nearly 5 billion to a record of 24 billion pesetas; the amount of shares was approximately the same

1. The commercial banks continue to earn the normal interest on these securities, which are traditionally classified under "cash holdings" in Spanish practice.

as in 1961, but bonds issued increased from 4.9 to 9.7 billion. During the first five months of 1963, the issue of private bonds showed a further sharp expansion (7.6 billion compared with 2.6 billion in the corresponding period of 1962). Besides the increased purchases by savings banks mentioned above, there has been a substantial volume of foreign demand. The recovery of share prices that had started the previous year was interrupted in 1962. The index stood in May 1963 at about 108 (1958 = 100) compared with a low point of 90 in 1959-60 and a peak of 121 in 1957. The prices of both public and private bonds edged upwards during the period under review; the rise in the average of the corresponding indices between the first five months of 1962 and of 1963 was 2.4 per cent and 2.7 per cent respectively.

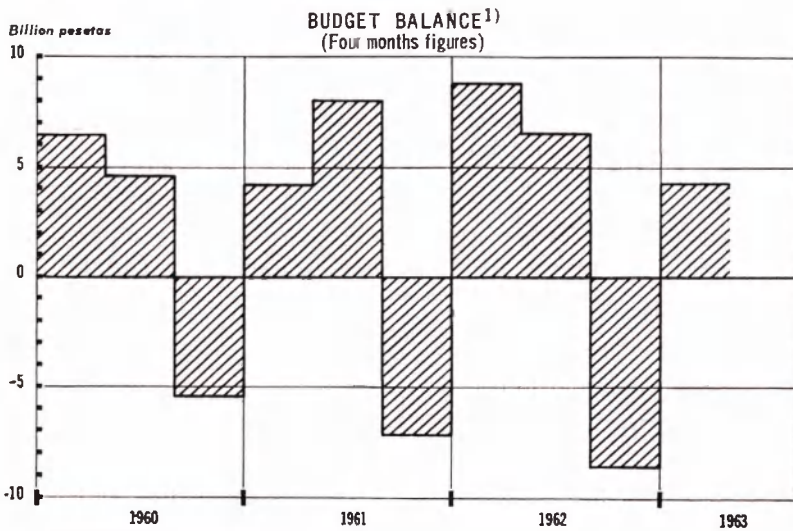
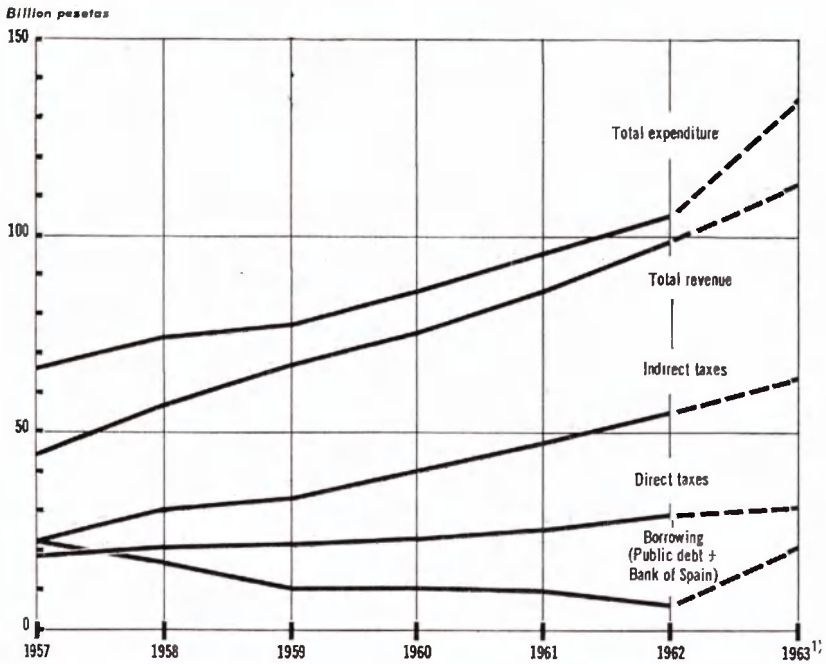
PUBLIC FINANCE

19. The impact of public finance in 1962 turned out once again to have been less expansionary than had been foreseen at the beginning of the year. But, whereas such a development had not been desirable in the preceding period of relative stagnation of the economy, it was, on the contrary, a favourable feature in 1962 when the other elements of domestic demand were in strong expansion. Similarly, the budget deficit forecast for 1963 would, if realised, contribute to the pressure of internal demand, which might become excessive in the second part of the year. Approximate budgetary balance was initially estimated for 1962, but the final results show a surplus of 6 billion pesetas (representing 6.3 per cent of revenue) in spite of a certain excess of expenditure over the budget estimates, since revenue soared above the forecasts. This was mainly due to a 15.5 per cent increase in the yield of indirect taxes over actual receipts in 1961. The rise in receipts from tariffs and fiscal import duties was particularly high, due to the growth of imports. The year-to-year increase for direct taxes was also appreciable (13.9 per cent), but the actual results were much closer to the original estimates; this should be linked to the system of global assessment of various economic sectors, which is applied in the case of several direct taxes. As regards extra-budgetary operations¹, a decline in the amounts transferred to the Official Credit Institutions and a drop in the issue of securities by the public enterprises² have also contributed to total public borrowing in 1962 being much lower than initially forecast.

1. Table 6 does not present a consolidated account of the public sector. Autonomous public institutions, which have a great volume of activity, and local administration are excluded, as no up-to-date figures are available.

2. The annual forecasts for external borrowing by the I.N.I. State holding have remained constant at 7.1 billion pesetas since 1959. But the fact that in Table 6 this figure is repeated exactly in the actual results for 1959 through 1961 seems to be due to an accounting convention.

Diagram 2. PUBLIC FINANCE



20. The budget forecasts for 1963 show an important increase in revenue, but a much larger increase in expenditure (+ 29 per cent compared with actual expenditures in 1962). If these forecasts were approximately realised, the reversal from budget surplus to deficit would be very important (more than 11 billion pesetas). The results for the first five months of the current year are given in Table 6. They show, in comparison with the corresponding period of 1962, an increase in total budgetary receipts of 19 per cent, thus providing an indication that the estimates for the year (+ 15.6 per cent over actual revenue in 1962) might be exceeded. Budgetary expenditure has risen sharply between these two periods (+ 40 per cent) but this was partly due to deliberate action by the authorities to even out somewhat the excessive seasonal fluctuations of public finance ; in fact, certain non-recurrent payments have been speeded up, whereas collection dates for some taxes have been pushed forward in the year. Therefore, assuming that actual expenditure in 1963 turns out to be close to the budget estimates, the budget deficit is likely to be significantly smaller than the 5.2 billion pesetas initially forecast. Nevertheless, the general conditions of the economy might call for adjustments in budgetary expenditure in the second half of the year. Given the fact that the planned increase in current expenditure (by 13.8 billion, i.e. + 21 per cent) reflects to a large extent definite commitments of the Government, any adjustments that may prove to be necessary would have to fall largely on the budgetary transfers to various official bodies for investment purposes. The fact that the 1963 forecasts imply a very substantial rise of public investment (by 12.2 billion, i.e. by 50 per cent, following on a 40 per cent rise in 1962) means that possible reductions or imposed delays on utilisation would not seriously affect the actual rate of essential public investment. On the contrary, they would provide an opportunity for a re-appraisal of project selection (as in irrigation works) or of indiscriminate finance (as in public credits granted to the more expensive types of house-building). Another possibility of adjustment concerns the transfers to the Official Credit Institutions and the privileged issue of the I.N.I. securities ; the latter, indeed, is a practice dating from past economic conditions which calls for important amendments irrespective of short-term considerations. Recourse by the public sector to the capital market in 1963 to the tune of 21 billion pesetas, as initially foreseen, would doubtless have been excessive. But it now appears that the actual figure for the year will probably be smaller.

III. EXTERNAL TRANSACTIONS

BALANCE OF PAYMENTS

21. The radical improvement in Spain's balance of payments after the Stabilisation Programme is illustrated by the fact that, although

TABLE 6. PUBLIC FINANCE

In billion pesetas.

	1958	1959	1960	1961	1962	1962	1963	JAN.-MAY	
	ACTUAL				FORE-CAST	ACT.	FORE-CAST	1962 ACT.	1963 ACT.
REVENUE :									
1. Budget revenue	55.7	63.2	72.7	81.1	86.9	95.0	109.8	38.6	45.9
<i>of which :</i>									
2. Direct taxes	20.9	21.8	23.5	25.9	28.8	29.5	33.1	11.4	12.9
3. Indirect taxes	30.4	33.5	40.1	47.8	48.9	55.2	64.3	21.6	26.1
4. United States aid counterpart funds	1.2	3.6	2.5	4.8	6.0	3.3	3.7	1.3	2.1
5. TOTAL REVENUE	56.9	67.0	75.2	85.9	92.9	98.3	113.5	39.9	48.0
EXPENDITURE :									
6. Current budget expenditure .....	..	42.1	48.8	56.4	65.4	64.5	78.3		
<i>of which :</i>									
7. Defence	11.0	11.1	13.3	13.9	17.5	17.2	17.8		
8. Investment budget expenditure ¹ .....	..	17.6	18.2	17.5	21.3	24.5	36.7		
9. Total budget expenditure (6 + 8)	54.1	59.7	67.1	73.9	86.7	89.0	115.0	28.6	40.2
10. Current budget balance (1 — 6) .....	..	+ 21.1	+ 23.9	+ 24.7	+ 21.5	+ 30.5	+ 31.5		
11. Total budget balance (1 — 9)	+ 1.6	+ 3.5	+ 5.6	+ 7.2	+ 0.2	+ 6.0	— 5.2	+ 10.0	+ 5.7
12. Expenditure financed with United States aid counterpart funds	1.2	3.8	2.5	4.1	5.0	4.2	3.7		
13. National Institute for Industry (I.N.I.)	7.8	7.1	7.1	7.1	7.1	4.9	7.1	5.2	4.4
14. Official Credit Institutions	6.1	5.3	7.7	10.3	10.8	7.0	8.7		
15. Others ²	4.8	1.5	1.6	0.5	1.3	— 0.4	—		
16. TOTAL EXPENDITURE	74.0	77.4	86.0	95.9	110.9	104.7	134.5	33.8	44.6
17. TOTAL BALANCE (5 — 16)	— 17.1	— 10.4	— 10.8	— 10.0	— 18.0	— 6.4	— 21.0	+ 6.1	+ 3.4
<i>financed by :</i>									
18. Public debt	8.1	7.9	11.1	14.2	18.0	6.7	21.0	0.3	3.7
19. Bank of Spain	9.0	2.5	— 0.3	— 4.2	—	— 0.3	—	— 6.4	— 7.1

1. Civilian investments.

2. For 1958 only, includes finance of Railways and Housebuilding.

Source: Information supplied by the Spanish authorities.

the trade deficit (imports f.o.b.) rose two and a half times in 1962 and reached \$ 700 million, there was still a new overall surplus of nearly \$ 200 million. Due to the growing volume of imports, however, the previous steady accumulation of reserves stopped in the course of last year and their amount fluctuated at around \$ 1 billion from July 1962 to May 1963. The prospects for the current year are for a further widening of the trade deficit but, at most for a rather limited loss of reserves, which account at present for seven and a half months' imports at the 1962 c.i.f. rate.

TABLE 7. BALANCE OF PAYMENTS

In millions of dollars.

	1959	1960	1961	1962
1. Imports (f.o.b.)	758.5	688.0	1,037.9	1,490.2
2. Exports (f.o.b.)	523.3	745.2	759.2	788.3
3. TRADE BALANCE	- 235.3	+ 57.1	- 278.7	- 701.9
4. Travel abroad	138.4	246.5	330.5	465.8
5. Other services	- 4.3	- 0.4	6.9	21.6
6. Private transfers	39.6	57.6	116.2	146.0
7. CURRENT BALANCE	- 61.5	+ 360.8	+ 174.9	- 68.5
8. Direct investment	16.0	36.0	38.2	39.1
9. Portfolio investment	1.5	10.5	18.3	48.2
10. Eximbank and Development Loan Fund	9.0	28.0	40.9	34.9
11. Other private capital	17.1	32.0	93.9	46.0
12. Official transfers	33.3	31.5	46.4	11.9
13. Official capital movements	54.0	20.6	21.0	10.0
14. BALANCE OF CAPITAL MOVEMENTS NON- MONETARY SECTORS	+ 130.9	+ 158.6	+ 258.7	+ 190.1
15. Errors and omissions	+ 0.3	- 59.6	- 77.7	+ 72.3
16. MONETARY MOVEMENTS	- 69.7	- 459.8	- 355.9	- 193.9
<i>of which:</i>				
17. Operations with I.M.F. and E.M.F.	+ 74.0	- 12.5	- 74.0	- 15.0
18. Changes in reserves (increase = -) ¹	- 145.9	- 341.3	- 321.3	- 144.1
19. Liabilities in pesetas to the U.S. Government	+ 13.0	- 11.0	- 27.5	- 48.0
20. Others ²	- 10.8	+ 117.0	+ 66.9	+ 13.2

1. Gold and convertible foreign exchange.

2. Including \$ 22.3 million in 1961 and \$ 18.9 million in 1962, equivalent of convertible peseta accounts.

Source: Ministry of Commerce.

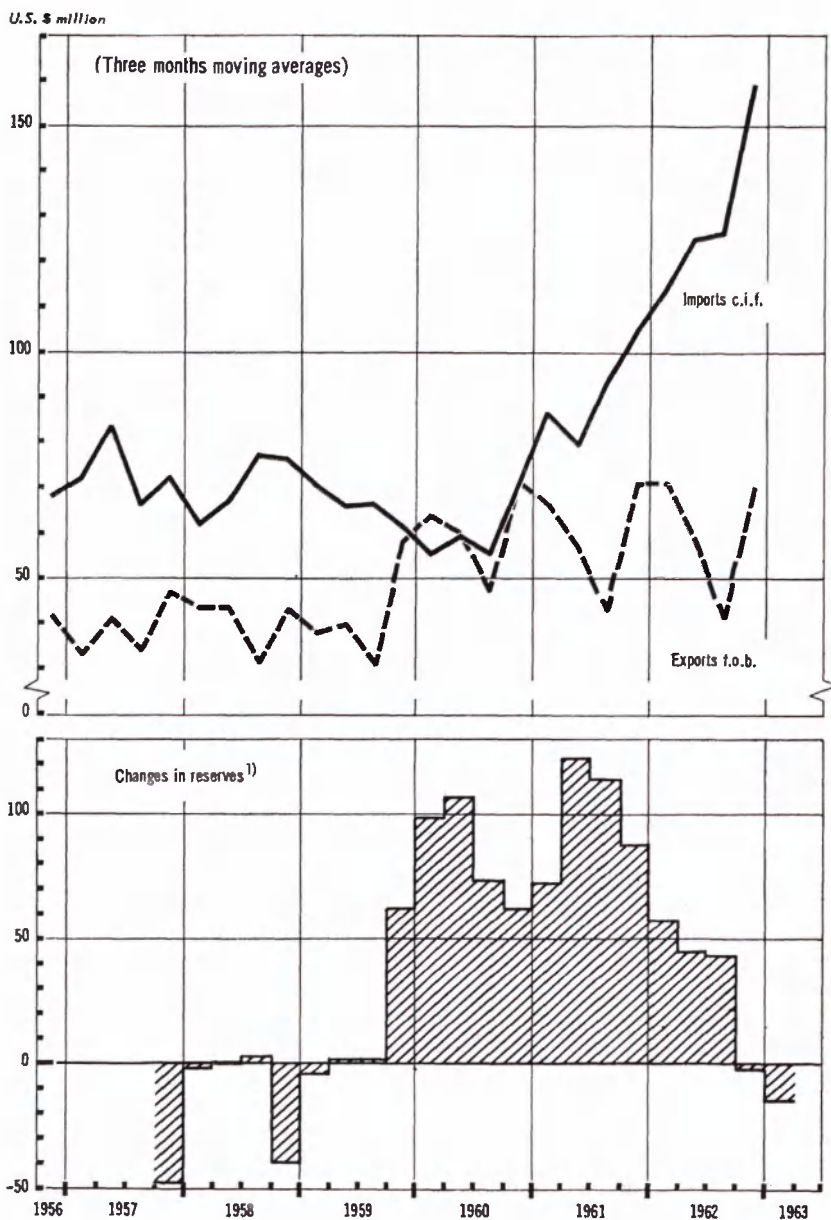
FOREIGN TRADE

22. The substantial growth of imports recorded in 1961 continued last year and a further expansion has taken place in the first part of 1963 (cf. Tables 7, 8 and 9). All the main categories of imports showed considerable gains in 1962, but the more important ones concerned equipment goods, which rose by about 60 per cent, and semi-manufactures, which increased more than two-fold. The rapid growth of imports of equipment continued in the first four months of 1963, when total imports were about 30 per cent higher than in the comparable period of 1962; there were some declines (e.g. in raw cotton), but imports of food products increased considerably, as was mentioned earlier. For interpreting the very sharp expansion of imports in the last two years, the following should be borne in mind : a) Despite a 50 per cent rise on the previous year, the 1961 level of imports was only some 25 per cent higher than in 1957-58, which had been years of acute foreign exchange shortage ; b) The great expansion of imports linked to demand for investment and producers' stocks surely reflects the fact that Spanish industrialists in 1962-63 had, for the first time in decades, a simultaneous high domestic demand for their products and ample foreign exchange possibilities for purchases of machinery and materials abroad. A general conclusion would be that the recent notable increase of imports includes some elements of a once-for-all adjustment to the changed conditions of the Spanish economy. It is, however, impossible to judge how much longer this movement of adjustment might last. Even then, other factors of a rapid increase of imports might emerge. For instance, with increasing standards of living, a very considerable volume of food imports would be required, unless agricultural production conforms much closer to consumption trends than in the past. And the fact that manufactured consumers' goods accounted only for 3.5 per cent of total imports in 1962 is another pointer to potential rapid growth in future years.

23. After a sharp rise in 1960, total exports showed very small gains during the following two years¹ and have fallen in the first part of 1963. The overall trend was heavily influenced by variations in the crops of traditional agricultural exports ; for instance practically the whole reduction in exports during the first four months of the current year (- 20 per cent compared with the same period in 1962) was due to this factor. Some other developments, however, merit particular notice. As was mentioned above, the previous exceptional exports of textiles and iron and steel products, made possible by the conjunction of weak domestic demand and of a sellers' market for these products in Western Europe, have fallen by about 50 per cent from 1960 to

1. The balance of payments table gives a better measure of the total value of exports, since it contains an important adjustment for exports on consignment (citrus, fruit, etc.), which are declared to the customs at a low, theoretical value.

Diagram 3. FOREIGN TRADE AND RESERVE



1. Variations in gold and convertible exchange reserves \pm stabilisation programme credits from the I.M.F. and the E.M.F. (Drawings in the 3rd quarter 1959 : \$74 million. Repayments in the first two quarters 1961 : \$53 million and \$21 million respectively).

Sources : O.E.C.D., Trade Statistics and Bank of Spain.

1962, with the disappearance of both these factors. In absolute terms, the reduction was around \$ 75 million, corresponding to 10 per cent of total 1962 exports (customs basis). On the other hand, there have been, in 1962, appreciable increases in exports of processed food products, of some types of machinery and other groups which account at present for a small share of exports, but seem to be promising lines for future development. These few cases are an indication of the considerable possibilities for export growth, which the maintenance of internal financial stability, coupled with a set of appropriate policies for stimulating exports could bring about.

TABLE 8. FOREIGN TRADE

In million dollars.

	IMPORTS					EXPORTS				
	1960	1961	1962	JANUARY-APRIL		1960	1961	1962	JANUARY-APRIL	
				1962	1963				1962	1963
1. Agricultural and food products	110	246	316	373	125	394	391	418	172	116
2. Minerals	26	39	46	12	17	31	35	28	10	9
3. Oil products	150	178	247	73	74	44	42	45	15.5	15
4. Chemicals	101	135	180	58	74	37	35	37	14	12.5
5. Pulp and paper	23	29	35	11	15	14	19	21	3.0	3.1
6. Raw cotton, textiles and clothing	41	89	103	54.7	28.4	57	58	39	16.4	17.4
7. Metals and metal products ..	63	84	152	38.4	65.1	91	58	40	13.2	13.8
8. Machinery and appliances ..	120	167	286	81.7	138.5	10	22	25	9.4	8.3
9. Transport equipment	42	73	112	36.9	38.1	4	4	28	6.4	8.7
10. Other	45	52	93	25.2	36.9	42	46	53	18.9	17.3
11. Total	721	1,092	1,570	464	612	726	710	734	279	221

Source: "Estadística del Comercio Exterior de España."

INVISIBLES AND PRIVATE TRANSFERS

24. As in the two previous years, net receipts from tourism and Spanish workers' remittances increased substantially in 1962 (by 40 per cent and 25 per cent respectively) and have offset the largest part of the much higher trade deficit. Thus, the current balance showed a relatively small deficit last year, compared to the rather abnormal surpluses of 1960 and 1961. Foreign exchange statistics for the first four months of 1963 indicate a continued expansion of receipts from tourism and of workers' remittances.

MOVEMENTS OF CAPITAL AND RESERVES

25. The recorded net inflow of capital in 1962 was much higher than the deficit on current account. Private capital is shown to have

fallen by more than \$ 20 million to \$ 168 million, in spite of a \$ 30 million increase in portfolio investment. This fall was due to recorded new commercial credits having fallen short of re-imburements. But this development does not seem very plausible for a period of rapidly expanding imports. In fact, commercial credits might be one of the factors behind the reversal of the item " errors and omissions " from - \$ 78 million in 1961 to + \$ 72 million in 1962. Net receipts of official capital and transfers declined last year, mainly owing to the reduction of United States official grants and loans. The value of imports financed from the defence support programme and from P.L. 480 funds was only \$ 29 million, compared to \$ 97 million in 1961 ; since about the middle of last year it has become negligible. For the first four months of 1963, the figures given in Table 9 show an increased inflow of private capital, which was running at an annual rate of about \$ 200 million. In 1962, the increase in gold and convertible exchange reserves amounted to \$ 144 million, compared to a gain of \$ 322 million in 1961. As was mentioned, the level of foreign reserves has not changed significantly since the middle of last year ; at the end of May 1963 it was \$ 990 million.

TABLE 9. OPERATIONS OF THE FOREIGN EXCHANGE INSTITUTE

Million dollars.

	1962 JANUARY- APRIL	1963 JANUARY- APRIL
1. Imports	394	533.7
2. Exports	318.2	280.2
3. TRADE BALANCE	— 75.8	— 253.5
4. Travel abroad	88.3	114.8
5. Other services	— 5.3	— 2.6
6. Private transfers	50.4	63.2
7. CURRENT BALANCE	+ 57.6	— 78.1
8. Long-term private capital	58.0	66.4
9. Long-term public capital and transfers	— 20.0	— 5.0
10. BALANCE OF LONG-TERM CAPITAL MOVEMENTS AND PUBLIC TRANSFERS	+ 38.0	+ 61.4
11. Errors and omissions	+ 0.7	+ 0.8
12. MONETARY MOVEMENTS	— 96.3	+ 15.9
<i>of which :</i>		
13. Changes in gold and convertible foreign exchange reserves (increase = —)	— 77.0	+ 13.0

Source : Información Comercial Española.

IV. DEVELOPMENT PROBLEMS

26. For more than a year now, the trend of the Spanish economy has been strongly expansionary. This trend contains an evident element of cyclical recovery and also reflects in part the action of some non-recurrent factors, as was suggested earlier in this report. But there are signs that the present investment boom is more than a transient phenomenon. It is based upon a reasonably adequate material infrastructure created during the preceding period, is feeding back demand through rising employment and wages, and is spreading among the various sectors of production, thanks to the already existing degree of diversification of Spanish industry. On condition that it is not allowed to grow beyond the limits imposed by the need for global equilibrium, the present expansionary wave will be a first step towards the solution of the country's development problems. It means that the authorities will no longer have to give the economy the impetus it needs. And it occurs at a time when several conditions favourable to economic development are combined. First, there are the underlying conditions, which represent Spain's very considerable potential for growth: the existence of trained industrial manpower and of ample overall labour reserves; a reasonably high technical and scientific level; an already developed industrial basis in some regions of the country; a class of active entrepreneurs; a variety of natural resources; the existence of basic physical and institutional infrastructures, etc. Secondly, there are the important positive achievements of the economic policy initiated by the Stabilisation Programme: a considerable flow of private savings; sound public finance; a high level of foreign reserves; approximate equilibrium in the balance of payments and favourable future prospects regarding receipts from tourism, workers' remittances and the inflow of private capital.

27. In these circumstances, it might appear that it would be sufficient, in order to promote the country's economic development, for the Spanish authorities to let the present investment boom continue and to concentrate their efforts mainly in two directions: first, to preserve the general balance of the economy by preventing any excess demand pressures, and secondly to remove specific obstacles which might hamper economic growth. Such a view, however, would not be justified, for the following main reasons:

a) The development of Spanish industry is certainly going to require, in many cases, special support through various forms of public policy, e.g. credit, tariff or fiscal policies. The magnitude of this problem will be considerable, taking account of the great volume of industrial investment which has taken place along less economic lines during the period of prolonged inflation and economic isolation of the country. But individual measures of special support may be mutually offsetting and contradictory — hence the need for an integrated general approach. To take only the example of tariff protection for

particular industries : the multiplication of high tariffs defeats the purpose of special protection, the essence of which is selectivity, and is equivalent at the limit to a variation in the rate of exchange for imports. A logical selection of the industries to be protected can be made much more easily as part of a general economic scheme for development.

b) The economic rôle of the State (both of public finance proper and of public institutions and state-owned concerns) is very important. Since the volume and direction of activity of the public sector will, in any case, exert a considerable influence on the overall trend of the economy, it is in need both of re-definition in some cases and of comprehensive re-organisation.

c) As the development process goes on, specific bottlenecks, not of a physical but of an economic character, will appear. Two such potential impediments to growth deserve particular mention : first, the balance of payments, where the present situation should not be allowed to distract attention from the structural weakness of Spanish exports and from the inevitable very rapid rise in imports. And secondly, the problem of prices, especially those of food products, which was highlighted by recent developments. This is linked with the overall agricultural situation. Unless a general re-appraisal of agricultural policies takes place and great efforts are made to help producers shift their production to meet the changing pattern of demand resulting from higher incomes, there will be a constant upward pressure on prices. If this is not at least alleviated, the wage pressures which are bound to emerge with the process of development and the pull of emigration, will receive a powerful impetus and may become unmanageable.

d) Finally, it will considerably stimulate the development process if firms have a reasonable assurance that the Government will do all that is possible to help the economy and demand to grow in an orderly fashion and at a substantial rate.

28. For all these reasons, a well integrated and coherent development plan is a necessity for Spain, and the Spanish authorities are actively engaged in the elaboration of such a Plan for the 1964-67 period. For the elaboration of long-term development policies they have obtained the assistance of a World Bank Mission, which after staying in Spain for several months produced a substantive and comprehensive report¹. The suggestions and ideas contained in this report will no doubt be taken into serious consideration by the Spanish authorities in the drafting of their Plan. Without prejudging the results of the work now going on, it may be useful to stress some of the more general problems facing the Spanish administration in the preparation of a development plan, taking account both of the present state of the economy and of official statements about the general lines of economic policy that the Government intends to follow. The essential

1. The International Bank for Reconstruction and Development. "The Economic Development of Spain" - 1962.

feature of a realistic and operationally meaningful plan for economic development in Spain's circumstances seem to be : *a*) definition of a general orientation for economic policy ; *b*) establishment of realistic and consistent overall targets ; *c*) a programme for public finance ; and *d*) elaboration of a set of integrated policies and measures, designed to influence the activities of the private sector along lines consistent with the general targets of the plan.

29. One of the fundamental choices for general economic policy already made by the Spanish Government in 1959 with the Stabilisation Programme — and reaffirmed since — is the reliance on the price mechanism and the preponderant rôle to be given to market forces. Given the important legacy, in administrative regulations and practice, as well as in business psychology, of different conditions and policies of the past, it would be necessary for this choice to be expressed clearly again, and, even more important, that its very extensive implications for economic policy should be worked out to the fullest degree possible. There are two separate aspects to this general problem. First, there is the universal need to measure alternative costs and benefits for the allocation of resources, which is acutely felt even in the most centralised economic systems. For this purpose, there is no substitute to the "measuring rod of money" in spite of its well-known limitations. The application of this essential first approximation to economic rationality involves a major task of re-appraisal of particular measures and policies, which date from an earlier period in Spain's economic history. The practical impossibility of assessing the real costs of some State enterprises¹, given the complex of cross-subsidies, discriminatory fiscal and tariff exemptions, confidential accounting, guaranteed sales and privileged borrowing ; the fact that the rate of interest is not allowed to play its normal role of measuring capital costs ; the use of extra-budgetary sources for supplementing civil servants' remunerations ; the remaining import quotas on industrial goods which hide the real cost of protection ; these are examples of cases where the functions of the unit of account are thwarted or obscured.

30. The second aspect concerns the rôle of free market forces, which had been restricted to an excessive degree in Spain during the fifties and on which it is the Government's declared intention to rely much more in the future. There is no reasonable doubt that dismantling of the remaining unnecessary restraints on productive activity will favour economic growth, on the indispensable condition, however, that the sanctions of the market are allowed to fall on the inefficient units, particularly in the industrial sector. Therefore, in formulating development policies the Spanish authorities should also make a clear departure from all practices that provide permanent

1. Not all State enterprises enjoy every one of the privileges mentioned here.

shelter to high-cost firms. Indeed the most difficult part of their task in this context is the definition of general lines for State intervention in the working of a free market. The defects of the market mechanism will give rise to corrective Government action of many types. But from the economic point of view, much more important than the extent of intervention which the authorities may deem justified, are the methods chosen to intervene. Experience in Spain and elsewhere has proved the regulation of a modern, technologically advanced and diversified economy by administrative fiat to be ineffective and to produce widespread misuse of resources. The impressive apparatus of detailed direction of industry created in the fifties was supposed to secure national self-sufficiency; in fact, it contributed to a chronic stagnation of exports and to a balance of payments crisis. The recently adopted methods for promoting the efficiency of industrial firms by defining "minimum" size, might also defeat their own purpose. Efficient intervention consists of indirect measures (e.g. fiscal or credit measures for particular sectors); it provides incentives and makes use of the autonomous forces of the economy.

31. Another basic choice made by the Spanish Government is to move towards an "open" economy. Although considerable progress has already been made, the late start made by Spain in this direction because of historical circumstances makes more rapid progress essential now. It is true that the present uncertainty concerning the country's future participation in the movements of economic integration in Europe creates very difficult problems. But it does not affect the basic justifications for this policy: the relatively small size of the domestic market; the favourable long-term outlook for Spanish exports of goods and services, in view of the general trends in the major western countries, which would allow an expansion of low priced imports (the opposite direction of policy has been proved to result in higher costs in terms of resources available per unit of output and to lead to balance of payments difficulties); improved prospects for an inflow of foreign capital under an open economy; the important rôle of foreign companies; and last but not least, the decisive influence of an increasing degree of foreign competition in speeding-up the rationalisation of Spanish production units.

32. In elaborating the Plan, the Spanish authorities will need to establish a macro-economic framework in quantitative terms, which would define the objectives of the Plan in terms of rates of growth (e.g. of G.N.P. and employment) and in terms of an intended structure of national expenditure. Levels of public expenditure (on current and capital account) will have to be projected and the hypotheses concerning external transactions made explicit. The level of investment necessary for achieving the intended growth rate will need to be estimated, and the corresponding limitation to the growth of consumption (and house-building) and incomes will have to be specified. Some

quantitative formulation of the Plan is thus necessary, in order to verify whether the objectives are realistic and compatible, to discover disequilibria which might emerge in the future, and to indicate what additional choices are required. Moreover, there can be no rational programming of public expenditure which is not based on a coherent set of estimates of public receipts which, in turn, imply estimates of national income, private consumption and savings, etc. But, given the considerations outlined above, it would not make sense to fix physical output targets (except in some basic sectors, e.g. electricity and steel), and measures involving direct intervention of the Government on production or investment activities of the private sector outside agriculture ought to be clearly condemned. Planning needs to be considered as a continuous process, and a regular procedure of revision should be established. This is particularly necessary in a developing economy where structural changes are taking place. But in Spain, an additional strong consideration for flexibility of the whole planning set-up is the poor state of statistical information. The development of Spanish economic statistics is very important, not only from the point of view of development policies in general, but because it is a pre-requisite for the rational current management of the economy. As Spanish statistics are gradually improved, thorough revisions of the Plan will become indispensable.

33. A central place in any plan for economic development belongs to the programme for public finance. This is, of course, the area which is most directly under the control of the Government and unless the intentions and the policies concerning public receipts and expenditure are set out as clearly and precisely as possible, the whole exercise will lose much in practical relevance. The 1957 reforms in Spanish public finance laid a foundation for the success of the Stabilisation Programme in 1959. Similarly important decisions will probably be needed now for the adequate preparation and successful application of a development programme. The public sector should make its own contribution to the general objective of increasing the resources freed for productive investment in the economy. This entails limiting the growth of current expenditure in general while promoting current expenditure directly linked to development (e.g. education, agricultural extension services and public health). It also entails an increase of public revenue greater than the automatic increase which will follow from the growth of the national income. Given the present pattern of tax receipts, it is clear that — both for economic and social reasons — the main effort for an increase in public revenue should fall on direct taxation. There is need for an increase in the current budget surplus, because the amount of necessary direct Government investment in general infrastructure will be considerable, and overall public deficits ought to be avoided except in the improbable case of a general slackness of demand. Any excess of the current surplus over necessary public investment could be channelled to finance

private investment through the existing official institutions, if that were considered compatible with global equilibrium. Within this general framework, two types of policy measures have to be considered in the preparation of a development plan. First, measures of fiscal reform (already under study), based on criteria both of equity and of incentives to growth and efficiency ; and second, measures to ensure that public money is put to the best possible use. The latter implies an overhaul of the large number of autonomous institutions handling public money, both for current expenditure and for investment. It also requires a great effort to prevent, in the future, the waste of resources resulting from inadequate economic scrutiny of investment projects, neglect of repairs and maintenance in public investment programmes, and lack of investment complementary to the main projects ; such cases seem to have been rather too frequent in the past.

34. Besides the problems of public sector *stricto sensu*, there are those connected with State-owned productive enterprises, which operate in many branches of industry. It is up to the Government to decide in which sectors, other than public utilities, State-owned concerns should operate, but a clear delineation of this area would contribute to a favourable climate for private business. According to the general lines of policy contained in the decree of November 1962 on "Preliminary Measures for the Development Plan", the scope for future expansion of State-owned enterprises' productive activities seems rather limited. The more urgent and important problem, however, is not the scope but the functioning of State enterprises. There is no economic or social justification for the numerous special privileges (see para. 29) accorded to production units which should normally compete on equal terms in the market. In cases where the abolition of these privileges shows up losses that endanger the existence of the enterprise, it would be preferable to grant special credits for a limited period of time, unless the private sector is prepared to take over. There must certainly be other cases where individual State enterprises would show at least normal profits, even after the abolition of the indirect subsidies and special privileges. If these profits result from an excessive degree of tariff protection, the problem is exactly similar to that existing for private firms in the same situation and the solution is the same — i.e. gradual reduction of the protection ; if not, the State enterprises in question will be shown to perform efficiently their economic function. But one pre-requisite to any such process of rationalisation is the publication of normal balance-sheets for each enterprise owned by the National Institute for Industry — a practice which has not yet been adopted.

35. It has been stated officially that the Spanish Government intends to prepare an "indicative" plan. This implies that the greatest reliance will be placed on indirect measures designed to influence the private sector and some of the justifications for such a realistic approach have been outlined above. In studying the great

range of economic problems and the corresponding appropriate measures of policy, the Spanish administration is faced with the difficult task of coordinating the approach of the various Government departments and of ensuring economic consistency between the various specific decisions. The establishment of overall targets and the definition of general guide-lines for policy should help forward this task. Among the most general problems the official approach to which will have to be defined, there are first those which are, so to speak, the strict logical implications of the decision to seek an acceleration of the rate of growth: notably, how to promote an increased share of investment in G.N.P. and correspondingly a smaller rate of increase in consumption than in the national product; also, how to encourage the most efficient use of available resources and, in particular, of resources devoted to productive investment. Second, there is the group of general problems arising from the particular historical developments of the Spanish economy: for instance, the relative stagnation of exports, of which an excessive proportion is still accounted for by primary products; and the very backward state of a large part of agricultural production. The improvement and reform of the framework of private productive activity is a vast domain for action; an example is the overhaul of the credit arrangements which was started with the Banking Reform Law. An increased degree of freedom for private entrepreneurs, in conditions of high and growing demand, will lead them to bid up for labour, so that wages do not fall too far behind production; on the other hand, the promotion of a sufficient degree of competition and the refusal by the State to shelter the high-cost firms in industry will help to ensure that wage rises do not outstrip productivity gains, thus resulting in inflationary pressures, which would hit the wage-earners hardest. Even in agriculture, where the degree of State intervention is bound to be extensive, such intervention will be much more efficient if it uses the incentives and the mechanisms of the market.

V. CONCLUSIONS

36. The present expanding trend in private investment and in house-building is likely to continue in the near future. The recent price rises for food and other current consumption goods may lend additional support to wage claims. And, given the usual heavy concentration of public expenditure in the late months of the year, its substantial increase foreseen in the 1963 Budget will largely coincide in the coming few months with additional claims on available resources stemming from private demand and with a possible pressure on the level of costs and prices.

37. The Spanish authorities have recently taken some measures which should help in preventing an over-expansion of demand, e.g. the establishment of liquidity ratios for commercial banks and

limitations on some of the more expensive types of house-building. It is essential that additional measures should be taken in the near future with the object of a) increasing the supply of goods on the market at low prices, and b) limiting the growth of other elements of demand, in order to leave the greatest scope compatible with overall equilibrium for the expansion of productive investment. As regards the first objective, the quickest results can be expected from the side of imports. For non-agricultural imports, certain reductions of excessive tariffs would be advisable (following the very modest reductions decided earlier this year) as well as a resumption of the progress towards liberalisation after the slowing-down which has occurred recently. Furthermore, there could be higher imports of certain food products and also changes in existing procedures designed to ensure that their lower cost benefits the consumers. Action by the authorities aiming at stabilising the level of food prices is indeed one of the main weapons at their disposal for moderating the pressure on money wages.

38. With regard to measures affecting demand, it would not seem appropriate to rely exclusively or even predominantly on monetary policy and credit restriction, since such a course would affect expenditure on productive investment more than on current consumption. Nevertheless, credit restraint would be required if the demand for equipment and stocks risked becoming really excessive. There is a clear need for additional measures to dampen the house-building boom, which is already leading to bottle-necks and additional lengthening of the already very long construction periods. And the important increase in budget expenditure could be limited significantly by spreading out, in time, the use of credits for the less urgent and essential types of public investment. The timely application of such measures, on supply and demand, will make sure that there will be no need later on to resort to more brutal correctives, with undesirable effects on the level of investment and of economic activity.

39. The present situation of the economy makes the task of maintaining internal financial stability much easier than in the fundamentally different period preceding the Stabilisation Programme of 1959. Expectations and attitudes of entrepreneurs are now influenced by the experience that inflationary pressures can be brought to an end through Government action; and that competition from imports in the home market is already present and might become more important in the future. But the most conspicuous difference with the past is the existence of sizeable foreign reserves and of a radically improved balance of payments, which, until the most recent period, did not yield any significant overall deficit, despite a substantial increase in the trade deficit. This favourable situation of external accounts provides ample margins for action by the authorities to maintain internal financial equilibrium.

40. In a longer-term perspective, however, the trend of the balance of payments will probably constitute one of the more difficult economic problems of Spain. Economic development and growth will almost certainly lead to a further considerable increase in imports. The expansion of invisible receipts, of emigrants' remittances and of private capital inflows cannot be relied upon to match fully such an increase. Therefore, Spanish exports, which have not shown any tendency to rise in the last two years, would have to increase appreciably in the future ; this applies particularly to exports of manufactures, which still account for a small share of total exports. This objective calls for a series of special measures (e.g. market studies, export credits and guarantees) some of which have already been taken by the authorities. But it also calls for such an orientation of general economic policies as would reduce any exclusive reliance of Spanish industrialists on a protected domestic market. The abolition of quantitative restrictions on non-agricultural imports and the reduction of excessive tariffs would not only contribute to the rationalisation of Spanish industry, but would, at the same time, provide both stimulus and opportunities for the development of Spanish exports. As experience from some other Member countries shows, the move towards an "open" economy presents advantages on both sides.

41. During the period under review, the Spanish authorities have started to draw up an Economic Development Plan for 1964-67. For this work, they have received suggestions and advice from a Mission of the World Bank. In Section IV of the present survey, some of the more general economic problems, which the Spanish administration is most probably examining while preparing the Development Plan, have been outlined. And, without prejudging the results of the work now going on, some suggestions have been advanced about the lines of action which seem to follow from the facts of the present economic situation and from the Government's declarations on general economic policy. It is, of course, not reasonable to expect that concrete solutions to every single economic problem can be found in the course of this exercise. The work of economic planning can only be conceived as a continuous process and can only remain realistic and meaningful if it provides for flexible adjustments to the ever-changing economic situation. But the attainment of a steady and balanced growth of the economy in the coming years will depend to a large extent on the definition of objectives and lines of policy and the choice of concrete measures to be adopted at this stage. All the available evidence indicates that the country's potential for economic development is very substantial, so that, if the appropriate policies are adopted and pursued, the standard of living of the Spanish people should rise considerably in a few years' time.

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STATISTICAL ANNEX

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TABLE I. AGRICULTURAL PRODUCTION

	UNIT OR BASE	1931-1935	1951-1955	1956-1959	1959	1960	1961	1962
1. Index of net total agricultural production ¹ ..	1953-1957=100	—	99.6 ²	105.2	110.1	116.8	118.0	
2. Index of vegetable agricultural production ..	1931-1935=100	100.0	107.2	115.0	124.3	117.0	119.5	
3. Index of livestock production ..	1953-1957=100	—	98.4 ²	104.5	106.7	111.1	121.9	
4. Wheat	thousand metric tons	3,582	4,031	4,568	4,635	3,520	3,430	4,810
5. Rice	"	269	358	384	386	361	393	330
6. Maize	"	666	665	840	959	1,012	1,070	920
7. Potatoes	"	3,890	4,019	4,825	4,588	4,620	4,920	4,080
8. Tomatoes	"	700	816	939	1,105	1,148	1,200	1,270
9. Wine	thousand hectolitres	18,820	18,360	18,912	17,280	21,260	20,500	24,500
10. Beet	thousand metric tons	2,150	2,615	3,038	3,919	3,572	4,420	3,520
11. Cotton	"	4	63	141	190	220	318	337
12. Olive oil	"		362	365	440	464	360	320
13. Oranges	"	1,044	1,178	1,048	1,442	1,399	1,700	1,030
14. Meat	"	283 ³	400	481	516	572	651	671
15. Milk	thousand hectolitres	..	3,012	3,212	3,071	3,185	3,440	3,500
16. Fish ⁴	thousand metric tons	355 ⁵	584	708	751	770	805	783

1. For human consumption.
2. 1953-1955.
3. 1939.
4. Landings.
5. 1931-1934.

Sources: "Anuario de Estadística" and information supplied by the Spanish Authorities.

TABLE II. MINING AND MANUFACTURING PRODUCTION

	UNIT	1928	1931-1935	1941-1945	1958	1959	1960	1961	1962 ¹
1. Soft coal	million metric tons	6.7	6.6	8.4	13.3	10.9	11.3	11.2	10.2
2. Anthracite .....	"	..	..	1.4	3.1	2.6	2.5	2.6	3.6
3. Iron ore	"	2.7 ²	1.1 ²	2.1	5.0	4.8	4.9	6.1	5.8
4. Pyrites	"	3.6	2.2	0.4	2.0	2.0	2.1	2.2	2.1
5. Electrical power	billion kWh	2.4	2.9	4.4	16.4	17.4	18.6	20.8	22.9
6. Cast iron and ferro-alloys	thousand metric tons	563	367	550	1,344	1,704	1,949	2,200	2,140
7. Steel	"	777	585	606	1,651	1,823	1,911	2,330	2,310
8. Copper	"	28	17	18	30	35	38	44	47
9. Lead	"	131	89	38	70	68	71	77.2	72
10. Aluminium	"	1	1	1	16	21	30	33	45
11. Sulphuric acid ³	"	179	158	149	1,072	1,161	1,117	1,023	1,079
12. Cement	"	1,543	1,456	1,771	4,817	5,220	5,224	6,108	6,750
13. Cotton yarn .....	"	..	..	62	76	72	80	93	85.9
14. Cotton fabrics .....	"	..	..	47	54	56	60	73.6	..
15. Woollen yarn .....	"	..	..	15	14	12	12	16	15.5
16. Woollen fabrics .....	"	..	..	..	6.5	5.3	5.0	..	..
17. Rayon fibre	"	0.5	2	6	16	14	15	17	17.5
18. Bicycles	in thousands	..	..	100	186	161	162	184	204
19. Motorcycles .....	"	..	..	..	153	108	84	100	92
20. Motor cars .....	"	..	..	..	33	38	39	51	61
21. Tractors .....	"	..	..	..	1.4	3.1	9.1	10.3	8.1
22. Merchant shipping ⁴	thousand metric tons	12	20	17	145	112	158	143	142

1. Provisional figures.
2. Metal content.
3. Not including output of superphosphates factories.
4. Tonnage launched.

Sources: Ministry for Industry and Anuario Estadístico.

TABLE III. MONEY AND CREDIT

In billion pesetas.

	1960	1961				1962				1963	
	4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	APRIL-MAY
I. MONEY AND QUASI-MONEY (end of period).											
1. Note circulation	75.0	74.2	75.5	80.6	83.9	83.1	86.5	93.2	98.0	98.0	97.7 ¹
2. Sight deposits	128.7	124.5	127.6	133.4	148.6	144.7	151.4	159.3	177.6	173.3	175.8 ¹
3. Money supply (1 + 2)	203.7	198.7	203.1	214.0	232.5	227.8	237.9	252.5	275.6	271.3	273.5 ¹
4. Time deposits with the commercial banks ..	111.3	117.9	122.5	127.1	134.9	144.1	149.6	156.1	164.9	173.3	174.4 ¹
5. Time deposits with the savings banks	74.0	77.4	79.5	84.1	99.5	94.3	97.3	103.6	110.2	116.1	117.6 ¹
II. CREDIT (end of period unless otherwise specified).											
1. Advances by the Bank of Spain to the public sector :											
a) Central Government	17.4	12.6	8.0	6.4	13.9	8.8	3.6	4.5	12.7	8.0	6.7
b) International Institutions	2.8	2.8	3.7	3.7	3.8	4.8	4.8	4.8	5.1	5.1	5.1
2. Advances by the Bank of Spain to the S.N.T.	4.5	2.9	2.9	5.7	4.8	3.8	2.1	7.1	7.2	6.6	4.9
3. Issues of public securities (net increase during the period indicated)	3.1	5.3	2.1	2.3	5.0	0.5	2.0	1.3	2.6	1.7	0.1
4. Advances by the banking system (Bank of Spain and commercial banks) to the private sector	179.4	186.9	190.9	204.2	220.6	230.3	244.7	257.9	280.9	292.9	299.5 ¹
5. Re-discount by the commercial banks with the Bank of Spain	3.7	3.0	3.3	2.9	3.4	3.0	3.9	4.8	5.0	6.2	8.6
6. Portfolio of commercial banks :											
a) Government securities	61.0	61.3	61.3	61.3	61.0	60.3	60.0	59.6	58.9	58.9	58.9 ¹
b) Private securities	20.7	21.0	21.3	21.7	21.7	22.0	22.5	22.7	22.7	26.6	22.6 ¹
III. OTHER FINANCIAL STATISTICS.											
1. Government securities used as collateral to obtain loans from the Bank of Spain (end of period)	40.2	39.2	37.5	40.2	42.6	40.5	41.0	47.5	46.6	45.3	45.4 ¹
of which :											
Credits actually used	14.6	16.3	20.2	19.4	16.3	14.6	118.7	15.2	18.5	12.3	15.9 ¹
2. Issues of private securities (net increase during the period indicated)	6.8	4.0	7.3	3.1	6.1	3.9	7.1	4.4	8.9	8.4	5.2
3. Cash ratio of commercial banks (per cent) ..	3.0	2.3	2.5	2.3	3.4	2.3	2.4	2.4	3.2	2.1	2.4 ¹
4. Cash + "disponible" ratio of commercial banks	11.0	9.3	7.9	9.0	11.0	9.7	8.0	9.6	9.3	9.3	8.5 ¹
5. Liquidity ratio of commercial banks (per cent ²)	22.0	20.9	19.1	18.1	18.7	17.8	16.0	16.1	14.7	14.7	13.0 ¹
6. Re-discount rate (per cent)	4.6	4.6	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
7. Share price index (1958=100)	89.8	91.9	92.8	104.8	102.8	107.4	100.8	106.0	105.7	108.0	107.6
8. Public bonds price index (1958=100)	102.0	104.0	103.2	107.7	107.4	107.4	106.5	107.0	109.7	111.2	110.2
9. Private bonds price index (1958=100)	110.0	115.1	116.4	119.0	122.1	126.3	122.6	126.9	129.1	128.7	128.7

1. April only.

2. Approximate estimates by the O.E.C.D. Secretariat.

Source : Bank of Spain.

TABLE IV. FOREIGN TRADE

In million dollars.

	1958	1959		1960		1961		1962		1962	1963
	2ND HALF	1ST HALF	2ND HALF	1ST HALF	2ND HALF	1ST HALF	2ND HALF	1ST HALF	2ND HALF	JAN.- APR.	JAN.- APR.
1. Imports c.i.f.	461	410	384	343	378	498	594	715	855	464	612
2. Exports f.o.b.	216	234	262	374	352	375	335	389	345	279	221
3. Balance (2-1)	- 245	- 176	- 122	+ 31	- 26	- 123	- 239	- 326	- 510	- 185	- 391

Source: "Estadística del Comercio Exterior de España." Dirección General de Aduanas.

TABLE V. OFFICIAL GOLD AND FOREIGN EXCHANGE HOLDINGS

In million dollars.

	1958	1959		1960		1961		1962		1963
	DEC.	JUNE	DEC.	JUNE	DEC.	JUNE	DEC.	JUNE	DEC.	MAY
1. Gold and convertible currencies	65	63	199	405	541	661	863	967	1,007	980
2. Bilateral accounts, including non-convertible bank-notes ..	- 31	- 31	18	37	49	31	6	25	22	22
3. I.M.F. drawings	-	-	50	50	50	-	-	-	-	-
4. E.M.A. drawings	-	-	24	24	24	-	-	-	-	-
5. Other short-term liabilities (including American banks and funded multilateral debts)	- 32	- 36	- 35	- 30	- 16	- 5	- 3	-	-	-
6. Net official reserves	2	- 4	108	348	500	687	866	992	1,030	1,012

Source: I.E.M.E. and Bank of Spain.

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